

Volvo Group

A close-up, low-angle shot of a Volvo car's front end. The focus is on the headlight, which features a distinctive hexagonal shape with a grid of LED lights. The car's body panels, including the side mirror and door, are visible, showing a metallic finish. The background is a blurred, bright outdoor scene, likely a road or a field.

Second quarter 2014

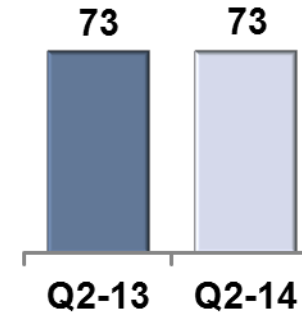
OLOF PERSSON, CEO

VOLVO GROUP

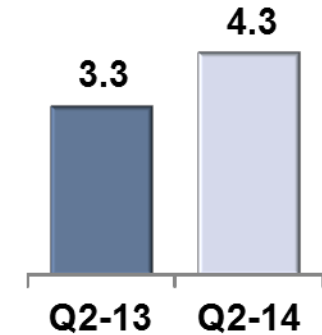
Mature markets growing – growth markets declining

- Low activity in developing economies in parts of Asia and South America – BRIC down 21%
- Solid development in mature markets like North America, Europe and Japan
- Considerable negative impact on earnings from lower volumes in China (CE) and Brazil (Trucks)
- Positive price realization on the new product offering

NET SALES SEK bn



OPERATING INCOME* SEK bn



TRUCK ORDERS & DELIVERIES

Units, orders down 6% and deliveries up 2% compared with Q2 2013 – book to bill: 100%



TRUCKS EUROPE

Improving order intake in the latter part of the quarter

- Gradual improvement in demand, orders up by 16% compared with Q1
 - Strong markets in Germany, UK and Spain
 - Weak development in France and Russia
- Good reception of the new product ranges with good pricing
- Market shares for Volvo improved to 17.7% (15.3%) Renault Trucks market shares reached 8.4% (9.0%)

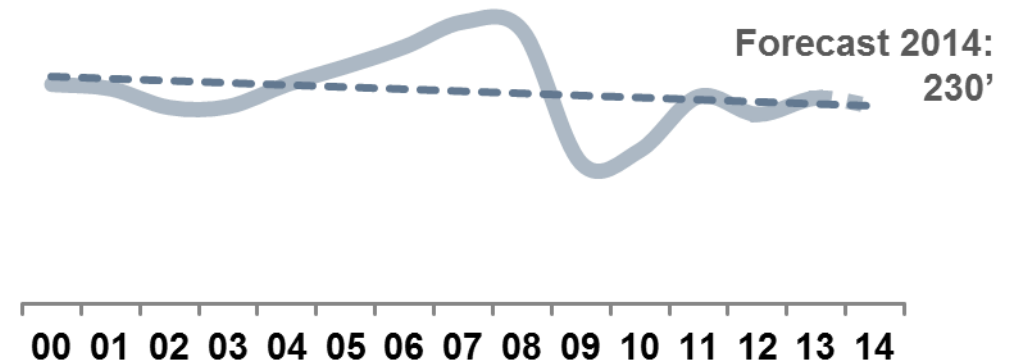
ORDERS & DELIVERIES

Book to bill: Q2 118%



TOTAL MARKET

2013: 240' trucks



TRUCKS NORTH AMERICA

Good momentum in US truck demand

- Good freight environment – customers gradually moving from replacement to expansion
- Low book-to-bill ratio in Q2 but good order book from earlier quarters
- Moderate production increase at the end of the quarter at the Macungie and New River Valley plants
- Mack market shares improved to 7.7% (7.2%), Volvo improved to 12.5% (9.9%)

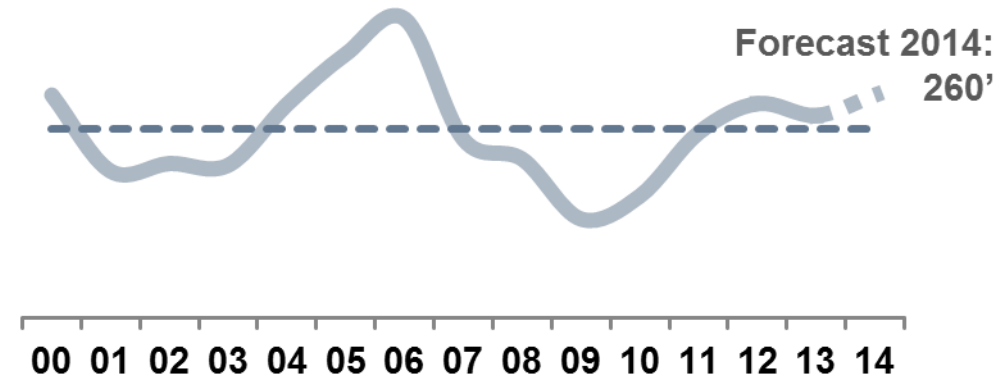
ORDERS & DELIVERIES

Book to bill: Q2 86%



TOTAL MARKET

2013: 236' trucks



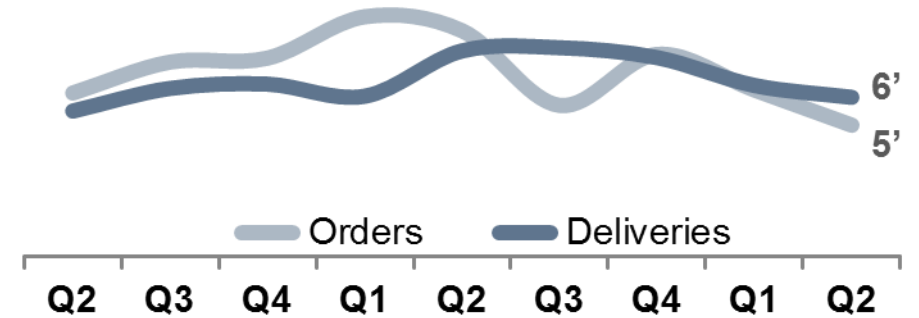
TRUCKS SOUTH AMERICA

A re-balancing quarter to meet lower demand

- Orders in Brazil down by 27% vs Q1, production cut in Q2
- Positive price realization but not enough to offset high cost inflation
- Inventories, including dealers', successfully reduced to match current demand
- Continued strong commercial performance
 - dealers continue to invest
 - improved market shares in Brazil 21.4% (19.1%)

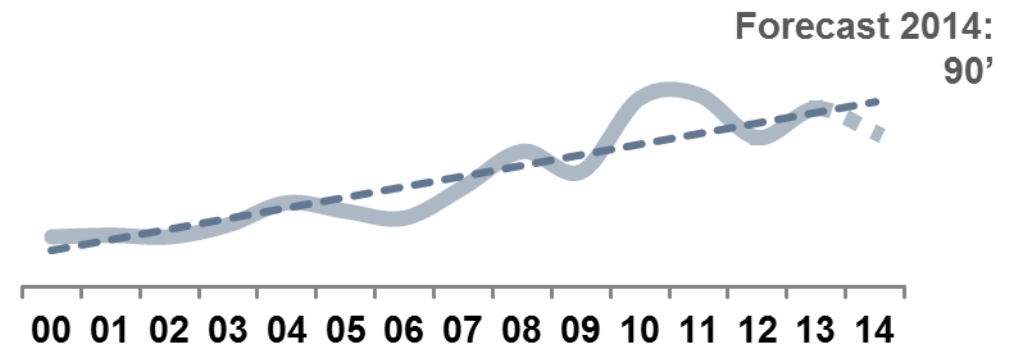
ORDERS & DELIVERIES

Book to bill: Q2 83%



TOTAL MARKET, BRAZIL

2013: 104' trucks



TRUCKS ASIA

Strong market in Japan

Japan

- Continued strong demand – total HD/MD market up by 27%
- HD market share improved to 19.6% (18.6%)
- UD Quon facelift launched, 4-5% lower fuel consumption

Asia

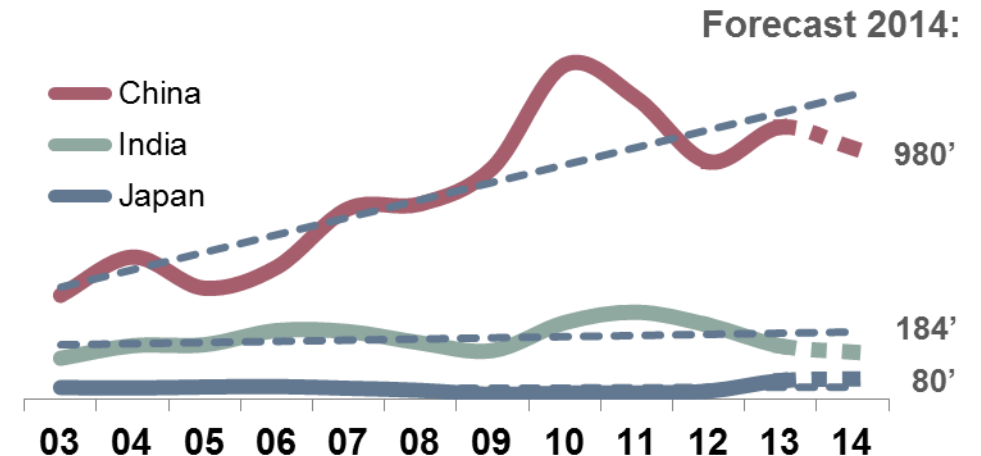
- Mining remains slow
- Positive reception of the new Volvo range

ORDERS & DELIVERIES*

Book to bill: Q2 102%



MARKET OUTLOOK MD & HD



VOLVO CONSTRUCTION EQUIPMENT

Considerable decline in China

- Total market in China in rapid decline, our deliveries declined by 32% in Q2 – revised outlook
- Maintained number 1 position in China
- Market growth in North America and Europe
- Weak development in emerging markets driven by low mining activity

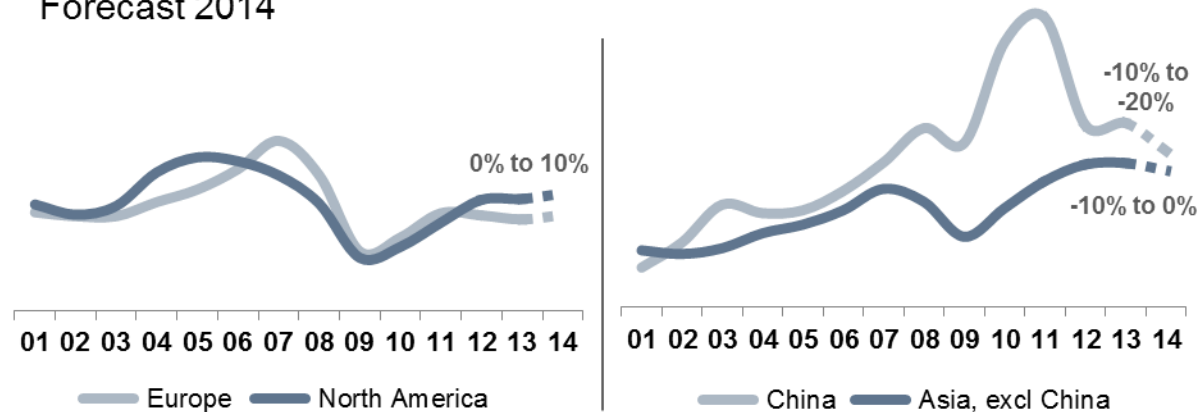
ORDERS & DELIVERIES

Book to bill: Q2 88%



TOTAL MARKET

Forecast 2014



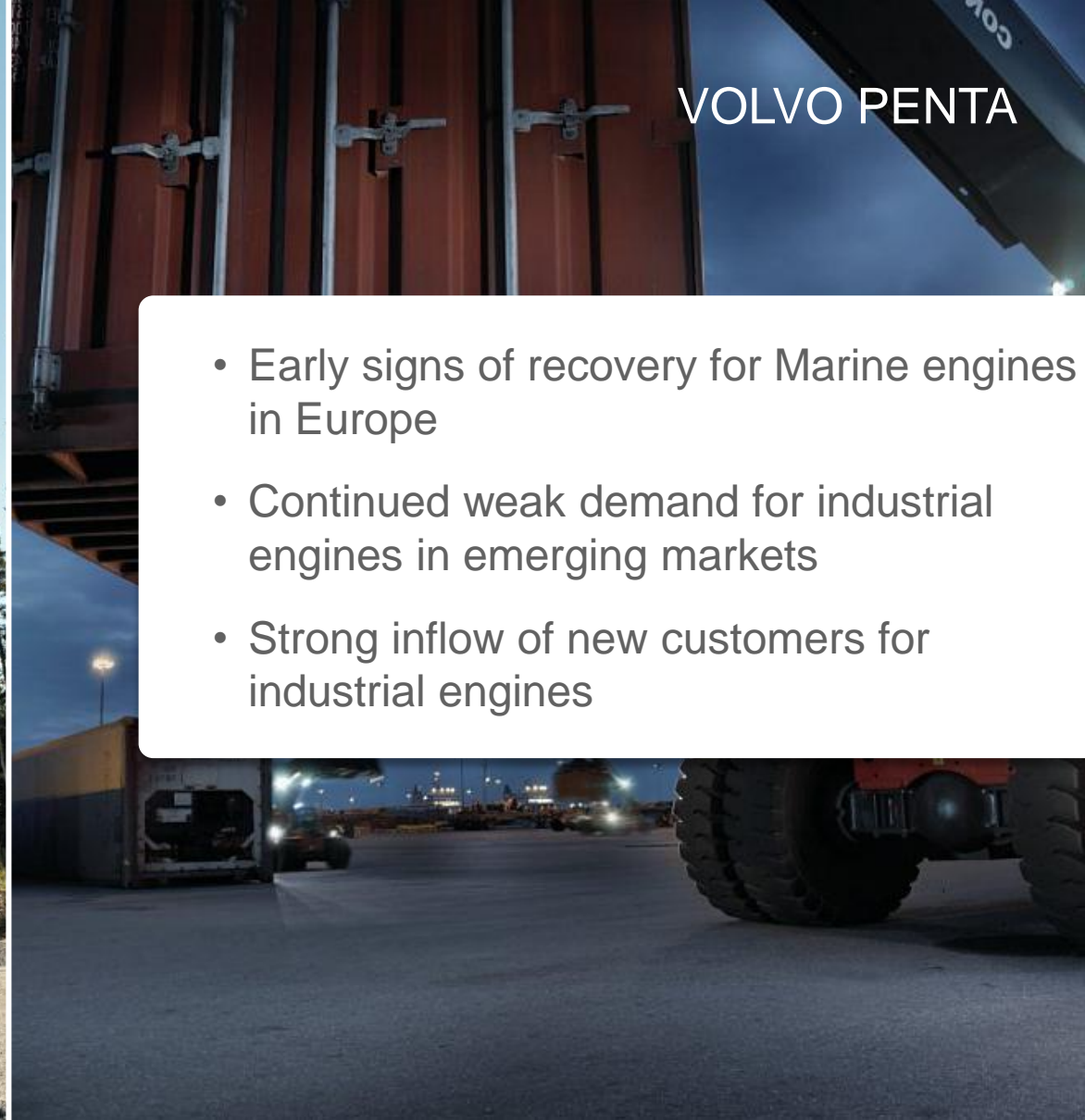
BUSES

- Slow market recovery from low levels - order intake up by 3%
- Deliveries increased by 7%
- Increasing demand for hybrid and electric-hybrid buses



VOLVO PENTA

- Early signs of recovery for Marine engines in Europe
- Continued weak demand for industrial engines in emerging markets
- Strong inflow of new customers for industrial engines

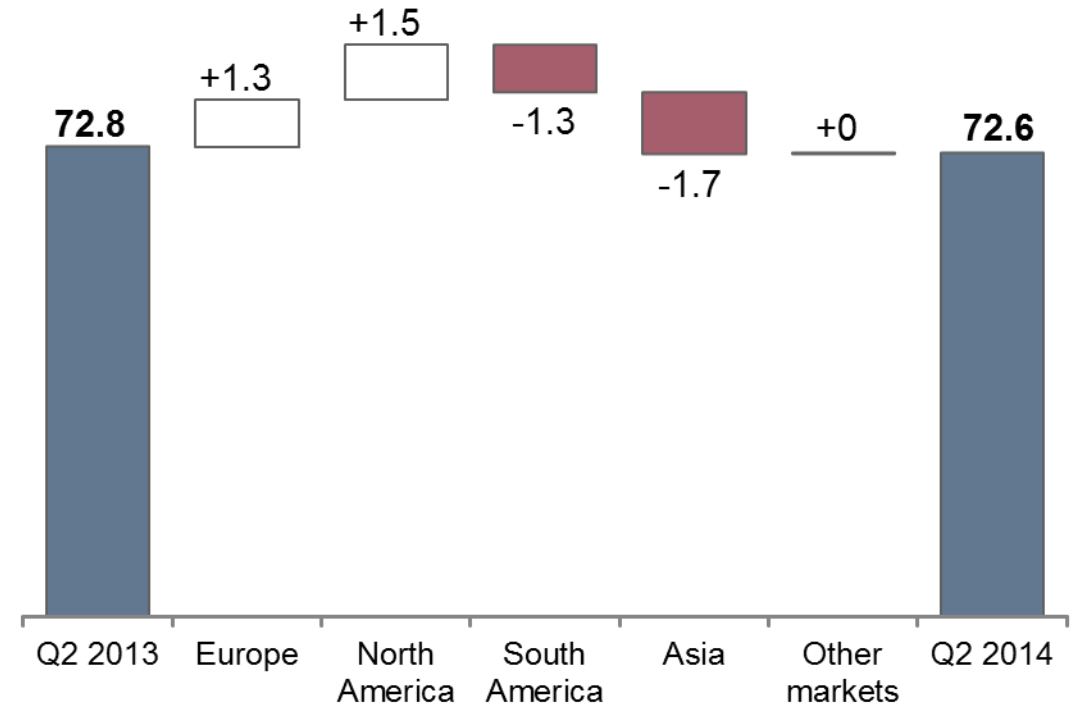


VOLVO GROUP

Growth in Europe and North America offset by decline in South America and Asia



NET SALES
SEK bn



Volvo Group

Second quarter 2014

JAN GURANDER, CFO



Improvements in Trucks not enough to offset low earnings in Volvo CE

- + Trucks
- + Buses
- + Corporate & other
 - Divestment of real estate 815 M
 - Volvo Rents 226 M

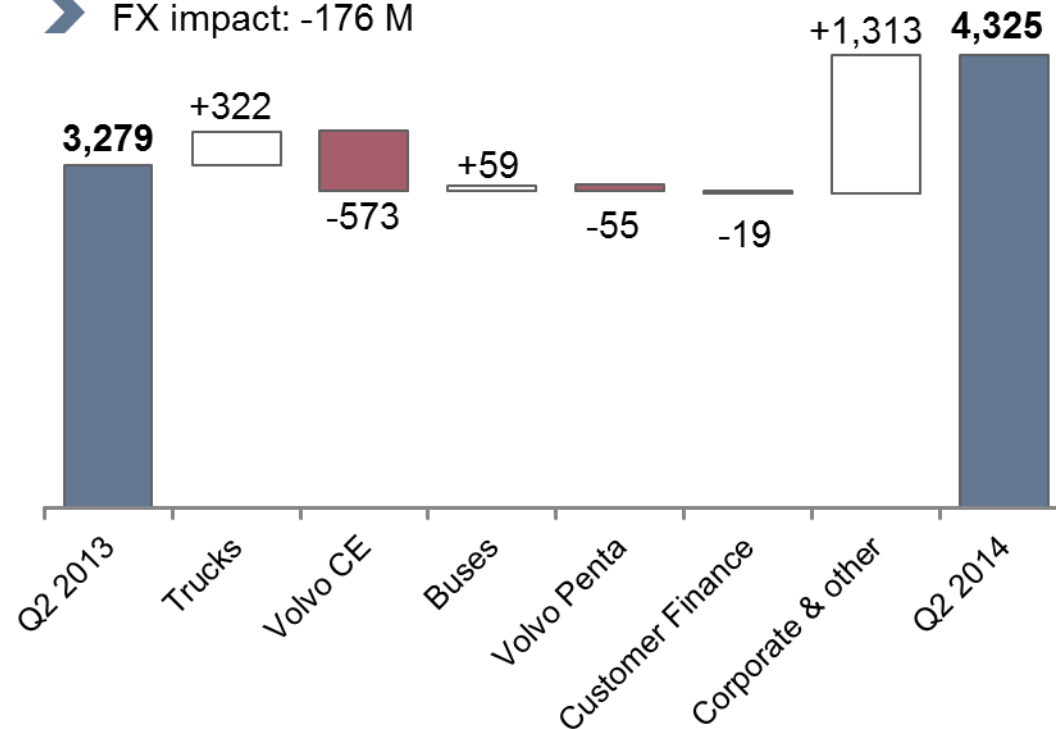
- Volvo CE
- Volvo Penta
- Customer Finance

OPERATING INCOME*

SEK M

➤ Net sales flat vs 2013

➤ FX impact: -176 M



Price realization on new truck ranges offset by negative market mix

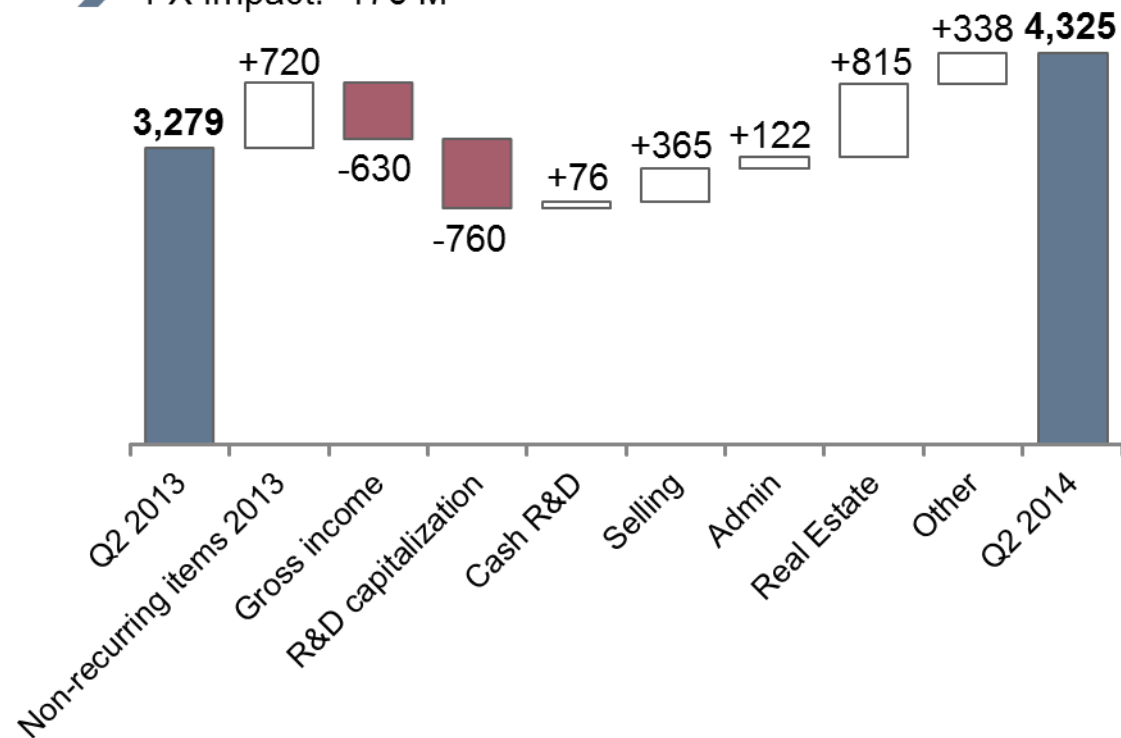
- + Price realization on new truck ranges
- + Lower selling expenses
- + Lower R&D spending
- + Lower warranty costs
- + Real estate divestment

- Negative market mix
 - China for Volvo CE
 - Brazil for Trucks
- Reduced R&D capitalization

OPERATING INCOME*

SEK M

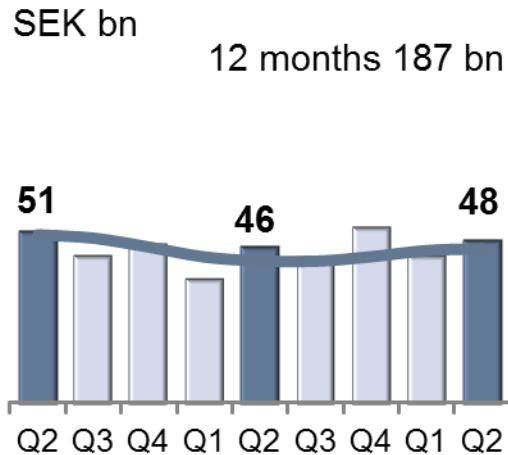
- Net sales flat vs 2013
- FX impact: -176 M



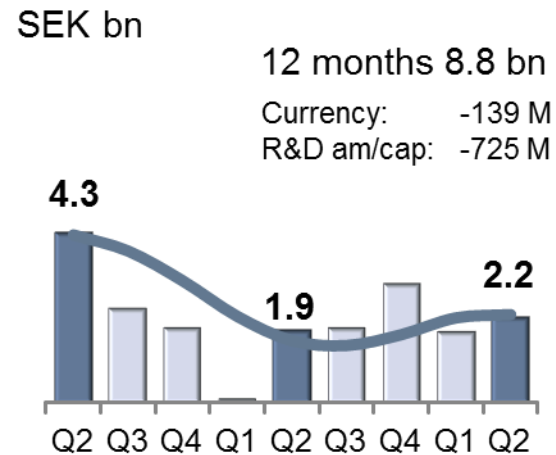
TRUCKS

Sales growth in the US and Japan partly offset by decline in South America

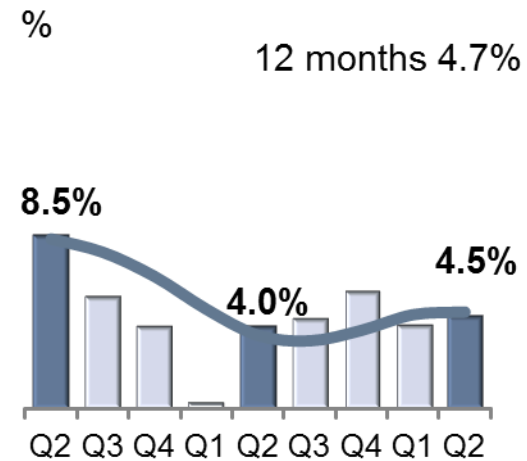
SALES TREND



OPERATING INCOME*



OPERATING MARGIN*



TRUCKS

Price realization partly offset by negative development in Brazil

OPERATING INCOME*
SEK M

1,851



Q2 2013

- + Price realization on new ranges
 - + Lower warranty costs 900 M
 - + Real estate divestment 64 M
- 964 M

- Lower volumes in Brazil
 - Reduced R&D capitalization 725 M
 - Negative currency effect 139 M
 - Divestment of Japanese entity 2013 99 M
- 963 M

OPERATING INCOME*
SEK M

2,173



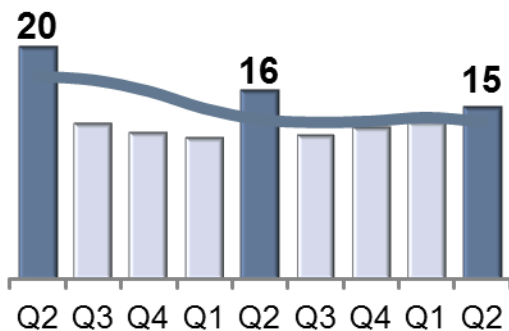
Q2 2014

VOLVO CE

Low sales volumes due to considerable decline in China

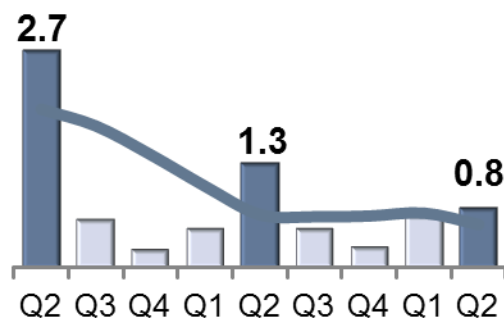
SALES TREND

SEK bn
12 months 53 bn



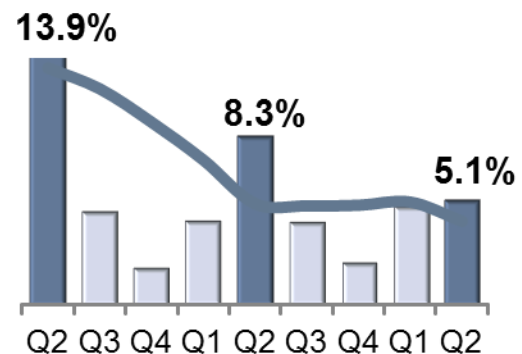
OPERATING INCOME*

SEK bn
12 months 2.2 bn
Currency: -208 M



OPERATING MARGIN*

%
12 months 4.1%

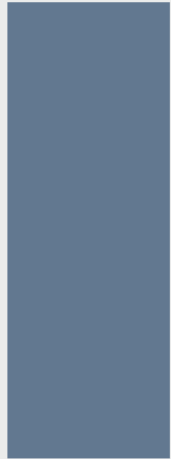


VOLVO CE

Weak second quarter earnings

OPERATING INCOME*
SEK M

1,324



Q2 2013

OPERATING INCOME*
SEK M

751



Q2 2014

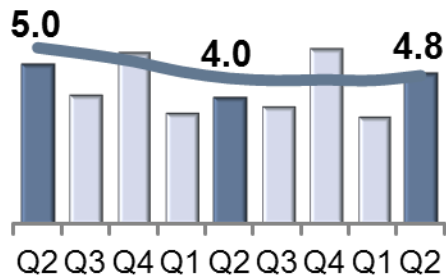
- Lower volumes – units down by 18%
- Considerable decline in China
- Low capacity utilization
- Negative currency effect, 208 M

BUSES



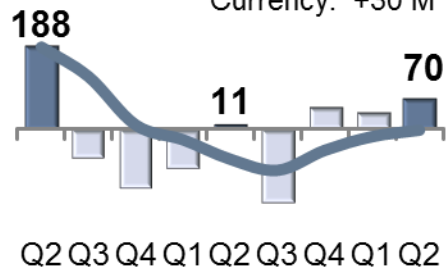
SALES TREND

SEK bn 12 months 17 bn



OPERATING INCOME*

SEK M 12 months -8 M
Currency: +30 M

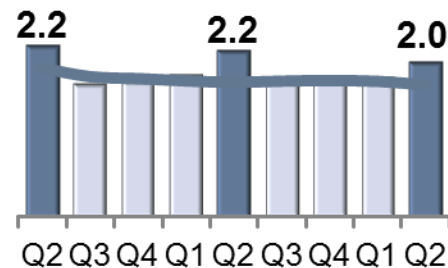


VOLVO PENTA



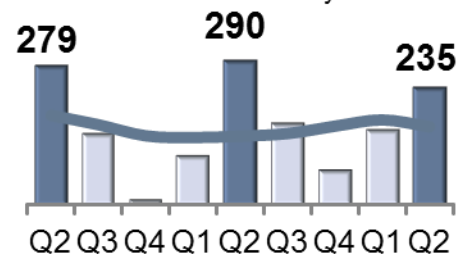
SALES TREND

SEK bn 12 months 7 bn



OPERATING INCOME*

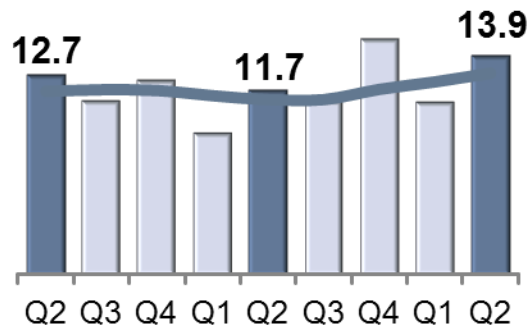
SEK M 12 months 623 M
Currency: +31 M



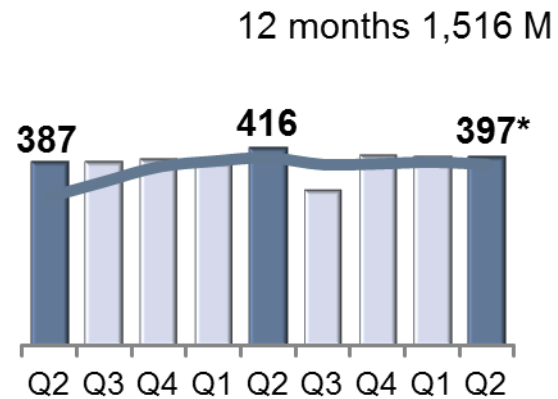
CUSTOMER FINANCE

Strong new business volume

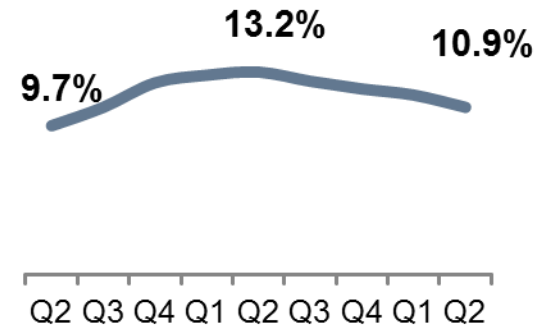
NEW FINANCING
SEK bn



OPERATING INCOME
SEK M



ROE
12 months, %



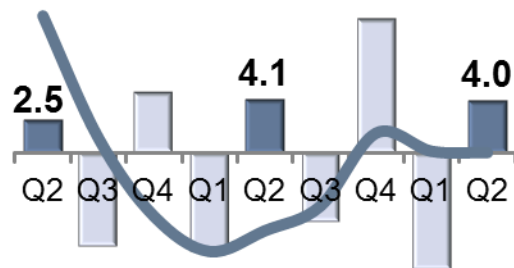
VOLVO GROUP

Reduced investments following product renewal

OPERATING CASH FLOW*

SEK bn,

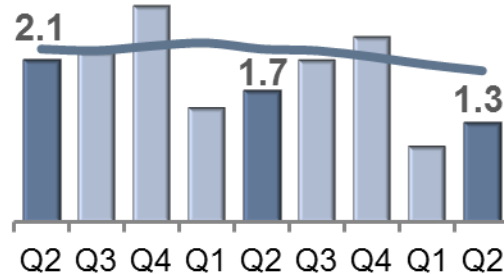
12-months SEK 0.0 bn



INVESTMENTS IN PPE*

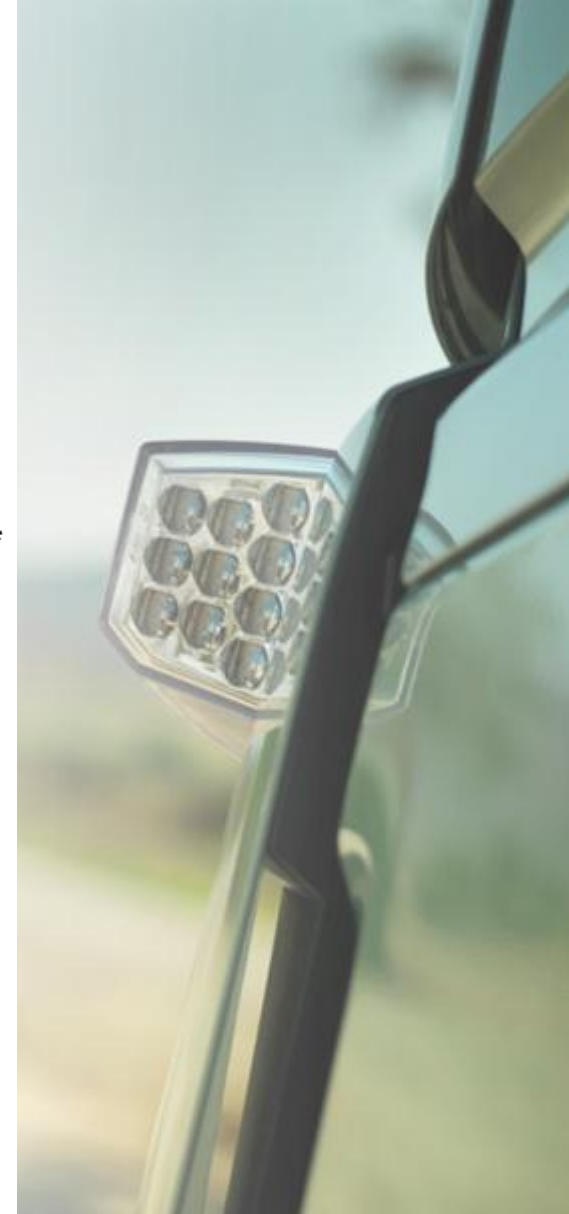
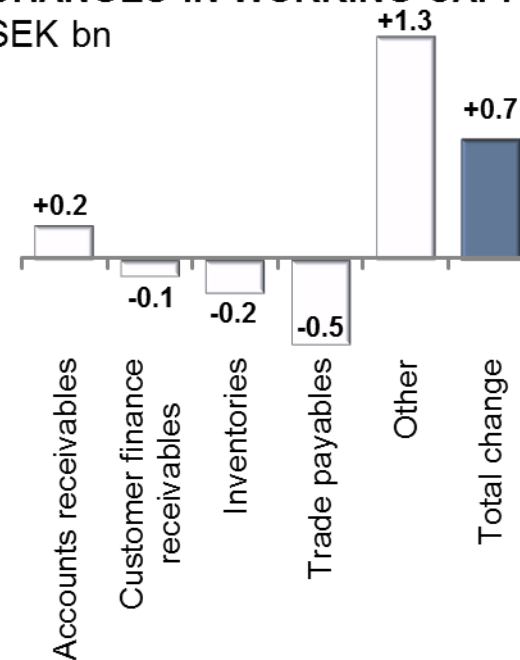
SEK bn,

12-months SEK 6.8 bn



CASH-FLOW EFFECT FROM CHANGES IN WORKING CAPITAL*

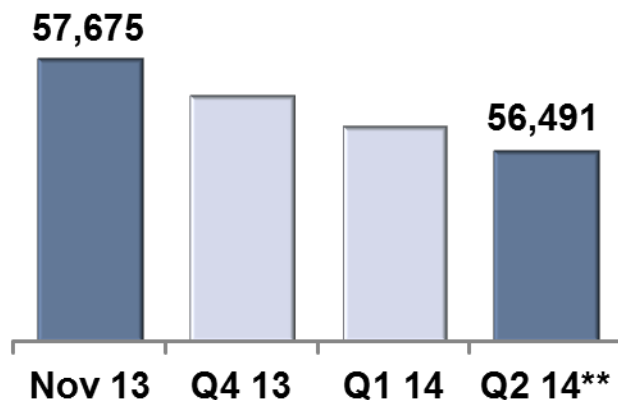
SEK bn



VOLVO GROUP

Reduction of white-collar employees and consultants according to plan

WHITE COLLAR EMPLOYEES & CONSULTANTS* Q2 2014



- Reduction of 4,400 to be implemented mainly in 2014
- 1,184 net white collar reduction achieved group wide up until Q2 2014
- Voluntary leave program in Sweden finalized with target achieved, 530 regulars leaving end of Q3 2014
- Voluntary leave program in France and Japan progressing according to plan

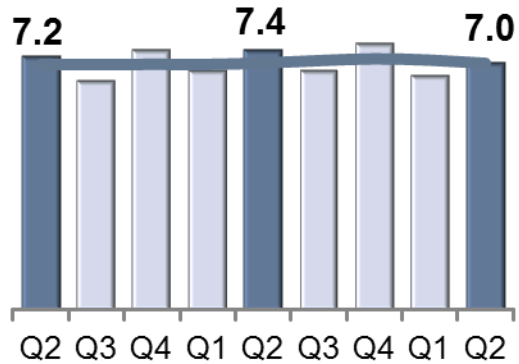


VOLVO GROUP

Increased focus to reduce operating expenses

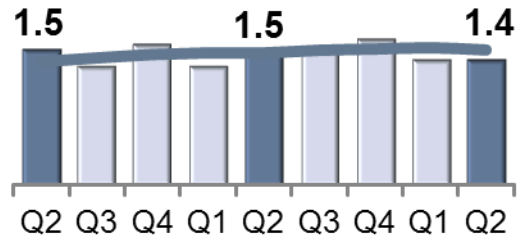
SELLING EXPENSES

SEK bn, 12-months 28.0 bn



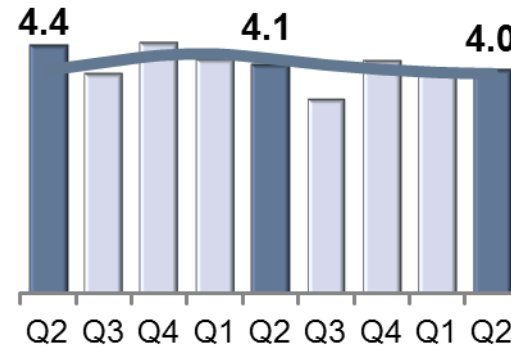
ADMIN EXPENSES

SEK bn, 12-months 5.8 bn



CASH R&D EXPENSES

SEK bn, % 12-months 15.6 bn



STRATEGIC PROGRAM 2013-2015

Status Q2 2014

18
months to go

ACTIVITIES NOW START TO SHOW RESULTS, QUARTERLY EFFECT

	Q1 2014	Q2 2014
Cash R&D reduction	- 213 M	- 76 M
Selling cost reduction	- 143 M	- 365 M
Admin cost reduction	+ 75 M	- 122 M
IS/IT cost reduction	- 100 M	- 276 M
White collar employee reduction (accumulated)	- 862 employees	- 1,184 employees

ACTIVITIES ACCORDING TO PLAN IN Q2

- ✓ Voluntary leave program completed in Sweden
- ✓ One assembly line for medium-duty trucks closed in Ghent – assembly of all MD trucks in Europe concentrated to one site
- ✓ Price realization on new ranges

INCREASED FOCUS GOING FORWARD

- ✓ Reduce selling expenses
- ✓ Reduction of white collar employees and consultants in France and Japan
- ✓ Reduce R&D activity

PROGRAM EXECUTED AS PLANNED

Second quarter summary

NEGATIVE FACTORS

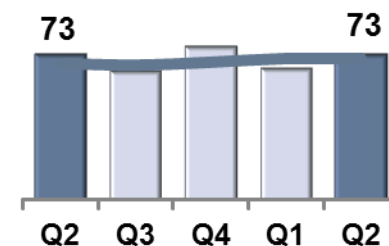
- Sales decline for Construction Equipment in China
- Sales decline for Trucks in Brazil
- Low capacity utilization in parts of our industrial system
- Continued high costs for R&D due to reduced capitalization

POSITIVE FACTORS

- Cost savings through the efficiency program
- Strong market in North America and Japan
- Increased order intake for Trucks in Europe in the latter part of the quarter
- Positive prize realization on new ranges
- Increased market shares for Trucks in Europe, North America, Brazil and Japan

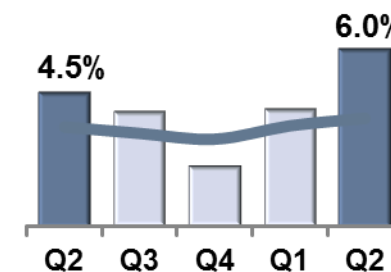
NET SALES

SEK bn 12 months 280 bn



OPERATING MARGIN*

SEK m 12 months 3.9%



* Excluding restructuring charges