

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 landscape with green hills and a clear sky, suggesting a bright, sunny day.

Fourth quarter 2014

OLOF PERSSON, CEO

VOLVO GROUP

Fourth quarter summary

POSITIVE FACTORS

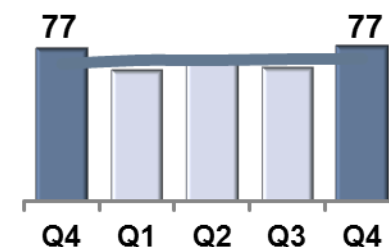
- Trucks
 - Improved underlying profitability on lower volumes
- Restructuring on plan – traction in cost savings
- Good cash flow and strengthened balance sheet

NEGATIVE FACTORS

- Volvo CE
 - Lower volumes, -30%
 - Low capacity utilization
 - Provisions for expected credit losses in China

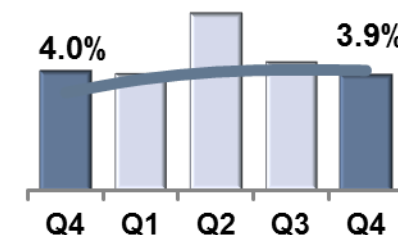
NET SALES

SEK bn Full year 283 bn



OPERATING MARGIN*

% Full year 4.5%



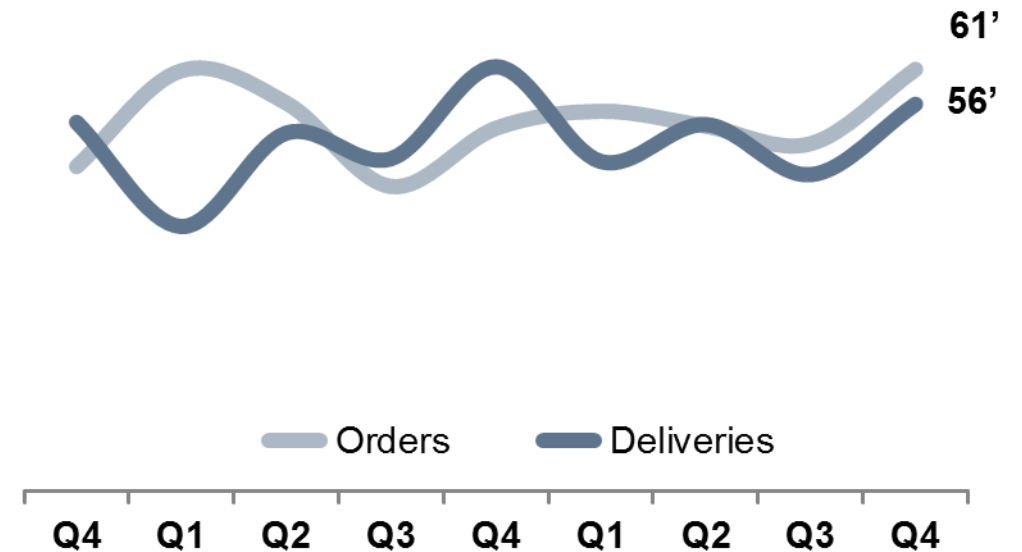
* Excluding restructuring charges, write-down of Volvo Rents in 2013, EU anti-trust provision and credit provision in China in 2014

TRUCKS

Improved momentum in truck orders and deliveries

- Orders increased by 16%
- Deliveries declined by 9%
- Book-to-bill 109%

TRUCK ORDERS & DELIVERIES



TRUCKS EUROPE

Slightly improved momentum in Europe

- Total truck market declined by 5% in 2014,
- Market shares 2014:
 - Volvo 16.6% (+0.3)
 - Renault Trucks 7.8% (-0.2)
- Net order intake improved by 49% in Q4
 - Renault Trucks +70%
 - Volvo +35%
- Introducing the world's first heavy-duty dual-clutch transmission

ORDERS & DELIVERIES

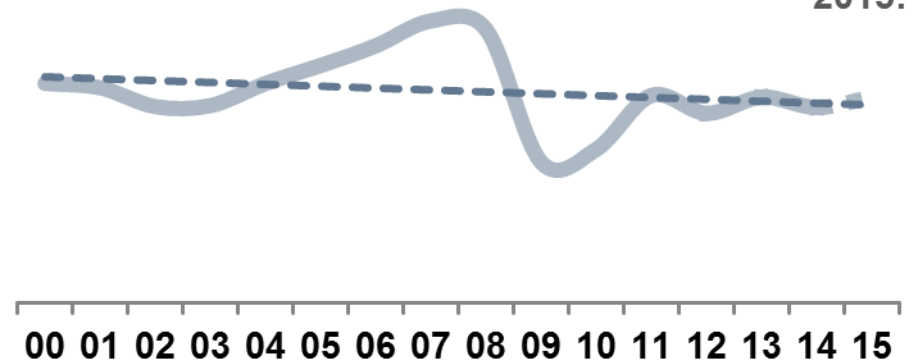
Book to bill Q4: 103%



TOTAL MARKET (heavy-duty)

2014: 228' trucks

Forecast:
2015: 240'



TRUCKS NORTH AMERICA

Taking share in a strong market

- Total market improved by 14% in 2014
- Market shares 2014:
 - Mack 8.2% (+0.3)
 - Volvo 11.9% (+1.0)
- Net order intake improved by 48% in Q4
 - Mack +122%
 - Volvo +10%
- Introducing mDrive transmission as standard on vocational range

ORDERS & DELIVERIES

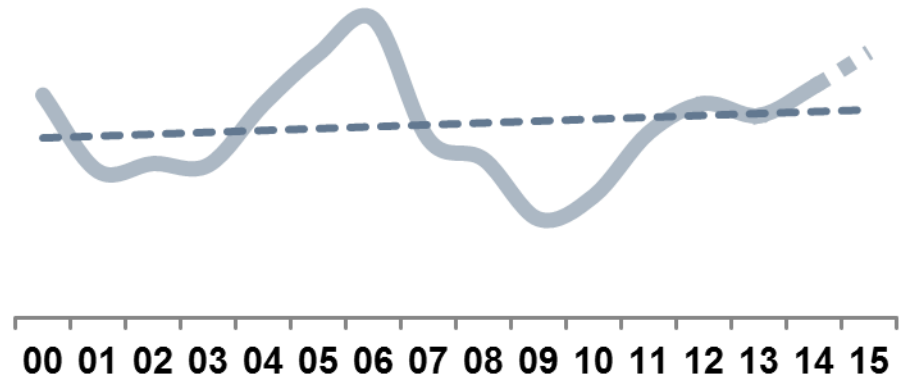
Book to bill Q4: 157%



TOTAL MARKET (heavy-duty)

2014: 270' trucks

Forecast:
2015: 310'



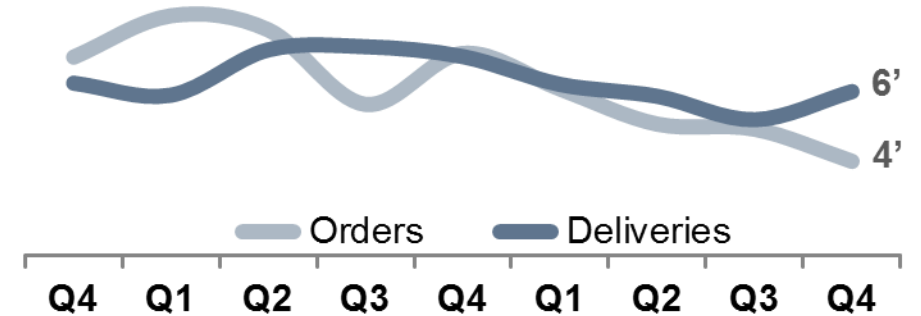
TRUCKS SOUTH AMERICA

Low GDP growth and decreased business confidence

- Total heavy-duty truck market in Brazil declined by 11% in 2014
- Volvo's market share in Brazil improved to 21.3% (+1.3) in 2014
- Less favorable terms and conditions in the financing program, FINAME, for 2015
- Net order intake declined by 53% in Q4
- Tough start in 2015 – margin pressure and production change-over to the new Volvo range in Q1

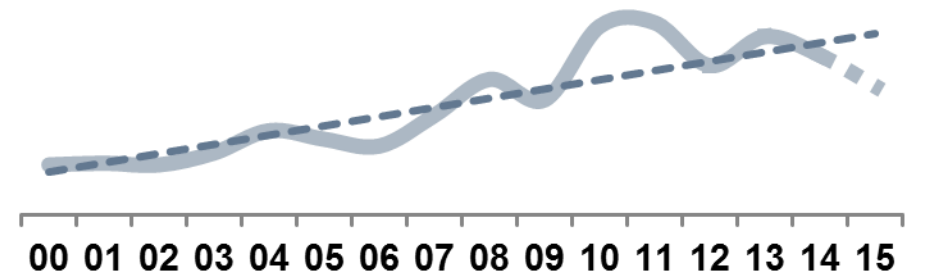
ORDERS & DELIVERIES

Book to bill Q4: 58%



TOTAL MARKET, BRAZIL heavy-duty
2014: 93' trucks

Forecast:
2015: 75'



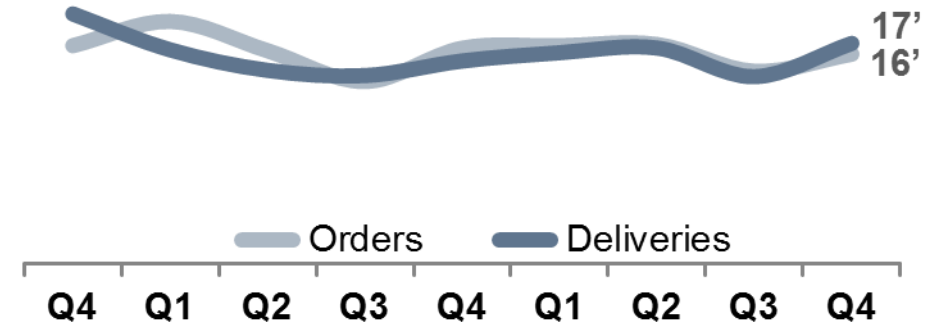
TRUCKS ASIA PACIFIC

Mixed market development

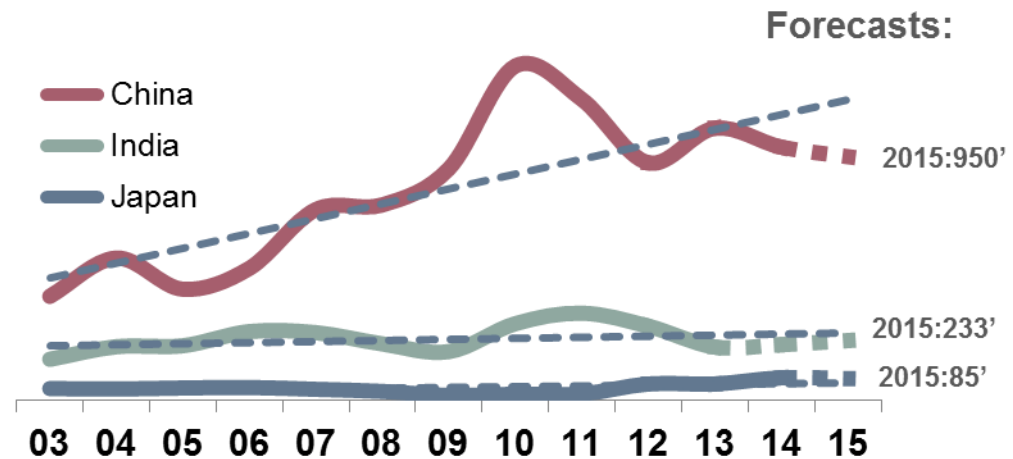
- Demand in Japan supported by infrastructure investments
- UD Trucks', HD market share in Japan improved to 18.8% (+0.1%) in 2014
- China: CN4 pre-buy effect fading
- Recovering demand in India
- Dongfeng JV established in January 2015

ORDERS & DELIVERIES*

Book to bill Q4: 95%



MARKET OUTLOOK medium- & heavy-duty



VOLVO CONSTRUCTION EQUIPMENT

Continued headwind in BRIC markets

- Order intake down 33% in Q4 driven by China and Russia
- Volumes down by 50% in BRIC - capacity utilization 21%
- Total deliveries down 30% in Q4
- Controlling pipeline inventory – low capacity utilization in Q4 and Q1
- Good progress in restructuring activities

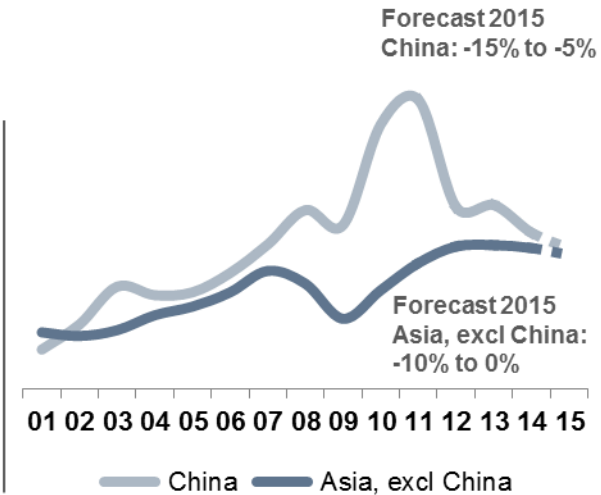
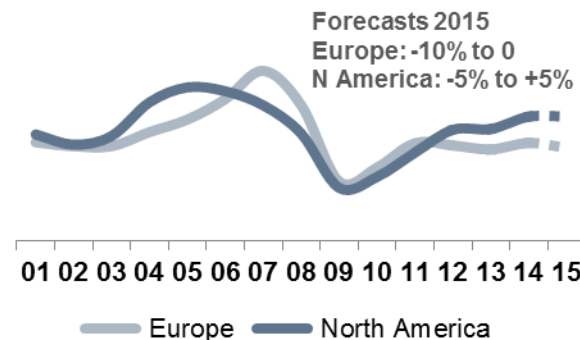
ORDERS & DELIVERIES

Book to bill Volvo Q4: 100%

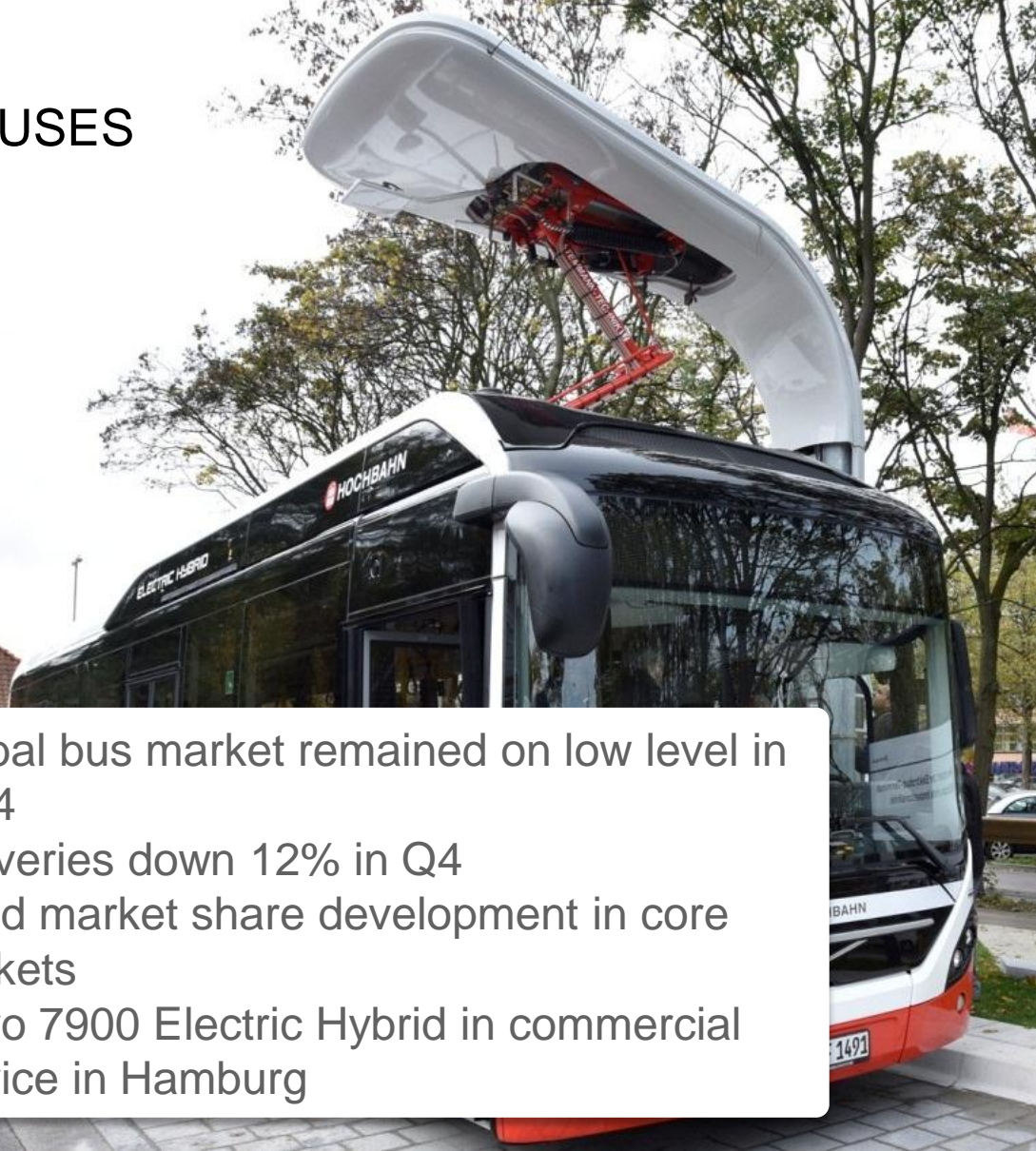


TOTAL MARKET

Forecast 2015



BUSES



- Global bus market remained on low level in 2014
- Deliveries down 12% in Q4
- Good market share development in core markets
- Volvo 7900 Electric Hybrid in commercial service in Hamburg

VOLVO PENTA



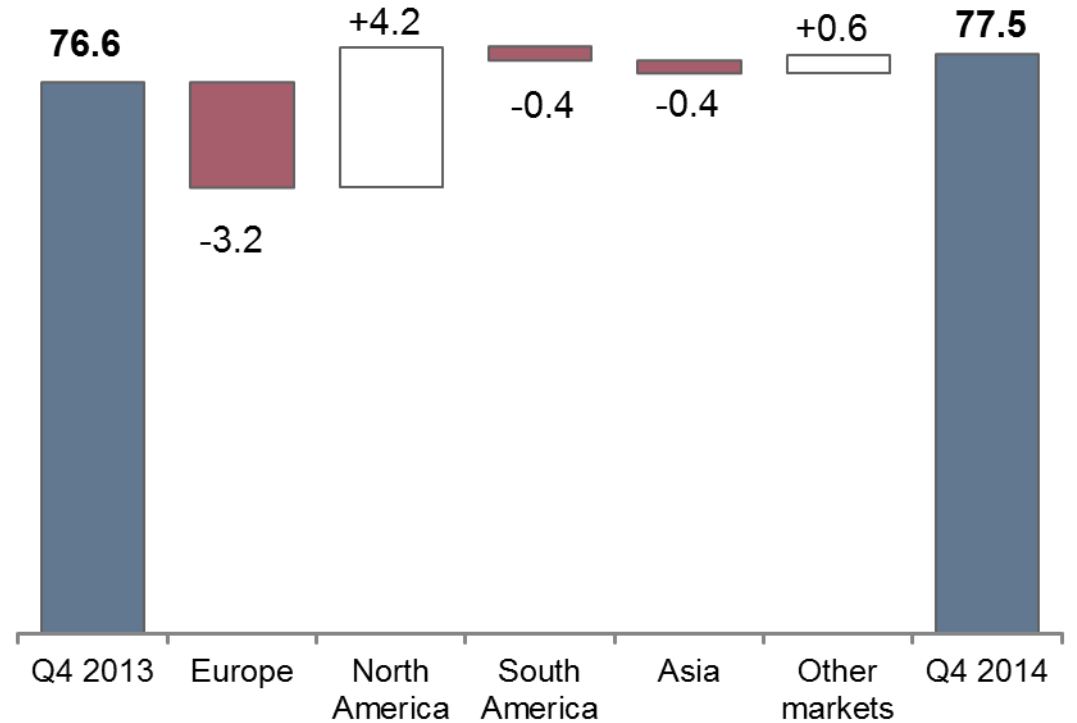
- Global marine market demand remains flat overall, cautious optimism in Europe and North America
- Order book increased by 14% in Q4
- IPS-equipped Pilot Boat named among “Top 10 Workboats 2014” in the US

VOLVO GROUP

Good growth in North America partly offset by decline in Europe



NET SALES
SEK bn



A close-up, low-angle shot of the front of a Volvo car, focusing on the headlight and grille. The car is light-colored, possibly silver or white, and the background is a blurred outdoor scene with greenery and a bright sky. The text is overlaid on the left side of the image.

Volvo Group

Fourth quarter 2014

JAN GURANDER, CFO

VOLVO GROUP

Progress in Trucks but headwind for Construction Equipment

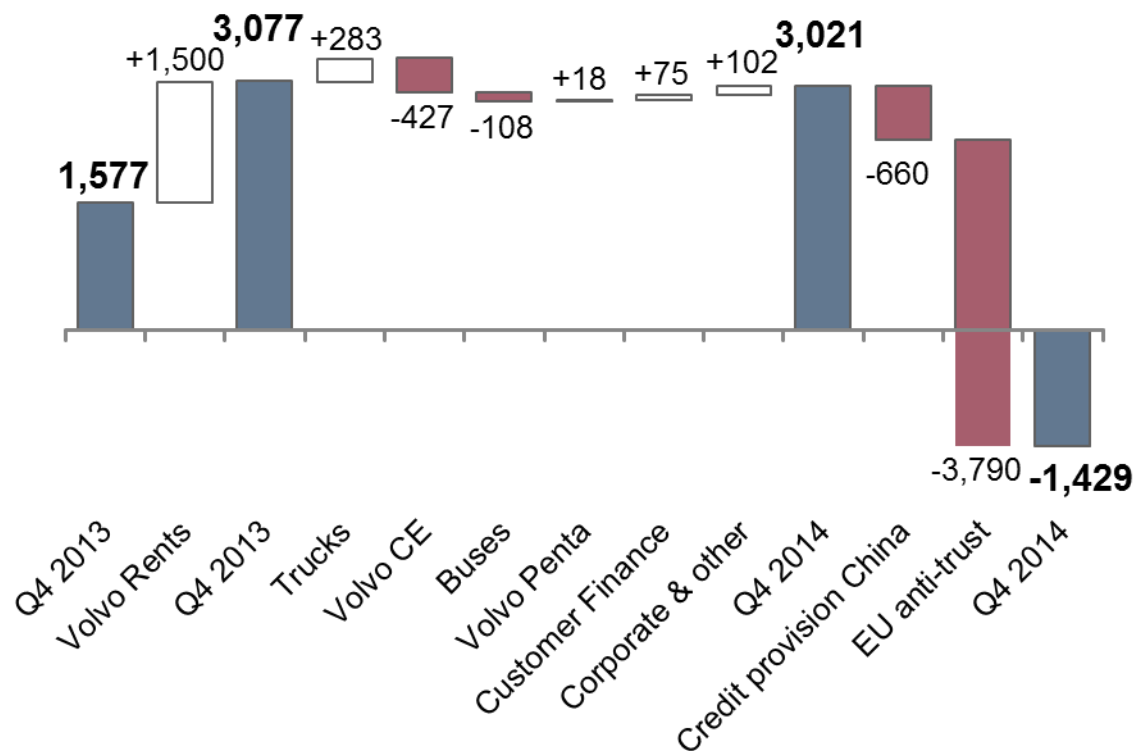
- + Trucks
- + Customer Finance
- + Volvo Penta

- Volvo CE
- Buses

OPERATING INCOME*

SEK M

➤ FX impact: + 373 M



Volvo Group Headquarters

Fourth quarter 2014

* Excluding restructuring charges

VOLVO GROUP

Progress in Trucks but headwind for Construction Equipment

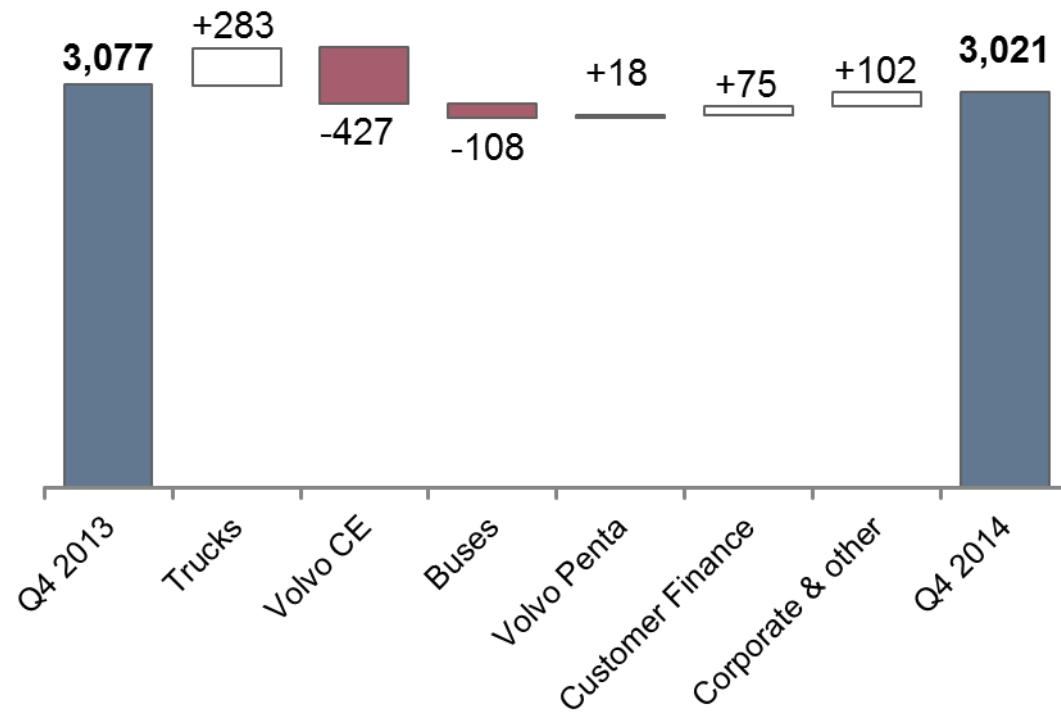
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Volvo Group Headquarters

Fourth quarter 2014

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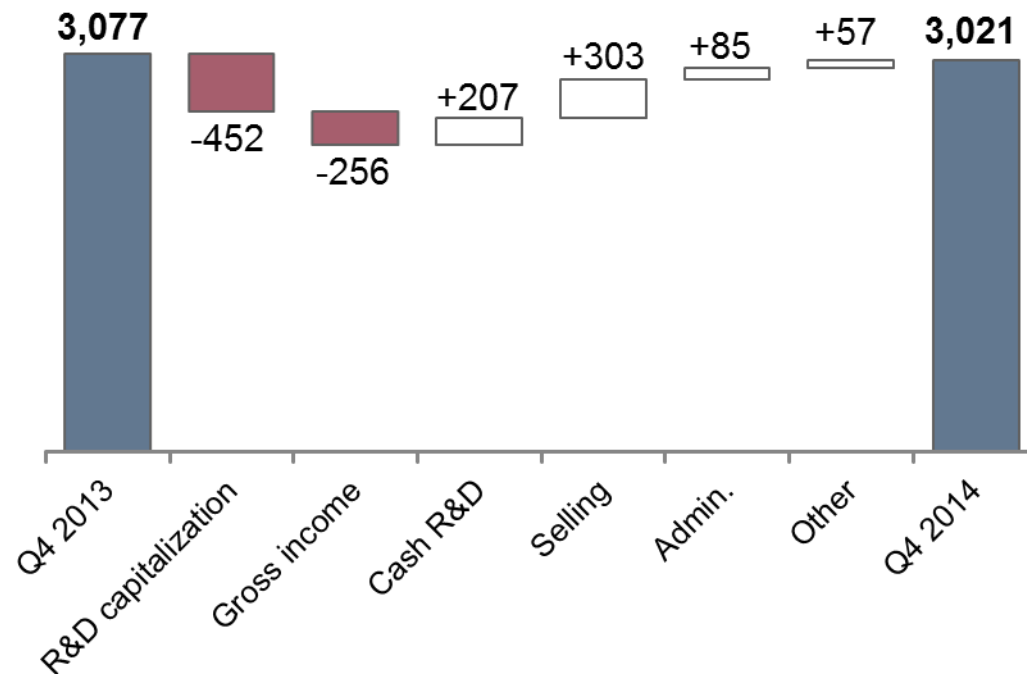
Maintained traction in cost savings

- + Increased gross margins in Europe and North America on both new products and aftermarket
- + Lower selling & administrative expenses
- + Lower cash R&D spending

- Lower volumes
- Lower gross margins in Brazil
- Lower capacity utilization
- Reduced R&D capitalization

OPERATING INCOME* SEK M

➤ FX impact: + 373 M



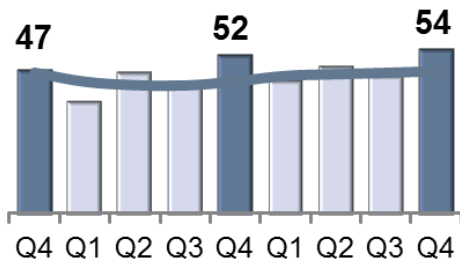
TRUCKS

Improved profitability on lower volumes, deliveries down 5,500 trucks (-9%)

SALES TREND

SEK bn

Full year 191 bn



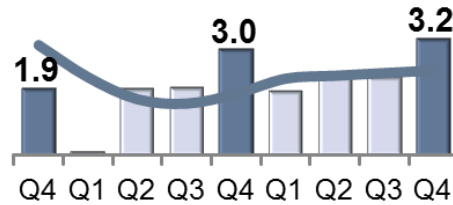
OPERATING INCOME*

SEK bn

Full year 9.4 bn

Currency: + 398 M

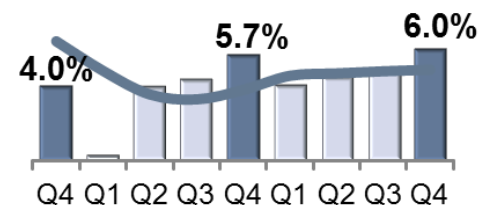
R&D am/cap: - 271 M



OPERATING MARGIN*

%

Full year 4.9%



* Excluding restructuring charges and EU anti-trust provision



TRUCKS

Improved profitability on lower volumes

OPERATING INCOME*
SEK M

2,965

Q4 2013

- + Improved margins & volumes in North America
- + Price realization on new Volvo ranges
- + Reduced operating expenses
- + Aftermarket margins
- + Currency +398 M

- Lower volumes, 5,500 fewer trucks in Q4
- South America, lower volumes & margins
- Lower industrial capacity utilization
- Reduced net R&D capitalization (-271 M)

OPERATING INCOME*
SEK M

3,248

Q4 2014

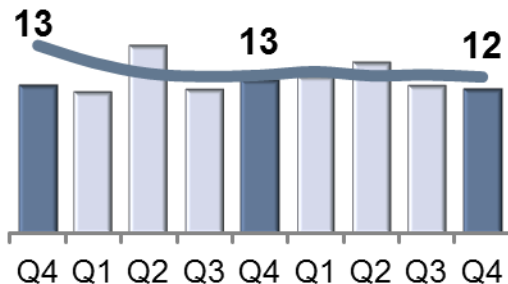
VOLVO CE

Operating loss due to low volumes – deliveries down by 5,200 units (-30%)

SALES TREND

SEK bn

Full year 53 bn

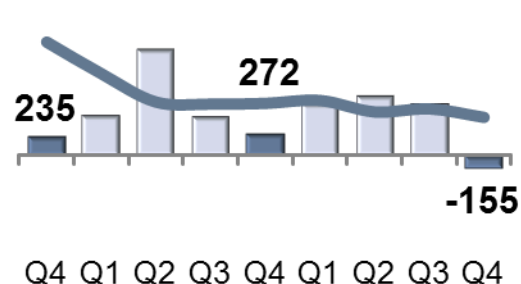


OPERATING INCOME*

SEK M

Full year 1.9 bn

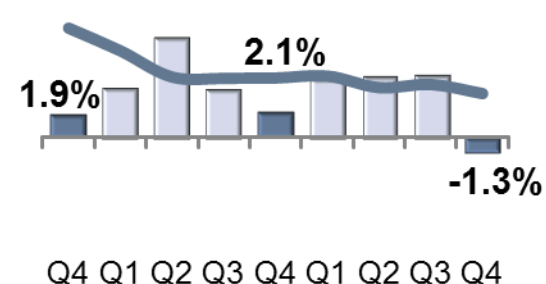
Currency: + 39 M



OPERATING MARGIN*

%

Full year 3.6%



VOLVO CE

Significant volume drop – production cut-backs to control inventory

OPERATING INCOME*
SEK M

272

Q4 2013

- Lower volumes, deliveries down 30% in Q4, of which China -44%
- Lower industrial capacity utilization

OPERATING INCOME*
SEK M

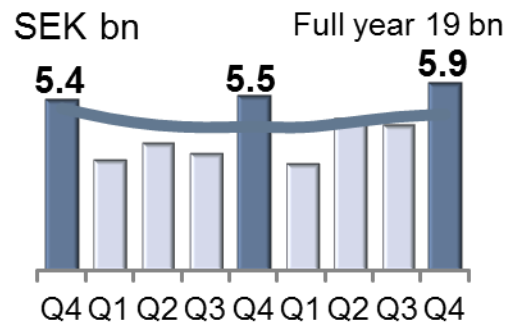
-155

Q4 2014

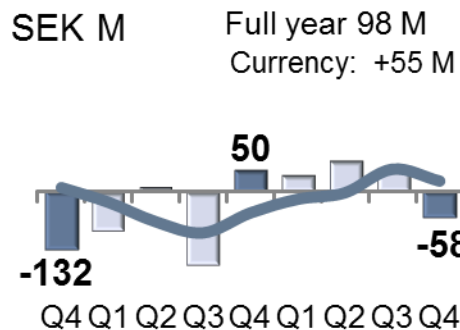
BUSES



SALES TREND



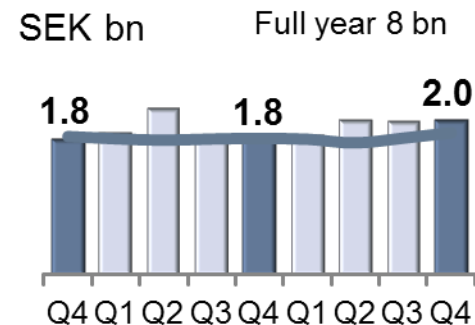
OPERATING INCOME*



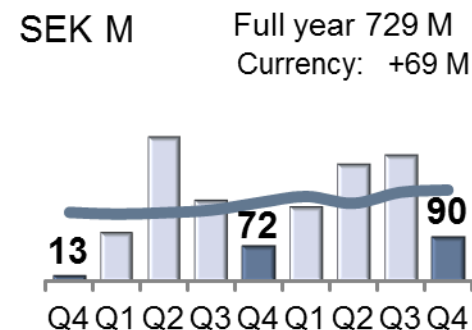
VOLVO PENTA



SALES TREND



OPERATING INCOME*

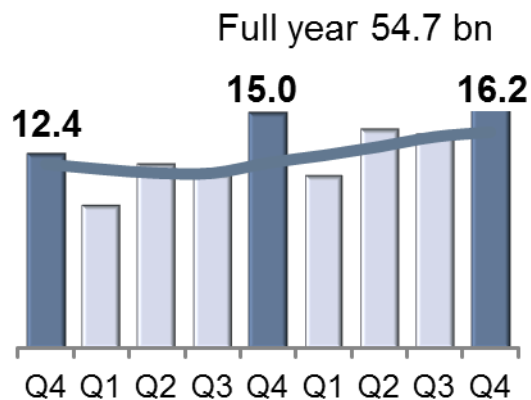


CUSTOMER FINANCE

Strong results – profitable portfolio growth

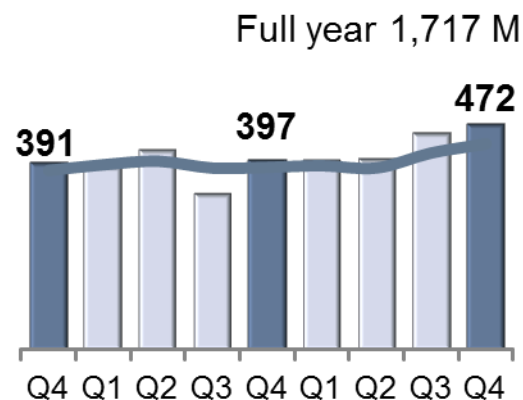
NEW FINANCING

SEK bn



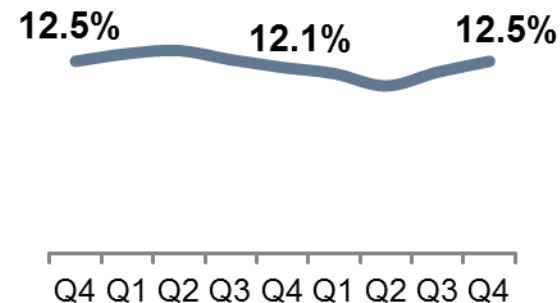
OPERATING INCOME*

SEK M



ROE

12 months, %



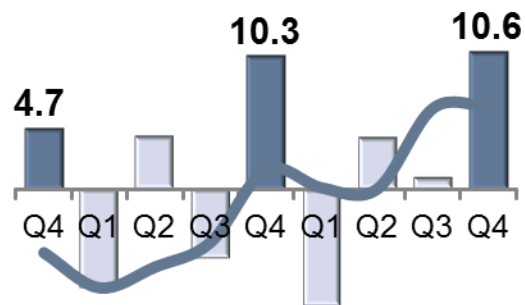
VOLVO GROUP

Positive cash flow trend and reduced investments

OPERATING CASH FLOW*

SEK bn,

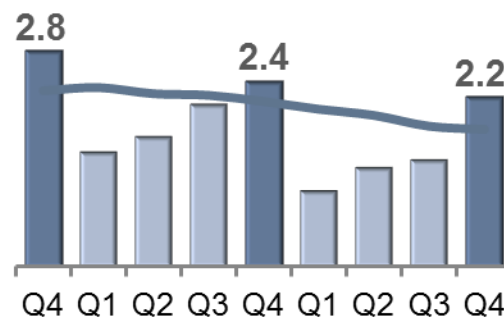
Full year SEK 6.4 bn



INVESTMENTS IN PPE*

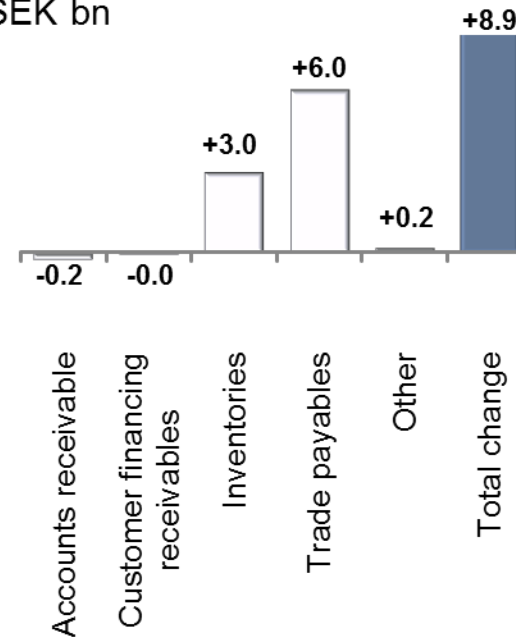
SEK bn,

Full year SEK 5.9 bn



CASH-FLOW EFFECT FROM CHANGES IN WORKING CAPITAL*

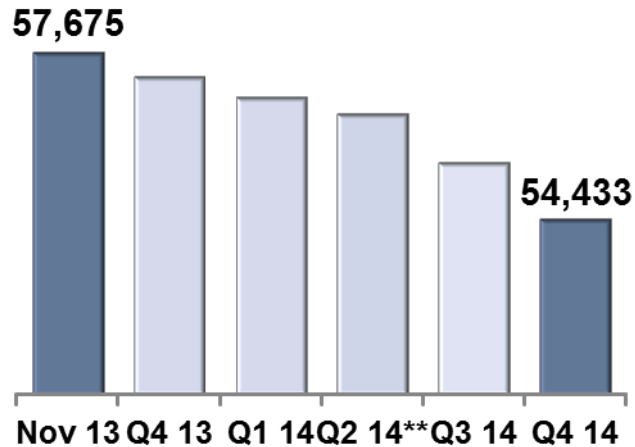
SEK bn



VOLVO GROUP

Reduction of white-collar employees and consultants

WHITE-COLLAR EMPLOYEES & CONSULTANTS*



- 1,106 white-collar employees and consultants left in Q4
- 3,242 net white-collar reduction, including consultants, achieved Group wide until Q4 2014

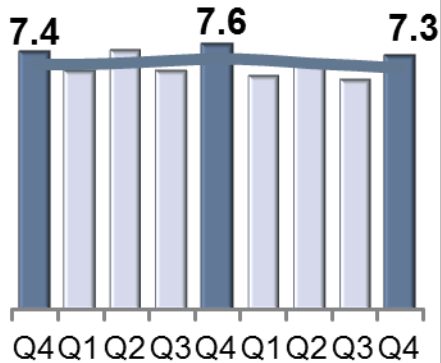


VOLVO GROUP

Structural cost reductions visible in the result despite negative currency effect

SELLING EXPENSES

SEK bn, Full year 27.4

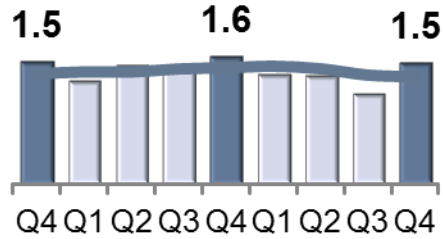


-303 M

Q414 vs. Q413

ADMIN. EXPENSES

SEK bn, Full year 5.4

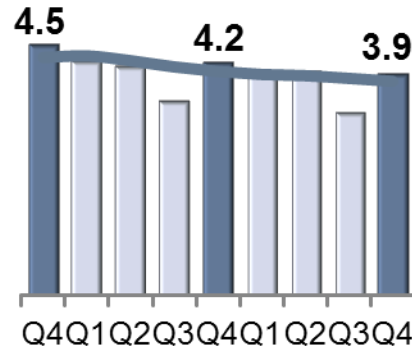


-85 M

Q414 vs. Q413

CASH R&D EXPENSES

SEK bn, Full year 15.2

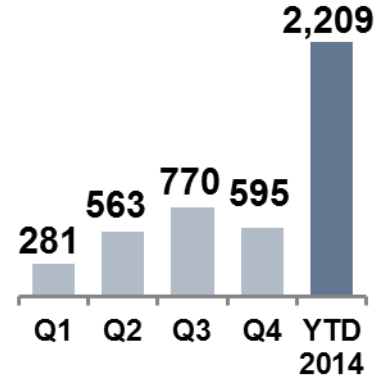


-207 M

Q414 vs. Q413

REALIZED SAVINGS

2014 vs. 2013
SEK M



VOLVO GROUP

Structural cost to be reduced by 10 bn – implemented by end 2015 with full-year effect in 2016

SEK bn	2012	2013	Q3 2014*	2014	Targeted reduction 2016 vs 2012
<i>Structural cost reduction in Gross Income</i>		-	-0.7	-1.0	
Cash R&D	16.9	15.9	15.4	15.2	
Selling expenses	27.9	28.5	27.8	27.4	
Administrative expenses	5.6	5.9	5.5	5.4	
Total reduction vs. 2012		-0.1	-2.4	-3.3	-10

VOLVO GROUP

Fourth quarter summary

POSITIVE FACTORS

- Trucks
 - Improved underlying profitability on lower volumes
- Restructuring on plan – traction in cost savings
- Good cash flow and strengthened balance sheet

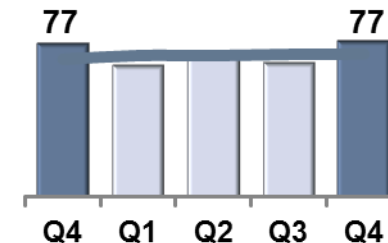
NEGATIVE FACTORS

- - Lower volumes, -30%
- Low capacity utilization
- Provisions for expected credit losses in China

PROPOSED DIVIDEND SEK 3.00 (3.00)

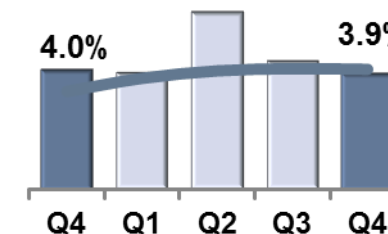
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% Full year 4.5%



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Fourth quarter 2014

