



# **Volvo Group**

---

**FIRST QUARTER 2015**

JAN GURANDER

# VOLVO GROUP

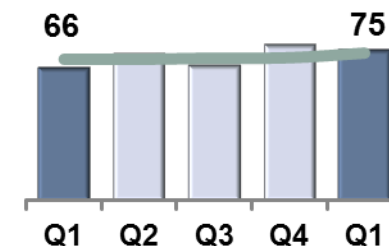
## First quarter summary



- **IMPROVED MARGIN DESPITE NEGATIVE MARKET MIX FOR TRUCKS AND VOLVO CE**
- **VOLVO CE MARKET HEADWINDS CONTINUE, VOLUMES -33%**
- **OPERATING INCOME IMPROVED BY 78%**
- **EFFECTS FROM STRATEGIC EFFICIENCY PROGRAM CLEARLY VISIBLE**
- **CASH FLOW IMPROVED BY MORE THAN 7 BN**

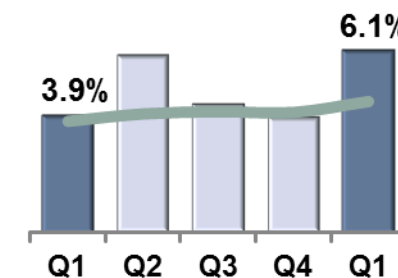
### NET SALES

SEK bn 12-months 292 bn



### OPERATING MARGIN\*

% 12-months 5.1%



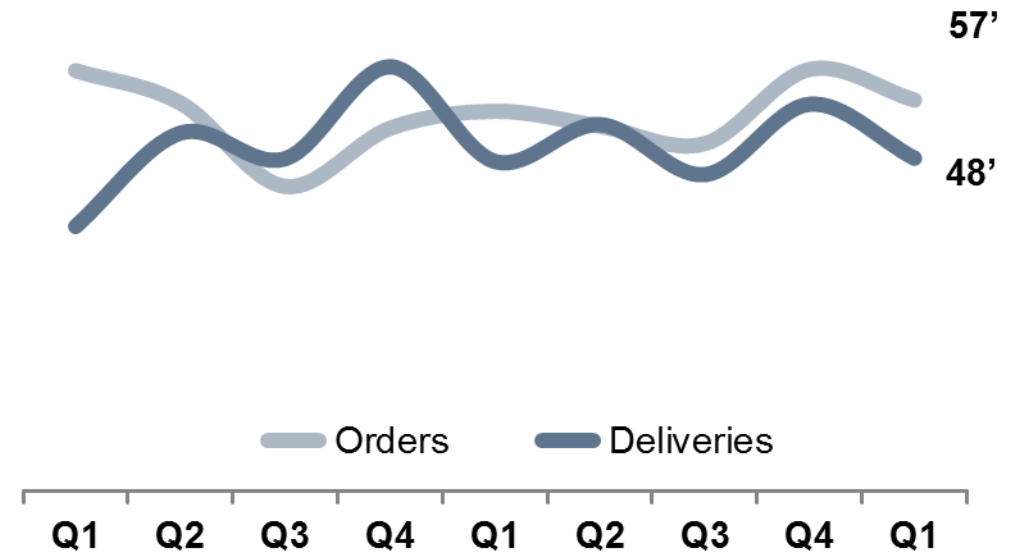
\* Excluding restructuring charges, EU anti-trust provision and credit provision in China in 2014 and capital gain on EML-shares in Q115

## TRUCKS

# Continuing to build order book

- Orders increased by 3%
- Deliveries increased by 1%
- Book-to-bill 117%

TRUCK ORDERS & DELIVERIES



## TRUCKS EUROPE

# Slightly improved momentum in Europe

- Modest growth in Northern and Central Europe, continued upswing in Southern Europe and UK
- Total market up 10% through February
- Net order intake improved by 22% in Q1
  - Renault Trucks +27%
  - Volvo +17%
- Market shares through February:
  - Volvo 17.5% (-1.3)
  - Renault Trucks 8.1% (-2.6)

## ORDERS & DELIVERIES

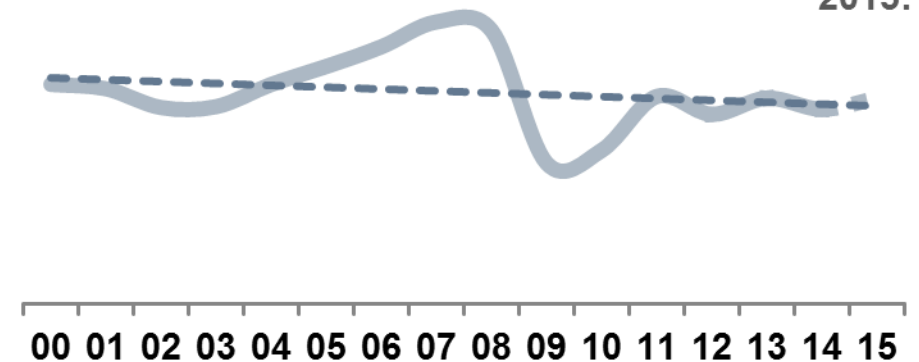
Book to bill Q1: 118%



## TOTAL MARKET (heavy-duty)

2014: 228' trucks

Forecast:  
2015: 240'





# TRUCKS NORTH AMERICA

## Continued strong development

- Total market improved by 24%
- Net order intake improved by 18% in Q1
  - Volvo +19%
  - Mack +17%
- Positive Mid America Truck Show
- Good momentum in aftermarket
- US Market shares Q1 2015:
  - Mack 6.7% (0.0)
  - Volvo 12.2% (+0.3)

### ORDERS & DELIVERIES

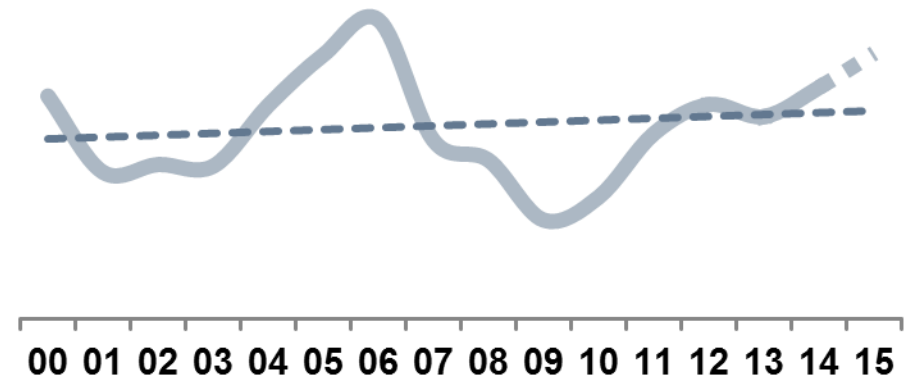
Book to bill Q1: 121%



### TOTAL MARKET (heavy-duty)

2014: 270' trucks

Forecast:  
2015: 310'



## TRUCKS SOUTH AMERICA

# Low GDP growth and decreased business confidence

- Continued weak economic development
- Less favorable terms and conditions in the financing program, FINAME, for 2015
- Total heavy-duty truck market in Brazil declined by 48% in Q1 2015
- Net order intake declined by 64% in Q1
- Production change-over to the new Volvo range in Q1
- Volvo's market share in Brazil declined to 18.9% (-2.5)

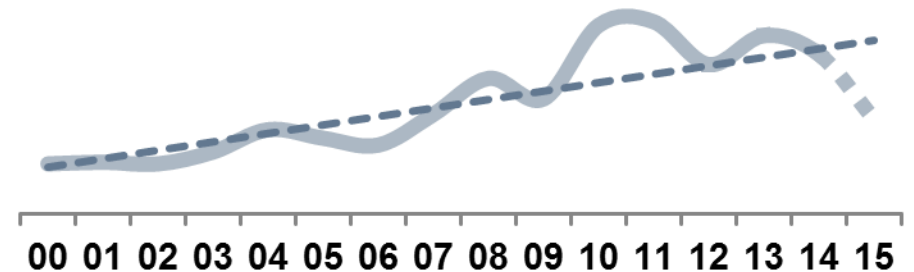
### ORDERS & DELIVERIES

Book to bill Q1: 107%



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

Forecast:  
2015: 55'



# TRUCKS ASIA PACIFIC

## Mixed market development

- Japanese demand remains healthy
- Recovering demand in India, but weak South East Asia
- Construction market in China continues to decline
- Dongfeng JV established in January 2015
- UD Trucks', HD market share in Japan 17.7% (-1.2) in Q1 2015

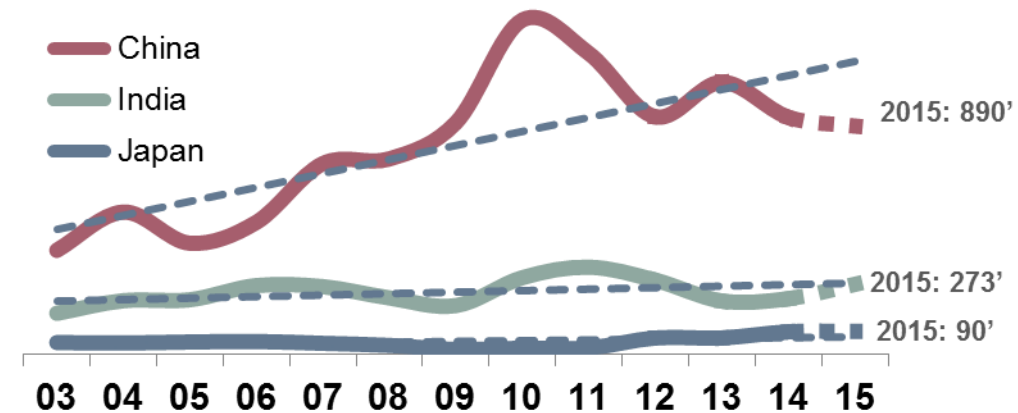
### ORDERS & DELIVERIES\*

Book to bill Q1: 118%



### MARKET OUTLOOK medium- & heavy-duty

Forecasts:



# VOLVO CONSTRUCTION EQUIPMENT

## Continued headwind in BRIC markets

- Total market for Wheel Loaders and Excavators in China down 53%
- Deliveries down by 5,800 units (-33%) in Q1, China down 5,000 (-56%)
- Focused sales activities to improve market mix
- Good progress in restructuring activities

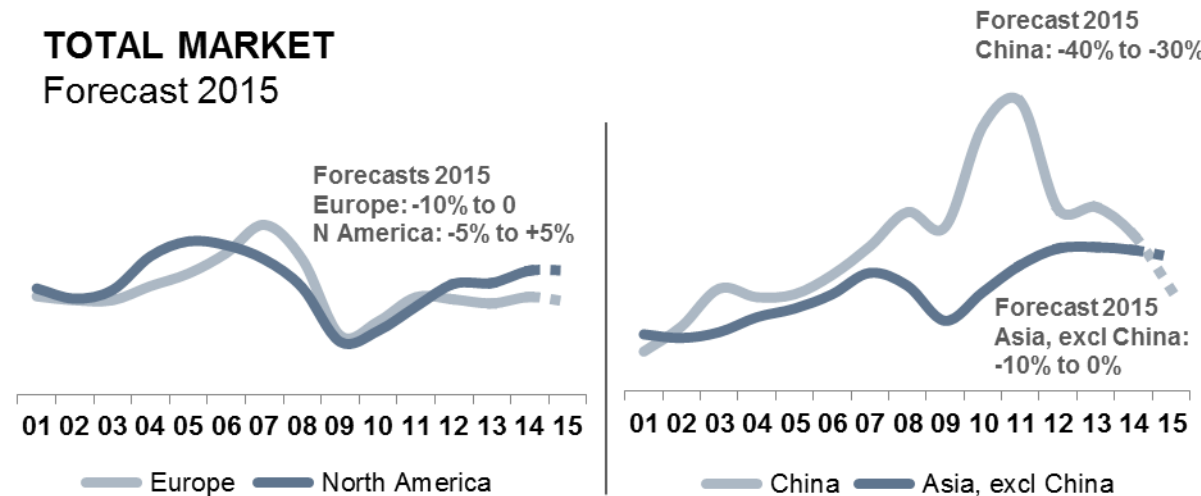
### ORDERS & DELIVERIES

Book to bill Volvo Q1: 134%



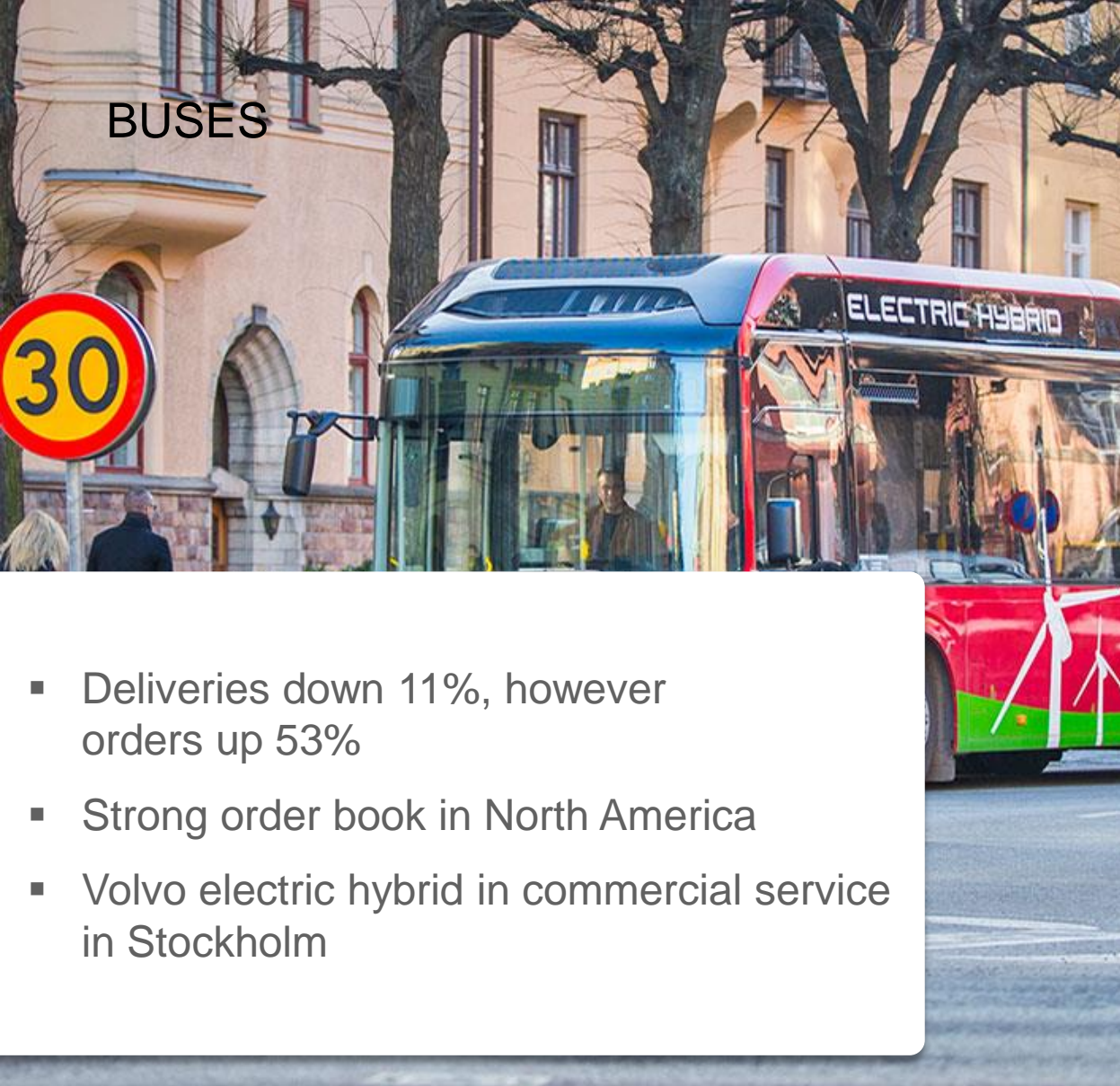
### TOTAL MARKET

Forecast 2015



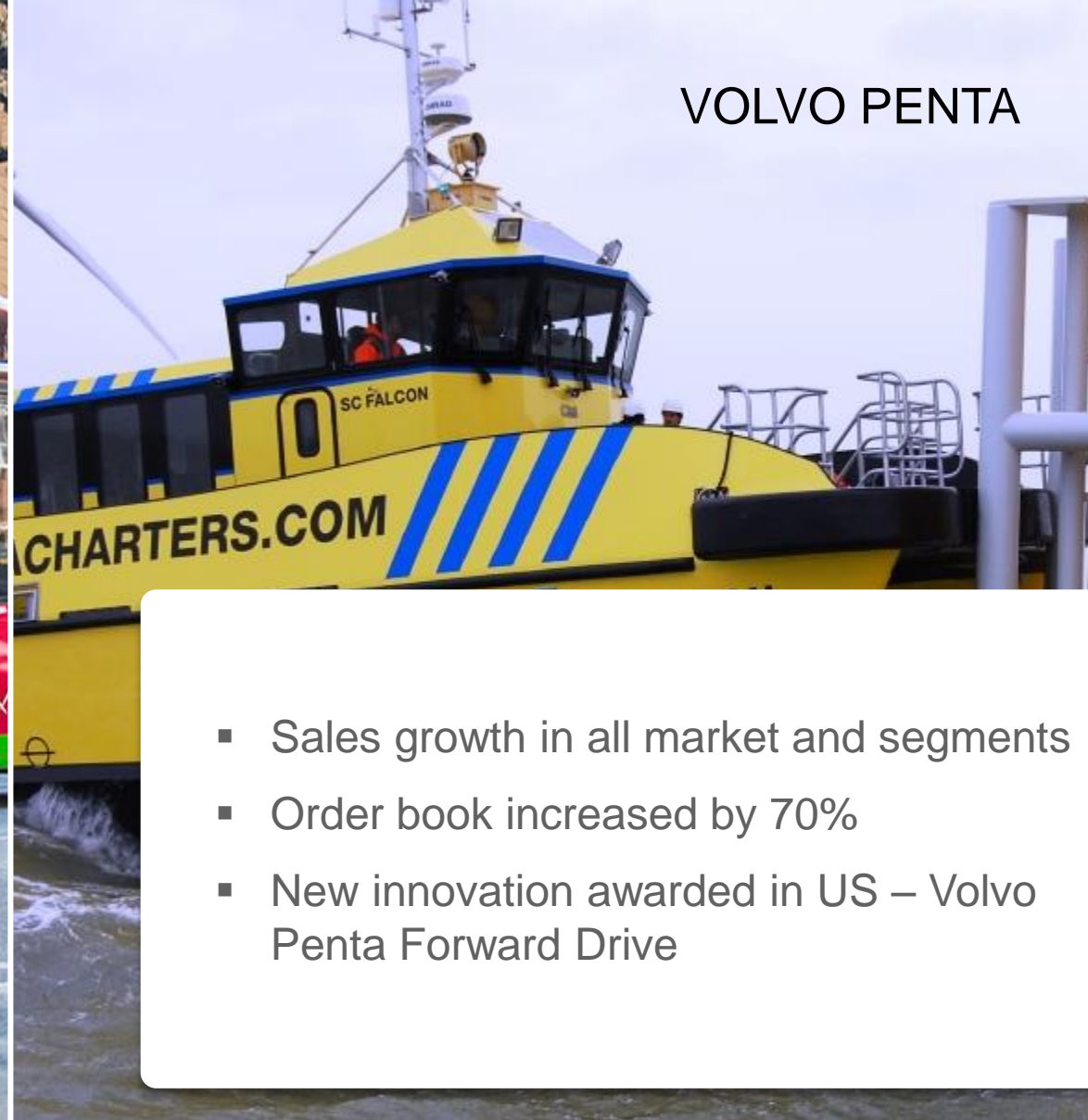


## BUSES



- Deliveries down 11%, however orders up 53%
- Strong order book in North America
- Volvo electric hybrid in commercial service in Stockholm

## VOLVO PENTA



- Sales growth in all market and segments
- Order book increased by 70%
- New innovation awarded in US – Volvo Penta Forward Drive



# **Volvo Group**

---

**FIRST QUARTER 2015**

**FINANCIAL REVIEW**

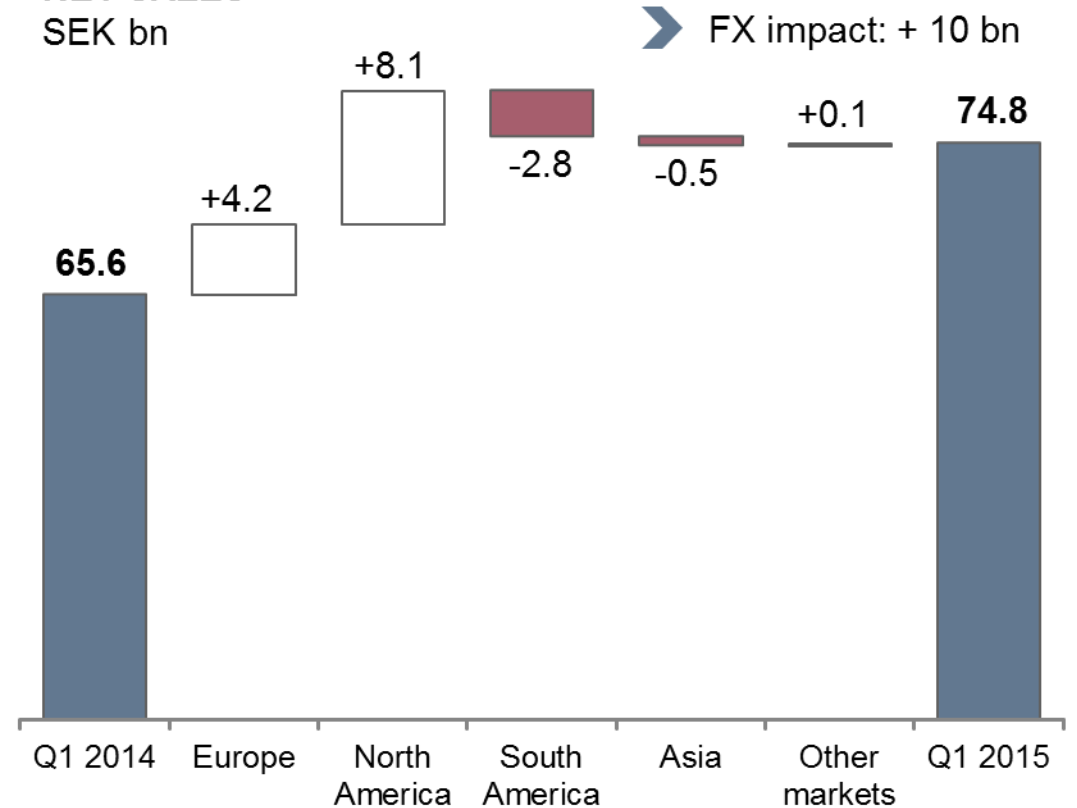


VOLVO GROUP

# Good sales growth in North America and Europe partly offset by decline in South America



NET SALES  
SEK bn



VOLVO GROUP

# Strong progress in Trucks – continued headwind for Construction Equipment

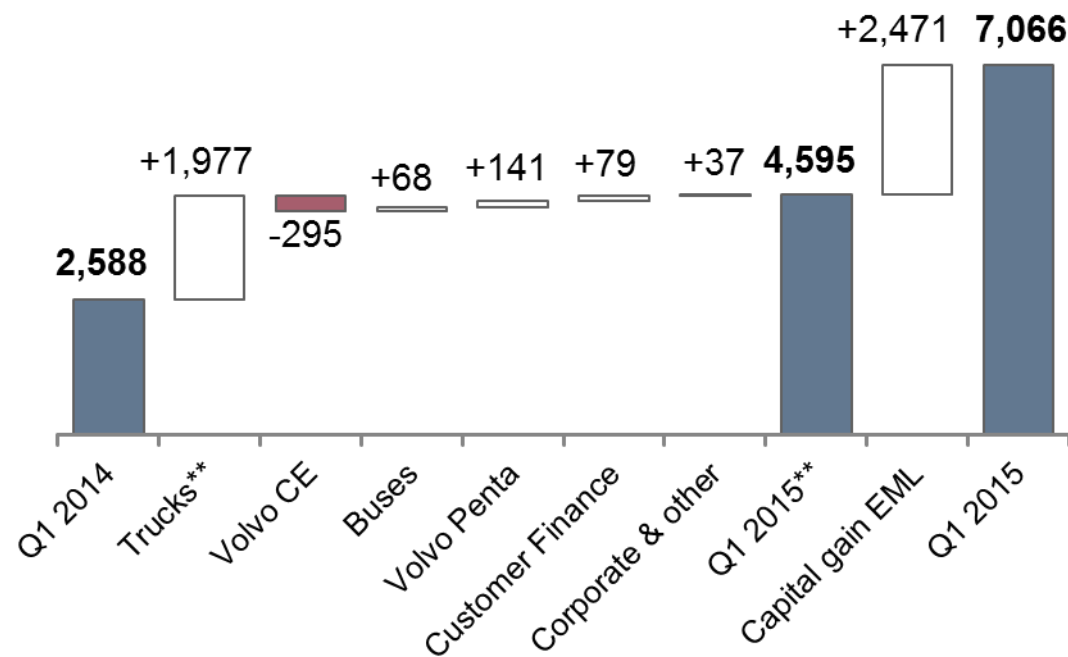
- + Trucks
- + Volvo Penta
- + Customer Finance
- + Buses

- Volvo CE

## OPERATING INCOME\*

SEK M

➤ FX impact: + 1,282 M



Volvo Group Headquarters

First quarter 2015

12

\* Excluding restructuring charges

\*\* Excluding capital gain from sale of shares in Eicher Motors Ltd.

**VOLVO**



# VOLVO GROUP

## Improved earnings

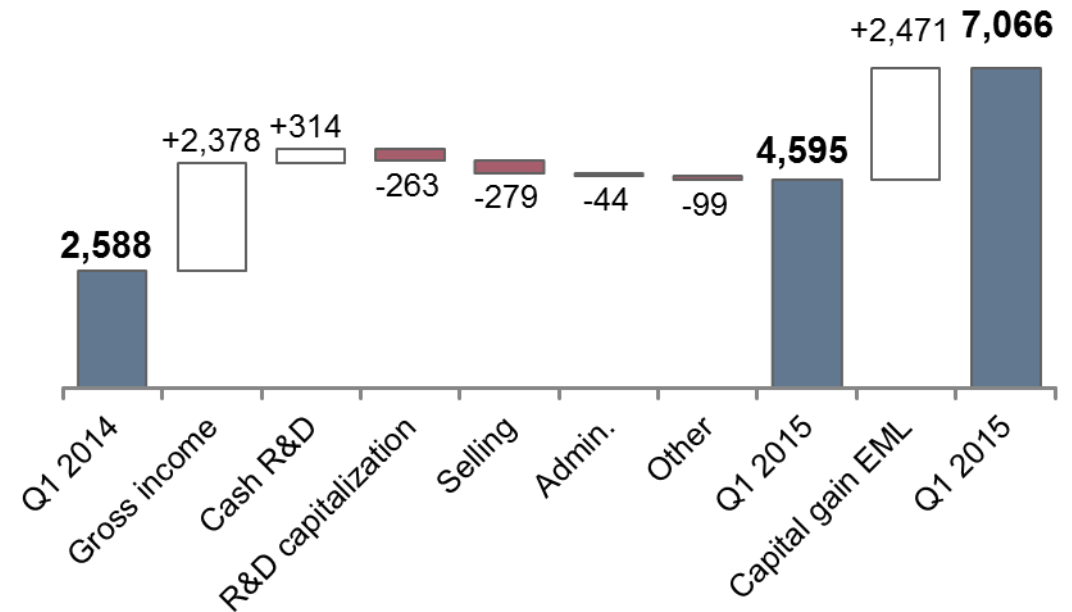
- + Increased gross margins in Europe and North America on both new products and aftermarket
- + Lower cash R&D spending

- Lower gross margins in Brazil (Trucks) and China (Volvo CE)
- Reduced R&D capitalization

### OPERATING INCOME\*

SEK M

➤ FX impact: + 1,282 M

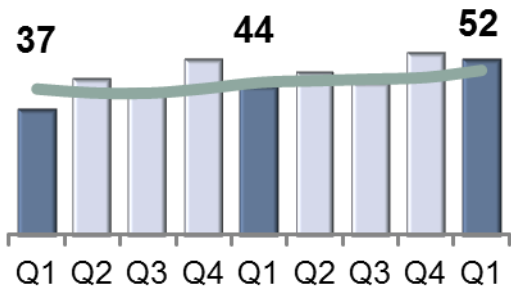


# TRUCKS

## Improved profitability on flat volumes

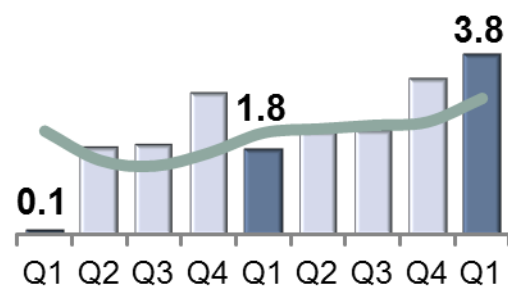
### SALES TREND

SEK bn  
 12-months 199 bn  
 Currency: + 6.5 bn



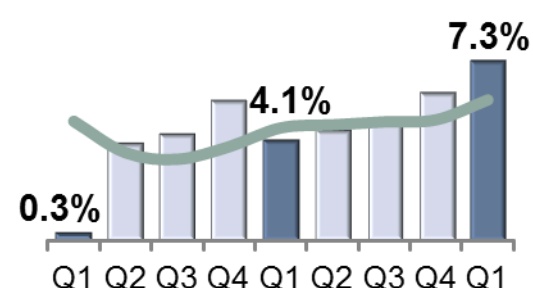
### OPERATING INCOME\*

SEK bn  
 12-months 11.4 bn  
 Currency: + 1,099 M



### OPERATING MARGIN\*

%  
 12 months 5.7%

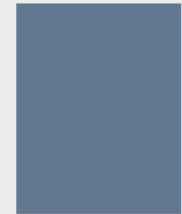


# TRUCKS

## Improved profitability on flat volumes

OPERATING INCOME\*  
SEK M

1,798



Q1 2014

- + Improved margins & volumes in North America
- + Improved profitability in Europe
- + Aftermarket
- + Favorable currency development

- South America, lower volumes & margins

OPERATING INCOME\*  
SEK M

3,775

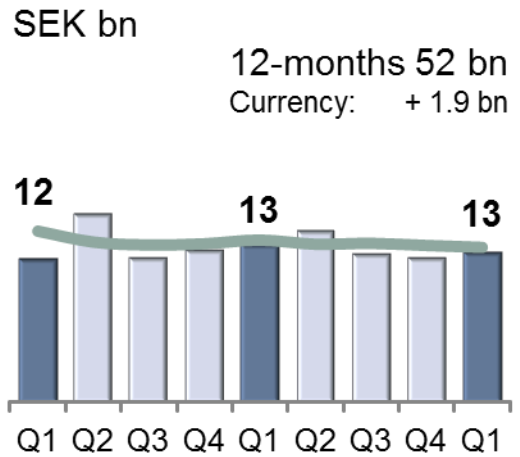


Q1 2015

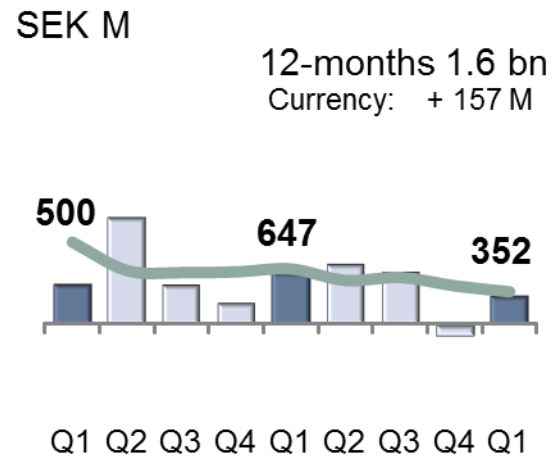
# VOLVO CE

## Addressing continued drop in volumes (-33%)

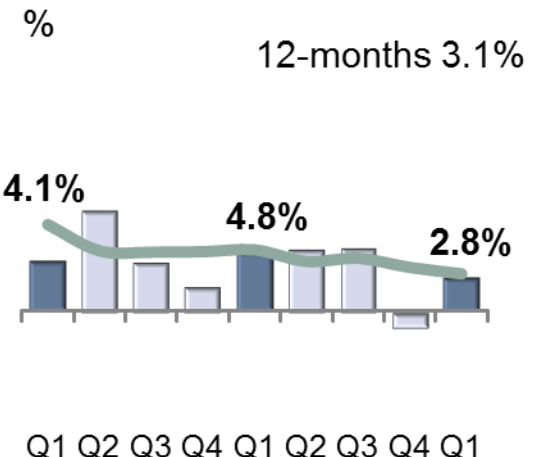
### SALES TREND



### OPERATING INCOME\*



### OPERATING MARGIN\*





VOLVO CE

# Results impacted by 33% volume drop

OPERATING INCOME\*  
SEK M

647

Q1 2014

- + Favorable product mix in Europe and North America
- + Currency

- Lower volumes, deliveries down 33% in Q1
- Lower earnings in China
- Provision for expected credit losses in China -149 M
- Lower industrial capacity utilization

OPERATING INCOME\*  
SEK M

352

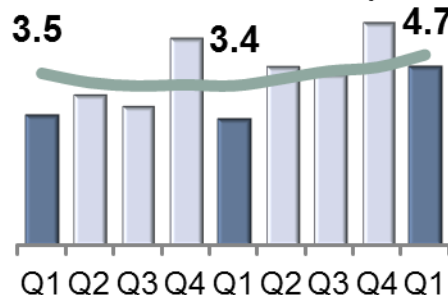
Q1 2015

# BUSES



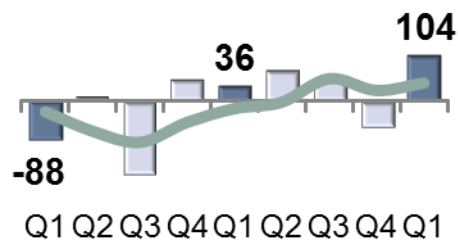
## SALES TREND

SEK bn      12-months 20 bn  
 Currency: + 0.7 bn



## OPERATING INCOME\*

SEK M      12-months 166 M  
 Currency: + 142 M

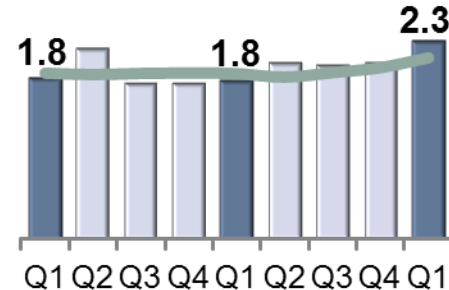


# VOLVO PENTA



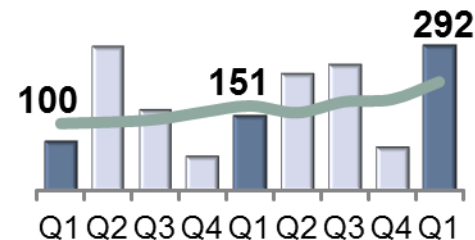
## SALES TREND

SEK bn      12-months 8 bn  
 Currency: + 0.2 bn



## OPERATING INCOME\*

SEK M      12-months 870 M  
 Currency: +115 M

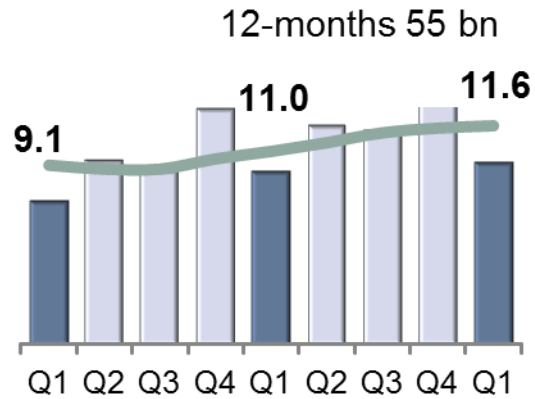


# CUSTOMER FINANCE

## Strong results – profitable portfolio growth

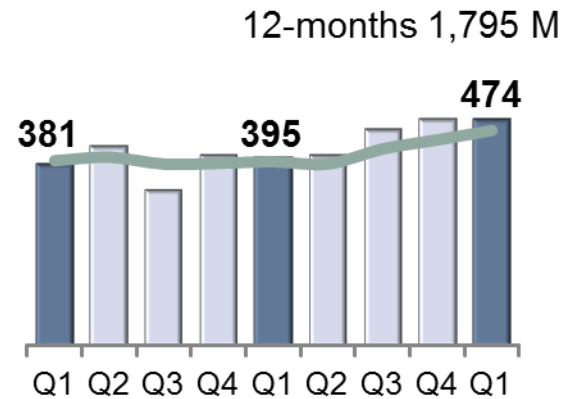
### NEW FINANCING

SEK bn



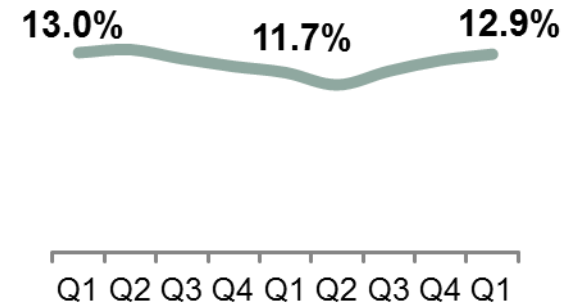
### OPERATING INCOME\*

SEK M



### ROE

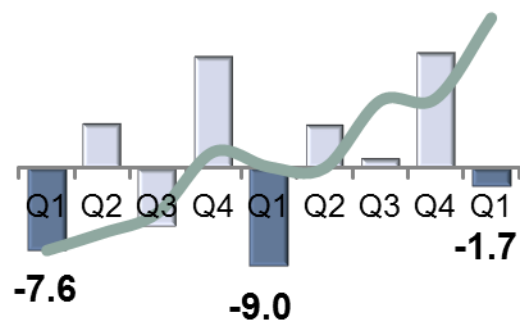
12-months, %



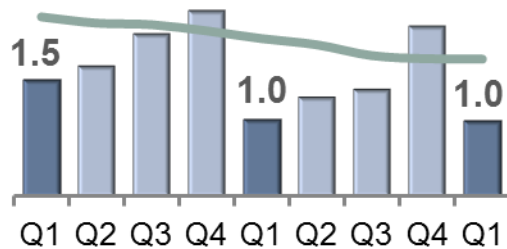
# VOLVO GROUP

## Positive cash flow trend

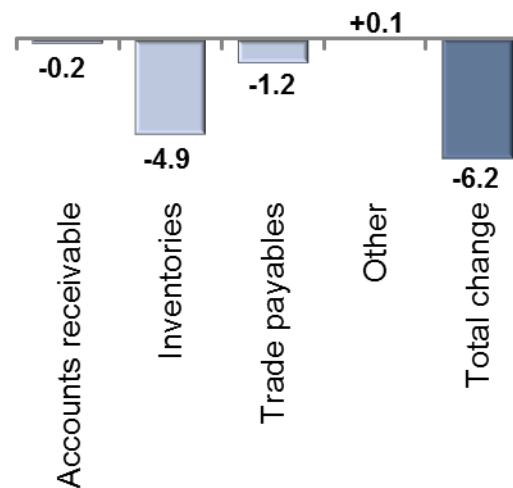
**OPERATING CASH FLOW\***  
SEK bn,  
12-months SEK 13.8 bn



**INVESTMENTS IN PPE\***  
SEK bn,  
12-months SEK 5.9 bn



**CASH-FLOW EFFECT FROM CHANGES IN WORKING CAPITAL\***  
SEK bn



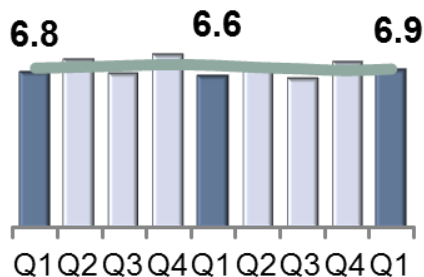


# VOLVO GROUP

## Structural cost reductions offset by currency effect

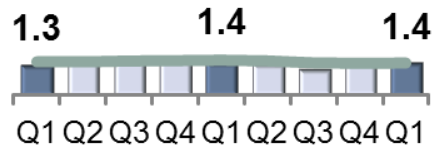
### SELLING EXPENSES

SEK bn, 12-months 27.7



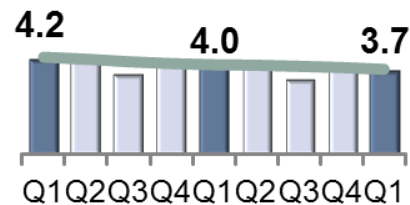
### ADMIN. EXPENSES

SEK bn, 12-months 5.5



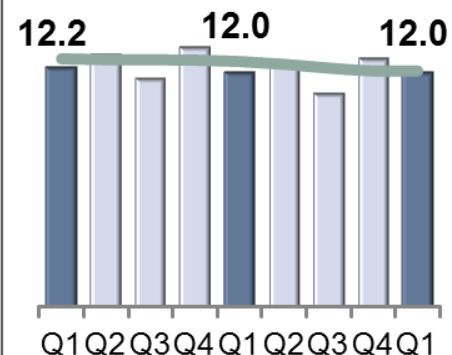
### CASH R&D EXPENSES

SEK bn, 12-months 14.9



### TOTAL OPEX

SEK bn, 12-months 48



### REALIZED COST REDUCTIONS ADJUSTED FOR CURRENCY EFFECTS

Q115 vs. Q114

- 311\* M

Q115 vs. Q114

- 3\* M

Q115 vs. Q114

- 537\* M

Total cost reduction\*

Σ

- 851\* M



## VOLVO GROUP

# Structural cost to be reduced by 10 bn – currently facing fx-headwind

SEK bn	2012	2013	2014	Q1 2015*	Targeted reduction 2016 vs 2012
<i>Structural cost reduction in Gross Income</i>		-	-1.0	-1.2	
Cash R&D	16.9	15.9	15.2	14.9	
Selling expenses	27.9	28.5	27.4	27.7	
Administrative expenses	5.6	5.9	5.4	5.5	
<b>Total reduction vs. 2012*</b>		<b>-0.1</b>	<b>-3.3</b>	<b>-3.5</b>	<b>-10</b>

\* Implemented by end 2015 with full-year effect in 2016

VOLVO GROUP

# Review of IT operations completed

---



- 1** POTENTIAL IDENTIFIED TO LOWER GROUP IT COST
- 2** AMBITION TO FIND A PARTNER FOR:
  - EXTERNAL BUSINESS
  - INFRASTRUCTURE & OPERATIONS
- 3** RETAIN APPLICATION DEVELOPMENT AND MAINTENANCE OF BUSINESS CRITICAL SYSTEMS AND ACCELERATE EFFICIENCY IMPROVEMENTS IN RETAINED OPERATIONS

# VOLVO GROUP

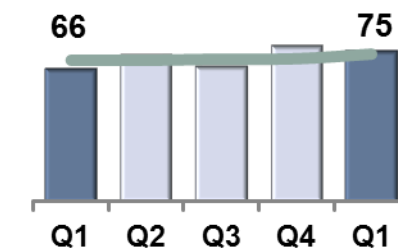
## First quarter summary



- 1 IMPROVED PROFITABILITY ON FLAT VOLUMES**
- 2 COST REDUCTION ACTIVITIES MEASURED IN LOCAL CURRENCY ACCORDING TO PLAN**
- 3 ACTIVITIES IN FOCUS FOR 2015:**
  - GROUP TRUCKS SALES
  - IT OPERATIONS
  - GROUP TRUCKS OPERATIONS
  - VOLVO CE

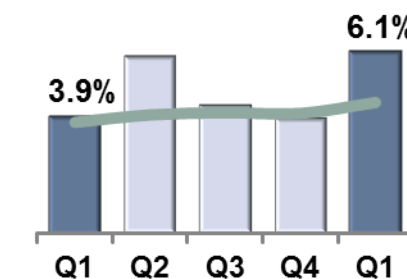
### NET SALES

SEK bn 12-months 292 bn



### OPERATING MARGIN\*

% 12-months 5.1%



\* Excluding restructuring charges, EU anti-trust provision and credit provision in China in 2014 and capital gain on EML-shares in Q115



# Volvo Group

First quarter 2015

