



Volvo Group

**SECOND QUARTER
2015**

JAN GURANDER

VOLVO GROUP

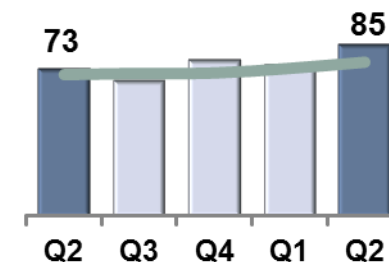
Second quarter summary



- **IMPROVED PROFITABILITY ON FLAT VOLUMES**
- **UNDERLYING OPERATING MARGIN 7.1%**
- **SOLID CASH FLOW OF 8.6 BN**

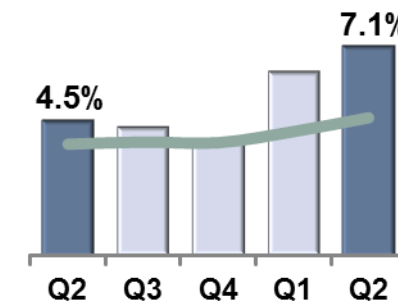
NET SALES

SEK bn 12 months 304 bn



OPERATING MARGIN*

% 12 months 5.4%

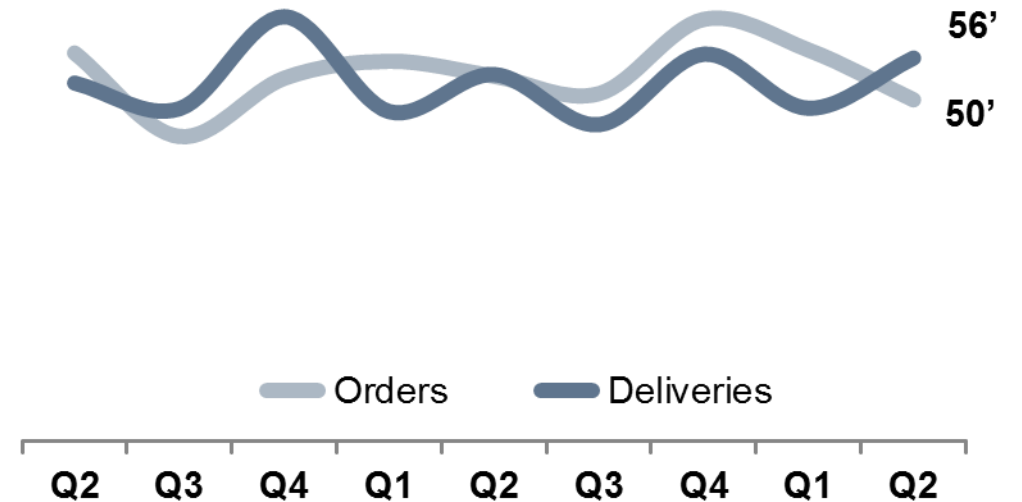


TRUCKS

Orders and deliveries stable on a global level – regional differences

- Orders decreased by 6%
- Deliveries increased by 4%
- Book-to-bill 89%

TRUCK ORDERS & DELIVERIES



TRUCKS EUROPE

Gradually improving market

- Total market up 17% through May – growth in most markets
- Total market outlook for 2015 revised upwards from 240,000 to 250,000 units
- Net order intake improved by 13% in Q2
 - Renault Trucks +17%
 - Volvo +9%
- Market shares through May
 - Volvo 17.1% (-0.6)
 - Renault Trucks 7.5% (-0.9)

ORDERS & DELIVERIES

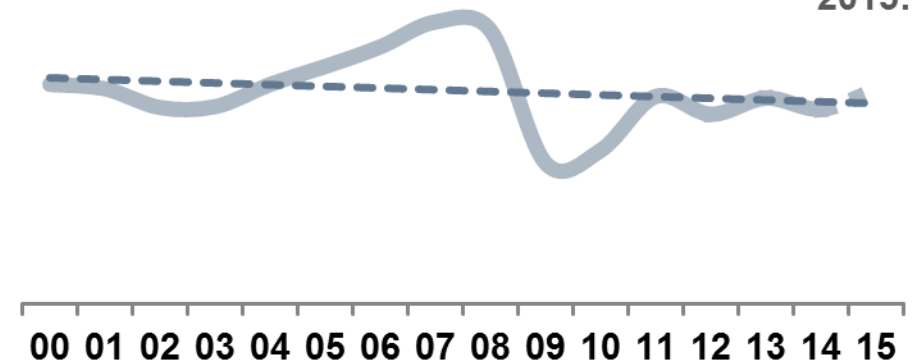
Book-to-bill Q2: 112%



TOTAL MARKET (heavy-duty)

2014: 228' trucks

Forecast:
2015: 250'



TRUCKS NORTH AMERICA

Slowing momentum from high levels

- Total market increased by 20% through May
- Total market forecast remains at 310,000 trucks for 2015
- Net order intake decreased by 19% in Q2
 - Volvo -1%
 - Mack -50%
- Mack order book double in size
- Good aftermarket momentum
- US Market shares YTD:
 - Mack 7.5% (-0.6)
 - Volvo 12.6% (+0.1)

ORDERS & DELIVERIES

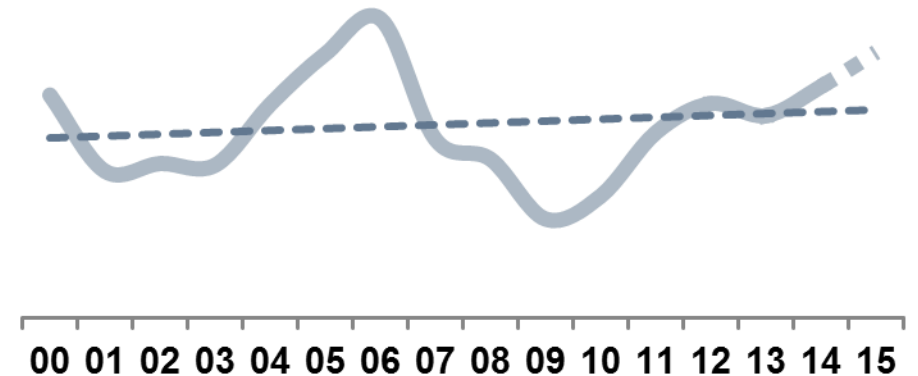
Book-to-bill Q2: 59%



TOTAL MARKET (heavy-duty)

2014: 270' trucks

Forecast:
2015: 310'



TRUCKS SOUTH AMERICA

Continued weak economic development

- Total heavy-duty truck market in Brazil declined by 53% in Q2 2015
- Total Brazilian market forecast for 2015 revised downwards to 40,000 units
- Net order intake declined by 54% in Q2
- Volvo's market share in Brazil declined to 20.1% (-1.3) YTD

ORDERS & DELIVERIES

Book-to-bill Q2: 82%

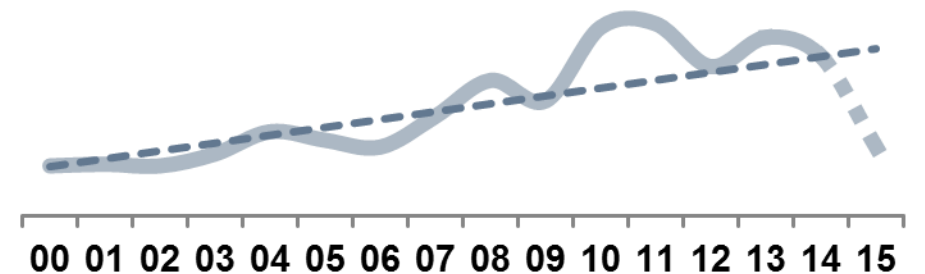


TOTAL MARKET, BRAZIL heavy-duty

2014: 93' trucks

Forecast:

2015: 40'



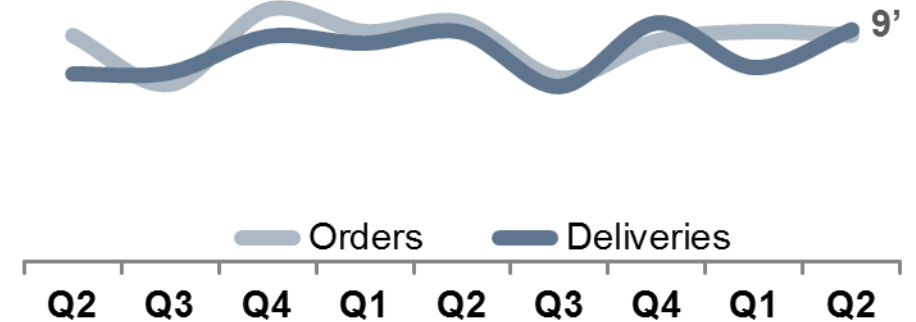
TRUCKS ASIA PACIFIC

Mixed market development

- Japanese demand remains healthy
- Recovering demand in India, but weak in South East Asia
- Construction segment in China continues to decline
- Engine agreement in place with DFCV
- UD Trucks' HD market share in Japan reached 18.8% (-0.1) YTD

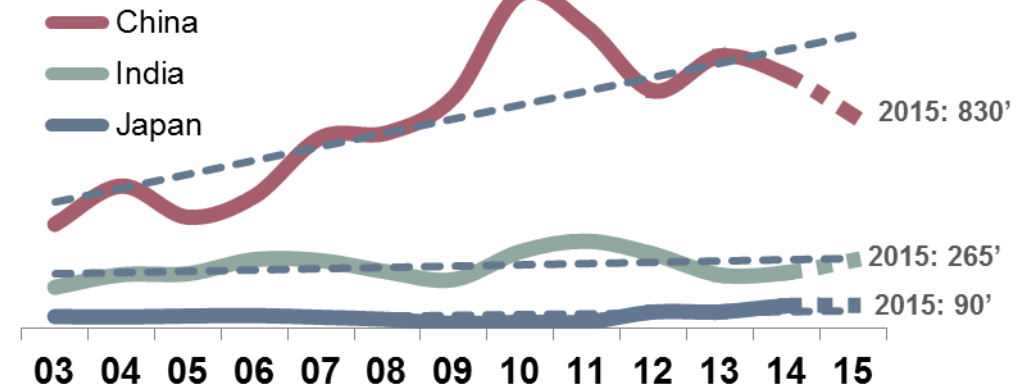
ORDERS & DELIVERIES*

Book-to-bill Q2: 98%



MARKET OUTLOOK medium- & heavy-duty

Forecasts:



VOLVO CONSTRUCTION EQUIPMENT

Continued market headwind

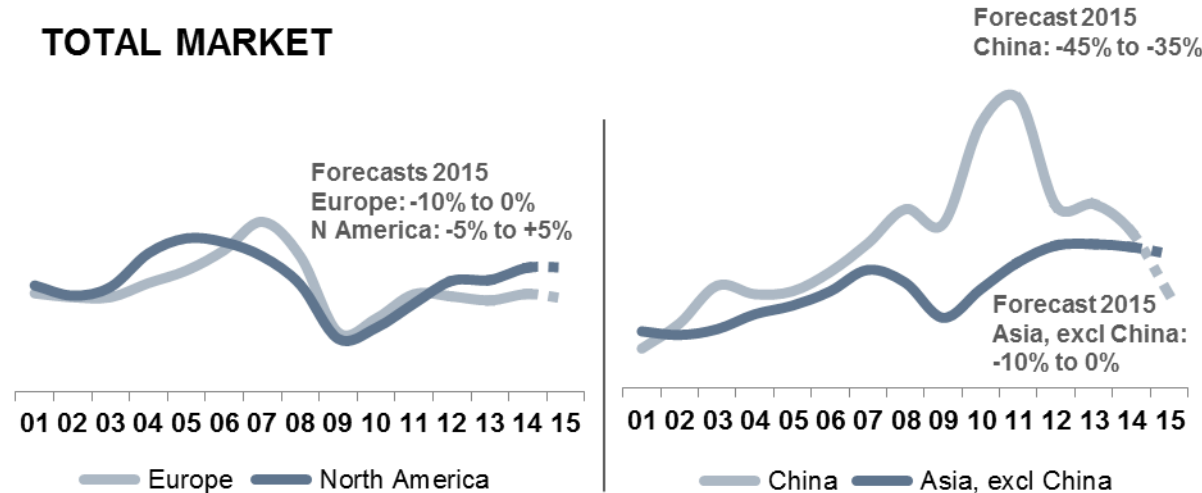
- 49% further market decline in China through May
- Deliveries down by 24% mainly due to low demand in China, Russia and Brazil
- Orders down by 27%
- Sales activities to improve market and product mix – higher market shares on heavy machines

ORDERS & DELIVERIES

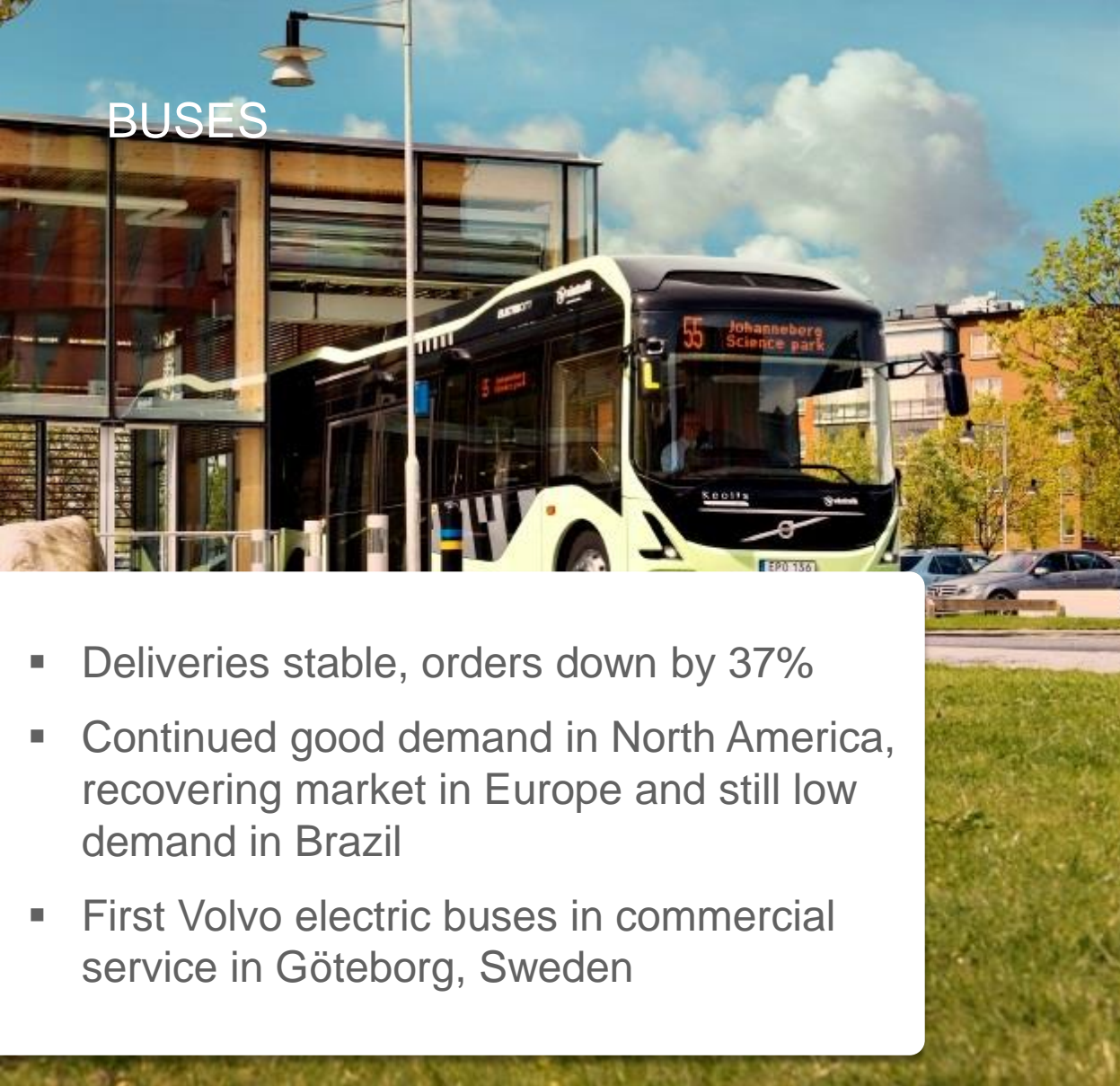
Book-to-bill Volvo Q2: 86%



TOTAL MARKET



BUSES



VOLVO PENTA



- Deliveries stable, orders down by 37%
- Continued good demand in North America, recovering market in Europe and still low demand in Brazil
- First Volvo electric buses in commercial service in Göteborg, Sweden

- Strong order intake, +18%
- Sales momentum continues across all segments
- Competitive products in all segments



Volvo Group

**SECOND QUARTER
2015**

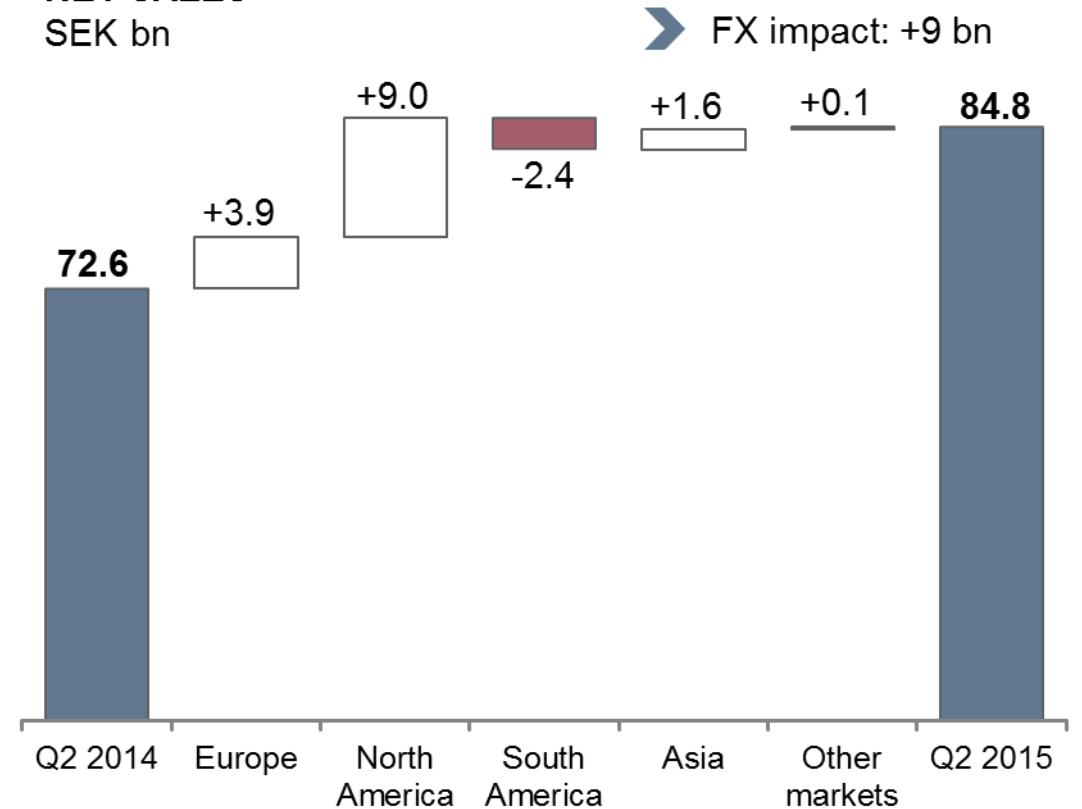
FINANCIAL REVIEW

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



NET SALES
SEK bn



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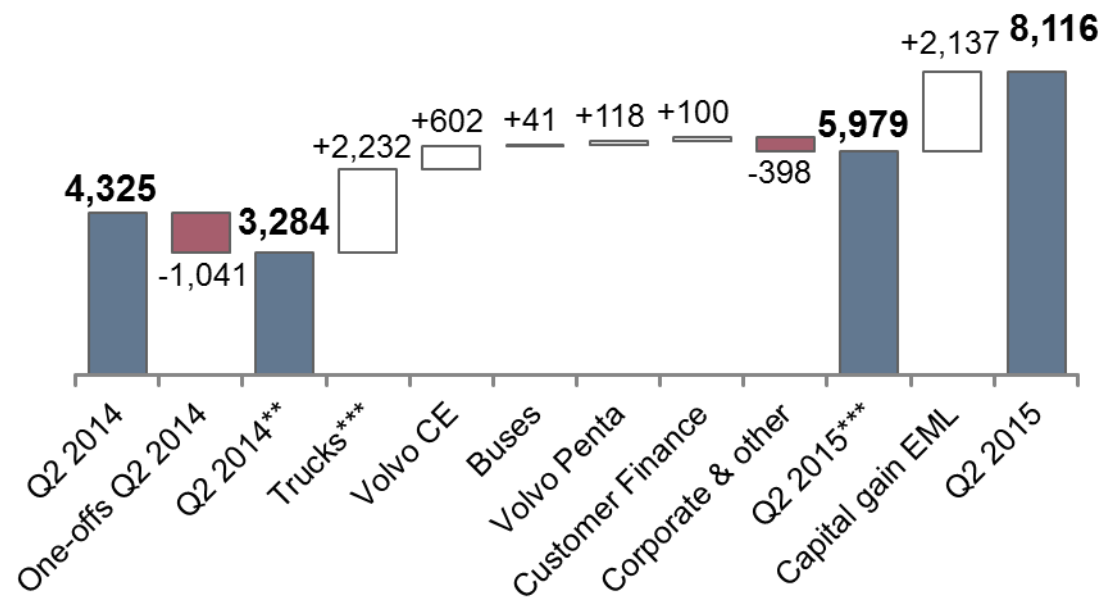
Earnings improvements in all Business Areas

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

OPERATING INCOME*

SEK M

➤ FX impact: +1,804 M



Volvo Group Headquarters

Second quarter 2015

12

* Excluding restructuring charges

** Excluding one-time items 2014

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

VOLVO

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Improved earnings

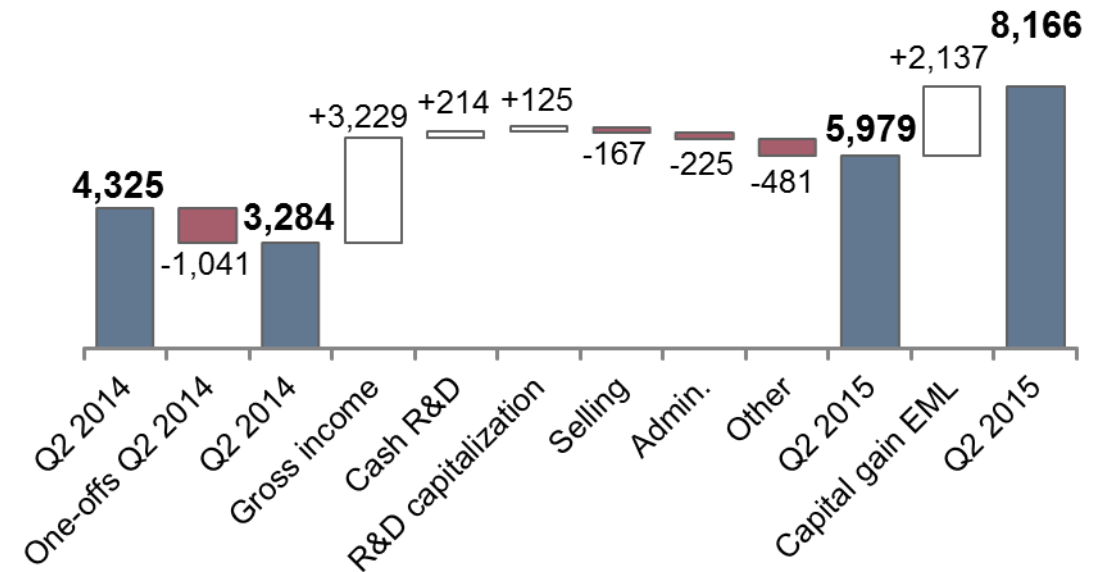
- + Increased gross margins in Europe and North America on both new products and aftermarket
- + Lower cash R&D spending

- Lower gross margins in Brazil (Trucks) and China (Volvo CE)
- Administrative and Selling expenses

OPERATING INCOME*

SEK M

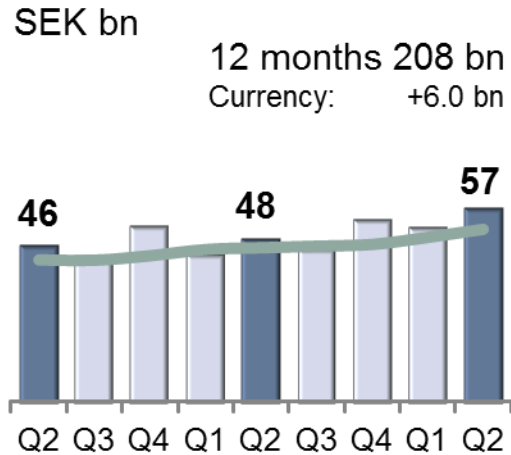
➤ FX impact: +1,804 M



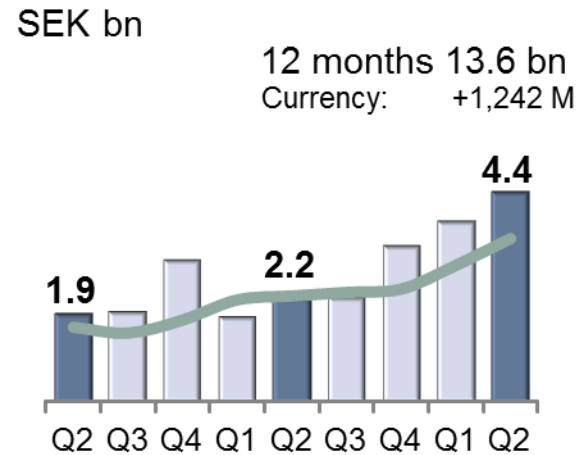
TRUCKS

Improved profitability

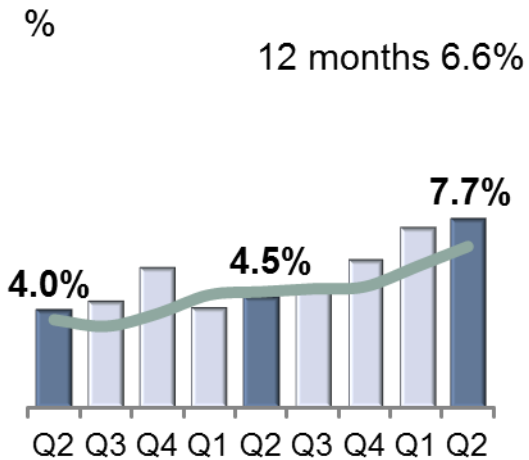
SALES TREND



OPERATING INCOME*



OPERATING MARGIN*



TRUCKS

Improved profitability in North America and Europe

OPERATING INCOME*
SEK M

2,173



Q2 2014

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

- Lower volumes & margins in South America

OPERATING INCOME*
SEK M

4,405



Q2 2015

VOLVO CE

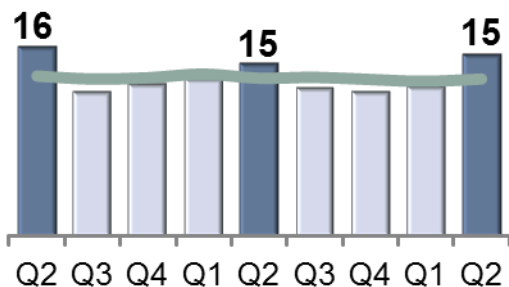
Improved profitability despite continued drop in volumes

SALES TREND

SEK bn

12 months 53 bn

Currency: +2.1 bn

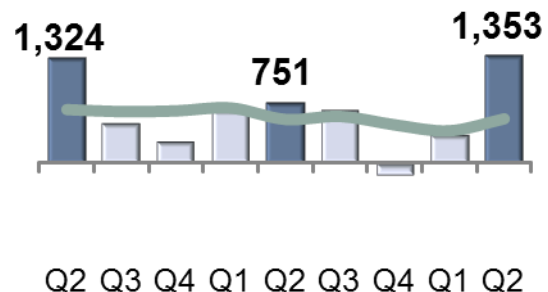


OPERATING INCOME*

SEK M

12 months 2.2 bn

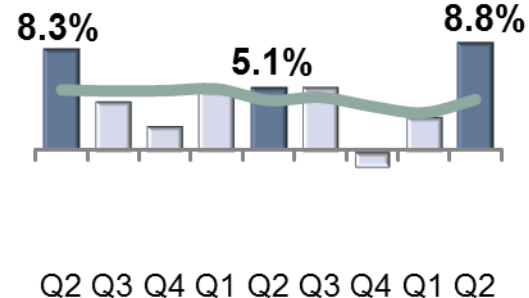
Currency: +427 M



OPERATING MARGIN*

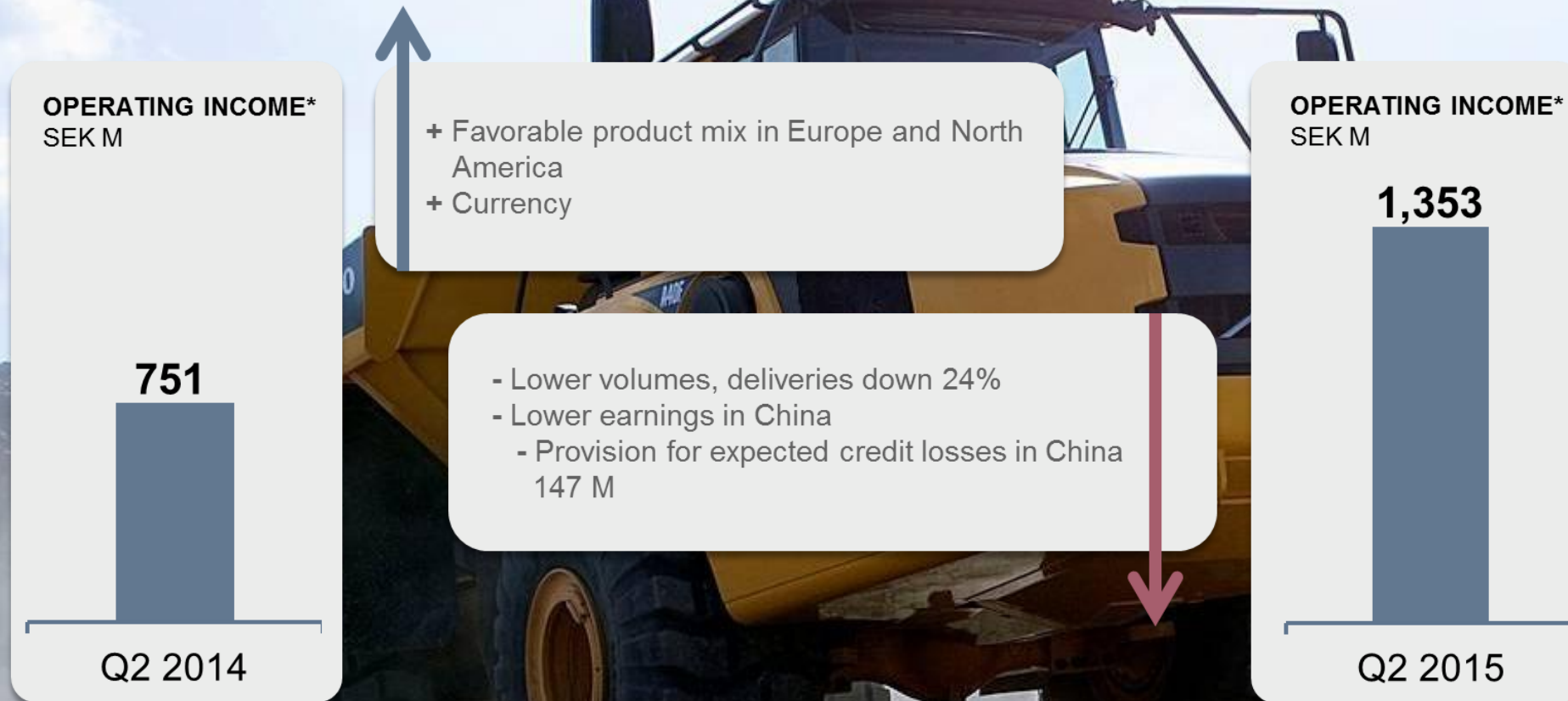
%

12 months 4.1%



VOLVO CE

Improved results in Europe and North America

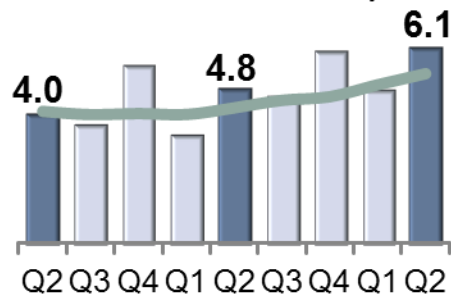


BUSES



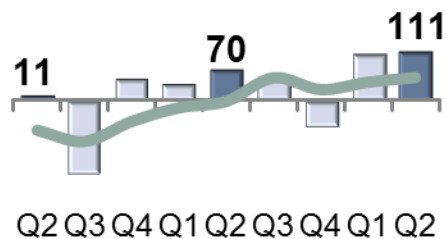
SALES TREND

SEK bn 12 months 21 bn
Currency: +0.8 bn



OPERATING INCOME*

SEK M 12 months 207 M
Currency: +161 M

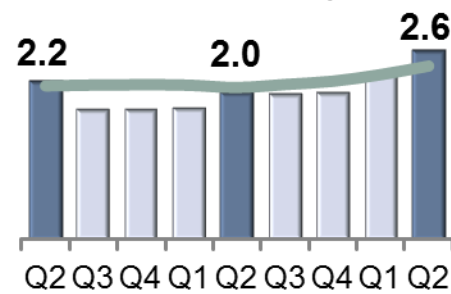


VOLVO PENTA



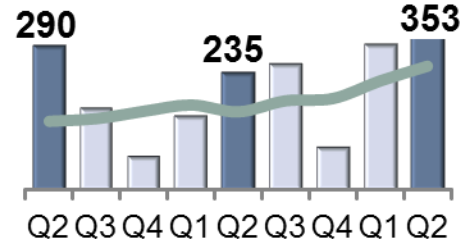
SALES TREND

SEK bn 12 months 9 bn
Currency: +0.2 bn



OPERATING INCOME*

SEK M 12 months 988 M
Currency: +100 M



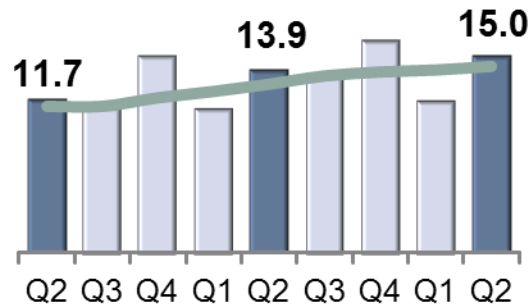
CUSTOMER FINANCE

Strong results – profitable portfolio growth

NEW FINANCING

SEK bn

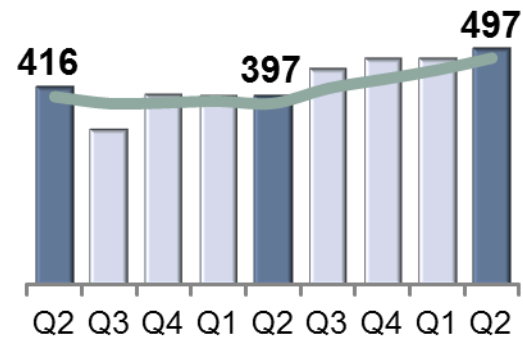
12 months 56 bn



OPERATING INCOME*

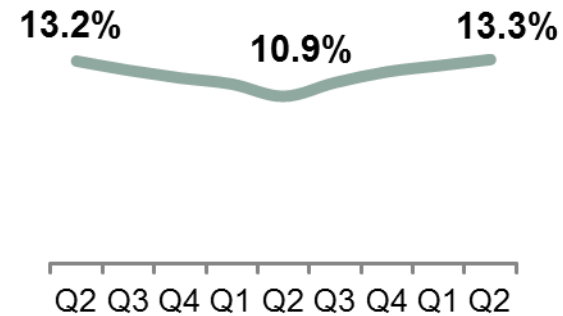
SEK M

12 months 1,895 M



ROE

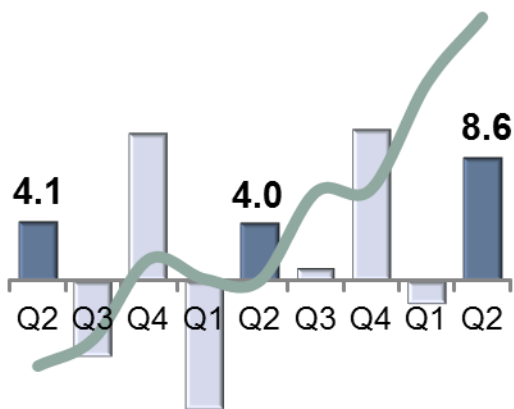
12 months, %



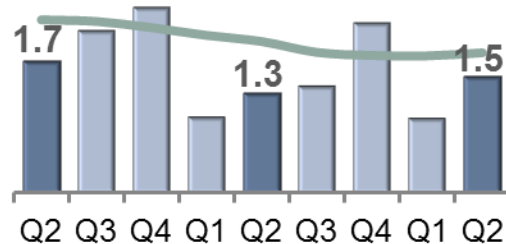
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Positive cash flow trend

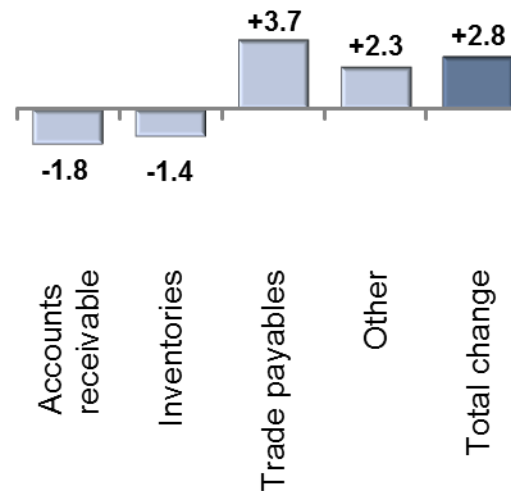
OPERATING CASH FLOW*
SEK bn,
12 months SEK 18.4 bn



INVESTMENTS IN PPE*
SEK bn,
12 months SEK 6.1 bn



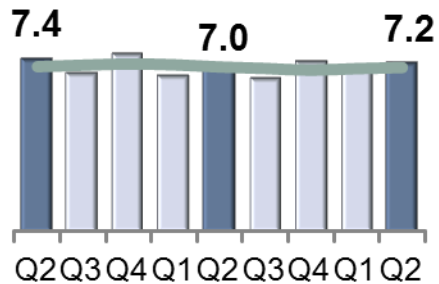
CASH-FLOW EFFECT FROM CHANGES IN WORKING CAPITAL*
SEK bn



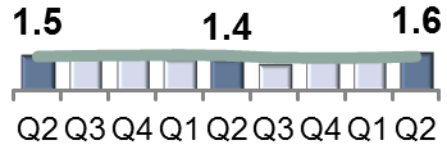
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Structural cost reductions offset by currency effect

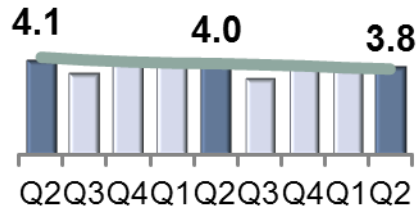
SELLING EXPENSES
SEK bn, 12 months 27.9



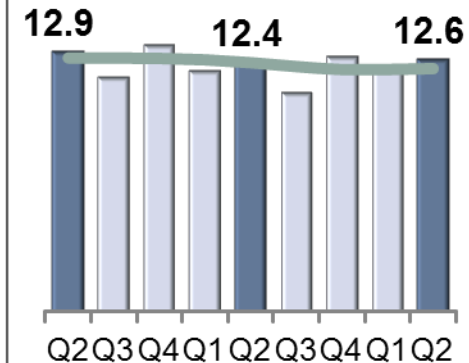
ADMIN. EXPENSES
SEK bn, 12 months 5.7



CASH R&D EXPENSES
SEK bn, 12 months 14.7



TOTAL OPEX
SEK bn, 12 months 48



REALIZED COST REDUCTIONS ADJUSTED FOR CURRENCY EFFECTS

Q215 vs. Q214

- 296* M

Q215 vs. Q214

+ 186* M

Q215 vs. Q214

- 399* M

Total cost reduction*

Σ - 509* M



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Structural cost to be reduced by SEK 10 bn – facing currency-headwind

SEK bn	2012	2013	2014	Q2 2015*	Targeted reduction 2016 vs 2012
Structural cost reduction in Gross Income		-	-1.0	-1.7	
Cash R&D	16.9	15.9	15.2	14.7	
Selling expenses	27.9	28.5	27.4	27.9	
Administrative expenses	5.6	5.9	5.4	5.7	
Total reduction vs. 2012*		-0.1	-3.3	-3.8	-10

Implemented by end 2015 with full-year effect in 2016

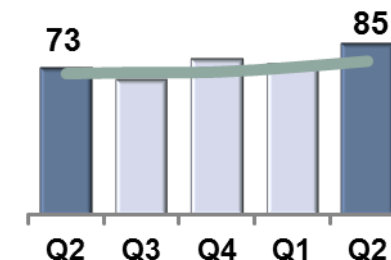
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Second quarter summary

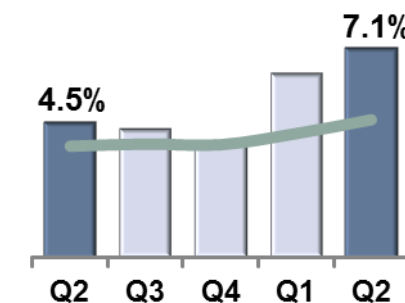


- 1 IMPROVED PROFITABILITY ON FLAT VOLUMES**
- 2 STRONG CASH FLOW**
- 3 EFFICIENCY ACTIVITIES IN FOCUS FOR 2015:**
 - GROUP TRUCKS SALES
 - IT OPERATIONS
 - GROUP TRUCKS OPERATIONS
 - VOLVO CE

NET SALES
SEK bn 12 months 304 bn



OPERATING MARGIN*
% 12 months 5.4%



Volvo Group

Second quarter 2015

