



# Volvo Group

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FOURTH QUARTER  
2015

MARTIN LUNDSTEDT

# VOLVO GROUP

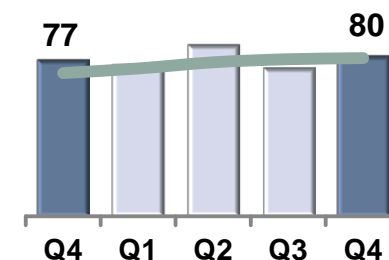
## Fourth quarter highlights



- **CONTINUED IMPROVED PROFITABILITY ON FLAT VOLUMES – UNDERLYING OPERATING MARGIN AT 5.7%**
- **OPERATING CASH FLOW OF SEK 14.7 BN (10.6)**
- **STRENGTHENED FINANCIAL POSITION – NET CASH SEK 0.3 BN EXCL. PENSIONS**
- **PROPOSED DIVIDEND SEK 3.00**
- **FINALIZING STRUCTURAL COST REDUCTION PROGRAM**

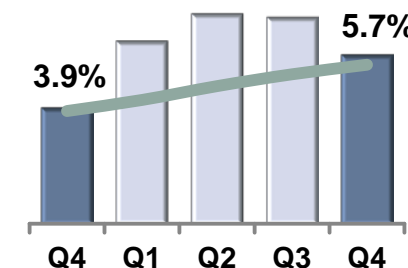
### NET SALES

SEK bn 12 months 313 bn



### OPERATING MARGIN\*

% 12 months 6.5%



# TRUCKS EUROPE

## Improving demand

- Total market increased by 19% in 2015
- Market shares 2015:
  - Volvo 15.7% (-0.9)
  - Renault Trucks 8.1% (0.3)
- Net order intake improved by 20% in Q4
  - Volvo +24%
  - Renault Trucks +15%
- Total market outlook for 2016: 280,000 units (+4% vs. 2015)

### ORDERS & DELIVERIES

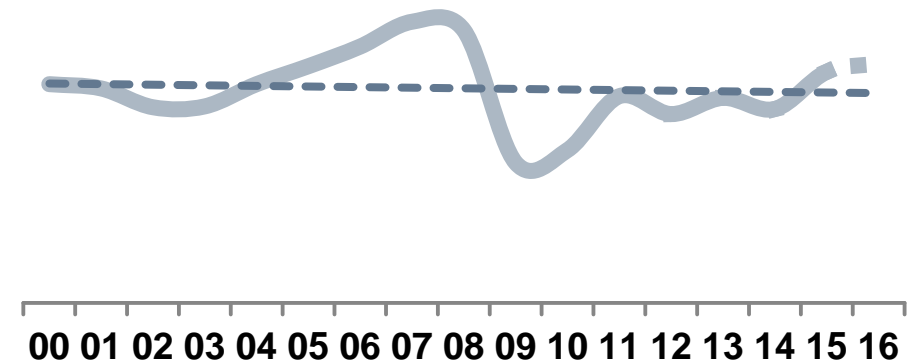
Book-to-bill Q4: 99%



### TOTAL MARKET (heavy-duty)

2015: 270' trucks

Forecast:  
2016: 280'



## TRUCKS NORTH AMERICA

# Declining from high levels

- Total market increased by 12% in 2015
- Market shares 2015:
  - Volvo 12.2% (+0.3)
  - Mack 7.4% (-0.8)
- Net order intake decreased by 58% in Q4
  - Market correction in long-haulage
  - Dealer destocking
  - Extraordinary high order intake last year
- Increasing captive components
  - Volvo – engines 92%, I-Shift 82%
  - Mack – engines 99%, Highway mDRIVE 73%  
Vocational mDRIVE 6%
- Total market outlook for 2016: 260,000 units (-14% vs. 2015)

### ORDERS & DELIVERIES

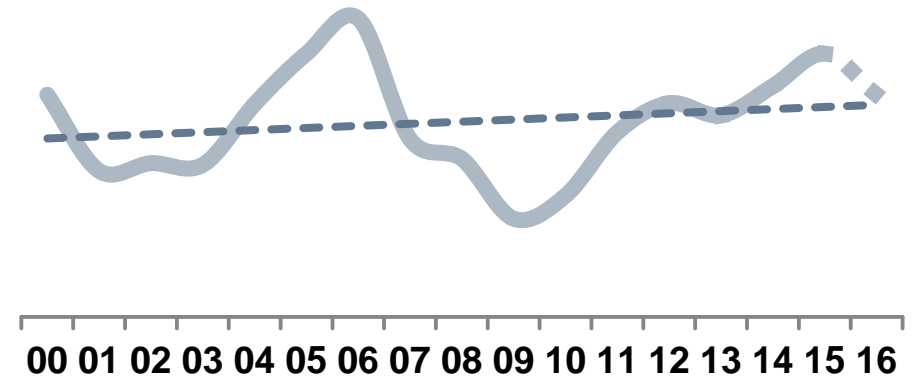
Book-to-bill Q4: 68%



### TOTAL MARKET (heavy-duty)

2015: 302' trucks

Forecast:  
2016: 260'



## TRUCKS SOUTH AMERICA

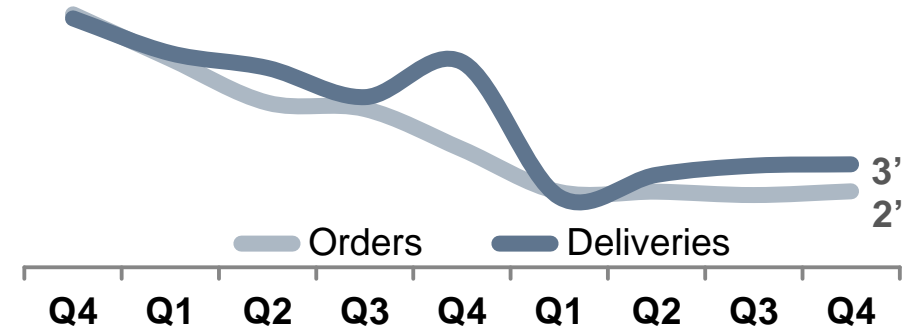
# Continued weak economic development in Brazil



- Total heavy-duty truck market in Brazil declined by 55% in 2015
- Market share in Brazil 2015: 20,1% (-1.2)
- Net order intake for South America decreased by 36% in Q4
- Brazilian market outlook 2016: 35,000 units (-16% vs. 2015)

### ORDERS & DELIVERIES

Book-to-bill Q4: 74%

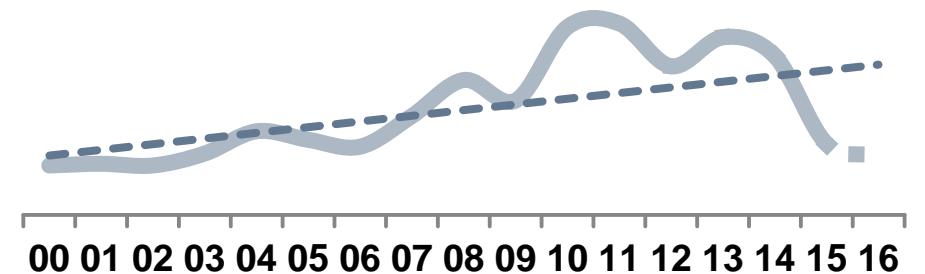


### TOTAL MARKET, BRAZIL (heavy-duty)

2015: 42' trucks

Forecast:

2016: 35'



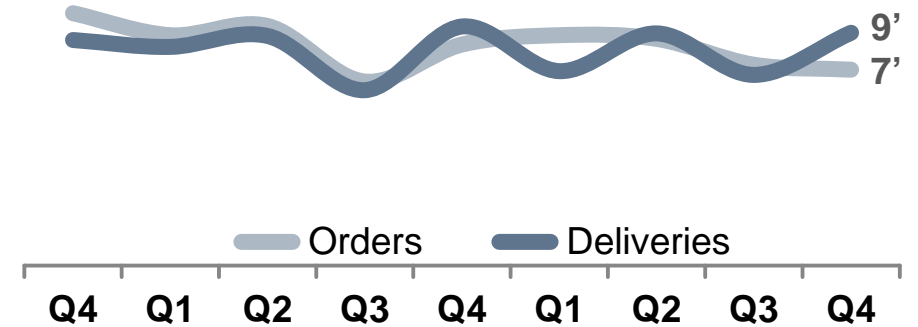
# TRUCKS ASIA

## Mixed market development

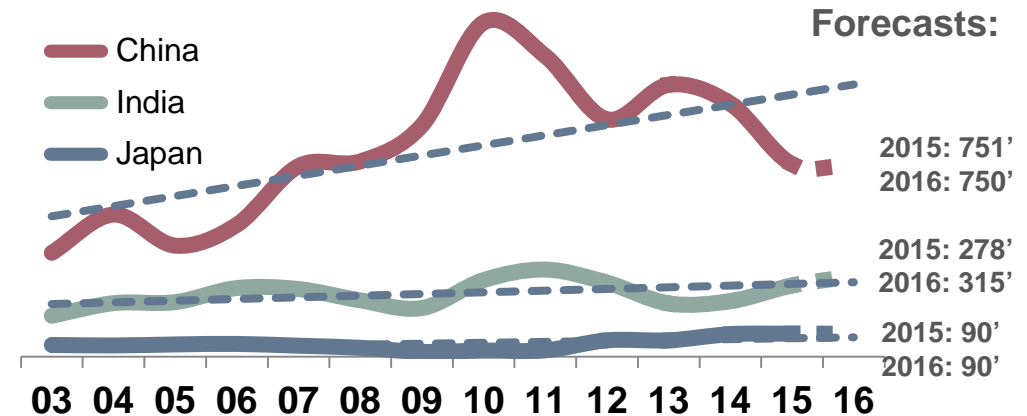
- China's medium- and heavy-duty market down 24% in 2015
- Many markets impacted by Chinese slow-down
- Gaining market shares
- Japanese demand remains healthy
- UD Trucks' HD market share in Japan 2015: 18.3% (-0.5)

### ORDERS & DELIVERIES

Book-to-bill Q4: 84%



### MARKET OUTLOOK medium- & heavy-duty



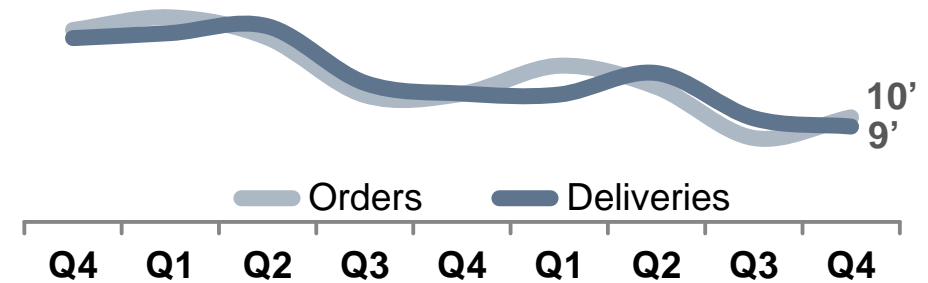
# CONSTRUCTION EQUIPMENT

## Continued headwind in BRC

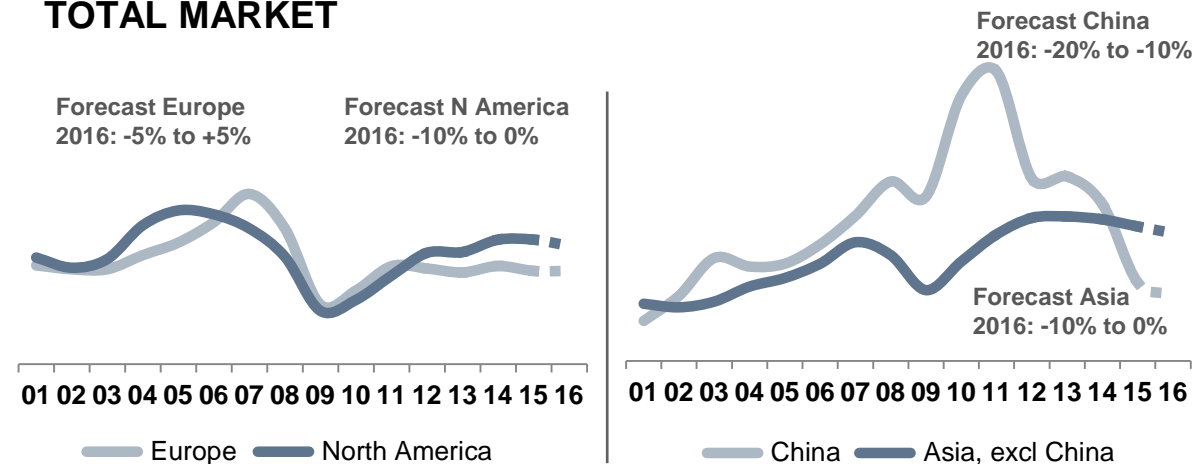
- Markets YTD November:
  - Europe: -6% (excl. Russia 3%)
  - North America: +1%
  - China: -48%
- Deliveries down by 26% mainly due to low demand in China, Russia and Brazil
- Net order intake decreased by 18%
- Continued sales activities to improve market and product mix
- Market share gain on heavy machines of 1.8 percentage points
- Introducing new products at Bauma fair

### ORDERS & DELIVERIES

Book-to-bill Volvo Q4: 115%



### TOTAL MARKET



## BUSES



- Continued good demand in North America, recovery in Europe and weak demand in Brazil
- Deliveries up 9%, orders up 24% in Q4
- Launch of Volvo 9800 coach in Mexico
- Preparing for introduction of hybrid buses in India

## VOLVO PENTA



- Industrial engines - Stable mature markets and declining emerging markets
- Marine engines – flat markets
- Net order intake decreased by 8% in Q4
- Strengthened market position in all segments
- Launch of new D16 engine for marine commercial application





# Volvo Group

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FOURTH QUARTER  
2015

JAN GURANDER

VOLVO GROUP

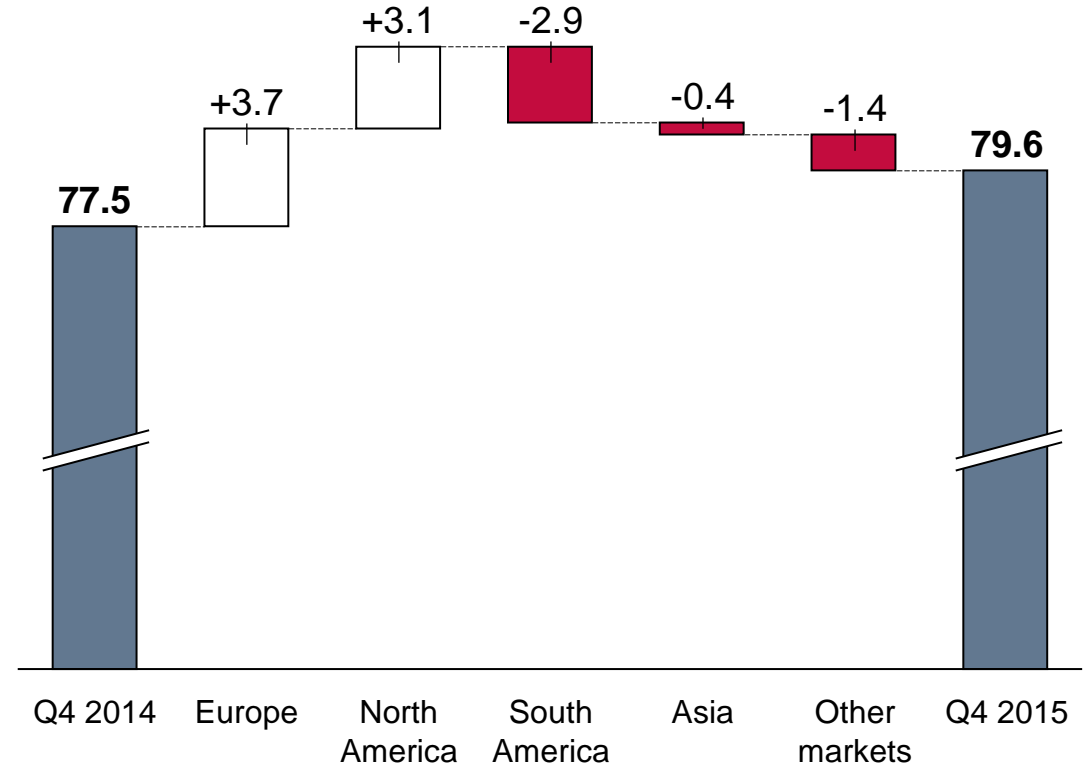
# Sales growth in North America and Europe

- partly offset by decline in South America and Africa



NET SALES  
SEK bn

➤ FX impact: +3 bn



# Earnings improvement driven by Trucks and Buses

↑

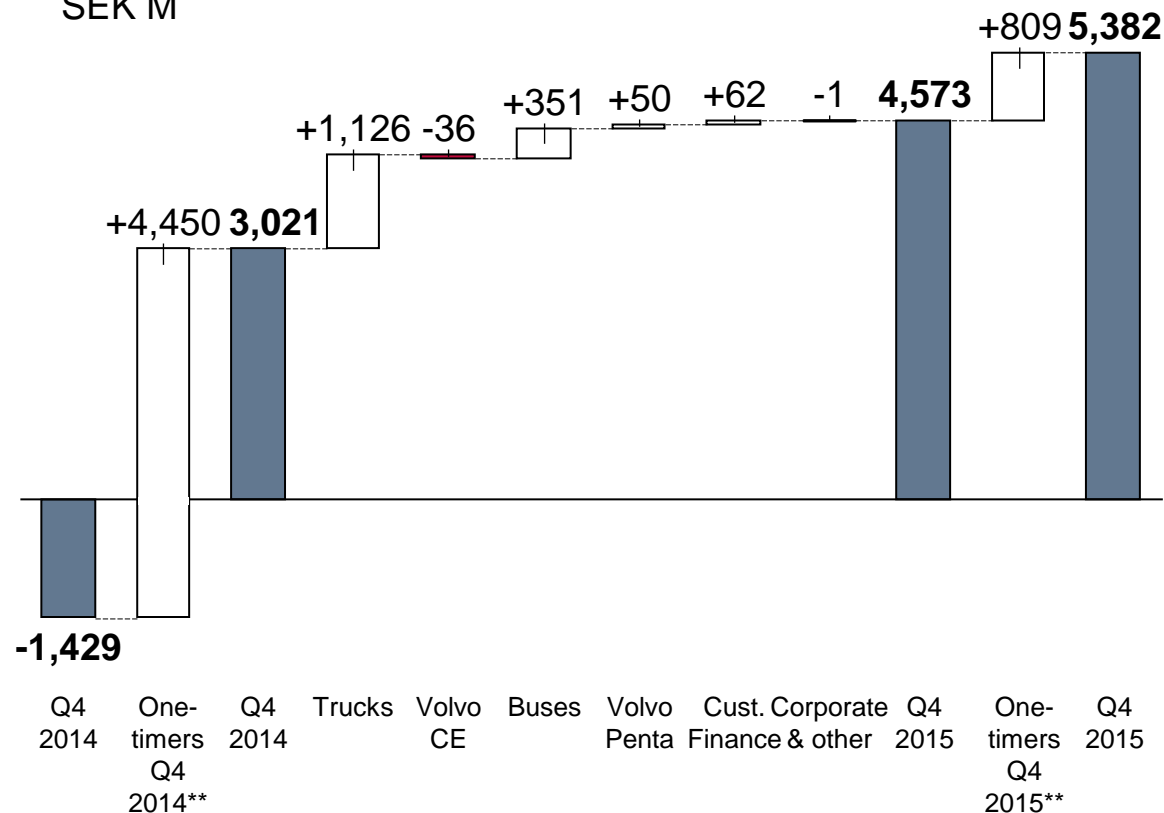
- + Trucks
- + Buses
- + Customer Finance
- + Penta

↓

- Volvo CE – China credit provision of SEK 158 M

## OPERATING INCOME\* SEK M

➤ FX impact: +1.201 M



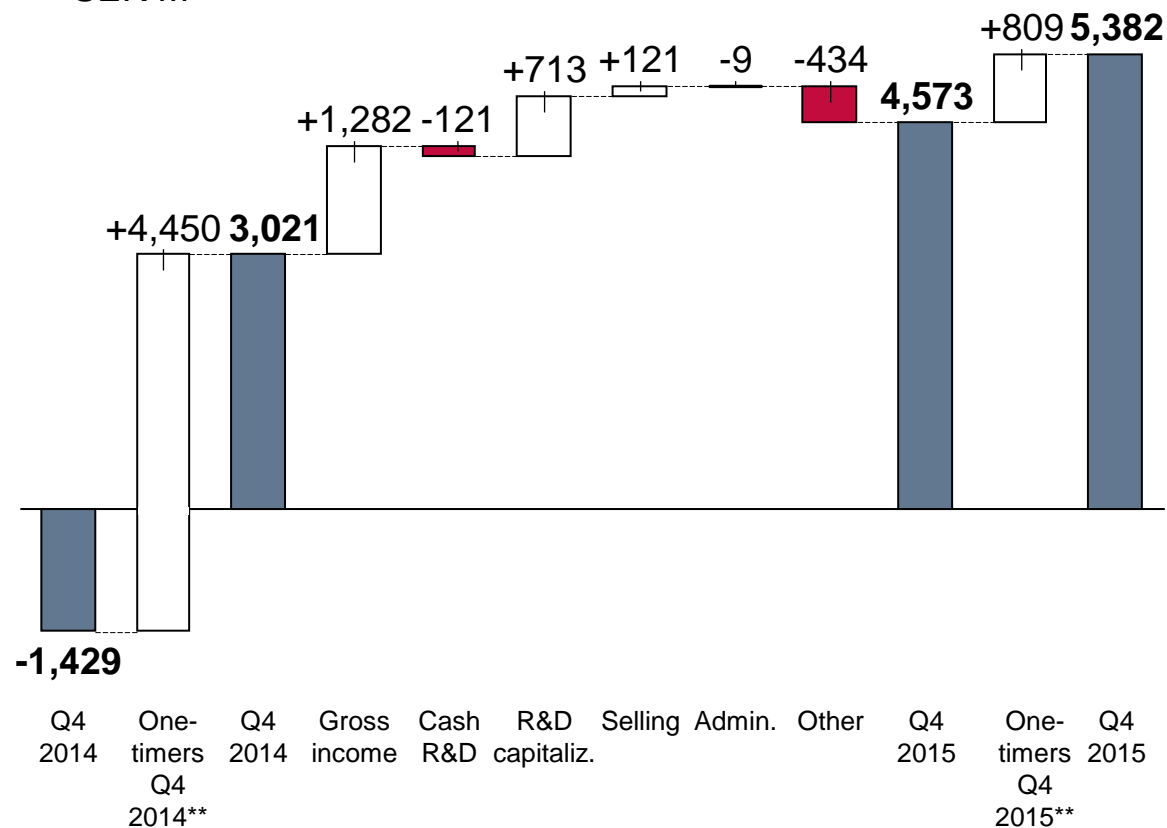
# Earnings improvement on slightly lower volumes

- + Higher R&D capitalization
- + Lower selling expenses
- + Europe and North America earnings
- + Currency

- Lower volumes
- Lower earnings in Brazil

## OPERATING INCOME\* SEK M

➤ FX impact: +1.201 M



# TRUCKS

## Profitability improvement trend continues

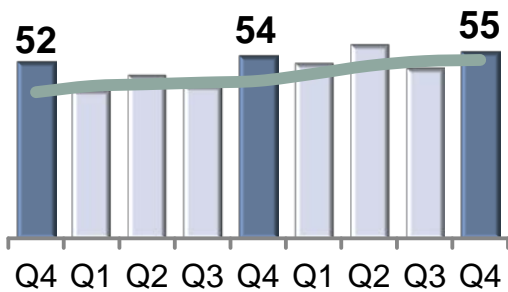
- on flat volumes

### NET SALES

SEK bn

12 months 214 bn

Currency: +2.1 bn

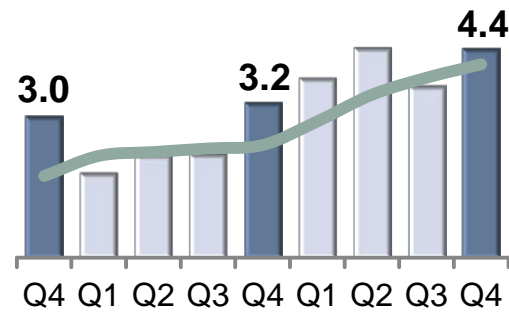


### OPERATING INCOME\*

SEK bn

12 months 16.2 bn

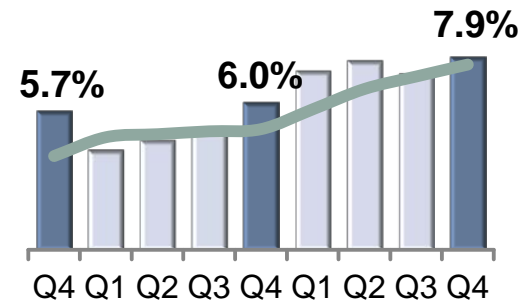
Currency: +679 M



### OPERATING MARGIN\*

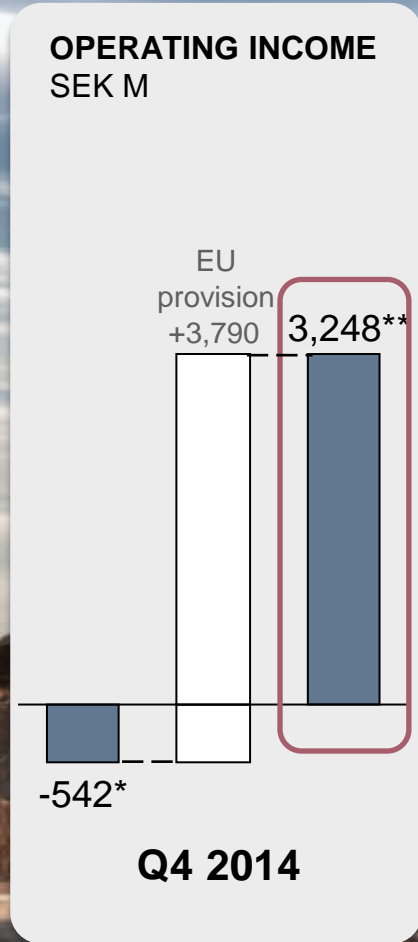
%

12 months 7.6%



# TRUCKS

## Improved earnings in Europe and North America

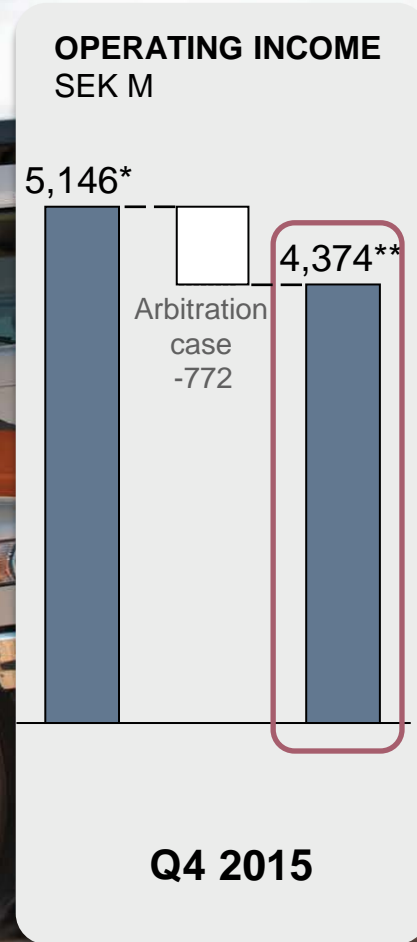


↑

- + Higher R&D capitalization
- + Lower selling expenses
- + Europe and North America
- + Currency SEK +679 M

↓

- Negative product mix
- Brazil



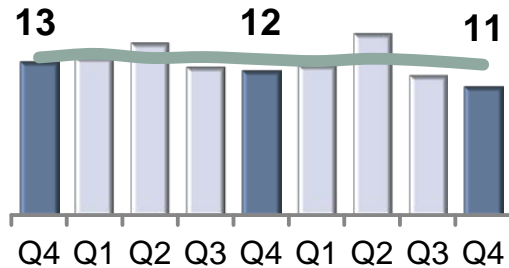
# CONSTRUCTION EQUIPMENT

## Adapting to declining sales volumes

### NET SALES

SEK bn

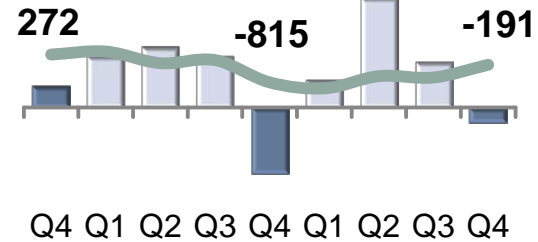
12 months 51 bn  
Currency: +0.6 bn



### OPERATING INCOME\*

SEK M

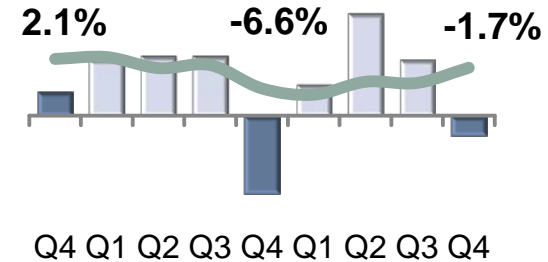
12 months 2.1 bn  
Currency: +148 M



### OPERATING MARGIN\*

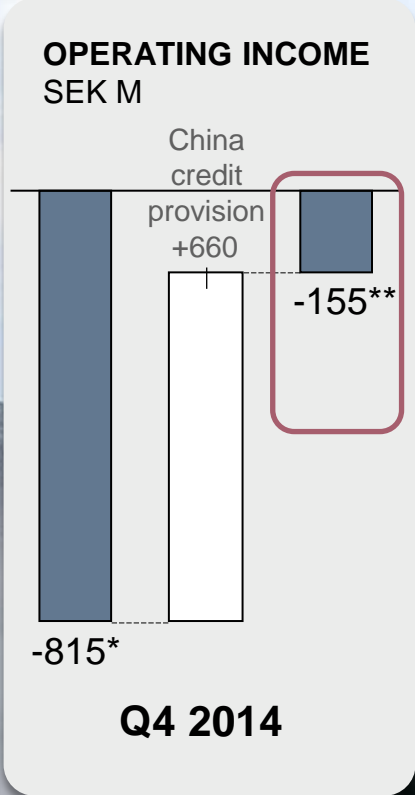
%

12 months 4.1%



# CONSTRUCTION EQUIPMENT

## Improved product and market mix, partly offset by volume drop

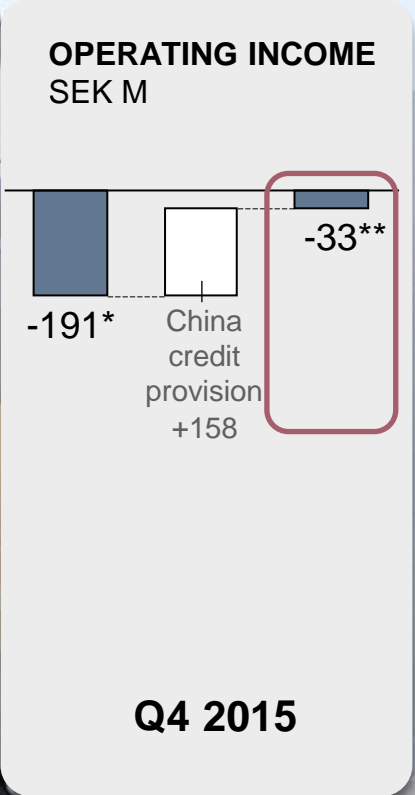


↑

- + Favorable product and market mix
- + Reduced operating expenses
- + Currency SEK +148 M

↓

- Lower volumes, deliveries down 26%
- Low capacity utilization
- Lower earnings in China



\*Excluding restructuring charges  
\*\*Excluding restructuring charges and China credit provisions

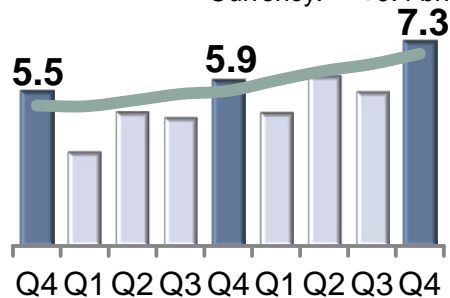


# BUSES



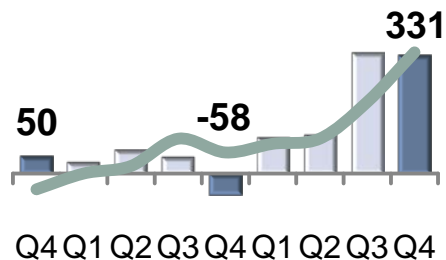
## NET SALES

SEK bn 12 months 24 bn  
Currency: +0.4 bn



## OPERATING INCOME\*

SEK M 12 months 882 M  
Currency: +269 M

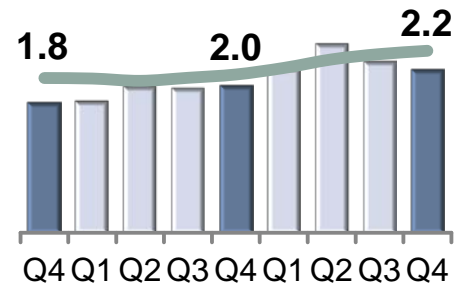


# VOLVO PENTA



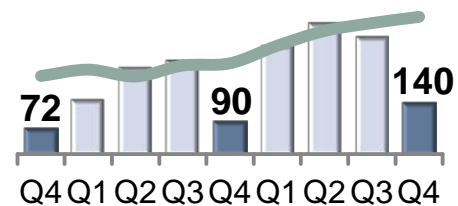
## NET SALES

SEK bn 12 months 9 bn  
Currency: +0.1 bn



## OPERATING INCOME\*

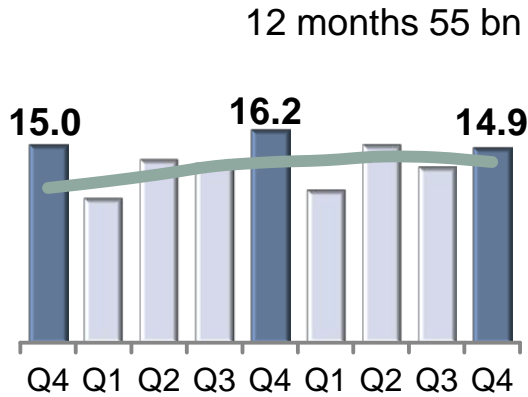
SEK M 12 months 1,102 M  
Currency: +22 M



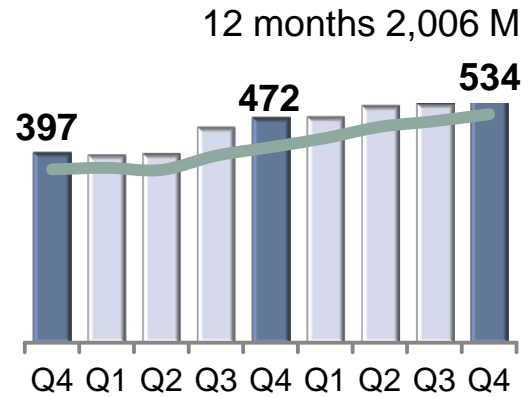
# CUSTOMER FINANCE

## Continued profitability improvement

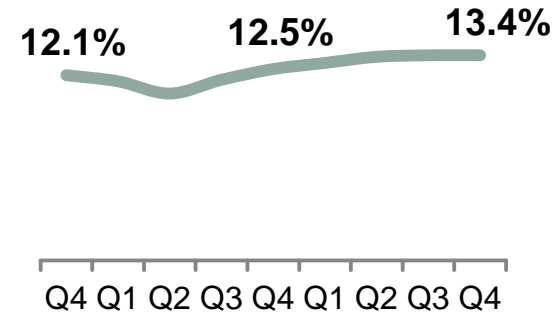
**NEW FINANCING**  
SEK bn



**OPERATING INCOME\***  
SEK M



**ROE**  
12 months, %

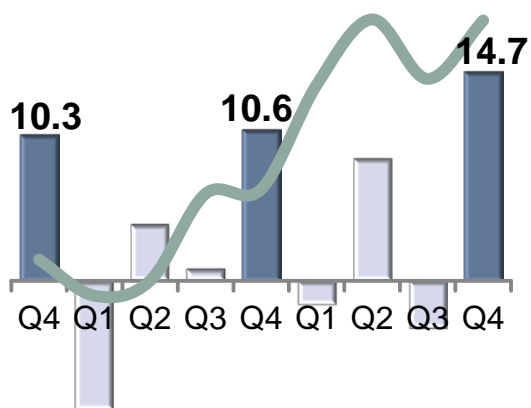


# VOLVO GROUP – INDUSTRIAL OPERATIONS

## Improved cash flow

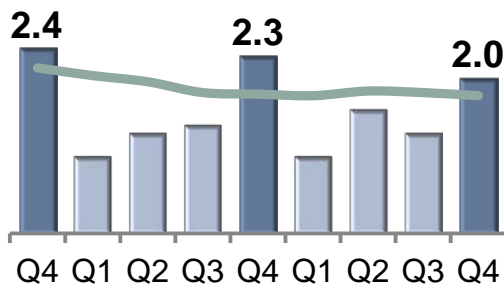
### OPERATING CASH FLOW

SEK bn,  
12 months SEK 18.3 bn



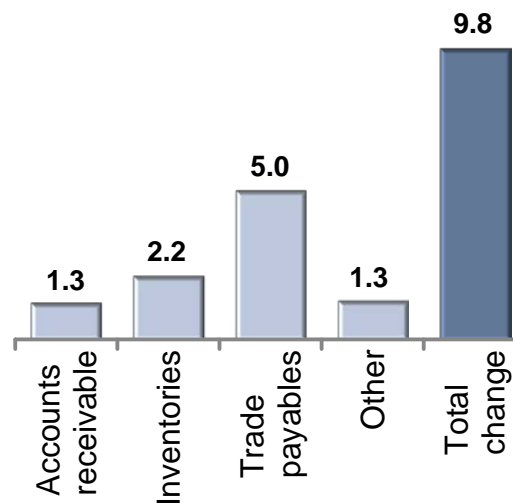
### INVESTMENTS IN PPE

SEK bn,  
12 months SEK 5.9 bn



### CASH FLOW EFFECT FROM CHANGES IN WORKING CAPITAL

SEK bn



## VOLVO GROUP

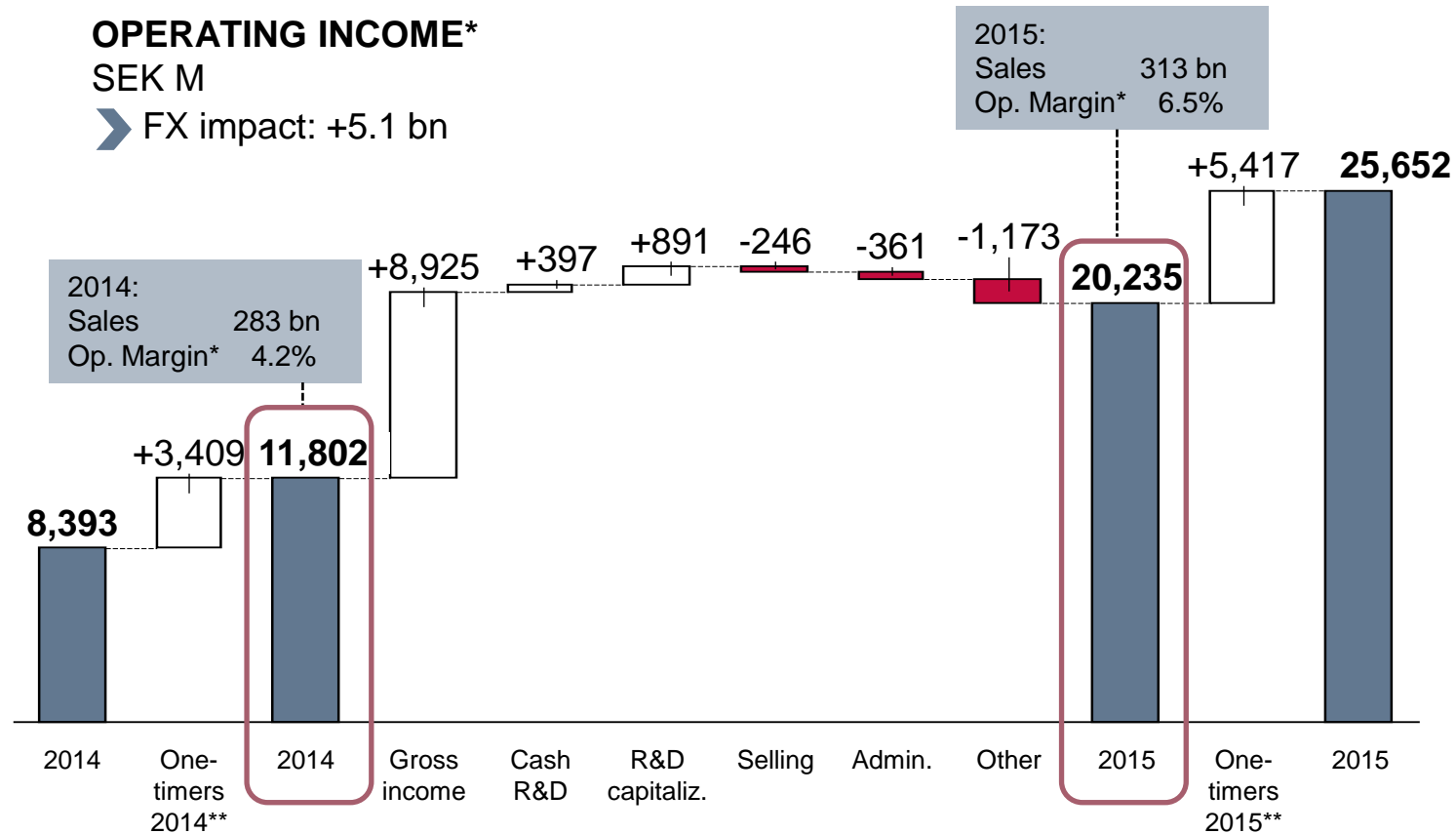
# Structural cost to be reduced by SEK 10 bn – facing currency-headwind

SEK bn	2012	2013	2014	2015	Targeted reduction 2016 vs 2012
Structural cost reduction in Gross Income	-	-	-1.0	<b>-2.5</b>	
Cash R&D	16.9	15.9	15.2	<b>14.8</b>	
Selling expenses	27.9	28.5	27.4	<b>27.7</b>	
Administrative expenses	5.6	5.9	5.4	<b>5.8</b>	
<b>Total reduction vs. 2012</b>		<b>-0.1</b>	<b>-3.3</b>	<b>-4.6</b>	<b>-10</b>
<b>Total reduction vs. 2012 excl. currency</b>				<b>-6.8</b>	

Implemented by end 2015 with full-year effect in 2016

# VOLVO GROUP

## Earnings improvement in FY 2015



# VOLVO GROUP Summary



- **FOUNDATION LAID IN 2015**
  - Earnings improvement
  - Improved cash flow
  - Strengthened financial position
  
- **NEW ORGANIZATION IN 2016 TO DRIVE ORGANIC GROWTH AND FURTHER IMPROVE PROFITABILITY**



# Volvo Group

Fourth quarter 2015

