



Volvo Group

SECOND QUARTER
2016

MARTIN LUNDSTEDT
PRESIDENT AND CEO



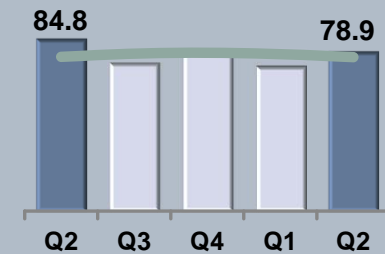
VOLVO GROUP

Second quarter highlights

- Improved profitability on lower volumes
- Operating margin* 7.8% (7.1)
- Trucks' operating margin on 10.0% excluding EU provision

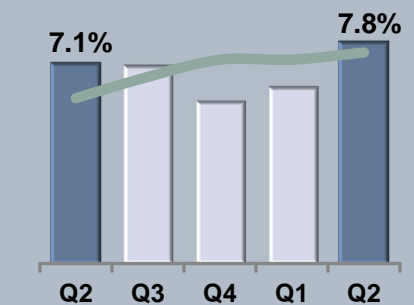
NET SALES

SEK bn 12 months 304 bn



OPERATING MARGIN*

% 12 months 6.7%



*2015: Excluding restructuring charges in efficiency program (-799 in Q2 2015) and capital gain on sale of shares in Eicher Motors Ltd. (2,137 in Q2 2015)

2016: Excluding capital gain on sale of external IT operations and EU provision (2,334 in Q2 2016)

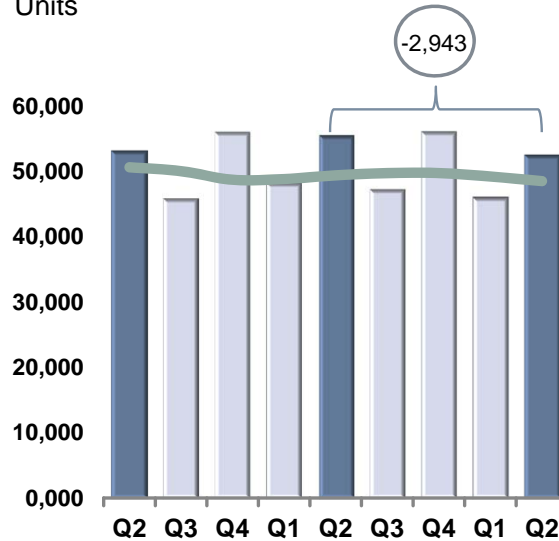
VOLVO GROUP

Volume development in second quarter

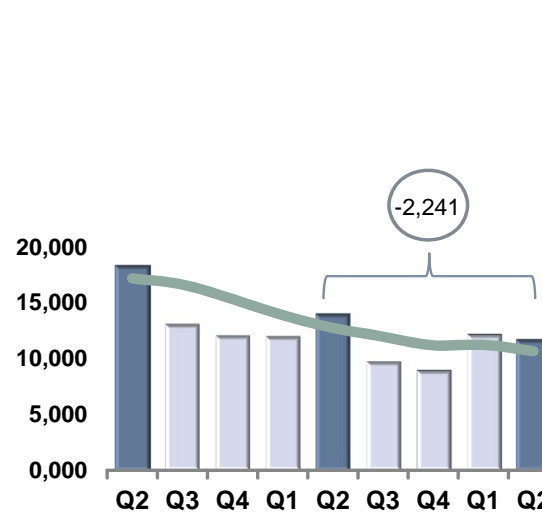
VOLUME -5%

	Total	Change
Volvo	28,255	-2,742
UD	5,177	-43
Renault Trucks	13,560	+1,414
Mack	5,588	-1,572

TRUCK DELIVERIES
Units



MACHINE DELIVERIES
Units

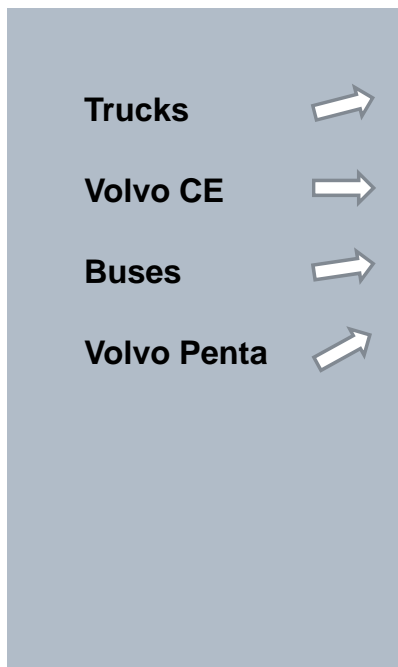


VOLUME -16%

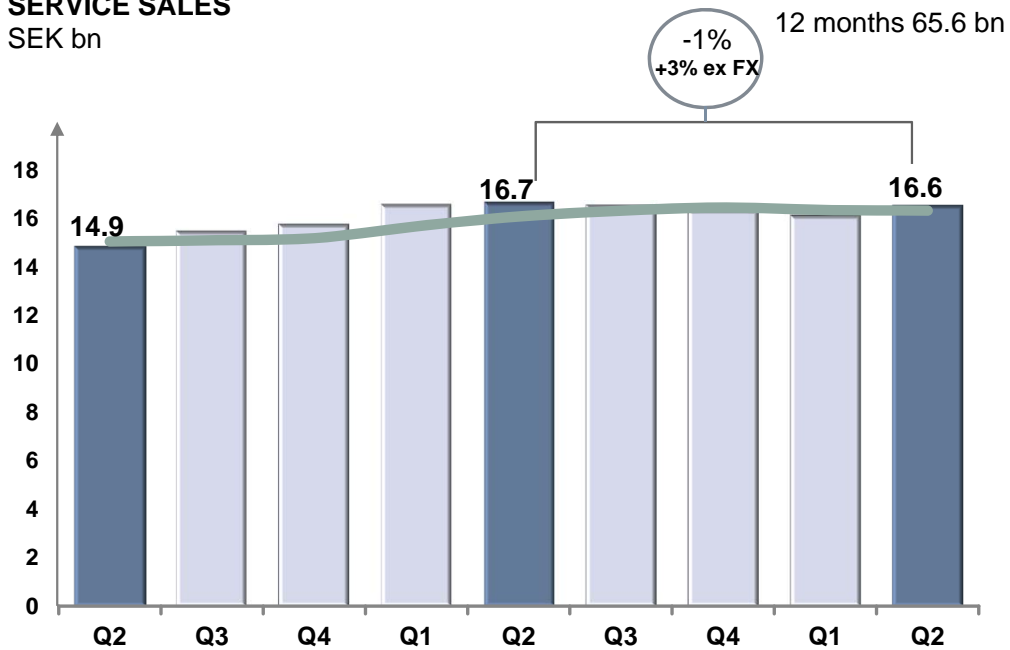
	Total	Change
Volvo	9,221	-81
SDLG	2,543	-2,160

VOLVO GROUP

Service sales development



SERVICE SALES
SEK bn



TRUCKS



VOLVO TRUCKS

Enhanced powertrain improves performance



Volvo Group Headquarters

Second quarter 2016

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VOLVO

A white Mack truck is parked in a service center. A technician in a light-colored uniform is standing next to a metal cart, working on the truck. Another technician is visible in the background. The scene is lit with natural light from a large window on the left.

MACK TRUCKS 32 certified Uptime Centers across North America

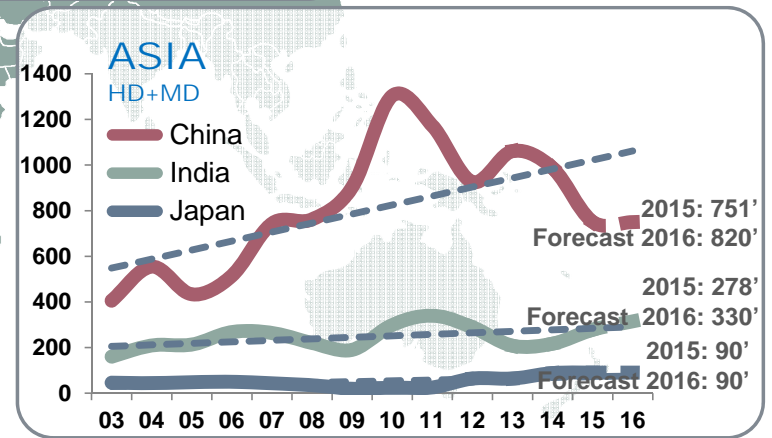
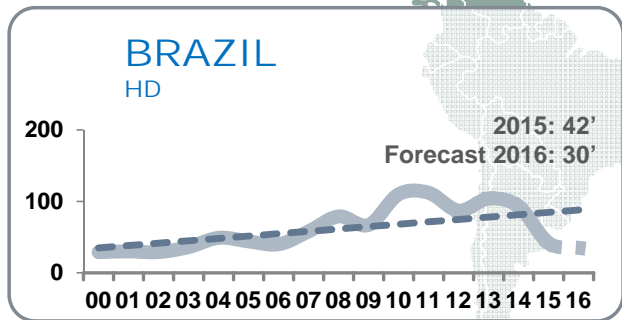
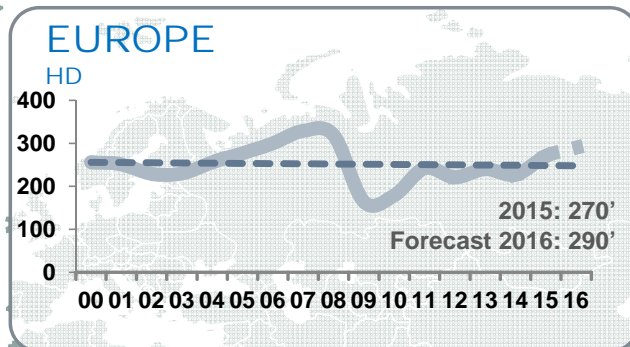
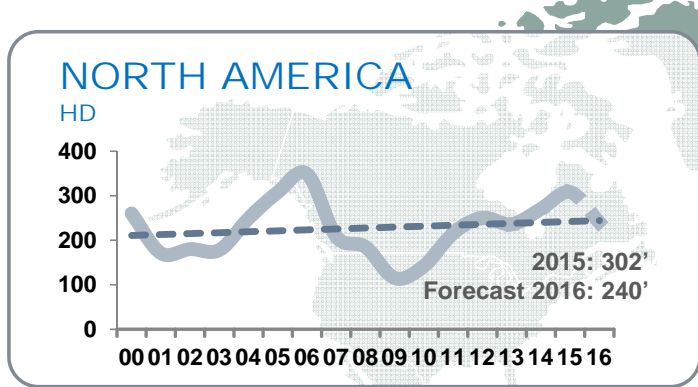
Volvo Group Headquarters
Second quarter 2016

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VOLVO

TRUCKS

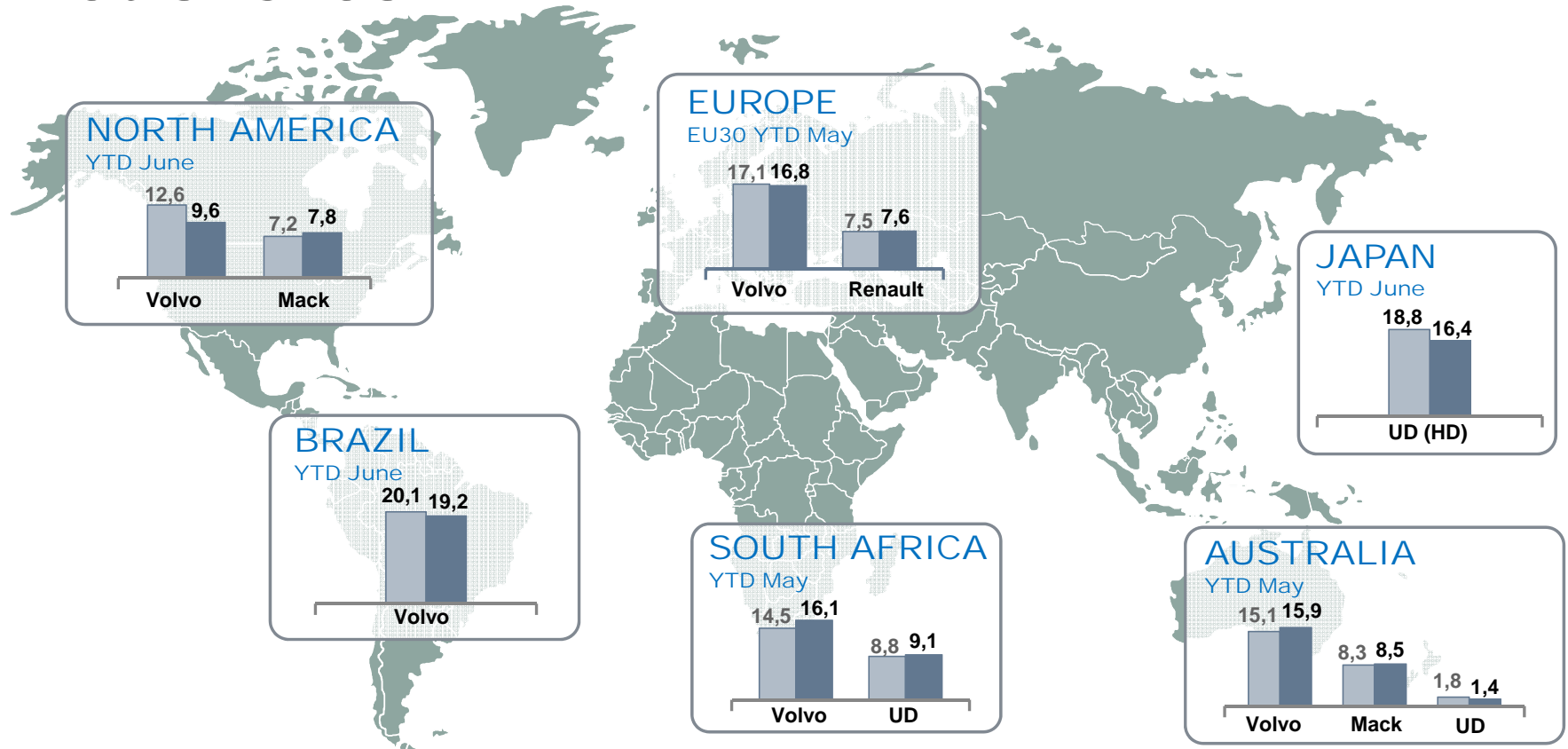
Market environment



TRUCKS Market shares

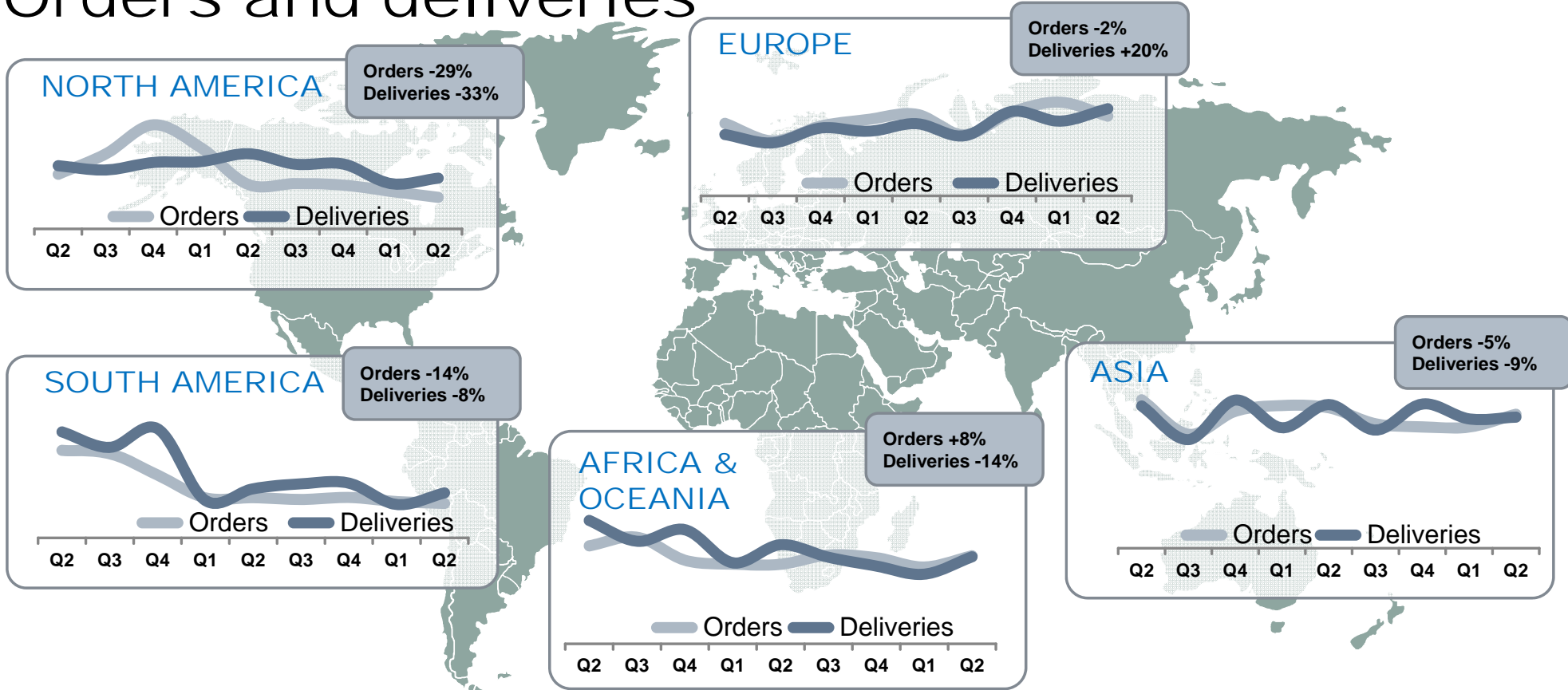
%

2015 2016



TRUCKS

Orders and deliveries



CONSTRUCTION EQUIPMENT



CONSTRUCTION EQUIPMENT Volvo Co-Pilot

– investing in
operator
effectiveness



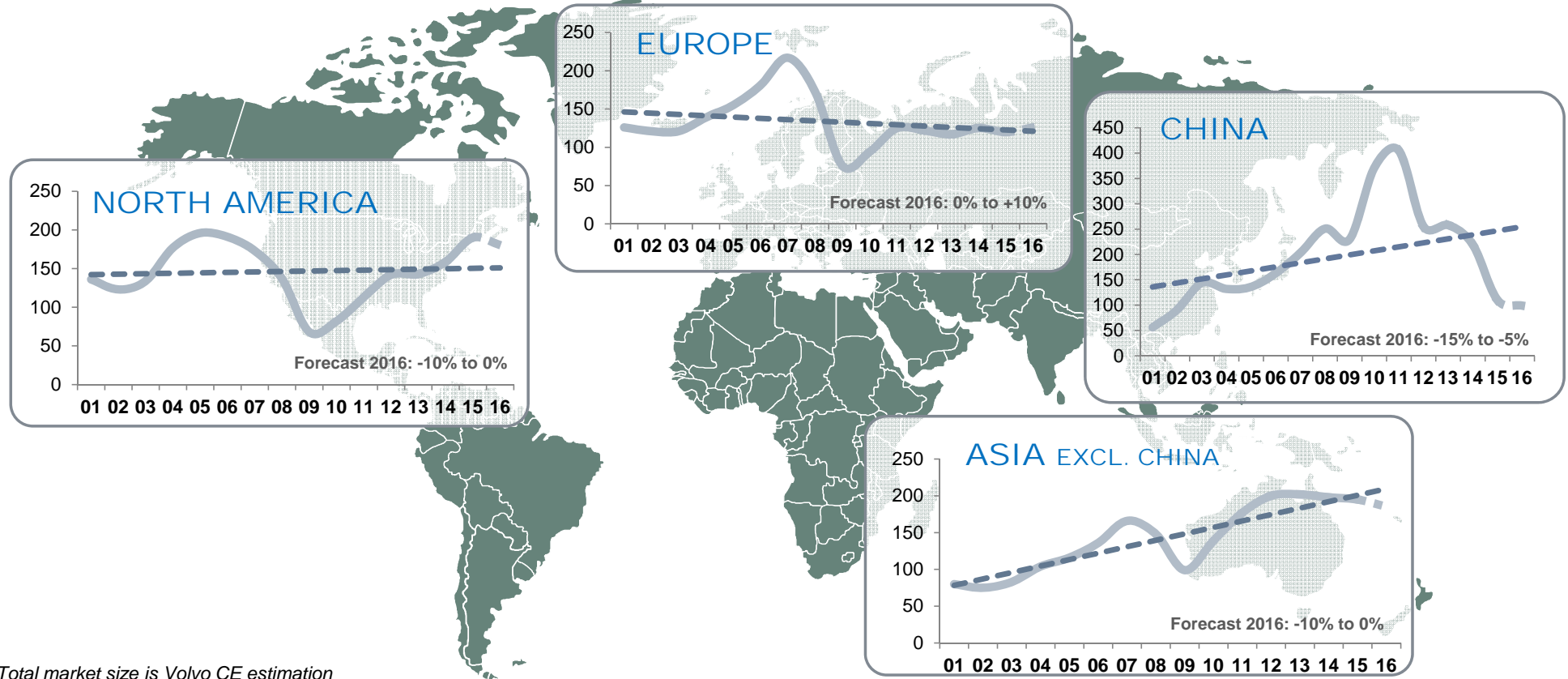
Volvo Group Headquarters

Second quarter 2016

12

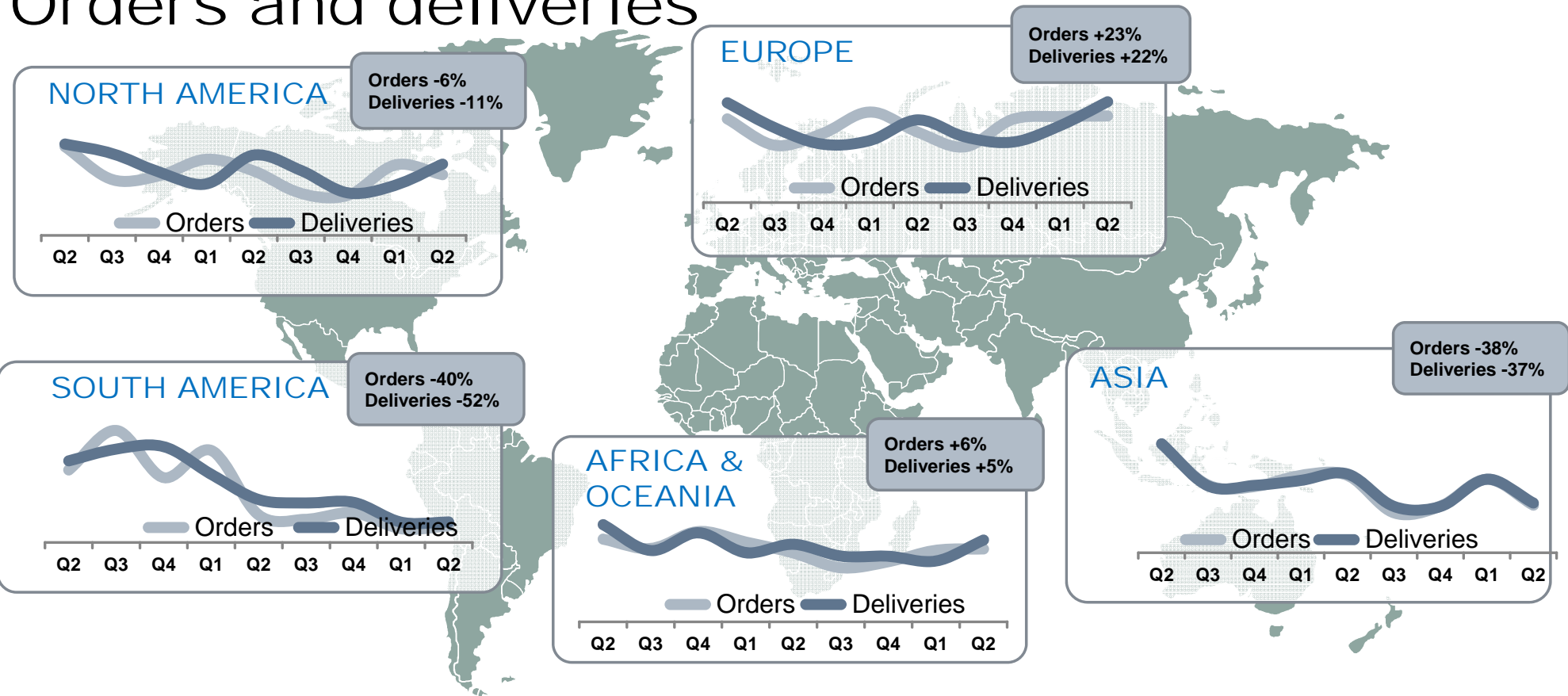
VOLVO

CONSTRUCTION EQUIPMENT Market environment



Total market size is Volvo CE estimation

CONSTRUCTION EQUIPMENT Orders and deliveries



BUSES

- **Order intake improved by 33%**
- **Deliveries up 28% in quarter, driven by North America and Europe**
- **Success for hybrid buses in London**



VOLVO PENTA

- **Orders -2%, deliveries -1%**
 - good growth in off-road engines
 - slow in marine leisure in North America
- **Launch of new easy boating products for marine leisure market**
- **New 8 liter engine with IPS drive**





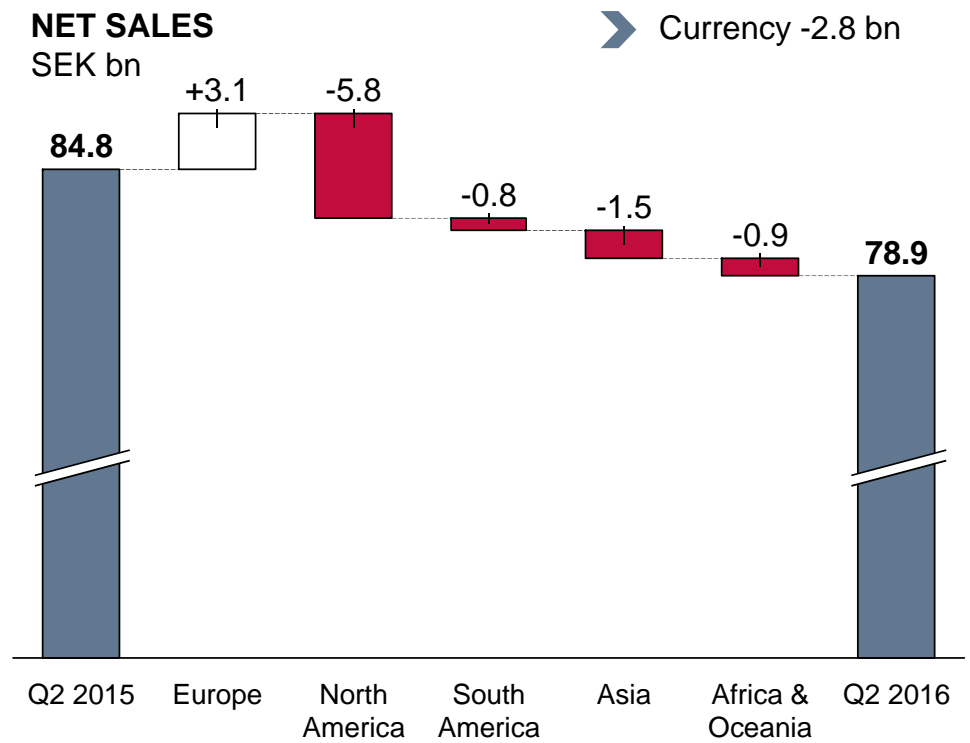
Volvo Group

SECOND QUARTER
2016

JAN GURANDER
DEPUTY CEO AND CFO



VOLVO GROUP Net sales per market

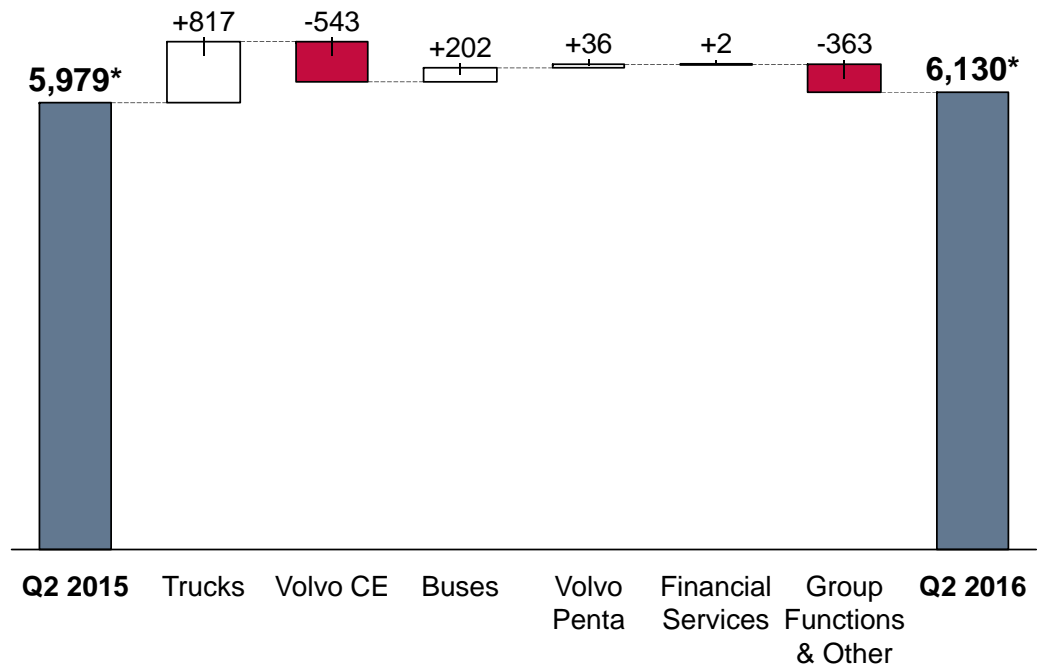


VOLVO GROUP Operating income per business area



OPERATING INCOME SEK M

➤ Currency -317 M



*Q2 2015: Excluding restructuring charges in efficiency program (-799) and capital gain on sale of shares in Eicher Motors Ltd. (2,137)
Q2 2016: Excluding EU provision (-2,334)

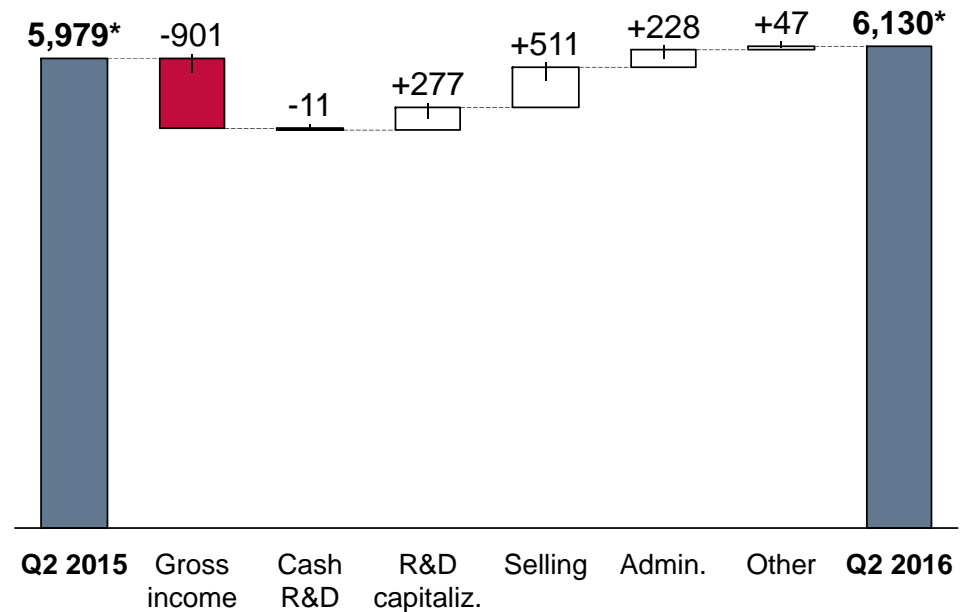
VOLVO GROUP Operating income contributors

↑
+ Lower selling and admin expenses
+ Lower material cost
+ Higher R&D capitalization

↓
- Lower volumes
- Currency

OPERATING INCOME SEK M

➤ Currency - 317 M



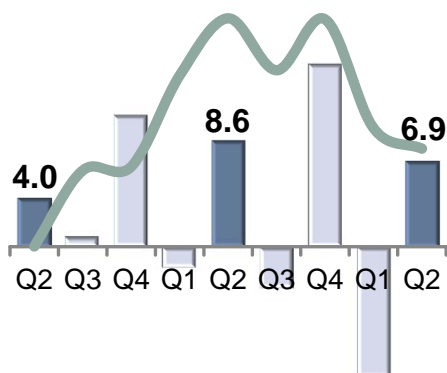
*Q2 2015: Excluding restructuring charges in efficiency program (-799) and capital gain on sale of shares in Eicher Motors Ltd. (2,137)
Q2 2016: Excluding EU provision (-2,334)

VOLVO GROUP – INDUSTRIAL OPERATIONS

Cash flow

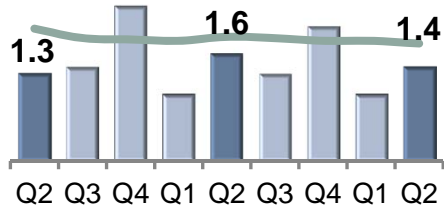
OPERATING CASH FLOW SEK bn

12 months SEK 7.9 bn

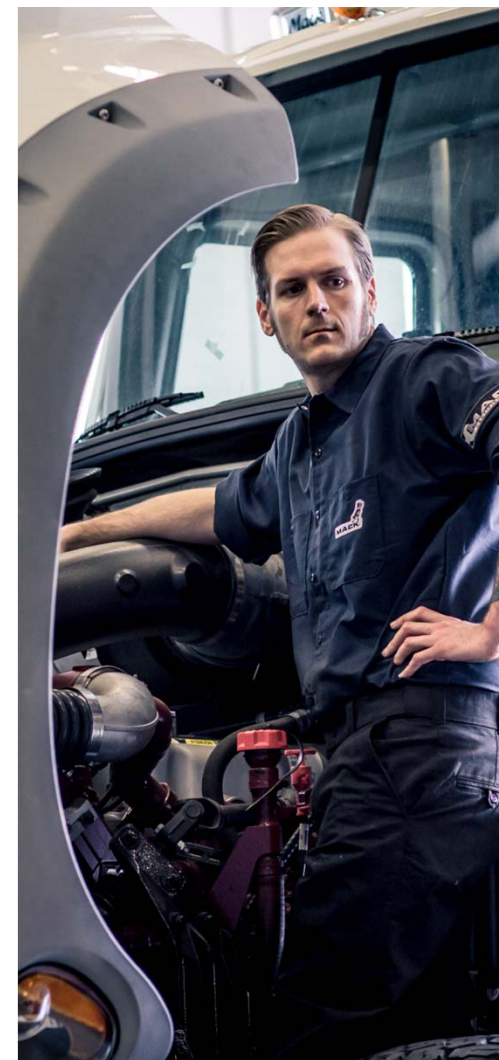
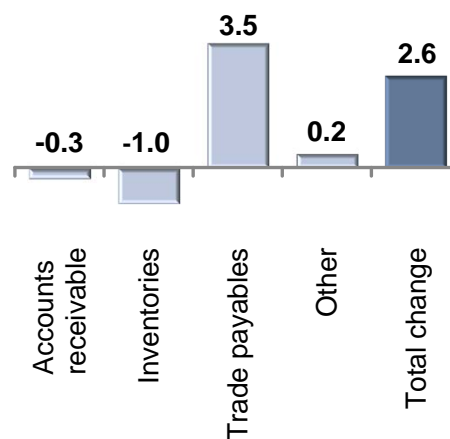


INVESTMENTS IN PPE SEK bn

12 months SEK 5.7 bn



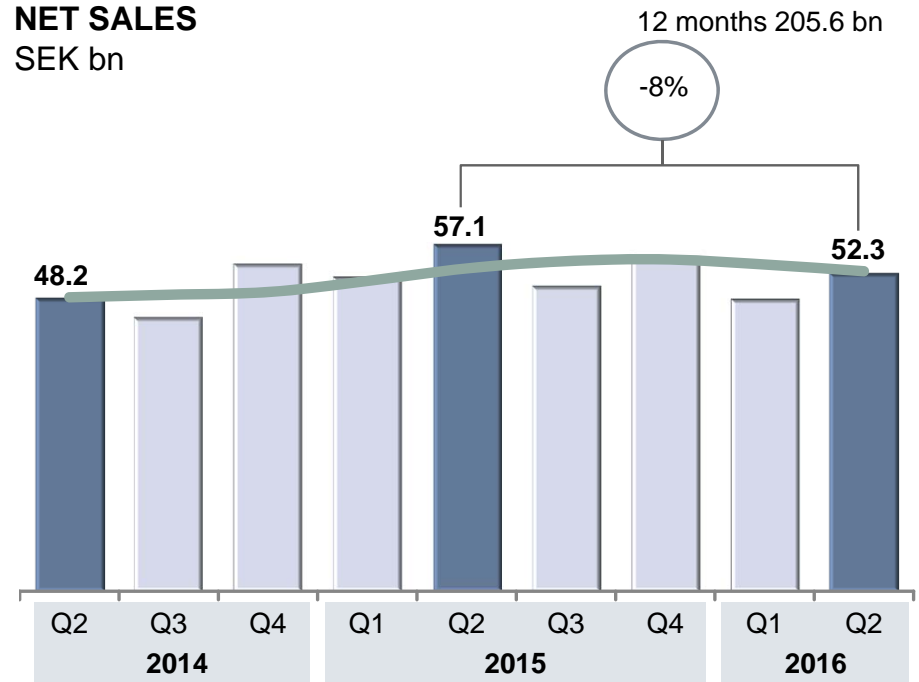
CASH FLOW EFFECT FROM CHANGES IN WORKING CAPITAL SEK bn



TRUCKS Net sales

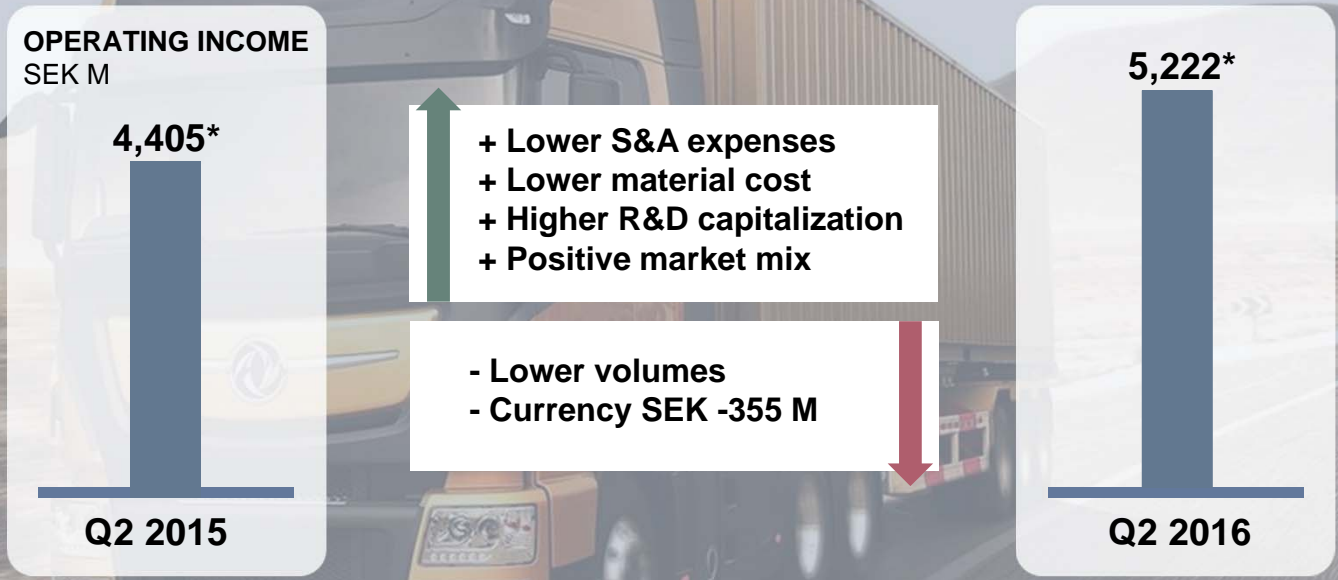
- **Delivered trucks -5%:**
 - North America -33%
 - Europe +20%
- **Net sales currency-adjusted -5%:**
 - vehicles -8%
 - service +3%

NET SALES SEK bn

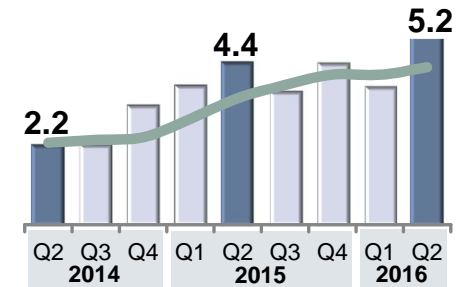


TRUCKS

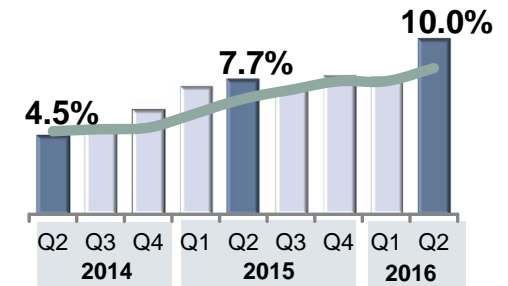
Operating income



OPERATING INCOME*
SEK bn 12 months 17.0 bn



OPERATING MARGIN*
% 12 months 8.3%



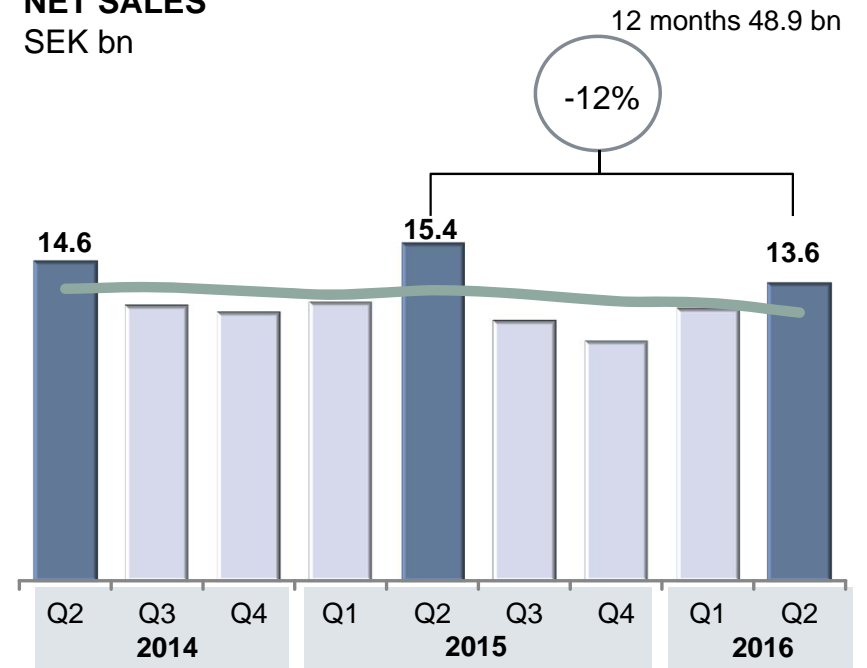
*2014: Excluding restructuring charges in efficiency program, EU provision and gain on real estate sale
 2015: Excluding restructuring charges in efficiency program (-799 in Q2 2015), favourable outcome in arbitration case and capital gain on sale of shares in Eicher Motors Ltd. (2,137 in Q2 2015)
 2016: Excluding EU provision (-2,334 in Q2 2016)

CONSTRUCTION EQUIPMENT

Net sales

- **Delivered machines -16%:**
 - Volvo -1%
 - SDLG -46%
- **Net sales currency-adjusted -7%:**
 - machines -9%
 - service 0%

NET SALES SEK bn



CONSTRUCTION EQUIPMENT Operating income

OPERATING INCOME
SEK M

1,353*

Q2 2015

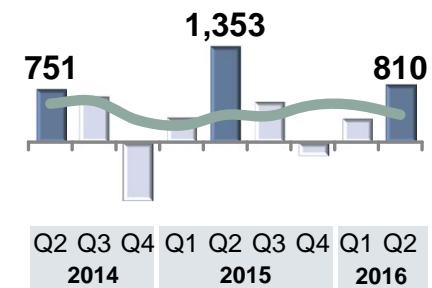
- Lower volumes

810

Q2 2016

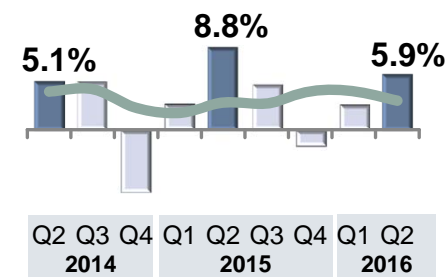
OPERATING INCOME*

SEK M 12 months 1,537 M
Currency -27 M

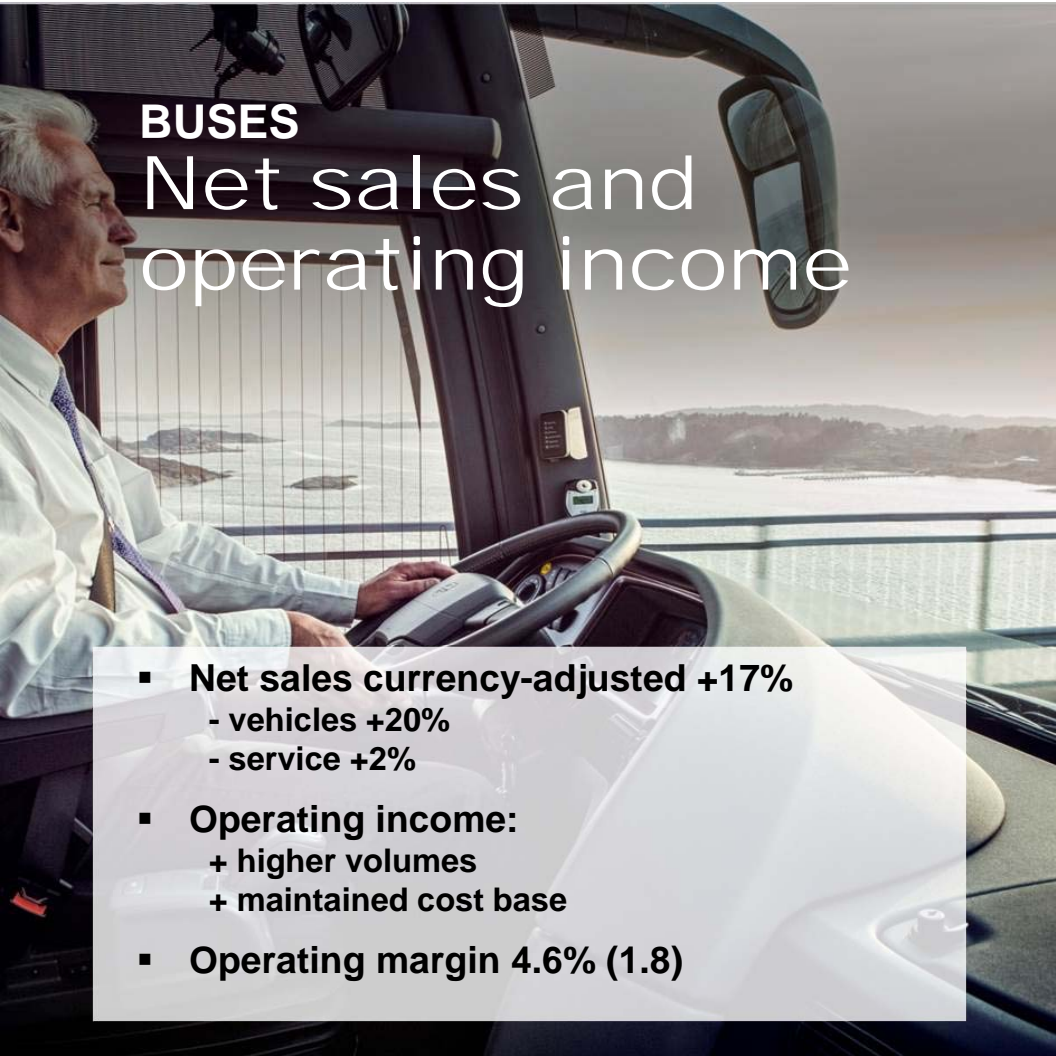


OPERATING MARGIN*

% 12 months 3.1%



*Excluding restructuring charges in efficiency program for comparison periods 2014-2015



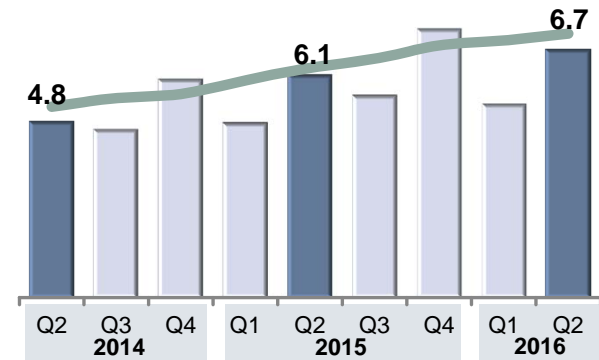
BUSES

Net sales and operating income

- **Net sales currency-adjusted +17%**
 - vehicles +20%
 - service +2%
- **Operating income:**
 - + higher volumes
 - + maintained cost base
- **Operating margin 4.6% (1.8)**

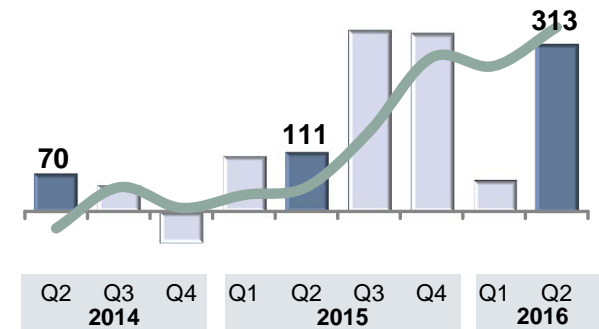
NET SALES SEK bn

12 months 24.8 bn



OPERATING INCOME* SEK M

12 months 1,040 M
Currency 24 M



* Excluding restructuring charges in efficiency program for comparison periods 2014-2015

VOLVO PENTA

Net sales and operating income

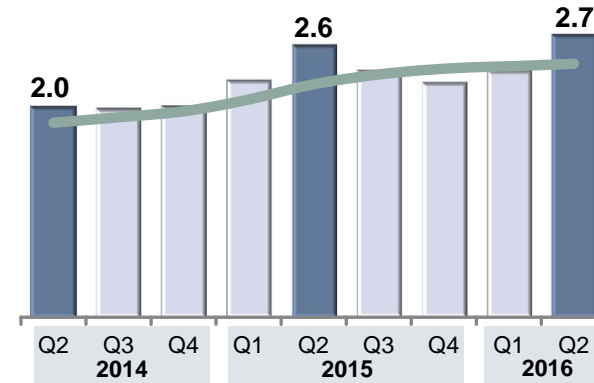


- **Net sales currency-adjusted +6%**
 - engines +3%
 - service +15%
- **Operating income:**
 - + higher sales
 - + maintained cost base
- **Operating margin 14.5% (13.7)**

NET SALES

SEK bn

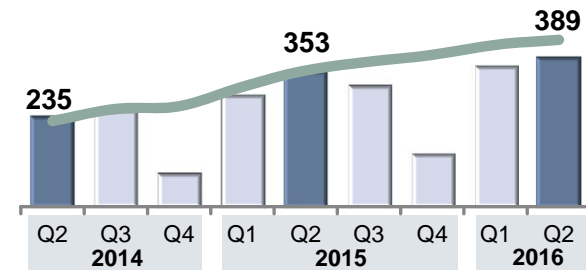
12 months 9.6 bn



OPERATING INCOME*

SEK M

12 months 1,211 M
Currency 7 M

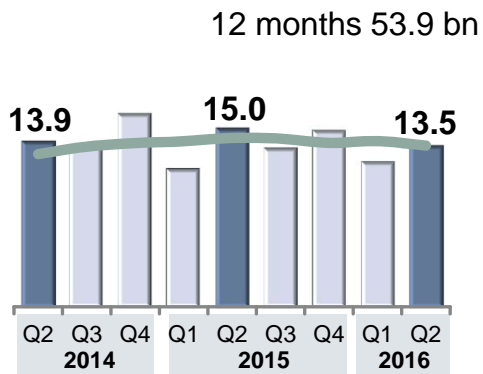


* Excluding restructuring charges in efficiency program for comparison periods 2014-2015

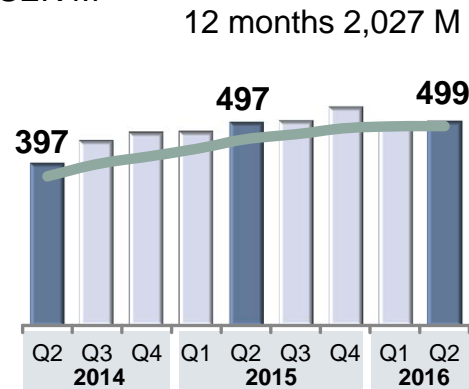
FINANCIAL SERVICES

New financing and profitability

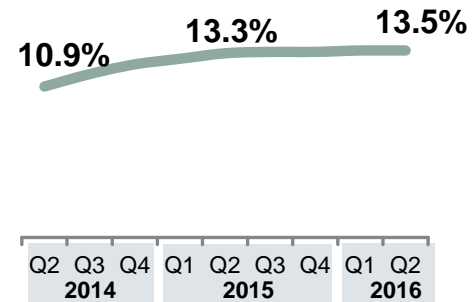
NEW FINANCING
SEK bn



OPERATING INCOME*
SEK M



ROE*
12 months, %



* Excluding restructuring charges in efficiency program for comparison periods 2014-2015



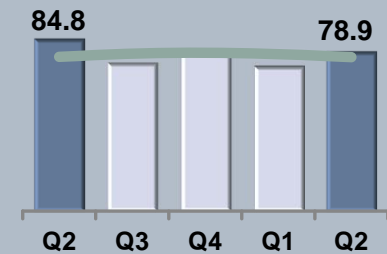
VOLVO GROUP

Second quarter highlights

- Improved profitability on lower volumes
- On our way...

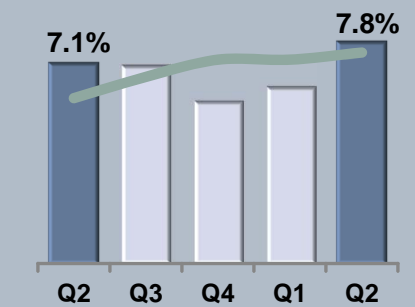
NET SALES

SEK bn 12 months 304 bn



OPERATING MARGIN*

% 12 months 6.7%



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2016: Excluding capital gain on sale of external IT operations and EU provision (2,334 in Q2 2016)

A close-up, low-angle shot of the front of a Volvo truck. The truck is dark-colored, and the Volvo logo is visible on the grille. The word "VOLVO" is also visible on the lower part of the grille. The background shows a sunset or sunrise over a desert landscape with a clear sky and some clouds. The lighting is warm and golden.

VOLVO GROUP On our way

- Brand-based truck organisation
- Profit and loss focus
- Enthusiasm and drive



Volvo Group

SECOND QUARTER
2016

Volvo Group Headquarters

Second quarter 2016

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VOLVO