

THE VOLVO GROUP

Investor Day

New York, February 28 2013

Towards the full potential

- Strategic Agenda 2013-2015



Intense work during 2012 to transform the Group

from **to**

Business Areas & Business Units

One Group

Quarterly pace

Weekly pace

Brand by brand

Brand portfolio


Local processes

Global processes

Shared accountability within matrix

Clear accountability and metrics

One year of preparations to have the base in place for execution 2013-2015

- 
- Revised corporate vision
 - New financial targets
 - New incentive program – aligned with financial targets
 - New management team
 - New organization – 450 managers appointed
 - New process oriented workflow
 - New corporate governance
 - New financial framework
 - New strategic objectives
 - Brand positioning decided

Next step – new strategy developed to utilize the full potential

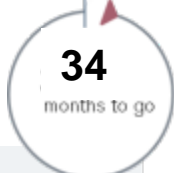


Drive organic revenue growth



Improve profitability

Delivering our full potential



1. Secure number 1 or 2 in profitability

- 1.1 Increase vehicle gross profit margin per region by 3% points
- 1.2 Reduce actual standard cost of sales on total cost for current offer by 10%
- 1.3 Decrease wholesale selling expenses to 5% of sales
- 1.4 Increase own dealer soft offer absorption rate by 10 % points
- 1.5 Reduce R&D cost (spending pace) to 11,5 BSEK
- 1.6 IT cost on 2% of Volvo Group total cost by 2015

2. Strengthen customer business partnership

- 2.1 We will achieve 99% product availability contributing to 'strengthen customer business partnership'
- 2.2 Drive retail excellence by implementation of an integrated customer interface tool
- 2.3 Each brand to rank number 1 on decided brand attributes in competitive set

3. Capture profitable growth opportunities

- 3.1 By optimizing the brand assets become number 1 or 2 in combined Group Trucks HD market share
- 3.2 Establish required commercial presence to support revenue growth by 50% in APAC and 25% in Africa
- 3.3 Establish required OtD footprint and supply chain in APAC & Africa achieving lead time reduction by 15% and capital tied up reduction by 15%
- 3.4 Increase Aftermarket sales per unit in operation by 12%, including total commercial solution offer for second owner

Drive revenue growth

- 4.2 Commercialize alternative fuel technology by launching concepts or products in all regions

- 5.2 Drive high performance measured by reaching performance excellence level (PEI) of high performing companies
- 5.3 Secure leadership and strategic competencies, primary focus is the implementation of Volvo Group University
- 5.4 Build an efficient and inclusive organization by implementing common global level 1 and 2 processes



Delivering our full potential

34

months to go

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Targets on Trucks to secure profitability improvement

Base – Group Trucks' sales of SEK ~200 billion

GROUP TRUCKS' Strategic objectives	Expected impact on Trucks' operating margin	Roadmap examples
Increase vehicle gross profit margin per region by 3% points	~2% points	<ul style="list-style-type: none"> Coordinated brand and product positioning Launch of new value truck Optimized pricing strategies Exit unprofitable products and markets (UD in US)
Reduce standard cost of sales for current offer by 10% (excl FX, volume & raw material)	~3% point	<ul style="list-style-type: none"> Volvo Production System to drive productivity Further optimize sourcing Focus on quality
Decrease wholesale expenses to 5% of sales	~0.5% points	<ul style="list-style-type: none"> Streamline internal sales and marketing functions (non-retail) Example – restructuring in Japan and Europe
Increase own dealer soft offer absorption rate by 10% points	~0.5% points	<ul style="list-style-type: none"> Dealer efficiency New soft products Second owner
Reduce R&D expenses (gross) to 11.5 bn SEK	~0.0% points	<ul style="list-style-type: none"> Improve efficiency by 30% Higher amortization will off-set actual savings in P&L
Improvement from Trucks	~6% points	

Targets to secure 3 percentage points on operating margin improvement for the Group

Base – Group sales of SEK ~300 billion

GROUP Strategic objectives	Expected impact on Group operating margin	Roadmap examples
Trucks' impact on Group	~4.0% points	
Business Areas: Volvo CE, Buses, Volvo Penta, Governmental Sales	~0.5% points	Examples: Consolidation of bus assembly to Poland Dual brand strategy for Volvo CE
IT cost at 2% of total Group costs	~0.5% points	Rationalize number of IT-systems in use, drive standardization
	~5.0	
	Headwind factor	
Targeted net improvement	~3% points	

Execution with accountability and stringent follow-up – present status



Monthly follow-up in management teams to ensure speed and execution



Strategic direction 2013-2015

Leveraging our unique brand portfolio

Delivering our full potential

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Brand positioning

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Leveraging our asset portfolio – unique in truck industry

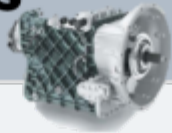
Strong brands



Global industrial footprint

Customer relations

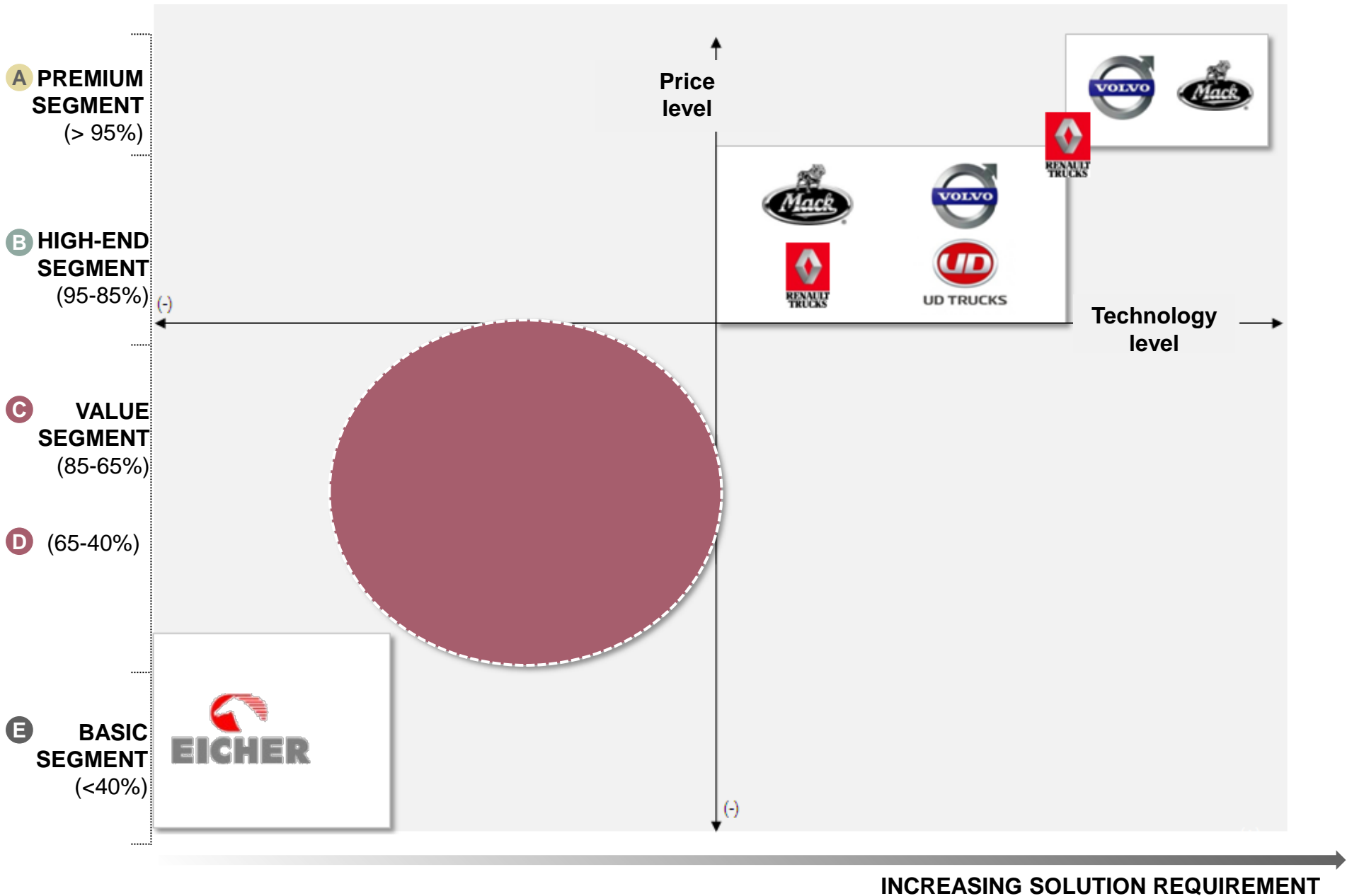
Technology platforms



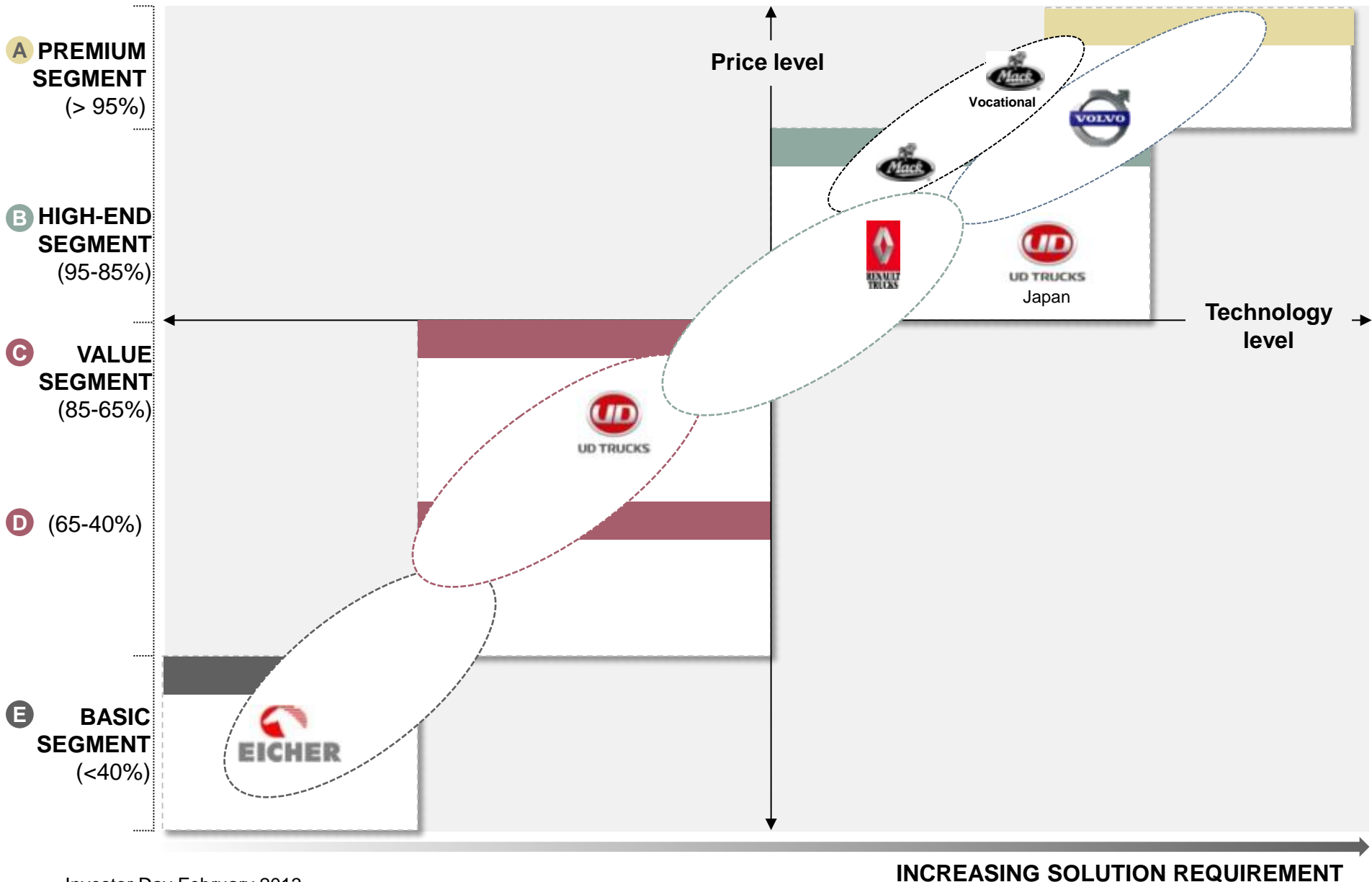
Global distribution and presence



Underserved market segment – a great potential



Full market coverage with future positioning



Three heavy-duty truck platforms to capture full market potential



Premium platform



PREMIUM-END

HIGH-END



Value platform



VALUE

VALUE BASIC



Basic platform



BASIC

New Volvo FH-range – largest product introduction in 20 years

- New cab
- New dynamic steering
- Narrow-band engine
- I-Torque
- Dual clutch
- Turbo-compound
- I-See



Introduction of a completely new range of Renault trucks in 2013

- Full range of HD products to be launched in June 2013
- New features to be revealed at launch
- Production ramp-up, H2 2013 – Delivery volumes in 2014



Significant growth potential with new, global HD truck platform

Game changing offering

- Balance features and product cost
- Broaden product range, e.g.
 - Haulage
 - Construction
 - Mining
- Developed and sourced in Asia
- Market across APAC (and beyond)
 - South Asia
 - South East Asia

Competitive cost through localized production

Asia manufacturing plan

Thailand

- Bangkok, Group plant
- For ASEAN and export markets

India

- Bangalore, Group plant
- For the Indian market

China

- Hangzhou, DND JV
(discussions to be finalized)
- For the Chinese market

Bangkok, Thailand



Bangalore, India



Hangzhou, China



Grow Eicher HD volumes by introducing new product range in the end of 2013

Leveraging strong brand and dealer network – LMD market share 31%

Combining the best of two worlds

- Volvo - technology and processes
- Eicher - frugal engineering and expertise in basic products/services

Product features

- Sustained fuel efficiency edge
- Enhanced reliability, durability and comfort
- Contemporary design

Next step – implement the new brand strategy into product plans

Globally maximise brand positions

- ✓ Optimize the brand portfolio from a Group perspective
- ✓ Define brand position in the market and targeted customer segments
- ✓ Define brand characteristics and brand promises for each brand

New and fully aligned product strategies

- ✓ Define brand distinction: Unique vs. Similar vs. Common
- **Q2 2013** - Align features and specifications to support new brand position and product plan
- **Q2 2013** – Define aftermarket and service offers (telematics etc)

Revised product plans

- Create cost efficiency through Common Architecture and Shared Technology (CAST)
- R&D efficiency
- Purchasing leverage
- Industrial efficiency



Volvo Group acquires 45% of Dongfeng Commercial Vehicles

Group Trucks' strategic objectives 2013-2015

34
months to go

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This agreement supports the strategic objective for the Volvo Group's truck business to capture profitable growth in Asia Pacific

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4. Innovate energy-efficient transport and infrastructure solutions

5. Build high performing global teams

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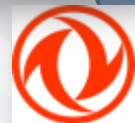
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Acquisition of 45% in DFCV

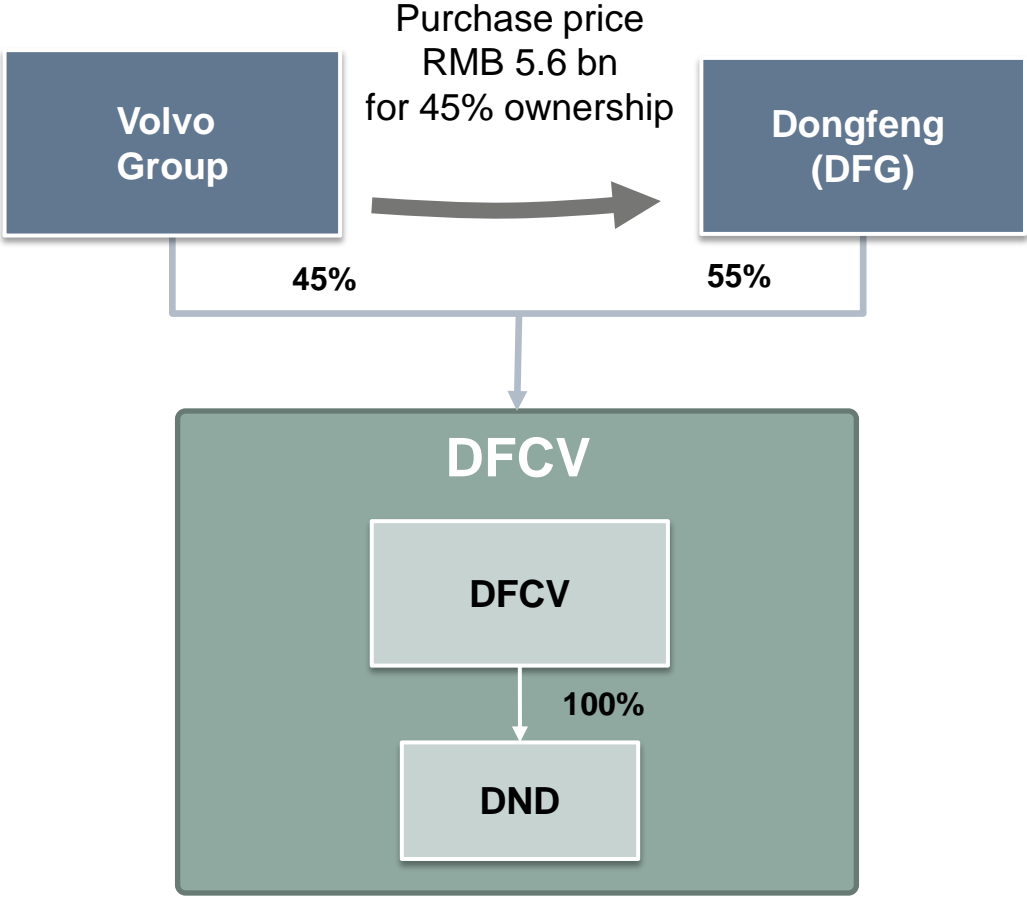
– Further strengthening of China as one of our home markets

DONGFENG



- Major shareholding in China's leading manufacturer of commercial vehicles – DFCV
- Strong foothold in and share of the world's largest truck market: DFCV delivered 142,000 HD trucks and had a 16% market share in 2011
- Benefits from cooperation in transmissions, engines, components and future technology
- Sharing of development costs for the next-generation of engines
- The transaction is subject to approval of relevant Chinese authorities and anti-trust agencies. Completion is expected within 12-months.

Volvo Group acquires 45% of DFCV for RMB 5.6 bn



DFCV: a large commercial vehicle company with a strong position in China

VOLUMES



	2011	2012
HD trucks	142,000	102,000
MD trucks	49,000	46,000
Total	191,000	148,000

FINANCIALS (RMB)

* 1 RMB = 1.05 SEK



	FY2011	Q312 YTD
Net sales	39 bn	22 bn
Op Inc.	1.2 bn	0.3 bn
Net Inc.	1.4 bn	0.4 bn

MARKET SHARES IN CHINA



	2011	2012
HD trucks	16%	16%
MD trucks	17%	16%

EMPLOYEES



28,000 employees

2011 and 2012 pro forma

DFCV: Strong brand and truck line-up

Company brand

Name

DONGFENG

Logo



Newly launched and updated
product portfolio

Product brands



Kinland
(D310 Cab)



T-LIFT
(D310 Cab)



KINGRUN
(D530 Cab)



Basic products
Dongfeng, Jiayun



Further strengthening of China as one of our home markets

Total operations 2011, including 100% of our partners

34,000 employees

41 bn

- **DFCV:**
142,000 HD trucks
49,000 MD trucks
Net sales 39 bn RMB
- **DND:** assembly of UD trucks
- **Volvo Group:**
Direct import of Volvo, Renault & Mack trucks

Trucks



20 bn

- **Dual brand strategy;**
Volvo and SDLG
- **12% market share 2011**
(15% in 2012)
- **47,000 Volvo & SDLG machines sold in 2011**
- **# 1 position**

Construction Equipment



1 bn

- **JV with SAIC for city buses**
- **JV with SAIC for development of electrical and hybrid buses**

Buses





Next step - execute and deliver!





Strategic Direction 2013-2015

Volvo Group Trucks Sales & Marketing Americas

Dennis Slagle – Executive Vice President

Trucks Sales & Marketing Americas

A stylized map of the Americas in shades of blue and grey. A dark blue arrow points from the left towards a white callout box containing current statistics. A red arrow points from the right towards another white callout box containing growth opportunities.

Today...

- 3,102 employees
- 398,000 truck market 2012
- 912 private outlets
- 35 owned outlets
- 800,000 active population

... Growth opportunities

- Distribution development
- Integrated powertrain
- Uptime management / remote diagnostics
- Brand optimization

Delivering our full potential

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4. Innovate transport infrastructure

- 4.1 Fuel efficiency per annum through optimization, development of electromobility
- 4.2 Commercialize technology by developing products in



Distribution development

performing teams

employer measured by engagement level (EEI) companies

measured by reaching the level (PEI) of high

strategic competencies, implementation of Volvo

Group University

- 5.4 Build an efficient and inclusive organization by implementing common global level 1 and 2 processes



Continue significant improvements in N.A. network coverage & quality support



- +50 outlets since 2010
- >\$175M in private investment
- +25% in service capacity
- Record profitability in 2011/12
- +800 technicians
- +125% in “Master Techs”

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- 2.1 We will achieve 99% product availability



Powertrain share growth

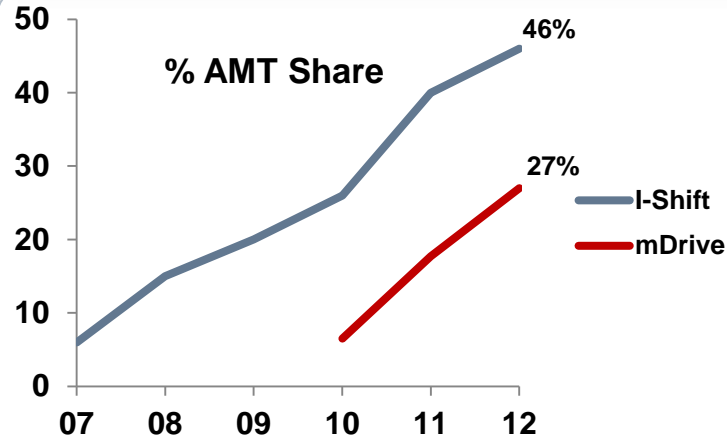
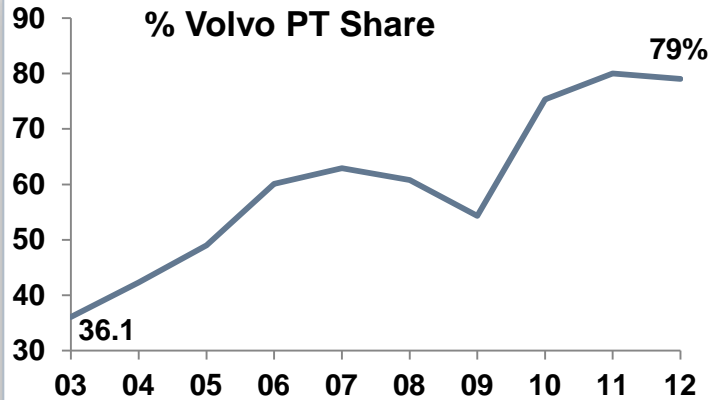
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Drive profitability & fuel economy via continued growth in powertrain components



- AMT is “Game Changer” – Volvo Group acknowledged leader
- Integration key to meeting fuel efficiency demands
- Incorporate natural gas, electromobility

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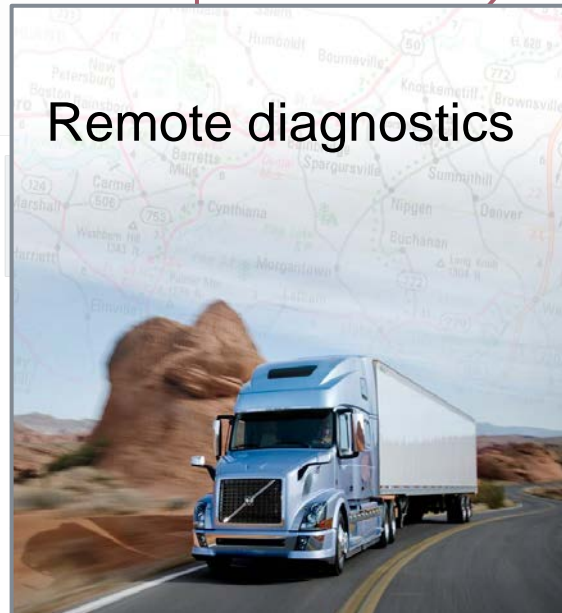
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Remote diagnostics



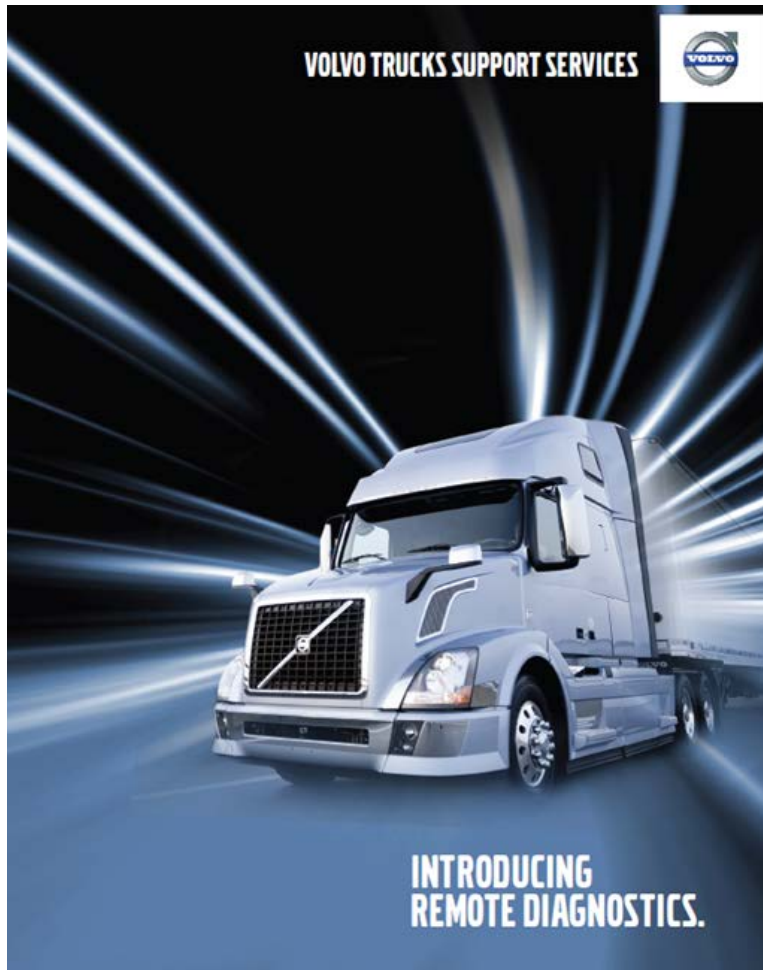
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Anticipate and address potential downtime events



Before a downtime incident:

- Problem diagnosed
- Parts availability validated
- Repair instructions and part numbers provided

During incident:

- Progress monitored via geo-fencing

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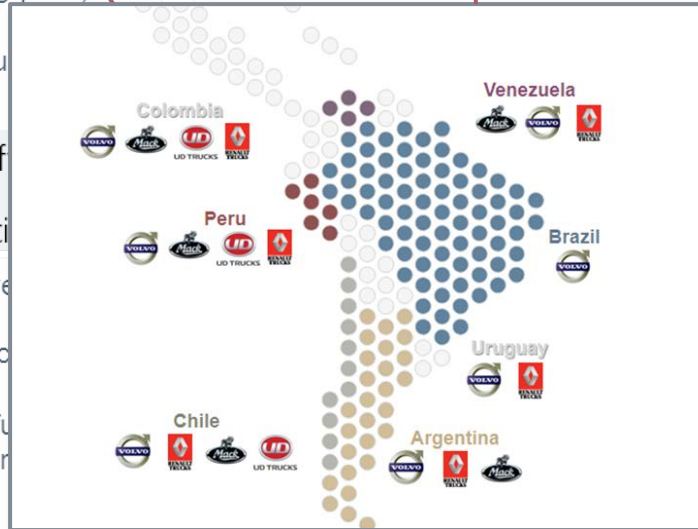
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measured by
level (EEI)

by reaching
of high

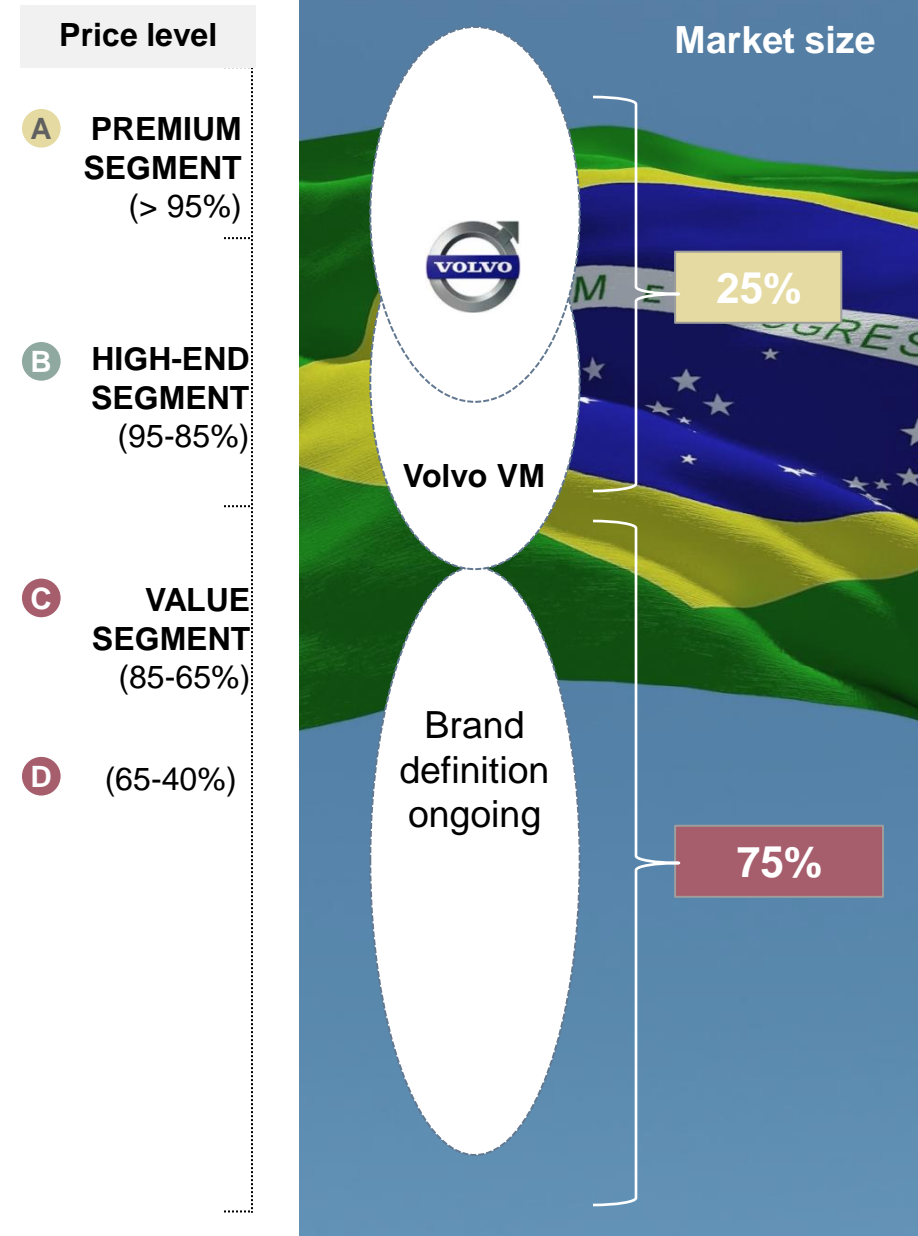
competencies,

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processes

Untapped potential in Brazil

- Leverage on strong market presence:
 - Industrial footprint
 - Network
- 2012:
 - #1 Customer satisfaction
 - #1 Brand image
 - #1 In HD trucks with 27% market share, in total 18% market share >16t
- Value truck complementary to Volvo Trucks' market leading position





Strategic direction 2013-2015

Construction Equipment Growth in new markets and segments

Significant growth opportunities

Good starting point

- Increased leverage and reduced break-even point
- Broad and competitive product portfolio
- Committed and aligned distribution
- Dual brands to penetrate both high-end and low-end
- Scale in both premium and value technology & production
- #1 in China

Significant opportunities

- Grow Volvo share in emerging markets
- Leverage Chinese position
- Grow SDLG share globally
- Grow aftermarket business for both brands

Volvo Construction Equipment 2013-2015 Strategy

Profitably grow SDLG business globally

Develop Volvo branded products for emerging markets

Significantly increase Customer Solutions revenues

Profitably grow SDLG business globally

- Achieve significant increase of excavator share in Chinese market
- Grow export business to 10,000 Units
- Grow Customer Solutions export business
- Operating margin and positive cash flow supporting the overall targets

Develop Volvo branded products for emerging markets

Deploy CAST globally

- Implement modular architecture and CAST technical solutions as per roadmap to achieve full CAST deployment by 2017

- Increase Customer Solutions revenues by 50 %
- Increase Customer Support Agreement penetration to 40%

Significantly increase dealer & supply chain capability

- Develop dealer capability to support targeted revenues
- Ensure Volvo CE assembly and supplier capability for targeted revenues
- Achieve 90% delivery precision from our suppliers and to our customers

Deploy CAST globally

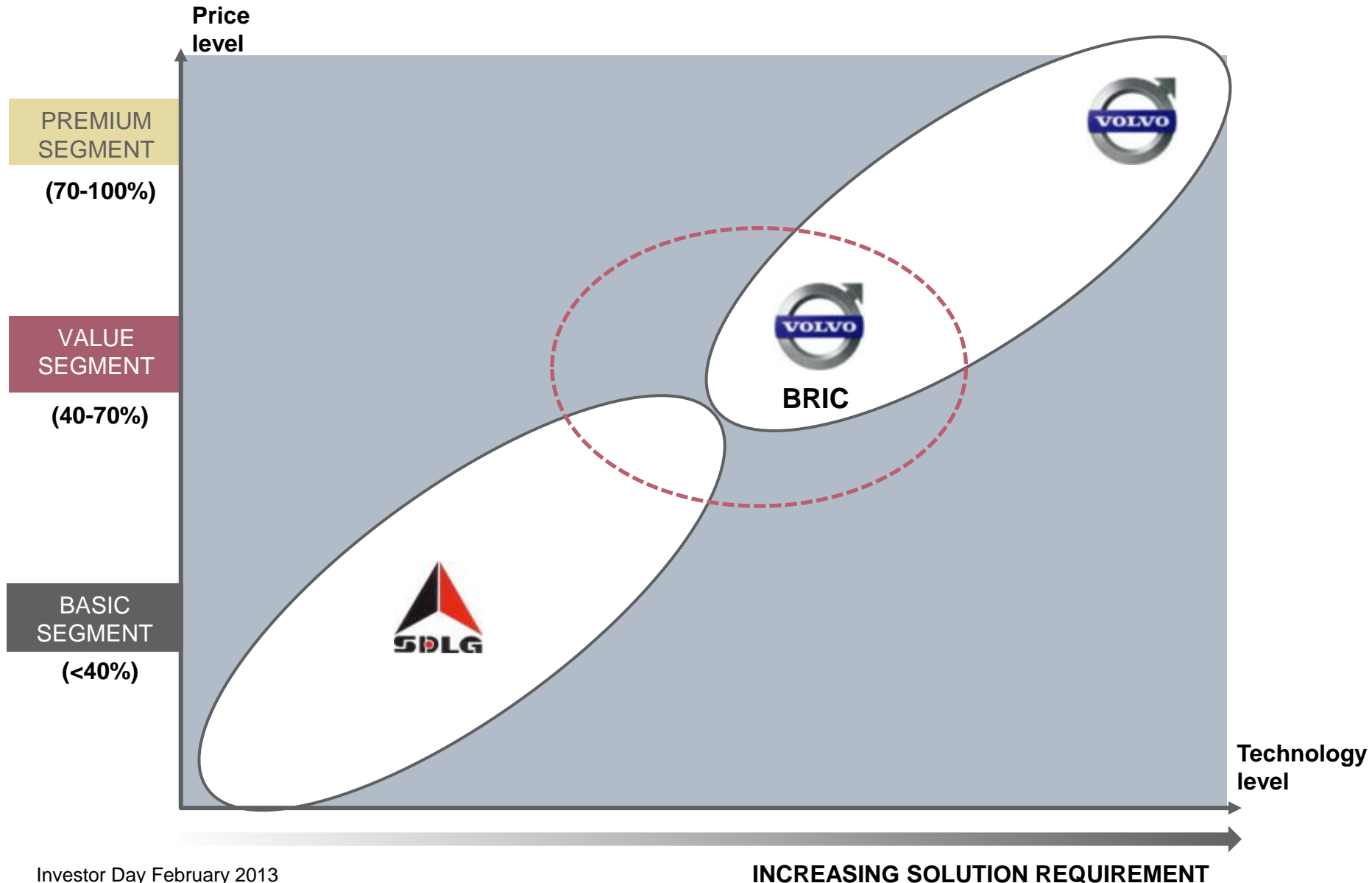
Implement modular architecture and CAST technical solutions as per roadmap to achieve full CAST deployment by 2017

Increase share and profitability of Road products

- Achieve rank 1 or 2 in key Road products and significantly improve market share in each region
- Provide a portfolio of competitive Road products designed to cover 80% of Road machinery market

- Achieve 20 point improvement on the following two specific survey questions: PBP Quality and Leadership The Volvo Way

New brand positions to reach all customers



Significant potential for share growth in China for SDLG

Total market 2012



EXCAVATORS
105,000



3.5%



LOADERS
143,000



18.7%

SDLG brand

- Strong brand image in the value segment
- Pan-Chinese dealer network
- New range of competitive excavators

To do: Upgrade dealer network to sell and support excavators (advanced technology)

Continue excavator share growth

Significant potential for share growth in China for Volvo

Total market 2012



Volvo brand

- Strong brand image
- Committed dealer network

To do: Ramping up production of the new low-cost wheel loader (BRIC-loader)

Great potential for Common Architecture and Shared Technology (CAST) - implementation started



New excavator range
2012

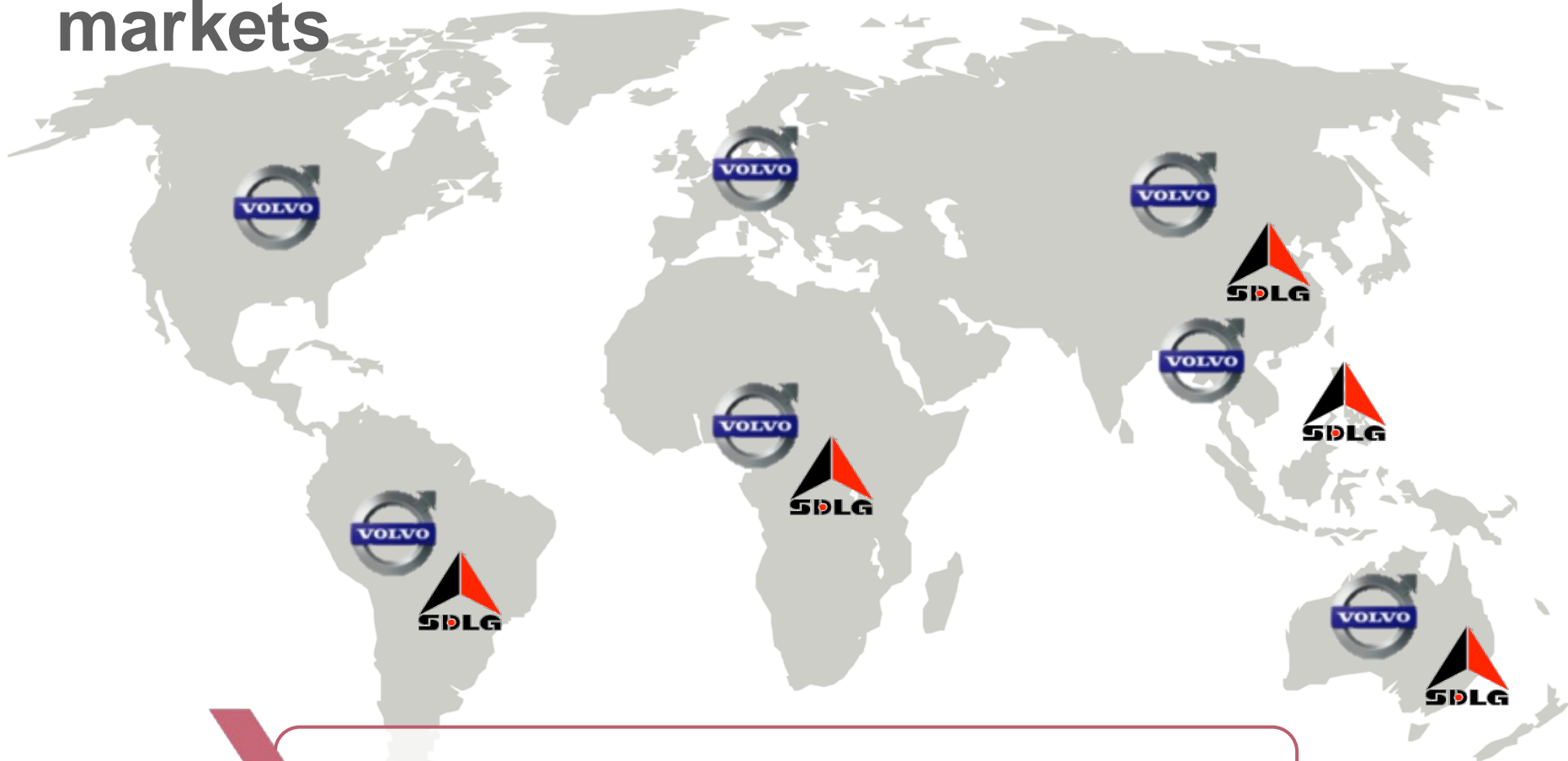


Volvo BRIC-loader
2013



- Leveraging SDLG cost base
- Attracting new customers
- For China and other emerging markets

Rollout of SDLG to start in emerging markets



Targeting 10,000 SDLG units per year outside China by 2015
(Today 3,900 units/year)

Set for growth with two global brands

- Improve Volvo share in emerging markets
- Stronger position in China
- SDLG going global
- Share architecture, appropriately differentiated, between Volvo and SDLG
- Competitive Tier 4f engines



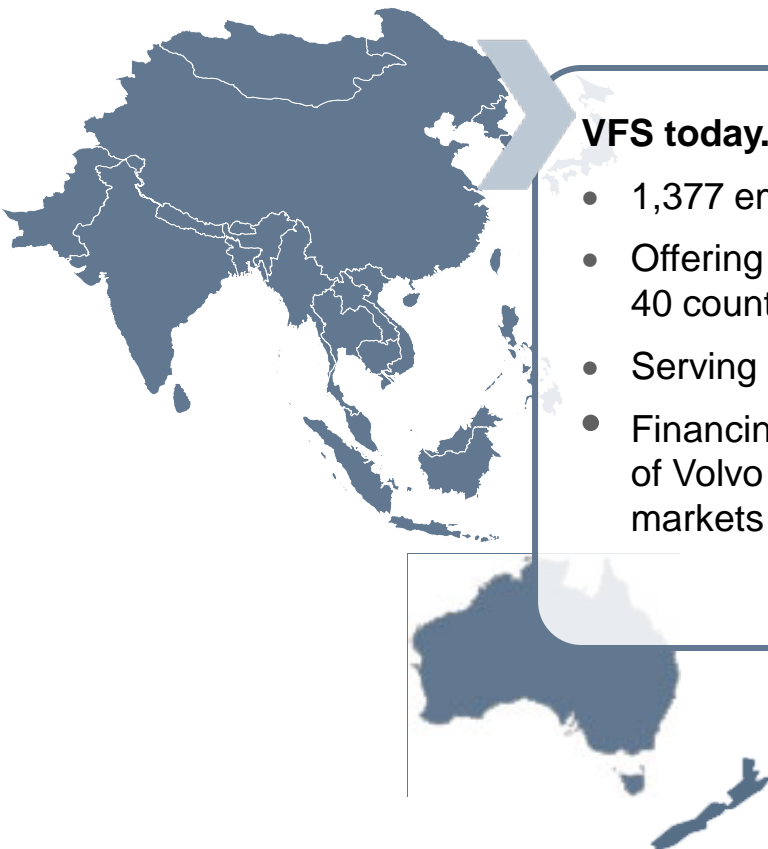


Strategic direction 2013-2015

Volvo Financial Services

Martin Weissburg – President

VFS – well positioned to help drive Group product sales with profitable solutions



VFS today...

- 1,377 employees
- Offering financial solutions in 40 countries around the world
- Serving all Volvo Group brands
- Financing approximately 27% of Volvo Group products in markets served

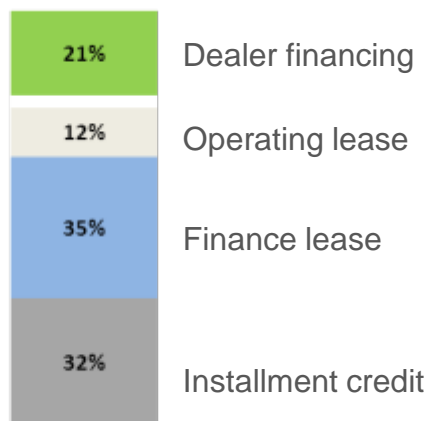
... opportunities

- Organic growth – Group deliveries
- Geographic growth
- Integrated commercial offerings
- Operational excellence
- Capital markets activities

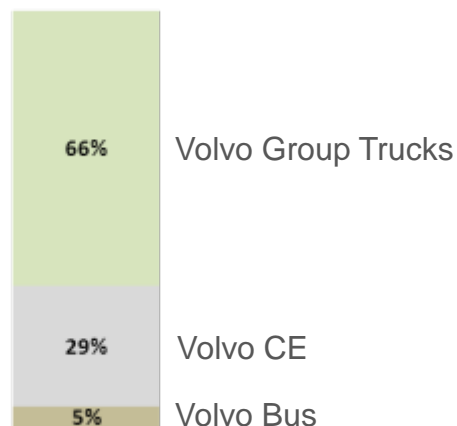
Diversified portfolio, scalable operations

Portfolio as of December 2012

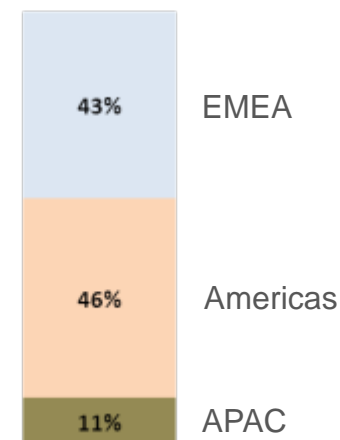
Finance product distribution



Business Area distribution



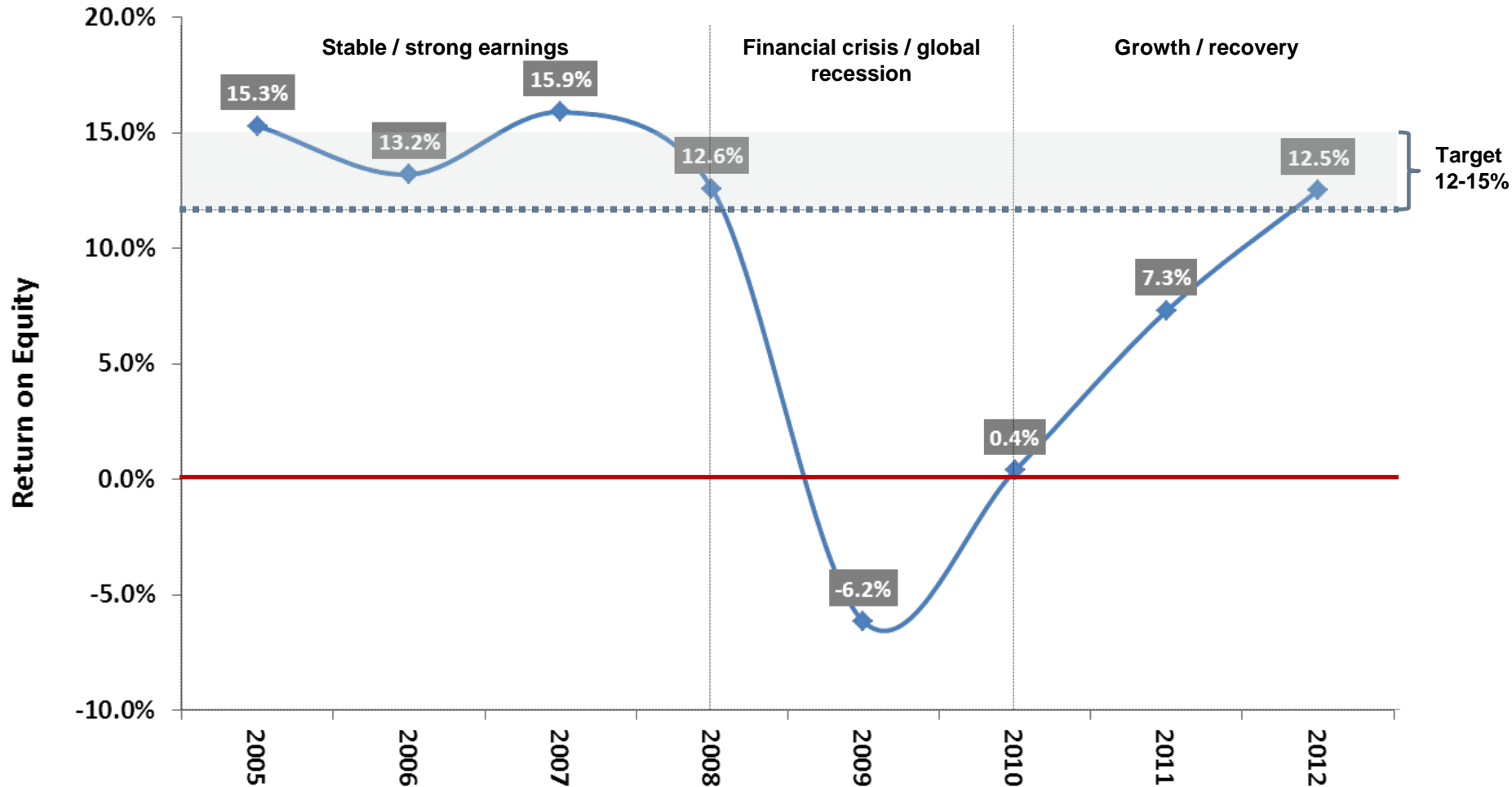
Geographic distribution



	Dec 2012
Number of units in portfolio	195,404
Credit portfolio	SEK 100.9 bn
Penetration	27%
Retail volume	SEK 46.6 bn

VFS processed approximately 70,000 retail transactions in 2012

Good profitability level restored following financial crisis



Group Trucks' strategic objectives 2013-2015

VFS' strategic impact

1. Secure number 1 or 2 in profitability

- 1.1 Increase vehicle gross profit margin per region by 3% points
- 1.2 Reduce actual standard cost of sales on total cost for current offer by 10%
- 1.3 Decrease wholesale selling expenses to 5 % of sales
- 1.4 Increase own dealer soft offer absorption rate by 10 % points
- 1.5 Reduce R&D cost (spending pace) to 11,5 BSEK
- 1.6 IT cost on 2% of Volvo Group total cost by 2015

4. Innovate energy-efficient transport and infrastructure solutions

- 4.1 Fuel efficiency to be improved by 2% per annum through vehicle optimization, diesel efficiency and electromobility
- 4.2 Commercialize alternative fuel technology by launching concepts or products in all regions

2. Strengthen customer business partnership

- 2.1 We will achieve 99% product availability contributing to 'strengthen customer business partnership'
- 2.2 Drive retail excellence by implementation of an integrated customer interface tool
- 2.3 Each brand to rank number 1 on decided brand attributes in competitive set

5. Build high performing global teams

- 5.1 Become an attractive employer measured by reaching the employee engagement level (EEI) of high performing companies
- 5.2 Drive high performance measured by reaching performance excellence level (PEI) of high performing companies
- 5.3 Secure leadership and strategic competencies, primary focus is the implementation of Volvo Group University
- 5.4 Build an efficient and inclusive organization by implementing common global level 1 and 2 processes

3. Capture profitable growth opportunities

- 3.1 By optimizing the brand assets become number 1 or 2 in combined Group Trucks HD market share
- 3.2 Establish required commercial presence to support revenue growth by 50% in APAC and 25% in Africa
- 3.3 Establish required OtD footprint and supply chain in APAC & Africa achieving leadtime reduction by 15% and capital tied up reduction by 15%
- 3.4 Increase Aftermarket sales per unit in operation by 12%, including total commercial solution offer for second owner
- 3.5 Build 1 BSEK new businesses complementary to existing offering



Group Trucks' strategic objectives 2013-2015

VFS' strategic impact – focused examples

1. Secure number 1 or 2 in profitability

- 1.1 Increase vehicle gross profit margin per region by 3% points
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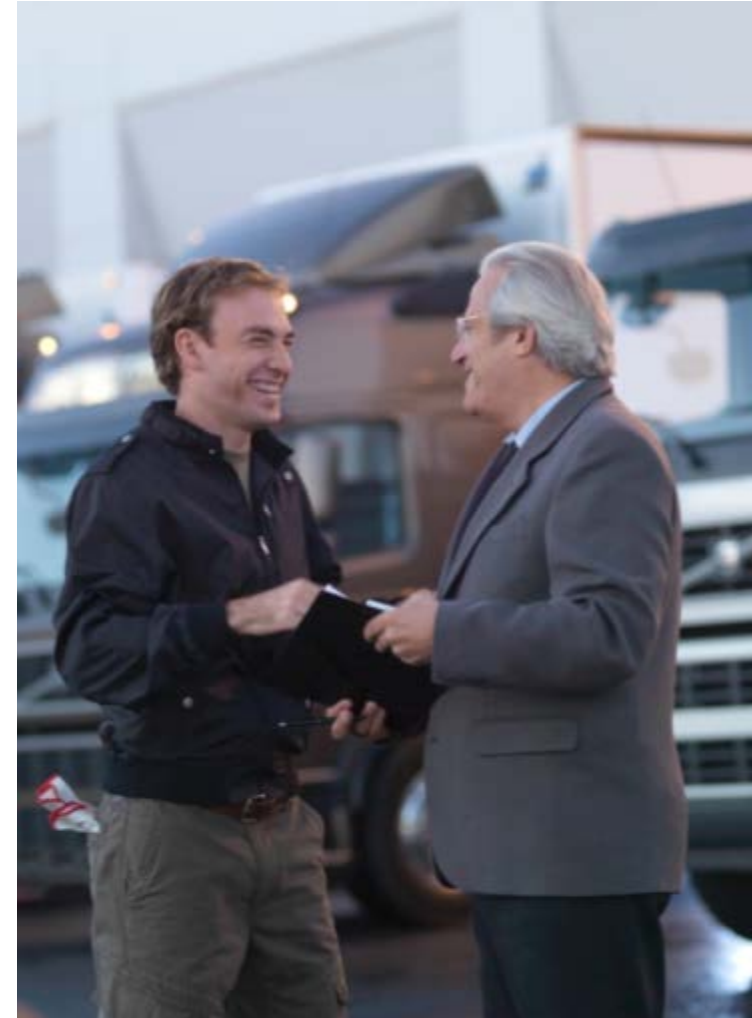
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Roll-out of integrated customer interface tool

Strategic Objective 2.2

- Best in class point-of-sale technology
- Implementation starting in Europe
- Supports speed in sales process
- Allows for bundled / value selling
- Supports multiple revenue streams over product lifecycle



Drive sales and customer retention for all Group brands

Strategic Objective 3.1

- Branded financial offer in each VFS market
- Integrated commercial offers
- Support through business cycle, consistency for our customers
- Customer interaction through product lifecycle



Realizing the full potential

Volvo Financial Services 2013-2015

- Aligned and integrated strategies
- Strong coverage of Volvo Group sales with financial solutions
- Productivity through growth and global process optimization
- Solid shareholder return on equity



Strategic direction 2013-2015

Funding and Treasury strategy

Anders Osberg

CFO and EVP Corporate Finance & Control

Financial management to create stability and flexibility for the Volvo Group

Today...

- Good liquidity position
- Untouched committed facilities
- Limited refinancing needs
- Diversified funding sources
- Access to funding at competitive pricing

... tomorrow

- Geographic growth – funding in new key markets
- Operational excellence
- Capital markets activities
- Support revenue growth in APAC and Africa
- Export financing

All Group funding activities coordinated by Corporate Treasury

**Funding strategy –
executed by Corporate Treasury**

Two debt portfolios

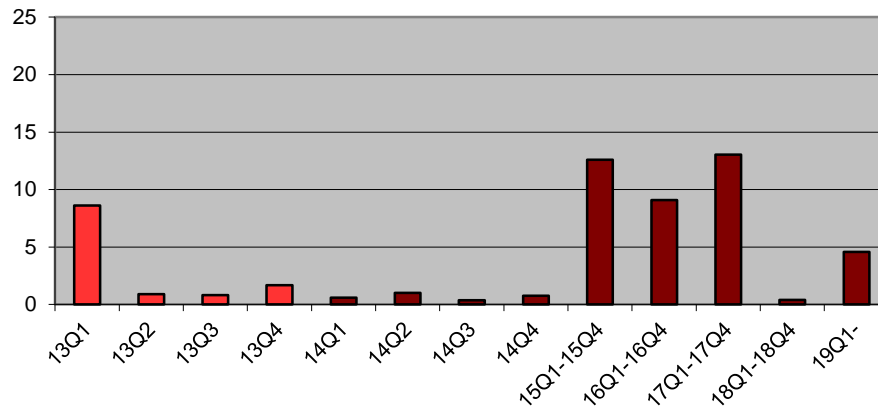
Industrial Operations

Customer Finance

Limited refinancing needs and good liquidity position for Industrial Operations

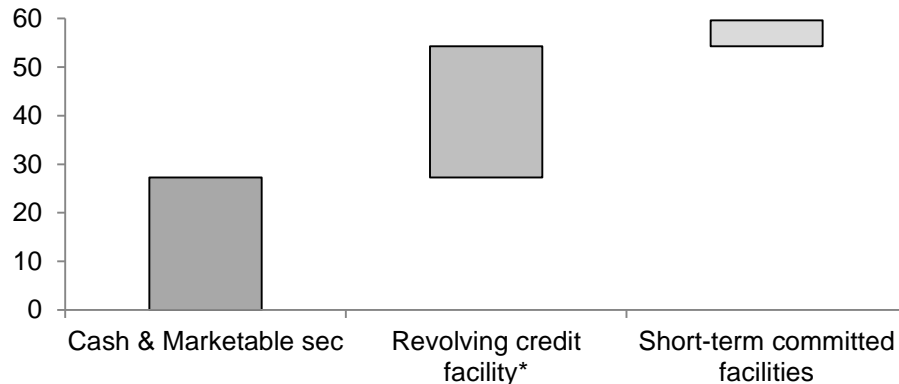
Industrial Operations – Debt portfolio maturity structure

SEK Bn



Industrial Operations – Liquidity position

SEK Bn

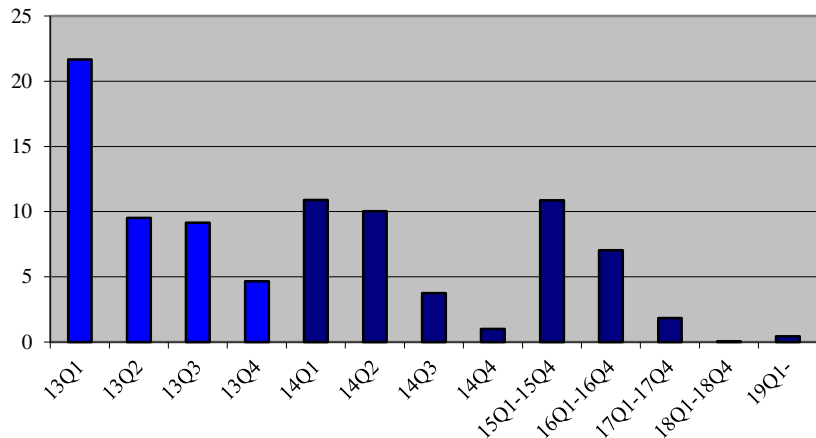


- Limited refinancing needs 2013-2014
- Average portfolio maturity 3.4 years
- Continued focus on term-out of maturity structure
- Main currencies are SEK, JPY, USD & EUR
- Strong liquidity position

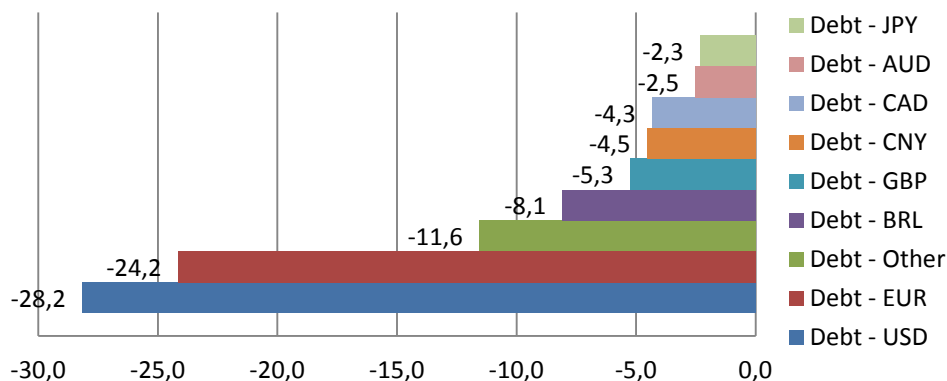
(*RCFs EUR 2.000 M 2016, EUR 1.200 2017)

Well-matched Customer Finance portfolio

Customer Finance – Debt portfolio maturity structure
SEK Bn

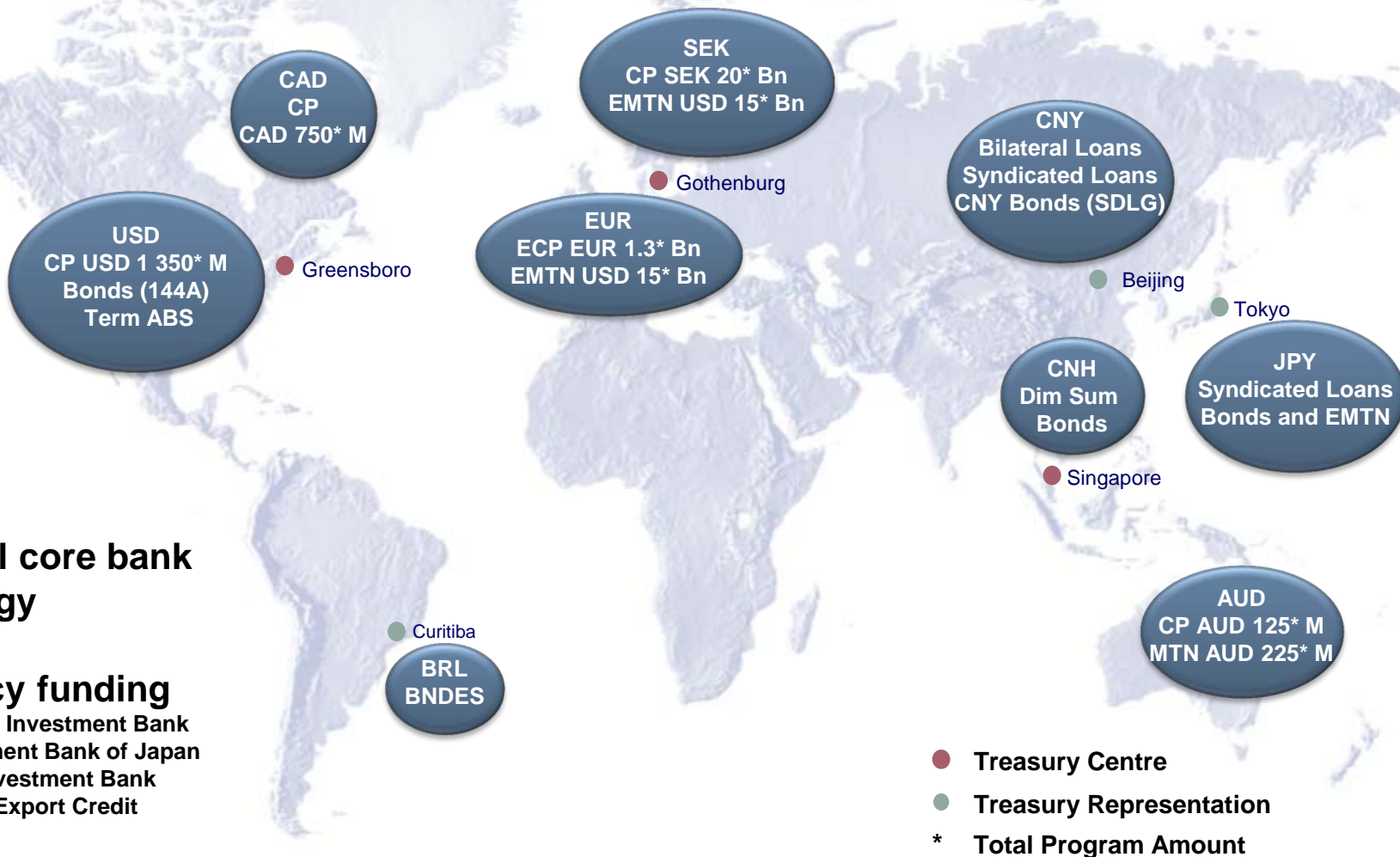


Customer Finance – Debt portfolio by currency
SEK Bn



- Portfolio driven by lending to end customers
- Matching ratios
 - Currency, interest rate and liquidity
- Average portfolio maturity 1.3 years
- Opportunistic funding approach to meet Volvo Financial Services needs

Diversified funding sources give flexibility and support of global presence



Global core bank strategy

Agency funding

European Investment Bank
 Development Bank of Japan
 Nordic Investment Bank
 Swedish Export Credit

Key transactions 2012 & 2013

- **RCF, EUR 1,200 M, 5y**
 - **Loan EIB, JPY 24 bn, 5y**
 - **EMTN's**
 - **EUR 325 M, 1y**
 - **SEK1,500 M 18 m**
 - **EUR 200 M, 18m**
 - **SEK 1,600 M, 2y**
 - **SEK 1,500 M, 3y**
 - **SEK 500 M, 4y**
 - **SEK 1,600 M, 5y**
 - **EUR 100 M, 8y**
 - **Term ABS US USD 642 M**
-



A strong and stable credit rating important



Present credit ratings

	Short-term	Long-term
Moody's (Global)	P-2	Baa2, stable
S&P (Global)	A-2	BBB, stable
S&P Nordic national scale	K-2	-
DBRS (Canada)	R-2 (high)	-
R&I (Japan)	a-1	A, stable

Financial management is balancing the requirements of different stakeholders

Shareholders

Long-term attractive total return

Financial objectives

Industrial Operations

Net sales growth \geq peers' weighted average

Operating margin = top 2 compared to peers

Customer Finance

Return on Equity = 12-15%



Debt providers

Strong credit rating
Financial strength and flexibility

Financial objectives

Industrial Operations

Net financial debt / Equity < 35%

Customer Finance

Equity ratio > 8%

Financial management to create stability and flexibility for the Volvo Group



- Overall objective to create **Stability and Flexibility**
- Broad and well **diversified Funding Sources** and investor base
- Manage growth of funding needs in **New Key Markets**
- Strong and stable **Credit Rating**
- Strong and committed **Core Bank** group
- Centrally managed **consolidated Group currency position** enables efficiency and control

Towards the full potential

- Strategic Agenda 2013-2015

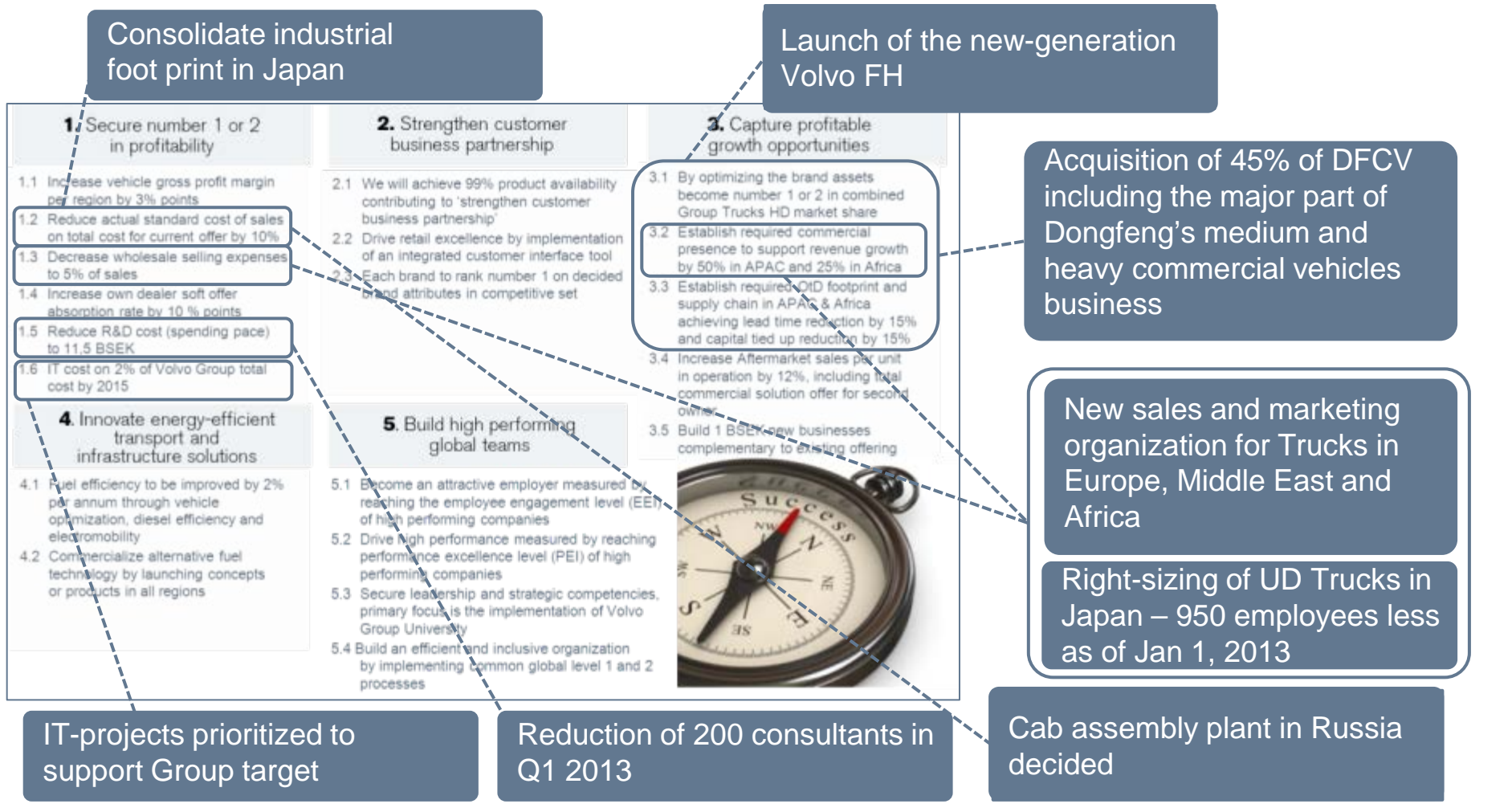




Next step - execute and deliver!



35 roadmaps and 400 main activities defined to support the strategic objectives



Entering 2014 with a competitive edge

Trucks

- New Premium & High-end platform
- New Value platform
- New Basic platform

CE

- New BRIC loader

Engines

- New MDEP platform
- New Euro 6
- New Tier 4

New products



Trucks

- Bangkok, Thailand
- Bangalore, India
- Kaluga, Russia
- Hangzhou, China

CE

- Shippensburg, US
- Kaluga, Russia
- SDLG localized in Brazil

Investments in place



China

- New strategic alliance with Dongfeng – leading position in the truck market
- #1 in Construction Equipment

India

- Successful partnership with Eicher – leading position on LMD trucks
- Great potential in HD trucks

Strong position in growth markets





VOLVO FH



BRIC-LOADER VOLVO L105

**NEW
RENAULT**



NEW TIER 4f ENGINES

**NEW BASIC TRUCK
PLATFORM**

**NEW VALUE TRUCK
PLATFORM**



BANGALORE, INDIA



NEW VOLVO I-TORQUE EU6



BANGKOK, THAILAND



Q & A

THE VOLVO GROUP

Investor Day

New York, February 28 2013