



## **CAPITAL MARKETS DAY**

Changing the game across Asia-Pacific

Joachim Rosenberg - EVP Group Trucks Sales & Marketing and JVs APAC

# Changing the game across Asia-Pacific

UD: putting the pieces together for growth markets



UD: strengthening retail excellence in Japan



VECV: new assets and products coming online



DFCV: preparing for the industry's leading alliance

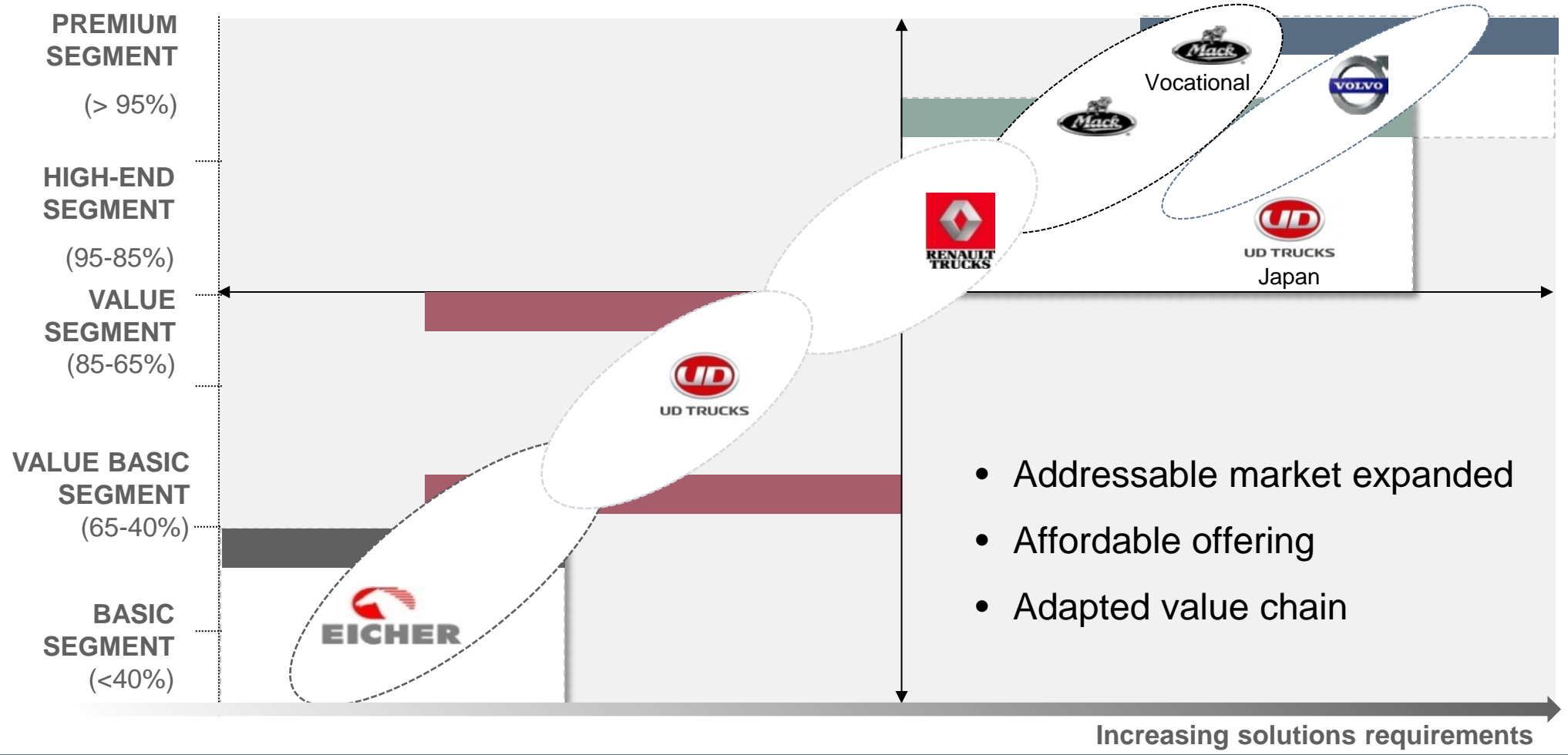
On track towards a significant APAC truck footprint

> SEK 100 bn

> 300,000 units

Note: above numbers include 100% of JV sales

# UD Trucks - Group Trucks value brand for growth markets





# Clear brand values

- Excel on the essentials
- Gemba spirit
- Smart and modern experience
- Ultimate dependability

Brand

Product

Sales

After sales



UD TRUCKS

Going the extra mile

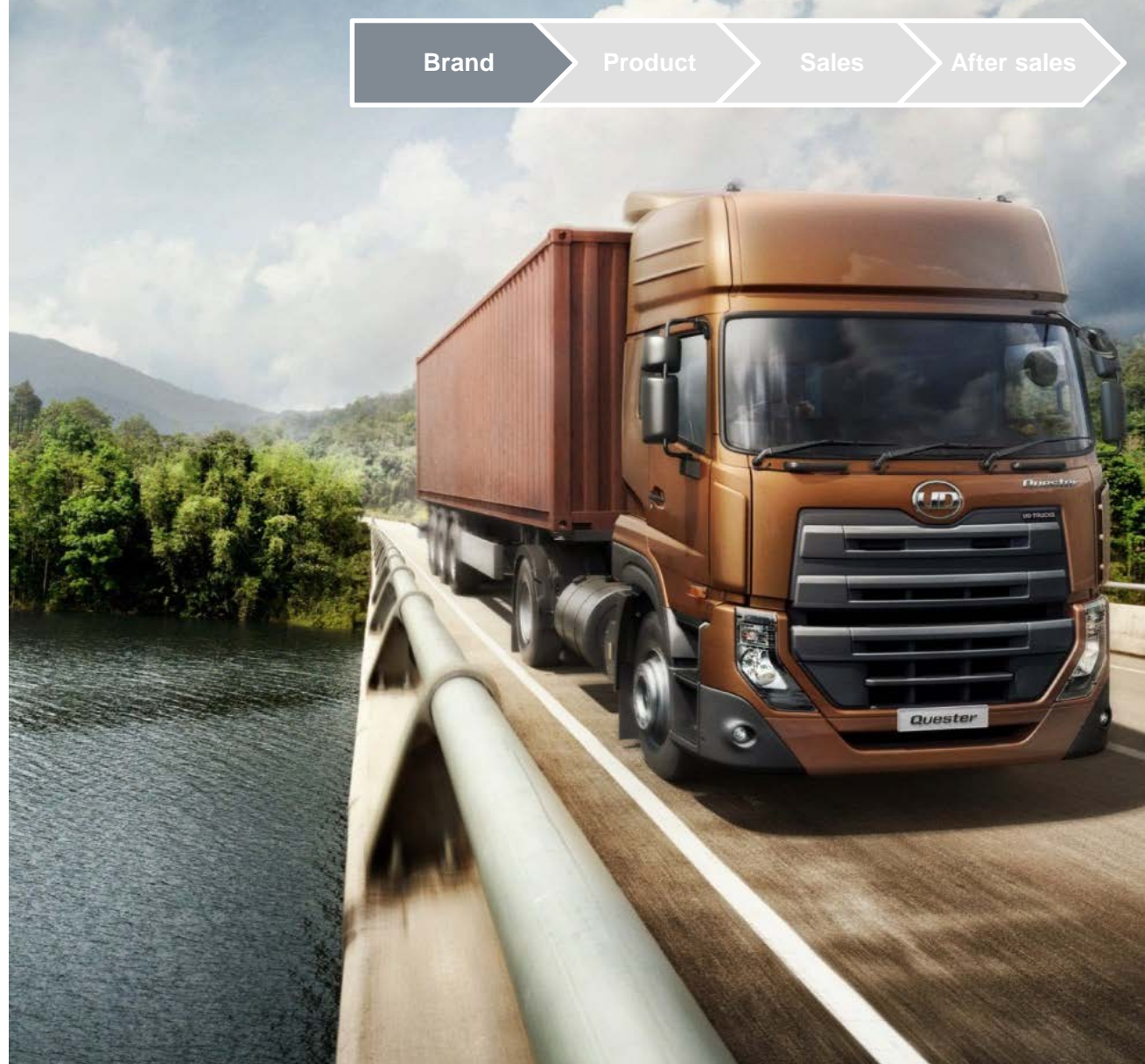
VOLVO



# Clear value strategy

- Develop modern, modular, CAST-based value range (HD/MD/LD) for affordability across growth markets
- Create a 'value value chain' to align with the product offer – in Asia, for Asia
- Broaden market coverage
  - Customer segments
  - Depth/scope of engagement
  - New Asian markets, but also selected markets in Africa, Middle-East, Latin America, etc.
- Adapt Japan setup and also fully leverage Group carry-back opportunities

*Note: CAST – Common Architecture and Shared Technology*



# Quester launched August 2013

- Real HD specifically designed for growth markets
- Wide range on one modular platform addressing
  - Long haul
  - Distribution
  - Construction
  - Mining
  - Etc.
- Unique features for the target segments
- Game changer very well received by the customers

Brand

Product

Sales

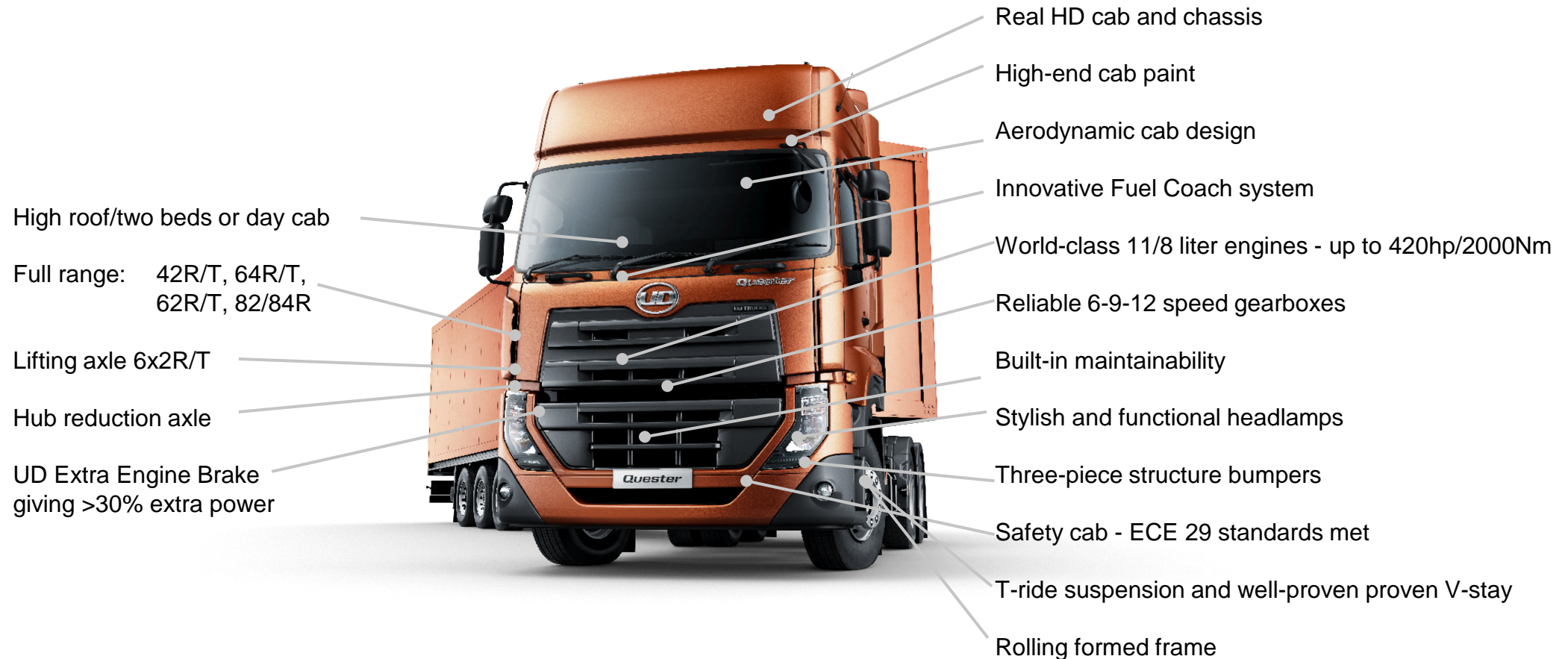
After sales



**VOLVO**



# Quester: a modern, affordable and efficient HD range

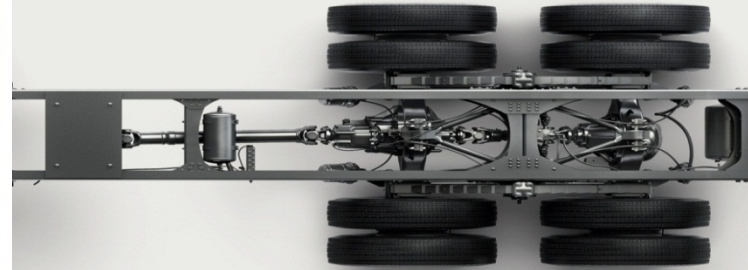


# Quester unique features - examples

## Hub reduction



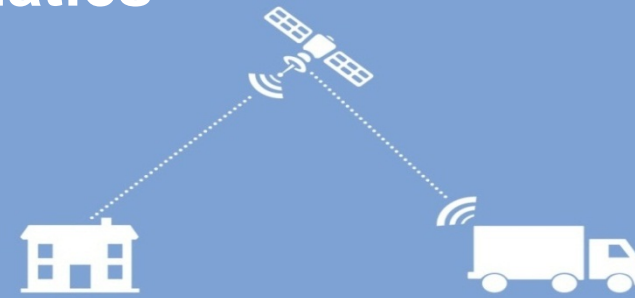
## Rolling formed frame, lift axle, T-ride, etc.



## Fuel Coach system



## Telematics

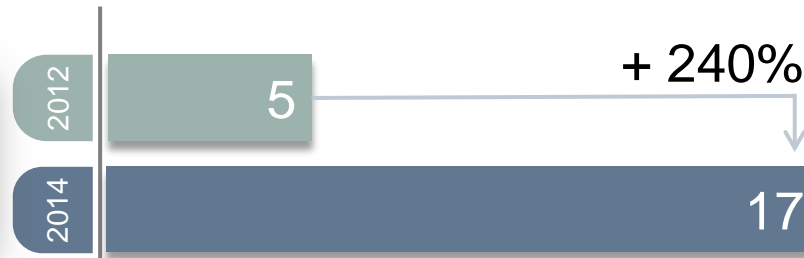




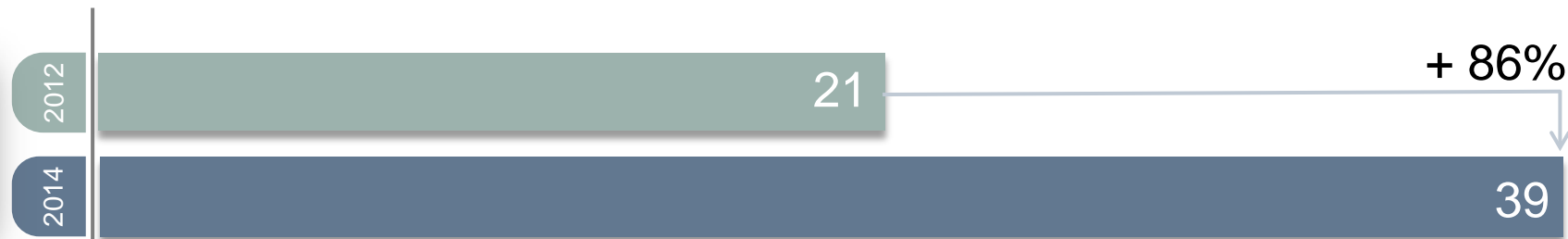
# Significant network expansion on-going

South-East Asia examples from the two largest HD markets

## Thailand



## Indonesia



# Extensive Quester launch program during 2013-2014

- 13 launches across various countries (4 complete, next is China on December 10)
- ~7,000 invitees - majority are customers but also ~650 journalists (~30% complete)
- ~600 commercial frontline staff for 1,700 man days (~30% complete)
- ~1,200 mechanics for 3200 man days (~30% complete)

Gradual volume ramp-up during 2014





Brand

Product

Sales

After sales

# The extra mile in aftermarket

Service scheduling  
Service reminders  
Service agreements  
UD international warranty  
Handover – Fuel Coach, driver training  
UD genuine service and parts  
UD gemba spirit  
Outstanding service interval

## Potential:

Extended driver training  
Telematics services for  
positioning, fuel coaching  
and telematics enabled  
breakdown alert  
Fuel services (FE report)

**VOLVO**



# Changing the game across Asia-Pacific



On track towards a significant APAC truck footprint

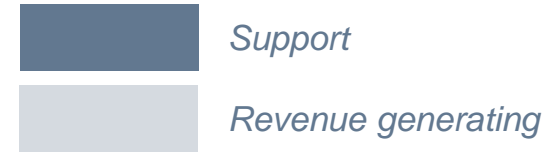
> SEK 100 bn

> 300,000 units

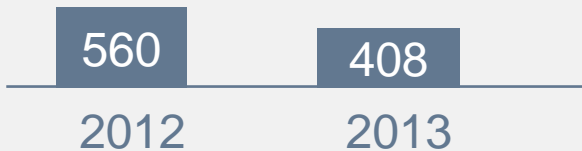
Note: above numbers include 100% of JV sales

# Japan Sales – cost structure sharply reduced ...

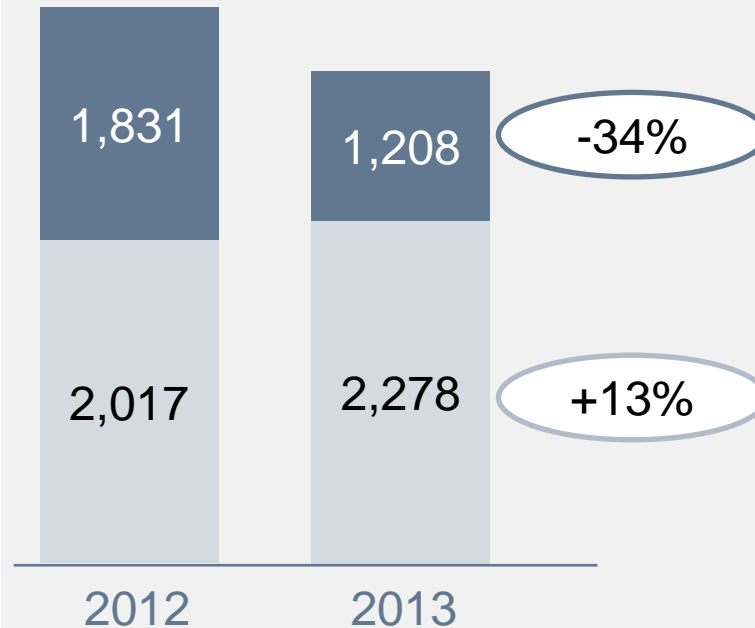
Headcount as of April 2013 vs. April 2012



## Wholesale



## Retail



- Support staff reduced with 775 people in one year
- Revenue generating staff increased with 261
- Net reduction of 514 (-12%)

# ... and business performance strongly improved

## Japan Retail Excellence (REX) program



## Examples of KPI improvements as of Q3 YTD Q3 2013 vs YTD Q3 2012

- HD market share +1 pp
- Vehicle GP-margin +2 pp
- Units sold/salesmen +20%
- HD quote-to-order ratio +6 pp
- Service agreement ratio +2 pp
- Parts penetration +3 pp
- Parts GP-margin +1 pp
- Market contribution +4 pp
- Workshop accidents -42%

**Significant impact in a major market**



# Changing the game across Asia-Pacific



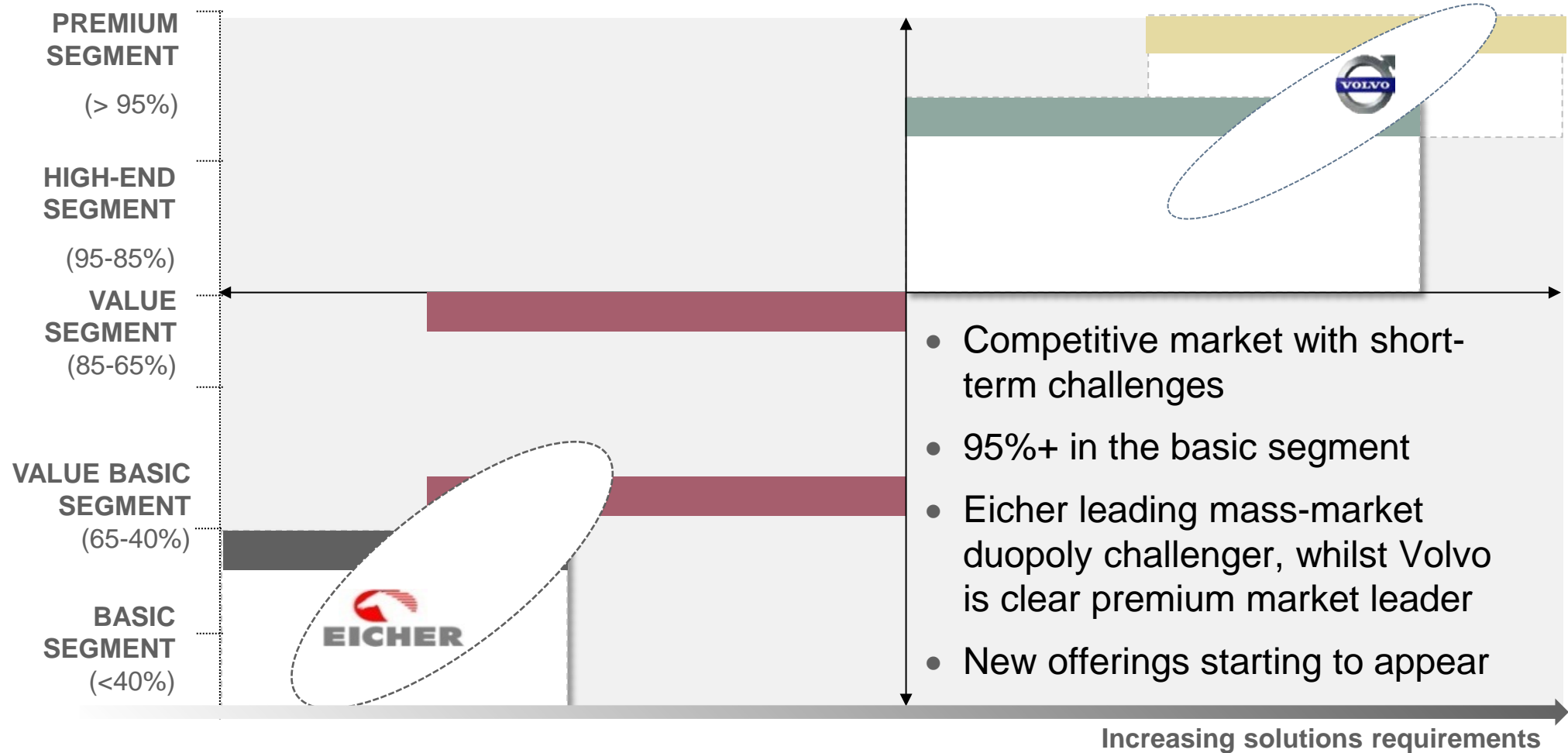
On track towards a significant APAC truck footprint

> SEK 100 bn

> 300,000 units

Note: above numbers include 100% of JV sales

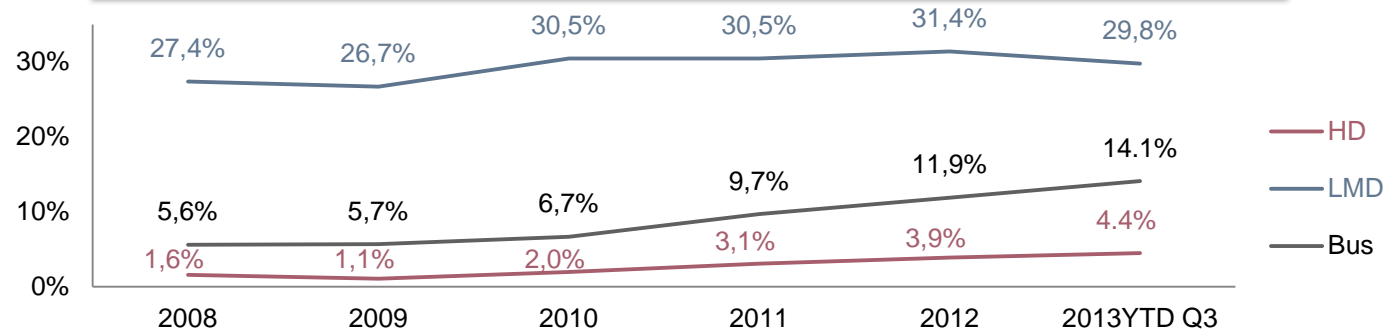
# Changing market landscape in India



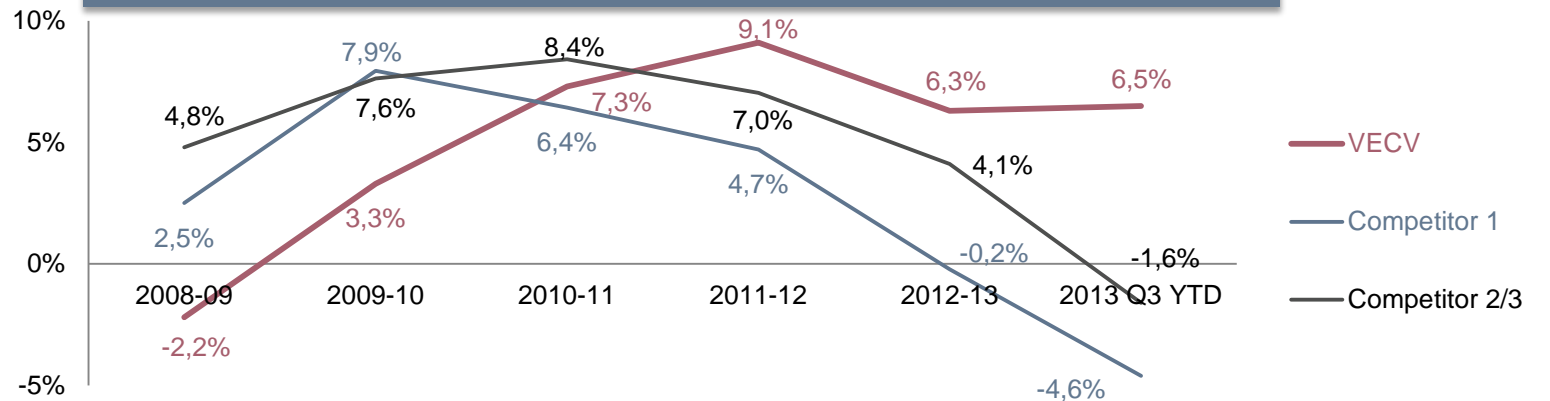
# VECV has consistently outpaced competition

- Substantial overall quality improvements
- Revamped manufacturing setup
- Reinforced commercial processes
- Strengthened aftermarket focus
- Adapted Volvo Group technology
- Excellent, trust-based partner collaboration

## Eicher outperforming peers on market share



## VECV outperforming peers on operating margin



Source : VECV analysis



# New Eicher range launched on December 2 – Go Pro



- Full range - LD/MD/HD/bus
- Two HD ranges – Pro 6000/8000
- Dedicated export variants
- Engines prepared for forthcoming emissions (BSIV+)

- Engine: fuel efficiency, power, torque and speed
- Cab: comfort and driveability
- Engineering: maintenance, resale and payload
- Integration: uptime and durability

# State-of-the-art facilities coming online



- INR 25 bn (SEK ~2.5 bn) investment 2008-2014
- Single, integrated facility setting Indian benchmark
- SoP 2013
- Volvo Group technology and process input
- Eicher frugal engineering approach



# Changing the game across Asia-Pacific



On track towards a significant APAC truck footprint

> SEK 100 bn

> 300,000 units

Note: above numbers include 100% of JV sales



# DFCV – transaction on track for finalization in Q2 2014



- Global strategic alliance between **Volvo** and **Dongfeng Motor Group Company Ltd (DFG)**
- Volvo will have a **45%** shareholding in Dongfeng Commercial Vehicles, **DFCV**; DFG will have **55%**
- Transaction price **RMB 5.6 bn** |
- The transaction is expected to be finalized during **Q2 2014**
- DFCV will have a top management team consisting of eight people, of which **four will be nominated by Volvo and four by DFG**

# DFCV has a leading position in China

## VOLUMES



	2012	Q3/2013
HD trucks	102,276	89,451
MD trucks	45,510	37,451
Bus	6,407	888
Bus chassis	7,123	6,602
Others	1,024	1,808
<b>Total</b>	<b>162,340</b>	<b>136,200</b>

## FINANCIALS (RMB)



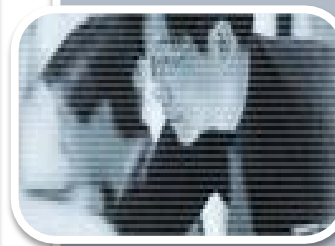
	2012	Q3/2013
Net sales	29 bn	25 bn
EBIT	0.3 bn	0.9 bn
EBIT-margin	0.9%	3.4%

## MARKET SHARES



	2012	Q3/2013
HD trucks	16%	16%
MD trucks	16%	17%

## EMPLOYEES



28,000 employees

Note: 'Others' include equipment and refitting vehicles with outsourced chassis

# New HD flagship further strengthens line-up in 2014

## New HD long-haul flagship

- Displayed during Shanghai Motor Show in April 2013 as well as China Commercial Vehicle Show in Wuhan in October 2013
- Positive reception
- Leading aggregates, e.g. 13L engine based on Cummins
- Production start set for first half of 2014





# Well-invested industrial sites in Shiyan



# Multiple avenues open for DFCV profitable growth

Developed markets			
Other developing markets			
Developing Asia-Pacific			
China		<b>Current core</b>	
	Components	Vehicles	Aftermarket services and solutions

## Initial priorities

- Strengthen Chinese market presence and technological leadership
- Accelerate establishment into identified 'wave 1' export countries
- Leverage installed population in China for aftermarket services and solutions
- Accelerate component sales

# Changing the game across Asia-Pacific

UD: putting the pieces together  
for growth markets



UD: strengthening retail excellence in Japan



VECV: new assets and products  
coming online



DFCV: preparing for the industry's  
leading alliance

**On track towards  
a significant APAC  
truck footprint**

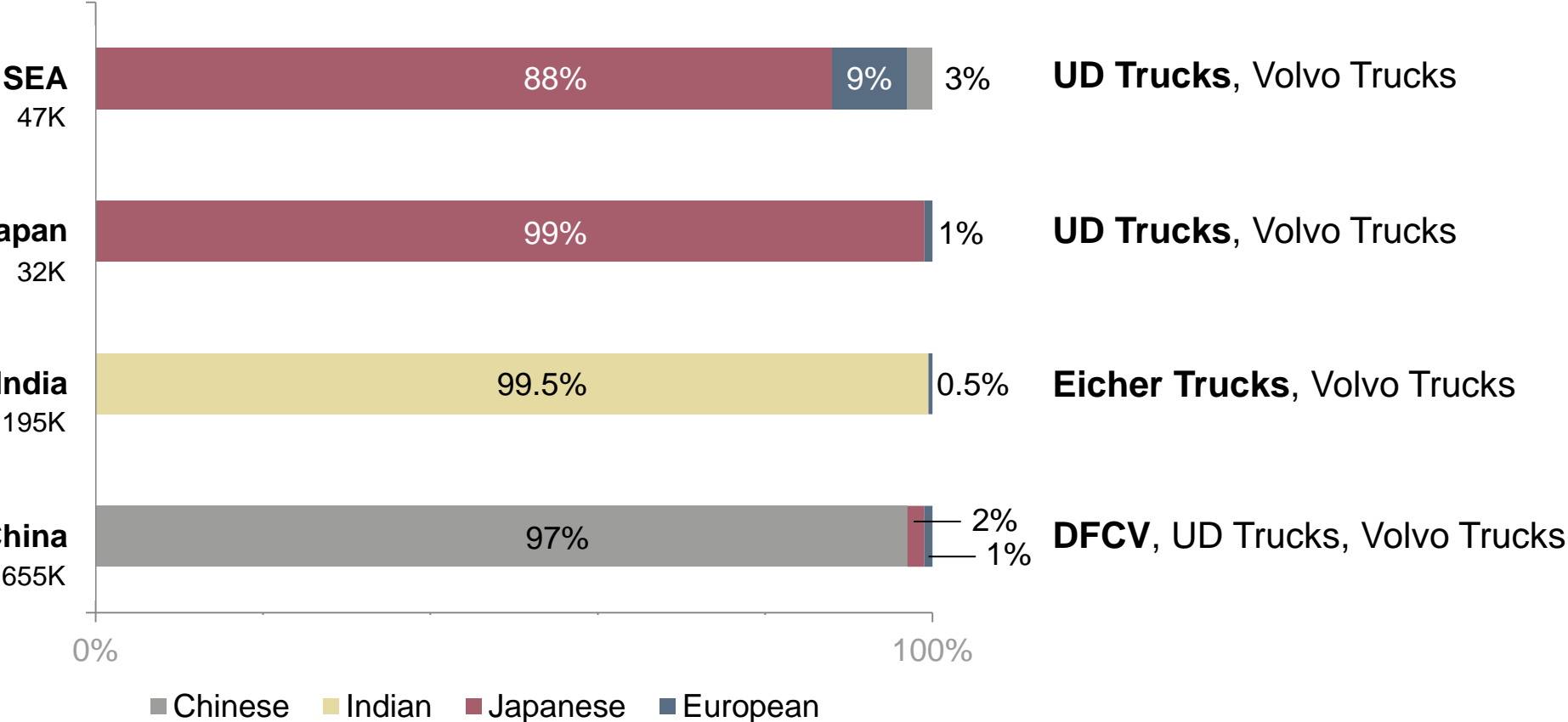
**> SEK 100 bn**

**> 300,000 units**

Note: above numbers include  
100% of JV sales

# 'Glocal' approach across APAC required for success

HD market volumes, 2012



The 'European HD market' across the entire Asia-Pacific is approximately 20,000-25,000 units only, i.e. around 2% of the total

Source : IHS Automotive