



Investor Day in New York, March 7, 2014

Jan Gurander – CFO Volvo Group

Improving efficiency



Financial summary 2013

Operating expenses

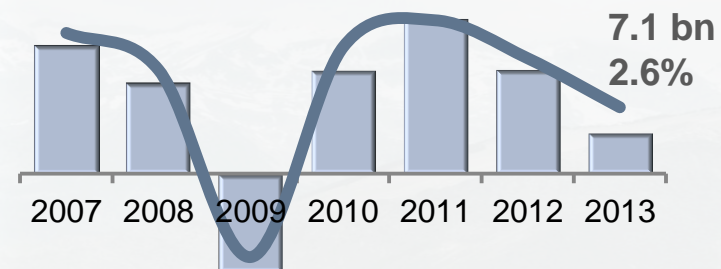
Capital efficiency

Weak financial performance in 2013

Operating income 2012, SEK bn	18.1
Change in gross income	-7.0
Volvo Rents (2013)	-1.5
Volvo Aero (2012)	-1.4
Lower capitalization of R&D	-1.2
Lower R&D expenditures	+0.5
Higher selling and admin expenses	-1.1
Restructuring charges	+0.8
Other	-0.1
Operating income 2013	7.1
Total currency effect included above	-3.5

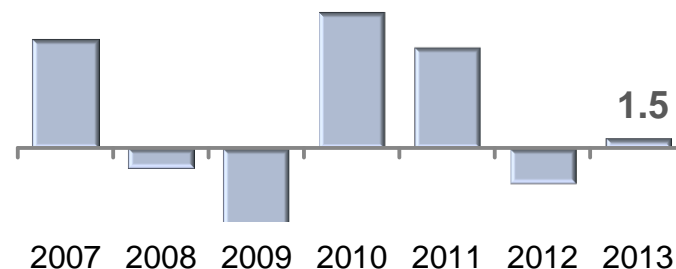
27 bn
lower sales

OPERATING INCOME & MARGIN



OPERATING CASH FLOW

Industrial Operations SEK bn



Improving efficiency



Financial summary 2013

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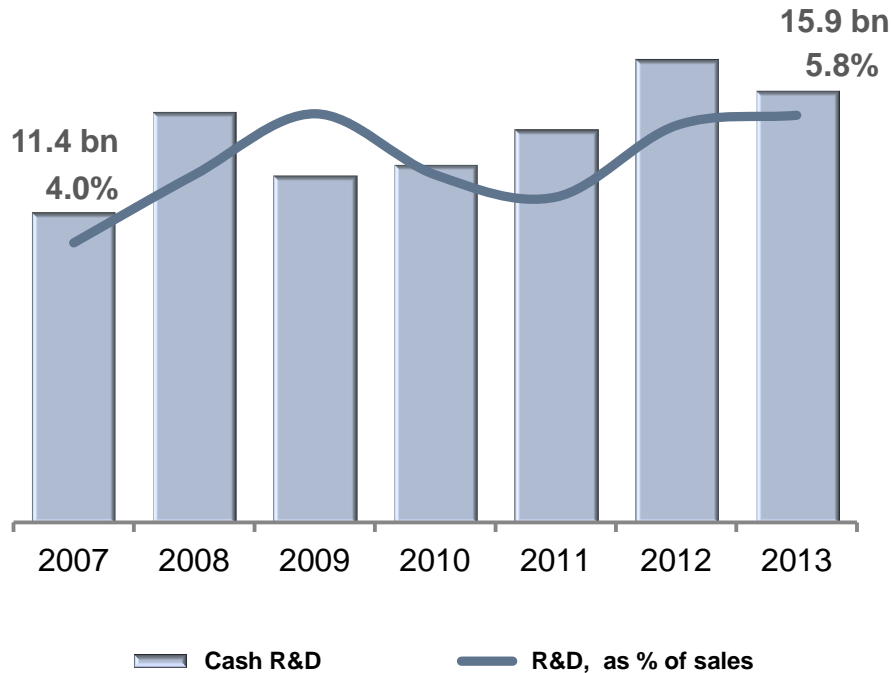
- **Research and Development**
- **Selling**
- **Administration**

Capital efficiency

Reduce activity level in Research and Development

RESEARCH AND DEVELOPMENT

SEK bn



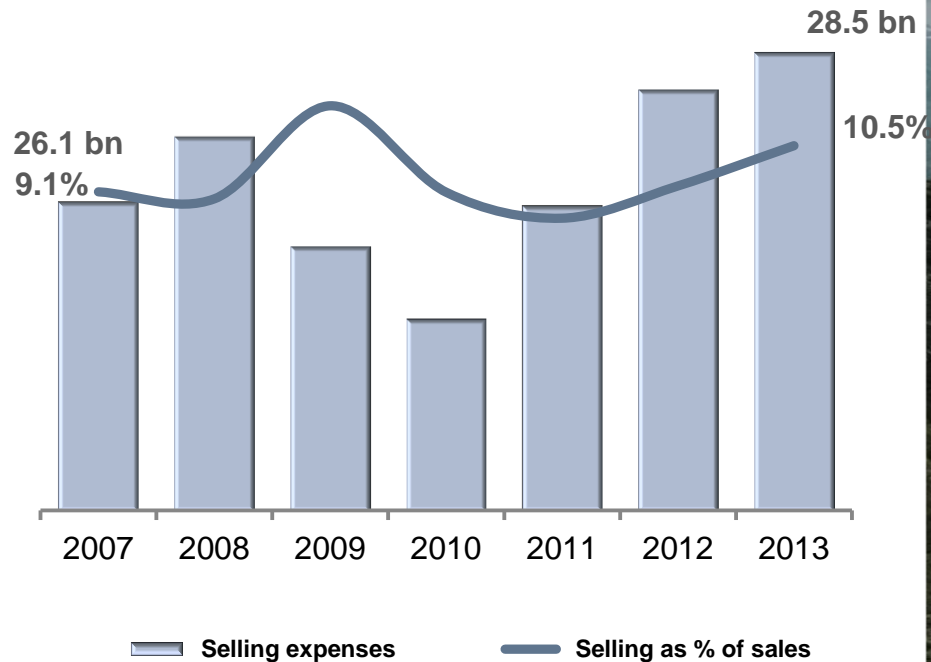
ACTIVITIES

- Finalize product renewal in H1 2014
- Review product portfolio
- Review the number of models & variants
- Improve efficiency in the R&D organization
- Structural reduction of white-collar employees and consultants

Decrease selling expenses following the product launches

SELLING EXPENSES

SEK bn, %



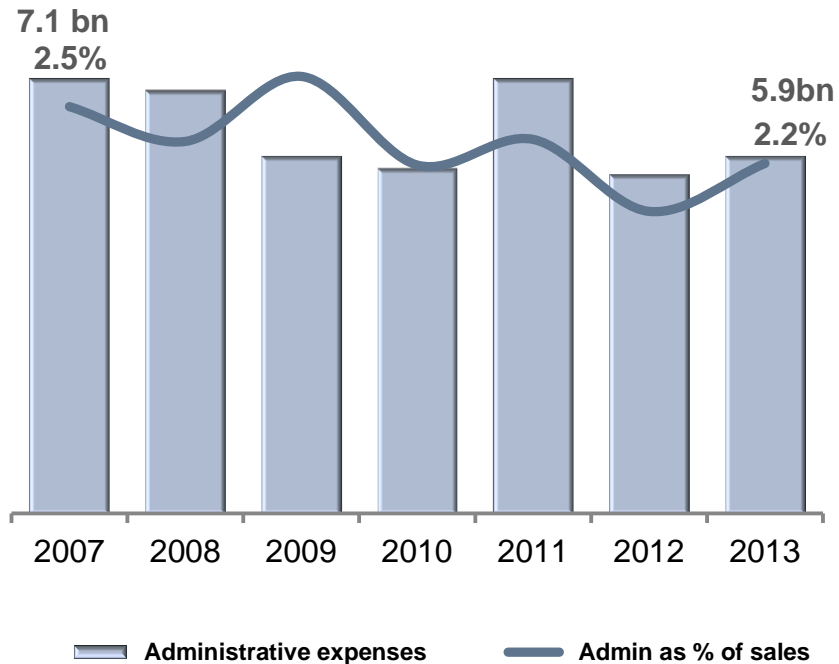
ACTIVITIES

- Integrated distribution network targeting reduced wholesale selling expenses
- Reduce launch costs
- Structural reduction of white-collar employees and consultants

Structural reduction of staff levels to reduce administrative expenses further

ADMINISTRATIVE EXPENSES

SEK bn, %



ACTIVITIES

- Structural reduction of white-collar employees and consultants
- IS/IT efficiency
- Prioritization of IT-projects portfolio

Structural reduction of white-collar employees and consultants

To be implemented mainly in 2014



Improving efficiency



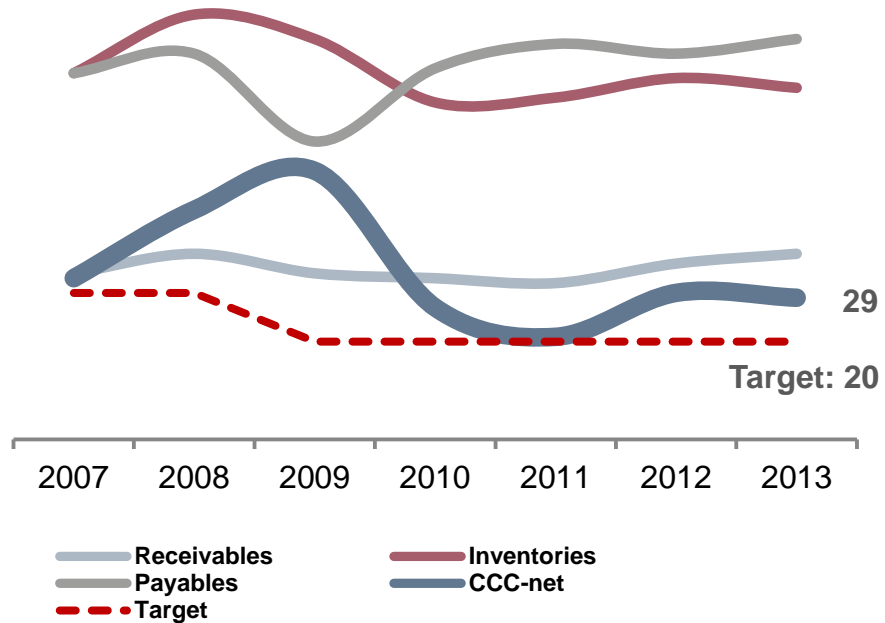
Financial summary 2013

Operating expenses

Capital efficiency
- Working capital
- Investments

Increased efficiency in working capital management

CASH CONVERSION CYCLE
DAYS



ACTIVITIES

- Sales and product planning process optimization
- Phase-out of parallel production
- Spare parts logistics

Focused investments in PPE – further reduced investments in Leasing & Intangibles

CAPITAL EXPENDITURES

bn



IN FOCUS

- Volvo Rents divested
- R&D Capitalization
- Prioritizing investments in PPE

A silver Volvo semi-truck is shown from a front-quarter perspective, driving on a road that stretches into the distance. The background is a vast, open landscape with a clear blue sky. The truck's grille and Volvo logo are prominent.

Need to catch up in cost efficiency!