



Investor Day in New York, March 7, 2014

Olof Persson – CEO Volvo Group

Utilizing our full potential



Group Trucks transformation

Complete product renewal

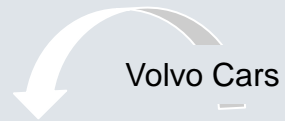
New products in Asia

Industrial restructuring

Transforming the Group to realize our full potential

1999 - 2011

ACQUISITION-DRIVEN GROWTH



Volvo Cars



Renault Trucks
Mack Trucks
UD Trucks
Eicher Trucks
Lingong
Samsung's excavator
+ 10 minor acquisitions

Investment decisions for future products

Sales 1999
SEK 100 billion

Sales 2011
SEK 300 billion

2012-2015

TRANSFORMATION

- Reorganization
- Brand portfolio thinking
- Strategy 2013-2015
- Product renewal
- Group-wide efficiency
 - Production
 - Sales
 - R&D
 - Staff & support

2016 →

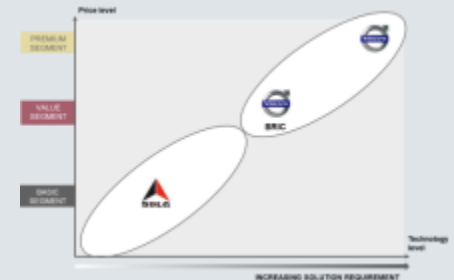
PROFITABILITY DRIVEN BY ORGANIC GROWTH AND WORLD CLASS EFFICIENCY

TRUCKS



Demand for total solutions

CONSTRUCTION EQUIPMENT



BUS



Group Trucks transformation

2012

Reorganization & Strategy

2013

Product renewal

2014

Execute efficiency programs & organic growth

2015

Deliver profitability improvement

REORGANIZATION & STRATEGY

Building the foundation to execute transformation

REORGANIZATION

- Matrix → functional organization for 80,000 employees
- Consolidate to drive efficiency
 - Production
 - R&D
 - Purchasing
- One prioritized budget (R&D, IT, PPE)
- Internal support organization measured on cost instead of profit
- New management teams
- Strong focus to deliver new products 2013

Culture

- Speed, accountability
- Cost/efficiency
- Focus



NEW STRATEGY 2013-2015

- Improve operating margin by 3% points equivalent to SEK 9 bn by end of 2015
- 20 strategic objectives
 - >35 roadmaps
 - >400 activity plans
 - Monthly/quarterly follow-up
- Transparency
 - External
 - Internal
- Solid internal understanding



NEW BRAND POSITIONING

- Portfolio thinking
- Clear brand attributes for each brand
- Optimized position for each brand
- Align product specification to brand position
- Created clarity for our employees



Demand for total solutions

THE YEAR OF PRODUCT RENEWAL

- Busy and costly, but successful**MASSIVE PRODUCT RENEWAL**

VOLVO TRUCKS | New range to strengthen premium position

RENAULT TRUCKS | New range to revitalize brand and recapture position

UD TRUCKS | Changing the game across Asia-Pacific

EICHER TRUCKS | Push in heavy-duty in India and exports

VOLVO CE | New Tier IV engines

BUSES | New Euro VI engines and hybrid buses

VOLVO PENTA | New range of industrial engines

- Extensive launch activities
- Major production change-overs



THE FOUNDATION FOR ASIAN TRUCK EXPANSION PUT IN PLACE

INDIA

- Eicher #3 in commercial vehicles – 50/50 JV
- SEK ~2.5 bn investment made in state-of-the-art facilities
- New Eicher Pro series – 11 new models

CHINA

- Alliance (45%) with Dongfeng
- One of the top 3 Chinese truck manufacturers - 121,000 HD trucks & 51,000 MD trucks sold in 2013
- Joint ambition to develop the company to a competitive and successful commercial vehicle company
- Transaction expected mid 2014

UD QUESTER

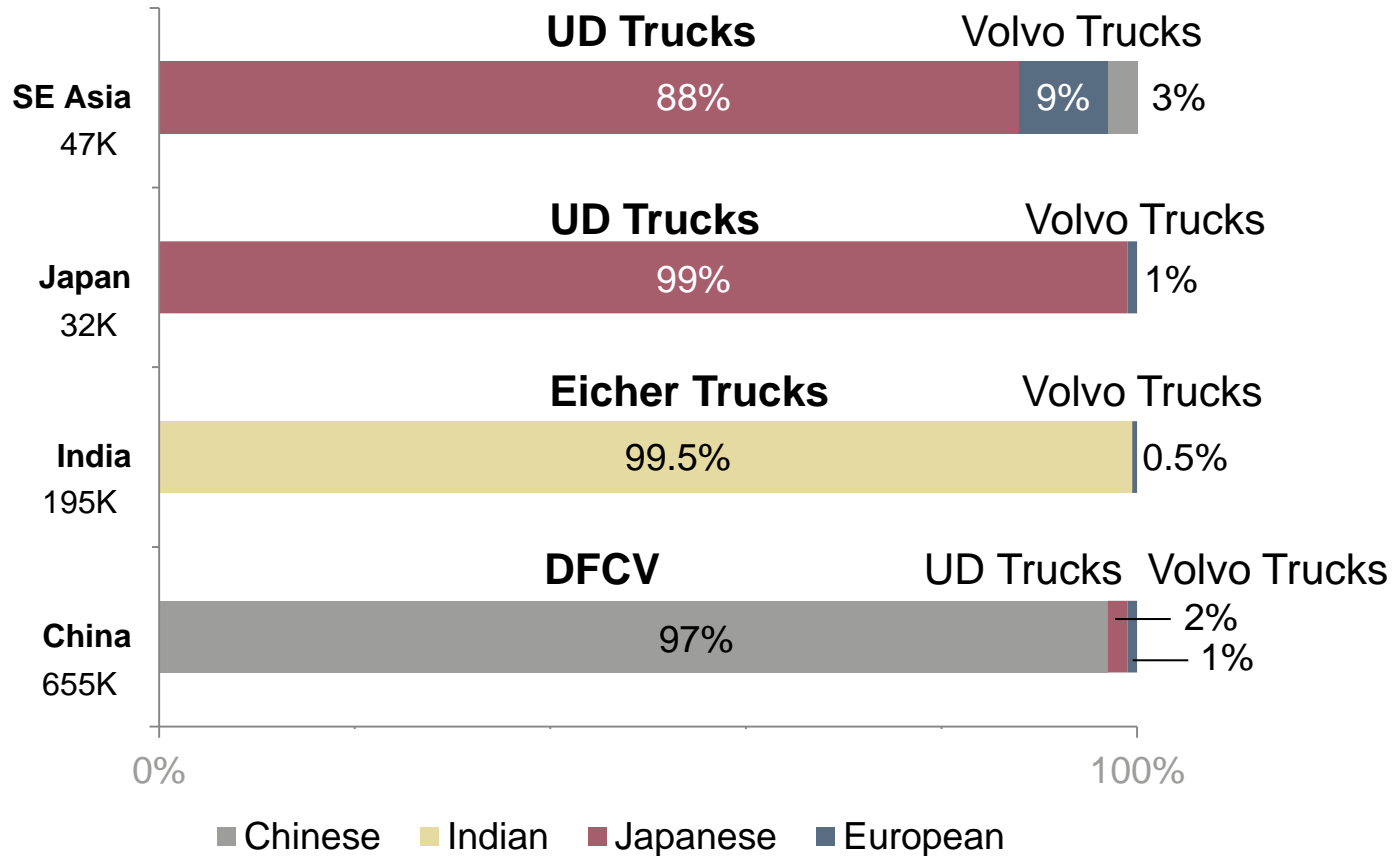
- A modern, affordable and efficient HD truck range
- Designed, sourced and produced in Asia
- Production in Thailand, China and India
- Very well received by the customers



THE FOUNDATION FOR ASIAN TRUCK EXPANSION PUT IN PLACE

'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

HIGH SPEED IN TRANSFORMING THE GROUP

Key decisions taken so far

- ✓ Reduction of 4,400 white-collar employees & consultants
- ✓ Exit truck assembly operations in Karsan, Turkey
- ✓ Insourcing of axle assembly to Hagerstown, US and Wacol, Australia
- ✓ Consolidate CKD from Jacksonville to Macungie, USA
- ✓ Consolidate parts warehouses; 3 closed & 3 down-sized in North America, moving from 2→1 in South Africa
- ✓ Close crankshaft plant in Spain
- ✓ Optimize European distribution channel
 - 300 workshop agreements terminated
 - Targeting 30-40% more available workshops for Renault Trucks' customers
 - Consolidation of back-office functions & WC reduction
- ✓ Close remanufacturing in Eskilstuna & Eslöv, Sweden
- ✓ Exit casting of disc brakes to external customers, Sweden
- ✓ End sales of logistical services to Volvo Cars, Europe
- ✓ Optimize European industrial footprint
 - HD assembly lines 6→5
 - Cab assembly from Umeå to Gothenburg, Sweden
 - MD truck assembly from 2→1 plant
- ✓ Divestment of Volvo Rents
- ✓ Acquisition of the Hauler business from Terex
- ✓ Right-sizing of Japan sales organization, -950 employees
- ✓ UD exit from the US market
- ✓ Japanese Industrial restructuring
 - Phase out of legacy engines & transmissions
 - Exit non-core business (LD engines to Nissan Motors)
 - Close or divest Konosu foundry operations
 - Close or divest Hanyu transmission plant
 - Divest N-tech and Sakura Tex affiliated companies
 - Consolidate operations into one industrial site
 - Truck assembly capacity from 50,000 to 13,500 per year
 - Reduction of 700+ employees & consultants

Focus on executing decisions

LEVERAGING THE NEW PRODUCT PORTFOLIO

- Global roll-out of the new portfolio
- Finalize product renewal H1-2014
- Improve manufacturing productivity after product renewal
- Organic growth

EFFICIENCY

Cost efficiency

- Reduce activity level group-wide
- Reduce white-collar headcount structurally
- Reduce R&D and S&A costs

Capital efficiency

- Working capital
- Investments

Process efficiency

- Full scale global implementation

DELIVER PROFITABILITY IMPROVEMENT

Leverage new product portfolio and benefit from efficiency improvement

1
22
months to go

PROFIT & ORGANIC GROWTH

- Finalize industrial parts and logistics footprint optimization
- Deliver reduced product cost
 - Purchasing together with R&D
 - Manufacturing
- Continuously improved white collar efficiency
- Push sales – leverage investment in product renewal
- Finalize global and regional processes

Enter 2016 utilizing
the full potential
of the Volvo Group

Impact on operating margin
of **3 percentage** points by end
of 2015 , representing an improvement
of **SEK 9 billion** based on
12 month rolling revenues
of SEK 300 bn



**New products
in place**



**An efficient
Volvo Group**



**Foundation for
Asian truck expansion**

