



THE VOLVO GROUP

capital market day

September, 2012

Towards the full potential

- Strategic Agenda 2013-2015



Intense work during the first year 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

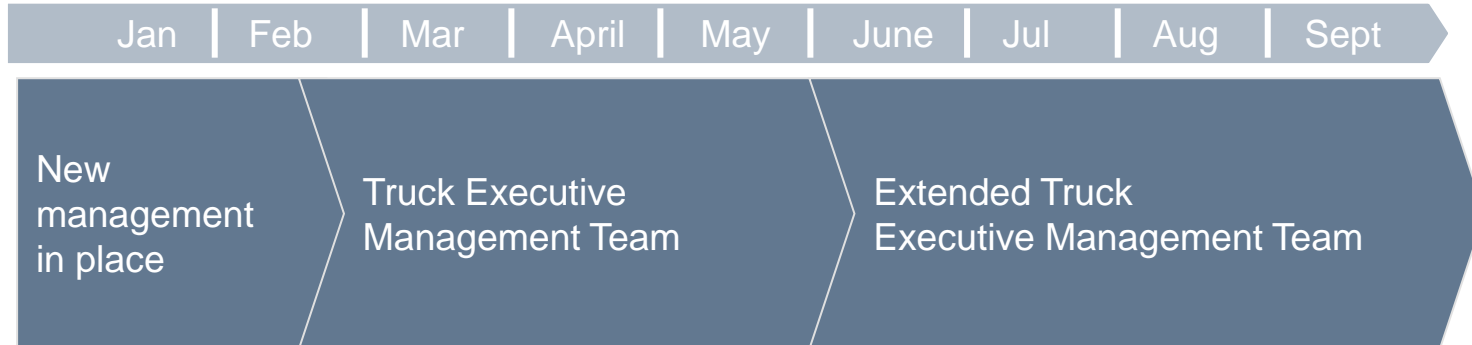
Shared accountability within matrix

Clear accountability and metrics

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

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- 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
 - Review of brand positioning – ongoing

Nine months of high management involvement to develop the future truck strategy – to get it right and get buy-in



INVOLVEMENT → COMMITMENT → ENGAGEMENT

Next step – new strategy developed to utilize the full potential



Drive organic revenue growth



Improve profitability

Key focus areas to support organic growth and profitability improvement



1.

Secure number 1 or 2 in profitability

2.

Strengthen customer business partnership

3.

Capture profitable growth opportunities

4.

Innovate energy-efficient transport and infrastructure solutions

5.

Build high performing global teams

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

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 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
- 3.5 Build 1 BSEK new businesses complementary to existing offering



Delivering our full potential

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Drive revenue growth

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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
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 - reduce overall cost level by 10% in Japan
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	
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



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

Openness and full disclosure to secure employee understanding and involvement

120 top truck executives fully aligned and committed



Roll-out starting Sep 25 to:

- 80,000 employees
- Shareholders

Göteborg September 13-14, 2012



Next step - execute and deliver!



VOLVO

Q&A