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Press release

Volvo Group announces new trucks strategy to achieve targeted profitability improvement

The new strategy is an important step for the Group towards achieving the objective to improve the operating margin by 3 percentage points. The strategy will be presented in more detail at today's Capital Market Day. The Volvo Group also announces that it will take approximately SEK 600 M of restructuring charges in the third quarter 2012 related to a cost reduction program in Japan and the ending of production of UD trucks for the US market.

"With a strong portfolio of brands, a highly competitive product offering and a new organizational structure in place, we are in a position to deliver our full potential as a company. This is what the strategy for 2013-2015 is all about," says President and CEO Olof Persson.

Overall, the 2013-2015 strategy for the trucks business comprises 20 strategic objectives, among others:

- Increase vehicle gross profit margin per region by 3 percentage points.
- Reduce actual standard cost of sales on total cost for current offer by 10%.
- Decrease wholesale selling expenses to 5% of sales.
- Reduce R&D cost (spending pace) to SEK 11.5 B.
- IT cost on 2% of Volvo Group total cost by 2015.
- By optimizing the brand assets become number 1 or 2 in combined Group Trucks heavy duty market share.
- Establish required commercial presence to support revenue growth by 50% across Asia-Pacific and 25% in Africa.

By achieving the 20 strategic objectives contained in the trucks strategy, combined with enhanced profitability in other business areas, the Volvo Group will take an important step towards fulfilling its objective to improve the operating margin by 3 percentage points.

AB Volvo (publ)	**Telephone**	**Telefax**	**Web**
Media Relations	+46 31 66 11 27	+46 31 66 12 71	www.volvogroup.com
SE-405 08 Göteborg			www.VolvoGroup.mobi
Sweden			

Other news presented at the Capital Market Day include a new range of heavy duty value trucks, aimed specifically at emerging and growing markets such as Asia, South America and Africa. The new truck range will be introduced in the next few years and preparations are currently being made to commence production at the Group's plants in India and Thailand. The intention is also to produce the trucks in the Group's Chinese joint-venture DND for the domestic market.

In Japan, the Group is implementing a cost reduction program that will reduce the cost base by 10%. Furthermore it has been decided to end production of UD trucks for the US market as demand in the cab-over-engine segment has declined and the regulatory costs have increased over the last few years. The combined cost for the two activities is estimated to about SEK 600 M and will be charged in the third quarter of this year.

At the Capital Market Day, Volvo Construction Equipment will unveil plans to develop a Volvo-branded BRIC wheel loader with a substantially lower cost base than for current Volvo wheel loaders. The new product will enable Volvo CE to further capture growth in emerging markets.

Further information and a webcast from the Capital Market Day will be made available at www.volvogroup.com/investors after the event.

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Reporters who want more information, please contact Kina Wileke, +46 31 66 12 32 or +46 739 02 55 44

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