AB Volvo

Press information

New financial targets for AB Volvo

The Board of Directors of AB Volvo has decided to implement new financial targets for the Volvo Group starting in 2012.

“Following the completion of the streamlining of the Volvo Group towards commercial vehicles and a number of acquisitions, the company now has the size and geographical footprint necessary to achieve long-term success,” states Chairman Louis Schweitzer. “While growth will remain important in the future, the Board is of the opinion that the prerequisites are now in place to also set new profitability targets for the company and its new CEO.”

The new targets have been set in order to enable the growth and profitability of the various operations to be measured and benchmarked annually against relevant competitors.

The financial targets for the Group are as follows:

- The annual organic sales growth for the truck, bus and construction equipment operations, as well as Volvo Penta, shall be equal to or exceed a weighted-average for comparable competitors.

- Each year, the operating margin for the truck, bus and construction equipment operations, as well as Volvo Penta, shall be ranked among the top two companies when benchmarked against relevant competitors.

- For Customer Finance Operations, the existing targets of 12-15 percent return of equity (ROE) and an equity/assets ratio exceeding 8 percent stand firm. Volvo Aero has an ROE target of 15-25 percent. When calculating the ROE, Volvo Aero will be assigned the same equity/assets ratio as that for the Group’s Industrial Operations.

- The capital structure target is set to a net debt, including provisions for post-employment benefits, for the Industrial Operations of a maximum of 40% of shareholders’ equity under normal conditions.

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Volvo's financial targets have included a focus on growth since the end of the 1990s and the Board of Directors expects growth to remain important in the future, but is now adding a continuous benchmarking of the growth and profitability of the various operations against a number of selected competitors.

"While the previous targets were set for a business cycle and for the Group as a whole, this new method of measuring the performance of our business areas and the new targets enable us to annually implement a distinct benchmarking of our operations in relation to the competition," says Louis Schweitzer.

The Board of Directors has decided which competitors the benchmarking during 2012 will be performed against. To facilitate comparisons, the truck operations will be measured jointly with the bus operations and the construction equipment operations will be measured jointly with Volvo Penta. The comparisons will be made in accordance with the table below:

Trucks and Buses	**Volvo CE & Volvo Penta**
Daimler	Brunswick
Iveco	CAT
MAN	CNH
Navistar	Cummins
Paccar	Deere
Scania	Hitachi
Sinotruk	Komatsu
	Terex

Since the streamlining towards commercial vehicles was initiated more than a decade ago, the Volvo Group has grown to become one of the world's leading manufacturers of heavy-duty trucks, buses and construction equipment, and is now a leading manufacturer of heavy-duty diesel engines, marine and industrial engines as well as engine components for the aerospace industry. During this period, a substantial number of acquisitions have been made, bringing economies of scale and increased geographic reach.

During this period, the Volvo Group has successfully established itself outside its traditional markets in Europe and North America and established a firm foothold in the growing Eastern European, South American and Asian markets. Today, markets outside Western Europe and North America account for about half of the Group's total sales.

"Following the Group's successful geographic and volume expansion, we have the prerequisites in place to compete successfully in our various product segments and it is

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with this in mind that the Board has now decided to introduce new financial targets," says Louis Schweitzer.

The previous financial targets for the Volvo Group were adopted in September 2006 and comprised an annual sales increase of 10 percent, an operating margin for Industrial Operations of 7 percent or more and a return on equity for Customer Finance Operations of 12-15 percent, as well as an capital structure target set to a net debt, including provisions for post-employment benefits for the Industrial Operations, of a maximum of 40% of shareholders' equity under normal conditions. The previous targets, except that for the capital structure, were measured over a business cycle.

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Visit http://www.thenewsmarket.com/volvogroup to access broadcast-standard video from Volvo Group. You can preview and request video, and choose to receive as a MPEG2 file or by Beta SP tape. Registration and video is free to the media.

AB Volvo (publ) may be required to disclose the information provided herein pursuant to the Securities Markets Act and/or the Financial Instruments Trading Act.The information was submitted for publication at 07:30 a.m. in September 22, 2011.

The Volvo Group is one of the world's leading manufacturers of trucks, buses and construction equipment, drive systems for marine and industrial applications and aerospace components. The Group also provides complete solutions for financing and service. The Volvo Group, which employs about 100,000 people, has production facilities in 19 countries and sells their products in more than 180 markets. In 2010 annual sales of the Volvo Group amounted to about SEK 265 billion. The Volvo Group is a publicly-held company headquartered in Göteborg, Sweden. Volvo shares are listed on OMX Nordic Exchange Stockholm. For more information, please visit www.volvogroup.com or www.volvogroup.mobi if you are using your mobile phone.

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