

V O L V O

VOLVO GROUP CAPITAL MARKETS DAY 2022

Geared for growth

Capital Markets Day 2022

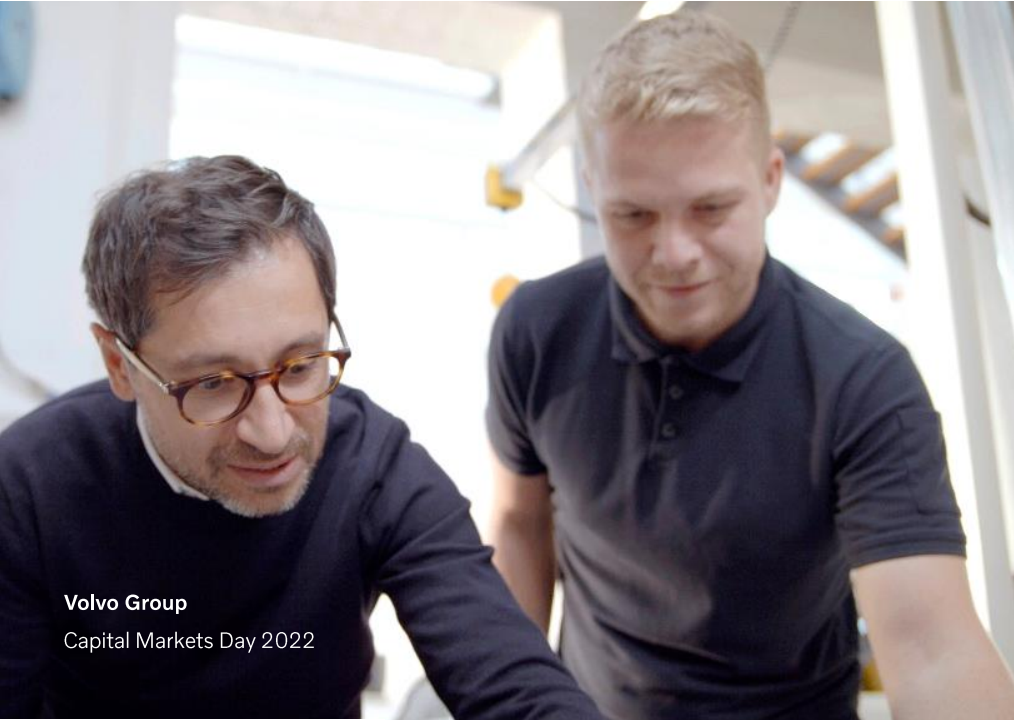
2022-06-22

Disclaimer

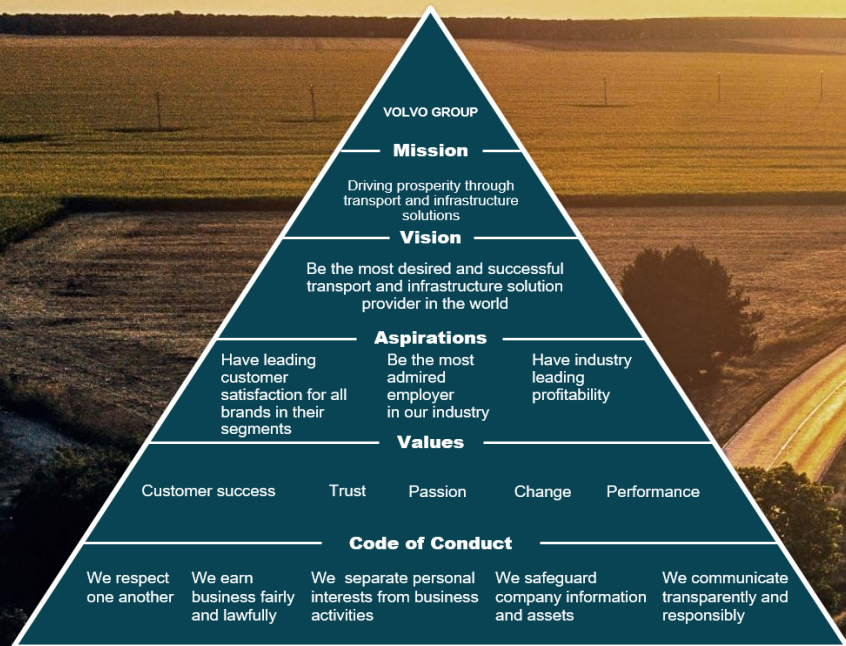
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Our strategic framework serves us and our customers well!

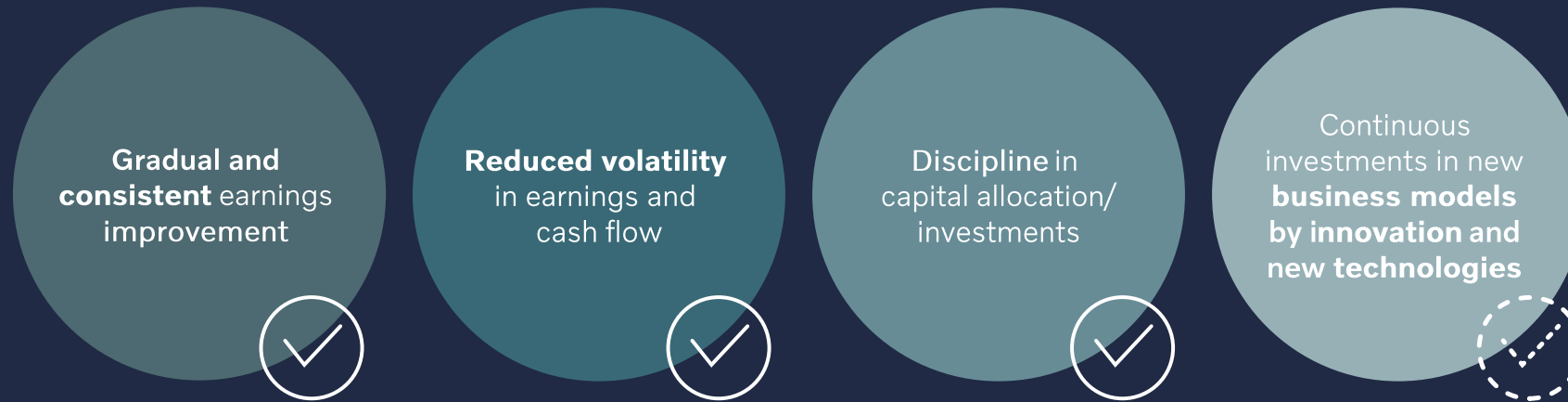


Mission, Vision & Aspirations

- 1 **Transform the Volvo Group** to become a leading end-to-end integrator as well as offering easy to integrate products and services through strong brands.
- 2 **Grow the service business** and target selected industry verticals offering a portfolio of tailor-made solutions.
- 3 **Secure a desirable sustainable product and service portfolio** with the right quality, leveraging new and well-known technologies, CAST, partnerships and digital innovation - accelerating electromobility solutions.
- 4 **Grow in Asia and the US:** In Asia through JVs, alliances and by strengthening the Volvo Group footprint in China. In the US by significantly improving the Group's market position.
- 5 **Develop robust profitability** throughout the decentralized regional value chains by leveraging global scale, digitalization, a purpose-fit footprint and continuous improvement using Volvo Production System.
- 6 **Selectively capture, accelerate and scale-up new businesses** and develop competencies and capabilities needed.
- 7 **Reinforce value-based leadership and ways of working** where all colleagues are empowered to take action and are accountable for the results.

Strategic priorities

Delivering on our financial ambitions and strategic direction

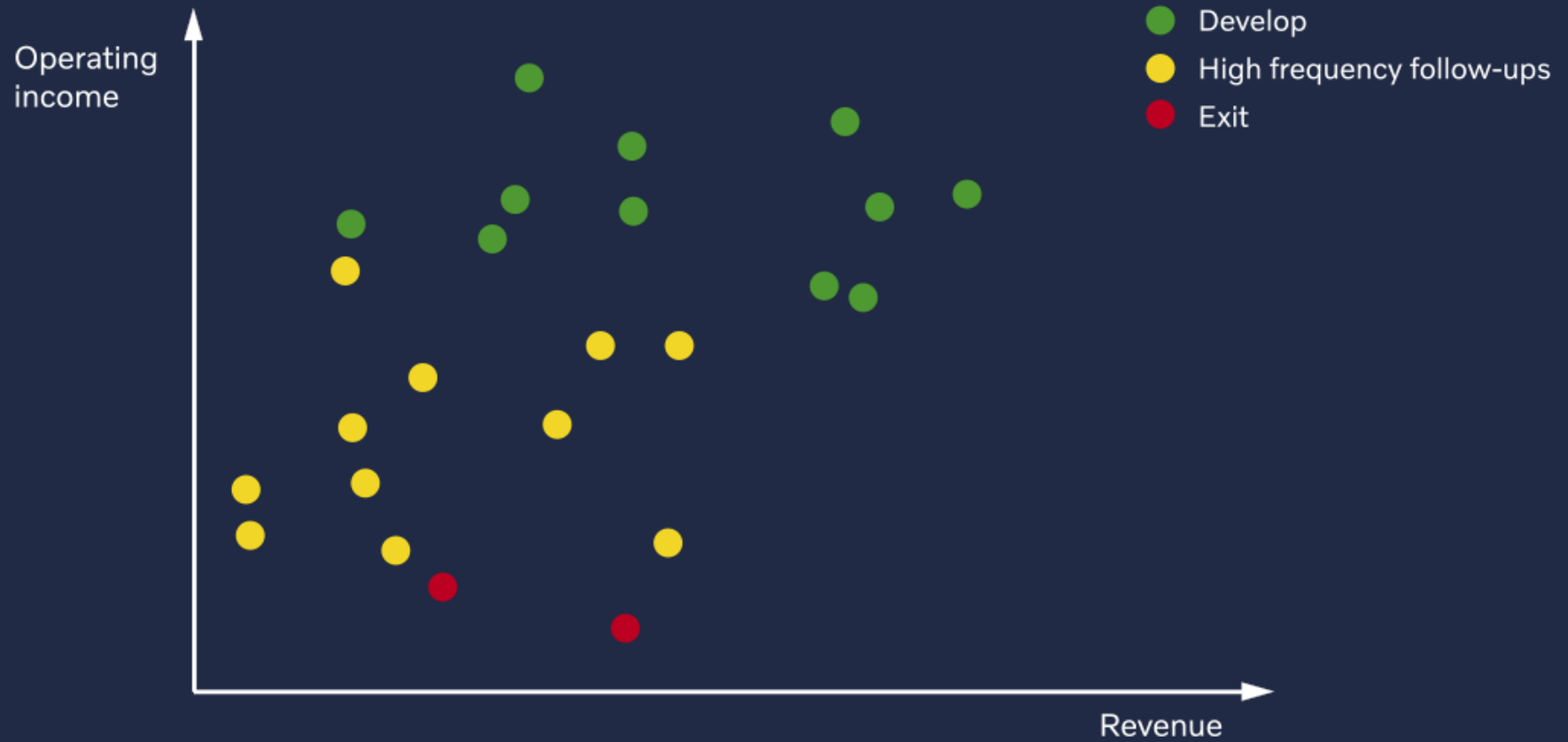


Delivering on our financial ambitions and strategic direction



Developing our business portfolio

Illustrative



Improving through-cycle earnings resilience

- Decentralized P&L accountability
- Price management
- Service growth priority
- Regionalized value chains
- R&D and industrial efficiency through modular product architecture
- Production volume flexibility

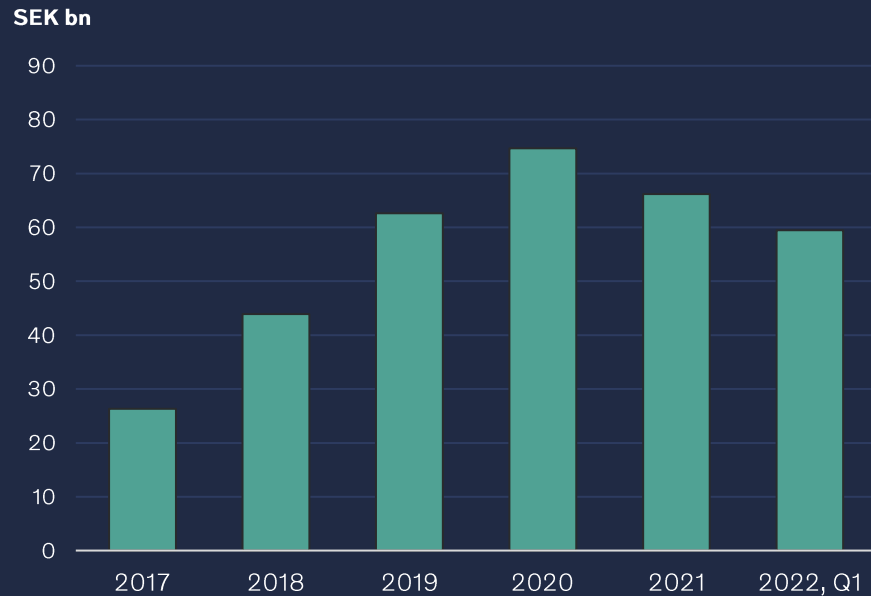
Volvo Group net sales and adjusted operating margin



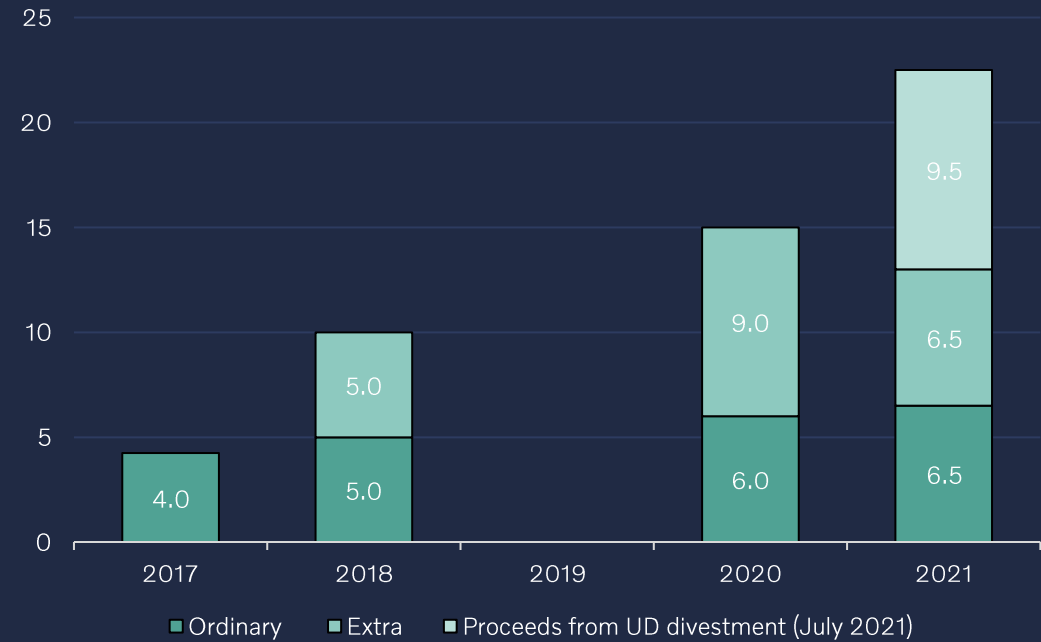
Consistent earnings improvement while investing in new technologies

Strong financial position and shareholder returns

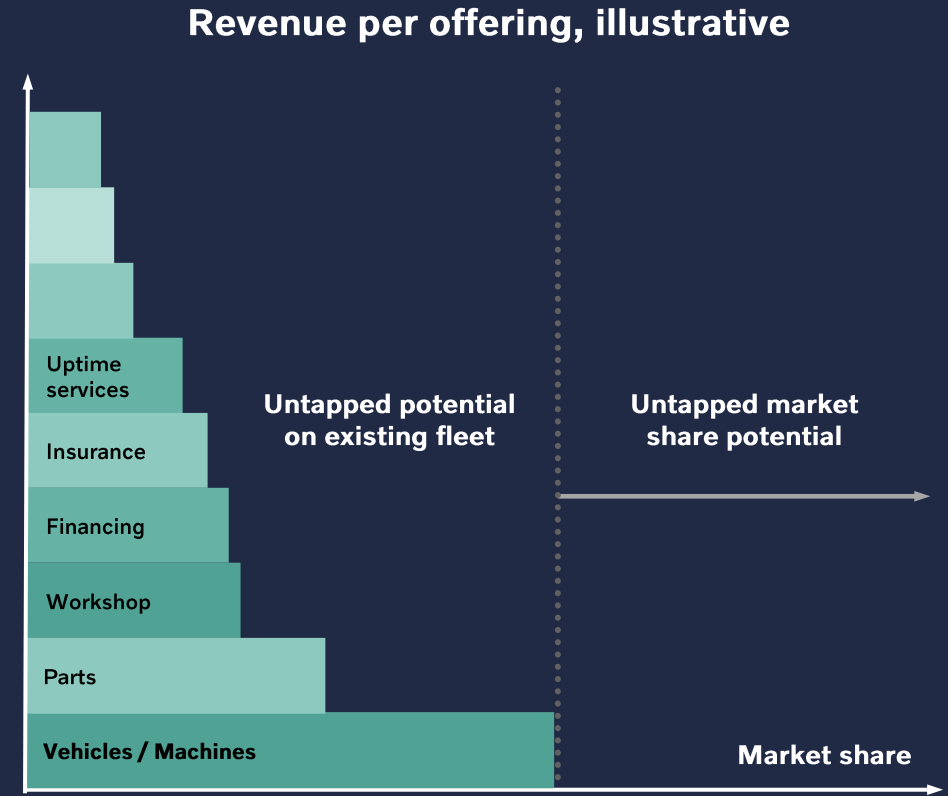
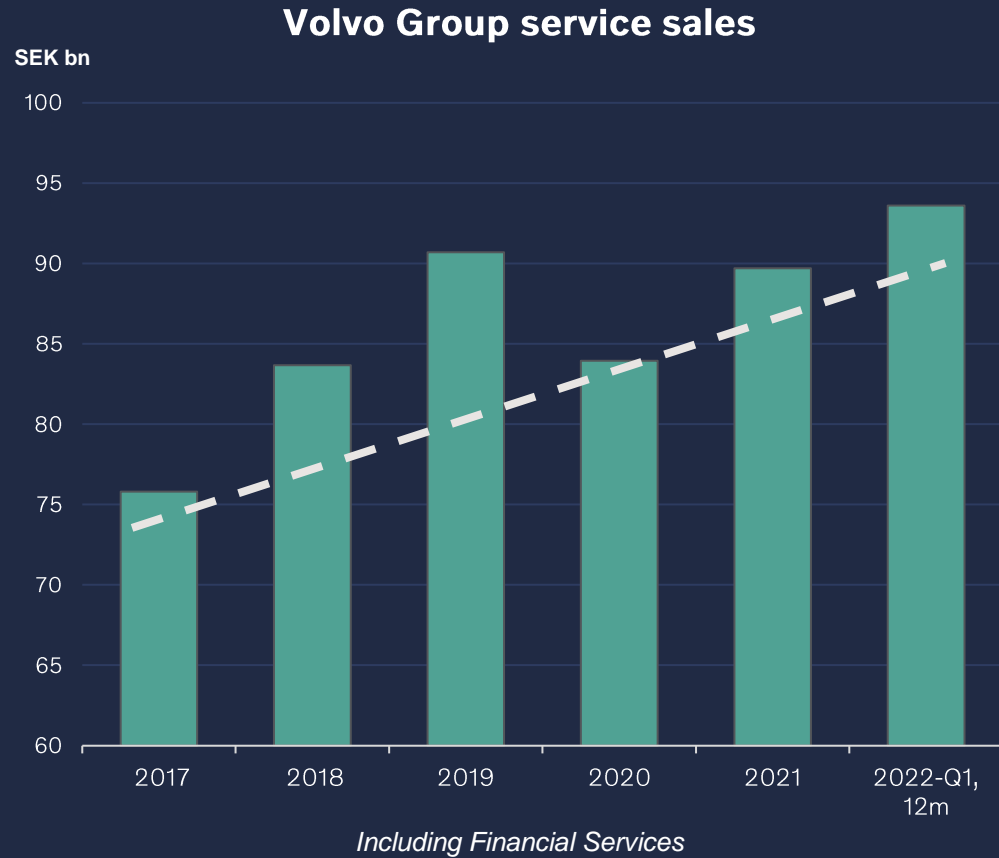
Cash position, Industrial Operations
(excl. pensions and lease liabilities)



Shareholder return of SEK 105 bn with strong yield over the last five years



Service growth strengthening both profitability and resilience



Service growth CAGR 5% since 2017 and large untapped potential remains

Long term ambition

100%

Safe

Fossil free

More productive

RECAP OF CMD 2020

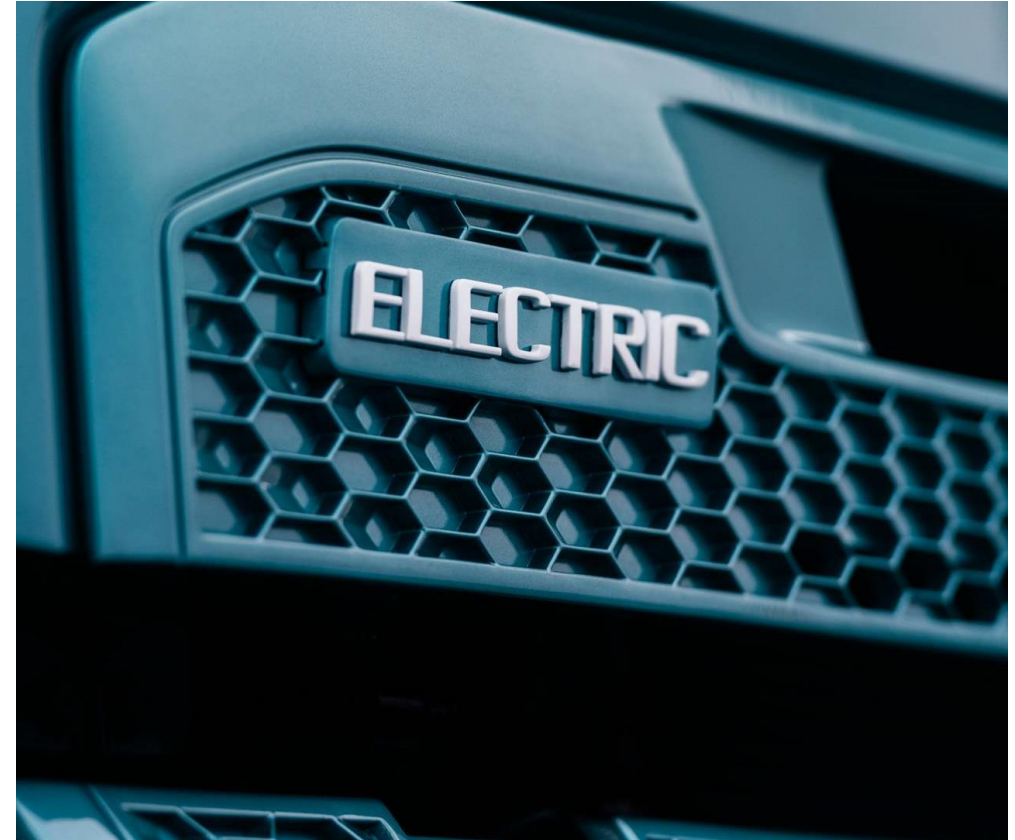
Opportunity of a century!

GROWTH

- Step change in market share
- Higher life cycle revenue per unit
>1.5x for electric vehicles
> 5x for autonomous solutions
- >35% electric vehicle sales by 2030
- Underlying transport demand

RESILIENCE

- EV gives step change in service contract penetration and duration
- >50% of Group sales from service by 2030



LEADING THE WAY TO A FOSSIL FREE SOCIETY BY 2050

Companies taking action towards science-based targets

116

2015

3,170

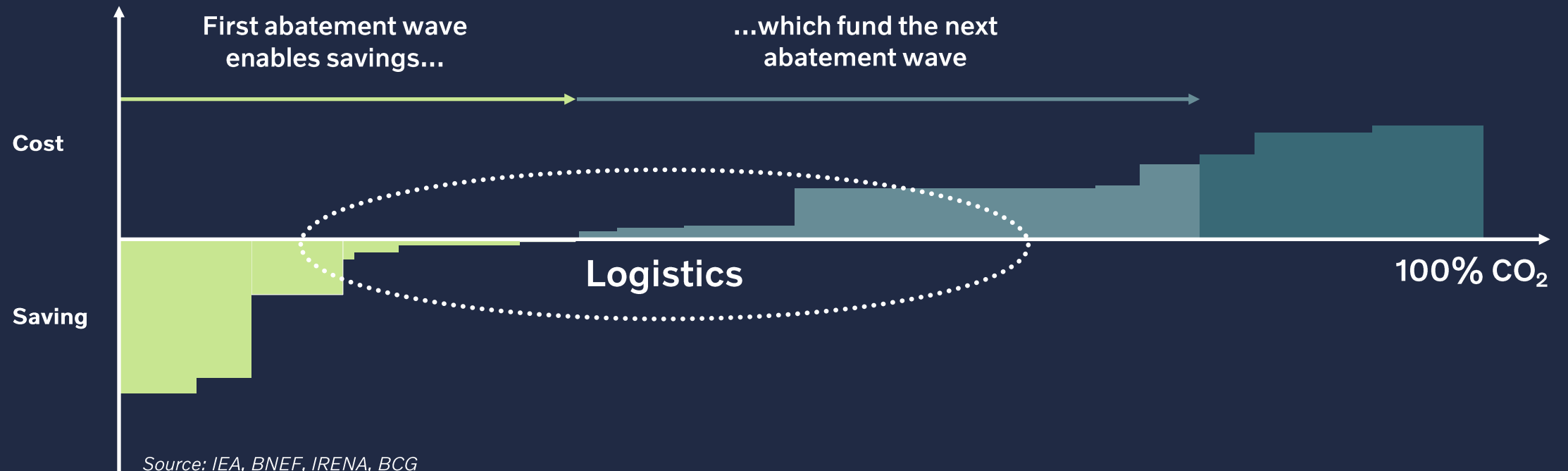
2022 YTD

2025

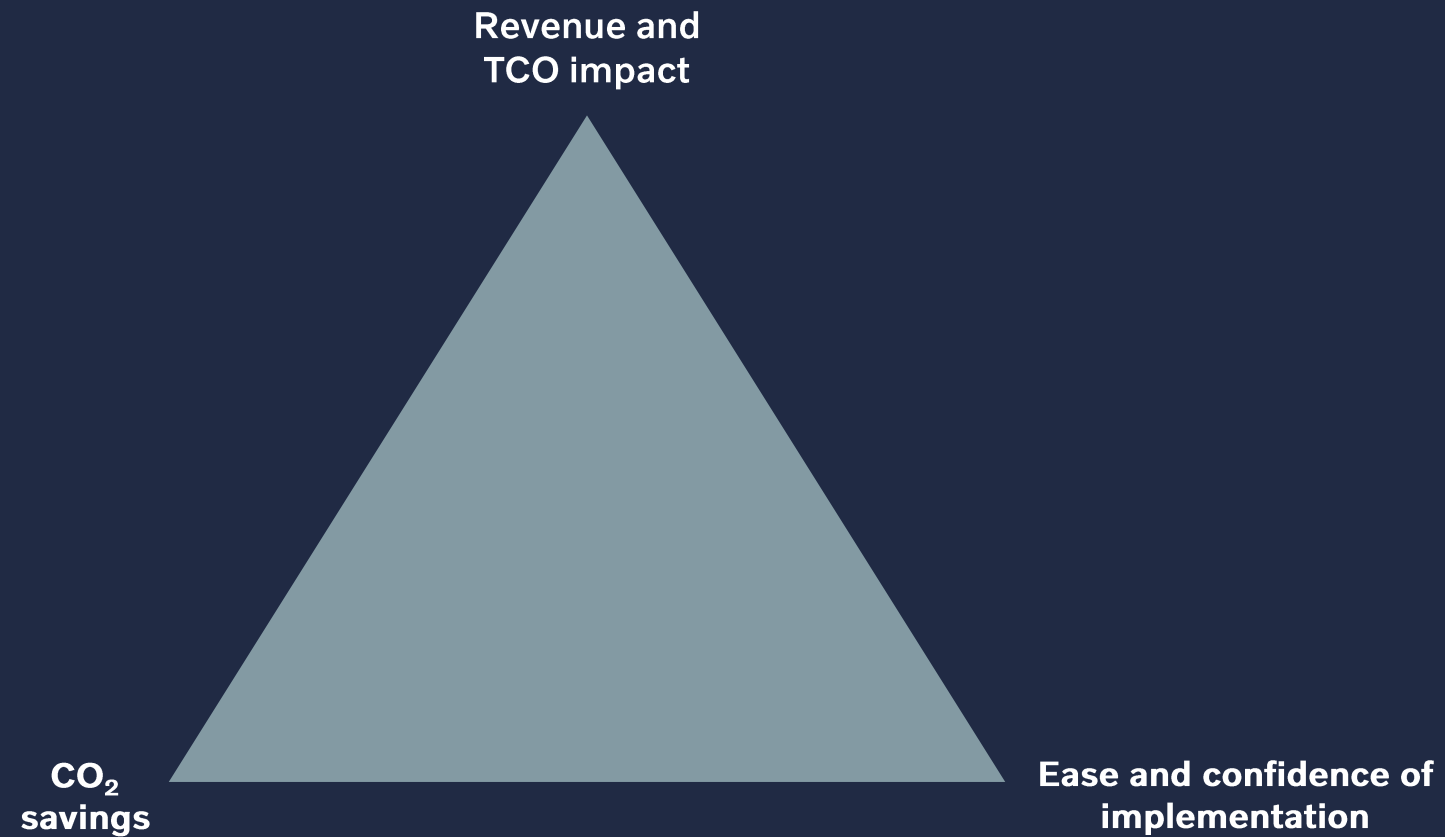
Low investment to decarbonize logistics

Example: Automotive OEM, CO₂ scope 1–3

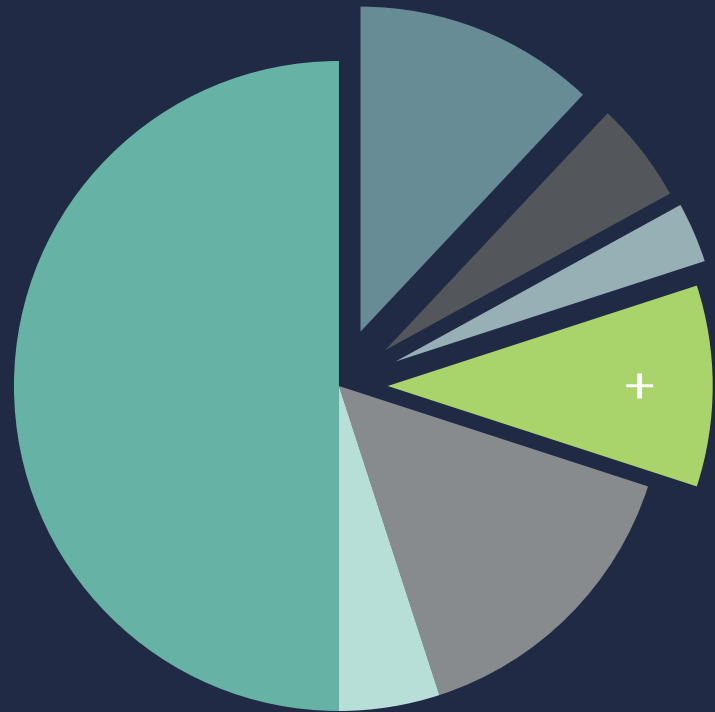
Cost or saving
to remove CO₂



When all three parameters come together – customers switch to electric



We have the assets for the most competitive solution for the customer



Battery electric vehicle

- VEHICLE
- + BATTERY AND CHARGING SYSTEMS
- REPAIR & MAINTENANCE
- FINANCING & INSURANCE

EQUIPMENT-as-a-SERVICE

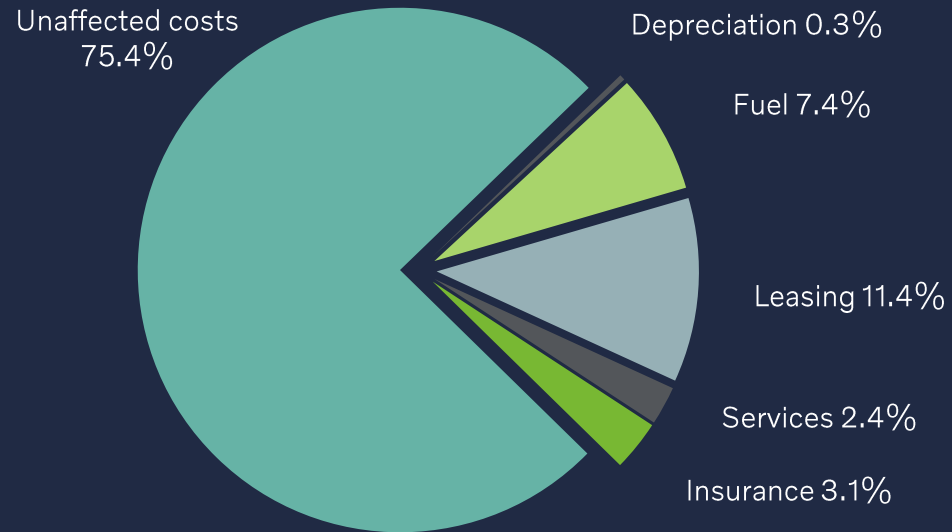
- Uptime
- Safe
- CO₂-free
- Cost / km
- Productive
- Peace of mind

Case: France – urban distribution

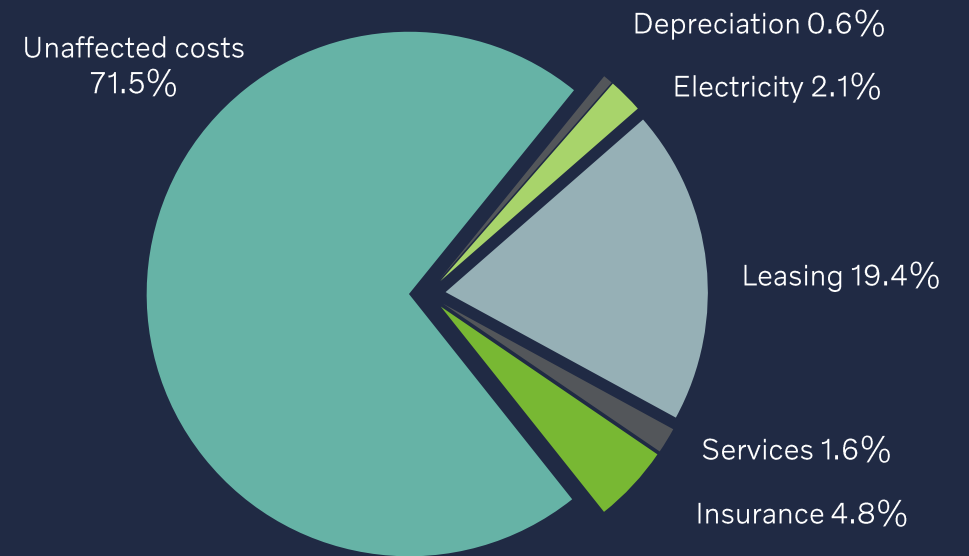
COST OF OPERATIONS
INCREASES BY 5.5%-POINTS



ICE

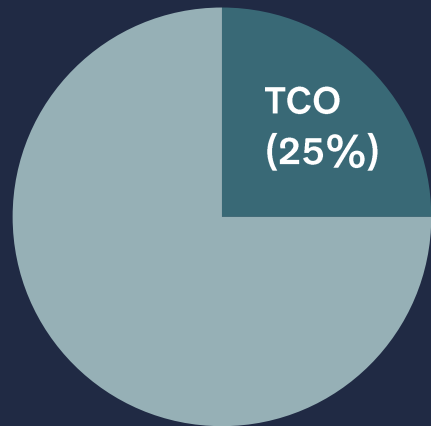


BEV



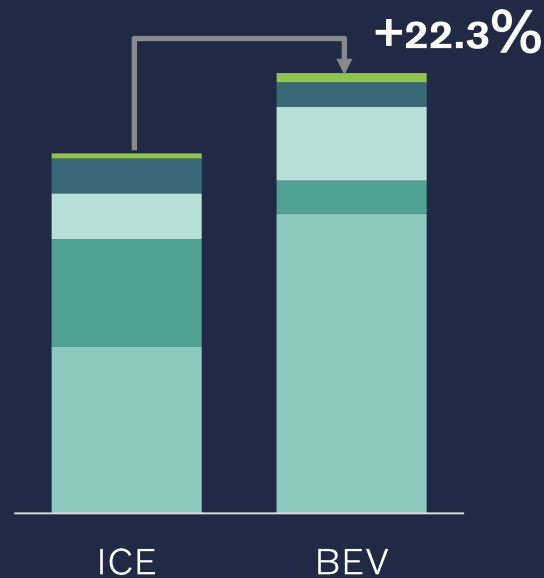
ICE

TCO as a share of the total cost

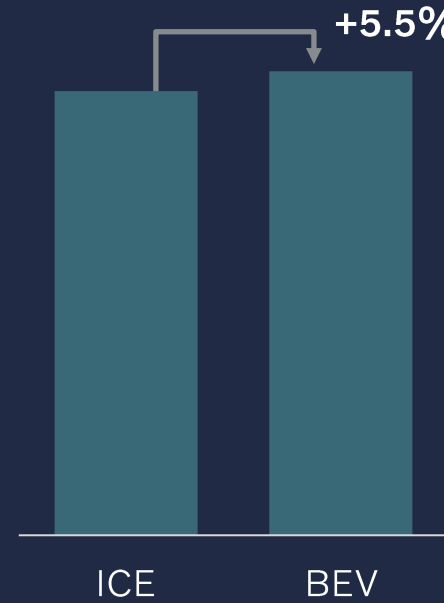


ICE – BEV

Change in TCO



Change in total cost



CO₂ reduction

Annual reduction of ~1,300 tonnes of CO₂

The cost of reducing **1 tonne of CO₂** is **~€309** for this customer

The cost per extra km is 57% lower for BEV





**Diesel carried milk
1.00 EUR**



**Electric carried milk
1.01 EUR**

Transport CO₂ -100%

End customer choice will be simple



Diesel carried milk
1.00 EUR



Electric carried milk
~~1.00~~ EUR 1.005 EUR

Transport CO₂ **-100%**

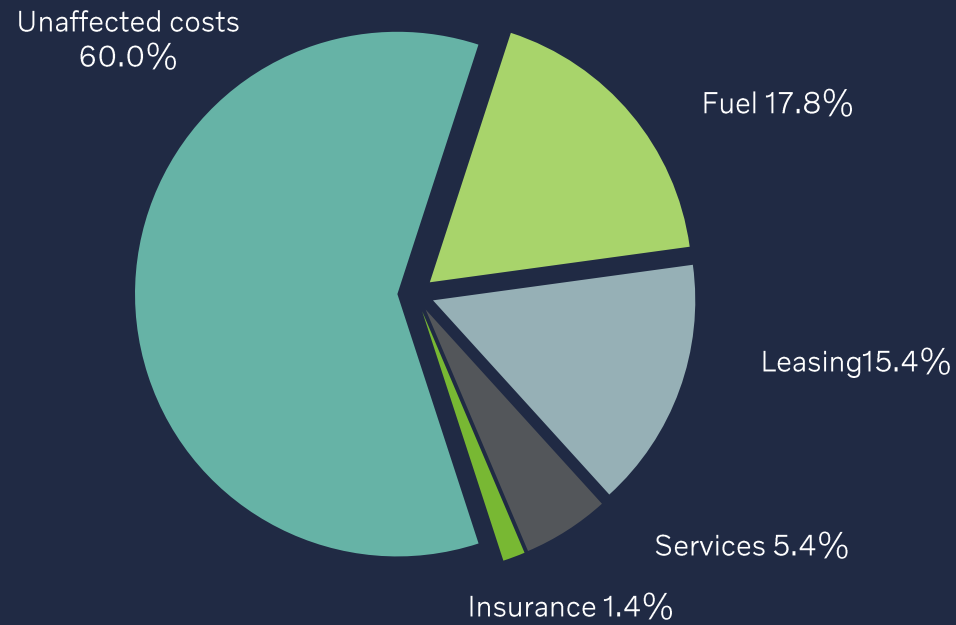
End customer choice will be simple

Case: Sweden – regional haul

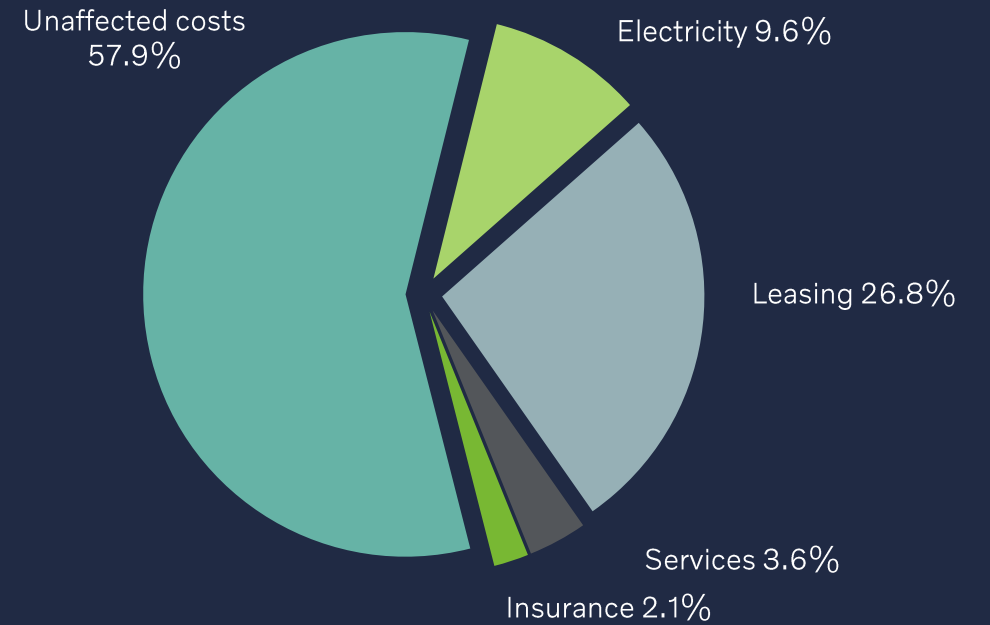
COST OF OPERATIONS
INCREASES BY 3.7%-POINTS



ICE

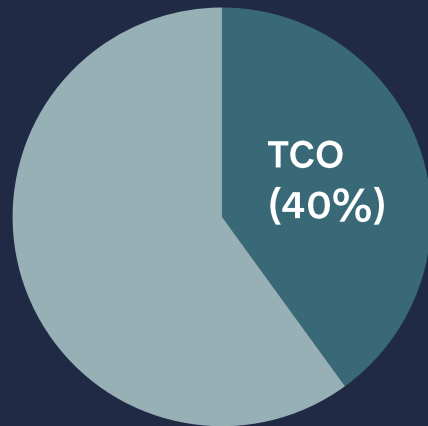


BEV



ICE

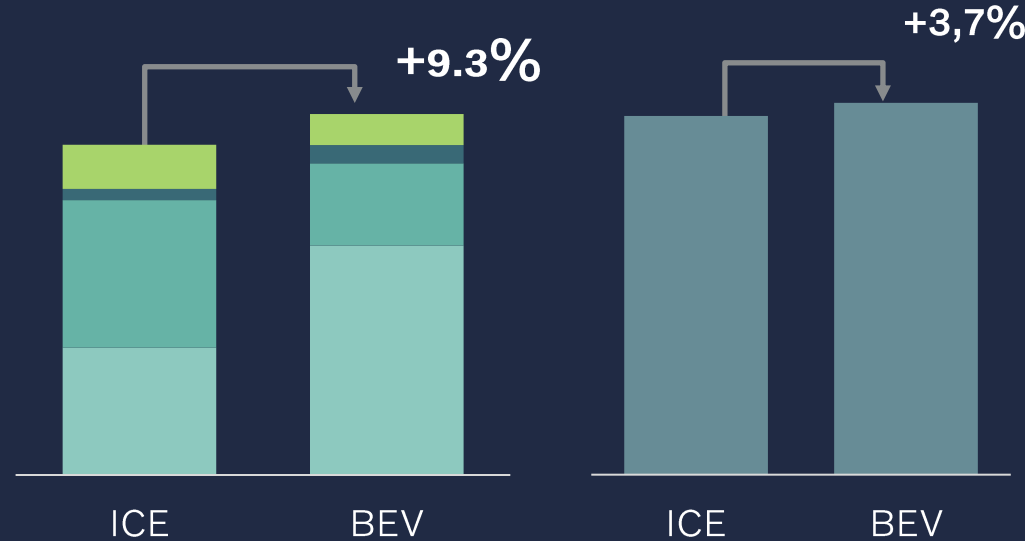
TCO as a share of the total cost



ICE – BEV

Change in TCO

Change in total cost



CO₂ reduction

Annual reduction of ~1,300 tonnes of CO₂

The cost of reducing **1 tonne of CO₂** is **~€85** for this customer

The cost per extra km is 40% lower for BEV

Price for CO₂ emissions increasing

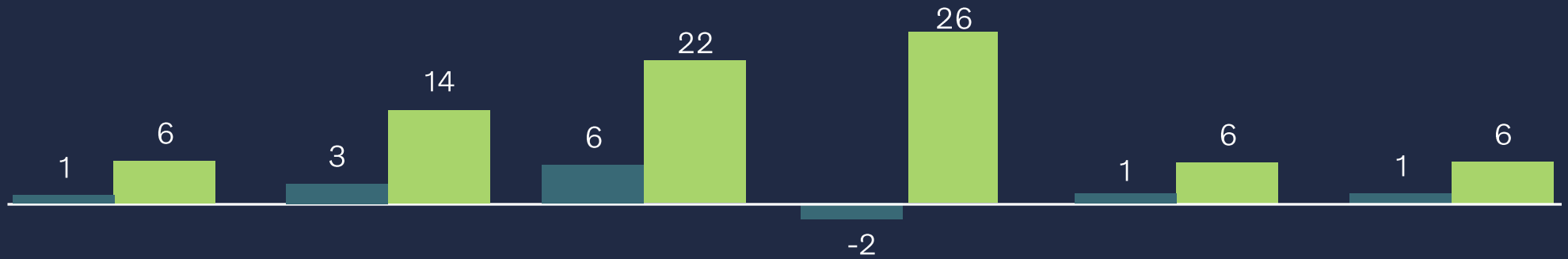
European carbon permits



Leaders in decarbonization also enjoys higher growth

% CAGR conventional products vs green alternatives 2016–2019

Green alternatives
Conventional products



Market Size (2019)



Oil



Chemicals



Food (US)



Automotive

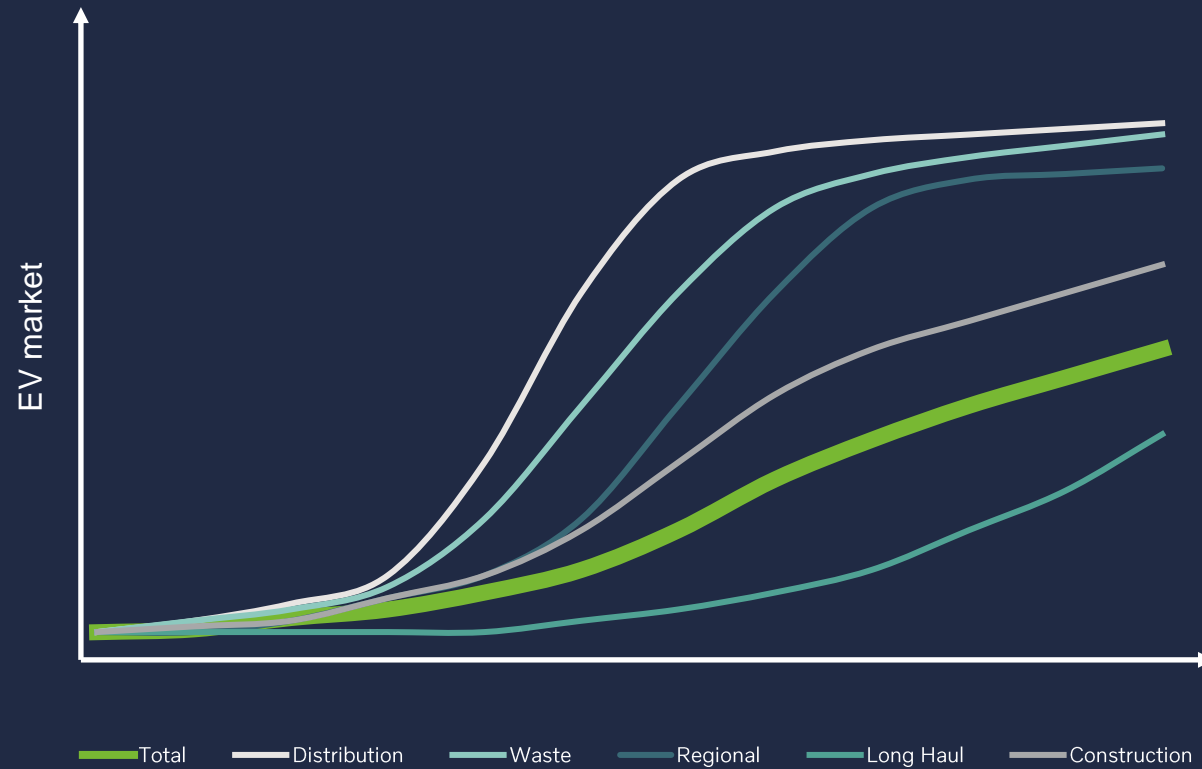


FMCG (US)

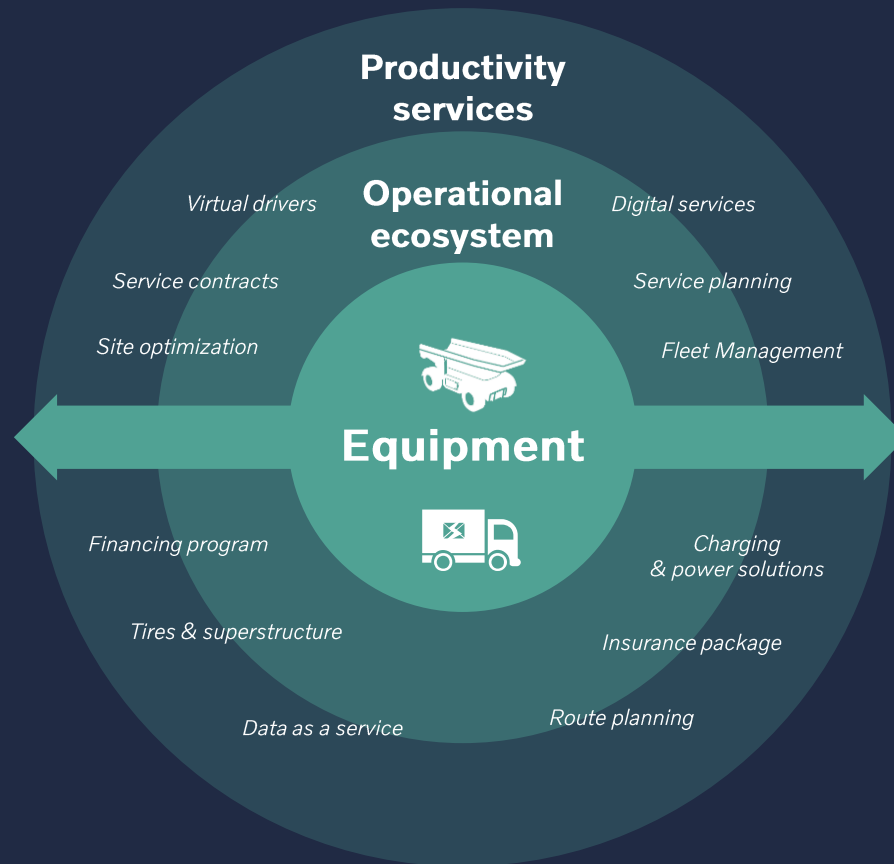


Power

Electrification will happen segment by segment and region by region



Closer, broader and deeper customer engagement drives growth



- **Higher life cycle revenue per unit:**
 - ▶ >1.5x for electric vehicles
 - ▶ > 5x for autonomous solutions
- **Service and finance contracts:**
 - ▶ Higher penetration
 - ▶ Longer duration
- **Closer, broader and deeper engagement with our customers and over a longer period of time**
- **Prioritizing areas where we have an edge and can add customer value**
- **Partnerships**

VOLVO



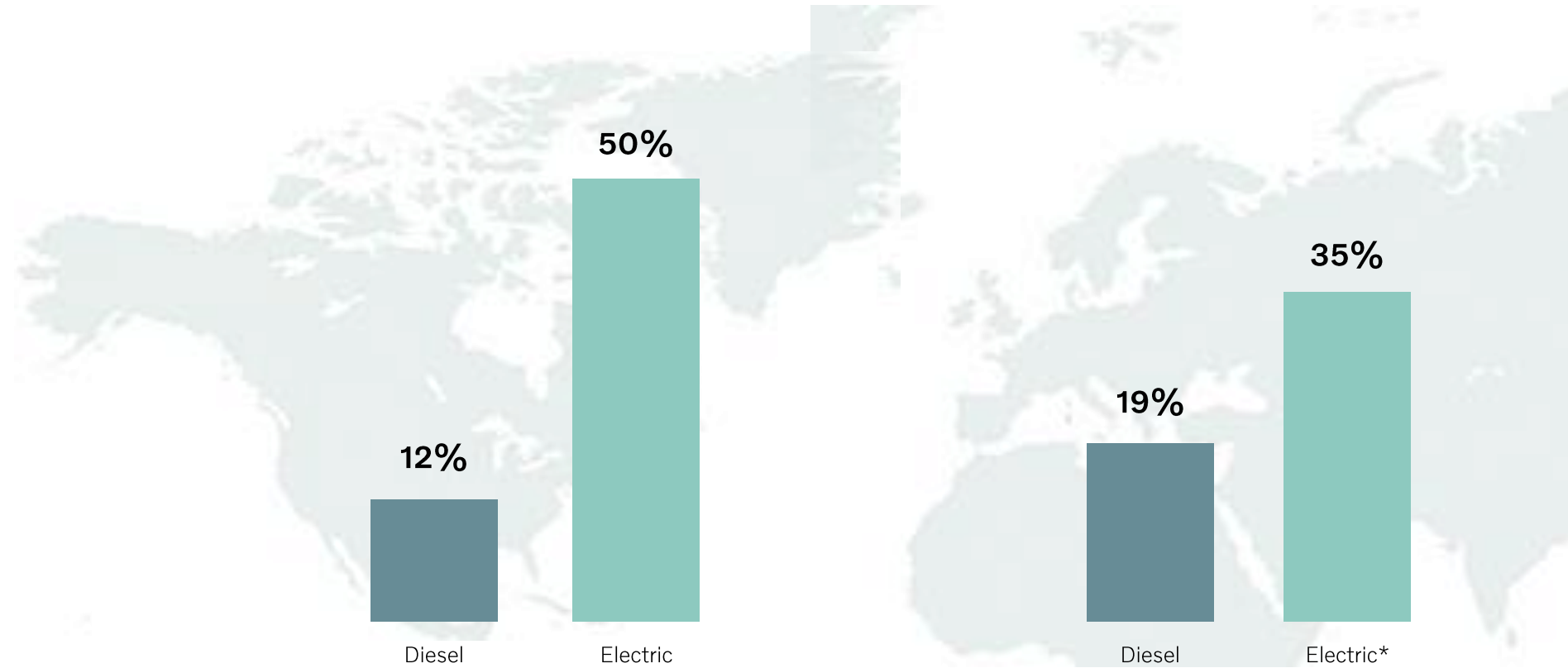
Global electric line up



Volvo Trucks' market share

NORTH AMERICA

EUROPE



Order intake electric trucks Jan 2020 – June 2022
including letters of intent

2 200



Peace of mind

Electric Trucks

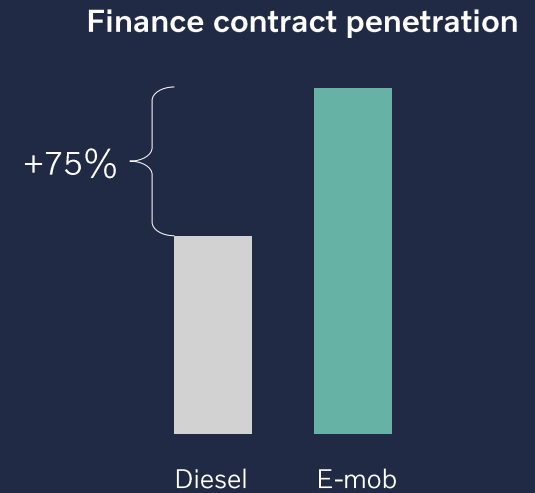
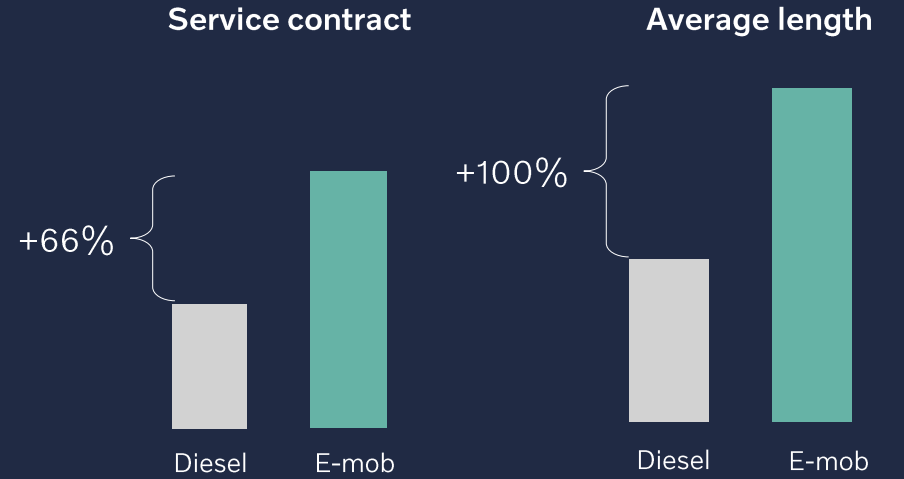
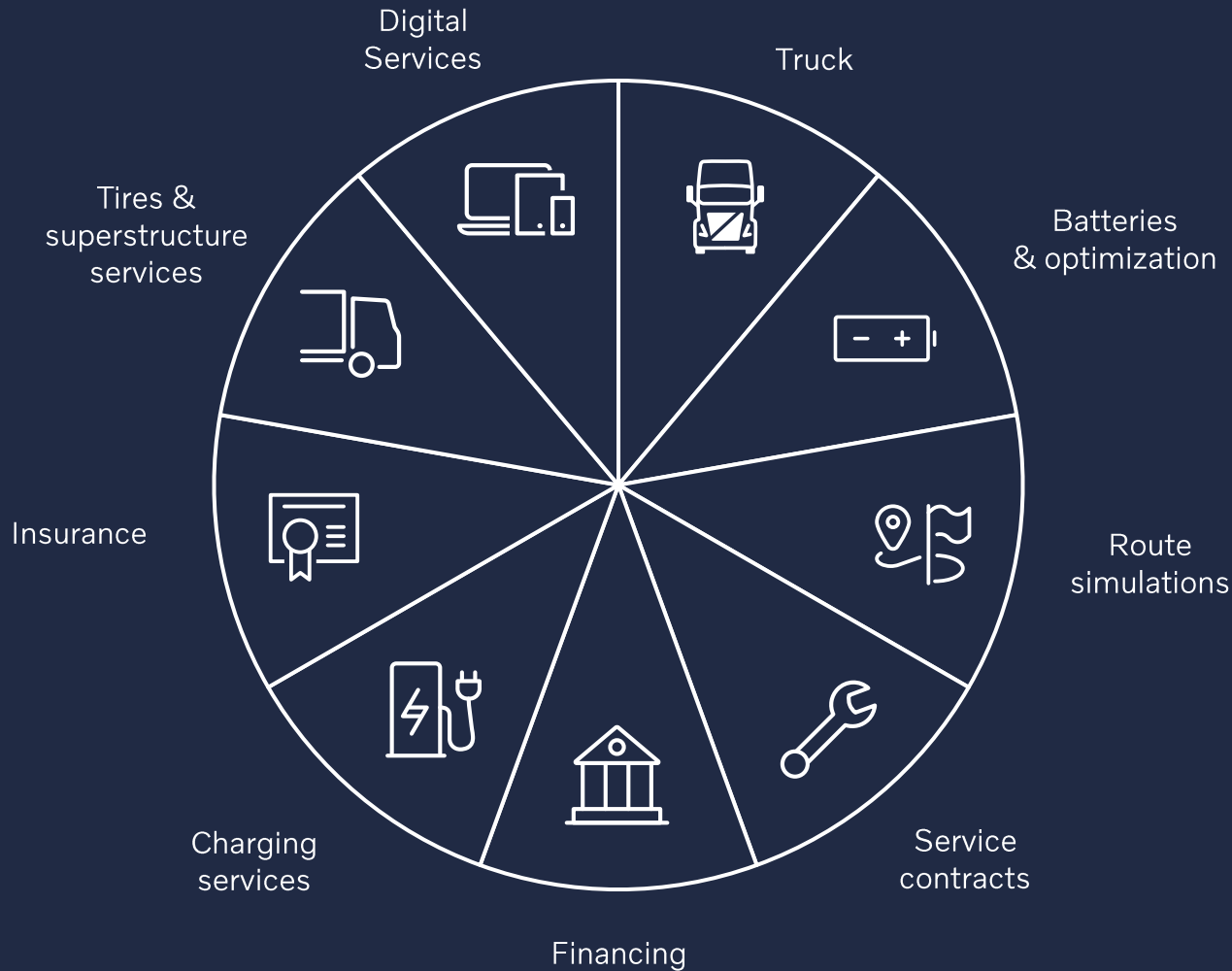
Route Simulations

Financial Services

Charging Infrastructure

Maintenance & Repair

Great opportunity to increase revenues



2030

-50% CO₂

2040

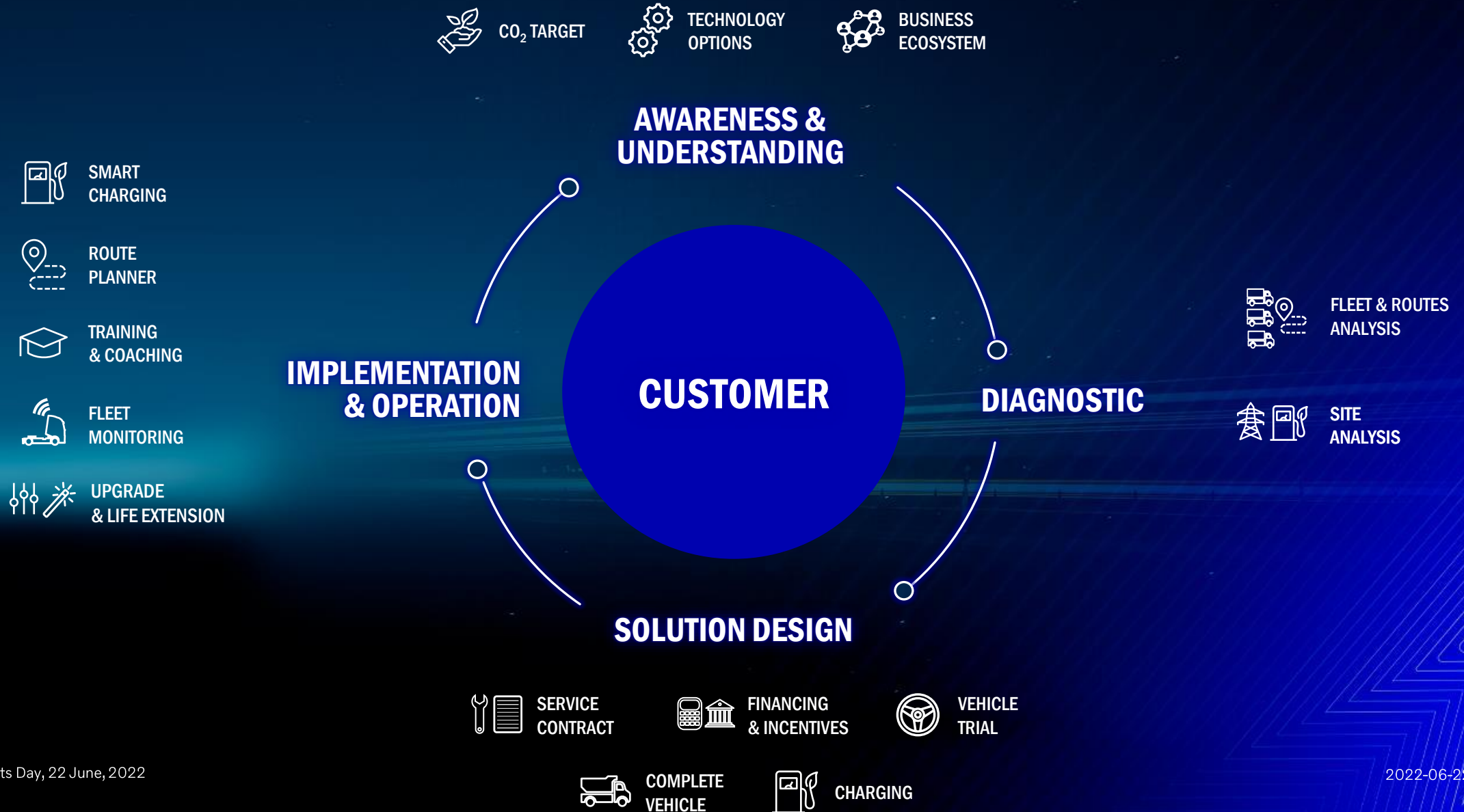
-100% CO₂

2050

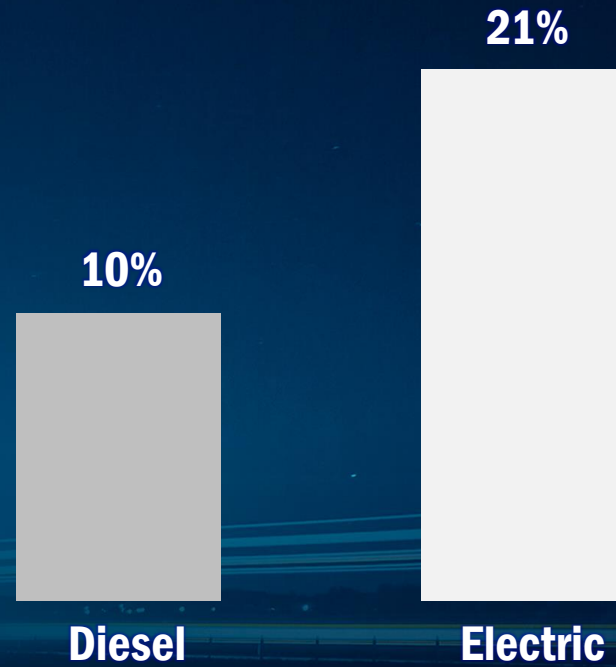
NET ZERO



DRIVING CUSTOMER JOURNEY TOWARDS DECARBONISATION



ACCELERATING THE RACE TOWARDS ELECTRIFICATION



LEADING THE INDUSTRIAL RACE

> 1 000 ORDERS & LOI

Ramping up charging and infrastructure solutions



**Home-depot
43 kW AC**



**Public charging Sweden
OKQ8**



**Intended JV cooperation with
Daimler Truck and Traton**

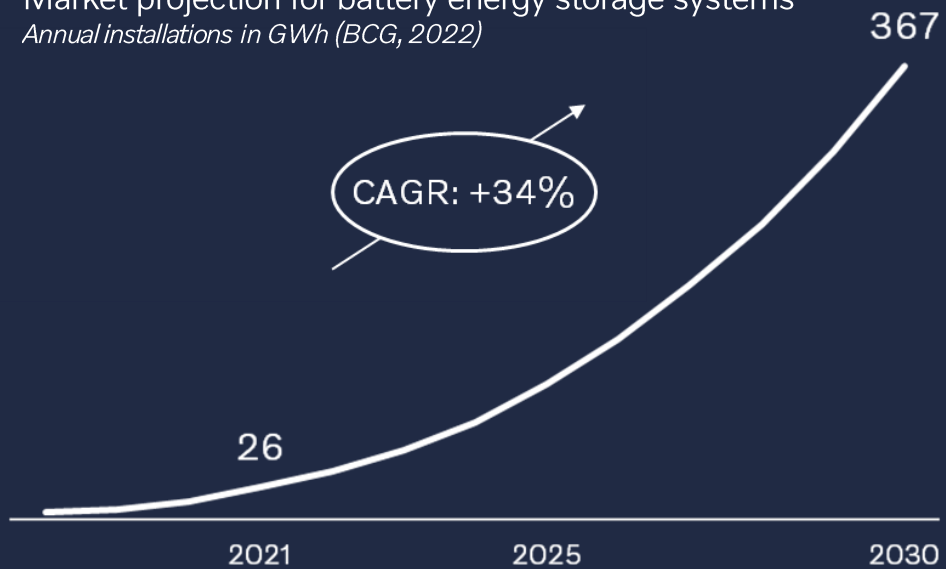


Volvo Energy accelerating electrification and circularity

- **First life:** support Volvo Group brands with sales and service of electrified vehicles and machines.
- **Second life:** create an attractive and circular business model for second-life batteries.
- **Enabling and accelerating** Volvo Group's overall sustainability ambitions.

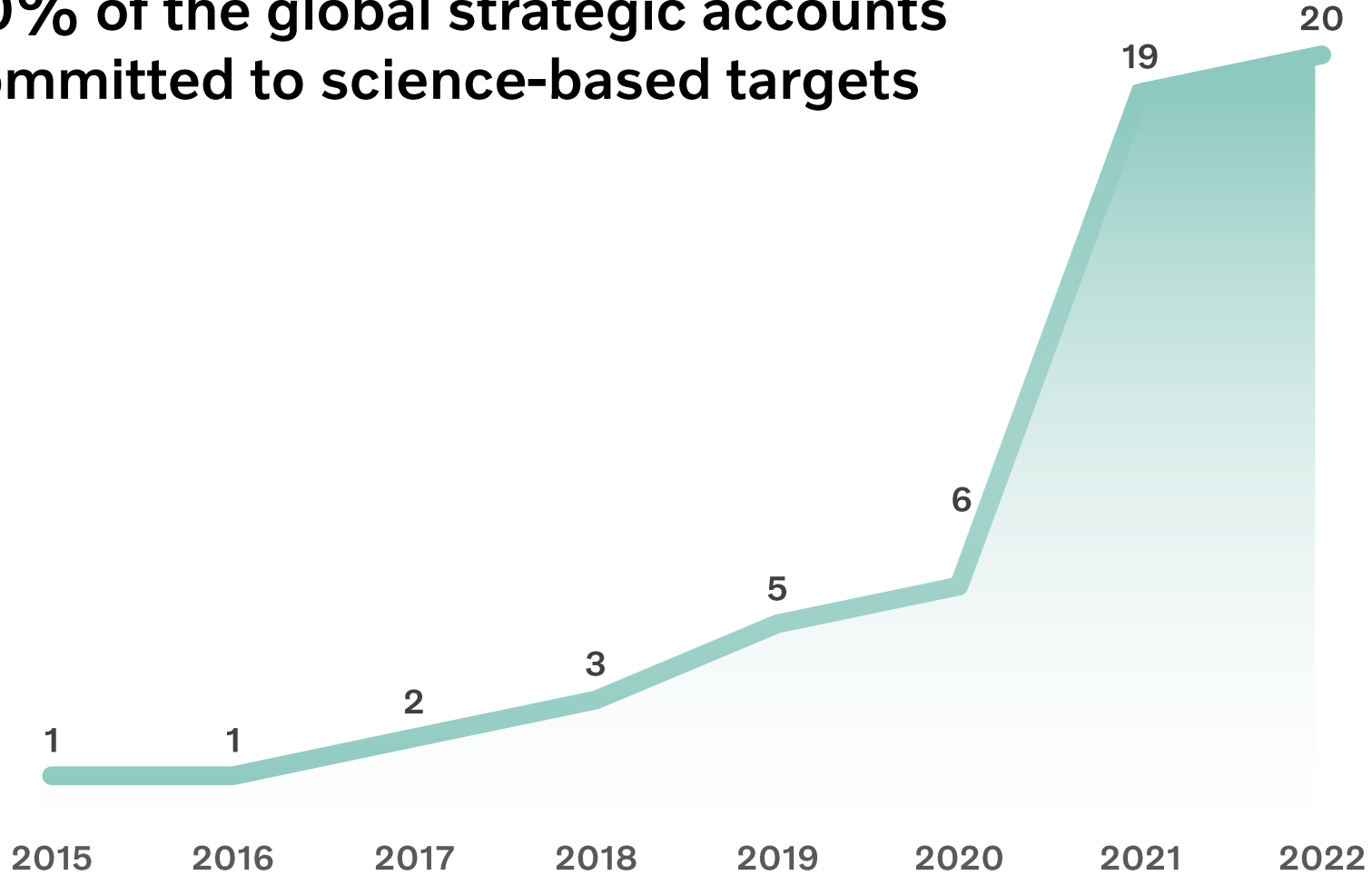
Capturing opportunities in a rapidly growing battery energy storage market

Market projection for battery energy storage systems
Annual installations in GWh (BCG, 2022)



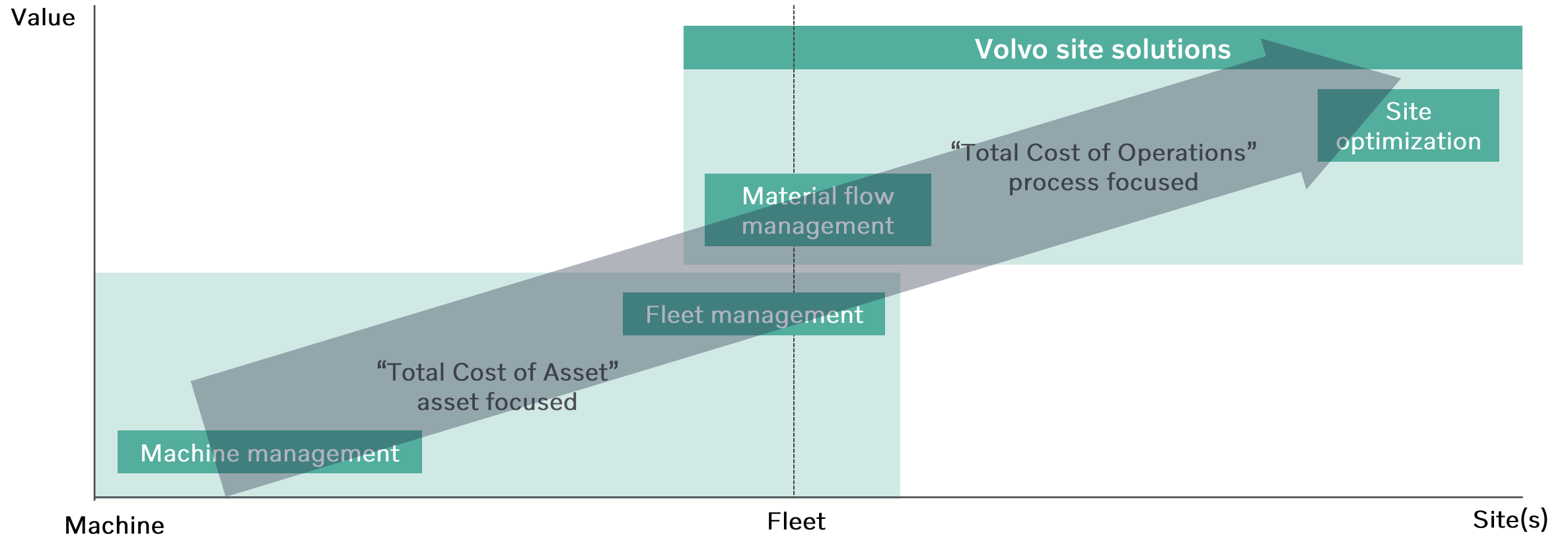
- Accelerate electrification across society
- Grow Volvo Group services and resilience
- Drive sustainability and circularity

50% of the global strategic accounts committed to science-based targets





Closer, deeper and broader customer engagement through productivity services



Our three strategic segments

Confined areas

First mile

Middle mile

Mining and Quarry



Ports and Logistics



Hub-to-Hub

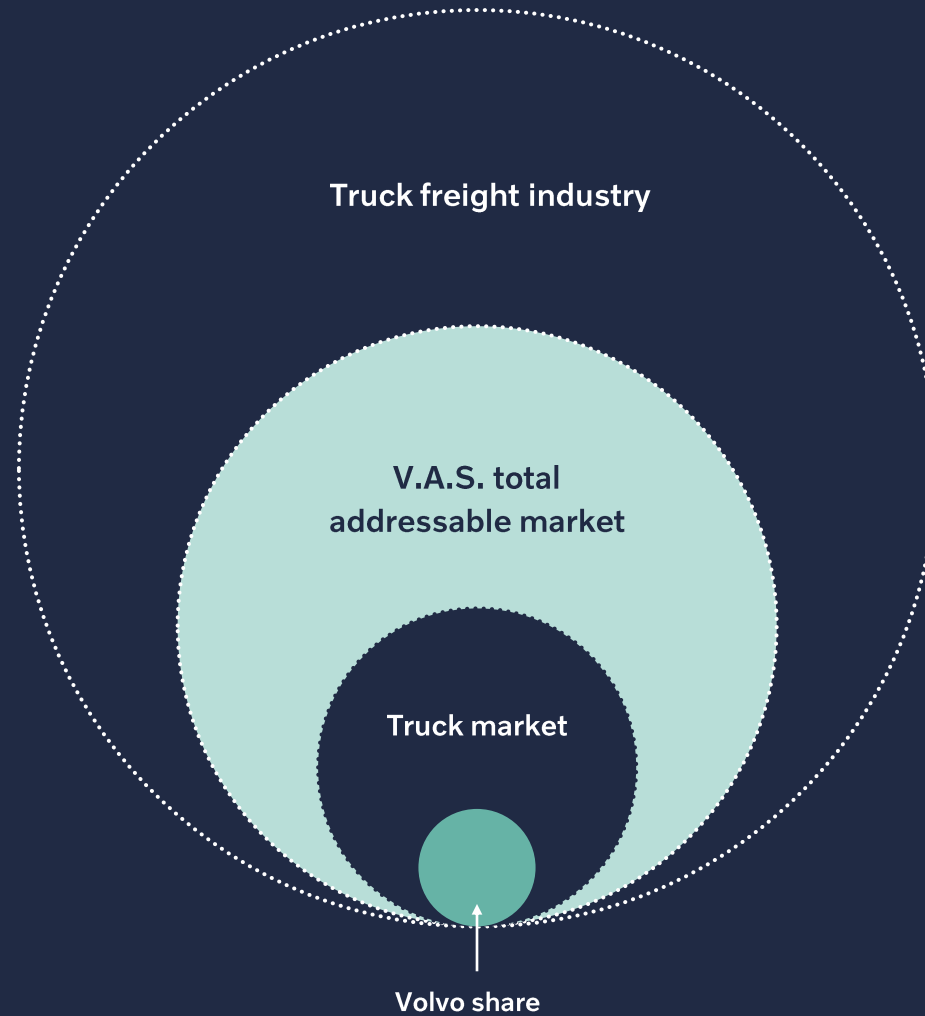


In-house developed virtual driver

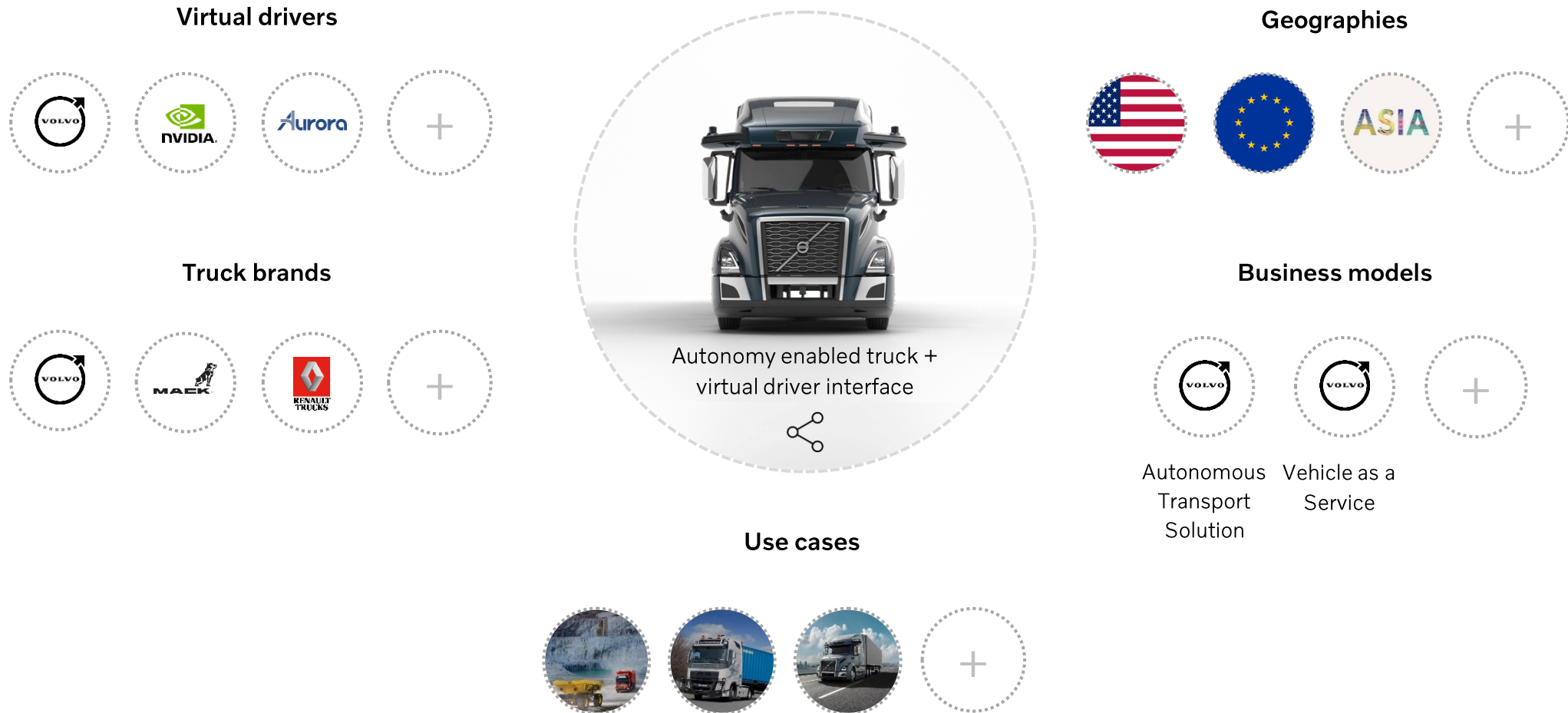
Nvidia

Aurora

Addressing a huge revenue pool



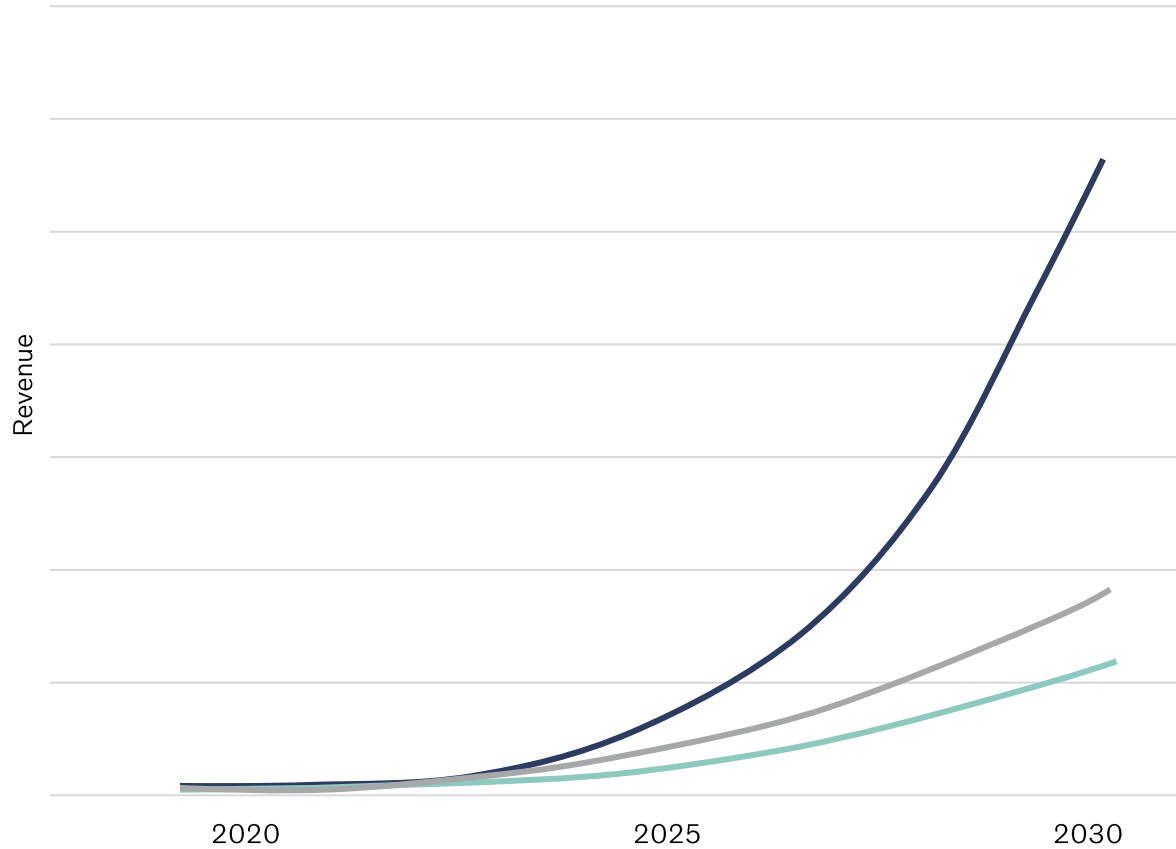
Platform strategy to maximize value creation for Volvo Group



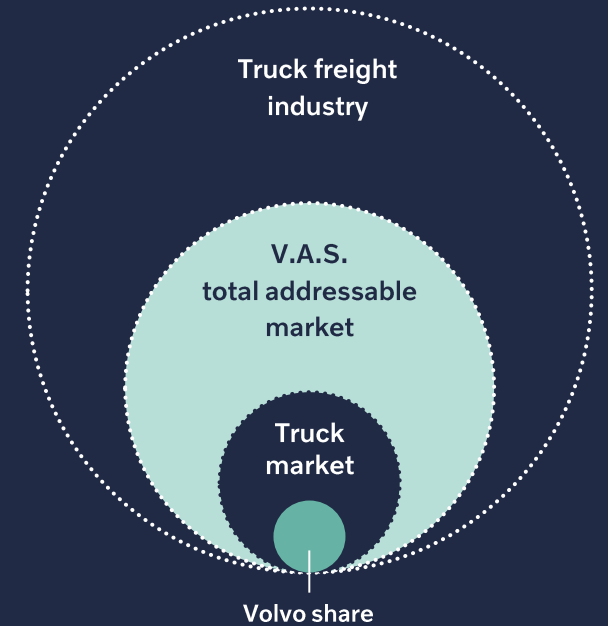
Volvo Autonomous Solutions unlocks customer value beyond today



Addressing a huge revenue pool



Beyond today's addressable market

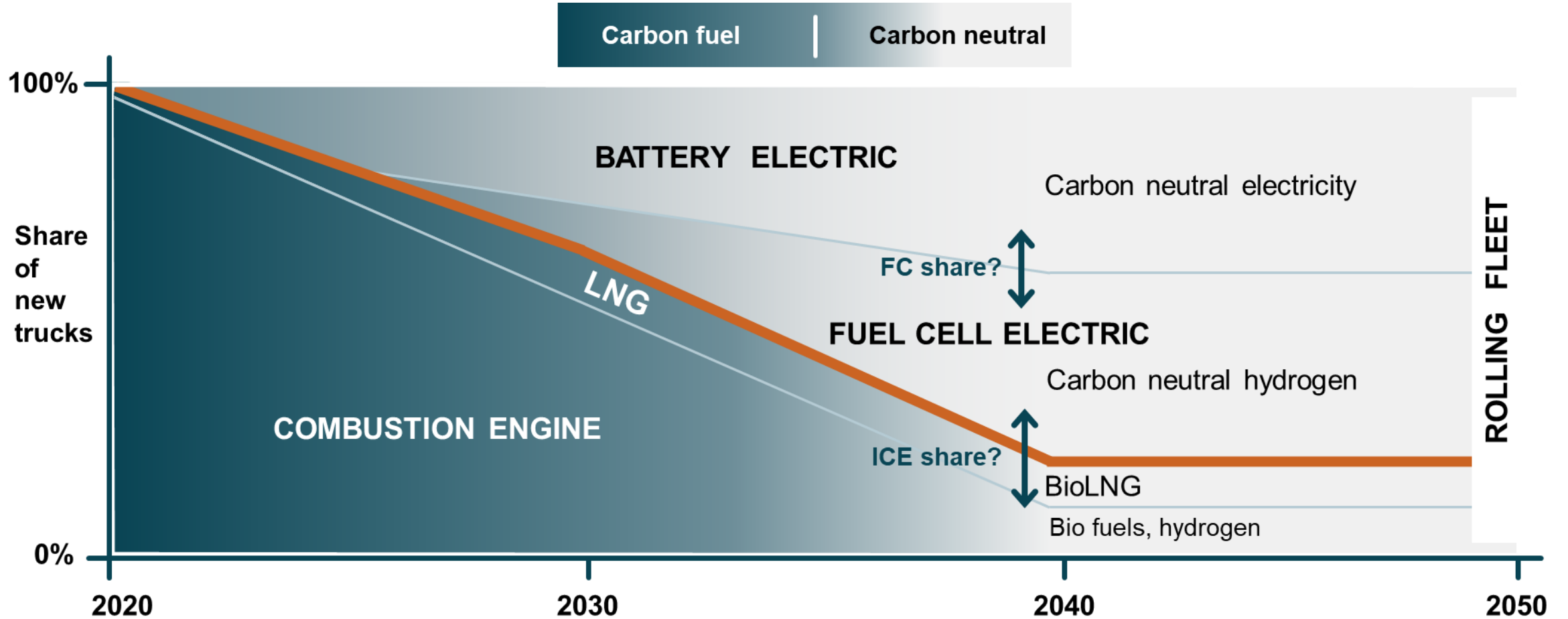


RESERVATIONS HUB-TO-HUB

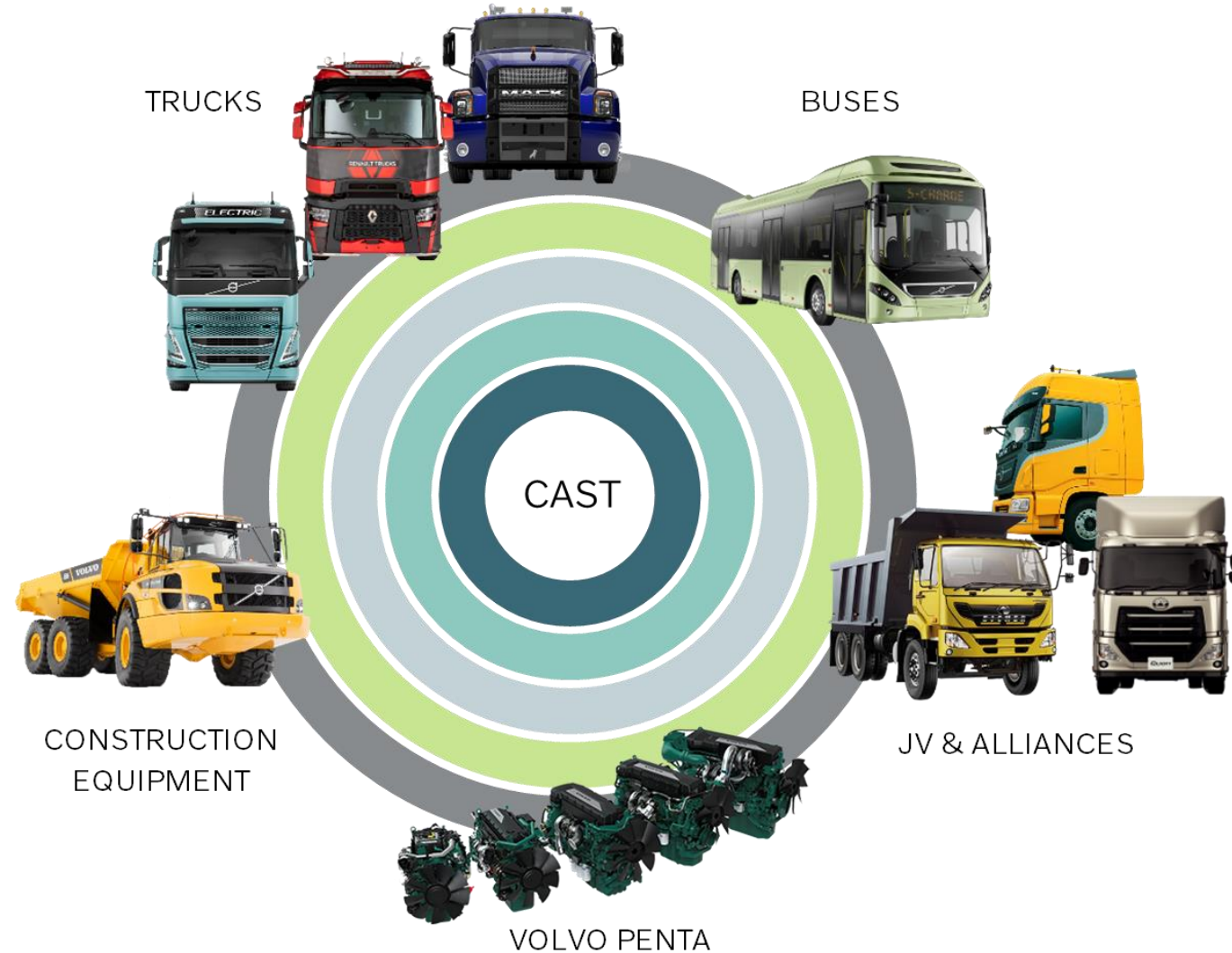
Reserve autonomous freight capacity on our first lanes

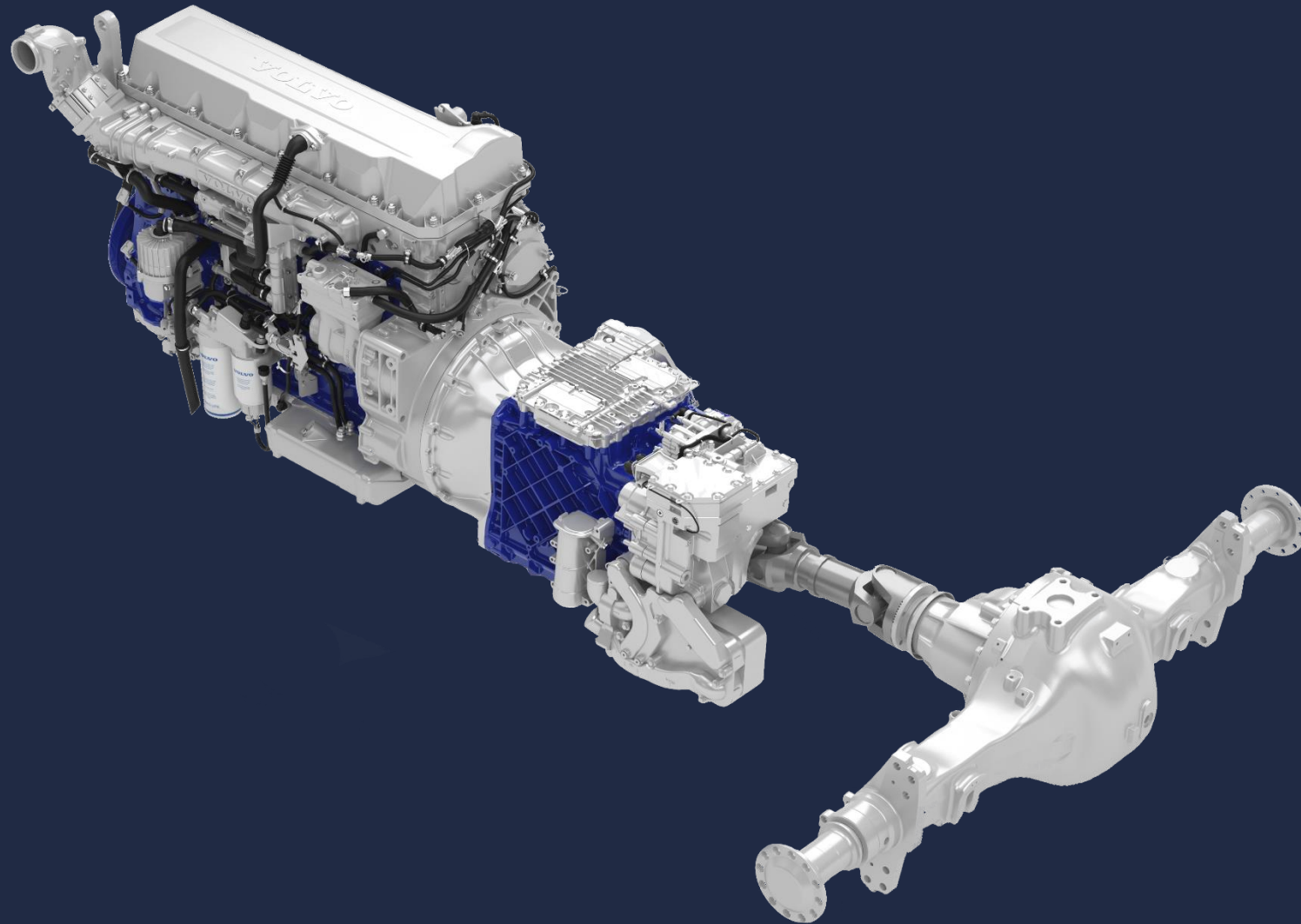
Coming soon

100% fossil free Volvo Group vehicles from 2040

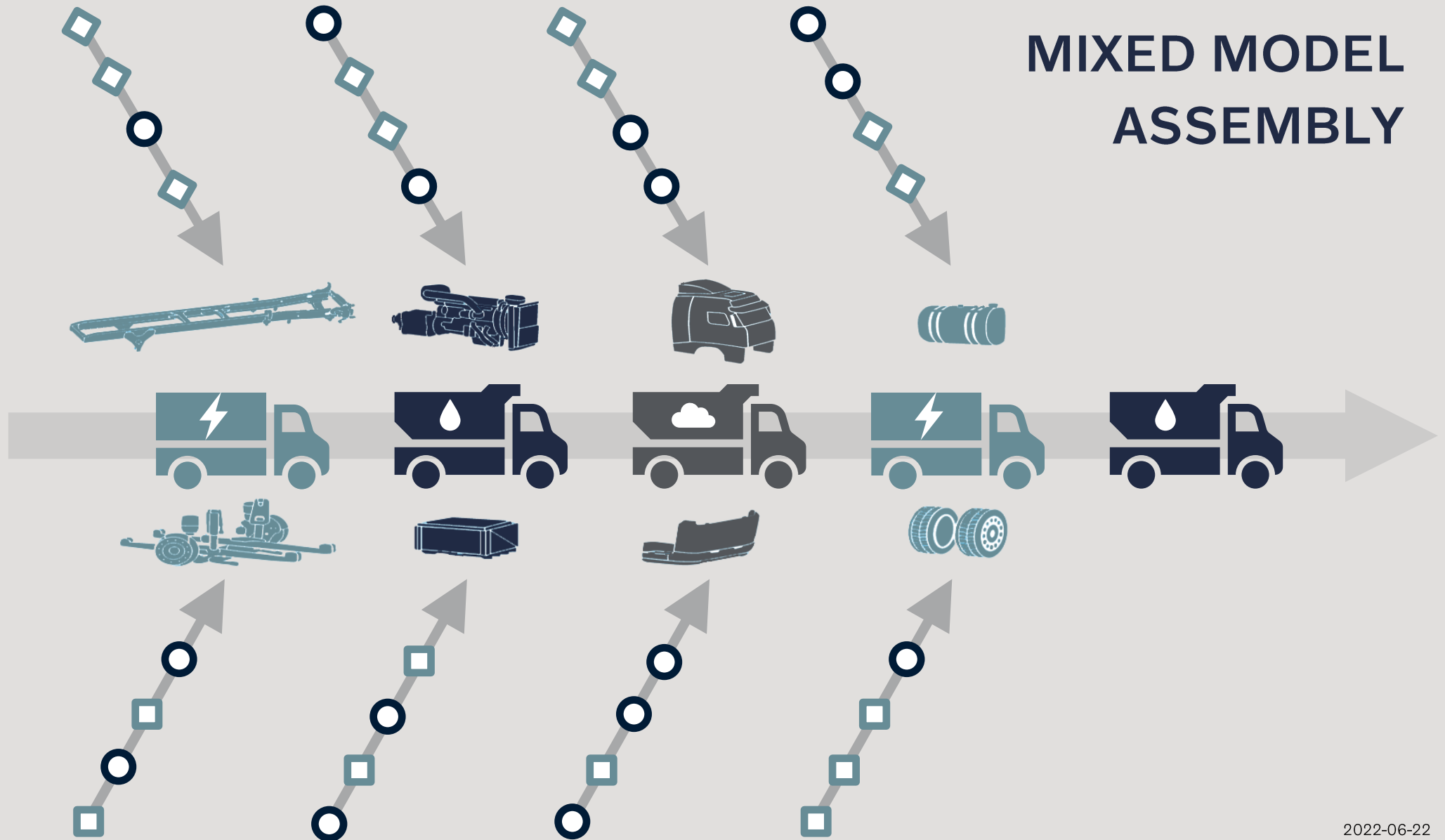


Common Architecture and Shared Technology



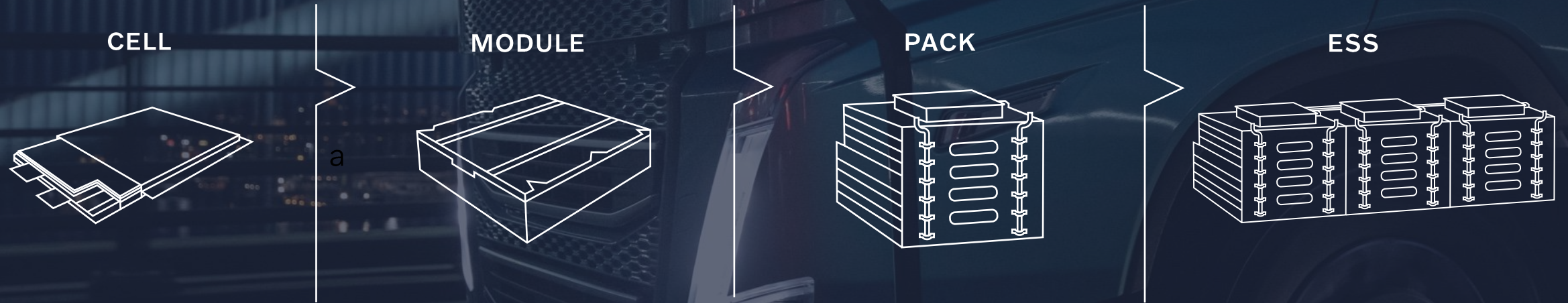


MIXED MODEL ASSEMBLY



EXISTING INDUSTRIAL FOOTPRINT AND COMPETENCE A GREAT ASSET!

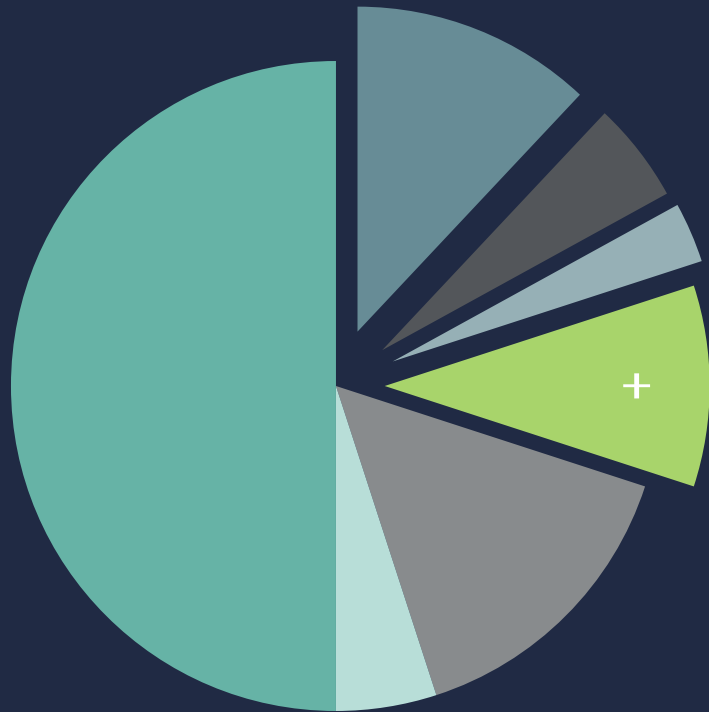
Increasing depth of engagement in the battery value chain



Delivering on our financial ambitions and strategic direction



Volvo Group has the assets to create the most competitive solution for the customer



Battery electric vehicle

- VEHICLE**
 - ✓ Application excellence
 - ✓ Tailor-made for productivity and uptime
 - ✓ Modular product system - CAST
 - ✓ Ramp-up of volumes with scale
 - ✓ Used equipment and recycling
- REPAIR & MAINTENANCE**
 - ✓ Service network density 24/7
 - ✓ Service and uptime contracts
 - ✓ Connected solutions
 - ✓ Trained and experienced staff
- + BATTERY AND CHARGING SYSTEMS**
 - + Application optimization for range, life-length and weight
 - + Connected solutions
 - + Established partnerships
 - + Charging solutions
 - + Second life and recycling
- FINANCING & INSURANCE**
 - ✓ Volvo Financial Services
 - ✓ Existing business models
 - ✓ Infrastructure
 - ✓ Customer knowledge

EQUIPMENT-as-a-SERVICE

- Uptime
- Safe
- CO₂-free
- Cost / km
- Productive
- Peace of mind

Attractive case for customers, talents, partners and investors

The Current

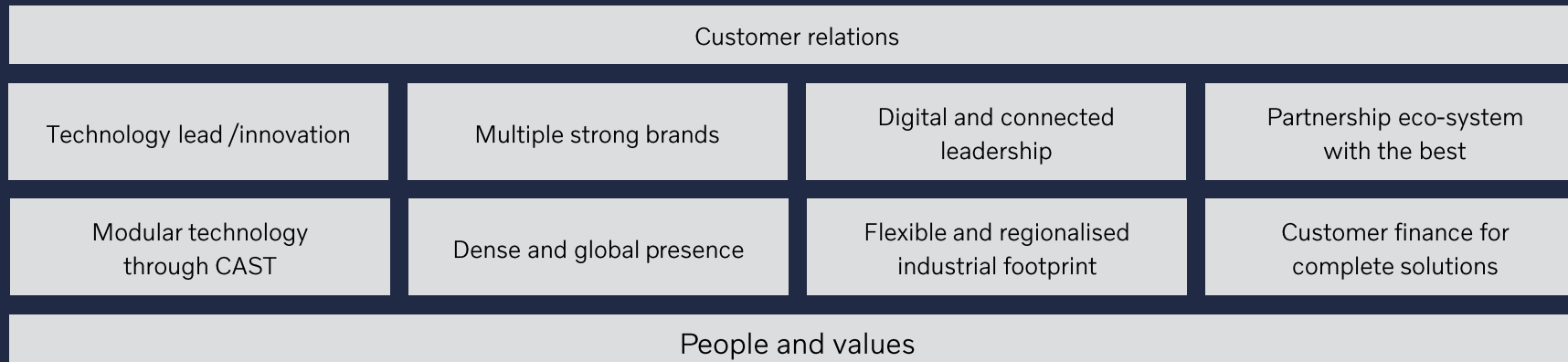
- ✓ Best-in-class profitability and yield
- ✓ Strong financial position
- ✓ High customer retention
- ✓ Leading market shares
- ✓ Resilience redefined

The Transformation

- ✓ Decarbonization leadership
- ✓ Step-change in markets shares and service content
- ✓ Solution-as-a-Service including infrastructure
- ✓ Capital efficient and flexible ramp-up



Unique set of assets



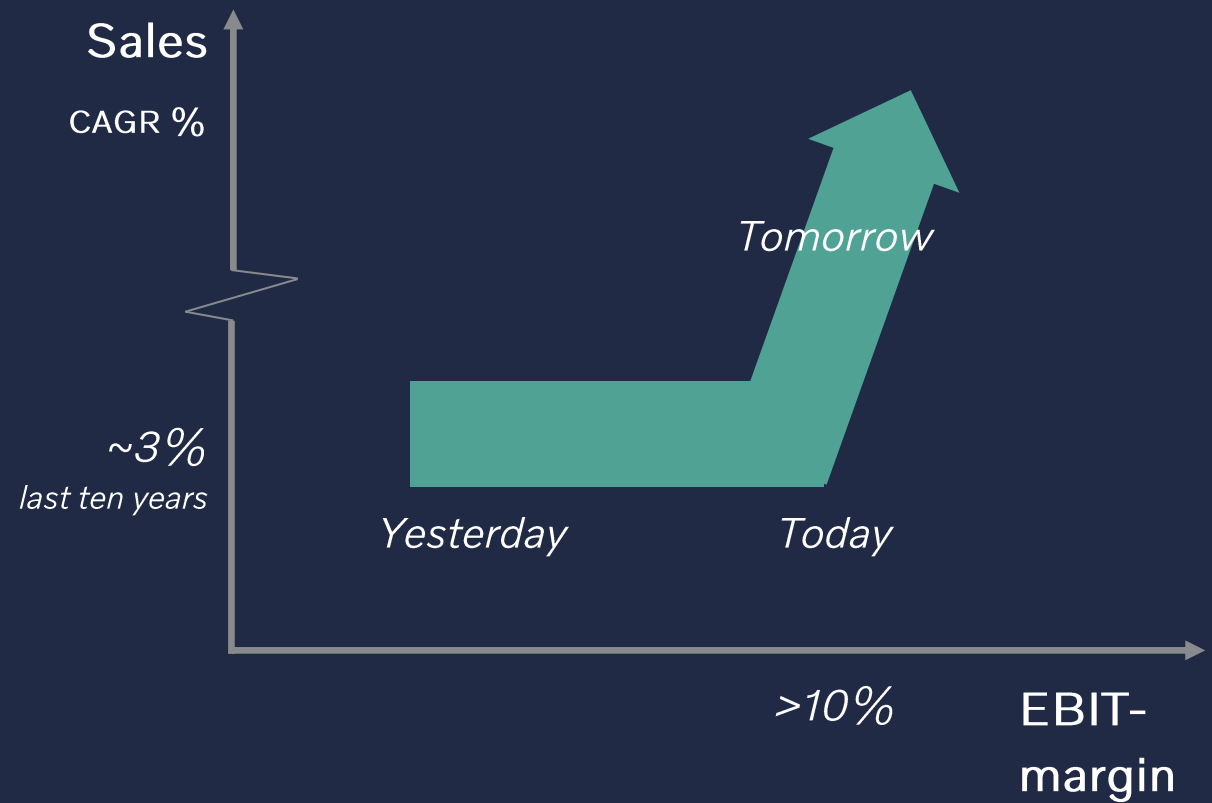
Geared for growth



Geared for growth

Clear opportunity:

- Capturing industry growth
- Investing to win
- Delivering on financial targets



V O L V O

SHAPING THE WORLD WE WANT TO LIVE IN

