



Volvo Group

THIRD QUARTER
2016

MARTIN LUNDSTEDT
PRESIDENT AND CEO



Volvo Group Headquarters

Third quarter 2016

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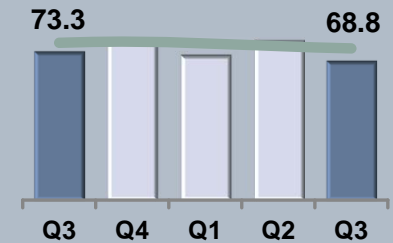
VOLVO

VOLVO GROUP Third quarter highlights

- Maintained profitability despite lower volumes
- Adjusted operating margin* 7.0% (6.9)
- Trucks' adjusted operating margin* 8.2% (7.2) on 13% lower volumes

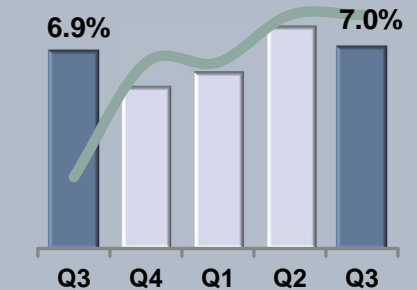
NET SALES

SEK bn 12 months 299 bn



ADJUSTED OPERATING MARGIN*

12 months 6.7%
%



*Adjustments:

2016: Capital gain on sale of external IT operations and EU provision (190 in Q3 2016)

2015: Restructuring charges in efficiency program (434 in Q3 2015)

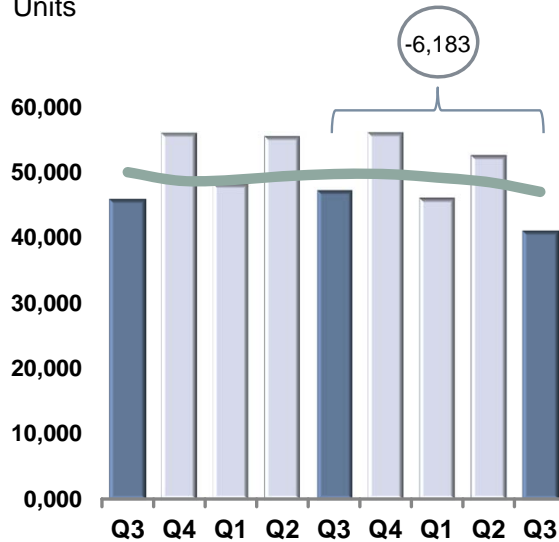
VOLVO GROUP

Volume development in the third quarter

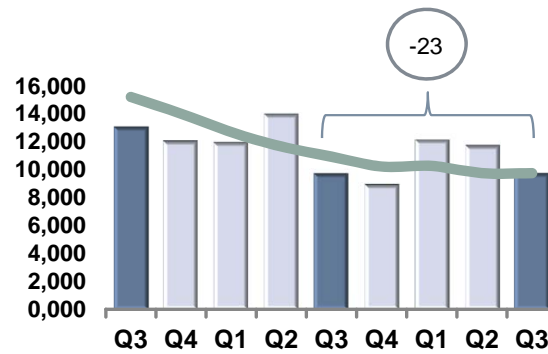
VOLUME -13%

	Total	Change
Volvo	22,353	-3,142
UD	4,919	+194
Renault Trucks	9,920	-575
Mack	3,963	-2,660

TRUCK DELIVERIES
Units



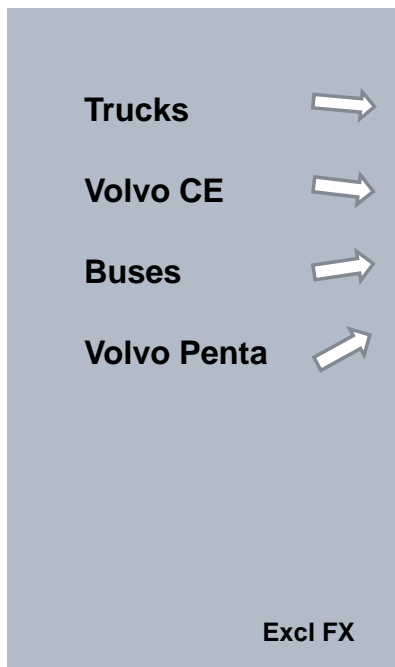
MACHINE DELIVERIES
Units



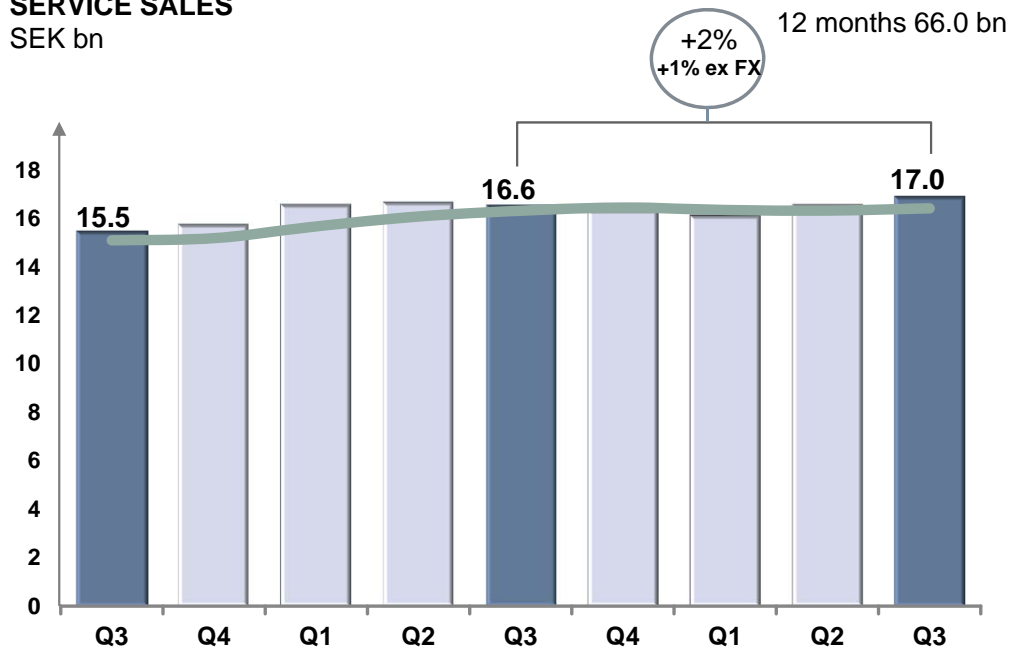
VOLUME 0%

	Total	Change
Volvo	6,779	-312
SDLG	2,902	+269

VOLVO GROUP Service sales development



SERVICE SALES
SEK bn



TRUCKS



VOLVO TRUCKS Automation in Boliden mine



VOLVO TRUCKS

Awarded at IAA - Fehrenkötter test winner 2016



- #1** Total cost of ownership
- #1** Fuel consumption
- #1** Overall winner

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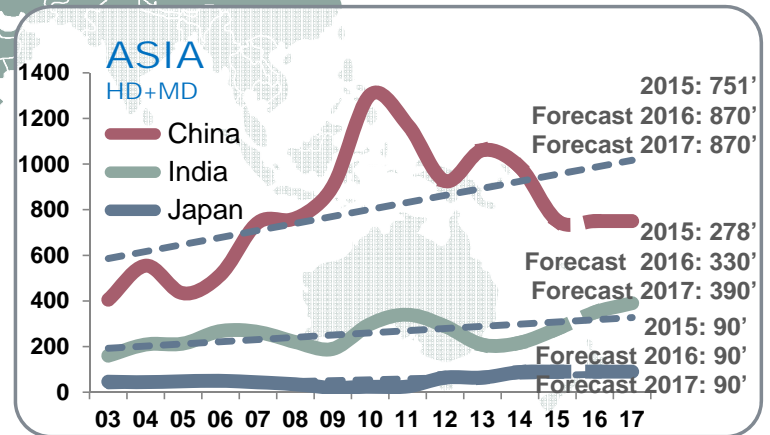
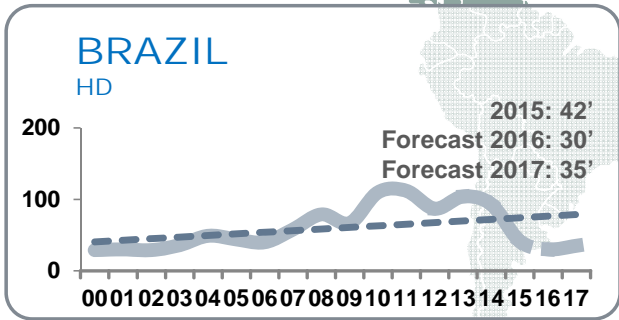
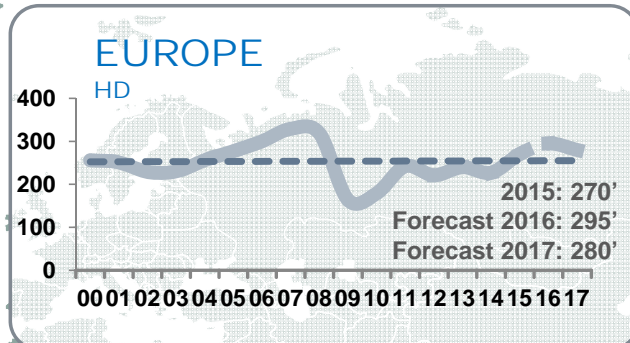
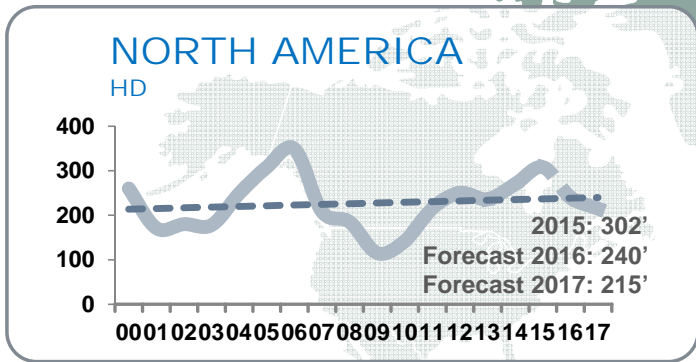
Third quarter 2016

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VOLVO

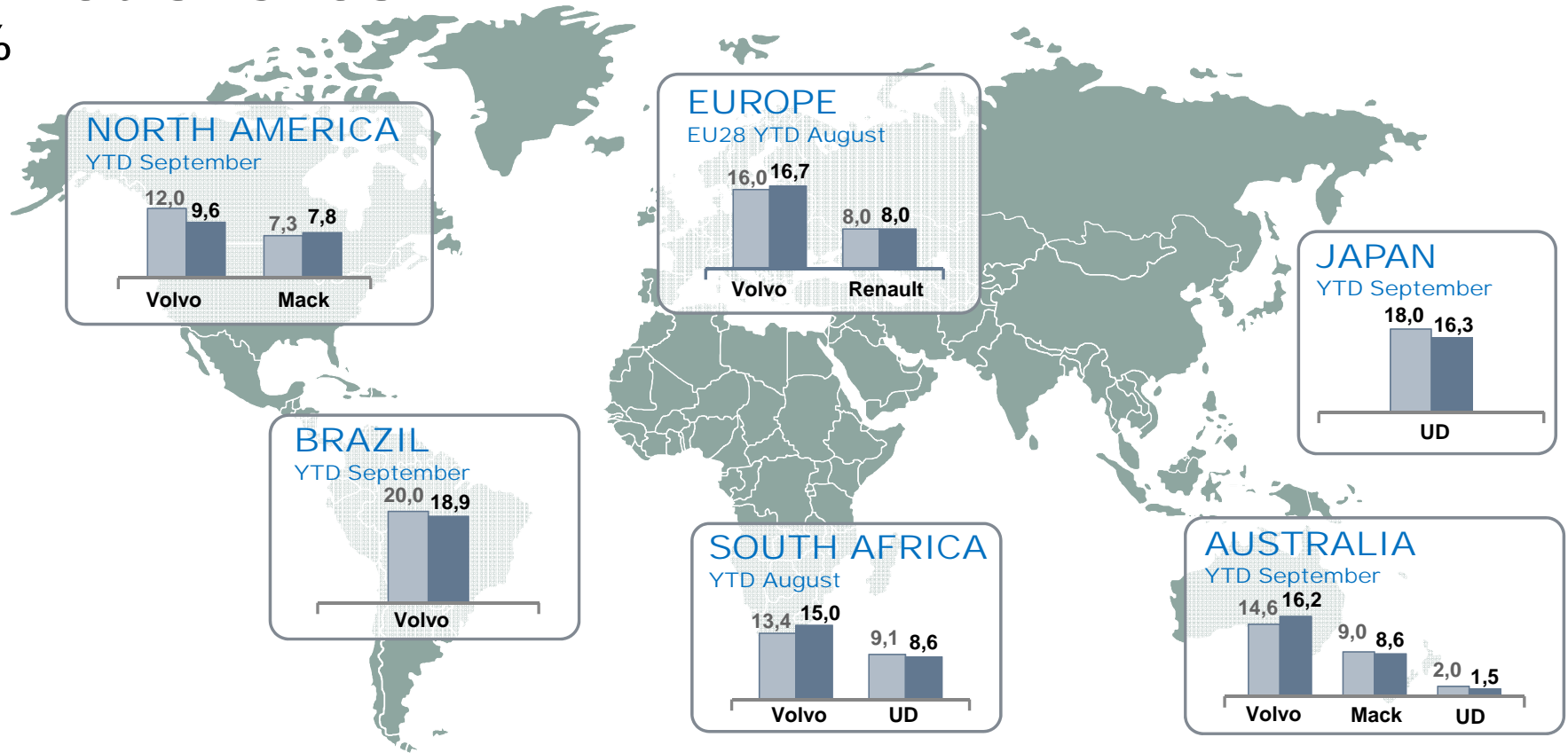
TRUCKS

Market environment



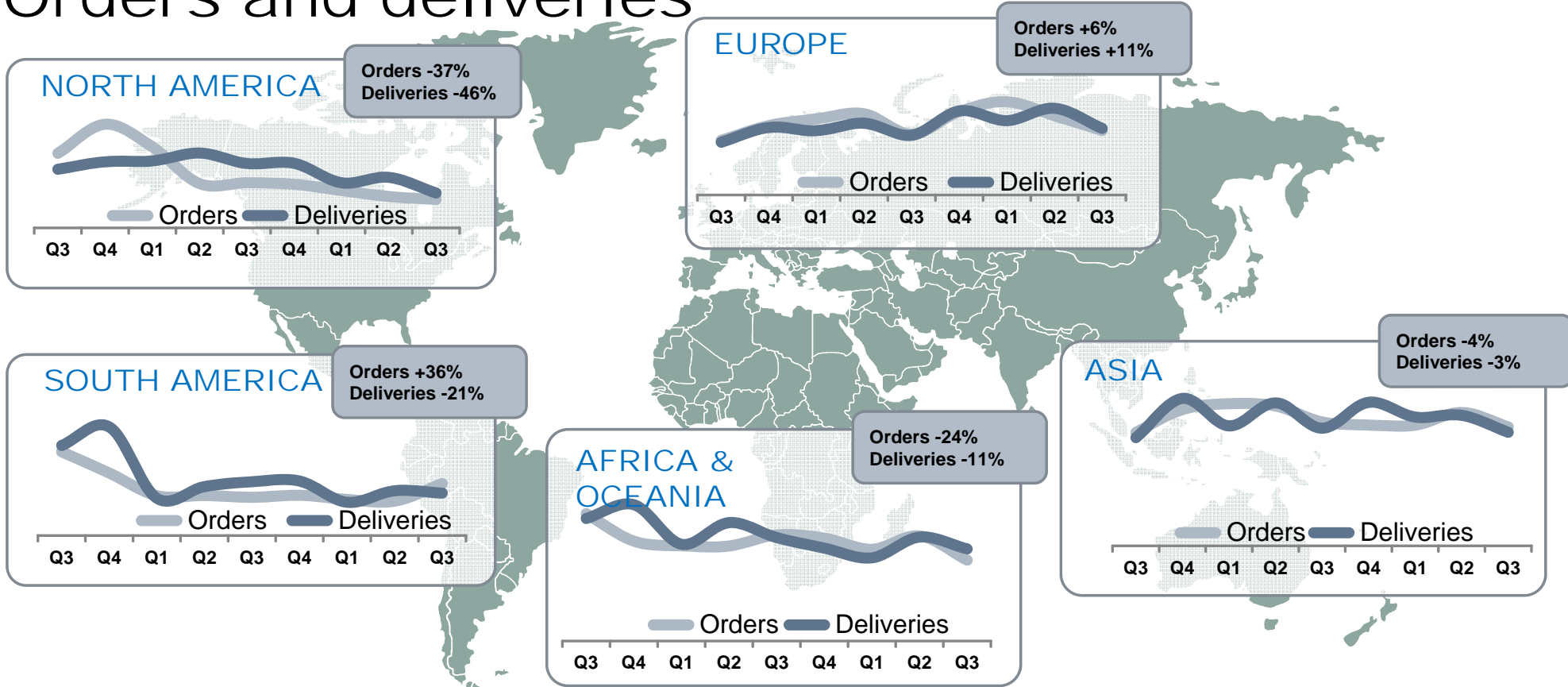
TRUCKS Market shares HD %

2015 2016



TRUCKS

Orders and deliveries



CONSTRUCTION EQUIPMENT



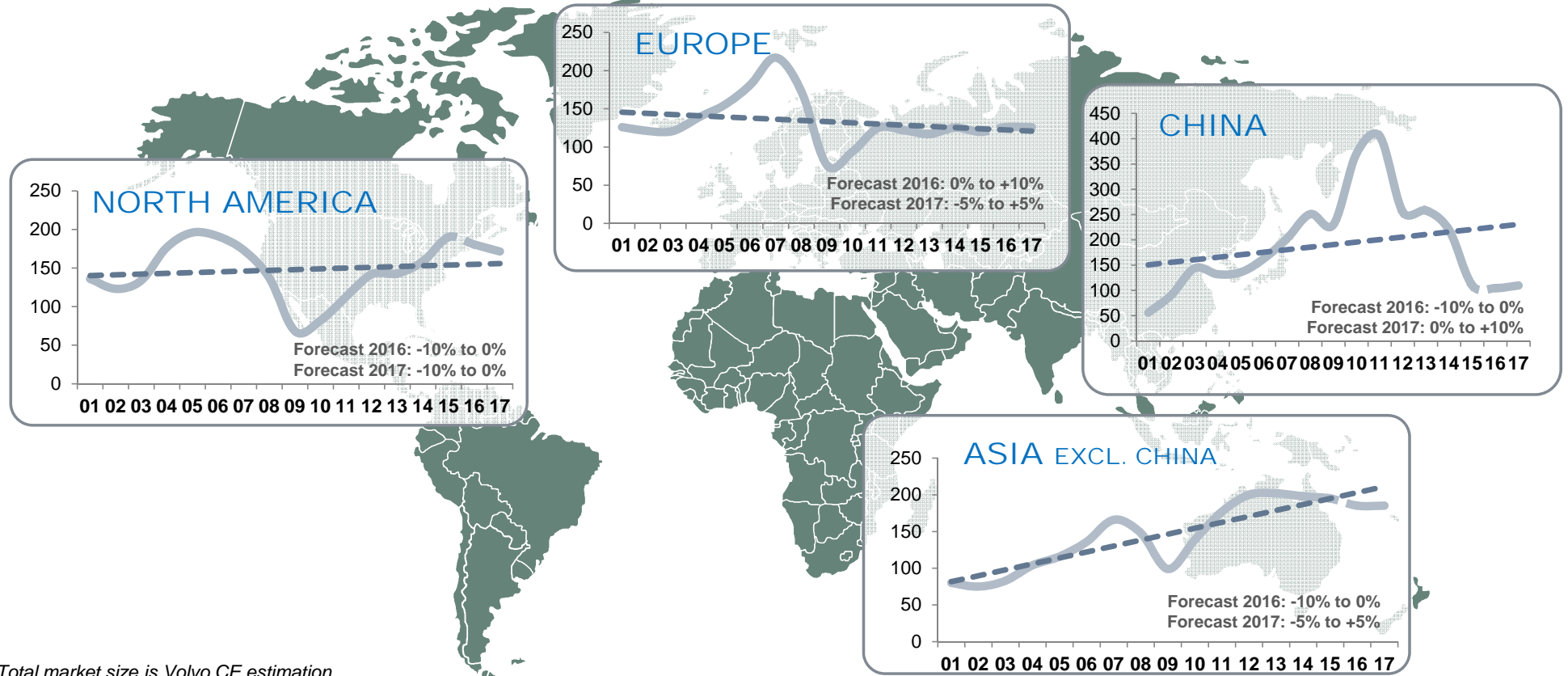
CONSTRUCTION EQUIPMENT Innovations showcased at Xploration Forum



Hybrid wheel-loader

Autonomous battery-electric carrier

CONSTRUCTION EQUIPMENT Market environment



Total market size is Volvo CE estimation

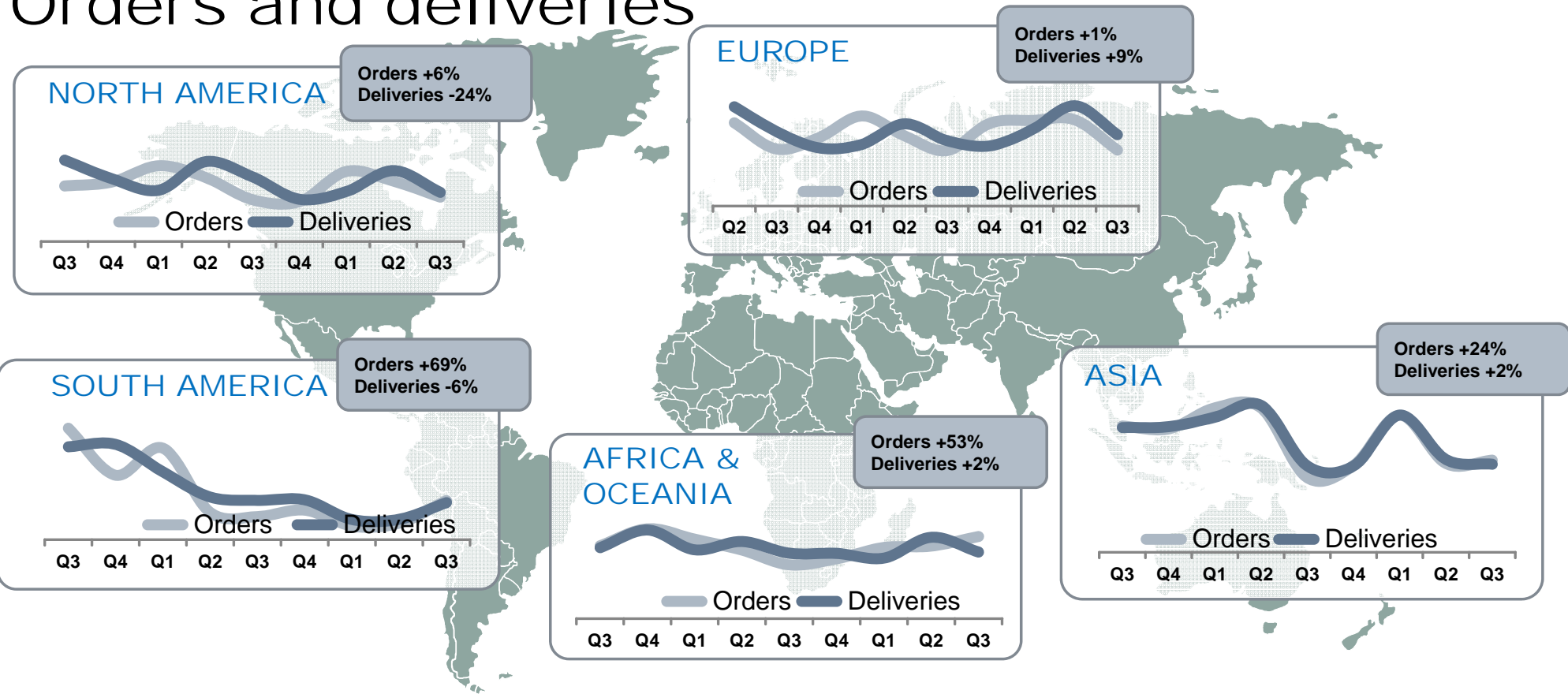
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Third quarter 2016

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VOLVO

CONSTRUCTION EQUIPMENT Orders and deliveries





BUSES

- Order intake and deliveries decreased by 7% respectively, mainly driven by Asia and South America
- First order for Volvo 7900 Electric
- In focus at IAA fair:
 - Volvo Dynamic Steering
 - Pedestrian and Cyclist Detection
 - Energy efficiency focus

VOLVO PENTA

- Continued sales growth, driven by good product mix
- Service sales increased by 13% driven by higher marine leisure volumes
- Gaining new customers in off-road engine segment





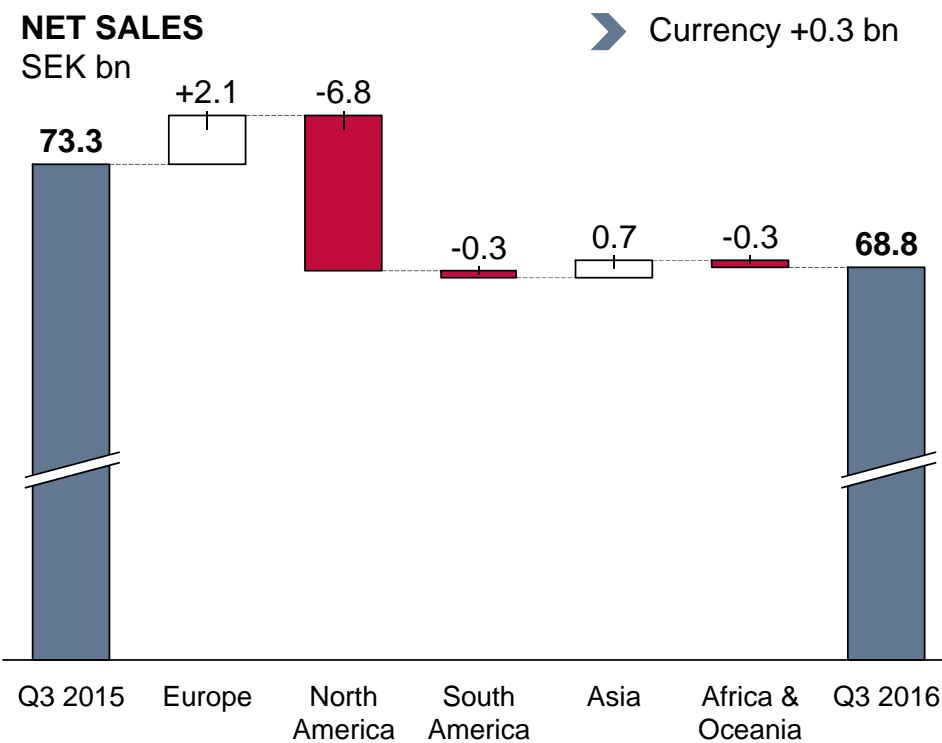
Volvo Group

THIRD QUARTER
2016

JAN GURANDER
DEPUTY CEO AND CFO



VOLVO GROUP Net sales per market

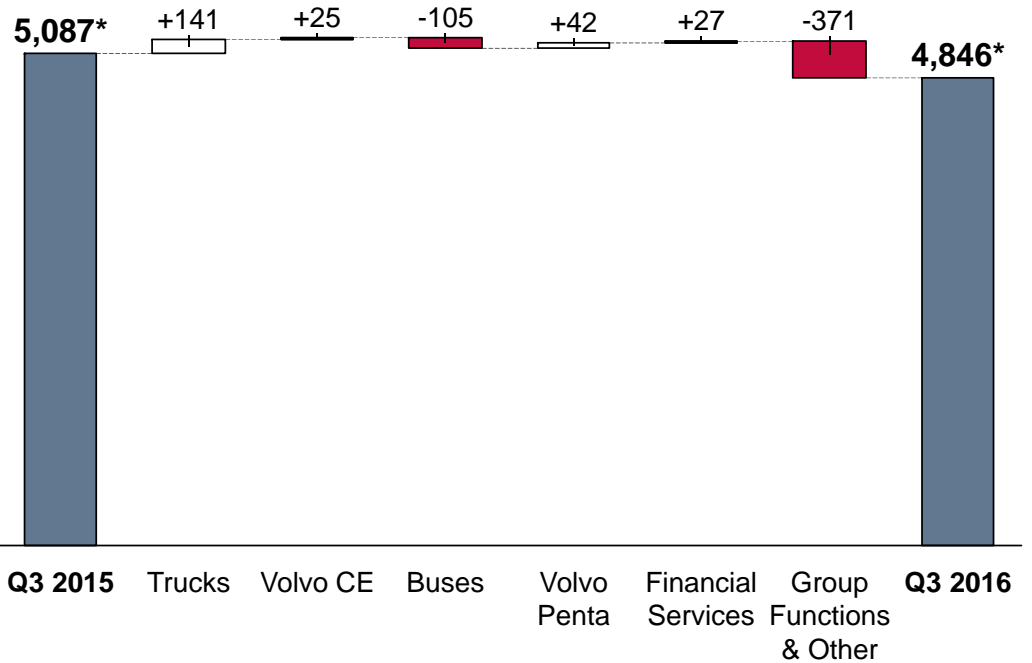


VOLVO GROUP Adjusted operating income per business area



ADJUSTED OPERATING INCOME* SEK M

➤ Currency -45 M



*Adjustments:

Q3 2016: EU provision (190)

Q3 2015: Restructuring charges in efficiency program (434)

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Third quarter 2016

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VOLVO

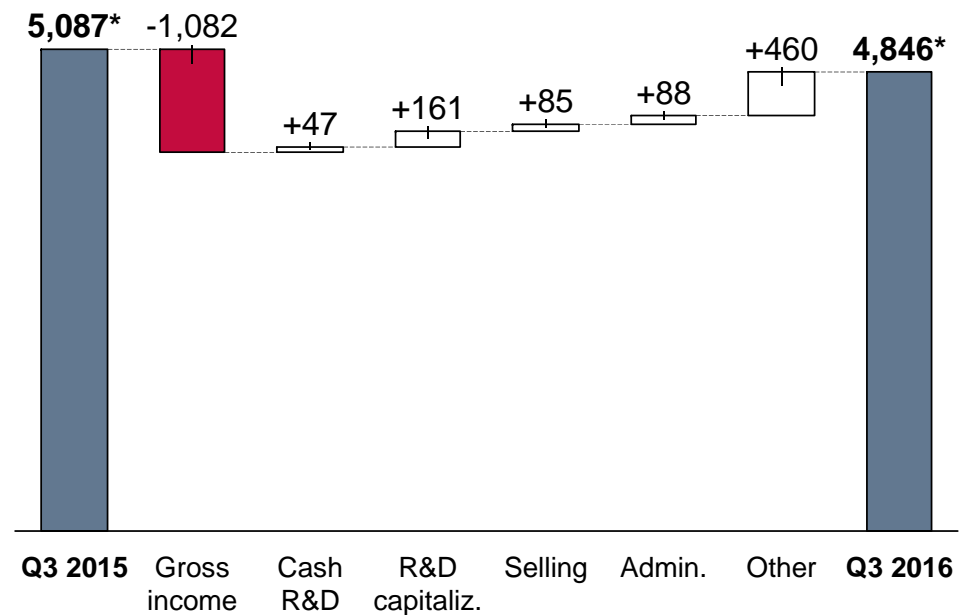
VOLVO GROUP Adjusted operating income contributors

- + Market mix – high volumes in Europe
- + Lower S&A expenses
- + Lower material cost
- + Service business
- + Higher R&D capitalization

- Lower volumes and capacity utilization

ADJUSTED OPERATING INCOME* SEK M

➤ Currency - 45 M



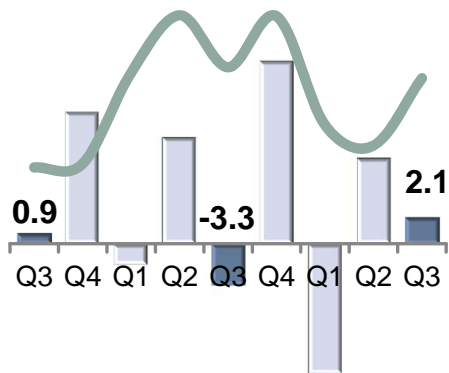
*Adjustments:
Q3 2016: EU provision (190)
Q3 2015: Restructuring charges in efficiency program (434)

VOLVO GROUP – INDUSTRIAL OPERATIONS

Cash flow

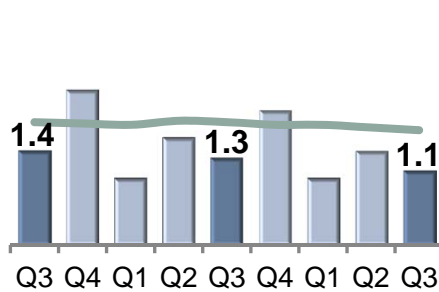
OPERATING CASH FLOW SEK bn

12 months SEK 13.3 bn

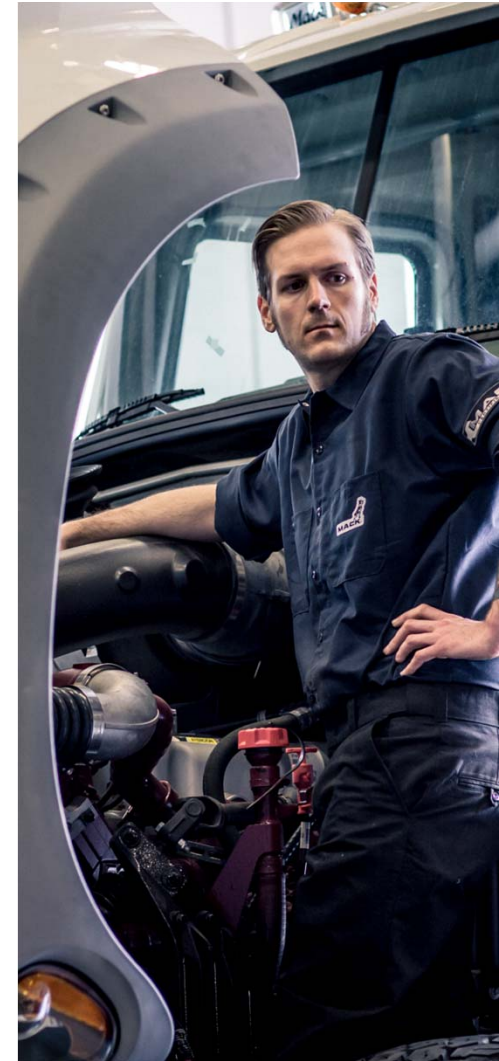
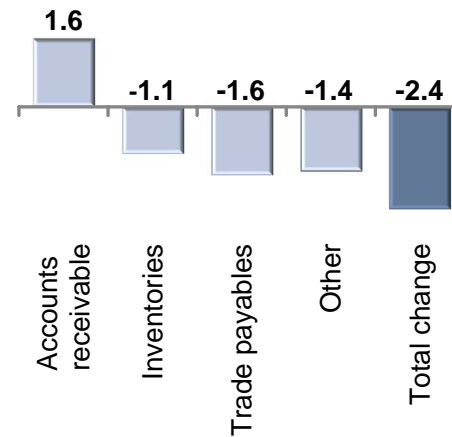


INVESTMENTS IN PPE SEK bn

12 months SEK 5.5 bn



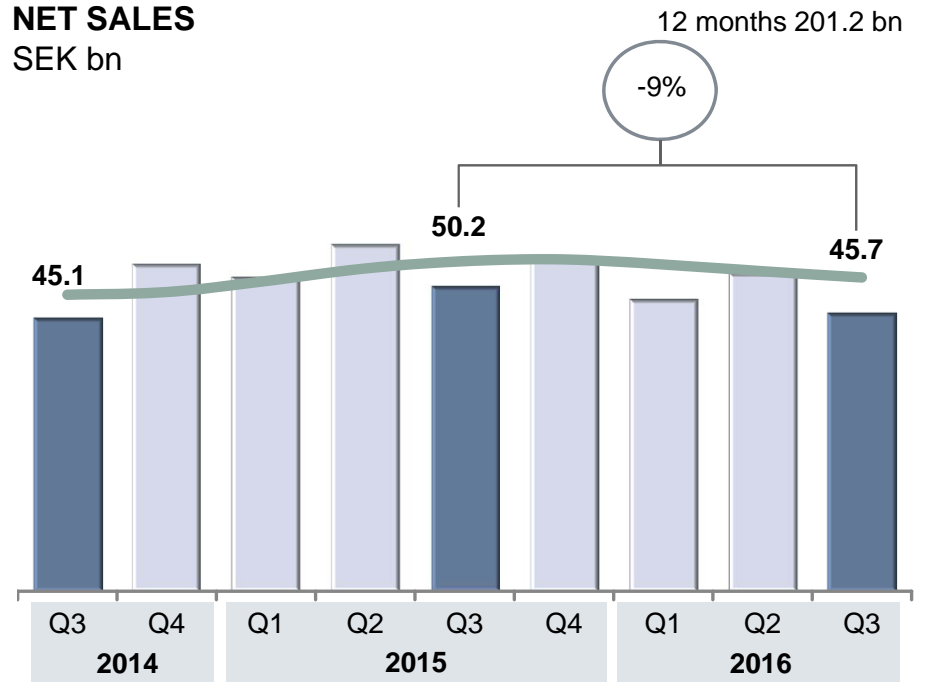
CASH FLOW EFFECT FROM CHANGES IN WORKING CAPITAL SEK bn



TRUCKS Net sales

- **Delivered trucks -13%:**
 - North America -46%
 - Europe +11%
- **Net sales currency-adjusted -10%:**
 - vehicles -13%
 - service -1%

NET SALES SEK bn



TRUCKS Adjusted operating income

ADJUSTED
OPERATING INCOME
SEK M

3,615*

Q3 2015

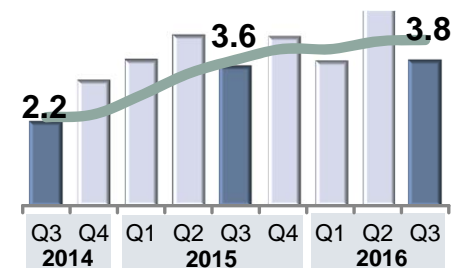
- + Positive market mix – high volumes in Europe
- + Lower S&A expenses
- + Lower material cost
- + Service business
- + Higher R&D capitalization

- Lower volumes and capacity utilization in NA

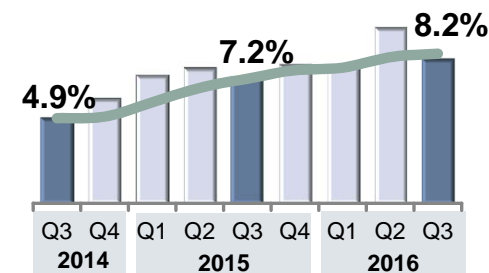
3,756*

Q3 2016

ADJUSTED OPERATING INCOME*
SEK bn 12 months 17.1 bn
Currency 189 M



ADJUSTED OPERATING MARGIN*
% 12 months 8.5%

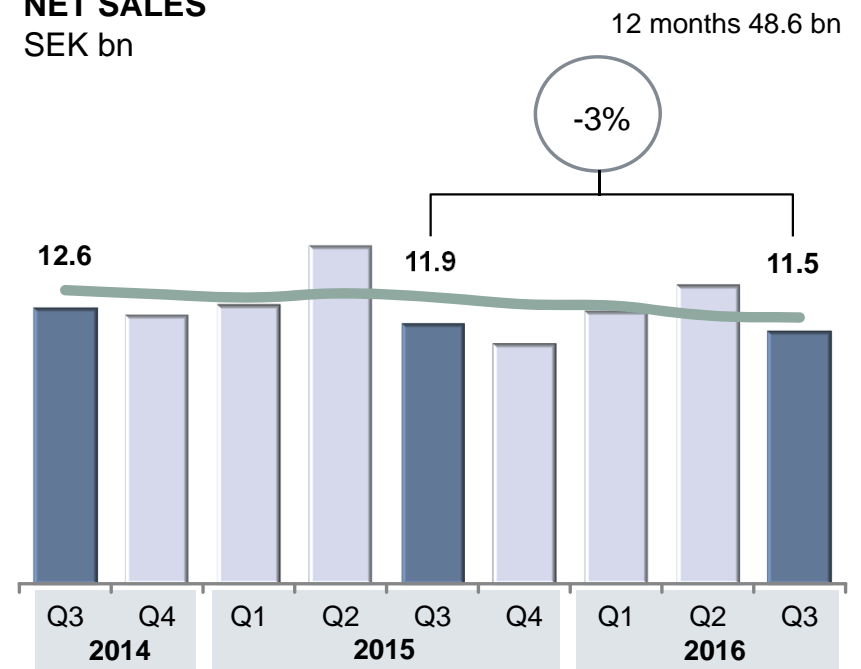


*Adjustments:
2016: EU provision (190 in Q3 2016)
2015: Restructuring charges in efficiency program (368 in Q3 2015), arbitration case and capital gain on Eicher shares
2014: Restructuring charges in efficiency program, EU provision and gain on real estate sale

CONSTRUCTION EQUIPMENT Net sales

- **Delivered machines 0%:**
 - Volvo -4%
 - SDLG +10%
- **Net sales currency-adjusted -2%:**
 - machines -2%
 - service -1%

NET SALES SEK bn



CONSTRUCTION EQUIPMENT Adjusted operating income

ADJUSTED
OPERATING INCOME
SEK M

576*

Q3 2015

+ Lower credit losses China

- Negative product mix
- Currency

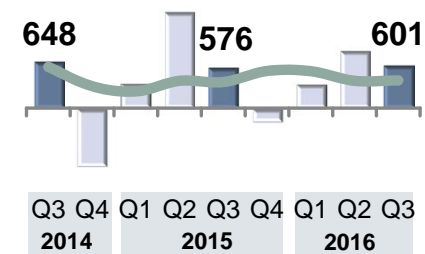
601

Q3 2016

ADJUSTED OPERATING INCOME*

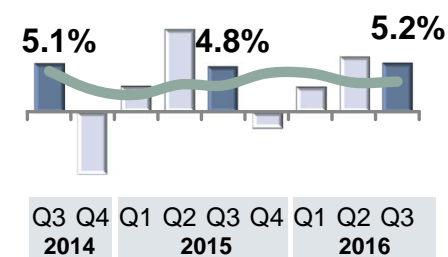
SEK M 12 months 1,561 M

Currency -104 M



ADJUSTED OPERATING MARGIN*

% 12 months 3.2%



*Excluding restructuring charges in efficiency program for comparison periods 2014-2015

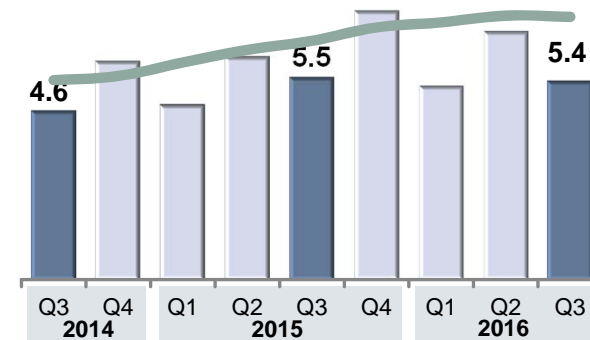
BUSES

Net sales & adjusted operating income

- **Net sales currency-adjusted 0%**
 - vehicles -1%
 - service +1%
- **Adjusted operating income:**
 - + lower costs
 - lower volumes
 - currency
 - product & market mix
- **Adjusted operating margin* 4.3% (6.1)**

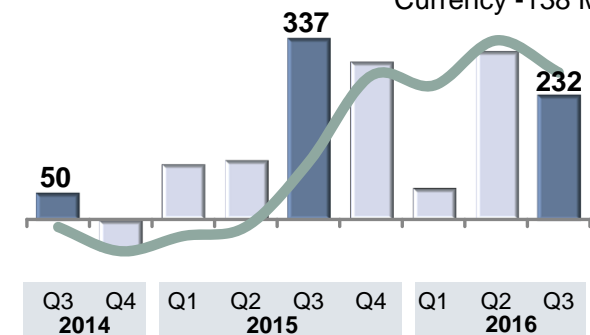
NET SALES SEK bn

12 months 24.7 bn



ADJUSTED OPERATING INCOME* SEK M

12 months 897 M
Currency -138 M



* Excluding restructuring charges in efficiency program for comparison periods 2014-2015

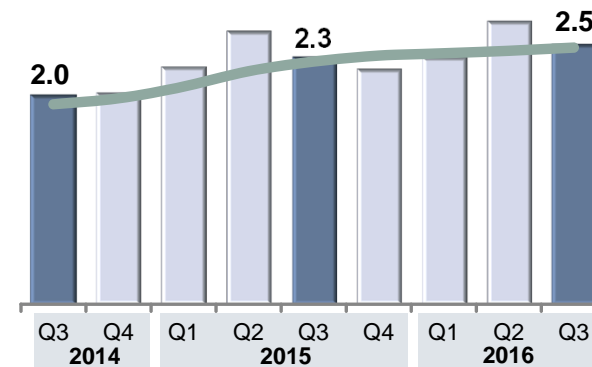
VOLVO PENTA Net sales & adjusted operating income

**VOLVO
PENTA**

- **Net sales currency-adjusted +5%**
 - engines +1%
 - service +14%
- **Adjusted operating income:
+ favorable product mix**
- **Adjusted operating margin* 14.5% (13.5)**

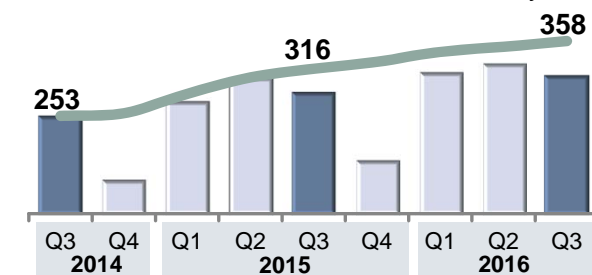
NET SALES SEK bn

12 months 9.7 bn



ADJUSTED OPERATING INCOME* SEK M

12 months 1,253 M
Currency 16 M

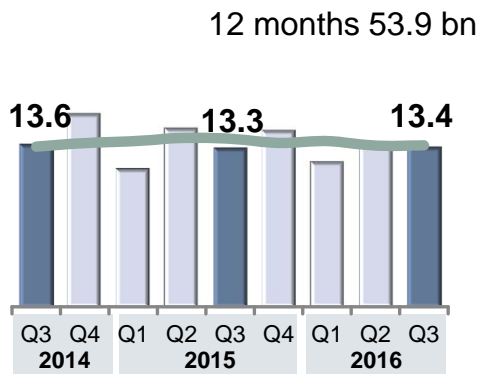


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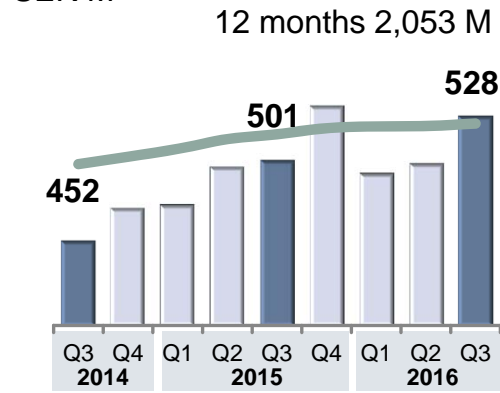
FINANCIAL SERVICES

New financing and profitability

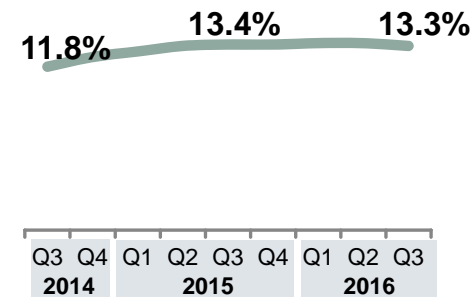
NEW FINANCING
SEK bn



ADJUSTED OPERATING INCOME*
SEK M



ROE*
12 months, %



* Excluding restructuring charges in efficiency program for comparison periods 2014-2015

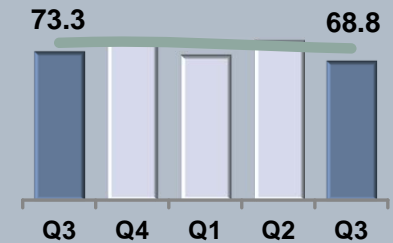


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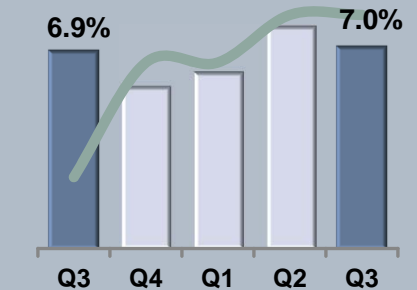
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