



# Volvo Group

---

FOURTH  
QUARTER  
2016

**MARTIN LUNDSTEDT**  
PRESIDENT AND CEO



**Volvo Group Headquarters**

Fourth quarter 2016

1

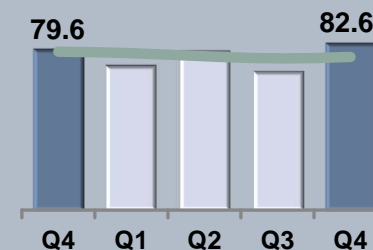
**VOLVO**

# VOLVO GROUP

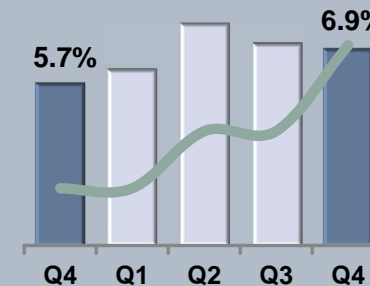
## Fourth quarter highlights

- Continued improved profitability – adjusted operating margin\* 6.9% (5.7)
- Trucks' adjusted operating margin\* 8.7% (7.9) on 10% lower volumes
- Profit improvement in Construction Equipment
- Operating cash flow in Industrial Operations SEK 4.8 bn (14.7). SEK 8.7 bn adjusted for EU investigation and real estate sale

**NET SALES**  
SEK bn 12 months 302 bn



**ADJUSTED OPERATING MARGIN\*** 12 months 7.0%  
%



\*Adjustments, see note 6 in Q4 report:  
Q4 2016: Gain on sale of real estate 1,371  
Q4 2015: Net of restructuring charges and favorable outcome in arbitration -62

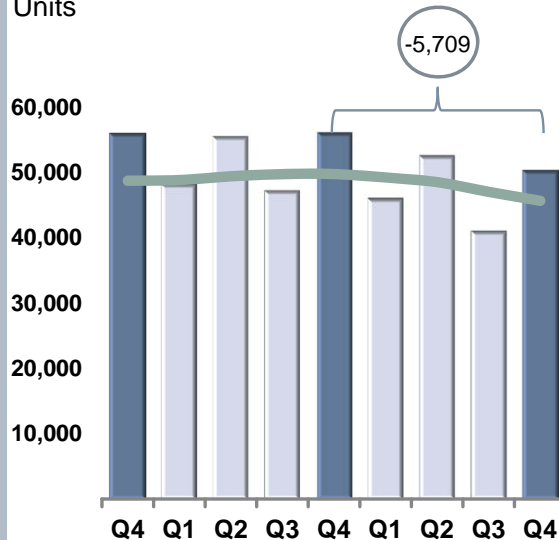
# VOLVO GROUP

## Volume development in the fourth quarter

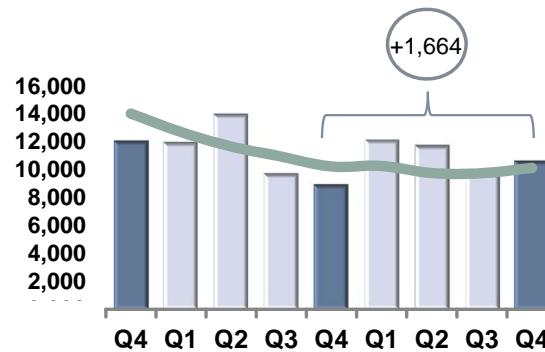
VOLUME -10%

		Total	Change
<b>Volvo</b>		27,934	-2,267
<b>UD</b>		5,245	+134
<b>Renault Trucks</b>	HD/MD	9,145	-113
	LD	4,046	-525
<b>Mack</b>		4,119	-2,938

**TRUCK DELIVERIES**  
Units



**MACHINE DELIVERIES**  
Units

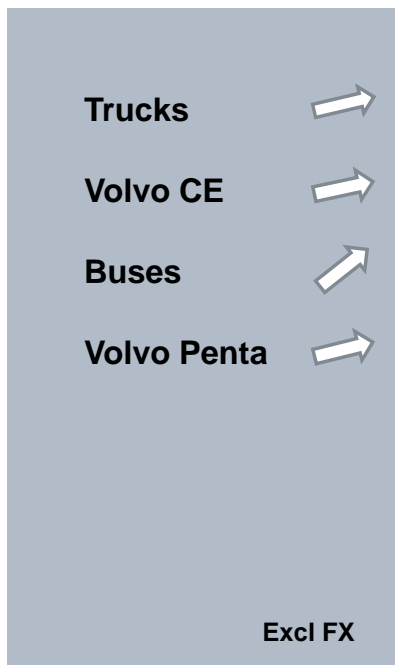


VOLUME +19%

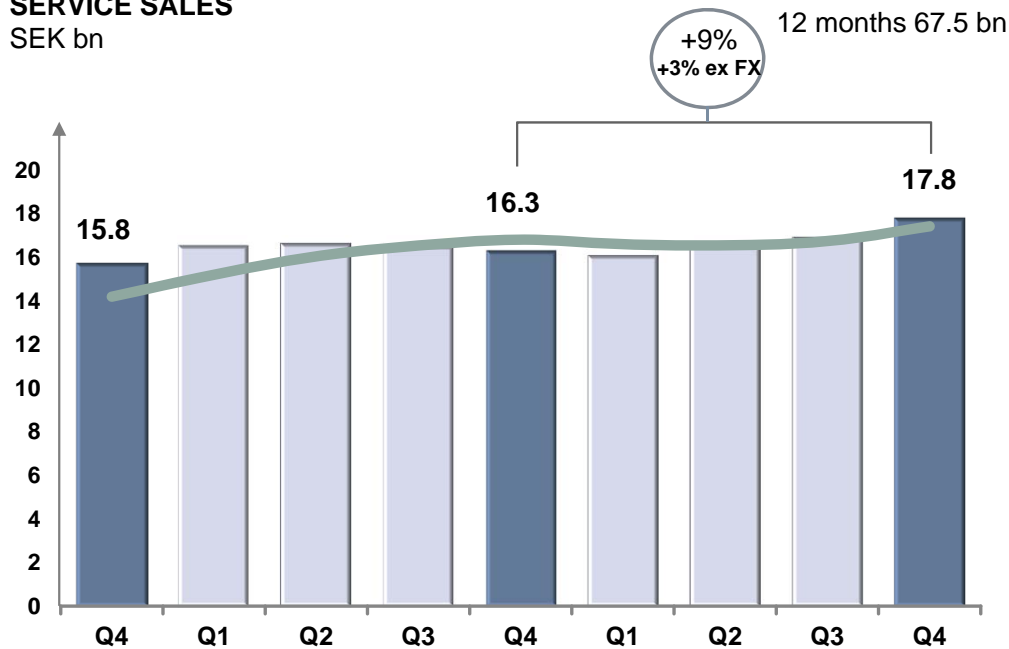
	Total	Change
<b>Volvo</b>	6,869	+972
<b>SDLG</b>	3,726	+680

# VOLVO GROUP

## Service sales development



**SERVICE SALES**  
SEK bn







# TRUCKS





## RENAULT TRUCKS Partnership with BSF Souakri Industrial Group in Algeria

- Truck market of >3,500 HD 2016 and growing
- Renault Trucks has close to 40% market share
- Gradual build-up to 2,000 trucks



Volvo Group Headquarters

Fourth quarter 2016

6

**VOLVO**



MACK TRUCKS

# Launch of Mack ASIST mobile app



Volvo Group Headquarters

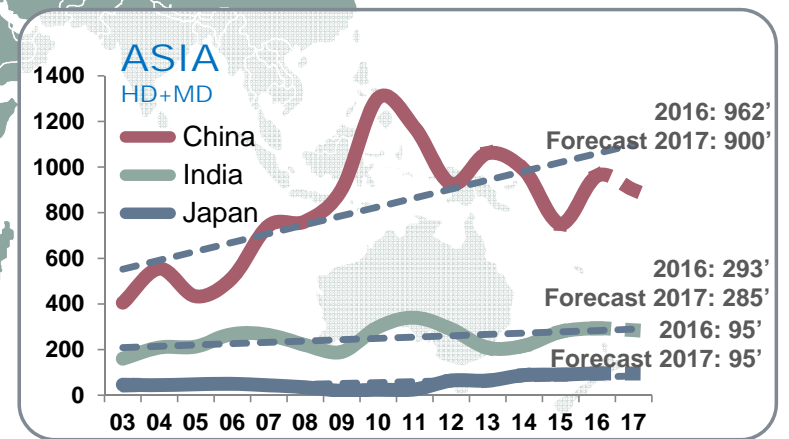
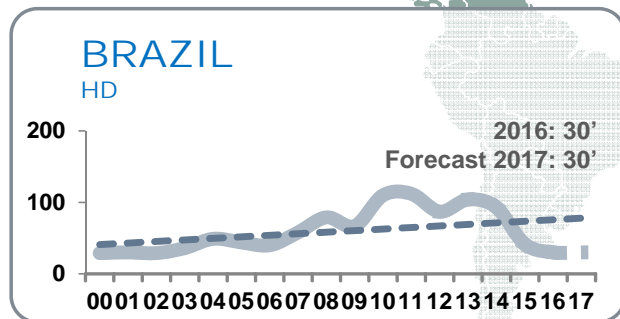
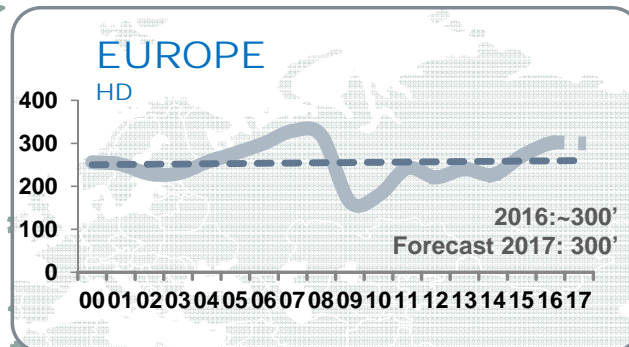
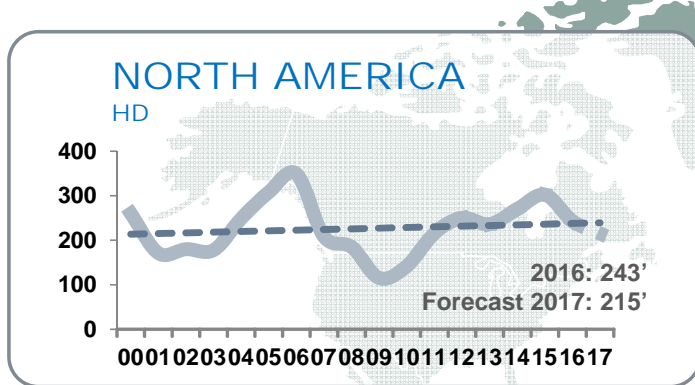
Fourth quarter 2016

7

**VOLVO**

# TRUCKS

## Market environment

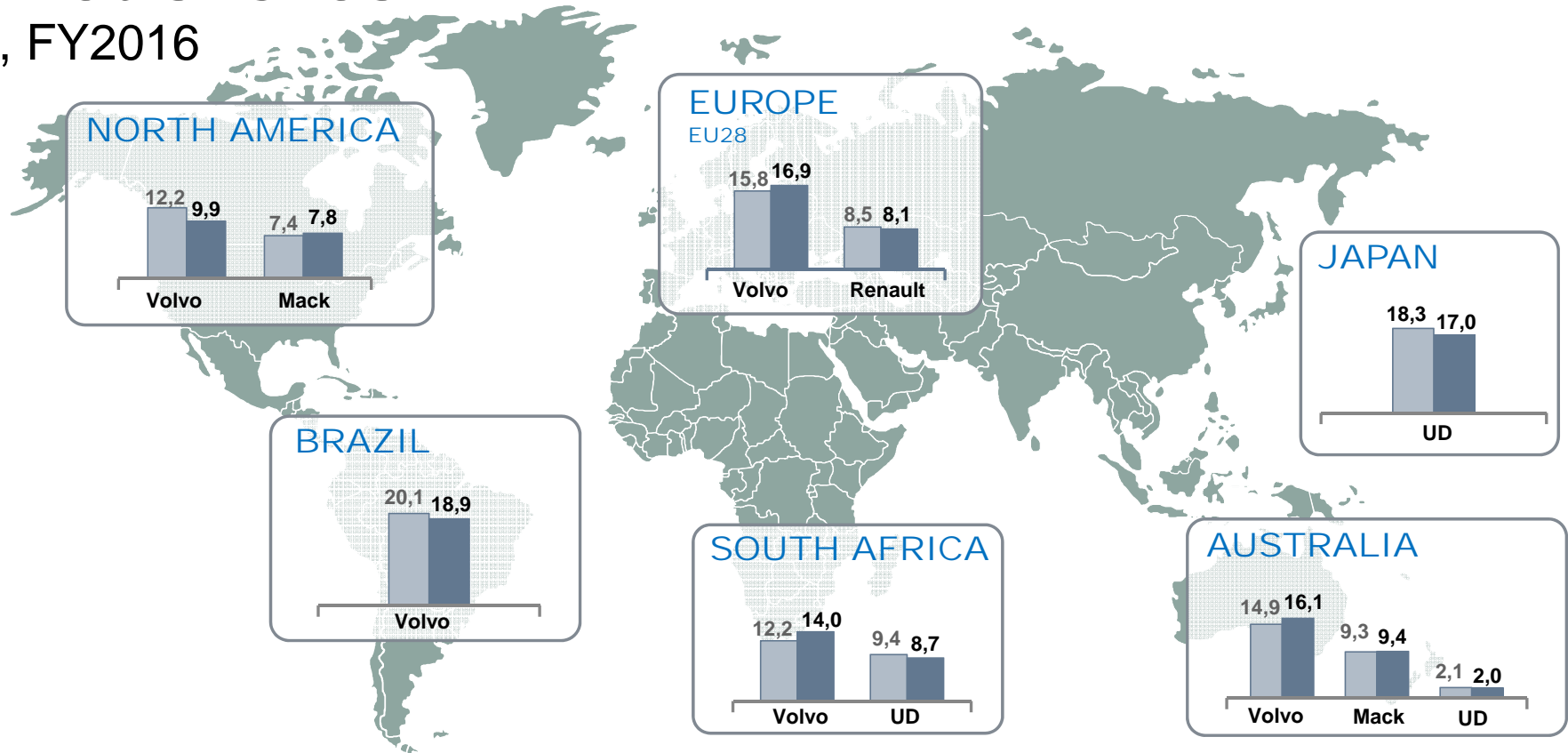


# TRUCKS

## Market shares

HD%, FY2016

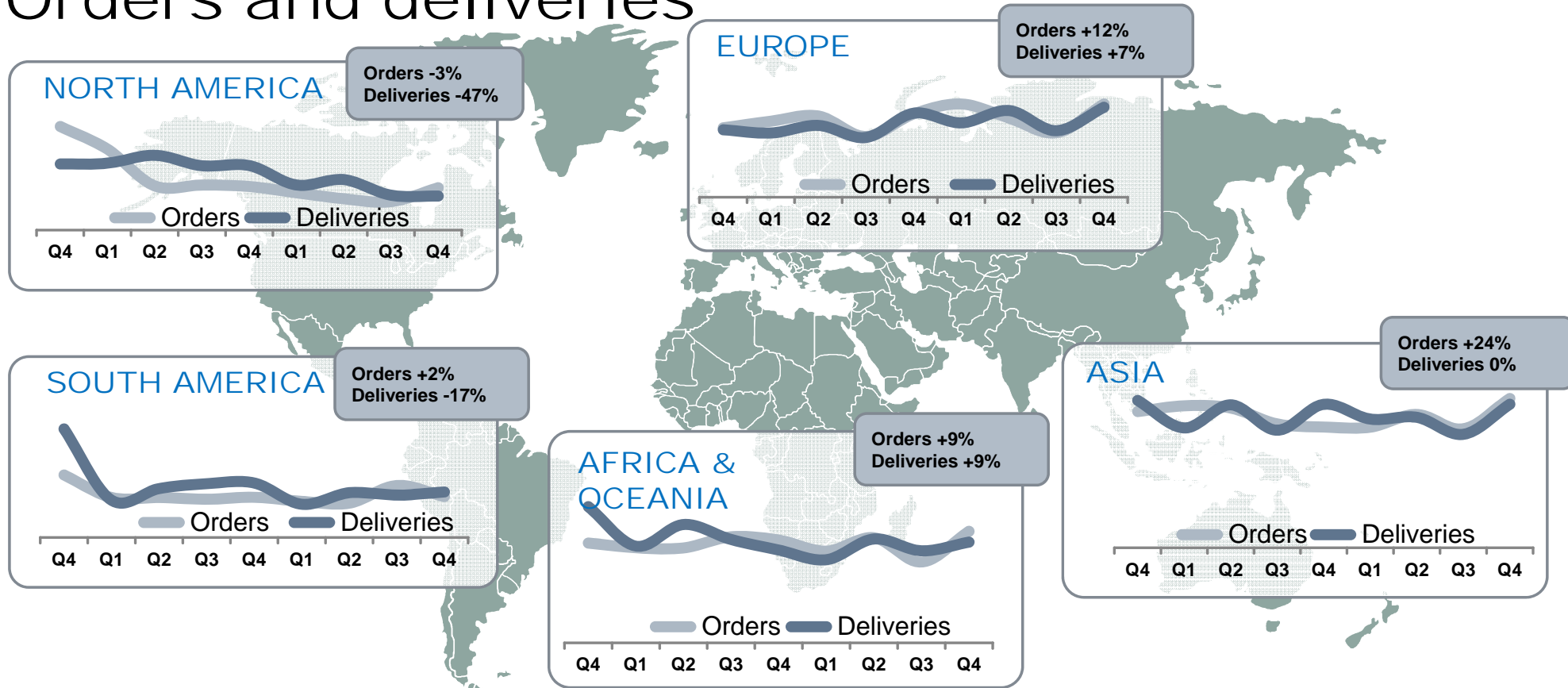
2015 2016

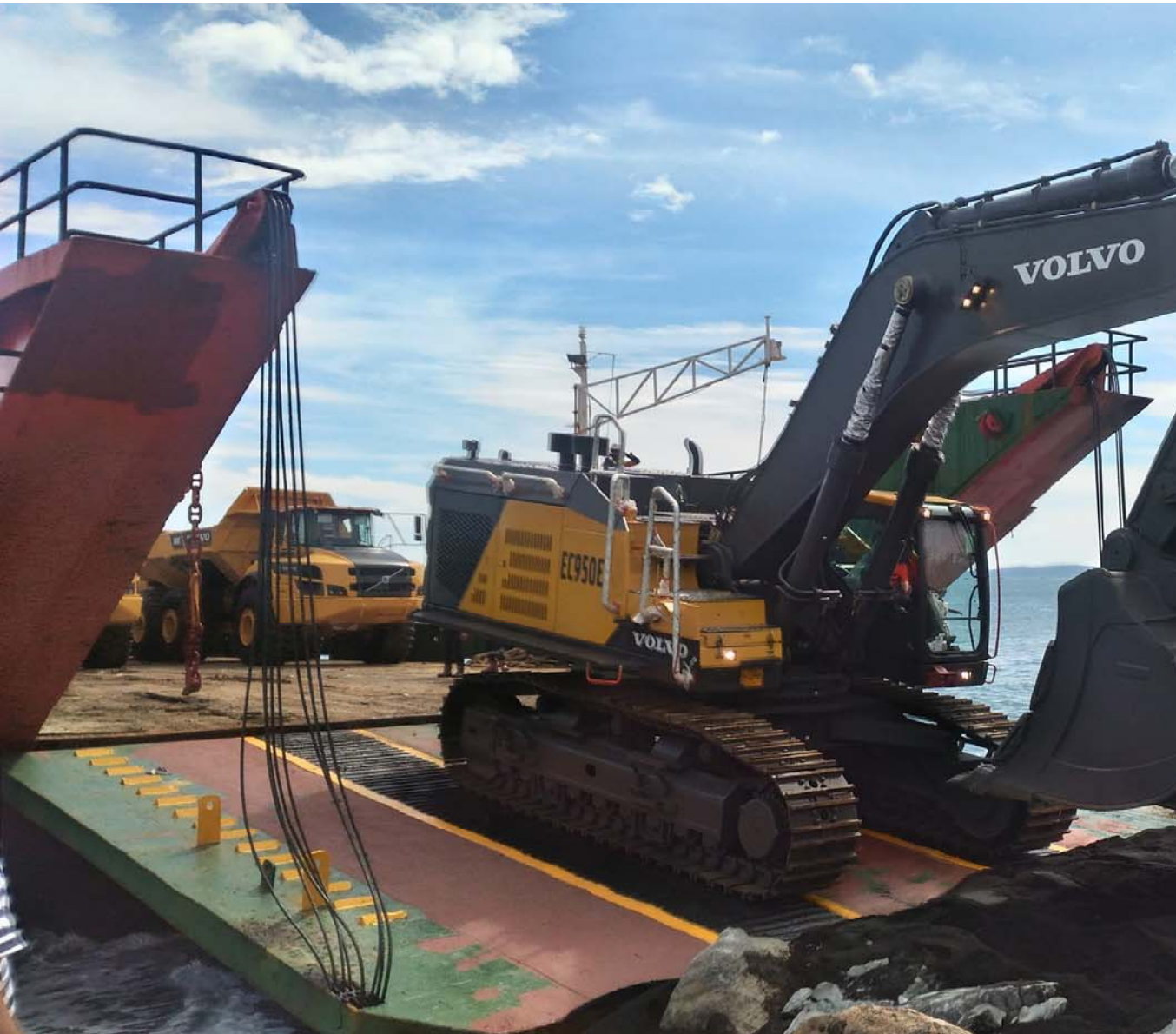




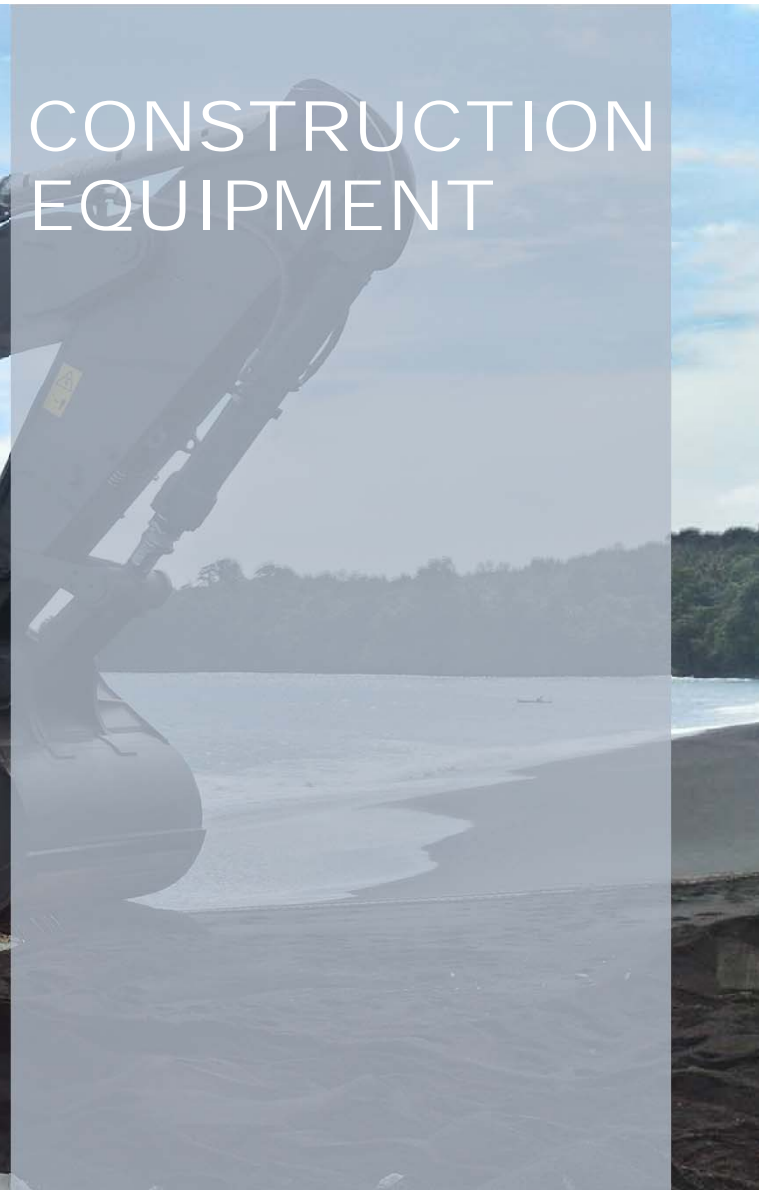
# TRUCKS

## Orders and deliveries





# CONSTRUCTION EQUIPMENT



CONSTRUCTION EQUIPMENT

# Service offer helps win large key account deal in Mexico



Volvo Group Headquarters

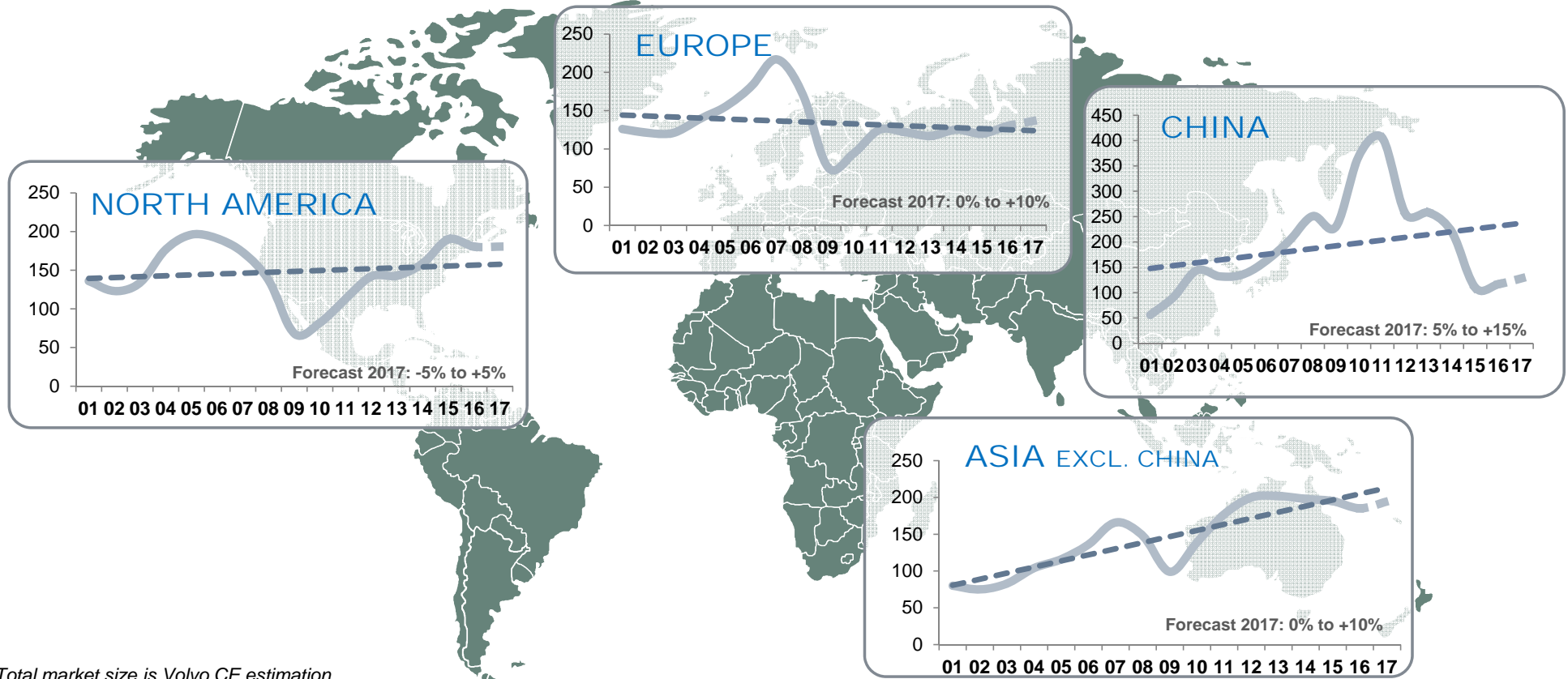
Fourth quarter 2016

12

**VOLVO**



# CONSTRUCTION EQUIPMENT Market environment



Total market size is Volvo CE estimation

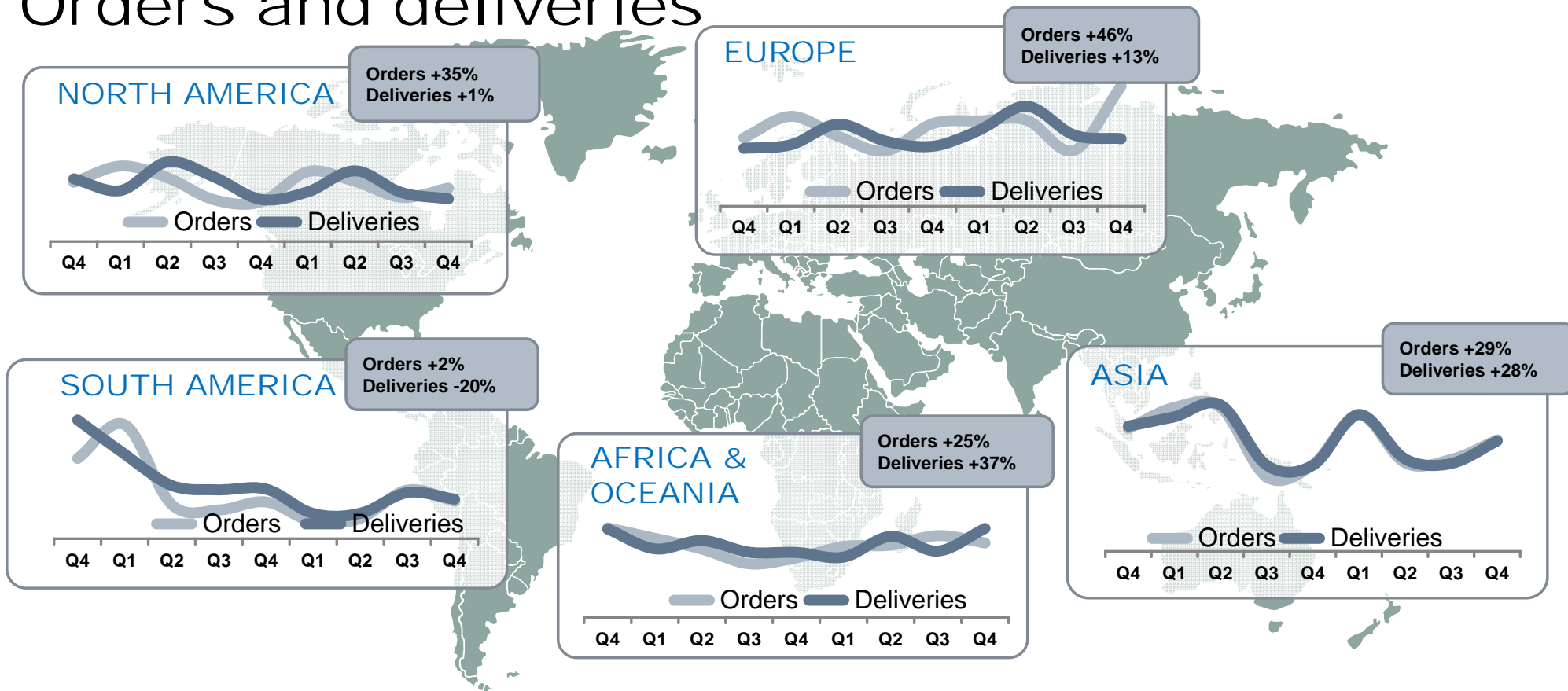
**Volvo Group Headquarters**

Fourth quarter 2016

13

**VOLVO**

# CONSTRUCTION EQUIPMENT Orders and deliveries



Volvo Group Headquarters

Fourth quarter 2016

14

**VOLVO**





# BUSES

- Mixed market development
- Deliveries declined by 6% but sales increased by 10%
- More than 3,000 hybrid buses sold
- 174 hybrid buses to Arriva

# VOLVO PENTA

- Continued strong sales growth within marine diesel and off-road engines
- Order increase by 20%
- IBEX innovation award for easy drain solution
- New customers in agriculture segment







# Volvo Group

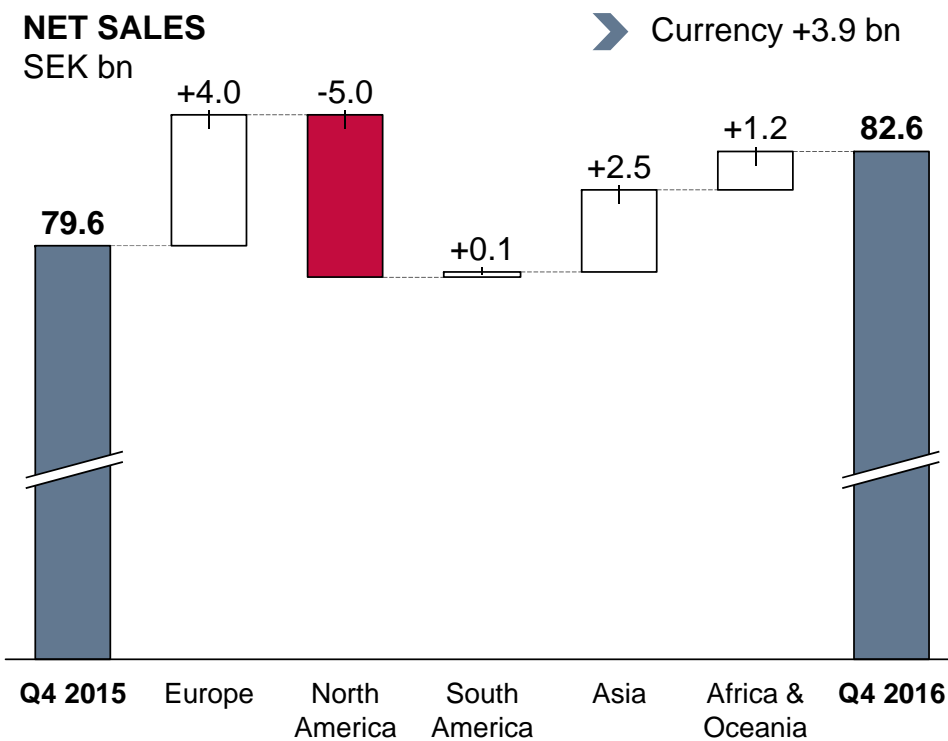
---

FOURTH  
QUARTER  
2016

**JAN GURANDER**  
DEPUTY CEO AND CFO



# VOLVO GROUP Net sales per market



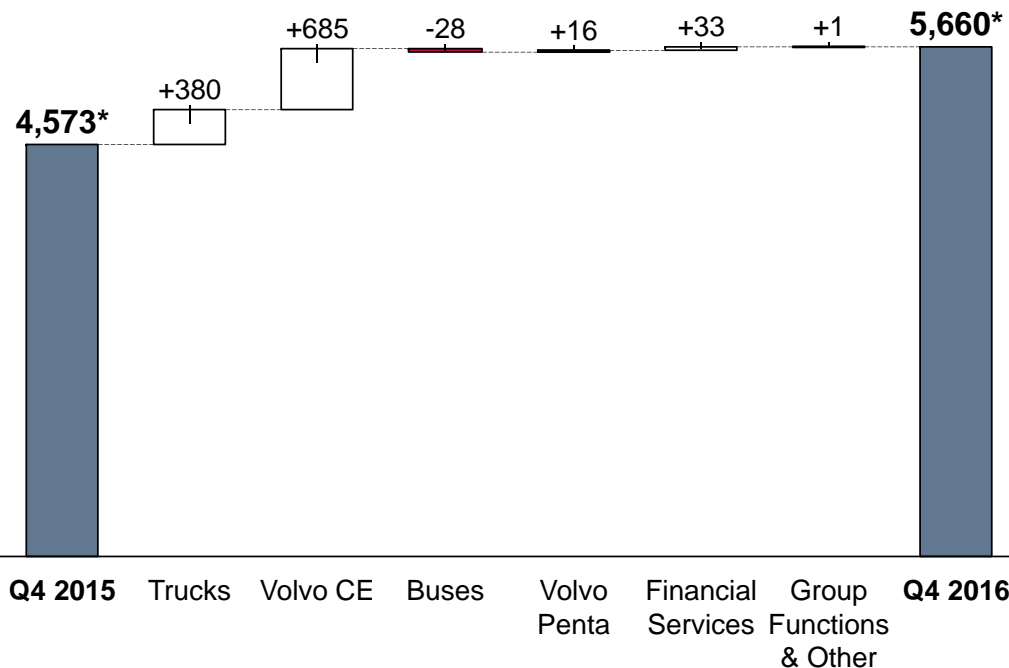
# VOLVO GROUP

## Adjusted operating income per business area



### ADJUSTED OPERATING INCOME\* SEK M

➤ Currency +336 M



\*Adjustments, see note 6 in Q4 report:

Q4 2016: Gain on sale of real estate 1,371

Q4 2015: Restructuring charges and favorable outcome in arbitration -62

Volvo Group Headquarters

Fourth quarter 2016

19

**VOLVO**



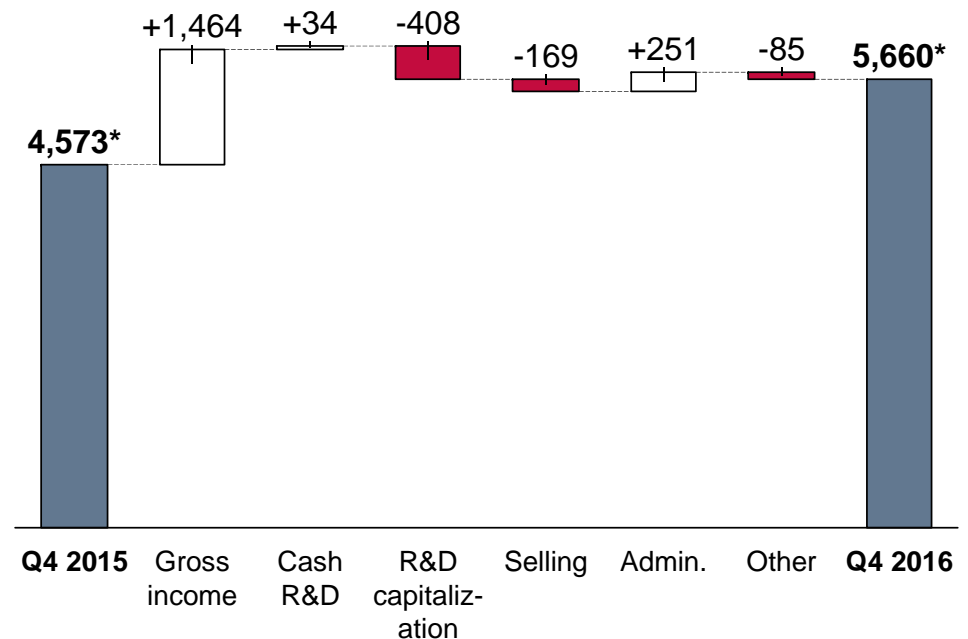
# VOLVO GROUP Adjusted operating income contributors

- + Service business
- + Earnings in Construction Equipment
- + Market mix – high volumes in Europe
- + Lower material cost

- Lower volumes and capacity utilization in North America
- Lower R&D capitalization

## ADJUSTED OPERATING INCOME\* SEK M

➤ Currency +336 M



\*Adjustments, see note 6 in Q4 report:

Q4 2016: Gain on sale of real estate 1,371

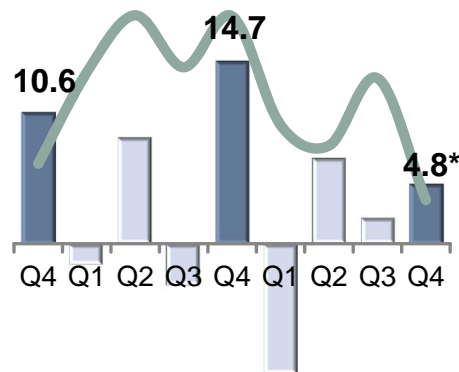
Q4 2015: Net of restructuring charges and favorable outcome in arbitration -62

# VOLVO GROUP – INDUSTRIAL OPERATIONS

## Cash flow

### OPERATING CASH FLOW SEK bn

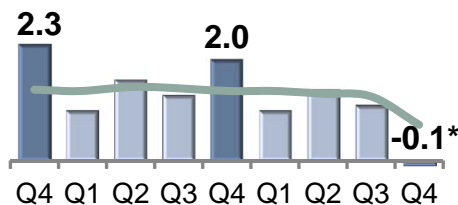
12 months SEK 3.5 bn



\*SEK 8.7 bn excluding the EU investigation and the real estate sale

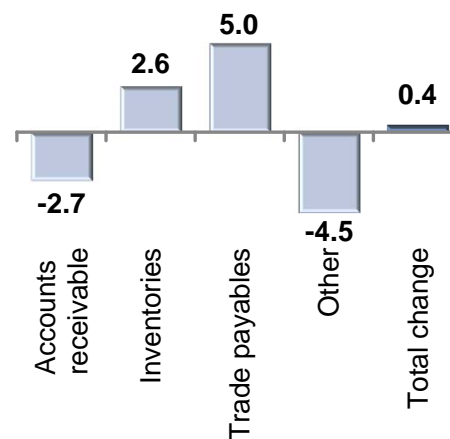
### NET INVESTMENTS IN PPE SEK bn

12 months SEK 3.6 bn



\*SEK 2.5 bn excluding the real estate sale

### CASH FLOW EFFECT FROM CHANGES IN WORKING CAPITAL SEK bn

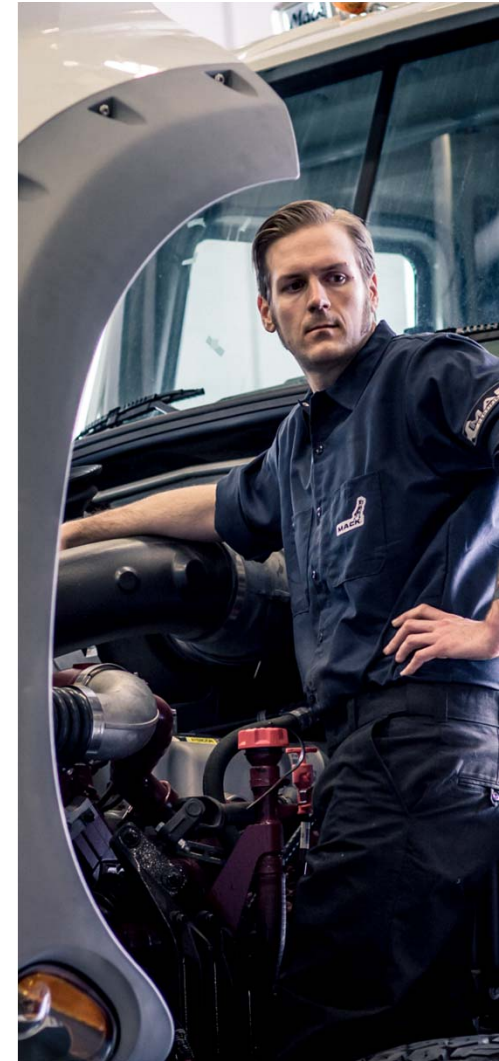


# VOLVO GROUP – INDUSTRIAL OPERATIONS

## Cash flow

### OPERATING CASH-FLOW BRIDGE

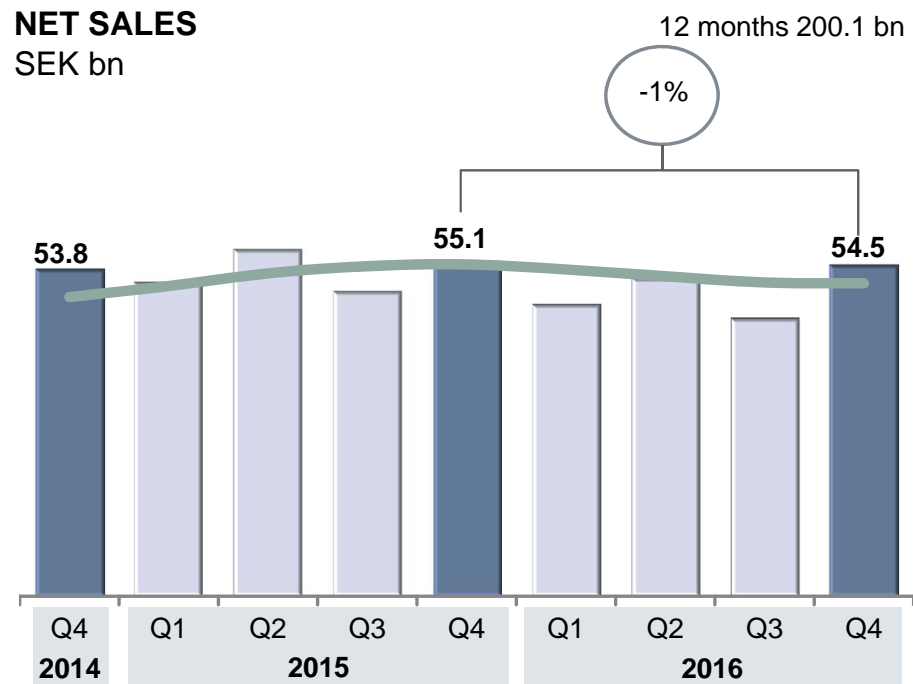
SEK bn



# TRUCKS Net sales

- **Delivered trucks -10%:**
  - North America -47%
  - Europe +7%
- **Net sales currency-adjusted -6%:**
  - vehicles -9%
  - services +2%

## NET SALES SEK bn





# TRUCKS

## Adjusted operating income

ADJUSTED  
OPERATING INCOME  
SEK M

4,374\*

Q4 2015

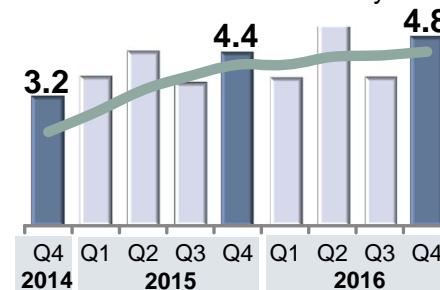
+ Service sales  
+ Positive market mix – high volumes in Europe  
+ Lower material cost

- Lower volumes and capacity utilization in NA  
- Lower R&D capitalization

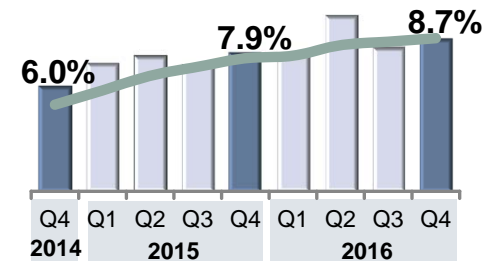
4,754\*

Q4 2016

ADJUSTED OPERATING INCOME\*  
SEK bn 12 months 17.5 bn  
Currency 246 M



ADJUSTED OPERATING MARGIN\*  
% 12 months 8.7%



\*Adjustments, see note 6 in Q4 report:  
Q4 2016: Gain on sale of real estate 71  
Q4 2015: Net of restructuring charges and favorable outcome in arbitration -65  
Q4 2014: EU provision -3,790



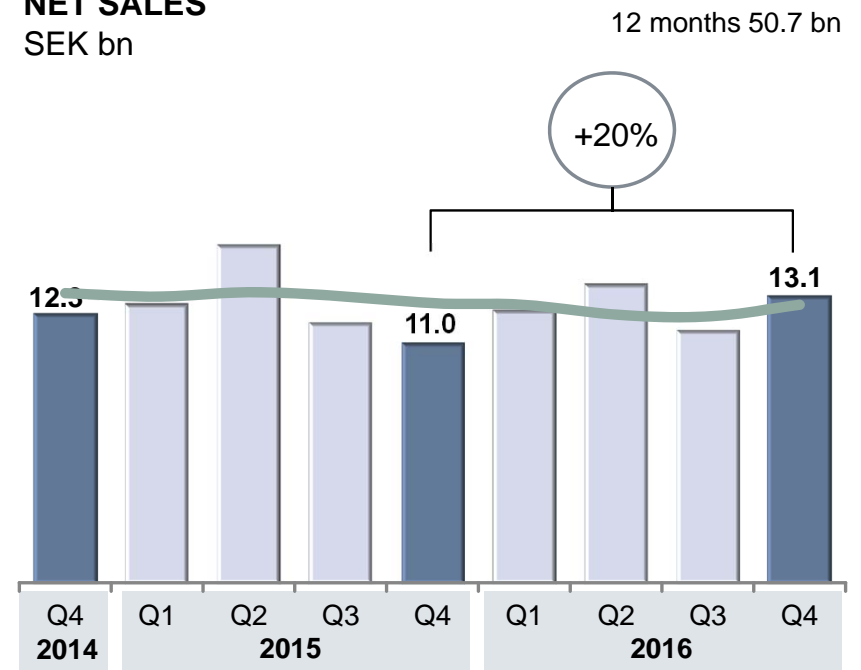
# CONSTRUCTION EQUIPMENT

## Net sales

- **Delivered machines +19%:**
  - Volvo +16%
  - SDLG +22%
- **Net sales currency-adjusted +15%:**
  - machines +18%
  - services +2%

### NET SALES

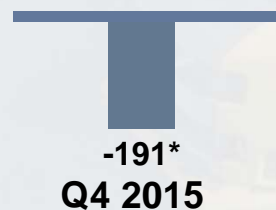
SEK bn



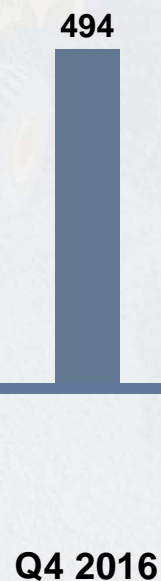
# CONSTRUCTION EQUIPMENT

## Adjusted operating income

**ADJUSTED  
OPERATING INCOME**  
SEK M



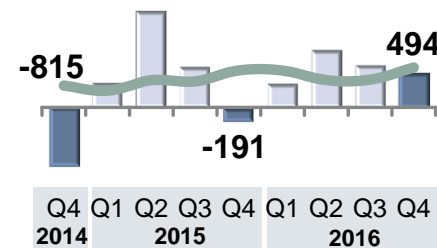
- + Product mix
- + Higher volume
- + Lower credit losses China
- + Reduced operating expenses



**ADJUSTED OPERATING INCOME\***

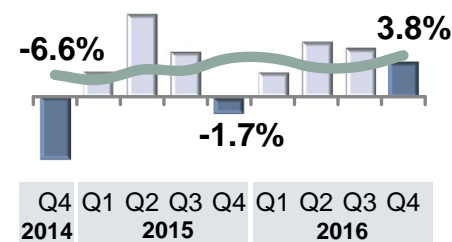
SEK M 12 months 2,246 M

Currency 136 M



**ADJUSTED OPERATING MARGIN\***

% 12 months 4.4%



\*Adjustments, see note 6 in Q4 report:  
Q4 2015: Restructuring charges 41  
Q4 2014: Restructuring charges -579

## BUSES

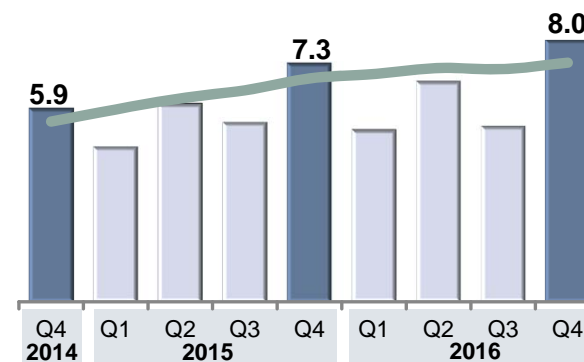
# Net sales & adjusted operating income

- **Net sales currency-adjusted +8%**
  - vehicles +8%
  - services +7%
- **Adjusted operating income:**
  - lower volumes
- **Adjusted operating margin\* 3.3% (4.0)**

## NET SALES

SEK bn

12 months 25.4 bn

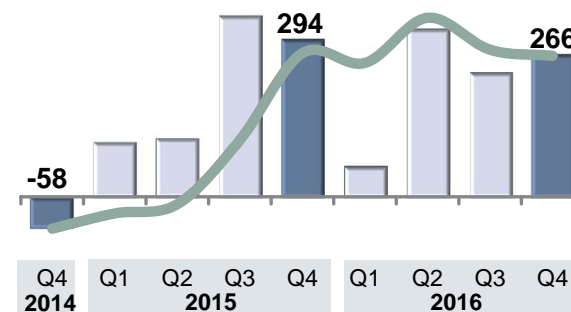


## ADJUSTED OPERATING INCOME\*

SEK M

12 months 870 M

Currency -3 M



\*Adjustments see note 6 in Q4 report



# VOLVO PENTA

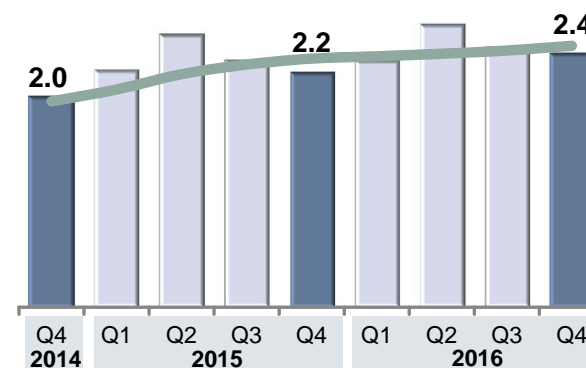
## Net sales & adjusted operating income

**VOLVO  
PENTA**

- **Net sales currency-adjusted +3%**
  - engines +3%
  - services +2%
- **Adjusted operating income:**
  - + currency
  - R&D cost
- **Adjusted operating margin\* 6.5% (6.3)**

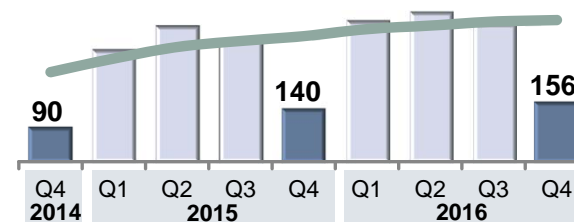
### NET SALES SEK bn

12 months 9.9 bn



### ADJUSTED OPERATING INCOME\* SEK M

12 months 1,269 M  
Currency 50 M



\*Adjustments see note 6 in Q4 report

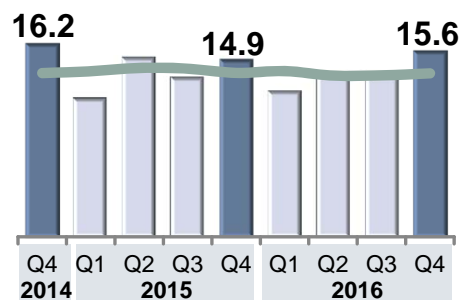
# FINANCIAL SERVICES

## New financing and profitability

### NEW FINANCING

SEK bn

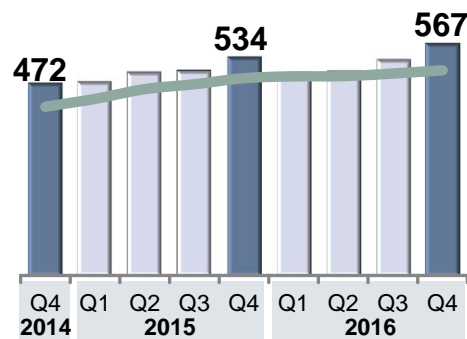
12 months 54.6 bn



### ADJUSTED OPERATING INCOME\*

SEK M

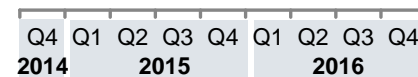
12 months 2,086 M



### ROE\*

12 months, %

12.5% 13.4% 13.7%



\*Adjustments see note 6 in Q4 report



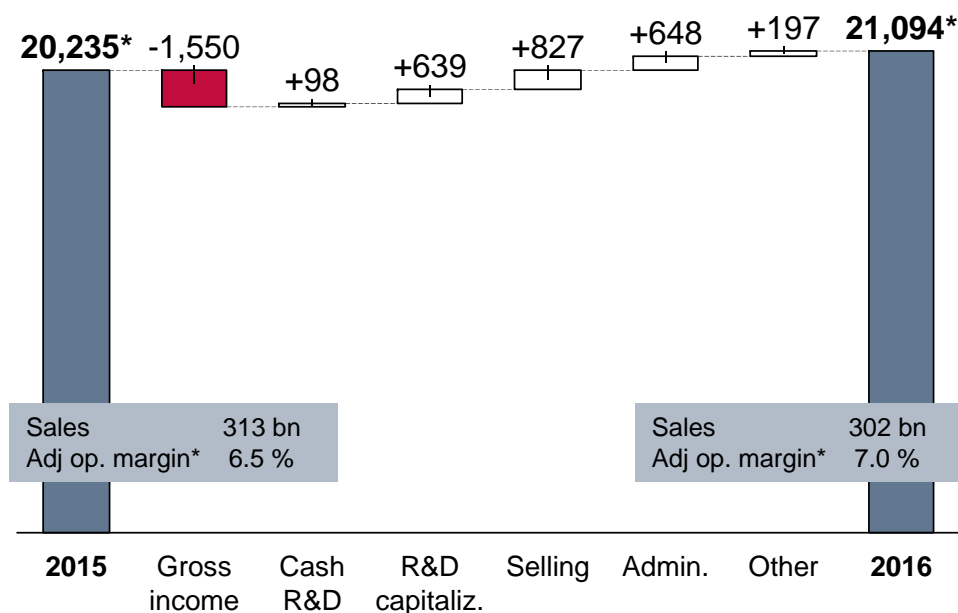
# VOLVO GROUP Earnings improvement full year 2016

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

↓  
- Lower volumes and capacity utilization

## ADJUSTED OPERATING INCOME\* SEK M

➤ Currency -443 M



\*Adjustments, see note 6 in report:

2016: Net of gain on sale of IT operation, provision for EU investigation, gain on sale of real estate -268

2015: Net of gain on sale of Eicher shares, favourable outcome in arbitration case and restructuring 3,084



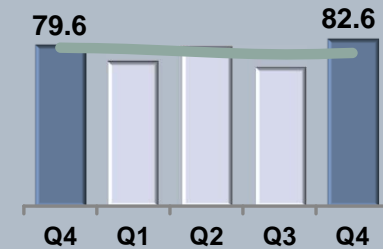
# VOLVO GROUP

## Fourth quarter highlights

- Continued improved profitability – adjusted operating margin\* 6.9% (5.7)
- Trucks' adjusted operating margin\* 8.7% (7.9) on 10% lower volumes
- Profit improvement in Construction Equipment
- Operating cash flow in Industrial Operations SEK 4.8 bn (14.7). SEK 8.7 bn adjusted for EU investigation and real estate sale
- Proposed dividend SEK 3.25

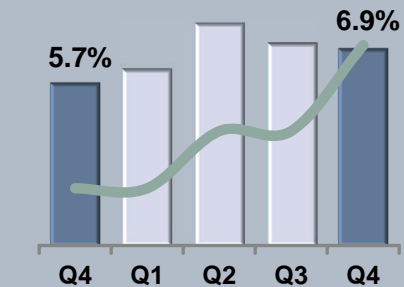
### NET SALES

SEK bn 12 months 302 bn



### ADJUSTED OPERATING MARGIN\*

12 months 7.0%  
%



\*Adjustments, see note 6 in Q4 report:

Q4 2016: Gain on sale of real estate 1,371

Q4 2015: Net of restructuring charges and favorable outcome in arbitration -62



# Volvo Group

---

FOURTH  
QUARTER  
2016