



**VOLVO**  
VOLVO GROUP

**Second quarter 2018**

Martin Lundstedt, President and CEO

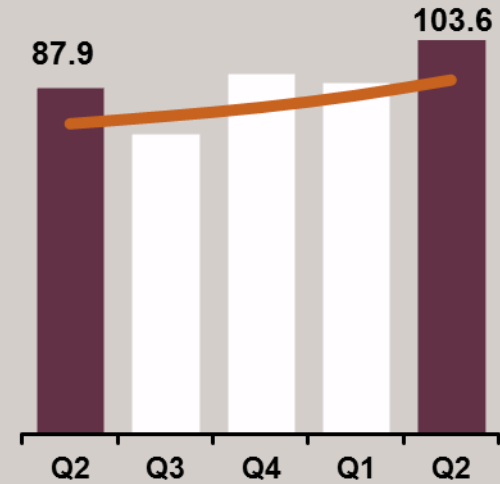
# Volvo Group

## SECOND QUARTER HIGHLIGHTS

- Net sales +15.8 bn, up 18% (+16% excl. currency)
- Adjusted operating income increased to SEK 11.5 bn (8.4)
- Trucks' adjusted operating margin 11.1% (9.4)
- Construction Equipment's adjusted operating margin 15.1% (13.3)

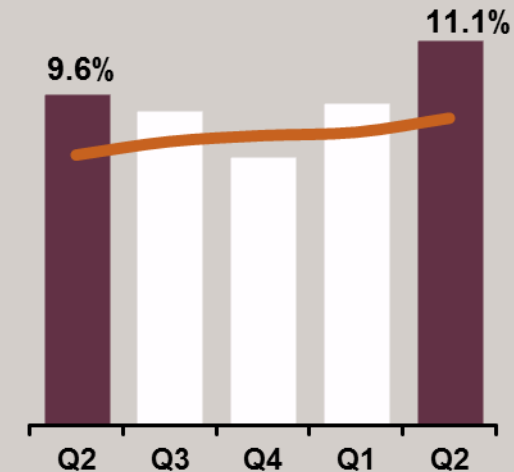
### NET SALES

SEK bn — 12 months 361 bn



### ADJUSTED OPERATING MARGIN\*

% — 12 months 9.4%



\*Adjustments, see note 7 in Q2 report:

Q2 2017: No adjustments

Q2 2018: Significant one-time item of 818 MSEK

Financial information for 2017 is restated due to implementation of IFRS 15

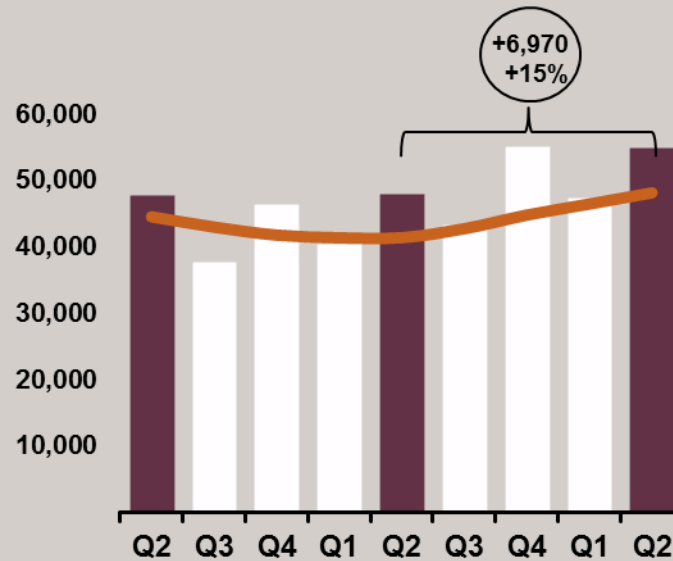
# Volvo Group

## VOLUME DEVELOPMENT IN THE SECOND QUARTER

### TRUCK DELIVERIES

Units HD/MD

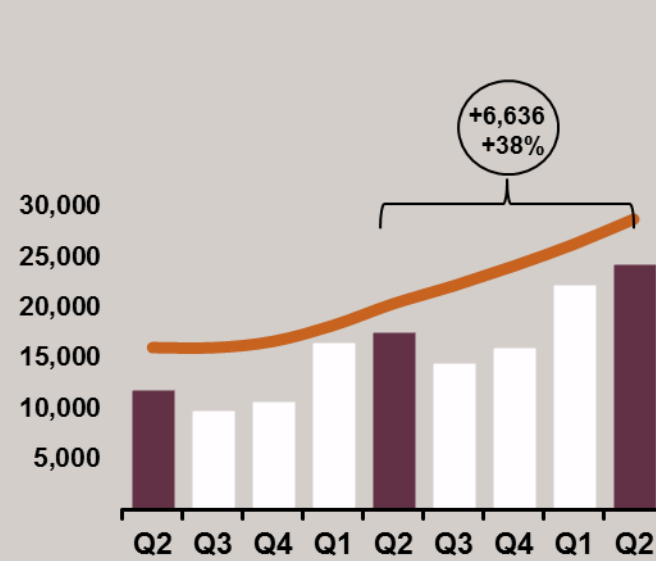
12 months 200,219



### MACHINE DELIVERIES

Units

12 months 76,496

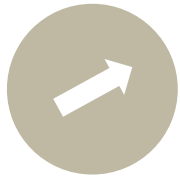
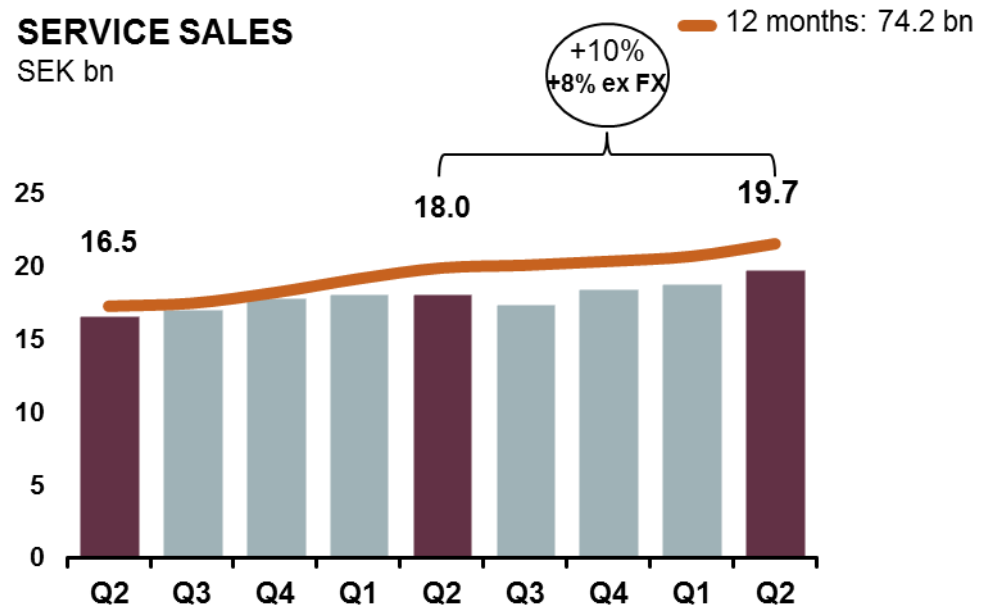


# Volvo Group

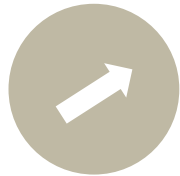
## SERVICE SALES DEVELOPMENT

### SERVICE SALES

SEK bn



TRUCKS



CONSTRUCTION  
EQUIPMENT



BUSES



VOLVO PENTA



# Trucks

- Good demand across the globe
- Stretched supply chain in North America, stabilizing in Europe
- Sales start of Volvo and Renault medium-duty electric trucks in Europe in 2019
- Volvo Trucks in platooning research collaboration with FedEx and North Carolina Turnpike Authority
- Volvo FH celebrates 25 years of success



# Trucks

RENAULT TRUCKS UNVEILS ITS SECOND GENERATION OF ELECTRIC TRUCKS:  
A COMPLETE Z.E. RANGE FROM 3.1 TO 26T



## TECHNICAL SPECIFICATIONS

### RENAULT MASTER Z.E.

- Total GVW 3.1t
- Real-world operating range: up to 120 km

### RENAULT TRUCKS D Z.E.

- Total GVW: 16t
- Real-world operating range: up to 300 km

### RENAULT TRUCKS D WIDE Z.E.

- Total GVW: 26 t
- Real-world operating range: up to 200 km

# Trucks

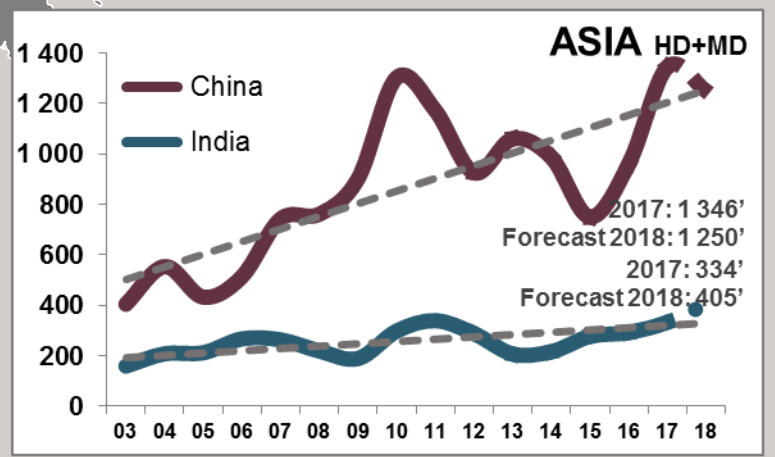
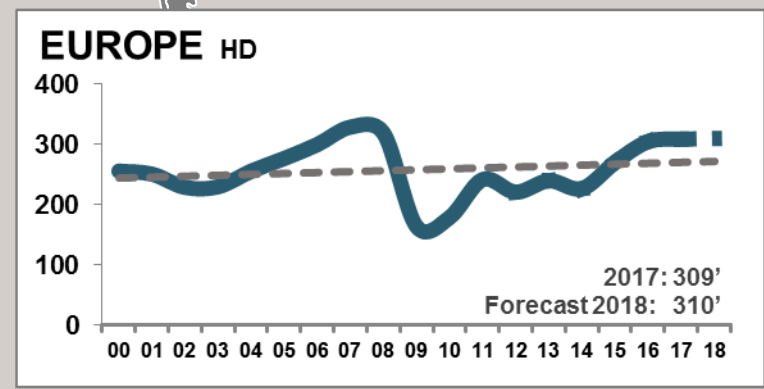
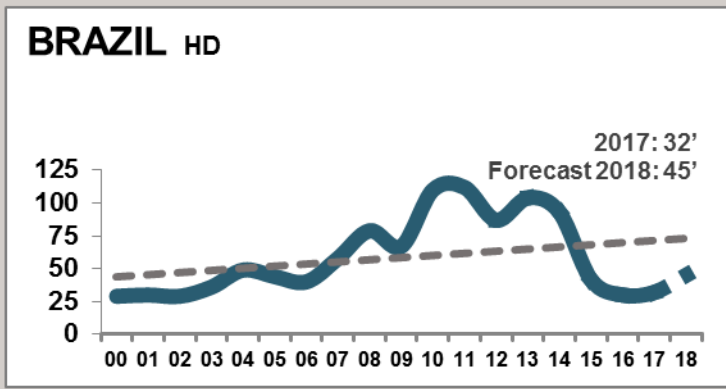
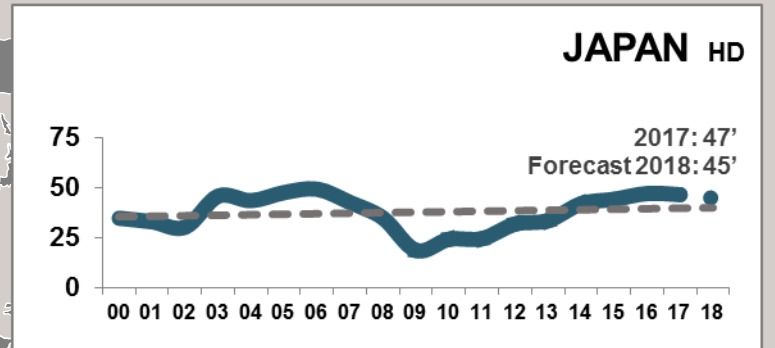
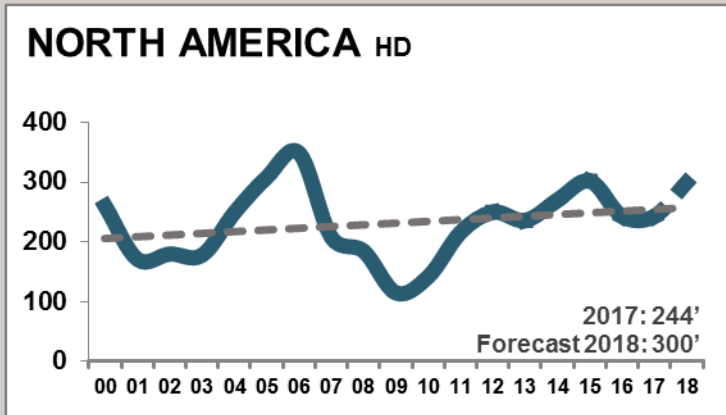
## ON-HIGHWAY PLATOONING SHOWCASE

- First public on-highway platooning showcase between a truck OEM and transporter in the U.S
- Volvo Trucks in platooning research collaboration with FedEx and North Carolina Turnpike Authority
- Volvo's Cooperative Adaptive Cruise Control (CACC) using wireless vehicle-to-vehicle (V2V) communication technology



# Trucks

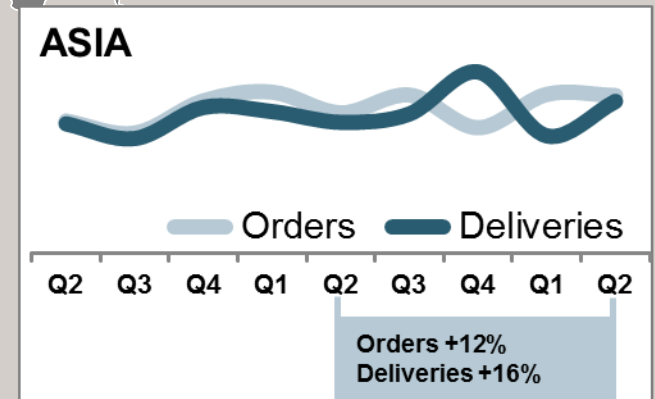
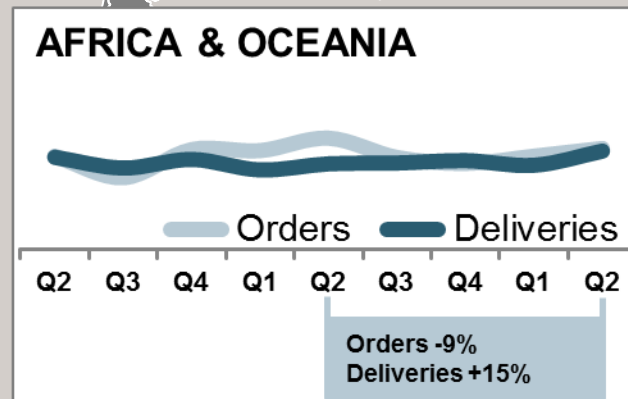
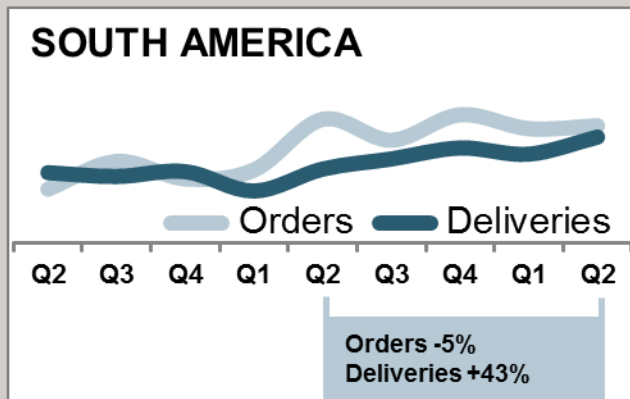
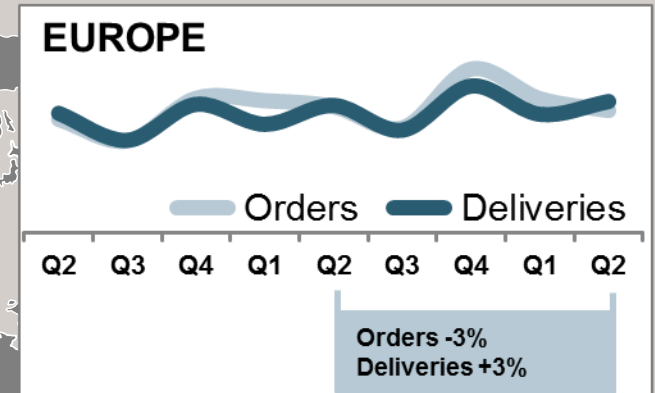
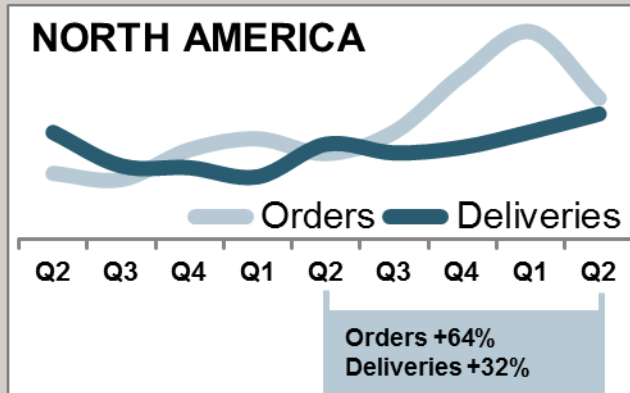
## MARKET ENVIRONMENT





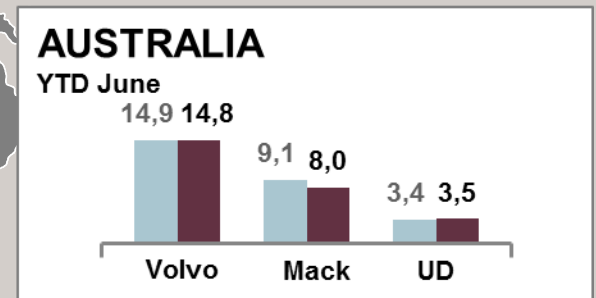
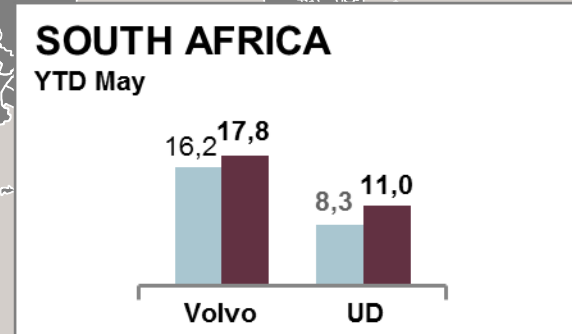
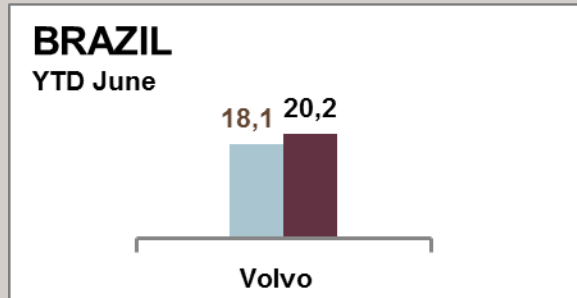
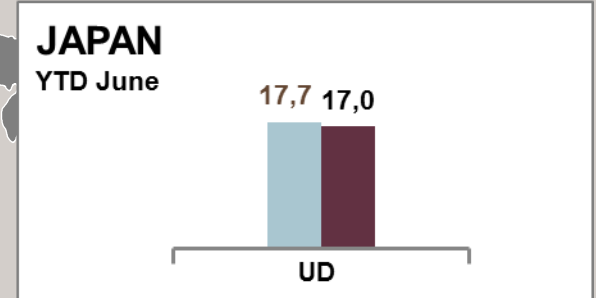
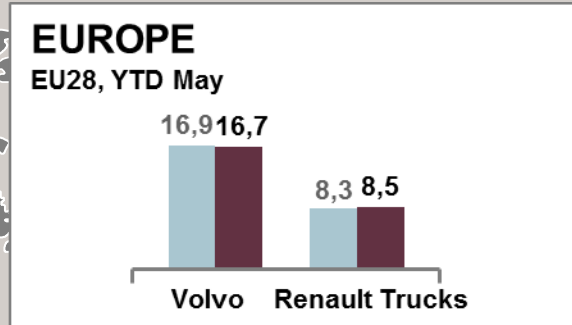
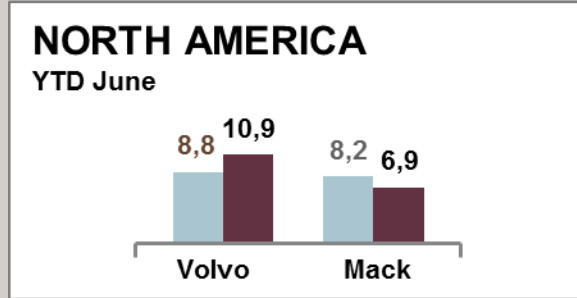
# Trucks

HD/MD: QUARTERLY ORDERS +12% AND DELIVERIES +15%



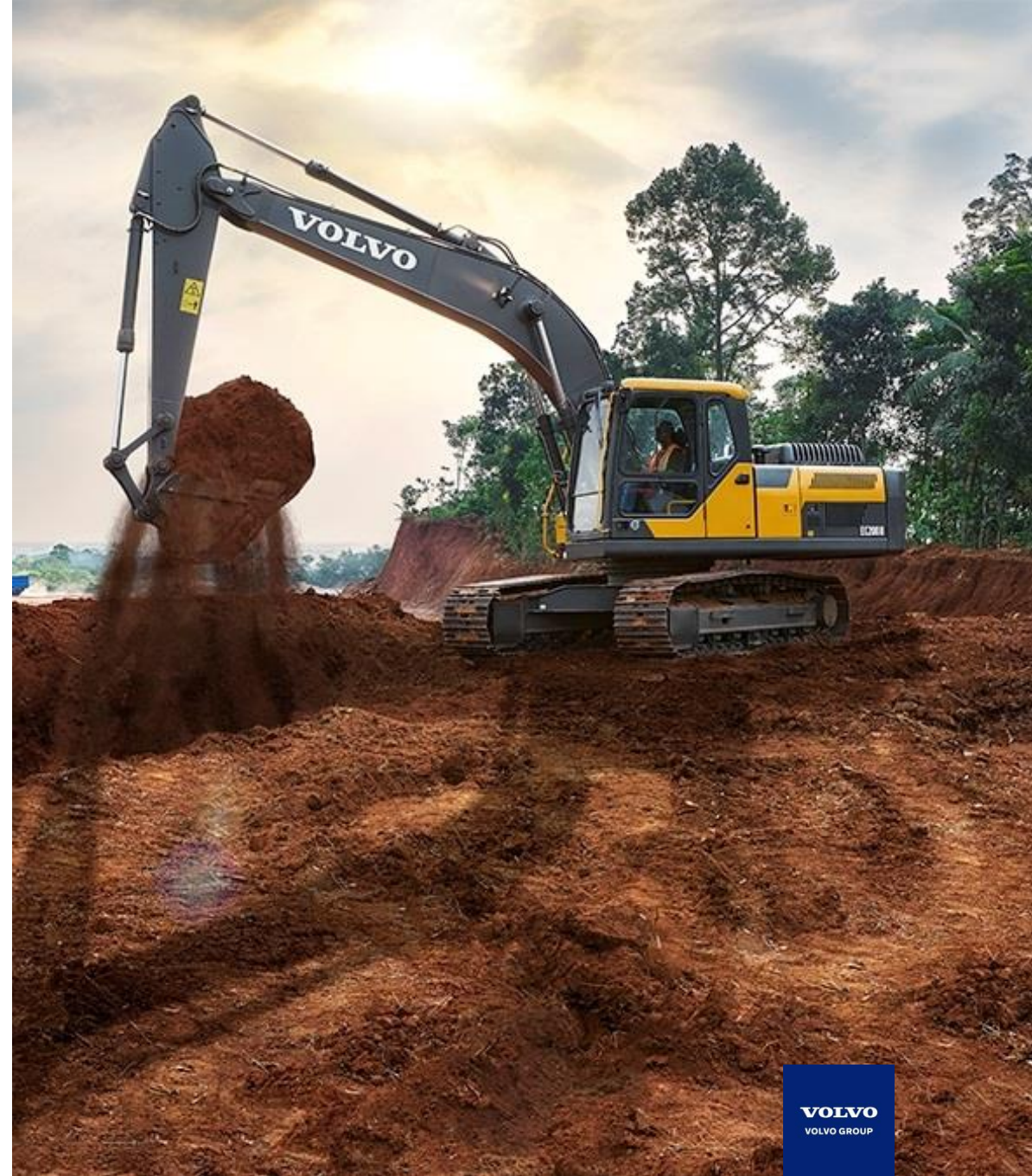
# Trucks MARKET SHARES

HD% 2017 2018



# Construction Equipment

- Market growth across all regions, particularly in China
- EC200D launched in Southeast Asia and India
  - tailored for general construction
  - class-leading fuel efficiency and reliability



# Construction Equipment

## VOLVO DAYS IN ESKILSTUNA

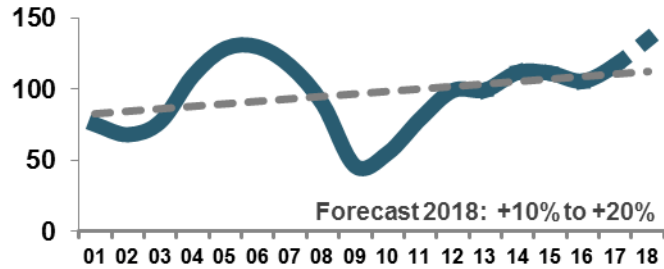
- First held in 1958, Volvo CE celebrated 60 years of live demonstrations at Volvo Days
- Visitors from more than 70 markets
- Highlights included the new Volvo R70D and R100E rigid haulers
- A total of 70 machines and vehicles from Volvo CE and Volvo Trucks were displayed



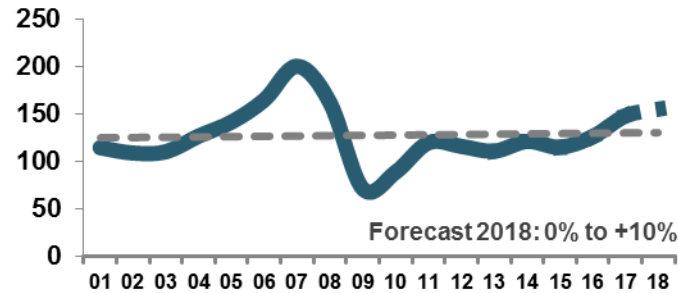
# Construction Equipment

## MARKET ENVIRONMENT

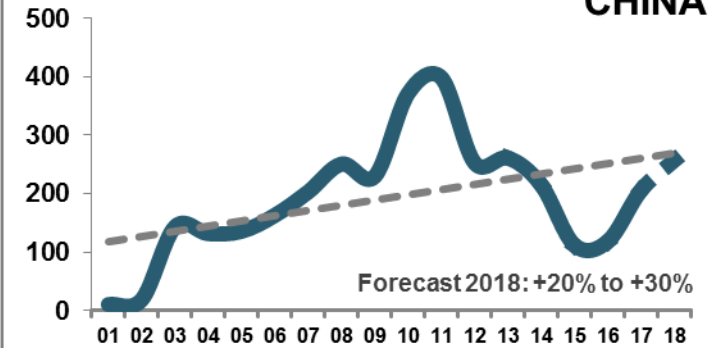
### NORTH AMERICA



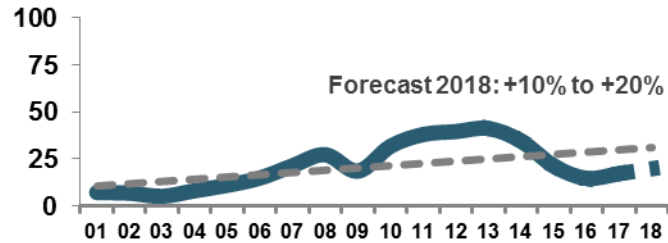
### EUROPE



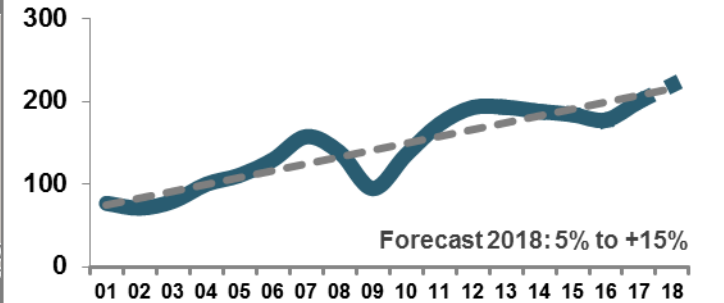
### CHINA



### SOUTH AMERICA

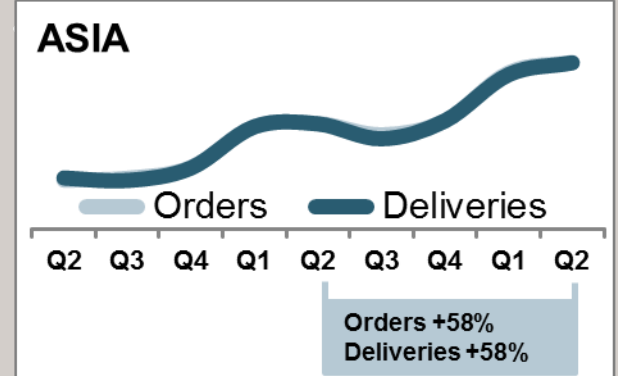
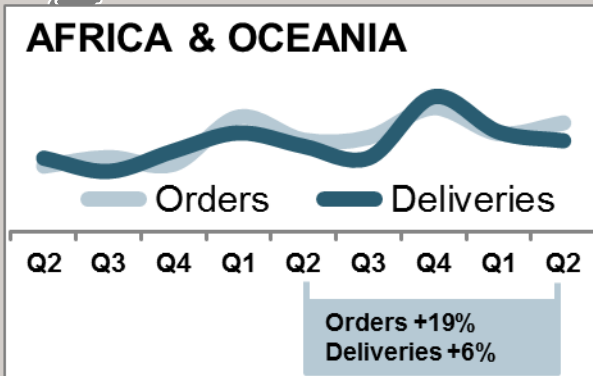
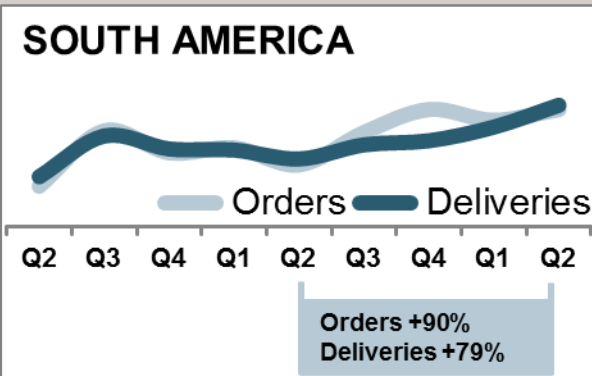
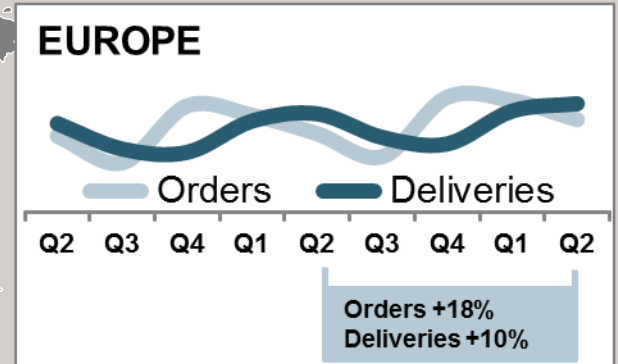
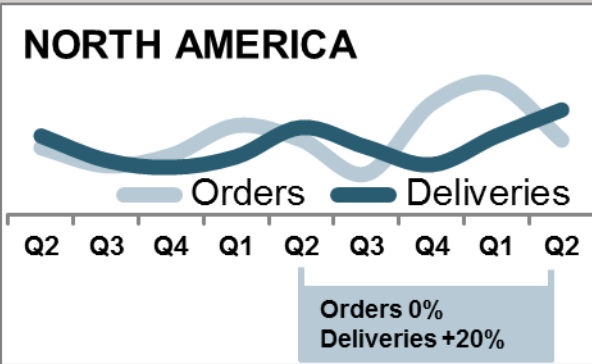


### ASIA (excl. China)



# Construction Equipment

QUARTERLY ORDERS +41% AND DELIVERIES +38%



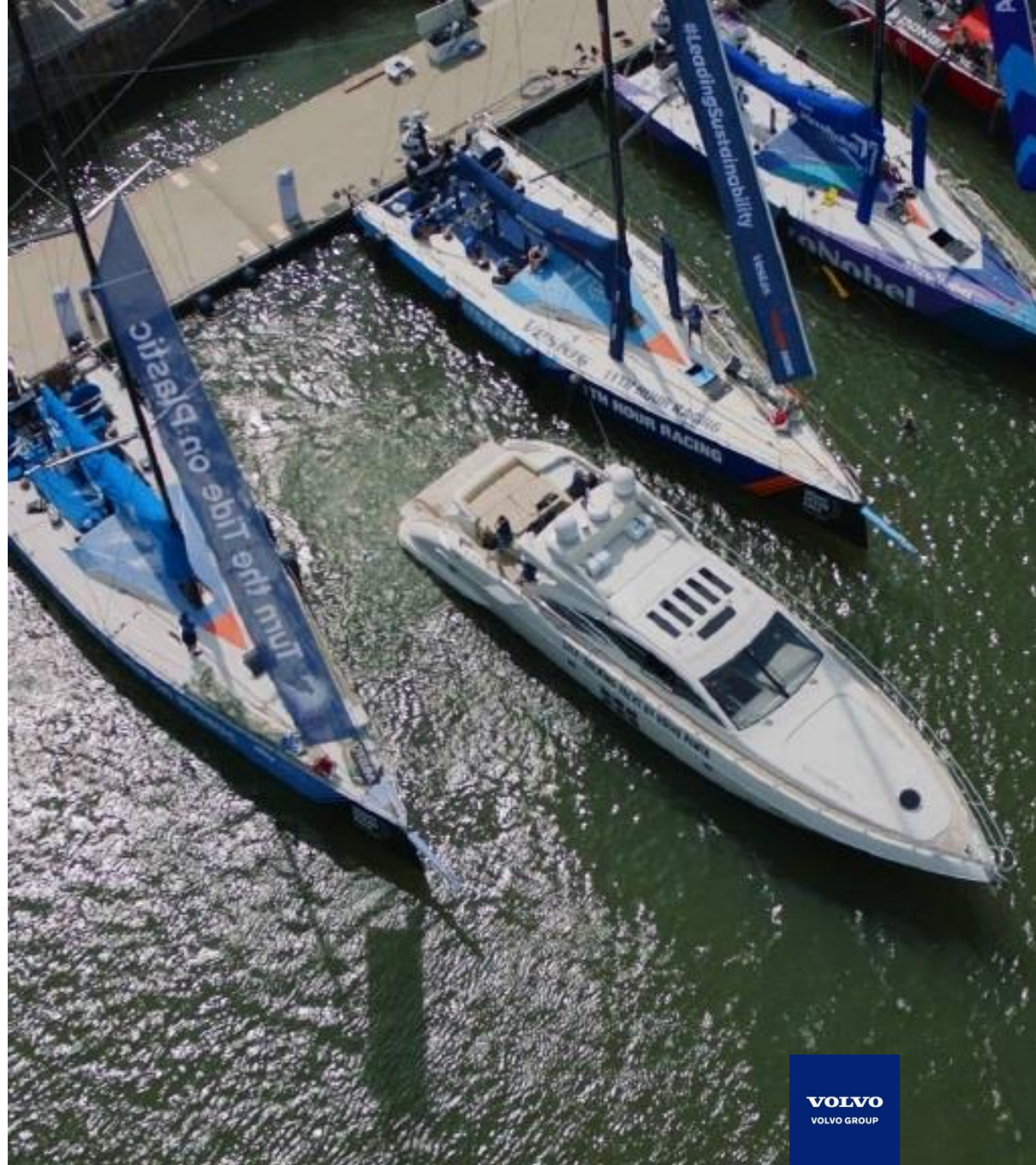
# Buses

- Good order intake mainly driven by North America, Asia and Nordic Region
- Order intake increased by 63%, deliveries decreased by 4%
- New platform for long distance coaches
- Demonstration of an autonomous Volvo 7900
- City of Gothenburg ordered 30 full electric 7900 buses



# Volvo Penta

- Sales growth continues, especially for industrial off-road engines
- Orders increased by 51% with pre-buy effects ahead of new EU Stage V
- Deliveries increased by 7%
- Live demonstration of self-docking technology - targeting commercial launch in 2020
- Volvo Penta targets to commercialize electric power solutions in 2021

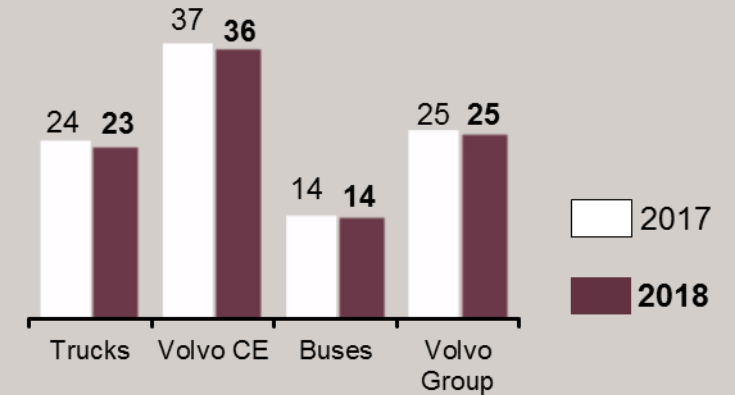




# Financial Services

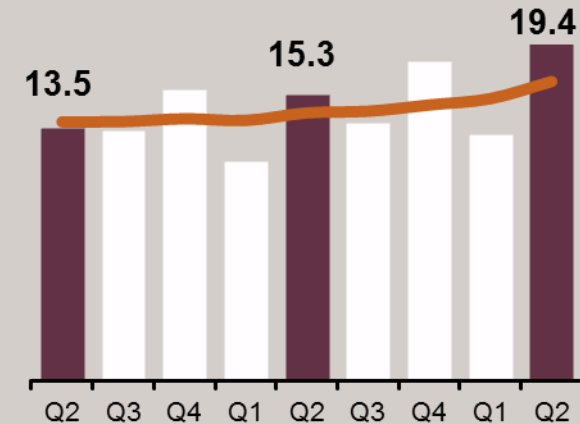
- Strong volume led by North America, Europe and China
- Parts financing program reaches new high in North America
- Bus Rapid Transport system investments in city of Curitiba financed by VFS
- VFS opens captive financing in Slovenia

**PENETRATION RATE, %**  
12 months moving



**NEW RETAIL FINANCING**

SEK bn      12 months 63.5 bn





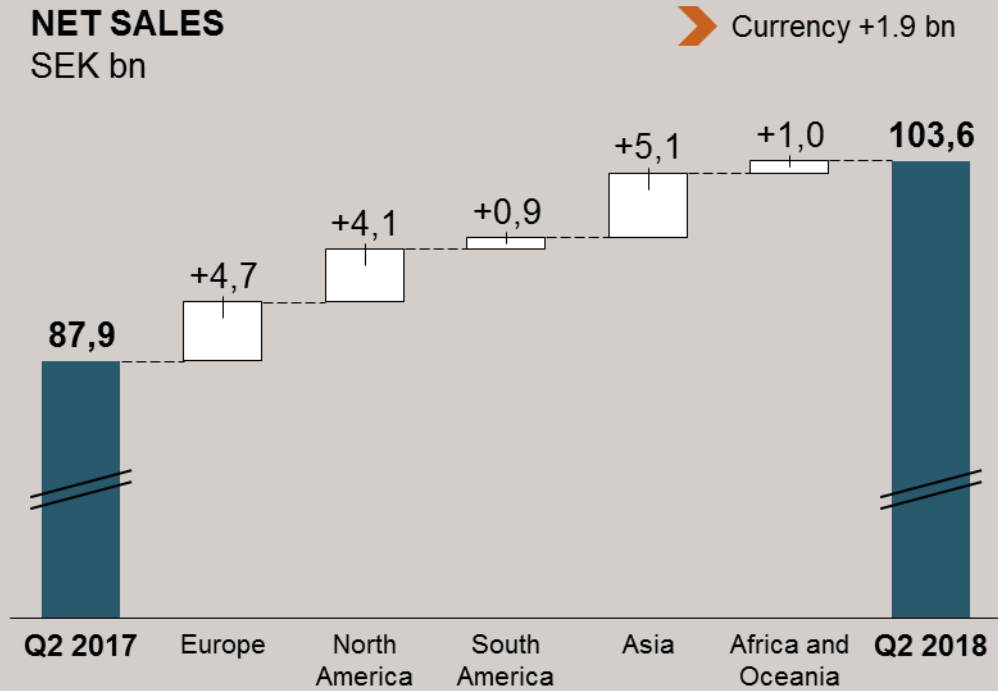
**VOLVO**  
VOLVO GROUP

# Second quarter 2018

Jan Gurander, Deputy CEO and CFO

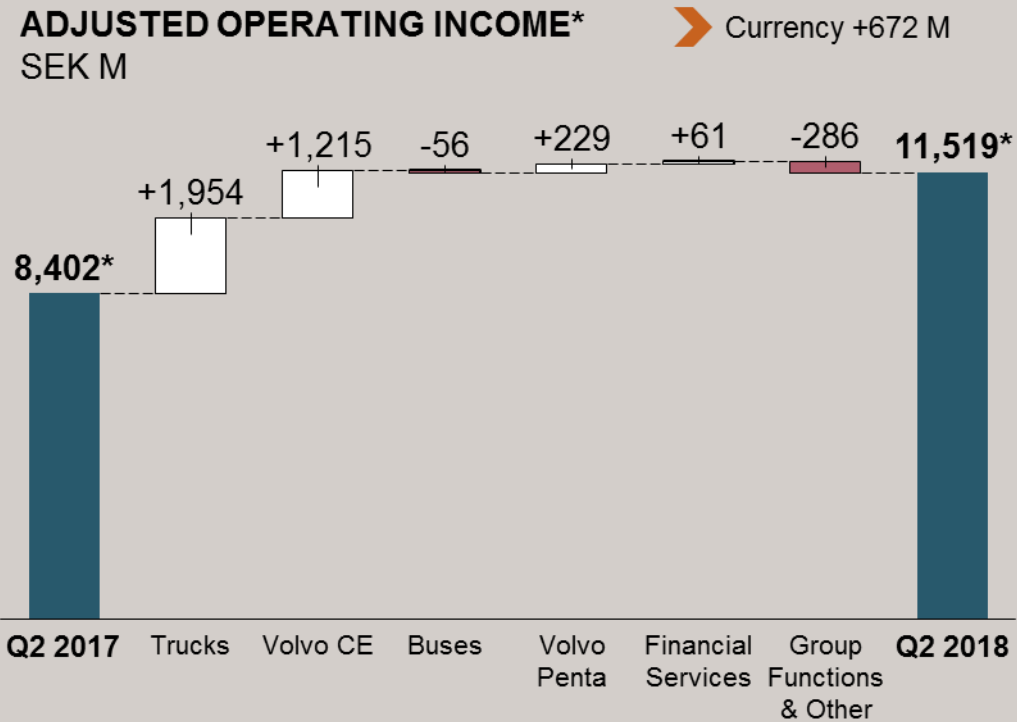
# Volvo Group

## NET SALES PER MARKET



# Volvo Group

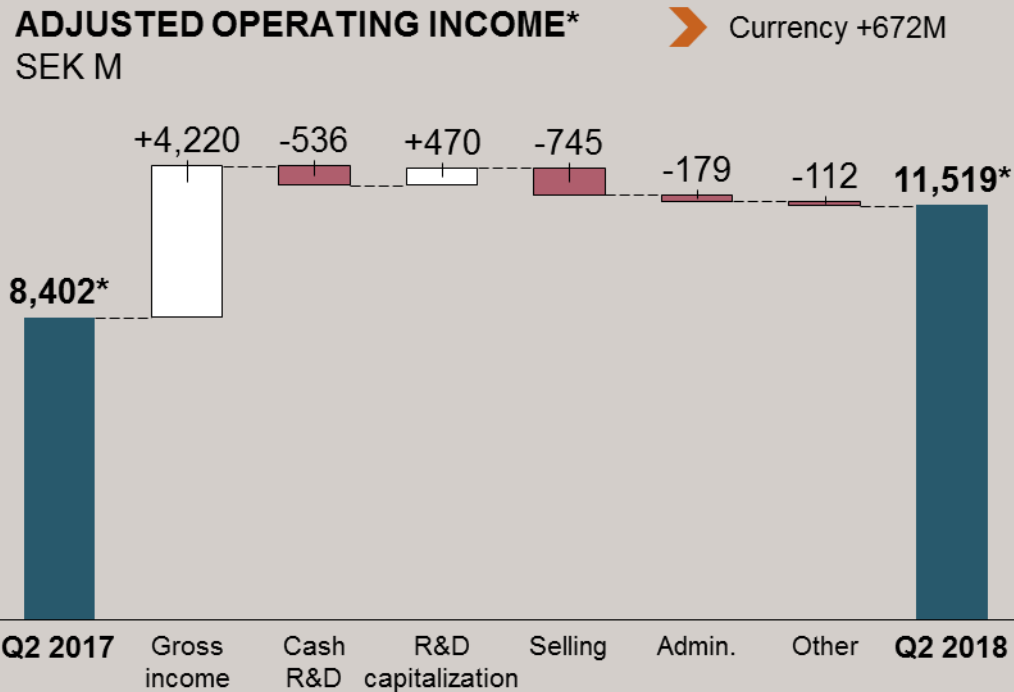
## ADJUSTED OPERATING INCOME PER BUSINESS AREA



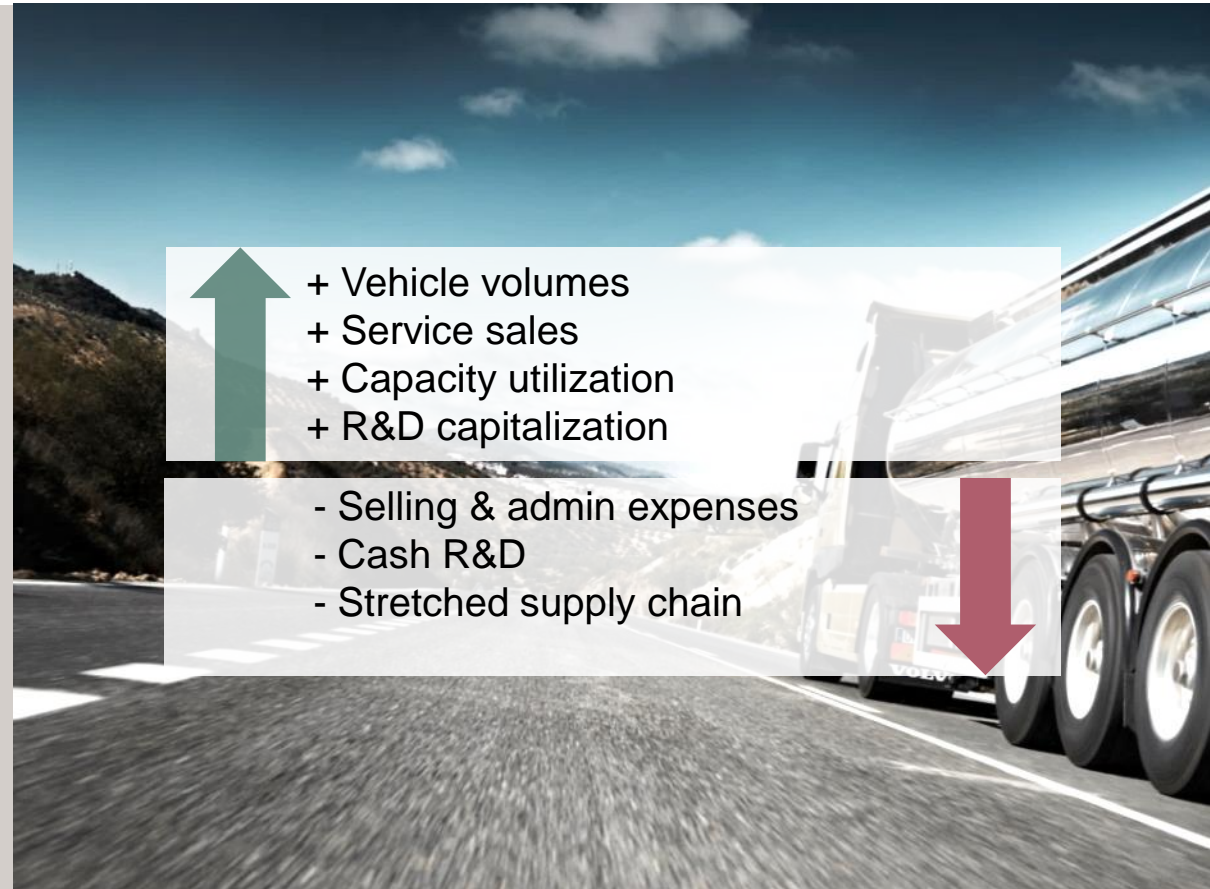
\*Adjustments, see note 7 in Q2 report:  
Q2 2017: No adjustments  
Q2 2018: Significant one-time item of 818 MSEK

# Volvo Group

## ADJUSTED OPERATING INCOME CONTRIBUTORS



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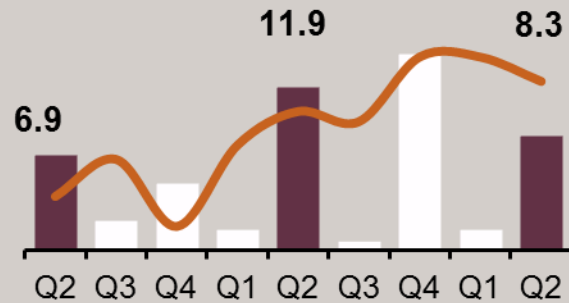


# Volvo Group – Industrial Operations

## CASH FLOW

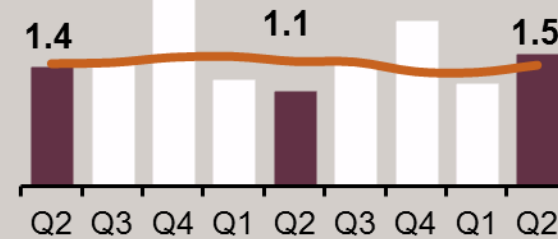
### OPERATING CASH FLOW

SEK bn      — 12 months SEK 24.8 bn



### INVESTMENTS IN PPE

SEK bn      — 12 months SEK 6.1 bn



### CASH FLOW EFFECT FROM CHANGES IN WORKING CAPITAL

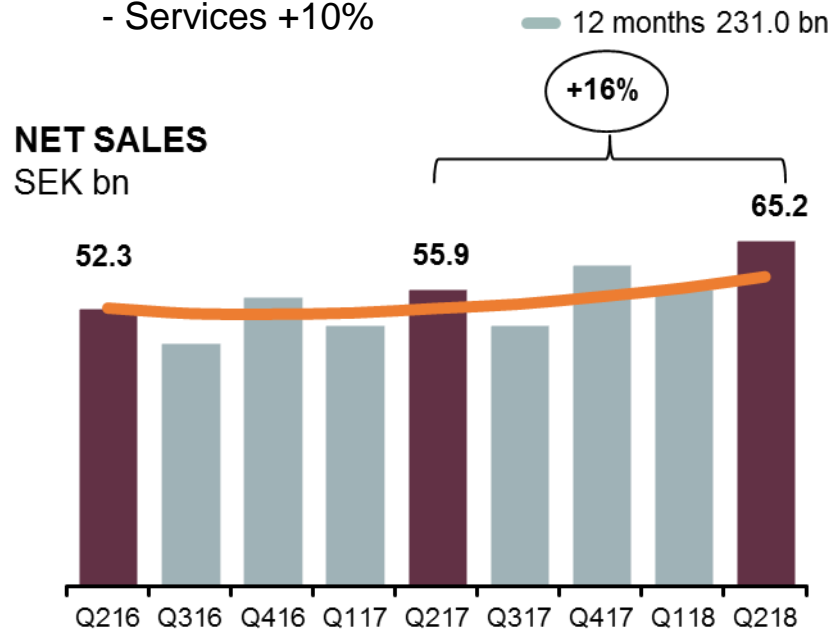
SEK bn



# Trucks

## NET SALES

- Delivered HD/MD trucks +15%:
  - North America +32%
  - Europe +3%
- Net sales currency-adjusted +14%:
  - Vehicles +16%
  - Services +10%

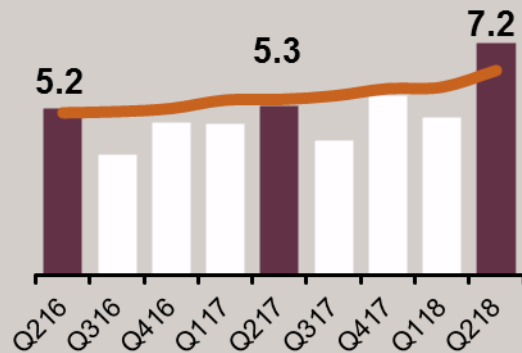


# Trucks

## ADJUSTED OPERATING INCOME

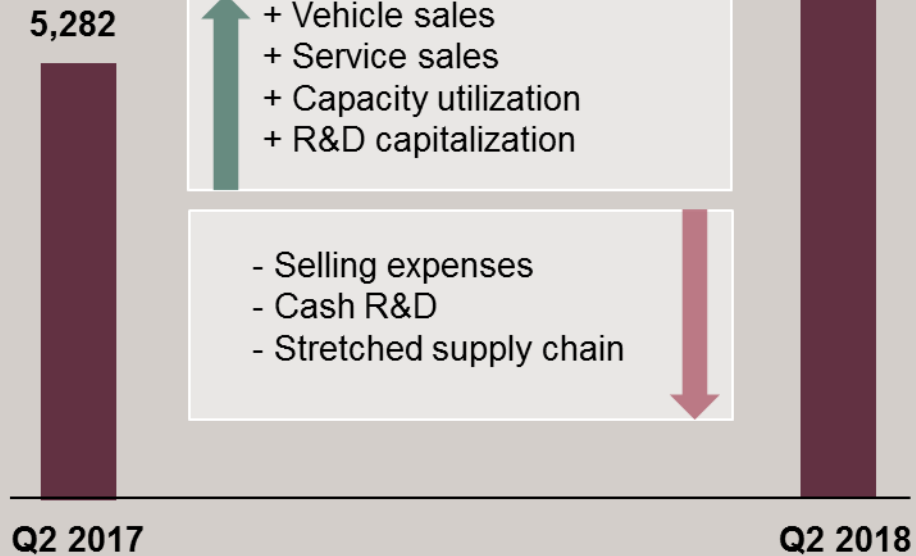
**ADJUSTED OPERATING INCOME\***  
SEK bn

12 months 21.9 bn  
Q2: currency +547 M



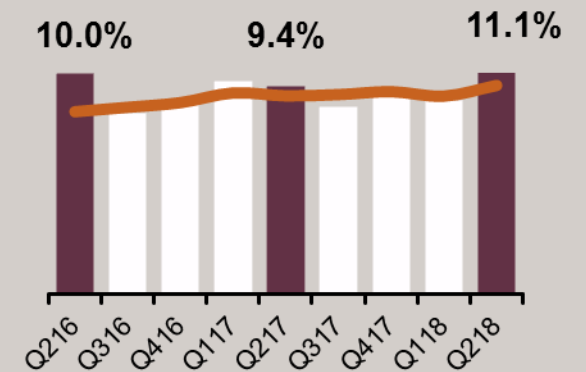
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**ADJUSTED OPERATING INCOME\***  
SEK M



**ADJUSTED OPERATING MARGIN\***  
%

12 months 9.5%

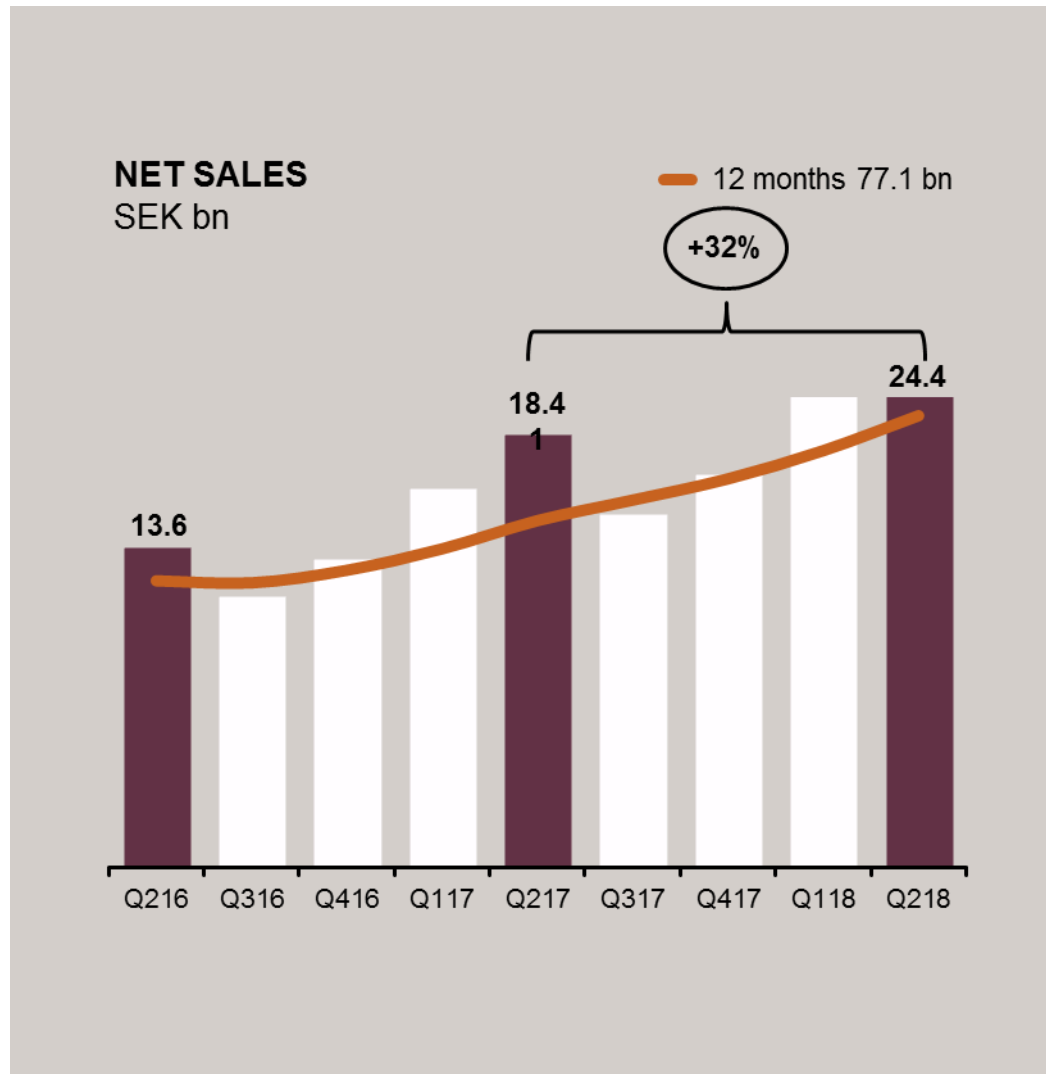


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# Construction Equipment

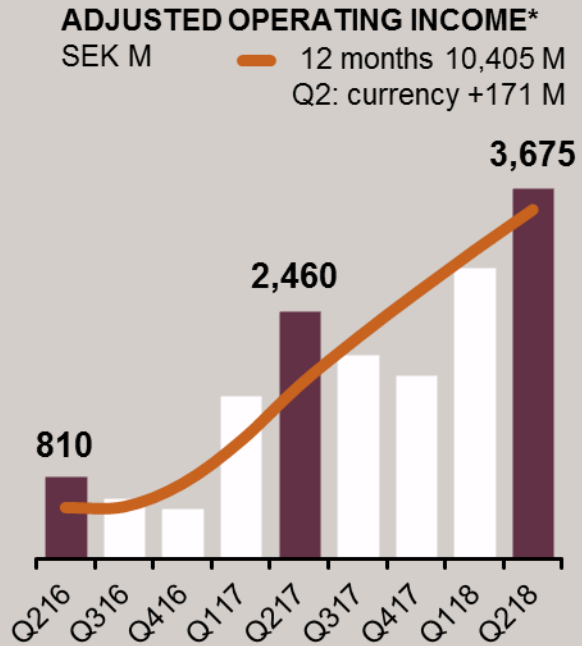
## NET SALES



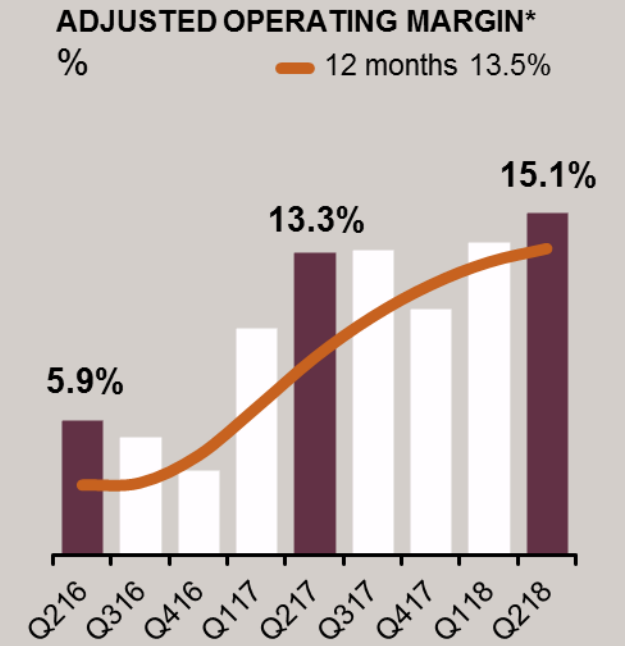
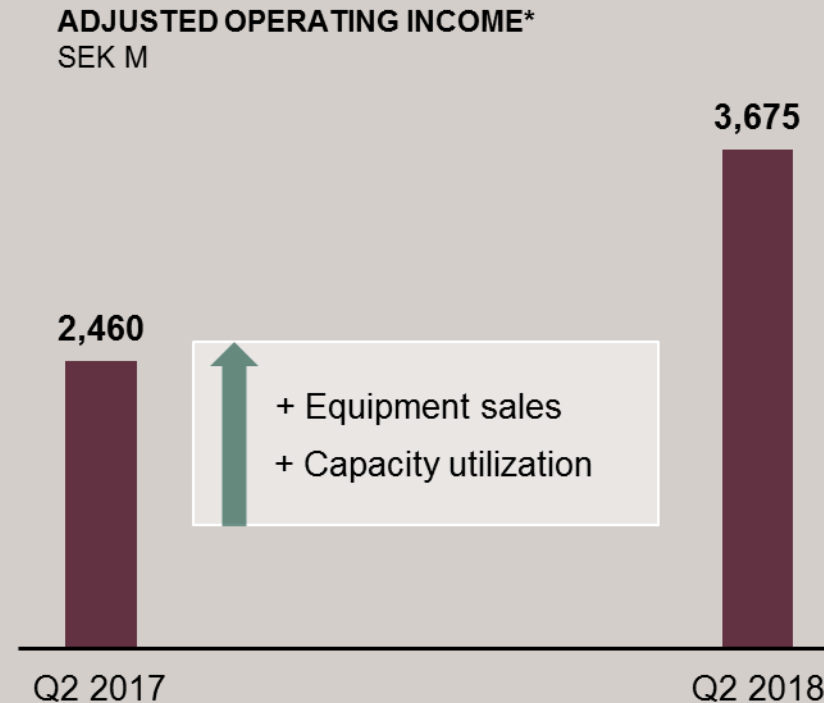
- Delivered machines +38%:
  - Volvo +19%
  - SDLG +66%
  - Large and medium +40%
  - Compact +31%
- Net sales currency-adjusted +30%:
  - Machines +33%
  - Services +9%

# Construction Equipment

## ADJUSTED OPERATING INCOME



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# Buses

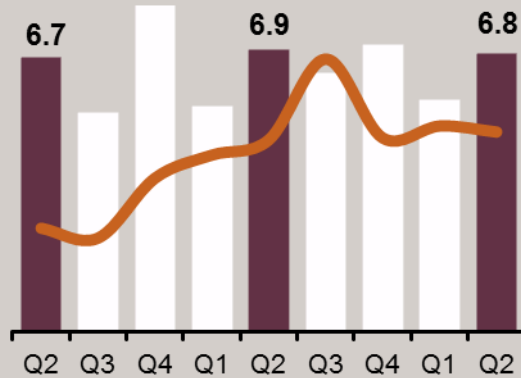
## NET SALES & ADJUSTED OPERATING INCOME

- Net sales currency-adjusted -2%:
  - Vehicles -5%
  - Services +12%
- Adjusted operating income:
  - + Service sales
  - + Product mix
  - Lower volumes
  - R&D expenses
- Adjusted operating margin\* 3.8% (4.6)

### NET SALES

SEK bn

— 12 months 26.0 bn

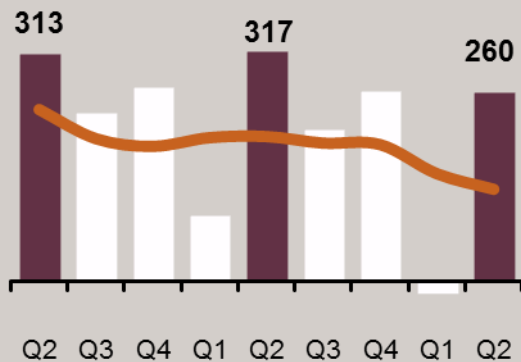


### ADJUSTED OPERATING INCOME\*

SEK M

— 12 months 715 M

Q2: currency -27 M



\*Adjustments, see note 7 in Q2 report:

Q2 2017: No adjustments

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# Volvo Penta

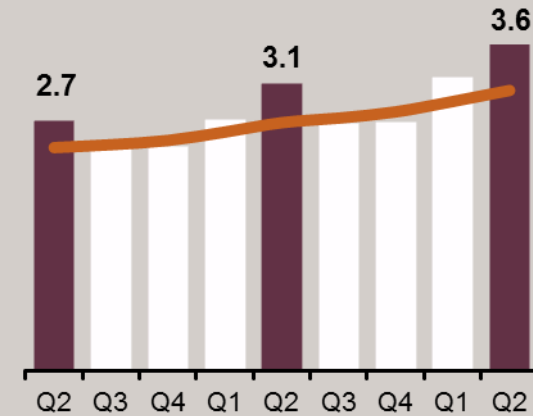
## NET SALES & ADJUSTED OPERATING INCOME

- Net sales currency-adjusted +12%:
  - Engines +13%
  - Services +9%
- Adjusted operating income:
  - + Higher sales
  - + Product mix
  - + R&D capitalization
- Adjusted operating margin\* 19.9% (15.5)

### NET SALES

SEK bn

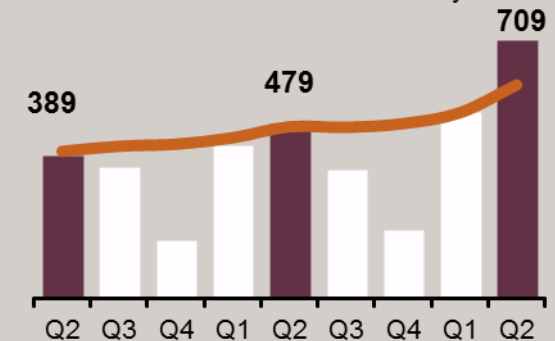
— 12 months 12.0 bn



### ADJUSTED OPERATING INCOME\*

SEK M

— 12 months 1,758 M  
Q2: currency +68 M



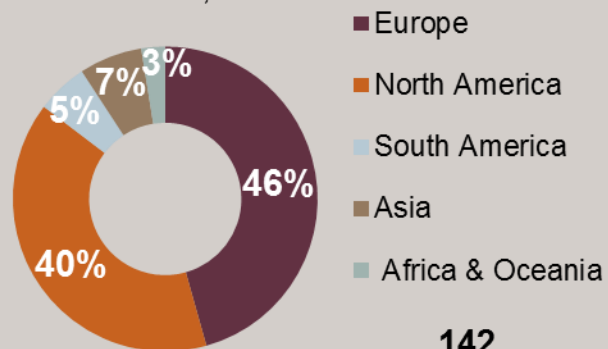
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# Financial Services

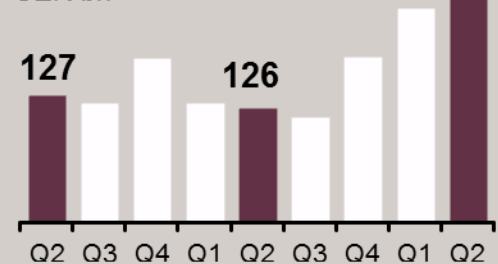
## CREDIT PORTFOLIO AND PROFITABILITY

### CREDIT PORTFOLIO, NET

PER MARKET, %

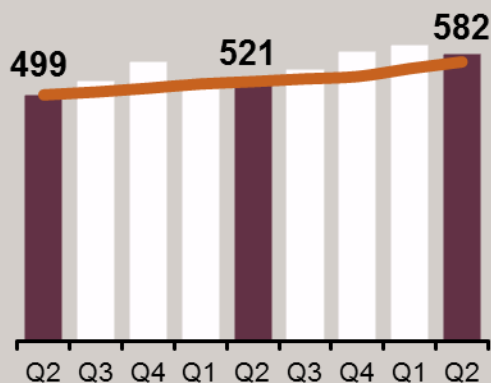


SEK bn



### ADJUSTED OPERATING INCOME\*

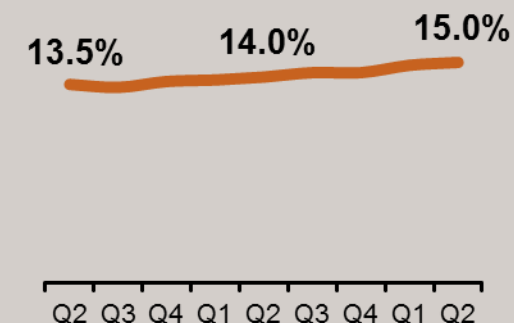
SEK M  
 12 months 2,325 M  
 Q2: currency -4 M



\*Adjustments, see note 7 in Q1 report:  
 Q2 2017: No adjustments  
 Q2 2018: No adjustments

### ROE<sup>1</sup>

12 months, %



1) Excluding positive revaluation effect in Q4 2017 of SEK 897 M related to new tax rates in USA. Reported ROE including revaluation effect was 23.0% in Q2 2018 (12 months).

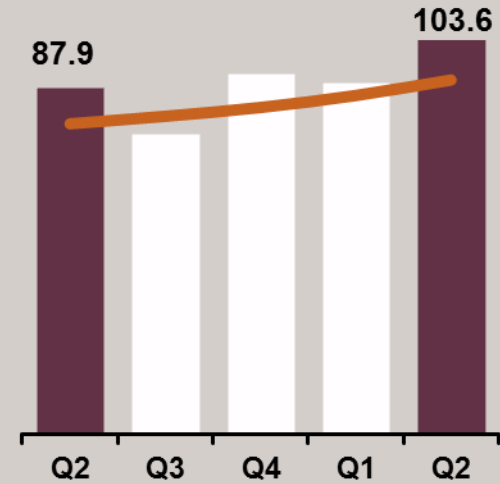
# Volvo Group

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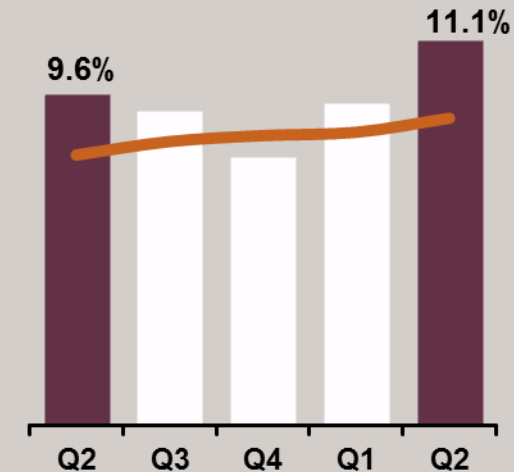
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### ADJUSTED OPERATING MARGIN\*

% — 12 months 9.4%



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GLOBALTROTTER

**VOLVO**  
VOLVO GROUP