



VOLVO
VOLVO GROUP

Fourth quarter 2018

Martin Lundstedt, President and CEO

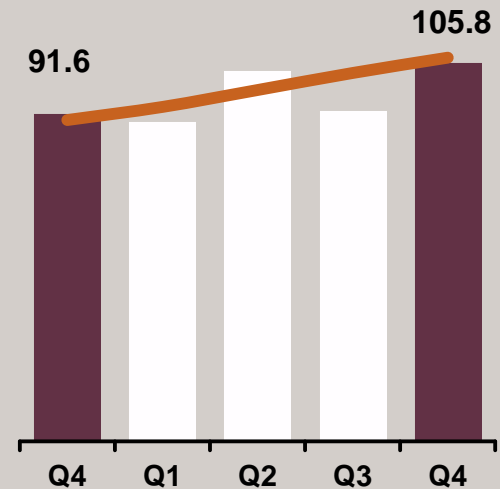
Volvo Group

FOURTH QUARTER HIGHLIGHTS

- Net sales +SEK 14.2 bn, up 16% (+10% excl. currency)
- Adjusted operating income increased to SEK 10.6 bn (7.1)
- Trucks' adjusted operating margin 10.9% (9.2)
- Construction Equipment's adjusted operating margin 10.6% (10.9)

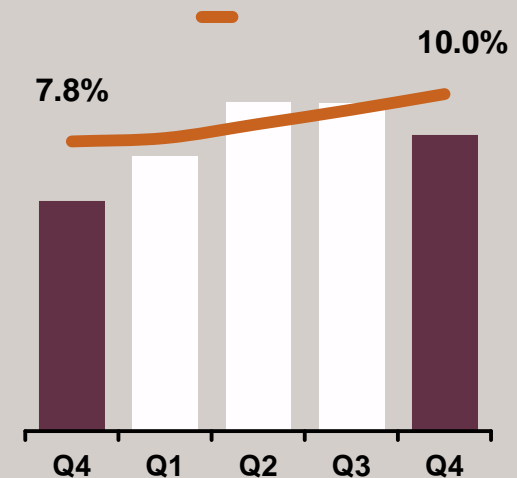
NET SALES

SEK bn — 12 months 391 bn



ADJUSTED OPERATING MARGIN*

% — 12 months 10.4%



*Adjustments, see note 7 in Q4 report:

Q4 2017: No adjustments

Q4 2018: Emission system provision of SEK 7 bn.

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

Volvo Group

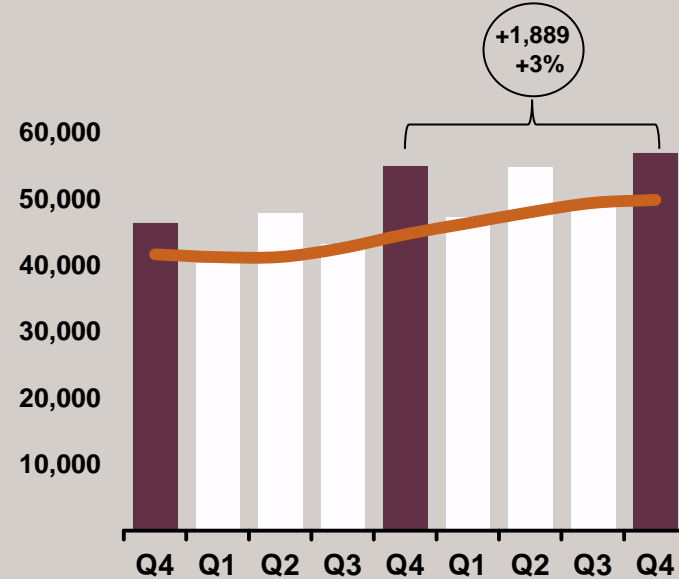
VOLUME DEVELOPMENT IN THE FOURTH QUARTER



TRUCK DELIVERIES

Units HD/MD

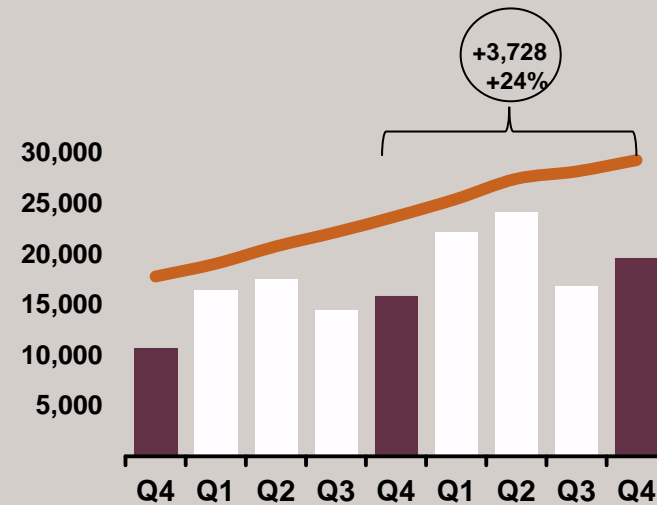
12 months 207,951



MACHINE DELIVERIES

Units

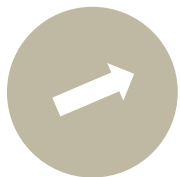
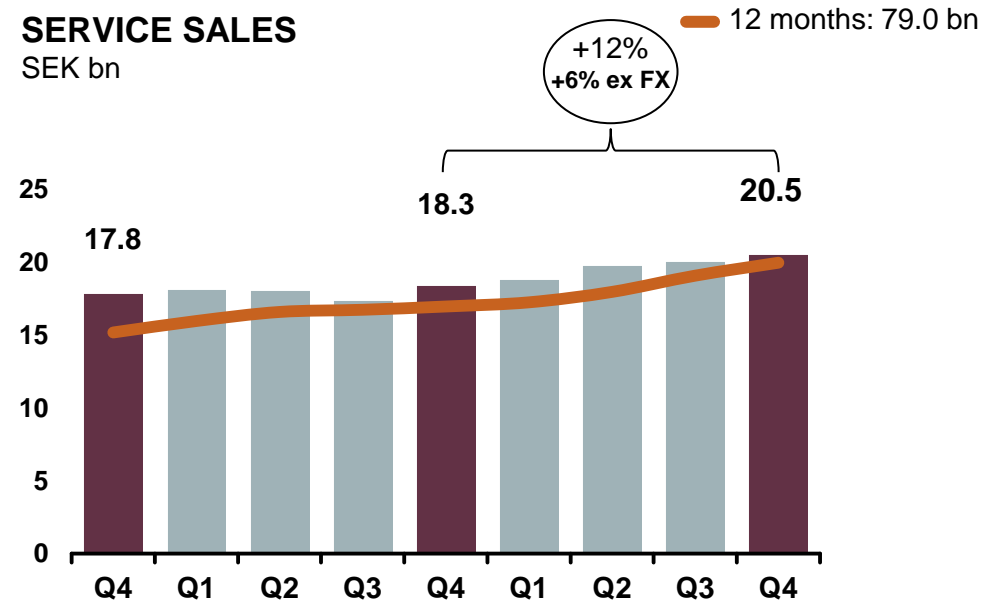
12 months 82,654



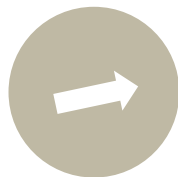
Volvo Group

SERVICE SALES DEVELOPMENT

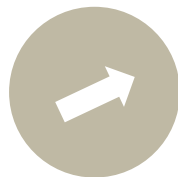
SERVICE SALES SEK bn



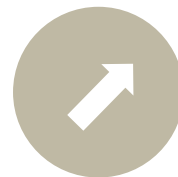
TRUCKS



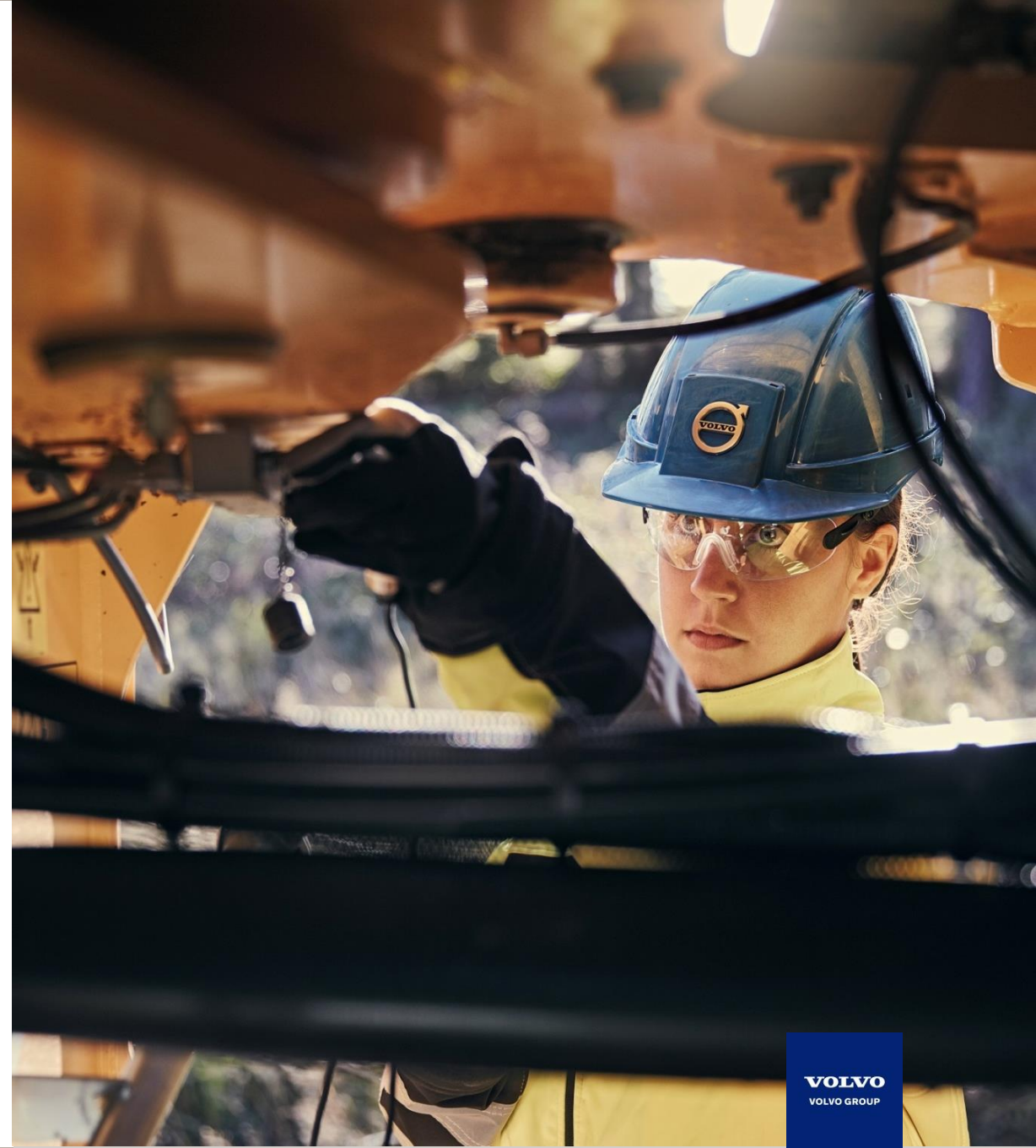
CONSTRUCTION
EQUIPMENT



BUSES



VOLVO PENTA



Trucks

- Good demand in key regions
- Order intake decreased 14%
- Increased deliveries with 3% despite stretched supply chain, in particular in North America
- Dongfeng Trucks launch new generation of HD and MD trucks in China
- UD Trucks introduced a captive 8-liter engine which broadens the UD HD range in Japan and selected international markets



Dongfeng Trucks new HD tractor



UD Quon with 8-liter engine

Trucks

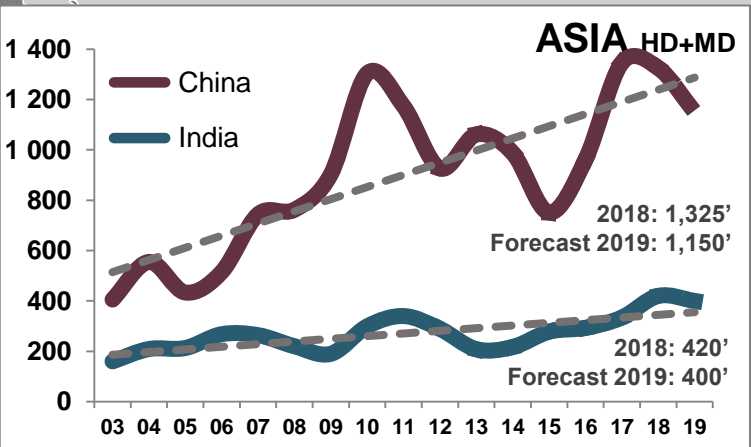
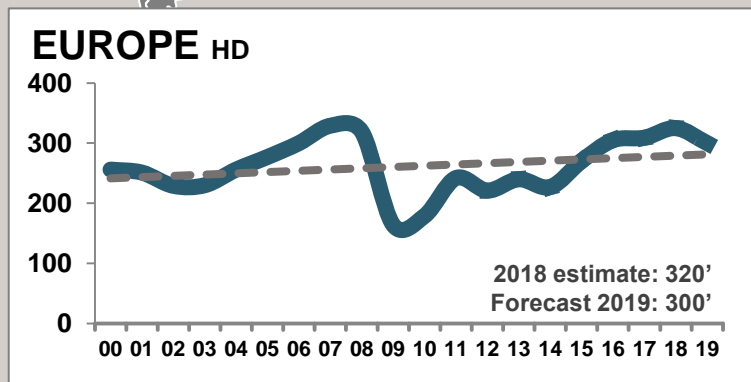
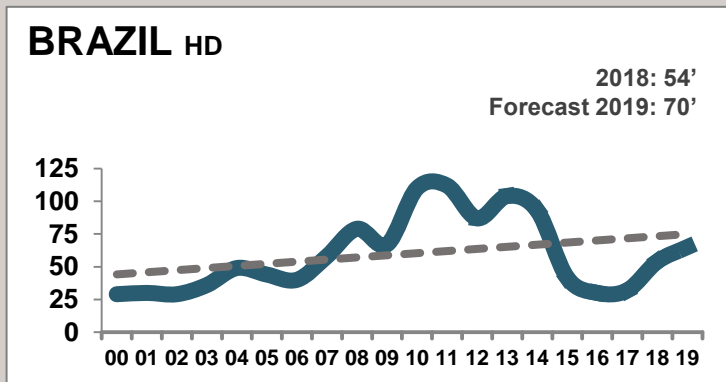
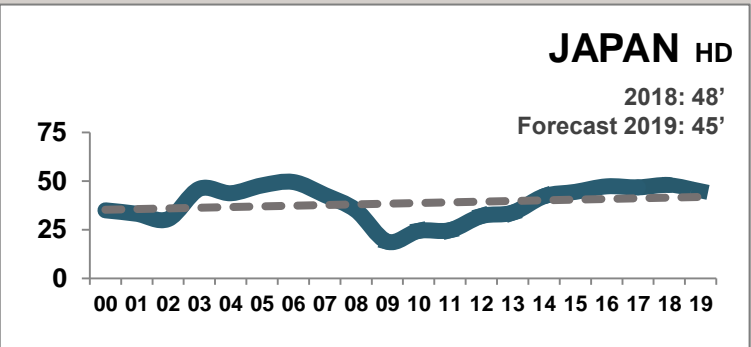
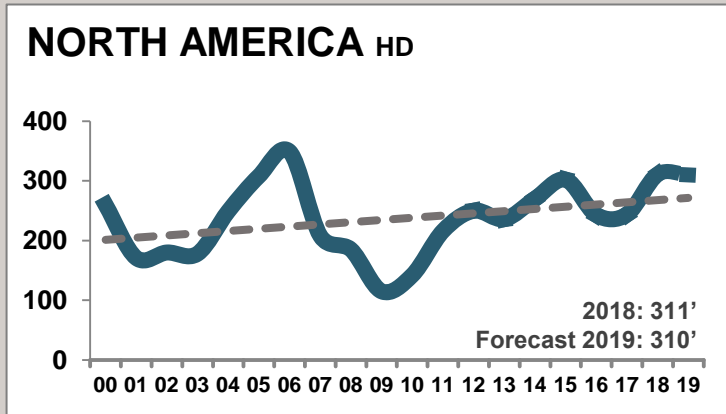
VOLVO TRUCKS

- Volvo Trucks signed a landmark agreement with Brønnøy Kalk AS in Norway, to provide its first commercial autonomous transport solution
- Tests of this solution have been carried out successfully 2018 and will be to become fully operational by the end of 2019
- The autonomous Volvo FH trucks are managed by the operator of a wheel loader



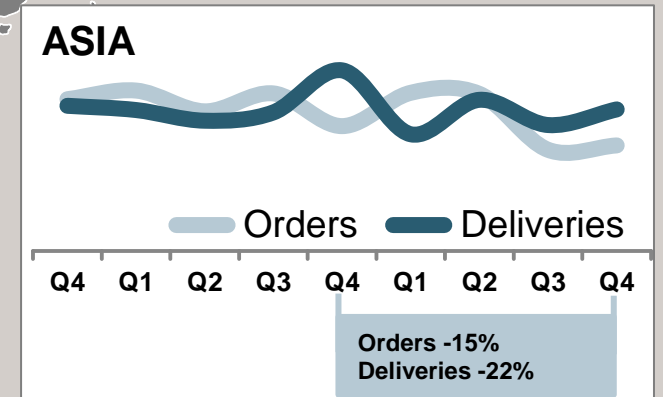
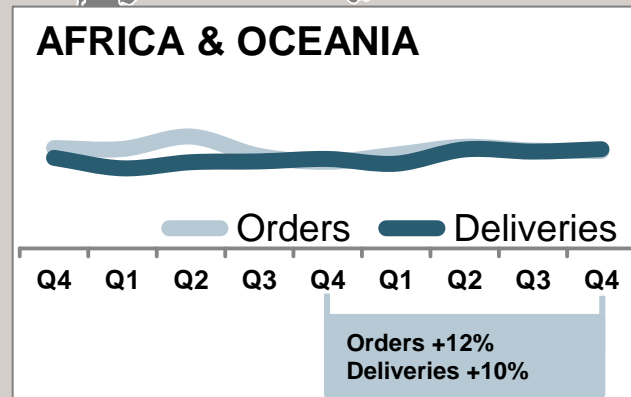
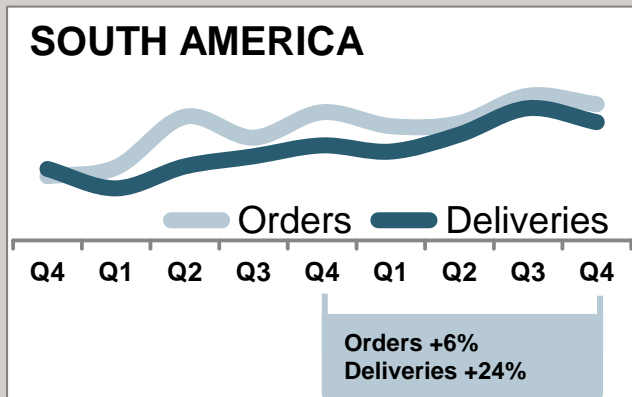
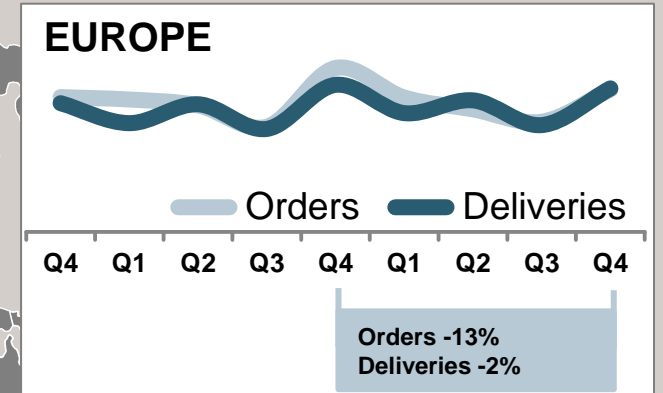
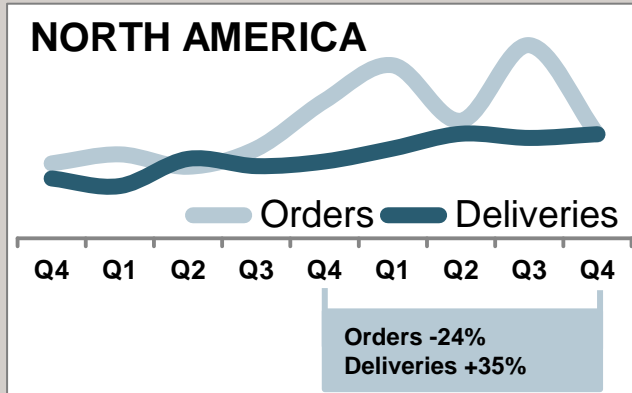
Trucks

MARKET ENVIRONMENT



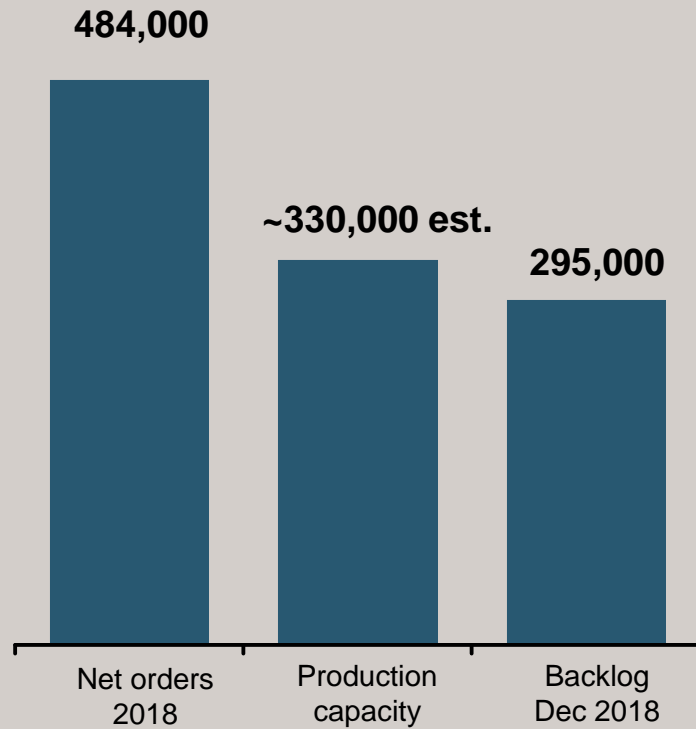
Trucks

HD/MD: QUARTERLY ORDERS -14% AND DELIVERIES +3%



Trucks

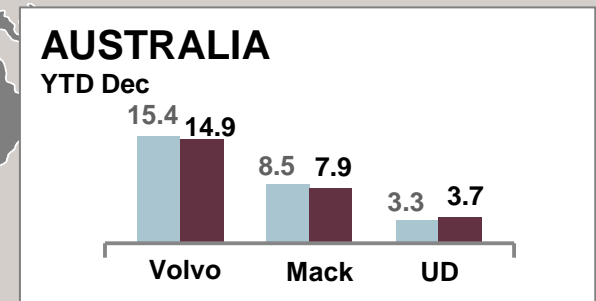
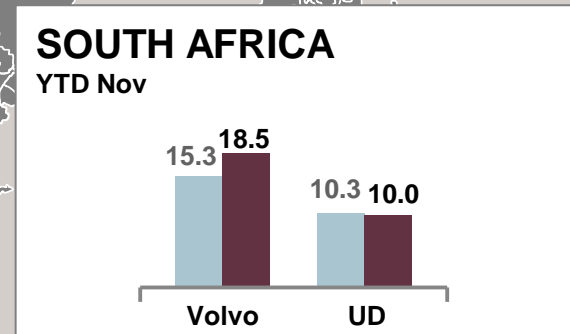
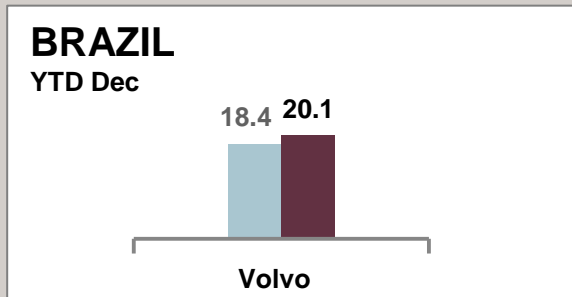
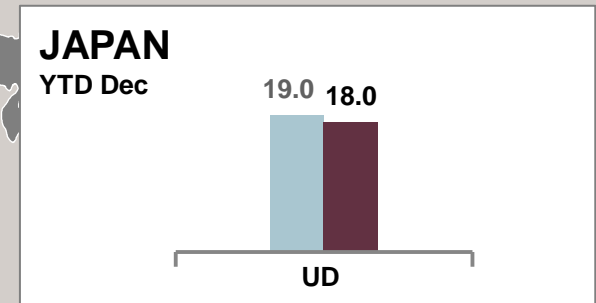
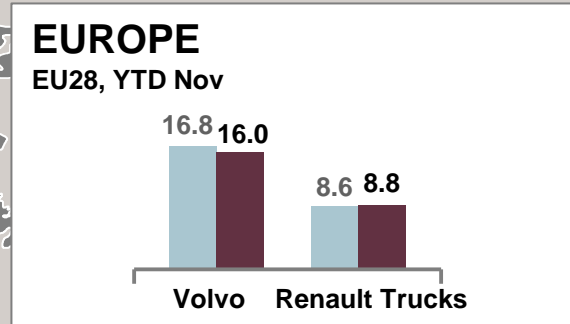
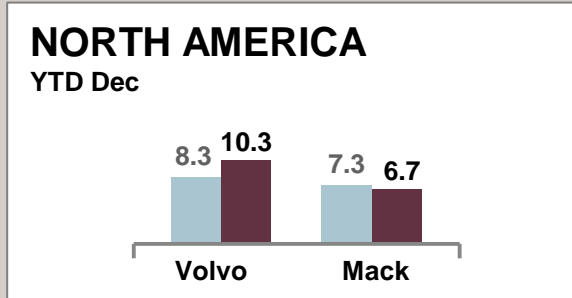
NORTH AMERICAN INDUSTRY DEMAND AND SUPPLY



- Net order intake accelerated in 2018
- Industrial capacity estimated to approximately 330,000 units
- 18Q4 order slow-down expected
 - Order quality is in focus
 - 2019 basically sold out

Trucks

MARKET SHARES



HD% 2017 2018

Construction Equipment

- Good demand in key regions
- Order intake increased 9% and deliveries increased 24%
- Volvo CE and Skanska test with electric, autonomous and connected machines concluded:
 - ~ 98% reduction in carbon emissions
 - ~ 70% reduction in energy costs
 - ~ 40% reduction in operator costsIncreased safety



Construction Equipment

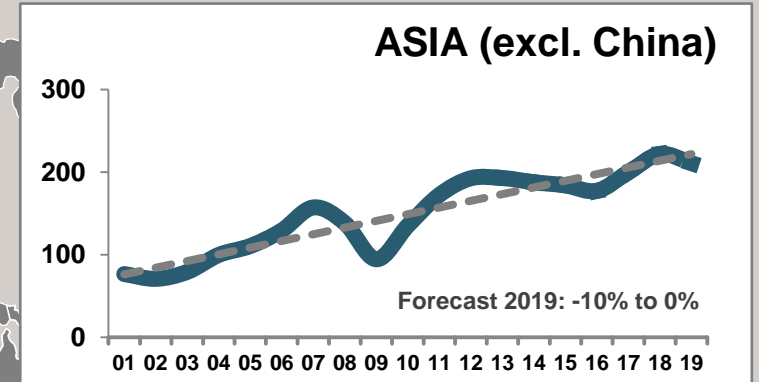
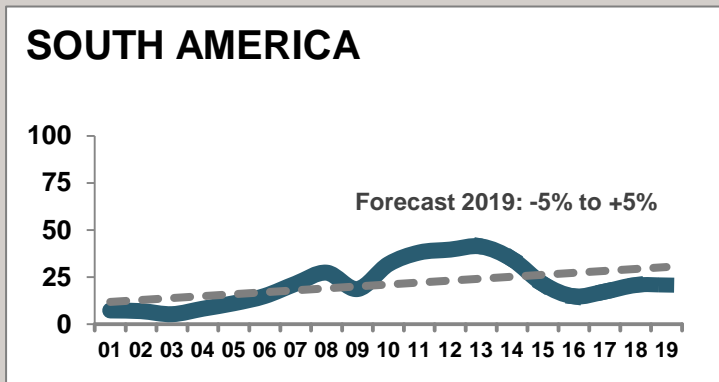
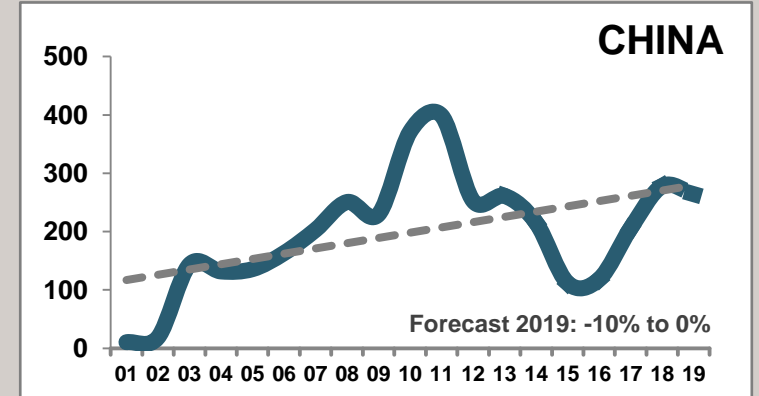
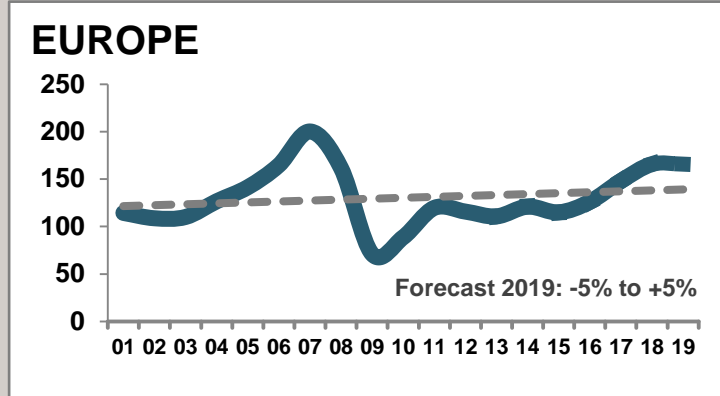
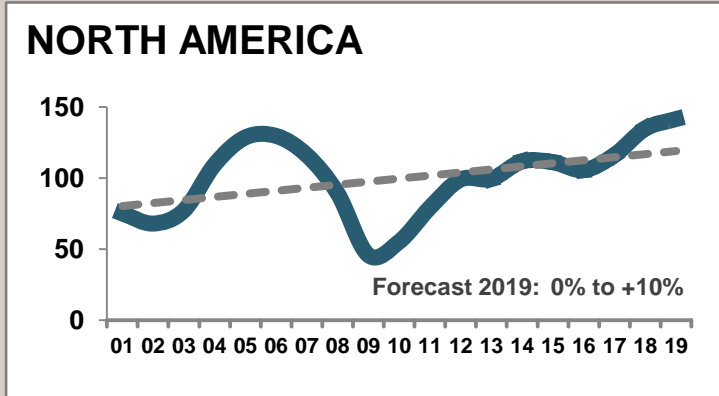
ELECTRIC COMPACT EQUIPMENT LAUNCH

- Volvo CE is the first manufacturer to commit to an electric future for its smaller compact machine range
- Launching fully electric compact wheel loaders and compact excavators mid-2020
- Stopping diesel engine development for these models



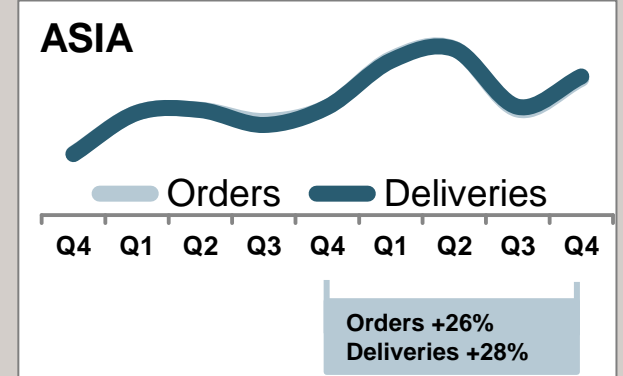
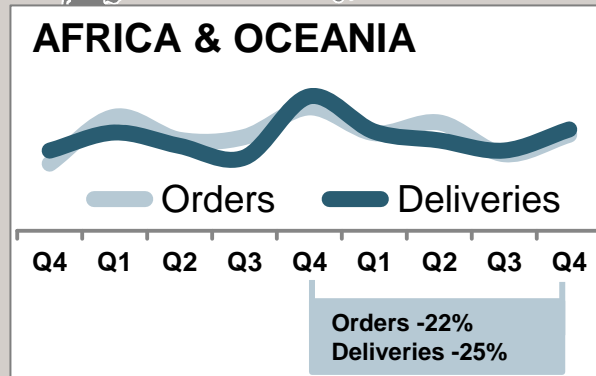
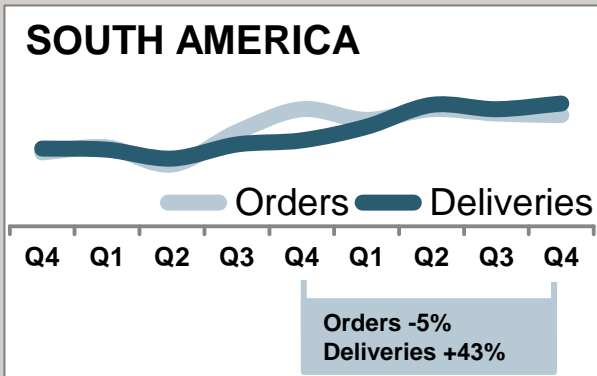
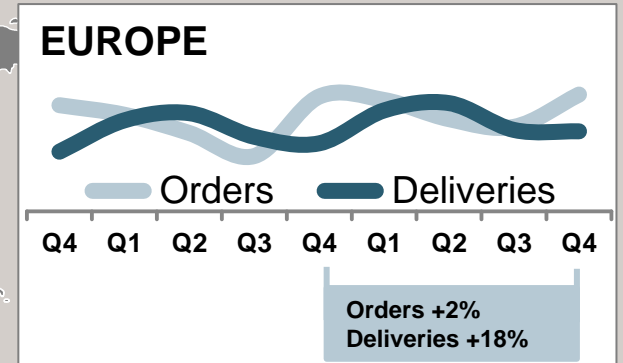
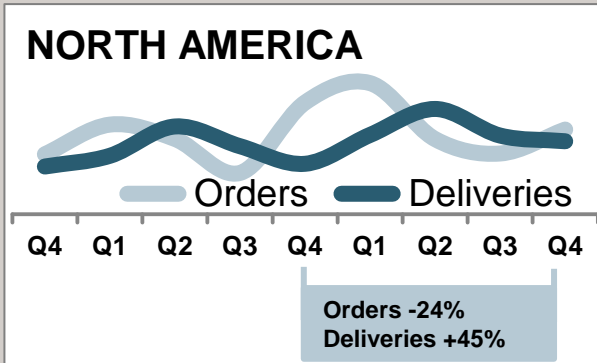
Construction Equipment

MARKET ENVIRONMENT



Construction Equipment

QUARTERLY ORDERS +9% AND DELIVERIES +24%



Buses

- Good demand across key regions and net order intake increased by 56%
- Deliveries declined by 13% mainly due to the UK and North America
- Important order of 700 units for Bogotá Bus Rapid Transport (BRT) system



Volvo Penta

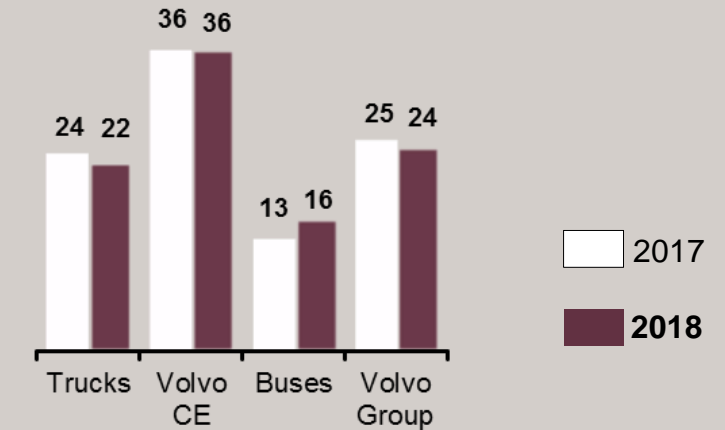
- Sales growth continues, especially for industrial off-road engines
- Pre-buy in Europe due to EU Stage V implementation Jan 1, 2019
- Order intake decreased by 19% while deliveries increased by 47%
- Inboard Performance System (IPS) test on 94 foot yacht reducing fuel consumption by approx. 45%



Financial Services

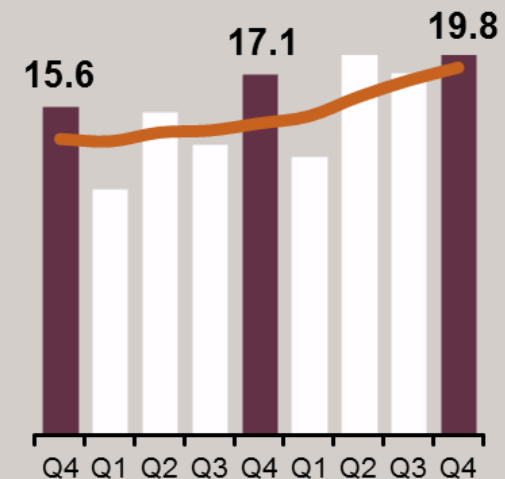
- Record quarterly new business volume across most major markets
- First construction equipment finance company in China to offer direct payment solutions via WeChat
- Launched fintech start-up accelerator iLabX

PENETRATION RATE, %
12 months moving



NEW RETAIL FINANCING

SEK bn 12 months 69.7 bn





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Fourth quarter 2018

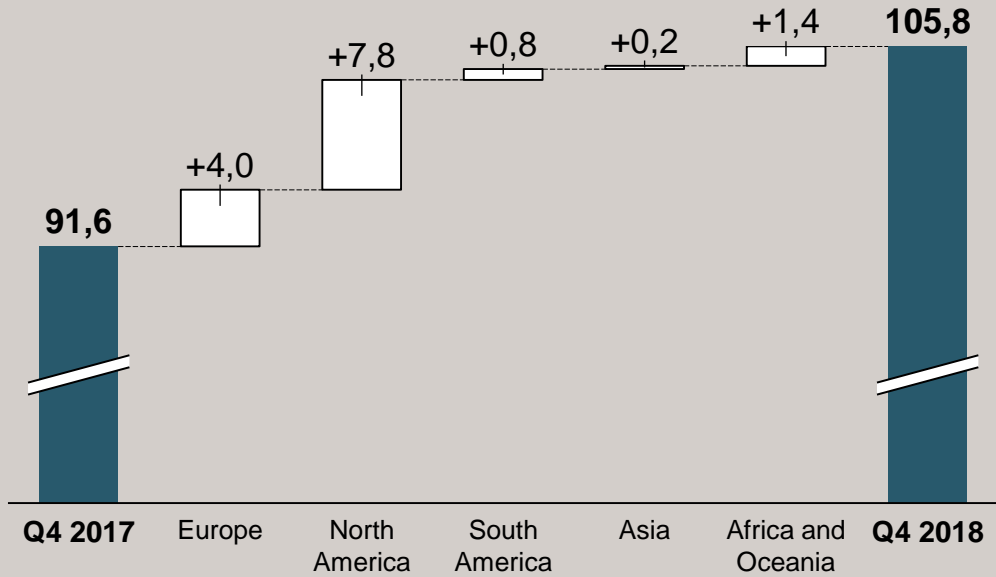
Jan Ytterberg, CFO

Volvo Group

NET SALES PER MARKET

NET SALES
SEK bn

➤ Currency +5.4 bn

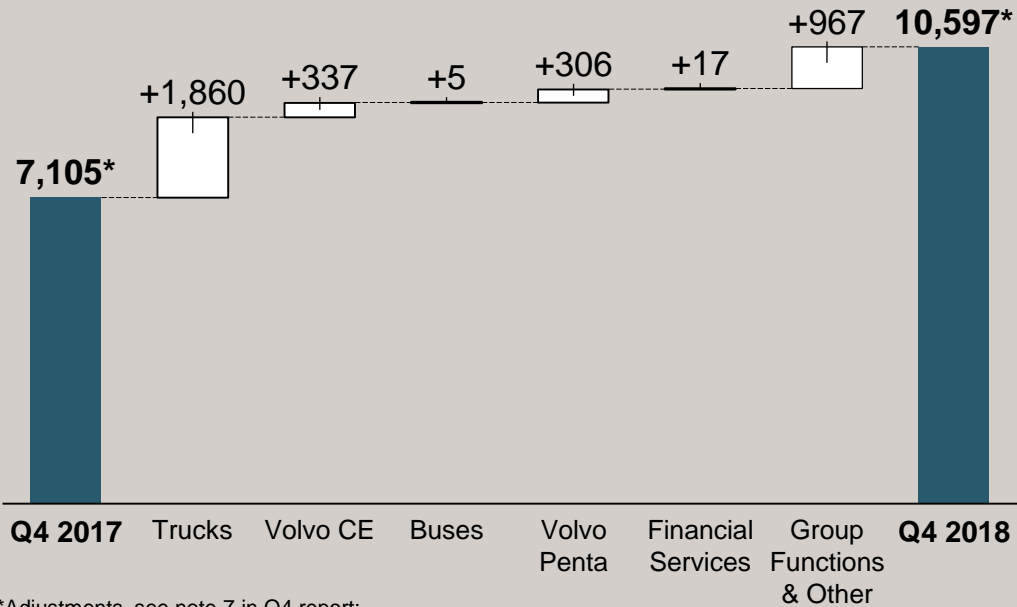


Volvo Group

ADJUSTED OPERATING INCOME PER BUSINESS AREA

ADJUSTED OPERATING INCOME*
SEK M

➤ Currency +1,225 M



*Adjustments, see note 7 in Q4 report:

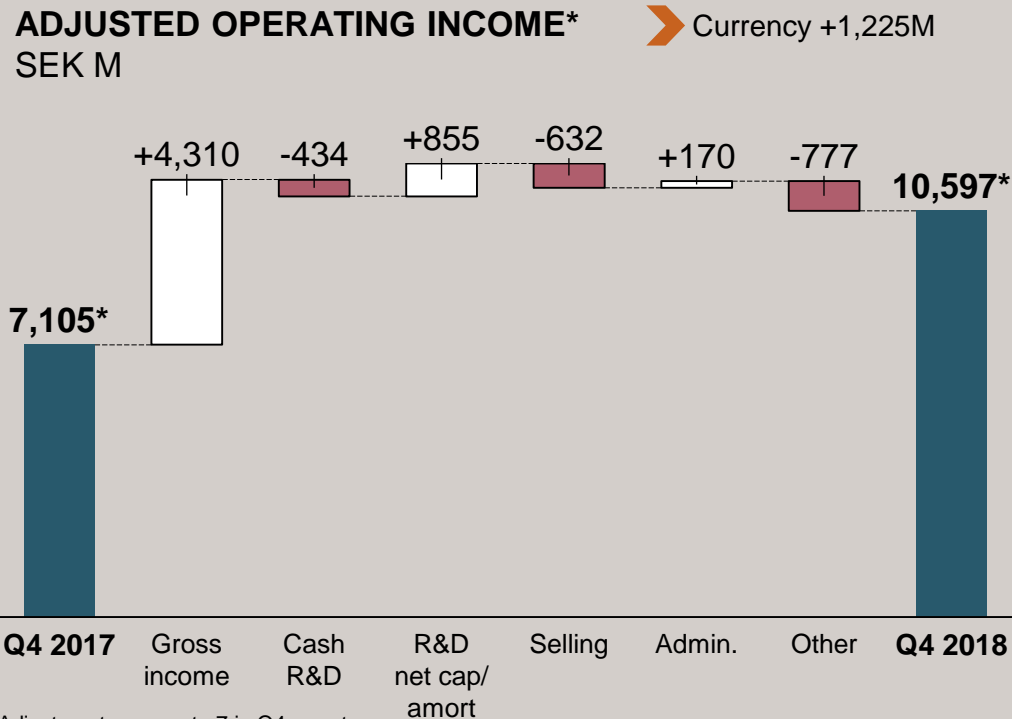
Q4 2017: No adjustments

Q4 2018: Emission system provision of SEK 7 bn.



Volvo Group

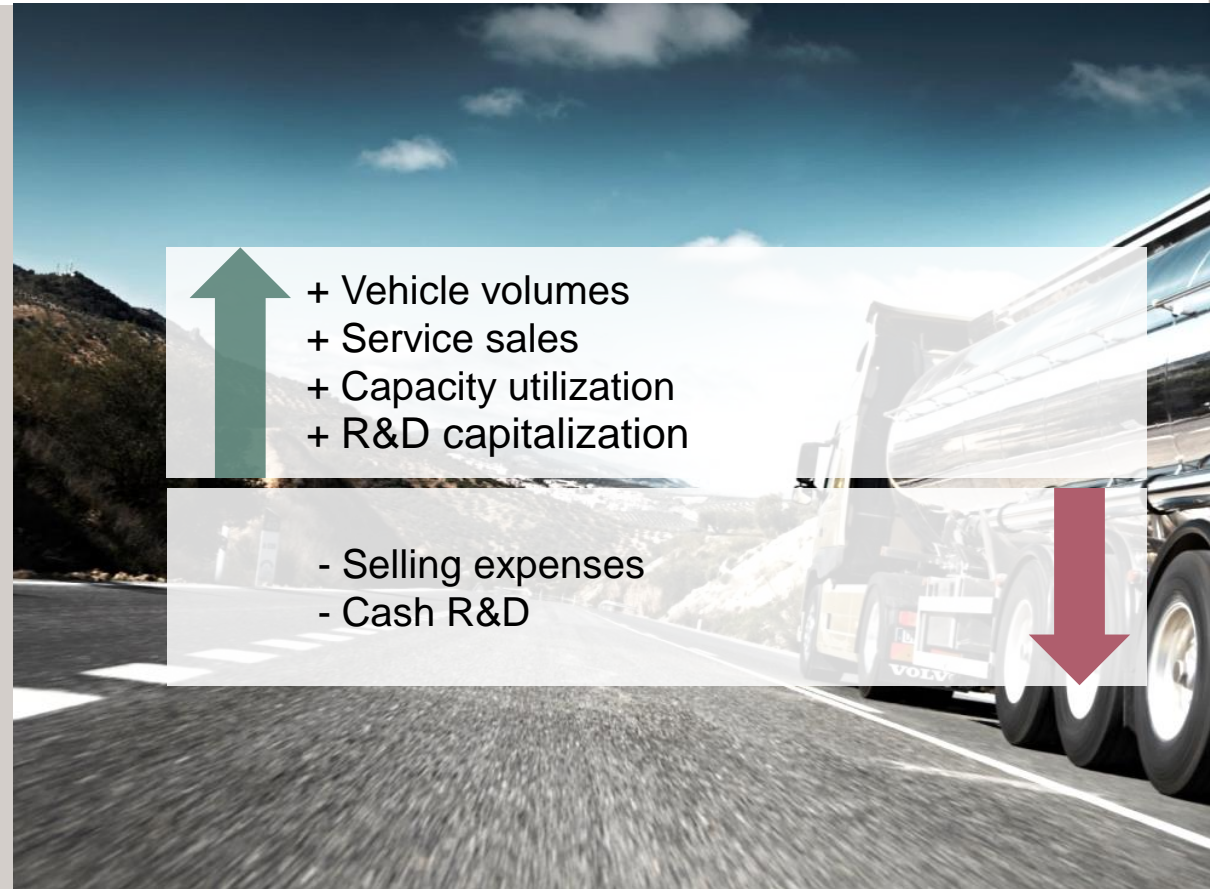
ADJUSTED OPERATING INCOME CONTRIBUTORS



*Adjustments, see note 7 in Q4 report:

Q4 2017: No adjustments

Q4 2018: Emission system provision of SEK 7 bn.

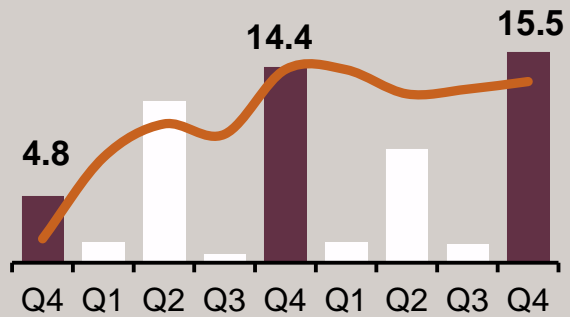


Volvo Group – Industrial Operations

CASH FLOW

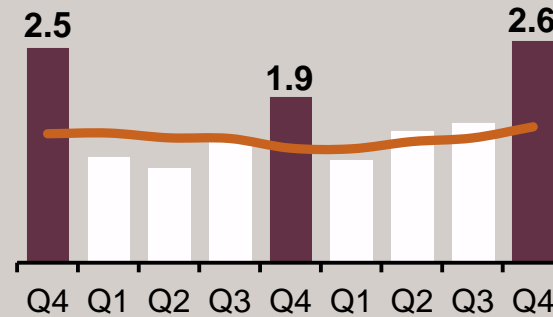
OPERATING CASH FLOW

SEK bn 12 months SEK 26.6 bn



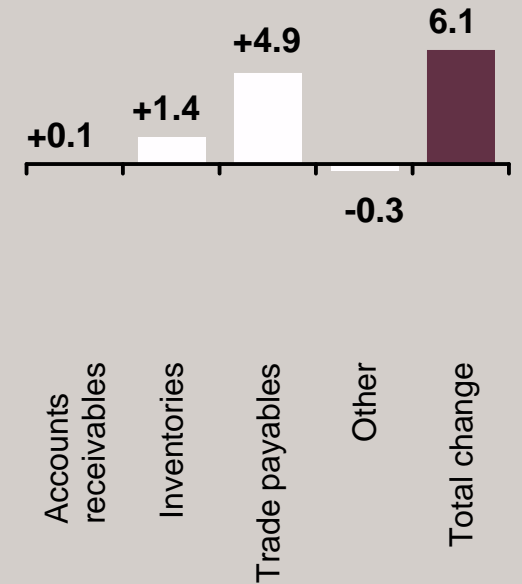
INVESTMENTS IN PPE

SEK bn 12 months SEK 7.0 bn



CASH FLOW EFFECT FROM CHANGES IN WORKING CAPITAL

SEK bn

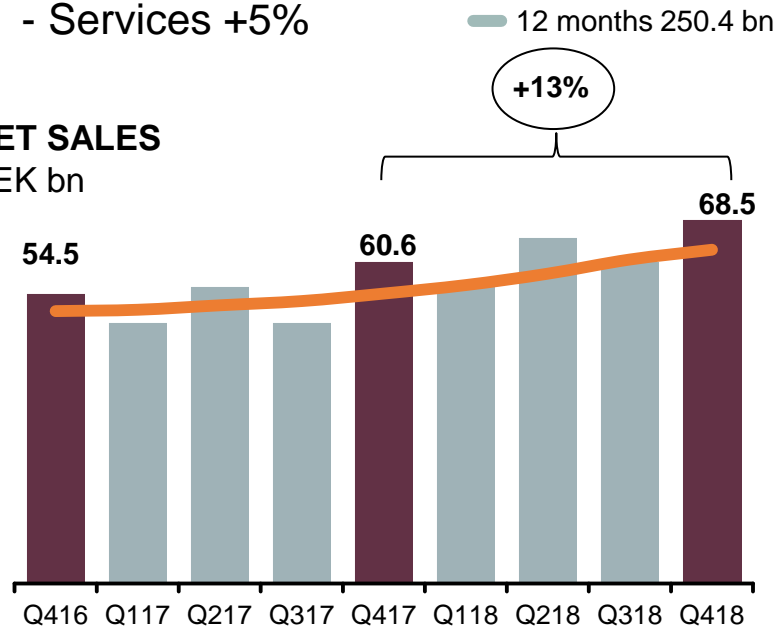


Trucks

NET SALES

- Delivered HD/MD trucks +3%
 - North America +35%
 - Europe -2%
- Net sales currency-adjusted +7%:
 - Vehicles +8%
 - Services +5%

NET SALES SEK bn



Volvo Group
Fourth quarter 2018
23 2019-01-30

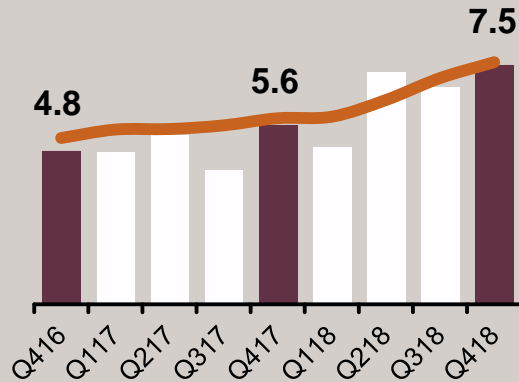


Trucks

ADJUSTED OPERATING INCOME

ADJUSTED OPERATING INCOME*

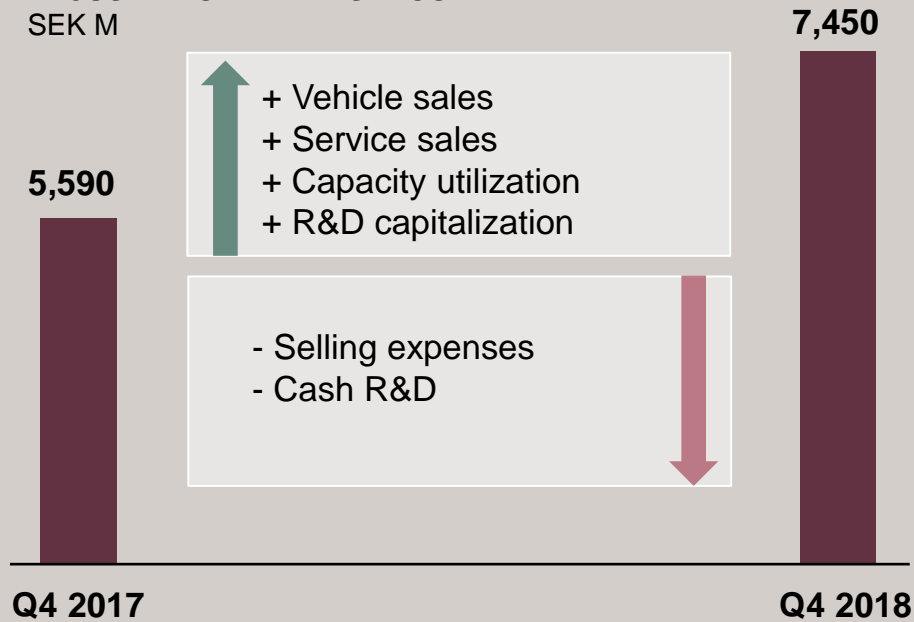
SEK bn
 12 months 26.4 bn
 Q4: currency +841 M



*Adjustments, see note 7 in Q4 report:
 Q4 2017: No adjustments
 Q4 2018: Emission system provision of SEK 6.8 bn.

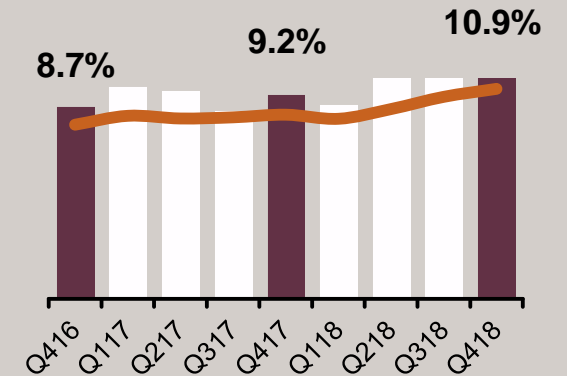
ADJUSTED OPERATING INCOME*

SEK M



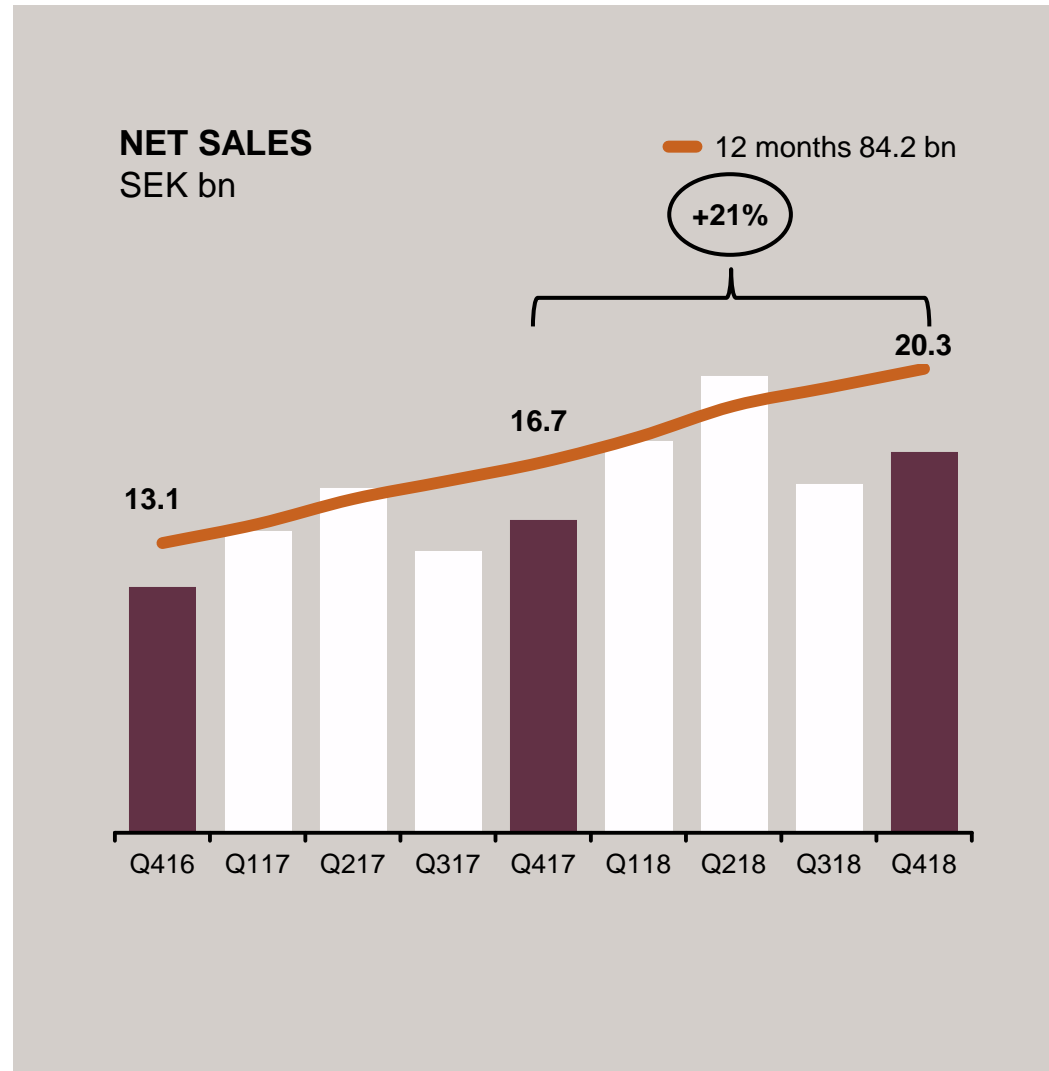
ADJUSTED OPERATING MARGIN*

%
 12 months 10.5%



Construction Equipment

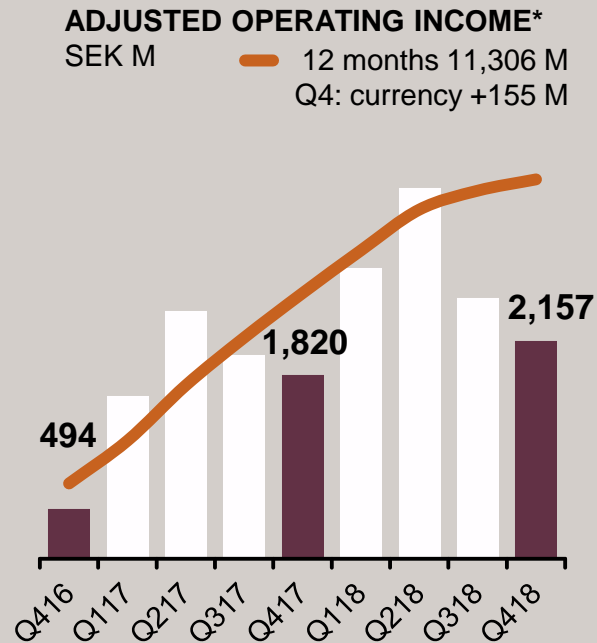
NET SALES



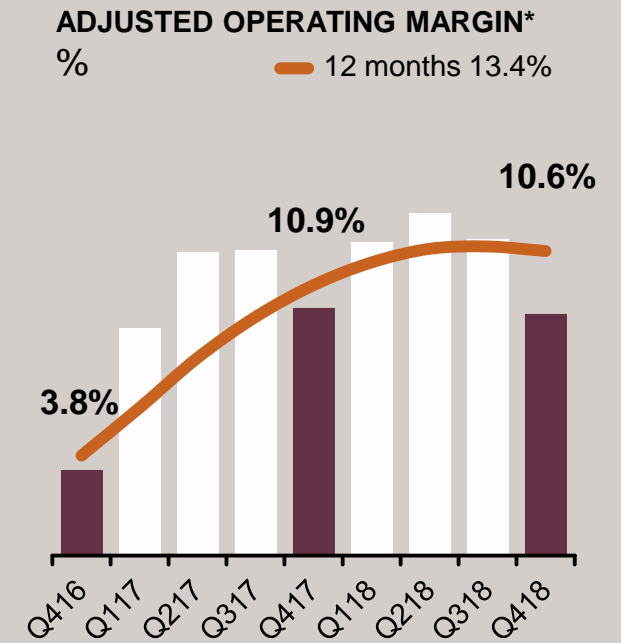
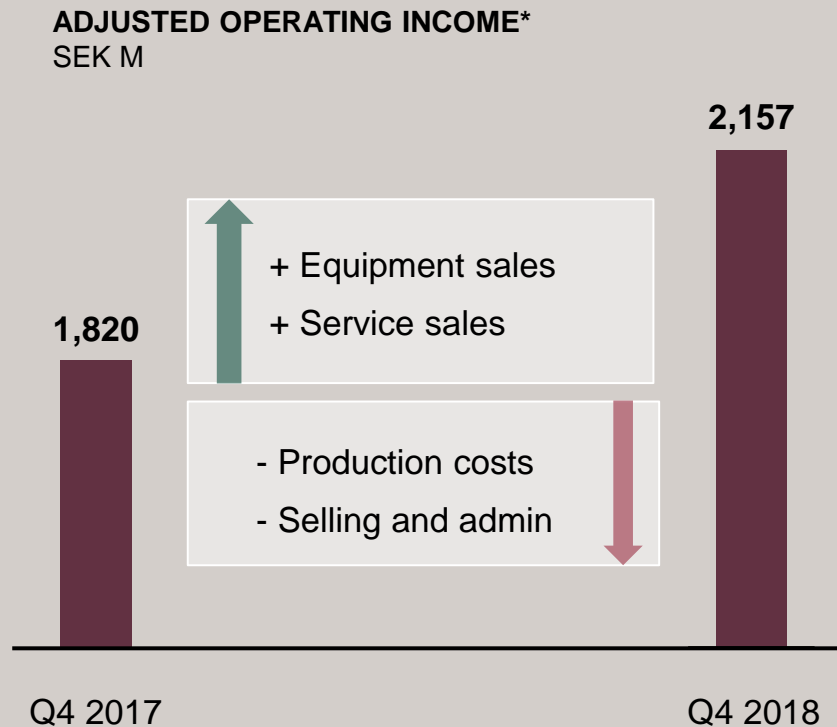
- Delivered machines +24%:
 - Volvo +11%
 - SDLG +39%
 - Large and medium +16%
 - Compact +50%
- Net sales currency-adjusted +16%:
 - Machines +19%
 - Services +3%

Construction Equipment

ADJUSTED OPERATING INCOME



*Adjustments, see note 7 in Q4 report:
Q4 2017: No adjustments
Q4 2018: No adjustments



Buses

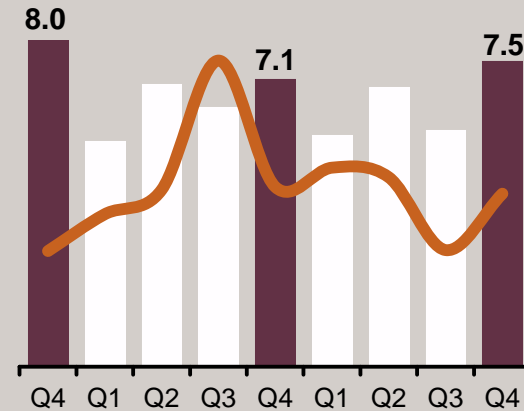
NET SALES & ADJUSTED OPERATING INCOME

- Net sales currency-adjusted 1%:
 - Vehicles +/- 0%
 - Services +5%
- Adjusted operating income:
 - + Product mix
 - Lower volumes
- Adjusted operating margin* 3.6% (3.7)

NET SALES

SEK bn

— 12 months 25.8 bn

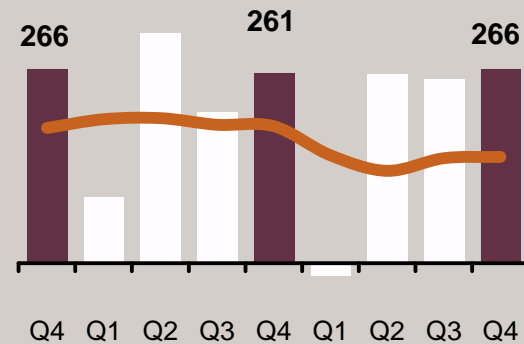


ADJUSTED OPERATING INCOME*

SEK M

— 12 months 765 M

Q4: currency +112 M



*Adjustments, see note 7 in Q4 report:
Q4 2017: No adjustments
Q4 2018: Emission system provision of SEK 0.2 bn

Volvo Penta

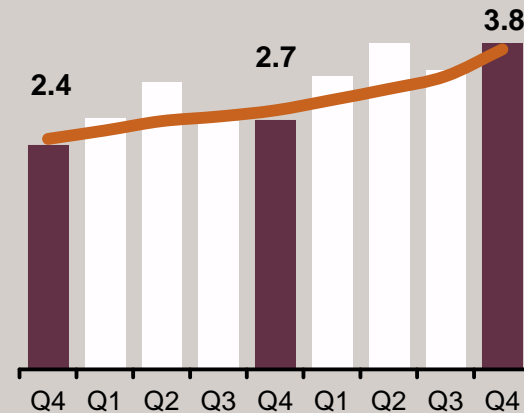
NET SALES & ADJUSTED OPERATING INCOME

- Net sales currency-adjusted +37%:
 - Engines +46%
 - Services +7%
- Adjusted operating income:
 - + Higher sales
- Adjusted operating margin* 12.9% (7.0)

NET SALES

SEK bn

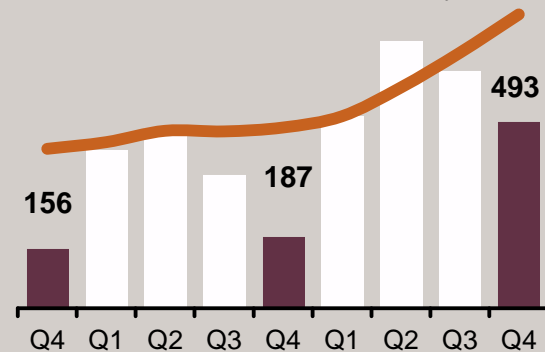
12 months 13.7 bn



ADJUSTED OPERATING INCOME*

SEK M

12 months 2.3 bn
Q4: currency +94 M



*Adjustments, see note 7 in Q4 report:

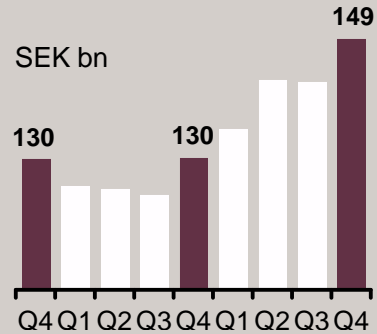
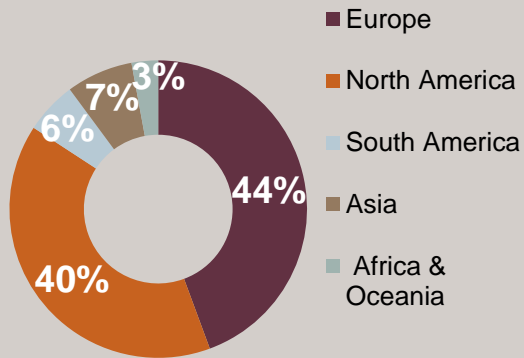
Q4 2017: No adjustments

Q4 2018: No adjustments

Financial Services

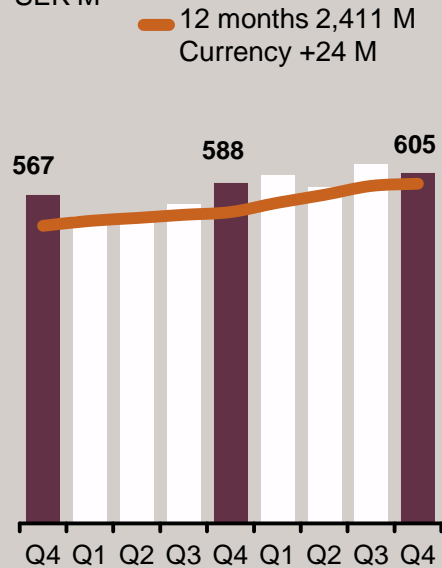
CREDIT PORTFOLIO AND PROFITABILITY

CREDIT PORTFOLIO, NET



ADJUSTED OPERATING INCOME*

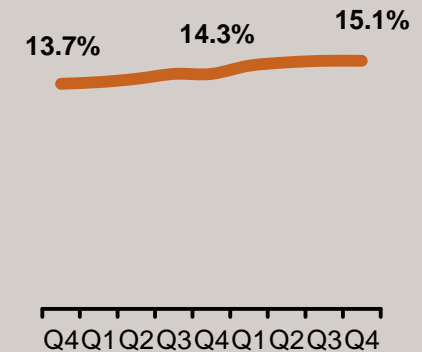
SEK M



*Adjustments, see note 7 in Q4 report:
Q4 2017: No adjustments
Q4 2018: No adjustments

ROE

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 22.6% in Q4 2017 (12 months)

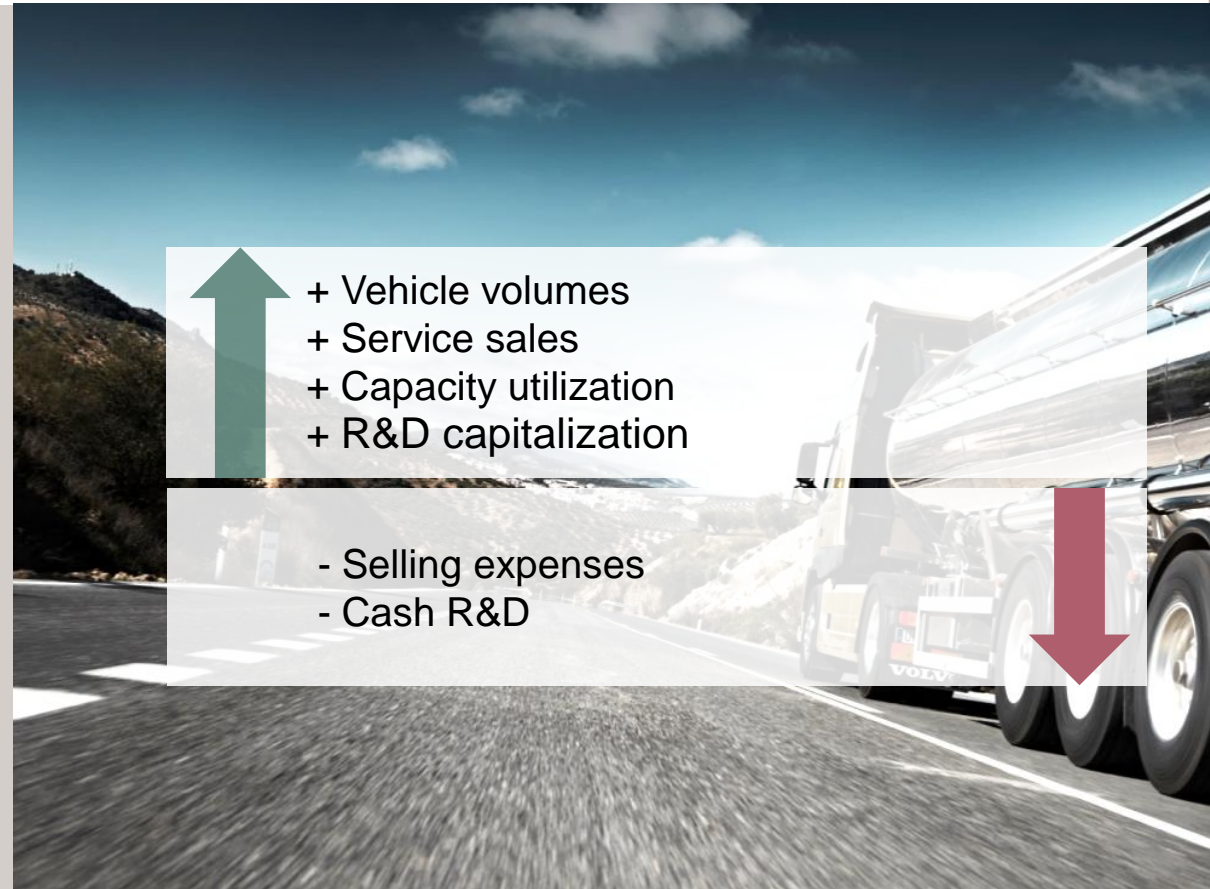
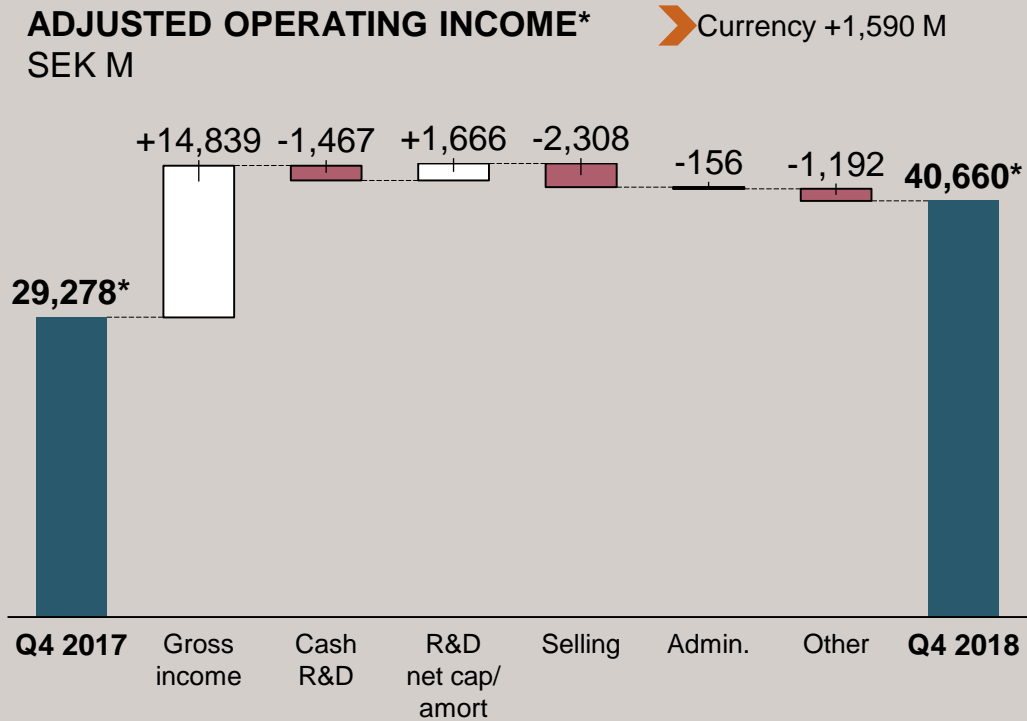


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Full year 2018

Volvo Group

ADJUSTED OPERATING INCOME FY2018



*Adjustments, see note 7 in Q4 report:
 FY 2017: Capital gain from sale of shares in Deutz, SEK 400 M
 FY 2018: Emission system provision of SEK 7 bn and SEK 0.8 bn capital gain on sale of shares in Inner Mongolia North Hauler Joint Stock Co.

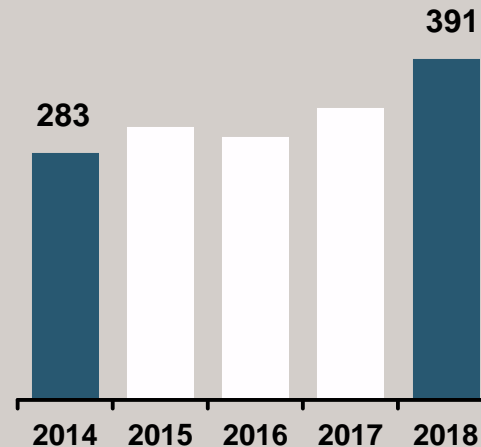
Volvo Group

FY2018 HIGHLIGHTS

- Highest net sales and adjusted operating income so far:
 - Net sales: SEK 391 bn
 - Adjusted op. inc. SEK 40.7 bn
- Operating cash flow: SEK 26.6 bn
- Net cash position: SEK 43.8 bn (excl. pension liabilities)
- Proposed ordinary dividend of SEK 5.00 (4.25) and an extra dividend of SEK 5.00

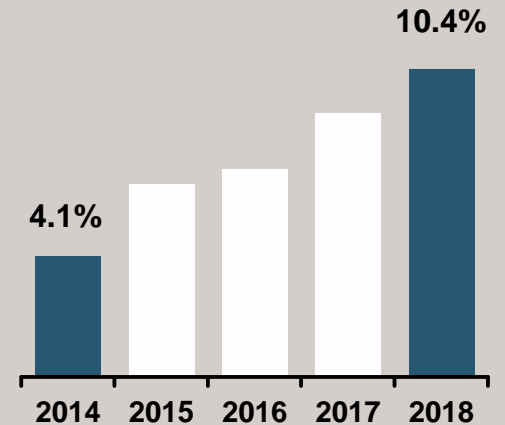
NET SALES

SEK bn



ADJUSTED OPERATING MARGIN*

%



*Adjustments, see note 7 in Q4 report:
FY 2014-2017: See annual reports
FY 2018: Emission system provision of SEK 7 bn and SEK 0.8 bn capital gain on sale of shares in Inner Mongolia North Hauler Joint Stock Co.



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Volvo Group Capital Markets Day
Gothenburg June 18, 2019