Volvo Group COVID-19 crisis response

ILLUSTRATIVE

Health and safety

Volume

Supply disrupted

Demand disrupted

| Initial shock | Stop | Re-start | Gradual return | "New normal"
|---------------|------|----------|----------------|----------------------

? Q1

Today
Volvo Group

FOCUSED ACTIVITIES IN Q2

Colleagues – health and safety first

Customers – support
• Secure customer uptime
• Contract modifications in Financial Services
• Successful re-start of supply chain and production

Cash – protect the Group
• Collect receivables and pay suppliers
• Reduce new and used inventories
• Minimize CAPEX
• Strengthened liquidity and prolonged credit facilities

Cost – adjust to “new normal” demand level
• Immediate and forceful actions to quickly reduce activities and spending
Volvo Group

SECOND QUARTER HIGHLIGHTS

- Net sales
  - Vehicles: -46%
  - Services: -15%
- Good volume flexibility in production
- R&D cash, Selling & Admin: -30%
- Adjusted operating margin: 4.5%
- Restructuring provision of SEK 3.2 bn and savings in same magnitude
- Industrial Operations
  - Operating cash flow SEK -5.7bn
  - Net cash position SEK 50.6 bn

* For information on adjustments, see note 7 in the quarterly report
Volvo Group

VOLUME DEVELOPMENT IN THE SECOND QUARTER

TRUCK DELIVERIES
k units HD/MD

-58%

12 months 166,876 units

VOLUME DEVELOPMENT IN THE SECOND QUARTER

MACHINE DELIVERIES
k units HD/MD

+8%

12 months 86,112 units
Volvo Group

SERVICE SALES DEVELOPMENT

SERVICE SALES, Industrial Operations
SEK bn

-15%
-14% excl. FX

12 months SEK 82.4 bn

Excl. FX:
TRUCKS -14%
CONSTRUCTION EQUIPMENT -11%
BUSES -38%
VOLVO PENTA -13%
Trucks
MANAGING THE COVID-19 IMPACT - FORECAST VISIBILITY LOW

Utilization of Volvo trucks in Europe
Average km driven per week (index)

-20%
Easter weekend

Trucks global net order intake (Monthly)

-90%

Volvo Group
Second quarter 2020
8  2020-07-17
Trucks

HD/MD: QUARTERLY ORDERS -47% AND DELIVERIES -58%
Trucks
MARKET SHARES

NORTH AMERICA
YTD June
Volvo: 9.4, 9.3
Mack: 6.4, 7.6

EUROPE
EU28, YTD May
Volvo: 15.4, 16.7
Renault Trucks: 8.6, 8.4

JAPAN
YTD June
Volvo: 18.5
Renault Trucks: 16.9
UD: 16.9

BRAZIL
YTD June
Volvo: 20.9
Renault Trucks: 24.5

SOUTH AFRICA
YTD May
Volvo: 22.1
Renault Trucks: 17.3
UD: 9.6

AUDSITALIAY
YTD June
Volvo: 17.2
Renault Trucks: 18.8
Mack: 8.5
UD: 7.7
UD: 2.8

HD% 2019 2020
Volvo
Mack
UD
Construction Equipment

QUARTERLY ORDERS 11% AND DELIVERIES 8%

Volvo Group
Second quarter 2020
12 2020-07-17
Volvo Buses and Volvo Penta

ORDERS AND DELIVERIES

Volvo Buses
- Orders decreased by 55% with coach and tourist segments severely hit by COVID-19
- Deliveries decreased by 68%

Volvo Penta
- Orders decreased by 34%
- Deliveries decreased by 34%
Financial Services

- Supporting customers with increased levels of modifications
- Increased provisions due to elevated risk
- Penetration continues to improve

PENETRATION RATE, %
12 months moving

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trucks</td>
<td>22</td>
<td>27</td>
</tr>
<tr>
<td>Volvo CE</td>
<td>34</td>
<td>35</td>
</tr>
<tr>
<td>Buses</td>
<td>14</td>
<td>20</td>
</tr>
<tr>
<td>Volvo Group</td>
<td>24</td>
<td>28</td>
</tr>
</tbody>
</table>
Volvo Group

NET SALES PER MARKET

NET SALES
SEK bn

Q2 2019  Europe  North America  South America  Asia  Africa and Oceania  Q2 2020
120.7  -17.6  -23.6  -4.2  0.3  -2.3  73.2

Currency SEK -1.3 bn
Volvo Group
ADJUSTED OPERATING INCOME CONTRIBUTORS

**ADJUSTED OPERATING INCOME***

<table>
<thead>
<tr>
<th></th>
<th>Q2 2019</th>
<th>Q2 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Income</td>
<td>15,105</td>
<td>3,272</td>
</tr>
<tr>
<td>Cash R&amp;D</td>
<td>-679</td>
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<tr>
<td>Net R&amp;D Cap./Am.</td>
<td>2,490</td>
<td></td>
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<tr>
<td>Selling</td>
<td>1,604</td>
<td></td>
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<tr>
<td>Admin</td>
<td>491</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>-577</td>
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</tr>
</tbody>
</table>

Currency SEK +0.3 bn

* For information on adjustments, see note 7 in the quarterly report.

- Selling and Admin
- Cash R&D
- Volume flexibility

- Vehicle volumes
- Capacity utilization
- Service sales
- Used trucks (residual values and inventory)
- Credit provisioning in VFS
Volvo Group – Industrial Operations

CASH FLOW AND FINANCIAL POSITION

OPERATING CASH FLOW
SEK bn

12 months SEK 11.9 bn

Q2  Q3  Q4  Q1  Q2  Q3  Q4  Q1  Q2
8.3  13.9  -5.7

OPERATING CASH FLOW
SEK bn

Working capital (-10.2 bn)

0.4  +1.1  +5.3  -15.5

Operating Receiv. Income  Payab. Other working Capital Amort. & Invest. Deprec. Other

Operating Cash Flow Q2 2020

FINANCIAL POSITION
(Excl. pensions and lease liabilities)
SEK bn

Q2  Q3  Q4  Q1  Q2  Q3  Q4  Q1  Q2
27.8  41.0  50.6

Volvo Group
Second quarter 2020
18  2020-07-17
Trucks

NET SALES AND ADJUSTED OPERATING INCOME

NET SALES
SEK bn

12 months SEK 231.2 bn

-46% (excl. FX -45%)

65.2
75.9
40.6

ADJUSTED OPERATING INCOME*
SEK bn

9.5
0.7

Q2 2019
Q2 2020

ADJUSTED OPERATING INCOME
(margin)*
SEK bn

12 months 8.0%
Currency SEK +0.4 bn

7.2
9.5
0.7

(11.1%)
(12.6%)
(1.8%)

Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2

* For information on adjustments, see note 7 in the quarterly report
Construction Equipment

NET SALES AND ADJUSTED OPERATING INCOME

**NET SALES**

SEK bn

12 months SEK 80.7 bn

-15% (excl. FX -14%)

24.4 26.8 22.9

Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2

**ADJUSTED OPERATING INCOME**

* For information on adjustments, see note 7 in the quarterly report

SEK bn

Q2 2019 4.2

Q2 2020 3.1

+ Selling and Admin + Cash R&D

- Lower sales

**ADJUSTED OPERATING INCOME**

(SEK bn)

Q2 2019 4.2

Q2 2020 3.1

12 months 12.3% Currency SEK -0.1 bn

3.7 (15.1%) 4.2 (15.5%) 3.1 (13.6%)

Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2

Volvo Group
Second quarter 2020
2020-07-17
Volvo Buses and Volvo Penta

**ADJUSTED OPERATING INCOME**

**VOLVO BUSES ADJUSTED OPERATING INCOME**
(margin)*
SEK M

Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2
---|---|---|---|---|---|---|---|---
260 | 403 | -532 | (3.8%) | (4.5%) | (-16.6%) |

12 months -0.1%
Currency SEK -23 M

- Lower sales:
  - Vehicles -67%
  - Services -38%
  - Capacity utilization

+ Cost reductions

**VOLVO PENTA ADJUSTED OPERATING INCOME**
(margin)*
SEK M

Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2
---|---|---|---|---|---|---|---|---
709 | 618 | 345 | (19.9%) | (16.8%) | (13.7%) |

12 months 11.9%
Currency SEK +10 M

+ Cost reductions

- Lower volumes
- Mix

* For information on adjustments, see note 7 in the quarterly report
Financial Services

CREDIT PORTFOLIO AND PROFITABILITY

NEW RETAIL FINANCING
SEK bn

- 12 months SEK 78.9 bn

ADJUSTED OPERATING INCOME*
SEK M

- 12 months SEK 2,141 M
- Currency SEK -18 M

CREDIT PORTFOLIO & ADJ. ROE*
SEK bn

- Adj. ROE 12 months 11.1%

* For information on adjustments, see note 7 in the quarterly report
Volvo Group

FOCUS GOING FORWARD

- Safety first
- Carefully monitor COVID-19 impact on economies, demand and supply
- Balance the re-start of selected activities with the recovery in demand
- Convert short term cost reductions into structural cost savings
- Accelerate transformation into new technologies and business models
Q&A

Volvo Group Capital Markets Day
November 5, 14:00-16:30 CET
Virtual event