




CAPITAL MARKET DAY 2015

CLOSING THE GAP

Joachim Rosenberg
EVP Group Trucks Sales

AGENDA

- 
- **Introducing Group Trucks Sales (GTS)**
 - Regional updates
 - GTS priorities for 2015

One global sales and marketing function...

FROM: THREE CONTINENTAL

- Three continental sales and marketing organizations
- Three owners of our four wholly-owned brands
- Three HQs (Greensboro; Gothenburg/Lyon; Tokyo)
- Different ways of working



TO: ONE GLOBAL

- One global sales and marketing organization with ~22,000 colleagues
- One owner of all brands
- One HQ in Gothenburg
- One way of working, albeit consciously allowing for regional optimization

... with customer, speed and efficiency focus



The new Group Trucks Sales (GTS) setup enables a:

- Global coordination of commercial priorities
- Sharpened brand and product line management
- More cost efficient structure
 - One lean HQ
 - Seven regions – empowered and accountable
 - Local execution with speed

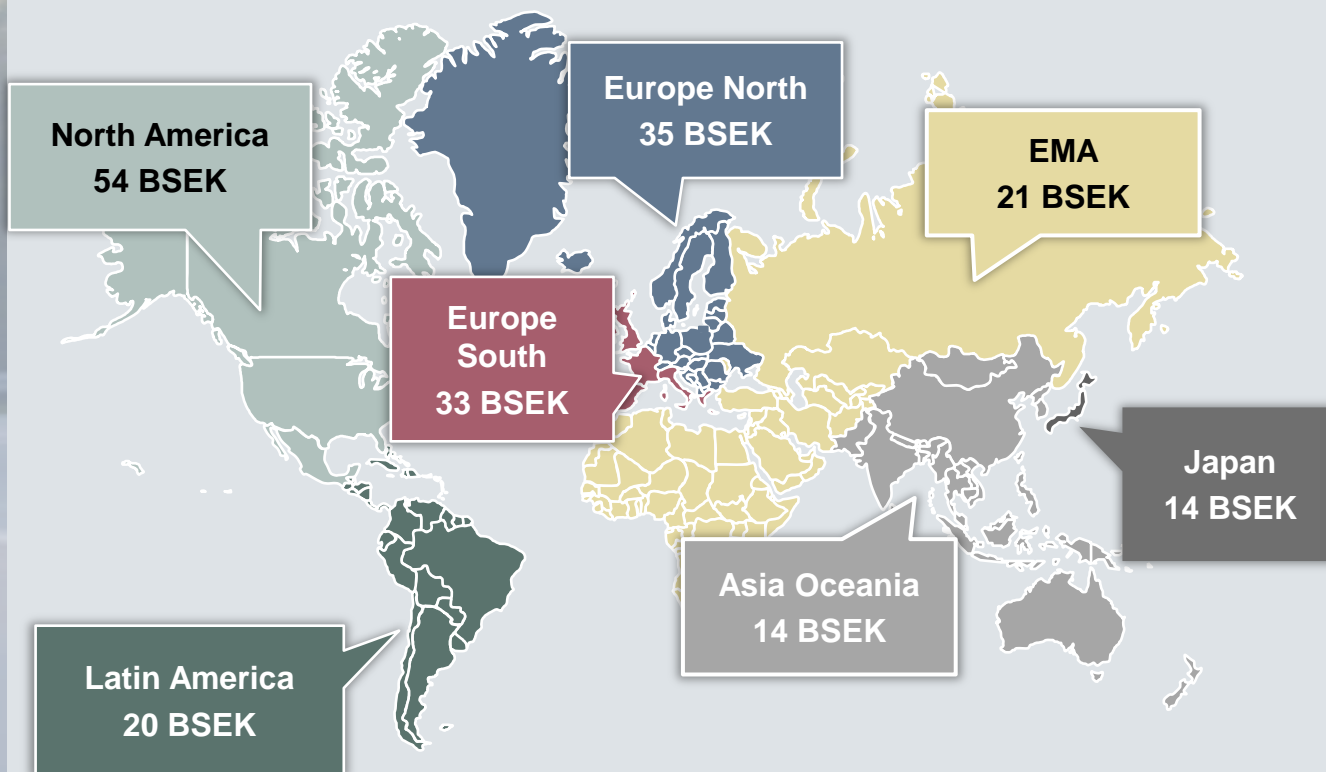
Creating the industry's best commercial team

Different characteristics and sizes by region

SALES 2014





Different characteristics by region (examples)


- Customer demography and needs
- Vehicle usage and specifications
- Single or multiple brands offered
- Product and service portfolio offered
- Owned and/or independent retail





Note: EMA is an abbreviation for (Greater) Eastern Europe, Middle-East and Africa

Clearly identified performance priority areas

	NORTH AMERICA	LATIN AMERICA	EMEA	APAC
	Medium performance	Higher performance	Higher performance	Higher performance
	n/a	Low volume	Lower performance	Lower performance
	n/a	Low volume	Lower performance	Low volume
	Medium performance	Lower performance	Low volume	Medium performance

 Higher performance

 Medium performance

 Lower performance

- Continue brand journeys and leverage new product ranges
- Review offer portfolio and go-to-market approach as needed
- Fully capture after-market opportunity (population, captive components, new technologies)
- Adapt cost structures

AGENDA

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- Introducing Group Trucks Sales (GTS)
 - **Regional updates**
 - GTS priorities for 2015

North America

- Continuously drive image, share and price



Market – further growth expected to ~310,000 units in 2015

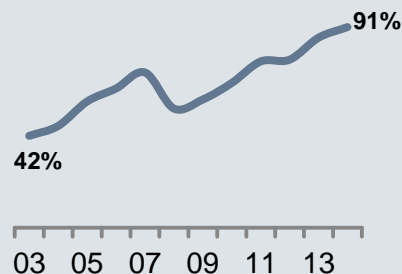
- Fleet renewal and fleet expansion (oil prices, interest rates, general economy)
- US strong growth, Canada flattish, Mexico recovering

Performance – strong improvements, but further potential exists

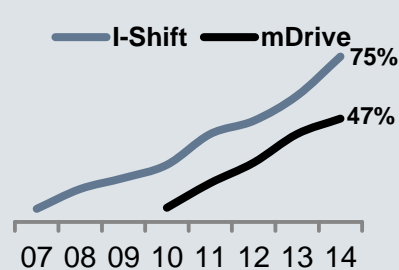
- Improved shares to 20.1% in 2014 (18.9%)
- Strong aftermarket growth, +18% in 2014: captive components, improved service network and connectivity leadership
- Secure price realization in 2015 and continued focus on uptime/remote diagnostics



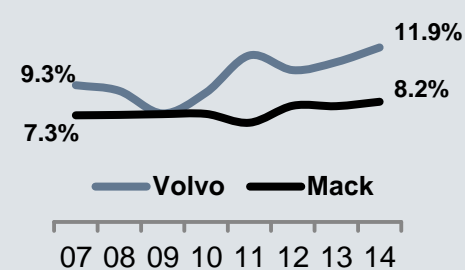
Captive engine share



Captive transmission share

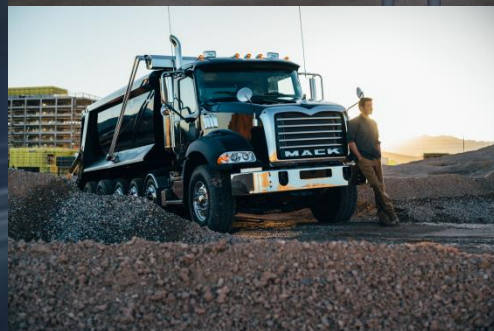


HD market shares



North America

Leverage network and captive components



REVITALIZING AN
ICONIC
AMERICAN BRAND

Drive
Consistency

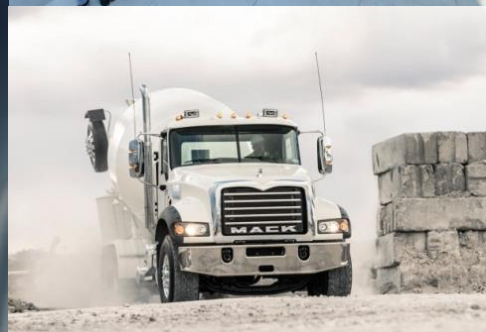
Forward
Looking

Winning
Hearts and
Minds

- **Strong network expansion** last five years
 - 60 additional outlets since 2010 (560 total); +37% in bay capacity with 18% fewer owners
 - 60% more sales people
 - 100% more technicians
 - 435 MUSD in private investment
 - Record dealer profitability in 2014; more improvements targeted (coverage and performance)
- Leading the industry in **automated manual transmissions (AMTs)**
- **Positive Mack momentum** throughout 2014, e.g.,
 - No. 1 in refuse
 - No. 1 in construction
 - No. 2 in regional haul
 - No. 1 in natural gas
- **All-time high aftermarket sales** per vehicle in operation
- Continued **image improvements**; more is needed

Latin America

- Manage lower demand and continue growth path



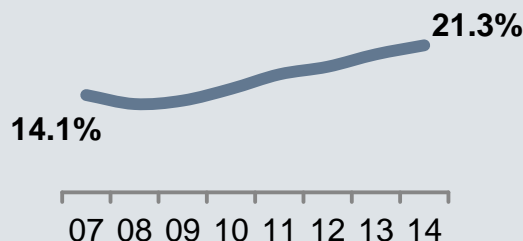
Market - weak outlook for 2015

- Brazil from 93,000 units to ~75,000 in 2015 (Finame)
- Other markets challenging as well, e.g. low commodity prices and weak GDP

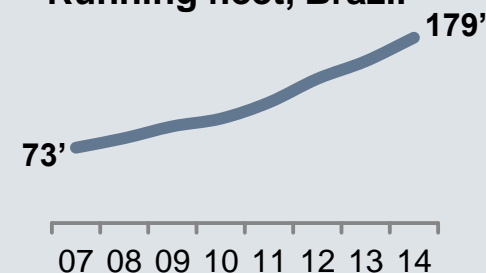
Performance – solid foundation and room for further growth

- Significant truck population growth last five years
- Market share at ~20%; Brazil at 21.3% in 2014
- Volvo image leader in Brazil
- Price pressure given downturn

HD market share, Brazil



Running fleet, Brazil



Latin America

Expanding network to support growth



Chile



Peru



Bolivia

- **Capture aftermarket opportunity**
 - Brazilian network expansion (2014 vs. 2010)
 - Outlets +28%
 - Service bays +75%
 - Technicians +80%
 - New locations in Chile, Peru, Bolivia and selected other countries
 - Drive penetration; solidify 'basics' and selectively apply Group extended offering portfolio
- **Successfully introduce the new Volvo range** across a growing network at correct price point

Europe



– Volvo Trucks on good path; Renault Trucks to improve



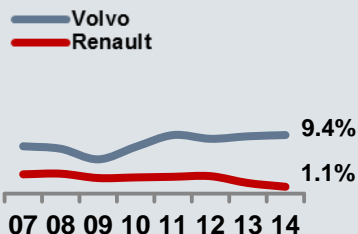
Moderate growth expected for 2015

- Moderate growth forecast for 2015 tightly linked to geopolitical situation and economic environment
- Good market momentum to date observed for Germany, UK, Spain, the Netherlands, Czech Republic and Nordics amongst others
- Slower markets in France, Italy, Belgium, Poland and the Baltics

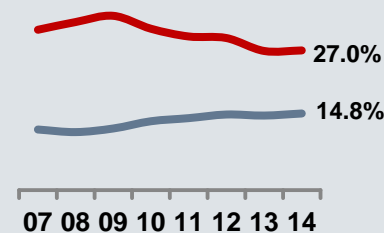
Performance – Volvo Trucks good traction; Renault Trucks needs further improvement

- **Volvo:** market share 16.6% (+0.3%) with good improvements in Germany and other key markets
- **Renault:** market share 7.8% (-0.2%). Strong position in France; lost some momentum but corrective actions underway

HD market shares, Germany



HD, market shares, France



HD market shares, Nordic



Europe

Take performance to the next level



- Come **closer to the customer**, simplify organizational structure and drive performance – **take share** with new ranges
- **Improve retail** operations, not at least in Germany
- **Boost Renault Trucks** performance, e.g.
 - capture **new range** sales opportunities
 - leverage new, **combined service** network
 - address **product cost** reduction opportunities
- **Address structural cost base** opportunities across the board

Eastern Europe, Middle-East, Africa (EMA)

– Continue to drive bottom-line improvements



Market – mixed performance in 2014, flattish outlook for 2015

- Many markets driven by oil/commodity prices
- ~120,000 unit HD truck market
- Stable in Africa, Middle East (excl. war-like situations) and Turkey; very challenging in Russia

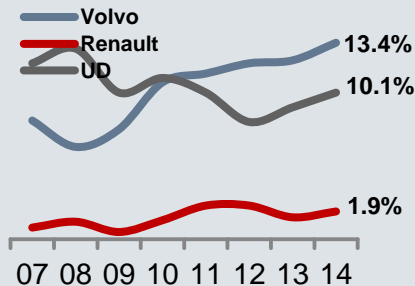


Performance – varies, but overall improvement potential clearly exists

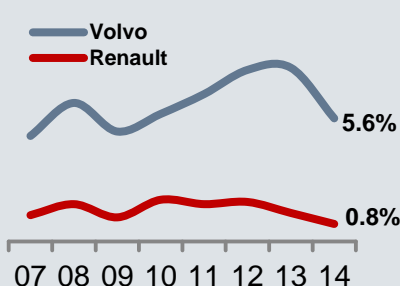
- **Volvo** – stable, new range well-accepted
- **Renault** - profitability improvements required
- **UD** - product phase-out lowering volumes in 2015. Quester opportunities



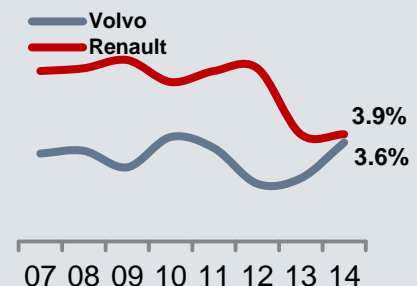
HD market shares, South Africa



HD market shares, Russia

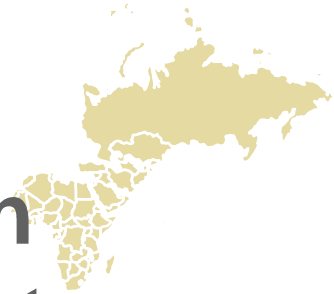


HD market shares, Turkey



EMA

Set new structure, further strengthen profit areas and select growth markets



- **Consolidate strongholds**, not at least South Africa
- **Restructure** operations in Russia, define path forward for Turkey; resolve Algeria footprint
- **Select growth markets** to engage with (and also deselect)
- **Move regional setup closer** to the customers and markets

Asia Oceania

– Broaden Quester, grow Volvo and adapt cost base



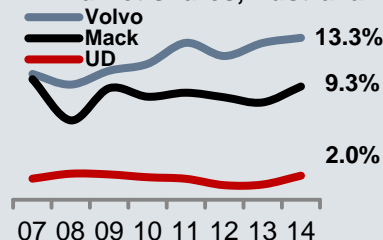
Market – lower growth in 2014; 2015 expected to be flattish

- **Australia/Korea:** mature markets and important profit contributors
- **South East Asia:** below historical growth path due to political situation and mining, but opportunities exist
- **India:** HD revival; could open up for mining
- **China:** lower European segment (and overall market)

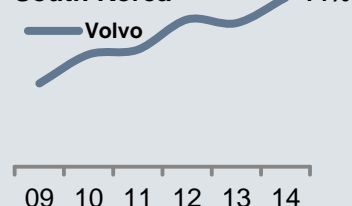
Performance – strong 2014 for Volvo, improving Mack, but slower UD

- **Volvo:** leading European position further strengthened
- **UD:** Quester teething and market import issues delaying ramp-up
- **Mack:** Improving Australian performance
- **Eicher:** strong in LMD, buses and exports – HD clearly in focus

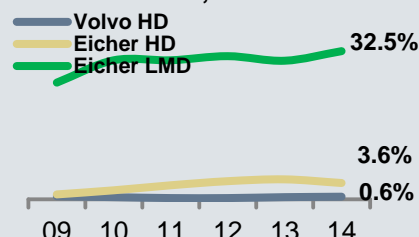
HD market shares, Australia



HD market shares, South Korea



Market shares, India



Asia Oceania

UD Quester – broader offering launched in 2015



- **Untapped potential** – sales and profit
- **Teething issues** – sales and production ramp-up delayed
- **Increasing protectionism** across selected countries
- **Broadened offering**. 8L engine and additional axle combinations during 2015
- **Demonstrated product performance** – multiple customer validations

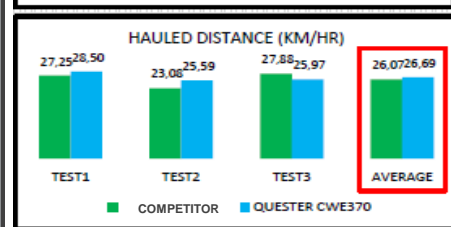
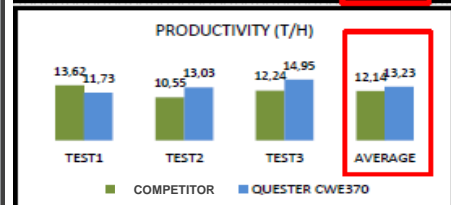
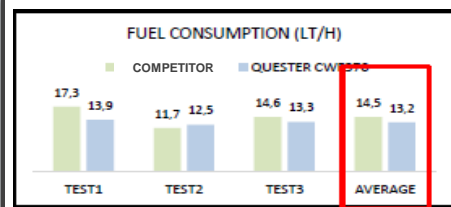
Demonstrated product performance

– Mining customer example

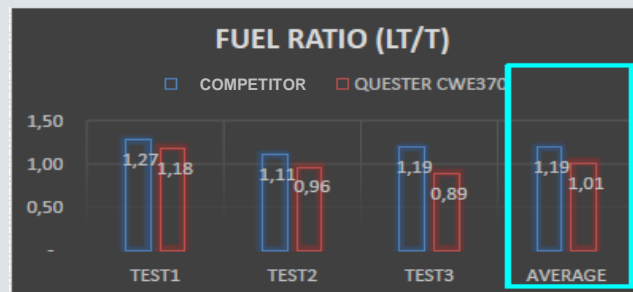
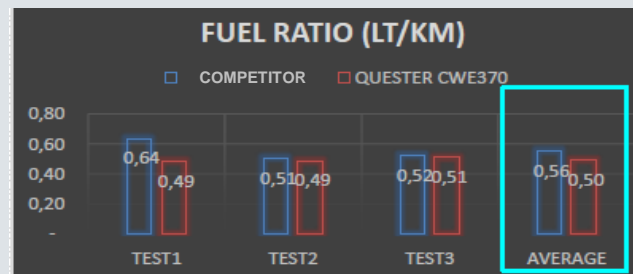


UD Quester vs competitor in real operating conditions

- Established, large-scale Indonesian mine
- Demanding customer with significant operations across multiple sites
- Quester head-to-head vs. Indonesian HD market leader
- Many months of testing/validation



CUSTOMER FURNISHED RESULTS



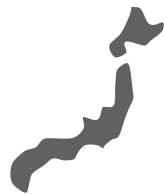
- **14% higher** loaded weight
- **11% lower** fuel consumption
- Higher average **speed** and ~40% better **acceleration**
- Quester **EU3** vs. **EU2**



**HIGHER
PRODUCTIVITY AT
SIMILAR PRICE POINT**

Japan

– Implement Group processes, adapt cost structures



**We are Going
the Extra Mile.**

その一歩先へ



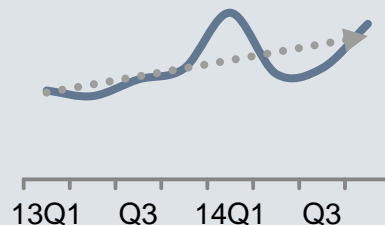
Market – strong 2014 growth; 2015 expected to be more flat

- Strong growth in 2014 (+25%) but 2015 expected to be more flat with ~40,000 HD
- Market supported by replacement, construction and 'Abenomics'

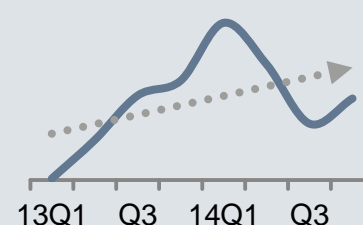
Performance – mixed by product line, but overall more to do

- Product profitability
 - Leverage new UD Quon (heavy-duty)
 - Address product cost on the UD Condor (medium-duty)
- Retail Excellence program (REX), launched in 2012, on right track to improve sales and service performance

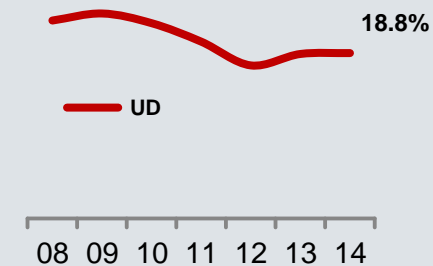
REX - sales force productivity



REX – service/parts growth



HD market shares, Japan



AGENDA

- Introducing Group Trucks Sales (GTS)
- Regional updates
- **GTS priorities for 2015**

Clear 2015 priorities – ‘run’ and ‘review’

RUN

Sell and serve

- Leverage new/upgraded product lines
- Optimize price/volume by region
- Further strengthen aftermarket offerings, not at least via enabled connectivity

REVIEW

Establish Group Truck Sales

- Implement new setup and way of working
- Strengthen focus on brand and product line performance

Drive retail excellence

- Review brand/product/market portfolio
- Review distribution coverage/setup
- Strengthen operational performance management

Improve cost efficiency

- Structural changes
- Simplify organization
- Implement rightsizing



CAPITAL MARKET DAY 2015

**CLOSING THE
GAP**

**Volvo CE
Martin Weissburg**

AGENDA

- 
- **Strong strategic foundation**
 - Emerging markets correction
 - Activities to drive profitability
 - Summing up

Volvo CE has a strong strategic foundation

- top 3 industry player



Solid product range, technology investments made and on-going

Effective Dual Brand Strategy

Global coverage

- Industrial footprint
- Emerging and mature markets
- Distribution

We have a strong product portfolio with competitive products in our core segments

#1 in Wheel Loaders

#2 in Articulated Haulers

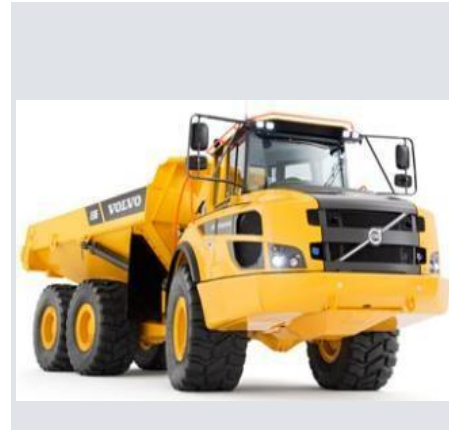
#6 in all Excavators, #4 in large Excavators, >10t



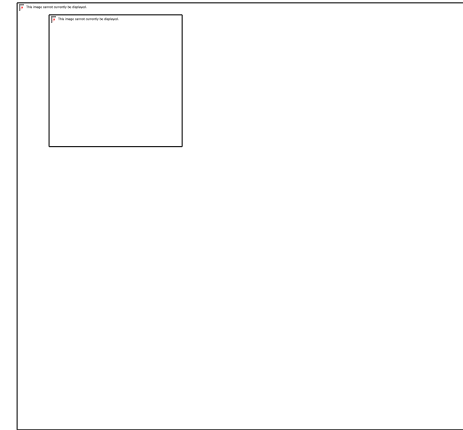
EXCAVATORS



VOLVO WHEEL LOADERS



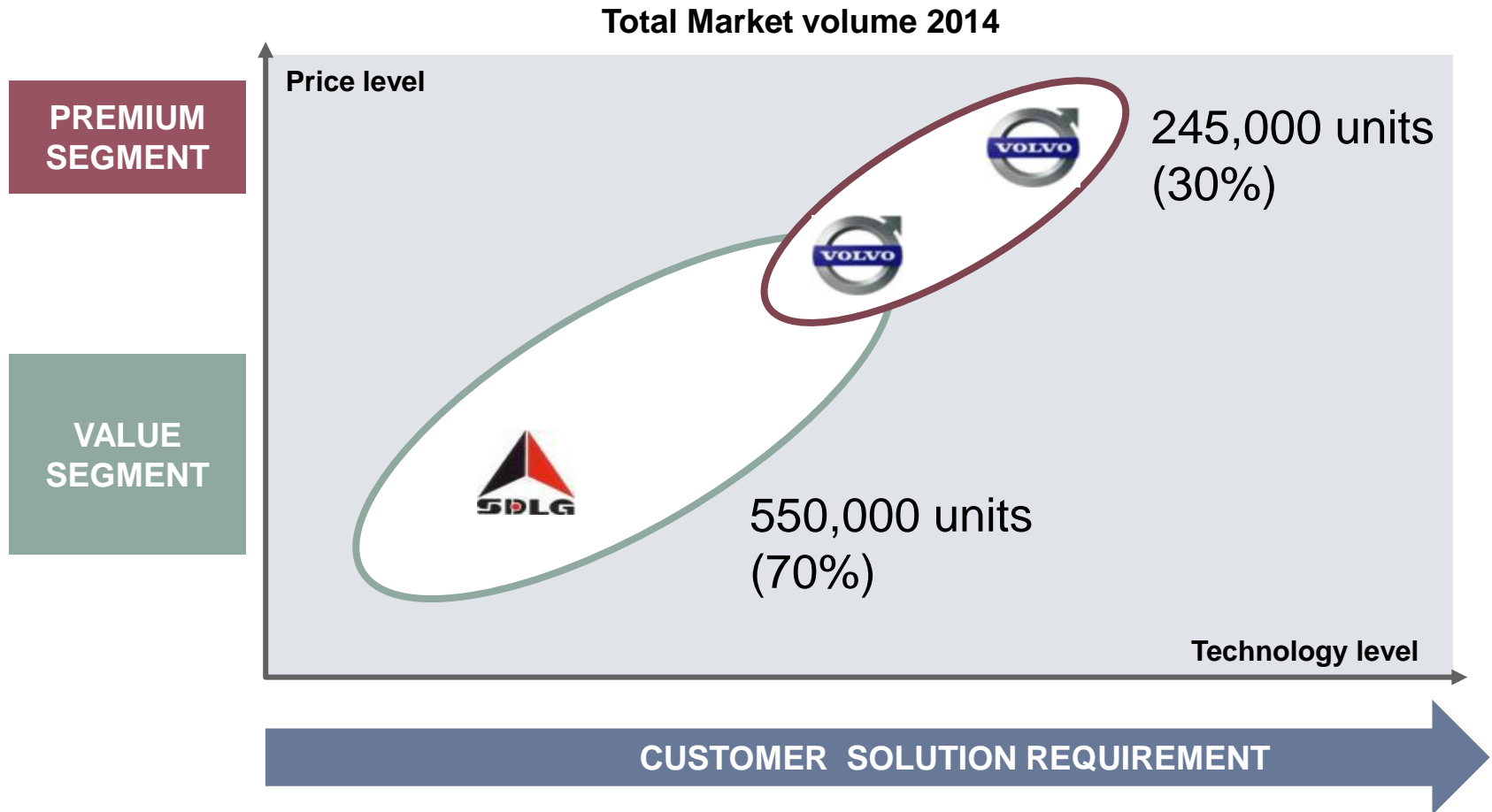
ARTICULATED HAULERS



SDLG WHEEL LOADERS

- Heavy investment in product renewal and emission legislation
- Successful launch of T4f engines
- Strong line-ups in each product segment
- 39 product launches in 2015

Effective dual-brand strategy - participating in both Premium and Value segments



Dealer network in place to support dual brand strategy – Leverage SDLG export #1 share China export

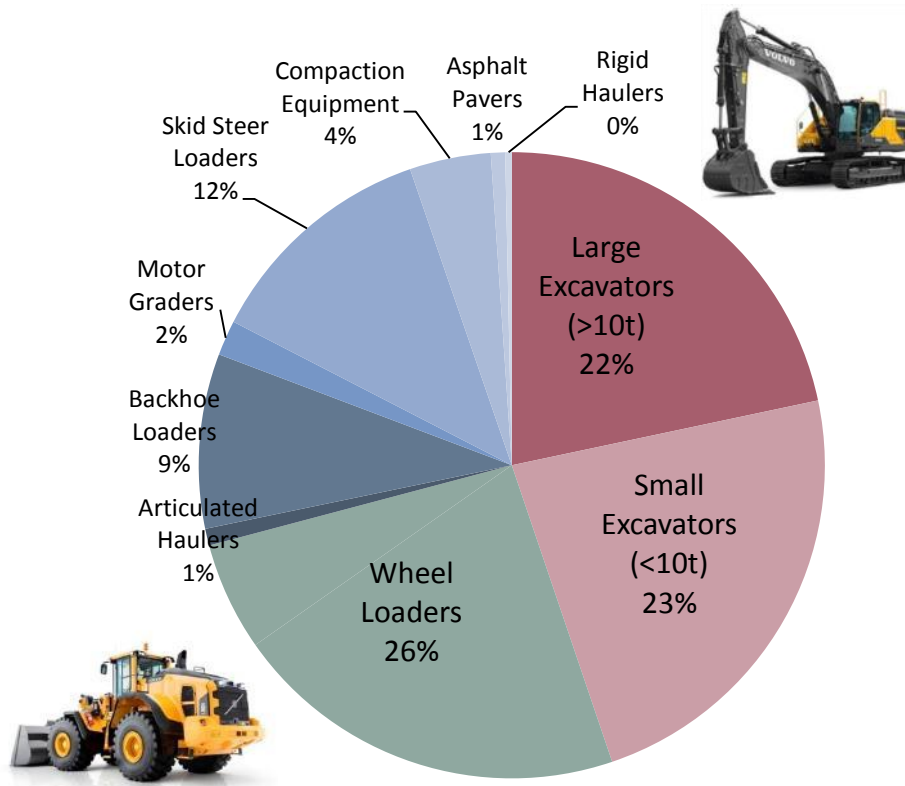


Excavators and Wheel Loaders represent over 70% of our served market

Continue to drive product leadership

Total market volume 2014 (units)

Volvo CE positions (estimated units)

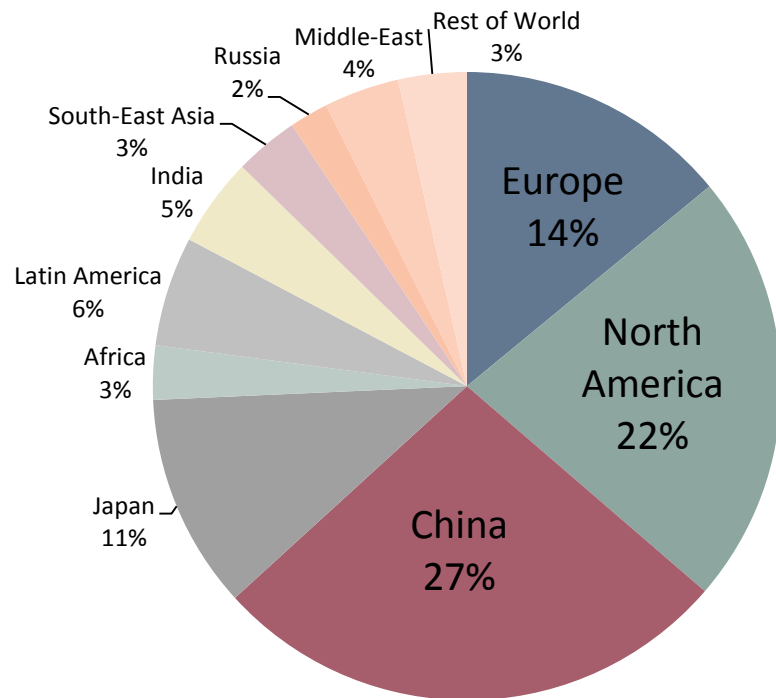


- **Wheel Loaders** #1
- **Articulated Haulers** #2
- **All Excavators** #6
 - Large #4
 - Small #7

Leverage strongholds in China & Europe, improve North America


Total market volume 2014 (units)

Volvo CE positions (estimated units)



- **China** #1
- **Europe** #4
Large equipment #1
- **North America** #7
Large equipment #4

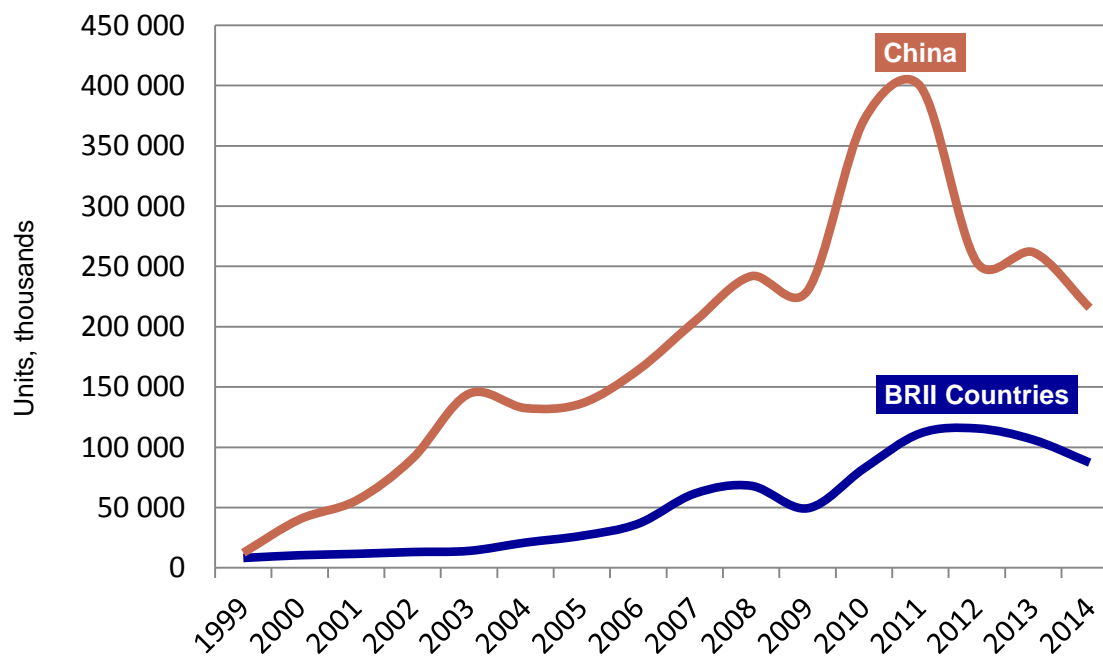
AGENDA

- 
- Strong strategic foundation
 - **Emerging markets correction**
 - Activities to drive profitability
 - Summing up

Emerging markets correction

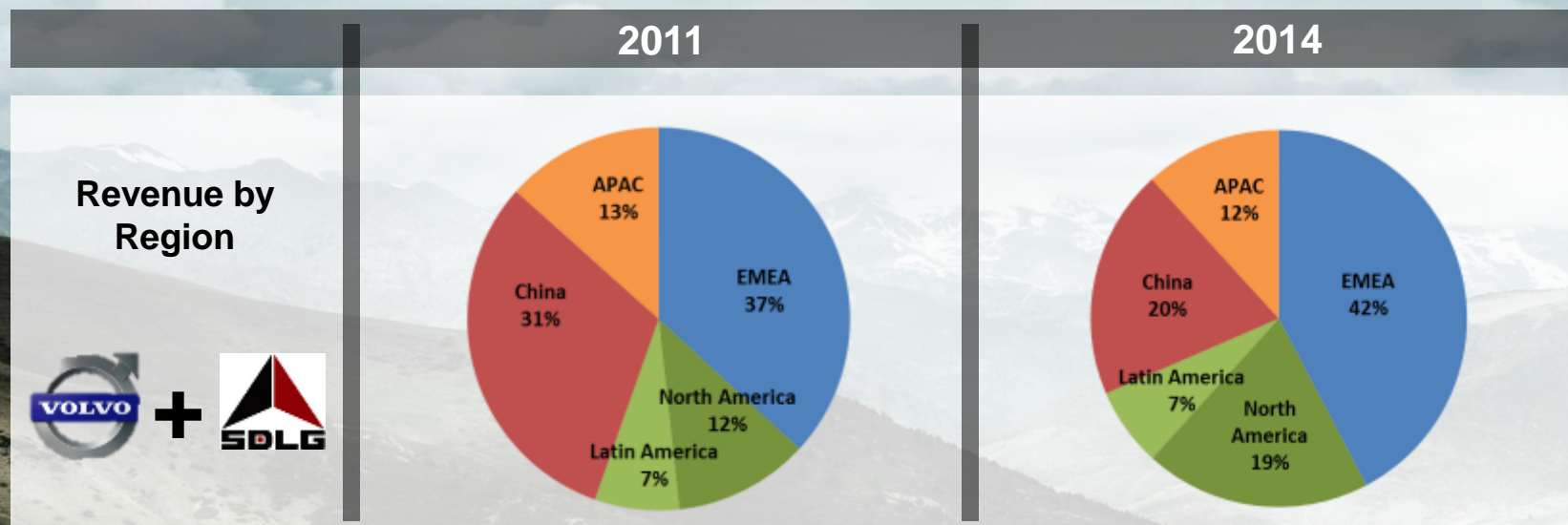
Capitalize on BRIC positions

Total market



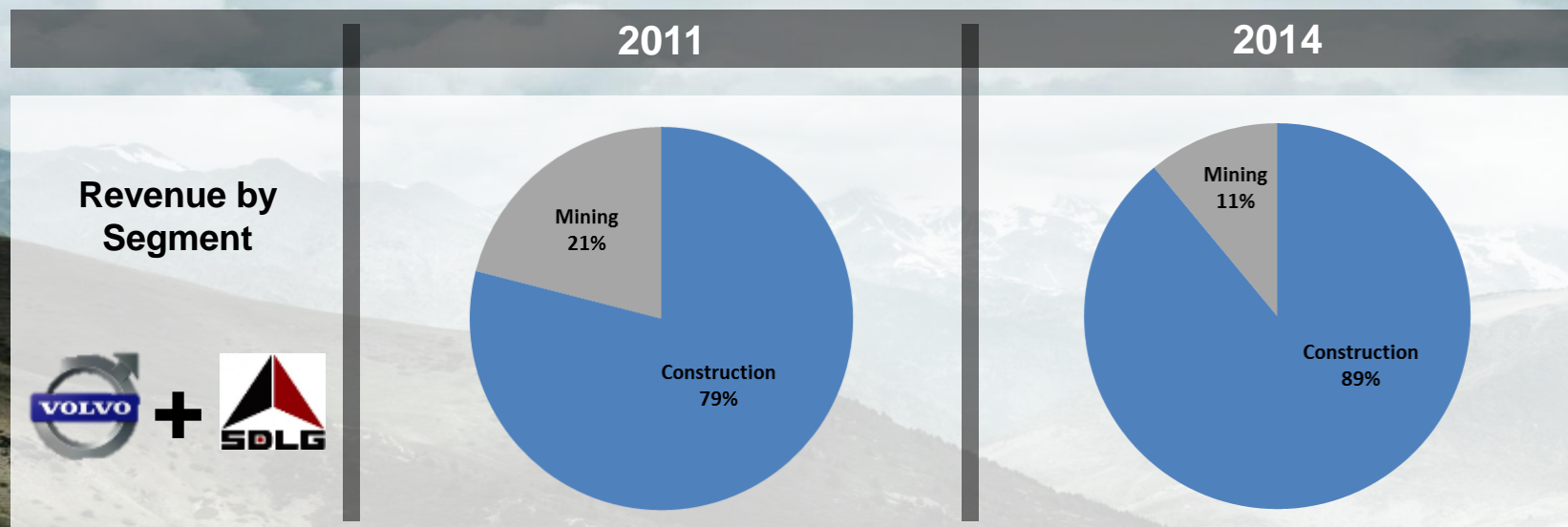
■ CHINA
■ BRIC COUNTRIES

Significant correction in China impacting financial performance




	<u>2011</u>	<u>2014</u>	<u>Change</u>
China revenue (SEK bn):	19.8	10.4	(47%)
China units:	47,882	24,763	(48%)

Significant decline in mining globally impacting product mix and margins








	2011	2014	Change
New machine mining revenue: (SEK bn)	10.6	4.6	(57%)

AGENDA

- 
- Strong strategic foundation
 - Emerging markets correction
 - **Activities to drive profitability**
 - Summing up

Addressing profit and organic growth across brands, product and market

FY 2014	EMEA	Americas	China	APAC
				
	Low volume	Low volume		

-  Higher performance
-  Medium performance
-  Lower performance

Taking cyclical measures to improve short term profitability

CYCLICAL

- Reduce operating expenses (R&D, S&A)
- Manage inventory in line with demand
- Optimize mix, absorption and currency to drive share gain
- Drive industrial efficiency

Taking structural measures in 2015 to improve profitability

OPERATIONAL / INDUSTRIAL

- Leverage China sourcing
 - Finished products
 - Components
- Product positioning and cost reduction
- Industrial footprint optimization
 - Poland, plant closure
 - Russia, production downsizing
 - Reducing break-even
- Headcount reduction of 1,000 progressing well

COMMERCIAL

- Improve position and performance in North America
- Maintain leading position in China
 - business model adjustments
- Rationalization of product portfolio:
 - Backhoe loader
 - Motor grader
- Accelerate integrated Aftermarket Solutions

China

Maintaining leading position

MARKET:

- **Market correction**
- **Excess equipment**
- **Low capacity utilization**
- **Risk management**

ACTIVITIES:

- Strong commercial strategy to retain leading position
- Grow export business
- Leverage industrial investment
- Expansion of technology resources and activities

North America

Capture opportunities and improve profitability

MARKET:

- Solid mid-term market
- Strong domestic competitors

ACTIVITIES:

- Develop dealer network
- Leverage aftermarket strength
- Expand dual brand strategy
- Product positioning

➡ **Grow market share**

Strengthening our Integrated Commercial Offering

HARD PRODUCTS



- Competitive products in key segments
- Used products

FINANCIAL SERVICES



- Volvo Financial Services
- New and used financing
- Rental fleet financing

AFTERMARKET



- Parts offering
 - Premium parts range
 - Value parts range
- Attachments
- Remanufactured components
- Customer Service Agreements

CONNECTIVITY



- Machine control
- Telematics
- Fleet Integration

What customers will be demanding

Connectivity in focus



Smart, connected machines

- High growth of service and solutions through advanced analytics
- Increase machine productivity and functionality

Asset Management

- Optimization of uptime and operational efficiency
- Easy Integration of machines in production systems

Site Management Connections

- Expand strong relationship with Key Accounts
- Accelerate next generation business models

AGENDA

- Strong strategic foundation
- Emerging markets correction
- Activities to drive profitability
- **Summing up**

Summing up



LEVERAGE ASSETS...

- Competitive products in key segments
- Global Dual Brand strategy including distribution
- Market leading position in key markets & SDLG export
- Technology leadership

...AND DRIVE PROFITABILITY

- Accelerate commercial gains
- Reduce product cost
- Reduce industrial break-even
- Advance in integrated customer offering



CAPITAL MARKET DAY 2015

**CLOSING THE
GAP**

**Olof Persson
CEO Volvo Group**

The Volvo Group is well invested with unique and strong assets to build on

Leading brands and products for each segment



Competitive technology platforms



Customer satisfaction and loyalty



Modern industrial footprint

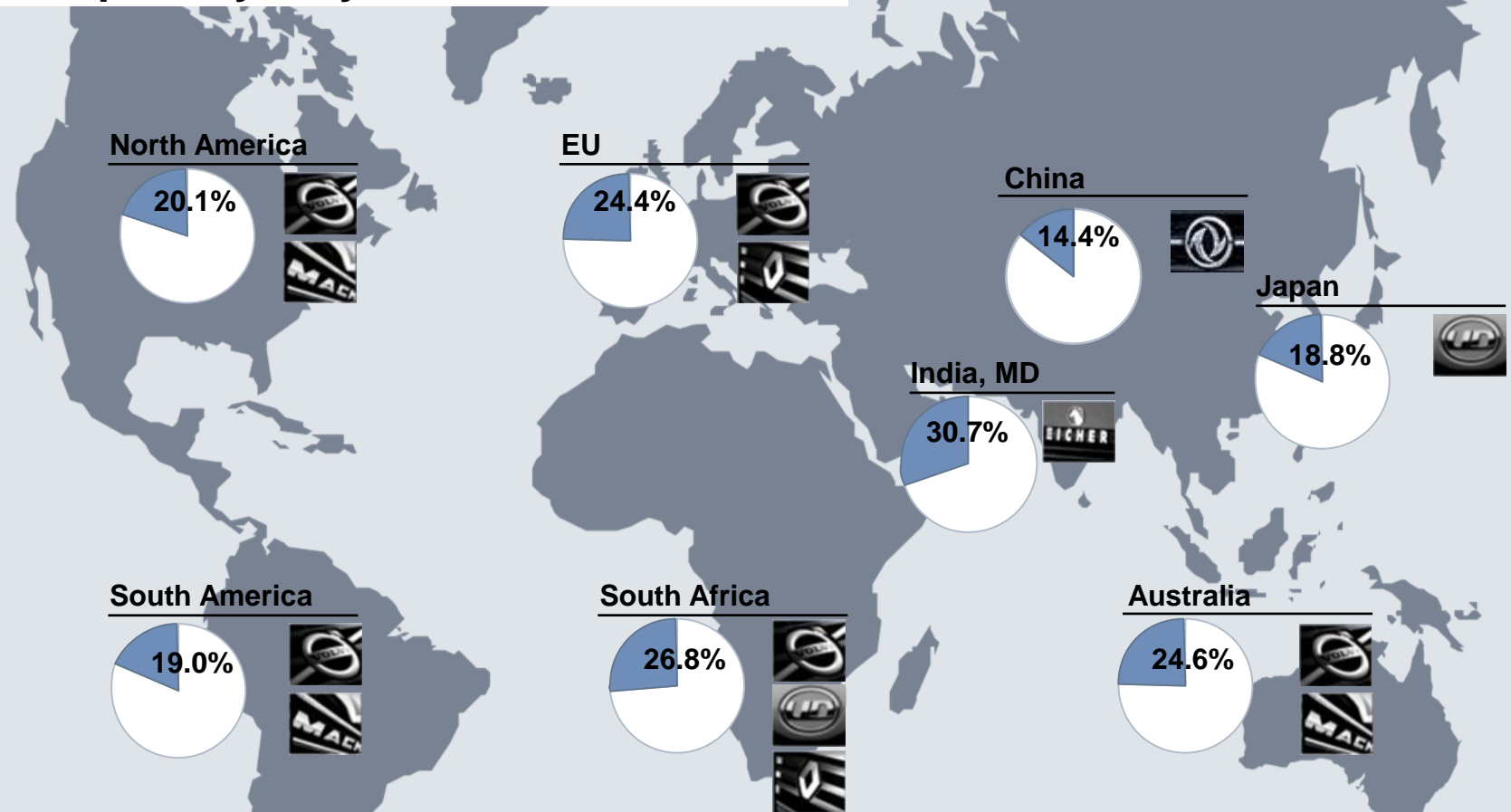


Global distribution and presence

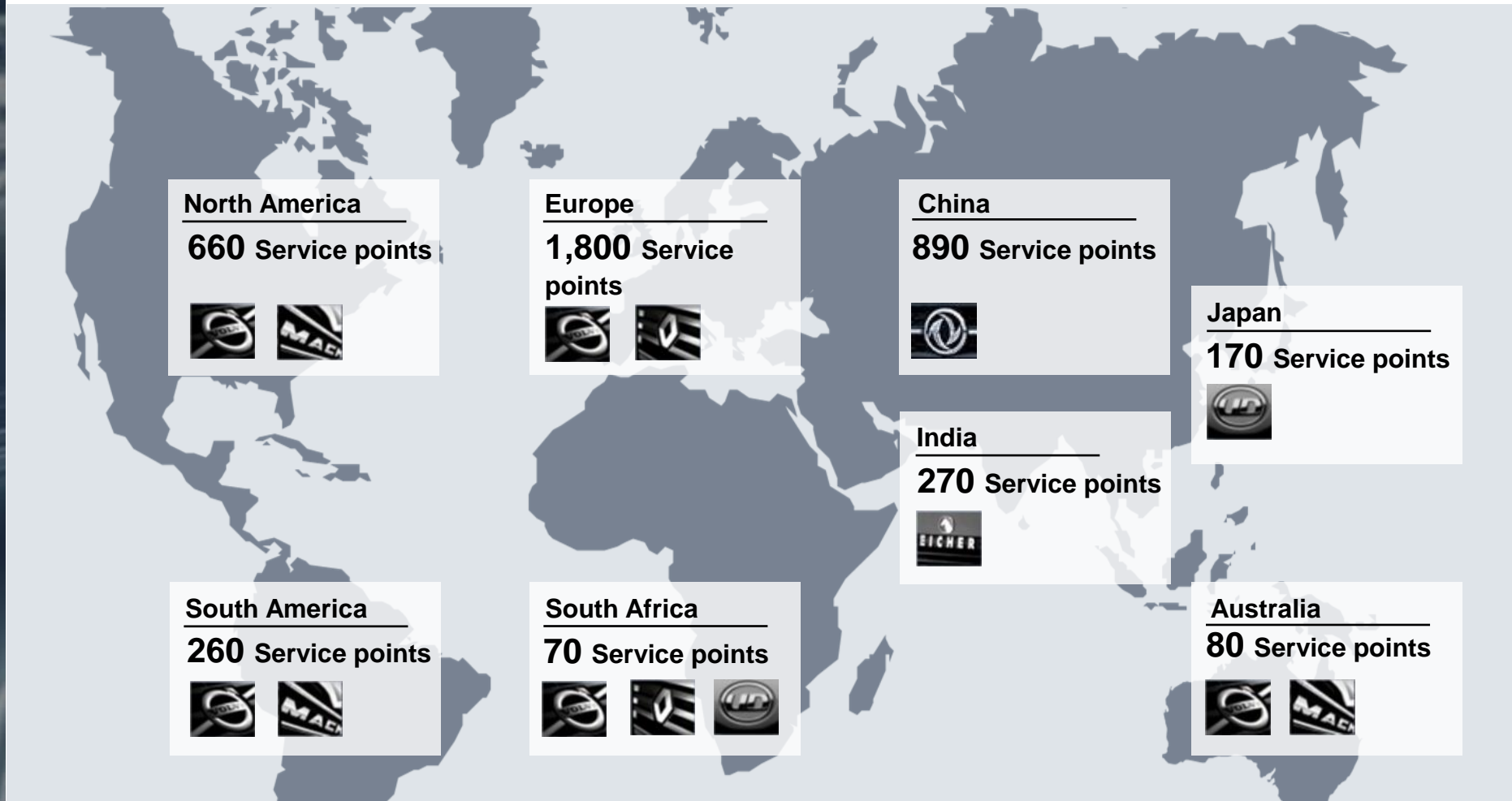


Well established market positions with opportunity for further growth

Group heavy duty market shares 2014



World class service network supporting customer satisfaction and loyalty



With the industry's most modern portfolio we are well positioned for coming years



VOLVO FH & VOLVO FM

- International Truck of the Year 2014
- Increased market shares and margins

VOLVO CE

- Successful Tier4f introduction
- Rigid hauler added



RENAULT TRUCKS

- International Truck of the Year 2015
- Major step-up in performance

VOLVO BUSES

- Diesel-electric hybrids: 2,000 units sold
- Electric-hybrid in commercial traffic



UD QUESTER

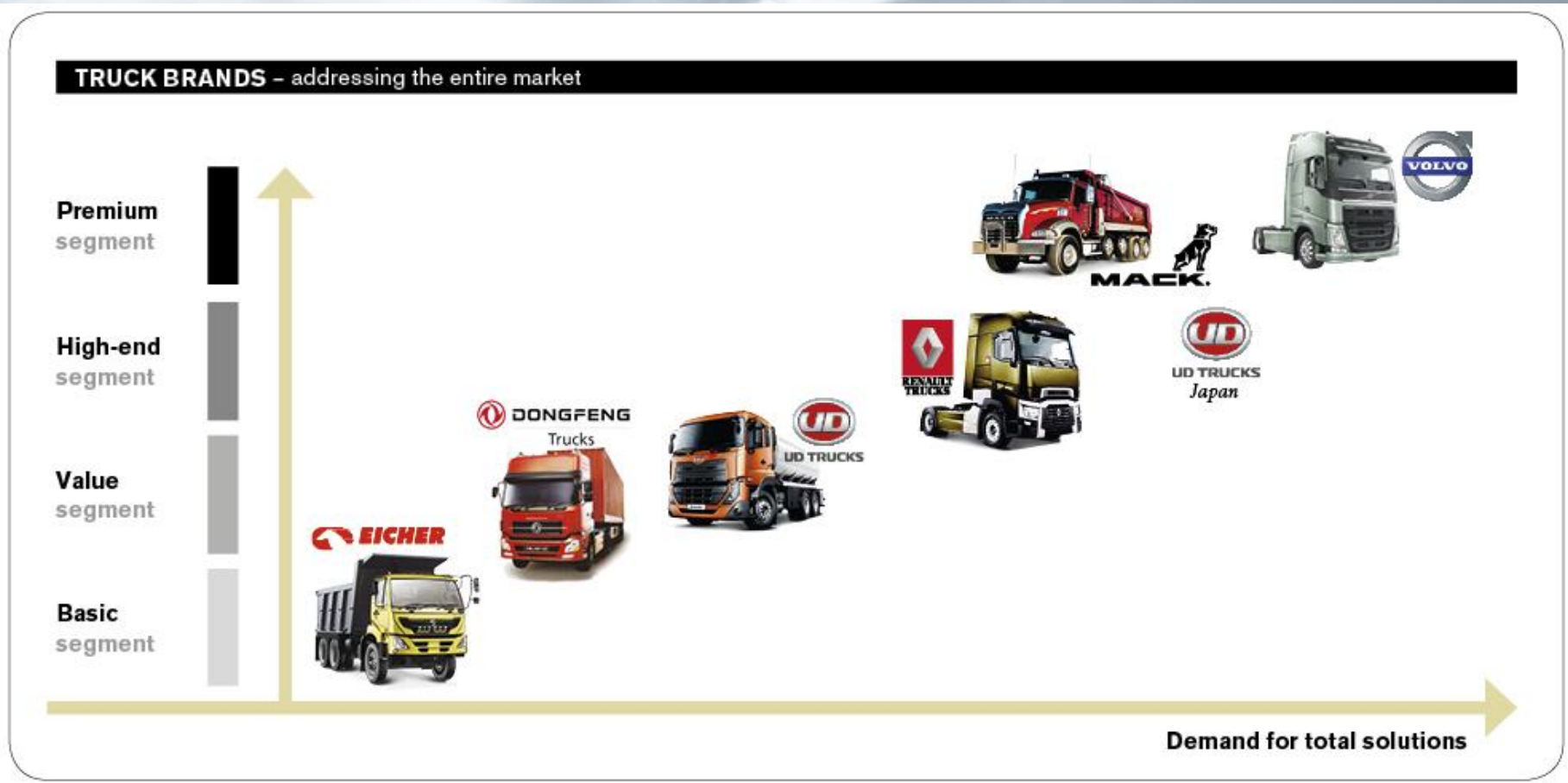
- Demonstrated product performance
- Broadened offering in 2015

VOLVO PENTA

- New range of industrial engines
- Leading position in marine diesel engines



Leading brands and products for each segment



We combine competitive technology platforms with a high degree of commonality



VOLVO FH



VOLVO VN



RENAULT T

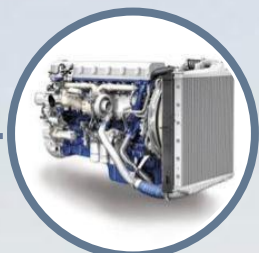


MACK PINNACLE

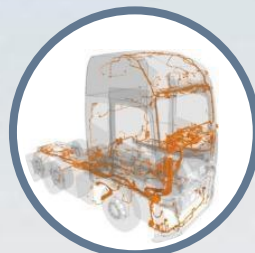


UD QUON

VOLVO PENTA



ENGINES



**ELECTRONIC
ARCHITECTURE**



TRANSMISSIONS

TRUCKS
COMMONALITY
INCREASED
FROM 5% IN
2004 TO 65%
(VALUE) IN 2014
AND
CONTINUES TO
INCREASE...



VOLVO CE



BUSES

Product offering (HD) has expanded by 40% in the last 10 years – part numbers are down by 30%

MODULARITY BASED ON COMMON ARCHITECTURE



COMMON COMPONENTS AND VERSATILE MODULES

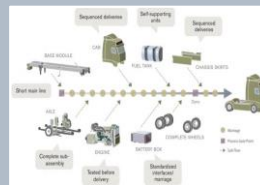


ONE PRODUCTION SYSTEM

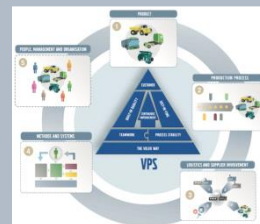
One industrial structure



One production flow



Common processes



BRAND UNIQUE/ CUSTOMER TAILORED SOLUTIONS



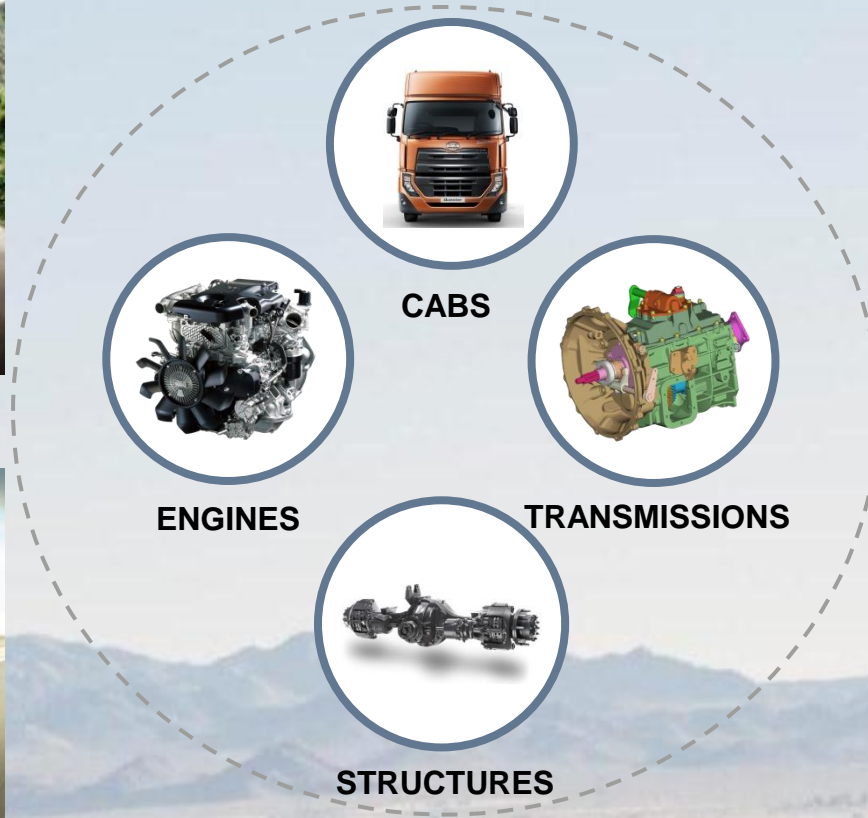
We are now starting to leverage CAST on our value and basic platforms together with our JV-partners



UD QUESTER



EICHER PRO SERIES



DONGFENG KINLAND

**We have the scale needed in our industries –
focus now to extract further synergies**

OPPORTUNITY TO EXTRACT SYNERGIES

#2

in HD Trucks

#2

in Heavy duty
engines

#3

in Construction
equipment

#2

in Buses for
target segments

#1

in marine
diesel engines

While driving down structural cost, we run targeted activities per product and market

2012–2015

- NEW ORGANIZATION
- NEW WAYS OF WORKING
- BRAND POSITIONING
- PRODUCT LAUNCHES
- INDUSTRIAL OPTIMIZATION
- COST EFFICIENCY PROGRAMS






STRUCTURAL COST REDUCTION

Structural cost to be **reduced by 10 bn** – implemented by end 2015 with full-year effect in 2016 (compared with 2012)

10 bn

TARGETED ACTIVITIES & CONTINUOUS IMPROVEMENTS

Improved performance through **selective** initiatives per brand, product, and market

	NORTH AMERICA	SOUTH AMERICA	EMEA	APAC
	Higher performance	Higher performance	Higher performance	Higher performance
	Medium performance	Medium performance	Medium performance	Medium performance
	Medium performance	Medium performance	Medium performance	Medium performance
	Higher performance	Medium performance	Medium performance	Higher performance
	Medium performance	Medium performance	Higher performance	Higher performance

Higher performance Medium performance Lower performance

Transforming the Volvo Group to a more profitable company

1999-2011

ACQUISITION-DRIVEN
GROWTH

2012-2015

TRANSFORMATION

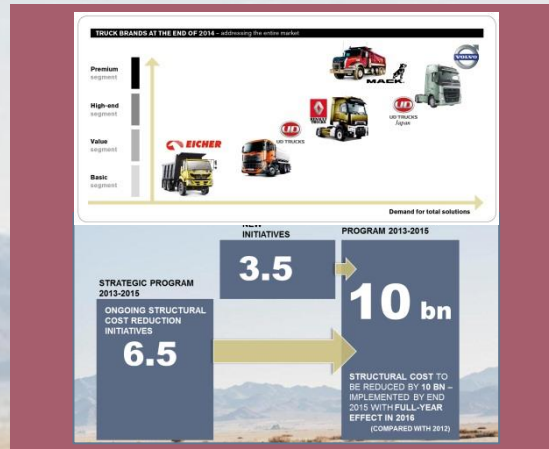
2016 →

INCREASED
PROFITABILITY

VOLUME

COST

PROFIT



Summing up

- We have strong assets to build on — are well invested for the future
- Right-sizing the structural cost-base — program on track and delivering
- Addressing specific improvements — focusing on product and market priorities



Transforming the Volvo Group – targeting #1 or #2 in profitability in our industry



Q & A

