



**Volvo Group acquires 45% of
Dongfeng Commercial Vehicles**

JANUARY 26, 2013

VOLVO
Volvo Group

Volvo to become the world's largest heavy-duty truck manufacturer

- AB Volvo has signed an agreement with the Chinese vehicle manufacturer Dongfeng Motor Group Company Limited (DFG) to acquire 45% of a new subsidiary of DFG, Dongfeng Commercial Vehicles (**DFCV**), which will include the major part of Dongfeng's medium and heavy commercial vehicles business.
- Completion of the transaction will make the Volvo Group the world's largest manufacturer of heavy-duty trucks with a combined annual volume (2011) of 326,000 HD trucks and 98,000 MD trucks.
- The transaction is subject to approval of relevant Chinese authorities and anti-trust agencies.

Group Trucks' strategic objectives 2013-2015

1. Secure number 1 or 2 in profitability

2. Strengthen customer business partnership

3. Capture profitable growth opportunities

This agreement supports the strategic objective for the Volvo Group's truck business to capture profitable growth in Asia Pacific

- 3.1 By optimizing the brand assets become number 1 or 2 in combined Group Trucks HD market share**
- 3.2 Establish required commercial presence to support revenue growth by 50% in APAC and 25% in Africa**
- 3.3 Establish required OtD footprint and supply chain in APAC & Africa achieving lead time reduction by 15% and capital tied up reduction by 15%**

- 3.4 Increase Aftermarket sales per unit in operation by 12%, including total commercial solution offer for second owner
- 3.5 Build 1 BSEK new businesses complementary to existing offering

4. Innovate energy-efficient transport and infrastructure solutions

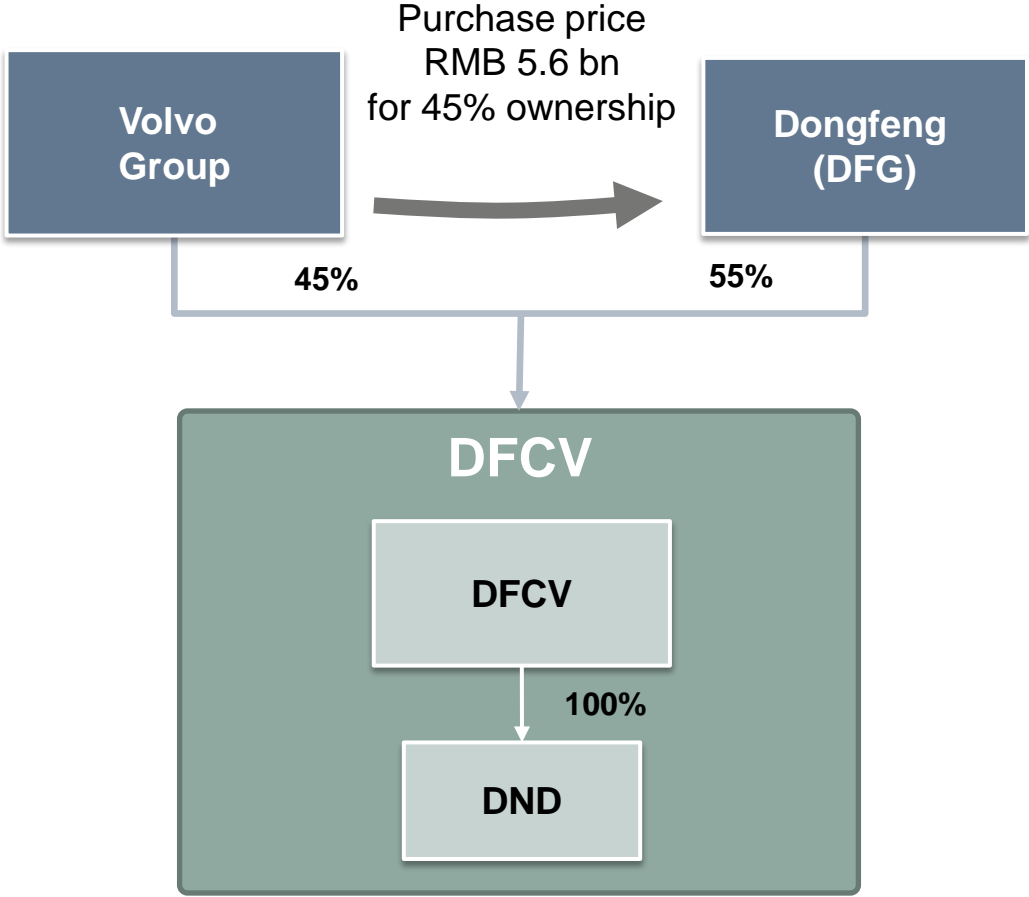
5. Build high performing global teams

- 4.1 Fuel efficiency to be improved by 2% per annum through vehicle optimization, diesel efficiency and electromobility
- 4.2 Commercialize alternative fuel technology by launching concepts or products in all regions

- 5.1 Become an attractive employer measured by reaching the employee engagement level (EEI) of high performing companies
- 5.2 Drive high performance measured by reaching performance excellence level (PEI) of high performing companies
- 5.3 Secure leadership and strategic competencies, primary focus is the implementation of Volvo Group University
- 5.4 Build an efficient and inclusive organization by implementing common global level 1 and 2 processes



Volvo Group acquires 45% of DFCV for RMB 5.6 bn



DFCV: a large commercial vehicle company with a strong position in China

VOLUMES



	2011	2012
HD trucks	142,000	102,000
MD trucks	49,000	46,000
Total	191,000	148,000

FINANCIALS (RMB)

* 1 RMB = 1.05 SEK



	FY2011	Q312 YTD
Net sales	39 bn	22 bn
Op Inc.	1.2 bn	0.3 bn
Net Inc.	1.4 bn	0.4 bn

MARKET SHARES IN CHINA



	2011	2012
HD trucks	16%	16%
MD trucks	17%	16%

EMPLOYEES



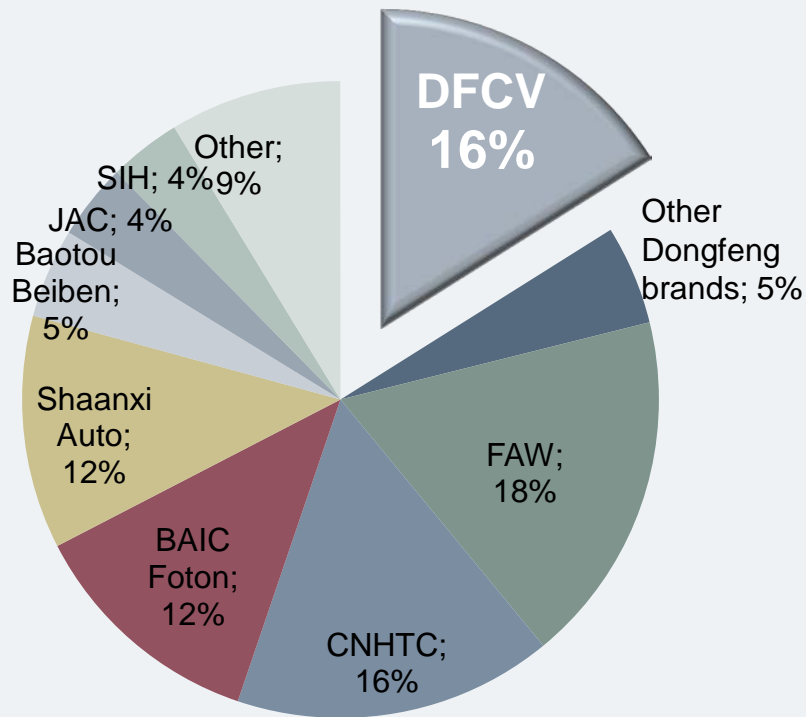
28,000 employees

2011 and 2012 pro forma

DFCV has strong market shares in China

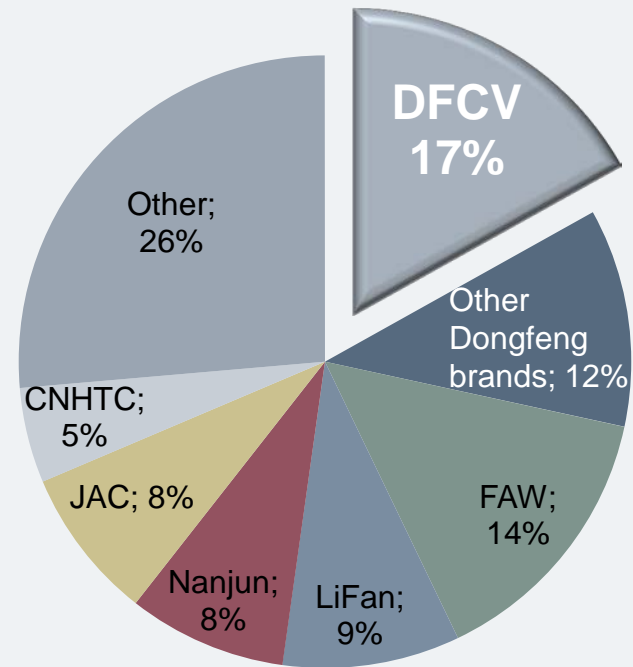
- Market shares 2011

Heavy-duty trucks



Total market 2011: 881,000 trucks

Medium-duty trucks



Total market 2011: 292,000 trucks

DFCV: Strong brand and truck line-up

Company brand

Name

DONGFENG

Logo



Newly launched and updated
product portfolio

Product brands



Kinland
(D310 Cab)



T-LIFT
(D310 Cab)



KINGRUN
(D530 Cab)



Basic products
Dongfeng, Jiayun



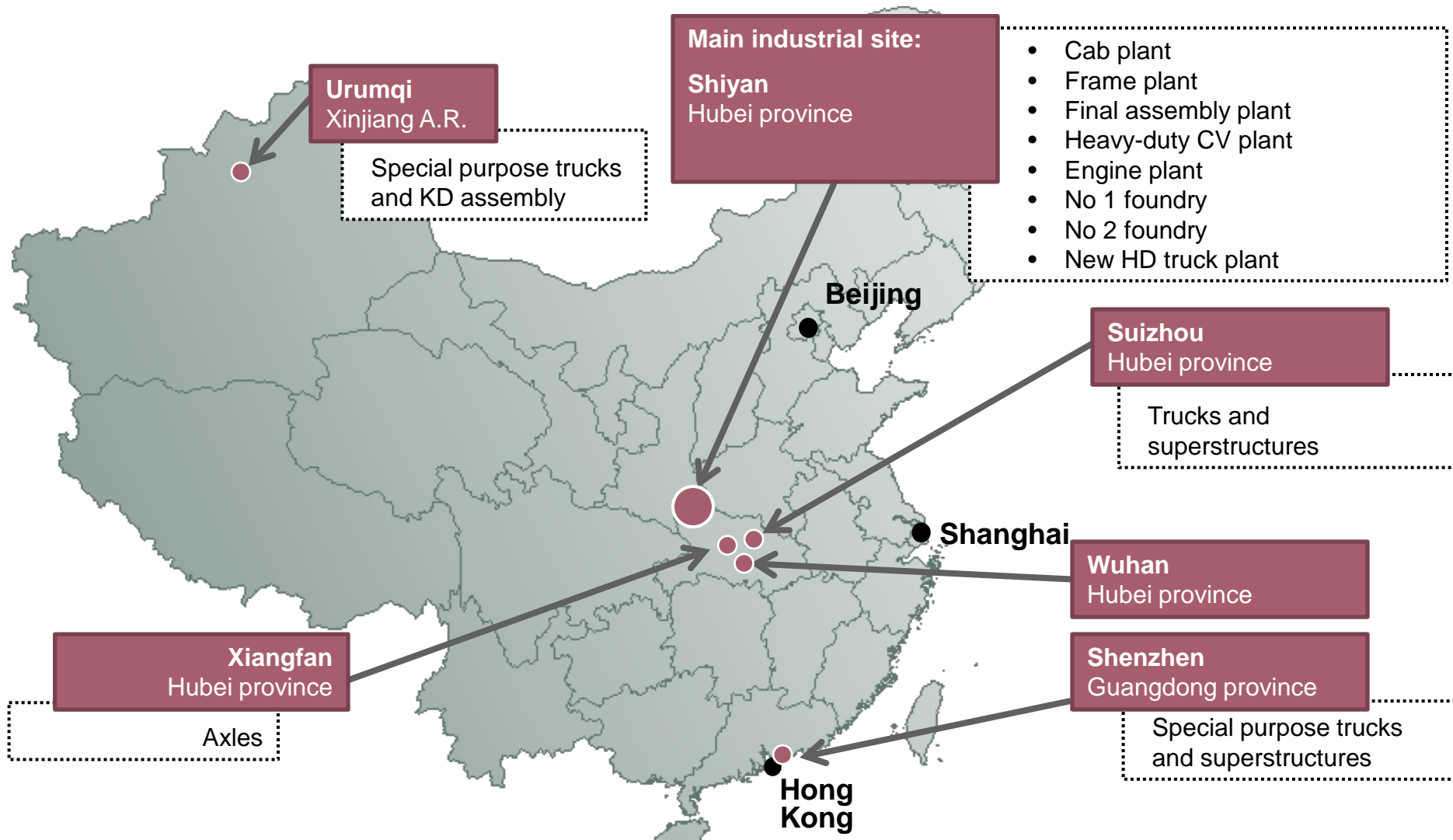
DFCV: Strong sales and service network throughout China

Dealer network (2011)

- **350** dealers
- **499** service stations



DFCV: A well invested industrial footprint



Acquisition summary

- Global strategic alliance between **Volvo** and **Dongfeng Motor Group Company Ltd (“DFG”)**
- Volvo will have a **45%** shareholding in Dongfeng Commercial Vehicles, **DFCV**, DFG will have **55%**
- Purchase price RMB 5.6 bn
- The transaction is expected to be finalized within approximately 12 months
- DFCV will have a top management team consisting of eight people, of which four will be nominated by Volvo and four by DFG
- Joint ambition to develop DFCV towards a major global commercial vehicle company

Main benefits for the Volvo Group

- Major shareholding in China's leading manufacturer of commercial vehicles – DFCV
- Major foothold in and share of the world's largest truck market
- Benefits from cooperation in transmissions, engines, components and future technology
- Sharing of development costs for the next-generation of engines
- Pooling of purchasing power and local sourcing in China

Main benefits for DFCV

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- Joint ambition of parties to develop the Dongfeng brand towards a major brand in the global commercial vehicle industry
 - DFCV gains access to export markets through Volvo's worldwide presence
 - Volvo Group expertise in aftermarket sales
 - Benefits from cooperation in transmissions, engines, components and future technology

Preparations well underway through jointly developed business plan for DFCV

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- Product plan
 - Technical cooperation
 - Brand strategy
 - Sales and marketing strategy
 - Aftermarket acceleration strategy
 - Export opportunities identified
 - Sourcing optimization
 - Etc.



Transaction process and timing

Signing of the master agreement
between Volvo and Dongfeng

January 2013

Review and approval by relevant authorities

2013

Creation of new commercial vehicle company
(DFCV)

2013

Completion of transaction.
Transfer of funds and ownership

Within appr. 12
months

Further strengthening of China as one of our home markets

Total operations 2011, including our partners

34,000 employees

20 bn

- Dual brand strategy; Volvo and SDLG
- 12% market share 2011
- 47,000 Volvo & SDLG machines sold in 2011
- # 1 position

Construction Equipment



1 bn

- JV with SAIC for city buses
- JV with SAIC for development of electrical and hybrid buses

Buses



41 bn

- DFCV: 142,000 HD trucks
49,000 MD trucks
Net sales 39 bn RMB
- DND: assembly of UD trucks
- Volvo Group: Direct import of Volvo, Renault & Mack trucks

Trucks





Q & A



Back-up and fact slides

The company DFCV

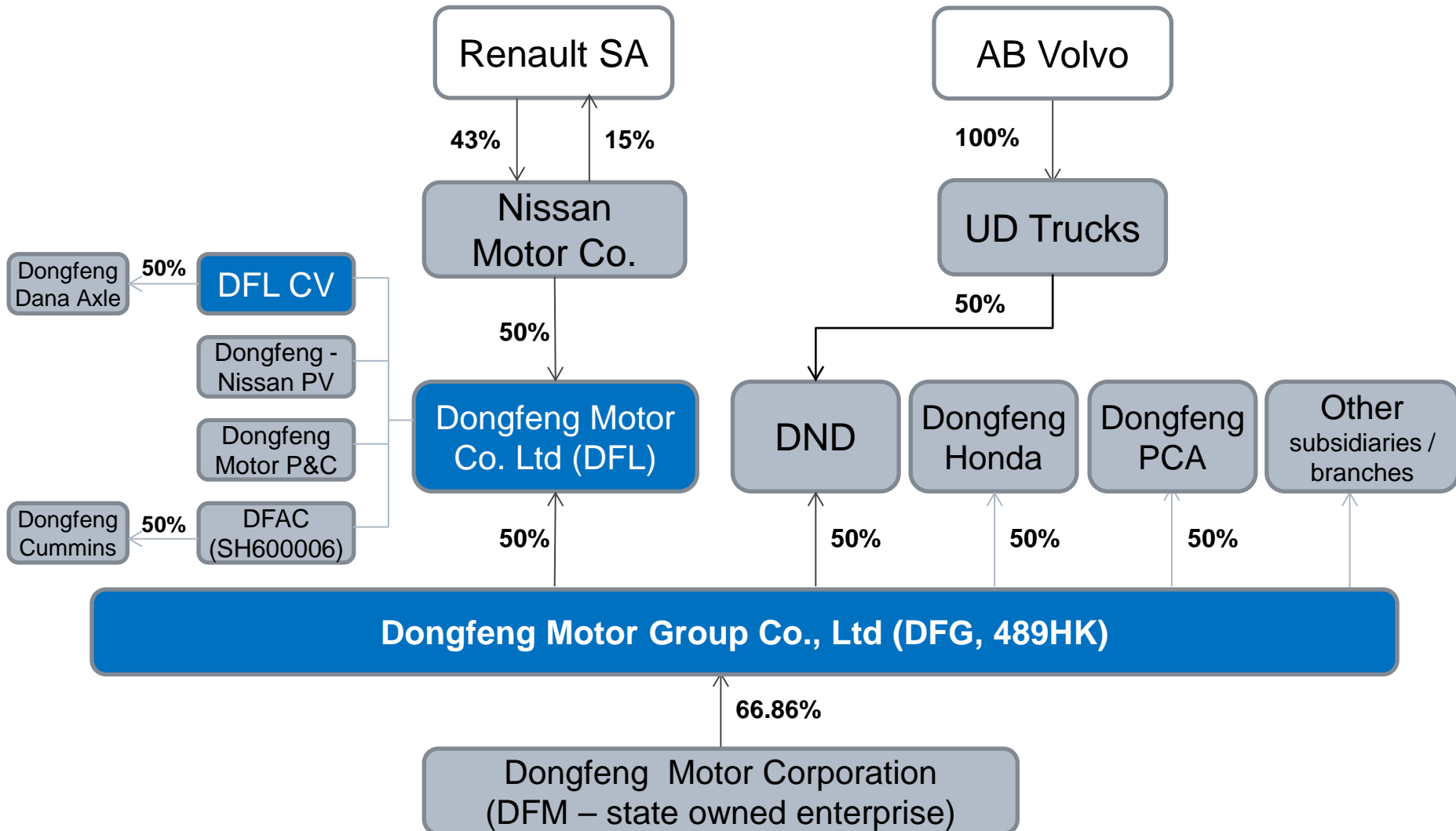
Financial overview (pro forma RMB bn)

Income statement	2011	Q312 YTD
Net sales	39	22
Gross income	4.8	2.8
Gross margin	12.2%	12.7%
EBIT	1.2	0.3
EBIT-margin	3.0%	1.3%
Net profit	1.4	0.4

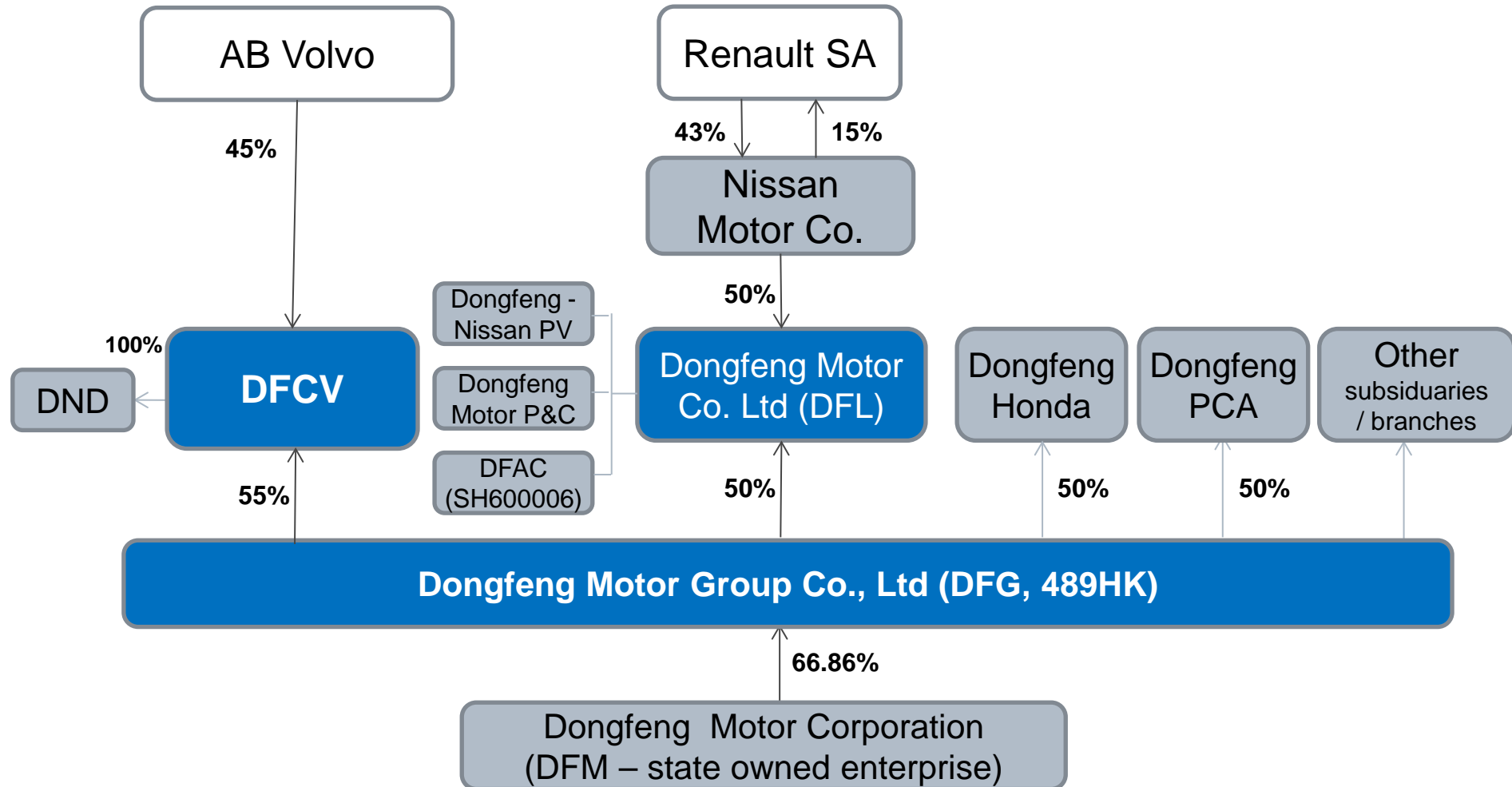
Balance sheet	2011	Q3 2012
Total Assets	26.7	24.3
Net Assets	5.1	5.9
Net cash/(debt)	3.0	- 0.5

Note: Figures are subject to final carve-out and final due diligence adjustments

Overview of current ownership structure



Overview of future ownership structure - After Completion



Governance structure of DFCV

Management team

Eight positions, four nominated by Dongfeng and four by Volvo.

Dongfeng: Managing Director, head of sales and marketing China, head of product development & planning, head of purchasing

Volvo: CFO, Head of manufacturing operations, head of export operations, head of subsidiaries

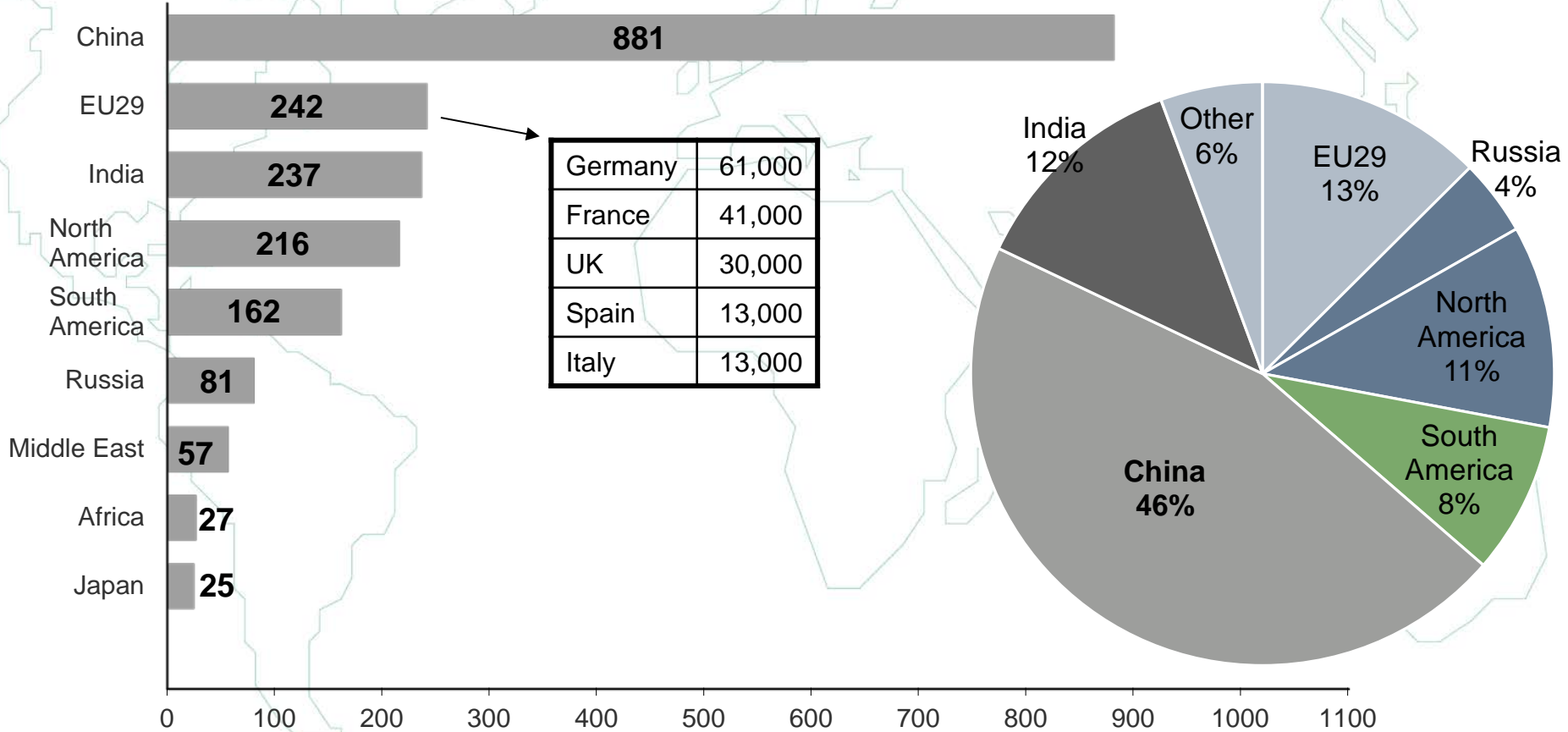
Board of Directors

Seven positions, four nominated by Dongfeng (Chairman) and three nominated by Volvo (Vice Chairman)

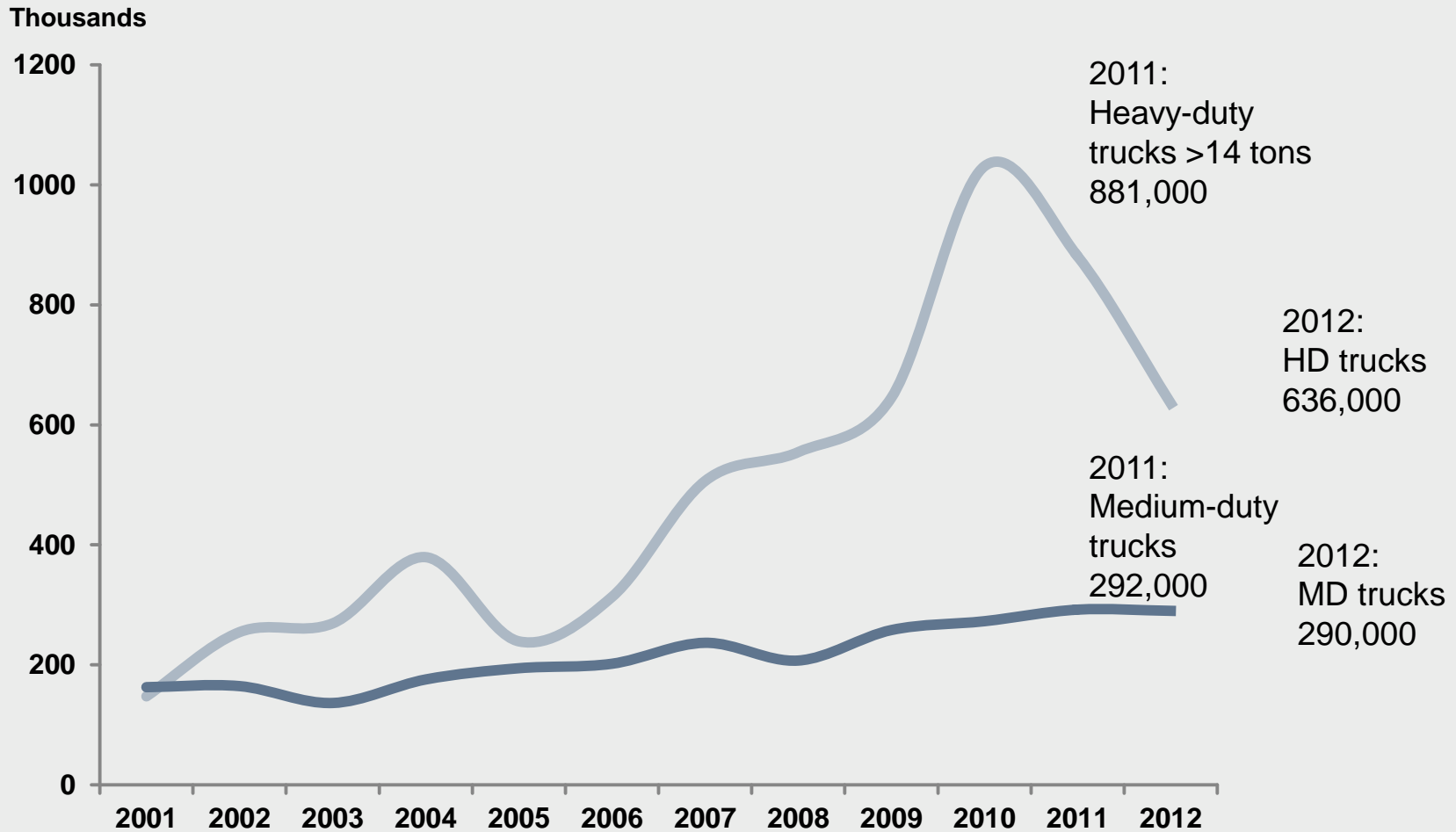
Chinese truck market

World's largest truck markets > 14 tons

1,000 units, 2011

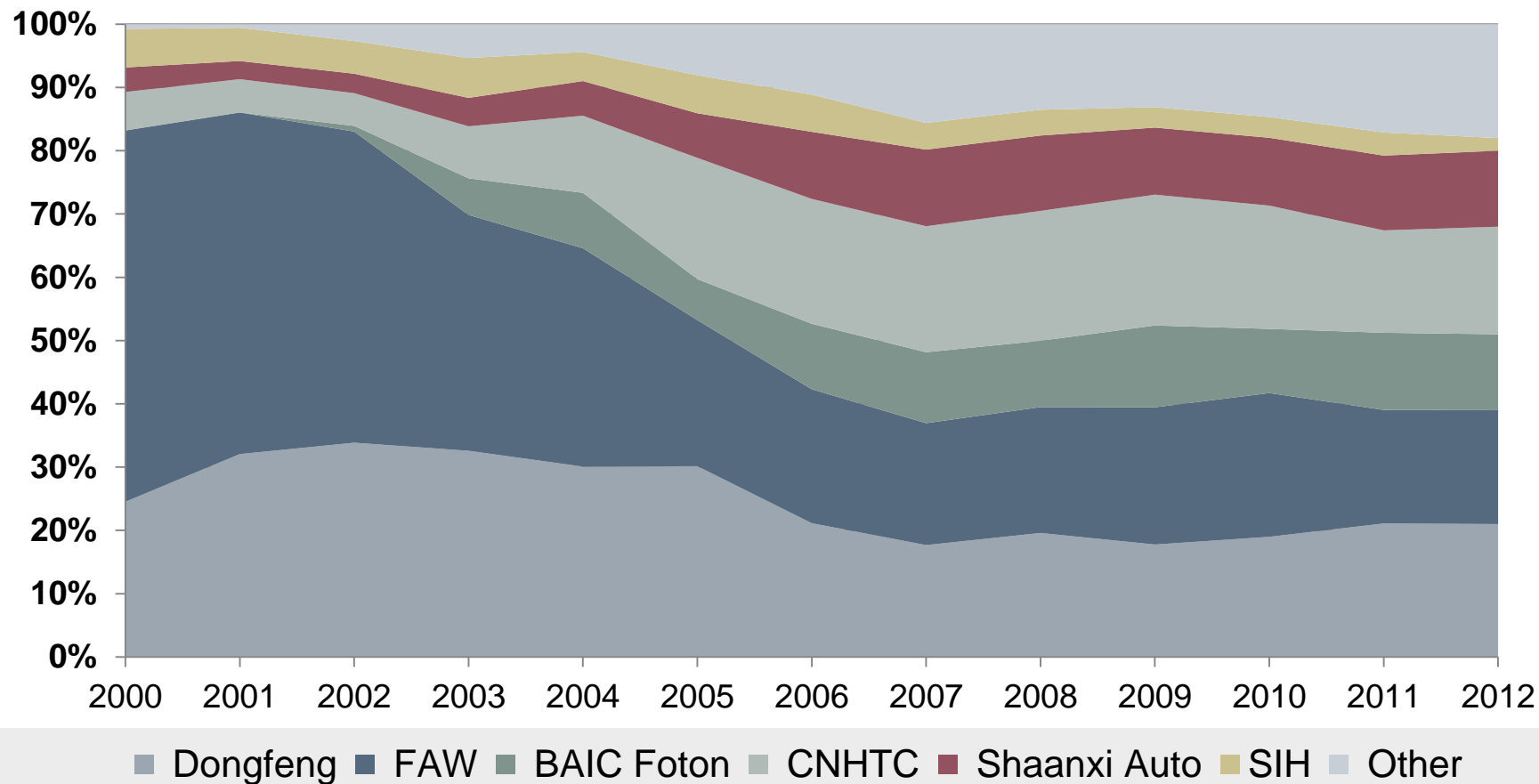


Chinese truck market development



Truck market shares 2001 – 2012 Q3

Heavy duty trucks, China



* Dongfeng refers to the whole Dongfeng Group