Strengthening the resilience over the cycle

Volvo Group

Adjusted operating income and margin

Net cash position,
Industrial Operations
(excl. pensions and lease liabilities)
Achieving industry-leading performance

Trucks, Buses & Engines
Adjusted operating margin: Volvo vs Peers

Construction equipment
Adjusted operating margin: Volvo vs Peers

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2020-11-05
We continue to review performance and take action
Delivering on our financial ambitions

- Gradual and consistent earnings improvement
- Reduced volatility in earnings and cash flow
- Discipline in capital allocation/investments
- Continuous investments in new business models by innovation and new technologies
Global mega trends

Growing global population

Decarbonization and air quality

Rapid urbanization

Growing e-commerce

New technologies

New societal demands

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2020-11-05
Our strategy continues to serve us and our customers well
Performance culture
FIT FOR THE FUTURE

- Profit and loss responsibility
- Empowerment
- Regionalized value-chains
- Simplicity and speed
- Continuous improvement
The Volvo Group journey continues

1999 – 2011
ACQUISITION-DRIVEN GROWTH

2012 – 2015
CLOSING THE GAP

2016 – 2018
IMPROVED PERFORMANCE

2019 →
PERFORM AND TRANSFORM
# 7 revised strategic priorities

1. **Transform the Volvo Group** to become a leading end-to-end integrator as well as offering easy to integrate products and services through strong brands.

2. **Grow the service business** and target selected industry verticals offering a portfolio of tailor-made solutions.

3. **Secure a desirable sustainable product and service portfolio** with the right quality, leveraging new and well-known technologies, CAST, partnerships and digital innovation - accelerating electromobility solutions.

4. **Grow in Asia and the US**: In Asia through JVs, alliances and by strengthening the Volvo Group footprint in China. In the US by significantly improving the Group’s market position.

5. **Develop robust profitability** throughout the decentralized regional value chains by leveraging global scale, digitalization, a purpose-fit footprint and continuous improvement using Volvo Production System.

6. **Selectively capture, accelerate and scale-up new businesses** and develop competencies and capabilities needed.

7. **Reinforce value-based leadership and ways of working** where all colleagues are empowered to take action and are accountable for the results.
Long-term ambition:

100% Safe
Fossil free
More productive
Executing on our CO₂ reduction ambitions

-18% CO₂ reduction per shipped volume in our own transport system since 2013

-35% CO₂ reduction in our own manufacturing operations since 2013
Ghent plant – CO$_2$ free vehicle production in 2007
Sustainability at the heart of everything we do

Mission
Driving prosperity through transport and infrastructure solutions

Vision
Be the most desired and successful transport and infrastructure solutions provider in the world

Aspirations
Have leading customer satisfaction for all brands in their segments

Have industry leading profits

Customer success
We respect one another
We earn business fairly and lawfully

Passion
We separate personal interests from business activities
We safeguard company information and assets

Code of Conduct
We communicate transparently and responsibly

Change
Performance

Green Finance Framework

Science-based targets

TCFD reporting

Paris agreement commitment
Setting a clear direction

- >50% of revenues from services and solutions by 2030
- >35% electric vehicles by 2030
- Leading by example with the world’s most sustainable in-house logistics system by 2025
- Implementation of 100 transport and infrastructure solutions for our customers by 2025
100% fossil free Volvo Group vehicles from 2040

Carbon fuel | Carbon neutral

Share of new trucks

COMBUSTION ENGINE

ELECTRIC

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Fast-paced introduction

- Demanding long-haul
- Regional-haul
- Heavy construction
- Drayage-haul
- Urban construction
- Waste and recycling
- Distribution
- City buses
- Energy services

Timeline:
- 2010
- 2015
- 2019
- 2020
- 2021
- 2022
- 2025
- 2030

- BEV
- Hybrid
- FCEV
Addressing a broad spectrum of customer segments
THE GLOBAL ELECTRIC LINEUP

Volvo FE Electric  Volvo FM Electric  Volvo FH Electric  Volvo VNR Electric  Volvo FMX Electric  Volvo FL Electric
Electric offering

Electric vehicles
Maintenance & repair
Charging solutions
Operational efficiency services
Volvo Financial Services
Gradual roll-out of electric ecosystems
Customer requirements

- Safety
- Productivity
- Sustainability
Winning formula:
Group technology platform and continued segment leadership
Volvo CE electrification roadmap

**Heavy**
- 2020: Energy recuperation
- 2025: Electrification

**Large**
- 2020: Energy recuperation
- 2025: Electrification

**Medium**
- 2020: Energy recuperation
- 2025: Electrification

**Compact**
- 2020: Electrification

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Unlocking customer value with connectivity
A new business model
Value sharing by maximizing capacity
Safe  Fossil free  Productive
Our business model – Transport as a Service

- Machines
- Cloud
- Operations
- Virtual Driver
- Infrastructure
- Volvo Payment Solutions
- Service & Maintenance

A TARA SOLUTION
Go-to-market focusing on three strategic customer segments

- **Quarry & Aggregates**
  - Electric confined

- **Ports & Logistics centers**

- **Hub-to-Hub Highway**
  - First commercial solution
The Great Shift to electrification

- Segment by segment
- Market by market
- Region by region
100% fossil free Volvo Group vehicles from 2040

- BATTERY ELECTRIC
- FUEL CELL ELECTRIC
- Combustion engine
- LNG

- BioLNG
- Carbon neutral electricity
- Carbon neutral hydrogen
- Bio fuels, hydrogen

Share of new trucks:
- 2020: 100%
- 2030: 0%
- 2040: ICE share?
- 2050: FC share?

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Modular architecture approach
CAST – a modular R&D approach

Combustion engine

Battery electric

Fuel cell electric
JOINING FORCES FOR HYDROGEN-POWERED CO$_2$-NEUTRAL TRANSPORTATION

- Technology leadership
- Economy of scale
- Society push
- Infrastructure roll-out
Fast-paced introduction

- Demanding long-haul
- Regional-haul
- Heavy construction
- Drayage-haul
- Urban construction
- Waste and recycling
- Distribution
- City buses: Hybrid, BEV
- Energy services

Timeline:
- 2010
- 2015
- 2019
- 2020
- 2021
- 2022
- 2025
- 2030
Diesel engine

Electric drive-line

Battery package

Fuel cell package

Fuel cell electric

Battery electric

Diesel

Pre-assembly stations
2020

Electric production roll-out
2022 Electric production roll-out
2025 Electric production roll-out
Volume ramp-up according to demand

- Total
- Distribution
- Waste
- Regional
- Long Haul
- Construction

EV share of market %
Leading the transformation towards fossil free transports

DISTRIBUTION France

MINING Indonesia

CONSTRUCTION US

LONG-HAULAGE Europe
The transformation will accelerate now!

Great opportunity in Nordic food retail – distribution example

- **Logistics cost**
  - Food retailer

- **CO2 from logistics**
  - Food retailer

**Transport cost** ~6% of total costs

**CO₂ from transports is around 30%**

**Electric solution today** ~10-15% higher in TCO (Total cost increases: 6%_{transport cost} x 15%_{TCO} = 1%)

**Total cost increase +1% Transport CO₂ -100%**
Diesel carried milk
1.00 EUR

Electric carried milk
1.01 EUR

Transport CO₂ -100%
End customer choice will be simple
Shift in mix for transport cost

NORDIC FOOD RETAIL – DISTRIBUTION EXAMPLE

Diesel:
- Vehicle
- Fuel or electricity
- Driver + admin + others

Logistics cost:
- Food retailer
  - Logistics cost
  - Other cost

Battery electric:
- Vehicle
- Repair and maintenance
- Transporter profit
- Financing and insurance
- Battery

Legend:
- Vehicle
- Fuel or electricity
- Driver + admin + others
- Repair and maintenance
- Transporter profit
- Financing and insurance
- Battery
Volvo Group has the assets to create the most competitive solution for the customer.

- **Vehicle**
- **Repair & Maintenance**
- **Battery Systems**
- **Financing & Insurance**

**Equipment-as-a-Service**
- Uptime
- Cost / km
- Safe
- Productive
- CO₂ free
- Piece of mind

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Volvo Group has the assets to create the most competitive solution for the customer

**VEHICLE**
- Application excellence
- Tailor-made for productivity and uptime
- Modular product system - CAST
- Ramp-up of volumes with scale
- Used equipment and recycling

**BATTERY SYSTEMS**
- Application optimization for range, life-length and weight
- Connected solutions
- Established partnerships
- Charging solutions
- Second life and recycling

**REPAIR & MAINTENANCE**
- Service network density 24/7
- Service and uptime contracts
- Connected solutions
- Trained and experienced staff

**FINANCING & INSURANCE**
- Volvo Financial Services
- Existing business models
- Infrastructure
- Customer knowledge

**EQUIPMENT-as-a-SERVICE**
- Uptime
- Cost / km
- Safe
- Productive
- CO₂ free
- Piece of mind
Step change in our life-cycle revenues

Life-cycle revenue per unit increases with >50%
Opportunity of a century!

- Step change in market share
- Higher life cycle revenue per unit
  - >1.5x for electric vehicles
  - >5x for autonomous solutions
- >35% electric vehicle sales by 2030
- Underlying transport demand

RESILIENCE

- EV gives step change in service contract penetration and duration
- >50% of Group sales from service by 2030

Leading the way to a fossil free society by 2050
Opportunity of a century!

Stronger growth and resilience