

Press release

New financial targets for Volvo Group

The Board of Directors' of AB Volvo has in its annual review decided to introduce new financial targets for the Volvo Group.

Financial targets

- The Group's operating margin shall exceed 10% measured over a business cycle.
- Financial Services' target remains unchanged with a return on equity of 12-15% at an equity ratio above 8%.
- The Industrial Operations shall under normal conditions have no net financial indebtedness excluding pension liabilities.

Rationale

The Volvo Group has in recent years gone through a substantial restructuring process in order to reduce structural costs and increase efficiency and is currently in a phase where focus is on organic growth and improved profitability through continuous improvement and innovation. A clear and straightforward operating margin target supports the efforts to drive performance across the Group. The target also better aligns with the way the Group and its business areas today are challenged and measured internally. The Board has therefore decided to introduce an operating margin target of above 10% over a business cycle.

A debt-free industrial balance sheet enables the Volvo Group to better manage cyclicality in a capital-intensive industry and to secure competitive cost of funds for the Financial Services' operation.

The new financial targets are valid from August 31, 2017.

August 31, 2017

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The Volvo Group is one of the world's leading manufacturers of trucks, buses, construction equipment and marine and industrial engines. The Group also provides complete solutions for financing and service. The Volvo Group, which employs about 95,000 people, has production facilities in 18 countries and sells its products in more than 190 markets. In 2016 the Volvo Group's sales amounted to about SEK 302 billion (EUR 31,9 billion). The Volvo Group is a publicly-held company headquartered in Göteborg, Sweden. Volvo shares are listed on Nasdaq Stockholm. For more information, please visit www.volvogroup.com.