First quarter 2020
Martin Lundstedt, President and CEO
Volvo Group
FIRST QUARTER HIGHLIGHTS

- Net sales decreased by SEK -16 bn, -15%
- Adjusted operating income of SEK 7.1 bn, corresponding to a margin of 7.8%
- Operating cash flow in the Industrial Operations of SEK -4.1 bn (2.8)
- Net financial cash position of SEK 57.8 bn
- Volvo Group and Daimler Truck intends to co-invest in development and large-scale production of fuel cells
- Severe COVID-19 impact starting mid-March
VOLUME DEVELOPMENT IN THE FIRST QUARTER

TRUCK DELIVERIES
Units HD/MD

12 months 201,516
-12,276
-23%

MACHINE DELIVERIES
Units

12 months 83,916
-2,969
-13%
Trucks
MARKET ENVIRONMENT: STEEP DECLINE IN DEMAND - FORECAST VISIBILITY LOW

NORTH AMERICA HD

BRAZIL HD

EUROPE HD

JAPAN HD

ASIA HD+MD

First quarter 2020

Volvo Group
First quarter 2020
4 2020-04-23
Trucks
MARKET ENVIRONMENT

Volvo Trucks European fleet utilization
Average km driven per week (index)

-20%

Truck’s global net order intake
(Monthly)

-75%

W4 W5 W6 W7 W8 W9 W10 W11 W12 W13 W14 W15

January February March
Volvo Group

SERVICE SALES DEVELOPMENT

SERVICE SALES, Industrial Operations
SEK bn  12 months: 86.0 bn

Ex FX:

-2%  -7%  +3%  +1%

TRUCKS  CONSTRUCTION EQUIPMENT  BUSES  VOLVO PENTA
Volvo Group and Daimler Truck intend to co-invest in fuel cells

- Intend to create a joint venture for development and large-scale production of fuel cells
- Building on existing assets to shorten time to market
- Joint investment demonstrates commitment to fuel cells as an attractive option for heavy loads and long distances
Trucks
NEW RANGE OF VOLVO TRUCKS
Volvo Group
ADJUSTED OPERATING INCOME CONTRIBUTORS

ADJUSTED OPERATING INCOME*
SEK M

Q1 2019  Gross income  Cash R&D Net R&D selling  Admin.  Other  Q1 2020

12,696  -5,319  -674  -178  539  157  -81  7,140

Currency -0.3 bn

+ Selling and admin
+ Raw material

- Vehicle volumes
- Capacity utilization
- R&D expenses
- Mix
- JV income

*Adjustments, see note 7 in Q1 report:
Q1 2019: Significant one-time item of SEK 1.5 Bn
Q1 2020: Significant one-time item of SEK 234 M
Volvo Group – Industrial Operations
OPERATING CASH FLOW AND NET FINANCIAL POSITION

OPERATING CASH FLOW
SEK bn
12 months SEK 31.4 bn

FINANCIAL POSITION, EXCL. PENSIONS AND LEASE LIABILITIES
SEK bn

Volvo Group
First quarter 2020
11 2020-04-23
Managing COVID-19 impact

Martin Lundstedt, President and CEO
Volvo Group COVID-19 crisis response

ILLUSTRATIVE

Volvo Group
First quarter 2020
13  2020-04-23
March and April activities

- Severe COVID-19 impact starting mid-March
- Health and safety main priority
- Immediate and forceful actions to quickly reduce activities and spending
- Strong focus on customer uptime
- Lower demand both short and medium term – critical to bring down structural cost levels
- Tough prioritizations on what activities to re-start
- Gradual re-start of production from end of April
Focus on gradual re-start to verify supply chains

- Supply chain uncertainty including authorities’ restrictions, suppliers, logistics, manning in factories etc
- Gradual re-start at low speed:
  - Powertrain in Europe W17
  - Trucks final assembly Europe W18
  - Trucks final assembly US and Brazil W19
  - Construction Equipment in Asia fully operational
  - Construction Equipment Sweden starts W19
- Supply capacity to be adapted to “new normal” demand level
Focus on the 4 Cs

Colleagues - Health and safety first

Customers – support
  • Secure customer uptime to support society
    ✓ Uptime center operation
    ✓ Work shop and spare parts operations
  • Requests for lease payment modifications

Cash – protect the Group
  • Collecting receivables and paying suppliers
  • Reducing new and used inventories
  • Minimizing CAPEX
  • Good liquidity and committed credit facilities

Cost – adjust to the “new normal” demand level
  • Short-term layoff of ~50,000 employees
  • Reduction of consultants
  • Salary reductions
  • OPEX reduced to business critical expenses only
  • Protect core R&D activities
Q&A