Volvo Group COVID-19 crisis response

Illustrative

Health and safety

Volume

Supply disrupted

Demand disrupted

Initial shock

Stop

Re-start

Gradual return

”New normal”

Q1

Today

Volvo Group
Second quarter 2020
2020-07-17
Volvo Group

FOCUSED ACTIVITIES IN Q2

Colleagues – health and safety first

Customers – support
• Secure customer uptime
• Contract modifications in Financial Services
• Successful re-start of supply chain and production

Cash – protect the Group
• Collect receivables and pay suppliers
• Reduce new and used inventories
• Minimize CAPEX
• Strengthened liquidity and prolonged credit facilities

Cost – adjust to “new normal” demand level
• Immediate and forceful actions to quickly reduce activities and spending
Volvo Group
SECOND QUARTER HIGHLIGHTS

- Net sales
  - Vehicles: -46%
  - Services: -15%
- Good volume flexibility in production
- R&D cash, Selling & Admin: -30%
- Adjusted operating margin: 4.5%
- Restructuring provision of SEK 3.2 bn and savings in same magnitude
- Industrial Operations
  - Operating cash flow SEK -5.7bn
  - Net cash position SEK 50.6 bn

* For information on adjustments, see note 7 in the quarterly report
## VOLUME DEVELOPMENT IN THE SECOND QUARTER

### TRUCK DELIVERIES

**k units HD/MD**

- **Q2**: 54.8
- **Q3**: 59.6
- **Q4**: 25.0

12 months 166,876 units

-38%

### MACHINE DELIVERIES

**k units HD/MD**

- **Q2**: 24.1
- **Q3**: 26.9
- **Q4**: 29.1

12 months 86,112 units

+8%
Volvo Group

SERVICE SALES DEVELOPMENT

SERVICE SALES, Industrial Operations
SEK bn

12 months SEK 82.4 bn

-15%
-14% excl. FX

19.7
21.3
18.1

Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2

12 months SEK 82.4 bn

Volvo Group
Second quarter 2020
6 2020-07-17
Trucks
MANAGING THE COVID-19 IMPACT - FORECAST VISIBILITY LOW

Utilization of Volvo trucks in Europe
Average km driven per week (index)

-20%

Easter weekend

-5%

Trucks global net order intake
(Monthly)

-90%

-5%
Trucks
HD/MD: QUARTERLY ORDERS -47% AND DELIVERIES -58%
Trucks
MARKET SHARES
Construction Equipment

QUARTERLY ORDERS 11% AND DELIVERIES 8%

**NORTH AMERICA**

Orders -85%
Deliveries -48%

**EUROPE**

Orders -51%
Deliveries -45%

**SOUTH AMERICA**

Orders -9%
Deliveries -26%

**AFRICA AND OCEANIA**

Orders -17%
Deliveries -32%

**ASIA**

Orders +39%
Deliveries +38%
Volvo Buses and Volvo Penta

ORDERS AND DELIVERIES

Volvo Buses
- Orders decreased by 55% with coach and tourist segments severely hit by COVID-19
- Deliveries decreased by 68%

Volvo Penta
- Orders decreased by 34%
- Deliveries decreased by 34%
Financial Services

- Supporting customers with increased levels of modifications
- Increased provisions due to elevated risk
- Penetration continues to improve
Volvo Group

NET SALES PER MARKET

NET SALES
SEK bn

120.7
-17.6
-23.6
-4.2
0.3
-2.3
73.2

Q2 2019
Europe
North America
South America
Asia
Africa and Oceania
Q2 2020

Currency SEK -1.3 bn
Volvo Group

ADJUSTED OPERATING INCOME CONTRIBUTORS

ADJUSTED OPERATING INCOME*  Currency SEK +0.3 bn
SEK M

<table>
<thead>
<tr>
<th></th>
<th>Q2 2019</th>
<th>Q2 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Income</td>
<td>15,105</td>
<td>15,162</td>
</tr>
<tr>
<td>Cash R&amp;D</td>
<td>1,604</td>
<td>-</td>
</tr>
<tr>
<td>Net R&amp;D Cap./Am.</td>
<td>-679</td>
<td>-</td>
</tr>
<tr>
<td>Selling</td>
<td>2,490</td>
<td>491</td>
</tr>
<tr>
<td>Admin</td>
<td>491</td>
<td>-577</td>
</tr>
<tr>
<td>Other</td>
<td>3,272</td>
<td></td>
</tr>
</tbody>
</table>

* For information on adjustments, see note 7 in the quarterly report.

+ Selling and Admin
+ Cash R&D
+ Volume flexibility

- Vehicle volumes
- Capacity utilization
- Service sales
- Used trucks (residual values and inventory)
- Credit provisioning in VFS
Volvo Group – Industrial Operations

CASH FLOW AND FINANCIAL POSITION

OPERATING CASH FLOW
SEK bn
12 months SEK 11.9 bn

OPERATING CASH FLOW
SEK bn
Working capital (-10.2 bn)

FINANCIAL POSITION
(Excl. pensions and lease liabilities)
SEK bn
Trucks

NET SALES AND ADJUSTED OPERATING INCOME

### NET SALES

<table>
<thead>
<tr>
<th></th>
<th>Q2 2019</th>
<th>Q2 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>NET SALES (SEK bn)</td>
<td>65.2</td>
<td>75.9</td>
</tr>
</tbody>
</table>

-12 months SEK 231.2 bn

### ADJUSTED OPERATING INCOME

<table>
<thead>
<tr>
<th></th>
<th>Q2 2019</th>
<th>Q2 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADJUSTED OPERATING INCOME (SEK bn)</td>
<td>9.5</td>
<td>0.7</td>
</tr>
</tbody>
</table>

+ Selling and Admin + Cash R&D + Volume flexibility

- Vehicle volumes - Capacity utilization - Service sales - Used trucks (residuals & inventory)

### ADJUSTED OPERATING INCOME (margin)*

<table>
<thead>
<tr>
<th></th>
<th>Q2 2019</th>
<th>Q2 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADJUSTED OPERATING INCOME (margin)* (SEK bn)</td>
<td>7.2 (11.1%)</td>
<td>0.7 (1.8%)</td>
</tr>
</tbody>
</table>

12 months SEK 8.0% +0.4 bn

* For information on adjustments, see note 7 in the quarterly report.
Construction Equipment

NET SALES AND ADJUSTED OPERATING INCOME

NET SALES
SEK bn
- 12 months SEK 80.7 bn

ADJUSTED OPERATING INCOME*
SEK bn

ADJUSTED OPERATING INCOME (margin)*
SEK bn

* For information on adjustments, see note 7 in the quarterly report
Volvo Buses and Volvo Penta
ADJUSTED OPERATING INCOME

VOLVO BUSES ADJUSTED OPERATING INCOME (margin)*
SEK M

<table>
<thead>
<tr>
<th>Quarter</th>
<th>SEK M</th>
<th>Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2</td>
<td>260</td>
<td>3.8%</td>
</tr>
<tr>
<td>Q3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q2</td>
<td>403</td>
<td>4.5%</td>
</tr>
<tr>
<td>Q3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q2</td>
<td>-532</td>
<td>-16.6%</td>
</tr>
</tbody>
</table>

- 12 months -0.1%
- Currency SEK -23 M

- Cost reductions
- Lower sales:
  - Vehicles -67%
  - Services -38%
  - Capacity utilization

VOLVO PENTA ADJUSTED OPERATING INCOME (margin)*
SEK M

<table>
<thead>
<tr>
<th>Quarter</th>
<th>SEK M</th>
<th>Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2</td>
<td>709</td>
<td>19.9%</td>
</tr>
<tr>
<td>Q3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q2</td>
<td>618</td>
<td>16.8%</td>
</tr>
<tr>
<td>Q3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q2</td>
<td>345</td>
<td>13.7%</td>
</tr>
</tbody>
</table>

- 12 months 11.9%
- Currency SEK +10 M

- Cost reductions
- Lower volumes
- Mix

* For information on adjustments, see note 7 in the quarterly report
Financial Services

CREDIT PORTFOLIO AND PROFITABILITY

NEW RETAIL FINANCING
SEK bn

ADJUSTED OPERATING INCOME*
SEK M

CREDIT PORTFOLIO & ADJ. ROE*
SEK bn

12 months SEK 78.9 bn
12 months SEK 2,141 M
Currency SEK -18 M
Adj. ROE 12 months 11.1%

* For information on adjustments, see note 7 in the quarterly report
Volvo Group

FOCUS GOING FORWARD

- Safety first
- Carefully monitor COVID-19 impact on economies, demand and supply
- Balance the re-start of selected activities with the recovery in demand
- Convert short term cost reductions into structural cost savings
- Accelerate transformation into new technologies and business models