

VOLVO

Third Quarter 2009

Conference Call, October 23, 2009

Group Highlights



Third quarter

- Sales stabilized on low level
- Operating loss SEK 3.3 bn
- Cost reductions effective
- Successful reduction of inventories

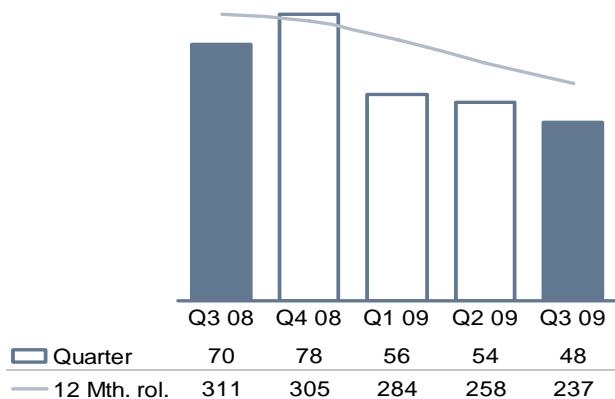
Business environment

- Europe; bottoming out and some signs of improvement
- Asia; recovery under way
- North America; no clear signs of recovery

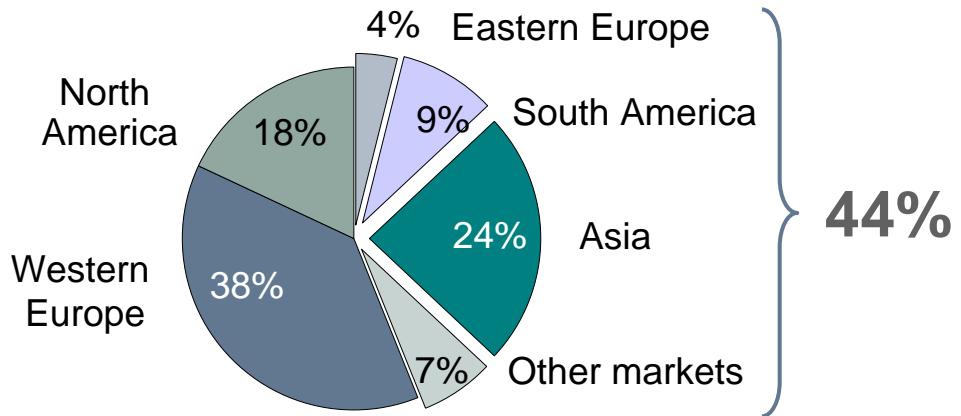
Volvo Group

Net sales

(SEK bn)

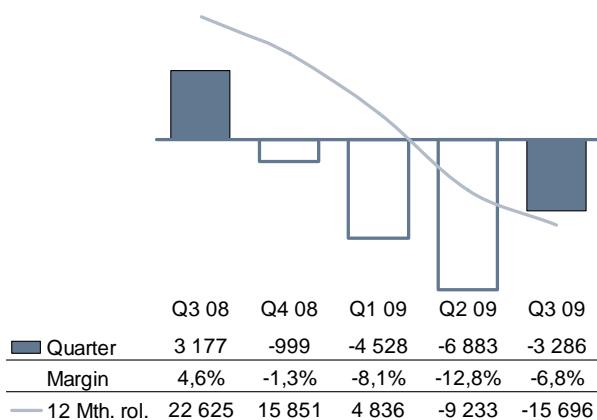


Third quarter



Operating income

(SEK M)

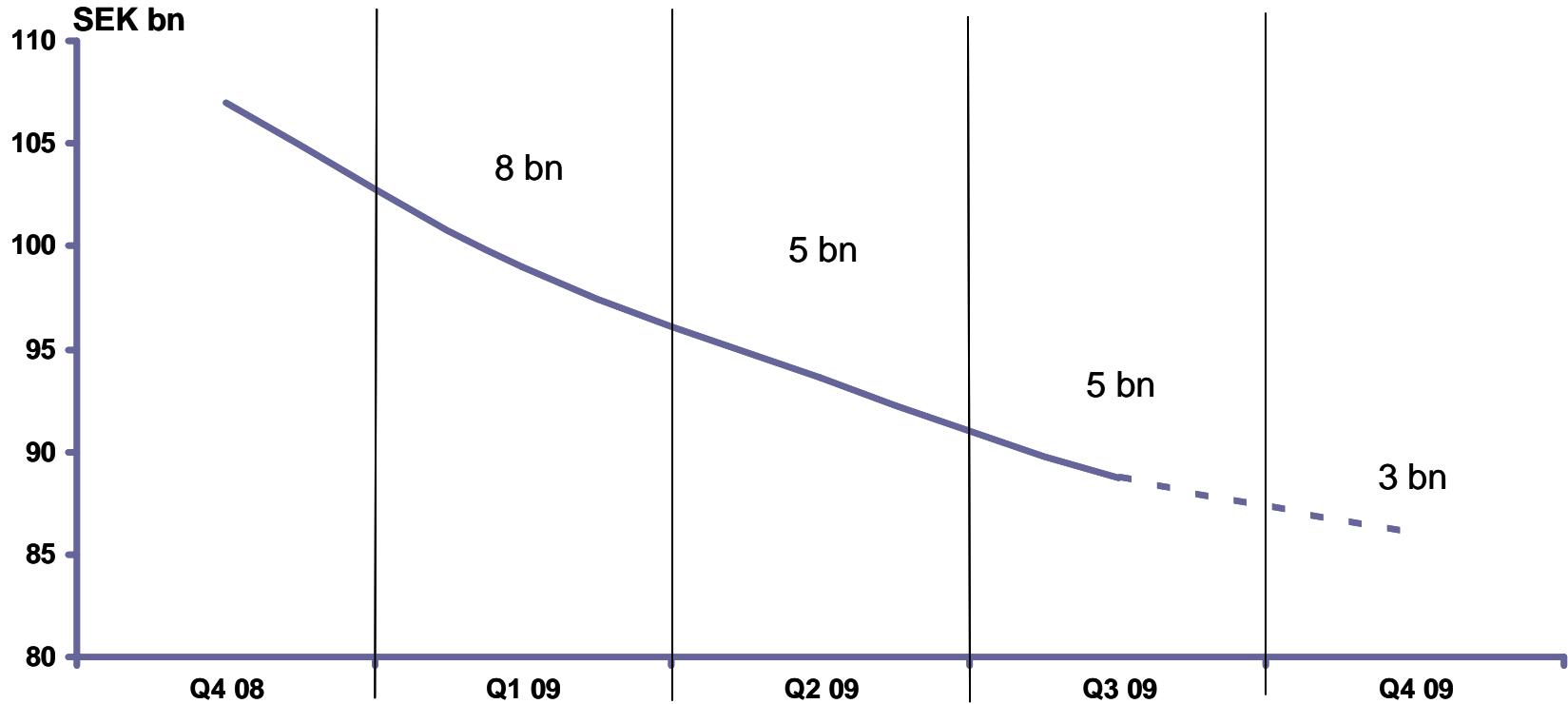


Operating income

- Significantly lower sales volumes
- Under absorption SEK 2.5 bn
- + Cost reductions starting to have effect

Annual cost level

- Activities and development so far



- Annualized run rate expected to be reduced by SEK 21 bn from the end of 2009.

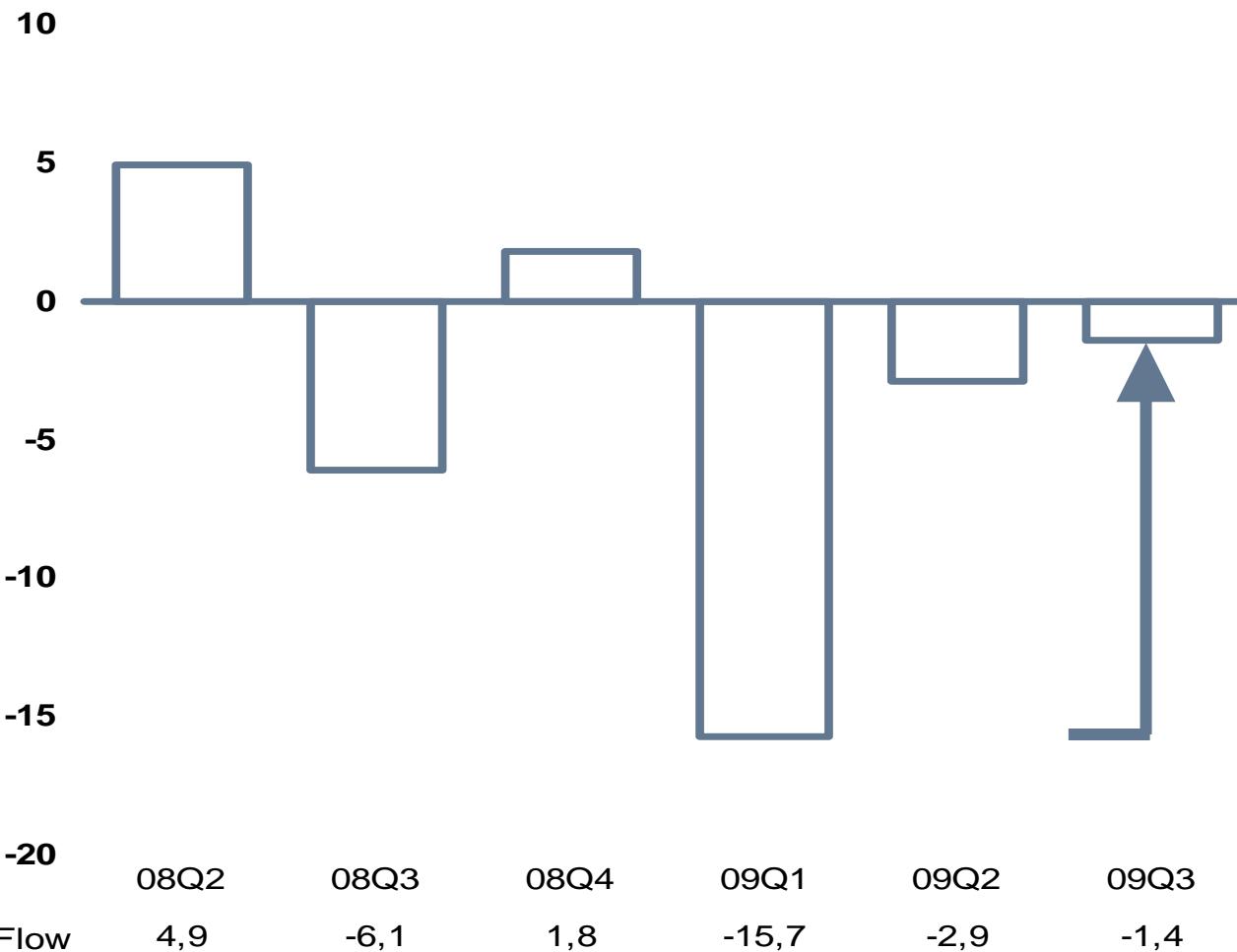
Significantly improved performance

	Q2-09	Q3-09	change
Industrial Operations			
Net sales	51 512	46 086	-11%
Operating income	-6 587	-3 283	
<u>One-offs</u>			
UAW-agreement	870		
Residual value write down	550	150	
Inventory write down	400	200	
Layoff costs	600	250	
	2 420	600	
Adjusted Operating income	-4 167	-2 683	1 484
Under absorption	3 000	2 500	

Volvo Group – Cash Flow

Industrial Operations

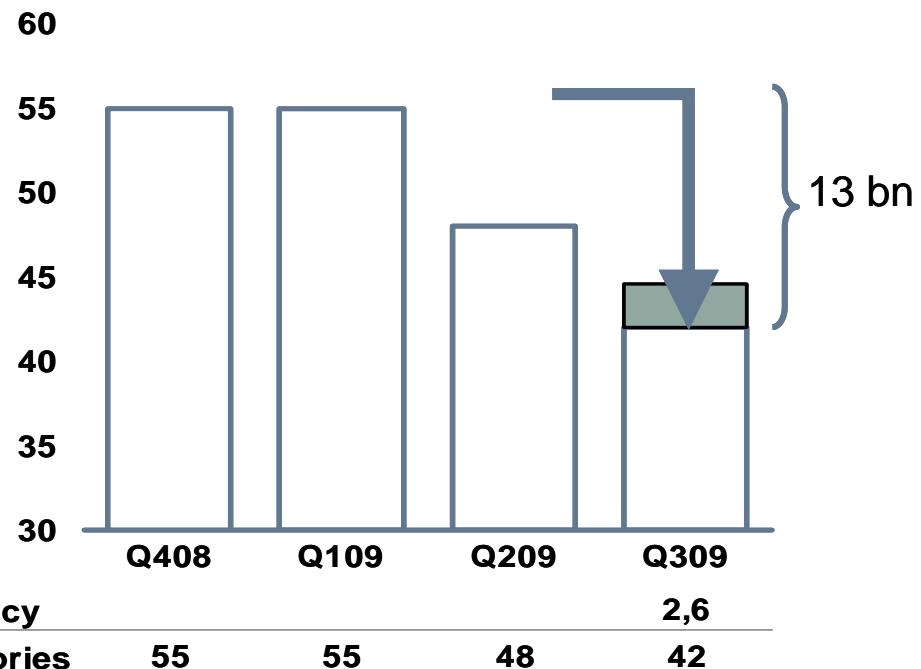
SEK bn



Working Capital

Inventories, Volvo Group

SEK bn



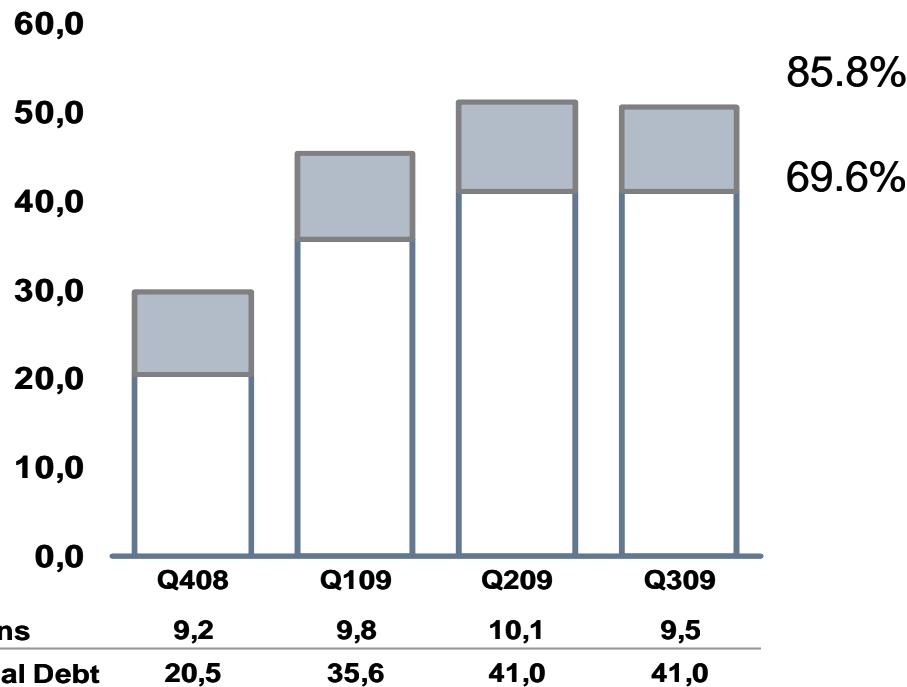
Industrial Operations

- Operating cash flow; negative 1.4 bn in the quarter
- Focus on working capital
 - Receivables - 1.6 bn
 - Inventories - 3.4 bn
 - Payables + 0.7 bn
 - Other + 2.5 bn
 - Total change - 1.8 bn

Volvo Group – Net Financial Debt

Industrial Operations

Net debt,
SEK bn

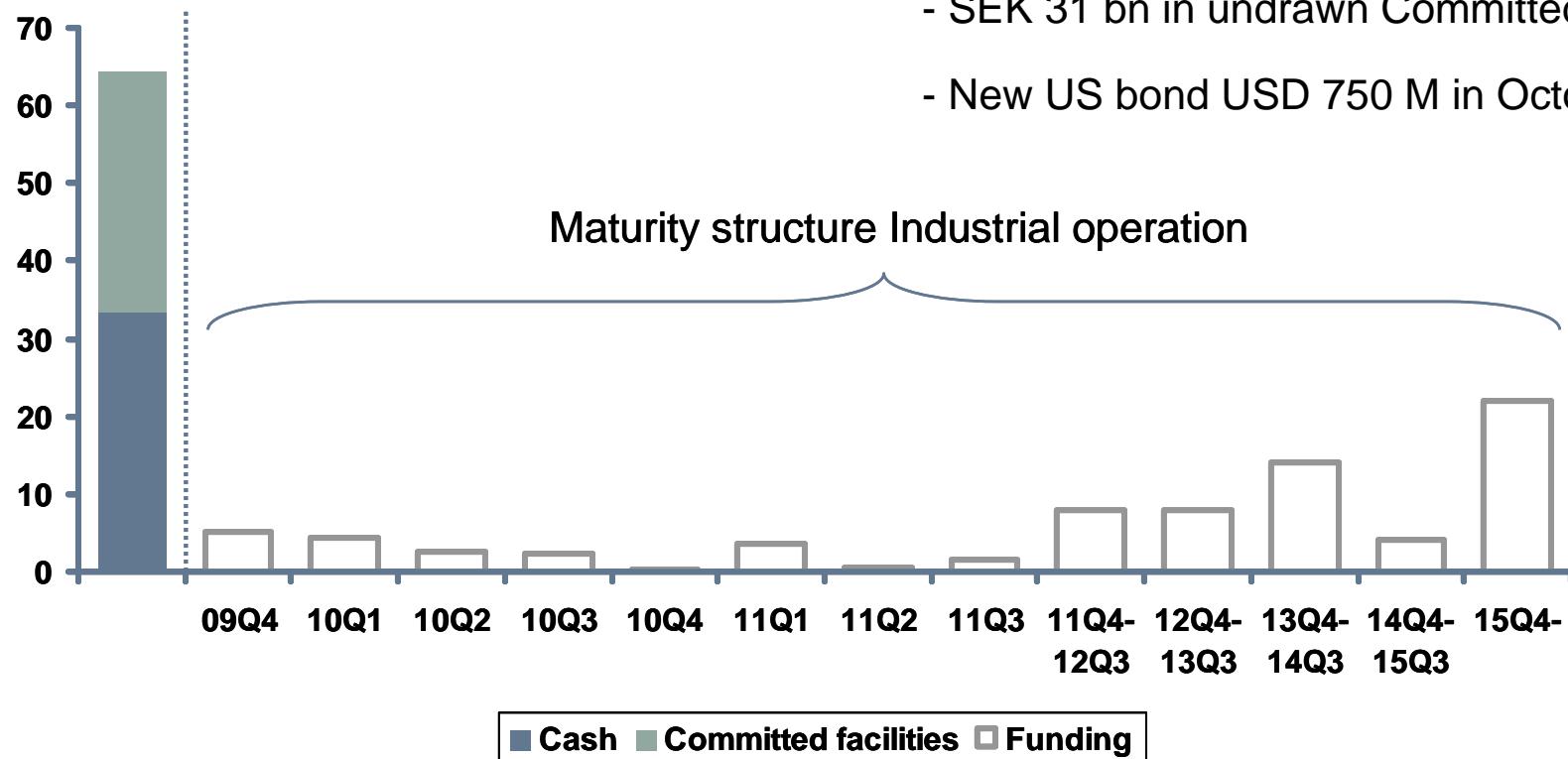


Changes in Net financial debt

- Cash Flow	1.4 bn
- Currency	- 1.9 bn
- Other	<u>- 0.2 bn</u>
Total	- 0.7 bn

Volvo Group Funding

Cash & Committed Facilities

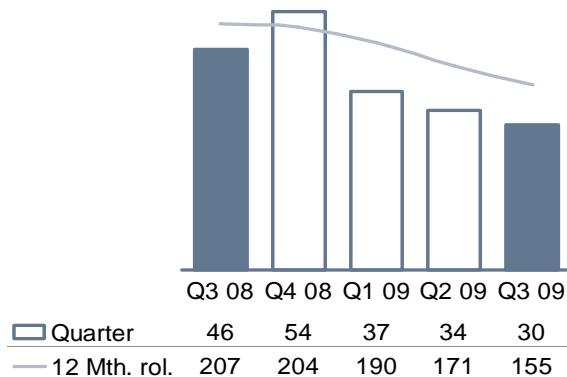


Trucks



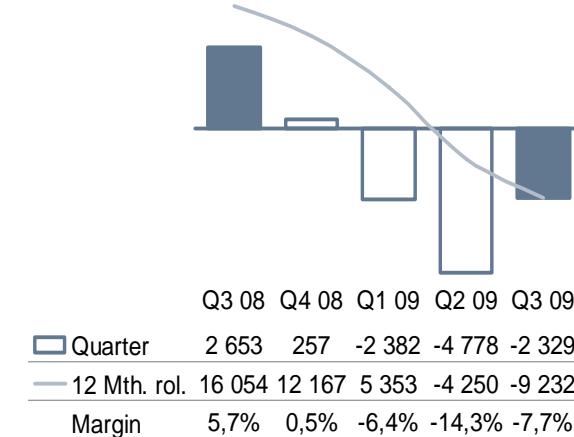
Net sales

SEK bn



Operating income

SEK M



Highlights

- Continued depressed demand for new vehicles
- Sales down by 42% adjusted for currency
- Operating loss reduced; lower sales and under absorption partly offset by cost reductions
- Inventories of new trucks reduced by another 19%

In Focus

- Rightsizing operations
- Cost efficiency and productivity
- Drive aftermarket and services
- Further reduction of used truck inventory
- Prepare for new emission regulations

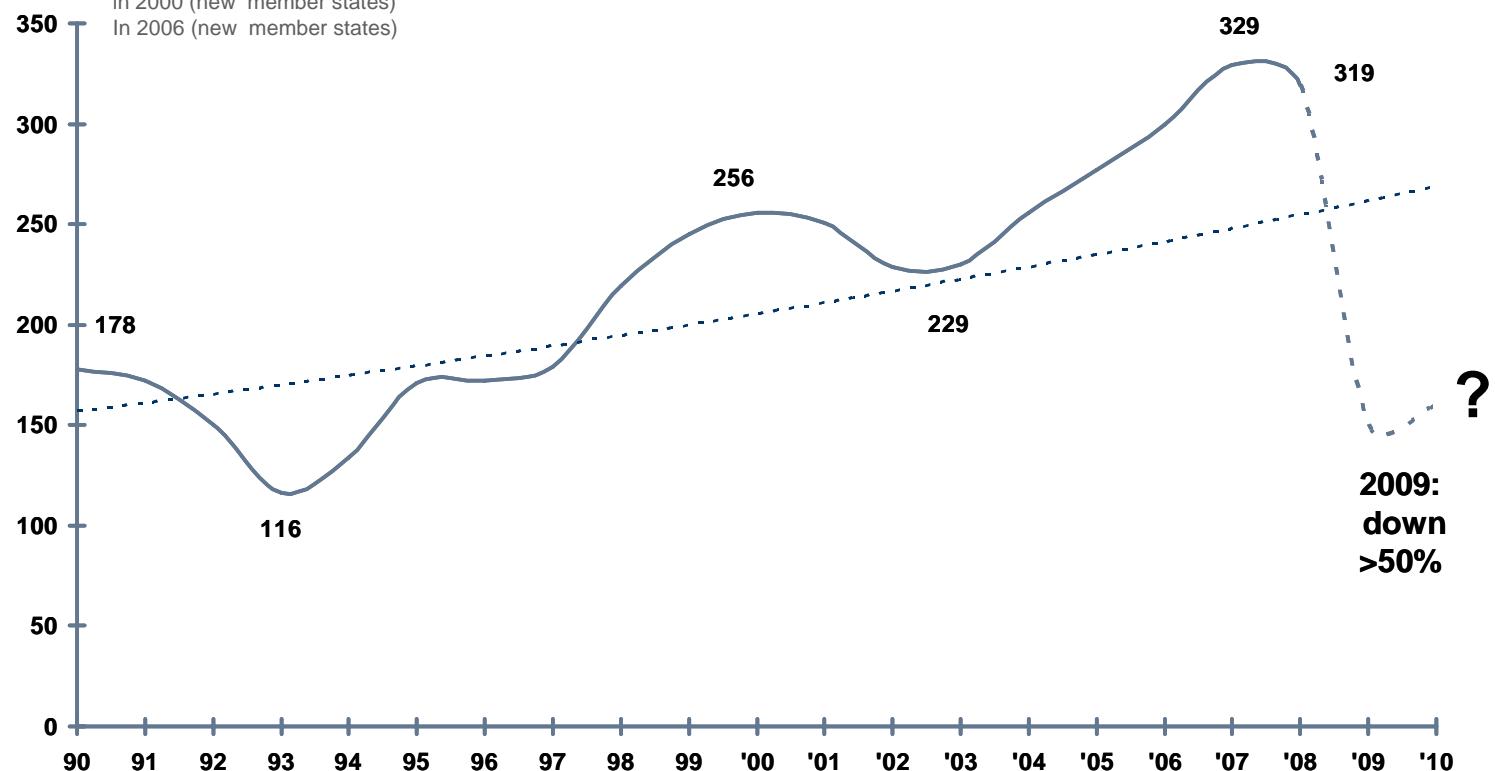
Heavy-duty truck market - Europe

(EU members + Switzerland and Norway)



Units, Thousands (heavy trucks)

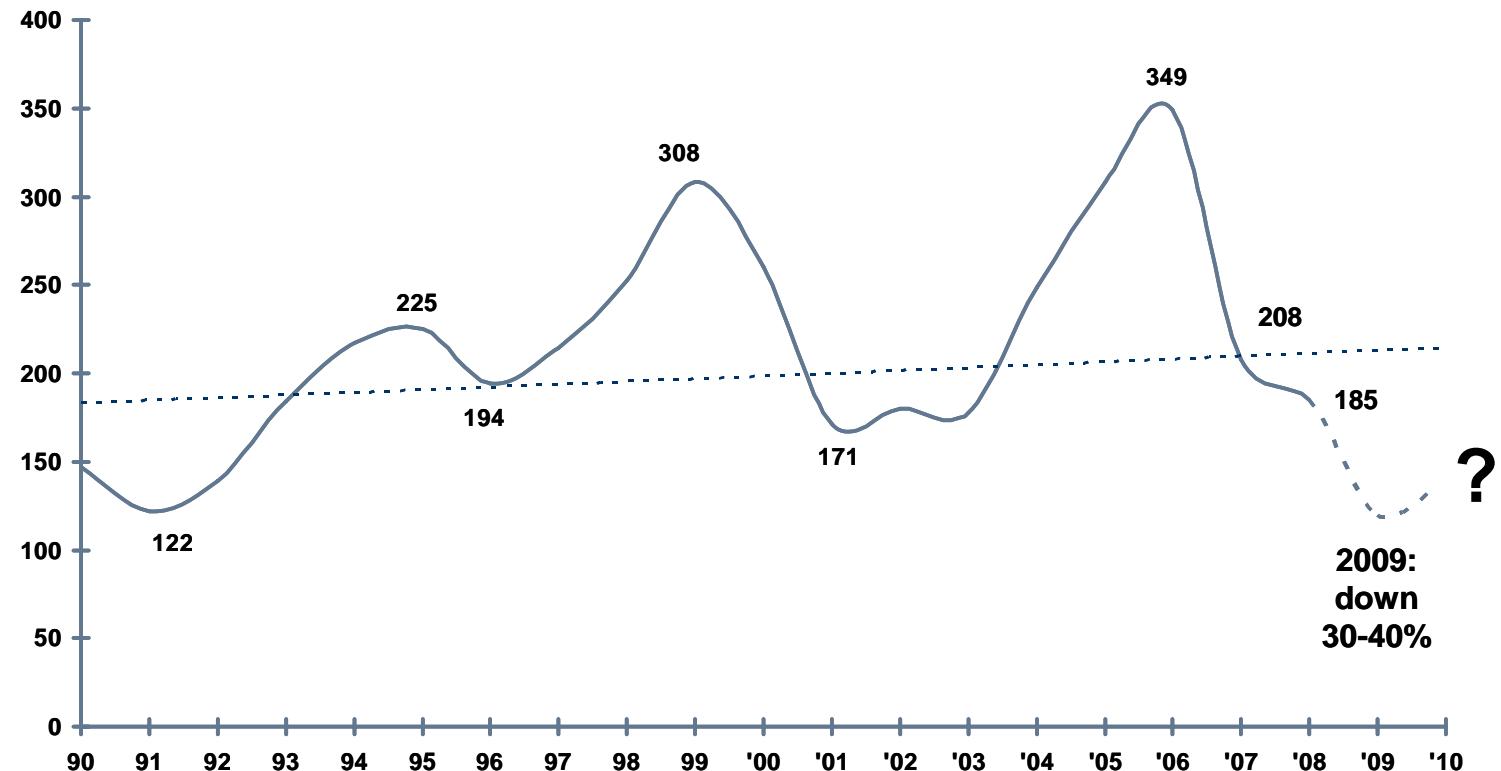
Modification of definition
In 1991 (East Germany) and
in 2000 (new member states)
In 2006 (new member states)



Heavy-duty truck market – North America



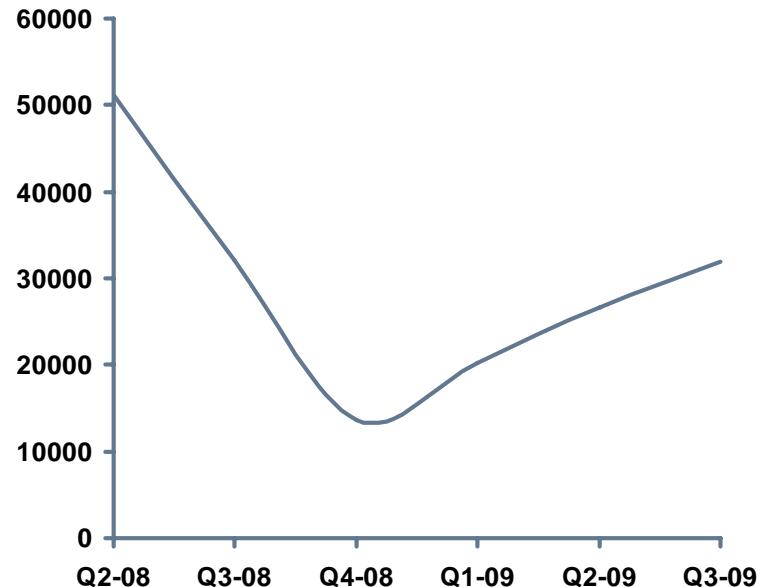
Units, Thousands (heavy trucks)



Net order intake – positive trend

Trucks

Net order intake	Q3-08	Q4-08	Q1-09	Q2-09	Q3-09	Change Q3-Q2
Europe	115	-1,549	7,494	8,980	8,189	-9%
North America	7,578	4,037	2,869	3,257	5,093	56%
South America	5,096	1,087	1,731	2,998	5,284	76%
Asia	14,607	7,868	5,712	7,884	10,079	28%
Other markets	4,676	2,235	2,377	3,505	3,353	-4%
Total	32,072	13,678	20,183	26,624	31,998	20%

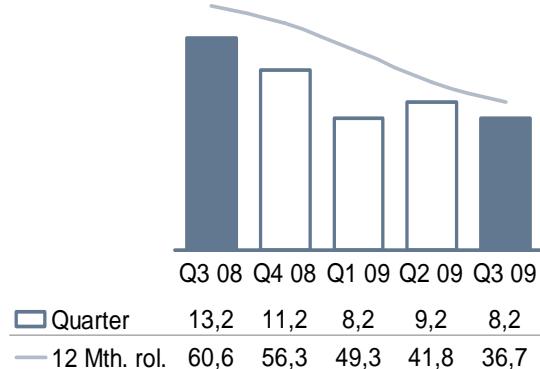


Construction Equipment



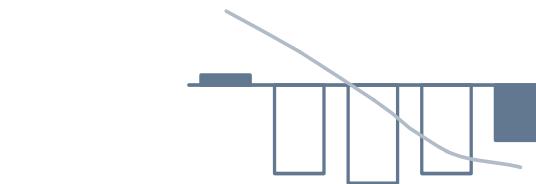
Net sales

SEK bn



Operating income

SEK M



Q3 08 Q4 08 Q1 09 Q2 09 Q3 09

Quarter	134	-1 256	-1 395	-1 259	-787
12 Mth. rol.	4 099	1 808	-888	-3 776	-4 697
Margin, %	1,0%	-11,2	-17,1	-13,8	-9,6%

Highlights

- Still very weak world market, down 42%
- Operating loss reduced by 37% compared to Q2 despite 11% lower sales
- Capacity utilization at 30%
- Unit inventories down another 10%

In Focus

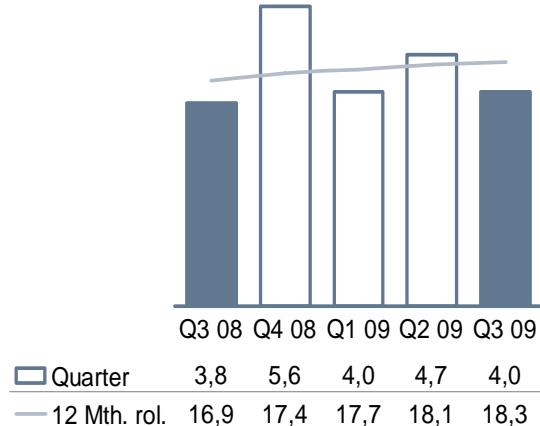
- Back to Profitability
- Cost efficiency and productivity
- Inventory reduction
- Capitalize on good momentum in China

Buses



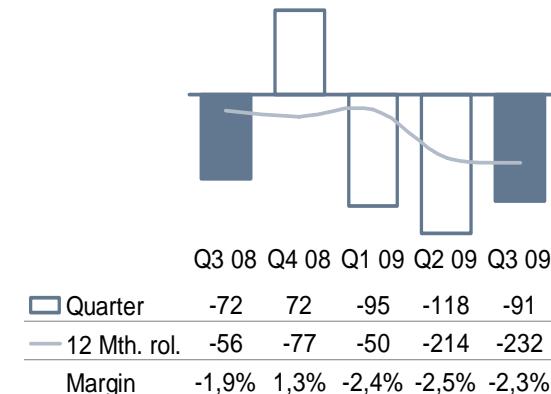
Net sales

SEK bn



Operating income

SEK M



Highlights

- Bus market continues to decline
- Good order intake in Asia
- Significant change of product and market mix

In Focus

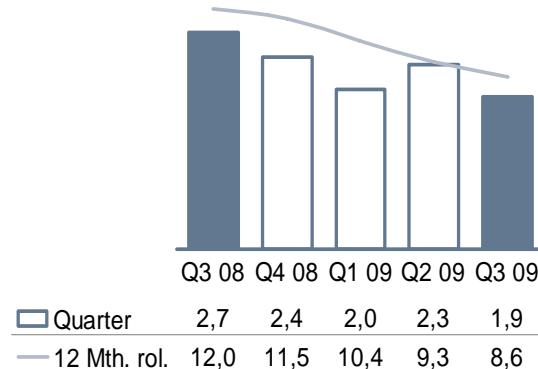
- Rightsizing operations
- Cost efficiency and productivity
- Delivery performance in NA
- Hybrid serial production, US10, Euro 5

Volvo Penta



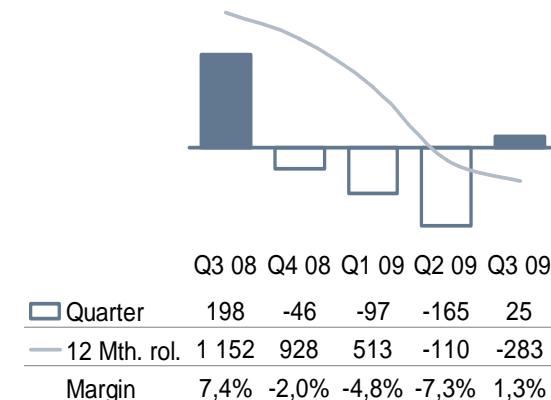
Net sales

SEK bn



Operating income

SEK M



Highlights

- Weak world market for marine engines, more stable for industrial engines
- Profitable quarter due to positive effects from downsizing activities
- Significantly reduced inventories, pipeline of finished products adjusted

In Focus

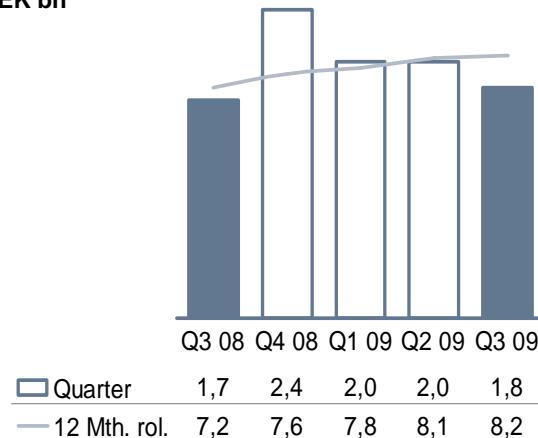
- Continue to manage risks towards suppliers and customers
- Increase market positions within Industrial segments
- Capitalize on extensive products launches and new soft products

Volvo Aero



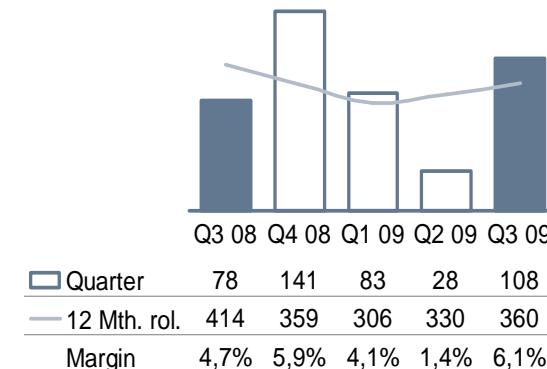
Net sales

SEK bn



Operating income

SEK M



Highlights

- Airlines face major losses
- Air traffic decrease flattening out
- Lower capacity utilization
- Personnel reductions

In Focus

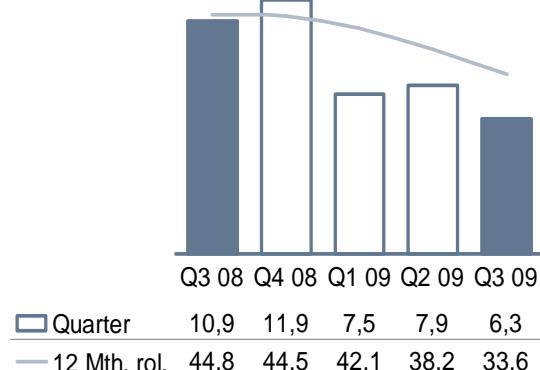
- Capacity adjustment
- Cost management
- Continued focus on cash flow
- Execution on new contracts

Financial Services



New retail financing

SEK bn

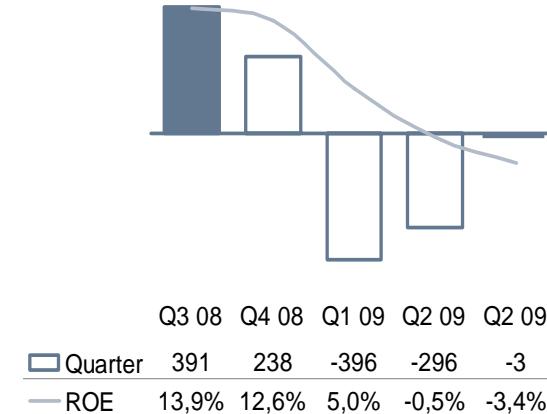


Highlights

- Early signs of portfolio stabilization
- Inventory reduction in September
- Continuation of difficult economic conditions

Operating income and return on equity

SEK M



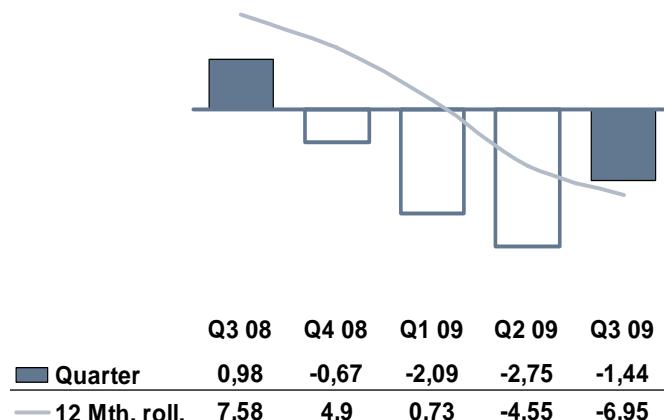
In Focus

- Debt collection activities
- Inventory management and remarketing
- Rationalization of cost structure

Group Summary

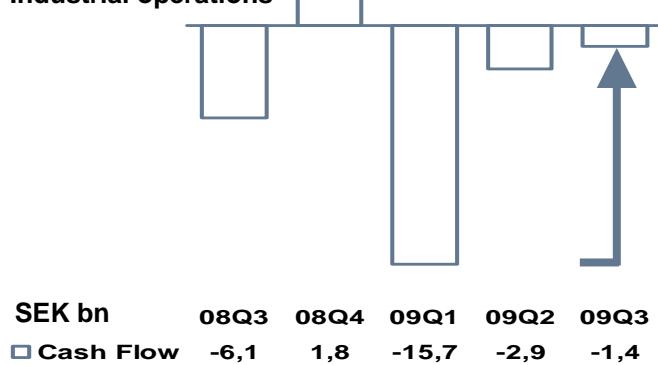


Earnings per share SEK



Operating Cash Flow

Industrial operations



Third quarter

- Sales 31% lower than Q3-08, -39% adjusted for currency
- Operating loss reduced
- Successful reduction of inventories: SEK 3.4 bn
- Operating cash flow – positive trend
- Net debt development stabilized

In focus

- Group cost structure
- Cash flow

VOLVO

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