

VOLVO

Fourth Quarter 2009

Press Conference, February 5, 2010

Group Highlights



Fourth quarter

- Operating loss SEK 2.3 bn
- Cash flow – positive SEK 8.6 bn
- Net debt reduced by SEK 9 bn

Business environment

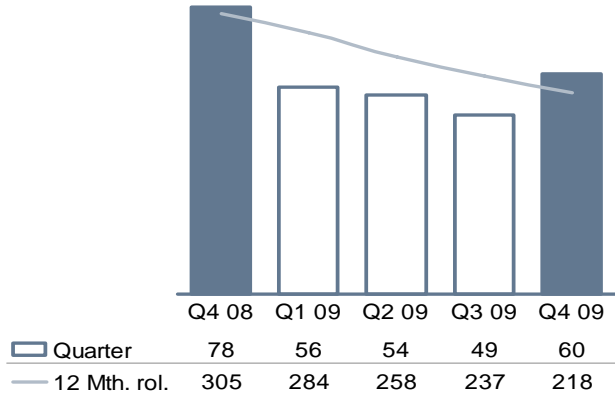
- Europe; market improving
- Asia & South America; strong recovery
- North America; continued weak market

Board proposal: ordinary dividend
SEK 0 per share (2.00)

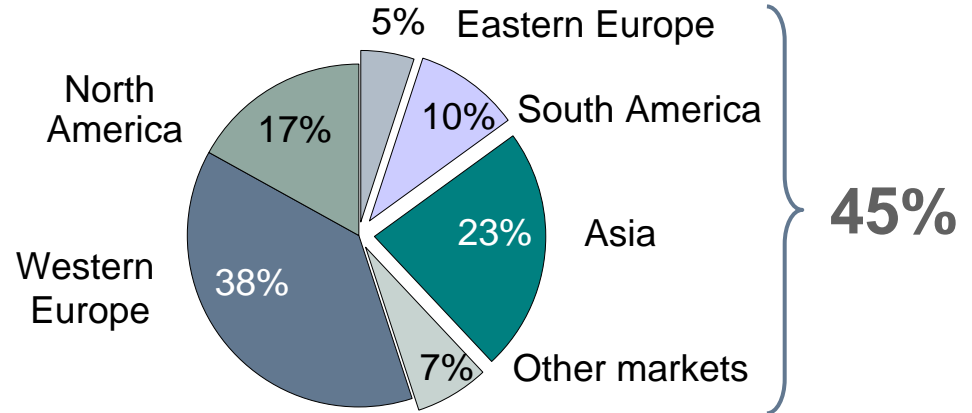
Volvo Group

Net sales

(SEK bn)

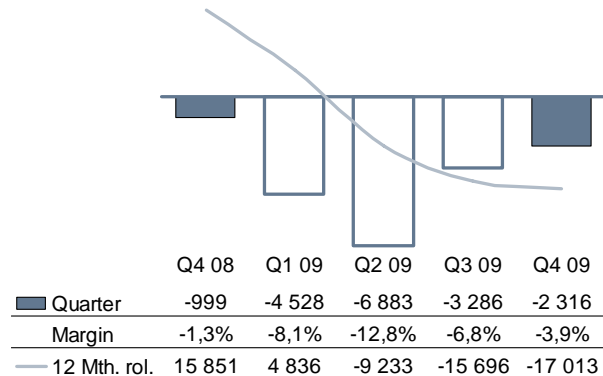


Fourth quarter



Operating income

(SEK M)

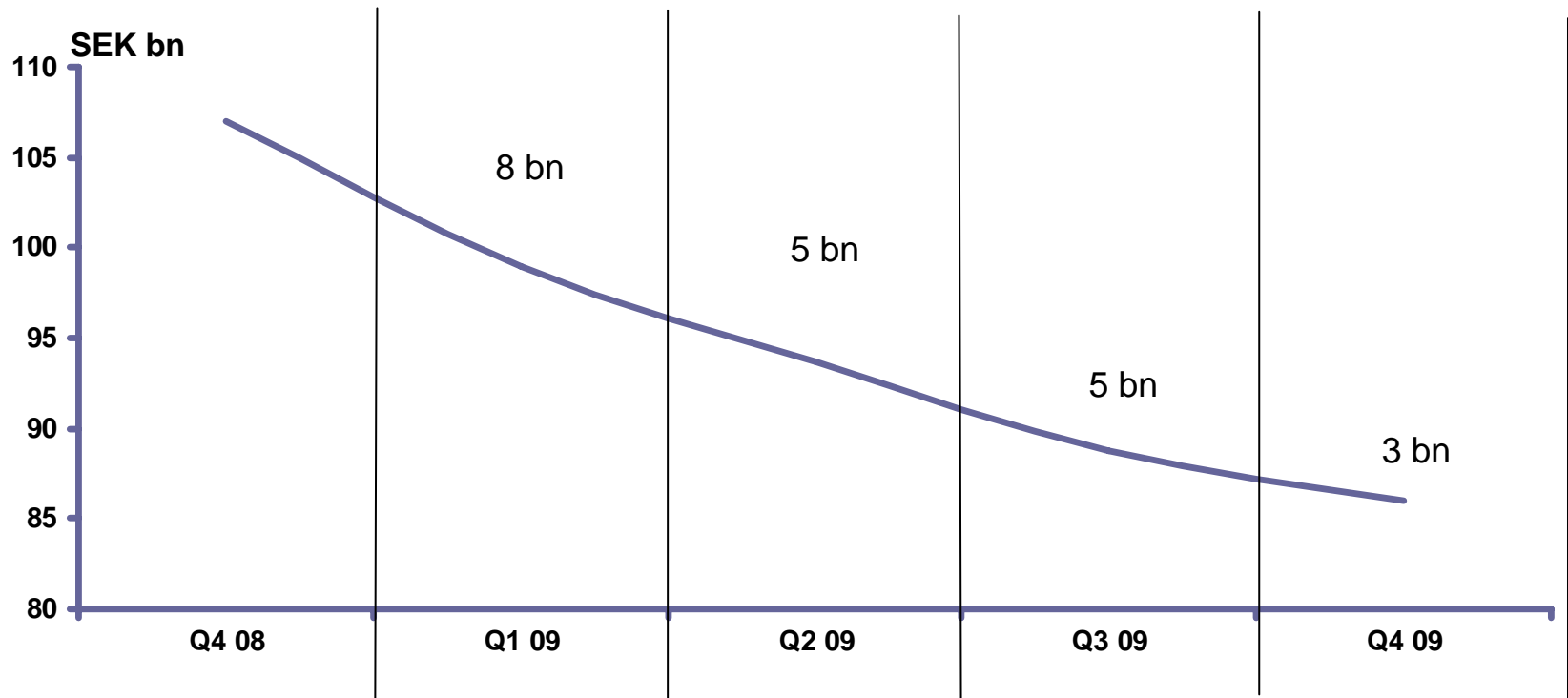


Operating income

- Significantly lower sales volumes
- Down-sizing costs
- + Cost reductions effective

Annual cost level

- Cost reductions implemented

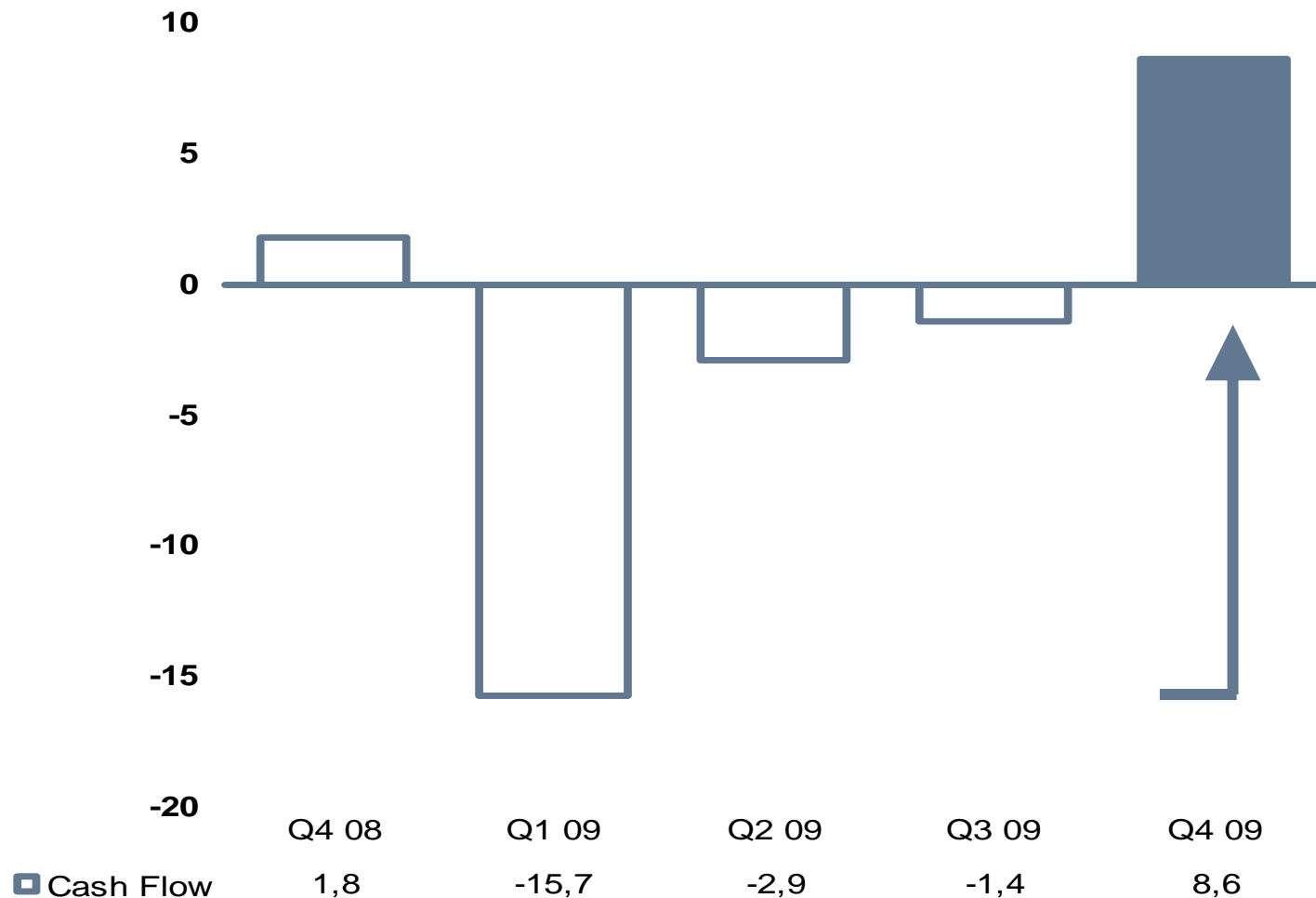


- Annualized run rate reduced by SEK 21 bn from the end of 2009.

Volvo Group – Cash Flow

Industrial Operations

SEK bn

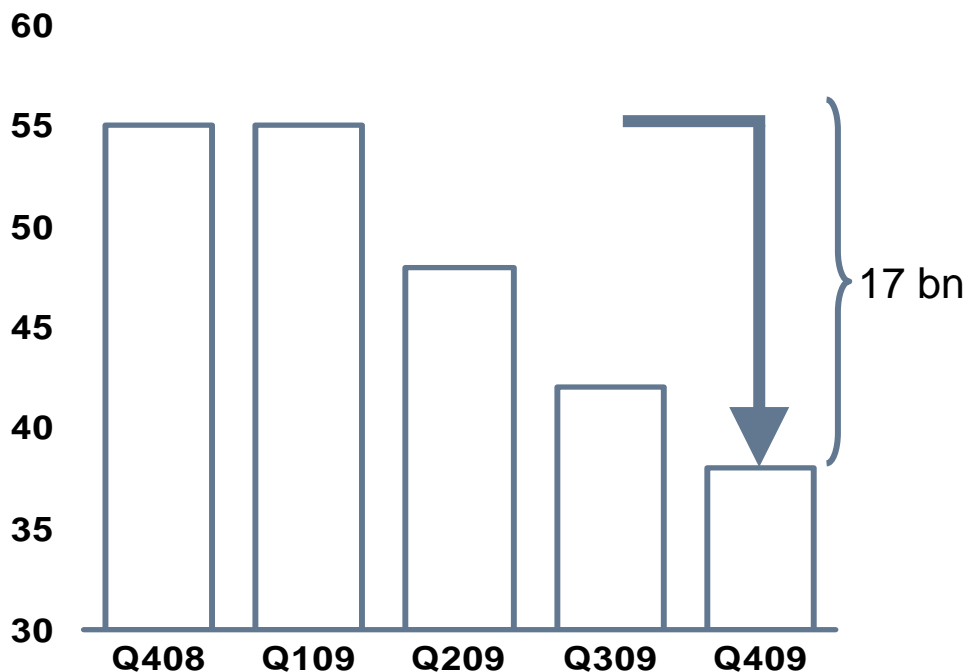


Working Capital

- Inventory reduction target of SEK 15 bn achieved

Inventories, Volvo Group

SEK bn



■ Inventories

55

55

48

42

38

Industrial Operations

- Focus on working capital
 - Receivables + 1.1 bn
 - Inventories - 5.6 bn
 - Payables - 6.9 bn
 - Other - 0.3 bn
 - Total change - 11.7 bn

Volvo Group – Net Financial Debt

Industrial Operations

Net debt,
SEK bn

60

50

40

30

20

10

0

Q4 08

Q1 09

Q2 09

Q3 09

Q4 09

■ Pensions	9,2	9,8	10,1	9,5	6,0
■ Financial Debt	20,5	35,6	41,0	41,0	35,5

Liquidity position SEK 71.1 bn

- Limited maturities in 2010-2011

70.9%

60.7%

Changes in Net financial debt

- Cash Flow - 8.6 bn

- Currency 0.4 bn

- Other - 0.7 bn

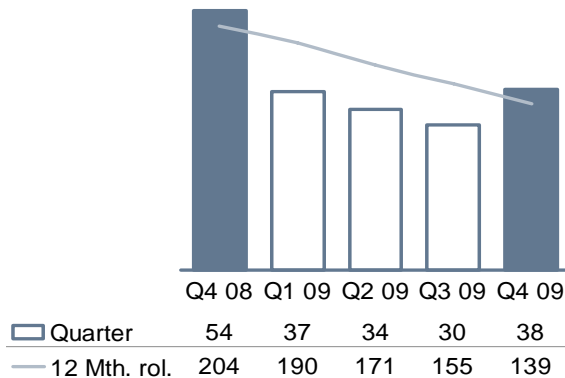
Total - 8.9 bn

Trucks



Net sales

SEK bn

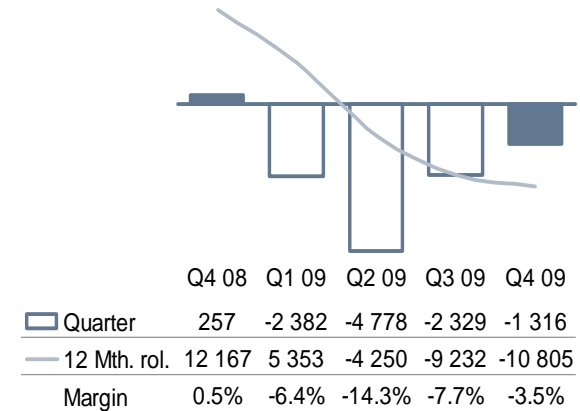


Highlights

- Improving demand
- Sales up by 24% vs. Q3 down 30% vs. Q4-08
- Operating loss reduced; lower sales partly offset by cost reductions
- Inventories of new trucks reduced by another 25%

Operating income

SEK M



In Focus

- Increasing production in up-turn
- Cost control
- Successful introduction of new engines

New generation of engines certified

First manufacturer to get certification in both the US and Japan

US:

- EGR + SCR + DPF
- **No** use of emissions credits
- Fuel savings of up to 5%
- First manufacturer to deliver EPA 2010 trucks

Japan:

- MD11 engine successfully met the pre-approval certification tests for the 2010 Japanese regulation (PNLT)
- The first among the three other Japanese competitors to the certificate.



Order for 370 EPA 2010 Volvo VN trucks

“We want to have this new technology from Volvo.”

“We will gain fuel economy. We’ve tested the technology and we’re comfortable with it. These trucks are better for the environment and they’re better for us.”

Dave Williams
Knight Transportation



New Renault Master

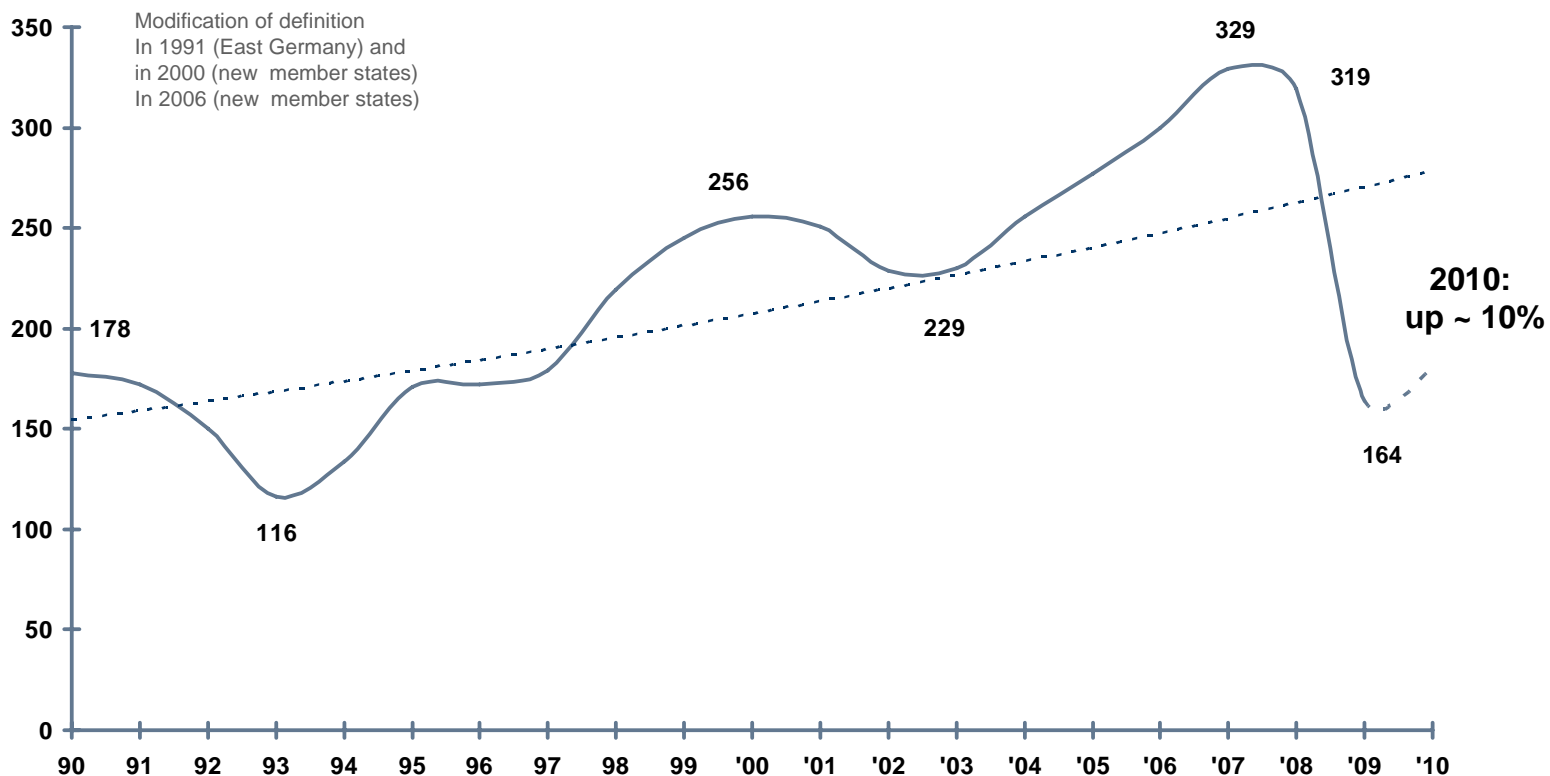


Heavy-duty truck market - Europe

(EU members + Switzerland and Norway)



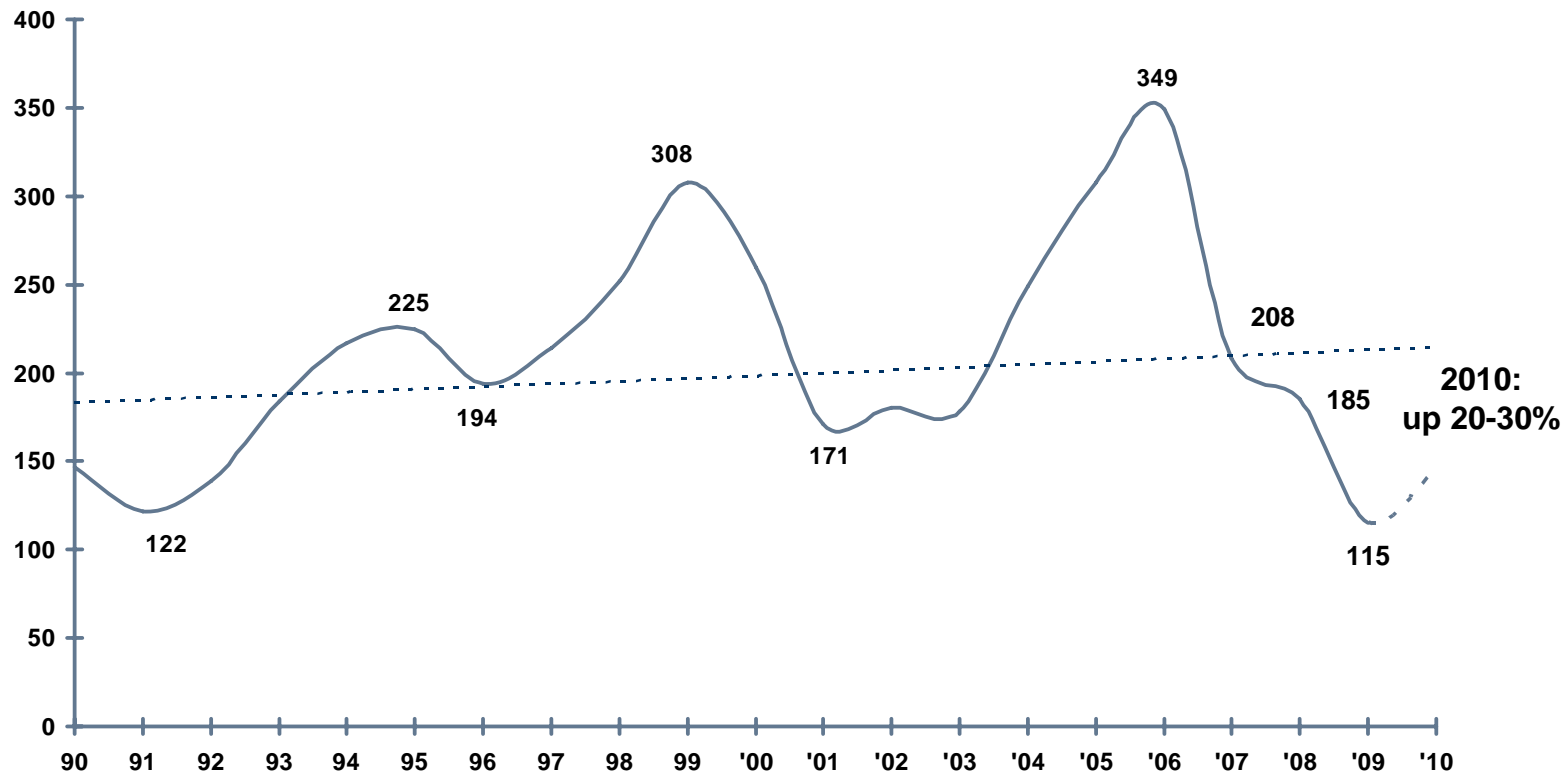
Units, Thousands (heavy trucks)



Heavy-duty truck market – North America



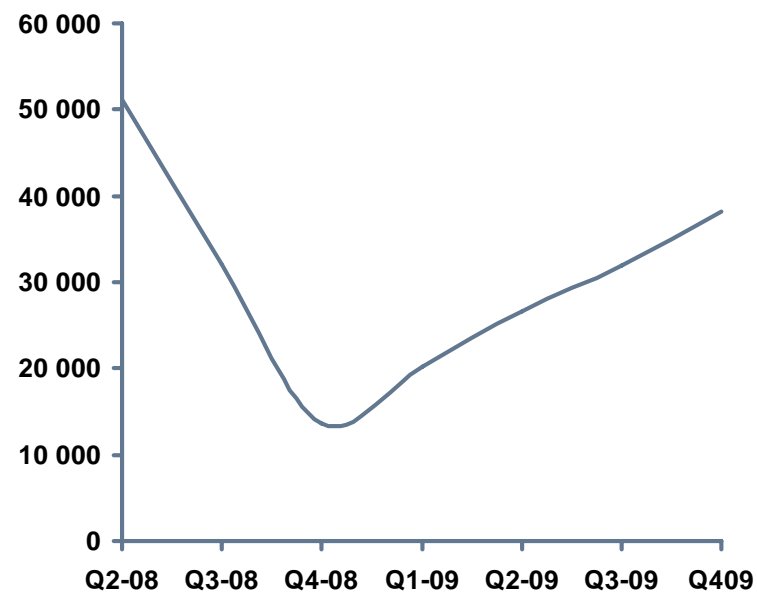
Units, Thousands (heavy trucks)



Net order intake – positive trend

Trucks

Net order intake	Q4-08	Q1-09	Q2-09	Q3-09	Q4-09	Change Q4-Q3
Europe	-1,549	7,494	8,980	8,189	14,546	78%
North America	4,037	2,869	3,257	5,093	4,661	-8%
South America	1,087	1,731	2,998	5,284	5,576	6%
Asia	7,868	5,712	7,884	10,079	10,227	1%
Other markets	2,235	2,377	3,505	3,353	3,156	-6%
Total	13,678	20,183	26,624	31,998	38,166	19%



VOLVO

Volvo Group Truck Business in Asia

Pär Östberg

Strong market positions and growth opportunities in a 1.1 million units HD/MD Asian market

European segment

35% market share

India

36% market share 7-12T

China

Leverage growth opportunities

Japan & Korea

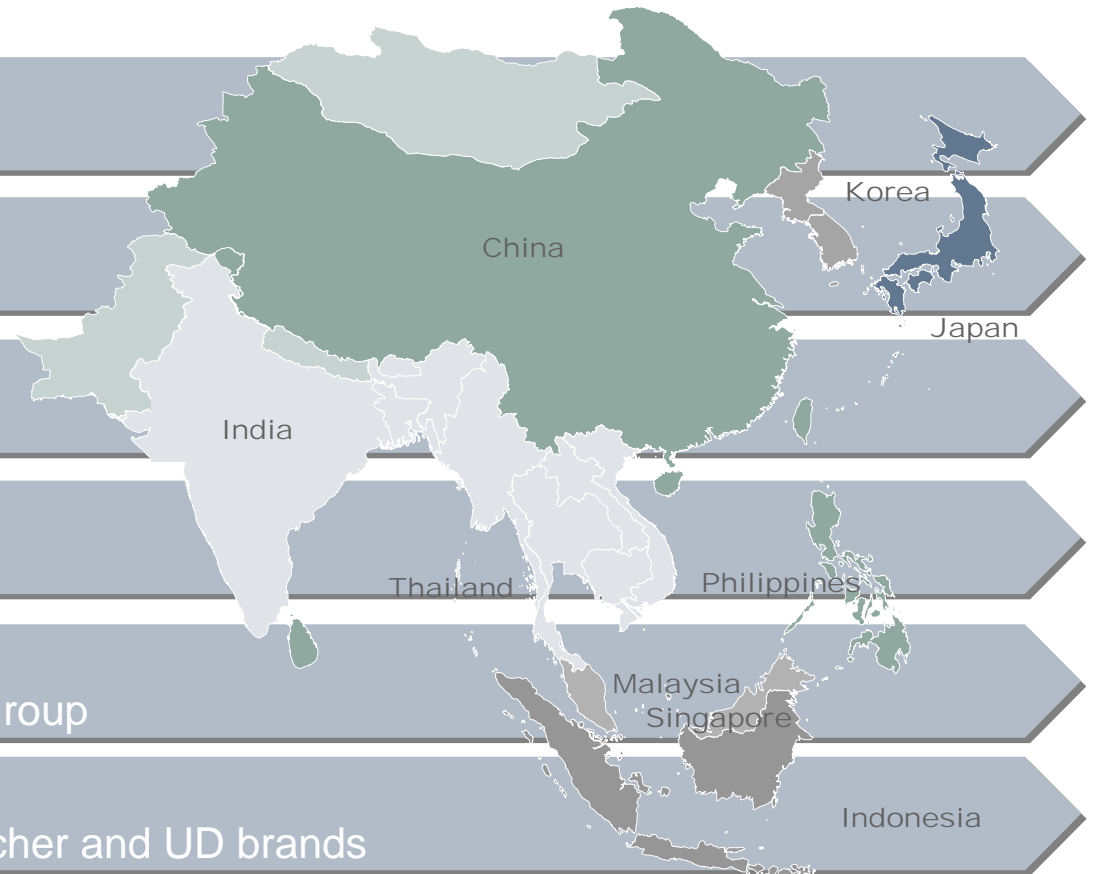
24% market share in HD in Japan

South East Asia

8% market share (MD/HD) for Volvo Group

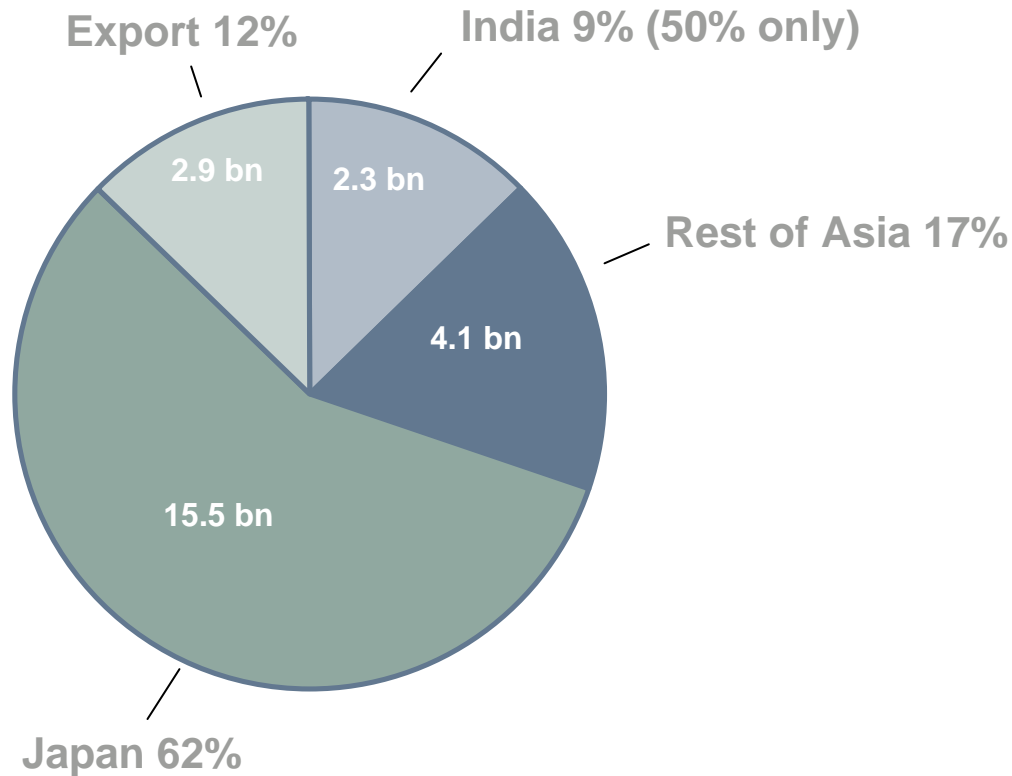
Export out of Asia

Leverage growth opportunities with Eicher and UD brands



Volvo's truck business in Asia 8 times increase in 8 years

SEK 25 bn in sales 2009



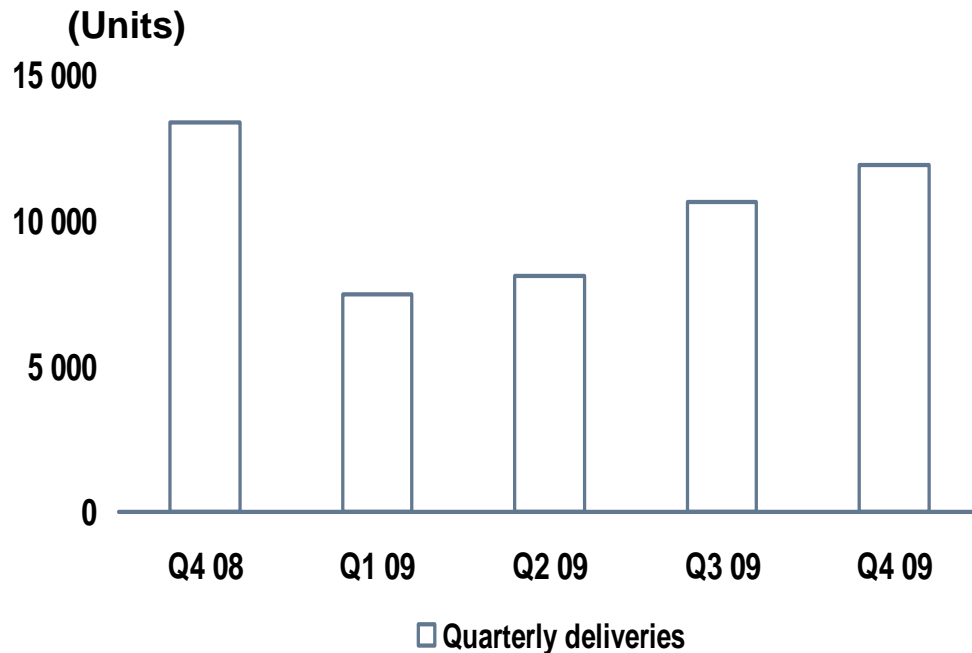
We have successfully, and on time, delivered what we promised 2 years ago

- Timely integration of UD Trucks (Nissan Diesel Trucks)
- On track to reach EUR 200 M synergies
- Good start for Volvo and Eicher JV in India
- All Group resources in place in Asia
- New products and services in pipe-line



UD TRUCKS

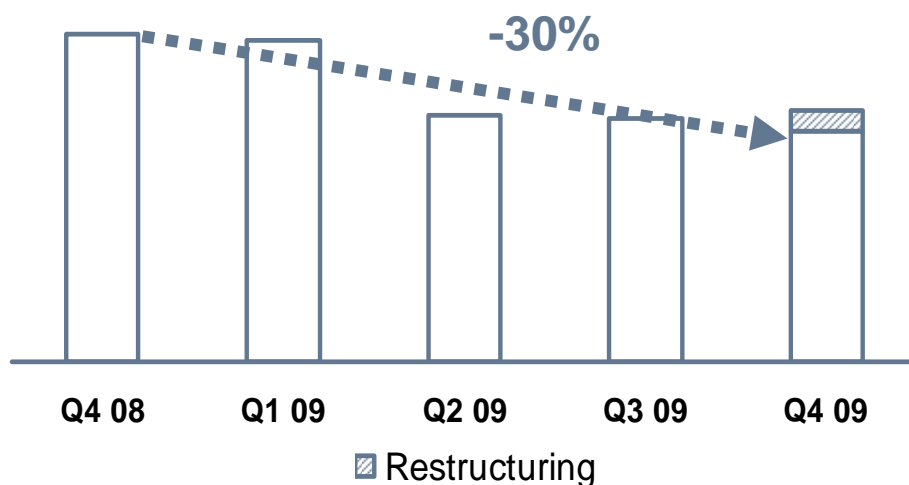
Trucks sold dropped in 2009 but recovered in second half



- Second half up 45% vs. first half
- All markets higher in second half
- Good price realisation
- UD Trucks gained HD market shares in Japan (24%)

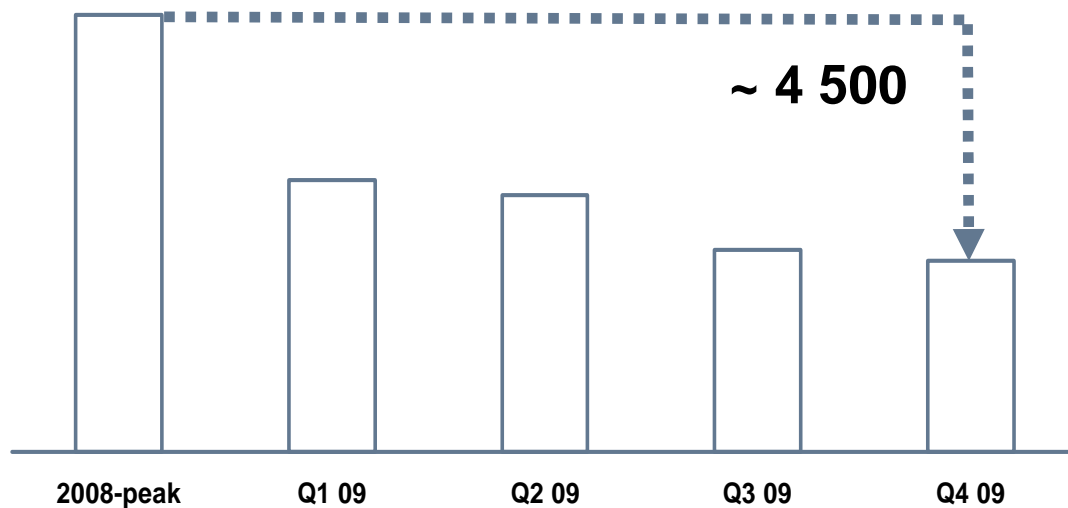
Cost reductions completed

R&D, Selling and Administrative expenses



- Significant reduction in salary expenses
- Japan retail restructured
- Lean multi-brand set-up

New truck inventories back to pre-crisis levels

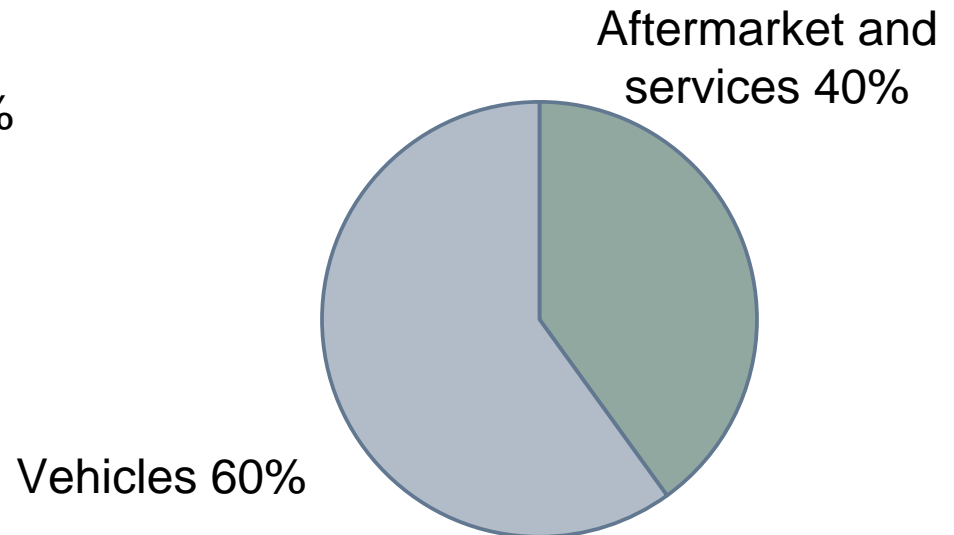
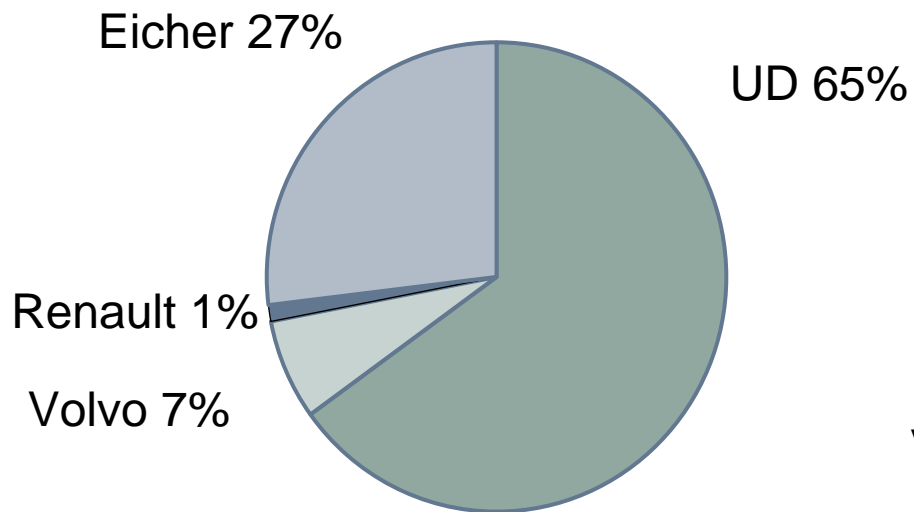


- Low inventories across the region
- Lean work-in-progress inventory
- Line speed flexibility
- High rate of temporary employees

Strong retail and aftermarket business

~500,000 units population

Sales SEK 25 bn



Ambition 2010: Aftermarket gross profit = R&D plus S&A expenses

With our Asian business successfully established we can now focus on:

- Leverage our position in Japan
- Capture larger part of the market for aftermarket and services
- India and China
- Grow export volumes within and out of Asia
- Develop products and services in Asia for Asia

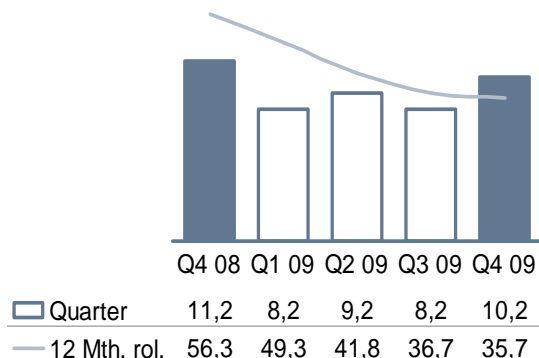


Construction Equipment



Net sales

SEK bn

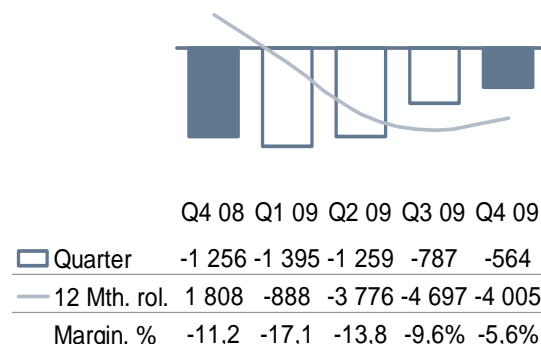


Highlights

- World market down 12% in Q4 - 39% in 2009
- Operating loss more than halved
- Inventories down another 17% - now in balance with demand
- Capacity utilization at 35% vs. 30% in Q3

Operating income

SEK M



In Focus

- Cost control
- Execution of new strategy
- Production flexibility
- Capitalize on strong momentum in China

Construction Equipment

New SDLG-range of excavators for the Chinese market presented by Lingong

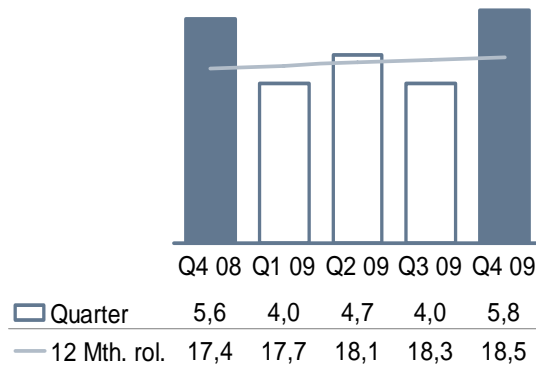


Buses



Net sales

SEK bn

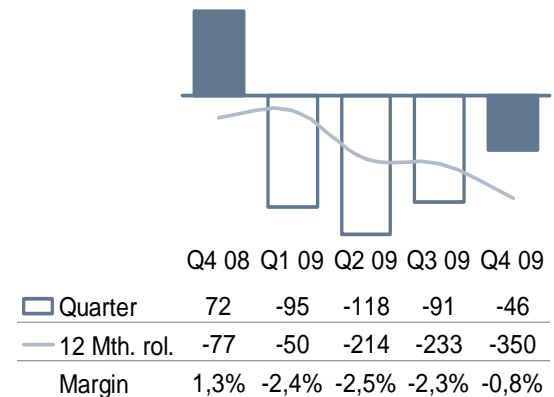


Highlights

- Bus market stabilized on low level
- Strong order intake Q4
- Operating loss
 - market and product mix
 - production disturbances
- Significant inventory reduction

Operating income

SEK M



In Focus

- Break even management
- Industrial efficiency
- Product introductions

Buses

New order for Volvo Hybrid 7700 in Trondheim, Norway

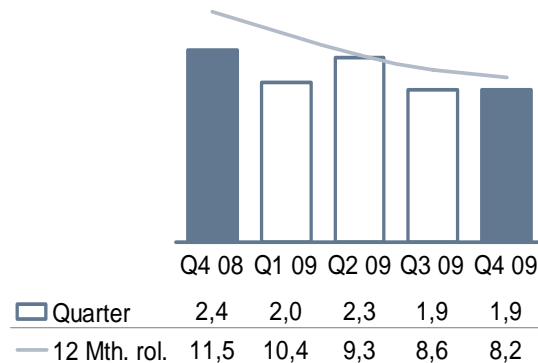


Volvo Penta



Net sales

SEK bn

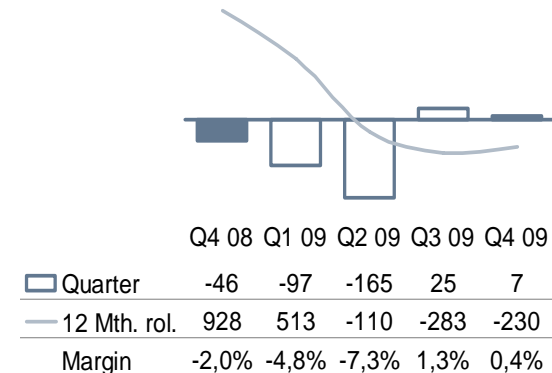


Highlights

- Low global deliveries of marine and industrial engines
- Improved order intake, order book 15% higher than previous year
- Lower break-even level contributed to operating profit
- Significantly reduced inventories

Operating income

SEK M



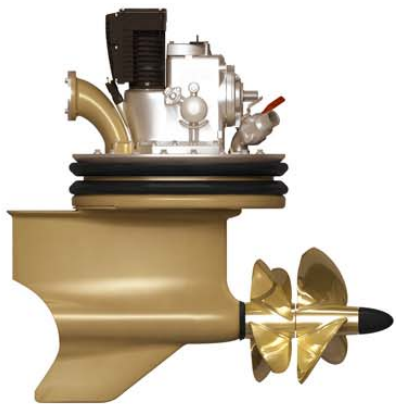
In Focus

- Flexibility and lead times in supply chain
- Use coming emission steps as business opportunities for industrial engines
- Secure new IPS projects

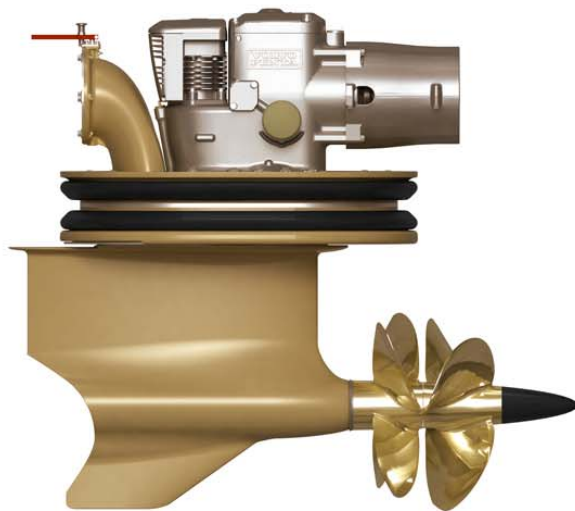


Volvo Penta Product News

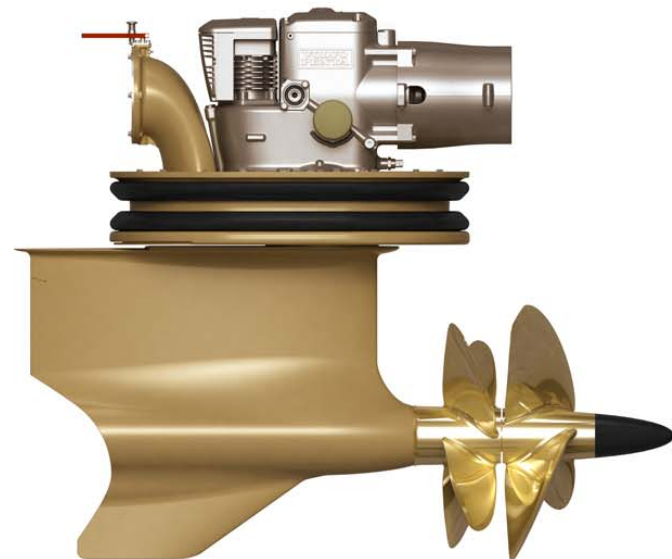
New IPS 3 based on the Volvo Group 13-liter engine completes the IPS-range



IPS 1 (D6)



IPS 2 (D11)



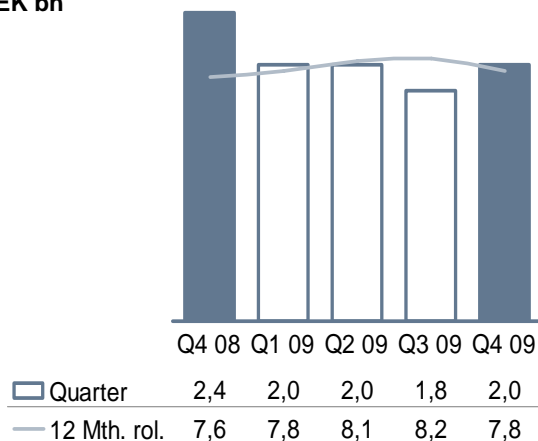
IPS 3 (D13)

Volvo Aero



Net sales

SEK bn

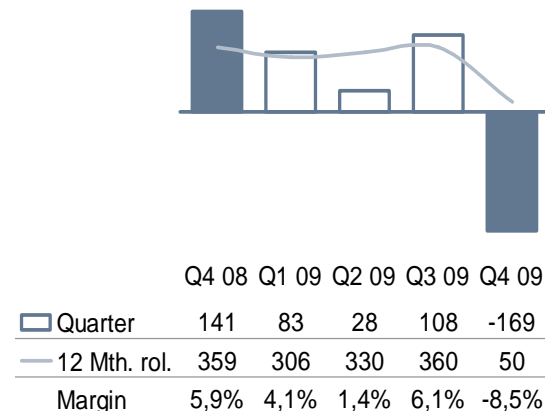


Highlights

- Air traffic starting to recover
- Decreasing sales of new spare parts
- Boeing 787 maiden flight

Operating income

SEK M



In Focus

- Cost management and product cost
- Aftermarket business
- Execution on new contracts

Volvo Aero

Boeing 787 maiden flight - Volvo Aero participates in both engine options

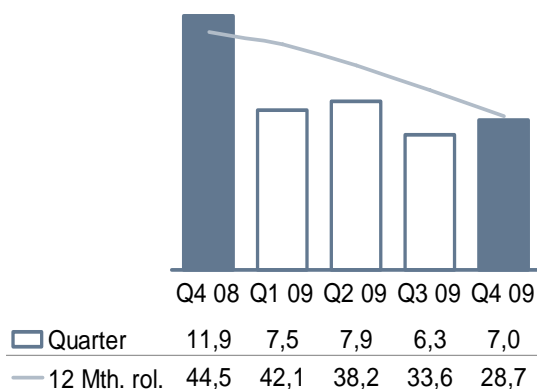


Financial Services



New retail financing

SEK bn

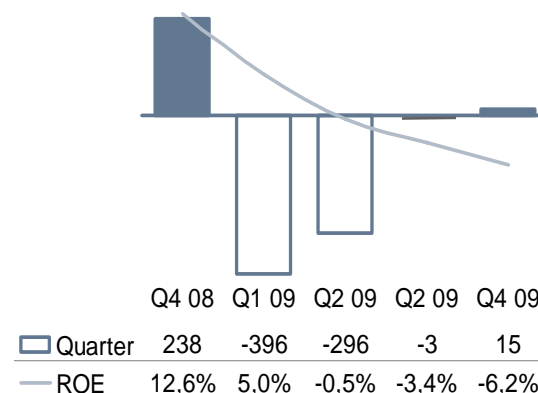


Highlights

- Challenging economic environment continues
- Stabilization of credit portfolio
- Inventory levels stabilizing

Operating income and return on equity

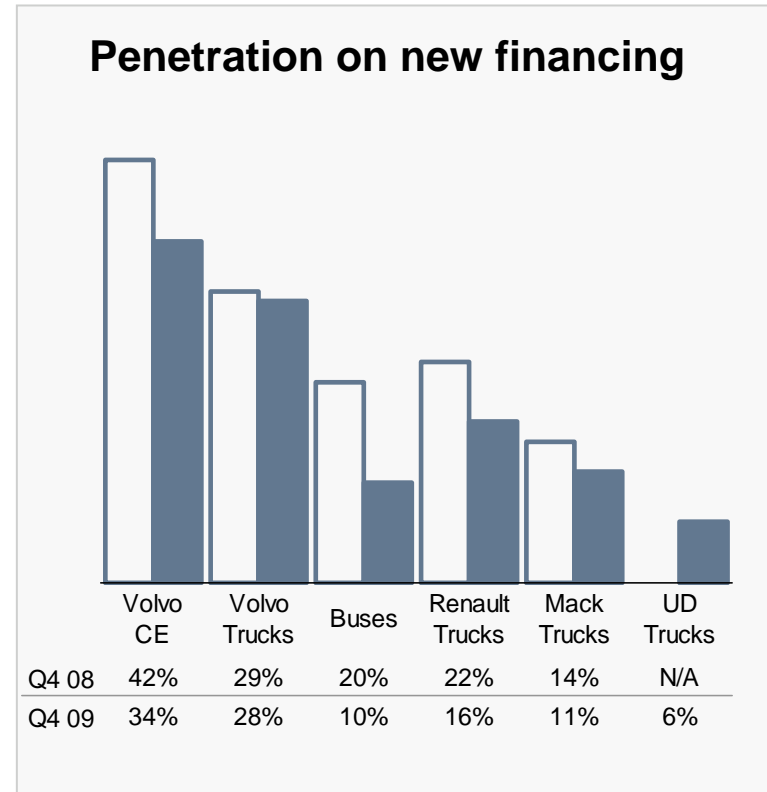
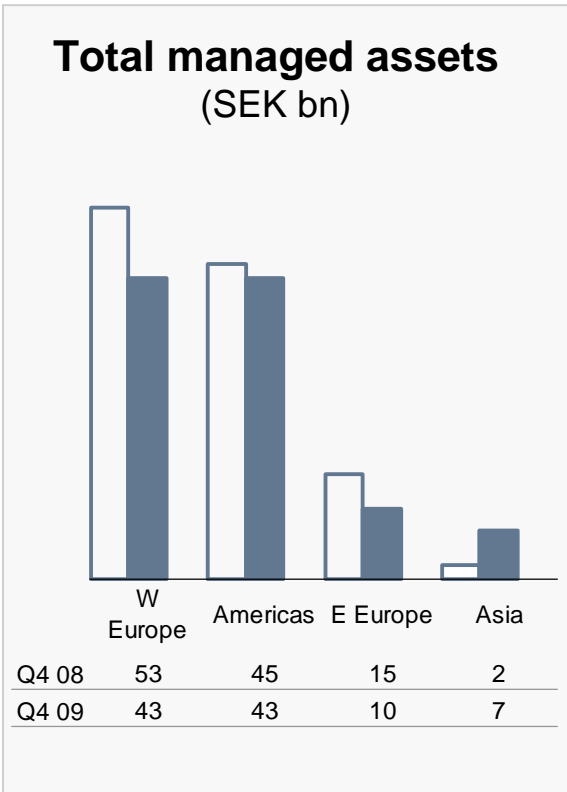
SEK M



In Focus

- Support customer/dealer downturn activities
- Risk mitigation in Eastern Europe
- Further cost reduction

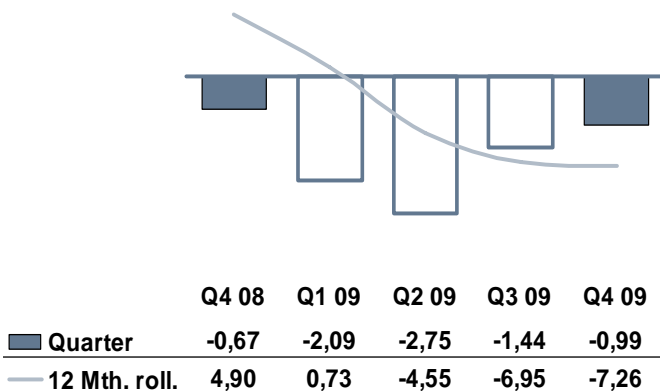
Financial Services



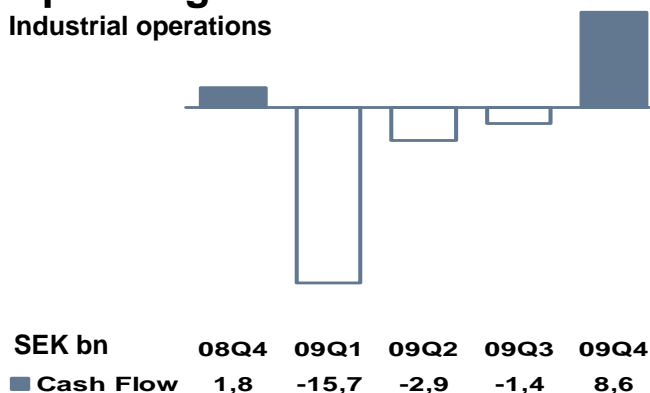
Group Summary



Earnings per share SEK



Operating Cash Flow Industrial operations



Fourth quarter

- Sales 23% higher than Q3 but 23% lower than Q4-08
- Operating loss SEK 2.3 bn
- Cost reductions executed
- Successful reduction of inventories: SEK 5.6 bn
- Operating cash flow – positive SEK 8.6 bn
- Net debt decreased by SEK 8.9 bn
- Introduction of the cleanest heavy-duty diesel engines to date (US & Japan)

In focus

- Demand recovering – increase production
- Cost control
- Productivity
- Cash flow

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Fourth Quarter 2009