

VOLVO

First Quarter 2010

Press Conference, April 23, 2010

Group Highlights



First quarter

- Operating income SEK 2.8 bn
- Cash flow – negative SEK 2.7 bn
- Strong recovery in Volvo CE

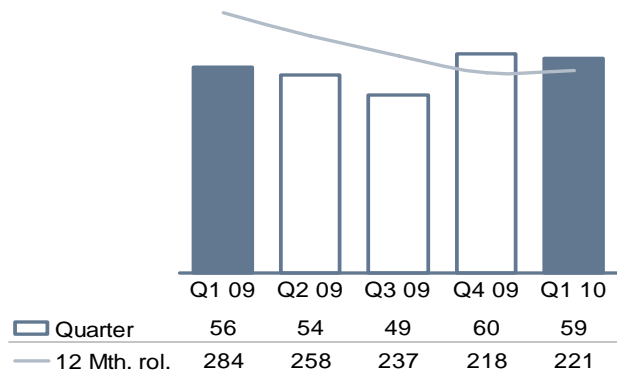
Business environment

- Europe; market improving
- Asia & South America; strong recovery
- North America; early signs of increased market activity

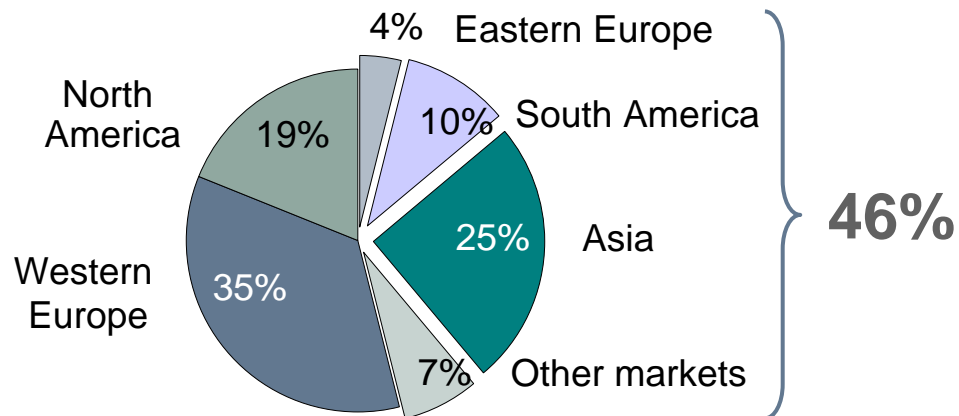
Volvo Group

Net sales

(SEK bn)

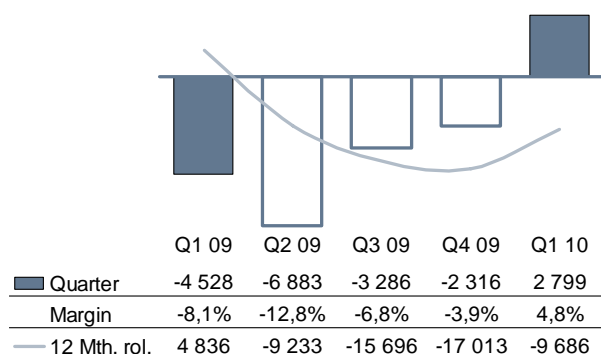


First quarter



Operating income

(SEK M)



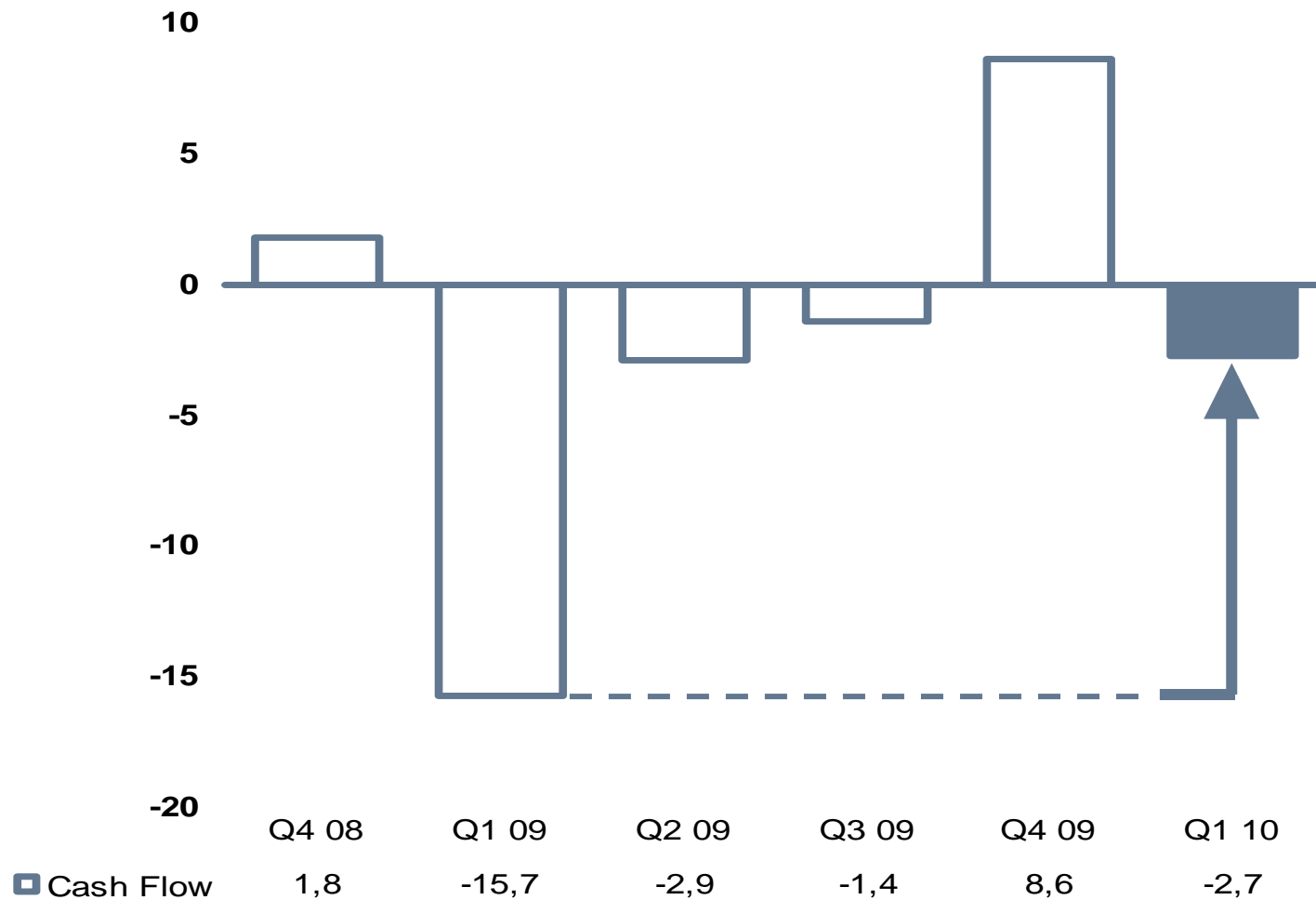
Operating income

- + Cost reductions effective
- + Improved productivity & capacity utilization
- + Increased volumes

Volvo Group – Cash Flow

Industrial Operations

SEK bn



Volvo Group – Net Financial Debt

Industrial Operations

Net debt,
SEK bn

60

50

40

30

20

10

0

Q1 09

Q2 09

Q3 09

Q4 09

Q1 10

■ Pensions	9,8	10,1	9,5	6,0	6,1
■ Financial Debt	35,6	41,0	41,0	35,5	39,0

Liquidity position SEK 66 bn

- Limited maturities in 2010-2011

76.2%

66.0%

Changes in Net financial debt

- Cash Flow 2.7 bn

- Currency 0.1 bn

- Other 0.7 bn

Total 3.5 bn

Maintained focus on cost & cash flow

2009

- ✓ 21 bn cost reduction in place
- ✓ Working capital reduced
 - Inventories
 - Turnover

Historical development – Working capital

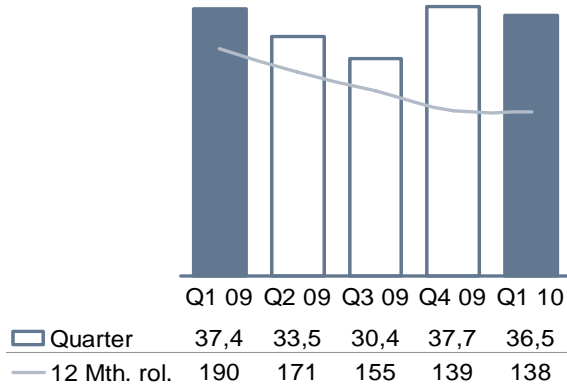
First quarters, SEK bn	2010	2009	2008	2007	2006	2005
Total change in working capital	-4,5	-11,4	-8,7	-6,3	-3,2	-4,6
<i>Change in accounts receivables</i>	-3,3	6,1	-0,5	0	-0,9	-0,8
<i>Change in inventories</i>	-1,3	1,5	-6,7	-4,9	-4,4	-3,9
<i>Change in trade payables</i>	1,6	-16,6	-0,7	0,5	2,9	0,9

Trucks



Net sales

SEK bn

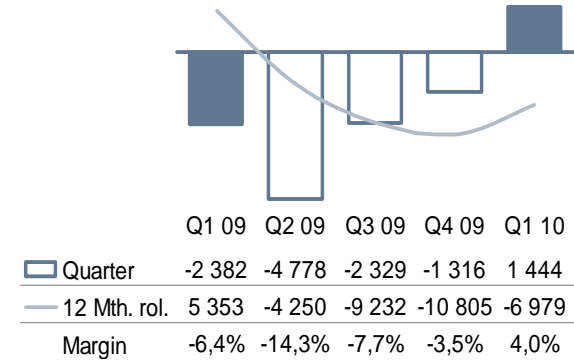


Highlights

- Improving demand
- Sales up by 4%, fx-adjusted
- Operating margin 4%

Operating income

SEK M



In Focus

- Increasing productivity in up-turn
- Supply chain
- Strict cost control
- Product renewal

Quon

New heavy-duty range from UD Trucks



Condor

New Condor model equipped with the all-new medium-duty Group engine



VE Series

New series of heavy-duty Eicher trucks in India



Volvo FMX

Strengthened product offering for the construction segment



Volvo FM

Dedicated to regional distribution

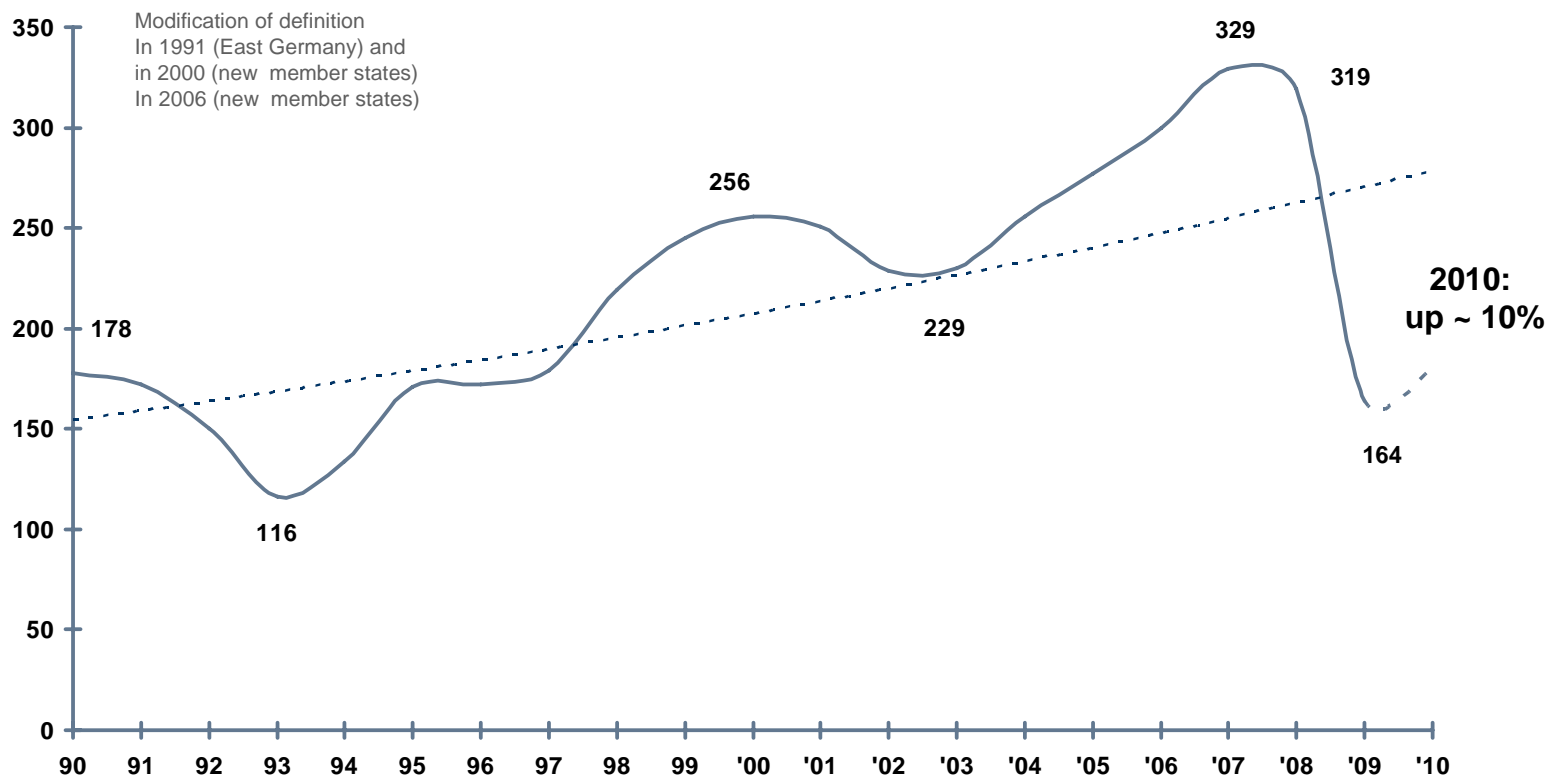


Heavy-duty truck market - Europe

(EU members + Switzerland and Norway)



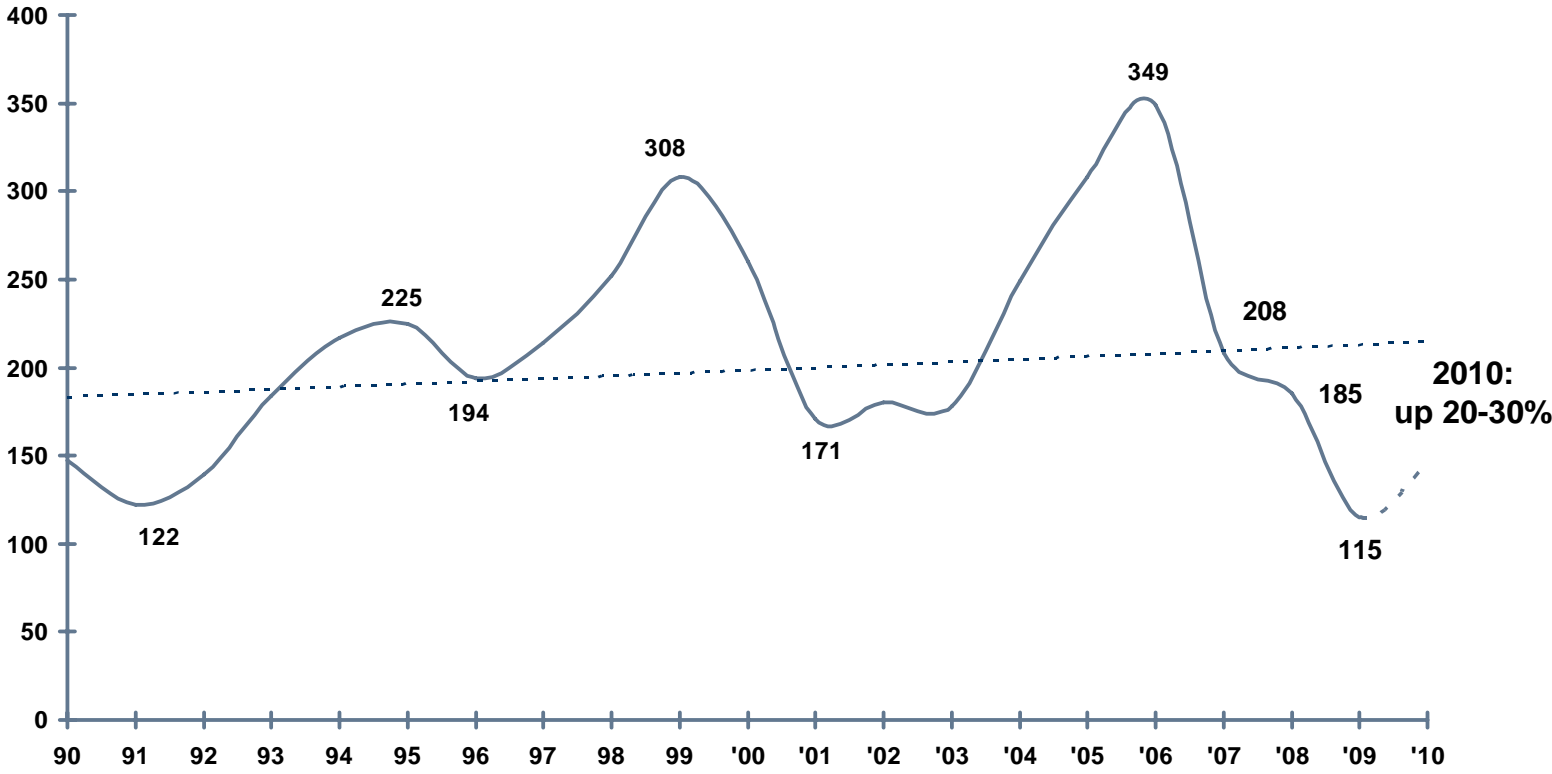
Units, Thousands (heavy trucks)



Heavy-duty truck market – North America



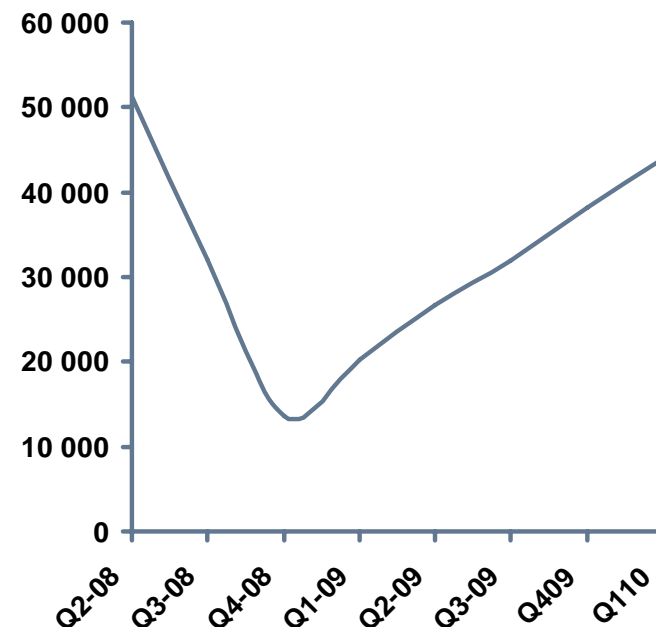
Units, Thousands (heavy trucks)



Net order intake – positive trend

Trucks

Net order intake	Q1-09	Q2-09	Q3-09	Q4-09	Q1-10	Change Q1->Q1	Change Q4->Q1
Europe	7,494	8,980	8,189	14,546	16,361	118%	12%
North America	2,869	3,257	5,093	4,661	3,410	19%	-27%
South America	1,731	2,998	5,284	5,576	4,548	163%	-18%
Asia	5,712	7,884	10,079	10,227	15,442	170%	51%
Other markets	2,377	3,505	3,353	3,156	4,175	76%	32%
Total	20,183	26,624	31,998	38,166	43,936	118%	15%

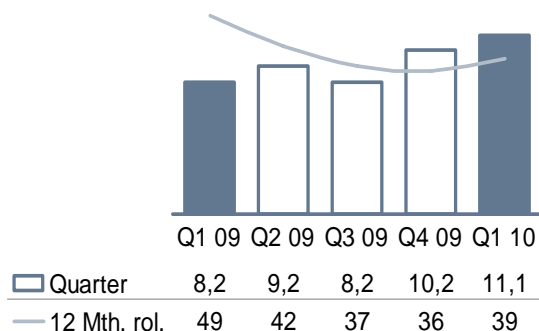


Construction Equipment



Net sales

SEK bn

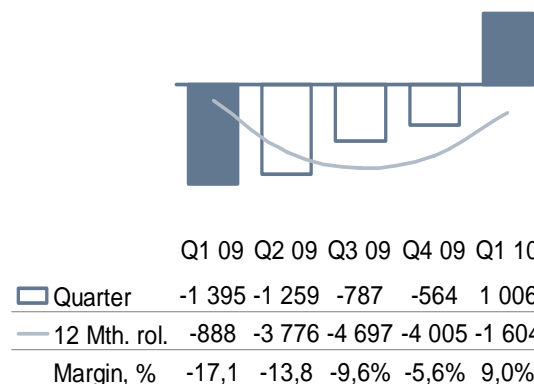


Highlights

- Total world market up 30%
 - BRIC up 61%
 - N.A down 9%
 - Europe down 5%
- Volvo CE sales up 51%, fx-adjusted
- Operating margin 9%

Operating income

SEK M



In Focus

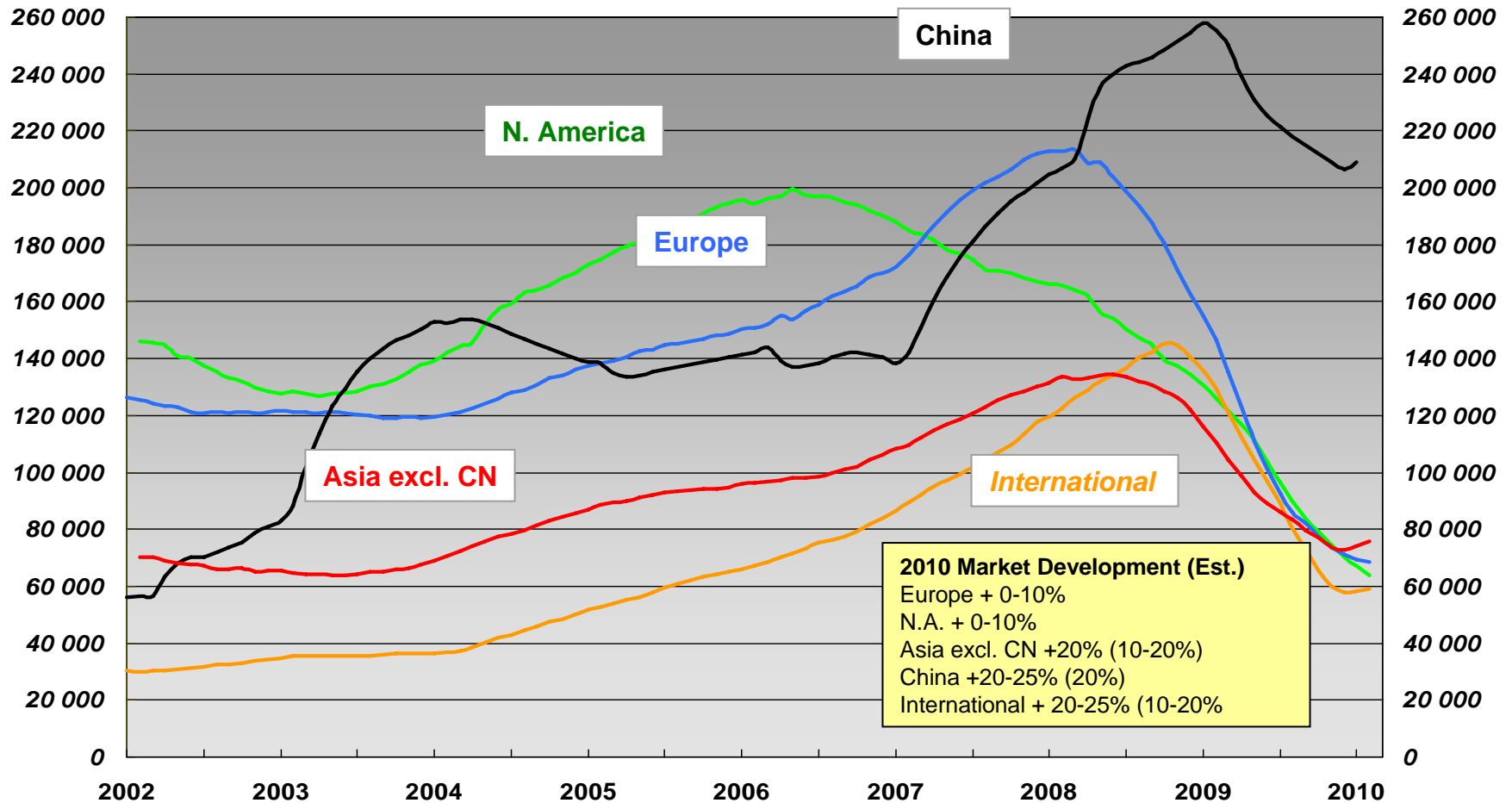
- Capitalize on strong BRIC markets
- Cost control
- Flexibility in production system
- Capitalize on Bauma momentum

One of the best first quarters ever

81% leverage year over year

Ranking	Sales (MSEK)	Operating Margin	Cash Flow
1	Q1 2008 (15,140)	Q1 2010 (9.0%)	Q1 2004
2	Q1 2010 (11,148)	Q1 2006 (8.9%)	Q1 2010
3	Q1 2007 (11,002)	Q1 2007 (8.6%)	Q1 2005
4	Q1 2006 (9,362)	Q1 2008 (8.6%)	Q1 2002
5	Q1 2009 (8,172)	Q1 2005 (7.8%)	Q1 2006
6	Q1 2005 (7,182)	Q1 2004 (5.0%)	Q1 2007
7	Q1 2004 (6,133)	Q1 2003 (2.9%)	Q1 2003
8	Q1 2003 (4,782)	Q1 2002 (-2.9%)	Q1 2009
9	Q1 2002 (4,476)	Q1 2009 (-17.1%)	Q1 2008

World markets recovering from very low levels



12 month moving rates - February 2010

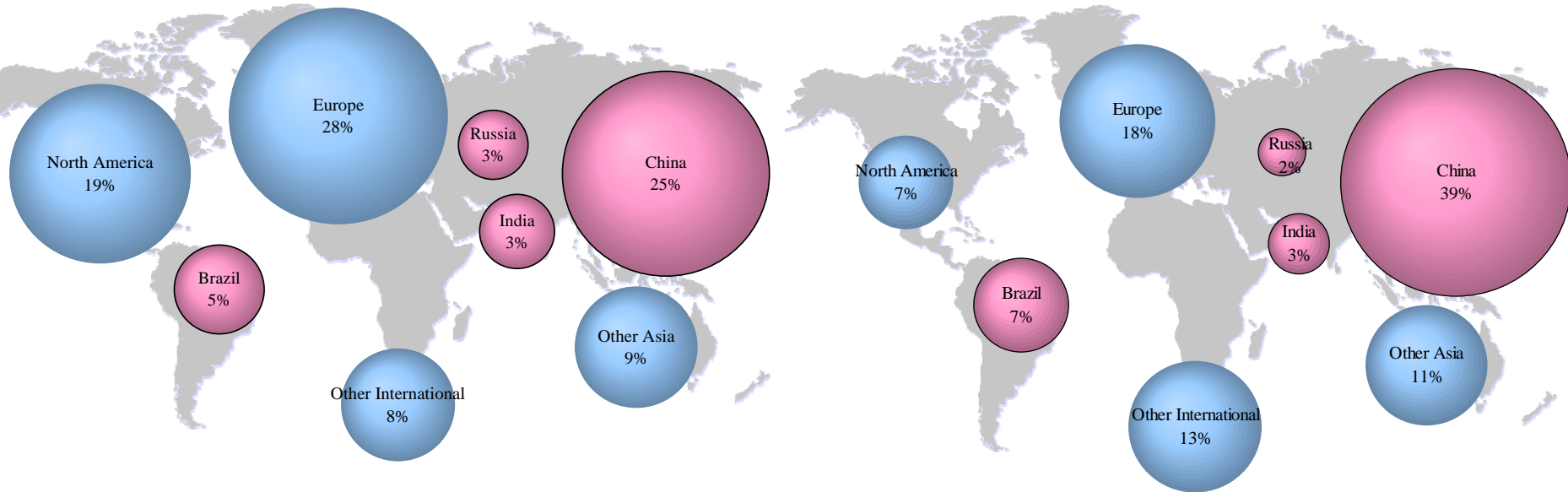
Regional shift towards BRIC countries

China by far the largest market

New machine revenues

2009-Q1

2010-Q1



Volvo CE including Lingong among the top 4 in China

Actions taken to in 2009

Action (Defined end 2008)

- Maintain market share
- Maintain prices

- Positive Cash flow
- Optimize inventory situation

- Implement new organization
- Prioritize R&D
- Reduce selling expense
- Head count reduction
- Prioritization of Industrial Structure
- Integration of Lingong & Road Machinery

- Lower breakeven point

Outcome

- ✓ Market shares held or increasing
- ✓ Positive price realization

- ✓ Strong seasonal cash flow
- ✓ Inventory aligned with demand

- ✓ Structure savings of 1 BSEK
- ✓ R&D portfolio refocused around new strategy
- ✓ Run rate reduced ~17% (Q1 2010 vs. Q1 2009)
- ✓ Head count reduced by ~25% vs. Sept 08
- ✓ Closure of Asheville and Goderich
- ✓ Both companies fully integrated

- ✓ Breakeven level reduced by ~30% compared to 2008

Well Positioned to Capitalize on Improving Market Conditions

- ✓ Execute 2010-2012 strategy – more than 700 activities already ongoing
- ✓ Continue to capitalize on Lingong and Road Machinery investments
- ✓ BRIC market focus and development
- ✓ Continue to develop distribution
- ✓ Maintain high flexibility in production system
- ✓ Tier IV development on track (>100,000 hours of testing)
- ✓ Continue to launch new fuel efficient products



Construction Equipment

New OptiShift – increasing fuel efficiency by up to 15%

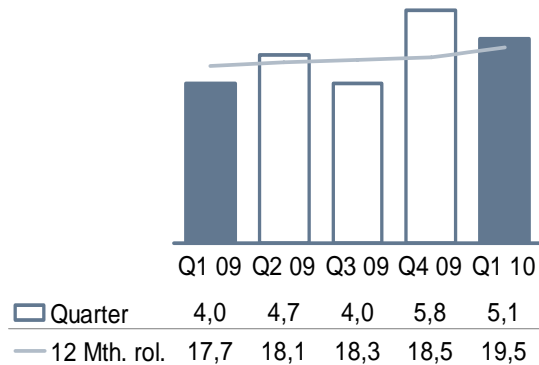


Buses



Net sales

SEK bn



Highlights

- Slow recovery in the bus market
- Profitability in the first quarter
- Increased sales

Operating income

SEK M



Q1 09 Q2 09 Q3 09 Q4 09 Q1 10

Quarter	-95	-118	-91	-46	145
12 Mth. rol.	-50	-214	-233	-351	-111
Margin	-2,4%	-2,5%	-2,3%	-0,8%	2,9%

In Focus

- Continuation of cost reduction and capital efficiency
- Slow order intake Europe and US Coach
- Secure product introductions US10, Hybrid Q2

Buses

1,500 buses from Volvo to World Expo in Shanghai

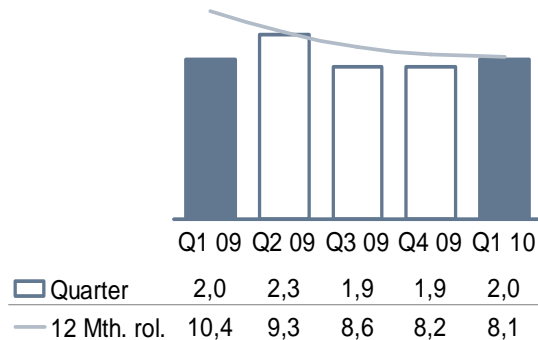


Volvo Penta



Net sales

SEK bn

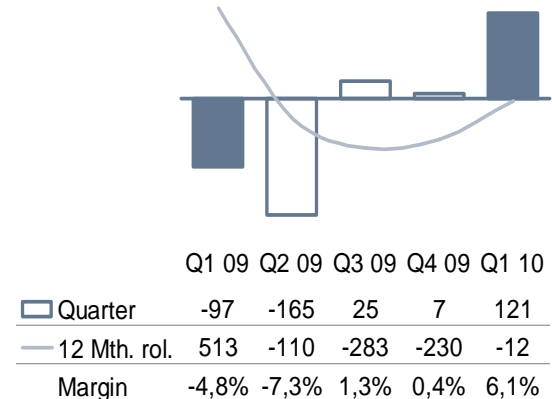


Highlights

- Improved world market
- Continued strengthened market positions
- Significantly improved profitability

Operating income

SEK M



In Focus

- Continue to drive productivity
- Secure capital efficiency
- Capitalize on product launches



Volvo Penta Product News

Dynamic Positioning System



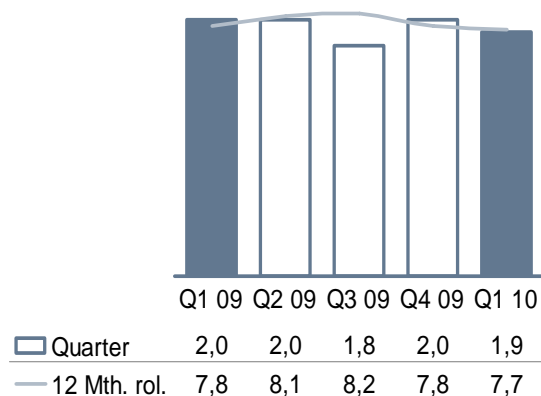
Volvo Technology Award 2010

Volvo Aero



Net sales

SEK bn

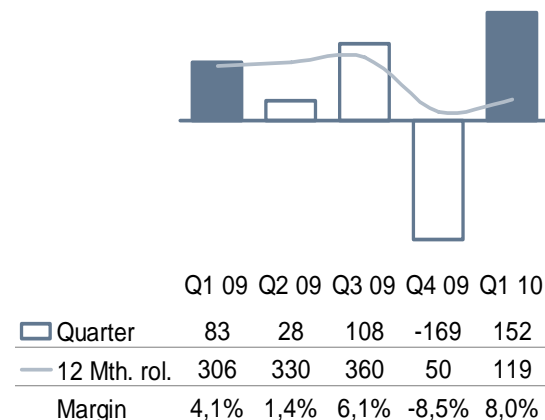


Highlights

- Air traffic recovery
- Increasing industry order intake
- Lower cost and higher utilization of production facilities
- After market business shows signs of recovery

Operating income

SEK M



In Focus

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

Volvo Aero

Maiden flight for Boeing 747-8 with GEnx engines

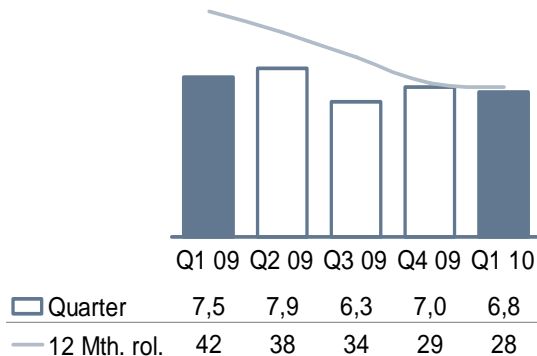


Financial Services



New retail financing

SEK bn

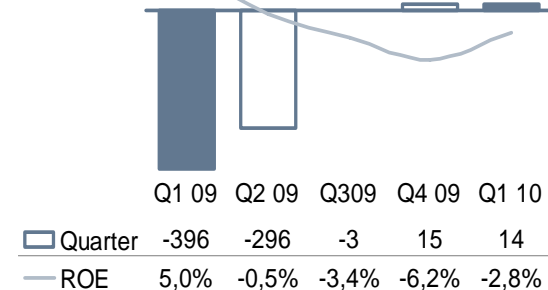


Highlights

- Improvements in W Europe and US
- Strong Brazilian market
- South Africa alliance

Operating income and return on equity

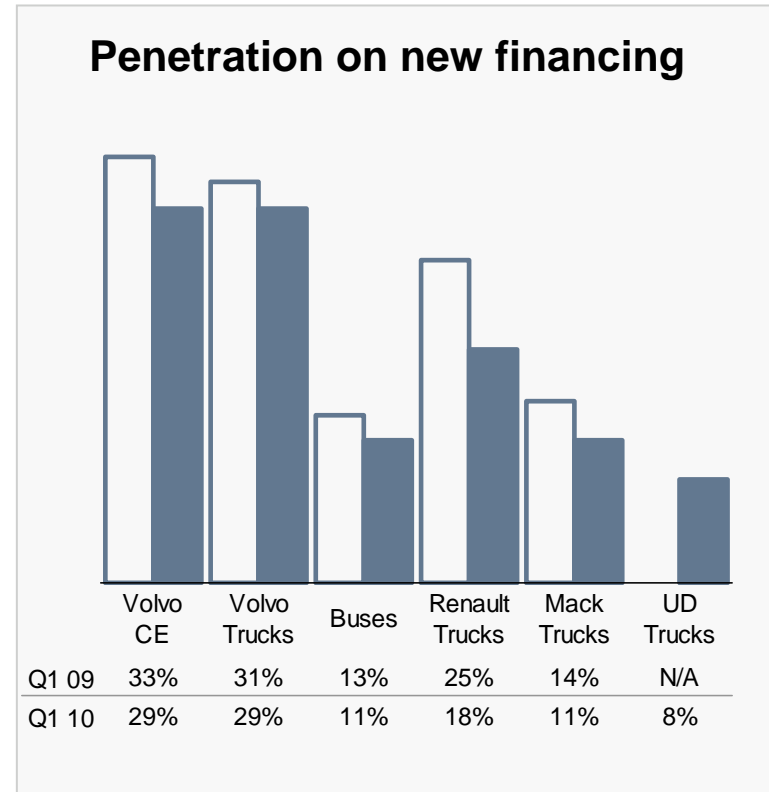
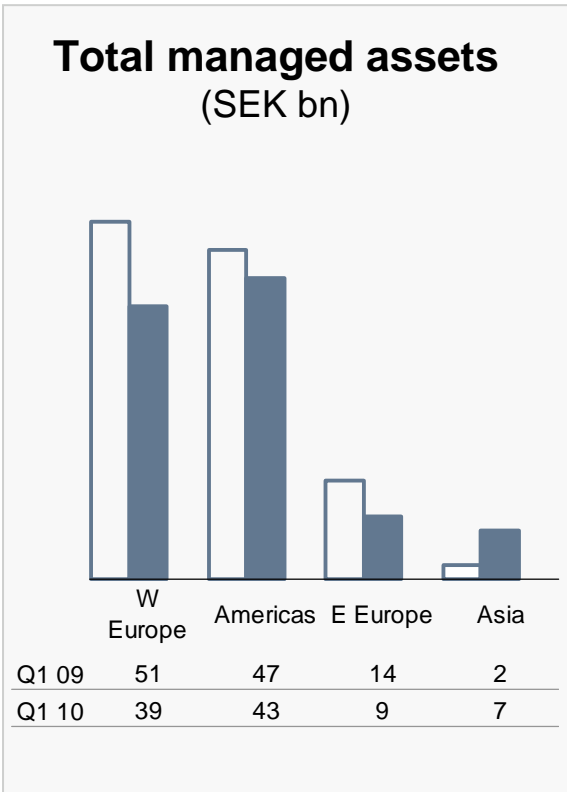
SEK M



In Focus

- China construction sector opportunities
- Revitalization of Eastern Europe business
- Soft offer growth

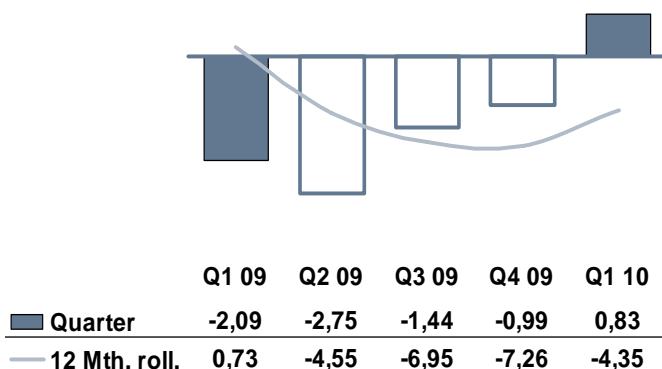
Financial Services



Group Summary



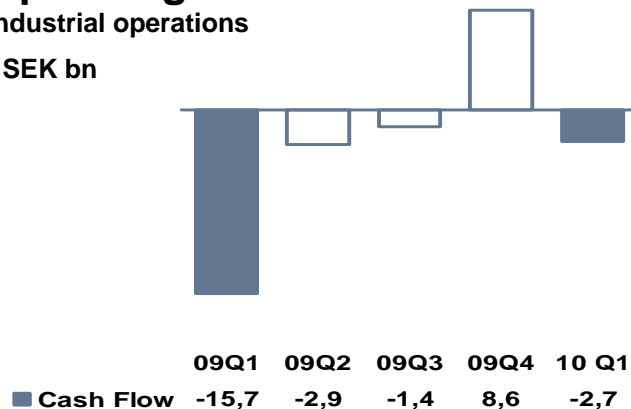
Earnings per share SEK



Operating Cash Flow

Industrial operations

SEK bn



First quarter

- Sales 4% higher, +12% fx-adjusted
- Operating income SEK 2.8 bn, operating margin 4.8%
- Cost reductions executed
- Operating cash flow – normal seasonality
- Introduction of new trucks in Japan, Europe and India

In focus

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

VOLVO

First Quarter 2010