

VOLVO

Third Quarter 2010

Press Conference, October 22, 2010

Group Highlights



Third quarter

- Operating income SEK 4.9 bn
- Operating margin 7.7%
- Cash flow negative SEK 1.9 bn

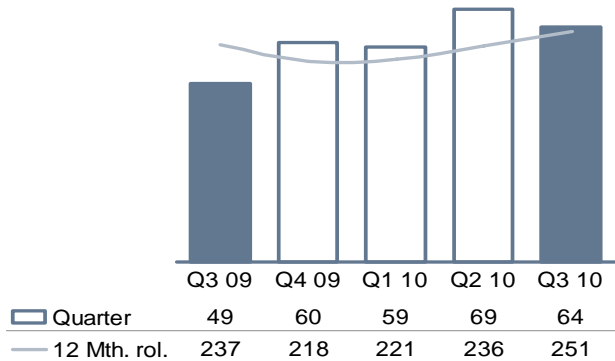
Business environment

- Europe: improving market conditions
- Asia & South America: strong markets
- North America: improving demand

Volvo Group

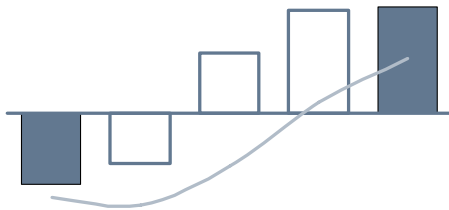
Net sales

(SEK bn)

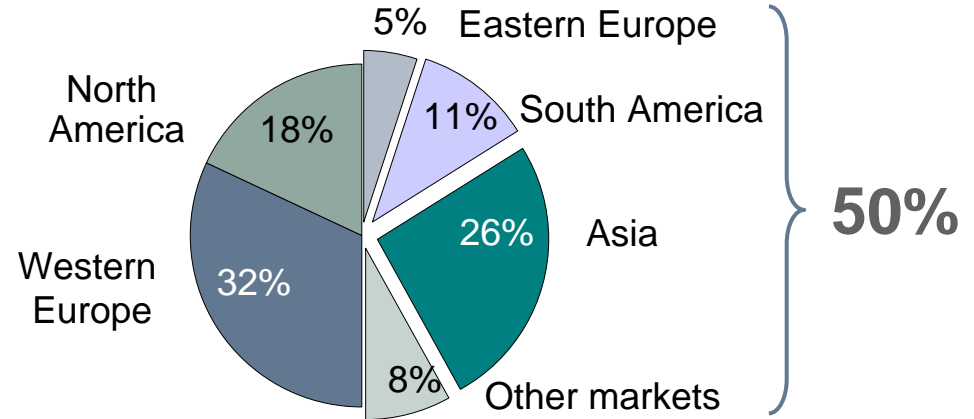


Operating income

(SEK M)



Third quarter



Operating income

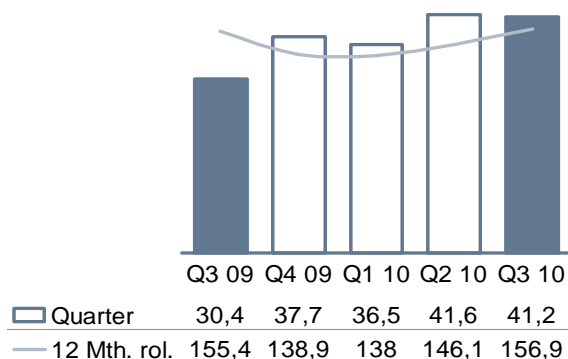
- + Increased volumes
- + Improved productivity & capacity utilization
- + Cost control

Trucks



Net sales

SEK bn

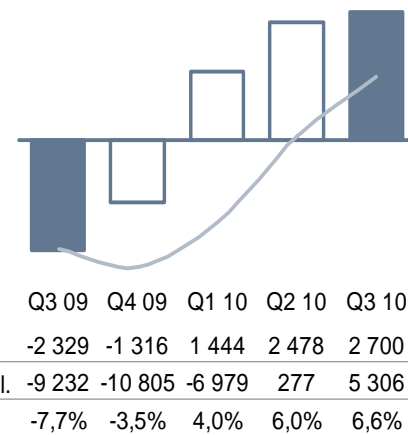


Highlights

- Improving demand & market conditions
- Sales up by 37%, fx-adjusted
- Operating margin 6.6%
- Successful EPA 2010 introduction
- Increasing production

Operating income

SEK M



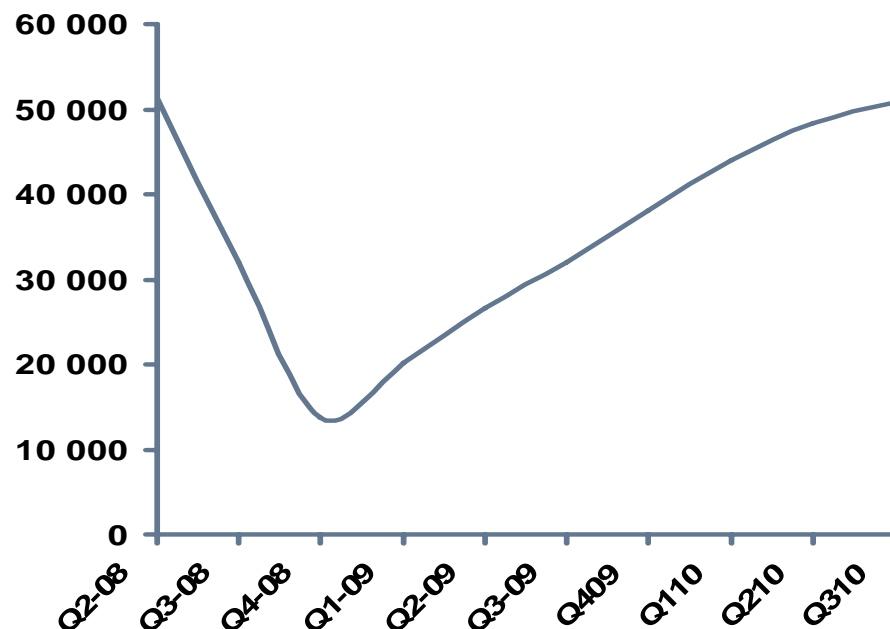
In Focus

- Increase productivity in up-turn
- Supply chain
- Strict cost control
- Product introductions

Net order intake

Trucks

Net order intake	Q3-09	Q2-10	Q3-10	Change Q3->Q3	Change Q2->Q3
Europe	8,189	19,054	19,434	137%	2%
North America	5,093	6,675	9,350	84%	40%
South America	5,284	4,986	6,085	15%	22%
Asia	10,079	13,367	13,047	29%	-2%
Other markets	3,353	4,336	2,953	-12%	-32%
Total	31,998	48,418	50,869	59%	5%



VOLVO TRUCKS



Strategy Transport Solutions



Consistent Product Development

– New Volvo FMX



Consistent Product Development

– New Volvo FM



Global Deliveries Increasing

– First nine months

North America
+ 49%

Europe
+ 32%

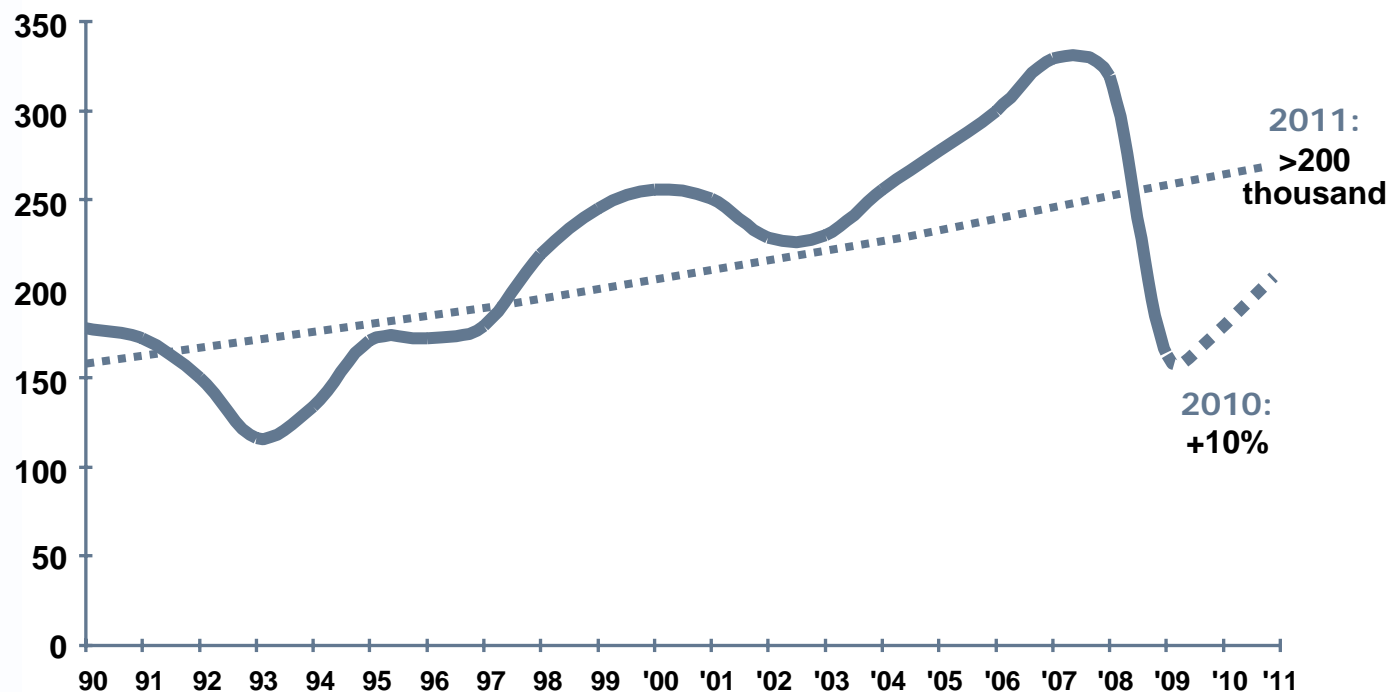
Middle East
+ 116%

Asia
+ 42%

South America
+ 100%

Heavy-duty Truck Market – Europe¹

Units, Thousands (heavy trucks)



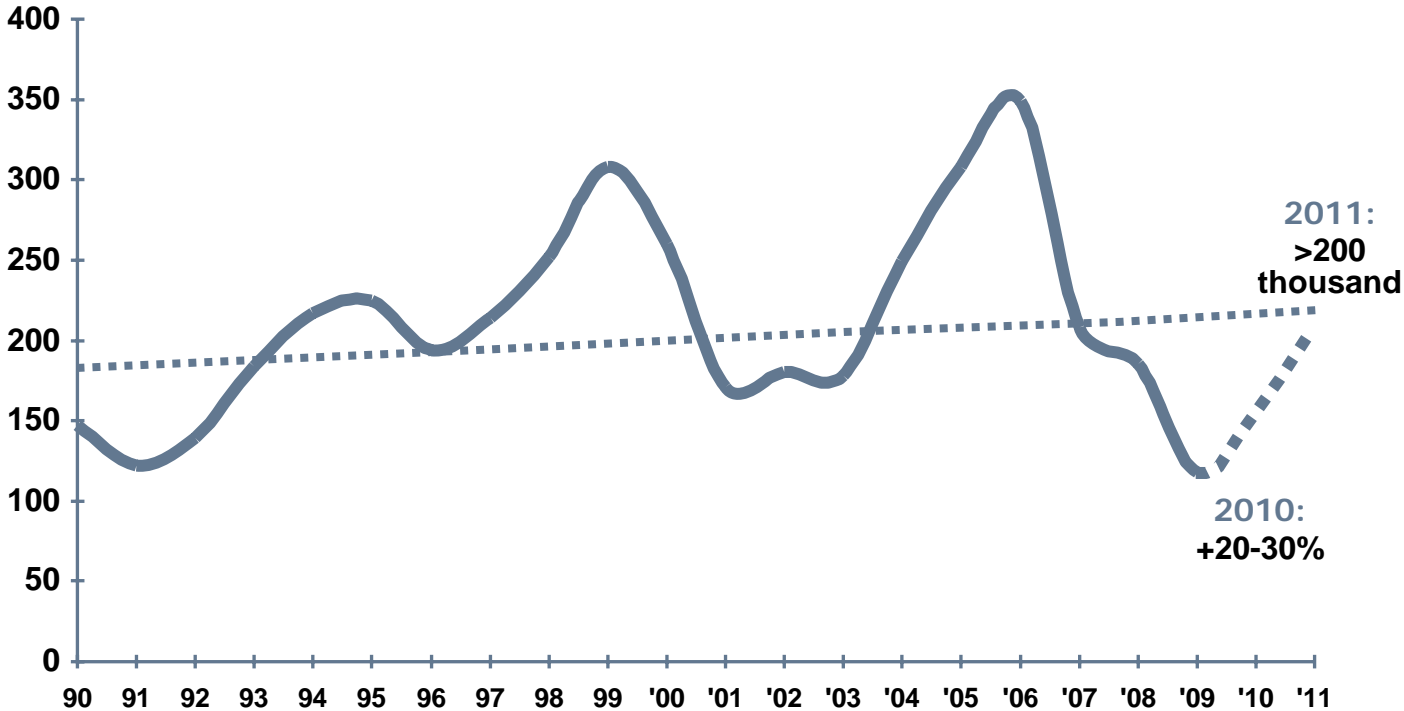
1) EU members + Switzerland and Norway

Modification of definition:

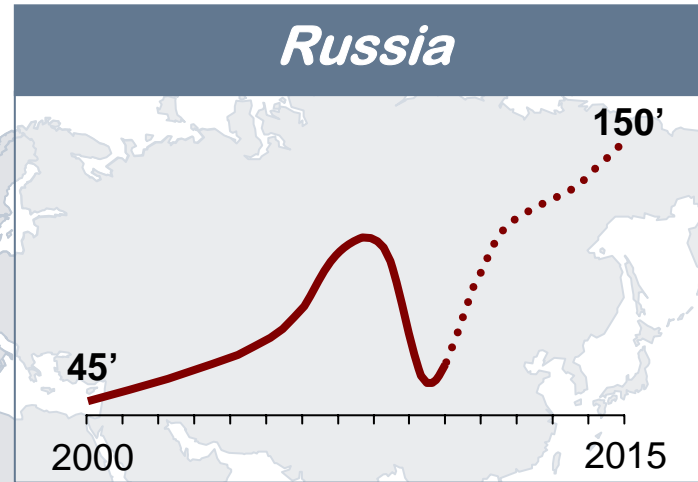
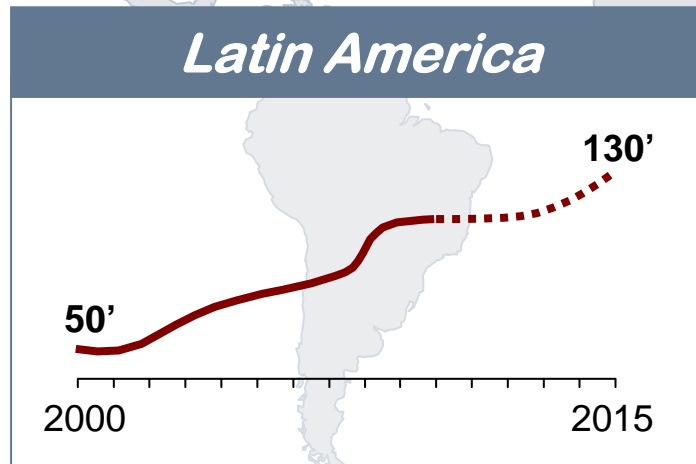
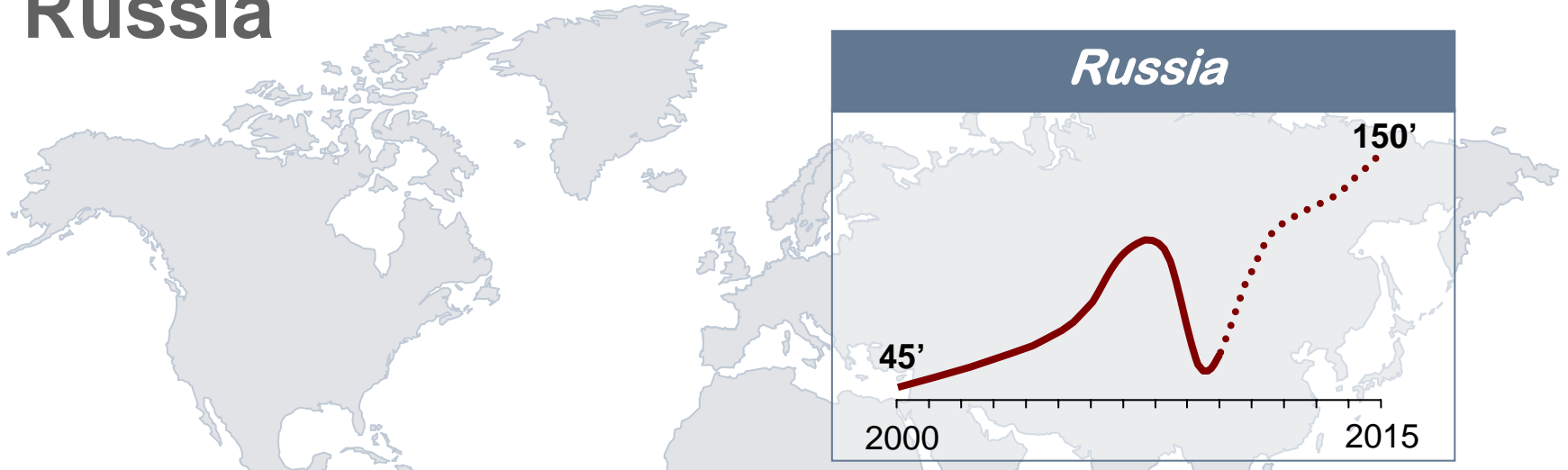
In 1991 (East Germany) and
in 2000 (new member states)
In 2006 (new member states)

Heavy-duty Truck Market – North America

Units, Thousands (heavy trucks)



Strong positions in Latin America and Russia



- Volvo trucks strong brand image and customer satisfaction
- High demand for trucks
- Industrial supply capacity – need for increased local content
- Continued expansion of service network

Higher efficiency in manufacturing after accelerated investments during crisis



>100% increase in production pace during 2010

Efficiency program runs well

- New press line and new cab welding line in Umeå
- New plastic paint shop in Umeå
- Cab trim assembly Gent
- Driven lines implemented in Tuve
- Start-up of Kaluga factory



Strong Retail Network – Service business less volatile

- Key to total transport solution
- Growing truck population
- Consistent expansion
- Driver for profitability
- Excellent relations



Strengthened positions through the crisis

1

Quality
Safety
Fuel Efficiency
Relationships
Customer Satisfaction and Image

1

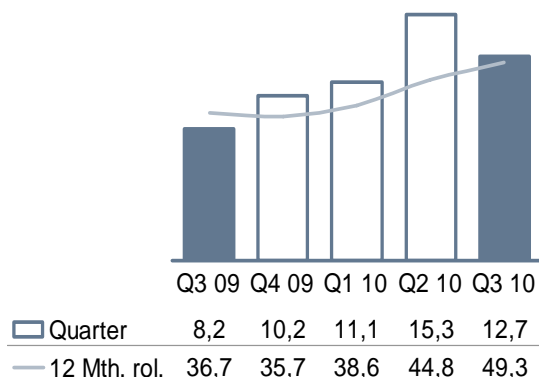


Construction Equipment



Net sales

SEK bn

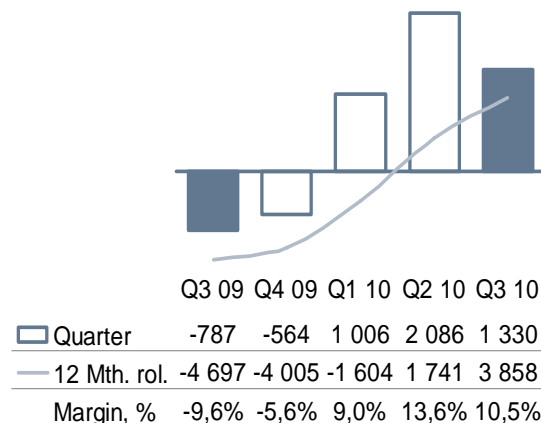


Highlights

- Total world market up 31%
- Volvo CE sales up 58%, fx adjusted
- Despite seasonality - strong Q3 with 10.5% margin

Operating income

SEK M



In Focus

- Launch of new Volvo and SDLG products in China
- Introduction of Tier4i and Stage III B engines
- Cost management

New series of SDLG-excavators

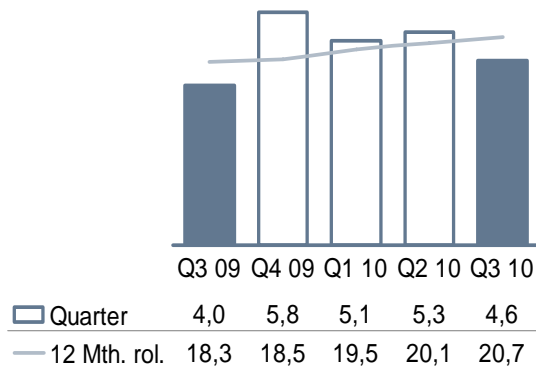


Buses



Net sales

SEK bn

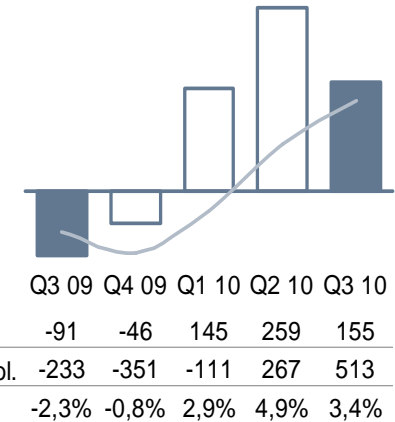


Highlights

- Still tough bus market 2010
- Profitable third quarter
- Launch of two new products
 - 8900 Intercity and 9500 Coach

Operating income

SEK M



In Focus

- Cost adaptation to market situation
- High tender activity
- Secure product introductions

Buses – new products launched

8900 Intercity

Coach 9500

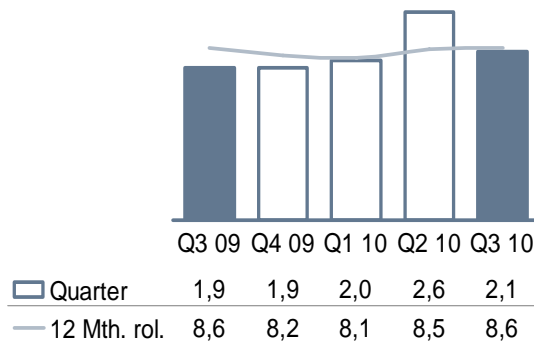


Volvo Penta



Net sales

SEK bn

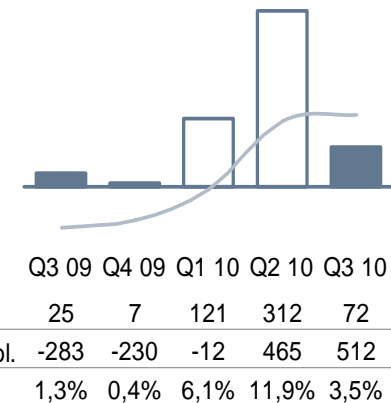


Highlights

- Flat world market for marine engines, increased demand for industrial engines
- Strong industrial engine order intake and good development for the IPS system
- Operating margins affected by fx-effects and temporary production disturbances

Operating income

SEK M



In Focus

- Increased penetration of marine soft offers and continued IPS growth
- Capitalize on good momentum for industrial engines
- Secure successful launch of upgraded order to delivery process

Volvo Penta product news



40 units of D12
engines to India

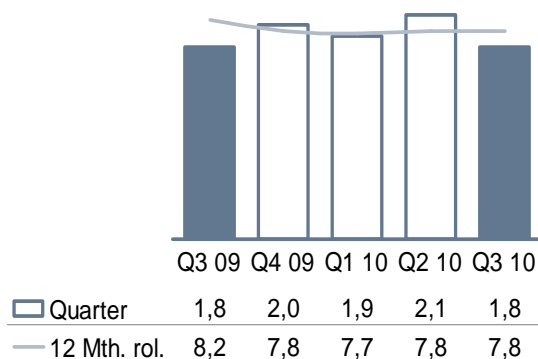


Volvo Aero



Net sales

SEK bn

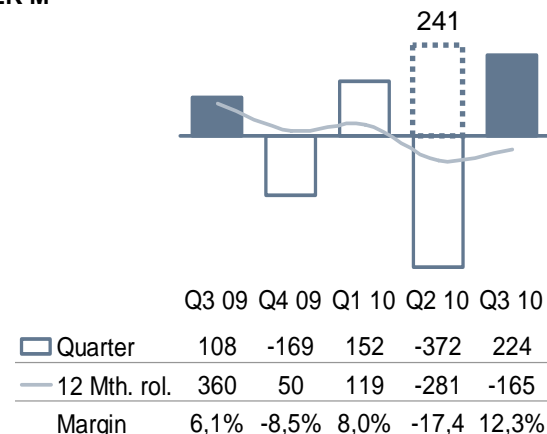


Highlights

- Increasing demand for air transport
- Positive trend with higher productivity continues
- Highest operating margin since Q1 2005
- Divestiture of Volvo Aero Services completed

Operating income

SEK M



In Focus

- Cost management and product cost
- Execution on new contracts - product development and serial production
- Push out of delivery plans for Boeing 787 and 747-8

Volvo Aero

Last bolt ceremony and first lit off; important milestones for the new PW1000G engine

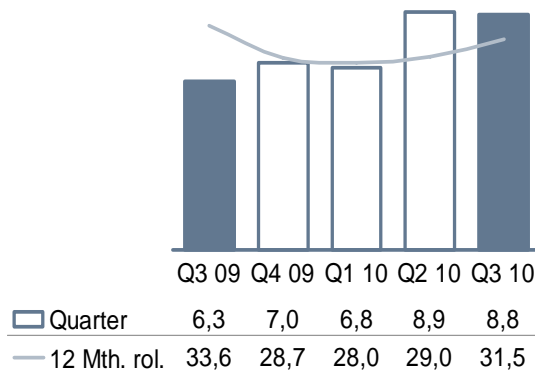


Financial Services



New retail financing

SEK bn

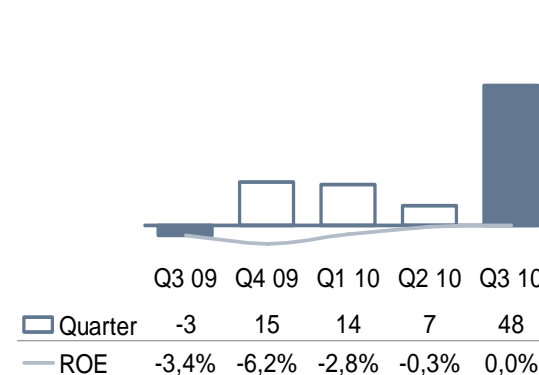


Highlights

- Strong North America portfolio performance
- Targeted volume increases
- Stabilization of Eastern Europe portfolio

Operating income and return on equity

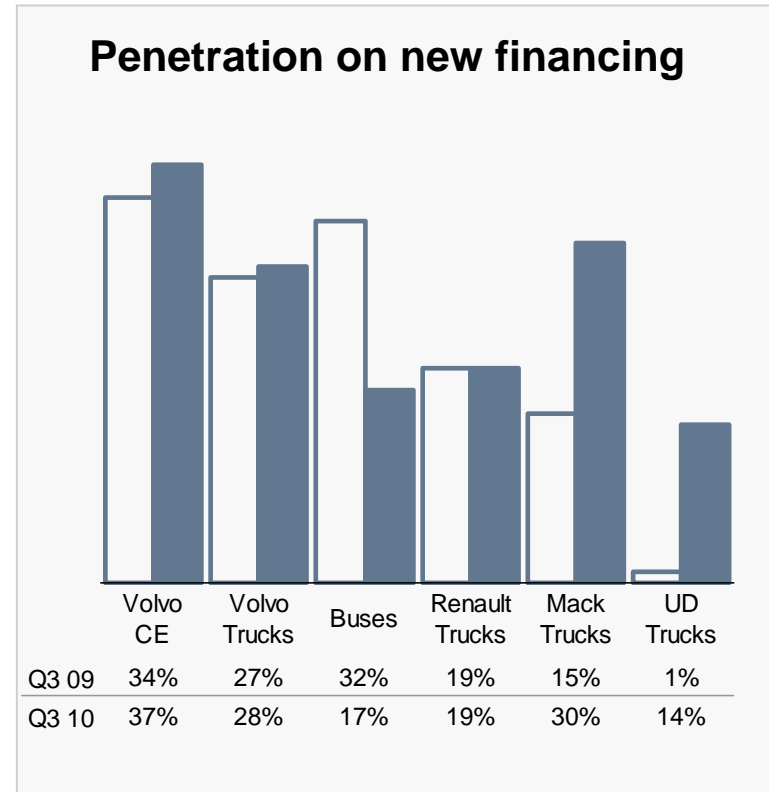
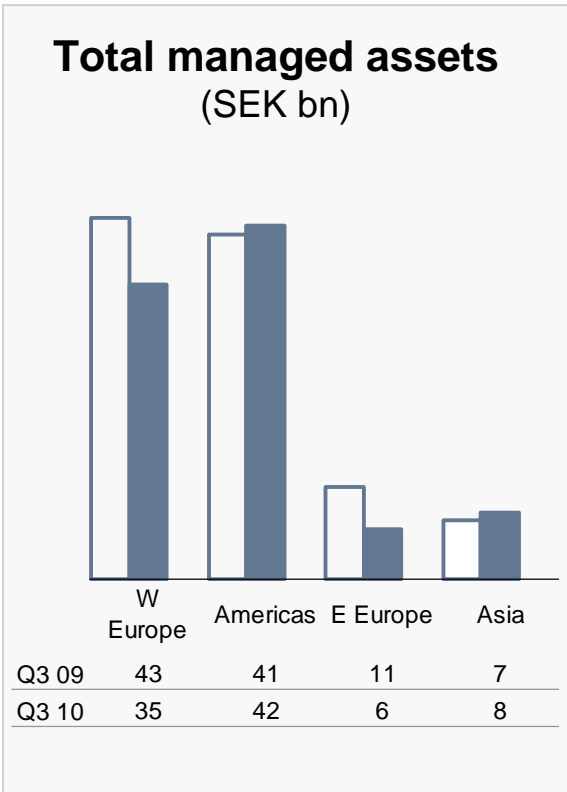
SEK M



In Focus

- Profitable growth mature markets
- Further BRIC development
- Eastern Europe inventory reduction

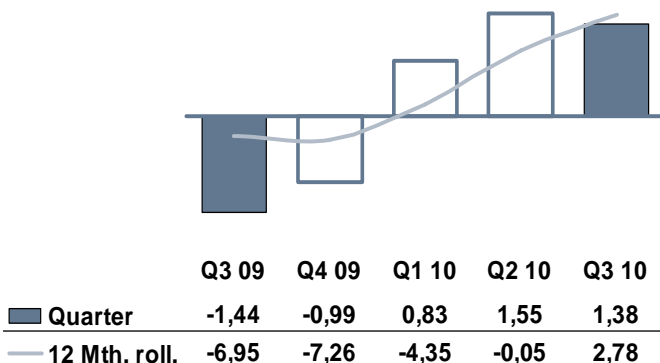
Financial Services



Group Summary



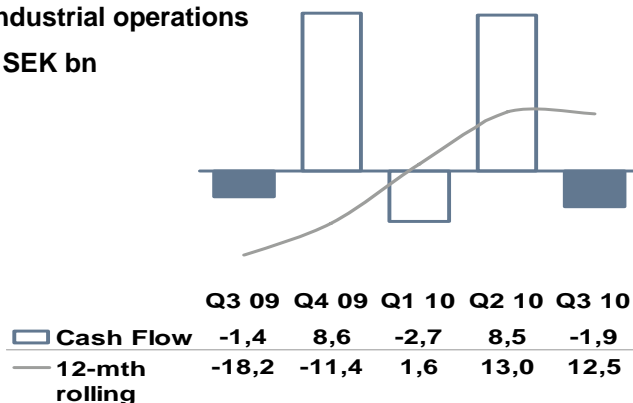
Earnings per share SEK



Operating Cash Flow

Industrial operations

SEK bn



Third quarter

- Sales 32% higher, +33% fx-adjusted
- Operating income SEK 4.9 bn, operating margin 7.7%
- Cost reductions maintained
- Seasonal build-up in working capital

In focus

- Increase production
- Productivity
- Cost control
- Cash flow

VOLVO

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