

VOLVO

Second Quarter 2011

Conference Call July 22, 2011

Group Highlights



Second quarter

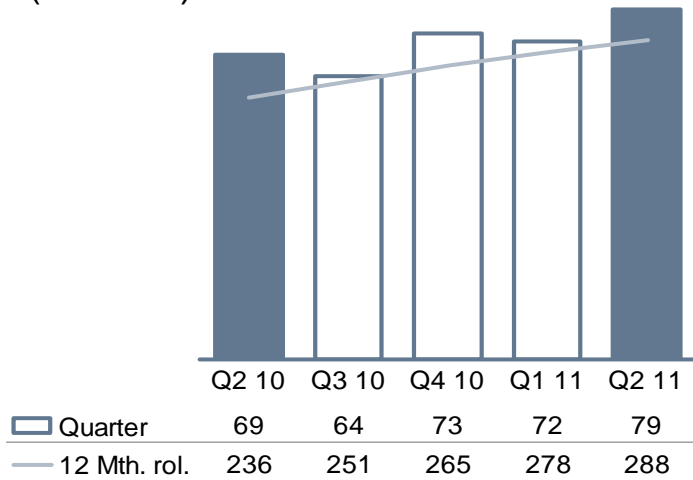
- Operating income SEK 7.6 bn
- Operating margin 9.7%
- Cash flow SEK 5.2 bn

Business environment

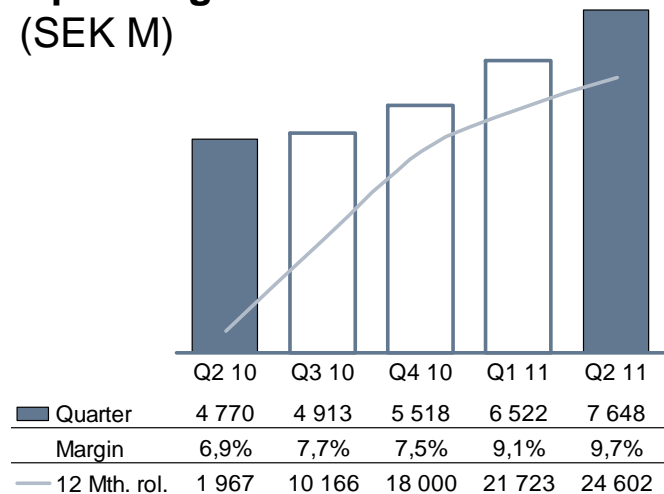
- Europe: improved market conditions
- Asia:
 - China – construction softening
 - Japan – signs of recovery
 - India – reduction in growth rate
- South America: strong market
- North America: replacement driven improvement in demand

Volvo Group

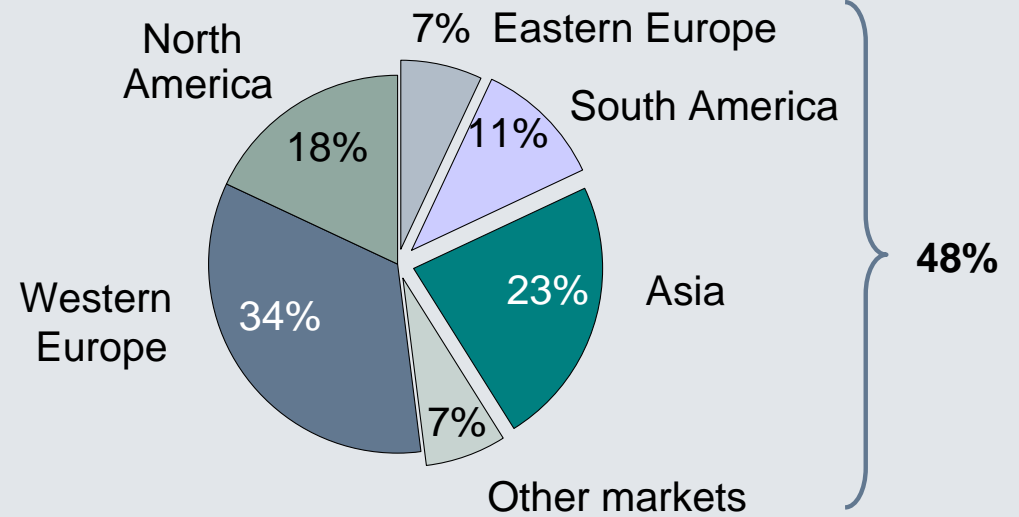
Net sales (SEK bn)



Operating income (SEK M)



Second quarter, 2011



Sales

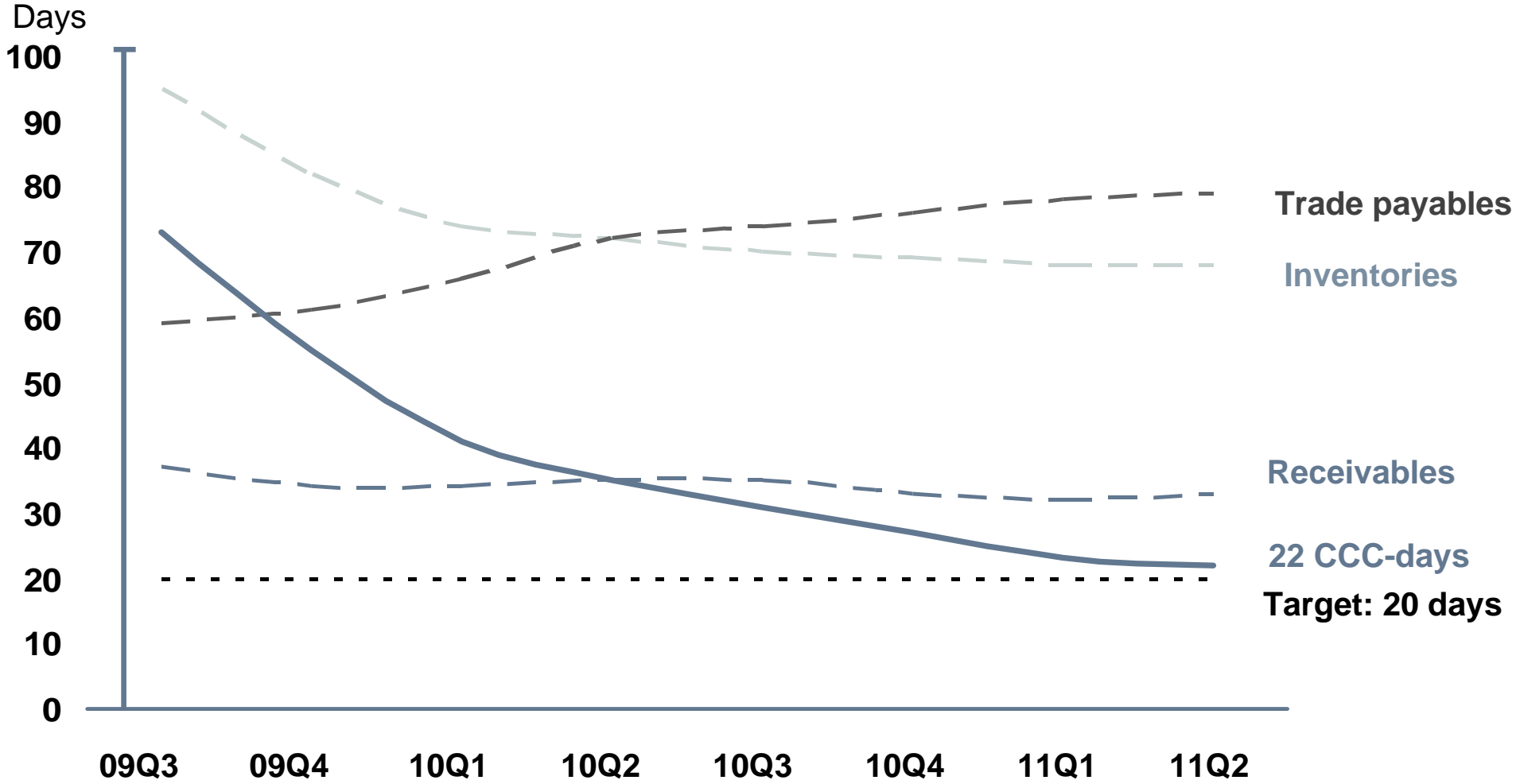
+ Increased sales of new products

Operating income

- + Increased volumes
- + Improved productivity
- + Cost control

Cash Conversion Cycle

6-months average



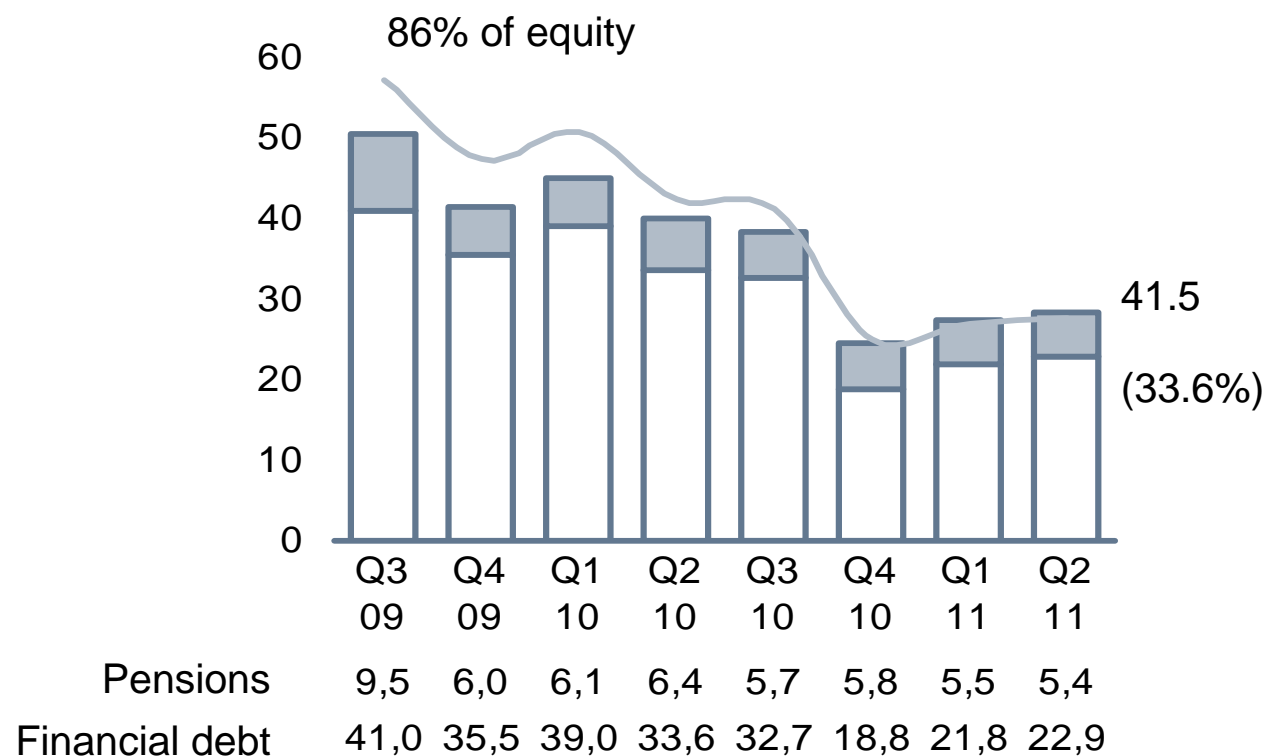
Volvo Group – Net financial position

Industrial Operations

Changes in net financial position

- Cash flow	+ 5.2 bn
- Dividend	- 5.1 bn
- Currency	- 0.4 bn
- Other	- 0.7 bn
Total	- 1.0 bn

Net debt SEK bn



Currency impact on operating income

Business Areas	Q2 2011	Q2 2010	Change
Spot rates, net flows			- 1,733
Realized hedging contracts	+201	+10	+191
Revaluation of receivables & payables	+156	-37	+192
Unrealized gains and losses on hedging contracts	-19		-19
Revaluation of foreign subsidiaries			-453
Total Business Areas			-1,822

Group headquarter functions and other	Q2 2011	Q2 2010	Change
Unrealized gains and losses on hedging contracts	-82	-231	+149
Total Group headquarter functions and other			+149
Total Volvo Group			-1,673

Comments

- No hedge accounting
- Hedging firm flows

2011

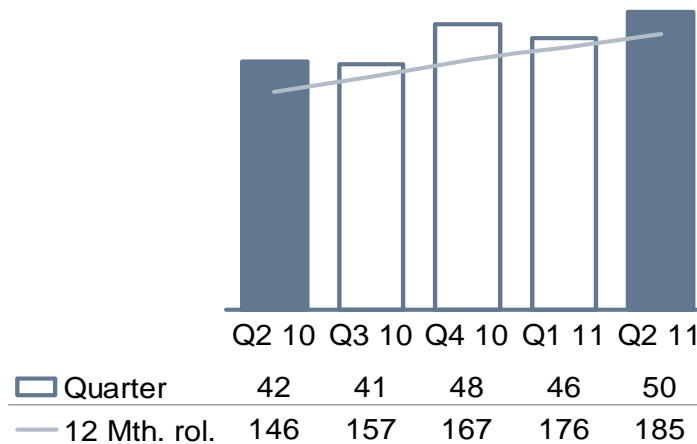
- As of 2011, unrealized gains and losses on derivatives related to a receivable or payable are reported in the respective Business Areas.

Trucks



Net sales

SEK bn

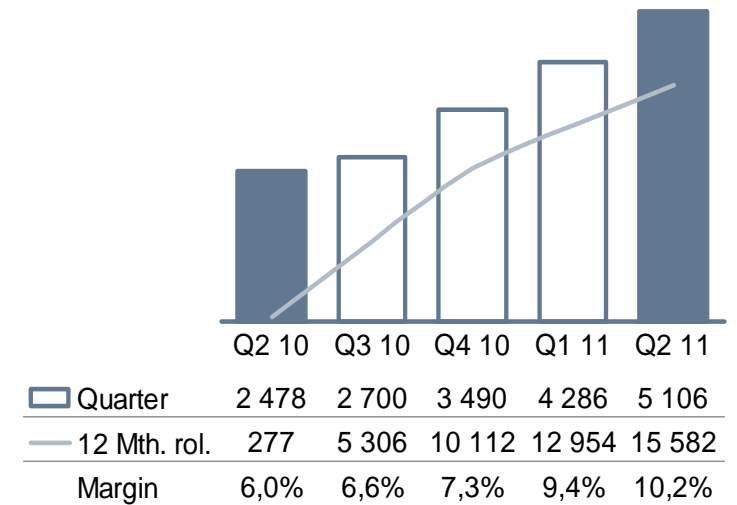


Highlights

- Improved market conditions
- Increased order book
- Market share gains
- Sales up by 32%, fx-adjusted
- Operating margin 10.2%

Operating income

SEK M



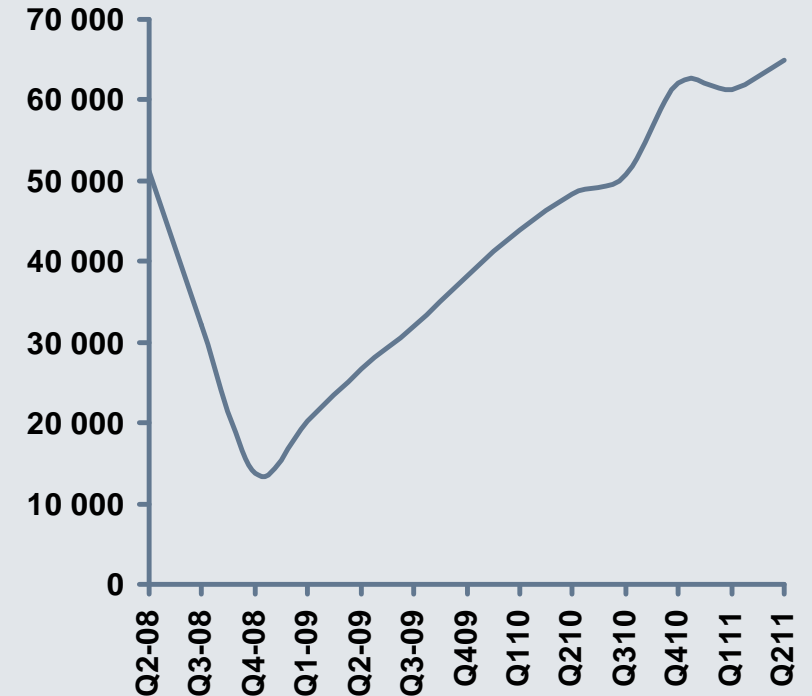
In Focus

- Production ramp-up in US & Japan
- Strict cost control
- Product introductions

Net order intake at good levels

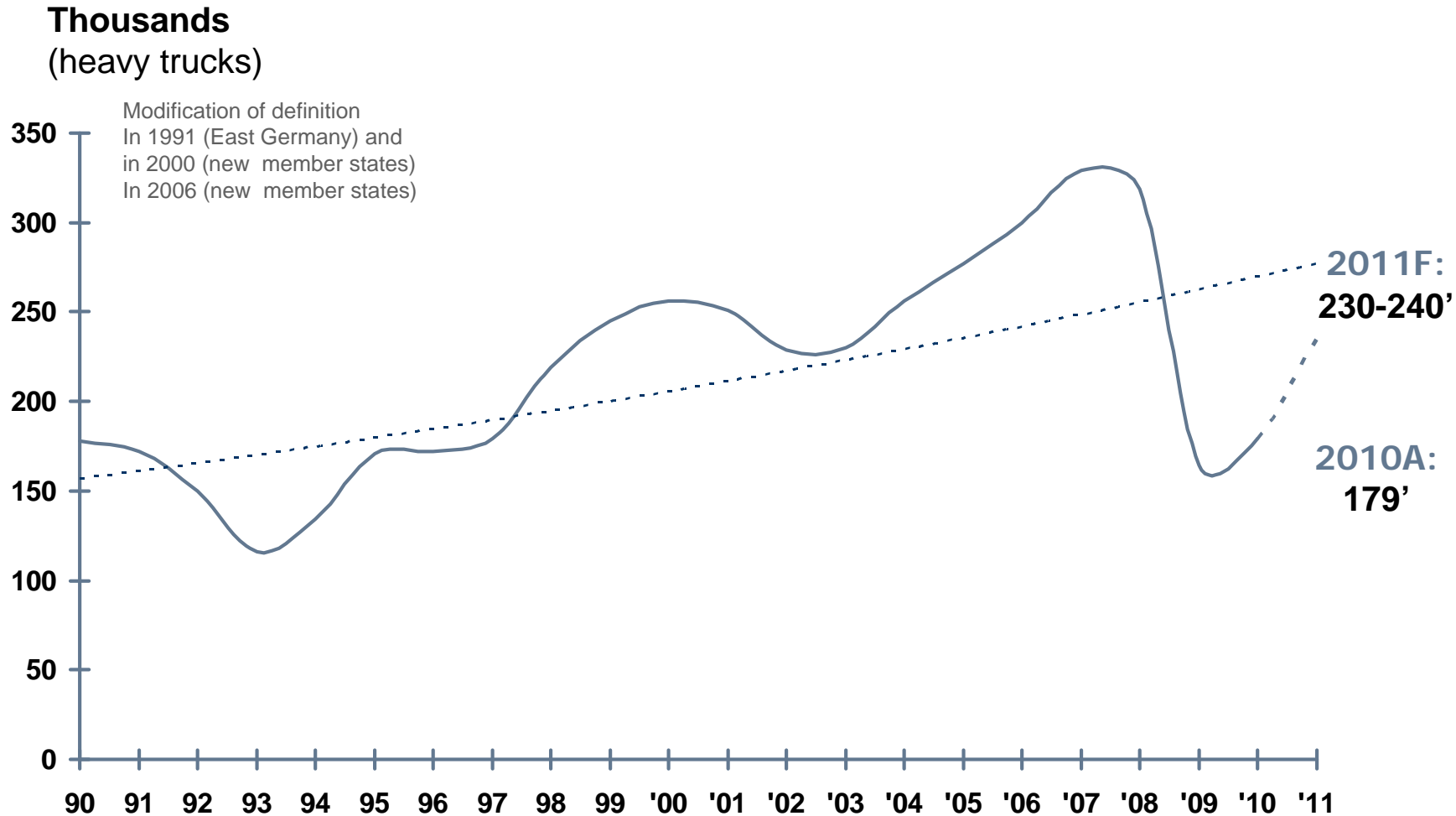
Trucks

Net order intake	Q2-10	Q1-11	Q2-11	Change Q2->Q2	Change Q1->Q2
Europe	19,054	23,812	24,623	29%	3%
North America	6,675	11,727	15,314	129%	31%
South America	4,986	7,422	6,597	32%	-11%
Asia	13,367	14,859	13,724	3%	-8%
Other markets	4,336	3,472	4,748	10%	37%
Total	48,418	61,292	65,006	34%	6%

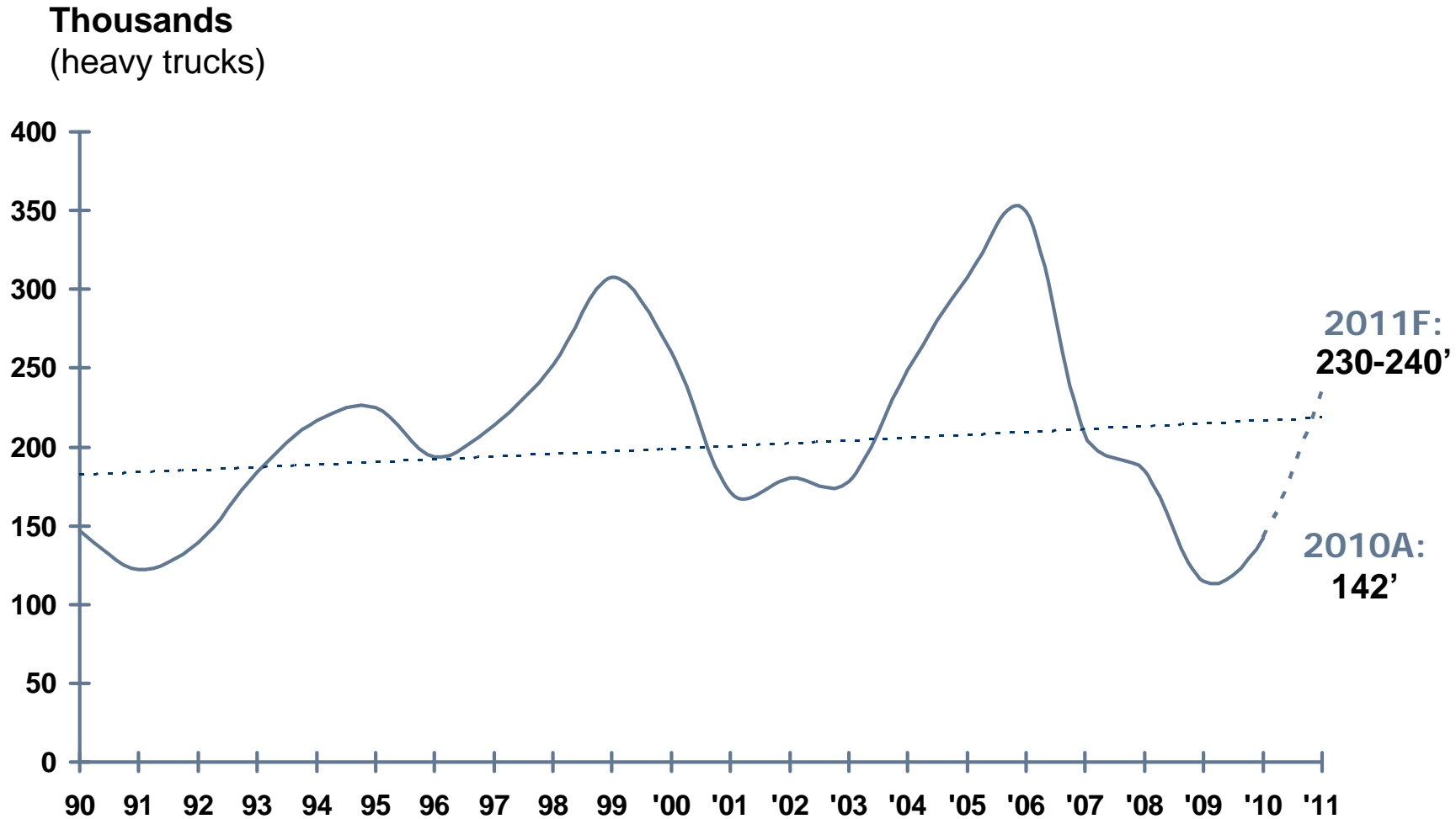


Heavy-duty truck market - Europe

(EU members + Switzerland & Norway)



Heavy-duty truck market – North America

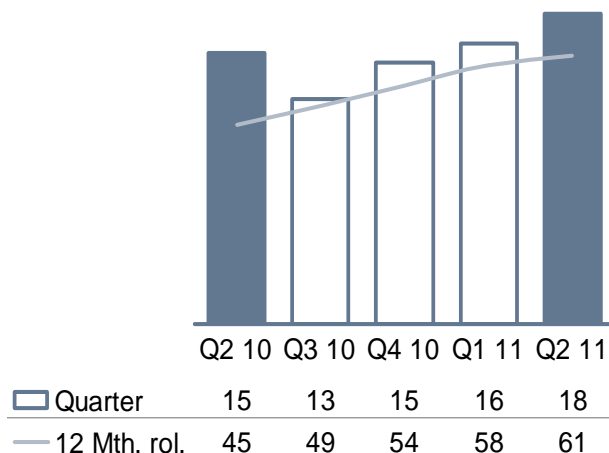


Construction Equipment



Net sales

SEK bn

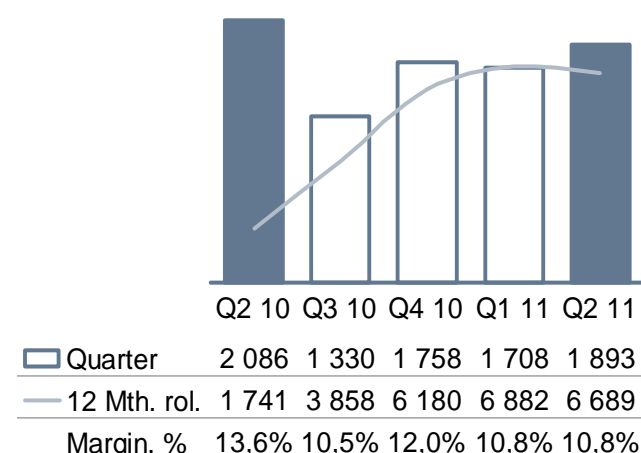


Highlights

- #1 position in China strengthened, 11.8% market share
- Sales up by 32%, fx-adjusted
- Operating margin 10.8%
- Negative impact on op inc. from FX and SEK 300 M due to supplier issues in Japan

Operating income

SEK M



In Focus

- Successful roll out of Tier4I and Stage III B machinery
- Capitalize on continued strong momentum in China
- Convert strong customer interest from Volvo Days into firm orders

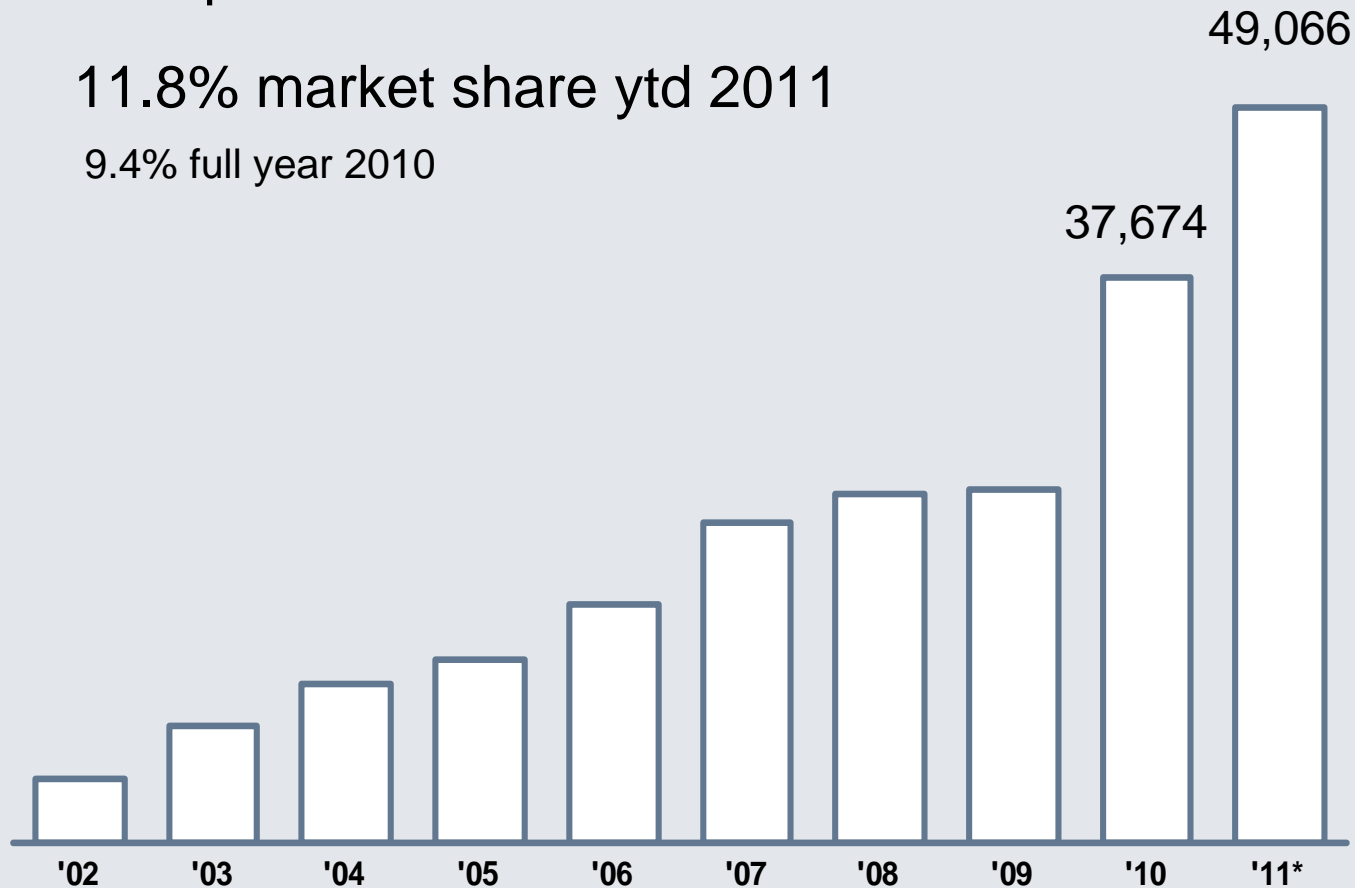
Number 1 in China

Wheel loaders and Excavators, invoiced units

1 position in Q2:

11.8% market share ytd 2011

9.4% full year 2010



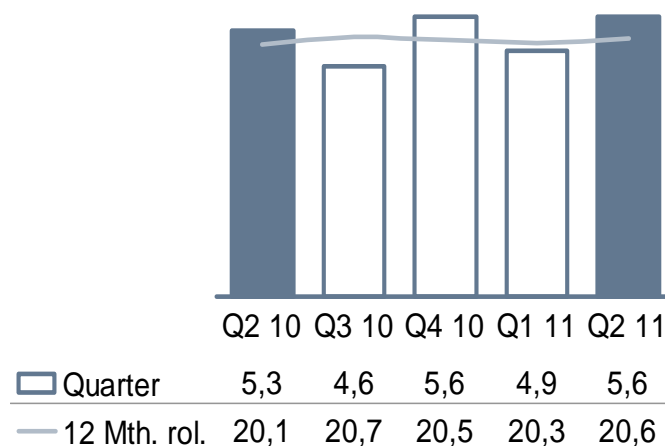
* 12-months rolling

Buses



Net sales

SEK bn

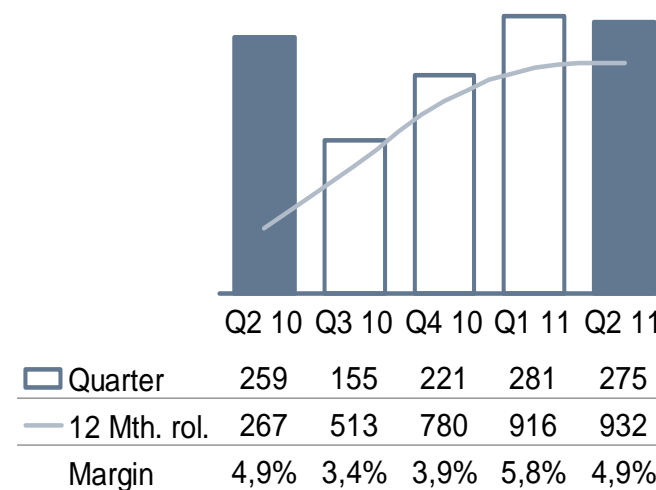


Highlights

- Slow recovery
- Deliveries up 36%
- First hybrid bus order outside Europe

Operating income

SEK M



In Focus

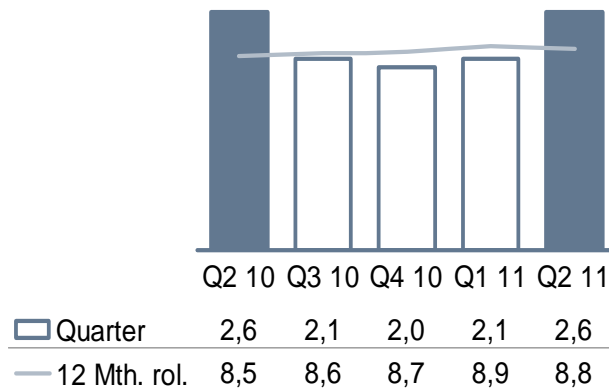
- Order intake in Europe and N America
- Cost & capital program
- Hybrid bus project in Curitiba

Volvo Penta



Net sales

SEK bn

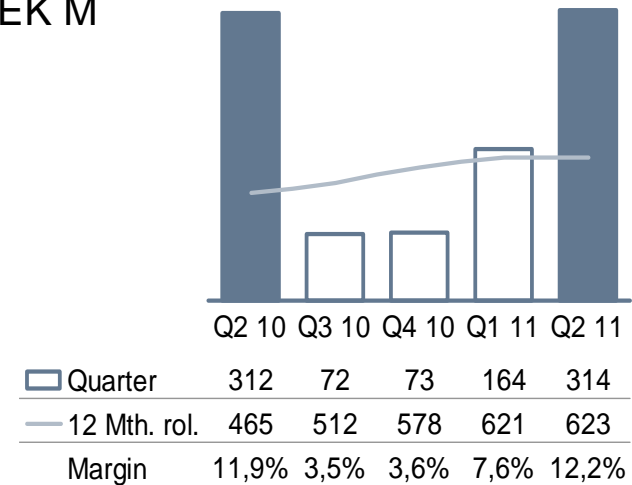


Highlights

- Strong global demand for Industrial engines, weaker for Marine
- Improved operating margin
- Strengthened market shares in both Marine and Industrial

Operating income

SEK M



In Focus

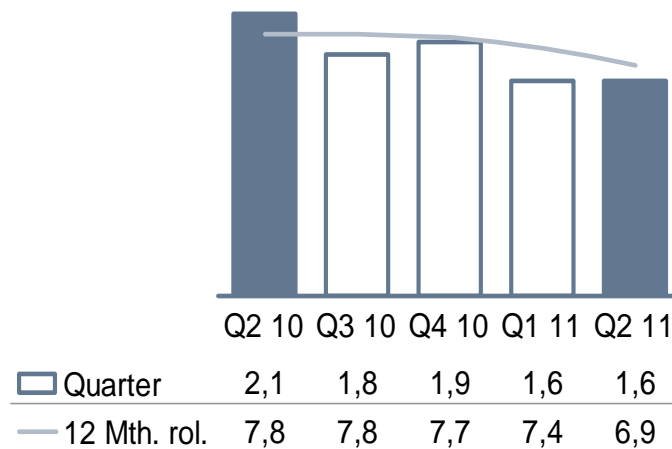
- Secure good service level during the European boat season
- Continue to increase marine market shares
- Capitalize on strong momentum for Industrial engines

Volvo Aero



Net sales

SEK bn

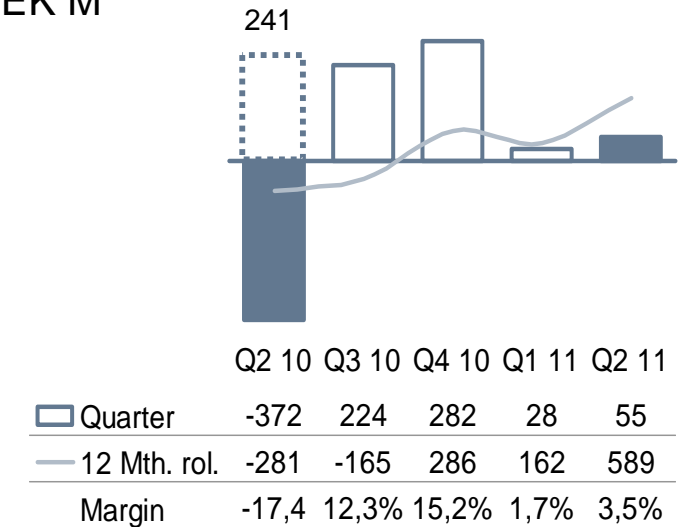


Highlights

- Order boom at Paris Air Show; Airbus and Boeing up 216% after 6 months
- Air traffic growth continues
- Low but improving profitability - low USD and supplier issues
- Agreement on the new PW1100G engine

Operating income

SEK M



In Focus

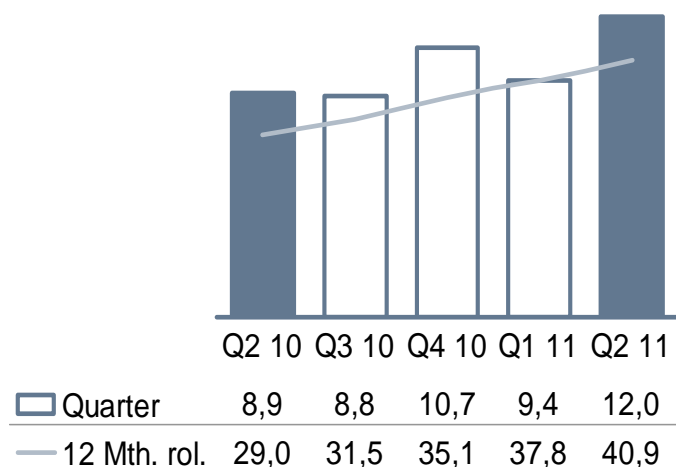
- Supplier management initiative
- Productivity improvement program
- Execution on the new PW1100G contract

Financial Services



New financing

SEK bn

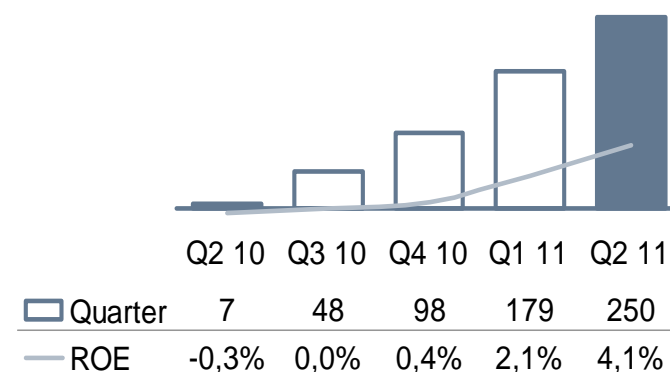


Highlights

- Profitability in all regions
- Brazil syndication
- Portfolio growth

Operating income and return on equity

SEK M



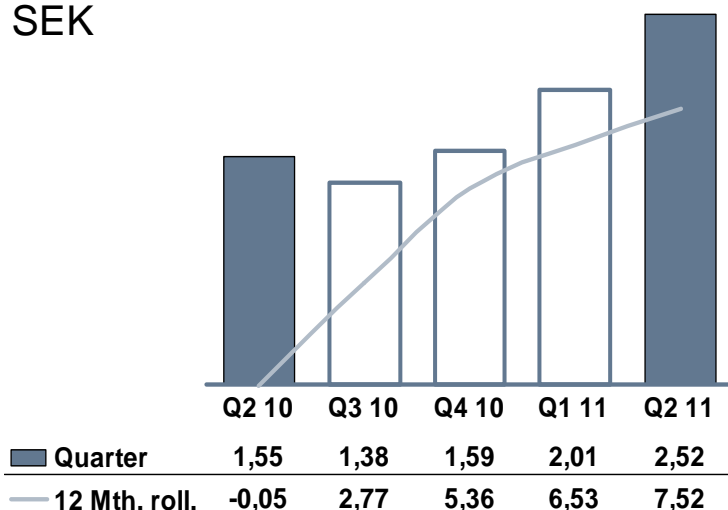
In Focus

- Organizational build-up in developing markets
- Syndication opportunities
- Business cycle management

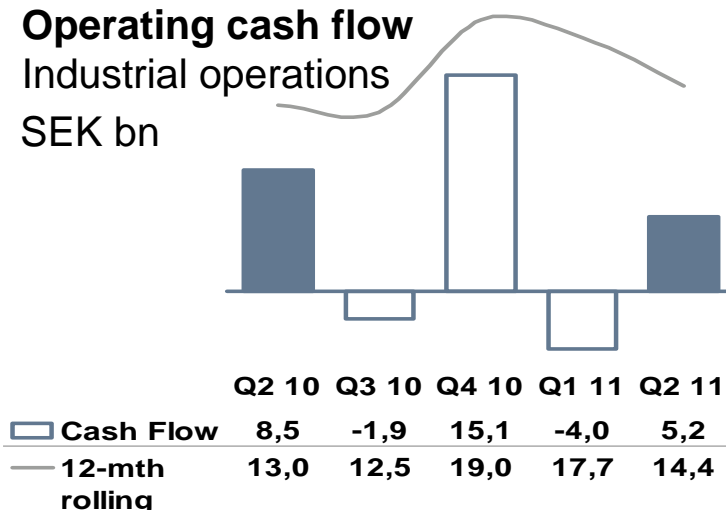
Group Summary



Earnings per share SEK



Operating cash flow Industrial operations SEK bn



Second quarter

- Sales 15% higher, + 29% fx-adjusted
- Operating income SEK 7.6 bn
- Operating margin 9.7%
- Cost reductions maintained
- Operating Cash flow SEK 5.2 bn

In focus

- Manage production
 - ramp-up/productivity
 - supply chain
 - eliminate bottlenecks
- Cost and working capital control
- Hold on to strong sales momentum

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