



AB Volvo

Press Information

Investor Day in New York

At Tuesday's Investor Day in New York, Volvo's President and CEO Leif Johansson announced that the global recession had forced the Group to adapt all of its operations to today's significantly weaker demand.

“The Group's order intake has dropped substantially in several markets. Demand in Europe has slowed abruptly and the US market has continued to decline from its already low level. Emerging markets in Eastern Europe and parts of Asia have also deteriorated rapidly, as has South America recently,” says Johansson.

Johansson also announced that the decline in order intake for the company's truck operations in Europe has continued in the fourth quarter due to the ongoing financial uncertainty and considerably weakened economy. Within Volvo's truck operations, production will shut down on certain days and weeks during the fourth quarter, primarily in December, to enable the company to adapt its manufacturing rate to the prevailing demand.

The North American truck market also remains weak. As a result of the low level of deliveries of new trucks in the industry, the average age of the US truck fleet is now higher than it has been in a long time. This means that many carriers will soon reach a point when it becomes cheaper to invest in new trucks than increase costs for spare parts and repairs.

Volvo Construction Equipment is also currently implementing measures to adapt the capacity of its global production system to the significantly weaker demand. All of the company's plants will be affected as Volvo CE implements personnel cutbacks and shuts down production on certain days and weeks during the fourth quarter, particularly in December when production will essentially come to a halt.

During his speech, CFO Mikael Bratt explained that recent developments in the foreign-exchange markets, including surges by several currencies in relation to the SEK, will have a positive long-term effect on the Volvo Group's profitability. At the same time, these trends have increased the Group's debt, expressed in SEK, since a major portion of the Group's borrowing occurs in USD and JPY.

Mikael Bratt announced that the Volvo Group has been able to leverage its global presence to secure the Group's borrowing. Despite recent turmoil in the credit market,

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the Group was able to meet the financing requirements of its industrial operations for the remainder of 2008 and Bratt stated that very few loans will mature in 2009. Bratt emphasized that all of the Volvo Group's business areas are focusing on improving their cash flow as a result of this substantial slowdown and that all costs are currently being reviewed.

Despite the substantial decline in sales of new products, a substantial amount of transportation work is still being conducted throughout the world and the trucks and machines currently in operation will continue to require spare parts, service and maintenance. The Volvo Group has a large population of products in most markets, which becomes particularly important during a recession since sales of new products weaken. Sales in such areas as spare parts, service, financing and other services account for nearly 30% of the Group's total sales. The percentage of sales attributable to this area has increased significantly in recent years.

Leif Johansson explained that the Volvo Group's product program is stronger than ever and that the Group will continue to invest in products for the future in which hybrid technology is a key component. The Volvo Group is now launching its fourth generation of hybrid solutions on a broad front for buses, trucks and construction equipment.

"The Volvo Group's hybrid solutions for heavy vehicles are entirely different from the solutions available in the market to date. On the strength of our volumes and resources, we have been able to develop a more standardized platform solution, which is necessary to ensure that the hybrid technology achieves broad-based commercial success," says Johansson.

Thanks to this common hybrid technology, the Group has achieved significant economies of scale and can reduce the time for developing new products. Volvo Buses has already received the first order for its new hybrid city buses, with initial deliveries planned for autumn 2009, and Renault Trucks has deployed its first hybrid refuse truck in Lyon, France.

Emissions legislation in Europe, North America and Japan is expected to become increasingly standardized during the next five years. With a global technical platform, the Volvo Group will be able to achieve additional advantages in the areas of purchasing, research and development, and production.

Presentation materials from Volvo's Investor Day are available at
http://www.volvo.com/group/global/en-gb/investors/investor_day_presentations/investor_days/investor_day_ny.htm

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The Volvo Group is one of the world's leading manufacturers of trucks, buses and construction equipment, drive systems for marine and industrial applications, aerospace components and services. The Group also provides complete solutions for financing and service. The Volvo Group, which employs about 100,000 people, has production facilities in 19 countries and sells their products in more than 180 markets. Annual sales of the Volvo Group amount to about SEK 285 billion. The Volvo Group is a publicly-held company headquartered in Göteborg, Sweden. Volvo shares are listed on OMX Nordic Exchange Stockholm.

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