



AB Volvo

## Press Information

# Volvo unveils proprietary medium-heavy engine

**At Volvo's Capital Market Day in Eskilstuna, Sweden, on Tuesday, Volvo CEO Leif Johansson announced that the Group had developed its own medium-heavy engine for trucks and buses scheduled for launch in 2010. Leif Johansson also said that the focus of the next few years will be on internal efficiency. Furthermore, he stated that the sales trend in trucks has continued to weaken in the second quarter, something that can also be discerned from the truck delivery figures presented by the Group in the spring. Since the Group is endeavoring to reduce its inventory of new products, capacity utilization in manufacturing is generally at very low levels in the plants.**

In his presentation, Leif Johansson said that after the substantial growth achieved in recent years through both acquisitions and organic growth, the Group has now reached the critical mass necessary to become globally competitive. The focus of the next few years will be directed more toward enhancing internal efficiency, for example, by taking advantage of synergies.

Leif Johansson said that the Volvo Group is developing an in-house, Group-wide platform for medium-heavy diesel engines. The first of these new medium-heavy engines will be launched in 2010. In addition, Leif Johansson said that the Volvo Group's investments in research and technology will remain at high levels in the next few years since new emissions legislation will be introduced for trucks, buses and construction equipment. In the future, the emissions laws from the various countries will become more harmonized and by having a global technology platform in place, the Volvo Group will be able to generate economies of scale in research and development as well as purchasing and production.

Leif Johansson also spoke of the significance of continuing to develop additional services and accessories that support products throughout their entire lifecycles. The trucks and machines in operation require spare parts, service and maintenance. The Volvo Group possesses a large population of products in most markets, which is particularly significant in an economic downturn when sales of new products are low. Sales of, for example, spare parts, service, financing and other services have also not declined to the same extent as the sale of new products.

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In his presentation, Leif Johansson also commented on market trends:

“We have not yet seen any signs of our primary markets in Europe or North America recovering, although we may have started seeing indications of trends leveling out. We are working intently on reducing our stock of trucks and construction equipment, while striving to defend our price levels. In light of the weak demand in the market, we have made further reductions to production compared with the first quarter. We will continue to have low cost coverage until we have balanced our stocks and costs with demand in the market, and this will impact profitability,” said Leif Johansson.

In addition, Leif Johansson stated that the Volvo Group had noted a slight upturn in certain countries, such as China, India and Japan, largely due to government stimulus packages.

In his presentation, Mikael Bratt, CFO of the Volvo Group, described the measures being implemented throughout the Group to reduce cost levels and improve cash flow. He also said that the Volvo Group has high liquidity reserves despite the sharp economic downturn, and that the company has an advantageous loan structure with few loans maturing in the next two years. Furthermore, with its global presence, the Group has excellent opportunities for raising loans on the capital market.

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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. In 2008 annual sales of the Volvo Group amounted to about SEK 300 billion. The Volvo Group is a publicly-held company headquartered in Göteborg, Sweden. Volvo shares are listed on OMX Nordic Exchange Stockholm. For more information, please visit [www.volvogroup.com](http://www.volvogroup.com) or [www.volvogroup.mobi](http://www.volvogroup.mobi) if you are using your mobile phone.

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