



Welcome to

VOLVO GROUP Investor Day

AB Volvo

Investor Day in New York 2008 - Leif Johansson

1 2008-12-02

VOLVO



Volvo Group

Leif Johansson
President and CEO
Volvo Group

AB Volvo

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VOLVO

Agenda

TRANSFORMING THE VOLVO GROUP

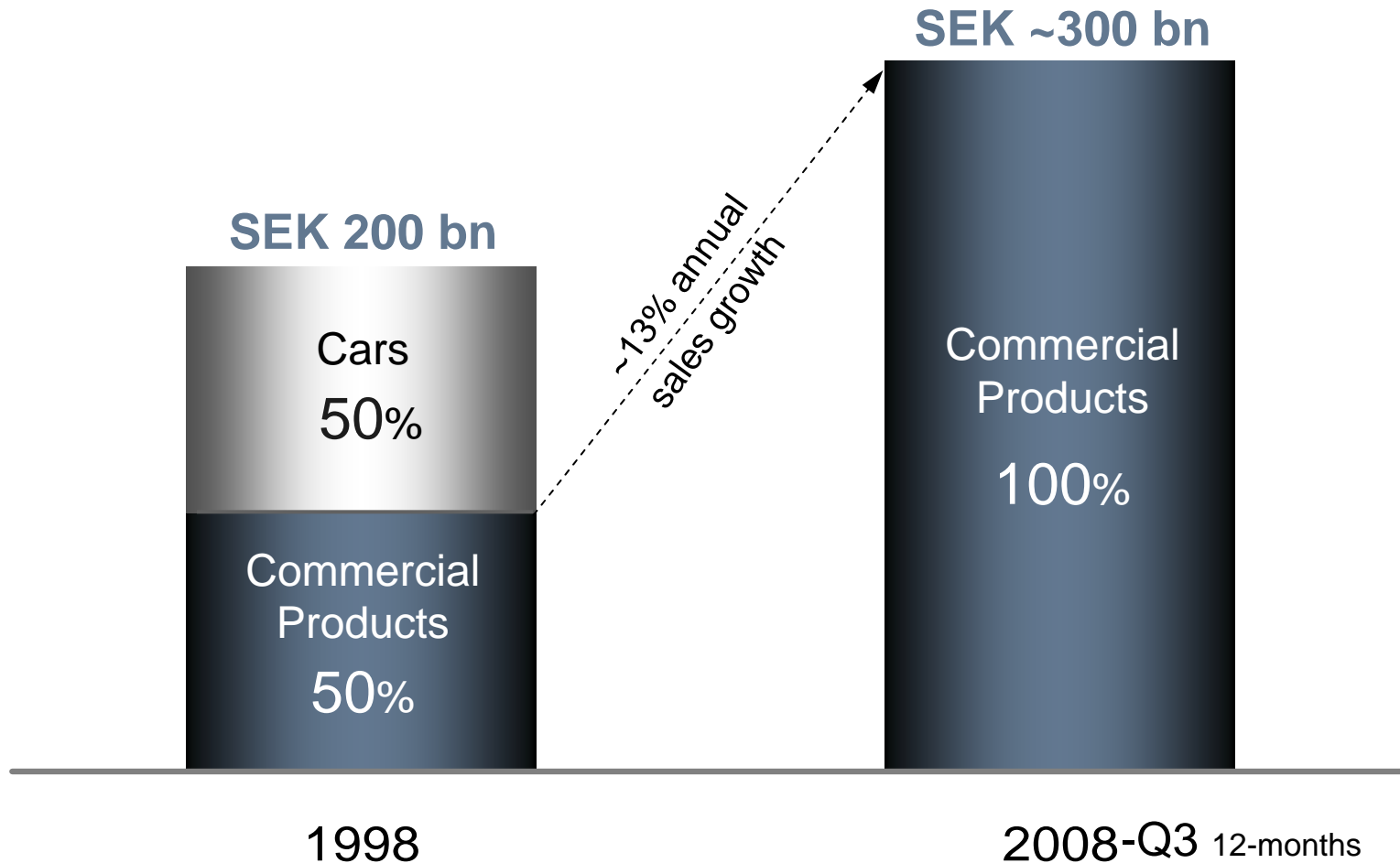
BUSINESS UPDATE

DOWNTURN MANAGEMENT

DIESEL-ELECTRIC HYBRIDS

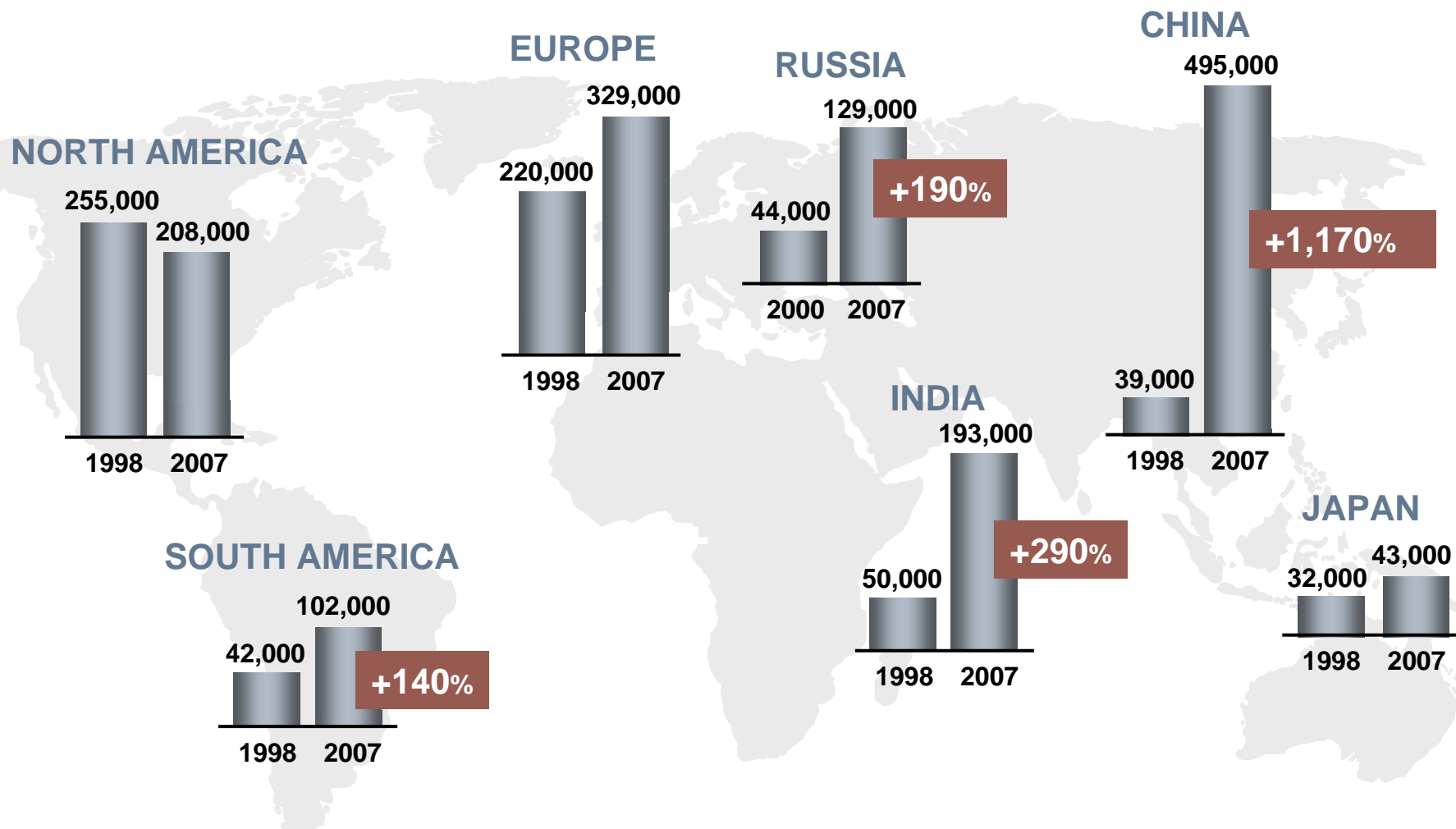
SUMMARY

Exit Cars to build strong Commercial Product business



Strong growth in developing economies

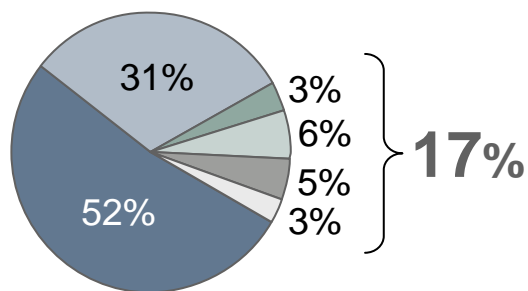
Heavy duty truck market 2007



Capturing growth in developing economies improves geographical balance

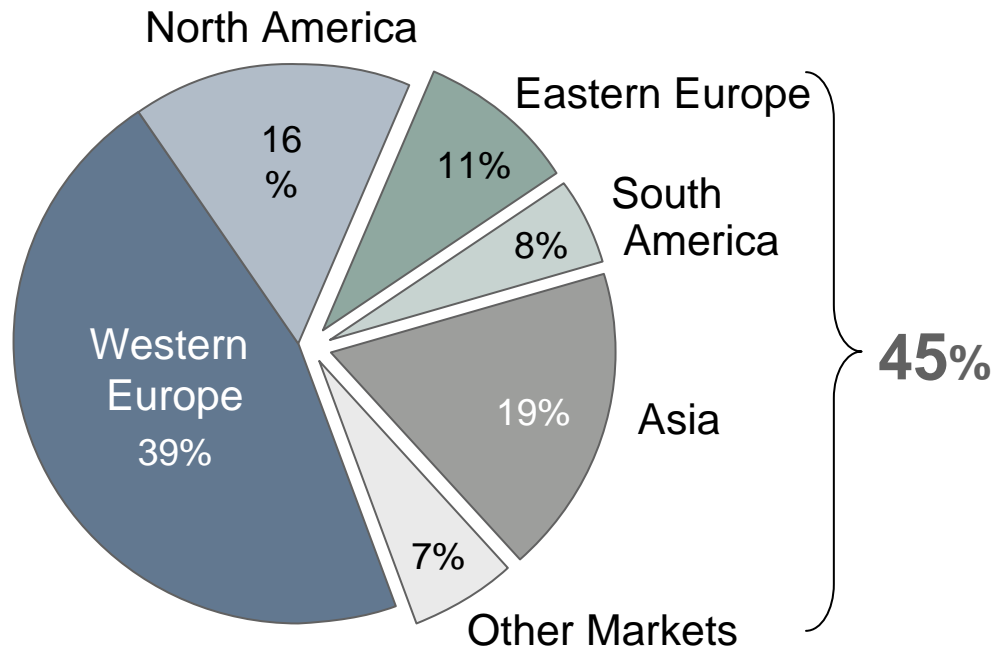
Q3 2008

1998



SEK 100 bn

**Soft products
SEK 14 bn (14%)**



SEK ~310 bn

**Soft products
SEK 85 bn (27%)**

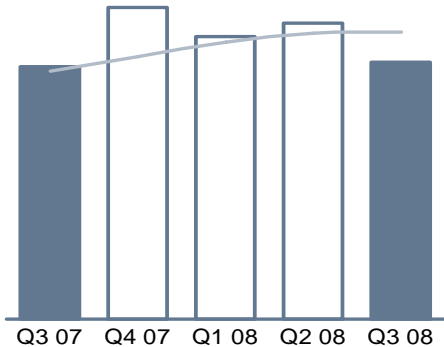
BUSINESS UPDATE

- ▶ Volvo Group
- ▶ Trucks
- ▶ Volvo CE
- ▶ Buses
- ▶ Volvo Penta
- ▶ Volvo Aero

Volvo Group

Net sales

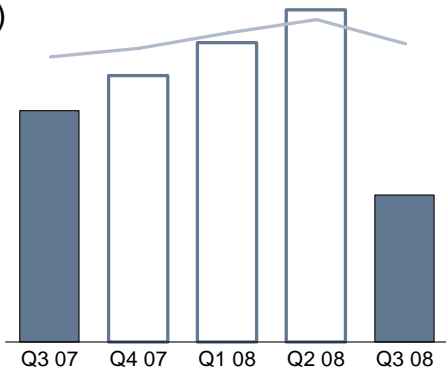
(SEK bn)



Quarter	68	85	77	80	70
12 Mth. rol.	269	285	301	310	311

Operating income

(SEK M)



Quarter	5 010	5 775	6 487	7 186	3 177
Margin	7,3%	6,8%	8,5%	8,9%	4,6%
12 Mth. rol.	21 627	22 232	23 391	24 458	22 625

Difficult quarter

- Sales down 13% compared to Q2
- Operating income down 37%
- Competitive new products

Decrease in operating income

- + Good performance in Europe and International
 - Truck operations in the US
 - Volvo CE
 - R&D expenses up SEK 0.8 bn
 - Cost inflation raw materials SEK 1 bn
 - Restructuring in North America, Volvo CE & Mack SEK 330 M
 - Underabsorption

Trucks



Volvo Trucks

- Market shares gained in Europe
- Production adjustments in Europe
- Order book normalized
- New products launched in Europe
 - Good reception at the IAA

Renault Trucks

- Improving market shares in Europe
- Adjustment of production - temporary workers staffing
- Product innovation
 - All electrical Renault Maxity
 - Renault Premium Distribution Hybrys-Tech
 - Premium Optifuel Concept: new aerodynamic features help reduce fuel consumption.



Mack Trucks

- UAW negotiations ongoing
- Restructuring plan launched
- Top Customer Satisfaction Ranking for Dealer Service in JD Power
- Honored by EPA for 32% reduction in greenhouse gas emissions

Nissan Diesel

- Market share maintained
 - the retail sales price of trucks raised
- Market forecast Japan: medium and heavy trucks down 15% in 2008
- Integration work



Volvo CE

- Manage consolidation of Road Machinery in North America
 - Goderich plant close-down
- Integrating acquired operations
 - Road Machinery
 - Lingong
- Steel prices
- Adjusting to rapidly weakening demand – stop weeks/months
- Introduction of hybrids



Buses

- Europe
 - Consolidation and improved city bus performance
 - Closure of Tampere and divestiture of Turku factory Oct 1, 2008
 - Synergies with Trucks
- North & South America
 - Export from Mexico
 - New coach range in Brazil
 - Bus Rapid Transit in focus
- International
 - Export from India and China
- Introduction of Diesel-Electric hybrids in 2009



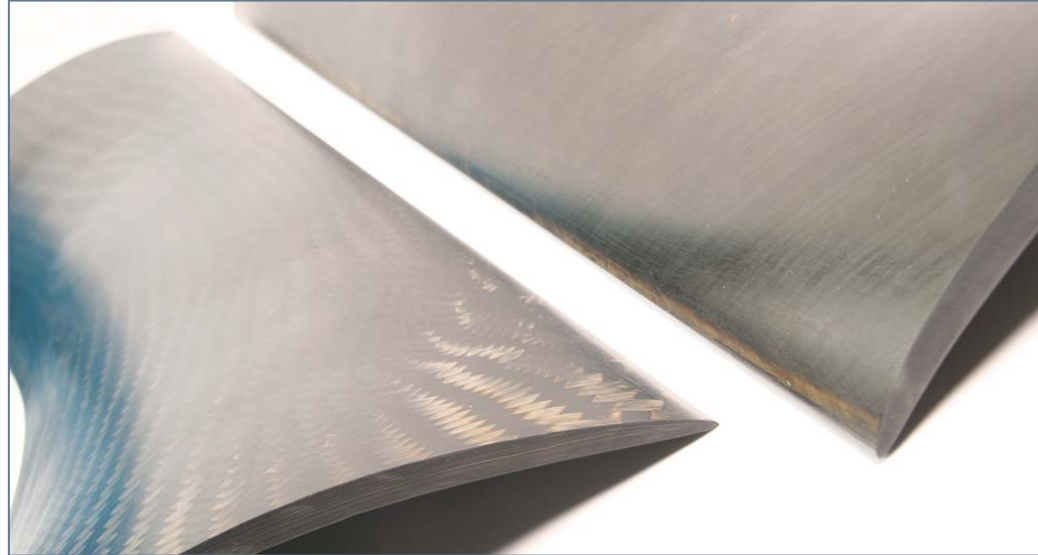
Volvo Penta

- Continue to build on the strong momentum for Volvo Penta IPS – Inboard Performance System
- Leverage sales of industrial engines based on the new Volvo Group engine offer
- Broadening customer offering and sales of soft products like:
 - Joystick
 - GPS based anchor
- Adjusting to lower demand
- Efficiency programs for central and regional operations



Volvo Aero

- Product cost reduction
 - Raw material inflation
 - Weak USD
- Air traffic growth flattening out
- Component business still growing, with good margin
- Manage supply chain ramp-up for 2009-2010
- Capitalize on composite knowledge
- Continue aftermarket profitability improvement





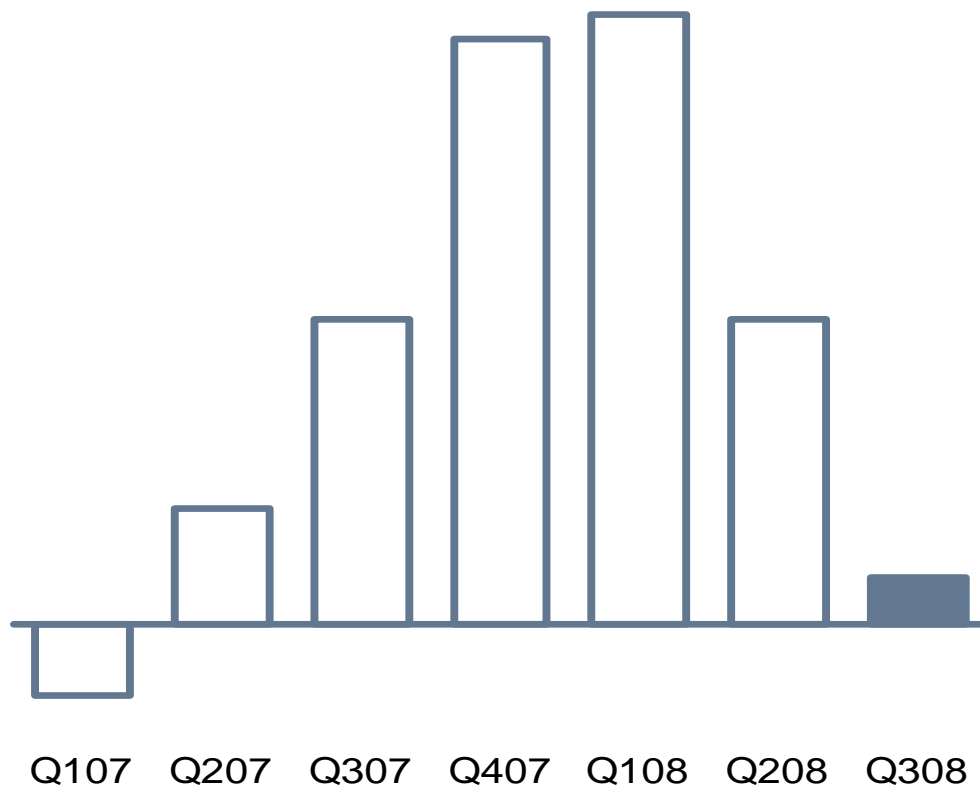
DOWNTURN MANAGEMENT

Challenging times!

- North America, Europe and Japan in recession
- Emerging markets slowing down rapidly:
China, India, Russia...

Volvo Group

Sales growth year over year
(%)

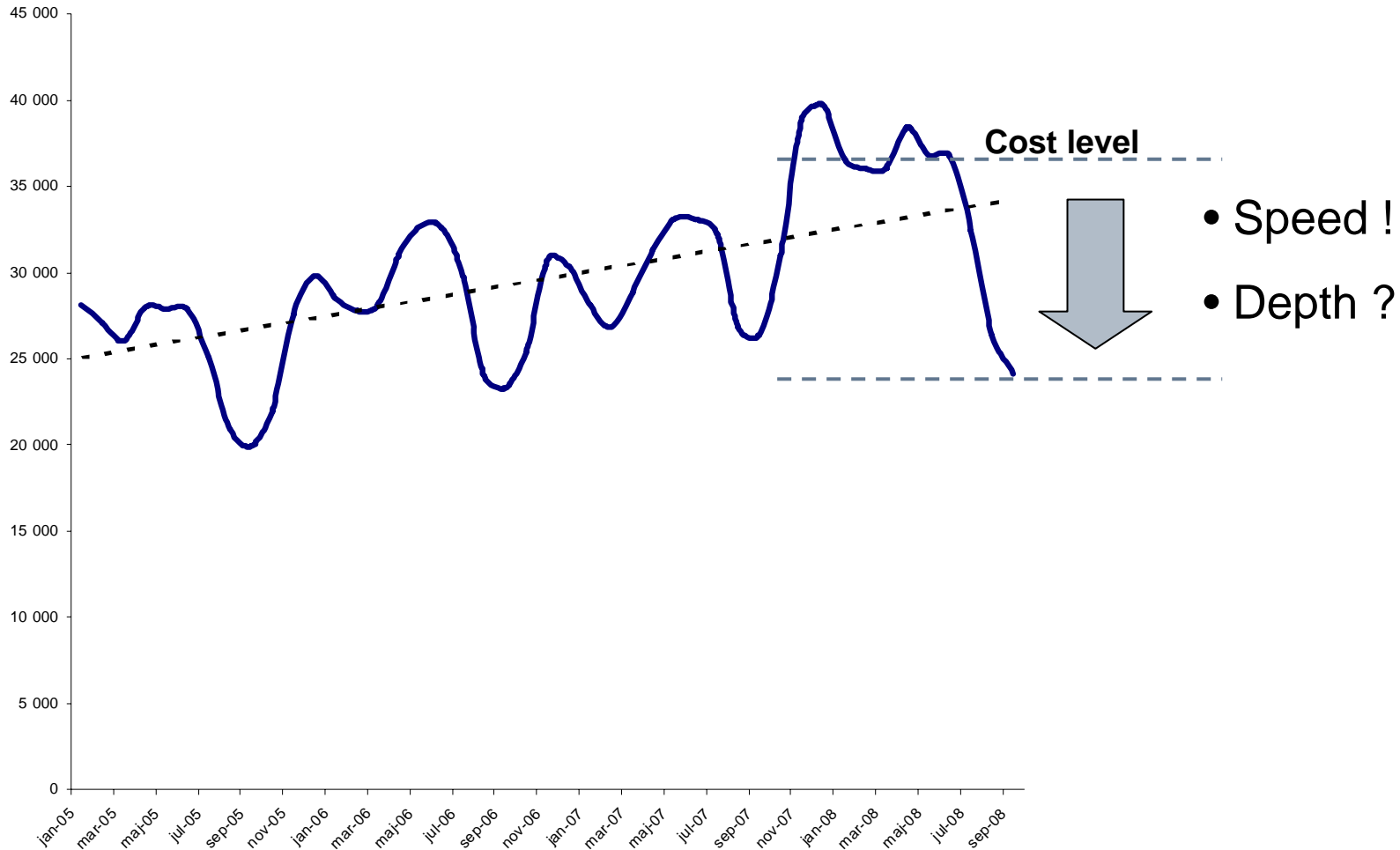


■ Sales growth

Q107	Q207	Q307	Q407	Q108	Q208	Q308
-3%	5%	13%	25%	26%	13%	2%

Braking sharply

Truck deliveries in Europe: 3-months rolling



Long term actions

Drive intra-Group synergies and aftermarket business

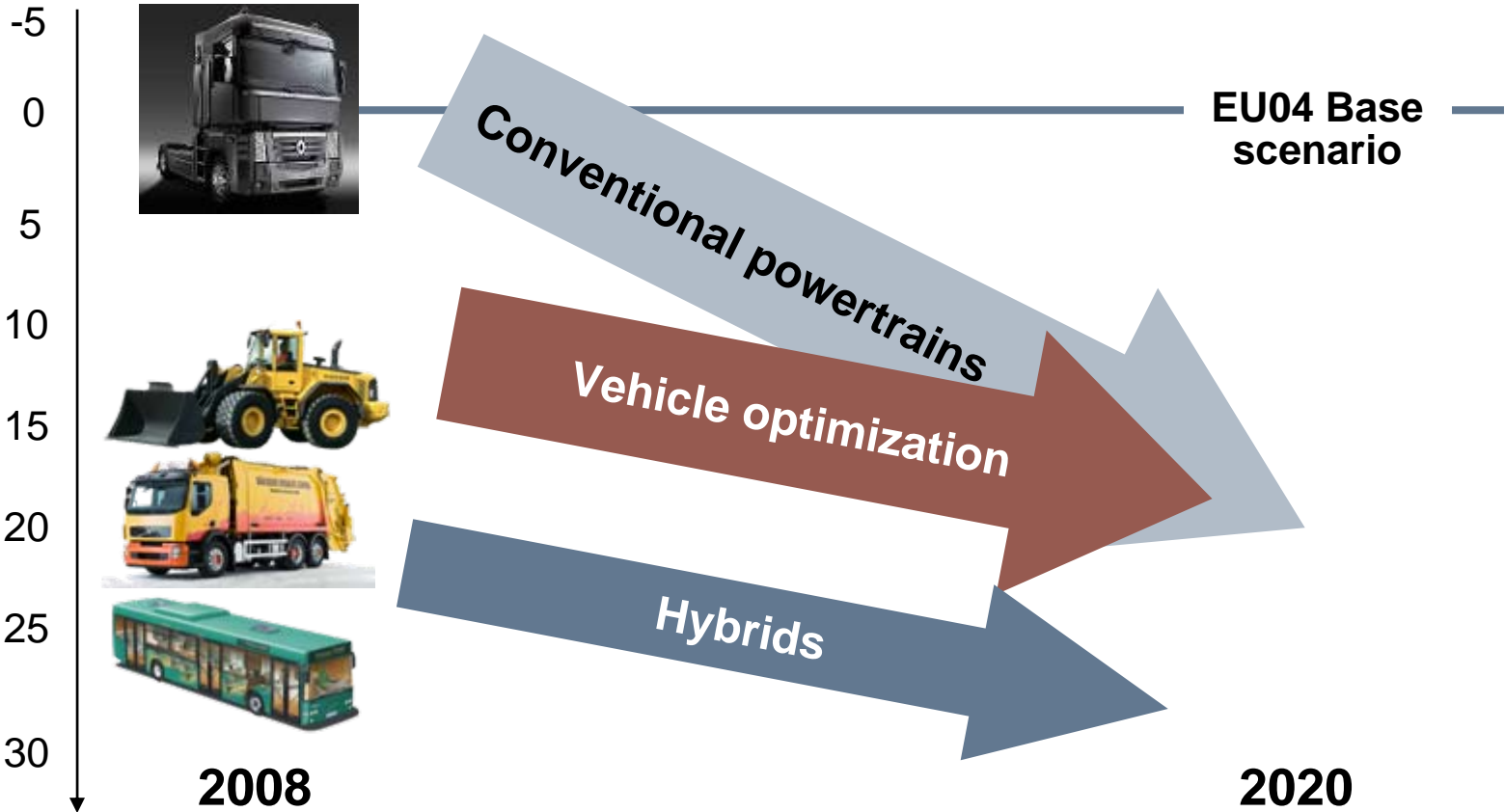
- Take advantage of converging emission regulations within Purchasing, R&D and production
- Further improve efficiency in Business Units
- Leverage the Group's Asian presence
- Drive sales in retail, service and spare parts (soft products)



DIESEL-ELECTRIC HYBRIDS and AUTOMATED MANUAL TRANSMISSIONS

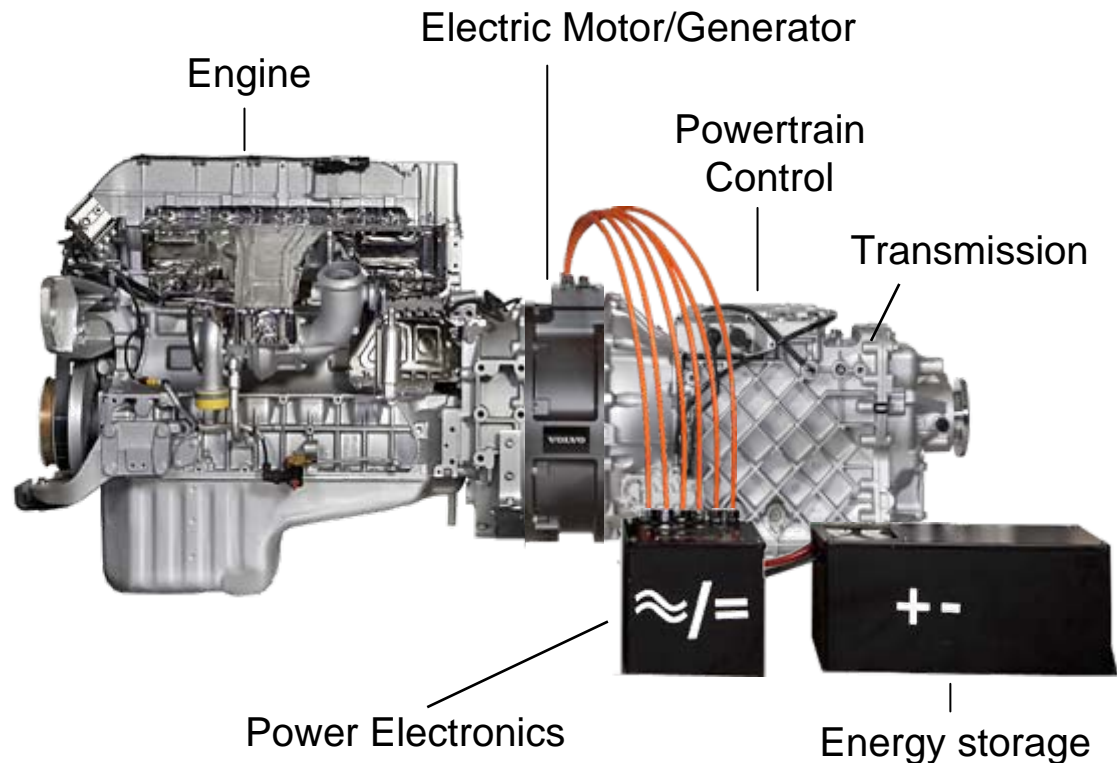
Potential to reduce fuel consumption

Potential reduction (%)



Volvo hybrid system the superior choice

- The parallel hybrid will fit a wide range of the Volvo Group vehicles
- Excellent performance
- Lower cost compared to all available hybrid systems
- Double electrical power and torque capacity as compared to available parallel hybrid systems
- True system optimization through full control



One Group-wide technology generates economy of scale

SHARED HARDWARE

Battery management unit

Control system

Electric architecture, voltage levels

Motors

Cables and connectors

Energy storage

DC/DC converter

Inverter



- Commonality
- Short development times
- Volumes of key components

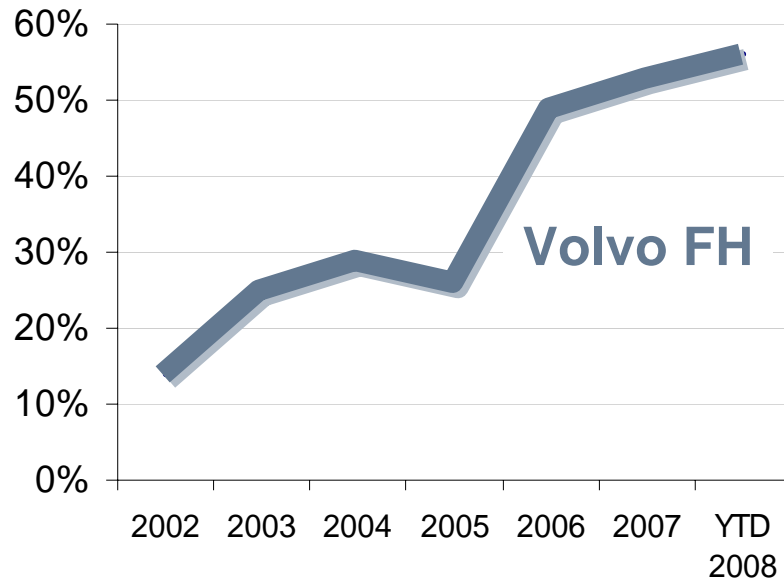


Automated manual transmission

Now also in North America and for Hybrids



Penetration of AMT



Success factors

- Automated manual transmission, advantages:
 - low weight
 - low friction
 - few moving parts
- Widened offer – now construction and up to 80 tons
- Low fuel consumption
- Excellent drivability – attract new drivers
- Matured product – Strong brands

Summary

1998-

INTEGRATION/EFFICIENCY 2008 →

- Downturn management
- Drive intra-Group synergies and aftermarket business
- Integration in Asia and Volvo CE
- Diesel-Electric Hybrids
- Competitive products

Best Products

Best Network

Best People

