



VOLVO GROUP

Investor Day

Leif Johansson
President and CEO
Volvo Group

Agenda



STRATEGIC DIRECTION

BUSINESS UPDATE

PRIORITIES

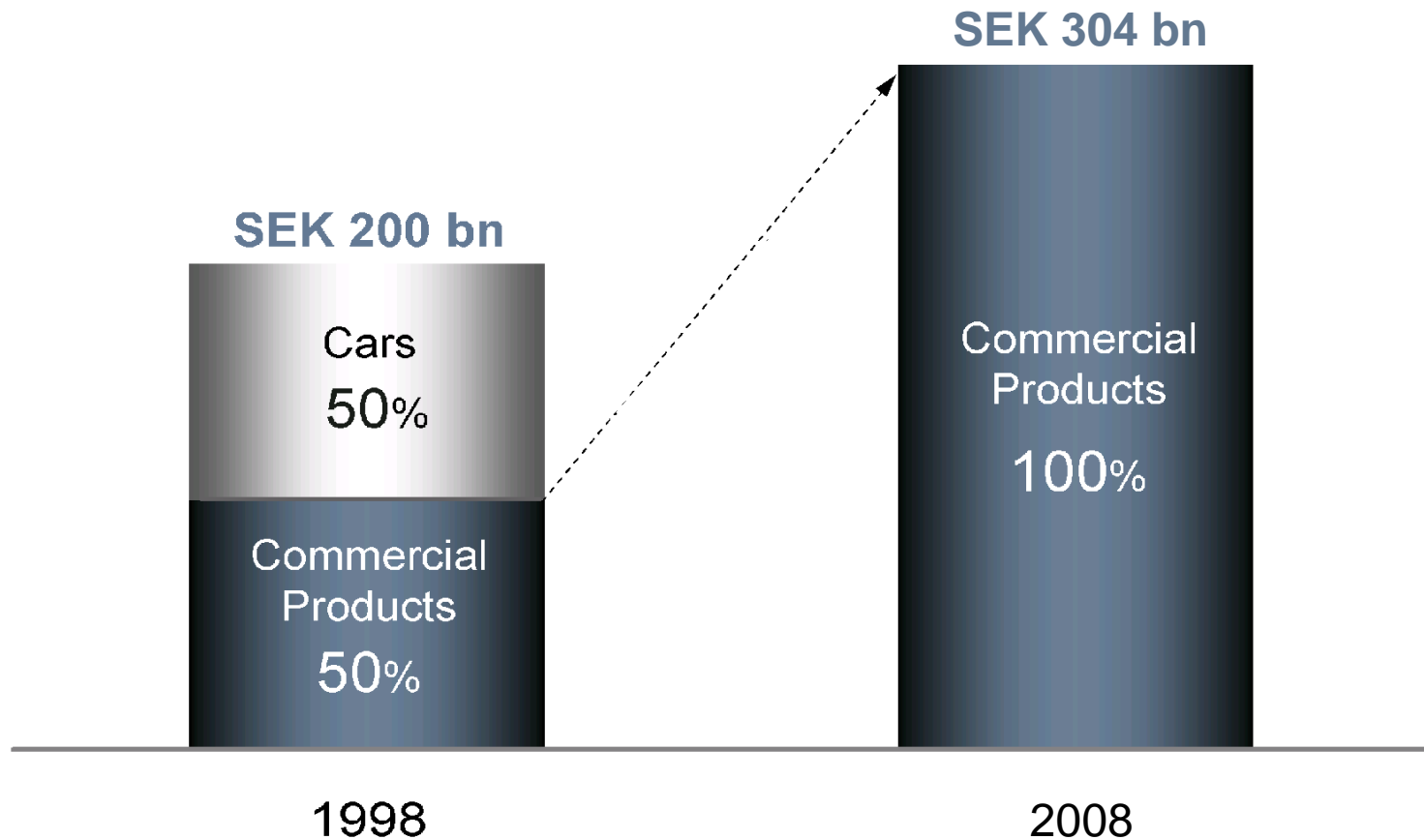


STRATEGIC DIRECTION

BUSINESS UPDATE

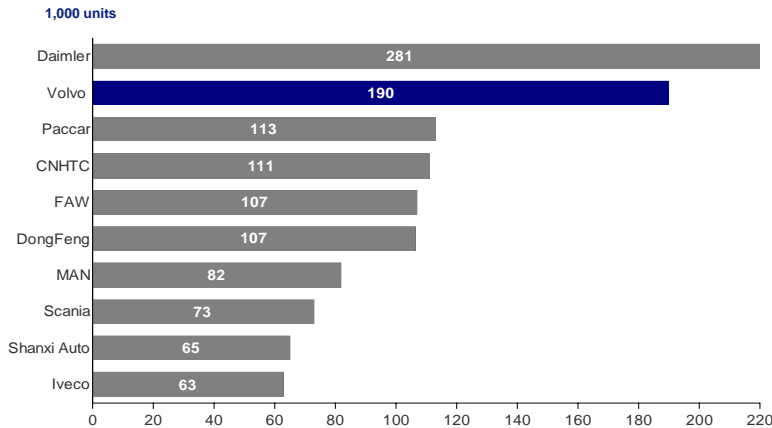
PRIORITIES

Exit Cars to build strong Commercial Product business

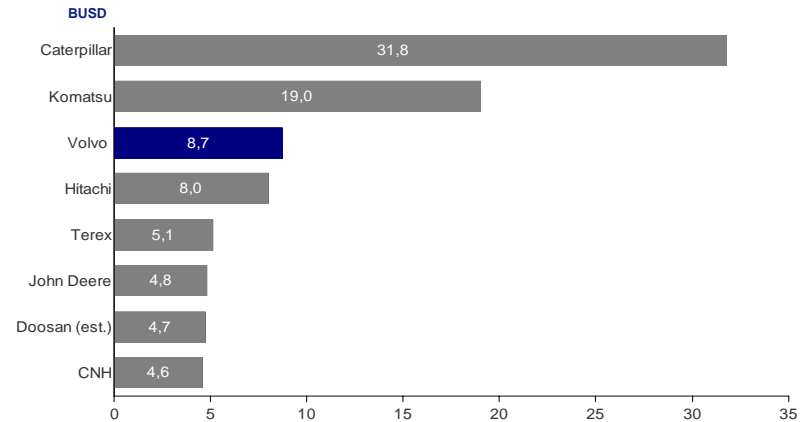


Required scale in all business areas achieved

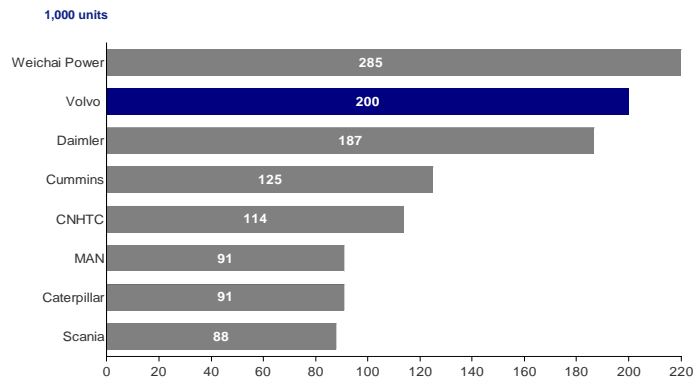
Second largest in trucks globally Heavy duty truck production in 2008



Third largest in construction equipment globally Sales in 2008



Second largest in engines globally Heavy duty engine production in 2008



Strong focus to grow soft product sales

Soft product sales in 2008, excl. VFS
SEK-82 bn (28% of the Volvo Group)

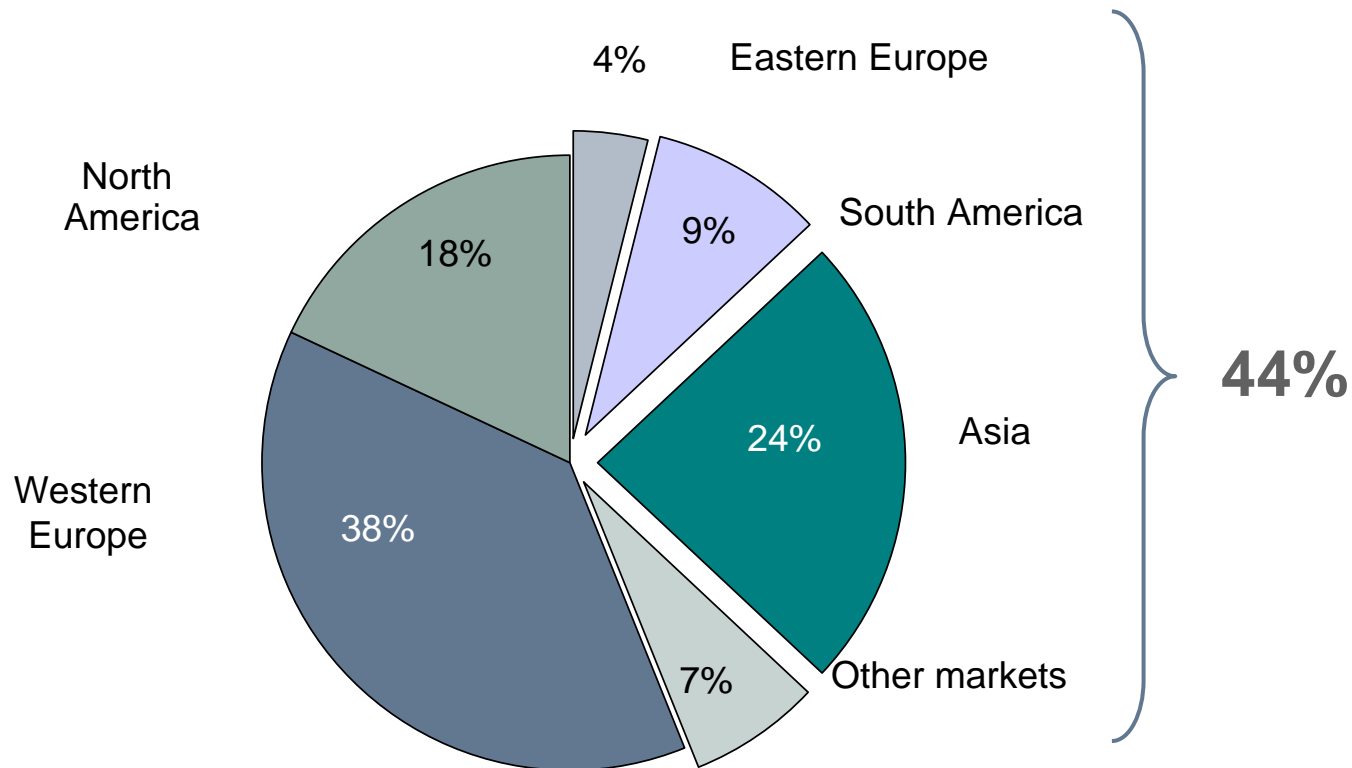
Soft product sales Q1 2009, excl VFS
3% decline (39% of the Volvo Group)

Soft products

Opportunity
for growth,
at high margins

Source: Data compiled by Volvo

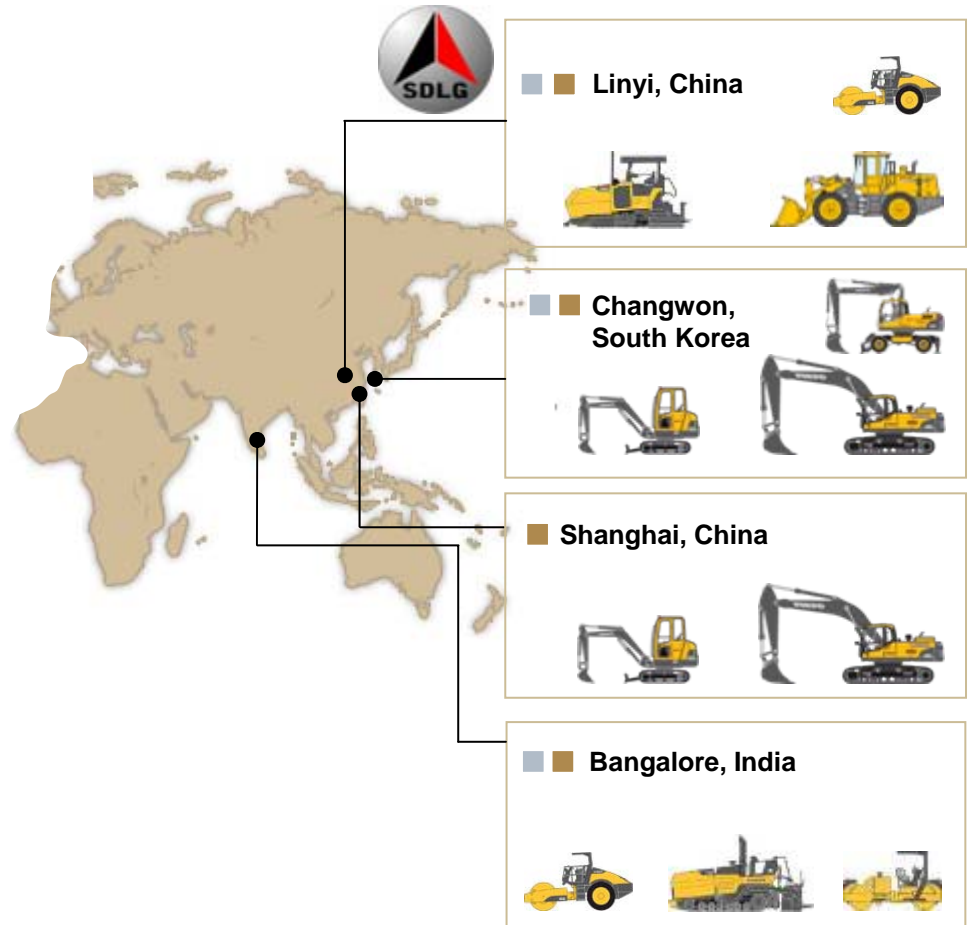
Strengthened presence in Growth Economies



Strong position in Asia in CE

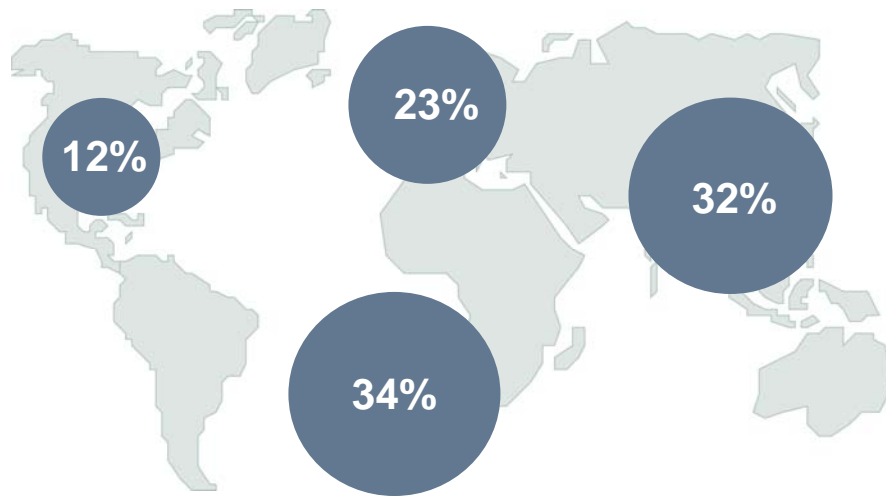
Revenues on par with Europe

- Volvo CE and SDLG are the third largest construction equipment supplier in China
- Local sourcing in China, India and South Korea
- Export opportunities of SDLG Brand

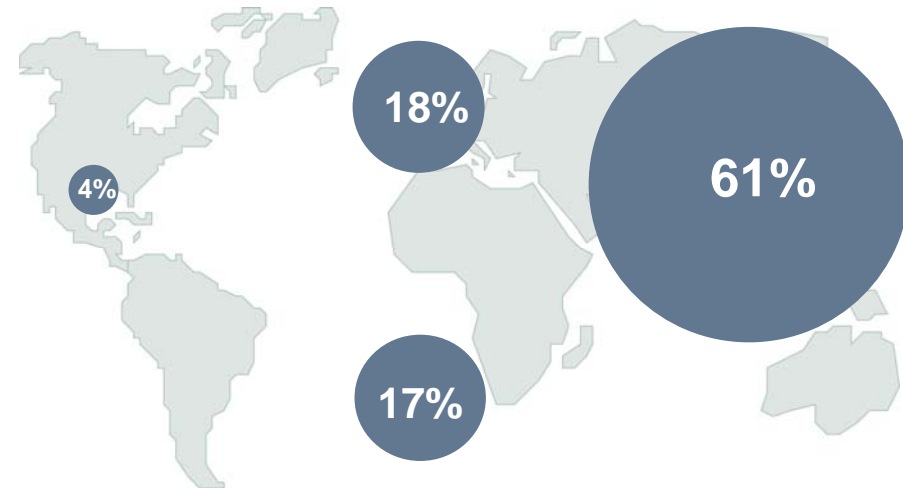


Volvo CE's units sold in Q3

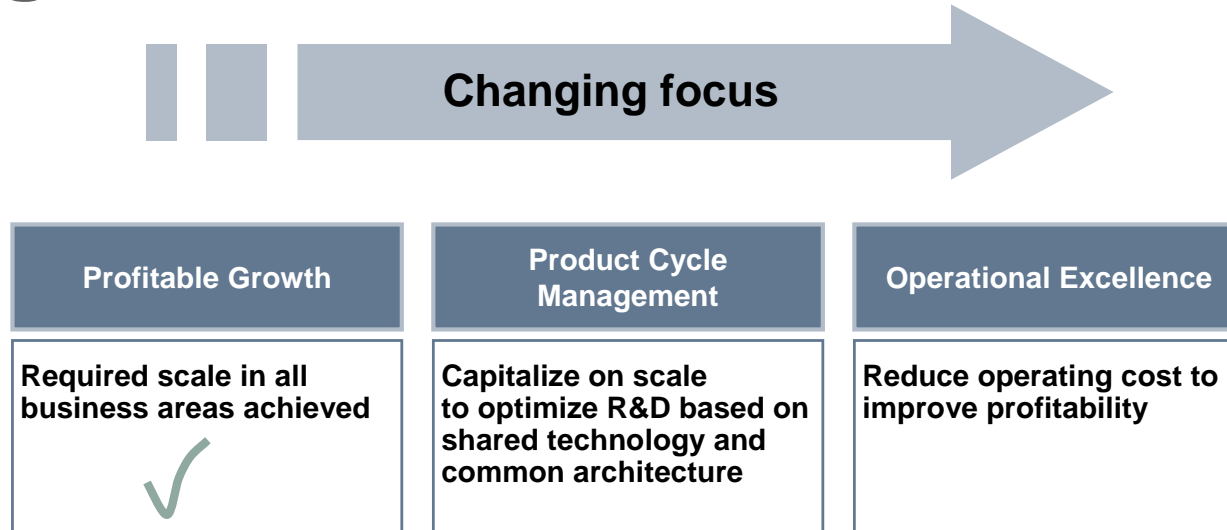
2008



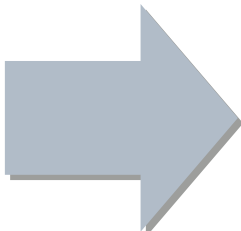
2009



Strategic Direction for 2010-2012



Required scale achieved - No need for structural growth

- Heavy duty trucks: 180,000 units (#2 by market share)
 - Construction equipment: 64,000 units (#3 by market share)
 - Heavy duty engines: 200,000 units (#2 by market share)
 - Good brand portfolio
 - Good regional market shares
 - Well performing distribution channels globally
 - Foothold in developing economies
- 
- Organic growth in line with market development, except soft products to grow faster
 - Address non-performing businesses
 - Low priority and only opportunistic approach to acquisition driven growth

STRATEGIC DIRECTION 2010-2012

Changing focus

Profitable Growth

Required scale in all
business areas achieved



Product Cycle
Management

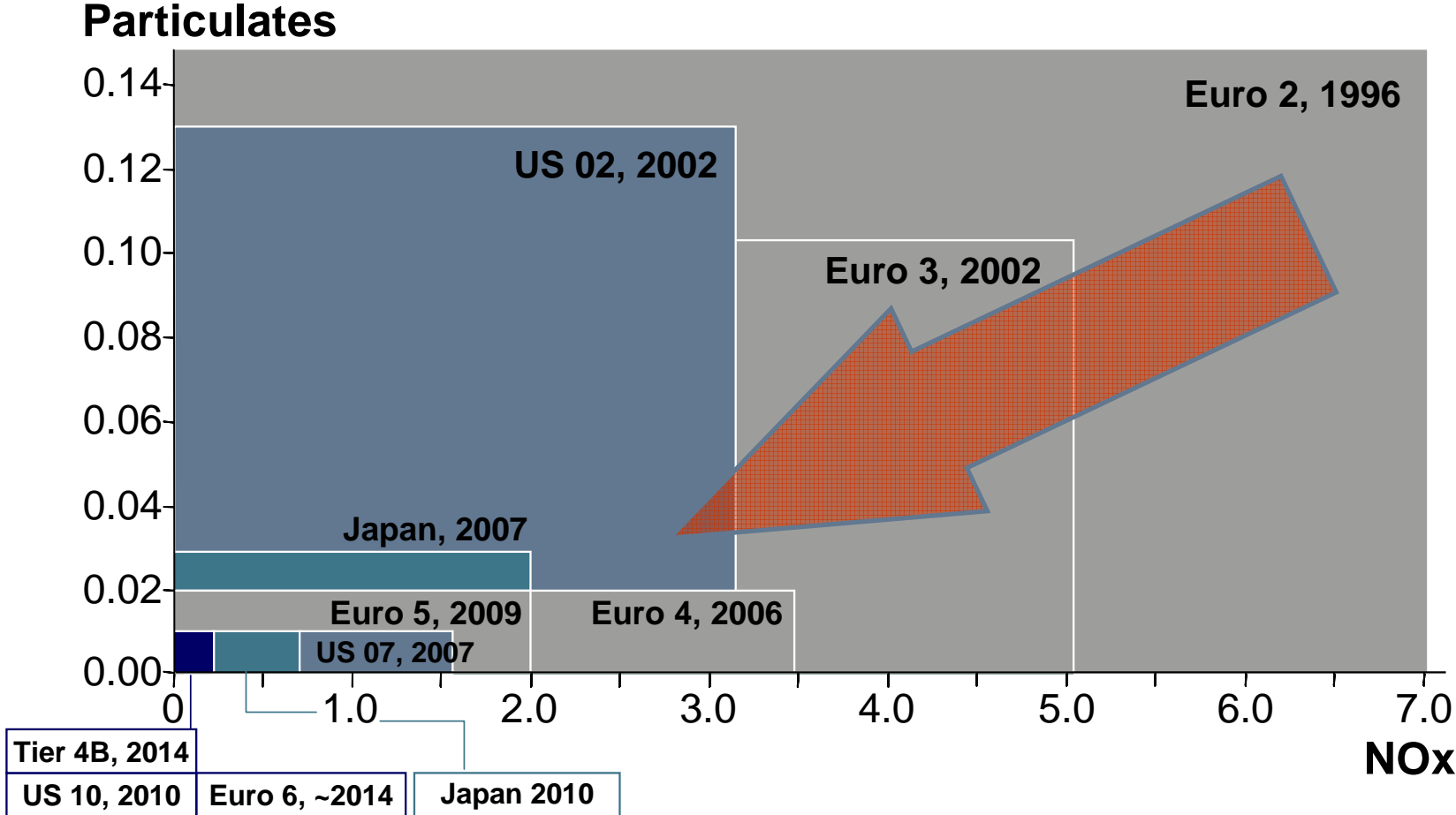
Capitalize on scale
to optimize R&D based on
shared technology and
common architecture

Operational Excellence

Reduce operating cost to
improve profitability

Emission Legislation

Challenges and opportunities



Emission regulations and technology convergence

EGR+SCR+DPF for the global engine

US'10 PNLT
Euro 6 Tier 4i

~2014



"global" engine

- To meet upcoming emission regulations with competitive solutions
- Capitalize on converging technologies across products and markets to drive:
 - R&D efficiency
 - Competitive product cost
- Window of opportunity for other product changes
- Volvo Group HD engine platform in all HD trucks

Hybrid technology

FUEL REDUCTION



> 35%



20-30%



10% (50%)

STRATEGIC DIRECTION 2010-2012

Changing focus

Profitable Growth

Required scale in all
business areas achieved



**Product Cycle
Management**

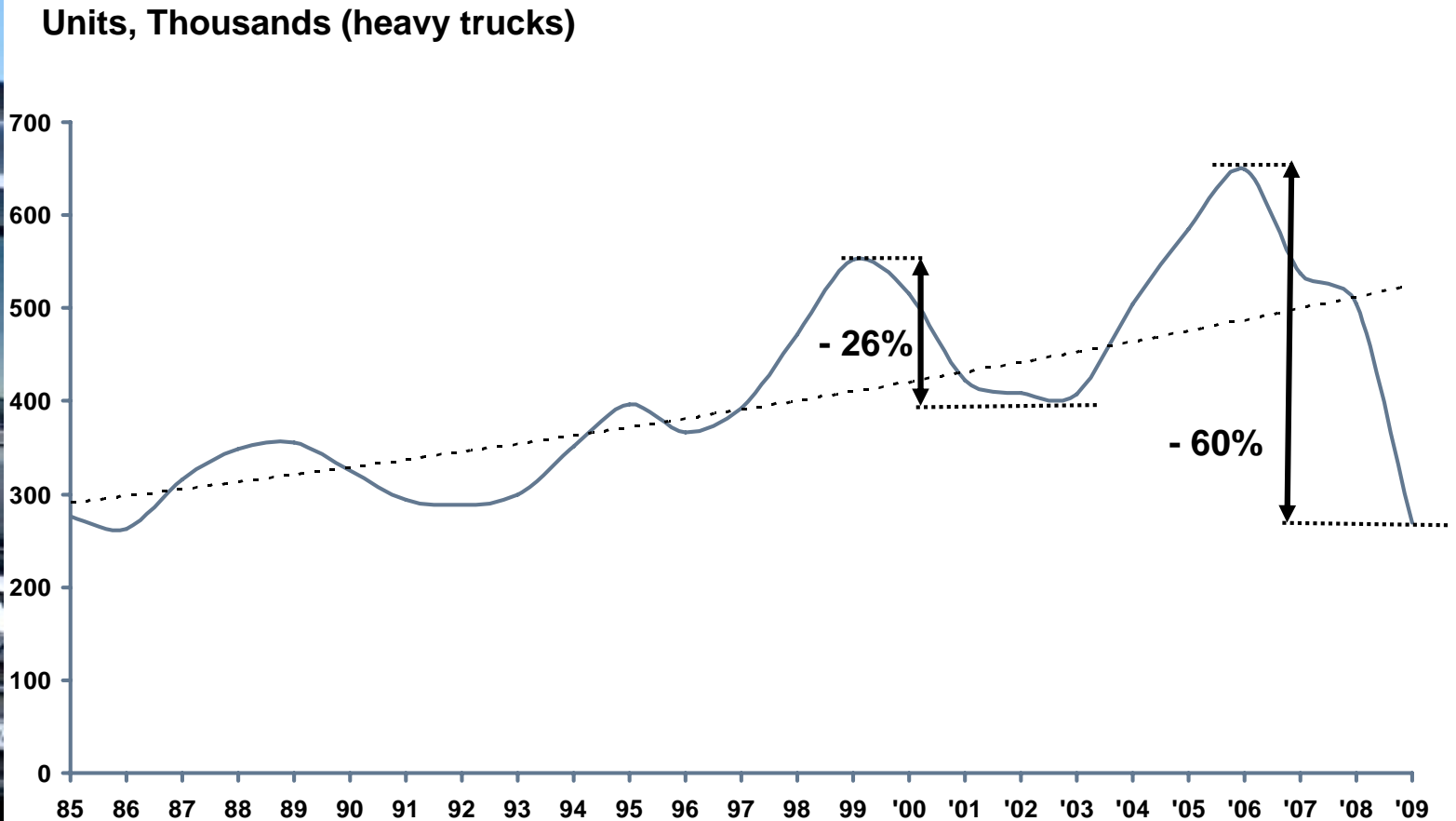
Capitalize on scale
to optimize R&D based on
shared technology and
common architecture

Operational Excellence

**Reduce operating cost to
improve profitability**

Unprecedented drop - both speed and depth

– Combined market in Europe & North America



Progress in cost cutting

	Q2	Q3	
• Under absorption in Manufacturing (SEK)	-3.0 bn	-2.5 bn	vacation quarter
• R&D	-3%	-17%	FX-adjusted
• Selling expenses	-15%	-16%	FX-adjusted
• Admin. expenses	-22%	-34%	FX-adjusted

Integration ongoing

LINGONG



INGERSOLL RAND



NISSAN DIESEL



EICHER





STRATEGIC DIRECTION

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PRIORITIES

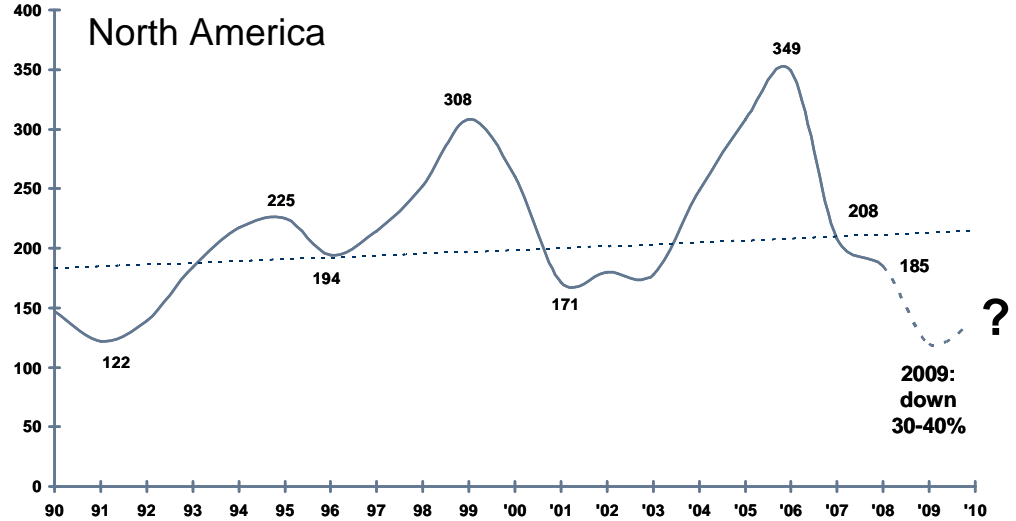
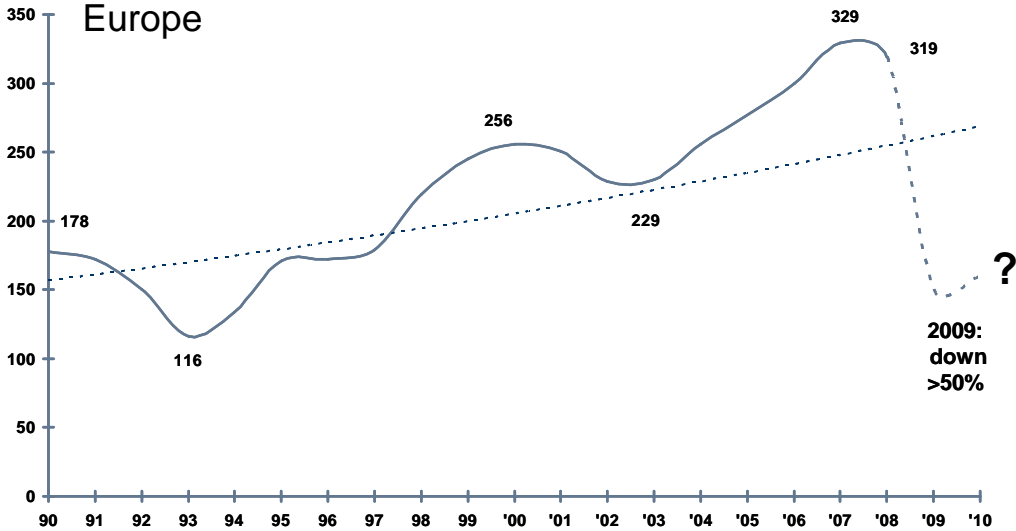
Business update



Business environment

- Europe; bottoming out and some signs of improvement
- Asia; recovery under way
- North America; no clear signs of recovery

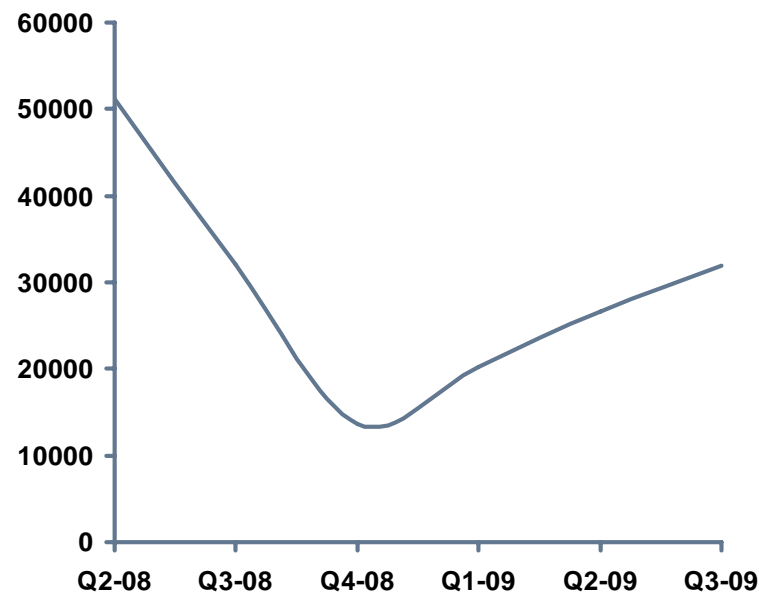
Heavy-duty truck markets



Net order intake – positive trend

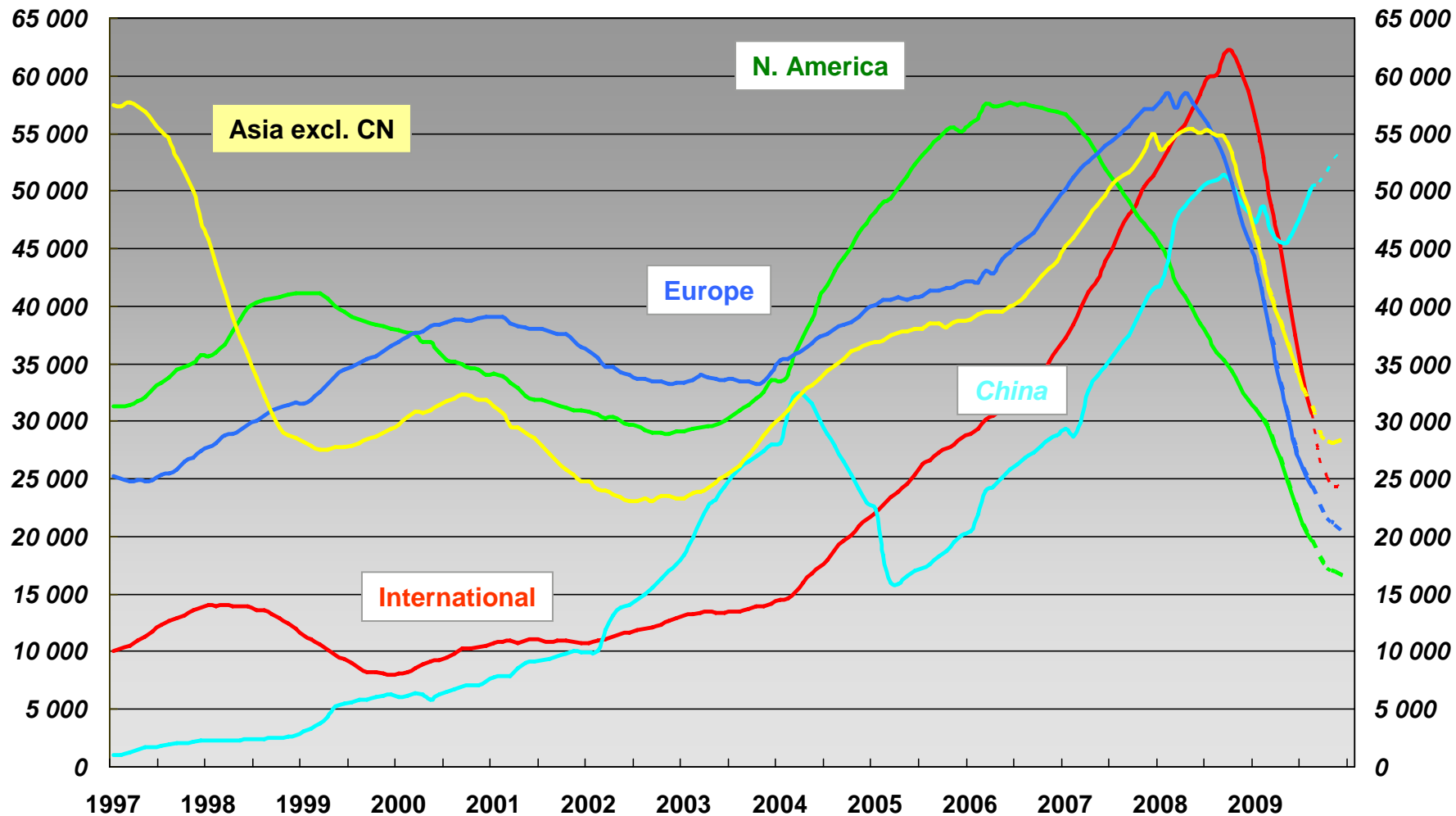
Trucks

Net order intake	Q3-08	Q4-08	Q1-09	Q2-09	Q3-09	Change Q3-Q2
Europe	115	-1,549	7,494	8,980	8,189	-9%
North America	7,578	4,037	2,869	3,257	5,093	56%
South America	5,096	1,087	1,731	2,998	5,284	76%
Asia	14,607	7,868	5,712	7,884	10,079	28%
Other markets	4,676	2,235	2,377	3,505	3,353	-4%
Total	32,072	13,678	20,183	26,624	31,998	20%



Dramatic decline in all markets, except China

General Purpose Equipment

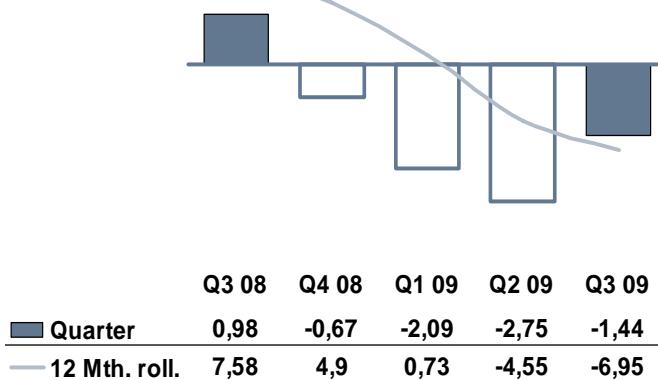


12 month moving rates - August 2009

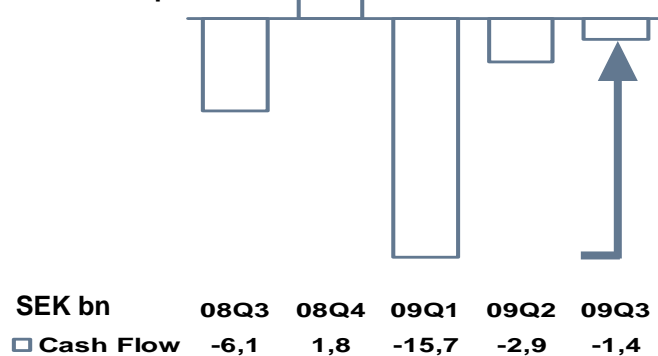
Group Summary



Earnings per share SEK



Operating Cash Flow Industrial operations



Third quarter

- Sales 31% lower than Q3-08, -39% adjusted for currency
- Operating loss reduced
- Successful reduction of inventories: SEK 3.4 bn
- Operating cash flow – positive trend
- Net debt development stabilized

In focus

- Group cost structure
- Cash flow



STRATEGIC DIRECTION

BUSINESS UPDATE

PRIORITIES

PROFITABILITY

SHORT-TERM

- ▶ Cash flow
- ▶ Cost structure

LONG-TERM

- ▶ Competitive products
- ▶ Profitability among industry leaders