



VOLVO GROUP Investor Day

Mikael Bratt
SVP AB Volvo and CFO
Volvo Group

AB Volvo

091104 Investor Day NY

1

VOLVO

Agenda



COST EFFICIENCY

CASH FLOW

VOLVO GROUP FUNDING

GOING FORWARD

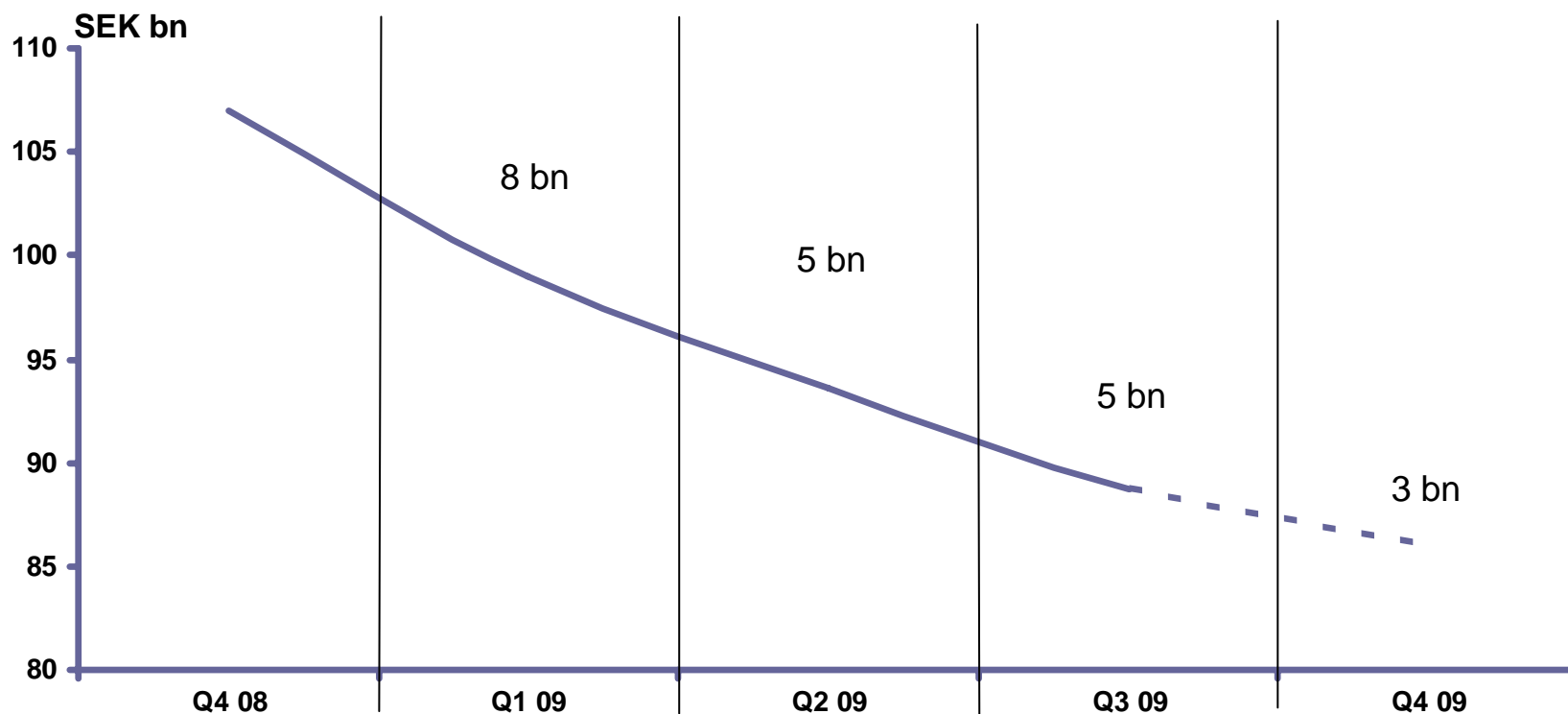


COST EFFICIENCY

- ▶ Cost reduction program
- ▶ Actions taken
- ▶ Effects

Annual cost level

- Activities and development so far



- Annualized run rate expected to be reduced by SEK 21 bn from the end of 2009.

Downturn management

ACTIONS

Cutting production to adapt to demand and to maintain price levels on new products

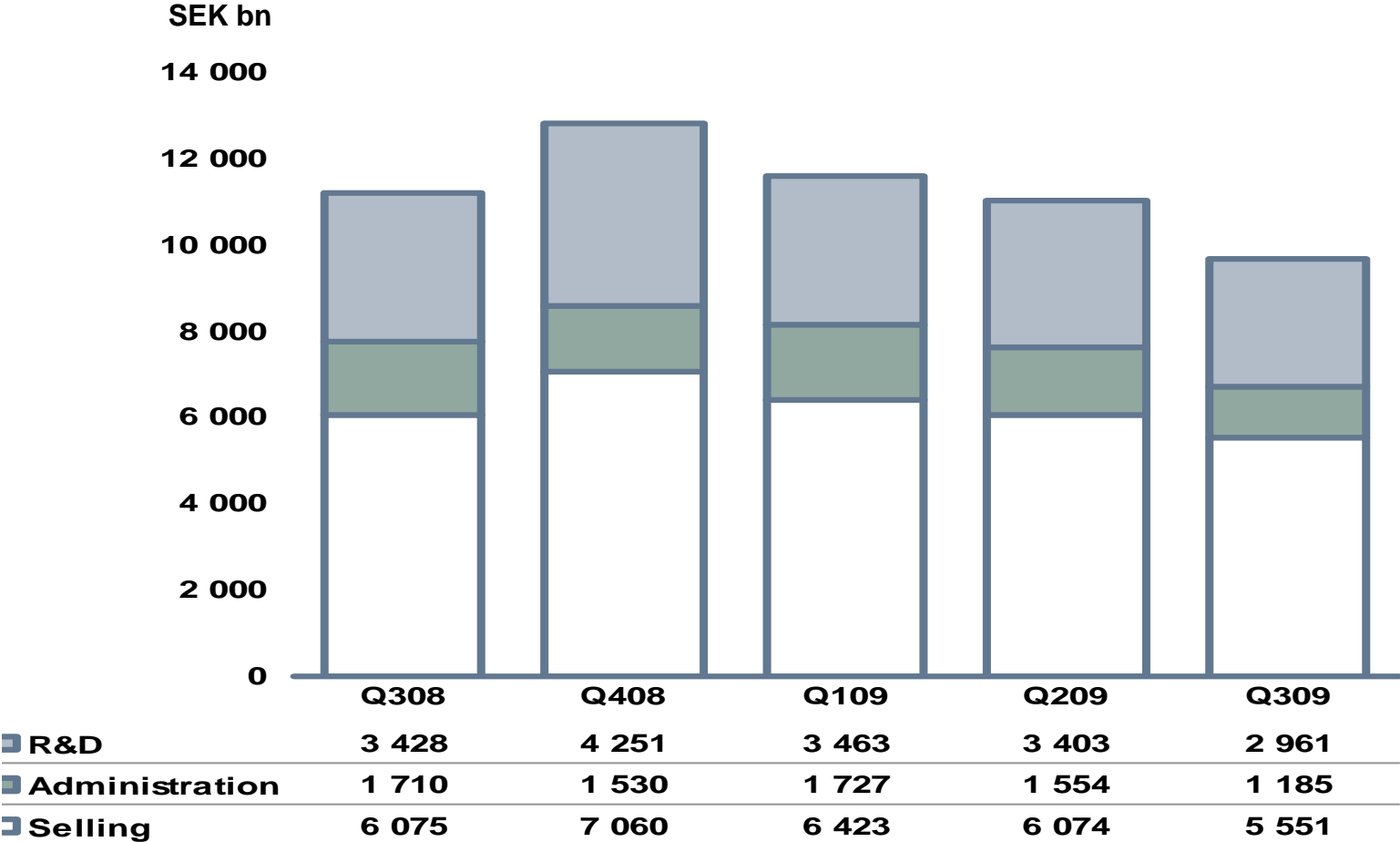
- Cutting production rapidly and drastically
- Significantly reduce workforce
- Reducing operating costs
- Strict control of capital expenditures
- Prioritize R&D projects
- Release excess inventory to generate cash
- Secure key suppliers

Business Units: Organized to capture Group synergies

Business Unit*	Responsibility	Achievements / benefits
Volvo Information Technology	Group competence centre and supplier of IS/IT services	<ul style="list-style-type: none"> •€180m in cost reductions 2008-09 with same or improved quality. •Selective external business (~15%) driving cost efficiency and business value
Volvo Parts Logistics	Aftermarket logistics and support	<ul style="list-style-type: none"> •Multiple brands in one aftermarket distribution structure increases efficiencies
Volvo Logistics Corporation	All external logistics (inbound, outbound and packaging)	<ul style="list-style-type: none"> •>€100m in savings last 3 years alone •Competitive in external automotive market
Volvo Business Services	Shared service centre (SSC) for Finance & Accounting + HR admin.	<ul style="list-style-type: none"> •Recognized (awarded) as “one of most admired SSC in Europe”.
Non-Automotive Purchasing (NAP)	Leverage the combined purchasing power.	<ul style="list-style-type: none"> •Annual value contribution ~€100m

*Excluding Powertrain, 3P and Volvo Group Real Estate

Reduction in R&D and SGA





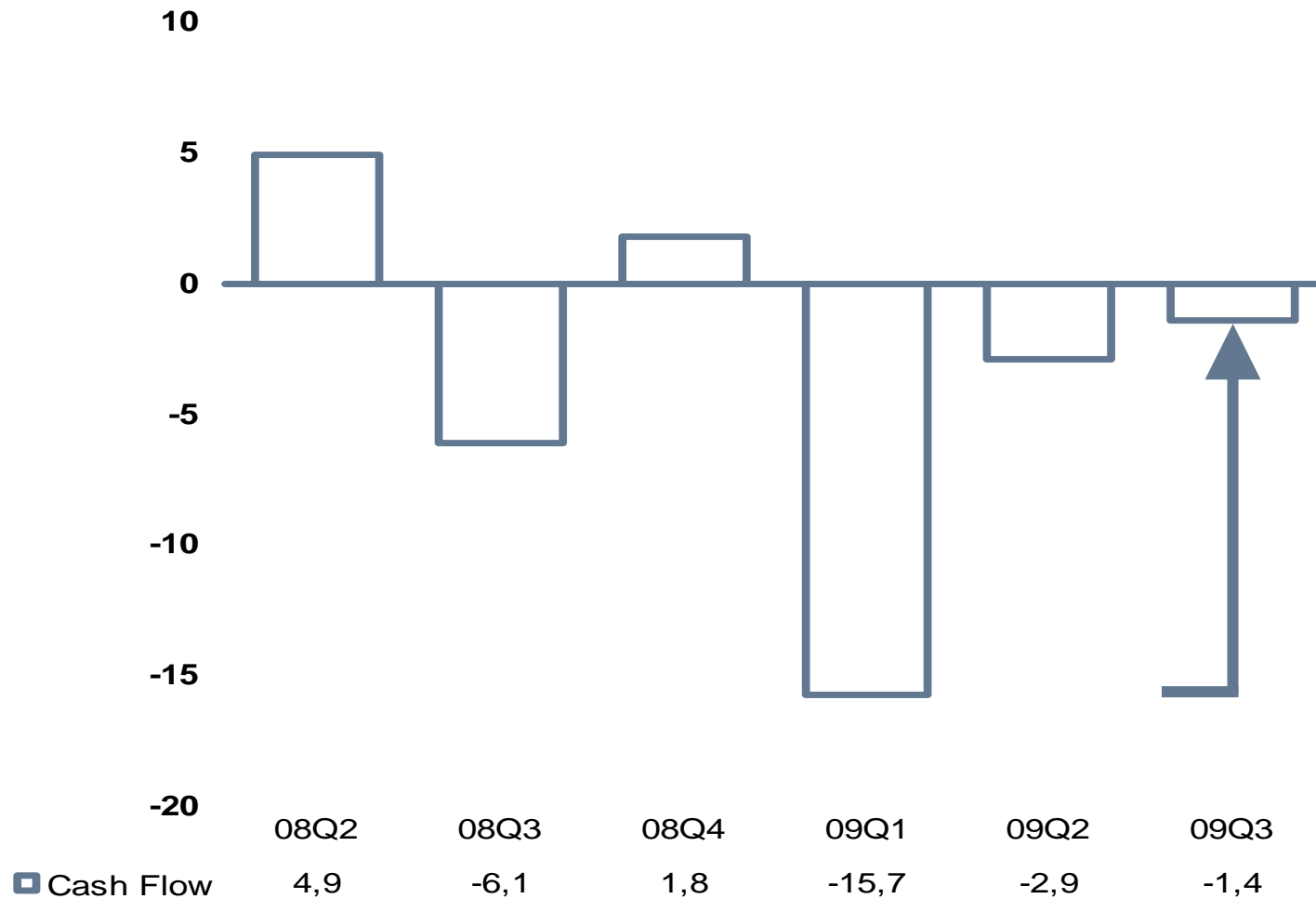
CASH FLOW

- ▶ Operating Cash flow
- ▶ Working Capital
- ▶ Focus Areas

Volvo Group – Cash Flow

Industrial Operations

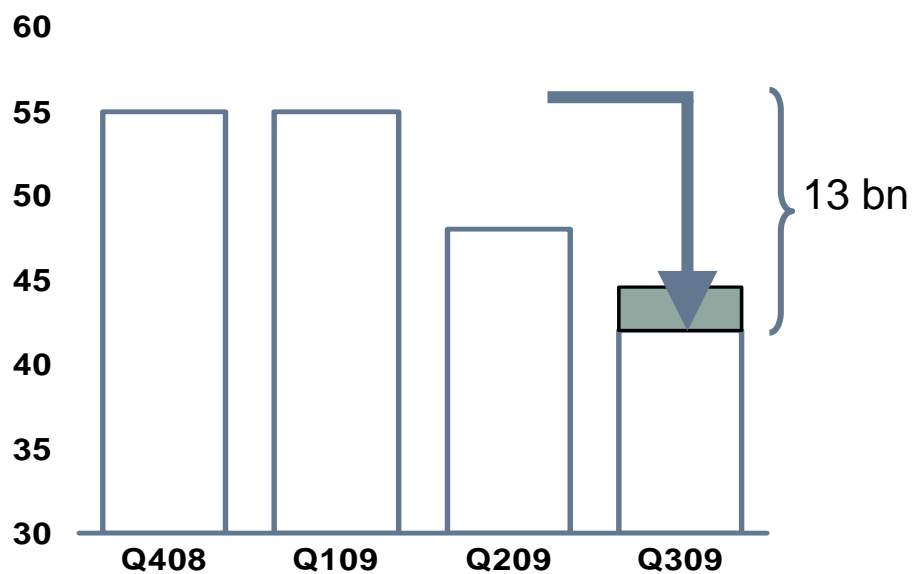
SEK bn



Working Capital

Inventories, Volvo Group

SEK bn



■ Currency

■ Inventories

	55	55	48	42
--	----	----	----	----

Industrial Operations

- Operating cash flow; negative 1.4 bn in the quarter
- Focus on working capital
 - Receivables - 1.6 bn
 - Inventories - 3.4 bn
 - Payables + 0.7 bn
 - Other + 2.5 bn
 - Total change - 1.8 bn

Cash Flow & Working Capital Management

Short term activities 2009

Accounts receivables

- Volvo Group overdue targets
- New Volvo Group collection process in place for overdue >30 days

Inventory

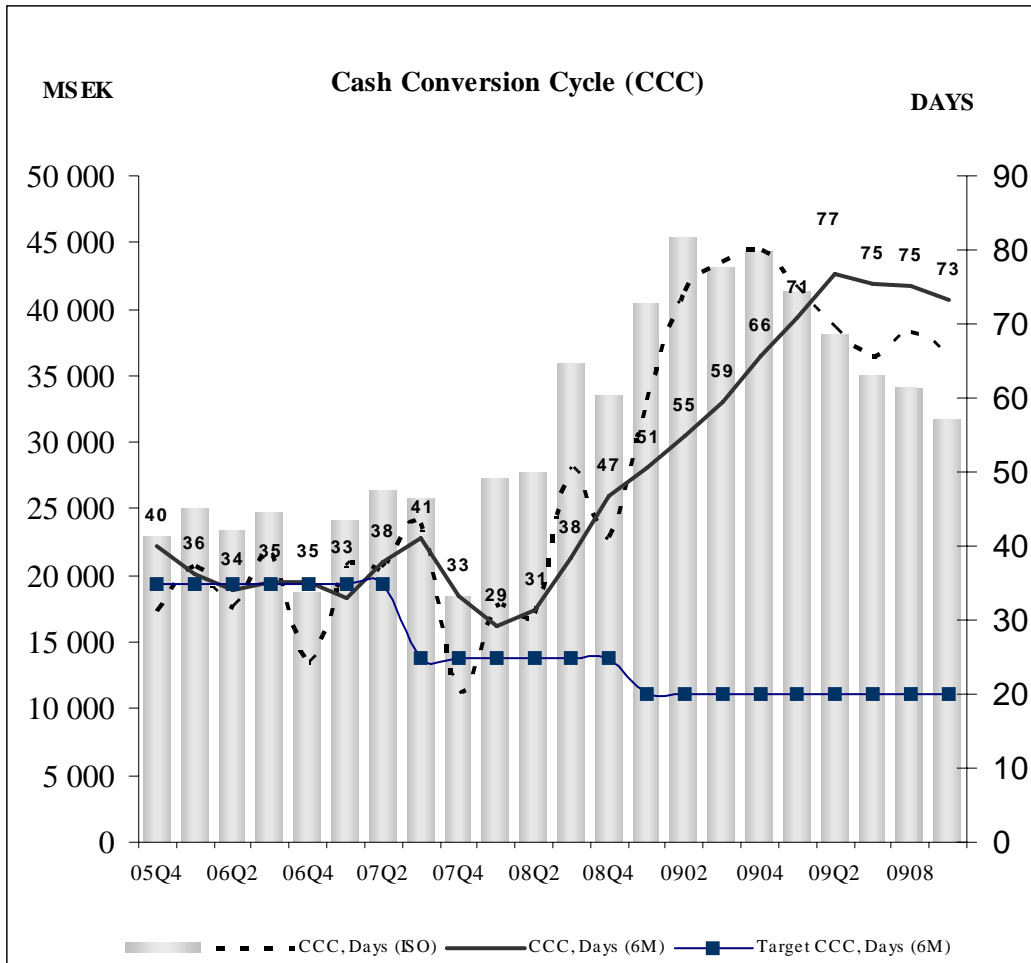
- Incentive structure to sell from existing inventory – in place for VTC, RT and VBC
- Align production volumes and purchasing of volumes to “real order book”
- Rebuilding of inventory units coming back to meet several customers demands (customer trade backs agreements)
- Volvo Group Working Capital Pilot Program

Accounts payables

- Accounts payable ledger recovery to start up in August for all Swedish units connected to VBS in step 1
- Development of Request to Pay training

Cash Conversion Cycle

Q3 2009



CCC – 6 months average

- 73 days

Cash flow impact Q3 2009 ISO

- Receivables +1.6 bn SEK
- Inventories +3.4 bn SEK
- Payables -0.7 bn SEK

Total change +4.3 bn SEK

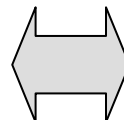
Volvo Group Working Capital Pilot Program

Complete demand/supply chain approach



Group initiatives (Some examples)

- TDP – Volvo Group tactical decision process
- Forecast, volume and capacity planning
- Purchasing Strategies & Policies
- Business case rules
- Performance KPI's and measurements
- Roles & Responsibilities (interactions)
- Follow up of adherence
- Directives, Policies & Instructions for WCM & Inventory
- Communication
- Education



BA/BU initiatives (Some examples)

- Business case rules
- Improve market request forecast quality
- Improve handling of order structure
- Review Body builder process
- Review sales administration
- Review product launches'
- Review of Logistic process & portfolio



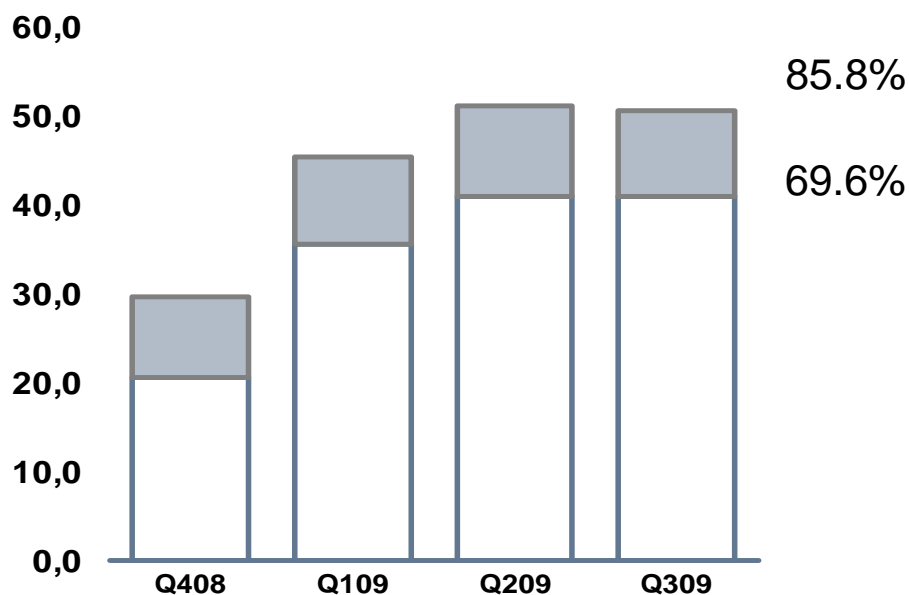
VOLVO GROUP FUNDING

- ▶ Net Financial Debt
- ▶ Liquidity and debt maturity
- ▶ Funding activities

Volvo Group – Net Financial Debt

Industrial Operations

Net debt,
SEK bn



■ Pensions	9,2	9,8	10,1	9,5
■ Financial Debt	20,5	35,6	41,0	41,0

Changes in Net financial debt

- Cash Flow	1.4 bn
- Currency	- 1.9 bn
- Other	<u>- 0.2 bn</u>

Total - **0.7 bn**

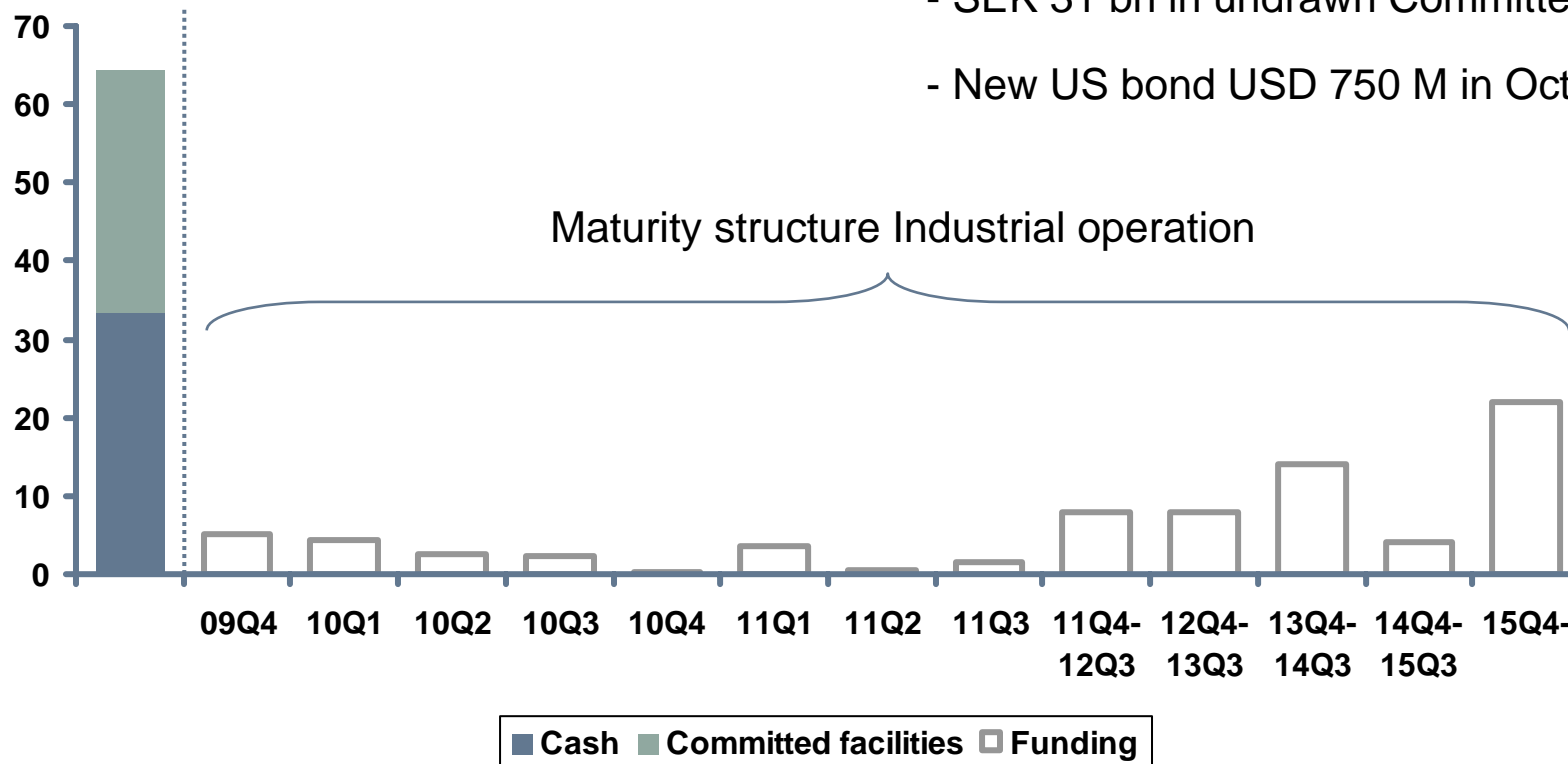
Volvo Group Funding

Liquidity and debt maturity

Cash & Committed Facilities

Liquidity position SEK 64.5 bn

- SEK 33.5 bn in liquid assets
- SEK 31 bn in undrawn Committed Facilities
- New US bond USD 750 M in October



Completed Key Transactions YTD 2009

Capital Market Transactions

- EUR Bond, EUR 700 M, 5 yrs (Feb 09)
- SEK Bond, SEK 4,150 M, 3 yrs (Mar 09)
- EUR Bond, EUR 500 M, 3.5 yrs (May 09)
- USD Bond, USD 750 M, 5.5yrs (Sep 09)

Bank and Agency Loan Market

- EIB, EUR 400 M, 7 yrs (Mar 09)
- French Government Loan, EUR 250 M, 2 yrs (May 09)
- DBJ, JPY 25 bn (~ SEK 2 bn), 3 yrs (Jun 09)
- Japanese Funding, JPY 50 bn (~SEK 4 bn), 1 y roll over of bridge loan (Mar 09)
- Export credit funding SEK 7.5 bn 1-5 yrs, (Apr-Jun 09)
- Revolving Credit Facility, with core relationship banks, EUR 775 M, 1 y with 1 y extension option (Apr 09)



GOING FORWARD

- ▶ Cash flow
- ▶ Reach competitive cost level