



VOLVO GROUP CAPITAL MARKET DAY

Mikael Bratt
SVP AB Volvo and CFO
Volvo Group

AB Volvo

Volvo Group Capital Markets Day - June 16, 2009 - Mikael Bratt

Agenda



DOWNTURN MANAGEMENT

CASH FLOW

RATING

VOLVO GROUP FUNDING



DOWNTURN MANAGEMENT

- ▶ Simultaneous downturn on all markets and in most segments
- ▶ Actions taken
- ▶ Effects

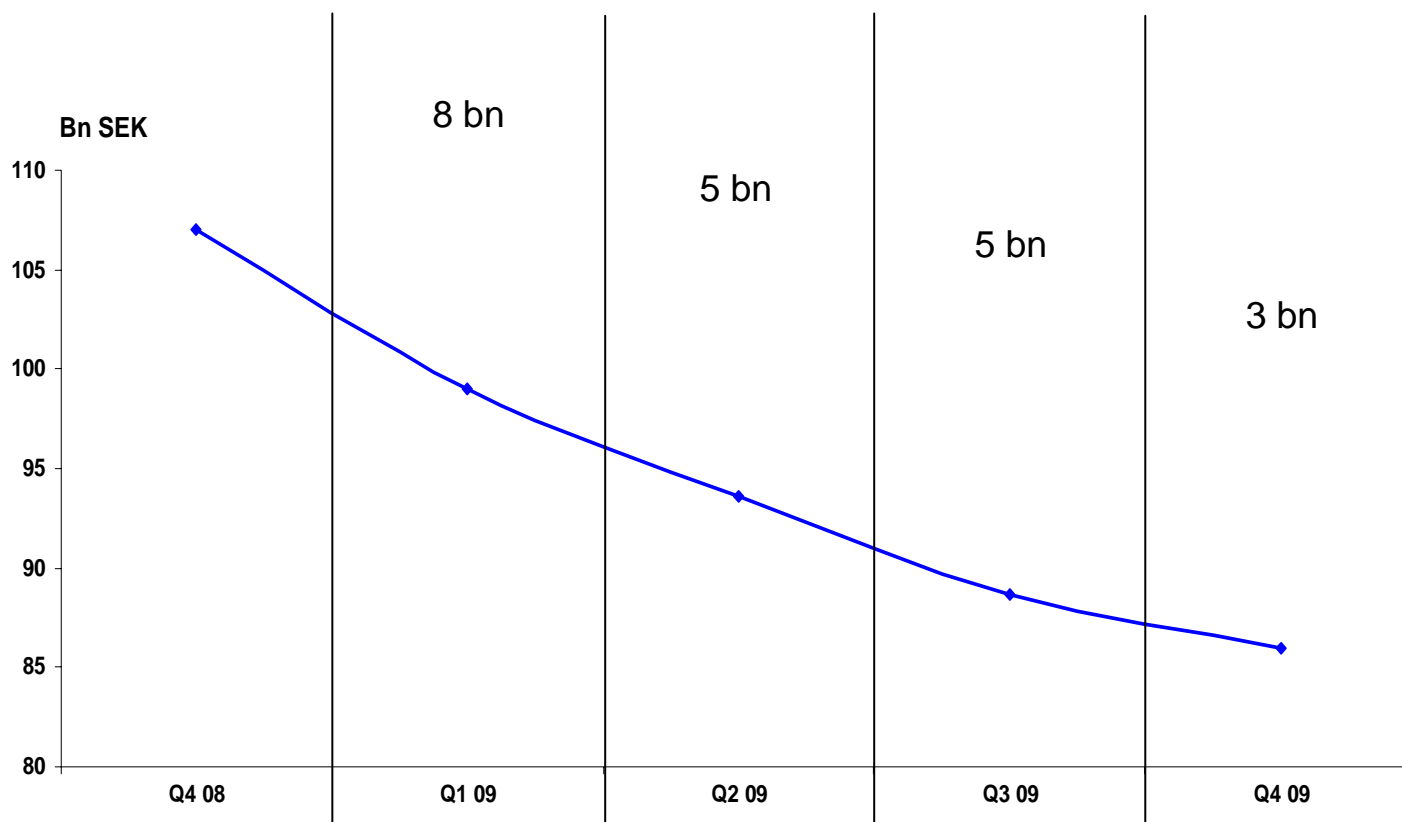
Business Units: Organized to capture Group synergies

| 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

Annual cost level

- Activities and development so far



- Work force reduction: 10 bn
- S&A related: 5 bn
- R&D related: 1.2 bn
- Production related (excl work force): 4,8 bn

Examples of activities:

- VT - "Point 5"
- RT- "Lean expenses"
- Nissan Diesel Retail re-organization
- VCE re-organization

- Annualized run rate expected to be reduced by 21 Bn from end 2008 to end 2009, where of 10 Bn from reduced workforce.



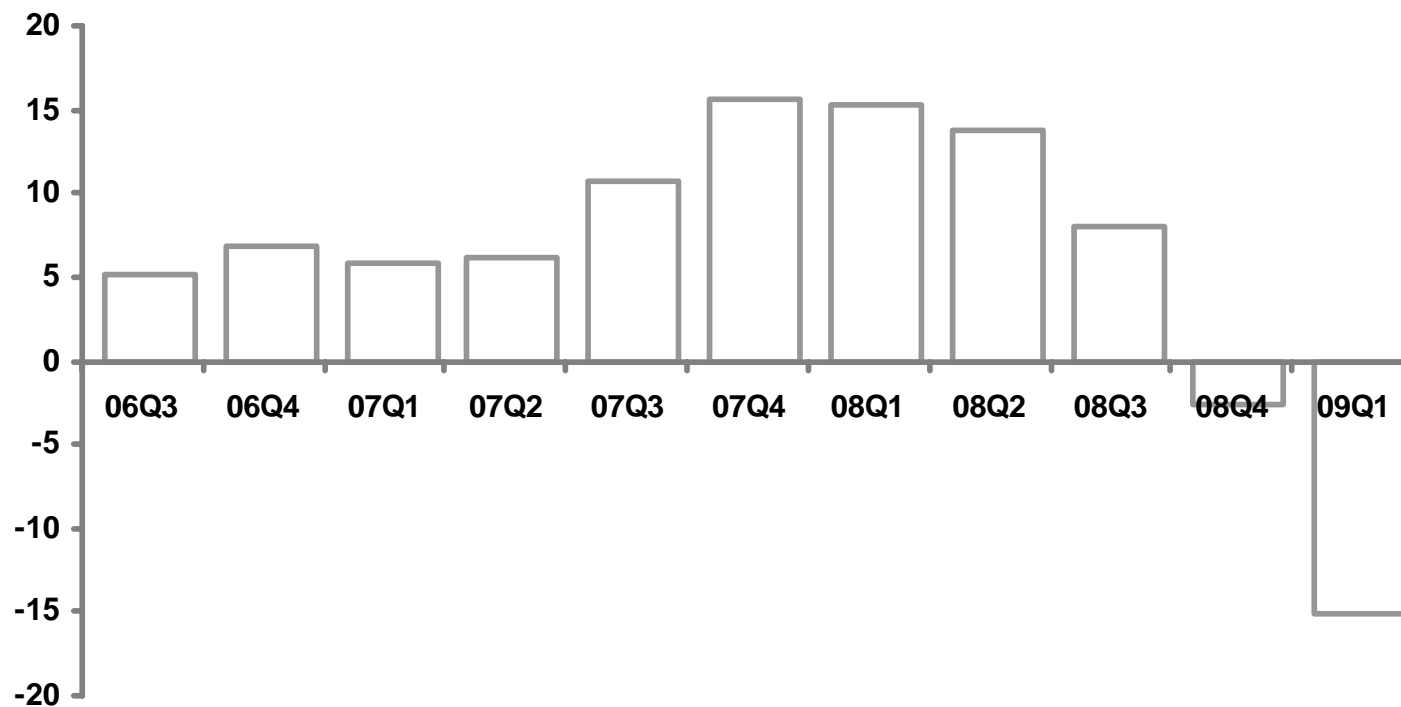
CASH FLOW

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

Cash flow, Industrial Operations

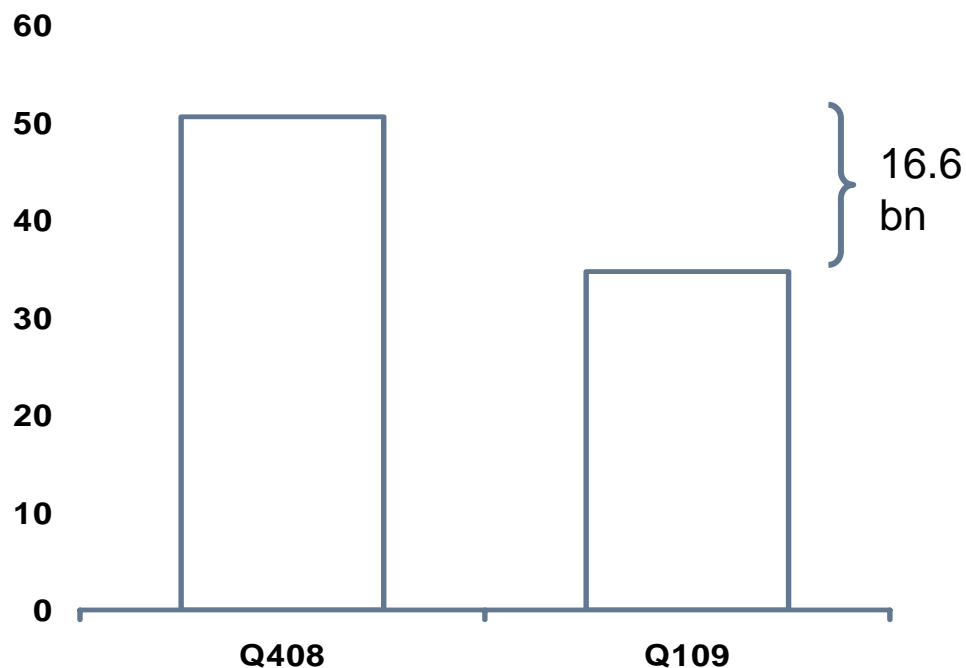
Operating cash flow

12-months, SEK bn



Working Capital

Trade payables, SEK bn



- Industrial operating cash flow; negative 15.7 bn in the quarter
- Focus on working capital
 - Receivables - 6.1 bn
 - Inventories - 1.5 bn
 - Payables + 16.6 bn
 - Other + 2.4 bn
 - Total change +11.4 bn

Cash flow

Focus areas

Inventory

- Improve work across the supply chain in order to decrease inventory tied up
- Best practice in working capital deployment

Receivables

- Customer assessment
- Increased focus on pro active collection – before invoice is due
- Increased focus on penalty interest invoices and collections

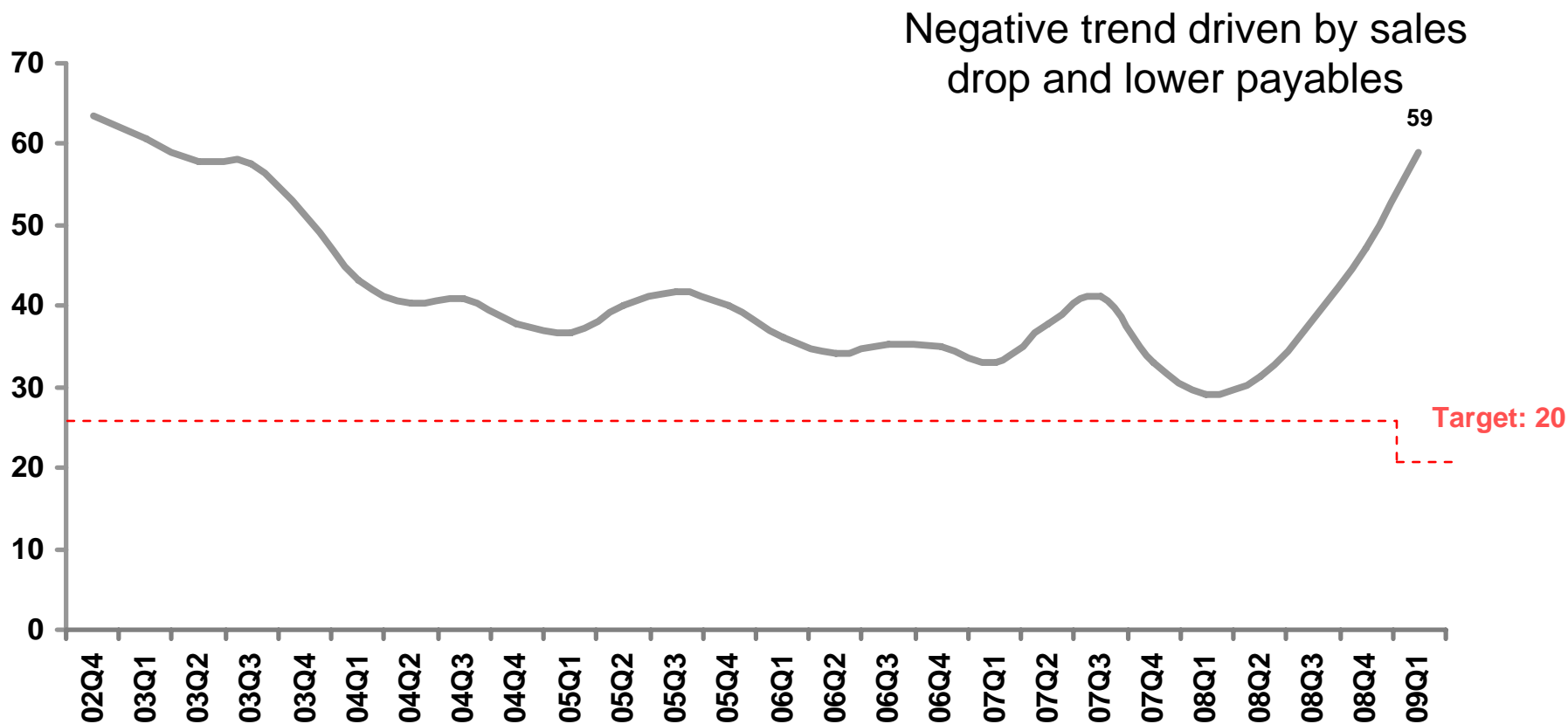
Payables

- Supplier assessment

Cash Conversion Cycle

Cash Conversion Cycle

Days



RATING

| | Short-term | Long-term |
|--------------------|------------|-------------|
| ▶ Moody's (global) | P-2 | Baa1 neg |
| ▶ S&P (global) | A2 | BBB+ neg |
| ▶ DBRS (Canada) | R-1 (low) | A (low) neg |
| ▶ R&I (Japan) | a-1 | A+ |



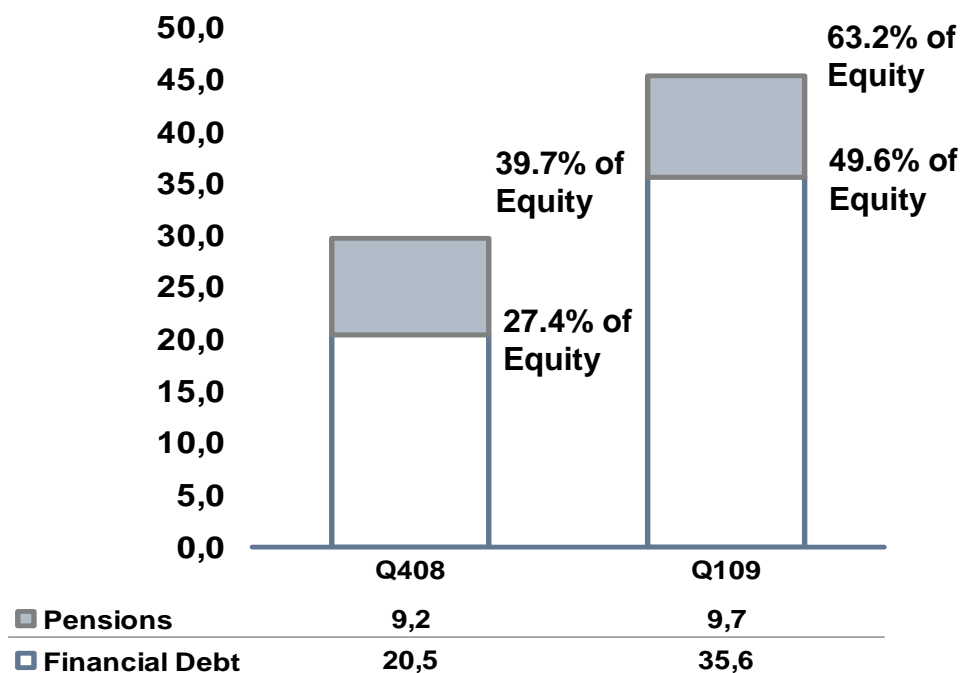
VOLVO GROUP FUNDING

- ▶ Net Financial Debt
- ▶ Funding Strategy
 - ▶ Industrial
 - ▶ Customer finance
- ▶ Funding activities in Q1-Q2
- ▶ Ambition for a strong and stable credit rating

Volvo Group – Net Financial Debt

Industrial Operations

Net debt,
SEK bn



Industrial Funding Strategy

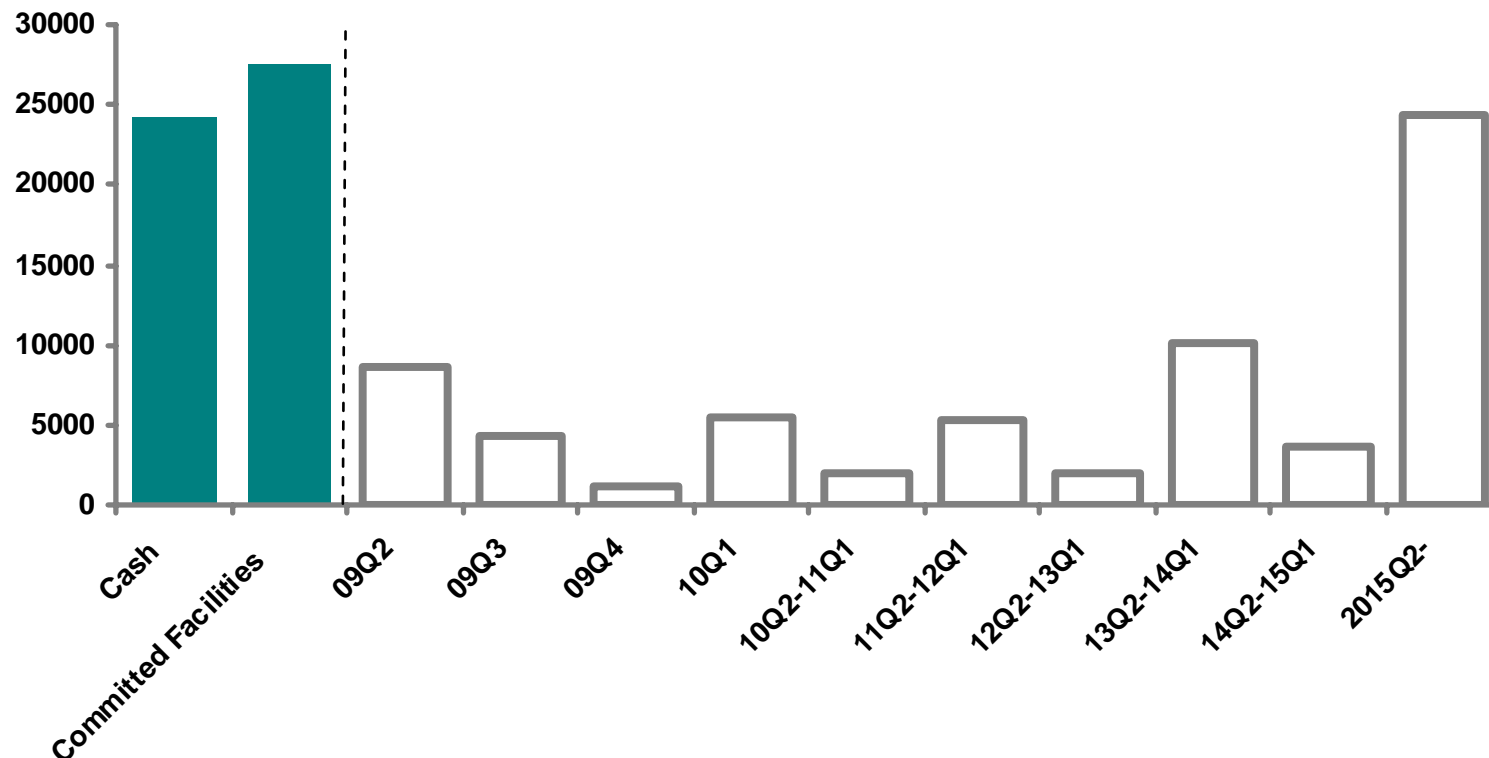
- ▶ The bond markets have been tapped during Q1-Q2
- ▶ Limited re-financing needs in the Industrial Operation portfolio in 2009 and 2010
- ▶ Funding from EIB, SEK and NIB has been completed
- ▶ Cash and committed facilities will continue to serve as a good cushion
- ▶ Long term funding has decreased our short term debt and improved our ratios

Volvo Group Funding

Industrial Operations Q1-09

Cash & Committed
Facilities

Maturity Structure 2009



VFS Funding Strategy

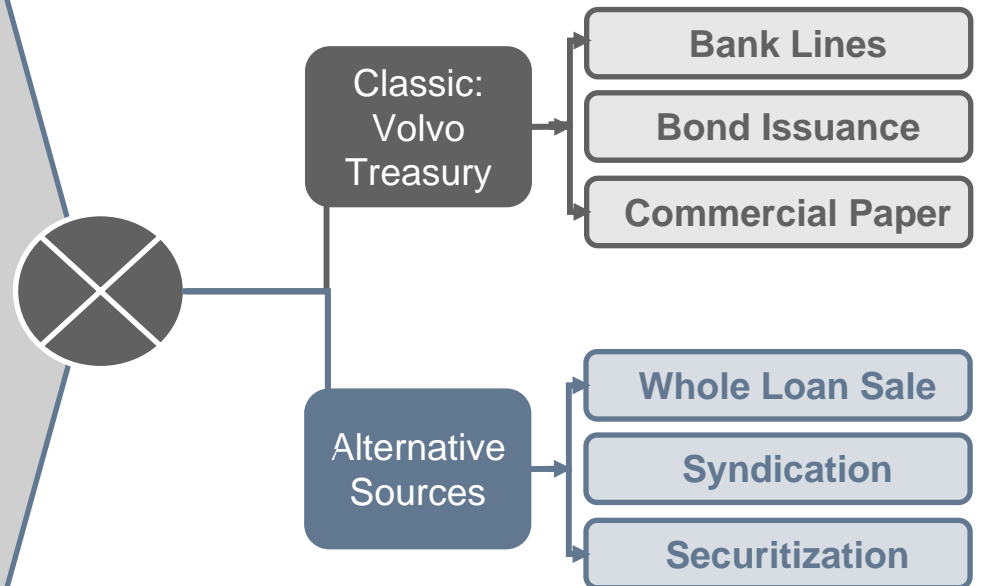
- ▶ Funding from EKN and core banks have safeguarded the medium term funding needs for 2009
- ▶ Close co-operation with Volvo Financial Services. Full matching of all VFS funding
- ▶ VFS long term portfolio is amortizing during 2009. New markets will add
- ▶ Focus on diversification of funding sources and forecasts

Securing efficient funding

Visible to the customer:
Management of the customer interface



Not visible to the customer:
Innovative funding solutions



Funding in Q2-09

- ▶ Duration of the industrial debt in focus
- ▶ Committed facilities unutilized
- ▶ Cash reserves at good levels
- ▶ Diversified funding through agencies and banks
- ▶ High activity in the Capital Market during Q1 and Q2



Completed Key Transactions Q1-Q2 09

- ▶ SEKeq 4.5 bln EIB Loan (7yrs)
- ▶ SEKeq 13.0 bln Eurobonds (3-5 yrs)
- ▶ SEKeq 4.1 bln SEK Bond (3 yrs)
- ▶ SEKeq 2.7 bln French Government Loan (2 yrs)
- ▶ SEKeq 4.2 bln SEK Japanese Bank Funding (1 yr bridge loan)
- ▶ SEKeq 10.3 bln Committed Bank Facility + Bi-lateral loans (2 yrs)
- ▶ SEK eq 3.2 bln of EKN guaranteed funding in USD (1-2 yrs)
- ▶ Good issuance in EUR, SEK, USD, and JPY CP markets (1-3 mths)



GOING FORWARD

- ▶ Cash flow
- ▶ Downturn management
- ▶ Reach competitive cost level