



**VOLVO GROUP**

# Investor Day 2010

**Leif Johansson**

President and CEO Volvo Group



**Well positioned for the future**

Market update

Third quarter

Conclusions

# STRATEGIC DIRECTION 2010-2012

**Focus**

**Profitable Growth**

**Required scale in all business areas achieved**



**Product Portfolio Management**

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

**Good progress**

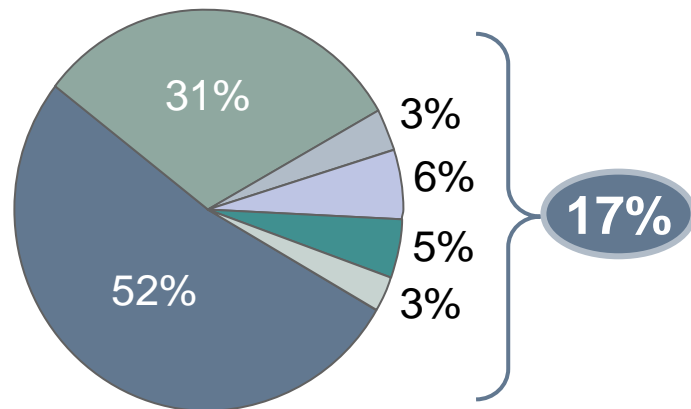
**Operational Excellence**

**Reduce operating cost to improve profitability**

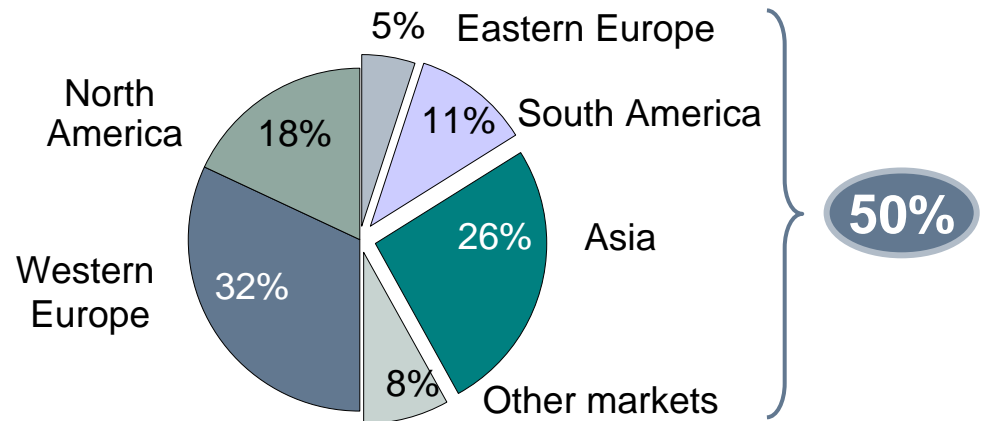
**Good progress**

# Successful inroads into new markets

1998



2010, Q3



## Organic growth

- Strong brand and distribution in Eastern Europe
- Product portfolio expansion and distribution in South America and Asia
- Development of acquired businesses

## Acquisitions and JVs

- Lingong, China
- UD Trucks
- Eicher
- Ingersoll Rand Road Machinery

# Extensive product renewal in the downturn

R&D

Volvo ECH305 CL



Volvo L45F & L50F



New range of compact excavators



Volvo L20/L25F



Eicher VE series



UD Quon



Volvo 7700 Hybrid



Volvo Hybrid Double Decker



Mack EPA 2010 trucks



Renault Master



UD Condor



## Product launches in 2009 and 2010



Renault Hybrys



Articulated Nova Bus



Fully-electric SunWin bus



Volvo EPA 2010 trucks



Volvo Penta IPS 3 (D13)



Volvo FMX



Volvo EW230C



Renault Maxity Electric



Mack EPA 2010 trucks



D13 Industrial engine



Volvo FM Distribution



# Strong Retail Network – Service business less volatile

- Key to total transport solution
- Growing truck population
- Consistent expansion
- Driver for profitability
- Excellent relations





Well positioned for the future

**Market update**

- Mature markets

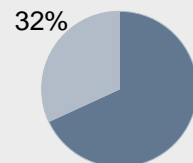
Third quarter

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# Regional overview

## Western Europe

Group sales 2010



### Focus

- Introduction of products for EU VI and Tier4
- New Volvo FMX
- Rollout of hybrid city buses
- New range of light trucks
- Cost control in upturn

**Consolidate strong market positions  
and drive operational efficiency**

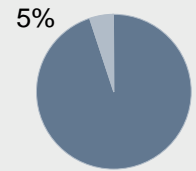
<b>HD Trucks</b>	<b># 1</b>
<b>MD Trucks</b>	<b># 4</b>
<b>Construction Equipment</b>	<b># 1-2</b>
<b>Buses</b>	<b># 4</b>
<b>Volvo Penta</b>	
<b>Marine</b>	<b># 1</b>
<b>Industrial</b>	<b># 3</b>



# Regional overview

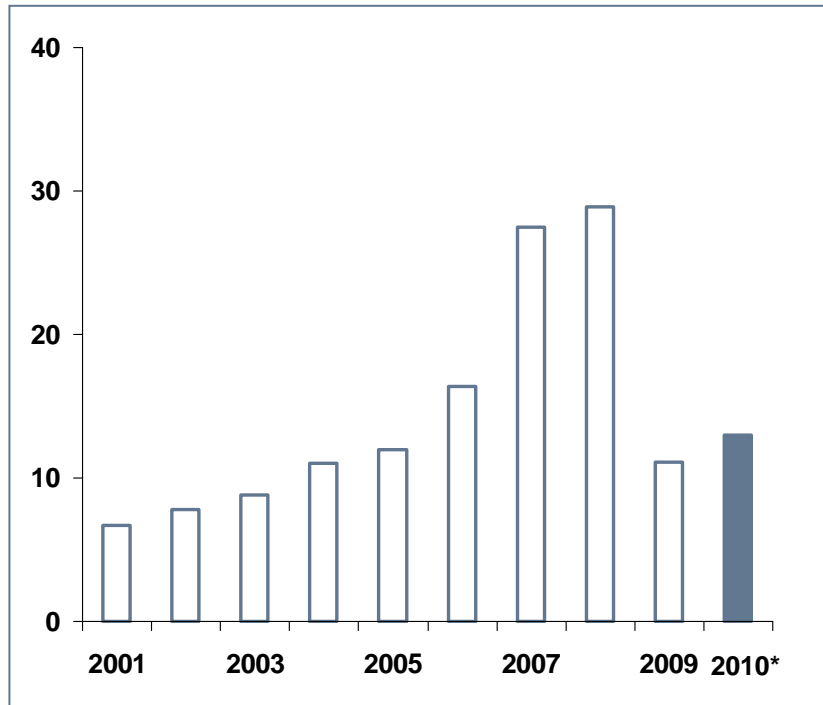
## Eastern Europe

Group sales 2010



### Sales development

SEK bn



\*2010Q3: 12 month moving

### Focus

- Leverage on strong brand position
- Expand distribution network

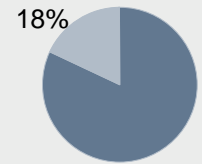
Profitable expansion

# North America



- Goderich, Canada → Shippensburg, US 2009
- Asheville, NC → Shippensburg, US 2010
- Allentown → Greensboro, US 2010
- Mount Vale, New Jersey → Greensboro, US 2010
- Irving, Texas → Greensboro, US 2011

Group sales 2010



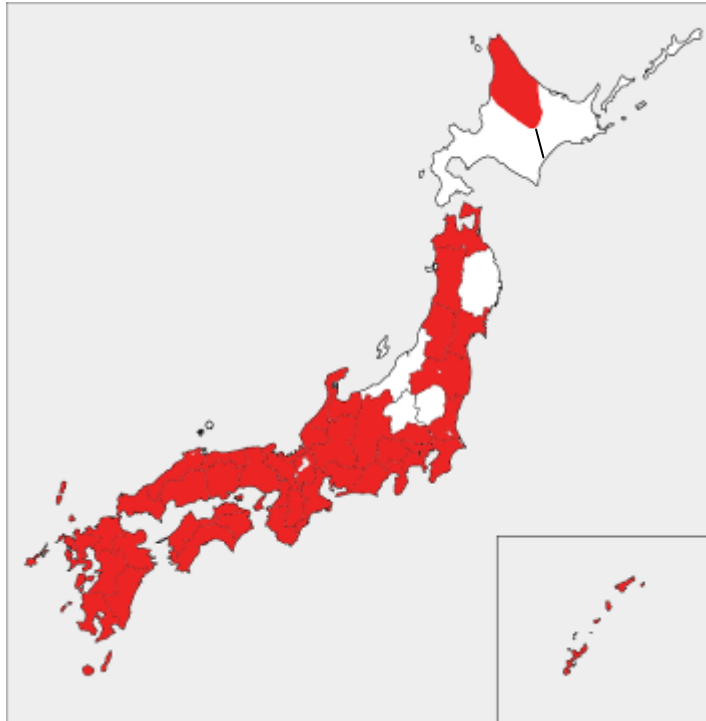
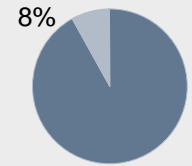
## Focus

- Industrial footprint restructured
- Very competitive EPA'10 engine solution
- Production ramp-up

**Improve profitability**

# Japan

Group sales 2010



 UD Trucks owned, ~90% of truck sales  
 6 independent dealers

## Focus

- Ramp-up production of Volvo Group engines 11L & 13L as well as a new 7L
- Launch new ranges of UD Quon and UD Condor
- Up and running customer financing

**Consolidate strong market positions and drive operational efficiency**



Well positioned for the future

**Market update**

- Growth markets

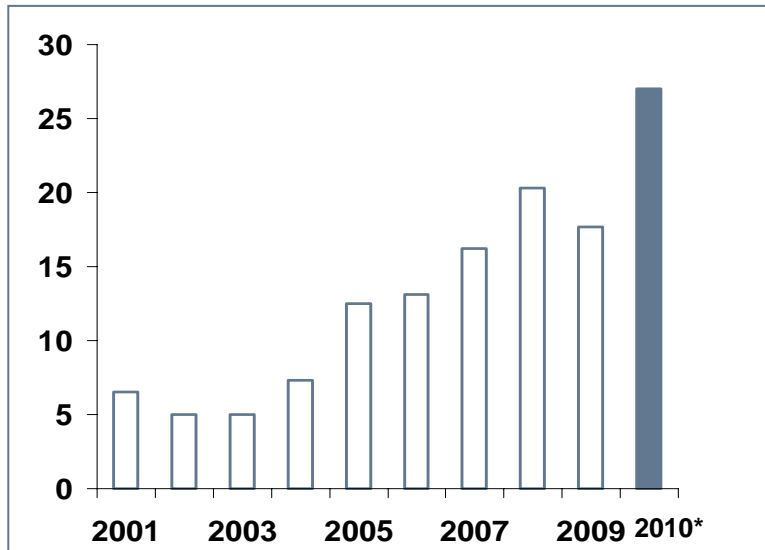
Third quarter

Conclusions

# South America

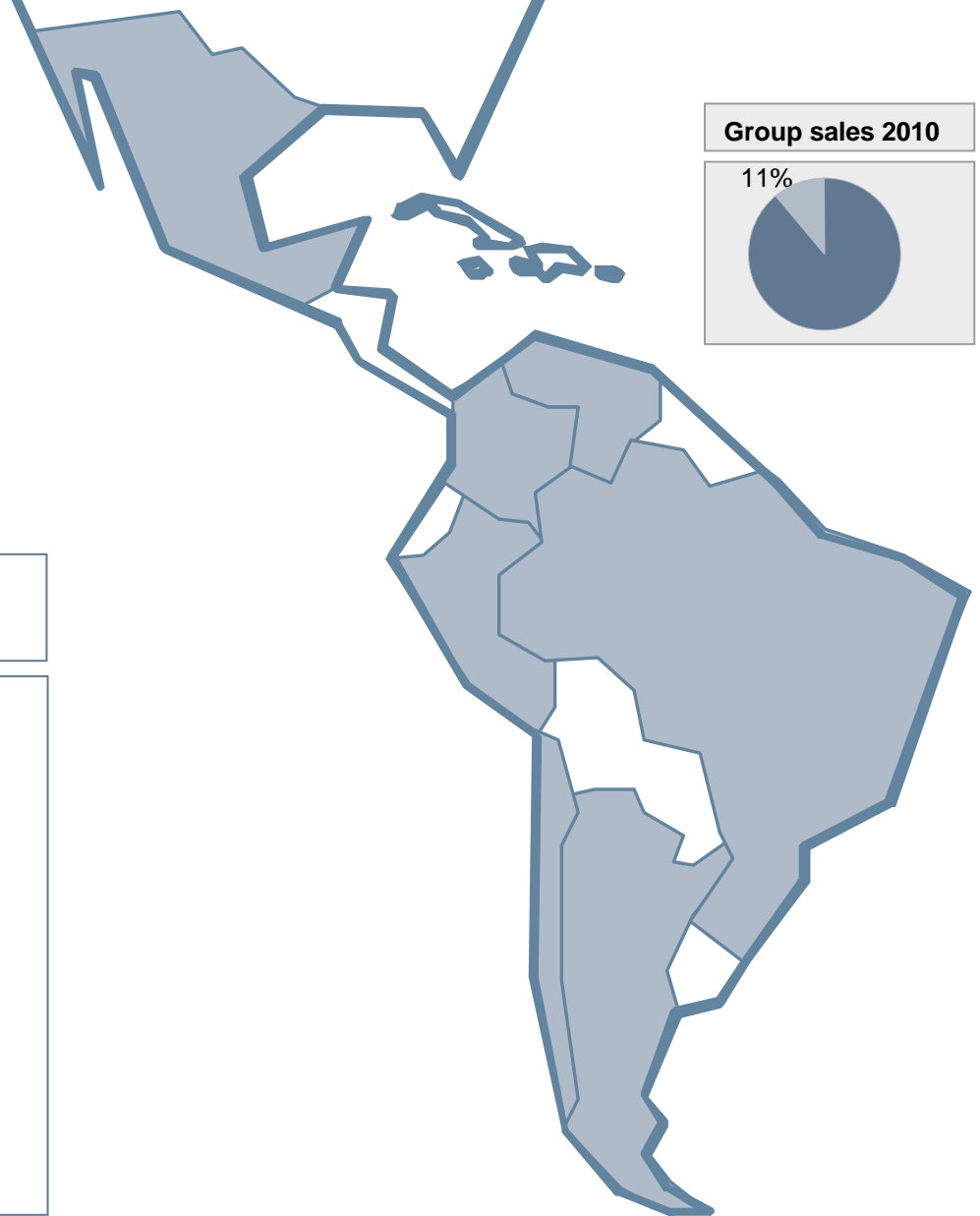
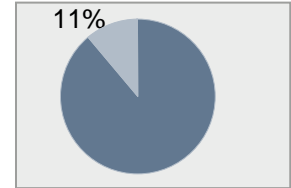
- 21 countries
- 21 million km<sup>2</sup>
- 570 million inhabitants
- GDP 4,775 USD billions

Sales development  
SEK bn



\*2010Q3: 12 month moving

Group sales 2010



Source: Global Insight, forecast 2010

# Infrastructure

- **More than 500** projects in **Latin America** on energy, transports and telecom
- **883 BUSD** in Brazil between 2011 to 2014 and further on
- **2014 World Cup and 2016 Olympic Games** to stimulate new investments



# Dealer network

## Trucks, Buses and Construction Equipment

Trucks  
and Buses



144 outlets



More than 4.000 employees



More than 100 thousand hours of training

Construction  
Equipment



79 outlets

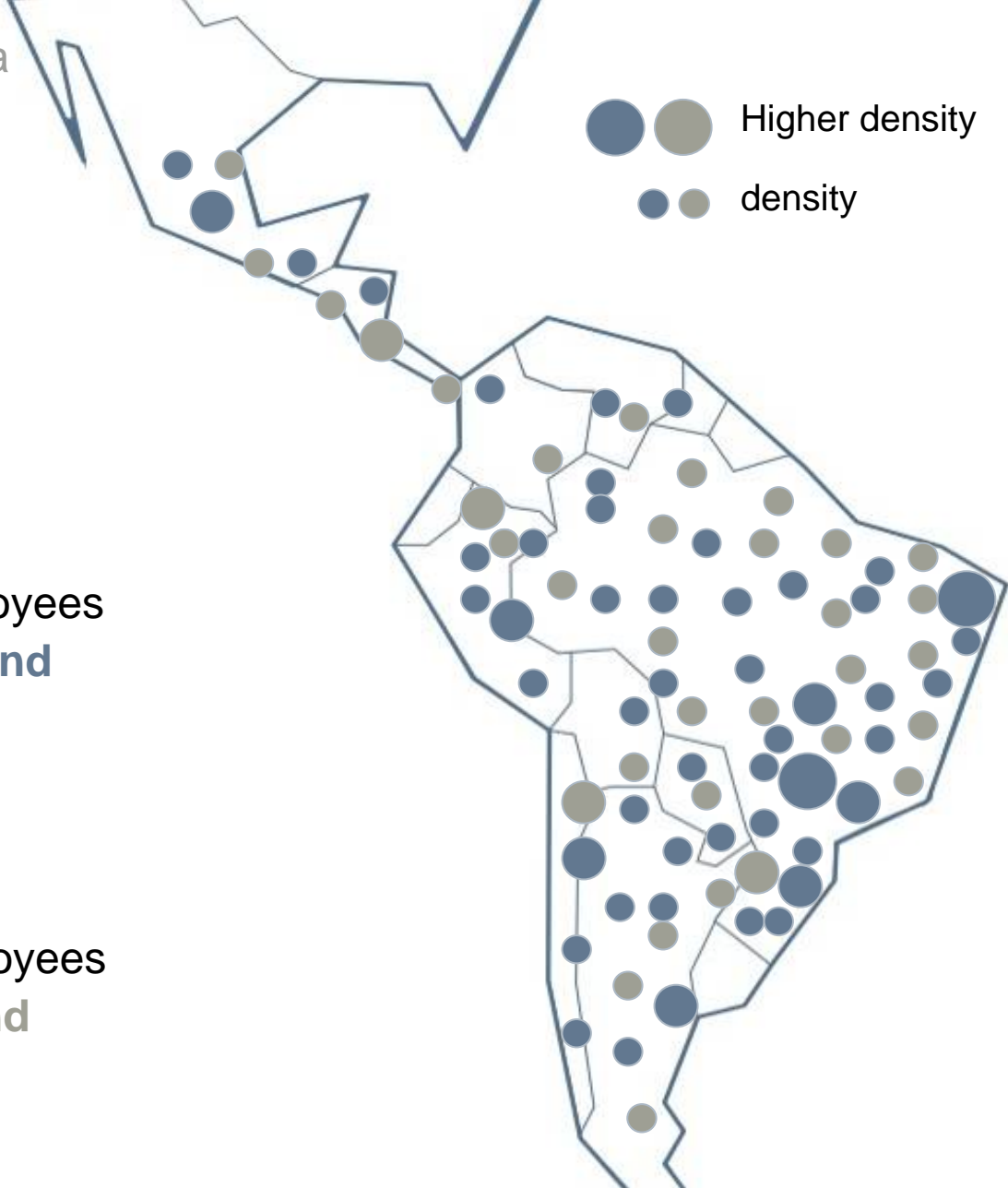


More than 2.000 employees



More than 60 thousand hours of training

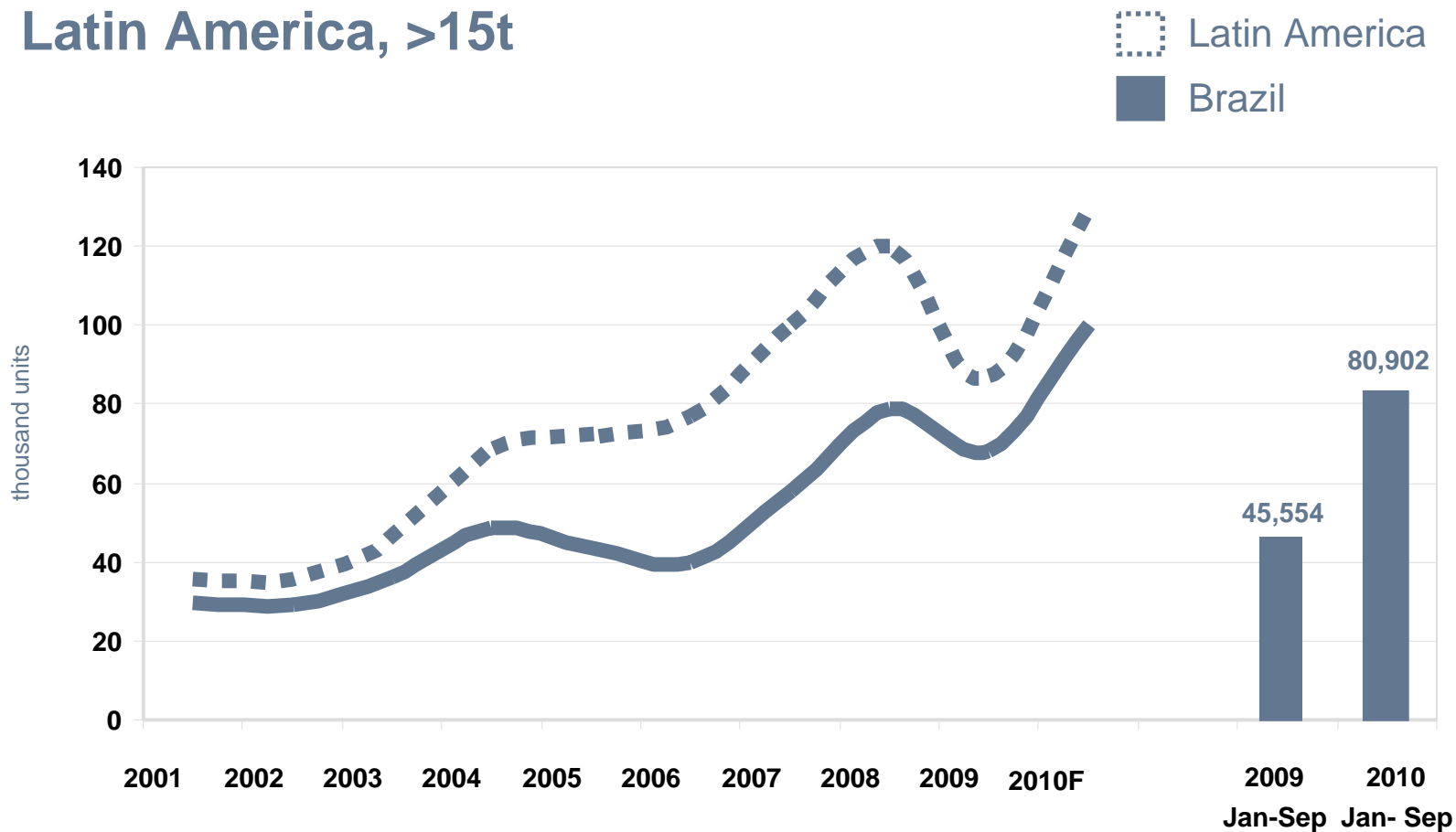
Higher density  
density



# Regional overview – South America

## Total market – Trucks

### Latin America, >15t

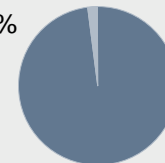




# India

Group sales 2010

2%

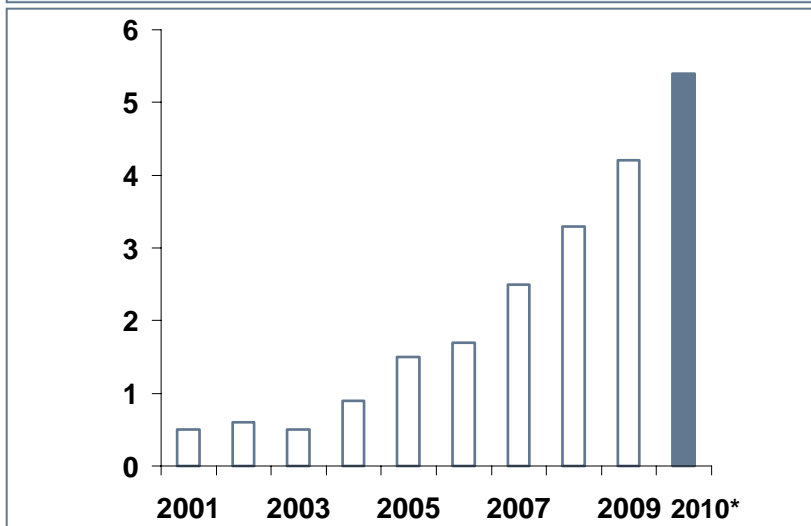


## Eicher Market Shares

	2009	2010
MD Trucks: 7-12T	35.7%	37%
HD Trucks: >16T	1.1%	1.8%
LD Buses: 5-12T	11.2%	12.2%

## Group sales

SEK bn



\*2010Q3: 12 month moving

## Focus

- Industrial investments in VECV
  - Engine plant
  - Paint shop
  - Cab plant
  - Assembly lines
- Grow market shares in HD trucks
- Excavator assembly in Bangalore
- Utilize development resources globally

Profitable expansion

# Eicher product portfolio

**L/MCV**  
The 5-12Ton Range



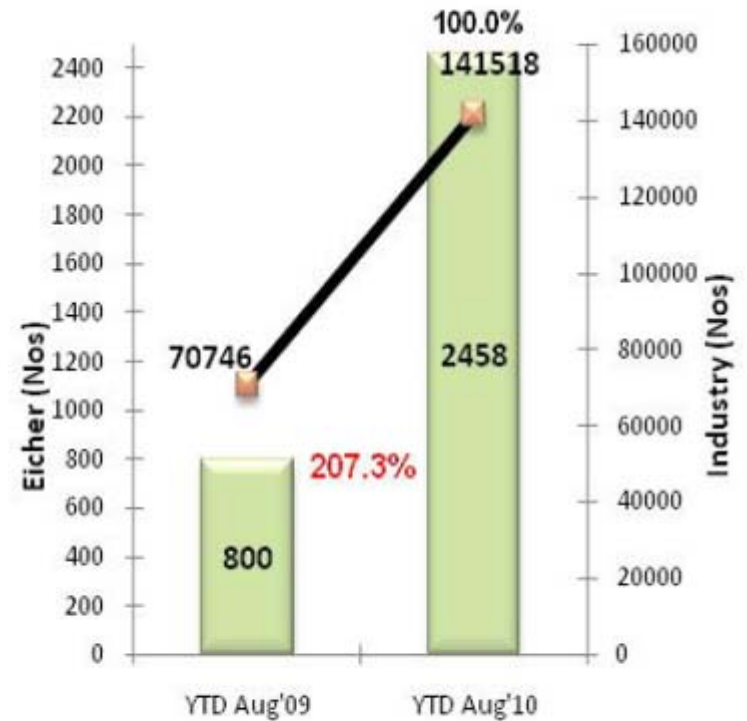
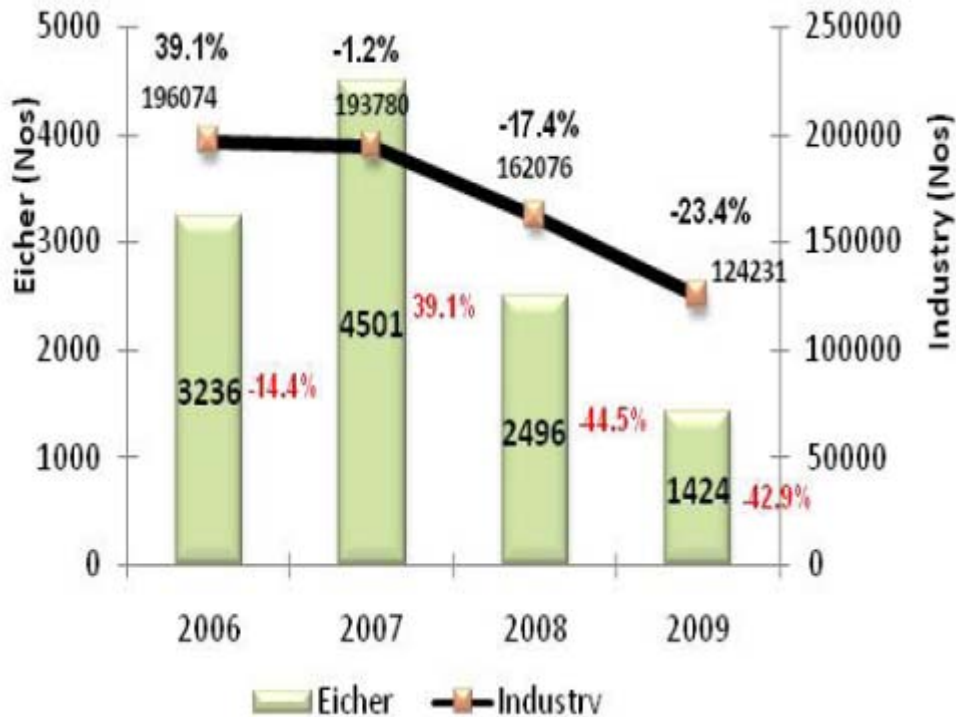
**BUSES**  
21-69 SEATER



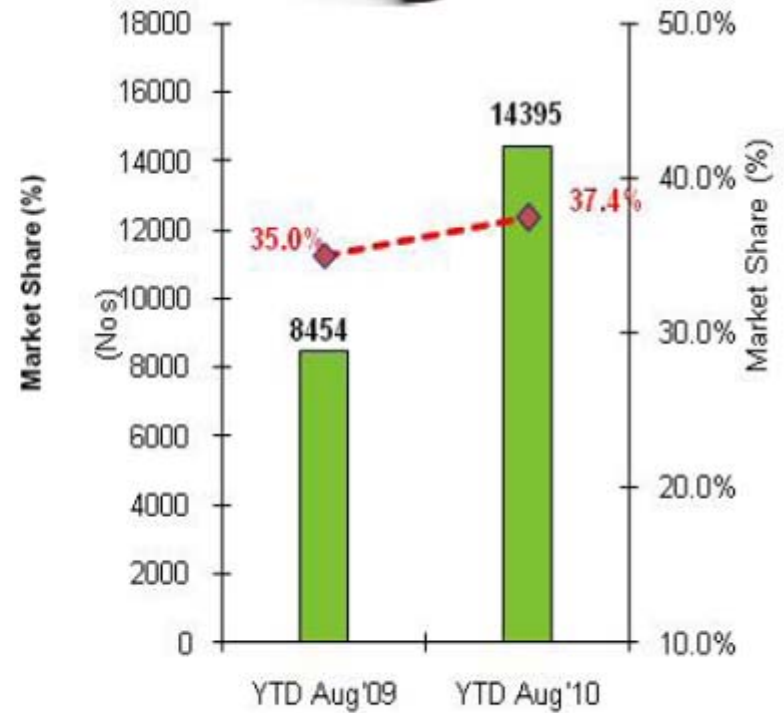
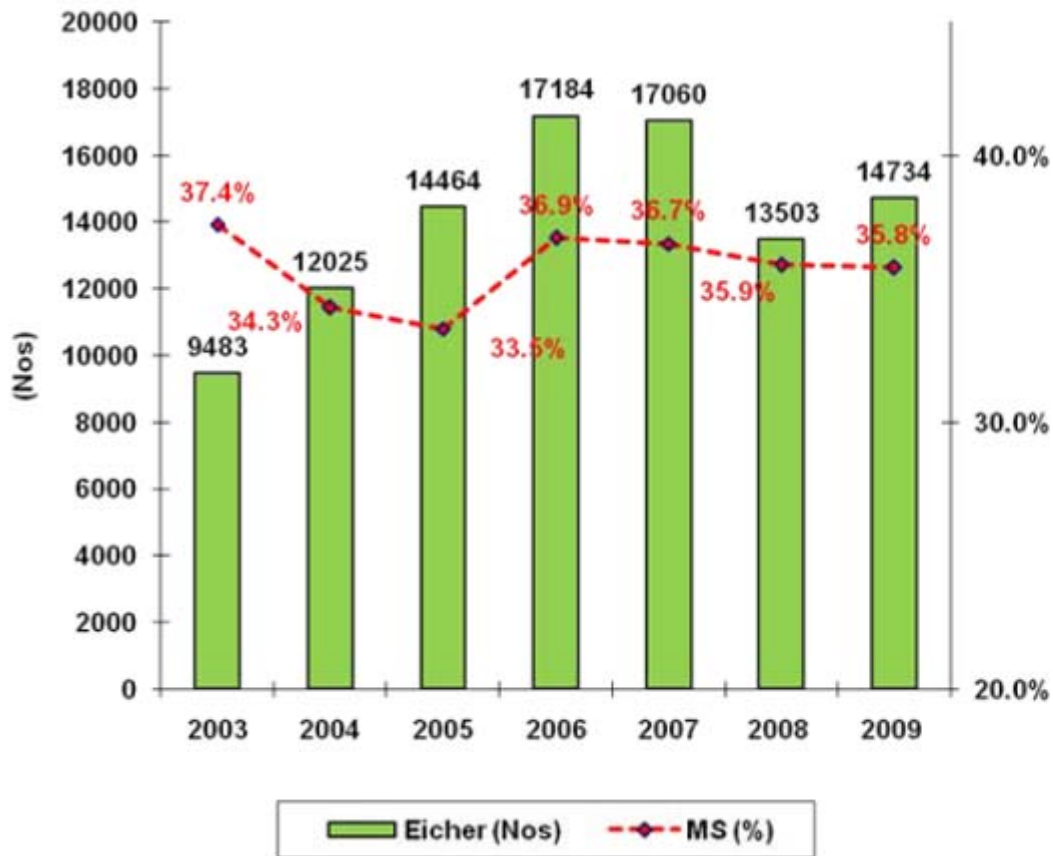
**HCV**  
The 16-40Ton Range



# Heavy-duty truck market



# 7-12 ton market trend & market share



# Eicher manufacturing

- 85 acres with an annual capacity of 48,000 units
- Strategic ancillaries located around Indore
- Integrated testing facilities
- Lean and scalable manufacturing setup
- Cabin upgrade for new generation of trucks



# Medium Duty Engine

## - leveraging synergies

- Global medium-duty engine platform
- New production facilities in Pithampur
- Investment of SEK 480 M (INR 2,880 M)

### Engines

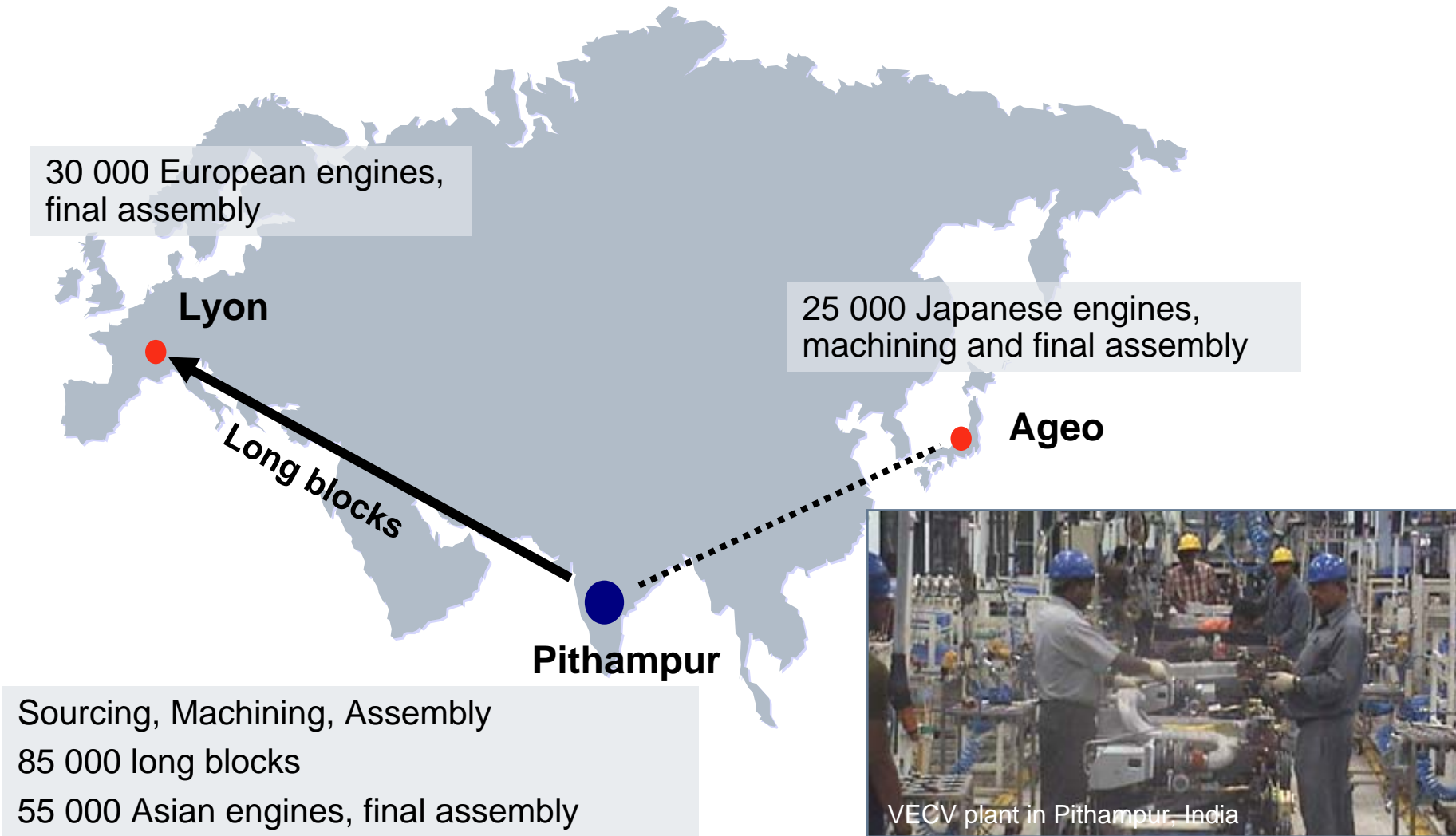
- Two main variants – 4 cylinder 5 L engine and 6 cylinder 8 L engine
- Engine platform capable of meeting Euro 6, Japanese PNLT and US EPA standards



*Mr Siddhartha Lal – MD, VE Commercial vehicles,  
Mr. Par Ostberg – President, Trucks Asia and Chairman, VE  
Commercial vehicles and  
Mr Peter Karlsten - President & CEO, Volvo Power Train  
at the press meet announcing the MDE Project investment,  
June 2010*



# Volume base and industrial base in Asia



# Japan, Europe and India – combining the best of three



- Utilize engine project from UD Trucks acquisition
- Combine Japanese quality standard and European technology edge with Indian low cost production
- Leverage the VECV supplier base in India - 311 Tier-1 suppliers
- Extensive sourcing in LCC



# Volvo Group in Russia

- Volvo Trucks
- Volvo Trucks Global Manufacturing
- Renault Trucks
- Volvo Construction Equipment
- Volvo Penta
- Volvo Financial Services
- Volvo Parts
- Volvo IT



Regional overview - Russia

# Volvo plant in Kaluga

– new perspectives for the Russian market



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Regional overview - Russia

# Domestic manufacturer of heavy trucks



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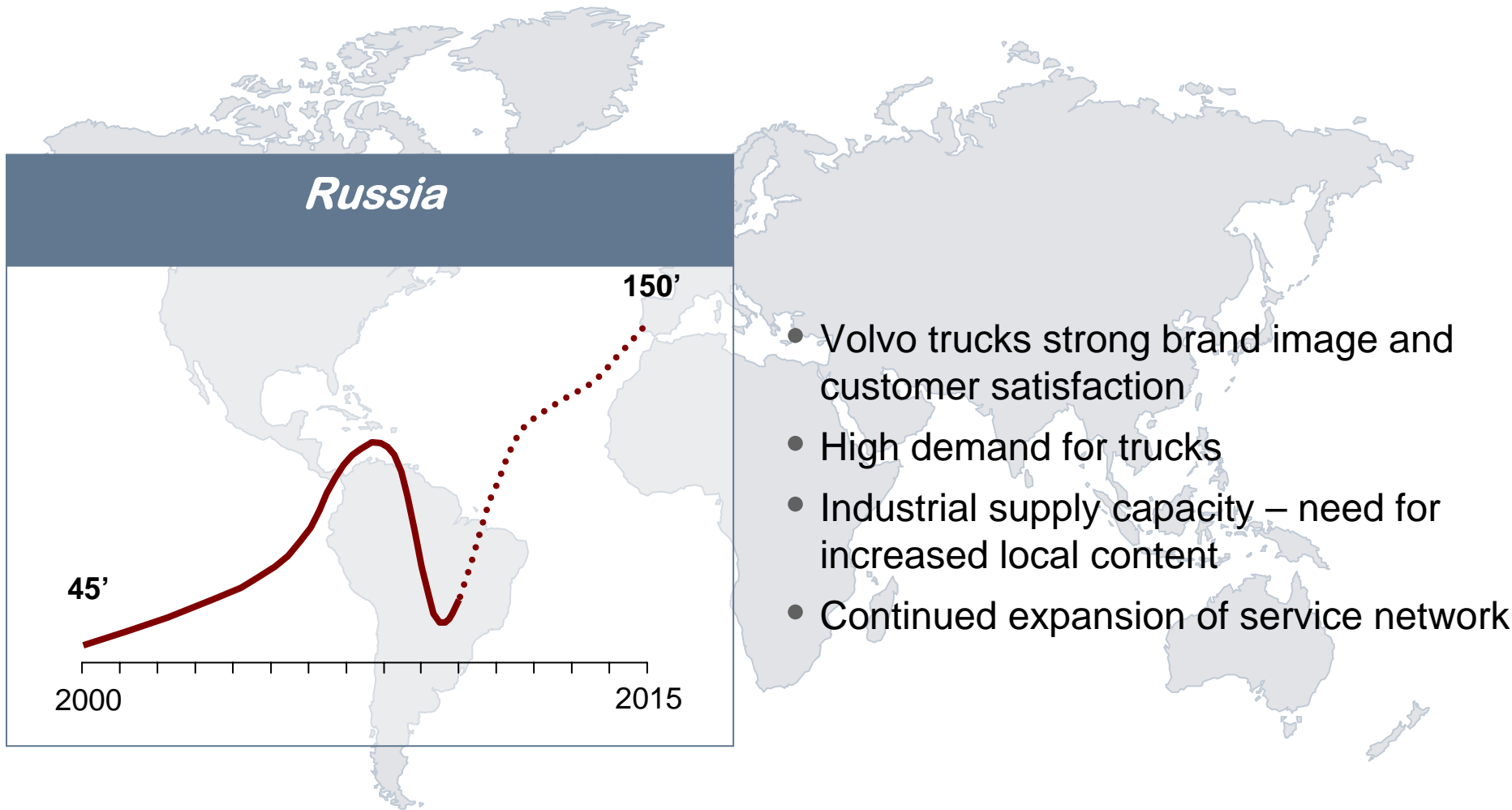
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**VOLVO**

# Volvo Trucks' position in Russia

- 1<sup>st</sup> foreign truck registered in Russia: 1973
- 1<sup>st</sup> in coverage of sales offices and service stations in Russia
- 1<sup>st</sup> for 11 consecutive years in quantity of imported trucks to Russia
- 1<sup>st</sup> in population among foreign truck brands in Russia: >50,000
- 1<sup>st</sup> in CKD manufacturing of foreign trucks in Russia: 2003  
Zelenograd
- 1<sup>st</sup> in CBU manufacturing of foreign trucks in Russia: 2009

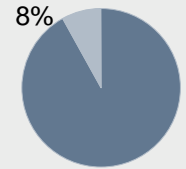
# Strong position in a growing market



Source: Russian Ministry of Industry

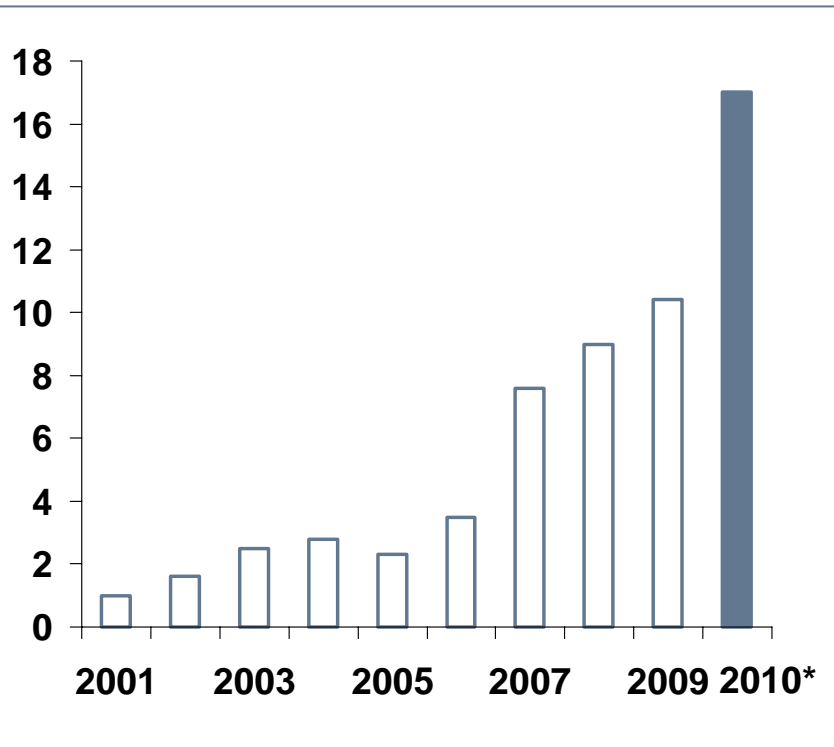
# China

Group sales 2010



## Sales development

SEK bn



\*2010Q3: 12 month moving

## Focus

- Leverage on excellent Volvo CE business position
- Building Group infrastructure through Business Units and customer finance
- Automotive policy slowing down Volvo Group growth in trucks and buses

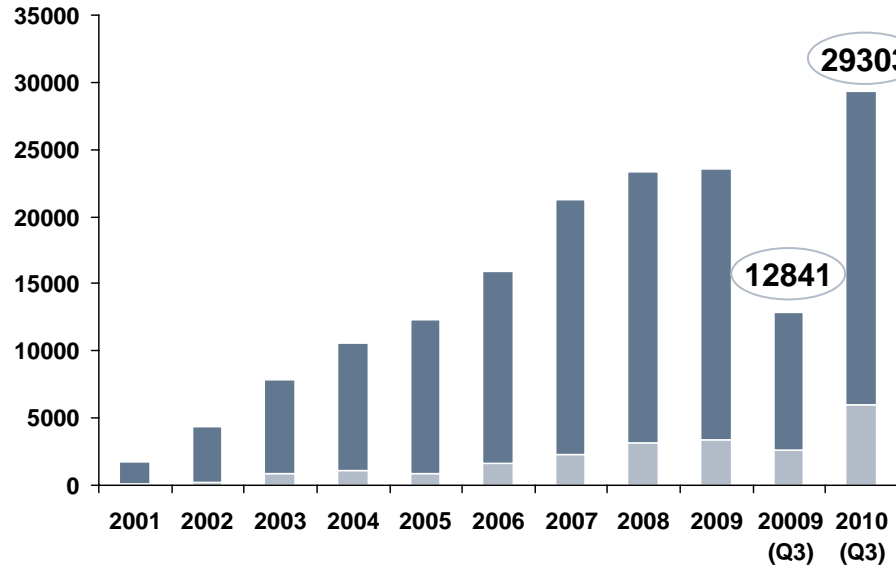
**Profitable expansion**

# China – successful entry within construction equipment



## Focus

- Lingong excavator entry (4 new SDLG models)
- Develop aftermarket support and capability in SDLG distribution



**Profitable expansion**

Volvo units  
Lingong units



Well positioned for the future

Market update

**Third quarter**

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# Group Highlights



## Third quarter

- Operating income SEK 4.9 bn
- Operating margin 7.7%
- Cash flow negative SEK 1.9 bn

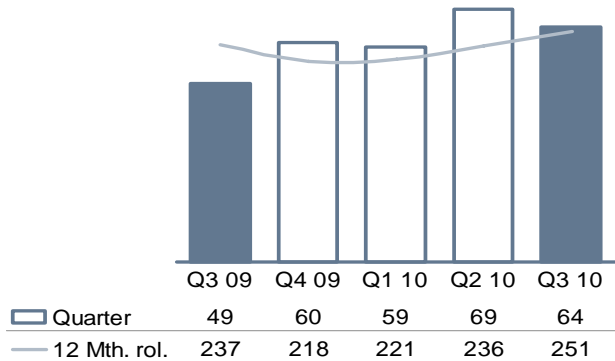
## Business environment

- Europe: improving market conditions
- Asia & South America: strong markets
- North America: improving demand

# Volvo Group

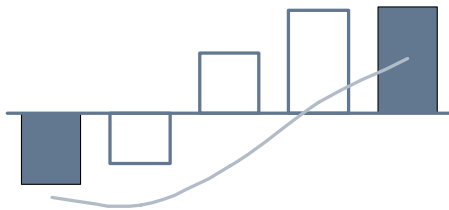
## Net sales

(SEK bn)

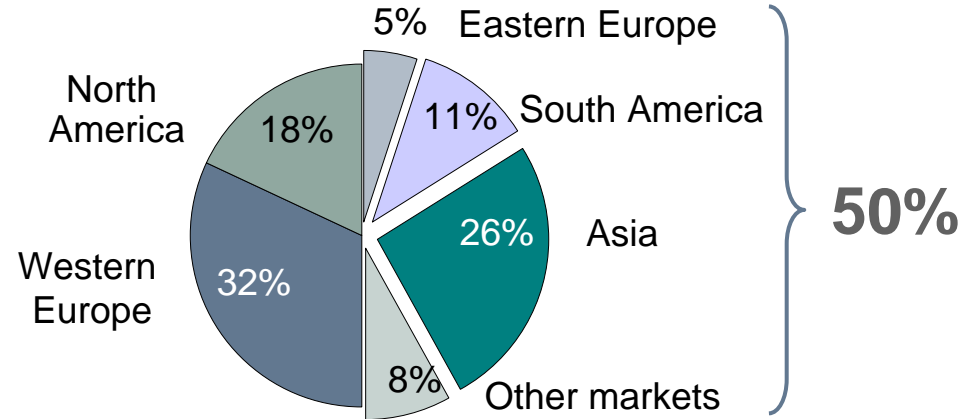


## Operating income

(SEK M)



## Third quarter



## Operating income

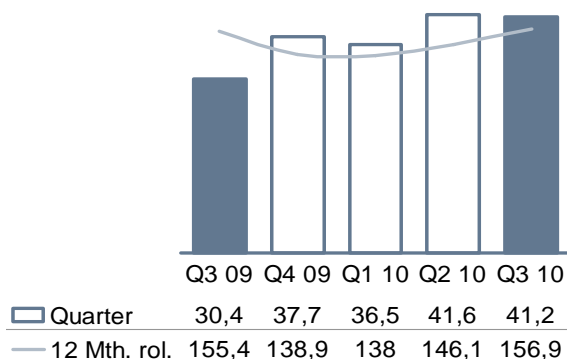
- + Increased volumes
- + Improved productivity & capacity utilization
- + Cost control

# Trucks



## Net sales

SEK bn

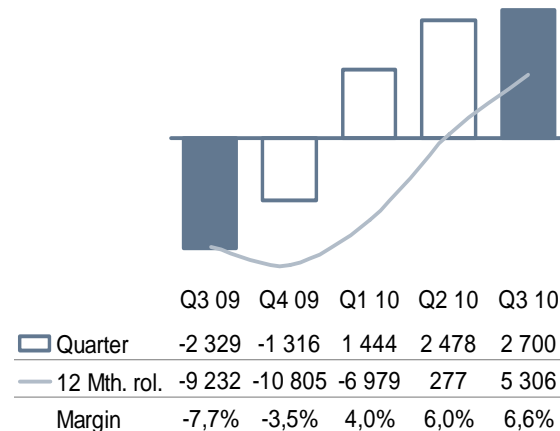


## Highlights

- Improving demand & market conditions
- Sales up by 37%, fx-adjusted
- Operating margin 6.6%
- Successful EPA 2010 introduction
- Increasing production

## Operating income

SEK M



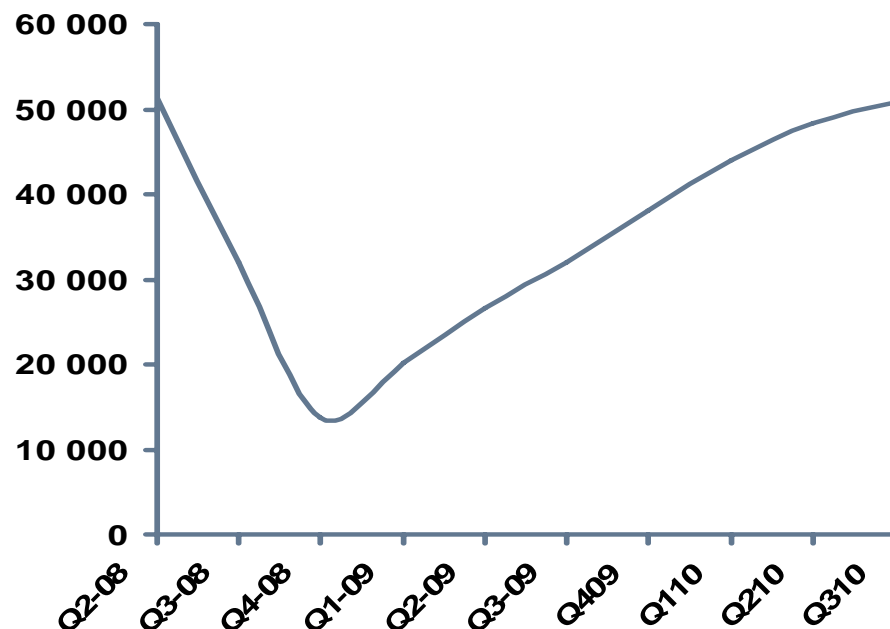
## In Focus

- Increase productivity in up-turn
- Supply chain
- Strict cost control
- Product introductions

# Net order intake

## Trucks

Net order intake	Q3-09	Q2-10	Q3-10	Change Q3->Q3	Change Q2->Q3
Europe	8,189	19,054	19,434	137%	2%
North America	5,093	6,675	9,350	84%	40%
South America	5,284	4,986	6,085	15%	22%
Asia	10,079	13,367	13,047	29%	-2%
Other markets	3,353	4,336	2,953	-12%	-32%
<b>Total</b>	<b>31,998</b>	<b>48,418</b>	<b>50,869</b>	<b>59%</b>	<b>5%</b>



# Buses

## Third quarter

- Still tough bus market 2010
- Profitable third quarter
- Launch of two new products
  - 8900 Intercity and 9500 Coach

## Focus going forward

- Cost adaptation to market situation
- High tender activity
- Secure product introductions



# Volvo Penta

## Third quarter

- Flat world market for marine engines
- Strong industrial engine order intake and good development for the IPS system

## Focus going forward

- Continue to build on the Volvo Penta IPS – Inboard Performance System
- Leverage sales of industrial engines
- Soft products:
  - Joystick
  - GPS based anchor



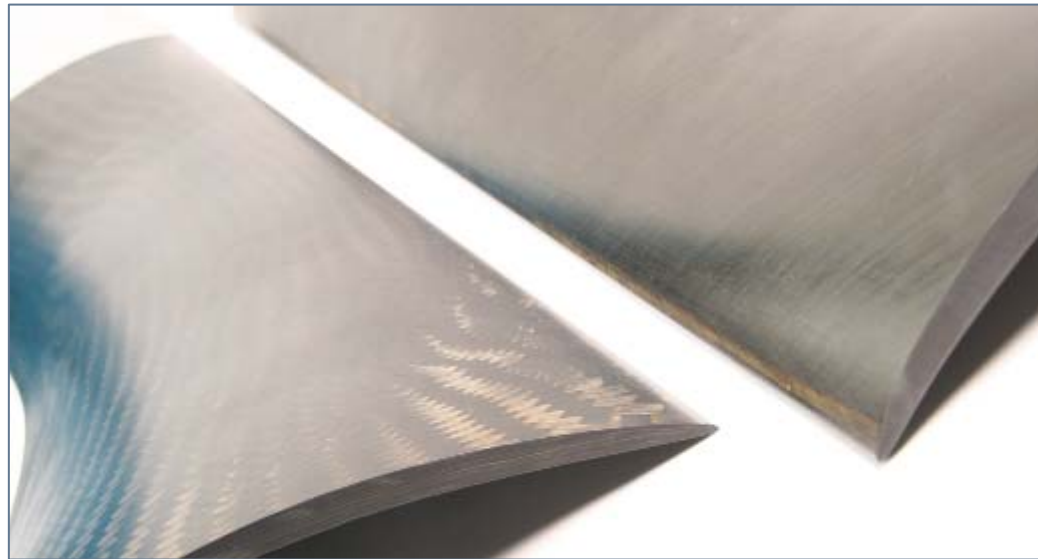
# Volvo Aero

## Third quarter

- Increasing demand for air transport
- Divestiture of Volvo Aero Services completed

## Focus going forward

- Cost control and product cost management
- Execution on new contracts
  - product development
  - serial production
- Push out of delivery plans for Boeing 787 and 747-8



Well positioned for the future

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**Good progress**



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