

# **VOLVO**

## **First Quarter 2008**

**Telephone Conference, April 25, 2008**

# Group Highlights

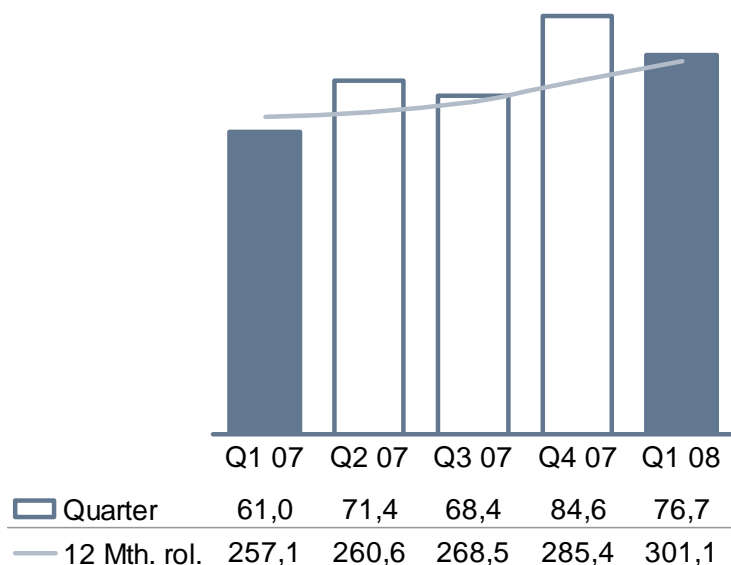


## First Quarter

- Business environment
  - Europe – slower growth
  - North America weak and Japan pre-buy
  - Strong development in Asia and other international markets
- Strongest quarter so far
  - Sales growth 26%
  - Operating income up 22%
  - Improved earnings in truck operations and Volvo CE
  - Continued strong order book outside US

# Net sales

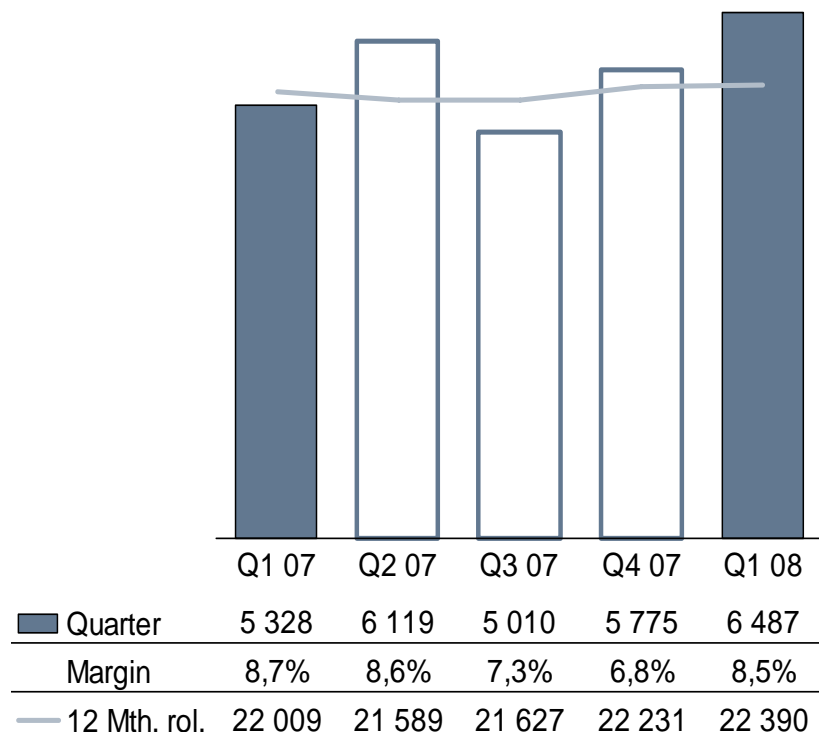
Net sales  
SEK bn



- Net sales > 300 bn last 12-months
- Strong sales growth, up 26%
  - Western Europe +17%
  - Eastern Europe + 37%
  - Asia +134% (27% organic)
  - South America +18%
- Strong **organic** growth
  - Group +16%
  - Volvo CE +38%

# Operating income

## Operating income SEK M



- + Margin improvement based on price and productivity in Europe & International
- + Truck operations in Europe
- + Volvo CE - operating income up 38%

---

- Truck operations in US
- Net R&D Amortization SEK 429 M
- US strike 250 M, Bus restructuring 120 M
- Currency impact SEK 400 M

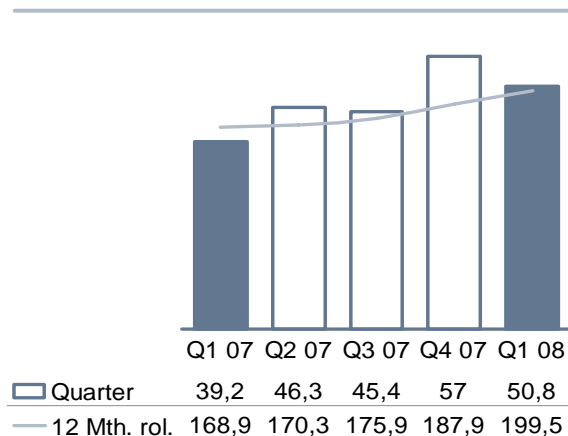
# Volvo Group financial summary

SEK M	Q1-2008	Q1-2007	
<b>Net Sales</b>	<b>76 683</b>	<b>61 036</b>	<i>Up 16% adjusted for currency and Group structure</i>
<b>Operating income Industrial Operations</b>	<b>6 106</b>	<b>4 933</b>	<i>Fx -400 M, Strike -250 M</i>
Gross income	17 628	13 682	<i>Gross income margin 23.7% (23.2)</i>
R&D expenses	-3 334	-2 334	<i>Net R&amp;D Cap: negative 340 M in -08, positive 89 M in -07</i>
Selling and administrative expenses	-8 034	-6 794	
Other op. Income & expenses	-172	297	<i>Buses Finland - 120 M</i>
Inc. from investments in ass. companies and other	18	82	
<b>Operating income Customer Finance</b>	<b>381</b>	<b>395</b>	
<b>Operating income Volvo Group</b>	<b>6 487</b>	<b>5 328</b>	
% of sales	8,5%	8,7%	
<b>Income after financial items</b>	<b>6 141</b>	<b>5 407</b>	
Taxes	-1 926	-1 651	<i>Tax rate at 31%</i>
<b>Income for the period</b>	<b>4 215</b>	<b>3 756</b>	
% of sales	5,5%	6,2%	
<b>EBITDA Industrial Operations</b>	<b>8 729</b>	<b>6 974</b>	<i>Up 25%</i>
<b>EBITDA margin</b>	<b>11,7%</b>	<b>11,8%</b>	
<b>ROE</b>	<b>19,2%</b>	<b>18,6%</b>	
<b>EPS, SEK</b>	<b>2,07</b>	<b>1,85</b>	
<b>Operating cash flow Industrial Operations (SEK bn)</b>	<b>-3,3</b>	<b>-2,9</b>	<i>Seasonal increase in working capital, primarily inventories</i>

# Trucks



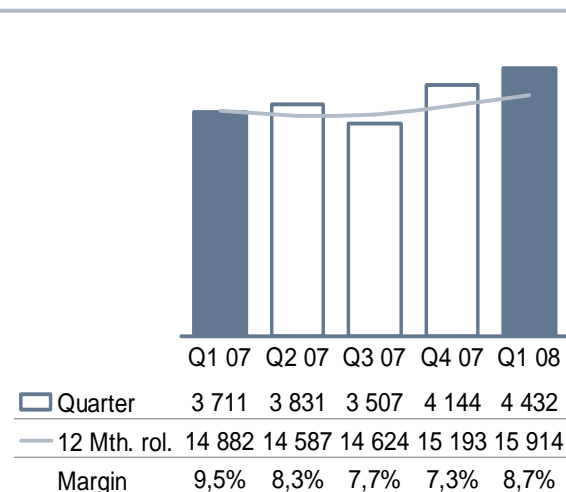
## Net sales – SEK bn



## Highlights

- Strong deliveries in Europe
  - higher production rates and productivity
  - increased earnings
- Strong demand in Asia, South America and other international markets
- Continued weak demand in North America
- Strike in New River Valley - SEK 250 M

## Operating income – SEK M



## In Focus

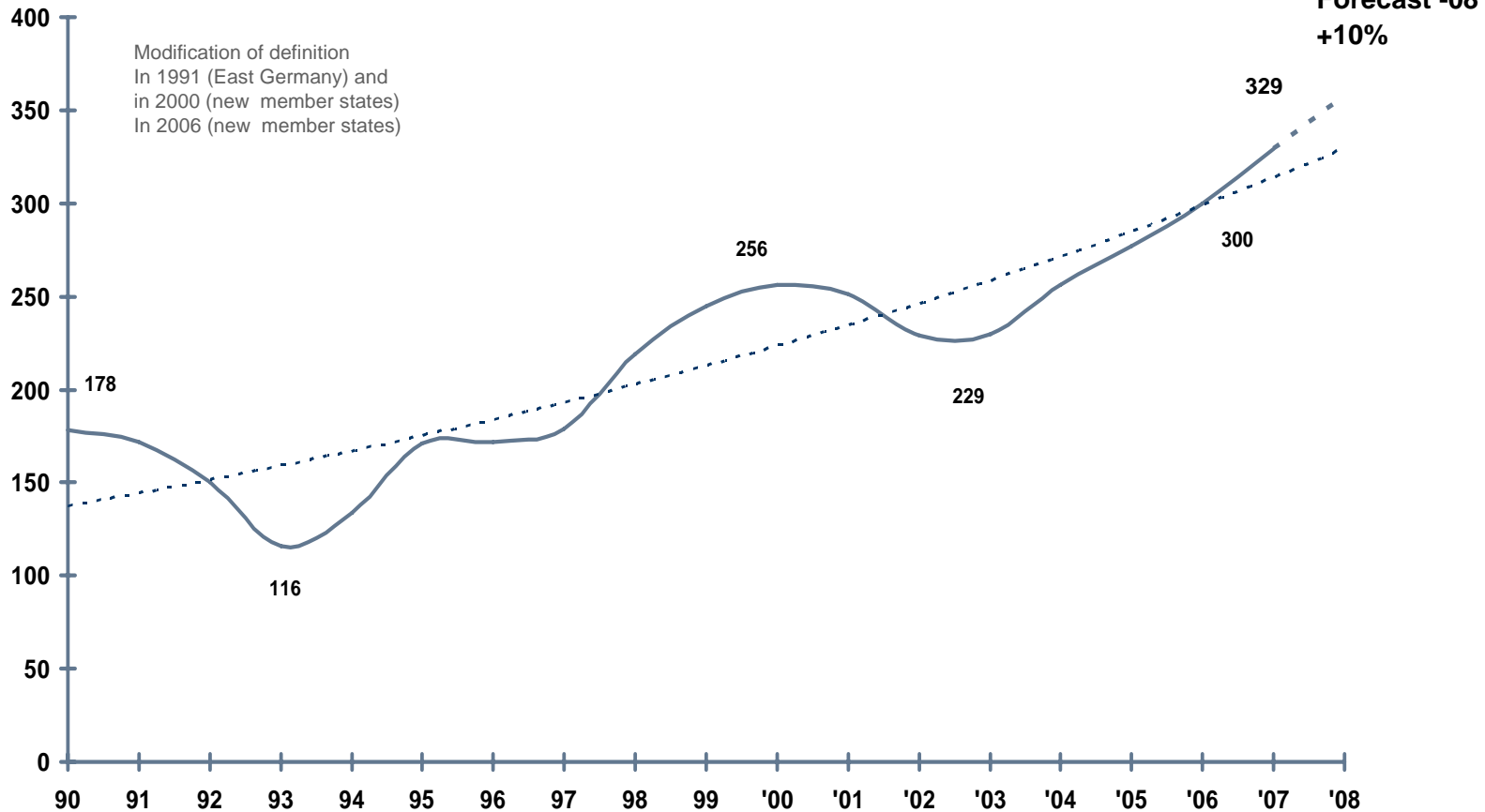
- Europe
  - Manage investments for increased capacity and improved productivity
- Capacity reduction in North America
- Integration projects with Nissan Diesel
- Growth in Asia

# Heavy-duty truck market - Europe

(EU members + Switzerland and Norway)



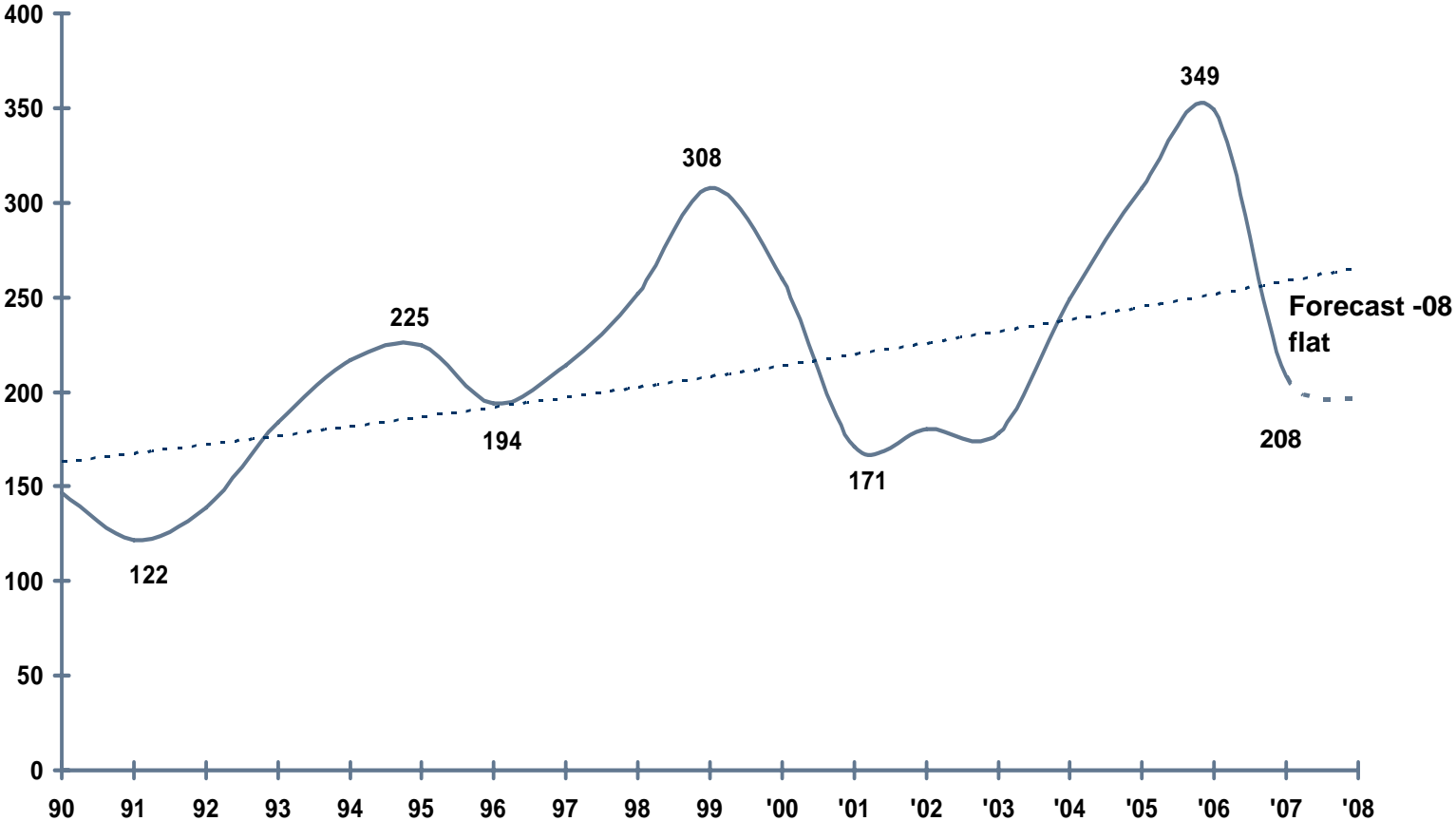
Units, Thousands (heavy trucks)



# Heavy-duty truck market – North America



Units, Thousands (heavy trucks)



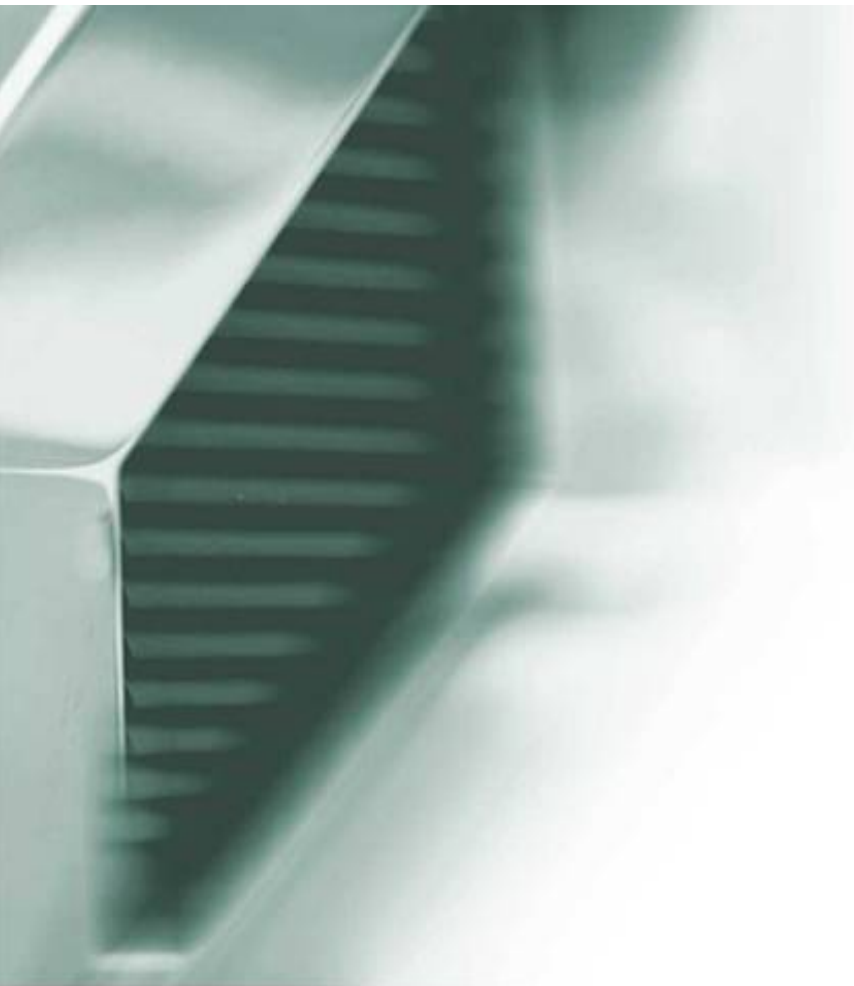


# Volvo Trucks



- Substantial order book – sold out for 2008 in Europe and International
- Deliveries
  - Europe +22%
  - Asia +29%
  - South America +32%
  - North America -32%
- Margin improvement based on price and productivity
- Field testing of hybrid refuse trucks
  - improved fuel economy
  - lower emissions
  - quiet operation

# Renault Trucks



- Strong order book
  - Sold out for 2008 on several markets
  - Order books for delivery in 2009 not opened in Q1
- Good industrial productivity
- Step change in product quality and performance
  - strengthening brand image
  - improved margins
- Further improved financial performance

# Nissan Diesel



- Japanese market still affected by pre-buy effects and softer economy.
- Market forecast Japan: medium and heavy trucks down 10-15% in 2008.
- Deliveries in the first quarter was 13,489, up 1%
- Integration work
  - distribution
  - suppliers
  - product plans/R&D
  - components
  - IS/IT

# Mack Trucks

- Business environment
  - Weakening US economy/freight volumes
  - Soft US construction market
  - Rising diesel prices
- Deliveries down 23%
- Order intake up 38%
- UAW-negotiations
- Introduction of the new prestige truck Titan
  - 16-liter Mack MP10 engine

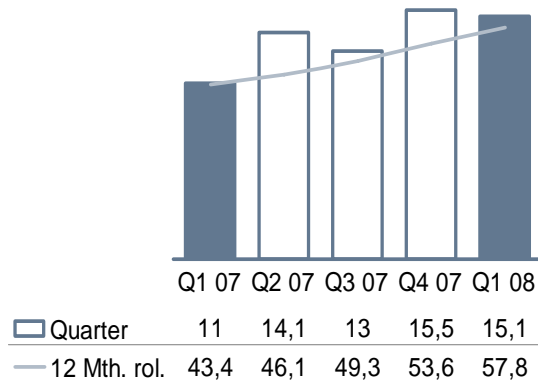


# Construction Equipment



## Net sales

SEK bn

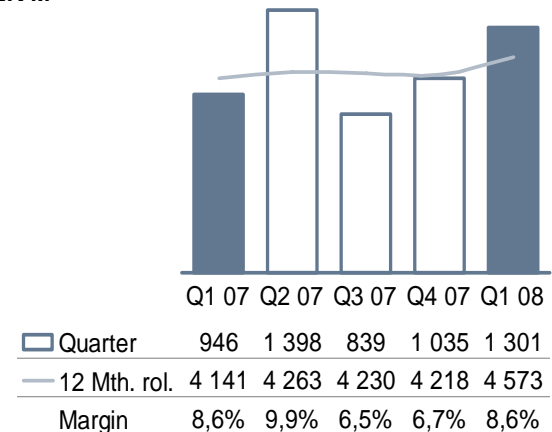


## Highlights

- Demand for heavy equipment
  - Europe up 4%, NA down 34%, Asia up 41% & other international markets up 28%
- Good organic sales growth up 38%
- Operating income improved by 38%

## Operating income

SEK M



## In Focus

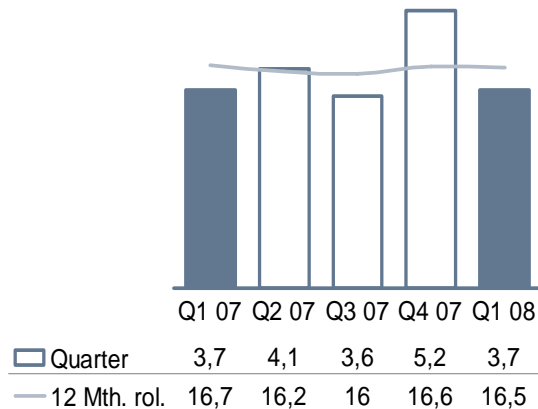
- Improved industrial productivity
- Balance market development
- Leverage on Asian demand
- Hybrid wheel loader

# Buses



## Net sales

SEK bn

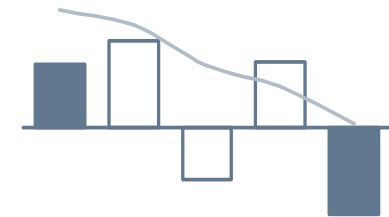


## Highlights

- Increased order intake
- Operating loss
- Volvo Bus Finland restructuring, closure of Tampere factory (120 M)

## Operating income

SEK M



Q1 07 Q2 07 Q3 07 Q4 07 Q1 08

Quarter	90	122	-73	93	-122
12 Mth. rol.	664	585	350	232	20
Margin	2,4%	3,0%	-2,0%	1,8%	-3,3%

## In Focus

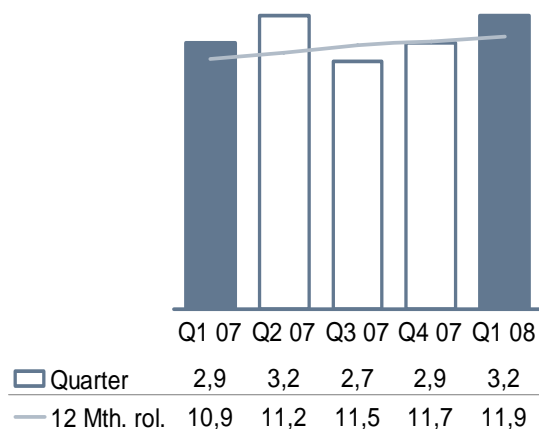
- Price Management
- Product cost reduction program
- Industrial optimization Europe

# Volvo Penta



## Net sales

SEK bn

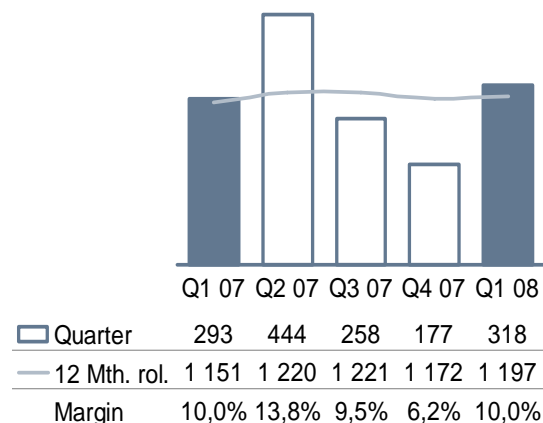


## Highlights

- Continued sales improvement, +8%
- Strengthened market positions in all segments
- Operating margin, 10.0%

## Operating income

SEK M



## In Focus

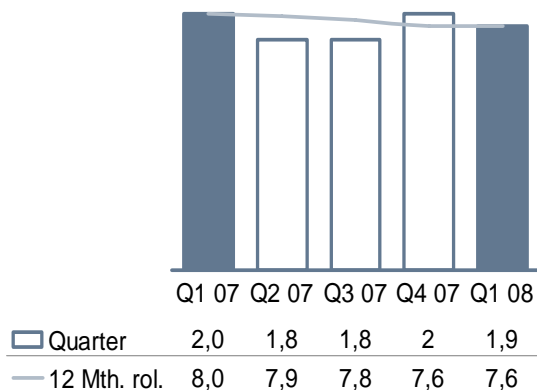
- Secure availability and good market support for boating season
- Global price management
- Capitalize on strong momentum in the industrial engine business

# Volvo Aero



## Net sales

SEK bn

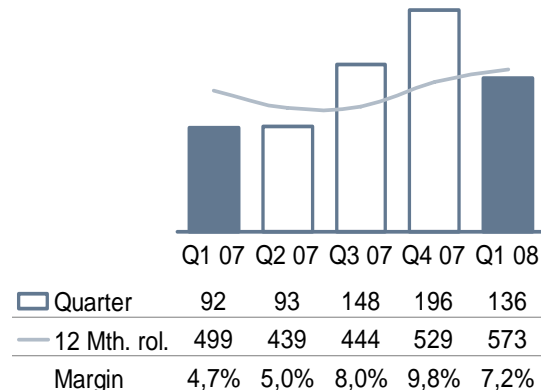


## Highlights

- Good growth in the component business
- Order book in component business increased by 9%
- Negative currency development

## Operating income

SEK M



## In Focus

- Product cost program launched
- Manage ramp up of new engine programs
- Utilize market opportunities for new business

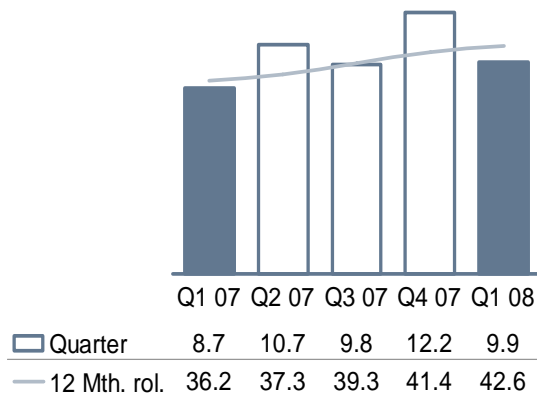


# Financial Services



## New retail financing

SEK bn

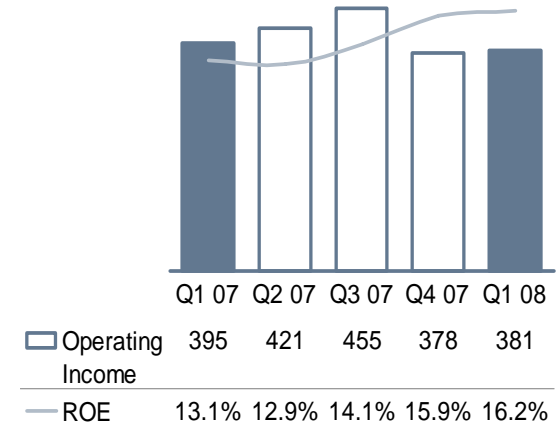


## Highlights

- Good returns
- Continued good customer satisfaction
- Portfolio vigilance

## Operating income and return on equity

SEK M



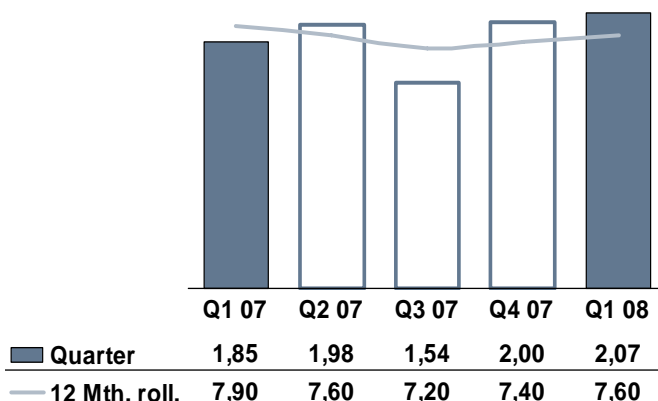
## In Focus

- Execute on new International opportunities
- European sales alignment
- Disciplined asset management

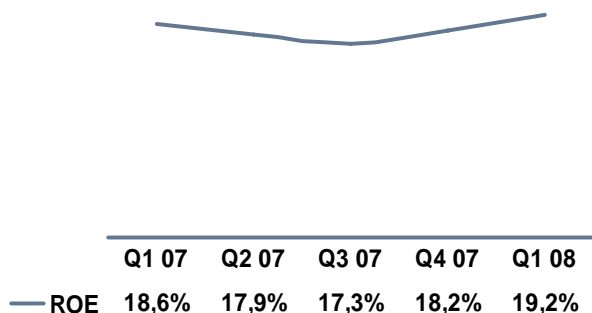
# Group Summary



## Earnings per share SEK



## Return on equity



## The first quarter 2008

- Sales growth 26%
- Asia – second largest market
- Operating income up 22%
- Improved industrial productivity

## In focus 2008

- Manage European demand
  - Capacity and productivity enhancing investments
  - Monitor demand in Europe
- Integrating acquisitions
- Continue to build a strong Asian business