

VOLVO

Second Quarter 2009

Conference Call, July 21, 2009

Group Highlights



Second quarter

- Sales stabilized on low level
 - 33% compared with Q2-08, -45% adjusted for currency
 - 4% compared with Q1-09, 0% adjusted for currency
- Operating loss SEK 6.9 bn
- Adjustment of production capacity
- Successful reduction of inventories

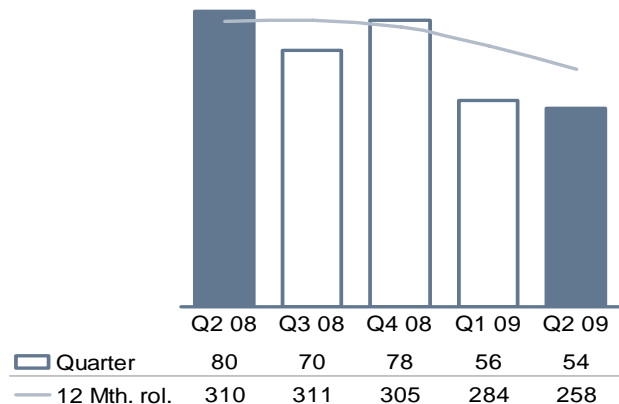
Business environment

- Europe; stabilizing on very low level
- North America; no signs of recovery
- Asia; signs of improvement

Volvo Group

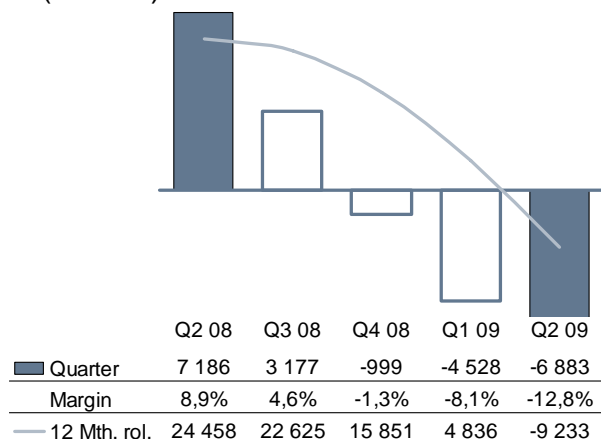
Net sales

(SEK bn)



Operating income

(SEK M)



Second quarter

Sales stabilizing in the second quarter

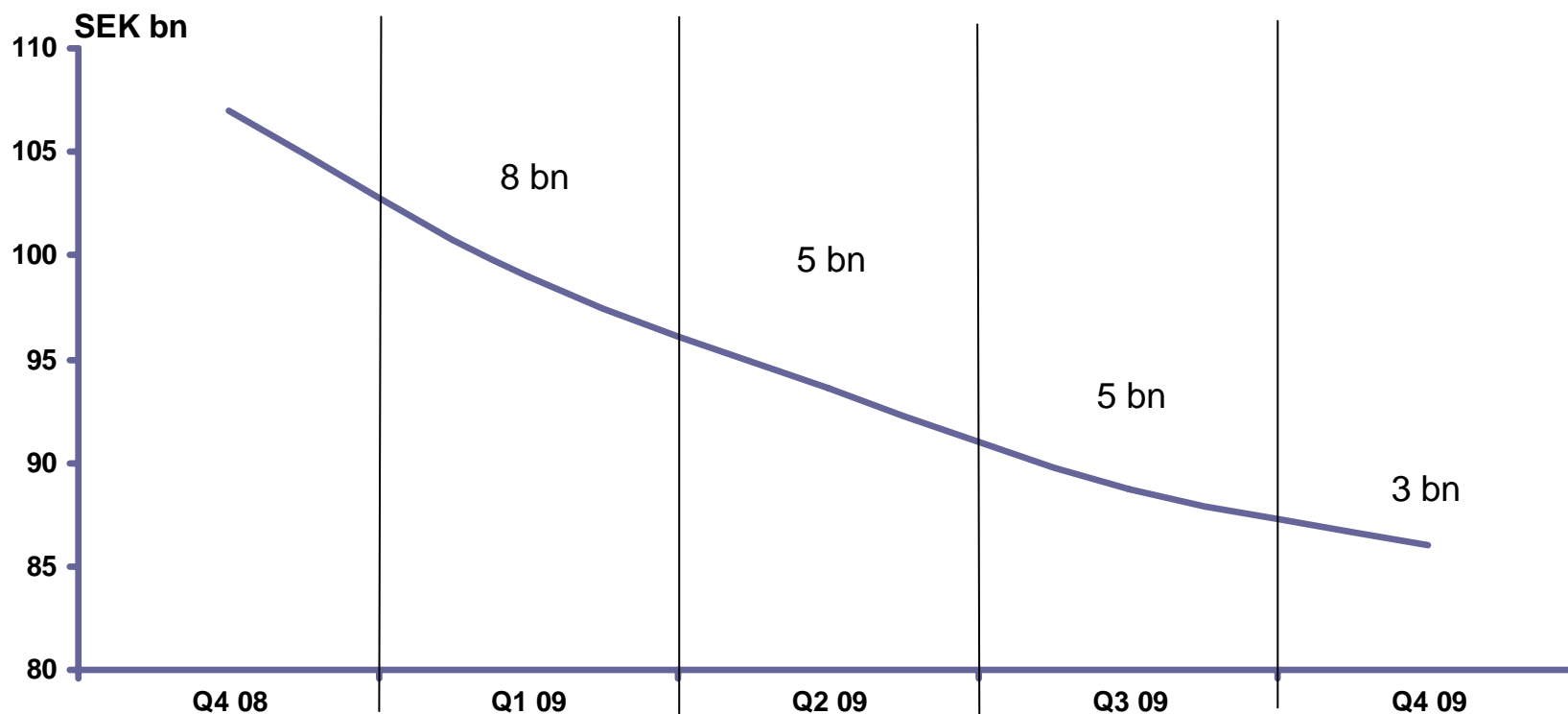
	Change Q209-Q109	Change Q209-Q208
Europe	-5%	-44%
North America	-8%	-29%
Asia	+24	-14%
South America	-8%	-25%
Other markets	+5%	-21%
Total	-4%	-34%

Operating income

- Significantly lower sales volumes
- Under absorption SEK 3 bn
- UAW agreement SEK 870 M
- Increased credit provisioning SEK 750 M
- Lay-off costs SEK 600 M
- Residual values SEK 550 M
- Negative currency effect SEK 1.7 bn

Annual cost level

- Activities and development so far

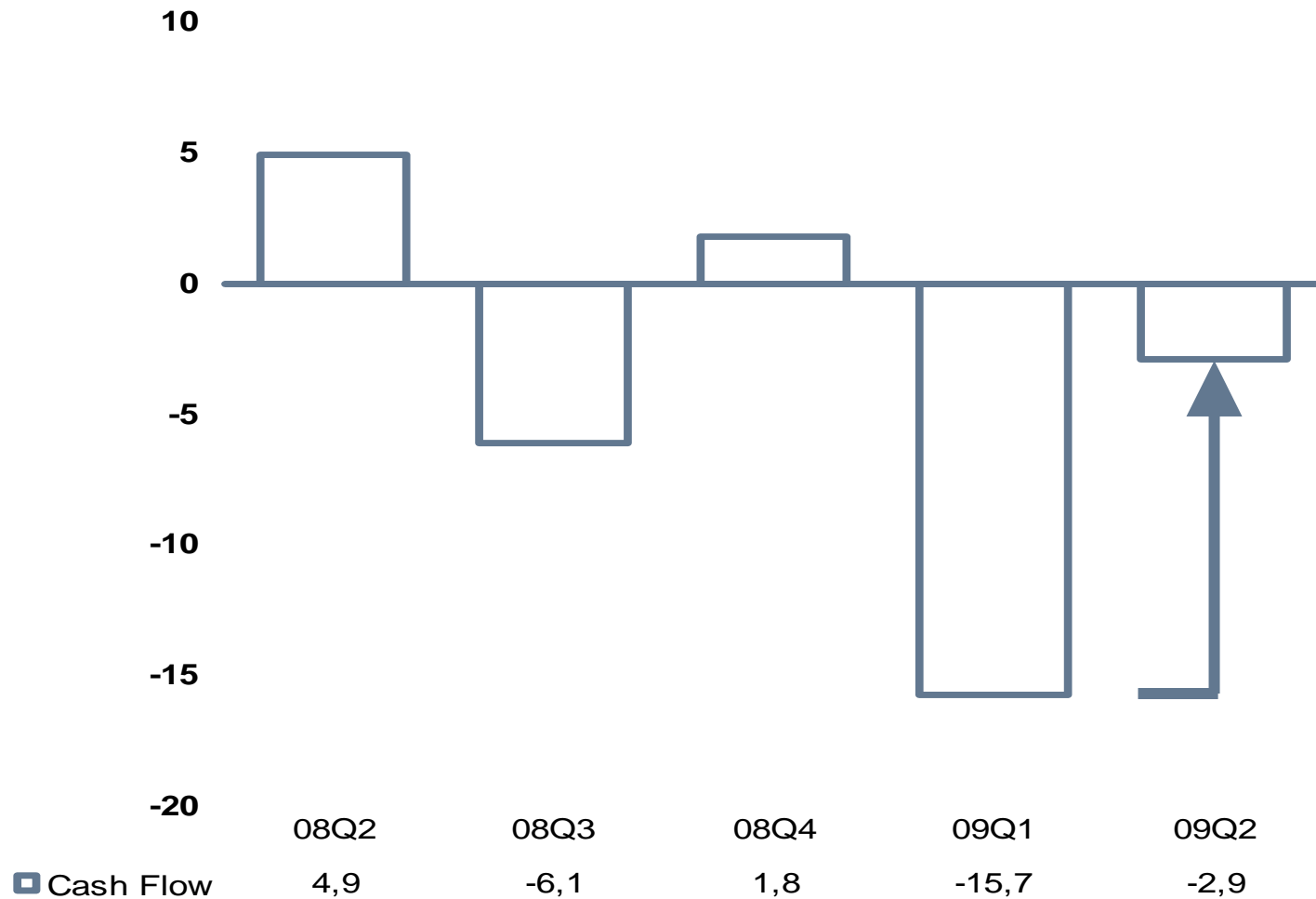


- Annualized run rate expected to be reduced by SEK 21 bn from the end of 2009.

Volvo Group – Cash Flow

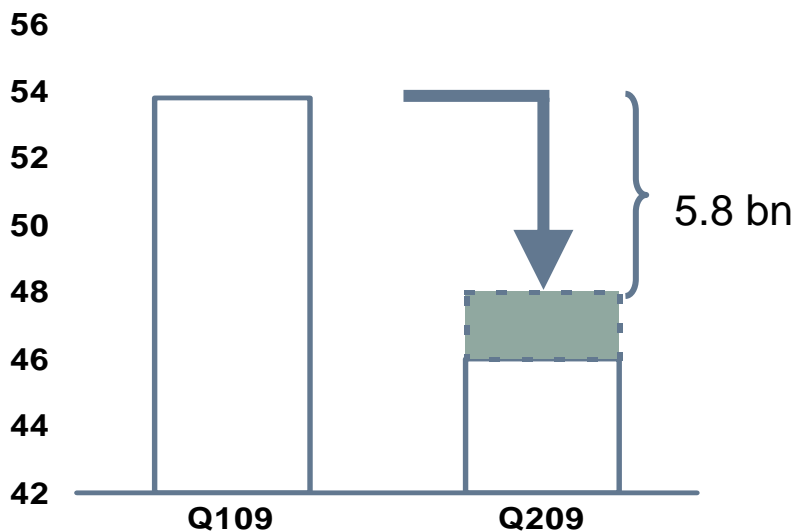
Industrial Operations

SEK bn



Working Capital

Inventories, SEK bn



■ Currency & reclassification

□ Inventories

53,8

2,0

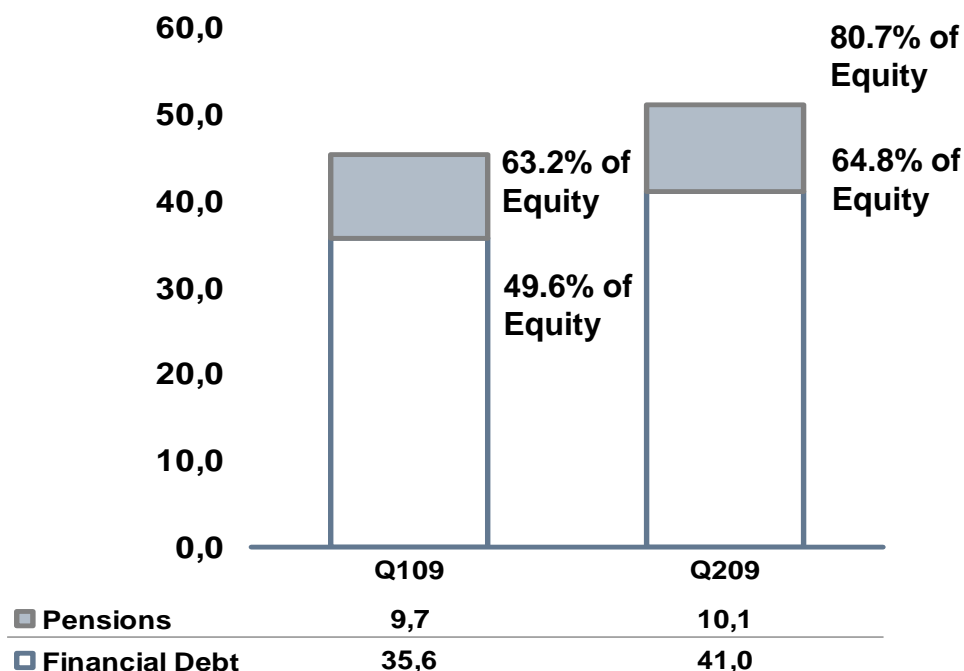
46,0

- Industrial operating cash flow; negative 2.9 bn in the quarter
- Focus on working capital
 - Receivables - 1.6 bn
 - Inventories - 5.8 bn
 - Payables + 4.0 bn
 - Other + 0.8 bn
 - Total change - 2.6 bn

Volvo Group – Net Financial Debt

Industrial Operations

Net debt,
SEK bn



Changes in Net financial Debt

- Cash Flow	2.9 bn
- Currency	<u>- 2.1 bn</u>
Operations	0.8 bn
- Dividend	4.1 bn
- UAW	<u>0.9 bn</u>
Total change	5.8 bn

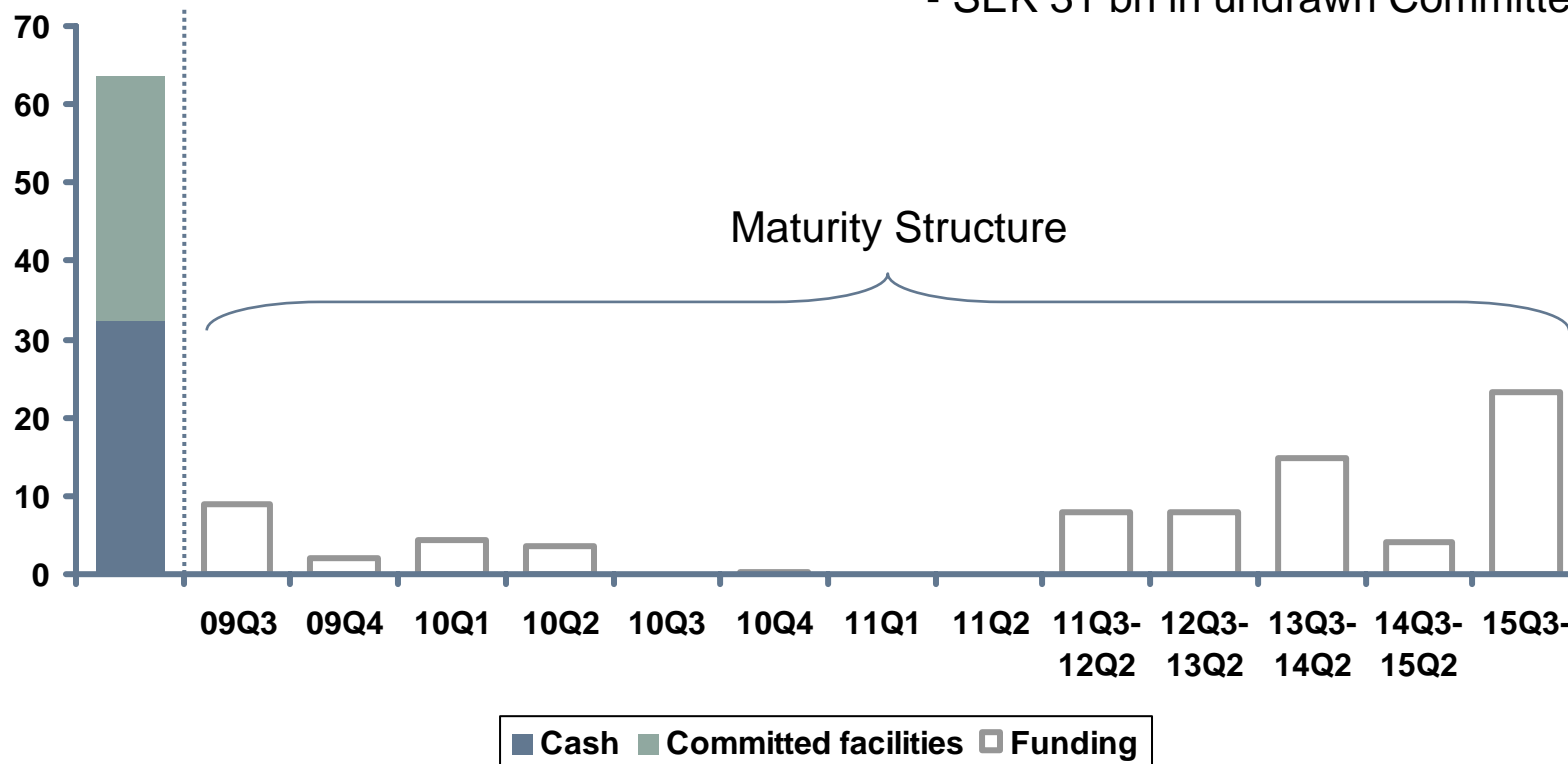
Volvo Group Funding

Industrial Operations

Cash & Committed
Facilities

Liquidity position SEK 63.5 bn

- SEK 32.5 bn in liquid assets
- SEK 31 bn in undrawn Committed Facilities

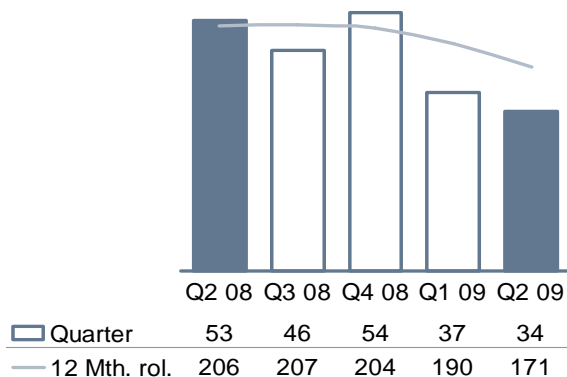


Trucks



Net sales

SEK bn

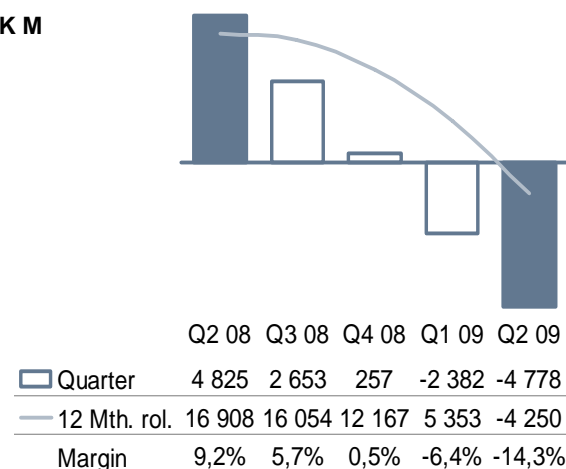


Highlights

- Continued depressed demand for new vehicles
- Sales down by 46% adjusted for currency
- Operating loss, driven by lower sales and under absorption
- Inventories of new trucks reduced by another 16%

Operating income

SEK M



In Focus

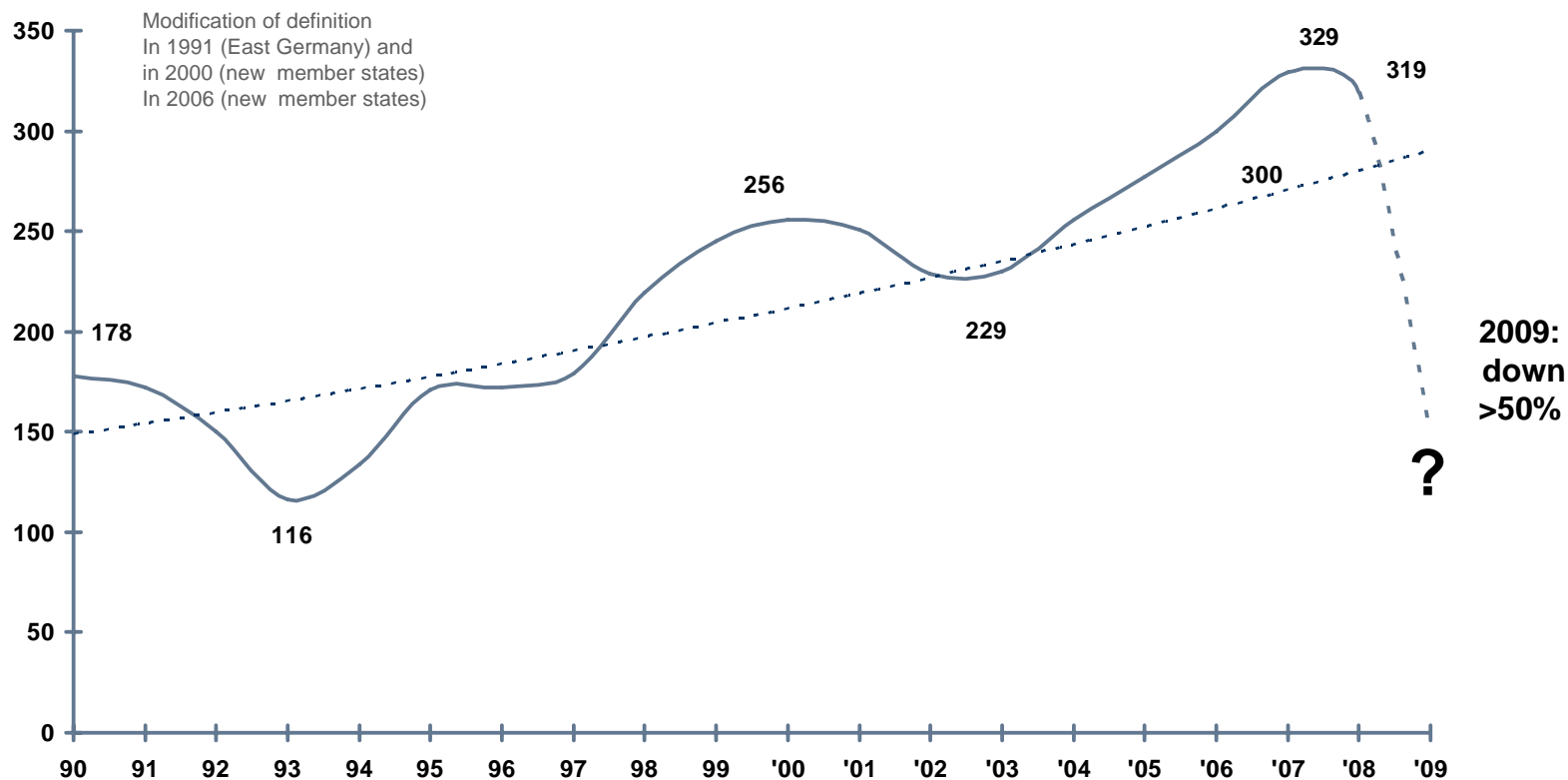
- Rightsizing operations
- Cost efficiency and productivity
- Drive aftermarket and services
- Further inventory reductions
- Prepare for new emission regulations

Heavy-duty truck market - Europe

(EU members + Switzerland and Norway)



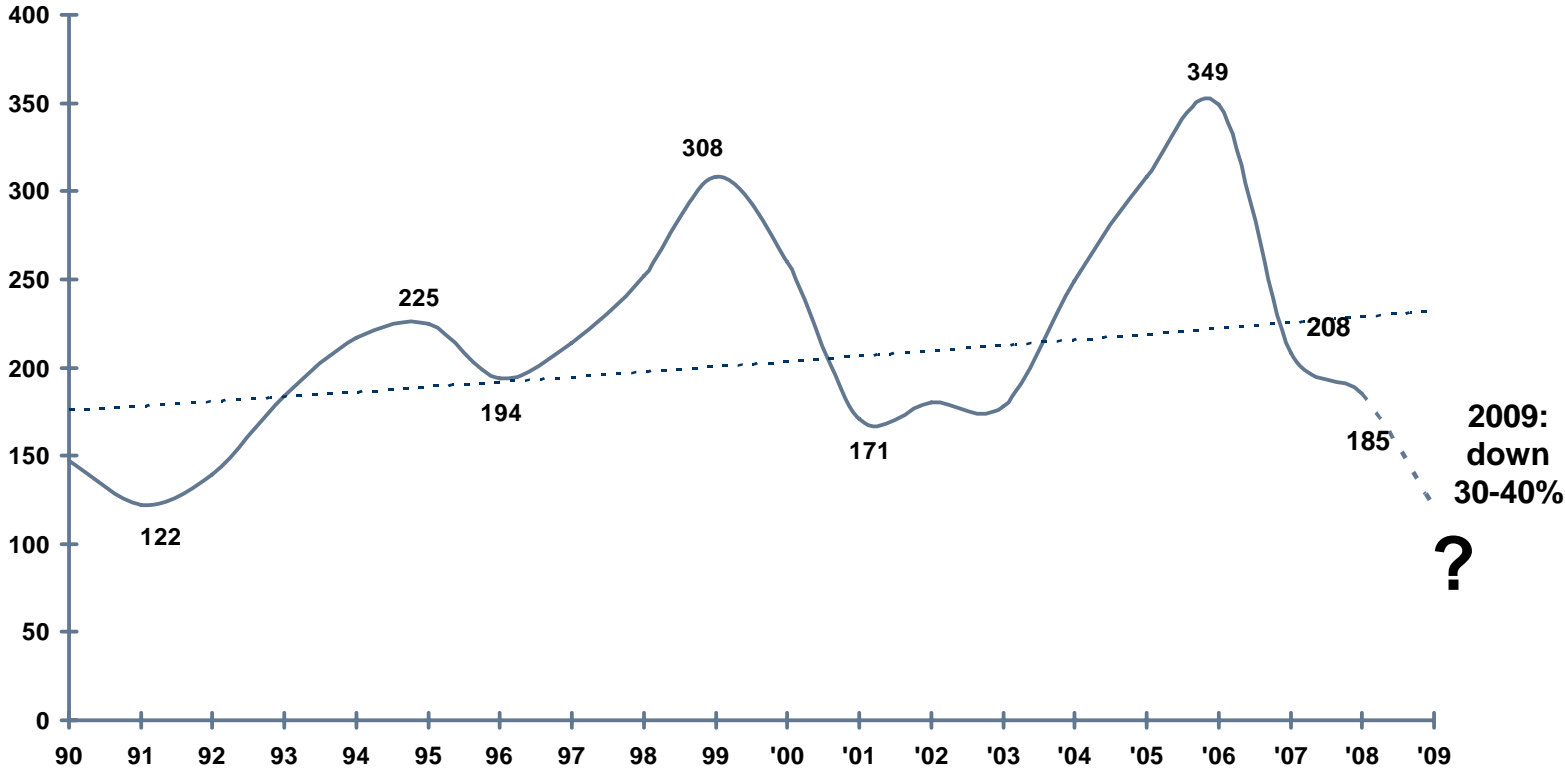
Units, Thousands (heavy trucks)



Heavy-duty truck market – North America



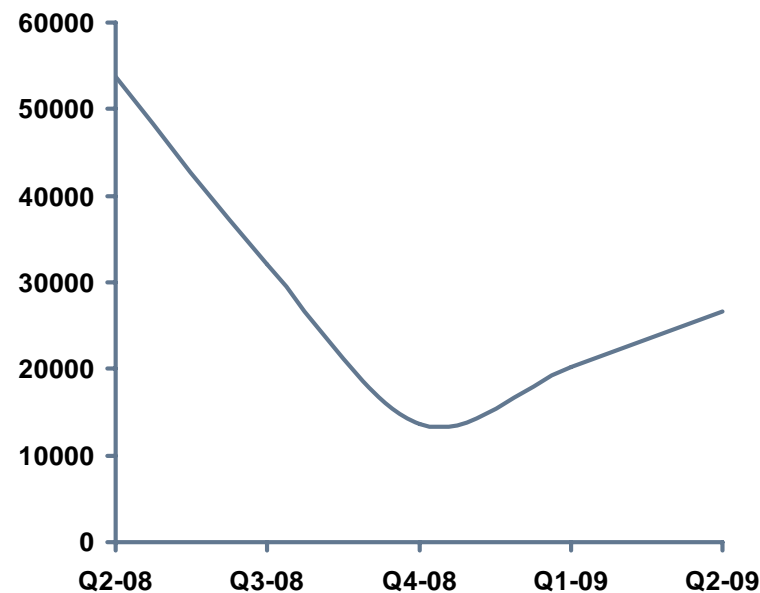
Units, Thousands (heavy trucks)



Net order intake – positive trend

Trucks

Net order intake	Q2-08	Q3-08	Q4-08	Q1-09	Q2-09	Change Q2-Q1
Europe	21,948	115	-1,549	7,494	8,980	20%
North America	5,693	7,578	4,037	2,869	3,257	14%
South America	4,382	5,096	1,087	1,731	2,998	73%
Asia	18,110	14,607	7,868	5,712	7,884	38%
Other markets	3,658	4,676	2,235	2,377	3,505	47%
Total	53,791	32,072	13,678	20,183	26,624	32%



Trucks



Volvo Trucks

- Adapting production capacity
- New products launched
- Building customer relationships
- Secure cash flow

Renault Trucks

- Short-term weeks implemented for both blue and white collar employees
- Focus on reduction of inventories
- Further reduction of production rates



Mack Trucks

- Labor agreement eliminates health care liabilities
- EPA '10 program in advanced stages
- Hybrid demonstrators to refuse customers
- Customer Satisfaction at record highs

Nissan Diesel

- Scrapping incentives in Japan
- Improving trend in order intake
- Low inventories
- Increase of production rates

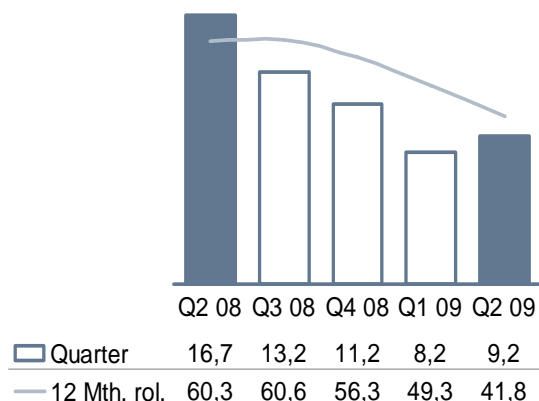


Construction Equipment



Net sales

SEK bn

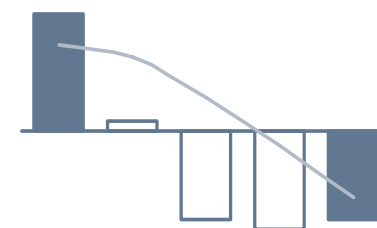


Highlights

- Continued weak world market, down 48%
- Considerable loss due to low volumes and under absorption
- Capacity utilization at 25-30%
- Units in inventories reduced by 11% in Q2 and 40% since October 2008

Operating income

SEK M



Q2 08 Q3 08 Q4 08 Q1 09 Q2 09

Quarter	1 629	134	-1 256	-1 395	-1 259
12 Mth. rol.	4 804	4 099	1 808	-888	-3 776
Margin, %	9,7%	1,0%	-11,2	-17,1	-13,8

In Focus

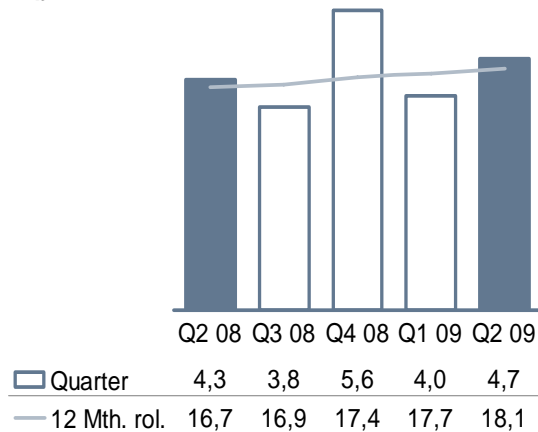
- Inventories and cash flow
- Reduction of break even level
- Roll out of new strategy
- Fuel efficiency

Buses



Net sales

SEK bn

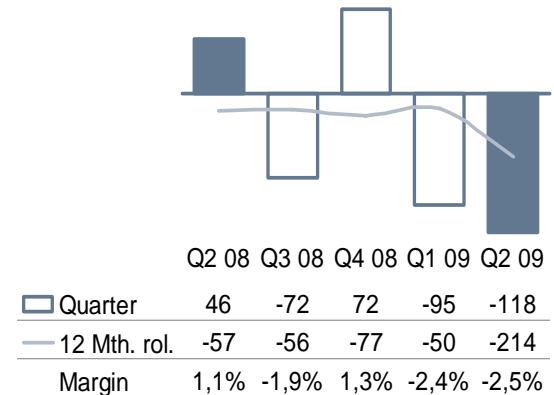


Highlights

- Continued negative market development
- Increased order intake +38%
- Significant change of geografic mix

Operating income

SEK M



In Focus

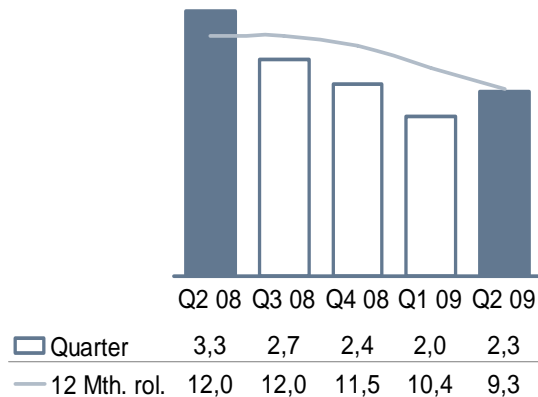
- Intensified cost cutting
- Inventory management
- Product launches, Eu 5, Hybrid and US10

Volvo Penta



Net sales

SEK bn

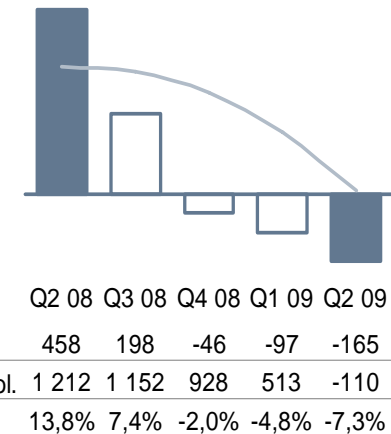


Highlights

- Decline in sales due to continued world market downturn
- Marine leisure business more affected than aftermarket and commercial businesses
- Operating income impacted by under absorption, lay-off costs and credit losses

Operating income

SEK M



In Focus

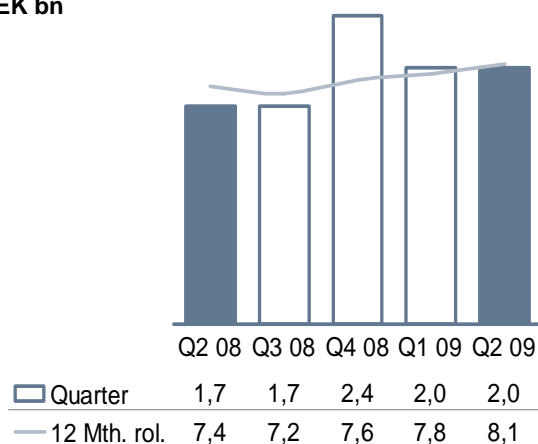
- Manage risks in customer base and supply chain
- Continued focus on cash flow
- Capitalize on major product launches in key segments

Volvo Aero



Net sales

SEK bn

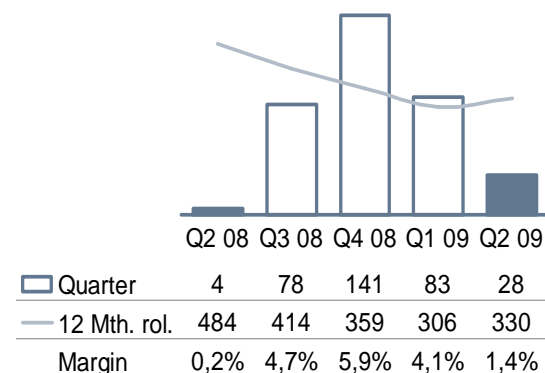


Highlights

- Airline industry under severe pressure
- Boeing's new aircraft (787) further delayed
- Important contract with Snecma on the CFM56 engine

Operating income

SEK M



In Focus

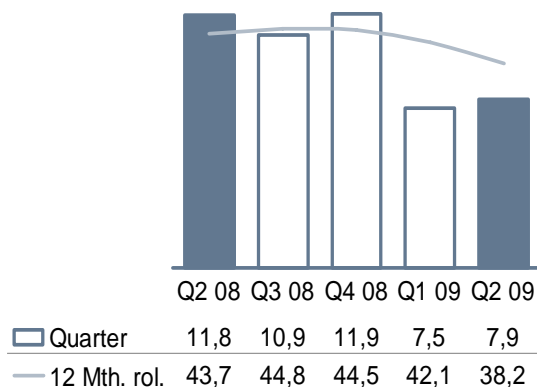
- Capacity adjustment
- Cost management
- Release of capital
- Execution on new contracts

Financial Services



New retail financing

SEK bn

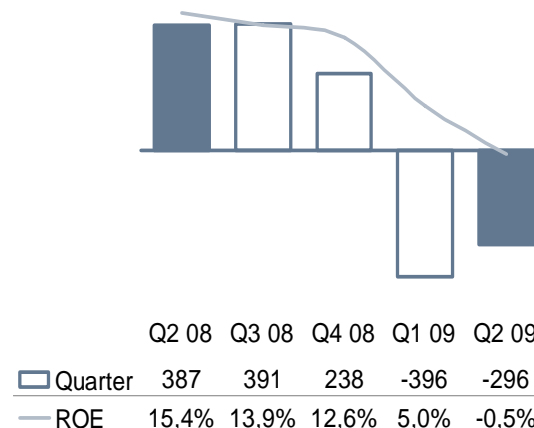


Highlights

- Continuing economic downturn
- Increase in penetration but reduction in new business volume
- Increased credit provisions in Western Europe

Operating income and return on equity

SEK M



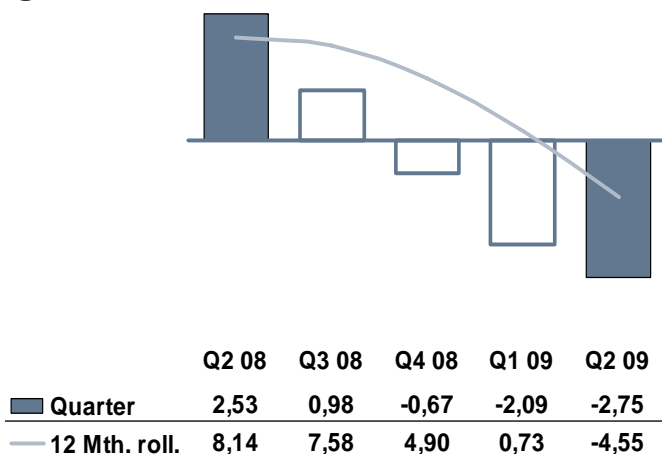
In Focus

- Risk mitigation activities
- Cost reduction
- Develop the finance operations in Japan

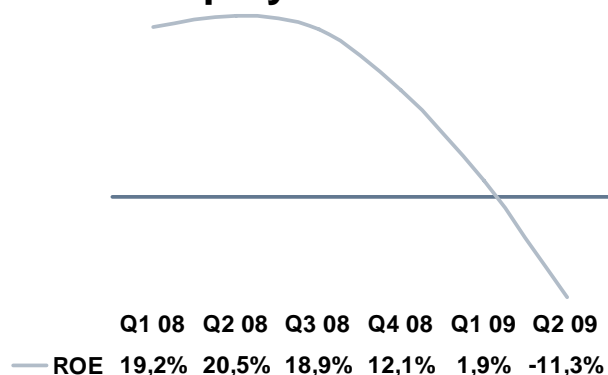
Group Summary



Earnings per share SEK



Return on equity



Second quarter

- Sales 45% lower than Q2-08 but flat compared with the first quarter 2009
- Significant production cut backs
- Operating loss
- Successful reduction of inventories: SEK 5.8 bn
- Operating Cash Flow improved by SEK 12.8 bn compared with Q1
- Strong liquidity reserve: SEK 63.5 bn

In focus

- Group cost structure
- Cash flow

VOLVO

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