

VOLVO

Third Quarter 2009

Press Conference, October 23, 2009

Group Highlights



Third quarter

- Sales stabilized on low level
- Operating loss SEK 3.3 bn
- Cost reductions effective
- Successful reduction of inventories

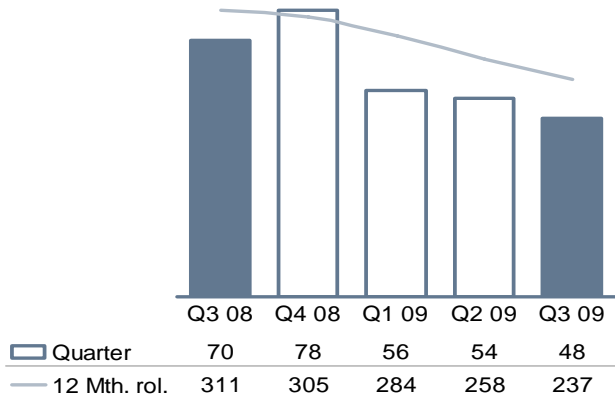
Business environment

- Europe; bottoming out and some signs of improvement
- Asia; recovery under way
- North America; no clear signs of recovery

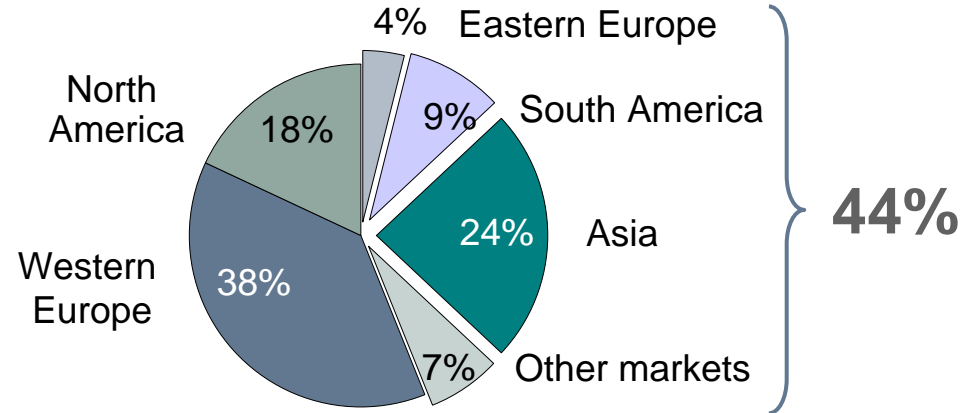
Volvo Group

Net sales

(SEK bn)

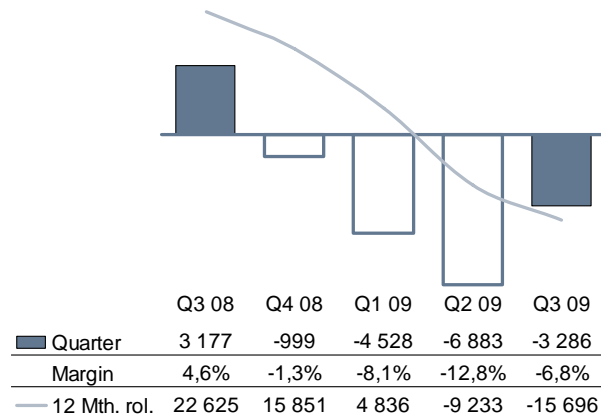


Third quarter



Operating income

(SEK M)

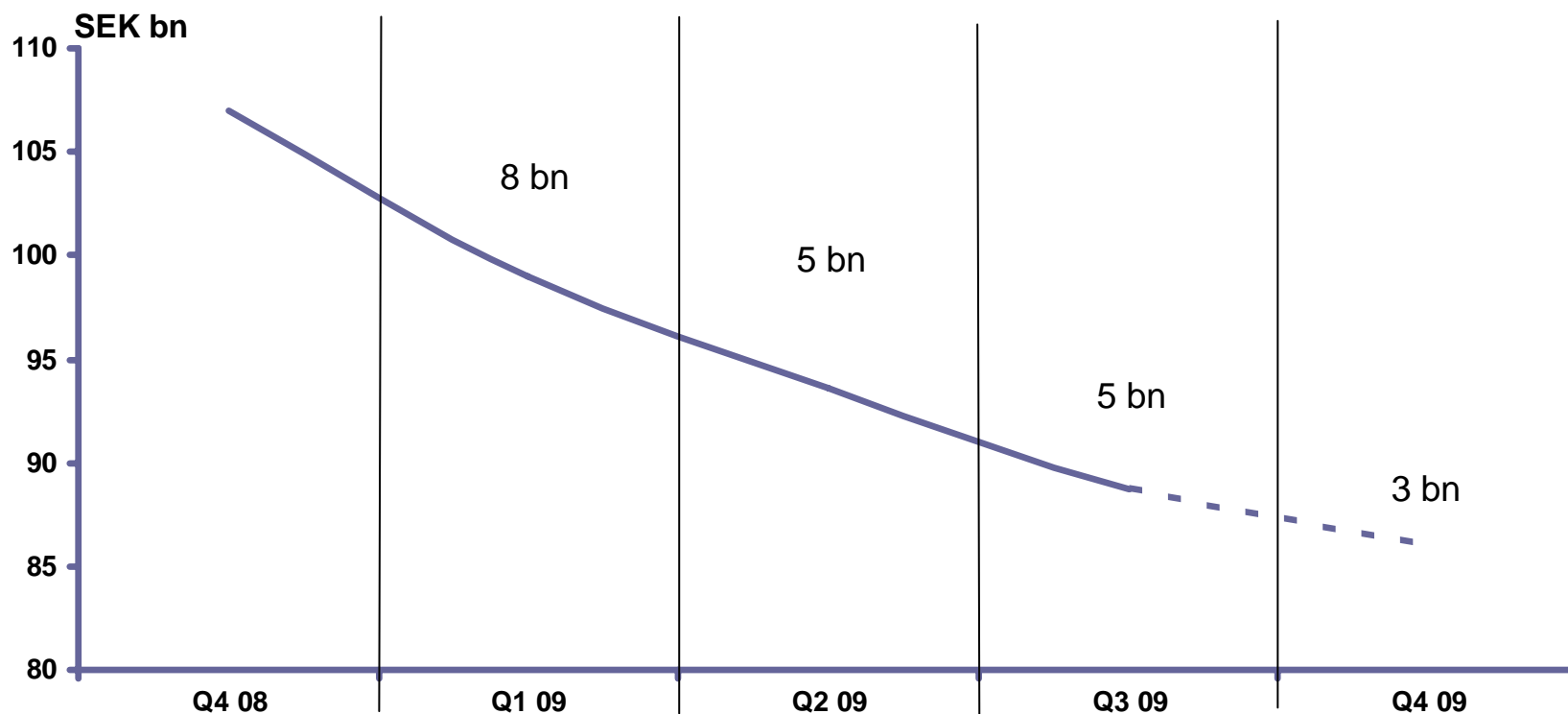


Operating income

- Significantly lower sales volumes
- Under absorption SEK 2.5 bn
- + Cost reductions starting to have effect

Annual cost level

- Activities and development so far

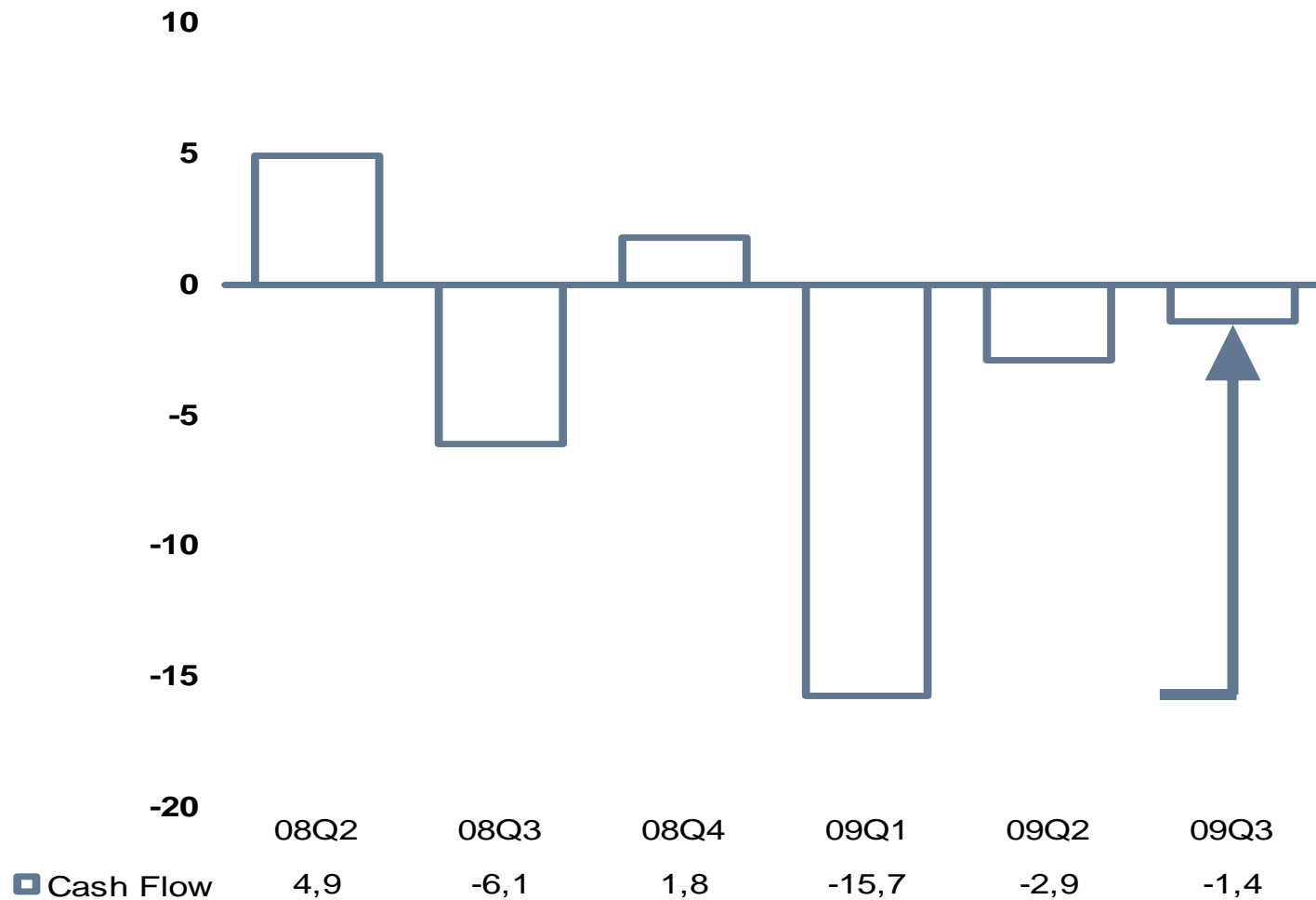


- Annualized run rate expected to be reduced by SEK 21 bn from the end of 2009.

Volvo Group – Cash Flow

Industrial Operations

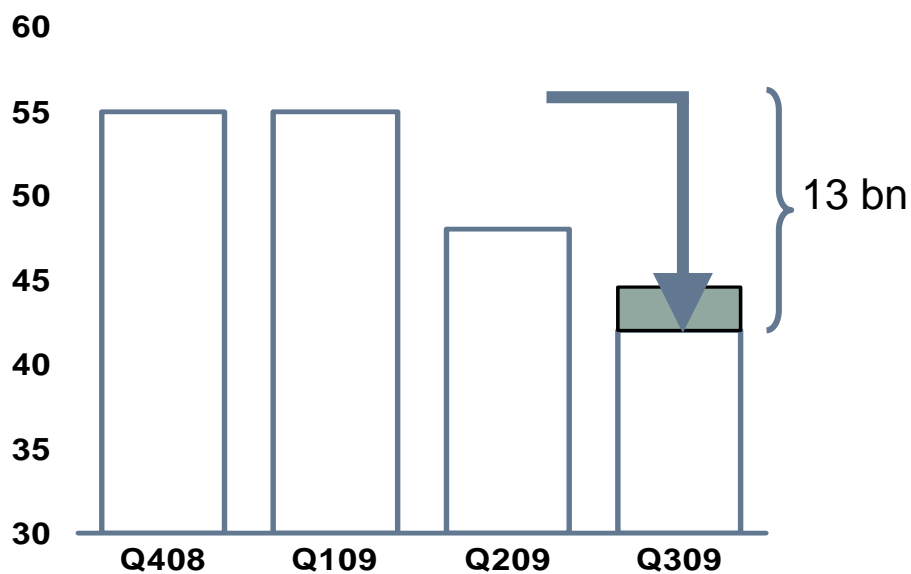
SEK bn



Working Capital

Inventories, Volvo Group

SEK bn



■ Currency
■ Inventories

2,6
55 55 48 42

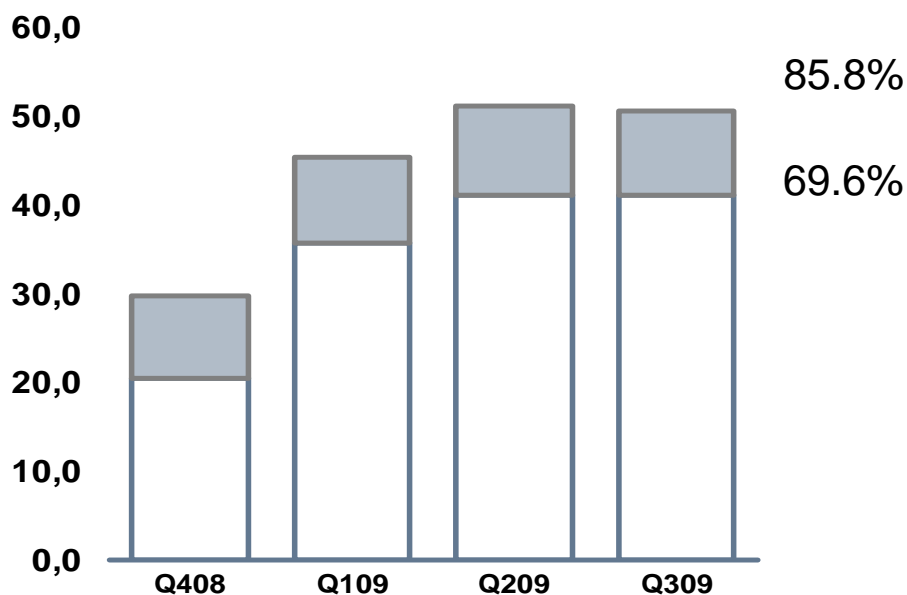
Industrial Operations

- 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

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> |

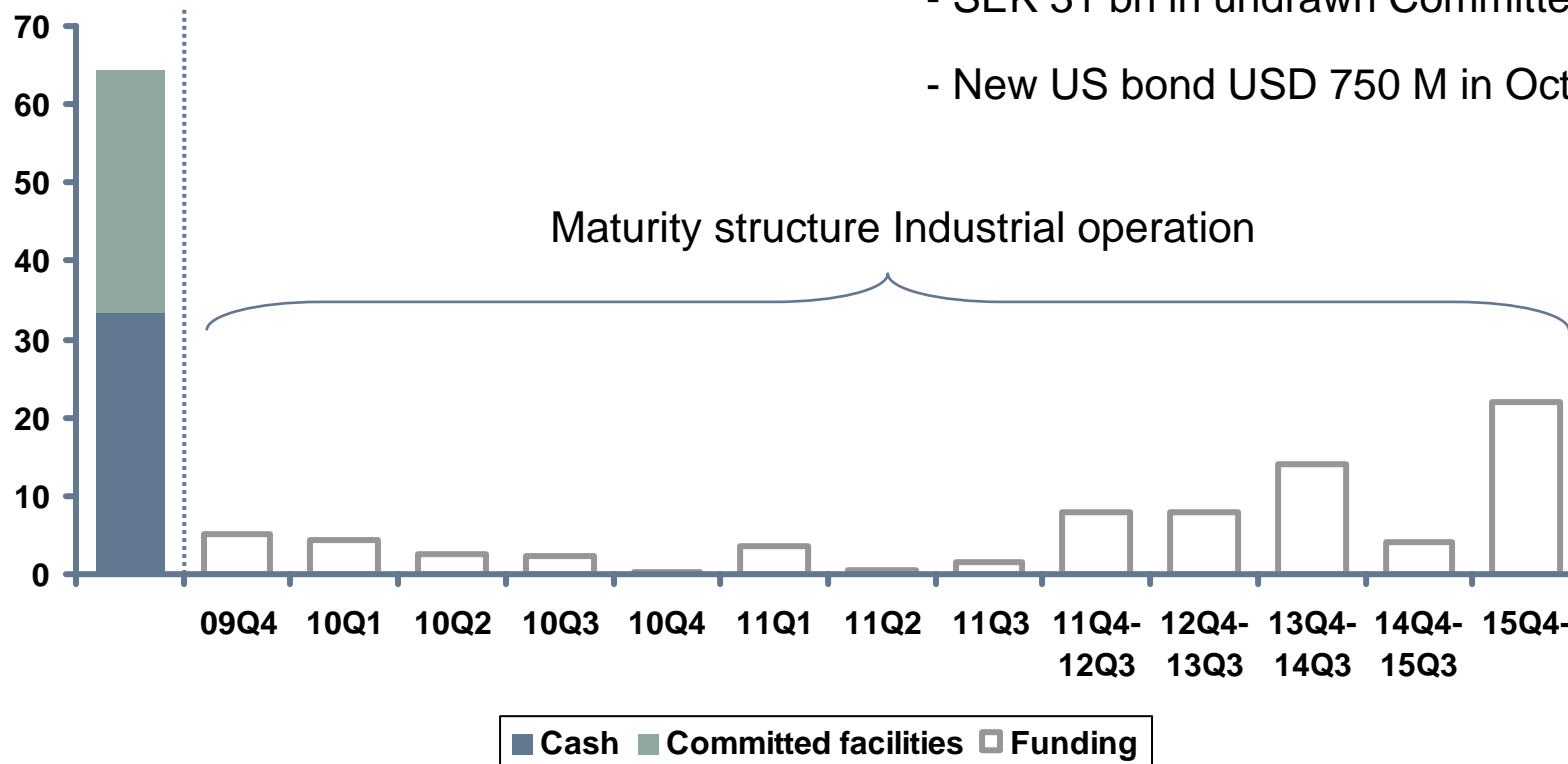
Total - **0.7 bn**

Volvo Group Funding

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

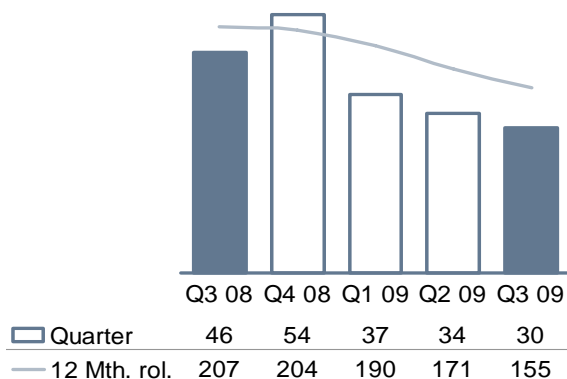


Trucks



Net sales

SEK bn

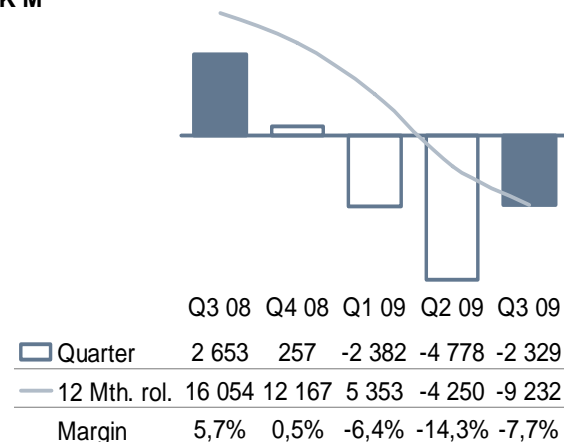


Highlights

- Continued depressed demand for new vehicles
- Sales down by 42% adjusted for currency
- Operating loss reduced; lower sales and under absorption partly offset by cost reductions
- Inventories of new trucks reduced by another 19%

Operating income

SEK M



In Focus

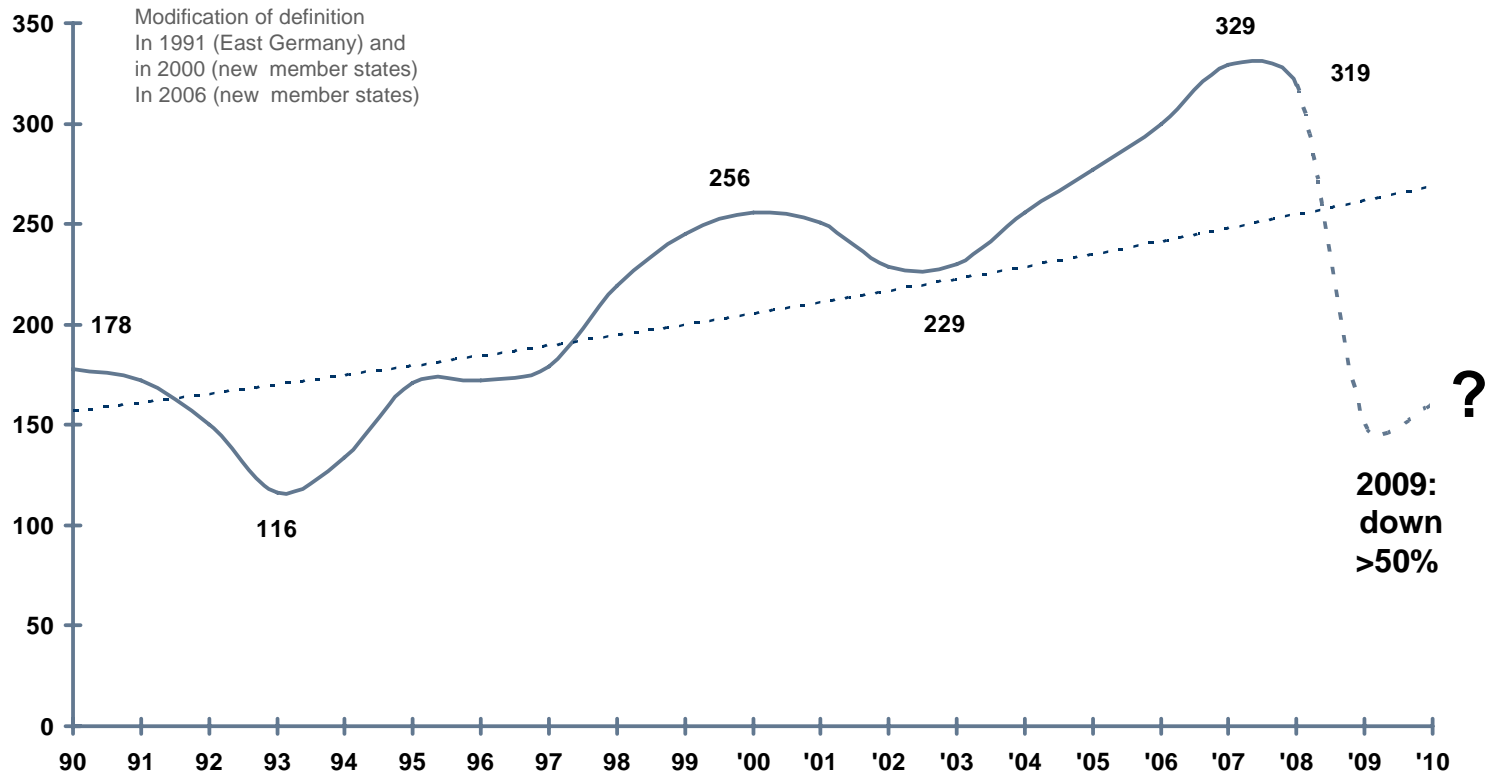
- Rightsizing operations
- Cost efficiency and productivity
- Drive aftermarket and services
- Further reduction of used truck inventory
- Prepare for new emission regulations

Heavy-duty truck market - Europe

(EU members + Switzerland and Norway)



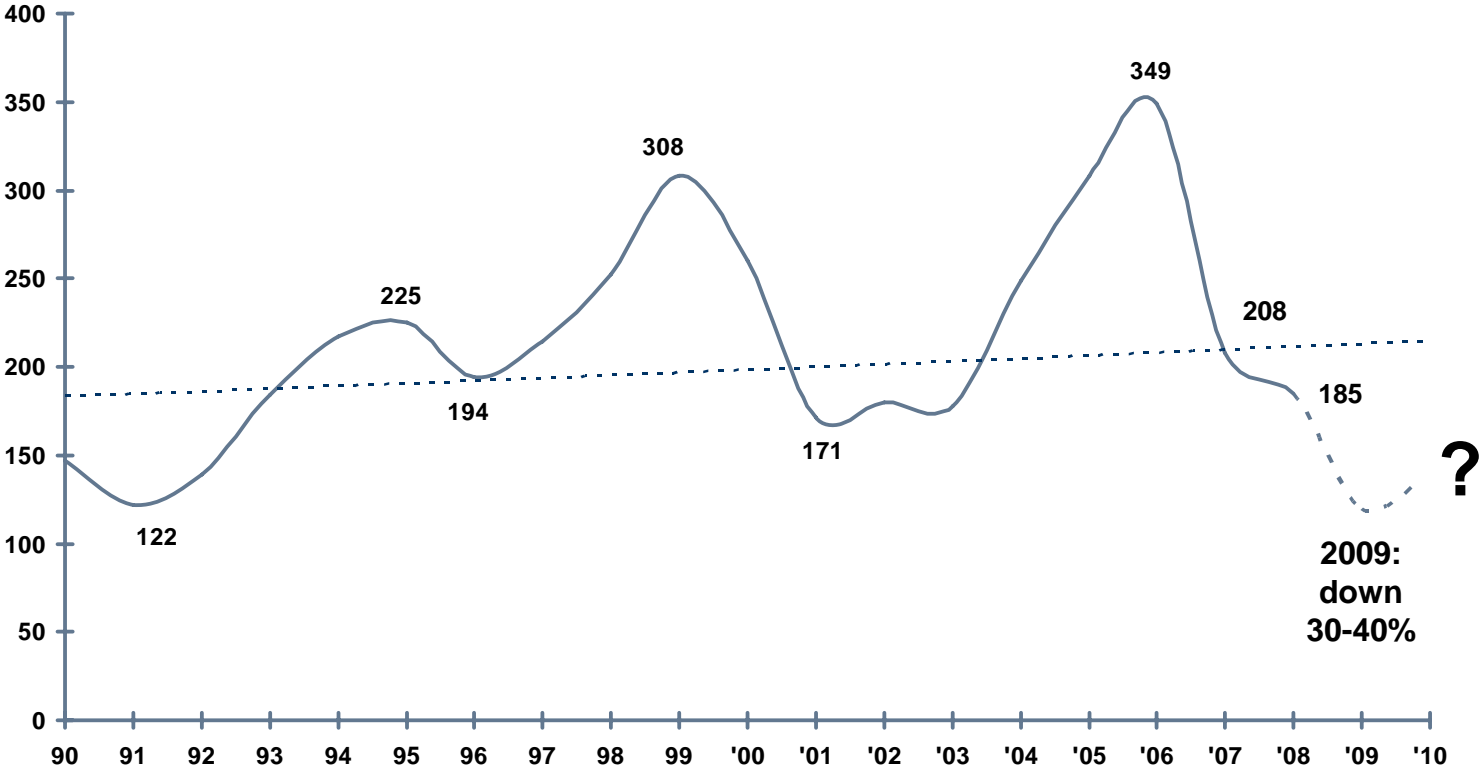
Units, Thousands (heavy trucks)



Heavy-duty truck market – North America



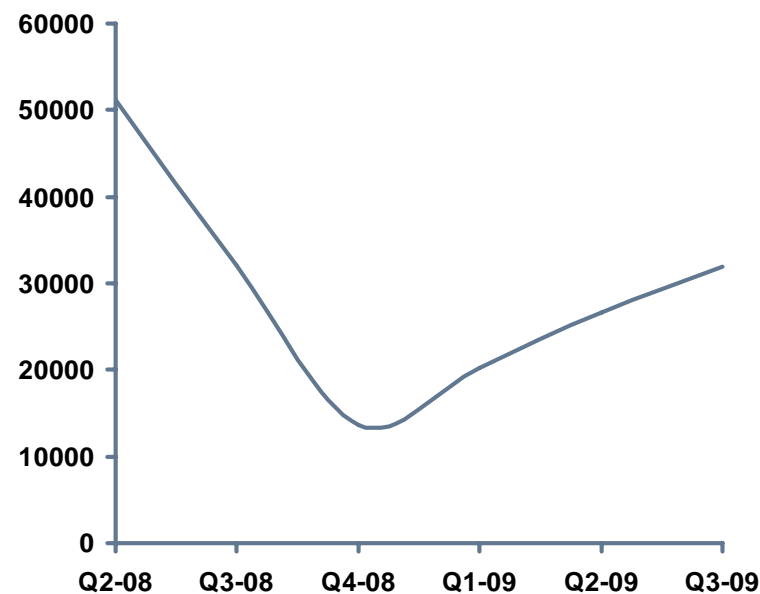
Units, Thousands (heavy trucks)



Net order intake – positive trend

Trucks

| Net order intake | Q3-08 | Q4-08 | Q1-09 | Q2-09 | Q3-09 | Change Q3-Q2 |
|------------------|---------------|---------------|---------------|---------------|---------------|--------------|
| Europe | 115 | -1,549 | 7,494 | 8,980 | 8,189 | -9% |
| North America | 7,578 | 4,037 | 2,869 | 3,257 | 5,093 | 56% |
| South America | 5,096 | 1,087 | 1,731 | 2,998 | 5,284 | 76% |
| Asia | 14,607 | 7,868 | 5,712 | 7,884 | 10,079 | 28% |
| Other markets | 4,676 | 2,235 | 2,377 | 3,505 | 3,353 | -4% |
| Total | 32,072 | 13,678 | 20,183 | 26,624 | 31,998 | 20% |



Renault Premium Optifuel

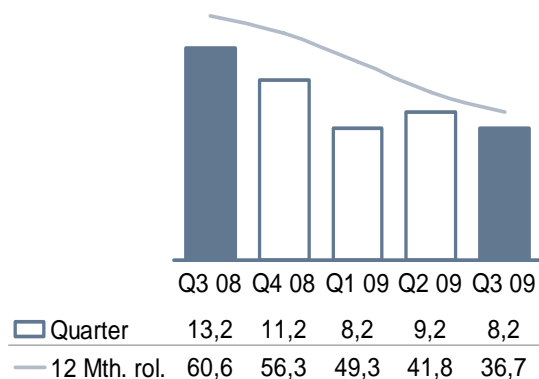


Construction Equipment



Net sales

SEK bn

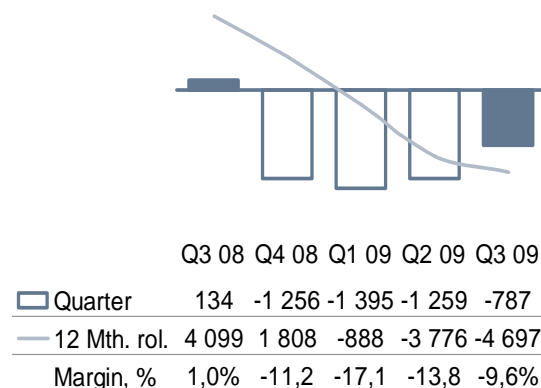


Highlights

- Still very weak world market, down 42%
- Operating loss reduced by 37% compared to Q2 despite 11% lower sales
- Capacity utilization at 30%
- Unit inventories down another 10%

Operating income

SEK M



In Focus

- Back to Profitability
- Cost efficiency and productivity
- Inventory reduction
- Capitalize on good momentum in China

Construction Equipment

New Volvo 8820 pavers in Beijing

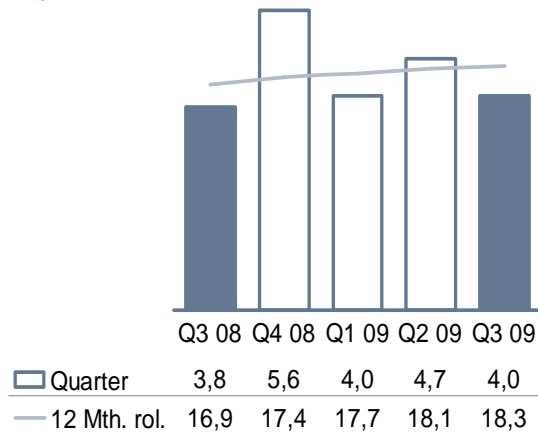


Buses



Net sales

SEK bn

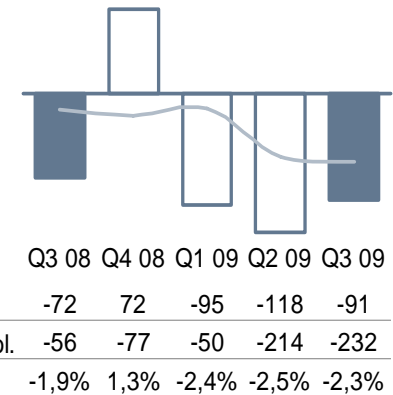


Highlights

- Bus market continues to decline
- Good order intake in Asia
- Significant change of product and market mix

Operating income

SEK M



In Focus

- Rightsizing operations
- Cost efficiency and productivity
- Delivery performance in NA
- Hybrid serial production, US10, Euro 5

Buses

BRT, Bi-articulated buses to Transmilenio in Bogota and Sao Paolo

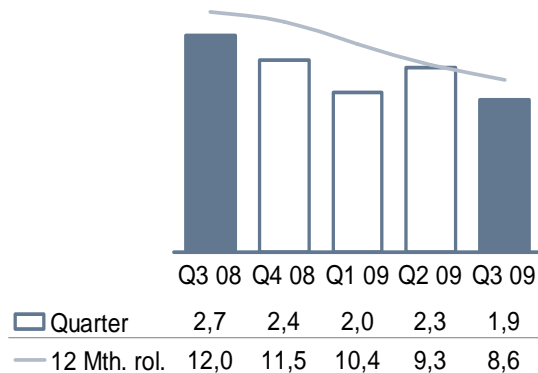


Volvo Penta



Net sales

SEK bn

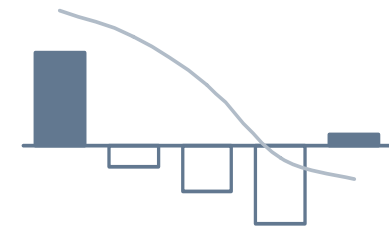


Highlights

- Weak world market for marine engines, more stable for industrial engines
- Profitable quarter due to positive effects from downsizing activities
- Significantly reduced inventories, pipeline of finished products adjusted

Operating income

SEK M



| | Q3 08 | Q4 08 | Q1 09 | Q2 09 | Q3 09 |
|--------------|-------|-------|-------|-------|-------|
| Quarter | 198 | -46 | -97 | -165 | 25 |
| 12 Mth. rol. | 1 152 | 928 | 513 | -110 | -283 |
| Margin | 7,4% | -2,0% | -4,8% | -7,3% | 1,3% |

In Focus

- Continue to manage risks towards suppliers and customers
- Increase market positions within Industrial segments
- Capitalize on extensive products launches and new soft products



Volvo Penta Product News

New industrial engines on Group diesel platform



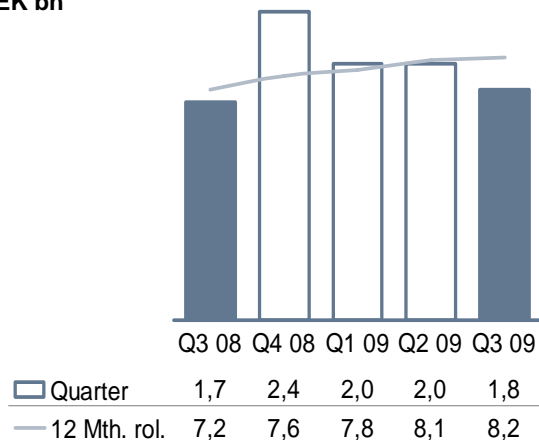
D13 (TAD1345VE)

Volvo Aero



Net sales

SEK bn

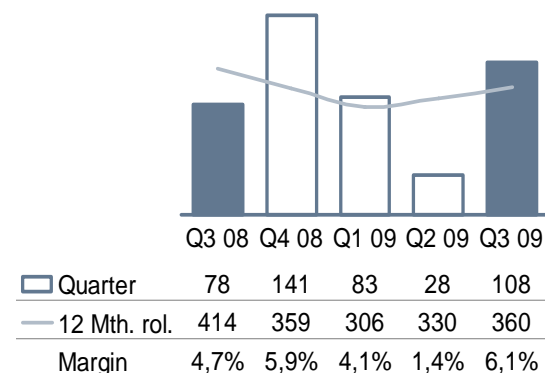


Highlights

- Airlines face major losses
- Air traffic decrease flattening out
- Lower capacity utilization
- Personnel reductions

Operating income

SEK M

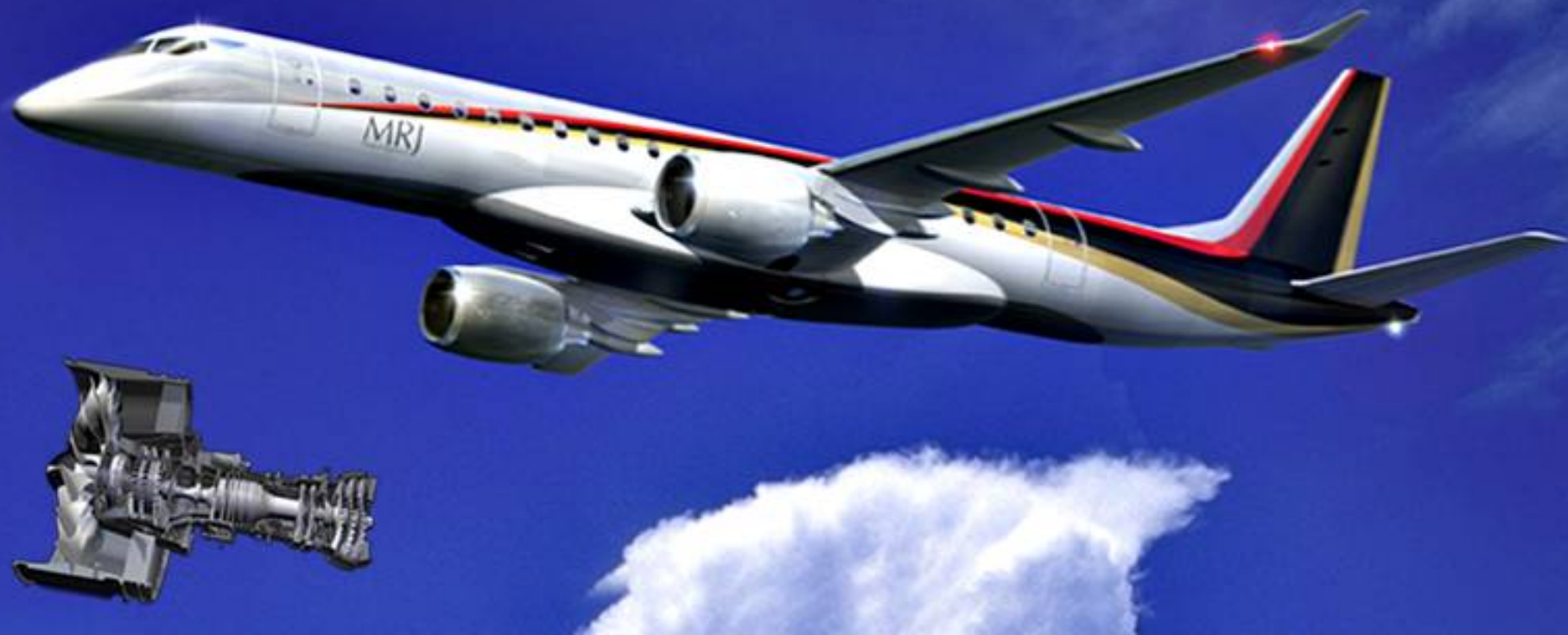


In Focus

- Capacity adjustment
- Cost management
- Continued focus on cash flow
- Execution on new contracts

Volvo Aero

Important contract on 100 MRJ aircraft with PW1000G engine

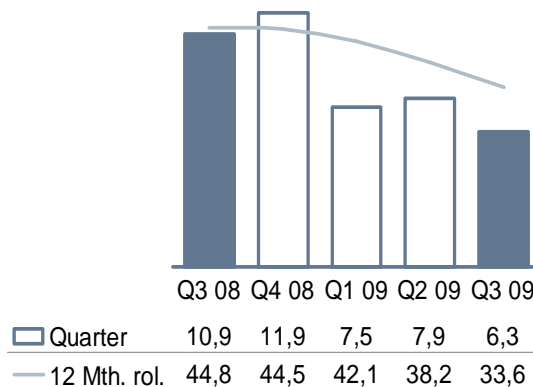


Financial Services



New retail financing

SEK bn

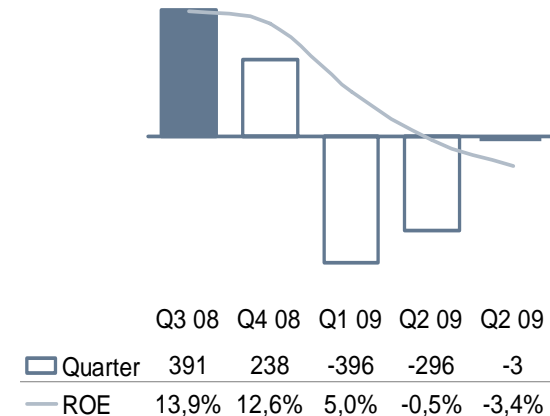


Highlights

- Early signs of portfolio stabilization
- Inventory reduction in September
- Continuation of difficult economic conditions

Operating income and return on equity

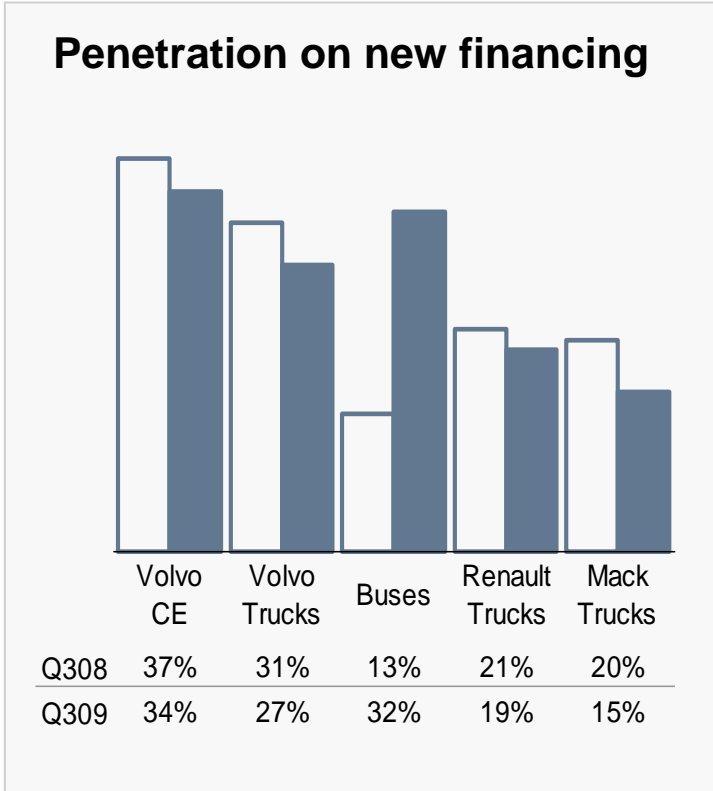
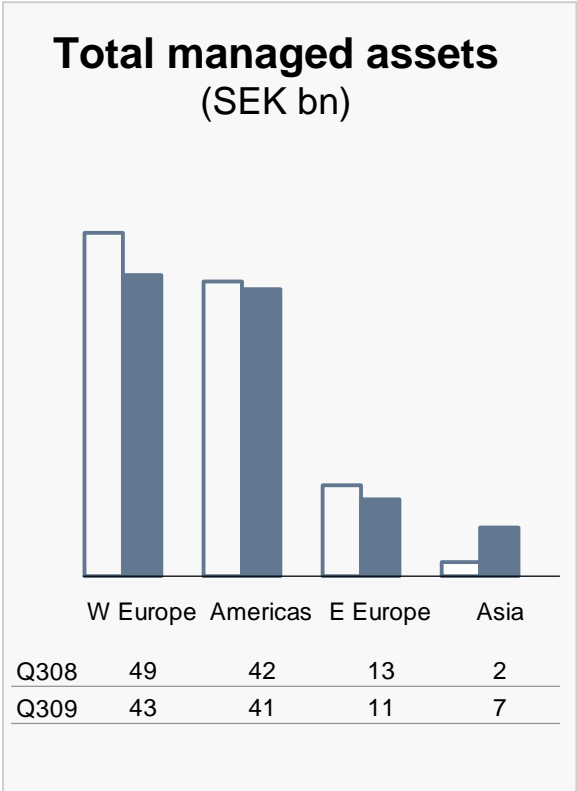
SEK M



In Focus

- Debt collection activities
- Inventory management and remarketing
- Rationalization of cost structure

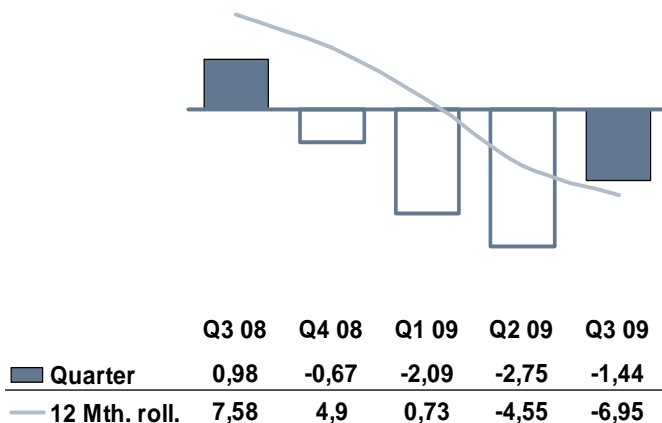
Financial Services



Group Summary

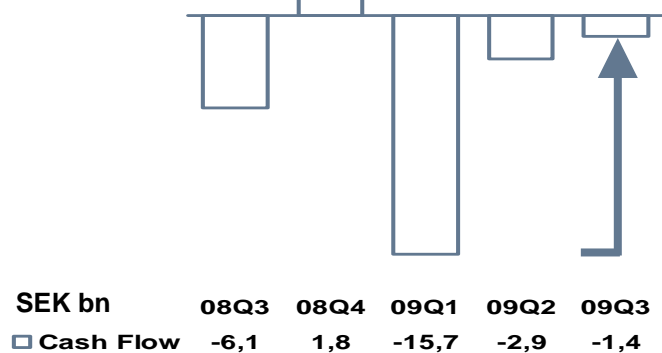


Earnings per share SEK



Operating Cash Flow

Industrial operations



Third quarter

- Sales 31% lower than Q3-08, -39% adjusted for currency
- Operating loss reduced
- Successful reduction of inventories: SEK 3.4 bn
- Operating cash flow – positive trend
- Net debt development stabilized

In focus

- Group cost structure
- Cash flow

VOLVO

Third Quarter 2009