

VOLVO

Fourth Quarter 2010

Press Conference, February 4, 2011

Group Highlights



Fourth quarter

- Operating income SEK 5.5 bn
- Operating margin 7.5%
- Cash flow SEK 15.1 bn
- Dividend SEK 2.50* (0)

Business environment

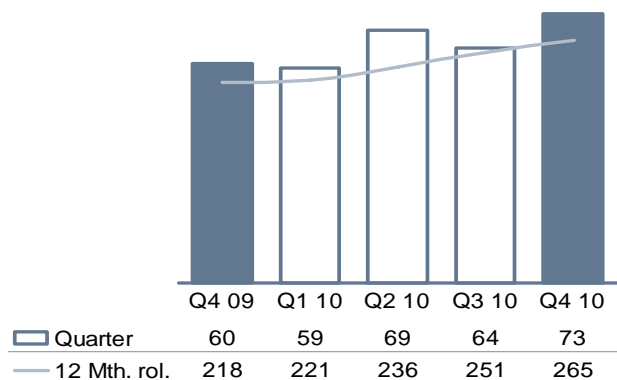
- Europe: improving market conditions
- Asia: strong outside Japan
- South America: strong market
- North America: significant improvement in demand

* As proposed by the Board of Directors

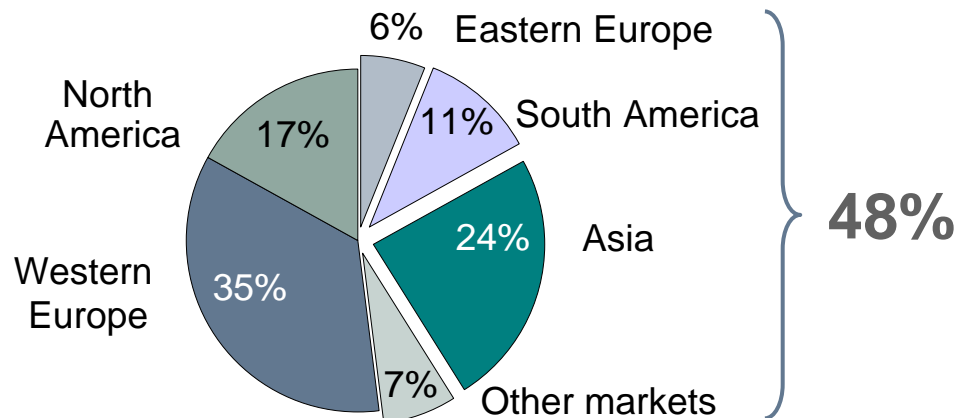
Volvo Group

Net sales

(SEK bn)

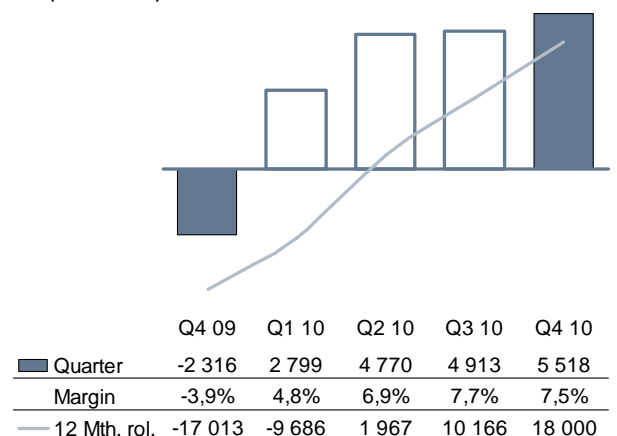


Fourth quarter



Operating income

(SEK M)



Sales

+ Increased sales of new products

Operating income

+ Increased volumes

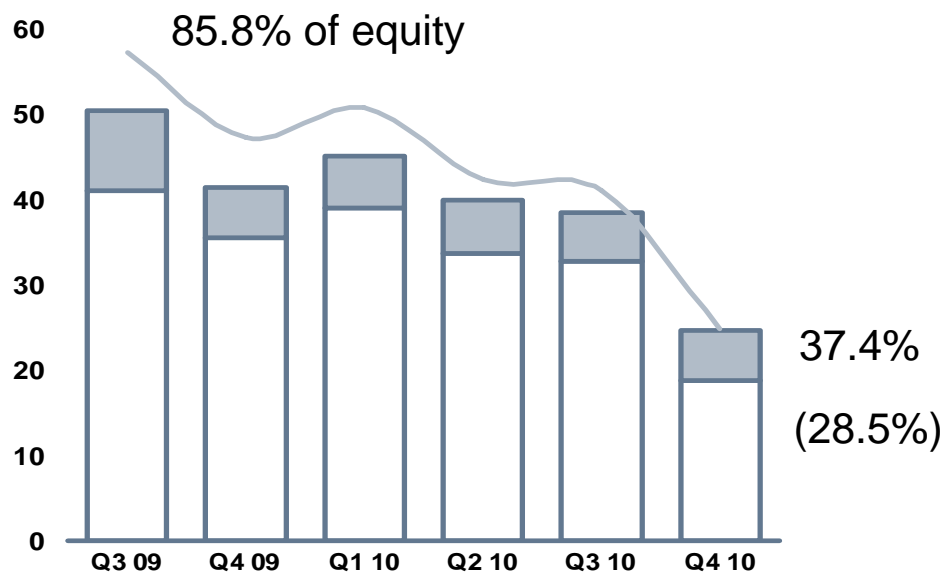
+ Improved capacity utilization

+ Cost control

Volvo Group – Net Financial Debt

Industrial Operations

**Net debt,
SEK bn**



Pensions	9,5	6,0	6,1	6,4	5,7	5,8
Financial Debt	41,0	35,5	39,0	33,6	32,7	18,8

Changes in Net financial debt

- Cash Flow	+ 15.1 bn
- Currency	- 0.9 bn
- Other	<u>- 0.5 bn</u>

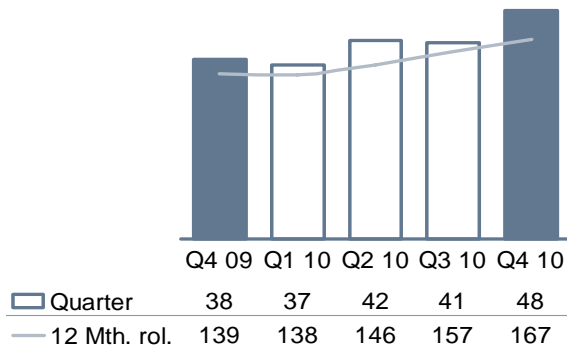
Total **13.7 bn**

Trucks



Net sales

SEK bn

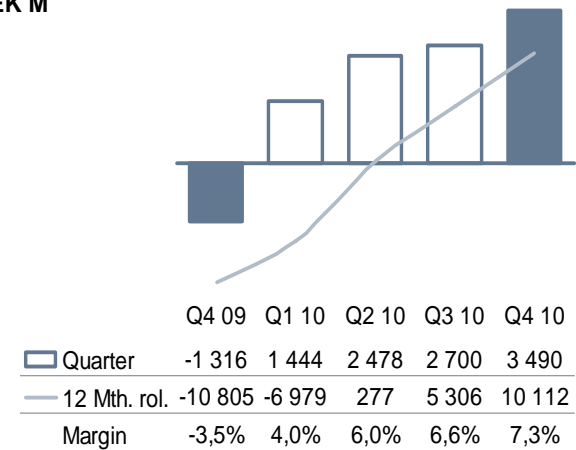


Highlights

- Improving demand & market conditions
- Sales up by 34%, fx-adjusted
- Operating margin 7.3%
- Continued increase in order intake
- Production ramp-up

Operating income

SEK M



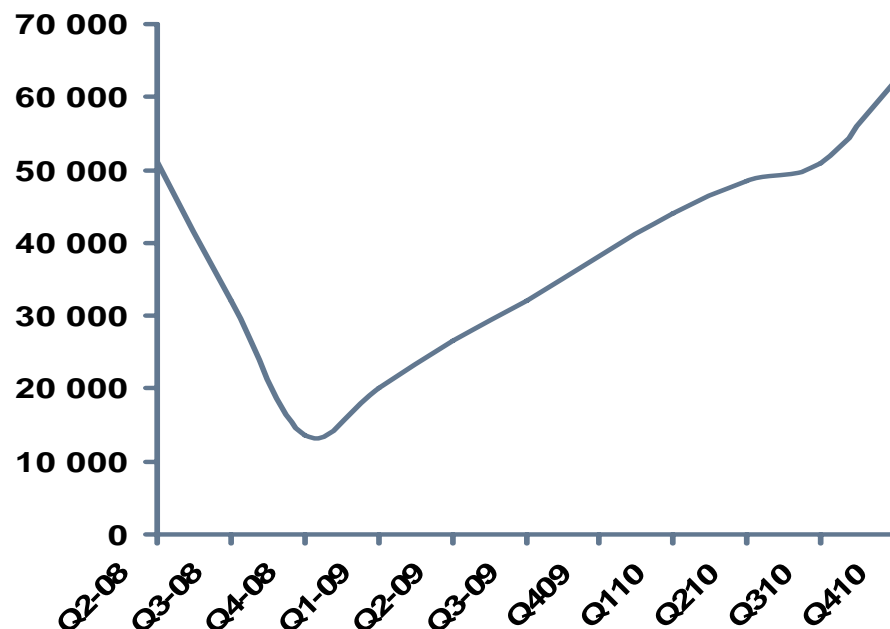
In Focus

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

Net order intake

Trucks

Net order intake	Q4-09	Q3-10	Q4-10	Change Q4->Q4	Change Q3->Q4
Europe	14,546	19,434	26,014	79%	34%
North America	4,661	9,350	10,414	123%	11%
South America	5,576	6,085	7,369	32%	21%
Asia	10,227	13,047	14,617	43%	12%
Other markets	3,156	2,953	3,637	15%	23%
Total	38,166	50,869	62,051	63%	22%

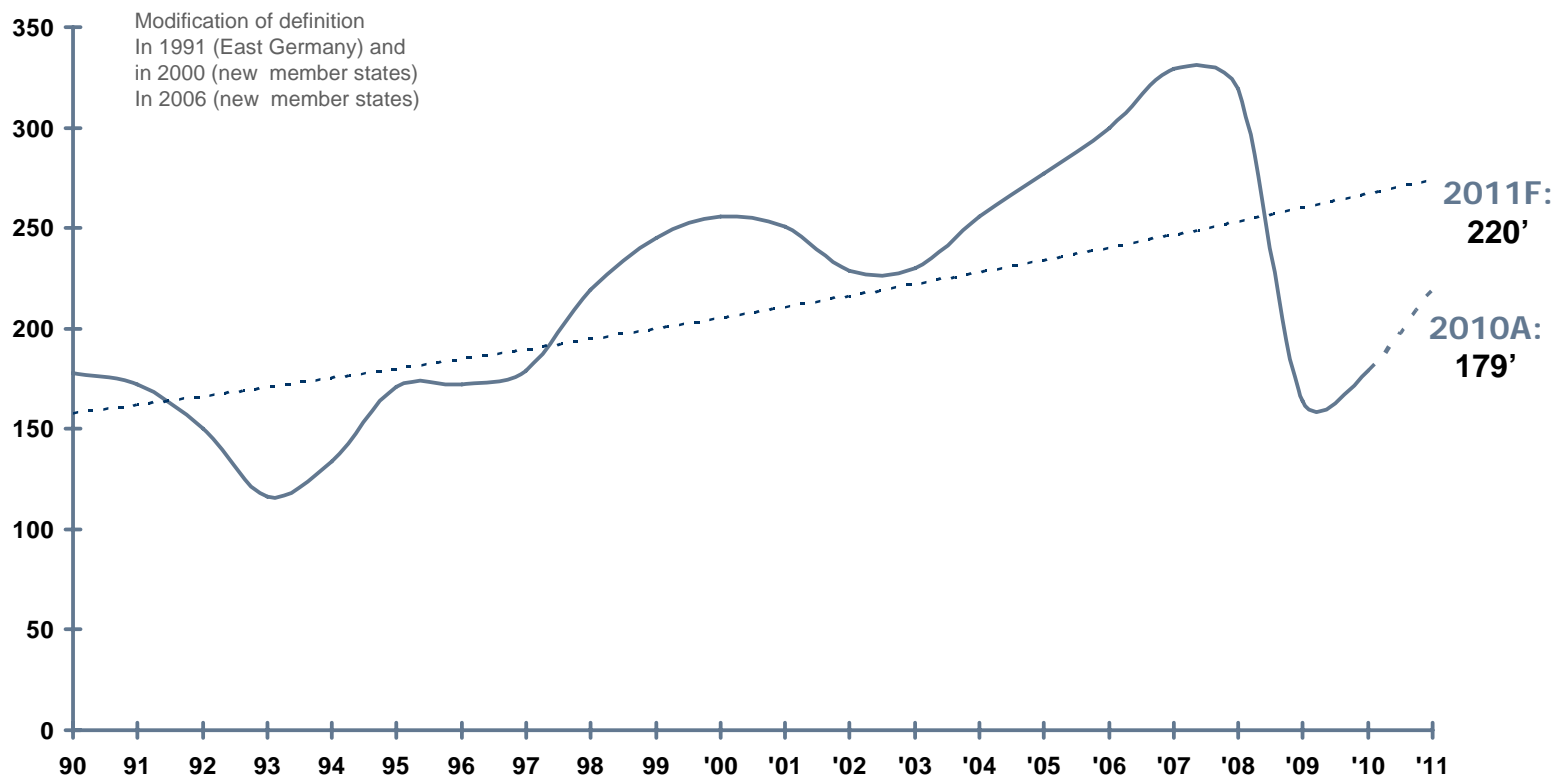


Heavy-duty truck market - Europe

(EU members + Switzerland and Norway)



Units, Thousands (heavy trucks)



North American Trucks

Dennis Slagle
President North American Trucks



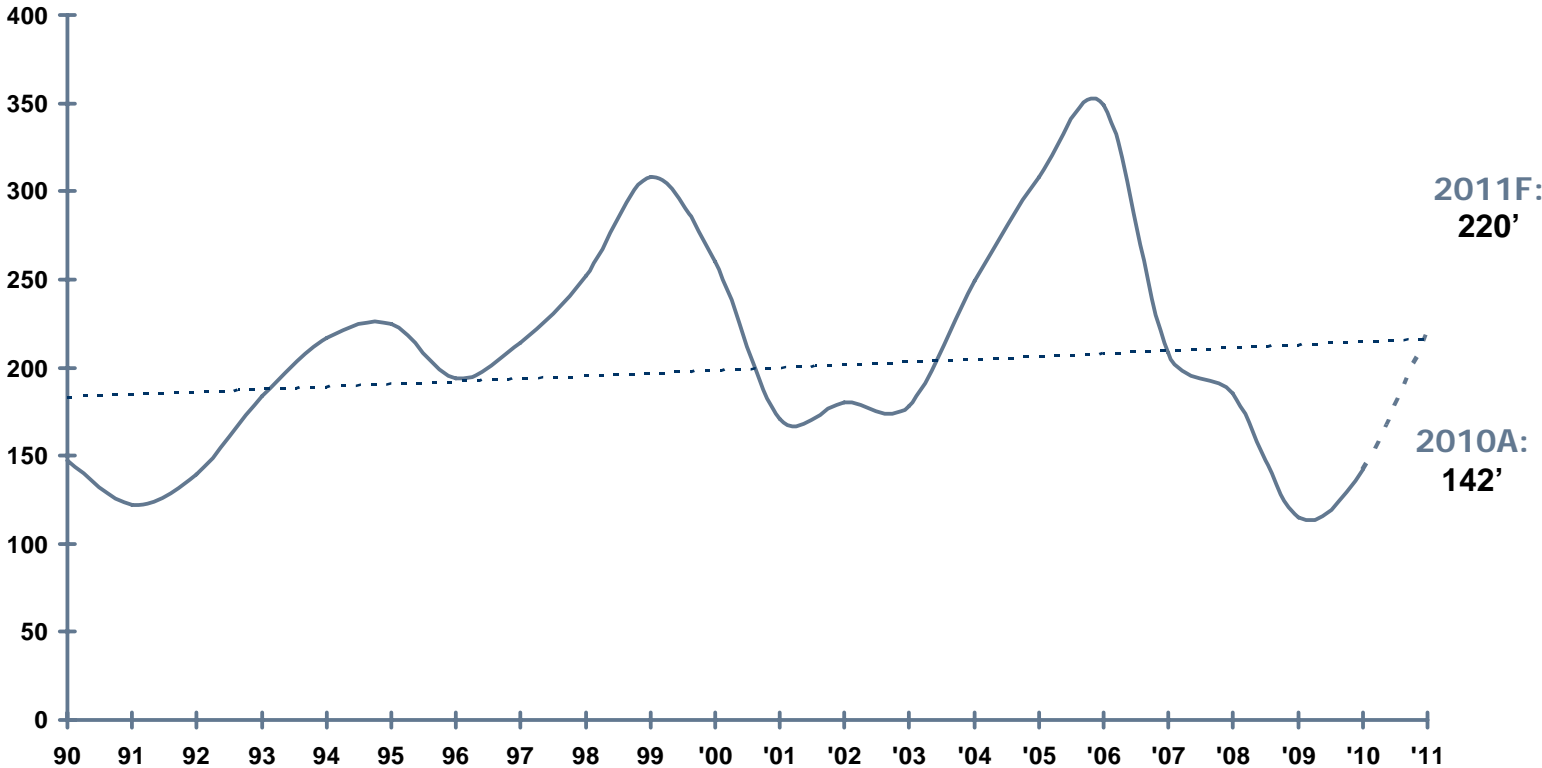
Heavy-duty truck market – North America

- Up 20% in 2010 (142,096 trucks)
- Overall demand rising – construction still lagging
- Freight volumes and rates rising, capacity tight
- Aging fleet (oldest since deregulation)
- Strength in aftermarket sales and used trucks

Heavy-duty truck market – North America



Units, Thousands (heavy trucks)



2010 market share



Volvo

- U.S. and Canada up 2 percentage points
- Volvo power penetration 75%
- Volvo I-Shift penetration 26%

Mack

- U.S. and Canada steady despite construction
- Maintained core segment leadership
- mDRIVE sold out 2010

Well positioned in North America



- Leaner, more agile organization
- Strong acceptance of EPA'10 solution
- Vertical integration
- Strong product portfolio
- Showcase facilities
- Improving price environment
- Much improved used truck market
- Market tailwinds

Brand strategy – Mack



“Built Like a Mack Truck”
Durability, Reliability,
Application Excellence

- Brand strength
- Expand highway business – mDRIVE
- EPA 2010 performance
- Protect vocational leadership

Brand strategy – Volvo

“Driving Success”

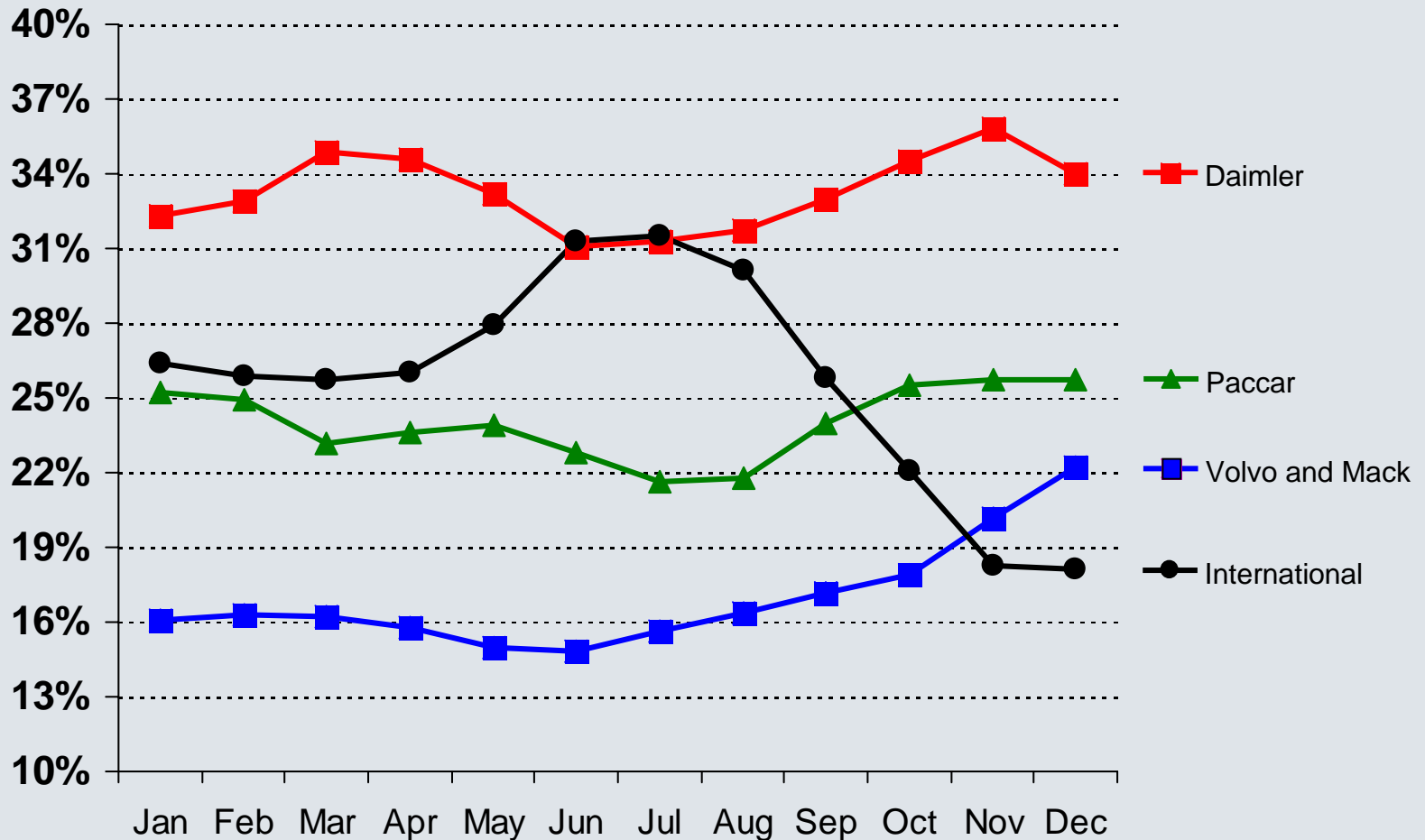
Driver Productivity, Safety,
Fuel Efficiency

- EPA 2010 performance
- Distribution development
- Showcase New River Valley
- Shift toward Volvo values
- Volvo power and I-Shift
- Targeted marketing and price realization



Retail market share U.S. and Canada 2010

Rolling three month average

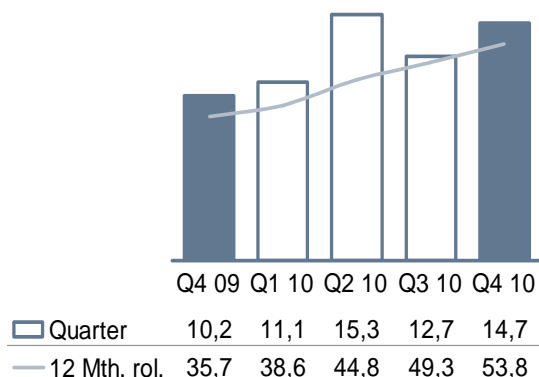


Construction Equipment



Net sales

SEK bn

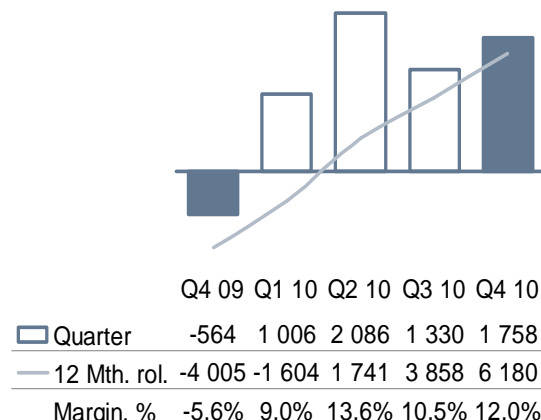


Highlights

- Total world market up 31%
- Volvo CE sales increased by 51%, fx adjusted
- Operating margin at record level 12%
- Revenues, profit, margin and unit sales - all time high in 2010

Operating income

SEK M



In Focus

- Maintain cost level for profitable growth
- Capitalize on strong momentum in N.A. and European markets
- Successful introduction of new generation products with Tier 4i and Stage IIIB engines

Volvo Articulated Haulers

Clearing snow – in all conditions

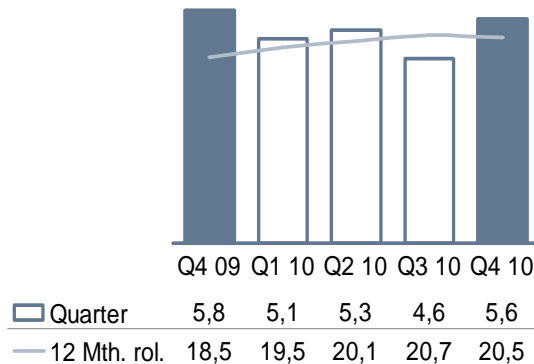


Buses



Net sales

SEK bn

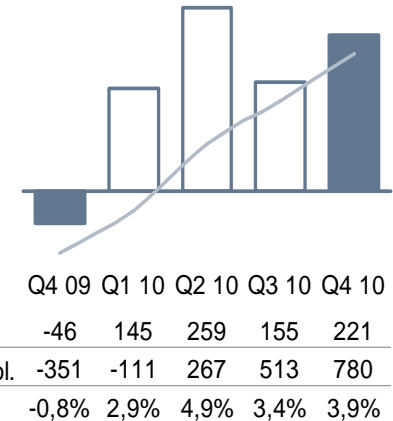


Highlights

- Continued weakness in Europe and North America
- Improved profitability
- Improved order book

Operating income

SEK M



In Focus

- Order Intake in Europe and N America
- Cost and capital efficiency
- Improved industrial efficiency in Poland
- Increase capacity in Volvo Buses India, 100% owned

Buses – New Coaches to India

9400XL

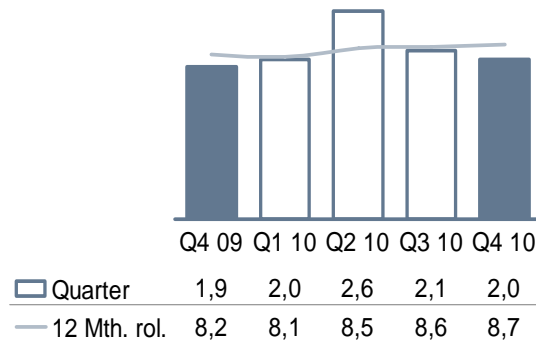


Volvo Penta



Net sales

SEK bn

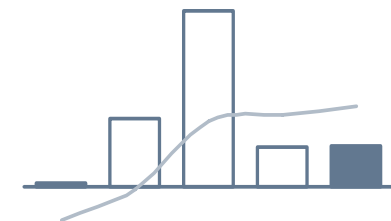


Highlights

- Strong world market for Industrial, weaker for Marine
- Marine downturn compensated by Industrial, now half of sales
- Q4, seasonally low for marine business
- Total order book 70% higher than previous year

Operating income

SEK M



	Q4 09	Q1 10	Q2 10	Q3 10	Q4 10
Quarter	7	121	312	72	73
12 Mth. rol.	-230	-12	465	512	578
Margin	0,4%	6,1%	11,9%	3,5%	3,6%

In Focus

- Capital efficiency
- Operating leverage, price and cost management
- Capitalize on strong demand for industrial engines
- Efforts to promote IPS sales in the yacht segment

Volvo Penta and Yamaha agreement

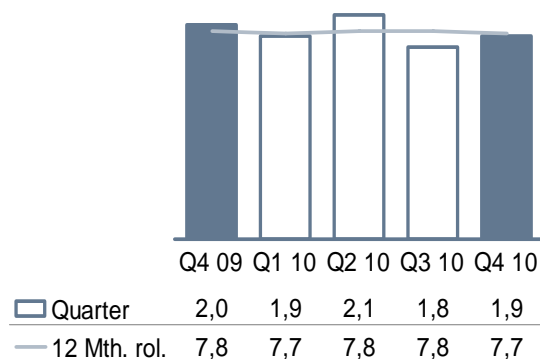


Volvo Aero



Net sales

SEK bn

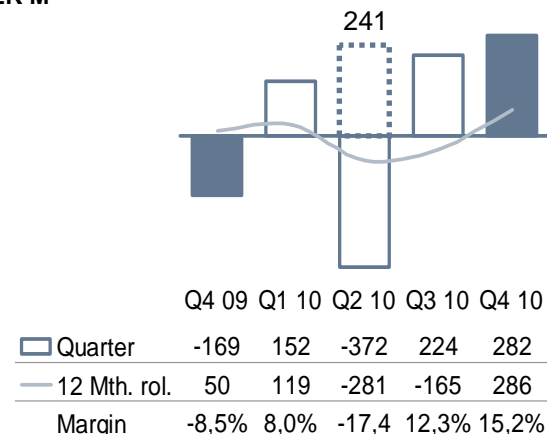


Highlights

- Demand for air transport continues to increase
- Increased spare part sales
- Second consecutive quarter with double digit operating margin
- Airbus has launched new A320neo

Operating income

SEK M



In Focus

- Productivity and implementing improvement program
- Execution on new contracts - product development and serial production

Volvo Aero

Unique contract guarantees Swedish Airforce full availability

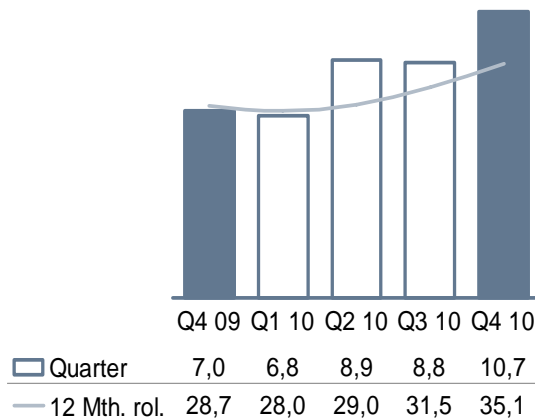


Financial Services



New retail financing

SEK bn

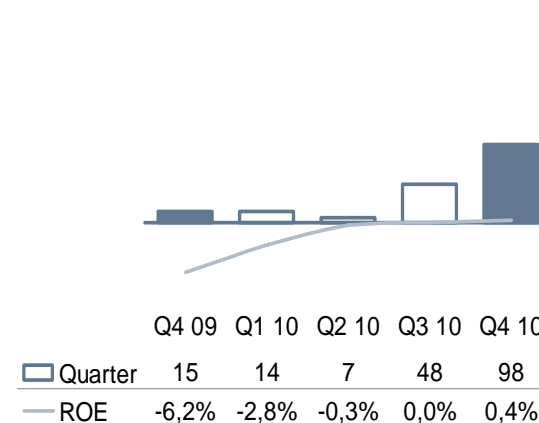


Highlights

- Growth in all regions
- Improving customer repayment trends
- BRIC performance

Operating income and return on equity

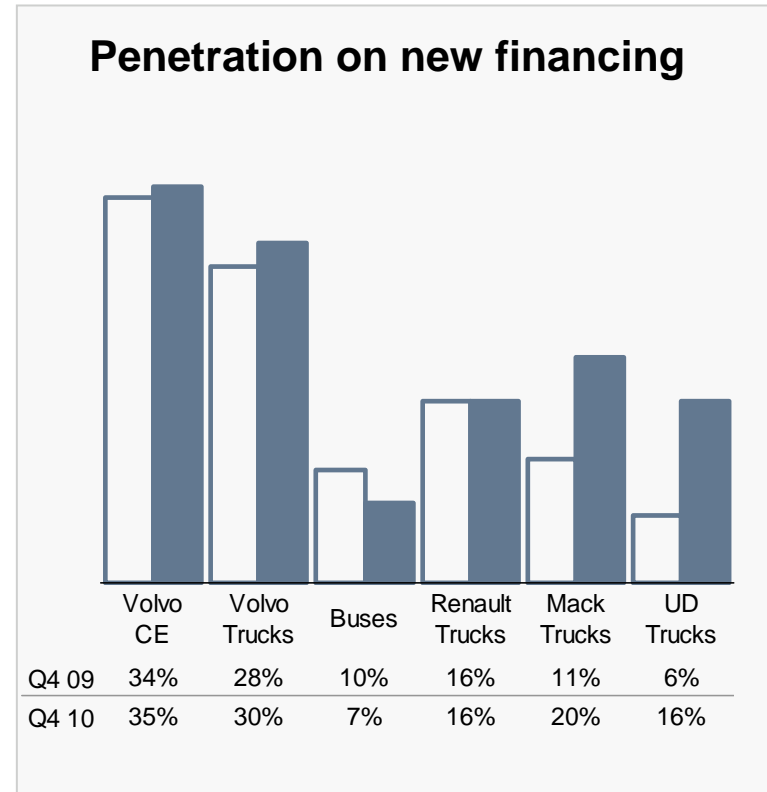
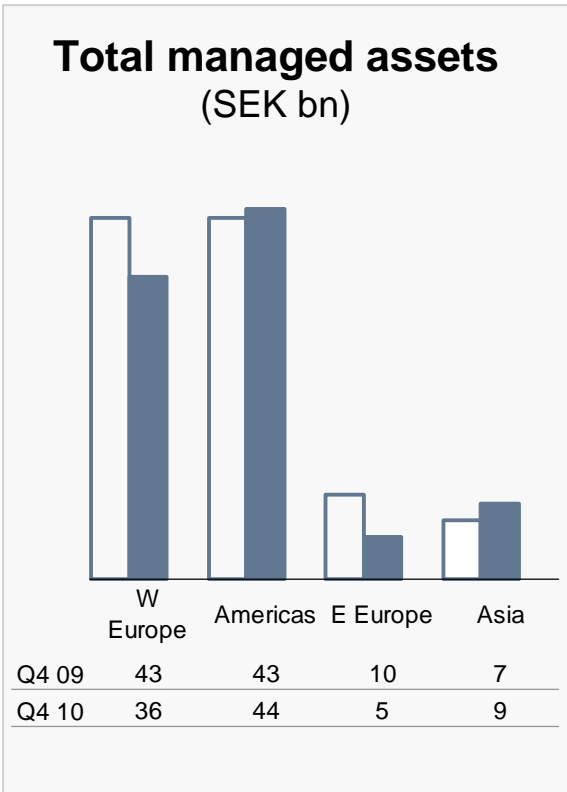
SEK M



In Focus

- Operational leverage
- Competitive landscape
- Business cycle management

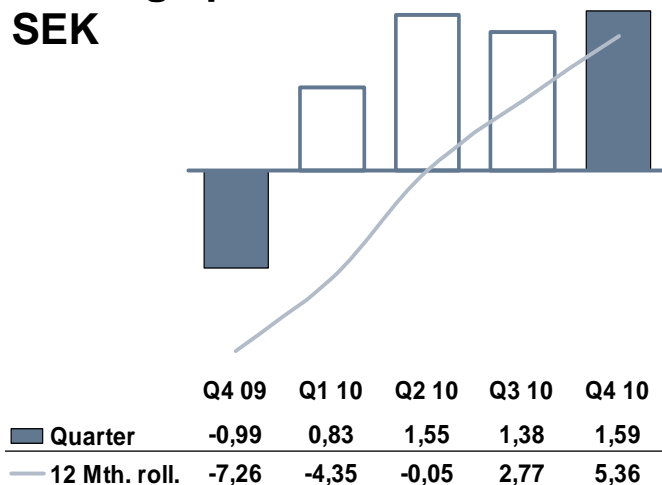
Financial Services



Group Summary



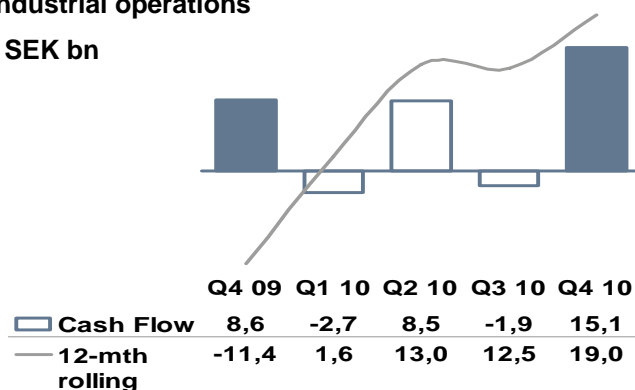
Earnings per share SEK



Operating Cash Flow

Industrial operations

SEK bn



Fourth quarter

- Sales 23% higher, +29% fx-adjusted
- Operating income SEK 5.5 bn, operating margin 7.5%
- Cost reductions maintained
- Operating Cash flow SEK 15.1 bn
- Net debt 37% of equity
- Proposed dividend SEK 2:50 (0)

In focus

- Increase productivity
- Cost control
- Cash flow
- Future R&D investments

VOLVO

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