

VOLVO

Fourth Quarter 2010

Conference Call, 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

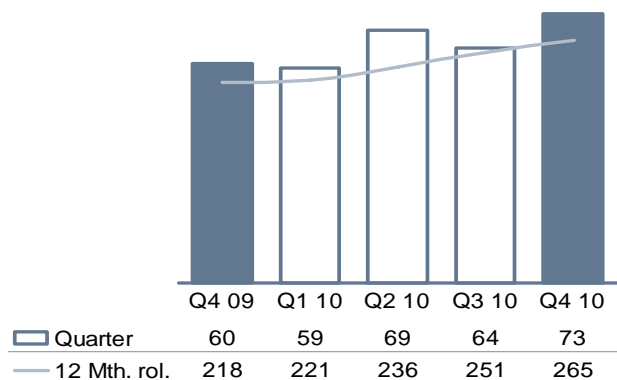
- Europe: improving market conditions
- Asia: strong outside Japan
- South America: strong market
- North America: significant improvement in demand

* As proposed by the Board of Directors

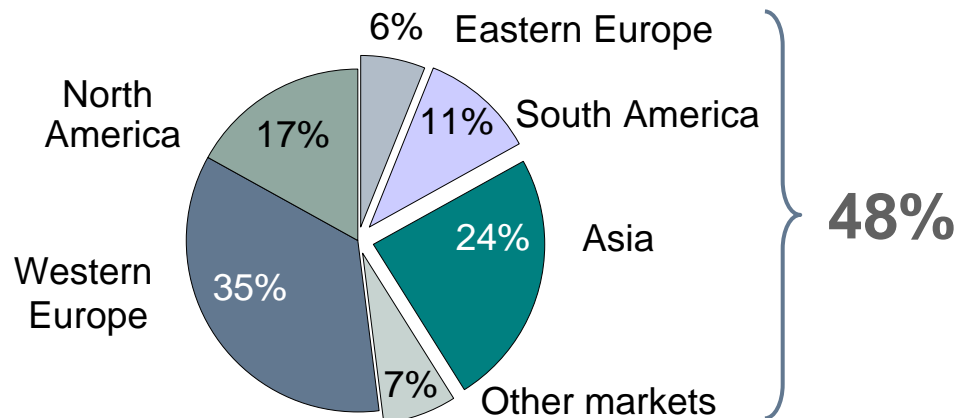
Volvo Group

Net sales

(SEK bn)

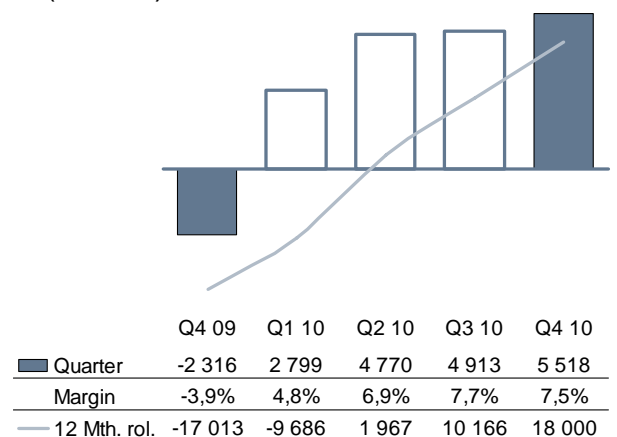


Fourth quarter



Operating income

(SEK M)



Sales

+ Increased sales of new products

Operating income

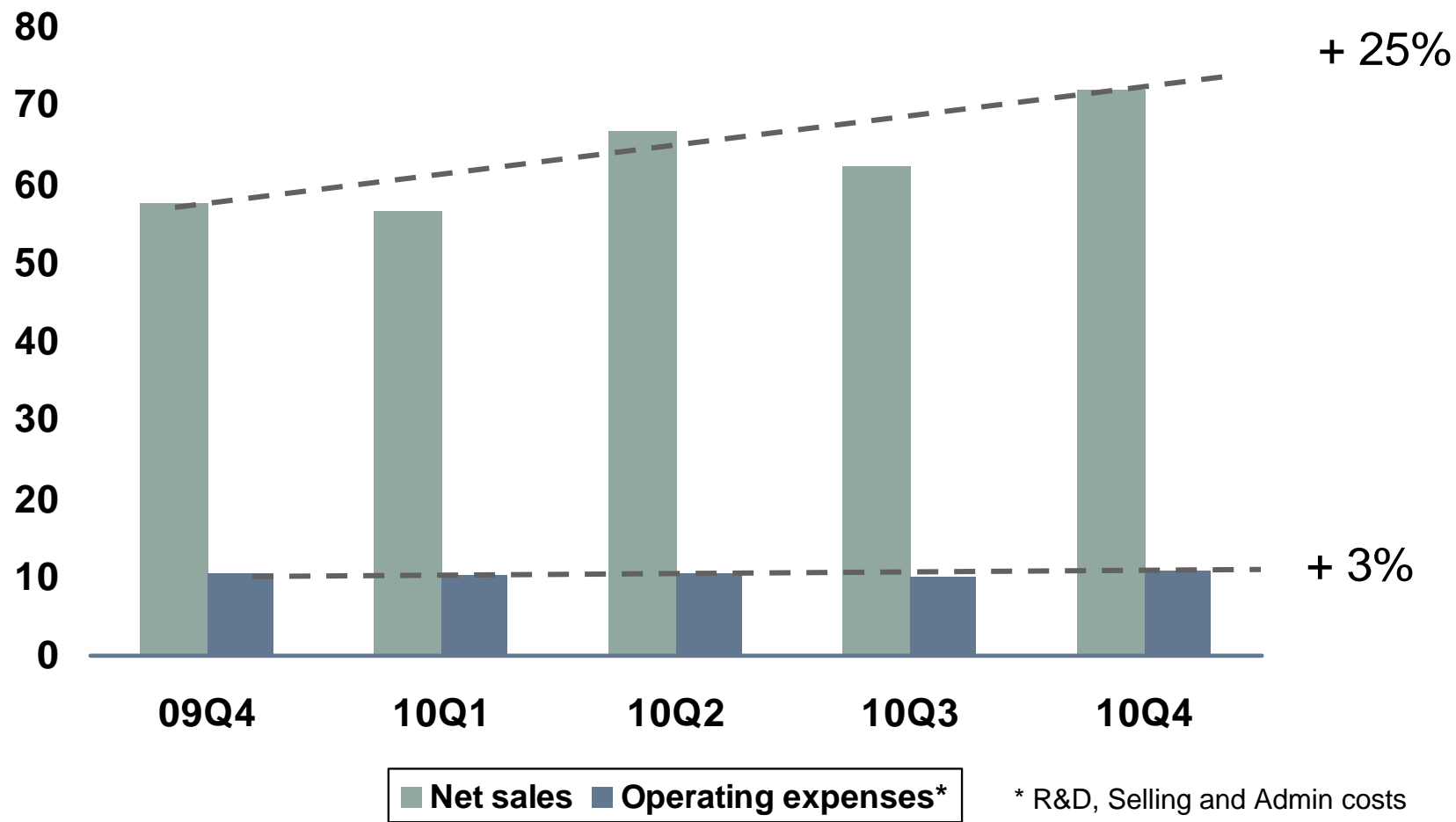
+ Increased volumes

+ Improved capacity utilization

+ Cost control

Operating leverage through cost-control

Industrial operations



Currency impact on operating income

Business Areas	Q4 2010	Q3 2010	Change
Spot rates, net flows			- 628
Realized hedging contracts	+250	+40	+ 210
Devaluation in Venezuela	-82		- 82
Revaluation of receivables & payables	+352	-390	+ 742
Revaluation of foreign subsidiaries			- 105
Total Business Areas			+ 137

Group headquarter functions and other	Q4 2010	Q3 2010	Change
Unrealized gains and losses on hedging contracts	-269	+598	- 867
Total Group headquarter functions and other			- 867

Total Volvo Group			- 730
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Comments

- No hedge accounting
- Hedging firm flows

2011

- As of 2011, unrealized gains and losses on derivatives related to a receivable or payable will be reported in the respective Business Areas.

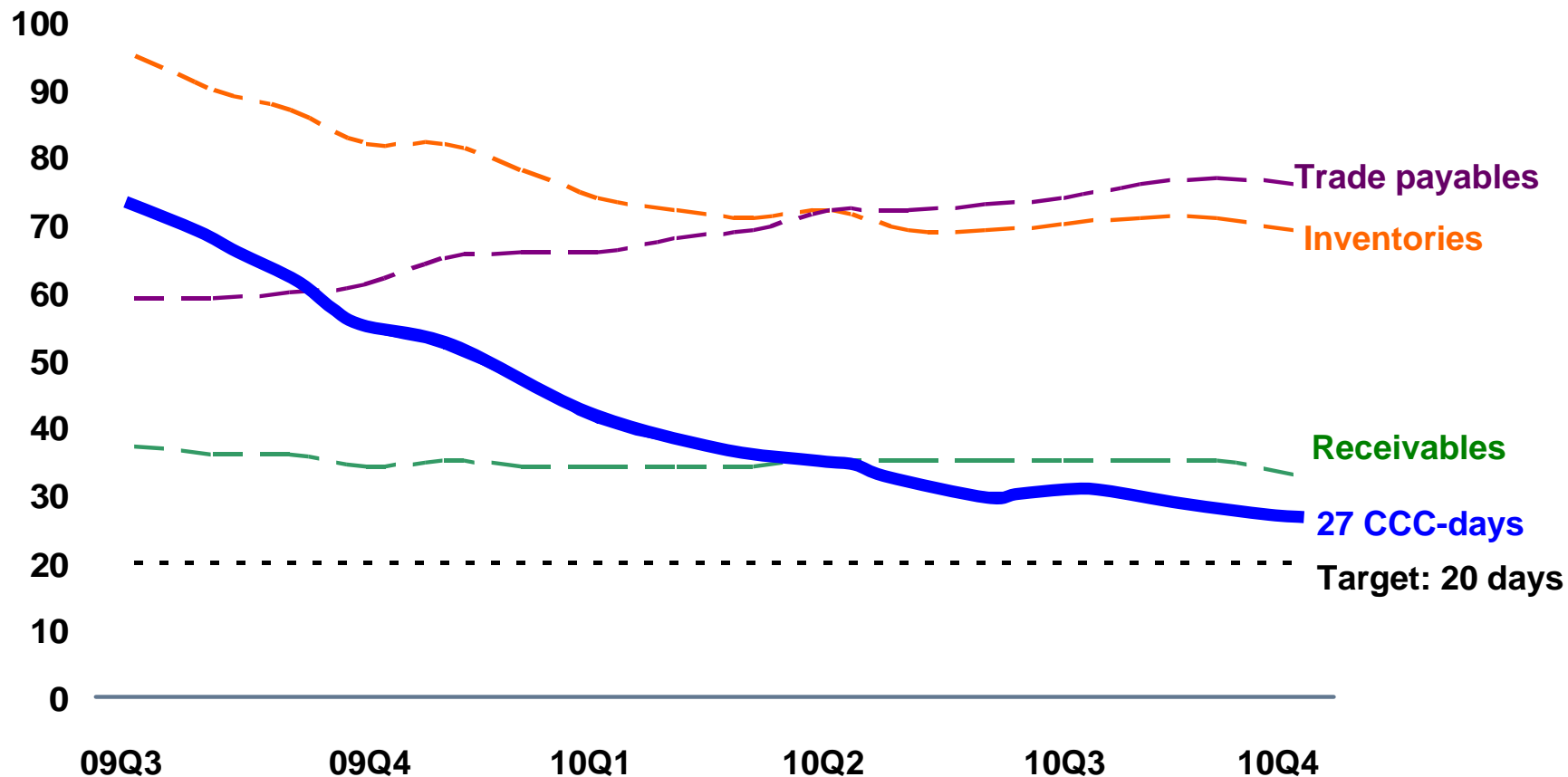
Operating net flow by currency

Currency, millions	2010		2009	
	Net flow*	Average rate/SEK	Net flow*	Average rate/SEK
USD	2,410	7.21	1,803	7.65
GBP	405	11.13	315	11.93
Euro	373	9.55	595	10.63
CAD	241	7.00	192	6.70
JPY (x100)	-103	8.23	-83	8.19

* In local currency

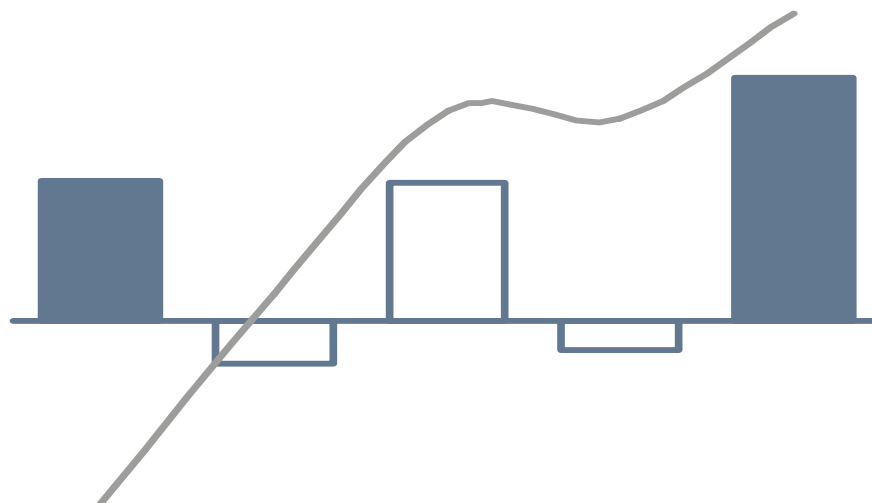
Cash Conversion Cycle

6-months average, days





Volvo Group – Operating Cash Flow

Industrial Operations



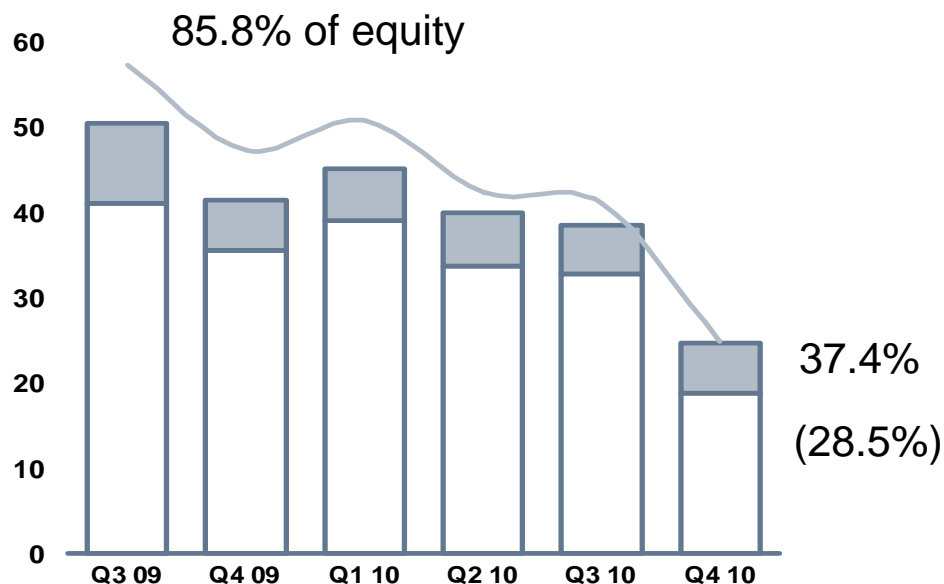
Q4 09 Q1 10 Q2 10 Q3 10 Q4 10

 Cash Flow	8,6	-2,7	8,5	-1,9	15,1
 12-mth rolling	-11,4	1,6	13,0	12,5	19,0

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>

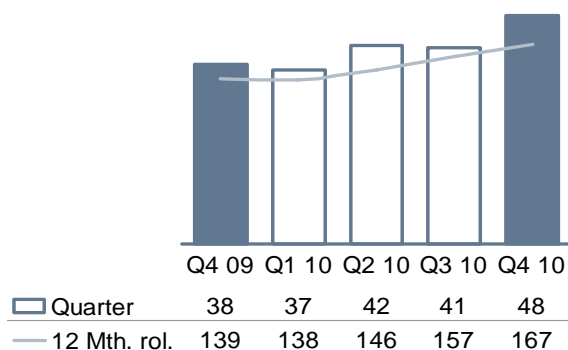
Total **13.7 bn**

Trucks



Net sales

SEK bn

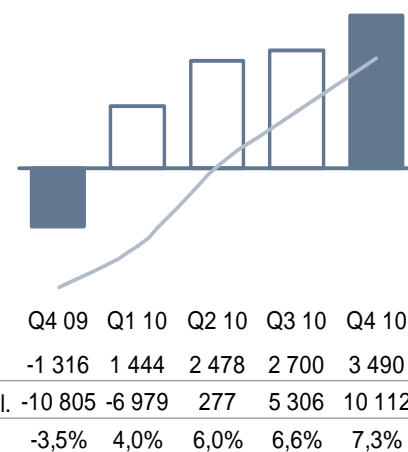


Highlights

- 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



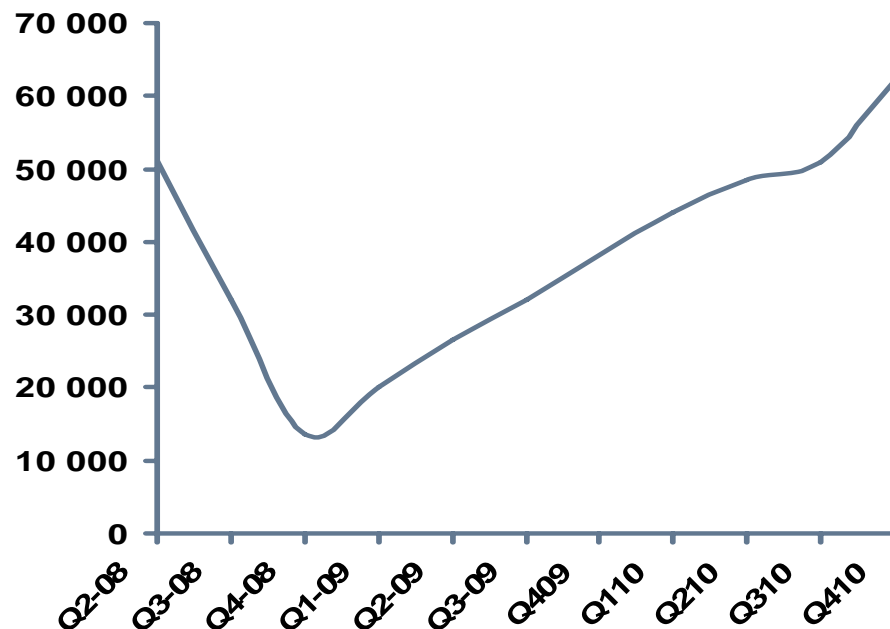
In Focus

- 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%

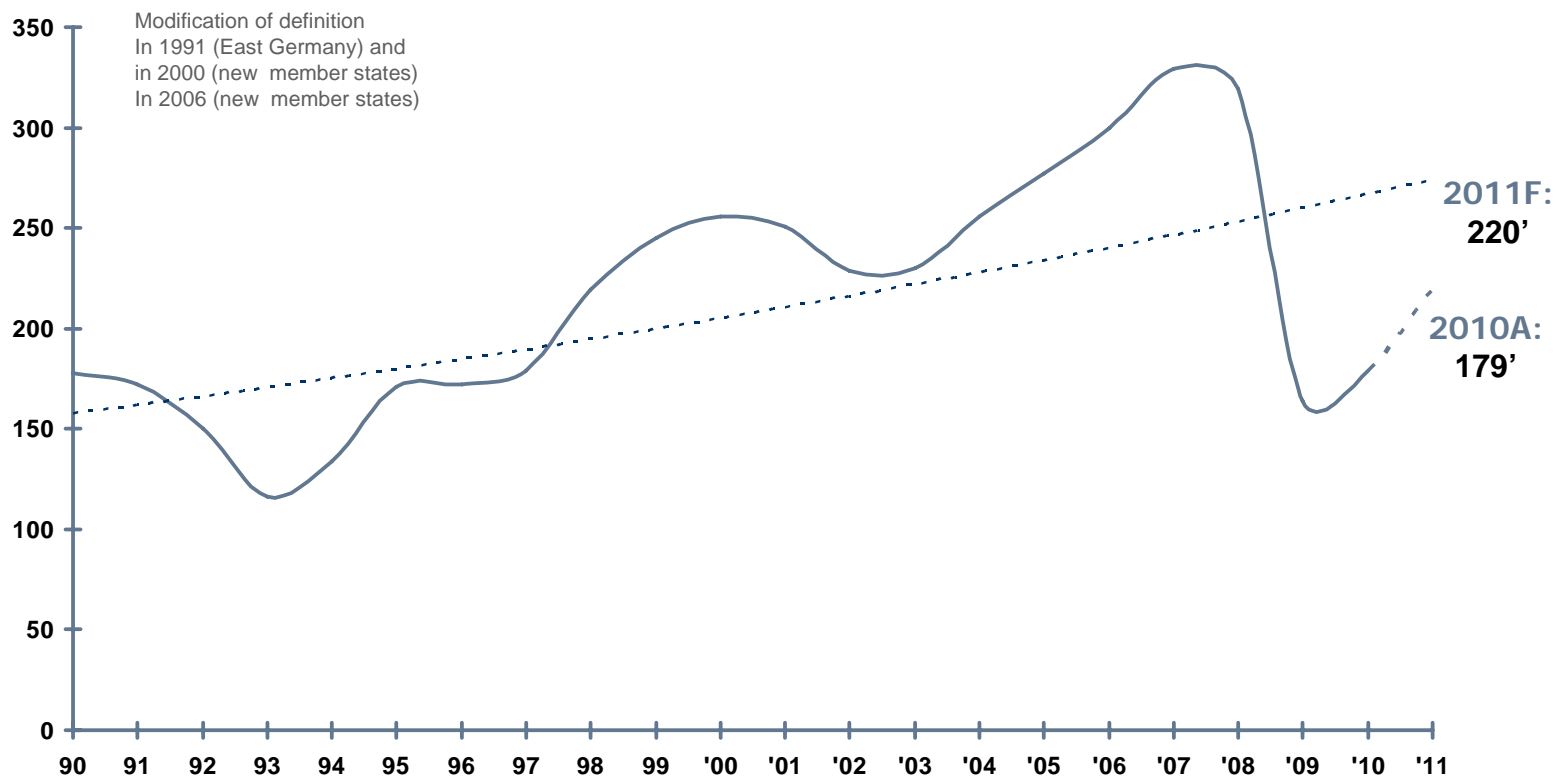


Heavy-duty truck market - Europe

(EU members + Switzerland and Norway)



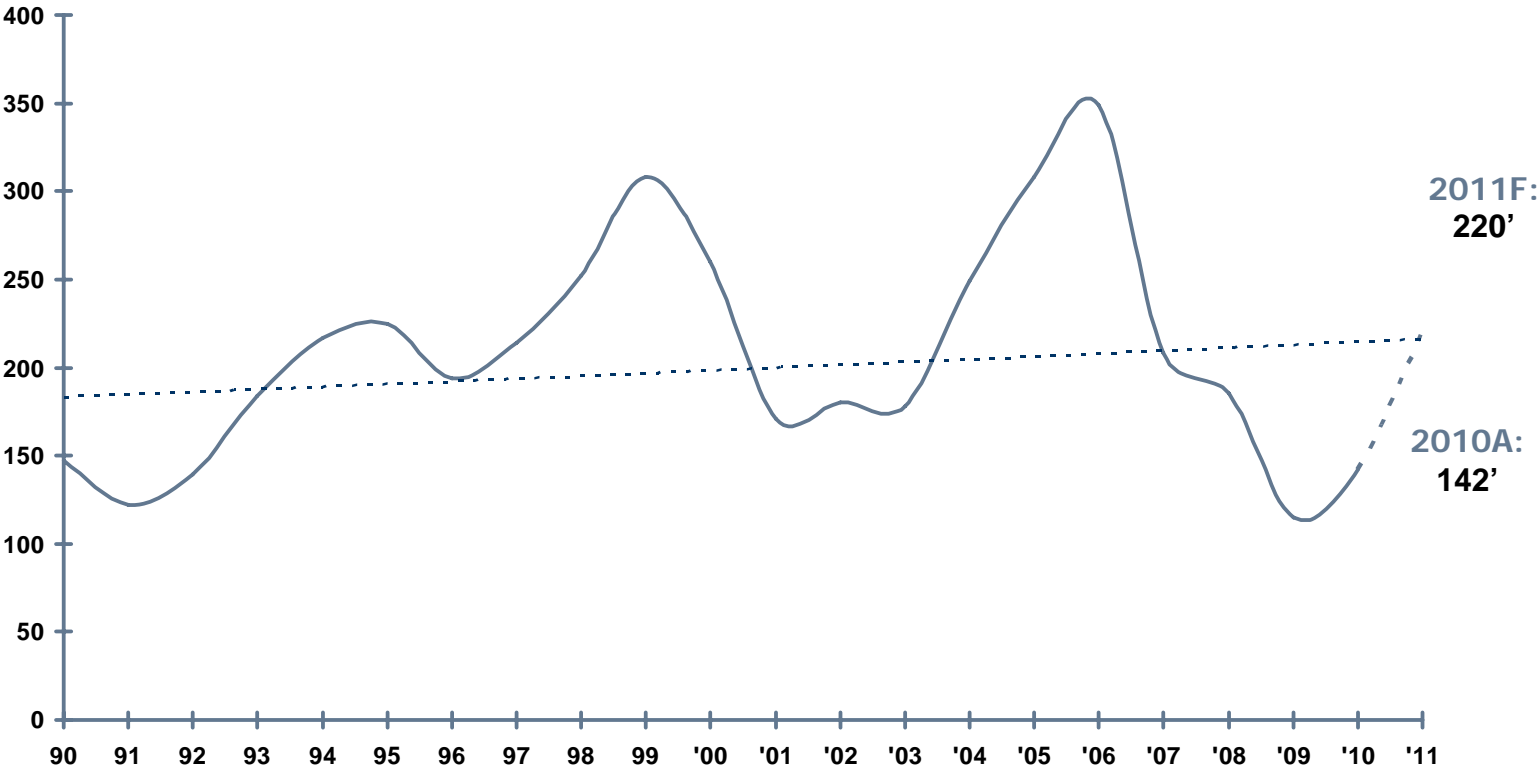
Units, Thousands (heavy trucks)



Heavy-duty truck market – North America



Units, Thousands (heavy trucks)

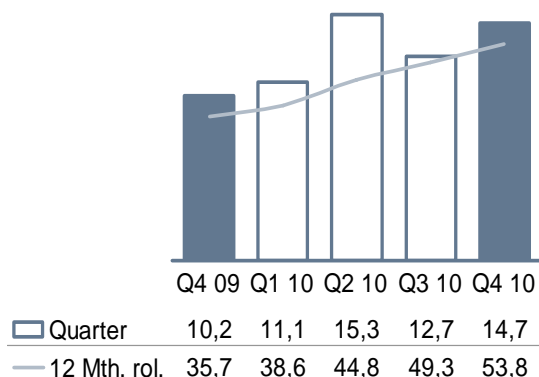


Construction Equipment



Net sales

SEK bn

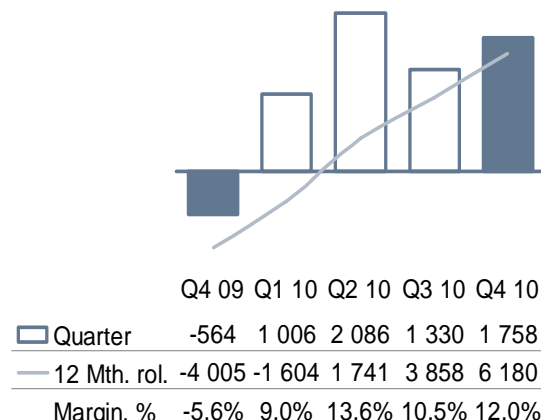


Highlights

- 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

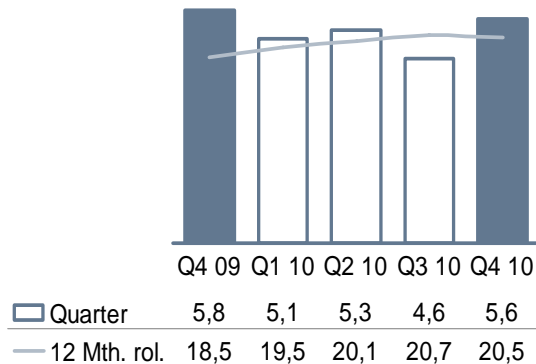
- Maintain cost level for profitable growth
- Capitalize on strong momentum in N.A. and European markets
- Successful introduction of new generation products with Tier 4i and Stage IIIB engines

Buses



Net sales

SEK bn

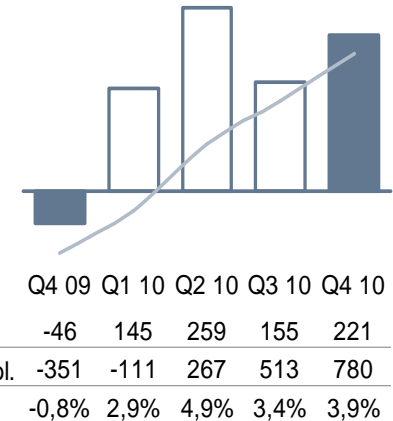


Highlights

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

Operating income

SEK M



In Focus

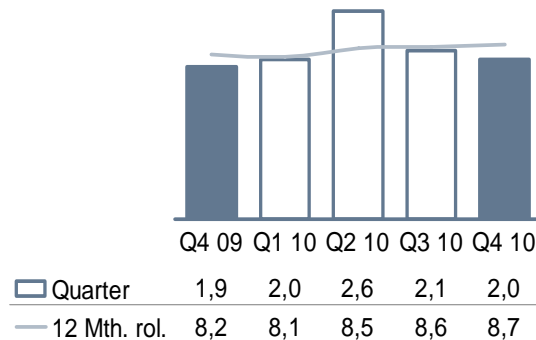
- Order Intake in Europe and N America
- Cost and capital efficiency
- Improved industrial efficiency in Poland
- Increase capacity in Volvo Buses India, 100% owned

Volvo Penta



Net sales

SEK bn

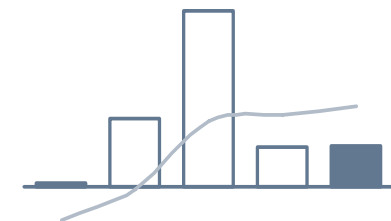


Highlights

- 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

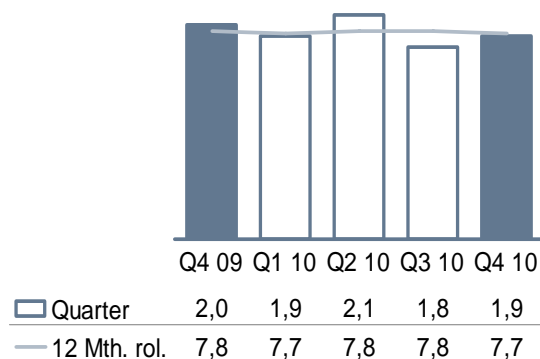
- Capital efficiency
- Operating leverage, price and cost management
- Capitalize on strong demand for industrial engines
- Efforts to promote IPS sales in the yacht segment

Volvo Aero



Net sales

SEK bn

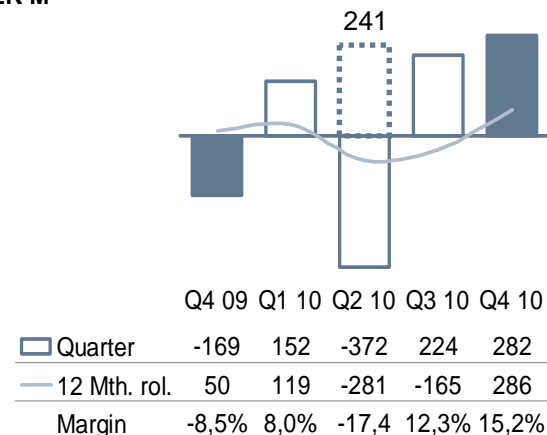


Highlights

- 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

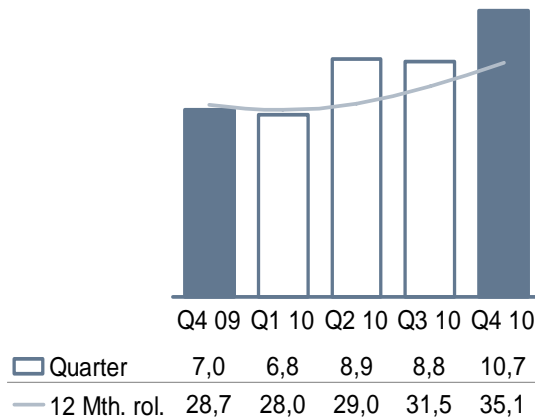
- Productivity and implementing improvement program
- Execution on new contracts - product development and serial production

Financial Services



New retail financing

SEK bn

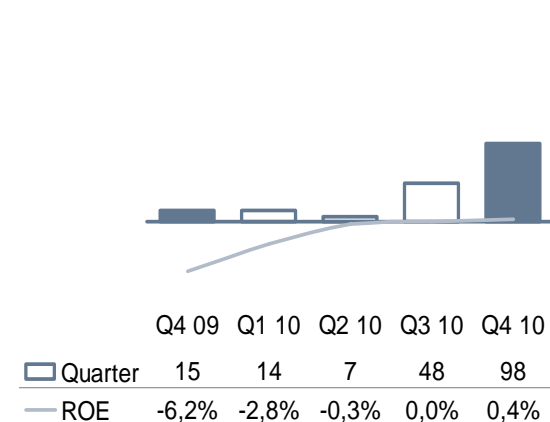


Highlights

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

Operating income and return on equity

SEK M



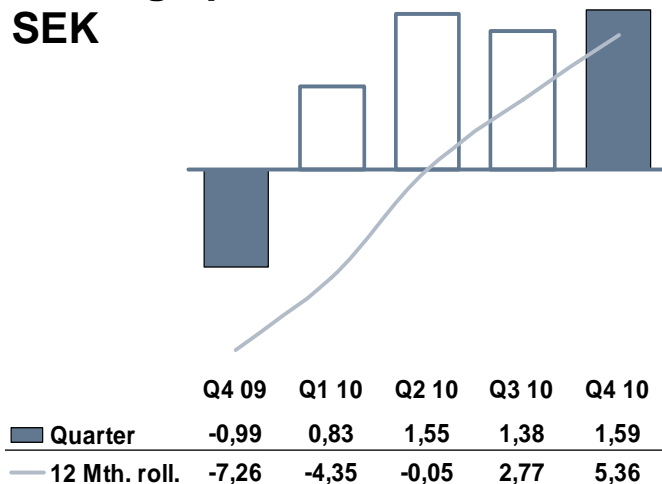
In Focus

- Operational leverage
- Competitive landscape
- Business cycle management

Group Summary



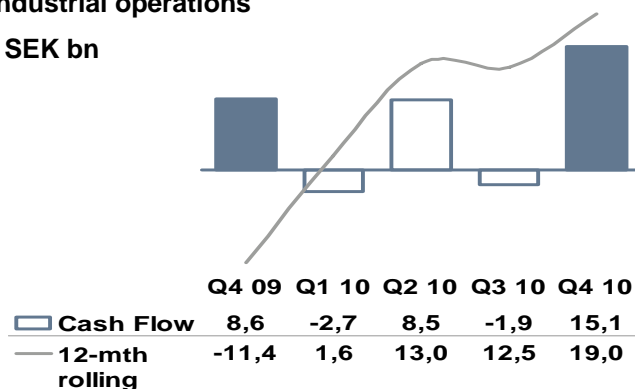
Earnings per share SEK



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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