

Volvo Group

Second quarter 2012



Strengthened focus on core business

AB Volvo divests Volvo Aero

- Enterprise value of SEK 6.9 billion.
- Completion expected during the third quarter of 2012.

AB Volvo acquires shares in Deutz AG

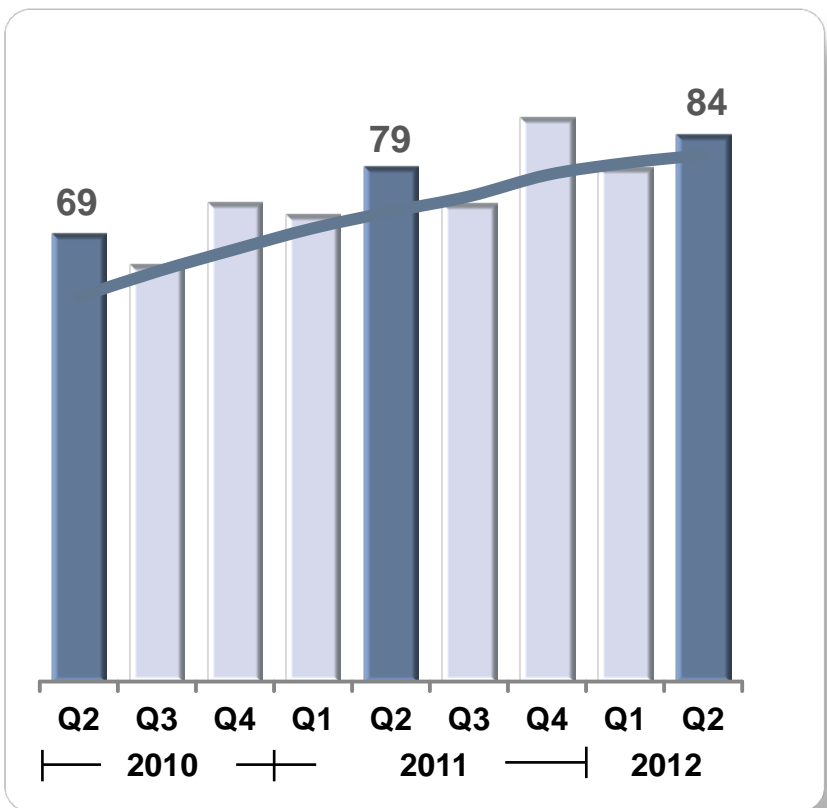
- Largest shareholder in Deutz, 25% ownership (from 6.7%)
- Continued cooperation on off-road medium-duty diesel engines
- Potential joint-venture in China

Both transactions are pending approval from relevant authorities

Solid quarter with record sales volumes

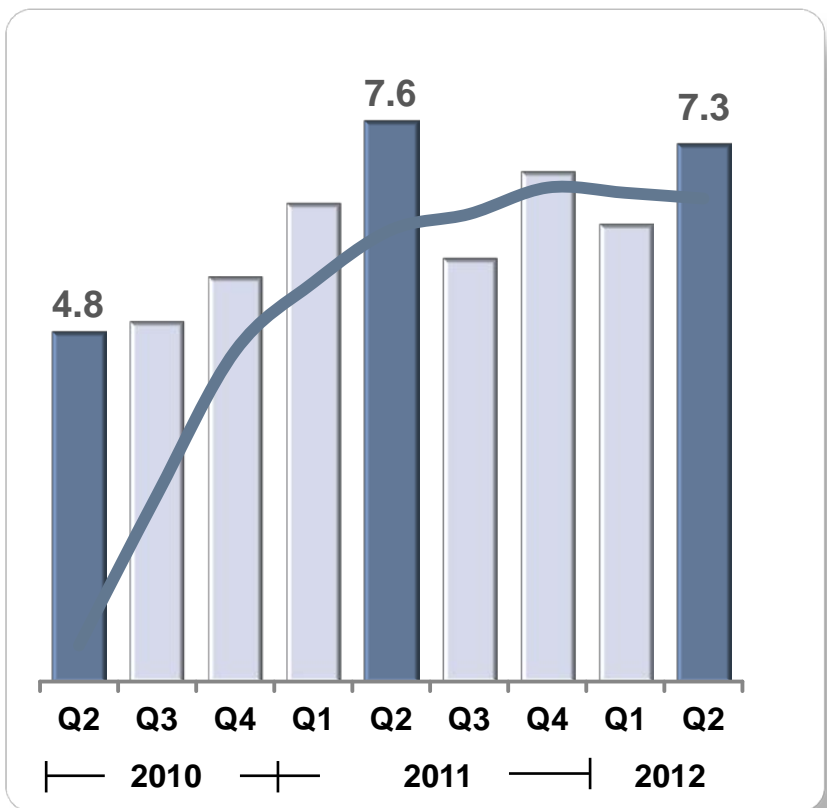
SALES TREND
SEK bn

12-months 323 bn



OPERATING INCOME
SEK bn

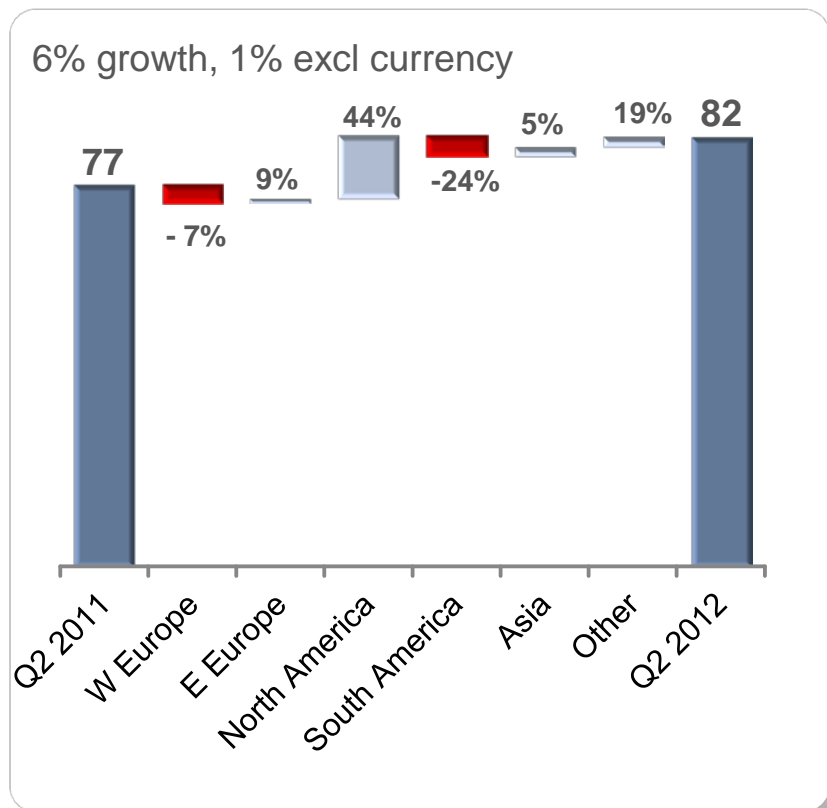
12 months 26 bn



Good geographical balance

Growth in North America compensates for decline in Western Europe and South America

MARKET DEVELOPMENT*
SEK bn



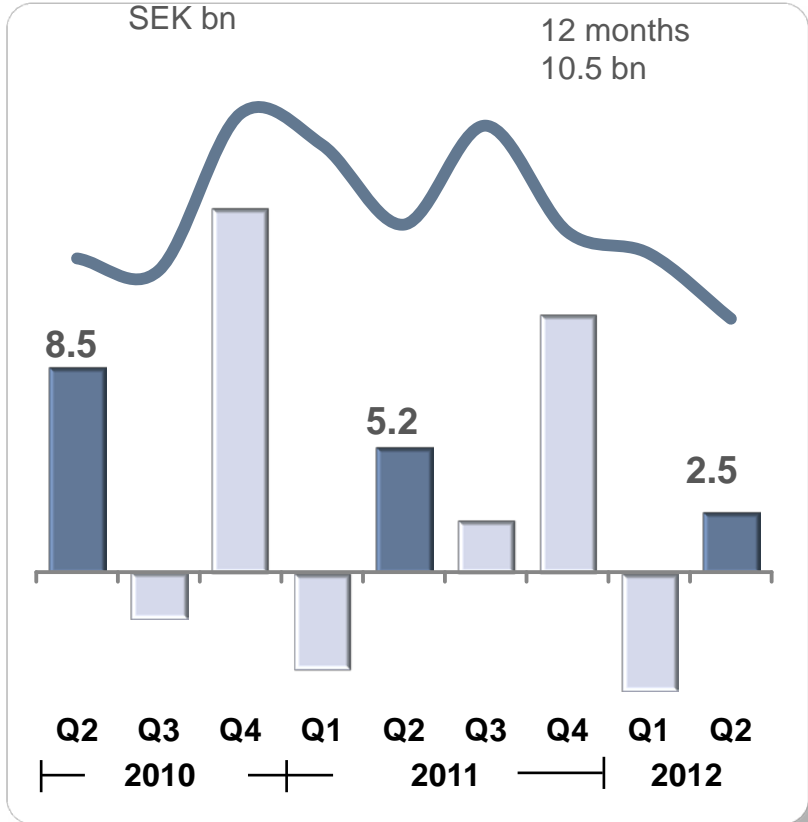
VOLVO GROUP* SALES Q2
%



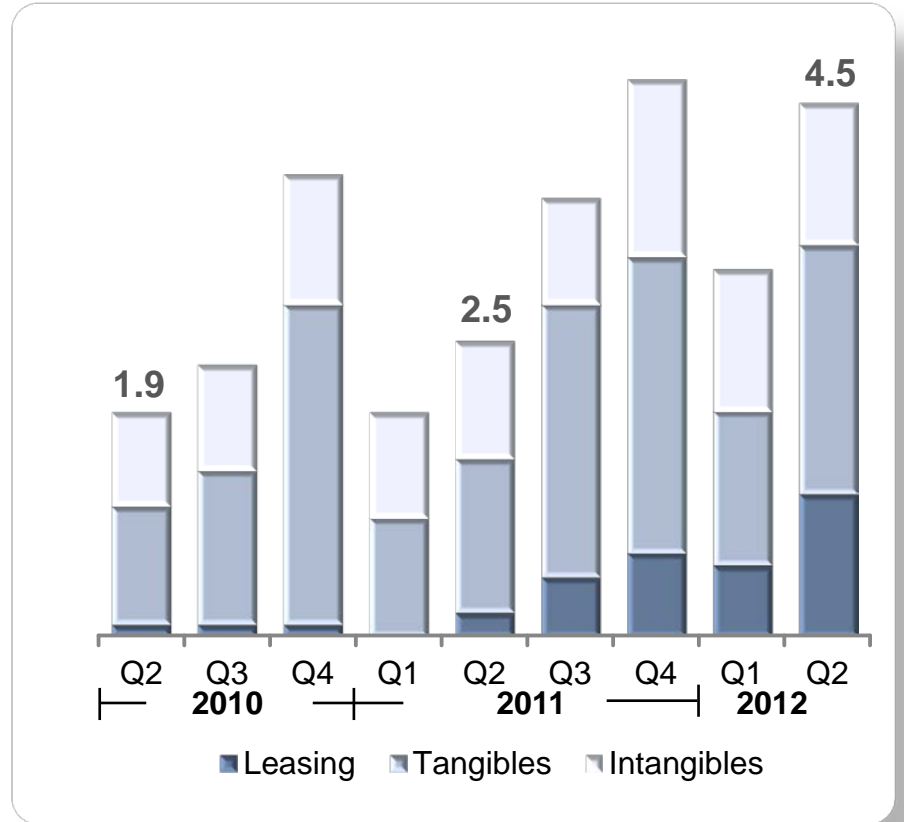
* Industrial operations

Investments in future products and markets

OPERATING CASH FLOW*
SEK bn



INVESTMENTS*
SEK bn

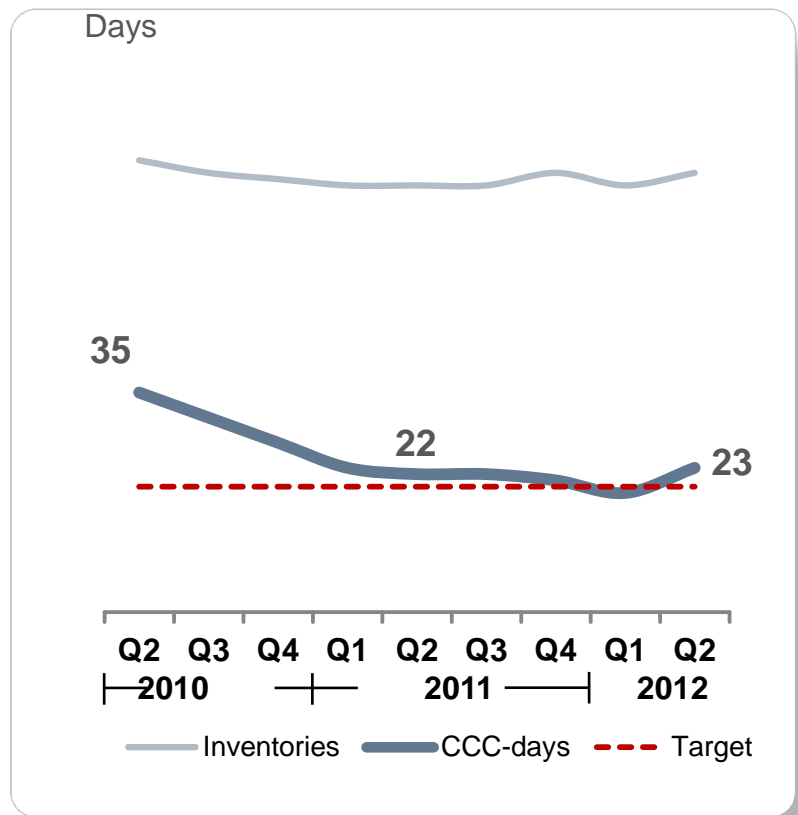


* Industrial operations

High capital efficiency

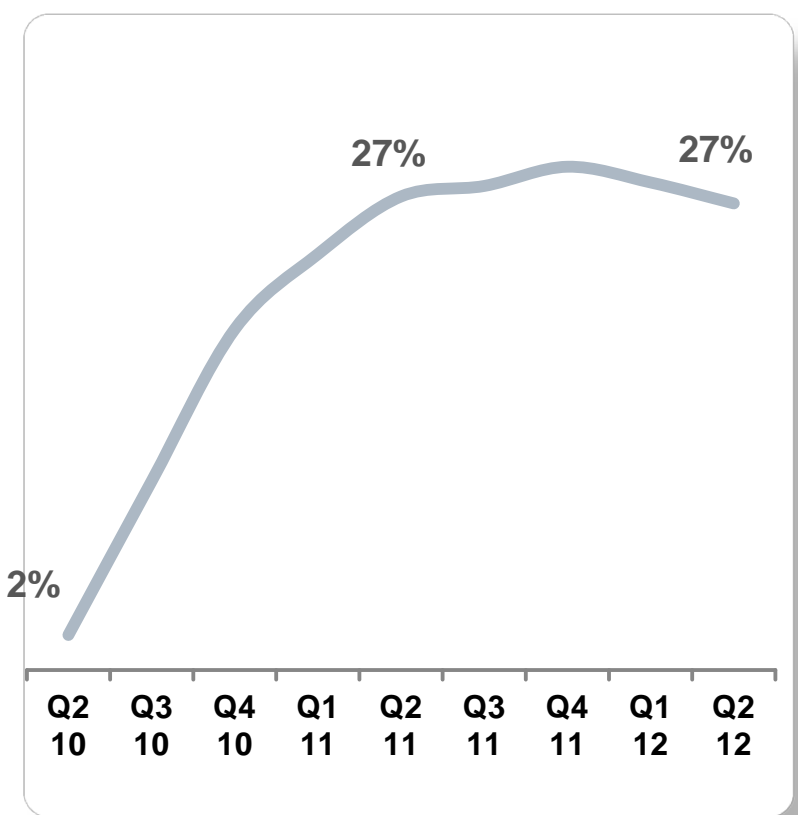
CASH
CONVERSION CYCLE*

Days



ROC*

%



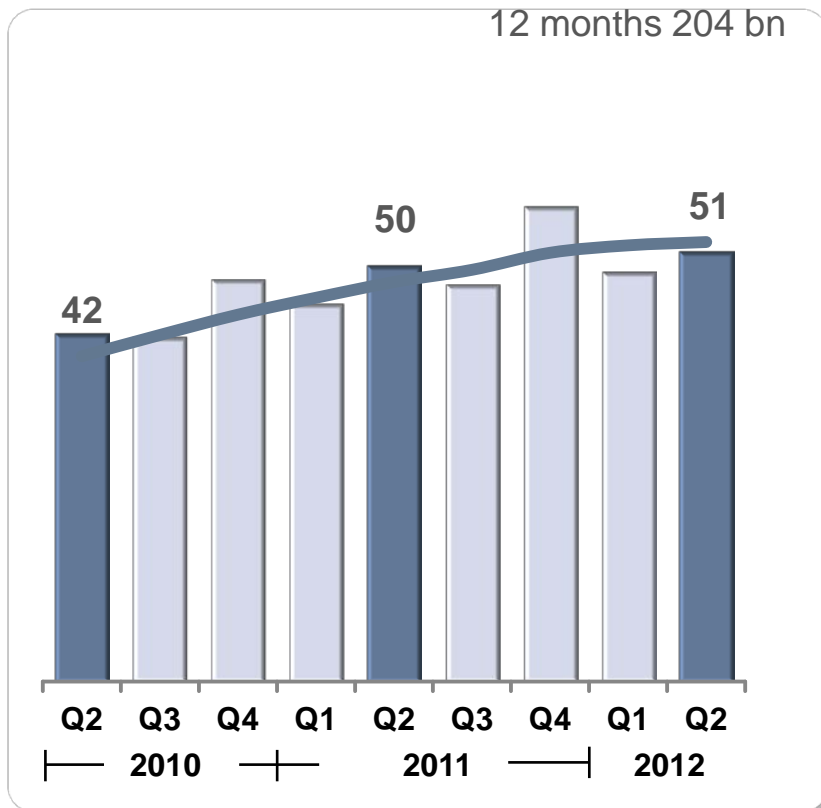
* Industrial operations

Group overview – solid quarter in most businesses

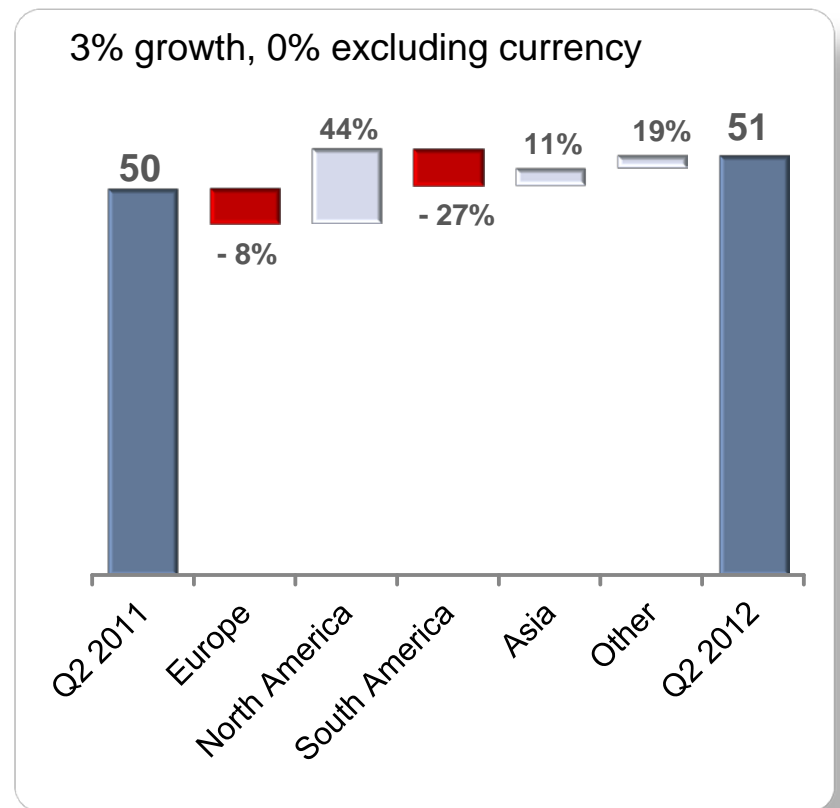
	NET SALES	OPERATING INCOME	MARGIN
VOLVO GROUP 	84 bn	7,335 M	8.7%
TRUCKS 	51 bn	4,120 M	8.0%
VOLVO CE 	20 bn	2,629 M	13.3%
BUSES 	5.2 bn	176 M	3.4%
VOLVO PENTA 	2.2 bn	268 M	12.1%
VOLVO AERO 	1.9 bn	305 M	15.7%
FINANCIAL SERVICES 	12.7 bn New financing	386 M	12 m ROE 9.7%

North America drives sales growth

SALES TREND
SEK bn



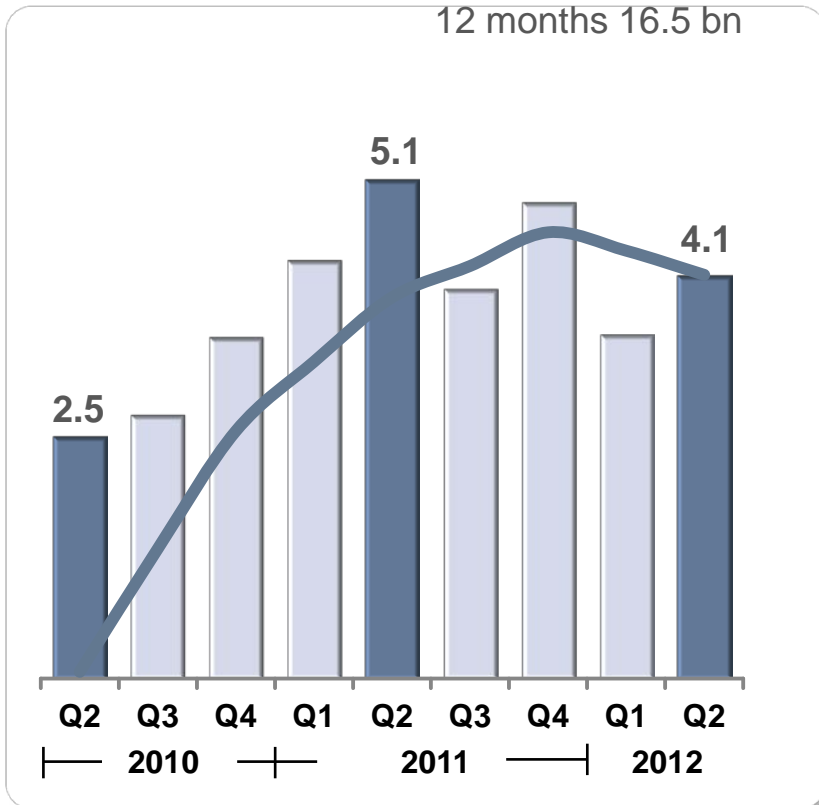
SALES BRIDGE
SEK bn



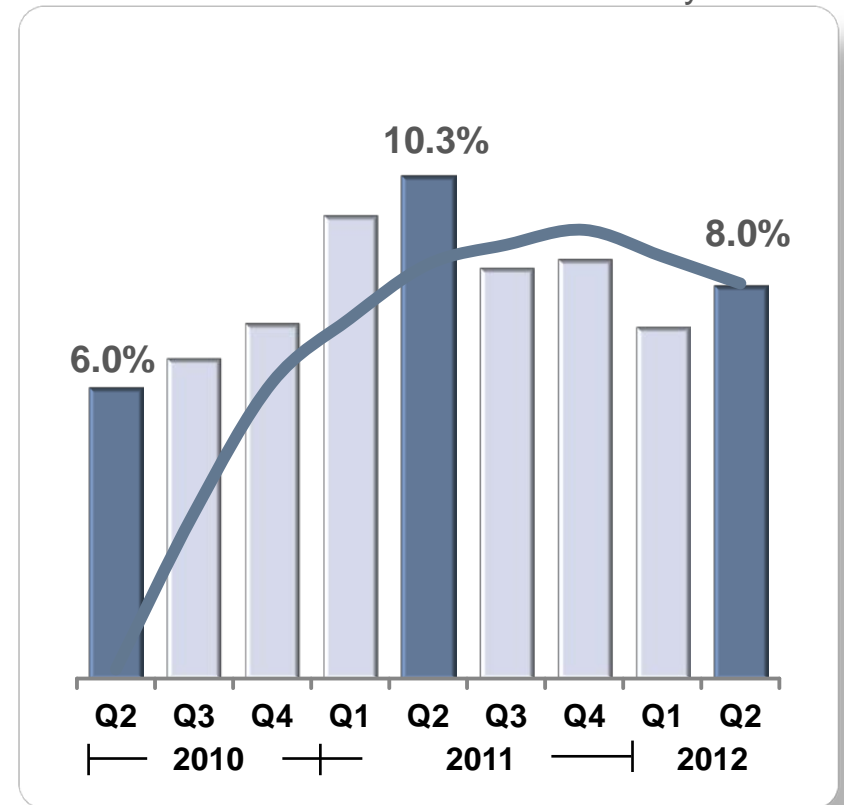
Effects from changed market mix

Operating leverage -83%*

OPERATING INCOME
SEK bn



OPERATING MARGIN
%



* Adjusted for non-recurring items Q2 2012 & 2011

Slowing order intake in N America and S Europe

Book-to-bill ratios trigger moderate adjustments in production rates

ORDERS	Q2-12	YoY	QoQ	BtB
Europe	21,538	-13%	-8%	95%
- Volvo	11,813	+3%	+2%	100%
- Renault	9,725	-25%	-18%	91%
North America*	8,056	-47%	-41%	58%
- Mack	2,365	-59%	-60%	35%
- Volvo	5,543	-41%	-29%	79%
South America	6,157	-7%	+10%	112%
Asia	13,220	-4%	-3%	107%
Other markets	3,975	-16%	-6%	88%
Total	52,946	-19%	-13%	90%

Europe: production to be slightly increased in Russia in Q3 and Sweden in Q4.

North America: production continues to be reduced through down-weeks.

South America: Production reduced through down weeks in Q2. Production rate reduced in Q3 to adapt to lower demand.

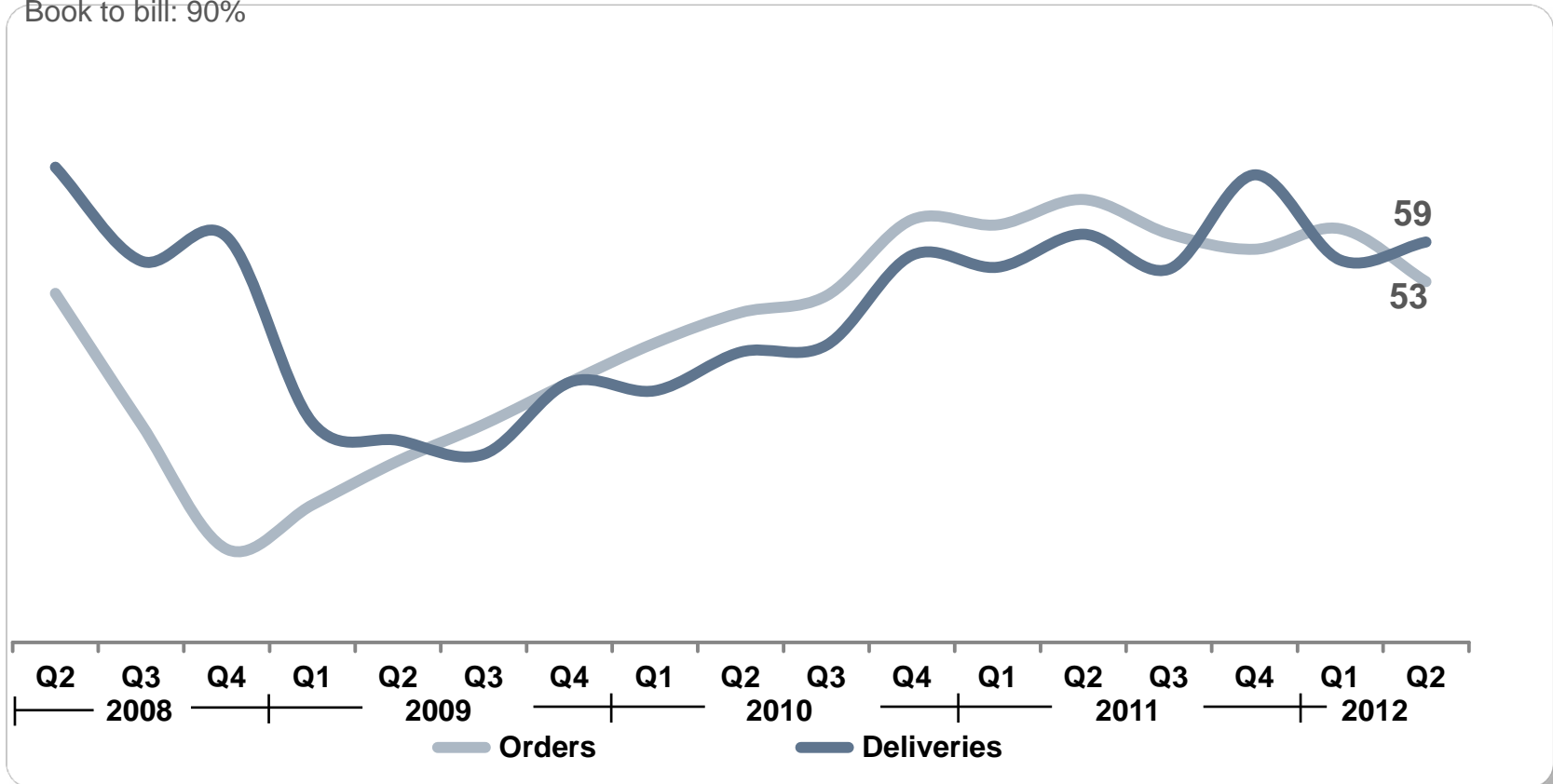
* Mack YTD: order intake -20%, BtB 64%

Volvo YTD: order intake -18%, BtB 98%

Continuous adjustments of production to balance orders

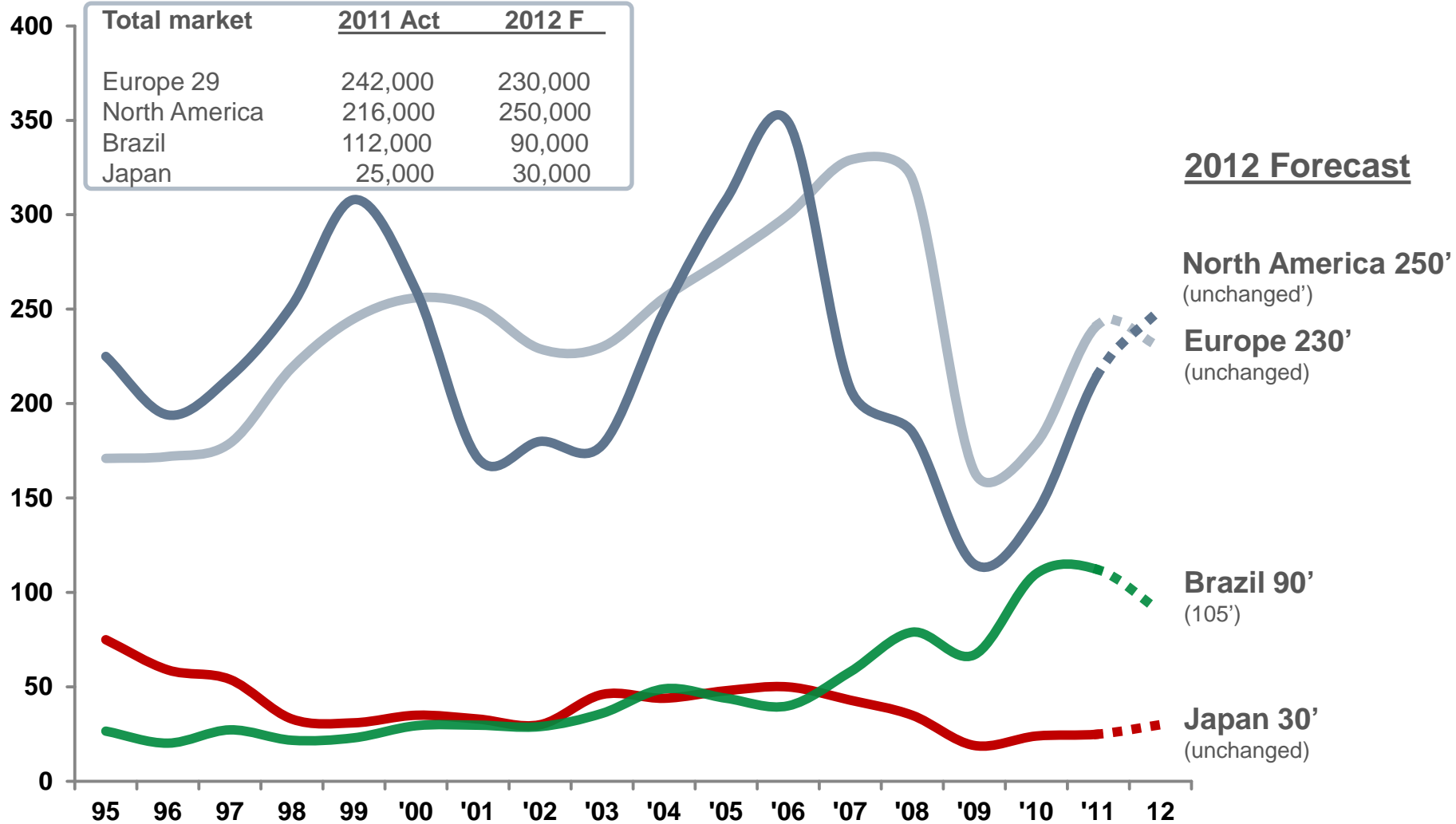
ORDERS AND DELIVERIES

Book to bill: 90%



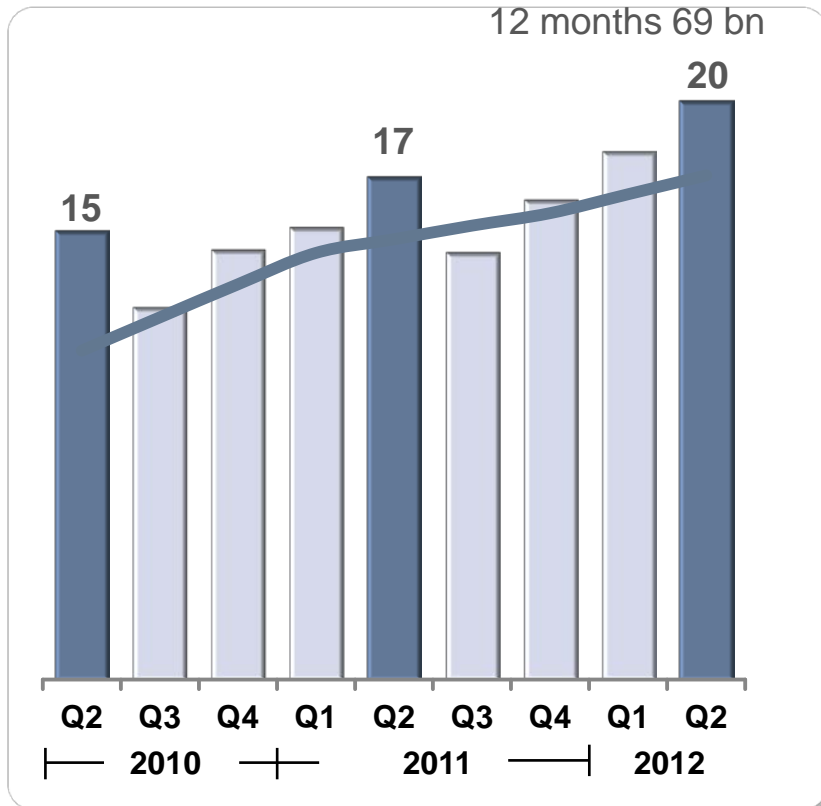
Lowered outlook for HD trucks in Brazil

Units, thousands

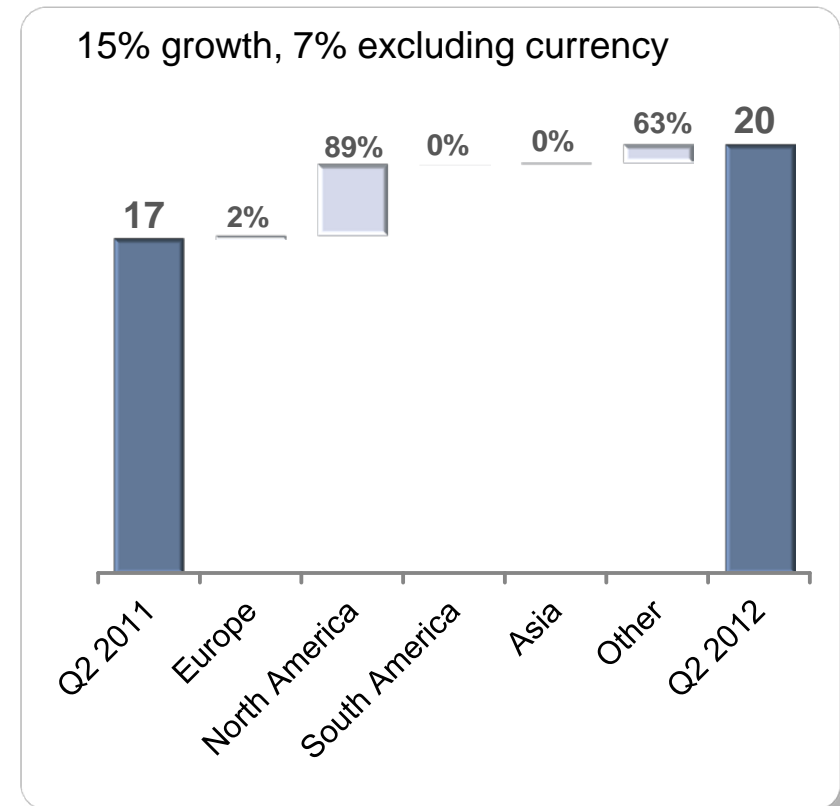


Strong growth in North America and maintained volumes in Asia

SALES TREND
SEK bn



SALES BRIDGE
SEK bn



Strong performance – price management & cost control

Operating leverage 9%*

OPERATING INCOME

SEK bn

12 months 7.9 bn



OPERATING MARGIN

%

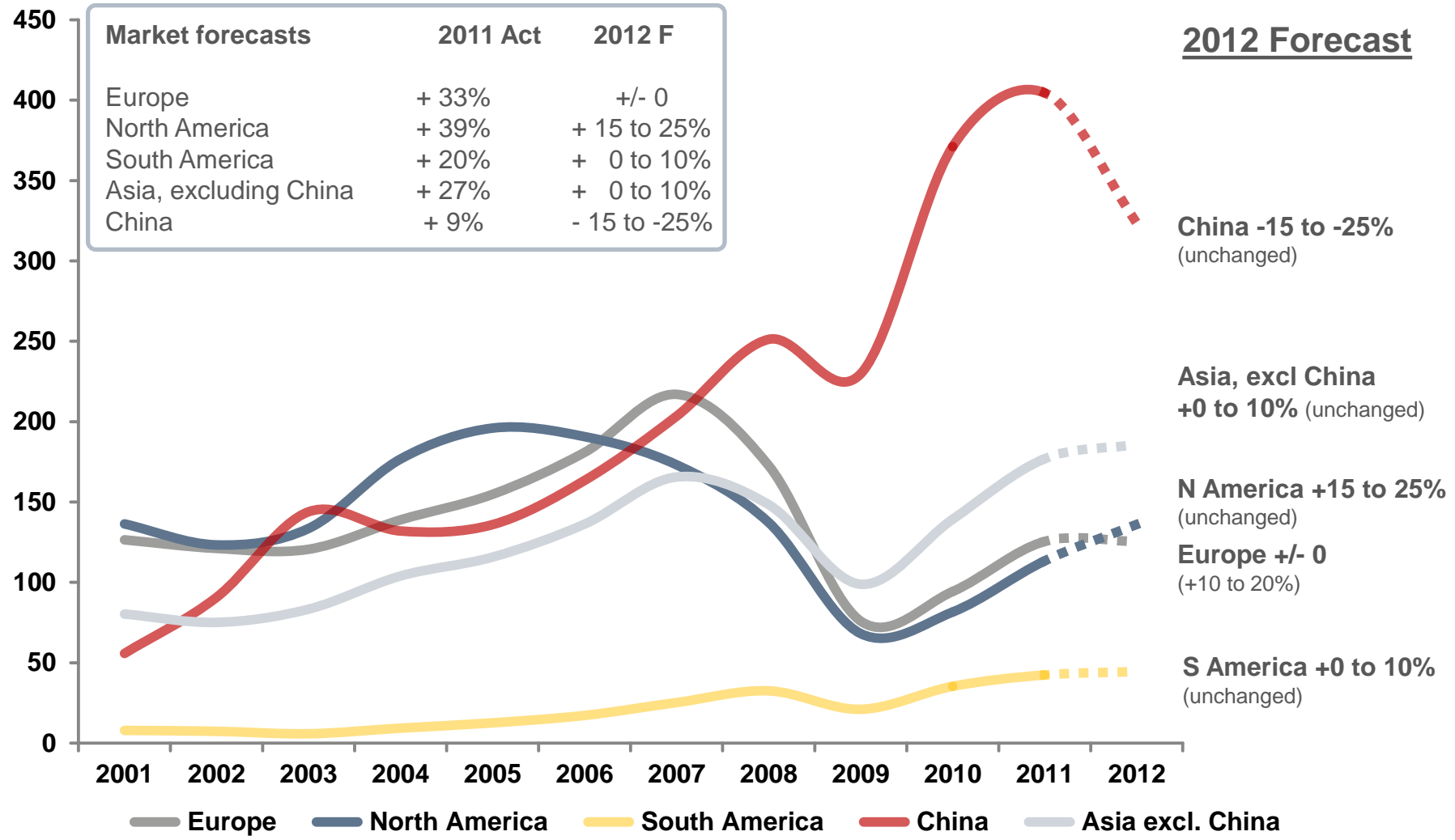
Currency +418M



* Adjusted for non-recurring items Q2 2012 & 2011

European market leveling off

Units, thousands

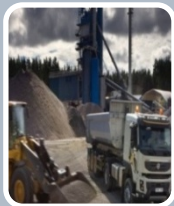


Reorganization – progressing as planned



Processes and structures

- Definition of the Group's strategic goals for the next three-year period



Customer offering



Utilizing the full potential

Q4 2011

Q1 2012

Q2 2012

Q3 2012


1. Design and prepare

2. Implement

3. Adjust and follow-up

4. Finalize changes and drive efficiencies

Reorganization – progressing as planned



Processes and structures

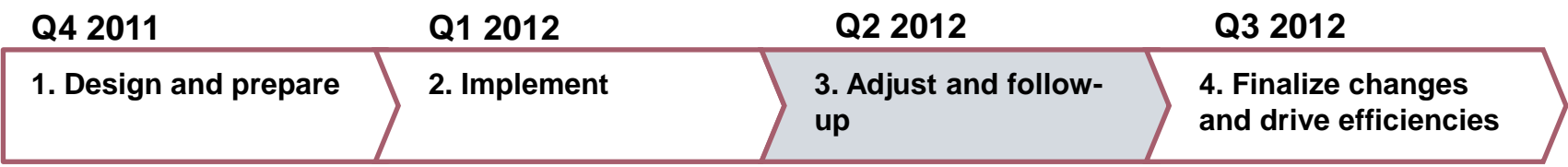


Customer offering




Utilizing the full potential

- Brand segmentation project well under way – finished in Q4
- Expansion on key growth markets:
 - SDLG excavator production in Brazil
 - Excavator plant in Kaluga



Reorganization – progressing as planned



Processes and structures

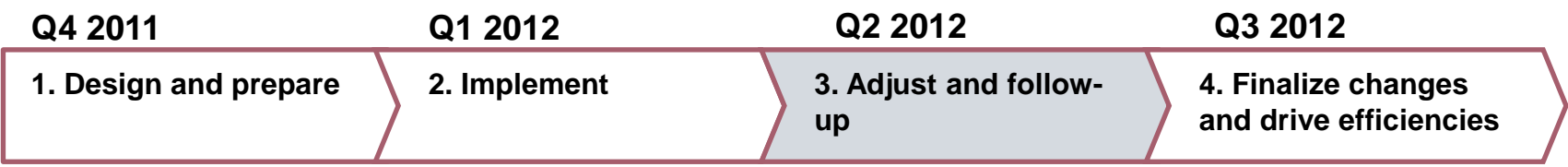


Customer offering



Utilizing the full potential

- Detailed mapping of cost efficiency opportunities developing according to plan.
- Activity plan finalized in Q3.



Second quarter summary



Solid second quarter

- Record sales SEK 84 bn – best second quarter
- Operating income SEK 7.3 bn – second best quarter

Softening order intake

- Continuous capacity adjustments to meet changes in demand

Strengthened focus on core business

- Divestment of Volvo Aero & increased shareholding in Deutz

VOLVO

APPENDIX

Guidance

Capex PPE	2012
Ind. Operations	~10 bn
Tax rate 2012	~30%

Market forecast

Heavy-duty trucks	2012
- Europe 29	230,000
- North America	250,000
- Brazil	90,000
- Japan	30,000
CE	2012
- Europe	+/- 0
- North America	+ 15 to 25%
- South America	+ 0 to 10%
- Asia, ex China	+ 0 to 10%
- China	- 15 to -25%

Currency effects – On operating income

SEK M	Q2-12 vs Q2-11
Trucks	+ 88
Volvo CE	+ 418
Buses	- 37
Volvo Penta	- 13
Volvo Aero	+ 61
Other	- 4
Volvo Group	+ 513

Upcoming events

CAPITAL MARKET DAY	Sept 25	Göteborg
Q3 REPORT	Oct 24	Stockholm
Q4 REPORT	Feb 6	Stockholm
ANNUAL REPORT	March	
AGM	April 4	Göteborg

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