



VOLVO GROUP

Investor Day 2010

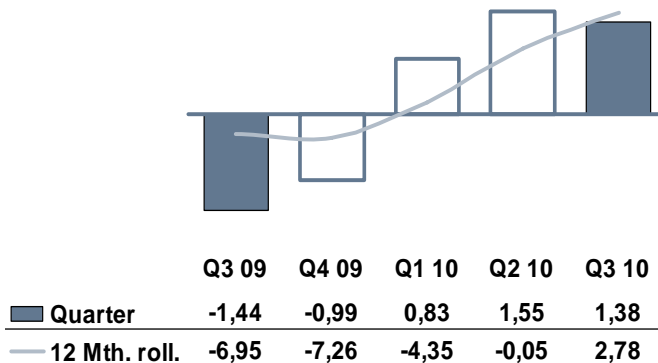
Mikael Bratt

SVP AB Volvo and CFO Volvo Group

Third Quarter 2010



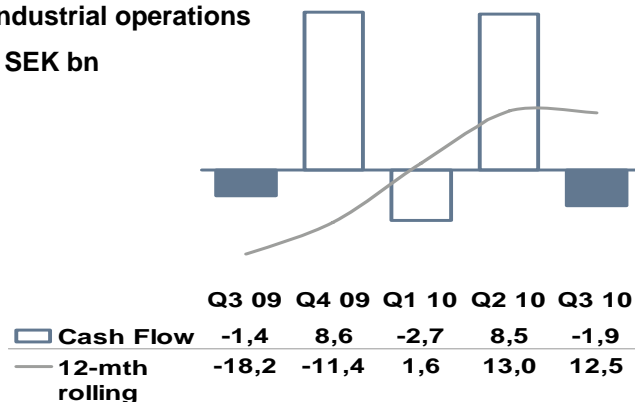
Earnings per share SEK



Operating Cash Flow

Industrial operations

SEK bn



Third quarter

- Sales 32% higher, +33% fx-adjusted
- Operating income SEK 4.9 bn, operating margin 7.7%
- Cost reductions maintained
- Seasonal build-up in working capital

In focus

- Increase production
- Productivity
- Cost control
- Cash flow

Back on track

Increased efficiency

Flexibility

Cash flow

Volvo Group funding

Conclusions



2009 DOWNTURN MANAGEMENT SUMMARY

Targets achieved

S&A
R&D



Inventory
PPE
Overdues



Headcount reduction



2009

- SEK 21 bn cost reduction in place
- Competitive future product portfolio
- Working capital reduced
- Reduction of 18,000 employees

Make improvements sustainable!

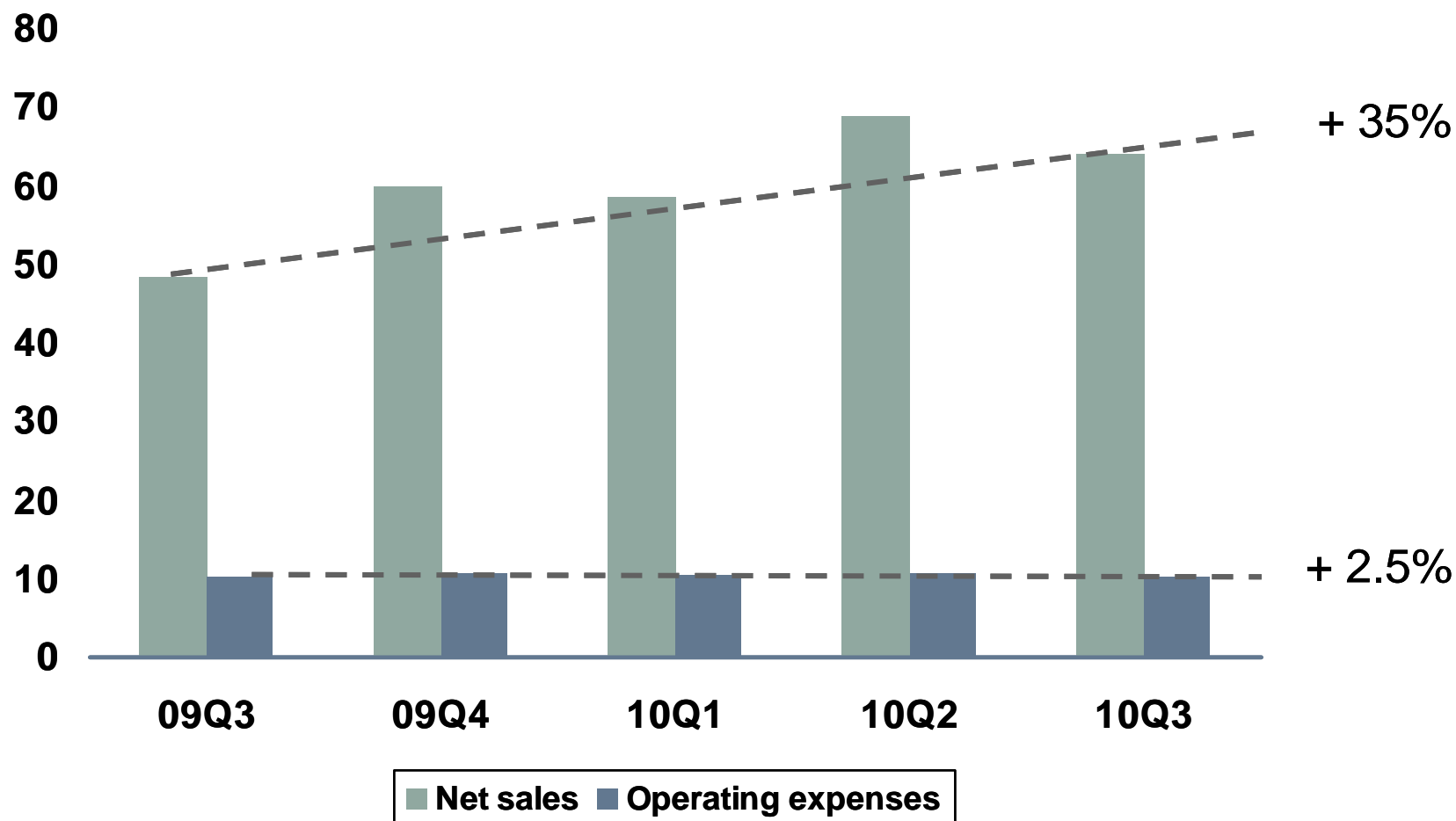


UPTURN MANAGEMENT

- ▶ Hold on to implemented cost reductions
- ▶ Increased focus on efficiency
- ▶ Build flexibility in cost structure
- ▶ Increase working capital turn-over

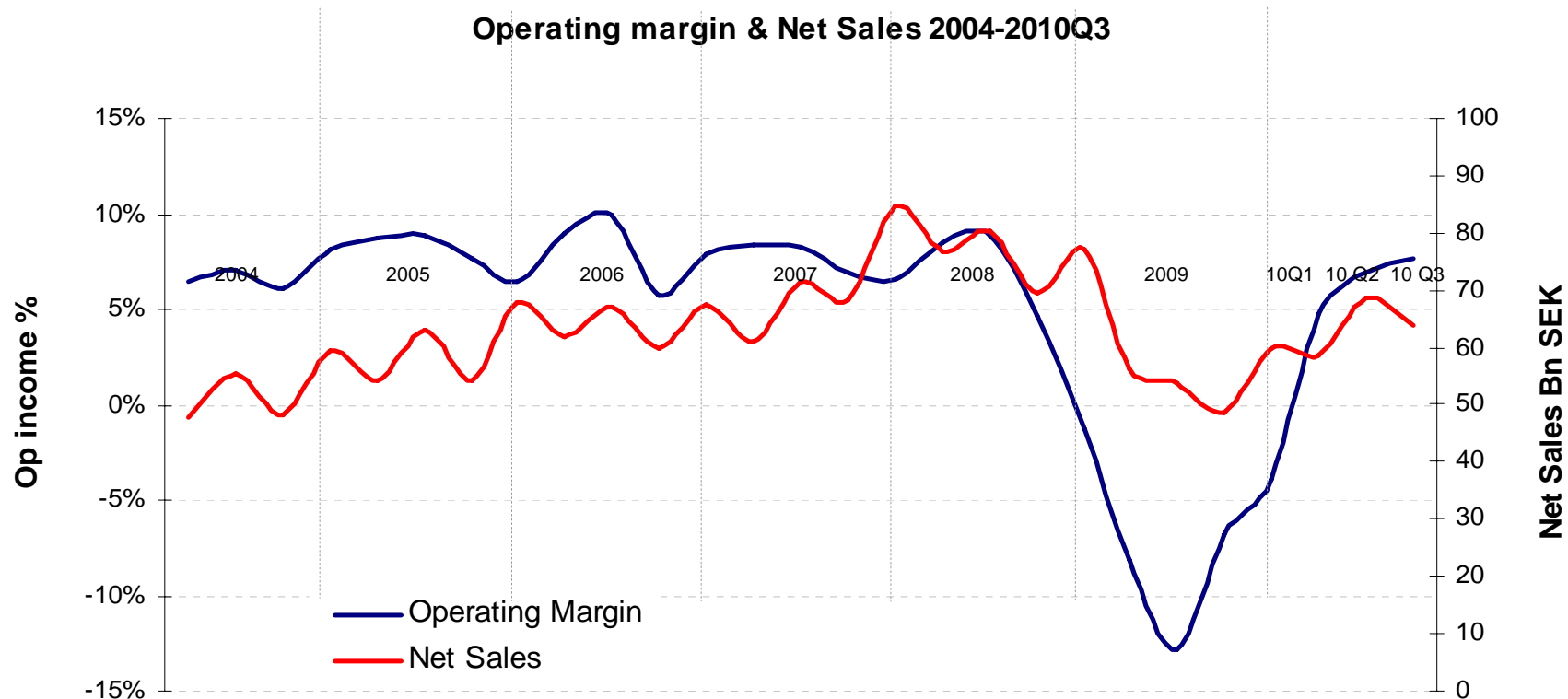
Operating leverage through cost-control

Industrial operations



Operating margin & Net sales

Development 2004-2010Q3



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Focus in 2010-2012

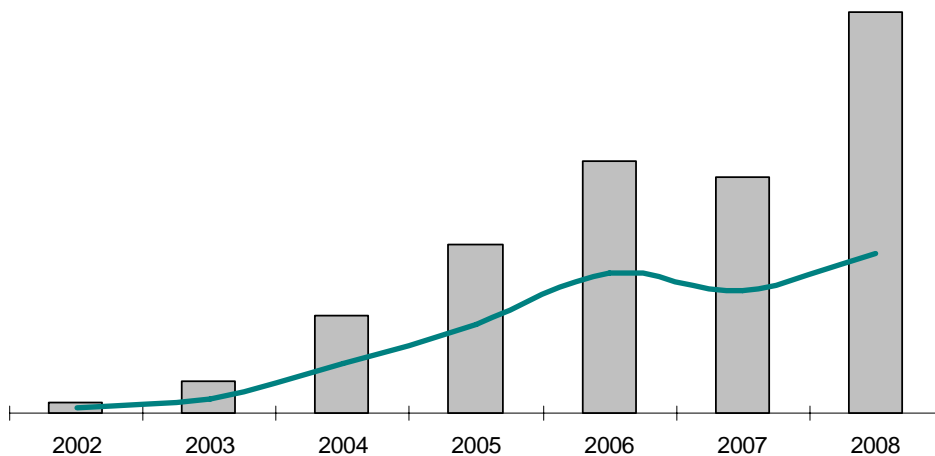
INCREASED EFFICIENCY

- Reducing Selling & Admin costs further
- Strict control of capital expenditures
- Maintain inventory levels
- Improve R&D efficiency

Volvo IT

Sourcing over the business cycle

FTE's sourced to India and corresponding savings



2008 – 2009

Recession Management Reducing IT cost base for Volvo Group by SEK 1.8 bn run-rate in only 6 months

-still safeguarding strategic initiative and keeping quality in deliveries and services

2010 – 2013

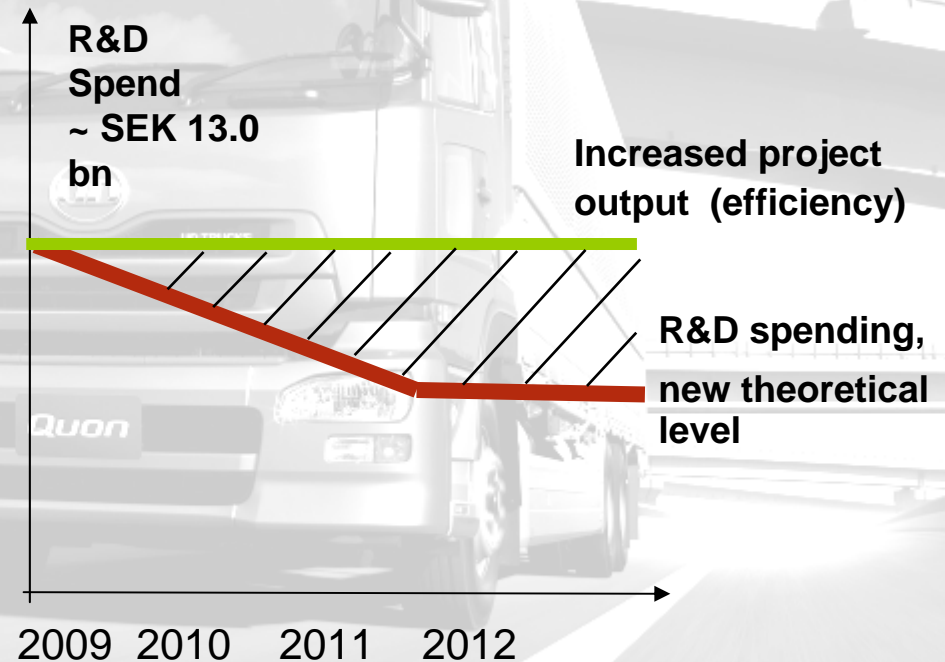
Upturn Management

To meet future demands without letting IT spend back to levels of 2008.

R&D efficiency –

A competitive edge in our Industry

- Global environmental demands
- Competitive global products
- Shorter time to market
- Project RnD³⁰
 - Improve R&D efficiency by 30%



Back on track

Increased efficiency

Flexibility

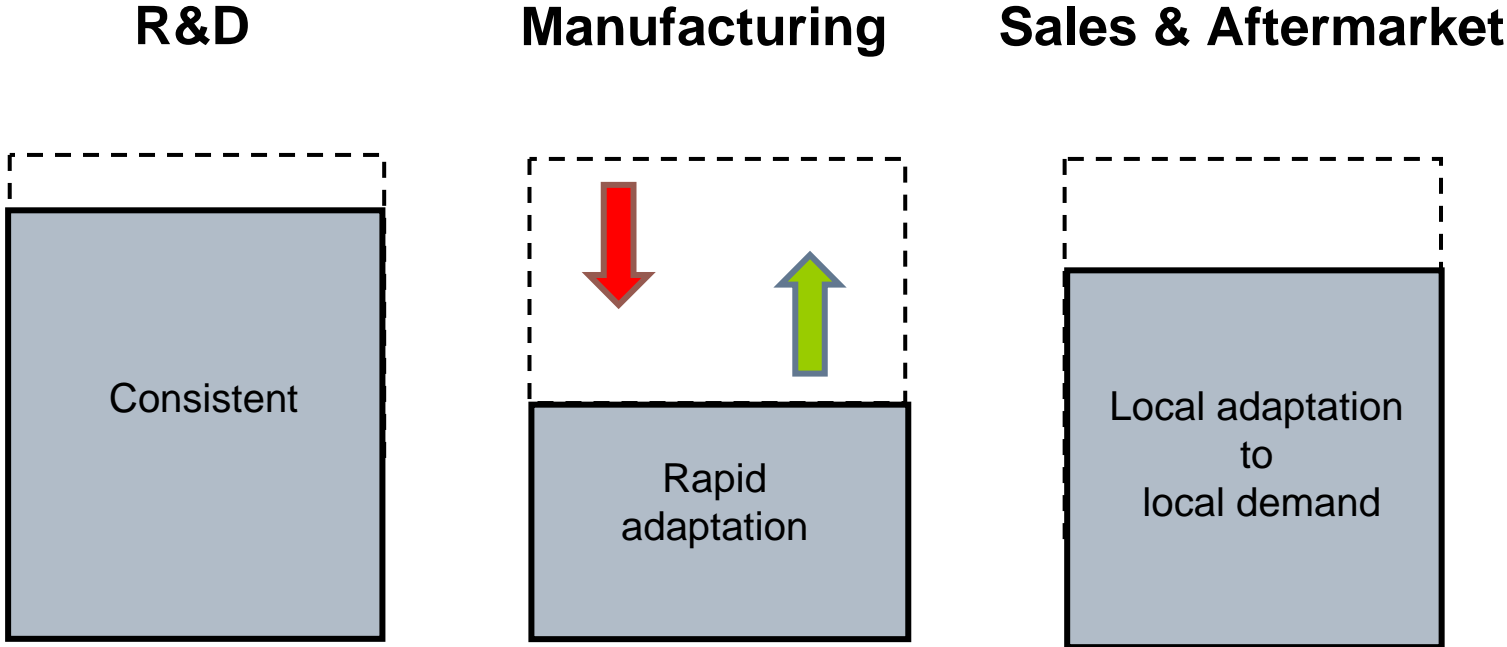
Cash flow

Volvo Group funding

Conclusions

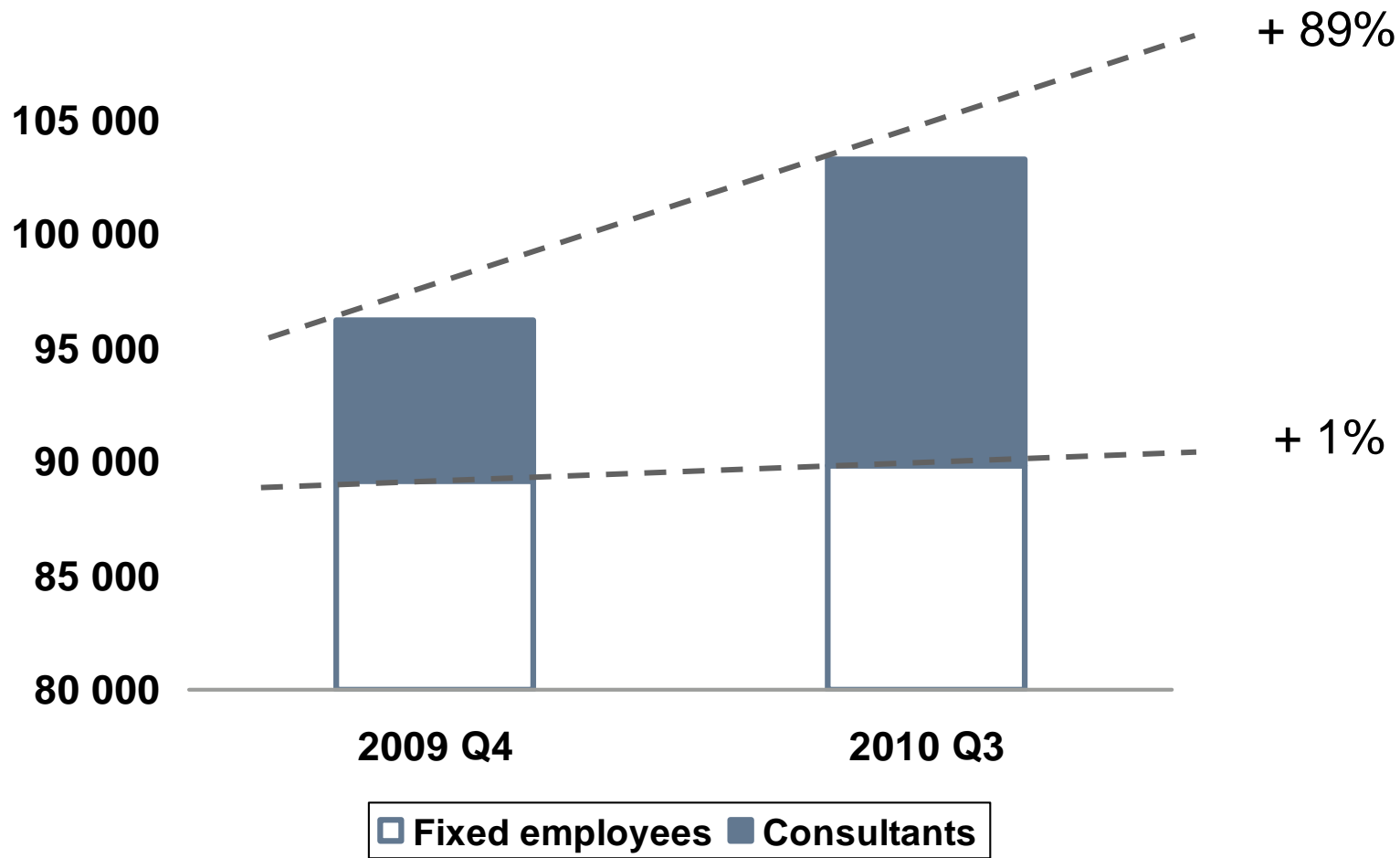


Cost flexibility



Workforce cost flexibility

Fixed employees and consultants



Back on track

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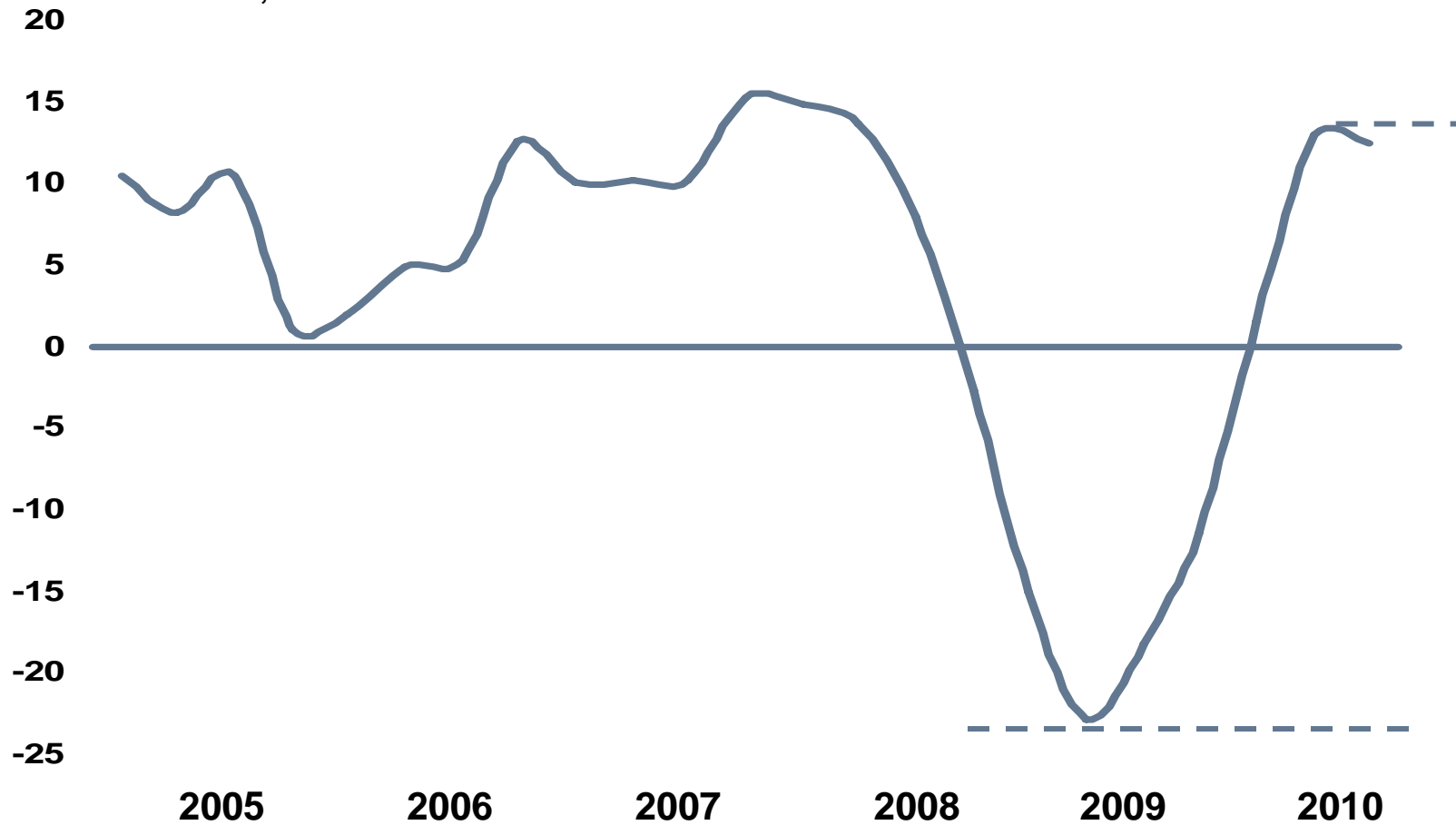
Conclusions



Volvo Group – Cash Flow

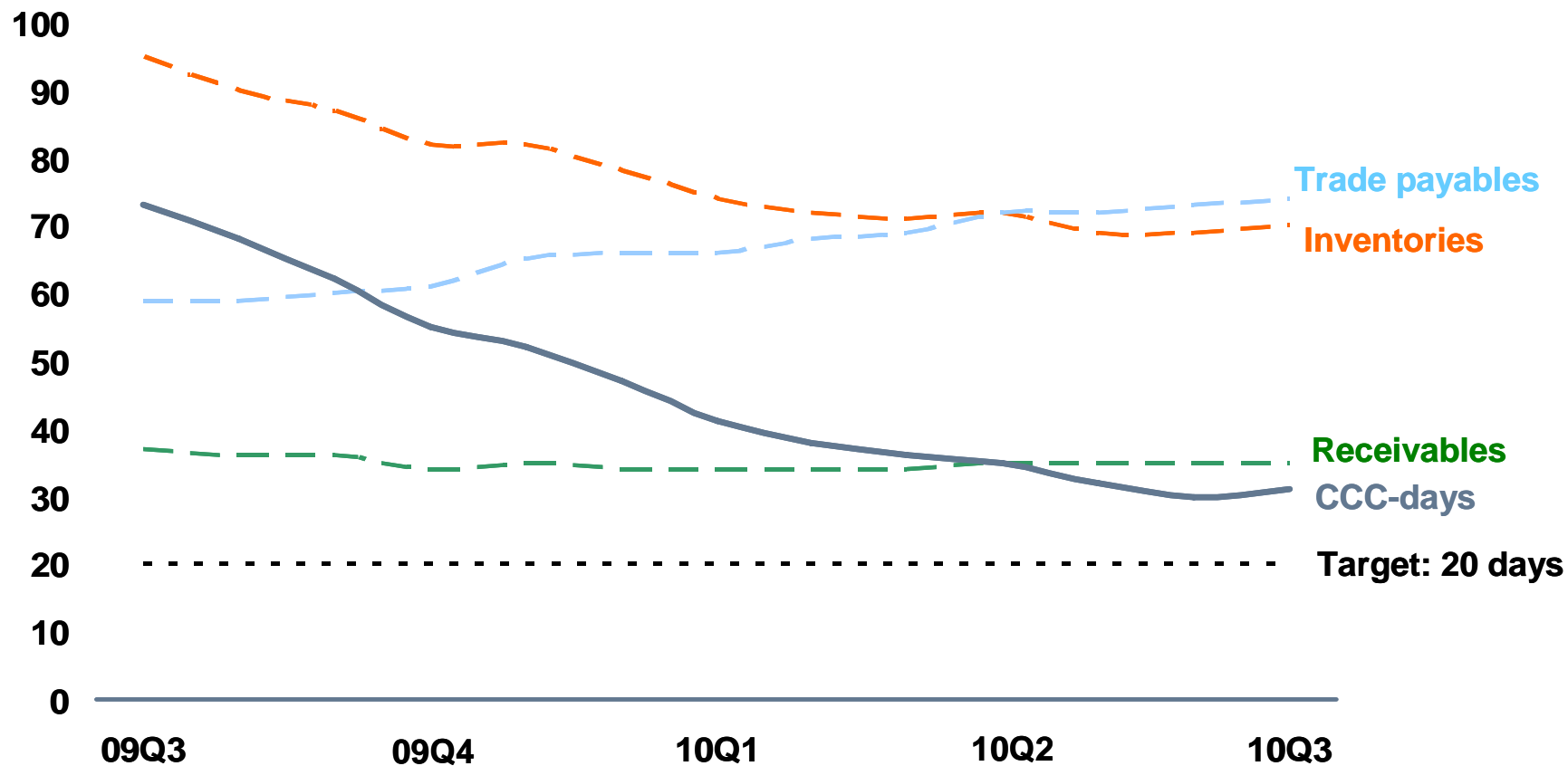
Industrial Operations

12-months, SEK bn



Cash Conversion Cycle

6-months average, days



Back on track

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Volvo Group funding

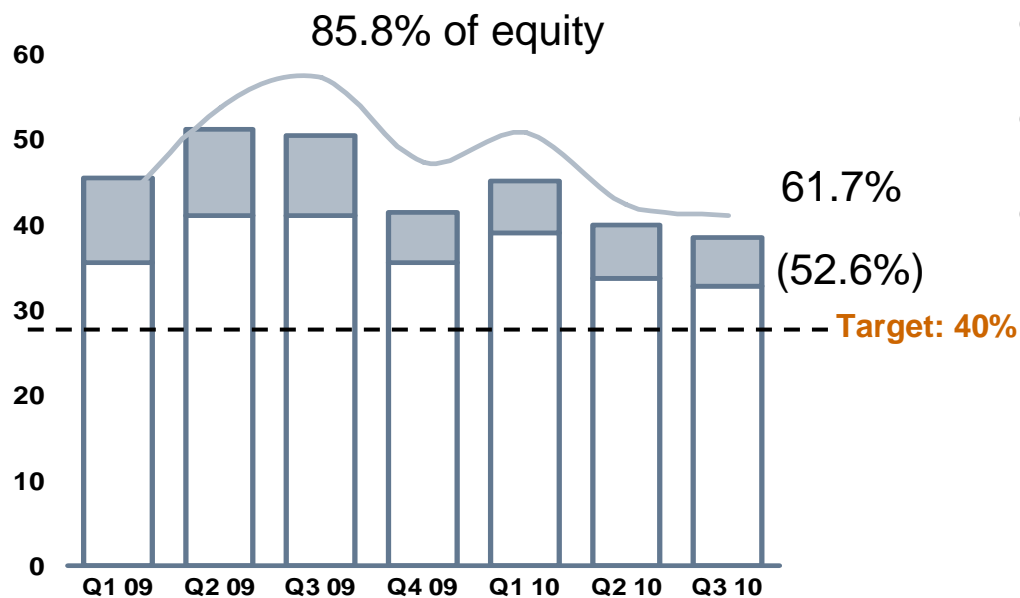
Conclusions



Volvo Group – Net Financial Debt

Industrial Operations

Net debt,
SEK bn



Pensions	9,8	10,1	9,5	6,0	6,1	6,4	5,7
Financial Debt	35,6	41,0	41,0	35,5	39,0	33,6	32,7

- Good access to financing
- Amortization of debt
- Competitive funding for VFS
- Liquidity position:
 - Liquid funds SEK 26.9 bn
 - Committed facilities SEK 34 bn

Back on track

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GOING FORWARD

A man wearing a cap and sunglasses stands next to a Volvo truck. The truck is blue and has 'VOLVO' and '700' visible on its front. The background is a bright, outdoor setting.

- ▶ **Cost control in upturn**
- ▶ **Tight working capital management**