

VOLVO

Third Quarter 2008

Conference Call, October 24, 2008

Group Highlights



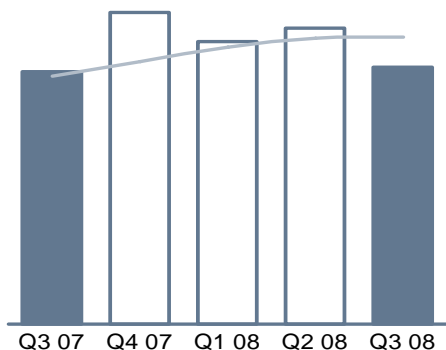
Third Quarter

- Difficult quarter
 - Sales growth 2%, (+13% in Q2 & +26% in Q1)
 - Operating income down 37%
 - Rapid adjustment of production capacity
- Business environment
 - Europe – falling volumes and heading towards downturn
 - North America and Japan, declining further
 - Still stable development in South America and other international markets

Volvo Group

Net sales

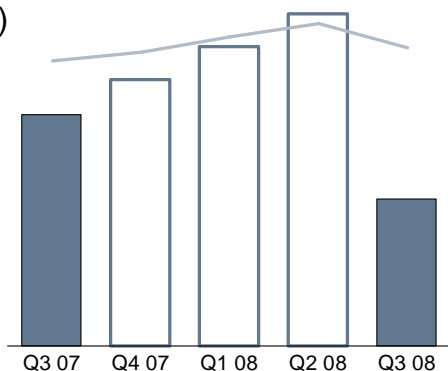
(SEK bn)



Quarter	Q3 07	Q4 07	Q1 08	Q2 08	Q3 08
Quarter	68	85	77	80	70
12 Mth. rol.	269	285	301	310	311

Operating income

(SEK M)



Quarter	Q3 07	Q4 07	Q1 08	Q2 08	Q3 08
Quarter	5 010	5 775	6 487	7 186	3 177
Margin	7,3%	6,8%	8,5%	8,9%	4,6%
12 Mth. rol.	21 627	22 232	23 391	24 458	22 625

Sales, up 2%

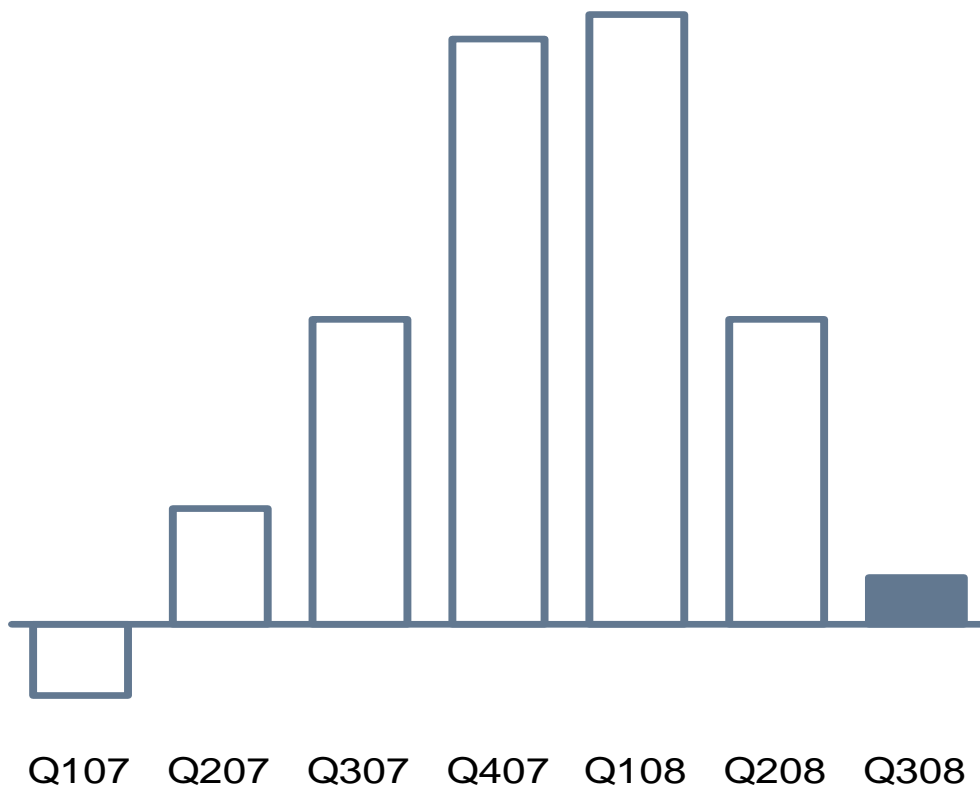
- Western Europe -4% (Q2 +7, Q1 +17)
- Eastern Europe +21% (Q2 +25, Q1 +37)
- North America -12% (Q2 +1, Q1 -4)
- Asia +3% (Q2 +42, Q1 +27)
- South America +35% (Q2 +35, Q1 +18)

Decrease in operating income

- + Good performance in Europe and International
- Truck operations in the US
- Volvo CE
- R&D expenses up SEK 0.8 bn
- Cost inflation raw materials SEK 1 bn
- Restructuring in North America, Volvo CE & Mack SEK 330 M
- Underabsorption

Volvo Group

Sales growth year over year
(%)



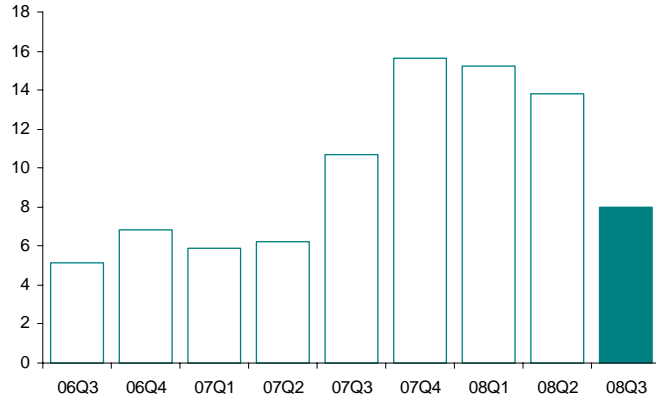
■ Sales growth

Q107	Q207	Q307	Q407	Q108	Q208	Q308
-3%	5%	13%	25%	26%	13%	2%

Cash flow

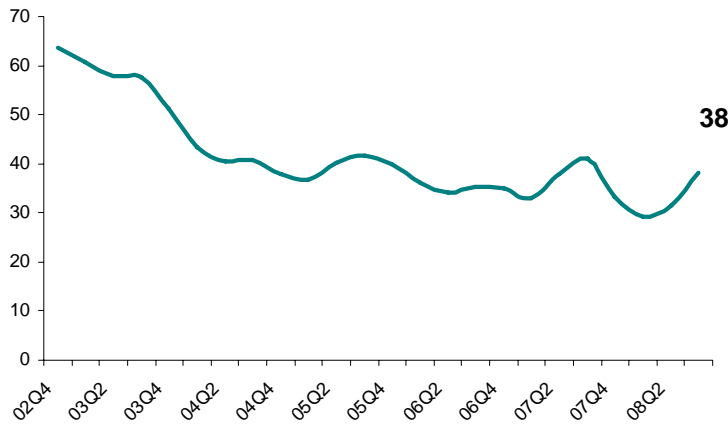
Operating cash flow

12-months, SEK bn



Cash Conversion Cycle

Days

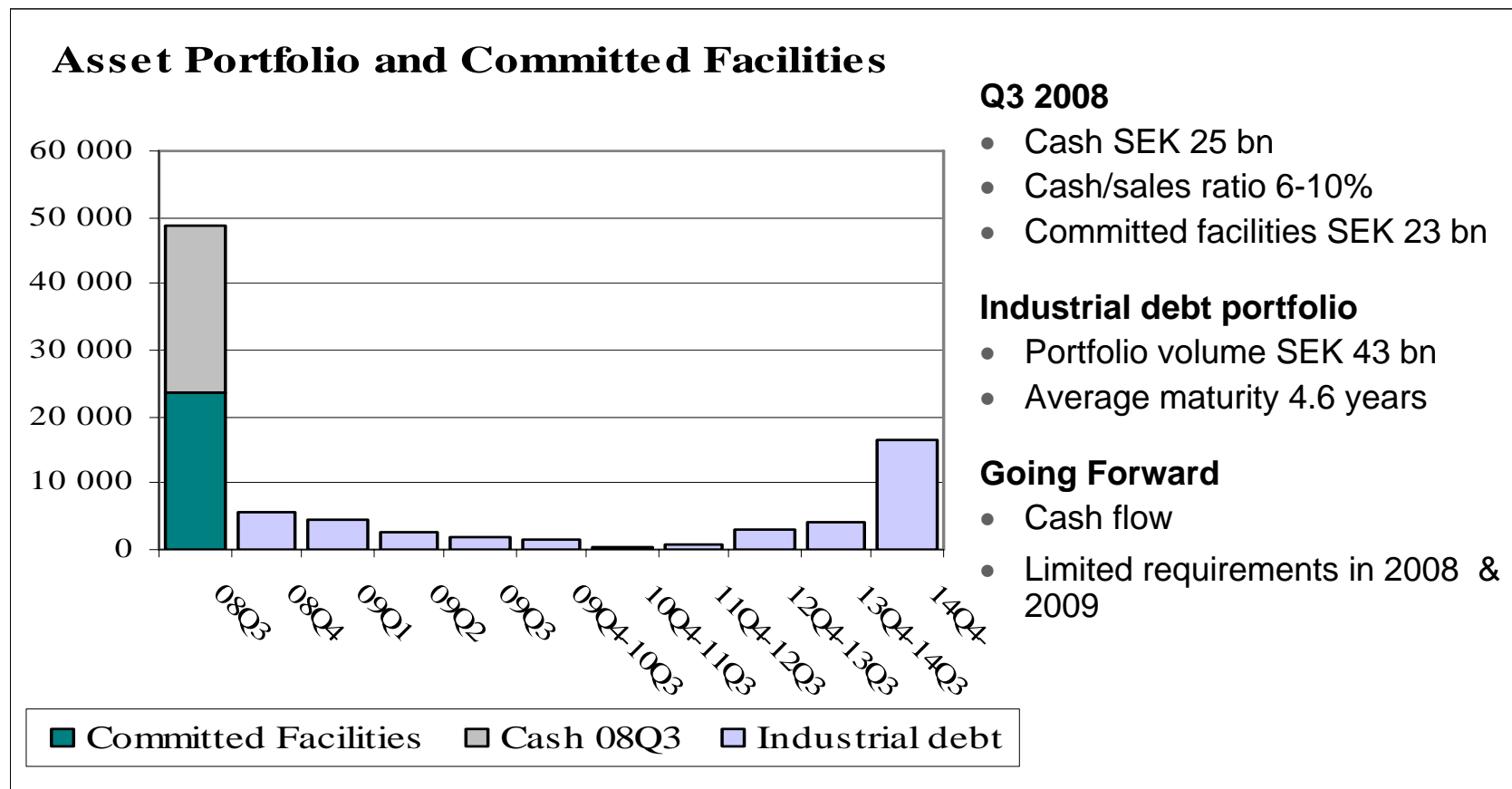


- Industrial operating cash flow; negative SEK 6.1 bn in the quarter
- Cash Conversion Cycle: 38 days
- Focus on working capital

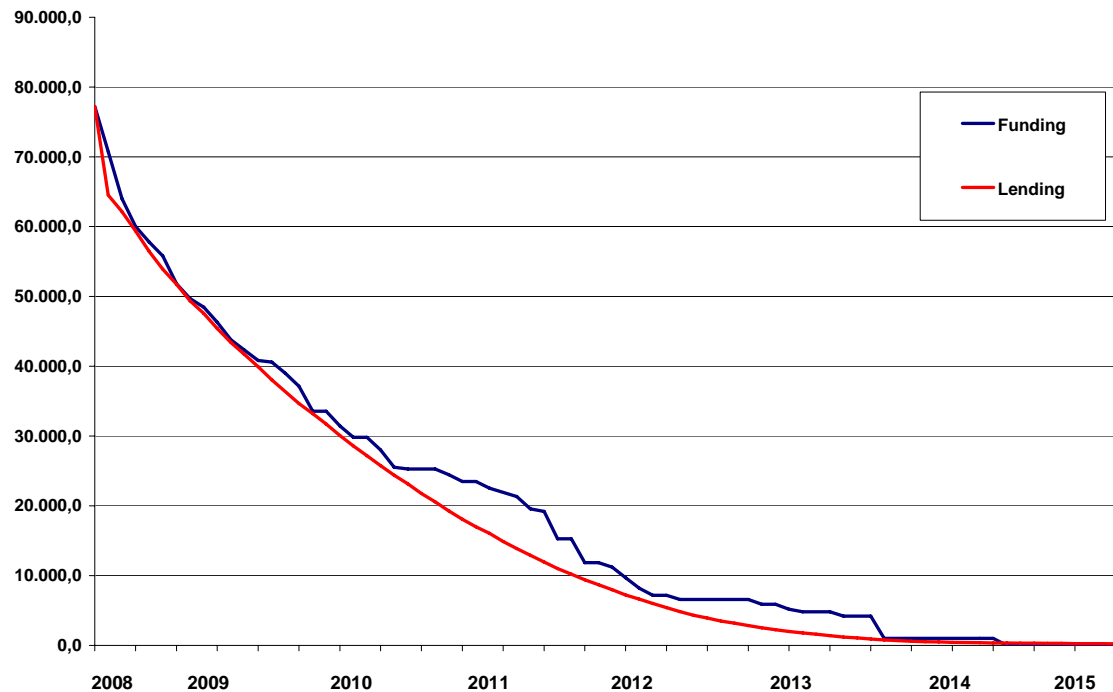
- Receivables	+2.6 bn
- Inventories	-2.4 bn
- Payables	-6.5 bn
- Other	<u>-0.2 bn</u>
Total change	- 6.5 bn
- Net financial debt SEK 23.8 bn, 32.4% of shareholders' equity

Volvo Group

Financial Assets and Industrial Debt



Customer Financing Debt Portfolio



- Strict management of liquidity and funding risk
- Maturing debt matched against customer commitments
- Average maturity 1.4 years
- Total assets of SEK 89 bn as of Sep 30, 2008
- Equity ratio of 8%

Financial Risk – under control

Pensions

- Contribution according to plan
- Currently no need for additional cash infusions

Residual values

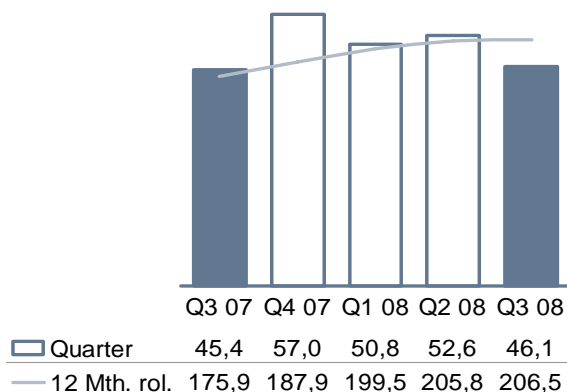
- Conservative approach
- Continuous follow-up by respective Business Areas

Trucks



Net sales

SEK bn

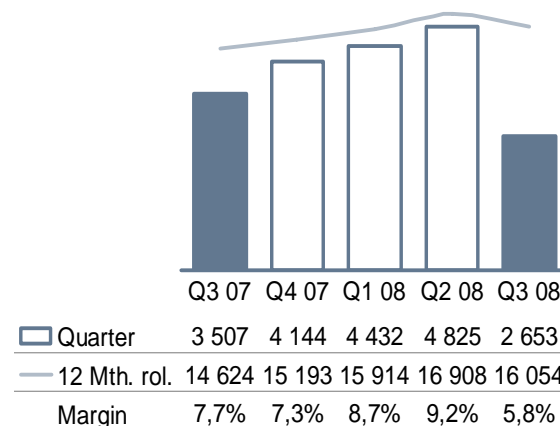


Highlights

- Significant slowdown in demand in Europe
- Operating income down 24%, driven by North America
- Production system and overhead costs being adjusted to lower demand

Operating income

SEK M



In Focus

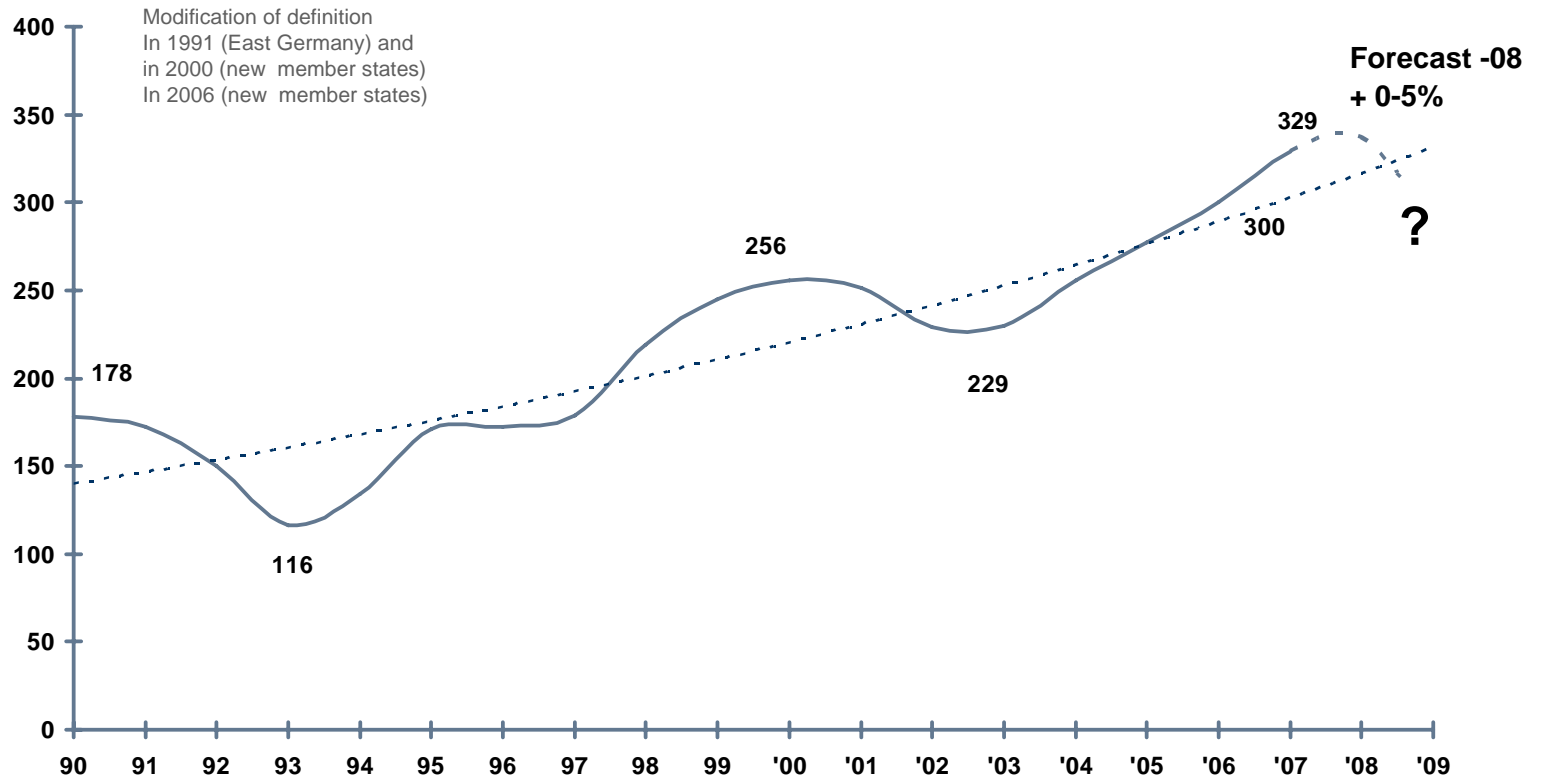
- Production management
- Cost efficiency and productivity
- Integration projects with Nissan Diesel and Eicher
- Manage material cost inflation

Heavy-duty truck market - Europe

(EU members + Switzerland and Norway)



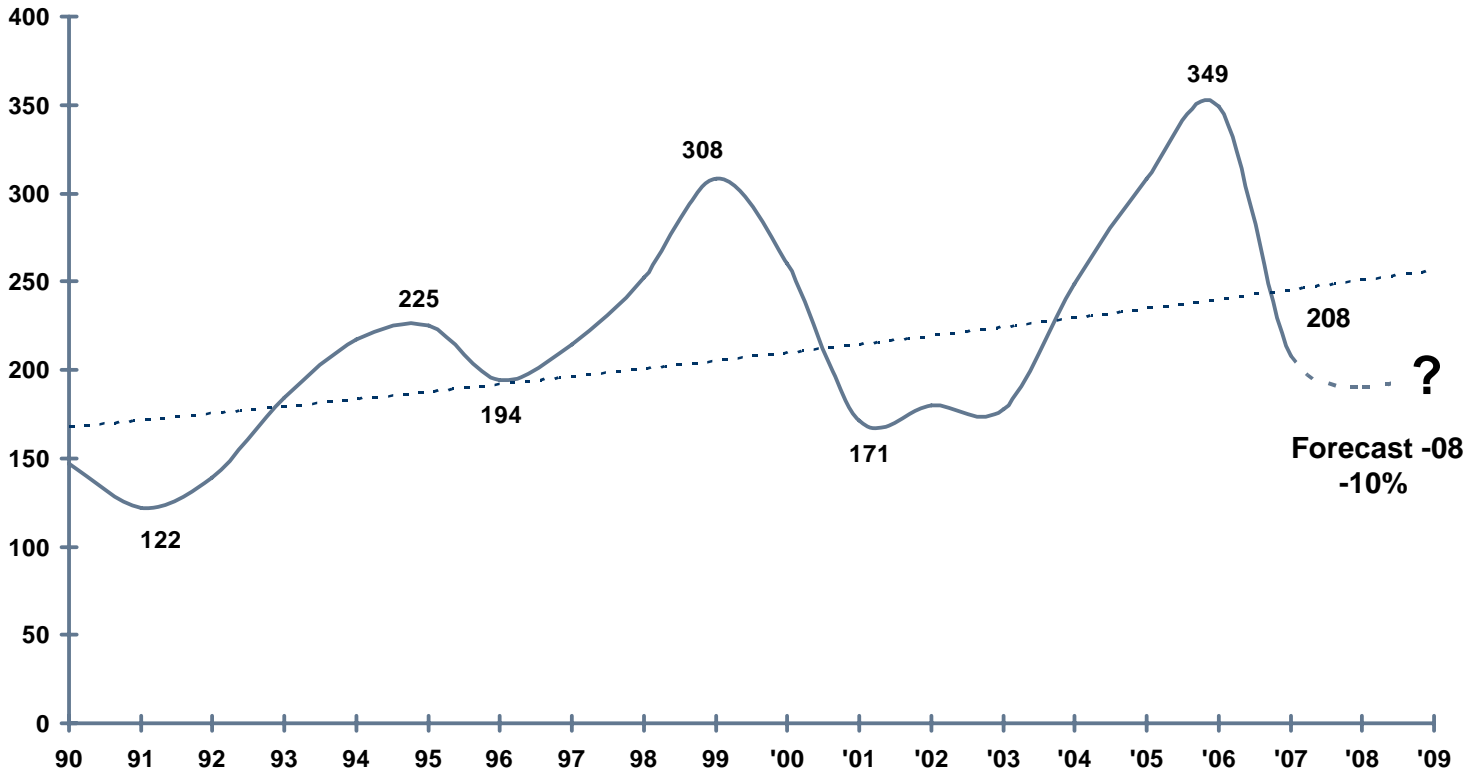
Units, Thousands (heavy trucks)



Heavy-duty truck market – North America



Units, Thousands (heavy trucks)



Trucks



Volvo Trucks

- Market shares gained in Europe
- Production adjustments in Europe
- Order book towards normalization
- New products launched in Europe
 - Good reception at the IAA

Renault Trucks

- Improving market shares in Europe
- Adjustment of production - temporary workers staffing
- Product innovation
 - All electrical Maxity
 - Renault Premium Distribution Hybrys-Tech
 - Premium Optifuel Concept: new aerodynamic features help reduce fuel consumption.



Mack Trucks

- UAW negotiations ongoing
- Restructuring plan launched
- Top Customer Satisfaction Ranking for Dealer Service in JD Power
- Honored by EPA for 32% reduction in greenhouse gas emissions

Nissan Diesel

- Market share maintained
 - the retail sales price of trucks raised
- Market forecast Japan: medium and heavy trucks down 15% in 2008
- Integration work

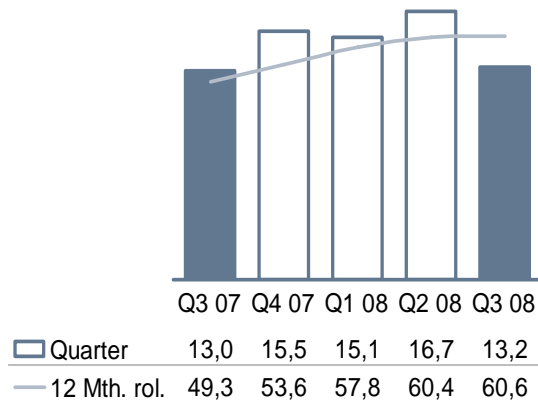


Construction Equipment



Net sales

SEK bn

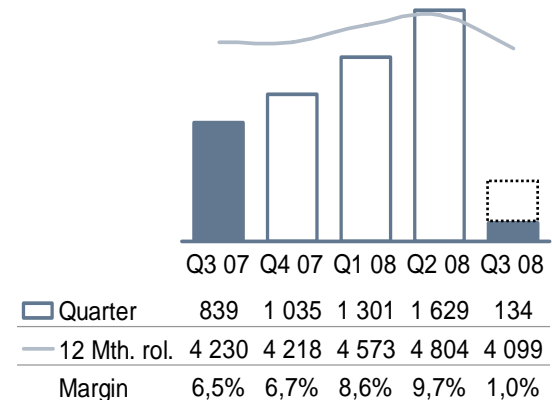


Highlights

- Sales up 2% (Q2 +18%)
- Operating income affected by increased steel prices and a restructuring charge of SEK 300 M
- Markets continue to fall

Operating income

SEK M



In Focus

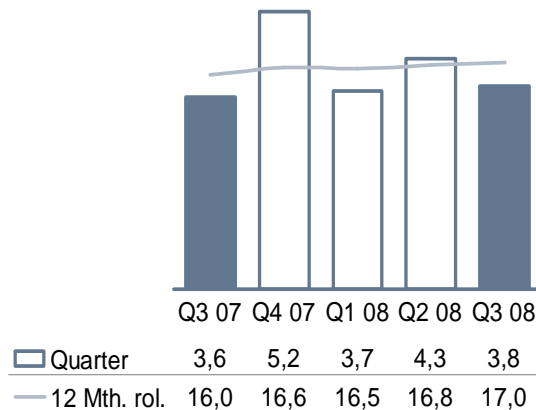
- Manage Goderich plant close down
- Recession Management
- Lingong and Road Machinery integration

Buses



Net sales

SEK bn

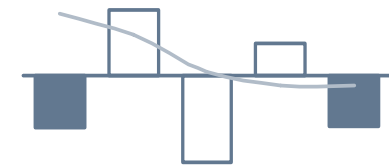


Highlights

- Increased order intake for city buses
- Closure of Tampere and divestiture of Turku factory Oct 1, 2008
- Negative currency effect
- Hybrid launch

Operating income

SEK M



Q3 07 Q4 07 Q1 08 Q2 08 Q3 08

Quarter	-73	93	-122	46	-72
12 Mth. rol.	350	231	19	-57	-56
Margin	-2,0%	1,8%	-3,3%	1,1%	-1,9%

In Focus

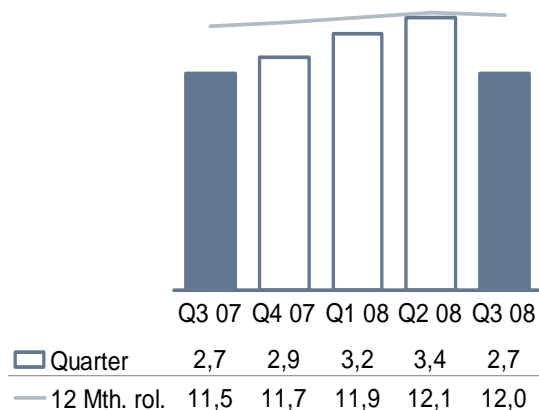
- Global Profitability program
- Inventory management
- City bus tender activities

Volvo Penta



Net sales

SEK bn

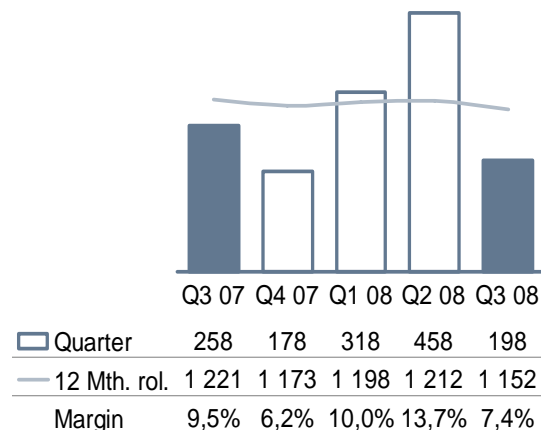


Highlights

- Downturn in total market for marine engines in Europe and North America
- Continued good demand for industrial engines and IPS

Operating income

SEK M



In Focus

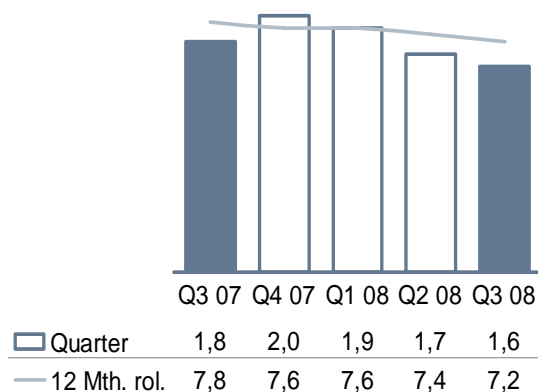
- Adjusting to lower demand
- Efficiency programs for central and regional operations
- Capitalize on good momentum for industrial engines and IPS

Volvo Aero



Net sales

SEK bn

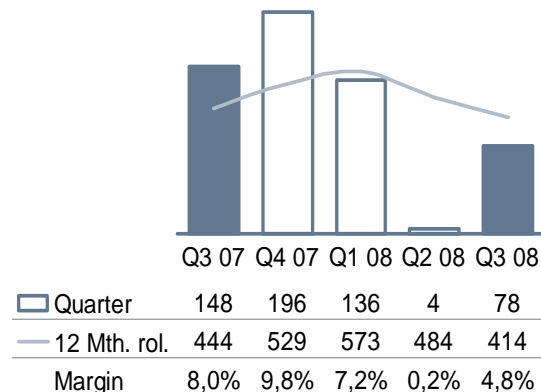


Highlights

- Air traffic growth flattening out
- Component business still growing, with good margin
- Lower volumes in the after market business
- Successful Fan Blade Out Test with new composite technology

Operating income

SEK M



In Focus

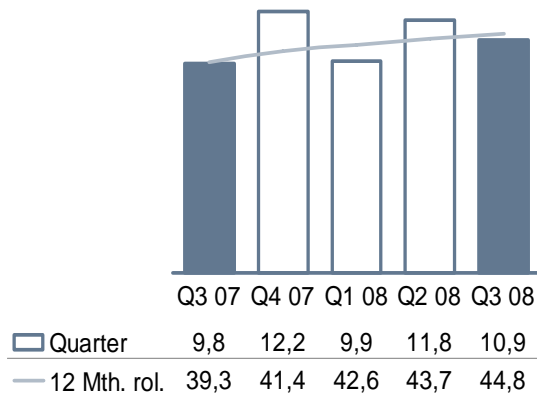
- Intensify after market profitability program
- Continued product cost rationalization
- Execution on new contracts

Financial Services



New retail financing

SEK bn

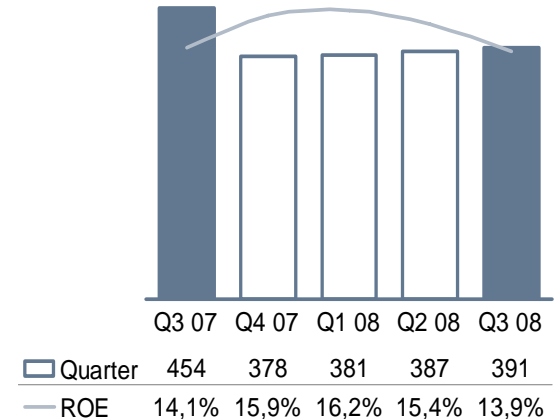


Highlights

- Strong new business volume
- Stable operating income
- Steady penetration

Operating income and return on equity

SEK M



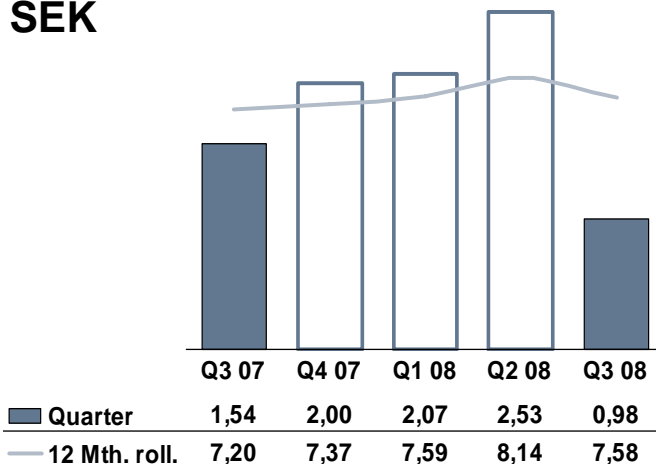
In Focus

- Heightened portfolio management
- Global financial markets
- Opportunities in the downturn

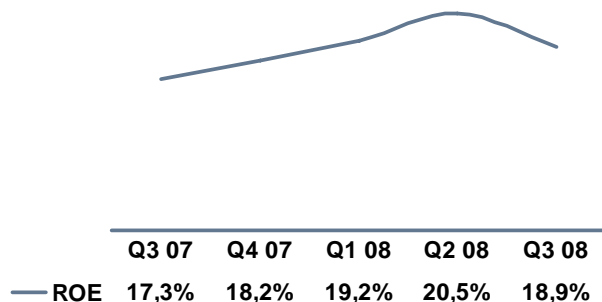
Group Summary



Earnings per share SEK



Return on equity



Difficult quarter

- Sales down 13% compared to Q2
- Operating income down 37%
- Competitive new products

In focus

- Rapidly adjust production capacity and cost
- Manage Global demand
- Integrating acquisitions
- Cost efficiency and productivity
- Develop and introduce environmentally friendly and fuel efficient products
 - New emission steps (Euro 5 & US'10)
 - Hybrids

VOLVO

Third quarter 2008