

# **VOLVO**

## **First Quarter 2009**

**Conference Call, April 24, 2009**

# Group Highlights



## First quarter

- Rapid decline in sales, - 27%, -42% adjusted for currency
- Operating loss SEK 4,528 M
- Adjustment of production capacity
- SEK 16.6 bn decrease in trade payables
- Secured funding of SEK 30 bn

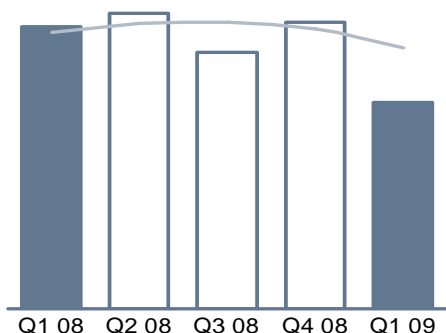
## Business environment

- Western Europe; demand on very low levels
- Eastern Europe; deteriorating further
- North America; slow start to the year
- Asia, outside Japan; signs of improvement

# Volvo Group

## Net sales

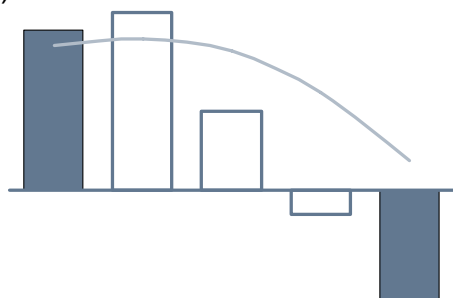
(SEK bn)



Quarter	Q1 08	Q2 08	Q3 08	Q4 08	Q1 09
Quarter	77	80	70	78	56
12 Mth. rol.	301	310	311	305	284

## Operating income

(SEK M)



Quarter	Q1 08	Q2 08	Q3 08	Q4 08	Q1 09
Quarter	6 487	7 186	3 177	-999	-4 528
Margin	8,5%	8,9%	4,6%	-1,3%	-8,1%
12 Mth. rol.	23 391	24 458	22 625	15 851	4 836

## First quarter

Sales, down 27%, -42% adjusted for currency

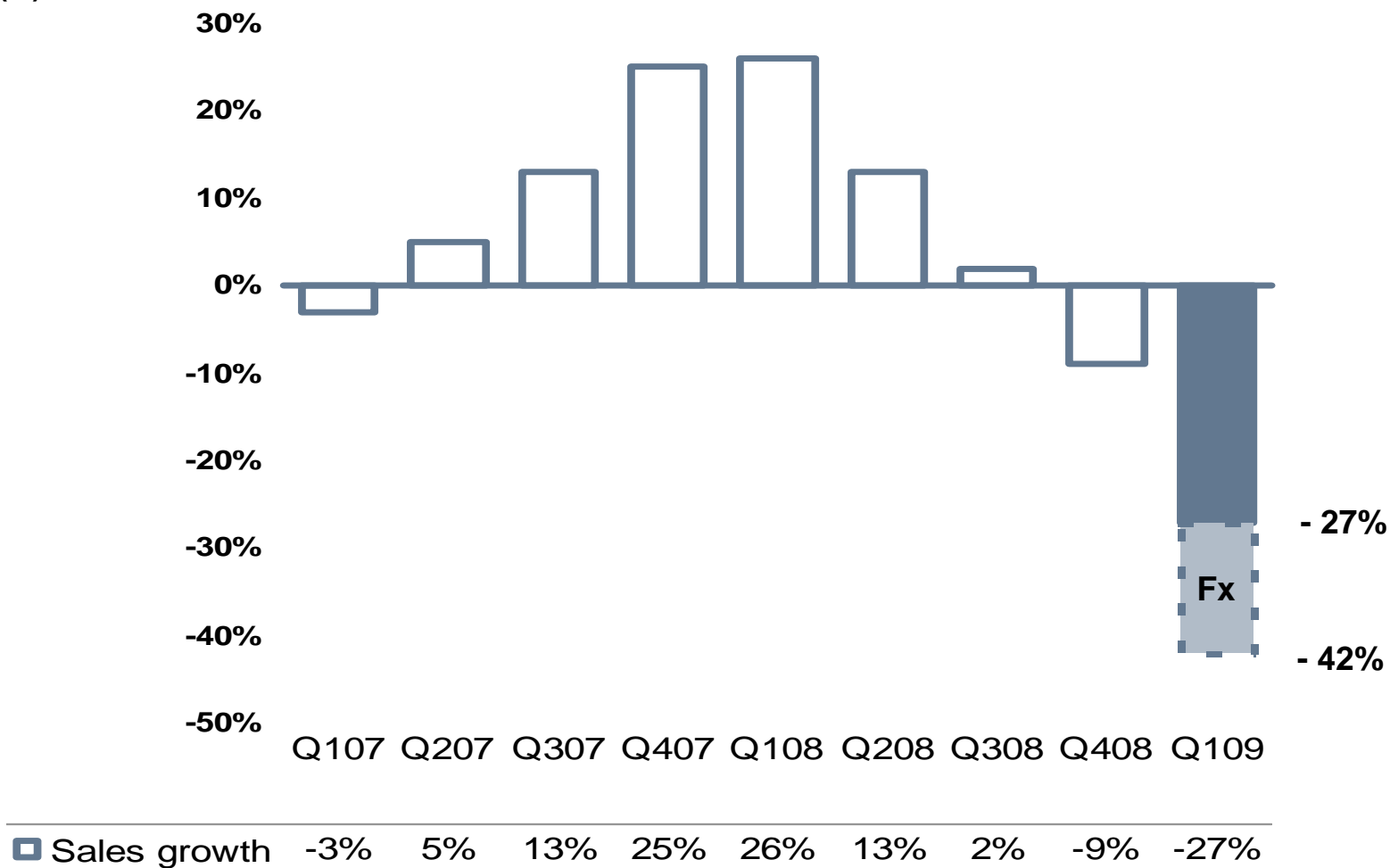
- Europe -38%
- North America -11%
- Asia -28%
- South America -12%

## Operating income

- Lower volumes
- Under absorption SEK 3 bn
- Increased credit provisioning in VFS SEK 700 M
- Lay-off costs SEK 600 M
- Raw materials & components SEK 500 M
- Negative currency effect SEK 1.8 bn

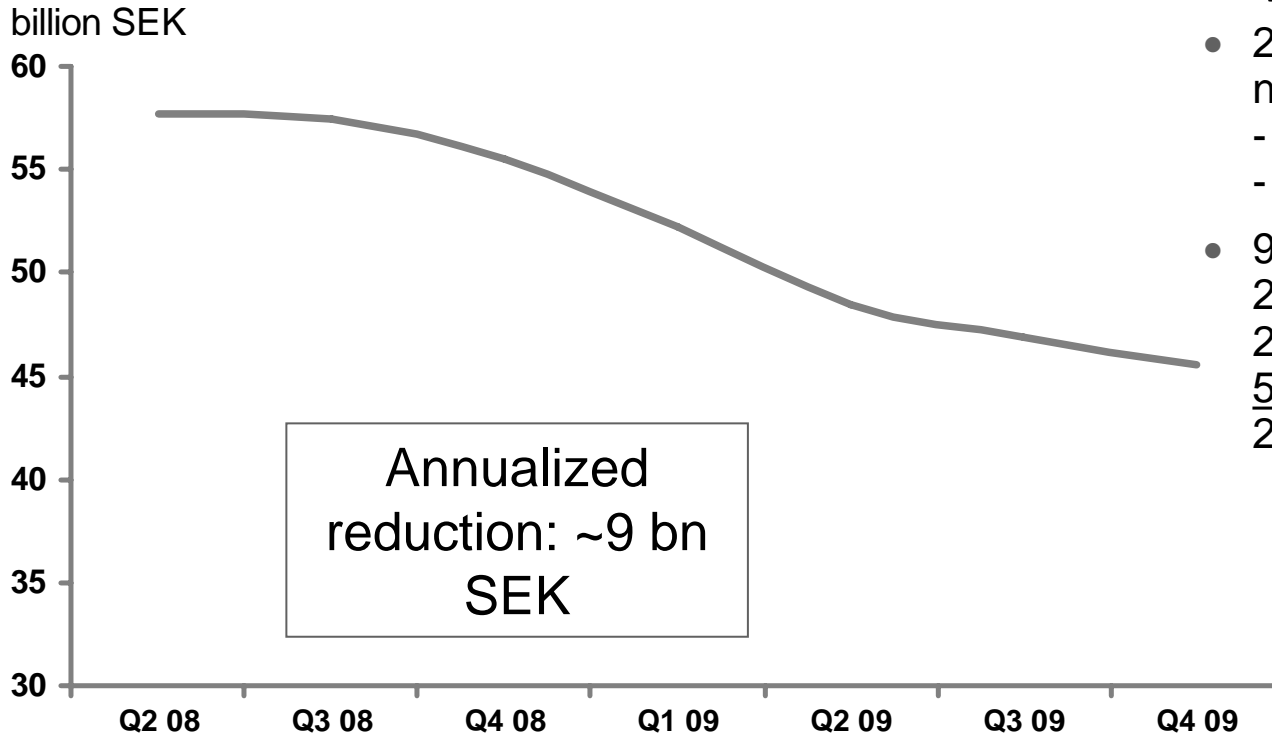
# Volvo Group

## Sales growth year over year (%)



# Workforce related cost

## Annualized quarterly development

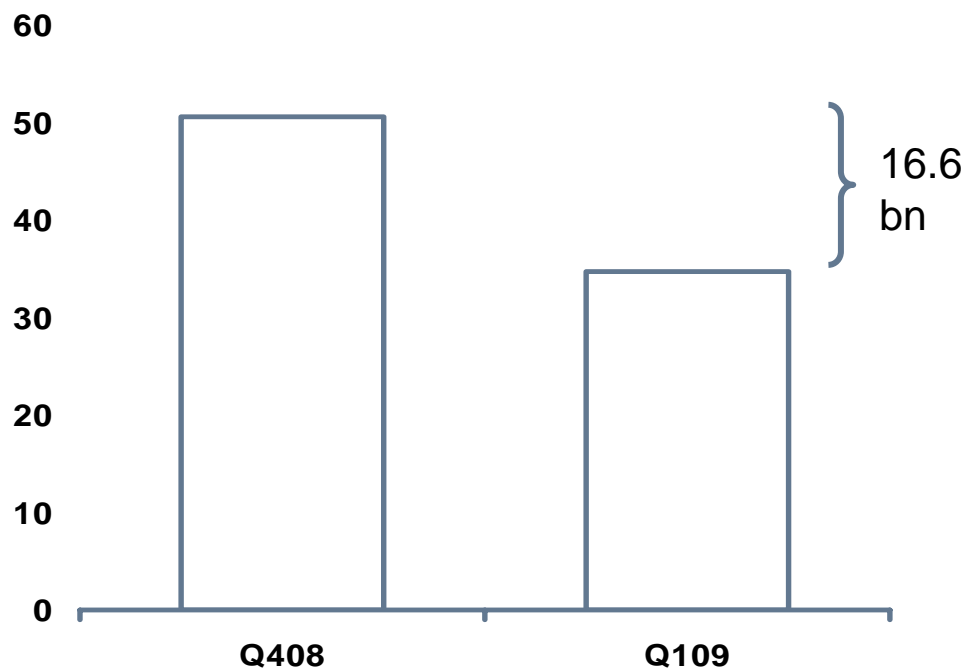


### Lay-offs:

- 20,757 employees/consultants noticed in 2008 and 2009;
  - 5,835 left in 2008
  - 5,439 left in Q1-09
- 9,969 in Sweden  
2,613 in France  
2,544 in the US  
5,631 in other countries  
20,757 in total

# Working Capital

Trade payables,  
SEK bn

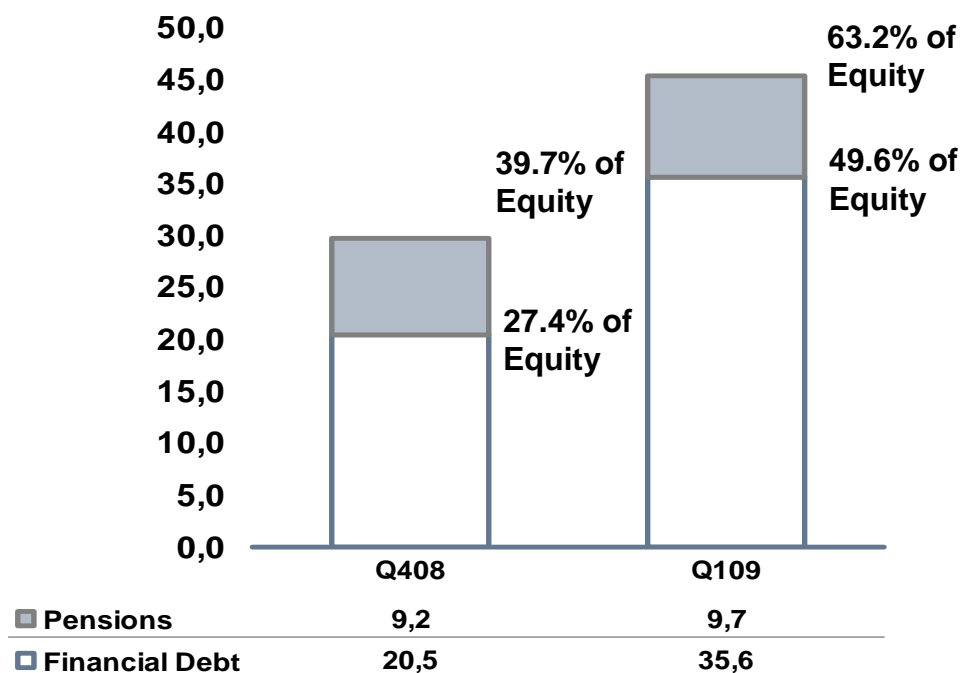


- Industrial operating cash flow; negative 15.7 bn in the quarter
- Focus on working capital
  - Receivables - 6.1 bn
  - Inventories - 1.5 bn
  - Payables + 16.6 bn
  - Other + 2.4 bn
  - Total change +11.4 bn

# Volvo Group – Net Financial Debt

## Industrial Operations

Net debt,  
SEK bn

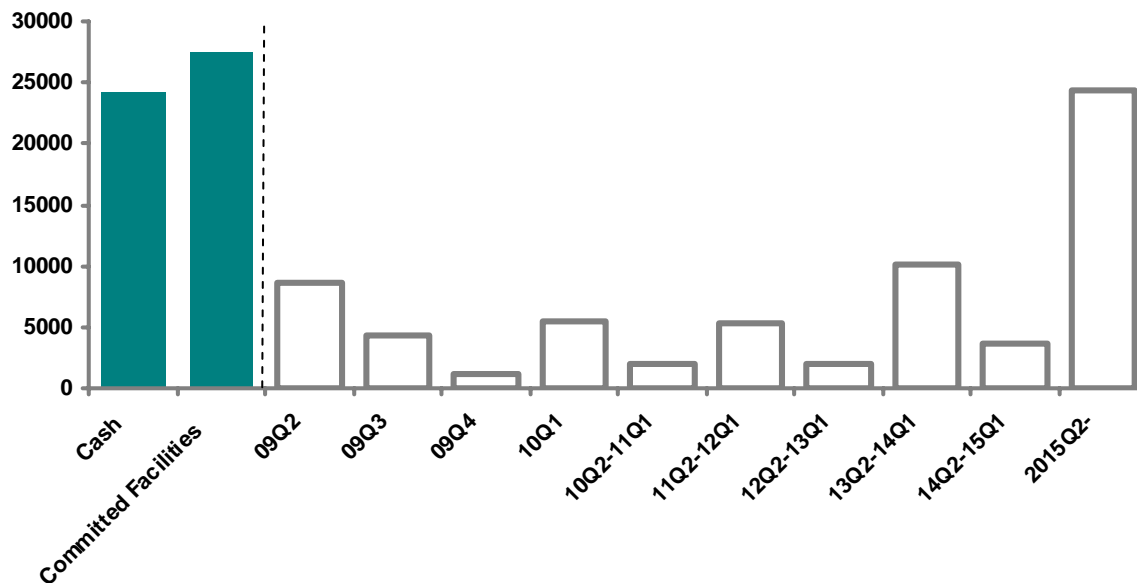


# Volvo Group Funding

## Industrial Operations Q1-09

### Cash & Committed Facilities

### Maturity Structure 2009



### Funding Activities 2009

- Good liquidity
- Funding for 2009 secured in Q1
- Revolving Credit Facility EUR 775 M signed in April

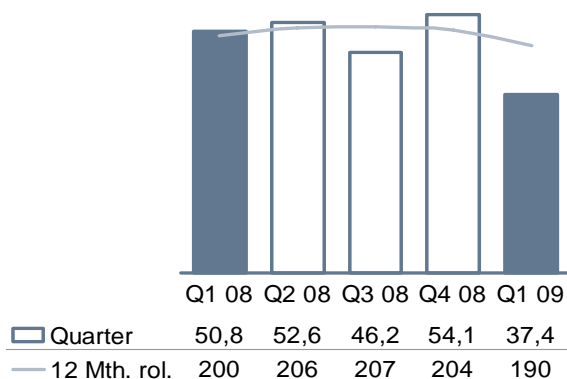


# Trucks



## Net sales

SEK bn

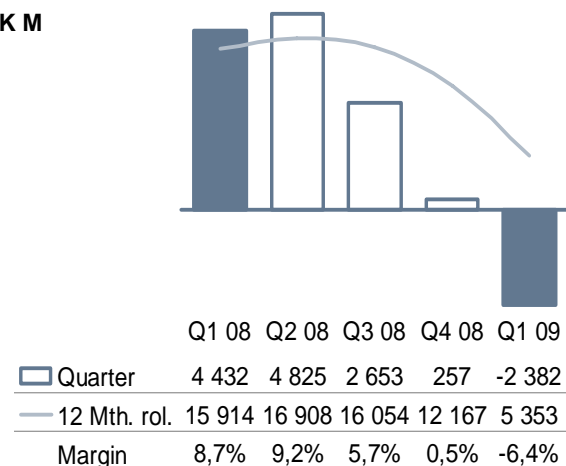


## Highlights

- Significant slowdown globally
- Sales down by 41% adjusted for currency
- Operating loss, driven by lower sales and under absorption
- Low capacity utilization in production
- Inventories of new trucks reduced by 10%

## Operating income

SEK M



## In Focus

- Downsizing and flexibility
- Cost efficiency and productivity
- Drive aftermarket and services
- Further inventory reductions
- Prepare for new emission regulations

# Trucks – Net order intake

Net order intake	Q1-09	Q4-08	Change	Q1-09 <sup>1</sup>	Q1-08	Change
Europe	7,494	-1,549	NA	7,494	26,270	-71%
North America	2,869	4,037	-29%	2,869	5,680	-49%
South America	1,731	1,087	59%	1,731	3,482	-50%
Asia	5,712	7,868	-27%	5,712	19,260	-70%
Other markets	2,377	2,235	6%	2,377	3,772	-37%
<b>Total</b>	<b>20,183</b>	<b>13,678</b>	<b>48%</b>	<b>20,183</b>	<b>58,464</b>	<b>-65%</b>

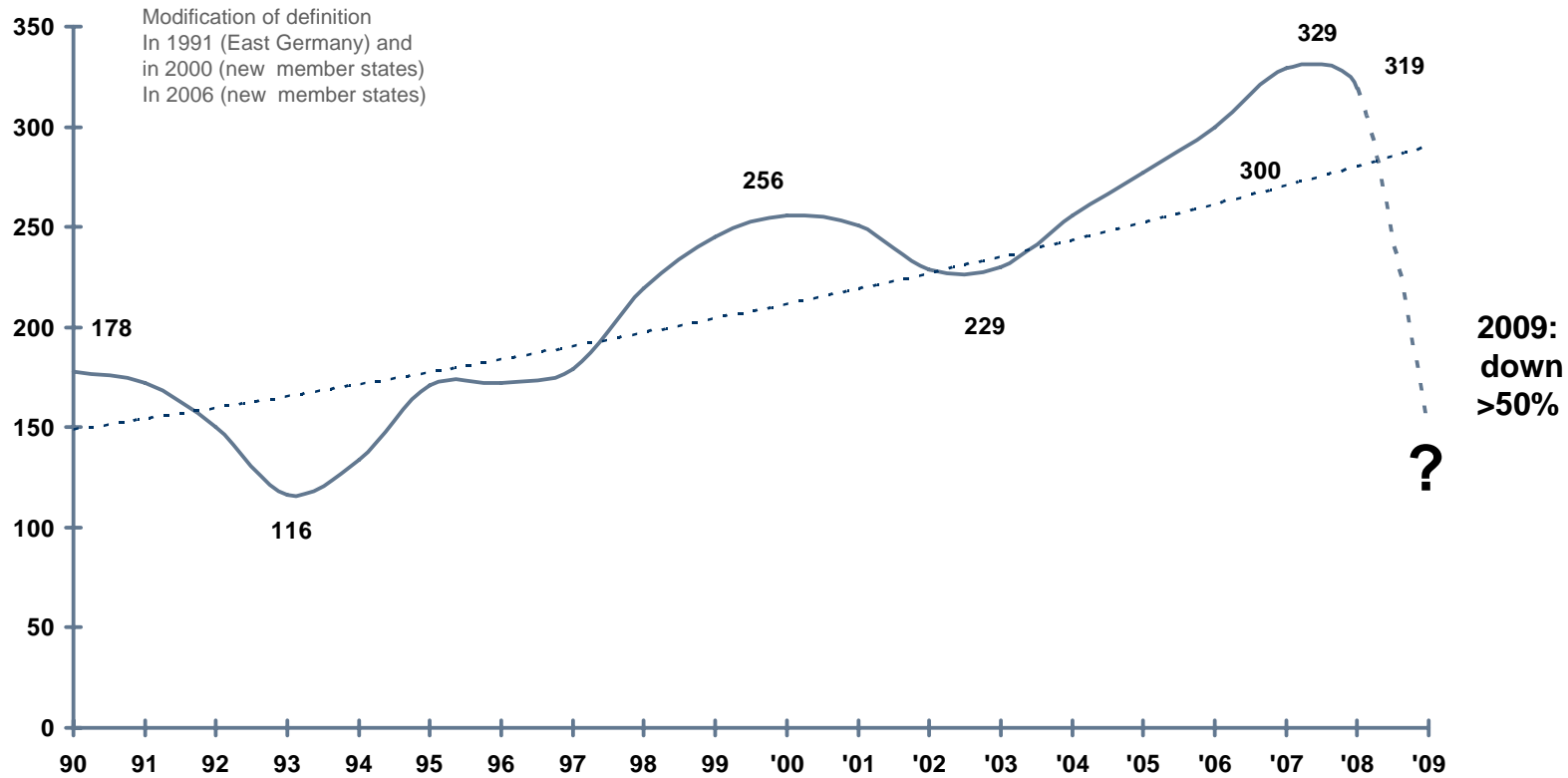
1) 50% of VECV, the joint venture with Eicher Motor Limited, was consolidated in the Volvo Group on August 1, 2008.

# Heavy-duty truck market - Europe

(EU members + Switzerland and Norway)



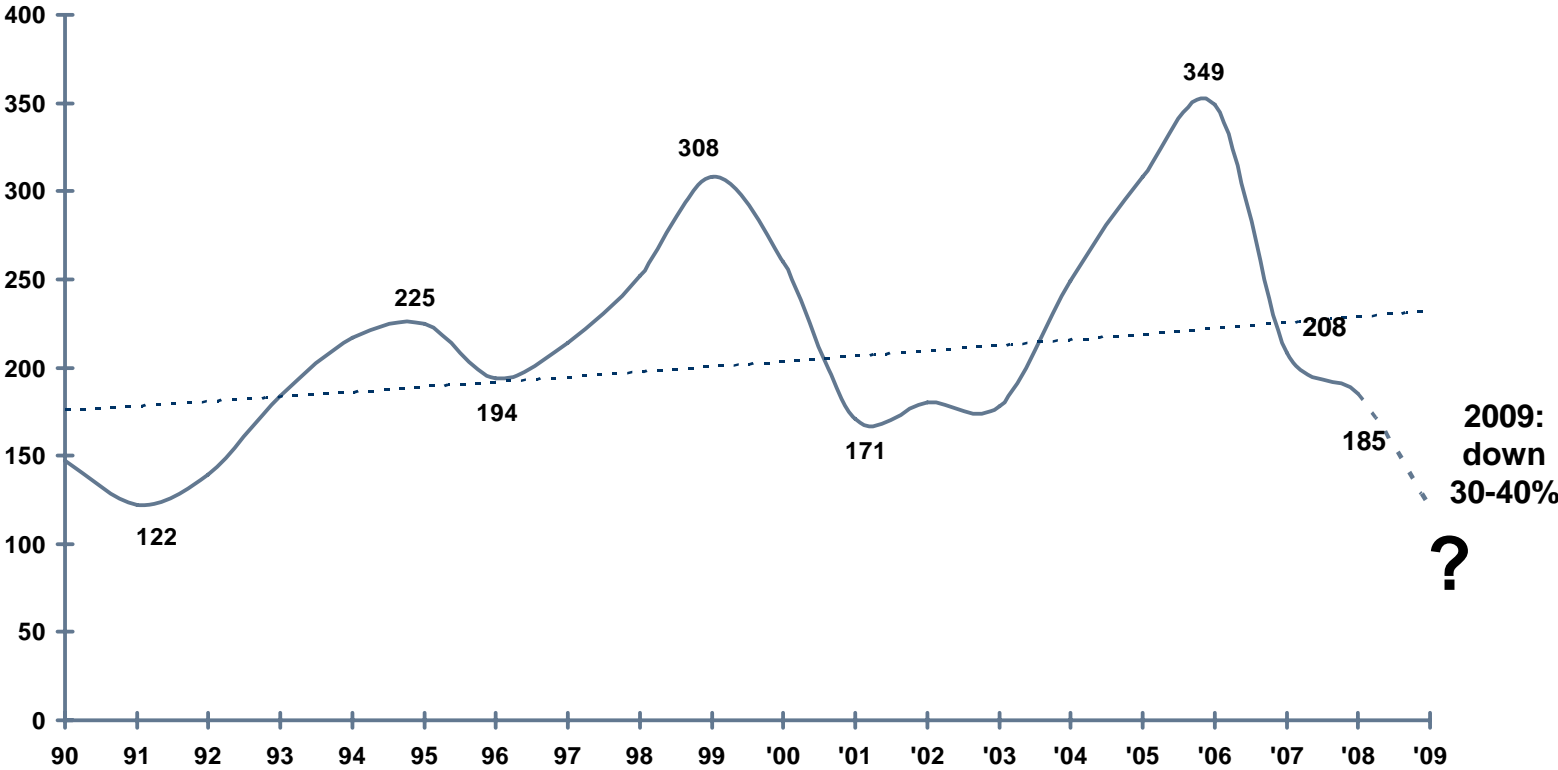
Units, Thousands (heavy trucks)



# Heavy-duty truck market – North America



Units, Thousands (heavy trucks)

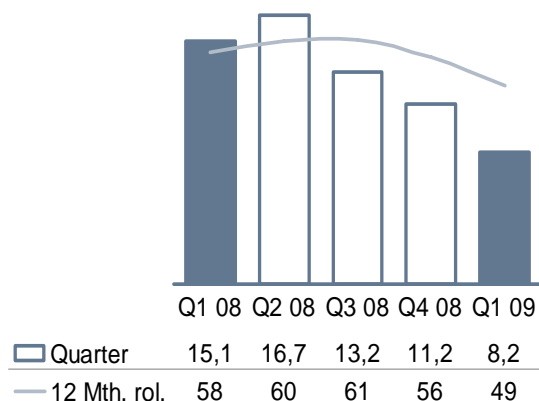


# Construction Equipment



## Net sales

SEK bn

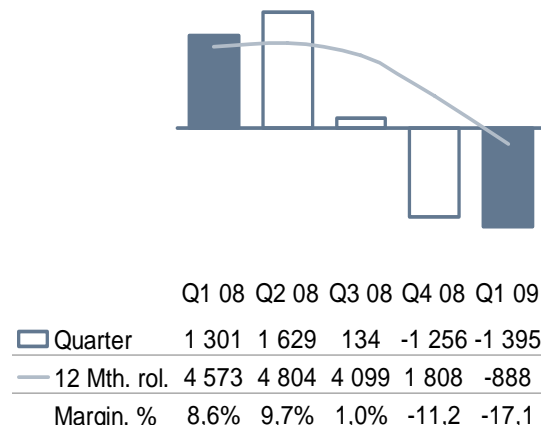


## Highlights

- Total world market down 48%
- Substantial loss due to low volumes, under absorption and currency
- Capacity utilization at only 20-25%
- Units in inventories reduced by another 10% in Q1

## Operating income

SEK M



## In Focus

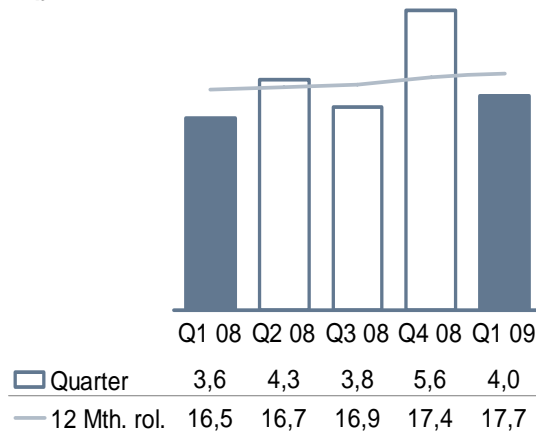
- Capacity adjustments to meet present demand
- Continued inventory reduction to improve cash flow even further
- Execution of new business model

# Buses



## Net sales

SEK bn

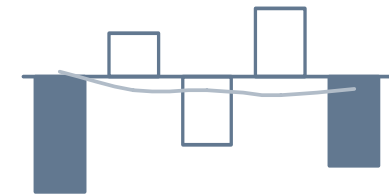


## Highlights

- Bus market more affected by global economic downturn
- Significant decline in demand for coaches, city buses to a lesser degree
- Deliveries declined by 20%

## Operating income

SEK M



Q1 08 Q2 08 Q3 08 Q4 08 Q1 09

Quarter	-122	46	-72	72	-95
12 Mth. rol.	19	-57	-56	-77	-50
Margin	-3,3%	1,1%	-1,9%	1,3%	-2,4%

## In Focus

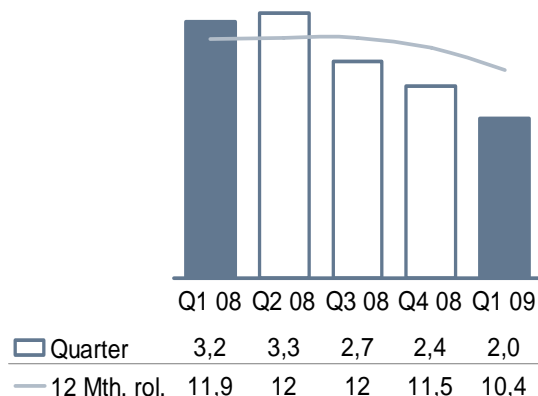
- Turnaround program
- Capacity adjustment
- Inventory management
- Preparation of Euro V

# Volvo Penta



## Net sales

SEK bn

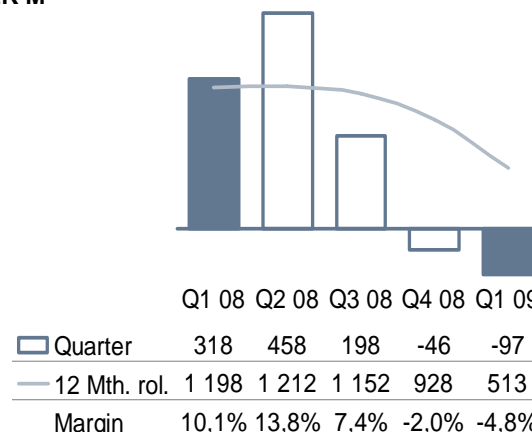


## Highlights

- Sharp total market decline in Europe and North America
- Weak development both for Marine and Industrial, sales down 35%
- Operating loss due to sales drop and under absorption in production

## Operating income

SEK M



## In Focus

- Further reduction of work force and total cost
- Secure competitiveness and profitability in all segments
- Supply chain management
- High pace in product introductions

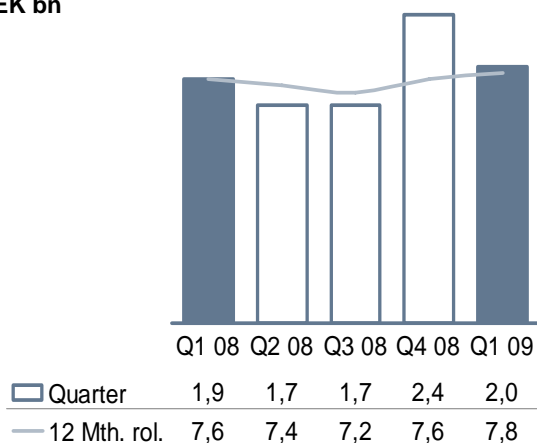


# Volvo Aero



## Net sales

SEK bn

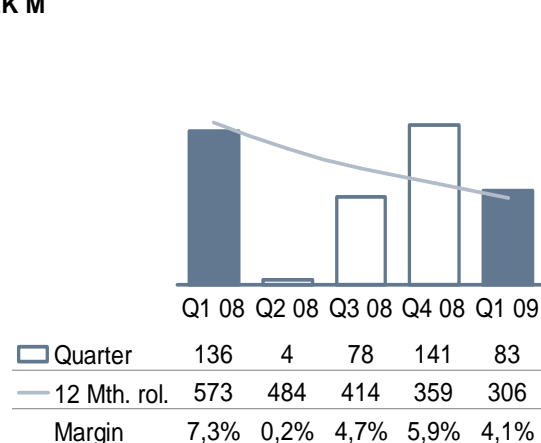


## Highlights

- Decreasing air traffic
- Boeing and Airbus announce decreasing production rates
- Lower capacity utilization
- Negative currency impact

## Operating income

SEK M



## In Focus

- Capacity adjustment
- Cost management
- Release of capital
- Execution on new contracts in the OEM and the after market business

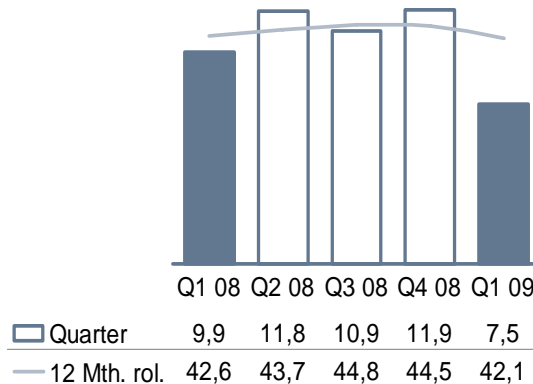


# Financial Services



## New retail financing

SEK bn

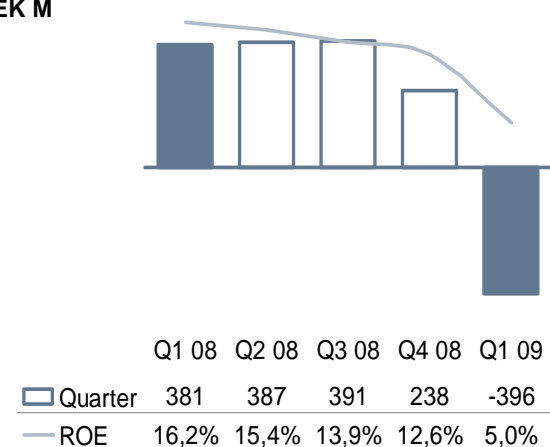


## Highlights

- Severe downturn in Eastern Europe
- Increased provisions for credit losses
- Intensified portfolio management

## Operating income and return on equity

SEK M



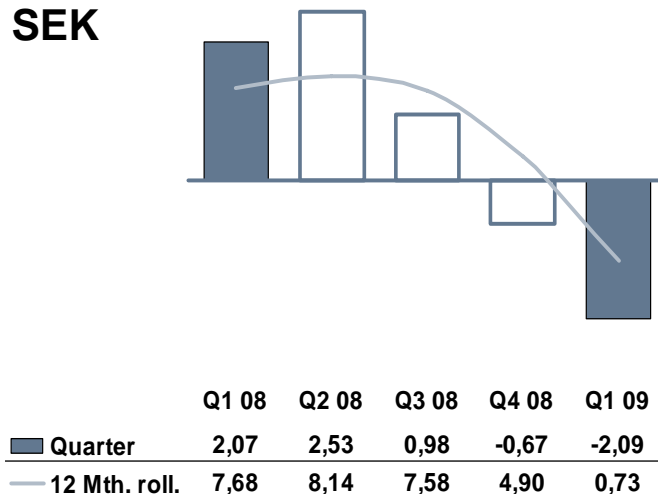
## In Focus

- Portfolio management and risk mitigation
- Integrated offers for new and used equipment

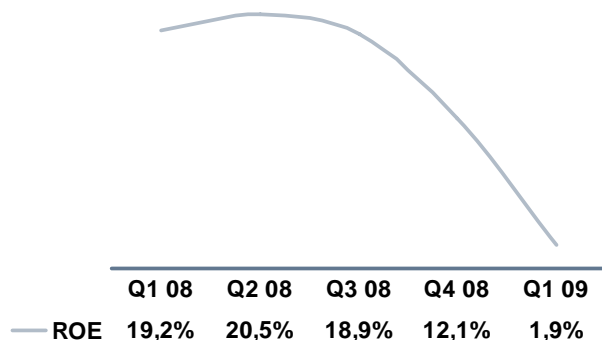
# Group Summary



## Earnings per share SEK



## Return on equity



## First quarter

- Sales down 27%, -42% adjusted for FX
- Significant production cut backs
- Operating loss
- Substantial decrease in trade payables
- Negative cash flow
- Good liquidity position

## In focus

- Further adapt Group cost structure
- Cash flow
- Secure the introduction of environmentally friendly and fuel efficient products
  - New emission steps (Euro 5 & US'10)

**VOLVO**

**First Quarter 2009**