

VOLVO

Second Quarter 2009

Press Conference, July 21, 2009

Group Highlights



Second quarter

- Sales stabilized on low level
 - 33% compared with Q2-08, -45% adjusted for currency
 - 4% compared with Q1-09, 0% adjusted for currency
- Operating loss SEK 6.9 bn
- Adjustment of production capacity
- Successful reduction of inventories

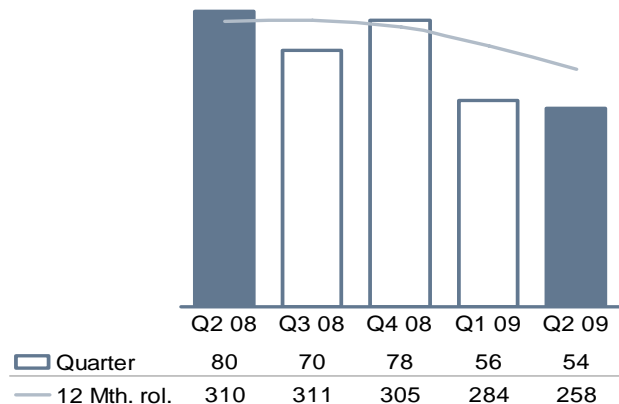
Business environment

- Europe; stabilizing on very low level
- North America; no signs of recovery
- Asia; signs of improvement

Volvo Group

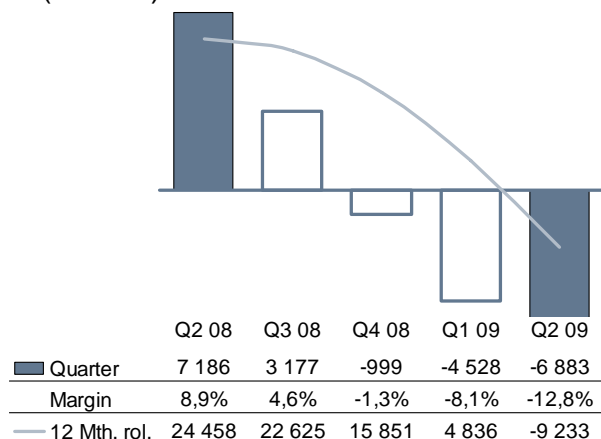
Net sales

(SEK bn)



Operating income

(SEK M)



Second quarter

Sales stabilizing in the second quarter

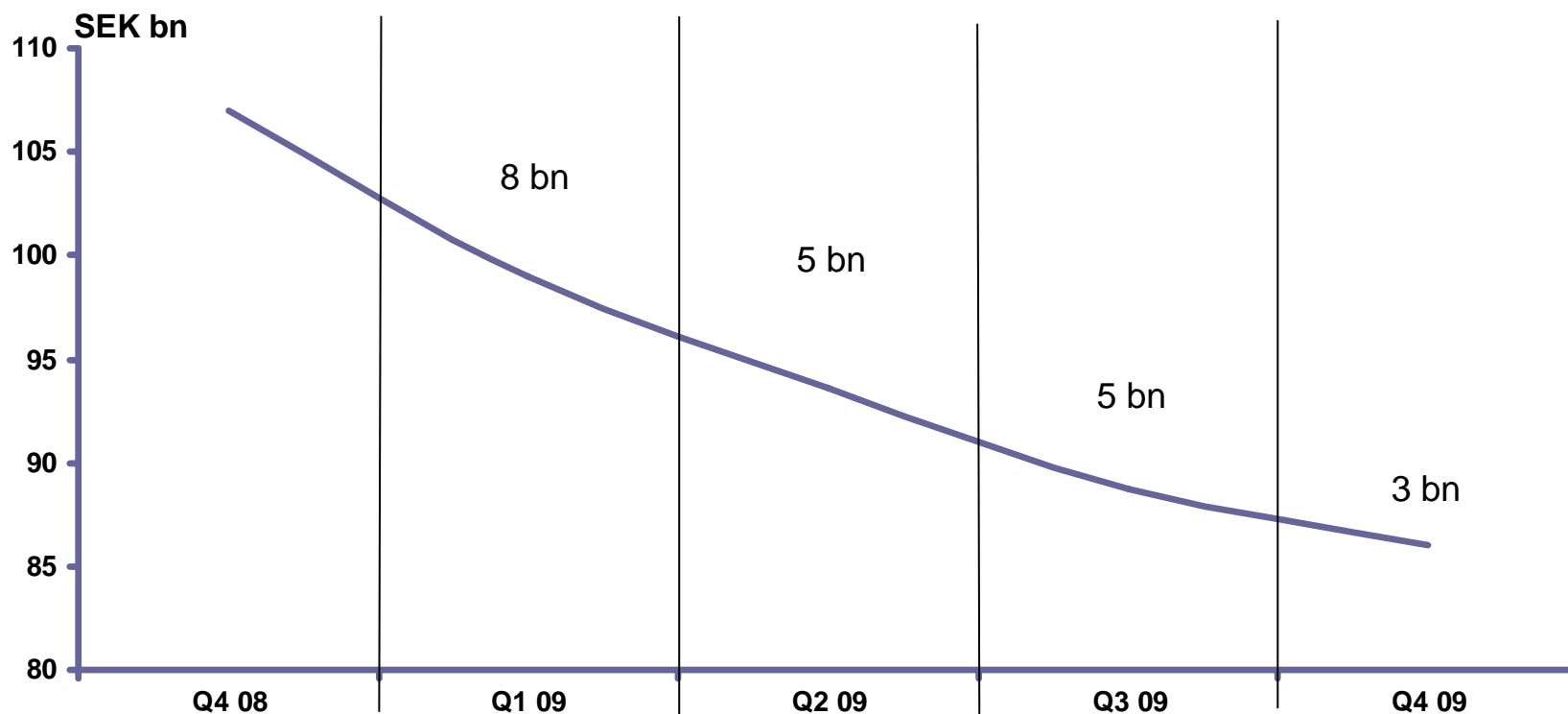
	Change Q209-Q109	Change Q209-Q208
Europe	-5%	-44%
North America	-8%	-29%
Asia	+24	-14%
South America	-8%	-25%
Other markets	+5%	-21%
Total	-4%	-34%

Operating income

- Significantly lower sales volumes
- Under absorption SEK 3 bn
- UAW agreement SEK 870 M
- Increased credit provisioning SEK 750 M
- Lay-off costs SEK 600 M
- Residual values SEK 550 M
- Negative currency effect SEK 1.7 bn

Annual cost level

- Activities and development so far

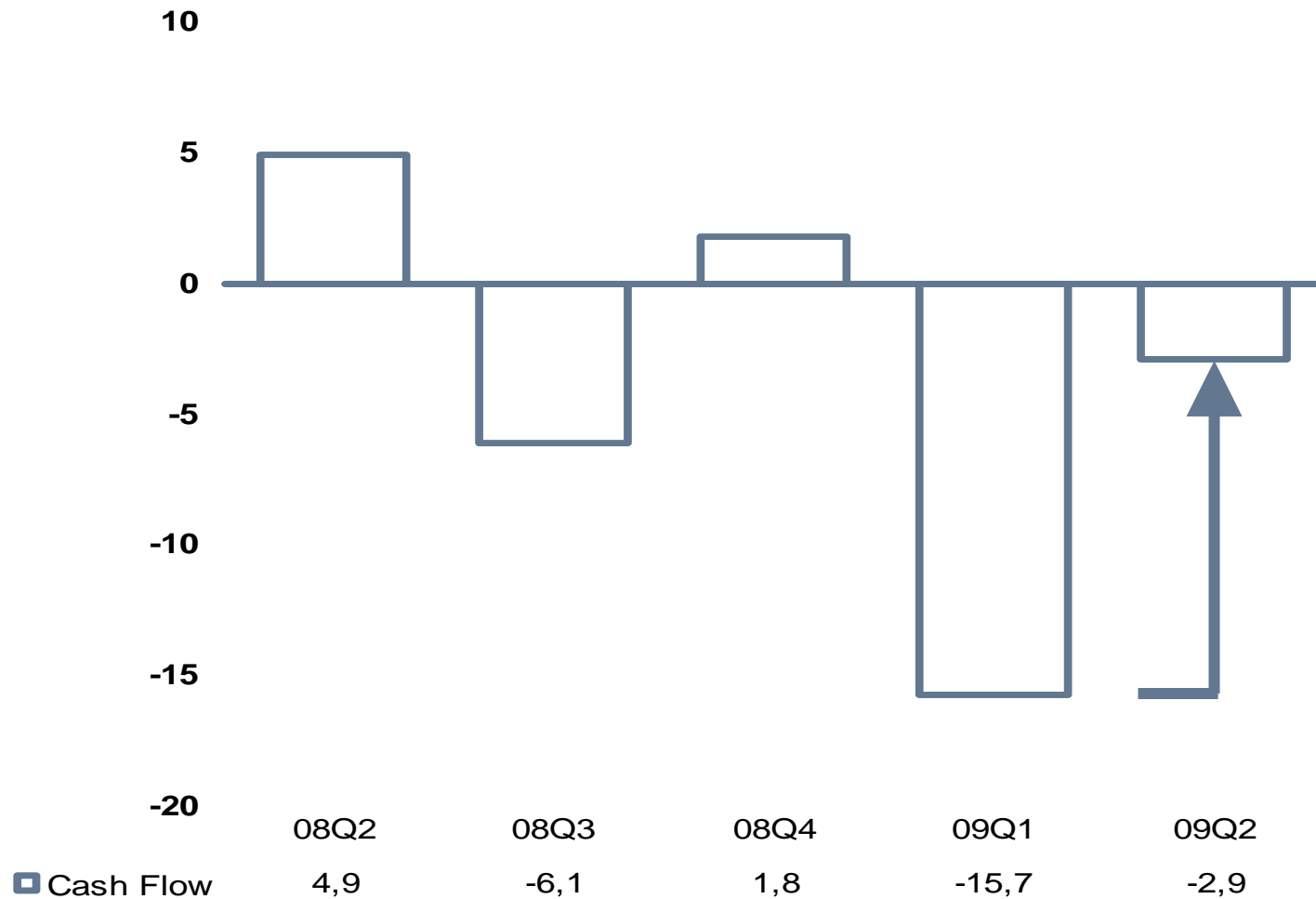


- Annualized run rate expected to be reduced by SEK 21 bn from the end of 2009.

Volvo Group – Cash Flow

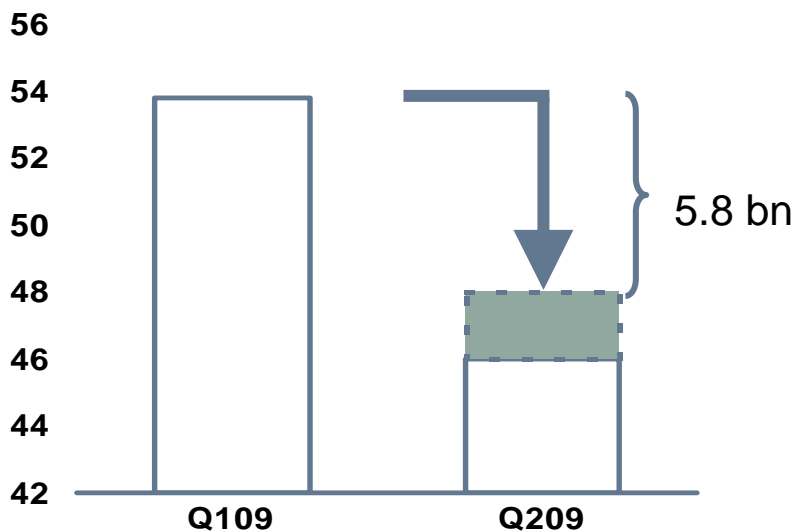
Industrial Operations

SEK bn



Working Capital

Inventories, SEK bn



■ Currency &
reclassification

□ Inventories

53,8

2,0

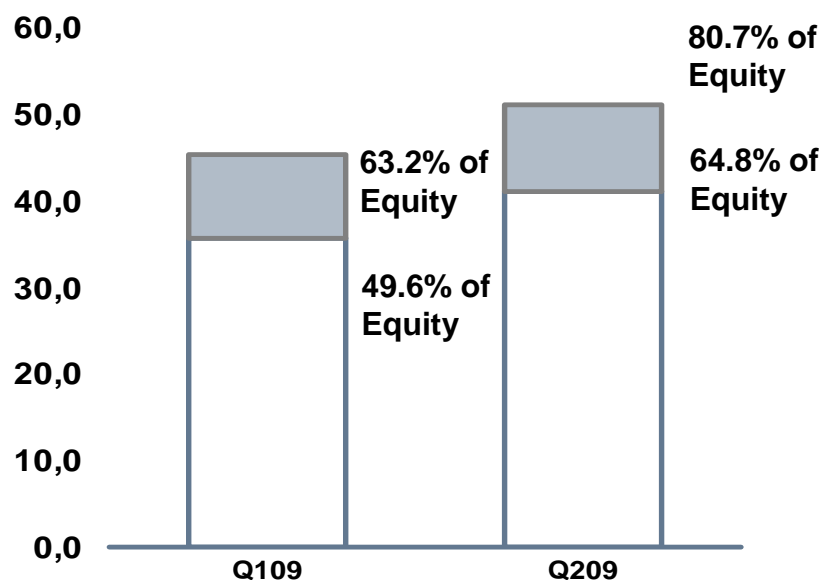
46,0

- Industrial operating cash flow; negative 2.9 bn in the quarter
- Focus on working capital
 - Receivables - 1.6 bn
 - Inventories - 5.8 bn
 - Payables + 4.0 bn
 - Other + 0.8 bn
 - Total change - 2.6 bn

Volvo Group – Net Financial Debt

Industrial Operations

Net debt,
SEK bn



■ Pensions	9,7	10,1
■ Financial Debt	35,6	41,0

Changes in Net financial Debt

- Cash Flow	2.9 bn
- Currency	<u>- 2.1 bn</u>
Operations	0.8 bn
- Dividend	4.1 bn
- UAW	<u>0.9 bn</u>
Total change	5.8 bn

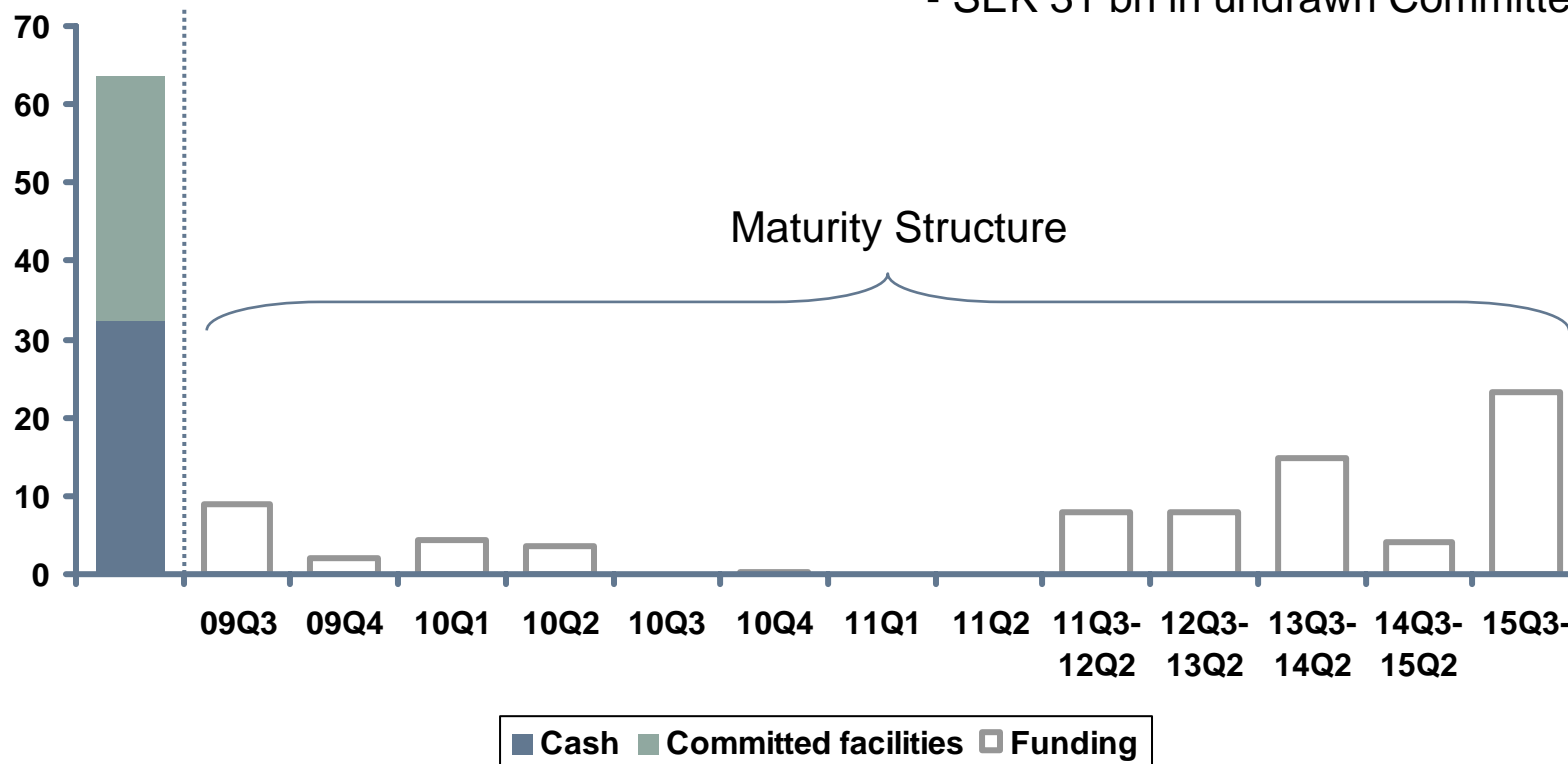
Volvo Group Funding

Industrial Operations

Cash & Committed
Facilities

Liquidity position SEK 63.5 bn

- SEK 32.5 bn in liquid assets
- SEK 31 bn in undrawn Committed Facilities

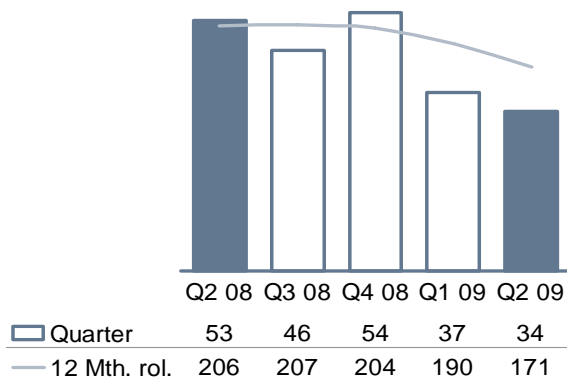


Trucks



Net sales

SEK bn

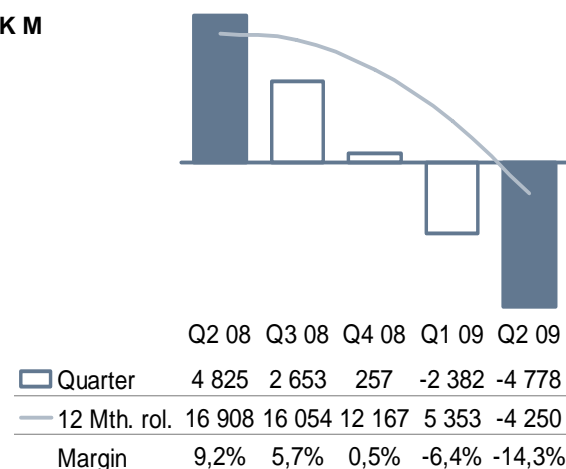


Highlights

- Continued depressed demand for new vehicles
- Sales down by 46% adjusted for currency
- Operating loss, driven by lower sales and under absorption
- Inventories of new trucks reduced by another 16%

Operating income

SEK M



In Focus

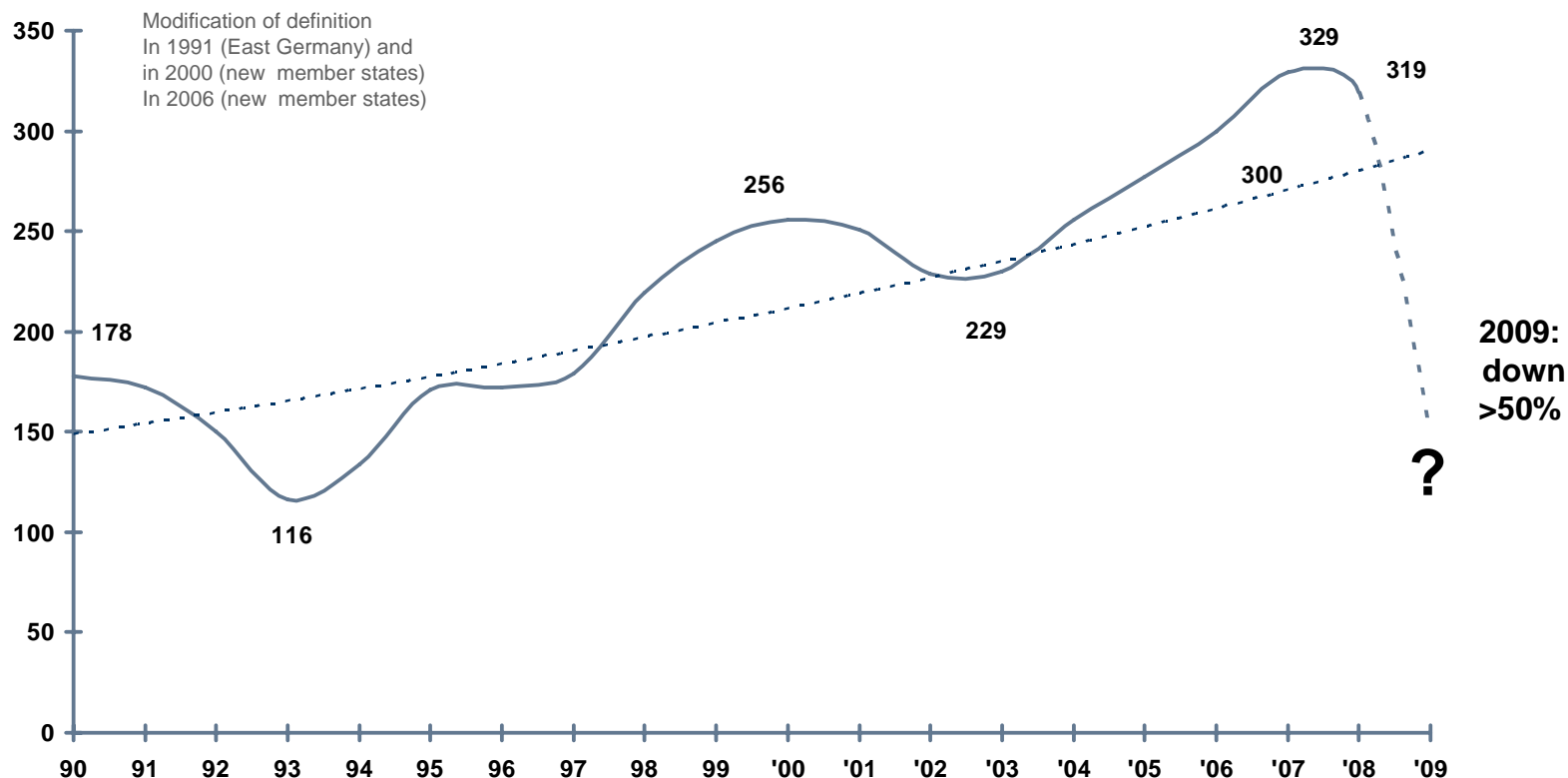
- Rightsizing operations
- Cost efficiency and productivity
- Drive aftermarket and services
- Further inventory reductions
- Prepare for new emission regulations

Heavy-duty truck market - Europe

(EU members + Switzerland and Norway)



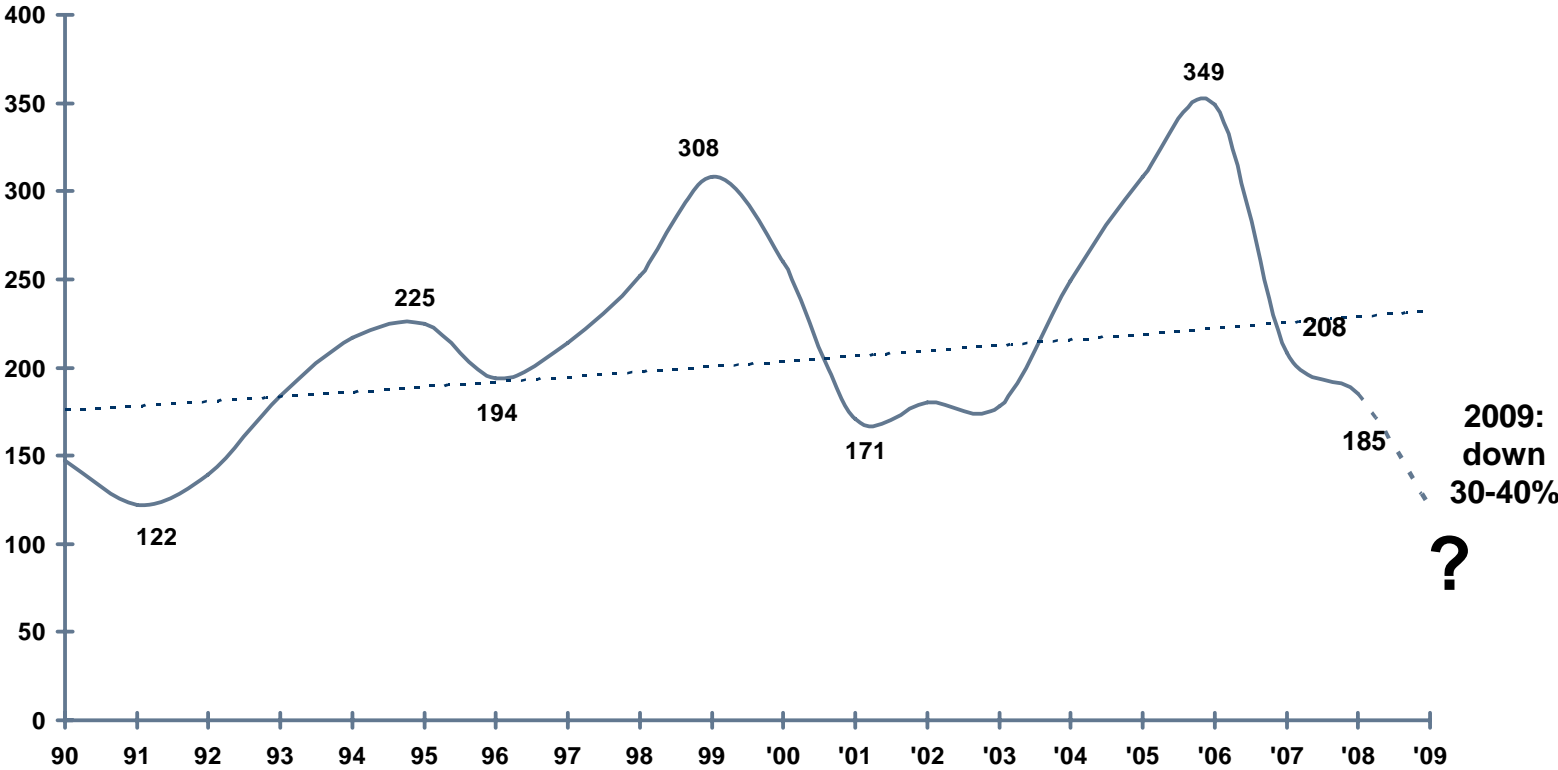
Units, Thousands (heavy trucks)



Heavy-duty truck market – North America



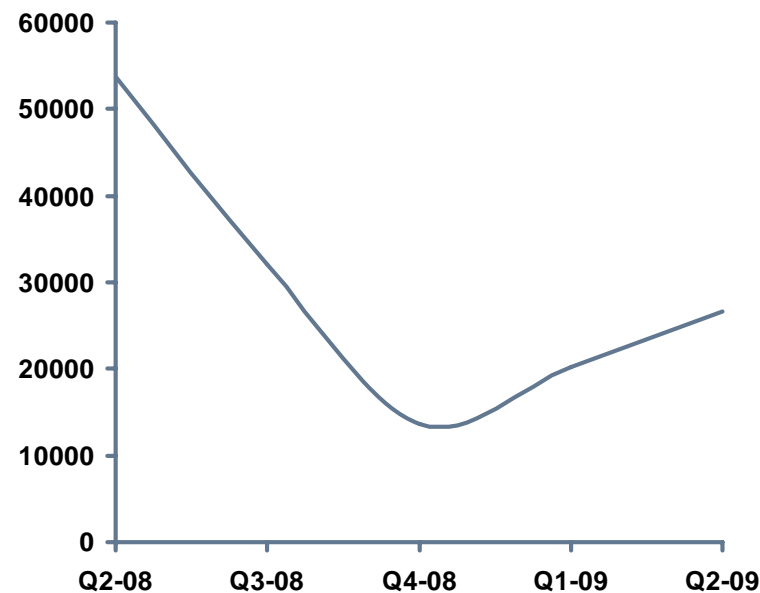
Units, Thousands (heavy trucks)



Net order intake – positive trend

Trucks

Net order intake	Q2-08	Q3-08	Q4-08	Q1-09	Q2-09	Change Q2-Q1
Europe	21,948	115	-1,549	7,494	8,980	20%
North America	5,693	7,578	4,037	2,869	3,257	14%
South America	4,382	5,096	1,087	1,731	2,998	73%
Asia	18,110	14,607	7,868	5,712	7,884	38%
Other markets	3,658	4,676	2,235	2,377	3,505	47%
Total	53,791	32,072	13,678	20,183	26,624	32%



Trucks



Volvo Trucks

- Adapting production capacity
- New products launched
- Building customer relationships
- Secure cash flow

Renault Trucks

- Short-term weeks implemented for both blue and white collar employees
- Focus on reduction of inventories
- Further reduction of production rates



Mack Trucks

- Labor agreement eliminates health care liabilities
- EPA '10 program in advanced stages
- Hybrid demonstrators to refuse customers
- Customer Satisfaction at record highs

Nissan Diesel

- Scrapping incentives in Japan
- Improving trend in order intake
- Low inventories
- Increase of production rates



Volvo Trucks' first US'10 production truck drives off assembly line at New River Valley plant

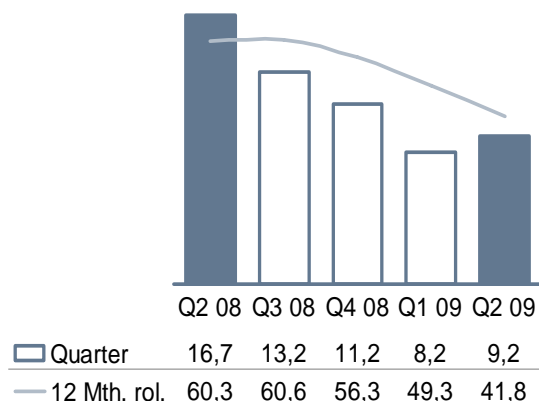


Construction Equipment



Net sales

SEK bn

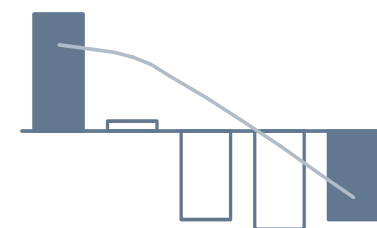


Highlights

- Continued weak world market, down 48%
- Considerable loss due to low volumes and under absorption
- Capacity utilization at 25-30%
- Units in inventories reduced by 11% in Q2 and 40% since October 2008

Operating income

SEK M



Q2 08 Q3 08 Q4 08 Q1 09 Q2 09

Quarter	1 629	134	-1 256	-1 395	-1 259
12 Mth. rol.	4 804	4 099	1 808	-888	-3 776
Margin, %	9,7%	1,0%	-11,2	-17,1	-13,8

In Focus

- Inventories and cash flow
- Reduction of break even level
- Roll out of new strategy
- Fuel efficiency

Construction Equipment

Fuel efficiency

- ...through engine technology
- ...through hybrids
- ...through design
- ...through operation



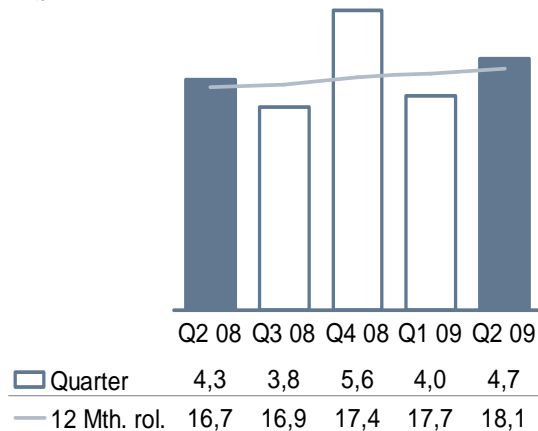
= Customer Productivity and Profitability

Buses



Net sales

SEK bn

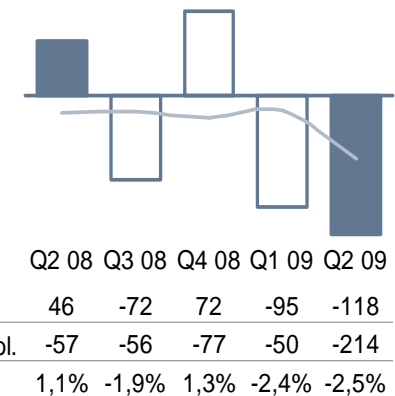


Highlights

- Continued negative market development
- Increased order intake +38%
- Significant change of geografic mix

Operating income

SEK M



In Focus

- Intensified cost cutting
- Inventory management
- Product launches, Eu 5, Hybrid and US10

Buses

Nova articulated version

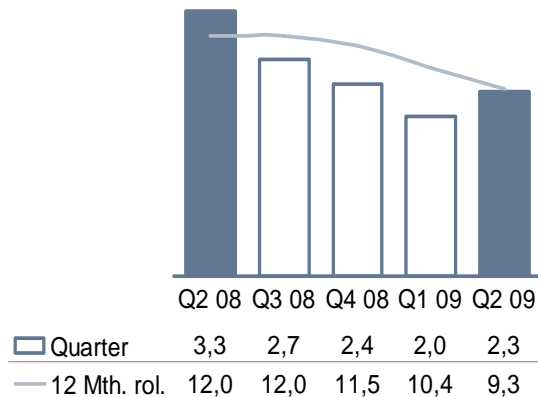


Volvo Penta



Net sales

SEK bn

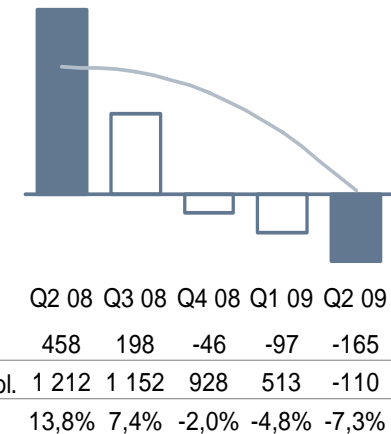


Highlights

- Decline in sales due to continued world market downturn
- Marine leisure business more affected than aftermarket and commercial businesses
- Operating income impacted by under absorption, lay-off costs and credit losses

Operating income

SEK M



In Focus

- Manage risks in customer base and supply chain
- Continued focus on cash flow
- Capitalize on major product launches in key segments

Volvo Penta Product News



D13



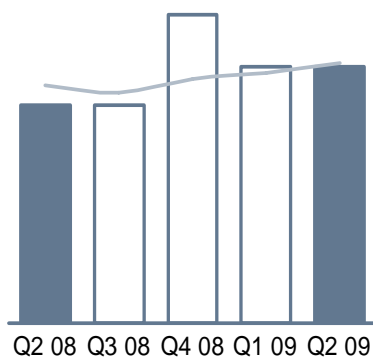
New D3

Volvo Aero



Net sales

SEK bn



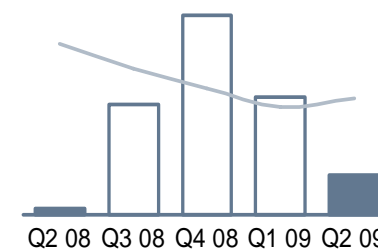
Quarter	1,7	1,7	2,4	2,0	2,0
12 Mth. rol.	7,4	7,2	7,6	7,8	8,1

Highlights

- Airline industry under severe pressure
- Boeing's new aircraft (787) further delayed
- Important contract with Snecma on the CFM56 engine

Operating income

SEK M



Quarter	4	78	141	83	28
12 Mth. rol.	484	414	359	306	330
Margin	0,2%	4,7%	5,9%	4,1%	1,4%

In Focus

- Capacity adjustment
- Cost management
- Release of capital
- Execution on new contracts

Volvo Aero

Swedish government's decision on European launch-vehicle program paves the way for important contract within space propulsion

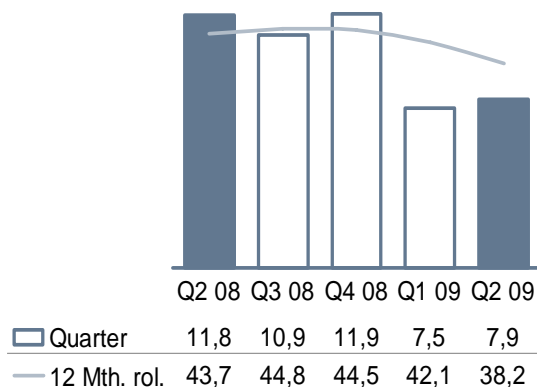


Financial Services



New retail financing

SEK bn

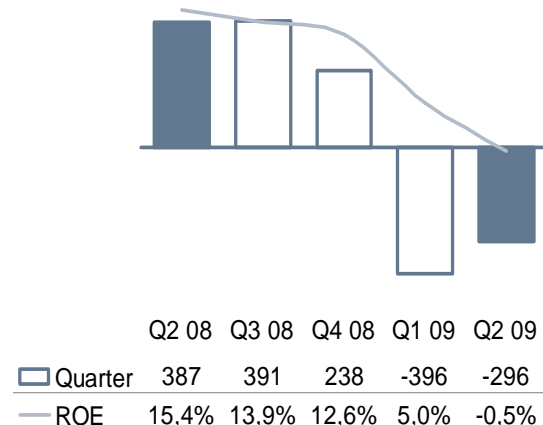


Highlights

- Continuing economic downturn
- Increase in penetration but reduction in new business volume
- Increased credit provisions in Western Europe

Operating income and return on equity

SEK M

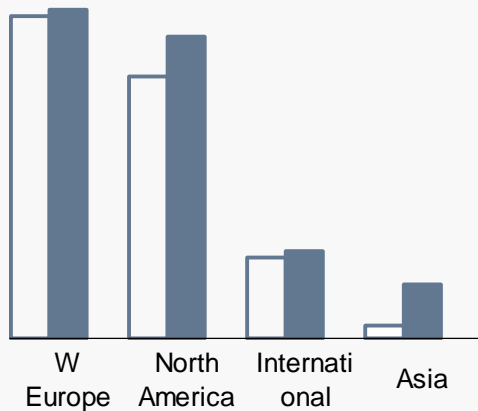


In Focus

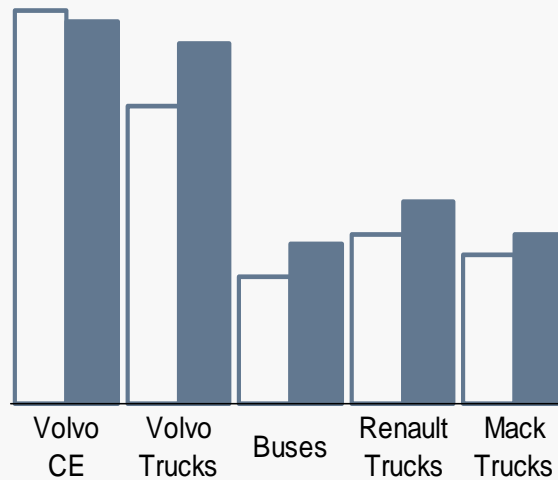
- Risk mitigation activities
- Cost reduction
- Develop the finance operations in Japan

Financial Services

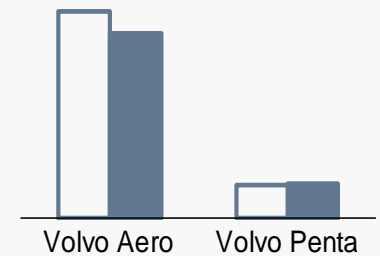
Total managed assets
(SEK bn)



Penetration on new financing



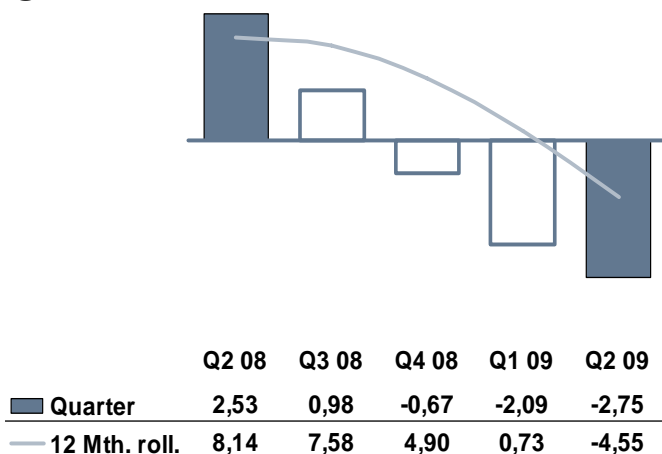
**Managed assets in:
Volvo Aero & Volvo Penta**
(SEK M)



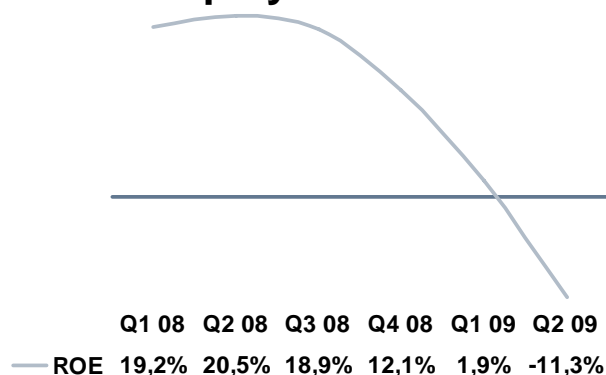
Group Summary



Earnings per share SEK



Return on equity



Second quarter

- Sales 45% lower than Q2-08 but flat compared with the first quarter 2009
- Significant production cut backs
- Operating loss
- Successful reduction of inventories: SEK 5.8 bn
- Operating Cash Flow improved by SEK 12.8 bn compared with Q1
- Strong liquidity reserve: SEK 63.5 bn

In focus

- Group cost structure
- Cash flow

VOLVO

Second Quarter 2009