

VOLVO

Third Quarter 2009

Press Conference, October 23, 2009

Group Highlights



Third quarter

- Sales stabilized on low level
- Operating loss SEK 3.3 bn
- Cost reductions effective
- Successful reduction of inventories

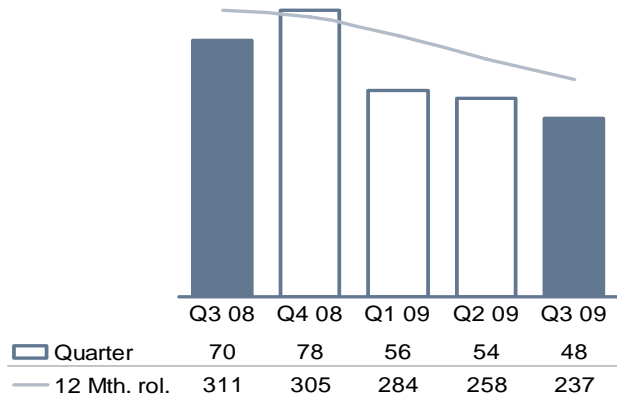
Business environment

- Europe; bottoming out and some signs of improvement
- Asia; recovery under way
- North America; no clear signs of recovery

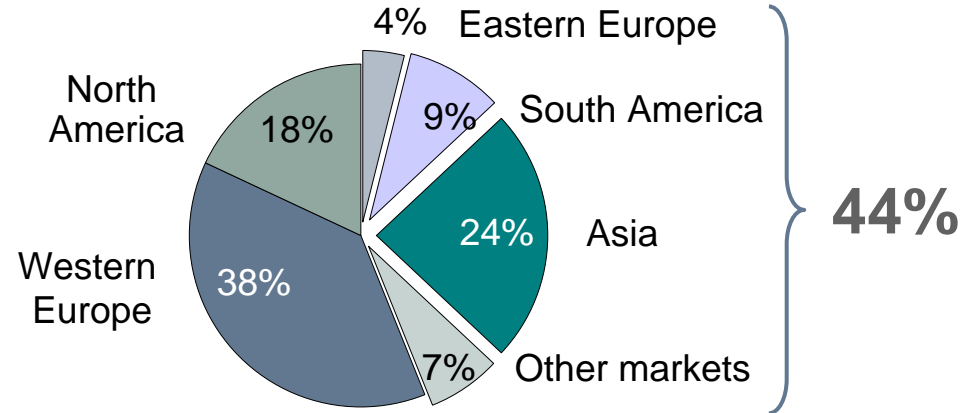
Volvo Group

Net sales

(SEK bn)

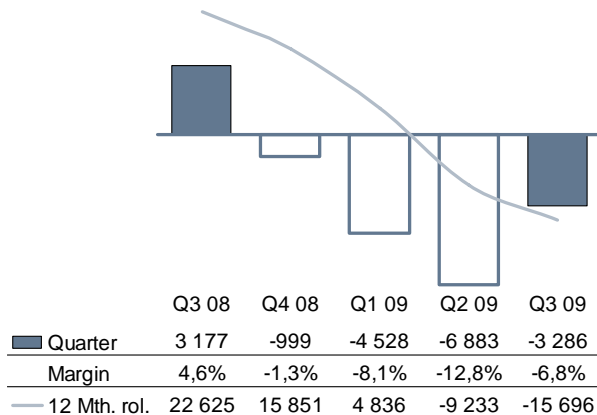


Third quarter



Operating income

(SEK M)

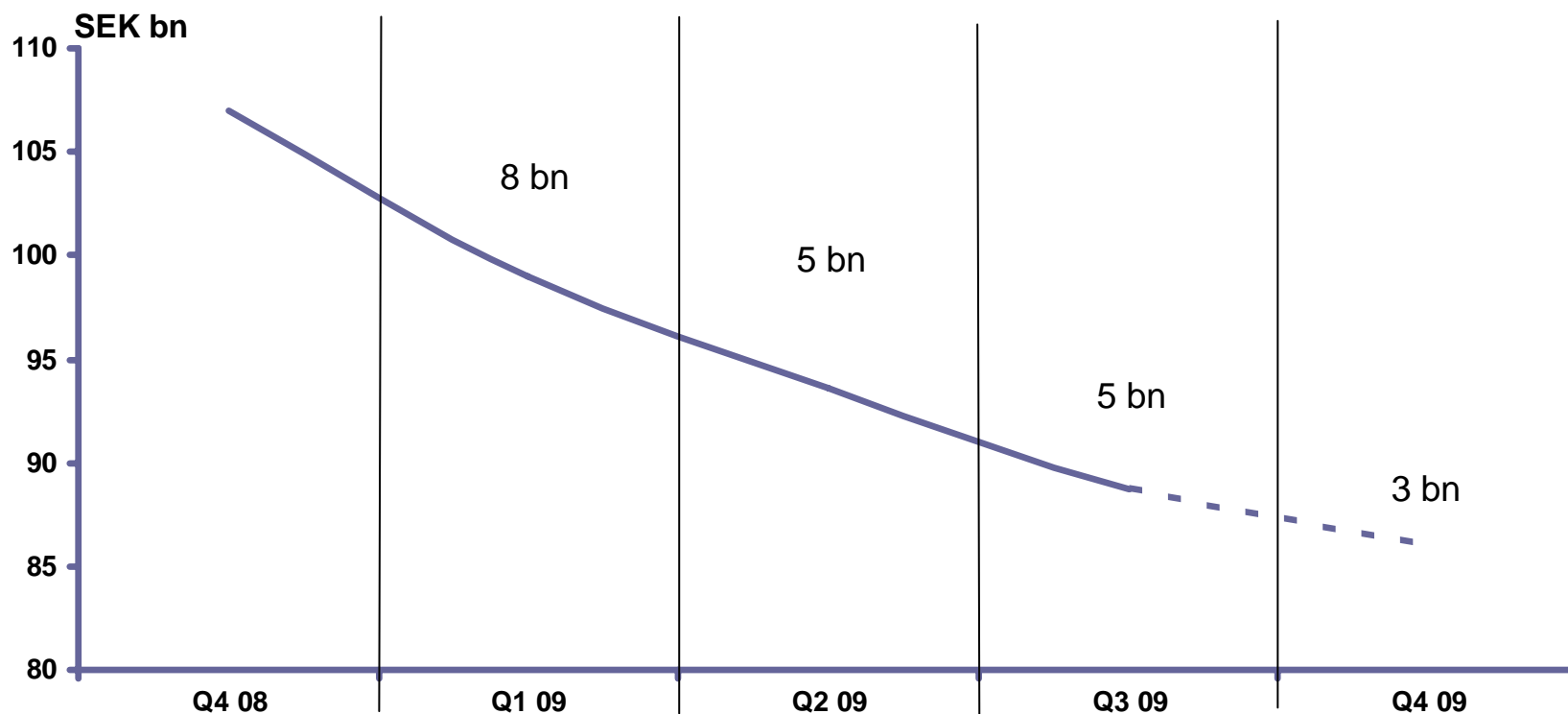


Operating income

- Significantly lower sales volumes
- Under absorption SEK 2.5 bn
- + Cost reductions starting to have effect

Annual cost level

- Activities and development so far

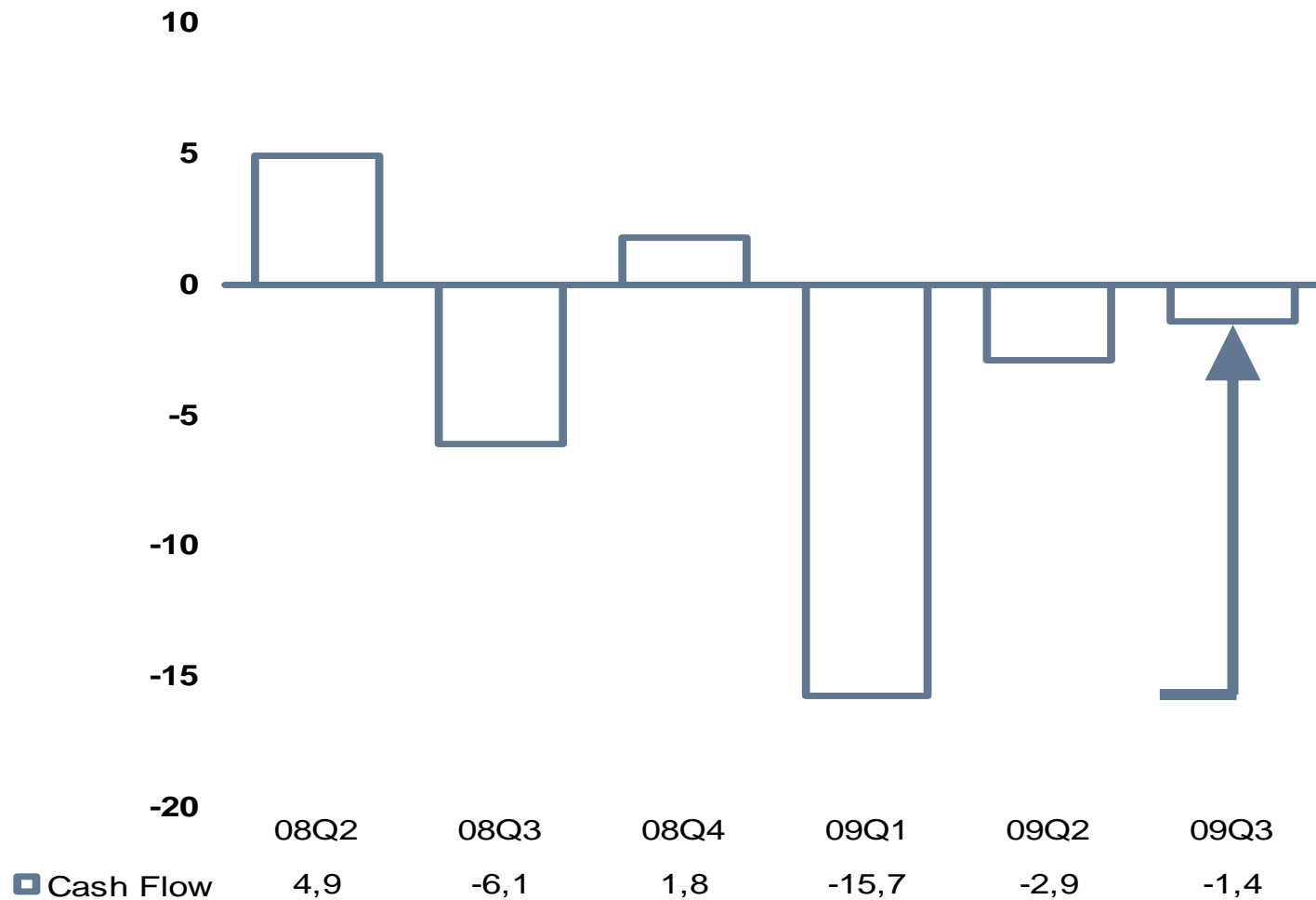


- Annualized run rate expected to be reduced by SEK 21 bn from the end of 2009.

Volvo Group – Cash Flow

Industrial Operations

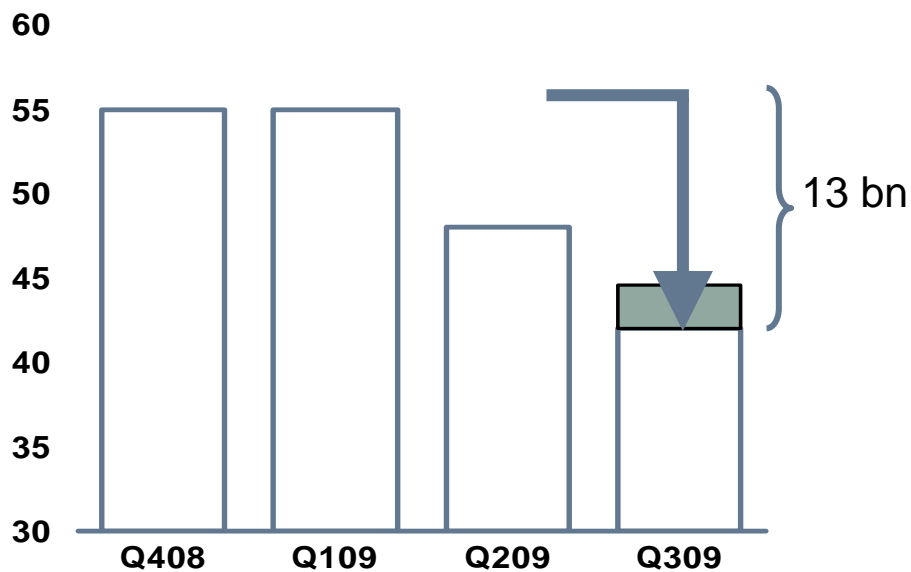
SEK bn



Working Capital

Inventories, Volvo Group

SEK bn



■ Currency
■ Inventories

	55	55	48	42
				2,6

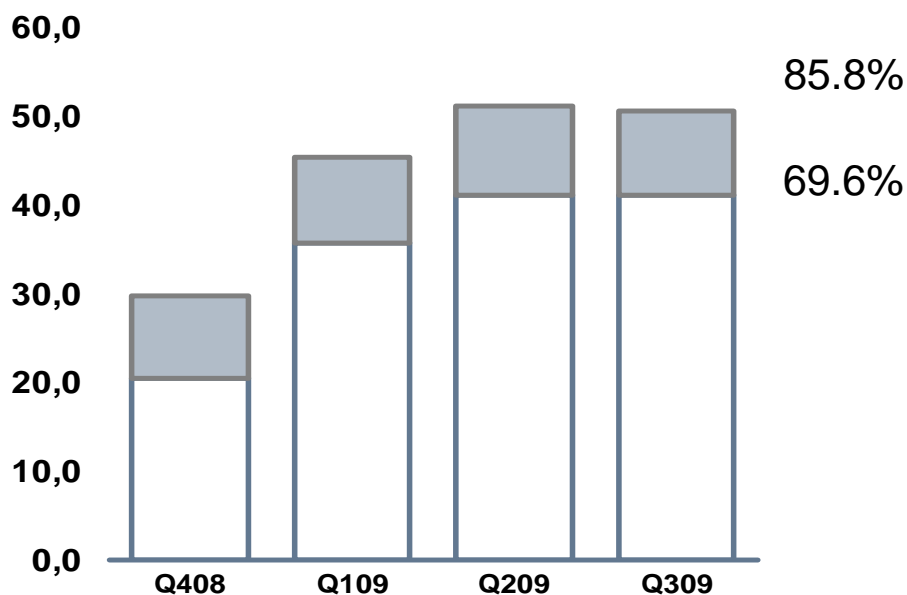
Industrial Operations

- Operating cash flow; negative 1.4 bn in the quarter
- Focus on working capital
 - Receivables - 1.6 bn
 - Inventories - 3.4 bn
 - Payables + 0.7 bn
 - Other + 2.5 bn
 - Total change - 1.8 bn

Volvo Group – Net Financial Debt

Industrial Operations

Net debt,
SEK bn



■ Pensions	9,2	9,8	10,1	9,5
■ Financial Debt	20,5	35,6	41,0	41,0

Changes in Net financial debt

- Cash Flow	1.4 bn
- Currency	- 1.9 bn
- Other	<u>- 0.2 bn</u>

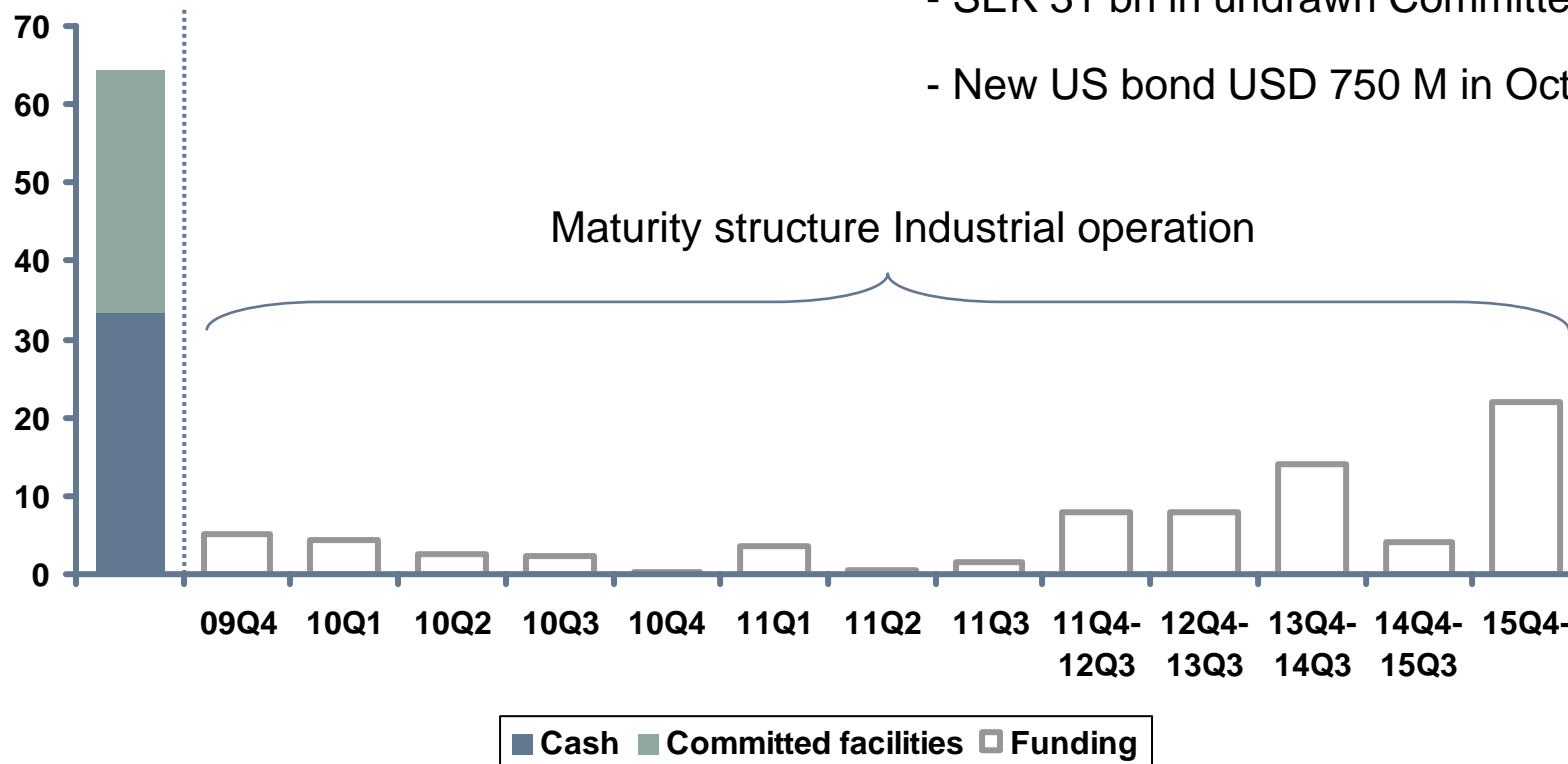
Total - **0.7 bn**

Volvo Group Funding

Cash & Committed Facilities

Liquidity position SEK 64.5 bn

- SEK 33.5 bn in liquid assets
- SEK 31 bn in undrawn Committed Facilities
- New US bond USD 750 M in October

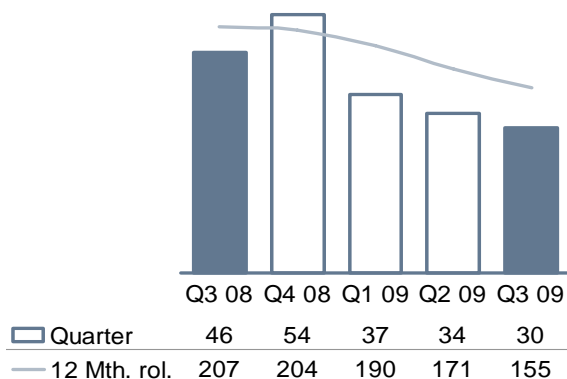


Trucks



Net sales

SEK bn

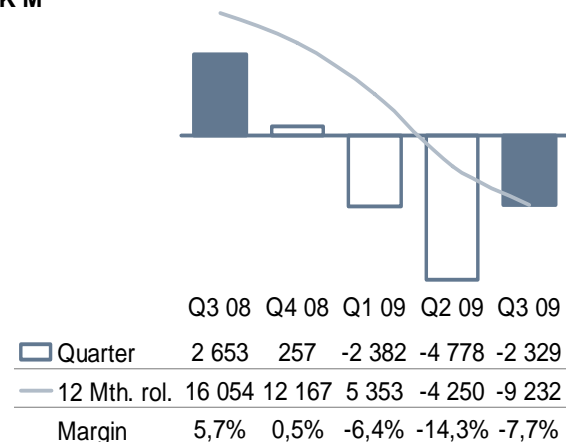


Highlights

- Continued depressed demand for new vehicles
- Sales down by 42% adjusted for currency
- Operating loss reduced; lower sales and under absorption partly offset by cost reductions
- Inventories of new trucks reduced by another 19%

Operating income

SEK M



In Focus

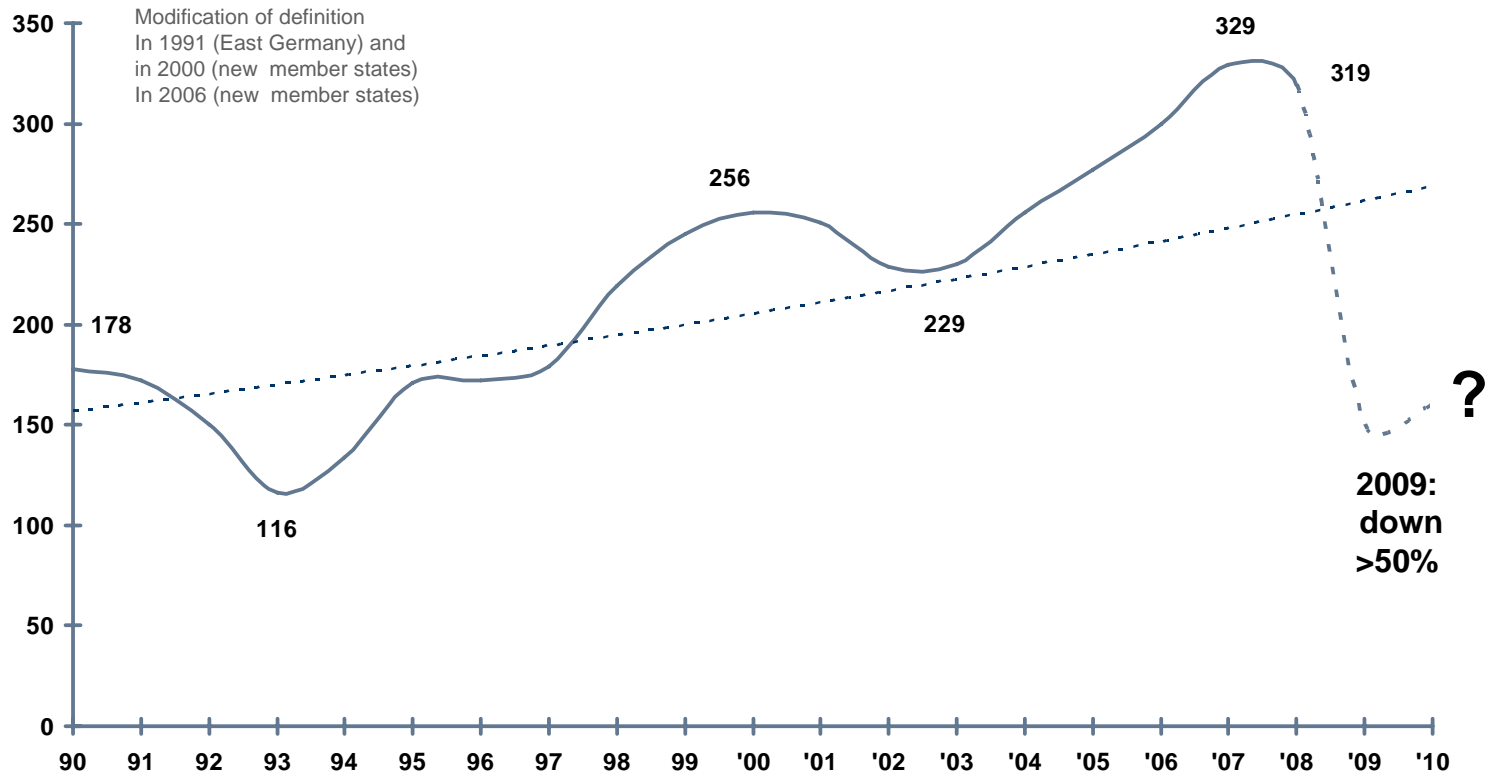
- Rightsizing operations
- Cost efficiency and productivity
- Drive aftermarket and services
- Further reduction of used truck inventory
- Prepare for new emission regulations

Heavy-duty truck market - Europe

(EU members + Switzerland and Norway)



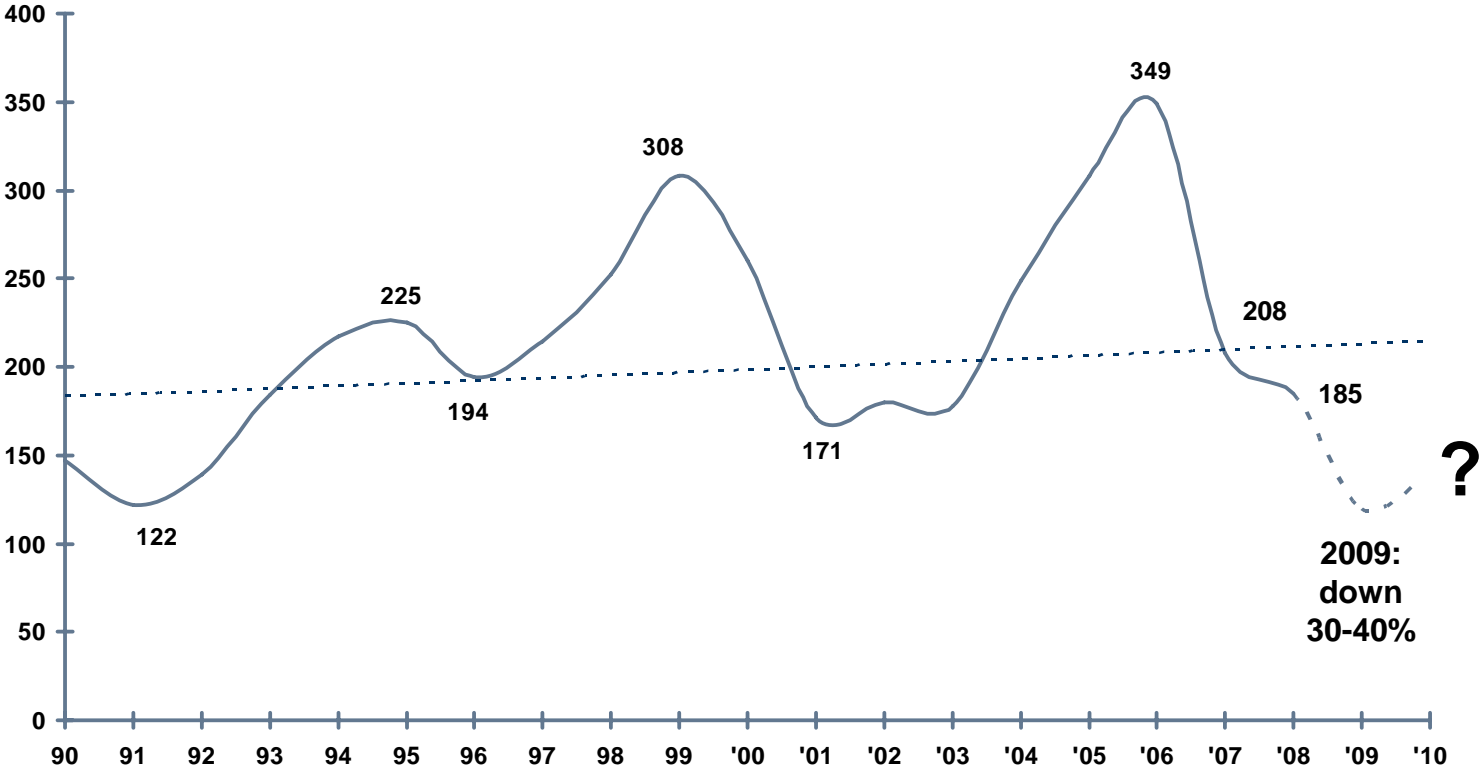
Units, Thousands (heavy trucks)



Heavy-duty truck market – North America



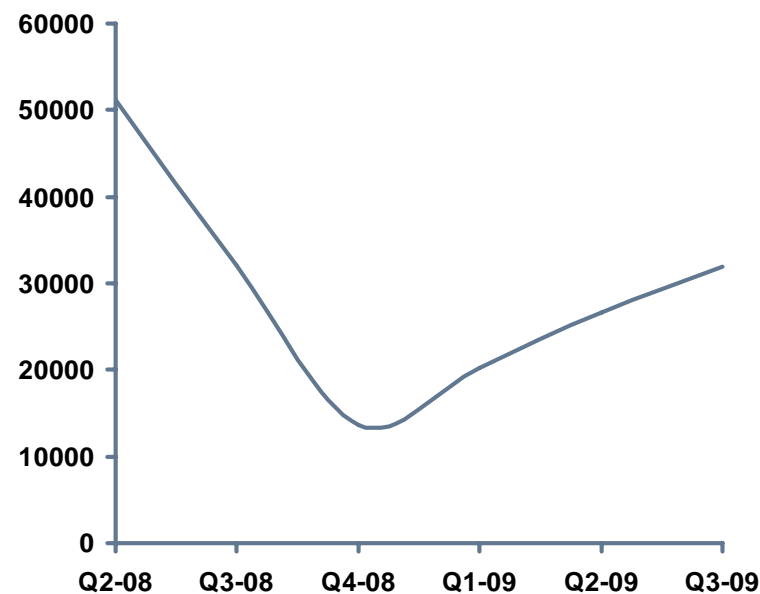
Units, Thousands (heavy trucks)



Net order intake – positive trend

Trucks

Net order intake	Q3-08	Q4-08	Q1-09	Q2-09	Q3-09	Change Q3-Q2
Europe	115	-1,549	7,494	8,980	8,189	-9%
North America	7,578	4,037	2,869	3,257	5,093	56%
South America	5,096	1,087	1,731	2,998	5,284	76%
Asia	14,607	7,868	5,712	7,884	10,079	28%
Other markets	4,676	2,235	2,377	3,505	3,353	-4%
Total	32,072	13,678	20,183	26,624	31,998	20%



Renault Premium Optifuel

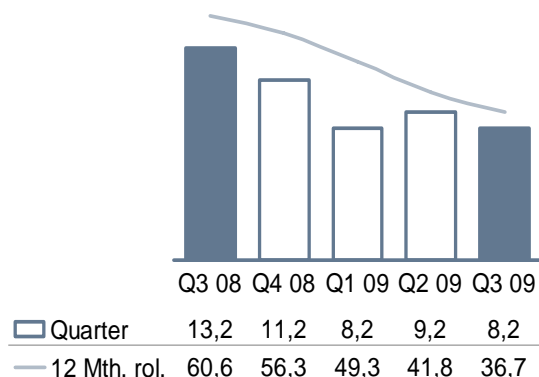


Construction Equipment



Net sales

SEK bn

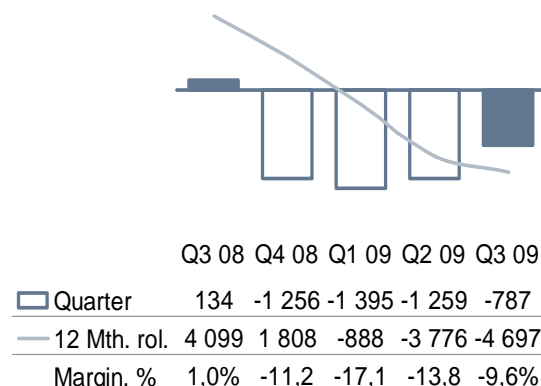


Highlights

- Still very weak world market, down 42%
- Operating loss reduced by 37% compared to Q2 despite 11% lower sales
- Capacity utilization at 30%
- Unit inventories down another 10%

Operating income

SEK M



In Focus

- Back to Profitability
- Cost efficiency and productivity
- Inventory reduction
- Capitalize on good momentum in China

Construction Equipment

New Volvo 8820 pavers in Beijing

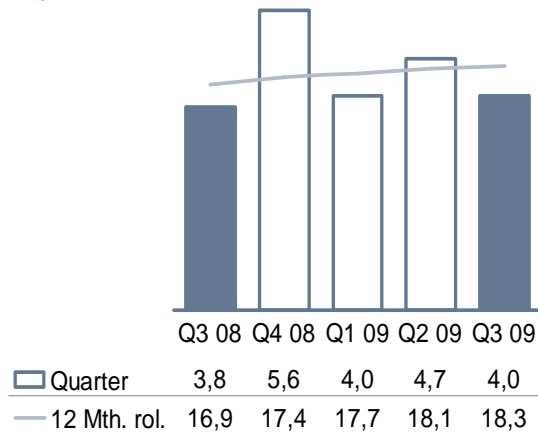


Buses



Net sales

SEK bn

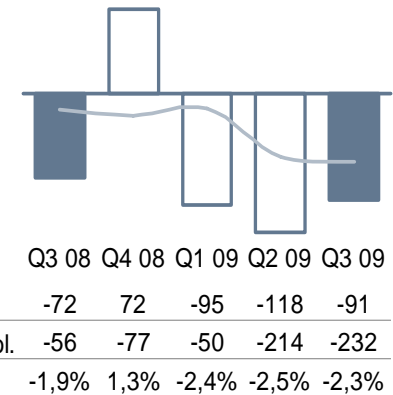


Highlights

- Bus market continues to decline
- Good order intake in Asia
- Significant change of product and market mix

Operating income

SEK M



In Focus

- Rightsizing operations
- Cost efficiency and productivity
- Delivery performance in NA
- Hybrid serial production, US10, Euro 5

Buses

BRT, Bi-articulated buses to Transmilenio in Bogota and Sao Paulo

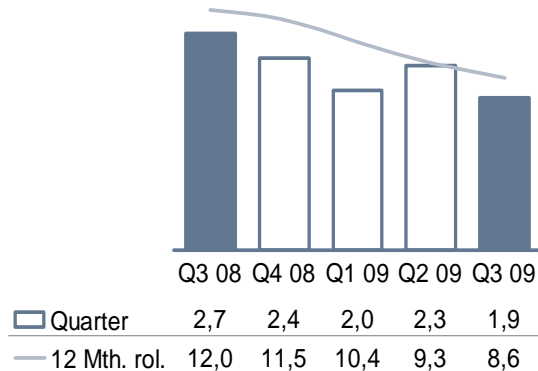


Volvo Penta



Net sales

SEK bn

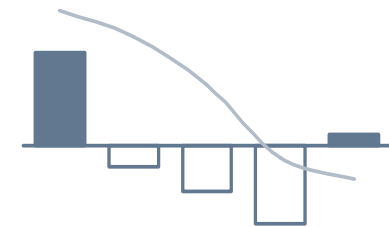


Highlights

- Weak world market for marine engines, more stable for industrial engines
- Profitable quarter due to positive effects from downsizing activities
- Significantly reduced inventories, pipeline of finished products adjusted

Operating income

SEK M



	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09
Quarter	198	-46	-97	-165	25
12 Mth. rol.	1 152	928	513	-110	-283
Margin	7,4%	-2,0%	-4,8%	-7,3%	1,3%

In Focus

- Continue to manage risks towards suppliers and customers
- Increase market positions within Industrial segments
- Capitalize on extensive products launches and new soft products



Volvo Penta Product News

New industrial engines on Group diesel platform



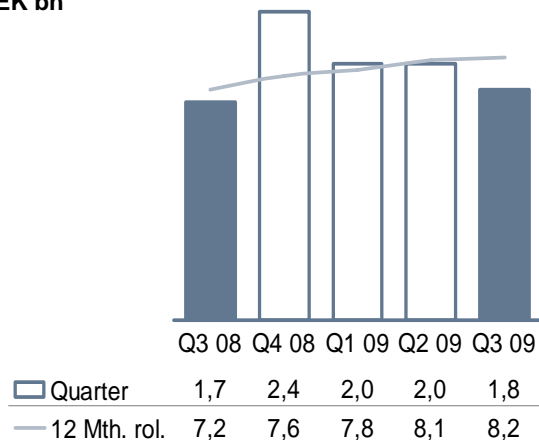
D13 (TAD1345VE)

Volvo Aero



Net sales

SEK bn

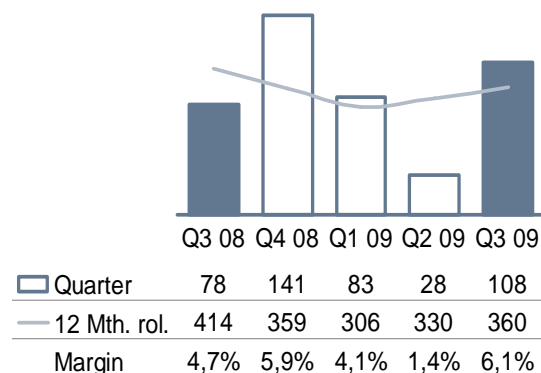


Highlights

- Airlines face major losses
- Air traffic decrease flattening out
- Lower capacity utilization
- Personnel reductions

Operating income

SEK M

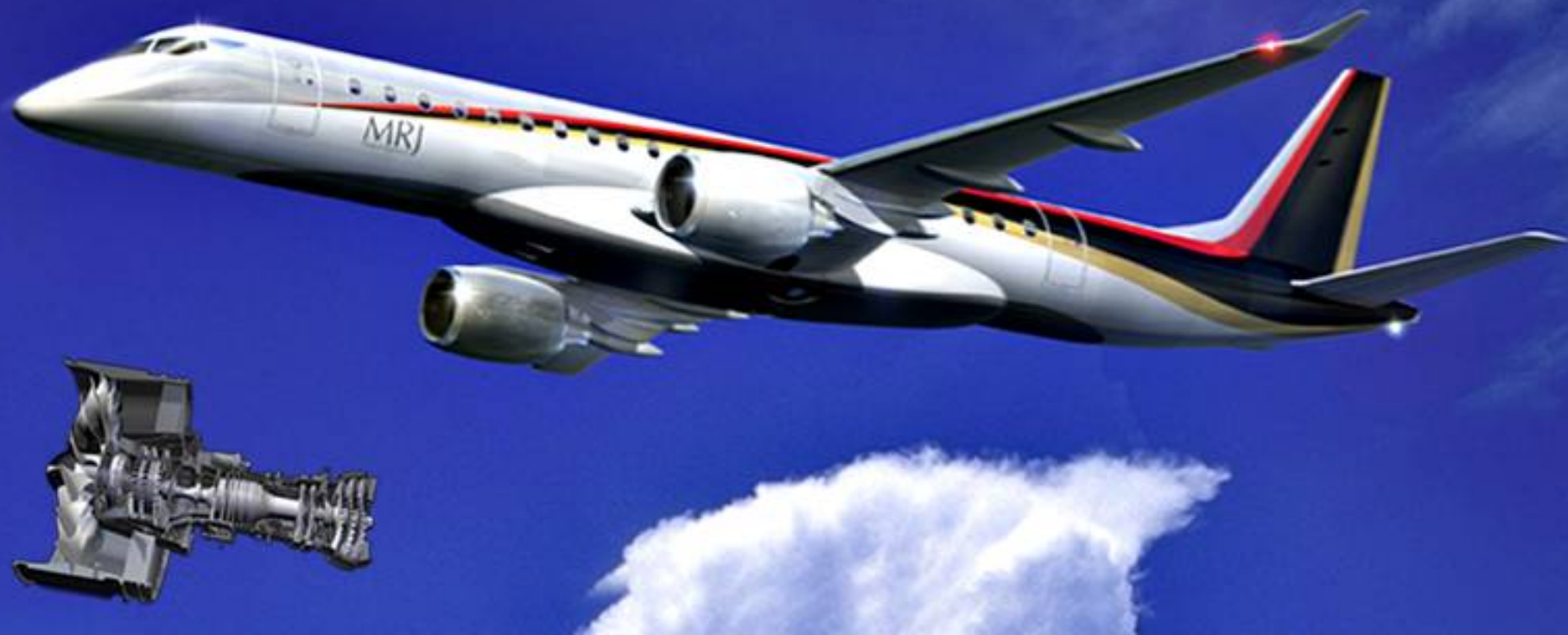


In Focus

- Capacity adjustment
- Cost management
- Continued focus on cash flow
- Execution on new contracts

Volvo Aero

Important contract on 100 MRJ aircraft with PW1000G engine

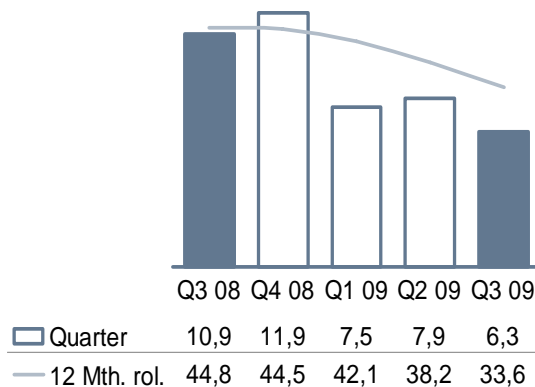


Financial Services



New retail financing

SEK bn

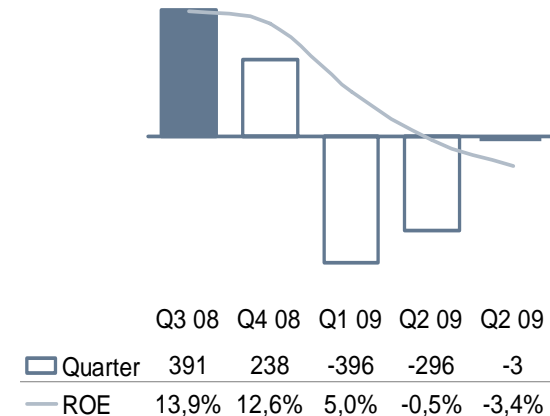


Highlights

- Early signs of portfolio stabilization
- Inventory reduction in September
- Continuation of difficult economic conditions

Operating income and return on equity

SEK M

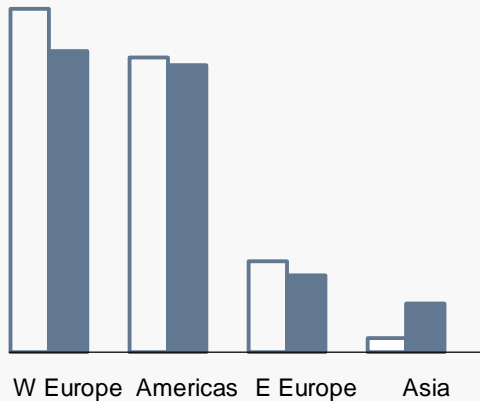


In Focus

- Debt collection activities
- Inventory management and remarketing
- Rationalization of cost structure

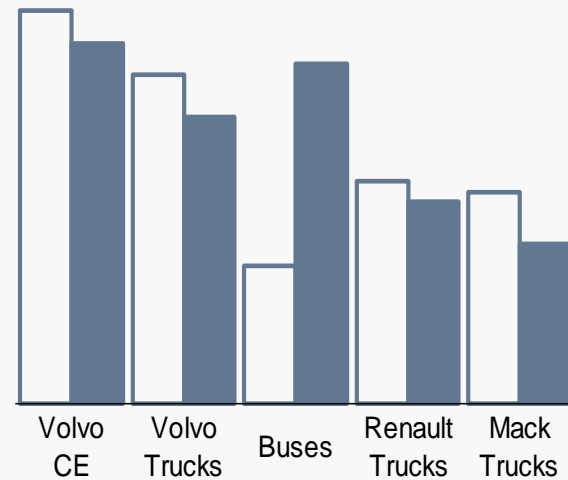
Financial Services

Total managed assets
(SEK bn)



	W Europe	Americas	E Europe	Asia
Q308	49	42	13	2
Q309	43	41	11	7

Penetration on new financing

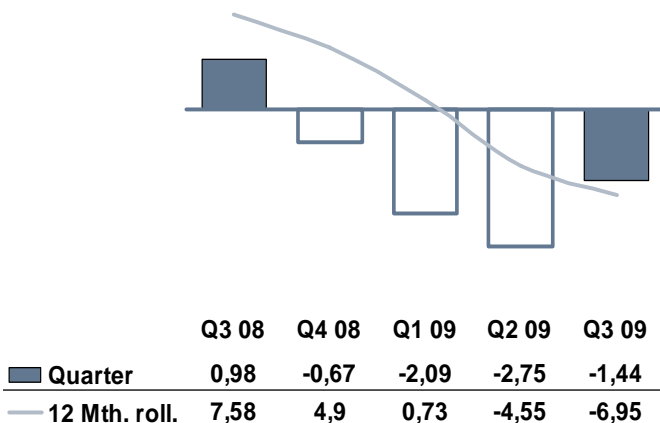


	Volvo CE	Volvo Trucks	Buses	Renault Trucks	Mack Trucks
Q308	37%	31%	13%	21%	20%
Q309	34%	27%	32%	19%	15%

Group Summary

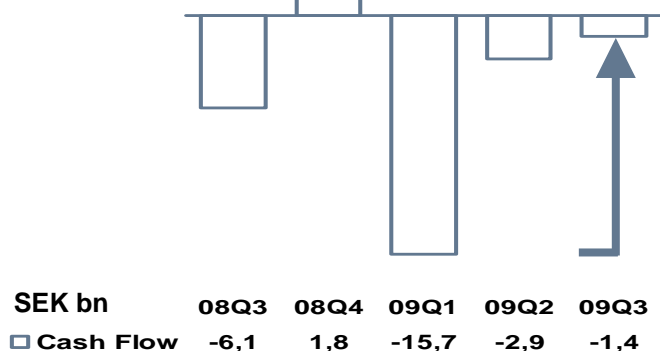


Earnings per share SEK



Operating Cash Flow

Industrial operations



Third quarter

- Sales 31% lower than Q3-08, -39% adjusted for currency
- Operating loss reduced
- Successful reduction of inventories: SEK 3.4 bn
- Operating cash flow – positive trend
- Net debt development stabilized

In focus

- Group cost structure
- Cash flow

VOLVO

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