

# **VOLVO**

## **Fourth Quarter 2009**

**Conference call, February 5, 2010**

# Group Highlights



## Fourth quarter

- Operating loss SEK 2.3 bn
- Cash flow – positive SEK 8.6 bn
- Net debt reduced by SEK 9 bn

## Business environment

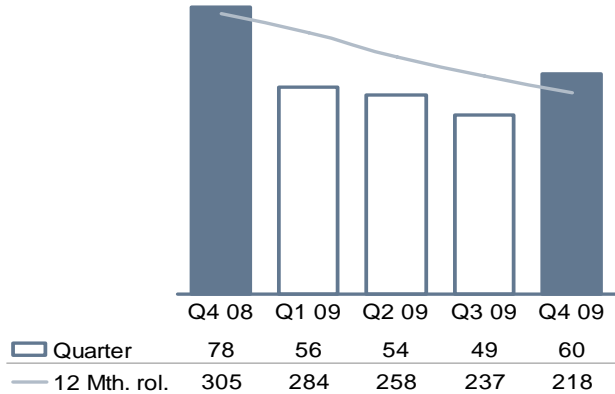
- Europe; market improving
- Asia & South America; strong recovery
- North America; continued weak market

**Board proposal:** ordinary dividend  
SEK 0 per share (2.00)

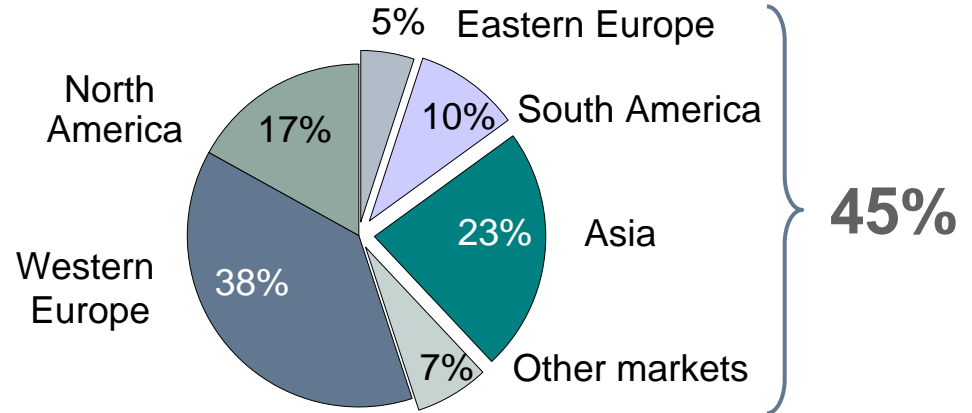
# Volvo Group

## Net sales

(SEK bn)

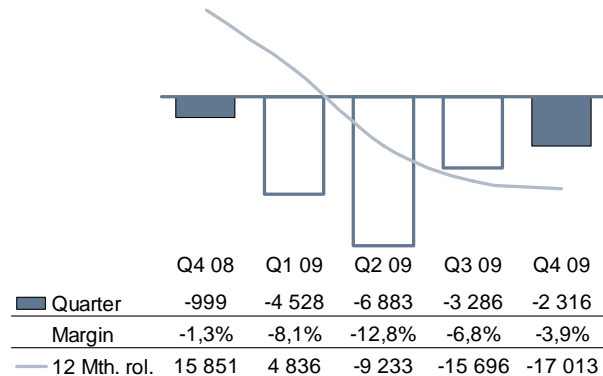


## Fourth quarter



## Operating income

(SEK M)

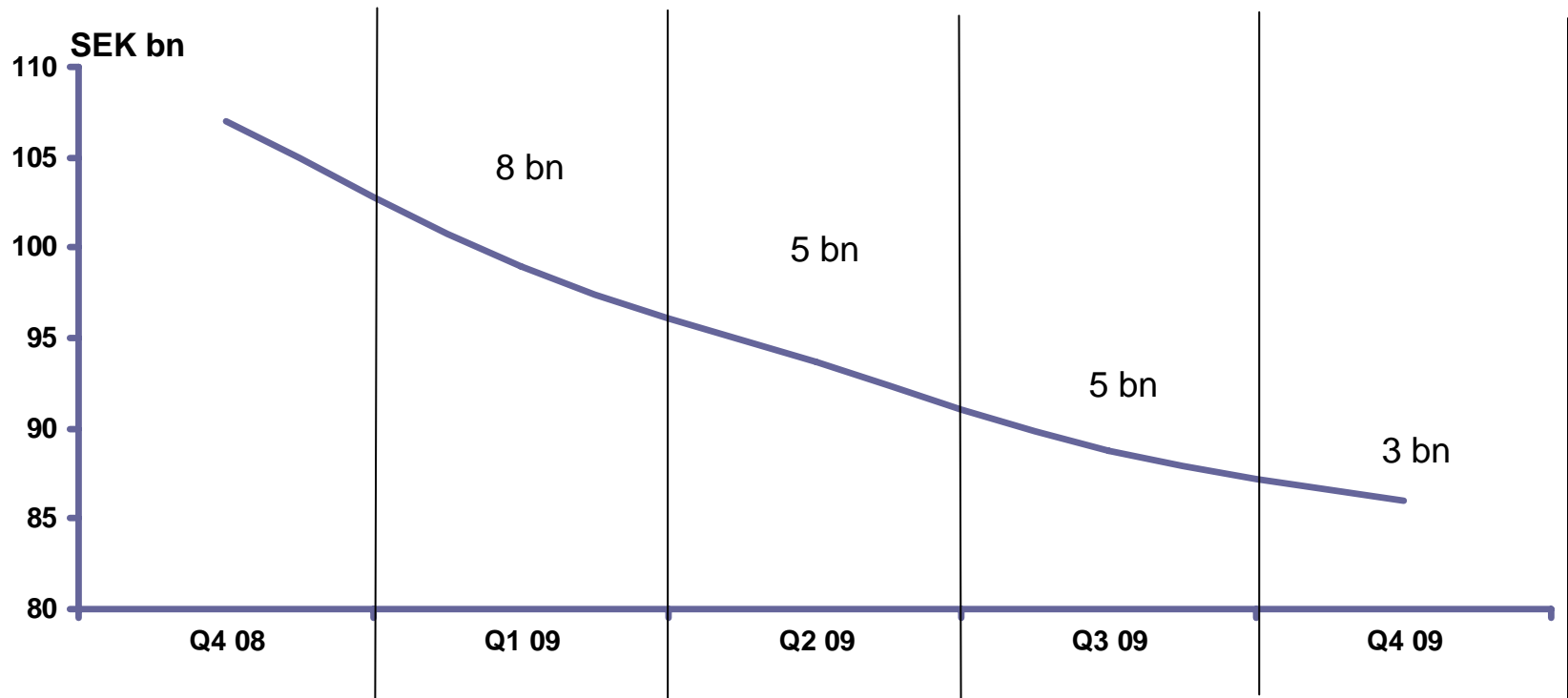


## Operating income

- Significantly lower sales volumes
- Down-sizing costs
- + Cost reductions effective

# Annual cost level

- Cost reductions implemented

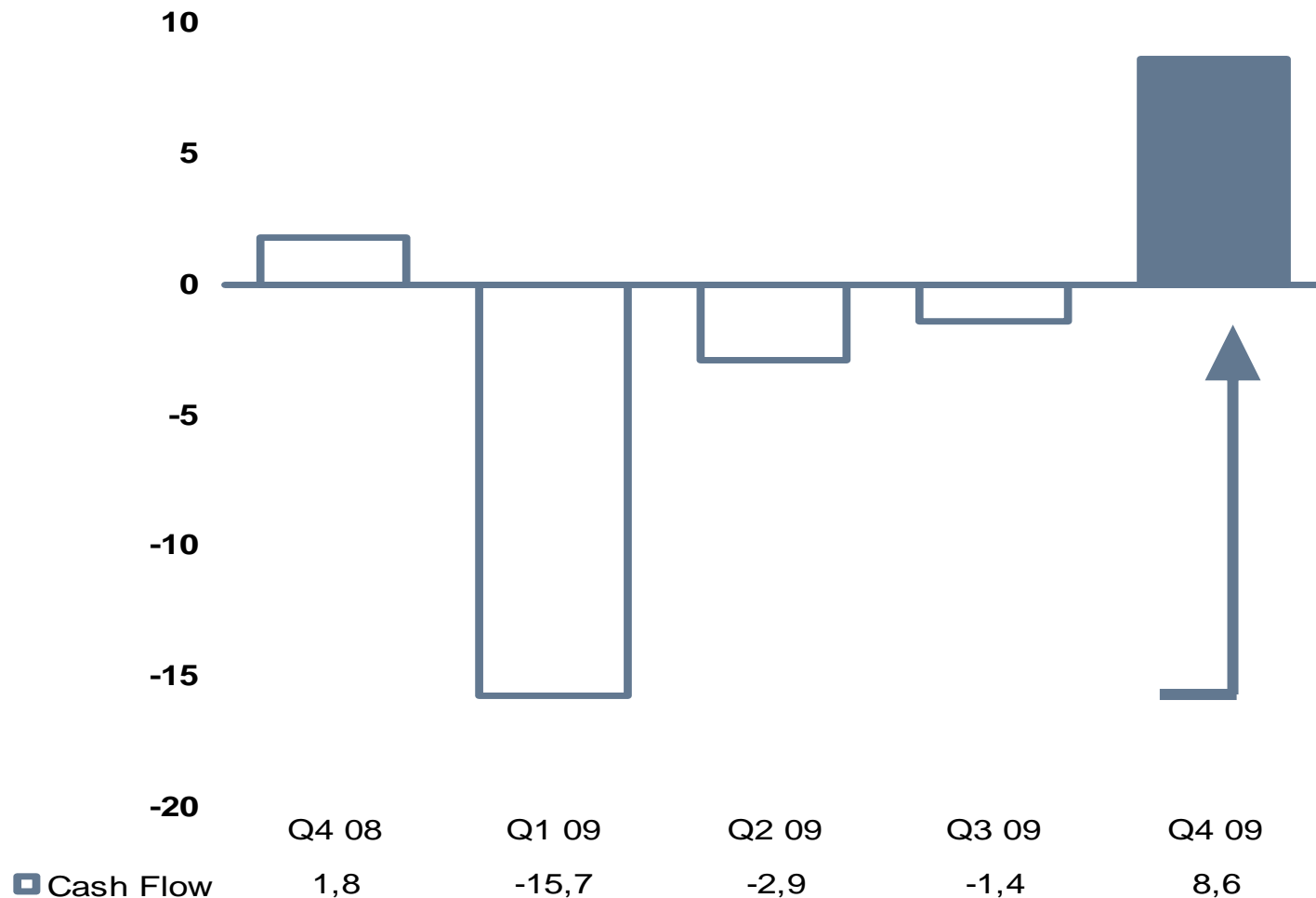


- Annualized run rate reduced by SEK 21 bn from the end of 2009.

# Volvo Group – Cash Flow

## Industrial Operations

SEK bn

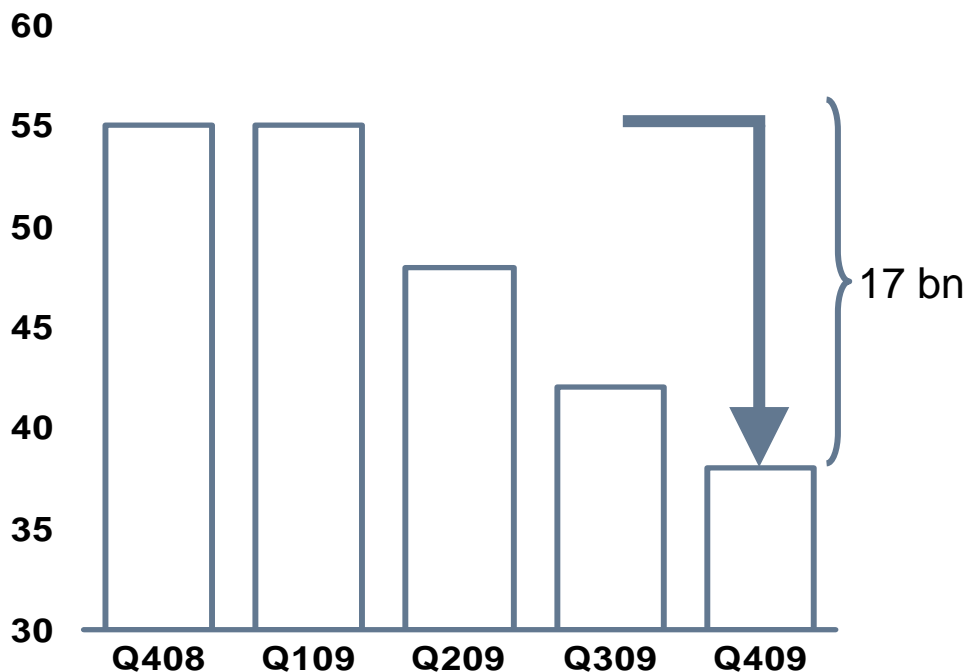


# Working Capital

- Inventory reduction target of SEK 15 bn achieved

## Inventories, Volvo Group

SEK bn



■ Inventories

55

55

48

42

38

## Industrial Operations

- Focus on working capital

- Receivables	+ 1.1 bn
- Inventories	- 5.6 bn
- Payables	- 6.9 bn
- Other	<u>- 0.3 bn</u>
Total change	- 11.7 bn

# Volvo Group – Net Financial Debt

## Industrial Operations

Net debt,  
SEK bn

60

50

40

30

20

10

0

Q4 08

Q1 09

Q2 09

Q3 09

Q4 09

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

Liquidity position SEK 71.1 bn

- Limited maturities in 2010-2011

70.9%

60.7%

Changes in Net financial debt

- Cash Flow - 8.6 bn

- Currency 0.4 bn

- Other - 0.7 bn

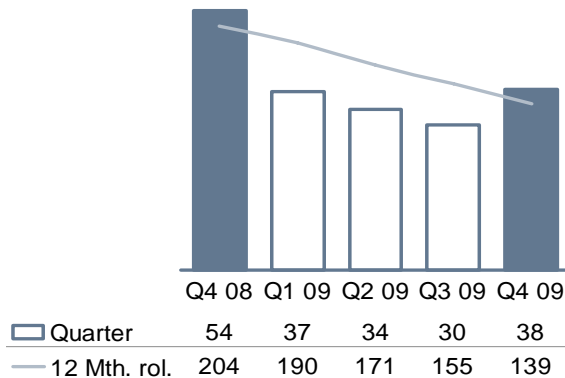
**Total - 8.9 bn**

# Trucks



## Net sales

SEK bn

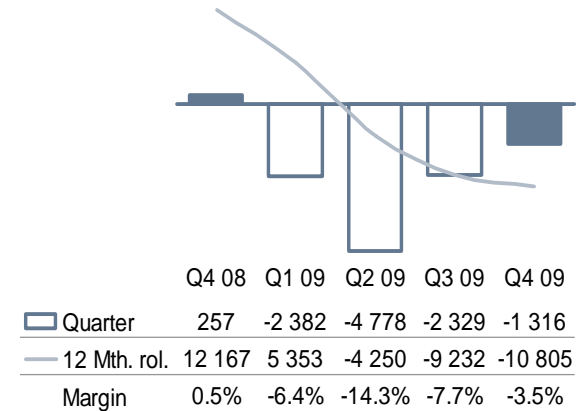


## Highlights

- Improving demand
- Sales up by 24% vs. Q3 down 30% vs. Q4-08
- Operating loss reduced; lower sales partly offset by cost reductions
- Inventories of new trucks reduced by another 25%

## Operating income

SEK M



## In Focus

- Increasing production in up-turn
- Cost control
- Successful introduction of new engines

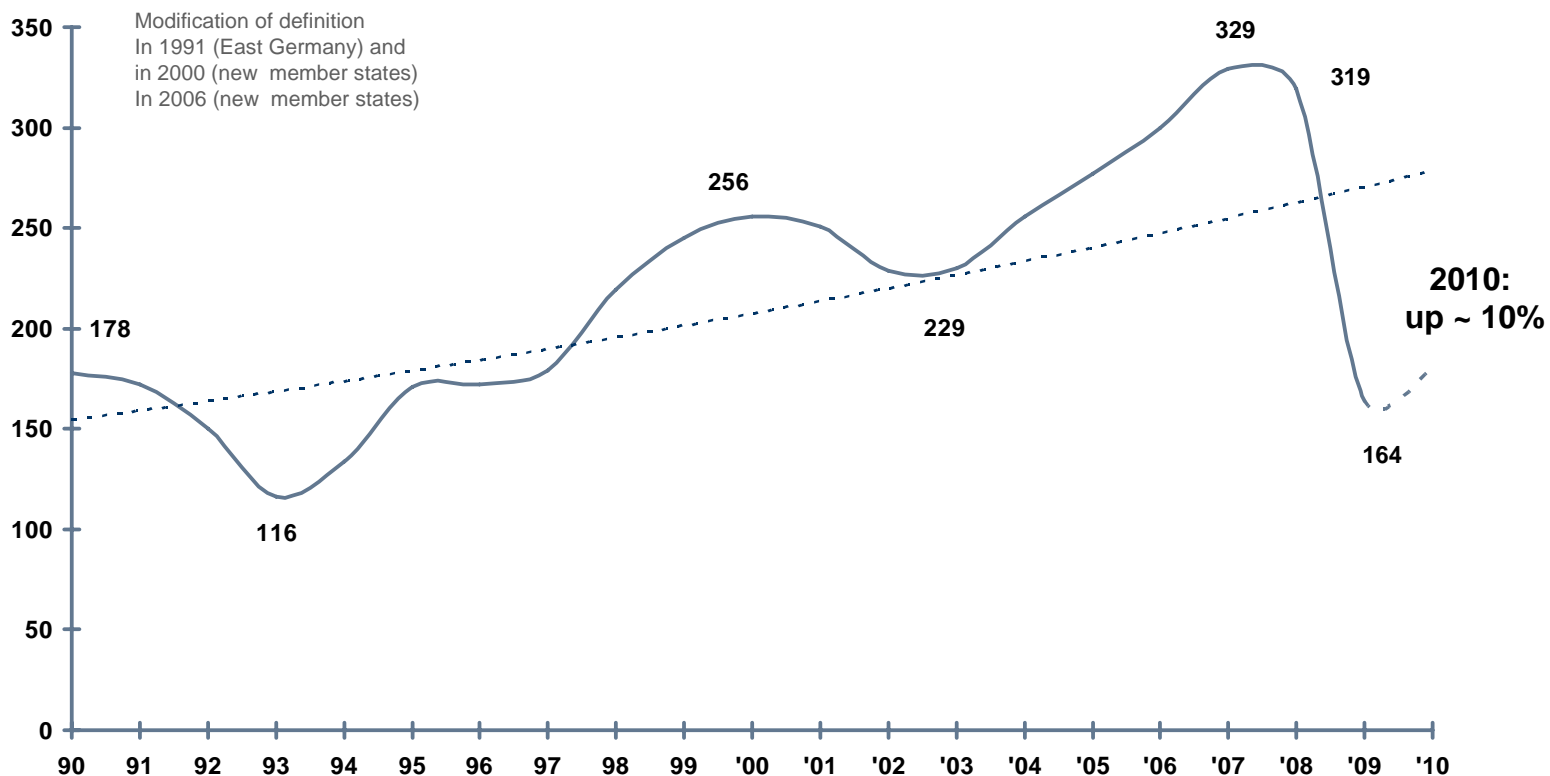


# Heavy-duty truck market - Europe

(EU members + Switzerland and Norway)



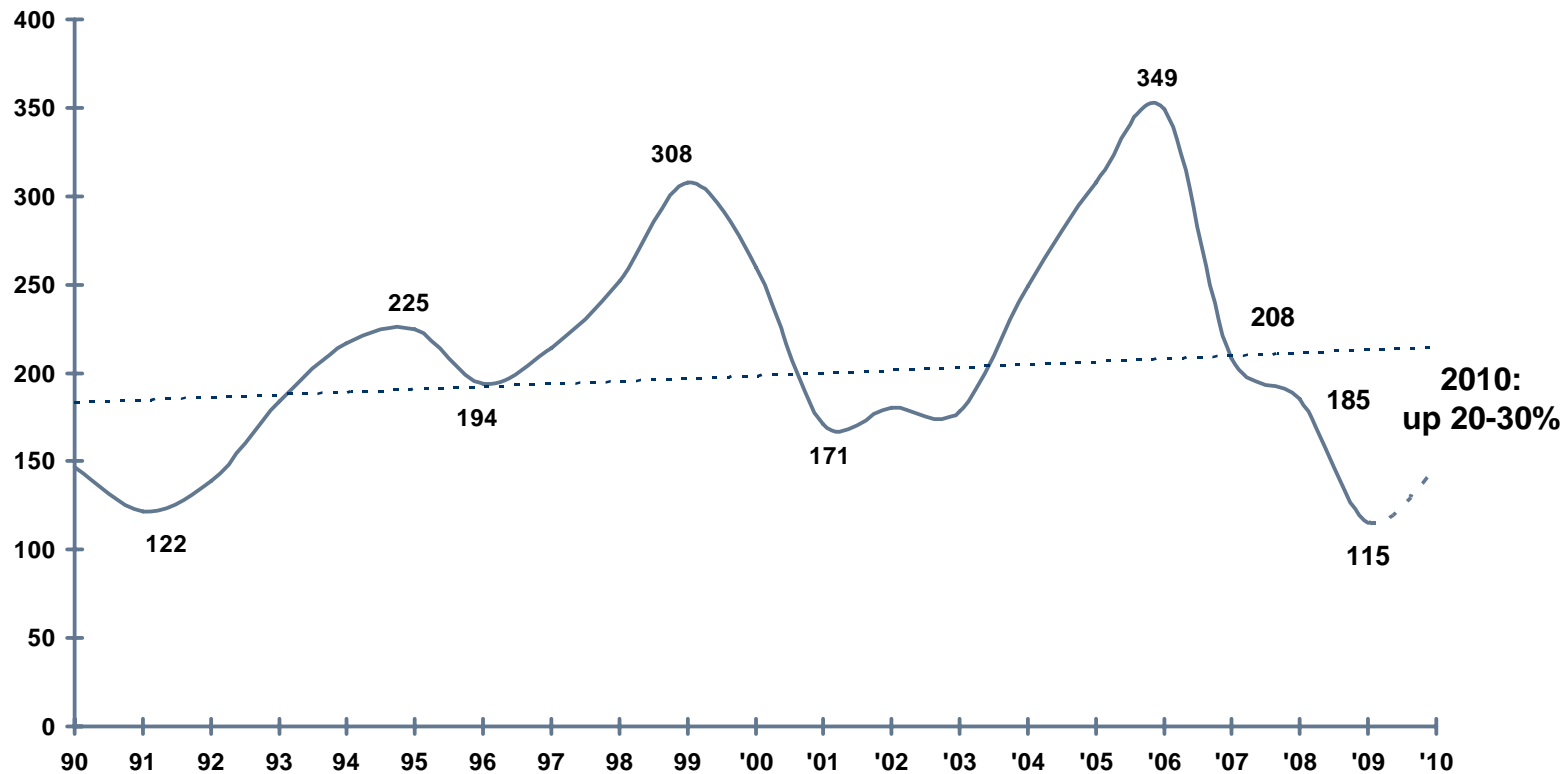
Units, Thousands (heavy trucks)



# Heavy-duty truck market – North America



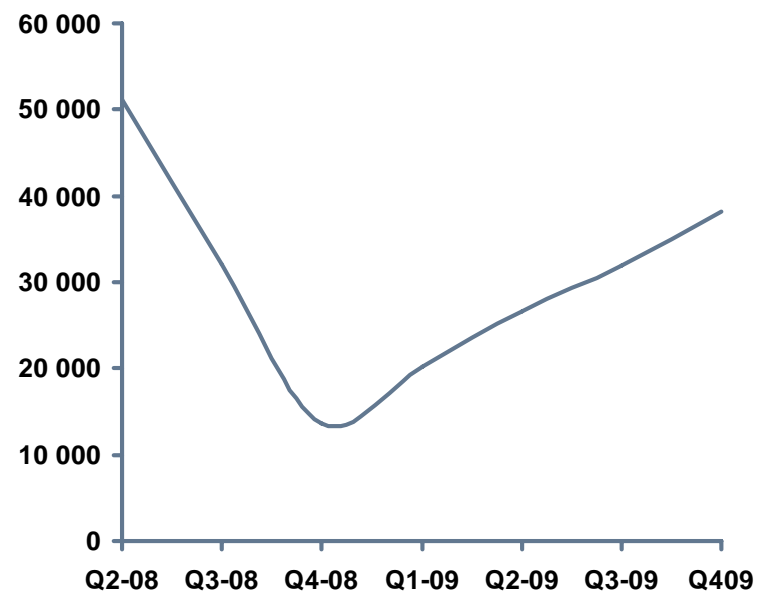
Units, Thousands (heavy trucks)



# Net order intake – positive trend

## Trucks

Net order intake	Q4-08	Q1-09	Q2-09	Q3-09	Q4-09	Change Q4-Q3
Europe	-1,549	7,494	8,980	8,189	14,546	78%
North America	4,037	2,869	3,257	5,093	4,661	-8%
South America	1,087	1,731	2,998	5,284	5,576	6%
Asia	7,868	5,712	7,884	10,079	10,227	1%
Other markets	2,235	2,377	3,505	3,353	3,156	-6%
<b>Total</b>	<b>13,678</b>	<b>20,183</b>	<b>26,624</b>	<b>31,998</b>	<b>38,166</b>	<b>19%</b>

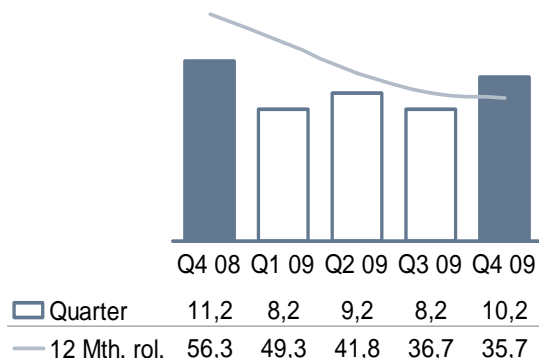


# Construction Equipment



## Net sales

SEK bn

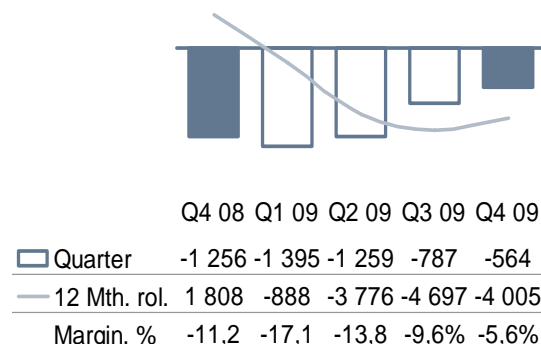


## Highlights

- World market down 12% in Q4 - 39% in 2009
- Operating loss more than halved
- Inventories down another 17% - now in balance with demand
- Capacity utilization at 35% vs. 30% in Q3

## Operating income

SEK M



## In Focus

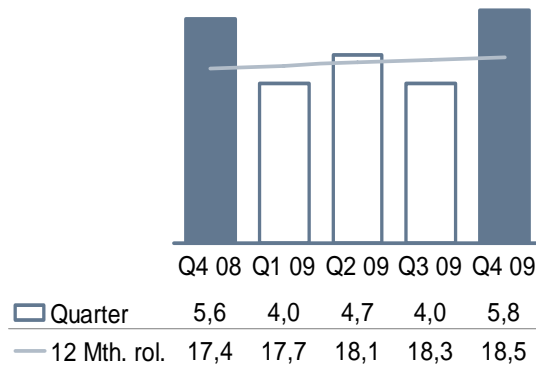
- Cost control
- Execution of new strategy
- Production flexibility
- Capitalize on strong momentum in China

# Buses



## Net sales

SEK bn

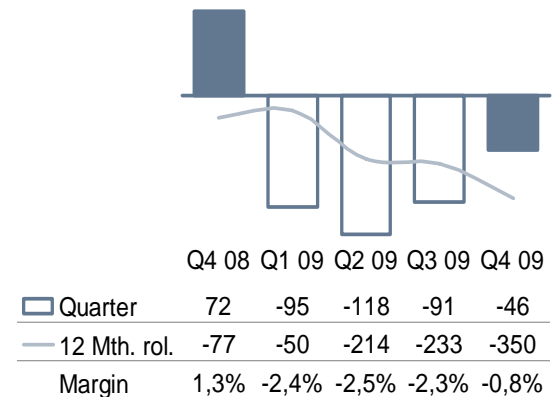


## Highlights

- Bus market stabilized on low level
- Strong order intake Q4
- Operating loss
  - market and product mix
  - production disturbances
- Significant inventory reduction

## Operating income

SEK M



## In Focus

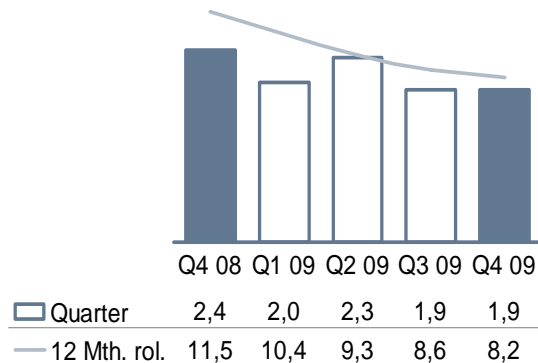
- Break even management
- Industrial efficiency
- Product introductions

# Volvo Penta



## Net sales

SEK bn

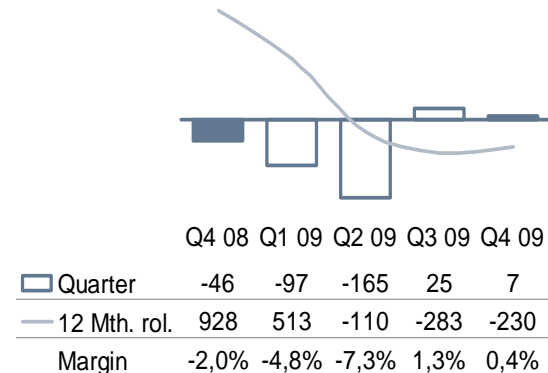


## Highlights

- Low global deliveries of marine and industrial engines
- Improved order intake, order book 15% higher than previous year
- Lower break-even level contributed to operating profit
- Significantly reduced inventories

## Operating income

SEK M



## In Focus

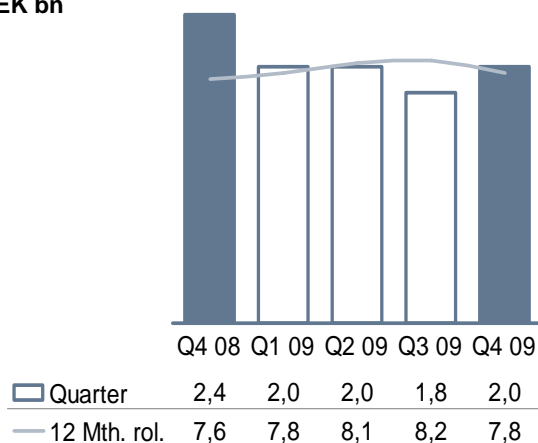
- Flexibility and lead times in supply chain
- Use coming emission steps as business opportunities for industrial engines
- Secure new IPS projects

# Volvo Aero



## Net sales

SEK bn

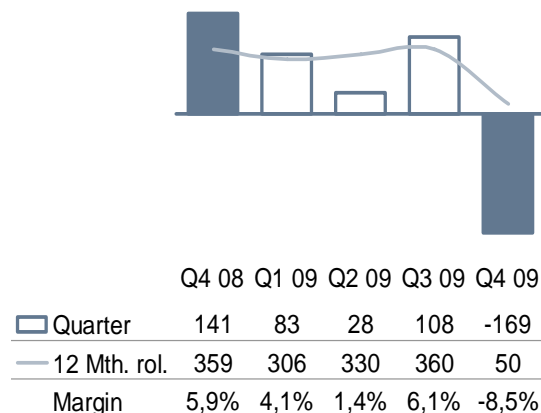


## Highlights

- Air traffic starting to recover
- Decreasing sales of new spare parts
- Boeing 787 maiden flight

## Operating income

SEK M



## In Focus

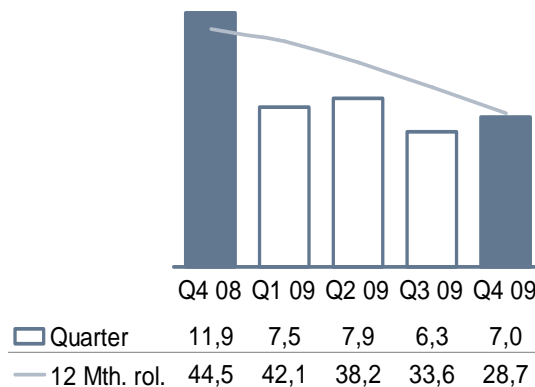
- Cost management and product cost
- Aftermarket business
- Execution on new contracts

# Financial Services



## New retail financing

SEK bn

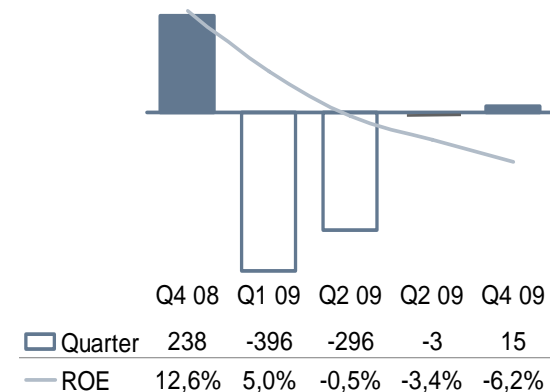


### Highlights

- Challenging economic environment continues
- Stabilization of credit portfolio
- Inventory levels stabilizing

## Operating income and return on equity

SEK M



### In Focus

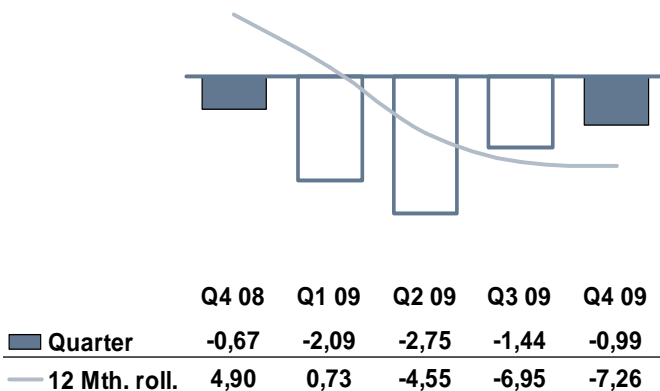
- Support customer/dealer downturn activities
- Risk mitigation in Eastern Europe
- Further cost reduction



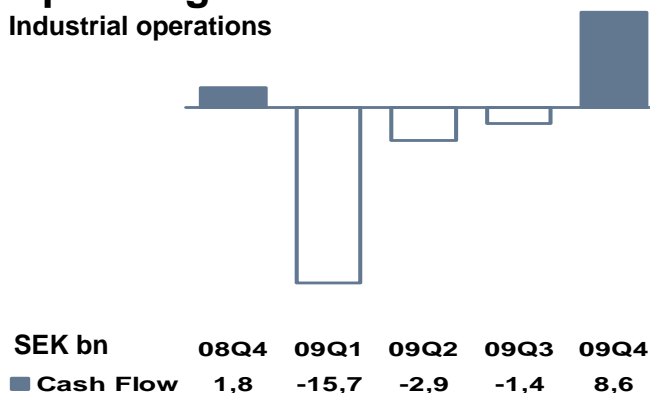
# Group Summary



## Earnings per share SEK



## Operating Cash Flow Industrial operations



## Fourth quarter

- Sales 23% higher than Q3 but 23% lower than Q4-08
- Operating loss SEK 2.3 bn
- Cost reductions executed
- Successful reduction of inventories: SEK 5.6 bn
- Operating cash flow – positive SEK 8.6 bn
- Net debt decreased by SEK 8.9 bn
- Introduction of the cleanest heavy-duty diesel engines to date (US & Japan)

## In focus

- Demand recovering – increase production
- Cost control
- Productivity
- Cash flow

**VOLVO**

**Fourth Quarter 2009**