

VOLVO

Second Quarter 2010

Press Conference, July 22, 2010

Group Highlights



Second quarter

- Operating income SEK 5.0 bn*
- Cash flow SEK 8.5 bn
- Decision to start engine production in India

Business environment

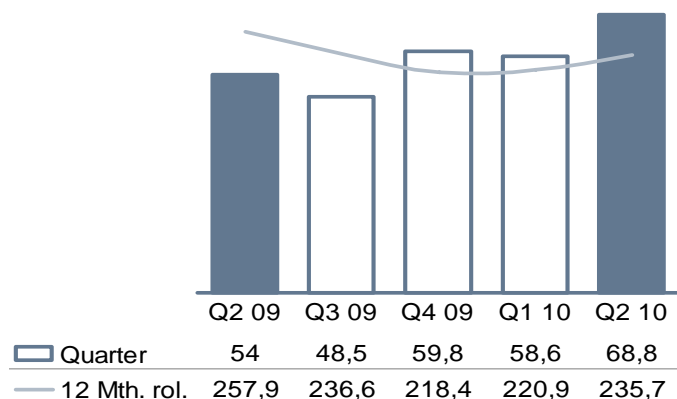
- Europe; gradually improving demand
- Asia & South America; strong markets
- North America; increased market activity

* Excluding write down of assets in Volvo Aero Services of SEK 223 M

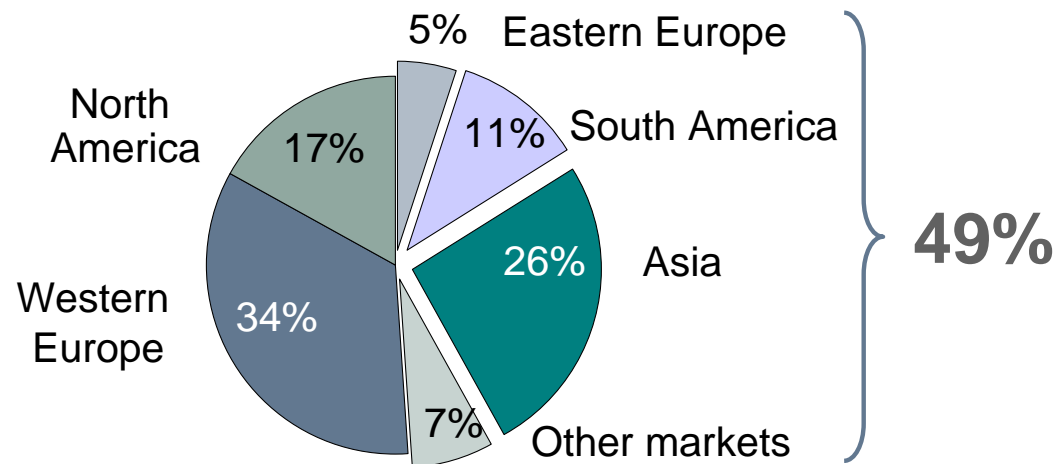
Volvo Group

Net sales

(SEK bn)

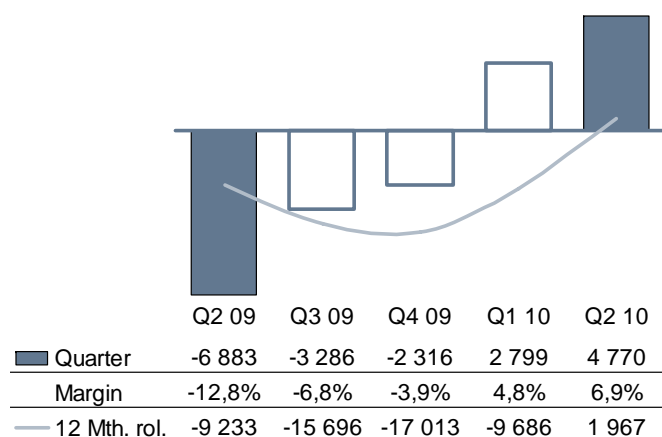


Second quarter



Operating income

(SEK M)



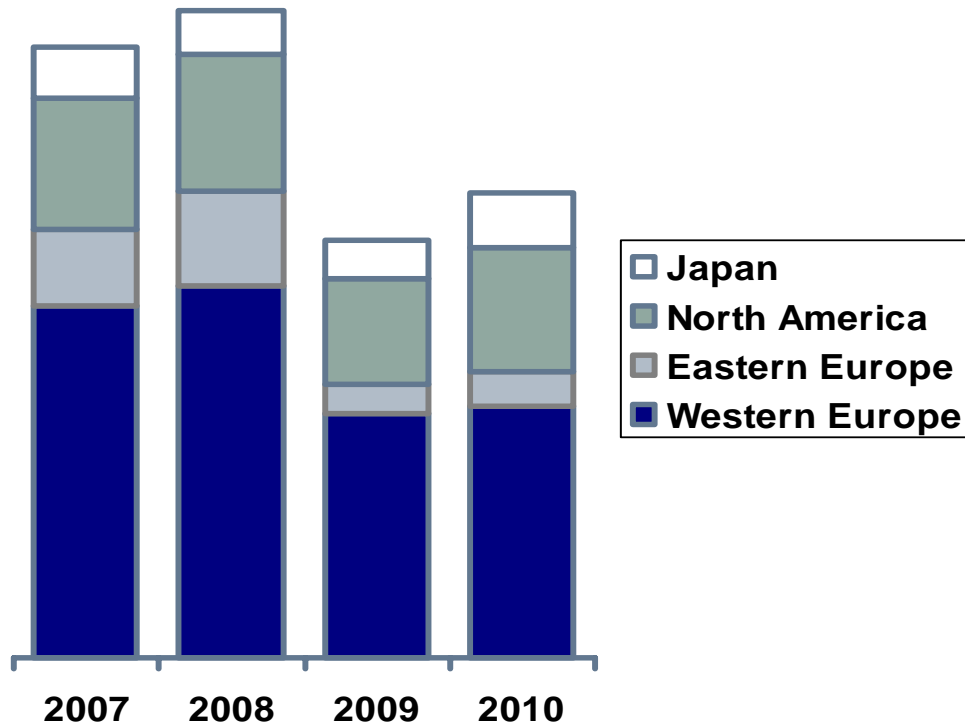
Operating income

- + Increased volumes
- + Improved productivity & capacity utilization
- + Cost control

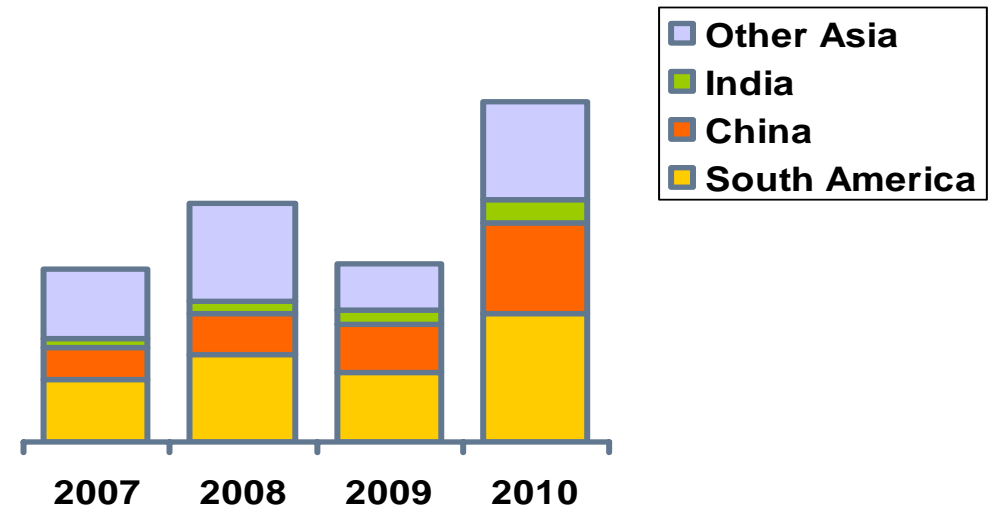
Volvo Group

Strong sales growth in Brazil, India and China

Q2, net sales



Still low levels in US, Europe and Japan

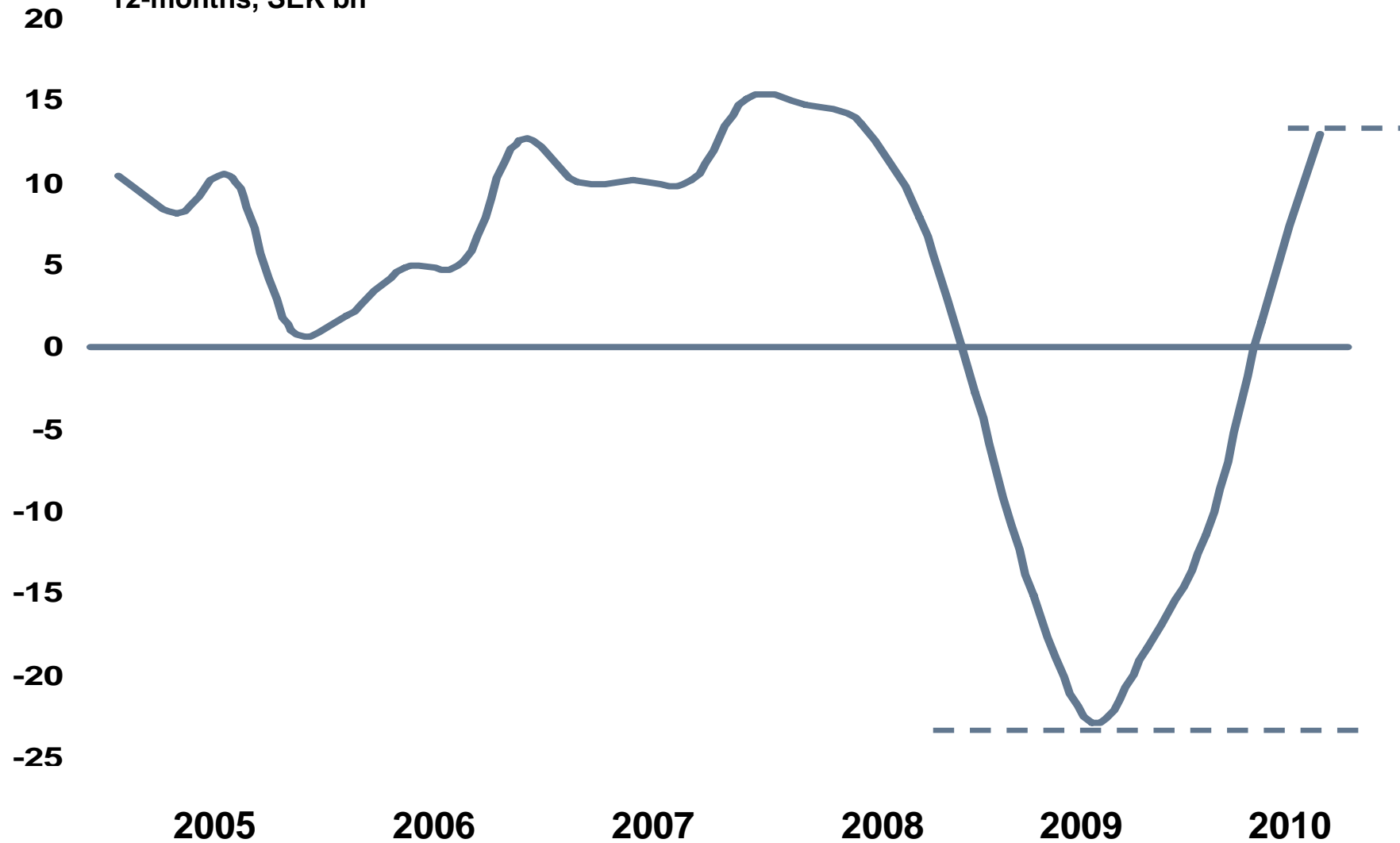


High sales levels in Brazil, India and China

Volvo Group – Cash Flow

Industrial Operations

12-months, SEK bn

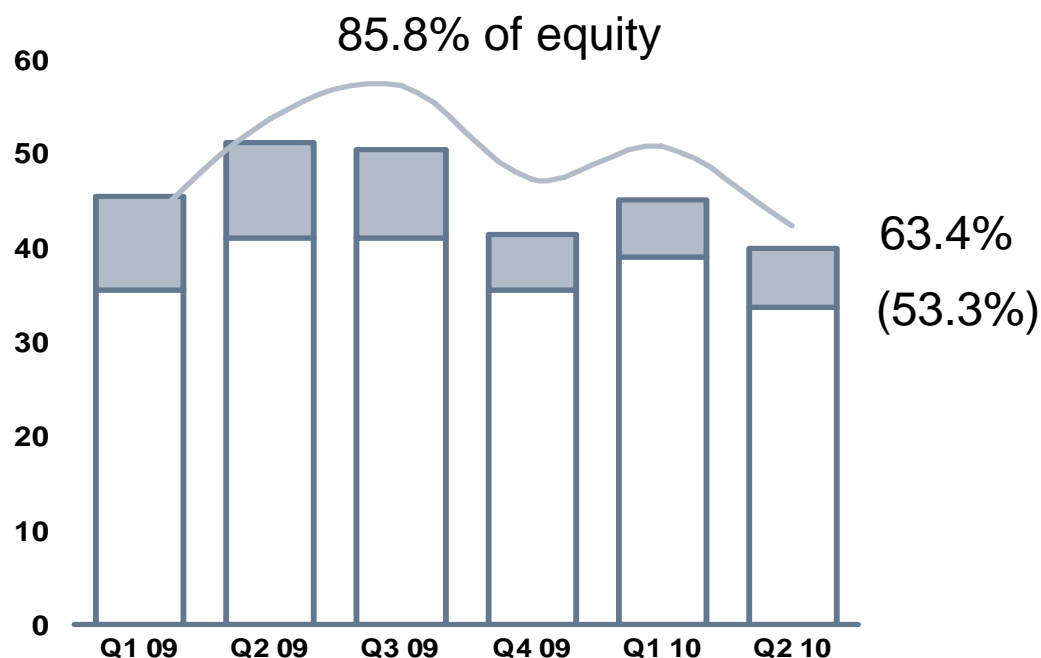


Volvo Group – Net Financial Debt

Industrial Operations

**Net debt,
SEK bn**

Group liquidity position SEK 74 bn
- Limited maturities in 2010-2011



	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10
Pensions	9,8	10,1	9,5	6,0	6,1	6,4
Financial Debt	35,6	41,0	41,0	35,5	39,0	33,6

Changes in Net financial debt

- Cash Flow	+ 8.5 bn
- Currency	- 3.3 bn
- Other	<u>- 0.1 bn</u>

Total **5.1 bn**

Debt update

Funding

Completed key transactions 2010

- Club loan of EUR 775 M prolonged 2 year. 12 banks participating
- JPY "bridge" of JPY 50 bn prolonged 1 year with Mizuho
- EKN/SHB loan facilities USD 625 M, 3 year
- EIB loan of EUR 400 M 5 year
- Asset backed securitization USD 616 M
- Credit portfolio syndication SEK 4 bn in Brazil

Rating

	Short-term	Long-term
▶ Moody's (global)	P-2	Baa2 stable
▶ S&P (global)	A-3	BBB- neg
▶ DBRS (Canada)	R-2 (high)	BBB (high) stable
▶ R&I (Japan)	a-1	A- stable

Upturn management

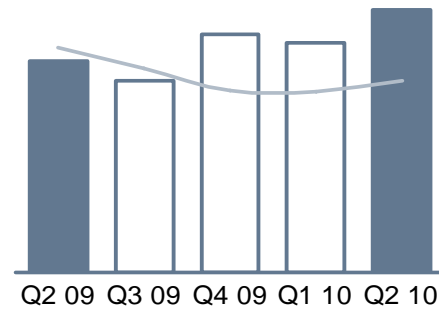
- ▶ Hold on to implemented cost reductions
- ▶ Increased focus on efficiency
- ▶ Build flexibility in cost structure
- ▶ Supply chain management
- ▶ Increase working capital turn-over
- ▶ Price management

Trucks



Net sales

SEK bn



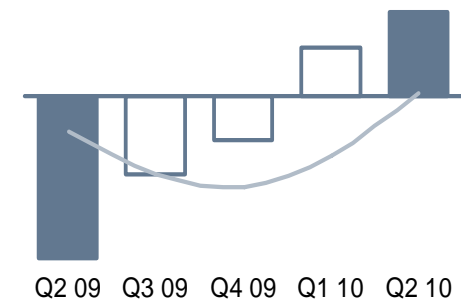
Quarter	33,5	30,4	37,7	36,5	41,6
12 Mth. rol.	171,2	155,4	138,9	138	146,1

Highlights

- Improving demand
- Sales up by 28%, fx-adjusted
- Operating margin 6%
- EPA 2010 transition
- Gradually increasing production

Operating income

SEK M



Quarter	-4 778	-2 329	-1 316	1 444	2 478
12 Mth. rol.	-4 250	-9 232	-10 805	-6 979	277
Margin	-14,3%	-7,7%	-3,5%	4,0%	6,0%

In Focus

- Increase productivity in up-turn
- Supply chain
- Strict cost control
- Product introductions

New products into production

Volvo EPA 2010 trucks



Renault Master



UD Quon



UD Condor



Trucks launched in 2010



Mack EPA 2010 trucks



Eicher VE series



Volvo FMX



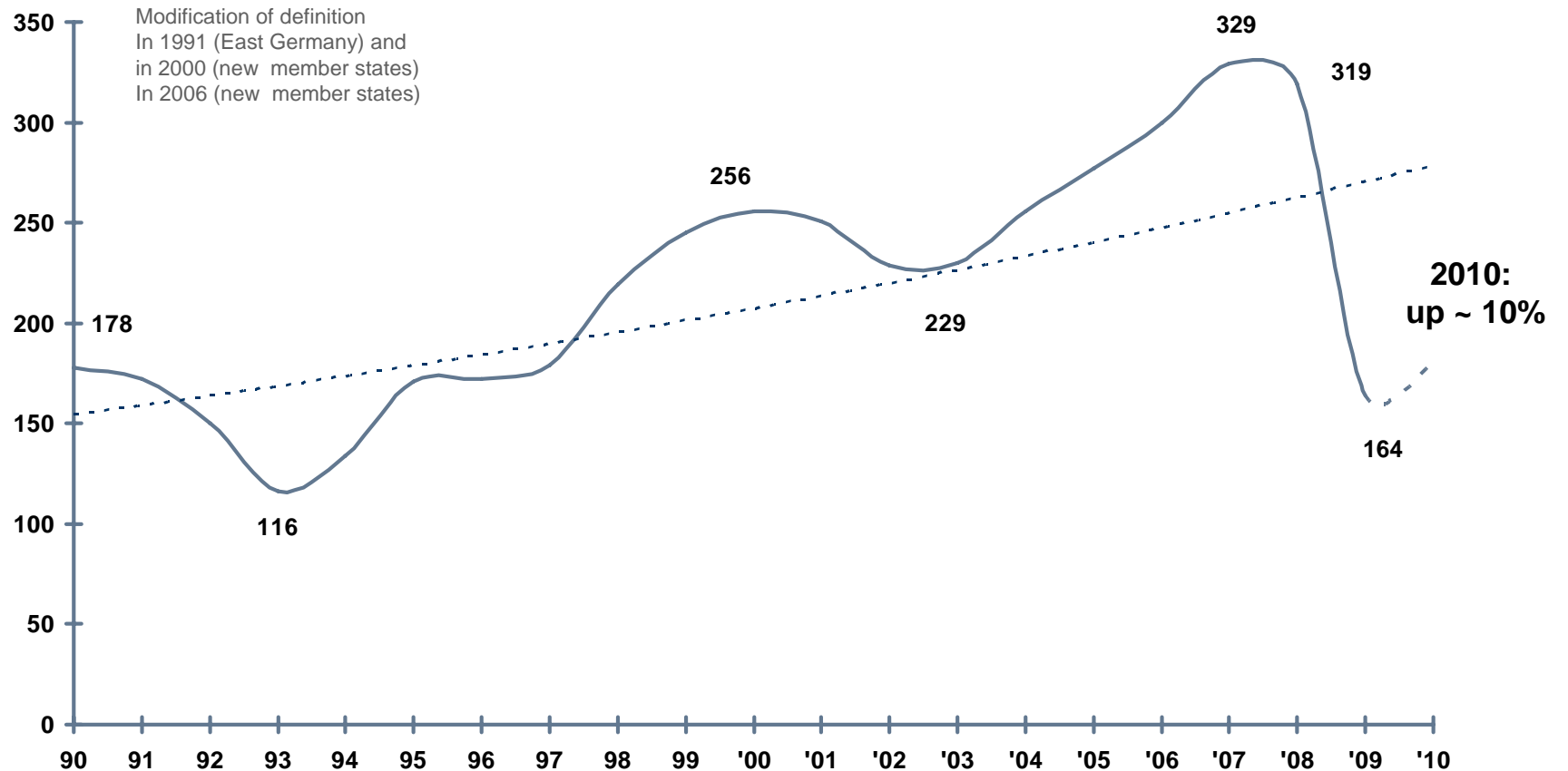
Volvo FM Distribution

Heavy-duty truck market - Europe

(EU members + Switzerland and Norway)



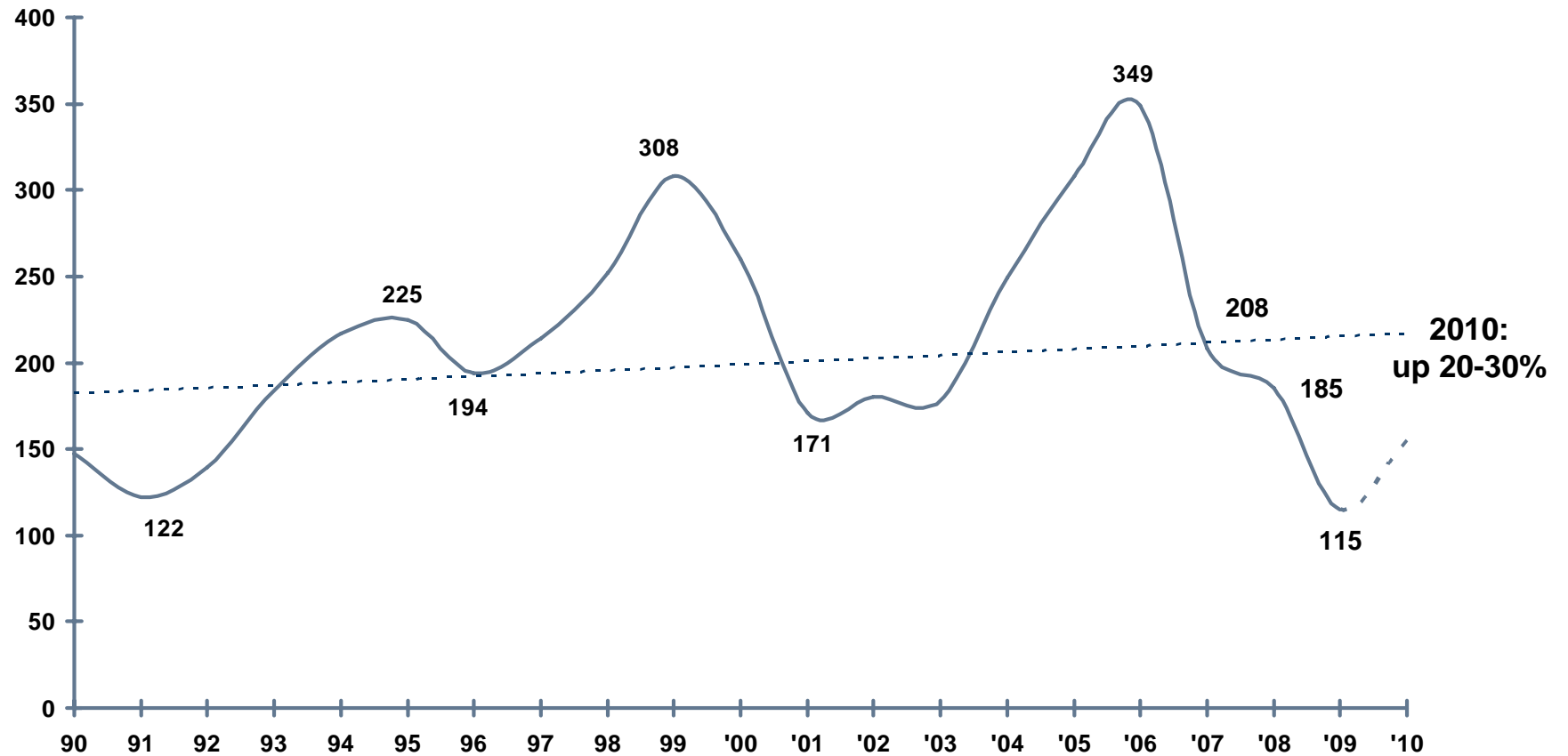
Units, Thousands (heavy trucks)



Heavy-duty truck market – North America



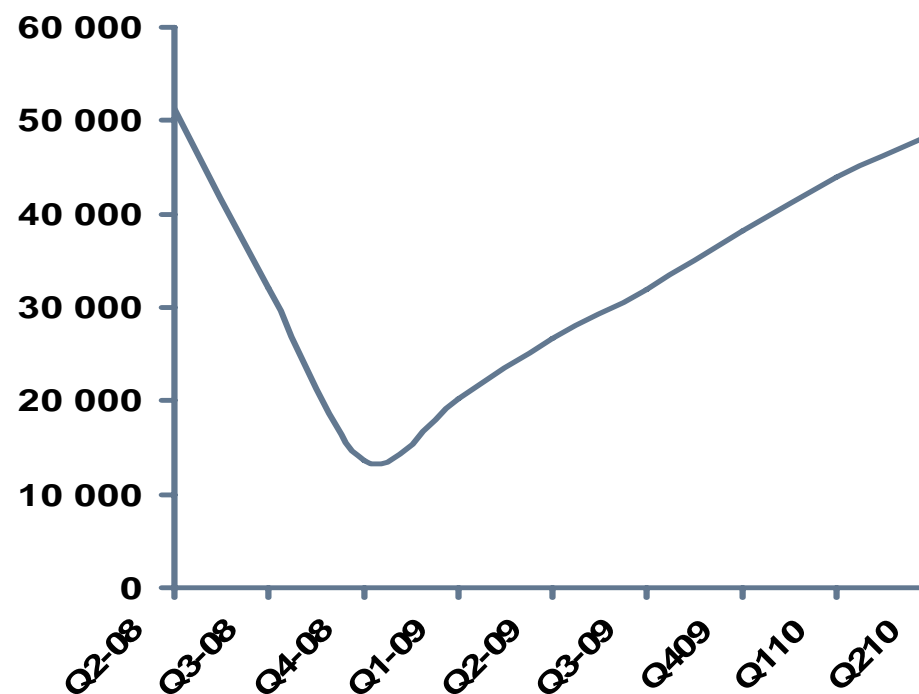
Units, Thousands (heavy trucks)



Net order intake

Trucks

Net order intake	Q2-09	Q1-10	Q2-10	Change Q2->Q2	Change Q1->Q2
Europe	8,980	16,361	19,054	112%	16%
North America	3,257	3,410	6,675	105%	96%
South America	2,998	4,548	4,986	66%	10%
Asia	7,884	15,442	13,367	70%	-13%
Other markets	3,505	4,175	4,336	24%	4%
Total	26,624	43,936	48,418	82%	10%

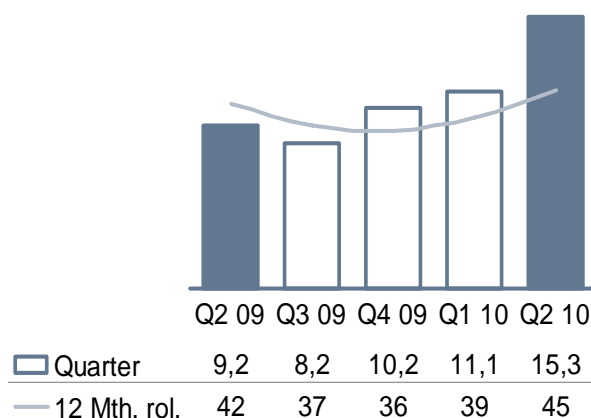


Construction Equipment



Net sales

SEK bn

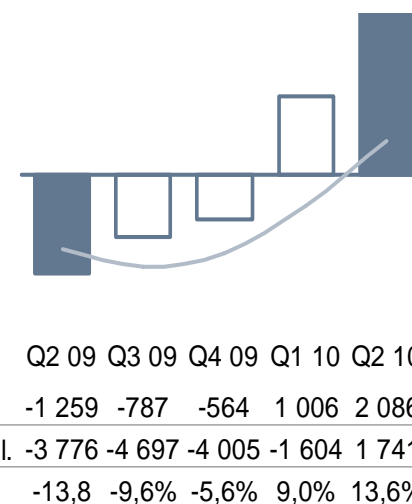


Highlights

- Total world market up 43%
 - BRIC up 63%
 - Europe up 20%
 - North America up 9%
- Volvo CE sales up 73%, fx-adjusted
- Operating margin 13.6%

Operating income

SEK M



In Focus

- Capitalize on strong momentum in BRIC
- Continued focus on cost control
- Industrial flexibility, including suppliers
- Execute on new extensive product plan

New series of compact equipment

The C-series of excavators (EC15C-EC20C) and F-series of wheel loaders (L20F & L25F)

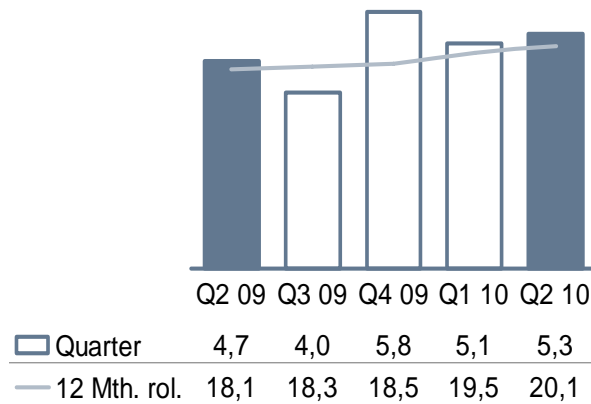


Buses



Net sales

SEK bn

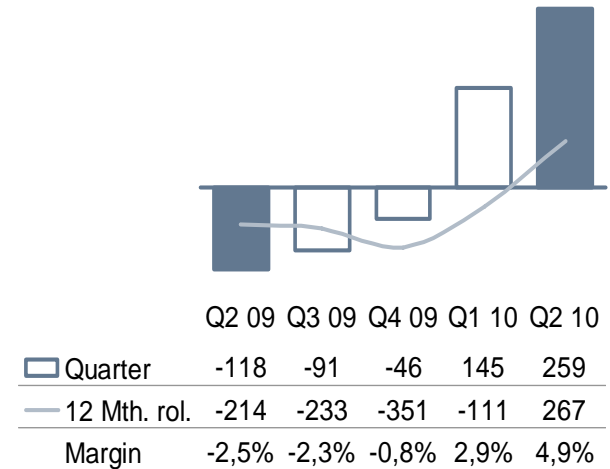


Highlights

- Slow market recovery
- Improved profitability
- Reduced total cost structure
- Hybrid serial production

Operating income

SEK M



In Focus

- Right-size operations in Prevost
- Order intake in the US and Europe

Buses

Hybrid serial production

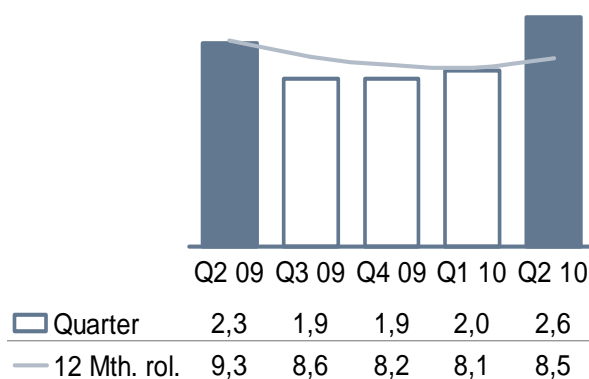


Volvo Penta



Net sales

SEK bn

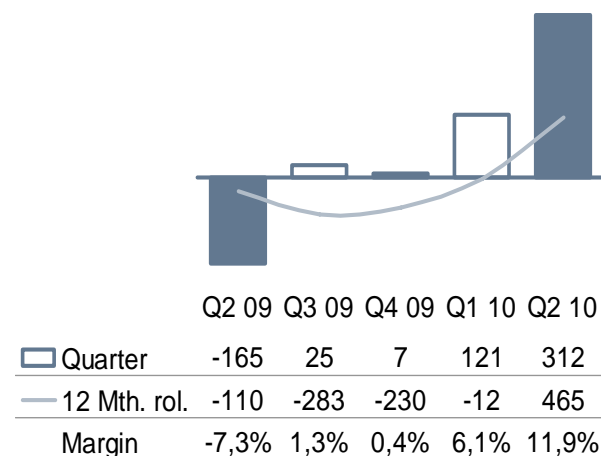


Highlights

- Slow Marine Leisure recovery driven by strengthened market shares
- Increased demand for industrial engines
- Strong improvement of operating income and operating margin

Operating income

SEK M



In Focus

- Launch of upgraded order to delivery process
- Strict cost control and capital efficiency
- Capitalize on product launches



Volvo Penta product news

Swedish Coast Guard selects Volvo Penta's IPS system



AB Volvo

Second Quarter 2010

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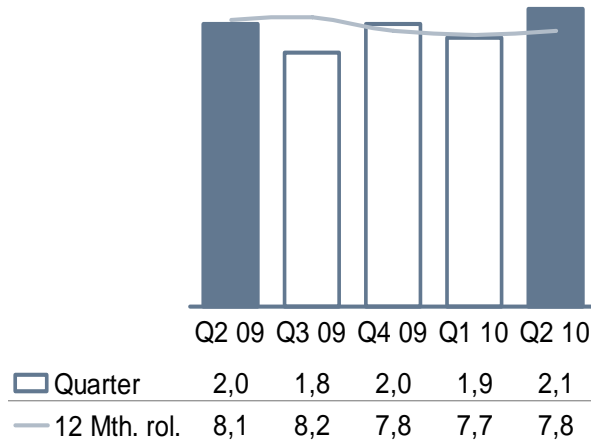
VOLVO

Volvo Aero



Net sales

SEK bn

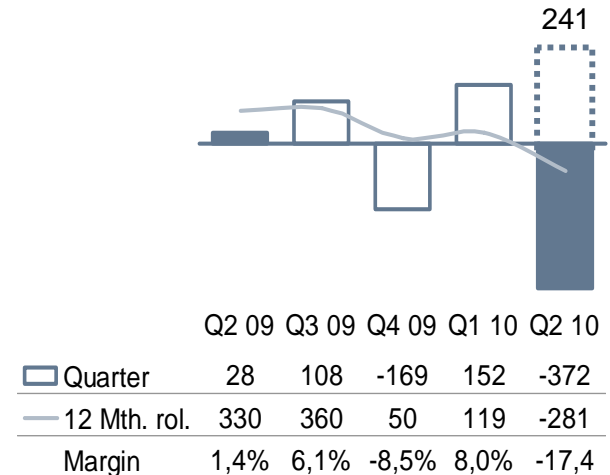


Highlights

- Air traffic recovery continues – now above pre-recession levels
- Positive development for Volvo Aero component business
- Divestiture of Volvo Aero Services

Operating income

SEK M



In Focus

- Cost management and product cost
- Execution on new contracts - product development and serial production

Volvo Aero

Rolls-Royce Trent XWB: First engine for Airbus A350 XWB to test

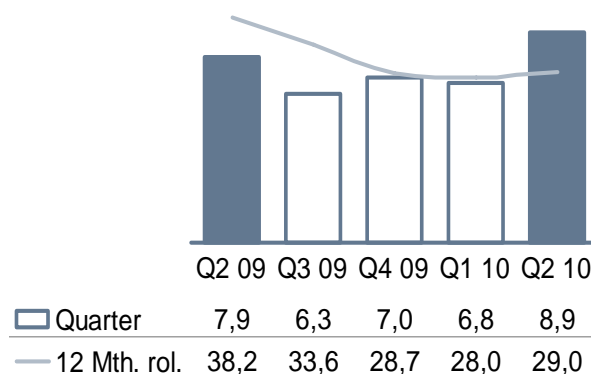


Financial Services



New retail financing

SEK bn

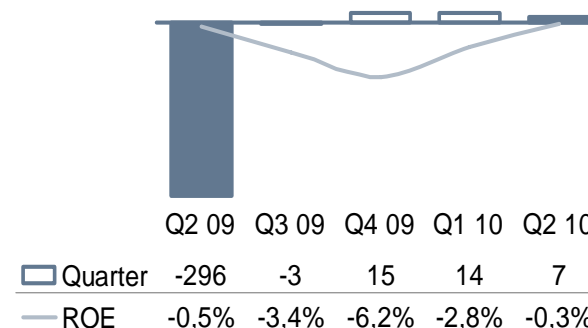


Highlights

- Depressed conditions in Eastern Europe continue
- Portfolio improvement trend in US and Western Europe
- Asset-backed securitization

Operating income and return on equity

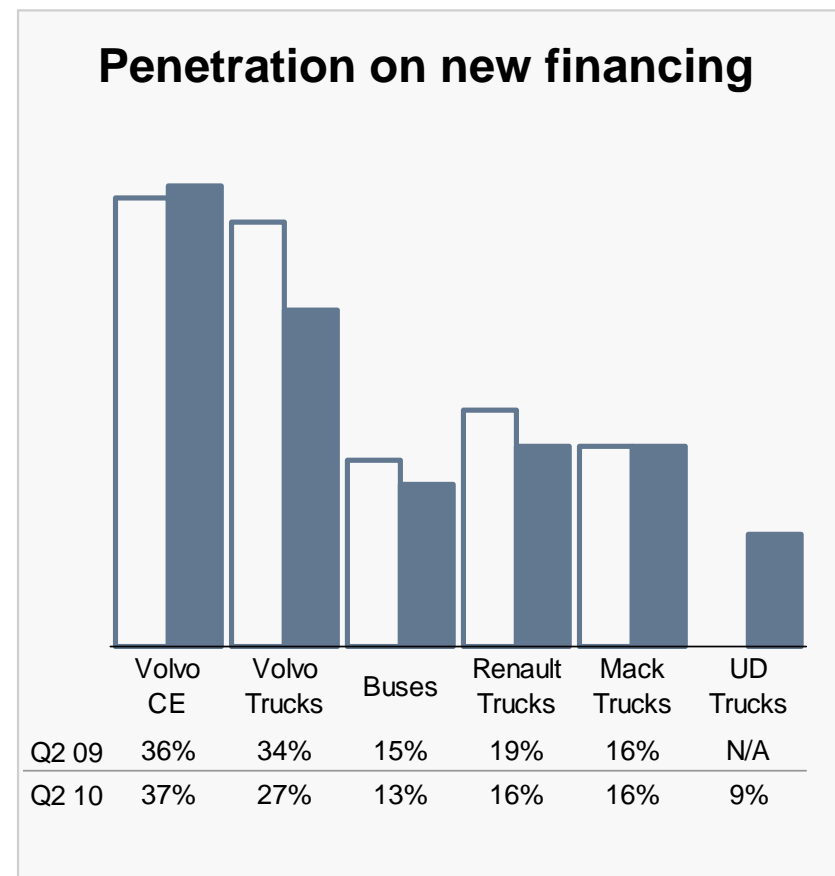
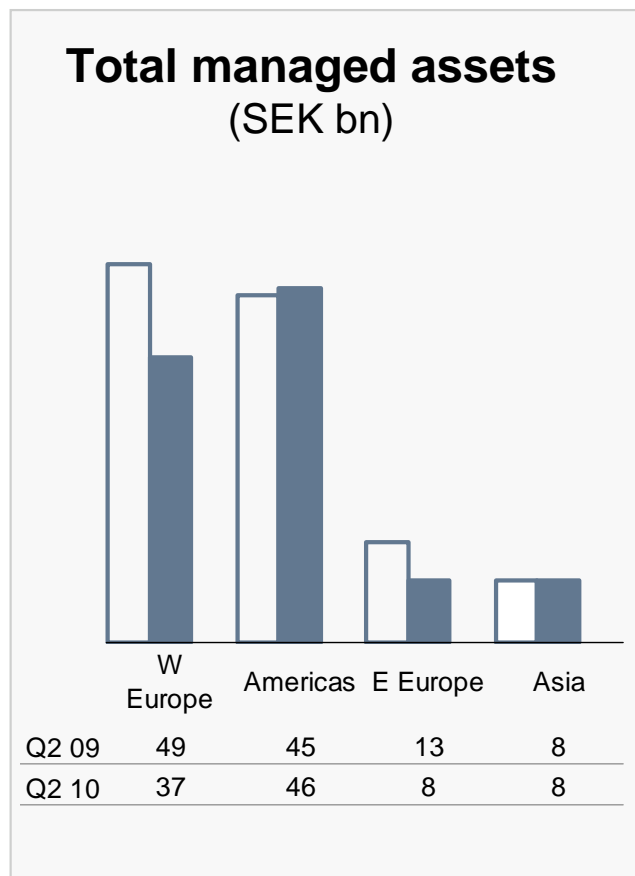
SEK M



In Focus

- Business cycle management
- Portfolio growth (segmentation strategy)
- Operational efficiency

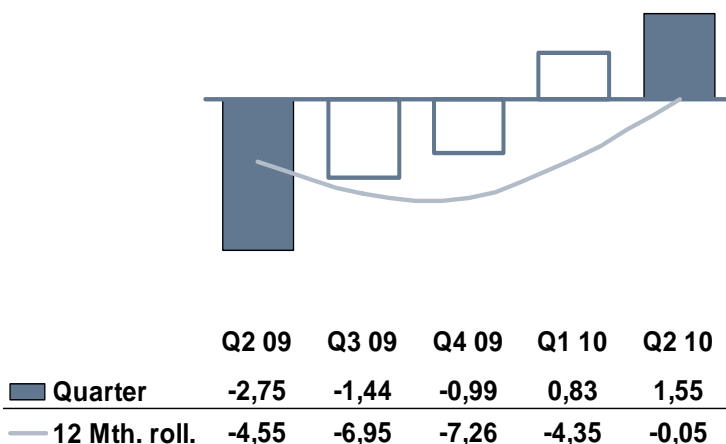
Financial Services



Group Summary

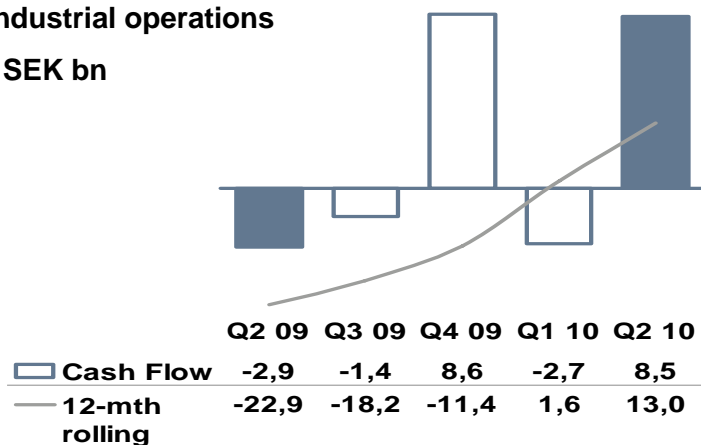


Earnings per share SEK



Operating Cash Flow

Industrial operations
SEK bn



Second quarter

- Sales 27% higher, +31% fx-adjusted
- High sales levels in Brazil, India & China
- Low sales levels in US, Europe & Japan
- Operating income SEK 5.0 bn*, operating margin 7.3%*
- Cost reductions executed
- Operating cash flow SEK 8.5 bn

In focus

- Increase production
- Productivity
- Cost control
- Cash flow

* Excluding write down of assets in Volvo Aero Services of SEK 223 M

VOLVO

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