

VOLVO

Second Quarter 2010

Conference Call, 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

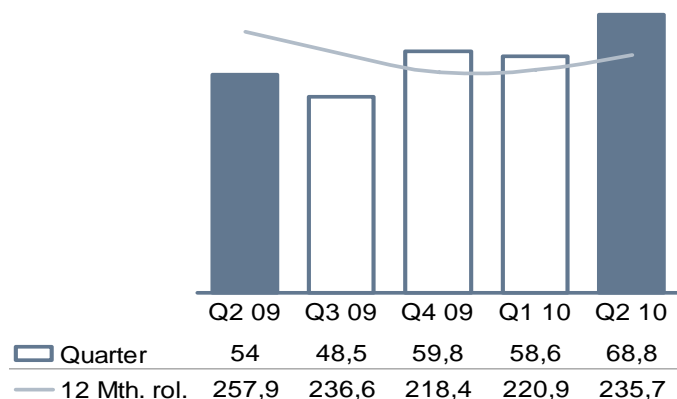
- Europe; gradually improving demand
- Asia & South America; strong markets
- North America; increased market activity

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

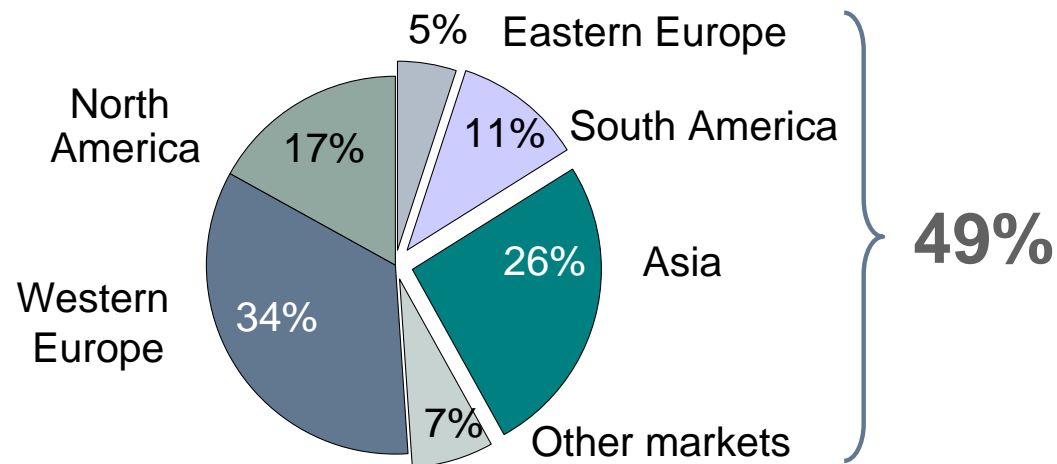
Volvo Group

Net sales

(SEK bn)

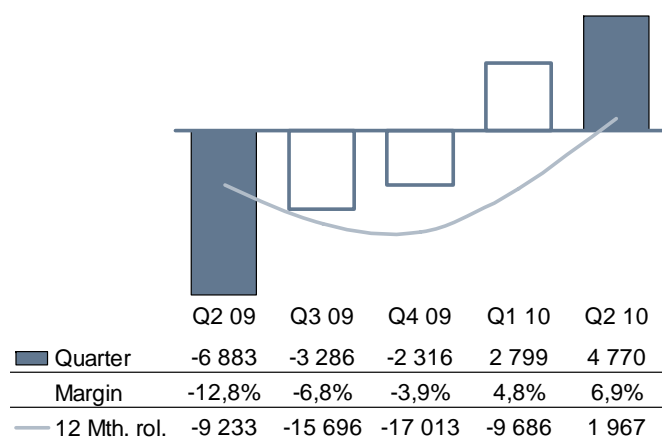


Second quarter



Operating income

(SEK M)



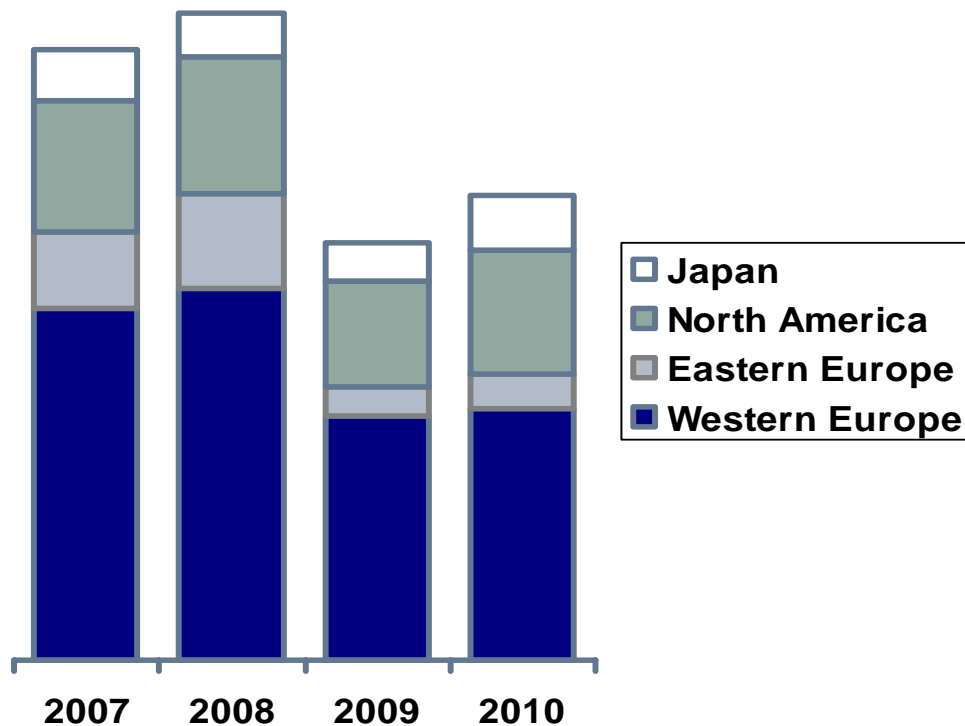
Operating income

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

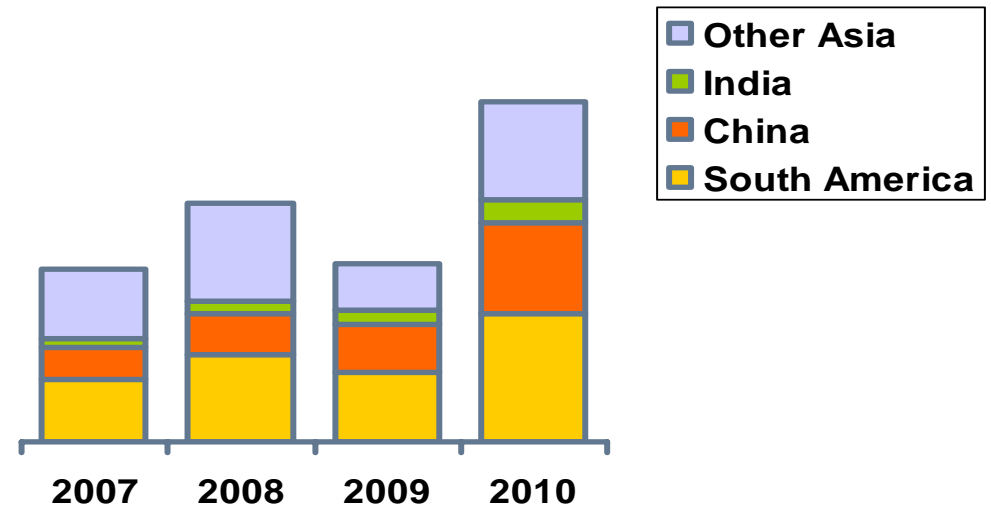
Volvo Group

Strong sales growth in Brazil, India and China

Q2, net sales

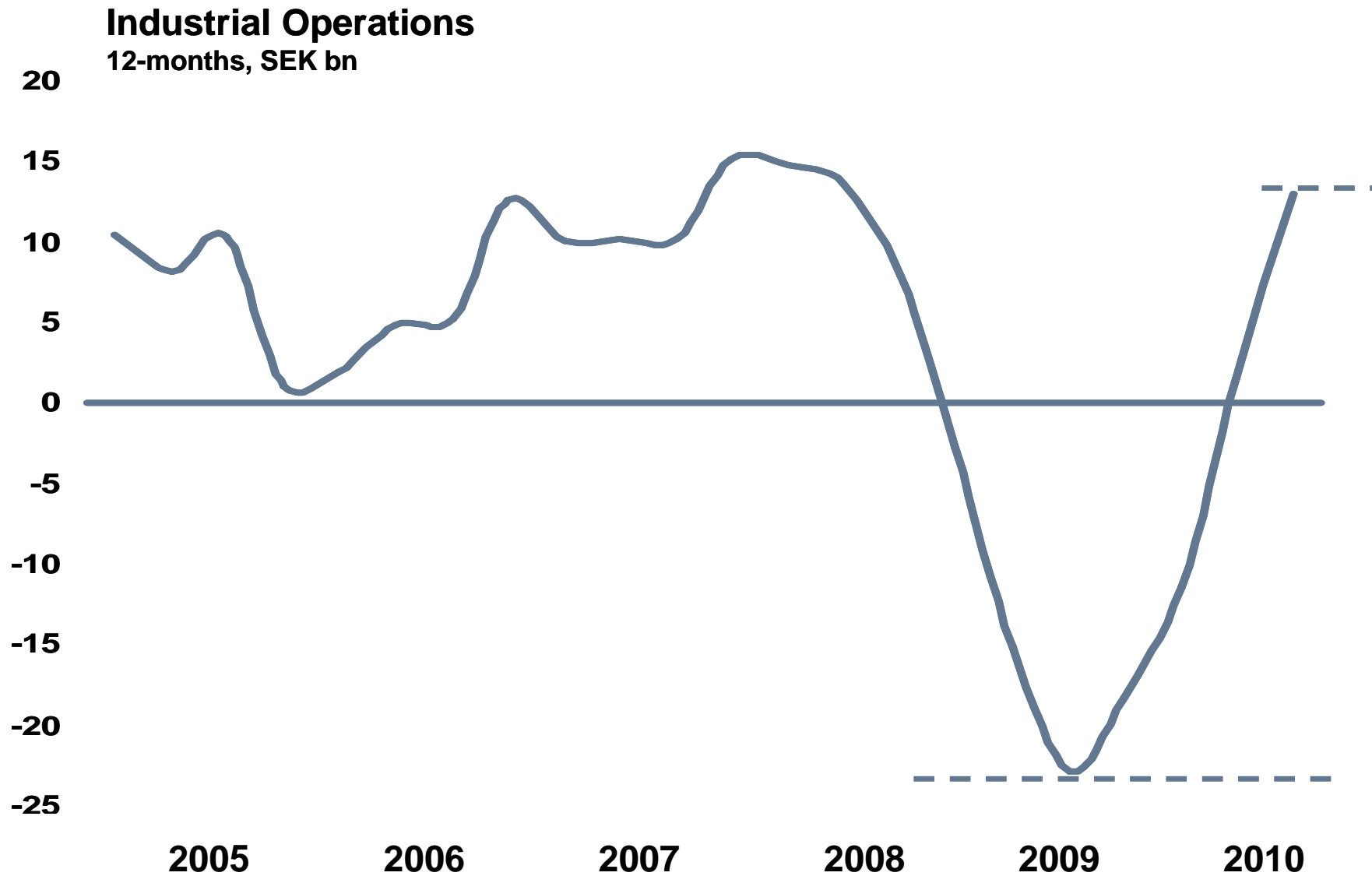


Still low levels in US, Europe and Japan



High sales levels in Brazil, India and China

Volvo Group – Cash Flow

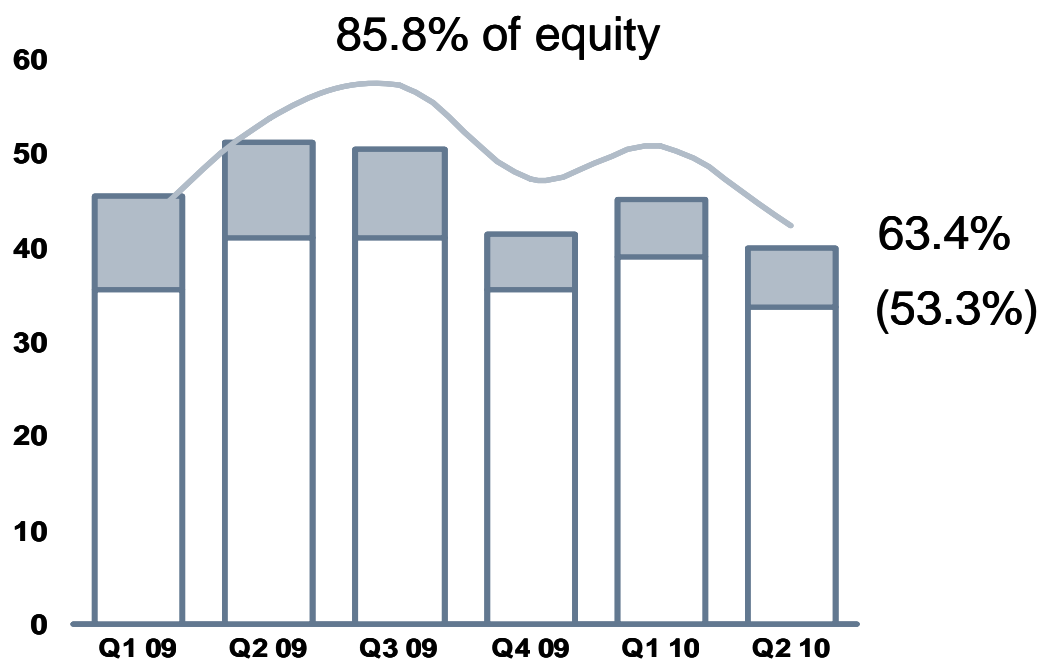


Volvo Group – Net Financial Debt

Industrial Operations

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

**Net debt,
SEK bn**



| | 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

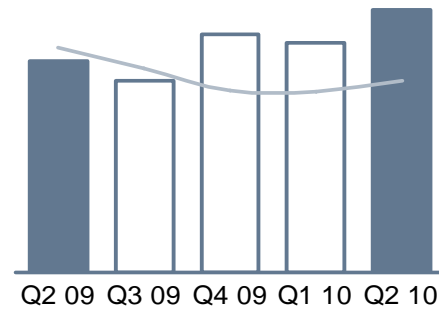
- ▶ Hold on to implemented cost reductions
- ▶ Increased focus on efficiency
- ▶ Build flexibility in cost structure
- ▶ Supply chain management
- ▶ Increase working capital turn-over
- ▶ Price management

Trucks



Net sales

SEK bn



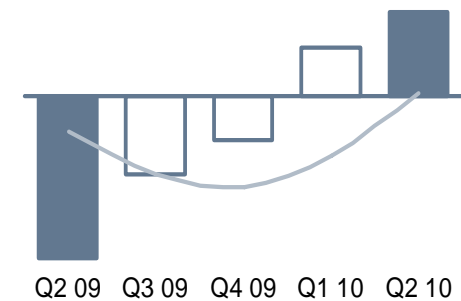
| | | | | | |
|--------------|-------|-------|-------|------|-------|
| Quarter | 33,5 | 30,4 | 37,7 | 36,5 | 41,6 |
| 12 Mth. rol. | 171,2 | 155,4 | 138,9 | 138 | 146,1 |

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

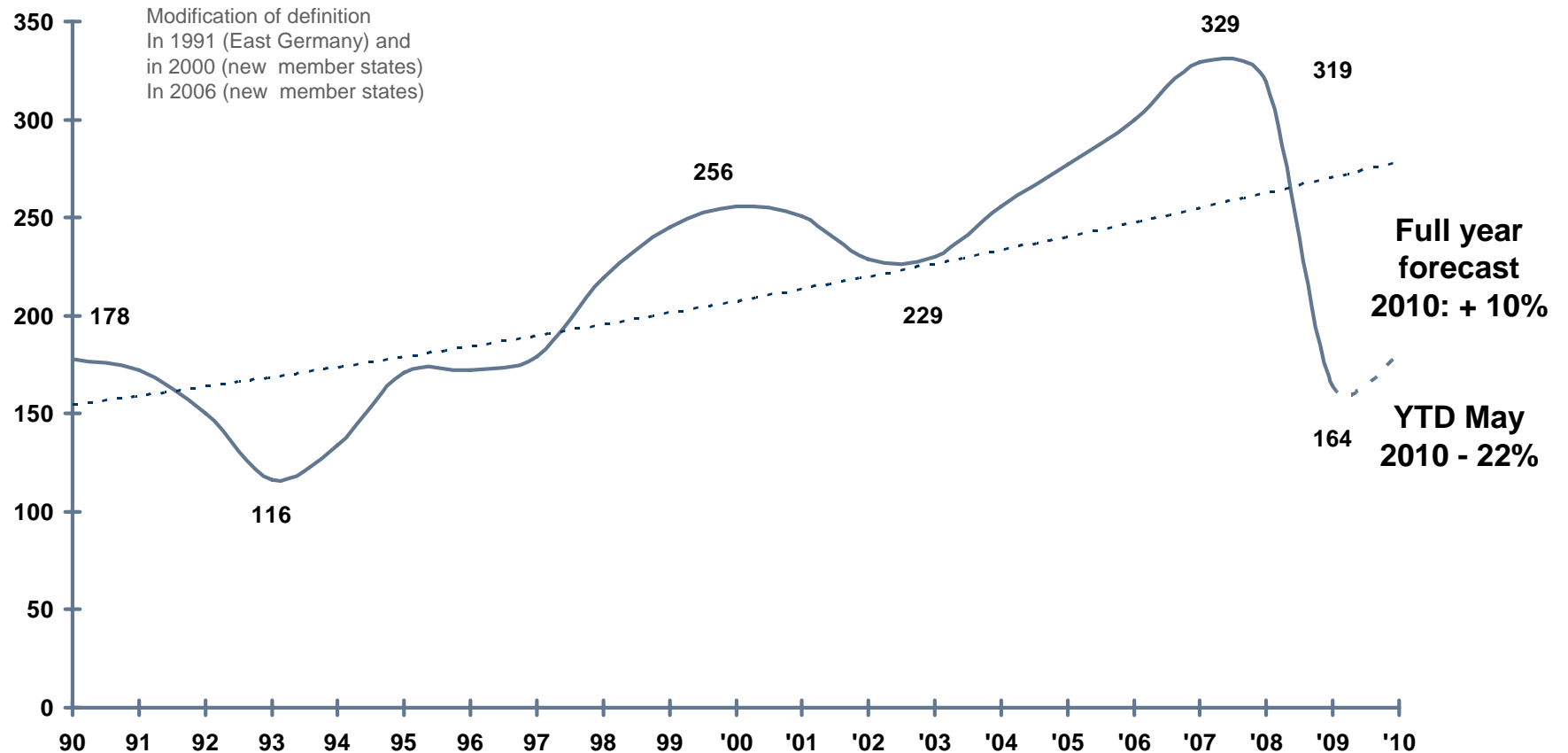
- Increase productivity in up-turn
- Supply chain
- Strict cost control
- Product introductions

Heavy-duty truck market - Europe

(EU members + Switzerland and Norway)



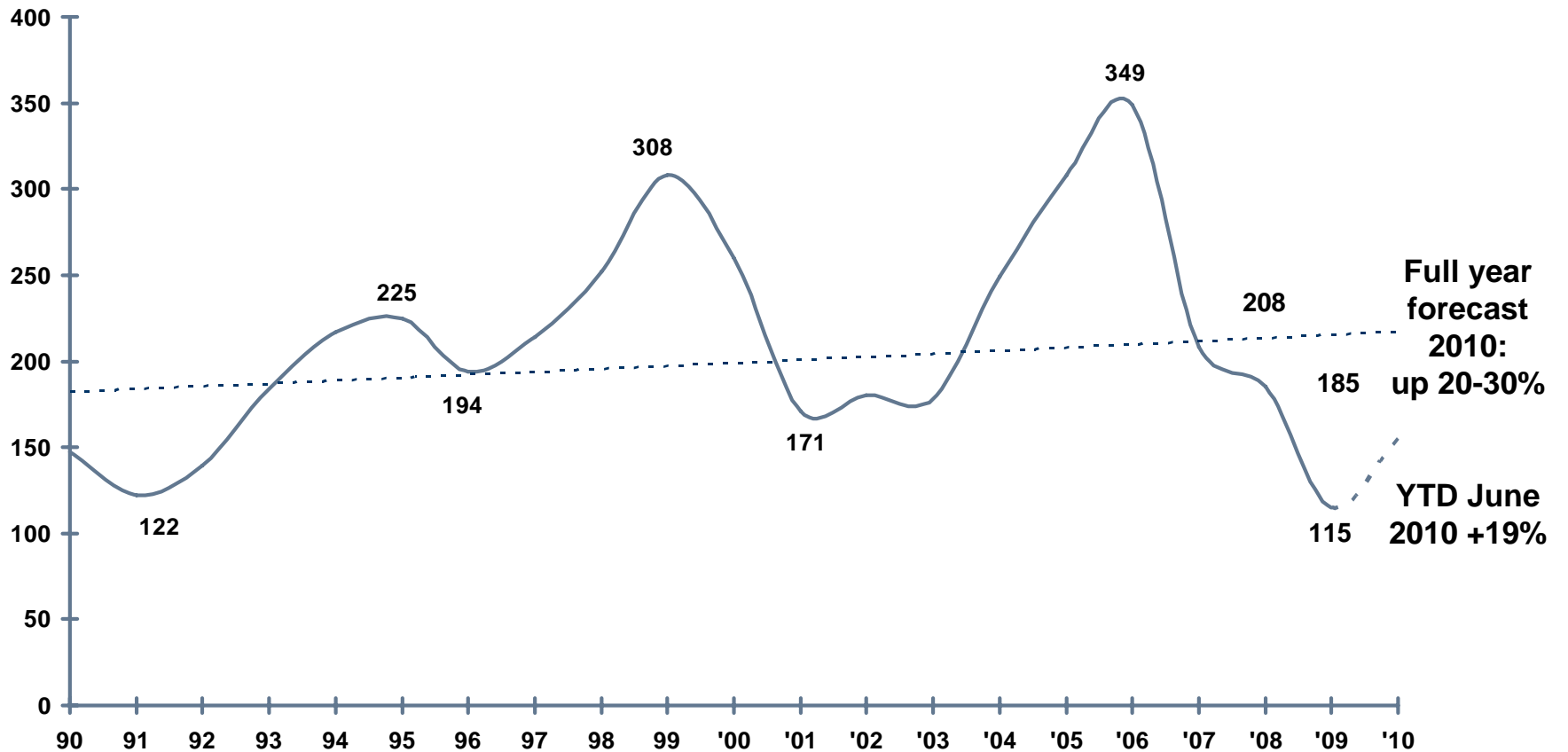
Units, Thousands (heavy truck registrations)



Heavy-duty truck market – North America



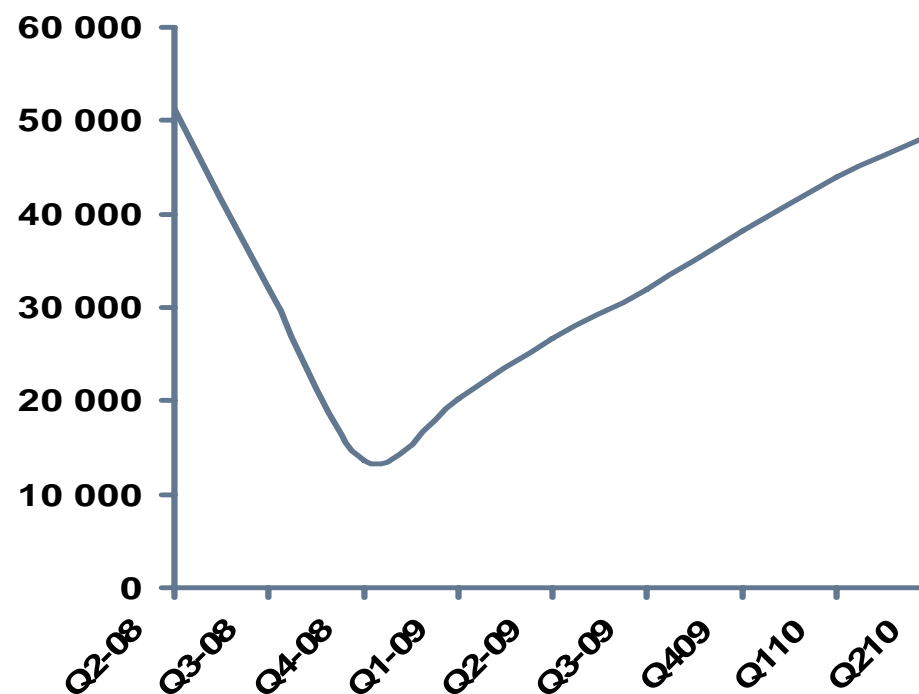
Units, Thousands (heavy truck registrations)



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% |

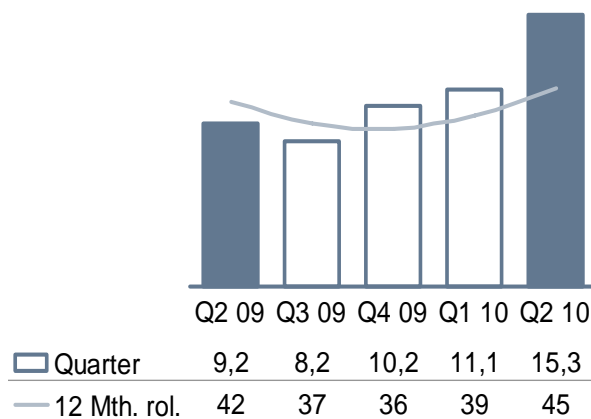


Construction Equipment



Net sales

SEK bn

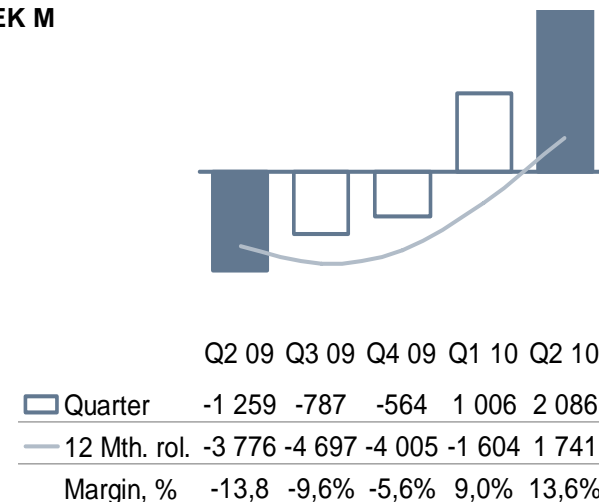


Highlights

- 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

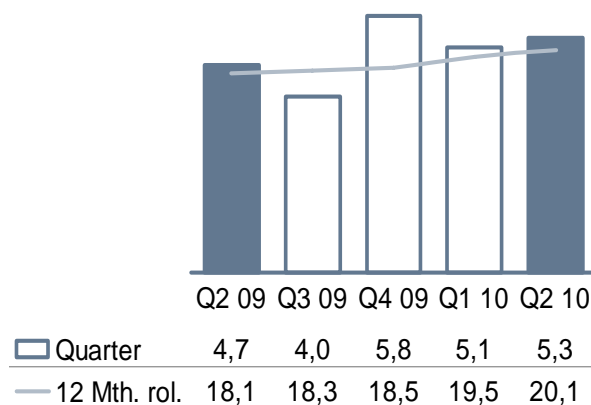
- Capitalize on strong momentum in BRIC
- Continued focus on cost control
- Industrial flexibility, including suppliers
- Execute on new extensive product plan

Buses



Net sales

SEK bn

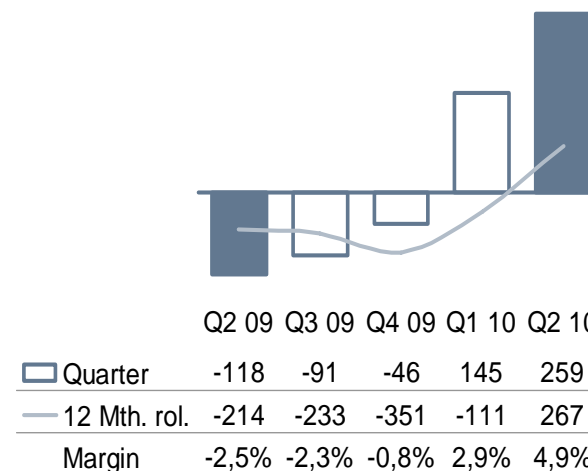


Highlights

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

Operating income

SEK M



In Focus

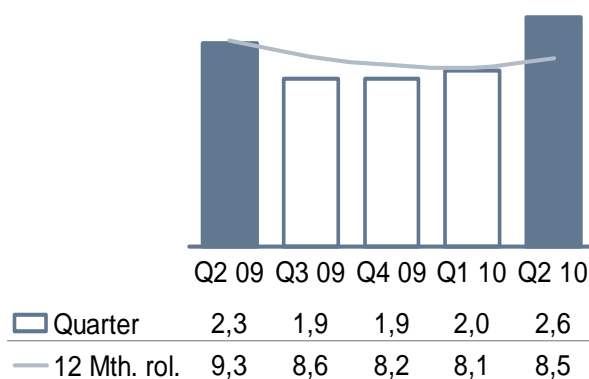
- Right-size operations in Prevost
- Order intake in the US and Europe

Volvo Penta



Net sales

SEK bn

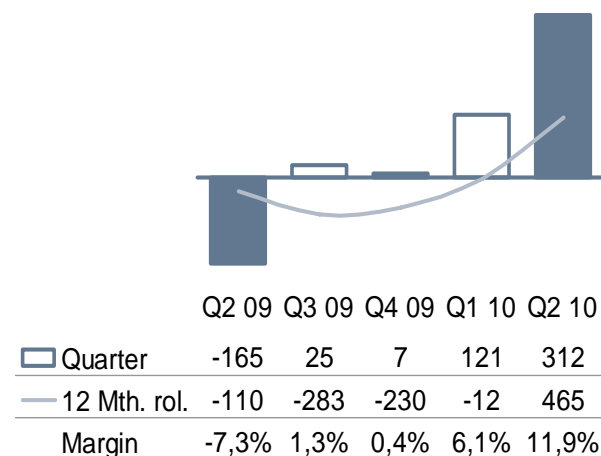


Highlights

- 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

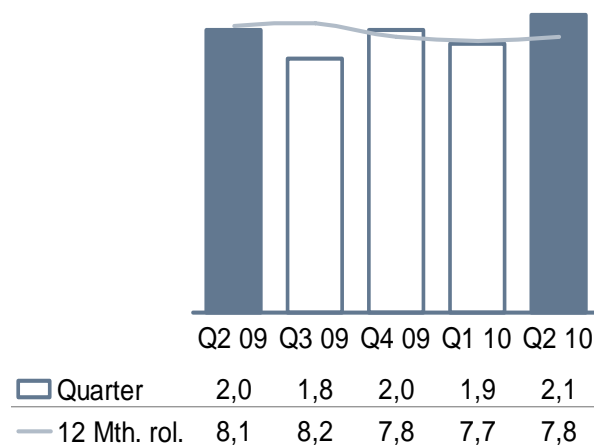
- Launch of upgraded order to delivery process
- Strict cost control and capital efficiency
- Capitalize on product launches

Volvo Aero



Net sales

SEK bn

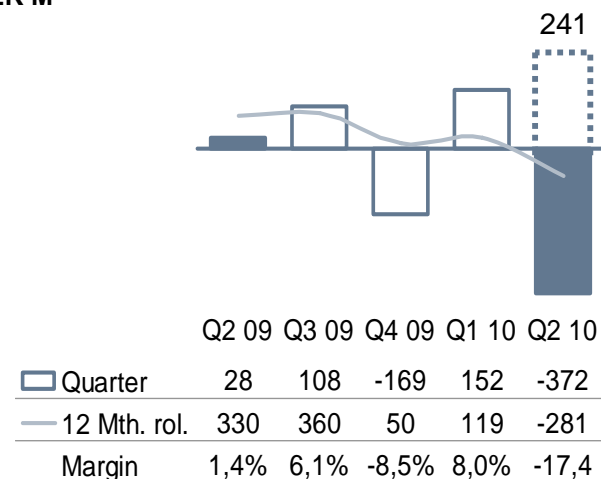


Highlights

- 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

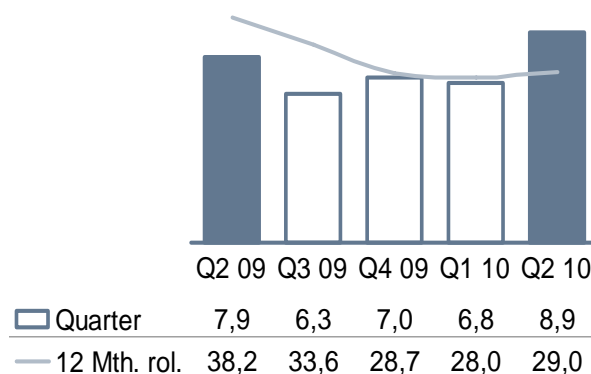
- Cost management and product cost
- Execution on new contracts - product development and serial production

Financial Services



New retail financing

SEK bn

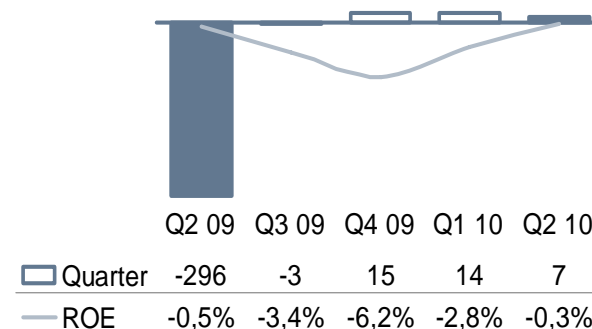


Highlights

- 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



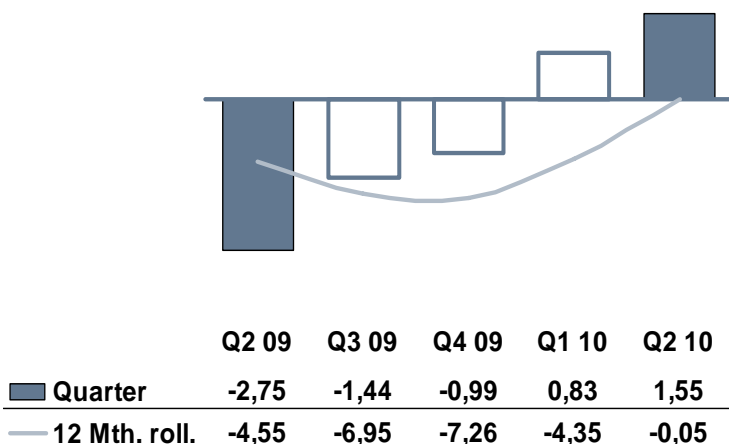
In Focus

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

Group Summary

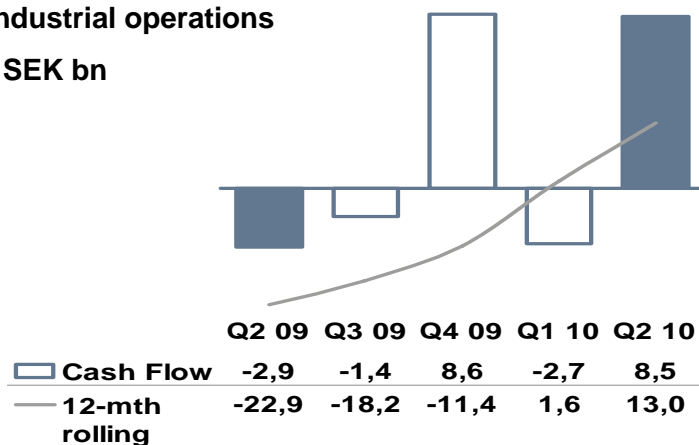


Earnings per share SEK



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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