

VOLVO

Third Quarter 2010

Conference call, October 22, 2010

Group Highlights



Third quarter

- Operating income SEK 4.9 bn
- Operating margin 7.7%
- Cash flow negative SEK 1.9 bn

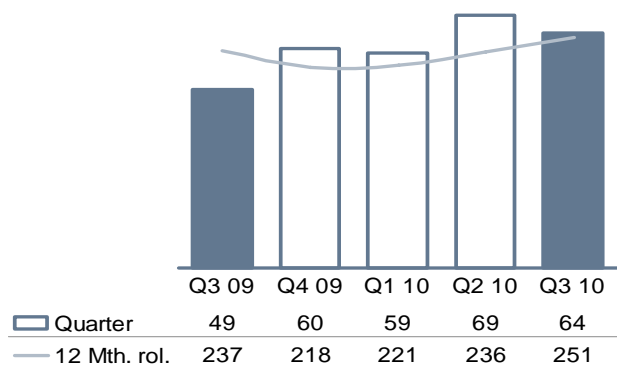
Business environment

- Europe: improving market conditions
- Asia & South America: strong markets
- North America: improving demand

Volvo Group

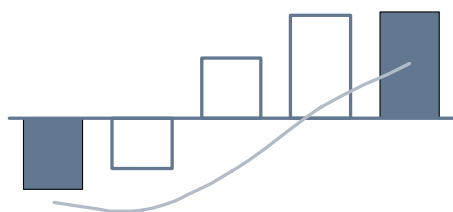
Net sales

(SEK bn)

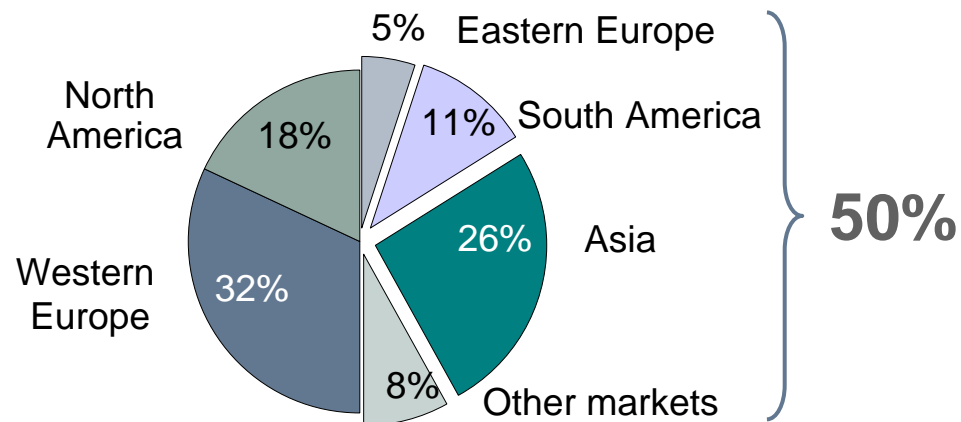


Operating income

(SEK M)



Third quarter

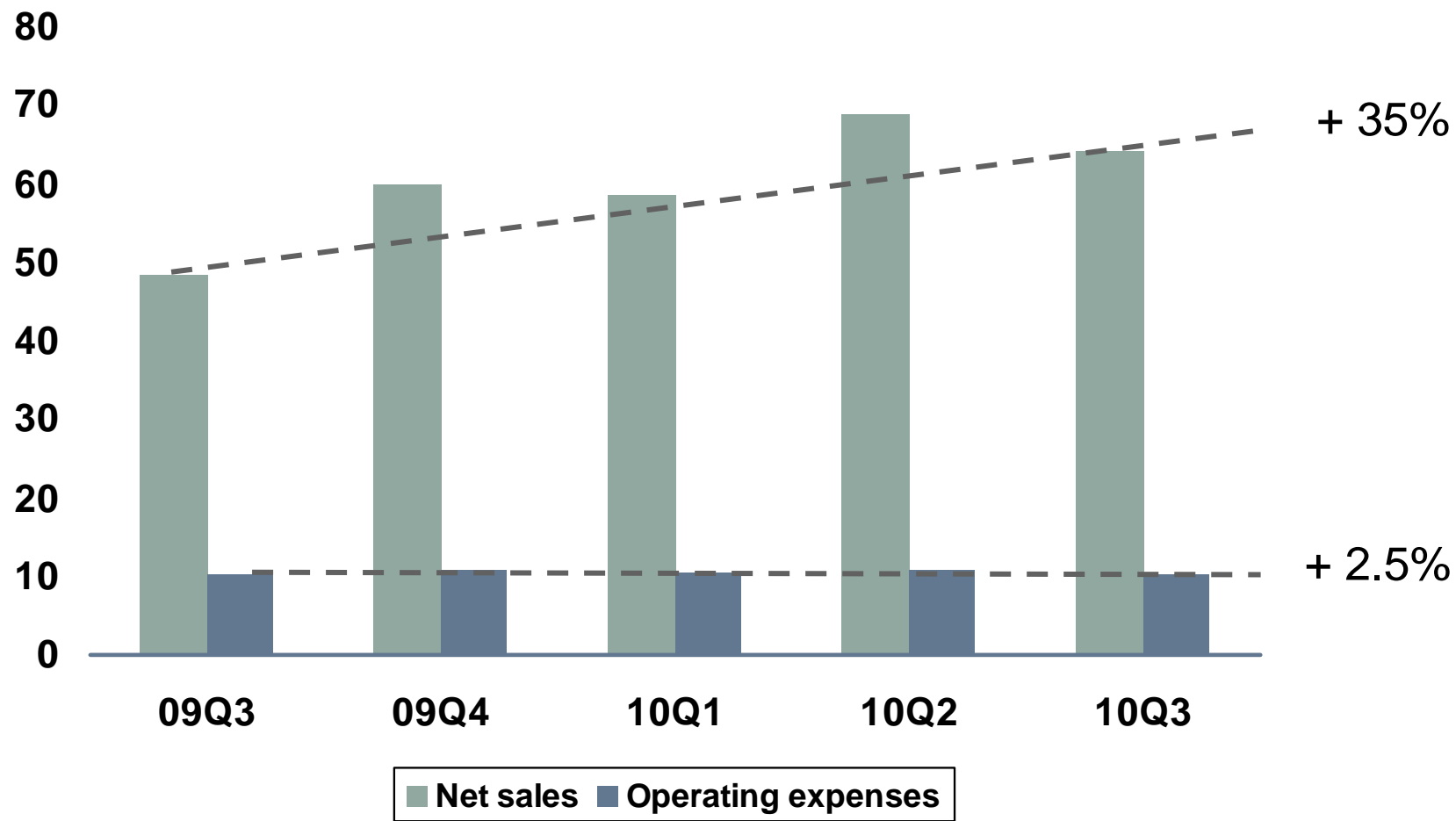


Operating income

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

Operating leverage through cost-control

Industrial operations



Currency impact on operating income

Business Areas	Q3 2010	Q2 2010	Change
Spot rates, net flows			-250
Realized hedging contracts	+40	0	+40
Revaluation of receivables & payables	-390	+40	-350
Revaluation of foreign subsidiaries			-69
Total Business Areas			-629

Group headquarter functions and other	Q3 2010	Q2 2010	Change
Unrealized gains and losses on hedging contracts	+598	-231	+829
Total Group headquarter functions and other			+829

Total Volvo Group	+200
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Comments

- No hedge accounting
- Hedging firm flows
- Q4: 47% of expected flows hedged

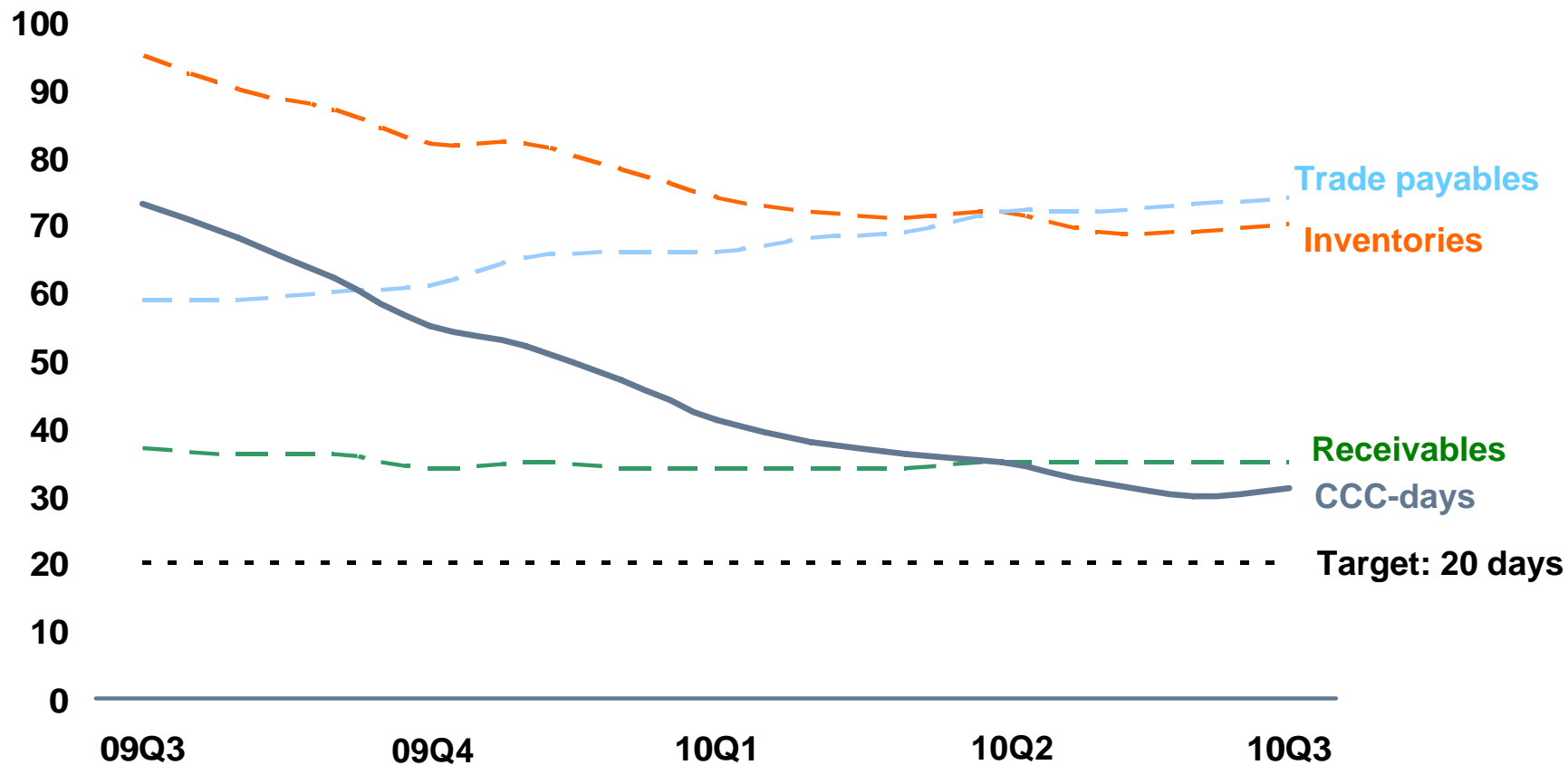
Maintained focus on cash flow

Working capital in the third quarter

Third Quarters, SEK bn	2010	2009	2008	2007	2006	2005
Total change in working capital	-6.4	1.8	-6.5	-4.4	-4.1	-2.9
- Accounts receivables	0.2	1.6	2.6	0.8	1.0	3.0
- Inventories	-2.1	3.4	-2.4	0.5	1.1	0.1
- Trade payables	-4.8	-0.7	-6.5	-2.7	-4.0	-2.5
Operating cash flow	-1.9	-1.4	-6.1	-0.4	-0.4	-0.7

Cash Conversion Cycle

6-months average, days

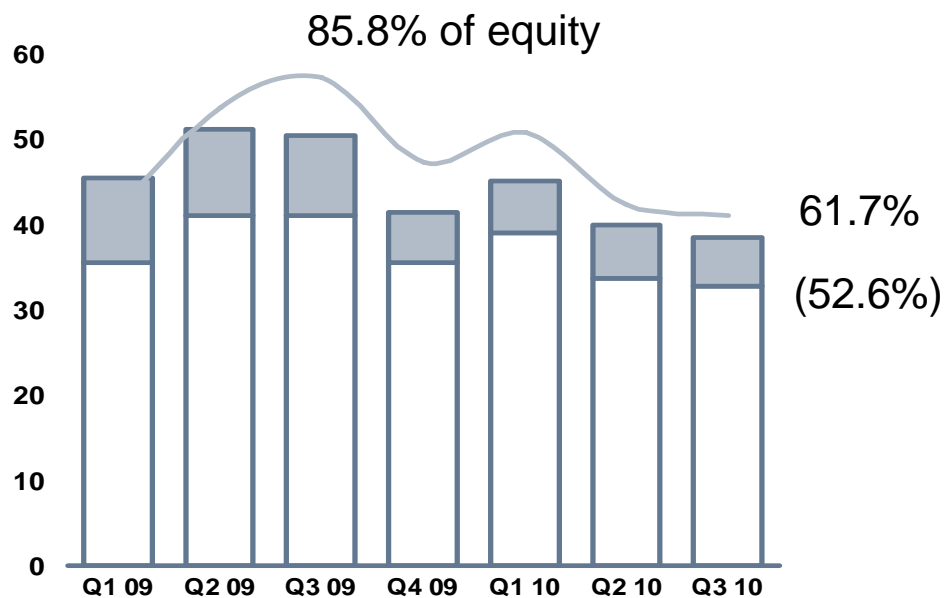


Volvo Group – Net Financial Debt

Industrial Operations

Net debt,
SEK bn

Group liquidity position SEK 61 bn
- Limited maturities in 2010-2011



Pensions	9,8	10,1	9,5	6,0	6,1	6,4	5,7
Financial Debt	35,6	41,0	41,0	35,5	39,0	33,6	32,7

Changes in Net financial debt

- Cash Flow	+ 1.9 bn
- Currency	- 2.7 bn
- Other	<u>- 0.7 bn</u>

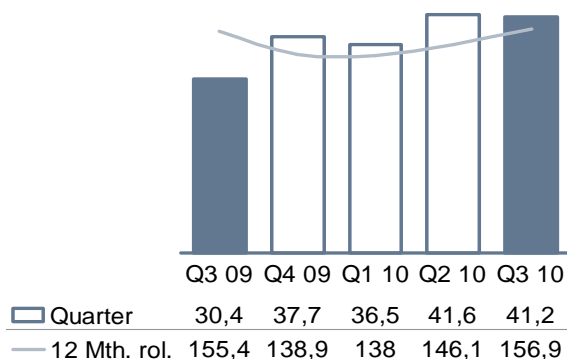
Total - 1.5 bn

Trucks



Net sales

SEK bn

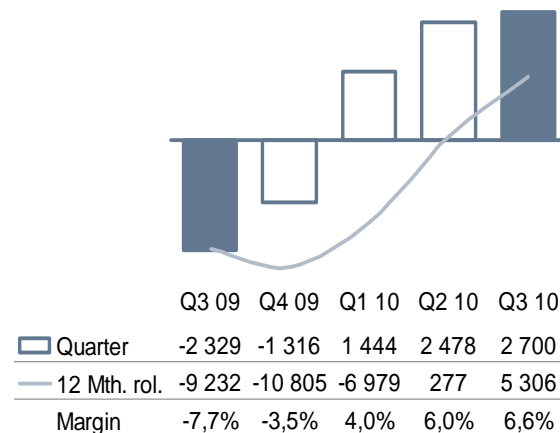


Highlights

- Improving demand & market conditions
- Sales up by 37%, fx-adjusted
- Operating margin 6.6%
- Successful EPA 2010 introduction
- Increasing production

Operating income

SEK M



In Focus

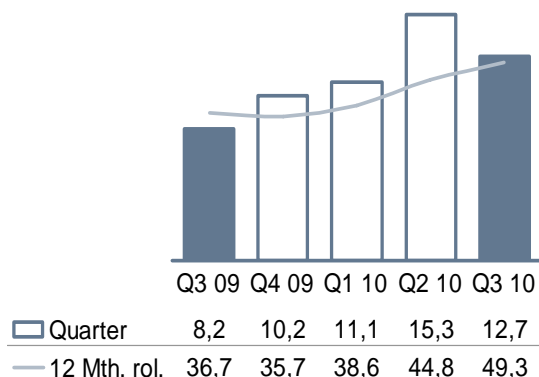
- Increase productivity in up-turn
- Supply chain
- Strict cost control
- Product introductions

Construction Equipment



Net sales

SEK bn

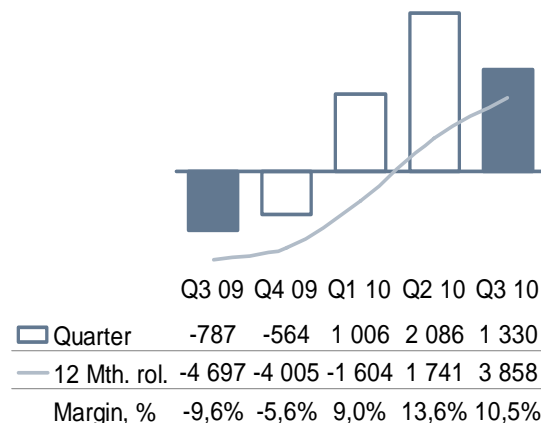


Highlights

- Total world market up 31%
- Volvo CE sales up 58%, fx adjusted
- Despite seasonality - strong Q3 with 10.5% margin

Operating income

SEK M



In Focus

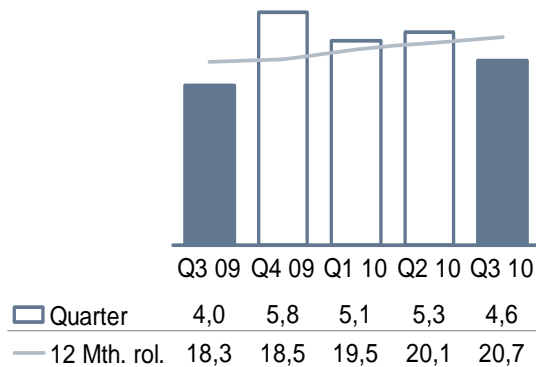
- Launch of new Volvo and SDLG products in China
- Introduction of Tier4i and Stage III B engines
- Cost management

Buses



Net sales

SEK bn

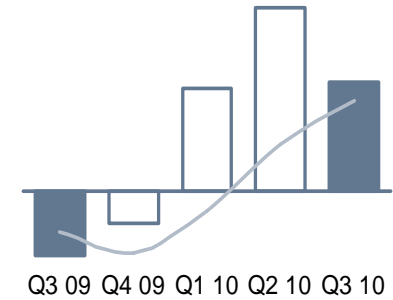


Highlights

- Still tough bus market 2010
- Profitable third quarter
- Launch of two new products
 - 8900 Intercity and 9500 Coach

Operating income

SEK M



Quarter	-91	-46	145	259	155
12 Mth. rol.	-233	-351	-111	267	513
Margin	-2,3%	-0,8%	2,9%	4,9%	3,4%

In Focus

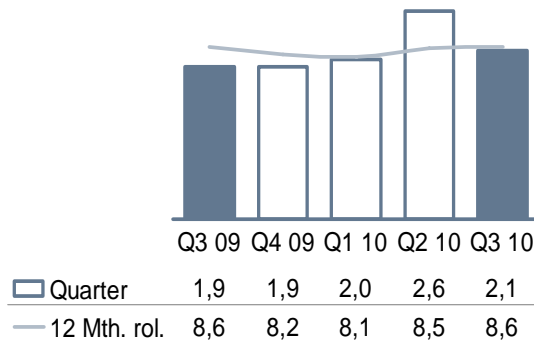
- Cost adaptation to market situation
- High tender activity
- Secure product introductions

Volvo Penta



Net sales

SEK bn

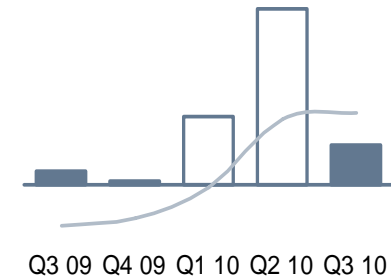


Highlights

- Flat world market for marine engines, increased demand for industrial engines
- Strong industrial engine order intake and good development for the IPS system
- Operating margins affected by fx-effects and temporary production disturbances

Operating income

SEK M



	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10
Quarter	25	7	121	312	72
12 Mth. rol.	-283	-230	-12	465	512
Margin	1,3%	0,4%	6,1%	11,9%	3,5%

In Focus

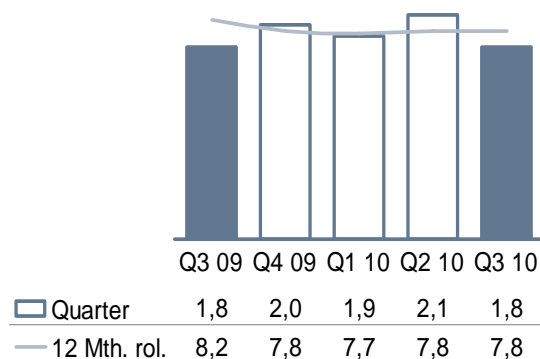
- Increased penetration of marine soft offers and continued IPS growth
- Capitalize on good momentum for industrial engines
- Secure successful launch of upgraded order to delivery process

Volvo Aero



Net sales

SEK bn

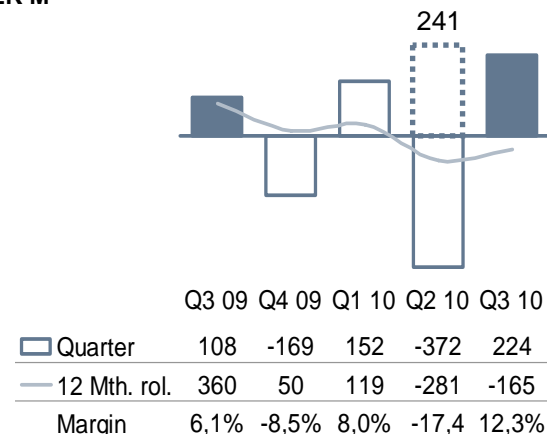


Highlights

- Increasing demand for air transport
- Positive trend with higher productivity continues
- Highest operating margin since Q1 2005
- Divestiture of Volvo Aero Services completed

Operating income

SEK M



In Focus

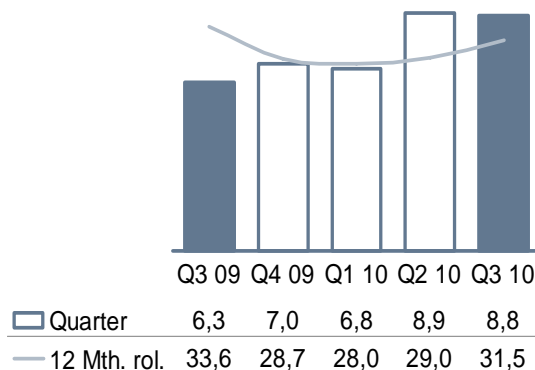
- Cost management and product cost
- Execution on new contracts - product development and serial production
- Push out of delivery plans for Boeing 787 and 747-8

Financial Services



New retail financing

SEK bn

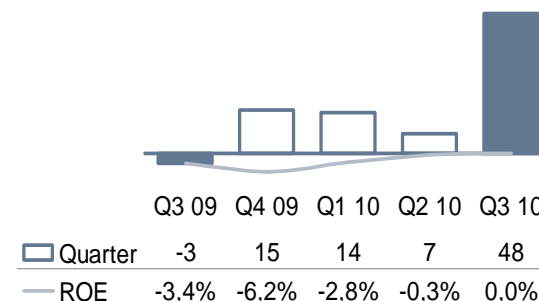


Highlights

- Strong North America portfolio performance
- Targeted volume increases
- Stabilization of Eastern Europe portfolio

Operating income and return on equity

SEK M



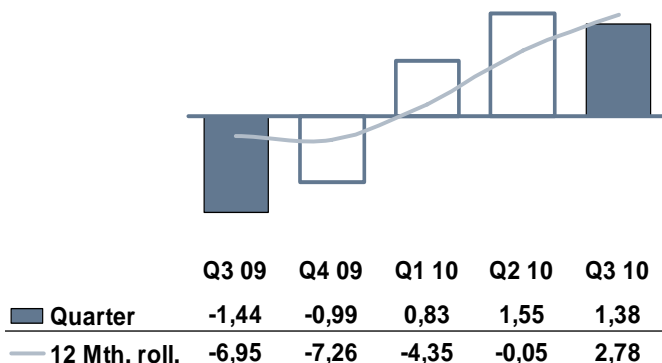
In Focus

- Profitable growth mature markets
- Further BRIC development
- Eastern Europe inventory reduction

Group Summary



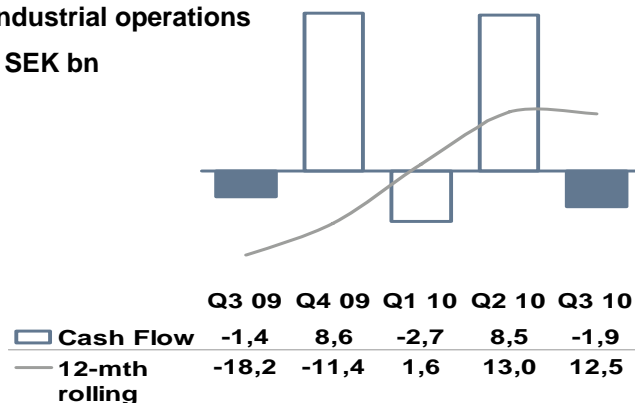
Earnings per share SEK



Operating Cash Flow

Industrial operations

SEK bn



Third quarter

- Sales 32% higher, +33% fx-adjusted
- Operating income SEK 4.9 bn, operating margin 7.7%
- Cost reductions maintained
- Seasonal build-up in working capital

In focus

- Increase production
- Productivity
- Cost control
- Cash flow

VOLVO

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