

VOLVO

First Quarter 2011

Press Conference April 27, 2011

Group Highlights



First quarter

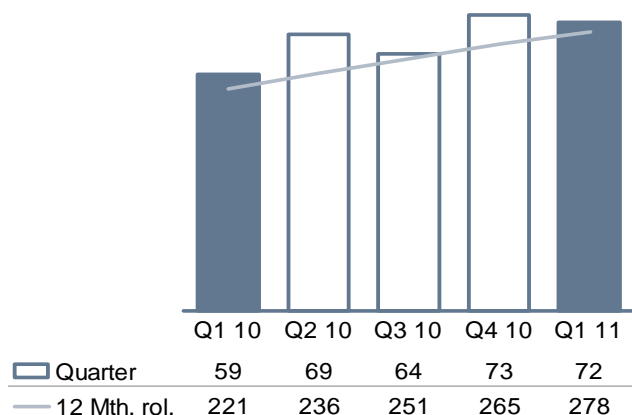
- Operating income SEK 6.5 bn
- Operating margin 9.1%
- Cash flow negative SEK 4 bn

Business environment

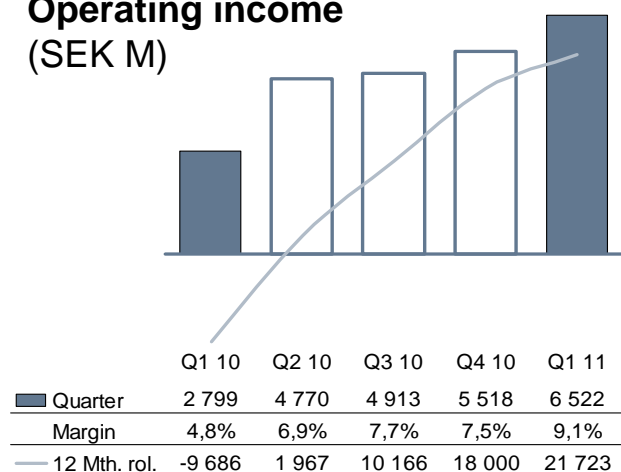
- Europe: improving market conditions
- Asia: strong outside Japan
- South America: strong market
- North America: significant improvement in demand

Volvo Group

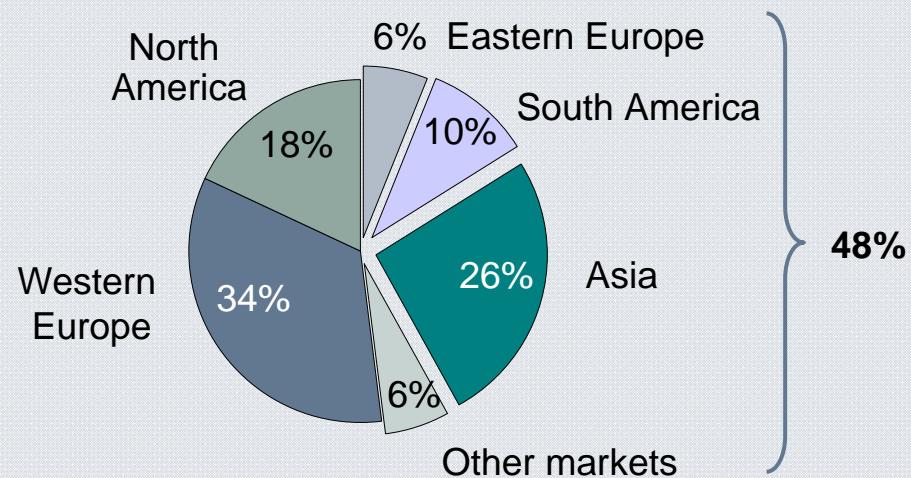
Net sales (SEK bn)



Operating income (SEK M)



First quarter, 2011



Sales

- + Increased sales of new products

Operating income

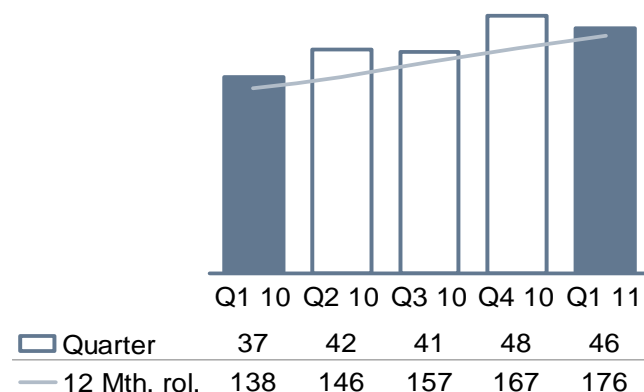
- + Increased volumes
- + Improved productivity
- + Cost control

Trucks



Net sales

SEK bn

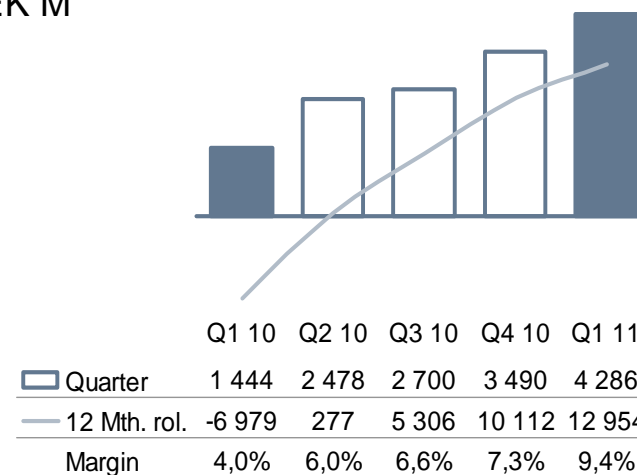


Highlights

- Improved market outlook
- Increased order book
- Market share gains
- Sales up by 35%, fx-adjusted
- Operating margin 9.4%

Operating income

SEK M



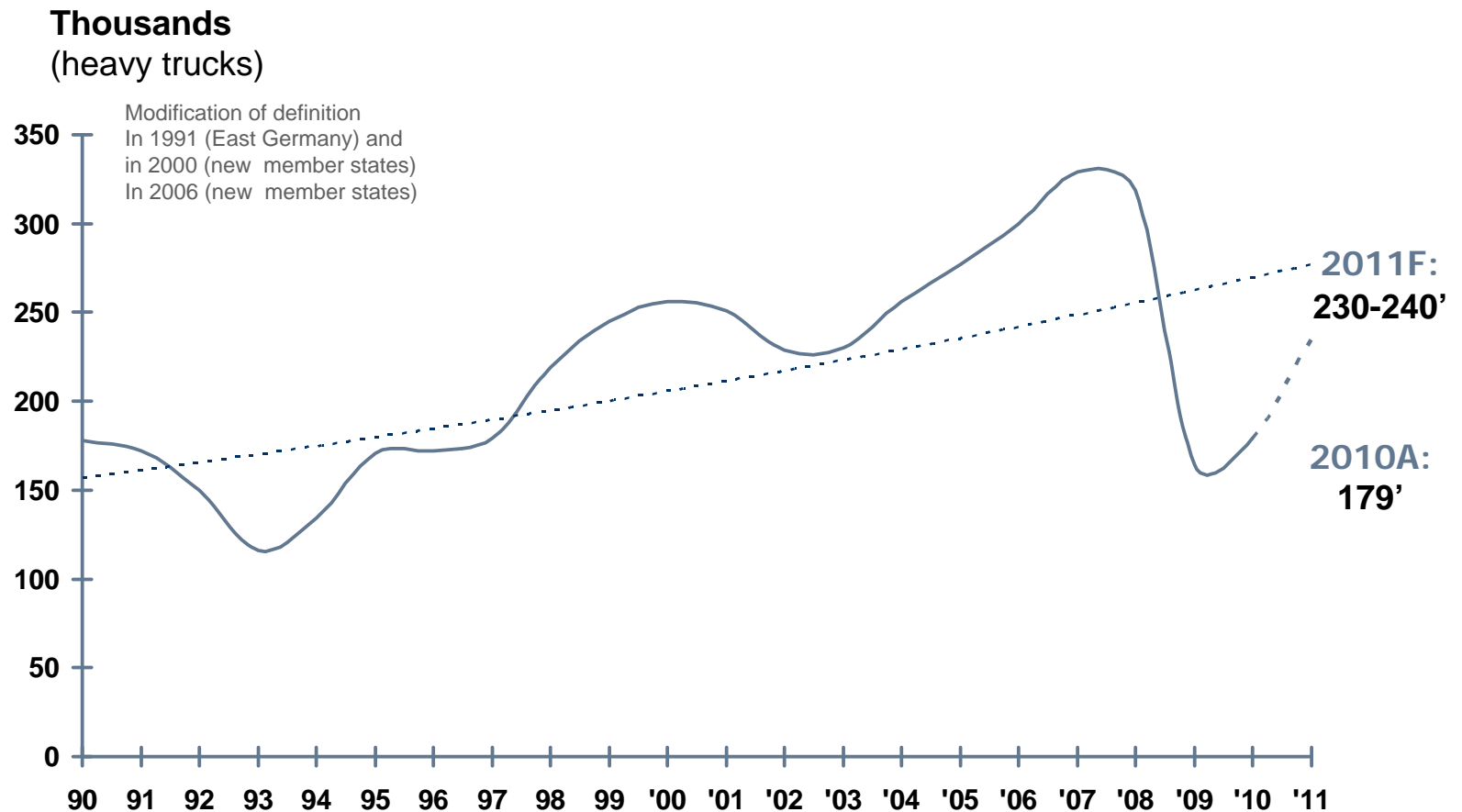
In Focus

- Supply chain in Japan
- Production ramp-up in US
- Strict cost control
- Product introductions

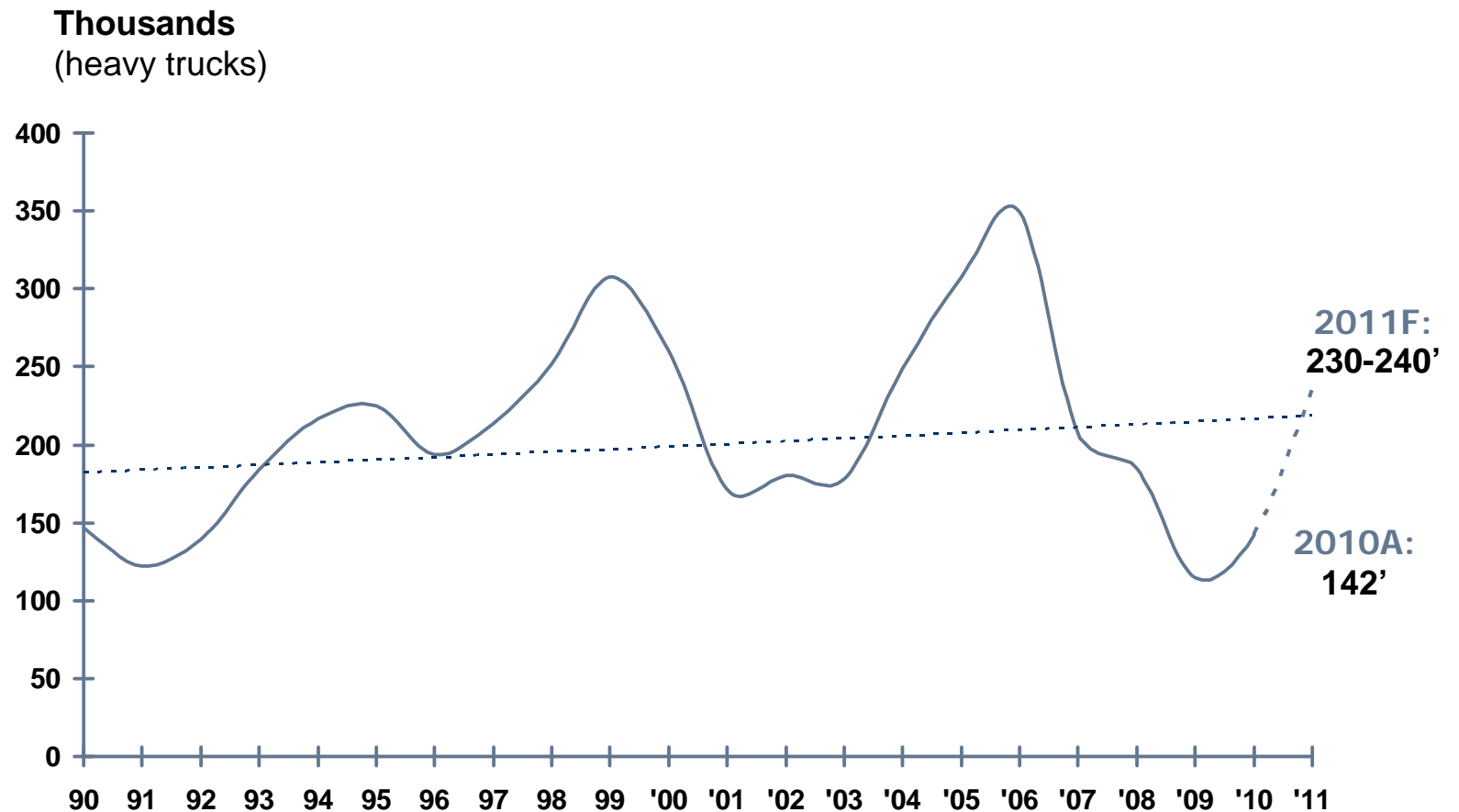
Mack Granite Medium Heavy Duty



Heavy-duty truck market - Europe (EU members + Switzerland & Norway)



Heavy-duty truck market – North America





Volvo Construction Equipment

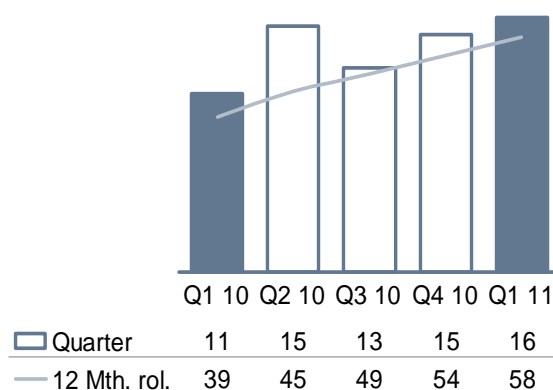
Olof Persson
President & CEO
Volvo Construction Equipment

Construction Equipment



Net sales

SEK bn

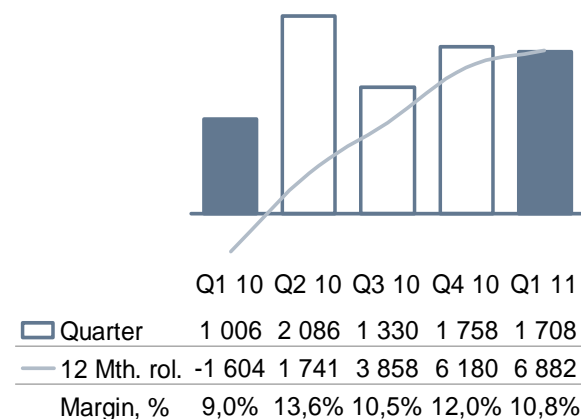


Highlights

- Total world market up 51%
- Best Q1 ever for Volvo CE
- No. 1 in China
- New President appointed

Operating income

SEK M



In Focus

- Manage Japanese supplier issues
- Ramp up of Tier 4i/Stage III B machines
- Manage leverage in upturn
- Continued deployment of the present Volvo CE Strategy

Successfully executing on the BRIC strategy

More than 2 bn in investments

Rapid growth and high profitability

SEK 260 M invested in Volvo's world class Shanghai facility since 2003

SEK 270 M investment in Jinan, China Volvo technology center

SEK 350 M invested in Linyi, China excavator production facility

SEK 270 M invested in Linyi, China axle / transmission factory

SEK 140 M investment in Bangalore, India factory to produce excavators

Partner to invest up to SEK 700 M by 2015 to develop the Russian distribution network

SEK 65 M investment to produce excavators in Pederneiras, Brazil



Jinan Technology Center



Bangalore Factory



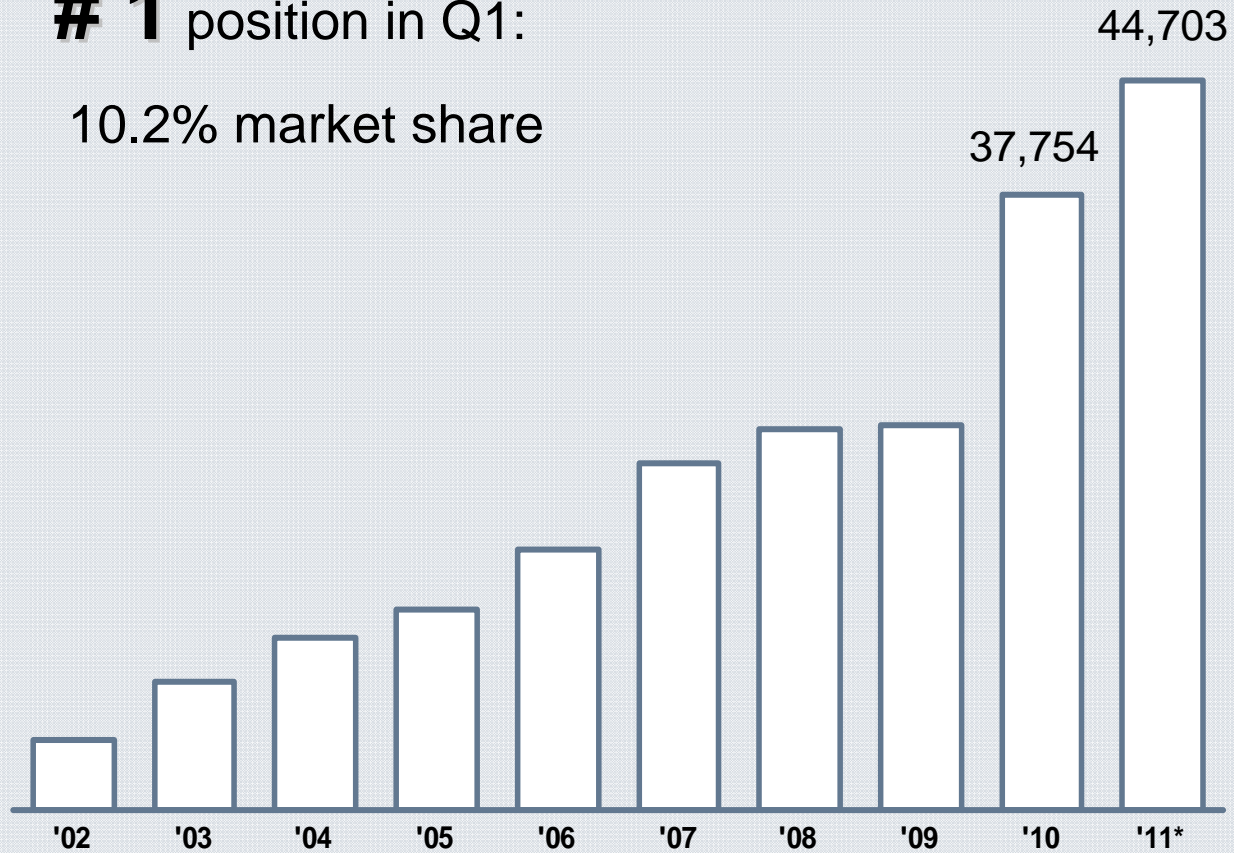
Pederneiras Factory

Number 1 in China

Wheel loaders and Excavators, invoiced units

1 position in Q1:

10.2% market share



* 12-months rolling

Strengthened commitment to North American market

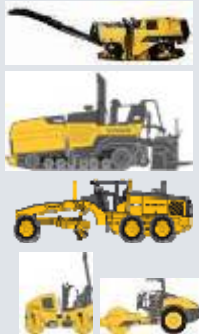
USD 100 M investment

Starting production of Volvo wheel loaders, excavators and articulated haulers in addition to road machinery in North America

- Reduced lead times to customers
- Improved natural hedging
- Increased North American content
- Flexibility to meet increasing demand

Existing production:

50 models



Added production:

16 models



Capitalize on existing investments in Shippensburg hub through creation of world class customer demonstration and training center



Consolidation of North American sales headquarters and Volvo Rents in Shippensburg, PA by September 2012

>50 new models available to customers in 2011



F-Series



G-Series



C-Series



Pipe layers



New Graders



**Aftermarket Products
and Services**



New Pavers



B-Series



D-Series

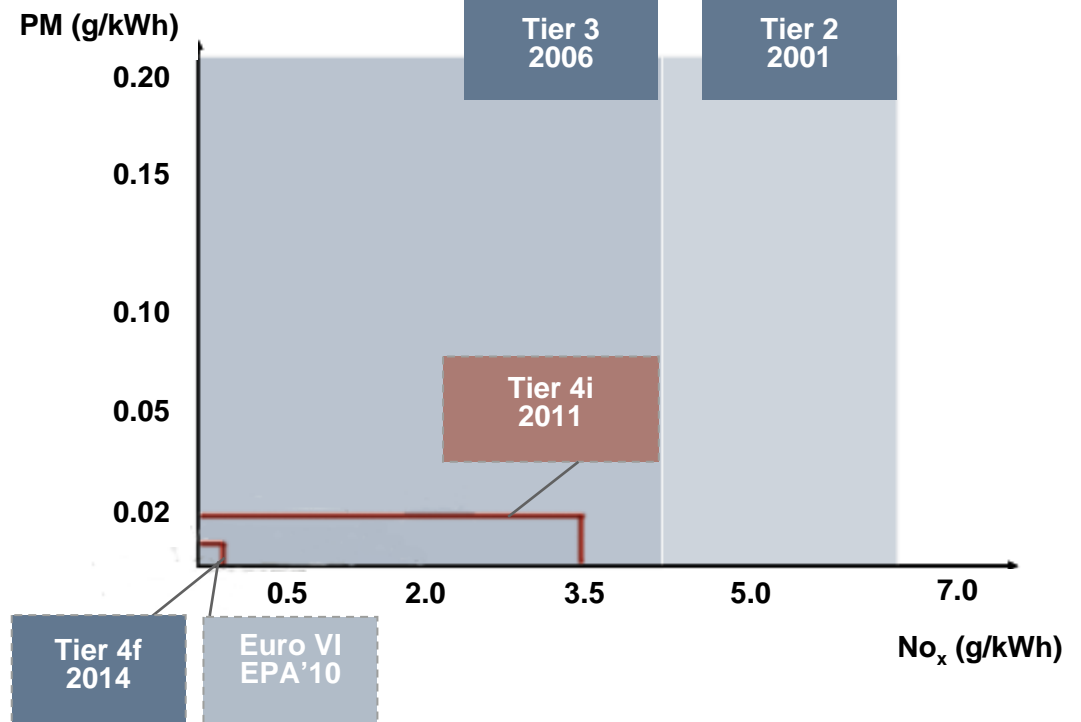


New Compactors

Tier 4i / Stage IIIB products open for business

- Heavy applications

- Production ramp-up & customer deliveries currently underway
- Fuel efficiency gains vary on application
- Achieving quality targets (MTBF)
- Volvo Group is leader in this technology area
- Huge technological leap – requires significant R&D spend
- Much less environmental impact

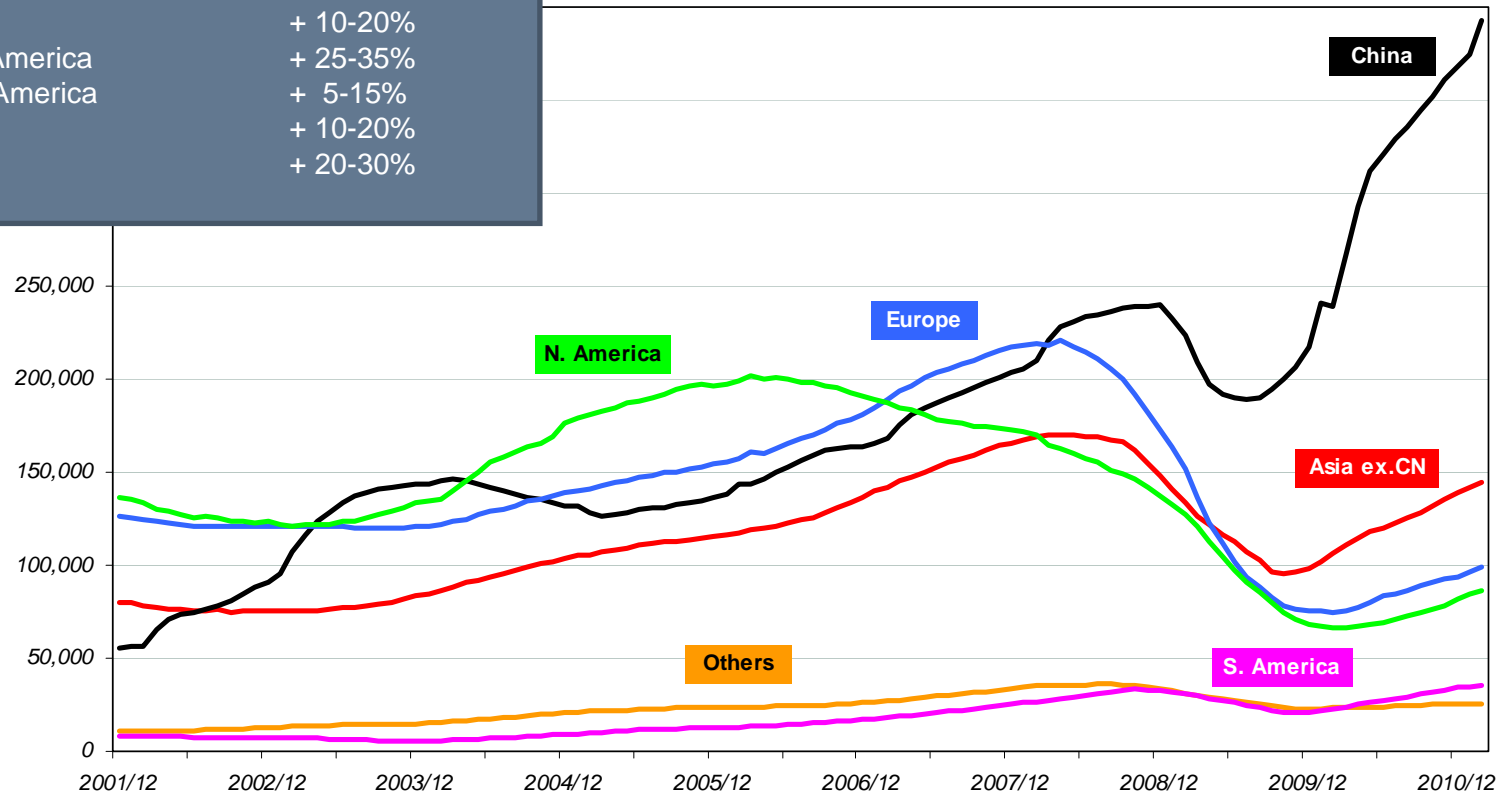


Total world market development

-12M rolling trend, including domestic chinese manufacturers

2011 Market developments forecasts

Europe	+ 10-20%
North America	+ 25-35%
South America	+ 5-15%
Asia	+ 10-20%
China	+ 20-30%



12 Month Rolling Trend - February 2011

Well positioned to capitalize on market expansion

- Continue to execute strategy
- Continue to capitalize on Lingong and Road Machinery investments
- BRIC market focus and development
- Continue to develop distribution
- Maintain high flexibility in production system
- Continue to launch new fuel efficient products

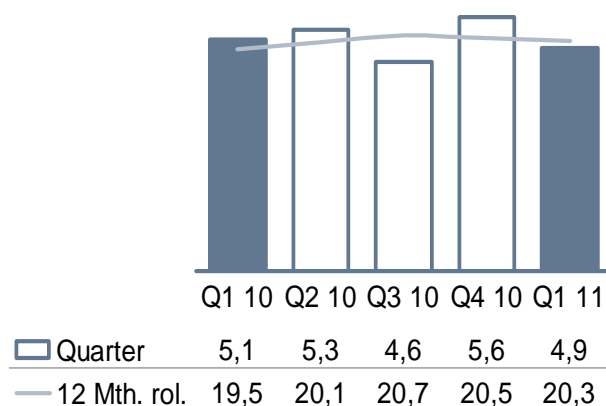


Buses



Net sales

SEK bn

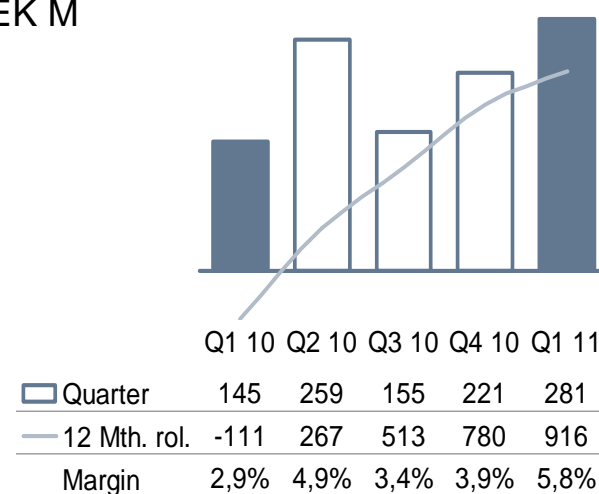


Highlights

- Still challenges for city bus market in North America and Europe
- Improved profitability
- Investment in development center in China

Operating income

SEK M



In Focus

- Profitable volume growth
- Continued cost and capital focus
- Important order to New York city

New contracts to New York & Brazil



AB Volvo
First Quarter 2011
18

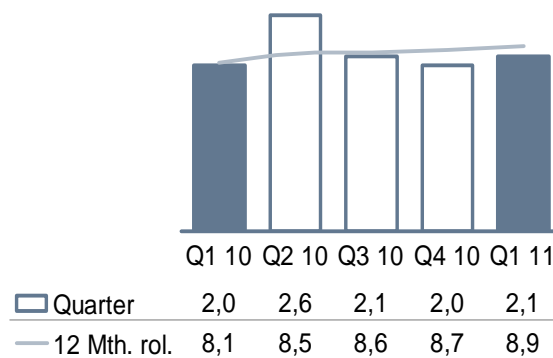
VOLVO

Volvo Penta



Net sales

SEK bn

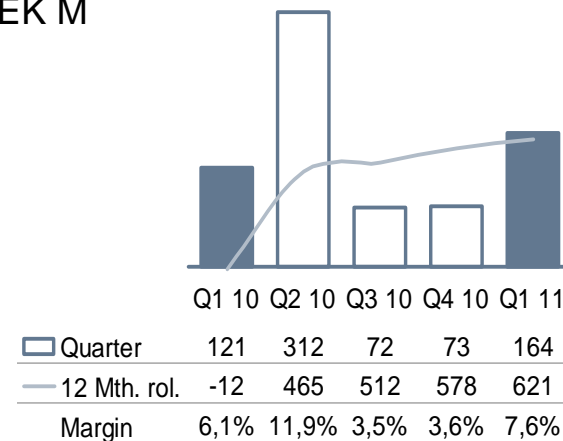


Highlights

- Strong demand for Industrial engines
- Improved demand for marine engines in Europe
- Significantly stronger order situation
- Increased sales and improved profitability

Operating income

SEK M



In Focus

- Supply chain management
- Price management
- Capitalize on stronger demand within Marine Leisure
- Strategic alliance with Garmin

Volvo Penta product news

Agreement with Garmin on joint development of instrumentation, navigation and communication equipment for boats

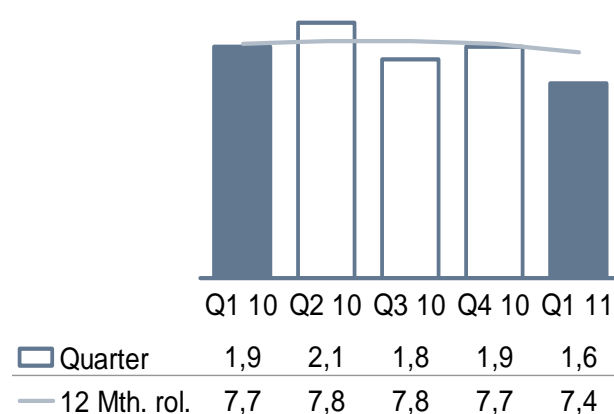


Volvo Aero



Net sales

SEK bn

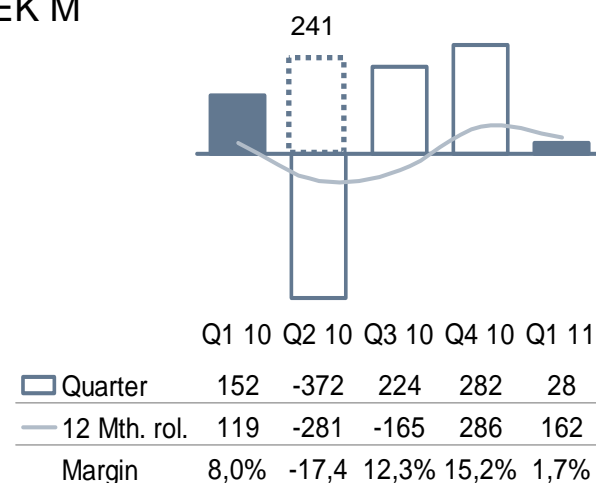


Highlights

- Stable market growth despite higher oil prices
- Airbus and Boeing plan for higher production rate
- Low profitability
 - weak USD
 - production disturbances

Operating income

SEK M



In Focus

- Supplier management initiative
- Productivity improvement program
- Execution on development projects

Volvo Aero

Successful first flight for Boeing 747-8 Intercontinental with GEnx engines

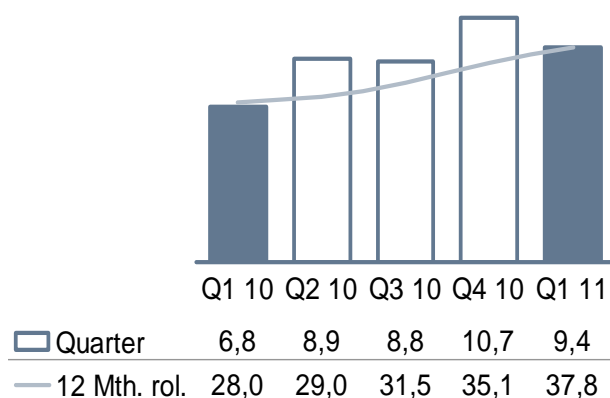


Financial Services



New financing

SEK bn

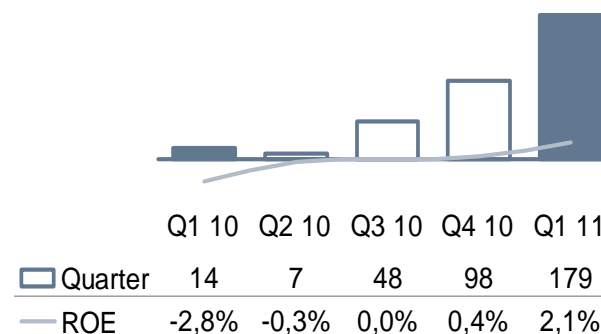


Highlights

- Improved portfolio performance in all regions
- Strong financing volumes overall
- Private label alliance in India

Operating income and return on equity

SEK M



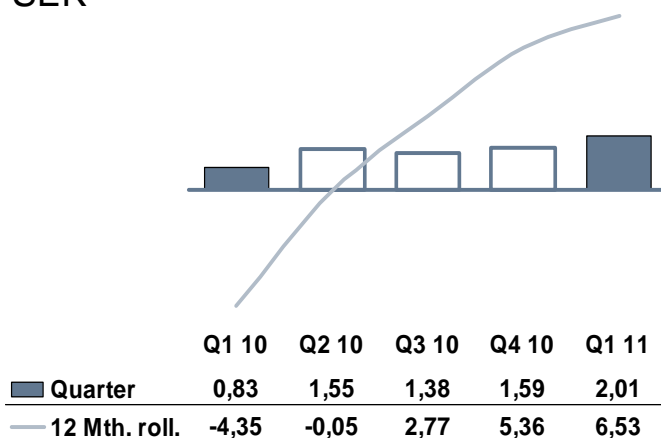
In Focus

- Profitable growth in all regions
- Employee recruitment and retention
- Japan

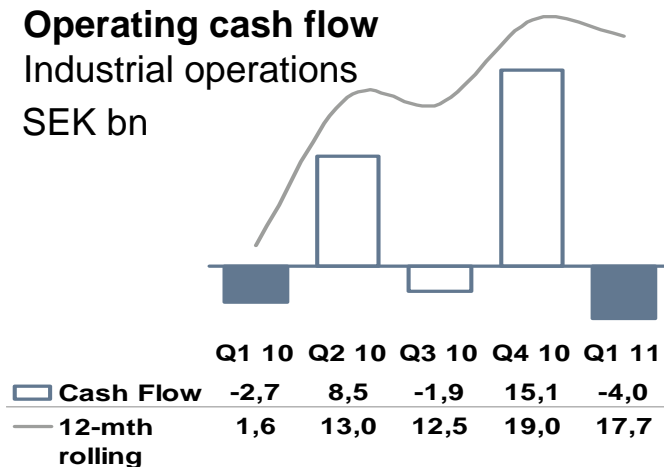
Group Summary



Earnings per share SEK



Operating cash flow Industrial operations SEK bn



First quarter

- Sales 22% higher, +33% fx-adjusted
- Operating income SEK 6.5 bn
- Operating margin 9.1%
- Cost reductions maintained
- Operating Cash flow negative SEK 4.0 bn – reflecting normal seasonality

In focus

- Manage upturn
- Supply chain
- Cost control
- R&D investments for future growth

VOLVO

First Quarter 2011