

VOLVO

First Quarter 2011

Conference Call April 27, 2011

Group Highlights



First quarter

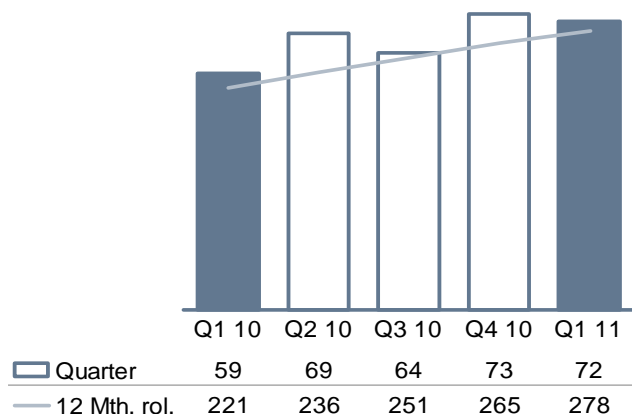
- Operating income SEK 6.5 bn
- Operating margin 9.1%
- Cash flow negative SEK 4 bn

Business environment

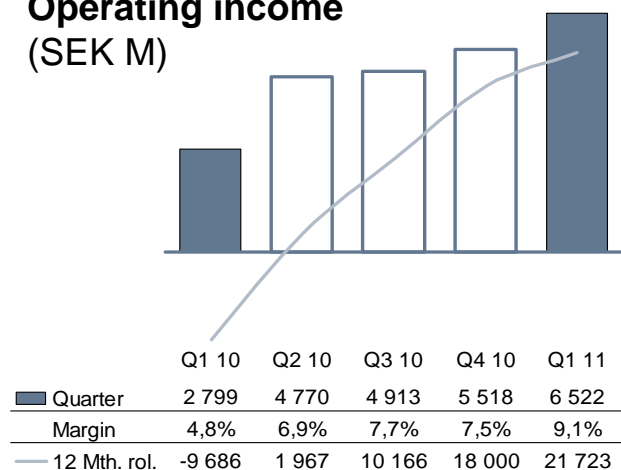
- Europe: improving market conditions
- Asia: strong outside Japan
- South America: strong market
- North America: significant improvement in demand

Volvo Group

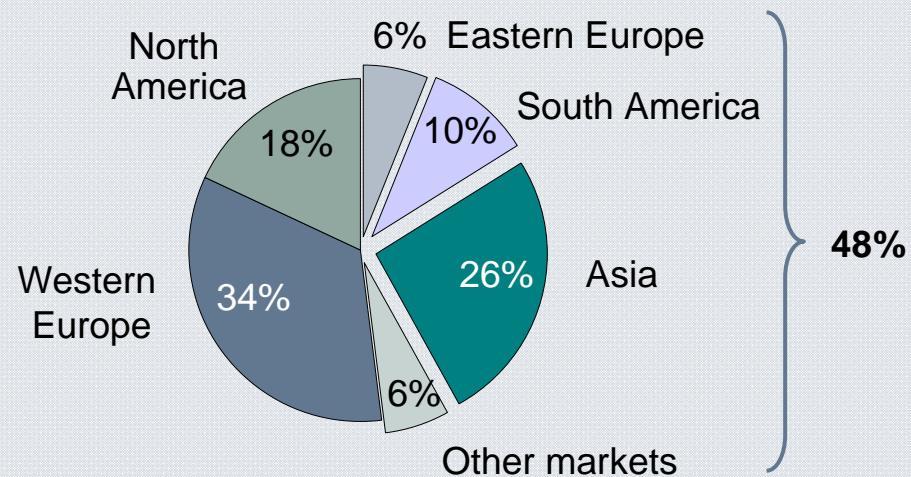
Net sales (SEK bn)



Operating income (SEK M)



First quarter, 2011



Sales

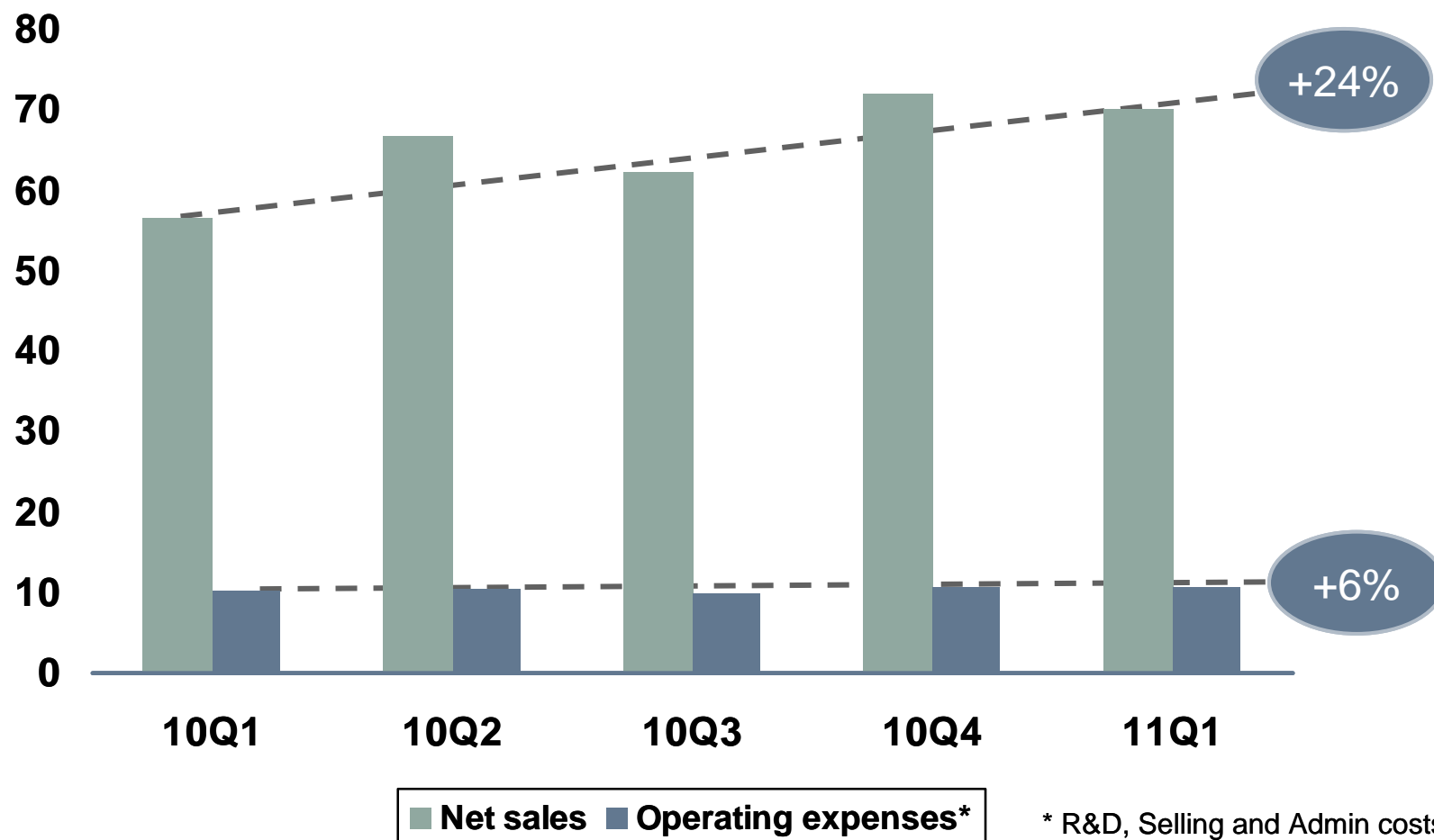
- + Increased sales of new products

Operating income

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

Operating leverage through cost-control

Industrial operations



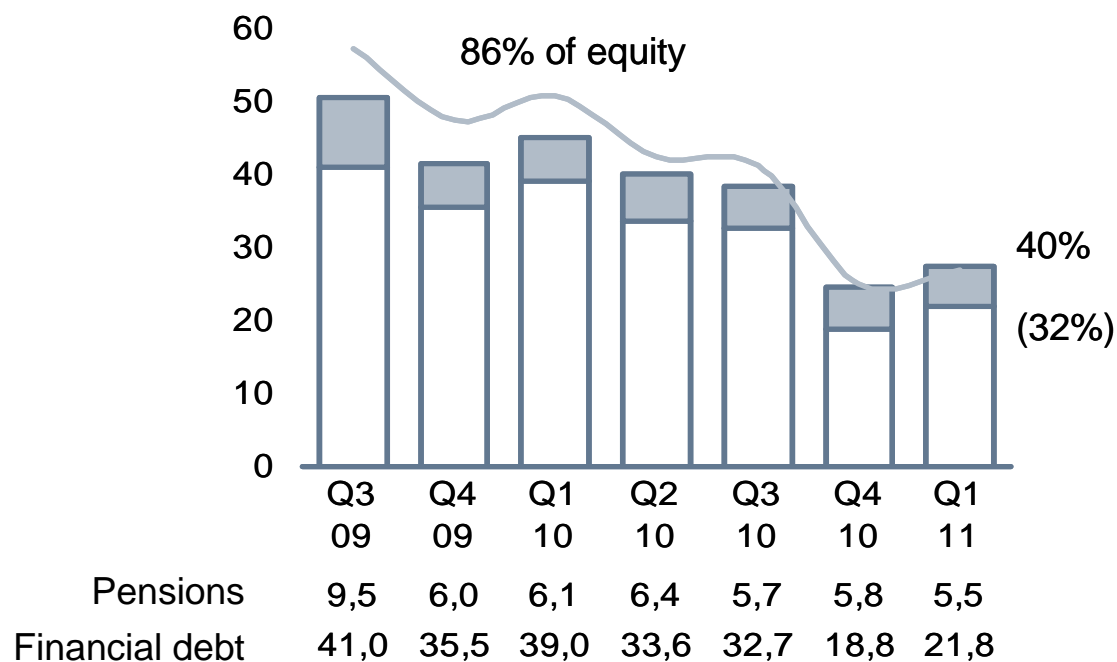
Volvo Group – Net Financial Debt

Industrial Operations

Changes in net financial debt

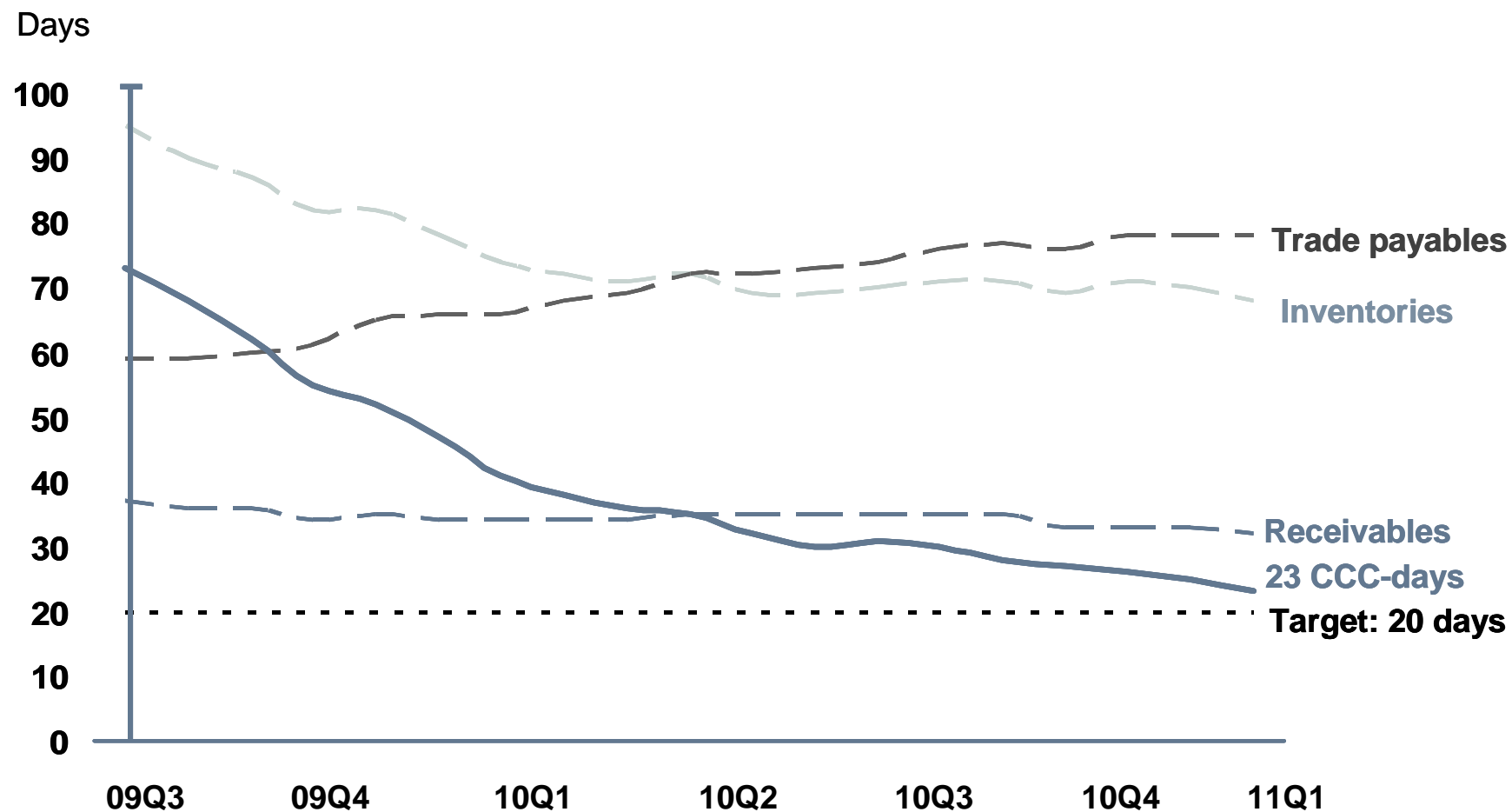
- Cash flow	- 4.0 bn
- Currency	+ 2.1 bn
- Other	<u>- 0.7 bn</u>
Total	- 2.6 bn

Net debt SEK bn



Cash Conversion Cycle

6-months average

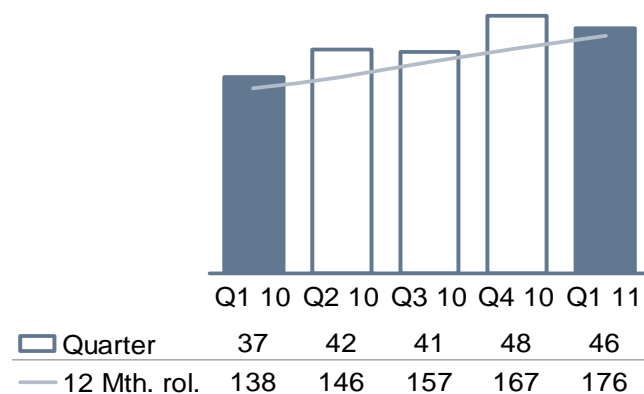


Trucks



Net sales

SEK bn

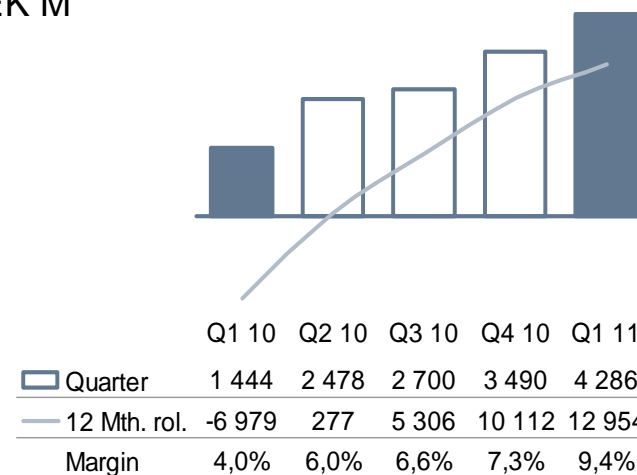


Highlights

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

Operating income

SEK M

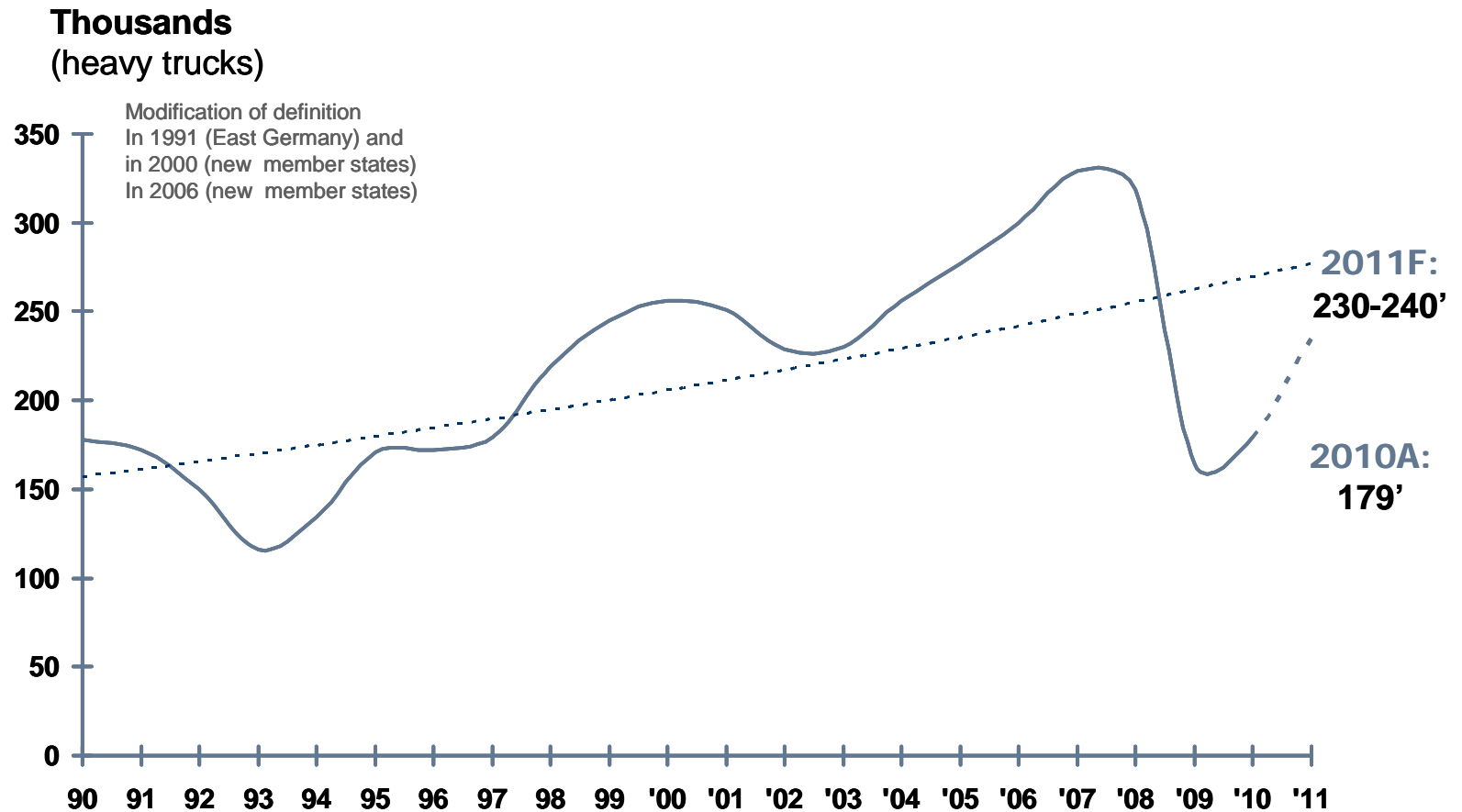


In Focus

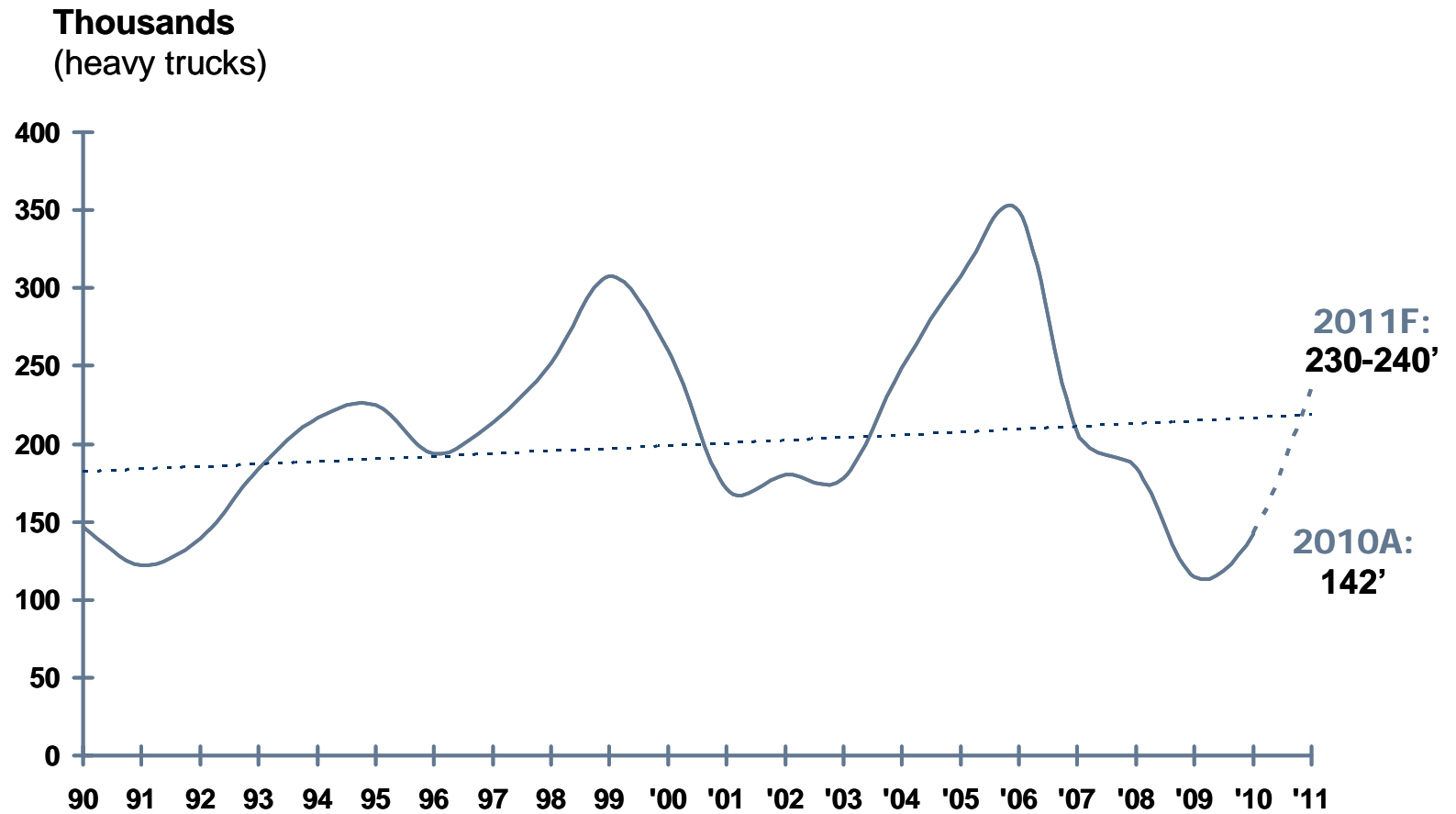
- Supply chain in Japan
- Production ramp-up in US
- Strict cost control
- Product introductions

Heavy-duty truck market - Europe

(EU members + Switzerland & Norway)



Heavy-duty truck market – North America

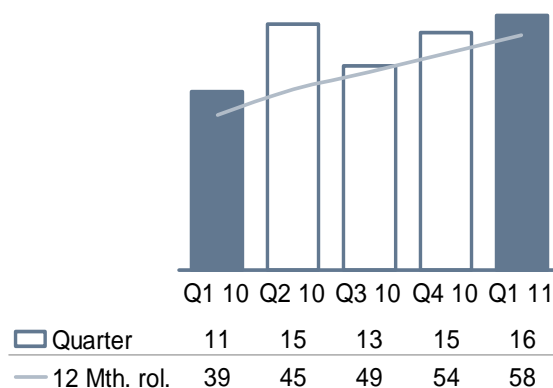


Construction Equipment



Net sales

SEK bn

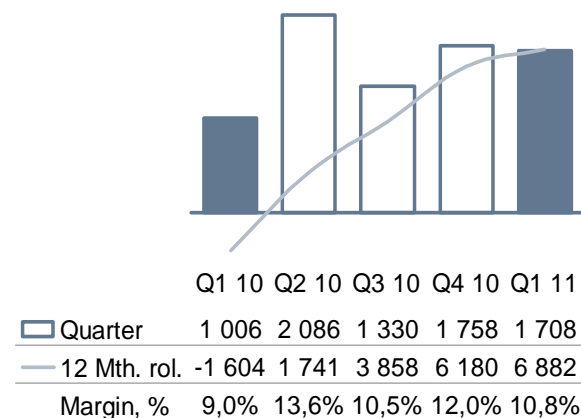


Highlights

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

Operating income

SEK M



In Focus

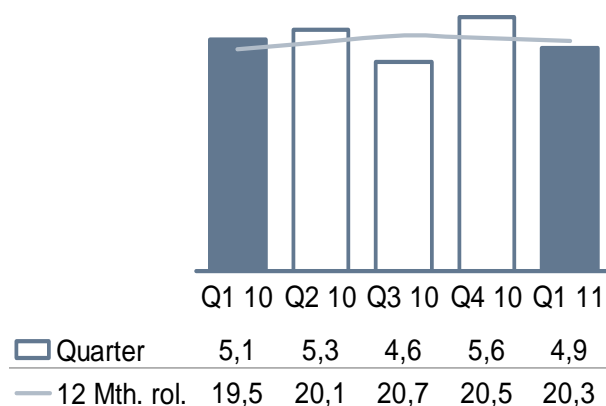
- Manage Japanese supplier issues
- Ramp up of Tier 4i/Stage III B machines
- Manage leverage in upturn
- Continued deployment of the present Volvo CE Strategy

Buses



Net sales

SEK bn

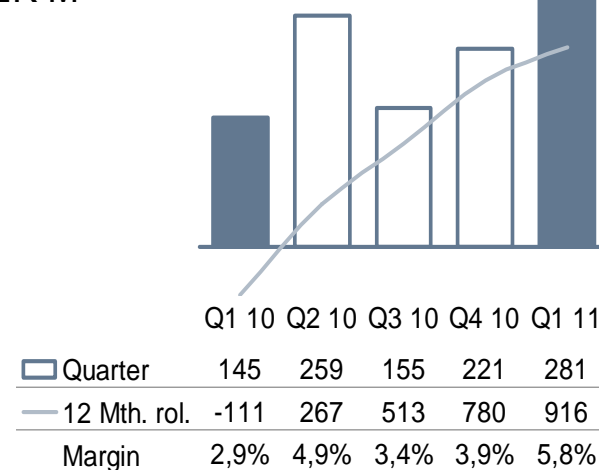


Highlights

- 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

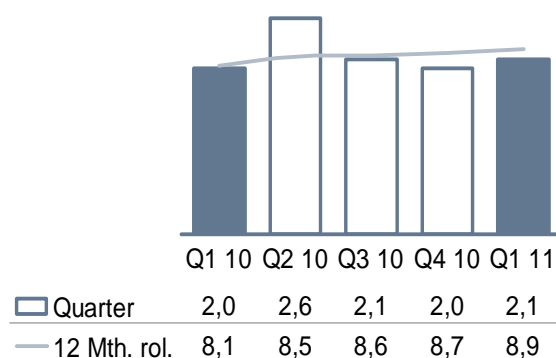
- Profitable volume growth
- Continued cost and capital focus
- Important order to New York city

Volvo Penta



Net sales

SEK bn

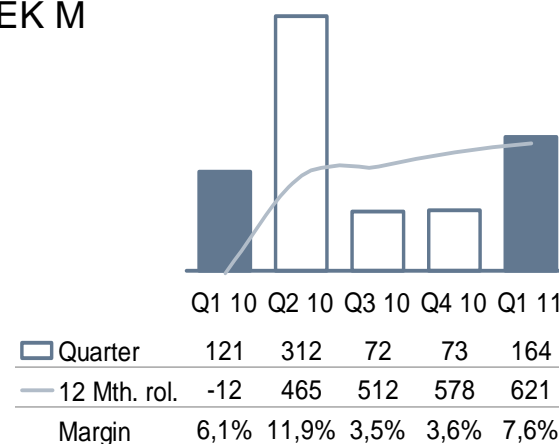


Highlights

- 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

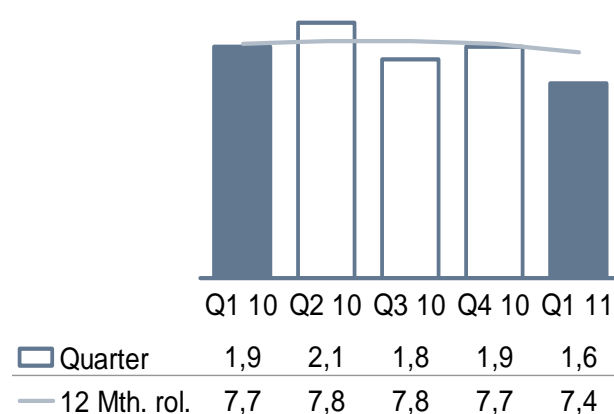
- Supply chain management
- Price management
- Capitalize on stronger demand within Marine Leisure
- Strategic alliance with Garmin

Volvo Aero



Net sales

SEK bn

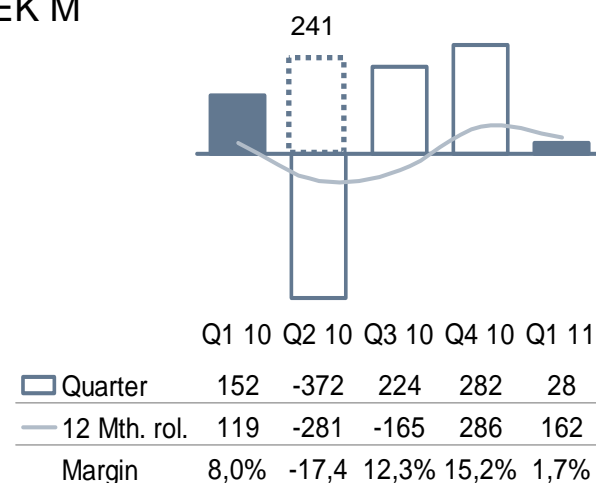


Highlights

- 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

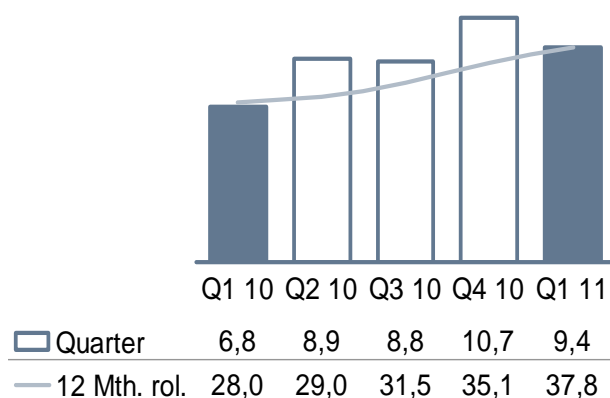
- Supplier management initiative
- Productivity improvement program
- Execution on development projects

Financial Services



New financing

SEK bn

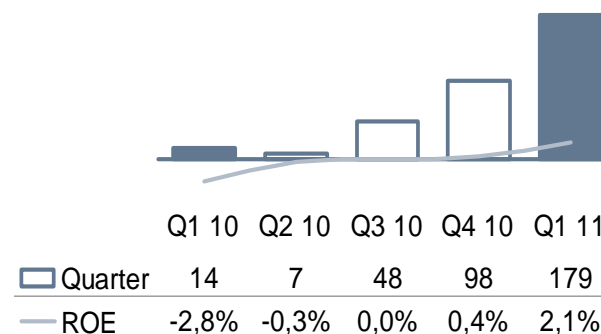


Highlights

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

Operating income and return on equity

SEK M

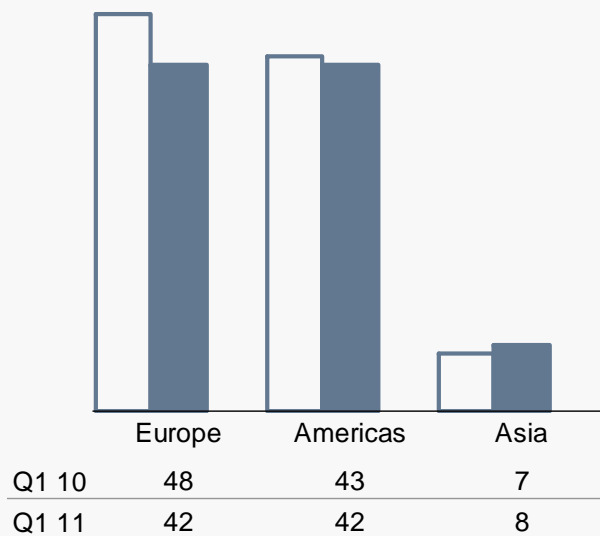


In Focus

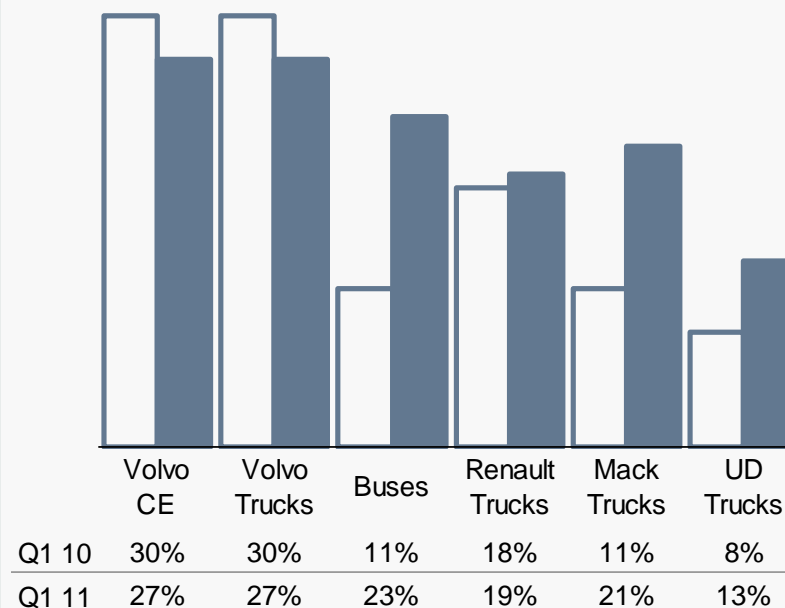
- Profitable growth in all regions
- Employee recruitment and retention
- Japan

Financial Services

Total managed assets
(SEK bn)



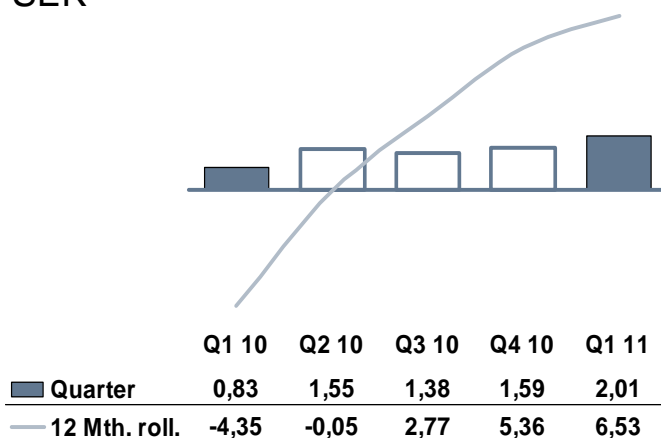
Penetration on new financing



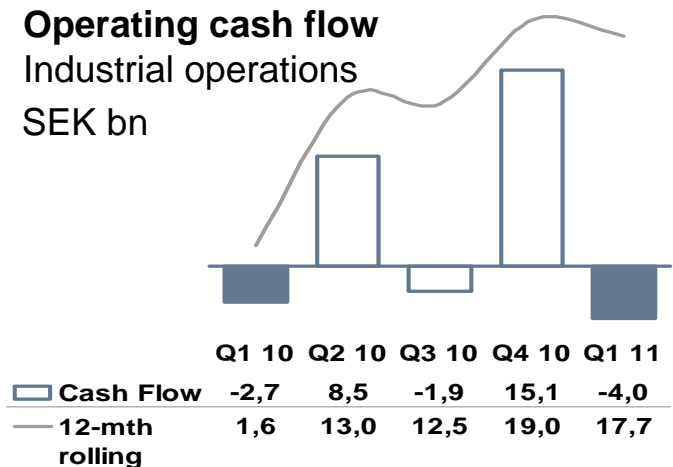
Group Summary



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

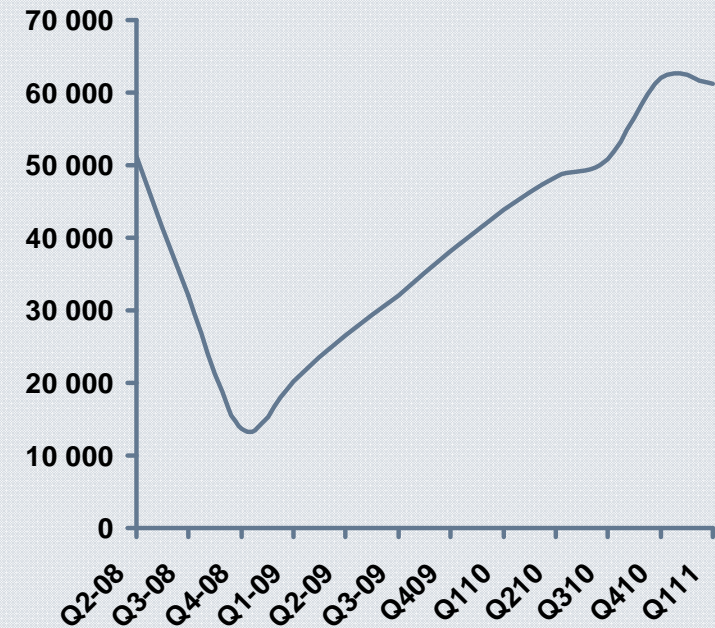
First Quarter 2011

Appendix

Net order intake at good levels

Trucks

Net order intake	Q1-10	Q4-10	Q1-11	Change Q1->Q1	Change Q4->Q1
Europe	16,361	26,014	23,812	46%	-8%
North America	3,410	10,414	11,727	244%	13%
South America	4,548	7,369	7,422	63%	1%
Asia	15,442	14,617	14,859	-4%	2%
Other markets	4,175	3,637	3,472	-17%	-5%
Total	43,936	62,051	61,292	40%	-1%



Currency impact on operating income

Business Areas	Q1 2011	Q4 2010	Change
Spot rates, net flows			- 324
Realized hedging contracts	+156	+250	-94
Devaluation in Venezuela		-82	+82
Revaluation of receivables & payables	-173	+352	-525
Unrealized gains and losses on hedging contracts	+49		+49
Revaluation of foreign subsidiaries			- 167
Total Business Areas			-979

Group headquarter functions and other	Q1 2011	Q4 2010	Change
Unrealized gains and losses on hedging contracts	+50	-269	+319
Total Group headquarter functions and other			+319

Total Volvo Group			- 660
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Comments

- No hedge accounting
- Hedging firm flows

2011

As of 2011, unrealized gains and losses on derivatives related to a receivable or payable is reported in the respective Business Areas.