

# **VOLVO**

## **Second Quarter 2011**

**Conference Call July 22, 2011**

# Group Highlights



## Second quarter

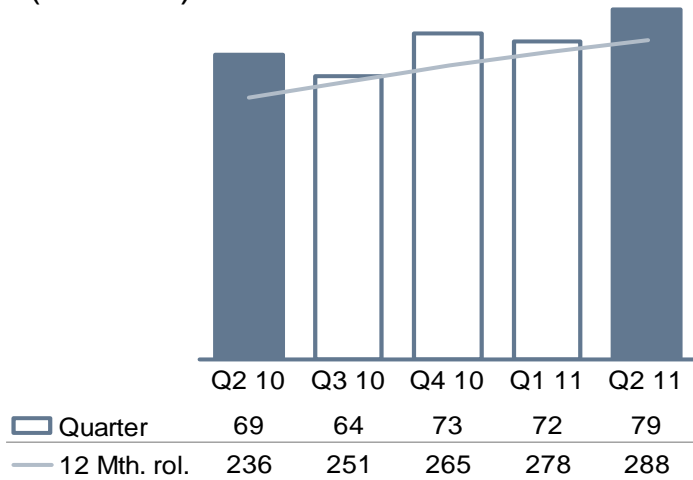
- Operating income SEK 7.6 bn
- Operating margin 9.7%
- Cash flow SEK 5.2 bn

## Business environment

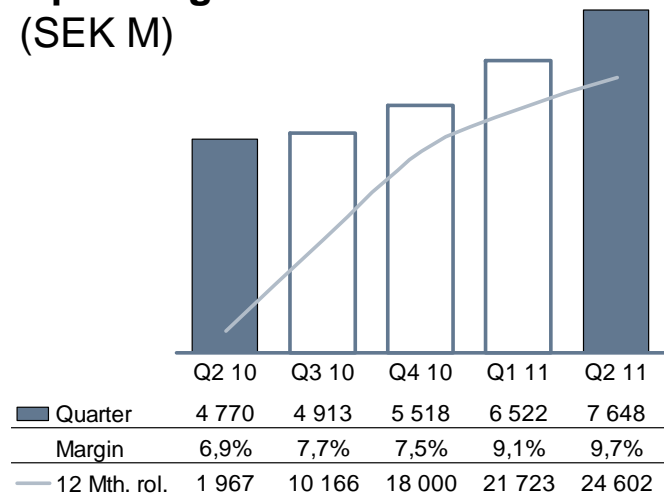
- Europe: improved market conditions
- Asia:
  - China – construction softening
  - Japan – signs of recovery
  - India – reduction in growth rate
- South America: strong market
- North America: replacement driven improvement in demand

# Volvo Group

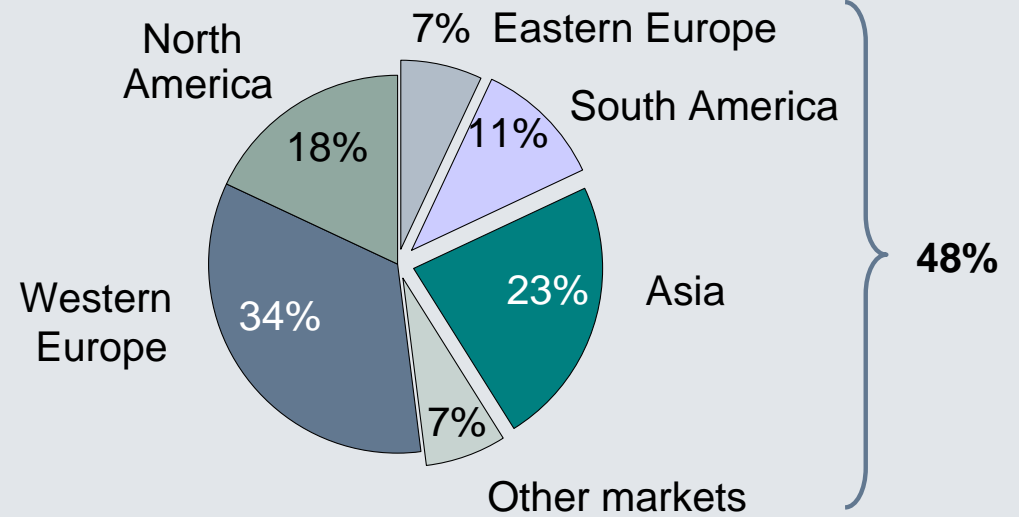
## Net sales (SEK bn)



## Operating income (SEK M)



## Second quarter, 2011



## Sales

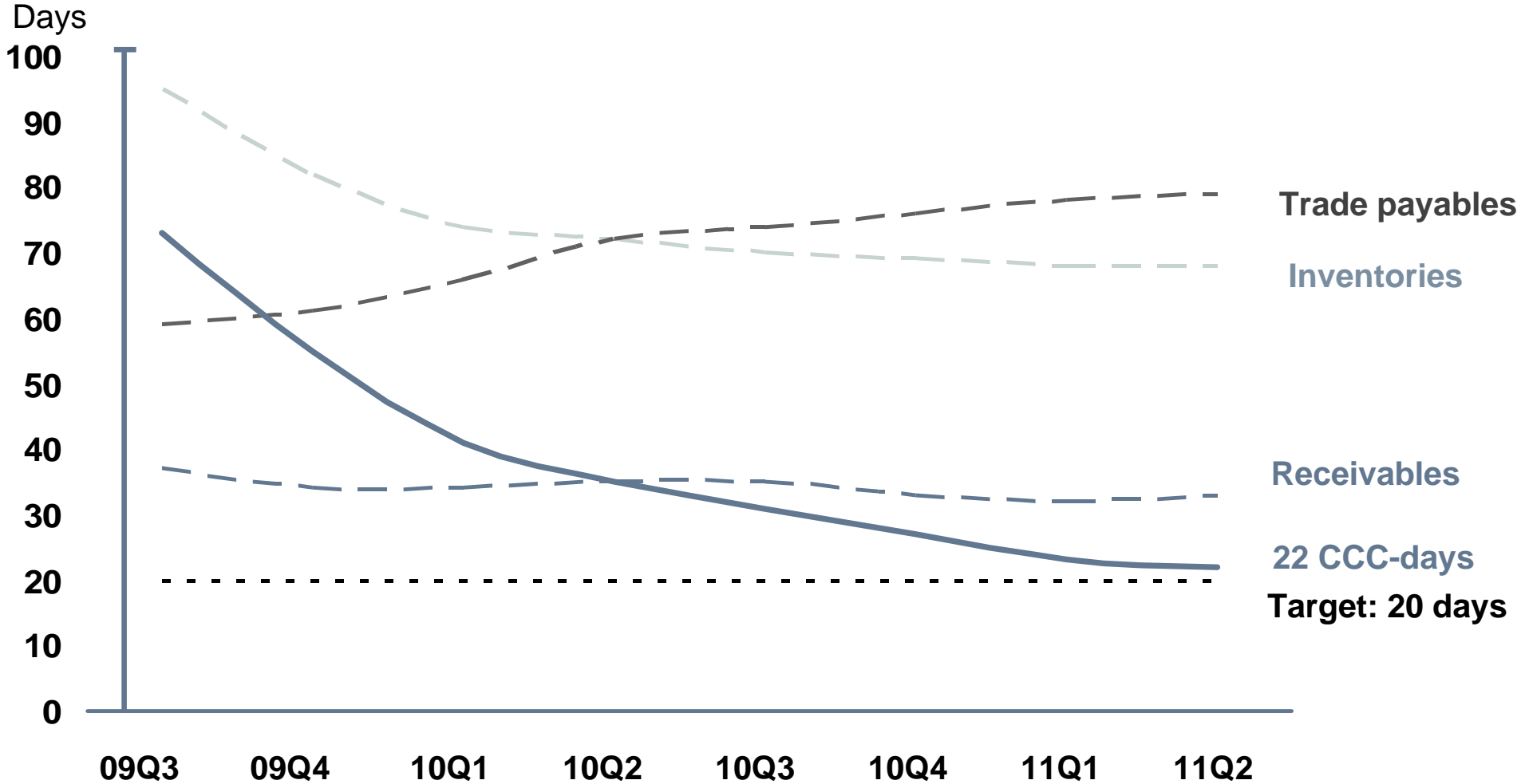
+ Increased sales of new products

## Operating income

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

# Cash Conversion Cycle

6-months average



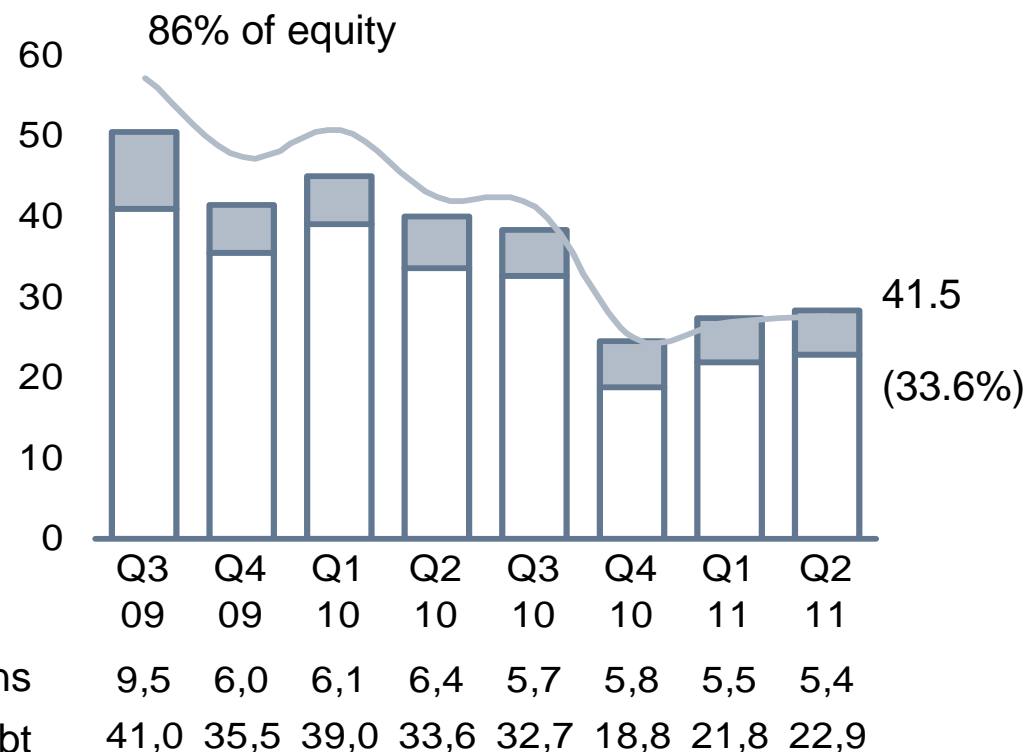
# Volvo Group – Net financial position

## Industrial Operations

### Changes in net financial position

- Cash flow	+ 5.2 bn
- Dividend	- 5.1 bn
- Currency	- 0.4 bn
- Other	- 0.7 bn
<b>Total</b>	<b>- 1.0 bn</b>

### Net debt SEK bn



# Currency impact on operating income

Business Areas	Q2 2011	Q2 2010	Change
Spot rates, net flows			- 1,733
Realized hedging contracts	+201	+10	+191
Revaluation of receivables & payables	+156	-37	+192
Unrealized gains and losses on hedging contracts	-19		-19
Revaluation of foreign subsidiaries			-453
<b>Total Business Areas</b>			<b>-1,822</b>

Group headquarter functions and other	Q2 2011	Q2 2010	Change
Unrealized gains and losses on hedging contracts	-82	-231	+149
<b>Total Group headquarter functions and other</b>			<b>+149</b>
<b>Total Volvo Group</b>			<b>-1,673</b>

## Comments

- No hedge accounting
- Hedging firm flows

## 2011

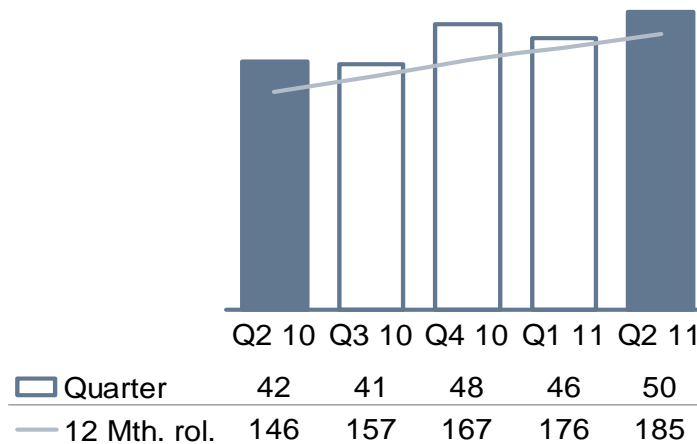
- As of 2011, unrealized gains and losses on derivatives related to a receivable or payable are reported in the respective Business Areas.

# Trucks



## Net sales

SEK bn

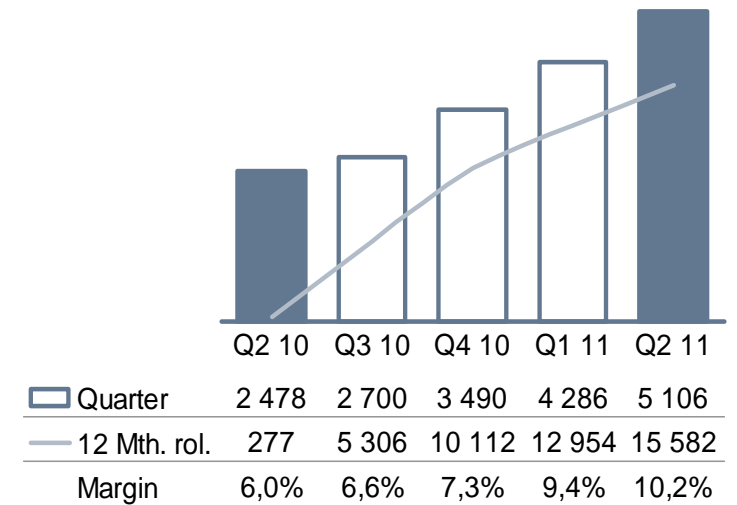


## Highlights

- Improved market conditions
- Increased order book
- Market share gains
- Sales up by 32%, fx-adjusted
- Operating margin 10.2%

## Operating income

SEK M



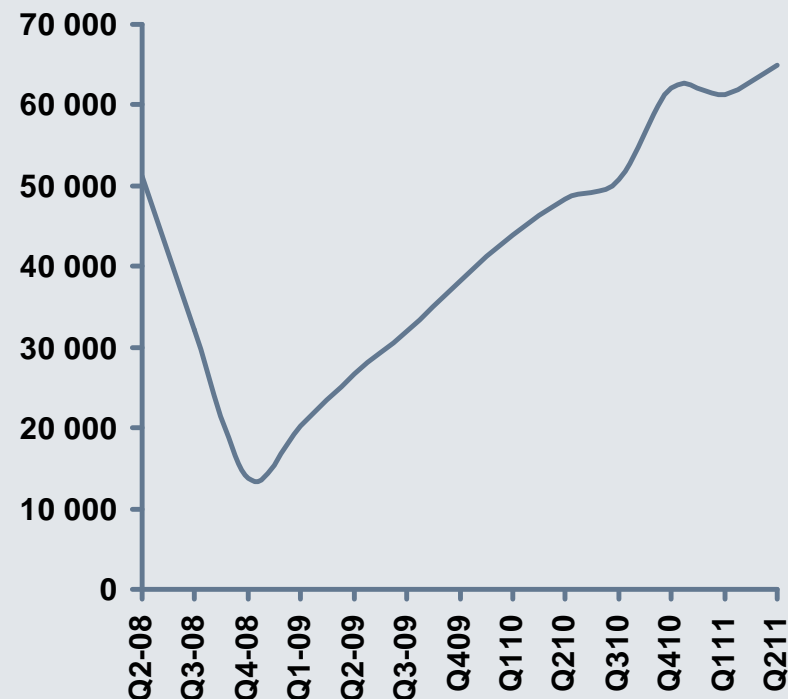
## In Focus

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

# Net order intake at good levels

## Trucks

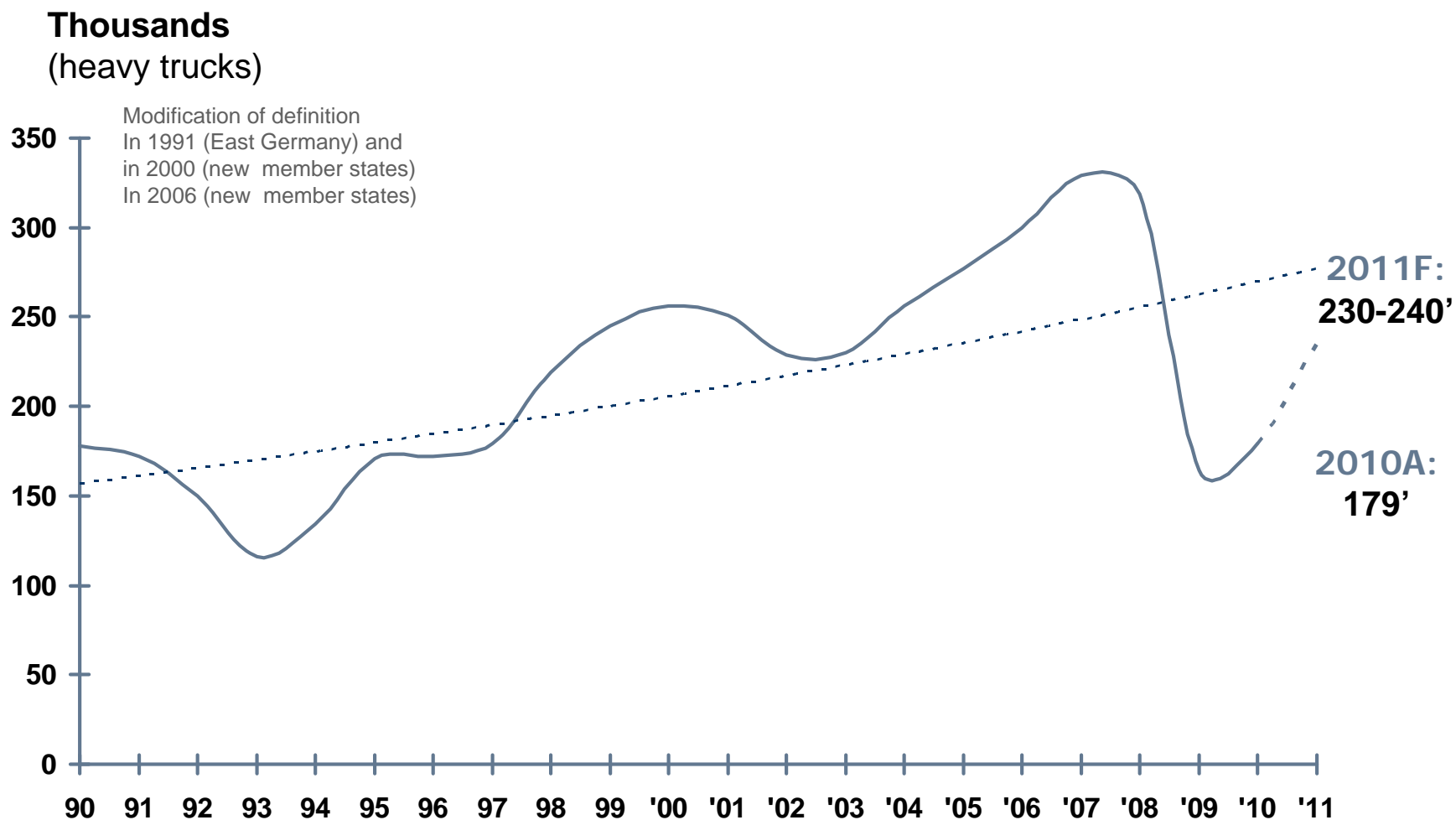
Net order intake	Q2-10	Q1-11	Q2-11	Change Q2->Q2	Change Q1->Q2
Europe	19,054	23,812	24,623	29%	3%
North America	6,675	11,727	15,314	129%	31%
South America	4,986	7,422	6,597	32%	-11%
Asia	13,367	14,859	13,724	3%	-8%
Other markets	4,336	3,472	4,748	10%	37%
<b>Total</b>	<b>48,418</b>	<b>61,292</b>	<b>65,006</b>	<b>34%</b>	<b>6%</b>



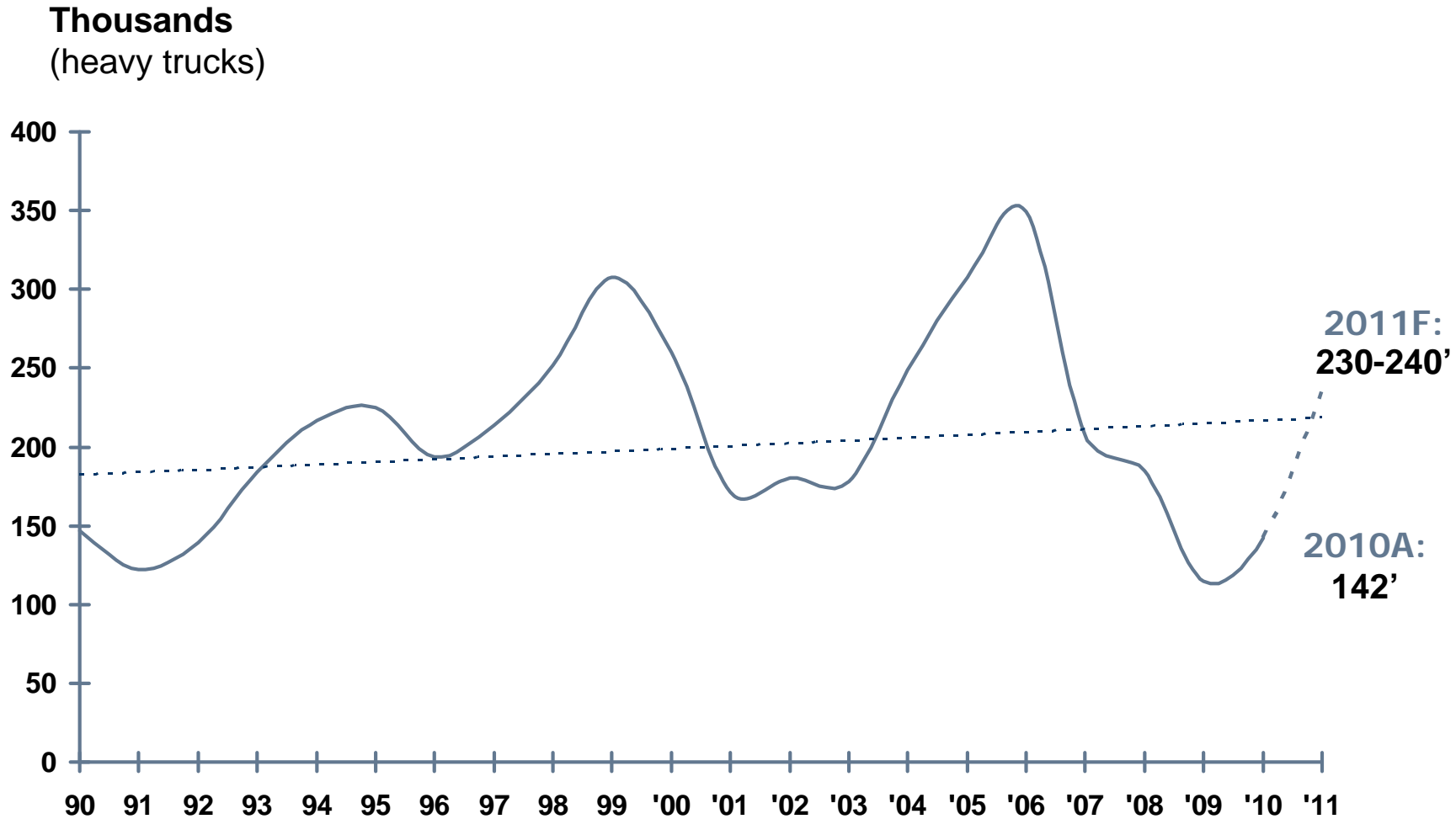


# Heavy-duty truck market - Europe

(EU members + Switzerland & Norway)



# Heavy-duty truck market – North America

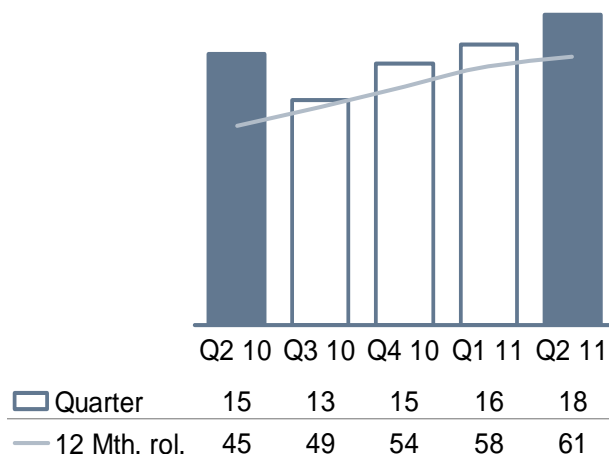


# Construction Equipment



## Net sales

SEK bn

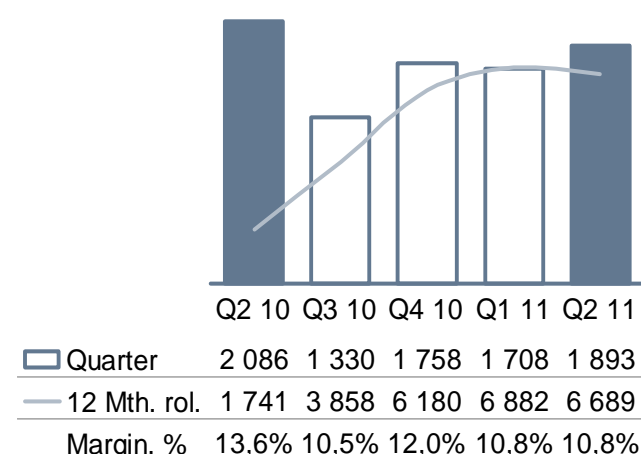


## Highlights

- #1 position in China strengthened, 11.8% market share
- Sales up by 32%, fx-adjusted
- Operating margin 10.8%
- Negative impact on op inc. from FX and SEK 300 M due to supplier issues in Japan

## Operating income

SEK M



## In Focus

- Successful roll out of Tier4I and Stage III B machinery
- Capitalize on continued strong momentum in China
- Convert strong customer interest from Volvo Days into firm orders

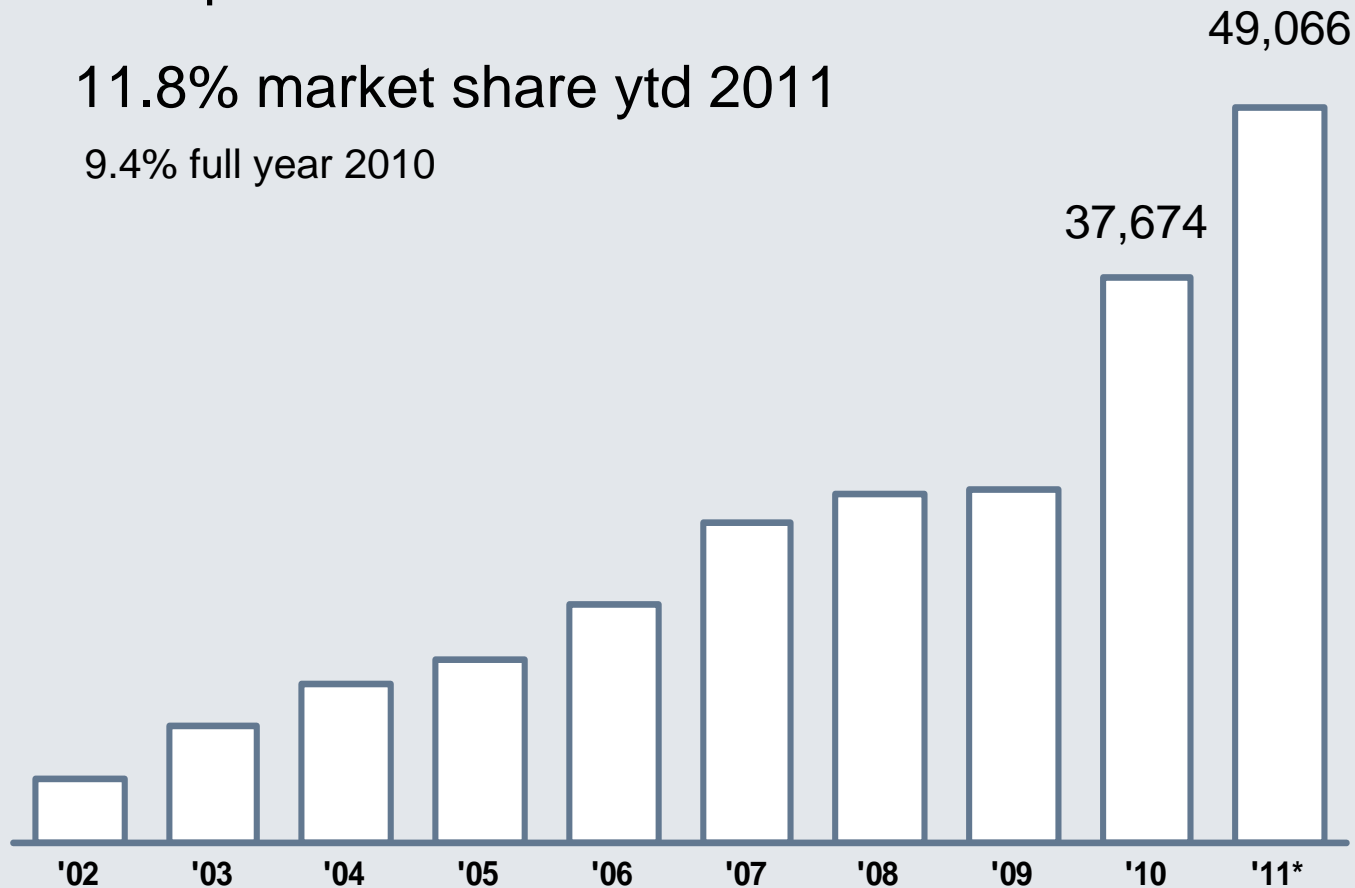
# Number 1 in China

Wheel loaders and Excavators, invoiced units

**# 1** position in Q2:

11.8% market share ytd 2011

9.4% full year 2010



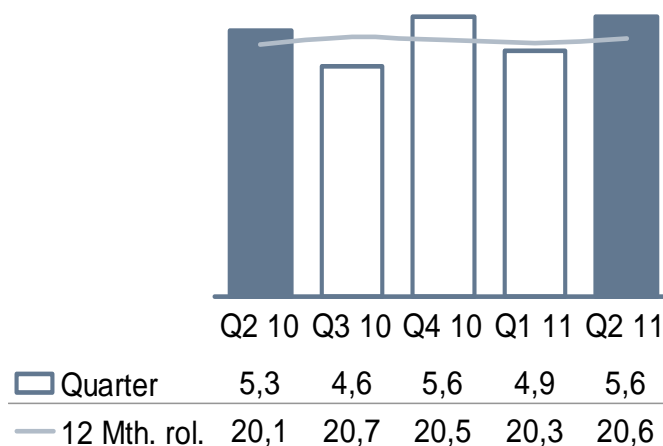
\* 12-months rolling

# Buses



## Net sales

SEK bn

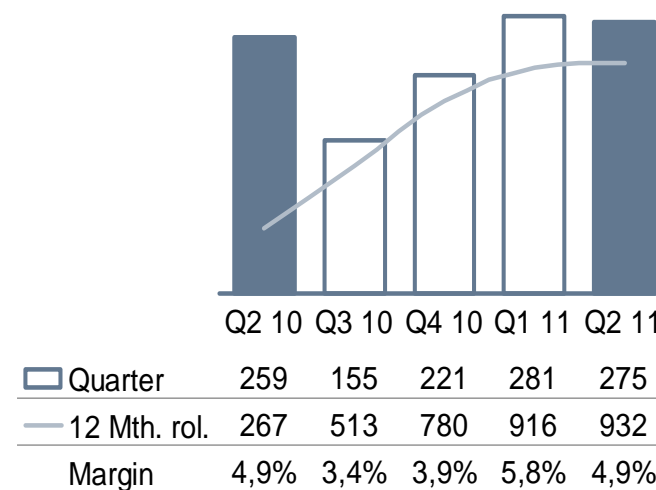


## Highlights

- Slow recovery
- Deliveries up 36%
- First hybrid bus order outside Europe

## Operating income

SEK M



## In Focus

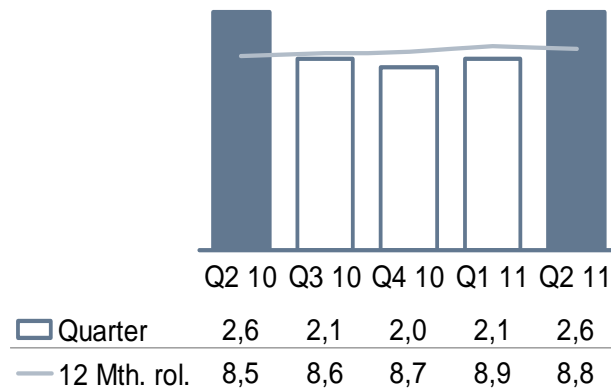
- Order intake in Europe and N America
- Cost & capital program
- Hybrid bus project in Curitiba

# Volvo Penta



## Net sales

SEK bn

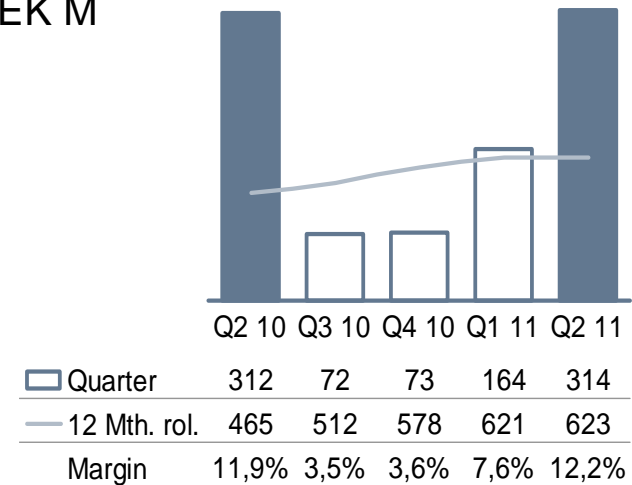


## Highlights

- Strong global demand for Industrial engines, weaker for Marine
- Improved operating margin
- Strengthened market shares in both Marine and Industrial

## Operating income

SEK M



## In Focus

- Secure good service level during the European boat season
- Continue to increase marine market shares
- Capitalize on strong momentum for Industrial engines

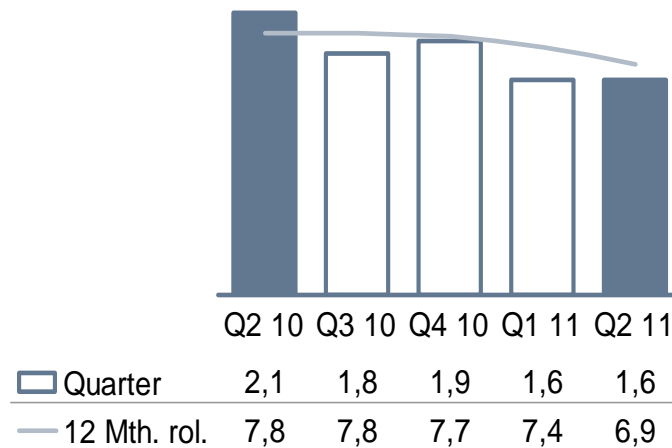


# Volvo Aero



## Net sales

SEK bn

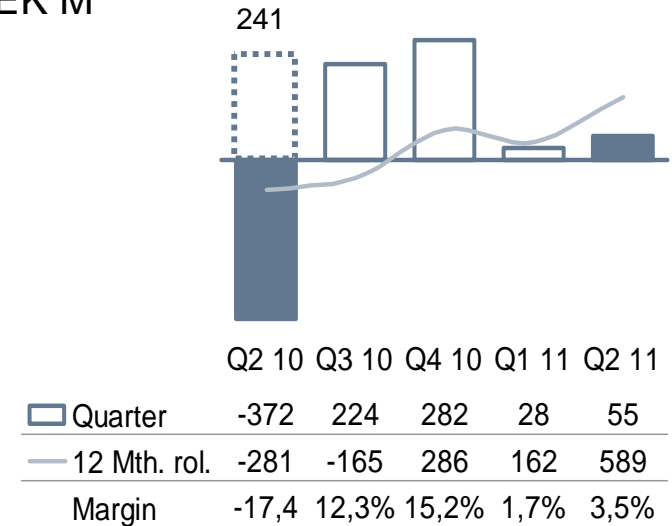


## Highlights

- Order boom at Paris Air Show; Airbus and Boeing up 216% after 6 months
- Air traffic growth continues
- Low but improving profitability - low USD and supplier issues
- Agreement on the new PW1100G engine

## Operating income

SEK M



## In Focus

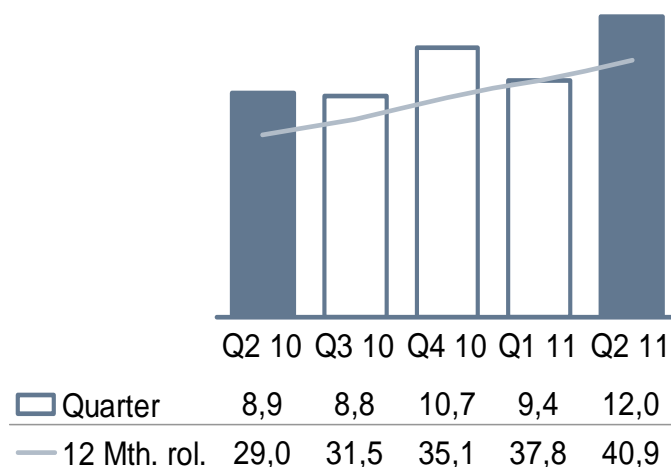
- Supplier management initiative
- Productivity improvement program
- Execution on the new PW1100G contract

# Financial Services



## New financing

SEK bn

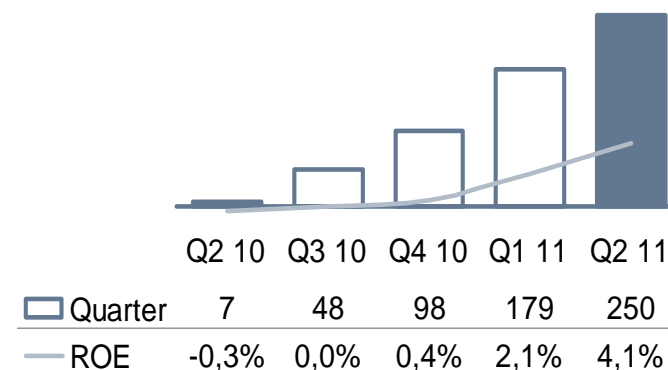


## Highlights

- Profitability in all regions
- Brazil syndication
- Portfolio growth

## Operating income and return on equity

SEK M



## In Focus

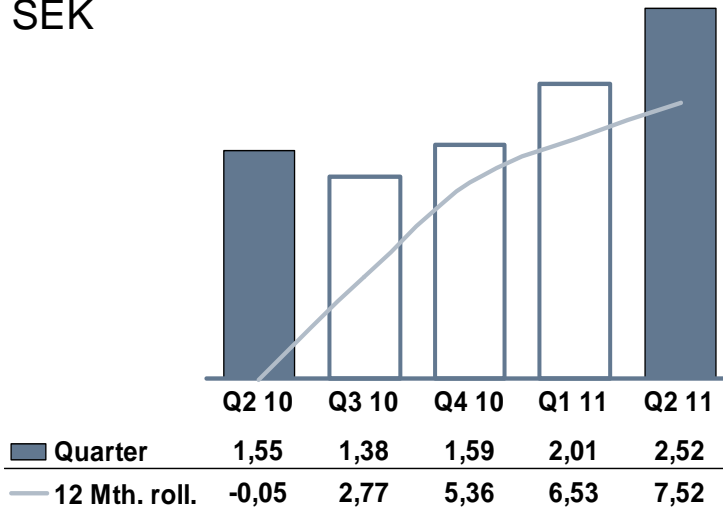
- Organizational build-up in developing markets
- Syndication opportunities
- Business cycle management



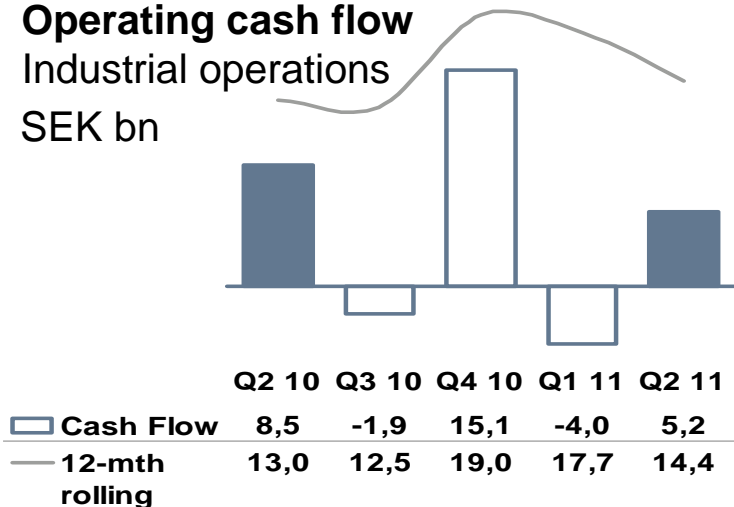
# Group Summary



## Earnings per share SEK



## Operating cash flow Industrial operations SEK bn



## Second quarter

- Sales 15% higher, + 29% fx-adjusted
- Operating income SEK 7.6 bn
- Operating margin 9.7%
- Cost reductions maintained
- Operating Cash flow SEK 5.2 bn

## In focus

- Manage production
  - ramp-up/productivity
  - supply chain
  - eliminate bottlenecks
- Cost and working capital control
- Hold on to strong sales momentum

# **VOLVO**

**Second Quarter 2011**