



# VOLVO GROUP

## Investor Day

Leif Johansson  
President and CEO  
Volvo Group

# Agenda



STRATEGIC DIRECTION

BUSINESS UPDATE

PRIORITIES

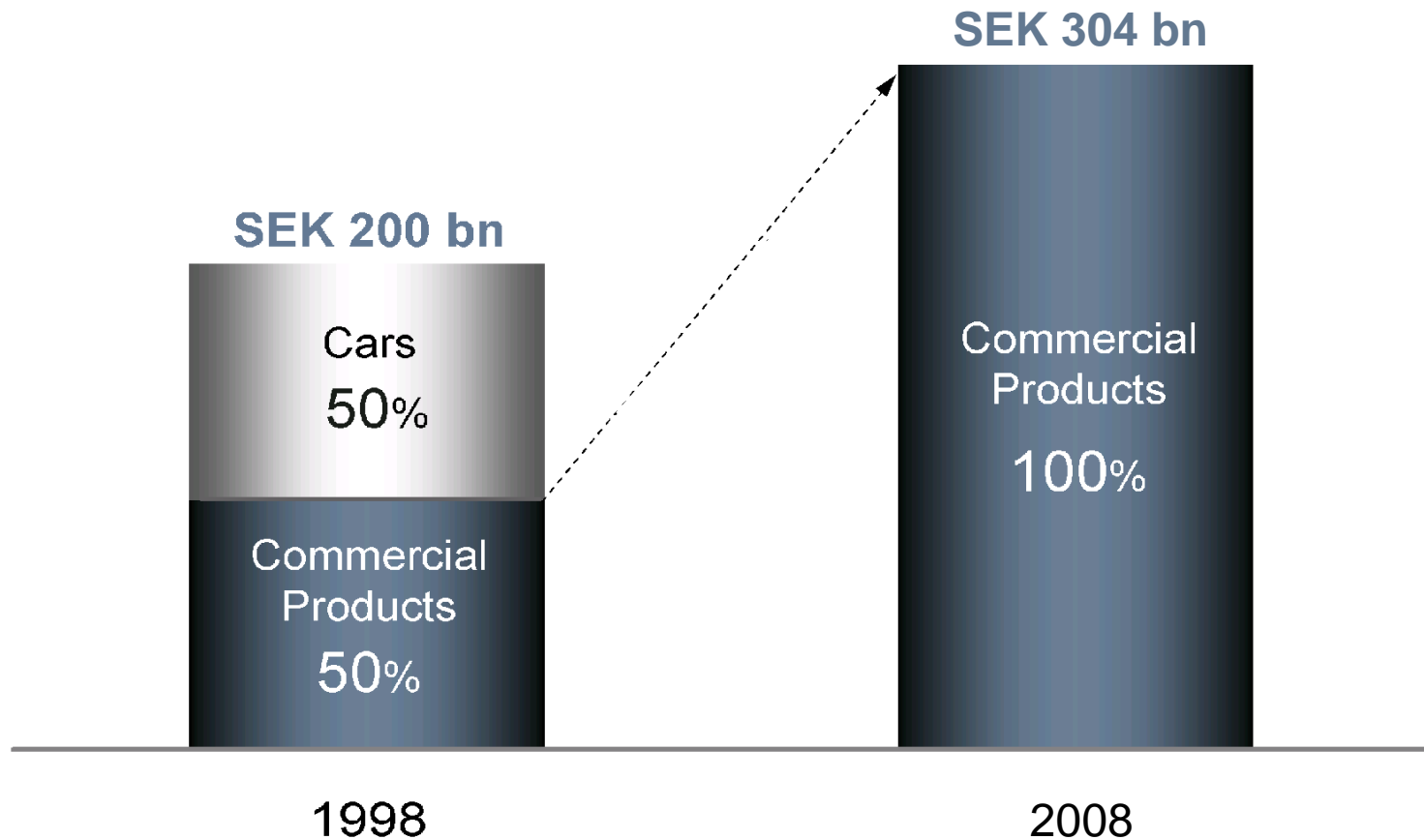


STRATEGIC DIRECTION

BUSINESS UPDATE

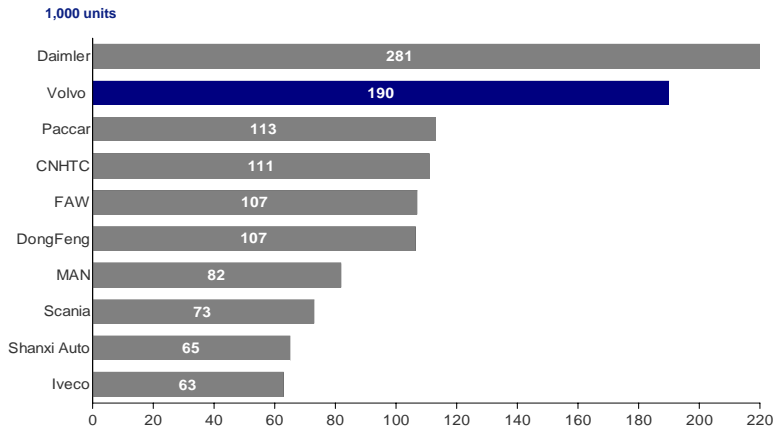
PRIORITIES

# Exit Cars to build strong Commercial Product business

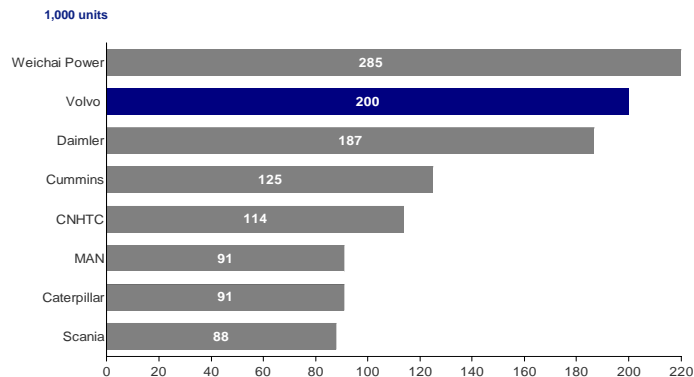


# Required scale in all business areas achieved

## Second largest in trucks globally Heavy duty truck production in 2008

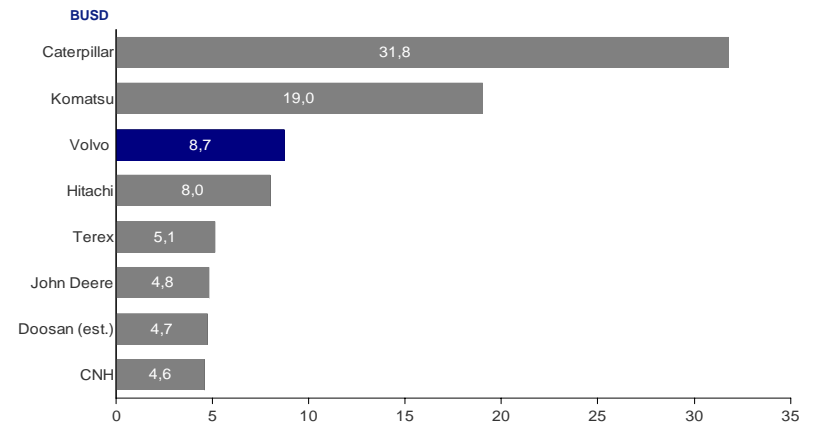


## Second largest in engines globally Heavy duty engine production in 2008

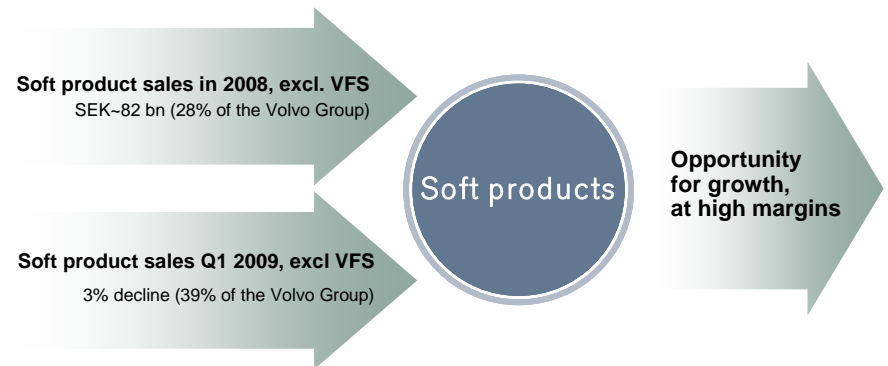


Source: Data compiled by Volvo

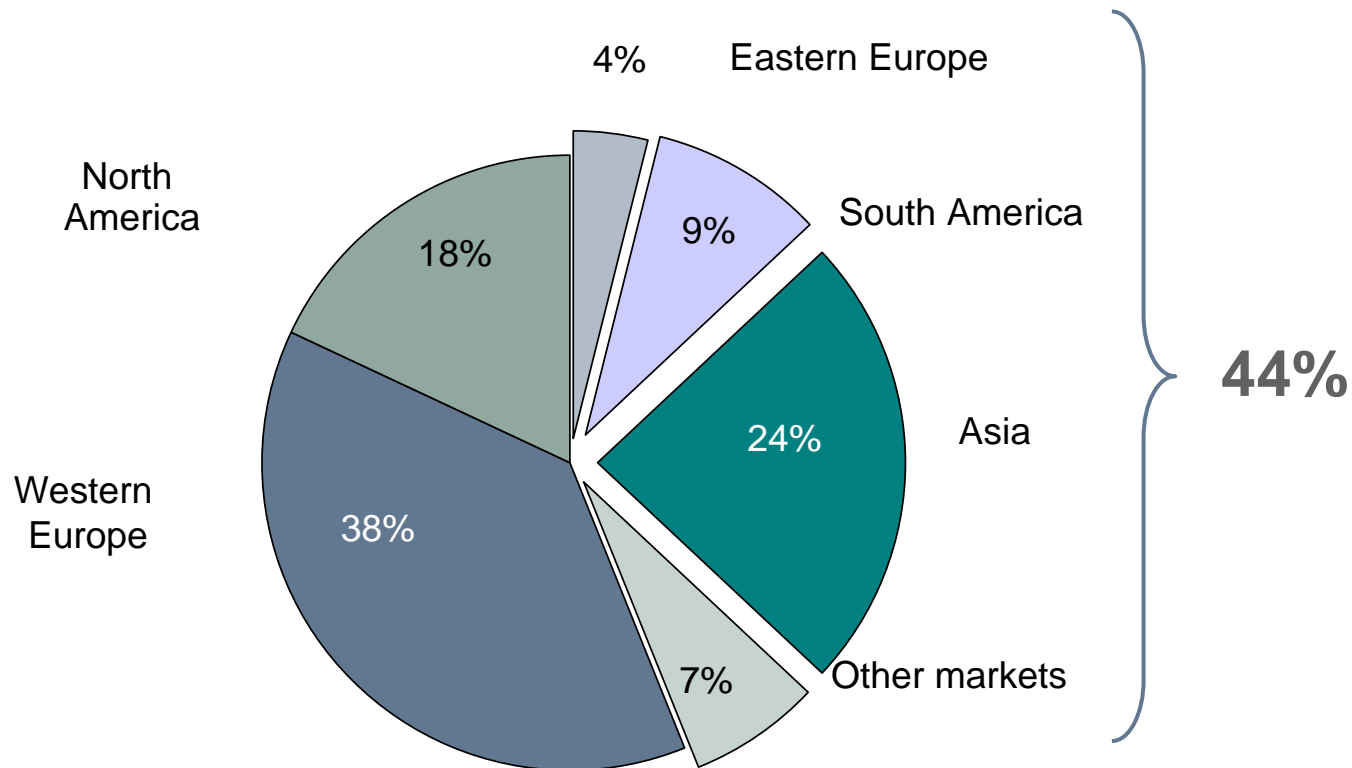
## Third largest in construction equipment globally Sales in 2008



## Strong focus to grow soft product sales



# Strengthened presence in Growth Economies



# Strong position in Asia in CE

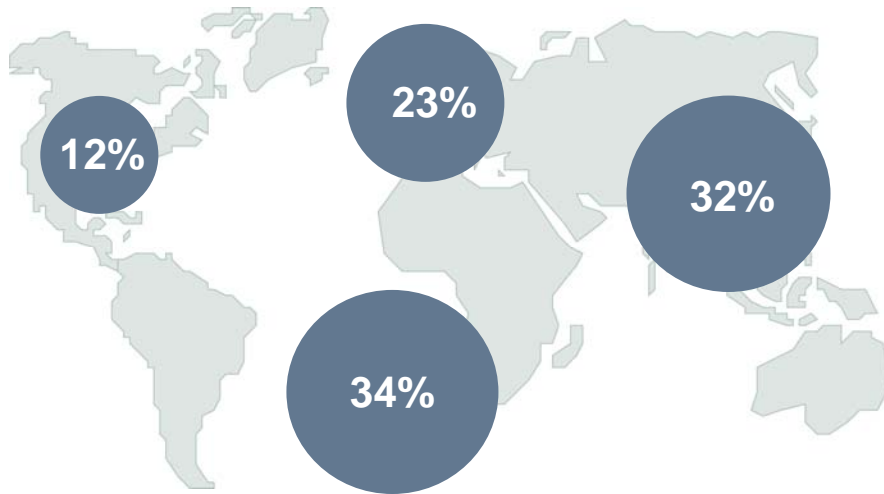
Revenues on par with Europe

- Volvo CE and SDLG are the third largest construction equipment supplier in China
- Local sourcing in China, India and South Korea
- Export opportunities of SDLG Brand

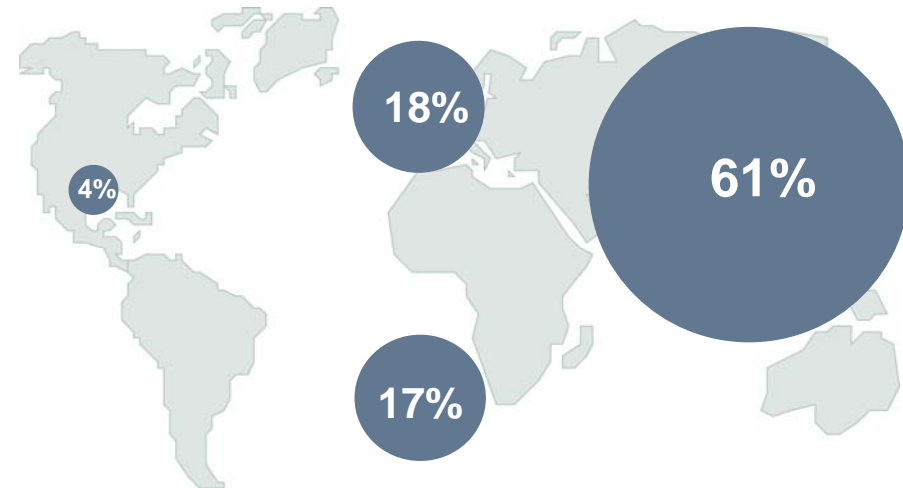


# Volvo CE's units sold in Q3

2008

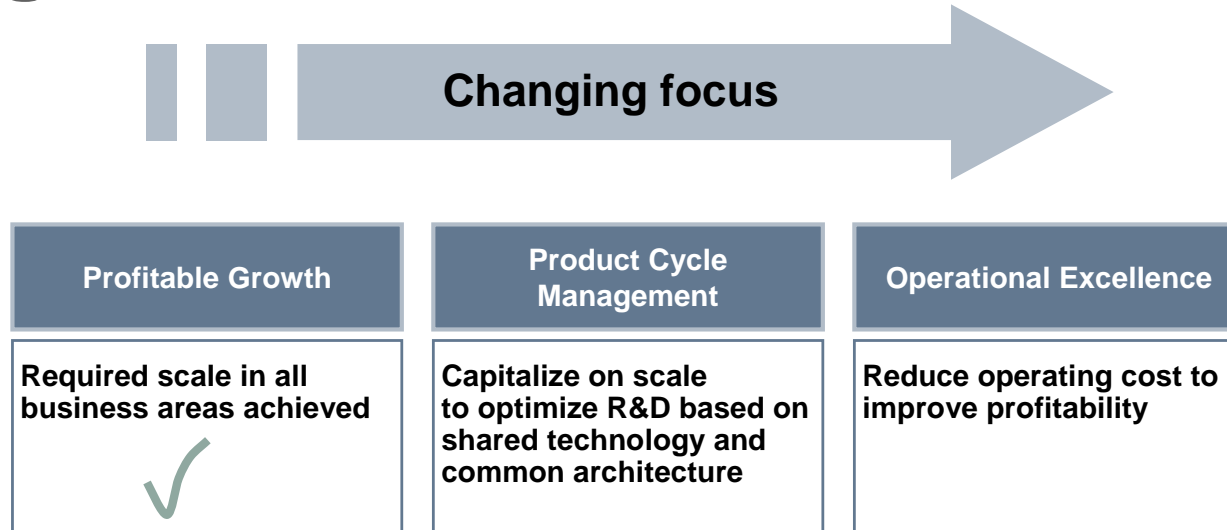


2009

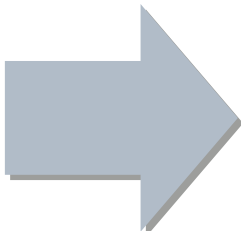




# Strategic Direction for 2010-2012



## Required scale achieved - No need for structural growth

- Heavy duty trucks: 180,000 units (#2 by market share)
  - Construction equipment: 64,000 units (#3 by market share)
  - Heavy duty engines: 200,000 units (#2 by market share)
  - Good brand portfolio
  - Good regional market shares
  - Well performing distribution channels globally
  - Foothold in developing economies
- 
- Organic growth in line with market development, except soft products to grow faster
  - Address non-performing businesses
  - Low priority and only opportunistic approach to acquisition driven growth

# STRATEGIC DIRECTION 2010-2012

Changing focus

Profitable Growth

Required scale in all  
business areas achieved



Product Cycle  
Management

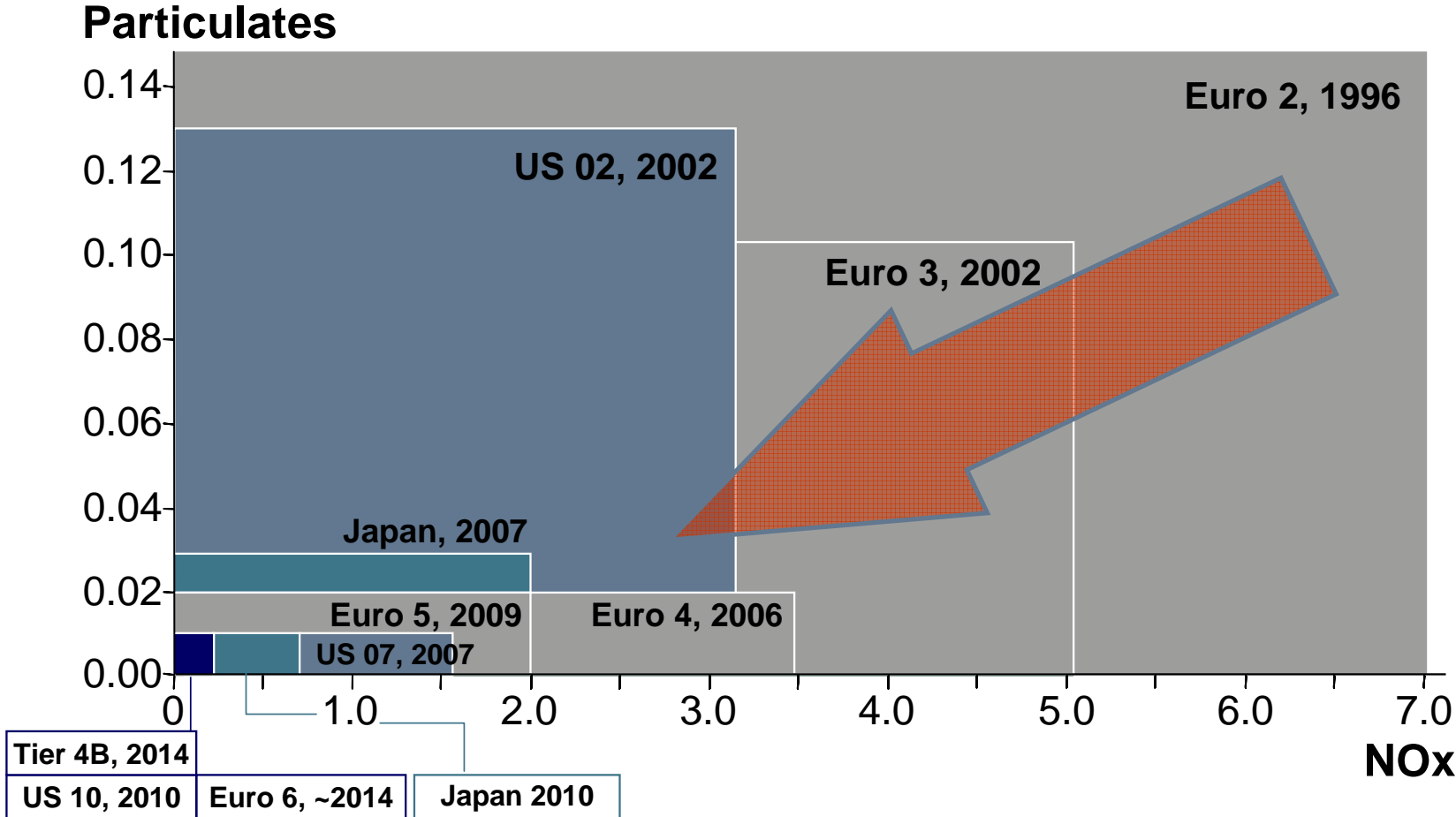
Capitalize on scale  
to optimize R&D based on  
shared technology and  
common architecture

Operational Excellence

Reduce operating cost to  
improve profitability

# Emission Legislation

## Challenges and opportunities



# Emission regulations and technology convergence

## EGR+SCR+DPF for the global engine



- To meet upcoming emission regulations with competitive solutions
- Capitalize on converging technologies across products and markets to drive:
  - R&D efficiency
  - Competitive product cost
- Window of opportunity for other product changes
- Volvo Group HD engine platform in all HD trucks

# Hybrid technology

## FUEL REDUCTION



> 35%



20-30%



10% (50%)

# STRATEGIC DIRECTION 2010-2012

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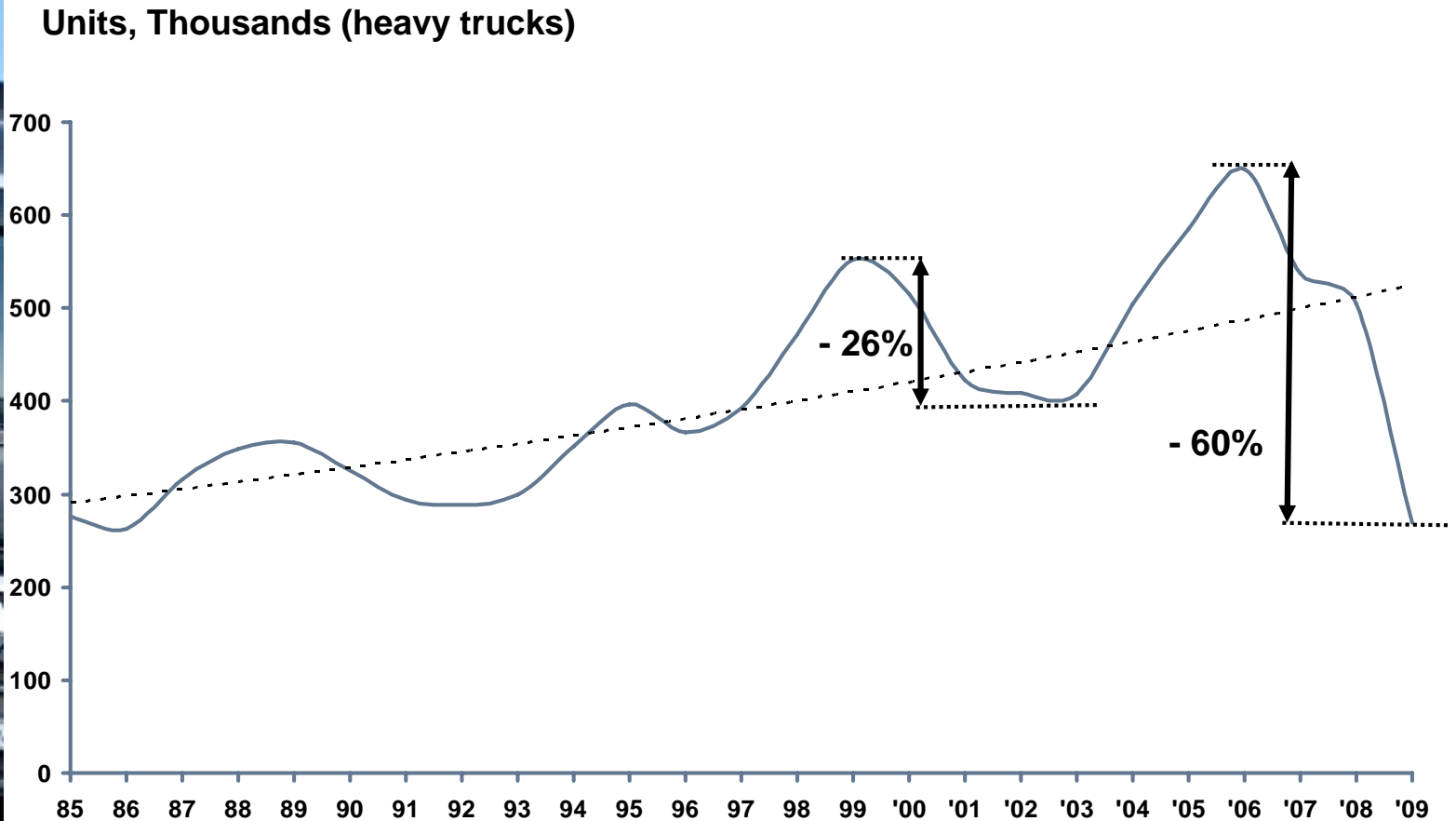
Capitalize on scale  
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Operational Excellence

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# Unprecedented drop - both speed and depth

– Combined market in Europe & North America



# Progress in cost cutting

	<b>Q2</b>	<b>Q3</b>	
• Under absorption in Manufacturing (SEK)	-3.0 bn	-2.5 bn	vacation quarter
• R&D	-3%	-17%	FX-adjusted
• Selling expenses	-15%	-16%	FX-adjusted
• Admin. expenses	-22%	-34%	FX-adjusted



# Integration ongoing

LINGONG



INGERSOLL RAND



NISSAN DIESEL



EICHER





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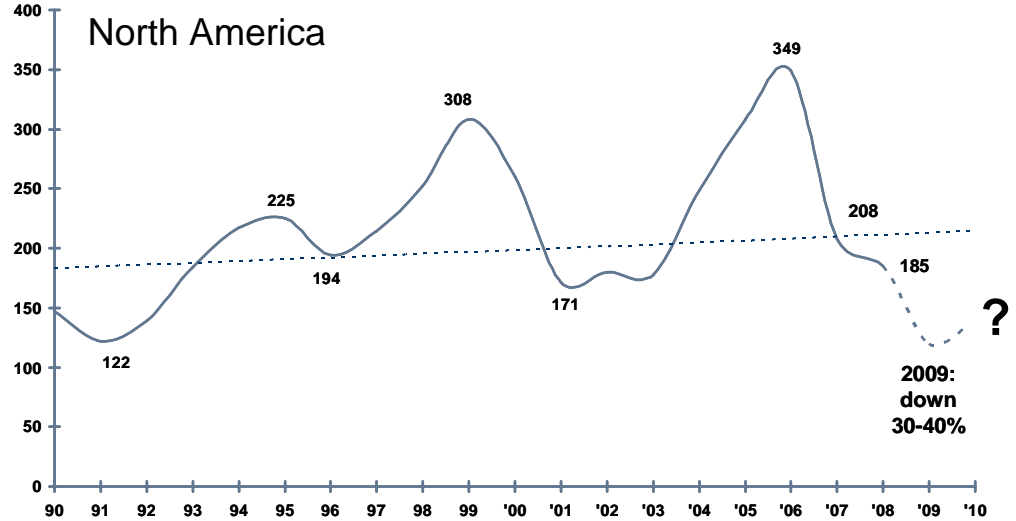
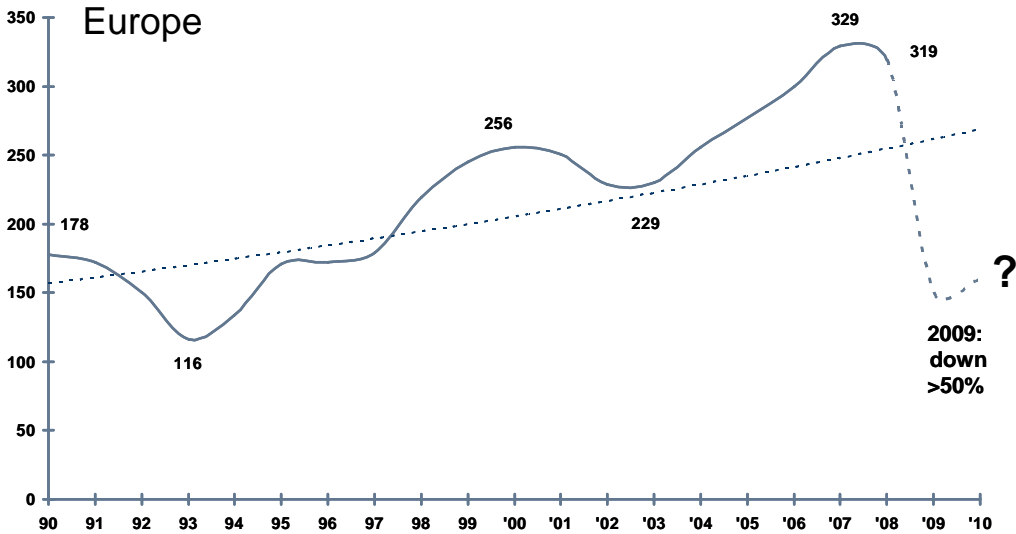
# Business update



## Business environment

- Europe; bottoming out and some signs of improvement
- Asia; recovery under way
- North America; no clear signs of recovery

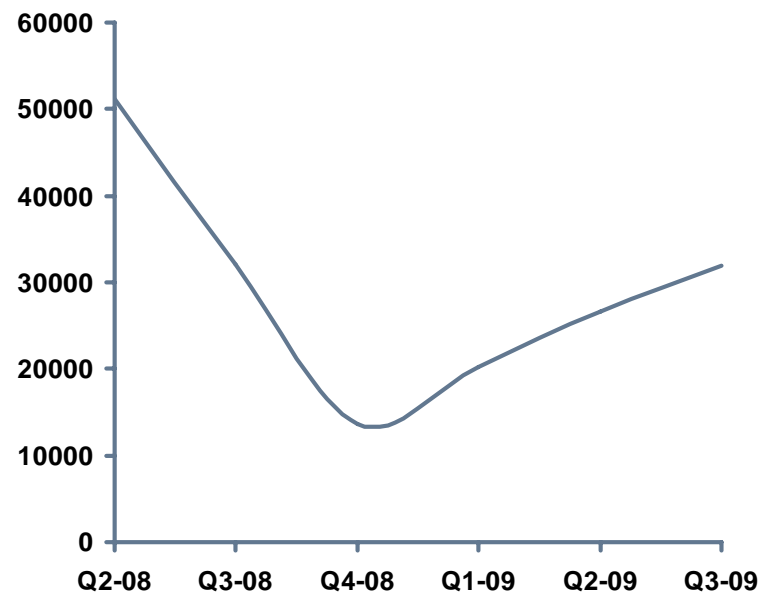
# Heavy-duty truck markets



# Net order intake – positive trend

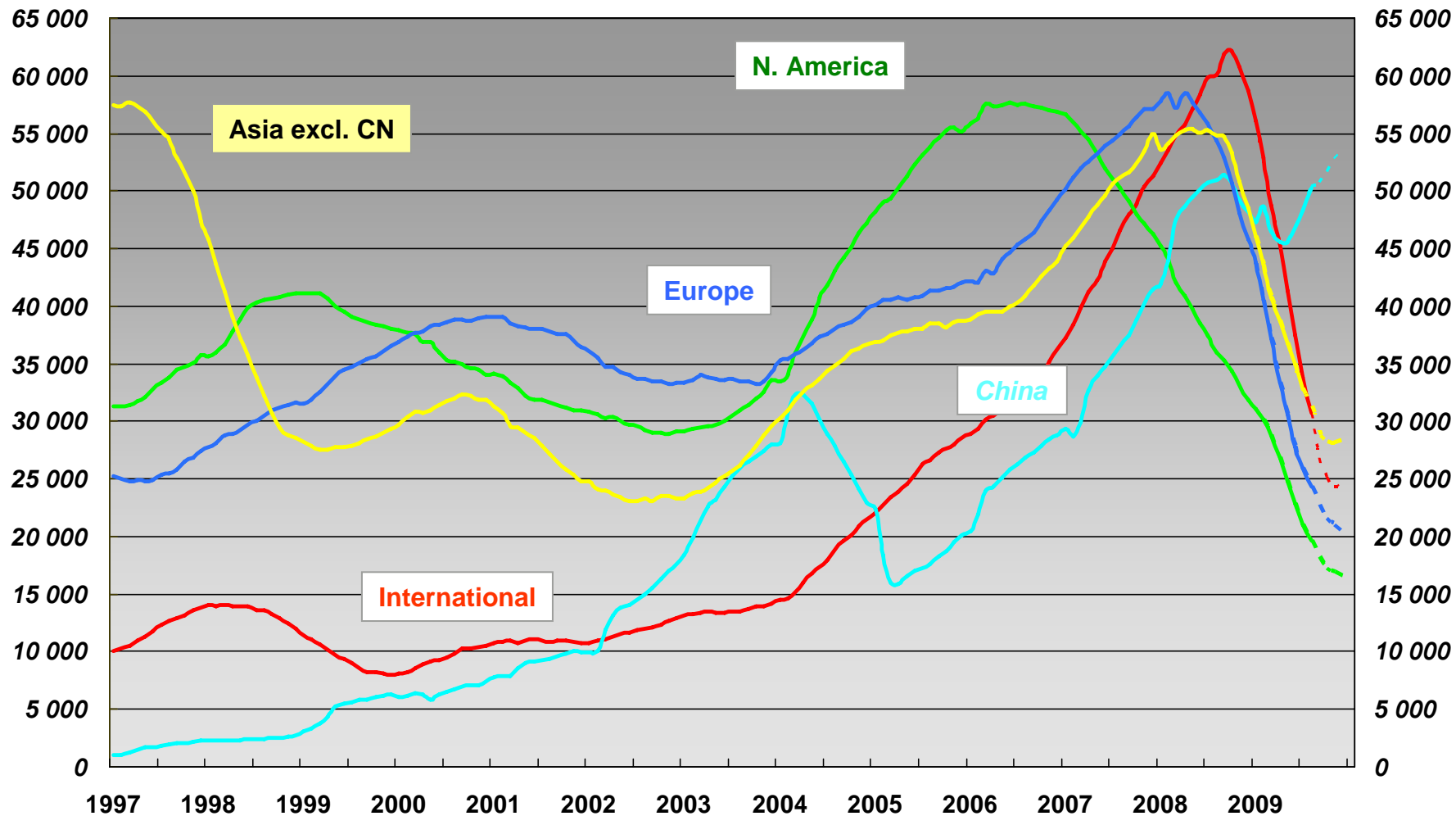
## Trucks

Net order intake	Q3-08	Q4-08	Q1-09	Q2-09	Q3-09	Change Q3-Q2
Europe	115	-1,549	7,494	8,980	8,189	-9%
North America	7,578	4,037	2,869	3,257	5,093	56%
South America	5,096	1,087	1,731	2,998	5,284	76%
Asia	14,607	7,868	5,712	7,884	10,079	28%
Other markets	4,676	2,235	2,377	3,505	3,353	-4%
<b>Total</b>	<b>32,072</b>	<b>13,678</b>	<b>20,183</b>	<b>26,624</b>	<b>31,998</b>	<b>20%</b>



# Dramatic decline in all markets, except China

## General Purpose Equipment

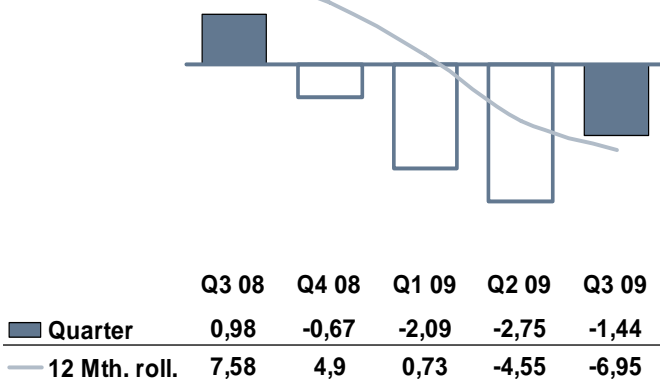


12 month moving rates - August 2009

# Group Summary

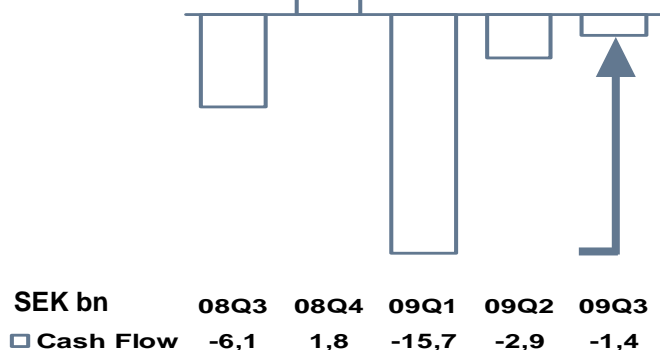


## Earnings per share SEK



## Operating Cash Flow

Industrial operations



## Third quarter

- Sales 31% lower than Q3-08, -39% adjusted for currency
- Operating loss reduced
- Successful reduction of inventories: SEK 3.4 bn
- Operating cash flow – positive trend
- Net debt development stabilized

## In focus

- Group cost structure
- Cash flow



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# PROFITABILITY

## SHORT-TERM

- ▶ Cash flow
- ▶ Cost structure

## LONG-TERM

- ▶ Competitive products
- ▶ Profitability among industry leaders