

# Report of the Month

ReportWatch e.com

December 2007

## Volvo 9-month report

Göteborg, Sweden

• Net sales increased by 13% to SEK 68.4 billion (60.5) in the third quarter. Adjusted for changes in exchange rates and acquired and divested units, net sales increased by 1%.


• Operating income rose 54% to SEK 5,010 M (3,260) in the third quarter.

• Income for the period decreased by 20% to SEK 3,149 M (3,939) in the third quarter.

• Diluted earnings per share amounted to SEK 1.54 (1.94) in the third quarter.

• The Industrial Operation's operating cash flow was negative in an amount of SEK 0.4 billion (neg. 0.4 billion) in the third quarter.

**The Volvo Group**  
Nine months ended  
September 30,  
2007



	Third quarter	Third quarter	Third quarter	Change	
	2007	2006	2007	2006	
<b>Volvo Group</b>					
Net sales	68,400	60,500	20,849	181,208	5
Operating income	5,010	3,260	16,457	15,229	8
Operating income	4,855	2,834	15,195	13,919	9
Industrial operations	454	425	1,270	1,214	(2)
Operating margin	7.3	5.4	8.2	8.0	-
Income after	4,671	3,144	15,040	15,073	5
Income for the period	3,149	3,939	9,906	13,817	(1)
Earnings per share	1.54	1.94	5.37	6.21	
Return on shareholders' equity	17.3	19.5			

• The third quarter of 2007 included a reversal of a valuation reserve for deferred taxes and an adjustment of financial assets (P&L) resulting in a net gain of SEK 1,000 million. The total P&L in 2007 was SEK 1,000 million. The total P&L in 2006 was SEK 1,000 million. The total P&L in 2005 was SEK 1,000 million.

**VOLVO**

## Report Facts

**Company name:** AB Volvo (publ)

**Fiscal year end:** December 31, 2007

**Report title:** *Nine months ended September 30, 2007*

**President and CEO:** Leif Johansson

**Number of books:** 1

**Quarterly report length:** 32 pages

**Auditors:** PricewaterhouseCoopers

**E-mail:** [christer.johansson@volvo.com](mailto:christer.johansson@volvo.com)

**Link to full report:**

[http://www3.volvo.com/investors/finrep/interim/2007/q3/q3\\_2007\\_eng.pdf](http://www3.volvo.com/investors/finrep/interim/2007/q3/q3_2007_eng.pdf)

Report Rating: ★★★★★(★)

(Rating scale below)

**Profile-Mission** (from the annual report 2006)  
*The Volvo Group is one of the leading suppliers of commercial transport solutions providing products such as trucks, buses, construction equipment... The Group also offers financial services. The Group has about 83,000 employees... and sales activities in 180 countries.* (ifc of Annual Report 2006)

## Key Figures

(9 months, in Swedish krona (SEK) million, except per share and ratios)

**Net sales:** SEK 200,849

**Operating income:** SEK 16,457

**Operating margin:** 8.2%

**Income for period:** SEK 10,935

**Earnings per share:** SEK 5.37

**Return on equity:** 17.3%

**Equity to total assets:** 26.0%

(Source: figures sourced from the annual report)

## Major Competitors

- Daimler (Freightliner)
- Navistar
- PACCAR
- Caterpillar
- Komatsu

## Q3/9-Month Report Rating: ★★★★★(★)

### Strongest

- > Many companies tend to consider interim (or quarterly) reports as a compulsory exercise, and make limited efforts to analyze performance achieved (or not) and communicate it in plain language. This has never been the case of Volvo, who, whatever the situation, has always shown a commitment to making it thorough and to putting year events and figures in a strategic perspective.
- > Clearly segmented and commented *Business area overview* (see selected page overleaf), including *12-month rolling values*.
- > Changes in net financial position over the last quarter and for the nine months ended.
- > Key ratios over 9 months include *Gross and Operating margin, Equity ratio, Return on equity...*

### Stronger

- > Report printed and made available one month after the quarter end.
- > Clear distinction made between *Industrial Operations* and *Customer Finance* –also for ratios.
- > Separate section on acquisitions and divestments, with a table for specification of the effects.
- > Recap of year-on-year quarterly figures.

### Good

- > Detailed statements for the 3rd quarter and 9 months ended. Not always easy for the reader to situate oneself.

### Buts

- > Quarterly reporting -and related “guidance”- has been much criticized these last years, also because it often reflects a short-termist fashion and a pressure from the media –and analysts. Is it worth spending so much on it?
- > Group’s profile not provided in the quarterly/nine-month report.
- > Report introduction a bit understated and conclusion a bit of a rough road.
- > Charts wouldn’t harm to grasp the course and trends.

#### Rating Scale

★★★★★: World-class ★★★★★(★): First-rate ★★★★★: Excellent ★★★(★): Fine ★★\*: Average

★\*(★): Uneven ★\*: Ordinary \*(★): Deficient \*: Unsatisfactory (★): Uncompetitive

The rating is based on ReportWatch internal desk research and does not take into account the independent Rating Panel’s judgment.

The rating applies to the interim report and should not be interpreted as a rating for the full-year annuals.

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*How does the company report in key areas? What are the main report pluses and minuses?*

*The **Report Scan** gives an overview of strengths and weaknesses, and scores each item.*

*Contact [e.com@reportwatch.net](mailto:e.com@reportwatch.net)*

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## Business area overview

No. in sales	Third quarter		Change in %	Change in % <sup>1</sup>	First nine months		13 month rolling values	Jan-Dec 2006
	2007	2006			2007	2006		
SEHM								
Trucks	45,350	59,747	14	(5)	130,879	126,246	175,803	171,255
Construction Equipment	12,953	9,937	32	33	39,110	30,961	49,391	49,131
Baras	3,599	3,777	(5)	(3)	11,435	12,665	15,031	13,271
Volvo Parts	2,703	3,443	10	13	8,980	9,182	11,473	10,774
Volvo Aero	1,947	1,933	(5)	7	5,884	6,107	7,779	8,233
Dispositions and other	(197)	(102)	-	-	(490)	(455)	(719)	(854)
<b>Industrial operations</b>	<b>65,253</b>	<b>67,627</b>	<b>15</b>	<b>1</b>	<b>194,449</b>	<b>193,733</b>	<b>259,736</b>	<b>249,030</b>
Customer Finance	2,034	2,320	(13)	-	5,733	5,941	7,540	7,648
Reclassifications and eliminations	90	533	-	-	666	1,634	1,199	2,167
<b>Volvo Group</b>	<b>69,367</b>	<b>69,480</b>	<b>13</b>	<b>-</b>	<b>(200,949)</b>	<b>191,209</b>	<b>268,475</b>	<b>259,936</b>

<sup>1</sup> (Q3) quarter for exchange rates and acquired and divested units.

Operating income	Third quarter		Change in %	First nine months		13 month rolling values	Jan-Dec 2006
	2007	2006		2007	2006		
SEHM							
Trucks <sup>1</sup>	3,507	3,473	1	11,049	11,253	14,534	14,828
Construction Equipment	939	973	(4)	3,193	3,025	4,290	4,013
Baras	(73)	193	(143)	139	534	549	745
Volvo Parts	259	357	0	996	979	1,233	1,105
Volvo Aero	146	143	3	333	505	197	359
Group headquarter functions and other	(124)	(352)	-	(513)	(546)	(533)	(554)
<b>Industrial operations<sup>1</sup></b>	<b>4,555</b>	<b>4,546</b>	<b>0</b>	<b>15,195</b>	<b>15,629</b>	<b>19,994</b>	<b>20,426</b>
Goodwill adjustment	-	(1,713)	-	-	(1,713)	0	(1,713)
<b>Industrial operations</b>	<b>4,555</b>	<b>2,833</b>	<b>61</b>	<b>15,195</b>	<b>13,915</b>	<b>19,994</b>	<b>18,713</b>
Customer Finance	454	435	7	1,270	1,314	1,643	1,555
<b>Volvo Group</b>	<b>5,010</b>	<b>3,268</b>	<b>54</b>	<b>16,465</b>	<b>15,229</b>	<b>21,637</b>	<b>20,269</b>

<sup>1</sup> Including adjustment of goodwill to the subsidiary Wheel Tractor in 2006.

Operating margin	Third quarter		First nine months		13 month rolling values	Jan-Dec 2006
	2007	2006	2007	2006		
SEHM						
Trucks <sup>1</sup>	7.7	9.7	9.4	9.9	8.3	8.7
Construction Equipment	6.5	9.9	9.4	9.8	8.6	9.7
Baras	2.0	4.3	1.3	4.3	3.3	4.6
Volvo Parts	9.5	10.3	11.2	10.9	10.6	10.3
Volvo Aero	8.0	7.4	5.9	8.3	3.4	4.4
<b>Industrial operations<sup>1</sup></b>	<b>6.9</b>	<b>7.9</b>	<b>7.9</b>	<b>9.5</b>	<b>7.7</b>	<b>8.2</b>
<b>Industrial operations</b>	<b>6.9</b>	<b>4.9</b>	<b>7.9</b>	<b>7.6</b>	<b>7.7</b>	<b>7.5</b>
<b>Volvo Group</b>	<b>7.3</b>	<b>5.4</b>	<b>8.2</b>	<b>8.0</b>	<b>8.1</b>	<b>7.9</b>

<sup>1</sup> Including adjustment of goodwill to the subsidiary Wheel Tractor in 2006.

