

New York

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Agenda

- **New financial targets**
- **Financial performance**
- **Cash deployment**
- **New financial reporting structure**

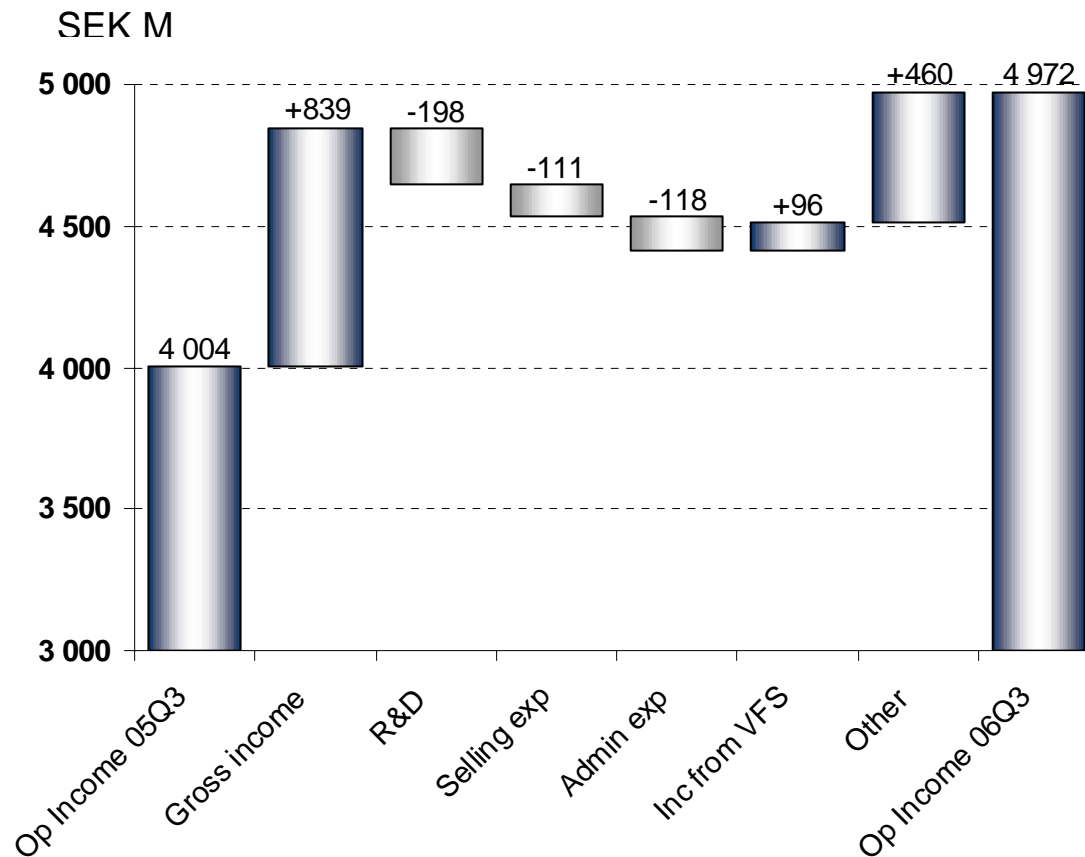
New Financial Targets

- **Sales growth of >10%**
- **Operating margin of >7% (+ Financial Services)**
- **Net debt / Equity < 40%**

Financial Summary – Q3 2006

Operating Income Bridge

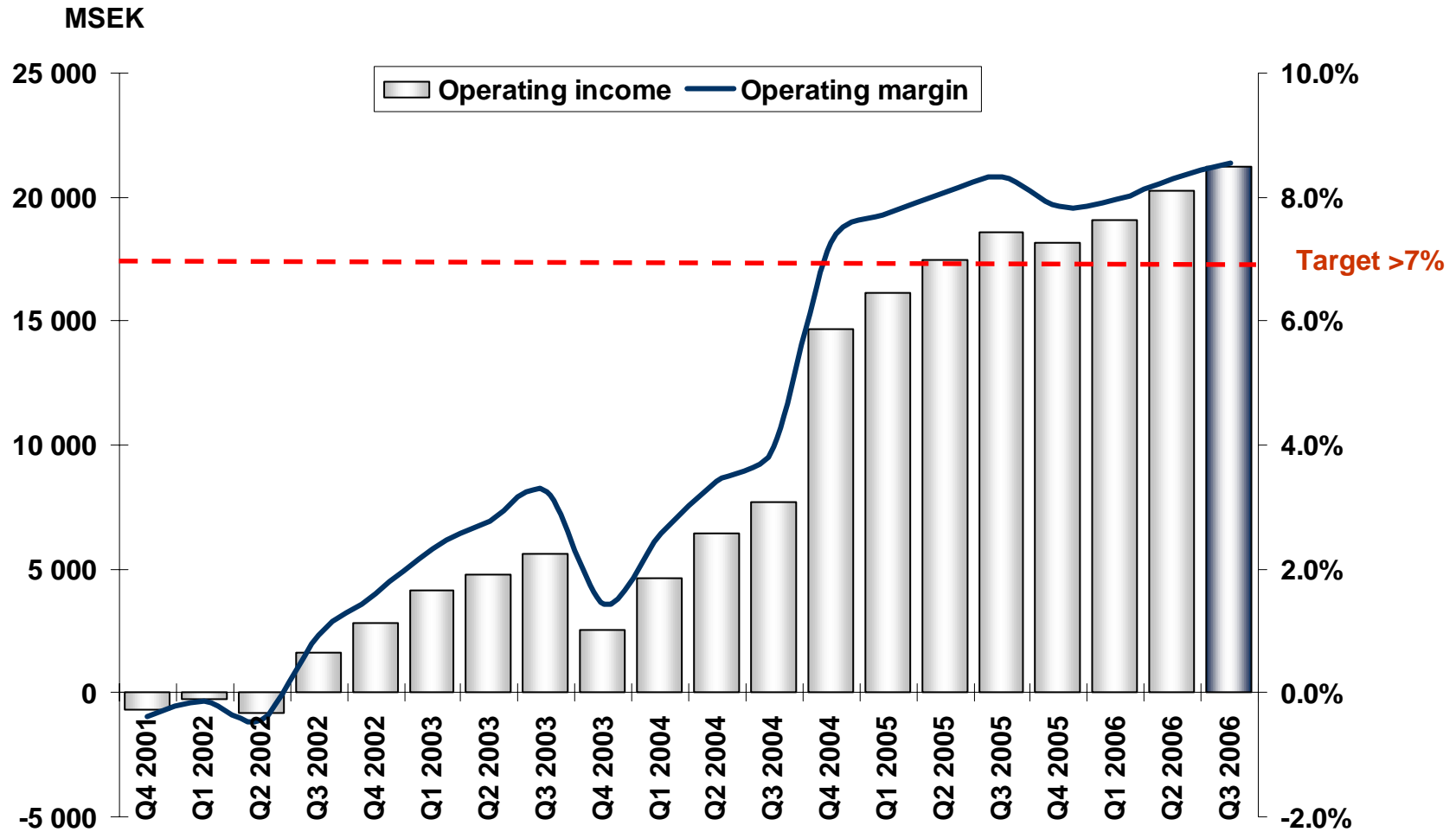
(excl. goodwill adjustment)



- Net sales +9%
- Operating income +24%, margin 8.7% (7.6%)
- Highlights:
 - + Gross income
 - + Selling & admin cost
 - R&D amortization
 - Goodwill adjustment

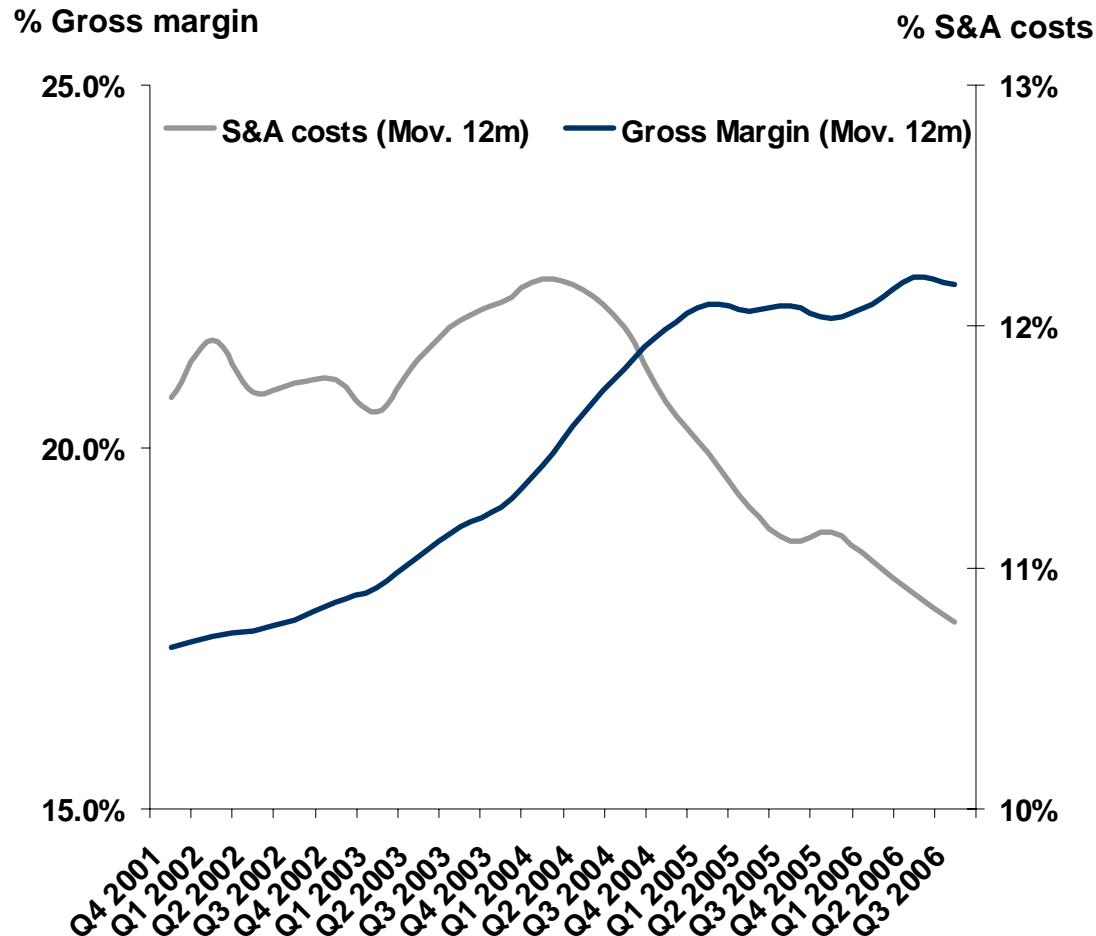
Improved Operating Performance

Operating income (moving 12 months)



Improved Operating Performance

Gross margin and S&A cost

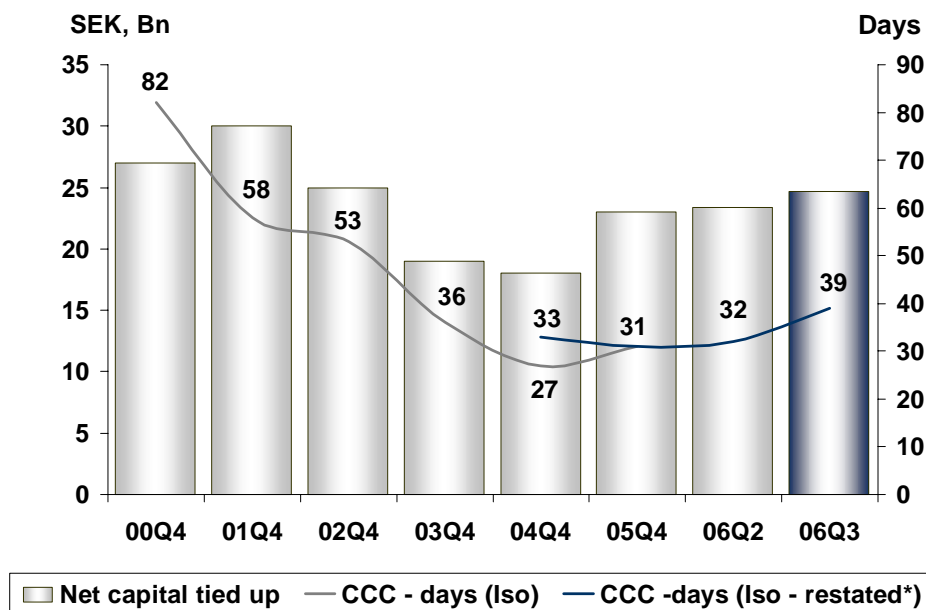


- **Group synergies**
 - Powertrain
 - 3P
 - Business units
- **New products and strong after market**
- **Price realization**
- **Manufacturing productivity**
- **Administrative efficiency**

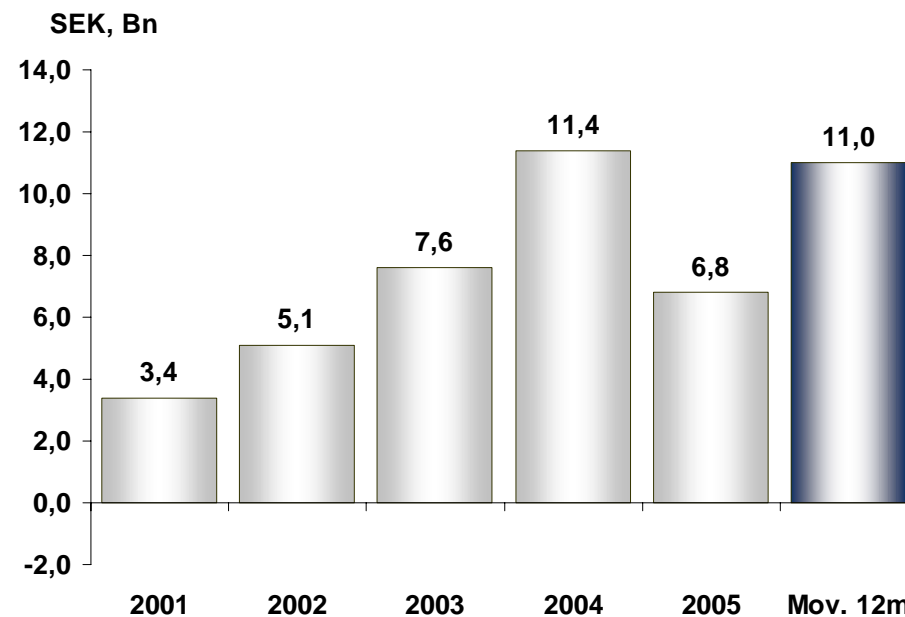
Improved Operating Performance

Cash conversion cycle and Operating Cash flow - Industrial operations

Cash Conversion Cycle



Operating Cash Flow



* IAS 39 adoption

Strategy for Cash Deployment

I. Investments

II. Acquisitions

III. Ordinary dividend

- Competitive level
- Stable growth (1990-2005 CAGR: 12%)

IV. Excess funds returned to shareholders

New Financial Reporting Structure in 2007

Business areas



Volvo Trucks



Renault Trucks



Mack Trucks



Volvo Buses



Volvo CE



Volvo Penta



Volvo Aero



Financial Services

Business units

Volvo 3P

Volvo Powertrain

Volvo Parts

Volvo Logistics

Volvo Information Technology

Volvo Non Automotive Purchasing (NAP)

Volvo Business Services

New Financial Reporting Structure in 2007

- **Customer finance reported separately**
- **Business Units P&L allocated to Business Areas**
- **Corporate functions reported separately**

In Focus

- **Cost management**
- **Working capital management**
- **Cash deployment**