

VOLVO

Capital Market Day

June 19, 2007

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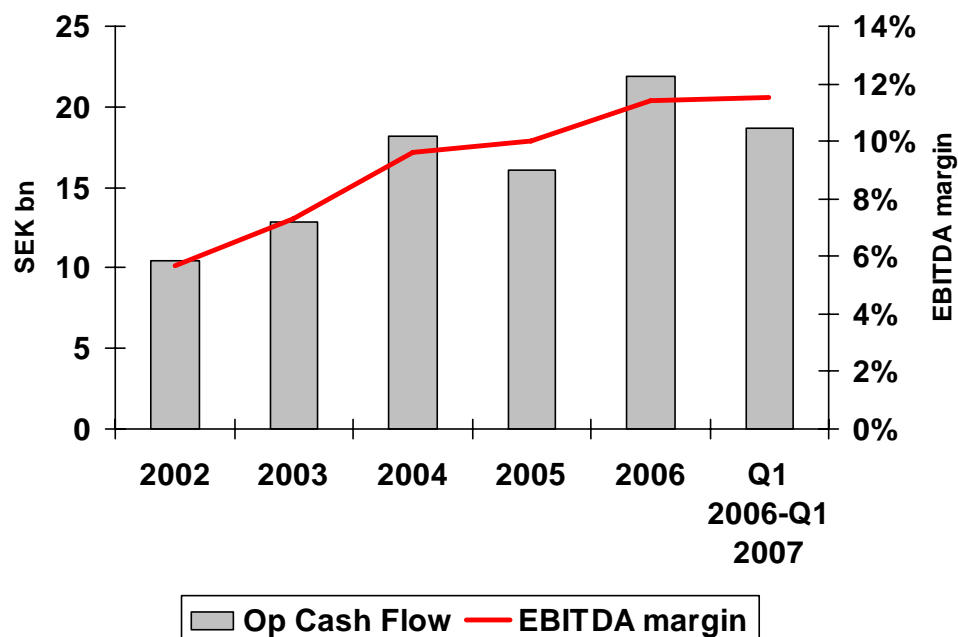
Senior Vice President and CFO

Agenda

- Cash flow
- Cash deployment
- Funding

Continued strong cash flow

Cash Flow from operating activities – Industrial Operations
(before investments)



- Strong sales growth > 10% target
- Improved operating income >7% target
- Cash conversion cycle at 35 days
- Customer Finance ROE 13,1%

Clear strategy for cash deployment

- 1) Investments
- 2) Value accretive acquisitions
Samsung, Renault Trucks, Mack Trucks,
Nissan Diesel, Lingong and Ingersoll Rand Road Development
- 3) Strong and stable ordinary dividend
10 year CAGR 19%
- 4) Excess cash returned to shareholders
~SEK 40 bn since 2000

Recent liquidity events

Q1

- Nissan Diesel: SEK 7.4 bn
- Customer Finance: SEK 0.8 bn

Q2

- Dividend and redemption: SEK 20.2 bn
- Ingersoll Rand road division: SEK 8.8 bn

Onwards

- Investments in capacity and technology
- Customer Finance expansion

New funding strategy in place

- Borrowing requirements Q1-07
 - Industrial Operations: ~SEK 23 bn
 - Customer Finance: ~SEK 70 bn
- Average maturities
 - Industrial Operations 6 years
 - Customer Finance 1.4 years
- Diversification
- Strong and stable credit rating

Funding sources secured

- Cash in Q1-07: SEK 39 bn
- Public debt programmes: SEK 115 bn
 - EMTN
 - MTN: SEK and AUD
 - CP: USD, EUR, SEK, CAD and AUD
- Loan facilities and agreements: SEK 35 bn
- Undrawn long term committed credit facilities: ~SEK 25 bn
 - EUR1.45bn maturing 2011
 - US\$1.4bn maturing 2013

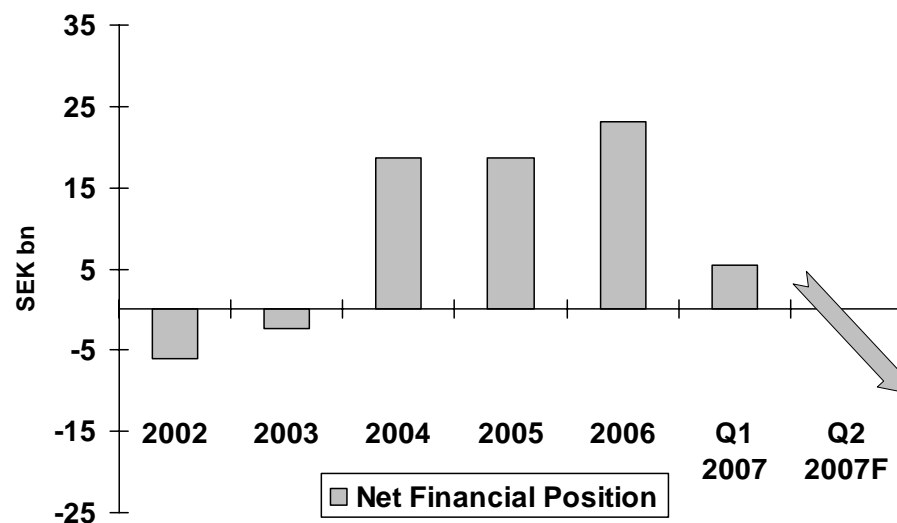
Key transactions 2007

- 1.0 bn EUR 10 yr Bond
- 5.1 bn SEK 7yr Bond
- 2.1 bn SEK 10 yr Bond
- 100 bn JPY Bridge facility

Efficient capital structure

- Increased leverage
 - Debt / equity <40%
 - Customer Finance equity ratio 8%
- Cash only for liquidity purpose
- Strong credit metrics:
 - ✓ Debt / Equity
 - ✓ Debt / EBITDA
 - ✓ Interest coverage
 - ✓ Free cash flow / debt

Industrial operation (SEK bn)	2006	Q1- 2007
Financial assets	43.2	38.9
Pensions and others	-8.7	-10.3
Interest-bearing debt	-11.5	-23.1
Financial debt	-20.1	-33.4
Net financial position	23.1	5.4



The new financial strategy

Shareholders

Long-term attractive and stable total return

Debt providers

Strong credit rating
Financial strength and flexibility

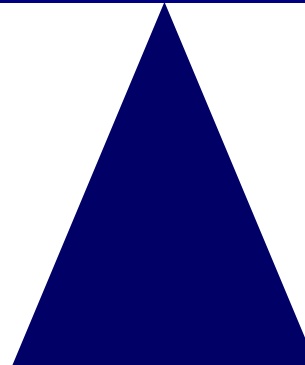
Financial key ratios to balance these objectives

Financial Targets

Sales growth >10%
Operating margin >7%

Financial Restriction

Net debt / Equity < 40%
Financial Services equity ratio 8%



Summary

- Cash flow in focus
- Clear strategy for cash deployment
- Efficient capital structure and strong credit metrics