

**VOLVO**

Second Quarter 2006  
Conference Call, July 21, 2006

# Highlights

## Second Quarter

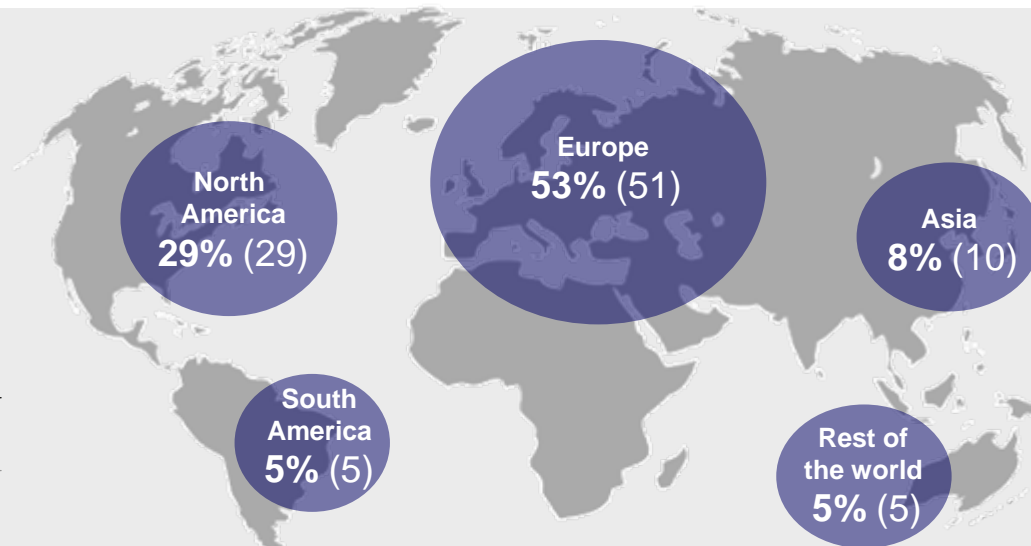
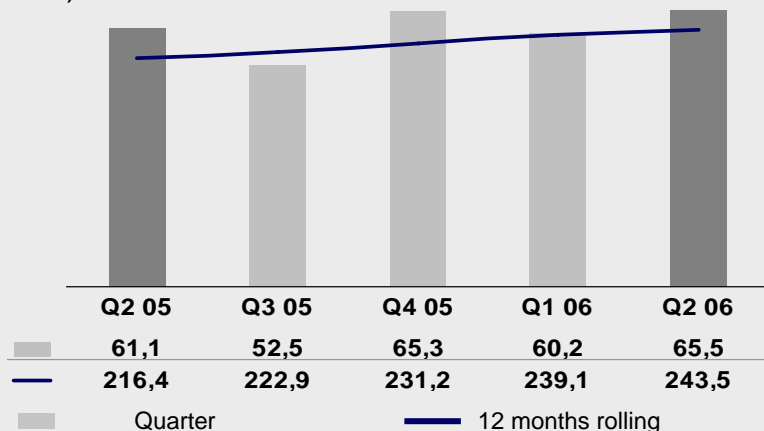
- Business environment
  - European market continues to improve
  - Continued high levels in North America
- Sales growth in all Business Areas
- Profitability at all-time high
  - Operating income up 22% to SEK 6,539
  - Operating margin at 10.0%
  - Return on Equity at 18.6%
- Doubled operating cash flow (excl.VFS)
- EPS up 19% to SEK 11.53

## In Focus Going Forward

- Manage product- and production change-over
- Capitalize on new products

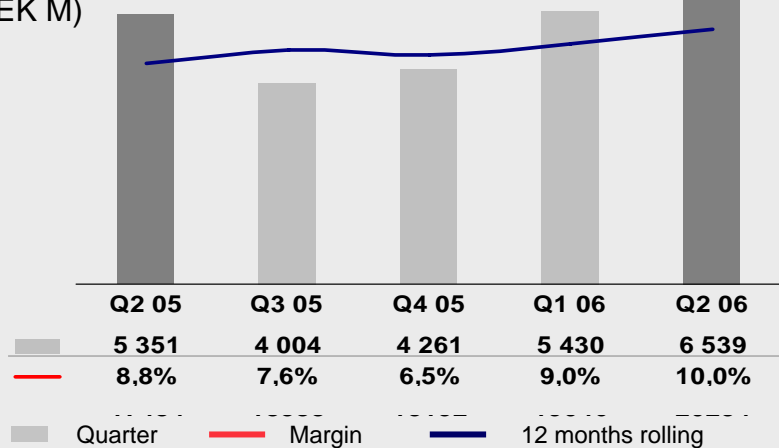
### Net sales

(SEK bn)



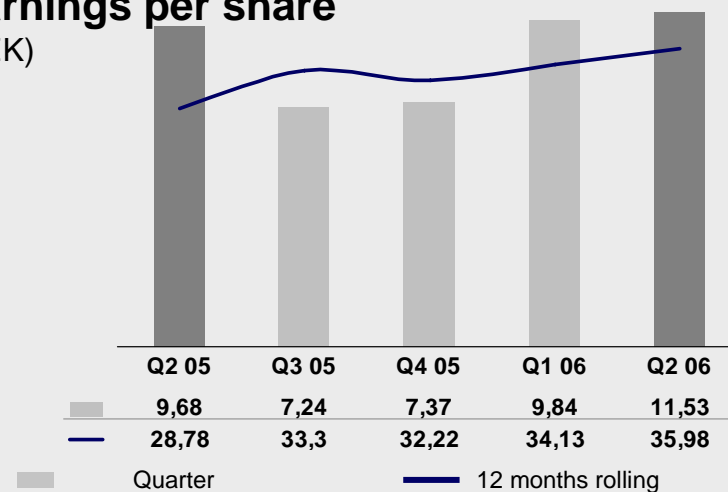
### Operating income

(SEK M)



### Earnings per share

(SEK)



# Volvo Group – Financial Summary\*

| SEK M   | Q2-2006       | Q2-2005       |   |
|---|---------------|---------------|---|
| <b>Net Sales</b>  | <b>65 472</b> | <b>61 119</b> | <i>Up 6% adjusted for currency and acq./div.</i>  |
| <b>Gross income</b>   | <b>15 007</b> | <b>13 137</b> |   |
| R&D expenses  | (2 034)       | (1 860)       |   |
| Selling expenses  | (5 059)       | (4 829)       |   |
| Administrative expenses                                       | (1 562)       | (1 630)       |   |
| Other op. Income & expenses                                   | (492)         | 2             |   |
| Inc. from Financial Services                                  | 626           | 483           |   |
| Inc. from investments in ass. companies                       | 12            | 15            |   |
| Inc. from other investments                                   | 41            | 33            |   |
| <b>Operating income</b>                                       | <b>6 539</b>  | <b>5 351</b>  | <i>Currency impact vs. last year approx. -300</i> |
|   | <b>10,0%</b>  | <b>8,8%</b>   |   |
| Interest income and similar credits                           | 222           | 284           |   |
| Interest expenses and similar charges                         | (245)         | (326)         |   |
| Other financial income and expenses                           | (59)          | (55)          |   |
| <b>Financial Net</b>  | <b>(82)</b>   | <b>(97)</b>   |   |
| <b>Income after fin. Items</b>                                | <b>6 457</b>  | <b>5 254</b>  |   |
| Taxes   | (1 777)       | (1 323)       |   |
| <b>Income for the period</b>                                  | <b>4 680</b>  | <b>3 931</b>  |   |
|   | <b>7,1%</b>   | <b>6,4%</b>   |   |
| <b>ROE</b>  | <b>18,6%</b>  | <b>16,8%</b>  |   |
| EPS, SEK  | 11,53         | 9,68          |   |
| <b>Operating cash flow, excl. Financial Services (SEK bn)</b> | <b>6,0</b>    | <b>3,0</b>    |   |

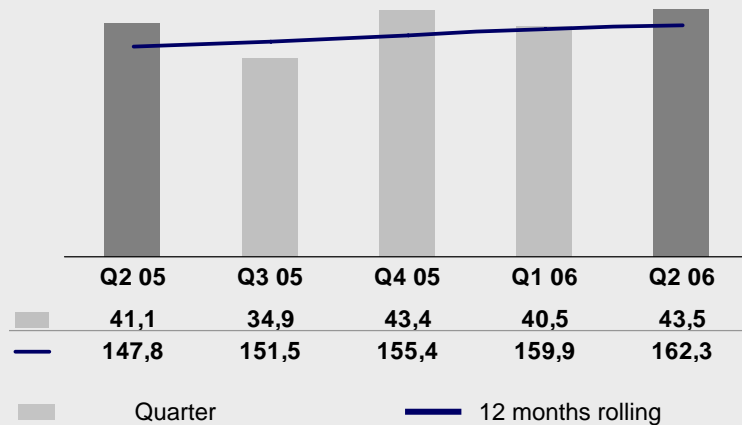
\* Financial Services reported in accordance with the equity method

# Trucks

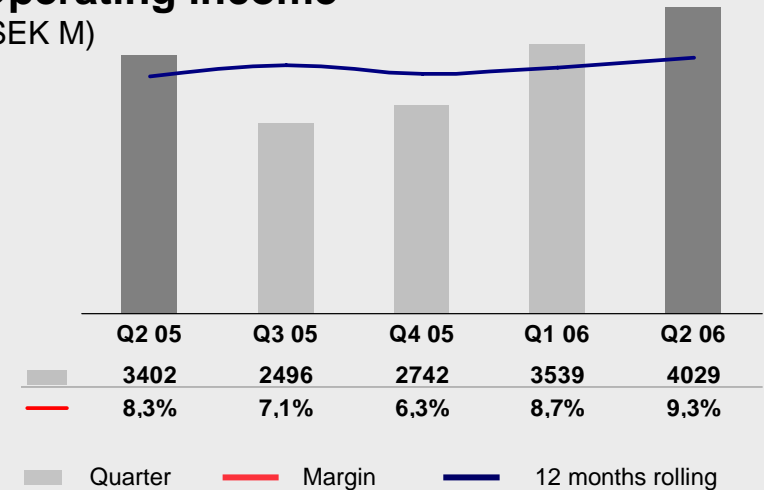
## Second Quarter



### Net sales (SEK bn)



### Operating income (SEK M)



### Highlights

- Strong sales in Europe
- Operating margin at 9.3%
- Renewal and broadened product range – distribution trucks for Europe
- SCR in Europe

### In Focus

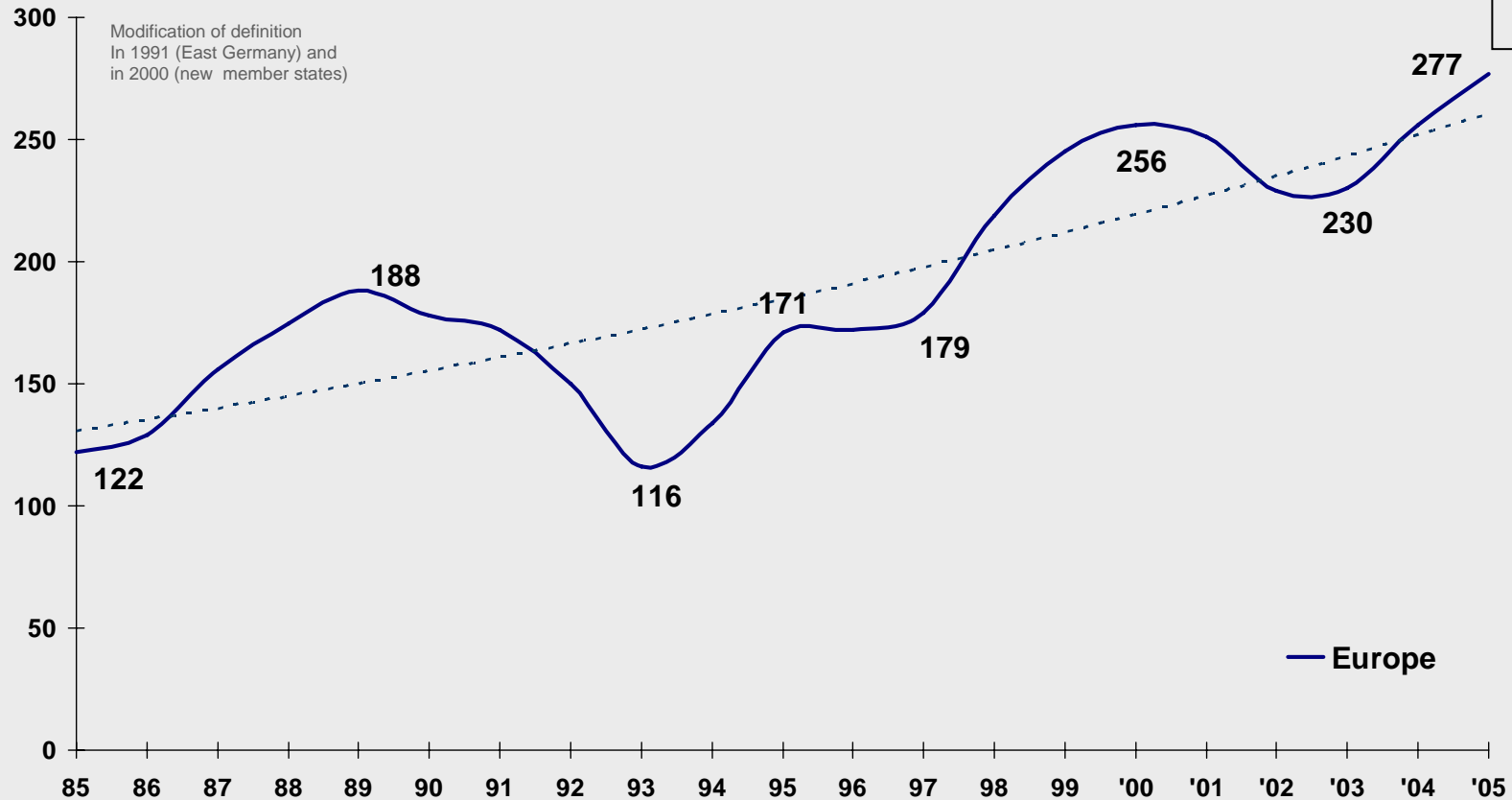
- Product launches and changes in the industrial footprint.
- Capitalize on new products
- SCR in North America

# Heavy Duty Truck Market Europe

(EU members + Switzerland and Norway)



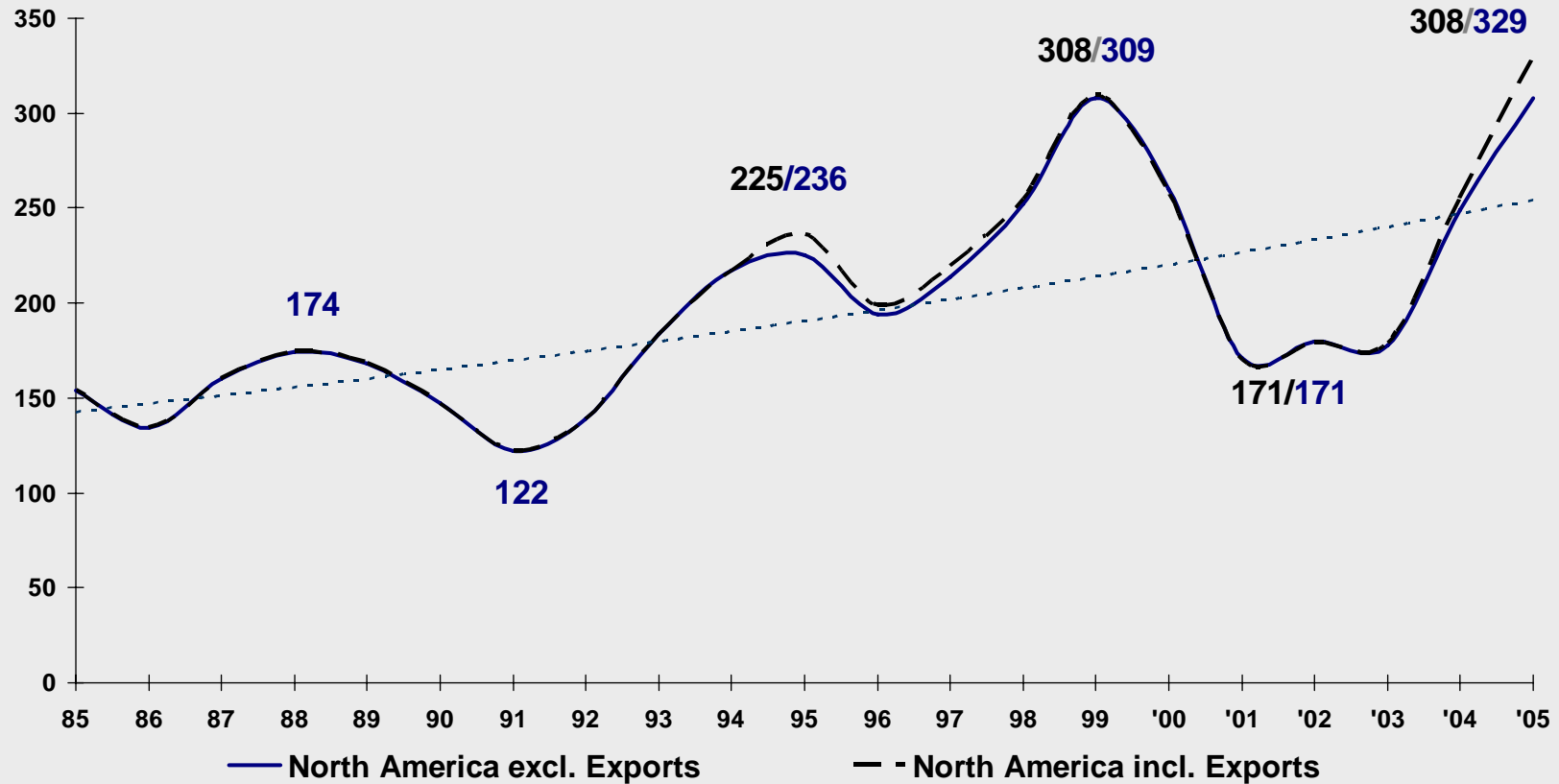
Units, Thousands (heavy trucks)



# Heavy Duty Truck Market North America



Units, Thousands (heavy trucks)



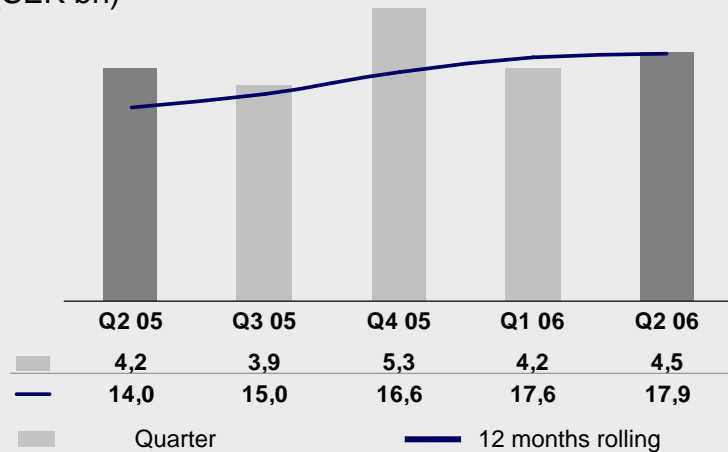
2006 forecast  
350-360 000  
330-340 000

# Volvo Buses

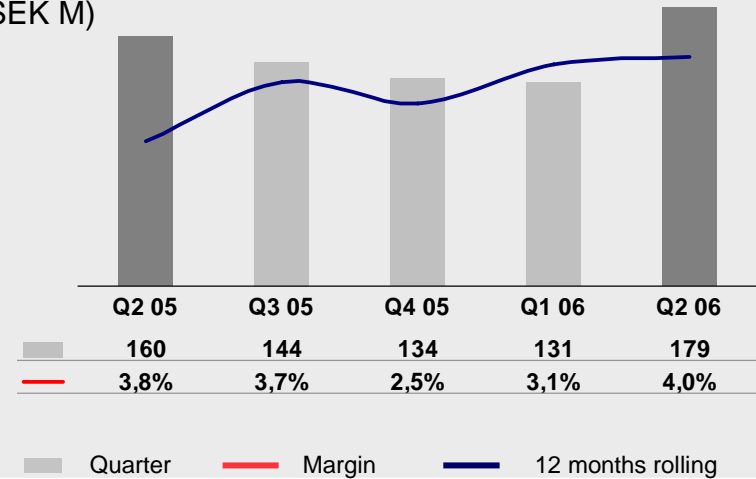
## Second Quarter



### Net sales (SEK bn)



### Operating income (SEK M)



### Highlights

- Increased sales
- Euro4/5 change over
- New 7700 launched in June
- 730 Nova buses to Quebec

### In Focus

- Profitable growth
- Efficiency improvement
- Euro 4/5 introduction
- Launch 9700, 9900

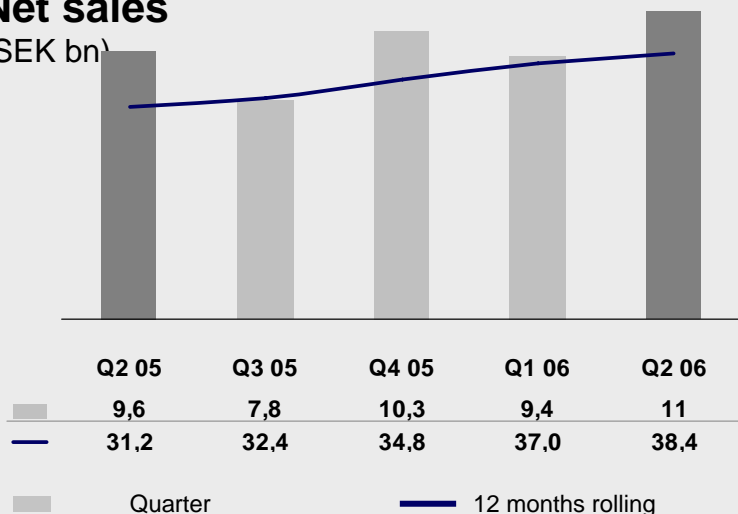


# Volvo Construction Equipment Second Quarter



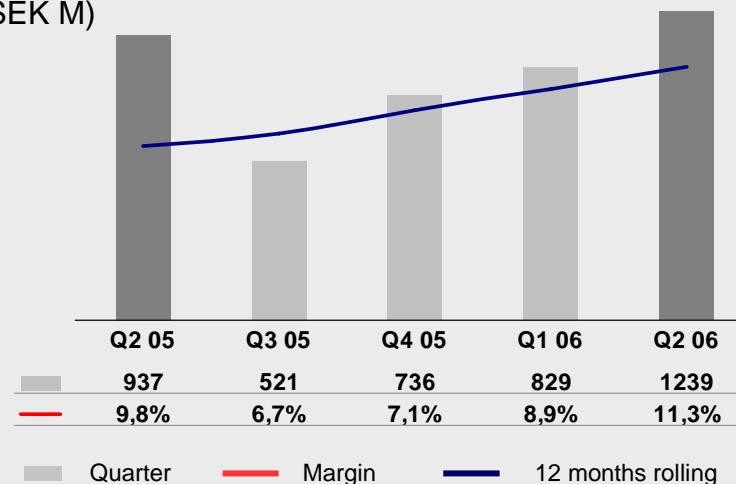
## Net sales

(SEK bn)



## Operating income

(SEK M)



## Highlights

- Total world market up 2%, NA down 7% and EU up 1%
- Sales growth 15%
- Operating income increased 32%, margin 11.3%
- High capacity utilization

## In Focus

- Continue to grow excavator and Articulated Haulers business
- Manage strong order book
- Closely monitor market development

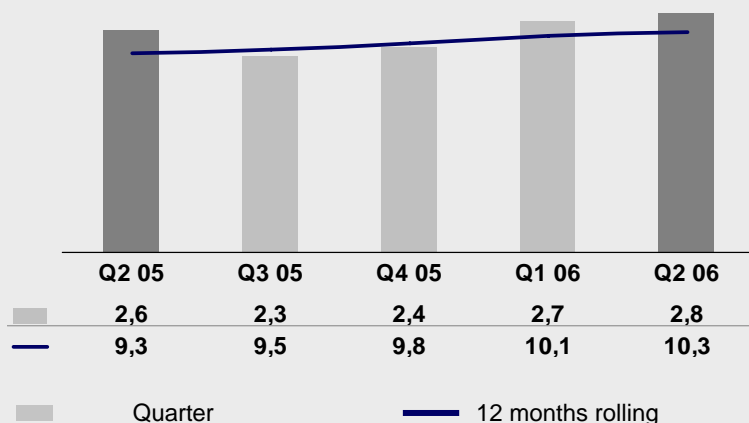
# Volvo Penta

## Second Quarter



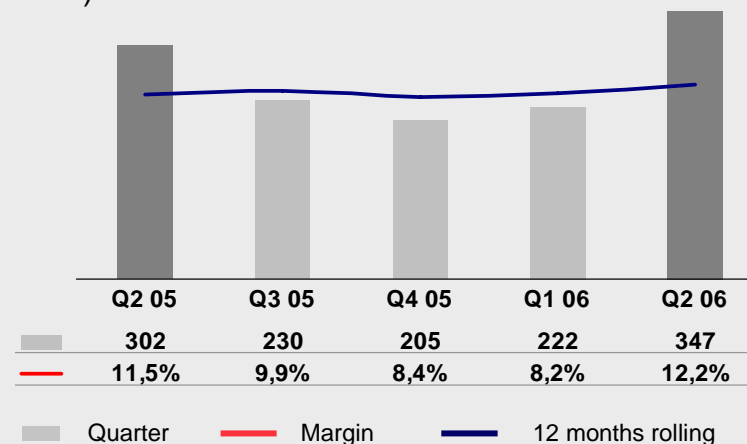
### Net sales

(SEK bn)



### Operating income

(SEK M)



### Highlights

- Strong sales development in all segments
- Continuously high order intake
- Increased operating income
- Volvo Penta IPS in more boats

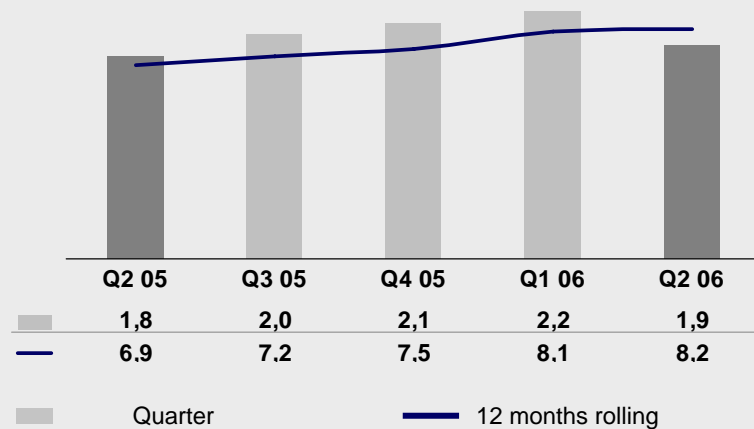
### In Focus

- Production and delivery lead times
- Increased growth
- Cost control
- Product introduction

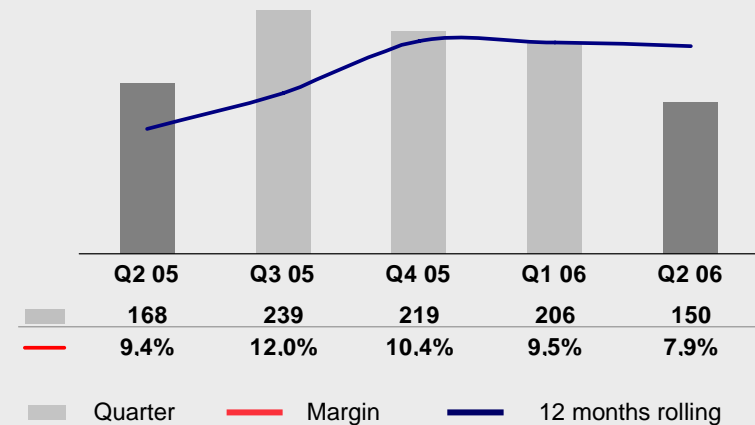
# Volvo Aero Second Quarter



## Net sales (SEK bn)



## Operating income (SEK M)



## Highlights

- World air travel continues to grow
- Order book improved significantly
- Continued strong performance in the component business
- Production start ups of new engine programs

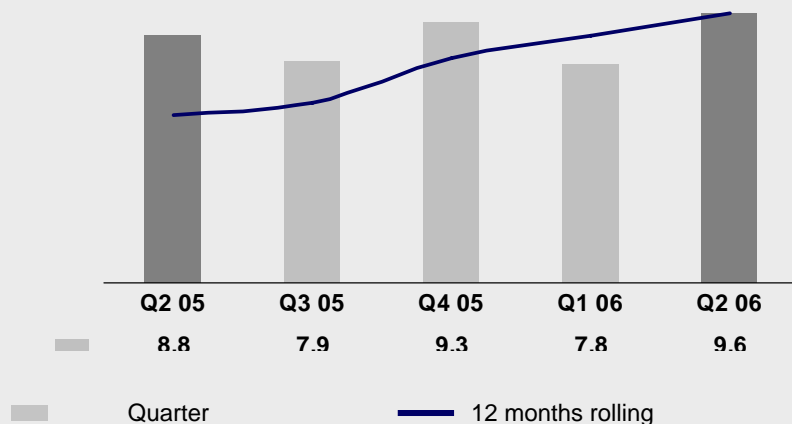
## In Focus

- Supply chain management
- After market business
- Cash flow

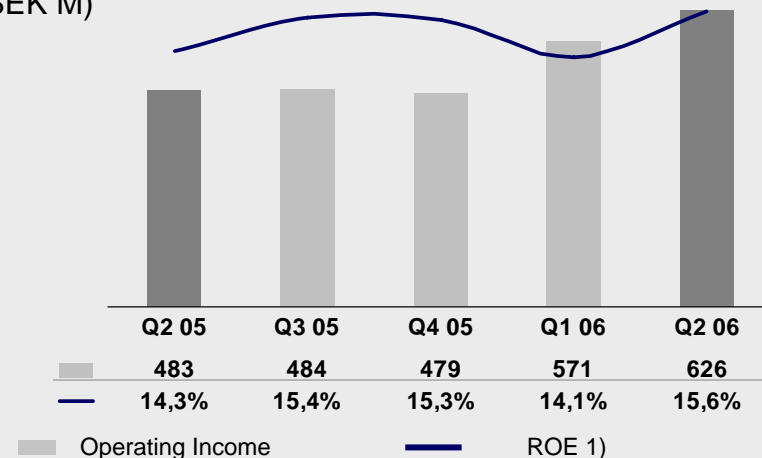
# Volvo Financial Services Second Quarter



## New retail financing (SEK bn)



## Operating income and return on equity (SEK M)



## Highlights

- Improved returns and profitability
- Record volume
- Portfolio performing well

## In Focus

- Commercial focus
- China license approval
- Business cycle management

1) Calculated as a 12 month rolling average

## Volvo Group Summary

- Growth in all Business Areas
- Operating margin at all-time high 10.0%
- In focus:
  - Finalize transition into a more efficient industrial and product structure
  - Capitalize on a new generation of competitive products