

**VOLVO**

Third Quarter 2006  
Conference Call, October 24, 2006

# Highlights

## Third Quarter

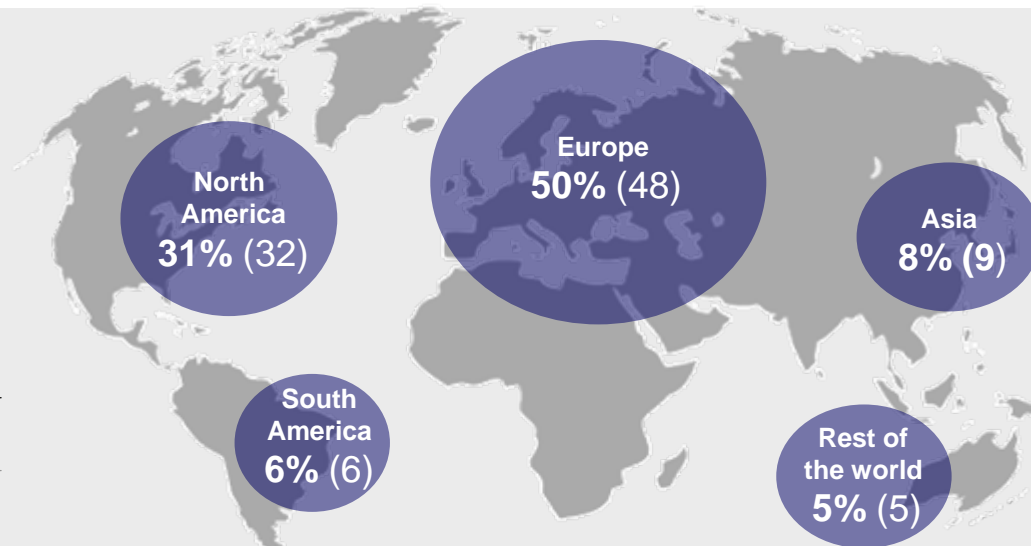
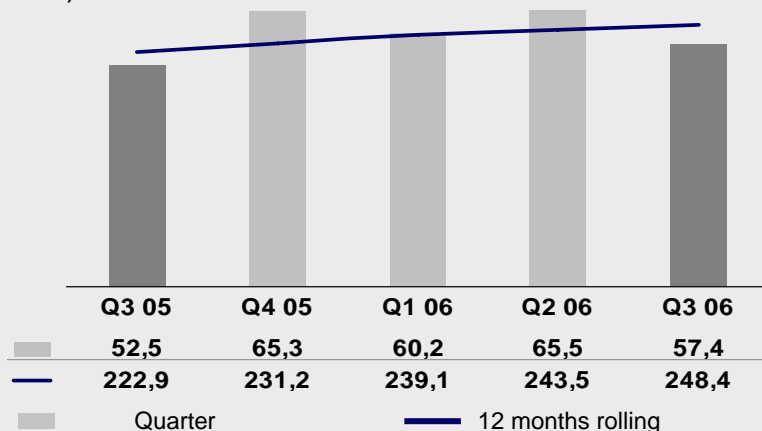
- Business environment
  - European market stronger than expected
  - Prebuy effect in North America
- Sales increased by 9%
- Another quarter with strong profitability
  - Adjusted operating income up 24% to SEK 4,972
  - Adjusted operating margin at 8.7%
  - Return on equity at 19.3%
- EPS up 34% to SEK 9.70
- Increased ownership in Nissan Diesel and a 70% equity investment in Lingong
- New financial targets

## In Focus Going Forward

- Manage product- and production change-over
- Capitalize on new products
- Manage downturn in US truck market

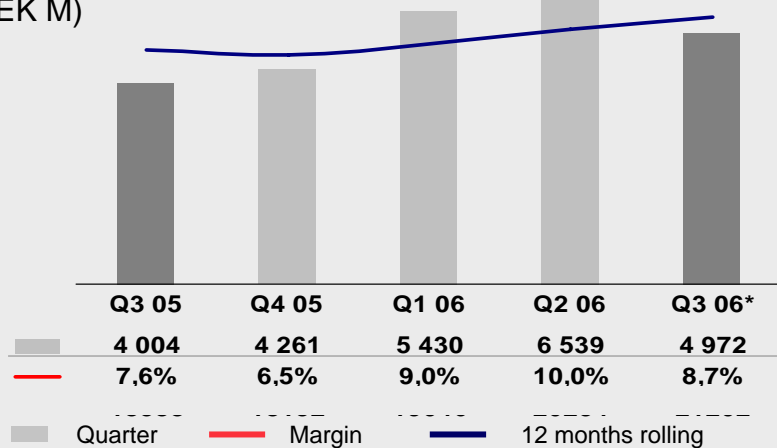
### Net sales

(SEK bn)



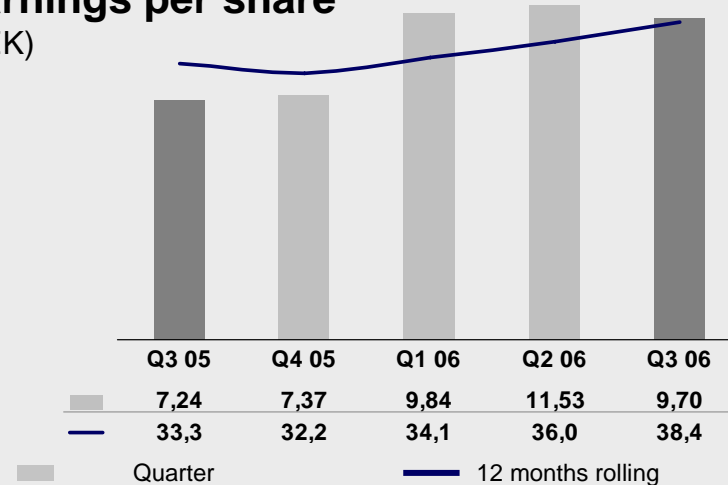
### Operating income

(SEK M)



### Earnings per share

(SEK)



\* Excluding goodwill adjustment of SEK 1,712 due to release of valuation reserves for taxes

# Volvo Group – Financial Summary

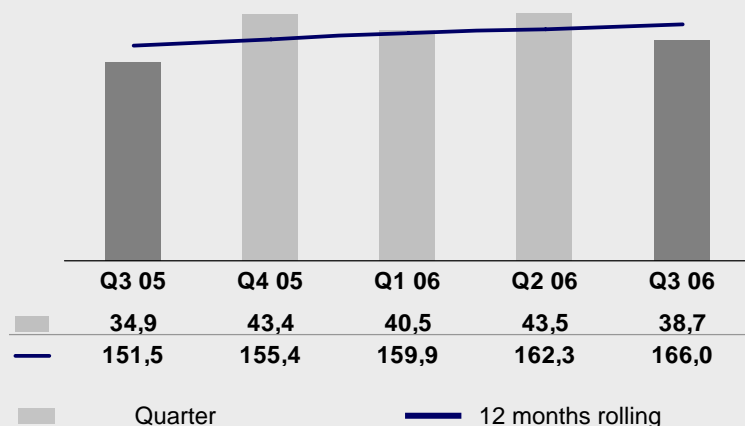
SEK M	Q3-2006	Q3-2006 <i>ex. goodwill</i>	Q3-2005	
<b>Net Sales</b>	<b>57 426</b>	<b>57 426</b>	<b>52 532</b>	<i>Up 12% adjusted for currency and acq./div.</i>
<b>Gross income</b>	<b>12 766</b>	<b>12 766</b>	<b>11 927</b>	
	<i>22,2%</i>	<i>22,2%</i>	<i>22,7%</i>	
R&D expenses	(1 989)	(1 989)	(1 791)	
Selling and administrative expenses	(6 266)	(6 266)	(6 037)	
Other op. Income & expenses	(1 817)	(105)	(543)	<i>Including adjusted goodwill of -1.712</i>
Inc. from Financial Services	580	580	484	
Inc. from investments in ass. companies and other	(13)	(13)	(36)	
<b>Operating income</b>	<b>3 260</b>	<b>4 972</b>	<b>4 004</b>	<i>Currency impact vs. last year approx. -200</i>
	<i>5,7%</i>	<i>8,7%</i>	<i>7,6%</i>	
Interest net	67	67	(88)	
Other financial income and expenses	(183)	(183)	99	
<b>Income after fin. Items</b>	<b>3 144</b>	<b>4 856</b>	<b>4 015</b>	
Taxes	795	(1 253)	(1 080)	<i>Reversal of valuation reserve by 2,000</i>
<b>Income for the period</b>	<b>3 939</b>	<b>3 603</b>	<b>2 935</b>	
	<i>6,9%</i>	<i>6,3%</i>	<i>5,6%</i>	
<b>ROE</b>	<b>19,3%</b>		<b>19,0%</b>	
EPS, SEK	9,70		7,24	
<b>Operating cash flow, excl. Financial Services (SEK bn)</b>	<b>(0,4)</b>		<b>(0,7)</b>	

# Trucks

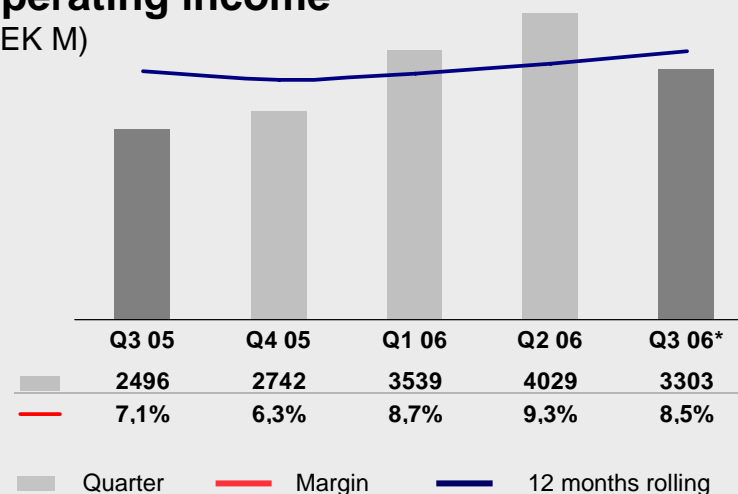
## Third Quarter



### Net sales (SEK bn)



### Operating income (SEK M)



### Highlights

- Truck deliveries in Europe up 17%
- Order intake in Europe:
  - Medium and heavy trucks on par with Q3 2005
  - Light trucks down
- Operating margin at 8.5%\*
- Increased ownership in Nissan Diesel

### In Focus

- Product launches and changes in the industrial footprint.
- Capitalize on new products
- The 2007 US truck market

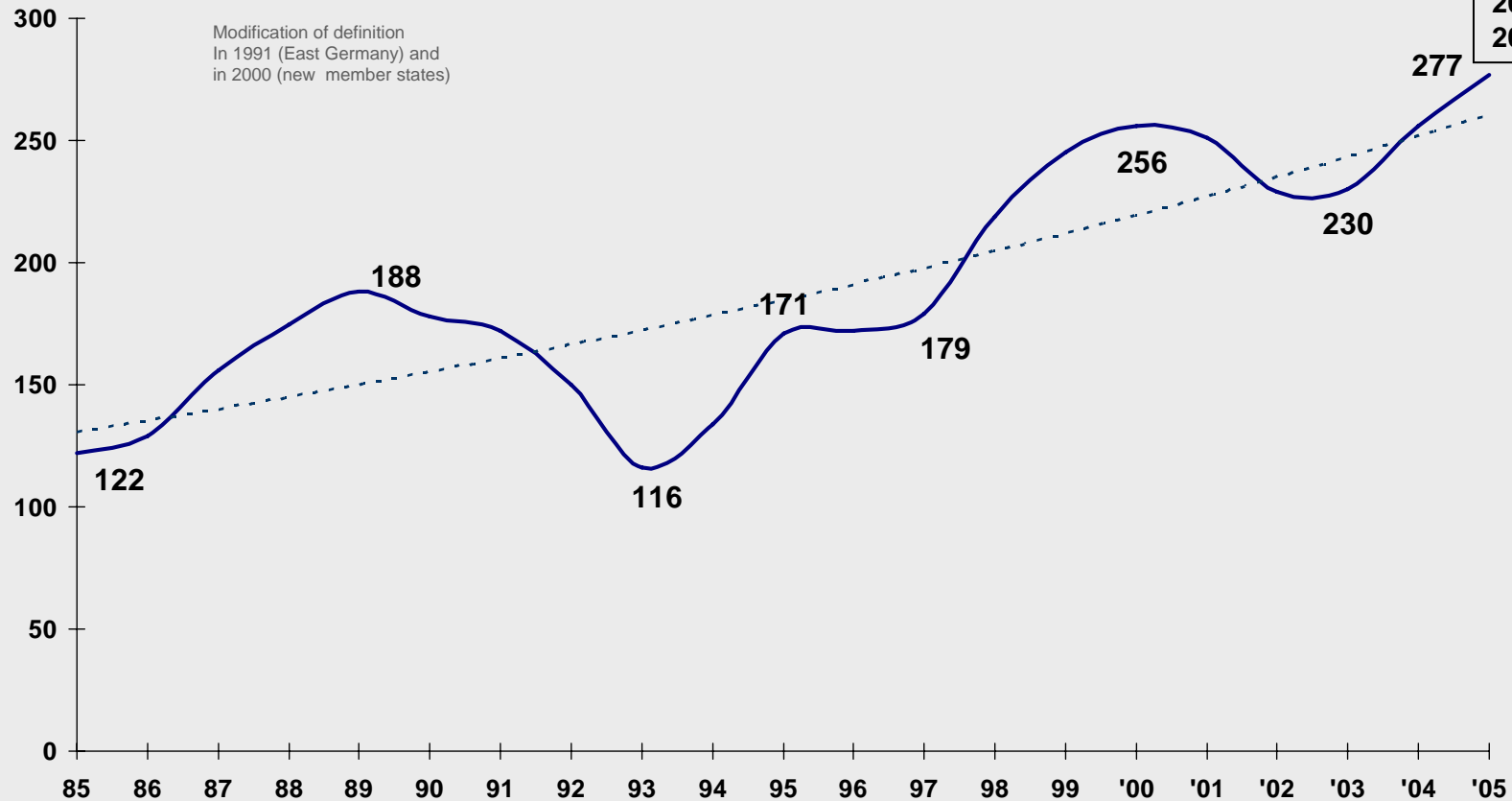
\* Excluding goodwill adjustment of SEK 1,712 due to release of valuation reserves for taxes

# Heavy Duty Truck Market Europe

(EU members + Switzerland and Norway)



Units, Thousands (heavy trucks)

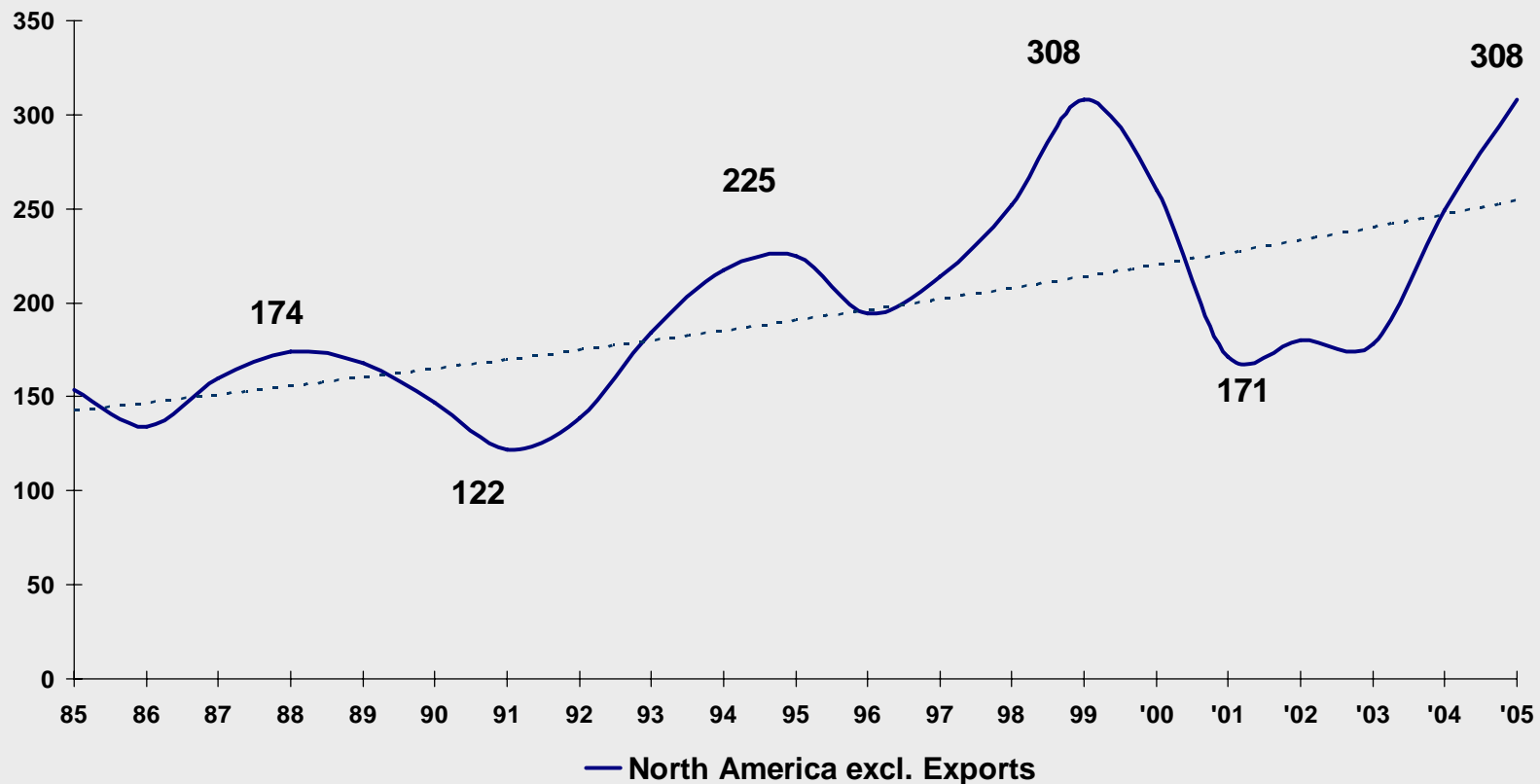


Forecast  
2006: ~290,000  
2007: in line with 2006

# Heavy Duty Truck Market North America



Units, Thousands (heavy trucks)



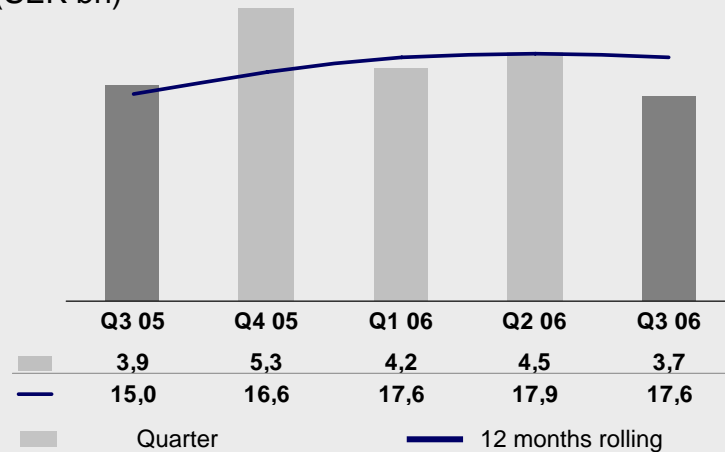
Forecast  
2006: ~340 000  
2007: ?

# Volvo Buses

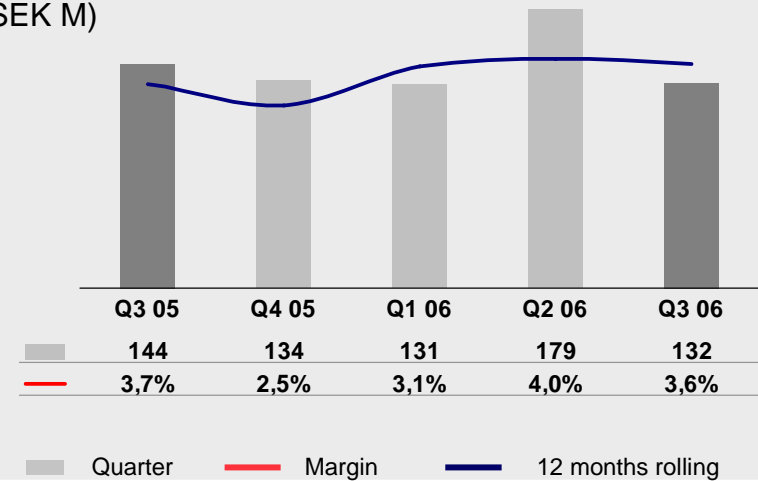
## Third Quarter



### Net sales (SEK bn)



### Operating income (SEK M)



### Highlights

- Lower deliveries
- New coach range
- New body J/V India

### In Focus

- Profitability and cash flow
- Product launches EU 3,4,5
- Efficiency program

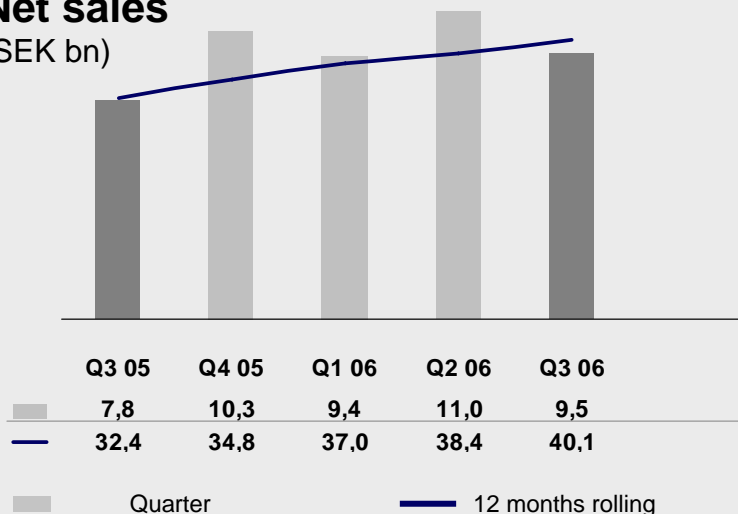


# Volvo Construction Equipment Third Quarter



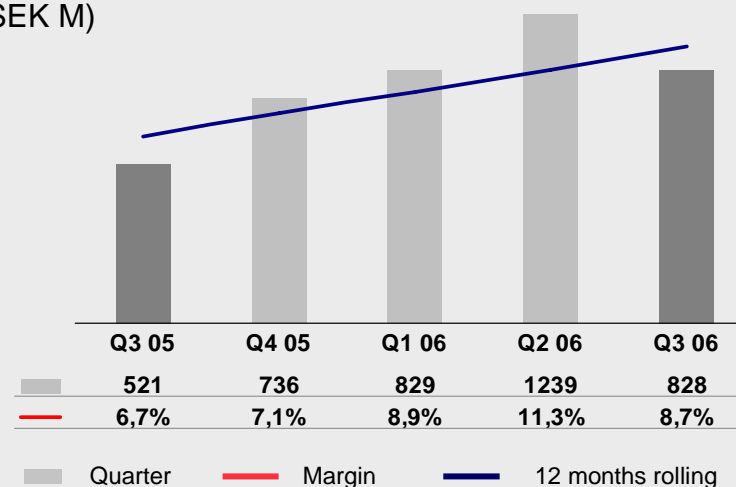
## Net sales

(SEK bn)



## Operating income

(SEK M)



## Highlights

- Total world market for heavy equipment up 8%, NA down 1% and EU up 12%
- Sales growth 22%
- Operating income increased 59%

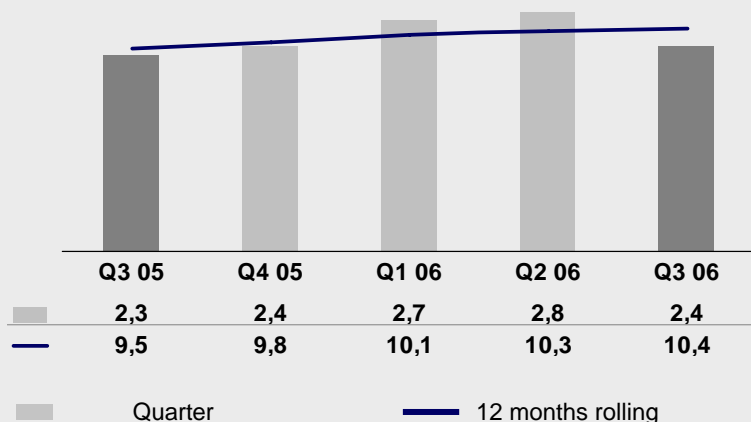
## In Focus

- High capacity utilization
- Manage strong order book
- Lingong

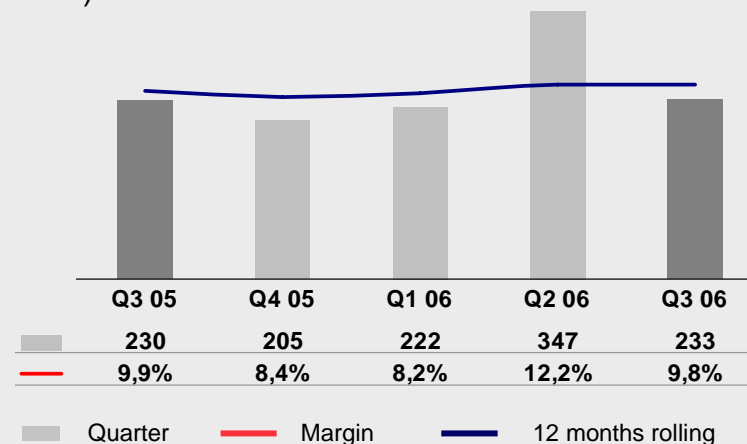
# Volvo Penta Third Quarter



## Net sales (SEK bn)



## Operating income (SEK M)



## Highlights

- Sales improvement with continued high margin
- Strong order book
- Increased market shares with Volvo Penta IPS

## In Focus

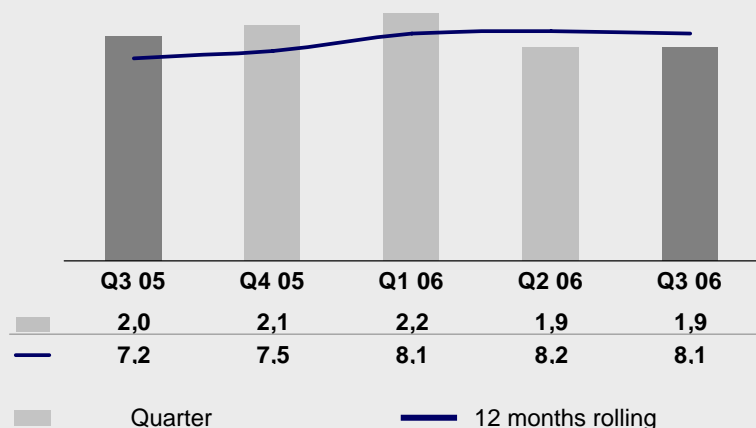
- Supply chain management
- Capitalize on new products
- Product introductions

# Volvo Aero

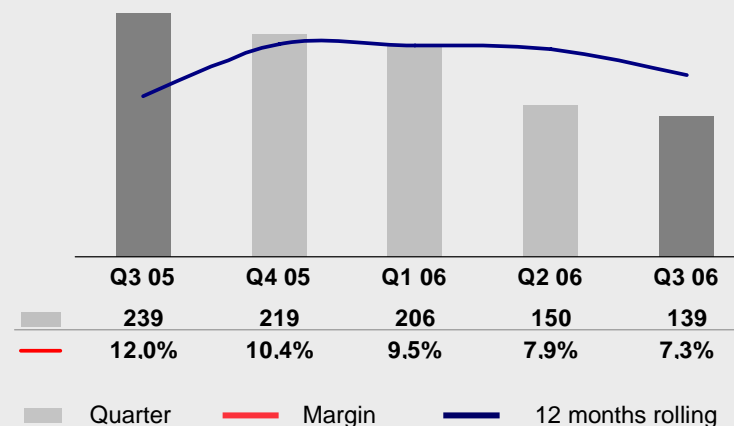
## Third Quarter



### Net sales (SEK bn)



### Operating income (SEK M)



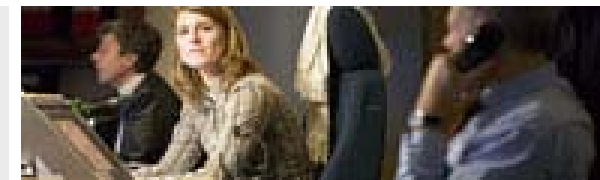
### Highlights

- World air travel continues to grow - Airbus and Boeing order books corresponds to five years production
- Continued strong performance in the component business
- Important agreement with Pratt & Whitney

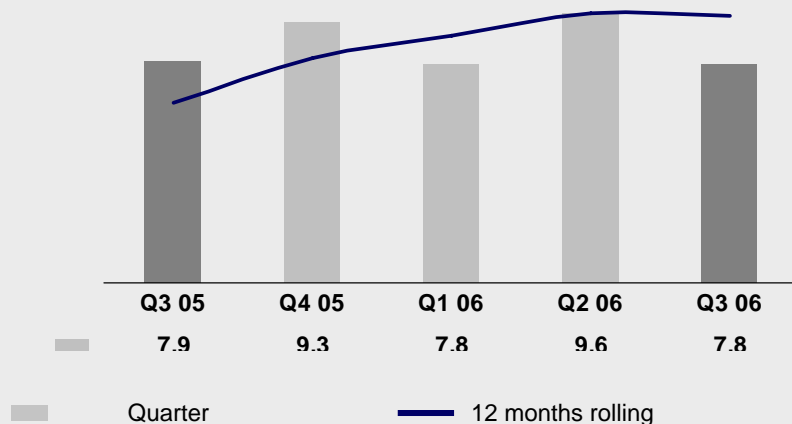
### In Focus

- Production start ups of new engine programs
- After market business
- New business opportunities
- Cash flow

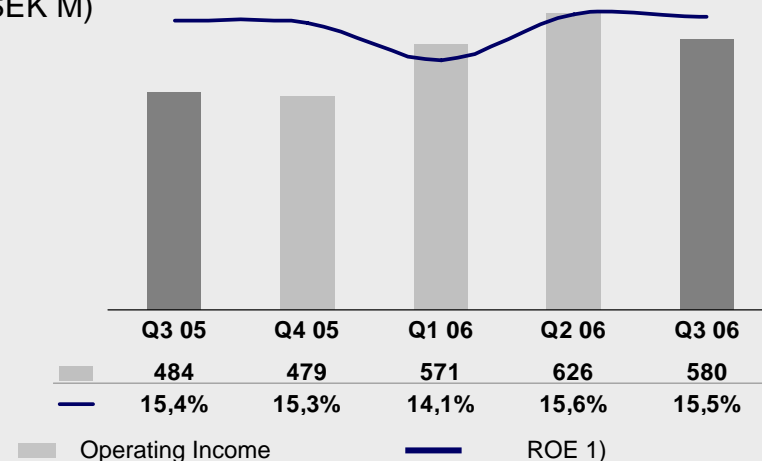
# Volvo Financial Services Third Quarter



## New retail financing (SEK bn)



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



## Highlights

- Solid returns
- Continued increased market liquidity and competition
- China - retail financing commenced

## In Focus

- Business cycle management
- Portfolio growth
- Operational excellence

1) Calculated as a 12 month rolling average

## Volvo Group Summary

- Manage prebuy effect in the US truck market
- Finalize product renewal for Renault Trucks in Europe and for Volvo Trucks and Mack in North America
- Strengthened positions in Asia
  - Increased ownership in Nissan Diesel
  - Awaiting approval for acquiring 70% in Lingong
- Continued growth in sales and profitability in Q3

**VOLVO**