

VOLVO

Capital Market Day

June 21, 2006

Leif Johansson
President and CEO

Strategic focus for the Volvo Group

2007...

- **Building a competitive Volvo Group**
- **Profitable growth**
 - **Through acquisitions**
 - **Geographic expansion**
 - Asia
 - Eastern Europe
 - **Soft offers**



The Volvo Group Vision

To be valued as the world's leading provider of commercial transport solutions

Wanted position

- Number one in image and customer satisfaction
- Sustainable profitability above average
- Number one or two in size or superior growth rate

Volvo Group

Organized to deliver sharp customer focus and shared global strength

Business areas



Volvo Trucks

Renault Trucks

Mack Trucks

Volvo Buses

Volvo CE

Volvo Penta

Volvo Aero

Financial Services

Employees

35,680

7,710

10,290

1,560

3,460

1,070

Business units

Volvo 3P - 2,930 employees

Volvo Powertrain - 8,130

Volvo Parts - 3,500

Volvo Logistics - 980

Volvo Information Technology - 4,390

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Financial Services

Business units

Volvo 3P

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Volvo Information Technology

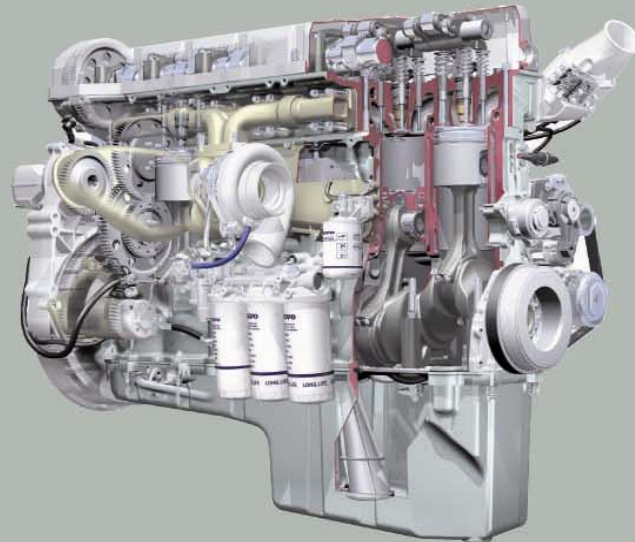
Shared architecture and common technologies for unique products

Scale and efficiency

Example: Volvo Powertrain

Unique products

- Lower R&D
- Production efficiency
- High flexibility
- One supplier base
- Improved quality



Two platforms: 4 - 7L
9 - 16L

New Volvo FH, Volvo FM and Volvo VT 880

Renault Magnum and Renault Premium Route

New products from Mack Trucks

Volvo Buses introduces low-floor chassis

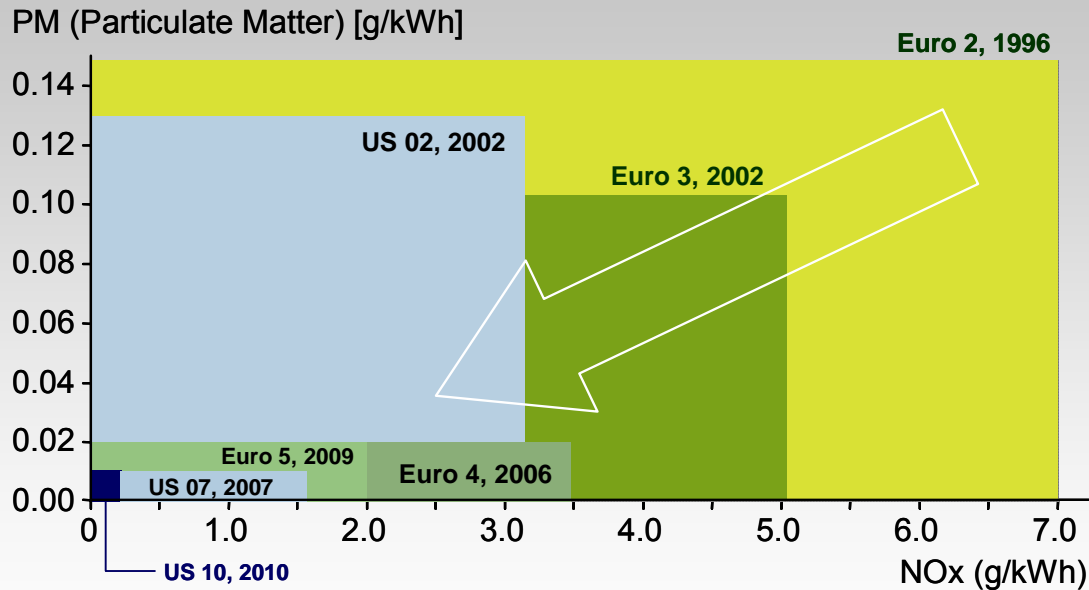
New excavator from Volvo Construction Equipment

Revolutionary drive system from Volvo Penta

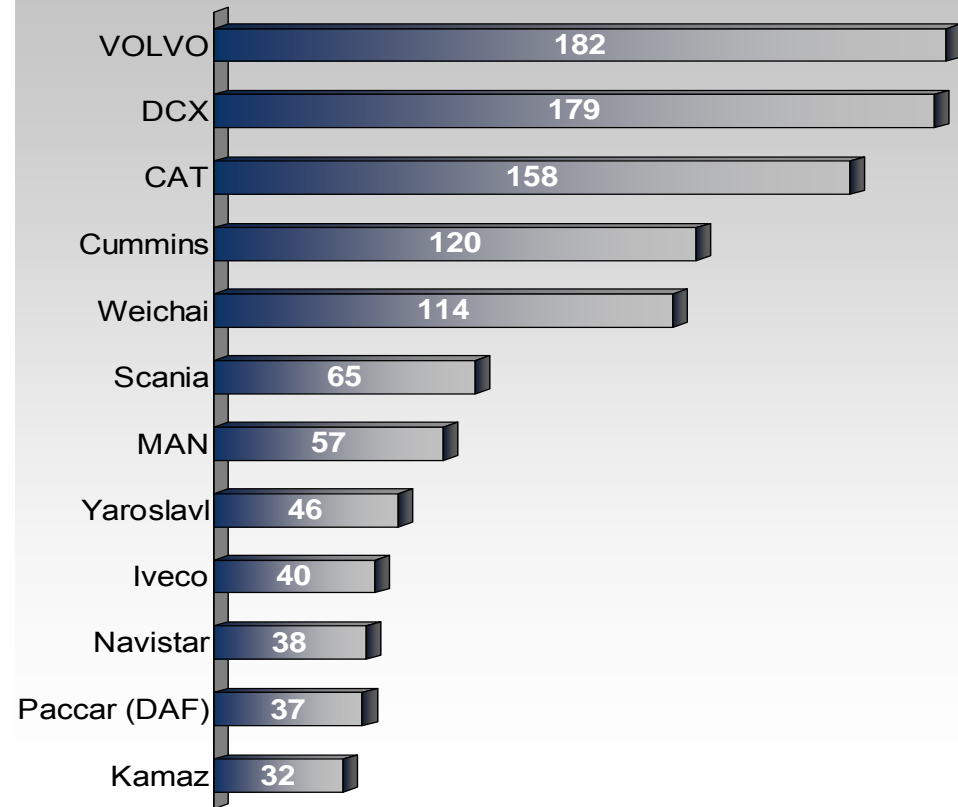


Strategically well positioned

Emission Legislation



Heavy Duty Engines - 2005



Next step in technology

Hybrid Vehicles

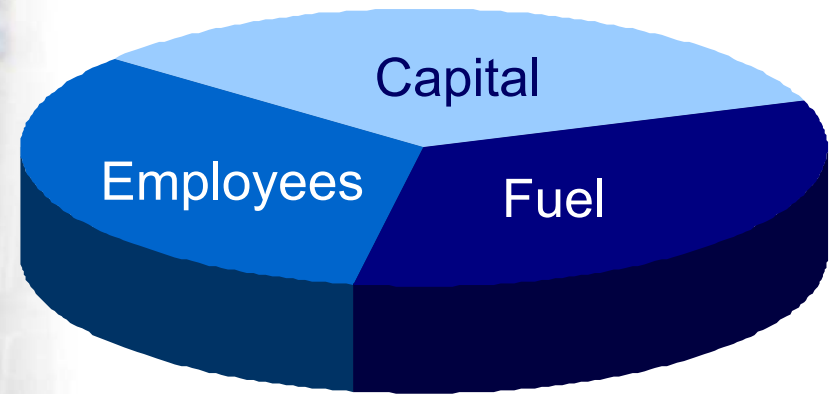


Commercial opportunity for customers

Potential fuel saving up to 35 %



Cost allocation



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Financial Services

Business units

Volvo 3P

Volvo Powertrain

Volvo Parts

Volvo Logistics

Volvo Information Technology

Volvo Non Automotive Purchasing (NAP) and others

Focus on building a homogeneous Group

Organizational structure to drive Volvo Group competitiveness

Stefan Johnsson

Volvo Parts

Volvo Logistics

Volvo Information Technology

Volvo Non Automotive Purchasing (NAP)

Volvo Group Purchasing Council

Pär Östberg

Volvo Business Services

Lars-Göran Moberg

Volvo 3P

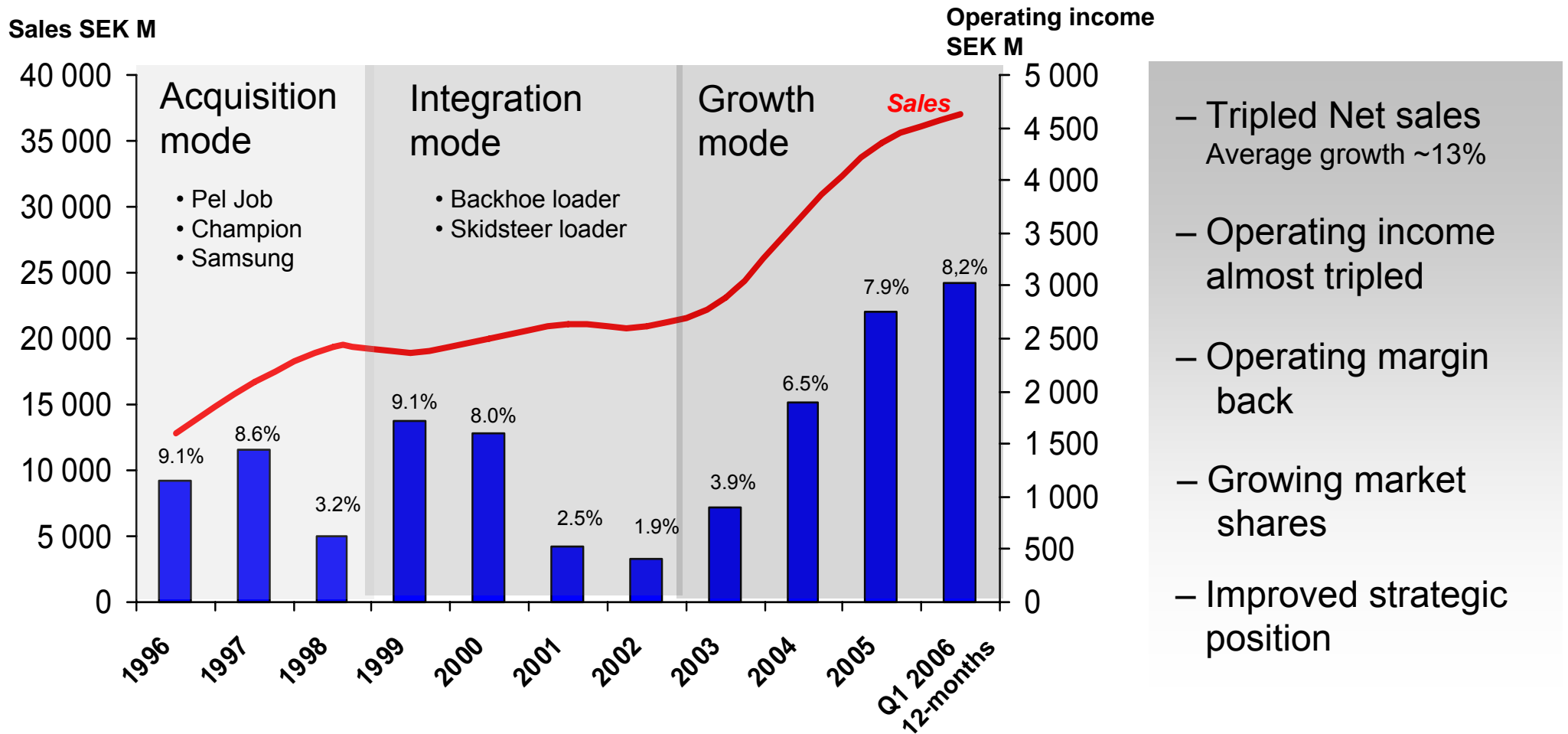
Volvo Powertrain

Direction for future growth

- 
- **Growth through acquisitions**
 - Geographic expansion in Asia and Eastern Europe
 - Soft offers

Value creation through growth

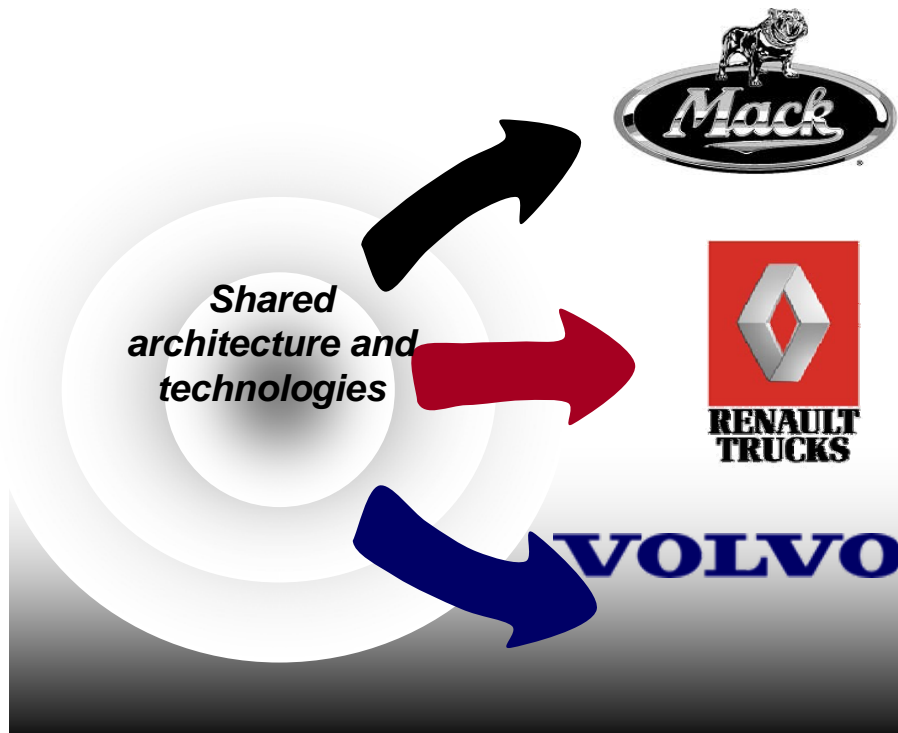
Example: Volvo CE



Trucks entering the growth mode

Growth mode

“Brand unique products from a base of shared architecture and technologies”



- New competitive product portfolio
- New customer segments
- More efficient industrial structure
- More cost efficient product portfolio
 - R&D
 - Purchasing
 - Production
 - Aftermarket
- Stronger dealer network
- Increased resources to deliver brand uniqueness

Direction for future growth

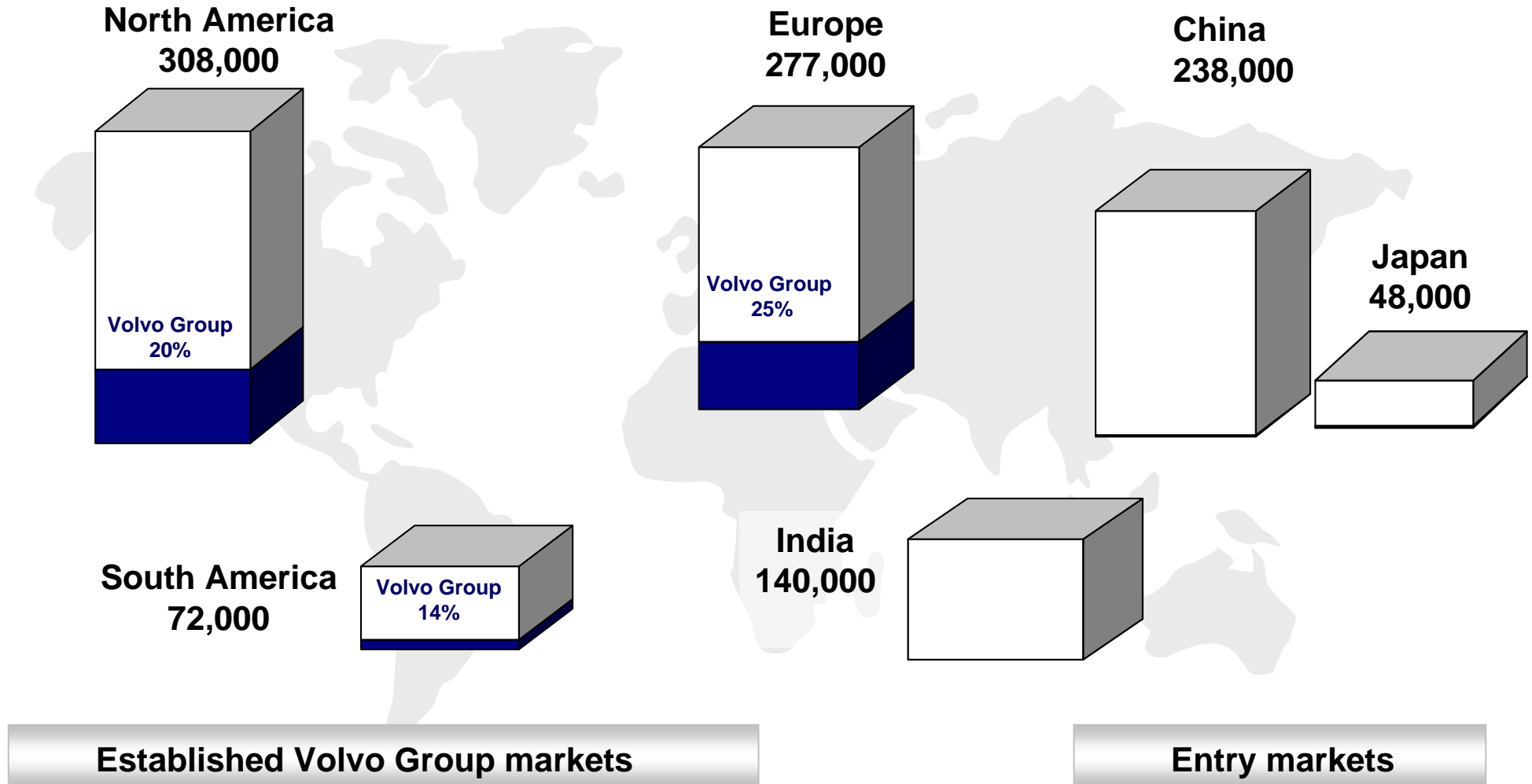
→ Growth through acquisitions

→ **Geographic expansion in Asia and Eastern Europe**

→ Soft offers

Asia is a strategic region for future growth

Example: Heavy duty trucks 2005



Growth in Asia

Nissan Diesel

| <u>Sold trucks</u> | <u>2005</u> |
|--------------------|-------------|
| Light duty | 4,500 |
| Medium duty | 19,200 |
| Heavy | 16,600 |

| | |
|-------|-------|
| Buses | 1,600 |
|-------|-------|

| | |
|--------------------------|------|
| Sales, SEK bn | 31.8 |
| Operating profit, SEK bn | 2.2 |
| Operating margin, % | 6,9 |

Heavy duty trucks in Japan, 2005

Nissan Diesel

24%

Isuzu, 24%

Fuso, 20%

Other, 1%

Hino, 31%



Growth in Asia

Nissan Diesel

Rationale

- Dealer network
 - Japan
 - South East Asia
- Scale in components
 - Engines
 - Gear boxes
- Vehicle architecture

Status June 2006

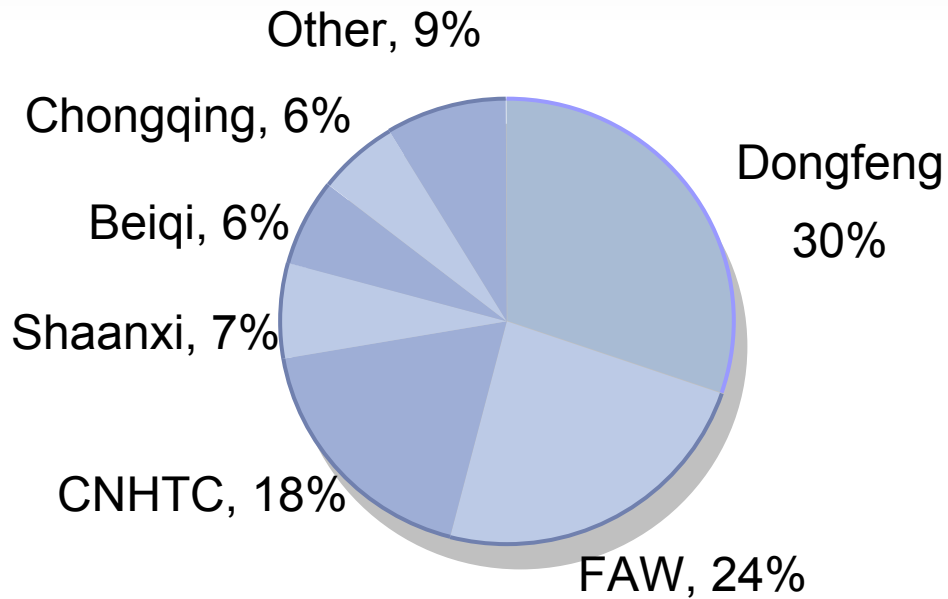
- Volvo Alliance office operating
- Positive working atmosphere
- Integration teams in place
 - Distribution networks
 - Product plans
- Jorma Halonen to be elected to the Board

Growth in Asia

Chinese truck market 2005

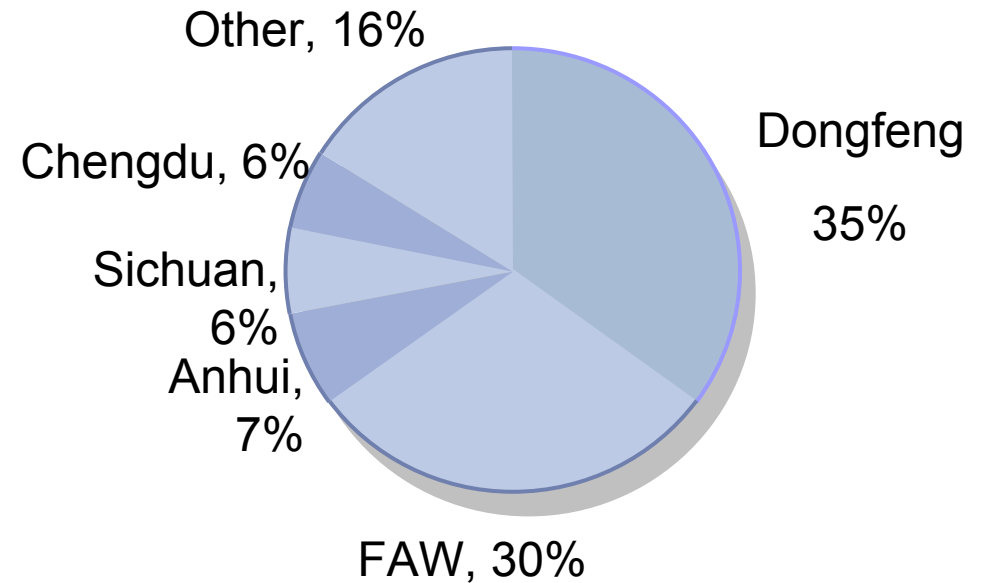
Heavy duty trucks

Market: 237,000 trucks



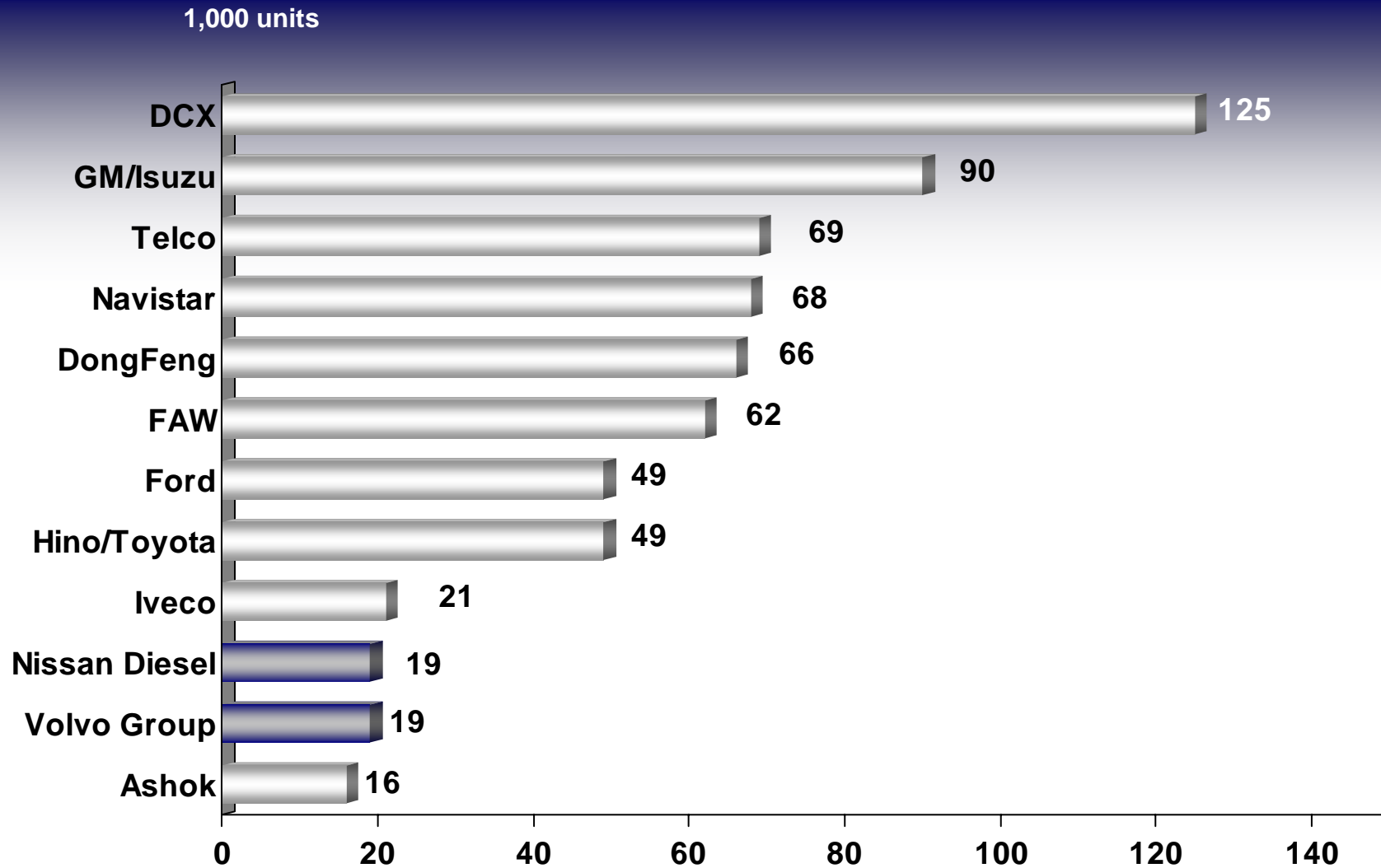
Medium duty trucks

Market: 190,000 trucks



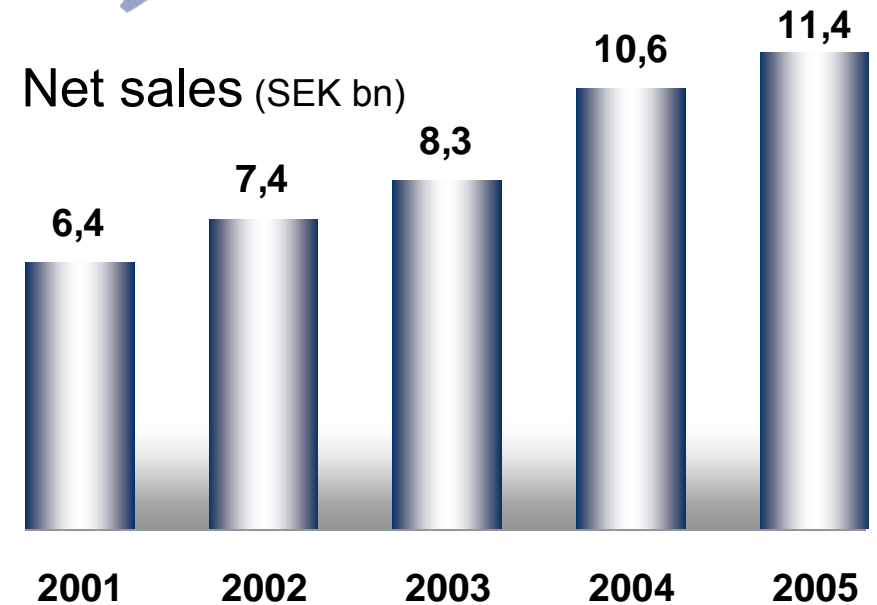
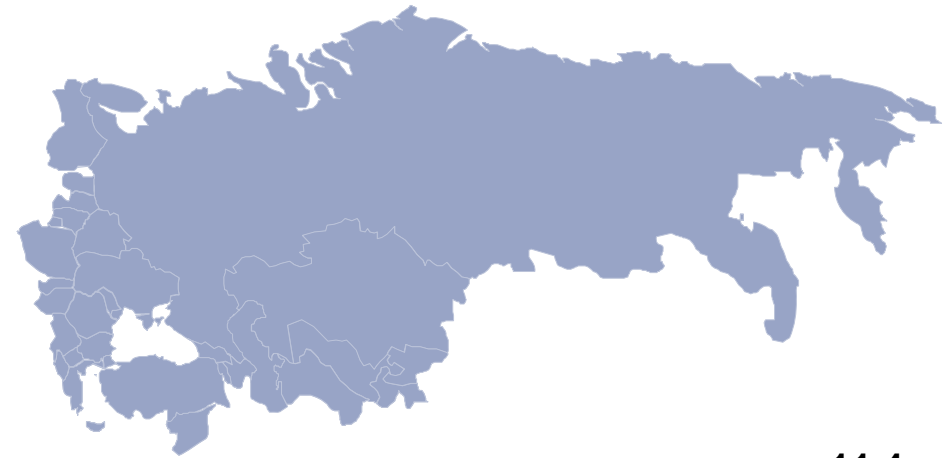
Growth potential in medium duty trucks

Global market 2005




Growth in Eastern Europe

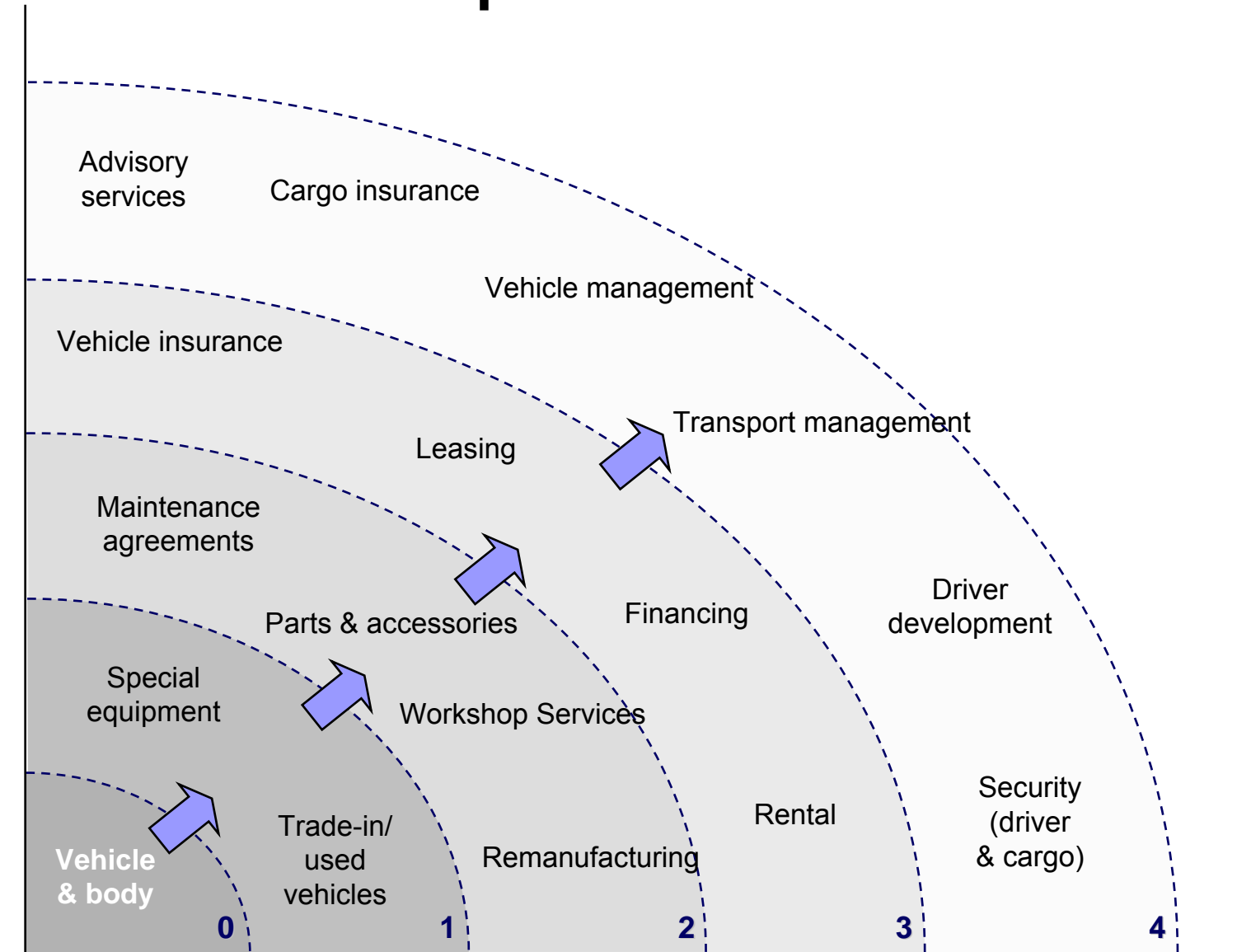
- Strong economic development
- Proximity to existing European industrial set-up
- Distribution structure well developed
- Demand for premium products
- Attractive risk/reward ratio



Direction for future growth



























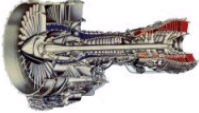
- 
- Growth through acquisitions
 - Geographic expansion in Asia and Eastern Europe
 - **Soft offers**

Growth potential in Soft Products



Present customer offer

Soft product* 2005 : ~30% of Group net sales

| | | | | | | | | |
|--|--|---|---|--|---|--|--|---|
| <p>Related products & services</p> |  <p>IT Services</p> |  <p>Logistics Services</p> |  <p>Research & Advanced Engineering</p> |  <p>Merchandise</p> |  <p>Real Estate Services</p> | | | |
| <p>Supporting products & services</p> |  <p>Used Vehicles & Equipment</p> | <p>Extended Warranty</p>  <p>Remanufacturing</p> |  <p>Aero Spare Parts Sales</p>  <p>Okelia Extended Parts</p> |  <p>Accessories</p> |  <p>TRUCK RENTAL Rental</p>  <p>VOLVO Rents</p> | <p>FINANCIAL SERVICES</p> <p>Credit cards Vehicle & Equipment Insurance Customer & Dealer Financing</p> |  <p>Infom@x</p>  <p>DYNAFLEET ONLINE</p> <p>Transport & Vehicle Management</p> | <p>Consulting</p>  <p>Training</p> |
| <p>Facilitating products & services</p> |  <p>Superstructure</p> |  <p>Attachments</p> |  <p>Parts</p> | <p>ACTION SERVICE</p> <p>Customer Assistance</p> |  <p>Repair & Maintenance</p> |  <p>Aircraft Engine MRO</p> | | |
| <p>Core products</p> |  |  |  |  |  |  |  | |

*Excluding Financial Services



Summary

- Increased focus on Group competitiveness
- Focus on organic growth and acquisitions