



Capital Market Day

June 21, 2006

Paul Vikner
President and CEO
Mack Trucks, Inc.

Agenda

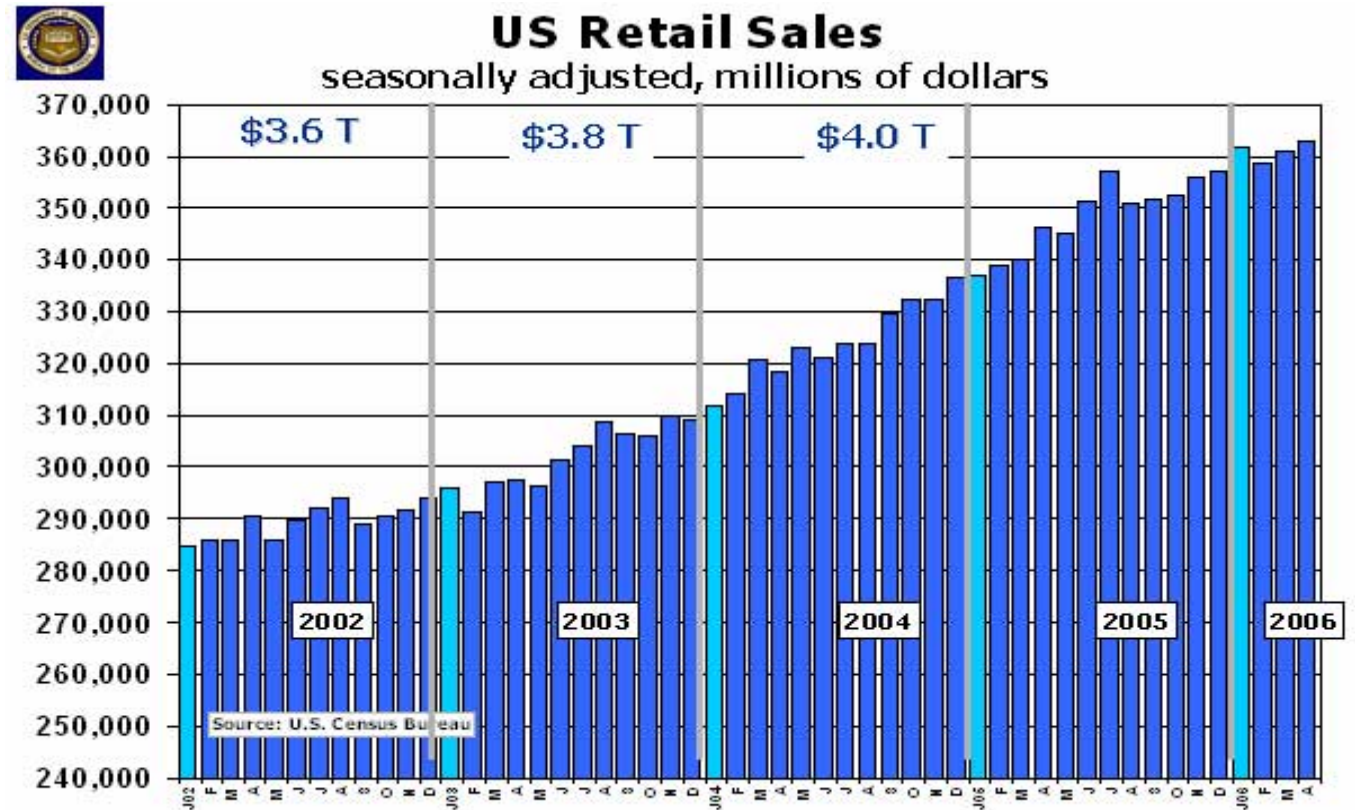
- **North American Trucking Environment**
- **Mack Advancements as part of the Volvo Group**
 - **Product Renewal**
 - **Hagerstown Powertrain Transformation**
 - **Distribution Network Improvement**
- **Meeting the 2007 Challenge**



North American Trucking Environment

Highway Market

- Consumer spending remains strong –
 - ✓ Retail sales
 - ✓ Manufacturing output
 - ✓ Inventory-to-sales ratio
- Freight hauling rising
- Carrier freight rate increases are holding



7 June 2006



North American Trucking Environment

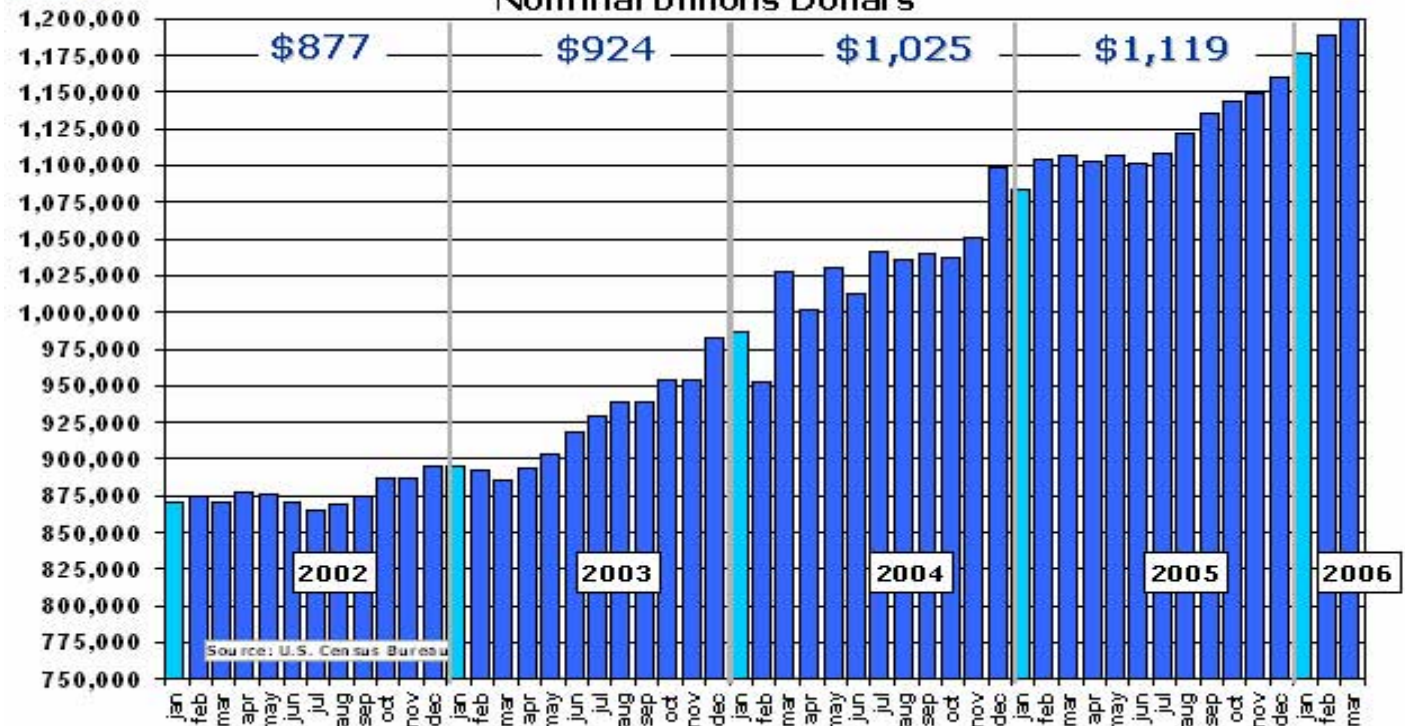
Construction Market

- Steady growth since mid-2005 in Construction Put-In-Place
- Spending up in all three construction sectors:
 - residential
 - non-residential
 - public



Construction Put-in-Place

seasonally adjusted annual rate
Nominal billions Dollars



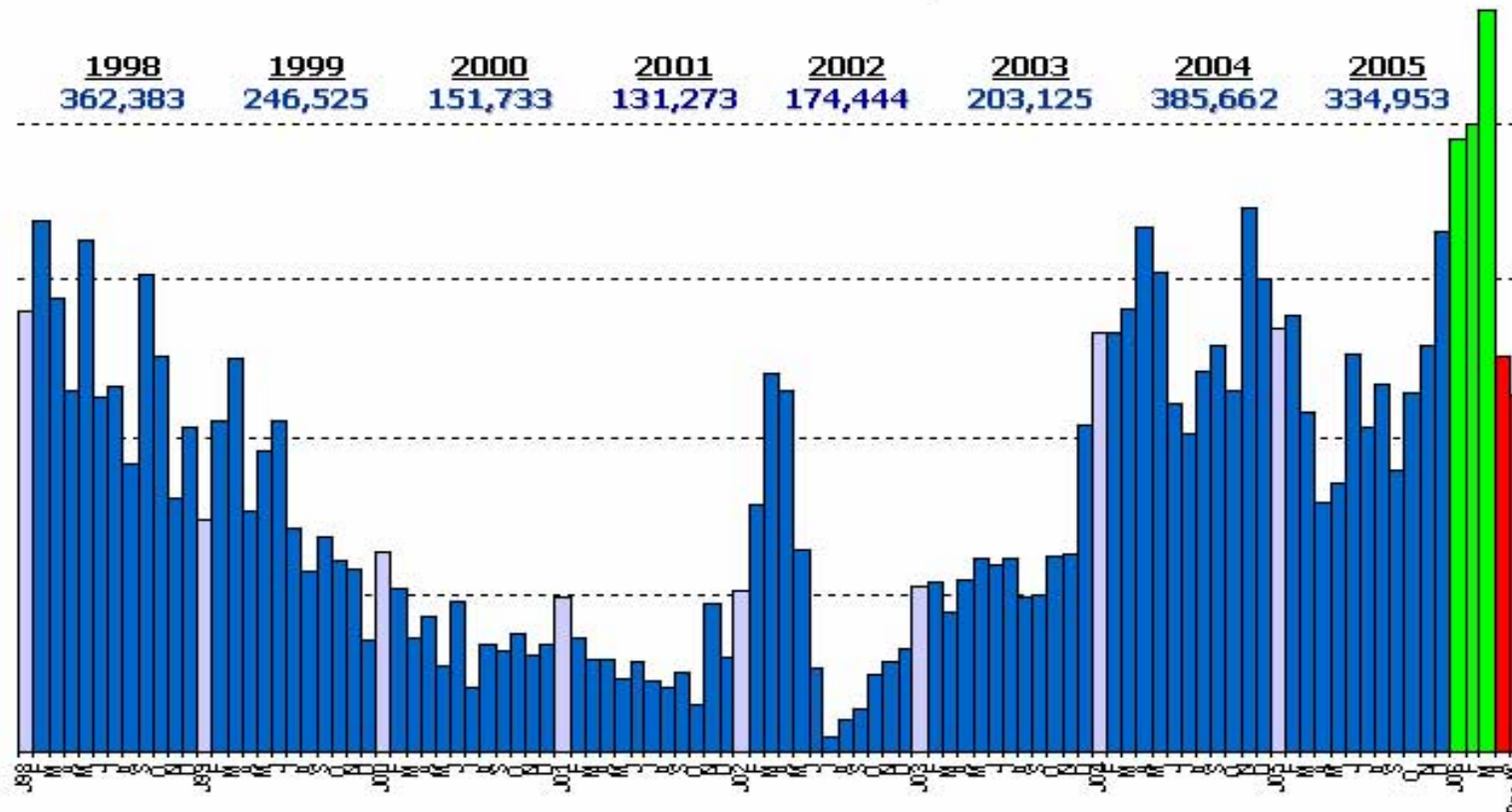
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North American Trucking Environment

Q1 order surge consumed available 2006 production

North American Class 8 Industry Net Order Intake

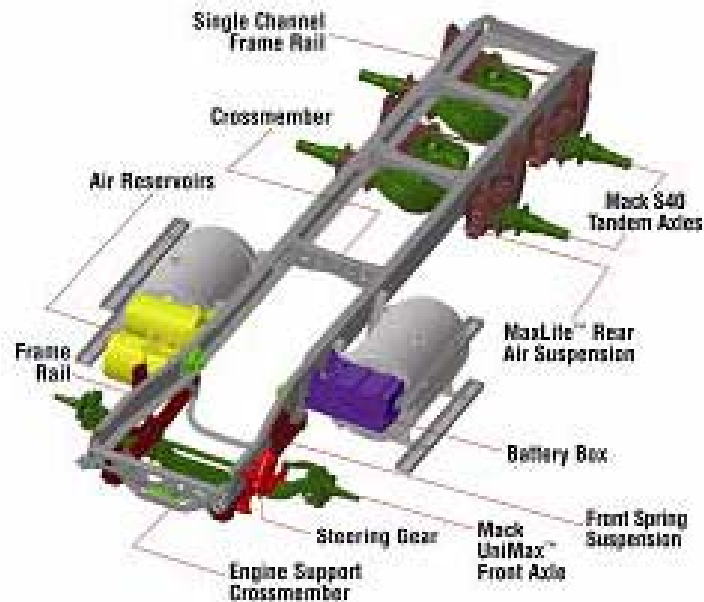


Mack in the Volvo Group: Five Years of Advancement

- **Product Renewal**



New Chassis



- **Advantage** highway chassis -- July 2004 (*left*)
- **Cornerstone** vocational chassis -- January 2005
- Based on Group common architecture, with application-specific features
- **Benefits:** weight savings, greater driver comfort, improved handling and ease of maintenance
- **Strong positive reception** from customers immediately for both products.



New Cabs

- Introduced October 2005
- Improved interior environment to attract/retain drivers
- Designed for EPA '07 cooling/maintenance requirements



New Engines – MackPower (MP) Family



MP7



MP8



MP10

- Basic architecture for meeting 2007 emissions regulations
- Multiple displacements: greater flexibility in matching performance to specific applications
- Significant improvement in fuel economy compared with '04-compliant engines



Pinnacle –

- Highway applications
- Small/midrise sleeper, daycab configurations for local/regional hauling
- Successor to Vision, CH Models



Granite –

- Retains name of #1 selling conventional straight truck in U.S.
- Dump, mixer, rolloff applications in construction, refuse industries



Positive Customer Reaction to Features and Benefits



Mack in the Volvo Group: Five Years of Advancement

- Product Renewal
- Transformation of Hagerstown Powertrain Facility



Transformation of Hagerstown Powertrain Facility

- Plant established by Mack in 1961
- 1.25 million sq ft. under roof
- Approximately 1,800 employees
- Average Daily Production:
 - 260 engines (160 Mack, 100 Volvo)
 - 75 transmissions
- October 2003 – \$150 million investment approved for transformation project



Transformation of Hagerstown Powertrain Facility

New Engine Development Laboratory

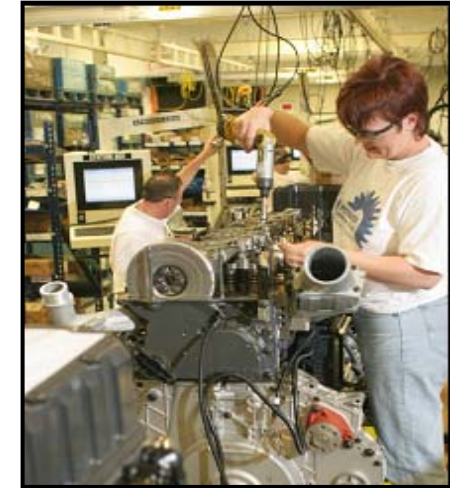
- **Most advanced HD engine testing facility in North America**
- **Linked to Global Research capabilities of Volvo Powertrain (Gothenburg, Lyon, Curitiba)**
- **Key Element to Optimizing New Engine Family, meeting 2010 Emission Standards**
- **Opening planned for 2H '06**



Transformation of Hagerstown Powertrain Facility

New Engine Production Areas / Equipment

- Two assembly lines for multiple-displacement engine families for two truck brands
- Ergonomic improvements – lighting, floors, production flow, etc.
- Quality enhanced by new state-of-the-art equipment throughout facility
- Significant investment in IT/technology to support more advanced production systems



Mack in the Volvo Group: Five Years of Advancement

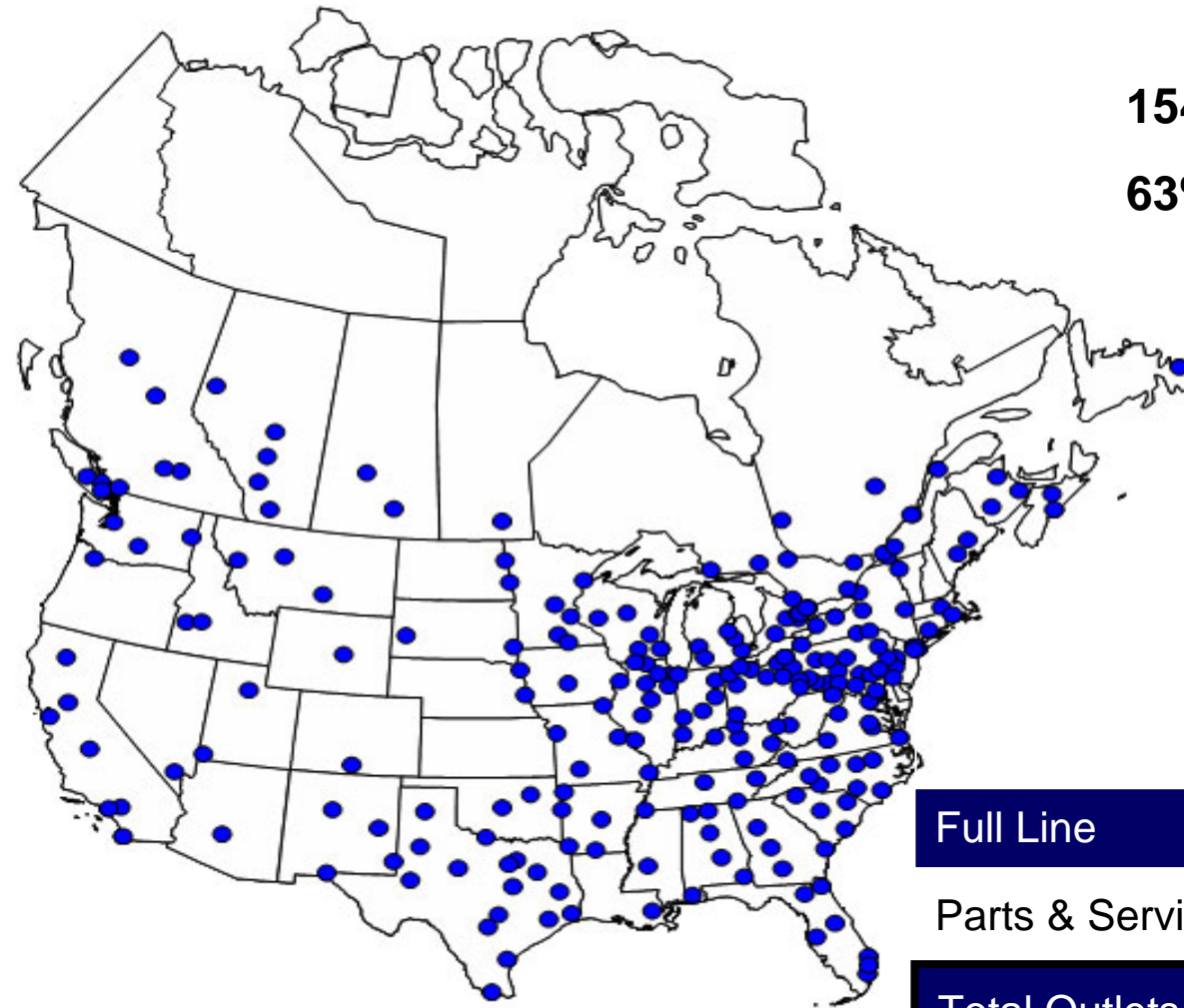
- Product Renewal
- Transformation of Hagerstown Powertrain Facility
- **Stronger Distribution Network**



Stronger Distribution Network

154 Common Locations (Mack-Volvo)

63% of Total Mack/Volvo Volume



VOLVO

	2001	2006	2001	2006
Full Line	280	296	197	257
Parts & Service	314	246	78	92
Total Outlets	594	542	275	349

Mar 31, 2006

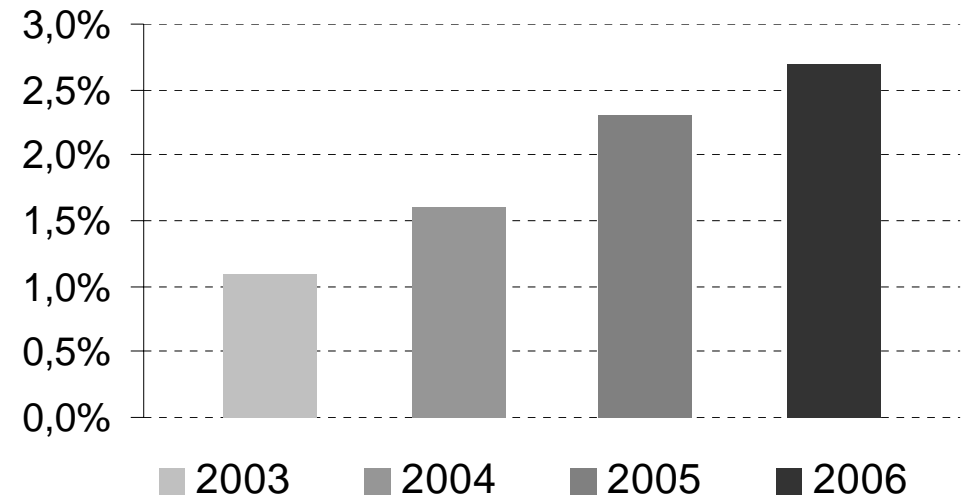


Stronger Distribution Network

Dealer Absorption



Dealer Return on Sales



Baseline 2000	Mack	Volvo
Return on Sales	1.0%	0.5%
Absorption	89%	75%



Mack in the Volvo Group: Five Years of Advancement

- Product Renewal
- Transformation of Hagerstown Powertrain Facility
- Stronger Distribution Network
- **Meeting the 2007 Challenge**



Meeting the 2007 Challenge

EPA '07 – a Complete Vehicle Solution



Truck



Engine



DPF

- **Note: Ultra-Low Sulfur Diesel fuel required for operation of EPA '07 compliant engines**



Market conditions: '02 vs. '07

EPA '02

- Manufacturing Recession
- Carrier Situation:
 - Excess Capacity
 - Weak or Negative Earnings
- Used Truck Market --“Upside Down”
- EGR – New Technology
- Customer Cost Increase -Significant
- Less Price Leverage

EPA '07

- Manufacturing Growth
- Carrier Situation:
 - Capacity Shortages
 - Good Profits
- Used Truck Market in Good Shape
- EGR – Established Technology
- Customer Cost Increase -Significant
- More Price Leverage

