

**VOLVO**

Third Quarter 2005

Press Conference, October 25, 2005

# Highlights

## Third Quarter

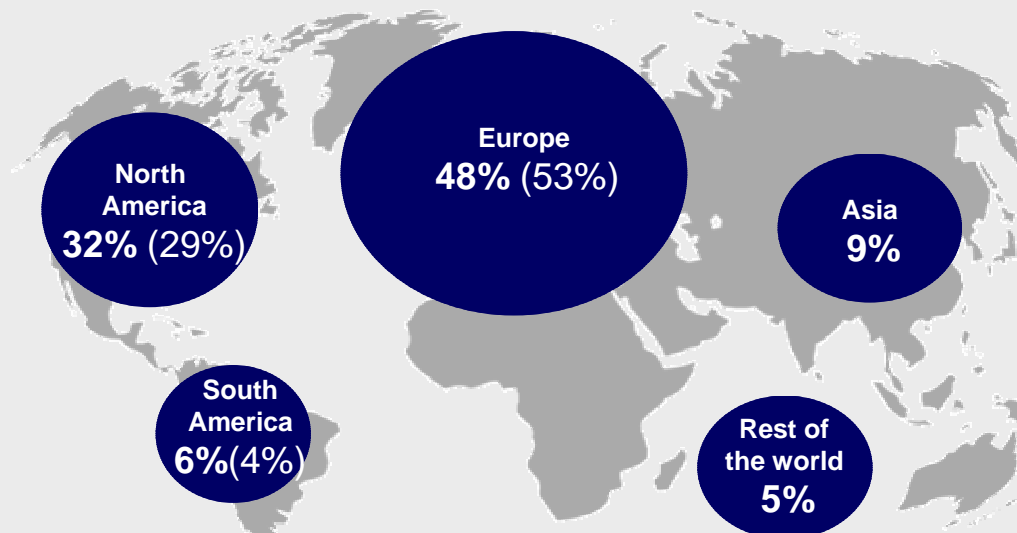
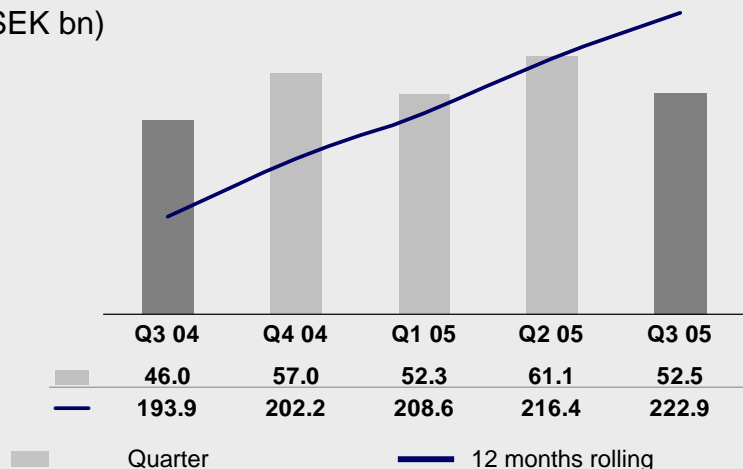
- Business environment
  - Continued strong demand in North America
  - Europe flattening out on a high level
- Continued strong sales growth: +14%
- Improved profitability in all Business Areas
  - Group operating margin 7.6% (6.3%)
  - ROE at 19.0%
- Important truck launches
  - Mack Granite and Mack Pinnacle
  - Renault Premium
  - Volvo FH and Volvo FM
- EPS in Q3 SEK 7.24 (2.75)

## In Focus Going Forward

- Manage and capitalize on product introductions
- S&A costs
- Cash Flow

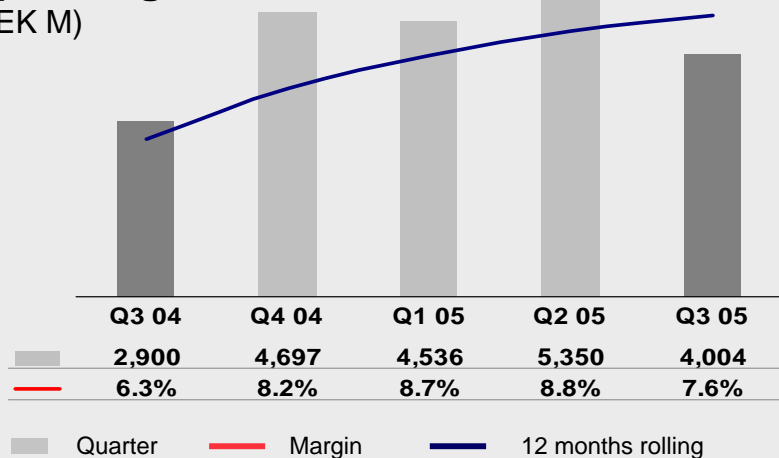
### Net sales

(SEK bn)



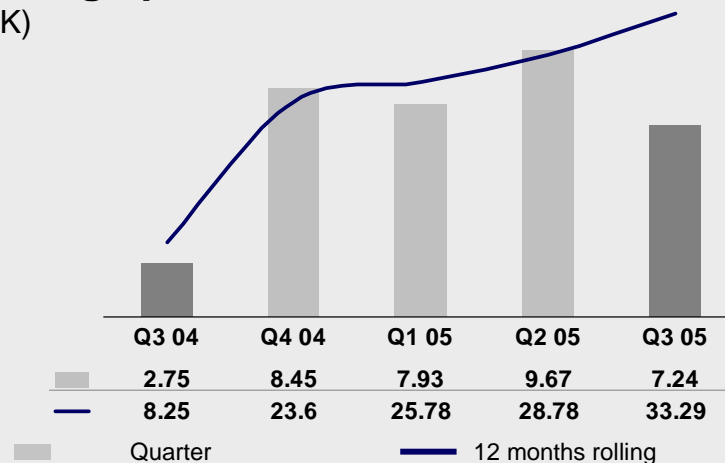
### Operating income\*

(SEK M)



### Earnings per share

(SEK)



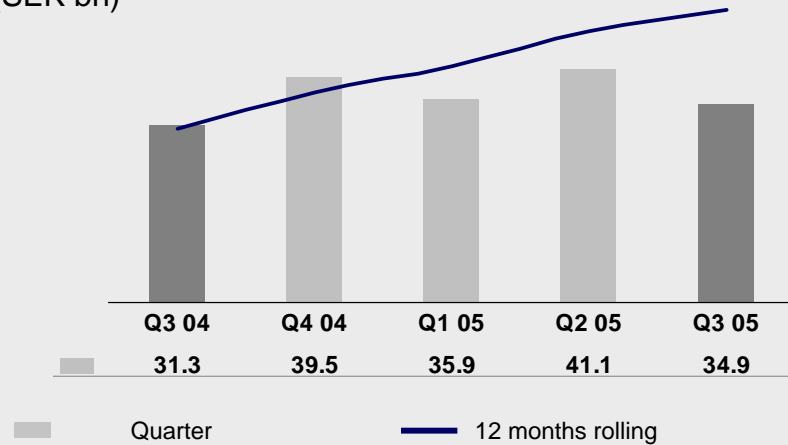
\* Excluding effects from the holding in Scania AB

# Trucks

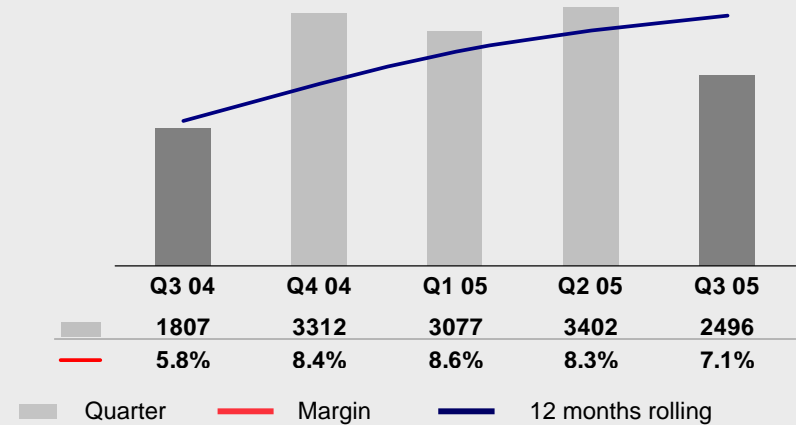
## Third Quarter



### Net sales (SEK bn)



### Operating income (SEK M)



### Highlights

- Demand at continued high level
- Improved operating income
- Important launches in all three brands

### In Focus

- Manage and capitalize on product introductions

# Renault Trucks

## New Renault Premium Route

- New chassis
- New cab offering comfort and driving pleasure
- New Powertrain
  - 11 L engine
  - Optidriver II
- Up to 5% less fuel consumption



# Mack Trucks

## New trucks and engines

- Redesigned Mack Granite series for construction/vocational
- New Mack Pinnacle series for highway
- MackPower (MP) engine family
  - MP7 - 11 liter, available 2006
  - MP8 - 13 liter, available 2007

## Mack Granite



## Mack Pinnacle



6

# Volvo Trucks

## New Volvo FH and Volvo FM



- New Powertrain
  - All new 13 L engine
  - Improved 9 L engine
  - I-shift gearbox up to 60t
  - Axles
- Euro 4/5 emission std
- Up to 5% reduced fuel consumption
- Improved interior

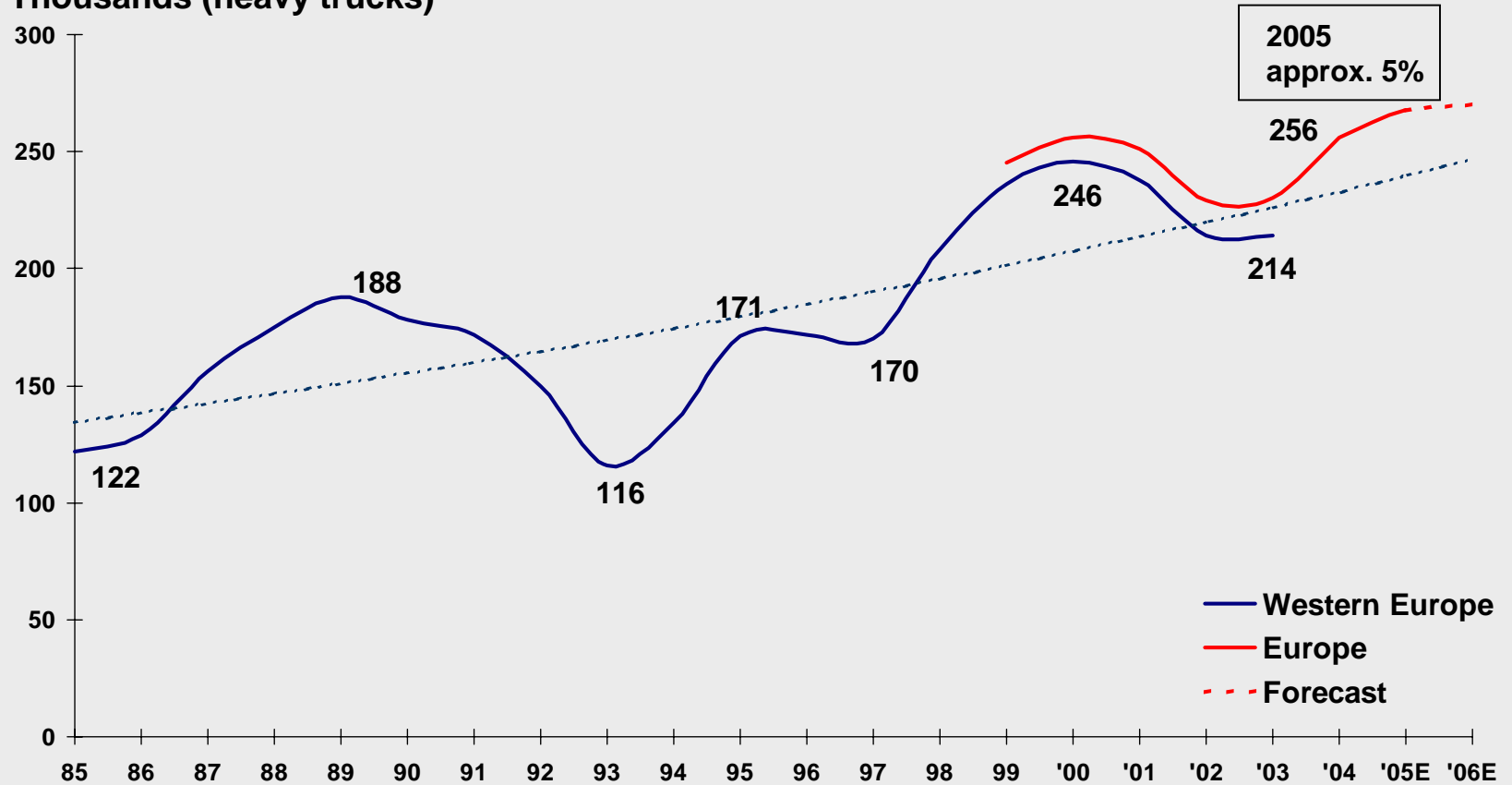
# Heavy Duty Truck Market

## Europe

(EU members + Switzerland and Norway)



Units, Thousands (heavy trucks)

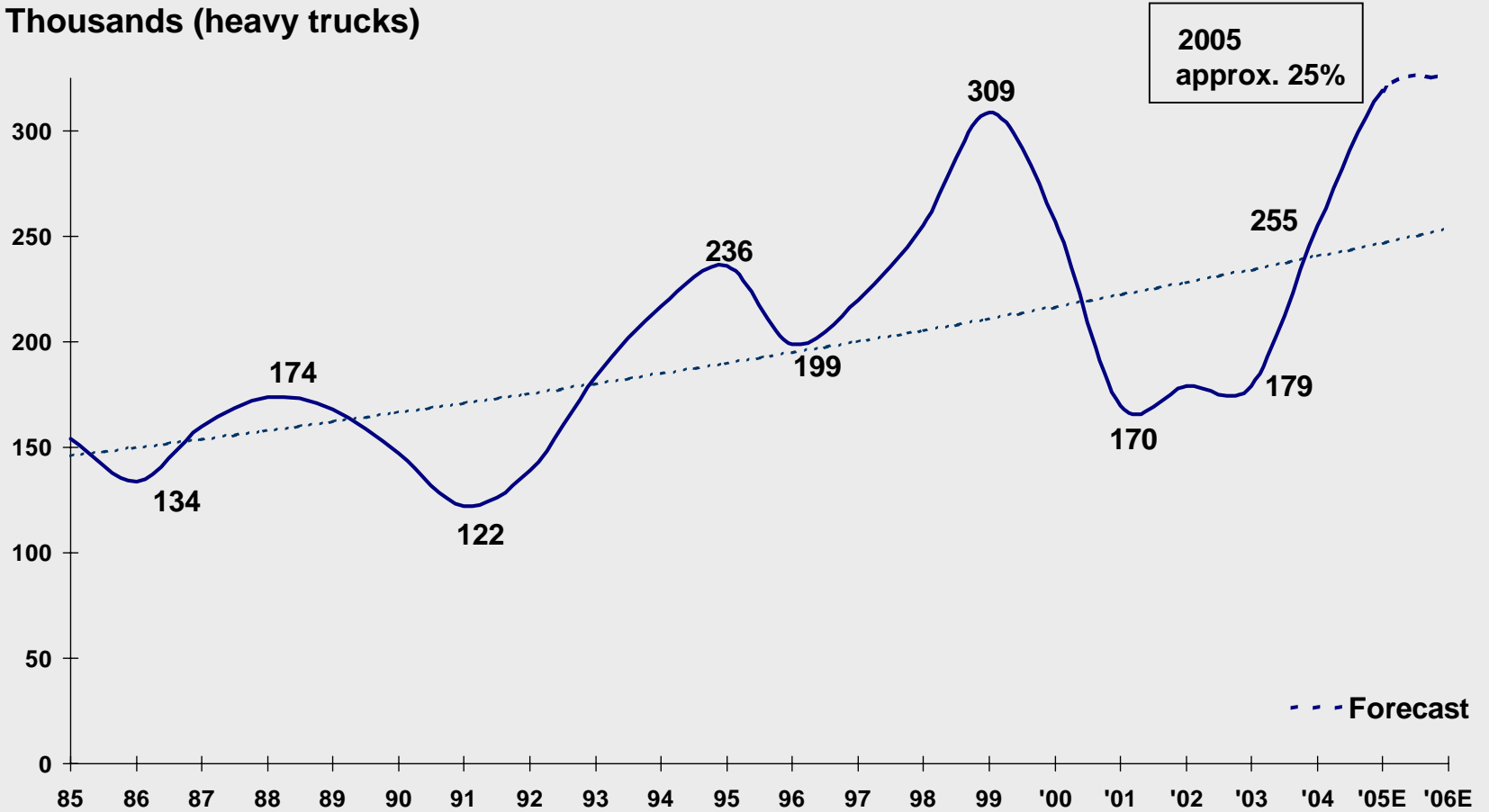




# Heavy Duty Truck Market North America



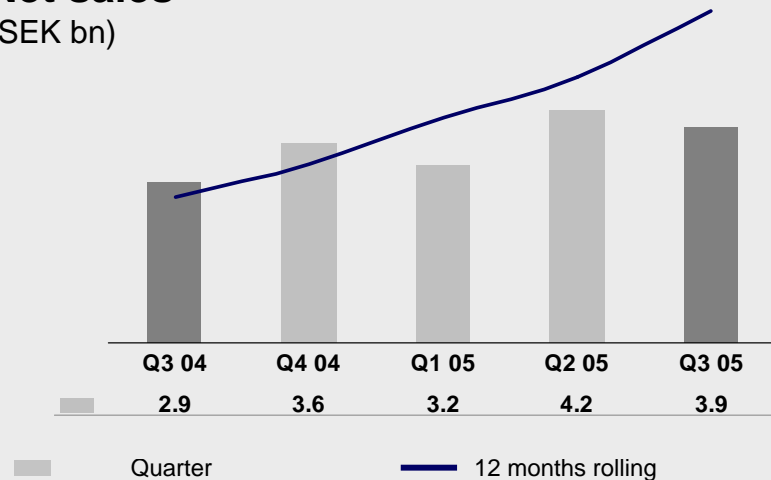
Units, Thousands (heavy trucks)



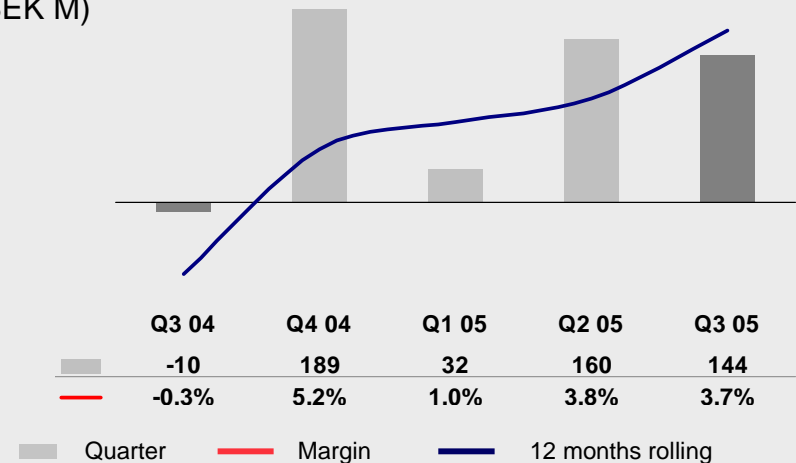
# Volvo Buses Third Quarter



## Net sales (SEK bn)



## Operating income\* (SEK M)



### Highlights

- Improved profitability
- Lower order intake
- First order for the new 7700 CNG
- Heilbronn closure

### In Focus

- Profitability and cash flow
- Santiago start-up
- China development
- New product introductions

\* Excluding revaluation of shares in Henlys Group.

# Volvo Buses

## New complete product range

- Widest range ever
- New powertrain
  - Improved 12L, 9L
  - New MG9 and 7L
  - New I-shift
- Euro 4/5 emission
  - Euro 5 incentive
- 3-7% reduction of fuel consumption
- Many new features
- New styling

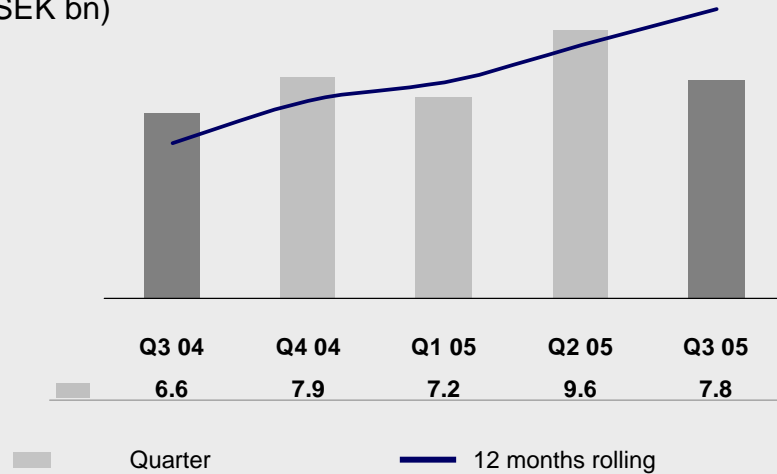


# Volvo Construction Equipment Third Quarter



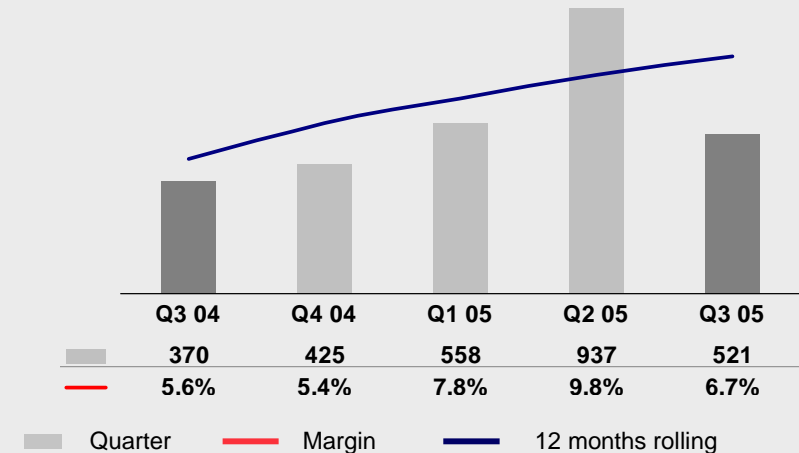
## Net sales

(SEK bn)



## Operating income

(SEK M)



## Highlights

- Continued good demand for heavy equipment in NA (+18%), EU up 1%
- Sales growth 19%
- Operating income increased 41%
- Rental store no. 100 opened

## In Focus

- Operational efficiency
- Manage strong order book
- Continue to expand the aftermarket business

# Volvo Construction Equipment

Growing the aftermarket business – sales up 17% YTD



## CUSTOMER SUPPORT AGREEMENTS



Volvo Tooth System



Volvo Lubricants

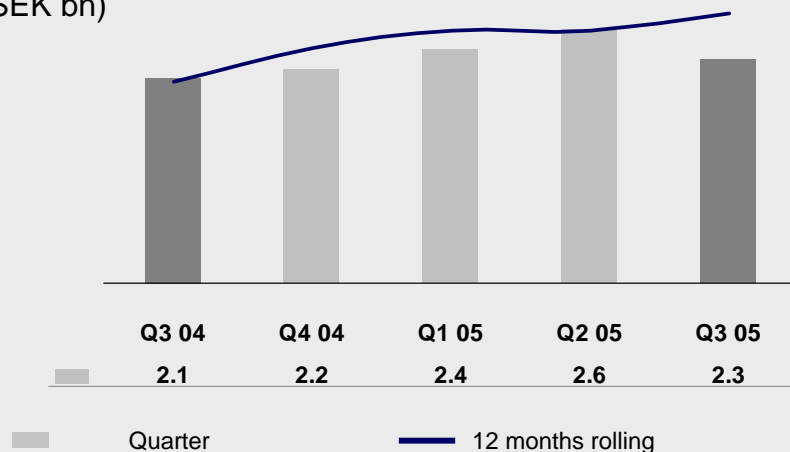


# Volvo Penta Third Quarter



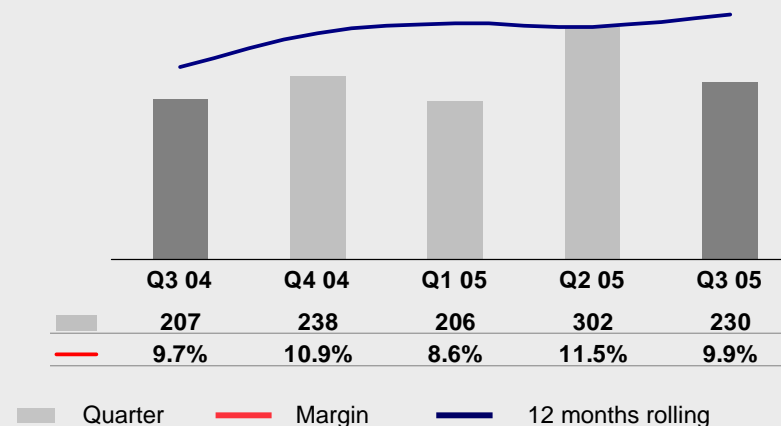
## Net sales

(SEK bn)



## Operating income

(SEK M)



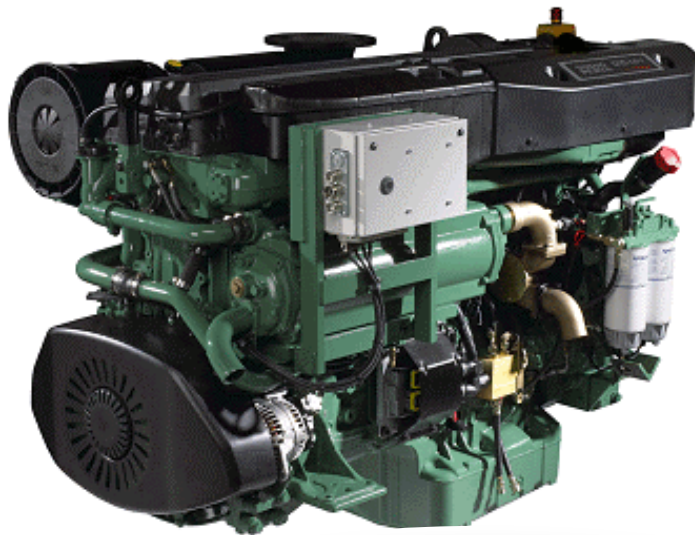
## Highlights

- Good demand for larger marine engines
- Great interest in Volvo Penta IPS
- Continued high sales and operating income

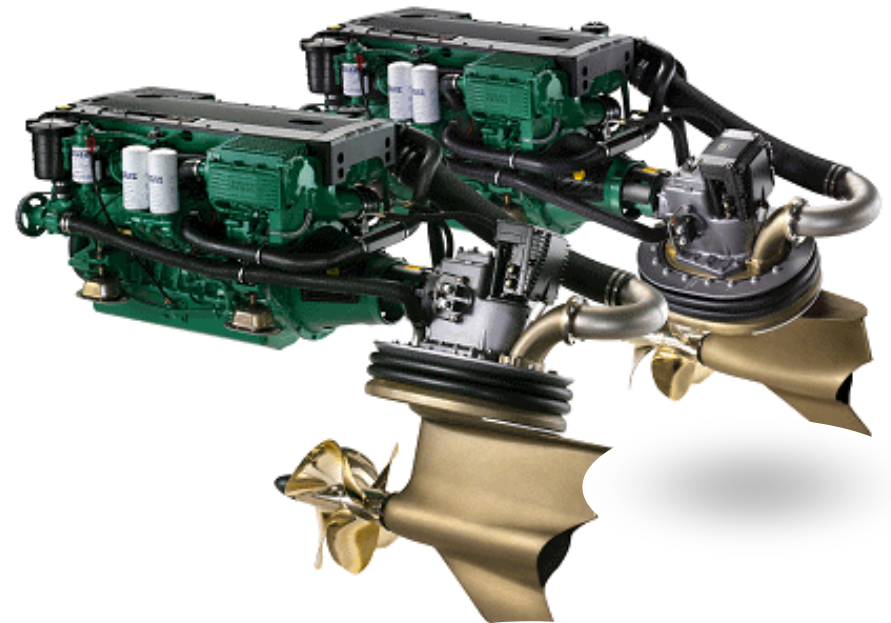
## In Focus

- Production and logistics
- Continued cost control
- Manage product launches

# Volvo Penta Marine Commercial Product News



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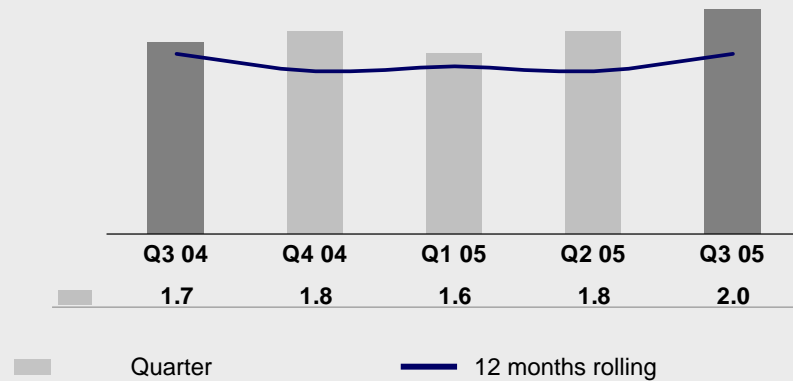


IPS

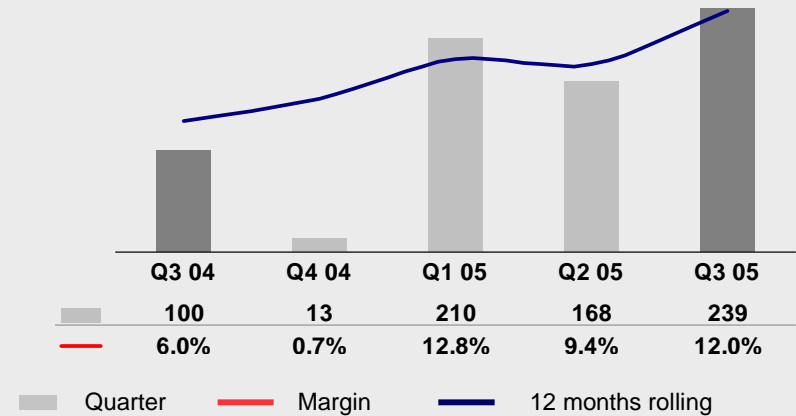
# Volvo Aero Third Quarter



## Net sales (SEK bn)



## Operating income (SEK M)



## Highlights

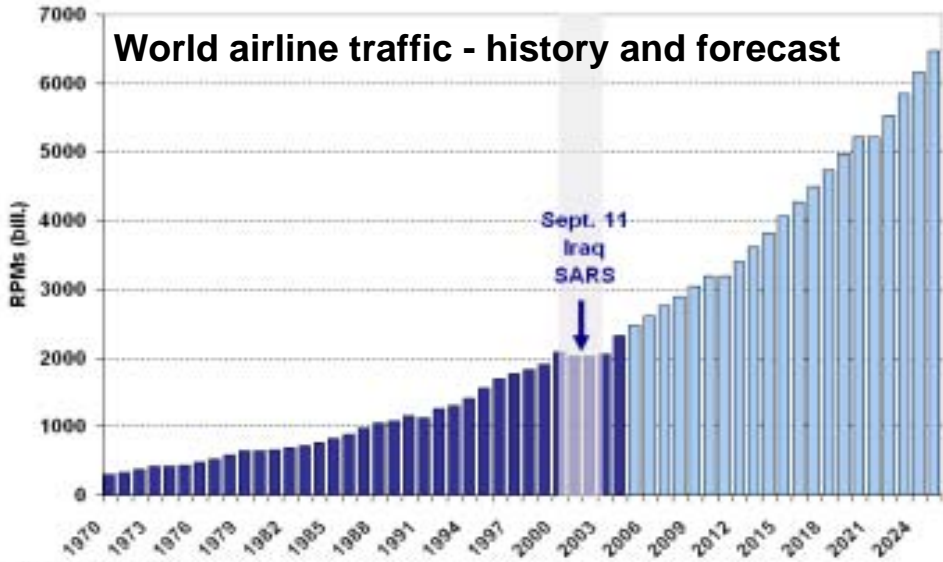
- Air traffic and industry order intake continue to grow
- High utilization in component manufacturing
- Improved operating margin

## In Focus

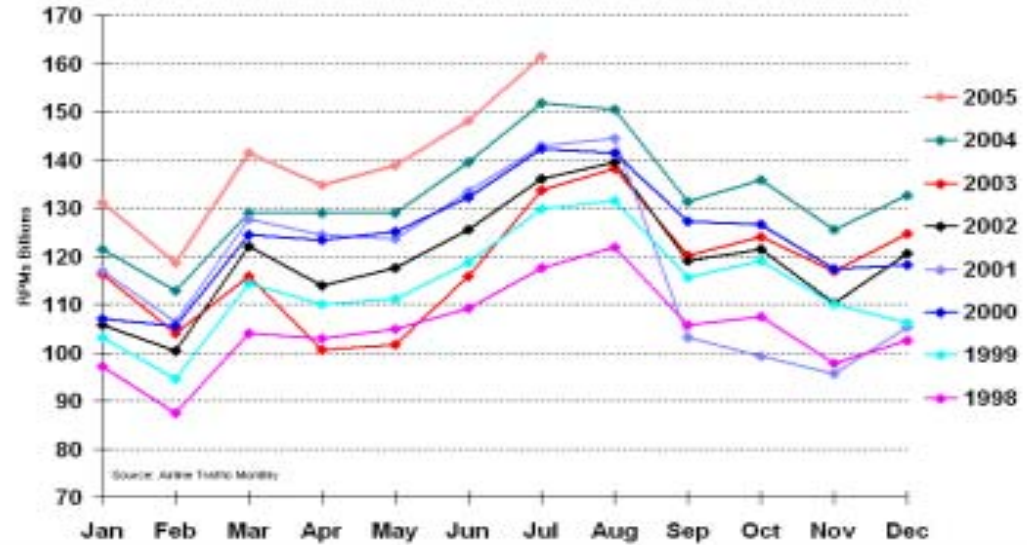
- Upturn management in components
- Aftermarket business
- Profitable growth



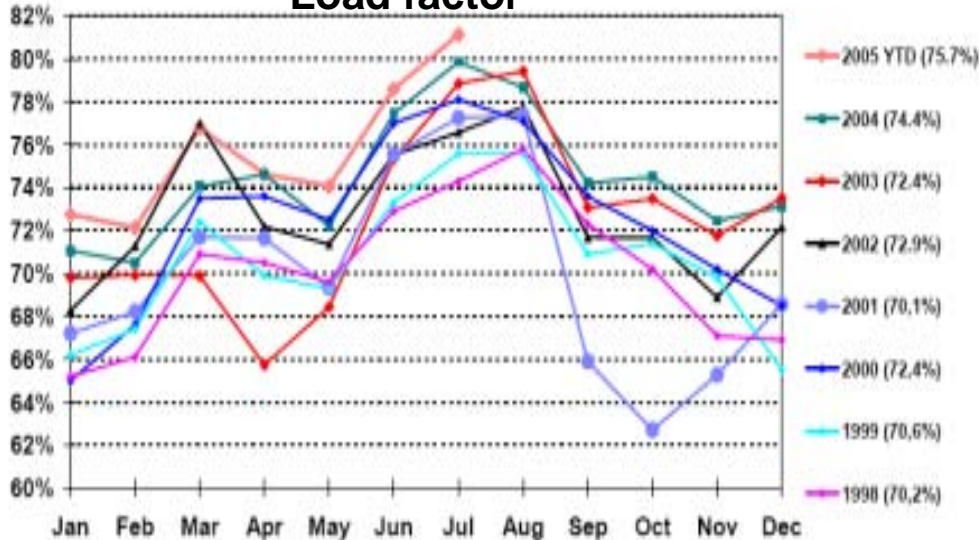
### World airline traffic - history and forecast



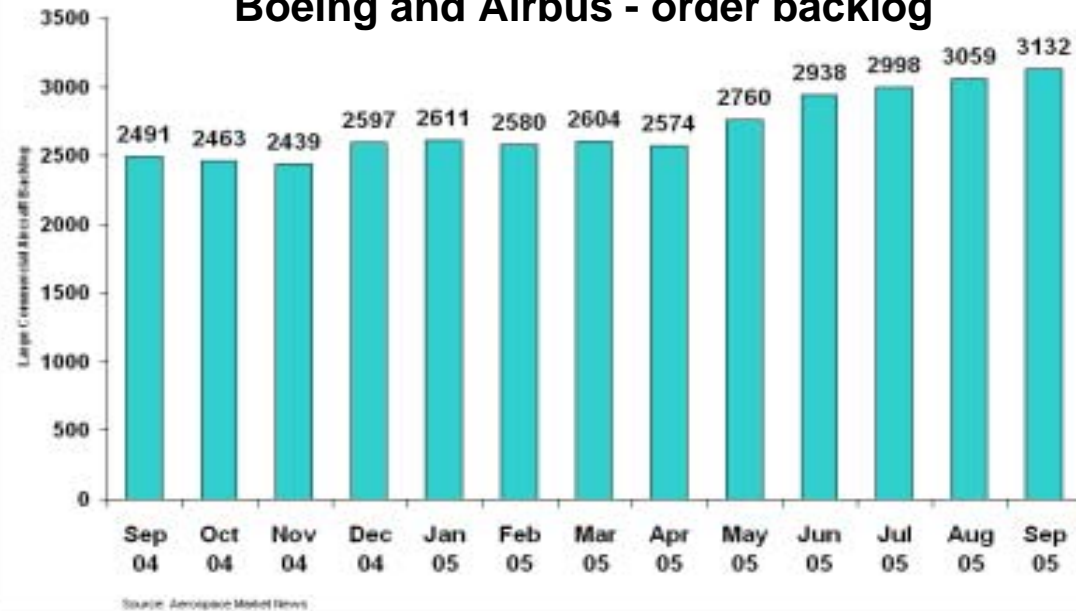
### World RPMs



### Load factor



### Boeing and Airbus - order backlog

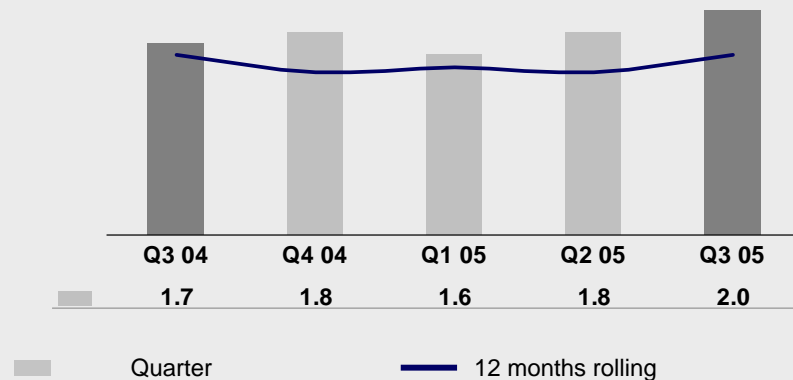


# Volvo Aero

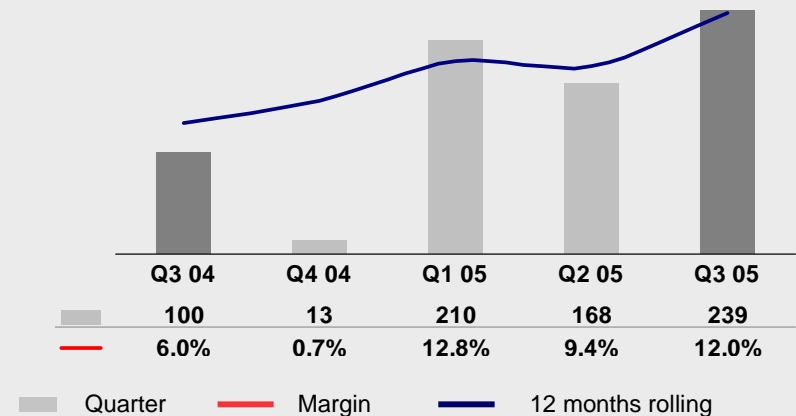
## Third Quarter



### Net sales (SEK bn)



### Operating income (SEK M)



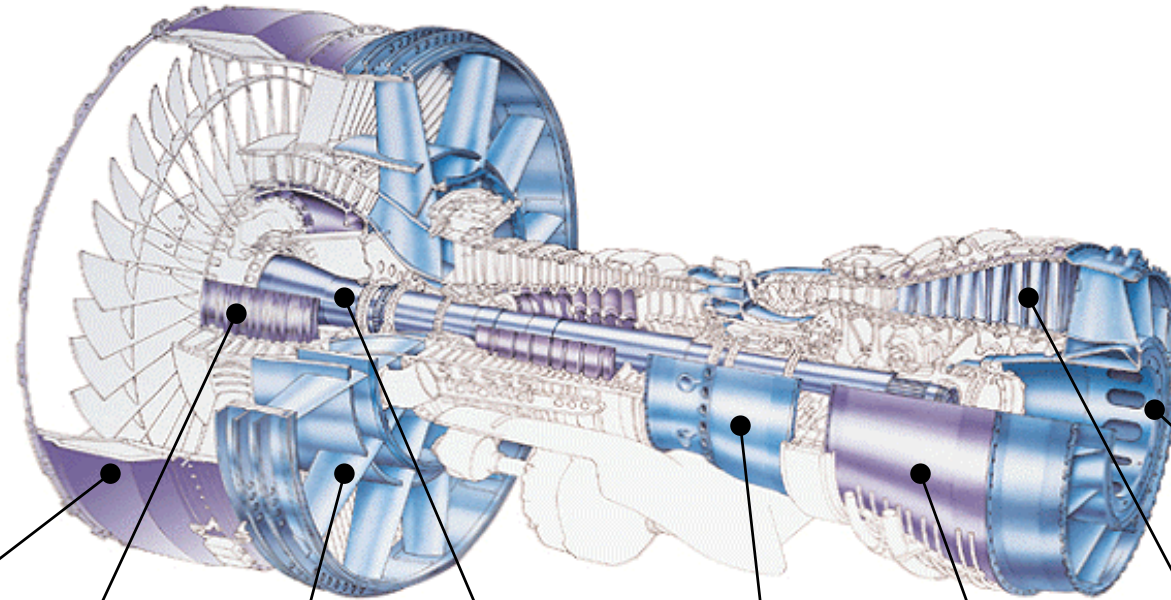
### Highlights

- Air traffic and industry order intake continue to grow
- High utilization in component manufacturing
- Improved operating margin

### In Focus

- Upturn management in components
- Aftermarket business
- Profitable growth

# Volvo Aero - component specialization



Strengths:

- Light-weight design
- Production technology



**Fan Case**



**Spool/Drum**



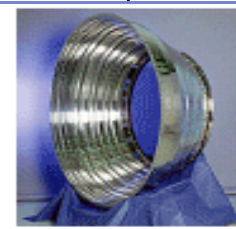
**Case**



**Shaft**



**Diffuser Case**



**LPT Case**



**Vanes**



**structure**

Market share

9%

13%

3%

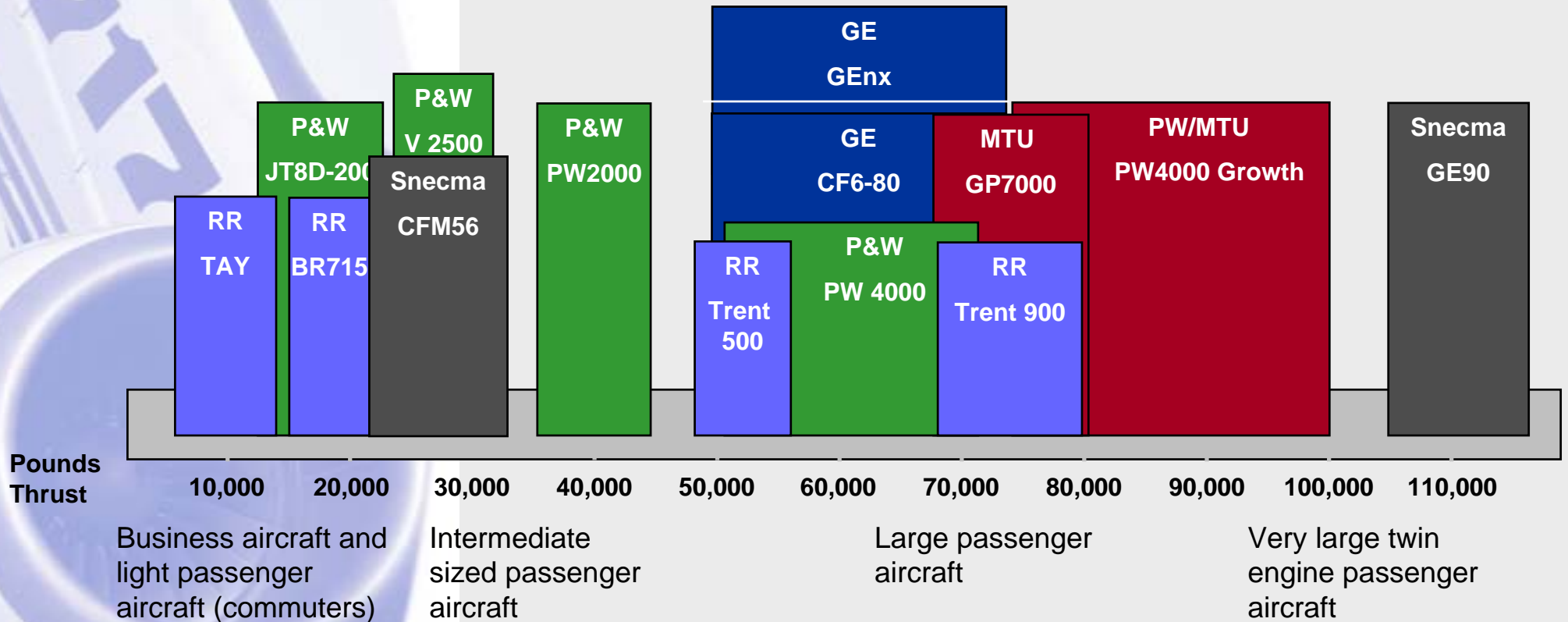
14%

78%

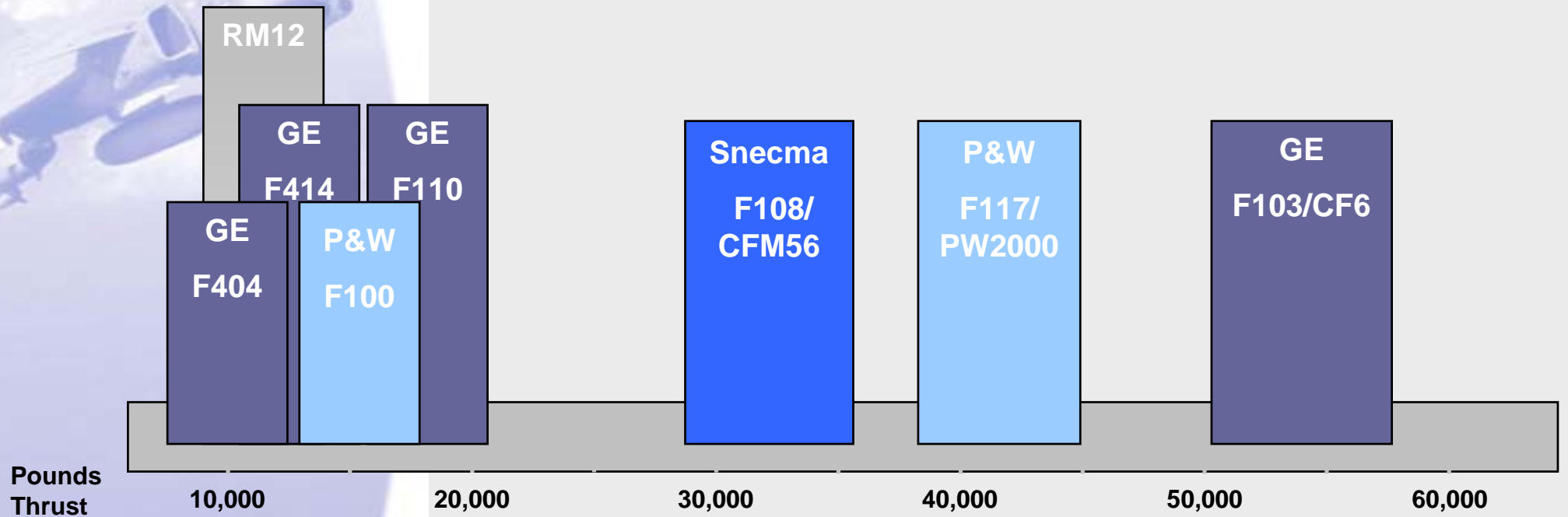
15%

27%

# Component partner in... ...commercial programs

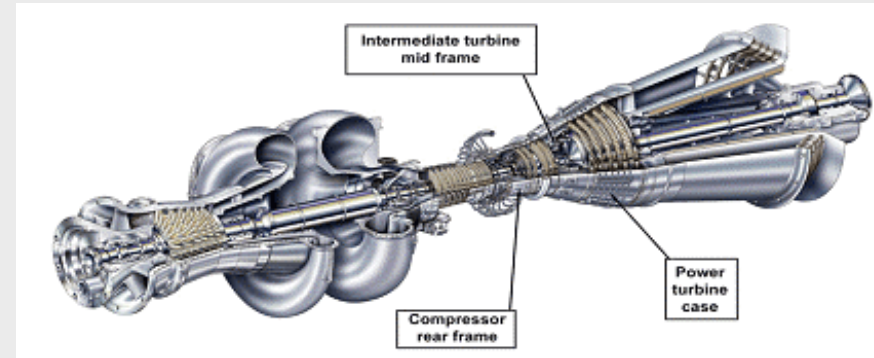
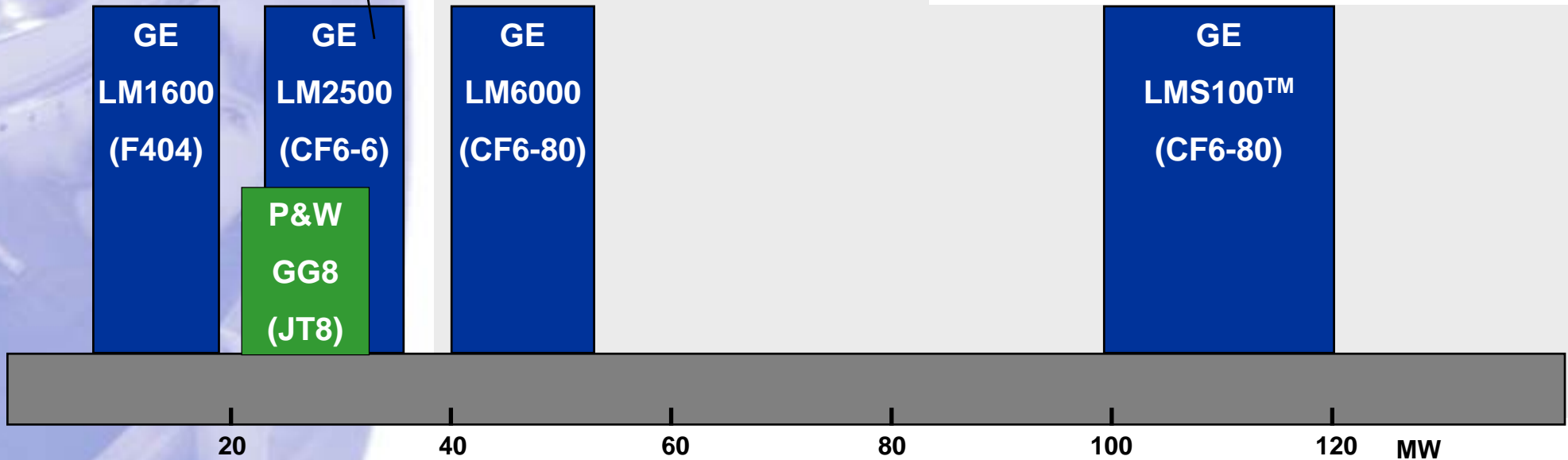


# Component Partner in... ...military programs



# Component partner in ...gas turbine programs

Increased share in  
the LM2500

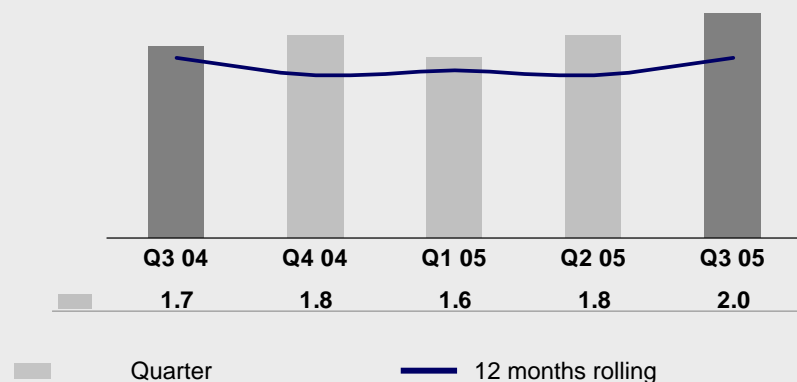


# Volvo Aero

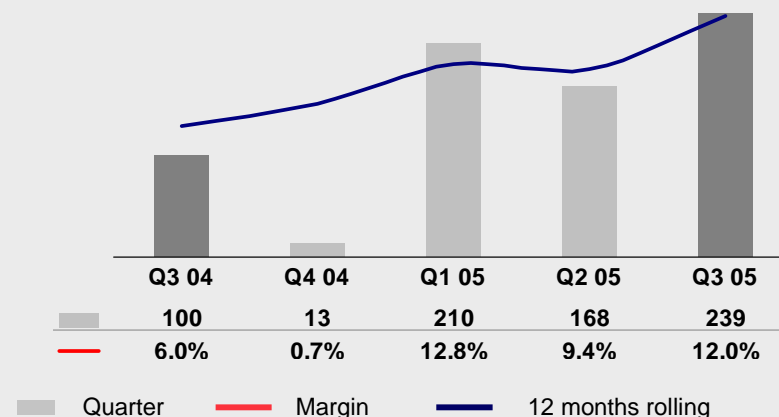
## Third Quarter



### Net sales (SEK bn)



### Operating income (SEK M)



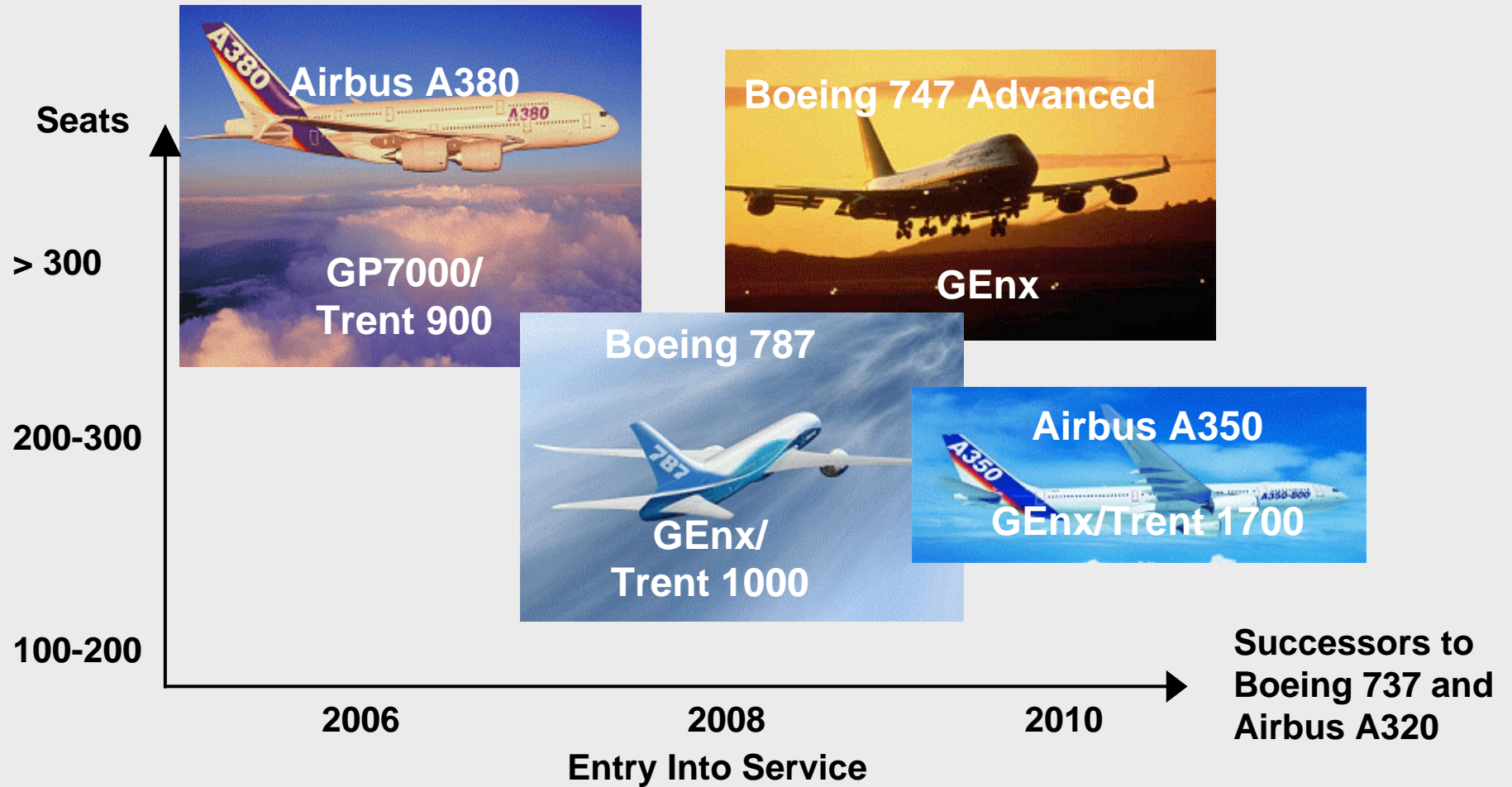
### Highlights

- Air traffic and industry order intake continue to grow
- High utilization in component manufacturing
- Improved operating margin

### In Focus

- Upturn management in components
- Aftermarket business
- Profitable growth

# New aircraft and engine programs

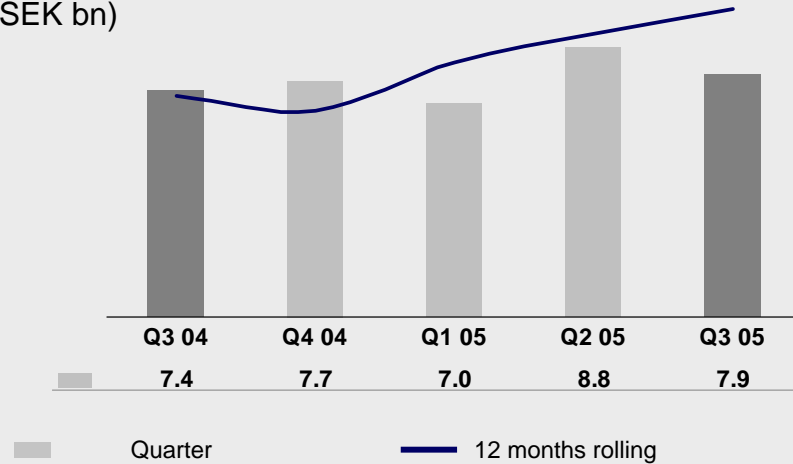




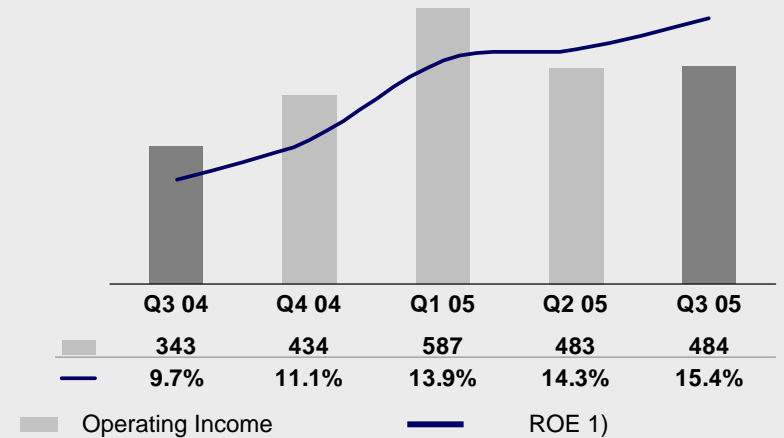
# Volvo Financial Services Third Quarter



## New retail financing (SEK bn)



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



## Highlights

- Continued good profitability
- Steady market share and increased retail volumes
- Portfolio performing well

## In Focus

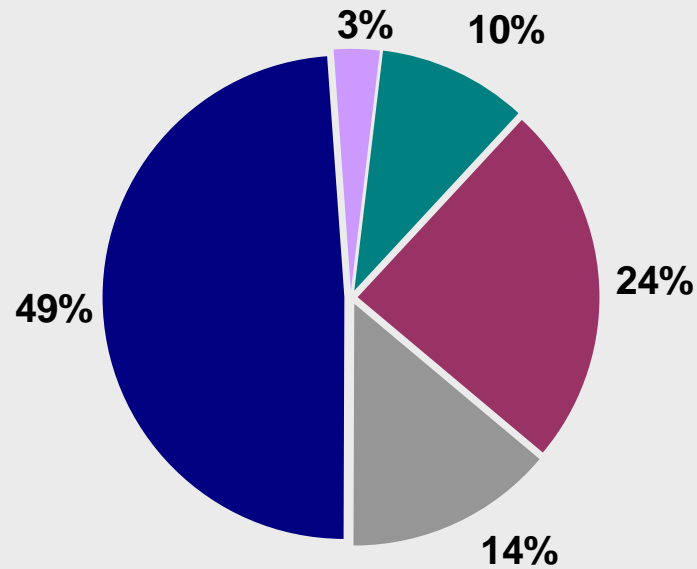
- Closely monitor portfolio performance
- Eastern Europe and Asia
- Commercial focus

1) Calculated as a 12 month rolling average

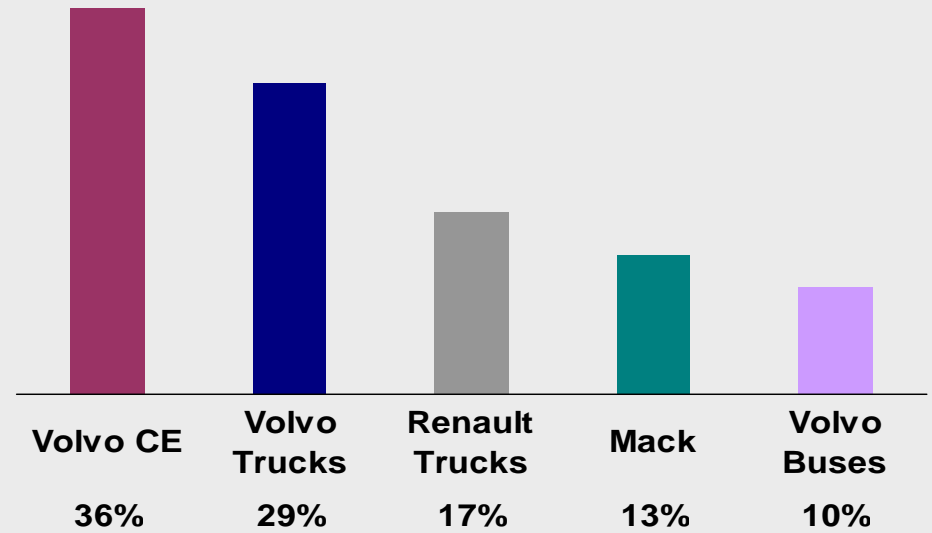
# Volvo Financial Services Third Quarter - isolated



New financing



Penetration on new financing



## Volvo Group Summary

- Continued good sales development +14%
- Improved profitability in all Business Areas
- Manage and capitalize on product introductions



*Life at the extreme...the drama begins on November 12*

VOLVO  
OCEAN  
RACE

2005-2006

