

VOLVO

Second Quarter 2006
Conference Call, July 21, 2006

Highlights

Second Quarter

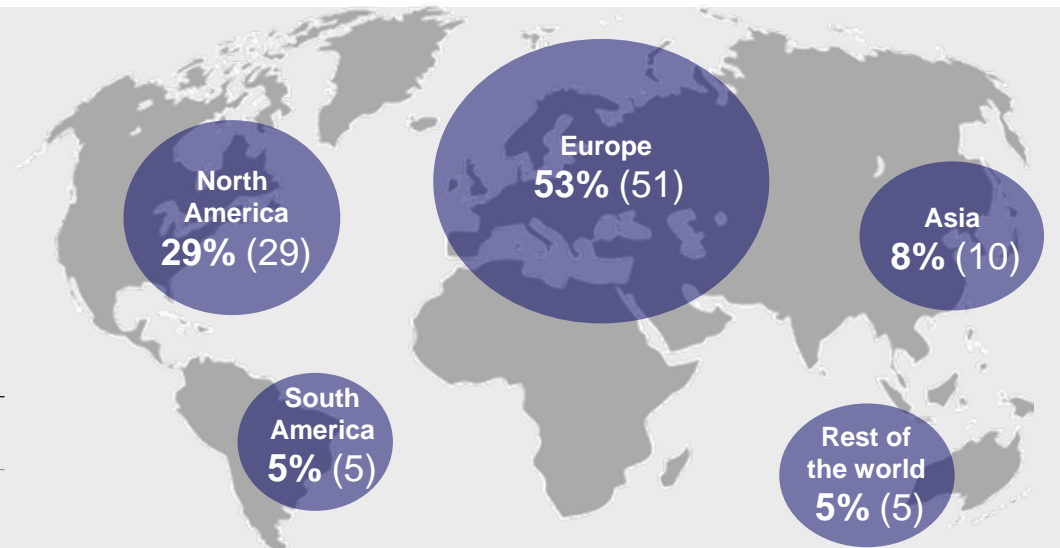
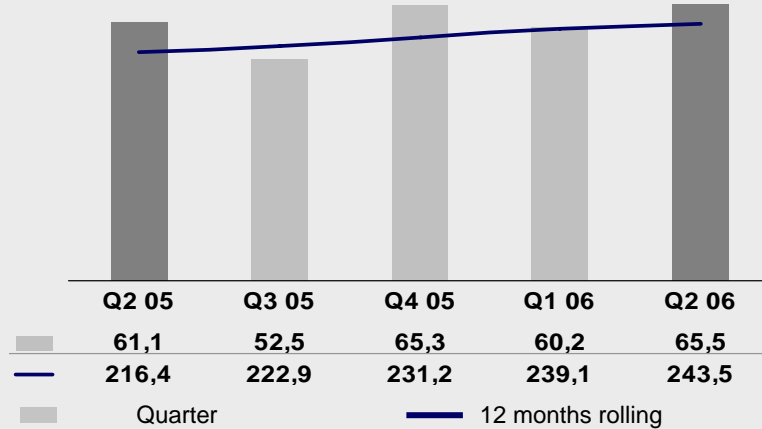
- Business environment
 - European market continues to improve
 - Continued high levels in North America
- Sales growth in all Business Areas
- Profitability at all-time high
 - Operating income up 22% to SEK 6,539
 - Operating margin at 10.0%
 - Return on Equity at 18.6%
- Doubled operating cash flow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

In Focus Going Forward

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

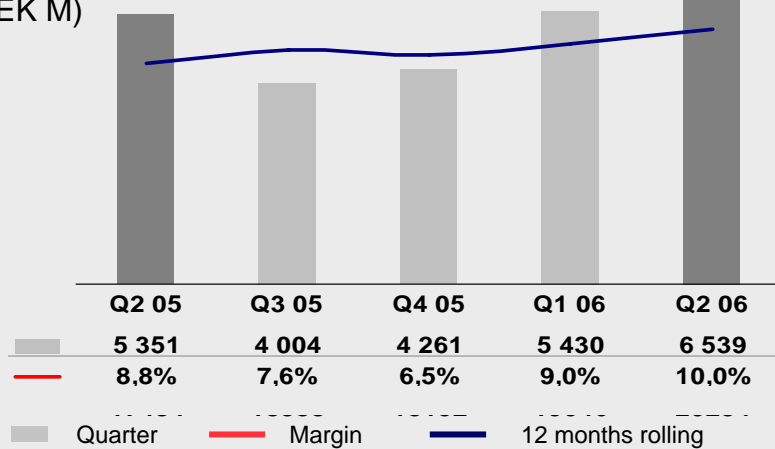
Net sales

(SEK bn)



Operating income

(SEK M)



Earnings per share

(SEK)



Volvo Group – Financial Summary*

SEK M	Q2-2006	Q2-2005	
Net Sales	65 472	61 119	<i>Up 6% adjusted for currency and acq./div.</i>
Gross income	15 007	13 137	
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	
Operating income	6 539	5 351	<i>Currency impact vs. last year approx. -300</i>
	10,0%	8,8%	
Interest income and similar credits	222	284	
Interest expenses and similar charges	(245)	(326)	
Other financial income and expenses	(59)	(55)	
Financial Net	(82)	(97)	
Income after fin. Items	6 457	5 254	
Taxes	(1 777)	(1 323)	
Income for the period	4 680	3 931	
	7,1%	6,4%	
ROE	18,6%	16,8%	
EPS, SEK	11,53	9,68	
Operating cash flow, excl. Financial Services (SEK bn)	6,0	3,0	

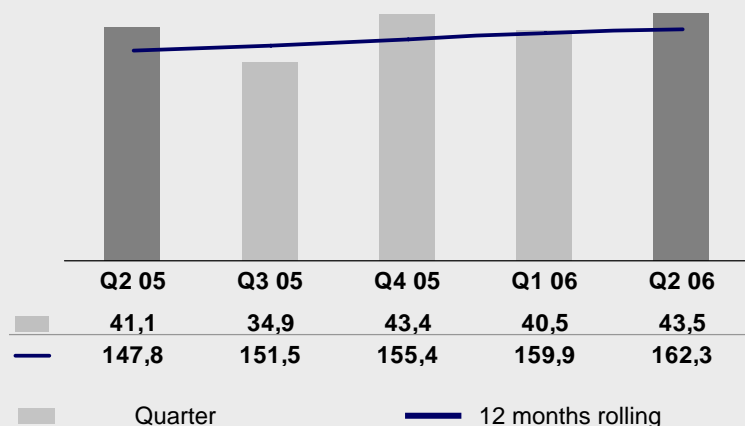
* Financial Services reported in accordance with the equity method

Trucks

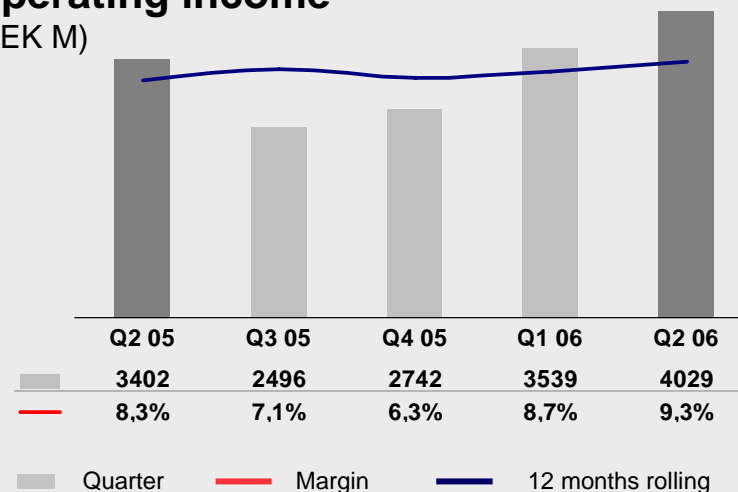
Second Quarter



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

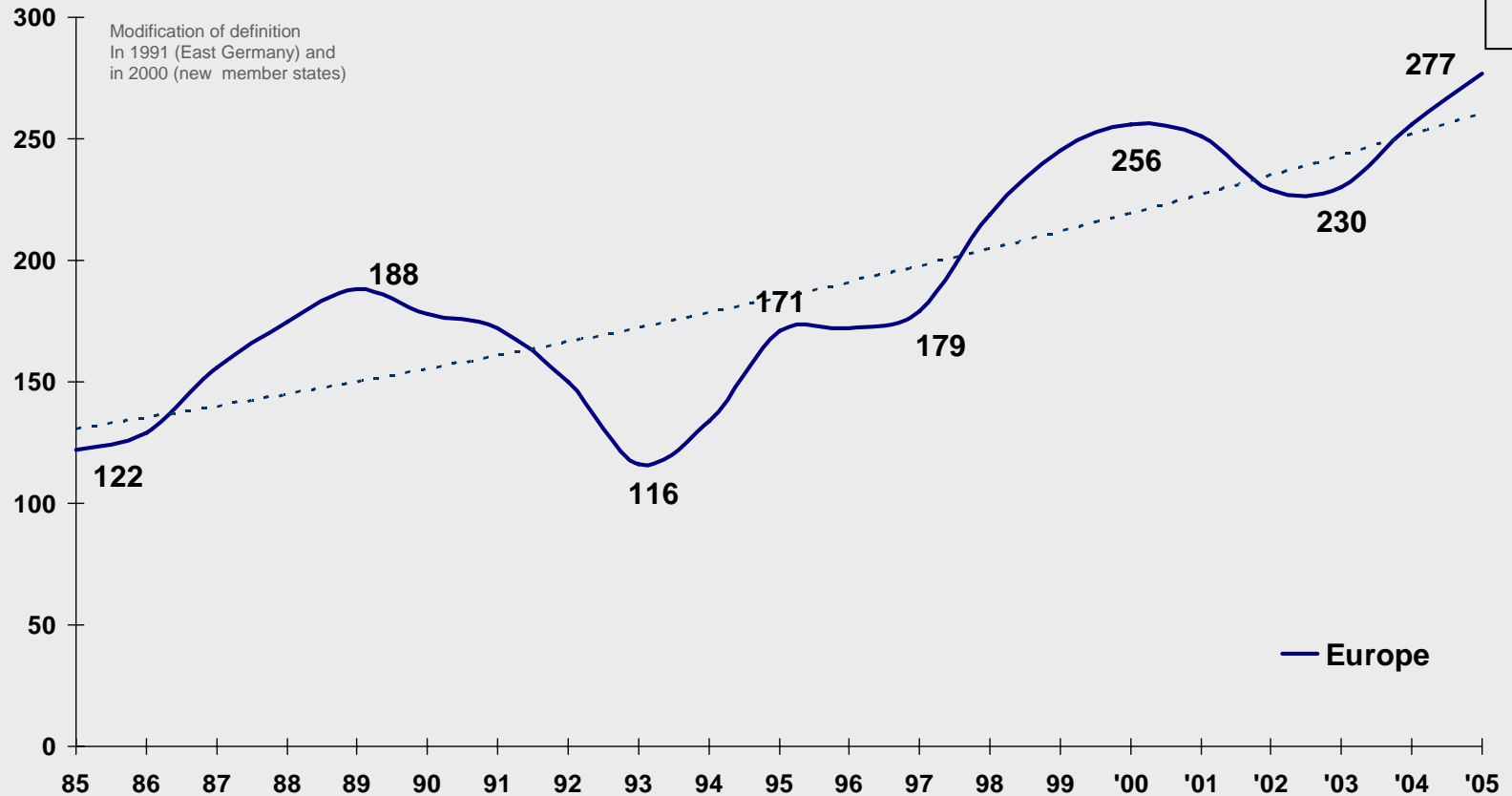
Heavy Duty Truck Market

Europe

(EU members + Switzerland and Norway)



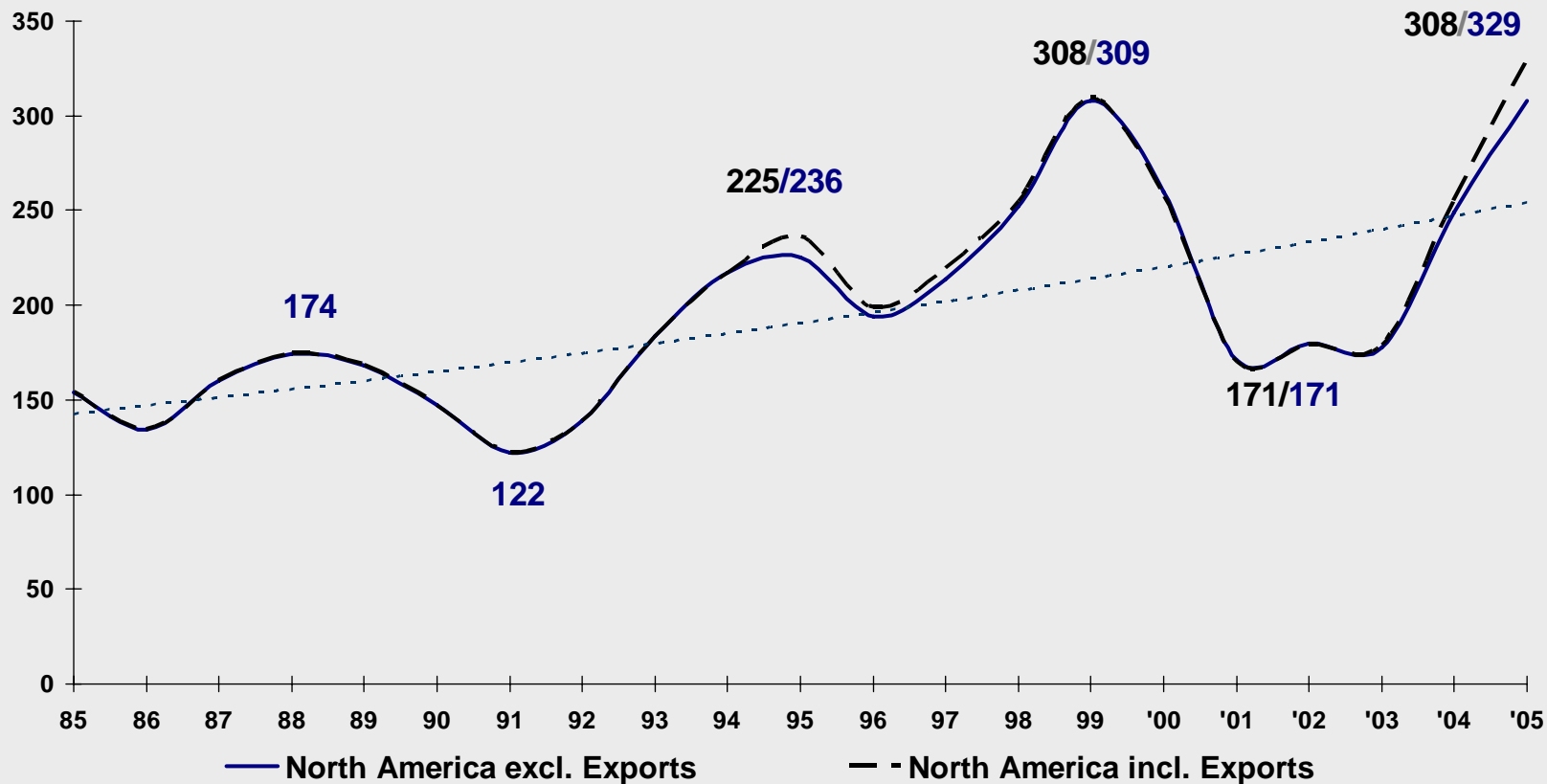
Units, Thousands (heavy trucks)



Heavy Duty Truck Market North America



Units, Thousands (heavy trucks)



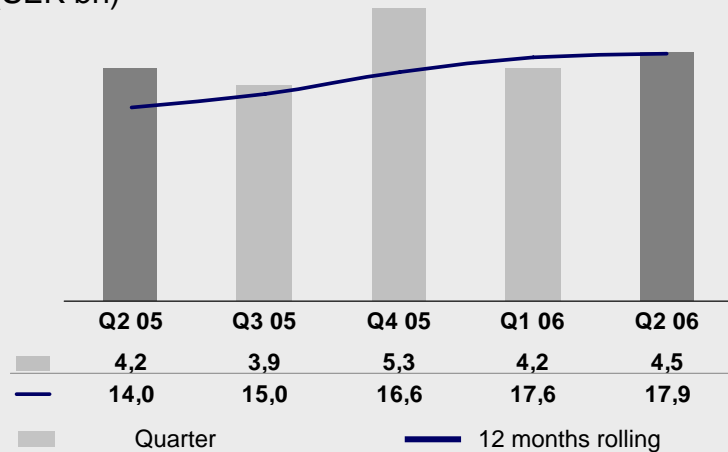
2006 forecast
350-360 000
330-340 000

Volvo Buses

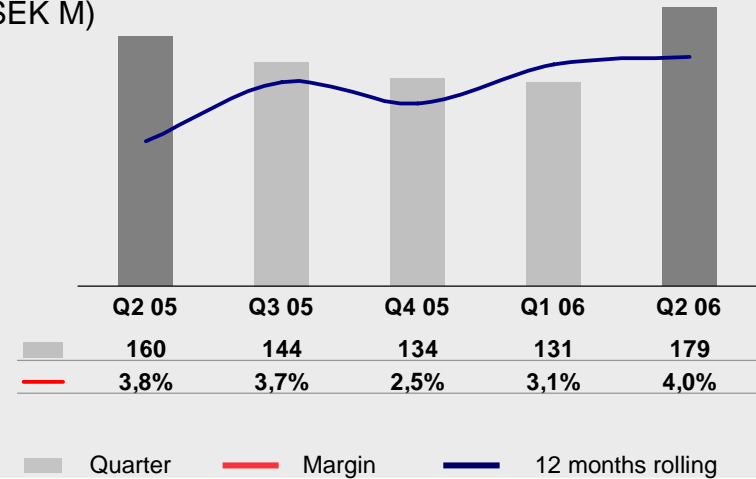
Second Quarter



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

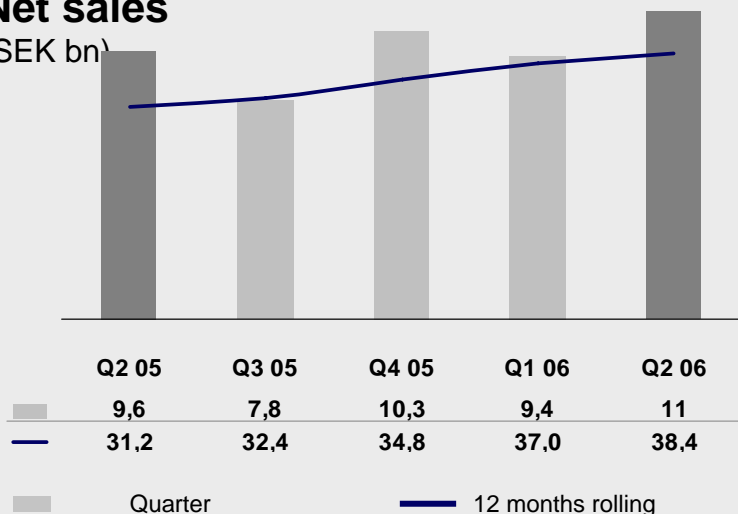
- Profitable growth
- Efficiency improvement
- Euro 4/5 introduction
- Launch 9700, 9900

Volvo Construction Equipment Second Quarter



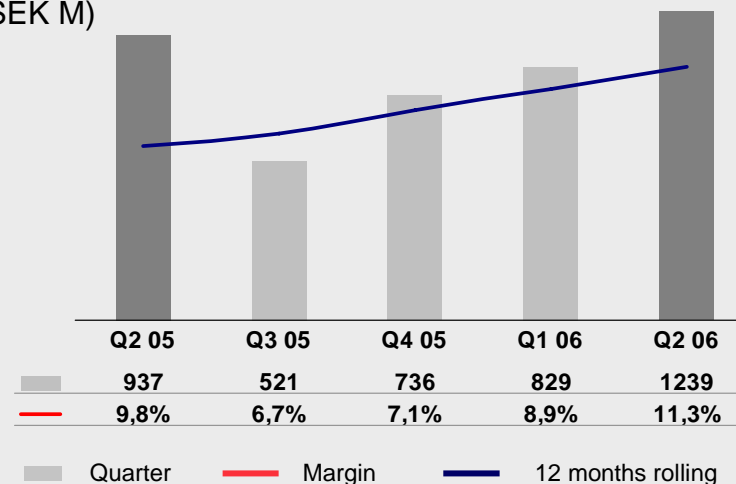
Net sales

(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

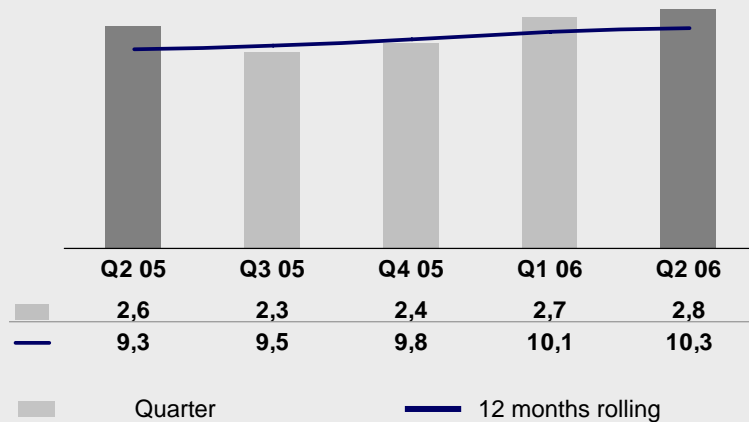
In Focus

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

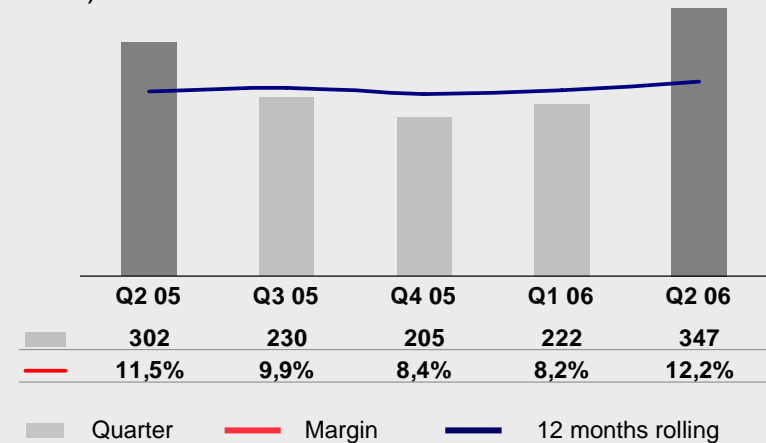
Volvo Penta Second Quarter



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

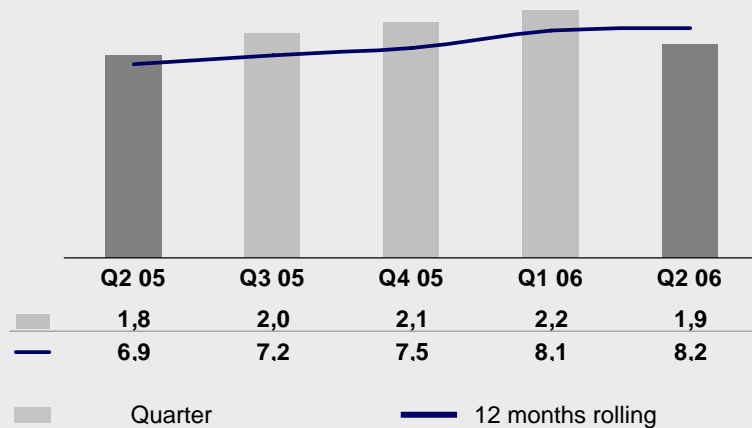
In Focus

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

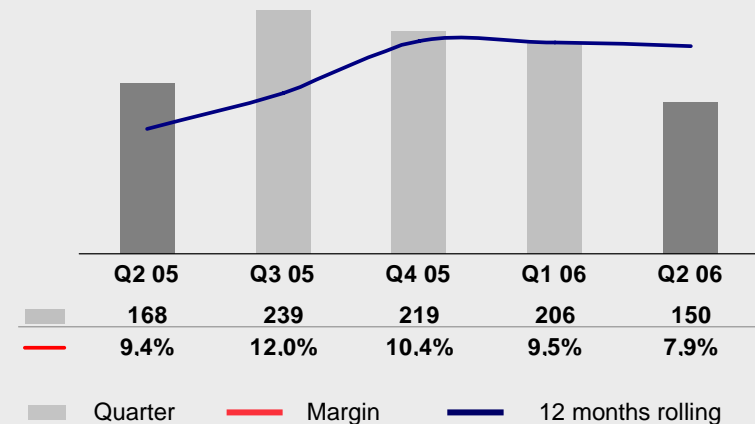
Volvo Aero Second Quarter



Net sales (SEK bn)



Operating income (SEK M)



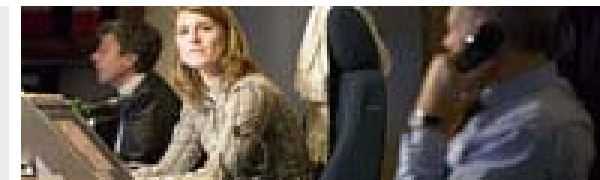
Highlights

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

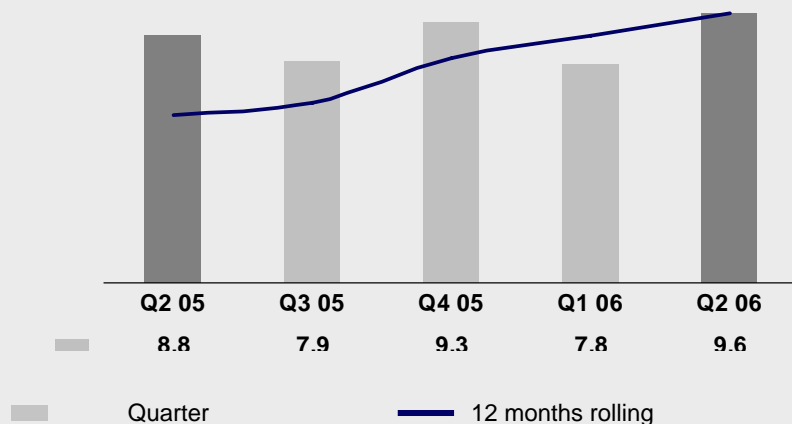
In Focus

- Supply chain management
- After market business
- Cash flow

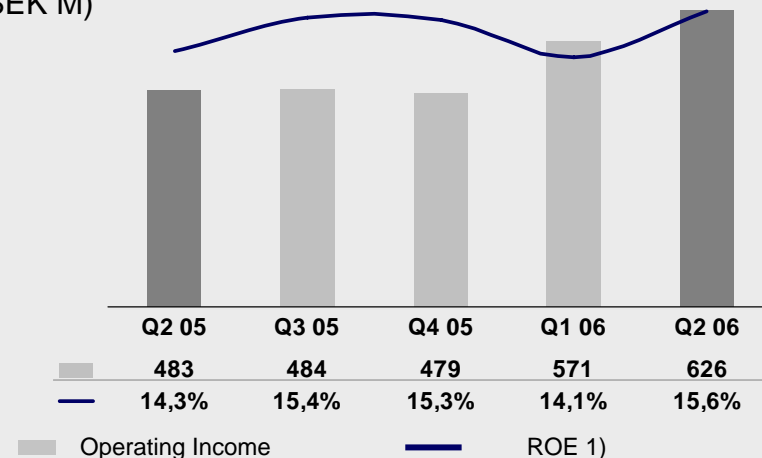
Volvo Financial Services Second Quarter



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