

VOLVO

Third Quarter 2006
Press Conference, October 24, 2006

Highlights

Third Quarter

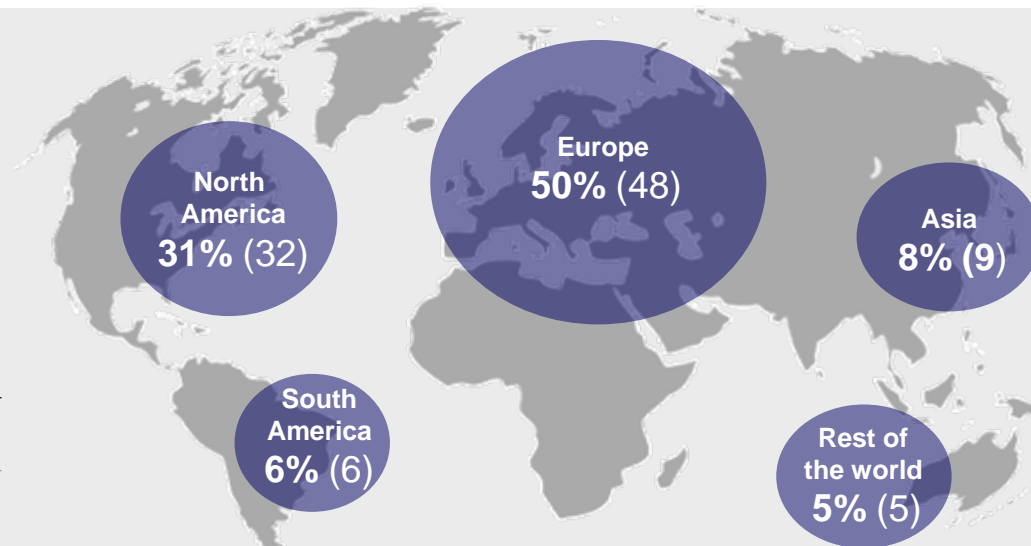
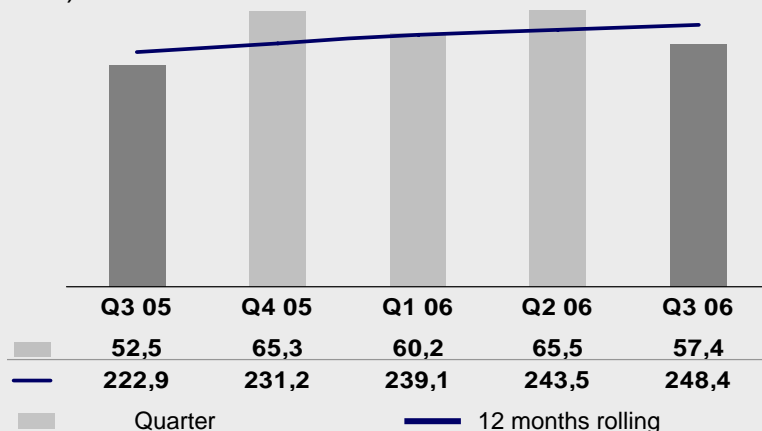
- Business environment
 - European market stronger than expected
 - Prebuy effect in North America
- Sales increased by 9%
- Another quarter with strong profitability
 - Adjusted operating income up 24% to SEK 4,972
 - Adjusted operating margin at 8.7%
 - Return on equity at 19.3%
- EPS up 34% to SEK 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

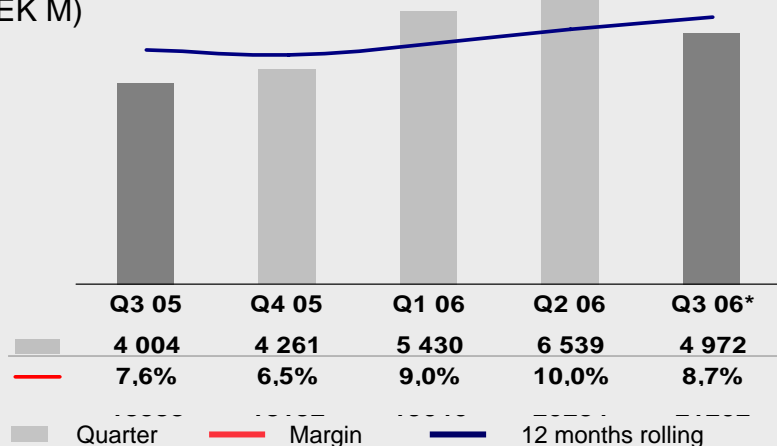
Net sales

(SEK bn)



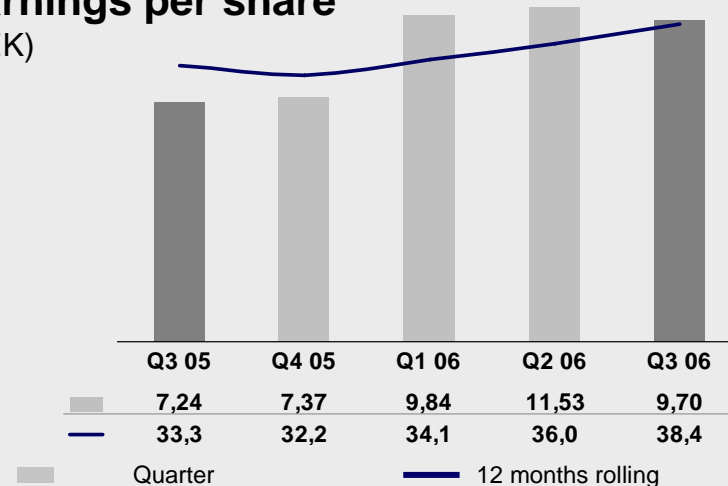
Operating income

(SEK M)



Earnings per share

(SEK)



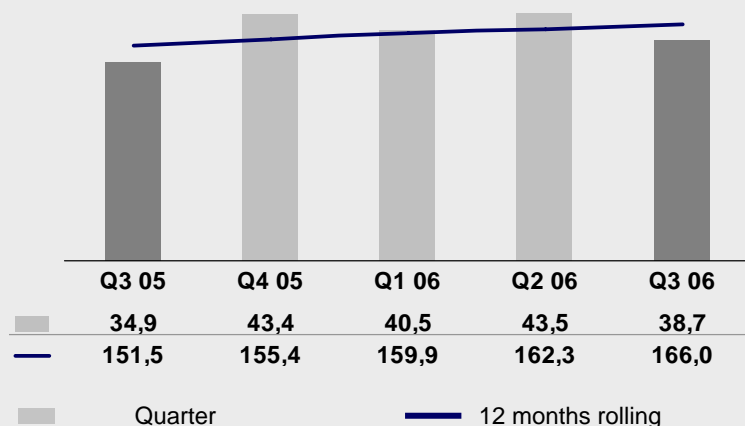
* Excluding goodwill adjustment of SEK 1,712 due to release of valuation reserves for taxes

Trucks

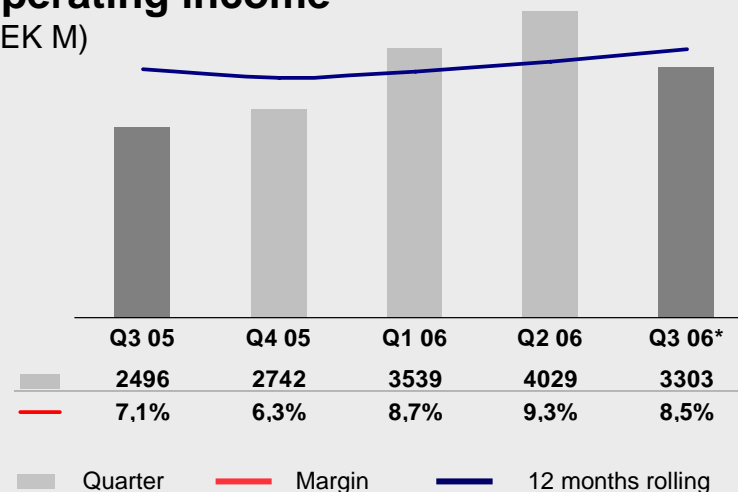
Third Quarter



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

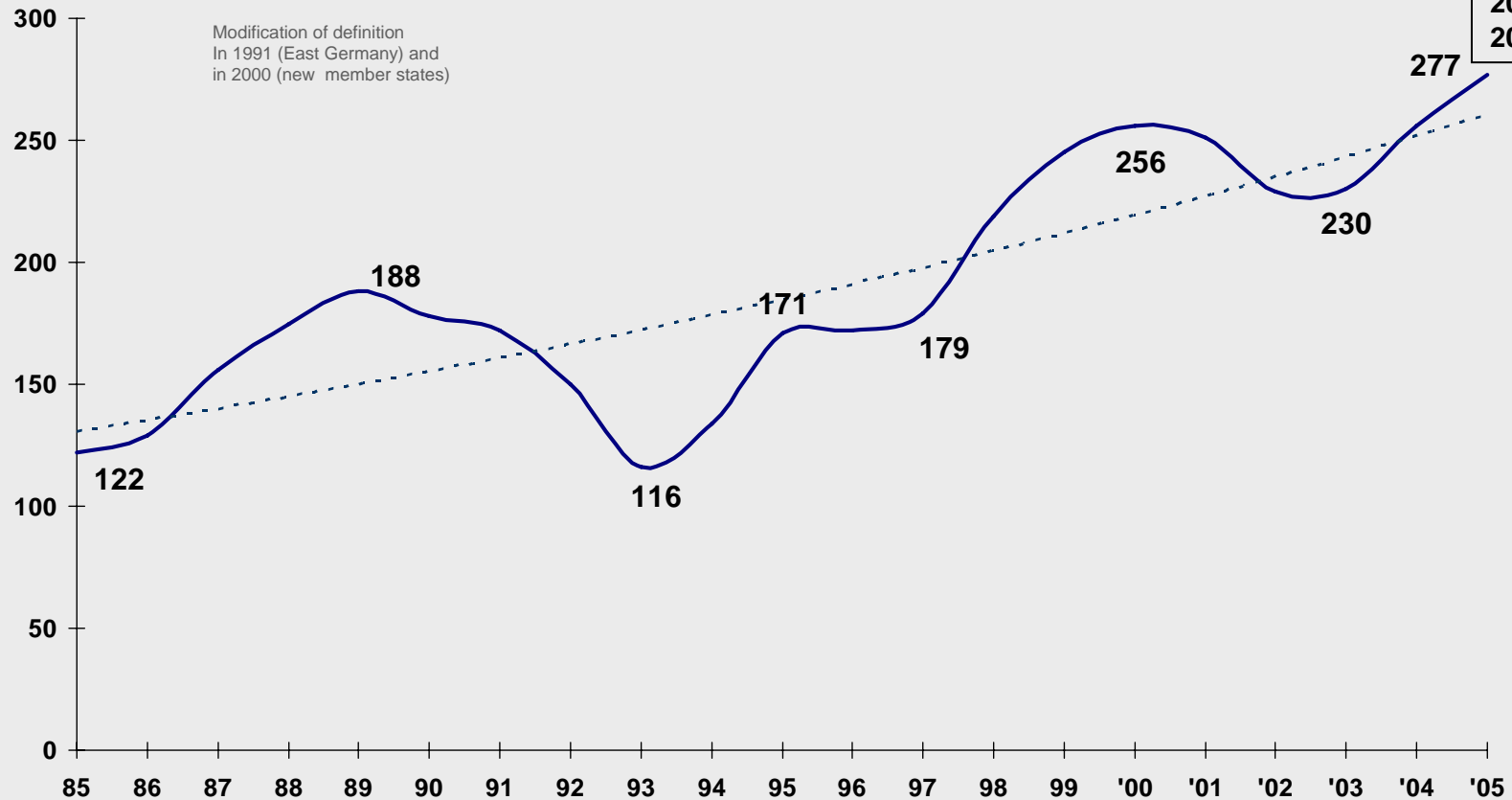
* Excluding goodwill adjustment of SEK 1,712 due to release of valuation reserves for taxes

Heavy Duty Truck Market Europe

(EU members + Switzerland and Norway)



Units, Thousands (heavy trucks)

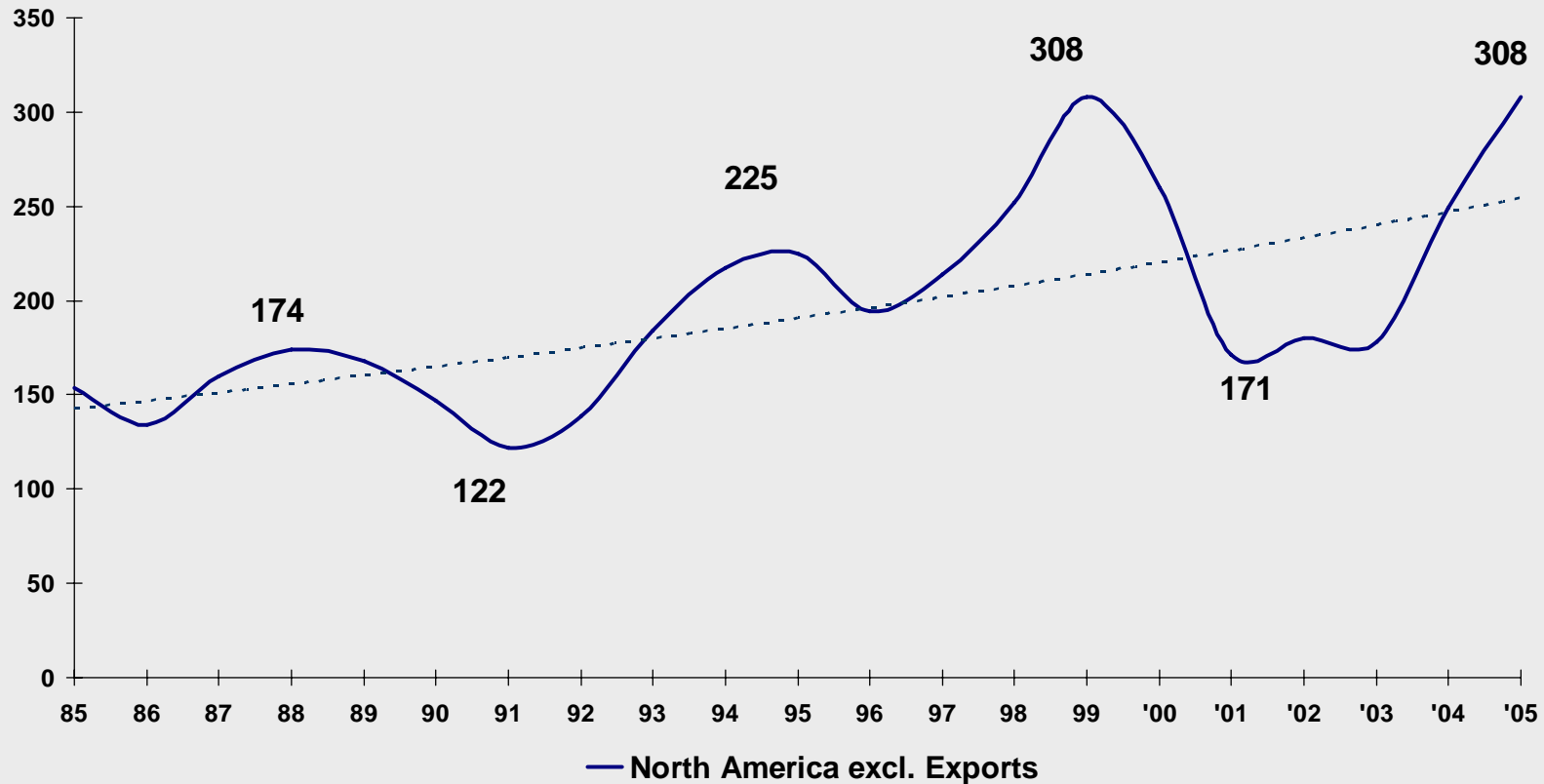


Forecast
2006: ~290,000
2007: in line with 2006

Heavy Duty Truck Market North America



Units, Thousands (heavy trucks)



Forecast
2006: ~340 000
2007: ?

Renault Trucks

New construction range



Renault Kerax



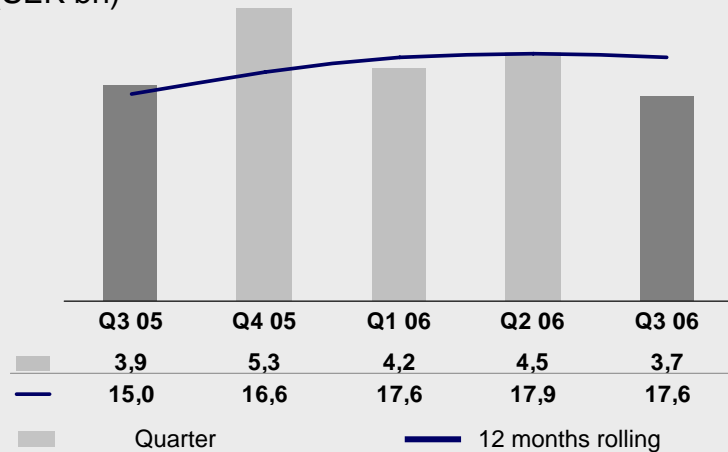
Renault Premium Lander

Volvo Buses

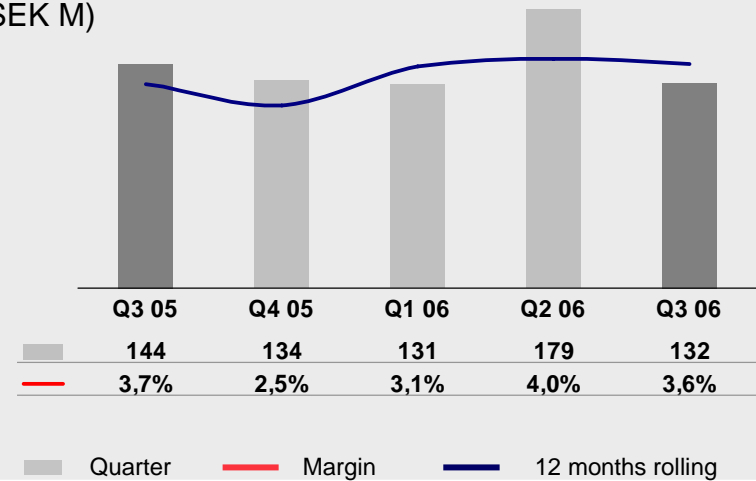
Third Quarter



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 Buses

The new 9900 - new design, new driver place, new safety, significant fuel reduction, complete offer



Volvo Construction Equipment

Tony Helsham
President of Volvo Construction Equipment

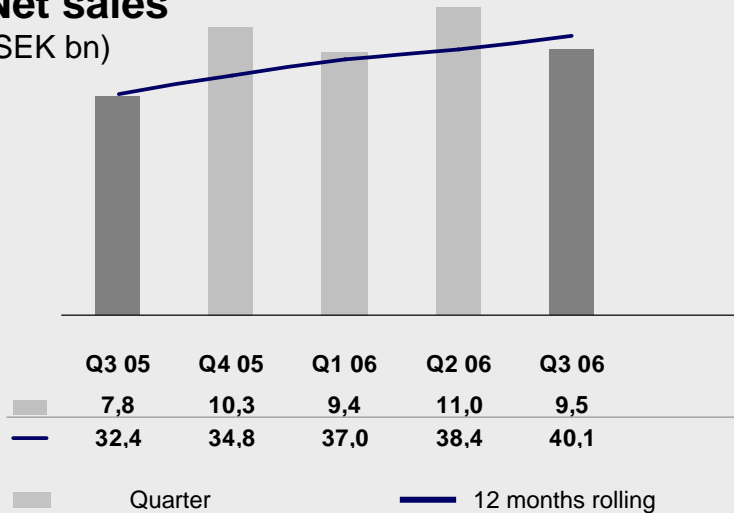


Volvo Construction Equipment Third Quarter



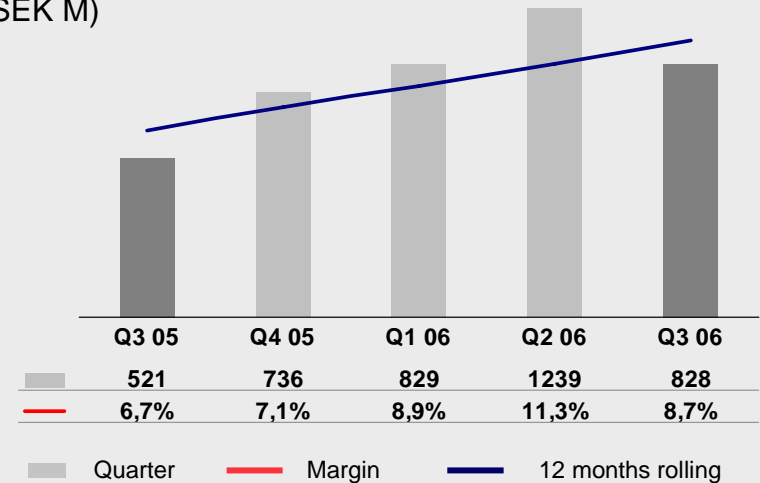
Net sales

(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

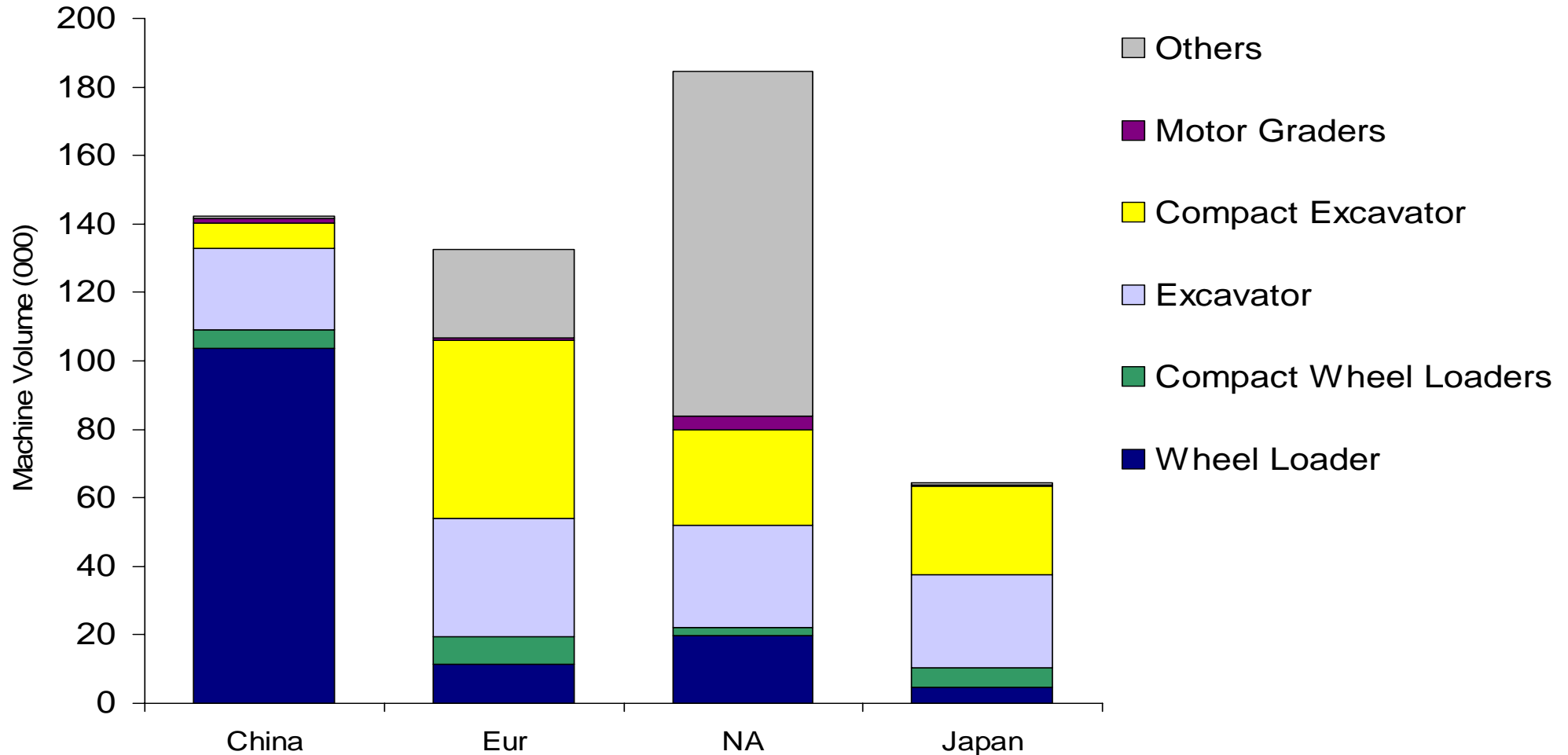
- High capacity utilization
- Manage strong order book
- Lingong

Agenda

- Construction equipment industry in China
- Today's position in China
- Lingong

Construction Equipment Industry

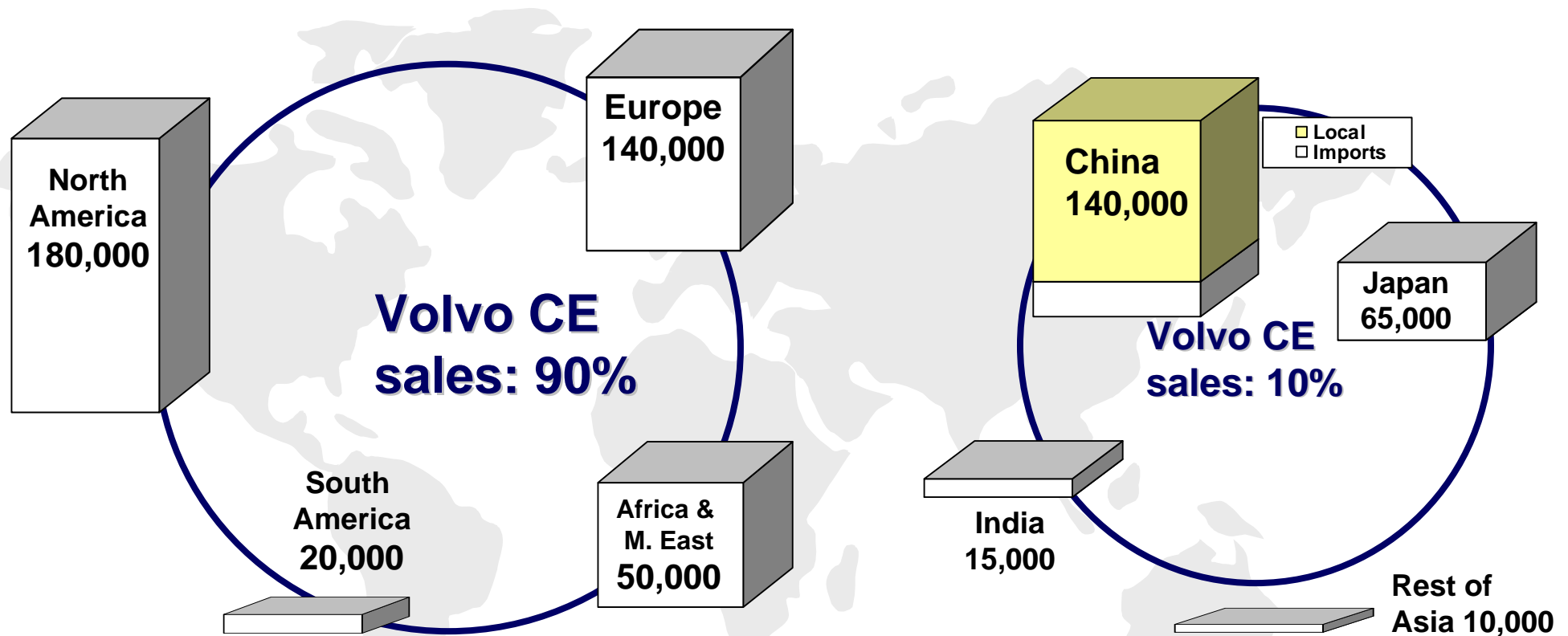
China vs. other regions



Source: Off Highway Research, May 2006 Note: Products within Volvo CE portfolio

Asia is a strategic region for future growth

Construction equipment market (units) – Volvo CE product range



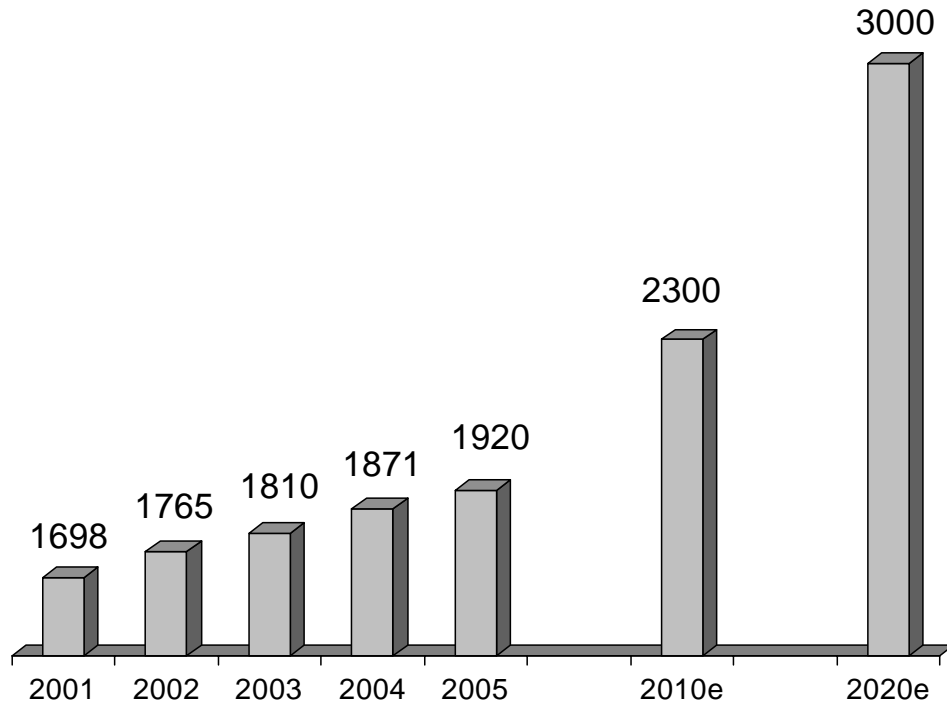
Established Markets: 60%

Asia: 40%

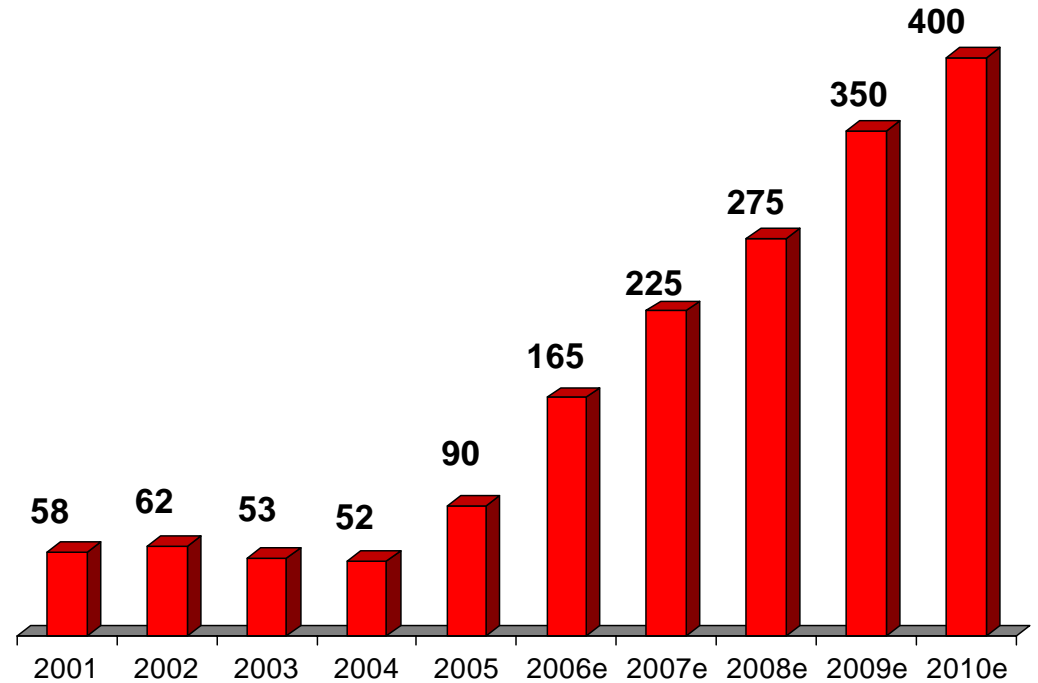
Strong drivers for demand

The 11th 5-year plan continues to focus on infrastructure development

Intercity Road System, 2001 – 2020
(in thousand km)

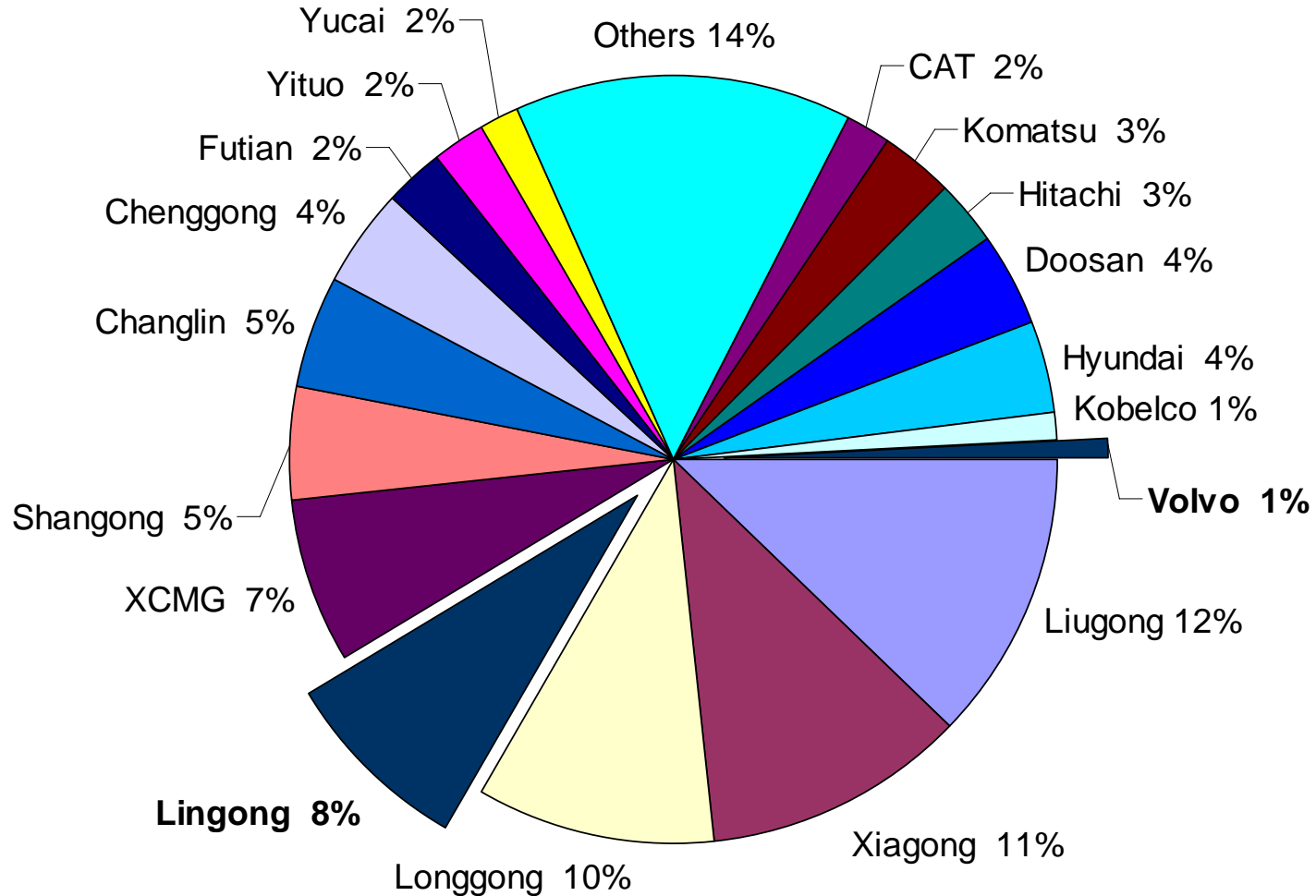


Capex in Railway Construction, 2001 – 2010
(in Billions RMB)



Source: Off Highway Research, May 2006

Market shares in China



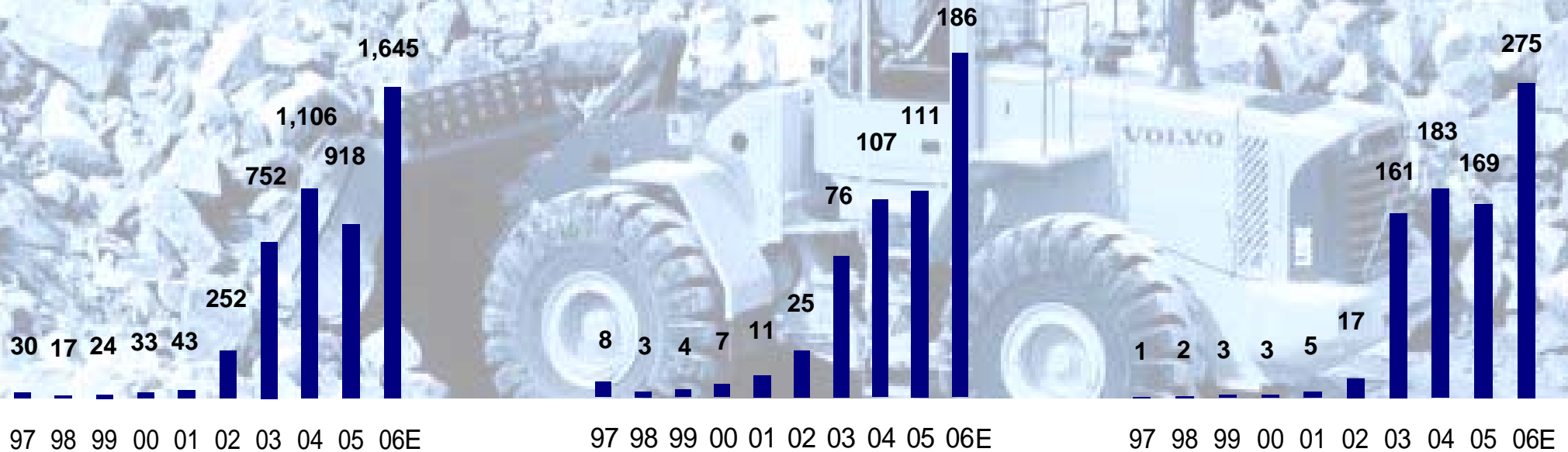
Volvo CE in China

Key Data

Sales
(units)

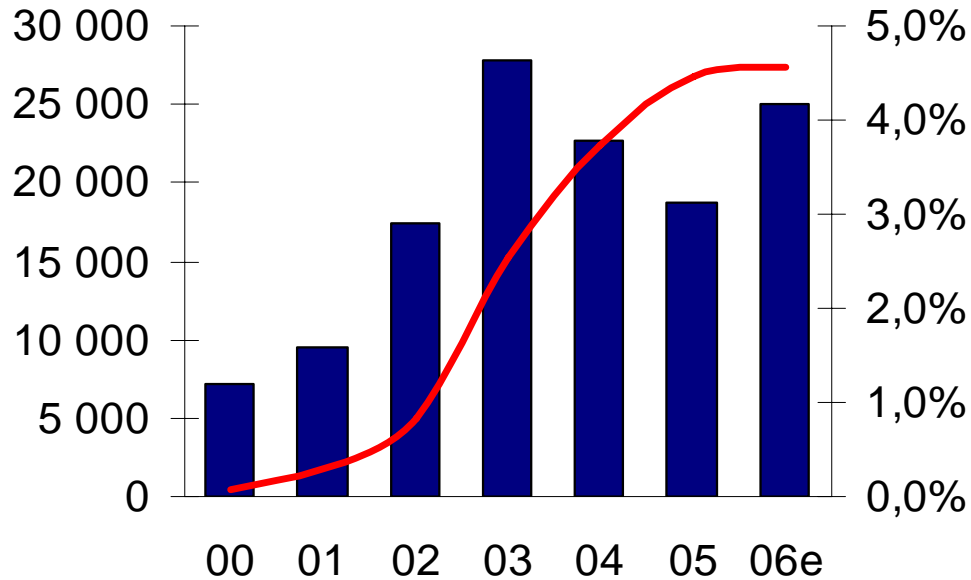
Sales
(MUSD)

Employees

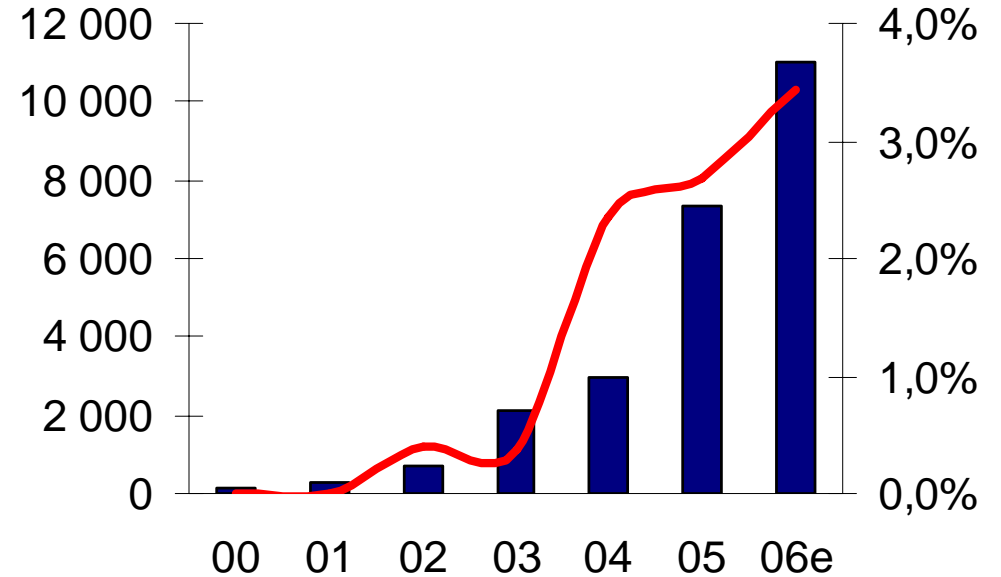


Market development & Volvo market share in China

Excavators



Compact Excavators



Rationale for investment in Lingong

- China is the 2nd largest and fastest growing CE market
- Chinese Wheel loaders market twice as big as rest of the world combined
- Access to a very good dealer network
- Very modern manufacturing and R&D hub and an up-and-running supplier base
- Access to a broad range of entry level Wheel Loaders for emerging markets
- Lingong is very well managed

Lingong overview

Products

- Over 16 models of Wheel Loaders
- Small backhoe loaders, road rollers, excavators

Manufacturing - 1 facility (Blue collars; size land/building)

- Linyi, China (1,212 BC; 660k sqm / 110k sqm)
- Jinan – Advanced R&D centre

Employees

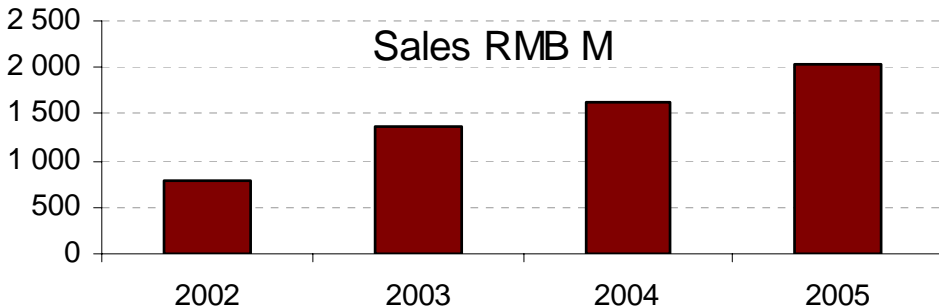
- Total: 1,800, 203 in Sales & Marketing, 166 in R&D

Distribution

- 170 independent dealers; 2 common with Volvo CE in China
- 46 authorized service workshops
- 7 owned branches

Market shares (position) in Wheel Loader market

2003	2004	2005
WL: 9% - (4)	10.3% - (4)	11% - (4)



Well invested and modern facilities



Administration and R&D offices



Assembly line

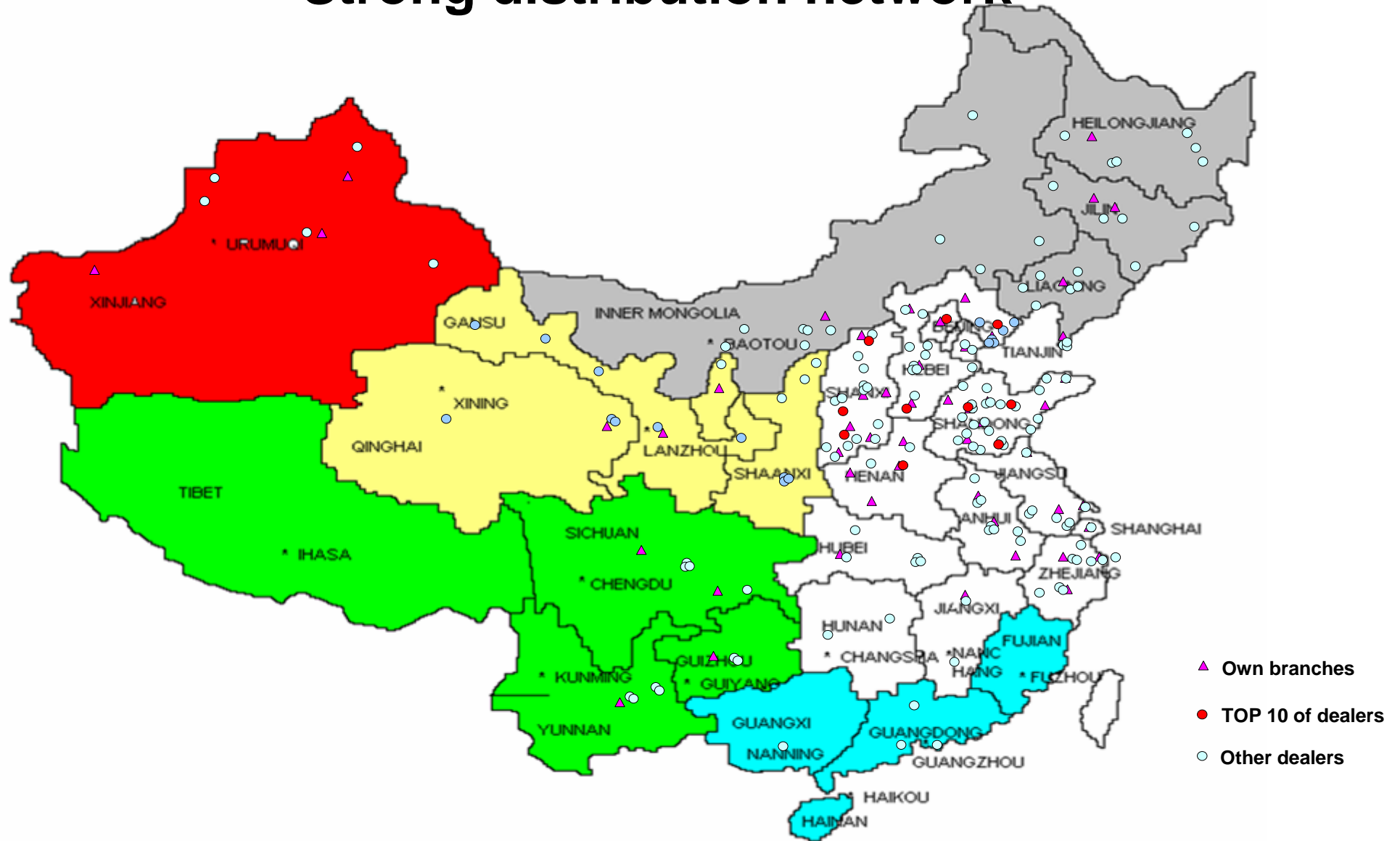


Gear cutting area



Stocks of finished frames after painting

Strong distribution network



Competitive entry-level products



Lingong ZL50F – High Volume



Lingong LG950 – High End

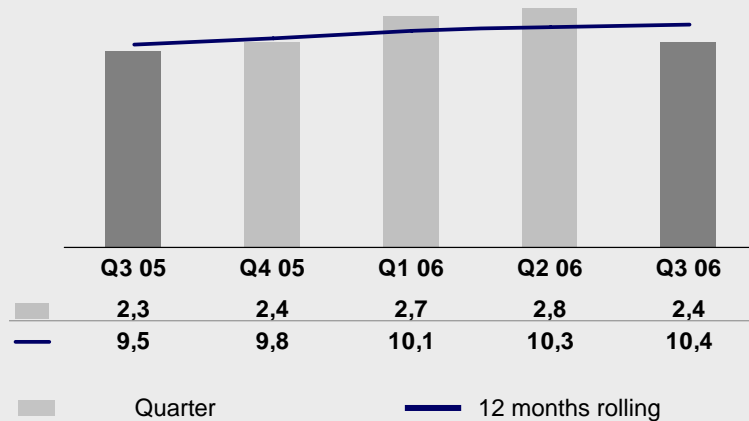
Summary

- Deal is subject to approval from MOFCOM
- We aim to be a significant player in China
- We will maintain separate brands
- Capitalize on learnings from Samsung acquisition
- Number one in the world for wheel loaders

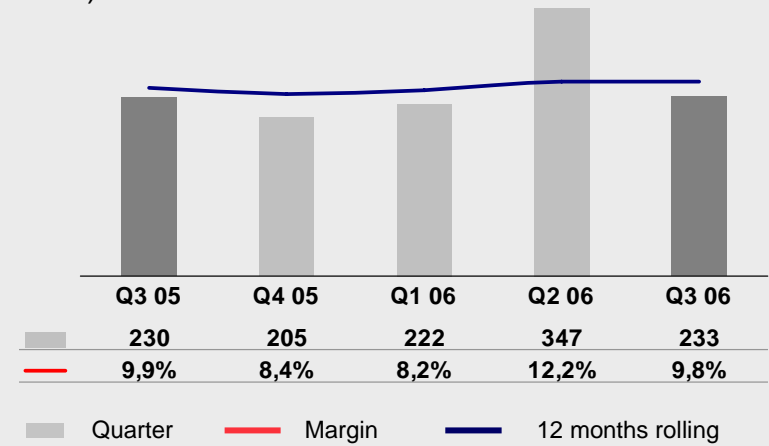
Volvo Penta Third Quarter



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 Penta

Multiple IPS installations

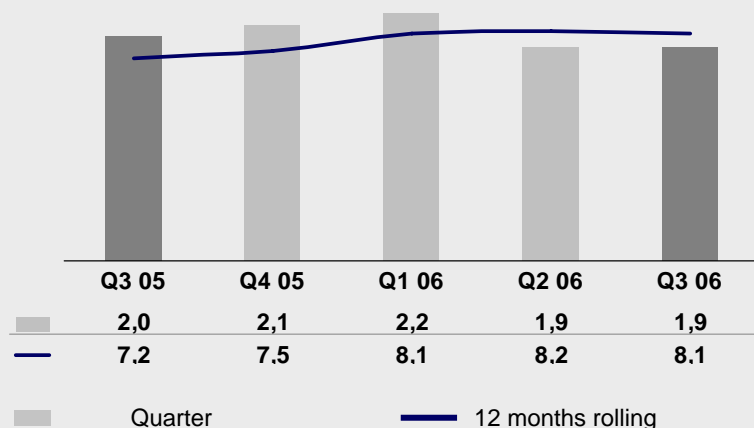


Volvo Aero

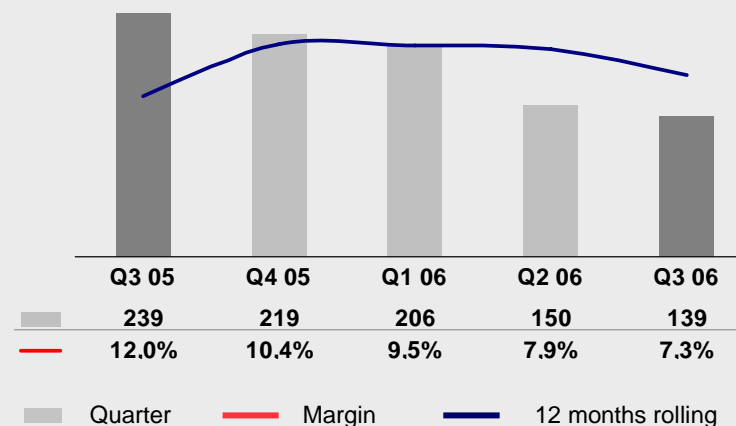
Third Quarter



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 Aero

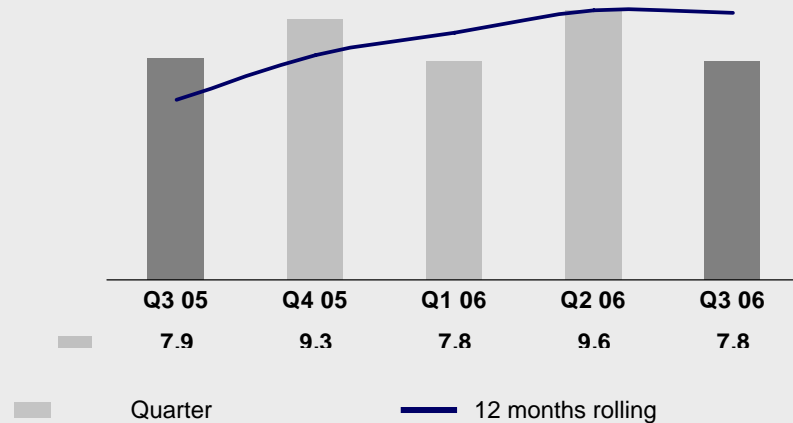
Important agreement with Pratt & Whitney, to demonstrate new technology for the aircraft engine of the future



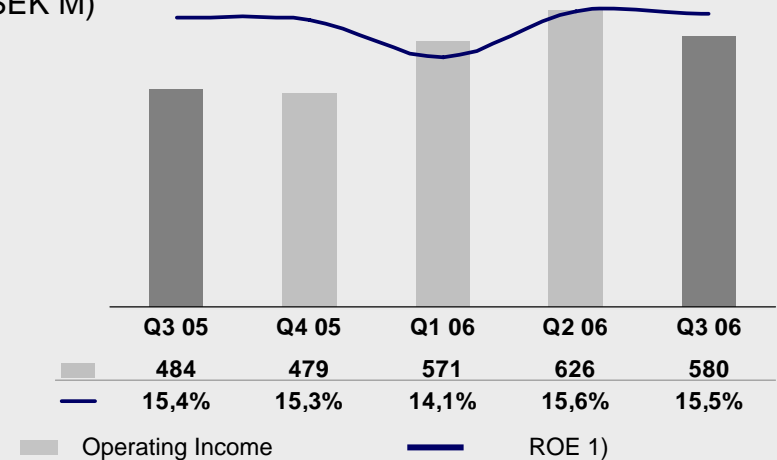
Volvo Financial Services Third Quarter



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

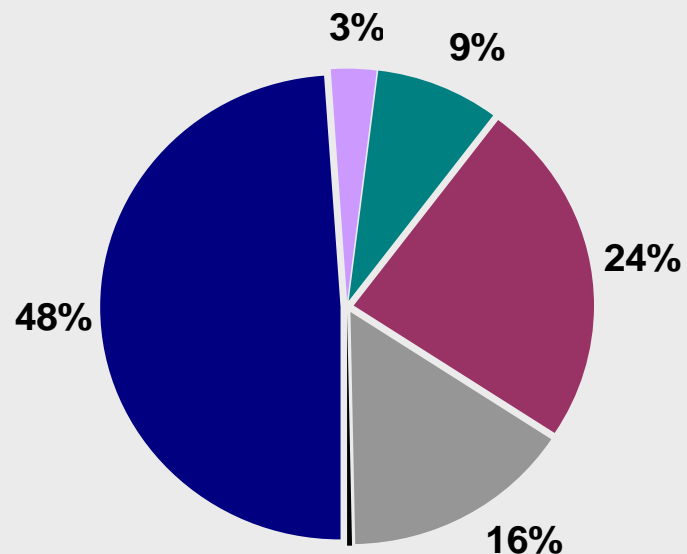
- Business cycle management
- Portfolio growth
- Operational excellence

1) Calculated as a 12 month rolling average

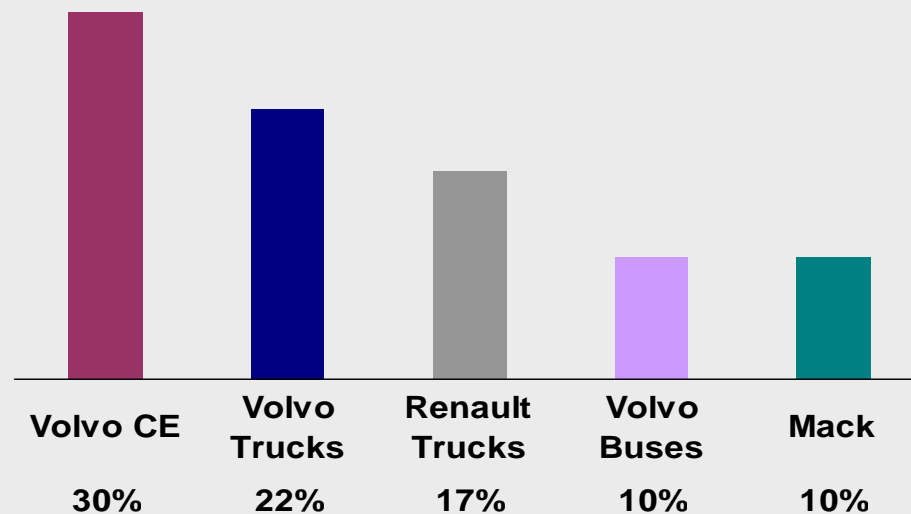
Volvo Financial Services Third Quarter - isolated



New financing



Penetration on new financing



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