

VOLVO

Fourth Quarter 2006
Conference Call, February 2, 2007

Highlights

Fourth Quarter

- Business environment
 - European market stronger than expected
 - North America prebuy/softer market
- Medium and heavy truck orders up 79% in Europe
- Q4 operating income impacted by new product generations and production structure
- Best year ever
 - Growth 7% (14%)
 - Operating income 22.1 bn (18.2) margin: 8.9% (7.9)
 - ROE: 19.6% (17.8)
 - Cash flow 12.6 bn (6.8) including pensions 3.3
- Board proposal:

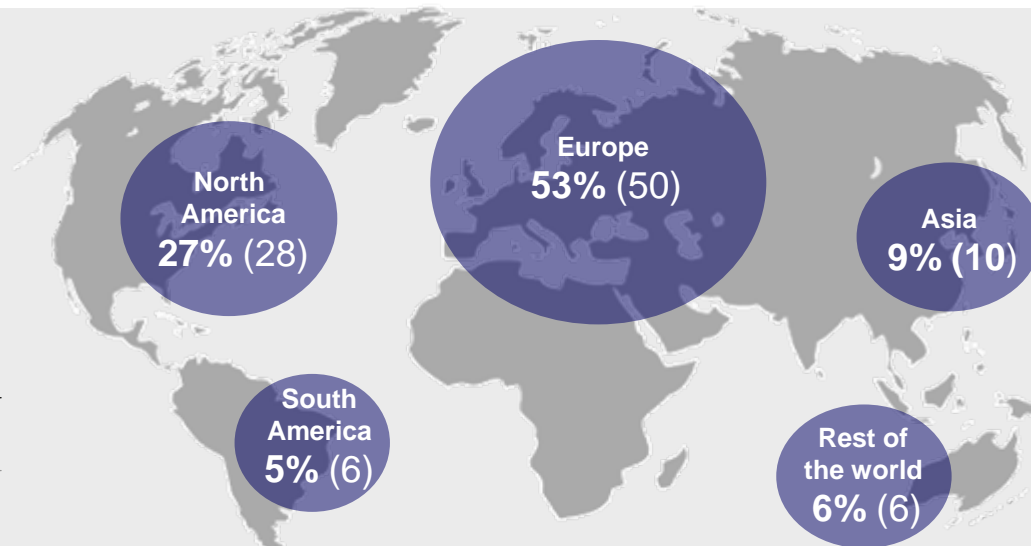
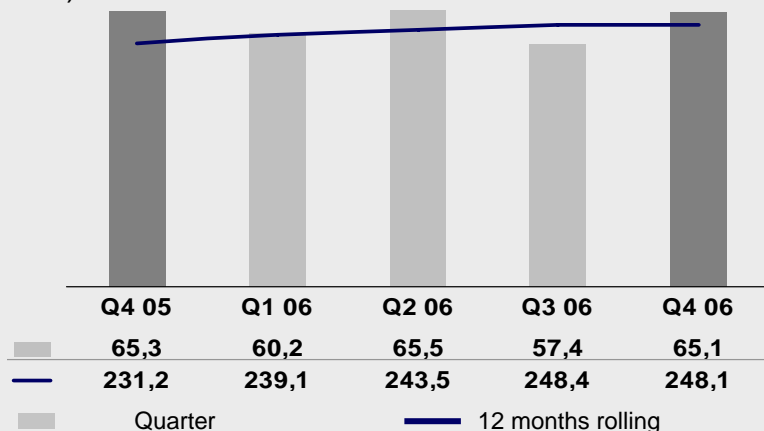
ordinary dividend:	25 SEK per share
share redemption:	25 SEK per share
total:	50 SEK per share

In Focus Going Forward

- Finalize product- and production change-over
- Capitalize on new products
- Manage downturn in US truck market
- Deepened discussions around Dongfeng

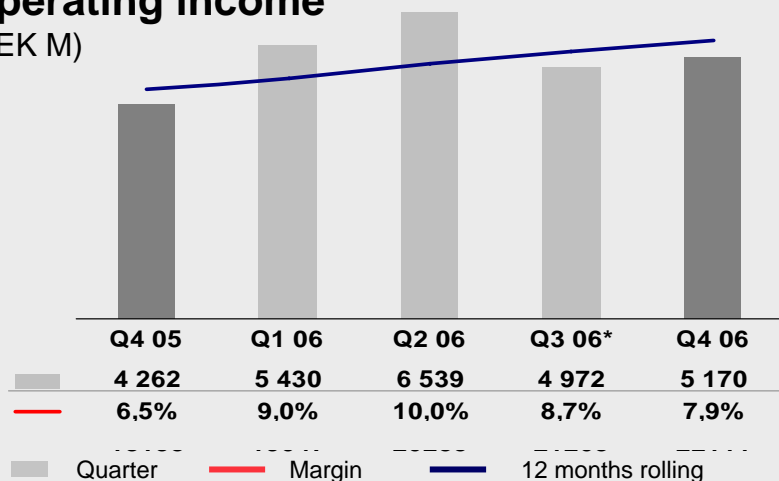
Net sales

(SEK bn)



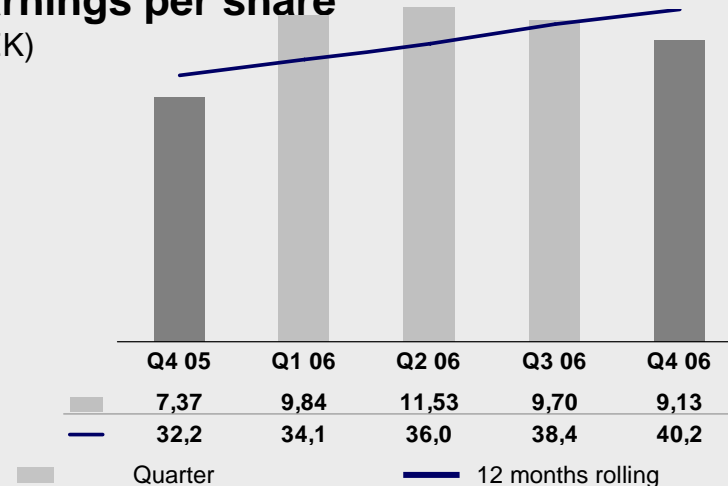
Operating income

(SEK M)



Earnings per share

(SEK)



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

Volvo Group – Financial Summary

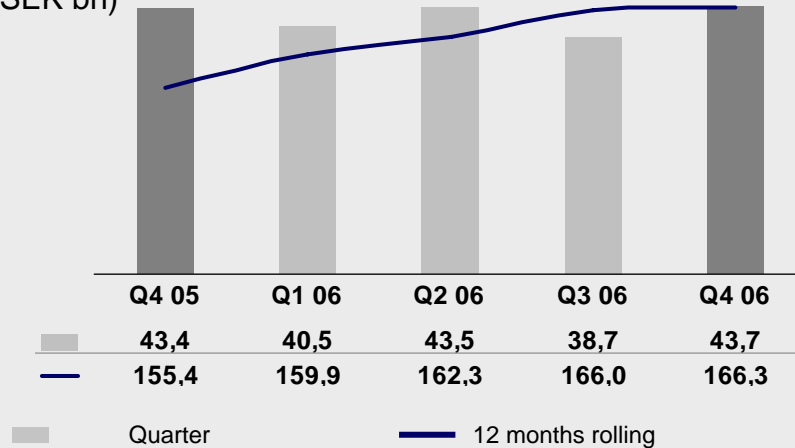
SEK M	Q4-2006	Q4-2005	
Net Sales	65 065	65 287	<i>Up 6% adjusted for currency and acq./div.</i>
Gross income	14 244	13 610	
	21,9%	20,8%	
R&D expenses	(2 380)	(1 972)	<i>-350 from capitalization/amortization vs last year</i>
Selling and administrative expenses	(6 897)	(7 301)	
Other op. Income & expenses	(361)	(29)	<i>Closure of Bromma -258</i>
Inc. from Financial Services	524	479	
Inc. from investments in ass. companies and other	40	(525)	<i>Write-down of Blue Bird holding -550 in 2005</i>
Operating income	5 170	4 262	<i>Currency impact vs. last year approx. -800</i>
	7,9%	6,5%	
Interest net	62	(141)	
Other financial income and expenses	(6)	23	
Income after fin. Items	5 226	4 144	
Taxes	(1 525)	(1 149)	
Income for the period	3 701	2 995	
	5,7%	4,6%	
ROE	19,6%	17,8%	
EPS, SEK	9,13	7,37	
Operating cash flow, excl. Financial Services (SEK bn)	7,4	5,8	

Trucks

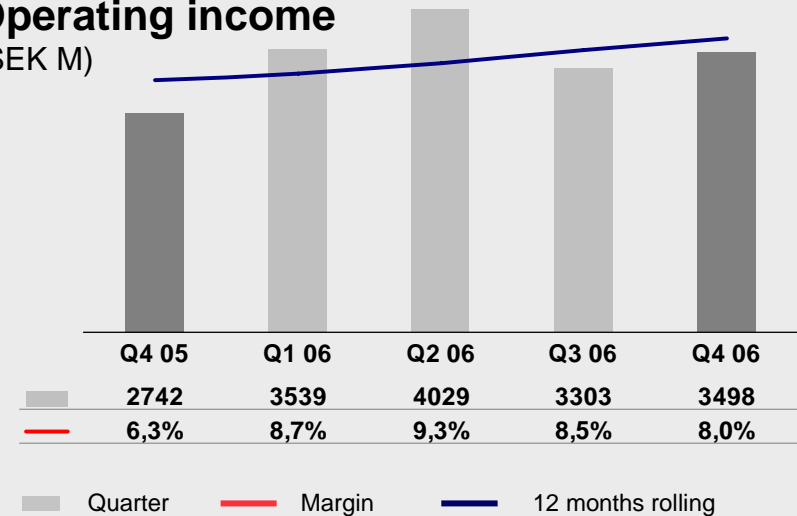
Fourth Quarter



Net sales (SEK bn)



Operating income (SEK M)



Highlights

- Strong growth in Europe
 - Total orders up 58% in Europe, 118% in Eastern Europe
 - Increased production capacity
- Product and production changeover costs
- New products well received

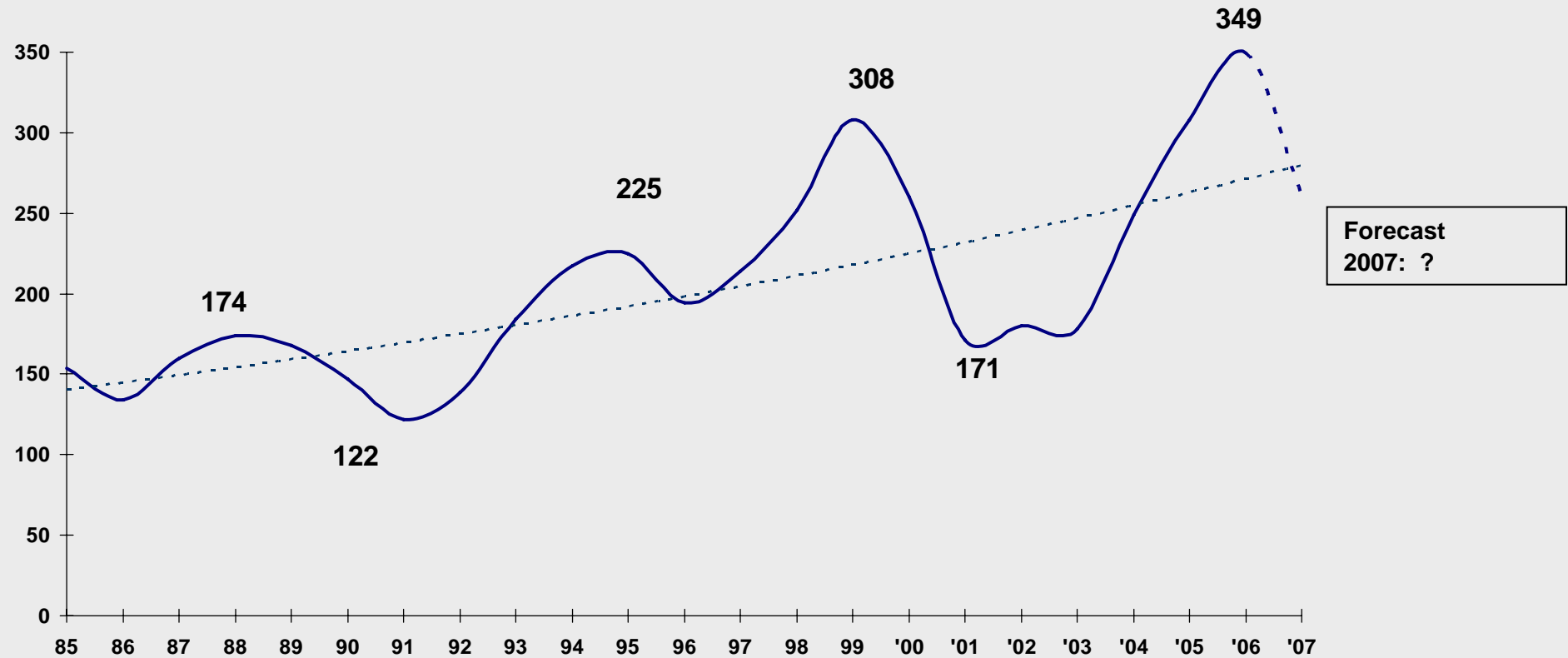
In Focus

- The 2007 US truck market
- Ramp-up and productivity

Heavy Duty Truck Market North America



Units, Thousands (heavy trucks)

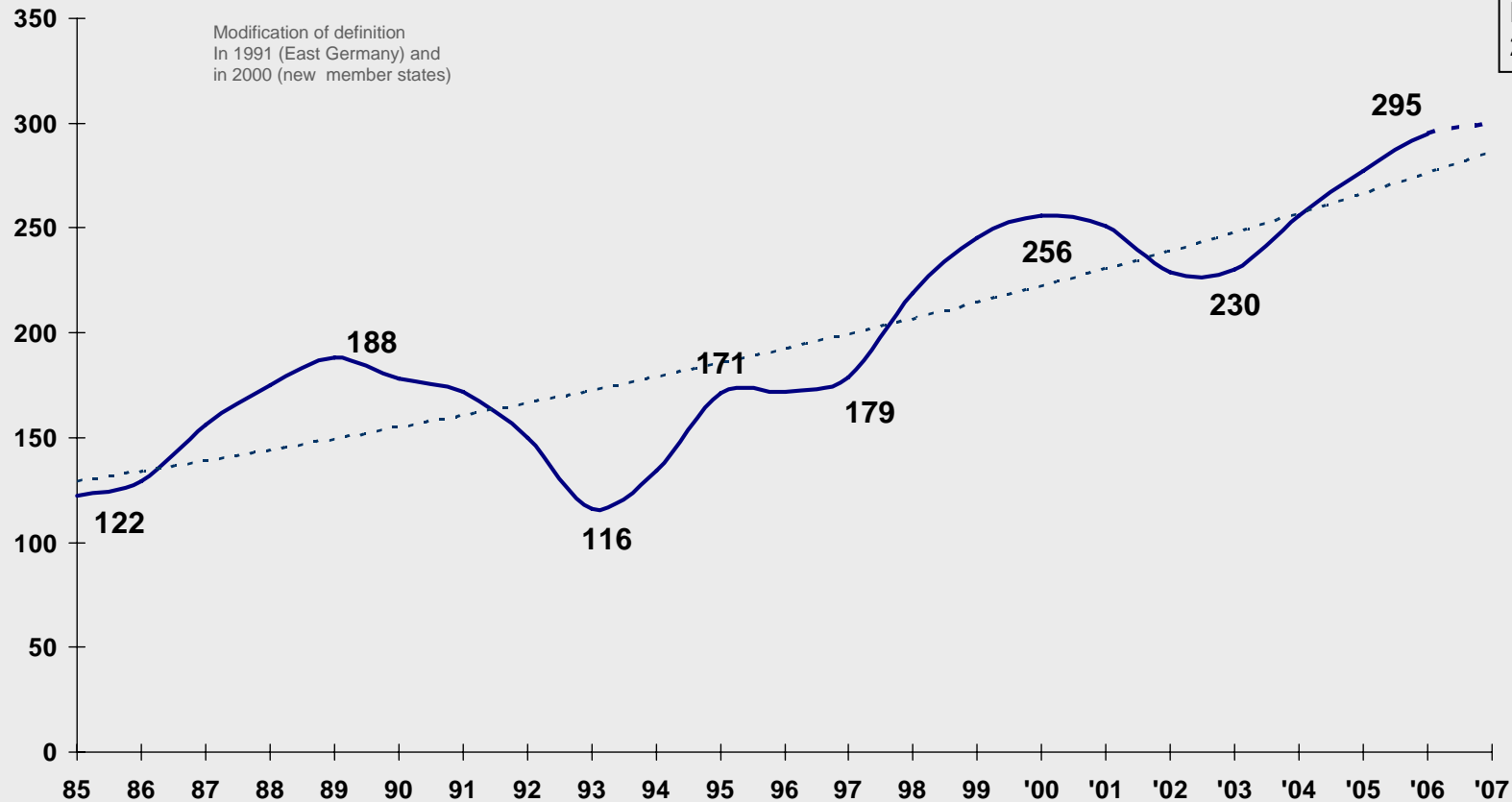


Heavy Duty Truck Market Europe

(EU members + Switzerland and Norway)



Units, Thousands (heavy trucks)



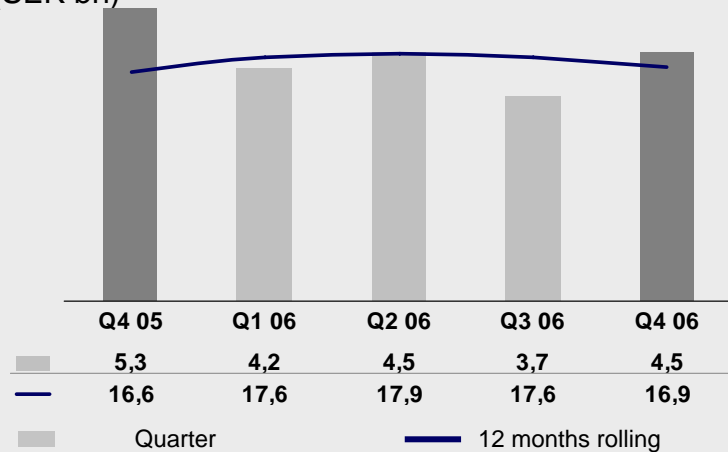
Forecast
2007: ~300 000

Volvo Buses

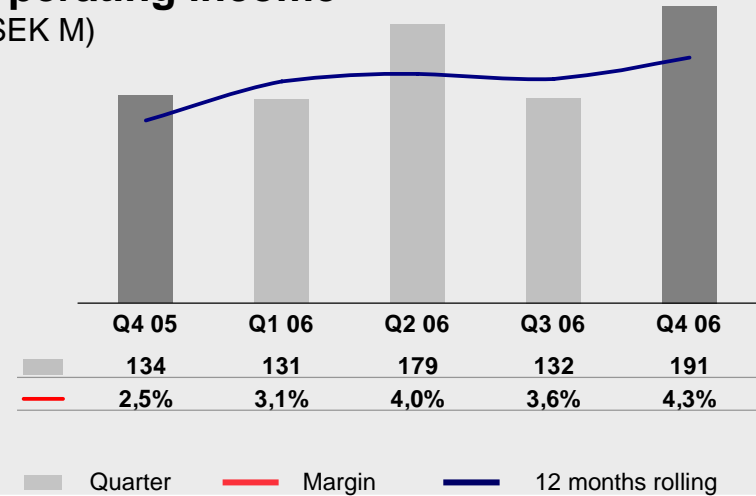
Fourth Quarter



Net sales
(SEK bn)



Operating income
(SEK M)



Highlights

- Lower deliveries
- Higher order intake in Europe, US and Canada, lower in other regions
- Improved result

In Focus

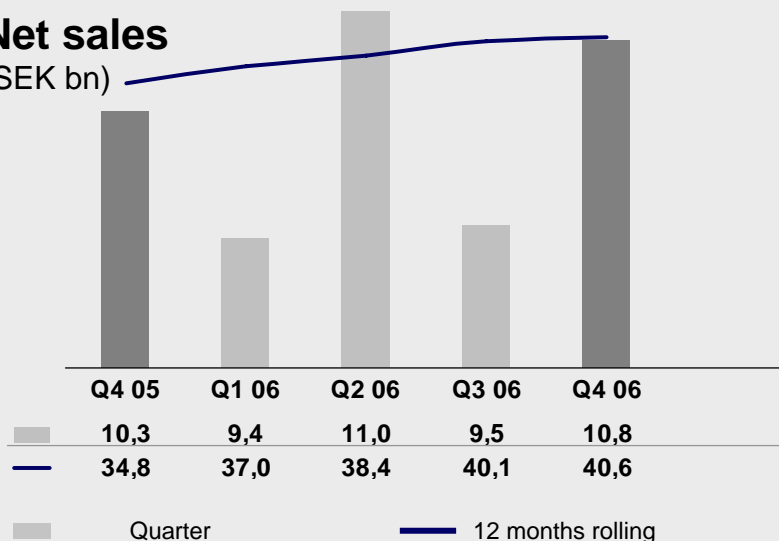
- Improve profitability
- Efficiency program
- New product introductions

Volvo Construction Equipment Fourth Quarter



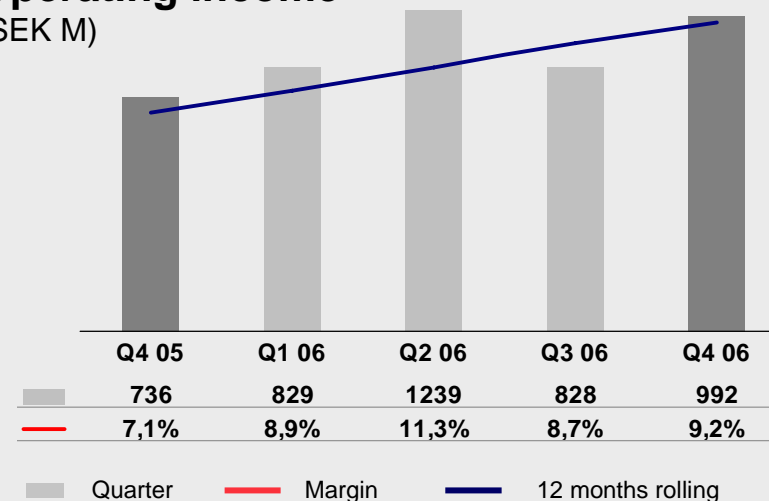
Net sales

(SEK bn)



Operating income

(SEK M)



Highlights

- Strong demand for heavy equipment, up 17%
- Operating income increased 35%
- 2006 all-time high
 - volumes, sales and earnings
- L350F launched – largest wheel loader ever

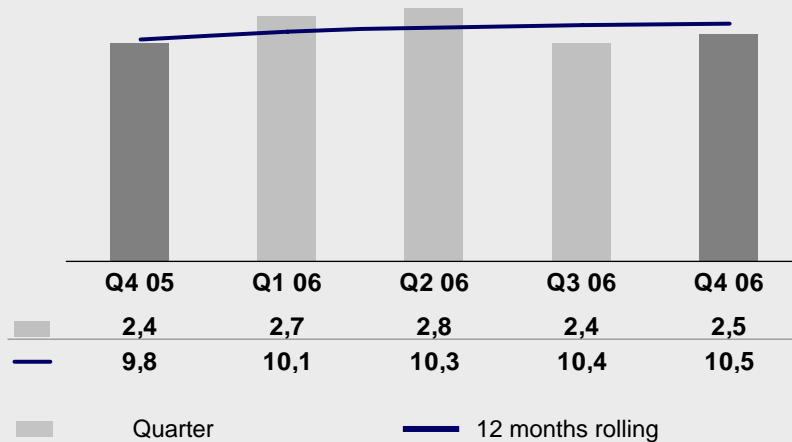
In Focus

- Integration of Lingong investment in China
- Continued expansion in emerging markets
- Continue to grow aftermarket business
 - CST sales up ~13% in 2006
- Introduce and capitalize on new products

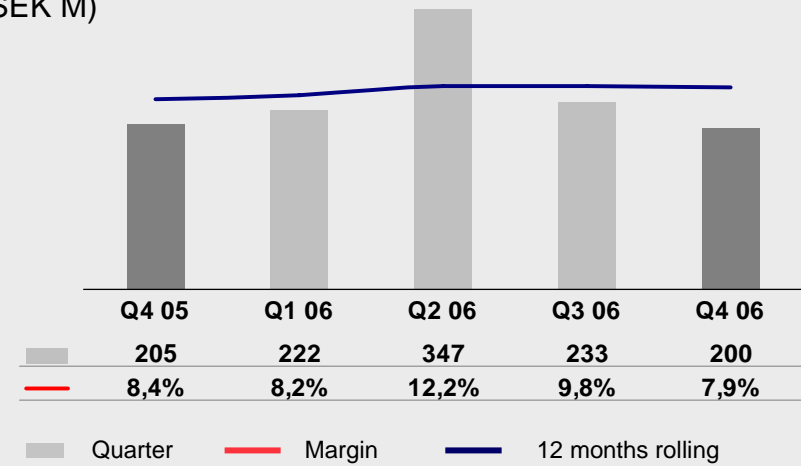
Volvo Penta Fourth Quarter



Net sales
(SEK bn)



Operating income
(SEK M)



Highlights

- Annual sales more than SEK 10bn
- Operating income for the first time above SEK 1bn
- Continued strong development in Europe

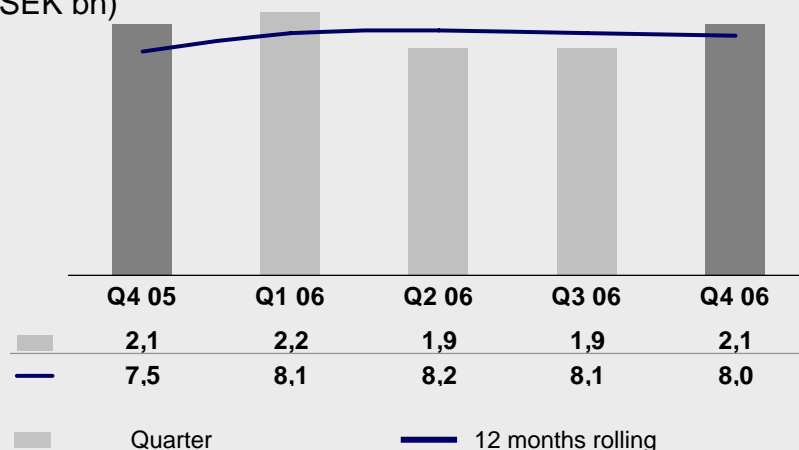
In Focus

- Supply chain management
- Increased industrial engine growth
- Product introductions

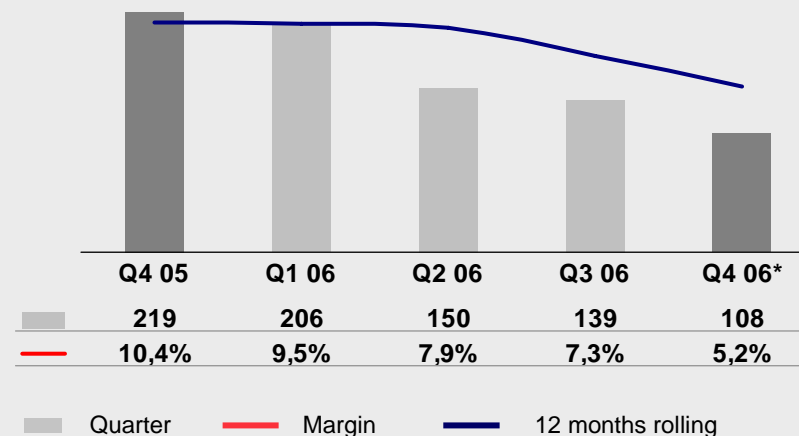
Volvo Aero Fourth Quarter



Net sales (SEK bn)



Operating income (SEK M)



Highlights

- World air travel continues to grow
- Negative P&L impact of 258 MSEK from closing Bromma
- Record number of start ups of new components

In Focus

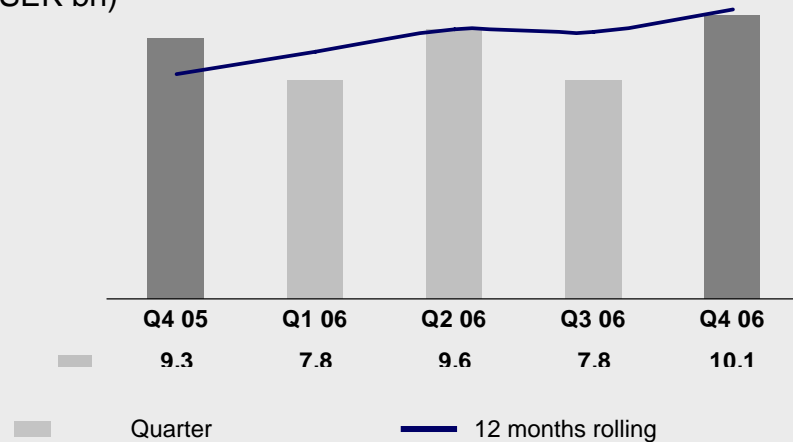
- Production start ups of new engine programs
- After market business
- Material cost
- New business opportunities

* Excluding costs of SEK 258 from closing the Bromma plant

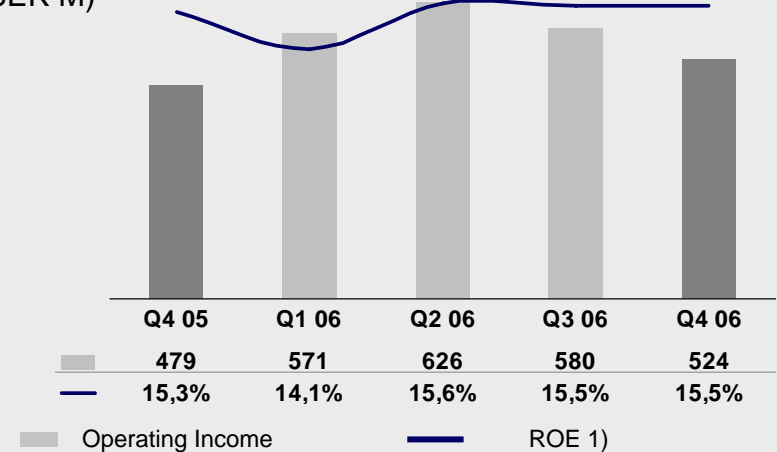
Volvo Financial Services Fourth Quarter



New retail financing (SEK bn)



Operating income and return on equity (SEK M)



Highlights

- Strong performance in all businesses
- Stable delinquencies and risk parameters
- Good growth in Eastern Europe

In Focus

- Customer satisfaction
- Risk management
- Growth opportunities

1) Calculated as a 12 month rolling average

Proposed dividend

- | | <u>Per share</u> |
|--|------------------|
| • Ordinary dividend | SEK 25 |
| • Share split | 6:1 |
| - 5 ordinary shares | |
| - 1 redemption share | SEK 25 |
| • Redemption share listed and traded on Stockholm Stock Exchange | |
| • Total | SEK 50 |

Volvo Group Summary

- 2006 – Difficult but the strongest year ever
 - Sales growth: 7%
 - Operating income 22.1 billion
 - Operating margin: 8.9%
 - Cash flow: 12.6 billion
 - ROE: 19.6%
- Finalize product renewal in North America
- Expansion in Eastern Europe and Asia

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