

**VOLVO**

**Fourth Quarter 2007**

**Press Conference, February 6, 2008**

# Group Highlights



## Fourth Quarter

- Business environment
  - Europe and International markets – still strong
  - North America weak and Japan pre-buy
- Letter of intent with Eicher Motors
- Strong Q4 – sales up 25%, operating income SEK 5.8 bln

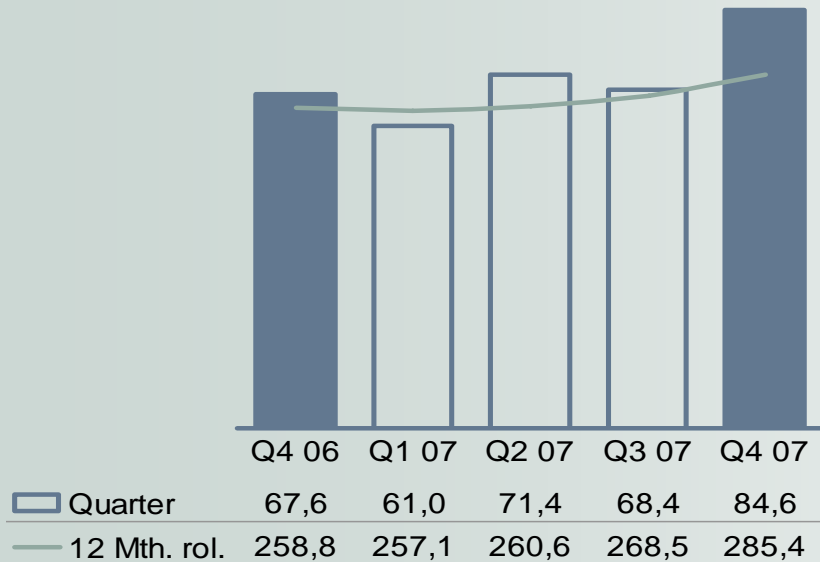
## Best year so far

- Net sales	285 bln
- Operating income	22,2 bln
- ROE:	18.1%
- Operating Cash flow	15.2 bn
- EPS	SEK 7.37

Board proposal: ordinary dividend: SEK 5.50 per share

# Net sales

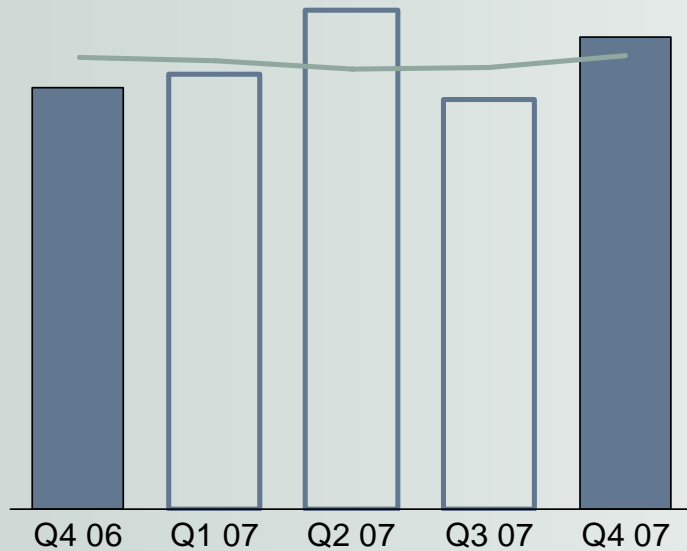
Net sales  
SEK bn



- Strong sales growth – up 25%
  - Western Europe +20%
  - Eastern Europe + 72%
  - Asia +104%
  - South America +56%
- Strong organic growth
  - Group +13%
  - Volvo CE +23%

# Operating income

## Operating income SEK M



	Q4 06	Q1 07	Q2 07	Q3 07	Q4 07
Quarter	5 170	5 328	6 119	5 010	5 775
Margin	7,6%	8,7%	8,6%	7,3%	6,8%
12 Mth. rol.	22 111*	22 009	21 589	21 627	22 232

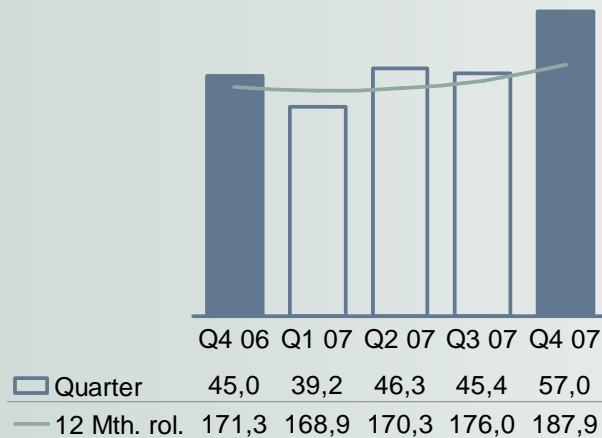
- + Product and market mix
    - Strong Europe and International
  - + Price realization
  - + Aftermarket and retail business
  - + Truck operations in Europe
- 
- US trucks
  - Volvo Powertrain – warranty provision SEK 370 M
  - Net R&D Amortization SEK 583 M
  - Integration costs for acquired operations
  - Currency impact SEK 200 M

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

# Trucks



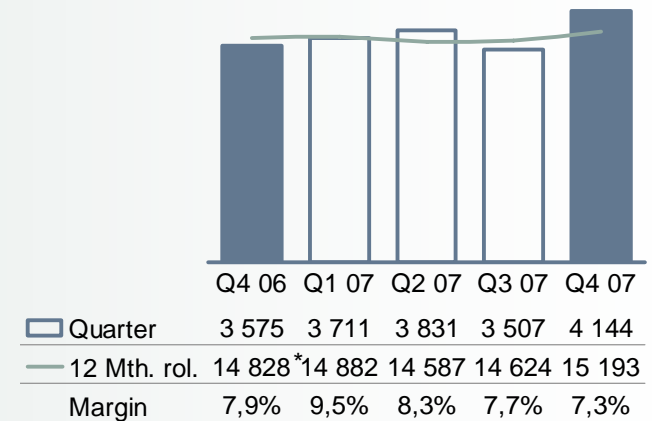
## Net sales – SEK bn



### Highlights

- All-time-high – sales & operating income
- Growing demand in Europe and “International”
- Slow demand in North America

## Operating income – SEK M



### In Focus

- Meet high demand outside US and Japan  
- capacity investments in Europe
- Integration projects with Nissan Diesel
- UAW negotiations/strike

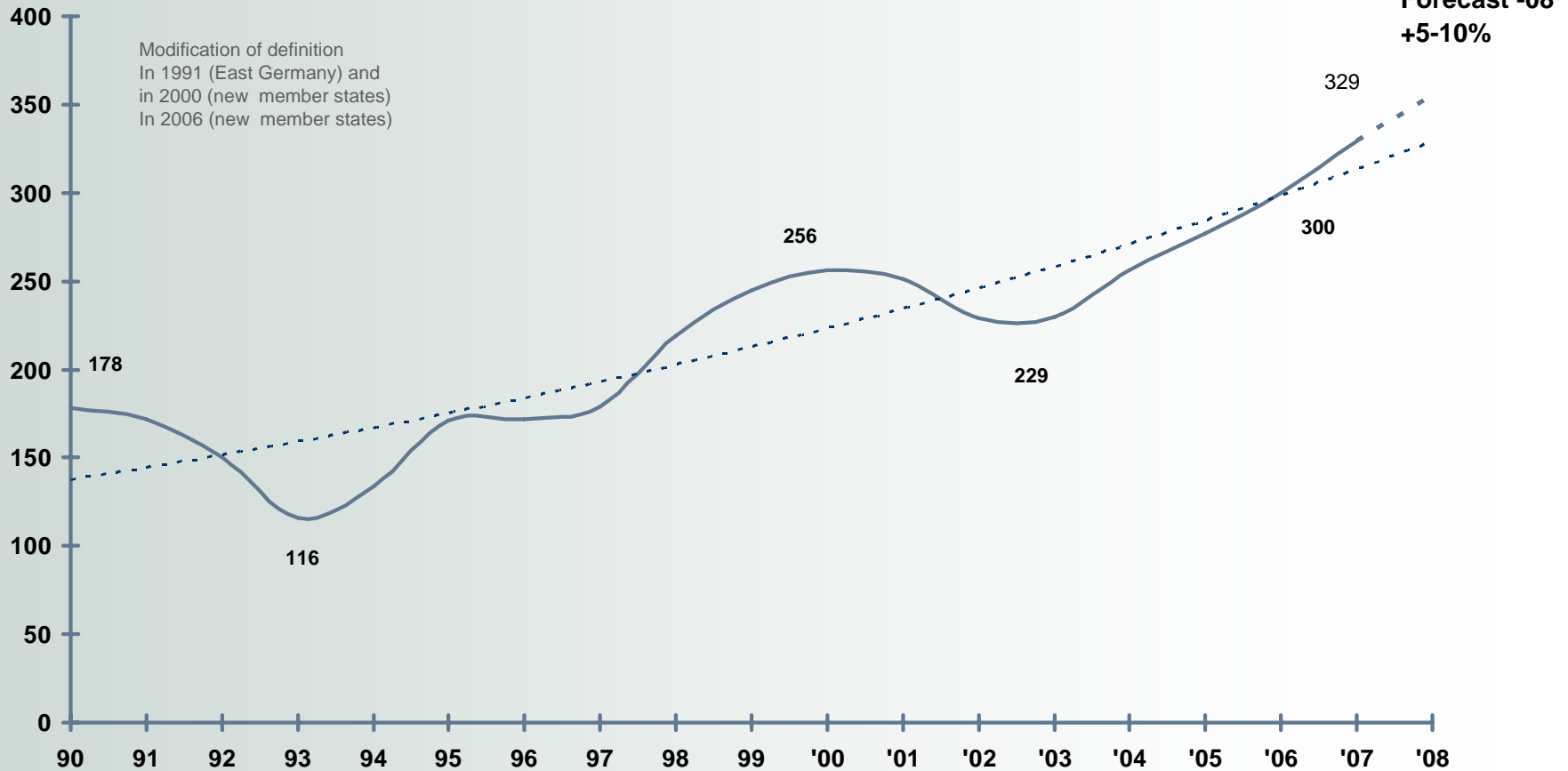
\* Excluding goodwill adjustment of SEK 1,712 M due to release of valuation reserves for taxes

# Heavy-Duty Truck Market - Europe

(EU members + Switzerland and Norway)



Units, Thousands (heavy trucks)

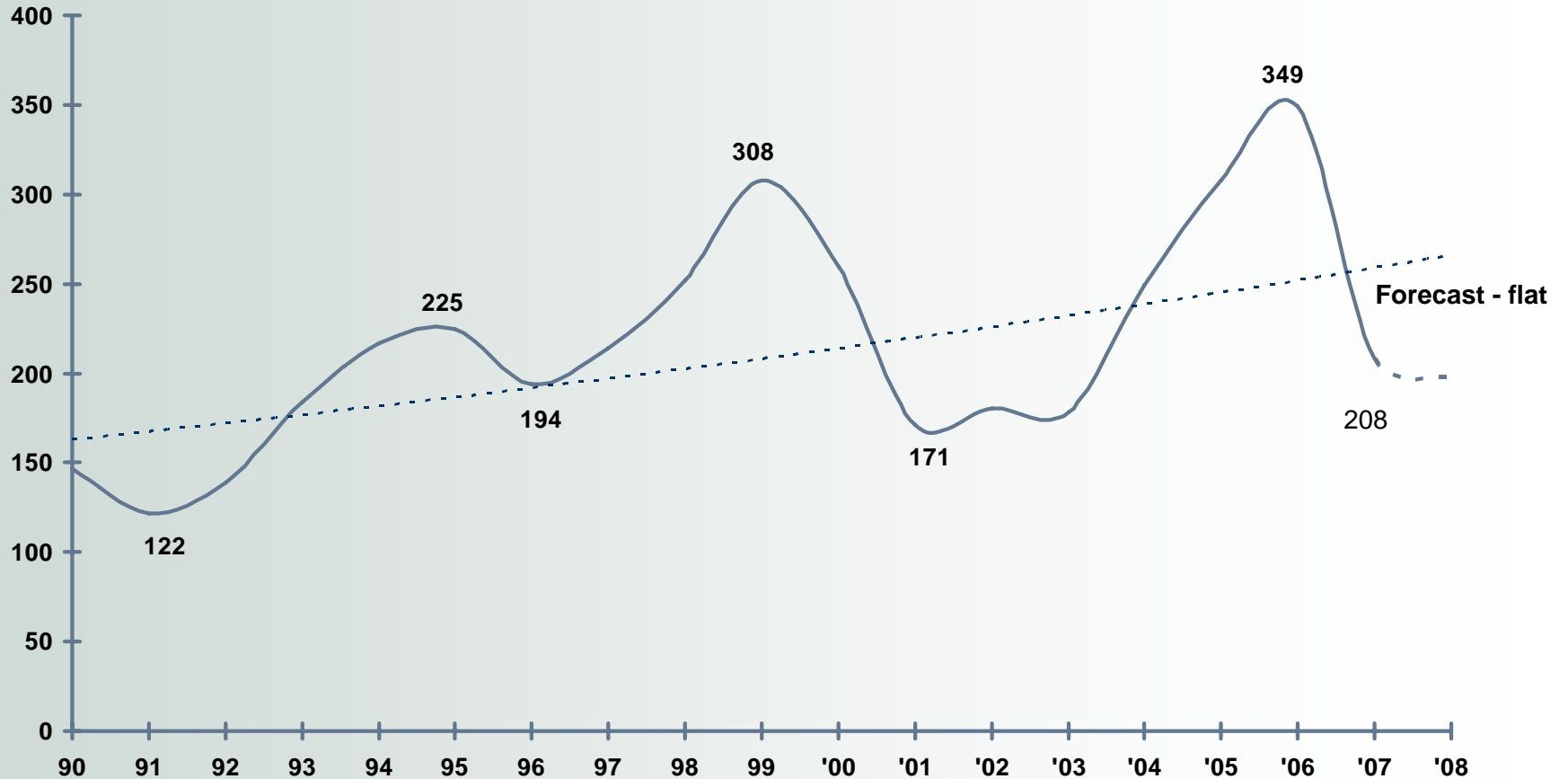




# Heavy-Duty Truck Market – North America



Units, Thousands (heavy trucks)



# Volvo Trucks



- Order intake in Europe up 8%
- Deliveries
  - Europe +27%
  - Asia +23%
  - South America +44%
  - North America -36%
- Price realization
- Announcement of new Volvo FH12 and Volvo FH16
  - improved driver comfort
  - production start autumn 2008



# Mack Trucks

- Order intake flat
  - Soft US construction market
- Deliveries down 41%
- UAW-negotiations
  - Old contract expired but extended on a day-to-day basis
- Entering 2008 with strongest product portfolio ever

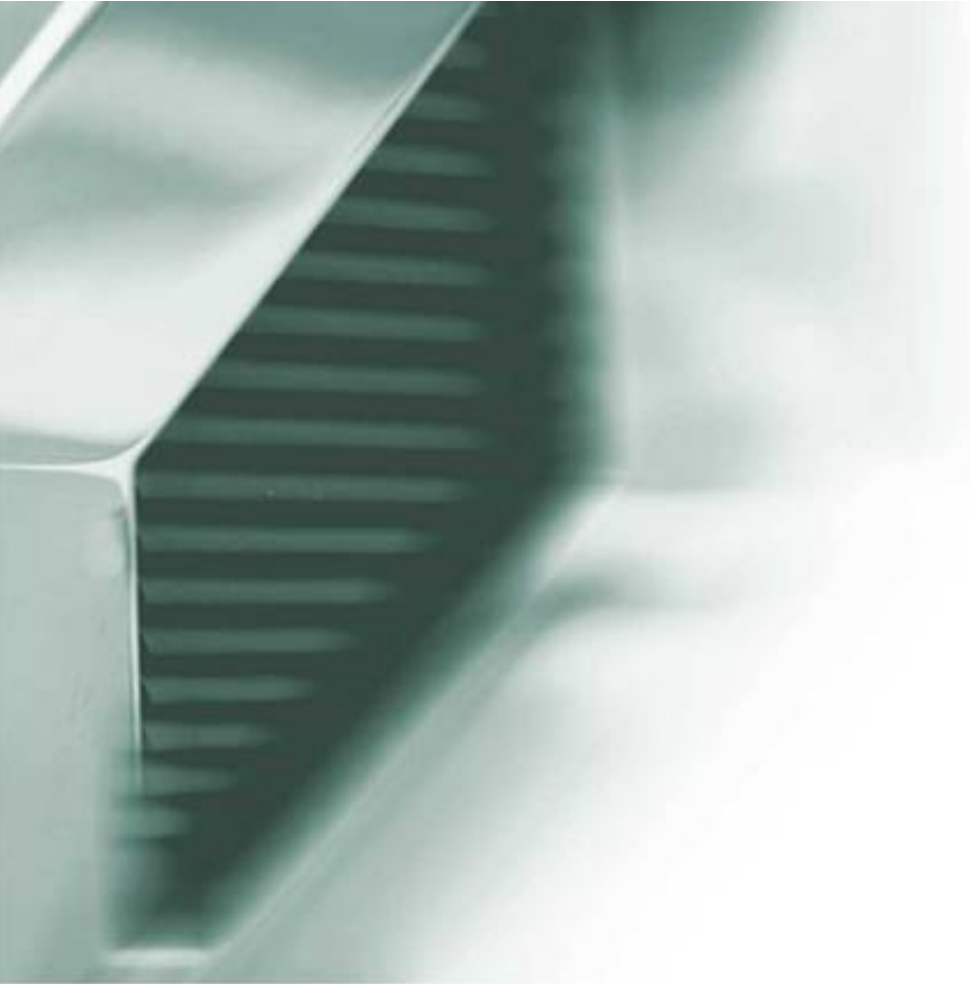


# Nissan Diesel



- Quon
  - Market leader in fuel efficiency
  - High quality
  - Improving market shares
- Deliveries in the fourth quarter was 14,585, down 18%
  - Japanese market for heavy and medium-duty trucks reached 89,000 trucks in 2007 (109').
  - Growth in export sales, up 27%
  - Lower deliveries of light-duty trucks to Nissan Motors, down 70%. Full range not yet available.
- Integration work

# Renault Trucks

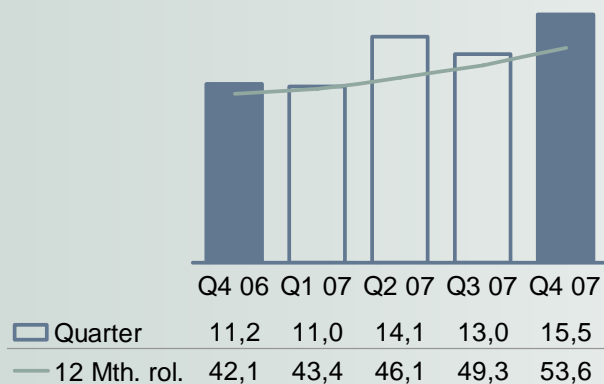


- Strong order book
  - Sold out for 2008 for several markets
  - Order books for delivery in 2009 not opened in Q4
  - Exceptionally strong orders in Q4-06
  - Order intake – down 12% in total
- New generation of the Renault Magnum
  - Upgraded cab – increased comfort
  - Production start mid-2008
- Good industrial productivity
- Further improved financial performance



## Net sales

SEK bn

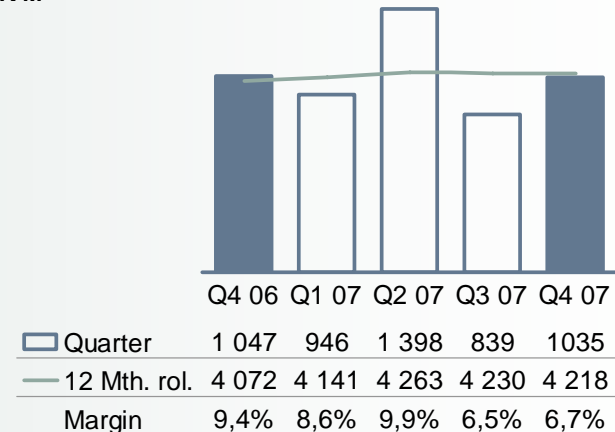


## Highlights

- Demand for heavy equipment
  - Europe up 6%, NA down 20%
- Good sales growth – up 39%
- Result negatively affected by fx, production disturbances and integration costs

## Operating income

SEK M



## In Focus

- Improve operating leverage on strong growth
- Integration of acquired businesses

# Volvo Construction Equipment

## Complete product portfolio renewal in 2007

### Organic product development

- New range of E-Series articulated haulers - 7 models
- New range of F-Series wheel loaders - 11 models
- New range of C-Series crawler & wheel excavators – 13 models (incl. short radius)
- New C-Series ultra high reach demolition excavators - 4 models
- New tracked forestry carriers – 4 models
- ECR58 Plus & ECR88 Plus short radius compact excavators
- PL-range of pipelayers – 5 models

### Acquired products

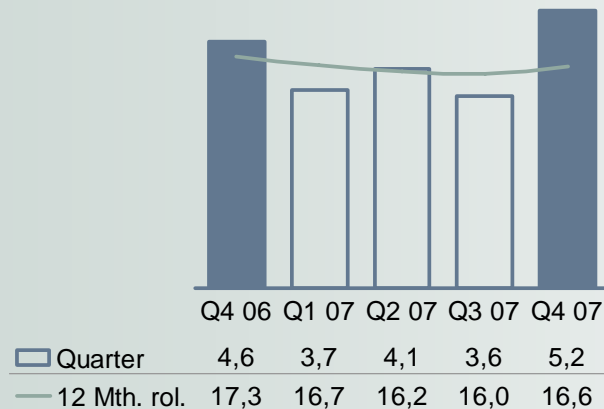
- Road machinery products – 90 models (now reduced to 71) (compactors, pavers, milling)
- Lingong products – 20 models (wheel loaders, backhoe, compactors, excavators)





## Net sales

SEK bn

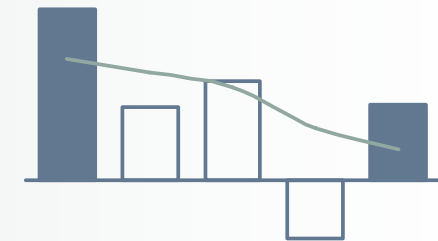


## Highlights

- Increased deliveries
- Result impacted by campaign costs and losses in Mexico
- Big interest for Hybrids

## Operating income

SEK M



	Q4 06	Q1 07	Q2 07	Q3 07	Q4 07
Quarter	211	90	122	-73	93
12 Mth. rol.	745	664	585	349	232
Margin	4,6%	2,4%	3,0%	-2,0%	1,8%

## In Focus

- Orders – high tender activity
- Global product cost rationalization program
- Drive synergies with the Trucks
- Factory start-up in India



# Volvo Buses

Prévost – introduces new Volvo 13-liter US'07 engine



## Prévost

- Volvo – Prévost synergies
- 20% market share
- US-manufactured 13-liter engine
- 100% fully owned since 2004
- High class coaches and motor homes
- Yearly volume 600-700 vehicles

# Volvo Penta Business Segments

**MARINE**



**INDUSTRIAL**



# Volvo Penta in the Group



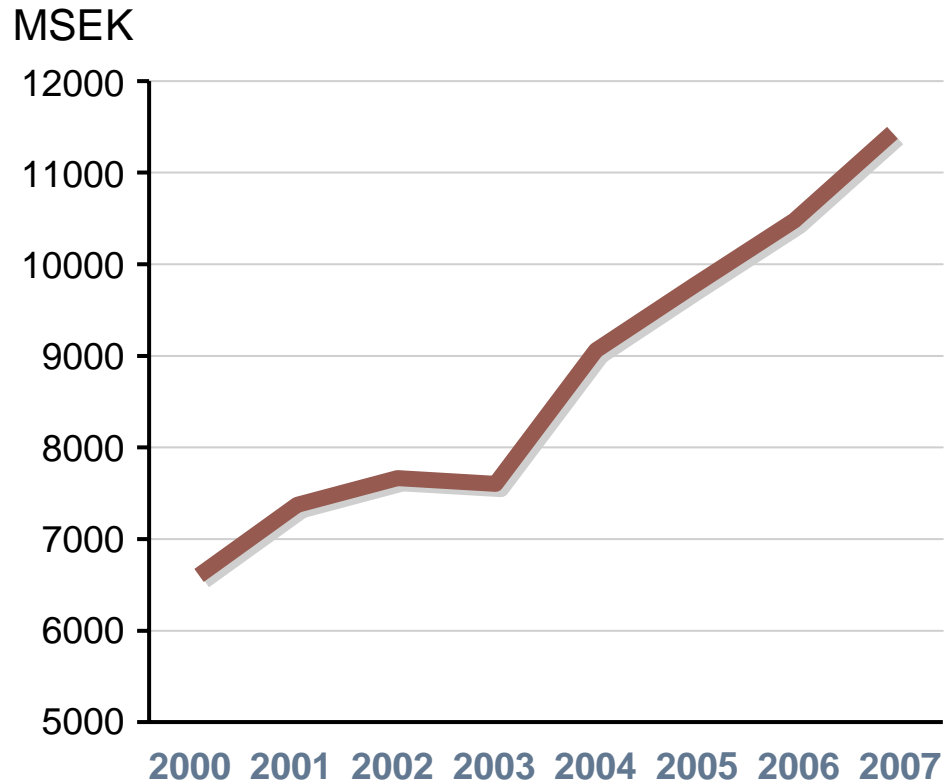
**PROFITABILITY**

**SYNERGIES**

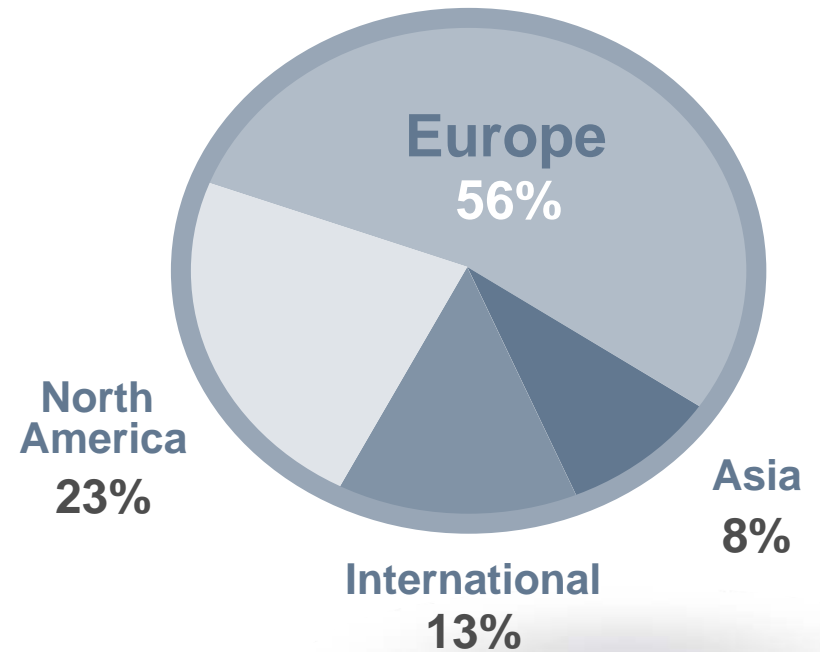


# Volvo Penta

## SALES DEVELOPMENT



## SALES BY REGION



# Marine Development

- New engine range
- Innovative drive systems
- Soft offerings



# Industrial Engine Development

- Gensets, container handling, cranes, etc
- From ~6,000 to ~25,000 units annually in ten years
- Growth >11% per year





# Volvo Synergies

- 10% of the Group's 9-16 litre engines
- 70% of the Group's total 16 litre volumes
- 40,000 transmissions from Powertrain
- Hybrids



# Market outlook – driving forces

## MARINE

- Boat as a status symbol
- Increased brand awareness
- Invest in leisure time
- New markets

## INDUSTRIAL

- Infrastructure
- Urbanization
- Power supply
- Emission legislation

ENVIRONMENTAL CHALLENGE

# Environmental Leadership

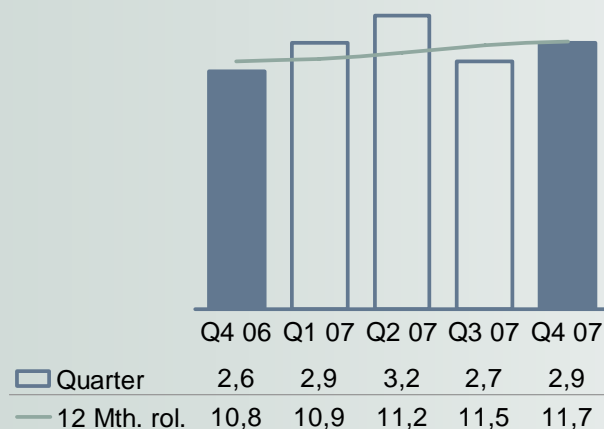
- Driveline efficiency
  - up to 50% less fuel
- Alternative fuels
- Alternative driveline solutions
  - diesel electric power
  - hybrids





## Net sales

SEK bn

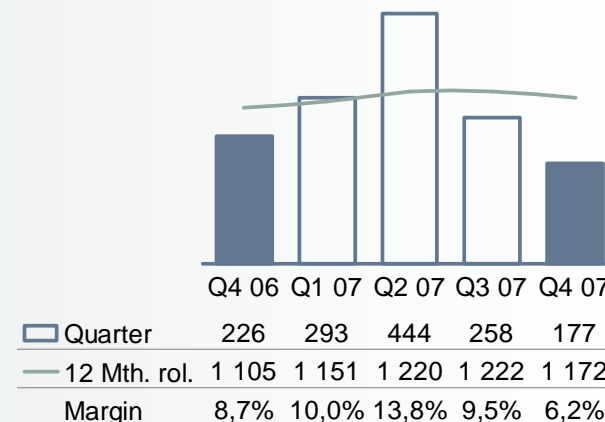


## Highlights

- Strong sales development, + 10%
- Gained market shares in the U.S
- IPS sales 80% higher than last year

## Operating income

SEK M



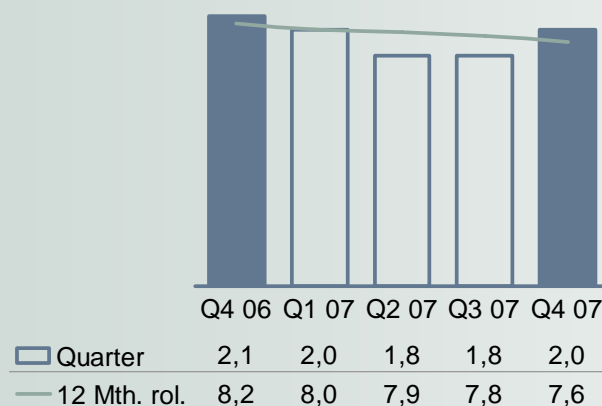
## In Focus

- Infrastructure investments for future growth
- Further growth in the industrial engine segment
- IPS capacity increase



## Net sales

SEK bn

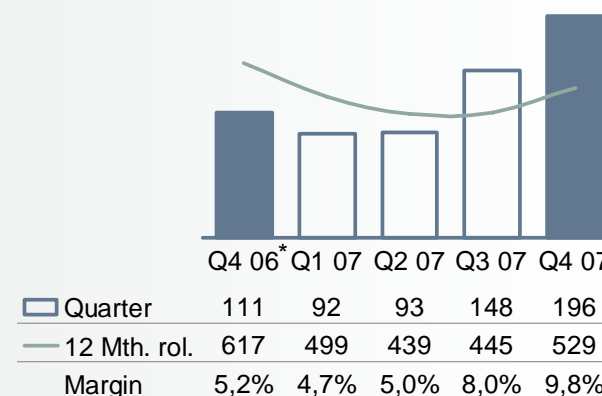


## Highlights

- Strong top line growth in the component business
- Order book in component business increased by 19%
- Acquisition of Applied Composites AB

## Operating income

SEK M



## In Focus

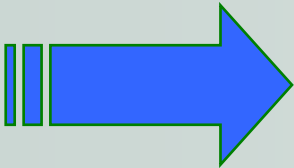
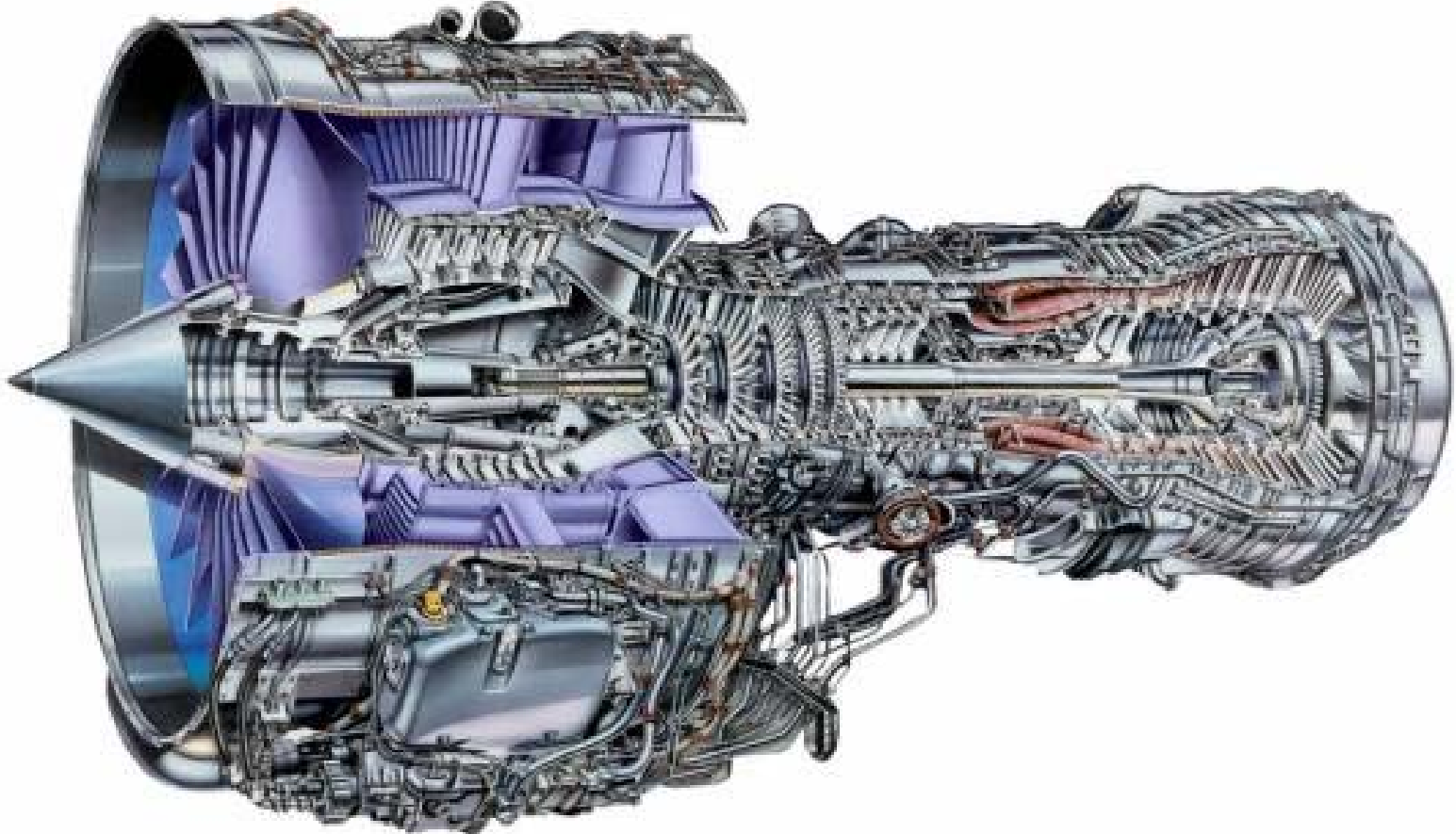
- Continue aftermarket profitability improvement
- Manage supply chain ramp up 2008
- Integrate composite knowledge into light weight technology

\* Excluding costs of SEK 258 M from closing the Bromma plant



# Volvo Aero

## Acquisition of Applied Composites AB



Composite  
potential  
(blue)

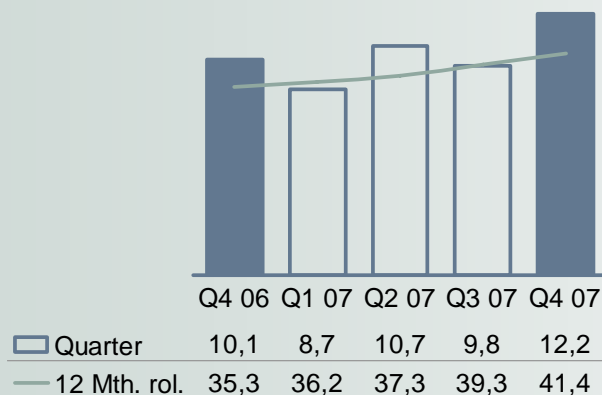
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## New retail financing

SEK bn

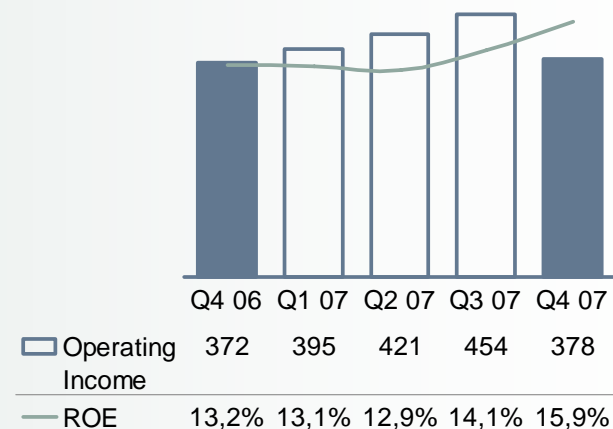


## Highlights

- Strong retail volumes
- Commenced Lingong Financial Services
- Softening economy in North America

## Operating income and return on equity

SEK M

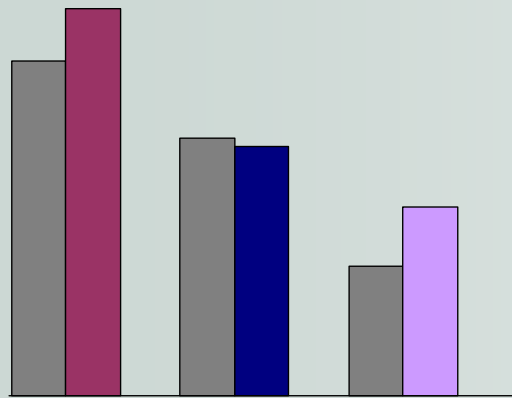


## In Focus

- Further opportunities in Latin America & Asia
- Organic growth in Europe
- Heightened risk management

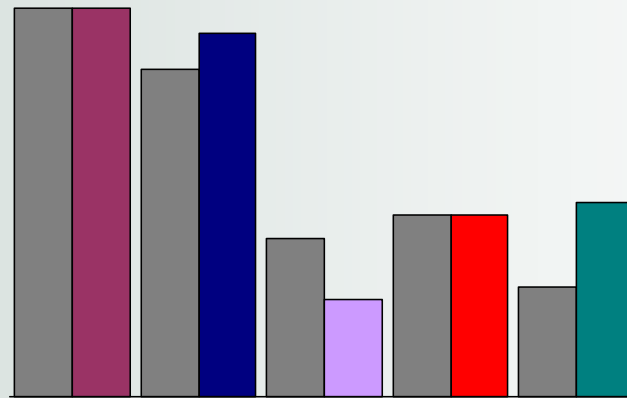
# Volvo Financial Services

**Total managed assets**  
(SEK bn)



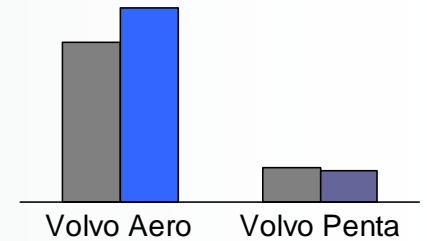
	W Europe	North America	International
Q406	39	30	15
Q407	45	29	22

**Penetration on new financing**  
(Fourth Quarter isolated)



	Volvo CE	Volvo Trucks	Volvo Buses	Renault Trucks	Mack
Q406	32%	27%	13%	15%	9%
Q407	32%	30%	8%	15%	16%

**Managed assets in:  
Volvo Aero & Volvo Penta**  
(SEK M)

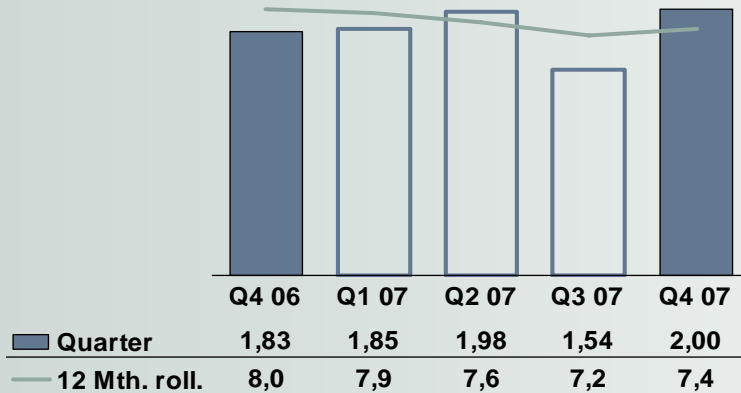


	Volvo Aero	Volvo Penta
Q406	758	163
Q407	919	148

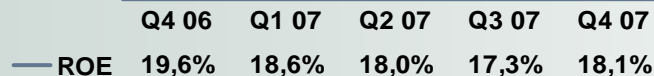
# Group Summary



## Earnings per share SEK



## Return on equity



## The Volvo Group in 2007

- Significant sales growth +27 bn
- Operating income SEK 22,2 bn
- Operating margin 7.8%
- Operating Cash Flow Industrial Operations SEK 15.2 bn
- Expansion with industrial presence in Asia
  - Nissan Diesel, Lingong, Ingersoll Rand
  - Eicher Motors (LOI)

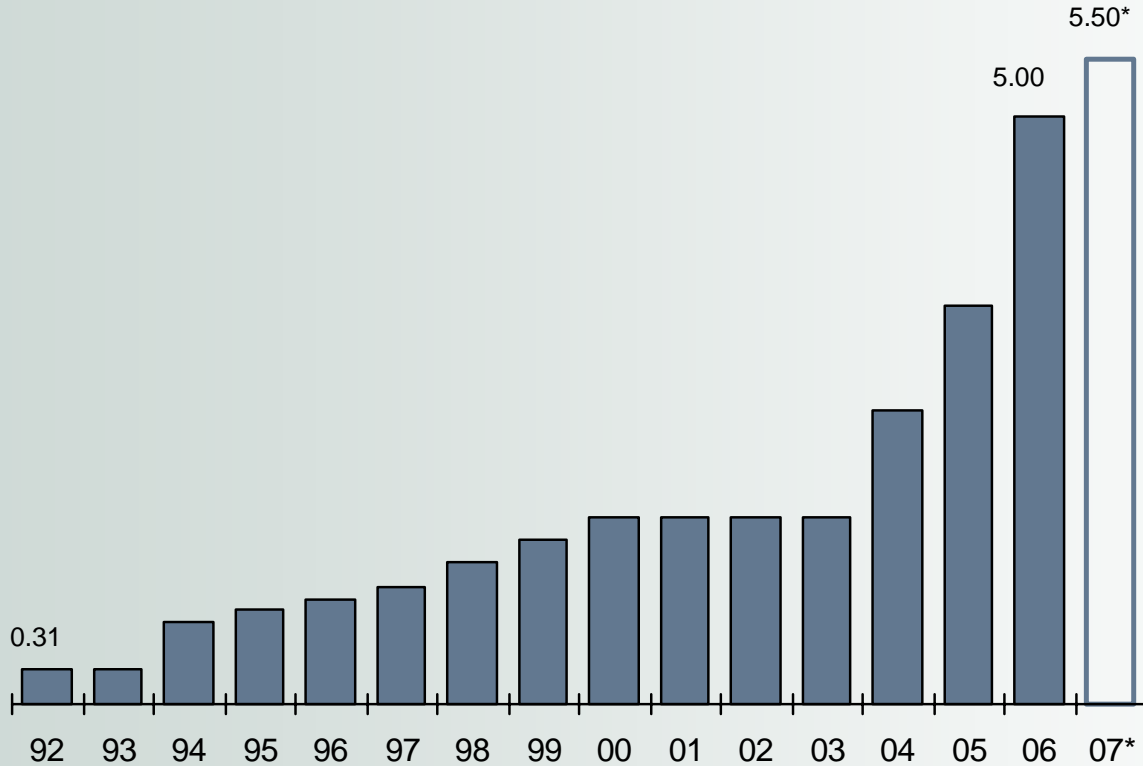
## In focus 2008

- Manage demand
  - Investments and supply-chain challenges in Europe
  - Slow US market
- Integrating acquisitions
- Drive productivity and profitability

# Increasing Dividend over time



## Ordinary Dividend per share SEK



\* Proposed by the Board of Directors

## Extra dividend

2006:  
Redemption of shares SEK  
10.1 bn (SEK 5.00/share)

2003:  
Ainax SEK 5.4 bn  
(SEK 3.00/share)

1996:  
Swedish Match SEK 8.0 bn  
(SEK 3.40/share)

**VOLVO**