

VOLVO AERO

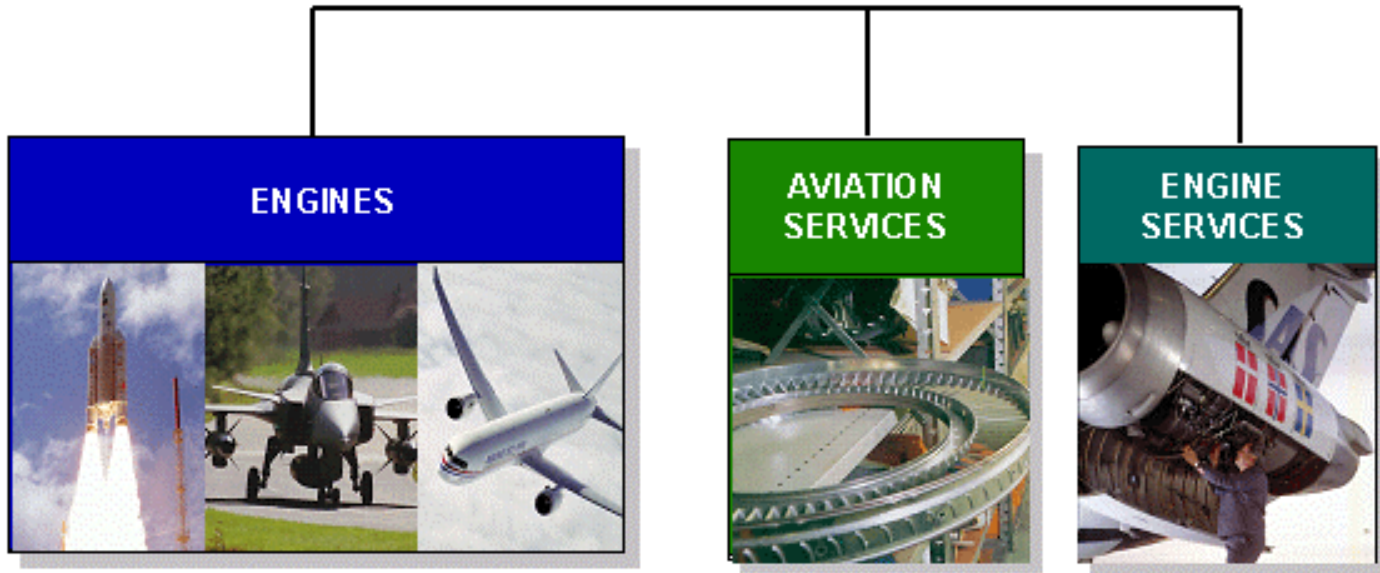
Capital Market Day

September 16, 2004

Fred Bodin

President Volvo Aero

Volvo Aero



Independent component provider

No 1 as independent within specialization

**OEM and service solutions:
RM12 engine for Gripen**

57% of sales (2003)

Multi Service Provider

No 2 as independent within specialization

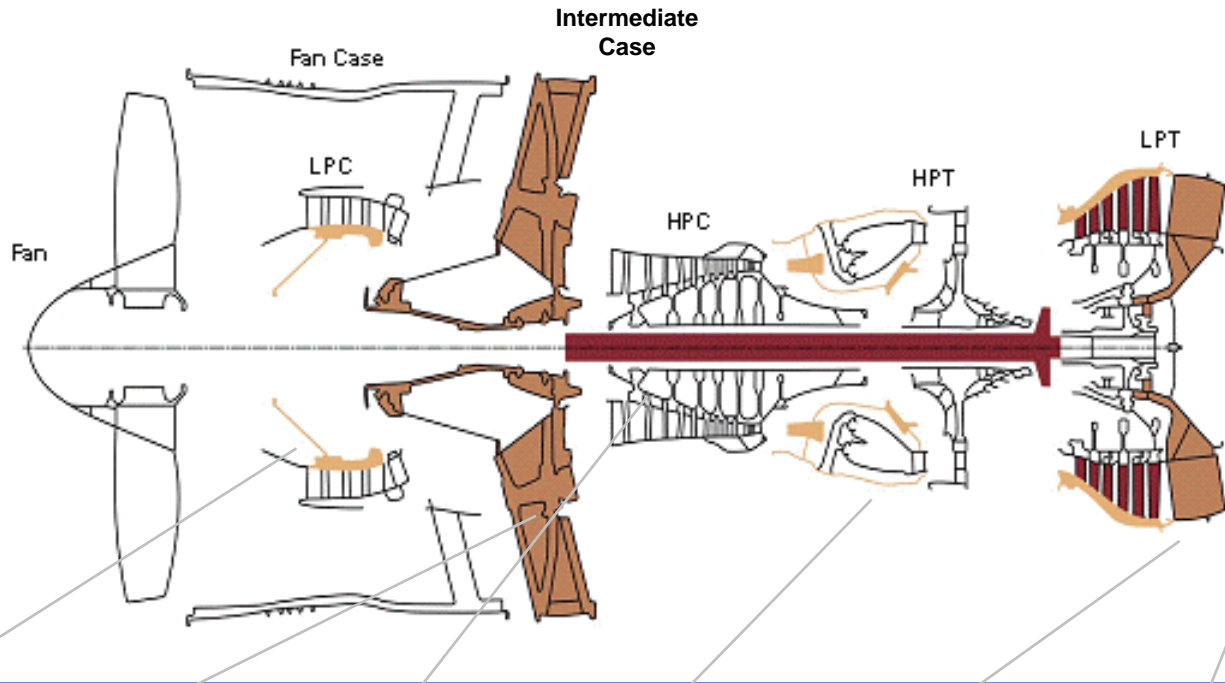
22% of sales

Engine and component repair and overhaul

No 2 as independent MRO provider

21% of sales

Engines - Product Specialization



LPC Spool/Drum

Intermediate Case

Shaft

Diffuser Case

LPT Case

Vanes

Turbine Exhaust Case

Market shares 9%

13%

3%

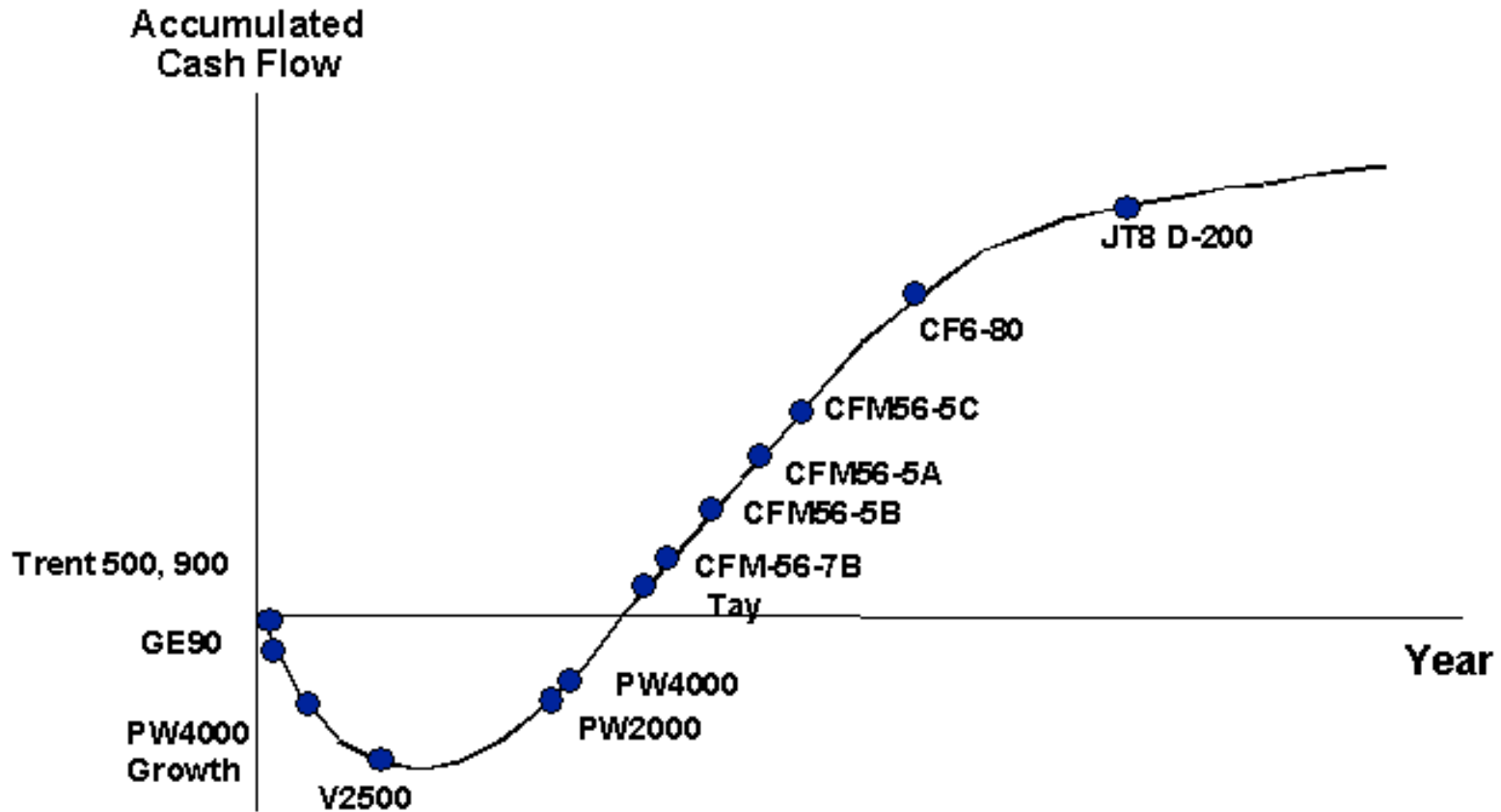
14%

78%

15%

27%

Commercial Program Portfolio



Commercial engines



Boeing 7E7, "Dream-liner"
**Engines: Trent 1000 and
GENX**

Airbus A380

**Engines: Trent 900 and
GP7000**



Strategic acquisition of Aero-Craft

Volvo Aero growth by entering Fan Case market



Fighter Engine Programs



Future opportunities



MAKO/EUROTRAINER



A400M



NEURON

Space Propulsion programs

- Volvo Aero is centre of excellence in Europe for nozzles and turbines for commercial launch vehicle rocket engines.
- Production contract for Ariane secured up to 2009
- Sweden strong supporter of European Space Program



Viking 4,5 & 6



Vulcain 1



Vulcain 2



Vinci



RL 60



Vulcain 3

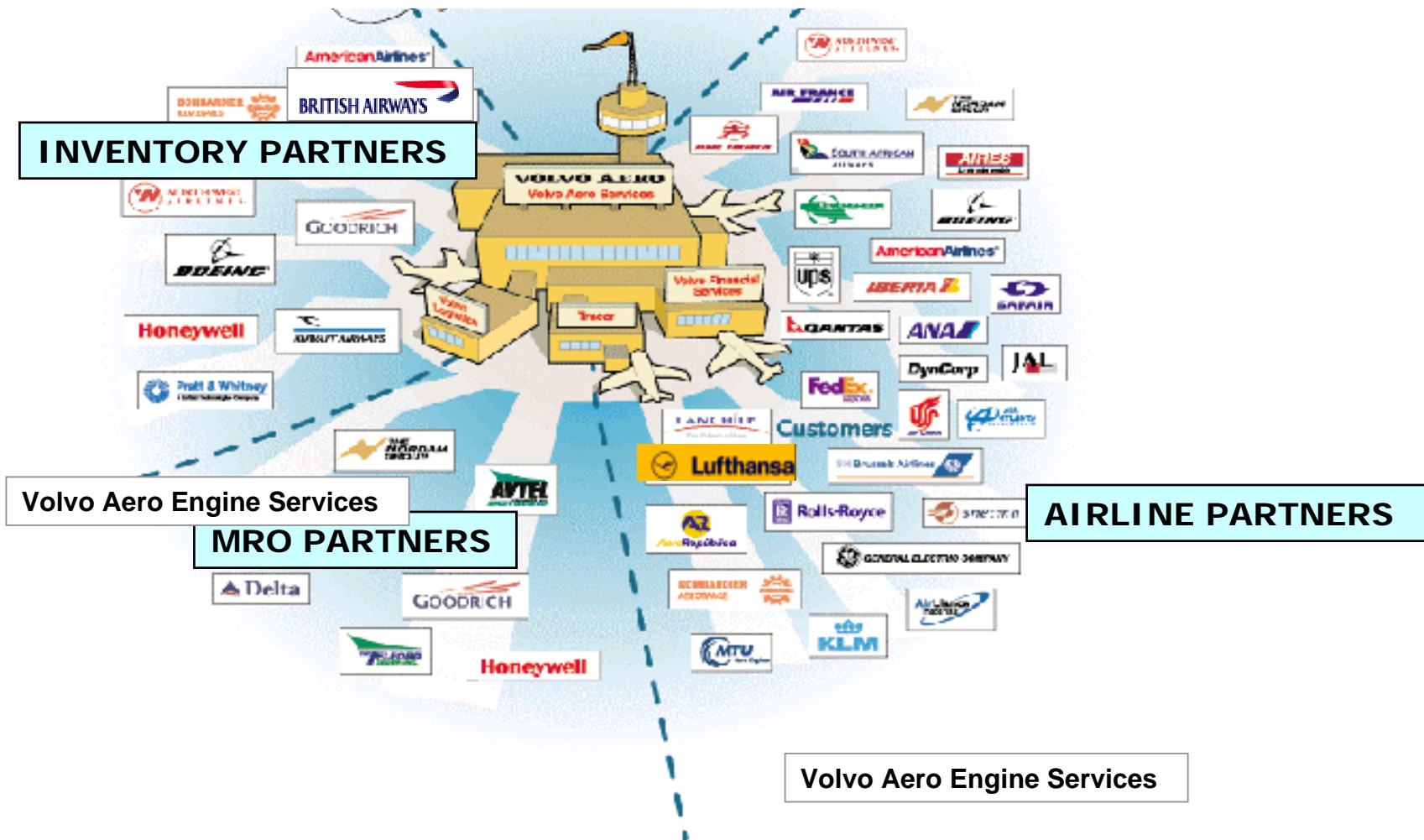
The Volvo Aero after market offer



A Volvo Aero branded platform for all Volvo group aviation activities, including Volvo Logistics and Volvo Financial Services

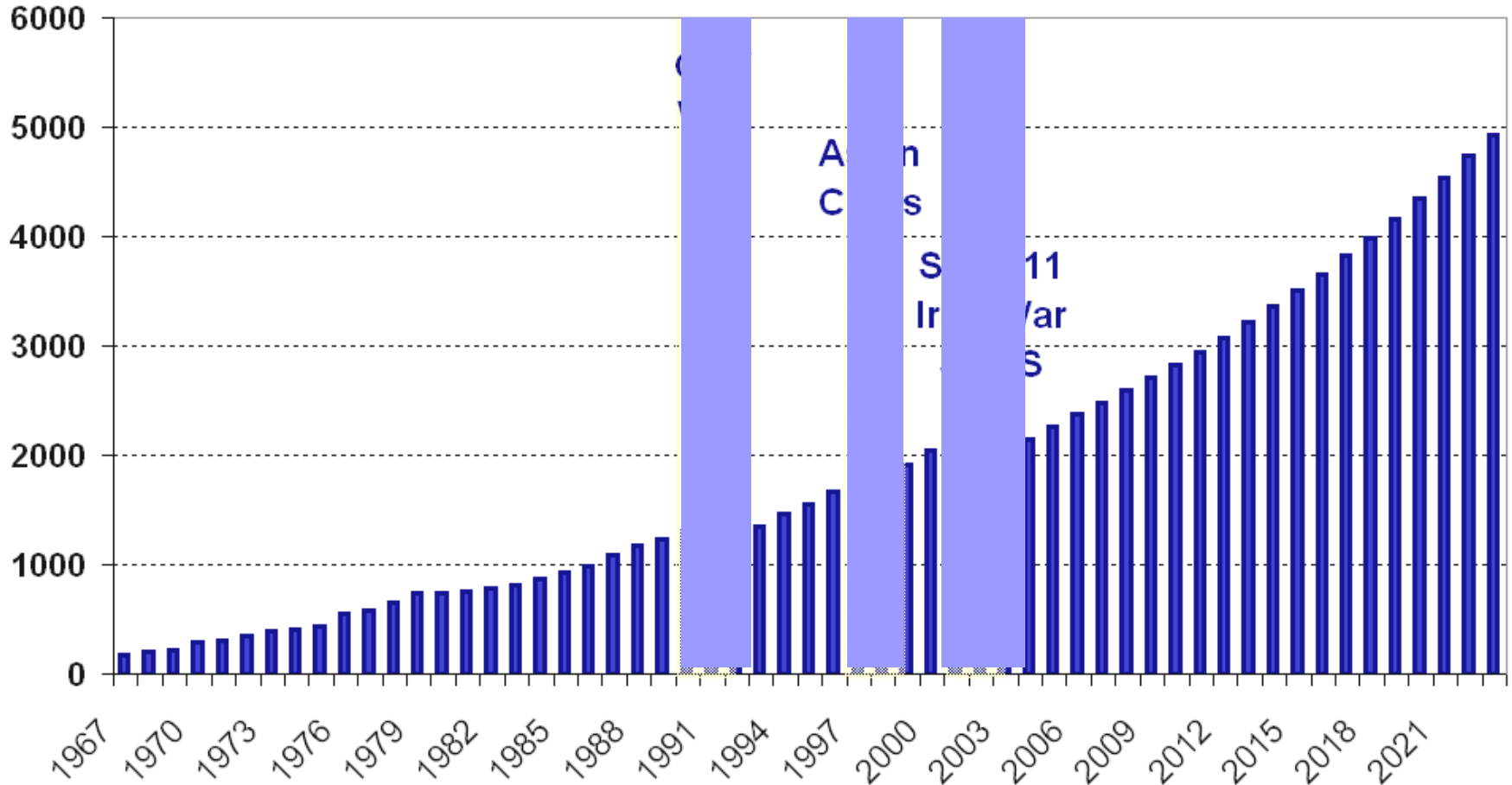
- Engine Services
- Airframe Maintenance
- Parts Repair & Parts Supply
- Repair Management
- Surplus Distribution
- Engine Leasing
- Component Leasing
- Logistics

After Market Business Model



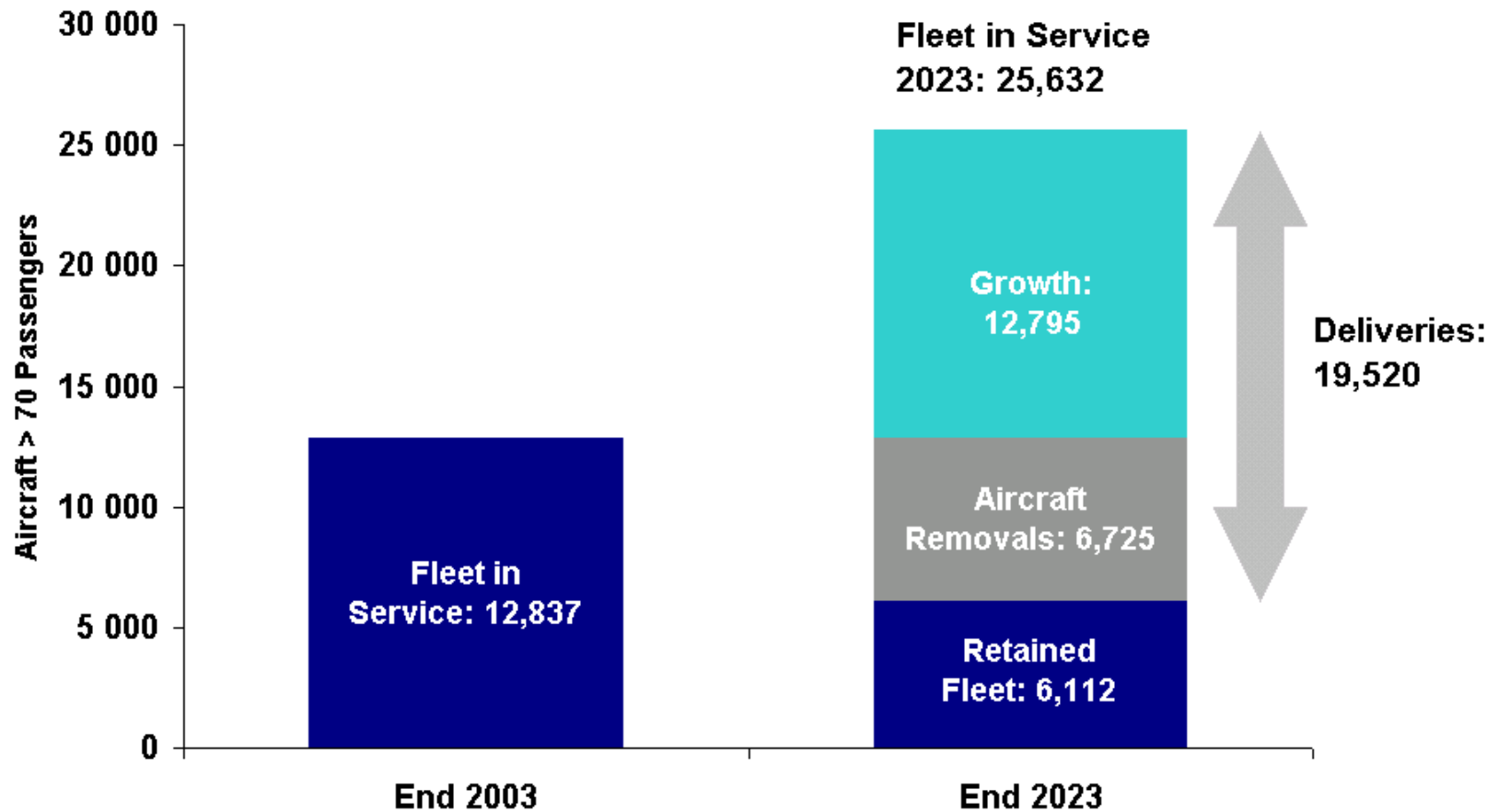
World Air Traffic

Billion RPMs



Source: ICAO, Airline Traffic Monthly, Volvo Aero Analysis

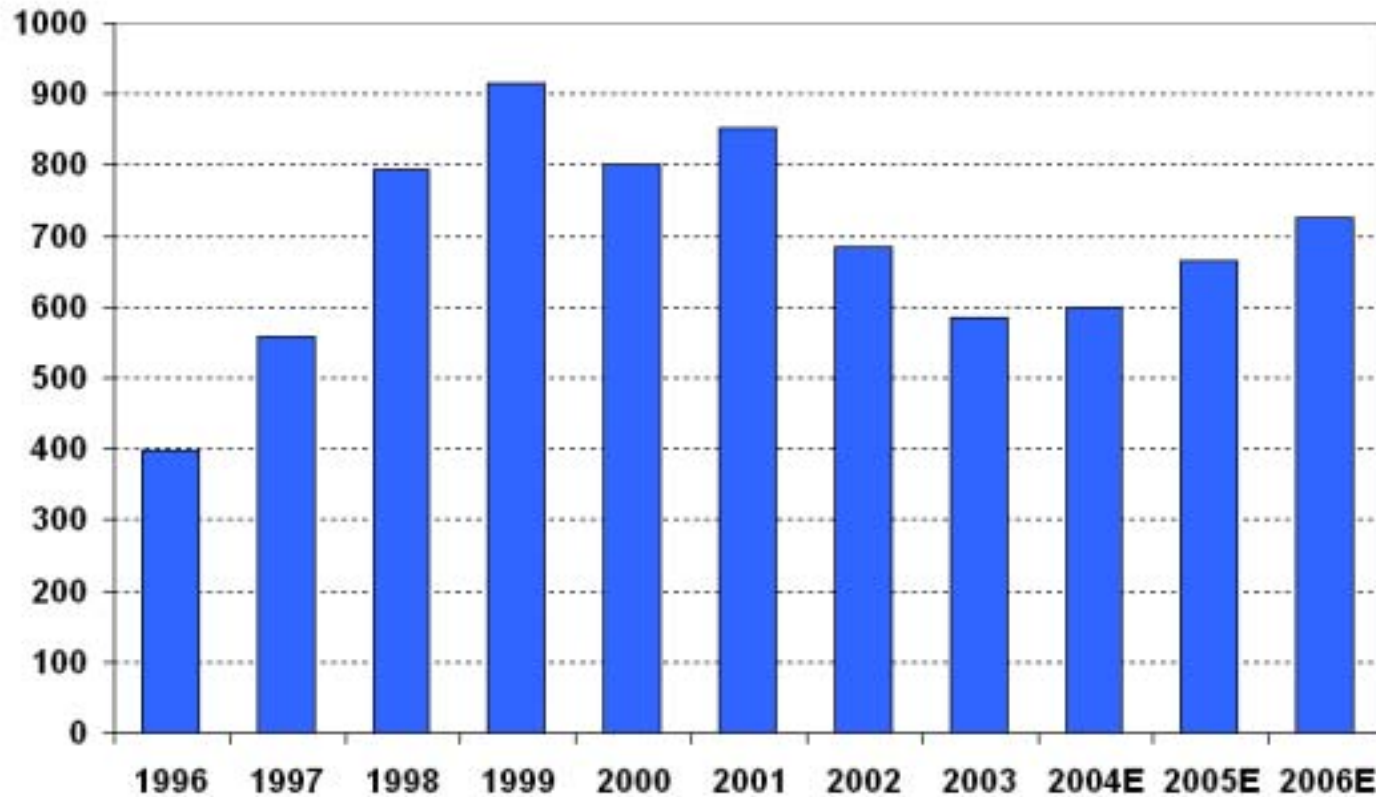
Fleet Development



Source: Volvo Aero Analysis

The Cycle Turns up

Delivery Cycle - Aircraft > 100 Pax



Source: Volvo Aero Analysis

Mixed picture among airlines



Chapter 11



Chapter 11



Chapter 11



23% operating margin in 2003



Bankruptcy 2001



Chapter 11



Bankruptcy 2001



17% operating margin in 2003



13% operating margin in 2003



22% operating margin in 2003

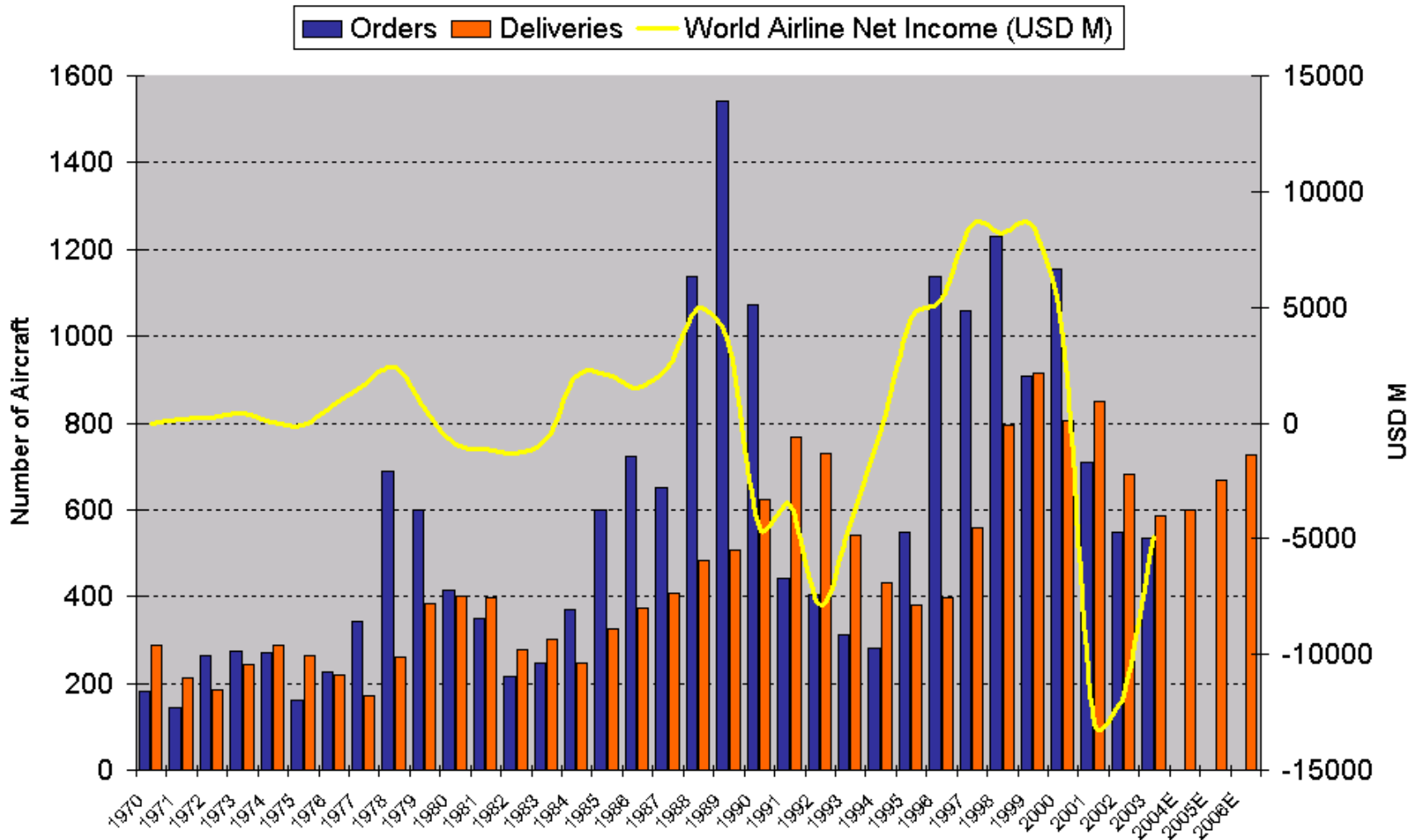


16% operating margin in 2003



13% operating margin in 2003

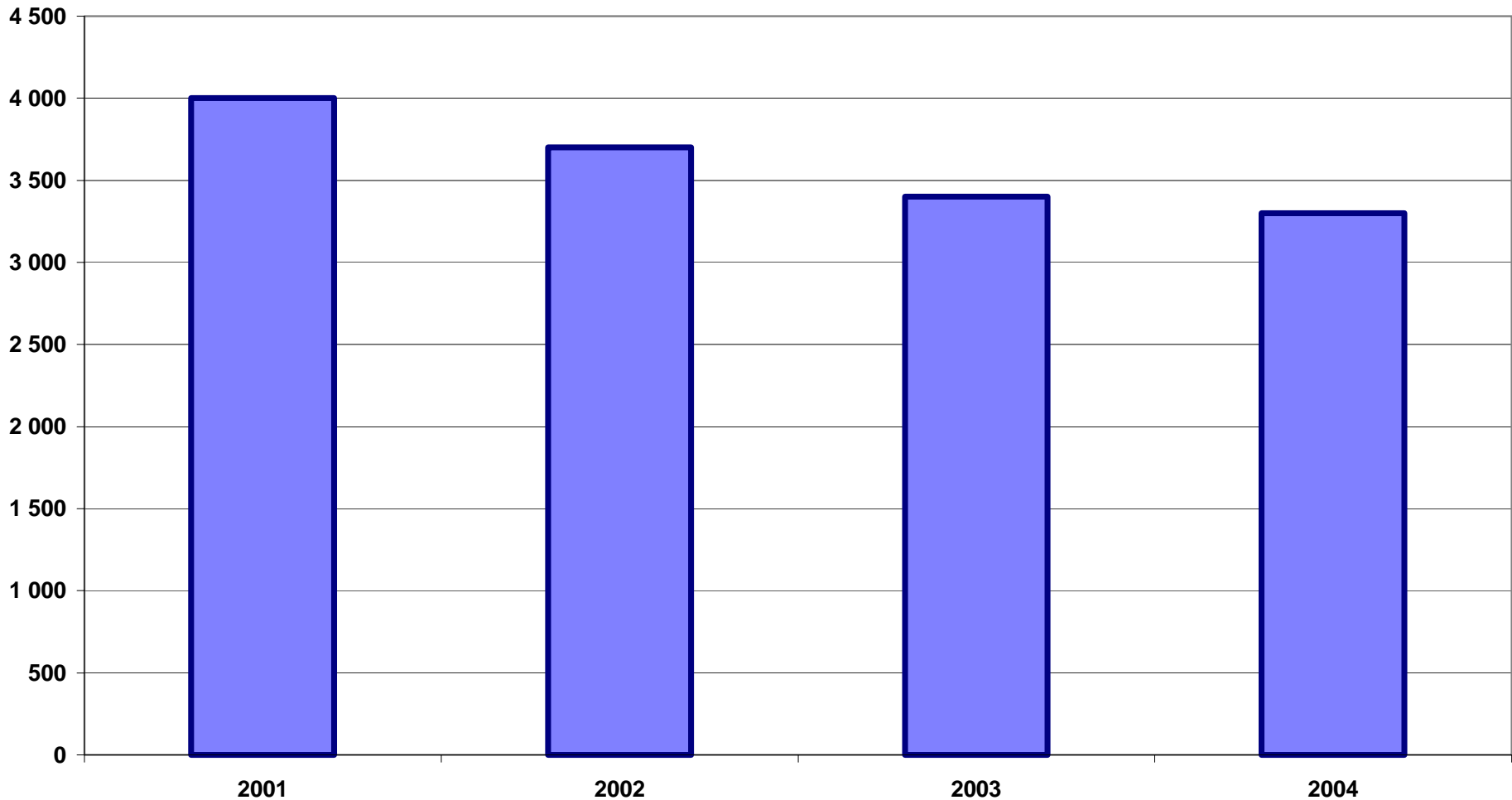
Order, Delivery and Income Cycles



Sources: Back Aviation Solutions (order and delivery history), Volvo Aero Analysis (delivery forecast), The Airline Monitor (net income history, projection for 2003)

Adaptation to a declining market

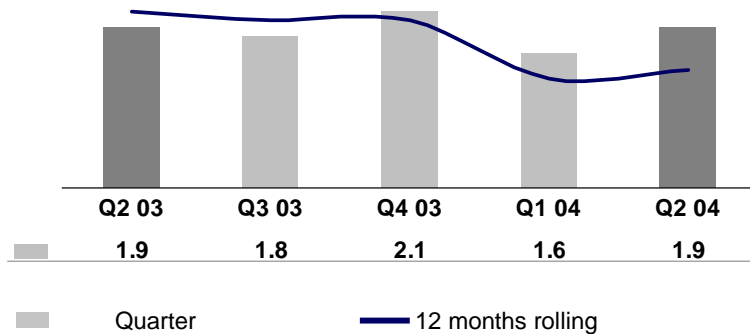
No of employees – Volvo Aero



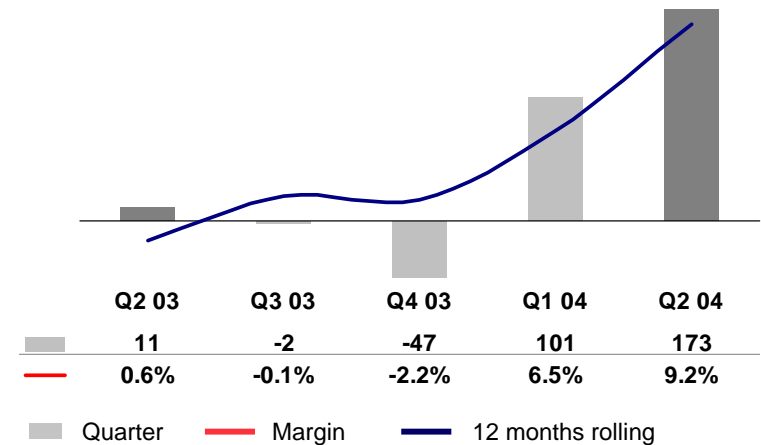
Second Quarter 2004



Net sales (SEK bn)



Operating income (SEK M)



Highlights

- Improved cost structure
- Higher volumes in component workshops
- Favorable sales mix
- Still weak aftermarket

Summary

- **Strong component portfolio**
 - Participation in new engine programs
 - Volvo Aero branded after market offering
- **Business cycle is turning up**
 - Upturn management
 - Capacity management
 - Cost control
 - Cash Flow

A strong base of technology- and competence within Commercial-, Military- and Space segments of the aerospace business.



VOLVO AERO