

# **VOLVO**

## **Investor Day in New York**

**November 7, 2007**

**Pär Östberg**

SVP and CFO

Volvo Group

# Agenda

 Third quarter

 Financial strategy

# Group Highlights – Q3

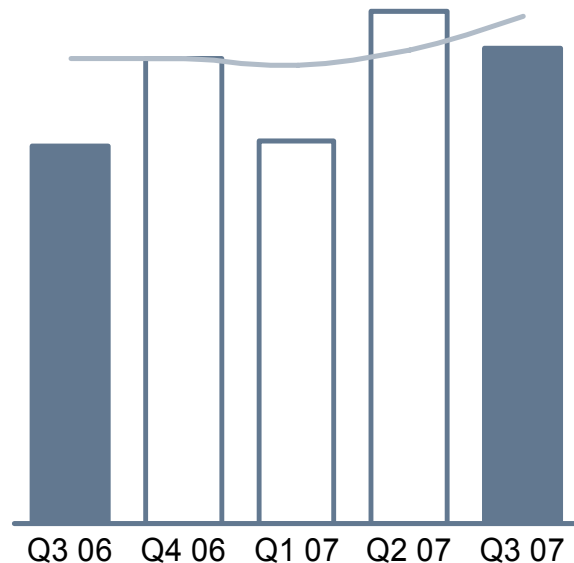


## Third Quarter

- Business environment
  - Europe and International strong
  - North America and Japan soft/pre-buy
- Asia – now the second largest market for the Group
  - More than 40% of sales outside W Europe and North America
- Industrial system in focus
  - Investing in increased capacity in Europe
  - Resolving production disturbances in North America
- Future challenges
  - Alternative fuels/hybrid vehicles
  - Field testing of US10-engines

# Net sales – Q3

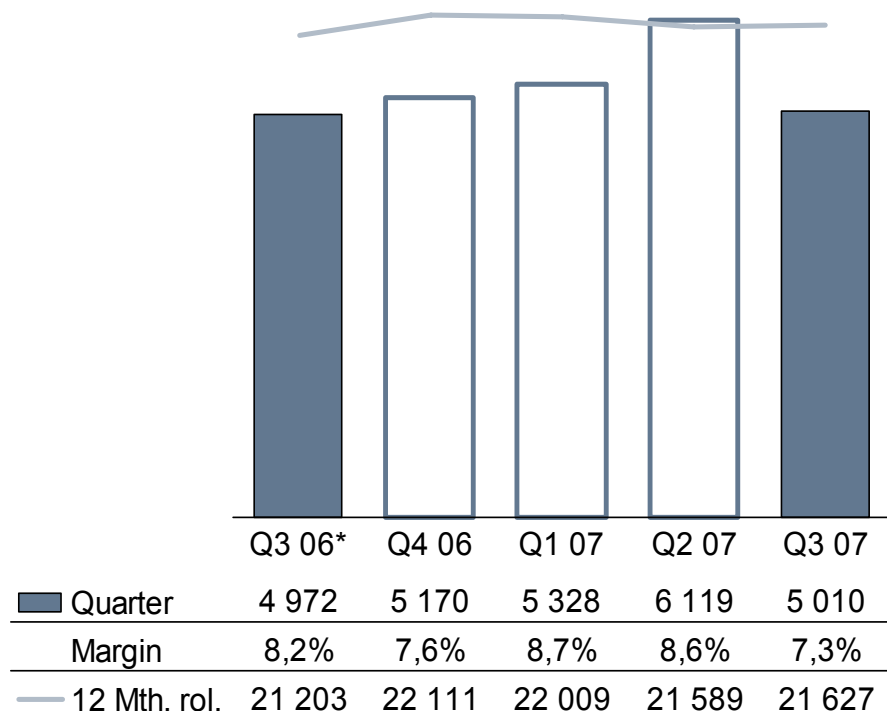
Net sales  
SEK bn



- Net sales up 13%
  - Growth in Asia and Europe
- Adjusted for FX and acquired and divested units, net sales up 1%
- Strong organic growth
  - Volvo CE +22%
  - Volvo Penta +12%
  - Volvo Aero +7%

# Operating income – Q3

## Operating income SEK M



- + Product and market mix
  - Strong Europe and International
- + Price realization
- + Aftermarket and retail business
- + Nissan Diesel (seasonally strong Q3)
- + Renault Trucks

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- US trucks
  - Volvo Buses
  - Currency impact (SEK -700 M)

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

# The new financial strategy

## Shareholders

Long-term attractive and stable total return

## Debt providers

Strong credit rating  
Financial strength and flexibility

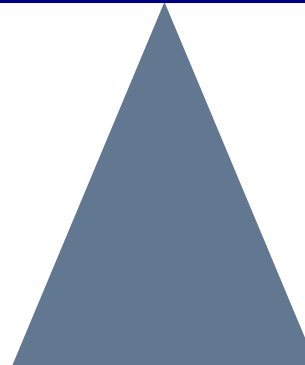
Financial key ratios to balance these objectives

### Financial Targets

Sales growth >10%  
Operating margin >7%

### Financial Restriction

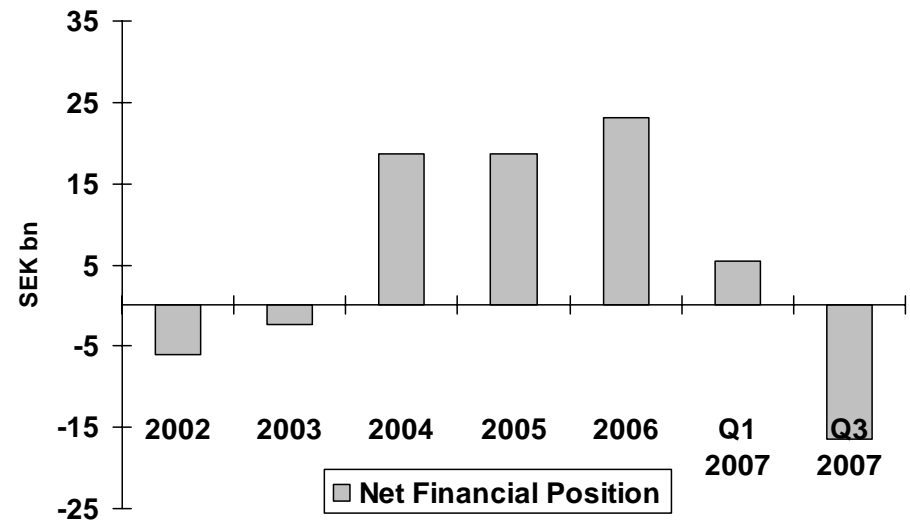
Net debt / Equity < 40%  
Financial Services equity ratio 8%



# Efficient capital structure

- Increased leverage
  - Debt / equity <40%
  - Customer Finance equity ratio 8%
- Cash only for liquidity purpose
- Strong credit metrics:
  - ✓ Debt / Equity
  - ✓ Debt / EBITDA
  - ✓ Interest coverage
  - ✓ Free cash flow / debt

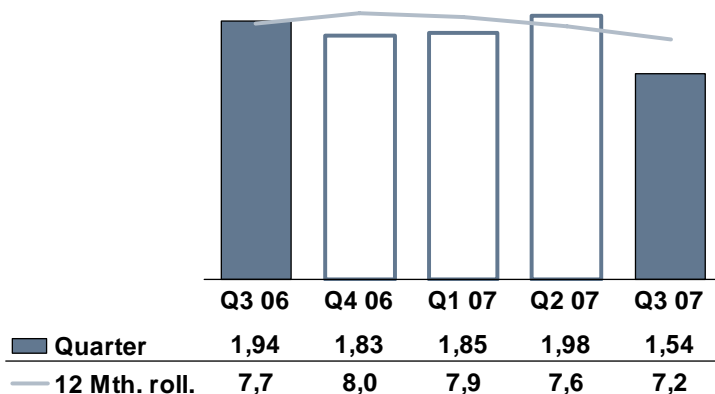
Industrial operation (SEK bn)	2006	Q3- 2007
<b>Financial assets</b>	<b>43.2</b>	<b>32.0</b>
Pensions and others	-8.7	-9.8
Interest-bearing debt	-11.5	-38.6
<b>Financial debt</b>	<b>-20.1</b>	<b>-48.4</b>
<b>Net financial position</b>	<b>23.1</b>	<b>(16.4)</b>



# Group Summary



## Earning per share SEK



## Return on equity

	Q3 06	Q4 06	Q1 07	Q2 07	Q3 07
ROE	19,3%	19,6%	18,6%	17,9%	17,3%

- Good financial performance

- Operating income SEK 5.0 bn
- Earnings per share SEK 1.54
- Return on equity 17.3%
- Operating cash flow SEK neg 0.4 bn

- Integrating acquisitions

- Manage strong demand in Europe