

VOLVO

Capital Market Day

June 19, 2007

**Leif Johansson
President and CEO**

Agenda

Organic growth

- ▶ Greater Europe
- ▶ Soft offers
- ▶ Competitive products
- ▶ Investing for growth

Acquisitions

The New Volvo



Organic growth



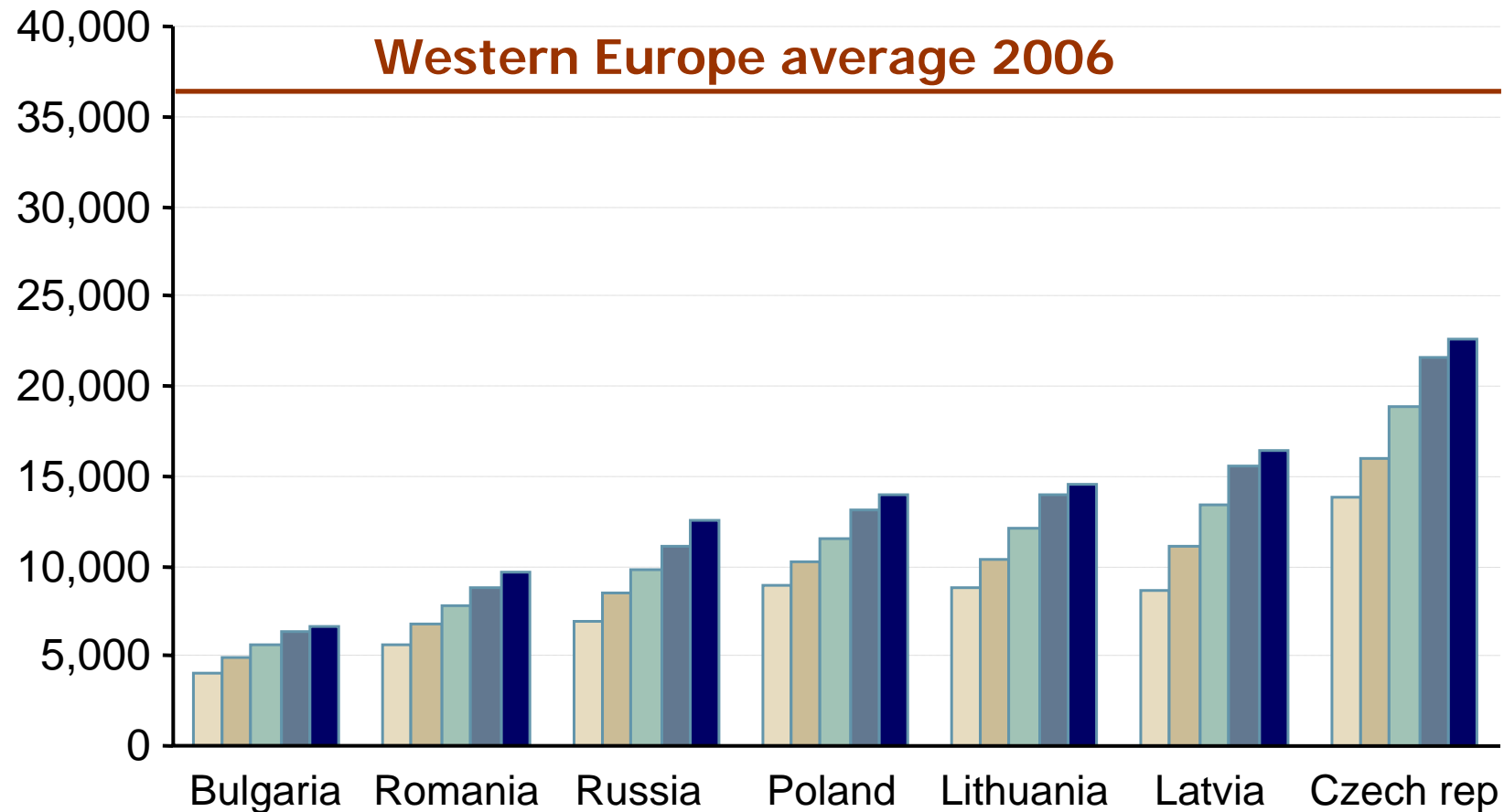
- ▶ Greater Europe
- ▶ Soft offers
- ▶ Competitive products
- ▶ Investing for growth



Strong GDP growth in Eastern Europe

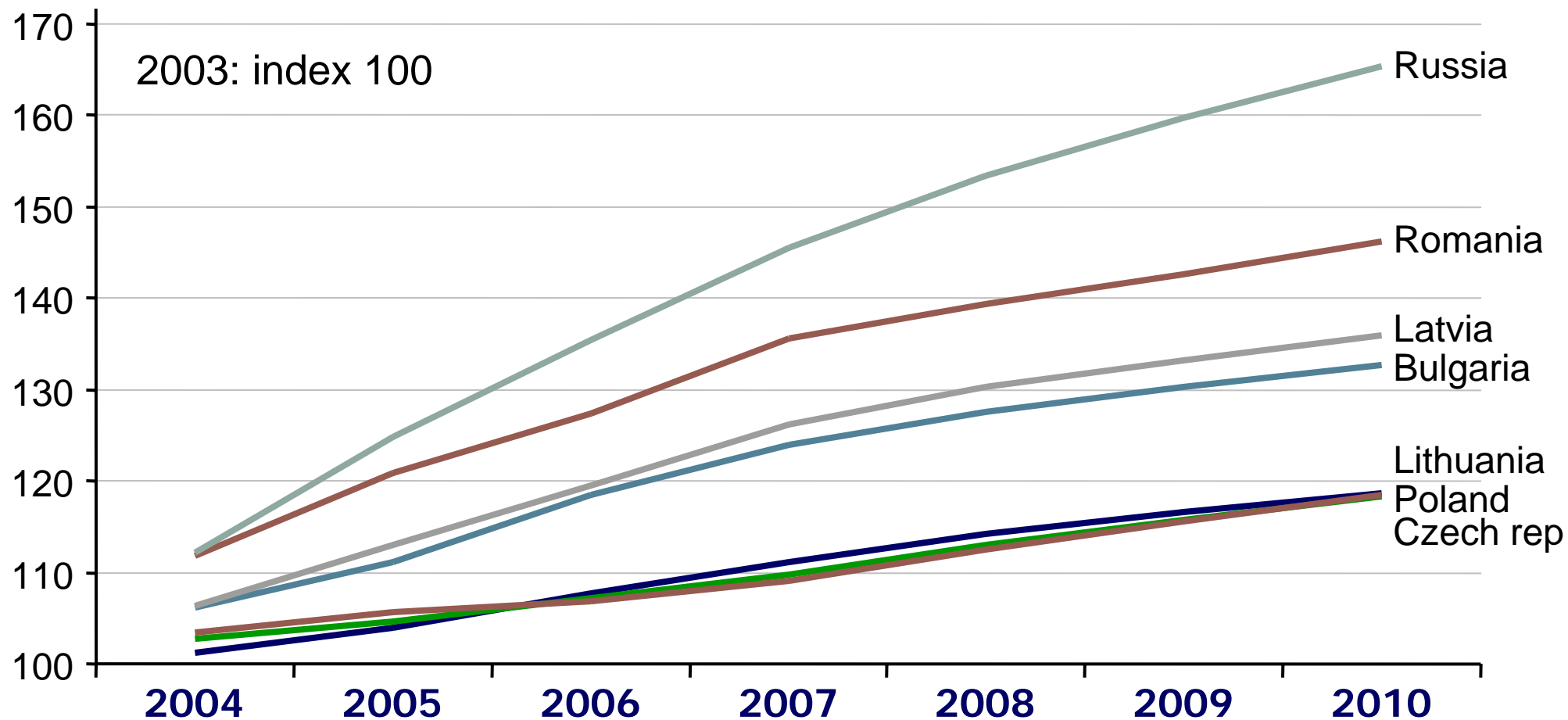
GDP growth 2006-2010

GDP/capita (USD)



Source: Global Insight

Growing Demand for Private Consumption



Source: Global Insight

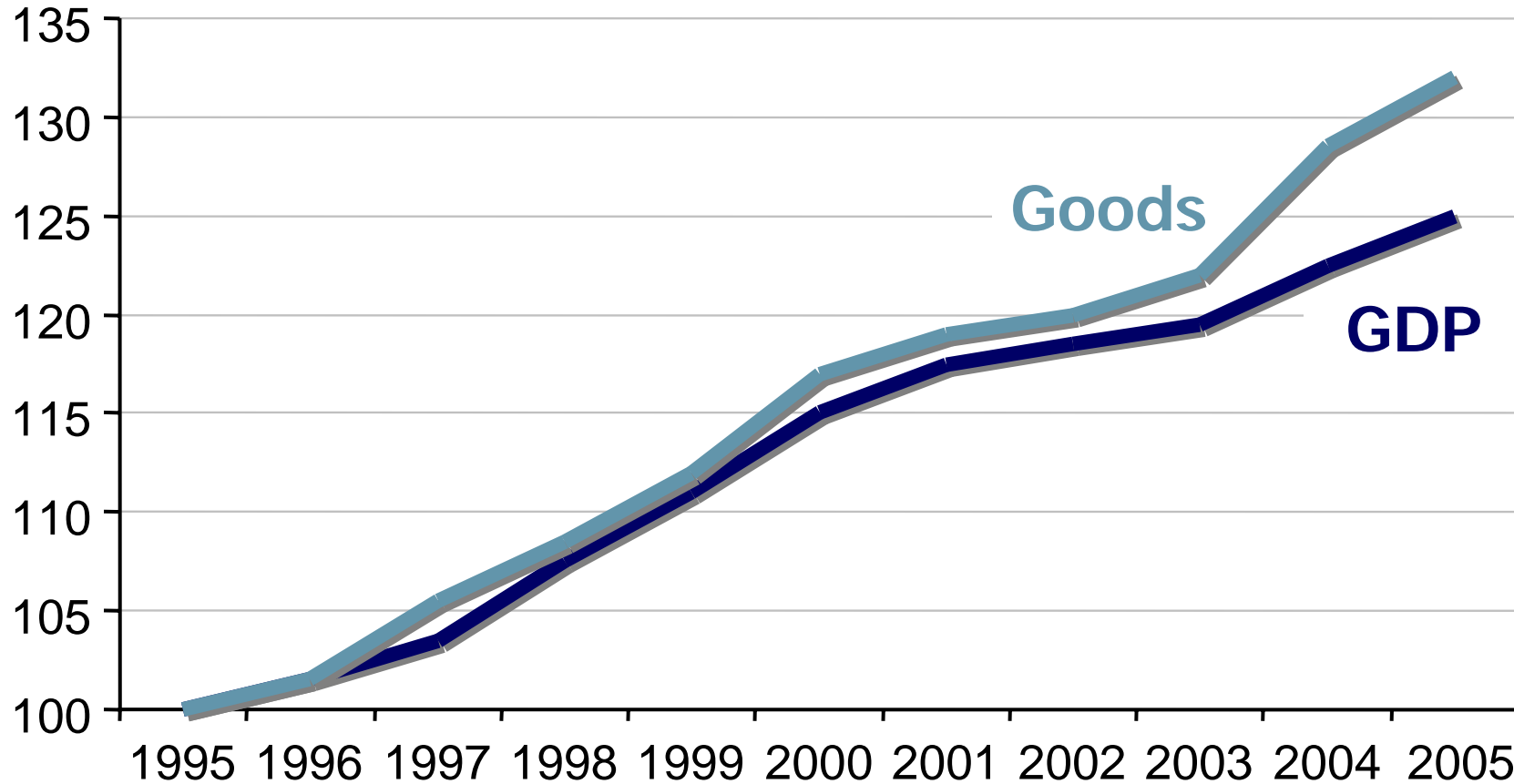
Pan-European Transport Corridors

- East-West trade
- Transport efficiency
- Important for economic growth
- Investment in Black Sea ports



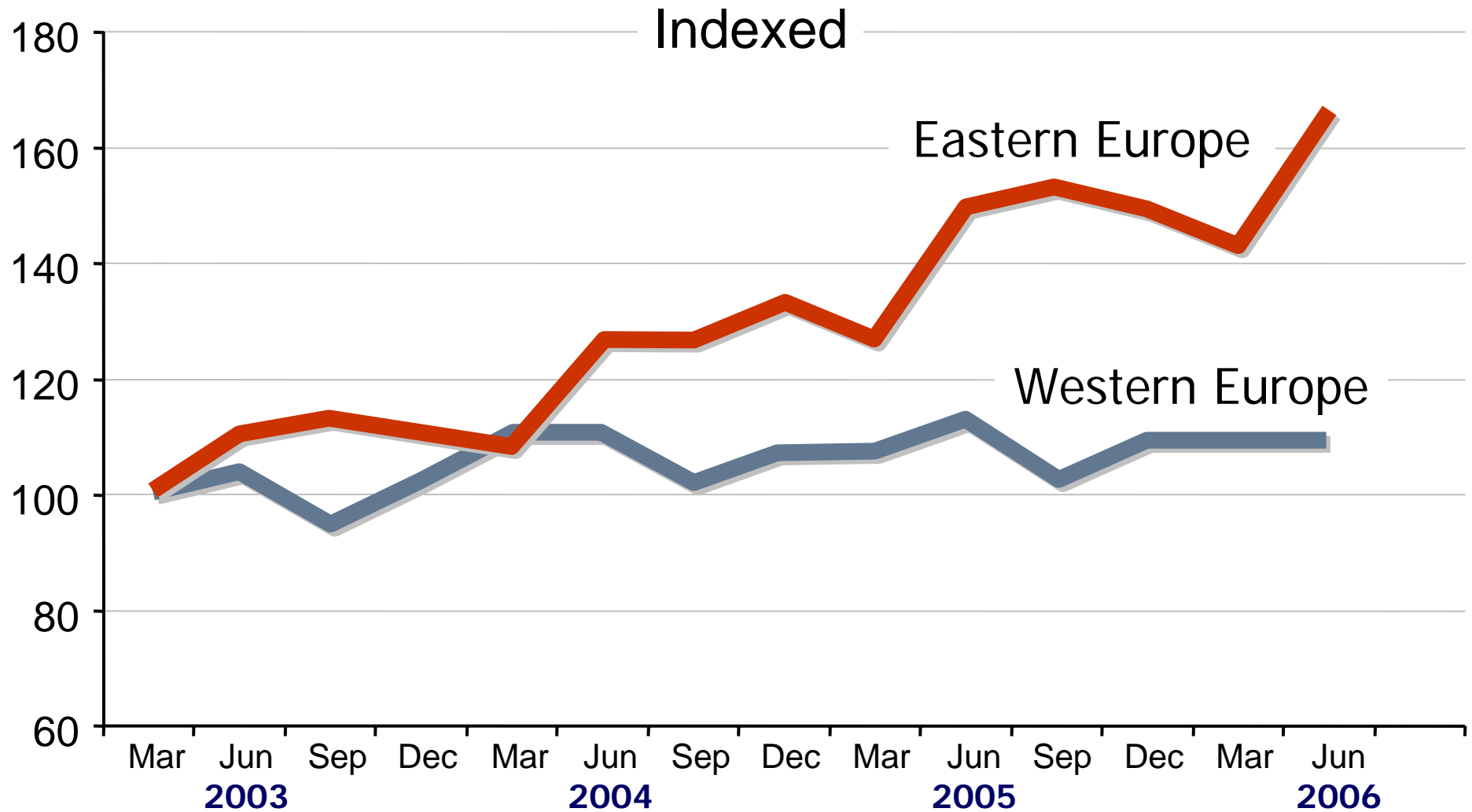
Transport Growth EU 25

Goods and GDP 1995-2005



Eurostat: Energy and Transport in figures 2006

Road Transport Goods Volumes



Source: Eurostat

Infrastructure

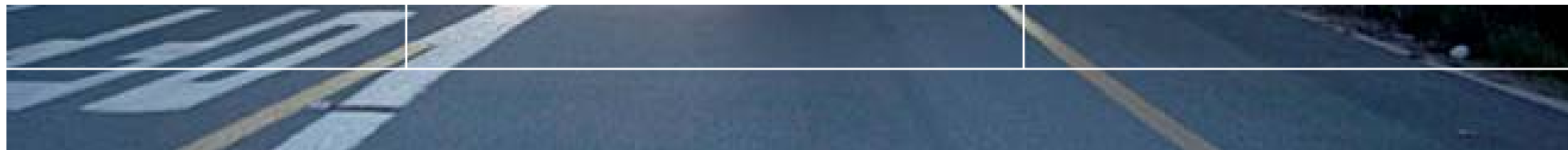
Investments 2010-2013

Bulgaria	4,300 MEur	Ukraine	9,105 MEur
Romania	11,600 MEur	Poland	8,100 MEur
Serbia	1,900 MEur	Lithuania	128 MEur
Russia	108,000 MEur	Hungary	517 MEur

Road network density

km/100 sq km

Bulgaria	85	Ukraine	28
Romania	26	Poland	97
Serbia	28	Lithuania	108
Russia	38	Hungary	76
EU norm	110		



Source: Global Insight

Efficient Transports

– Precondition for our Competitiveness





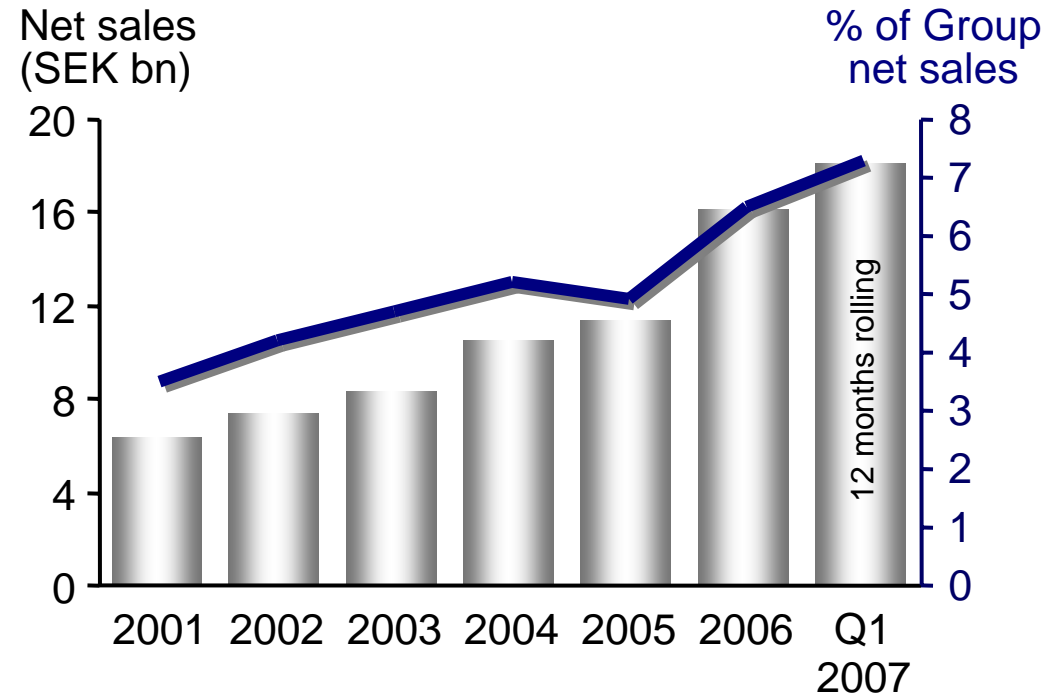
Volvo growth in Eastern Europe

Today

- ▶ Premium brands
- ▶ Good population/market shares
- ▶ Strong retail and aftermarket capacity

Tomorrow

- ▶ Capture growth
 - Investing in retail and aftermarket
 - New industrial capacity





Summary Eastern Europe

- Strong development of GDP
- Substantial foreign investments
- Major investments in infrastructure
- Increased consumption
- EU entry – Romania and Bulgaria
- Large demand for modern products

Organic growth



Greater Europe



Soft offers



Competitive products



Investing for growth





Aftermarket Business

Example: Volvo Trucks Europe

Customer satisfaction

- Increased 3 years in a row

Customer loyalty

- Increased. Volvo customer's are more loyal to our service network and its services than to the truck itself

Stable platform to grow the total business

- Less impacted by short term fluctuations in the demand for new trucks

Retail network expansion

- To support aftermarket business (and truck sales)
- Carefully planned investments with quick payback

Drives profitability

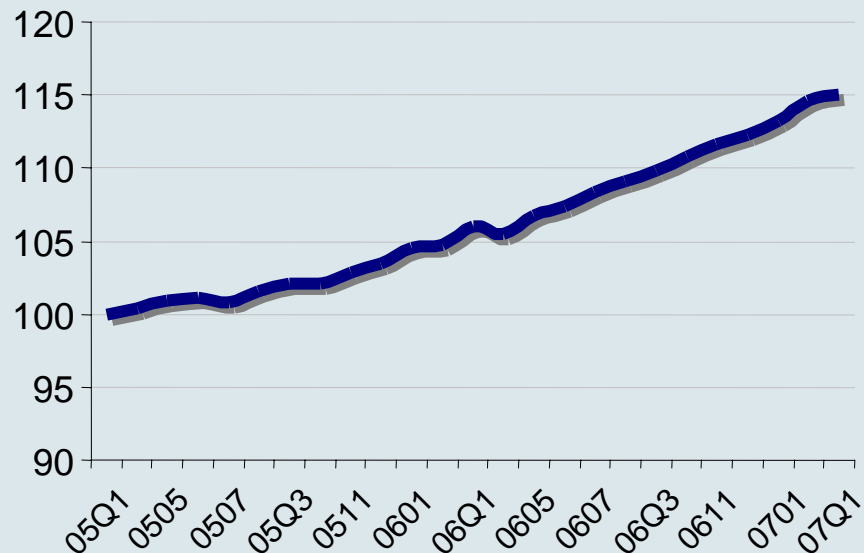




Aftermarket Business

Example: Volvo Trucks Europe

Spare parts (12-months rolling)



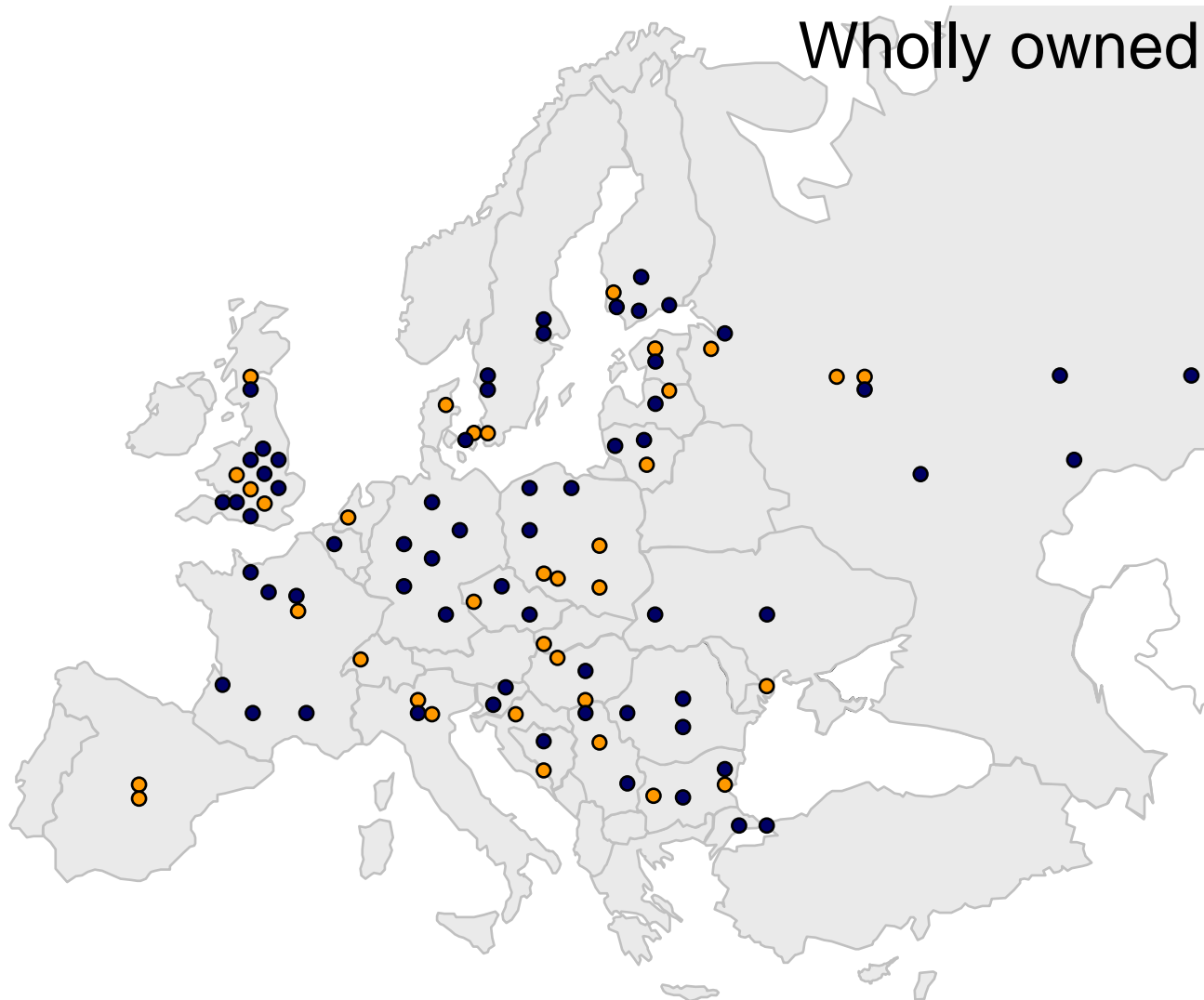
Q1-07 vs. Q1-06

Parts sales	+ 10%
TruckShop sales	+ 47%
Service contracts penetration	27% (+1%)
Finance penetration	24% (+3%)
Used Trucks op.result	+ 75%
Service Hours sales	+ 3%

Aftermarket business is more profitable than new Truck business



Volvo Trucks Retail Network Expansion



Today

4.3 million hours invoiced (2006)
5,920 employees (April 2007)

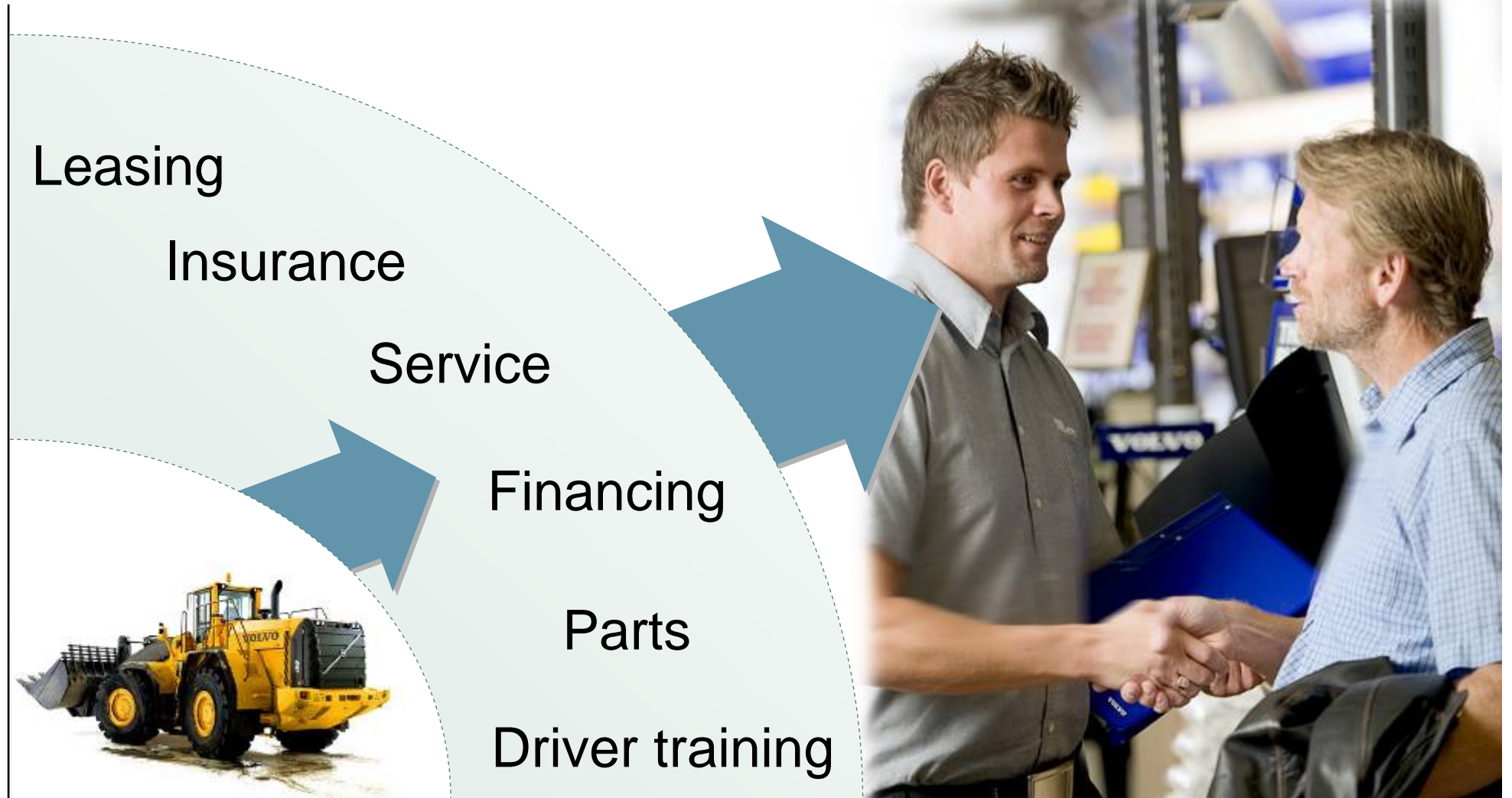
- **34 New Workshops**
Q3 2005 – Q2 2007
(completed & under construction)
Approx. 65% are replacements

- **63 New Workshops Planned**
Q3 2007 – Q4 2009
Approx. 55 - 60% are replacements

Target 2009

5.1 million hours invoiced

Extended Product Offering





Summary Soft Offers

- Customer loyalty
- Profitable growth
- Stable cash flow through the business cycle

Organic growth



Greater Europe



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Investing for growth



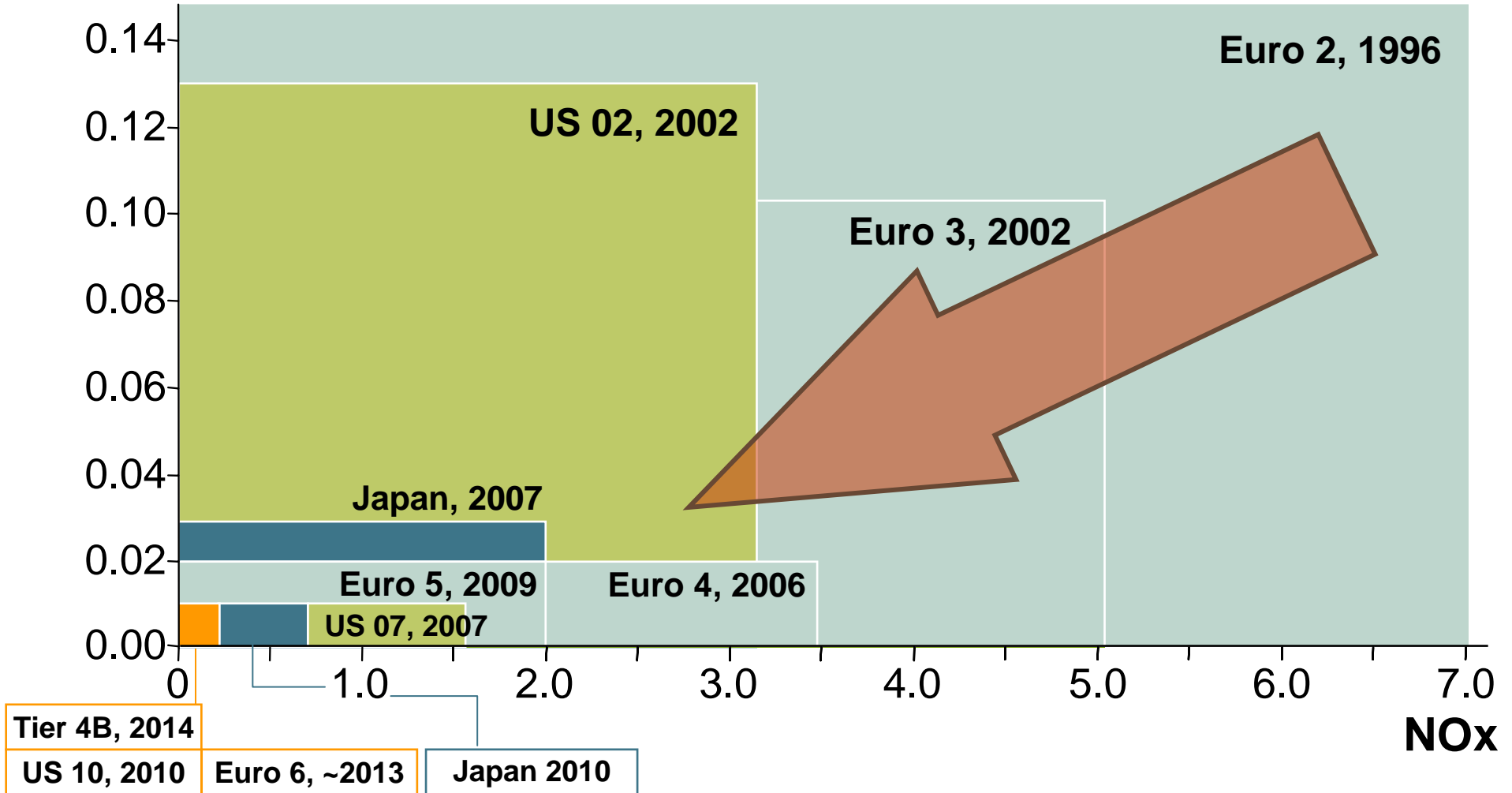
Completely new Product Portfolio for 2008



Emission Legislation

Challenges and opportunities

Particulates



Convergence towards Common Technology

2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014



+SCR

Euro 4

+SCR
Opt. DPF

Euro 5

+HEGR
+SCR+DPF

Euro 6



+EGR

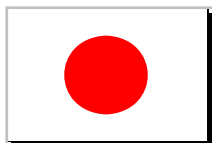
US'04

+H(eavy) EGR
+DPF

US'07

+HEGR
+DPF+ SCR

US'10



+EGR

NLT

+HEGR
+DPF+ SCR

P-NLT

Off Road

+internal
EGR

Tier 3

+H(eavy) EGR
+DPF

Tier 4A

+HEGR
+SCR+DPF

Tier 4B

Drivers for Energy Efficiency



- Oil production
- Climate change
- Cost to operate

Energy Efficiency for Competitiveness

Example: Hybrid technology



Refuse

Construction

Distribution

25-35%

City bus



20-35%

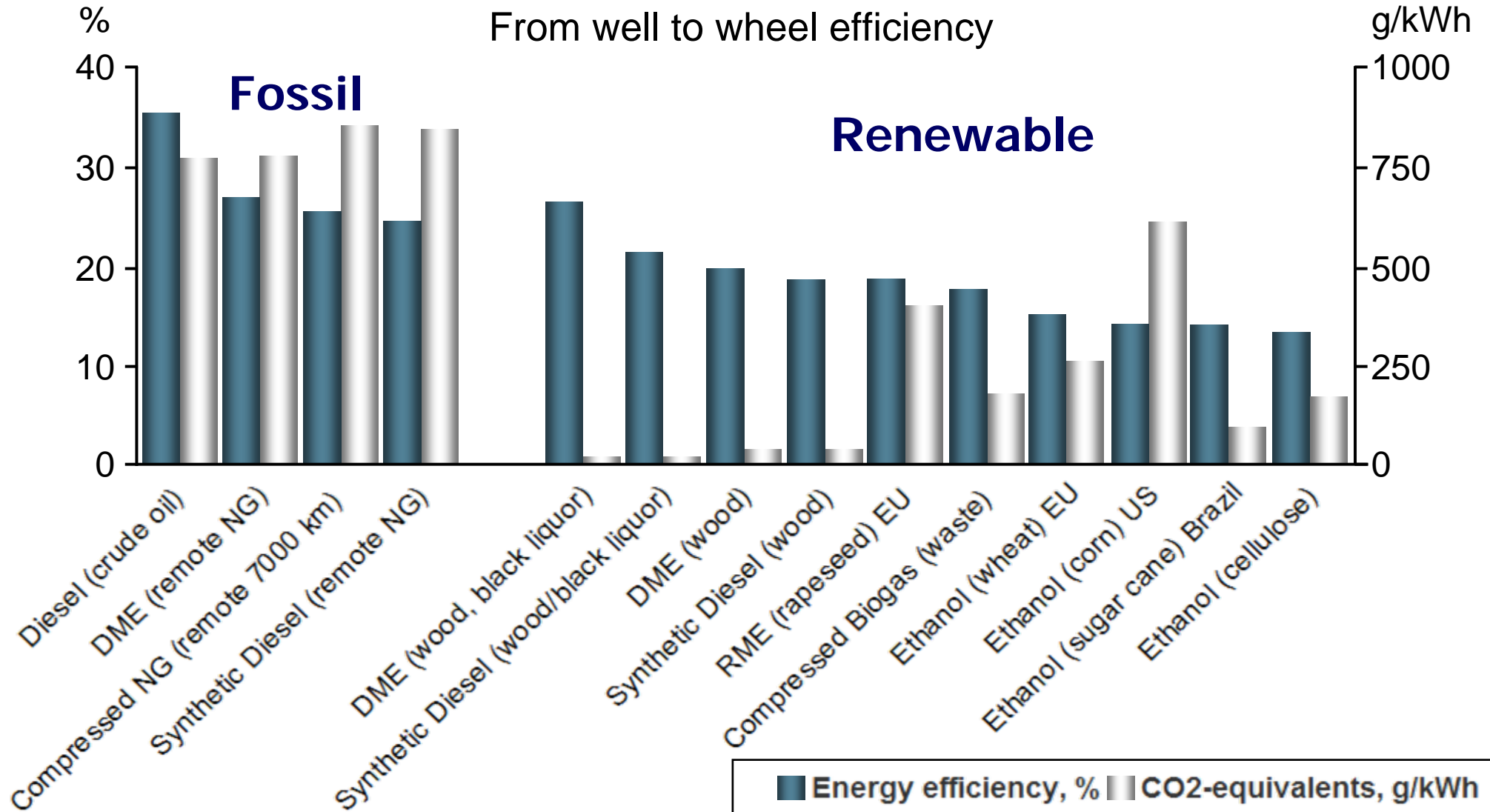
Wheel loader



Up to 50%

Prepare for Alternative Fuels

From well to wheel efficiency



Summary of Competitive Products

- Competitive product portfolio coming into 2008
- Well underway to develop US10, Euro 6 and Tier 4 technology based on a new engine generation
- Converging emissions technology improving R&D efficiency
- Intense work for technologies to increase energy efficiency
 - Optimization of existing powertrains and vehicles
 - Hybrid technology
- Increased R&D efforts on alternative fuel solutions

Organic growth



Greater Europe



Soft offers



Competitive products



Investing for growth



Investing for Growth

- **Volvo CE – SEK 1.5 bn**
 - Transmissions & axles, Eskilstuna
 - Cabs, Asheville and Hallsberg
 - Excavators, Asheville

- **Volvo Powertrain – SEK 1.7 bn**
 - Engines +20%
 - Transmissions +50%

- **Trucks – SEK 1.5 bn**
 - Cabs, Blainville
 - Assembly factory (15,000 trucks), Russia

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Acquisitions

The New Volvo



Strategic Acquisitions

NISSAN DIESEL



LINGONG



INGERSOLL RAND



Acquisitions and the Integration Process

Framework Agreement

- Scope/responsibilities

Letter of Intent

Due Diligence

- Evaluation and confirmation of facts

Business plan

- Markets - Products - Industry
- Synergies - Financials

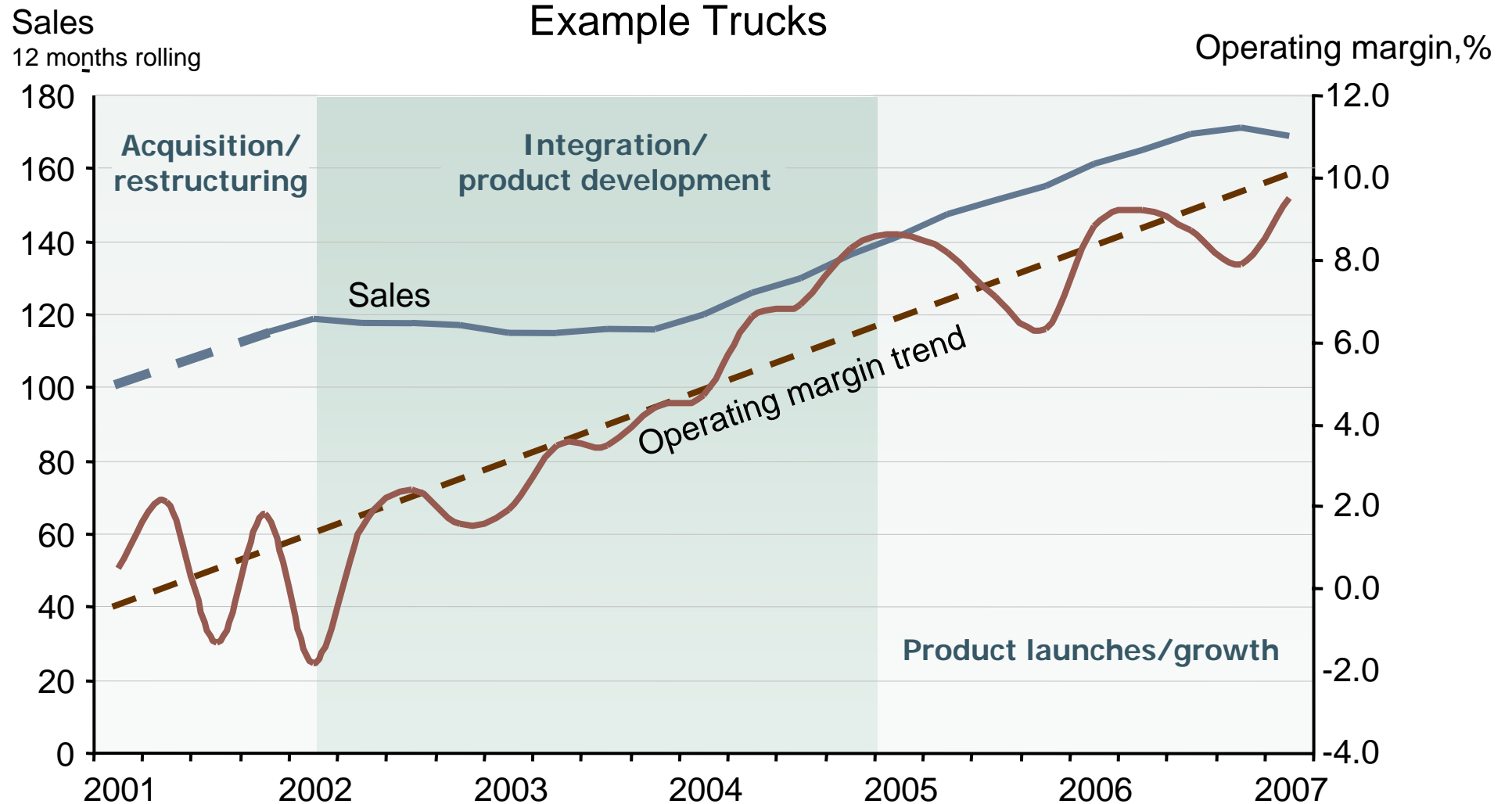
Final Agreement Closure

Post merger integration

- Product plans
- Industrial structure/Purchasing
- Parts and after market
- Distribution channels
- IS/IT
- Human resources
- Volvo way and local culture

New Products

Value Creation through Acquisitions



Building a Competitive Global Culture

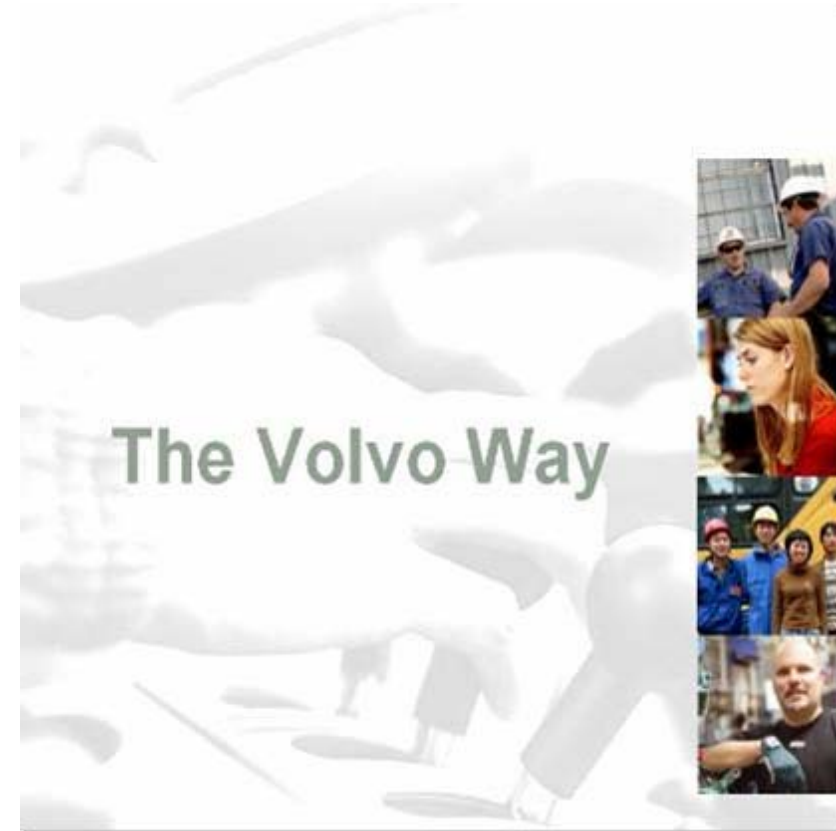


The Volvo Way

Energy

Passion

Respect for
the individual



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Volvo Group

Organized to deliver sharp customer focus and shared global strength

Business areas



Volvo Trucks

Renault Trucks

Mack Trucks

Asia

Volvo Buses

Volvo CE

Volvo Penta

Volvo Aero

Financial

Services

Nissan Diesel

Asia Truck
Operations

Business units

Volvo 3P

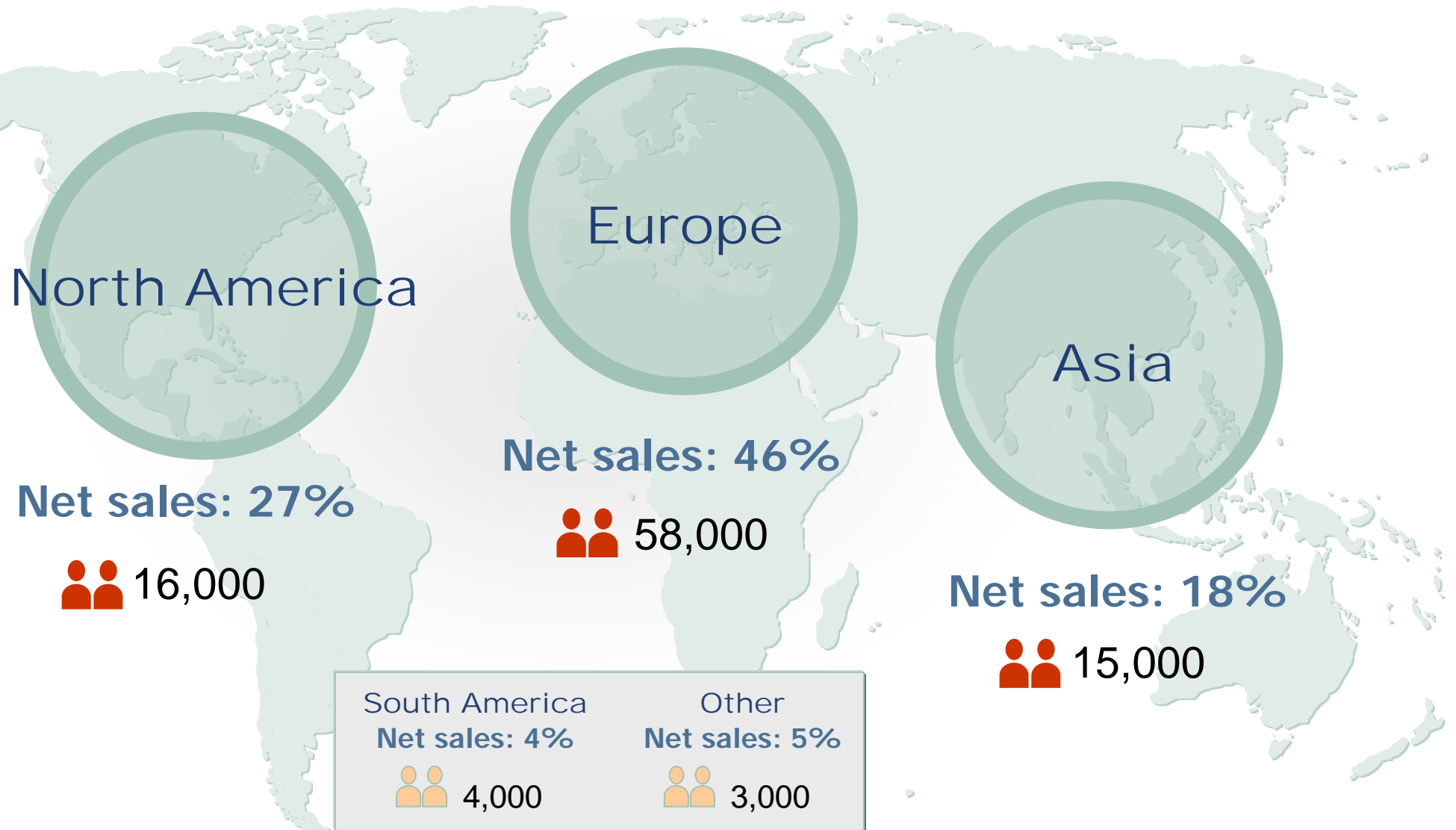
Volvo Powertrain

Volvo Parts

Volvo Logistics

Volvo Information Technology

The New Volvo



On the agenda

- Successfully integrate acquired companies
- Productivity across the whole group
- Focus on energy efficiency and alternative fuels
- Execution of profitable growth



