

**VOLVO**

**Capital Market Day 2004**

**Leif Johansson  
President and CEO**

# Volvo Group

Building strong positions



***Europe #1***  
***Global #2***



***Global #1***



***Global #2***



***world leading***



***Global #3***



***Global #1***

# Volvo Group

*Organized to capture synergies*



**Volvo Trucks**

**Renault Trucks**

**Mack Trucks**

**Buses**

**Volvo CE**

**Volvo Penta**

**Volvo Aero**

**Financial Services**

**3P**



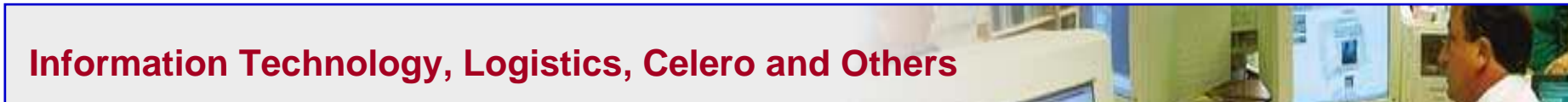
**Powertrain**



**Parts**



**Information Technology, Logistics, Celero and Others**



# Contribution to the Engine Strategy

Volumes from Volvo Penta and Volvo CE

*Volvo Penta: 20 000*

*Volvo CE: 20 000*

**Volvo Group  
Heavy Duty  
Platform**

**Volvo Group  
Medium Duty  
Platform**

# Truck Integration 2001-2003

- covering the entire value chain

## Product Plan

- Truck portfolio
- Engine/axels/  
transmission
- Brand distinction

## R&D

- 3P and  
Powertrain
- Emission  
standards
- Shared vehicle  
architecture

## Sourcing

- Purchasing units

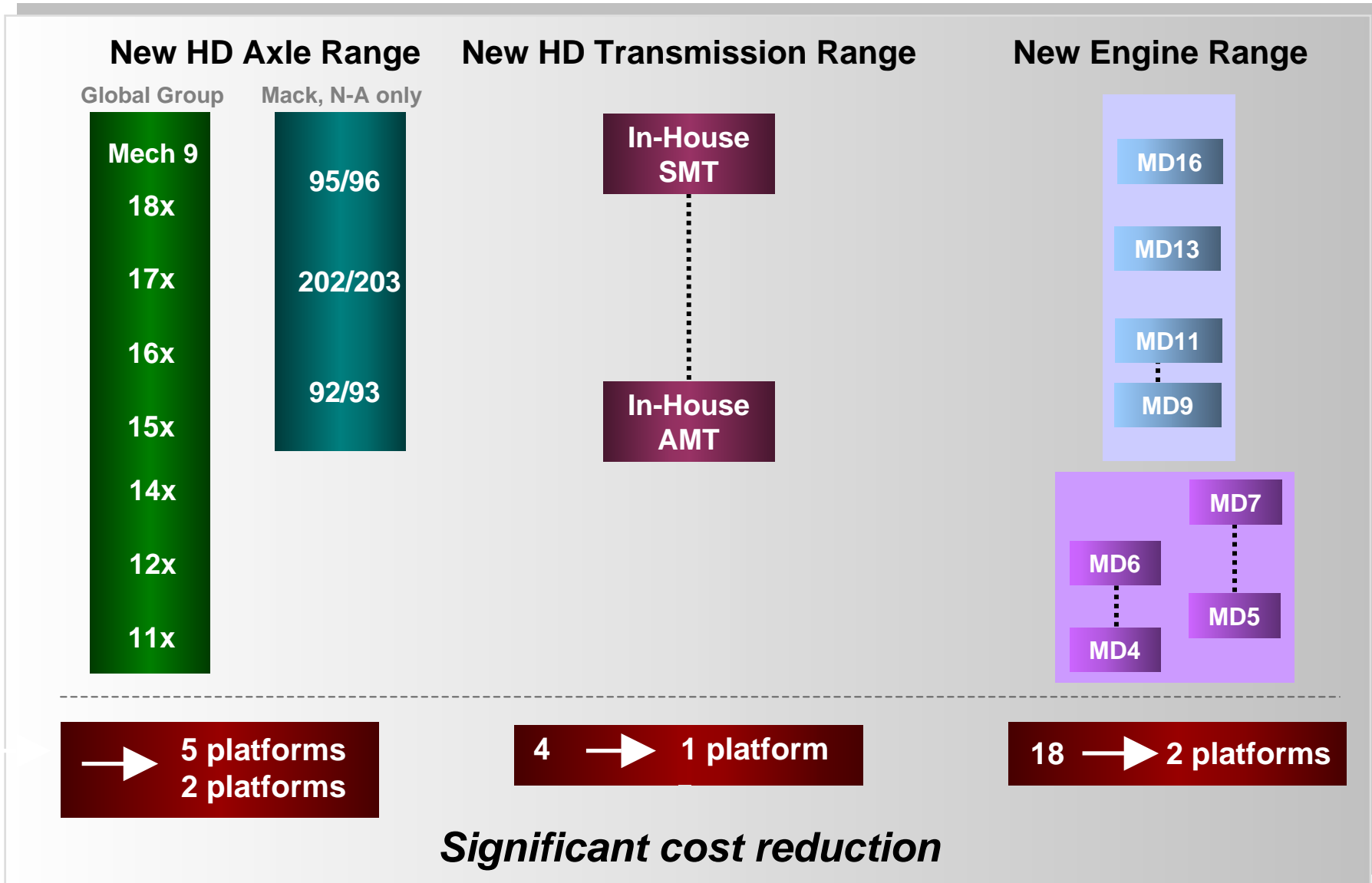
## Manufacturing

- Industrial footprint

## Distribution

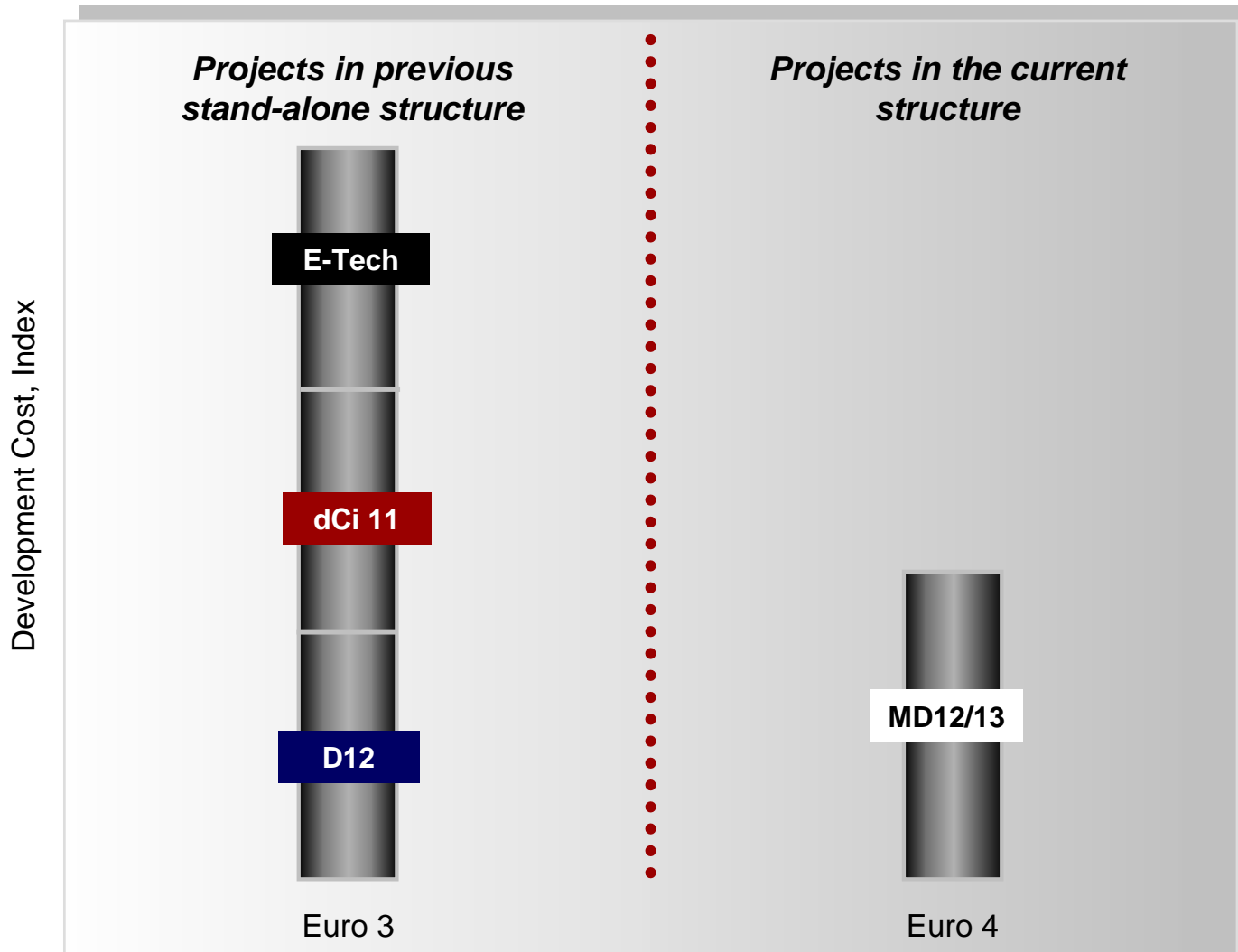
- Dealer  
Development
- Customer  
Financing

# Product Cost Reduction



# Potential R&D Cost Reduction

## Emission Step Development Costs



# A World Class Supplier Base

Example: powertrain purchasing

**Fewer suppliers, world class suppliers**

Lower R&D cost and cap.ex.

Early supplier involvement, target costs, quality breakthrough

**2001**

800 Suppliers

4 different supplier bases

**2007**

< 300 Suppliers

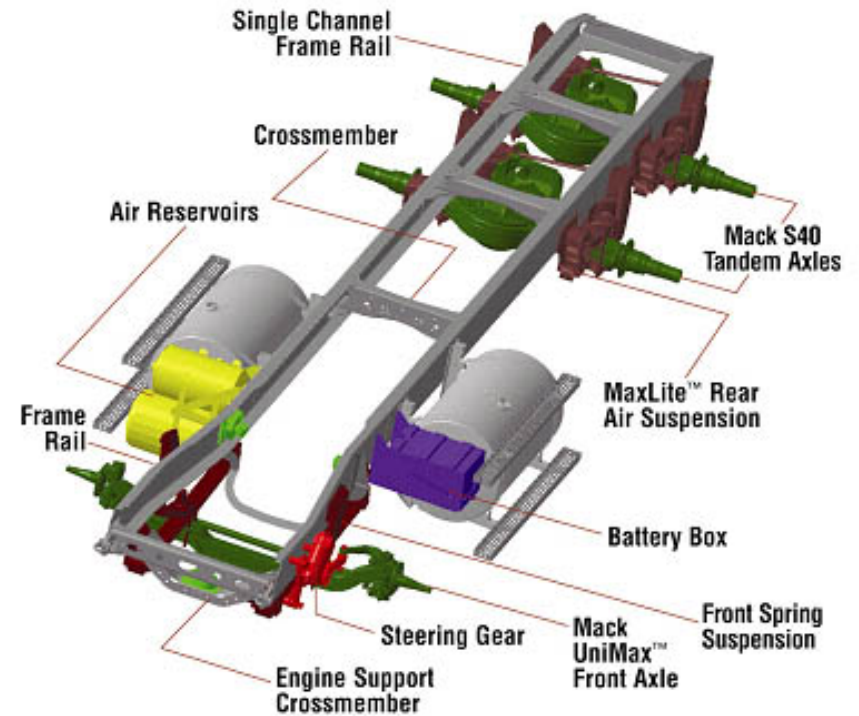
1 global supplier base

*Already done: <100 suppliers for HDEP  
<50 Transmissions*

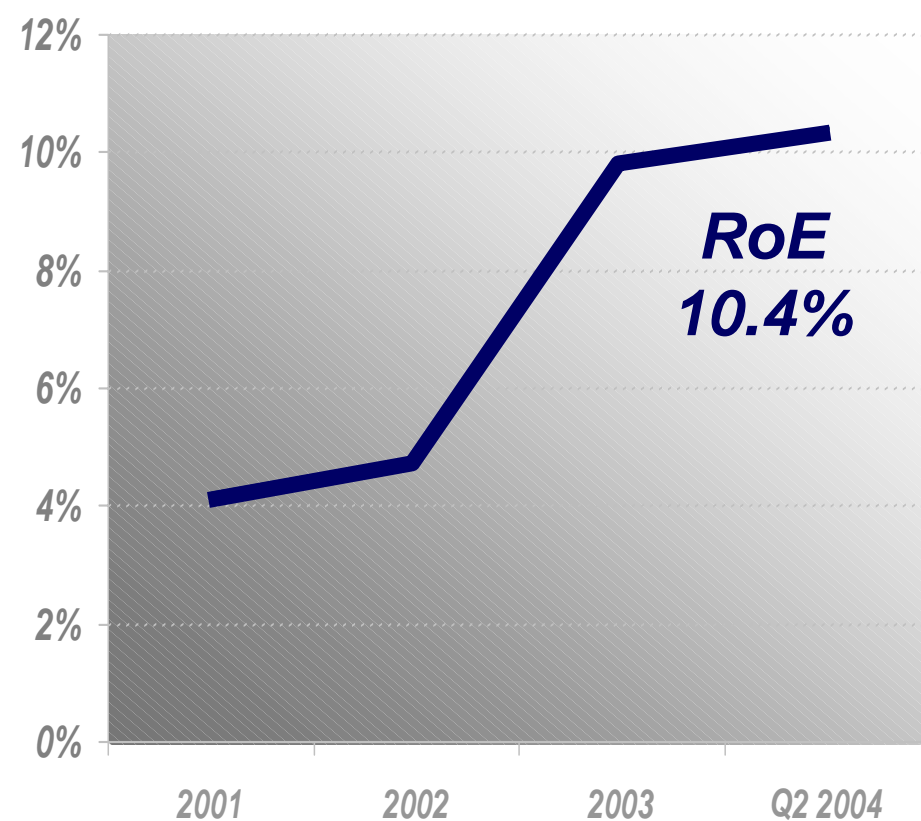




# Mack® Advantage™ Chassis

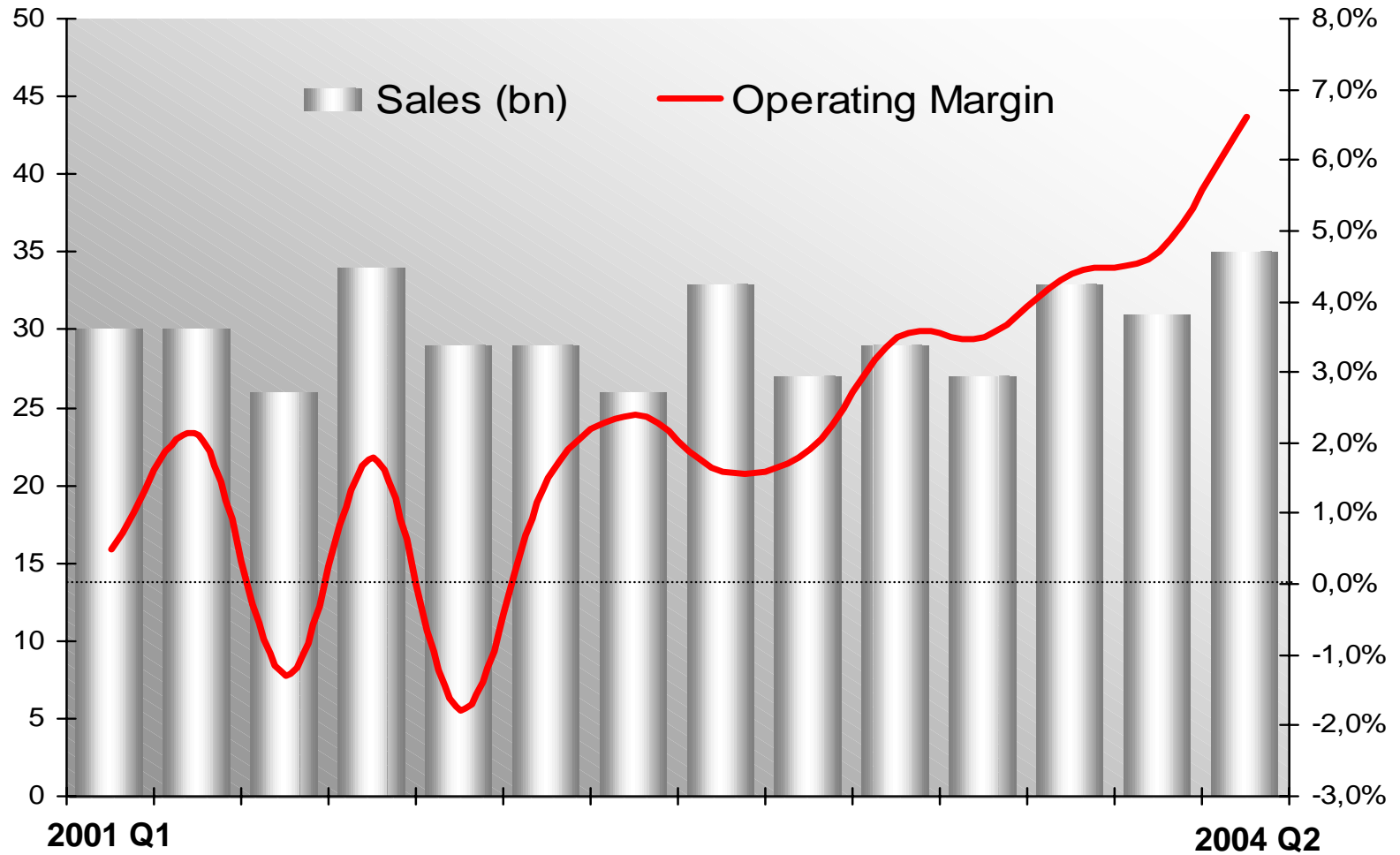


# Enhanced Customer Financing



- Retention and Brand Loyalty Management
- Ongoing Access to Customers
- Superior Customer/Dealer Service
- Sole Focus on Volvo Group Products
- Control Over Distribution of Used Product
- Longevity in the Marketplace

# Improved Profitability in Trucks



# Next Steps for Improved Profitability

Across the value chain

**Product Plan**

**R&D**

**Sourcing**

**Manufacturing**

**Distribution**

- Deliver on new architecture
- Brand development

- Engine Technology

- One supplier base

- Industrial footprint

- Dealer Development

# Shifting Mode

## Standalone mode

## Merger mode

## Vision mode

*“Create synergies”*

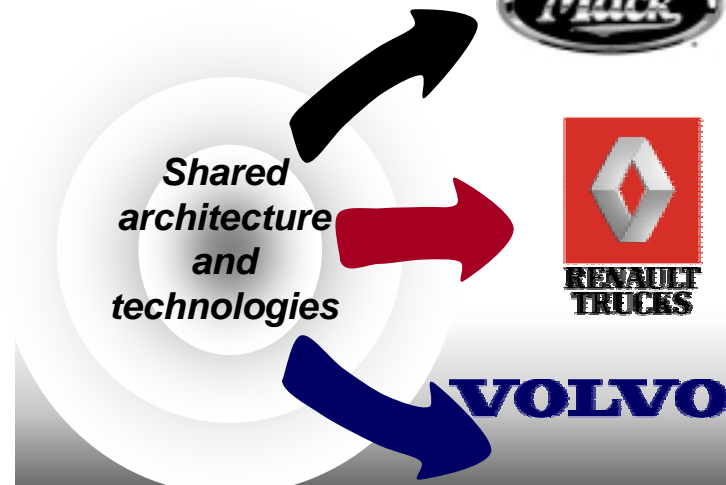
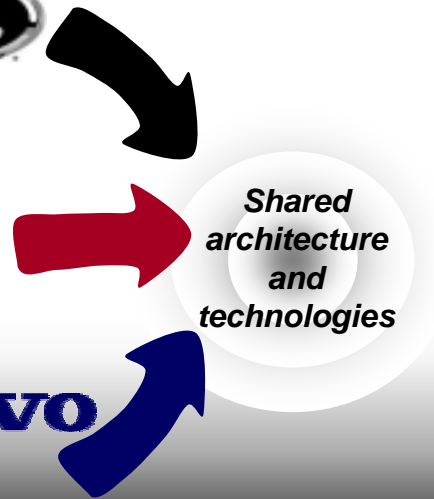
*“New architecture and shared technologies. Develop unique brand versions”*



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**VOLVO**

**VOLVO**



# Volvo Group Transformation

## 1998

- Sales ~SEK 200 bn
- Net cash SEK 12 bn
- Volatile car business earnings
- Limited commonality (cars & trucks)

*Ordinary dividends*  
*SEK 22 bn*

*Special dividends &  
Share repurchase*  
*SEK 17 bn*

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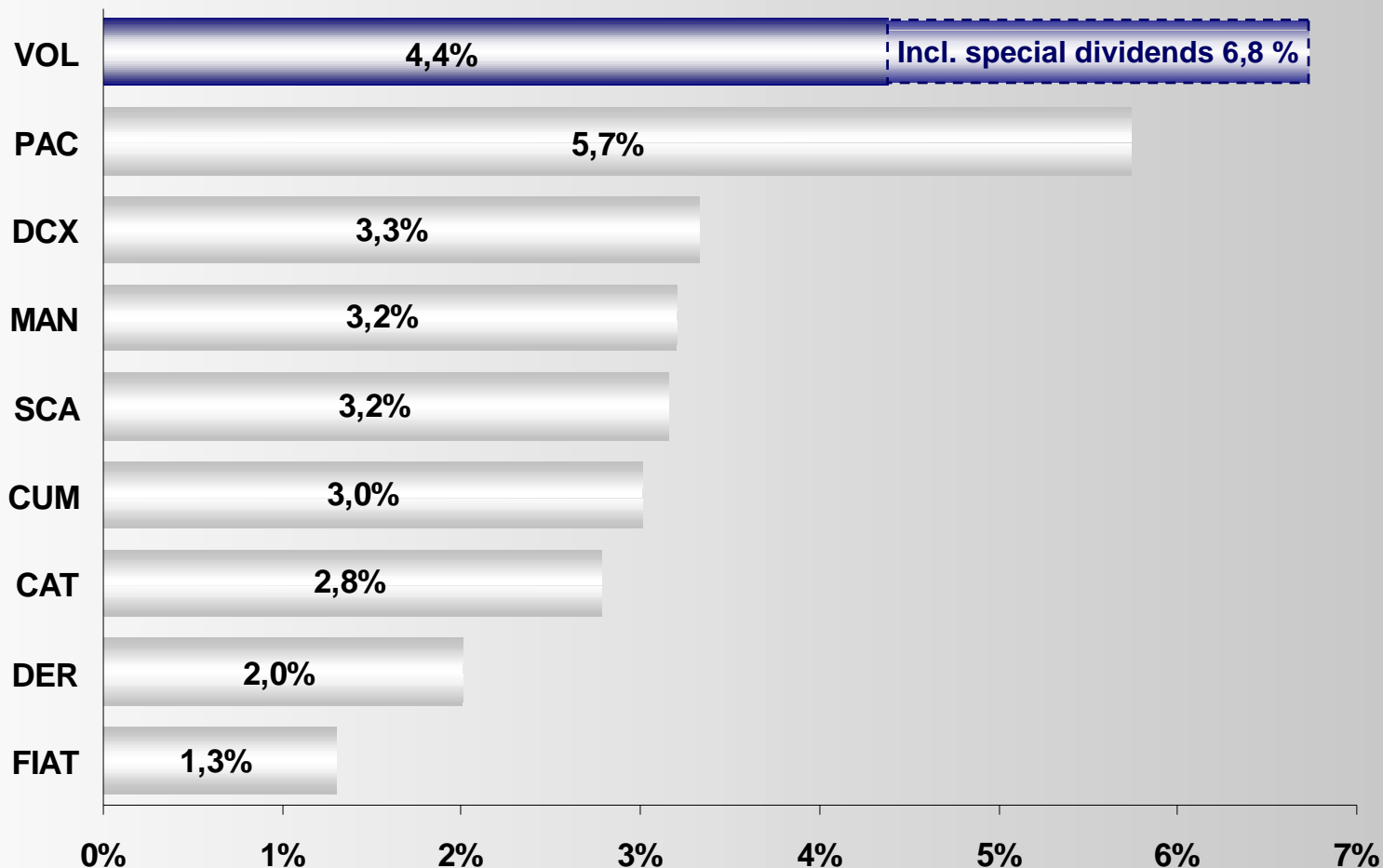
***To shareholders: SEK 39 bn***

## 2004

- Sales ~ SEK 200 bn
- Net cash SEK 15 bn
- Structurally higher margins
- Shared architecture (engines & trucks)

# Volvo Dividend above Industry

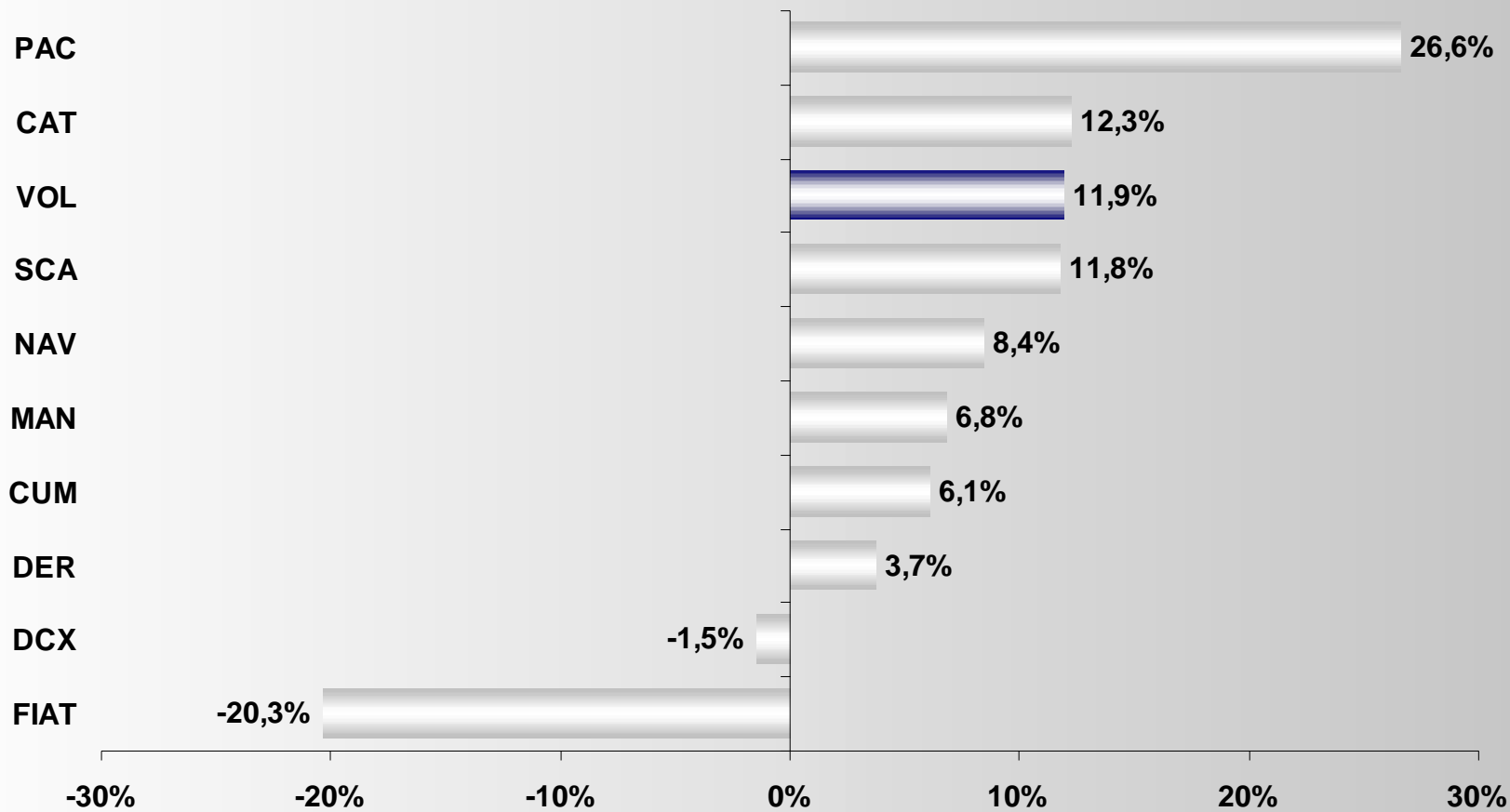
Dividend yield – mean 1998-2003



# Volvo Yield above Industry

– Including share price increase, ordinary and special dividends –

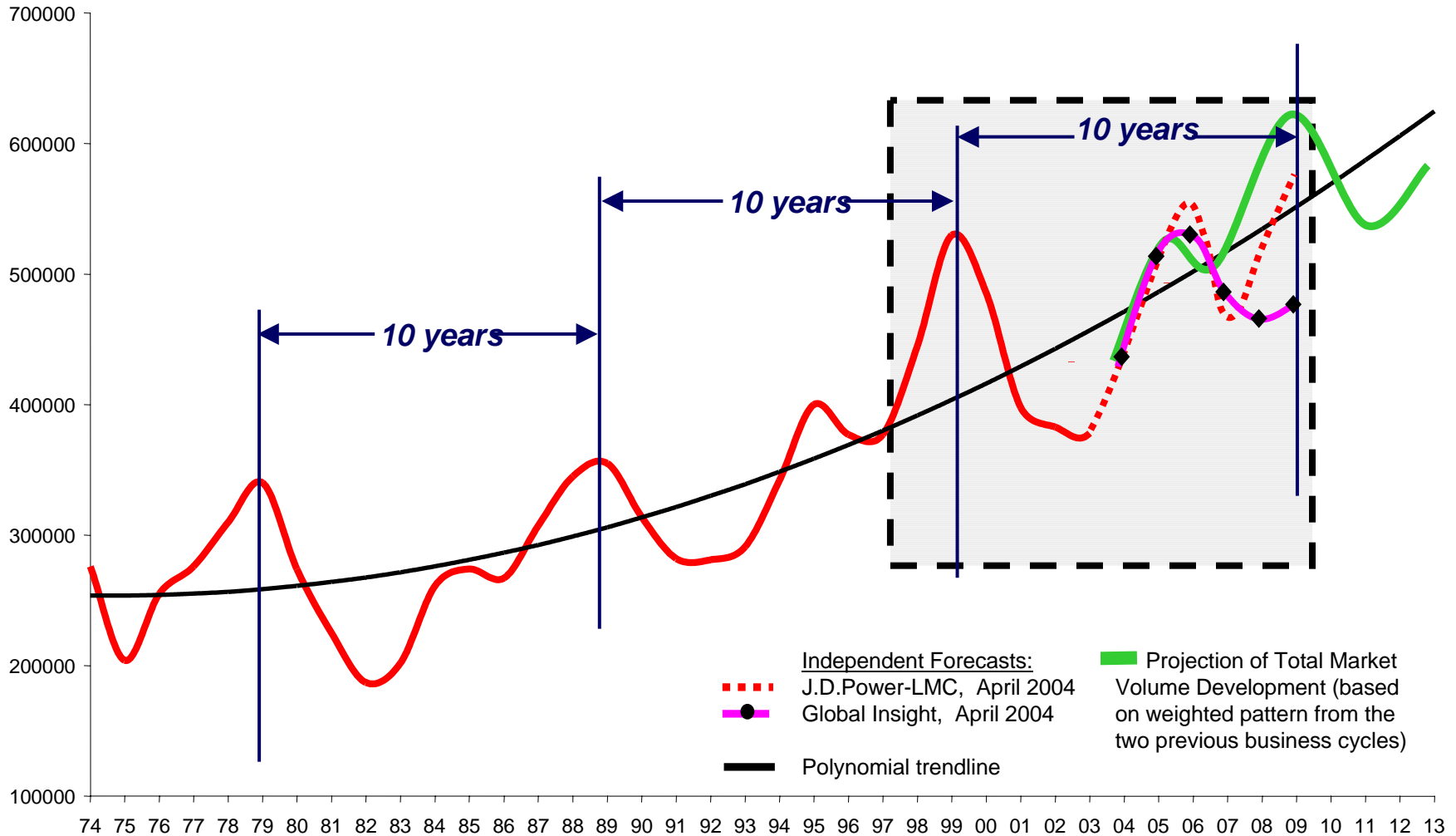
Annual yield (CAGR 1 Jan 98 – 31 Jul 04)





# Business Cycle Management

## W Eur + N America HD Truck Registrations



# Upturn Management

## ***Capacity***

Investments  
Flexibility with present workforce

## ***Capital management***

CCC days

## ***Margin management***

Variances in product cost  
    Material and component inflation  
    Manufacturing variances  
        Fixed cost absorption  
        Direct Labor  
Selling and Administrative cost  
Price strategy with long order books

## ***Volvo Financial Services***

Longevity in the market place

## ***Number and mix of employees***

Two tier agreements in the US  
Temporary workforce in Europe



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