

VOLVO

Capital Market Day

16 September, 2004

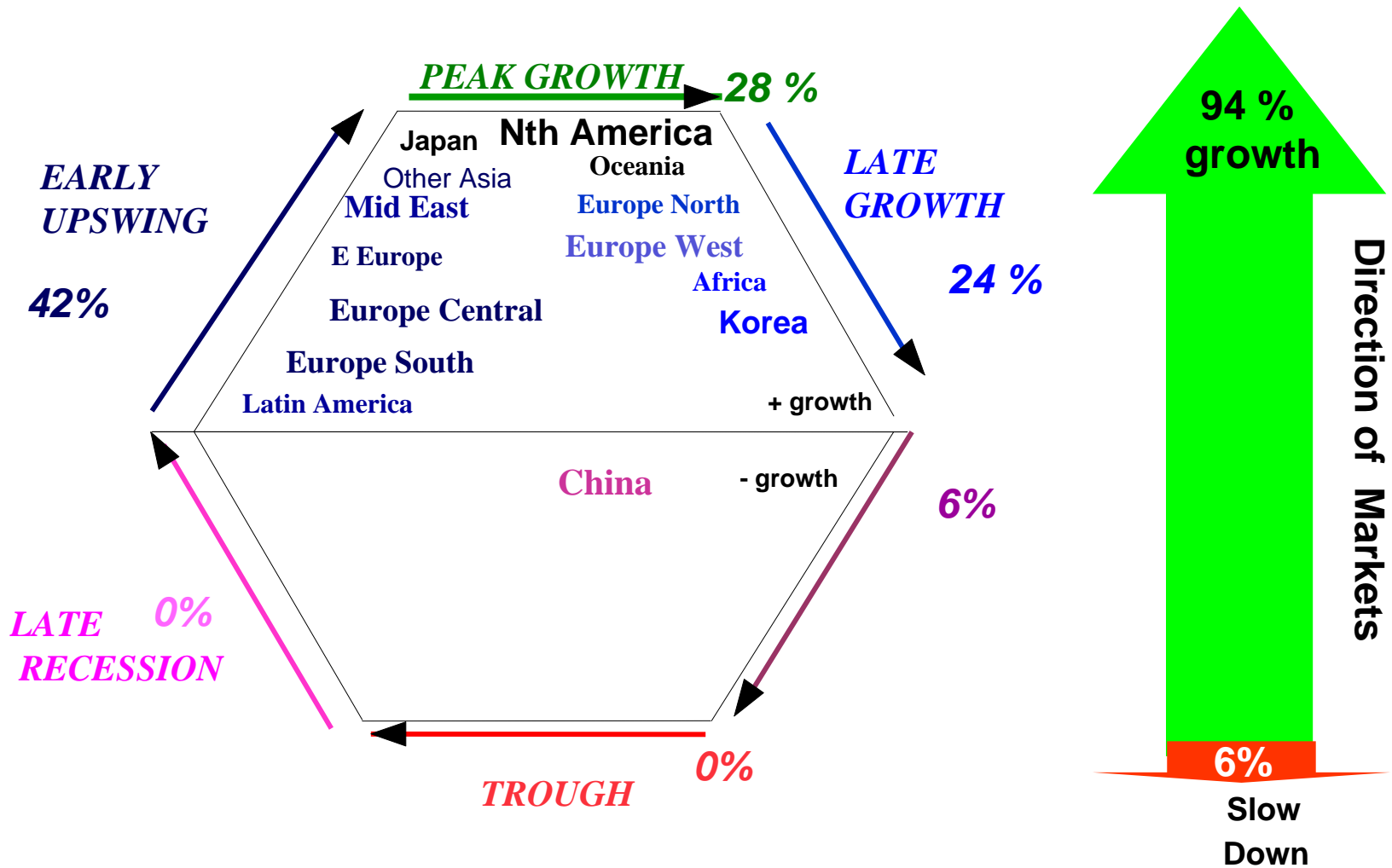
Scott Hall

Executive Vice President

Volvo Construction Equipment

Business Conditions

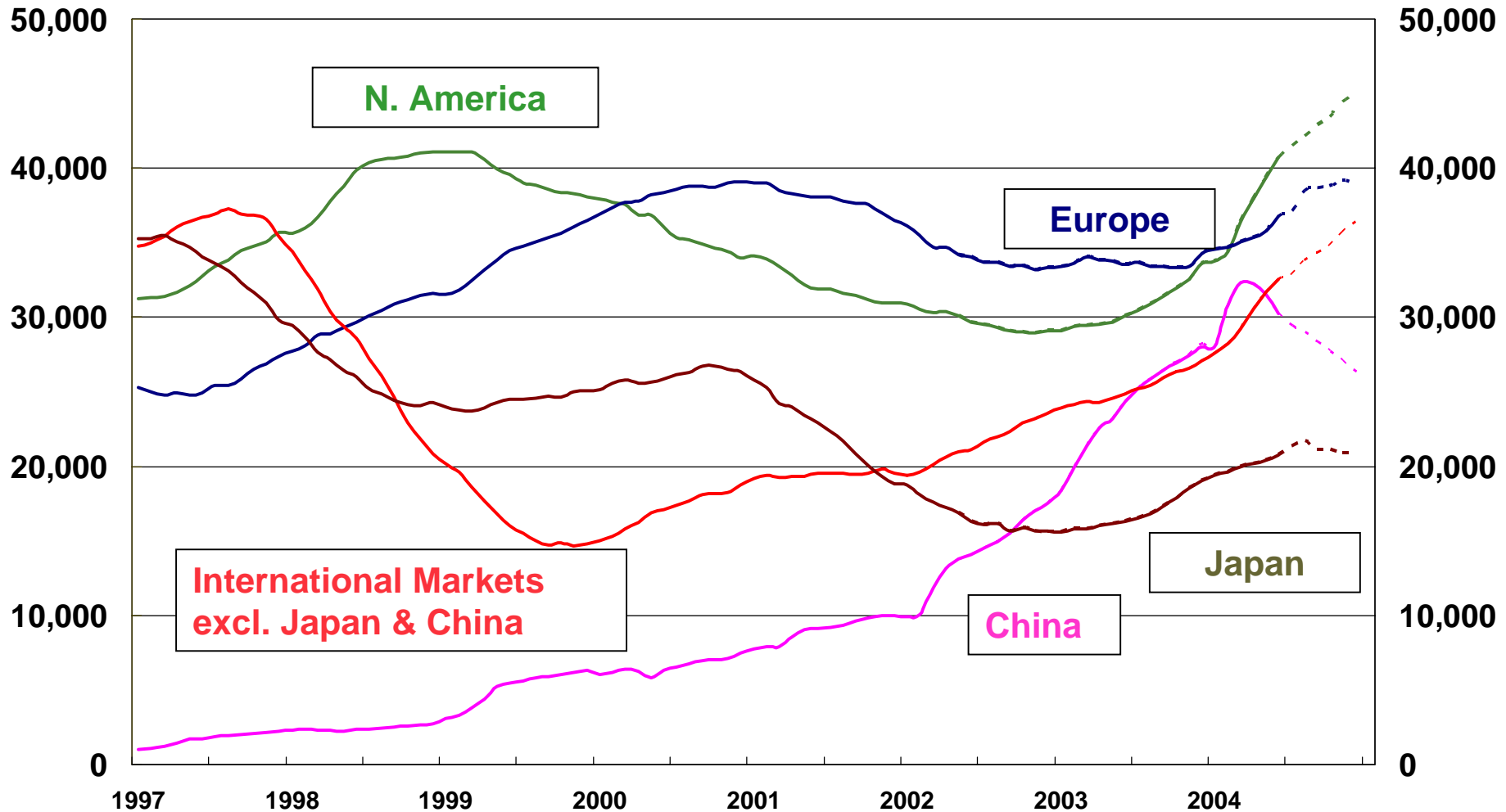
Heavy Equipment



Position in current business cycle August 2004

Market Development by Key Areas

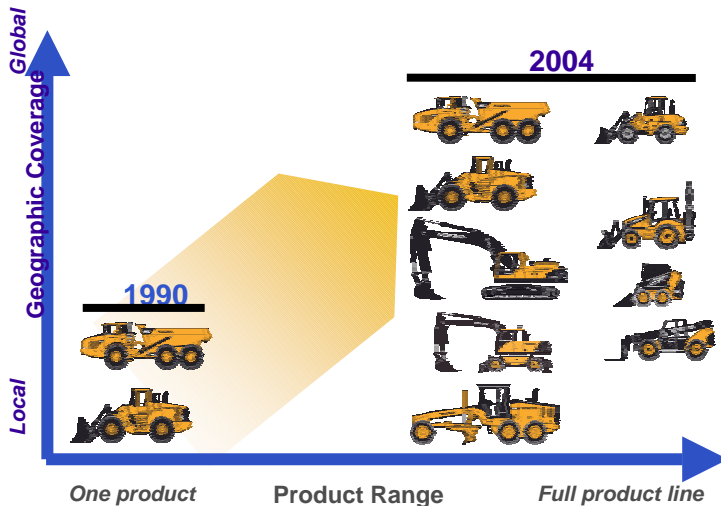
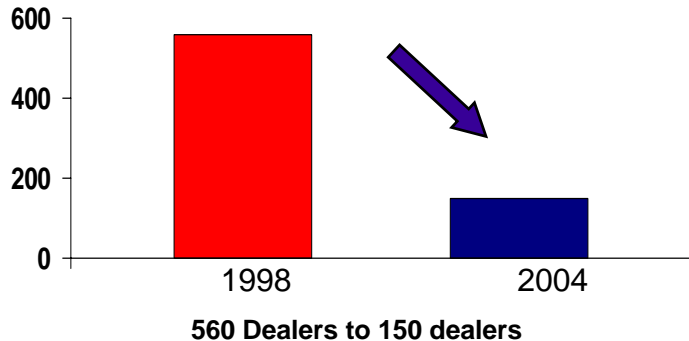
Heavy Equipment



12 month moving rates June 2004

Dealer Development

From Dealer Rationalisation to Dealer Development



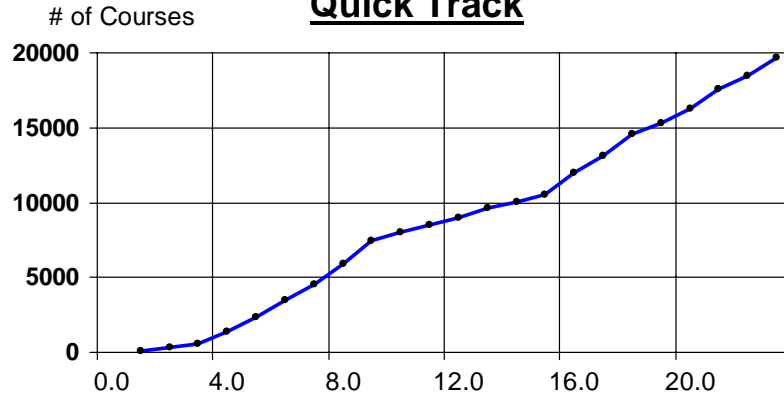
- During 2003 Volvo CE transitioned from Dealer Rationalisation to Dealer Development
- Strategic alignment through compelling business case
 - Consistent strategy implementation
 - Single brand
 - Single distribution
 - Product breadth expansion
 - Quality product
 - Profitable line
- Partnership Development Process / Tool Support to drive operational improvement and achievement of Model Dealer status
- System / Process investments to improve efficiency / profitability

Partnership Development



Dealer Tool Kit

Quick Track



Site Builder



Sales process

- Sales Process Measurement
- Online sales training
- Site builder - eBusiness
- Site simulation
- Financing
- Brand kit / digital workspace

Delivery process

- Master Order Management (MOM)
- Delivery precision

After market

- m@sh - sales support tool
- Customer support agreements
- Revenue potential calculator

LB Smith Development

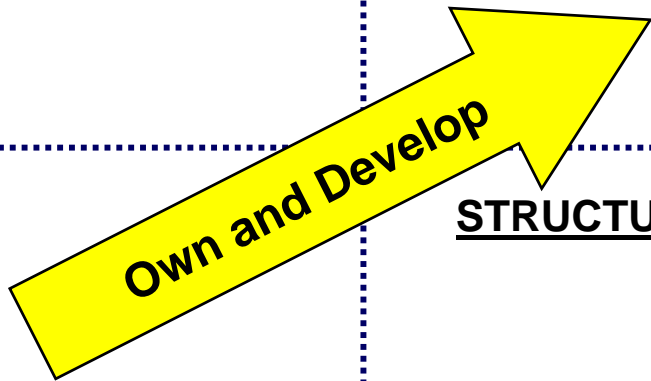
Alignment

SUPPORT

ENGAGED

PERFORMANCE

STRUCTURAL



4TH Q 2004

4TH Q 2002

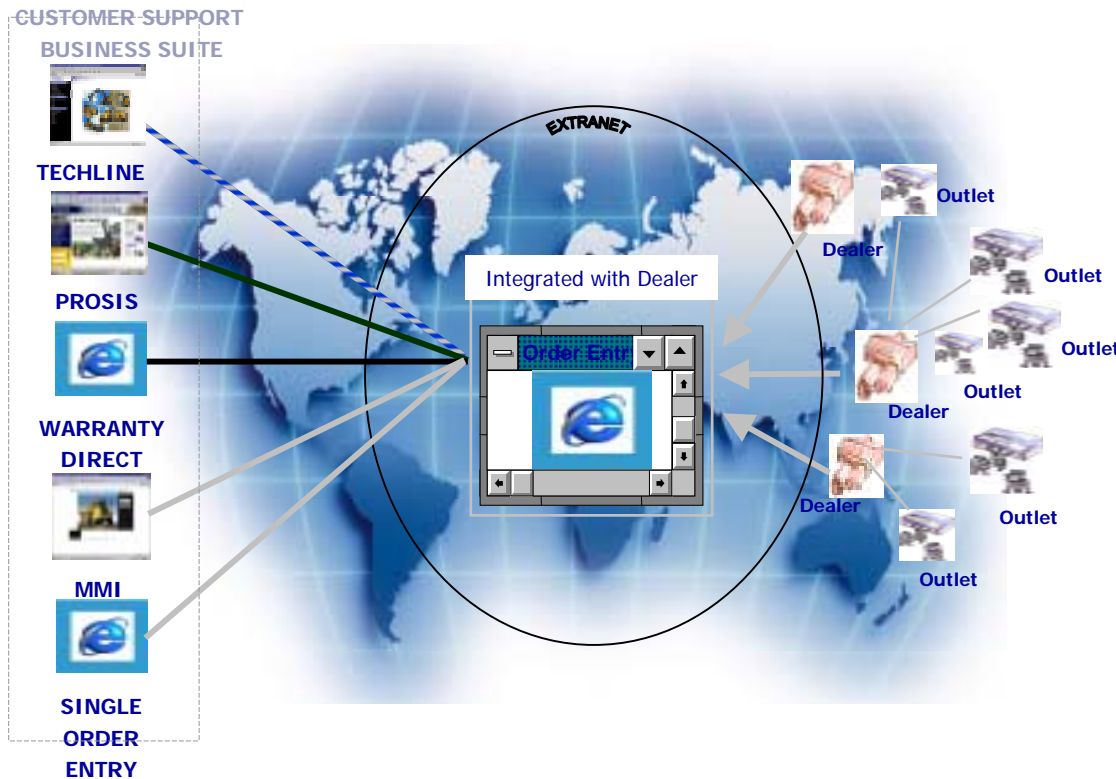
Key Dealers

- 1 LB Smith – Central
- 2 LB Smith – Atlantic
- 3 LB Smith – NE
- 4 LB Smith – South
- 5 Sales company

○ High ● Medium ○ Low - Market Potential

Financial Capacity

Efficient Dealer Interaction



- Significant investments made to improve efficiency between the dealer and Volvo CE and to realize "One Company Vision"
- Backbone is Volvo Dealer Network
- DMS - preferred vendor selected
- After market systems rolled out
- Master Order Management in roll out phase

Volvo Rents



North American Focus

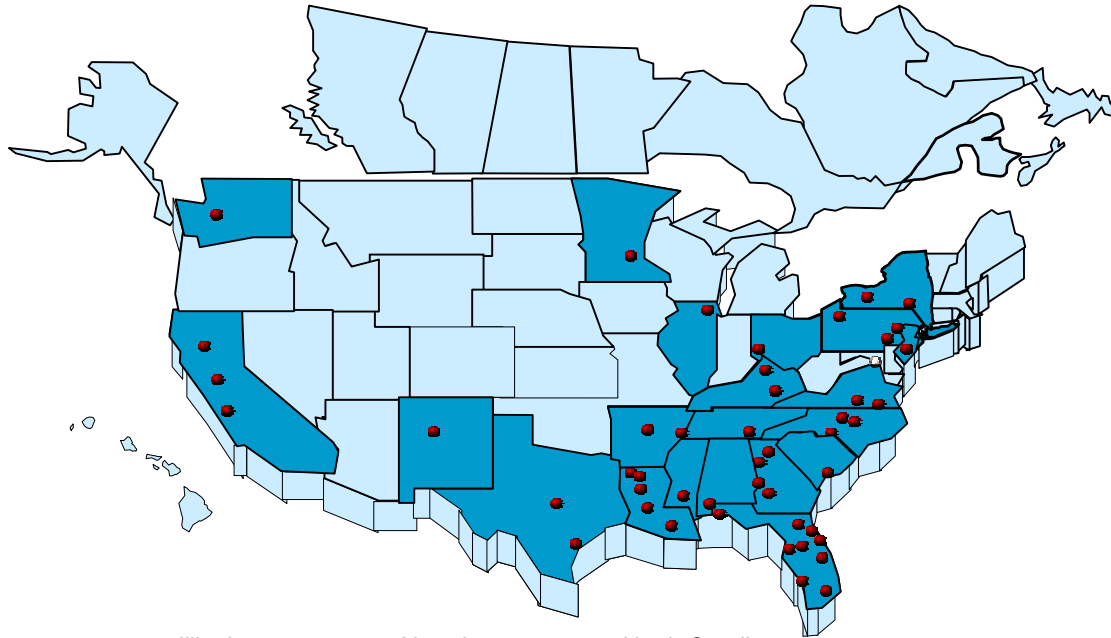
- Continue to develop franchise product offering
- Achieve store opening targets
- Ongoing franchisee development
- Optimise Volvo product penetration

European Focus

- Implement country specific strategies
 - Utilise own dealers to achieve rental participation where appropriate
 - Investigate third party partnering
-
- 70-80 stores open globally by the end of 2004

Volvo Rents

Franchise Locations in North America



Alabama

- Spanish Fort

Arkansas

- Little Rock

California

- Merced
- Bakersfield
- Sacramento

Florida

- Daytona Beach
 - Orlando
 - Lakeland
 - Melbourne
 - St. Augustine
 - Pensacola
 - Ft. Lauderdale
 - Cape Coral
 - Palatka
- Georgia
- Alpharetta
 - Kennesaw
 - Americus
 - Columbus

Illinois

- Woodstock
- Kentucky
- Crittenden
 - Prestonsburg
- Louisiana
- Bossier City
 - Shreveport
 - St. Rose
 - West Monroe
 - Alexandria
- Minnesota
- Lino Lakes
- Mississippi
- Hattiesburg

New Jersey

- Harrison
 - Somerville
- New Mexico
- Peralta
- Ohio
- Hamilton
- Pennsylvania
- West Chester
 - Langhorne
 - Atlasburg, PA
- New York
- Rochester
 - Kingston

North Carolina

- Charlotte
 - Greensboro
 - Burlington
- South Carolina
- Summerville
- Tennessee
- Chattanooga
 - Memphis
- Texas
- Dallas
 - Houston

Virginia

- Virginia Beach
 - Midlothian
- Washington
- Seattle

Emerging Markets

Overview



- China distribution development on track
 - 19 dealers appointed
 - End point ~30 dealers
 - Shanghai factory operational
 - Market has slowed dramatically
- Russia developing favourably
- Eastern Europe now serviced, for the most part, by acquired former Bilia stores
- Middle East business strong in wheel loaders.

Emerging Markets

China Update



- In April 2004, the China Bank Regulatory Commission instructed bank to restrict lending to certain industries (steel, cement, property development, autos) to cool the overheated economy.
- At the same time available credit was tightened.
- First half excavator market was 18.600 units, second half is expected to be 4.000 units.
- Industry inventory is estimated at 10.000 units.

Emerging Markets

Eastern Europe



- Former Bilia dealerships fully integrated into Volvo CE
- Market positions range from 10% to 16%
- With many of these territories joining the EU there are significant long term growth opportunities
- Used equipment is a critical element for volume development
- Greatest product demand is for backhoe loaders
- Focus on high machine up time and part availability - grow parts and service business
- Target extraction and construction segments - stable partners
- Organisations are cost effective and can be scaled as market grows
- Expertise from owned dealers in Western Europe used to benchmark/develop

VOLVO