

Volvo Trucks Greater China

PHOTOS TO BE SUBMITTED

Agenda

Chinese Truck Market

Volvo Trucks in China

Distribution Strategy

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General Outlooks for Trucks in China

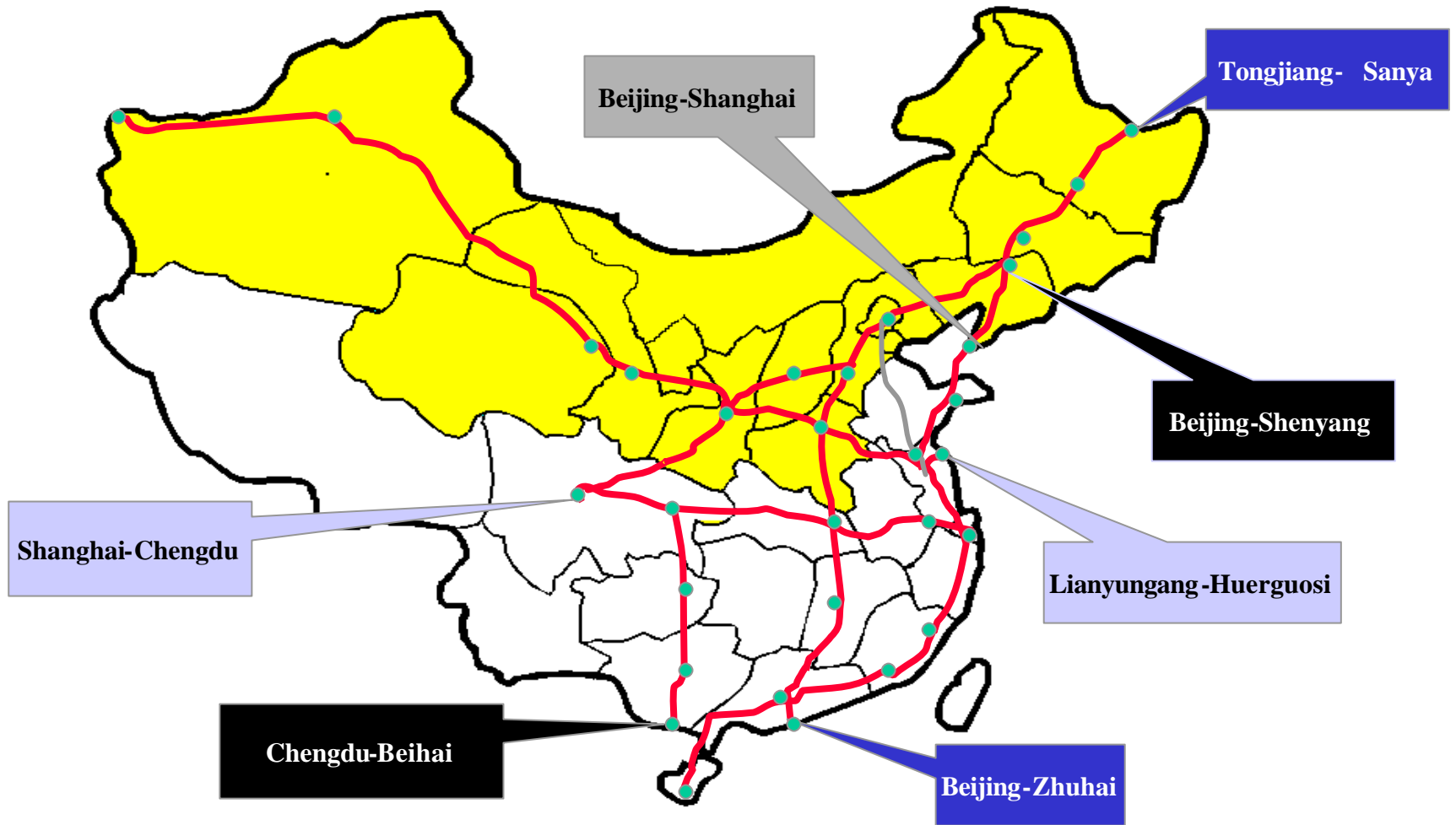
- **Demand is fueled by:**
 1. Robust economic growth
 2. Increased effectiveness in logistic system (28%=>10-15%)
- **WTO will generate changes, such as:**
 1. Foreign ownership in distribution network
 2. Foreign transport and logistic companies to form JV & WOFI
 3. Foreign vehicle finance
 4. Increased pace of “technology upgrades”

Large Fixed Asset Investment

- **Started construction of following key projects:**
 1. 26 billion Qinghai-Tibet Railway
 2. 300 billion Western Gas to East
 3. 400 billion Southern Water to North
 4. 100 billion West Electricity to East
 5. 20 billion Qinghai-Tibet Highway
 6. 150 billion Beijing-Shanghai Express Railway
 7. 25 billion Shanghai World Fair
- **280 billion investment in Beijing 2008 Olympic**
- **Fixed asset investment of 2004 will grow by 19%**

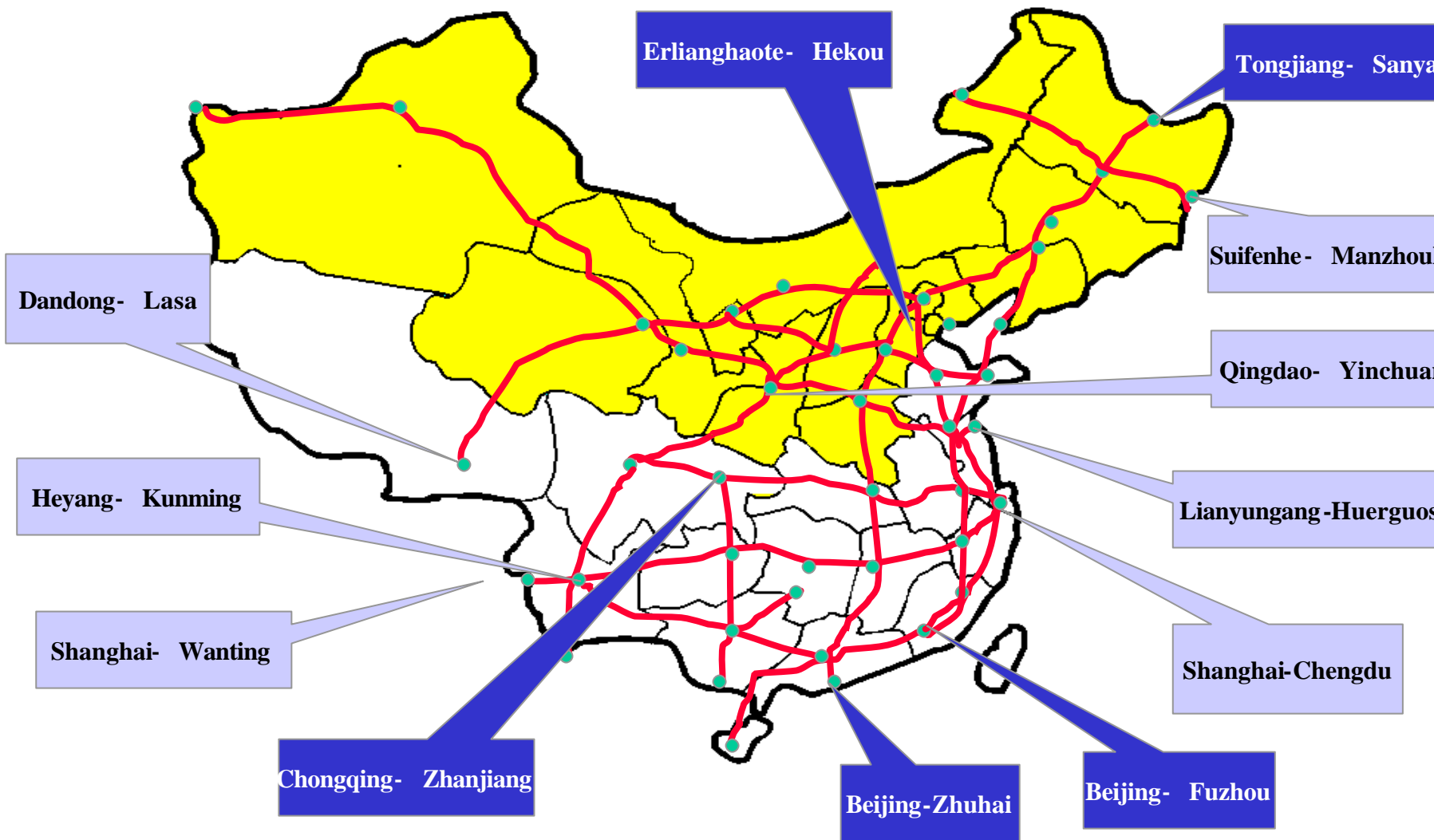
Source: People's Daily, Jan 4th, 2002, CCTV9, March 1st, 2003, China Economy Times, 2004,

China's Highway System to 2003



Source: China Ministry of Communication, March 2003

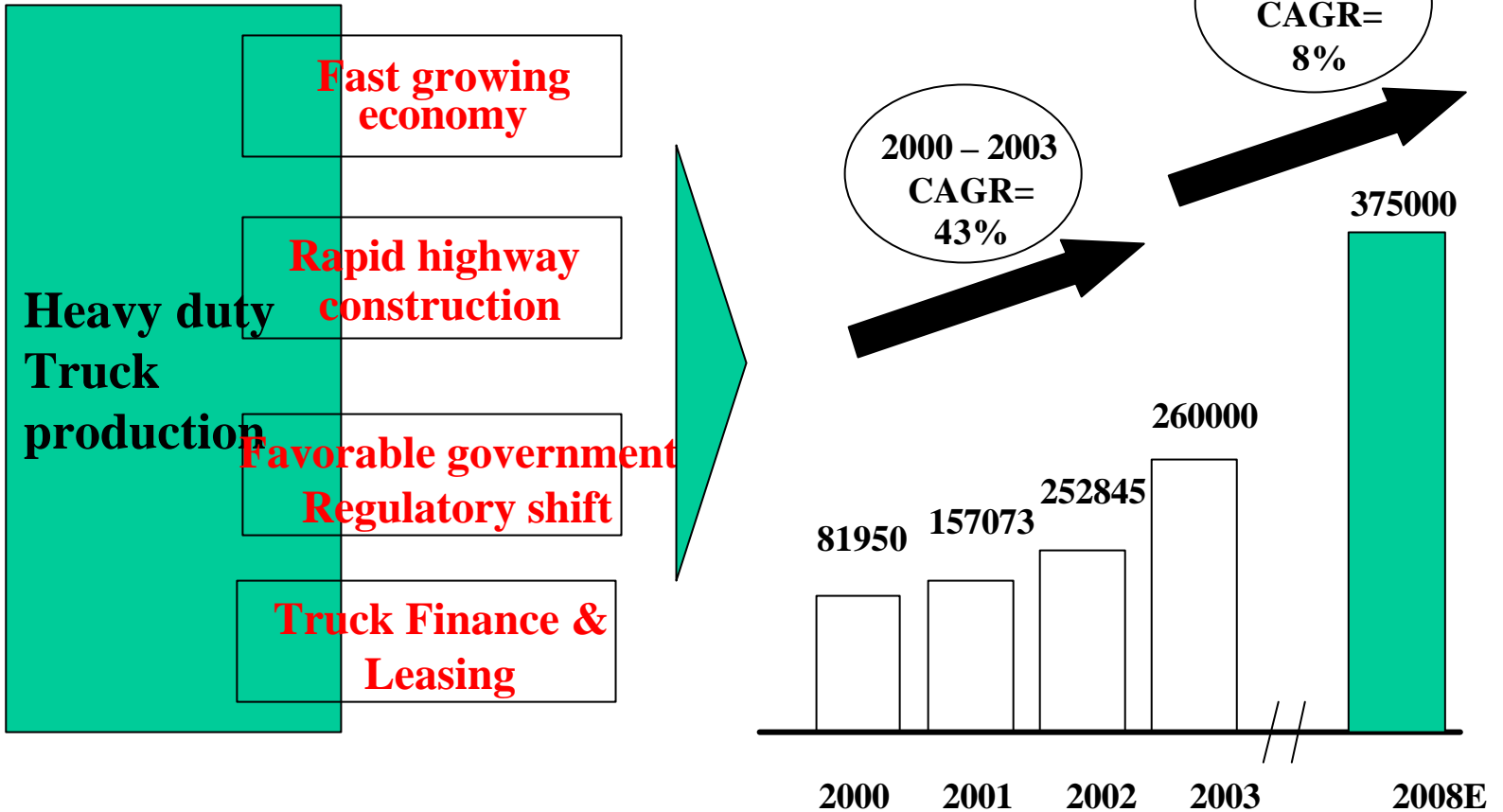
China's Highway System to 2010



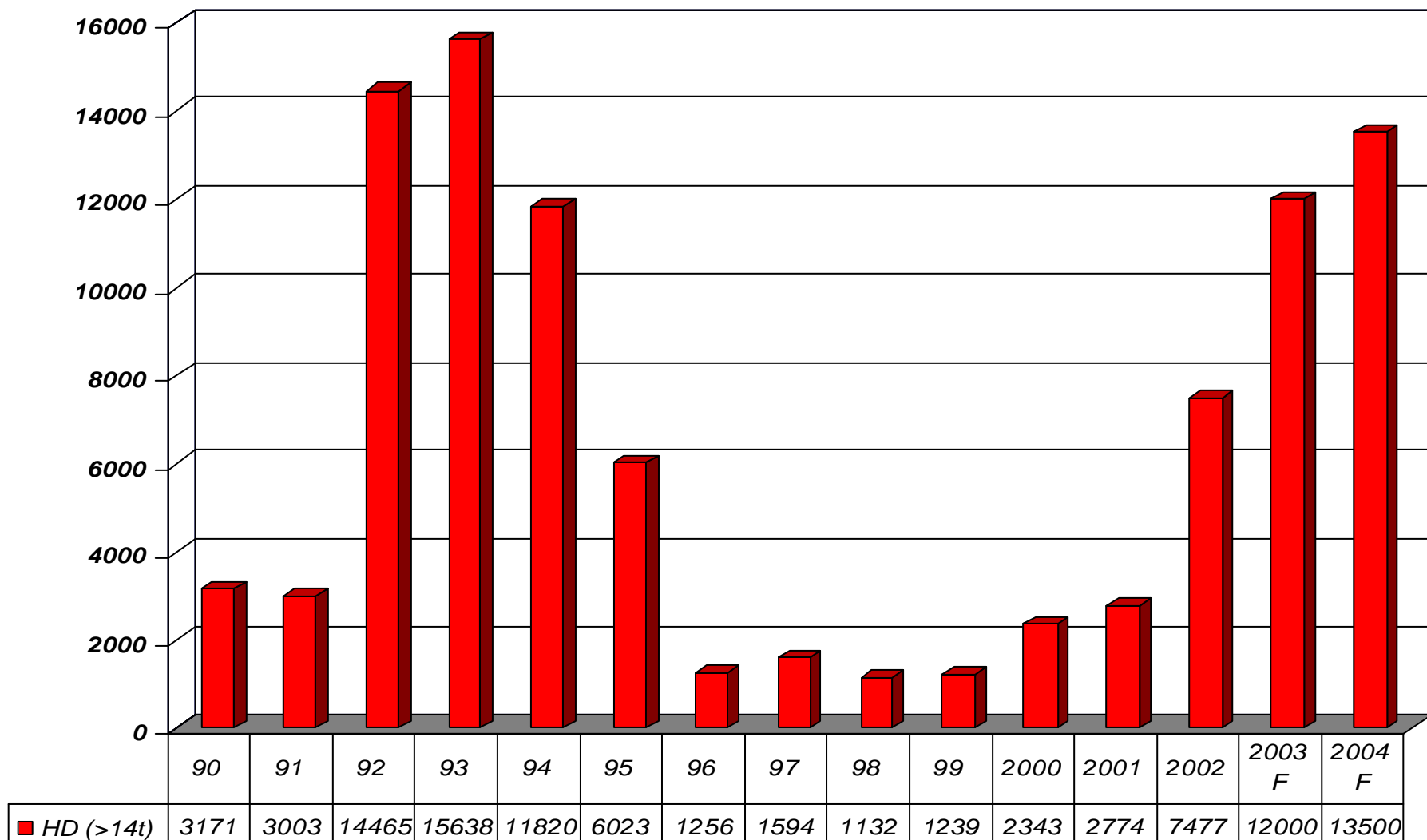
Source: China Ministry of Communication, March 2003

Key Driving Factors

HEAVY DUTY TRUCK SALES FORECAST (14 ton GVW and Up)

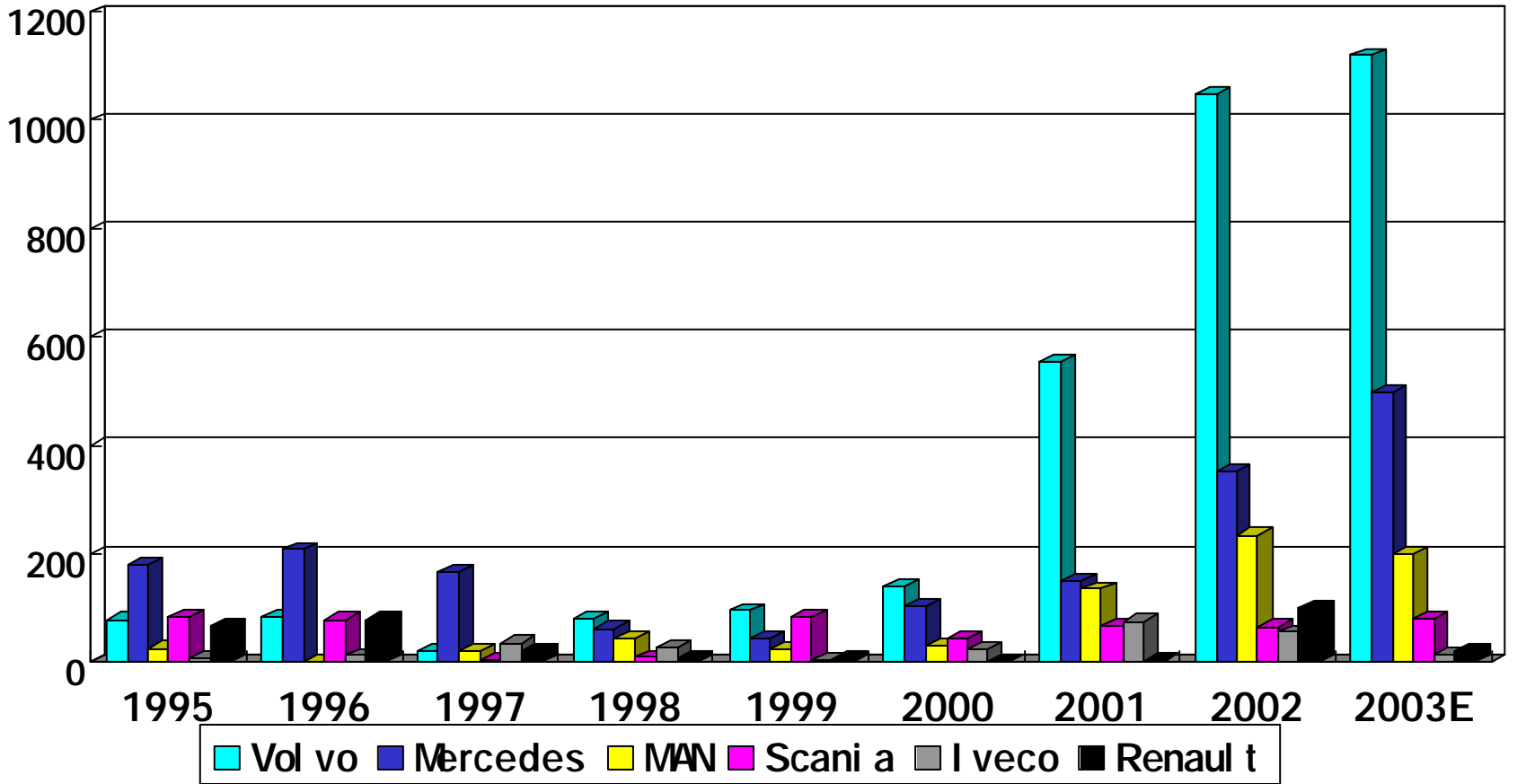


Heavy Truck Import 1990 - 2004



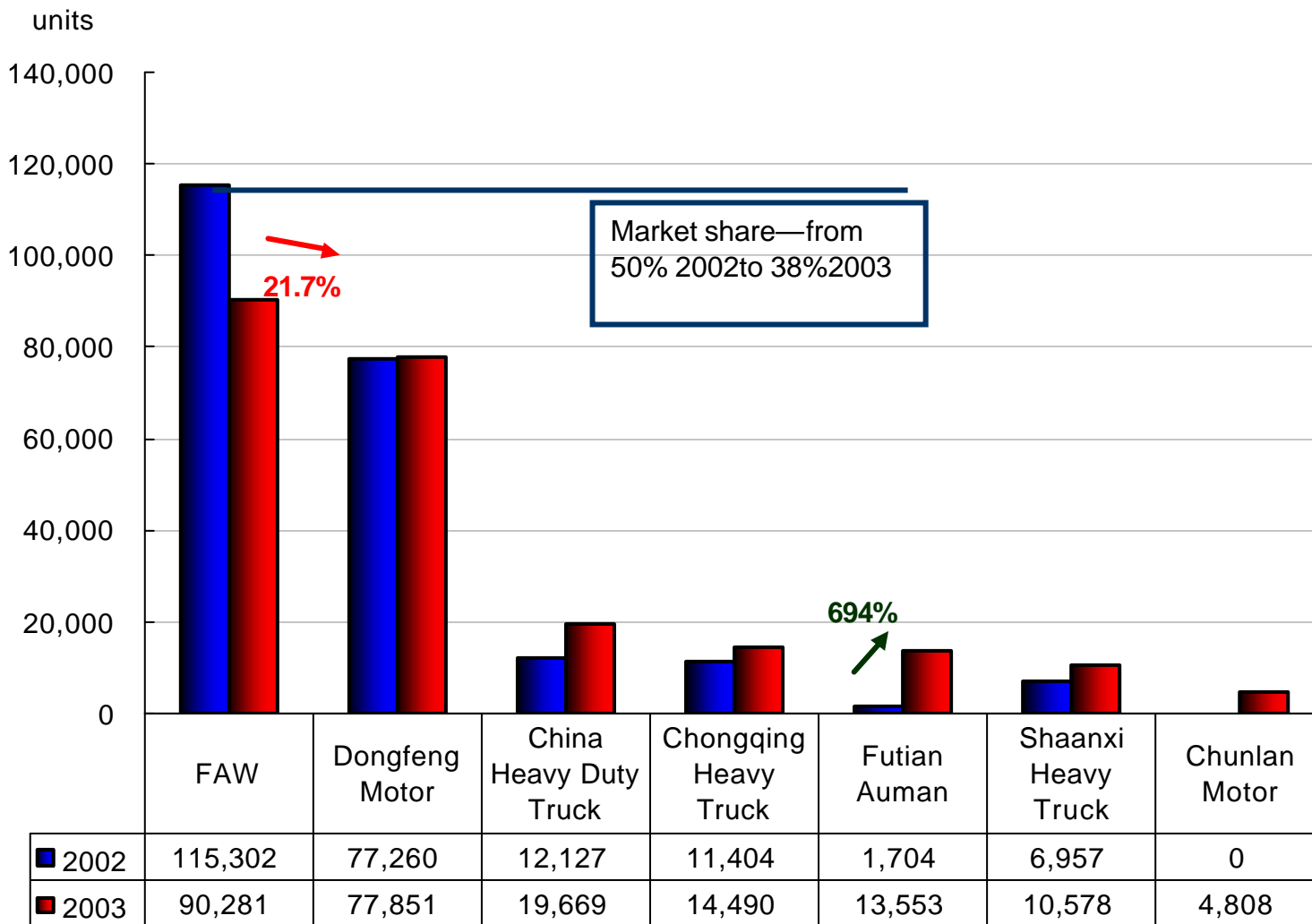
Source: Vehicle Industry Development Institute of China National Machinery Industry Bureau, China Vehicle Industry Consulting Development Co., Ltd, China Custom reports

Import of Major European Truck Makes 1995-2003



Source: European common statistic Data Bank, TDDDB
China Customs Commission, 2003-12-25

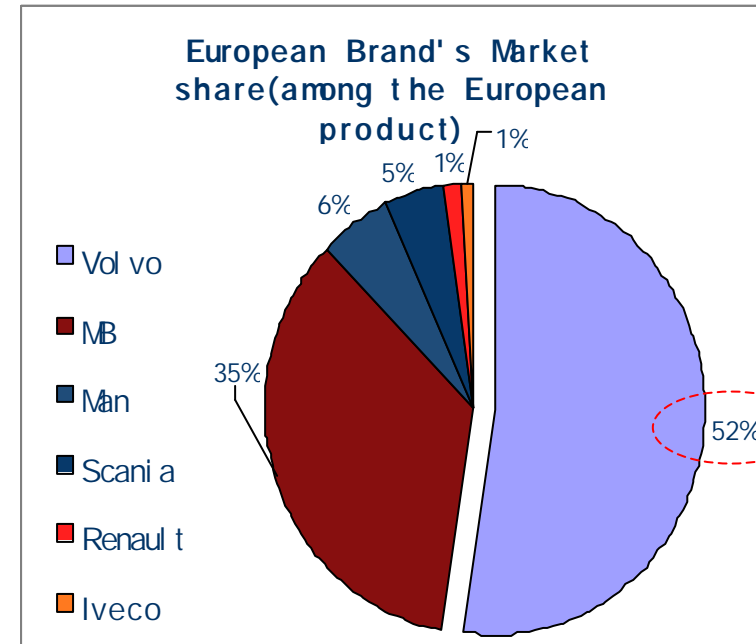
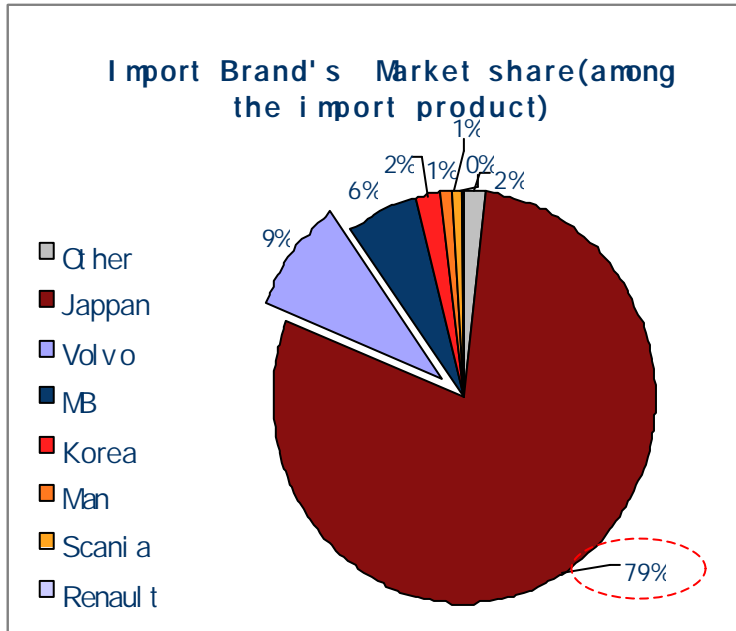
Top 7 Chinese makers' sales volume 2002-2003



■ 2002 ■ 2003

Market share comparison

- Among the **import product**, Volvo has **9%** market share
- Among the **European product** segment, **Volvo** has **52%** market share
- **Germany competitors** also increased their volume significantly



Source: Custom Statistics 2004-2-2

China Heavy Truck Market Projection

(above 14 tons GVW)

<u>Category</u>	<u>2003-2005</u>	<u>2010</u>
Total Market	200000-250000	250000
Above 16 Tons	30000-60000	150000
High Quality Share	4000-15000	100000
Volvo's Share	1100-3500	10000-25000

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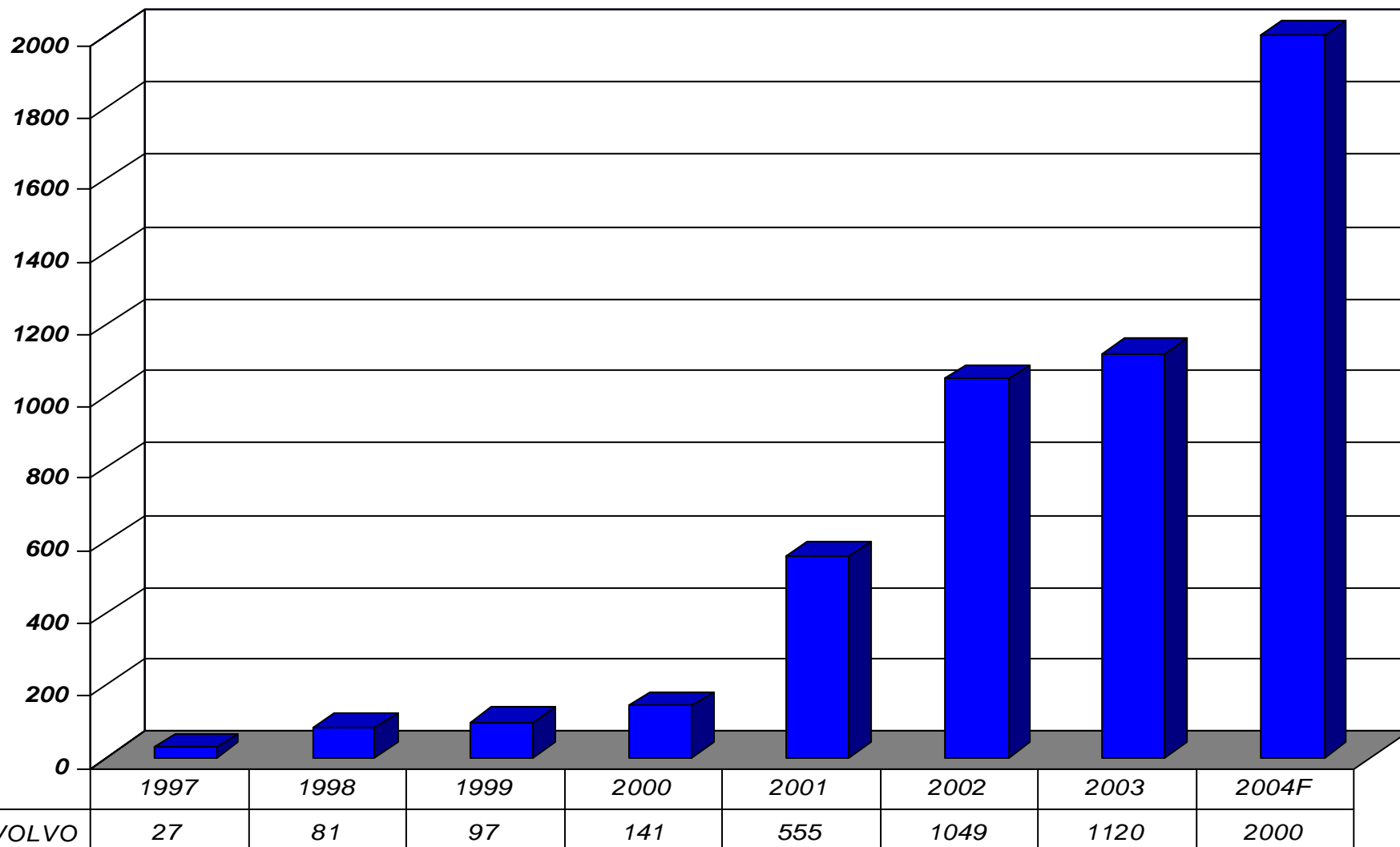
- **Head office in Beijing**
- **125 employees**
- **20 Regional offices**
- **National Training Center in Beijing**
- **National Parts Warehouse in Shanghai**
- **10 Service Centers
(plus 6 under construction)**
- **Truck sales 2003, 1120 units**

Volvo Truck Products

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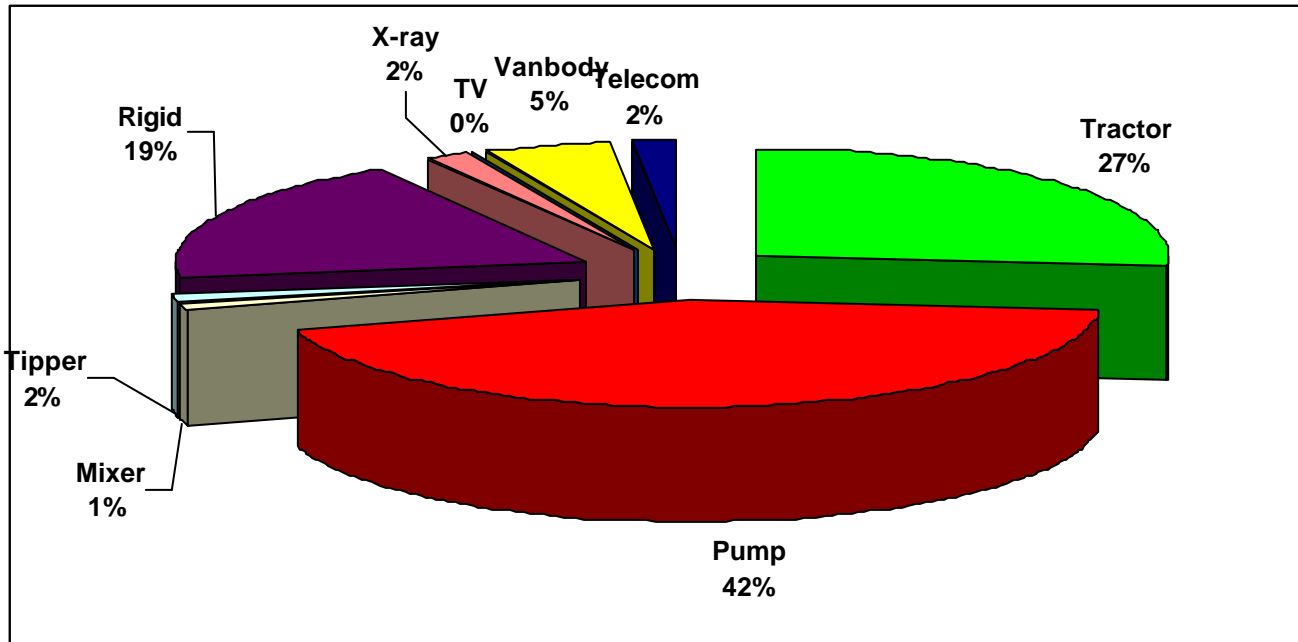
- **FL6, medium weight**
180- 250 HP;GVW 7.5-26 ton
- **FM9, heavy weight**
290- 380 HP; GVW 14-44 ton
- **FM12/FH12, heavy weight**
340- 500 HP; GVW18-60 ton
- **FH16, heavy weight**
550-610 HP; GVW -250 ton

Volvo Truck Import 1997- 2004



Volvo Segment Volume 2003 Annual

Total invoiced: 1120 units



Source: Invoice Statistics of VOLVO ID 2003-I

Pump

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Tractor

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Mixer

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Others

Air tank

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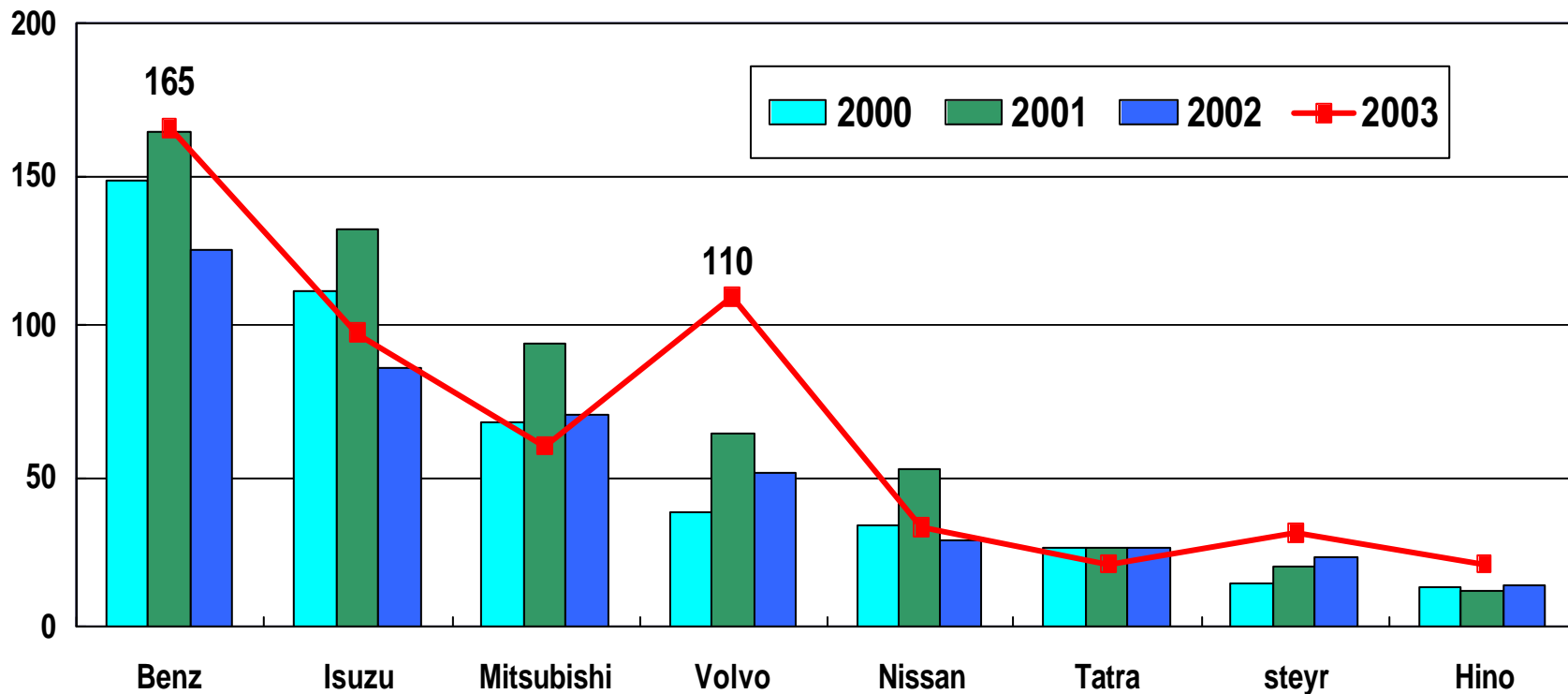
Communication

Fire Engine

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Cash

Brand awareness 2001-2003



Brand awareness 2003

	Total	BJ	SH	GZ	WH	CD	XA	QD	SY
	N=825	N=103	N=105	N=205	N=101	N=100	N=104	N=100	N=107
Benz	165	158	130	154	163	163	132	205	212
Volvo	110	53	102	100	109	139	125	133	117
Isuzu	97	160	107	117	101	88	74	58	77
Mitsubishi	60	76	83	72	55	50	72	23	49
Hino	33	73	25	59	15	9	30	13	34
Steyr	31	13	45	6	42	26	38	51	24
Nissan	21	20	27	36	24	18	22	23	2
Tatra	21	13	9	3	14	10	51	5	57

	Enterprise and its logistic department	Logistic company	Construction	port	mine? oil&army	State-owned	collectivize	private	Three kinds of foreign-invested	Joint-stock
	N=309	N=273	N=110	N=105	N=28	N=273	N=121	N=306	N=76	N=49
Benz	156	177	166	155	176	167	141	180	132	168
Volvo	104	106	98	149	107	107	137	109	104	67
Isuzu	105	85	111	92	98	106	86	90	106	111
Mitsubishi	66	60	62	53	15	57	58	61	83	40
Hino	33	35	34	23	33	28	38	30	36	52
Steyr	28	36	24	26	54	38	24	28	19	48
Nissan	25	17	20	22	29	21	26	18	35	15
Tatra	21	24	19	7	32	23	19	23	11	9

In general, respondents interviewed attributed top three truck brands in the world to be Mercedes-Benz(28%), Volvo(19%) and Isuzu(17%). Volvo was mostly recalled in Shanghai, while Isuzu in Beijing.

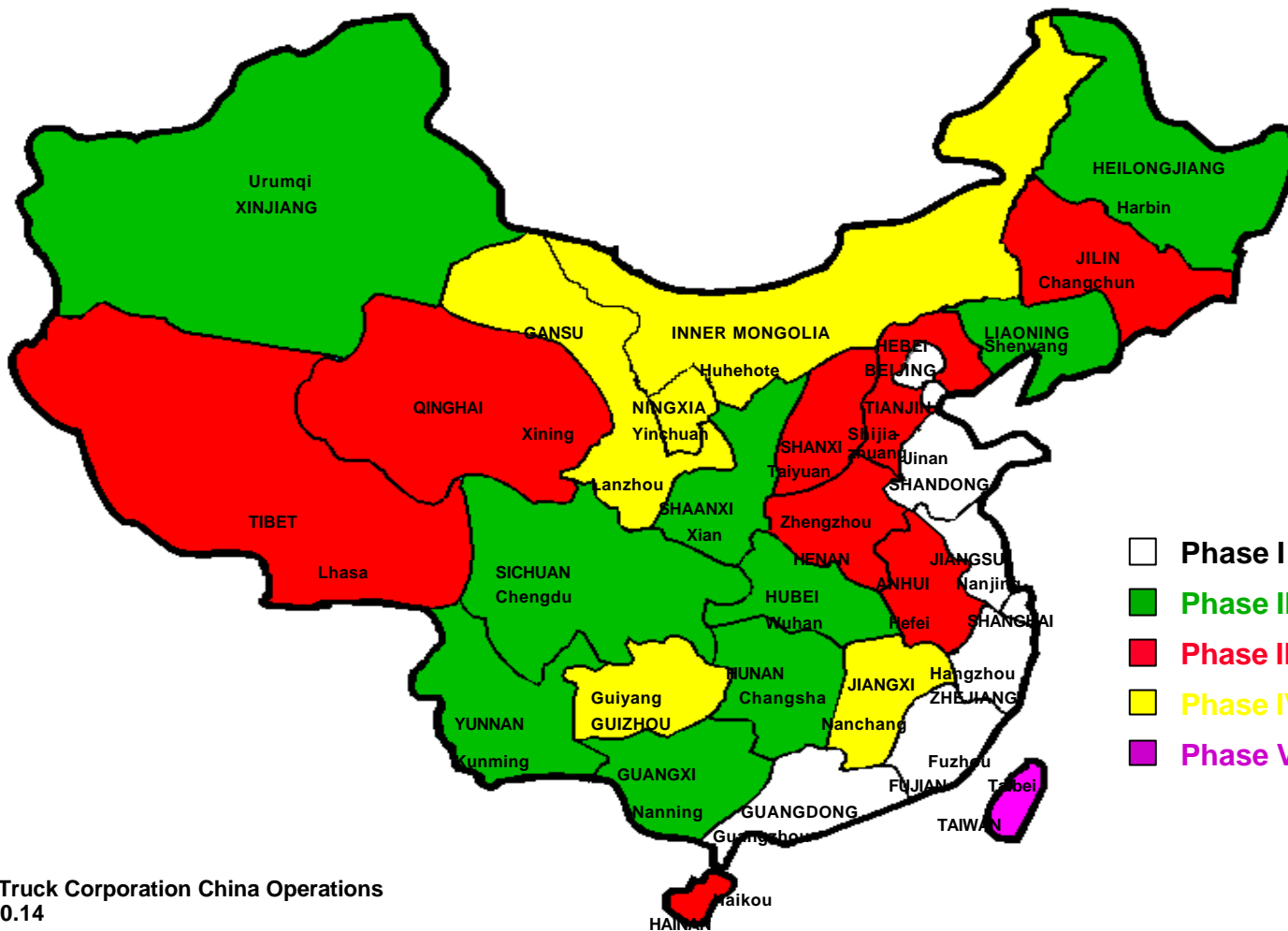
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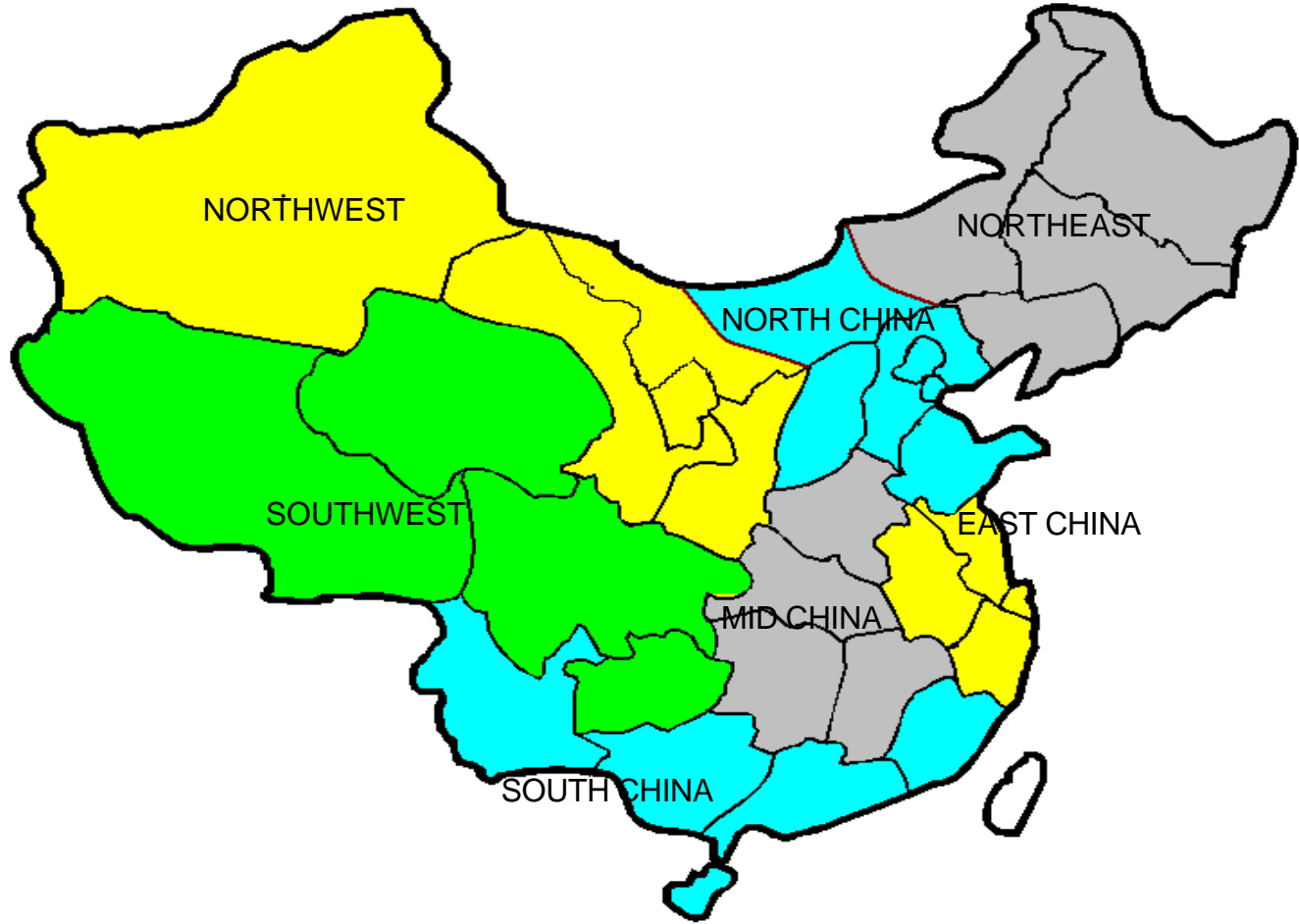
China Sales Target Market Development Priority Phases



Volvo Truck Corporation China Operations
2002.10.14

Direct Regional Sales Network-7 areas

- Direct Sales Network
- Dealer Policy
- Hub Dealer
- Sub Dealer
- Pure Service Center

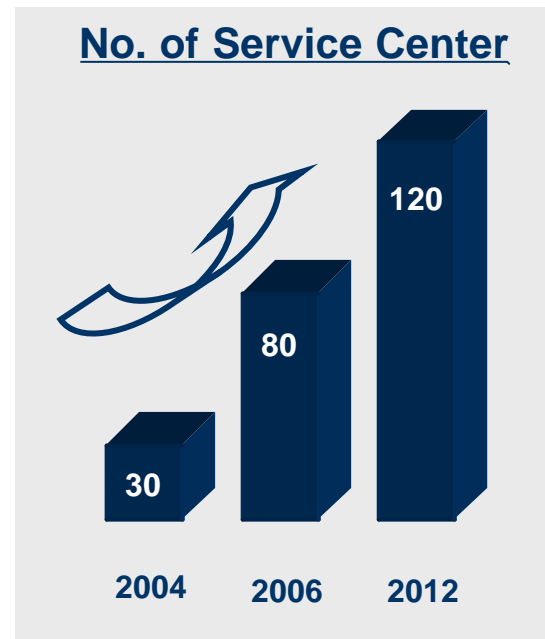


HUB dealer concept

- Contract with VTC, responsible for an geographic area.
- **50 million RMB** financial support (bank guarantee is acceptable)
- Capability of truck import quota and license, L/C opening and custom clearance (self-owned or contracted)
- **3 million** parts stock as the regional parts distribution center for sub dealers in region, min **100** truck stock capability

Goals and Objectives

- By the end of 2005
 - ✓ Be Able to Service **68% of the population** area **within 48 hours** from receiving information
 - ✓ To be **within 500 KM** of each possible service location for **80% of VTC truck population**
- To have at least **90% of parts available** in China for all VTC model of trucks to ensure **90%-95% up-time** for customers



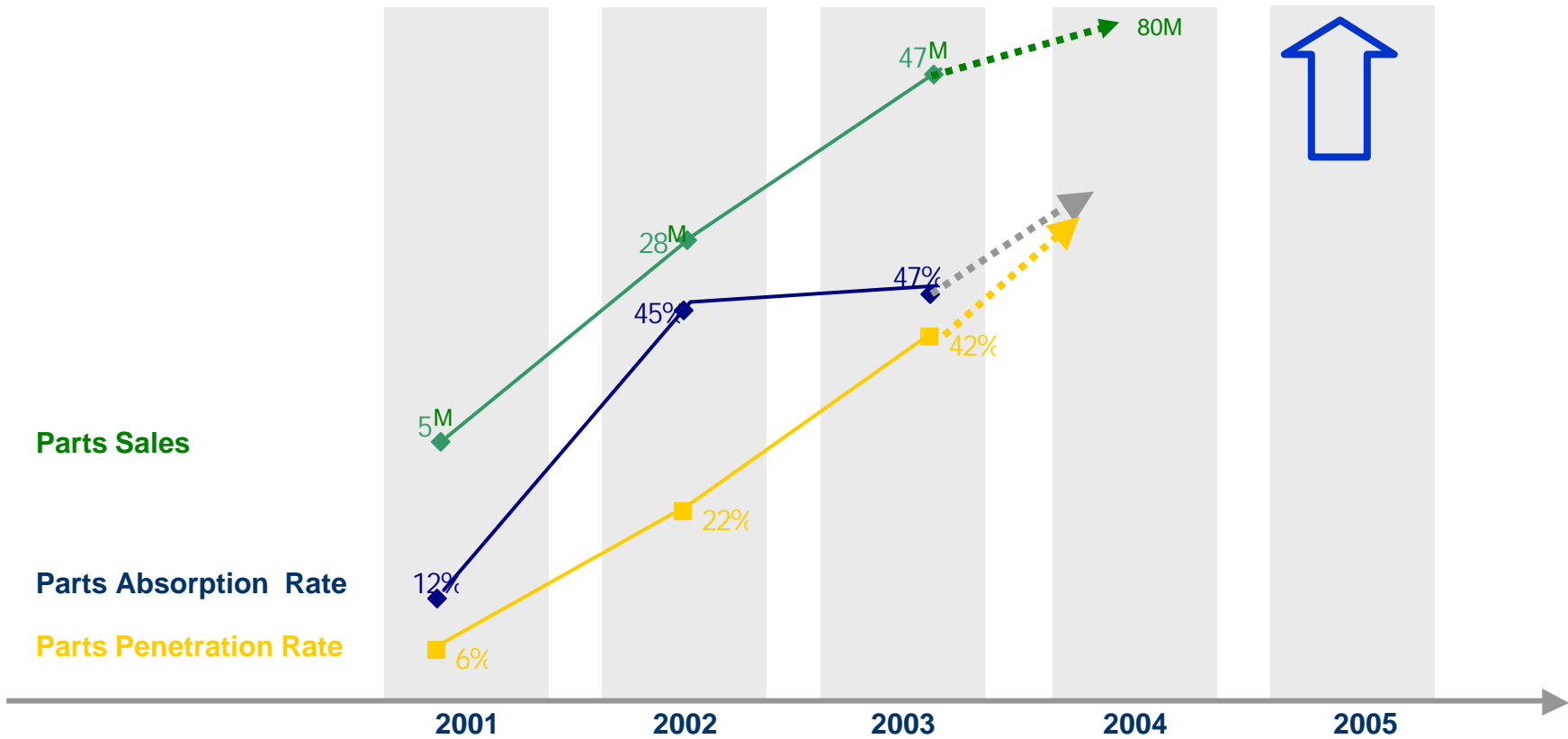
China (end 2003)



Location	Type
Beijing	D1 Sales, Service & Parts
Beijing	D2 Service & Parts
Beijing	D3 Parts only
Dalian	D1 Sales, Service & Parts
Nanjing	D1 Sales, Service & Parts
Shanghai	D2 Service & Parts
Wuhan	D2 Service & Parts
Nanning	D1 Sales, Service & Parts
Xiamen	D1 Sales, Service & Parts
Shenzhen	D2 Service & Parts
Guangzhou	D2 Service & Parts

■ Volvo owned
■ Independent

Dealer & Service Network Development Review



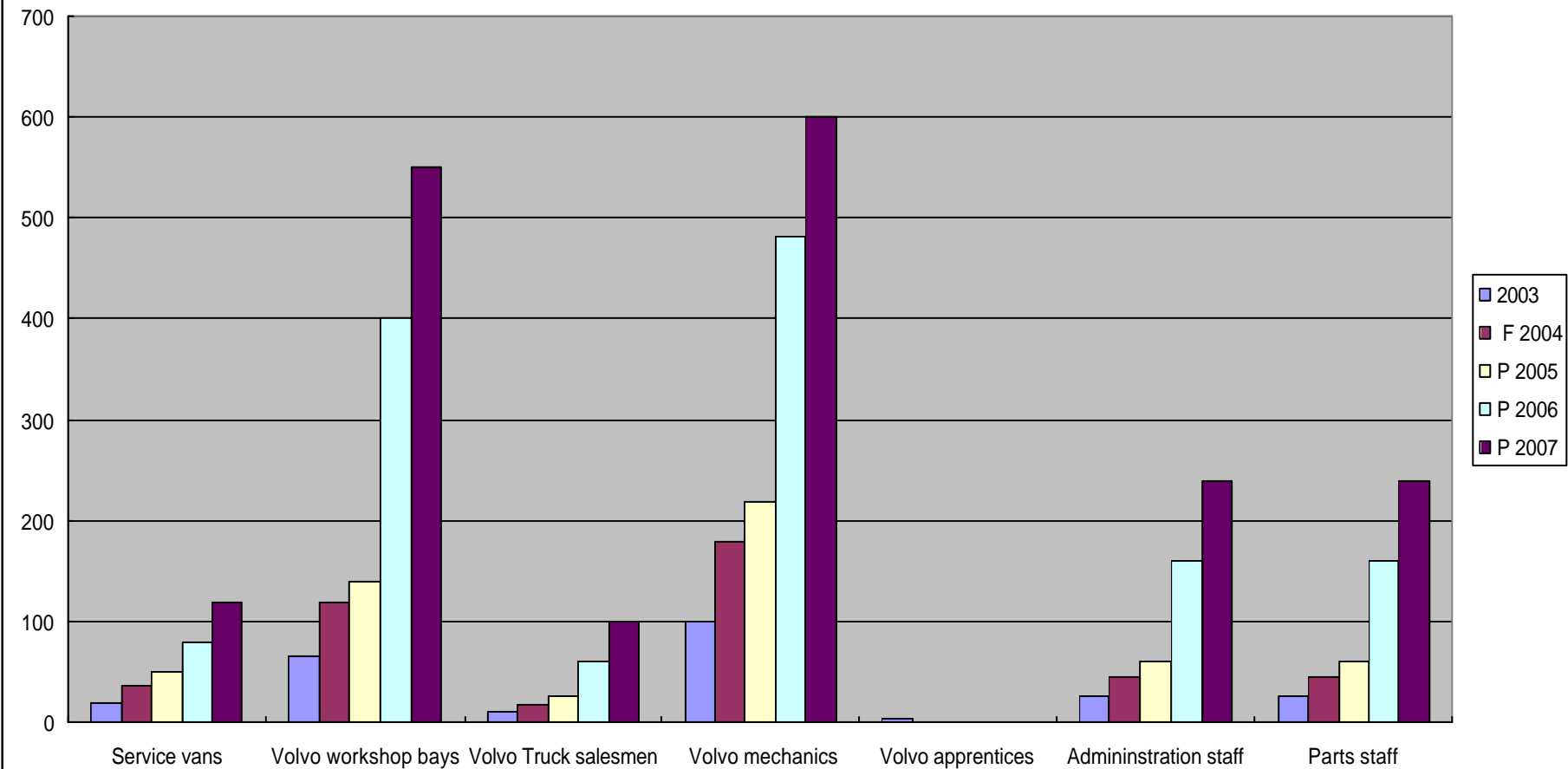
Plan

China 2003-2007

Dealer data 2003 - 2007		2003	F 2004	P 2005	P 2006	P 2007
Network	Dealer D1 Sales, Service, Parts	5	8	9	12	18
	Dealer D2 Service, Parts	5	9	9	15	30
	Dealer D3 Parts	1	1	1	4	10
	Hub Dealer HD Sales, Service, Parts	0	4	5	7	7
	Sub Dealer SD1 Sales, Service, Parts	0	7	9	25	30
	Sub Dealer SD2 Service, Parts	0	0	0	10	20
	Sub Dealer SD3 Parts	0	0	0	8	10
	Other	0	0	0	0	0
Resources	Service vans	19	35	50	80	120
	Volvo workshop bays	65	120	140	400	550
	Volvo Truck salesmen	10	18	25	60	100
	Volvo mechanics	100	180	220	480	600
	Volvo apprentices	4	0	0	0	0
	Administration staff	25	45	60	160	240
	Parts staff	25	45	60	160	240

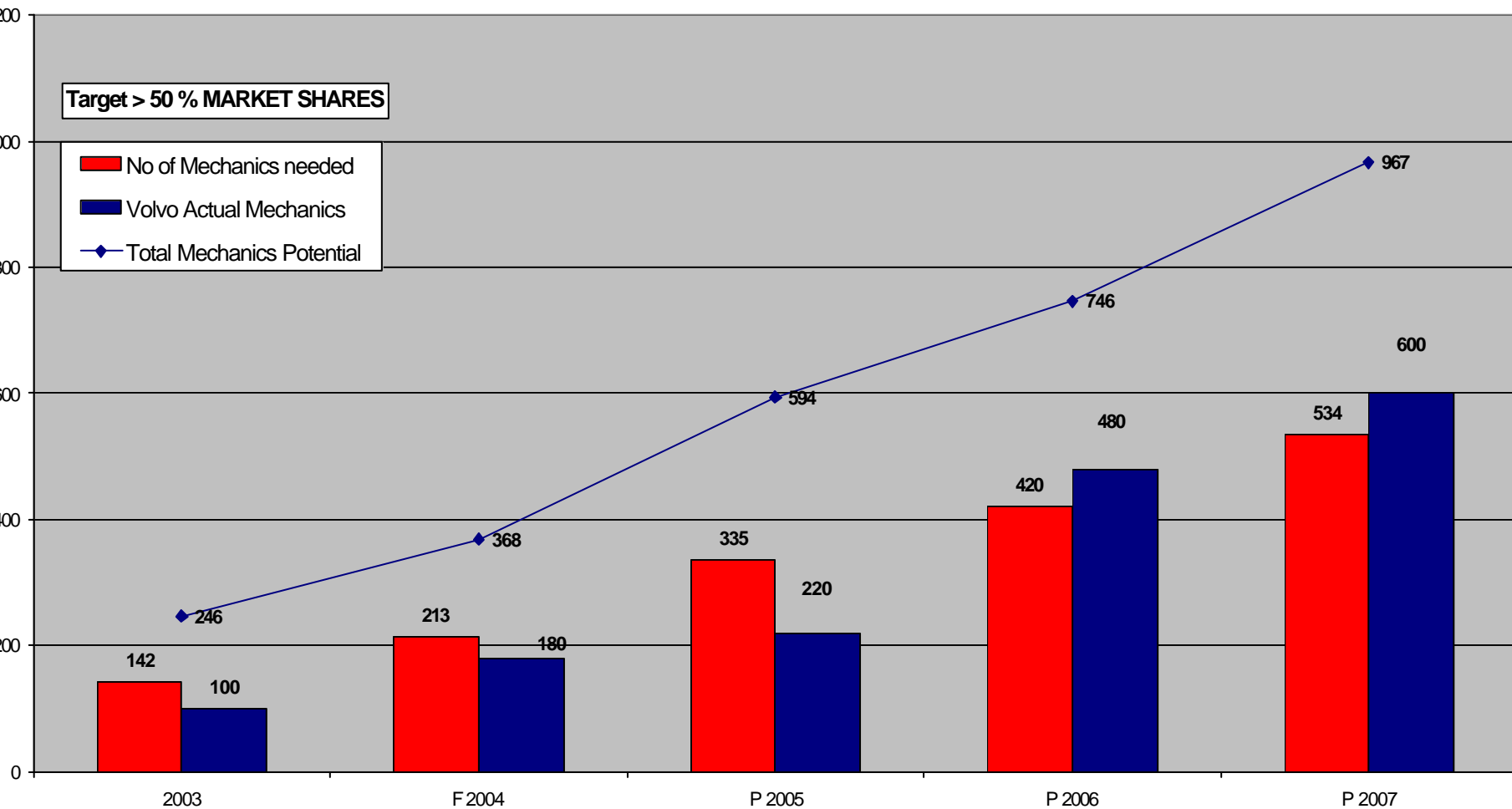
China 2003-2007

Ressources

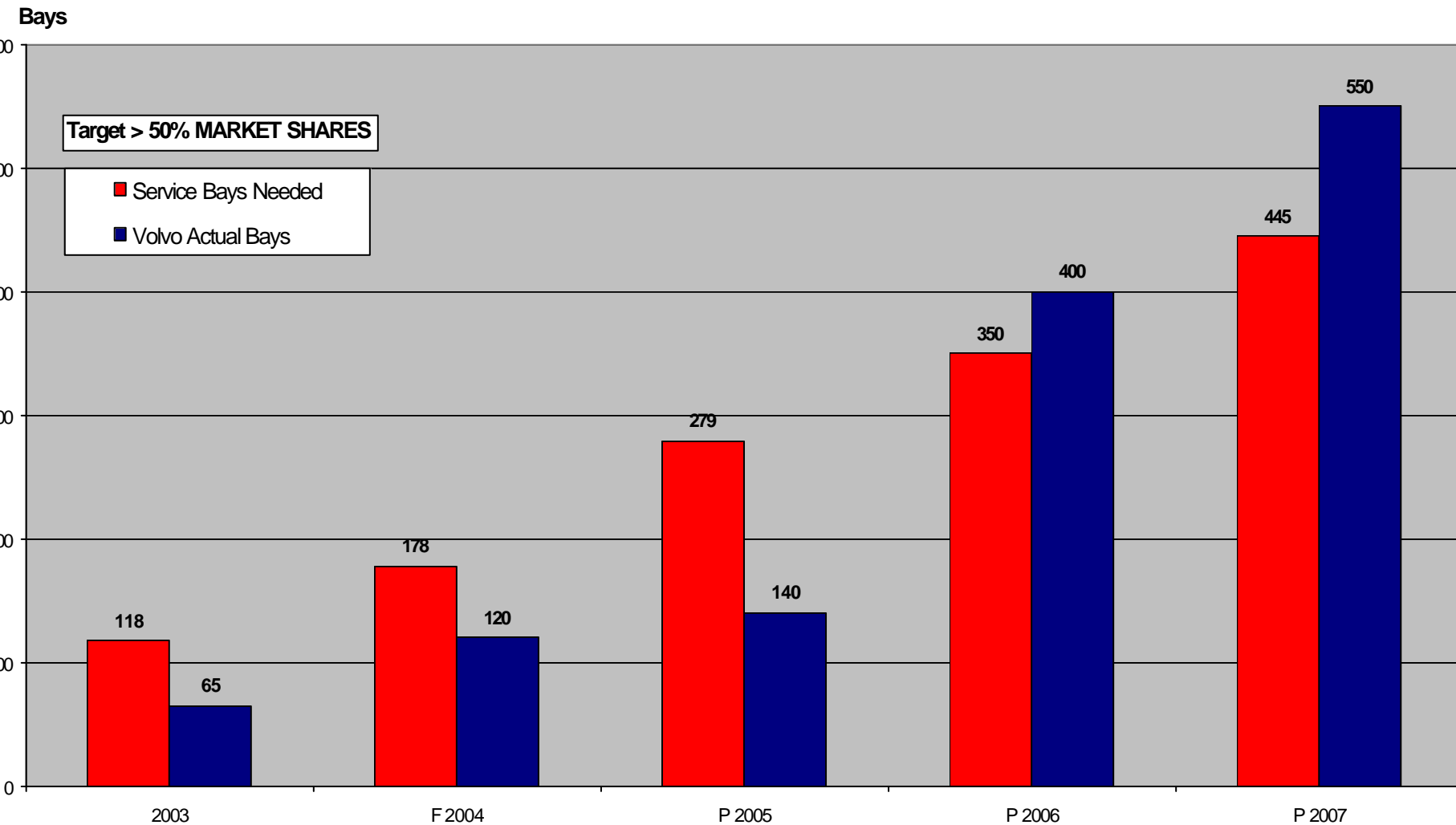


Simulation 2003-2007, mechanics

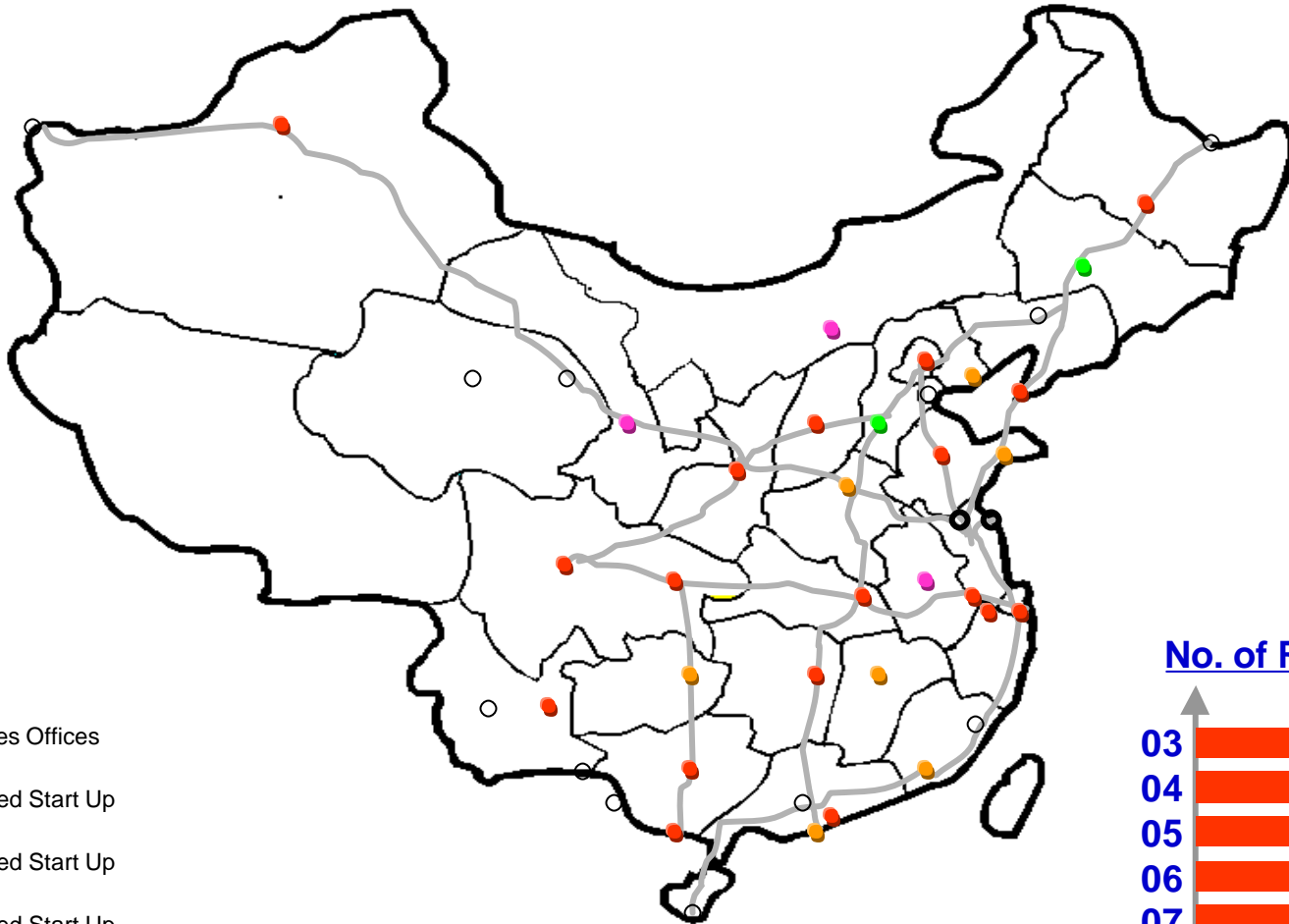
mechanics



China 2003-2007, workshop bays



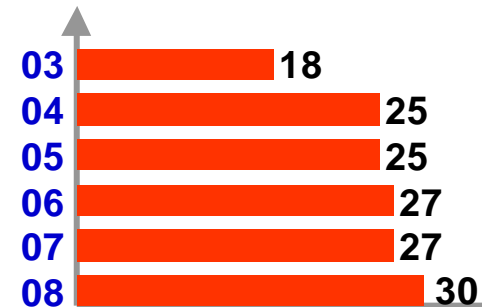
Direct Sales Network



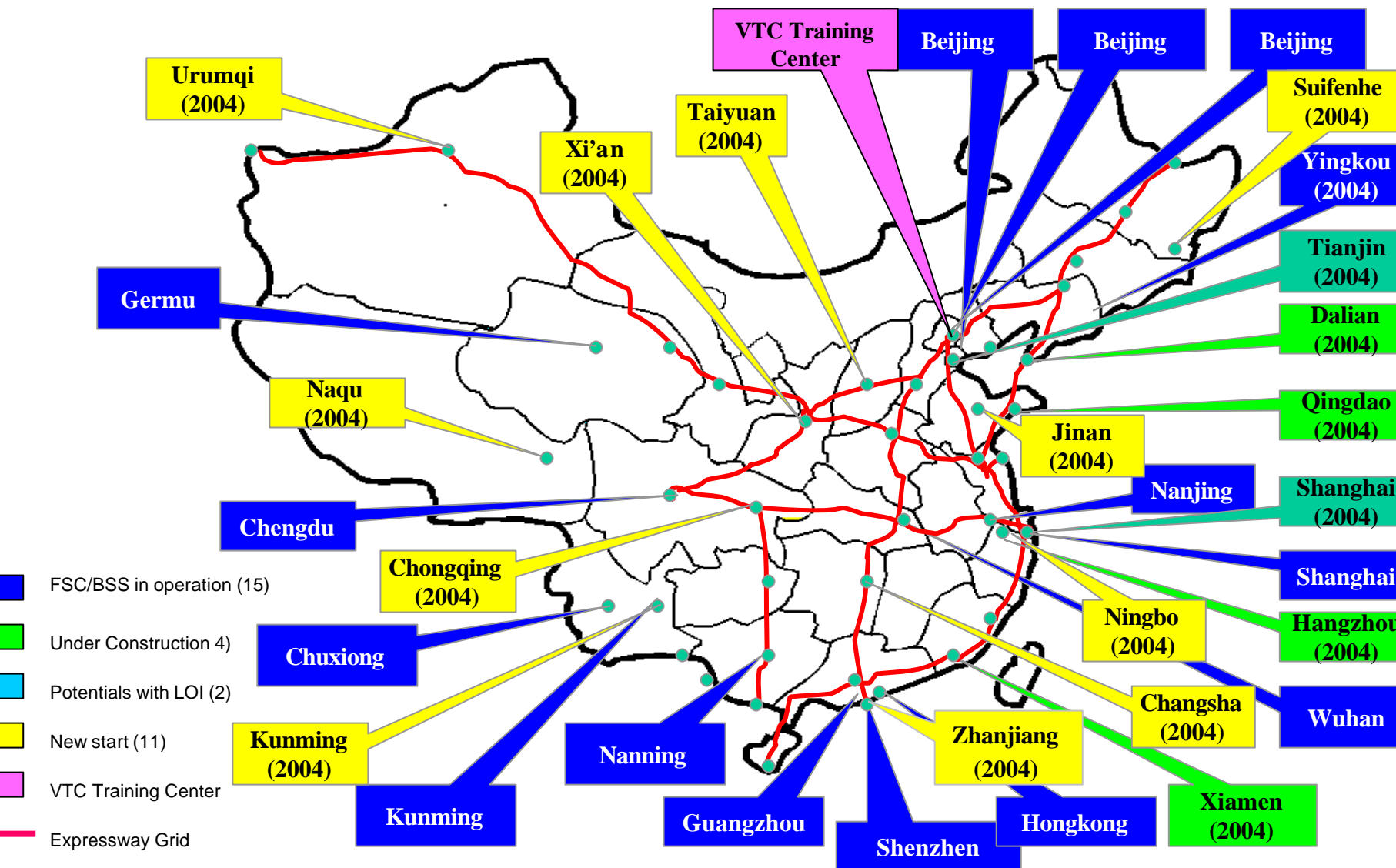
- Current Sales Offices
- 2004 Planned Start Up
- 2006 Planned Start Up
- 2008 Planned Start Up
- Expressway Grid

Updated 2004/01/16

No. of Regional Office



Service Network Plan-End of 2004



Update 2004/03/11

Volvo Trucks Nanjing Suwo Service Dealer

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Volvo Trucks Service Dealer Inauguration

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Thank You!