

VOLVO

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Volvo Group Invests in China

- Substantial market potential

- Extensive expansion of the expressway system
- Substantial sourcing opportunities
- GDP growth rate: 8% over four years
- Chinese entrance in WTO opens up for business opportunities with mutual development
- Some 90 cities with more than one million inhabitants
- 20% of the earth's population

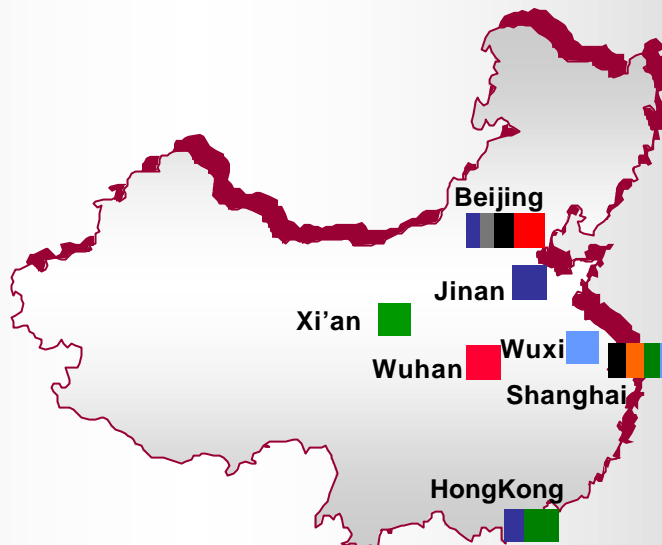
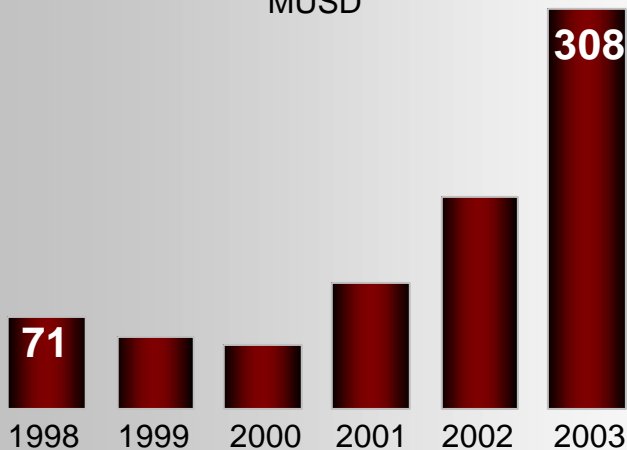


Volvo Group in China 2003



Group Sales Development

MUSD

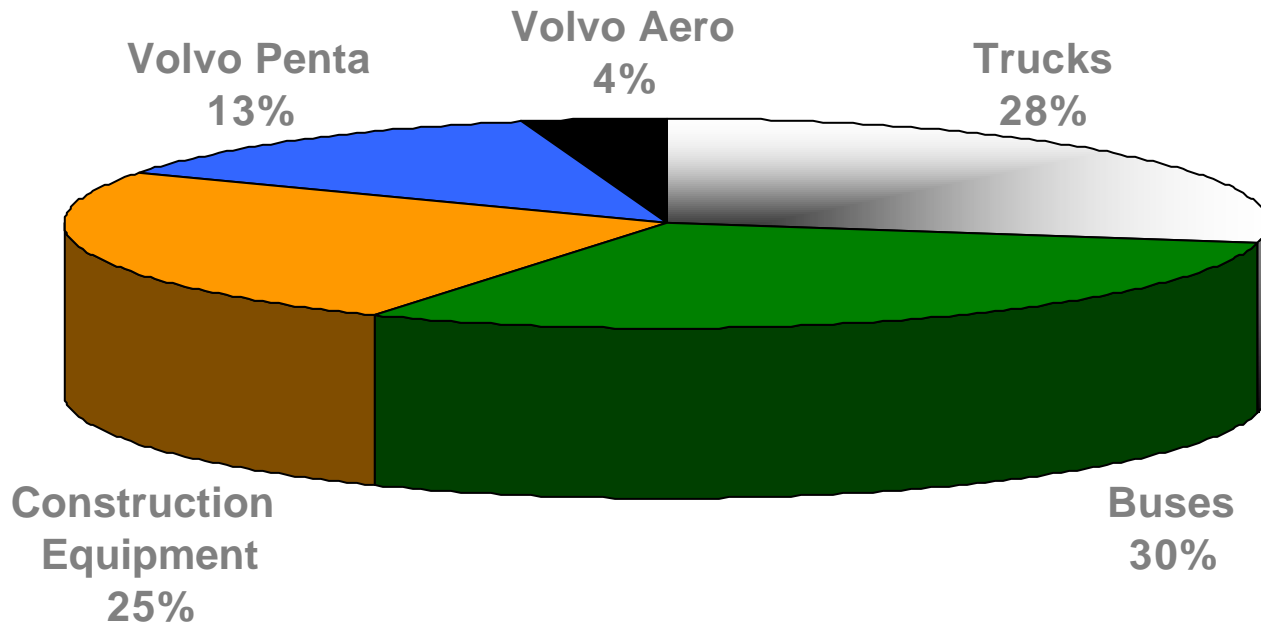


- Volvo Group
- Volvo Trucks
- Renault Trucks / DFMC
- Volvo Buses
- Volvo Construction Equipment
- Volvo Penta
- Volvo Aero
- Volvo Parts

Employees incl. J/V: 1900

Volvo Group Sales in China

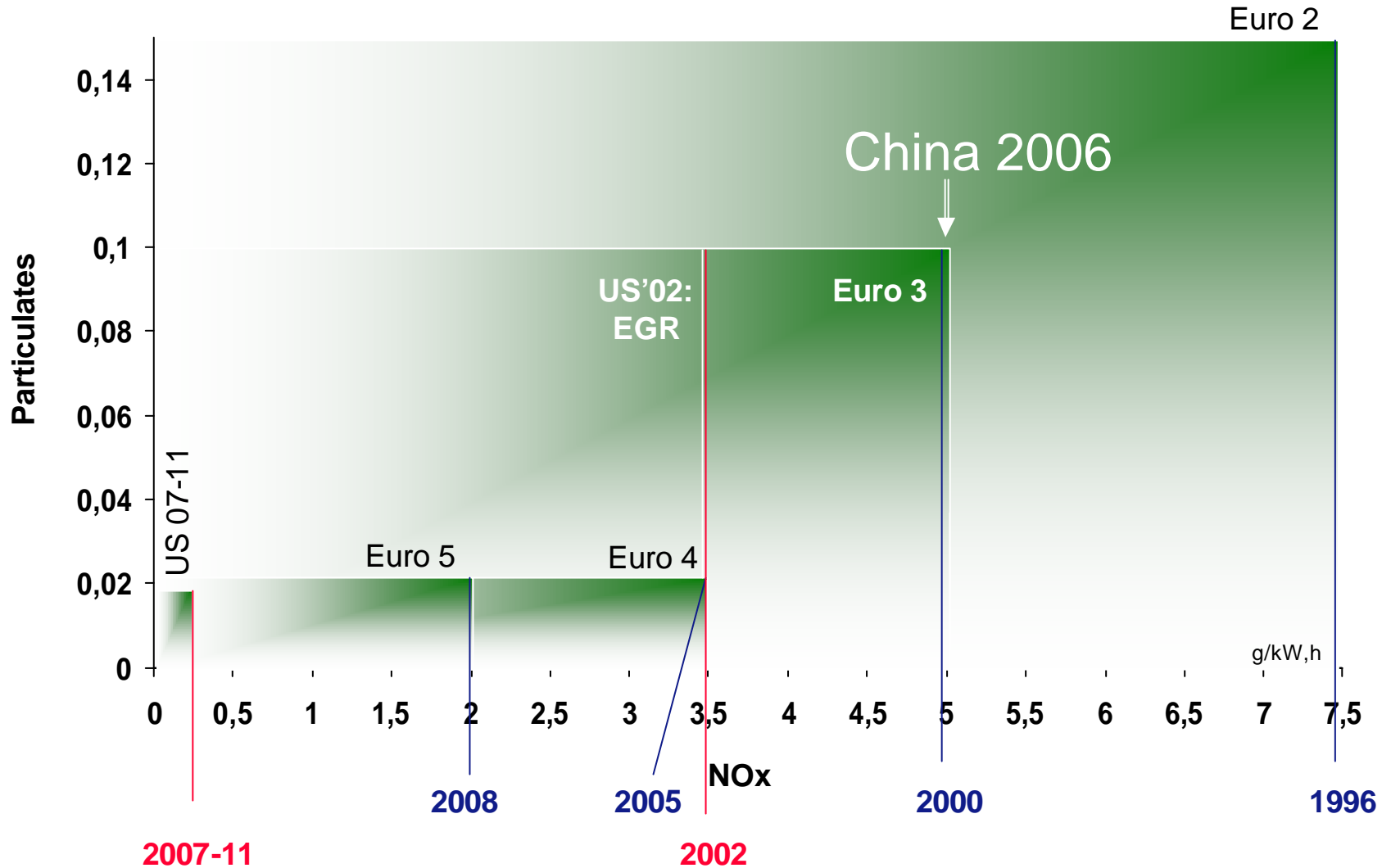
Per Business



Total Sales 308 MUSD

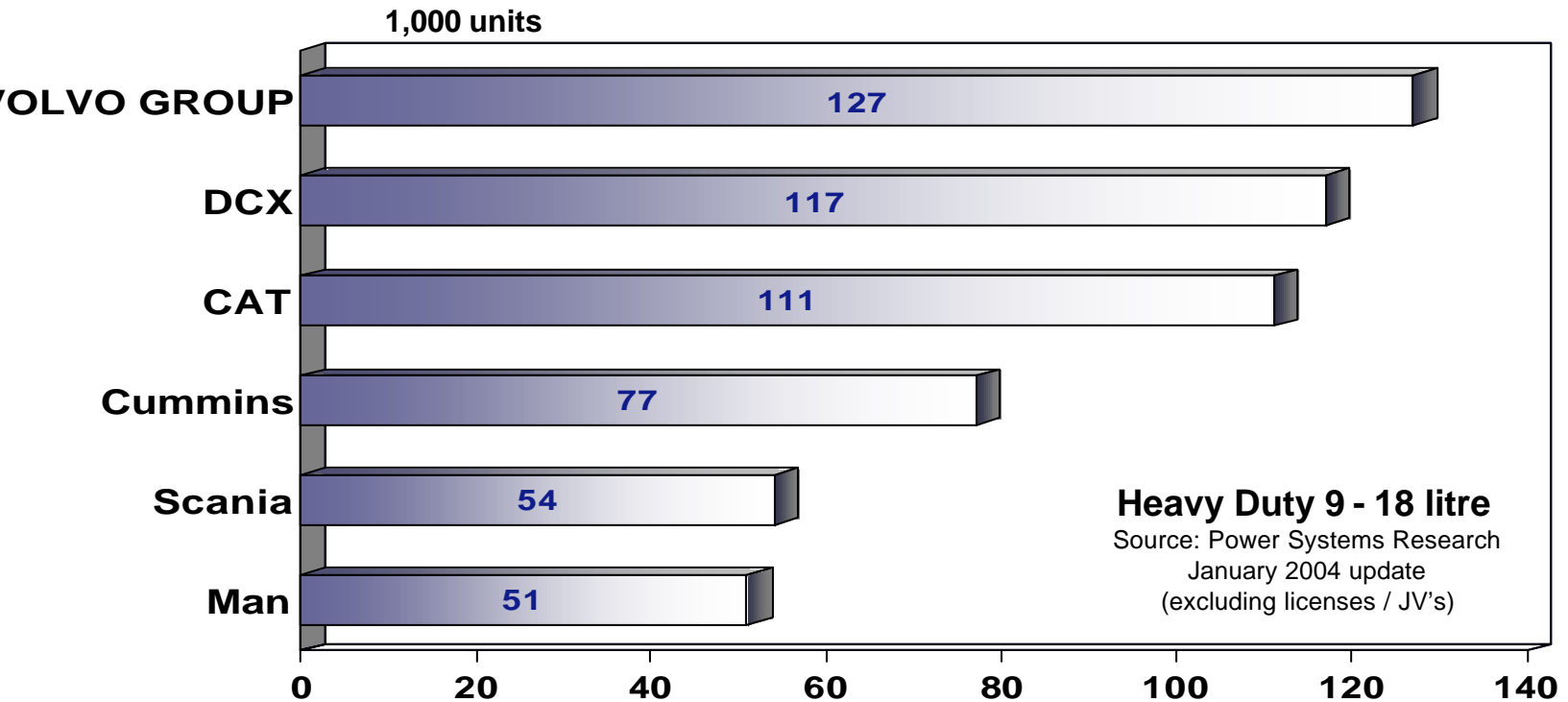
Legislative Demands

Emission Standards

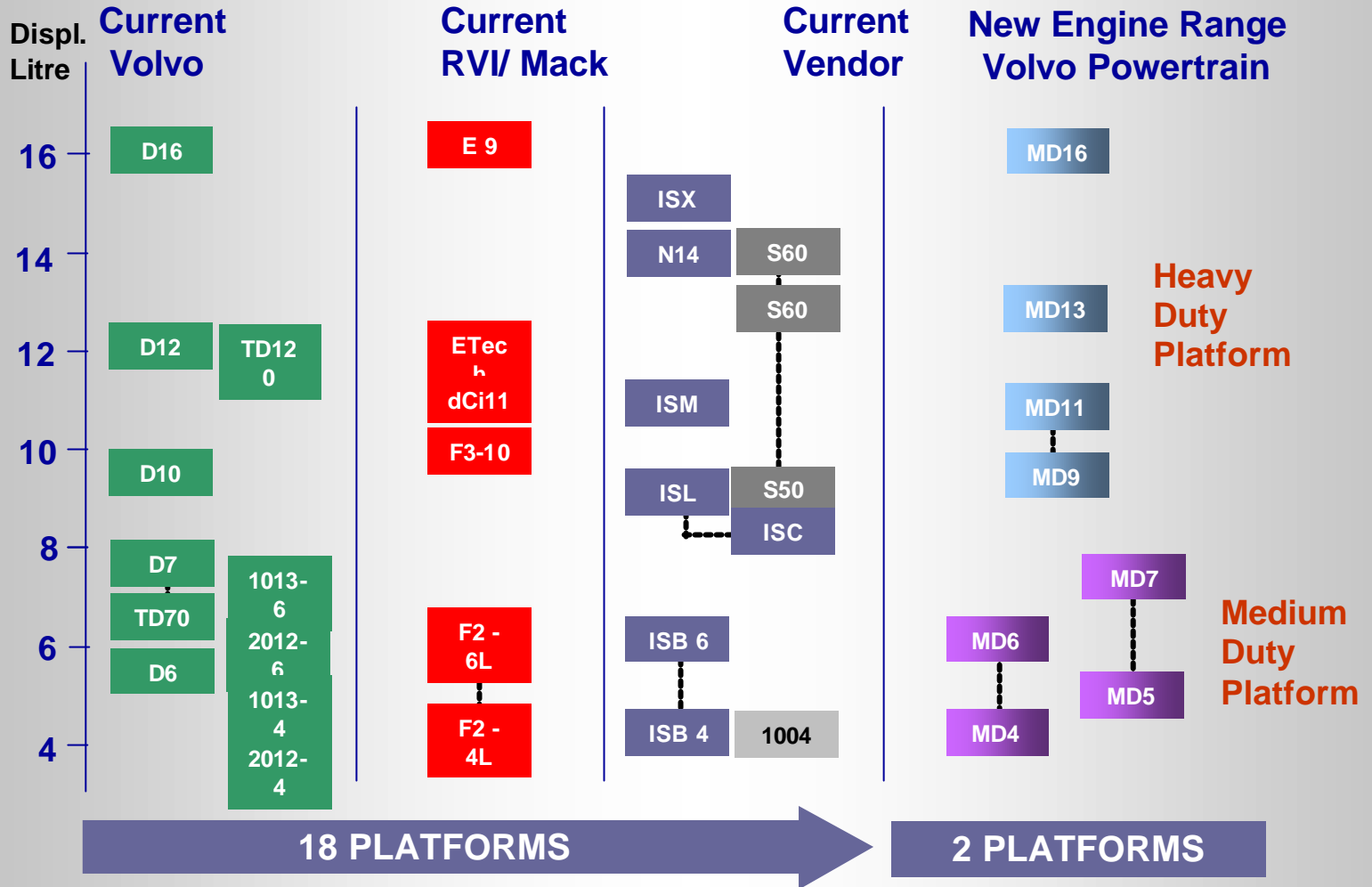


“Global” Market Position

Heavy Duty Engines – 2003



Medium and Heavy Duty Engine Consolidation



A World Class Supplier Base

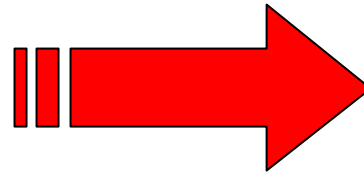
Example: powertrain purchasing

Fewer suppliers, world class suppliers

To leverage our new global dimension and volumes

To lower development cost and investment cost

To foster early supplier involvement, target costs, quality breakthrough



2007



Already done: <100 suppliers for HDEP
<50 Transmissions

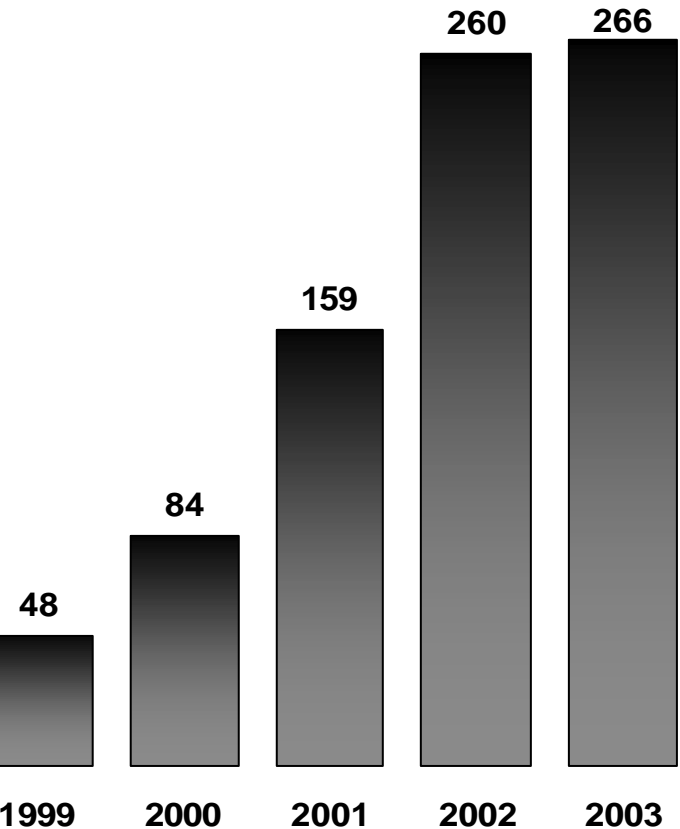
Frame agreement covering **Engine manufacturing in China**



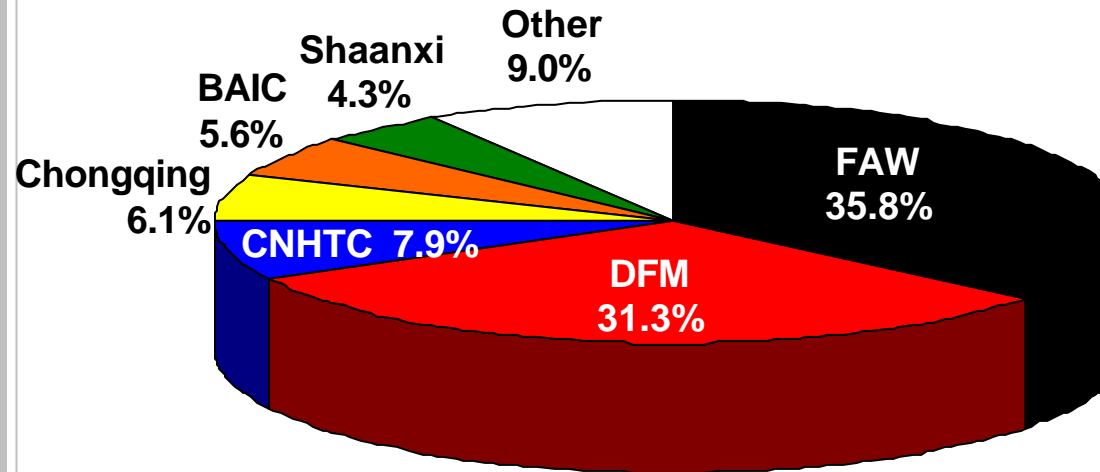
- Volvo (52%), CNHTC (24%) and FAW (24%)
- Based on Volvo Group's new platform
- Total investment USD 200M
- Start with CKD production in 2005
- Chinese production from 2006
- Volume of 50,000 engines in 2010

China Heavy Duty Truck Sales

Heavy Duty Market (‘000 units)

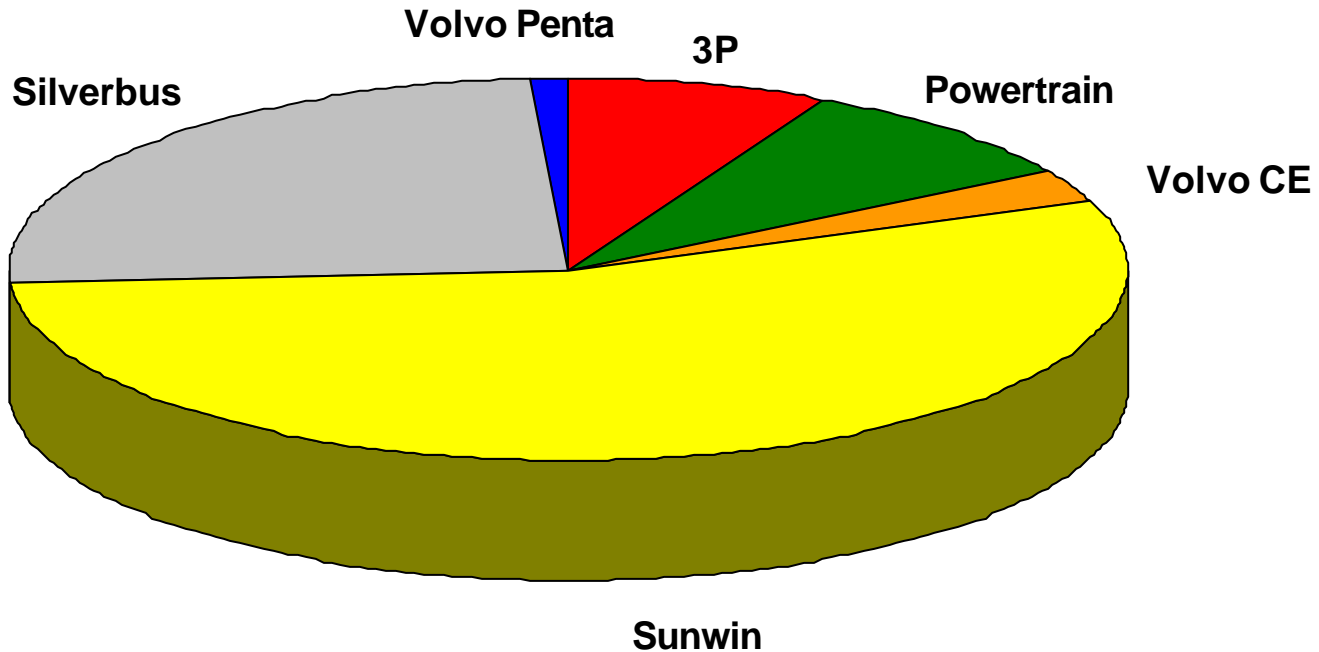


Market shares 2003



Purchasing China 2003

> 90 MUSD



Supplier Base Management

- Develop on common Volvo Group Supplier Base
- First Suppliers already in place for local production needs
- Plan for export from China

Volvo Group Purchasing in China

Short term

Focus on few projects with high volumes and savings

Example : Volvo Group Powertrain unit

7 suppliers

Spend : 60 MUSD

Savings: 20 MUSD

Implementation 2003-2007



Purchasing in China

medium / long term



- Significantly increased purchasing spend
- Local production in high volume:
 - Trucks and engines represent a purchasing volume of > 1.0 B\$
- Components Export from China to current production in Europe and North America from all Business Areas

Renault Trucks in China

Capitalize on legacy engine technology

- Technology transfer agreement with Dongfeng (DFM)
- Intention for provide DFM with dCi11 engines

Development of commercial structure

- Reinforced sales organisation in China
- Aftermarket capability
- Target import markets (Heavy construction and Economic Long haul)

Renault Trucks in China

cont.

Agreement in principle for industrial cooperation with Dongfeng

- Manufacturing of components for both Renault Trucks and DFM
- Production of Renault trucks adapted to the Chinese market production
2005: 7000 Kerax trucks



Create competitive financing solutions...

Agreement with Bank of China

- Financing solutions for Volvo's dealers and customers
- Credit support to Volvo China and subsidiary companies



Well positioned in China

Trucks	Volvo Truck plant - CNHTC	2004
	Renault Truck - Dongfeng	2004
CE	Excavator Plant	2003
Penta	Wuxi diesel engine works	2000
Buses	Sunwin	2000
	Xian Silver Bus	1994
VFS	Bank of China agreement	2004
Engines	Renault Truck - Dongfeng	2002
	Volvo Group - CNHTC / FAW	2004

VOLVO