



Volvo Trucks in Eastern Europe



Your perception?

Iron curtain
One party system
Communism
Superpower
KGB
Plan economy
Corruption
Crime
Orphanage
Balkan war



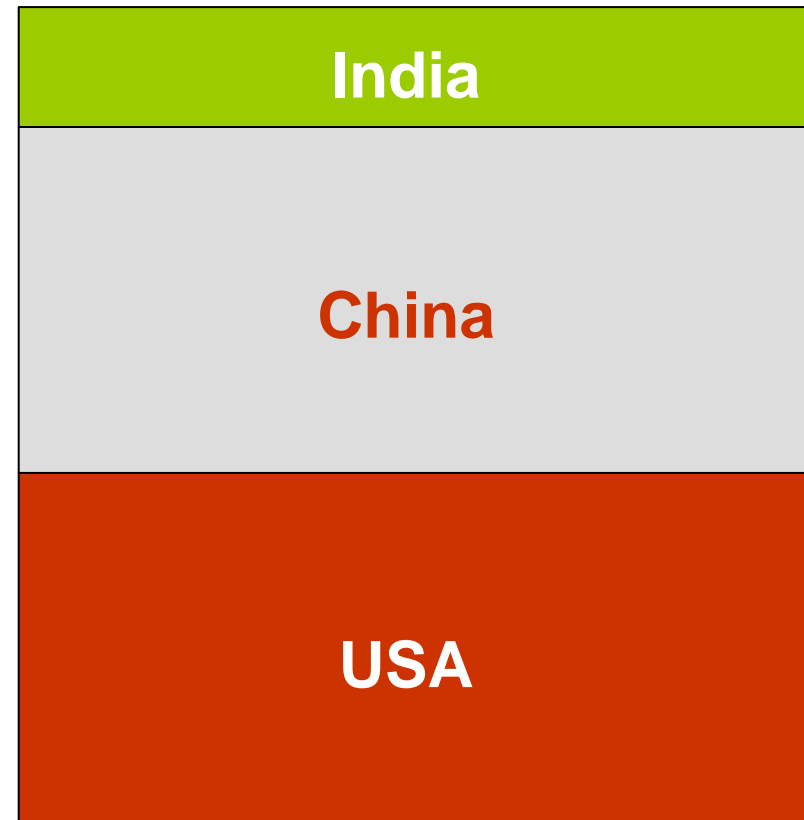


Eastern Europe





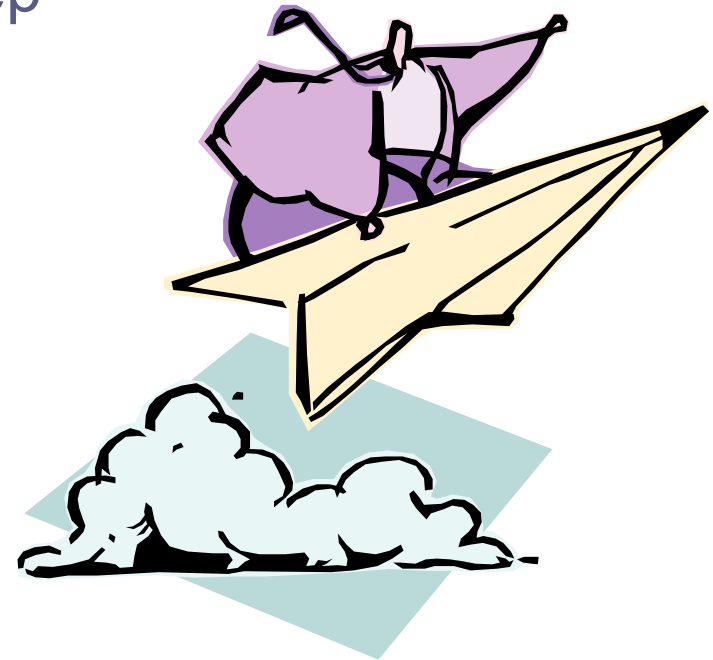
Area





Beginning 1995

- 14 persons in Goteborg
- 45 persons in Poland, Czech rep and Hungary
- Rep office Russia 1 person
- Rep office Turkey 1 person
- Sales financing 30 Msek
- Invoiced units 2,660 trucks





Strategy

- One national sales organization, local presence
- Strategic service points managed by Volvo Trucks representing 50 % of aftermarket business long-term
- Other service points – mainly independent workshops





Truck manufacturers



Roman

Jelcz

Liaz

Raba

Fap

Tam

Kraz

Kamaz

Maz

Star

Tatra

Volvo

Scania

Mercedes-Benz

MAN

Daf

Renault

Iveco



2006

- Established in 22 countries
- Invoiced units 11,080
- Very strong profitability
- Strong cashflow
- 1,550 employees

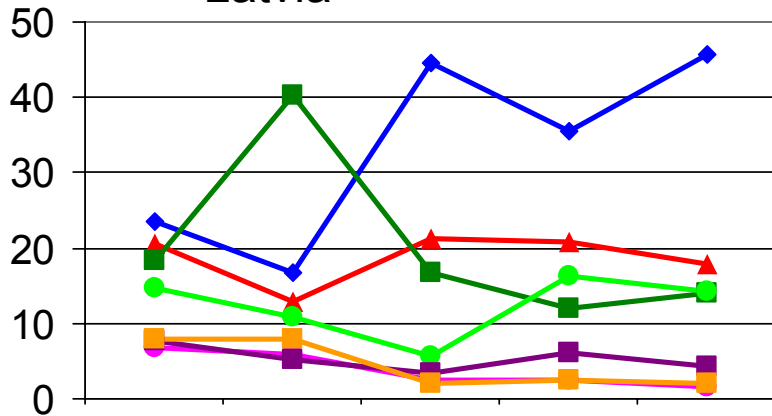




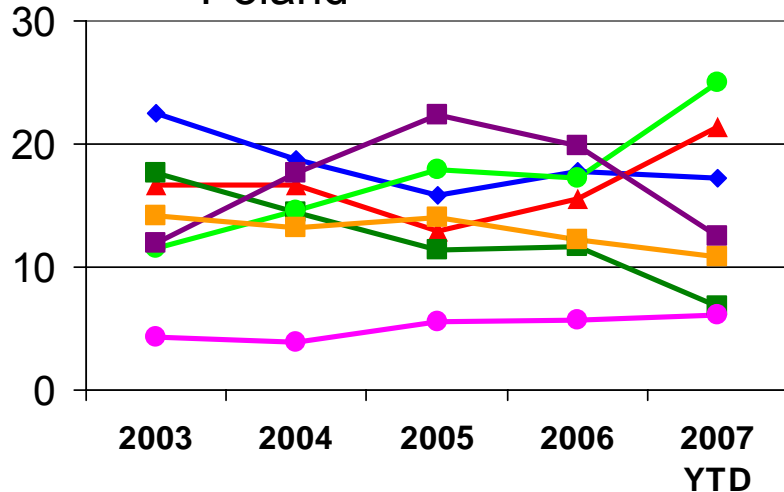
Volvo market shares

Heavy trucks

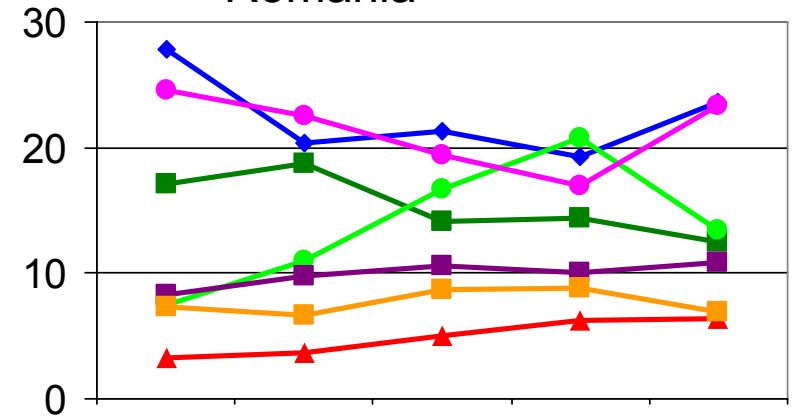
Latvia



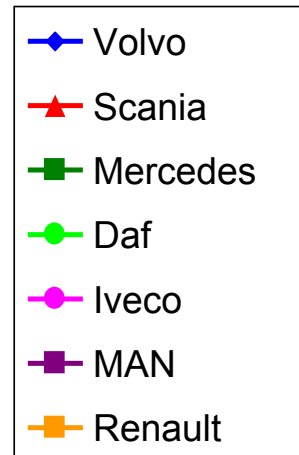
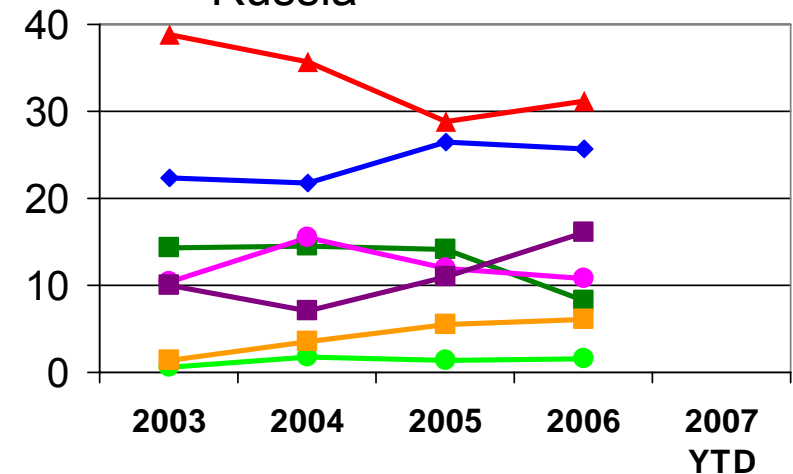
Poland



Romania

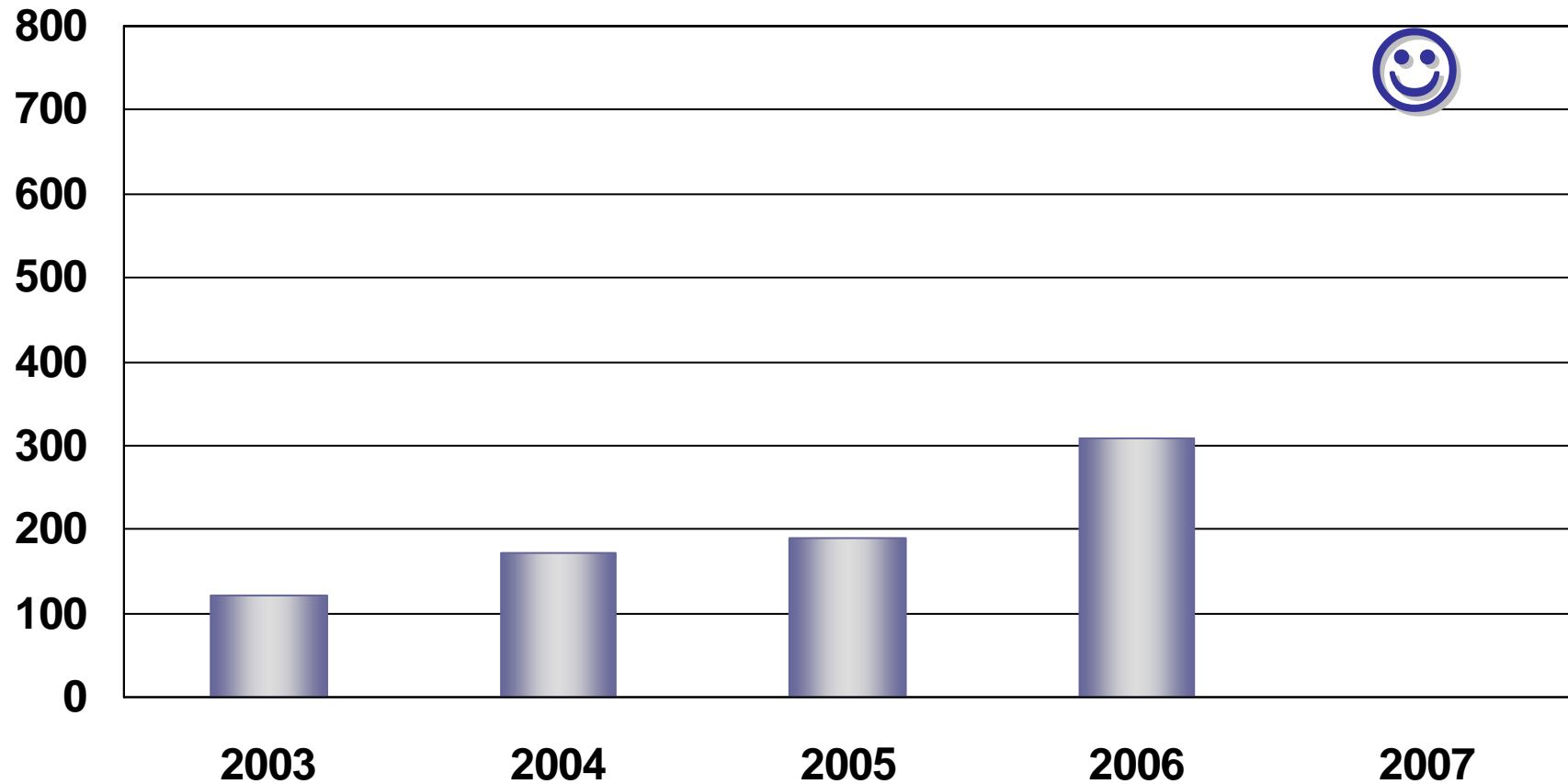


Russia





Weekly order intake





Customers

Customer structure

- Old communist
- Multi-nationals
- Western European
- Local companies
- Modern local businessmen



Total offer

- Value
- Service net
- Image
- Relations
- Financing
- Complete units

Sales performance

- Units per salesperson
- Sales districts
- Product range increased



International transport

Poland



- Present fleet 285 Volvo Trucks
- 40 Volvos ordered
- Financed by Volvo
- Strong in automotive transport (GM)
- Manage sensitive glass transport (Pilkington)



Long-haulage

Hungary



- Present fleet 1,200 Volvo trucks
- 1,000 Volvos ordered for delivery 3 coming years
- Operates Volvo authorized workshops
- Expansion into Romania, Bulgaria and Poland
- Operates logistic center in Hungary
- Long history with Volvo
- Ambition to grow stronger and larger



National transports

Romania

Status

- Present fleet 900 Volvo Trucks
- 350 Volvos during delivery
- Financed by Volvo, 45 MEur
- Equipped with Dynafleet
- Forced buy-back
- Trade-ins

Future

- Fleet of 2,500 heavy trucks in 2009
- Entering distribution and construction segment
- Develops logistics, land purchased
- Expands into Moldavia, Bulgaria, Ukraine and Serbia





Construction

Russia



- Established 2002
- 3,500 employees
- Profession – road and airport construction
- Truck fleet – 220 Volvo and 100 Kamaz
- 500 units subcontracted
- Volvo purchase 2006 – 120 Volvo FM construction units
- Planned purchase 2007: 250 construction units



Products



Complete new product range

- Keep price leading position

Soft offers

- Increased focus
- Sales organisation awareness and knowledge

- **Product strategy to secure profitability short-term and long-term**



Volvo Financial Services

Products

- Cross boarder
- Financial lease
- Installment credit

Establishments

- Seven local finance companies
- Sales finance managers in all Volvo Truck sales offices
- Follows Volvo Trucks local presence

Financial performance

- Penetration up to 60%
- Remaining 40 % is mainly cash
- Portfolio 6,500 Msek
- Portfolio quality very good with low loss ratio

**One team, one offer
for the customer**





Vehicle population



Present vehicle population: 103,000 Volvos

- Maintain market leader position in terms of vehicle population
- Capitalize on vehicle population
- Security for investments
- Build profitable population
- Secure profitability short and long-term
- Provide partners with business opportunities



Aftermarket

Workshop net

- 34 own workshops
- 116 private workshops

Coverage

- To customer needs

Business performance

- Good

Mindset

- Change from Aftermarket to **Commercial** aftermarket

Investments

- Own workshops and private – same standard





Image



- Very strong brand image
- Constant improvement to maintain position
- Wanted position is No 1



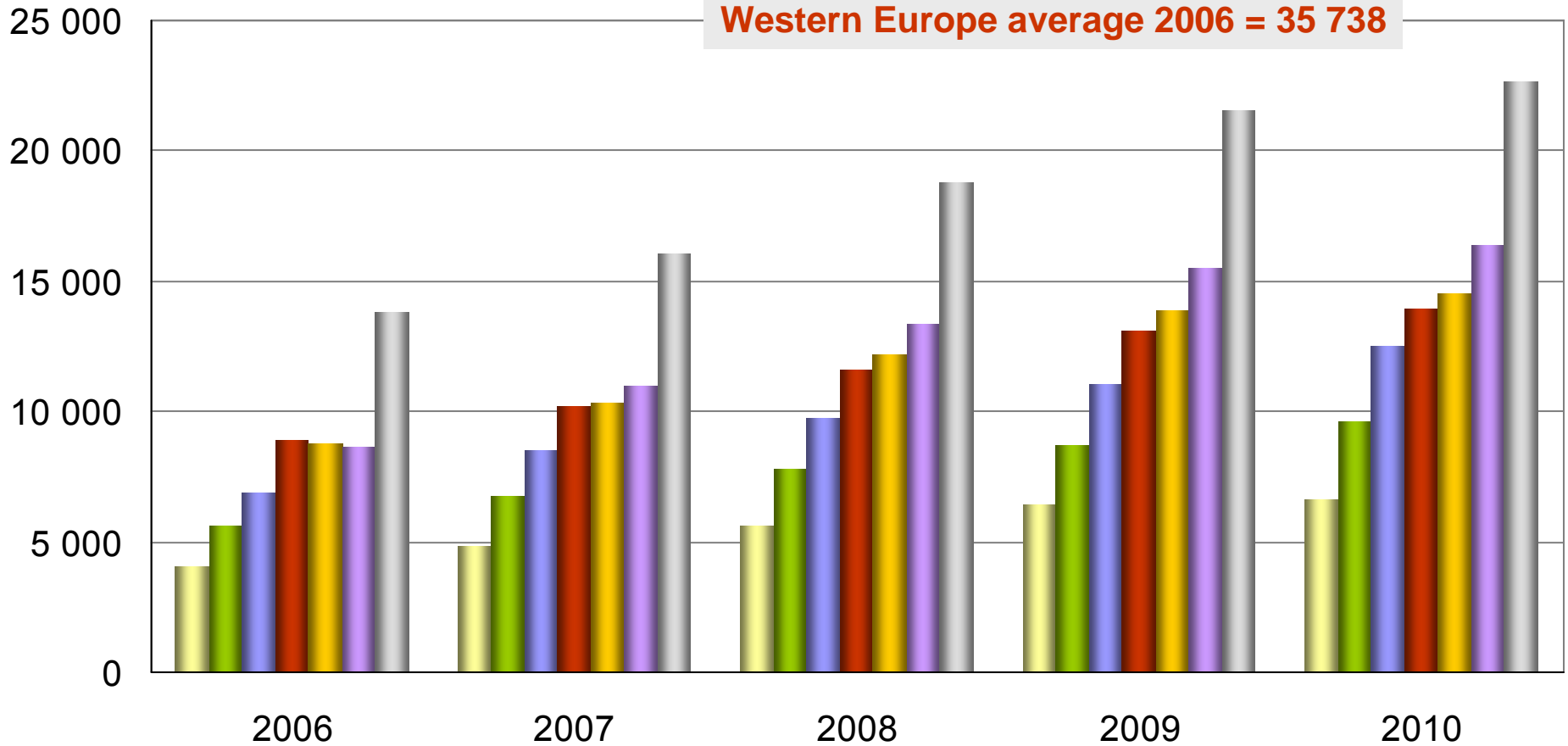
Market outlook

- Strong and fast development of GDP
- Substantial foreign investments
- Major investments in infrastructure
- Increased consumption
- EU entry – Romania and Bulgaria
- Increased access to funding
- 480 million inhabitants
- High oil prices
- Large demand for modern transport equipment



Strong GDP growth

GDP/capita (USD)

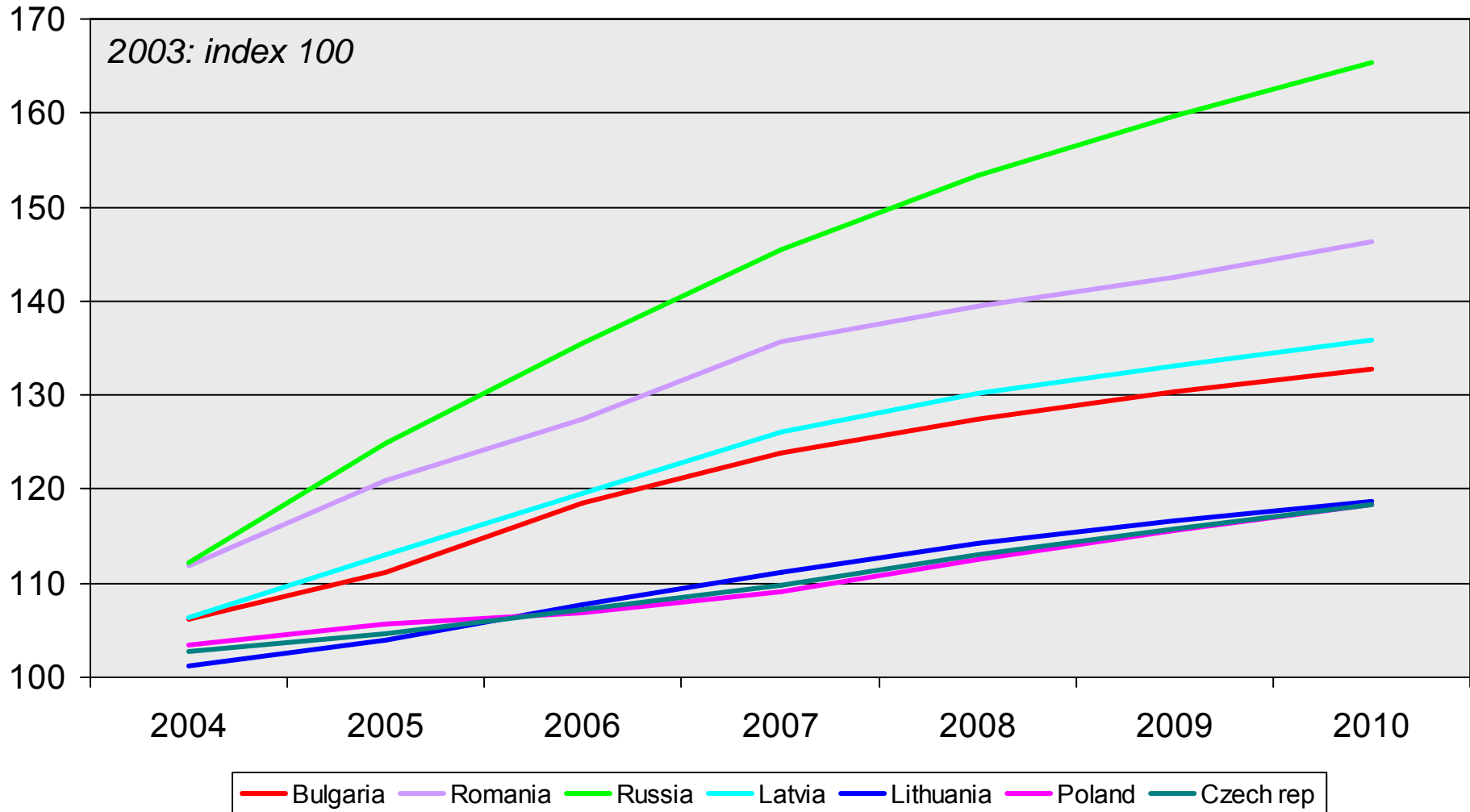


■ Bulgaria ■ Romania ■ Russia ■ Poland ■ Lithuania ■ Latvia ■ Czech rep

Source: Global Insight



Private Consumption Growth



Source: Global Insight



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

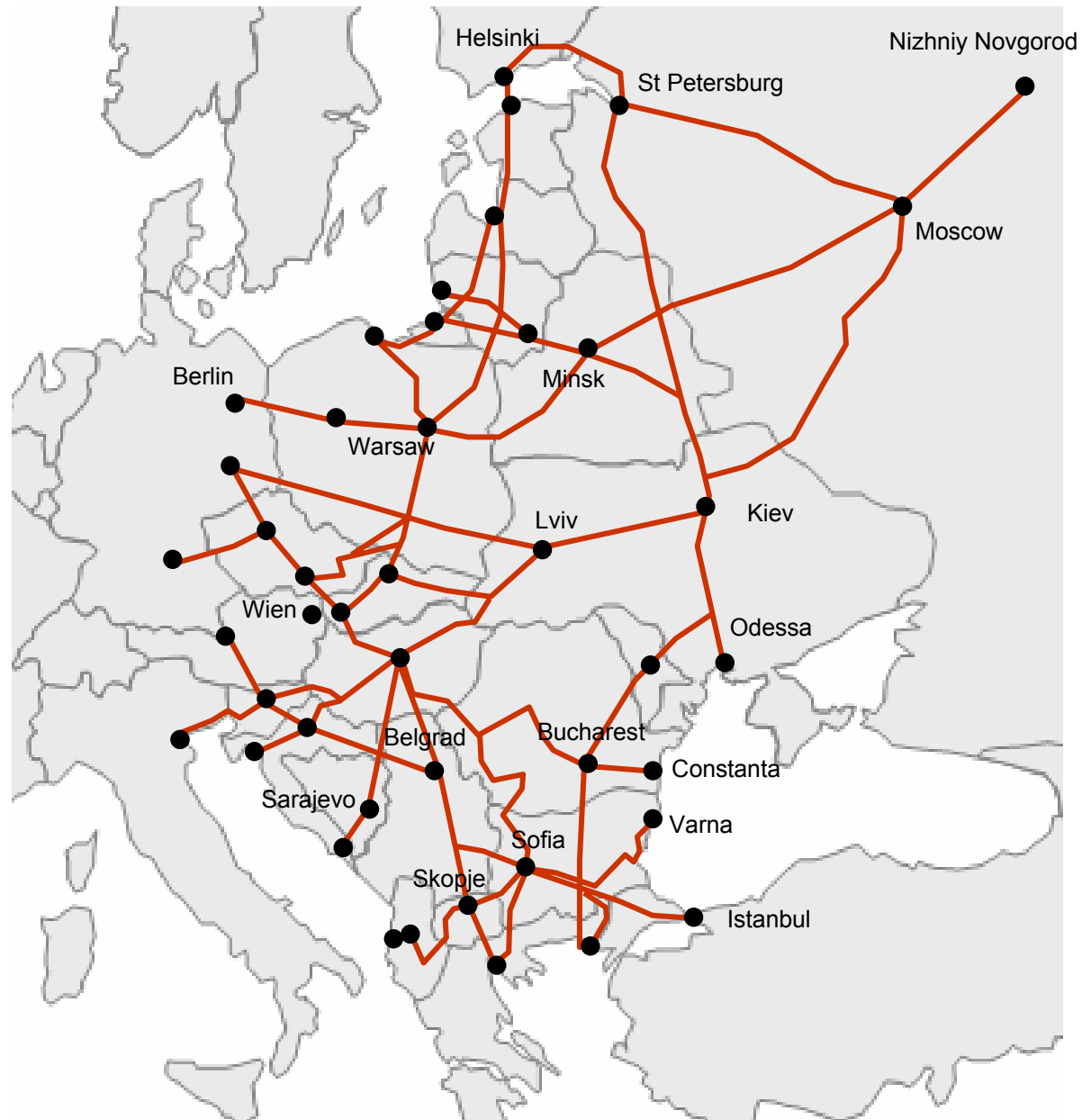
Bulgaria	85	Ukraine	28
Romania	26	Poland	97
Serbia	28	Lithuania	108
Russia	38	Hungary	76
EU norm	110		

Investments anticipated to continue on high level



Pan-European transport corridors

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



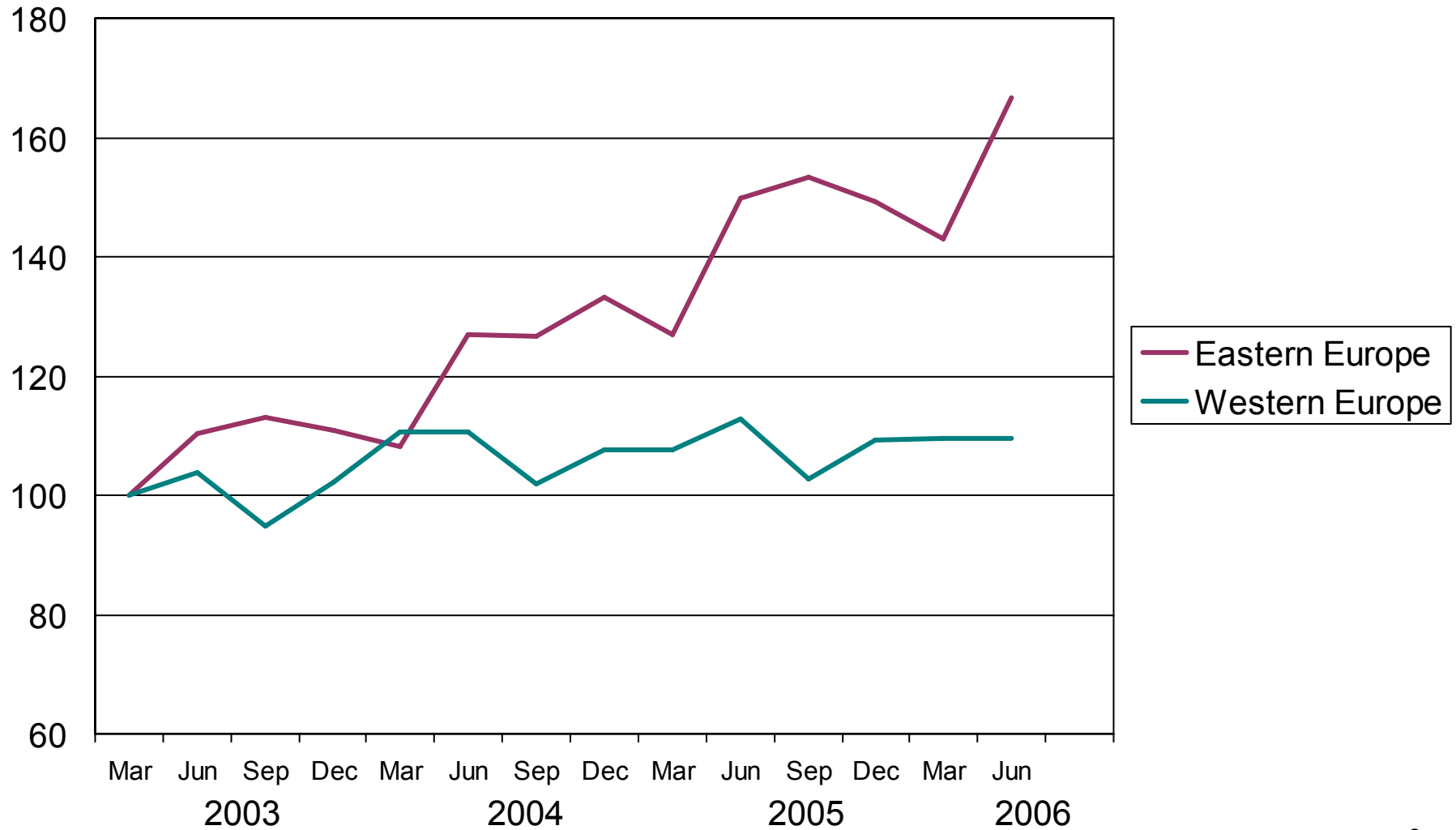


It's not just a walk in the park



Road transport goods volumes

Indexed

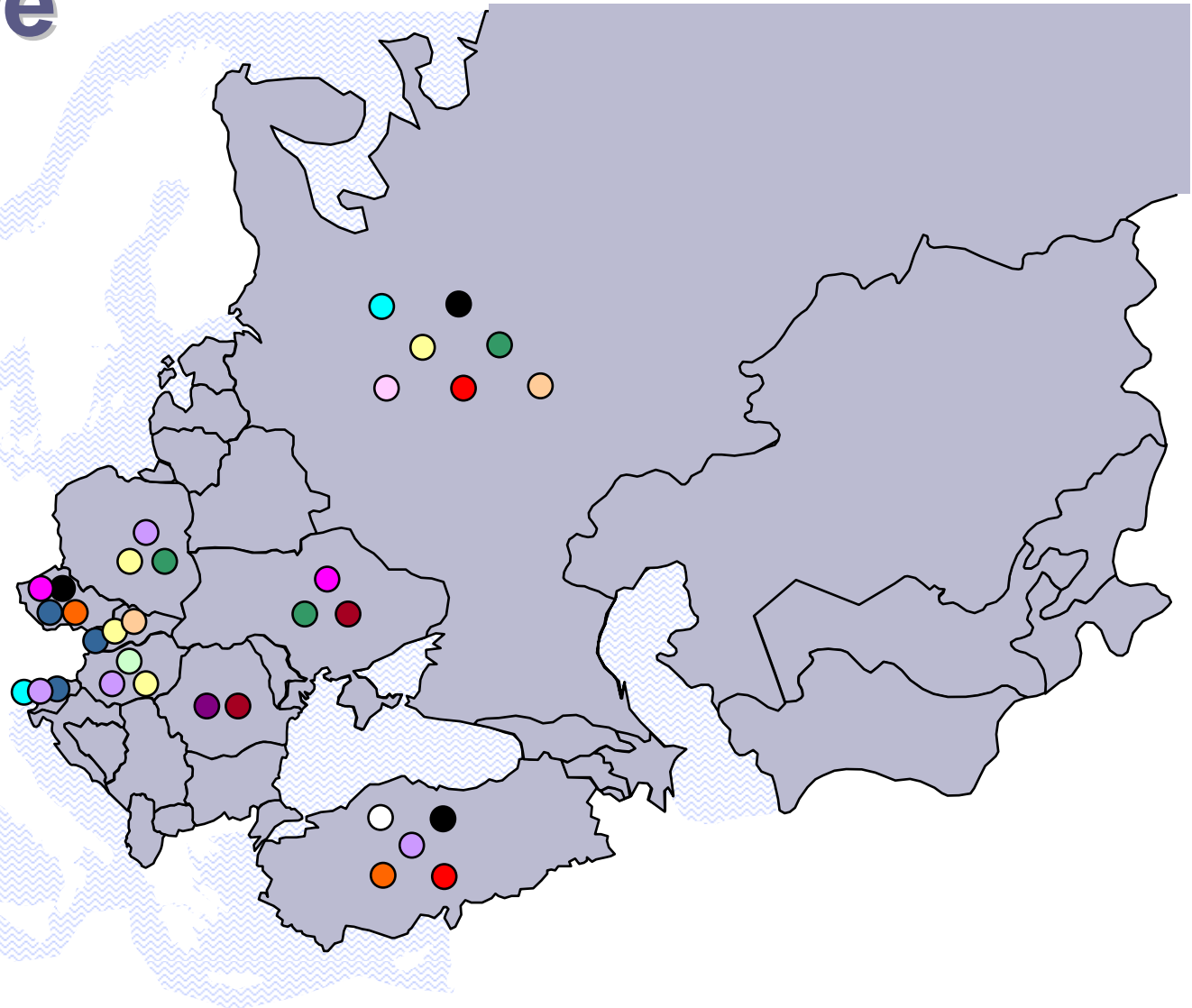


Source: Eurostat



Automotive industry

- Skoda
- Honda
- Renault
- Suzuki
- Toyota
- Dacia
- Fiat
- PSA
- Hyundai
- VW
- GM
- Mercedes
- Ford
- KIA
- Daewoo





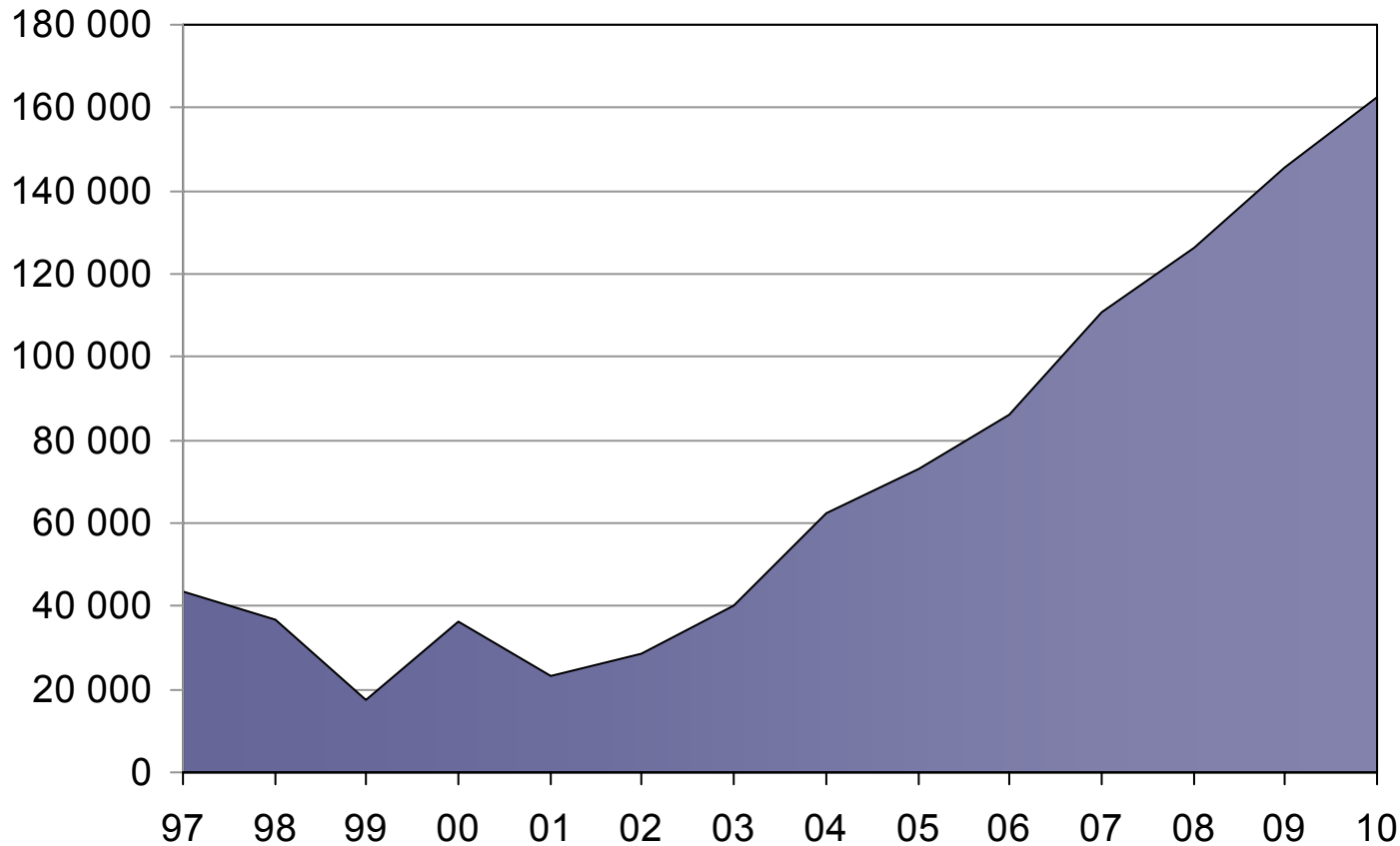
Total market heavy trucks

	<i>Total market 2006</i>	<i>Growth vs 2005</i>		<i>Total market 2006</i>	<i>Growth vs 2005</i>
Bulgaria	1,650	107%	Poland	11,360	45%
Croatia	1,080	27%	Romania	5,070	59%
Czech rep	6,260	14%	Russia	9,080	92%
Estonia	1,340	94%	Slovakia	3,330	31%
Hungary	3,780	14%	Slovenia	1,670	39%
Latvia	1,950	99%	Turkey	38,730	0%
Lithuania	2,690	20%	Ukraine	1,200	102%



Growth in Eastern Europe

Total market, heavy trucks



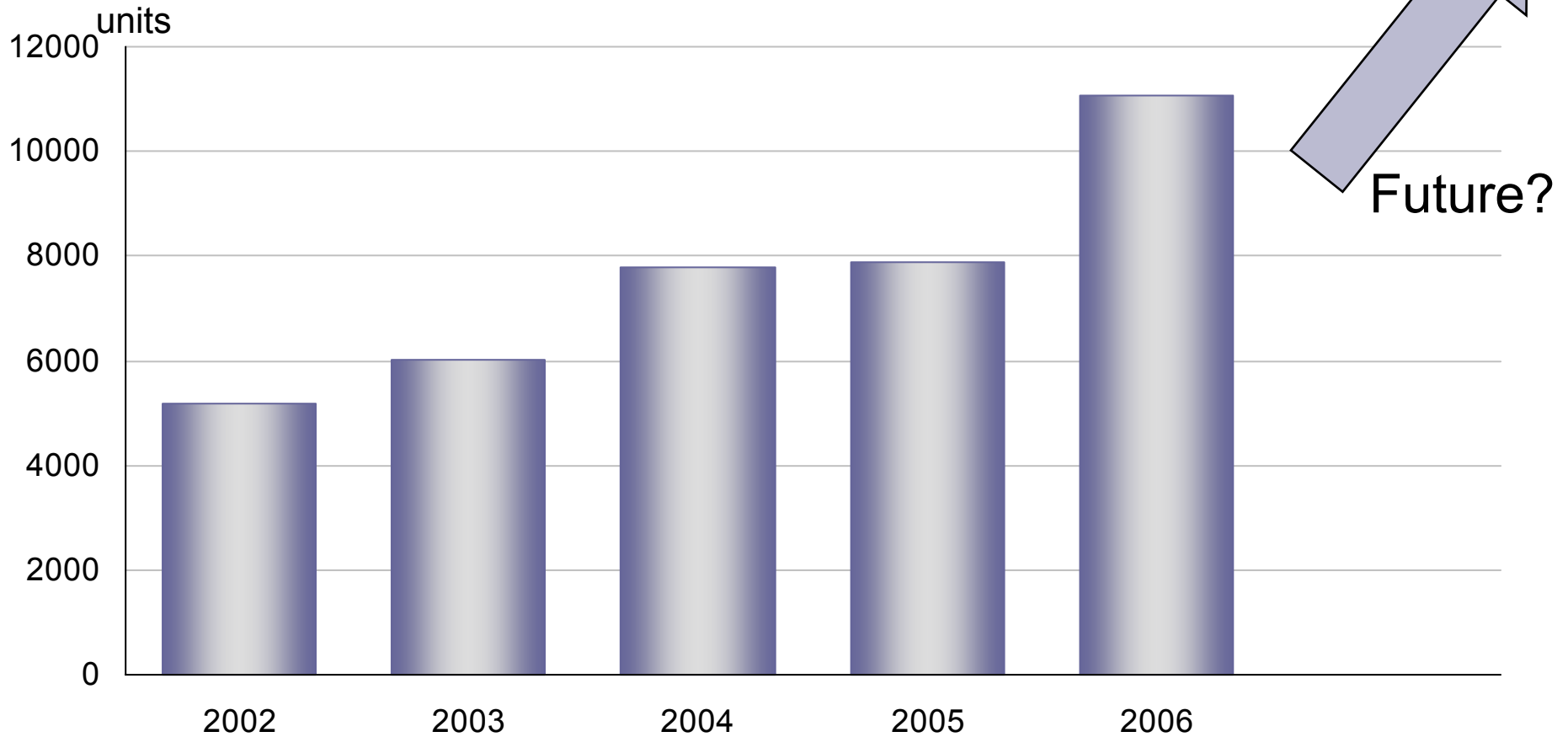
Growth
2006-2010:
≈100%

EU 17, 2006:
263,000 units



Truck sales development

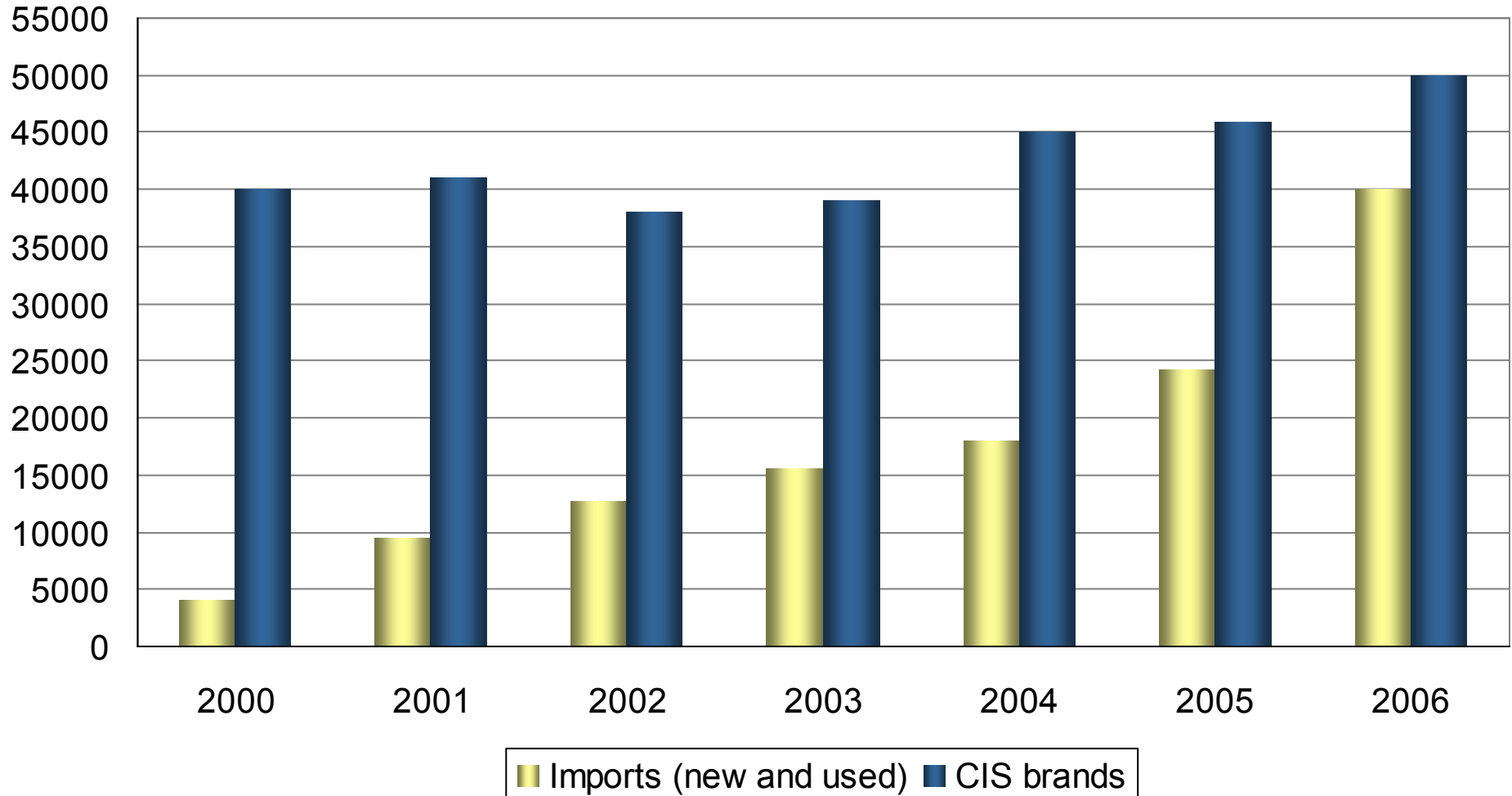
Heavy trucks





Russia market size

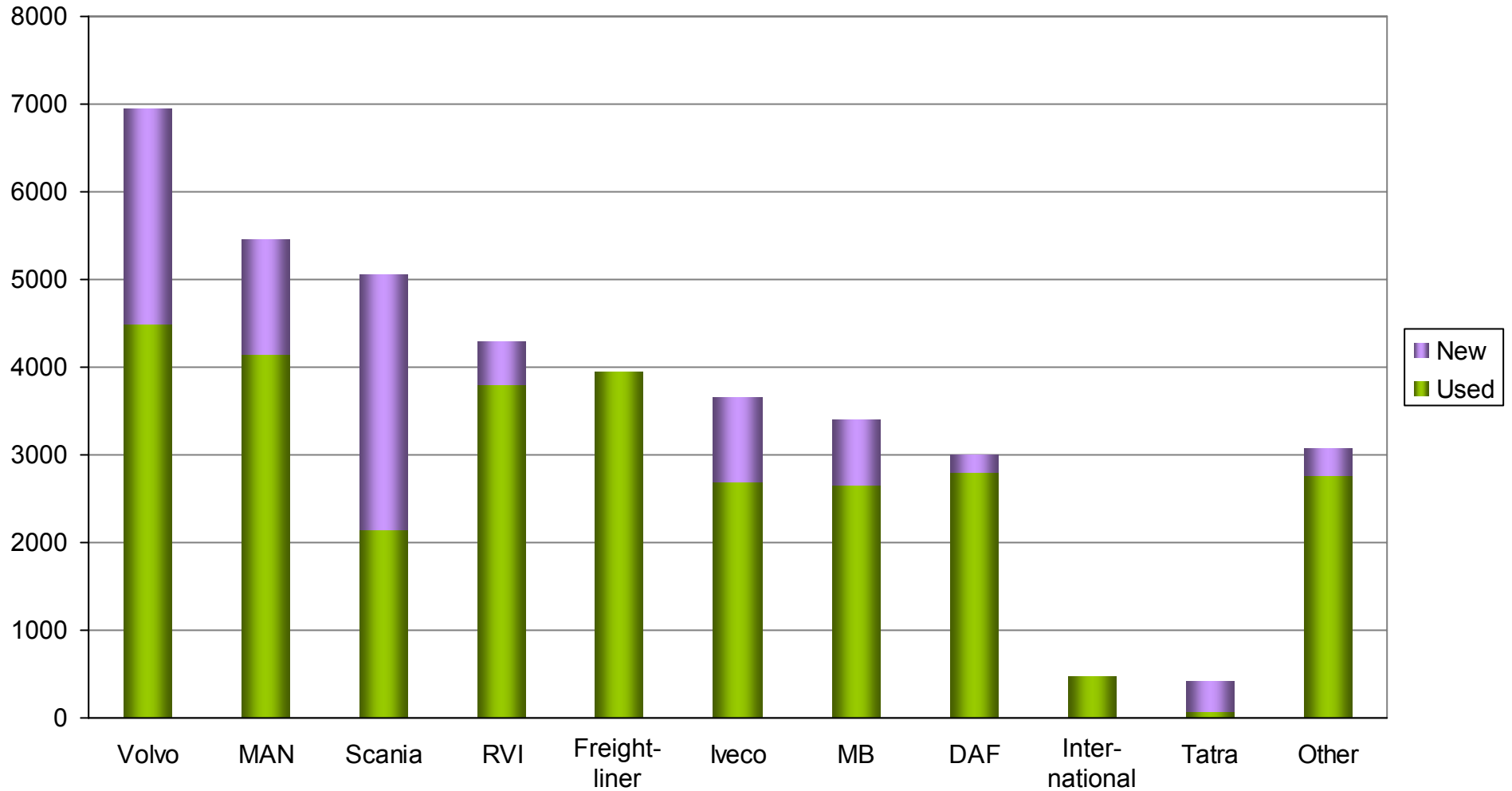
Heavy trucks





Volvo position in Russia

Sales of new and used heavy trucks





Factory in Russia



Present assembly capacity in Zelenograd, 500 Volvo trucks/year

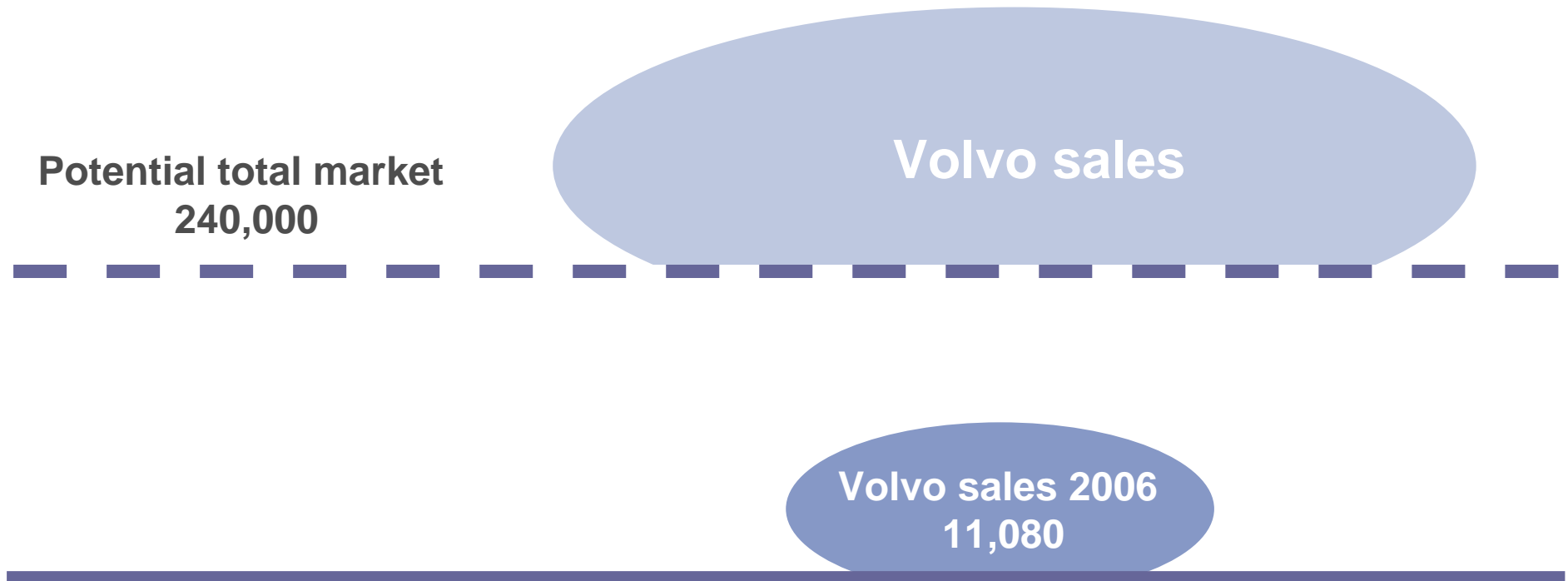
Volvo Trucks invests in a new assembly facility in Russia

- Capacity 10,000 Volvo trucks/year
- Estimated completion 2009
- Expected location Kaluga



Business potential

Total market = 500 heavy trucks/1 million inhabitants

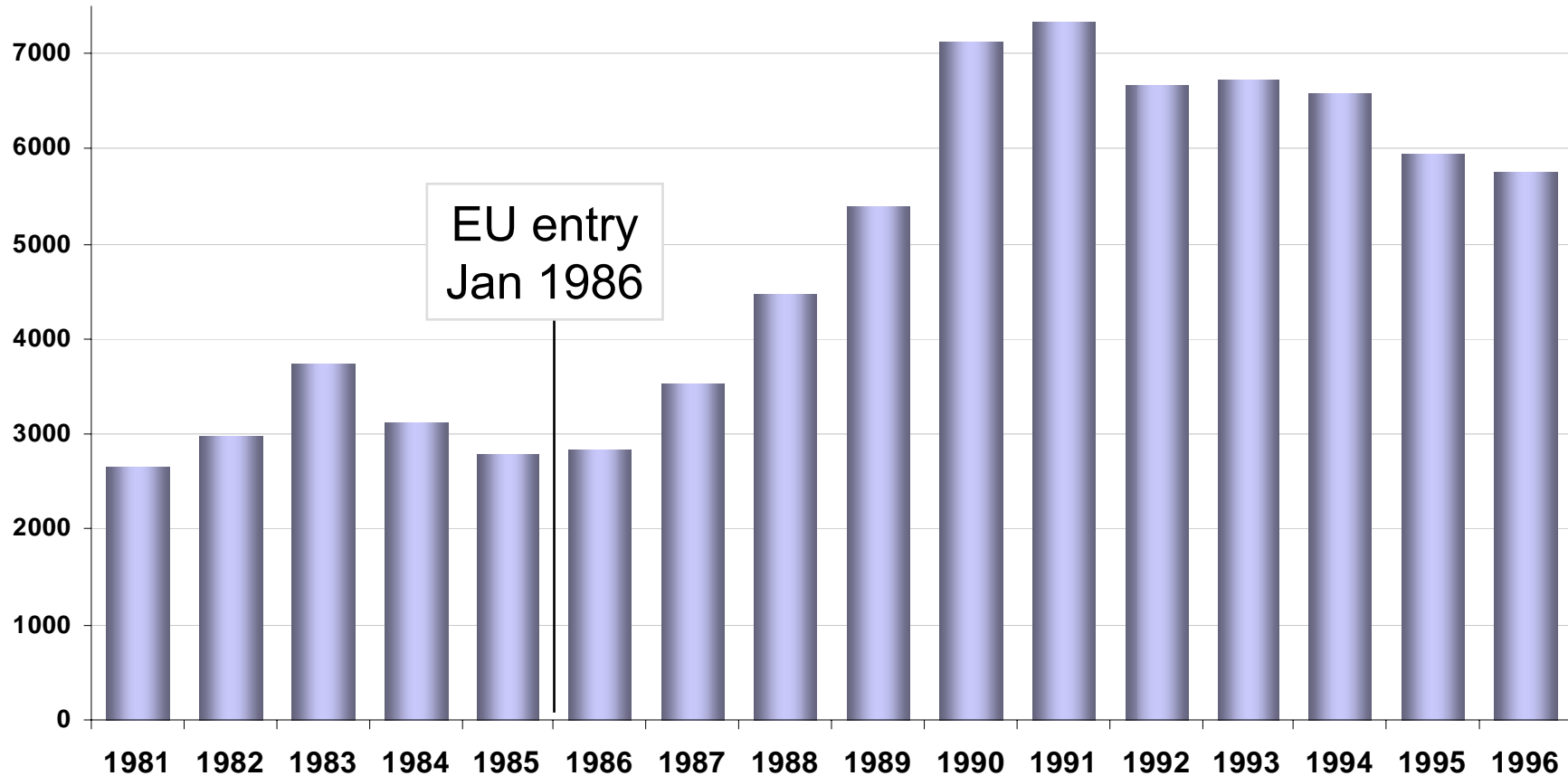




Spain

Infrastructure investments

MEUR



Total market heavy trucks

1985: 8,100

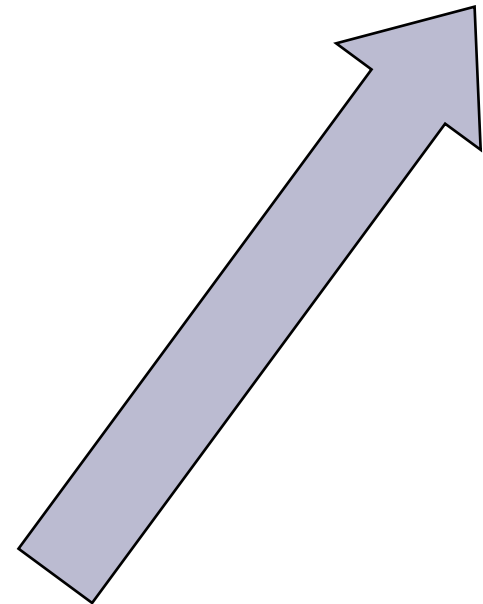
2005: 32,000



Development plan

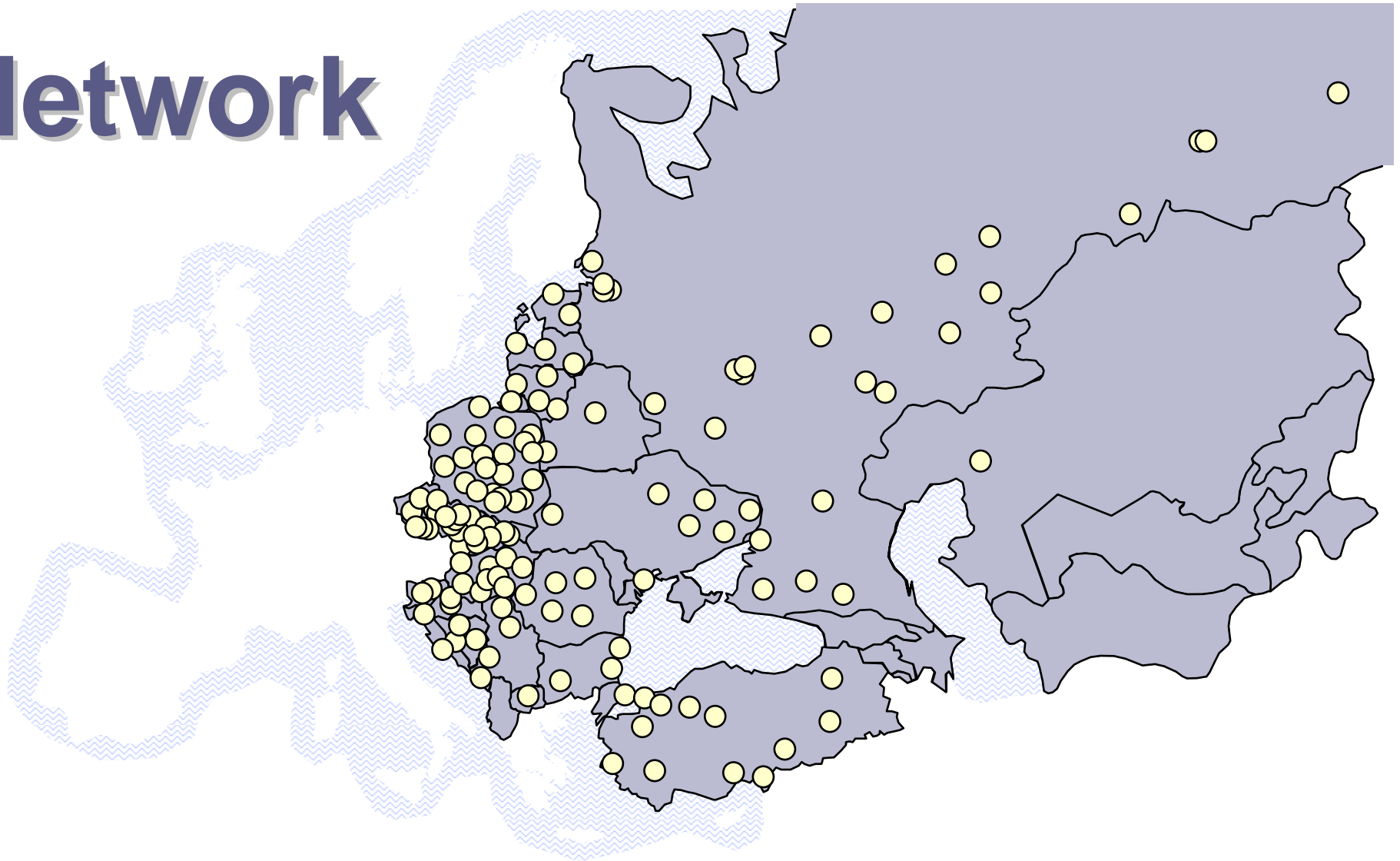
	<i>2006</i>
Truck sales, units	11,080
Volvo vehicle population	103,000
W/c employees	741
Truck salesmen	188
Sales offices	85
Workshops	116
Volvo Truck Centers	34
Volvo mechanics	520

Future





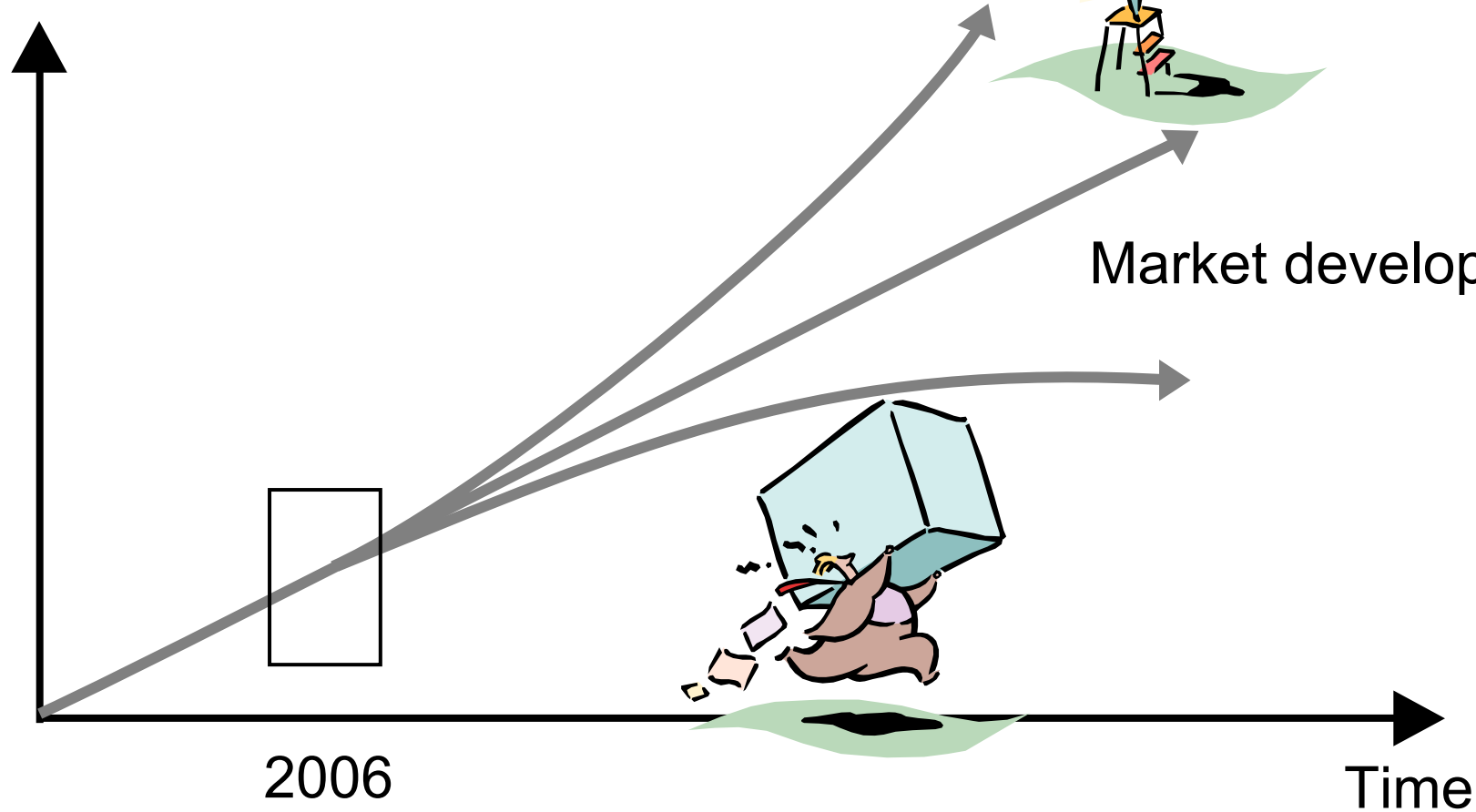
Network





Volvo Way

People development



Market development

2006

Time



Volvo Trucks is very strong in Eastern Europe
with large growth potential