

**VOLVO**

**Capital Market Day**

June 21, 2006

**Stefan Johnsson**  
**SVP AB Volvo**

# Volvo Group

*Organized to deliver sharp customer focus and shared global strength*

## Business areas



Volvo Trucks



Renault Trucks



Mack Trucks



Volvo Buses



Volvo CE



Volvo Penta



Volvo Aero



Financial Services

## Business units

Volvo 3P

Volvo Powertrain

Volvo Parts

Volvo Logistics

Volvo Information Technology

Volvo Non Automotive Purchasing (NAP)

Volvo Business Services

## Objective for Business Units

- Centralization and harmonization to drive cost efficiency
- Capture bargaining power
- Cross learning between Business Areas
- In-house competence centers

# Volvo Parts

## Overview

2005

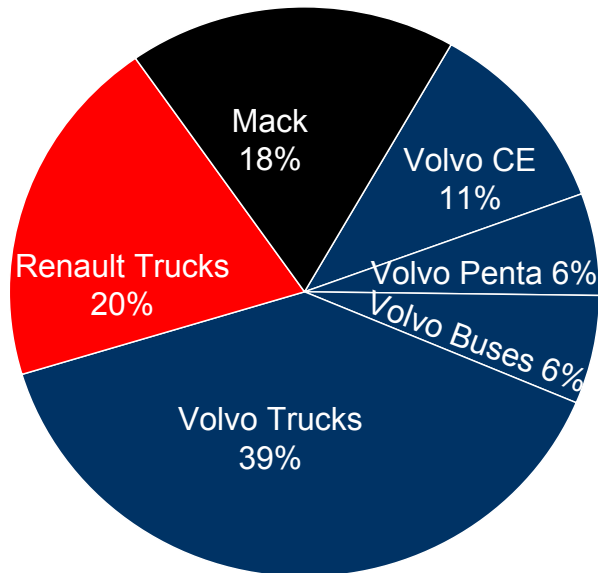
Employees	3,500
Warehouses globally	32
Stocked parts number	>500,000
Workshops for service and parts information	~15,000

Customer Base

### Volvo Group



### Net sales



# Volvo Parts Business



## Parts Logistics

A part must be available exactly where it is needed - and must get there as quick and cost efficient as possible.



## Product Support Development

Creates value and business advantages for the business areas by developing aftermarket products to the end customer on a competitive platform.



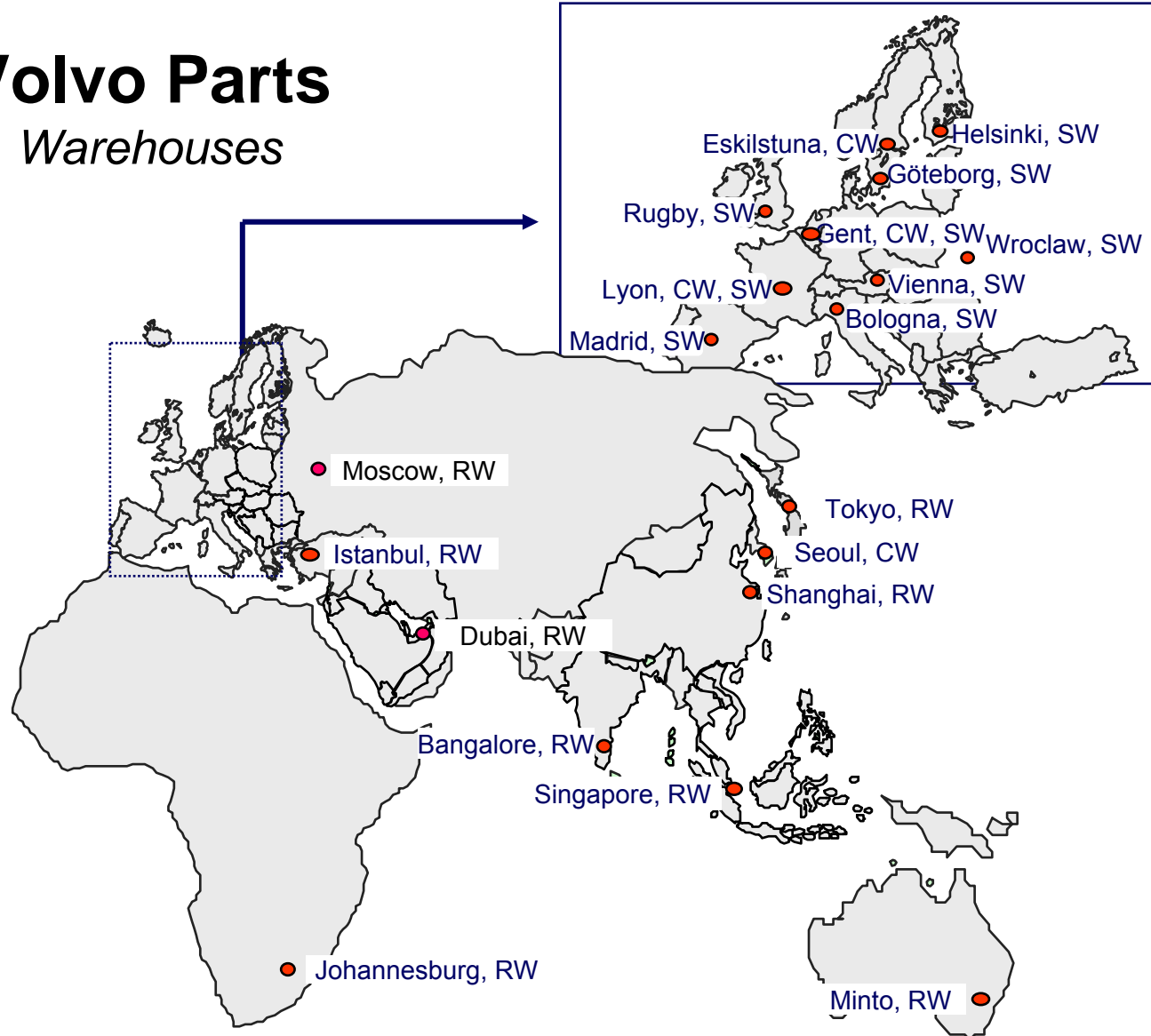
## Volvo Action Service

24 hour road assistance

## Remanufacturing

By remanufacturing engines we offer our customers a profitable solution to extend the life of their vehicles.

# Volvo Parts Warehouses



CW, Central warehouse  
 RW, Regional warehouse  
 SW, Support warehouse



# New Supply Chain Management Set-up

## *Key benefits*



### **Increase customer satisfaction / dealer loyalty**

- Integrated material management
- Enhanced back order recovery and proactive communication with the customer
- Track and Trace



### **Increase competitive advantage and speed of change**

- Implement common best practice processes

### **Increase sales**

- Extended parts assortments



### **Reduce cost**

- Transport mode (Direct deliveries , Cross docking)
- Common parts
- Segmentation

# Volvo Logistics

## Overview

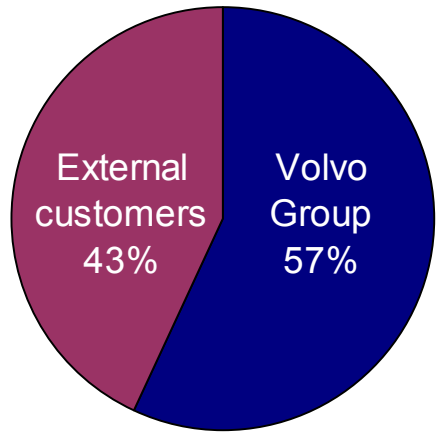
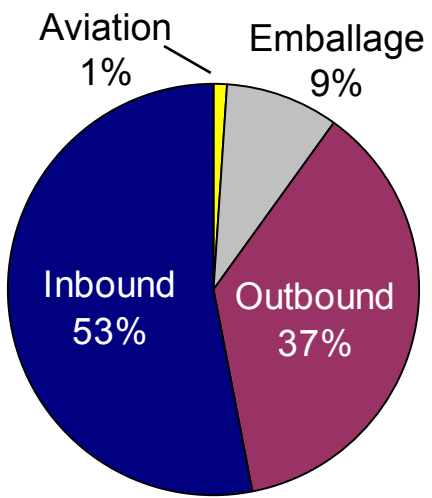
2005

Managed logistics costs	SEK 9.2 bn
Employees	980
Emballage transactions	42 million
Number of vehicles shipped	719,000

Customer Base

EXAMPLES

Volvo Group



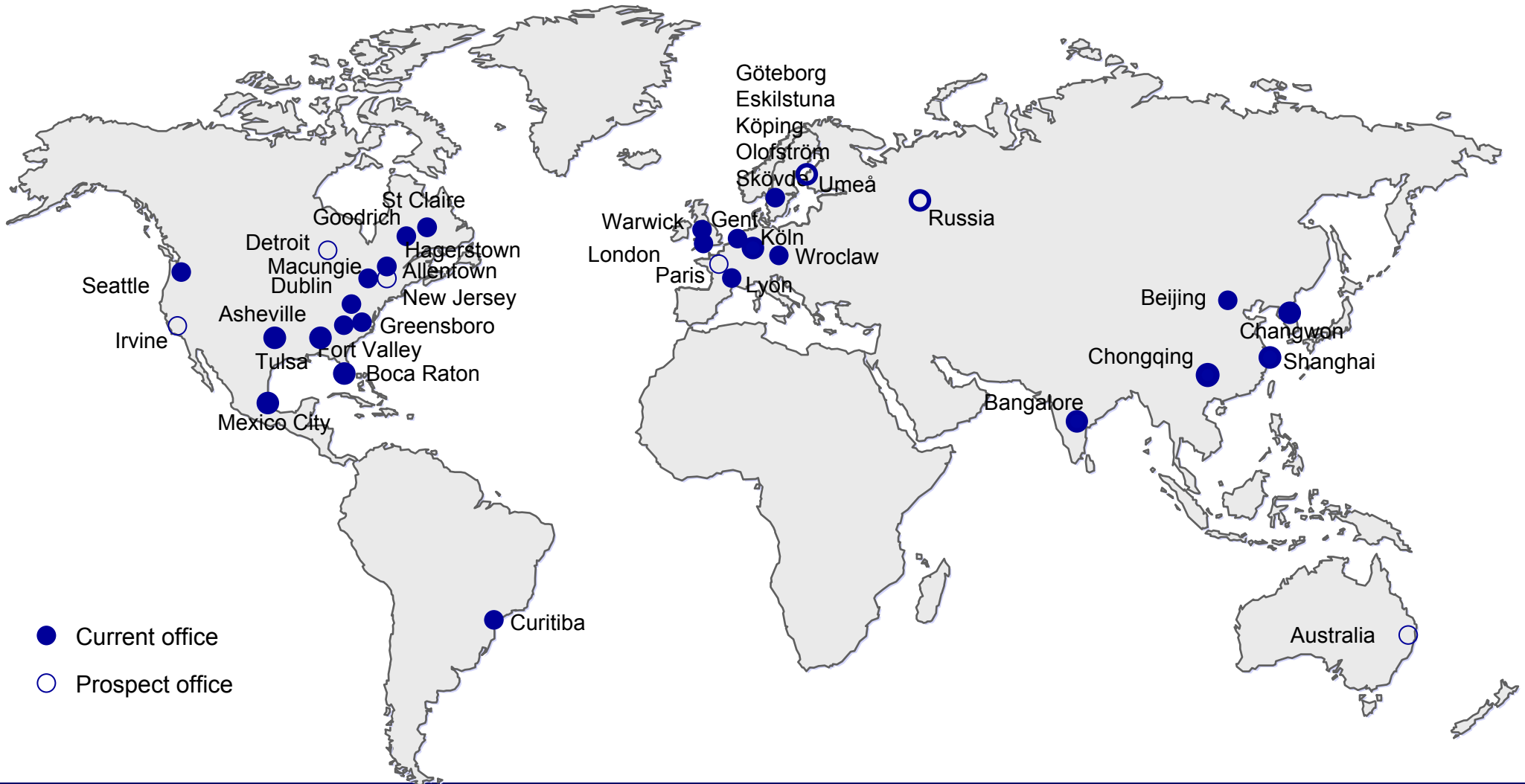
External





# Volvo Logistics

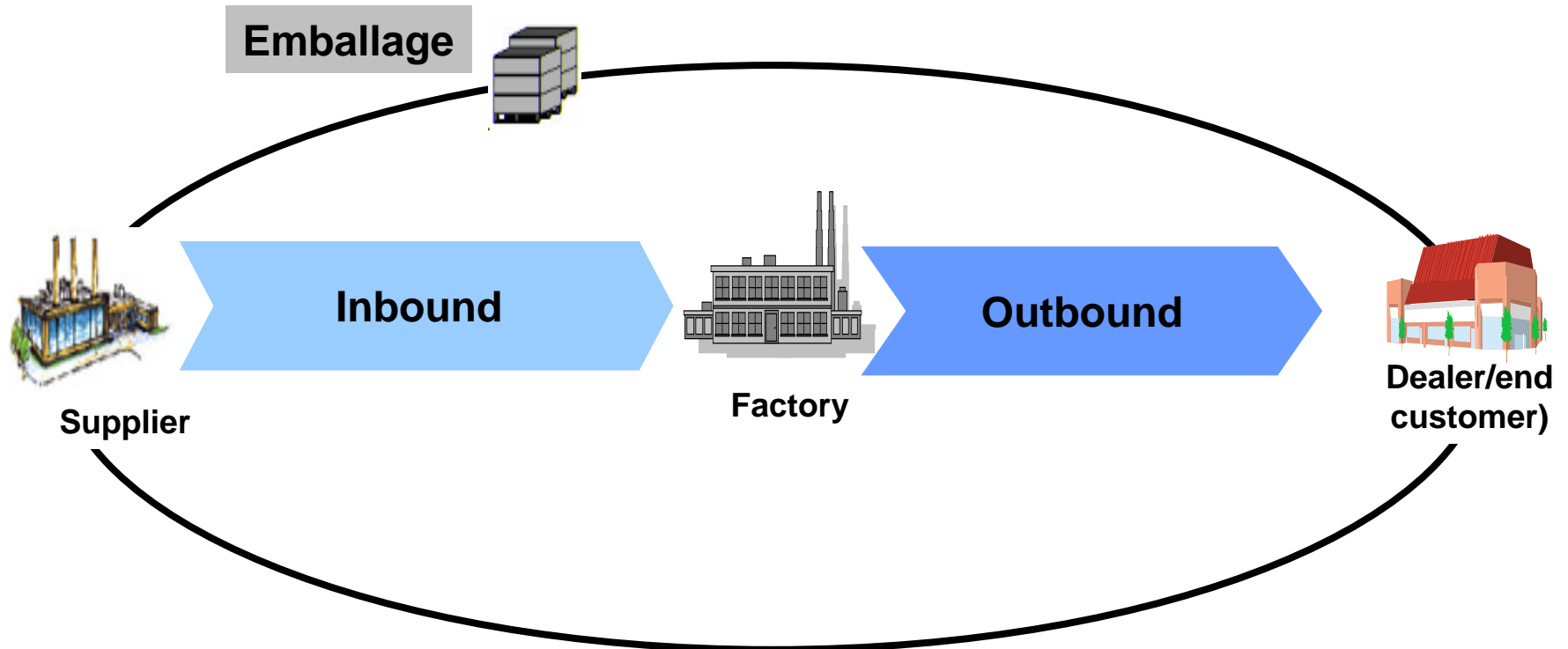
## Global reach



- Current office
- Prospect office

# Volvo Logistics

## *Supply chain optimization*

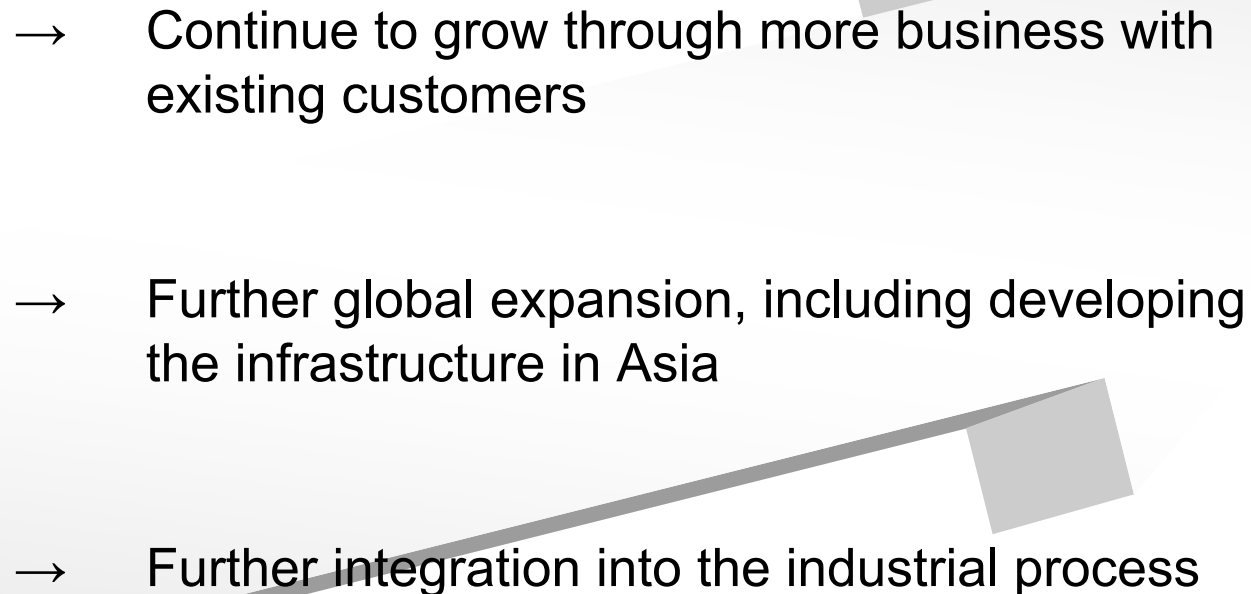


### Services

- Purchasing of transport and logistics needs
- Customs management

# Volvo Logistics

*In focus going forward*

- 
- Continue to grow through more business with existing customers
  - Further global expansion, including developing the infrastructure in Asia
  - Further integration into the industrial process

# Volvo Information Technology

## Overview

2005

<b>Sales</b>	<b>SEK 7.1 bn</b>
<b>Employees</b>	<b>4,390</b>
<b>Contractors</b>	<b>1,600</b>
<b>Global presence</b>	<b>30 sites</b>

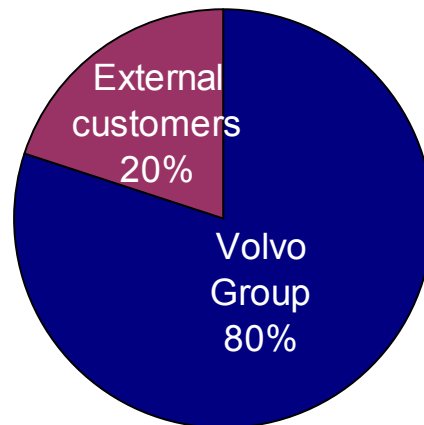
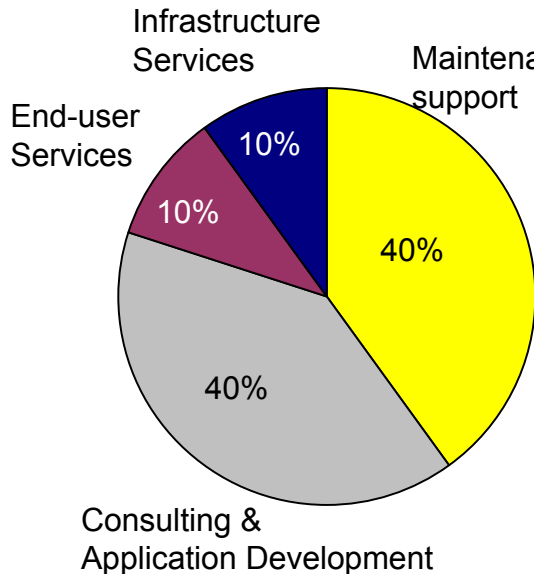
Customer Base

### Volvo Group



### External

- Ford Motor Company / Volvo Car Corporation
- ArvinMeritor
- Getrag
- Volvo & Volvo Cars private dealers
- SCA
- Skandia
- Nobel Biocare
- Assa Abloy



# Volvo Information Technology

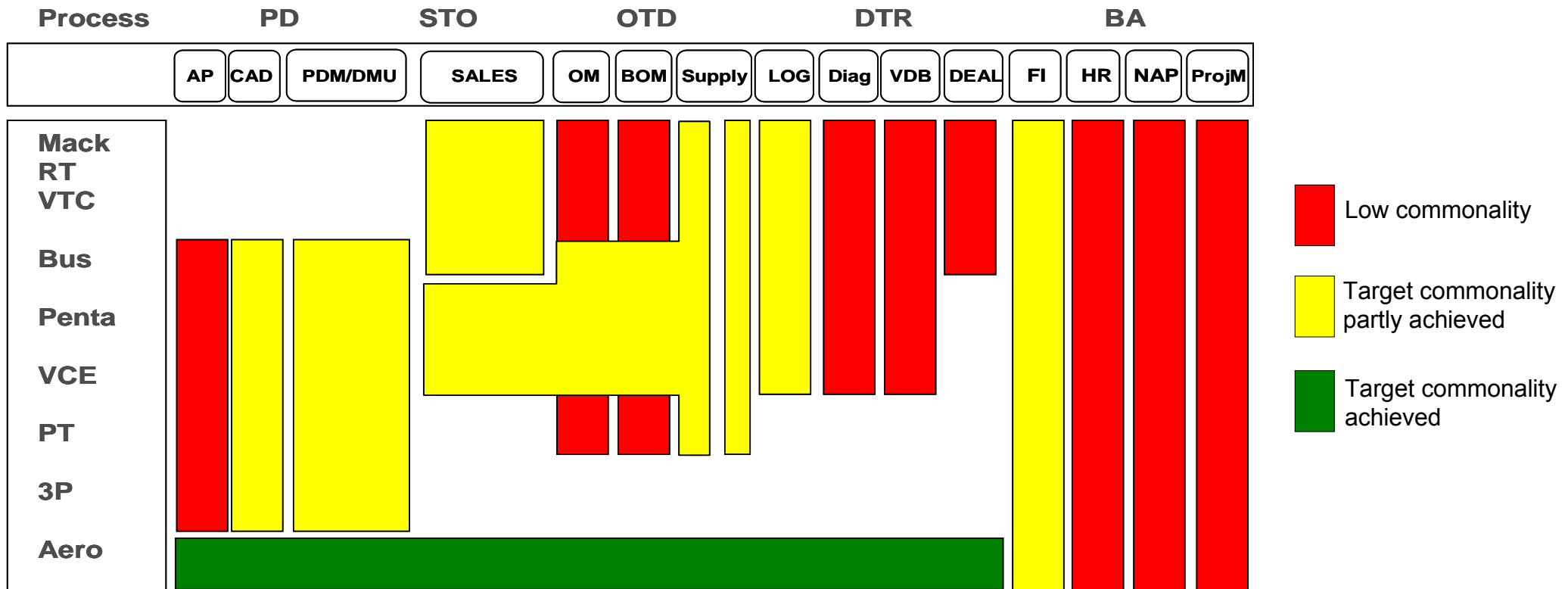
- The strategic IT competence center within the Volvo Group
  - Unique knowledge of vehicle industry operations
  - Driving harmonization and standardization
- A Global IT services provider with a complete portfolio of integrated solutions for the Volvo Group's activities
- Benchmarked as having world class efficiency in IT Infrastructure Services
- A popular place to work: high Employee Satisfaction and consistently among most attractive workplaces for IT students (Sweden)

Example

# Volvo Information Technology

**Process and Application Commonality: Foundation for maximizing Volvo Group synergies and easy integration of acquired entities.**

2001



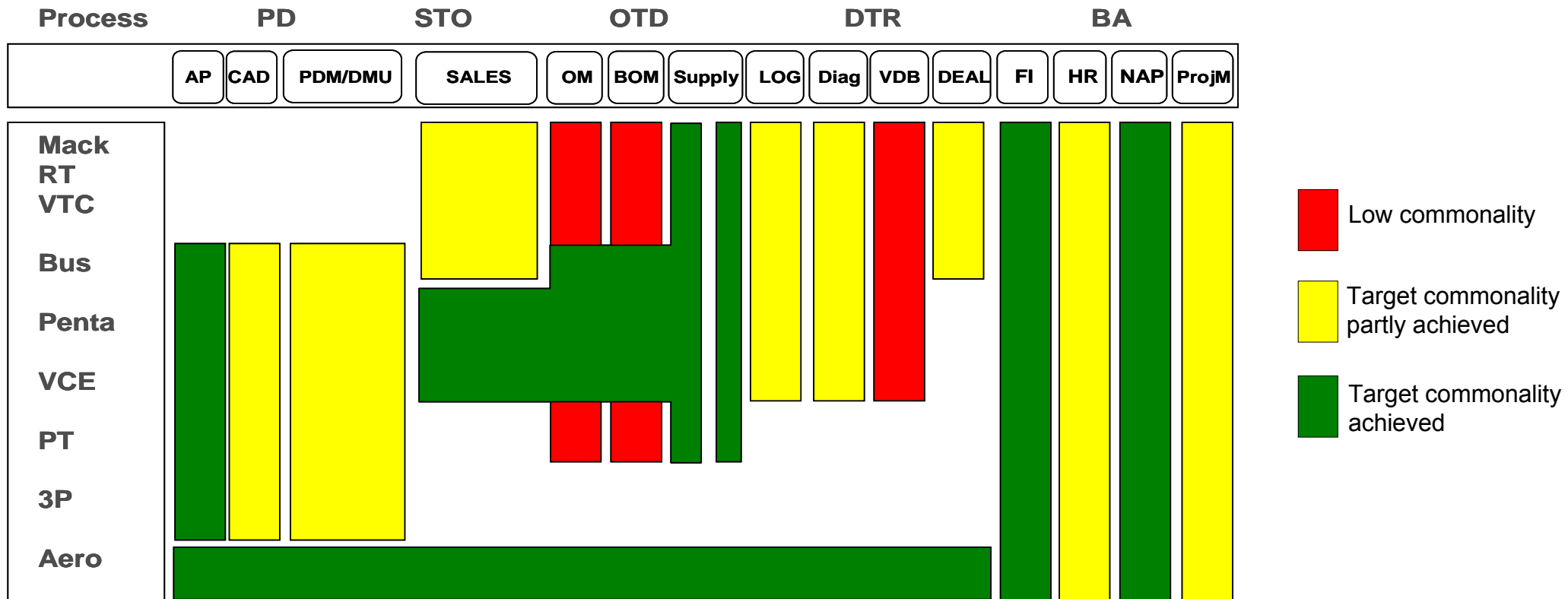


Example

# Volvo Information Technology

## Process and Application Commonality

2005

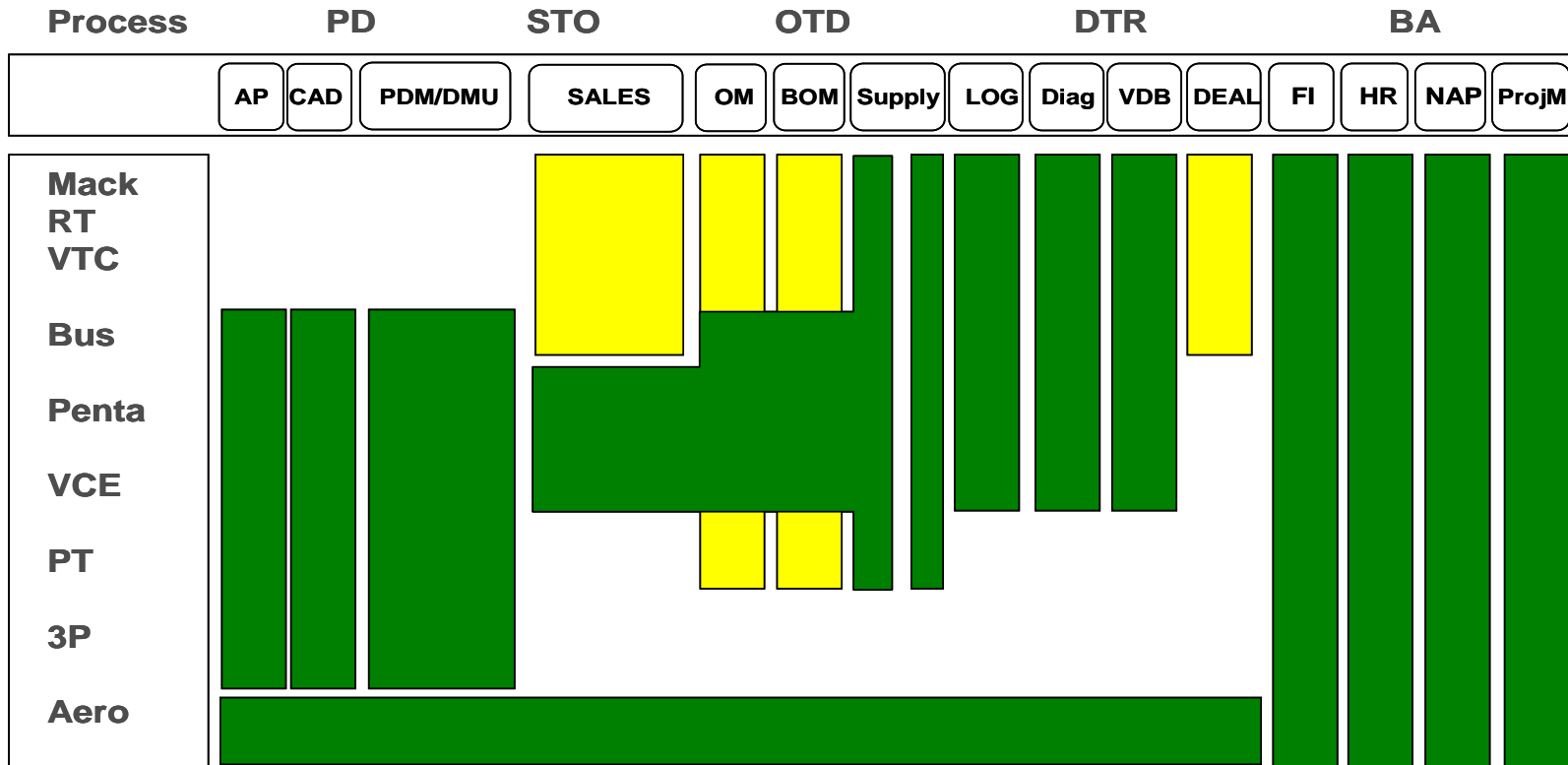


Example

# Volvo Information Technology


## Process and Application Commonality

**2008 Target**



# Volvo Information Technology

*In focus going forward*

- 
- Globalization
    - Infrastructure in Asia
    - Global services, SAP, IP-communication ...
  - Commonality and standardization to drive cost efficiency
  - Develop/buy applications to support growth in Soft Products
  - Business cycle management

# Volvo Group Non Automotive Purchasing

## Overview

### 2005

Addresses indirect spending:	SEK 21 bn
Employees	230
Global presence	34 sites

### Focus areas:

- Professional services
- Packaging and MRO
- Facility management & services
- Production equipment & investments
- Marketing and sales

### Customer Base

#### Volvo Group



# Volvo Group Non Automotive Purchasing

## *Business scope*

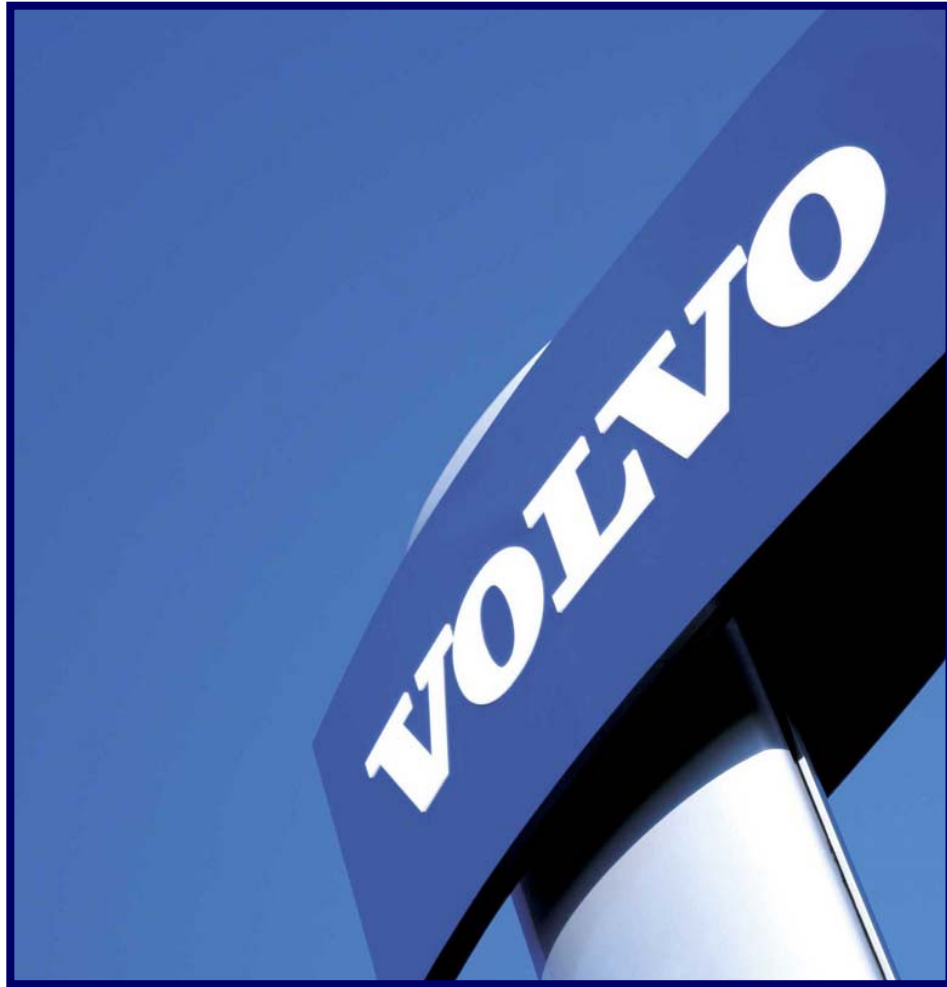
- Leverage Volvo Group purchasing power
  - Improved cash flow due to extended payment terms
  - Efficient purchasing by "World Class" processes and tools
  - SOX compliance of the Requisition to Pay process
  - Sharing best practices within the Volvo Group
- **Significant savings**
  - **Improved payment terms**

# Volvo Group Non Automotive Purchasing

*In focus going forward*

- Investments have been done in IS/IT tools which are now being rolled out worldwide
- A strategic sourcing process is developed and will be implemented globally during 2006
- Resources are now being added to increase the controlled spend





## Summary

- Business Unit organization in place and operational
- Further centralization and harmonization to drive cost efficiency
- Support the Group's growth
- Improve business cycle management