

VOLVO

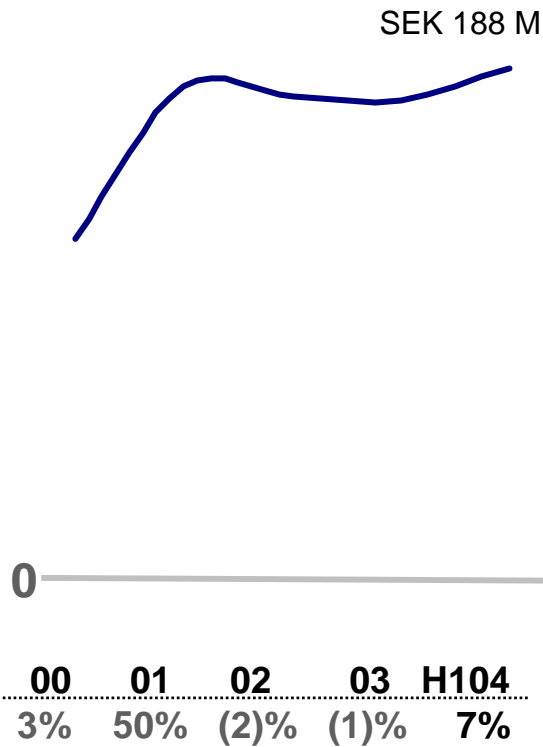
Capital Market Day 2004

Stefan Johnsson
Senior Vice President and CFO

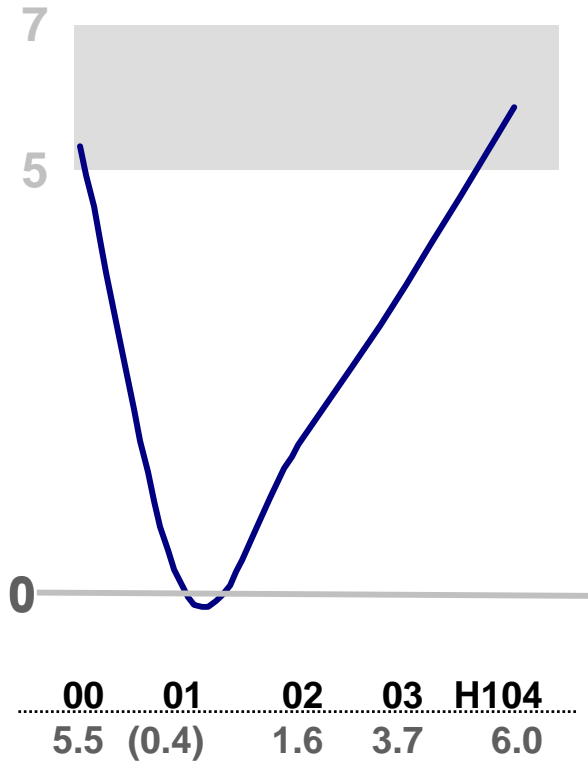
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Financial Targets

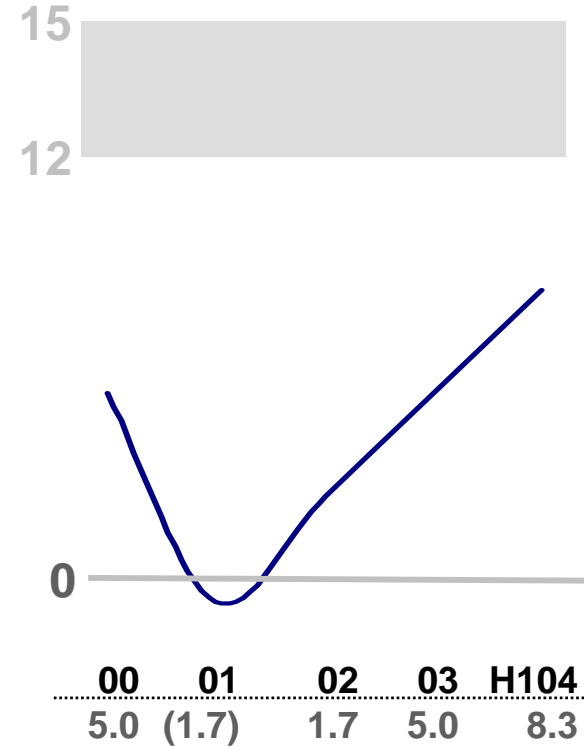
Net Sales *



Operating Margin*, %



Return on shareholders equity, %

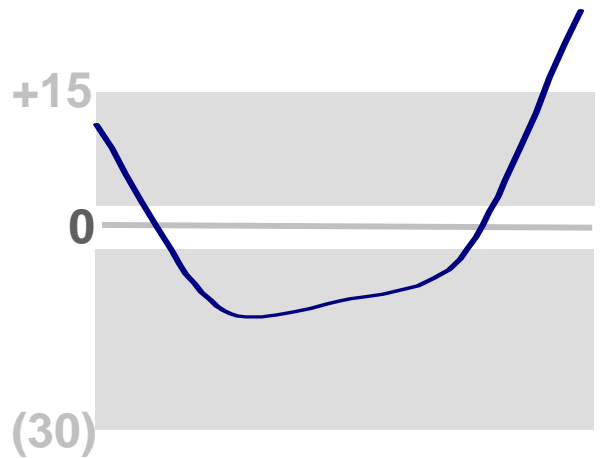


* Excluding revaluation of shares in Scania and Henlys and dividen from Scania 2003

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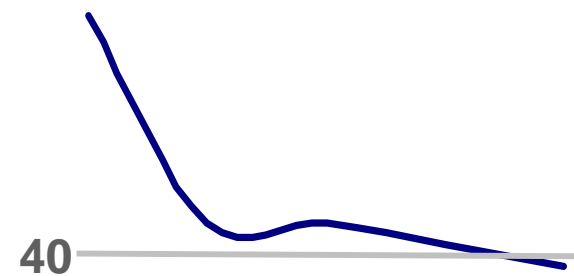
Financial Targets

Net financial position as percentage of shareholders equity, %



00	01	02	03	H104
10.6	(8.2)	(7.7)	(3.3)	22.4

Equity Ratio, %



00	01	02	03	H104
61	42	42	40	38

Break down of Interest Net Q2 2004

	AVG Q2-2004	Yield/Cost	AVG Yield
Financial assets	47,635	271	2.28%
Loans	-17,114	-195	4.17%
Provisions for pensions	-15,504	-187	4.85%
	15,017	-111	



Focus on Cash Flow and Operating capital

– in a balanced way

Considerations

- No “sell out”
- No “financial engineering”
- Activities should support margins as well as cash flow
- Investments for future growth secured

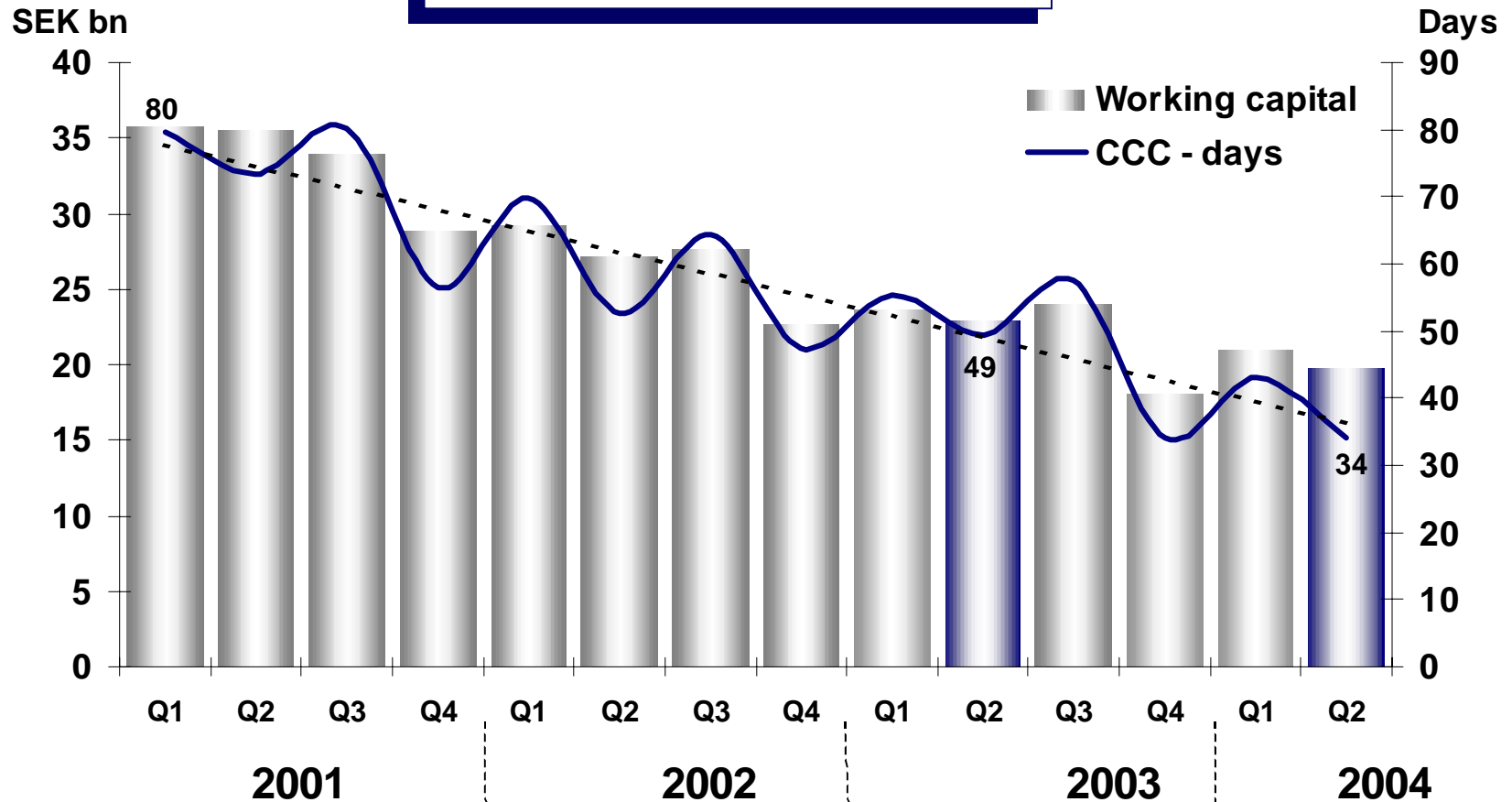
The way forward

- Focus on efficiency in main processes
- Review the investment process incl. education
- Review fixed assets, low utilisation or non value adding assets
- Change the culture and attitude towards capital tied up

Cash Conversion Cycle

Where did the CCC Improvements occur?

- 35 % Receivables
- 52 % Inventories
- 13 % Trade payables



Reduced Cash Requirement when Growing

- at 200 bn SEK sales

Additional capital tied up at 10% growth

CCC, Days	bn SEK
75	4,0
35	2,0
	<hr/>
Cash Flow improvement	+2,0

Examples of C²G Actions

General

- Changes in incentive systems
- Frequent Follow up on financial indicators as well as status of ongoing activities
- Tighter credit limits to BAs / BUs

Receivables

- Reduction of overdue receivables – improved routines
- Shortened lead-times for invoicing and invoicing frequency
- Stricter credit policy

Examples of C²G Actions

Inventories

- Clear targets and limits for unsold vehicles – frequent follow-up
- Process improvements – shortened lead-times
- Clearer management of production
- New improved routines for introduction of product changes in production

Trade payables

- Secure that we pay on negotiated terms.
- Extended terms

Cash²Grow – Going Forward

Strategic challenge to maintain 35 days CCC

- *go from special focus*
=> *to routines, procedures and systems!*
- *go from project activities*
=> *to continuous improvements!*
- *go from communication & learning*
=> *to culture and values!*

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