

VOLVO

Capital Market Day

June 21, 2005

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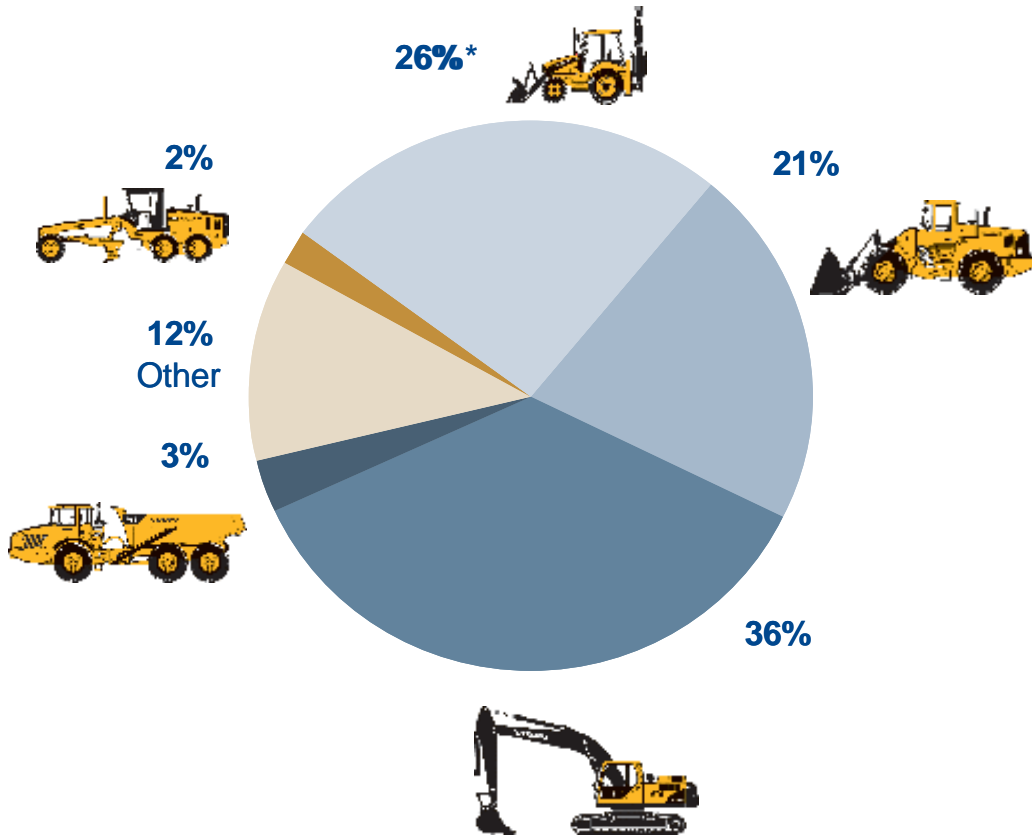
Volvo Construction Equipment



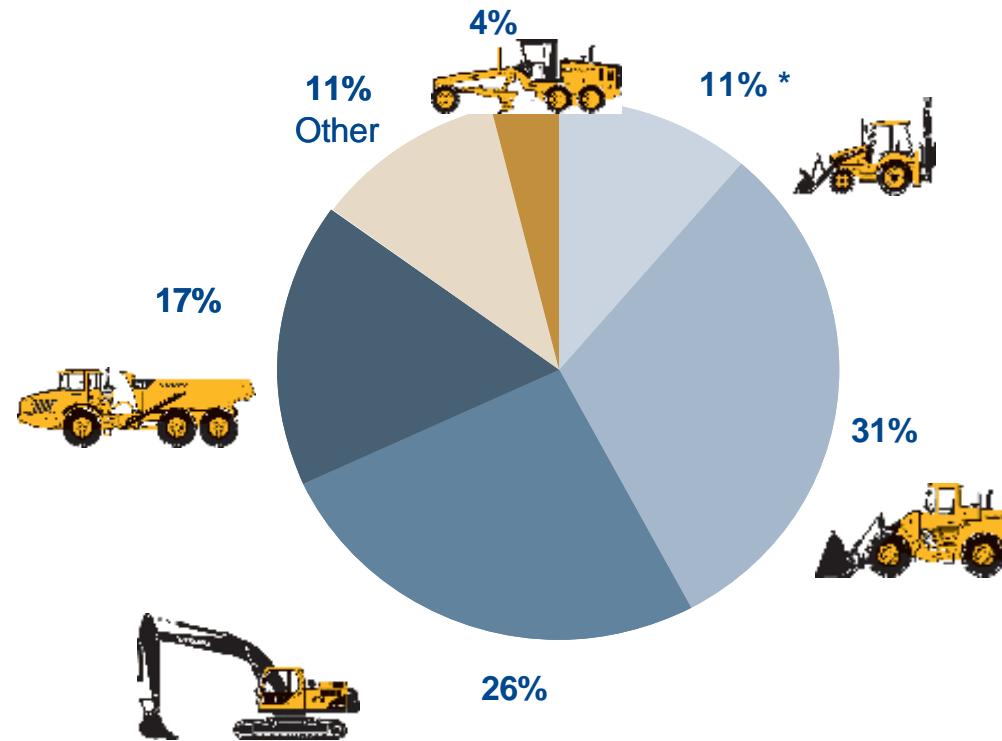
Volvo CE vs. Industry

2004

Industry: USD 50 bn



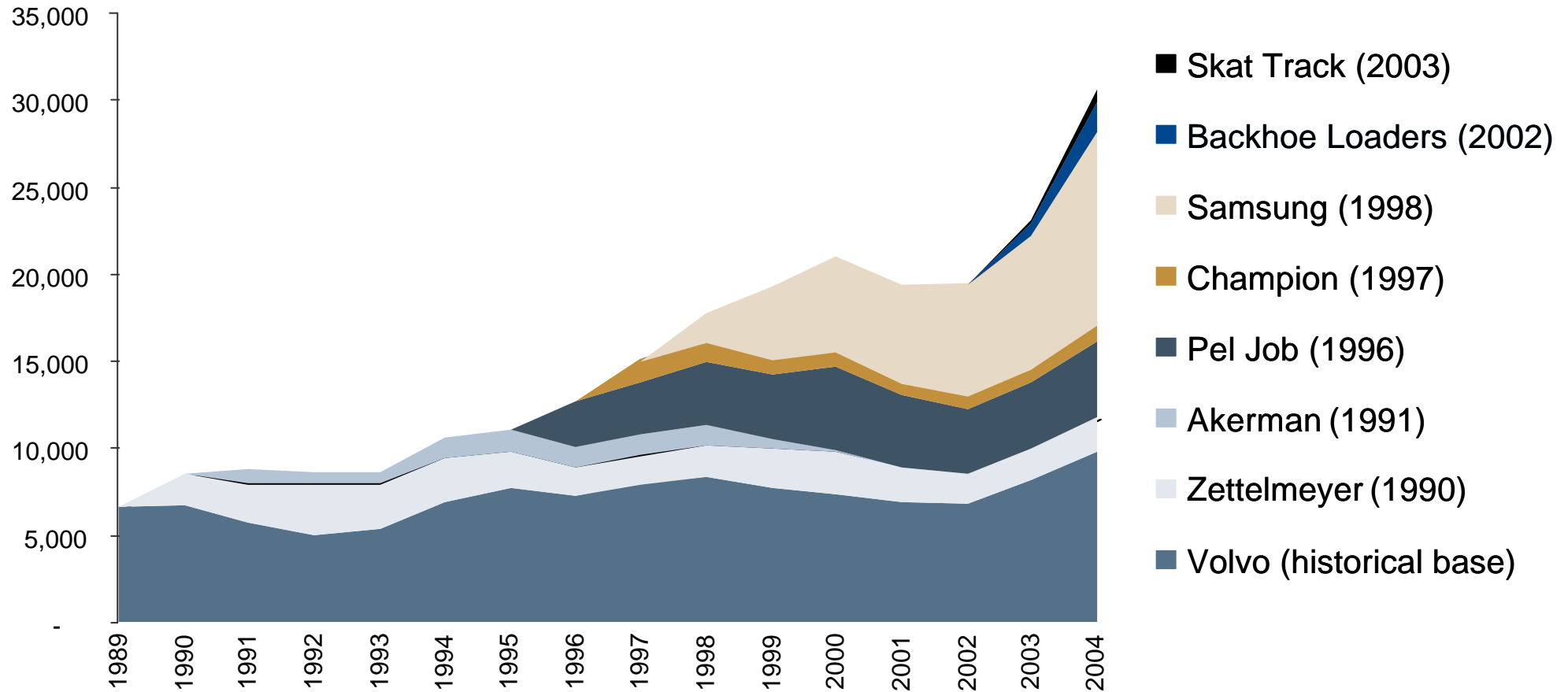
Volvo CE: USD 3.9 bn



(*) Compact Equipment
Volvo CE estimate

The development of Volvo CE

Total unit sales 2004: 29,367 units (All Time High)



Successful growth in excavator business

- Acquisition of Samsung (1998)
- Volumes from 5,000 to more than 8,000
- Profitable since acquisition
- Full capacity utilization in Korea
- Satellite in Shanghai, China and production in Konz, Germany
- New 70 ton excavator extends the range
- The full range essential to develop dealer network

Growing the Volvo CE business

Product offering

- Extend the product range:
 - Internal development
 - Acquisitions
- Grow Excavator, Backhoe Loader and Skid Steer businesses
- Competitive Tier-3 engines

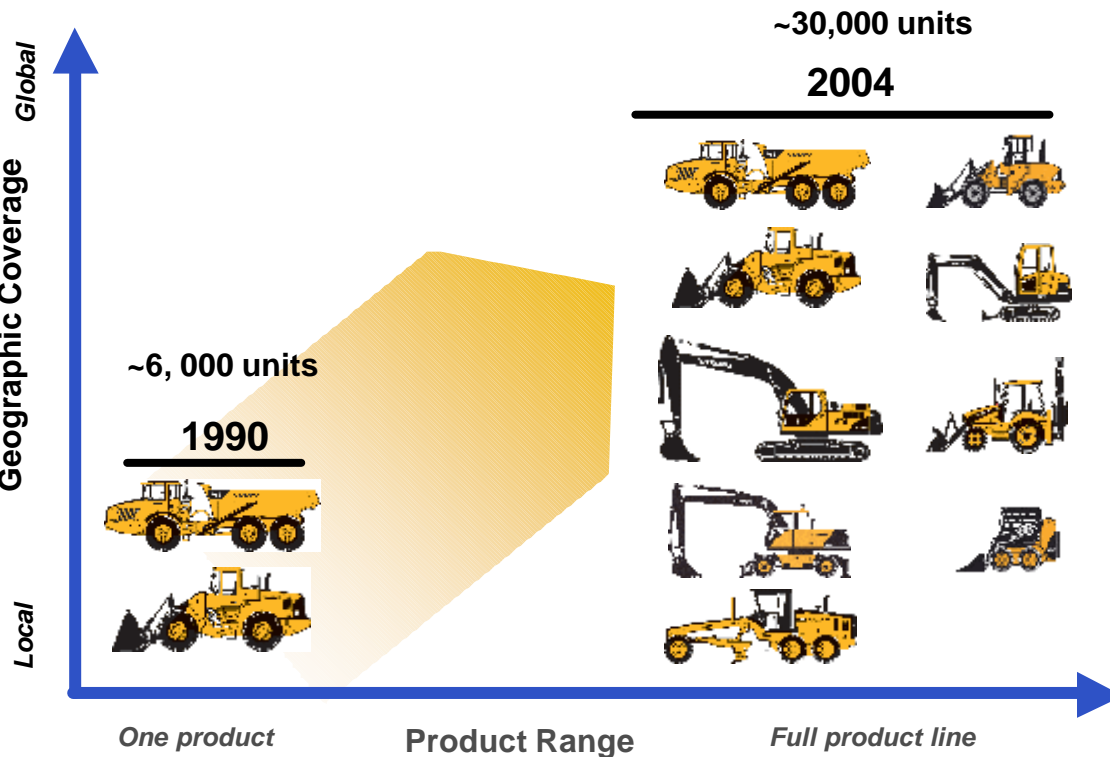
Sales and Marketing

- Grow the after market and other services
- Continue channel development for both dealers and Volvo Rents
- Maintain leading position in Europe and grow in North America
- Build stronger positions in International markets

Continued investment in new products

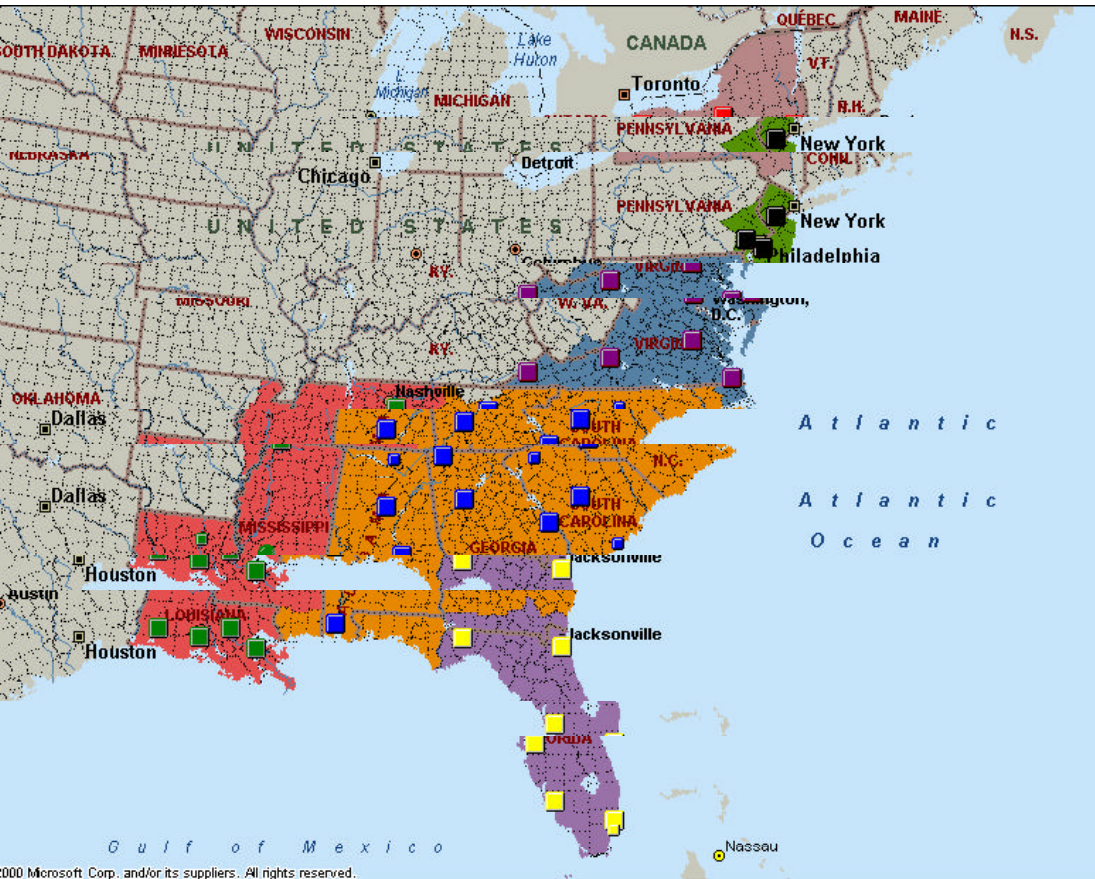


Stronger dealer commitment through an extended range



- Compelling business case for distribution of Volvo CE equipment and services
- Expansion of hard and soft offerings / tool kit to support
- Brand enhancement
- Focus on after market development
- Support from partnership development

LB Smith Divestiture



- 87% of original business sold during 2003 & 2004
- Florida acquired by former Vice President and financial backers.
- Tennessee and Virginia acquired by adjoining Volvo CE Dealers.
- New York state acquired by ex-CAT dealer.
- Georgia, Alabama and Carolinas acquired by Auto-Sueco Coimbra - Volvo CE dealer in Portugal and Spain.
- New Jersey / Eastern Pennsylvania remain and are continuing to be developed until a qualified purchaser is found

Volvo Rents



Objective:

- Grow the compact equipment business by developing a new captive channel to the market
- Create service revenue stream through the channel
- Strengthen the Volvo brand in the construction equipment industry

Status:

- Today 62 stores opened in North America and 24 stores in Europe
- During 2004, around 150MUSD worth of equipment financed through Volvo Financial Services
- Potential upside for Volvo Financial Services, Compact Equipment & Parts

Significant growth in International markets

2001

1. Korea
2. Brazil
3. Australia
4. Indonesia
5. Turkey
6. Chile
7. South Africa
8. UAE
9. India
10. China

\$295M 

+38% AAGR



2004

1. Korea
2. China
3. Turkey
4. South Africa
5. Brazil
6. Australia
7. Iran
8. Russia
9. India
10. Indonesia

\$780M

Competitive Tier-3 engines

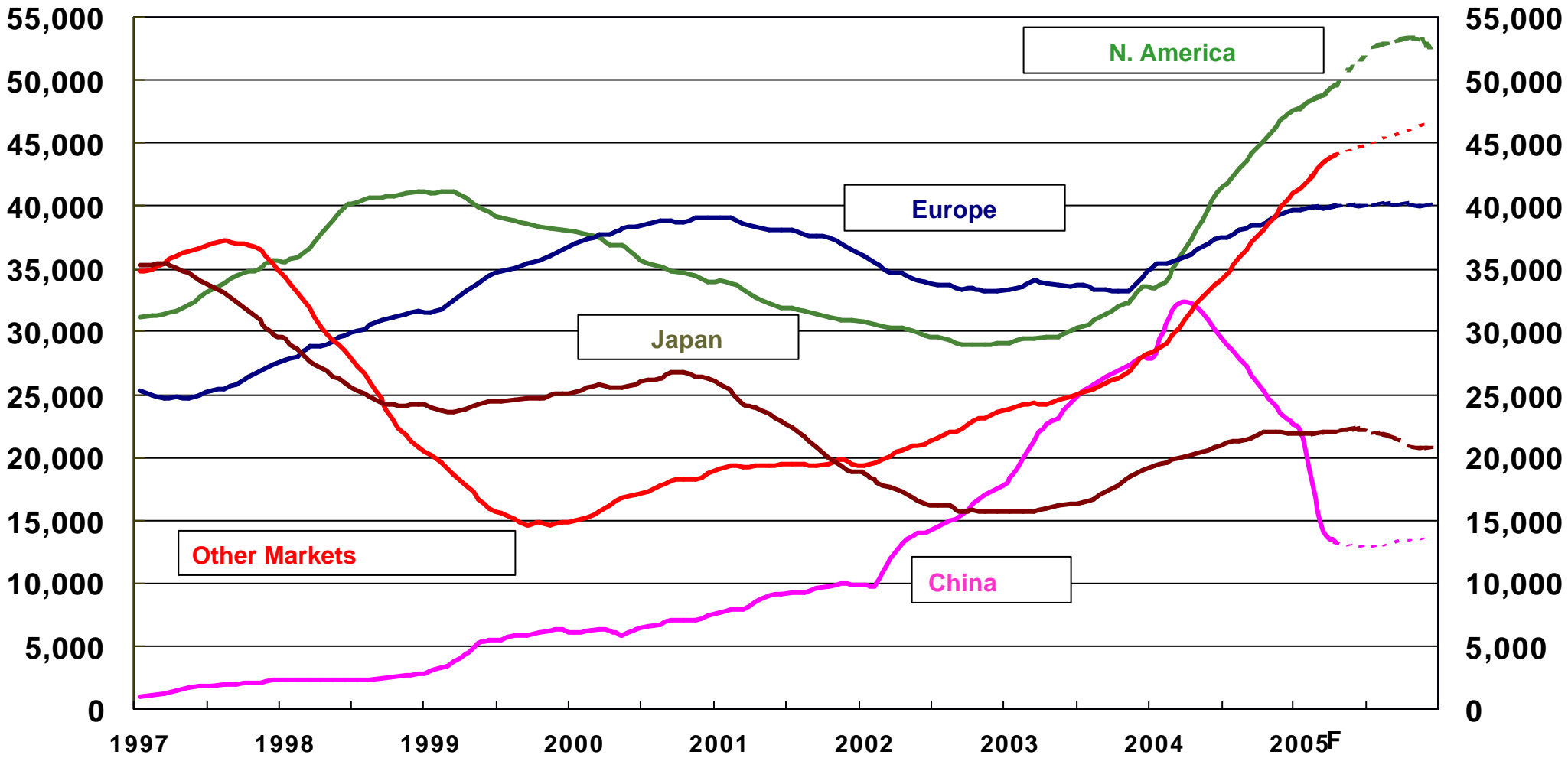
- Engines are a strategic competitive advantage for Volvo CE
- The advantages of being able to integrate the whole drive train
- V-ACT is an uncomplicated system that reduces NOx using an innovative *internal* recirculation of exhaust gases
- The system does not need additional equipment or after-treatment of exhaust gases
- 9 L and 12 L engines certified by EPA

**Volvo is on track for Tier 3
and Step III legislative compliance**



Total Market Development by Key Market Areas

General Purpose Equipment 1997 – 2005F



Off-Highway research and Volvo CE estimate

12 month moving rates April 2005

Focus areas going forward

- Continue worldwide excavator expansion.
- Accelerate Partnership Development program with the dealers to maintain a stable and profitable distribution network through the cycle.
- Industrial and organisational optimisation to ensure a cost competitive setup through the cycle.
- Continue to build on successful development in international markets.
- Rental, including Compact Equipment