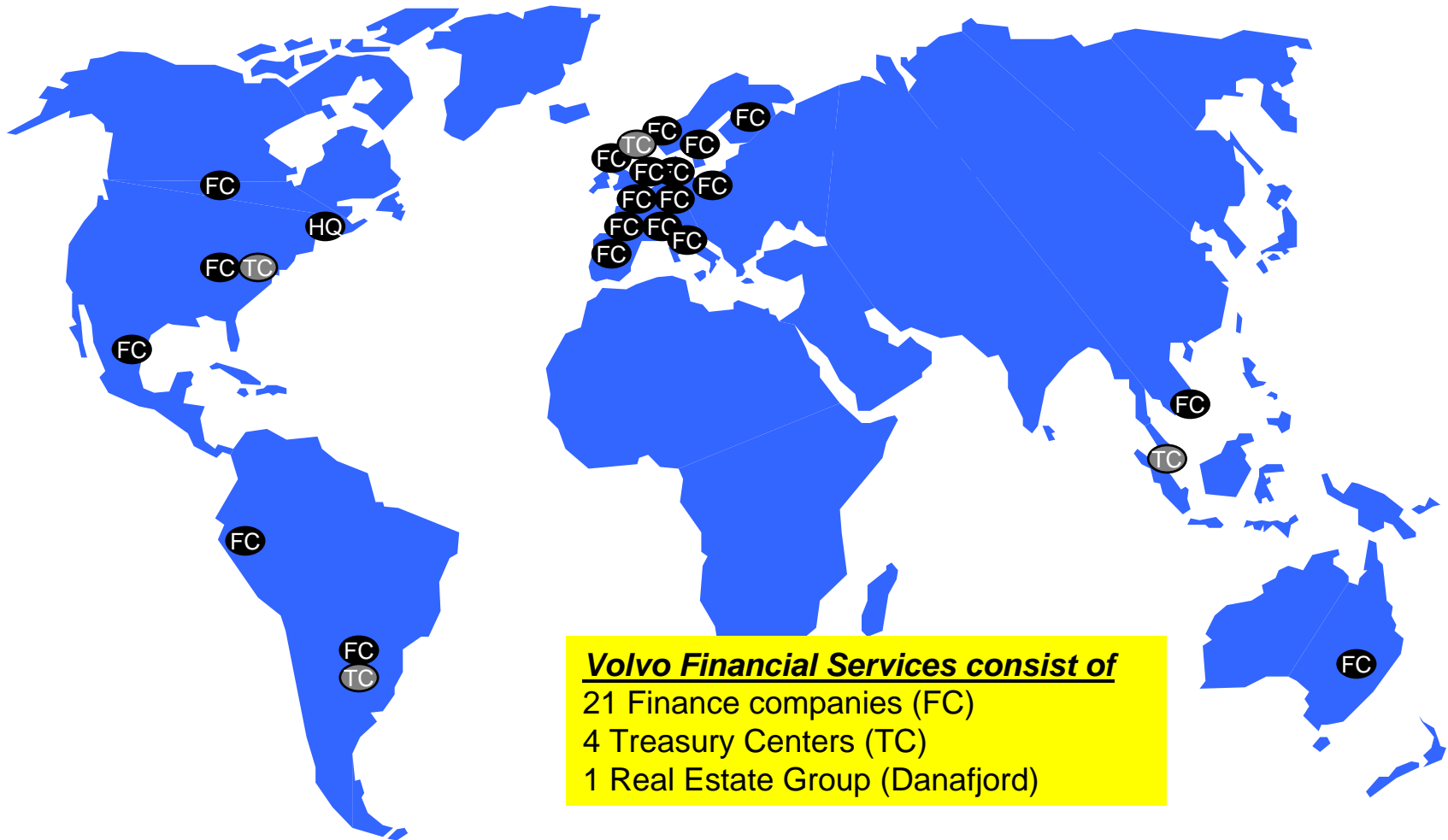


**VOLVO**

**Sal Mauro**

President Volvo Financial Services

# A Global Services Organization



**Volvo Financial Services consist of**  
21 Finance companies (FC)  
4 Treasury Centers (TC)  
1 Real Estate Group (Danafjord)

# A Global Services Organization

## Customer Finance

### Customer Finance:

- Operational leasing
- Financial leasing
- Instalment credits

### Dealer Finance:

- Floor plan
- Dealer loans

## Insurance

- Liability
- Physical damage
- GAP

## Real Estate

- Ownership
- Maintenance
- Lease Agreements
- New construction

## Treasury

- Foreign Exchange
- Loans and Deposits
- Cash Pooling
- Strategic Funding
- Liquidity Reserves

## Related Services

- Financial consultancy
- Fuel & Tax reporting
- Credit Card

# VOLVO

VFS Financial Services

## VOLVO

Financial Services

- Volvo Trucks
- Volvo Buses
- Volvo Construction Equipment
- Volvo Aero
- Volvo Penta

## RENAULT TRUCKS

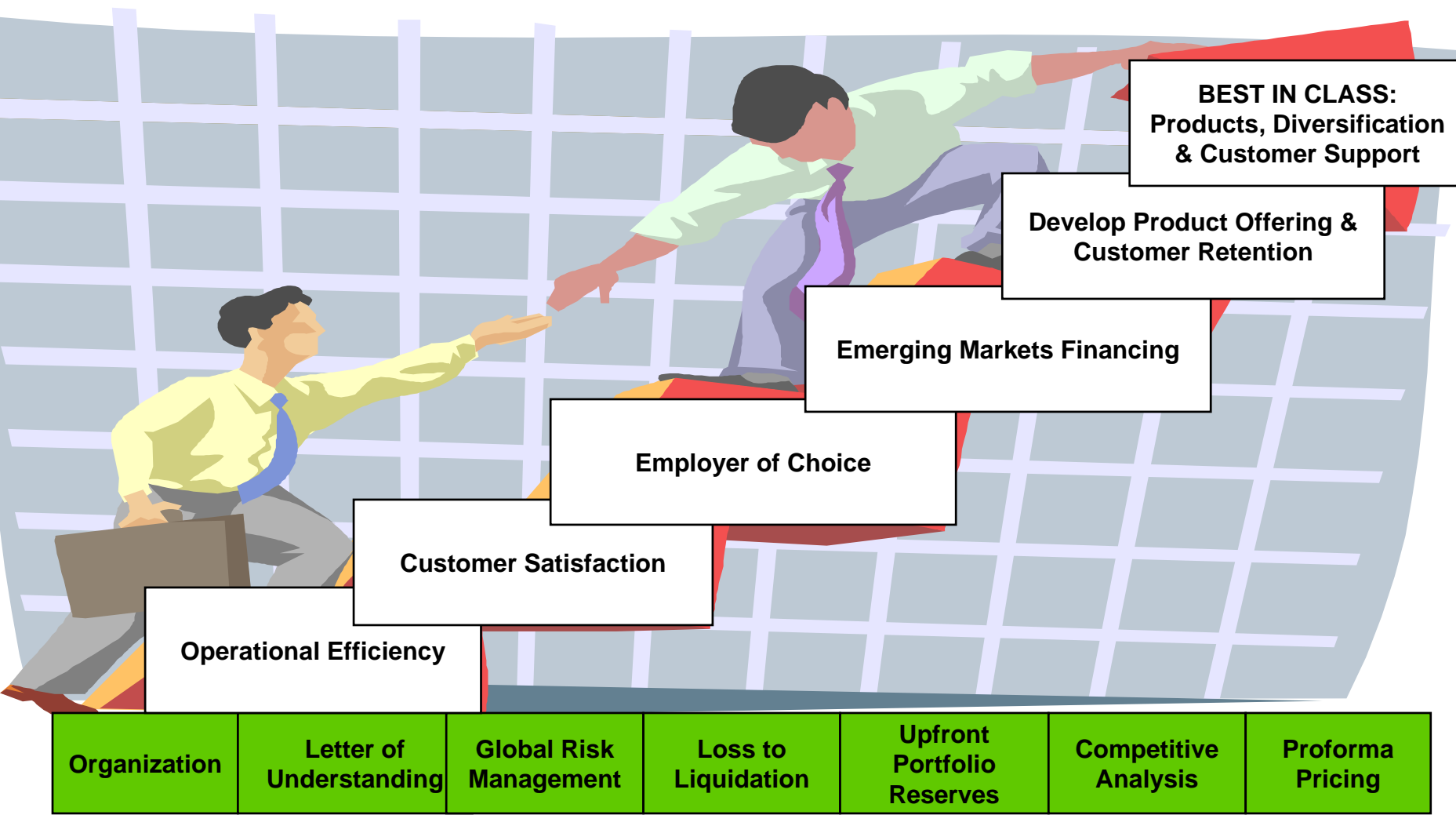
*Finance*

- Renault Trucks



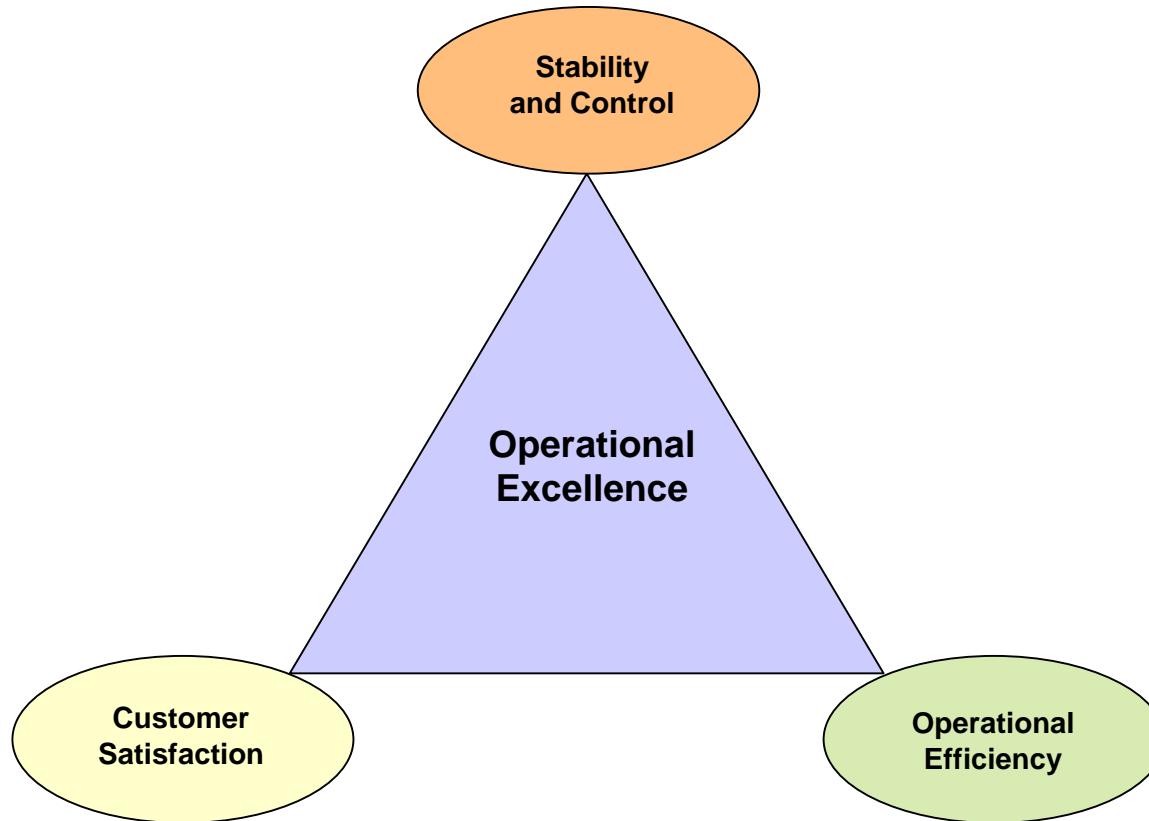
- Mack Trucks

# Building Blocks for Global Strategy



# Principles on Running VFS

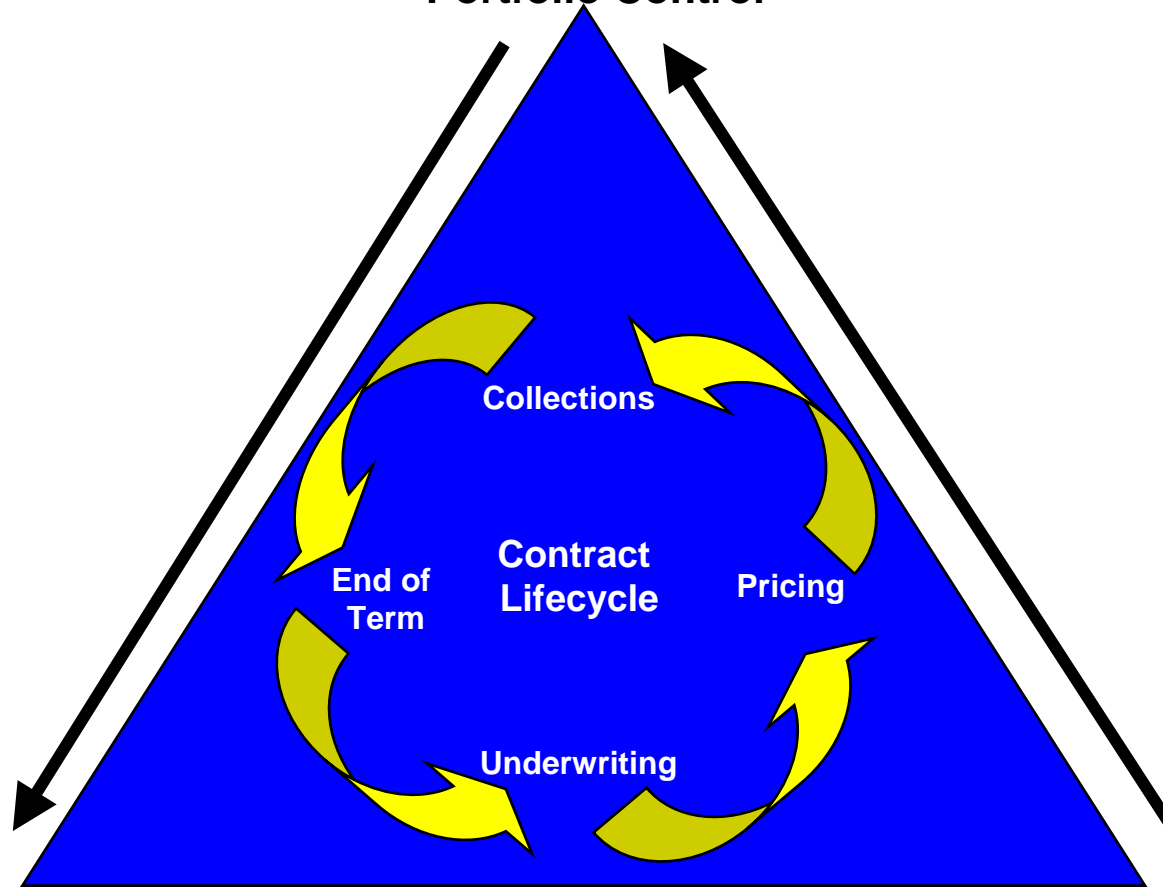
## Operational Excellence Strategy



# Principles on Running VFS

Global Risk Management

Portfolio Control



Loss to Liquidation

Pro forma Pricing

**Monthly  
Upfront  
Provisioning**

Income Statement Impact

**Quarterly  
Reserve  
Adequacy  
Assessment**

Potential Income  
Statement Impact

**Balance Sheet  
Reserves  
(General & Specific)**

**Monthly  
Write-off**

Balance Sheet Impact

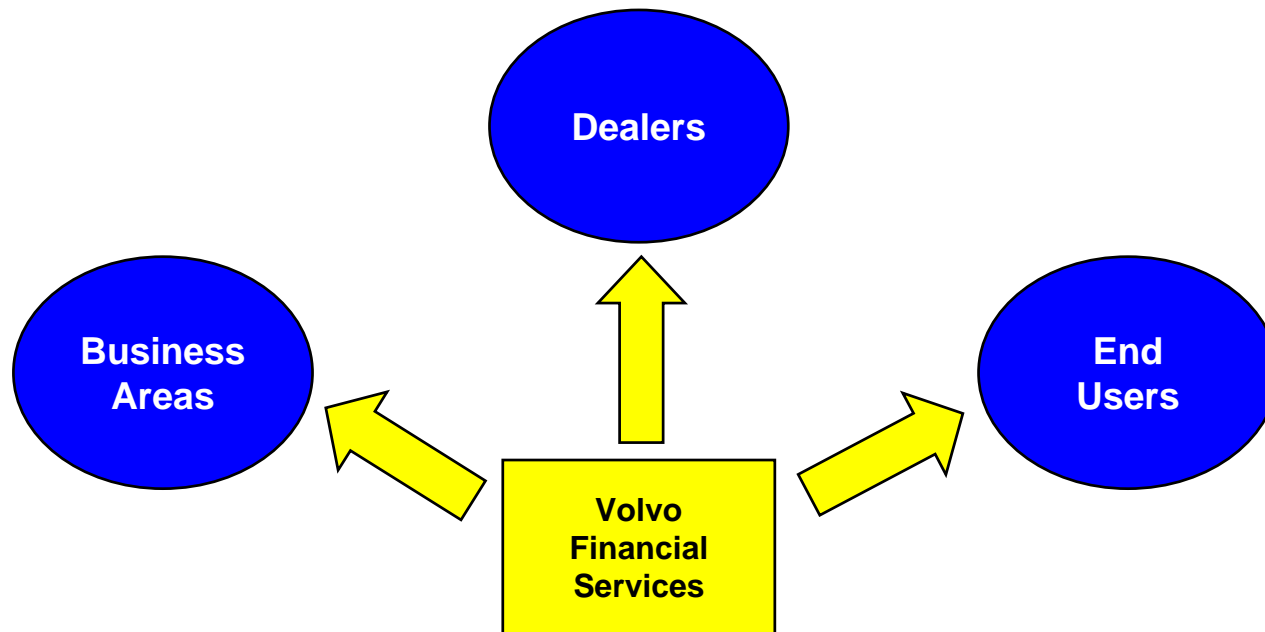
**Monthly  
Reserve  
Reclassification**  
(between general &  
specific)

Balance Sheet Impact



## Principles on Running VFS

### Customer Satisfaction



VFS “Touches” The Customer Many Times During The Contract Lifecycle. Positive Experiences For The Customer At Each Of These Touch Points Builds Loyalty And Enhances Retention Efforts.

# Strategic alternatives, new markets

*Various stages of development requires different solutions*

<p><i>Cross border financing</i></p> <ul style="list-style-type: none"><li>• Initial step</li><li>• Low cost solution</li><li>• Difficult to control import process</li></ul>	<p><i>Vendor program</i></p> <ul style="list-style-type: none"><li>• Risk for adverse credit selection</li><li>• No profits, large portion of risk normally remains</li></ul>
<p><i>Joint venture</i></p> <ul style="list-style-type: none"><li>• Profit sharing while often risk remains</li><li>• Difficult to find right partner, exit strategy critical</li></ul>	<p><i>Greenfield</i></p> <ul style="list-style-type: none"><li>• Larger investment</li><li>• Requires local presence and local competence</li></ul>

**IN FOCUS: Eastern Europe and China**

# Financial Targets & Long-term Objectives

• Profitability	ATROE
• Earnings	Operating income
• Growth	% of Volvo unit Sales
• Productivity improvement	Operating expense ratio
• Credit control	Write-off and overdue >30 days
• Stability	Positive and stable development quarter by quarter

***Long term objectives***  
12-15% ATROE  
Stability of earnings over a business cycle

## VFS Financial Update Key Figures

(MSEK)	2002	2001	Q1 2003	Q1 2002
<b>VFS</b>				
<b>Operating Income</b>	490	325	212	115
<b>ATROE</b>	4.7%	4.4%	7.1%	4.7%
<b>Operating Expense</b>	1,405	1,337	330	370
<b>Employees</b>	1,056	1,077	1,040	1,065
<b>Equity Ratio</b>	10.8%	10.3%	11.2%	10.3%
<b>Assets</b>	69,364	73,528	66,926	71,323

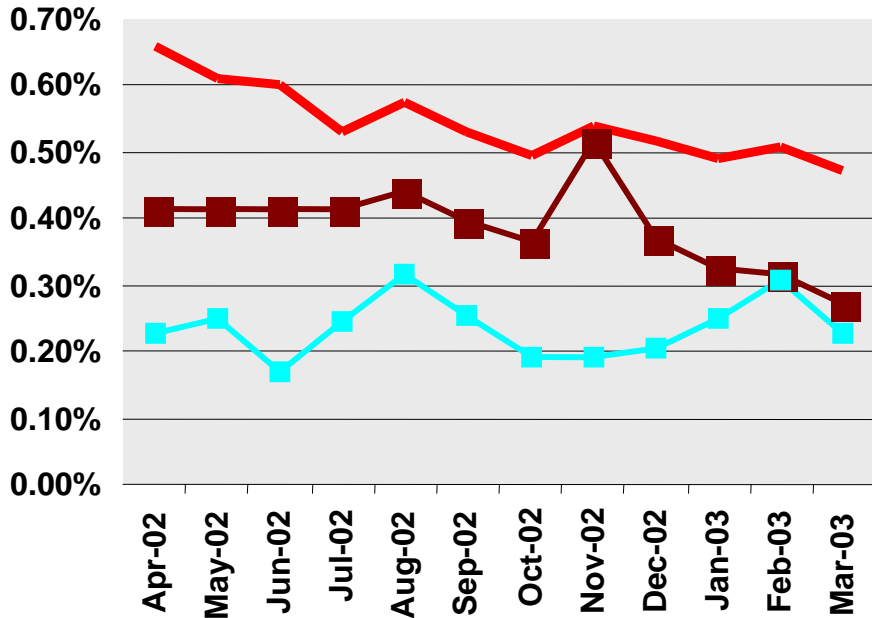
## VFS Financial Update Key Figures

(MSEK)	2002	2001	Q1 2003	Q1 2002
<b>Customer Finance</b>				
<b>Retail Volume (New &amp; Used)</b>	26,345	22,377	5,898	5,787
<b>Gross Credit Portfolio</b>	62,829	65,927	61,763	64,328
<b>Reserve ratio</b>	2.55%	2.85%	2.2%	2.6%
<b>Write-Offs</b>	893	823	367	212
<b>Delinquency</b>	0.64%	0.88%	0.47%	0.63%

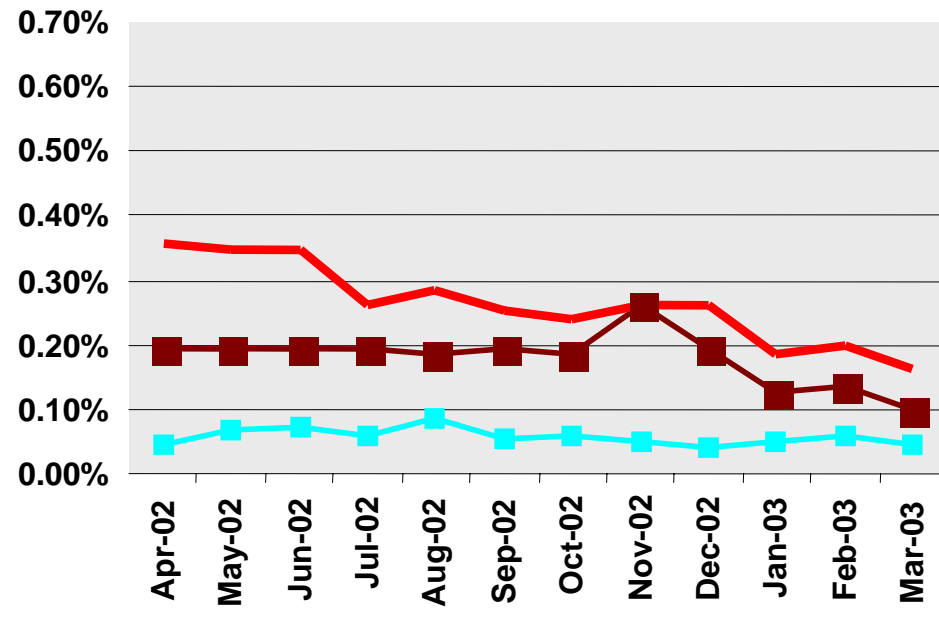
# VFS Financial Update: Stability and Control

Effective Risk Management = Stability and Control

Overdue > 30 Ratio



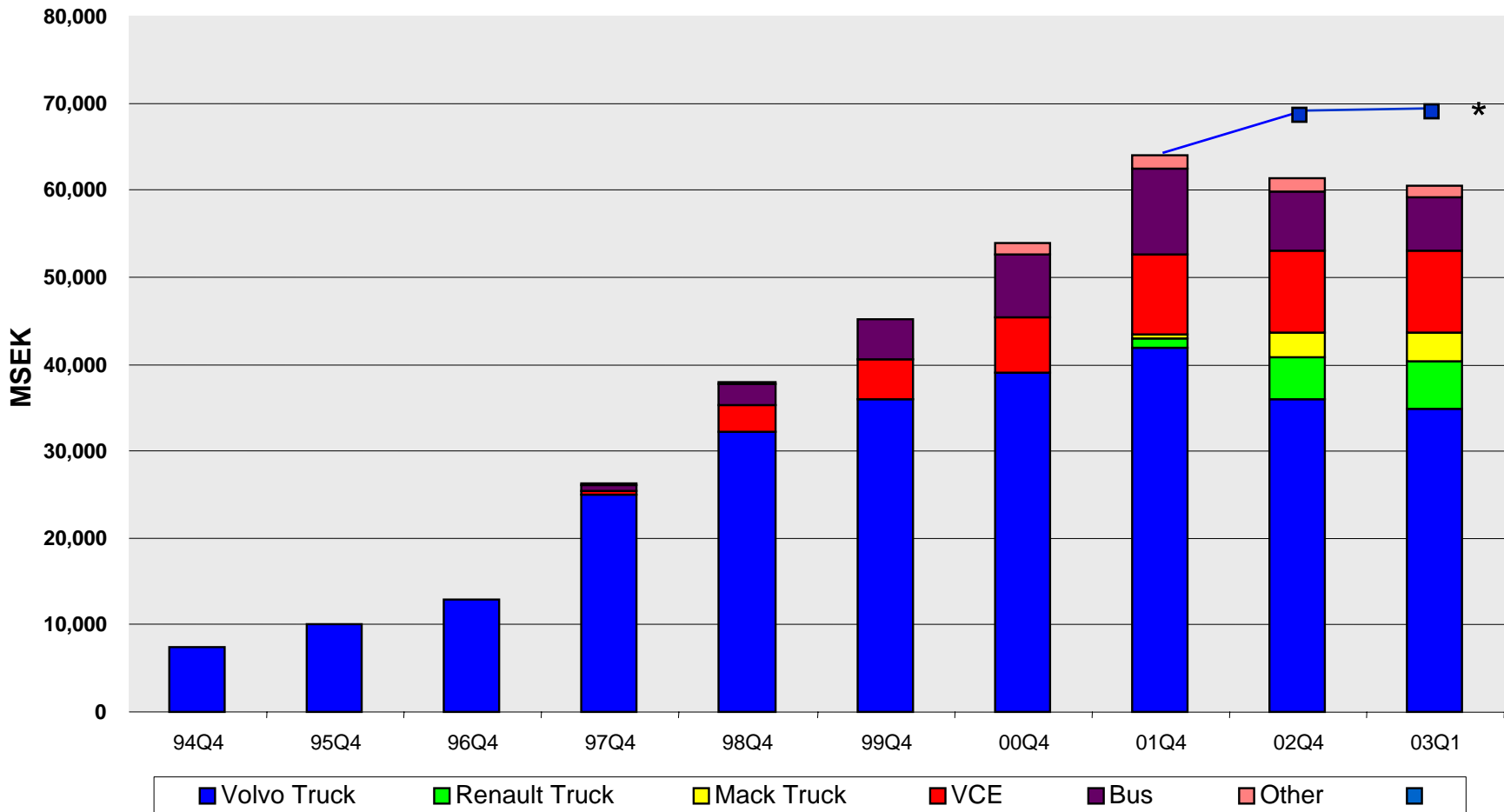
Overdue > 90 Ratio



\*Receivables overdue as % of gross credit portfolio

# Portfolio Review: Net Credit Portfolio: 1994 – 2003 Q1

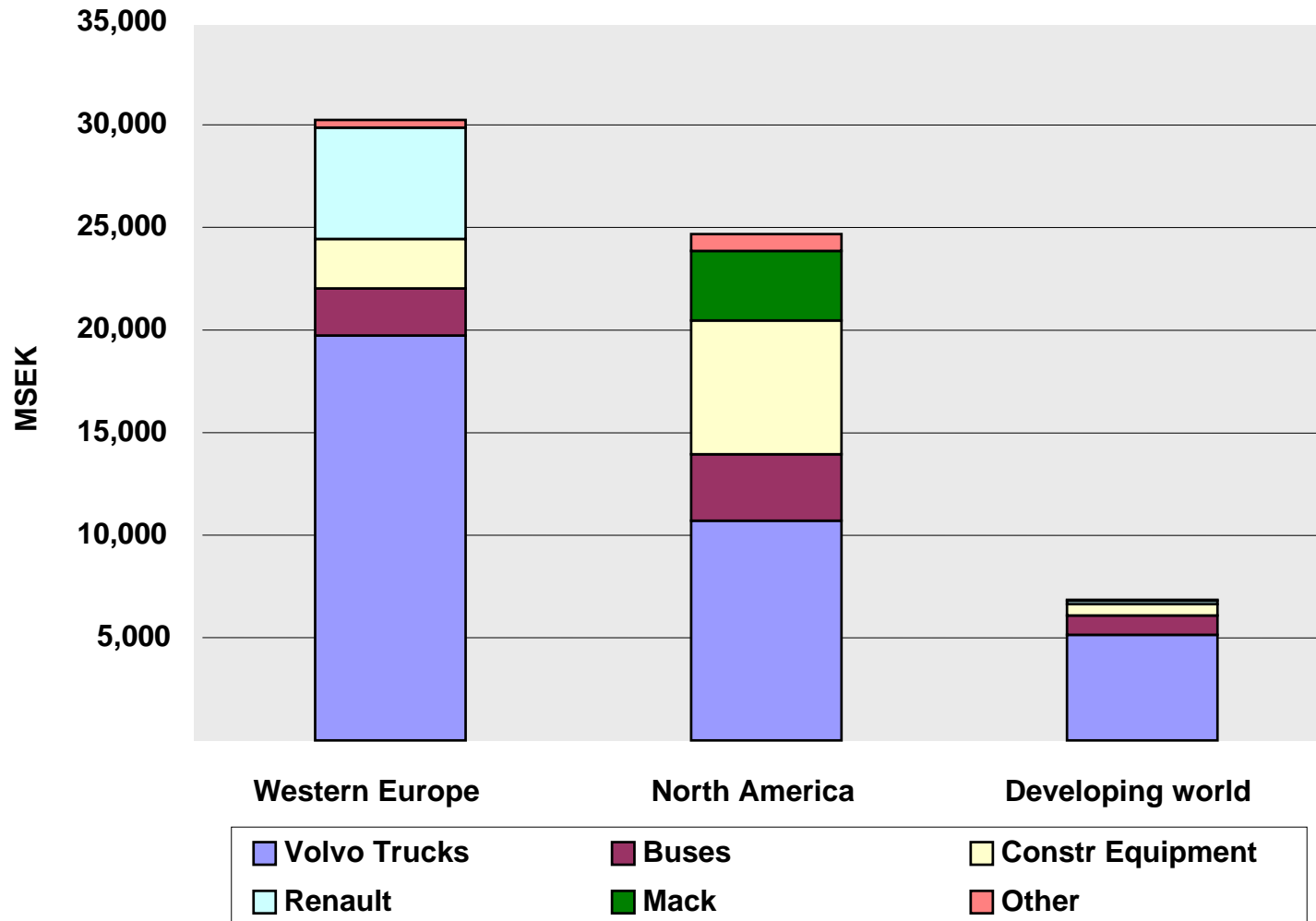
## Diversified portfolio growth since 2001



\*Line Graph shows the portfolio size using the close exchange rates from 4<sup>th</sup> Quarter 2001

# Portfolio Review: Gross Credit Portfolio Structure March 2003

## Regional distribution and product mix



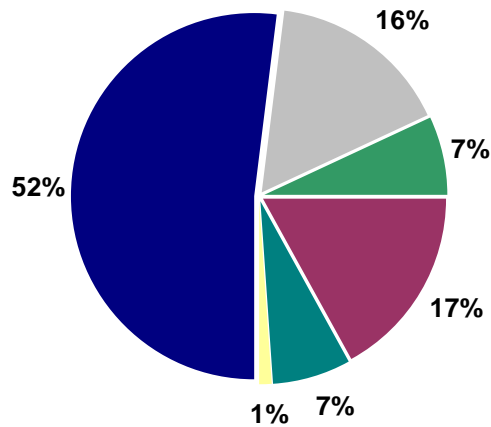


# VFS Financial Update

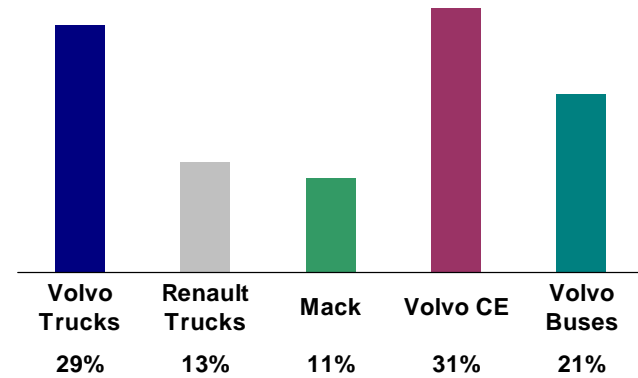
## Volume and Penetration: First Quarter 2003



### New financing



### Penetration on new financing



## Key objectives

- 1 **Stability in earnings** over a business cycle
- 2 **Profitability** in all business segments
- 3 Controlled and profitable **asset growth**
- 4 Sound **portfolio structure** / asset diversification
- 5 Support Business Areas & maximize **customer satisfaction**

**VOLVO**