

**VOLVO**

Capital Market Day

June 21, 2005

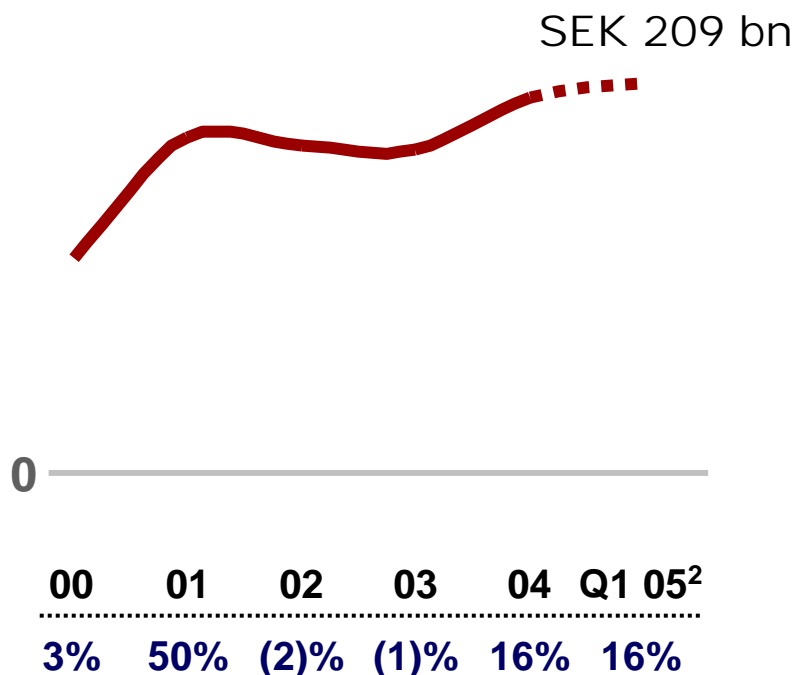
**Stefan Johnsson**

Senior Vice President and CFO

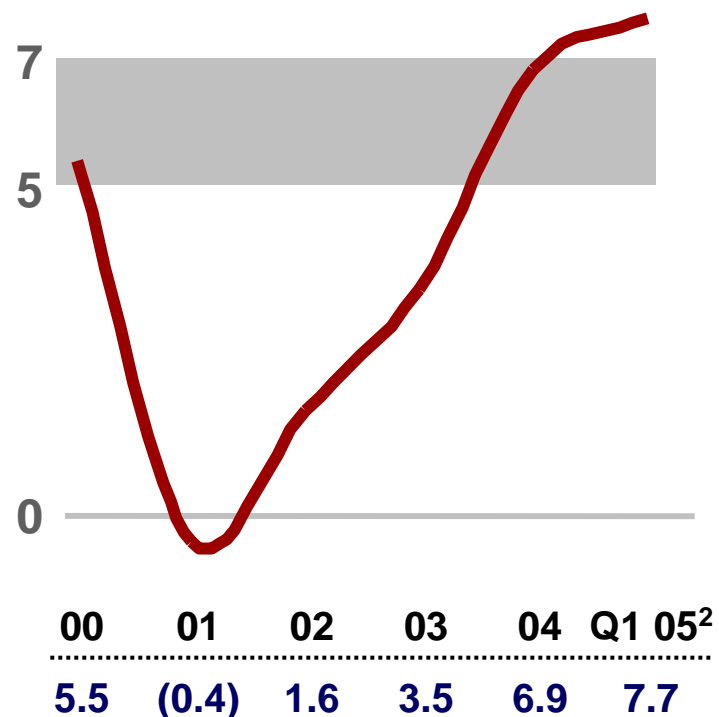


# Volvo Group - Financial Targets

## Net Sales



## Operating Margin<sup>1</sup> (%)



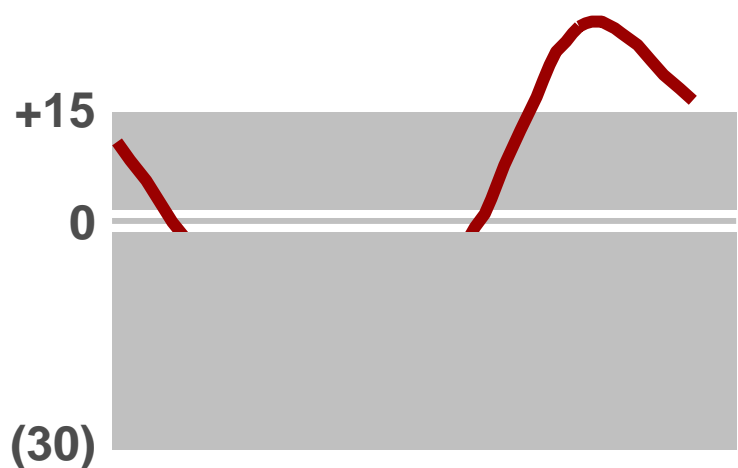
1) Excluding revaluation of shares in Scania and Henlys and dividend from Scania 2003

2) 12 months moving

# Volvo Group - Financial Targets

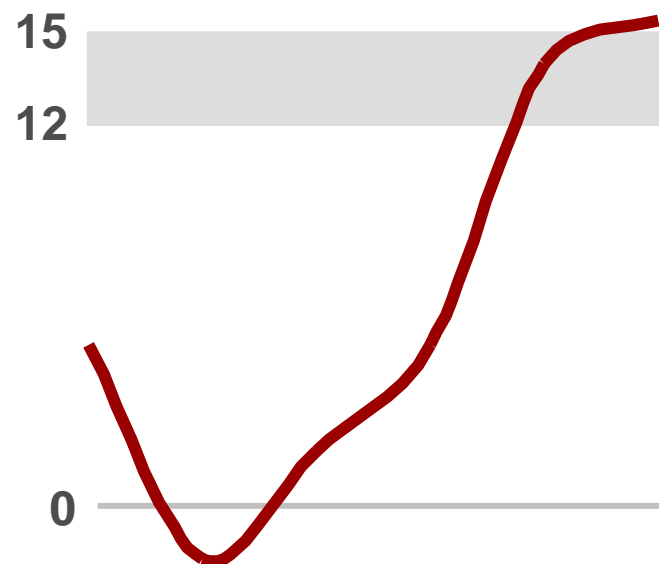
## Net financial position

as percentage of  
shareholders equity, %



00	01	02	03	04	Q1 05
10.6	(8.2)	(7.7)	(3.3)	25.8	16.0

## Return on shareholders equity, %



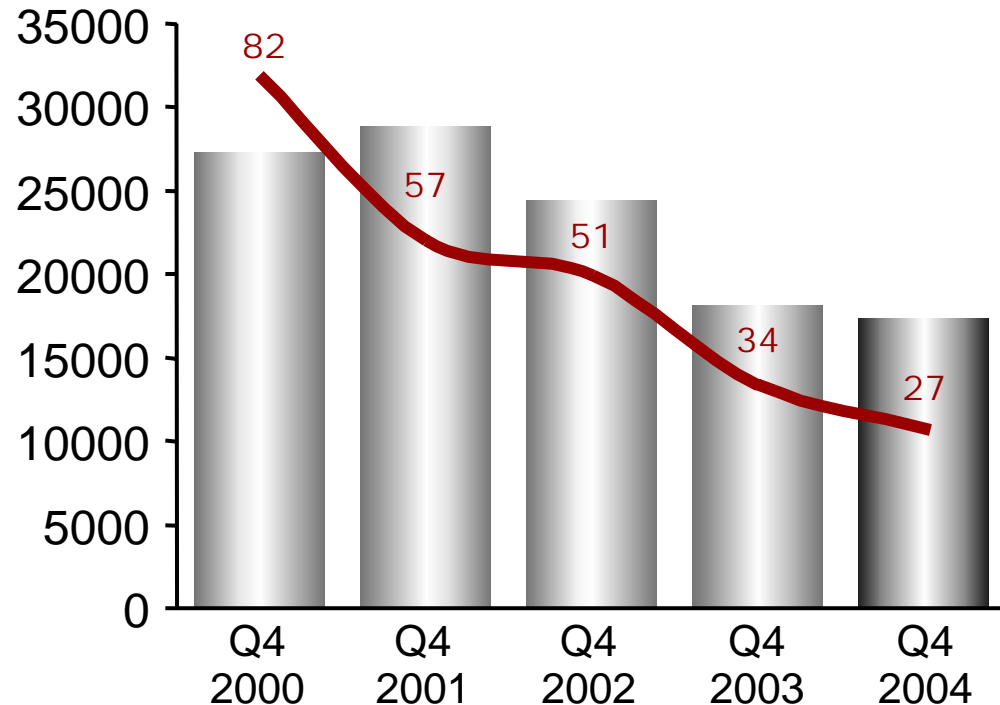
00	01	02	03	04	Q1 05
5.0	(1.7)	1.7	5.0	13.9	15.2

# Improved Operating Capital Management

## Volvo Group

Cash Conversion  
Cycle, MSEK

■ Net capital tied up  
— CCC, days (Iso)



- Initiating C2G and “clean up” 2001-2002
- Actions to reach target 2002-2004

**Next step** →

Securing sustainability and further improvements.  
2005 -

# Secure continued Working Capital Focus

- New Group function – Working Capital Management
- Monitoring and control from Group Management  
- Early warning and focus on low performers
- Tight cash limits for operating unit
- Maintain incentive program on operating capital



# Improved Risk Management

## Credit risks

Lower risks

Implementation of Credit

## Residual value management

North America

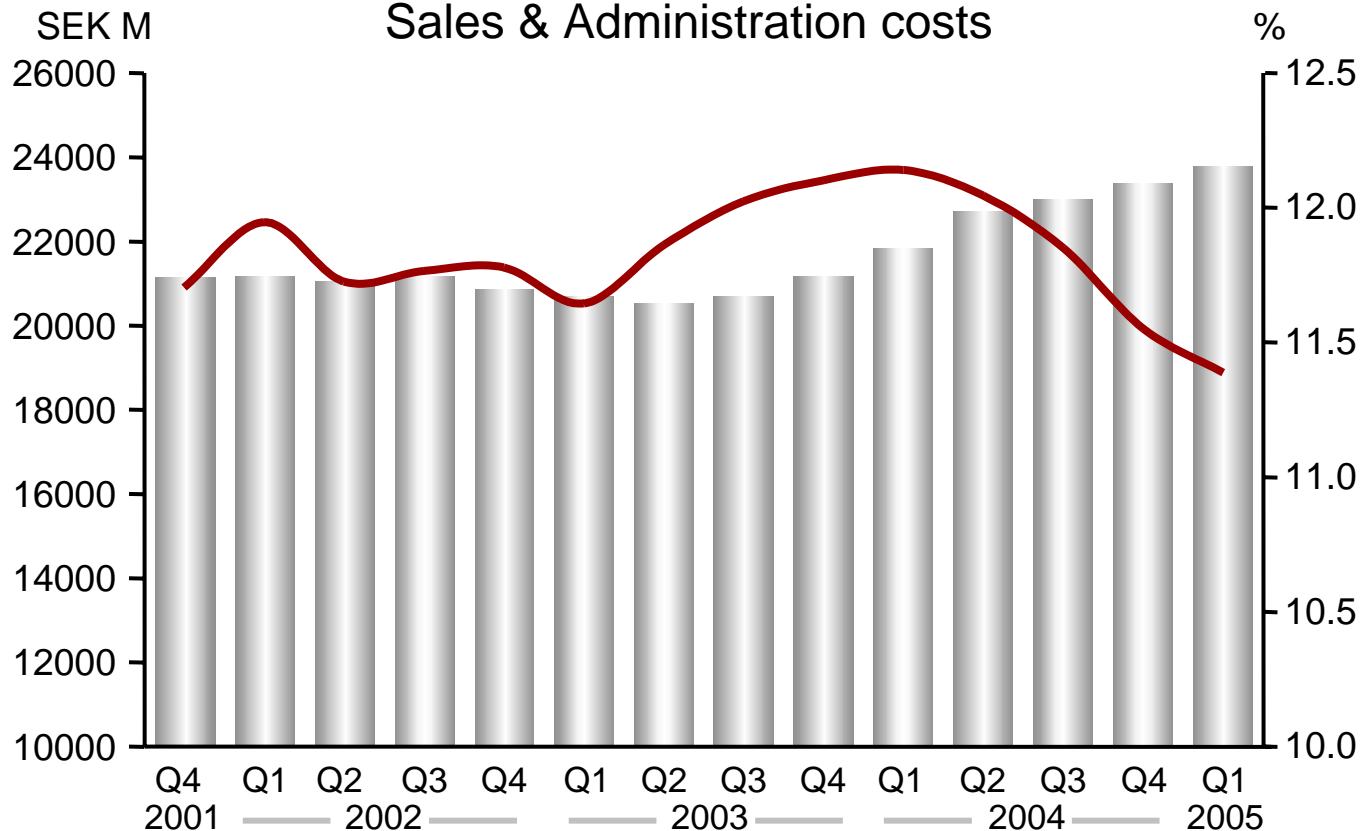
Renault Trucks

Implementation of Residual Value Policy

# Improvement opportunity in S&A Costs

## Volvo Group

### Sales & Administration costs



■ S&A moving 12 months    — S&A % of sales

#### Commercial network

- Improve order processes
- Flatten organisation
- Optimize service network

#### Administration efficiency

- Legal structure
- Shared service centers
- HR transformation

## Summary

- Improved Risk Management going forward
- Continued Working Capital focus
- Improvement opportunity in S&A costs

