Volvo Trucks in Eastern Europe
Your perception?

Iron curtain
One party system
Communism
Superpower
KGB
Plan economy
Corruption
Crime
Orphanage
Balkan war
Beginning 1995

- 14 persons in Goteborg
- 45 persons in Poland, Czech rep and Hungary
- Rep office Russia 1 person
- Rep office Turkey 1 person
- Sales financing 30 Msek
- Invoiced units 2,660 trucks
Strategy

• One national sales organization, local presence
• Strategic service points managed by Volvo Trucks representing 50% of aftermarket business long-term
• Other service points – mainly independent workshops
Truck manufacturers

Roman
Jelcz
Liaz
Raba
Fap
Tam
Kraz
Kamaz
Maz
Star
Tatra

Volvo
Scania
Mercedes-Benz
MAN
Daf
Renault
Iveco
2006

- Established in 22 countries
- Invoiced units 11,080
- Very strong profitability
- Strong cashflow
- 1,550 employees
Weekly order intake

<table>
<thead>
<tr>
<th>Year</th>
<th>Order Intake</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>100</td>
</tr>
<tr>
<td>2004</td>
<td>200</td>
</tr>
<tr>
<td>2005</td>
<td>200</td>
</tr>
<tr>
<td>2006</td>
<td>500</td>
</tr>
<tr>
<td>2007</td>
<td>600</td>
</tr>
</tbody>
</table>

Customers

Customer structure
- Old communist
- Multi-nationals
- Western European
- Local companies
- Modern local businessmen

Sales performance
- Units per salesperson
- Sales districts
- Product range increased

Total offer
- Value
- Service net
- Image
- Relations
- Financing
- Complete units
International transport

Poland

- Present fleet 285 Volvo Trucks
- 40 Volvos ordered
- Financed by Volvo
- Strong in automotive transport (GM)
- Manage sensitive glass transport (Pilkington)
Long-haulage
Hungary

- Present fleet 1,200 Volvo trucks
- 1,000 Volvos ordered for delivery 3 coming years
- Operates Volvo authorized workshops
- Expansion into Romania, Bulgaria and Poland
- Operates logistic center in Hungary
- Long history with Volvo
- Ambition to grow stronger and larger
National transports
Romania

**Status**
- Present fleet 900 Volvo Trucks
- 350 Volvos during delivery
- Financed by Volvo, 45 MEur
- Equipped with Dynafleet
- Forced buy-back
- Trade-ins

**Future**
- Fleet of 2,500 heavy trucks in 2009
- Entering distribution and construction segment
- Develops logistics, land purchased
- Expands into Moldavia, Bulgaria, Ukraine and Serbia
Construction
Russia

- Established 2002
- 3,500 employees
- Profession – road and airport construction
- Truck fleet – 220 Volvo and 100 Kamaz
- 500 units subcontracted
- Volvo purchase 2006 – 120 Volvo FM construction units
- Planned purchase 2007: 250 construction units
Products

Complete new product range
- Keep price leading position

Soft offers
- Increased focus
- Sales organisation awareness and knowledge

- Product strategy to secure profitability short-term and long-term
Volvo Financial Services

Products
- Cross border
- Financial lease
- Installment credit

Establishments
- Seven local finance companies
- Sales finance managers in all Volvo Truck sales offices
- Follows Volvo Trucks local presence

Financial performance
- Penetration up to 60%
- Remaining 40% is mainly cash
- Portfolio 6,500 Msek
- Portfolio quality very good with low loss ratio

One team, one offer for the customer
Vehicle population

Present vehicle population: 103,000 Volvos

- Maintain market leader position in terms of vehicle population
- Capitalize on vehicle population
- Security for investments
- Build profitable population
- Secure profitability short and long-term
- Provide partners with business opportunities
Aftermarket

Workshop net
- 34 own workshops
- 116 private workshops

Coverage
- To customer needs

Business performance
- Good

Mindset
- Change from Aftermarket to Commercial aftermarket

Investments
- Own workshops and private – same standard
Image

- Very strong brand image
- Constant improvement to maintain position
- Wanted position is No 1
Market outlook

- Strong and fast development of GDP
- Substantial foreign investments
- Major investments in infrastructure
- Increased consumption
- EU entry – Romania and Bulgaria
- Increased access to funding
- 480 million inhabitants
- High oil prices
- Large demand for modern transport equipment
Strong GDP growth

Western Europe average 2006 = 35 738

Source: Global Insight
Private Consumption
Growth

2003: index 100

Source: Global Insight
## Infrastructure

### Investments 2010-2013

<table>
<thead>
<tr>
<th>Country</th>
<th>Investments (MEur)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bulgaria</td>
<td>4,300</td>
</tr>
<tr>
<td>Romania</td>
<td>11,600</td>
</tr>
<tr>
<td>Serbia</td>
<td>1,900</td>
</tr>
<tr>
<td>Russia</td>
<td>108,000</td>
</tr>
<tr>
<td>Ukraine</td>
<td>9,105</td>
</tr>
<tr>
<td>Poland</td>
<td>8,100</td>
</tr>
<tr>
<td>Lithuania</td>
<td>128</td>
</tr>
<tr>
<td>Hungary</td>
<td>517</td>
</tr>
</tbody>
</table>

### Road network density

<table>
<thead>
<tr>
<th>Country</th>
<th>Density (km/100 sq km)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bulgaria</td>
<td>85</td>
</tr>
<tr>
<td>Romania</td>
<td>26</td>
</tr>
<tr>
<td>Serbia</td>
<td>28</td>
</tr>
<tr>
<td>Russia</td>
<td>38</td>
</tr>
<tr>
<td>Ukraine</td>
<td>28</td>
</tr>
<tr>
<td>Poland</td>
<td>97</td>
</tr>
<tr>
<td>Lithuania</td>
<td>108</td>
</tr>
<tr>
<td>Hungary</td>
<td>76</td>
</tr>
</tbody>
</table>

### EU norm

| EU norm | 110 |

Investments anticipated to continue on high level

Source: Global Insight
Pan-European transport corridors

- East-West trade
- Transport efficiency
- Important for economic growth
- Investment in Black Sea ports
It's not just a walk in the park
Road transport goods volumes
 Indexed

Source: Eurostat

Volvo Truck Corporation
## Total market heavy trucks

<table>
<thead>
<tr>
<th>Country</th>
<th>Total market 2006</th>
<th>Growth vs 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bulgaria</td>
<td>1,650</td>
<td>107%</td>
</tr>
<tr>
<td>Croatia</td>
<td>1,080</td>
<td>27%</td>
</tr>
<tr>
<td>Czech rep</td>
<td>6,260</td>
<td>14%</td>
</tr>
<tr>
<td>Estonia</td>
<td>1,340</td>
<td>94%</td>
</tr>
<tr>
<td>Hungary</td>
<td>3,780</td>
<td>14%</td>
</tr>
<tr>
<td>Latvia</td>
<td>1,950</td>
<td>99%</td>
</tr>
<tr>
<td>Lithuania</td>
<td>2,690</td>
<td>20%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Country</th>
<th>Total market 2006</th>
<th>Growth vs 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poland</td>
<td>11,360</td>
<td>45%</td>
</tr>
<tr>
<td>Romania</td>
<td>5,070</td>
<td>59%</td>
</tr>
<tr>
<td>Russia</td>
<td>9,080</td>
<td>92%</td>
</tr>
<tr>
<td>Slovakia</td>
<td>3,330</td>
<td>31%</td>
</tr>
<tr>
<td>Slovenia</td>
<td>1,670</td>
<td>39%</td>
</tr>
<tr>
<td>Turkey</td>
<td>38,730</td>
<td>0%</td>
</tr>
<tr>
<td>Ukraine</td>
<td>1,200</td>
<td>102%</td>
</tr>
</tbody>
</table>
Growth in Eastern Europe
Total market, heavy trucks

Growth 2006-2010: ≈100%
EU 17, 2006: 263,000 units
Truck sales development

Heavy trucks


Volvo Truck Corporation
Russia market size

Heavy trucks

![Graph showing Russia market size for heavy trucks from 2000 to 2006. The graph compares imports (new and used) with CIS brands.]
Volvo position in Russia

Sales of new and used heavy trucks

Volvo, MAN, Scania, RVI, Freightliner, Iveco, MB, DAF, International, Tatra, Other

New
Used
Factory in Russia

Present assembly capacity in Zelenograd, 500 Volvo trucks/year

Volvo Trucks invests in a new assembly facility in Russia

- Capacity 10,000 Volvo trucks/year
- Estimated completion 2009
- Expected location Kaluga
Business potential

Total market = 500 heavy trucks/1 million inhabitants

Potential total market
240,000

Volvo sales

Volvo sales 2006
11,080
Spain
Infrastructure investments

MEUR

EU entry
Jan 1986

Total market heavy trucks
1985: 8,100
2005: 32,000
## Development plan

<table>
<thead>
<tr>
<th>Category</th>
<th>2006</th>
<th>Future</th>
</tr>
</thead>
<tbody>
<tr>
<td>Truck sales, units</td>
<td>11,080</td>
<td></td>
</tr>
<tr>
<td>Volvo vehicle population</td>
<td>103,000</td>
<td></td>
</tr>
<tr>
<td>W/c employees</td>
<td>741</td>
<td></td>
</tr>
<tr>
<td>Truck salesmen</td>
<td>188</td>
<td></td>
</tr>
<tr>
<td>Sales offices</td>
<td>85</td>
<td></td>
</tr>
<tr>
<td>Workshops</td>
<td>116</td>
<td></td>
</tr>
<tr>
<td>Volvo Truck Centers</td>
<td>34</td>
<td></td>
</tr>
<tr>
<td>Volvo mechanics</td>
<td>520</td>
<td></td>
</tr>
</tbody>
</table>
Volvo Way

People development

Market development

2006

Time
Volvo Trucks is very strong in Eastern Europe with large growth potential