

## Press Release

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# Volvo Cars Maintained its Position in 2005 Despite Considerable Market Fluctuations

- Sales totalled 444,000 cars
- The XC90 continued to be the best-selling model, followed closely by the V50
- Sales increases in Sweden, Spain, Italy and China
- Stronger focus on environmentally optimised cars
- Fredrik Arp – new President and CEO as of 1 October 2005

In the auto industry, 2005 was characterised by considerable market fluctuations for both Volvo Cars and its competitors. Sales in 2005 totalled 443,947 cars, a reduction of 2.7% compared with record year 2004, mainly owing to a decline in the US market.

“In 2005 we focused on building up our resources for the future,” says Fredrik Arp, who was appointed President and CEO of Volvo Cars in October 2005. He continues:

“The big product news in 2005 was Volvo’s new convertible, the Volvo C70. During the year, we also implemented a number of structural measures and streamlined our operations so that we stand on an even firmer base as we face the future. Our workforce shrank by about 1,400, through planned retirement and fewer consultant services. Streamlining will continue in 2006 as part of our natural process of running a competitive company,” he explains. The long-term Volvo Cars goal of 600,000 cars a year remains unchanged. “Bearing in mind the comprehensive product plan that the company will present in the coming years, we are well on the way to reaching that goal,” concludes Fredrik Arp.

### **XC90 – continued strong seller in the USA and the rest of the world**

Sales of the XC90 increased globally by 2.3% and this model is still the company’s best-seller, with almost 86,000 units sold during the year. In second place was the V50 with 83,202 cars, an increase of 74%, followed by the S40 with more than 75,000 cars sold in 2005.

In the US, Volvo’s sales dropped in 2005 by 11.2% compared with 2004. Rising oil prices made the market highly vulnerable and total sales of Sport Utility Vehicles (SUVs) shrank drastically. The Volvo models that did best on the American market were the XC90 (35,974), S60 (24,694) and S40 (24,229).

### **Huge increase in Spain and Italy**

In Europe, Volvo retained and strengthened its market shares despite a general reduction in car sales. Spain and Italy did particularly well. In Spain, Volvo’s sales rose by 15% compared with 2004, while Italy saw an increase of 6%. These two countries now take 7th and 5th places respectively among Volvo’s top ten markets. The new diesel alternatives are the reason for this healthy increase.

On the domestic market too, Volvo did well with a market share of just under 20% and an increase of 2% over 2004 figures.

Environmentally optimised cars on the increase in Sweden

On the Swedish market, the number of environmentally optimised cars registered in 2005 rose to 5.1% of the total market, compared with 2.7% in 2004. In December alone, eco-cars accounted for no less than 10.2% of total new-car sales, compared with 3.3% the previous December. Sales of environmentally optimised models from Volvo Cars increased by 65% in 2005. The release of the S40 and V50 FlexiFuel contributed to that rise, together with increased sales of Volvo’s Bi-Fuel models. Volvo has offered Bi-Fuel technology for methane gas since 1995 and the company has a

leading position in Sweden.

Sales dropped in Volvo's third-largest and fourth-largest markets, Britain and Germany. In Britain, Volvo's sales shrank by 4.5% on a declining market, with the drop in Germany amounting to 8%.

### **Forging ahead in China**

Sales were much healthier outside Europe and the USA. In China, sales rose by a massive 83%, totalling 4,786 cars, largely due to the introduction of the S40 model. South Africa and Russia also saw sales increases. The volume potential is considerable in China, continuing to make this a highly interesting market for Volvo Cars.

### **Volvo Cars, ten largest markets in 2005:**

1. USA 123,575 (139,155)
2. Sweden 52,696 (51,464)
3. UK 38,307 (40,159)
4. Germany 35,035 (38,085)
5. Italy 20,533 (19,390)
6. The Netherlands 18,879 (19,225)
7. Spain 18,335 (15,925)
8. Japan 13,427 (13,919)
9. Belgium 12,638 (12,929)
10. Canada 11,651 (11,135)

### **The five best-selling Volvo models, 2005:**

1. XC90 85,994 (84,032)
  2. V50 83,202 (47,743)
  3. S40 75,136 (53,085)
  4. V70 70,156 (74,656)
  5. S60 62,528 (73,121)
- (Figures for 2004 in brackets)

### **Production**

Most of the company's cars are built at the Volvo Cars production plants in Torslanda in Göteborg and Ghent in Belgium. Both these factories have implemented major production increases over the past few years and will face the future with even greater capacity than before. Torslanda will introduce a third shift.

At present, production capacity is 190,000 cars a year in Torslanda and 270,000 in Ghent. The aim in the longer term is for both factories together to be able to build 550,000 cars a year to meet any upswing in demand.

Some components are made in Sweden at the Volvo Cars factories in Skövde, Floby and Olofström. There are also assembly plants in Malaysia, Thailand and South Africa.

The Uddevalla factory, where the Volvo C70 convertible is made, is now owned and run by a jointly owned company, Pininfarina Sverige AB, in which Pininfarina owns 60% and Volvo Cars owns 40% of the stock.

All told, a total of 446,588 Volvo cars were built in 2005.

### **Product news**

2005 was a year with relatively few new products. The main product launch was the unveiling of the new convertible, the Volvo C70.

This car, which was designed and engineered in Göteborg, features a technically very advanced three-piece steel roof whose construction and function were developed by Italian specialists Pininfarina.

Volvo Cars aims to secure a firm lead among the world's premium-segment makes when it comes to environmental consideration. In order to reach that goal, the company develops low-emission engines, Bi-Fuel engines, FlexiFuel engines and conventional engines with optimised fuel consumption.

As part of this drive, a new, more powerful and cleaner version of the D5 five-cylinder diesel engine was introduced in 2005. Autumn saw the launch of bio-ethanol powered versions of the Volvo S40 and V50 on the Swedish market, carrying the FlexiFuel badge. These models produce up to 80 percent lower emissions of carbon dioxide. They immediately became a huge success and sales of these models are expected to continue to increase significantly in the future too.

Volvo Cars is also looking into the viability of offering models powered by electrical-hybrid technology. What is more, the materials used in the production process must be recyclable to the greatest possible extent. All Volvo cars have come with an environmental declaration since 1998. In the area of active safety, a system known as Volvo Co-Driver was shown in 2005. This is a

driver's aid that coordinates information from the car with the current traffic situation for the purpose of helping the driver make the right decision. Another new safety-related innovation was Multi-Lock, a combined alco-lock and seat belt lock linked to a coded speed limiter. The car's ignition key can be programmed to limit the maximum speed for specific drivers.

### **Volvo Ocean Race**

Early November 2005 saw the start of the second Volvo Ocean Race, this time from Vigo in Spain. The competition – regarded as the world's most extreme sailing race and closely monitored by media from around the world – takes the seven participating boats and their hard-working crews around the world: Spain, South Africa, Australia, New Zealand, Brazil, the USA and Sweden. The finishing line will be crossed in Göteborg in June 2006. At the time of writing, February 2006, the boats are on their way across the Pacific Ocean from Wellington to Rio de Janeiro.

### **Awards**

In 2005, a number of international prizes and awards were given to various Volvo cars.

A selection:

### **Volvo S40/V50**

Brazil: Volvo V50 – Estate Car of the Year, Revista Carro Car of the Year Awards; Canada Volvo S40 – Best New Sports Compact, Canadian Car of the Year (AJAC); Malaysia: Volvo S40 – Car of the Year/Medium-Class Sedan, Autocar ASEAN Car of the Year Awards; Malaysia Volvo S40 – Best Family Car in the Premium Class, The News Straits Times-MasterCard Car of the Year Awards 2005. South Africa: Volvo S40 2.4i – Car of the Year 2005, South African Guild of Motoring Journalists & WesBank; Germany: Volvo S40/V50 – Best Imported Medium-Class Car, Autoflotte Award

### **Volvo XC90**

Canada: XC90/Volvo Cars of Canada Ltd – Gold Key for the Best Medium-Sized SUV below \$60,000, L'Annuel de l'automobile 2005; Malaysia XC90 – Best SUV in the Premium Class, The News Straits Times MasterCard Car of the Year Awards 2005; Germany XC90 – Best Imported SUV, Auto Trophy of Auto Zeitung; Germany XC90 – Best Imported Off-Roader/SUV, Autoflotte Award 2005; USA XC90 – Best SUV above 30,000, AAA Top Cars 2005.

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Descriptions and facts in this press material relate to Volvo Cars' international car range. Described features might be optional. Vehicle specifications may vary from one country to another and may be altered without prior notification.

## Media Contacts

### **Volvo Cars Media Relations**

Phone: +46 (0)31-59 65 25  
media@volvocars.com

[media.volvocars.com](http://media.volvocars.com) >

[volvocars.com](http://volvocars.com) >

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