



Capital Market Day

June 19, 2007

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President Volvo Construction Equipment



Agenda

Industry challenges

Organic growth

- New product range
- Extensive product renewal
- Distribution channels/Geographic expansion
- Industrial capacity investments

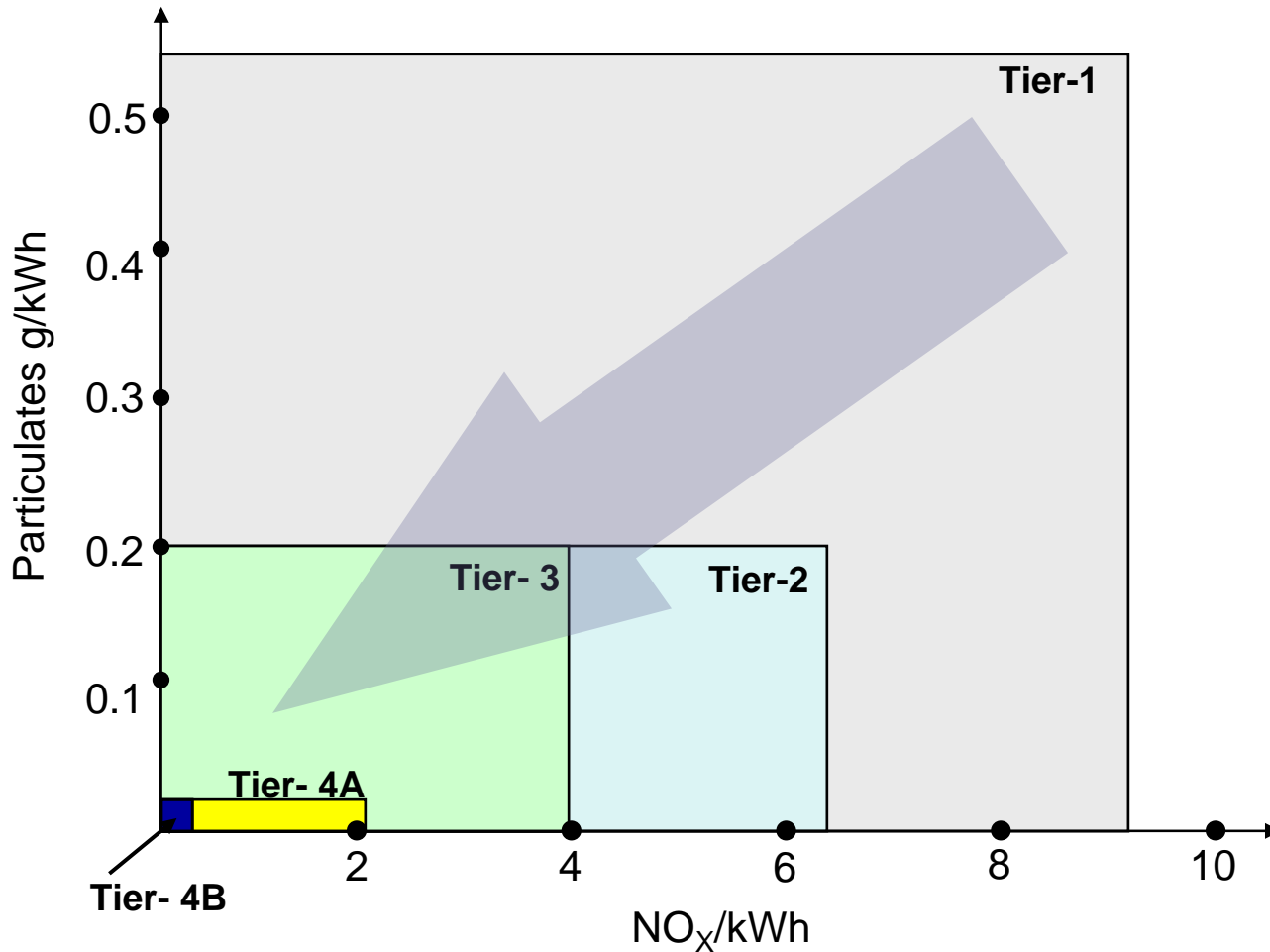
Acquisitions

Market update

Summary



Off-road Emission Regulations (130-560 kW Engine)



- Tier-1: 1996
- Tier-2: 2001
- Tier-3: 2005/6
- Tier-4A: 2011**
- Tier-4B: 2014**



Common Volvo Group hybrid development

Diesel Electric Series



Diesel Electric Parallel



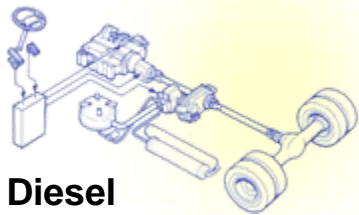
Diesel Electric Series



Turbine Electric Series



Diesel Electric Parallel



Diesel Hydraulic

Advanced engineering

Prototypes

Demonstrators

Industrialization

1985

1995

2005

2010



Volvo CE hybrid development



- Fuel savings up to 50%
- Two prototypes in testing
- Stepwise technology introduction
- Industrialization in a couple of years



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Extensive product renewal



New range of E-Series articulated haulers, 7 models



**New range of C-Series crawler & wheel excavators
- 13 models (including short radius)**



New range of F-Series wheel loaders, 10 models



Range extension

Demolition – 10 models

Forestry – 8 models

Oil & gas (pipe layer) – 3 models

Material handling – 1 model

Recycling – 8 models





CareTrack remote monitoring

- ✓ **Control of servicing** – giving service reminders and service history
- ✓ **Higher productivity** – giving reports on how each machine is used (e.g. engine load, use of brakes, differential locks etc)
- ✓ **Greater availability** – information about the machine's position enables better coordination of servicing and refueling
- ✓ **Better control when renting** – always knowing where the machines are and how they are being used





Channel Development I

2000

- **Fragmented distribution – 300+ dealers and numerous conflicts**
- **Many dealers in financial difficulties 3 largest in NA, 50% in Germany, South Africa**
- **Absorption <50%**
- **No presence in India, China or Russia, limited presence in Eastern Europe**

2006

- **Rationalised distribution – 150 dealers worldwide**
- **Financial strength in mature markets**
- **Absorption 70%**
- **Developing distribution in India, China, Russia and very good in Eastern Europe**

2009

- **Network optimised using IR as lever**
- **Financial strength in all markets**
- **Absorption 90%**
- **Secured presence in India, China, Russia and Eastern Europe**



Channel Development II

2000

- No rental solution
- Limited VFS support
- Limited ability to attract outside capital
- Adversarial relationship
- No dealer support tools

2006

- 135 rental stores
- Integrated VFS offering in most countries
- Volvo CE provides a compelling business case to distribution
- Partnership development institutionalised
- Tool kit fully developed

2009

- 250 rental stores
- Integrated VFS offering in all key markets
- Volvo CE second most attractive account in CE industry
- Partnership development drives responsiveness/profits
- Tool kit fully deployed



Capacity Investments for Future Growth

>SEK 1.5bn during 2007 thru 2009

Expansion of production in Asheville, USA.

- Excavator production.
- Local cab production for Wheel Loaders and Excavators

Expansion of components facility in Eskilstuna, Sweden.

- Double capacity
- Greater production flexibility

Installation of new paint facility Hallsberg, Sweden.

- Environmental friendly
- Greater capacity

Expansion of production in Shanghai, China.

- Increased heavy welding fabrication



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Lingong Investment

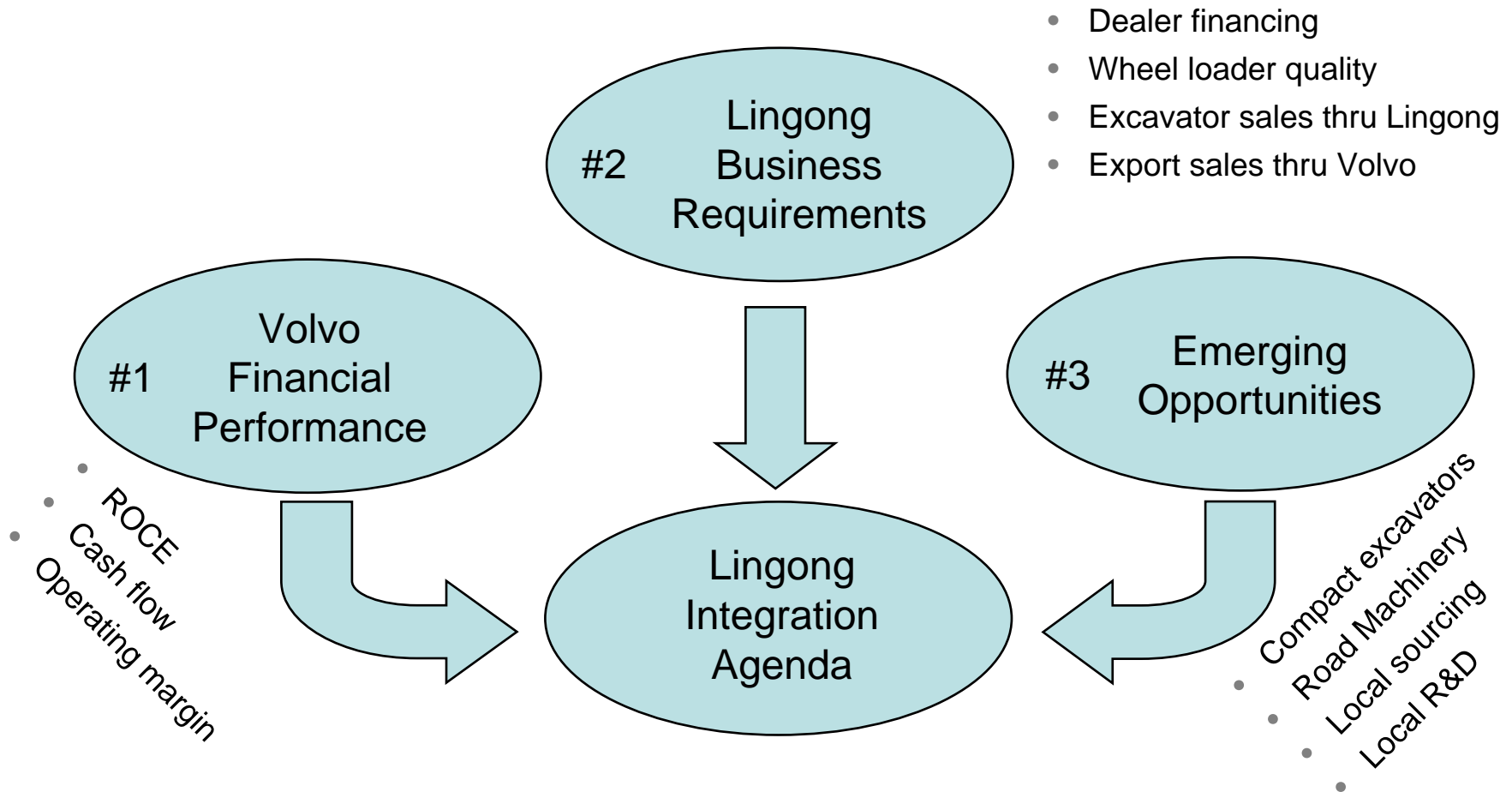
- **Current status**
 - Volvo governance in place
 - Financial reporting functioning

- **Conclusions to-date**
 - Need to improve capital management
 - More upside than anticipated in stand-alone business (volume/cost)
 - Challenging market (price)
 - Emerging product and distribution opportunities



Integration Agenda

Driven by performance, requirements and opportunities





Ingersoll Rand Road Development

Acquisition rationale

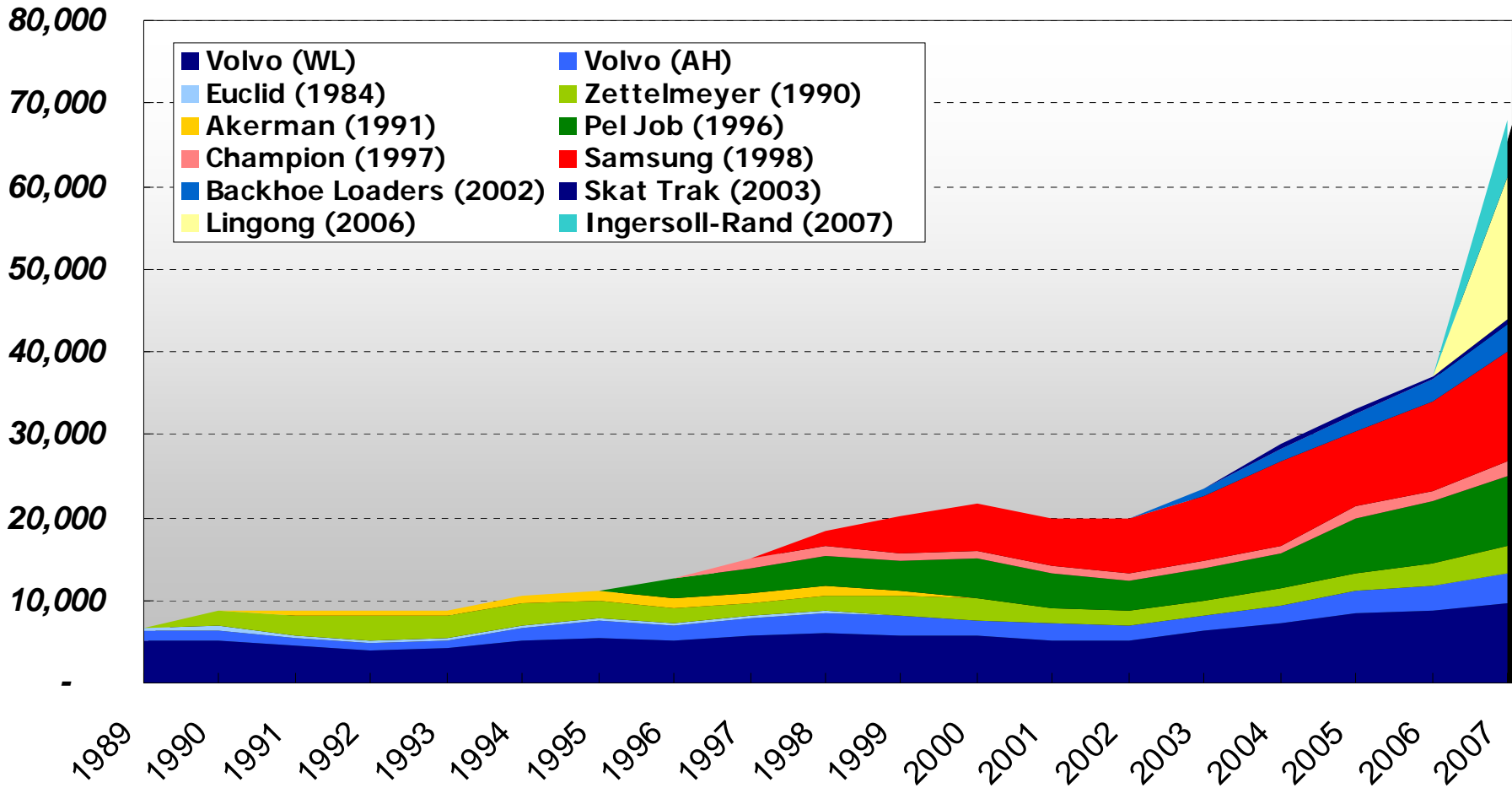
- Broadens the Volvo CE product offer and makes Volvo a leading player within road construction
- Provides platform for strong growth
- Enhance Volvo distribution capability
- Excellent geographic fit
- Significant synergies ~SEK 600M in 5yrs.
- Makes Volvo CE the global no. 3 in construction equipment





The Growth of Volvo CE

Volvo Machine Volumes





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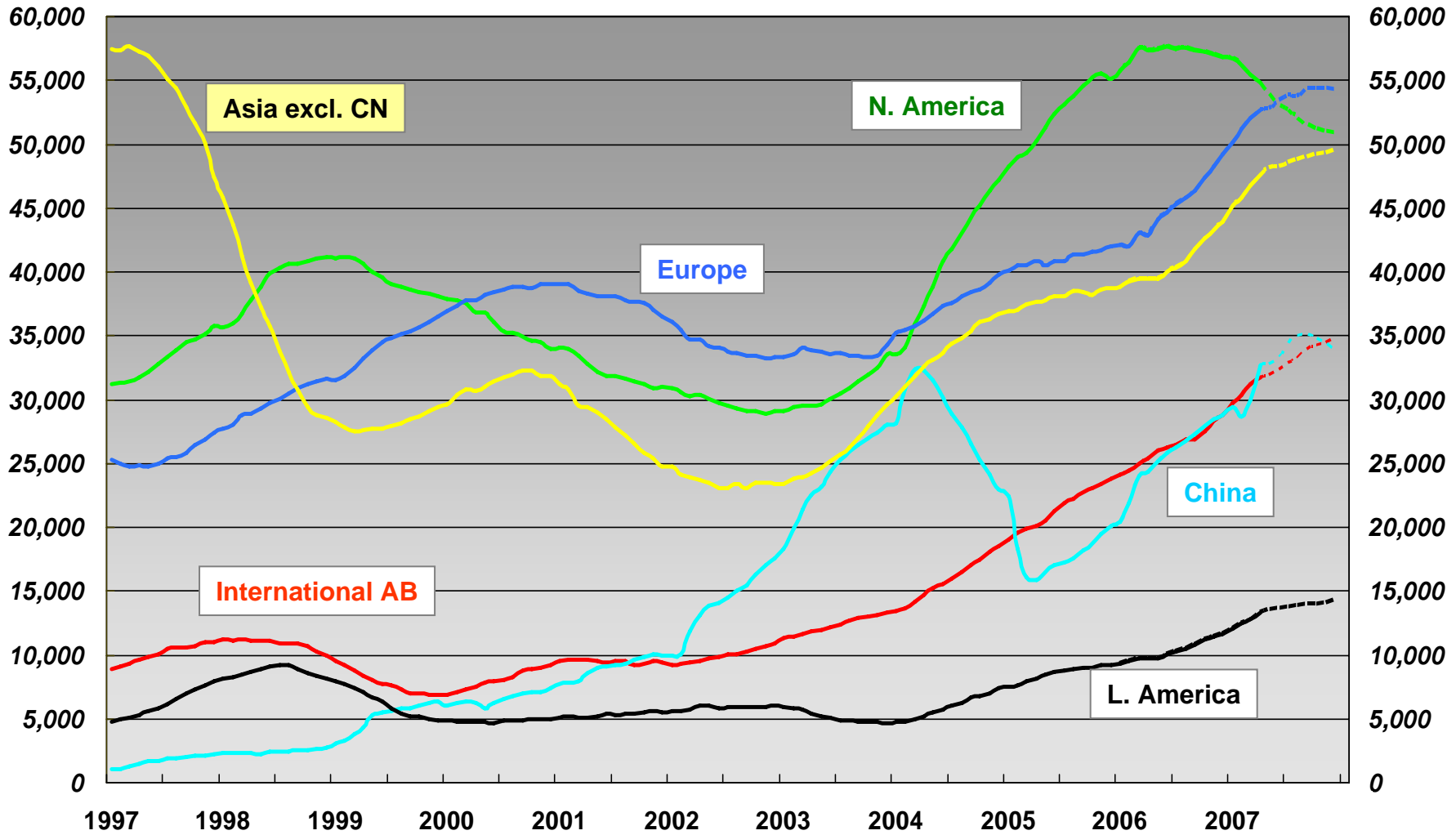
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Total Market Development by Key Market Areas

General Purpose Equipment 1997 – 2007

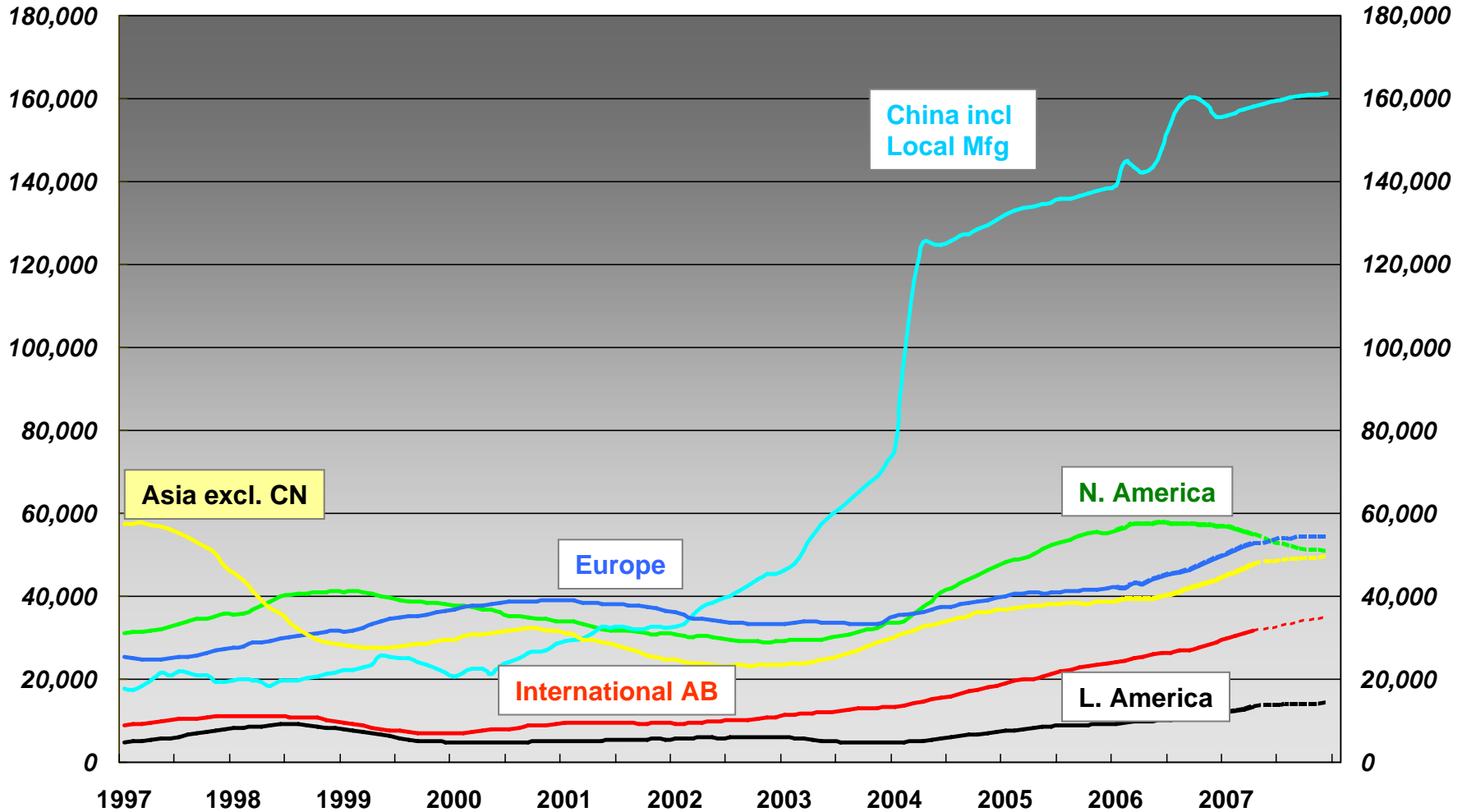


12 month moving rates April 2007



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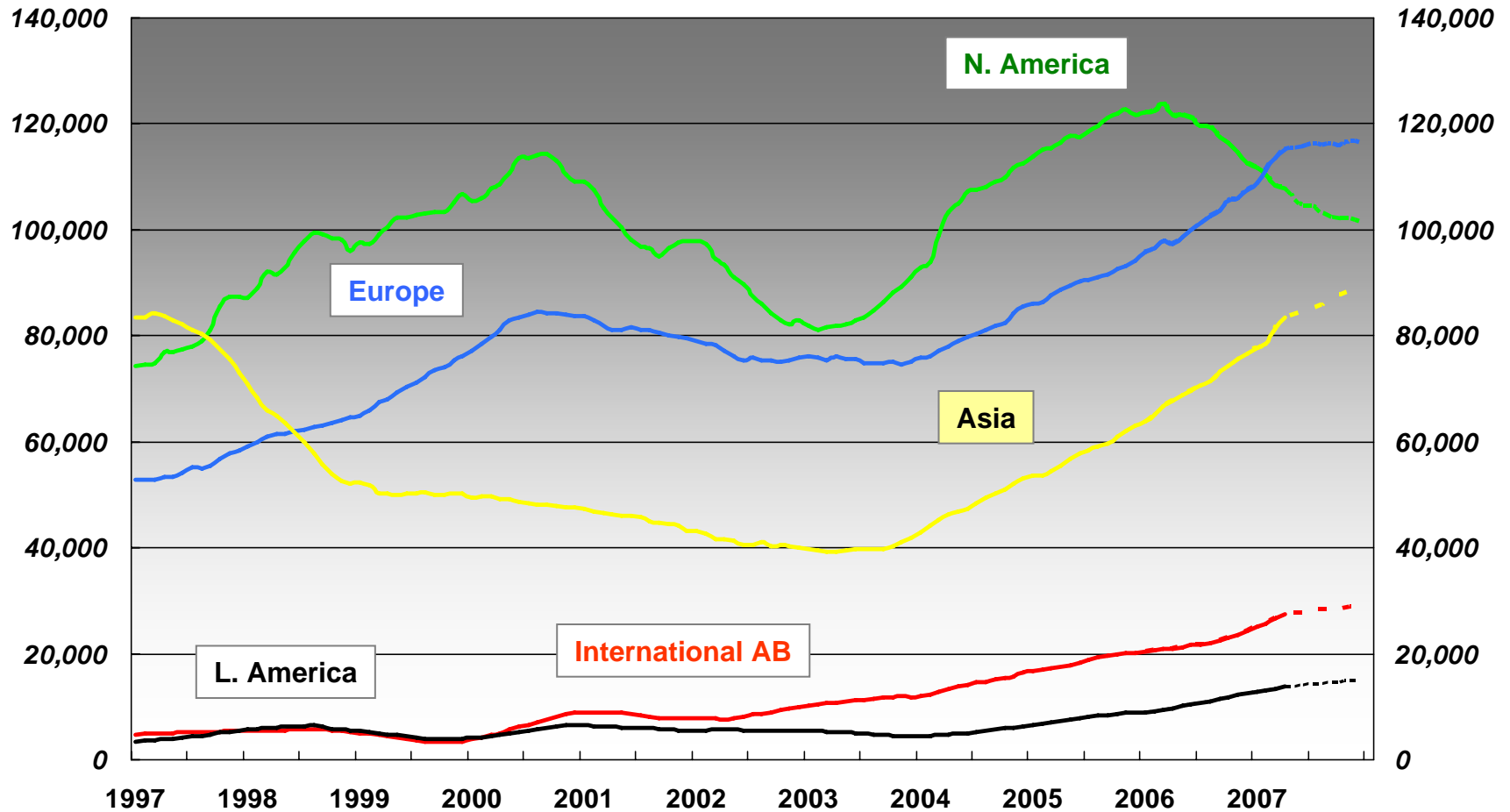


12 month moving rates April 2007



Market Construction Equipment by Region

Compact Equipment* 1997 - 2007



12 month moving rates April 2007



Summary and Going Forward

- Capitalize on recent acquisitions
- Continue to strengthen distribution channels
- Capitalize on recent capacity investments
- Capitalize on Volvo Group engine technology, including hybrids