



**Shanghai Investor Day
Olof Persson, President Volvo CE**

Agenda

THE CHINESE CE MARKET

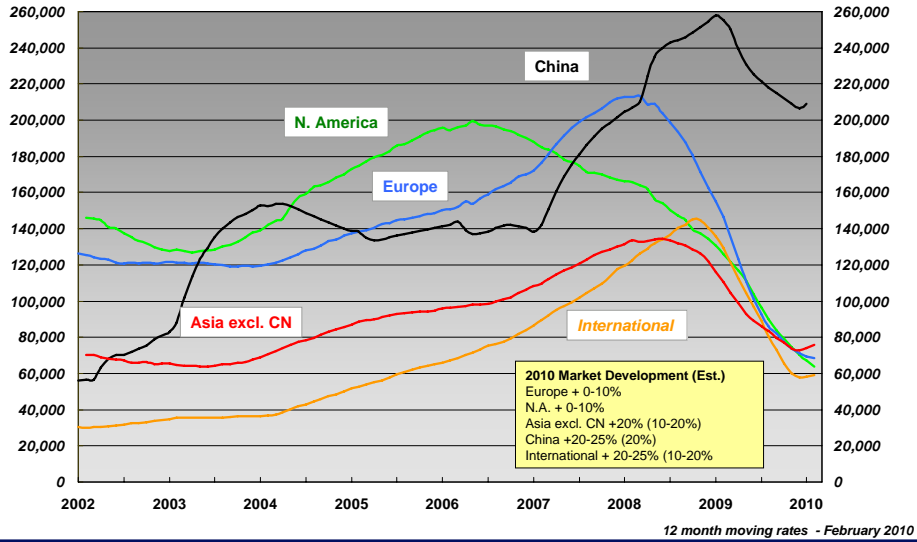
VOLVO CE IN CHINA

VOLVO CE STRATEGIC DIRECTION

CONTINUED GROWTH IN EXCAVATORS



Strong growth expected in the Chinese market



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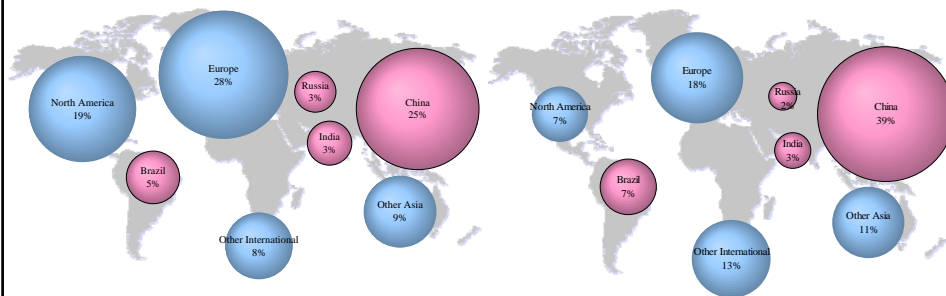
Regional shift towards BRIC countries

China by far the largest market

New machine revenues

2009-Q1

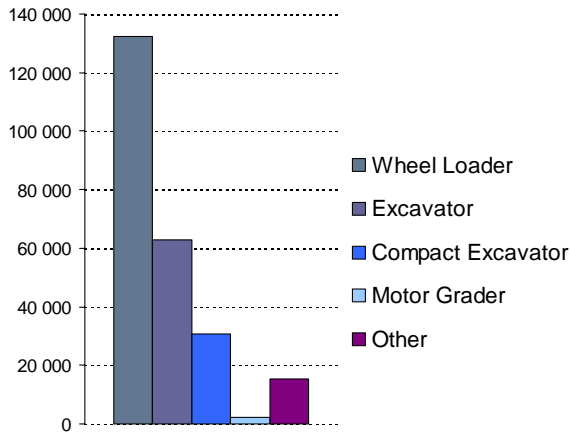
2010-Q1



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Chinese market dominated by wheel loaders and excavators

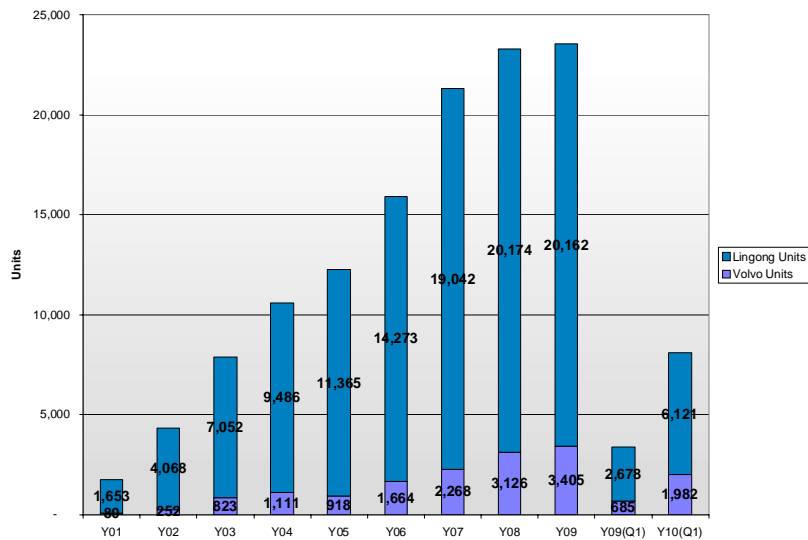


- Historically China has been a wheel loader market
- Excavators growing 35%+ per year last 5 years - will push 100,000 units in 2010
- Local players have grown from 0% to 30% of the excavator market in the last few years
- World market is approximately 43% excavators and 20% wheel loaders (in terms of revenue)



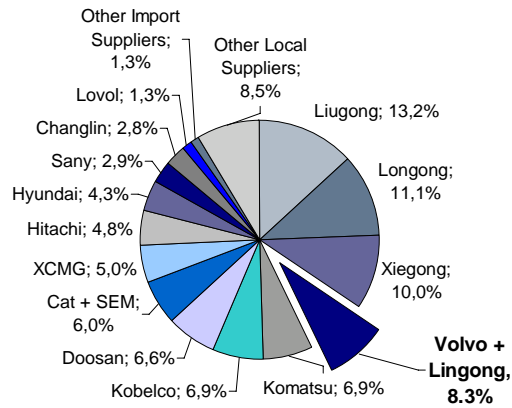
Strong sales growth in China

Q1 2010: 141% increase vs. Q1 2009



Volvo and Lingong combined the 4th largest player in the Chinese market

- Volume wise Chinese are main players
- Global players are strong in terms of revenue & profitability
- Fragmented market in terms of share
- Local Chinese manufacturers are looking to increase exports

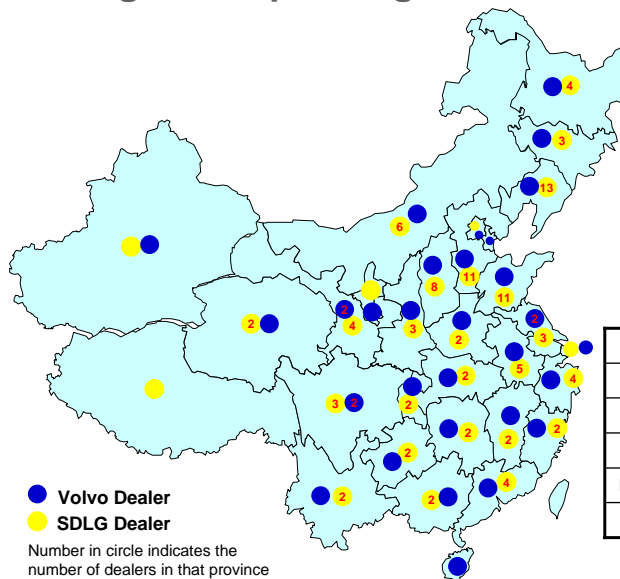


2009 unit volume (Volvo portfolio)

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Strong and expanding dealer networks in China



	Volvo	SDLG
Dealers	26	107
Sales force	1052	1620
Mechanics	966	1317
Points of Sale	240	538
Workshop	21	131

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Volvo Construction Equipment China Overview

Volvo CE China – Building a strong reputation

- **Background:**

- Established in Beijing – 1996
- Moved to Shanghai – 1999
- Shanghai excavator factory opened – 2003



- **Volvo CE locations in China:**

- **Shanghai** – Manufacturing of Volvo excavators, sales office, customer center
- **Linyi** – Manufacturing of Volvo compact excavators, rollers and pavers
- **Jinan** – Technology center



Volvo CE China – Building a strong reputation

Volvo focus areas:

- Grow faster than the market
- Continue to strengthen and expand the distribution network while building brand awareness
- Customer financing solutions – VFS penetration rate is improving
- Leverage Jinan Tech center in new product development for local market
- Develop aftermarket sales and customer support



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Lingong – Capitalizing on a solid foundation



Background:

- Established 1972, moved to new facility in 2005
- Joint-venture with Volvo CE – 2006
- Volvo increases ownership of Lingong to 85% in 2008

Lingong location in China:

- Linyi: Headquarters, R&D and sales. Manufacturing of SDLG excavators, wheel loaders, compact excavators, rollers and backhoes

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Lingong – Capitalizing on a solid foundation



Linyi Facility:

Linyi facility covers 650,000 m²

Total building area 160,000 m²

Production building area 130,000 m²

- 50,000 m² additional under construction

Production capacity 30,000 machines

Over 2,400 employees in total

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Lingong – Capitalizing on a solid foundation

• Lingong focus areas:

- Launch of the SDLG excavators
- Ongoing launch of new wheel loaders
- Strengthen and expand the dealer network
- Key account management
- Increase exports to selected markets
- New transmission and axle factory coming online



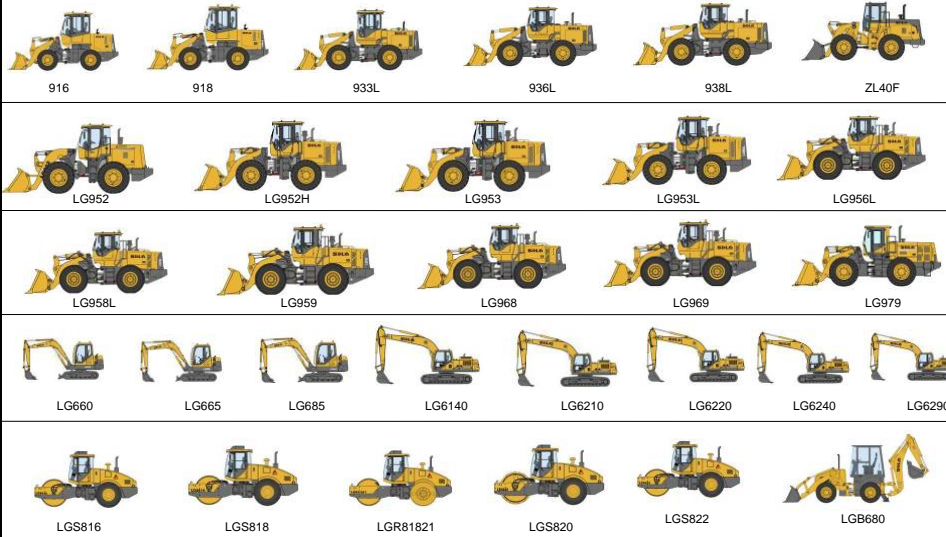
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Lingong product range*



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*Sold under the brand name SDLG.



VFS China – Services to grow the business

- **Background:**

- Established June 2006
- Obtained leasing license May 2009

- **VFS locations in China:**

- Beijing – VFS Headquarters
- 12 regional representatives

- **Focus Areas:**

- Supporting Volvo BA's growth initiatives
- Sound portfolio structure / asset diversification
- Controlled and profitable asset growth
- Stability in earnings over the business cycle



- **Service Offering:**

- Finance leasing
- Installment credit
- Insurance
- Dealer financing

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Volvo Technology Center in China

Investing for the Future

- **Facility Overview:**

- SEK 270 M investment
- Located in Jinan
- Recruitment of engineers has started
- Full completion by 2013 – 180 employees
- Development focused on products and components for the BRIC markets
- Engineers will work on products for both the Volvo and SDLG brands
- Extensive machine testing capabilities



- **Jinan, China**

- Capital of the Shandong Province
- High-tech industrial zone
- Close to universities and engineering focused industries
- Conveniently located close to Beijing and Linyi

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**Fit for the Future:
Strategy 2010-2012**



Using two brands to reach our objectives

- Volvo CE launched a new strategy in 2010 – as part of this strategy one of our objectives is to be # 1, 2 or 3 in the BRIC countries
- Working with both the Volvo and SDLG brands to create attractive product offerings and brand promises to fulfill this objective
 - Managing the brands to satisfy the maximum number of customers
- To support this, Volvo CE has created an extensive product and segment strategy



Established product and segment strategy

What do we want to do by segment?

Build

- Significantly grow revenue in hard and soft products.

Defend

- Keep existing strong market position.

Selective

- Selective engagement with specific products and attachments.

What products do we need?

A-Type

- Cost and feature optimized products priced at premium for applicable markets.

B-Type

- Entry level products at competitive prices for applicable markets.

How do we deliver those products?

Core competence

- Volvo and SDLG branded* products, designed and built for applicable markets and segments.

Partners

- Volvo and SDLG branded products supplied by partners

Specialized

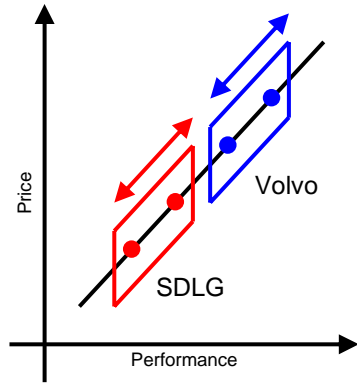
- Specialized low volume products requiring high degree customization, usually supplied by specialized partners

*SDLG Lingong brand



Product and brand positioning

Using two brands to meet more customer needs



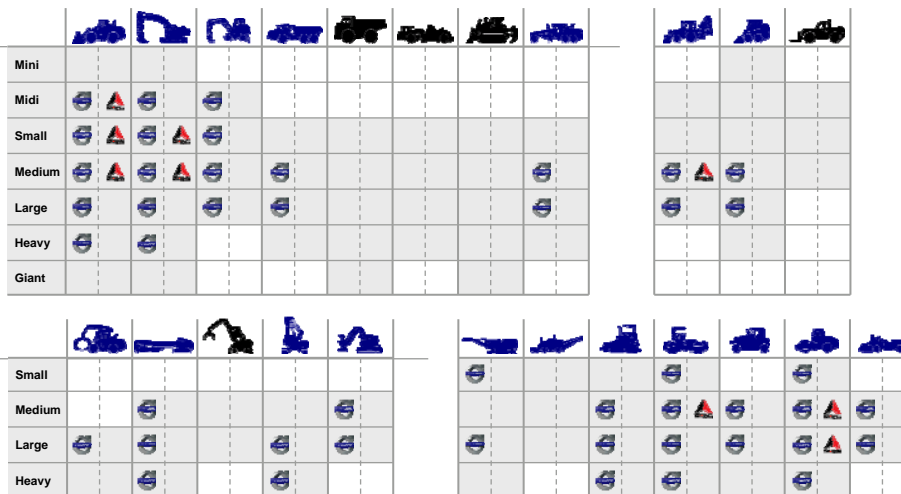
- There is a range of price and performance positions covered by both brands
- Volvo CE can use both the SDLG and the Volvo brand in a complimentary approach to capture a broader customer base in China
 - SDLG – Capture customers looking for a domestic machine
 - Volvo – Capture customers looking for a premium machine

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Volvo CE present product portfolio (Volvo & SDLG) vs. General major competitor portfolio

Volvo & SDLG standard base machine and niche special application machine portfolio

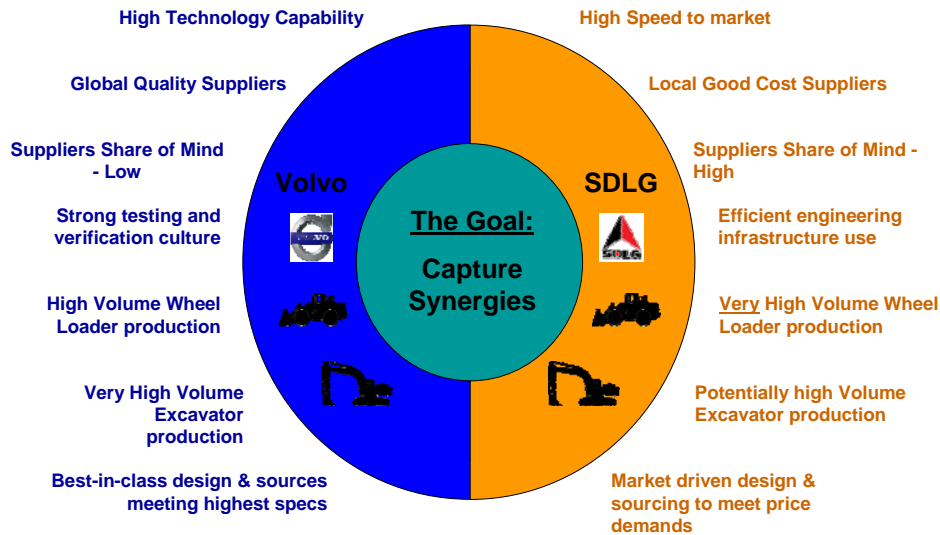


= Major competitor portfolios = Volvo present portfolio = SDLG present portfolio

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Share Our Strengths – Volvo / SDLG



Decisions taken to support the BRIC strategy

- Lingong excavator production
 - 4 models of excavators to be branded SDLG (13T, 21T, 24T, 29T)
- Jinan technology center
 - 270 MSEK investment
- Russian distribution agreement
 - Ferronordic Machines plans to invest approximately 100MEUR by 2015 to develop the Russian distribution network
- Production of excavators in India

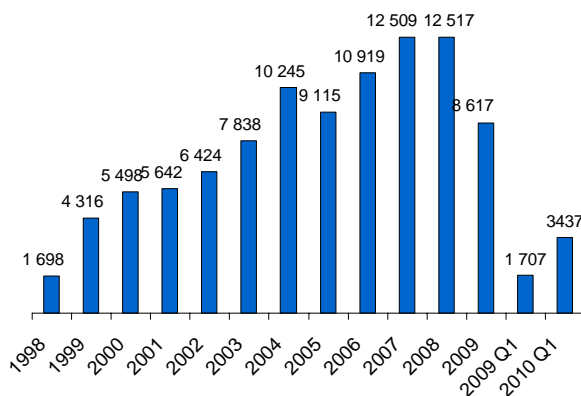




Continued growth in excavators

Successful growth in excavators

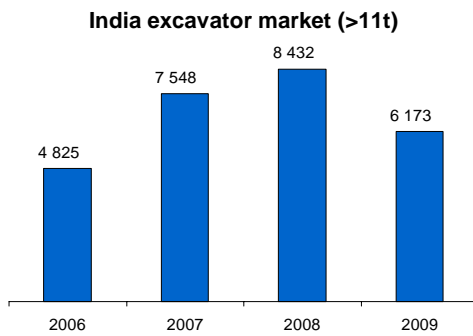
Volvo excavator volume (>11t)



- Acquisition of Samsung excavator business in 1998 (Changwon, Korea)
- Shanghai expansion in 2003
- Konz, Germany excavator expansion
- Lingong excavator range, 2010
- Announcement of India excavator production, 2010



Decision to start excavator production in India



- SEK 144 M investment in the Bangalore factory
- Facility was acquired as part of the Road Machinery acquisition in 2007
- Volvo CE had a 9.8% excavator market share in 2009 – localization of excavator production is expected to significantly improve this position



Conclusions

- Well positioned in China and the rest of Asia to capitalize on the huge market opportunity and growth potential
- Dual brand gives Volvo CE a unique advantage to capture a much larger piece of the market
- Leverage the Lingong investment
 - Product design
 - Volume / economies of scale
 - Manufacturing footprint
 - Local Chinese knowledge

