



Strategic direction 2013-2015

Growth in new markets and segments

Pat Olney - President Volvo Construction Equipment

Significant growth opportunities

Good starting point

- Broad and competitive product portfolio
- Committed and aligned distribution
- Dual brands to penetrate both high-end and low-end
- Scale in both premium and value technology & production
- #1 in China

Significant opportunities

- Grow Volvo share in emerging markets
- Leverage Chinese position
- Grow SDLG share globally
- Grow aftermarket business for both brands

Volvo Construction Equipment 2013-2015 Strategy

Profitably grow SDLG business globally

- Achieve significant increase of excavator share in Chinese market
- Grow export business to 10,000 Units
- Grow Customer Solutions export business.
- Operating margin and positive cash flow supporting the overall targets

Develop Volvo branded products for emerging markets

- Develop emerging market product to QDCF targets with greater focus on design to cost and time to market.

Significantly increase Customer Solutions revenues

- Increase Customer Solutions revenues by 50 %
- Increase Customer Support Agreement penetration to 40%

Increase gross margin per machine

- Achieve gross margin improvement across the product range with 3%

Increase product portfolio development efficiency

- Reduce average project lead time to 24 months
- Reduce average claims per machine to 1.8

Significantly increase dealer & supply chain capability

- Develop dealer capability to support targeted revenues
- Ensure Volvo CE assembly and supplier capability for targeted revenues
- Achieve 90% delivery precision from our suppliers and to our customers

Develop, recognize and promote excellent leadership

- Achieve “high performing” levels of employee engagement
- Achieve 20 point improvement on the following two specific survey questions: PBP Quality and Leadership The Volvo Way

Deploy CAST globally

- Implement modular architecture and CAST technical solutions as per roadmap to achieve full CAST deployment by 2017

Increase share and profitability of Road products

- Achieve rank 1 or 2 in key Road products and significantly improve market share in each region
- Provide a portfolio of competitive Road products designed to cover 80% of Road machinery market

Significant potential for share growth in China for SDLG

Total market 2011



EXCAVATORS
170,000



2.0%



LOADERS
220 000



15.2%

SDLG brand

- Strong brand image in the value segment
- Pan-Chinese dealer network
- New range of competitive excavators

To do: Upgrade dealer network to sell and support excavators (advanced technology)

Continue excavator share growth



Significant potential for share growth in China for Volvo

Total market 2011



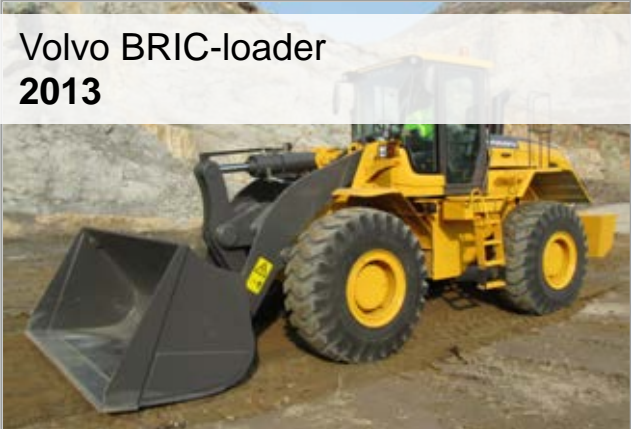
Volvo brand

- Strong brand image
- Well performing and committed dealer network

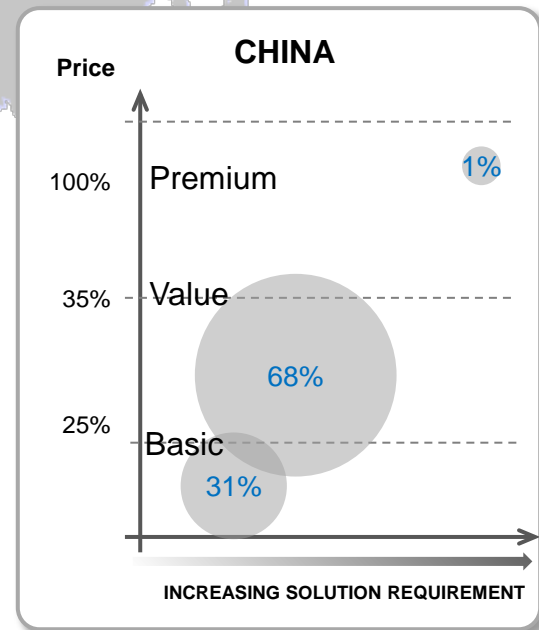
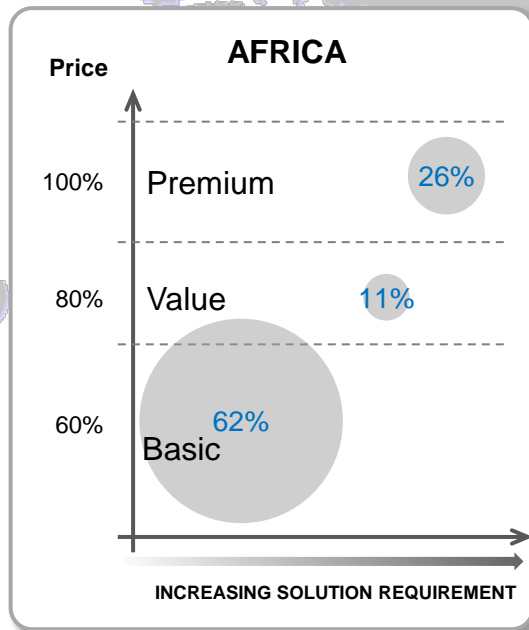
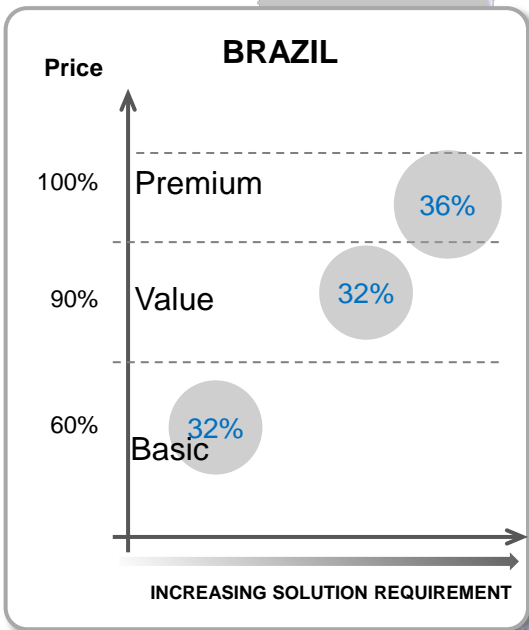
To do: Launch new low-cost wheel loader (BRIC-loader)



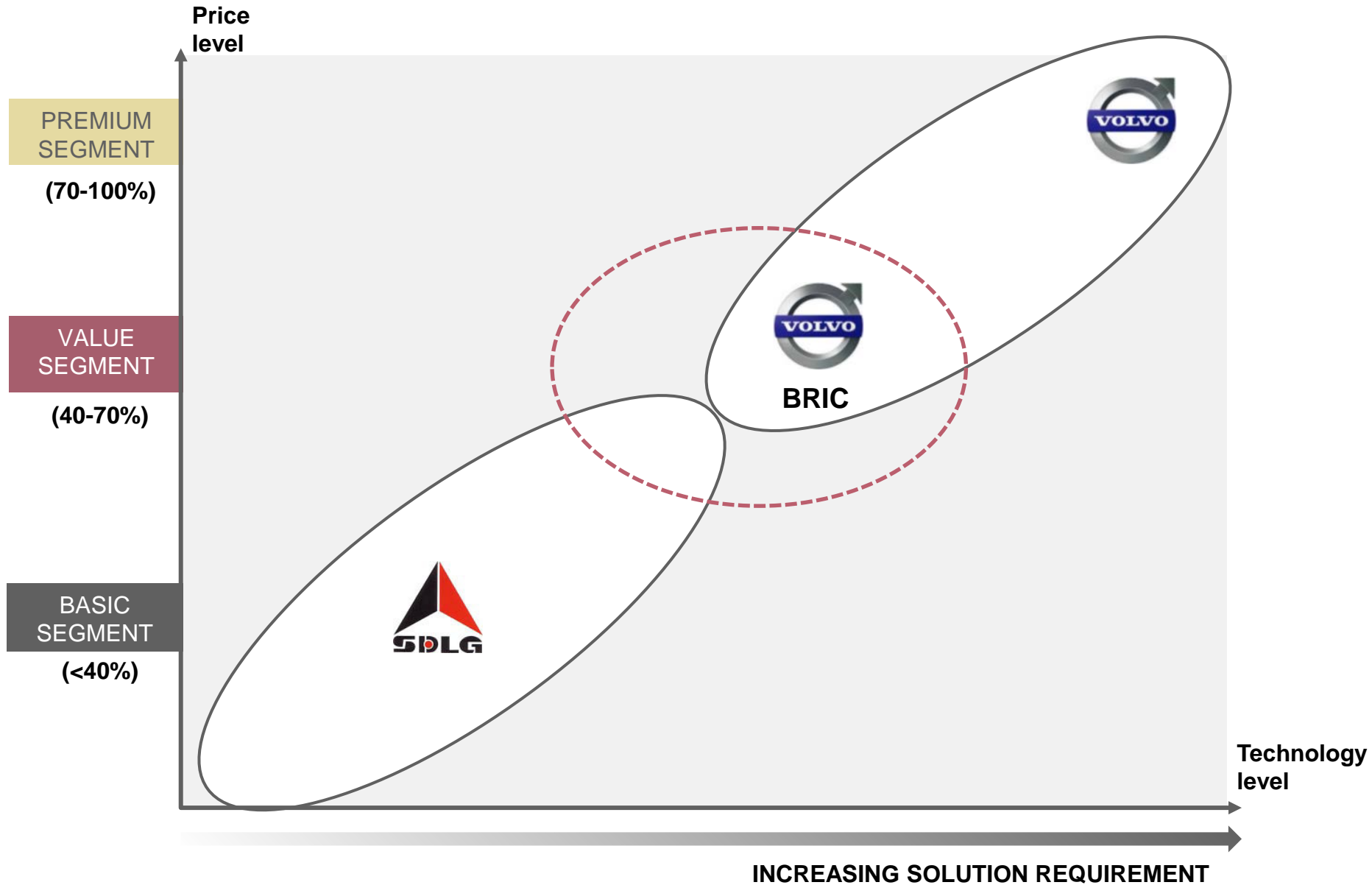
Great potential for Common Architecture and Shared Technology (CAST) - implementation started



Need to address the segments with the right product – wheel loader example



New brand positions to reach all customers



Significant potential to grow Volvo share in emerging markets

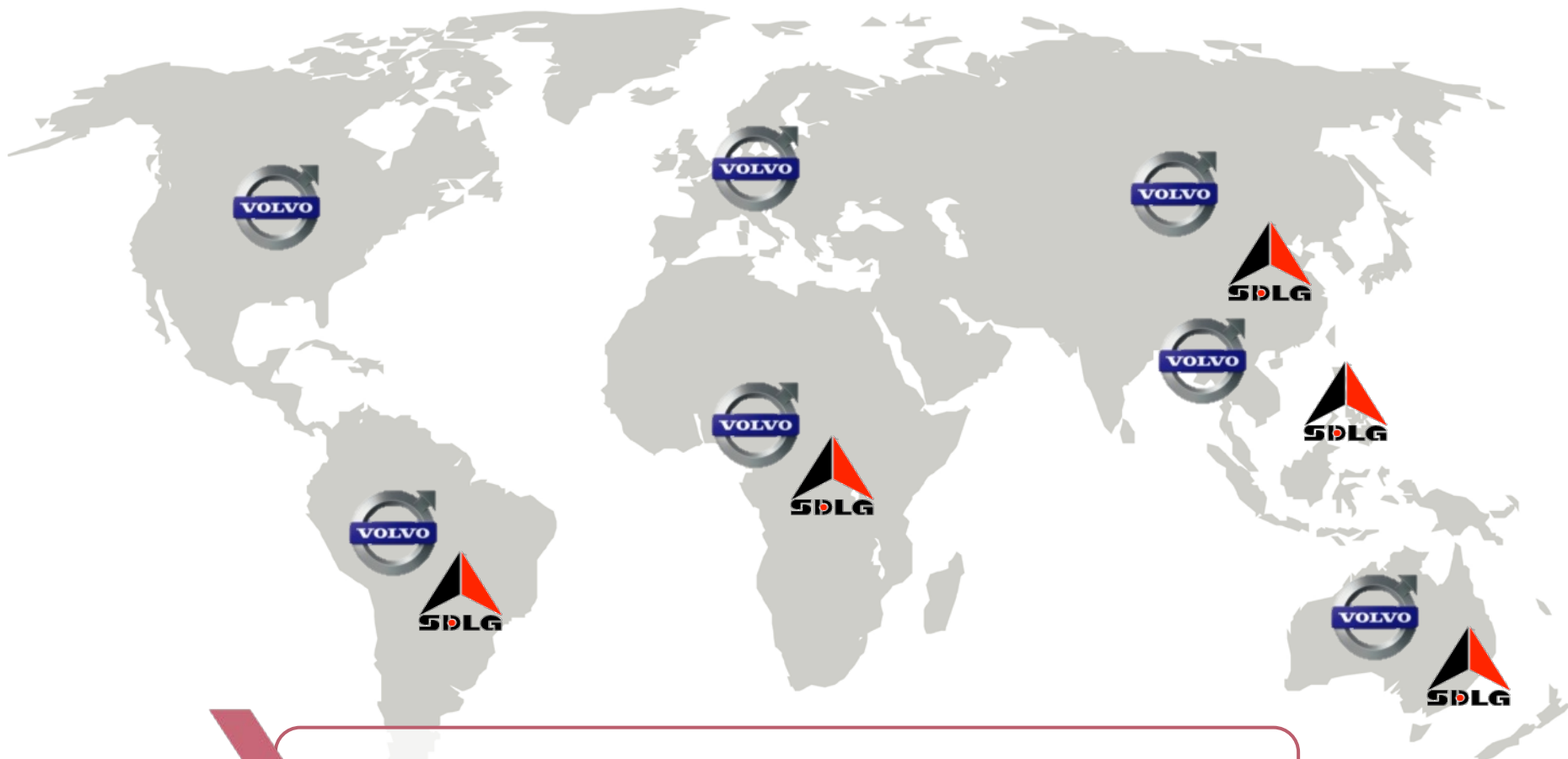
Volvo BRIC-loader in 2013



Substantially lower cost vs.
global Volvo products

- First example of leveraging SDLG cost base for Volvo branded products
- Improve competitiveness of the Volvo dealer network in emerging markets
- Introduced in China from 2013 and other emerging market tbd
- Attracting new customers
– share growth
- Not discounting premium products
– margin growth

Rollout of SDLG to start in emerging markets



Targeting 10,000 SDLG units per year outside China by 2015
(Today 3,900 units/year)

Competitive edge vs. other domestic Chinese to expand SDLG globally



Products - Leverage existing and proven Volvo technology at the right phase

Industrial – leverage existing global footprint

Suppliers – leverage existing global footprint

Distribution - leverage existing Volvo distribution (Tier1)

Aftermarket – leverage existing infrastructure of the Volvo Group i.e. parts warehouses and distribution

Realizing the full potential of both brands globally



Volvo CE 2015

- Improved Volvo share in emerging markets
- Stronger position in China
- SDLG introduced in emerging markets outside China
- Shared architecture appropriately differentiated between Volvo and SDLG

