

VOLVO

Volvo Construction Equipment In China

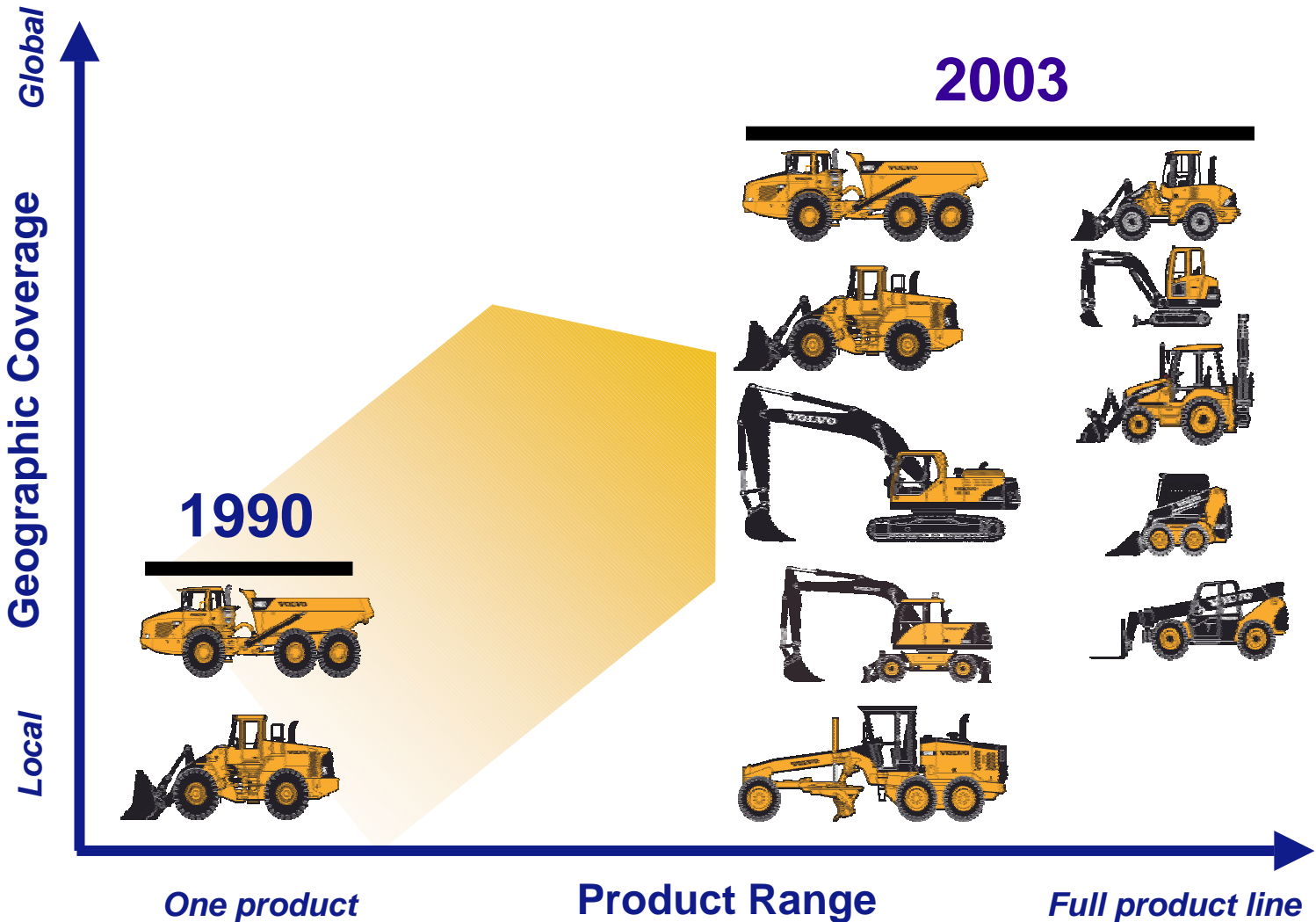
May 19 2004
Shanghai, China

Dirk von Wahl
President
Volvo Construction Equipment (China) Co., Ltd.

Volvo Construction Equipment In China

- **First Volvo Construction Equipment Representative Office established in Beijing - August 1996**
- **Beijing Rep. Office relocated to Shanghai became Volvo CE Shanghai Rep. Office - September 1999**
- **Volvo Construction Equipment (China) Co. Ltd. business license approval received in March 2002**
 - Head Office locates in Shanghai
 - Factory base in JinQiao Development Zone with total area 65, 000 sq m
 - Factory construction completed - March, 2003
 - Production starting - March 2003, initial assembly excavators
 - First machine roll out - April 2003
 - Official Jin Qiao Factory Inauguration - August 2003

Volvo Construction Equipment Company Evolution

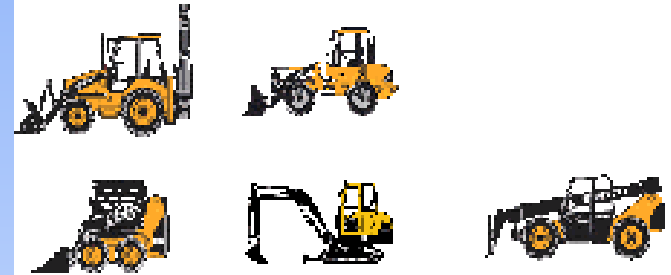


Volvo Construction Equipment Product Range

Compact Equipment

Compact Wheel Loaders
Compact Excavators
Backhoe Loaders
Skid steer loader
Telescopic handler

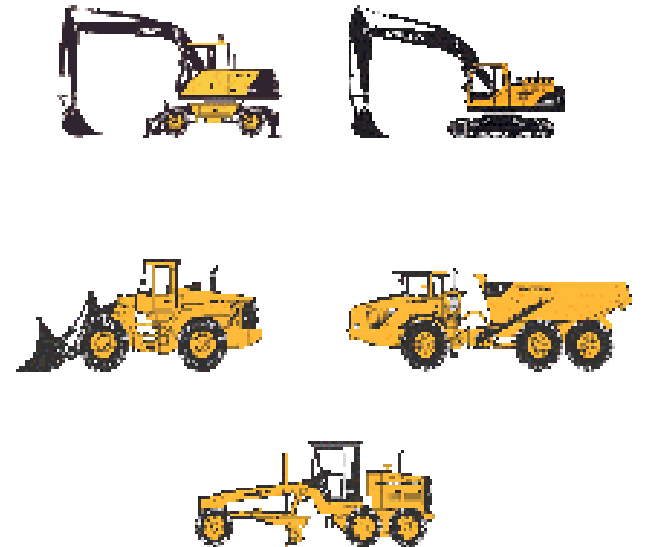
Lighter duty applications in construction, industrial and maintenance work

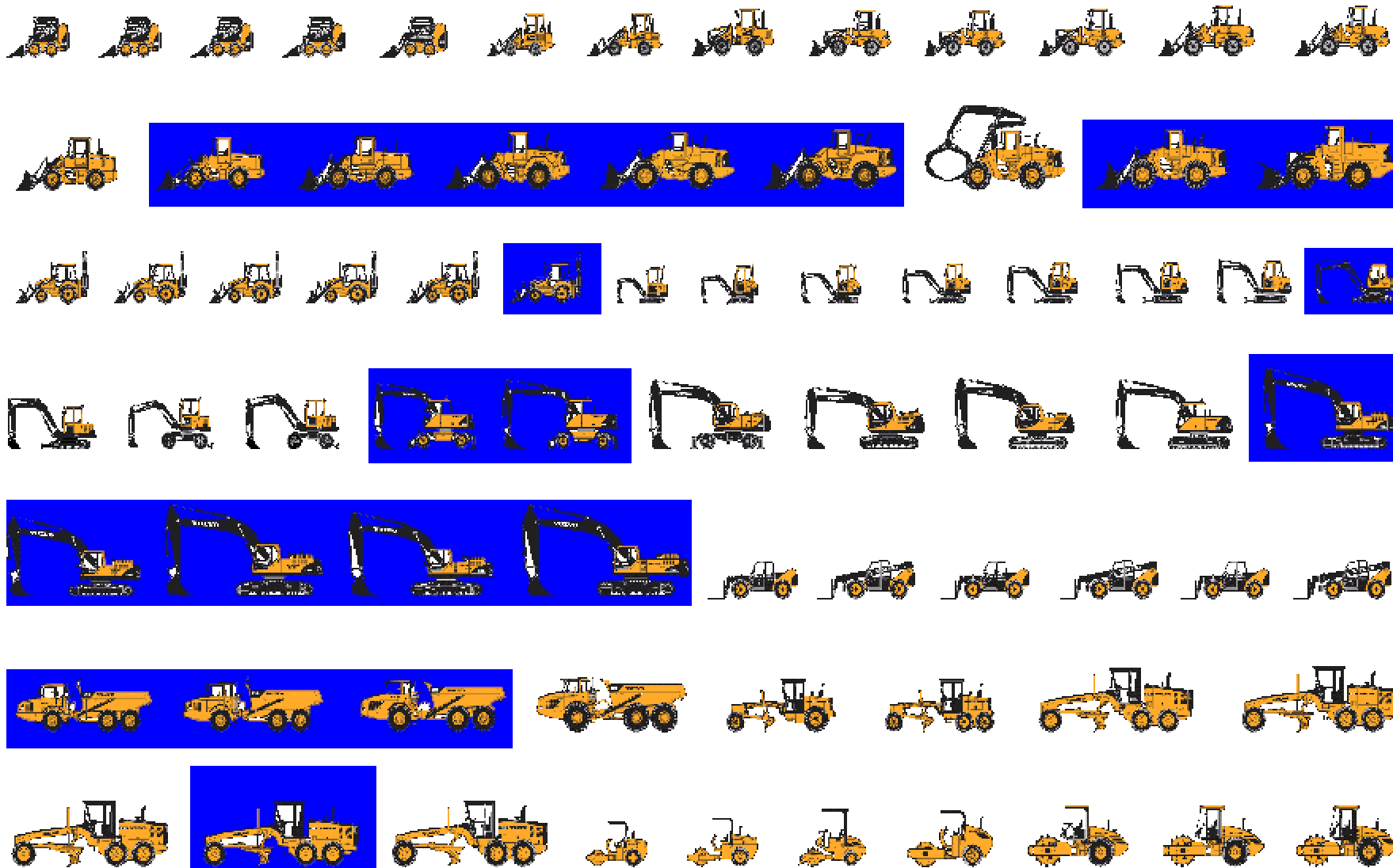


General Purpose and Production Equipment

Wheel Loaders
Excavators
Articulated Haulers
Motor Graders

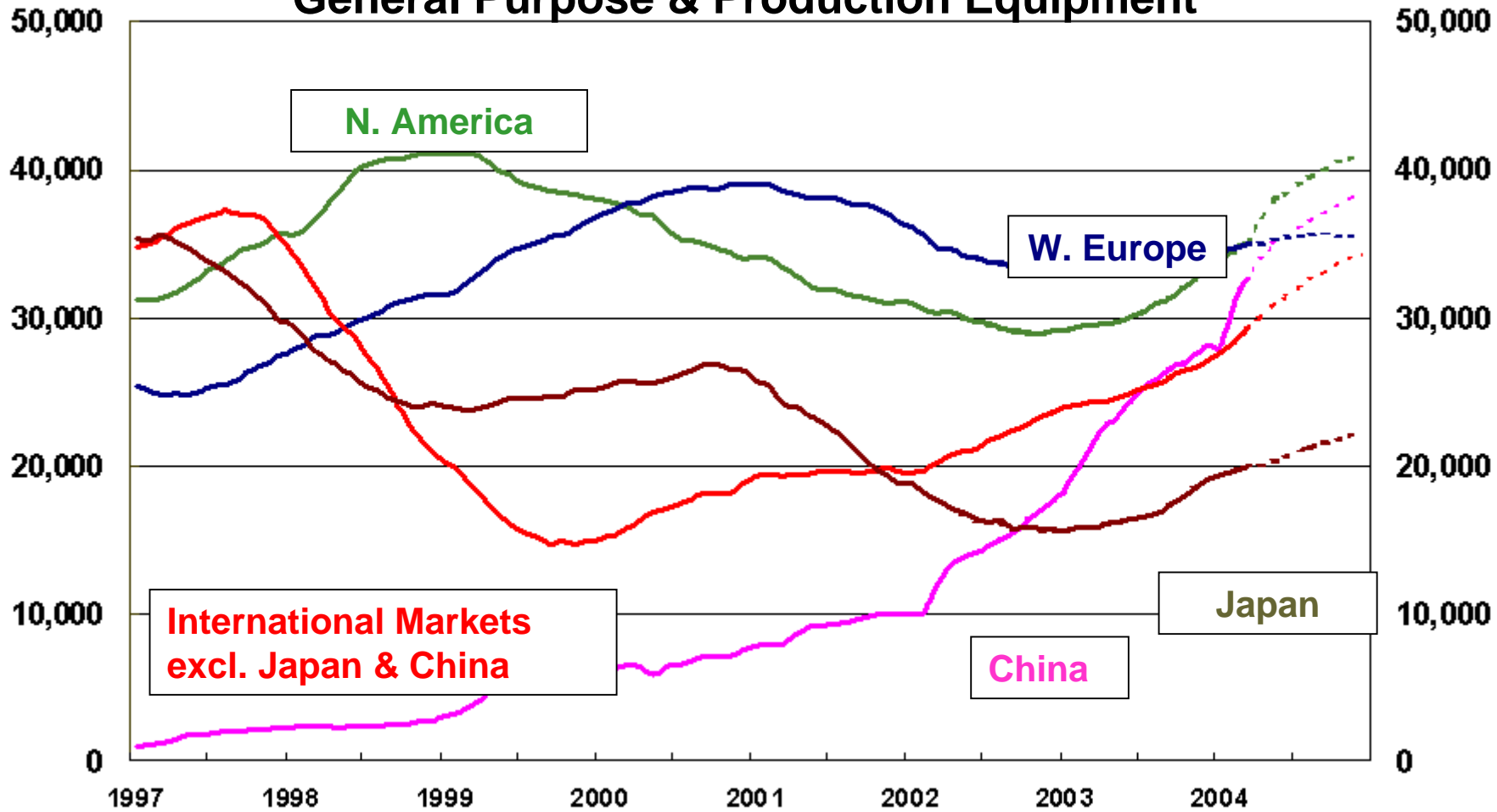
Construction, including road building and maintenance, extraction and industrial applications



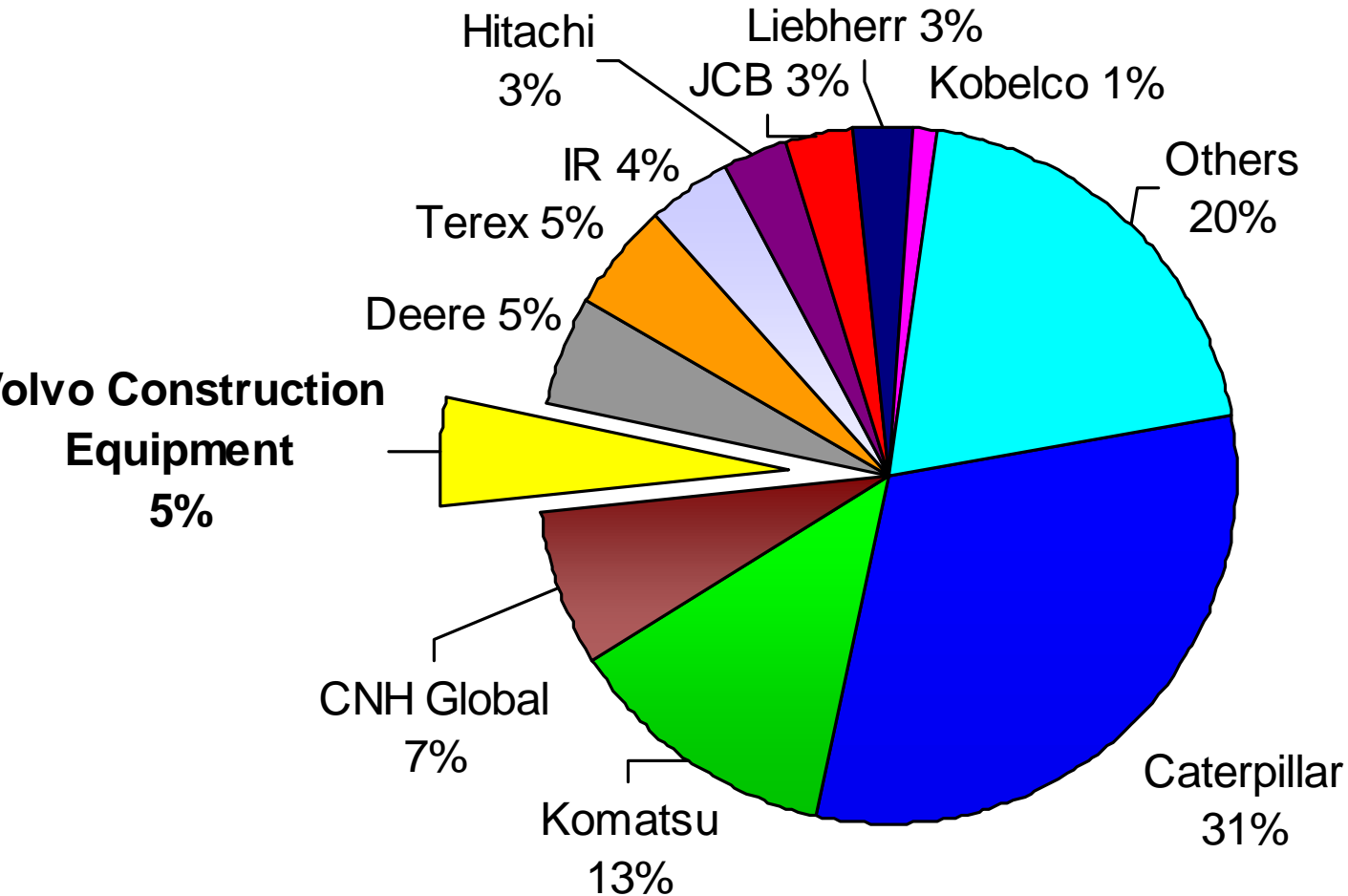


Global Market Development by Key Market Areas

General Purpose & Production Equipment

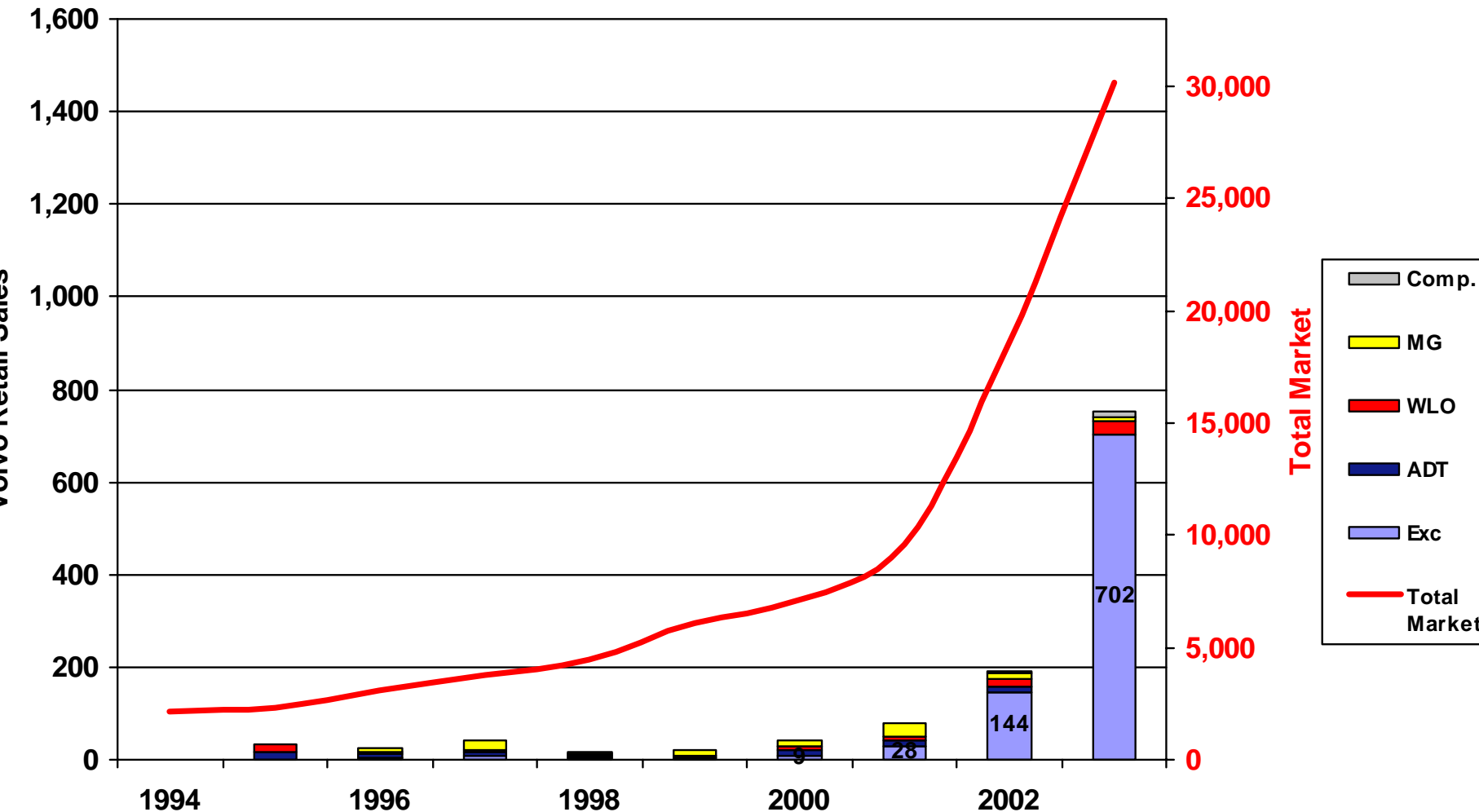


Global Construction Equipment Industry



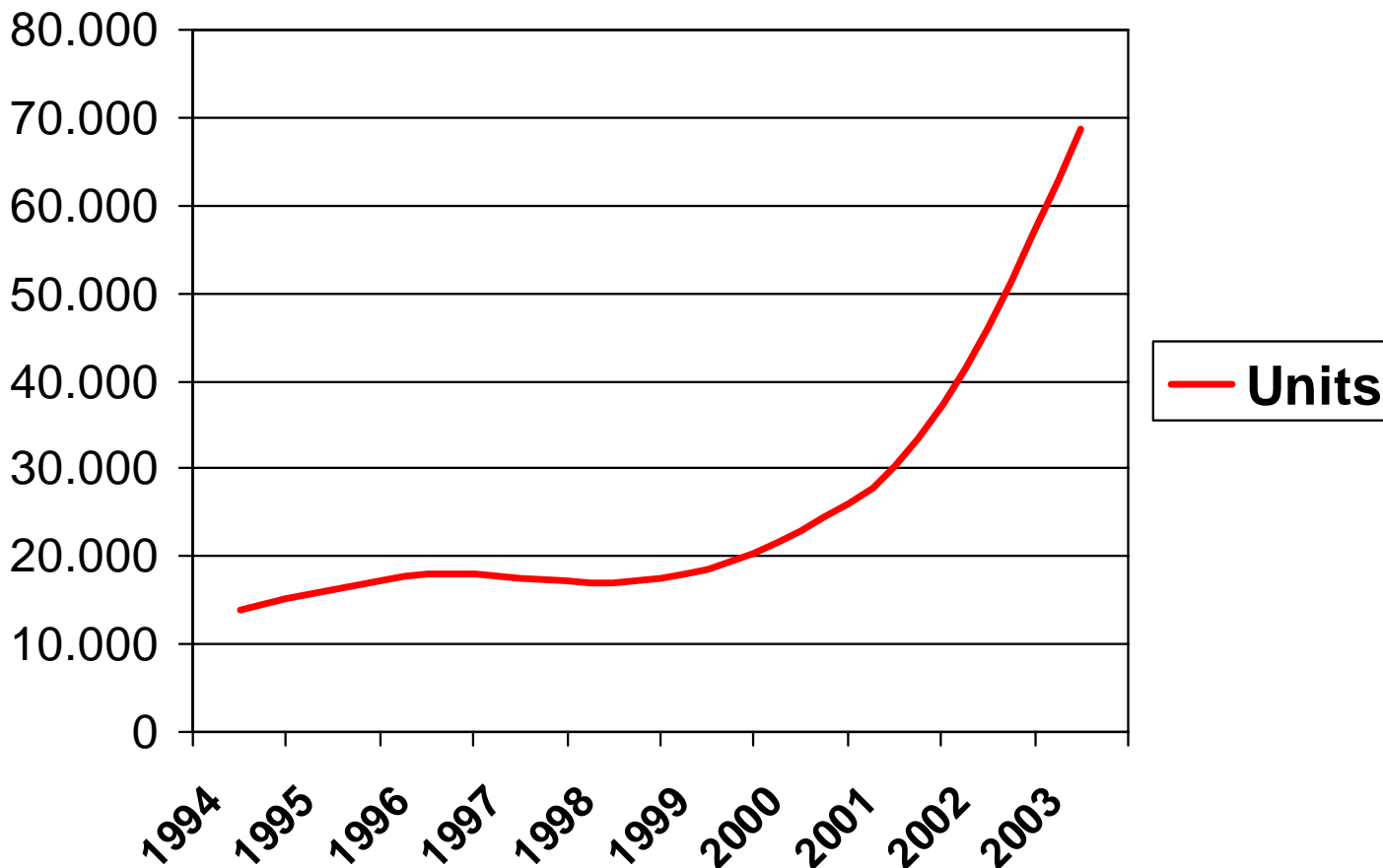
China Market Development & Retail Volumes

General Purpose & Production Equipment



China Market Development

Wheel Loader - Local Chinese Product



Year	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Units	13.768	16.279	17.947	17.404	17.058	18.575	22.881	30.397	46.100	68.779

The Construction Industry in China

Road network

National Trunk Highway System, with 5 NS and 7 EW roads as the core, to link Beijing, all provincial capitals, capitals of autonomous regions and the super-municipalities. 200 cities will be on the network which will run to about **35,000km**. Project started since earlier 90's.

Waterway network

2 NS + 3 EW routes to link 17 provincial capitals, 24 cities and 5 special economic zone

**** 2 north-south routes: East coast line Grand Canal (Beijing to Hangzhou)***

**** 3 east-west routes: Yangtze river and tributaries Xijiang river and tributaries Heilongjiang to Songhuajiang route***

The Construction Industry in China

Transport centers

45 passenger/ freight stations by 2010

Ports

A network of 20 coastal ports + 24 inland ports to be completed by 2010

Railways

Construction of high capacity trunk lines

- *extension from 68,000 to 70,000 by 2002, to 75,000 km by 2005*
- *24% electrified and 32% double-track route by 2005*
- *620 tunnels (480 km)*
- *70 extra large bridges (110 km) + 550 medium & large bridges (800 km)*

The Construction Industry in China

Light railways

550 km by 2025

Subways extension

200 km in 11 major cities from 2000 to 2005

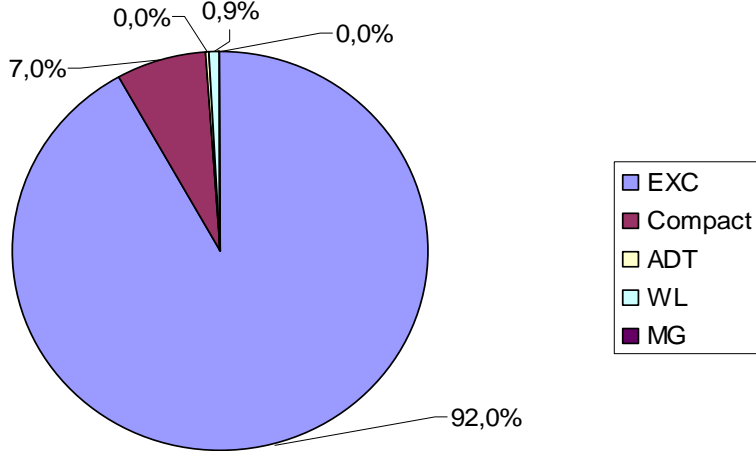
Energy supply

Power plants with 3.5 to 4 mn kw output to e built each year from 2002 (annual average 100 mn m3 earth/stone & 10 mn m3 concrete work)

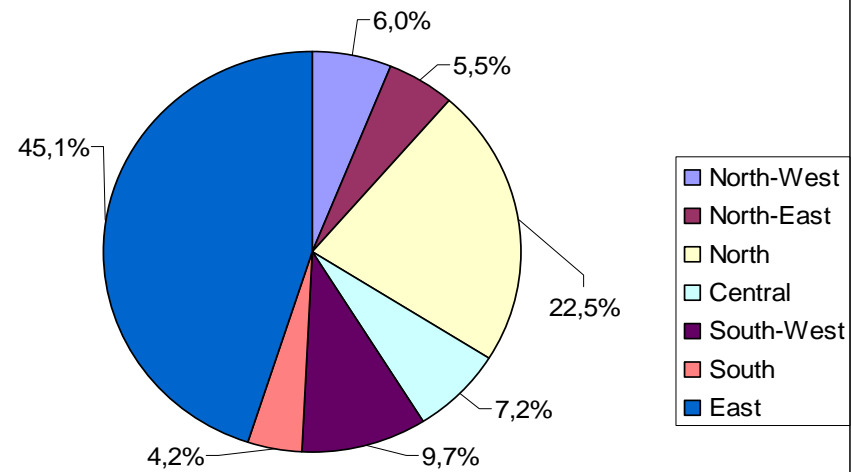
- *Three Gorges Project on Yangtze river + Xiaolangdi project on Yellow river*
- *More than 130 hydro stations under construction in 00, finished by 05*
- *Nuclear power projects in Guangdong, Jiangsu and Shandong*
- *Liquefied Natural Gas terminal in Shenzhen, Guangdong*

China Market 2003

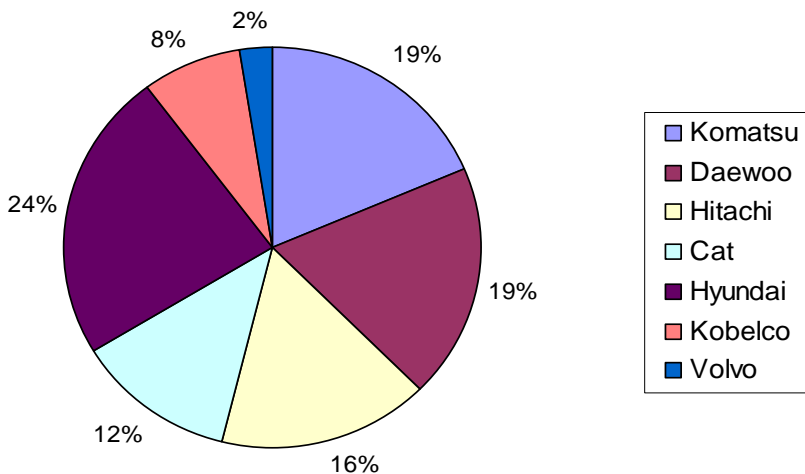
Total Market by Product



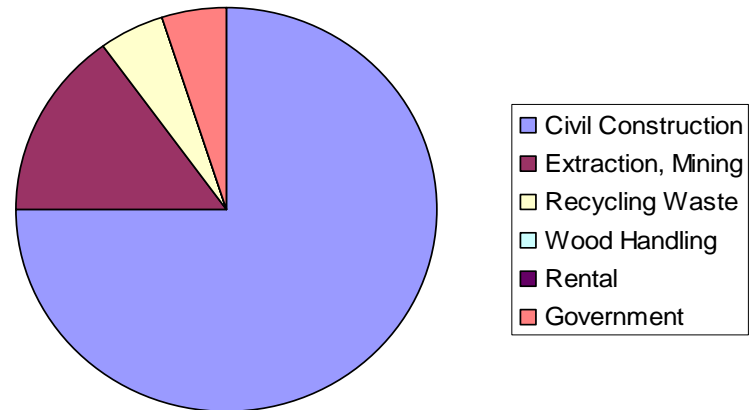
Total Market by Region



Total Market by Manufacturer



Total Market by Segment



China Distribution Network

Dealer Partners (Red):

- Current 19

Volvo Branches (Blue):

- Current 4 (incl. HQ)

Urumqi Branch Xinjiang Xingwo

Xian Yuyuan Shanxi Woyuan Beijing Branch Beijing Harmony

Liaoning Liaoan

Hebei Huanda

Jinan Tianye

Xuzhou Beili (North Jiangsu)

Henan Wotong

Jiangsu Hongbo (South)

Shanghai HQ

Hangzhou Liyang

Wuhu Hual

Wuhan Zhongnan

Fuzhou Huanda Guangzhou Zhongnan

Qinghai Century Development

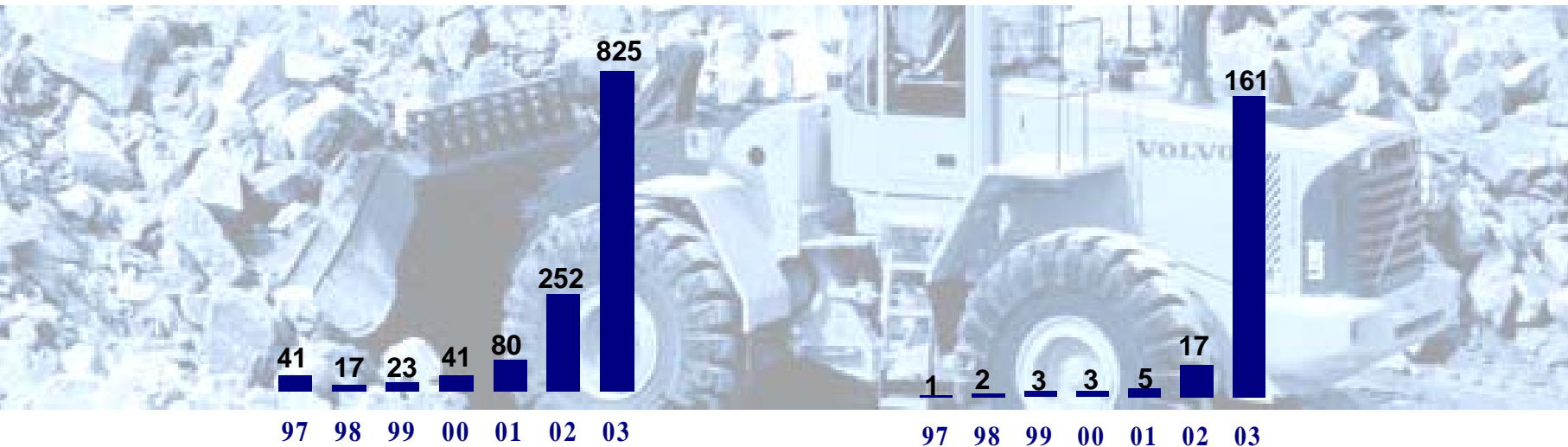
Chengdu Branch Chengdu Fusheng

Yunnan Enrich Chongqing Huiyou

China Key Data

Sales, units

Employees



Progress

Built Organization

- Recruited well educated and experienced team
- Structure in place to support present and future business
- Training for all employees in Volvo specific fields

Built Distribution Network

- Currently 19 dealers each responsible for machine sales, service and parts availability in their respective exclusive territory
- Extensive product training – combination of local China and overseas training at Volvo Centers of Competence
- Regional Volvo CE sales managers to better capture regional market

Progress

Built After Sales Capability

- Regional Volvo CE service managers to provide local specialist support
- Training center established at Jin Qiao factory site
 - Machine service
 - Parts usage
 - Operator instruction
- Service vans for customer on-site support
 - Specifically designed for use in China
 - All dealers have identical service vans
- Volvo Parts (Shanghai) Co., Ltd. provides national parts distribution. Defined inventory on dealer level ensures parts availability to end-customer

Progress

Established Brand

- Brand/Brand Content Awareness
 - Advertising in leading nationwide industry trade magazines and local daily
 - PR & Mass communications via TV interview and print media
- Product Promotion
 - Participation in major exhibitions in China
 - Product seminars – dealer sessions as well as joint Volvo CE / dealer events with over 15,000 participants in 2003
- Dealer CI Program
 - Equipped all dealers with a comprehensive Communication Starter Kit
 - Developed a distinctive design for dealer branches – same at all locations across China
- Annual brand tracking to prove that awareness and appeal of the brand are steadily increasing at customer level

The Might of China

