



# **Volvo CE Capital Market Day**

June 16, 2009

# Agenda

- Market update
- New organization
- Business cycle management
- Product development
- Fuel efficiency

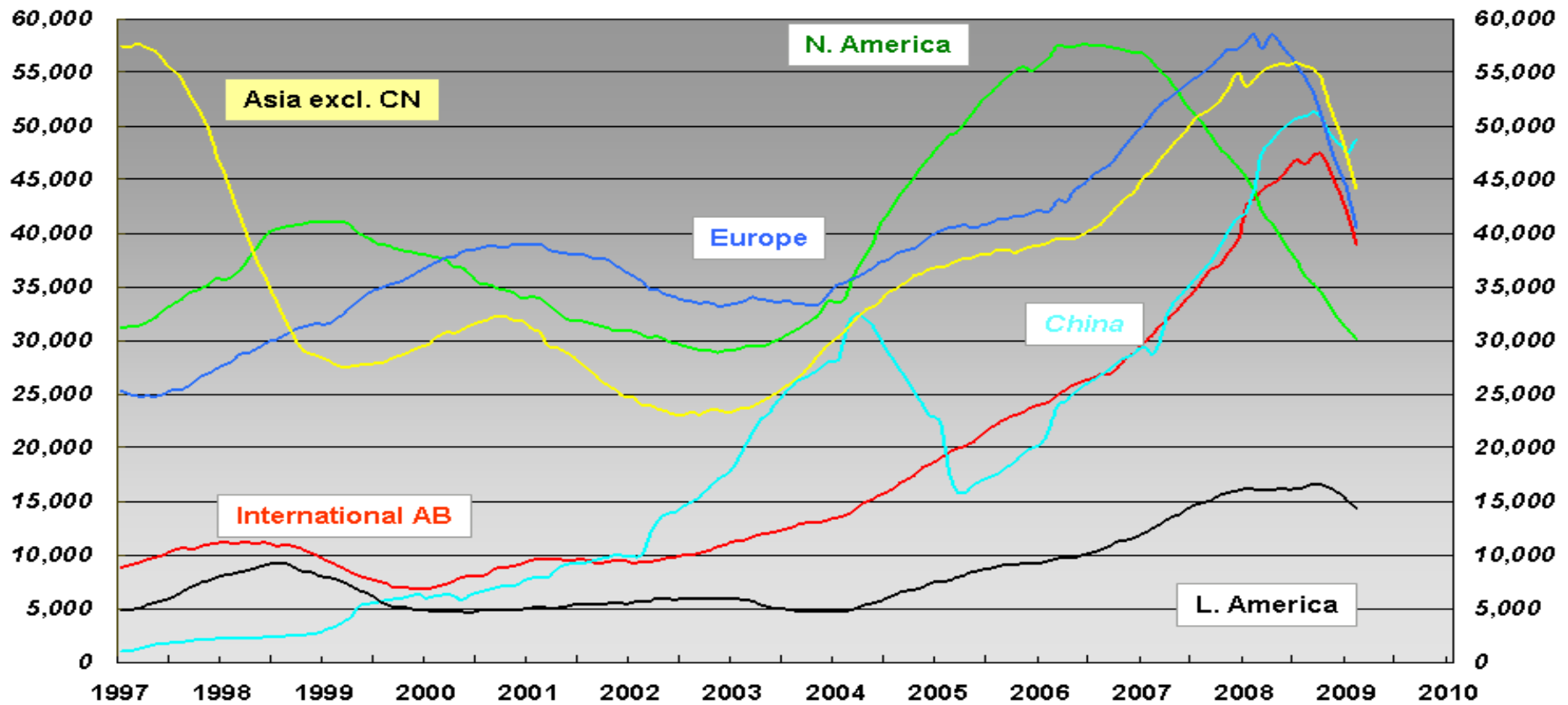




# Market Update

# Total Market Development

## General Purpose Equipment 1997 – 2009



Industry drop in all markets globally 48% Q1 2009 (60% in Europe) Market continues to deteriorate



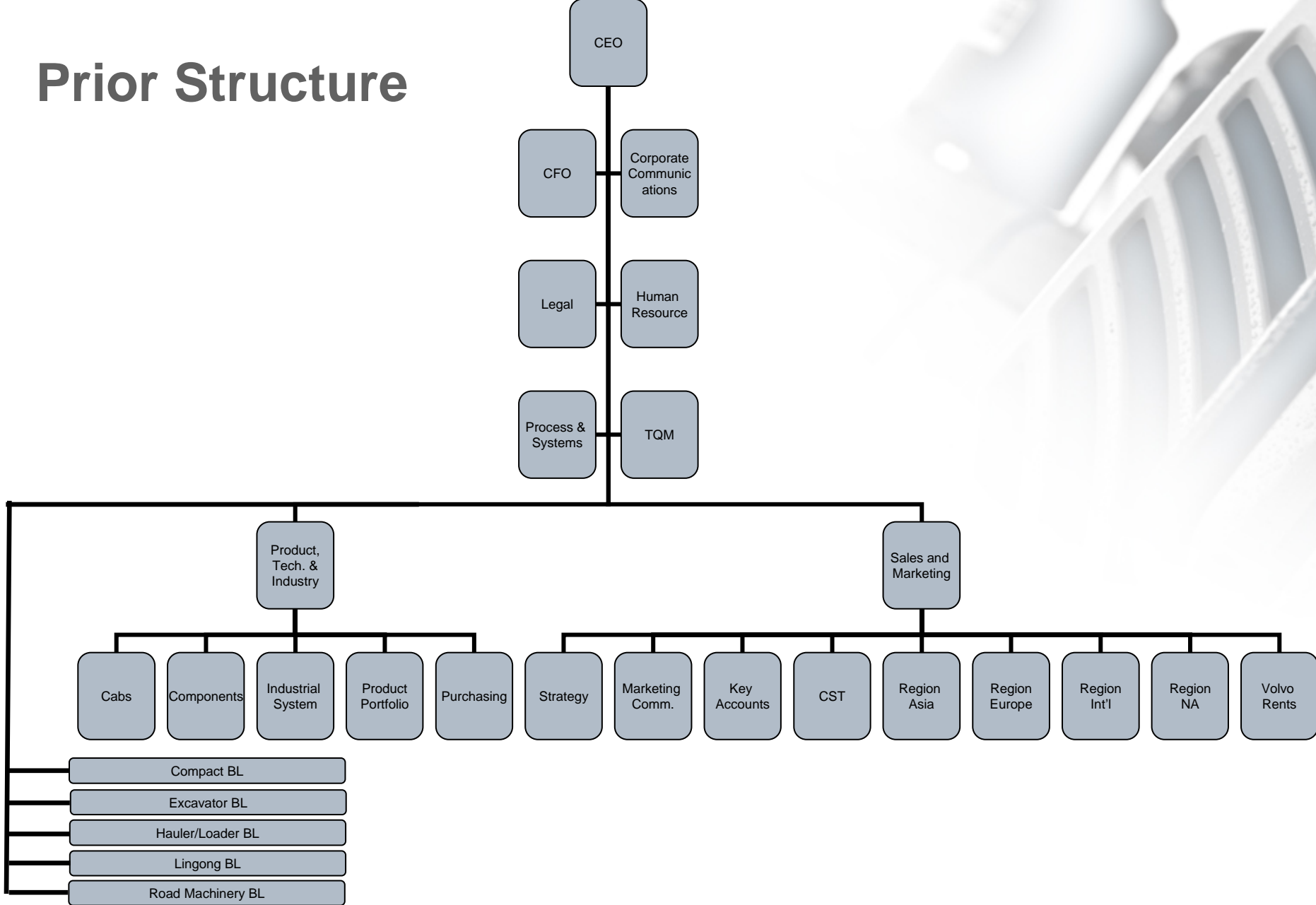
**New Organization**

# “Key management principles”

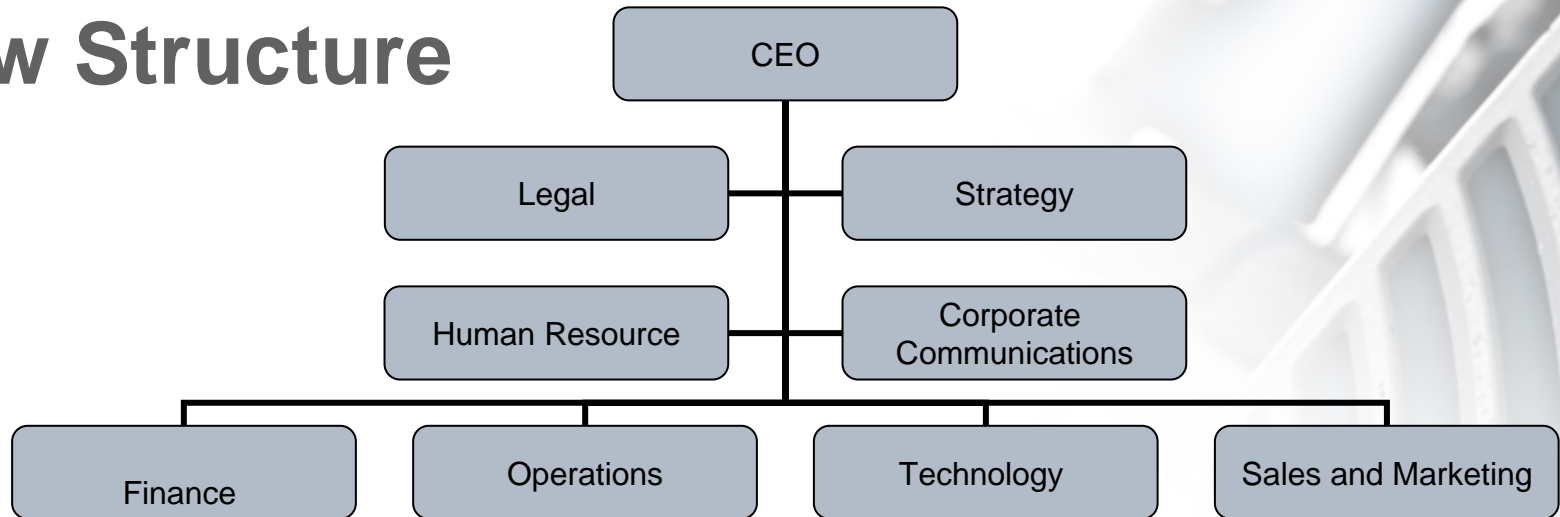
- Clear roles and responsibilities
- Accountability
- Quick decisions and speed in execution
- Clear strategic targets and P&L responsibility
- Lower structural cost
- Transparency



# Prior Structure



# New Structure



Process	Order to Delivery	Product Portfolio Development	Sales to Order
<b>Responsibilities</b>	Industrial Footprint Product Cost Quality Delivery Supply Chain	Product Planning Product Portfolio Technology Planning Product Development Advanced Engineering	Product Strategy Distribution Price/Volume/Mix Rents Customer Support
<b>Resource</b>	Manufacturing Purchasing Quality	All Product Planning and Product Development	Marketing / Regions Rents / Customer Support

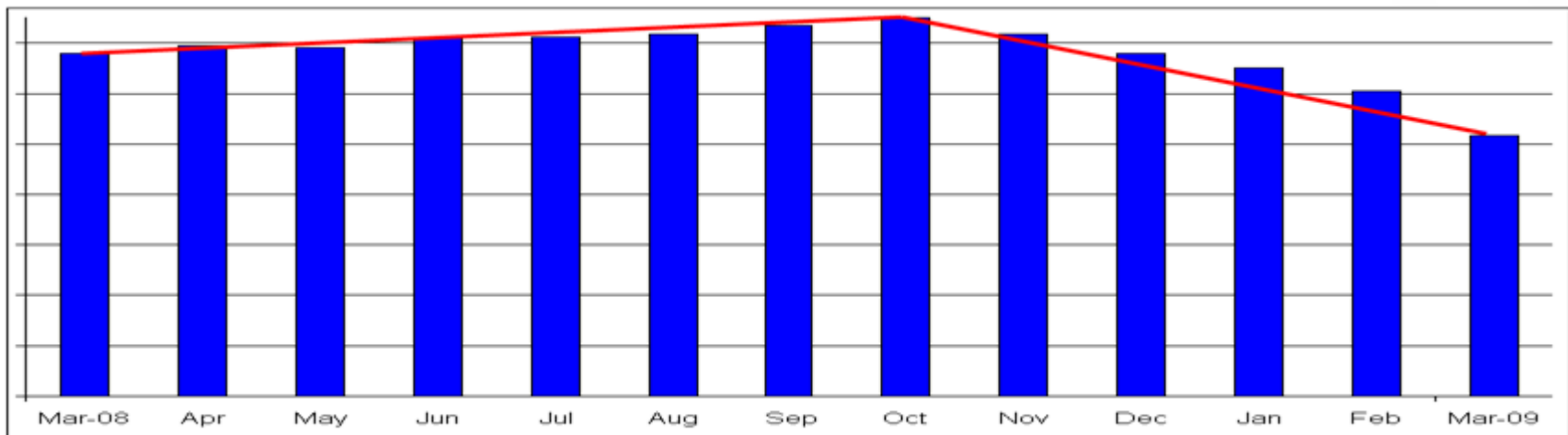




# Business Cycle Management

# Downturn management activities - Cash Flow in focus

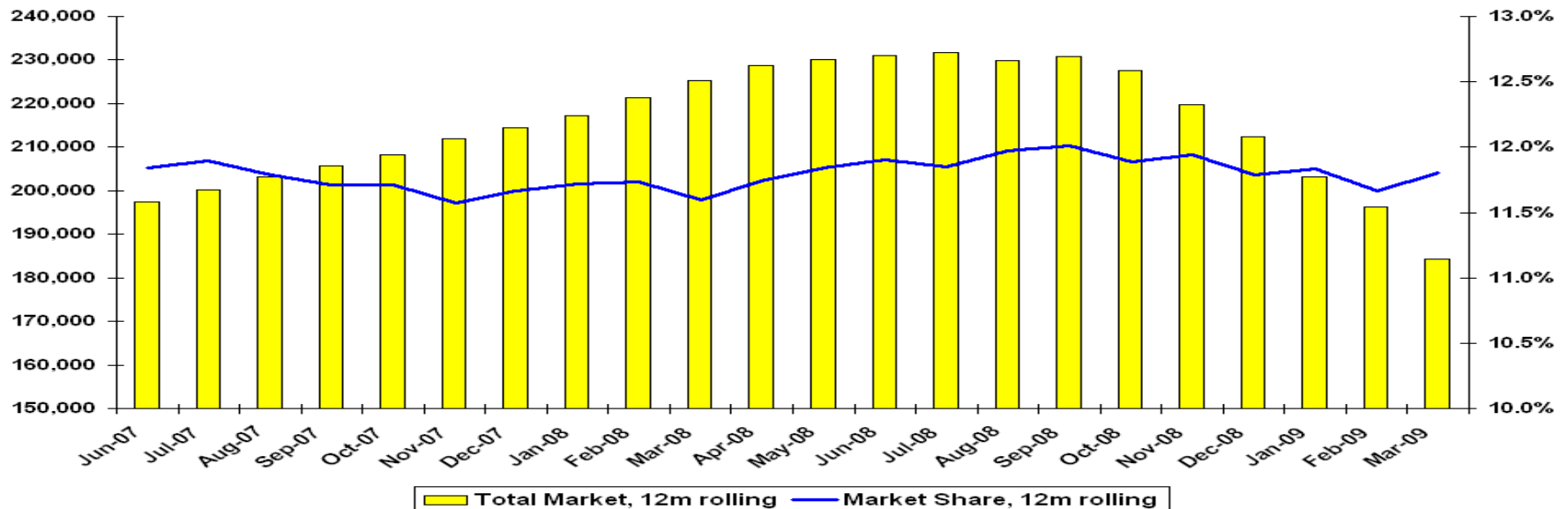
- Reduce operating cost (500M -1B SEK PA.)
- Headcount reduction - (Q4 08–Q1 09 -4,500 = 25%)
- Control investments and spending - including R&D
- Inventory reduction (- 30% Oct. 08–Mar. 09)
  - Production stop weeks in place at most industrial sites – (25% utilization Q1 09)
  - Factory stocks reworked to match incoming retail orders
  - Region control of order inflow - production adjustment with stoppages / shutdowns



# Actions taken now, to gain full benefit from the “upturn” - When it occurs

- Strong commitment to price discipline and market share
- Distribution partnership development and expansion
- Capitalize on infrastructure spending - stimulus packages
- Continue to develop fuel efficient products for the market

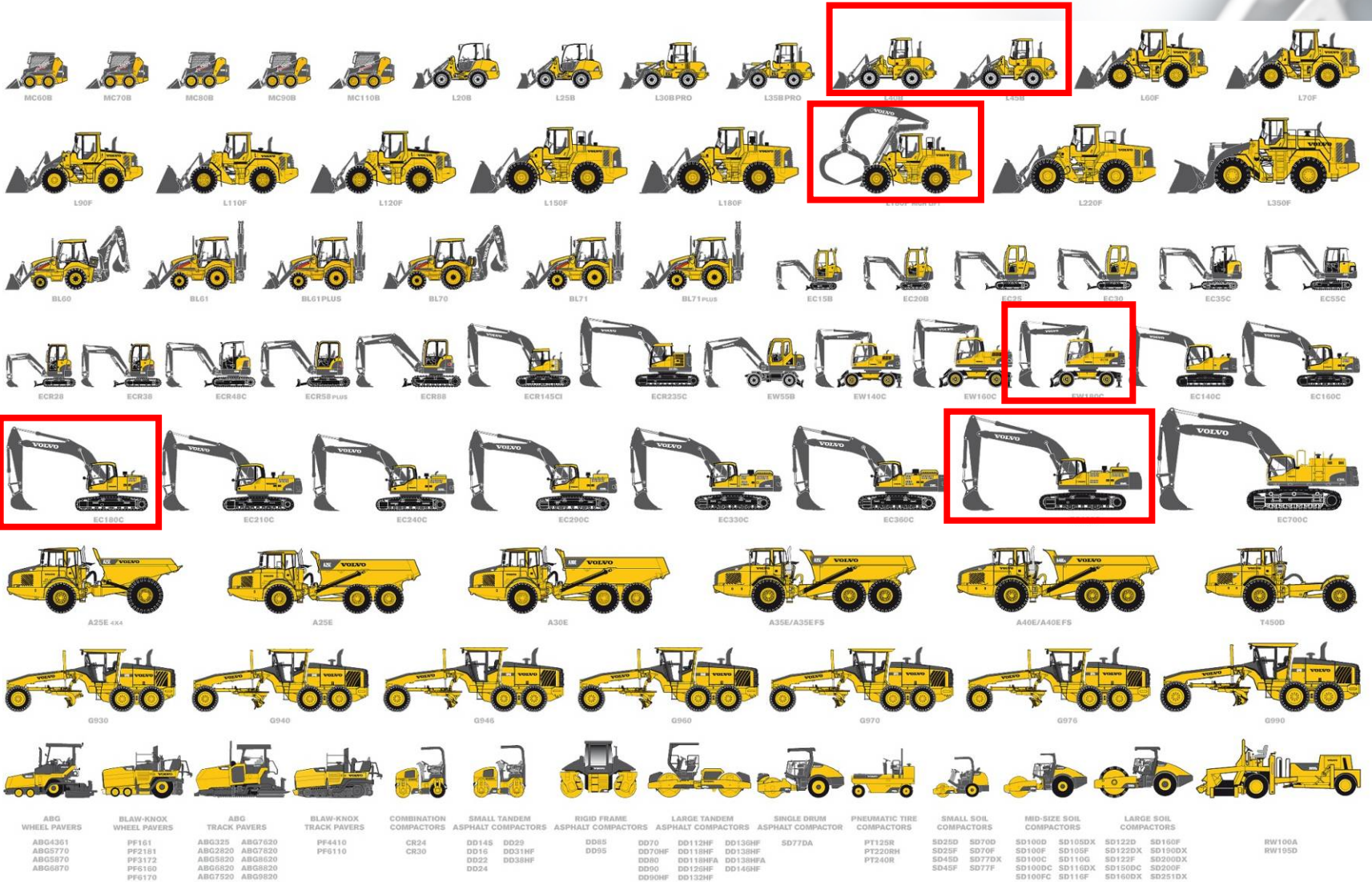
**GPE Total Market & Market Share, World ex. Japan**





# Product Launches 2008 - 2009

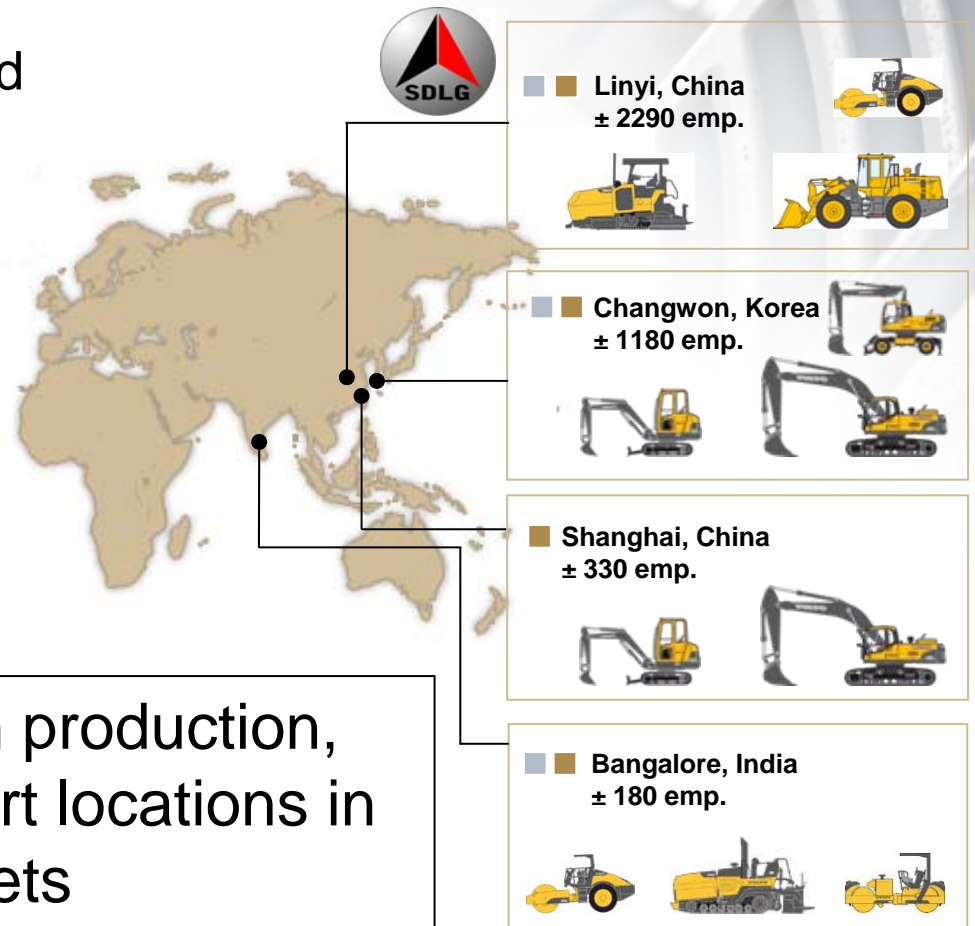
# Volvo CE Product Range



# Asian Expansion

- Volvo CE and SDLG are the third largest construction equipment supplier in China
- Local sourcing in China, India and Korea
- Export opportunities of SDLG Brand

Well positioned in Asia with production, sales and aftermarket support locations in the growing markets





# Road Machinery business integration

- Branding: Product, Facilities complete
- On target to meet or exceed annual net synergies per business case
- Volvo systems in place - product quality significantly improved
- Volvo dealer; focus on product competency development
- Strengthen market position



Growth opportunities with comprehensive customer focused portfolio – to support infrastructure growth



**Fuel Efficiency**



# Fuel Efficiency

- ...through engine technology
- ...through hybrids
- ...through design
- ...through operation



**= Customer Productivity and Profitability**

# Efficiency through engine technology



**Tier IV engines**



**Engine efficiency**

**Based on common Volvo technology**

# Efficiency through Hybrids



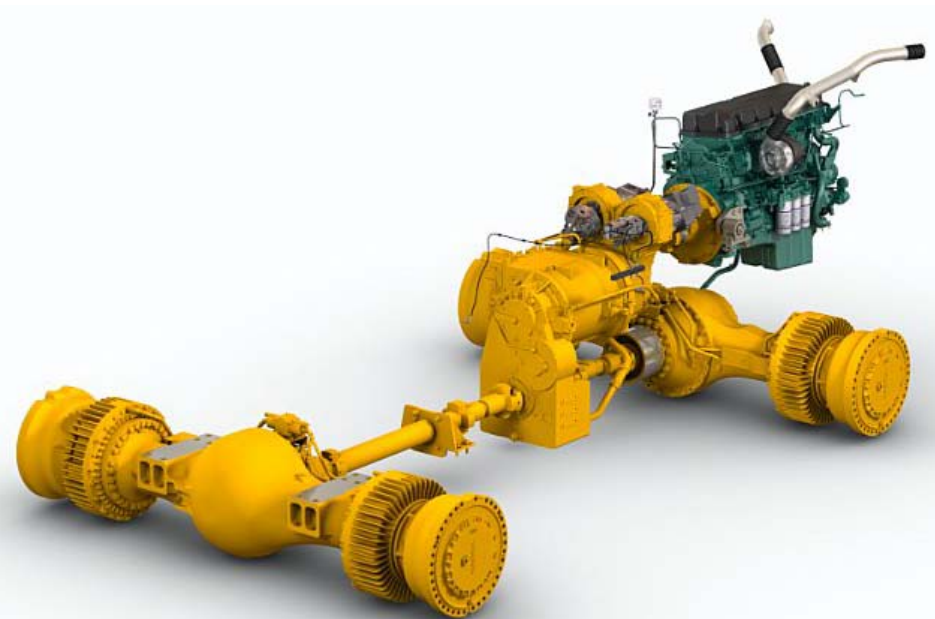
HybriPower™



# Efficiency through design

- Perfectly matched Volvo components, hydraulics and driveline create optimal fuel efficiency

- Volvo specified and designed attachments create an efficient work tool



# Efficiency through operation

## ECO OPERATOR



### The operator makes a difference

- Operators who plan their work in a smart way and operate in the right way increase productivity and reduce fuel consumption.
- Lower fuel consumption provides for lower CO<sub>2</sub> emissions.
- Well planned work relieves stress on the machine.

## Skanska SUCCESS story...



- Some operators reduced their consumption up to 20-25 percent, without reducing productivity.
- Overall, Skanska Region Asphalt and Concrete West lowered fuel consumption by about 5 percent.
- Savings of about 250,000 euros in hard cash.
- Reduction of emissions with around 500 tons carbon dioxide.

