



Volvo Construction Equipment

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Agenda

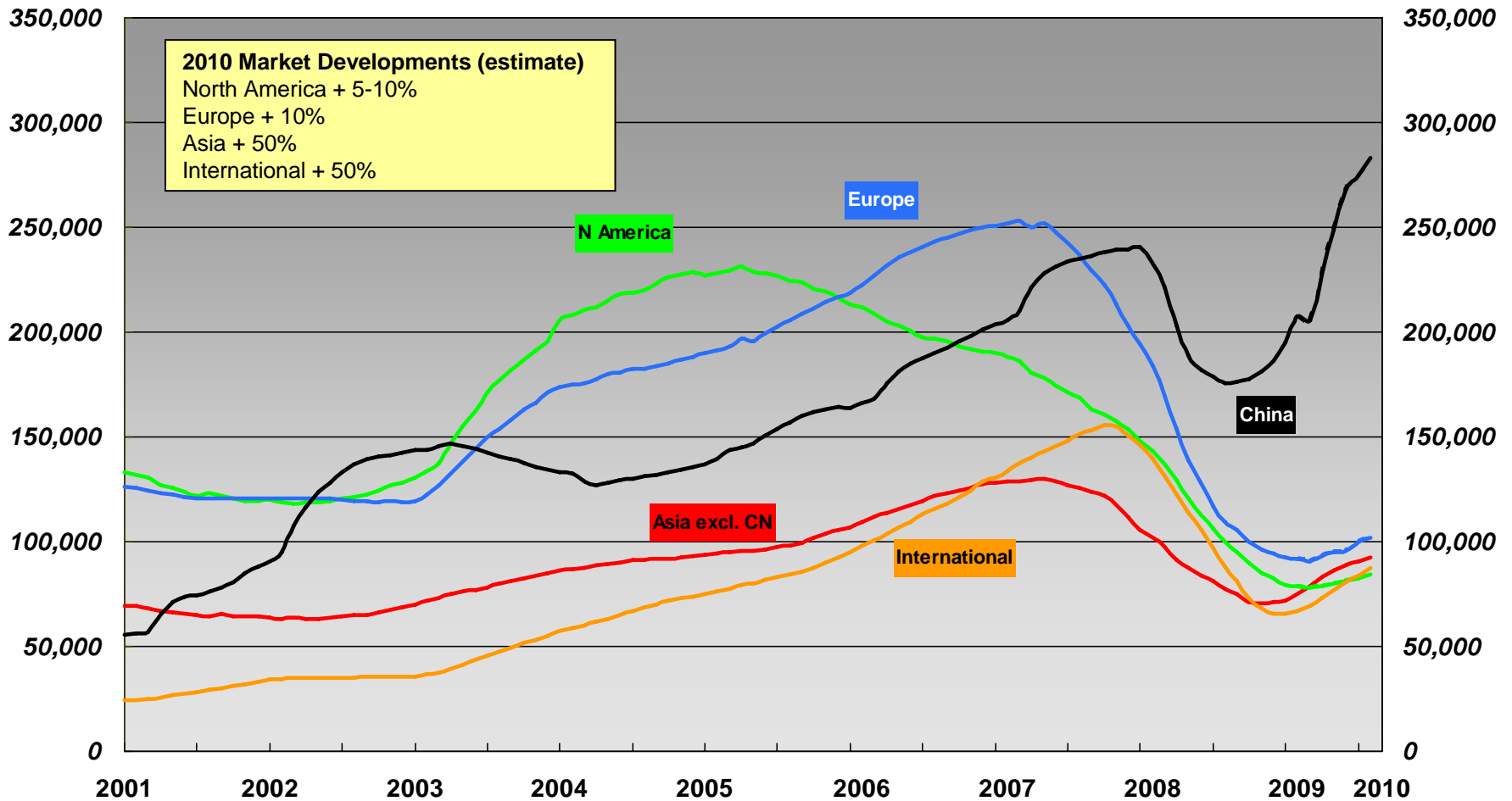


BUSINESS UPDATE

BRIC FOCUS

NORTH AMERICA IN FOCUS

World markets are continuing to recover



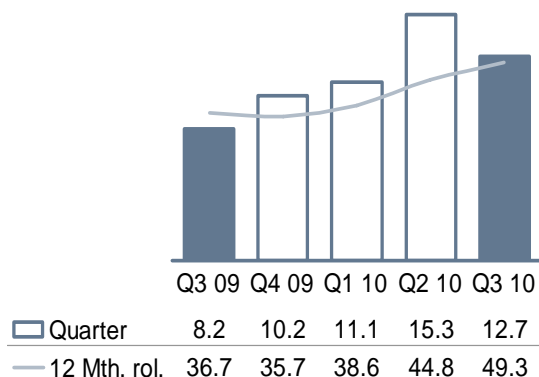
12 month moving rates - July 2010

Q3 results for Volvo CE



Net sales

SEK bn

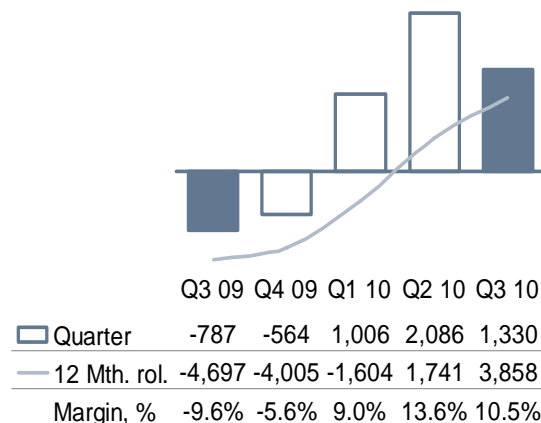


Highlights

- Total world market up 31%
- Volvo CE sales up 58%, fx adjusted
- Despite seasonality - strong Q3 with 10.5% margin

Operating income

SEK M



In Focus

- Launch of new Volvo and SDLG products in China
- Introduction of Tier4i and Stage III B engines
- Cost management

Restructuring implemented during the crisis

Action

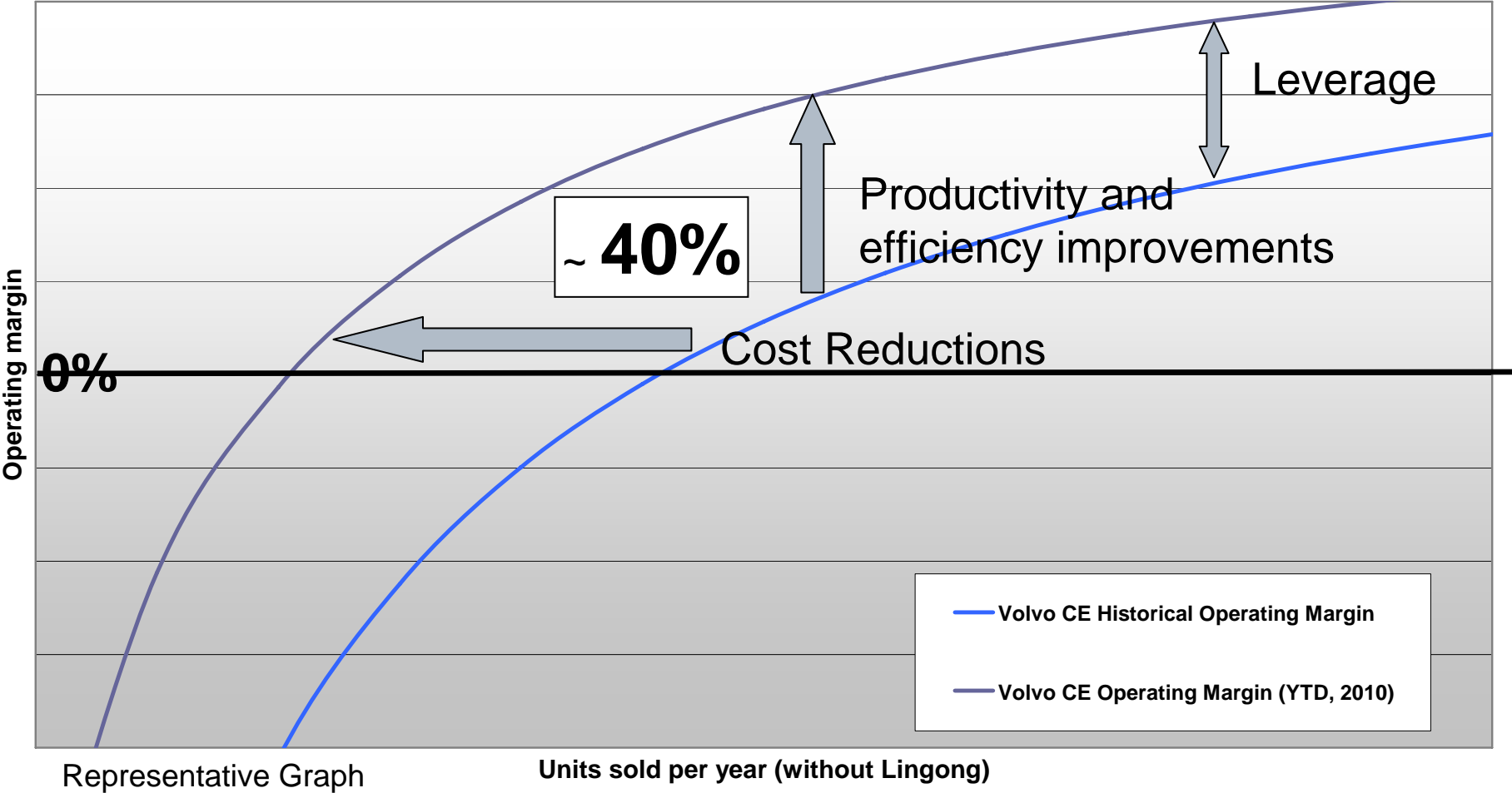
- Maintain market share
- Maintain prices
- Optimize inventory situation
- Implement new organization
- Prioritize R&D
- Reduce selling expense
- Head count reduction
- Prioritization of Industrial Structure
- Integration of Lingong & Road Machinery
- Lower breakeven point

Outcome Q3, 2010

- ✓ Market shares held or increasing
- ✓ Positive price realization
- ✓ Inventory aligned with demand
- ✓ Structure savings of 1 BSEK
- ✓ R&D portfolio refocused around new strategy
- ✓ Run rate reduced ~14% (2010 vs. 2008)
- ✓ Head count reduced by ~24% vs. Sept 08
- ✓ Closure of Asheville and Goderich
- ✓ Both companies fully integrated
- ✓ Breakeven level reduced by ~40% compared to 2008

Managing the Break-Even point to maximize profitability

Volvo CE Breakeven analysis



Consistent investment in new product development

- 55 New products or strategic updates in the pipeline
 - In addition, the SDLG product offering is expanding
- Tier IV development is on track
 - More than 100,000 hours of testing
 - Production is ready to begin



VOLVO

BRIC Focus

**More than 100 million USD investments to
become # 1, 2 or 3 in BRIC markets**



Strong investments to support capacity and product offering in China



- 37 MUSD invested in Volvo's world class Shanghai facility since 2003
- Jinan Volvo technology center
 - 30 MUSD investment
- 50 MUSD in Linyi excavator production facility
 - 4 models of SDLG excavators (13T/21T/24T/29T)
 - Full production by 2012



Volvo Facility in Shanghai



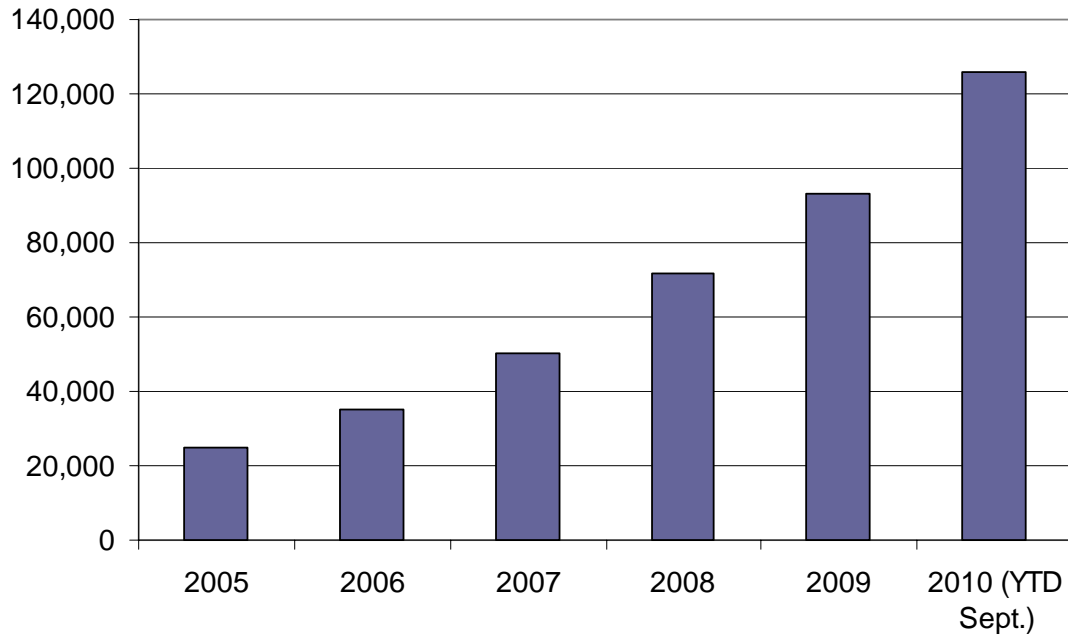
Jinan Technology Center



Lingong Operations in Linyi

Tremendous excavator growth in China

YTD Sep. 2010: Volvo sales up 135% vs. 2009, Market up 83%

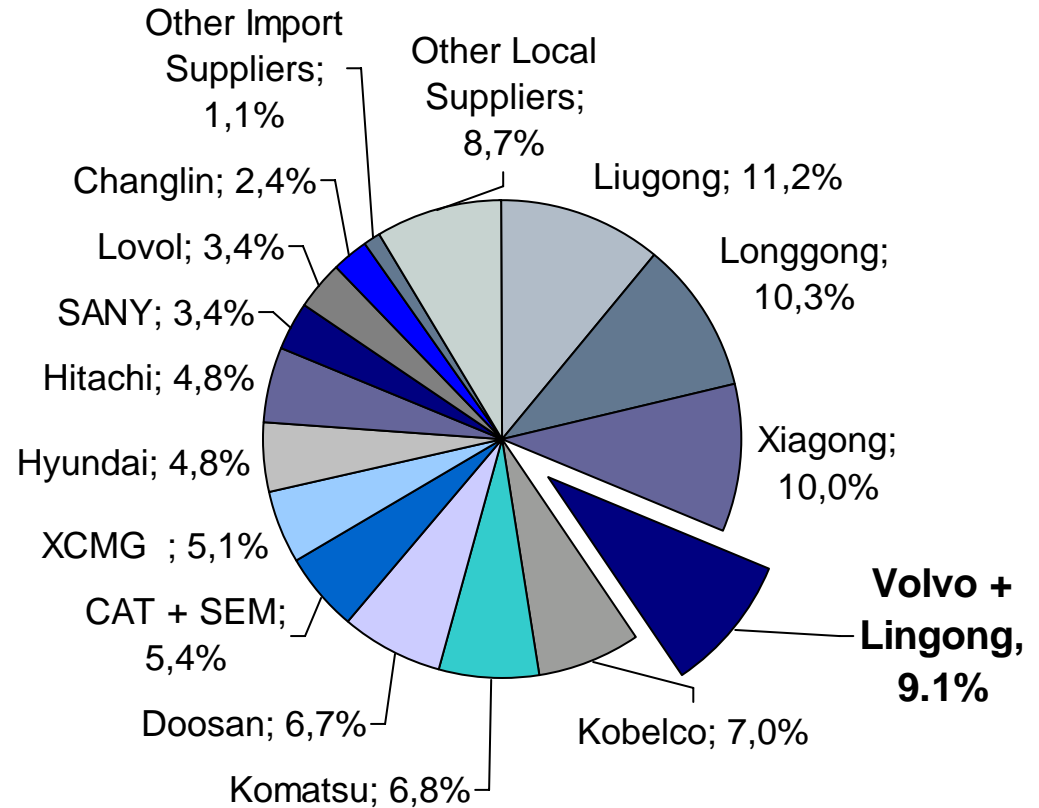


YTD Sep Volume growth 2010 vs 2009 (Excavator)

Volvo	135%	↑ Above Market Growth Rate
Sany	119%	
Kobelco	103%	83%
Hyundai	99%	
Komatsu	72%	↓ Below Market Growth Rate
Hitachi	66%	
Cat	64%	
Doosan	63%	

Volvo and Lingong combined is the 4th largest player in the Chinese market (units)

- 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



YTD Sep Year 2010 unit volume

SDLG Excavators to be launched at Bauma China

- 3 models in production
- First machines have been shipped to customers
- Aggressive ramp-up plan to capture the large and growing market opportunity in China
- Chinese Excavator already more than 125,000 units in 2010
- Additional investments are being made in the Linyi facility to keep pace with market demand



Building on an established presence in India



- 20 MUSD investment in Bangalore factory to produce excavators
- First manufacturer to introduce telematics in the Indian market (CareTrack)
- Strong dealer development in India (service locations, personnel and points of sale)



Bangalore Factory

Strengthening position in Russia & Brazil



- Russian distribution agreement
 - Partner to invest up to 100 MUSD by 2015 to develop the Russian distribution network
- Brazil – strong market growth across whole of South America
- World class production facilities in Brazil
- SDLG Wheel Loader sales in South America



Pederneiras Factory

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North America in Focus

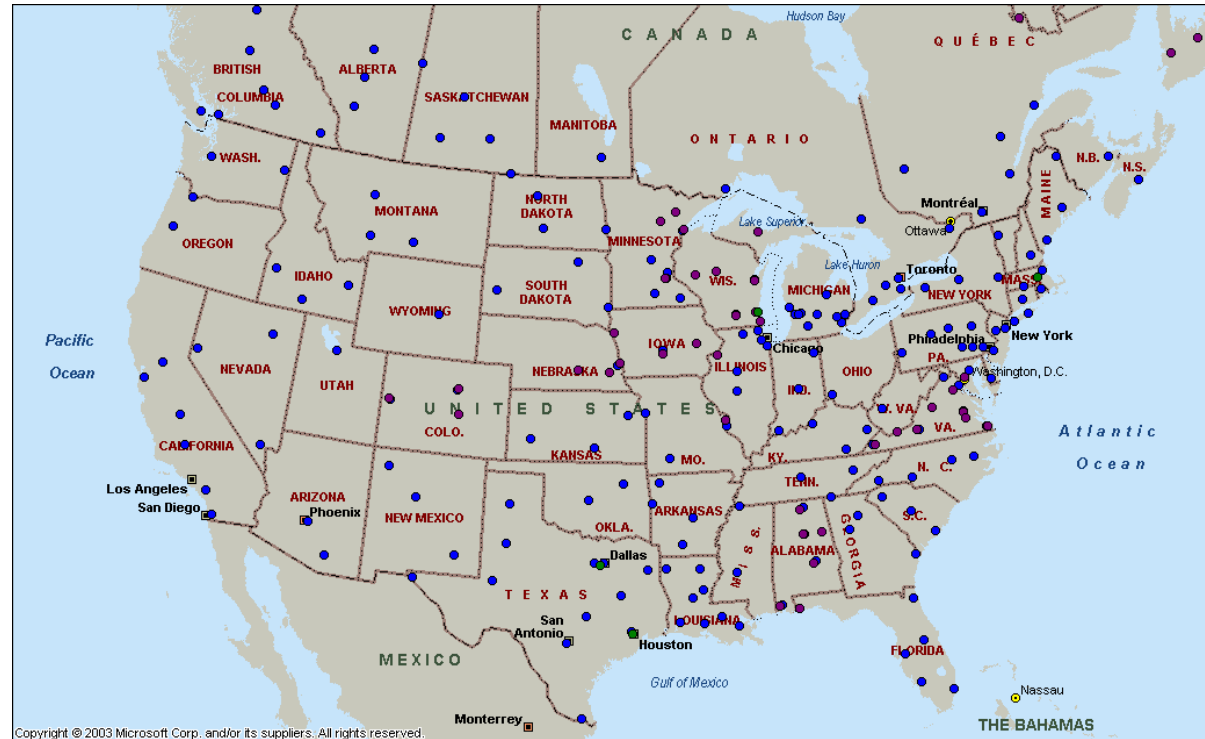
Optimizing the North American Operations



- Consolidating/optimizing the North American industrial footprint
- Substantial investment (30 MUSD) in the Shippensburg facility to also produce motor graders
 - State of the art factory with highest environmental standards
- The Mexico backhoe facility was established to support the large and important backhoe loader market in NA

A strong dealer network that has weathered the financial crisis

- 49 Dealers with 252 locations throughout the US and Canada
- Continual focus on overall distribution development throughout the crisis to strengthen dealer network
 - Mark of Excellence
 - Mergers and Acquisitions



Conclusions

- Market has been improving during 2010
 - Volvo CE is in a good position to capitalize on these improving market conditions
- North America is a home market and is a strategic focus area
- Continue to invest and develop our distribution network to support BRIC growth
- Actively manage the break-even point while strengthening the leverage position



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