



Volvo Construction Equipment

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Agenda

- Operational efficiency
- Expanded industrial footprint
- Product offering expansion
- Status of integrations
- Market development
- Summary





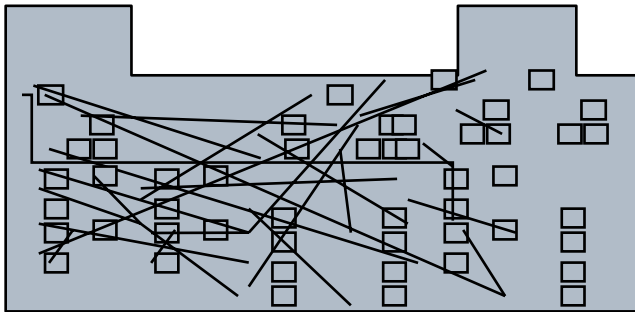
Operational Efficiency Components

Increasing through-put capacity whilst reducing cost

Example: Axle- and transmission manufacturing Eskilstuna, Sweden

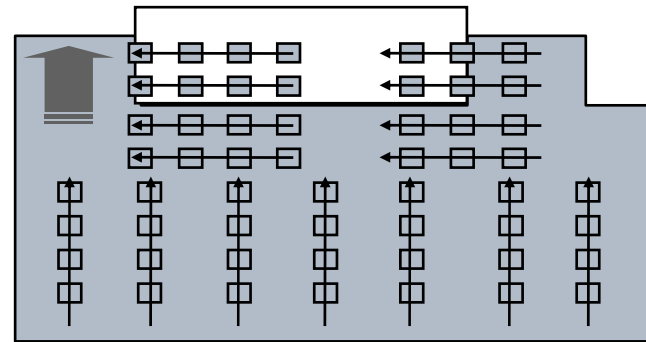
Historical set-up

Incremental expansion



New production set-up

Lean Manufacturing concept in line with VPS



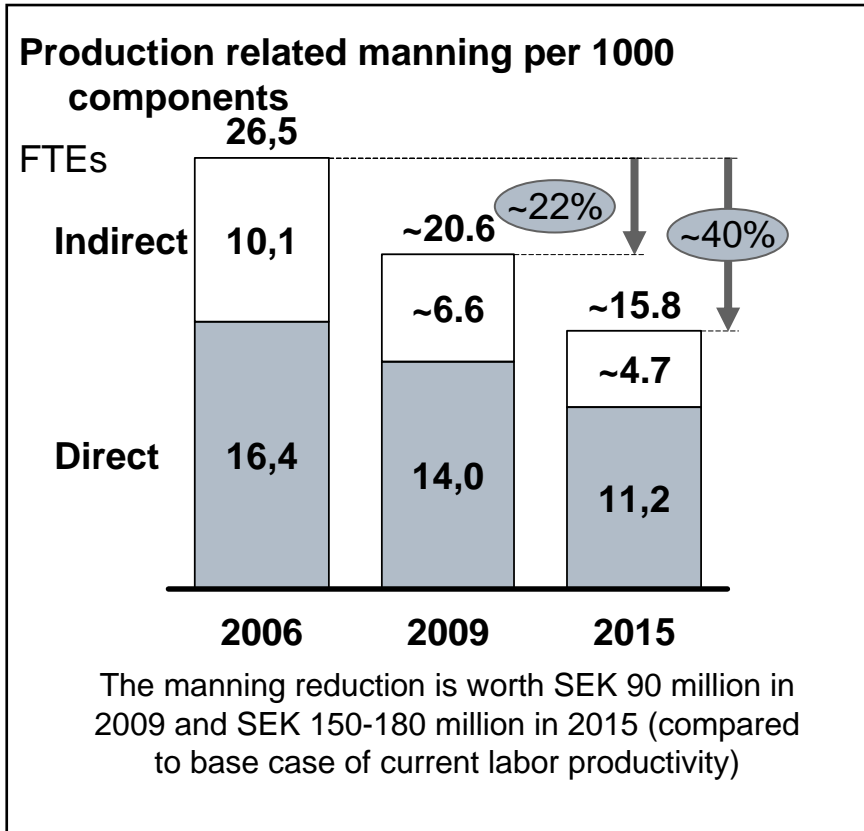
- Complex flows
- High WIP
- Currently runs in five shifts
- Low/no flexibility

- High quality and delivery precision
- Improved flows and flexibility to handle demand variations
- Lower product cost

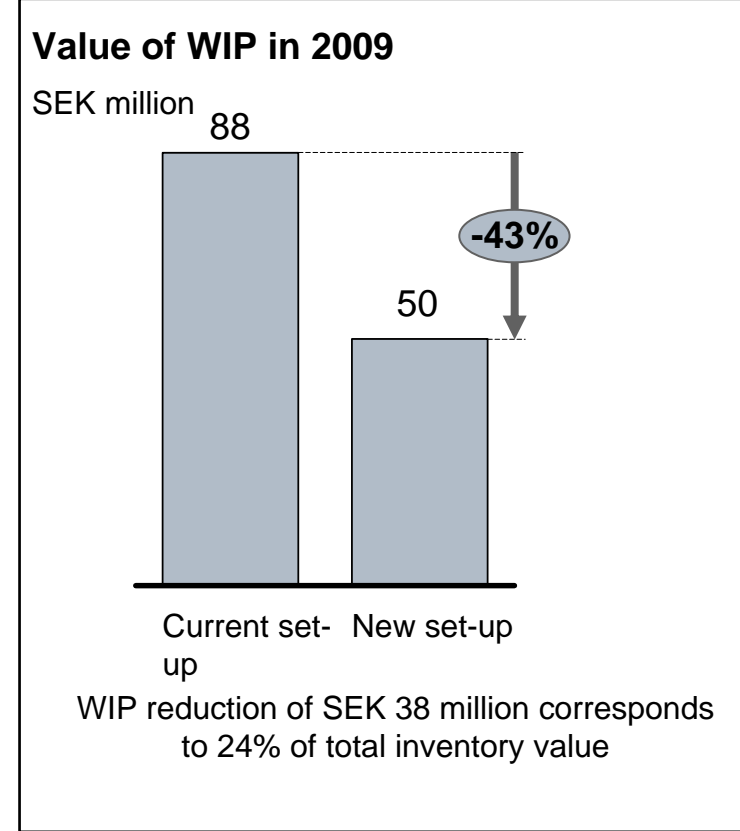
Manning-levels and working capital reductions – significant benefits

Example: Axle- and transmission manufacturing Eskilstuna, Sweden

Manning-levels



Work-In-Process



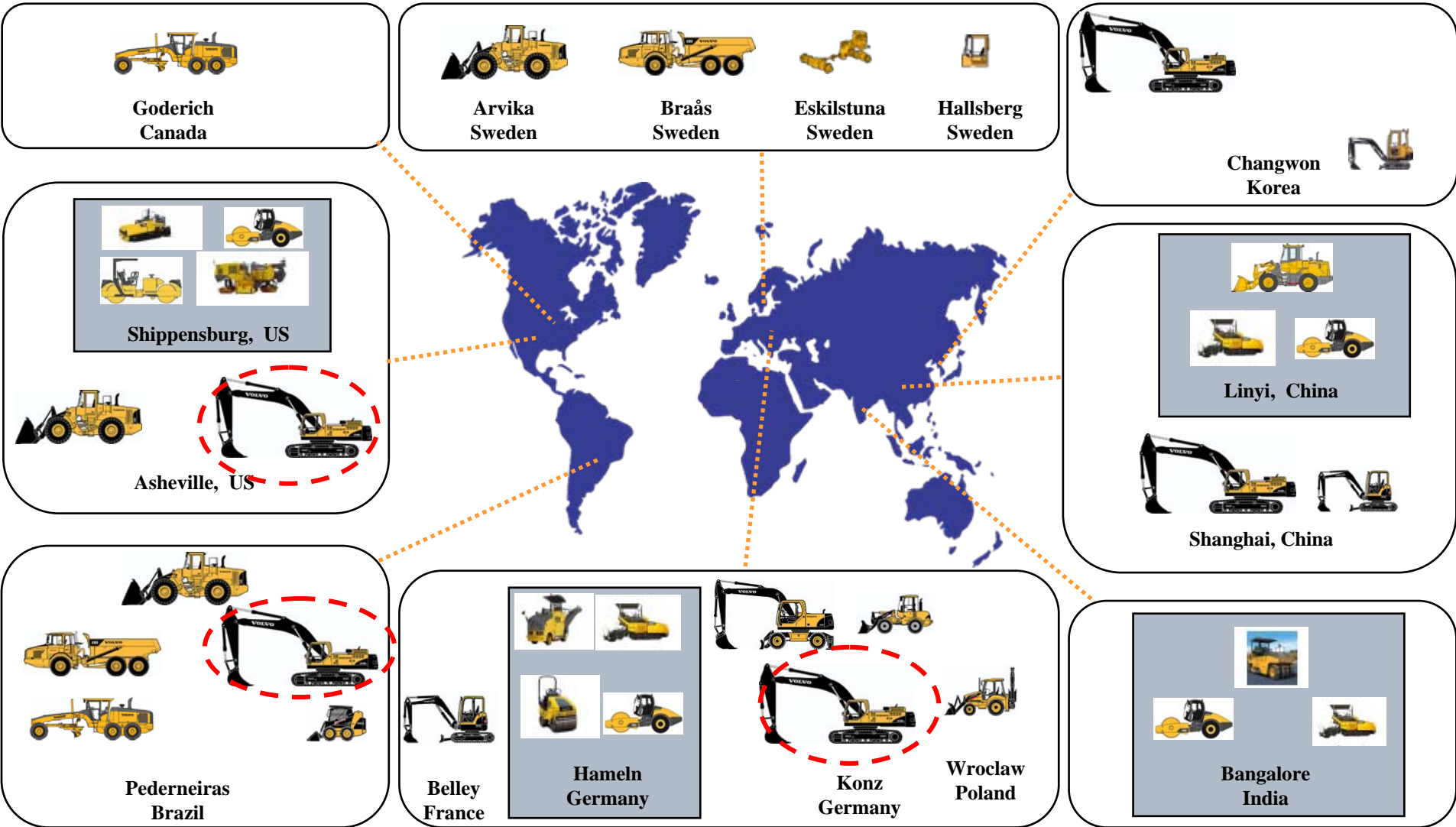
Assumptions were confirmed through the detailed design







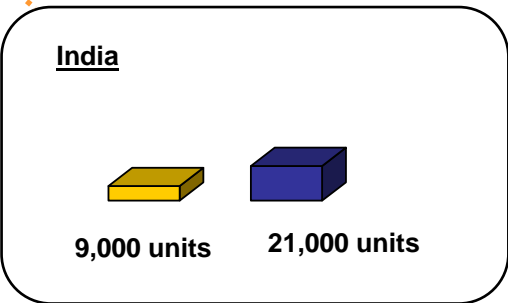
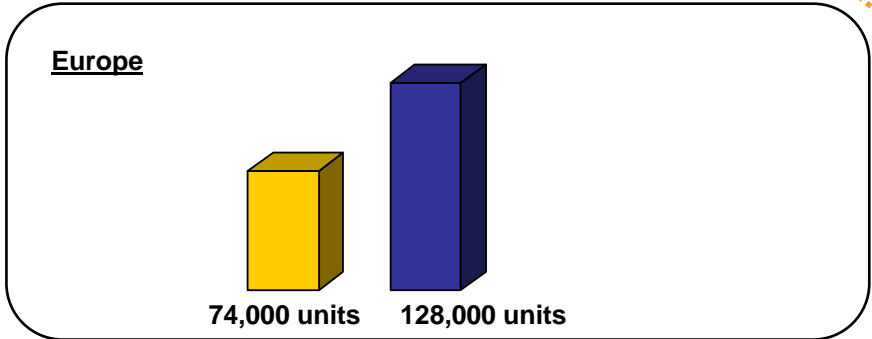
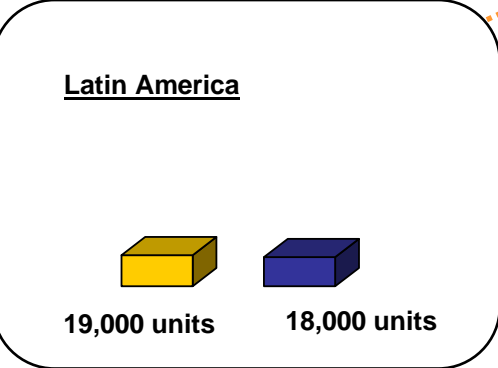
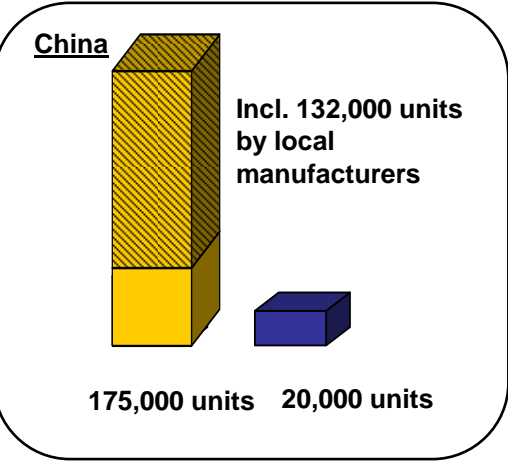
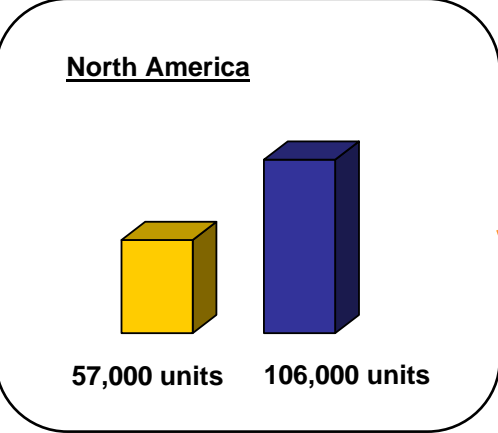
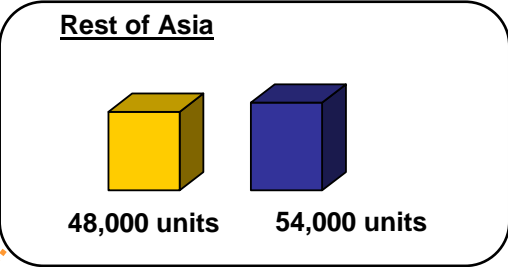
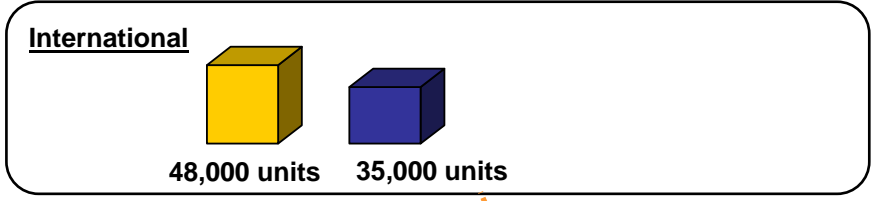
Expanded Industrial Footprint

The expanded industrial footprint



Industrial Footprint aligned to World Market

 - General Purpose Equipment & Road Machinery
 - Compact Equipment



Industrial footprint opportunities

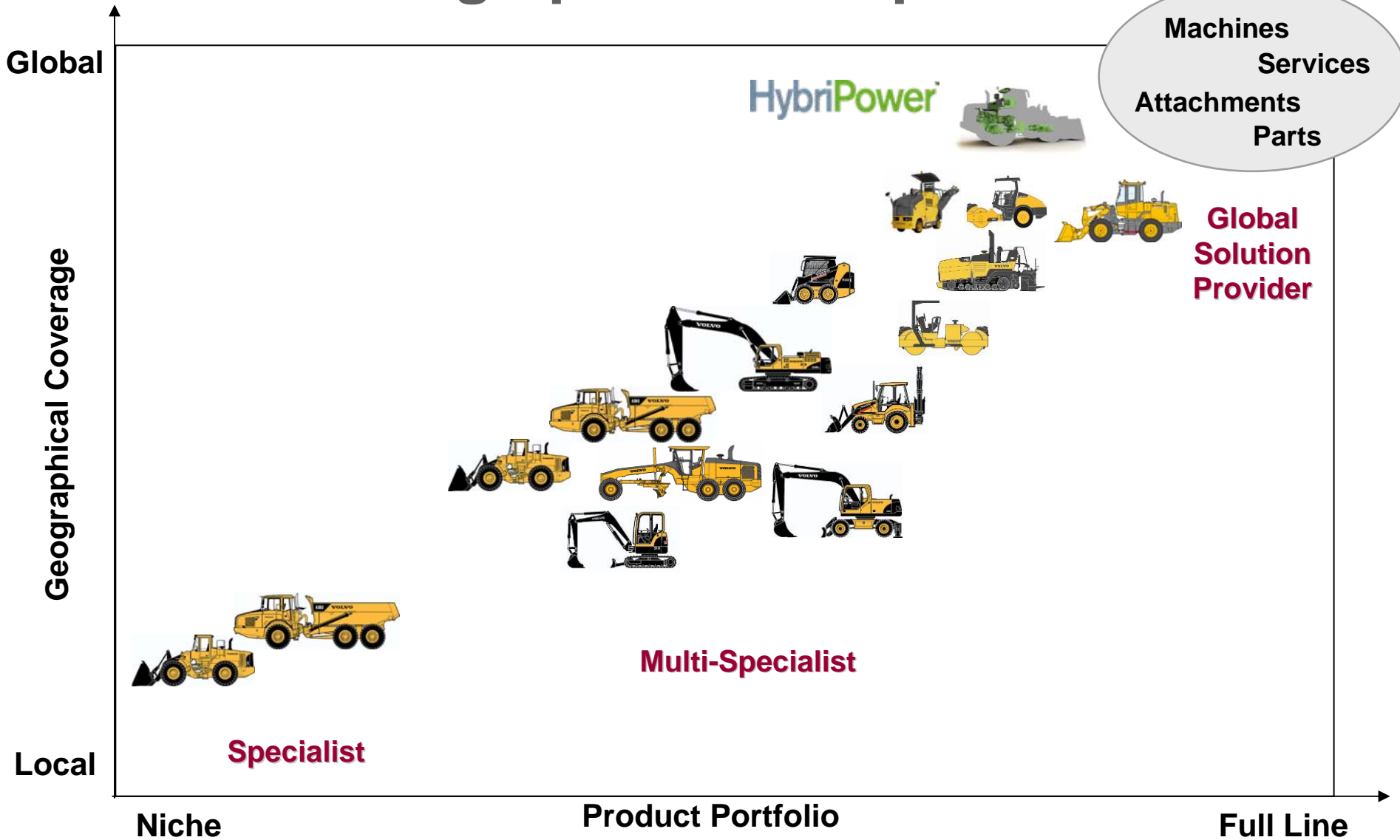
- Greater balance of the global industrial footprint to reflect growth in emerging markets and expanded product portfolio
- Optimization of the industrial structure to secure lower regional product cost
- Sourcing patterns closer to the markets
- Improve cash flow - to support continued investment plans
- Greater natural hedging and reduced currency exposure





Product Offering Expansion

Growth through portfolio expansion





Status of Integrations

Lingong investment

Current status

- Market growth continues to exceed expectations but indications that credit tightening measures are taking effect
- Stand-alone business continues to yield higher revenues than business case
- Margins challenged by commodity price increases but pricing measures so far effective
- Integration gaining traction in areas of capital management, product quality, leveraging of industrial and supplier base, export sales and brand management

In focus

- Continued roll-out of VFS financing solutions
- Further manufacture of Volvo products, fabrications and assemblies in Lingong – Road Machinery, Compact Excavators
- Development of next generation Lingong wheel loaders

Dual brand strategy

- In China SDLG to be positioned as the premium domestic construction equipment brand.
- Globally Volvo will continue to be positioned as a 'Premium' brand and SDLG as a 'Value' brand.

SDLG

- the 'value' brand

- Trustworthy
- Reliable
- Service Minded
- Safe (Best in Value class)
- Environmentally responsible (Best in Value Class)



Road Machinery integration update

- On target to meet or exceed annual net synergies per business case on group level
- Short-term operational performance challenged due to dealer transition and market softening in North America
- **Integration progressing well:**
 - 80% Sales volume transitioned to Volvo dealer; focus on competency development
 - Branding: Product, Facilities substantially complete
 - Business model aligned in all material aspects
 - Full RMBL strategy in place and cascaded; actions in implementation phase
 - Transition from IR support agreements ahead of schedule – on track to convert to Volvo systems

The business opportunities



- Asian production location in growing market
- Export opportunities of SDLG Brand
- Local sourcing in China
- Strong local market position



Road Machinery

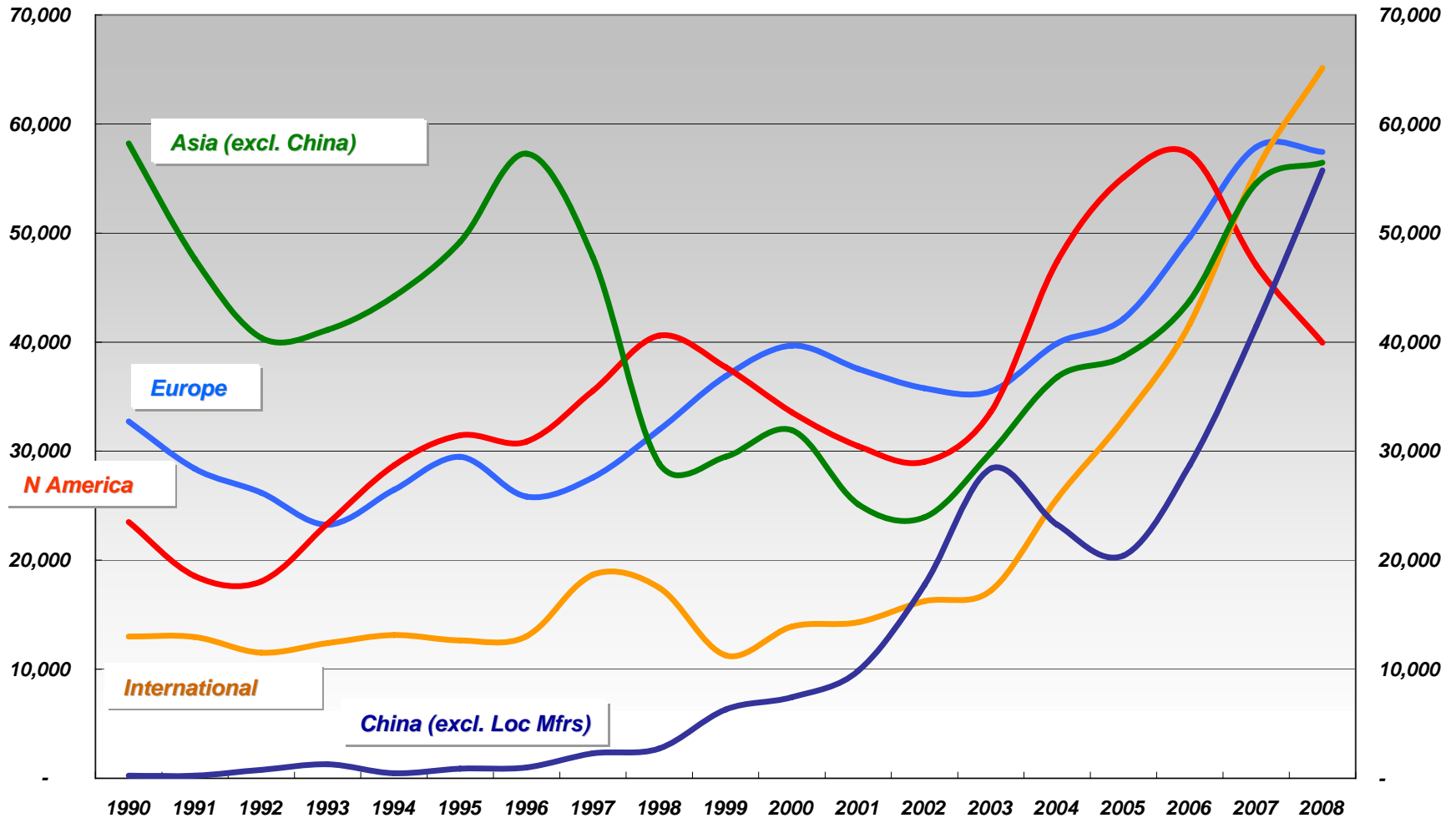
- Global market leadership position
- Outstanding market growth opportunities
- Comprehensive customer focused product portfolio
- Strong combined global distribution



Market Development

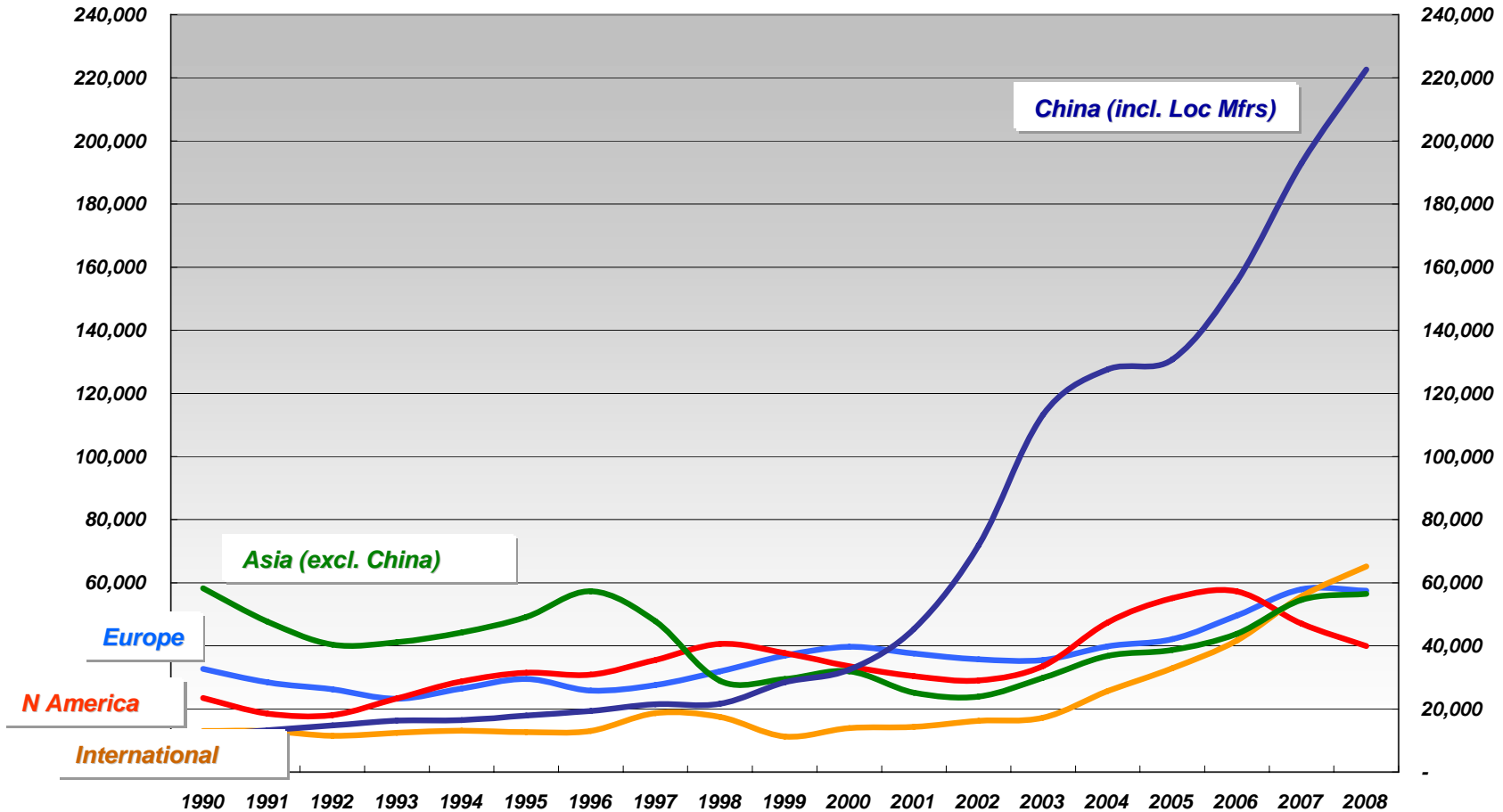
Total market development by key market areas

General Purpose Equipment 1990 – 2008



Total market development by key market areas impact of China

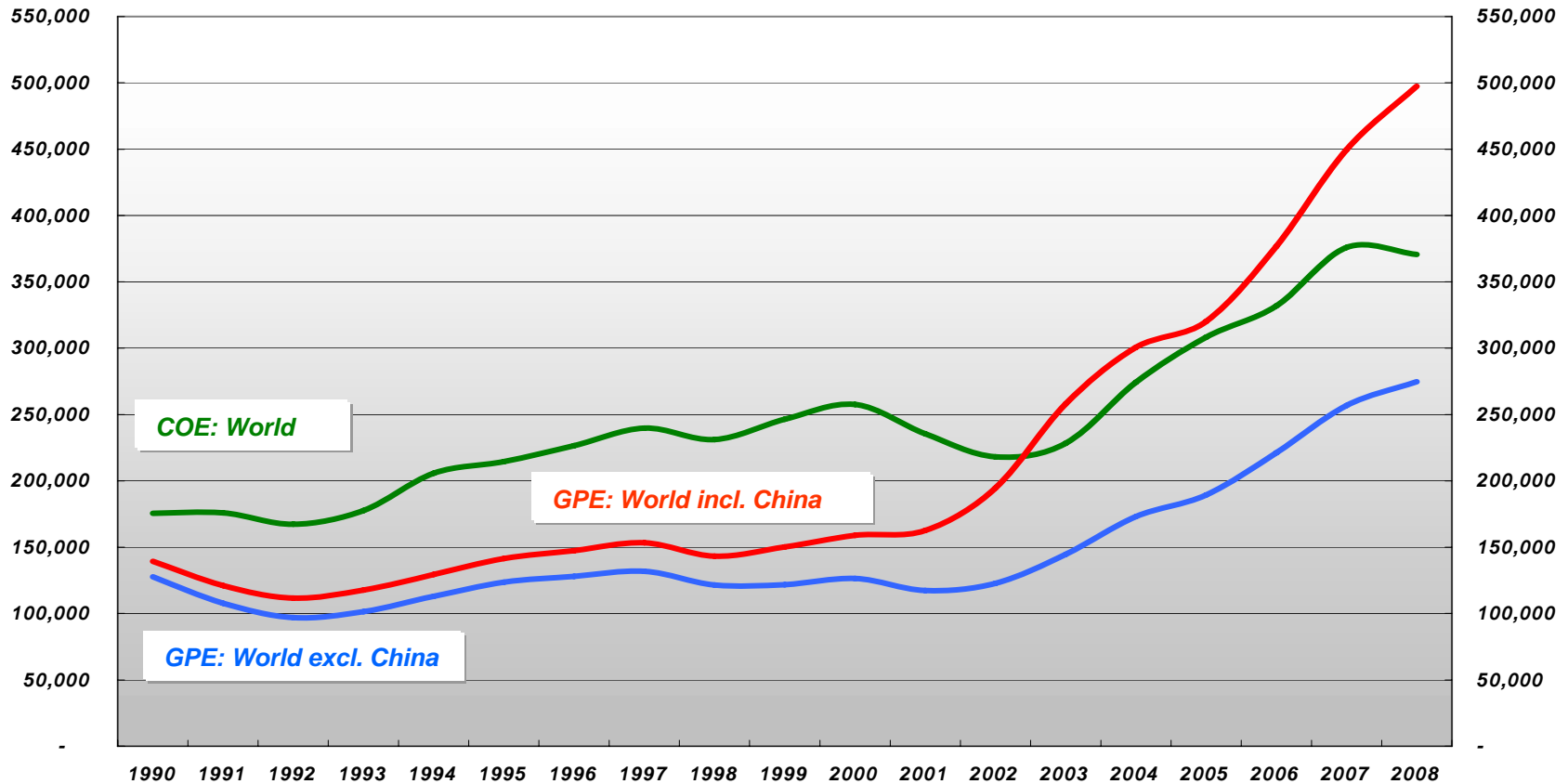
General Purpose Equipment 1990 – 2008



China pre-2002: Off-Highway estimations

World market development by product group

1990 - 2008



General Purpose Equipment: Wheel Loaders, Articulated Haulers, Excavators, Motor Graders
Compact Equipment: Compact WL, Compact Exc., Backhoe loaders, Skidsteer Loaders

China pre-2002: Off-Highway estimations





Summary

Summary and going forward

- Operational efficiency improvements in components
- Leverage the recent acquisitions and industrial footprint
- Capitalise on Volvo Group engine technology, continue industry leadership related to development of hybrids
- Manage the regional business cycles
- Focus on emerging market opportunities



