

VOLVO

Stockholm

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Leif Johansson
President and CEO

Agenda

- Acquisition of Ingersoll Rand Road Development
- Company profile
- Road development market
- Synergies and rationale



Acquisition of Ingersoll Rand Road Development

- Volvo CE has entered into an agreement with Ingersoll Rand to acquire its Road Development business
- The total purchase price is approximately SEK 9.2 bn (USD 1.3 bn)
- Closing expected to take place within 2 months, subject to necessary approvals

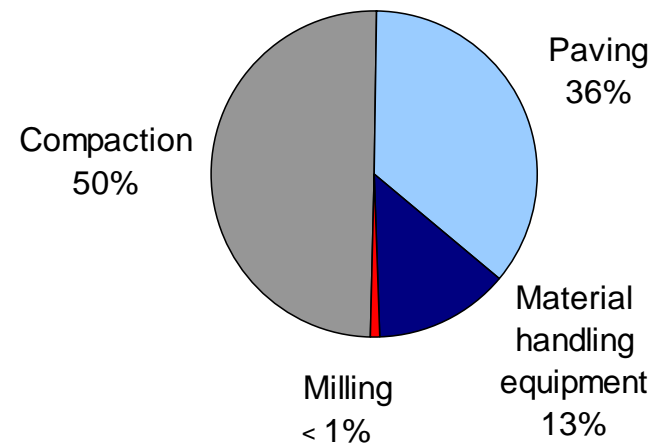
Ingersoll Rand Road Development

- Leading global manufacturer of heavy road building equipment including a full range of **compactors, pavers, milling equipment and material handling equipment**
- Strong market position in virtually all primary product categories and geographic markets in which the Company operates
- Strong independent and owned distribution network, particularly in North America
- 5 manufacturing operations in the US, Germany, China and India
- Products are today marketed under the ABG, Blaw-Knox and IR brand names
- Strong historical financial performance

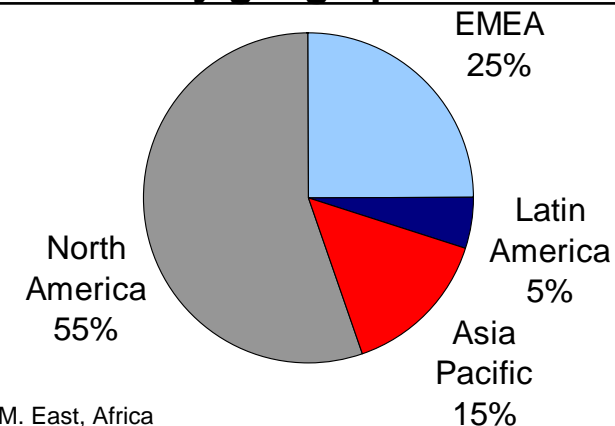
Ingersoll Rand Road Development

Key financials 2006	SEK, M	USD, M
Sales	6,375	864
EBIT	745	101
<i>EBIT-margin %</i>	11.7%	11.7%
Employees		~2,100
Produced units		
• Compactors		5 200
• Pavers		660
• Milling equipment	recently launched	
• Material handling equipment		1 100
Number of dealers		
• North America - Owned		20
• North America - Independent		72
• Europe		34

Sales by product









Sales by geographic area



EMEA: Europe, M. East, Africa

Product portfolio

	SOIL COMPACTION	ASPHALT COMPACTION	SMALL PAVING	LARGE PAVING	MATERIAL HANDLING	MILLING
Products						
Engine						
Power (hp)	19 – 205	16 – 185	73 – 87	17 – 188	80 – 110	125 – 600
Liters	- 5.9	- 5.9	- 3.8	- 5.9	- 4.5	- 15

Industrial footprint

North America

Production: Shippensburg, PA, USA
Letterkenny, PA, USA

Products:

- Paving
- Compaction
- Material handling
- Milling

Employees: ~700

Europe, M East & Africa

Production: Hameln, Germany

Products:

- Paving
- Compaction
- Milling

Employees ~500

Asia Pacific & ROW

Production: Bangalore, India

Products:

- Paving
- Compaction

Production: Wuxi, China

Products:

- Paving
- Compaction

Employees: ~500

Distribution footprint

North America

- 20 Owned branches
- 72 Independent dealers

Europe

- 4 Owned dealers
- 30 Independent dealers

China

- 20 Independent dealers

Latin America

- 50 Independent dealers

India

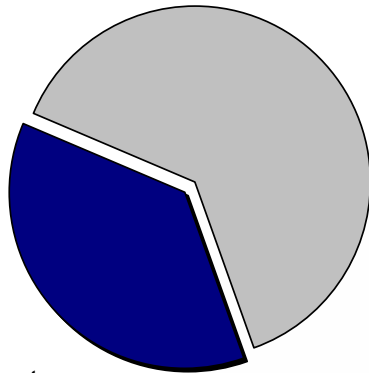
- 20 Independent dealers



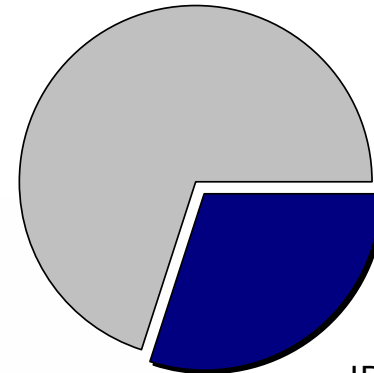
Market shares in Paving

North America

Europe



IR Road Development
37%



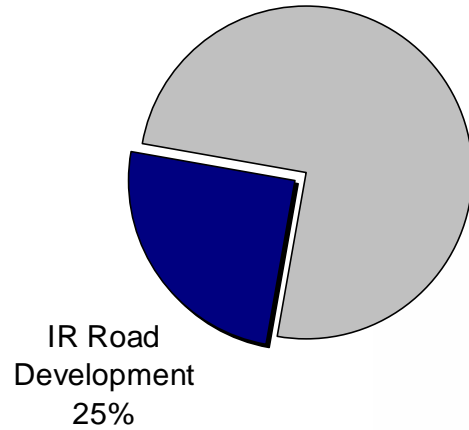
IR Road Development
30%



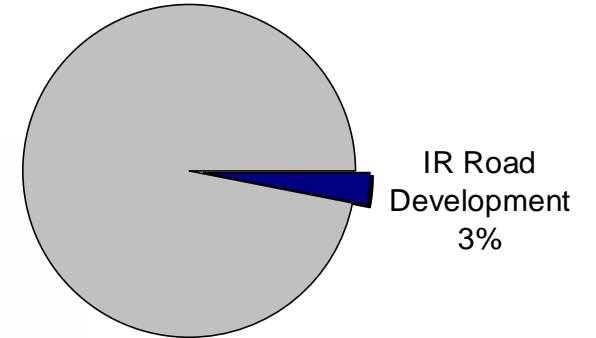
Source: Ingersoll Rand

Market shares in Compaction

North America



Europe



Source: Ingersoll Rand

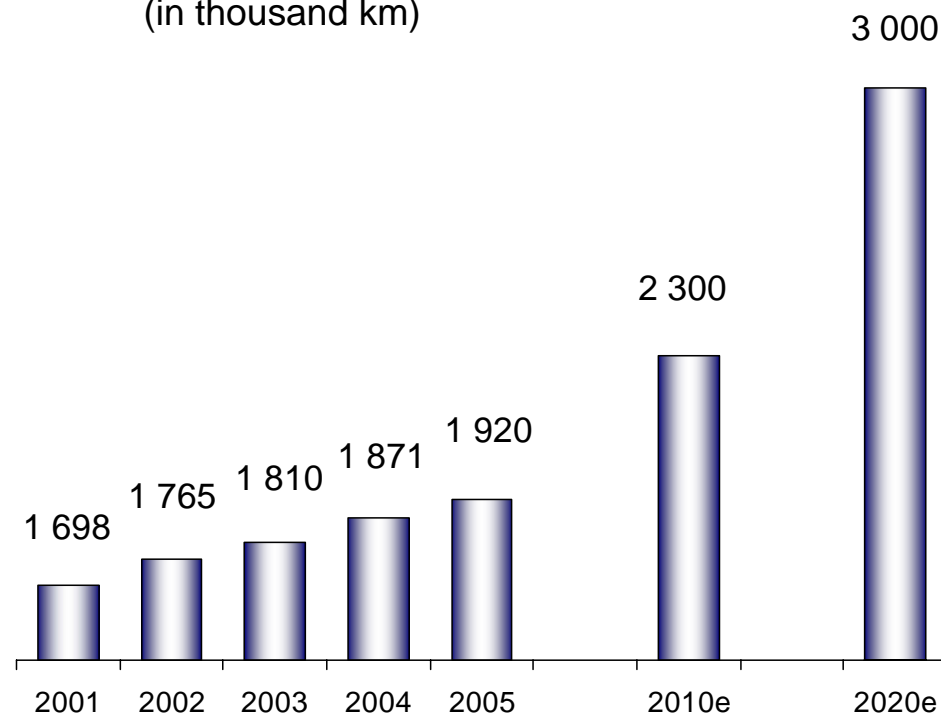
Growing market for road building equipment

Drivers for growth

- Building of new road systems in China, India, Eastern Europe and other emerging markets
- Increasing infrastructure investments in Europe and US

Example: China

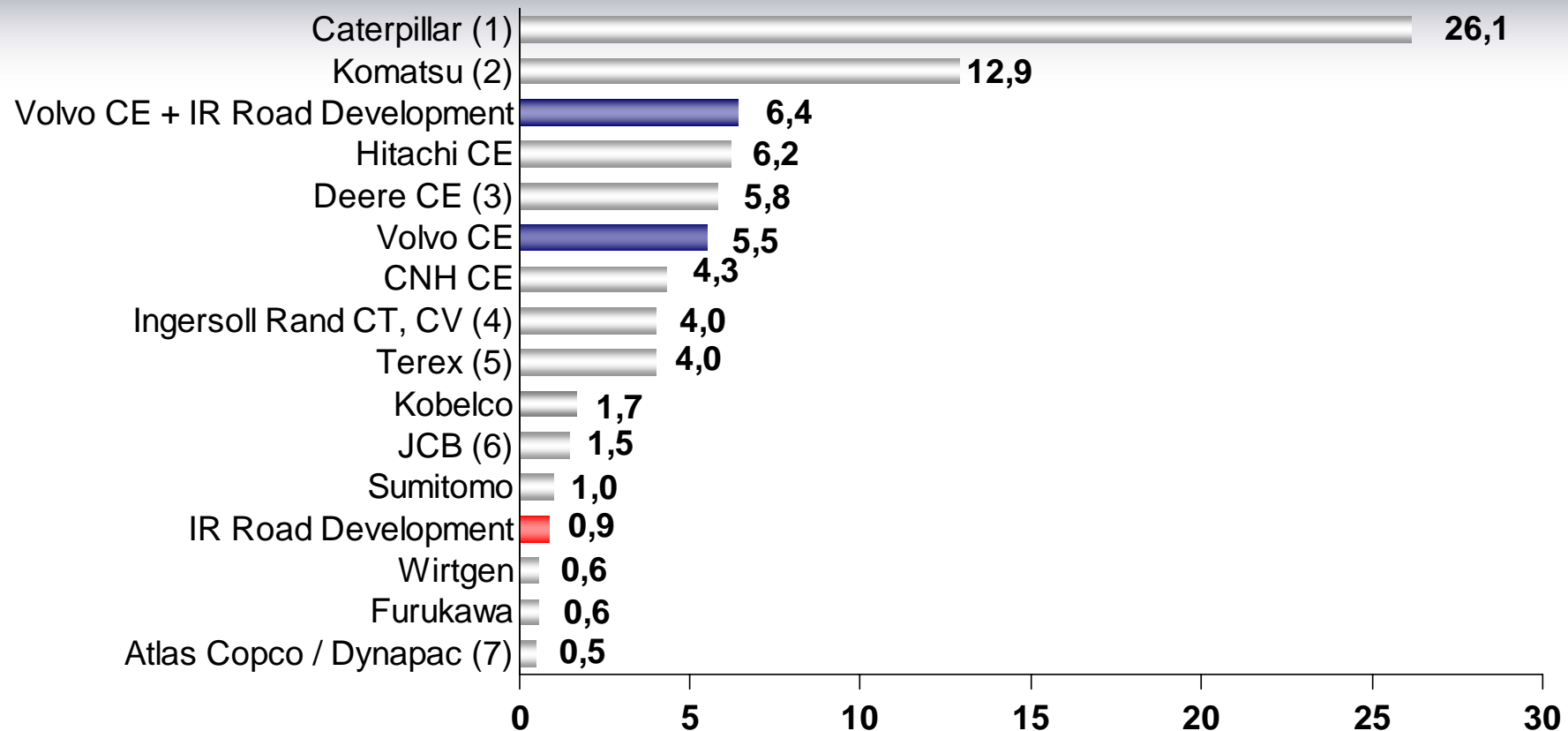
Intercity Road System, 2001 – 2020
(in thousand km)



Source: Off Highway Research, May 2006

Relative size from a global CE perspective

Global market 2006 USD ~80 bn



(1) Represents machinery revenue only

(2) Represent Komatsu Construction and Mining Equipment

(3) Including forestry

(4) Construction technologies, Compact Vehicle

(5) Construction, Mining, Roadbuilding

(6) Estimate

(7) Dynapac only

Value creation

2/3 of synergies from leverage sales

- Enhanced distribution position in North America
- Leverage on Volvo CE European distribution network to substantially strengthen European compaction

1/3 of synergies from cost rationalization

- Leverage on Volvo purchasing power
- Component commonality
- Industrial optimization

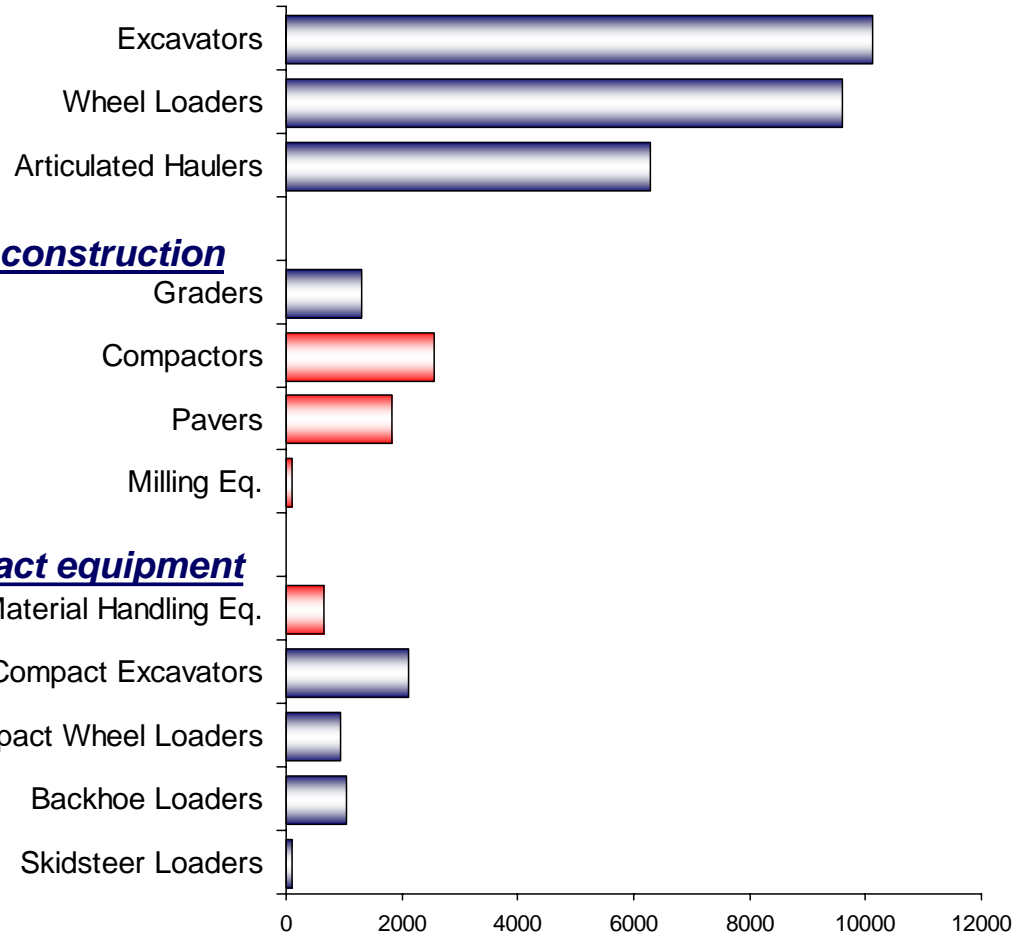
**Synergies after 5 years:
~SEK 600 M annually**



Excellent product complementarities

Equipment sales 2006 (SEK, M)

General Purpose & Production Eq.



- Full range of **road** construction equipment
- Complete product offering giving dealers an attractive business
- Improved share of mind for Volvo CE at the dealers

Acquisition rationale

- Broadens the Volvo CE product offer and makes Volvo a leading player within road construction
- Provides platform for strong growth
- Enhance Volvo distribution capability
- Excellent geographic fit
- Significant synergies
- Makes Volvo CE the global no. 3 in construction equipment



Tony Helsham
President for Volvo Construction Equipment