

# First in Mind—First in Choice™



Capital Markets Day 2006

Gunnar Brock, President and CEO



## Atlas Copco in a Snapshot

### Continuing operations

- A world leading provider of industrial productivity solutions
- Three focused, profitable and strong industrial businesses
  - The products and services range from compressed air and gas equipment, generators, construction and mining equipment, industrial tools and assembly systems, to related aftermarket and rental
- LTM revenues of BSEK 49, operating margin of 18.2% and high return on capital employed
- More than 25 000 employees



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## Innovative Solutions



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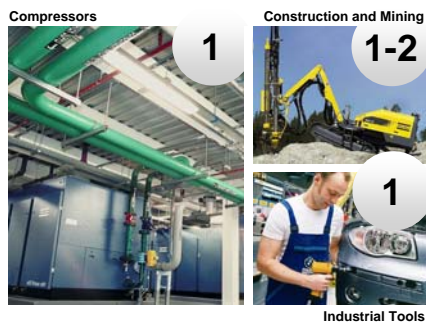
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## Businesses and Market Position



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## Compressors

### Compressor Technique



- World leader in compressed air products and solutions
- Global coverage with own resources in sales and aftermarket support
- Technology and cost leadership



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## Construction and Mining Equipment

### Construction and Mining Technique



- Leading market position, globally
- Good balance in product portfolio and geographical markets
- Strong foundation for growth



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## Industrial Tools

### Industrial Technique



- Strong global leadership
- Application focus on both Motor Vehicle Industry and General Industry
- Leading technology development



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## Vision – To be a leader

- First in Mind—First in Choice™
  - Lead in the share of mind and share of choice of our customers
- Be seen as the innovator, setting the standards
- Exceed high expectations
- Be #1 or #2, in every product market/application and geographic segment where we compete



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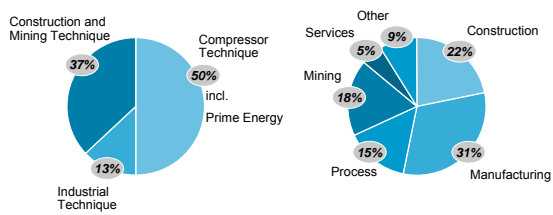
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## Atlas Copco

### Continuing operations



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January – September 2006

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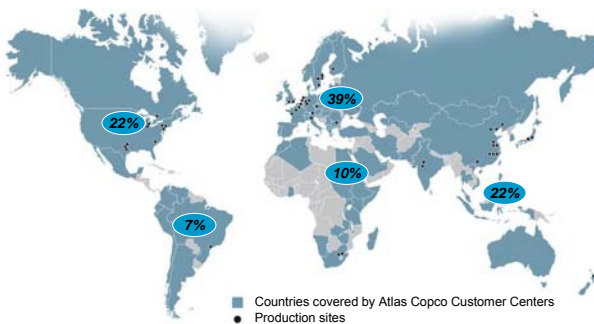
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## Worldwide Presence



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Portion of orders received, 12 months

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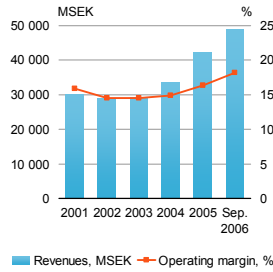
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## Atlas Copco

### Revenues and operating margin

Pro forma excluding divested businesses: professional electric tools and equipment rental



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## Q3 2006 - Highlights

- Value creation
  - High growth
    - Double digit growth in all regions
    - Good demand from most customer segments
    - Solid growth in the aftermarket business
  - Increased profits
    - All business areas improved profit margins
- Atlas Copco sells majority stake of the equipment rental business



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## Q3 2006 - Figures in summary

- Orders received up 21%, +19% in volume
- Revenues up 17% to MSEK 12 538, up 15% in volume
- Operating profit up 29% to MSEK 2 306, a margin of 18.4% (16.6)
- Profit before tax at MSEK 2 081 (1 800), a margin of 16.6% (16.9)



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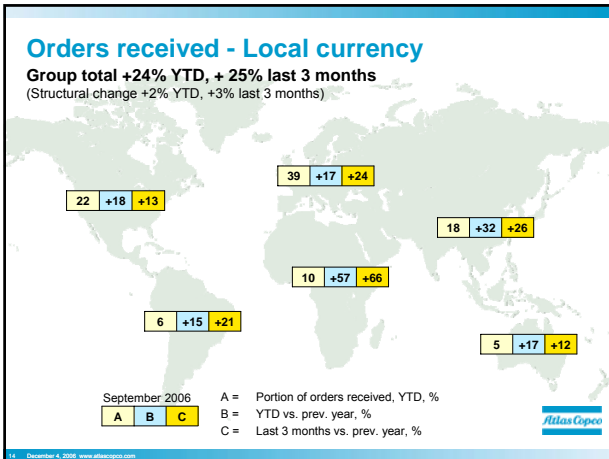
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### Atlas Copco Group

#### Operating Profit and Return On Capital Employed (ROCE) by Business Areas

MSEK 12 month values, period ending	Revenues	Operating profit	Operating margin	ROCE
	Sep. 2006	Sep. 2006	Sep. 2006	Sep. 2006
Compressor Technique	23 879	4 931	20.6%	72%
Construction and Mining Technique	18 208	2 854	15.7%	34%
Industrial Technique	6 514	1 345	20.6%	64%
Rental Service	782	259	33.1%	na.
Eliminations/Common Group Functions	-471	-504		
<b>Atlas Copco Group</b>	<b>48 912</b>	<b>8 885</b>	<b>18.2%</b>	<b>36%*</b>

\* including discontinued operations

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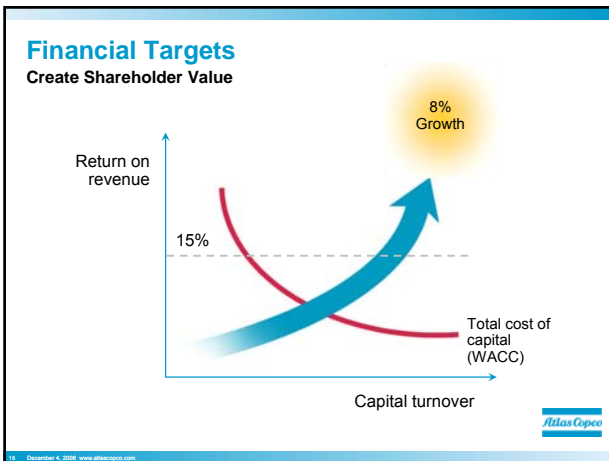
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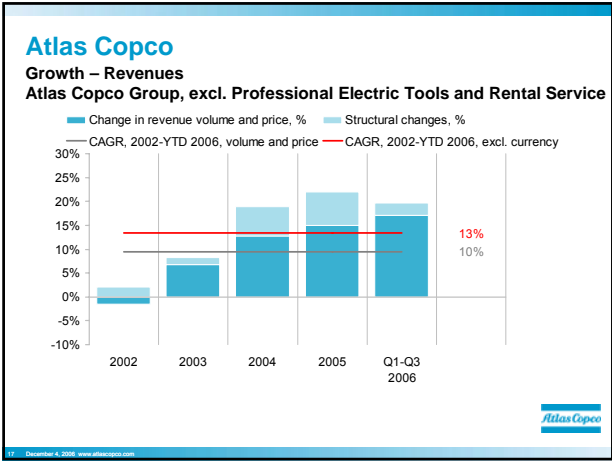
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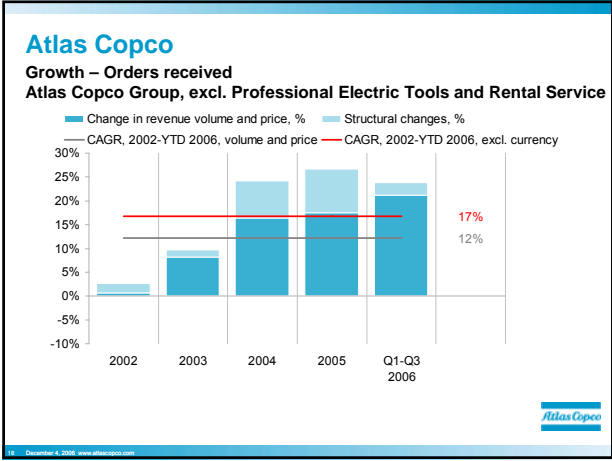
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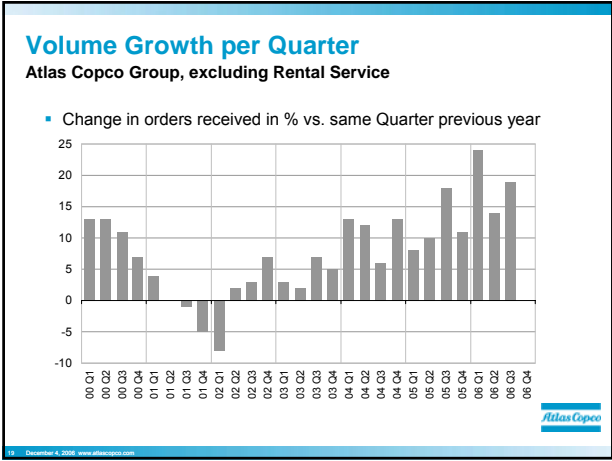
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## Why should Atlas Copco Succeed

– in growing 8% per year?

- Strong portfolio of businesses and products
- Commitment to product development
- Market position and brand value
- Dedication to aftermarket
- "Our house is in order" – stability and profitability. Processes in place.
- Acquisition potential
- Strong and competent leadership
- Continuous improvement



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- Extend and develop the core and build new businesses and create options that are close to home.



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## Sales Potential – Extend and Defend Core



Segment  
↓  
Products



Presence  
↓  
Distribution



Penetration  
↓  
Customer share

Sales potential	0.75 x	0.5 x	0.4	= 0.15
Max	1 x	1 x	1	= 1



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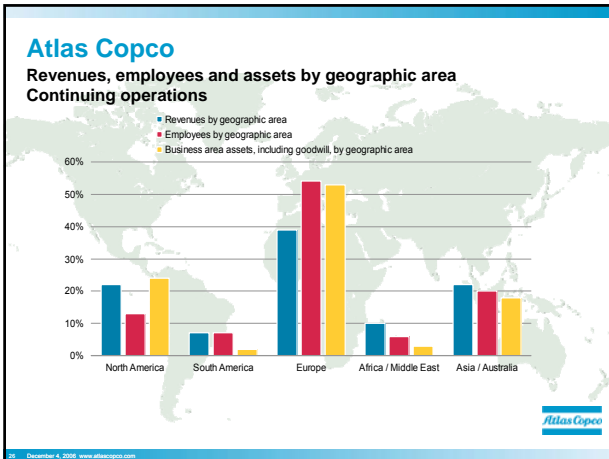
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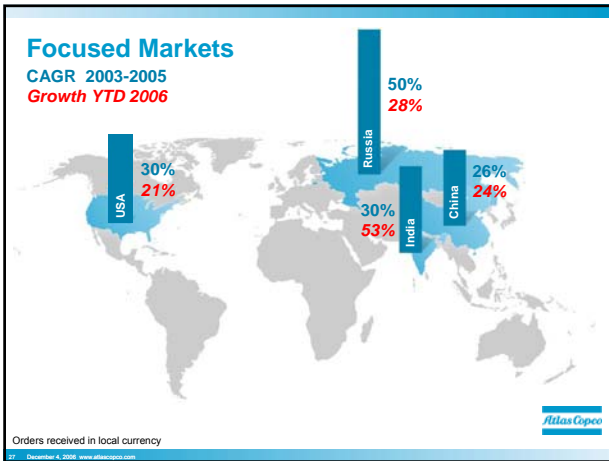
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- ### Aftermarket
- #### Accessories, consumables, spare parts, service and maintenance and training
- High growth potential
  - High profit potential
  - Stable revenue stream
  - Optimized business processes
  - Enhanced product development
  - Closer relationships with end-users
  - Satisfied customers
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## Acquisition Strategy



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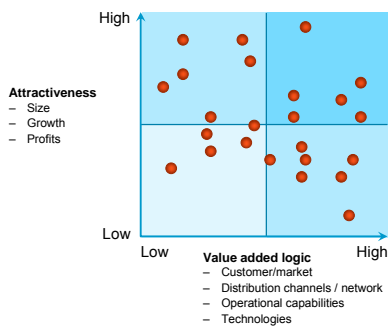
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## Acquisition Strategy

### Screening of Alternatives



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## Economic Distance from the Core

– is measured on five dimensions

	Shared customers	Shared costs	Shared channels	Shared competitors	Shared capabilities/ technology
Core	●	●	●	●	●
1 step away from home	◐	◐	◐	◐	◐
2 steps away from home	◑	◑	◑	◑	◑
3 steps away from home	○	◑	●	○	◑
Diversification	○	○	○	○	◑

Source: Bain & Company

- Full Share
- ◐ Partial Share
- No Share

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## Growth Acquisitions

- >30 acquisitions completed 2001-2005
  - Annual sales, at the time of the acquisition, > BSEK 5
- 9 acquisitions in 2006
  - Annual sales approximately BSEK 3

Includes all announced acquisitions (some pending final approval) and small acquisitions not announced. Some of the acquisitions are distributors where some of the annual sales has been Atlas Copco products.



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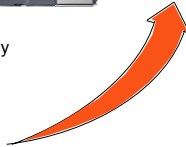
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## Compressor Technique Growth Strategy

- Capitalize on strong market presence
  - Develop new businesses
  - Aftermarket
- Focused markets
- Focused segments
- Multi-branding
- Global logistics and manufacturing strategy
- Innovative product development
- Acquisitions



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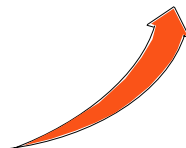
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## Construction and Mining Technique Growth Strategy

- Reinforce leading market position
- New product development
- Service and aftermarket
- Key customer strategy
- Acquisitions



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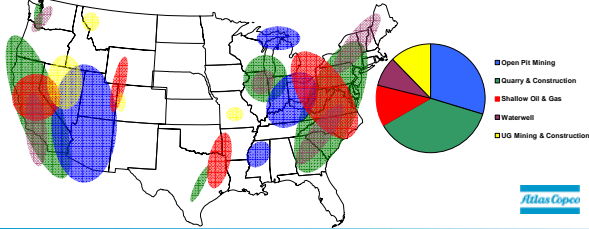
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## Construction and Mining Technique

### Position in the Unites States

- 4 regions
- Strong distribution network
- Revenues 2005 > 5x revenues 2003
  - Ingersoll-Rand Drilling Solutions and Baker Hughes Mining Tools acquired 2002



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## Construction and Mining Technique

### Product Development

- Intelligent product concept to enhance productivity
- Scooptram ST 14



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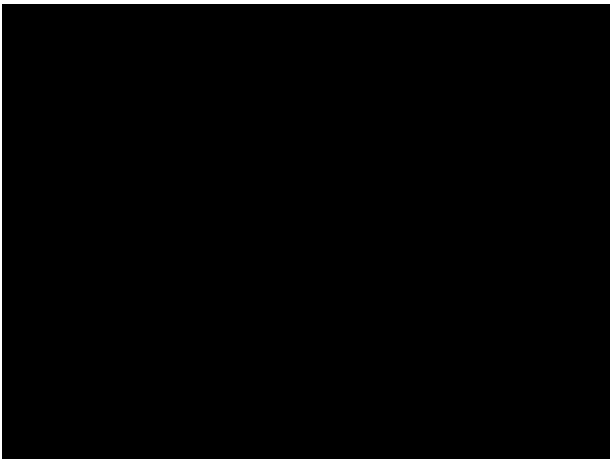
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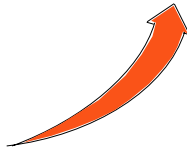
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## Industrial Technique

### Growth Strategy

- Invest in sales force
- Increase sales of electric power tools in general industry
- Productivity and quality partner
- New product development
- Service and aftermarket
- Acquisitions



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## Industrial Technique

### Product Development and Strategic Acquisition

- Products for small screw applications
- Atlas Copco electric screwdriver
- Microtec Systems



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## Industrial Technique

### Service

- Operation and maintenance optimization
  - Balancing the cost of maintenance with the reduction of possible failures
- Application analysis
- Optimize tool selection
- Growth >20% YTD
- Strategic acquisitions of BLM and Technisches Büro Böhm GmbH



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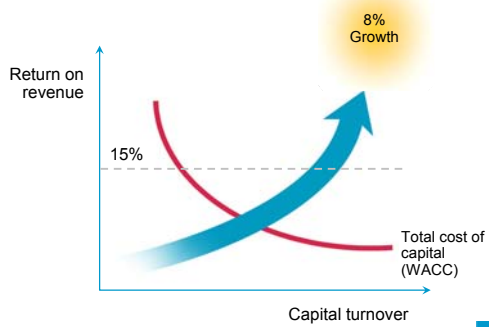
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## Financial Targets

Create Shareholder Value



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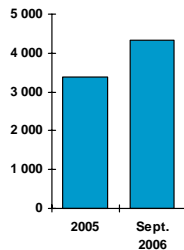
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## Value Creation

Economic Value Added – Continuing Operations

- Invested Capital BSEK 24
- ROI after tax 27%
- WACC 7.8%
  
- ROCE 43%
- WACC, pre-tax, 11.5%



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12 month figures in MSEK

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## Atlas Copco Today

Summary

- Three focused, profitable and strong industrial businesses
- Well balanced strong global positions
- #1 or #2 in all important market segments
- High operating margin
- Efficient and effective utilization of capital – High return on capital employed
- Solid platform for growth
- Atlas Copco is well positioned to deliver on its financial targets

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**Cautionary Statement**

"Some statements herein are forward-looking and the actual outcome could be materially different. In addition to the factors explicitly commented upon, the actual outcome could be materially effected by other factors like for example, the effect of economic conditions, exchange-rate and interest-rate movements, political risks, impact of competing products and their pricing, product development, commercialization and technological difficulties, supply disturbances, and the major customer credit losses."



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