The face of interaction
Atlas Copco Group

- Market Position
- Vision and Strategy
- Financial Targets
- Q4 Highlights and Strategic Moves
- Business Areas
- Financials
- Summary and Outlook
Market Position

- World Leading Supplier
  - Compressors
  - Construction & Mining Equipment
  - Power Tools
- U.S. Leader in Equipment Rental Services
- Sales and service network in 150 countries and 27,000 employees
- Profitable Growth Strategy
  - Revenues SEK 46.5 billion
  - Strong operating margins, 13.7 % (12.3 %)
Atlas Copco Group

- Market Position
- **Vision and Strategy**
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VISION

TO BE

FIRST IN MIND - FIRST IN CHOICE

OF OUR CUSTOMERS!

WE PROVIDE:
PRODUCTS AND
THE USE OF PRODUCTS
TO CUSTOMERS OPERATING
WITHIN THE AREAS OF
AIR AND GAS COMPRESSION
AIR TREATMENT, INDUSTRIAL
MANUFACTURING, AUTOMOTIVE
AFTER-MARKET, ROCK EXCAVA-
TION, CONSTRUCTION AND
DEMOLITION, INSTALLATION
REPAIR AND MAINTENANCE

WE ARE THE FIRST CHOICE FOR
OUR CUSTOMERS WHEN WE
GIVE BEST VALUE.
WE WILL THEN BE
THE GLOBAL LEADER
— AND WE WANT
GLOBAL LEADERSHIP
IN THE MARKET.
BUSINESS BALANCE TO BE
ACHIEVED THROUGH THE
PROCESS OF
STABILITY ➔ PROFITABILITY ➔ GROWTH
Group Strategy - Growth

Three Avenues

“More of the same”

Use of Products

Asia
Group Strategy - Focus

Core competencies

- Compressed air solutions
- Hard-rock drilling technology
- Hand-held power tools
- Customer application knowledge (direct sales)

...maintained and developed through...

Continuous improvements

- production
- products
- marketing
- organization
- business flows

To better serve our customers

Innovations

- new technology
- new concepts
- new methods

To safeguard long-term results
Group Strategy - Multibrand
Atlas Copco Group

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Financial Targets

Return on Revenue

Capital Turnover

15 %

8% Growth

Total Cost of Capital (WACC)

… and continuously challenge our capital efficiency
Atlas Copco Group

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- **Q4 Highlights and Strategic Moves**
- Business Areas
- Financials
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Q4 Highlights

- Order volume up 7 percent over strong Q4 1999
- Outsourcing trend in rental business continue
- Product innovation and increased service offering reinforce market position
- Revenues and profits - highest recorded in any single quarter
Volume Growth per Quarter

Change % Same Quarter One Year Ago

Group
Orders received, Oct - Dec 2000
Change in Local Currency  +8%
Long Term Trend
Strategic Moves - Growth

- “More of the same”
  - New sales companies
    - Egypt, Russia, Czech Republic
  - Continuous product innovation
    - turbine grinder, VSD compressors etc

- Use of products
  - Rental Service Business Area
  - Increase of full-service contracts

- Asia
  - Extension of compressor manufacturing in China
Atlas Copco Group

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- **Business Areas**
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Volume Growth per Quarter by Business Area

Change % Same Quarter One Year Ago
- Compressor Technique
- Construction and Mining Technique
- Industrial Technique
- Rental Service
Compressor Technique
Market Position

› World leading manufacturer of air compressors
› Core manufacturing concentrated to one place
› Highest R&D spending in the business
Compressor Technique
Innovation

- Variable Speed Drive technology
  - Saves energy - on average 35 percent. The application and the fluctuations in air demand is the determinant for the energy consumption
  - Continuously expanding range

- Full-Feature concept
  - Complete with built-in dryer and/or cooler
Compressor Technique
Q4

- Innovations and after-market activities drive growth
- Operating profit up 30%
- Strong volume growth in most markets
  - Europe, South America and particularly Asia
  - Lower demand noted in North America
- Restructuring of dryer and filter manufacturing
  - Benefits in R&D and economies of scale
Construction & Mining Technique

Market Position

- Global leader in rock drilling equipment and tools for hard rock construction and mining applications
- More than 55% “use of product” revenues

Revenues:
SEK 7.1 billion

EBIT margin:
9.2%
Construction & Mining Technique
Innovation

- Completely new range of Surface Crawlers introduced in the last three years
  - Features
    - Choice of Engines
    - Modular Design
    - Operator Friendly

- Productivity enhancing consumables
  - New system for drifting / tunnelling
  - CORAC exploration equipment
Construction & Mining Technique

Q4

- Good investment- and activity level in the mining sector
- Several large contracts for consumables
- Sales of construction equipment slowing down
Industrial Technique
Market Position

- World leading manufacturer of industrial power tools
- Focus on innovation
- Large producer of professional electric tools, with a leading position in the U.S. with Milwaukee brand tools

Revenues:
SEK 11.5 billion

EBIT margin:
10.8%
## Industrial Technique

### Innovation

<table>
<thead>
<tr>
<th>Turbo Grinder</th>
<th>Vertical Grinder</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
<td>LSS64 S060-23</td>
</tr>
<tr>
<td>Free speed</td>
<td>6000 rpm</td>
</tr>
<tr>
<td>Power</td>
<td>2.2 kW</td>
</tr>
<tr>
<td>Weight</td>
<td>5.7 kg</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Model</td>
<td>GTG40 F066-23</td>
</tr>
<tr>
<td>Free speed</td>
<td>6600 rpm</td>
</tr>
<tr>
<td>Power</td>
<td>4.5 kW</td>
</tr>
<tr>
<td>Weight</td>
<td>5.8 kg</td>
</tr>
</tbody>
</table>

**Chart:**
- **Title:** Turbo Grinder - Power to Weight Ratio
- **Y-axis:** 0, 0,1, 0,2, 0,3, 0,4, 0,5, 0,6, 0,7, 0,8, 0,9, 1
- **X-axis:** Turbo Grinder, Vertical Grinder
- **Data Points:**
  - Turbo Grinder: 0,78
  - Vertical Grinder: 0,39

---

**Note:**
- **Innovation:** The comparison highlights the efficiency and power-to-weight ratio of the Turbo Grinder (GTG40 F066-23) and Vertical Grinder (LSS64 S060-23).
- **Key Specifications:**
  - Turbo Grinder:
    - Free speed: 6600 rpm
    - Power: 4.5 kW
    - Weight: 5.8 kg
  - Vertical Grinder:
    - Free speed: 6000 rpm
    - Power: 2.2 kW
    - Weight: 5.7 kg
Industrial Technique

Q4

- Very strong order intake for computer controlled tightening systems - MVI
- Decreased demand for professional electric tools from the construction industry
- Restructuring measures taken in Alliance Tools showing results
Rental Service
Market Position

- A leader in U.S. equipment rental
- >575 stores and over 7000 employees in U.S., Canada and Mexico
- Driven by outsourcing trend

Revenues: SEK 14.0 billion

EBIT margin: 13.3%

30%
Rental Service

Q4

- Trend to rent instead of buying continues
- Solid increase in revenues - again
  - 7 new greenfield operations
  - 9 stores acquired
- Merger - Rental Service Corp.
  - Power of One
- Focus on capital efficiency
  - Fleet management
  - Seasonal effect and size/mix of rental fleet led to lower margins in the quarter
Rental Service Merger

- Proactive
- Great for customers
- Great for employees
- Accelerates efficiencies and synergies
## Earnings by Business Area
### Q4, excl. non-recurring items

<table>
<thead>
<tr>
<th>October – December</th>
<th>SEKm</th>
<th>Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2000</td>
<td>1999</td>
</tr>
<tr>
<td>Compressor Technique</td>
<td>815</td>
<td>612</td>
</tr>
<tr>
<td>Construction &amp; Mining T.</td>
<td>171</td>
<td>121</td>
</tr>
<tr>
<td>Industrial Technique</td>
<td>378</td>
<td>271</td>
</tr>
<tr>
<td>Rental Service</td>
<td>532</td>
<td>422</td>
</tr>
<tr>
<td>Corporate items</td>
<td>-53</td>
<td>-26</td>
</tr>
<tr>
<td><strong>EBIT</strong></td>
<td>1,843</td>
<td>1,400</td>
</tr>
</tbody>
</table>
## Earnings by Business Area
### 2000, excl. non-recurring items

<table>
<thead>
<tr>
<th>January – December</th>
<th>SEKm</th>
<th>Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2000</td>
<td>1999</td>
</tr>
<tr>
<td>Compressor Technique</td>
<td>2,770</td>
<td>2,153</td>
</tr>
<tr>
<td>Construction &amp; Mining T.</td>
<td>650</td>
<td>397</td>
</tr>
<tr>
<td>Industrial Technique</td>
<td>1,238</td>
<td>949</td>
</tr>
<tr>
<td>Rental Service</td>
<td>1,982</td>
<td>1,010</td>
</tr>
<tr>
<td>Corporate items</td>
<td>-222</td>
<td>-122</td>
</tr>
<tr>
<td><strong>EBIT</strong></td>
<td><strong>6,418</strong></td>
<td><strong>4,387</strong></td>
</tr>
</tbody>
</table>
Atlas Copco Group

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### Group Total*

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2000</td>
<td>1999</td>
<td>%</td>
<td>2000</td>
</tr>
<tr>
<td>Orders Received</td>
<td>12,177</td>
<td>10,210</td>
<td>+19</td>
<td>46,628</td>
</tr>
<tr>
<td>Revenues</td>
<td>12,841</td>
<td>10,507</td>
<td>+22</td>
<td>46,527</td>
</tr>
<tr>
<td>EBIT</td>
<td>1,823</td>
<td>1,400</td>
<td>+30</td>
<td>6,392</td>
</tr>
<tr>
<td>- margin, %</td>
<td>14.2</td>
<td>13.3</td>
<td></td>
<td>13.7</td>
</tr>
<tr>
<td>Profit after financial items (PAFI)</td>
<td>1,371</td>
<td>1,022</td>
<td>+34</td>
<td>4,689</td>
</tr>
<tr>
<td>- margin, %</td>
<td>10.7</td>
<td>9.7</td>
<td></td>
<td>10.1</td>
</tr>
</tbody>
</table>

* Including non-recurring items
## Balance Sheet

**December 31, 2000**

<table>
<thead>
<tr>
<th>Description</th>
<th>SEK m.</th>
<th>Dec. 31</th>
<th>%</th>
<th>Dec. 31</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2000</td>
<td>1999</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intangible fixed assets</td>
<td>20,792</td>
<td>18,851</td>
<td>34</td>
<td>18,851</td>
<td>35</td>
</tr>
<tr>
<td>Rental Fleet</td>
<td>15,225</td>
<td>11,699</td>
<td>25</td>
<td>11,699</td>
<td>22</td>
</tr>
<tr>
<td>Other fixed assets</td>
<td>7,032</td>
<td>7,003</td>
<td>11</td>
<td>7,003</td>
<td>13</td>
</tr>
<tr>
<td>Inventories</td>
<td>5,881</td>
<td>5,348</td>
<td>9</td>
<td>5,348</td>
<td>10</td>
</tr>
<tr>
<td>Receivables</td>
<td>11,521</td>
<td>9,463</td>
<td>19</td>
<td>9,463</td>
<td>18</td>
</tr>
<tr>
<td>Cash and bank</td>
<td>1,237</td>
<td>1,286</td>
<td>2</td>
<td>1,286</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>61,688</strong></td>
<td><strong>53,650</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity</td>
<td>23,982</td>
<td>20,885</td>
<td>39</td>
<td>20,885</td>
<td>39</td>
</tr>
<tr>
<td>Minority interest</td>
<td>219</td>
<td>192</td>
<td>0</td>
<td>192</td>
<td>0</td>
</tr>
<tr>
<td>Interest-bearing liabilities</td>
<td>23,507</td>
<td>20,611</td>
<td>38</td>
<td>20,611</td>
<td>39</td>
</tr>
<tr>
<td>Non-interest-bearing liabilities</td>
<td>13,980</td>
<td>11,962</td>
<td>23</td>
<td>11,962</td>
<td>22</td>
</tr>
<tr>
<td><strong>Total liabilities and equity</strong></td>
<td><strong>61,688</strong></td>
<td><strong>53,650</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## Cash Flow

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2000</td>
<td>1999</td>
</tr>
<tr>
<td>Operating cash surplus after tax</td>
<td>1,745</td>
<td>1,663</td>
</tr>
<tr>
<td>of which depreciation added back</td>
<td>1,096</td>
<td>904</td>
</tr>
<tr>
<td>Change in working capital</td>
<td>-327</td>
<td>29</td>
</tr>
<tr>
<td><strong>Cash flow from operations</strong></td>
<td>1,418</td>
<td>1,692</td>
</tr>
<tr>
<td>Investments in tangible fixed assets</td>
<td>-1,018</td>
<td>-1,019</td>
</tr>
<tr>
<td>Sale of tangible fixed assets</td>
<td>415</td>
<td>395</td>
</tr>
<tr>
<td>Company acquisitions/divestments</td>
<td>35</td>
<td>-69</td>
</tr>
<tr>
<td>Cash flow from investments</td>
<td>-568</td>
<td>-693</td>
</tr>
<tr>
<td><strong>Cash flow after net investments</strong></td>
<td>850</td>
<td>999</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>0</td>
<td>-1</td>
</tr>
<tr>
<td>Equity issue</td>
<td>0</td>
<td>4,125</td>
</tr>
<tr>
<td><strong>Net cash flow</strong></td>
<td>850</td>
<td>5,123</td>
</tr>
</tbody>
</table>
Capital Expenditures in Tangible Fixed Assets

Net rental fleet investment = approx. SEK 4.0 billion
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Summary

- Strong Market Position in all 4 Business Areas
  - Innovation → Growth
- Product innovation and increased service offering reinforce market position
- Profitable Growth Strategy
  - “More of the same”
  - Asia
  - Use of products
## Near Term Demand Outlook

### Industrial and Geographical

(Dotted Arrows Indicate Risk/Opportunity)

**February 2001**

### Weight by Industry

<table>
<thead>
<tr>
<th>Industry</th>
<th>Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>Others</td>
<td>8%</td>
</tr>
<tr>
<td>Services</td>
<td>6%</td>
</tr>
<tr>
<td>Process</td>
<td>13%</td>
</tr>
<tr>
<td>Automotive</td>
<td>6%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>15%</td>
</tr>
<tr>
<td>Non-building</td>
<td>16%</td>
</tr>
<tr>
<td>Building</td>
<td>28%</td>
</tr>
<tr>
<td>Mining</td>
<td>8%</td>
</tr>
</tbody>
</table>

### Weight by Region

<table>
<thead>
<tr>
<th>Region</th>
<th>Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia/Australia</td>
<td>11%</td>
</tr>
<tr>
<td>Africa/Middle East</td>
<td>4%</td>
</tr>
<tr>
<td>Europe</td>
<td>30%</td>
</tr>
<tr>
<td>South America</td>
<td>4%</td>
</tr>
<tr>
<td>North America</td>
<td>51%</td>
</tr>
</tbody>
</table>
The face of interaction
“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.”