Atlas Copco Group
- Epiroc split update

Capital Markets Day 2017
Hans Ola Meyer, CFO
Agenda

1. Rationale for the split
2. Carve-out and listing project
3. Financials
Strategic rationale and business benefits

Split the Group into one INDUSTRIAL and one MINING/INFRASTRUCTURE company

- Both businesses are global leaders in their respective areas
- The businesses have different end-markets and different demand drivers
- The businesses have different demand patterns

- A fully focused, dedicated management can
  - serve customers even better
  - drive growth and profitability
- The synergies between the two businesses are limited
- A separation into two world-leading listed companies will facilitate a fair valuation on the stock market
**Two world class companies**

**Atlas Copco**
- Industry ~34 500 Employees
- BSEK 84 Revenue
- 21%* Operating margin

**Epiroc**
- Mining ~12 500 Employees
- Infrastructure BSEK 30 Revenue
- 19%* Operating margin

* Indicative 12 month figures at September 30, 2017

Update on the split
Capital Markets Day 2017
**Two world class companies**

Operating margin (EBIT), %

![Graph showing operating margins for different companies over time.]

**Large cap global multi industrials**: 3M, ABB, Alfa Laval, Assa Abloy, Caterpillar, Danaher, Deere, Dover, Eaton, Emerson, Fortive, Geberit, General Electric, Graco, Hitachi, Honeywell, Illinois Tool Works, Komatsu, Kone, Legrand, Mitsubishi Heavy Industries, Nordson, Parker-Hannifin, Rockwell Automation, Rolls-Royce, Roper Technologies, Sandvik, Schindler, Schneider Electric, Siemens, SKF, Smiths Group, Trelleborg, United Technologies, Volvo, Wartsila, Weir and Xylem

**Mining and construction equipment companies**: Caterpillar, Komatsu, Metso, Sandvik and Weir

*Source: FactSet and Company filings*
Two world class companies

Cash generation

Large cap global multi industrials: 3M, ABB, Alfa Laval, Assa Abloy, Caterpillar, Danaher, Deere, Dover, Eaton, Emerson, Fortive, Geberit, General Electric, Graco, Hitachi, Honeywell, Illinois Tool Works, Komatsu, Kone, Legrand, Mitsubishi Heavy Industries, Nordson, Parker-Hannifin, Rockwell Automation, Rolls-Royce, Roper Technologies, Sandvik, Schindler, Schneider Electric, Siemens, SKF, Smiths Group, Trelleborg, United Technologies, Volvo, Wartsila, Weir and Xylem

Mining and construction equipment companies: Caterpillar, Komatsu, Metso, Sandvik and Weir

Source: FactSet and Company filings
Two world class companies

Organic sales growth, indexed


Mining and construction equipment companies: Caterpillar, Metso, Sandvik and Weir

Source: FactSet and Company filings
Carve-out project
The starting point

Divisions generally conduct business through product companies, distribution centers and customer centers
## The scope

### BOARD OF DIRECTORS

### PRESIDENT AND CEO

### GROUP MANAGEMENT

**BUSINESS AREAS AND CORPORATE FUNCTIONS**

<table>
<thead>
<tr>
<th>COMPRESSOR TECHNIQUE</th>
<th>VACUUM TECHNIQUE</th>
<th>INDUSTRIAL TECHNIQUE</th>
<th>POWER TECHNIQUE</th>
<th>EPIROC</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Compressor Technique Service</td>
<td>• Vacuum Technique Service</td>
<td>• Industrial Technique Service</td>
<td>• Power Technique Service</td>
<td>• Service</td>
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<tr>
<td>• Industrial Air</td>
<td>• Semiconductor Service</td>
<td>• MVI Tools and Assembly Systems</td>
<td>• Specialty Rental</td>
<td>• Underground Rock Excavation</td>
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<tr>
<td>• Oil-free Air</td>
<td>• Semiconductor</td>
<td>• General Industry Tools and Assembly Systems</td>
<td>• Portable Air</td>
<td>• Surface and Exploration Drilling</td>
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<tr>
<td>• Professional Air</td>
<td>• High Vacuum</td>
<td>• Chicago Pneumatic Tools</td>
<td>– Incl. Handheld equipment</td>
<td>• Drilling Solutions</td>
</tr>
<tr>
<td>• Gas and Process</td>
<td>• Industrial Vacuum</td>
<td>• Industrial Assembly Solutions</td>
<td>• Power and Flow</td>
<td>• Rocktec</td>
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<td>• Medical Gas Solutions</td>
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<td>• Rock Drilling Tools</td>
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<td>• Airtec</td>
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<td>• Hydraulic Attachment Tools</td>
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Divisions generally conduct business through product companies, distribution centers and customer centers.
The carve-out and spin-off project organization

Spans the entire world

External advisors
- KPMG
- Roschier
- SEB + Deutsche Bank
- Mercer
- EY

• Shearman & Sterling
• Blink
• Brann
• Marsh
• + Locally contracted

Atlas Copco AB Board
- Programme Owners
- Steering Committee
- Programme leaders

Program Management Office

Dynapac Carve-out

Work Streams
- Finance
- Financial Solutions
- Tax/Ownership structure
- Legal & Spin-off
- Operations

HR, Pension & Internal Comm. Union
- Insurance
- IT
- CorpCom & Brand Strategy
- Epiroc

Board, CEO and Corporate Office

Holding regions
- Western Europe
- Nordic, Baltic
- Canada
- Russia, Central Asia & Eastern Europe
- Spain, Portugal, Italy, Greece
- Japan, Korea
- Turkey & Middle East
- Morocco
- Greater China / Mongolia
- India
- South East Asia
- Latin America & Brazil
- Southern Africa
- Australia
- USA
- Algeria

Local Project Leaders
- 78 Local Project Leaders with 250+ Local Team Members
**Epiroc carve-out and spin-off timeline**

1. Blueprint and planning
   - 2017
   - Jan

2. Execution and local transactions
   - 2017
   - Jan
   - Feb
   - Mar
   - Apr
   - May
   - Jun
   - Jul
   - Aug
   - Sep
   - Oct
   - Nov
   - Dec

3. Stand-alone
   - 2018
   - Jan
   - Feb
   - Mar
   - Apr
   - May
   - Jun
   - Jul
   - Aug
   - Sep
   - Oct
   - Nov
   - Dec

4. Transition
   - 2018
   - Jan
   - Feb
   - Mar
   - Apr
   - May
   - Jun
   - Jul

- Notice to Atlas Copco AGM
- Information brochure on Epiroc dividend proposal, incl. financial targets, capitalization etc.
- Listing Committee decision, Nasdaq Stockholm
- Publishing of listing prospectus
- Capital Markets Day, Epiroc

**Update on the split**
Capital Markets Day 2017
Epiroc carve-out

- The project is on time, no red flags

- Estimated transaction expense 600 MSEK
  - Of which expensed Q2-Q3 in 2017 140

- One-off write-down of IT system in Q3 2017 170

- Estimated tax expense 800 MSEK
  - Net, after deduction of step-up values 500
Financials
Epiroc Group – preliminary reporting segments (IFRS)

NOTE! The reporting segments will be confirmed in Q2 2018.
Revenues and Operating profit – Atlas Copco and Epiroc

Revenue split

Atlas Copco: BSEK 84
Epiroc: BSEK 30

Operating profit split

Atlas Copco: BSEK ~17.8, 21% margin
Epiroc: BSEK ~5.7, 19% margin

NOTE! All figures presented are indicative and based on Sep 30, 2017 financials
Capital employed – Atlas Copco and Epiroc

NOTE! All figures presented are indicative and based on Sep 30, 2017 financials
Capitalization - Atlas Copco and Epiroc

- Work in progress, but....

- Both companies share the same history, and has some similar characteristics
  - strong financial position gives freedom
  - access to all financial debt markets is important
  - modest recurring investment need, thanks to business model
Customer demand differs.…

This will be reflected in the capitalization of the two companies.

- A somewhat lower average financial leverage (lower Net debt/EBITDA ratio) in Epiroc than for Atlas Copco.
Capitalization - Atlas Copco and Epiroc

– Atlas Copco and Epiroc Boards of Directors and Management teams will in Q1 2018, jointly decide on the “day one” capitalization for Atlas Copco and Epiroc.
Epiroc Executive Team

Per Lindberg  
President and CEO  
Currently President and CEO, Billerud Korsnäs  
Starts February 1st, 2018

Helena Hedblom  
Senior Executive Vice President Mining and Infrastructure

Anders Lindén  
Senior Vice President Controlling and Finance (CFO)

Mattias Olsson  
Senior Vice President Corporate Communications  
Currently Head of IR, Assa Abloy  
Starts Mid January 2018

Jörgen Ekelöw  
Senior Vice President General Counsel

Update on the split  
Capital Markets Day 2017
Epiroc Board of Directors

Ronnie Leten (COB)
Former CEO Atlas Copco
COB Electrolux
Board member SKF

Johan Forssell
President and CEO Investor
Board member Atlas Copco, Investor, Wärtsilä, Patrícia Industries and EQT

Anders Ullberg
COB Boliden and Studsvik
Board member Atlas Copco, Beijer Alma and Valedo Partners

Ulla Litzén
Board member Alfa Laval, Electrolux, Husqvarna, NCC and Ratos

Lennart Evrell
President and CEO Boliden
Board member Boliden, SCA and the Confederation of Swedish Enterprise
Committed to sustainable productivity.
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 and adversely affected by other factors such as the effect of economic conditions, exchange-rate and interest-rate movements, political risks, the impact of competing products and their pricing, product development, commercialization and technological difficulties, supply disturbances, and major customer credit losses.”