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

- 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

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
Two world class companies

Atlas Copco

~34 500 Employees
Revenue BSEK 84
Operating margin 21%*

Epiroc

~12 500 Employees
Revenue BSEK 30
Operating margin 19%*

* Indicative 12 month figures at September 30, 2017

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

Operating margin (EBIT), %

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, Kore, Legrand, Mitsubishi Heavy Industries, Nordson, Parker-Hannifin, Rockwell Automation, Rolls-Royce, Roper Technologies, Sandvik, Schneider, 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

<table>
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<tr>
<th>COMPRESSOR TECHNIQUE</th>
<th>VACUUM TECHNIQUE</th>
<th>INDUSTRIAL TECHNIQUE</th>
<th>MINING AND ROCK EXCAVATION TECHNIQUE</th>
<th>POWER TECHNIQUE</th>
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<tr>
<td>Compressor Technique Service</td>
<td>Vacuum Technique Service</td>
<td>Industrial Technique Service</td>
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<td>Industrial Air</td>
<td>Semiconductor Service</td>
<td>MVI Tools and Assembly Systems</td>
<td>Underground Rock Excavation</td>
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<td>Oil-free Air</td>
<td>Semiconductor</td>
<td>General Industry Tools and Assembly Systems</td>
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<td>Gas and Process</td>
<td>Industrial Vacuum</td>
<td>Industrial Assembly Solutions</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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Divisions generally conduct business through product companies, distribution centers and customer centers.
The scope

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<th>BOARD OF DIRECTORS</th>
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<td>PRESIDENT AND CEO</td>
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<td>GROUP MANAGEMENT</td>
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</table>

**COMPRESSOR TECHNIQUE**
- Compressor Technique Service
- Industrial Air
- Oil-free Air
- Professional Air
- Gas and Process
- Medical Gas Solutions
- Airtec

**VACUUM TECHNIQUE**
- Vacuum Technique Service
- Semiconductor Service
- Semiconductor
- High Vacuum
- Industrial Vacuum

**INDUSTRIAL TECHNIQUE**
- Industrial Technique Service
- MVI Tools and Assembly Systems
- General Industry Tools and Assembly Systems
- Chicago Pneumatic Tools
- Industrial Assembly Solutions

**POWER TECHNIQUE**
- Power Technique Service
- Specialty Rental
- Portable Air
  - Incl. Handheld equipment
- Power and Flow

**EPIROC**
- Service
- Underground Rock Excavation
- Surface and Exploration Drilling
- Drilling Solutions
- Rocktec
- Rock Drilling Tools
- Hydraulic Attachment Tools

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

Work Streams
Finance
HR, Pension & Internal Comm. Union
Financial Solutions
Insurance
Tax/Ownership structure
IT
Legal & Spin-off
CorpCom & Brand Strategy Epiroc
Operations
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

Update on the split
Capital Markets Day 2017
Epiroc carve-out and spin-off timeline

1. Blueprint and planning
   - 2017

2. Execution and local transactions
   - All Tax and Legal Step Plans approved
   - Epiroc legal structure established

3. Stand-alone
   - Stand-alone
   - Audit by Nasdaq Stockholm
   - Listing on Nasdaq Stockholm

4. Transition
   - Atlas Copco AGM
   - 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 by reporting segments

“Equipment & Service” ~70%

“Tools & Attachments” ~30%
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
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
Capitalization - Atlas Copco and Epiroc

- 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
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, Patricia 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.”