Great ideas drive development.

At Atlas Copco, we have been turning great ideas into business-critical benefits since 1873. By listening to our customers and knowing their needs, we deliver value and innovate with the future in mind.
Agenda

1. Atlas Copco – One Group
2. Performance review
3. How we create value and grow
4. Summary
The Atlas Copco Group – Brand

The home of industrial ideas for tangible customer values

COMMITMENT

INNOVATION

INTERACTION
The Atlas Copco Group – Customers
The Atlas Copco Group – Technology
The Atlas Copco Group – Culture
The Atlas Copco Group – Leadership

In Atlas Copco Leadership is defined as the ability to create lasting results.
Organization

Divisions generally conduct business through product companies, distribution centers and customer centers.
A diversified business

ORDERS RECEIVED BY CUSTOMER CATEGORY

- General manufacturing: 25%
- Services: 12%
- Construction: 12%
- Process industry: 18%
- Motor vehicle: 11%
- Electrical and technology: 15%
- Other: 7%

REVENUES BY BUSINESS TYPE

- Equipment: 66%
- Service: 34%

12 months ending September 2018
Agenda

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January – September in brief

- Solid order growth
  - Particularly strong growth in North America and Europe
  - Firm organic growth for Compressor Technique, Industrial Technique and Power Technique
  - Vacuum Technique down due to lower semiconductor investments

- Good profitability in all business areas

- Steady operating cash flow, in spite of growth

- Successful spin-off of Epiroc
Q3 2018

ORDERS RECEIVED

23 BSEK

1% organic decline

24 BSEK

REVENUES

6% organic growth

22.2% OPERATING MARGIN

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Atlas Copco Capital Markets Day
Orders received – local currency Q3 2018

SHARE OF ORDERS RECEIVED YEAR TO DATE:

- 29%
- 37%
- 34%

YoY Q3 vs. Q2

+6%
+5%
+2%
+11%
-9%
Near-term outlook

The customer demand is expected to be somewhat lower, mainly due to the semiconductor and automotive industries.
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Value for all stakeholders
How we do business – Innovation across the value chain

- Leading positions in our defined markets
- Leading, differentiated technology
- Key products in customers’ operations
- Smaller part of customers’ investment
- Healthy service potential
- Balance sheet agility

Customer
- Productivity gains
- Reduced total cost of ownership

Atlas Copco
- Design and development
- Sales and service
- Core manufacturing

Supplier
Leveraging the competence of business partners

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Agility and resilience

Deteriorating business climate
- Reduce variable costs
- Working capital reduction

Improving business climate
- Add variable costs
- Working capital increase
- Small incremental investments

Asset light operations
Profitable service business

AGILE OPERATIONAL SET-UP

Volume / Profits vs. Time
People are key

Knowledgeable, professional, and passionate

Diversity

Trust

Speed
Passionate people create exceptional things

Clarity in mission and expectations creates freedom to develop and implement our visions and strategies.

Ownership and clarity in roles and responsibilities

Freedom with accountability

The one closest to the problem, is the one closest to the solution.
Our management team

Mats Rahmström  Vagner Rego  Geert Follens
Henrik Elmin  Andrew Walker  Cecilia Sandberg
Håkan Osvald  Gisela Lindstrand  Hans Ola Meyer

IN TOTAL:

47 years of international experience
79 years of external experience in diverse businesses
190 years in Atlas Copco

Strong international experience
Internal and external expertise
Be the Atlas Copco culture in all aspect
Presence

- Develop local competences
- Direct, indirect, and digital presence
- Create high brand awareness
Digitalization
Proactive service
Our targets

**PROFIT**

- **Revenues**
  8% average growth per year over a business cycle

- **Returns**
  Sustained high return on capital employed (ROCE)

- **Cash dividend**
  50% of net profit in annual dividend

**PEOPLE**

**PLANET**

- Energy consumption
- Transport and CO₂
- Water consumption
- % renewable energy
- Reused, recycled and recovered waste

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Atlas Copco Capital Markets Day
Foundation for continuous growth

- Market leader with a strong portfolio of businesses and products
- Commitment to innovation
- Top organization, world-class people, and top execution
- Strong service offering
- Capacity for strategic acquisitions
- Digitalization embedded in everything

REVENUE GROWTH 2010 – 2017
Foundation for continuous high return on capital employed

- Standardization and efficient flow
- Asset light operations
- Variable cost structure
- Strong service business
- Digitalization embedded in everything

ROCE 1998 – 2017*

* Including discontinued operations
Growth and strong profitability

*Revenues not adjusted for intercompany sales between Atlas Copco and Epiroc.
Operating margin and ROCE are estimated excluding the Mining and Rock Excavation Business Area and Road Construction Equipment division.
Growth and resilience – Service business

CAGR Service 8%
CAGR Equipment 7%

Equipment revenues, MSEK
Service revenues, MSEK

Revenues excluding Mining and Rock Excavation Technique until 2017.
Growth and resilience – Asset light

*Including Mining and Rock Excavation Technique until 2017.
Growth and resilience – Cash generation

Including discontinued operations. Profit for the period “Sep. 2018 12M” is excluding the capital gain related to the distribution of Epiroc.

Average cash conversion 100%
Growth and resilience – Cash distribution

Average payout ratio: 68%
Average yield: 5%
Regional growth development – from 70 to 93 BSEK

REVENUES MSEK

Note: 2010 Revenues including Epiroc.
Index rebalanced to 100 as per 31 December, 2017.

Currency

ESTIMATED OPERATIONAL TRANSACTION EXPOSURE

CURRENCY INDEX

Index rebalanced to 100 as per 31 December, 2017.
Impact of tariffs

Estimated cost impact: MUSD 15 per year

- Majority of impact is on supply from Atlas Copco China to Atlas Copco US

- The main mitigating actions include changed sourcing countries and price increases
Impact of “hard” Brexit

Estimated cost impact:
MUSD 13 per year

- The direct cost impact is mainly related to tariffs on goods moving in and out of the UK
- Other costs relate to:
  - One to two days longer lead time due to border controls
  - Additional personnel resources to handle issues with VAT, trade compliance, and logistics
  - Build up of safety stocks

- Over time a slower GDP growth in the UK is expected
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Value for all stakeholders

- Identify and “own” profitable niches
- Use our core competencies to develop the niches
- Top execution through a decentralized leadership model

**SOCIETY**
- R&D
- Marketing
- Manufacturing
- Sourcing
- Logistics
- Service

**SHAREHOLDERS**
- People
- Finance
- Quality

**CUSTOMERS**
- Supply
- Digitalization
- Channels
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.”