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
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November 15, 2018  Atlas Copco Capital Markets Day
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
In Atlas Copco
Leadership is defined as
*the ability to create*
*lasting results*
Divisions generally conduct business through product companies, distribution centers and customer centers.
A diversified business

ORDERS RECEIVED BY CUSTOMER CATEGORY

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

12 months ending September 2018

REVENUES BY BUSINESS TYPE

- Equipment: 66%
- Service: 34%

12 months ending September 2018
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

23 BSEK
ORDERS RECEIVED

1% organic decline

24 BSEK
REVENUES

6% organic growth

22.2% OPERATING MARGIN

1% organic decline

6% organic growth

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

- SOCIETY
  - R&D
  - Marketing
- ENVIRONMENT
  - Quality
  - Sourcing
  - Logistics
- CUSTOMERS
  - Supply
- SHAREHOLDERS
  - People
  - Finance
  - Channels
  - Digitalization
  - Service
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
Agility and resilience

Deteriorating business climate
- Reduce variable costs
- Working capital reduction

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

RESILIENCE
Asset light operations
Profitable service business
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

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 \(\text{CO}_2\)
- Water consumption
- % renewable energy
- Reused, recycled and recovered waste
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
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

Revenues excluding Mining and Rock Excavation Technique until 2017.

CAGR 8%  Service
CAGR 7%  Equipment

Equipment revenues, MSEK
Service revenues, MSEK

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

Average property, plant and equipment in % of revenues

Average net working capital in % of revenues

*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.
Growth and resilience – Cash distribution

![Chart showing dividend per share, redemption per share, and earnings per share from 1997 to 2017.]

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

Note: 2010 Revenues including Epiroc.
Currency

ESTIMATED OPERATIONAL TRANSACTION EXPOSURE

2010

MSEK
15 000

0

-15 000

BRL INR RUB ZAR CAD CNY USD Other AUD GBP HKD SEK EUR

2017

MSEK
15 000

0

-15 000

NOK PLN TRY ZAR CAD CNY USD Other CZK GBP KRW SEK EUR

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

**SHAREHOLDERS**

- People
- Finance
- Quality
- Manufacturing
- Sourcing
- Logistics
- Service

**SOCIETY**

- R&D
- Marketing

**CUSTOMERS**

- Digitalization
- Channels

**ENVIRONMENT**
“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.”