Atlas Copco Group

Gunnar Brock
Our businesses – core competencies

Mining and Construction

Compressors

Tools

Service

Atlas Copco Group

- Industrial Group
  - Close to 26,000 employees
- World Leading Supplier
  - Compressed air solutions
  - Construction & mining equipment
  - Hand-held power tools and assembly systems
  - Sales and service network in 150 countries
- Major player in U.S. Equipment Rental Services
### Atlas Copco Group

#### Sales, EBIT and Capital Employed by Business Area

- **Compressor Technique**
  - EBIT: 18.7%
  - ROCE: 68%
  - Capital Employed: 12%
- **Industrial Technique**
  - EBIT: 9.7%
  - ROCE: 15%
  - Capital Employed: 17%
- **Construction and Mining Technique**
  - EBIT: 7.7%
  - ROCE: 17%
  - Capital Employed: 17%
- **Atlas Copco Group, excl. Rental Service**
  - EBIT: 13.0%
  - ROCE: 31%
  - Capital Employed: 12%
- **Rental Service**
  - EBIT: 7.2%
  - ROCE: 4%
  - Capital Employed: 4%
- **Atlas Copco Group**
  - EBIT: 11.6%
  - ROCE: 15%
  - Capital Employed: 15%

*Group WACC, January 1, 2003*

#### Different genes

**Industrial Business**
- Development, production, sales, service
- Product driven
- Light in capital
- High share variable costs
- Global
- Medium speed
- Diversified customer base
- Relatively high entry barriers

**General Rental Business**
- Sourcing, renting, service
- Customer driven
- Heavy in capital
- High share fixed costs
- Local (North America)
- High speed
- Concentrated customer base
- Relatively low entry barriers
What Unites the Atlas Copco Group

- A shared vision and a common identity
- The corporate culture and the core values; interaction, commitment and innovation
- The sharing of brands, trademarks and channels to market
- The sharing of assets and infrastructure
- Common processes and shared best practices
- Using common services through internal and external service providers
- Financial and human resources, and their free mobility within the Group

The sum of running the parts together must be bigger than the sum of running the parts separately.
A shared vision and a common identity

Vision

FIRST IN MIND - FIRST IN CHOICE

To become and remain

A shared vision and a common identity

Lead in the Share of Mind

Shall be measured

A shared vision and a common identity

To be a leader

- Lead in the share of mind and share of choice of our customers
- Be seen as the innovator, setting the standards
- Exceed high expectations
- Focus on customer share
- High market share, #1 or #2, in every product, market/application and geographic segment where we compete
Atlas Copco Group Business Code of Practice

A shared vision and a common identity

- Summary of the Group’s policies related to business ethics and to social and environmental performance

Financial Targets

- Annual revenue growth of 8%
- Reach an operating margin of 15%
- Return on capital to exceed cost of capital... and to continuously challenge operational inefficiencies

Sharing of brand names and trademarks
Sharing of brand names and trademarks

- A matter of presence and penetration

- Multi-brand
  - Dynamic product, brand and channel development
    - Multi-brand
    - Multi-channel

Sharing of assets and infrastructure
Sharing of assets and infrastructure

- ASAP, Advanced Service and Administration Provider
- Distribution Centers
- Internal Bank
- In-house Insurance Company
- IT infrastructure

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Sharing of assets and infrastructure

**Internal Service Providers**

"What is not core for you is core for us"

- ASAP
  - Europe
  - North America
  - Asia

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Common processes and shared best practices
Common processes and shared best practices

**Organic Growth**

- Geographic expansion
- Product innovation
- Increase scope of supply
- New applications for existing products
- New products for existing applications
- Channel and brand development
- Use of products, aftermarket

**Acquired Growth**

- Geographic expansion
- Market share
- Close product / market gap
- Expand product range
- Increase scope of supply
- Acquire technology / know how
- Acquire channel to market
- Diversification based on existing knowledge and synergy potential
Common processes and shared best practices

Aftermarket - Use of Products

- High growth potential
- High profit potential
- Stable revenue stream
- Close to end users
- Optimized business processes
- Enhanced product development
- Satisfied customers

Clear organizational focus
Measurable performance

Common processes and shared best practices

- Only way of maintaining high margins
- If we lose our product advantage we will compete with our organization

Common processes and shared best practices

- The “small” continuous improvements will pay for the “quantum leaps”
- Lower costs, lower risks and faster to market
Common processes and shared best practices

- Business Area
- Division
- Product Company
- Customer Center
- Service Provider

Commitment
Interaction
Innovation

Our values

In the absence of rules and regulations our corporate culture/core values direct our behavior and decision making.
Common processes and shared best practices

- Trust and credibility

Common processes and shared best practices

Business conduct

- PRIDE
- PEOPLE
- PLANET
- PROFIT