Atlas Copco Group

Gunnar Brock
Atlas Copco Group

Annual Sales by Business Area

Today
MSEK 46,008

- Construction and Mining Technique: 18%
- Compressor Technique: 37%
- Industrial Technique: 22%
- Rental Service: 28%

Pro forma

- Construction and Mining Technique: 17%
- Compressor Technique: 25%
- Industrial Technique: 12%
- Rental Service: 26%

Capital Markets Day
September 21, 2004

Structure Change

- We have on an annual basis added more sales through organic growth and acquisitions than what will be divested through professional electric tools.
  - Organic growth LTM 8% ~ MSEK 3,600
  - Acquisitions LTM pro forma ~ MSEK 3,000
  - Divestment Electric Tools ~ MSEK -5,250
  - Net (excl. currency) ~ MSEK 1,350

Capital Markets Day
September 21, 2004

Structure Change

Capital Structure, Net Debt / Equity

- Milwaukee
- Prime Service
- Rental Service Corporation
- Acquisitions
- VR Golding Solutions
- Milwaukee Prime Service Rental Service Corporation Acquisitions VR Golding Solutions
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

A shared vision and a common identity

Vision

FIRST IN MIND - FIRST IN CHOICE

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
Why Should Atlas Copco Succeed in Growing 8%?

- Portfolio of businesses and products
- Underlying market growth
- Market position
- Strong platform for growth - “Our house is in order”
- Acquisition potential

Revenue growth

Target: 8% annually

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
Common processes and shared best practices

**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

**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

**Operating margin – EBIT margin**

- Target: 15%
  - Exploit market position
  - Grow share of aftermarket business
  - Improvement of underperforming businesses
  - Improved performance in Rental Service
Capital Markets Day
September 21, 2004
www.atlascopco-group.com

Capital employed turnover

- Target: continuous improvement
  - Rationalisation of manufacturing structure
  - Improved flow to reduce inventory
  - Lower receivables

ROI vs. WACC

- Market position
- Distribution strength
- Cost leadership
- Innovation rate / technology leadership
- After market force
- "House in order"
- Potential to acquire
Compressor Technique

- Global presence with own resources
- "Densification" of market coverage in all key areas.
- Strong focus on aftermarket growth
- Increasing weight of production outside Europe.
  - Better match of the sales and currency footprint
  - Factory extension in China

Compressor Technique

Innovation rate / technology leadership

- New products / services - examples
  - Series 7 portable compressors
    - Very favorable market acceptance
  - Completing range of ZH range oil-free centrifugal compressors
  - Plant air
  - New range ZR oil-free compressors
  - Quality Air Solutions products
  - Aftermarket products

Rental industry revenue growth

North America ($ Billions)

Source: BNP Capital Markets Day
1982-1990 CAGR 34%
1990-2000 CAGR 15%
1982-2003 CAGR 19%
2000-2003 CAGR -2%
Rental penetration rates

Construction fleet, %
Note: Penetration of the industrial fleet is estimated to 2%

United States = 10%
Australia = 40%
United Kingdom = 70%
Japan = 80%

Source: American Rental Association

Rental Service

Time utilization

Quarter Q1 Q2 Q3 Q4 TTM
00 50% 60% 70% 50% 60% 70%
01 50% 60% 70% 50% 60% 70%
02 50% 60% 70% 50% 60% 70%
03 50% 60% 70% 50% 60% 70%
04 50% 60% 70% 50% 60% 70%

Rental Service

Rental revenues - Volume development

Quarter 1H 2H 3H 4H TTM
00 -15% -10% -5% 0% 5% 10% 15% 20%
01 -15% -10% -5% 0% 5% 10% 15% 20%
02 -15% -10% -5% 0% 5% 10% 15% 20%
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Rental Service

Rental revenues - Price development

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EBIT-margin

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Focused growth strategy

- Sharpened sales strategy
- Improved fleet purchasing
- New customers and retention of existing ones
- Sales support
- Decentralized organization
- Improved flow
Rental Service

Strategy

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<th>Profit</th>
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<td>Niche markets - On-sites</td>
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<td>Prime Energy - Oilfree / temp control</td>
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<td>General contractor</td>
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Growth

Industrial Technique

Foundation for Growth

- Focused industrial tools business with global leadership position
- Innovation rate / technology leadership
- Aftermarket
- "House in order"
- Potential to acquire

Industrial Technique

Focused industrial tools business

- Two divisions, Atlas Copco Tools and Assembly Systems and Chicago Pneumatic
  - Turnover of approximately 5 BSEK
  - EBIT margin exceeding 15%
- Tools for industrial assembly operations
  - ~ 50% of turnover comes from the motor vehicle industry.
- Tools are powered either by compressed air or by electricity
Industrial Technique

Focused industrial tools business

- Atlas Copco is the global market leader
  - Technological leadership, volume dominance for electric type of assembly tools, ability to take on large projects for MVI industry and ability to offer its product range and service across the globe

Industrial Technique

Growth possibilities – short and long term

- Manufacturing industry is recovering, growing and investing
- Electric assembly tools is a high growth area
- Product development
  - Many new products launched recently
  - Technological development
- Aftermarket
  - Extend offer to motor vehicle industry
  - Increase service content
- Step up sales and marketing in Asia and Russia
- Acquisitions

Construction and Mining Technique

Foundation for Growth

- Leading market position globally following acquisitions with perfect fit
- Pro forma growth >40%
  - Volume, price ~12%
  - Acquisitions >30%
- Strong foundation for organic growth
- Integration of acquisitions and efficiency improvements
Atlas Copco Group

Summary

- Product and market leadership
- Innovation rate
- Operational capabilities
- Market growth

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 effected by other factors like for example, the effect of economic conditions, exchange-rate and interest-rate movements, political risks, impact of competing products and their pricing, product development, commercialization and technological difficulties, supply disturbances, and the major customer credit losses."