First in Mind—First in Choice™

Atlas Copco Group

Gunnar Brock, President and CEO

Capital Markets Day, November 30, 2005
Our businesses – core competencies

- Mining and Construction
- Compressors
- Service
- Tools

The Atlas Copco Organization

- Board of Directors
- President and CEO
- Executive Group Management
  and Corporate Functions

Compressor Technique
- Atlas Industrial Air
- Oil-free Air
- Portable Air
- Gas and Process

Construction and Mining Technique
- Underground Rock
  Excavation
- Surface Drilling
  Equipment
- Blast
  Drilling Solutions
- Secoroc
- Sandvik
  Construction Tools
- Cramo

Industrial Technique
- Atlas Copco Tools
  and Assembly Systems
- Chicago Pneumatic

Rental Service
- Rental Service
  Cooperation

Product Companies and Customer Centers

Rental Stores
What Unites the Atlas Copco Group

The sum of running the parts together must be bigger than the sum of running the parts separately

What Unites the Atlas Copco Group

To underline and reinforce

- 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 common leadership approach

Vision

First in Mind—First in Choice™
To be a leader

- First in Mind—First in Choice™
  - Lead in the share of mind and share of choice of our customers
- Be seen as the innovator, setting the standards
- Exceed high expectations
- Be #1 or #2, in every product market/application and geographic segment where we compete

**Atlas Copco Group**

**Annual Sales by Business Area**

<table>
<thead>
<tr>
<th>June 2004</th>
<th>September 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction and Mining Technique</td>
<td>18%</td>
</tr>
<tr>
<td>Industrial Technique</td>
<td>22%</td>
</tr>
<tr>
<td>Compressor Technique</td>
<td>22%</td>
</tr>
<tr>
<td>Rental Service</td>
<td>22%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>64%</strong></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>June 2004</th>
<th>September 2005</th>
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</thead>
<tbody>
<tr>
<td>Net invoiced sales</td>
<td>20%</td>
</tr>
<tr>
<td>EBIT</td>
<td>17%</td>
</tr>
<tr>
<td>Capital Employed</td>
<td>52%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>60%</strong></td>
</tr>
</tbody>
</table>

Note: Diagrams show sales, EBIT, and capital employed by business area for June 2004 and September 2005.
### Construction and Mining Technique

#### Growth

- **Change in revenue volume and price, %**
- **Structural changes, %**
- **CAGR, 10 years**
- **CAGR, 5 years**

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</tr>
</thead>
<tbody>
<tr>
<td>18%</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
</tr>
</tbody>
</table>

#### Leading market position globally following acquisitions with perfect fit

- Good balance geographically and organizationally, between divisions
- Order growth YTD >50%
  - Volume, price > 20%
  - Acquisitions ~ 30%
- Integration of acquisitions and efficiency improvements
- Strong foundation for growth

### Compressor Technique

#### Foundation for Growth

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

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

Revenue volume growth: Change in % same quarter previous year, %

Operating margins restated (IFRS) from 2004

Rental Service


Sales / Merchandise, MUSD
Used equipment, MUSD
Rental revenues, MUSD

Operating margin, %
Rental Service

Equipment availability – driving capital and cost efficiency

- Time utilization, TTM, %
- Non available fleet, TTM, %

Rental Service

What have we achieved?

- Leader in North American equipment rental industry. Achieved stability, profitability and growth
- Efficient rental operation – significant decrease in cost of rental
- Record utilization figures
- Rental volume and price increases above industry averages
- Record EBIT margins and ROCE

Financial Targets

Create Shareholder Value

- Return on revenue
- Capital turnover
- Total cost of capital (WACC)
- 8% Growth
- 15%
Growth

Atlas Copco Group

<table>
<thead>
<tr>
<th>Year</th>
<th>Change in revenue volume and price, %</th>
<th>Structural changes, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>9,5%</td>
<td>2%</td>
</tr>
<tr>
<td>1997</td>
<td>6,9%</td>
<td>0.5%</td>
</tr>
<tr>
<td>1998</td>
<td>-10%</td>
<td></td>
</tr>
<tr>
<td>1999</td>
<td>-5%</td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>2001</td>
<td>5%</td>
<td></td>
</tr>
<tr>
<td>2002</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td>15%</td>
<td></td>
</tr>
<tr>
<td>Q1-3</td>
<td>2005</td>
<td>20%</td>
</tr>
</tbody>
</table>

Why should Atlas Copco Succeed

— in growing 8% per year?

- Strong portfolio of businesses and products
- Commitment to product development
- Market position and brand value
- Dedication to aftermarket
- “Our house is in order” – stability and profitability. Processes in place.
- Acquisition potential
- Strong and competent leadership
- Continuous improvement

Clock Speed of Innovation

<table>
<thead>
<tr>
<th>Category</th>
<th>CT</th>
<th>CMT</th>
<th>IT</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt; 8 years</td>
<td>24%</td>
<td>37%</td>
<td>28%</td>
</tr>
<tr>
<td>6-8 years</td>
<td>44%</td>
<td>35%</td>
<td>31%</td>
</tr>
<tr>
<td>0-3 years</td>
<td>37%</td>
<td>32%</td>
<td>28%</td>
</tr>
</tbody>
</table>
- Extend and develop the core and build new businesses and create options that are close to home.

**Sales Potential – Extend and Defend Core**

- Segment Products
- Presence Distribution
- Penetration Customer share

<table>
<thead>
<tr>
<th>Sales potential</th>
<th>Max</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.75 x</td>
<td>1 x</td>
</tr>
<tr>
<td>0.5 x</td>
<td>1 x</td>
</tr>
<tr>
<td>0.4</td>
<td>1</td>
</tr>
</tbody>
</table>

Sales potential = 0.15

In China – Presence and Penetration:

- 7 manufacturing locations
- 102 Atlas Copco offices in 52 cities
- Over 200 distributors
**India – Presence and Penetration**

- 2 manufacturing locations
- 14 sales and service offices in 12 cities
- Engineering Center

**Russia – Presence and Penetration**

- 28 offices in Russia
- Mongolia
- Kazakhstan

**USA**

- Growth Jan. – Sep., 2005 vs. 2004
  - Orders received in local currency, excl. discontinued operations
    - Group +23%
    - Compressor Technique +33%
    - Construction and Mining Technique +194%
    - Industrial Technique +19%
    - Rental Service +7%
Aftermarket

Accessories, consumables, spare parts, service and maintenance and training

- High growth potential
- High profit potential
- Stable revenue stream
- Optimized business processes
- Enhanced product development
- Closer relationships with end-users
- Satisfied customers

Extend and develop the core and build new businesses and create options that are close to home.

Economic Distance from the Core

- is measured on five dimensions

<table>
<thead>
<tr>
<th></th>
<th>Shared customers</th>
<th>Shared costs</th>
<th>Shared channels</th>
<th>Shared competitors</th>
<th>Shared capabilities/technology</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core</td>
<td>☀</td>
<td>☀</td>
<td>☀</td>
<td>☀</td>
<td>☀</td>
</tr>
<tr>
<td>1 step away from home</td>
<td>☀</td>
<td>☀</td>
<td>☀</td>
<td>☀</td>
<td>☀</td>
</tr>
<tr>
<td>2 steps away from home</td>
<td>☀</td>
<td>☀</td>
<td>☀</td>
<td>☀</td>
<td>☀</td>
</tr>
<tr>
<td>Diversification</td>
<td>☀</td>
<td>☀</td>
<td>☀</td>
<td>☀</td>
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</tr>
</tbody>
</table>

Source: Bain & Company

Full Share
Partial Share
No Share
Growth

**Screening of alternatives**

- **Attractiveness**
  - Size
  - Growth
  - Profits

- **Value added logic**
  - Customer market
  - Distribution channels / network
  - Operational capabilities
  - Technologies

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**Acquisitions**

- 8 acquisitions in 2004
  - Annual sales BSEK 2.9
  - 6% of sales
- 15 acquisitions YTD in 2005
  - Annual sales BSEK 1.3
  - 3% of sales

Includes all announced acquisitions (one pending final approval) and five small acquisitions not announced. Some of the acquisitions are distributors where some of the annual sales have been Atlas Copco products.

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**Why should Atlas Copco Reach and Maintain**

- **an operating margin of 15%?**

- Commitment to product development
- Exploit market position
- #1 or #2 where we compete
- Grow share of aftermarket business
- Pricing power and pricing skills
- Productivity in supply and execution.
  - Efficient flow.
- Continuous improvement
Operating margin – EBIT margin

Atlas Copco Group

- 1995
- 1996
- 1997
- 1998
- 1999
- 2000
- 2001
- 2002
- 2003
- 2004
- Sept 2005

17.0%
15.4%

The Trade Off

- Growth
- Profitability / Operating margins
- Profits

Why should Atlas Copco Improve

- the Return on Capital Employed, ROCE?

- Standardization
- Efficient flow
- Optimum capacity/asset utilization
- More variable, less fixed, costs
- Continuous improvement of capital turnover
- ... and a high operating margin
Summary

Atlas Copco is well positioned to deliver on its financial targets

Create Shareholder Value

Return on Investment

Total cost of capital (WACC)

Growth

Return on revenue

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.”