Industrial Technique

Fredrik Möller, Business Area President

Capital Markets Day, November 30, 2005
Contents

- Industrial Technique in brief
- Industrial power tool market
- Performance – Industrial Technique
- Mission and strategy – Industrial Technique

Industrial Technique

Industrial Power Tools and Assembly Systems

Market position, sales and operating profit margin

- World leading supplier of industrial power tools and assembly systems for industrial manufacturing

Restated for IFRS from 2004, excluding discontinued operations.
Industrial Technique
– excluding Professional Electric Tool Divisions

Vision
– to be the market leader, locally as well as globally

First in Mind—First in Choice™

- Perform majority of aftermarket service for OUR tools

Industrial Technique

- 1 business
- 2 divisions
  - Atlas Copco Tools and Assembly Systems
  - Chicago Pneumatic
Industrial Power Tool Market

Market - Customers

- Estimated Market size > BUSD 2

- Main customer segments - Motor Vehicle Industry

- Motor Vehicle Industry
- General Industry
- Industrial Technique
Industrial Power Tool Market

Market - Customers

- Main customer segments - General Industry

- Tools part of Life Cycle Cost in hand held application
- Market not price sensitive if recognized unique selling points are provided
  - Lowest total cost of operation

- Tools part of Life Cycle Cost in automated station
- Price more important
  - Recognized unique selling points awarded

Ergonomics
Quality
Time Reduction

Lead Time
Quality
On Time
Industrial Power Tool Market

Market trends

- More sophisticated tools and systems
  - Traceability and error proofing for critical and quality
    critical joints
  - Solve quality issues prior to start of production
- More power tools with electric motors, partly replacing pneumatic tools
  - 100% electric plant
- Productivity and ergonomics
  - Flexible production
  - Information to operator
- Focus on total cost – reduction of customer product cost

Industrial Power Tool Market

Main product segments

<table>
<thead>
<tr>
<th>Price/Unit</th>
<th>Price/Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pneumatic assembly tools</td>
<td>10 KSEK</td>
</tr>
<tr>
<td>Pneumatic material removal tools</td>
<td>7 KSEK</td>
</tr>
<tr>
<td>Electric assembly tools</td>
<td>100 KSEK</td>
</tr>
<tr>
<td>Fixtured nutrunners</td>
<td>100 KSEK</td>
</tr>
<tr>
<td>Aftermarket</td>
<td></td>
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</tbody>
</table>
Industrial Power Tool Market

- Initial purchase – new assembly lines
  - Customers’ Product life cycle time
  - Investment decision – new products / platforms, changes in assembly set up
- Annual purchase (daily sales) – replacement and non-assembly tools
  - Customers’ production and profitability
  - Option to purchase is repair and maintenance
- Estimated world market for industrial tools had significant declines in the years 1990 to 1991 and 2001 to 2002

Positive trend
Sensitive to business cycle

Automotive Aftermarket – Vehicle Service

- Low gross profit market, but strategically important to be present
- A couple of million tools every year – one day similar quality standards as in the plants

Core Markets
- Service, car
- Service, truck
- Tire shop
- Body shop
- Specialty shop

Estimated market position

Estimated Market size >BUSD 2
Quality integrated fastening

If you include everything a customer needs in a fastening station – the market is much bigger

Industrial Power Tool Market 2004

Competitors

- Cooper
- Ingersoll-Rand
- Ury
- Stanley
- Bosch
- + many regional / niche competitors

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Growth

Change in revenue volume and price, % — Structural changes, % — CAGR, 2001-Q3 2005

2001 2002 2003 2004 Q1-3 2005

Industrial Technique

Sales, operating profit margin, capital employed and ROCE

Sales, operating profit margin, capital employed and ROCE

Industrial Technique

Q3

- Favorable sales growth in Asia and North America
- Focus on sales and product development
  - Investment in sales engineers and training activities
  - New tools and aftermarket products
- Agreement to acquire Fuji Air Tools
- Record revenues and operating profit
  - Operating margin above 20%
Orders received - Local currency

Industrial Technique +16% YTD, +14% last 3 months

<table>
<thead>
<tr>
<th>A</th>
<th>B</th>
<th>C</th>
</tr>
</thead>
<tbody>
<tr>
<td>+16%</td>
<td>++</td>
<td>++</td>
</tr>
<tr>
<td>+14%</td>
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<td>+12%</td>
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<td>+3%</td>
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<tr>
<td>+2%</td>
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</tbody>
</table>

A= Portion of IT sales last 12 months, %
B= Year-to-date vs prev. year
C= Last 3 months vs prev. year

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Why has Profit Improved?

- Focus on sales
- Successful introduction of new products
- Improved performance of sales force
- Control functional cost
- Product cost reduction

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Focus on Sales

Breakthrough Orders to Toyota

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Why has Profit Improved?

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Successful Introduction of New Products

Introduced 2003-2004

Tensor ST - Build more cars at lower cost

- New Tool Range
  - Productivity
    - Significantly faster or faster with lower weight - You decide!
  - Communication
    - Bar code scanner, speaker etc.
  - Error proofing / zero fault production

- 16-55 Nm tool
  - Atlas Copco
    - ETV ST8-50 1099 rpm / 1.7 kg
    - ETV ST6-50 655 rpm / 1.5 kg
    - ETV ST7-50 545 rpm / 1.8 kg
  - Stanley 570 rpm / 2.2 kg
  - Cooper 485 rpm / 2.3 kg

Successful Introduction of New Products

Introduced 2003-2004

Fixtured Nutrunner "Multiples by Express"

- Complete system – standard components
  - Improved profitability
- Simplicity
  - All sales engineers should be able to quote systems
  - No project work included
  - Quote within 24h from request
  - All technical specifications automatically generated
  - Leadtime 2-4 weeks for complete system

- Try&Buy

New Products - CP
Improved Performance of Sales Force

- Detailed follow up of activities and results
- Training
- Focused sales on key products and aftermarket
- More sales people

People

- Gap analysis as a part of Business review process
  - Gap analysis and development plan by Customer Center
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Industrial Technique

Mission

- Profitable growth
  - Significantly increase sales
  - Significantly increase profit
  ...but not necessarily profit margin
- Make the business area operating profit less sensitive to business cycle

Strategy

- Give the customer the lowest total cost of operation
- Unique selling points – premium price
- Product driven but market oriented strategy
Growth Strategy

- Add sales people
- Increase sales of electric power tools in general industry
- Productivity and quality partner
- New product development
- Service and aftermarket
- Acquisitions

Growth Strategy

Add sales people

- Improved customer service
  - Customer share
- Territory management

Growth Strategy

Increase sales of electric power tools in general industry

- Trend to improve efficiency and productivity
Growth Strategy

A productivity and quality partner during our customers’ product life cycle in the Motor Vehicle Industry

<table>
<thead>
<tr>
<th>Our Customers’ 5 phases</th>
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<tbody>
<tr>
<td>Design and Engineering</td>
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<tr>
<td>Advanced Fastening Technology</td>
</tr>
<tr>
<td>Manufacturing and Assembly</td>
</tr>
<tr>
<td>Quality Assurance</td>
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<tr>
<td>Logistics</td>
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</tbody>
</table>

5% of sales invested in product development

Half the volume should come from products three years old or younger

Advanced Fastening Technology

- Tool cart for prototype build
- Joint analysis

A productivity and quality partner during our customers’ product life cycle in the Motor Vehicle Industry
Growth Strategy

New Offer Development

- Vision
  - We should develop superior new offers
  - We should always try to sell standard
- Being first is key. It will give a strategic competitive advantage

Service and Aftermarket

- Service agreements
  - Gold, silver, bronze
- Calibration of tools and torque analysis

Acquisitions

- Additional growth from acquisitions
  - the potential is good
- Value added logic
- Business attractiveness
- Make our business less sensitive to business cycle
**Growth Strategy**

*Acquisitions – Screening of Alternatives*

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

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

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**Fuji Air Tools**

*Acquisition*

- Japanese air tool manufacturer
  - Good market position
  - Channel to market
- Products
  - Broad range of air tools
  - Range of special products

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**Industrial Technique**

*Summary*

- Focused industrial tools business with global leadership position
- Profitable growth strategy by building on technological leadership and offering of products and aftermarket services that improve customers’ productivity
- Focus on innovation
- Potential to acquire