Compressor Technique

Capital Markets Day 2006
Ronnie Leten, Business Area President
Compressor Technique in brief

Compressed Air Market

Performance – Compressor Technique

Strategy – Compressor Technique

Contents

Compressor Technique

Market Position

- World leader in compressed air products and solutions
  - Global coverage with own resources in sales and aftermarket support
  - Focus on dedicated customer segments
  - Technology and cost leadership
    - Focused R&D investments
    - High volumes and focus on core activities
- Continuous introduction of new and innovative products and services
- Growth by strong market penetration and presence
- Advanced global logistics
Sales and Operating Profit

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenues, MSEK</th>
<th>Operating margin, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>01</td>
<td>15</td>
<td>10.6</td>
</tr>
<tr>
<td>02</td>
<td>16.5</td>
<td>10.7</td>
</tr>
<tr>
<td>03</td>
<td>18.5</td>
<td>12.7</td>
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<tr>
<td>04</td>
<td>18.8</td>
<td>12.5</td>
</tr>
<tr>
<td>05</td>
<td>19.2</td>
<td>13.7</td>
</tr>
<tr>
<td>06</td>
<td>20</td>
<td>15</td>
</tr>
</tbody>
</table>

Our Businesses

- **Share of Revenues**
  - Compressed Air Equipment: 59%
  - Solutions: 28%
  - Aftermarket: 28%
  - Gas Compressors: 6%
Our Businesses

<table>
<thead>
<tr>
<th>Generators</th>
<th>7%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Speciality Rental (excl. Prime)</td>
<td></td>
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Our Vision

First in Mind—First in Choice™

by offering customers best value

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- Compressor Technique in brief
- Compressed Air Market
- Performance – Compressor Technique
- Strategy – Compressor Technique
The Compressed Air Market
Equipment and Aftermarket

TOTAL: ~ BSEK 75

Trends in the Compressor Market
TOTAL SOLUTION PROVIDER

LIFE CYCLE COST

FOCUS ON ENERGY SAVING

Life Cycle Cost

Maintenance & Installation 10%
Compressor 20%
Energy 70%

Savings Potential
Durability / Uptime
Solutions
Global Support
Market Electricity Prices
2004 versus 2006

24 GWh per year (EUR per kWh)
without taxes

EU
(25 countries)
EU
(15 countries)
Belgium
czech Republic
Germany
Spain
Italy
Poland
Finland
Sweden
UK
Norway

Technology Trends
Air Compressors

Competitors
Ingersoll-Rand, USA
Kaeser, Germany
Hitachi, Japan
Gardner-Denver, USA
CompAir, UK
Sullair, USA
Parker Hannifin, USA

+ many regional / local, niche competitors
Orders Received, Geographical Distribution
Total YTD +29% September 2006, +28% last 3 months

Quarterly Volume Growth and Operating Margin

Orders per Customer Segment

Building & Construction: 15%
Mining: 4%
Automotive: 3%
Manufacturing: 34%
Other: 9%
Commercial & Public Services and Utilities: 8%
Process – Chemical, Food, Textile, Paper, etc.: 27%

Q3 Highlights

- Strong order growth in all markets and all major product segments
  - Significant order growth in gas and process compressors
  - Higher growth in Western Europe
  - Steady positive development of aftermarket
- Operating profit up 31%, positive effect from volume and price
- New manufacturing plant for screw compressor elements in China
- New acquisition: Bolaite (China)

Compressor Technique in brief

Compressed Air Market
Performance – Compressor Technique
Strategy – Compressor Technique
**Strategy**

- Capitalize on strong market presence
  - Develop new businesses
  - Aftermarket
- Focused markets
- Focused segments
- Multi-branding
- Global logistics and manufacturing strategy
- Innovative product development
- Acquisitions

**Our Business**

- Air Compressors
- Compressed Air Treatment
- Portable Generators
- Aftermarket
- Specialty Rental

**Develop New Businesses**

- Low pressure
- Airnet
- Nitrogen
The Driving Principles for Profitable Growth in the Aftermarket

Climbing the Customer Value Ladder

Focused Segments

- Trains
- CNG
- Marine
Focused Market: China

- Plants
  - Atlas Copco
  - Liutech
  - Pneumatech
  - Bolaite

- Sales / service outlets
  - Atlas Copco
  - Liutech
  - Pneumatech
  - Bolaite

- Service Center (logistics)
- New investments (Bolaite factory)
- Global sourcing

Liutech New Factory Inaugurated May 19, 2006

Wuxitech Inauguration on Sep 28, 2006
Focused Market: India

- Strong growth
- Global sourcing
- New sales and service outlets
- Engineering hub
- Concentrating production in Pune
- Started production of CNG

Focused Market: India

- Pune - PC, CC & GECIA
- Regional offices
- Area offices
- Resident - sales & aftermarket
- Resident - aftermarket only
- Nasik - PC

Focused Market: India
Multi-branding

- Differentiated offer / position
- Dedicated channels
- Better territory coverage
- Business alignment
- Synergies

Manufacturing and Service Centers

- Global manufacturing strategy
- Global design platform strategy
- Global sourcing
- Regional Manufacturing Plants
- Regional Logistics Centers

Product Development

- Understanding customer applications
- Focus on energy efficiency
- Oil-free Air solutions
- Extending the offer
Large Air Compressor / Range extension

- Markets
  - Air Separation
  - PTA (Purified Terephthalic Acid)

Efficiency in Processes

- SAP
- Manufacturing platform rationalization in Europe
- Global sourcing
- Regional Logistics Centers in India, China, USA and Brazil
Conclusions

- Continuous growth
- Strong product development portfolio
- Focus on customer application
- Expansion in key growth areas
- Integration new acquisitions
- Investment in core component manufacturing
- Material price levels
- Currency developments

We are committed to your superior productivity through interaction and innovation.