The strategic pillars for profitable growth

Capital Markets Day, November 20, 2013
Ronnie Leten, President and CEO

Agenda

1. Business overview
2. Goals for sustainable profitable development
3. Global trends
4. The strategic pillars for profitable growth
5. Summary
# Atlas Copco

Established in 1873 in Stockholm, Sweden, Atlas Copco is a leading provider of sustainable, efficient, and safe industrial solutions. The company operates in four key business areas: Compressor Technique, Industrial Technique, Mining and Rock Excavation Technique, and Construction Technique. With a strong global presence, Atlas Copco serves customers in more than 170 countries.

**Key Figures:**
- **Employees:** 40,116
- **Annual Revenues:** MSEK 85,370 (BEUR 9.9)
- **Operating Margin:** 20.6%
- **Market Capitalization:** MSEK 224,233
- **Largest Shareholder:** Investor (16.8% of capital)

## Symbols and Tickers

<table>
<thead>
<tr>
<th>Market</th>
<th>Symbol</th>
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<tbody>
<tr>
<td>NASDAQ OMX</td>
<td>ATCO.A</td>
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<td>ISIN code</td>
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<td>Reuters</td>
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<td>Bloomberg</td>
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<td>ADR (USA)</td>
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## Business overview

Atlas Copco is dedicated to delivering high-quality and reliable solutions to meet the needs of its customers. With a focus on sustainability and innovation, the company continues to expand its global footprint and diversify its product offerings. Through strategic partnerships and investments, Atlas Copco aims to remain a leader in its industry, driving growth and profitability for its shareholders.
Atlas Copco

- A world leading provider of industrial productivity solutions
- Agile and resilient operations
- Strong global service business
- Consistent strategy
- Strong value creation track record

Diversified businesses

Orders received by customer category:
- Services: 8%
- Construction: 23%
- Mining: 26%
- Process: 7%
- Manufacturing: 27%

Revenues by business type:
- Service: 42%
- Equipment: 58%

Revenues by geographic area:
- North America: 20%
- South America: 10%
- Asia/Australia: 28%
- Africa/Middle East: 11%
- Europe: 31%
Product driven, customer-focused structure

Board of Directors
President and CEO
Group Management and corporate functions

Compressor Technique
- Compressor Technique Service
- Industrial Air
- Oil-free Air
- Vacuum Solutions
- Gas and Process
- Quality Air
- Specialty Rental

Industrial Technique
- MVI Tools and Assembly Systems
- General Industry Tools and Assembly Systems
- Chicago Pneumatic Tools

Mining and Rock Excavation Technique
- Mining and Rock Excavation Service
- Underground Rock Excavation
- Surface Drilling
- Drilling Solutions
- Geotechnical Drilling and Exploration
- Rock Drilling Tools
- Rocktec

Construction Technique
- Construction Technique Service
- Portable Energy
- Road Construction Equipment
- Construction Tools

Common service providers

How we do business

- Leverage the competence of our partners
- ~75% of product cost is purchased material
- Sales and service
- Manufacturing
- Design and development
- Own the relationship with the customer
- ~80% direct sales

Atlas Copco
Continuing operations, excl. divested operations in rental service and professional electric tools. 12 month figures. CAGR calculated 10 years until 2012

**Financial performance**

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**Q3 in brief**

- Lower order intake for mining equipment
- Improved demand from manufacturing and construction
  - Strong growth for industrial tools and assembly systems
  - Growth for construction equipment
  - Stable orders for small- and medium-sized compressors
  - Low order intake for large compressors
- The service business continued to develop well
- Healthy profitability
- Actions to adjust capacity to the lower mining equipment demand
- Strategic acquisitions
  - Expanding into process vacuum solutions – acquisition of Edwards
  - Dost Kompresör, Pneumatic Holdings, Synatec and Archer
  - Underbalanced Services
Goals

for sustainable profitable development

Create sustainable productivity
Where everyone wins

- Customers increase their competitiveness; more productive, safer and lower energy costs
- More efficient use of energy results in a cleaner environment
- Sustainable, profitable development for Atlas Copco
Goals for sustainable, profitable development

Products, services and solutions
First in Mind—First in Choice for customers and prospects for all brands.
Increase customer loyalty.
Increase customer energy efficiency by 20% by 2020.
Offer safe and reliable products and services.

Operations
First in Mind—First in Choice employee for today’s and future employees.
Competence development to achieve good results and yearly coaching/appraisals to all employees.
Increase diversity in both gender and nationality.
Safe and healthy working environment for all employees. Zero work-related accidents. Sick leave below 2.5%.

No corruption or bribes.
Work with business partners committed to high ethical, environmental and social standards.
Develop new products and services with a life-cycle perspective.
Construct Atlas Copco buildings according to sustainable building standards.

Decrease CO₂ emissions from operations by 20% in relation to cost of sales by 2020.
Decrease CO₂ emissions from transport of goods by 20% in relation to cost of sales by 2020.
Keep water consumption at current level.
Reuse or recycle waste.

Financials
Annual revenue growth of 8% over a business cycle.
Sustained high return on capital employed.
All acquired businesses to contribute to economic value added.
Annual dividend distribution about 50% of earnings per share.

Base year 2010
An industry benchmark

Global trends
Capitalize on major trends

- Global growth
- Continued strong demand for minerals
- Investments in infrastructure
- Energy efficiency and productivity requirements from the industry

Primary drivers of revenues

<table>
<thead>
<tr>
<th>Industry</th>
<th>Equipment</th>
<th>Service</th>
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<tbody>
<tr>
<td></td>
<td>Industrial machinery investment</td>
<td>Industrial production</td>
</tr>
<tr>
<td>Construction</td>
<td>Investments in infrastructure</td>
<td>Construction activity</td>
</tr>
<tr>
<td>Mining</td>
<td>Mining machinery investments</td>
<td>Metal and ore production</td>
</tr>
</tbody>
</table>
The strategic pillars for profitable growth

- Increased presence
- Professional service
- Innovation
- Operational excellence
- Organization and people
Increase presence in fast growing economies ...and strengthen in mature markets

Direct presence
Develop local competence
Create high brand awareness

Revenue split 2008 versus today

The shift

Share of revenues 2008
Share of revenues 12 months until September 2013

Average exchange rates

<table>
<thead>
<tr>
<th>Currency</th>
<th>2008</th>
<th>2013</th>
<th>∆</th>
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<tbody>
<tr>
<td>USD</td>
<td>6.60</td>
<td>6.55</td>
<td>-1%</td>
</tr>
<tr>
<td>EUR</td>
<td>9.67</td>
<td>8.60</td>
<td>-10%</td>
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MSEK
Strategy for growth in service
Increasing penetration

Why drive for service?
- High growth potential
- High profit potential
- Stable revenue stream
- Closer relationship to customers
Focus on service and consumables
2 years

- Compressor Technique: +10%
- Construction Technique: +2%
- Industrial Technique: +24%
- Mining and Rock Excavation Tech: +14%

Revenues January – September, MSEK

Why drive for innovation?

- Create sustainable customer productivity
- Reduces life cycle cost
  - Drives energy efficiency
  - Increase safety
- Drives organic growth
- Supports/drives profitability
  - Pricing power
  - Cost savings

Research and development expenses, including capitalized expenditures
Total as % of revenues
Innovation

Acquisitions

- Increased presence
- Extended offering
  - Equipment
  - Service
- Technology / expertise

- 10 acquisitions finalized this year
- BSEK 1.2 in annual revenues
Atlas Copco to acquire Edwards
Agreement announced on August 19, 2013

Acquisition rationale

- Vacuum is an attractive market segment that fits well with Atlas Copco’s growth strategy (to grow in current and adjacent businesses)

Edwards Group Ltd.

- A leading developer and manufacturer of vacuum products, abatement systems and related services
- Revenues of MGBP 595 (approx. MSEK 6 400) in 2012

The transaction

- Atlas Copco will pay up to USD 10.50 per share, corresponding to an enterprise value of BSEK 10.6 (BUSD 1.6), whereof BSEK 2.8 (BUSD 0.4) is assumed net debt.

2012 average exchange rate SEK / GBP = 10.70

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Operational excellence
Activity based working

- Alone → Together
- From 8 to 5 → AnyTime
- Office → AnyWhere
- PC Laptop → AnyDevice
- Between us → with AnyOne
- Closed and restricted → Open but protected

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Operational excellence

India and China

Ability to create lasting results

- Leadership model
- Diversity
- Time to competence
Summary

- A world leading provider of industrial productivity solutions
- Agile and resilient operations
- Strong global service business
- Consistent strategy
- Strong value creation track record

- Fit for more

Committed to sustainable productivity.
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 and adversely affected by other factors such as the effect of economic conditions, exchange-rate and interest-rate movements, political risks, the impact of competing products and their pricing, product development, commercialization and technological difficulties, supply disturbances, and major customer credit losses.”