Compressor Technique

Capital Markets Day, November 20, 2013
Stephan Kuhn, Business Area President

Agenda

1. Market overview
2. Business overview
3. The strategic pillars for profitable growth
4. Summary
Market overview

Segments and demand drivers

Global presence in a wide variety of industries
Demands drivers

- Global growth
- Industry capex
- Energy efficiency and productivity
- Life cycle cost
- Total solutions
- Increased demand for services

Needs & value propositions

Mature markets

- Globalization
- Specialization
- Service
- Increased environmental awareness
- Energy savings
- Reduce CO₂ emissions
- Value
- Lower total cost of ownership
- Peace of mind
- Uptime
- Service availability

Emerging markets

- Right product at right price
- Availability of product
- Total solutions provider
- Fit for purpose solutions
Business overview

Compressor Technique

Pie chart: Revenues 12 months until September 2013, Graph: 12 months figures

North America 20%
Europe 33%
Africa/Middle East 7%
Asia/Australia 33%
South America 9%

Orders received, MSEK
Revenues, MSEK
Operating margin, %

Graph: 12 months figures

Orders received, MSEK
Revenues, MSEK
Operating margin, %
Compressor Technique

Q3

- 4% organic order decline
  - Stable order intake for small- and medium-sized compressors
  - Lower order intake for large machines
  - Service continued to grow

- Operating margin at 23.6% (24.0)

- Acquisitions
  - Expanding into process vacuum solutions – Acquisition of Edwards
  - Dost Kompresör

Revenue split 2008 versus today

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>Δ</th>
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<tbody>
<tr>
<td>USD</td>
<td>6.60</td>
<td>6.55</td>
<td>-1%</td>
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<tr>
<td>EUR</td>
<td>9.67</td>
<td>8.60</td>
<td>-10%</td>
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Organic* revenue growth: Change vs. same period previous year, %

Operating margin, %
The strategic pillars for profitable growth

- Increased presence
- Professional service
- Innovation
- Operational excellence
- Organization and people
Professional service

Customer:
- Peace of mind
- Total cost of ownership
- Energy management

Atlas Copco:
- Uptime of equipment
- Predictable income streams and resource utilization (capacity, competence, efficiency)
- Coverage of all products

Enhance the service offering

- Grow faster than equipment
- Organic growth YTD 2013 = 6%

12 month figures - Service revenues, excluding rental revenues
Service, share of revenues, %

Equipment revenues, MSEK
Service revenues, MSEK
Service, share of revenues, %
A complete lifecycle offering

- Genuine parts
- Customer support plans
- Air optimization
- Monitoring & control

Strategy for growth
Increasing penetration

- Climbing The Service Ladder
- Population Management
- 1 to 1 ratio
- 100% Customer Share
Fleet management
Traffic light concept

- No service during the last 12 months
- Fixed price or chargeable service during the last 12 months
- Equipment under contract

Climbing the service ladder
SMARTLink monitoring services
**Innovation**

CUSTOMER NEEDS  CUSTOMER VALUE

Evaluation of needs

Superior Technology

Choice of compressor

Energy efficiency and heat recovery

Peace of mind service and rental solutions

Optimization of air supply

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**Innovation: GA VSD+**

- Oil-injected rotary screw compressor with variable speed drive
- 50% more energy efficient than a standard compressor
- 15% more energy efficient compared to previous Atlas Copco VSD compressor
Innovation: ZH Mark II

- Oil-free centrifugal compressors for large volumes of compressed air
- 7% higher energy efficiency at full load

The yearly energy gain of 7% for one ZH Mark II compressor equals:
- 320,000 kWh
- 77,000 USD cost savings
- Electricity consumption of 90 households

Innovation: Medical manifold

For distribution of gaseous pharmaceuticals
Acquisitions

- 19 acquisitions in the past 5 years
  - Turnover of more than MSEK 2 000
  - Has contributed to about 2% annual revenue growth
- More to come…

Atlas Copco to acquire Edwards

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 offers technically advanced solutions, products and services that are critical to the customers’ operations
- Edwards serves industries that are well-known to Atlas Copco
Vacuum – a growing market

**Increasing vacuum intensity**

- **Miniaturization**
  - Moore’s law
  - Next generation technologies

- **450 mm transition**
  - Increasing complexity
  - Consolidation

- **New processes**
  - EUV lithography
  - Advanced packaging

- **Steel degassing**
  - New processes
  - Stronger steels

- **Vacuum Solutions**
  - Electric-hybrid vehicle applications

- **Device proliferation**
  - Mobility and connectivity
  - Electronics as necessity

- **LED**
  - LED and general illumination driving growth

- **Wet-to-dry transition**
  - Increasing sophistication
  - Lower power requirements

- **Solar**
  - “Green” technology
  - Multiple technical solutions

- **OLED**
  - Significant investment
  - Hyper growth market

**Summary**

- Extend the offer, organically and by acquisitions
- Compressor Technique will continue to grow
- The organization is strong and “fit for more”
- Improve presence
- Continue to innovate
- Further development of the service offer
Committed to sustainable productivity.