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
- Total solutions provider
  - Globalization
  - Specialization
  - Service

Emerging markets
- Fit for purpose solutions
  - Right product at right price
  - Availability of product

- Increased environmental awareness
- Energy savings
- Reduce CO₂ emissions

- Reduce life cycle cost
  - Value
  - Lower total cost of ownership

- Peace of mind
  - Uptime
  - Service availability

Peace of mind
- Total solutions provider
- Fit for purpose solutions
- Increased environmental awareness
- Reduce life cycle cost
- Peace of mind
- Uptime
- Service availability
Business overview

Compressor Technique

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

North America
Europe 20%
North America
Asia/Australia 33%
Africa/Middle East 7%
South America 9%
America
Orders received, MSEK
Revenue, MSEK
Operating margin, %

Graph: 12 months figures

North America
Europe
Asia/Australia
Africa/Middle East
South America

Orders received, MSEK
Revenue, MSEK
Operating margin, %
Revenue split 2008 versus today

**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 Kompressör

**Average exchange rates**

<table>
<thead>
<tr>
<th>Currency</th>
<th>2008</th>
<th>2013</th>
<th>△</th>
</tr>
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<tbody>
<tr>
<td>USD</td>
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**Share of revenues 2008**

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

**Revenue split 2008 versus today**

**Compressor Technique**

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**Share of revenues 2008**

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

YTD 12 month period matching previous year data
A complete lifecycle offering

Genuine parts  
Customer support plans  
Air optimization  
Monitoring & control

Strategy for growth
Increasing penetration
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

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

Lithium ion batteries
- 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

Vacuum Solutions

New vacuum applications

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.