ATLAS COPCO GROUP

Ronnie Leten, President and CEO
Hans Ola Meyer, CFO
ATLAS COPCO

- **A world leading** provider of sustainable productivity solutions
- **Consistent strategy**
- **Agile** and **resilient** operations
- Strong global **service** business
- Strong **cash generation** and **value creation**
AGENDA

1. Business development
2. Global trends
3. Strategy and priorities
4. Agility and resilience
5. Summary
BUSINESS DEVELOPMENT
Q3 IN BRIEF

- Mixed demand development
  - Growth in service
  - Low order volumes for equipment
    - Stable industrial business
    - Weak mining and oil & gas

- Order growth in Europe – declines in China, Brazil and the Middle East

- Record profit and strong operating cash flow

NEAR-TERM OUTLOOK

- The overall demand for the Group is expected to remain at current level.
ORDERS RECEIVED - LOCAL CURRENCY

Atlas Copco Group

September 2015

A Share of orders received, year-to-date, %
B Year-to-date vs. previous year, %
C Last 3 months vs. previous year, %
## GROUP TOTAL

<table>
<thead>
<tr>
<th></th>
<th>July - September</th>
<th>January - September</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015</td>
<td>2014</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>2015</td>
</tr>
<tr>
<td>Orders received</td>
<td>24 149</td>
<td>23 395</td>
</tr>
<tr>
<td>Revenues</td>
<td>25 723</td>
<td>23 590</td>
</tr>
<tr>
<td>Operating profit</td>
<td>5 313</td>
<td>4 145</td>
</tr>
<tr>
<td>– as a percentage of revenues</td>
<td>20.7</td>
<td>17.6</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>5 042</td>
<td>3 879</td>
</tr>
<tr>
<td>– as a percentage of revenues</td>
<td>19.6</td>
<td>16.4</td>
</tr>
<tr>
<td>Profit for the period</td>
<td>3 806</td>
<td>2 878</td>
</tr>
<tr>
<td>Basic earnings per share, SEK</td>
<td>3.12</td>
<td>2.37</td>
</tr>
<tr>
<td>Return on capital employed, %</td>
<td>27</td>
<td>25</td>
</tr>
<tr>
<td>Operating cash flow</td>
<td>4 621</td>
<td>4 075</td>
</tr>
</tbody>
</table>

- **July - September**
- **January - September**

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Group Presentation
ORDERS RECEIVED BY CUSTOMER CATEGORY

2010
MSEK 75 178

- Manufacturing 36%
- Construction 24%
- Process industry 11%
- Mining 28%
- Other 12%

September 2015
MSEK 100 769

- Manufacturing 39%
- Construction 19%
- Process industry 14%
- Mining 20%
- Other 13%

12 month figures.
REVENUES BY BUSINESS AREA

2010
MSEK 69 875

- Compressor Technique 43%
- Industrial Technique 9%
- Mining and Rock Excavation Technique 32%
- Construction Technique 16%

September 2015
MSEK 101 939

- Compressor Technique 45%
- Construction Technique 15%
- Mining and Rock Excavation Technique 26%
- Industrial Technique 14%

12 month figures.
OPERATING PROFIT BY BUSINESS AREA

2010
MSEK 13 915

- Construction Technique: 8%
- Industrial Technique: 9%
- Mining and Rock Excavation Technique: 34%
- Compressor Technique: 49%

September 2015
MSEK 19 675

- Construction Technique: 9%
- Mining and Rock Excavation Technique: 25%
- Industrial Technique: 16%
- Compressor Technique: 50%

12 month figures.
ORGANIC GROWTH

Revenues

Growth % - Total
Growth % - Total organic

Growth % - Equipment organic
Growth % - Service organic
Growth % - Consumables organic
GLOBAL TRENDS
GLOBAL TRENDS – EQUIPMENT

Continued expansion in growth markets

Urbanization drive investments in infrastructure and demand for minerals

The energy efficiency and productivity requirements from industry
GLOBAL TRENDS – SERVICE

- **Expansion of installed base**
- **Customers focus on core activity**
- **Connectivity**
- **The energy efficiency and productivity requirements from industry**
STRATEGY AND PRIORITIES

Sustainable profitable growth
WHY SHOULD ATLAS COPCO SUCCEED TO GROW?

- Market leader with strong portfolio of businesses and products
- Commitment to innovation
- Strong service offering
- Acquisition potential
- Top organization, world-class people, top execution

8% growth
High ROCE
WHY SHOULD ATLAS COPCO DELIVER HIGH ROCE?

- Standardization and efficient flow
- Asset light operations
- Variable cost structure
- Strong service business
THE STRATEGIC PILLARS FOR PROFITABLE GROWTH

- Presence
- Innovation
- Service
- Operational excellence
- People
PRIORITIES TO SUSTAIN PROFITABLE GROWTH

WE LIVE BY THE HIGHEST ETHICAL STANDARDS

WE INVEST IN SAFETY AND WELL-BEING

WE INNOVATE FOR SUSTAINABLE PRODUCTIVITY

WE BUILD THE MOST COMPETENT TEAMS

WE USE RESOURCES RESPONSIBLY AND EFFICIENTLY
SUSTAINABLE PROFITABLE GROWTH

- Presence
- Innovation
- Service
- Operational Excellence
- People

Values and Business Code of Practice

- ETHICS
- SAFETY
- INNOVATION
- COMPETENCE
- RESOURCES

8% growth
High ROCE
INCREASE PRESENCE IN FAST GROWING ECONOMIES
AND STRENGTHEN IN MATURE MARKETS

- Direct presence
- Develop local competence
- Create high brand awareness
ACQUISITION STRATEGY

Acquisitions are primarily made in, or very close to, the already existing core businesses. All acquired businesses are expected to make a positive contribution to economic value added.

Characteristics

- Industry-to-industry
- Geographically spread customer base
- Leadership in niche markets
- Differentiated core technology
- Strong base of business partners
- Healthy service potential

Leveraging...

- Application knowledge
- Efficient manufacturing and product development processes
- Capacity to swiftly market products and services globally
Acquired revenues and employees at the time of the acquisition. Revenues from distributors are not included.
WHY DRIVE FOR INNOVATION?

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

Compressor Technique 2011 – 2015
INNOVATION

Industrial Technique 2011 – 2015
Innovation

Mining and Rock Excavation Technique 2011 – 2015
INNOVATION

Construction Technique 2011 – 2015
GROWTH IN EQUIPMENT AND SERVICE

10 y CAGR
Equipment
~ 10%
Service
~ 12%

Equipment revenues, MSEK
Service revenues, MSEK
Service, share of revenues, %

Continuing operations, excl. divested operations in rental service and professional electric tools. 12 month figures. CAGR calculated 10 years until 2014
OPERATIONAL EXCELLENCE

Work more efficiently through **lean** and **standardized** solutions and processes

Spend less time on administration and more **time with customers**

Have **consistent** business processes

Improve **financial performance** and increase **customer loyalty**!
PEOPLE

- Results-driven and committed culture
- Time to competence
- Diversity
- Attract and retain talent
“We grow loyal and experienced local leaders in all countries”
AGILITY AND RESILIENCE
AGILE AND RESILIENT OPERATIONS

Deteriorating business climate
- Reduce variable costs
- Working capital reduction

Improving business climate
- Add variable costs
- Working capital increase
- Small incremental investments

Variable cost structure and asset light operations
Stable service business
Continuous investments in innovation
Competent and committed employees

Agile operational set-up
Resilience
Restructuring without restructuring costs

Restructuring costs, MSEK
-2,0%
-1,5%
-1,0%
-0,5%
0,0%
0,5%
in % of revenues

Reported restructuring costs, including impairments.
12 months figures


Continuing operations, excl. divested operations in rental service 12 month figures.
CAGR calculated 10 years until 2014
12 months figures

10 y CAGR
~11%
RESILIENCE

In periods of volume declines

- Larger share of service
- Lean foot-print – asset light
- Decentralized Group
Average working capital and property, plant and equipment including discontinued operations.
CASH GENERATION

Profit for the period, MSEK (continuing operations)
Operating cash flow, MSEK
Cash conversion, %

Cash conversion = operating cash flow / net profit from continuing operations.
Operating cash flow adjusted from 2012 for cash flows from currency hedges of loans 12 months figures

10 year cash conversion 89%
**DIVIDENDS AND DISTRIBUTION**

**Payout ratio and yield**

<table>
<thead>
<tr>
<th>Year</th>
<th>Dividend and redemption per share, SEK</th>
<th>Payout ratio (dividend and redemption / earnings per share), %</th>
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<tbody>
<tr>
<td>2005</td>
<td>2.13</td>
<td>41%</td>
</tr>
<tr>
<td>2006</td>
<td>22.38</td>
<td>183%</td>
</tr>
<tr>
<td>2007</td>
<td>3.00</td>
<td>49%</td>
</tr>
<tr>
<td>2008</td>
<td>3.00</td>
<td>36%</td>
</tr>
<tr>
<td>2009</td>
<td>3.00</td>
<td>58%</td>
</tr>
<tr>
<td>2010</td>
<td>9.00</td>
<td>110%</td>
</tr>
<tr>
<td>2011</td>
<td>5.00</td>
<td>47%</td>
</tr>
<tr>
<td>2012</td>
<td>5.50</td>
<td>48%</td>
</tr>
<tr>
<td>2013</td>
<td>5.50</td>
<td>55%</td>
</tr>
<tr>
<td>2014</td>
<td>12.00</td>
<td>120%</td>
</tr>
</tbody>
</table>

**10 year average yield 5.9%**

Yield = dividend and redemption divided by the average price quoted of the A-share (arithmetic). Earnings per share including discontinued operations.

Goal since 2011 - Annual dividend distribution about 50% of earnings per share.
**CAPITAL STRUCTURE**

Net Debt*/EBITDA

* Net Debt adjusted for the fair value of interest rate swaps

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</tr>
</thead>
<tbody>
<tr>
<td>Net Debt/EBITDA</td>
<td>1</td>
<td>0.5</td>
<td>1.5</td>
<td>1</td>
<td>0.5</td>
<td>0</td>
<td>0.5</td>
<td>1</td>
<td>0</td>
<td>0.5</td>
<td>0</td>
</tr>
</tbody>
</table>
SUMMARY

- A world leading provider of sustainable productivity solutions
- Agile and resilient operations
- Strong global service business
- Consistent strategy
- Strong cash generation and value creation
- 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.”