



Atlas Copco Group

Gunnar Brock



Our businesses – core competencies

Mining and Construction



Compressors



Service



Tools



Our businesses – core competencies

Mining and Construction



Compressors



Service

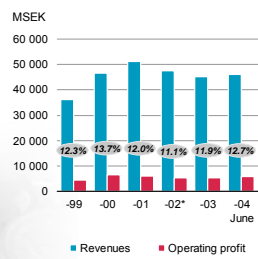
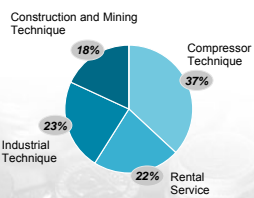


Tools



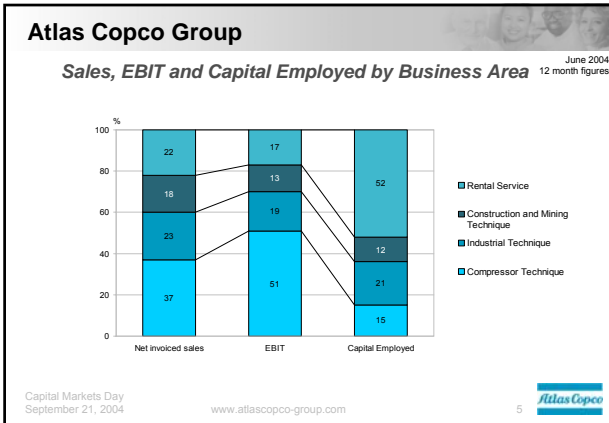
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June 2004
12 month figures



*Excl. goodwill impairment charge





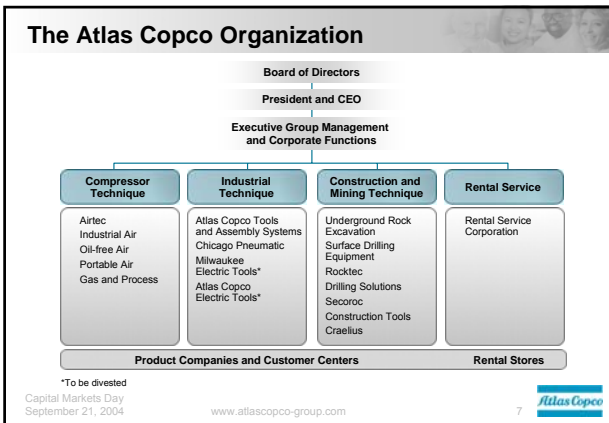
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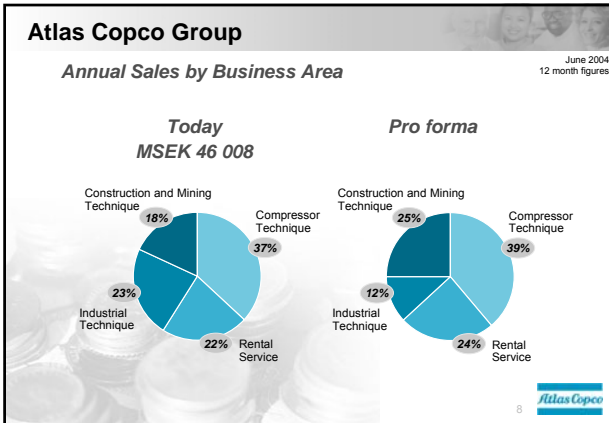
EBIT and ROCE by Business Area June 2004
12 month figures

	EBIT	ROCE	WACC
Compressor Technique	18.1	67	
Industrial Technique	11.1	18	
Construction and Mining Technique	9.3	20	
Rental Service	10.2	6	
Atlas Copco Group	12.7	19	13*
<i>Atlas Copco Group, excl. Rental Service</i>	<i>13.5</i>	<i>34</i>	

* Group WACC, January 1, 2004

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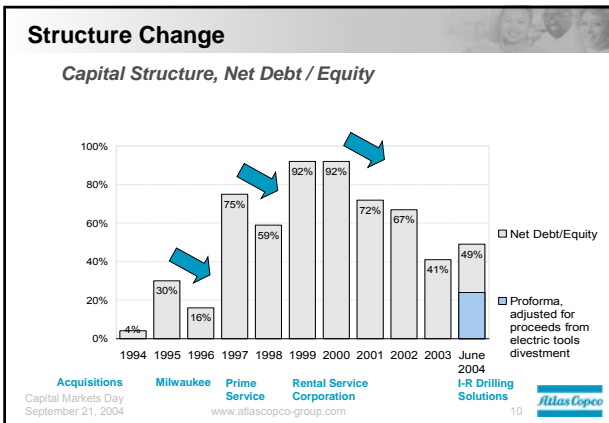
Structure Change

- We have on an annual basis added more sales through organic growth and acquisitions than what will be divested through professional electric tools.
 - Organic growth LTM 8% ~ MSEK 3 600
 - Acquisitions LTM pro forma ~ MSEK 3 000
 - Divestment Electric Tools ~ MSEK -5 250
 - Net (excl. currency) ~ MSEK 1 350

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Atlas Copco



What Unites the Atlas Copco Group

- A shared vision and a common identity
- The corporate culture and the core values; interaction, commitment and innovation
- The sharing of brands, trademarks and channels to market
- The sharing of assets and infrastructure
- Common processes and shared best practices
- Using common services through internal and external service providers
- Financial and human resources, and their free mobility within the Group

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A shared vision and a common identity

Vision

TO BECOME AND REMAIN
FIRST IN MIND - FIRST IN CHOICE
 OF OUR STAKEHOLDERS!



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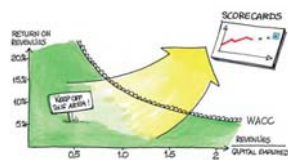
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A shared vision and a common identity

Financial Targets

- Annual revenue growth of 8 %
 - Reach an operating margin of 15%
 - Return on capital to exceed cost of capital
- ... and to continuously challenge operational inefficiencies



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Why Should Atlas Copco Succeed in Growing 8%?

- Portfolio of businesses and products
- Underlying market growth
- Market position
- Strong platform for growth - "Our house is in order"
- Acquisition potential

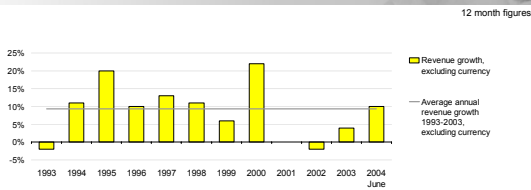
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Revenue growth



- Target: 8% annually

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Common processes and shared best practices

Organic Growth

- Geographic expansion
- Product innovation
- Increase scope of supply
- New applications for existing products
- New products for existing applications
- Channel and brand development
- Use of products, aftermarket

STRATEGIC DIRECTIONS ORGANIC AND ACQUIRED GROWTH



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Common processes and shared best practices

Acquired Growth

- Geographic expansion
- Market share
- Close product / market gap
- Expand product range
- Increase scope of supply
- Acquire technology / know how
- Acquire channel to market
- Diversification based on existing knowledge and synergy potential

STRATEGIC DIRECTIONS ORGANIC AND ACQUIRED GROWTH



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Common processes and shared best practices

Aftermarket - Use of Products

- High growth potential
- High profit potential
- Stable revenue stream
- Close to end users
- Optimized business processes
- Enhanced product development
- Satisfied customers

STRATEGIC DIRECTIONS USE OF PRODUCTS



- ✓ Clear organizational focus
- ✓ Measurable performance

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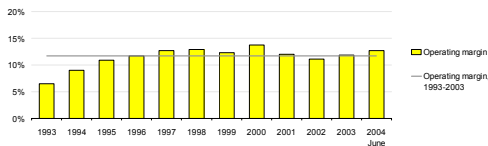
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Operating margin – EBIT margin

12 month figures



- Target: 15%
 - Exploit market position
 - Grow share of aftermarket business
 - Improvement of underperforming businesses
 - Improved performance in Rental Service

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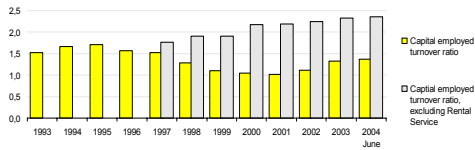
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Capital employed turnover

12 month figures



- Target: continuous improvement
 - Rationalisation of manufacturing structure
 - Improved flow to reduce inventory
 - Lower receivables

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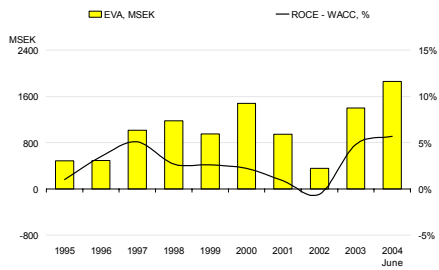
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ROCE vs. WACC

12 month figures



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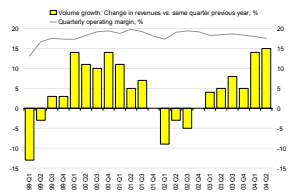
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Compressor Technique

Foundation for Growth

- Market position
- Distribution strength
- Cost leadership
- Innovation rate / technology leadership
- After market force
- "House in order"
- Potential to acquire



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Compressor Technique

- Global presence with own resources
- 'Densification' of market coverage in all key areas.
- Strong focus on aftermarket growth
- Increasing weight of production outside Europe.
 - Better match of the sales and currency footprint
 - Factory extension in China



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Compressor Technique

Innovation rate / technology leadership

- New products / services - examples
 - Series 7 portable compressors
 - Very favorable market acceptance
 - Completing range of ZH range oil-free centrifugal compressors
 - Plant air
 - New range ZR oil-free compressors
 - Quality Air Solutions products
 - Aftermarket products



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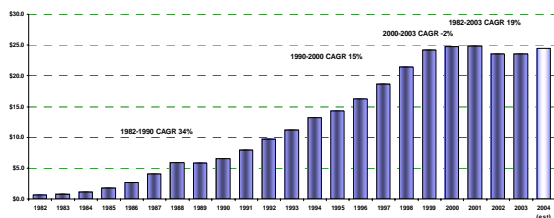
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Rental industry revenue growth

North America (\$ Billions)



Source: SchneiderGammelschmittBarney 1982-2001, JP Morgan 2002-2004

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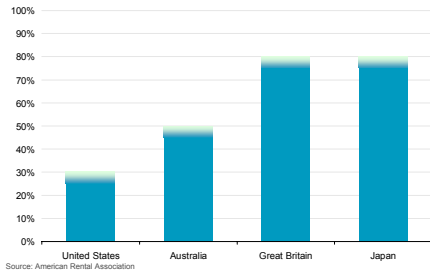
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Rental penetration rates

Construction fleet, %

Note: Penetration of the industrial fleet is estimated to 2%



Source: American Rental Association

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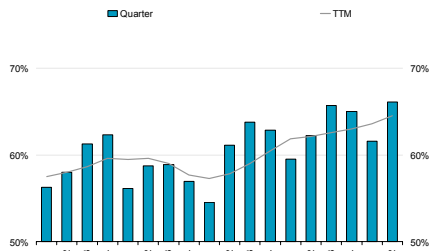
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Rental Service

Time utilization



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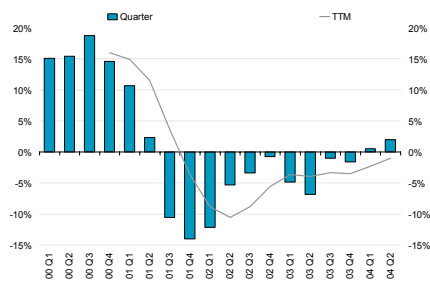
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Rental Service

Rental revenues - Volume development



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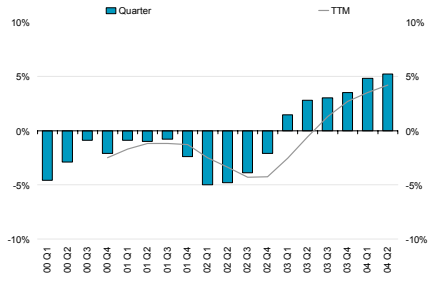
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Rental Service

Rental revenues - Price development



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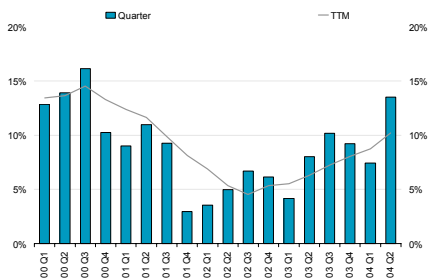
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Rental Service

EBIT-margin



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Rental Service

Focused growth strategy

- Sharpened sales strategy
- Improved fleet purchasing
- New customers and retention of existing ones
- Sales support
- Decentralized organization
- Improved flow

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Rental Service

Strategy

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Industrial Technique

Foundation for Growth

- Focused industrial tools business with global leadership position
- Innovation rate / technology leadership
- Aftermarket
- "House in order"
- Potential to acquire

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Industrial Technique

Focused industrial tools business

- Two divisions, Atlas Copco Tools and Assembly Systems and Chicago Pneumatic
 - Turnover of approximately 5 BSEK
 - EBIT margin exceeding 15%.
- Tools for industrial assembly operations
 - ~ 50% of turnover comes from the motor vehicle industry.
 - Tools are powered either by compressed air or by electricity

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Industrial Technique

Focused industrial tools business

- Atlas Copco is the global market leader
 - Technological leadership, volume dominance for electric type of assembly tools, ability to take on large projects for MVI industry and ability to offer its product range and service across the globe



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Industrial Technique

Growth possibilities – short and long term

- Manufacturing industry is recovering, growing and investing
- Electric assembly tools is a high growth area
- Product development
 - Many new products launched recently
 - Technological development
- Aftermarket
 - Extend offer to motor vehicle industry
 - Increase service content
- Step up sales and marketing in Asia and Russia
- Acquisitions



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Construction and Mining Technique

Foundation for Growth

- Leading market position globally following acquisitions with perfect fit
- Pro forma growth >40%
 - Volume, price ~12%
 - Acquisitions >30%
- Strong foundation for organic growth
- Integration of acquisitions and efficiency improvements



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Atlas Copco Group

Summary

- Product and market leadership
- Innovation rate
- Operational capabilities
- Market growth



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 effected by other factors like for example, the effect of economic conditions, exchange-rate and interest-rate movements, political risks, impact of competing products and their pricing, product development, commercialization and technological difficulties, supply disturbances, and the major customer credit losses."
