



**First in Mind—First in Choice™**

## **Atlas Copco Group**

Gunnar Brock, President and CEO

Capital Markets Day, November 30, 2005



## Our businesses – core competencies

Mining and Construction



Compressors



Service



Tools




---

---

---

---

---

---

---

---

## Our businesses – core competencies

Mining and Construction



Compressors



Service



Tools




---

---

---

---

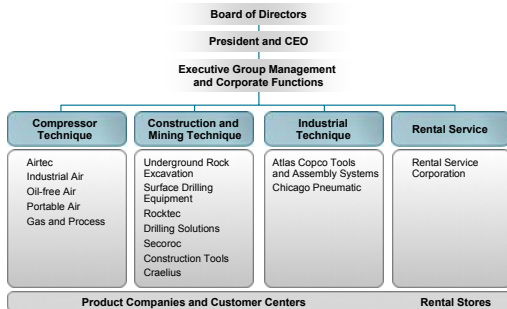
---

---

---

---

## The Atlas Copco Organization




---

---

---

---

---

---

---

---

## What Unites the Atlas Copco Group



The sum of running the parts together must be bigger than the sum of running the parts separately



---

---

---

---

---

---

---

---

## What Unites the Atlas Copco Group

*To underline and reinforce*

- 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
- A common leadership approach



---

---

---

---

---

---

---

---

## Vision

**First in Mind—First in Choice™**



Capital Markets Day  
November 30, 2005

[www.atlascopco.com](http://www.atlascopco.com)



---

---

---

---

---

---

---

---

## To be a leader

- First in Mind—First in Choice™
  - Lead in the share of mind and share of choice of our customers
- Be seen as the innovator, setting the standards
- Exceed high expectations
- Be #1 or #2, in every product market/application and geographic segment where we compete



Capital Markets Day  
November 30, 2005

www.atlascopco.com

8

---

---

---

---

---

---

---

---

---

---

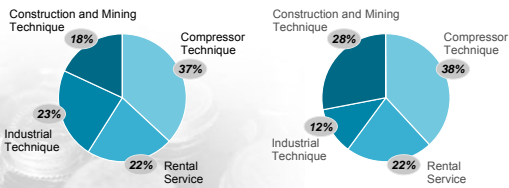
## Atlas Copco Group

### Annual Sales by Business Area

12 month figures

June 2004

September 2005



9

---

---

---

---

---

---

---

---

---

---

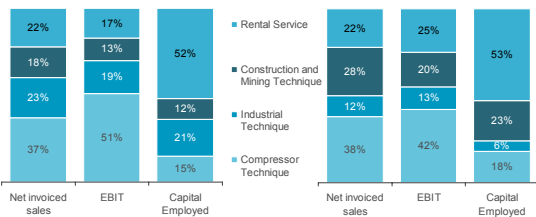
## Atlas Copco Group

### Sales, EBIT and Capital Employed by Business Area

12 month figures

June 2004

September 2005



Capital Markets Day  
November 30, 2005

www.atlascopco.com

10

---

---

---

---

---

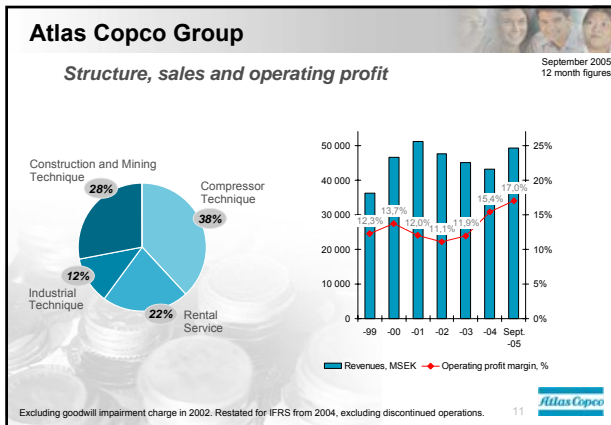
---

---

---

---

---




---

---

---

---

---

---

---

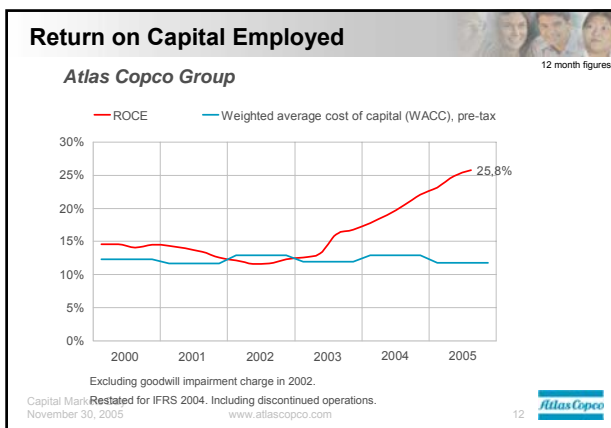
---

---

---

---

---




---

---

---

---

---

---

---

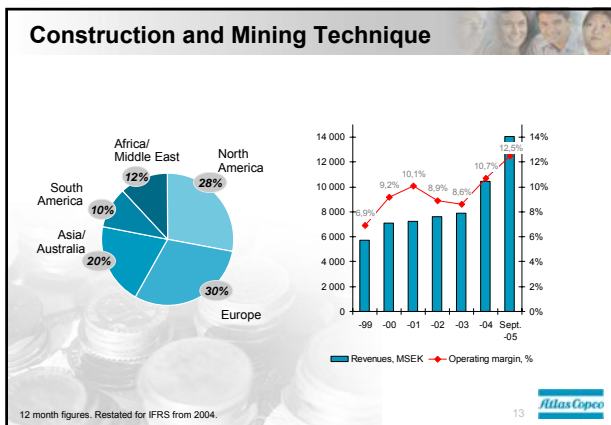
---

---

---

---

---




---

---

---

---

---

---

---

---

---

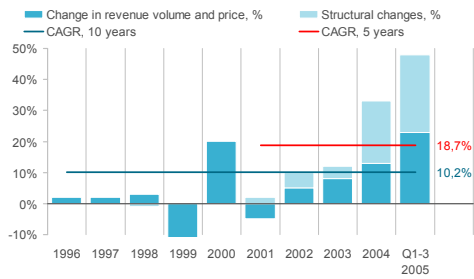
---

---

---

## Construction and Mining Technique

### Growth



Capital Markets Day  
November 30, 2005

www.atlascopco.com

14




---

---

---

---

---

---

---

---

---

---

## Construction and Mining Technique

- Leading market position globally following acquisitions with perfect fit
- Good balance geographically and organizationally, between divisions
- Order growth YTD >50%
  - Volume, price > 20%
  - Acquisitions ~ 30%
- Integration of acquisitions and efficiency improvements
- Strong foundation for growth



Capital Markets Day  
November 30, 2005

www.atlascopco.com

15




---

---

---

---

---

---

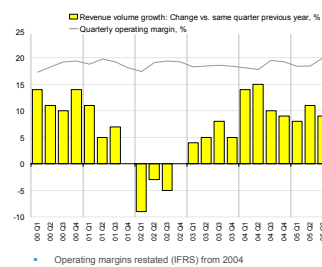
---

---

---

---

## Compressor Technique



### Foundation for Growth

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

Operating margins restated (IFRS) from 2004

Capital Markets Day  
November 30, 2005

www.atlascopco.com

16




---

---

---

---

---

---

---

---

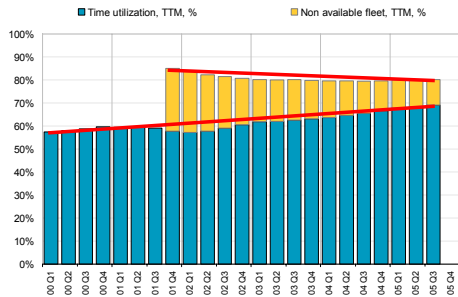
---

---



## Rental Service

### Equipment availability – driving capital and cost efficiency



Capital Markets Day  
November 30, 2005

www.atlascopco.com

20




---

---

---

---

---

---

---

---

---

---

## Rental Service

### What have we achieved?

- Leader in North American equipment rental industry. Achieved stability, profitability and growth
- Efficient rental operation – significant decrease in cost of rental
- Record utilization figures
- Rental volume and price increases above industry averages
- Record EBIT margins and ROCE

Capital Markets Day  
November 30, 2005

www.atlascopco.com

21




---

---

---

---

---

---

---

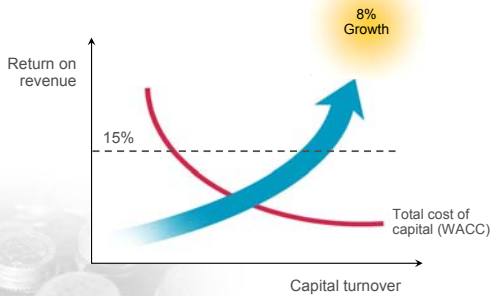
---

---

---

## Financial Targets

### Create Shareholder Value



m

22




---

---

---

---

---

---

---

---

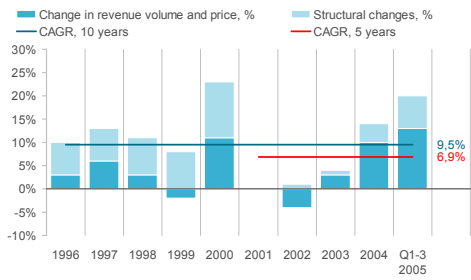
---

---



## Growth

### Atlas Copco Group



Capital Markets Day November 30, 2005 [www.atlascopco.com](http://www.atlascopco.com) 23

---

---

---

---

---

---

---

---

---

---

## Why should Atlas Copco Succeed

– in growing 8% per year?

- Strong portfolio of businesses and products
- Commitment to product development
- Market position and brand value
- Dedication to aftermarket
- "Our house is in order" – stability and profitability. Processes in place.
- Acquisition potential
- Strong and competent leadership
- Continuous improvement

Capital Markets Day November 30, 2005 [www.atlascopco.com](http://www.atlascopco.com) 24

---

---

---

---

---

---

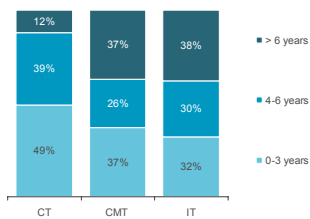
---

---

---

---

## Clock Speed of Innovation



Capital Markets Day November 30, 2005 [www.atlascopco.com](http://www.atlascopco.com) 25

---

---

---

---

---


---

---

---

---


---



▪ **Extend and develop the core and build new businesses and create options that are close to home.**

Capital Markets Day  
November 30, 2005

www.atlascopco.com

26 

---

---

---

---


---

---

---

---


### Sales Potential – Extend and Defend Core



	Segment ↓ Products	Presence ↓ Distribution	Penetration ↓ Customer share	
Sales potential	0.75 x	0.5 x	0.4	= 0.15
Max	1 x	1 x	1	= 1

Capital Markets Day  
November 30, 2005

www.atlascopco.com

27 

---

---

---

---

---

---

---


---

### China – Presence and Penetration

- 7 manufacturing locations
- 102 Atlas Copco offices in 52 cities
- Over 200 distributors

Capital Markets Day  
November 30, 2005

www.atlascopco.com

28 

---

---

---

---

---

---

---

---

## India – Presence and Penetration



- 2 manufacturing locations
- 14 sales and service offices in 12 cities
- Engineering Center

---

---

---

---

---

---

---

---

## Russia – Presence and Penetration



- 28 offices in Russia
- Mongolia
- Kazakhstan

---

---

---

---

---

---

---

---

## USA



- Growth Jan. – Sep., 2005 vs. 2004  
Orders received in local currency, excl. discontinued operations
  - Group +23%
  - Compressor Technique +33%
  - Construction and Mining Technique +194%
  - Industrial Technique +19%
  - Rental Service +7%

---

---

---

---

---

---

---

---

## Aftermarket

### Accessories, consumables, spare parts, service and Maintenance and training

- High growth potential
- High profit potential
- Stable revenue stream
- Optimized business processes
- Enhanced product development
- Closer relationships with end-users
- Satisfied customers

Capital Markets Day  
November 30, 2005

www.atlascopco.com

32




---

---

---

---

---

---

---

---

---

---



- Extend and develop the core and build new businesses and create options that are close to home.

Capital Markets Day  
November 30, 2005

www.atlascopco.com

33




---

---

---

---

---

---

---

---

---

---

## Economic Distance from the Core

– is measured on five dimensions

	Shared customers	Shared costs	Shared channels	Shared competitors	Shared capabilities/technology
Core	●	●	●	●	●
1 step away from home	◐	◐	◐	◐	◐
2 steps away from home	◑	◑	●	◑	◑
3 steps away from home	○	◑	●	○	◑
Diversification	○	○	○	○	◑

Source: Bain & Company

- Full Share
- ◐ Partial Share
- No Share

Capital Markets Day  
November 30, 2005

www.atlascopco.com

34




---

---

---

---

---

---

---

---

---

---

## Growth

### Screening of alternatives

Attractiveness

- Size
- Growth
- Profits

Value added logic

- Customer/market
- Distribution channels / network
- Operational capabilities
- Technologies

Capital Markets Day  
November 30, 2005

www.atlascopco.com

35

---

---

---

---

---

---

---

---

---

---

## Growth

### Acquisitions

- 8 acquisitions in 2004
  - Annual sales BSEK 2,9
  - 6% of sales
- 15 acquisitions YTD in 2005
  - Annual sales BSEK 1,3
  - 3% of sales

Includes all announced acquisitions (some pending final approval) and five small acquisitions not announced. Some of the acquisitions are distributors where some of the annual sales has been Atlas Copco products.

Capital Markets Day  
November 30, 2005

www.atlascopco.com

36

---

---

---

---

---

---

---

---

---

---

## Why should Atlas Copco Reach and Maintain

### - an operating margin of 15%?

- Commitment to product development
- Exploit market position
- #1 or #2 where we compete
- Grow share of aftermarket business
- Pricing power and pricing skills
- Productivity in supply and execution. Efficient flow.
- Continuous improvement

Capital Markets Day  
November 30, 2005

www.atlascopco.com

37

---

---

---

---

---

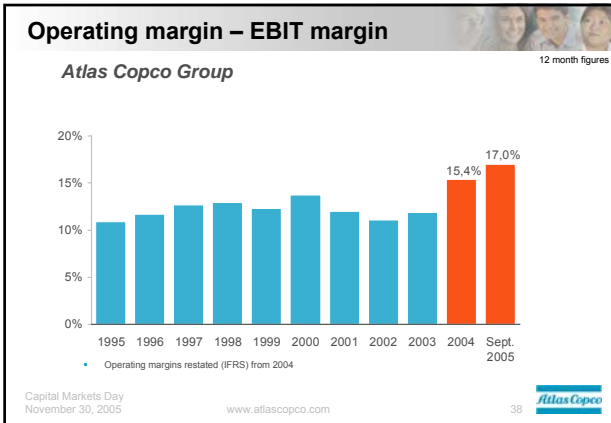
---

---

---

---

---




---

---

---

---

---

---

---

---

---

---

### The Trade Off

- Growth
- Profitability / Operating margins
- Profits

Capital Markets Day  
November 30, 2005  
www.atlascopco.com  
39  
Atlas Copco

---

---

---

---

---

---

---

---

---

---

### Why should Atlas Copco Improve

– the Return on Capital Employed, ROCE?

- Standardization
- Efficient flow
- Optimum capacity/asset utilization
- More variable, less fixed, costs
- Continuous improvement of capital turnover
- ... and a high operating margin

Capital Markets Day  
November 30, 2005  
www.atlascopco.com  
40  
Atlas Copco

---

---

---

---

---

---

---

---

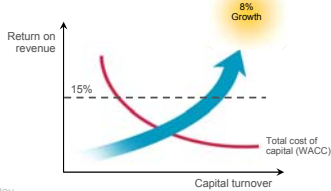
---

---

## Summary

- Atlas Copco is well positioned to deliver on its financial targets

Create Shareholder Value



Capital Markets Day  
November 30, 2005

[www.atlascopco.com](http://www.atlascopco.com)

41



---

---

---

---

---

---

---

---



---

---

---

---

---

---

---

---

## 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."

Capital Markets Day  
November 30, 2005

[www.atlascopco.com](http://www.atlascopco.com)

43



---

---

---

---

---

---

---

---