Atlas Copco Group
- Epiroc split update

Capital Markets Day 2017
Hans Ola Meyer, CFO
Agenda

1. Rationale for the split
2. Carve-out and listing project
3. Financials
Strategic rationale and business benefits

Split the Group into one INDUSTRIAL and one MINING/INFRASTRUCTURE company

- A fully focused, dedicated management can
  - serve customers even better
  - drive growth and profitability

- The synergies between the two businesses are limited

- A separation into two world-leading listed companies will facilitate a fair valuation on the stock market

- Both businesses are global leaders in their respective areas

- The businesses have different end-markets and different demand drivers

- The businesses have different demand patterns
Two world class companies

Atlas Copco

- ~34 500 Employees
- Industry
- BSEK 84 Revenue
- 21%* Operating margin

Epiroc

- ~12 500 Employees
- Mining
- BSEK 30 Revenue
- 19%* Operating margin

* Indicative 12 month figures at September 30, 2017

Update on the split
Capital Markets Day 2017
Two world class companies

Operating margin (EBIT), %

Large cap global multi industrials: 3M, ABB, Alfa Laval, Assa Abloy, Caterpillar, Danaher, Deere, Dover, Eaton, Emerson, Fortive, Geberit, General Electric, Graco, Hitachi, Honeywell, Illinois Tool Works, Komatsu, Kone, Legrand, Mitsubishi Heavy Industries, Nordson, Parker-Hannifin, Rockwell Automation, Rolls-Royce, Roper Technologies, Sandvik, Schindler, Schneider Electric, Siemens, SKF, Smiths Group, Trelleborg, United Technologies, Volvo, Wartsila, Weir and Xylem

Mining and construction equipment companies: Caterpillar, Komatsu, Metso, Sandvik and Weir

Source: FactSet and Company filings
Two world class companies

Cash generation

Large cap global multi industrials: 3M, ABB, Alfa Laval, Assa Abloy, Caterpillar, Danaher, Deere, Dover, Eaton, Emerson, Fortive, Geberit, General Electric, Graco, Hitachi, Honeywell, Illinois Tool Works, Komatsu, Kone, Legrand, Mitsubishi Heavy Industries, Nordson, Parker Hannifin, Rockwell Automation, Rolls Royce, Roper Technologies, Sandvik, Schindler; Schneider Electric, Siemens, SKF, Smiths Group, Trelleborg, United Technologies, Volvo, Wartsila, Weir and Xylem

Mining and construction equipment companies: Caterpillar, Komatsu, Metso, Sandvik and Weir

Source: FactSet and Company filings
**Two world class companies**

Organic sales growth, indexed

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**Mining and construction equipment companies**: Caterpillar, Metso, Sandvik and Weir

Source: FactSet and Company filings

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CAGR

~ 5%

~ 5%

~ 3%

~ 1%
Carve-out project
**The starting point**

<table>
<thead>
<tr>
<th>BOARD OF DIRECTORS</th>
<th>PRESIDENT AND CEO</th>
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<tbody>
<tr>
<td><strong>GROUP MANAGEMENT</strong></td>
<td><strong>BUSINESS AREAS AND CORPORATE FUNCTIONS</strong></td>
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- Divisions generally conduct business through product companies, distribution centers and customer centers.
**The scope**

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Divisions generally conduct business through product companies, distribution centers and customer centers.
The carve-out and spin-off project organization

Spans the entire world

External advisors
- KPMG
- Roschier
- SEB + Deutsche Bank
- Mercer
- EY
  - Shearman & Sterling
  - Blink
  - Brann
  - Marsh
  - Locally contracted

Work Streams
- Financial Solutions
- Tax/Ownership structure
- Legal & Spin-off
- Operations
- Program Management Office
  - Atlas Copco
  - External

Atlas Copco AB Board
- Programme Owners
- Steering Committee
- Programme leaders

Holding regions
- Western Europe
- Nordic, Baltic
- Canada
- Russia, Central Asia & Eastern Europe
- Spain, Portugal, Italy, Greece
- Japan, Korea
- Turkey & Middle East
- Morocco
- Greater China / Mongolia
- India
- South East Asia
- Latin America & Brazil
- Southern Africa
- Australia
- USA
- Algeria

Local Project Leaders
- 78 Local Project Leaders with 250+ Local Team Members

Update on the split
Capital Markets Day 2017
Epiroc carve-out and spin-off timeline

1. Blueprint and planning
2. Execution and local transactions
3. Stand-alone
4. Transition

All Tax and Legal Step
Plans approved
Epiroc legal
structure established
Stand-alone

2017
2018

- Atlas Copco Q4 report, incl. dividend proposal
- Notice to Atlas Copco AGM
- Information brochure on Epiroc dividend proposal, incl. financial targets, capitalization etc.
- Listing Committee decision, Nasdaq Stockholm
- Publishing of listing prospectus
- Capital Markets Day, Epiroc

Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
Jan Feb Mar Apr May Jun Jul

Update on the split
Capital Markets Day 2017
Epiroc carve-out

- The project is on time, no red flags

- Estimated transaction expense 600 MSEK
  - Of which expensed Q2-Q3 in 2017 140

- One-off write-down of IT system in Q3 2017 170

- Estimated tax expense 800
  - Net, after deduction of step-up values 500
Financials
Epiroc Group – preliminary reporting segments (IFRS)

NOTE! The reporting segments will be confirmed in Q2 2018.
Revenues and Operating profit – Atlas Copco and Epiroc

Revenue split

- Atlas Copco: BSEK 84
- Epiroc: BSEK 30

Operating profit split

- Atlas Copco: BSEK ~17.8, 21% margin
- Epiroc: BSEK ~5.7, 19% margin

NOTE! All figures presented are indicative and based on Sep 30, 2017 financials.
Capital employed – Atlas Copco and Epiroc

NOTE! All figures presented are indicative and based on Sep 30, 2017 financials
Capitalization - Atlas Copco and Epiroc

- Work in progress, but....

- Both companies share the same history, and has some similar characteristics
  - strong financial position gives freedom
  - access to all financial debt markets is important
  - modest recurring investment need, thanks to business model
Capitalization - Atlas Copco and Epiroc

- Customer demand differs....

- This will be reflected in the capitalization of the two companies.
  - A somewhat lower average financial leverage (lower Net debt/EBITDA ratio) in Epiroc than for Atlas Copco
Capitalization - Atlas Copco and Epiroc

- Atlas Copco and Epiroc Boards of Directors and Management teams will in Q1 2018, jointly decide on the “day one” capitalization for Atlas Copco and Epiroc.
Epiroc Executive Team

**Per Lindberg**
President and CEO
Currently President and CEO, Billerud Korsnäs
Starts February 1st, 2018

**Helena Hedblom**
Senior Executive Vice President Mining and Infrastructure

**Anders Lindén**
Senior Vice President Controlling and Finance (CFO)

**Mattias Olsson**
Senior Vice President Corporate Communications
Currently Head of IR, Assa Abloy
Starts Mid January 2018

**Jörgen Ekelöw**
Senior Vice President General Counsel
Epiroc Board of Directors

Ronnie Leten (COB)
Former CEO Atlas Copco
COB Electrolux
Board member SKF

Johan Forssell
President and CEO Investor
Board member Atlas Copco, Investor, Wärtsilä, Patrícia Industries and EQT

Anders Ullberg
COB Boliden and Studsvik
Board member Atlas Copco, Beijer Alma and Valedo Partners

Ulla Litzén
Board member Alfa Laval, Electrolux, Husqvarna, NCC and Ratos

Lennart Evrell
President and CEO Boliden
Board member Boliden, SCA and the Confederation of Swedish Enterprise
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.”