



# Atlas Copco Group

Gunnar Brock



**Our businesses – core competencies**

Mining and Construction      Compressors

Service      Tools

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**Our businesses – core competencies**

Mining and Construction      Compressors

Service      Tools

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**Atlas Copco Group**

- Industrial Group
  - Close to 26,000 employees
- World Leading Supplier
  - Compressed air solutions
  - Construction & mining equipment
  - Hand-held power tools and assembly systems
  - Sales and service network in 150 countries
- Major player in U.S. Equipment Rental Services

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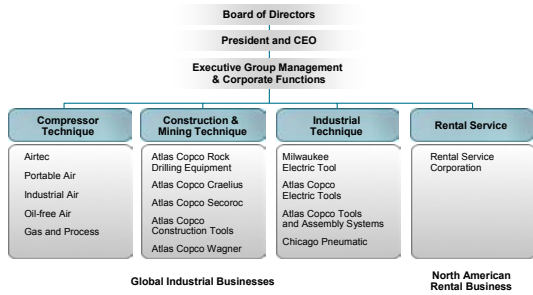
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## The Atlas Copco Organization



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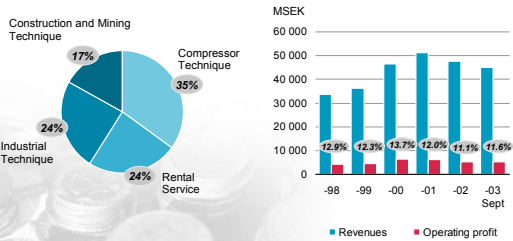
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## Atlas Copco Group

September 2003  
12 month figures



\*Excl. goodwill impairment charge

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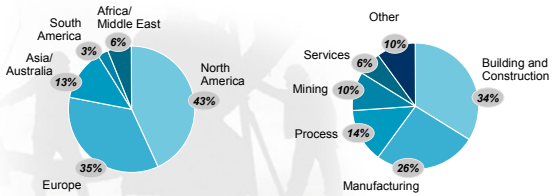
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## Revenues by region and customer category

September 2003  
12 month figures



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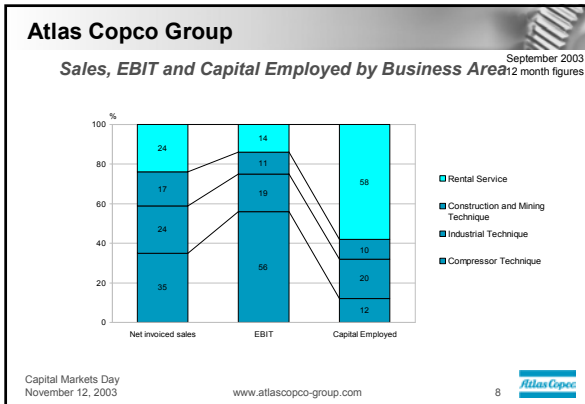
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### Atlas Copco Group

September 2003  
EBIT and ROCE by Business Area 12 month figures

|   | EBIT | ROCE | WACC |
|---|------|------|------|
| Compressor Technique                    | 18.7 | 68   |      |
| Industrial Technique                    | 9.7  | 15   |      |
| Construction and Mining Technique       | 7.7  | 17   |      |
| Atlas Copco Group, excl. Rental Service | 13.0 | 31   |      |
| Rental Service                          | 7.2  | 4    |      |
| Atlas Copco Group                       | 11.6 | 16   | 12*  |

\* Group WACC, January 1, 2003

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- ### Different genes
- |   |   |
|---|---|
| <p><b>Industrial Business</b></p> <ul style="list-style-type: none"> <li>▪ Development, production, sales, service</li> <li>▪ Product driven</li> <li>▪ Light in capital</li> <li>▪ High share variable costs</li> <li>▪ Global</li> <li>▪ Medium speed</li> <li>▪ Diversified customer base</li> <li>▪ Relatively high entry barriers</li> </ul> | <p><b>General Rental Business</b></p> <ul style="list-style-type: none"> <li>▪ Sourcing, renting, service</li> <li>▪ Customer driven</li> <li>▪ Heavy in capital</li> <li>▪ High share fixed costs</li> <li>▪ Local (North America)</li> <li>▪ High speed</li> <li>▪ Concentrated customer base</li> <li>▪ Relatively low entry barriers</li> </ul> |
|---|---|
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## 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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The sum of running the parts together must be bigger than the sum of running the parts separately

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## A shared vision and a common identity



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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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## A shared vision and a common identity

### Lead in the Share of Mind



✓ Shall be measured

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## A shared vision and a common identity

### To be a leader

- Lead in the share of mind and share of choice of our customers
- Be seen as the innovator, setting the standards
- Exceed high expectations
- Focus on customer share
- High market share, #1 or #2, in every product market/application and geographic segment where we compete



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## A shared vision and a common identity

### Atlas Copco Group Business Code of Practice

- Summary of the Group's policies related to business ethics and to social and environmental performance



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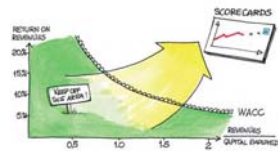
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## A shared vision and a common identity

### 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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## Sharing of brand names and trademarks



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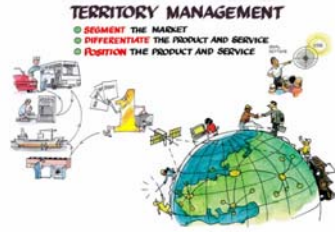
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## Sharing of brand names and trademarks



- A matter of presence and penetration

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## Sharing of brand names and trademarks

### Multi-brand



- Dynamic product, brand and channel development
  - Multi-brand
  - Multi-channel

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## Sharing of assets and infrastructure



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## Sharing of assets and infrastructure



- ASAP, Advanced Service and Administration Provider
- Distribution Centers
- Internal Bank
- In-house Insurance Company
- IT infrastructure

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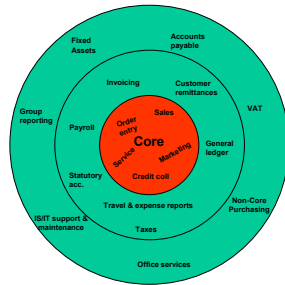
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## Sharing of assets and infrastructure

### Internal Service Providers

“What is not core for you is core for us”

- ASAP
  - Europe
  - North America
  - Asia



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## Common processes and shared best practices



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## Common processes and shared best practices



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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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## Common processes and shared best practices

- Only way of maintaining high margins
- If we loose our product advantage we will compete with our organization

### STRATEGIC DIRECTIONS INNOVATIONS AND...




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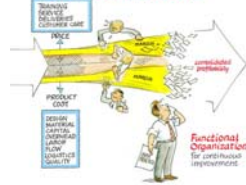
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## Common processes and shared best practices

- The "small" continuous improvements will pay for the "quantum leaps"
- Lower costs, lower risks and faster to market

### STRATEGIC DIRECTIONS CONTINUOUS IMPROVEMENT




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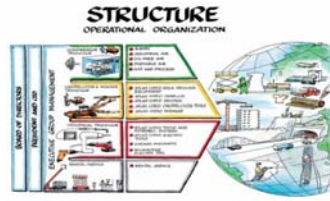
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**Common processes and shared best practices**

- Business Area
- Division
- Product Company
- Customer Center
- Service Provider




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**Common processes and shared best practices**

**PEOPLE MANAGEMENT**



**VISION**  
To have competent and committed people in order to bring the group forward in line with our strategy

**MISSION GIVEN TO THE OPERATION**  
To bring in, to develop, to grow into new positions and to keep the right people

**OPERATIONAL GOALS**

**KEY PROCESSES**

- |   |  |  |
|---|--|--|
| <b>People employment</b>  | <b>People development</b>  | <b>Organizational development</b>  |
| <ul style="list-style-type: none"> <li>● Recruitment</li> <li>● Compensation</li> <li>● Benefits</li> </ul> | <ul style="list-style-type: none"> <li>● Mission</li> <li>● Appraisal</li> <li>● Coaching</li> <li>● Training</li> <li>● New position</li> </ul> | <ul style="list-style-type: none"> <li>● Mobility</li> <li>● Diversity</li> <li>● Upgrading</li> <li>● Speed</li> <li>● Flexibility</li> </ul> |

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**Common processes and shared best practices**

*Our values*



Interaction      Commitment      Innovation

- In the absence of rules and regulations our corporate culture/core values direct our behavior and decision making

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**Common processes and shared best practices**



- Trust and credibility

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**Common processes and shared best practices**



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**Common processes and shared best practices**

*Business conduct*



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