

A hot air balloon with the Atlas Copco logo is floating in the sky above a city at dusk. The balloon is blue with white stripes and the text "Atlas Copco" in white. The city below is illuminated with lights, and a body of water is visible in the distance.

Atlas Copco Group - Epiroc split update

Capital Markets Day 2017
Hans Ola Meyer, CFO

The Atlas Copco logo, consisting of the company name in a white serif font between two horizontal white bars.

Atlas Copco

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

→ 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

- 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

Two world class companies

Atlas Copco



Industry



~34 500
Employees



BSEK 84
Revenue



21%*
Operating
margin

Epiroc



Mining



Infrastructure



~12 500
Employees



BSEK 30
Revenue



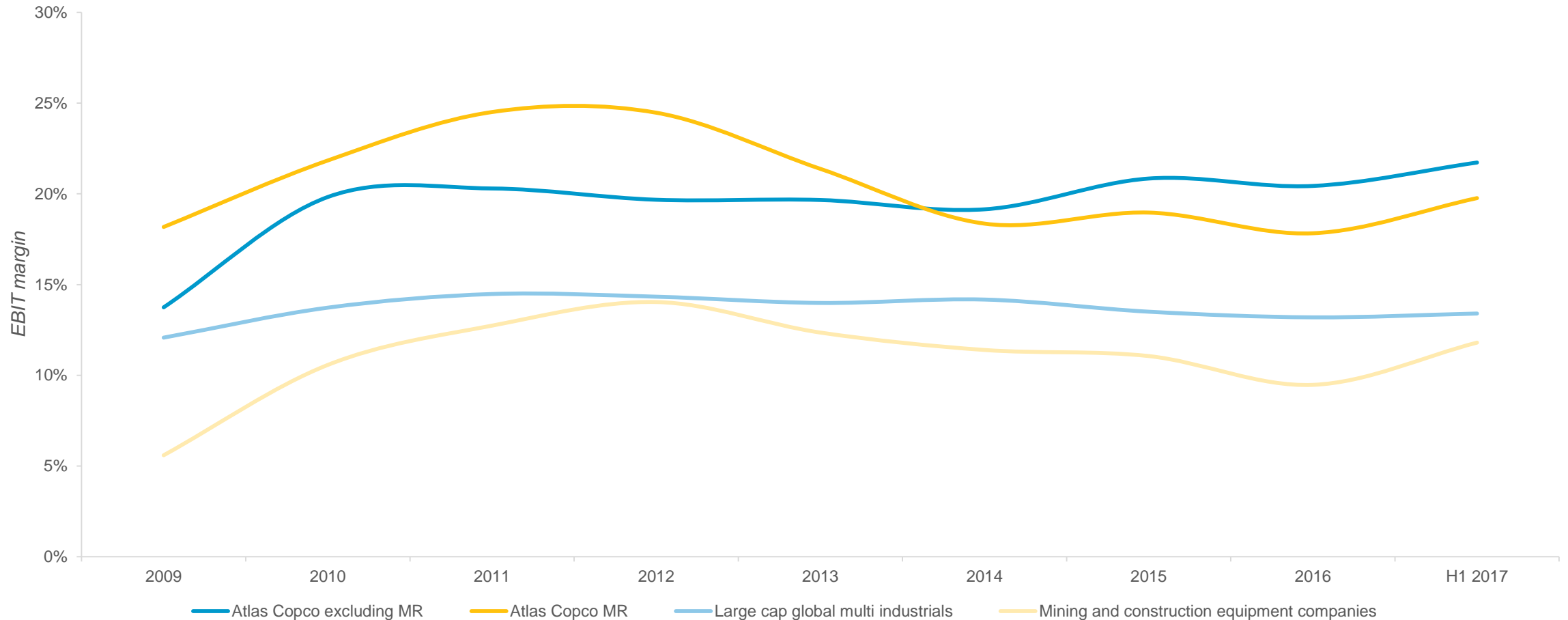
19%*
Operating
margin

* Indicative 12 month figures at September 30, 2017

Update on the split
Capital Markets Day 2017

Two world class companies

Operating margin (EBIT), %

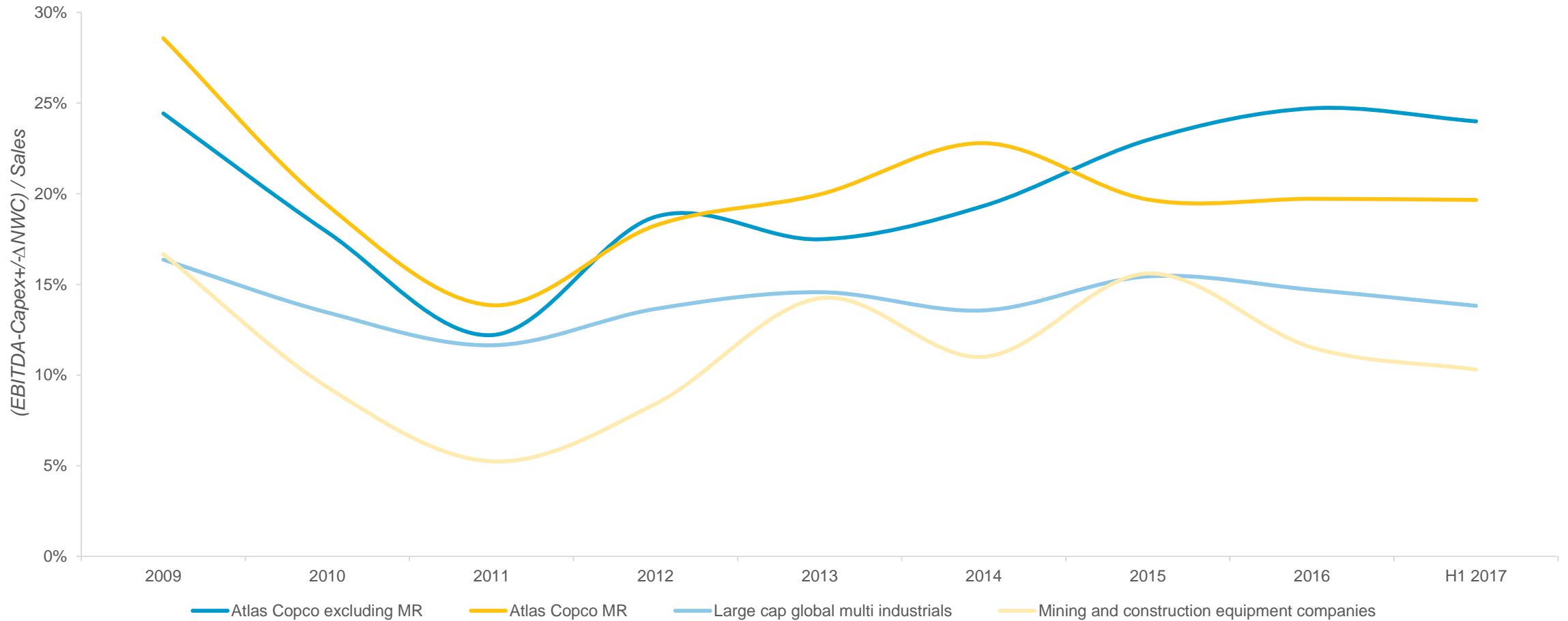


Large cap global multi industrials: 3M, ABB, Alfa Laval, Assa Abloy, Caterpillar, Danaher, Deere, Dover, Eaton, Emerson, Fortive, Geberit, General Electric, Graco, Hitachi, Honeywell, Illinois Tool Works, Komatsu, Kone, Legrand, Mitsubishi Heavy Industries, Nordson, Parker-Hannifin, Rockwell Automation, 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

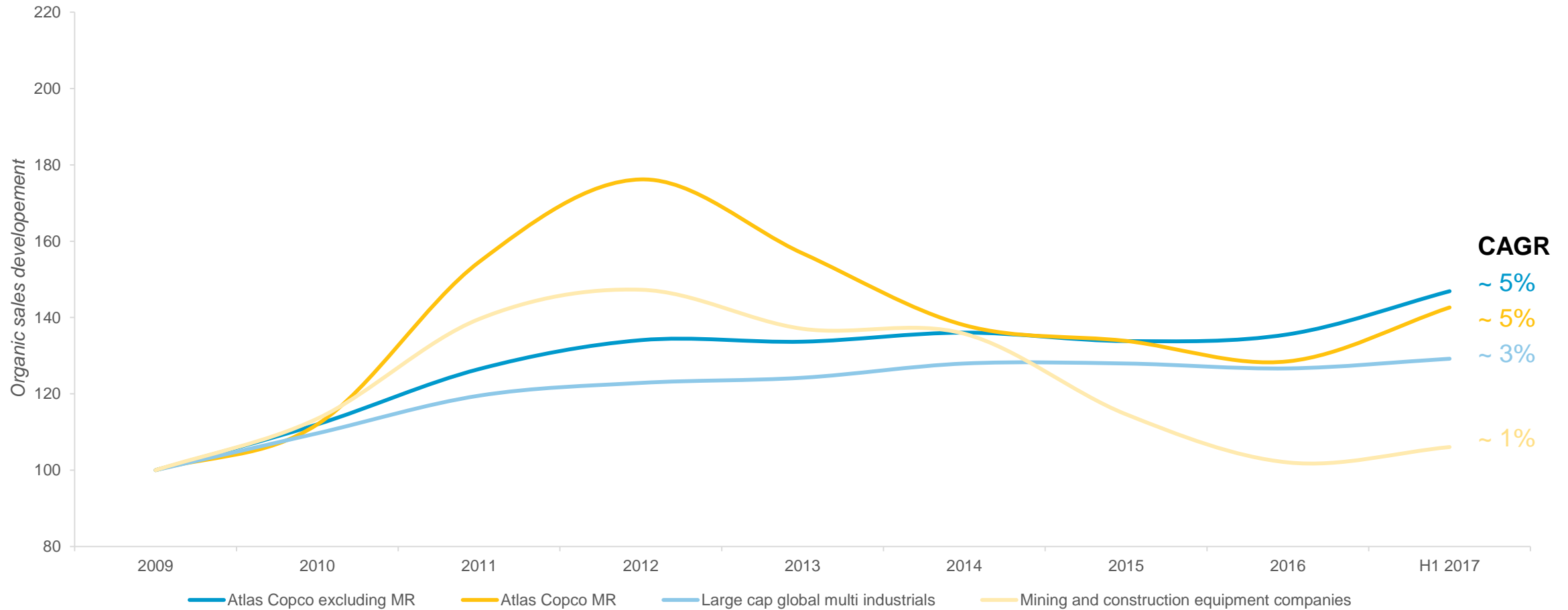


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Mining and construction equipment companies: Caterpillar, Komatsu, Metso, Sandvik and Weir

Source: FactSet and Company filings

Two world class companies

Organic sales growth, indexed



Large cap global multi industrials: 3M, ABB, Alfa Laval, Assa Abloy, Caterpillar, Danaher, Deere, Dover, Eaton, Emerson, Fortive, Geberit, General Electric, Graco, Honeywell, Illinois Tool Works, Kone, Legrand, 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, Metso, Sandvik and Weir

Source: FactSet and Company filings

Carve-out project

The starting point

BOARD OF DIRECTORS

PRESIDENT AND CEO

GROUP MANAGEMENT

BUSINESS AREAS AND CORPORATE FUNCTIONS

COMPRESSOR TECHNIQUE

- Compressor Technique Service
- Industrial Air
- Oil-free Air
- Professional Air
- Gas and Process
- Medical Gas Solutions
- Airtec

VACUUM TECHNIQUE

- Vacuum Technique Service
- Semiconductor Service
- Semiconductor
- High Vacuum
- Industrial Vacuum

INDUSTRIAL TECHNIQUE

- Industrial Technique Service
- MVI Tools and Assembly Systems
- General Industry Tools and Assembly Systems
- Chicago Pneumatic Tools
- Industrial Assembly Solutions

MINING AND ROCK EXCAVATION TECHNIQUE

- Mining and Rock Excavation Service
- Underground Rock Excavation
- Surface and Exploration Drilling
- Drilling Solutions
- Rocktec
- Rock Drilling Tools

POWER TECHNIQUE

- Power Technique Service
- Specialty Rental
- Portable Energy
- Construction Tools

Divisions generally conduct business through product companies, distribution centers and customer centers

The scope

BOARD OF DIRECTORS

PRESIDENT AND CEO

GROUP MANAGEMENT

BUSINESS AREAS AND CORPORATE FUNCTIONS

COMPRESSOR TECHNIQUE

- Compressor Technique Service
- Industrial Air
- Oil-free Air
- Professional Air
- Gas and Process
- Medical Gas Solutions
- Airtec

VACUUM TECHNIQUE

- Vacuum Technique Service
- Semiconductor Service
- Semiconductor
- High Vacuum
- Industrial Vacuum

INDUSTRIAL TECHNIQUE

- Industrial Technique Service
- MVI Tools and Assembly Systems
- General Industry Tools and Assembly Systems
- Chicago Pneumatic Tools
- Industrial Assembly Solutions

POWER TECHNIQUE

- Power Technique Service
- Specialty Rental
- **Portable Air**
– Incl. Handheld equipment
- **Power and Flow**

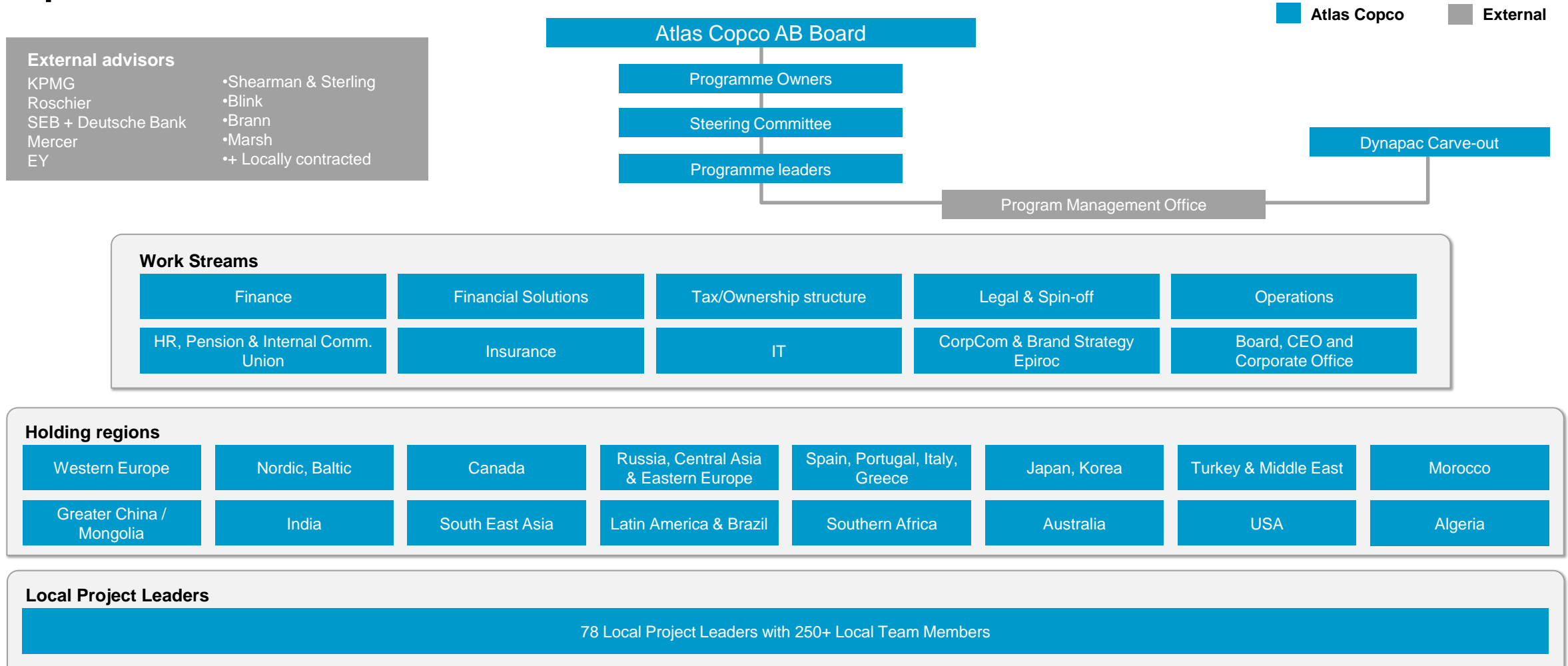
EPIROC

- Service
- Underground Rock Excavation
- Surface and Exploration Drilling
- Drilling Solutions
- Rocktec
- Rock Drilling Tools
- **Hydraulic Attachment Tools**

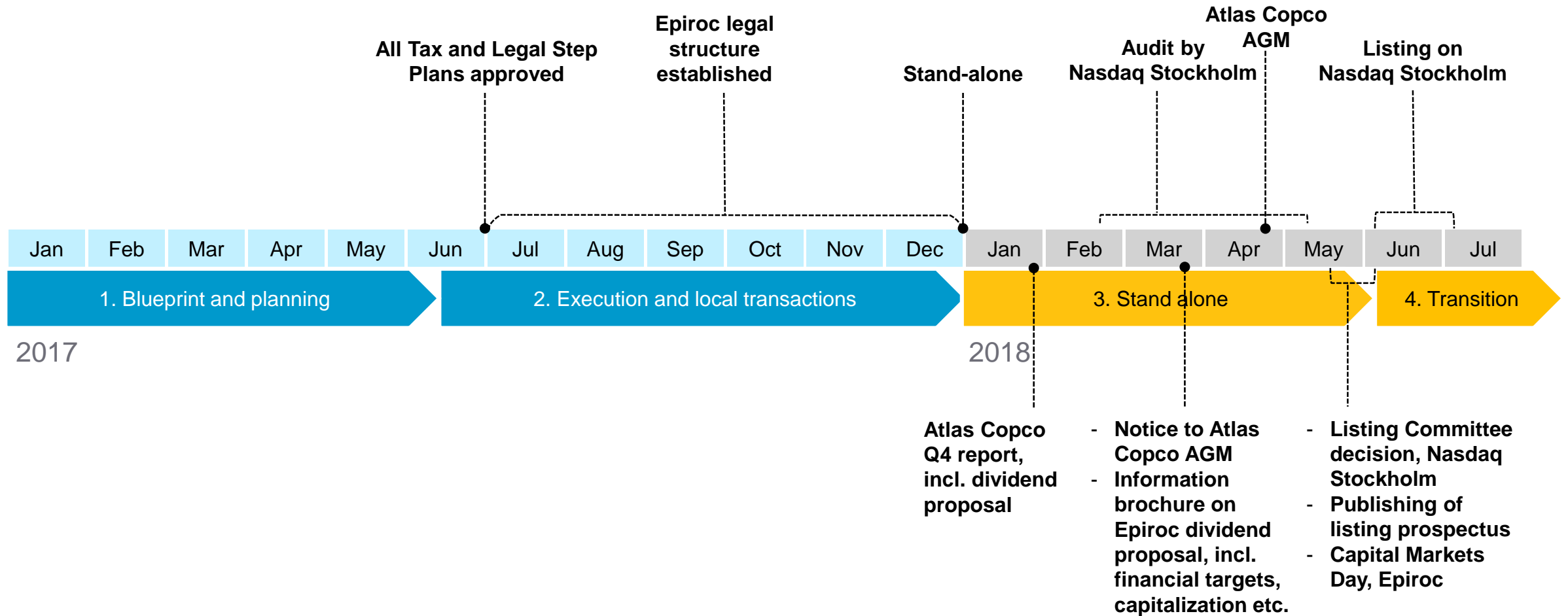
Divisions generally conduct business through product companies, distribution centers and customer centers

The carve-out and spin-off project organization

Spans the entire world



Epiroc carve-out and spin-off timeline

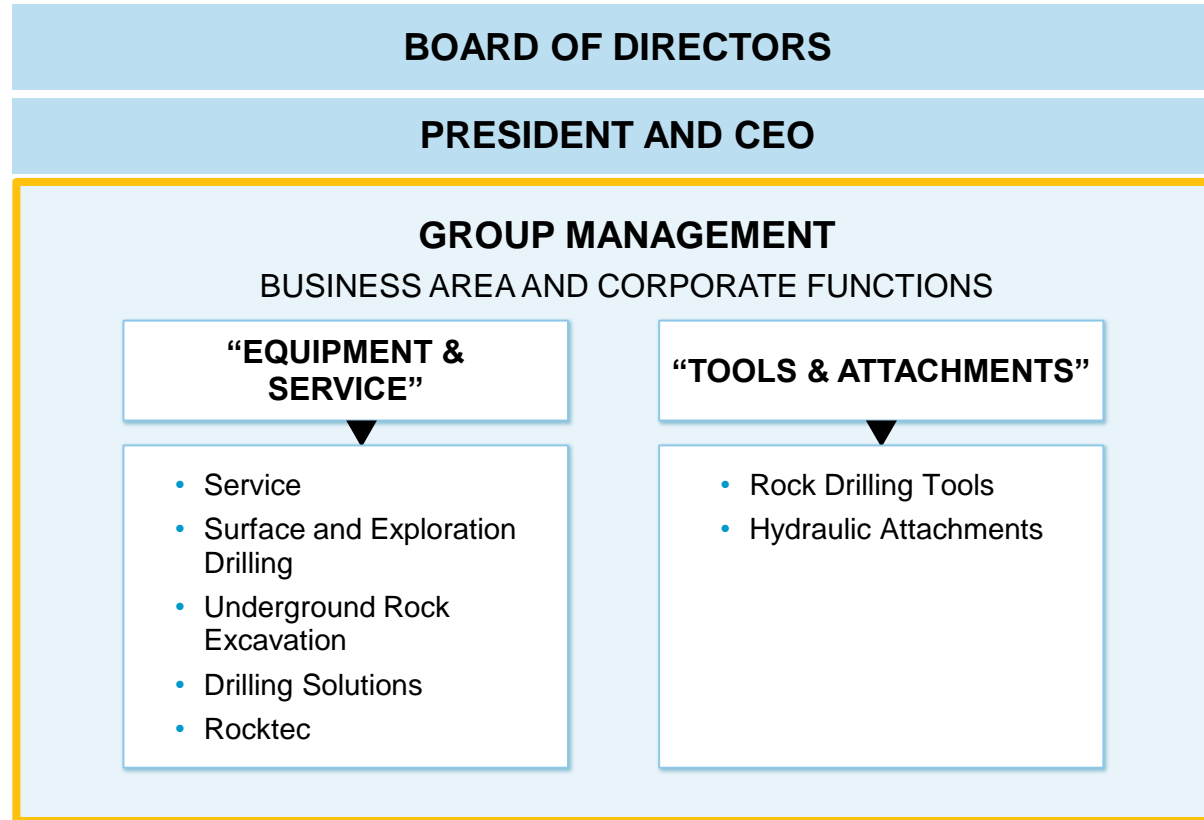


Epiroc carve-out

■ The project is on time, no red flags	
	MSEK
■ Estimated transaction expense	600
– 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

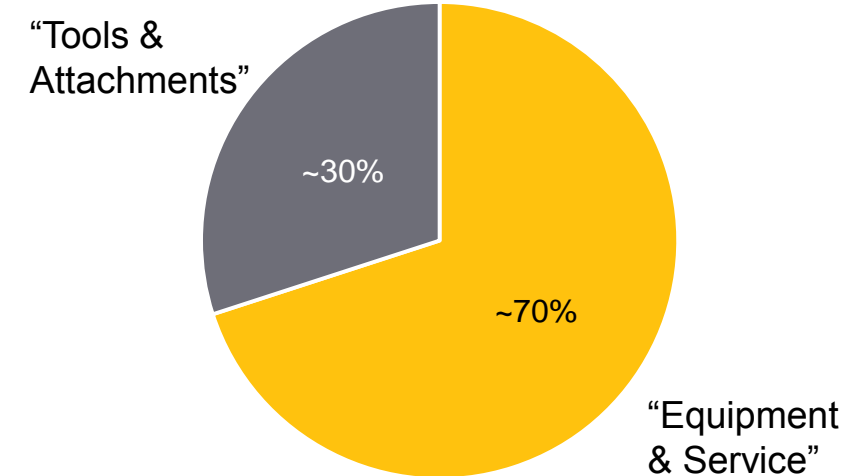
Financials

Epiroc Group – preliminary reporting segments (IFRS)



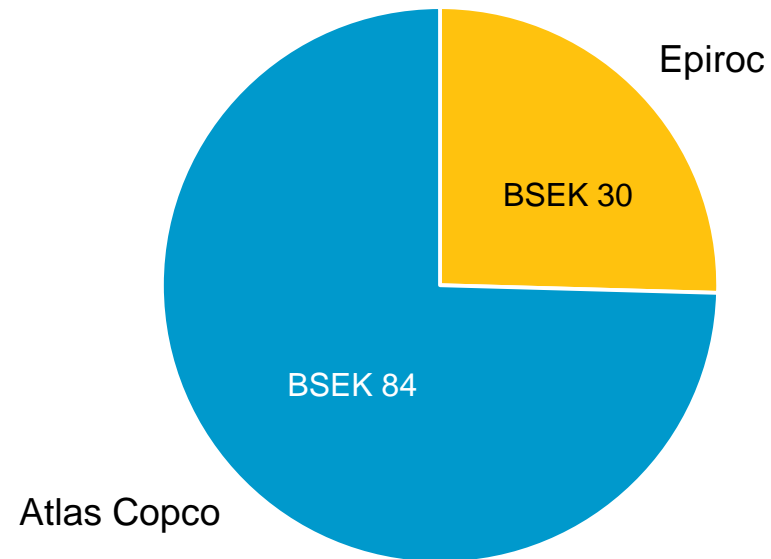
NOTE! The reporting segments will be confirmed in Q2 2018.

Revenues by reporting segments

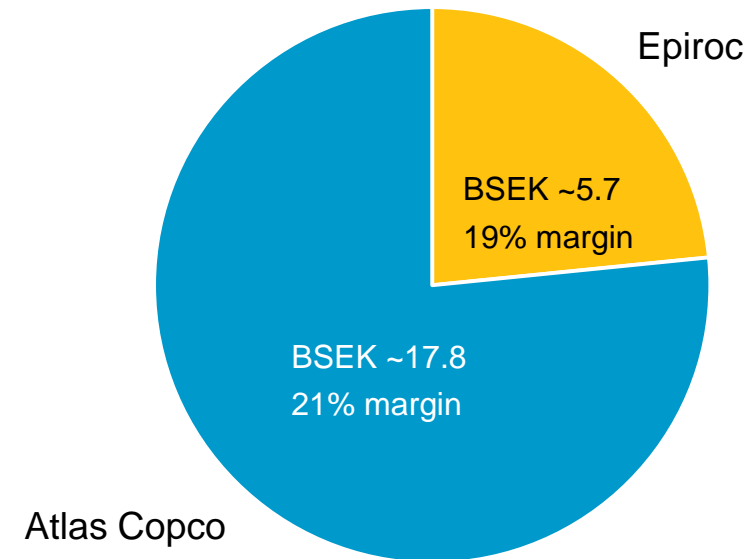


Revenues and Operating profit – Atlas Copco and Epiroc

Revenue split

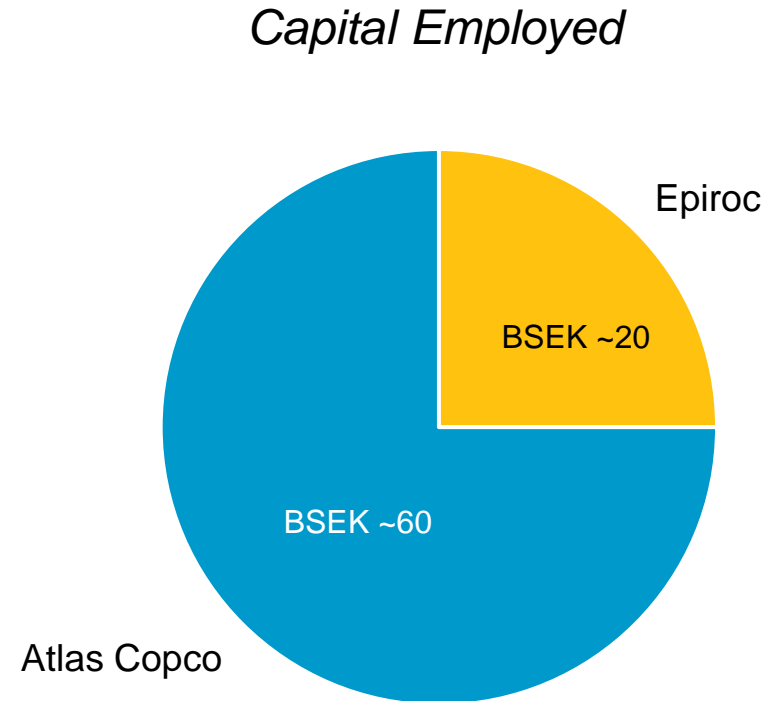


Operating profit split



NOTE! All figures presented are indicative and based on Sep 30, 2017 financials

Capital employed – Atlas Copco and Epiroc



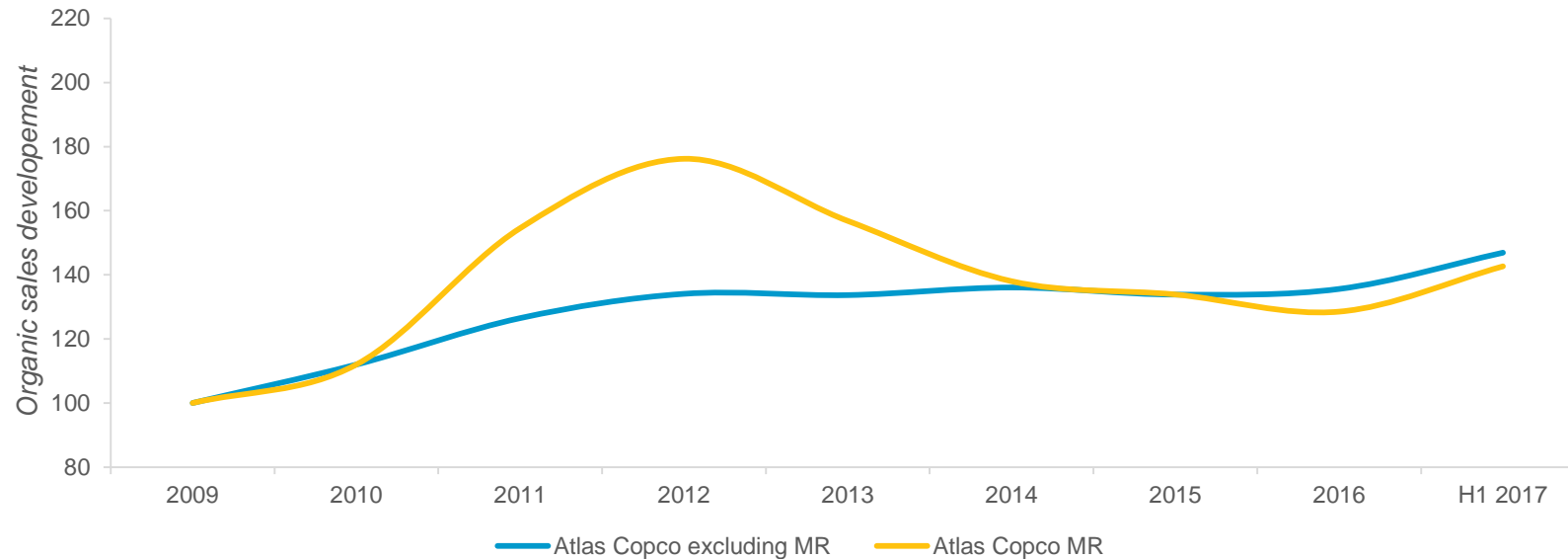
NOTE! All figures presented are indicative and based on Sep 30, 2017 financials

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 Ekelöv

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, Patricia
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.”



Atlas Copco

