

The strategic pillars for profitable growth



Capital Markets Day, November 20, 2013

Ronnie Leten, President and CEO

Sustainable Productivity



Agenda

- 1 Business overview
- 2 Goals for sustainable profitable development
- 3 Global trends
- 4 The strategic pillars for profitable growth
- 5 Summary



Atlas Copco

Established	1873 in Stockholm, Sweden
Four focused business areas	<ul style="list-style-type: none"> ▪ Compressor Technique ▪ Industrial Technique ▪ Mining and Rock Excavation Technique ▪ Construction Technique
Global presence	Customers in more than 170 countries
Employees ¹⁾	40 116
Annual revenues ²⁾	MSEK 85 370 (BEUR 9.9)
Operating margin ²⁾	20.6%
Market Capitalization ¹⁾	MSEK 224 233
Largest shareholder ¹⁾	Investor (16.8% of capital)



Symbols and Tickers

	A share	B share
NASDAQ OMX	ATCO A	ATCO B
ISIN code	SE0000101032	SE0000122467
Reuters	ATCOa.ST	ATCOb.ST
Bloomberg	ATCOA SS	ATCOB SS
ADR (USA)	ATLKY.OTC	ATLCY.OTC

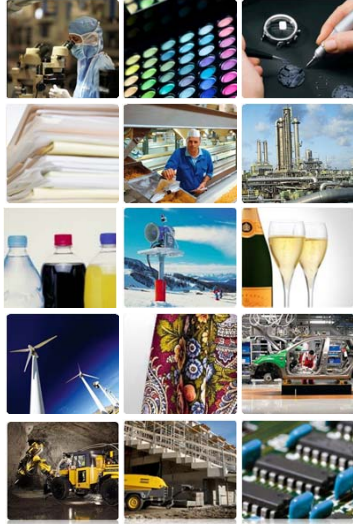
¹⁾ September 30, 2013
²⁾ 12 months rolling as at end September 2013
 SEK/EUR 8.5976 average 12 months



Business overview



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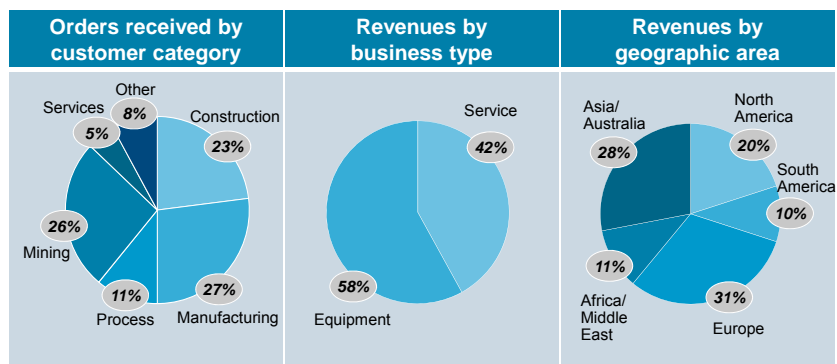


- A **world leading** provider of industrial productivity solutions
- **Agile** and **resilient** operations
- Strong global **service** business
- **Consistent strategy**
- Strong **value creation** track record



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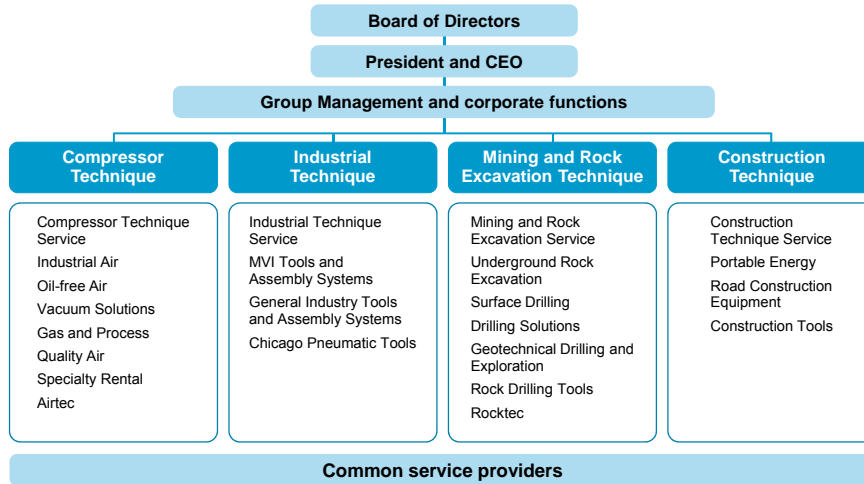
Diversified businesses



12 months until September 2013

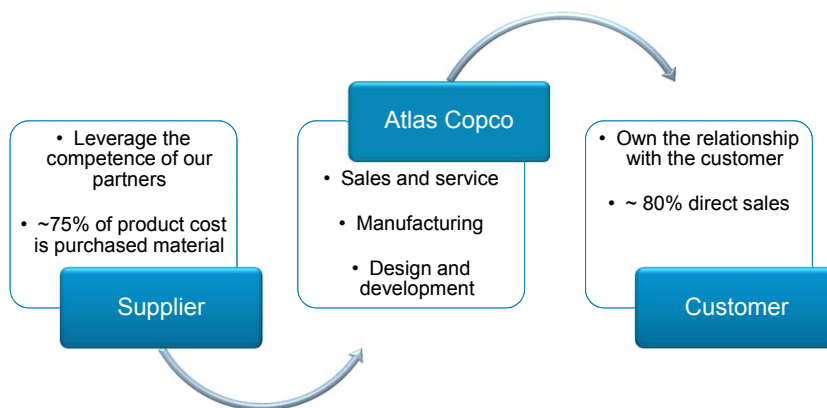
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Product driven, customer-focused structure



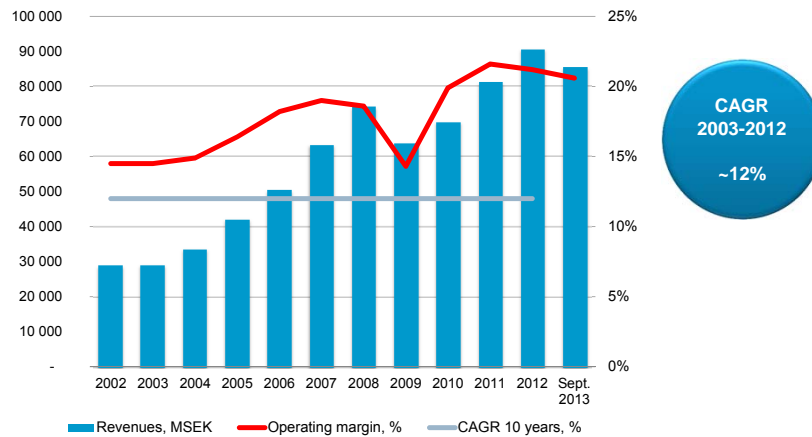
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How we do business



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Financial performance



Continuing operations, excl. divested operations in rental service and professional electric tools. 12 month figures.
CAGR calculated 10 years until 2012

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Q3 in brief



- Lower order intake for mining equipment
- Improved demand from manufacturing and construction
 - Strong growth for industrial tools and assembly systems
 - Growth for construction equipment
 - Stable orders for small- and medium-sized compressors
 - Low order intake for large compressors
- The service business continued to develop well
- Healthy profitability
- Actions to adjust capacity to the lower mining equipment demand
- Strategic acquisitions
 - Expanding into process vacuum solutions – acquisition of Edwards
 - Dost Kompresör, Pneumatic Holdings, Synatec and Archer Underbalanced Services

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Goals

for sustainable profitable development



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Create sustainable productivity

Where everyone wins



- Customers increase their **competitiveness**; more productive, safer and lower energy costs
- More efficient use of energy results in a cleaner **environment**
- Sustainable, profitable development for **Atlas Copco**



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Goals for sustainable, profitable development

Products, services and solutions	First in Mind—First in Choice® for customers and prospects for all brands.	Increase customer loyalty.	Increase customer energy efficiency by 20% by 2020.	Offer safe and reliable products and services.
Operations	First in Mind—First in Choice® employer for today's and future employees.	Competence development to achieve good results and yearly coaching/appraisals to all employees.	Increase diversity in both gender and nationality. Encourage internal mobility.	Safe and healthy working environment for all employees. Zero work-related accidents. Sick leave below 2.5%.
	No corruption or bribes.	Work with business partners committed to high ethical, environmental and social standards.	Develop new products and services with a life-cycle perspective.	Construct Atlas Copco buildings according to sustainable building standards.
	Decrease CO ₂ emissions from operations by 20% in relation to cost of sales by 2020.	Decrease CO ₂ emissions from transport of goods by 20% in relation to cost of sales by 2020.	Keep water consumption at current level.	Reuse or recycle waste.
Financials	Annual revenue growth of 8% over a business cycle.	Sustained high return on capital employed.	All acquired businesses to contribute to economic value added.	Annual dividend distribution about 50% of earnings per share.

Base year 2010



Integrated goals and performance

Performance summary 2012

FINANCIAL	Units	Goal	2012	2011	Change, %	Trend
Orders received	MSEK		30 570	28 905	+4	▲
Revenue	MSEK	8% growth	30 550	28 260	+8	▲
EBITDA	MSEK		21 892	20 982	+4	▲
Operating profit	MSEK		10 220	11 960	-9	▼
Operating profit as a percentage of revenue	%		33.5	42.3	-8.7	▼
Profit before tax	MSEK		18 520	17 200	+7	▲
Profit before tax as a percentage of revenue	%		60.7	61.0	-0.3	▼
Profit for the year	MSEK		13 914	13 980	-0.5	▼
Basic earnings per share	SEK		11.45	10.89	+5	▲
Diluted earnings per share	SEK		10.43	10.43	0	●
Dividend per share	SEK	about 50% of basic earnings per share	5.50	5.40	+1.9	▲
Dividend yield	%		48.1	49.5	-2.8	▼
Operating cash flow	MSEK		12 233	8 292	+46	▲
Return on capital employed	%	Sustained high	38.7	32.2	+20	▲
Return on equity	%		44.5	42.8	+4	▲
ENVIRONMENTAL	Units	Goal	2012	2011	Change, %	Trend
CO ₂ emissions	Tonnes		332	340	-2	▲
- from operations (Scope 1+2)	Tonnes	-20%/tCO ₂ e	300	320	-6	▲
- from transport (Scope 3)	Tonnes	-20%/tCO ₂ e	32	20	+60	▲
Water consumption	1000 m ³	↓	823	619	+23	▲
Waste	% recycled		82	85	-3	▼
Sustainable construction	number	increase	4	3	+25	▲
ISO 14001 environmental management systems	% of cost of sales		100	85	+15	▲
EMPLOYEES, HEALTH AND SAFETY	Units	Goal	2012	2011	Change, %	Trend
Average number of employees	number		29 110	28 101	+3.6	▲
Competence development	hours		42	45	-3	▼
Turnover	%		100	82	+18	▲
Internal mobility	%	Encourage	8	9	-1	▼
Gender diversity	%	increase	16.8	16.8	+0.1	●
Diversity in nationality among senior managers	number	increase	49	46	+3	▲
Sick leave	%	↓	2.1	2.3	-0.2	▲
Accidents	number/million hours		0	5.4	-5.4	▲
Fatalities	number		0	3	-3	▲
OSHA 1000 Health and safety systems	% of cost of sales		100	72	+28	▲
GOVERNANCE	Units	Goal	2012	2011	Change, %	Trend
Managers trained in Code of Practice	% of managers		100	25	+75	▲
Violations reported	number reported		0	39	-39	▲
Supplier committed to code of practice	% significant supplier		85	80	+5	▲

Financial

Environmental

Employees, health and safety

Governance



An industry benchmark



Global trends



Capitalize on major trends

Global growth

Continued strong demand for minerals

Investments in infrastructure

Energy efficiency and productivity requirements from the industry

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Primary drivers of revenues

	Equipment	Service
Industry	 <p>Industrial machinery investment</p>	 <p>Industrial production</p>
Construction	 <p>Investments in infrastructure</p>	 <p>Construction activity</p>
Mining	 <p>Mining machinery investments</p>	 <p>Metal and ore production</p>

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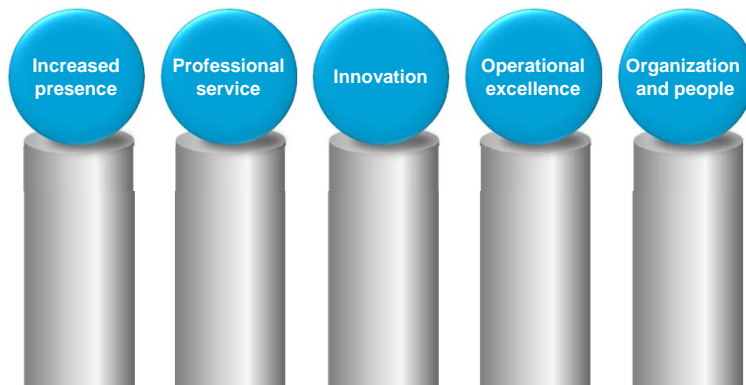
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The strategic pillars for profitable growth



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The strategic pillars for profitable growth



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Increase presence in fast growing economies ...and strengthen in mature markets

Direct presence

Develop local competence

Create high brand awareness

Increased presence

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Revenue split 2008 versus today

The shift

+22%

19%
20%

-11%

39%
31%

+43%

23%
28%

+46%

8%
10%

+16%

11%
11%

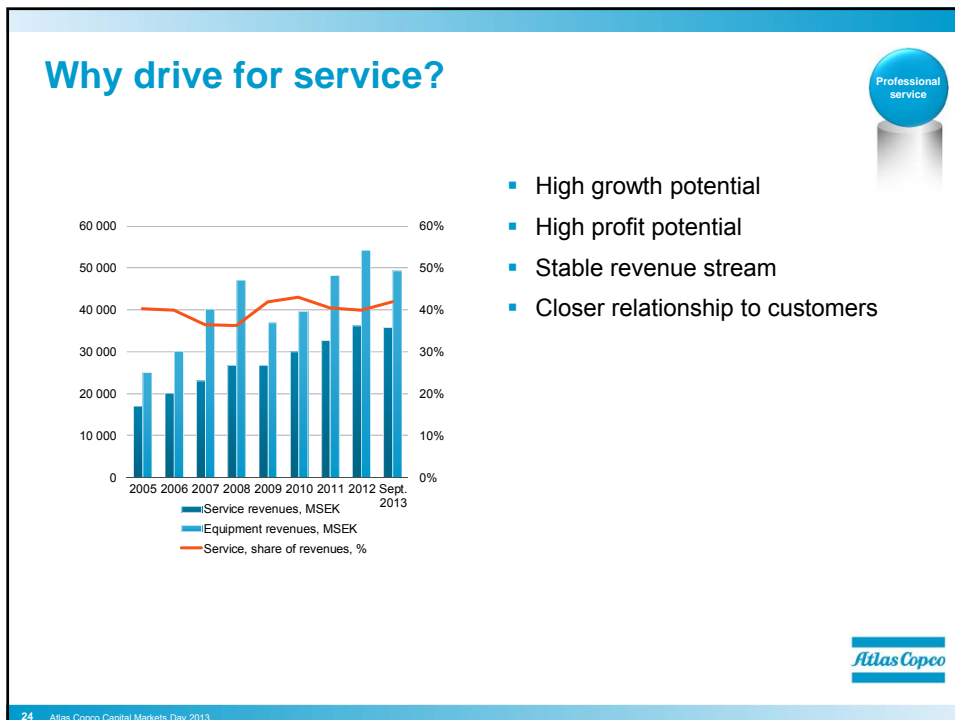
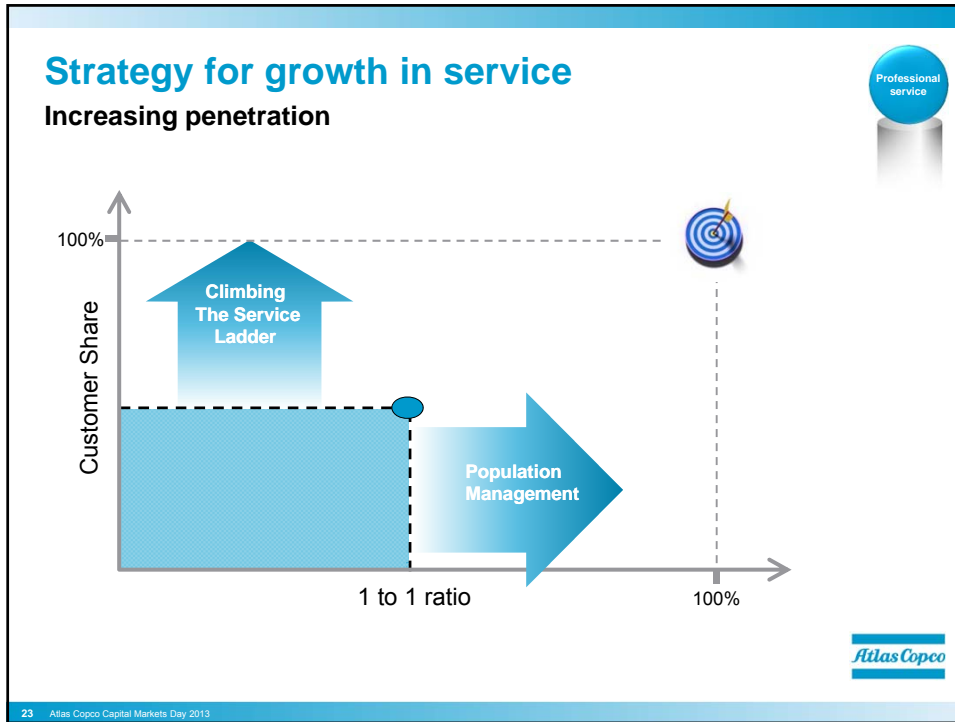
Average exchange rates

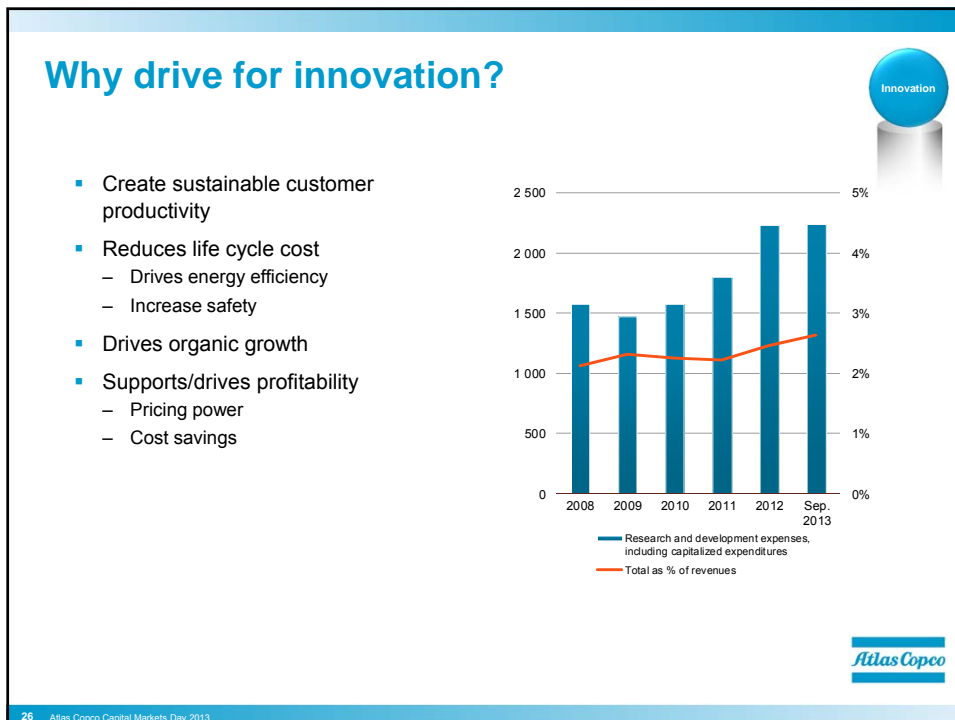
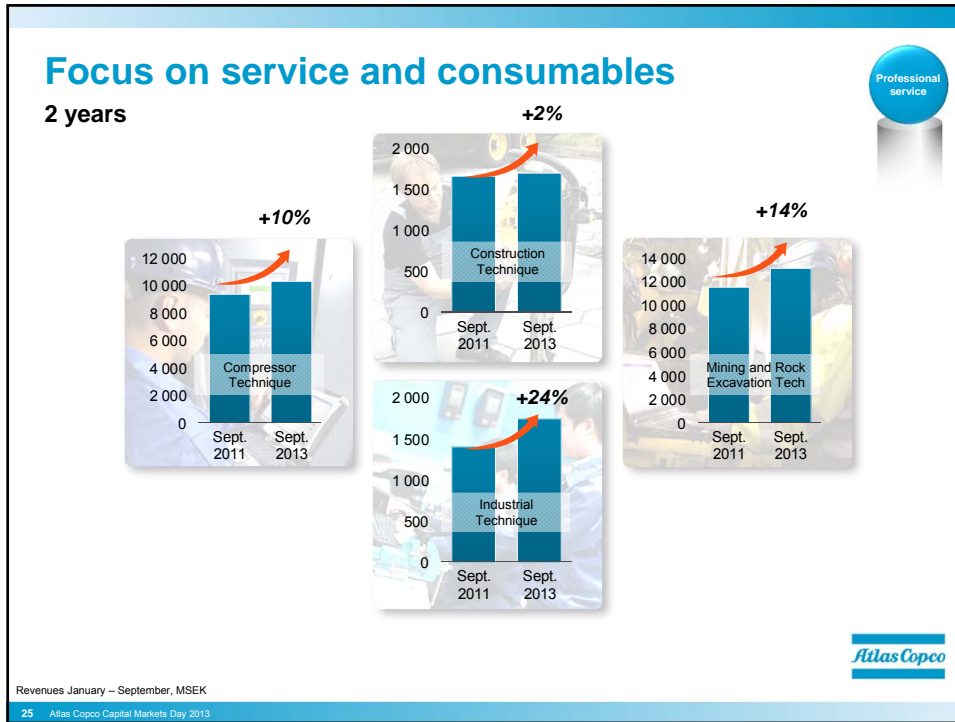
	2008	Sept. 2013	Δ
USD	6.60	6.55	-1%
EUR	9.67	8.60	-10%

● Share of revenues 2008
● Share of revenues 12 months until September 2013

Increased presence

MSEK
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Innovation



Innovation

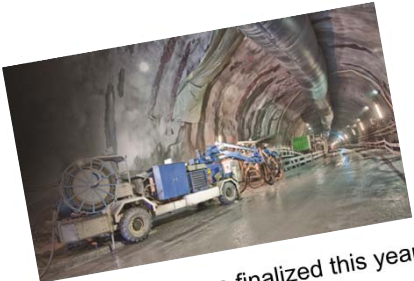
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Acquisitions

- Increased presence
- Extended offering
 - Equipment
 - Service
- Technology / expertise


Increased presence

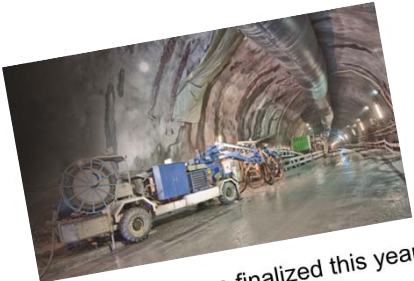


Professional service



Innovation





- 10 acquisitions finalized this year
- BSEK 1.2 in annual revenues

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Atlas Copco to acquire Edwards

Agreement announced on August 19, 2013

Acquisition rationale

- Vacuum is an attractive market segment that fits well with Atlas Copco's growth strategy (to grow in current and adjacent businesses)

Edwards Group Ltd.

- A leading developer and manufacturer of vacuum products, abatement systems and related services
- Revenues of MGBP 595 (approx. MSEK 6 400) in 2012

The transaction

- Atlas Copco will pay up to USD 10.50 per share, corresponding to an enterprise value of BSEK 10.6 (BUSD 1.6), whereof BSEK 2.8 (BUSD 0.4) is assumed net debt.



2012 average exchange rate SEK / GBP = 10.70

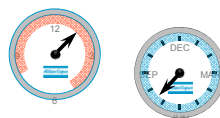
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Operational excellence

Activity based working



Alone → Together



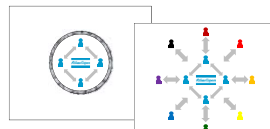
From 8 to 5 → AnyTime



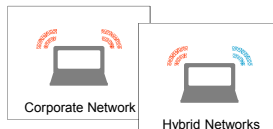
Office → AnyWhere



PC Laptop → AnyDevice



Between us → with AnyOne



Closed and restricted → Open but protected



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Operational excellence

Operational excellence

India and China

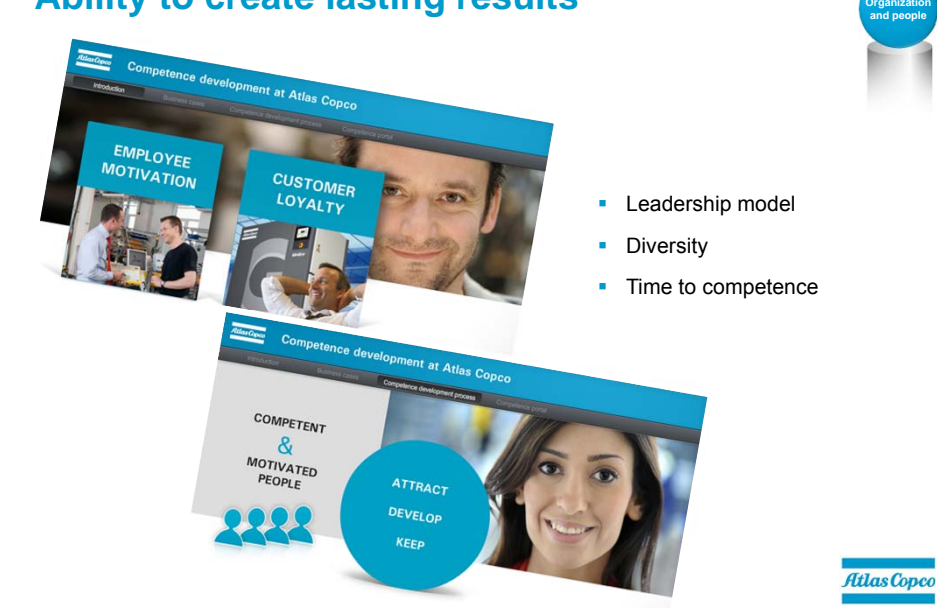


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Ability to create lasting results

Organization and people



- Leadership model
- Diversity
- Time to competence

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Summary

- A **world leading** provider of industrial productivity solutions
- **Agile** and **resilient** operations
- Strong global **service** business
- **Consistent strategy**
- Strong **value creation** track record

- **Fit for more**



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**Committed to
sustainable productivity.**



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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.”

