



The face of interaction



Atlas Copco Group

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Capital Markets Day

Feb. 19-20, 2001



Atlas Copco Group

- ▶ Market Position
- ▶ Vision and Strategy
- ▶ Financial Targets
- ▶ Q4 Highlights and Strategic Moves
- ▶ Business Areas
- ▶ Financials
- ▶ Summary and Outlook

Market Position

- ▶ World Leading Supplier
 - ▾ Compressors
 - ▾ Construction & Mining Equipment
 - ▾ Power Tools
- ▶ U.S. Leader in Equipment Rental Services
- ▶ Sales and service network in 150 countries and 27,000 employees
- ▶ Profitable Growth Strategy
 - ▾ Revenues SEK 46.5 billion
 - ▾ Strong operating margins, 13.7 % (12.3 %)

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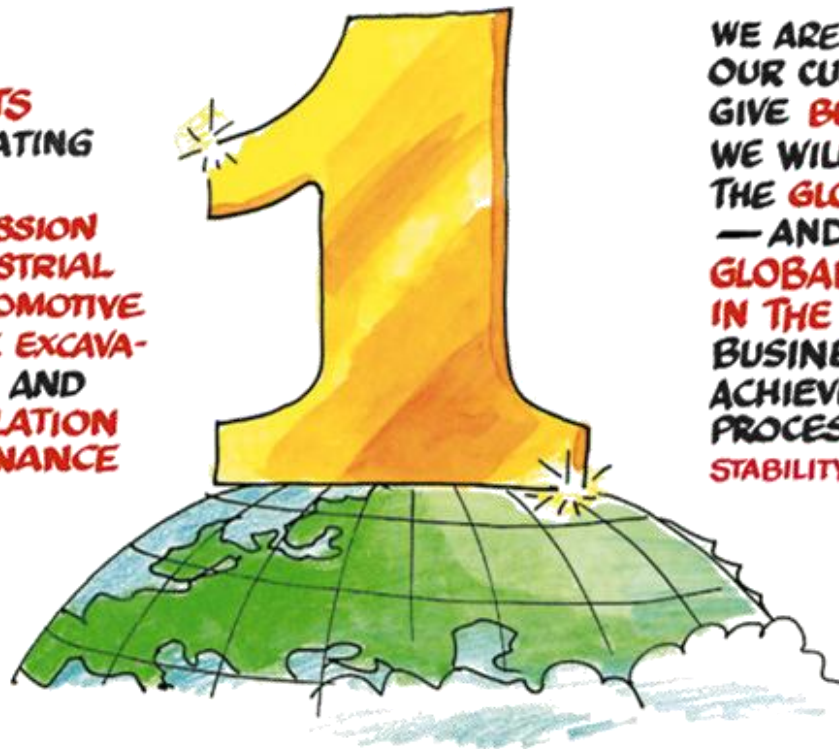
VISION

TO BE

FIRST IN MIND - FIRST IN CHOICE

OF OUR CUSTOMERS !

WE PROVIDE:
**PRODUCTS AND
THE USE OF PRODUCTS**
TO CUSTOMERS OPERATING
WITHIN THE AREAS OF
**AIR AND GAS COMPRESSION
AIR TREATMENT, INDUSTRIAL
MANUFACTURING, AUTOMOTIVE
AFTER-MARKET, ROCK EXCAVA-
TION, CONSTRUCTION AND
DEMOLITION, INSTALLATION
REPAIR AND MAINTENANCE**



WE ARE **THE FIRST CHOICE** FOR
OUR CUSTOMERS WHEN WE
GIVE **BEST VALUE**.
WE WILL THEN BE
THE GLOBAL LEADER
— AND WE WANT
**GLOBAL LEADERSHIP
IN THE MARKET**.
BUSINESS BALANCE TO BE
ACHIEVED THROUGH THE
PROCESS OF
STABILITY → PROFITABILITY → GROWTH

Group Strategy - Growth Three Avenues



“More of
the same”



Use of
Products



Asia

Group Strategy - Focus

Core competencies

- ▶ Compressed air solutions
- ▶ Hard-rock drilling technology
- ▶ Hand-held power tools
- ▶ Customer application knowledge (direct sales)
...maintained and developed through...

Continuous improvements

production
products
marketing
organization
business flows

To better serve our customers

Innovations

new technology
new concepts
new methods

To safeguard long-term results

Group Strategy - Multibrand



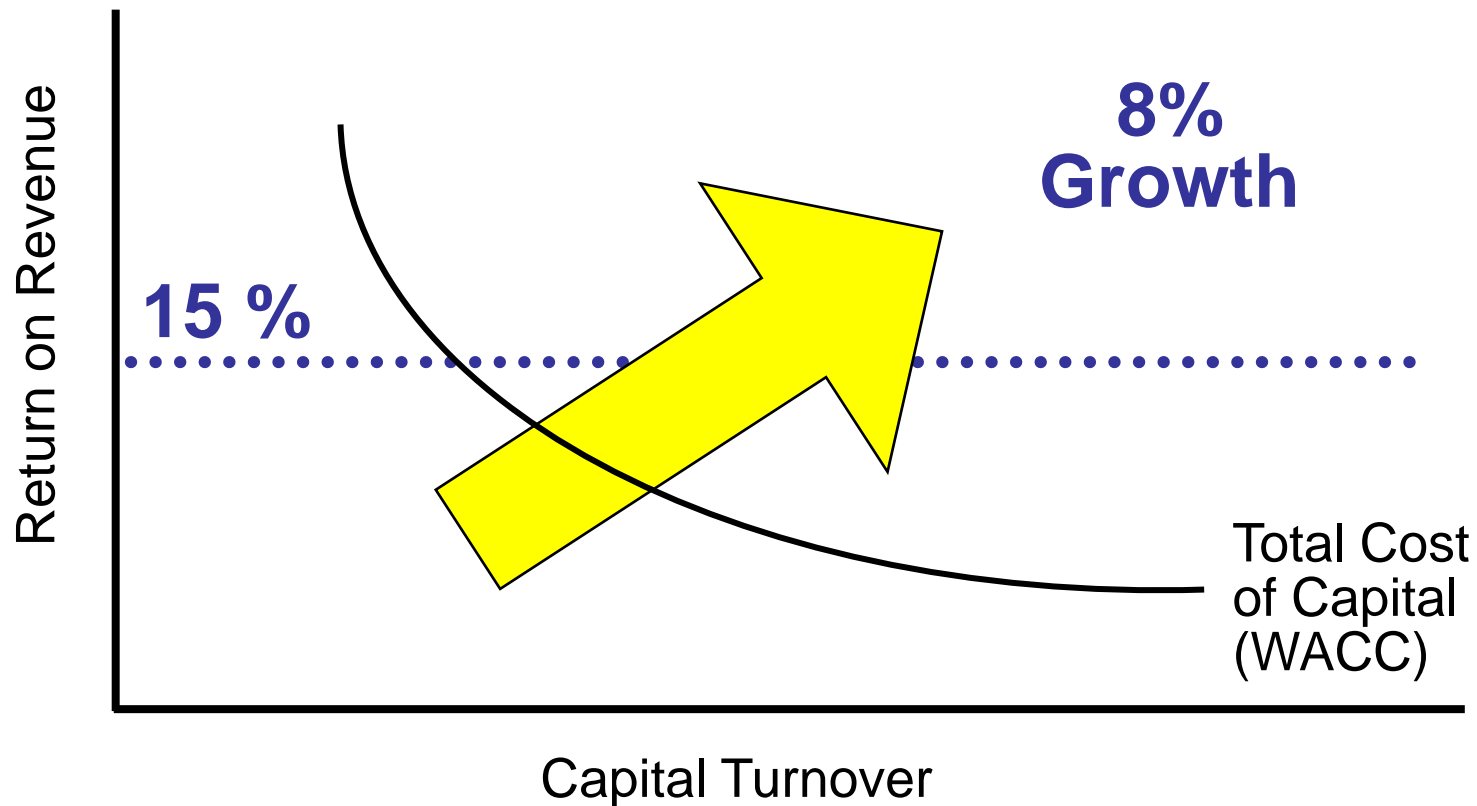
Chicago
Pneumatic



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Financial Targets



... and continuously challenge our capital efficiency

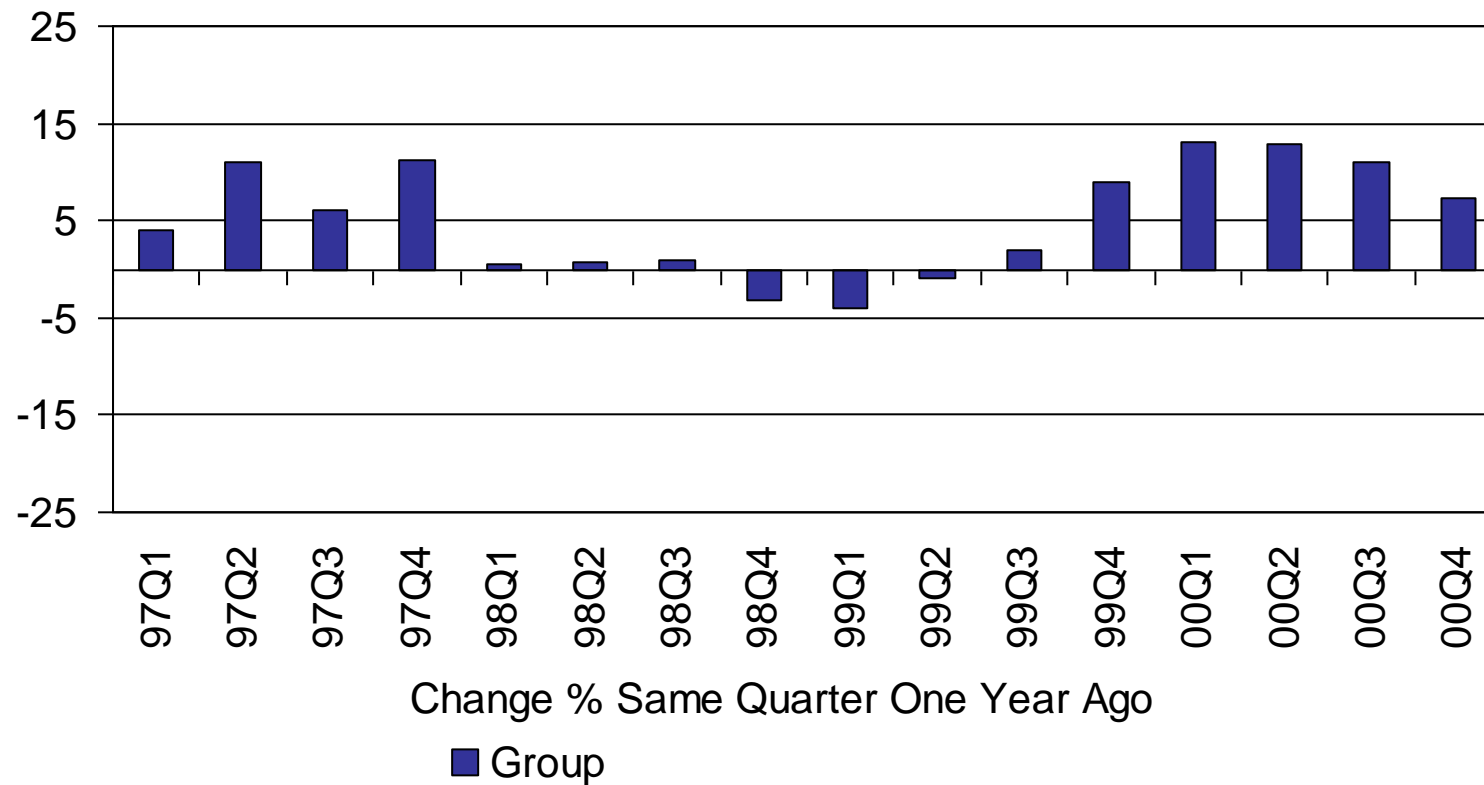
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Q4 Highlights

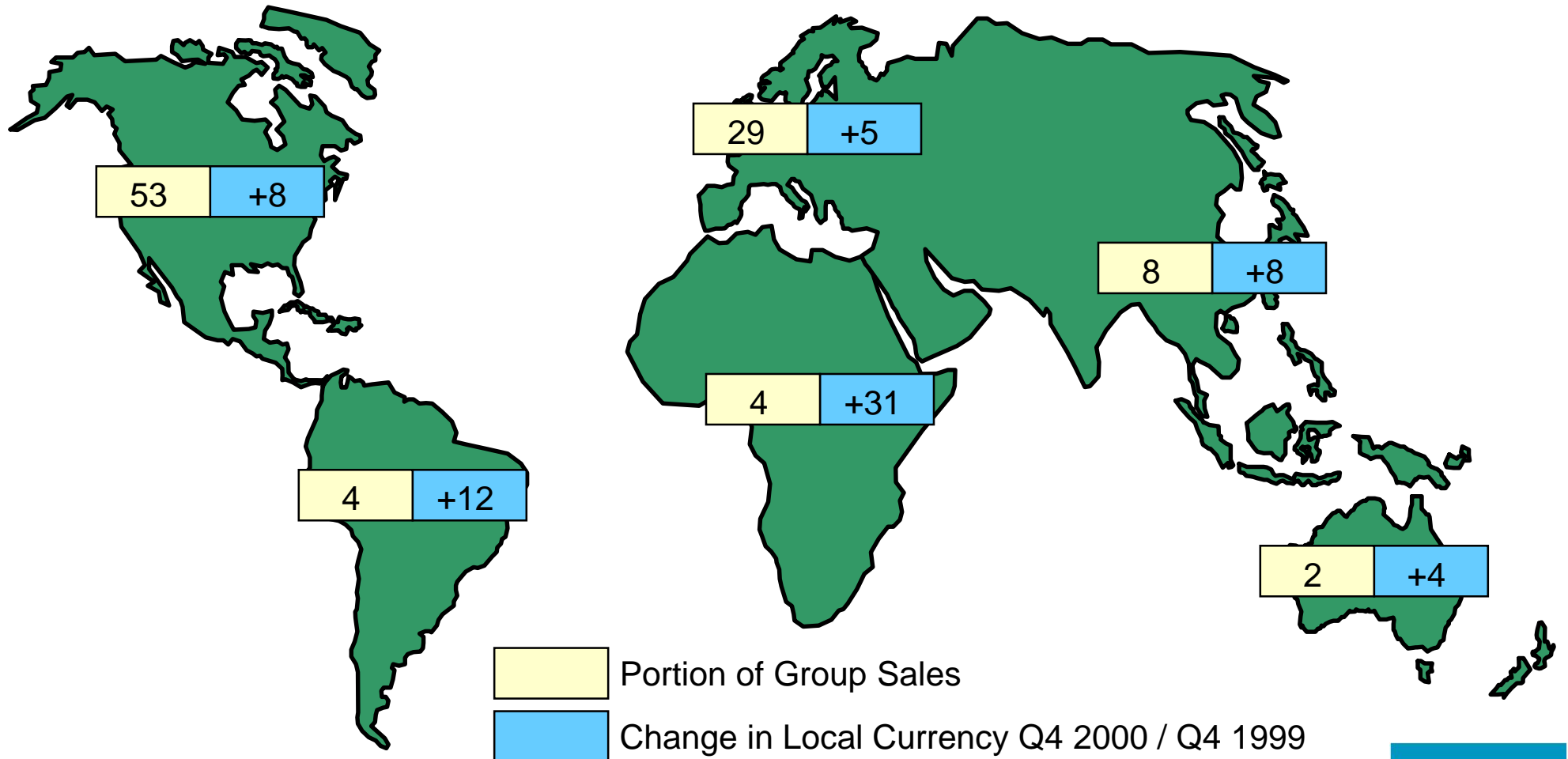
- ▶ Order volume up 7 percent over strong Q4 1999
- ▶ Outsourcing trend in rental business continue
- ▶ Product innovation and increased service offering reinforce market position
- ▶ Revenues and profits - highest recorded in any single quarter

Volume Growth per Quarter

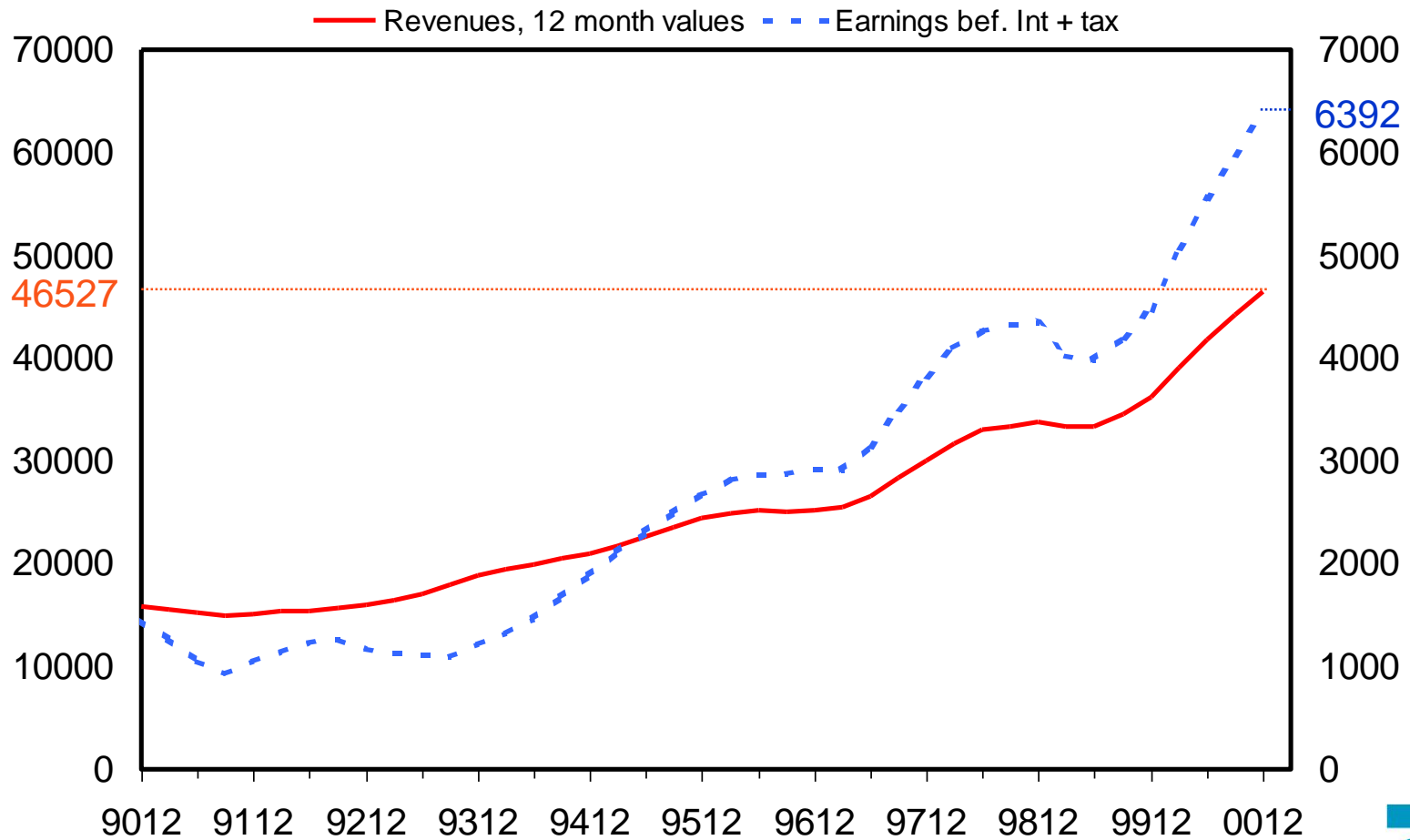


Orders received, Oct - Dec 2000

Change in Local Currency **+8%**



Long Term Trend



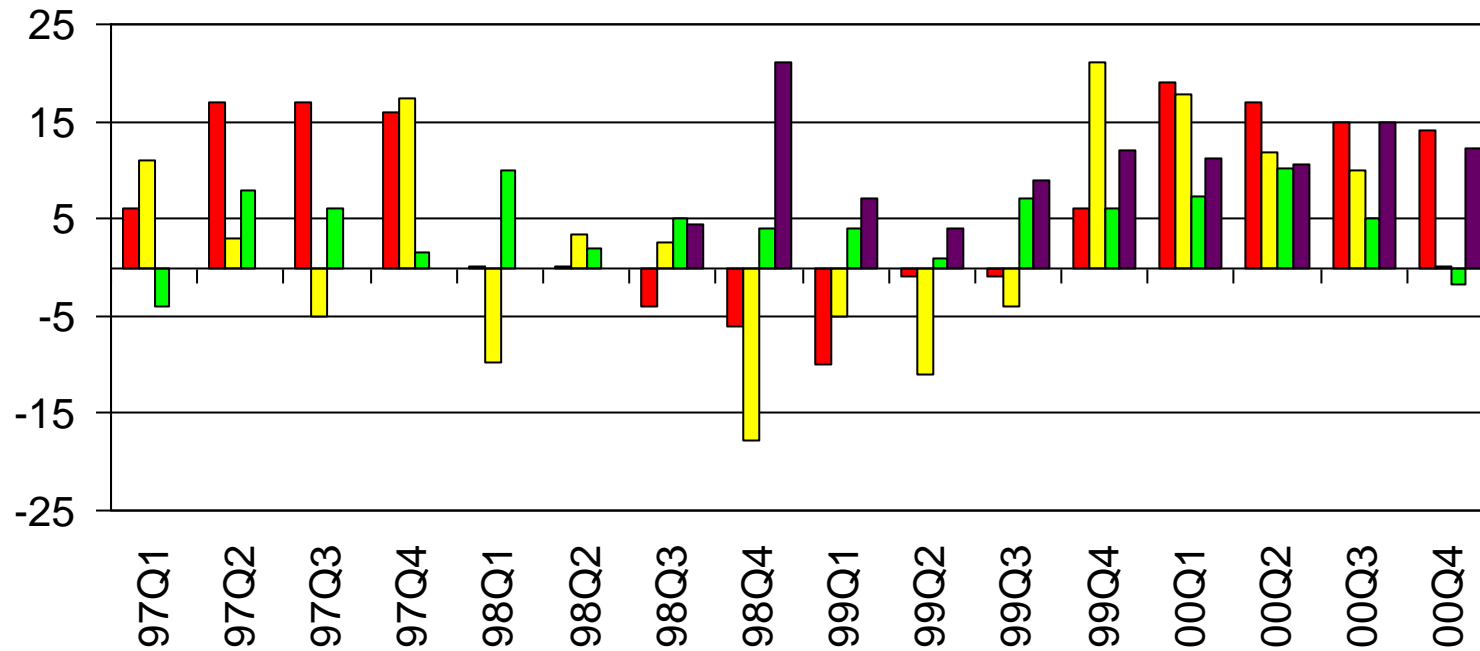
Strategic Moves - Growth

- ▶ “More of the same”
 - ▾ New sales companies
 - Egypt, Russia, Czech Republic
 - ▾ Continuous product innovation
 - turbine grinder, VSD compressors etc
- ▶ Use of products
 - ▾ Rental Service Business Area
 - ▾ Increase of full-service contracts
- ▶ Asia
 - ▾ Extension of compressor manufacturing in China

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Volume Growth per Quarter by Business Area



Change % Same Quarter One Year Ago

- Compressor Technique
- Construction and Mining Technique
- Industrial Technique
- Rental Service

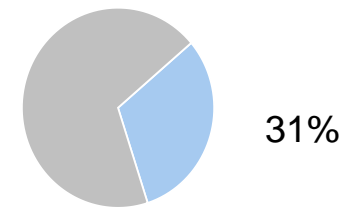
Compressor Technique

Market Position

- ▶ World leading manufacturer of air compressors
- ▶ Core manufacturing concentrated to one place
- ▶ Highest R&D spending in the business



Revenues:
SEK 14.7 billion



EBIT margin:
18.6%

Compressor Technique Innovation

- ▶ Variable Speed Drive technology
 - ▾ Saves energy - on average 35 percent. The application and the fluctuations in air demand is the determinant for the energy consumption
 - ▾ Continuously expanding range
- ▶ Full-Feature concept
 - ▾ Complete with built-in dryer and/or cooler



Compressor Technique

Q4

- ▶ Innovations and after-market activities drive growth
- ▶ Operating profit up 30%
- ▶ Strong volume growth in most markets
 - ▾ Europe, South America and particularly Asia
 - ▾ Lower demand noted in North America
- ▶ Restructuring of dryer and filter manufacturing
 - ▾ Benefits in R&D and economies of scale



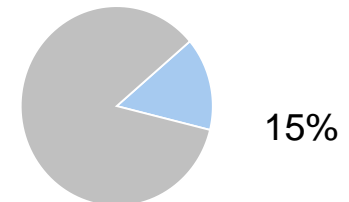
Construction & Mining Technique

Market Position

- ▶ Global leader in rock drilling equipment and tools for hard rock construction and mining applications
- ▶ More than 55% “use of product” revenues



Revenues:
SEK 7.1 billion



EBIT margin:
9.2%

Construction & Mining Technique Innovation

- ▶ Completely new range of Surface Crawlers introduced in the last three years
 - ▾ Features
 - Choice of Engines
 - Modular Design
 - Operator Friendly
- ▶ Productivity enhancing consumables
 - ▾ New system for drifting / tunnelling
 - ▾ CORAC exploration equipment



Construction & Mining Technique

Q4

- ▶ Good investment- and activity level in the mining sector
- ▶ Several large contracts for consumables
- ▶ Sales of construction equipment slowing down



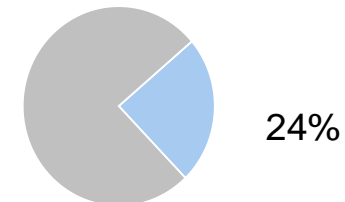
Industrial Technique

Market Position

- ▶ World leading manufacturer of industrial power tools
- ▶ Focus on innovation
- ▶ Large producer of professional electric tools, with a leading position in the U.S. with Milwaukee brand tools



Revenues:
SEK 11.5 billion

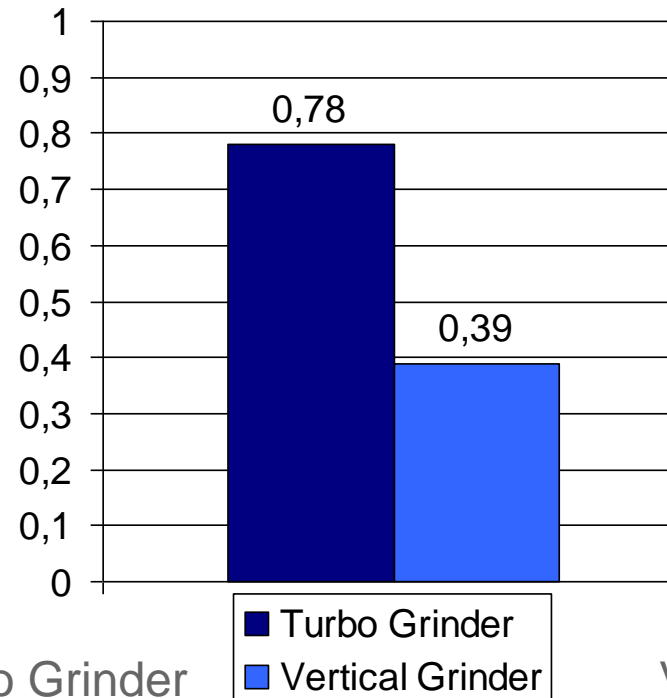


EBIT margin:
10.8%

Industrial Technique Innovation



Turbo Grinder - Power to Weight Ratio



Model
Free speed
Power
Weight

Turbo Grinder
GTG40 F066-23
6600 rpm
4.5 kW
5.8 kg

Vertical Grinder
LSS64 S060-23
6000 rpm
2.2 kW
5.7 kg

Industrial Technique

Q4

- ▶ Very strong order intake for computer controlled tightening systems - MVI
- ▶ Decreased demand for professional electric tools from the construction industry
- ▶ Restructuring measures taken in Alliance Tools showing results



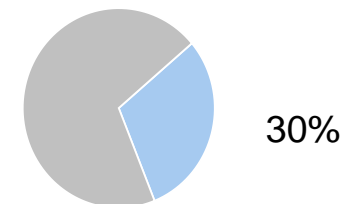
Rental Service

Market Position

- ▶ A leader in U.S. equipment rental
- ▶ >575 stores and over 7000 employees in U.S., Canada and Mexico
- ▶ Driven by outsourcing trend



Revenues:
SEK 14.0 billion



EBIT margin:
13.3%

Rental Service

Q4

- ▶ Trend to rent instead of buying continues
- ▶ Solid increase in revenues - again
 - ▾ 7 new greenfield operations
 - ▾ 9 stores acquired
- ▶ Merger - Rental Service Corp.
 - ▾ Power of One
- ▶ Focus on capital efficiency
 - ▾ Fleet management
 - ▾ Seasonal effect and size/mix of rental fleet led to lower margins in the quarter



Rental Service Merger

- ▶ Proactive
- ▶ Great for customers
- ▶ Great for employees
- ▶ Accelerates efficiencies and synergies

Earnings by Business Area

Q4, excl. non-recurring items

October – December	SEKm		Margin	
	2000	1999	2000	1999
Compressor Technique	815	612	19.9	17.4
Construction & Mining T.	171	121	9.0	7.7
Industrial Technique	378	271	12.0	9.9
Rental Service	532	422	13.8	15.0
Corporate items	-53	-26		
EBIT	1,843	1,400	14.4	13.3

Earnings by Business Area

2000, excl. non-recurring items

January – December	SEKm		Margin	
	2000	1999	2000	1999
Compressor Technique	2,770	2,153	18.8	16.3
Construction & Mining T.	650	397	9.2	6.9
Industrial Technique	1,238	949	10.8	9.2
Rental Service	1,982	1,010	14.2	13.6
Corporate items	-222	-122		
EBIT	6,418	4,387	13.8	12.1

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Group Total*

SEK m	Oct. - Dec.			Jan. - Dec.		
	2000	1999	Change %	2000	1999	Change %
Orders Received	12,177	10,210	+19	46,628	36,534	+28
Revenues	12,841	10,507	+22	46,527	36,234	+28
EBIT	1,823	1,400	+30	6,392	4,470	+43
- margin, %	14.2	13.3		13.7	12.3	
Profit after financial items (PAFI)	1,371	1,022	+34	4,689	3,412	+37
- margin, %	10.7	9.7		10.1	9.4	

* Including non-recurring items

Balance Sheet

December 31, 2000

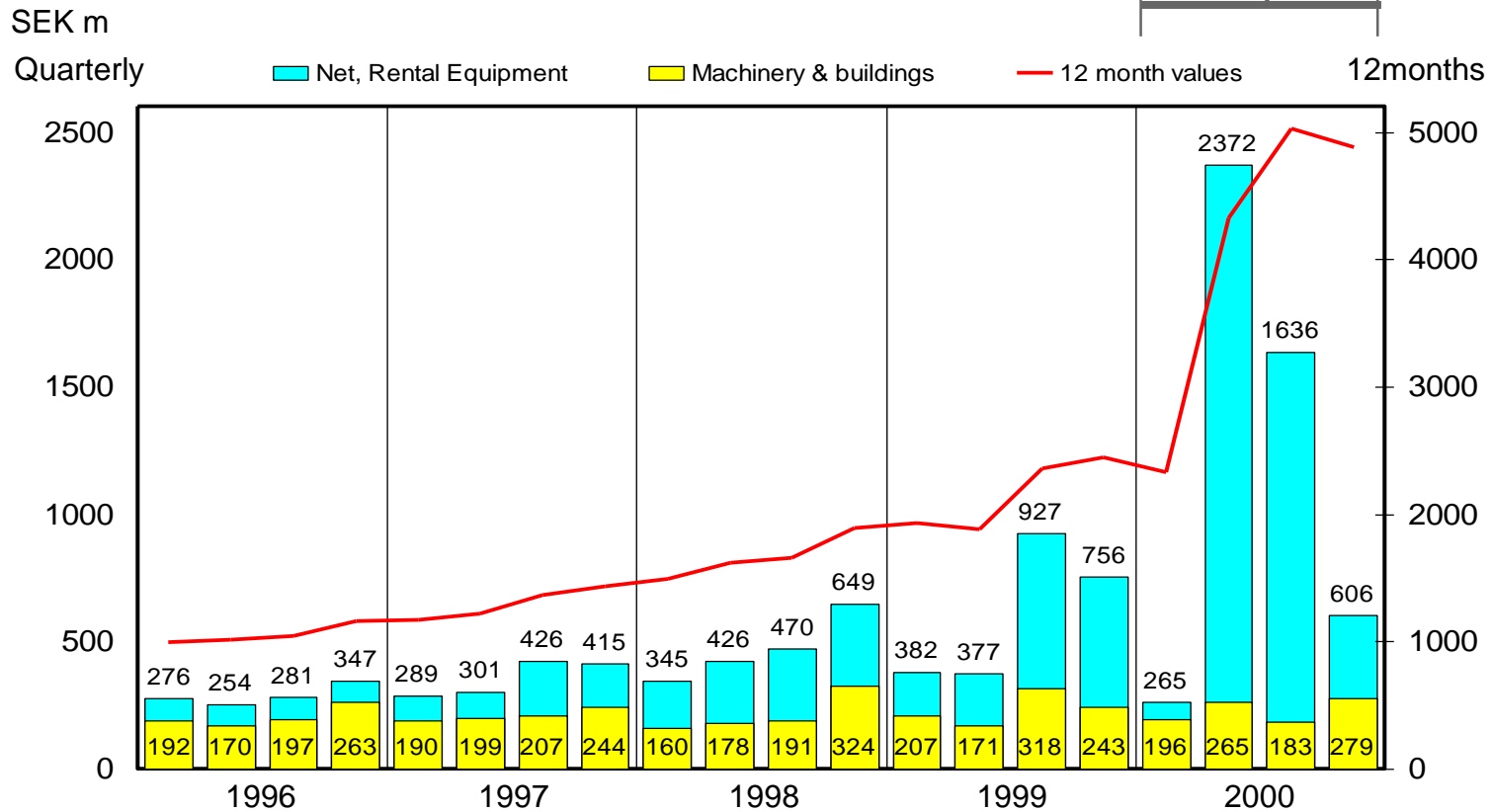
SEK m.	Dec. 31 2000	%	Dec. 31 1999	%
Intangible fixed assets	20,792	34	18,851	35
Rental Fleet	15,225	25	11,699	22
Other fixed assets	7,032	11	7,003	13
Inventories	5,881	9	5,348	10
Receivables	11,521	19	9,463	18
Cash and bank	1,237	2	1,286	2
Total assets	61,688		53,650	
Equity	23,982	39	20,885	39
Minority interest	219	0	192	0
Interest-bearing liabilities	23,507	38	20,611	39
Non-interest-bearing liabilities	13,980	23	11,962	22
Total liabilities and equity	61,688		53,650	

Cash Flow

SEK m.	Oct. – Dec.		Jan. – Dec.	
	2000	1999	2000	1999
Operating cash surplus after tax	1,745	1,663	6,310	4,595
of which depreciation added back	1,096	904	3,982	2,616
Change in working capital	-327	29	-402	20
Cash flow from operations	1,418	1,692	5,908	4,615
Investments in tangible fixed assets	-1,018	-1,019	-6,602	-3,281
Sale of tangible fixed assets	415	395	1,970	1,079
Company acquisitions/divestments	35	-69	-372	-13,894
Cash flow from investments	-568	-693	-5,004	-16,096
Cash flow after net investments	850	999	904	-11,481
Dividends paid	0	-1	-1,007	-832
Equity issue	0	4,125	0	4,125
Net cash flow	850	5,123	-103	-8,188

Capital Expenditures in Tangible Fixed Assets

Net rental fleet investment
= approx. SEK 4.0 billion



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Summary

- ▶ Strong Market Position in all 4 Business Areas
 - ▾ Innovation → Growth
- ▶ Product innovation and increased service offering reinforce market position
- ▶ Profitable Growth Strategy
 - ▾ “More of the same”
 - ▾ Asia
 - ▾ Use of products







Near Term Demand Outlook

Industrial and Geographical






(Dotted Arrows Indicate Risk/Opportunity)

February 2001

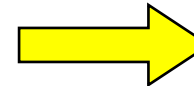
Weight by Industry

Others	8%	
Services	6%	
Process	13%	
Automotive	6%	
Manufacturing	15%	
Non-building	16%	
Building	28%	
Mining	8%	

Weight by Region

Asia/Australia	11%	
Africa/Middle East	4%	
Europe	30%	
South America	4%	
North America	51%	

Total Demand Outlook





The face of interaction





Atlas Copco



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.”