



Industrial Technique

Fredrik Möller, Business Area President

Capital Markets Day, November 30, 2005



November 30, 2005

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- Industrial Technique in brief
- Industrial power tool market
- Performance – Industrial Technique
- Mission and strategy – Industrial Technique

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Industrial Technique

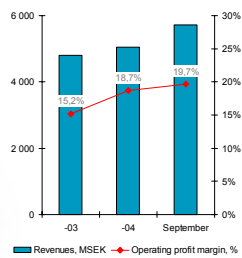
Industrial Power Tools and Assembly Systems



Industrial Technique

Market position, sales and operating profit margin

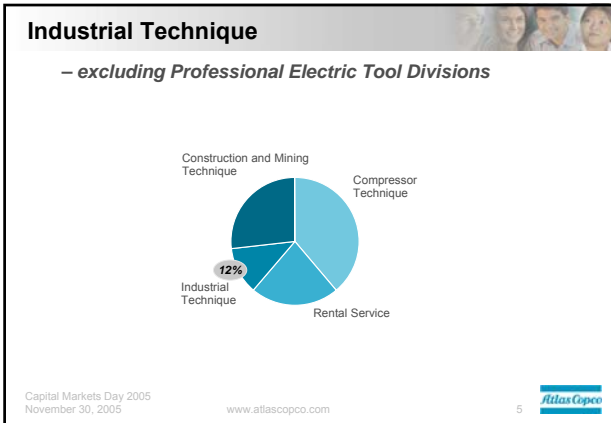
- World leading supplier of industrial power tools and assembly systems for industrial manufacturing



Restated for IFRS from 2004, excluding discontinued operations.

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Chicago Pneumatic



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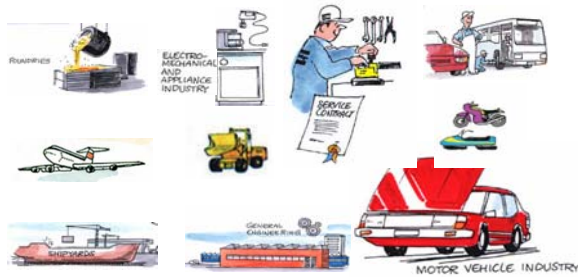
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Customers



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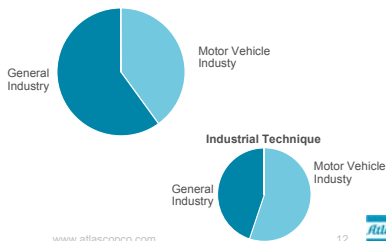
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Industrial Power Tool Market

Market - Customers

- Estimated Market size > BUSD 2



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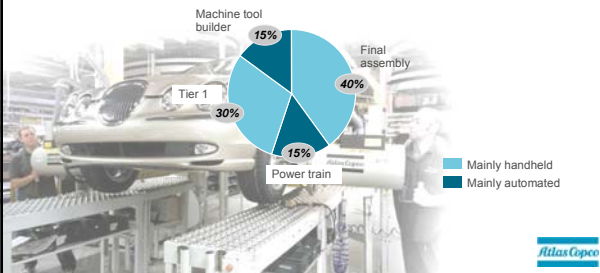
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Industrial Power Tool Market

Market - Customers

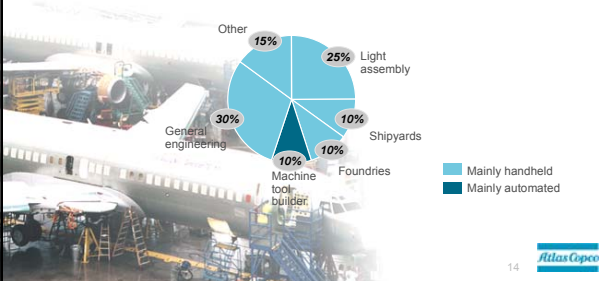
- Main customer segments - Motor Vehicle Industry



Industrial Power Tool Market

Market - Customers

- Main customer segments - General Industry



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Industrial Power Tool Market

- Tools part of Life Cycle Cost in hand held application
- Market not price sensitive if recognized unique selling points are provided
 - Lowest total cost of operation



Quality **Ergonomics**
Time Reduction

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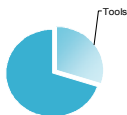
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Industrial Power Tool Market

- Tools part of Life Cycle Cost in automated station
- Price more important
 - Recognized unique selling points awarded



Lead Time **Quality**
Time Reduction **On Time**

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Industrial Power Tool Market



Market trends

- More sophisticated tools and systems
 - Traceability and error proofing for critical and quality critical joints
 - Solve quality issues prior to start of production
- More power tools with electric motors, partly replacing pneumatic tools
 - 100% electric plant
- Productivity and ergonomics
 - Flexible production
 - Information to operator
- Focus on total cost – reduction of customer product cost

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Industrial Power Tool Market



- | | |
|------------------------------------|------------|
| ▪ Main product segments | Price/unit |
| – Pneumatic assembly tools | 10 KSEK |
| – Pneumatic material removal tools | 7 KSEK |
| – Electric assembly tools | 100 KSEK |
| – Fixtured nutrunners | 100 KSEK |
| – Aftermarket | |

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Industrial Power Tool Market

- Initial purchase – new assembly lines
 - Customers' Product life cycle time
 - Investment decision – new products / platforms, changes in assembly set up
- Annual purchase (daily sales) – replacement and non-assembly tools
 - Customers' production and profitability
 - Option to purchase is repair and maintenance
- Estimated world market for industrial tools had significant declines in the years 1990 to 1991 and 2001 to 2002

Positive trend

Sensitive to business cycle

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Automotive Aftermarket – Vehicle Service

- Low gross profit market, but strategically important to be present
- A couple of million tools every year – one day similar quality standards as in the plants



- Core Markets
 - Service, car
 - Service, truck
 - Tire shop
 - Body shop
 - Specialty shop



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Industrial Power Tool Market

Estimated market position

- Estimated Market size >BUSD 2



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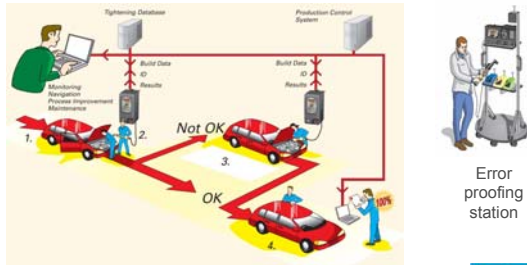
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Quality integrated fastening

If you include everything a customer needs in a fastening station – the market is much bigger



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Industrial Power Tool Market 2004

Competitors

- Cooper
- Ingersoll-Rand
- Uruy
- Stanley
- Bosch
- + many regional / niche competitors

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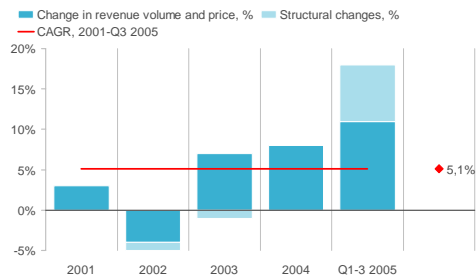
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Industrial Technique

Growth



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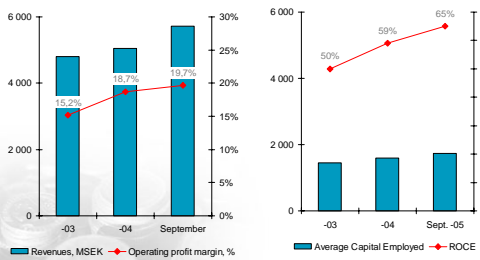
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Industrial Technique

Sales, operating profit margin, capital employed and ROCE



Restated for IFRS from 2004, excluding discontinued operations.

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Industrial Technique

Q3

- Favorable sales growth in Asia and North America
- Focus on sales and product development
 - Investment in sales engineers and training activities
 - New tools and aftermarket products
- Agreement to acquire Fuji Air Tools
- Record revenues and operating profit
 - Operating margin above 20%

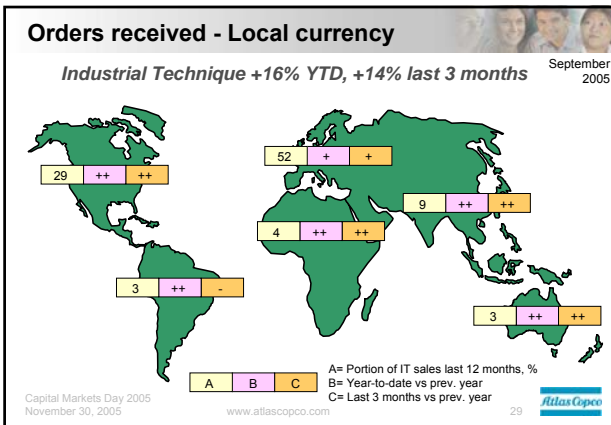


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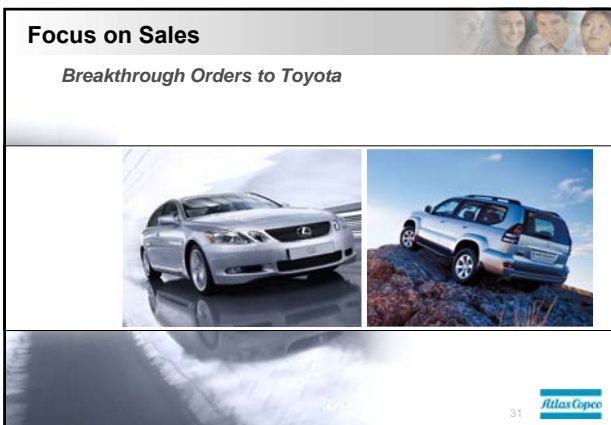
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- ### Why has Profit Improved?
- Focus on sales
 - Successful introduction of new products
 - Improved performance of sales force
 - Control functional cost
 - Product cost reduction
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Successful Introduction of New Products

Introduced 2003-2004
Tensor ST - Build more cars at lower cost

- New Tool Range
 - Productivity
 - Significantly faster or faster with lower weight. - You decide!
 - Communication
 - Bar code scanner, speaker etc.
 - Error proofing / zero fault production
 - 16-55 Nm tool



Atlas Copco	
- ETV ST8-50	1090 rpm / 1.7 kg
- ETV ST6-50	655 rpm / 1,5 kg
- ETV S7-50	545 rpm / 1.8 kg
Stanley	570 rpm / 2.2 kg
Cooper	485 rpm / 2.3 kg

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Successful Introduction of New Products

Introduced 2003-2004
Fixtured Nutrunner "Multiples by Express"

- Complete system – standard components
 - Improved profitability
- Simplicity
 - All salesengineers should be able to quote systems
 - No project work included
 - Quote within 24h from request
 - All technical specifications automatically generated
 - Leadtime 2-4 weeks for complete system
- Try&Buy



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New Products - CP

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New Products – Atlas Copco



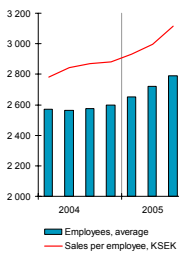
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Improved Performance of Sales Force



- Detailed follow up of activities and results
- Training
- Focused sales on key products and aftermarket
- More sales people

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People



- Gap analysis as a part of Business review process
 - Gap analysis and development plan by Customer Center

Assessment period: 27 okt 2005
Target date: 31 dec 2005

GE-Holand, BL GI

- 1. Products and technology
 - 2. Hand held electrical assembly tools
 - 1. Product knowledge
- 2. Application knowledge
- 4. Competitor knowledge
- 5. Installation knowledge
- 6. Service knowledge



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Industrial Technique

Mission

- Profitable growth
 - Significantly increase sales
 - Significantly increase profit
 - ...but not necessarily profit margin
- Make the business area operating profit less sensitive to business cycle

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Strategy

- Give the customer the lowest total cost of operation
- Unique selling points – premium price
- Product driven but market oriented strategy



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Growth Strategy

- Add sales people
- Increase sales of electric power tools in general industry
- Productivity and quality partner
- New product development
- Service and aftermarket
- Acquisitions



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Growth Strategy

Add sales people

- Improved customer service
 - Customer share
- Territory management



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Growth Strategy

Increase sales of electric power tools in general industry

- Trend to improve efficiency and productivity



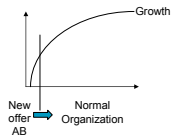
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Growth Strategy

New Offer Development

- Vision
 - We should develop superior new offers
 - We should always try to sell standard
- Being first is key. It will give a strategic competitive advantage



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Growth Strategy

Service and Aftermarket

- Service agreements
 - Gold, silver, bronze
- Calibration of tools and torque analysis



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Growth Strategy

Acquisitions

- Additional growth from acquisitions
 - the potential is good
- Value added logic
- Business attractiveness
- Make our business less sensitive to business cycle

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Growth Strategy

Acquisitions – Screening of Alternatives

Attractiveness

- Size
- Growth
- Profits

Value added logic

- Customer/market
- Distribution channels / network
- Operational capabilities
- Technologies

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Fuji Air Tools

Acquisition

- Japanese air tool manufacturer
 - Good market position
 - Channel to market
- Products
 - Broad range of air tools
 - Range of special products

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Summary

- Focused industrial tools business with global leadership position
- Profitable growth strategy by building on technological leadership and offering of products and aftermarket services that improve customers' productivity
- Focus on innovation
- Potential to acquire

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