



## ***ATLAS COPCO GROUP***

Atlas Copco Capital Markets Day 2015

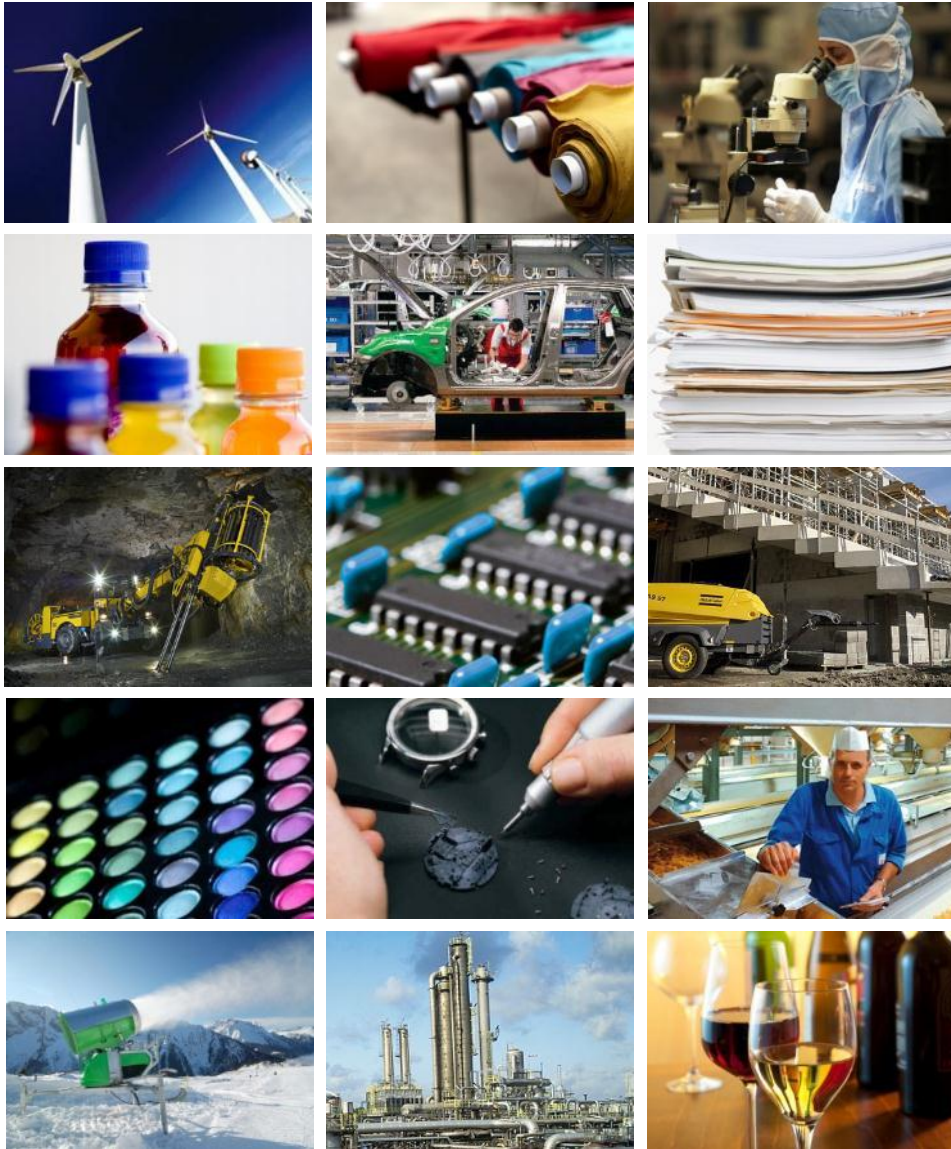
Ronnie Leten, President and CEO

Hans Ola Meyer, CFO

*Atlas Copco*

# ATLAS COPCO

- A **world leading** provider of sustainable productivity solutions
- **Consistent strategy**
- **Agile and resilient** operations
- Strong global **service** business
- Strong **cash generation** and **value creation**



# AGENDA

1. Business development
2. Global trends
3. Strategy and priorities
4. Agility and resilience
5. Summary



# ***BUSINESS DEVELOPMENT***

## Q3 IN BRIEF

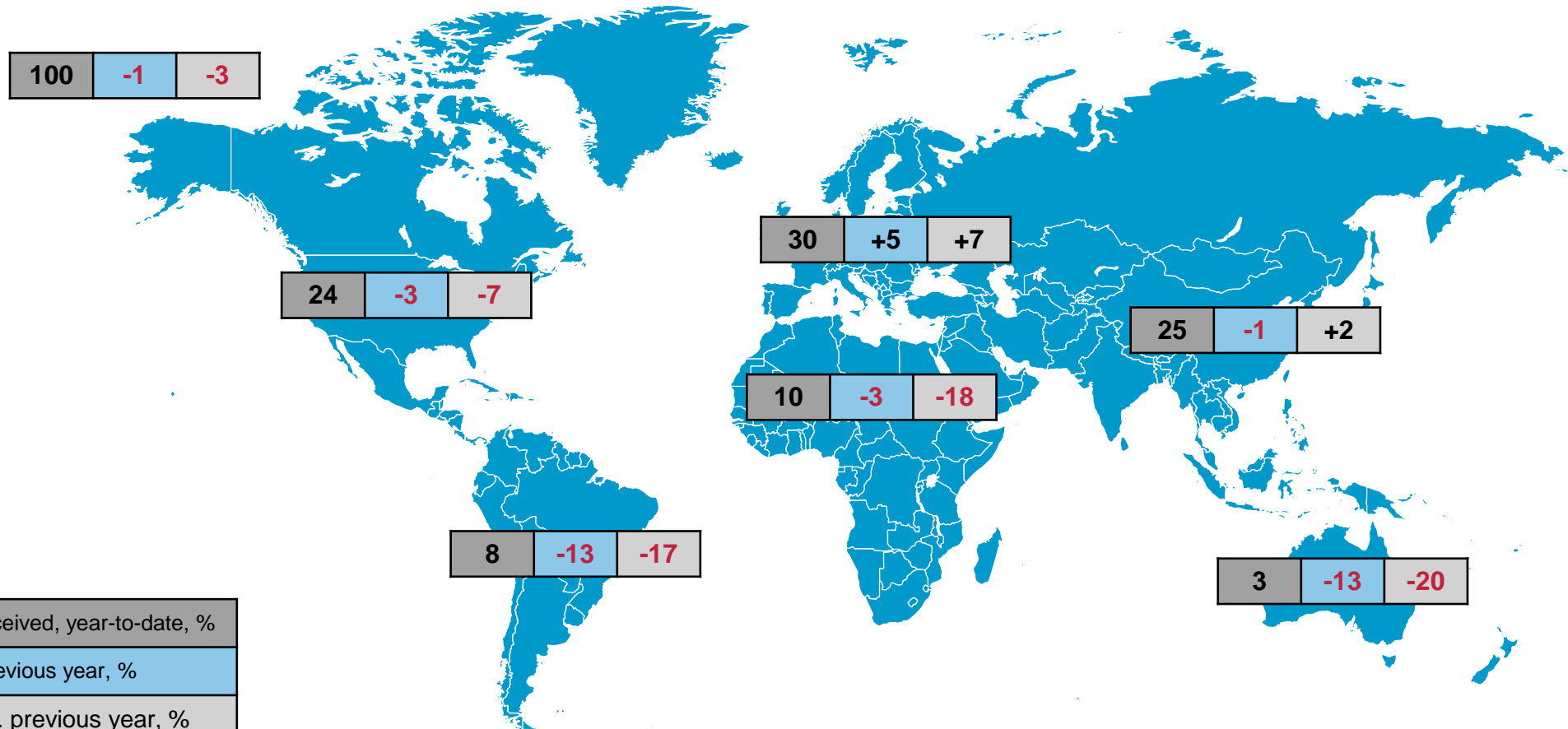
- Mixed demand development
  - Growth in service
  - Low order volumes for equipment
    - Stable industrial business
    - Weak mining and oil & gas
- Order growth in Europe – declines in China, Brazil and the Middle East
- Record profit and strong operating cash flow

## NEAR-TERM OUTLOOK

- The overall demand for the Group is expected to remain at current level.

# ORDERS RECEIVED - LOCAL CURRENCY

## Atlas Copco Group



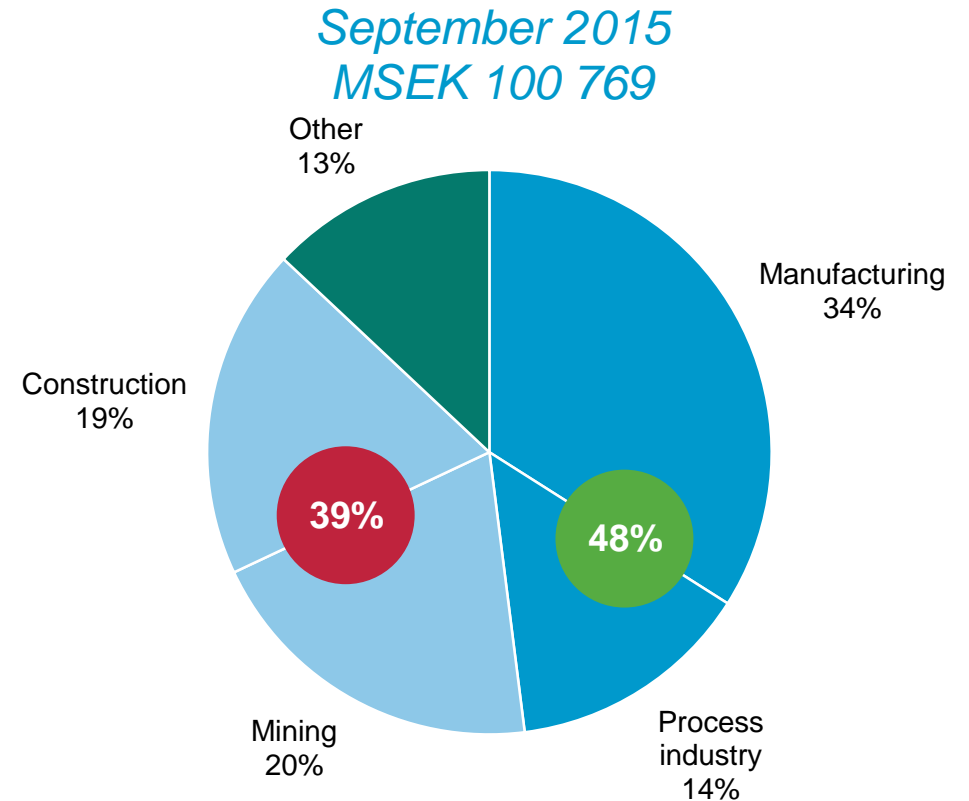
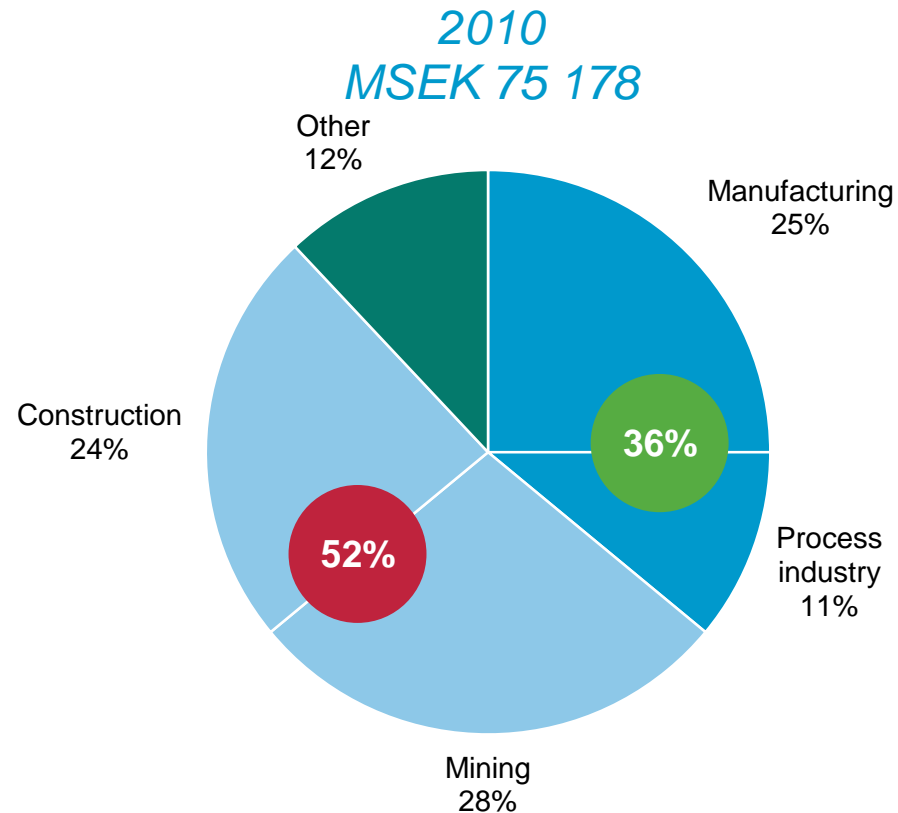
September 2015

<b>A</b>	Share of orders received, year-to-date, %
<b>B</b>	Year-to-date vs. previous year, %
<b>C</b>	Last 3 months vs. previous year, %

# GROUP TOTAL

MSEK	July - September			January - September		
	2015	2014	%	2015	2014	%
<b>Orders received</b>	<b>24 149</b>	<b>23 395</b>	<b>3%</b>	<b>76 394</b>	<b>69 498</b>	<b>10%</b>
<b>Revenues</b>	<b>25 723</b>	<b>23 590</b>	<b>9%</b>	<b>76 579</b>	<b>68 361</b>	<b>12%</b>
<b>Operating profit</b>	<b>5 313</b>	<b>4 145</b>	<b>28%</b>	<b>14 904</b>	<b>12 244</b>	<b>22%</b>
<i>– as a percentage of revenues</i>	<i>20.7</i>	<i>17.6</i>		<i>19.5</i>	<i>17.9</i>	
<b>Profit before tax</b>	<b>5 042</b>	<b>3 879</b>	<b>30%</b>	<b>14 179</b>	<b>11 655</b>	<b>22%</b>
<i>– as a percentage of revenues</i>	<i>19.6</i>	<i>16.4</i>		<i>18.5</i>	<i>17.0</i>	
<b>Profit for the period</b>	<b>3 806</b>	<b>2 878</b>	<b>32%</b>	<b>10 693</b>	<b>8 840</b>	<b>21%</b>
<b>Basic earnings per share, SEK</b>	<b>3.12</b>	<b>2.37</b>		<b>8.78</b>	<b>7.27</b>	
<b>Return on capital employed, %</b>	<b>27</b>	<b>25</b>				
<b>Operating cash flow</b>	<b>4 621</b>	<b>4 075</b>	<b>13%</b>	<b>11 600</b>	<b>9 040</b>	<b>28%</b>

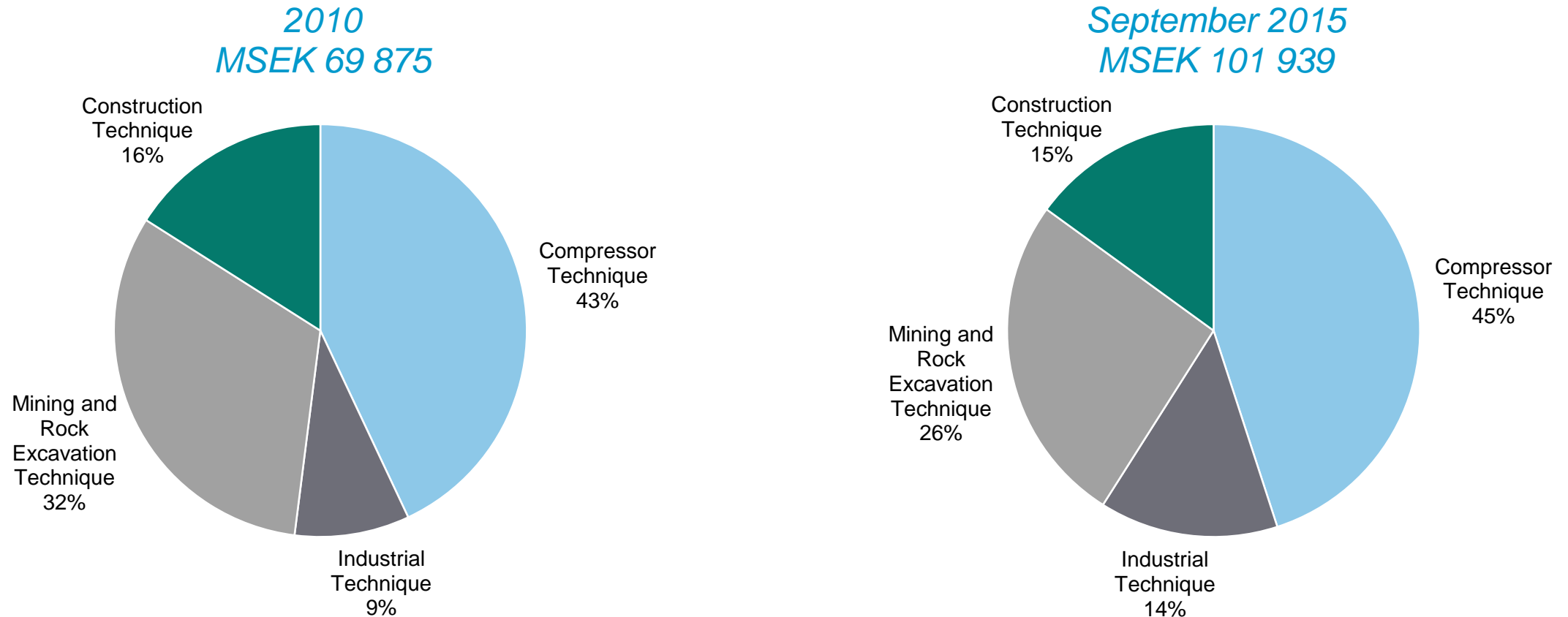
# ORDERS RECEIVED BY CUSTOMER CATEGORY



12 month figures.

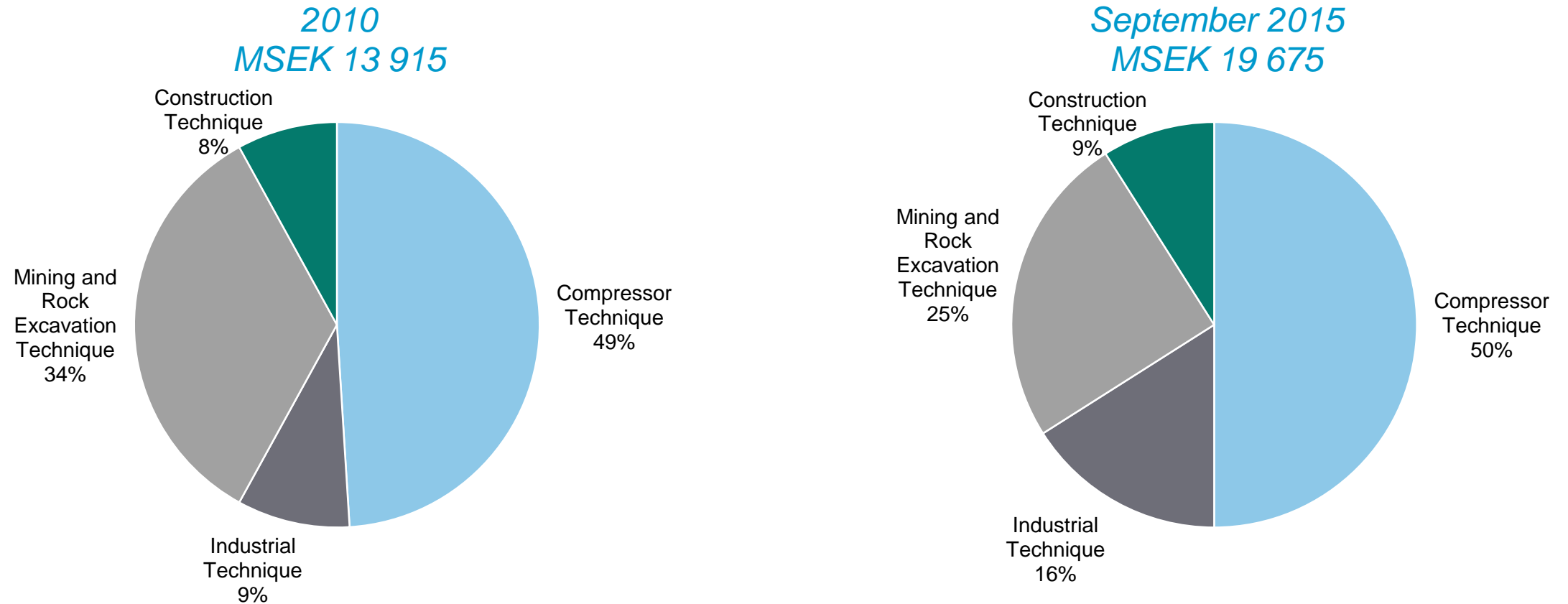


# REVENUES BY BUSINESS AREA



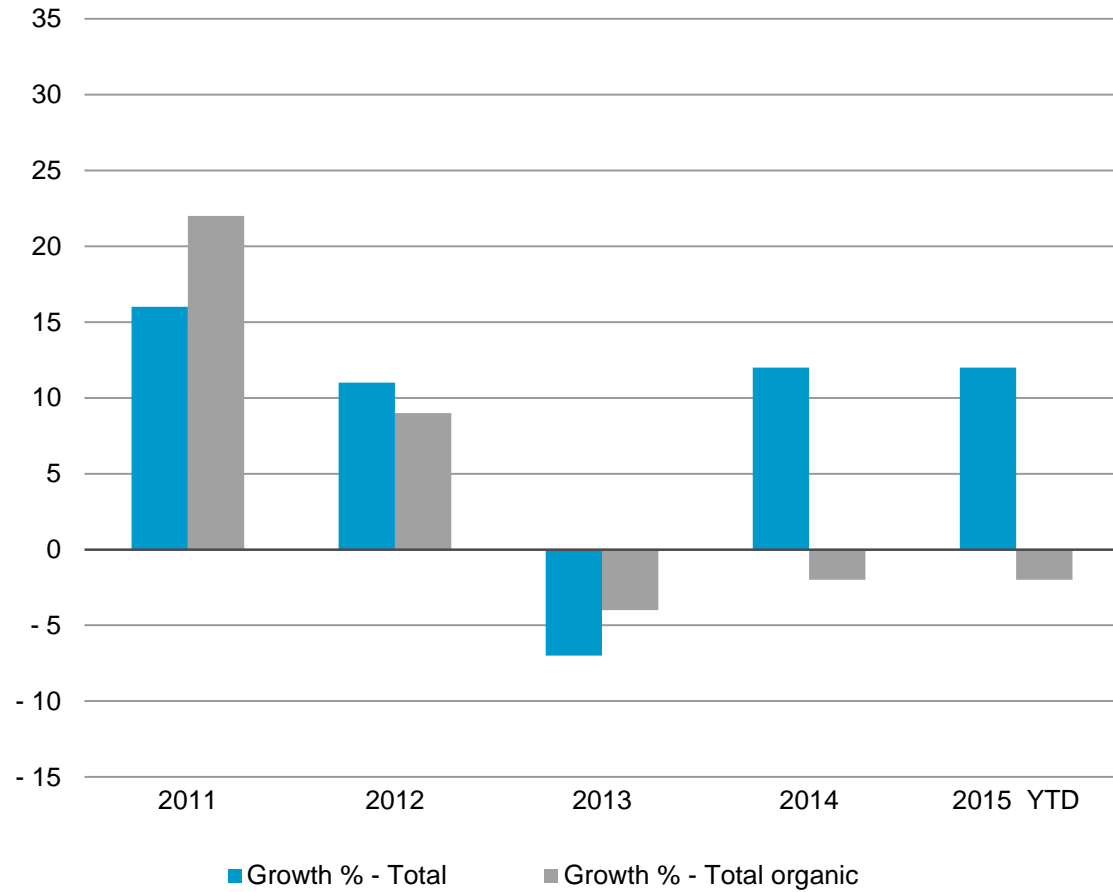
12 month figures.

# OPERATING PROFIT BY BUSINESS AREA

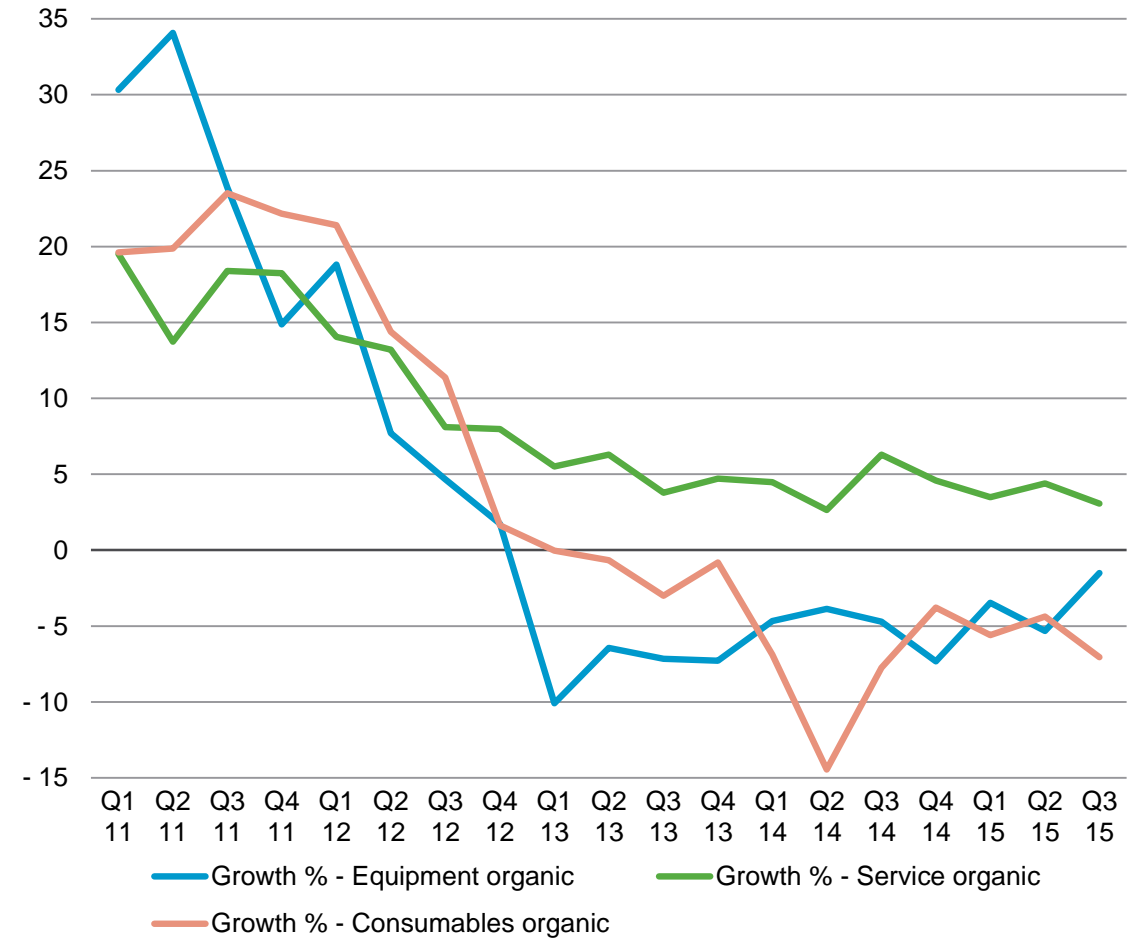


12 month figures.

# ORGANIC GROWTH



Revenues



# ***GLOBAL TRENDS***

# GLOBAL TRENDS – EQUIPMENT



Continued expansion  
in growth markets



Urbanization drive investments  
in infrastructure and demand for  
minerals



The energy efficiency and productivity  
requirements from industry

# GLOBAL TRENDS – SERVICE



Expansion of  
installed base



Customers focus  
on core activity



Connectivity



The energy efficiency and  
productivity requirements  
from industry

# ***STRATEGY AND PRIORITIES***

Sustainable profitable growth

# WHY SHOULD ATLAS COPCO SUCCEED TO GROW?

8% growth  
High ROCE

- Market leader with strong portfolio of businesses and products
- Commitment to innovation
- Strong service offering
- Acquisition potential
- Top organization, world-class people, top execution

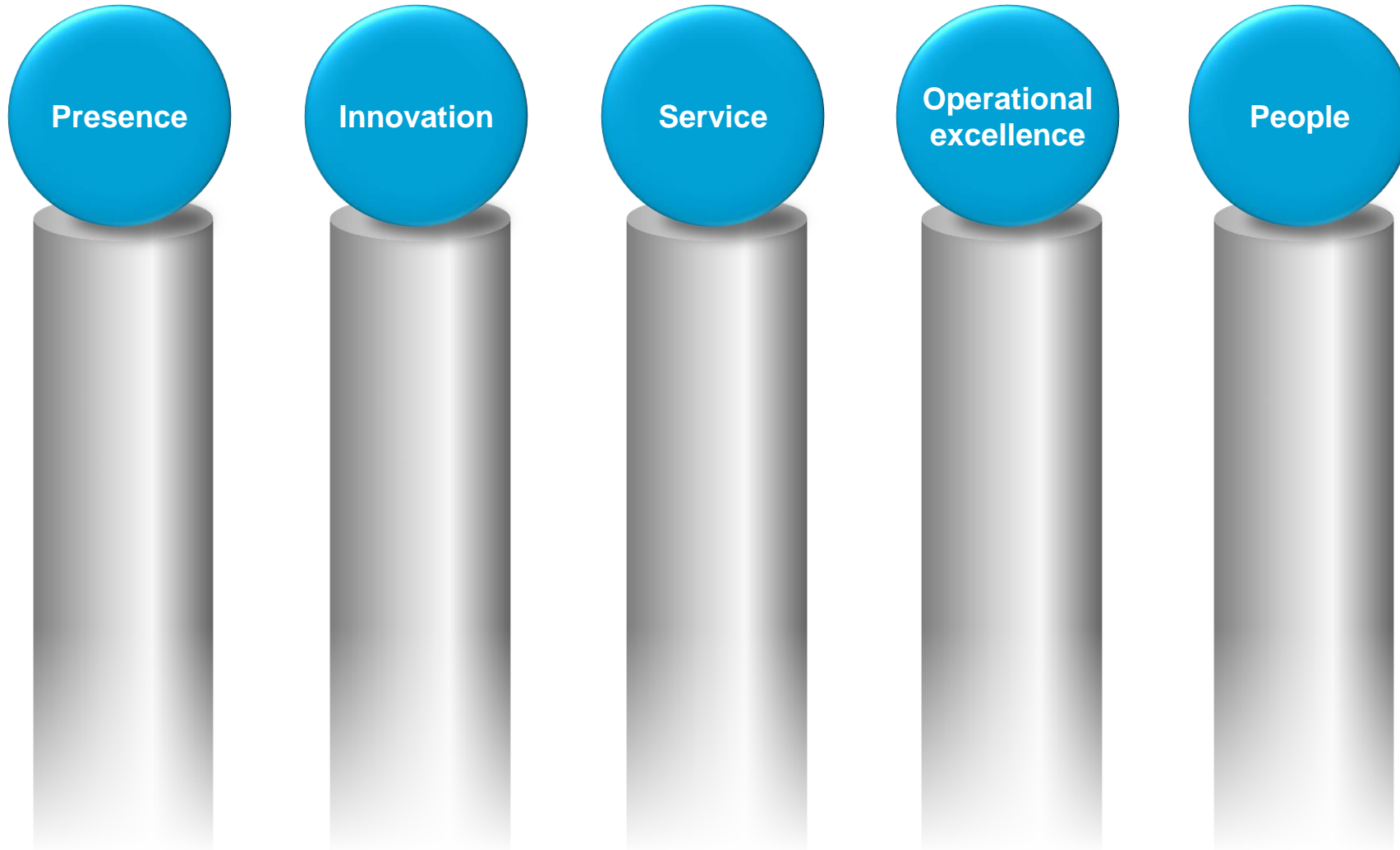


# WHY SHOULD ATLAS COPCO DELIVER HIGH ROCE?

8% growth  
High ROCE

- Standardization and efficient flow
- Asset light operations
- Variable cost structure
- Strong service business

# *THE STRATEGIC PILLARS FOR PROFITABLE GROWTH*



# PRIORITIES TO SUSTAIN PROFITABLE GROWTH



WE LIVE BY THE  
HIGHEST **ETHICAL**  
STANDARDS



WE INVEST IN  
**SAFETY AND**  
WELL-BEING



WE **INNOVATE** FOR  
SUSTAINABLE  
PRODUCTIVITY



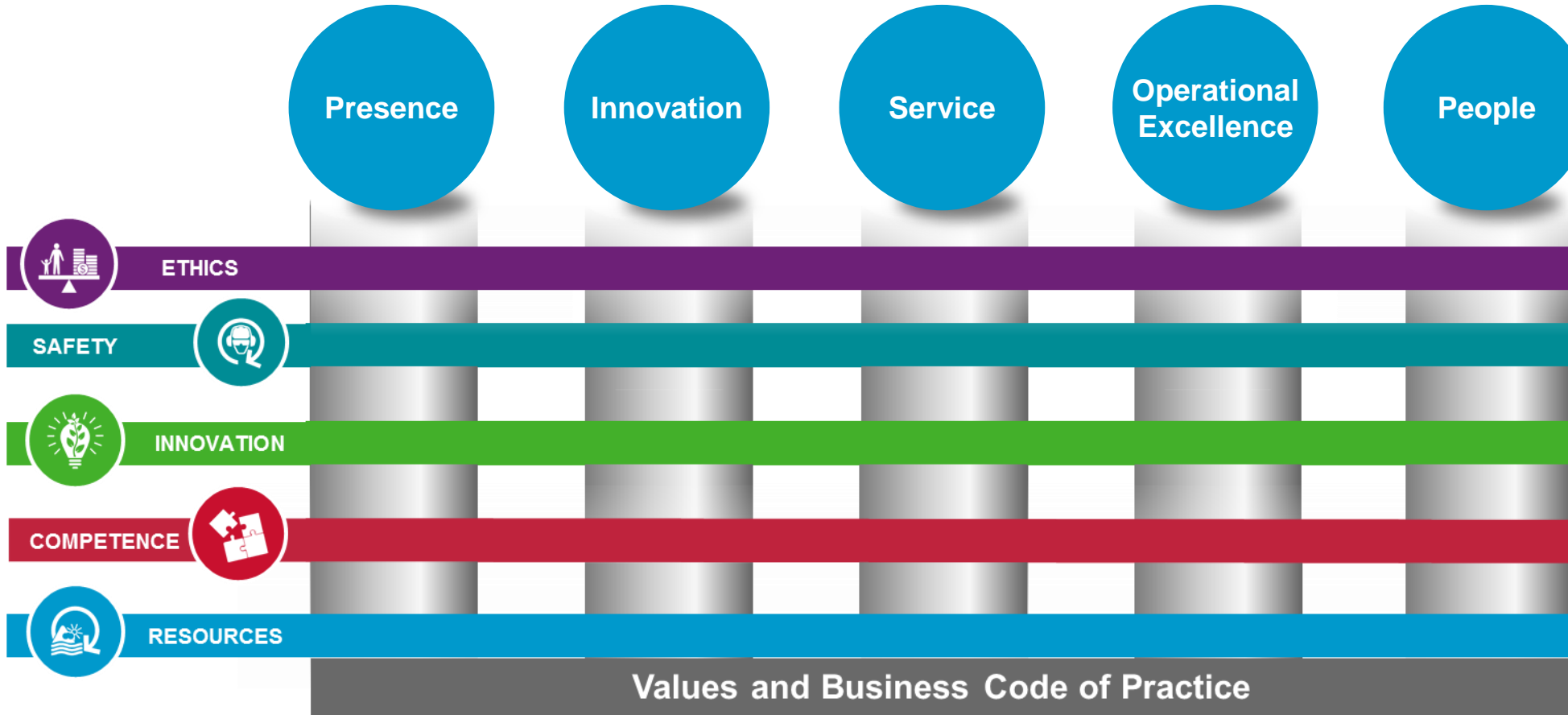
WE BUILD THE  
MOST **COMPETENT**  
TEAMS



WE USE **RESOURCES**  
RESPONSIBLY  
AND EFFICIENTLY

# SUSTAINABLE PROFITABLE GROWTH

8% growth  
High ROCE



# INCREASE PRESENCE IN FAST GROWING ECONOMIES ...AND STRENGTHEN IN MATURE MARKETS

- Direct presence
- Develop local competence
- Create high brand awareness



# ACQUISITION STRATEGY



*Acquisitions are primarily made in, or very close to, the already existing core businesses.*

*All acquired businesses are expected to make a positive contribution to economic value added.*

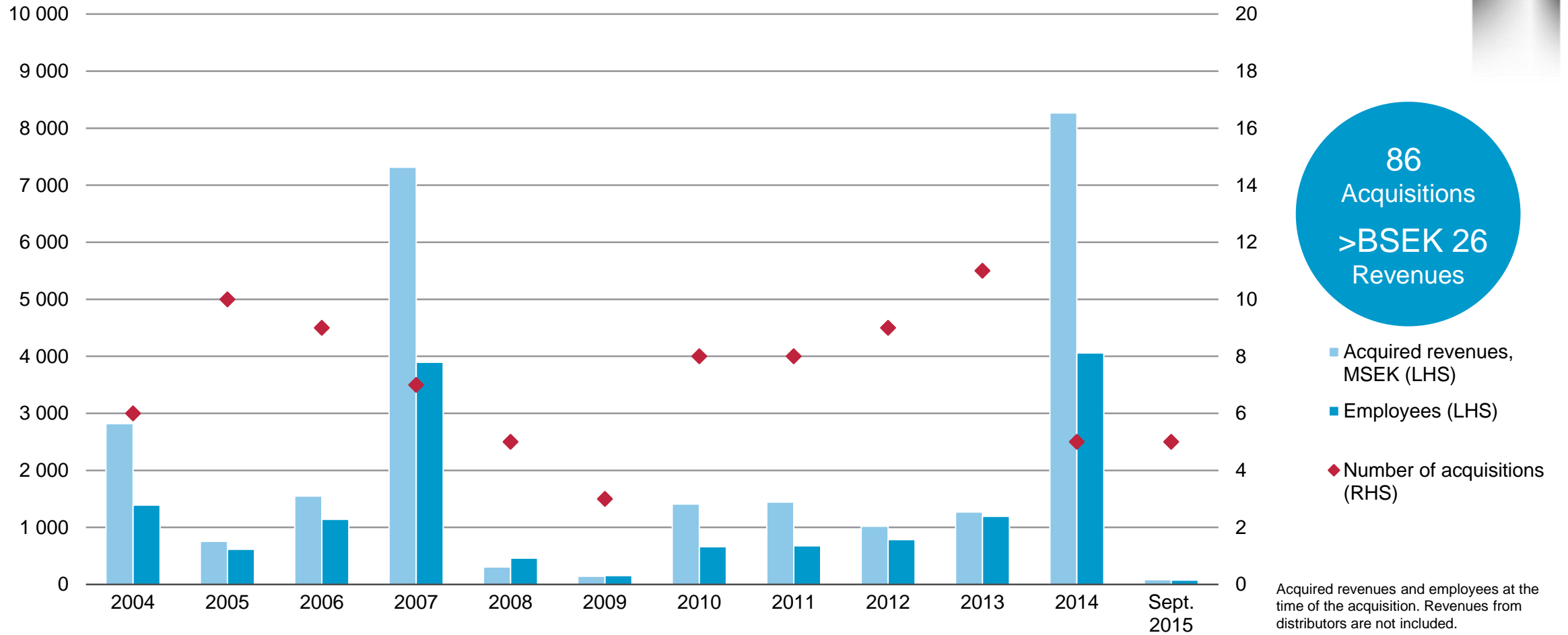
## Characteristics

- Industry-to-industry
- Geographically spread customer base
- Leadership in niche markets
- Differentiated core technology
- Strong base of business partners
- Healthy service potential

## Leveraging...

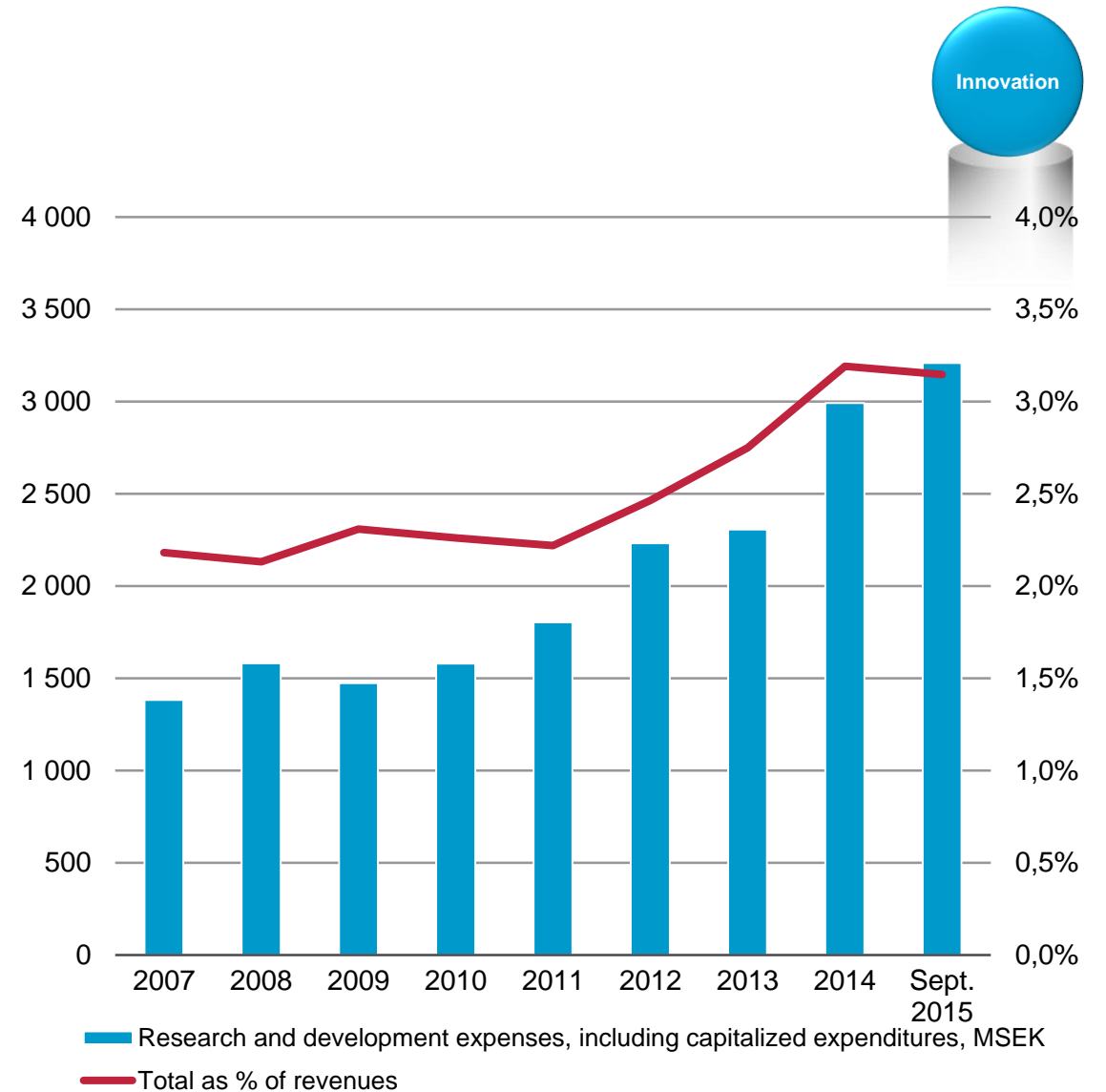
- Application knowledge
- Efficient manufacturing and product development processes
- Capacity to swiftly market products and services globally

# ACQUISITIONS



# WHY DRIVE FOR INNOVATION?

- Creates sustainable customer productivity
- Reduces life cycle cost
  - Drives energy efficiency
  - Increase safety
- Drives organic growth
- Supports/drives profitability
  - Pricing power
  - Cost savings





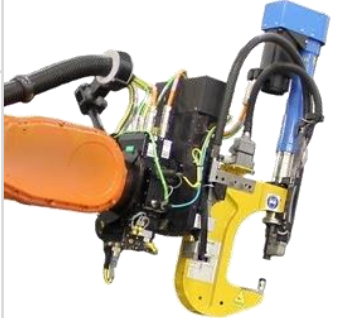
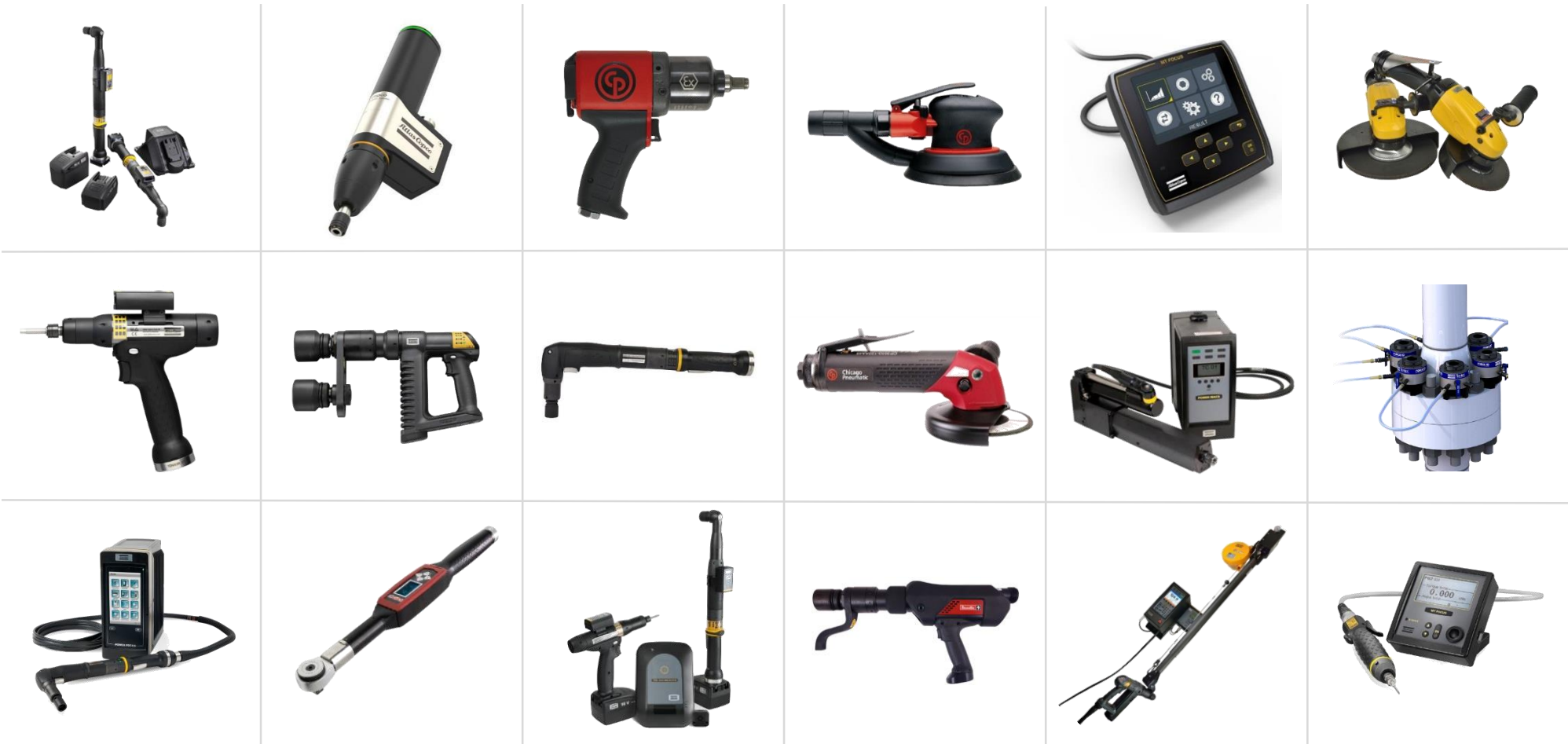
# INNOVATION

## Compressor Technique 2011 – 2015



# INNOVATION

## Industrial Technique 2011 – 2015



# INNOVATION

## Mining and Rock Excavation Technique 2011 – 2015

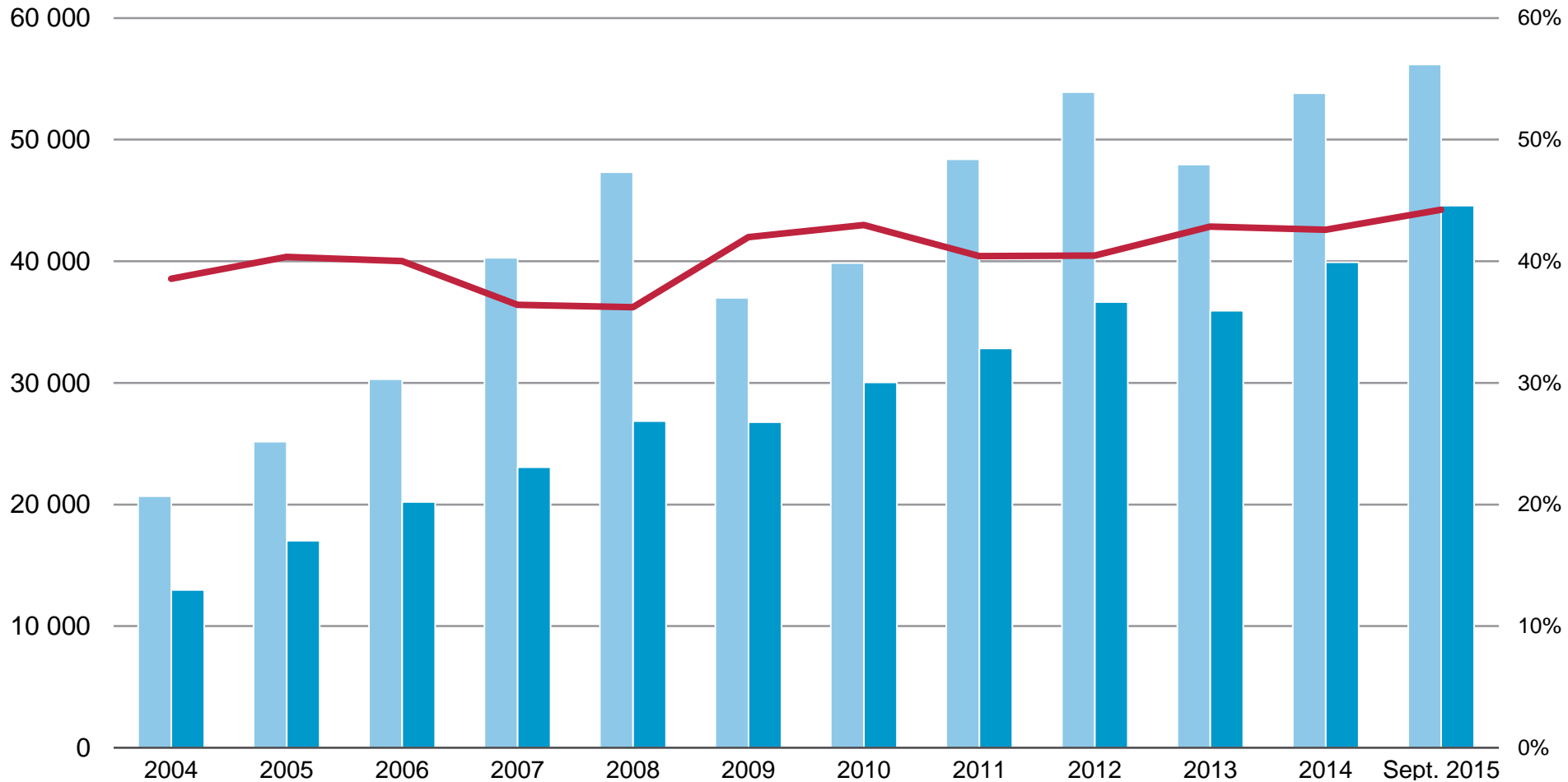


# INNOVATION

## Construction Techniqe 2011 – 2015



# GROWTH IN EQUIPMENT AND SERVICE



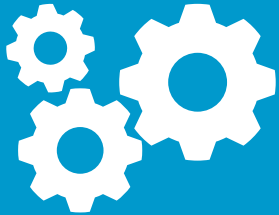
10 y CAGR  
Equipment  
~ 10%  
Service  
~ 12%

- Equipment revenues, MSEK
- Service revenues, MSEK
- Service, share of revenues, %

Continuing operations, excl. divested operations in rental service and professional electric tools. 12 month figures. CAGR calculated 10 years until 2014

# OPERATIONAL EXCELLENCE

Operational  
excellence



Work more efficiently through **lean** and **standardized** solutions and processes



Spend less time on administration and more **time with customers**



Have **consistent** business processes



Improve **financial performance** and increase **customer loyalty!**

# PEOPLE

- Results-driven and committed culture
- Time to competence
- Diversity
- Attract and retain talent



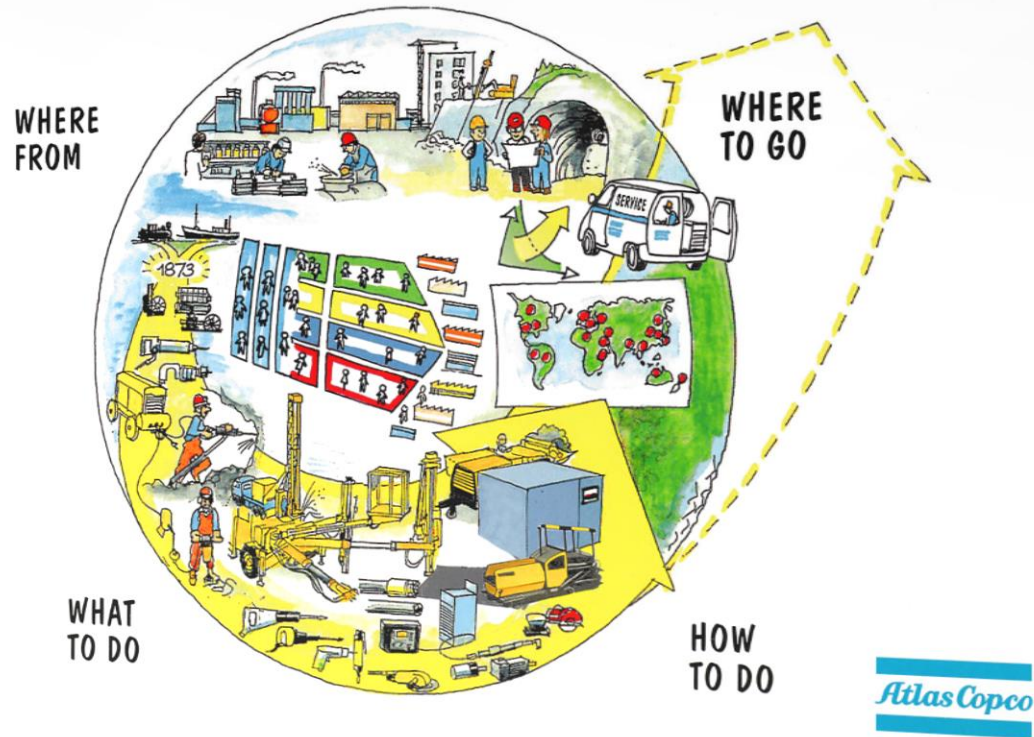
**Competence**



# CULTURE, VALUES AND BUSINESS PRINCIPLES

People

## THE ATLAS COPCO BOOK

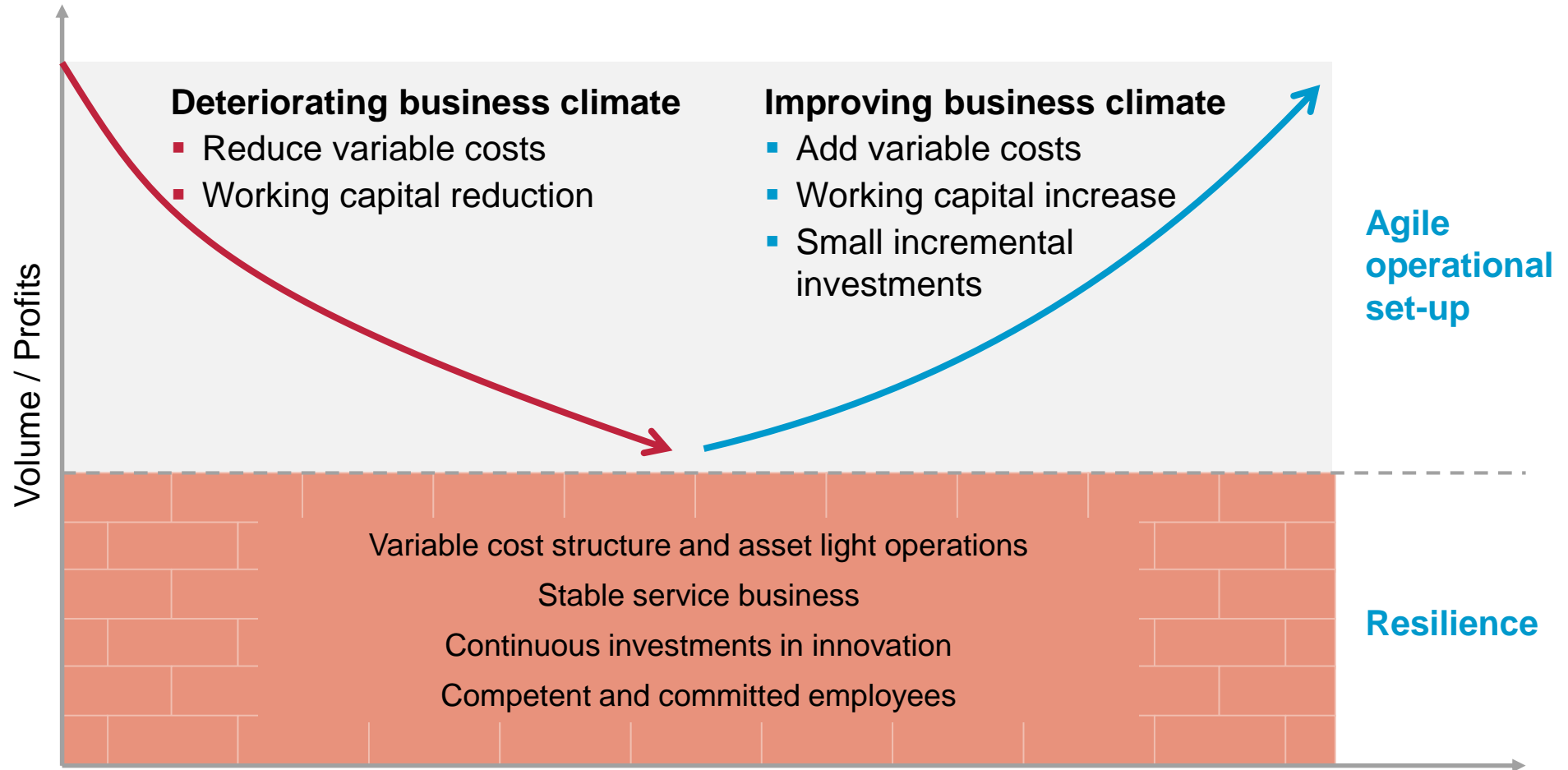


*“We grow loyal and experienced local leaders in all countries”*

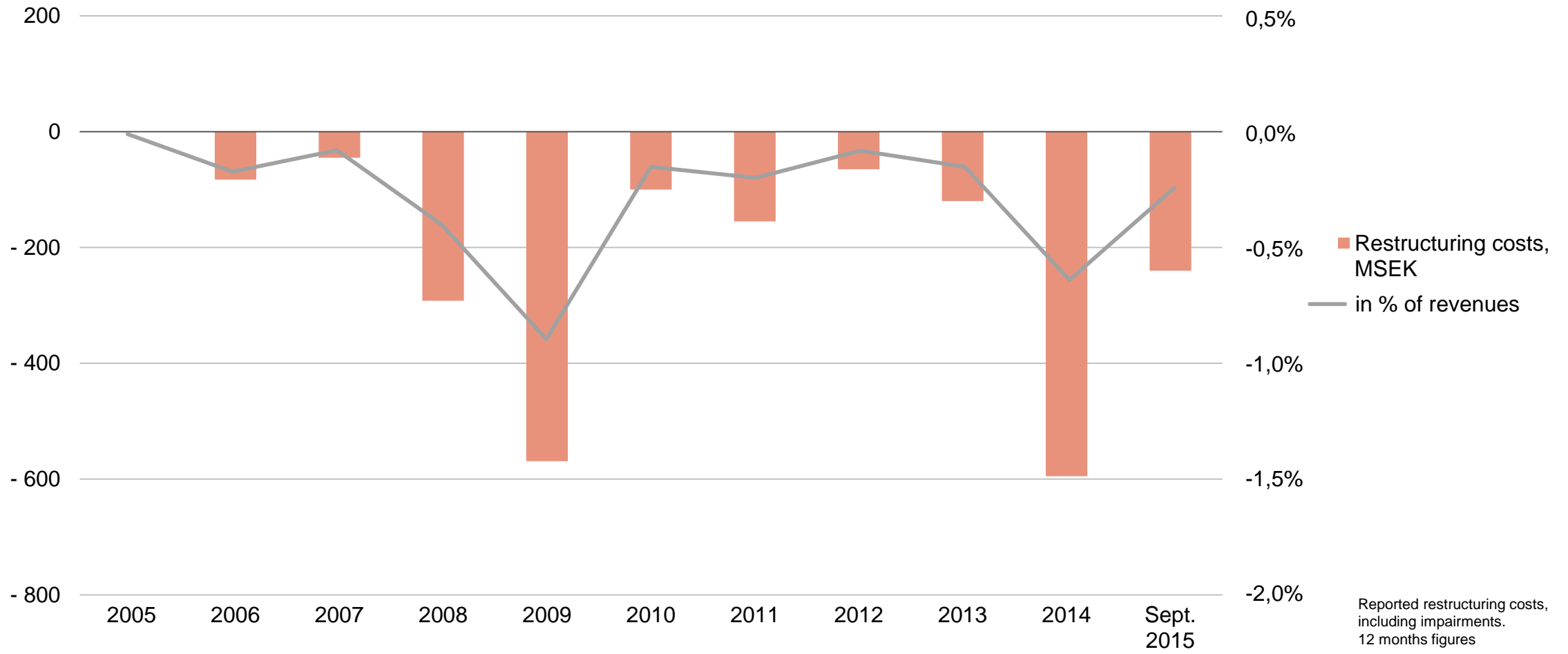


# ***AGILITY AND RESILIENCE***

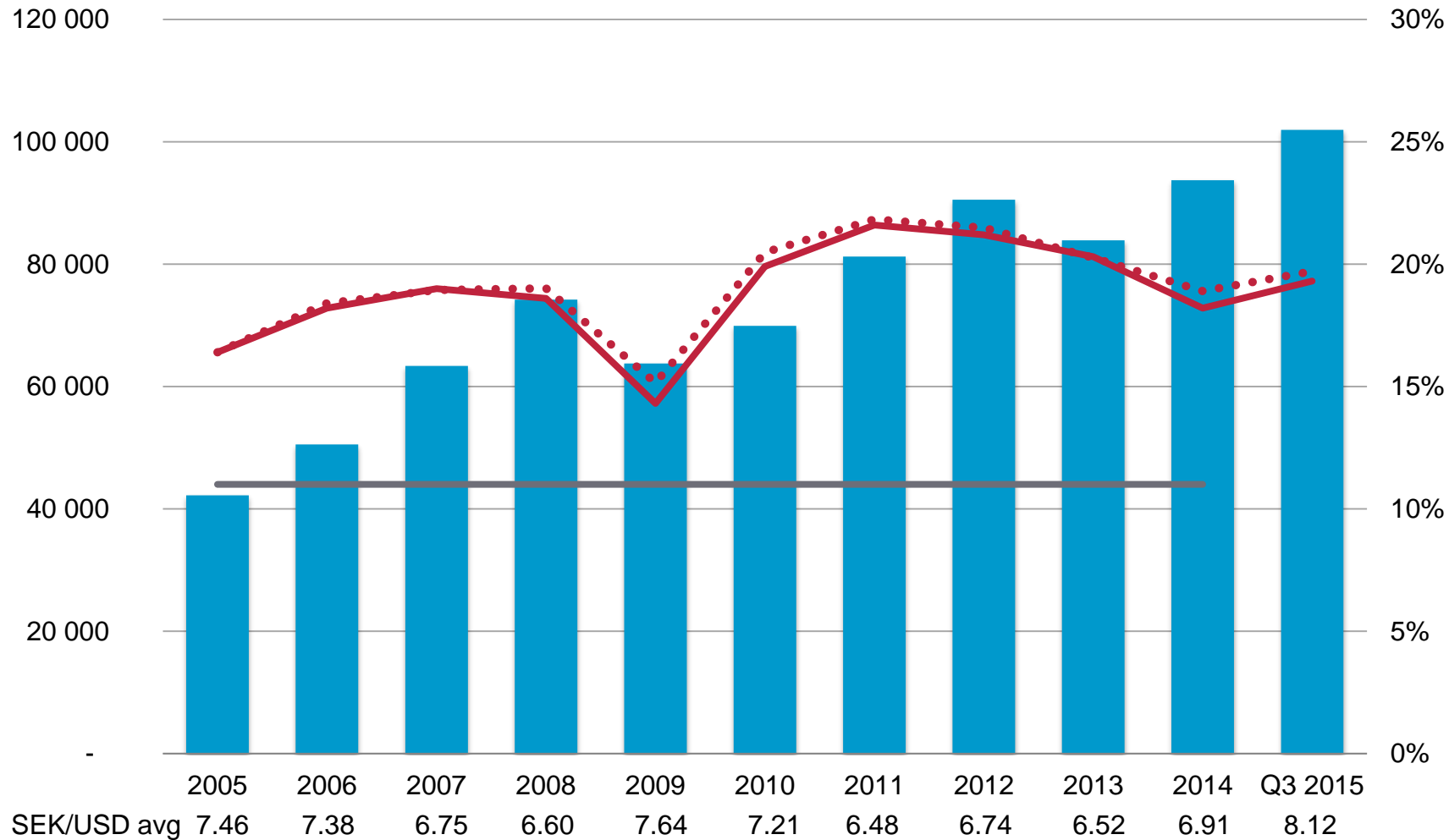
# AGILE AND RESILIENT OPERATIONS



# RESTRUCTURING WITHOUT RESTRUCTURING COSTS



# FINANCIAL PERFORMANCE



10 y CAGR  
~11%

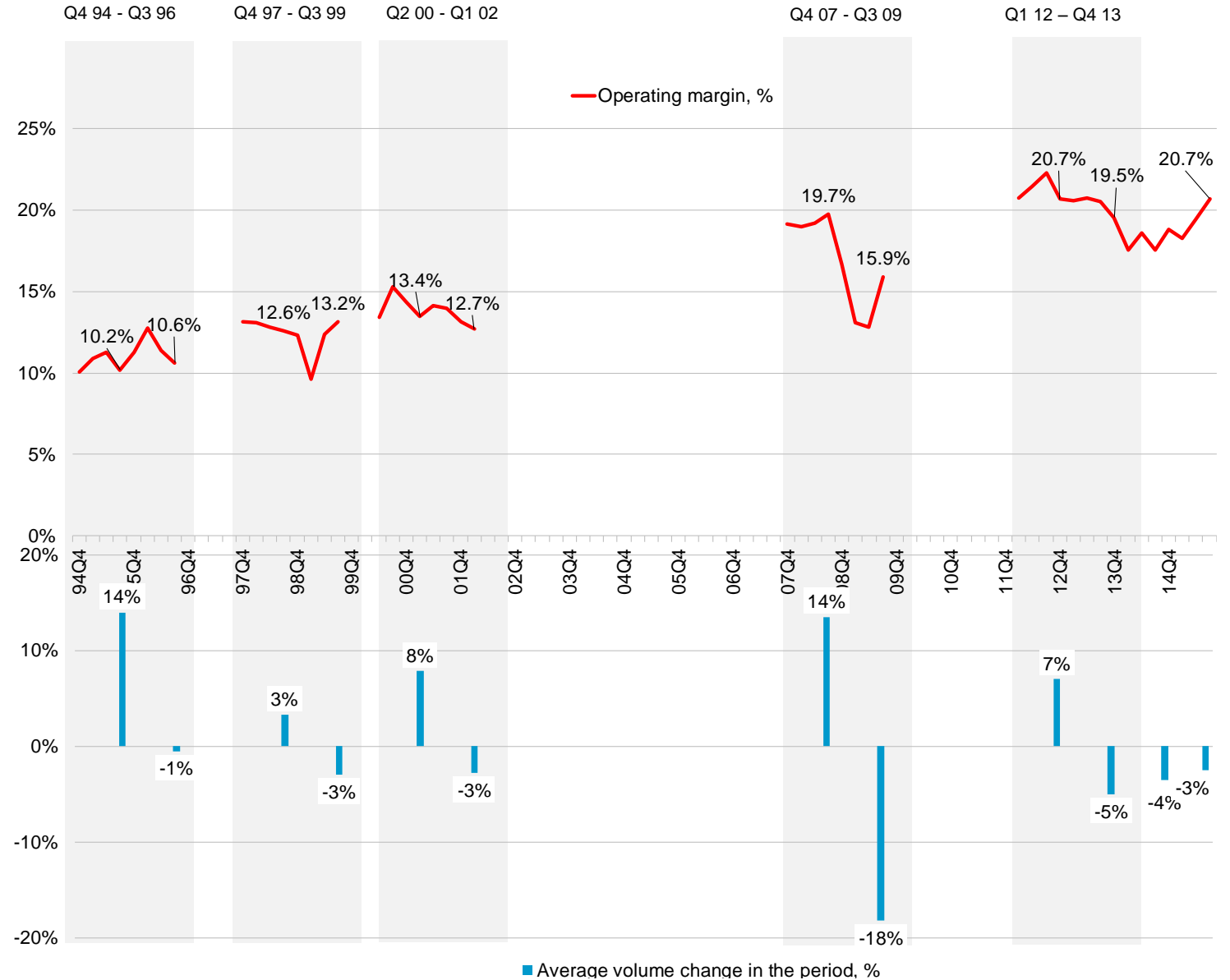
- Revenues, MSEK
- Operating margin, %
- ⋯ Adjusted operating margin, %
- CAGR 10 years, %

Continuing operations, excl. divested operations in rental service 12 month figures. CAGR calculated 10 years until 2014 12 months figures

# RESILIENCE

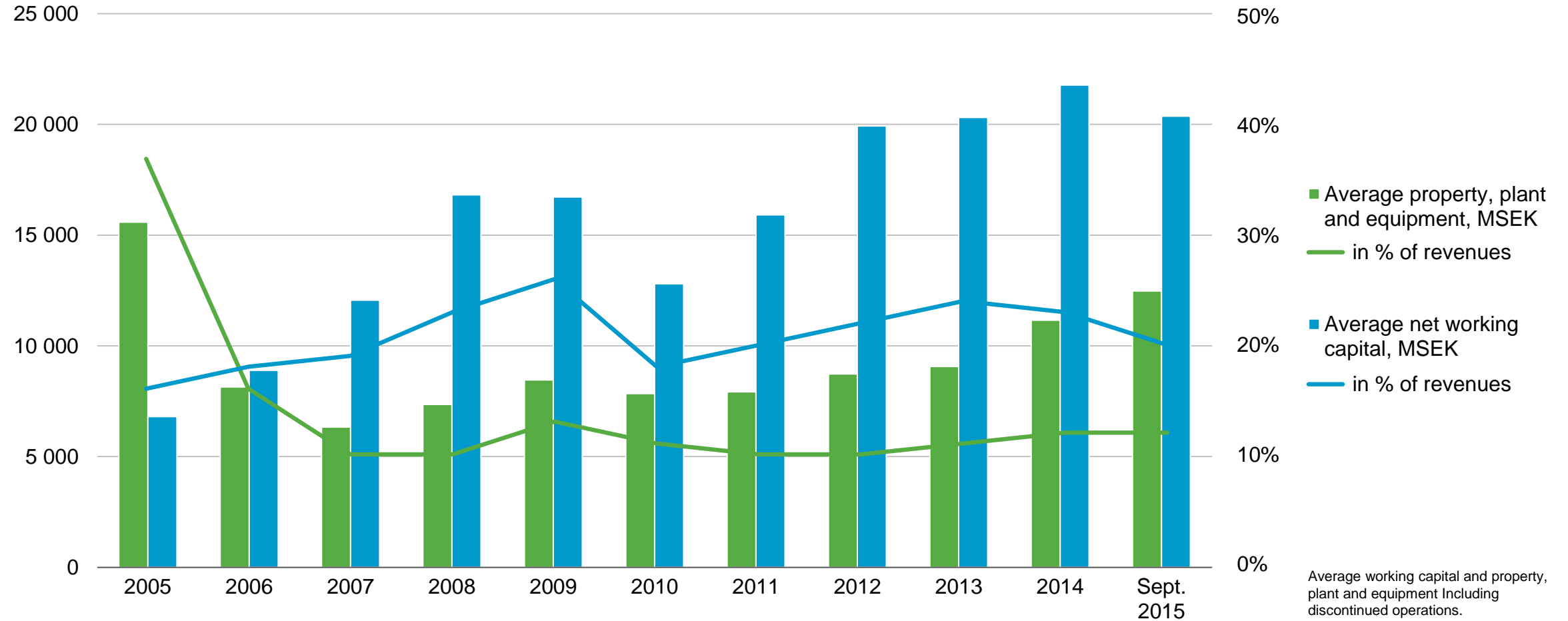
## In periods of volume declines

- Larger share of service
- Lean foot-print – asset light
- Decentralized Group

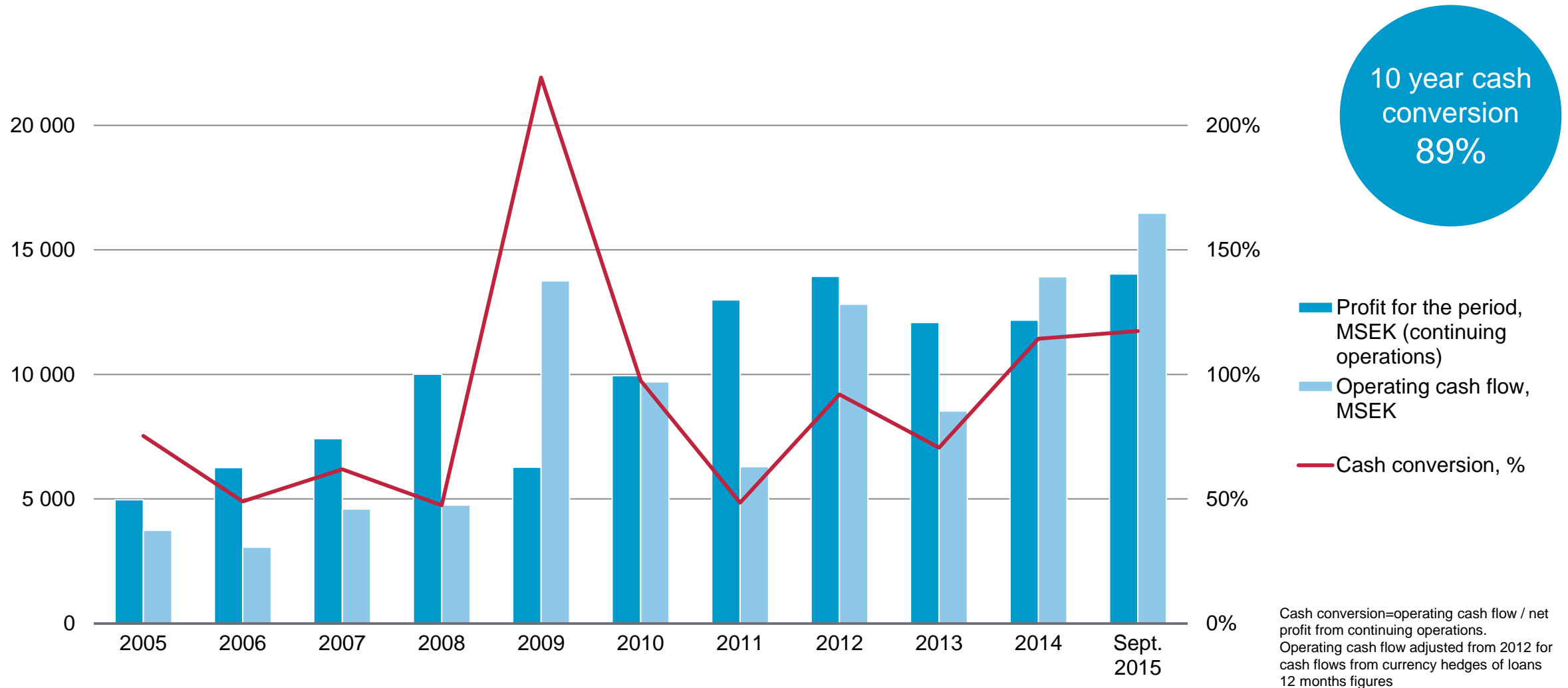


Average volume change. Quarterly reported operating margin, excluding Rental Service

# ASSET LIGHT

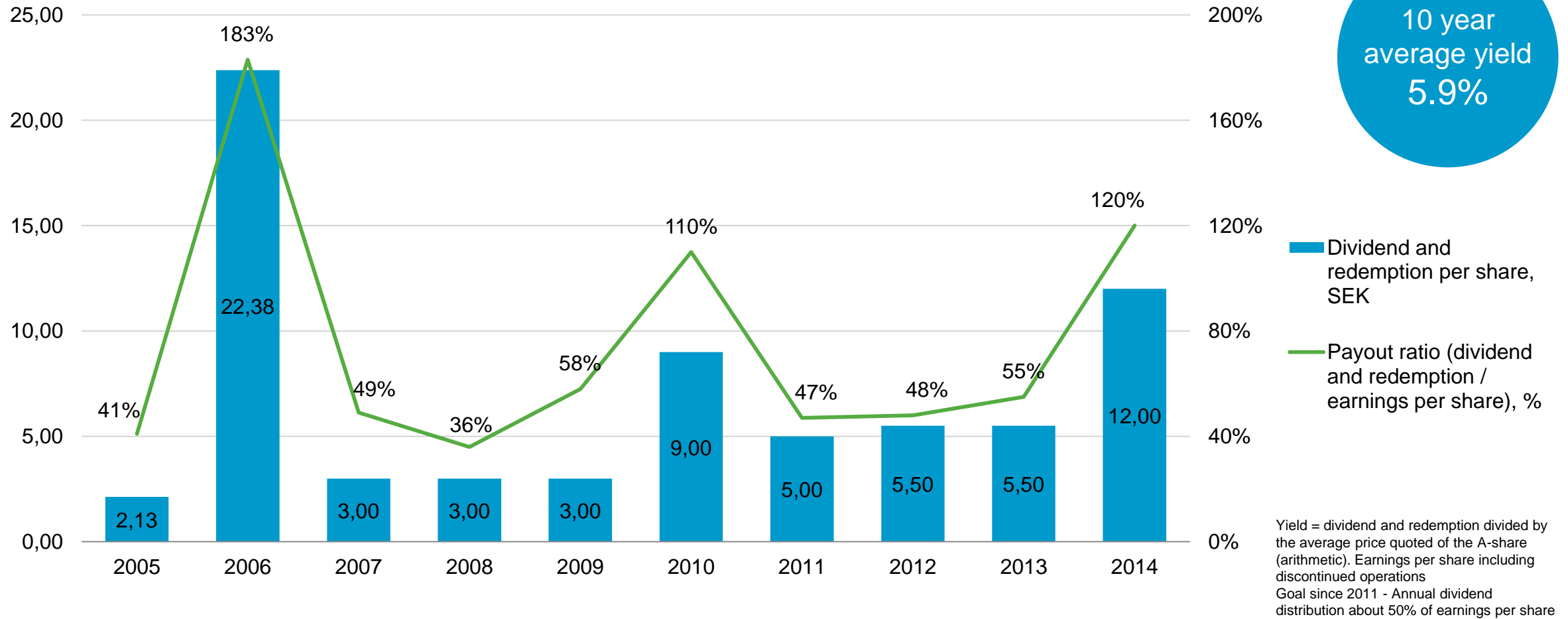


# CASH GENERATION



# DIVIDENDS AND DISTRIBUTION

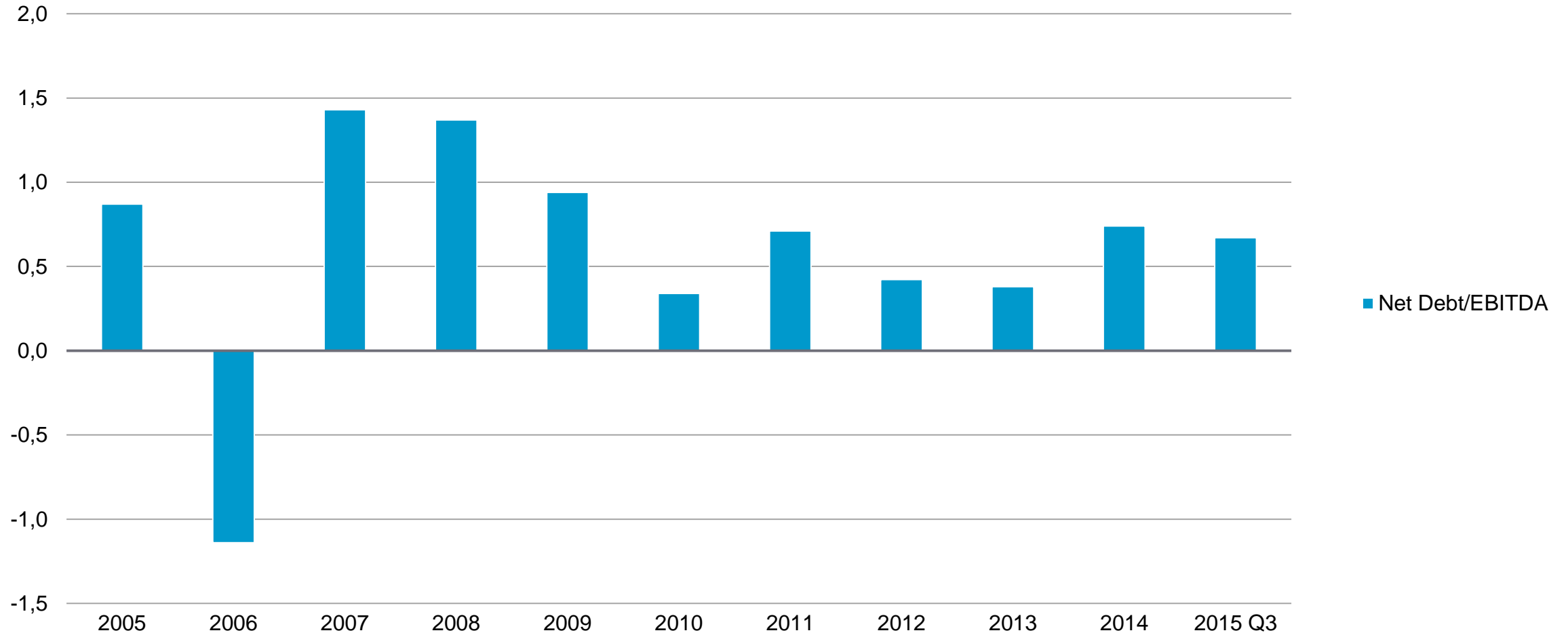
## Payout ratio and yield





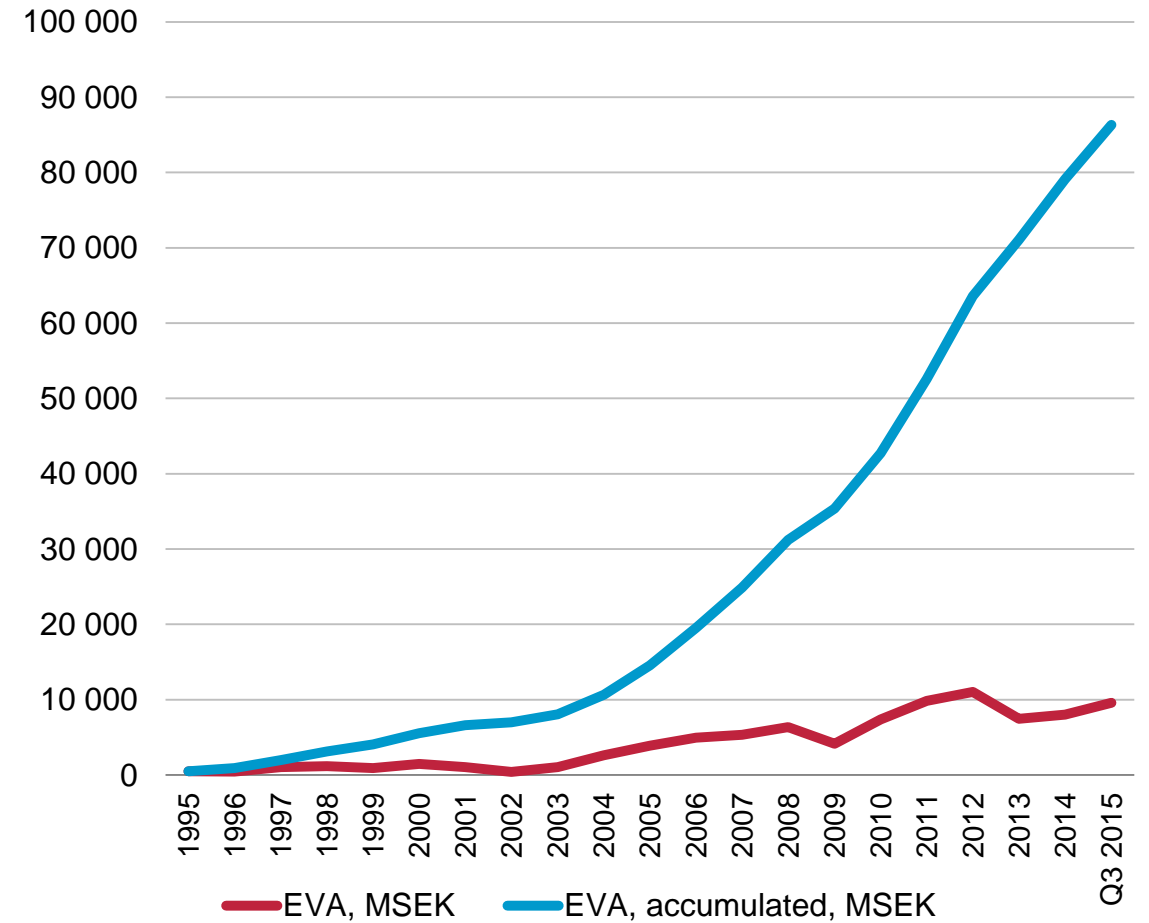
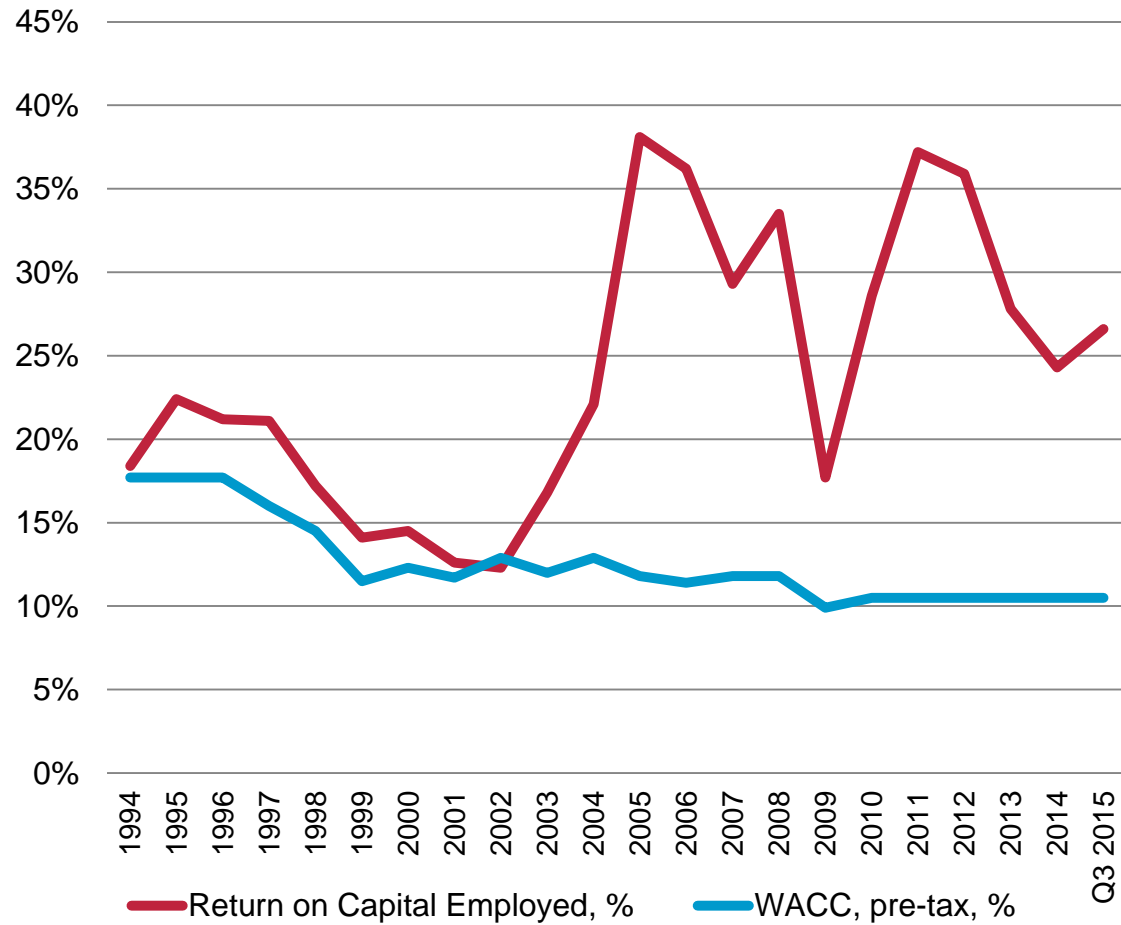
# CAPITAL STRUCTURE

## Net Debt\*/EBITDA



\* Net Debt adjusted for the fair value of interest rate swaps

# RETURN ON CAPITAL EMPLOYED AND VALUE CREATION



# SUMMARY

- A **world leading** provider of sustainable productivity solutions
- **Agile** and **resilient** operations
- Strong global **service** business
- **Consistent strategy**
- Strong **cash generation** and **value creation**
  
- **Fit for more**



***COMMITTED TO  
SUSTAINABLE PRODUCTIVITY.***



*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 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.”