

The background of the slide features a photograph of industrial machinery, likely air compressors, with stainless steel piping and grey cabinets. The 'Atlas Copco' logo is visible on the cabinets. A large blue rectangular overlay is positioned on the left side of the image, containing white text and the Atlas Copco logo.

# ***ATLAS COPCO GROUP***

Atlas Copco Capital Markets Day 2016

Ronnie Leten  
President and CEO

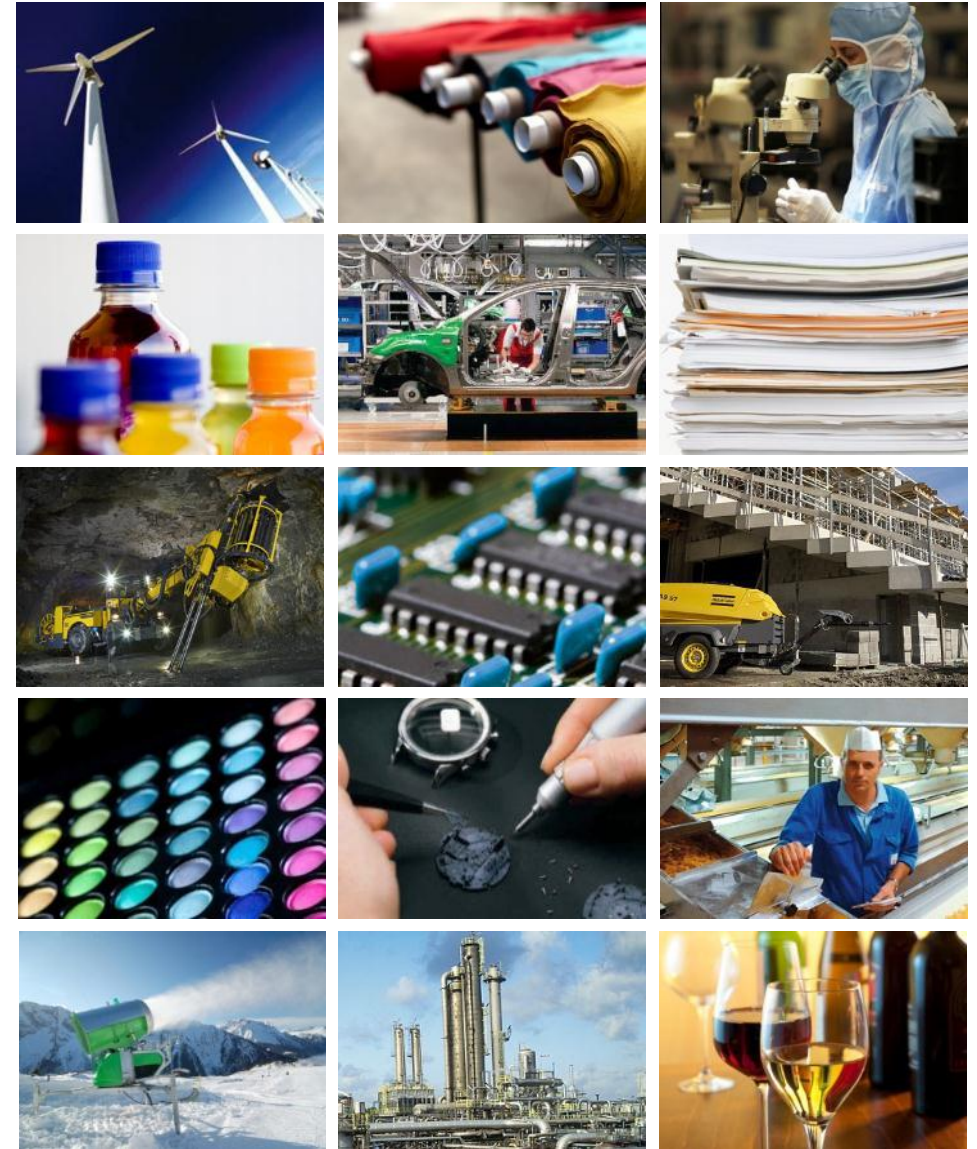
Hans Ola Meyer  
CFO

The Atlas Copco logo, consisting of the company name in a stylized, italicized font, flanked by two horizontal white bars.

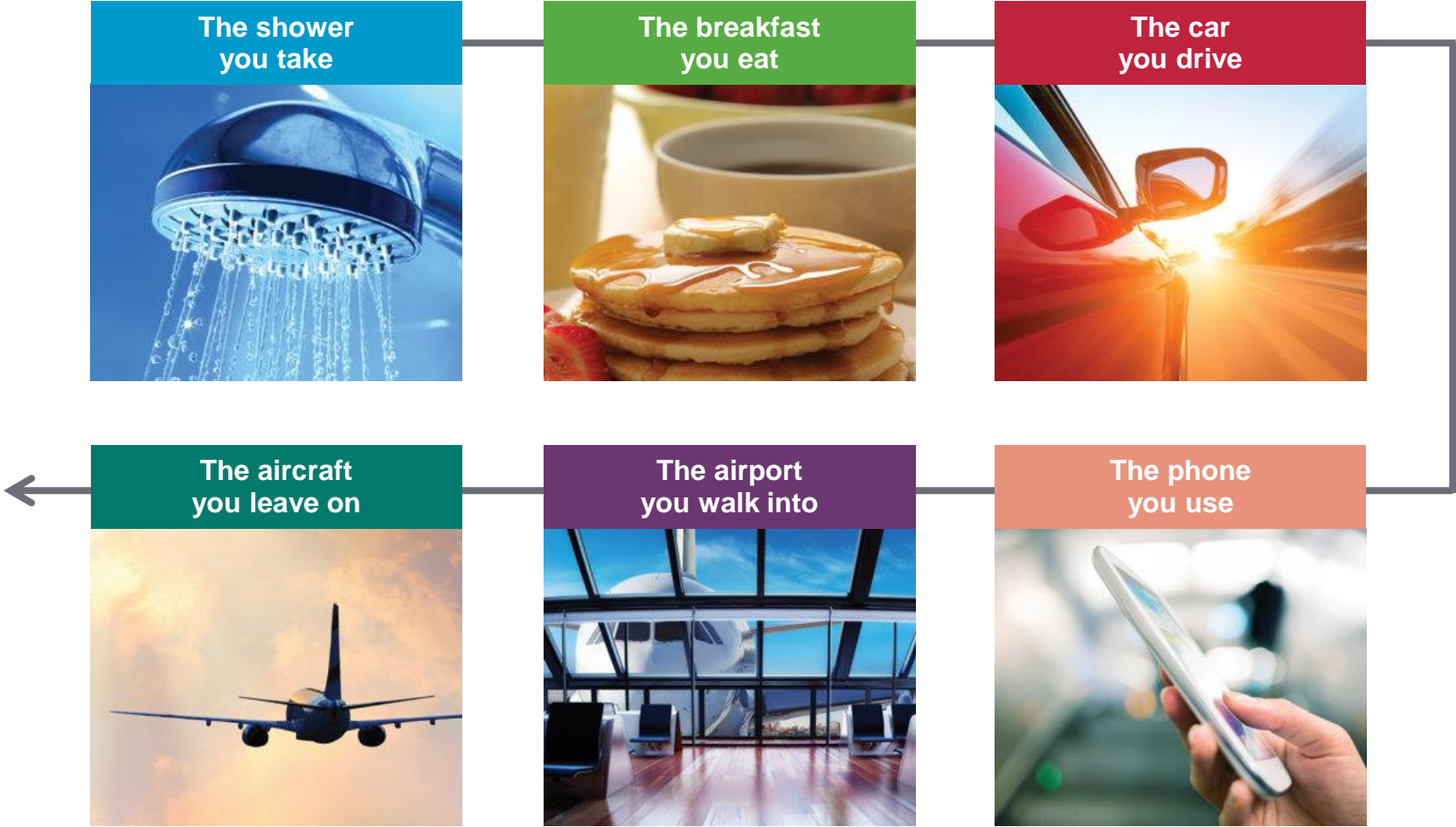
***Atlas Copco***

# ATLAS COPCO

- A **world leading** provider of sustainable productivity solutions
- **Consistent strategy** with focus on **innovation**
- **Agile** and **resilient** operations
- Strong global **service** business
- Strong **cash generation** and **value creation**
- **Capacity for strategic acquisitions**
- **Committed employees** in a **decentralized** organization



# OUR PRODUCTS ARE EVERYWHERE



# AGENDA

1. Current performance update
2. Business areas
3. Global trends
4. Sustainable profitable growth
5. Summary

# *CURRENT PERFORMANCE UPDATE*

## Q3 IN BRIEF

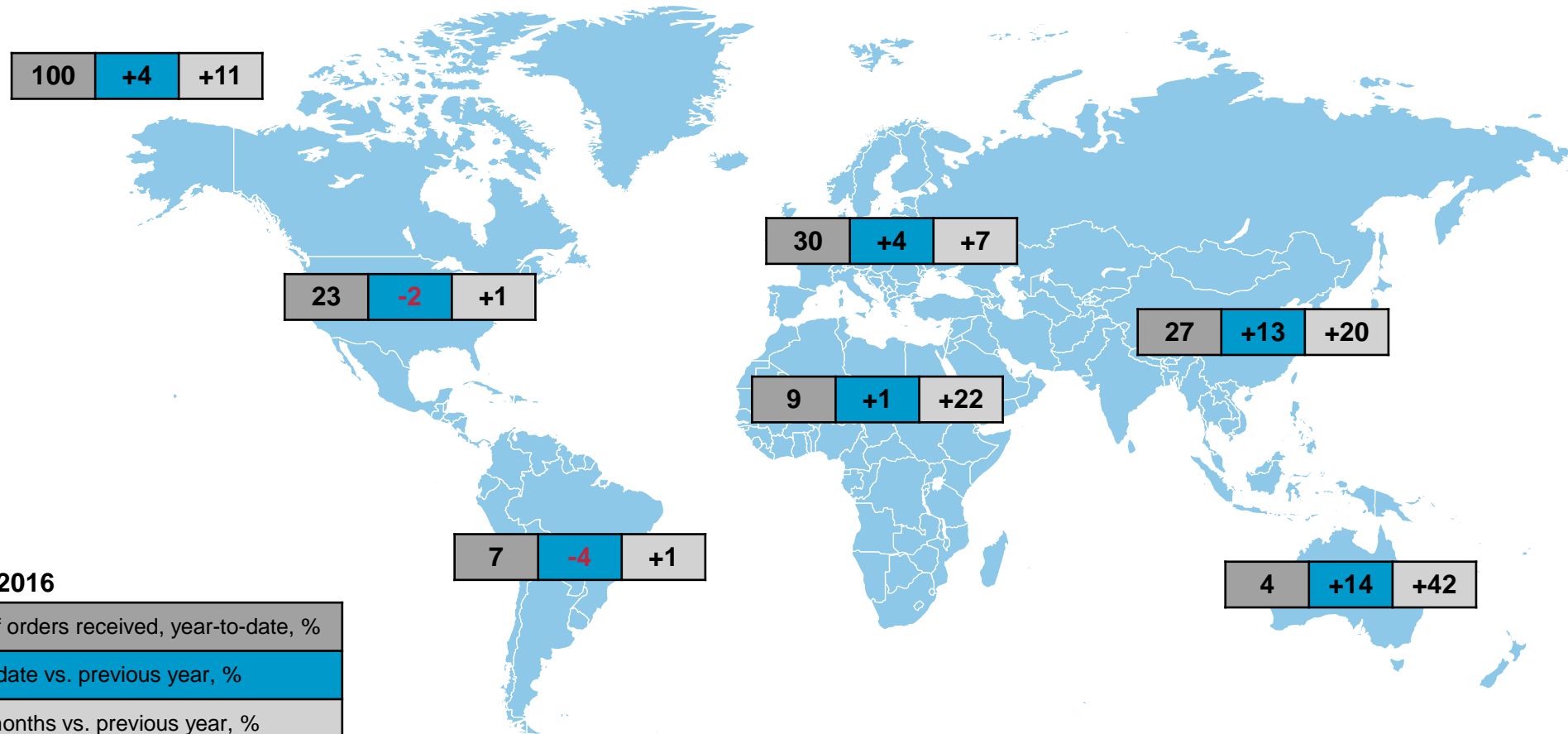
- Organic order growth, solid profit and strong cash flow
- Order growth for all business areas
- Fifth business area announced
  - Vacuum Technique valid from January 2017
  - The acquisitions of Leybold and CSK completed

## NEAR-TERM OUTLOOK

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

# ORDERS RECEIVED - LOCAL CURRENCY

## Atlas Copco Group



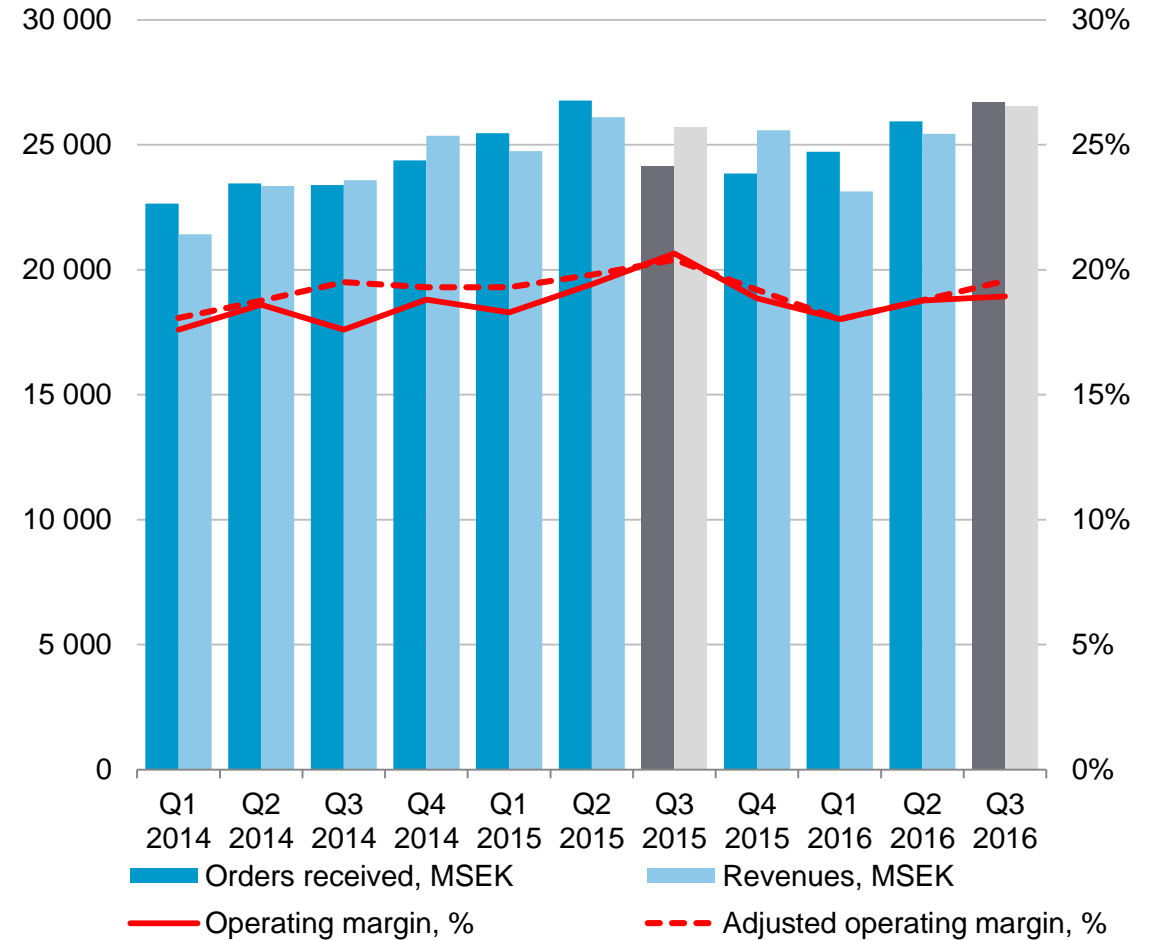
September 2016

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

# GROUP TOTAL

## July - September 2016 vs. 2015

MSEK	July - September		
	2016	2015	%
<b>Orders received</b>	<b>26 696</b>	<b>24 149</b>	<b>11%</b>
<b>Revenues</b>	<b>26 528</b>	<b>25 723</b>	<b>3%</b>
<b>Operating profit</b>	<b>5 023</b>	<b>5 313</b>	<b>-5%</b>
– as a percentage of revenues	18.9	20.7	
<b>Profit before tax</b>	<b>4 716</b>	<b>5 042</b>	<b>-6%</b>
– as a percentage of revenues	17.8	19.6	
<b>Income tax expense</b>	<b>-1 325</b>	<b>-1 236</b>	<b>7%</b>
– as a percentage of profit before tax	-28.1	-24.5	
<b>Profit for the period</b>	<b>3 391</b>	<b>3 806</b>	<b>-11%</b>
<b>Basic earnings per share, SEK</b>	<b>2.78</b>	<b>3.12</b>	
<b>Return on capital employed, %</b>	<b>25</b>	<b>27</b>	



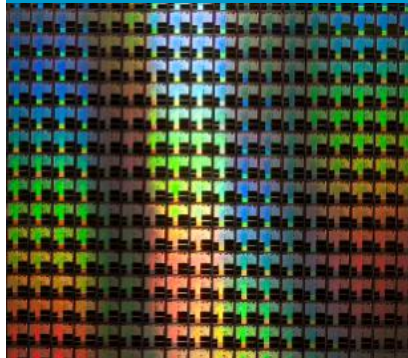


# VACUUM TECHNIQUE – NEW BUSINESS AREA FROM 2017

Vacuum products



Semiconductor



Flat panel displays



Solar panels



Metallurgy



Exhaust management systems



Food & beverages



Packaging



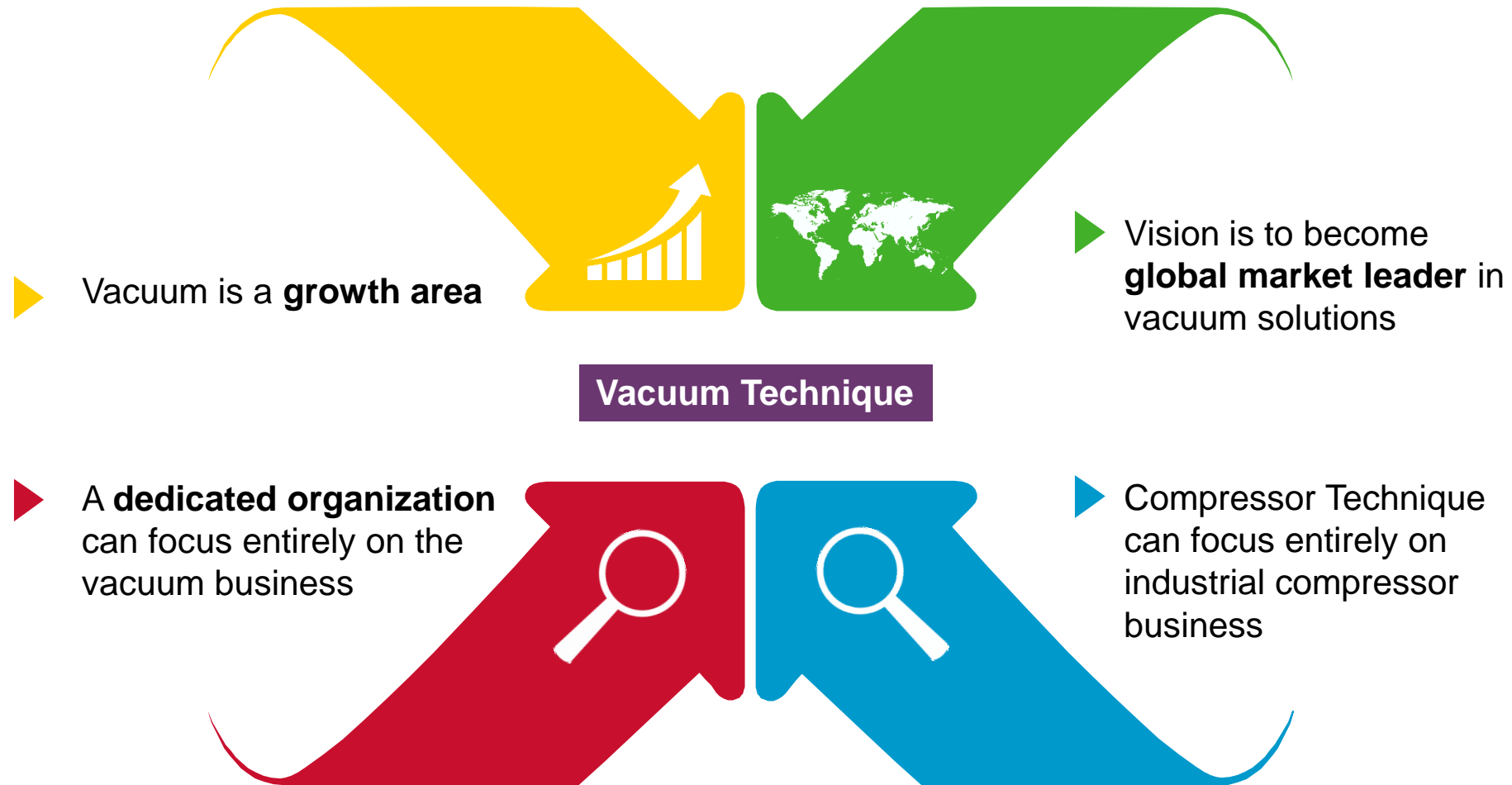
Conveying and assembly



...and more

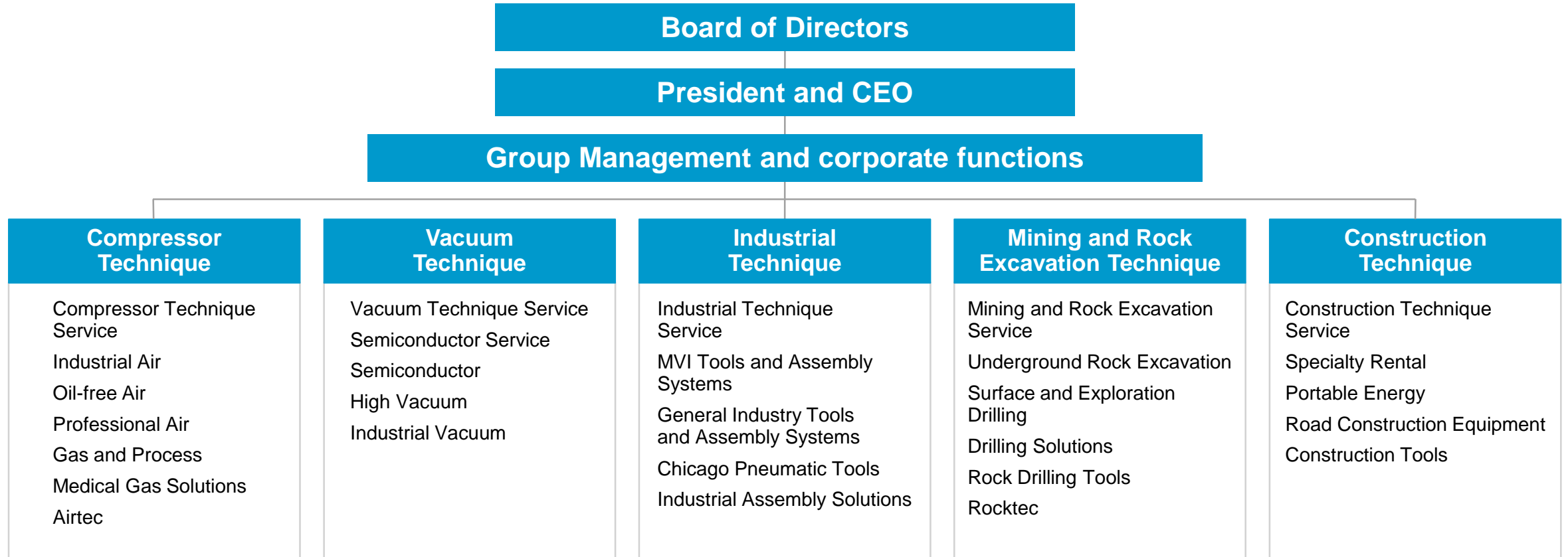


# WHY A FIFTH BUSINESS AREA?



# FIVE BUSINESS AREAS AND 28 DIVISIONS

## A decentralized Group



The business area structure as of Jan 1, 2017

# ***BUSINESS AREAS***

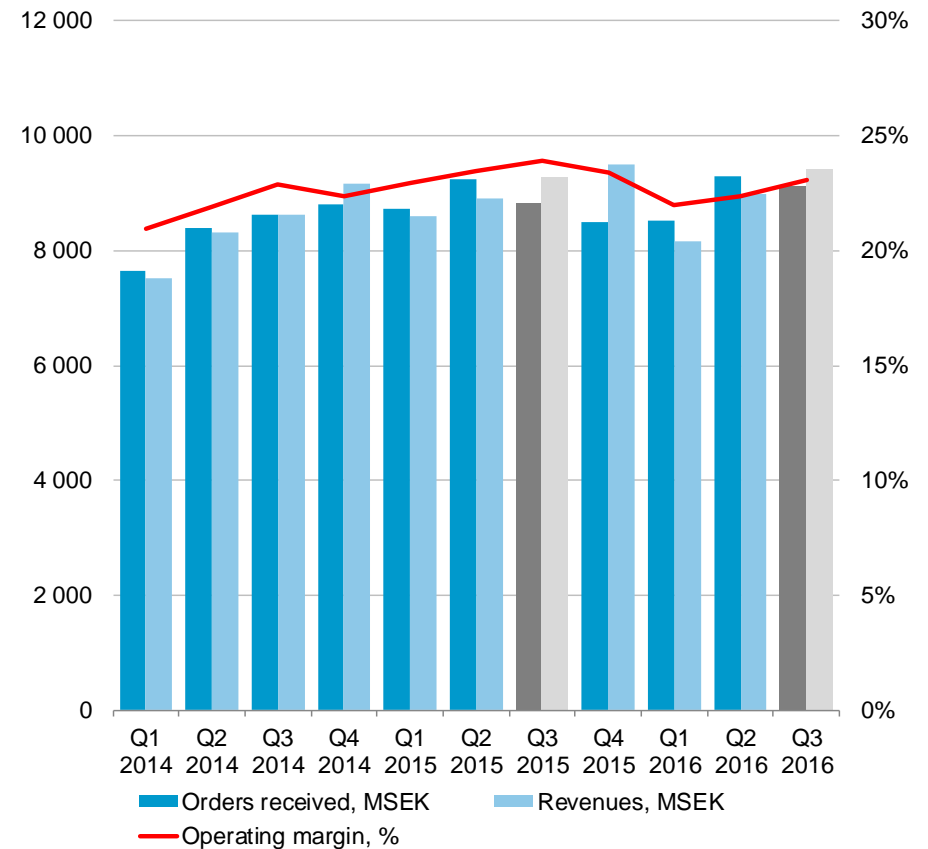
# COMPRESSOR TECHNIQUE (EXCLUDING VACUUM)

ROCE  
68%

## In Brief

- Leverage investments in presence and innovation
- Grow market share and customer share
- Strengthen service platform and extend service offer
- Support organic growth with more acquisitions

## Orders, revenues and operating margin\*



\*Restated figures

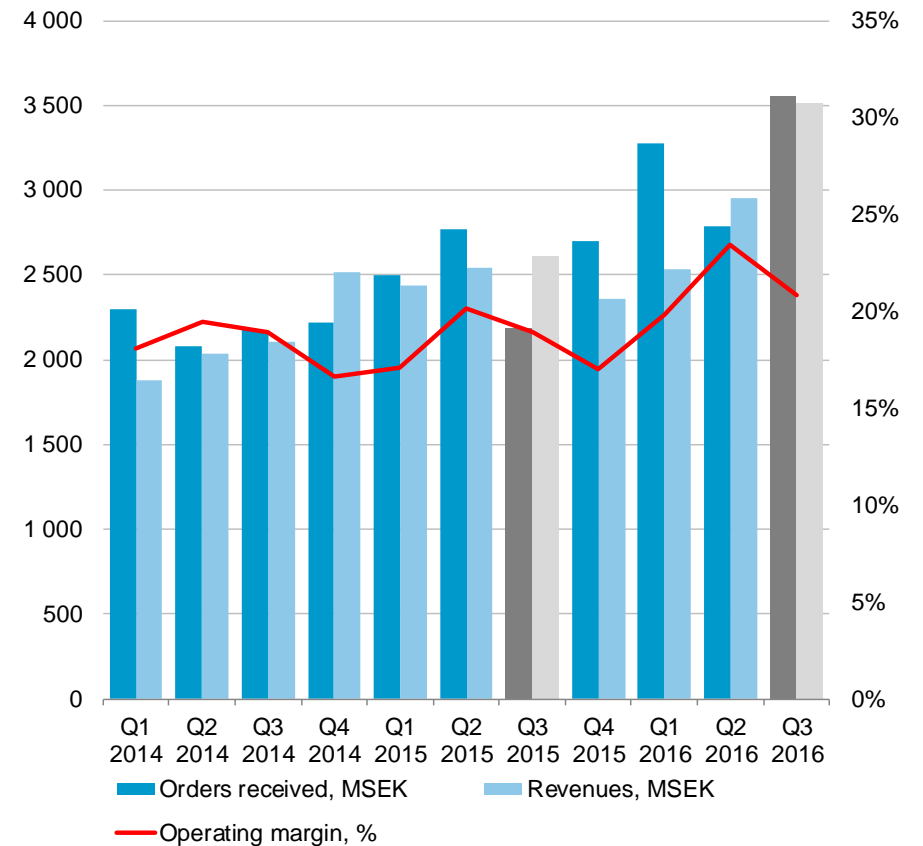
# VACUUM TECHNIQUE

ROCE  
16%

## In Brief

- Vision is to become the global market leader in vacuum solutions
- Priority on integration
- High investments in innovation

## Orders, revenues and operating margin\*



\*Restated figures

# INDUSTRIAL TECHNIQUE

Automotive



Off-road



Shipyards / Offshore



Metal fabrication



Vehicle maintenance



Aerospace



Electronics



Energy / Oil & gas



White goods



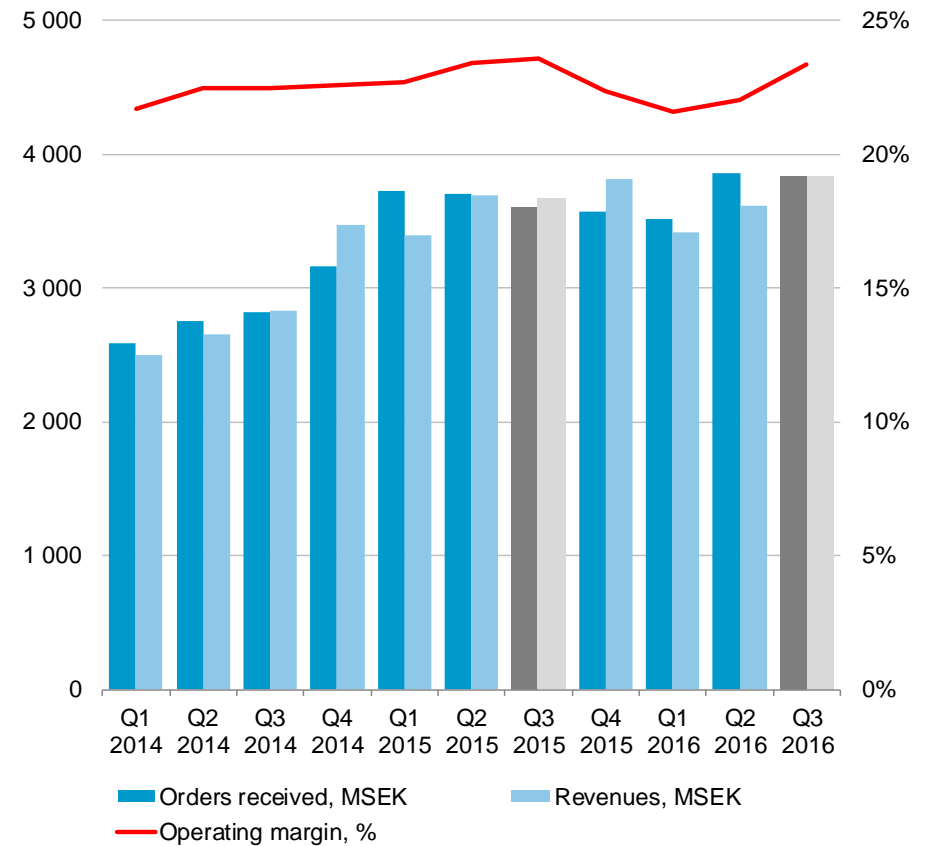
# INDUSTRIAL TECHNIQUE

ROCE  
32%

## In Brief

- Focus on further developing the offer within assembly technologies
- Innovation is key
- Extend the service offer

## Orders, revenues and operating margin





# MOTOR VEHICLE INDUSTRY – TREND

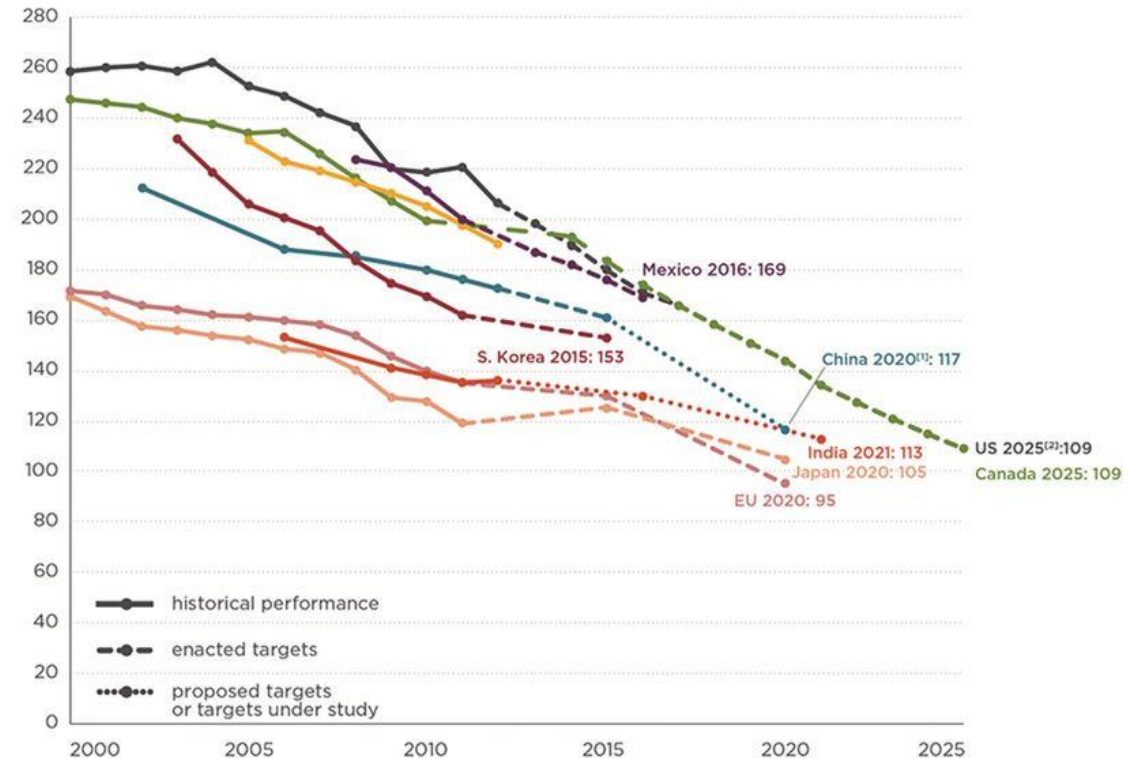
## Driving Factors for lightweight design

### Trends

- Expected increase in usage of adhesives and sealants
- Increased usage of alternative mechanical joining methods to replace welding
- Increased focus on hybrid joining – combination of adhesive and mechanical joining methods



### Ambitious emission aims – CO<sub>2</sub> legislation



Source: ICCT, the International Council on Clean Transportation

# CONNECTIVITY

## Power Focus 6000



# MINING AND ROCK EXCAVATION TECHNIQUE

Underground mining



Surface mining



Exploration



Civil engineering



Quarrying



Ground engineering



Water well, oil & gas



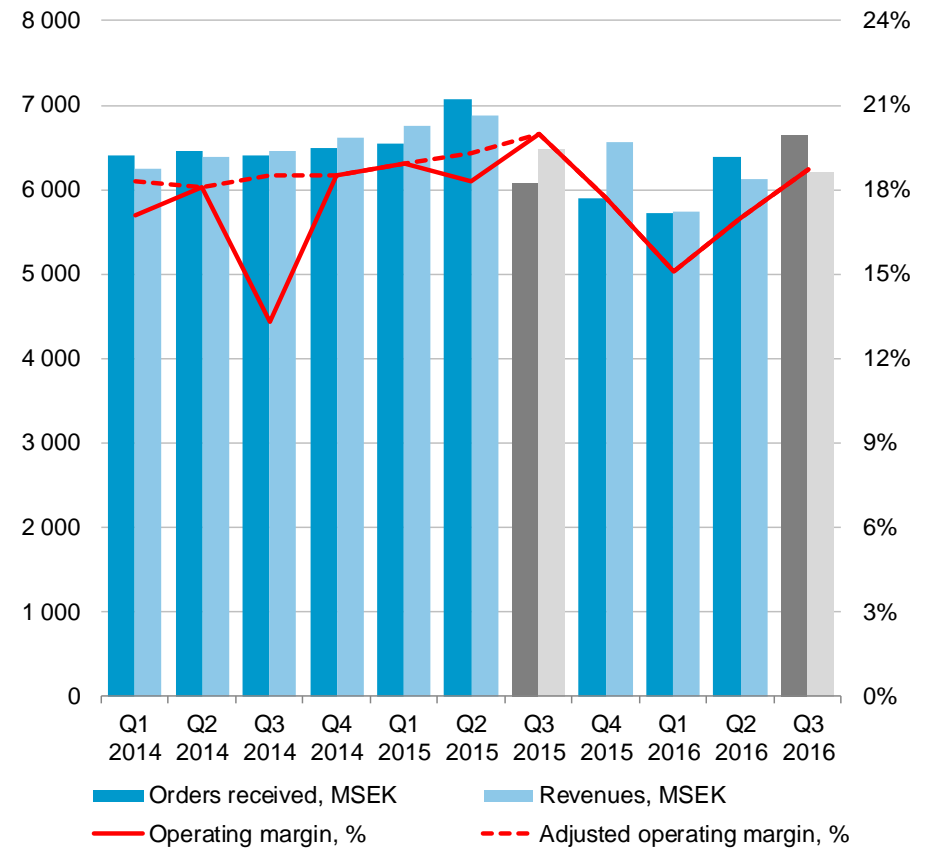
# MINING AND ROCK EXCAVATION TECHNIQUE

ROCE  
31%

## In Brief

- Innovation and automation is key
- Customers' focus is on total cost of operations
- Strengthen the agility and resilience
- Grow service and consumables

## Orders, revenues and operating margin



# INNOVATION – AUTOMATION

## The future in mining



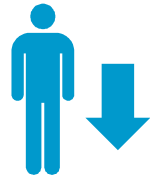
Safer work  
environment



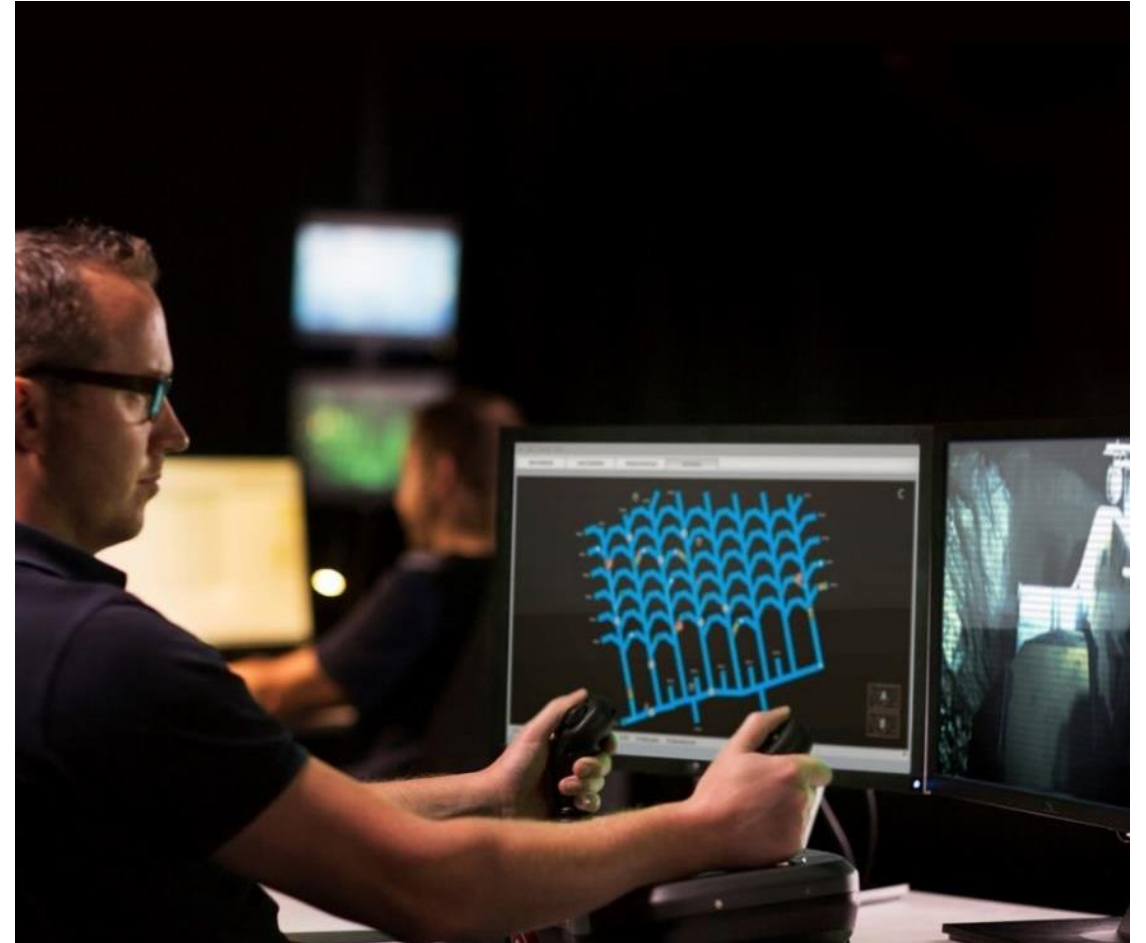
Lower  
operational costs



Higher equipment  
utilization



Fewer operators  
required



# CONNECTIVITY

## Certiq, a Telematics solution



# INNOVATION – MINEXPO

## Minetruck MT65

- New truck with 65 ton capacity
- Increased productivity
- Rig control system for automation
- Certiq – a telematics system that enables monitoring and management of equipment fleets.



# INNOVATION – MINEXPO

## Boomer S2

- **Drill rig for tunneling**
  - First automated drill rig in segment
  - Safe, productive and robust
- **Equipped with new rock drill**
  - Fast, up to 15% faster
  - Reliable with long service intervals





# CONSTRUCTION TECHNIQUE

Light compaction



Road construction



On-site energy



Concrete



Demolition / recycling



Infrastructure



Specialty Rental



General construction



Tunneling



Water well, oil & gas



Mining



Quarries



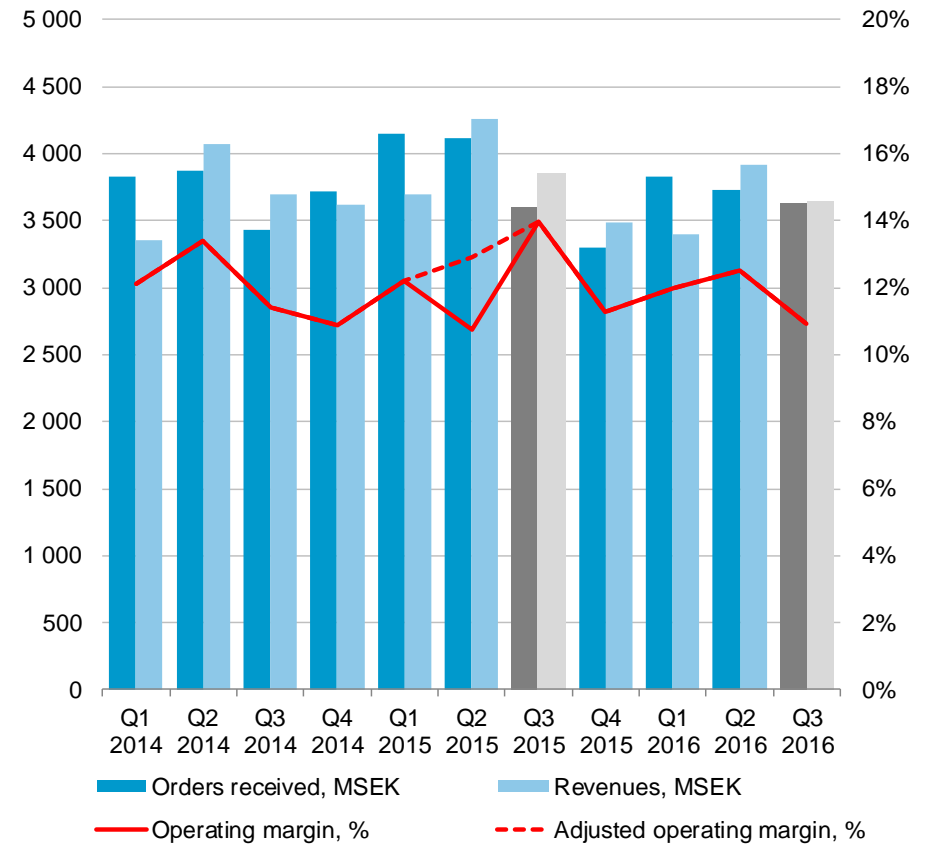
# CONSTRUCTION TECHNIQUE

ROCE  
12%

## In Brief

- Innovation is key
- Strengthen market position in our niches
- Develop a service network for an indirect channel

## Orders, revenues and operating margin



# INNOVATION – EFFICIENCY

## New portable compressors

- Reliable, efficient and lightweight



# EXPANDING THE OFFER

## Varisco

- Engine driven pumps are key in the product portfolio
- Sales and service synergies with other portable energy products
- Similar design concept, components and assembly
- Profitable business



# CONSTRUCTION TECHNIQUE SERVICE

Anytime, any product, anywhere, you can count on us



Service and local support in more than 170 markets



Our local customer centers have a first-class team to support our customers with a single point of contact



Online technical information with **PartsOnline**



Trained technicians



Efficient logistics



Buy online 24/7 with **ShopOnline**

# ***GLOBAL TRENDS***

# GLOBAL TRENDS



Continued expansion in growth markets



Urbanization drives investments in infrastructure and demand for minerals



Customers focus on core activity



Connectivity



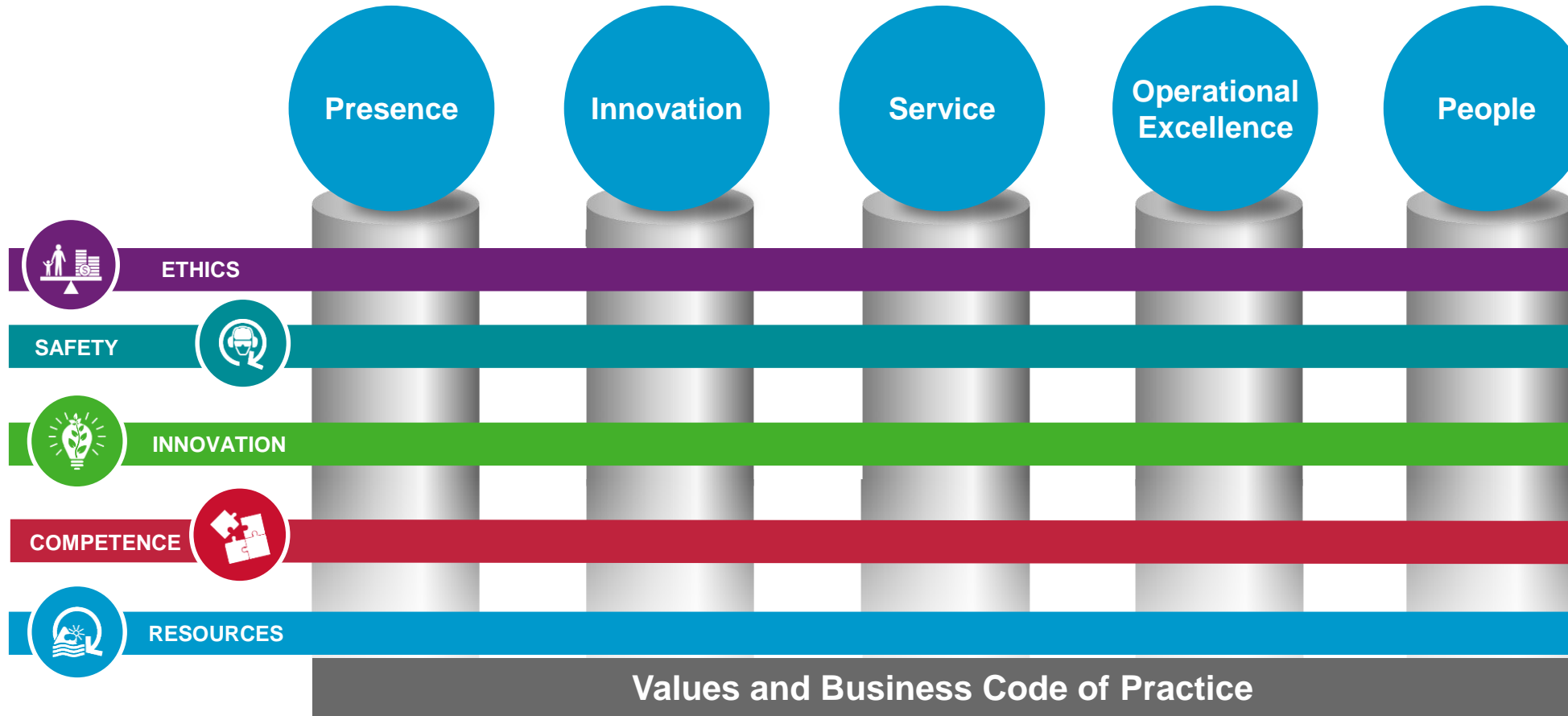
Energy efficiency and productivity requirements

# ***SUSTAINABLE PROFITABLE GROWTH***



# SUSTAINABLE PROFITABLE GROWTH

8% growth over a business cycle – High return on capital employed



# WHY

## ...should Atlas Copco succeed to grow?

- Market leader with strong portfolio of businesses and products
- Commitment to innovation
- Strong service offering
- Capacity for strategic acquisitions
- Top organization, world-class people and top execution
- Sustainability embedded in everything



# WHY

## ...should Atlas Copco deliver high return on capital employed?

- Standardization and efficient flow
- Asset light operations
- Variable cost structure
- Strong service business
- Sustainability embedded in everything



# *PLANTING NEW SEEDS FOR THE FUTURE*

## **Simultaneously**

Develop and defend core

Build new businesses

Create options



# INCREASE PRESENCE IN FAST GROWING ECONOMIES

...and strengthen in mature markets



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

# WHAT DO WE WANT TO ACQUIRE?

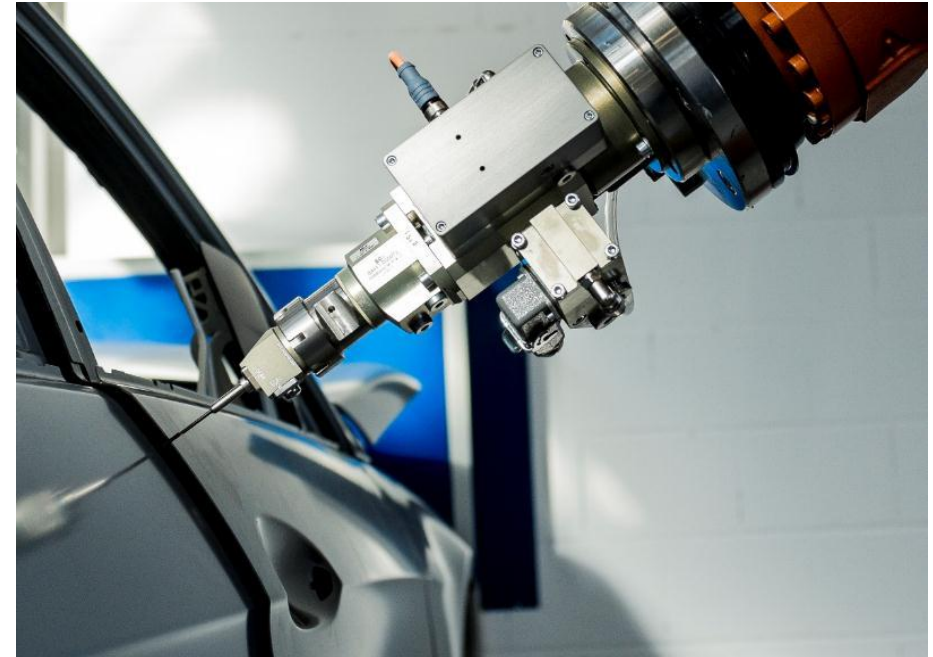
Businesses in, or with close relation to, existing core competencies

## Characteristics

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

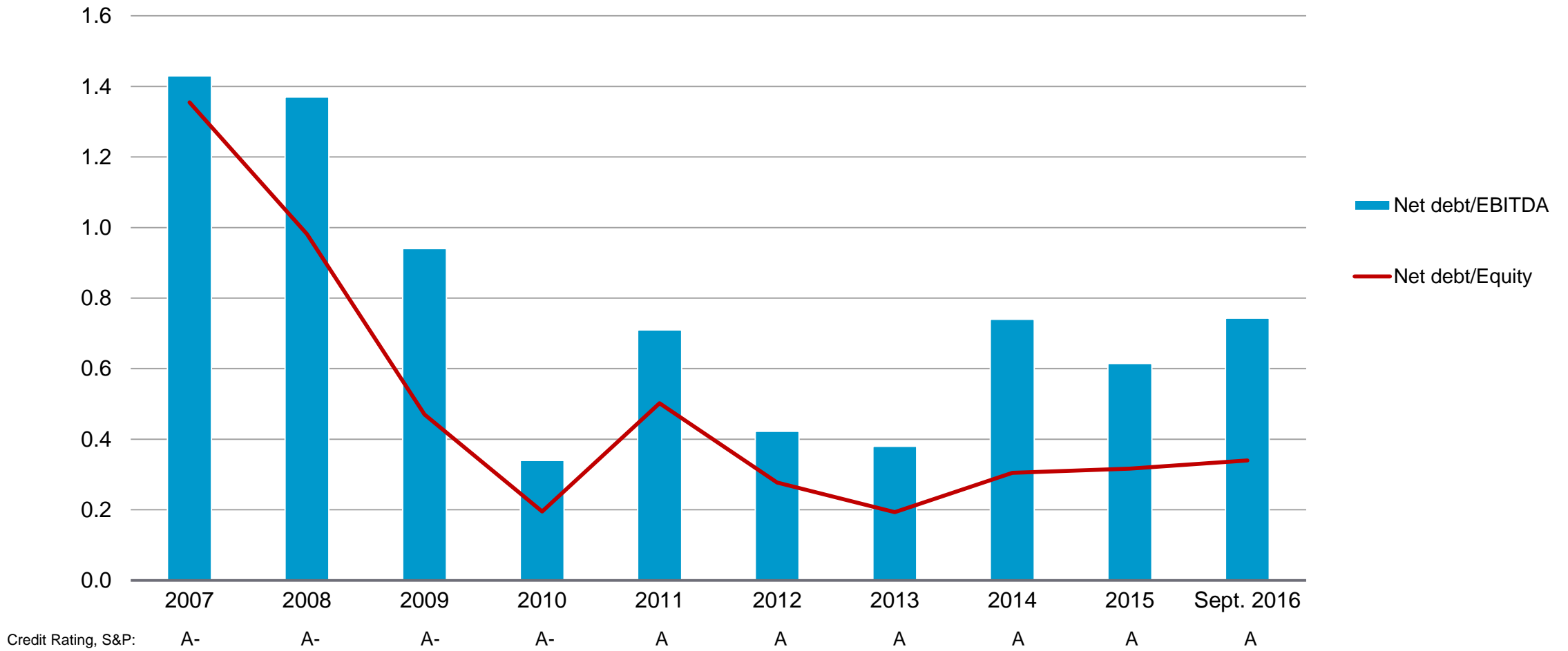
## Leveraging

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



# FINANCIAL STRENGTH FOR ACQUISITIONS

Ready for more

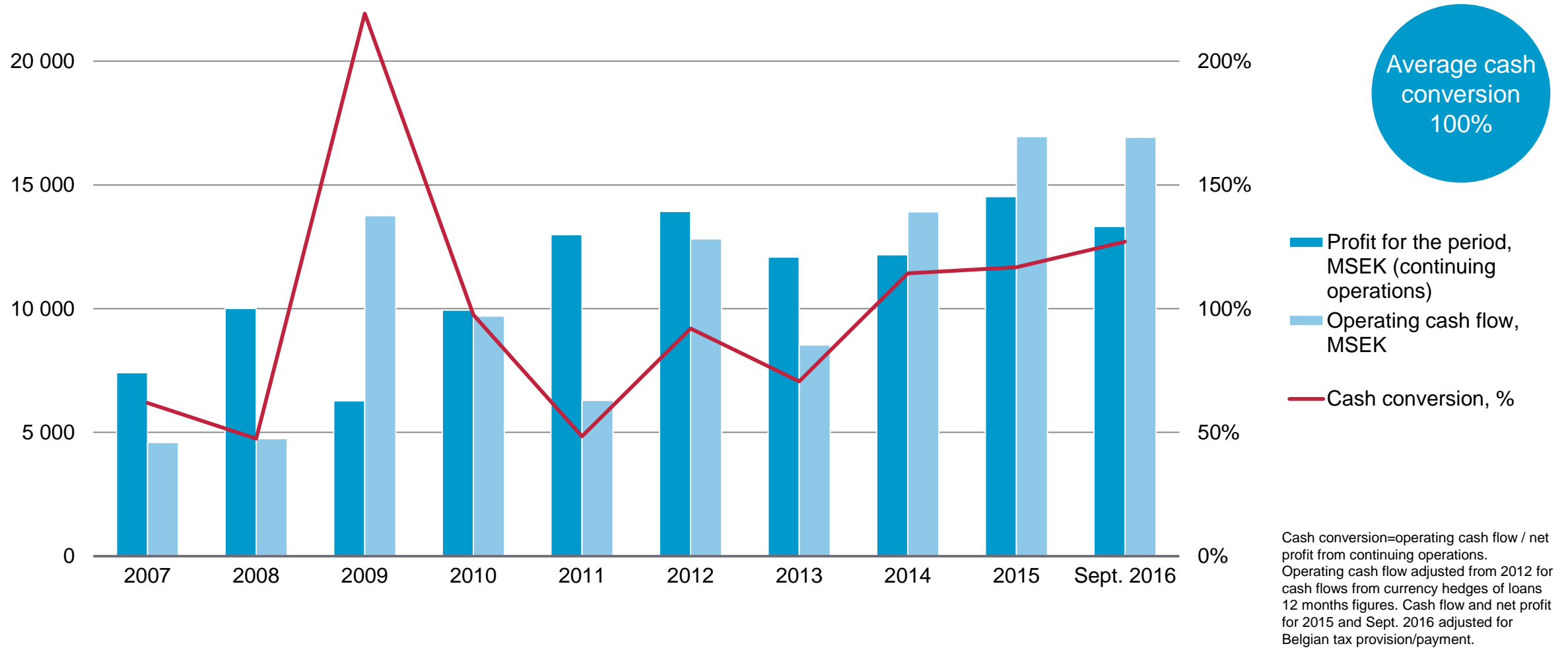


*Show me the money!*



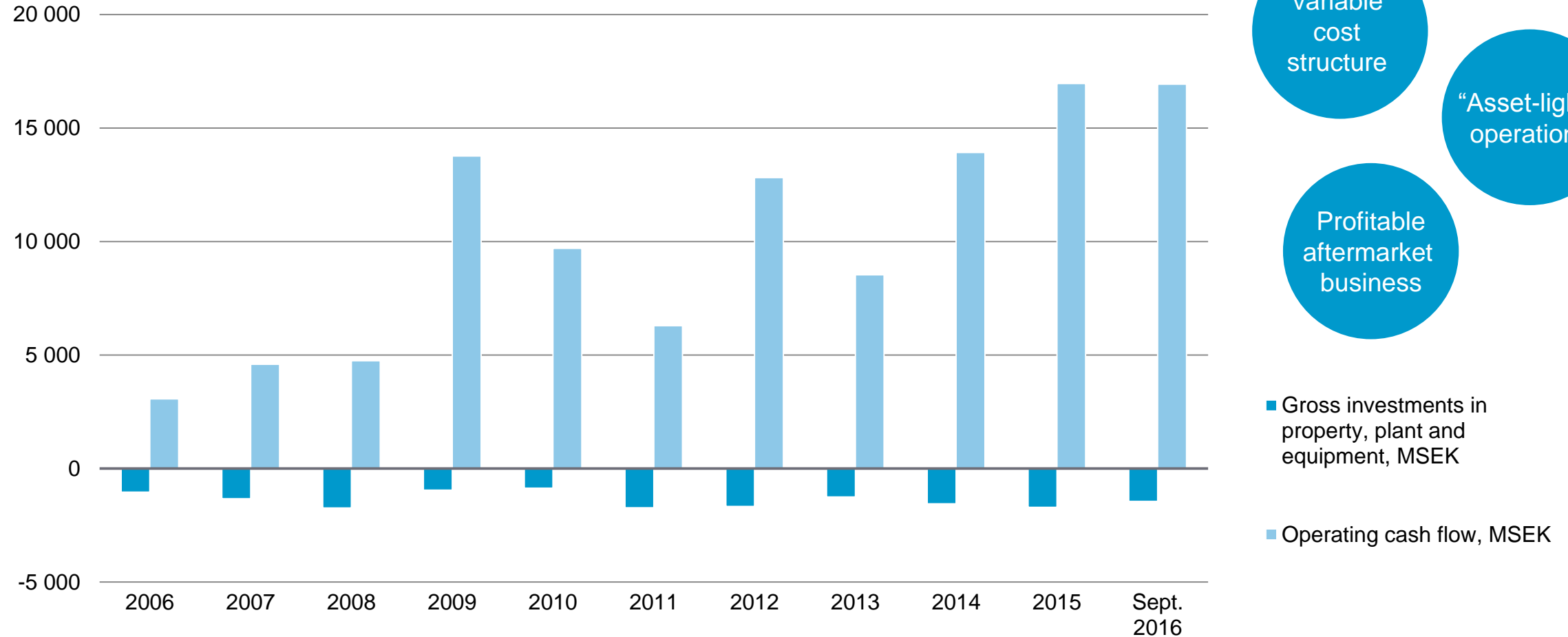


# CASH GENERATION

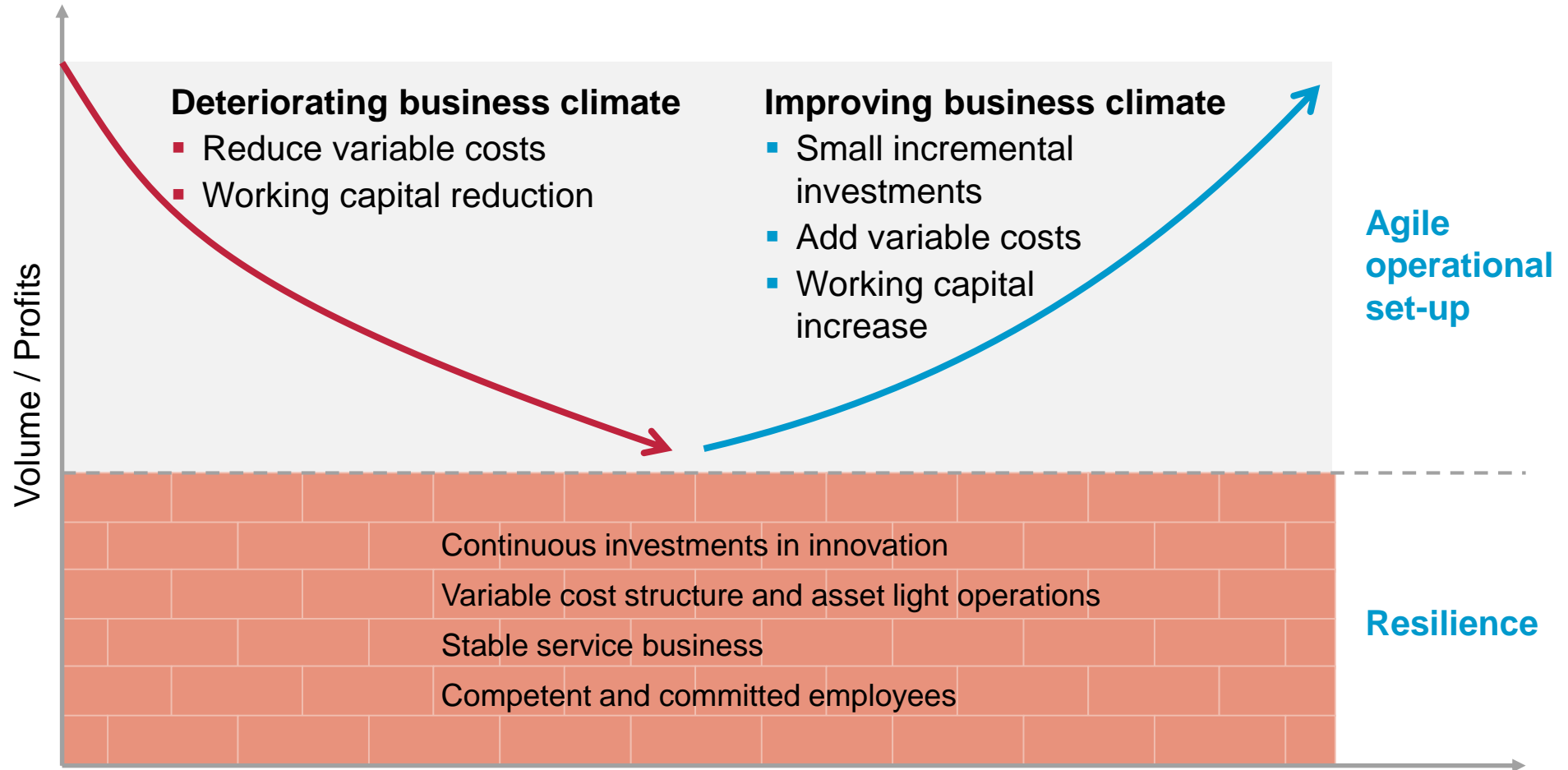


# AGILE, RESILIENT AND CASH GENERATIVE BUSINESS MODEL

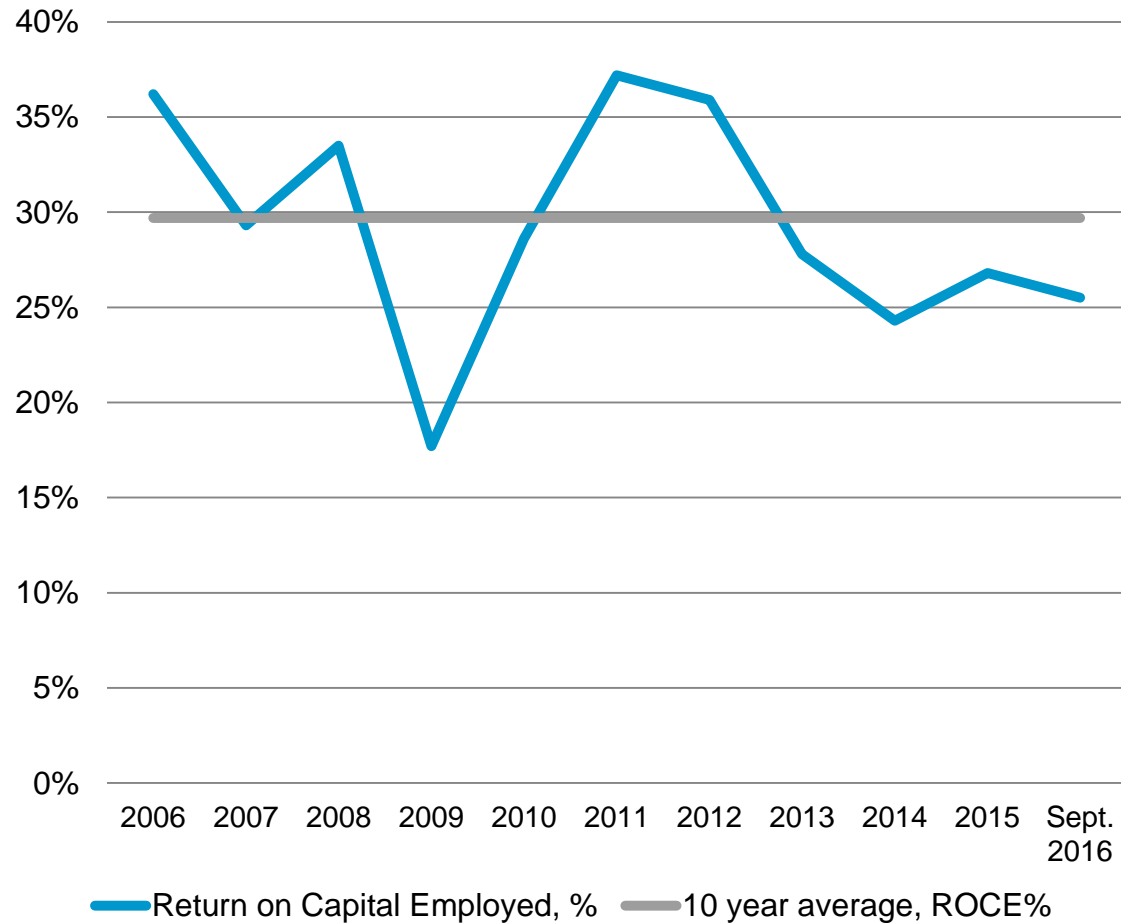
## Low investment intensity



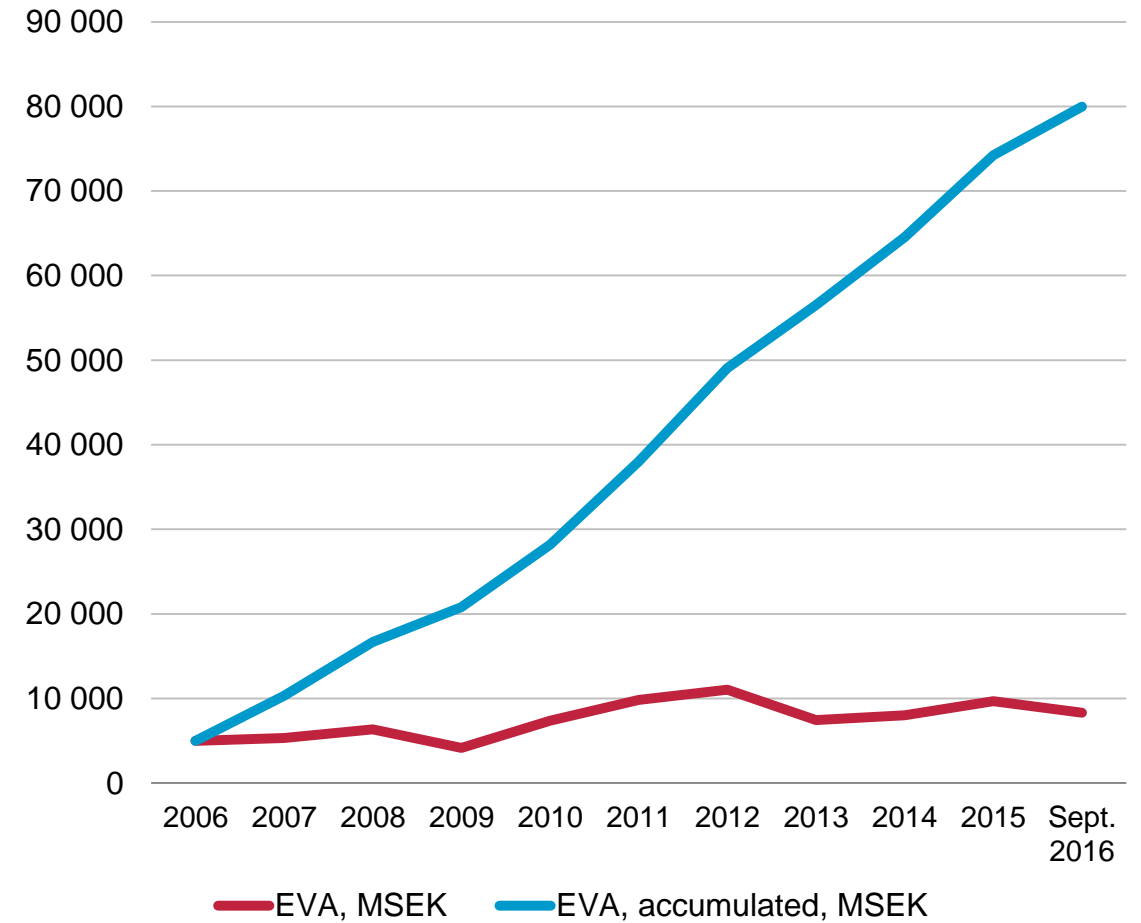
# AGILE AND RESILIENT OPERATIONS



# HIGH RETURN ON CAPITAL EMPLOYED AND VALUE CREATION

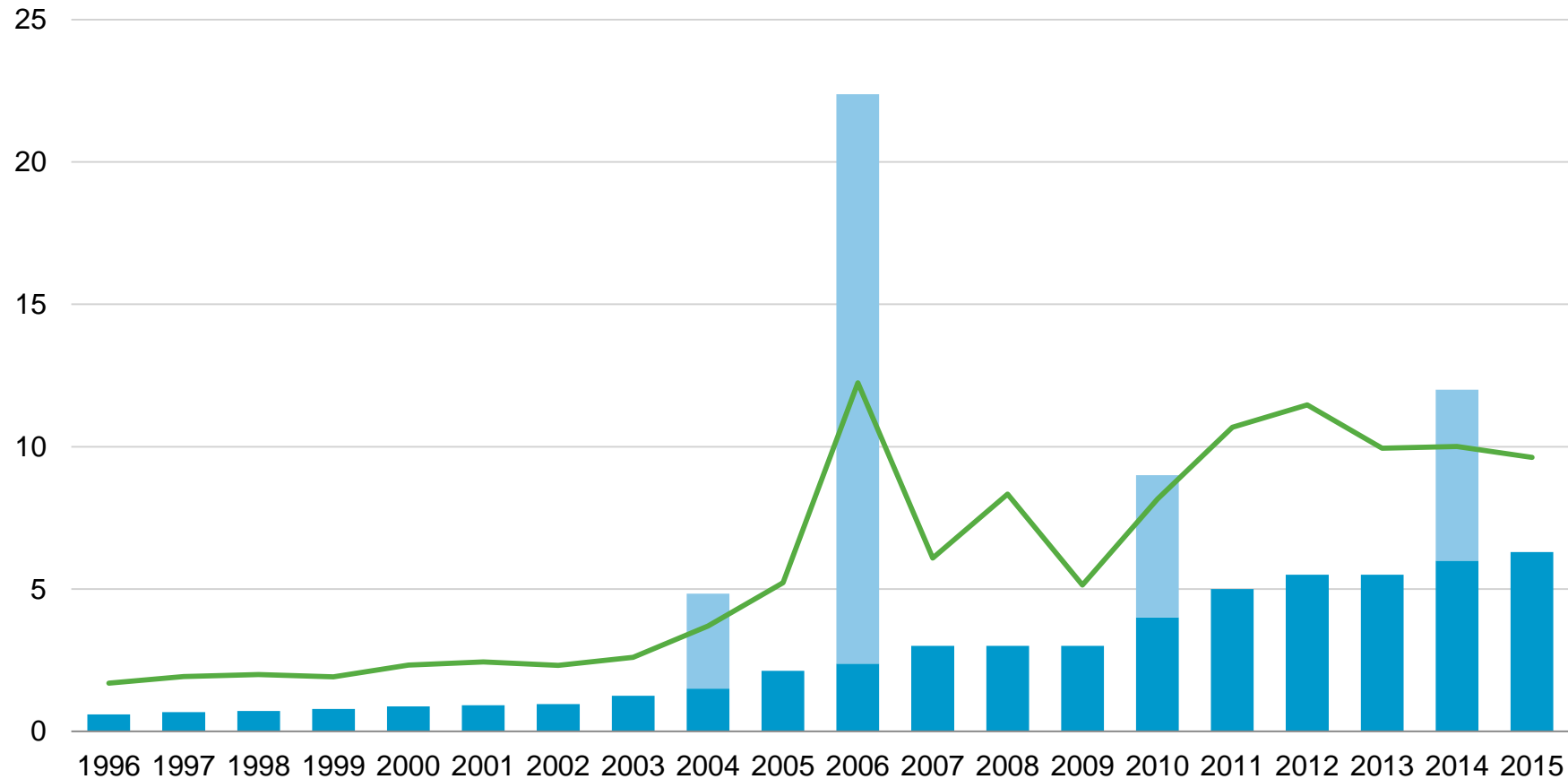


12 month figures.  
Avg. ROCE calculated 10 years until 2015



# SUSTAINABLE CASH DISTRIBUTION

Annual dividend goal; about 50% of earnings per share



- Redemption per share, SEK
- Dividend per share, SEK
- Earnings per share, SEK

Yield = dividend and redemption divided by the average price quoted of the A-share (arithmetic).  
Earnings per share including discontinued operations

Average  
yield  
5%

Average  
payout ratio  
63%

# INNOVATION AND DIGITALIZATION HAND-IN-HAND



# SERVICE ANYTIME ANYWHERE

Always Close



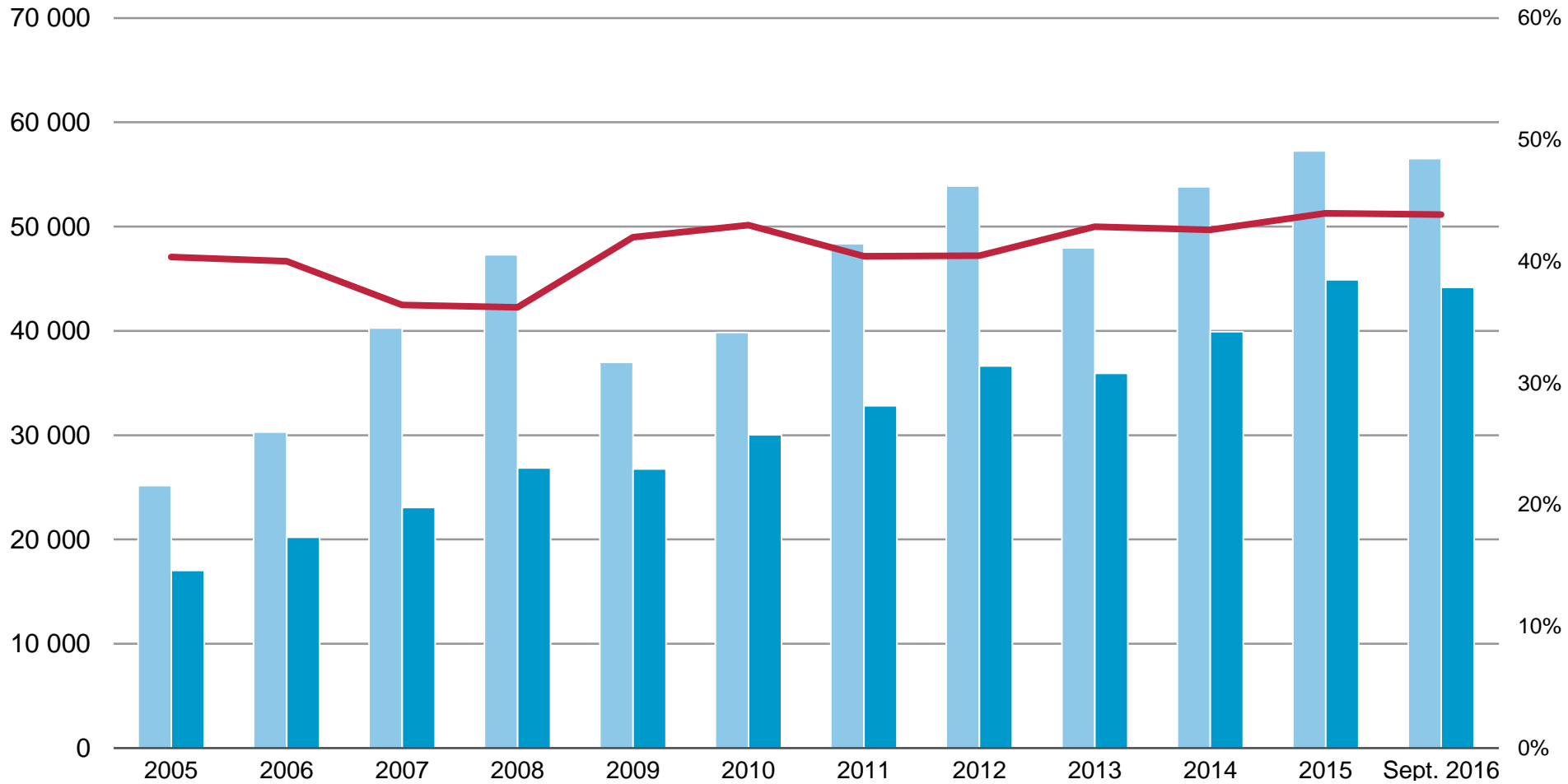
Monitoring and control



Proactive maintenance



# CONTINUOUS GROWTH IN SERVICE



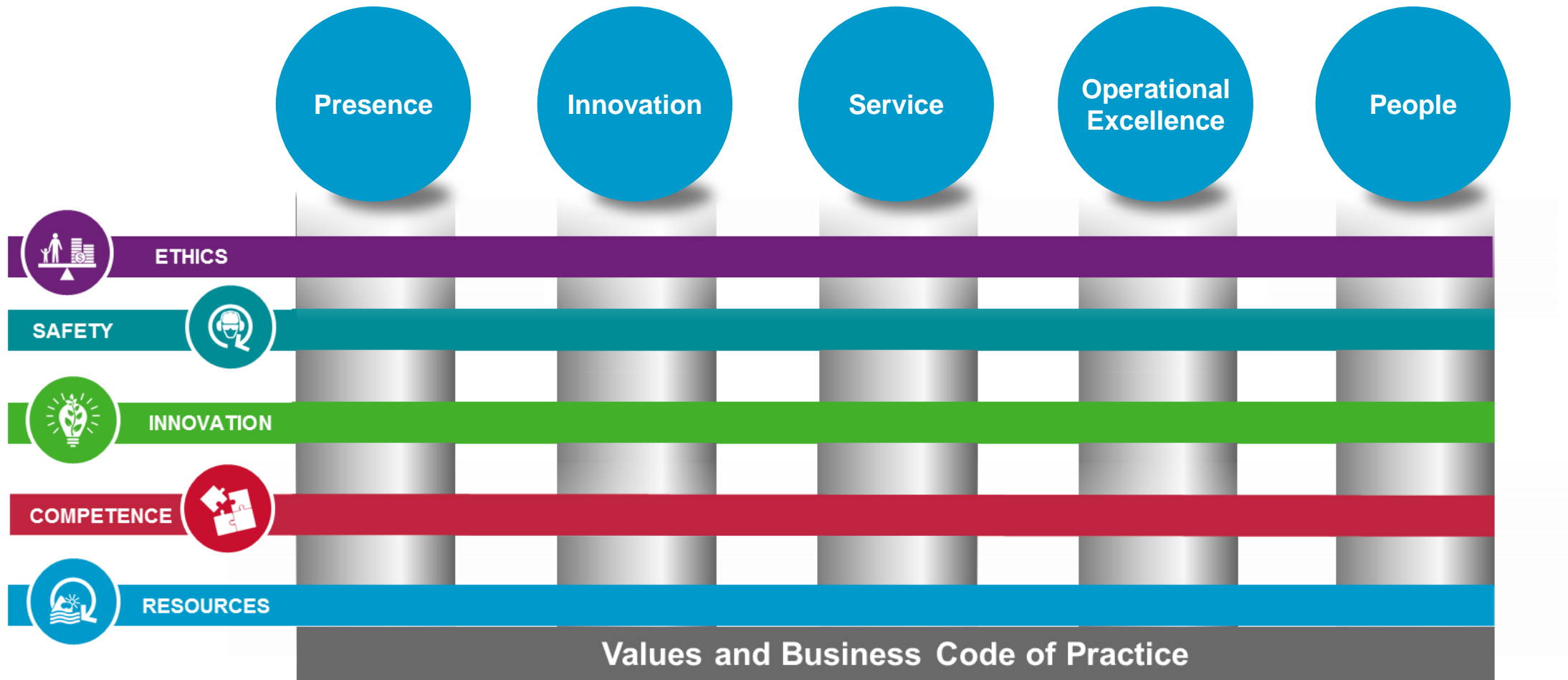
10y CAGR  
Service  
~ 10%  
Equipment  
~ 8.5%

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

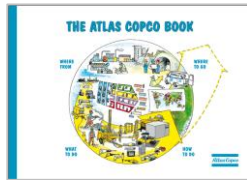
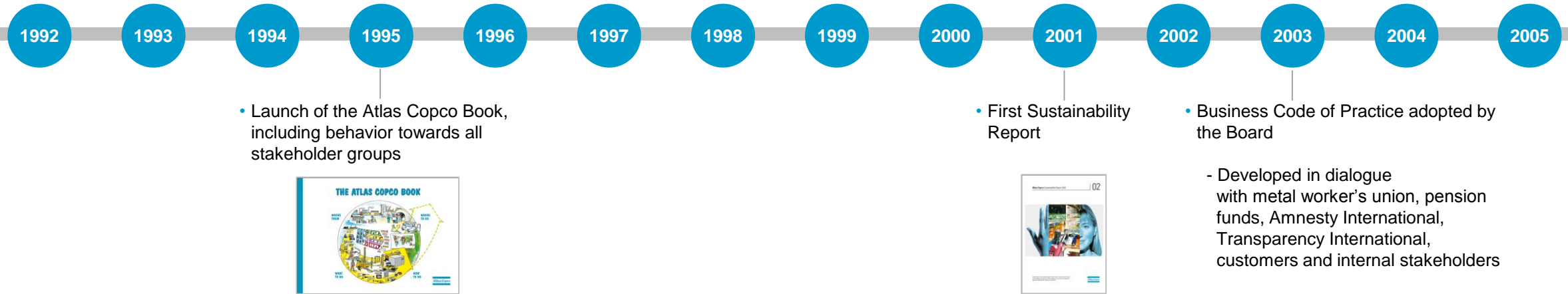
12 month figures.  
CAGR calculated 10 years until 2015



# OUR PRIORITIES ARE EMBEDDED IN THE DAILY OPERATIONS




# SUSTAINABILITY MILESTONES



# SUSTAINABILITY MILESTONES


**2006**

- Control Self Assessment launched



**2007**

- Atlas Copco signs UN Global Compact membership
- First Stakeholder Dialogue



**2008**

**2009**



**2010**

- Launch of sustainability goals

<b>Products, services and solutions</b>	Find in time-to-market, cost-effective solutions for customers in all markets.	Increase customer loyalty.	Increase customer loyalty efficiency to 20% by 2020.	Offer safe and reliable products and services.
<b>Operations</b>	Reduce CO <sub>2</sub> emissions. Control expenses for safety and health of employees.	Compliance. Commitment to achieve good health and safety. Learning opportunities to all employees.	Increase diversity in work force and nationality. Encourage internal mobility.	Safe and healthy working environment for all employees. 20% reduction in lost time due to injury and occupational and health absences.
<b>Financials</b>	Reduce CO <sub>2</sub> emissions. Increase productivity. Increase customer loyalty.	Reduce CO <sub>2</sub> emissions. Increase productivity. Increase customer loyalty.	Reduce water consumption. Increase productivity.	Reduce or recycle waste.


**2011**

- Classroom training in Business Code of Practice

**2012**

- Integrated annual report

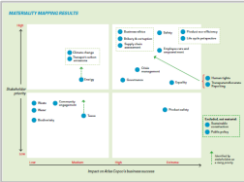


**2013**

**2014**


**2015**

- Materiality analysis



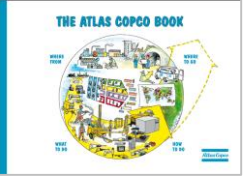
**2016**

- New goals based on the materiality results
- Combined Stakeholder Dialogue and Capital Markets Day



**2017**

- The 10th edition of the Atlas Copco Book to further develop the culture



# ***THE LARGEST IMPACT IS ACHIEVEMENTS IN OUR CORE***

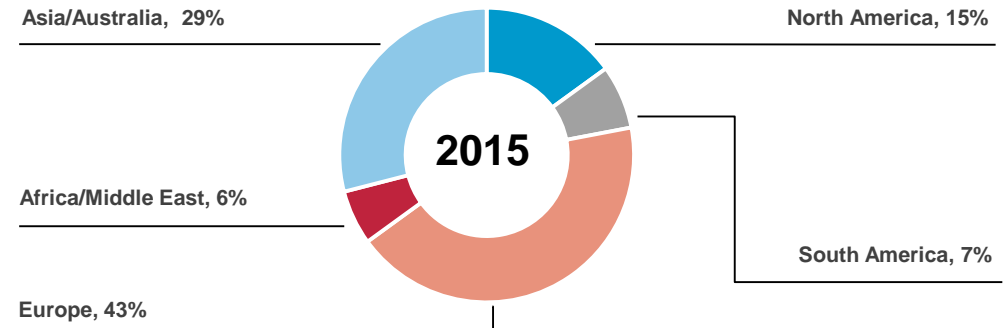
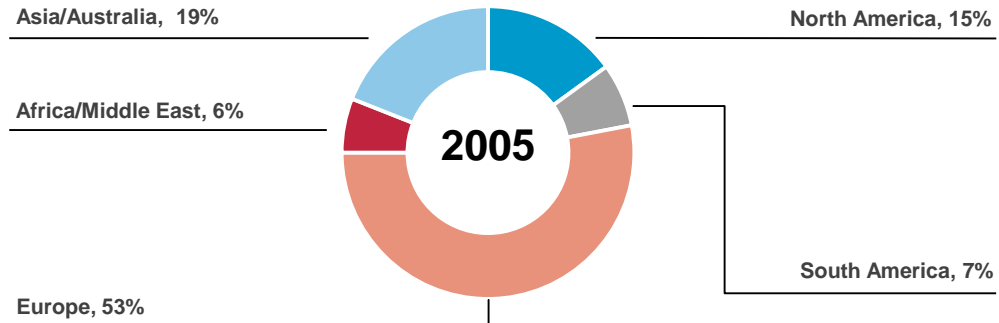
- People with strong ethical standards
- Continuously developing the most energy efficient and productive products



# DIVERSITY

Atlas Copco is represented **everywhere**.

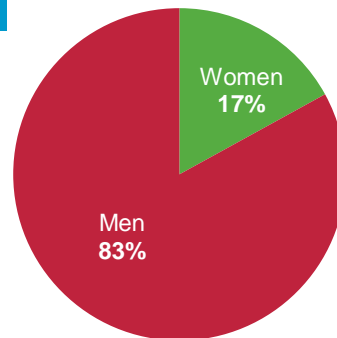
In ten years the proportion of employees in Asia / Australia has increased from 19% to 29%.



## Atlas Copco

Female employees: **17%**

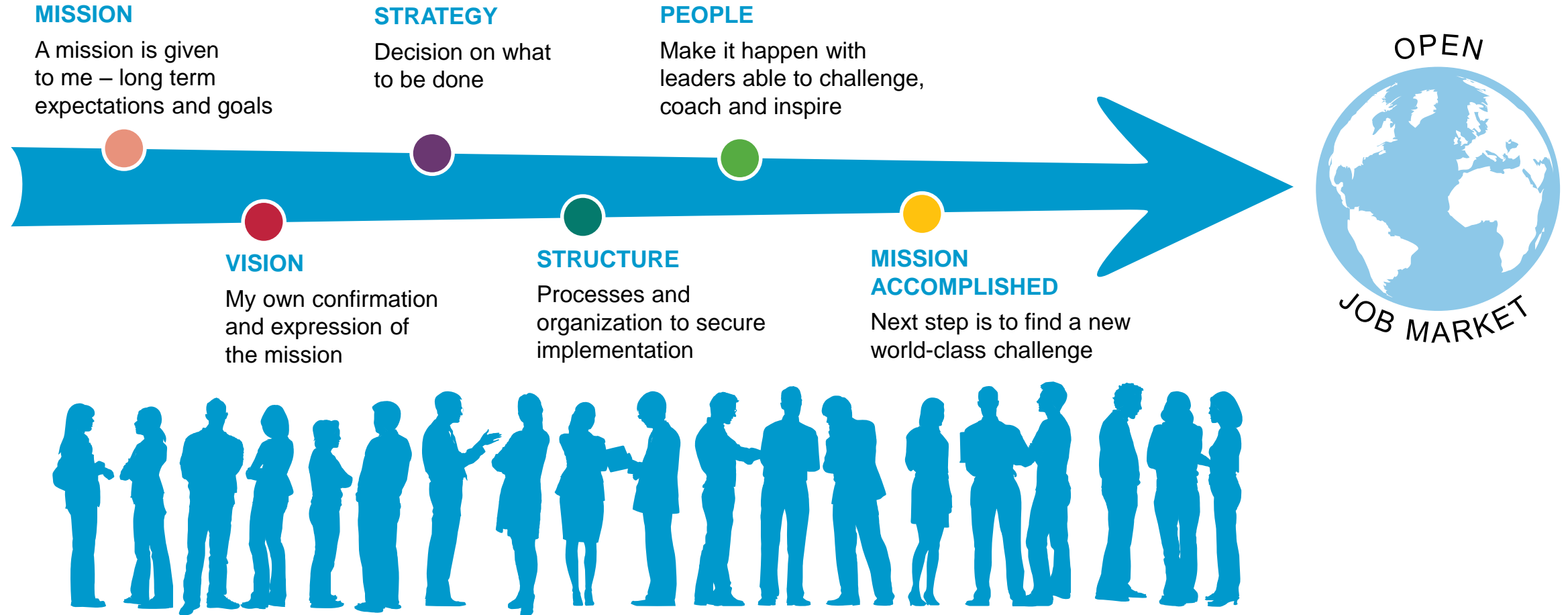
Female managers: **17%**



The share of recent graduated females recruited among white collar workers has increased from 31% in 2014 to

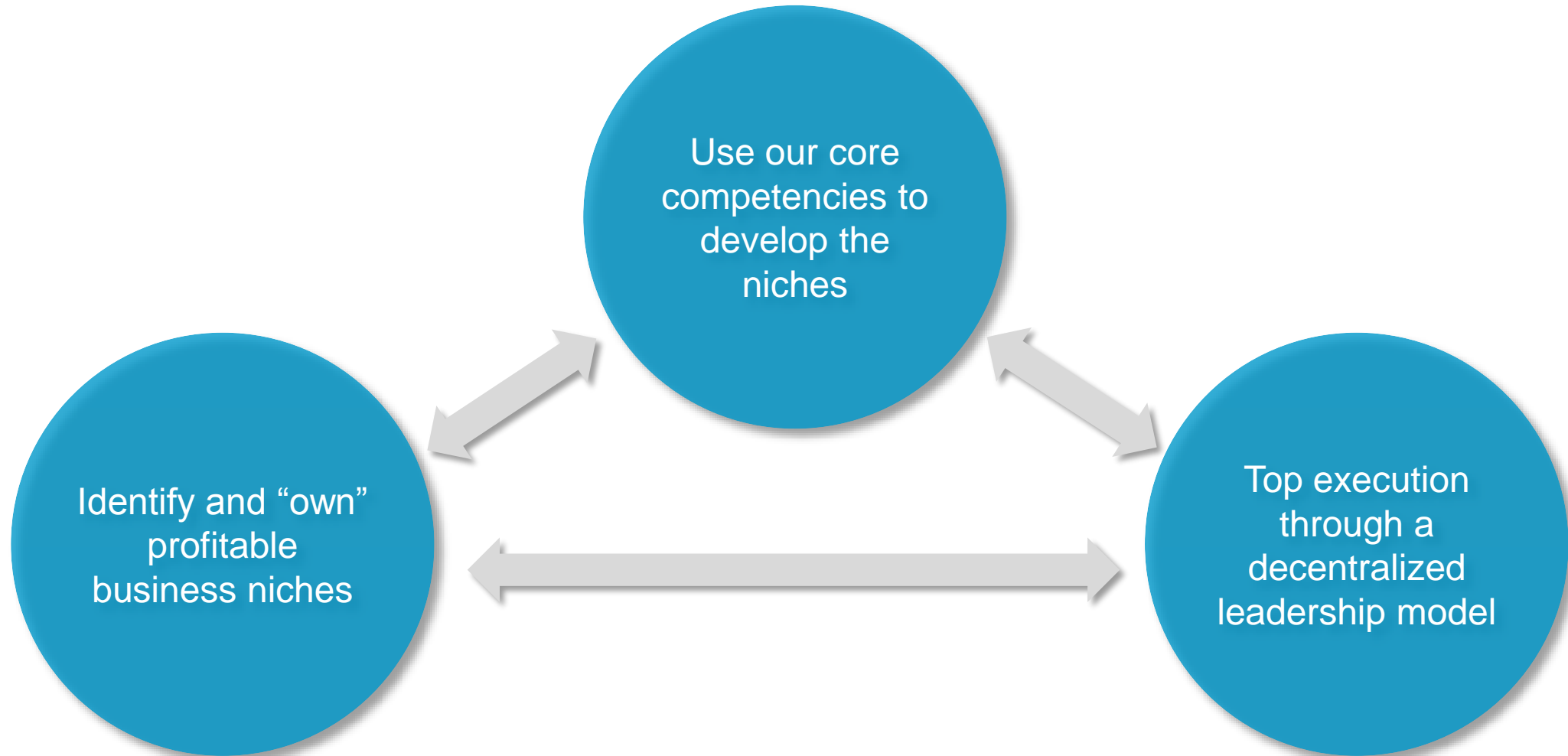
**41%** in mid-2016.

# ATLAS COPCO'S LEADERSHIP MODEL



# *SUMMARY*

# SUMMARY







*Atlas Copco*

