

A hot air balloon with the Atlas Copco logo is floating in the sky over a city at dusk. The balloon is blue with white stripes and the text "Atlas Copco" in white. The city below is illuminated with lights, and a body of water is visible in the distance.

# *Atlas Copco Group - Epiroc split update*

Capital Markets Day 2017  
Hans Ola Meyer, CFO

The Atlas Copco logo, consisting of the text "Atlas Copco" in a white serif font, centered between two horizontal white bars.

*Atlas Copco*

# Agenda

1 Rationale for the split

2 Carve-out and listing project

3 Financials

# Strategic rationale and business benefits

Split the Group into one **INDUSTRIAL** and one **MINING/INFRASTRUCTURE** company

→ Both businesses are global leaders in their respective areas

→ The businesses have different end-markets and different demand drivers

→ The businesses have different demand patterns

- A fully focused, dedicated management can
  - serve customers even better
  - drive growth and profitability
- The synergies between the two businesses are limited
- A separation into two world-leading listed companies will facilitate a fair valuation on the stock market

# Two world class companies

## Atlas Copco



Industry



**~34 500**  
Employees



**BSEK 84**  
Revenue



**21%\***  
Operating  
margin

## Epiroc



Mining



Infrastructure



**~12 500**  
Employees



**BSEK 30**  
Revenue



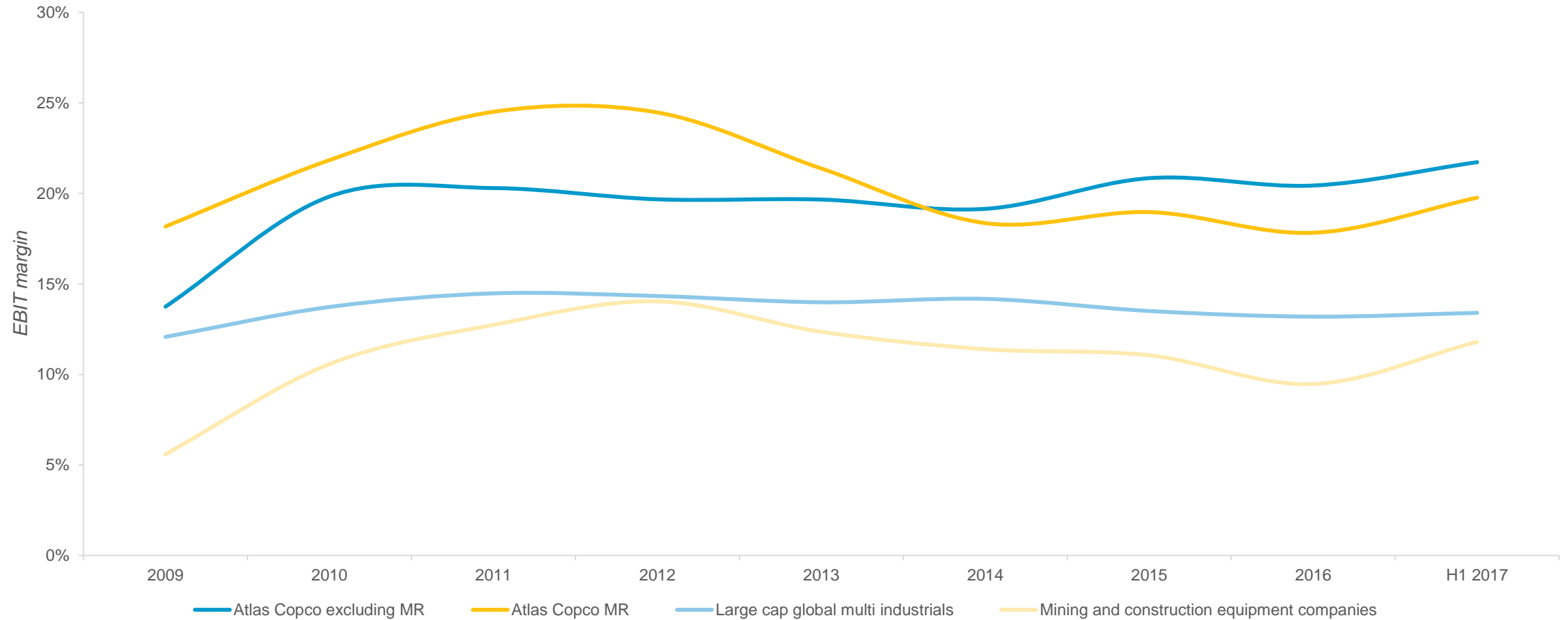
**19%\***  
Operating  
margin

\* Indicative 12 month figures at September 30, 2017

Update on the split  
Capital Markets Day 2017

# Two world class companies

## Operating margin (EBIT), %

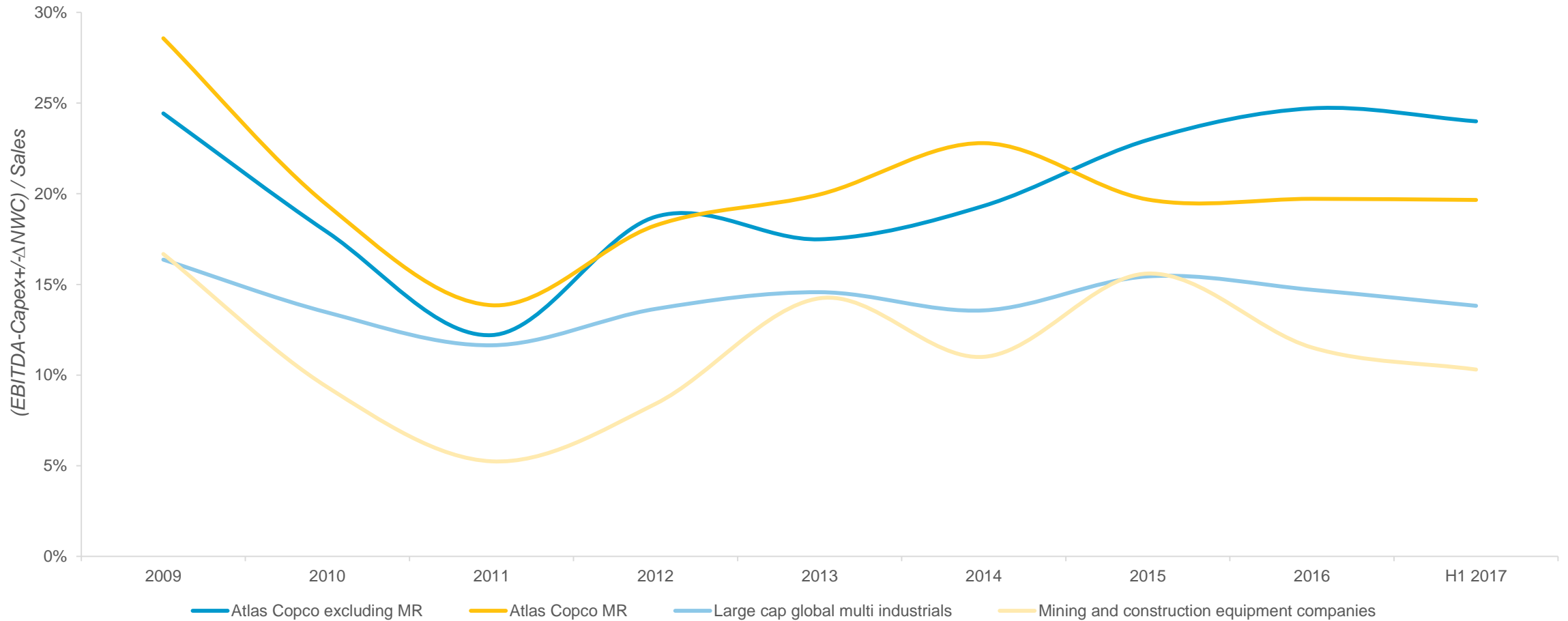


**Large cap global multi industrials:** 3M, ABB, Alfa Laval, Assa Abloy, Caterpillar, Danaher, Deere, Dover, Eaton, Emerson, Fortive, Geberit, General Electric, Graco, Hitachi, Honeywell, Illinois Tool Works, Komatsu, Kone, Legrand, Mitsubishi Heavy Industries, Nordson, Parker-Hannifin, Rockwell Automation, Rolls-Royce, Roper Technologies, Sandvik, Schindler, Schneider Electric, Siemens, SKF, Smiths Group, Trelleborg, United Technologies, Volvo, Wartsila, Weir and Xylem  
**Mining and construction equipment companies:** Caterpillar, Komatsu, Metso, Sandvik and Weir

Source: FactSet and Company filings

# Two world class companies

## Cash generation

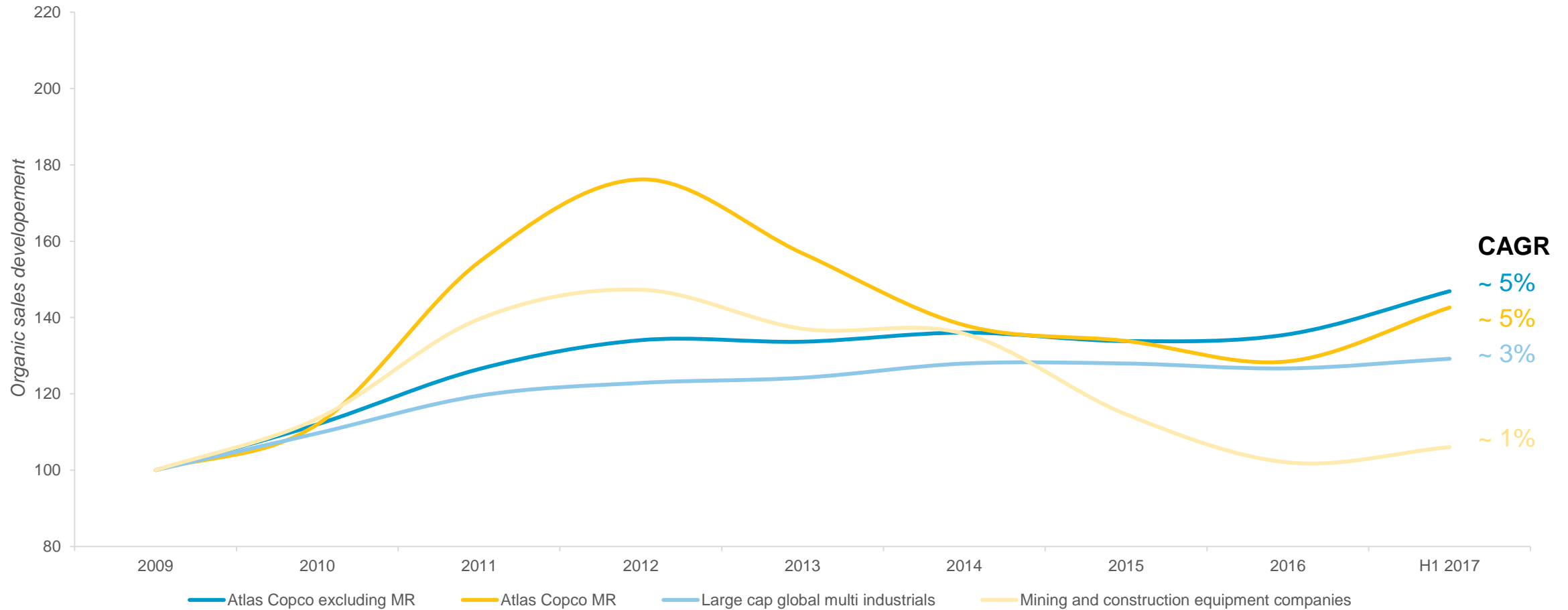


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**Mining and construction equipment companies:** Caterpillar, Komatsu, Metso, Sandvik and Weir

Source: FactSet and Company filings

# Two world class companies

## Organic sales growth, indexed



**Large cap global multi industrials:** 3M, ABB, Alfa Laval, Assa Abloy, Caterpillar, Danaher, Deere, Dover, Eaton, Emerson, Fortive, Geberit, General Electric, Graco, Honeywell, Illinois Tool Works, Kone, Legrand, Nordson, Parker-Hannifin, Rockwell Automation, Rolls-Royce, Roper Technologies, Sandvik, Schindler, Schneider Electric, Siemens, SKF, Smiths Group, Trelleborg, United Technologies, Volvo, Wartsila, Weir and Xylem

**Mining and construction equipment companies:** Caterpillar, Metso, Sandvik and Weir

Source: FactSet and Company filings

# *Carve-out project*



# The starting point

**BOARD OF DIRECTORS**

**PRESIDENT AND CEO**

## **GROUP MANAGEMENT**

BUSINESS AREAS AND CORPORATE FUNCTIONS

### **COMPRESSOR TECHNIQUE**

- Compressor Technique Service
- Industrial Air
- Oil-free Air
- Professional Air
- Gas and Process
- Medical Gas Solutions
- Airtec

### **VACUUM TECHNIQUE**

- Vacuum Technique Service
- Semiconductor Service
- Semiconductor
- High Vacuum
- Industrial Vacuum

### **INDUSTRIAL TECHNIQUE**

- Industrial Technique Service
- MVI Tools and Assembly Systems
- General Industry Tools and Assembly Systems
- Chicago Pneumatic Tools
- Industrial Assembly Solutions

### **MINING AND ROCK EXCAVATION TECHNIQUE**

- Mining and Rock Excavation Service
- Underground Rock Excavation
- Surface and Exploration Drilling
- Drilling Solutions
- Rocktec
- Rock Drilling Tools

### **POWER TECHNIQUE**

- Power Technique Service
- Specialty Rental
- Portable Energy
- Construction Tools

Divisions generally conduct business through product companies, distribution centers and customer centers

# The scope

## BOARD OF DIRECTORS

## PRESIDENT AND CEO

### GROUP MANAGEMENT

#### BUSINESS AREAS AND CORPORATE FUNCTIONS

#### COMPRESSOR TECHNIQUE

- Compressor Technique Service
- Industrial Air
- Oil-free Air
- Professional Air
- Gas and Process
- Medical Gas Solutions
- Airtec

#### VACUUM TECHNIQUE

- Vacuum Technique Service
- Semiconductor Service
- Semiconductor
- High Vacuum
- Industrial Vacuum

#### INDUSTRIAL TECHNIQUE

- Industrial Technique Service
- MVI Tools and Assembly Systems
- General Industry Tools and Assembly Systems
- Chicago Pneumatic Tools
- Industrial Assembly Solutions

#### POWER TECHNIQUE

- Power Technique Service
- Specialty Rental
- **Portable Air**  
– Incl. Handheld equipment
- **Power and Flow**

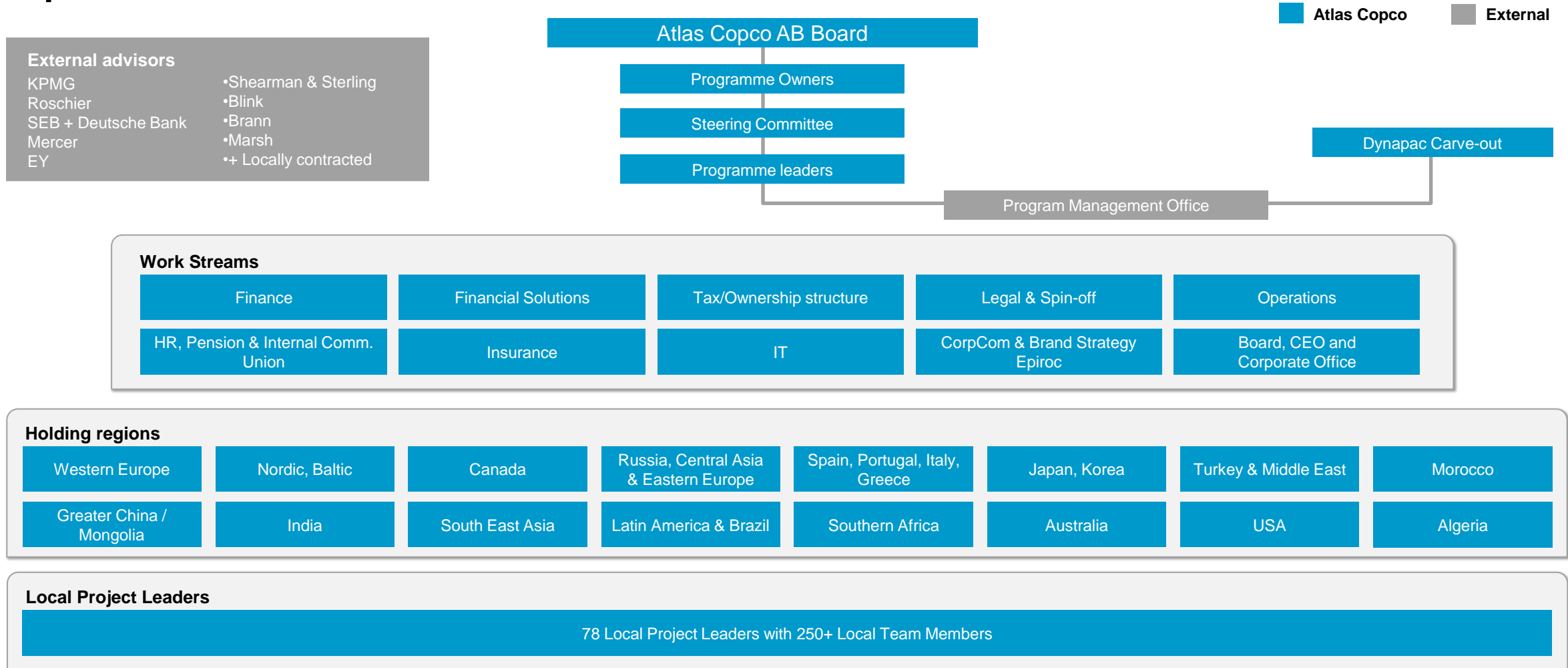
#### EPIROC

- Service
- Underground Rock Excavation
- Surface and Exploration Drilling
- Drilling Solutions
- Rocktec
- Rock Drilling Tools
- **Hydraulic Attachment Tools**

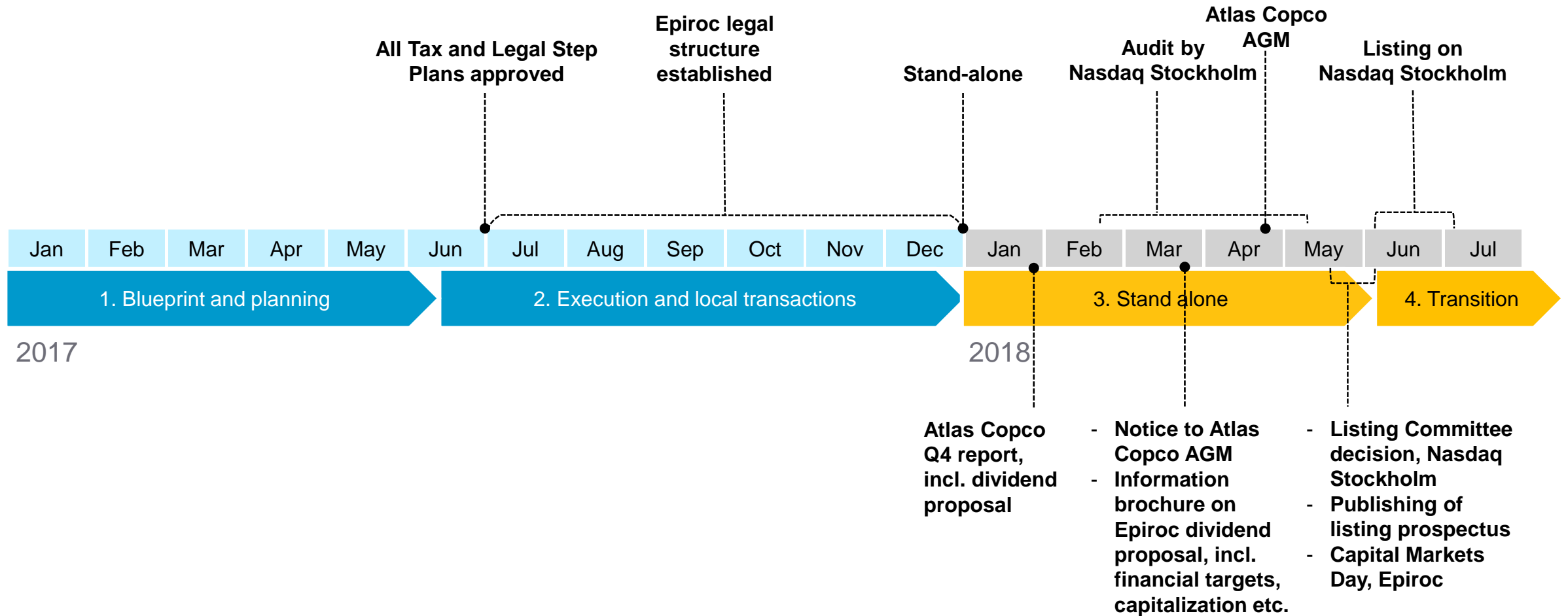
Divisions generally conduct business through product companies, distribution centers and customer centers

# The carve-out and spin-off project organization

## Spans the entire world



# Epiroc carve-out and spin-off timeline



## *Epiroc carve-out*

- The project is on time, no red flags

MSEK

- Estimated transaction expense
  - Of which expensed Q2-Q3 in 2017
- One-off write-down of IT system in Q3 2017
- Estimated tax expense
  - Net, after deduction of step-up values

600

140

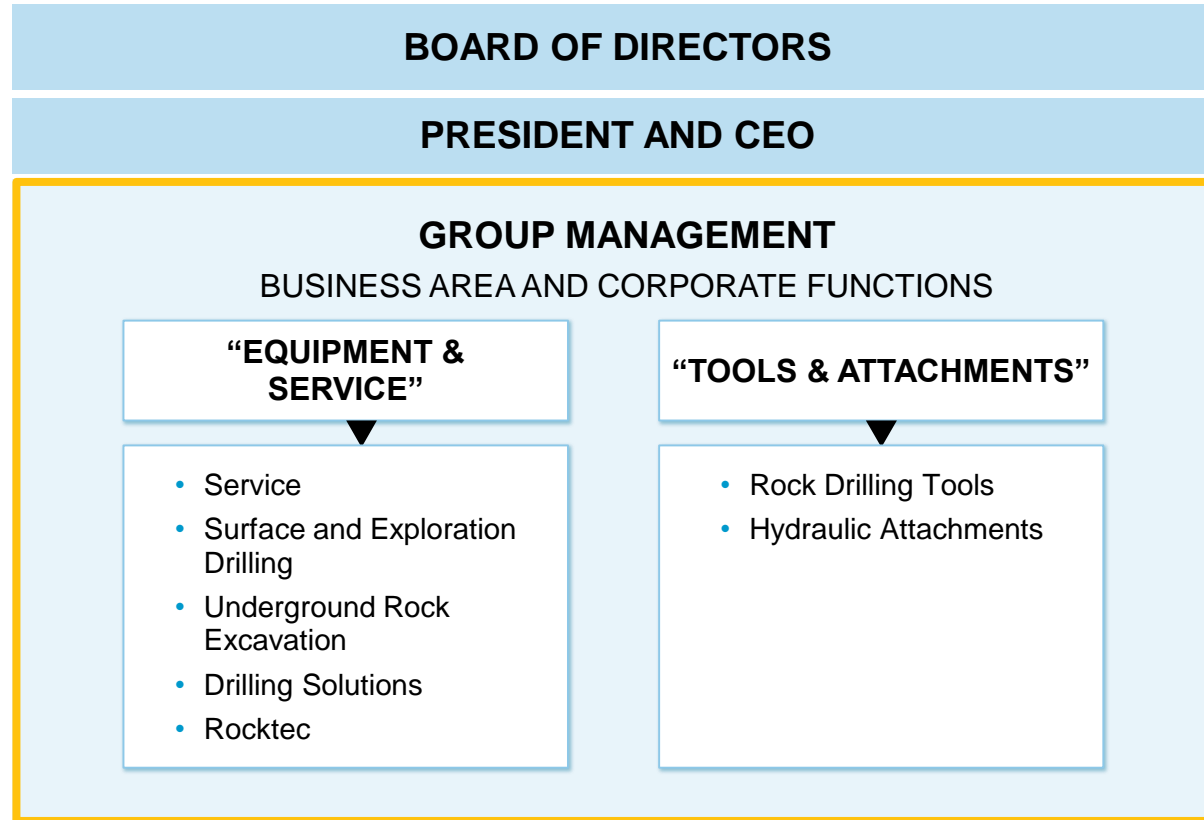
170

800

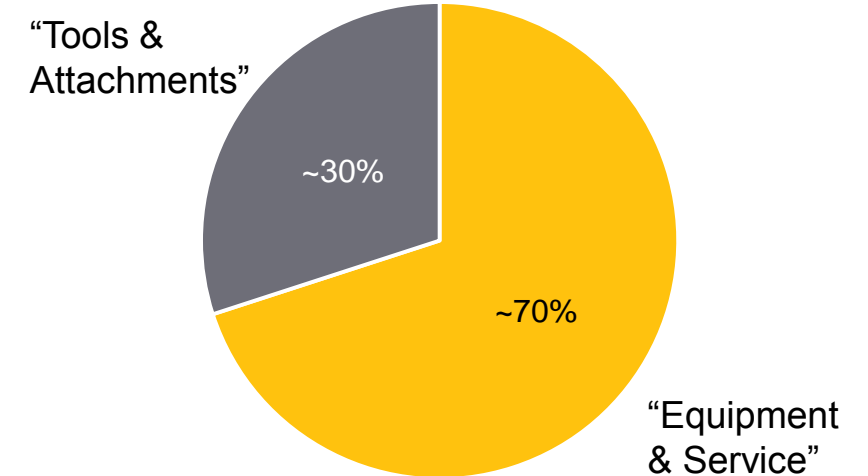
500

# *Financials*

# Epiroc Group – preliminary reporting segments (IFRS)



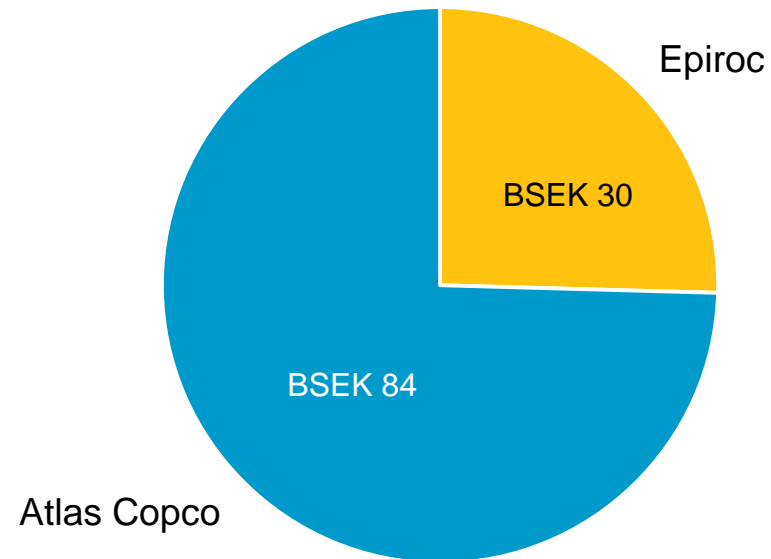
*Revenues by reporting segments*



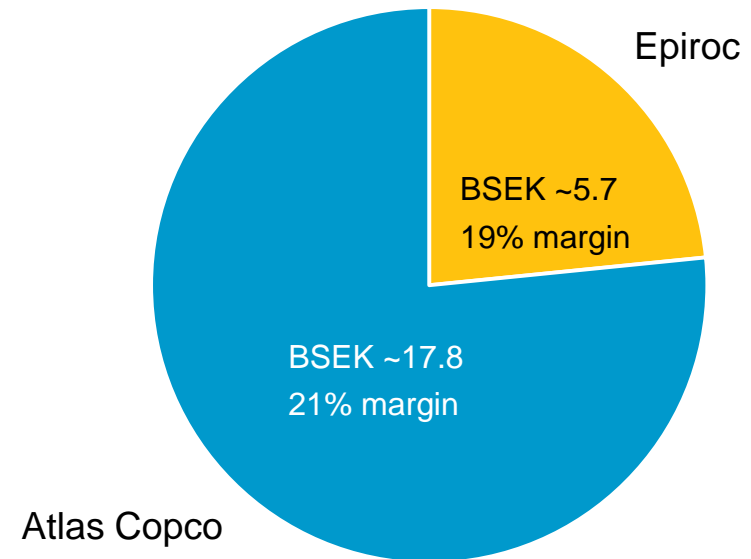
*NOTE! The reporting segments will be confirmed in Q2 2018.*

# Revenues and Operating profit – Atlas Copco and Epiroc

*Revenue split*



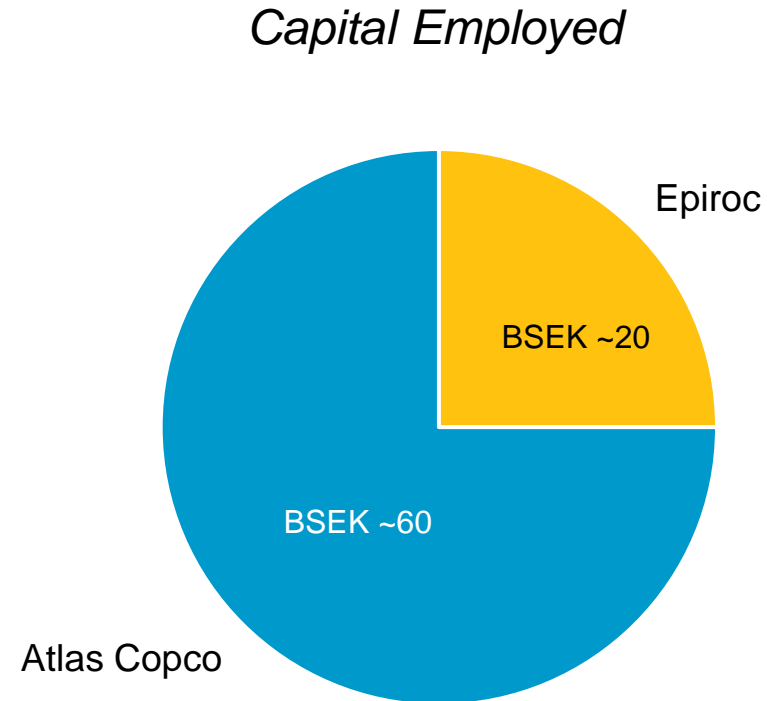
*Operating profit split*



*NOTE! All figures presented are indicative and based on Sep 30, 2017 financials*



# Capital employed – Atlas Copco and Epiroc



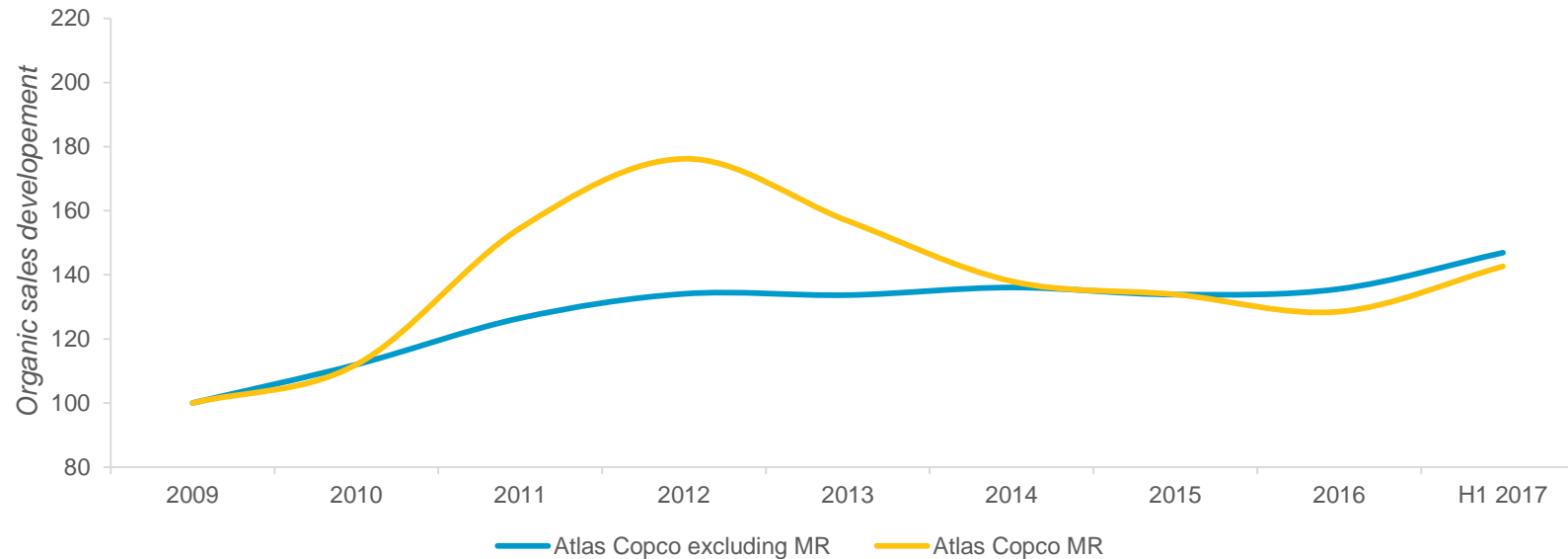
*NOTE! All figures presented are indicative and based on Sep 30, 2017 financials*

# Capitalization - Atlas Copco and Epiroc

- Work in progress, but....
  - Both companies share the same history, and has some similar characteristics
    - strong financial position gives freedom
    - access to all financial debt markets is important
    - modest recurring investment need, thanks to business model

# Capitalization - Atlas Copco and Epiroc

- Customer demand differs....



- This will be reflected in the capitalization of the two companies.
  - A somewhat lower average financial leverage (lower Net debt/EBITDA ratio) in Epiroc than for Atlas Copco

# *Capitalization - Atlas Copco and Epiroc*

- Atlas Copco and Epiroc Boards of Directors and Management teams will in Q1 2018, jointly decide on the “day one” capitalization for Atlas Copco and Epiroc.

# Epiroc Executive Team



## Per Lindberg

*President and CEO*

*Currently President and CEO, Billerud Korsnäs*

*Starts February 1<sup>st</sup>, 2018*



## Helena Hedblom

*Senior Executive Vice President Mining and Infrastructure*



## Anders Lindén

*Senior Vice President Controlling and Finance (CFO)*



## Mattias Olsson

*Senior Vice President Corporate Communications*

*Currently Head of IR, Assa Abloy*

*Starts Mid January 2018*



## Jörgen Ekelöv

*Senior Vice President General Counsel*

# Epiroc Board of Directors



## **Ronnie Leten (COB)**

*Former CEO Atlas Copco  
COB Electrolux  
Board member SKF*



## **Johan Forssell**

*President and CEO Investor  
Board member Atlas Copco,  
Investor, Wärtsilä, Patricia  
Industries and EQT*



## **Anders Ullberg**

*COB Boliden and  
Studsvik  
Board member Atlas  
Copco, Beijer Alma  
and Valedo Partners*



## **Ulla Litzén**

*Board member Alfa Laval,  
Electrolux, Husqvarna,  
NCC and Ratos*



## **Lennart Evrell**

*President and CEO Boliden  
Board member Boliden,  
SCA and the Confederation  
of Swedish Enterprise*

***Committed to  
sustainable productivity.***

# 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.”





*Atlas Copco*

