

President and CEO Ronnie Leten's speech at the Annual General Meeting, April 20, 2011

Shareholders and guests,

2010 was a remarkably better year than 2009. The recovery was stronger than what anyone could have guessed. And again, Atlas Copco reached an order intake and operational profit margins at record levels. Our resilient and agile business model proved to be as efficient in a rapid upturn as it was in the dramatic downturn in late 2008 and 2009. This has only been possible because of a committed organization, where people act promptly and decisively. Atlas Copco is almost back at the levels before the crisis but with different challenges and opportunities. For example a larger proportion of sales now come from the emerging markets. We achieved an order increase of 29 percent and reached a new record. Revenues increased with 10% and the operating margin was 19.9 percent, the highest so far. New ambitious goals will ensure a sustainable profitable development. Let's leave 2010 results behind us and look at our solid platform.

Atlas Copco's vision is to become and remain First in Mind—First in Choice among customers, employees and other stakeholders. This vision is guiding us and strengthens the very special culture of the Group. We are proud of our achievements, but we know that there is always a better way.

Allow me to explain why Atlas Copco is such a good choice for all stakeholders. Let's first have a look at shareholders. Why should you choose Atlas Copco? First it is the stock market development. The total shareholder return of the Atlas Copco share has averaged over 20 percent per year in the past 5 years. This can be compared with 8 percent for the Stockholm Stock Exchange. Then it is the dividend and distribution. Later the Annual General Meeting will vote for a proposed dividend of SEK 4 per share and an extra distribution of SEK 5 per share through a mandatory redemption.

Earlier today we published our results for the first quarter 2011. Demand continued to be very strong, particularly in emerging markets and in the mining industry. Orders received increased 33 percent organically and all business areas reached new records. It was the fifth quarter in a row with more than 20 percent organic growth. Revenues reached 18.2 billion kronor nearly 3 billion more than last year and the operating profit margin reached a record 21.9 percent.

Last year, your Atlas Copco made substantial investments for the future. We invested in market presence, distribution, production and in research and development. This map shows companies that we acquired, customer centers we opened, new distribution centers, and large investments. Let me give you a few examples:

In October last year, in the presence of the Board of Directors, we inaugurated a new factory in China, for gas and process compressors. This factory, our twelfth in the country, will first of all serve the growing local market. At the same time, the Board approved the largest investment proposal ever, to expand our rock drilling tool production in Fagersta, and meet the increasing customer demand. This investment in modern machine technology, worth MSEK 450, will add to the capacity and create around 70 jobs. We increased our market penetration in many places. In the United States we bought a number of distributors, to allow direct access to customers and to build closer relations. One of them was Kramer in Michigan, who has been providing tools and

assembly systems to the car manufacturing industry for many years. We continued to open more customer centers where we see a clear benefit. The most recent is Mali, which will serve customers in the French speaking parts of western Africa. There are many interesting customers in this region, especially in mining.

Expanding our business into new markets is a challenge; it is a tough job to build up a new strong customer base. Another challenge is to always be a good corporate citizen and act with high standards. Our ambition is to never do anything that would harm the Atlas Copco brand. Currently we have these challenges in 178 countries.

In early 2010 we implemented a new annual Group process on compliance where all managers are requested to sign a document that they have read the Business Code of Practice and will act in accordance with the law. In the document we make specific reference to all laws such as anti-trust, side agreements and bribes. We also rolled-out a new case based training package in the Business Code of Practice. The objective is to increase managers' awareness, to guide them in how to act and still get the business.

Being a good citizen also means that we are engaged in the communities. Since 1984, Atlas Copco supports the employee-driven Water for All organization. It operates with the motto that clean drinking water is a basic human right. On a voluntary basis Atlas Copco employees donate, and the Group has always matched employee donations. As this project is so close to the hearts of our people, we have decided to match the amount with 200 percent from 2011. Thanks to our work more than one million people have access to clean drinking water. For those of you that have access to Internet, I recommend you to read more on our new Water for All website.

We have recently seen more of extreme weather conditions with earthquakes, tsunamis, flooding and draughts. Atlas Copco tries to help in such situations, and especially when our colleagues are among the victims. Because of the earthquake in Chile last year, sixteen Atlas Copco families lost all they had in terms of material assets. Colleagues in many countries contributed with money to support. Atlas Copco matched the contributions. We see the same eagerness to help in Japan and apply the same process. We are very, very proud of this commitment of the Atlas Copco people.

So what is it that makes us First in Mind—First in Choice of employees? Why do talented people choose us?

Atlas Copco is growing on many markets and last year we added around 3000 new employees, the majority in emerging markets. To succeed with this task we have comprehensive programs to communicate our employer brand. We offer global exposure, competence development, job rotation and demanding positions where people are expected to deliver results from day one. In many places we have long-term programs at high-schools and universities. One specific problem today is that not enough young people are attracted by a career as an engineer. To show how exciting the jobs can be, a television program was produced in Sweden by TV4. One of the persons featured is Lina, an Atlas Copco engineer who works in China. Meet Lina in 'Felix stör en ingenjör'.

*Film*

One of our priority areas is diversity. It is clear that our local teams on the respective markets must reflect the recruitment bases. Here we put extra effort into working with diversity from a gender perspective. We want to increase the proportion of women working for Atlas Copco. Our global leadership team of around 500 managers must reflect our global structure and have the right knowledge and experience from the industries and markets where we do business.

To give each Atlas Copco employee a chance to grow within the organization all open positions are first advertised internally, on our internal job market. This safeguards a good internal mobility and is part of our success. Today 90% of our managers are recruited internally.

A safe and healthy working environment is a top priority on all markets. Last year we stepped up our efforts and 20 factories achieved international health and safety certifications. Both sick-leave days and number of accidents continued to decrease in 2010.

To have an organization which is always fit to meet new challenges we focus on the development of people. Employees are offered a wide variety of opportunities, wherever they start their careers.

Why do customers in 178 countries choose us? It comes with solid relations and knowledge, good service and innovative products and solutions. We also have a portfolio of brands with different offerings. In addition, to strengthen our focus on specific products and customer segments even further, we will operate with four business areas from July 1. By this move we can capture more of the aftermarket potential. Another main objective is to increase sales and service synergies between the construction related divisions.

We cannot reach all customers if our presence is limited to one brand only. Therefore we are serving different customer segments through different distribution channels and with different brands. Here we see an exhibition stand for Chicago Pneumatic - CP - at the Hannover Fair in Germany. CP is our second Group brand and is always promoted in order to reach more customer segments in addition to Atlas Copco.

Atlas Copco has activities in place all over the world to stay close to customers. As an example, when we celebrated 50 years in India last year the occasion was used to reinforce our customer relations across the country.

We measure closely our customer loyalty. The information is analyzed and actions are put in place to address any identified problems. Good results point to high service levels; and those are fundamental to the Atlas Copco Group.

Let me remind you about our service strategy; First, we strive to service all our Group products on the market. Second, we strive to deliver more value-added services, like service agreements and services to improve the customers' productivity.

We ensure customers' productivity by providing professional service. At the same time it facilitates frequent contacts. You would be surprised if you could see all the training material we have produced to make sure we serve our customers in a skilled way. To always act professionally is the objective.

### *Film*

Later today we will present the Peter Wallenberg Marketing and Sales Award to one of our service teams for their achievements.

Atlas Copco would never have grown so much and so fast if it wasn't for the innovative spirit of the company. During close to 140 years we have always been on top with the most advanced products and solutions featuring quality, ergonomics, safety, energy efficiency and productivity. Overall, they are designed to provide the lowest life-cycle cost.

Recently, Atlas Copco introduced a new pick hammer that dramatically reduces the amount of vibrations affecting the operator. This new hammer is already well-accepted on the market and is for example being widely used in the expansion of the Panama Canal. The John Munck Award for technical innovations will this year go to the team who developed this new range. We will meet them later today.

On the tools side there are many new opportunities. The aerospace industry has begun to use lighter material. This means they will move from rivets to screws and increasingly we will get the same requirements as from the motor vehicle industry; they want to track the results. Today, also the electronic industry demands more assembly tools; a Nokia N8 mobile phone has 20 screws and an iPhone has 60. That offers us a big potential.

Compressors are everywhere. Whether weaving in the textile industry, producing medicine or blowing PET bottles, a compressor is key to the process. Here is another application, handling of waste water, needed in every city.

### *Film*

Compressors are a secret weapon in the battle to reduce CO<sub>2</sub> emissions. Some 10% of global manufacturing's energy consumption comes from the use of compressed air systems. By using our pioneering energy efficient compressors, the carbon footprint of companies around the world can be substantially reduced. Many of our customers have halved their carbon dioxide emissions; our best example is our 100% energy recovery compressors.

It is our mission to make sure we reach out to all potential customers to let them know what choices they have.

There are many reasons to choose Atlas Copco, here are a few that I want you to remember:

1. We at Atlas Copco increase the customers' competitiveness as our products and solutions improve their productivity.
2. As our products and solutions are also energy efficient so the environment benefits from substantially lower carbon dioxide emissions.
3. As a result, Atlas Copco will sell more and invest more in new innovative products and solutions. This means that we are also the partner of choice in the future.

Our Atlas Copco is fit for more profitable growth. I will tell you more when we see each other again next year.

Thank you!