

Ronnie Leten, President and CEO

Address to the shareholders at Atlas Copco's Annual General Meeting on April 26, 2017

Dear shareholders and guests,

The business climate was mixed in 2016. The mining and civil engineering sectors faced difficulties. However, they recovered slightly at the end of the year. Our industrial tools, assembly systems, vacuum equipment and industrial compressors saw healthy demand from sectors like automotive, semiconductors and general manufacturing. It is clear that our businesses have different demand drivers and demand characteristics.

The service business continued to grow, partly driven by digital opportunities that make it possible to support customers even better. I will come back to this. Today our service business account for 44 percent of revenues and an even higher part of the profit.

In addition to all efforts to grow organically we continued to make strategic acquisitions. Both to improve market penetration and to add competence and new technologies in adjacent businesses. Here I would like to mention the German-based Leybold and South Korean-based CSK. Both are active in the vacuum business. Together with previously acquired Edwards, they formed a fifth business area, Vacuum Technique, starting first of January this year. We are now well-positioned to meet the growing demand for vacuum equipment. Vacuum pumps are used in the production of flat screens, mobile phones and solar panels just to give you a few examples.

We are also in the process of making a major divestment. Despite of all our efforts to innovate in the product portfolio and install lean production structures it became clear that our Road Construction Equipment division did not have the economies of scale to become the market leader. We believe we have found a good owner that can develop the business further. The transaction is expected to close later this year.

With customers in more than 180 countries, served by 45 000 committed employees in 92 countries, Atlas Copco has grown significantly over the years. In 2016, we broke several records. We achieved record orders invoiced, a record operating profit and a record operating cash flow.

The share price development was also positive in 2016. The price of the A-share rose 33.2 percent and the B-share by 27.3 percent. The total annual return on the A-share - that is dividend, redemption and the appreciation all together - was on average 17.1 percent for the past five years.

A few hours ago, we published our first quarter result for 2017. We continued on the positive path. The business climate improved further and we saw upward trends in all sectors. The organic growth was up eighteen percent. Our vacuum business is doing well, and the mining sector is recovering after several difficult years. Moving forward, we expect the overall demand for the Group to improve somewhat.

You are already familiar with our five strategic pillars: presence, innovation, service, operational excellence, and people. They are well-established and guide us in what we do.

In 2015 we established priorities for sustainable profitable growth. The priorities guide us in how to do business. Each priority is linked to a set of leading key performance indicators linked to it - with goals - I will guide you through some of these.

Our first priority is ethical behavior. The values and beliefs are the same for all of us wherever in the Group we work. Our Business Code of Practice is the foundation and it embraces main voluntary ethical guidelines such as the UN Global Compact and the OECD Guidelines for multinational companies. Our compliance process is well established. Here all managers sign off that they have understood what we stand for and are prepared to live along the highest ethical values at all times.

We continued to work for human rights, improved labor conditions, a better environment and against corruption. This is not only ethically correct but also a natural part of our business model. We know that this is essential for us to continue to grow and deliver per our customers' high expectations.

In our own environment, we also put the highest focus on safety and well-being. Accidents continued to decrease in 2016, but sadly we had one fatality. We hope, and work hard, to avoid this ever happen again.

Our fight against HIV/AIDS in the Sub-Saharan countries continues. This program is long-term and focuses on wellness, a healthy lifestyle and awareness for all employees; and consultation and medication in case there is a need.

In our INSIGHT survey all employees can give their input on how to improve the working culture further. Professional leadership is crucial for our success and through INSIGHT we are also measuring a Communicative Leadership Index. This tells us how good managers explain our values, goals and the journey on how to reach them. We strive to have an organization that is always aligned and our ambition is to continuously improve this index compared to the previous measurement made.

Success is achieved by creating the best possible teams. We strive for diversity in all aspects like gender, nationality, competence and age. We continue our strive to reduce time to competence and we train our people to ensure we stay on top.

Customers put their highest demands on us to ensure that they increase their competitiveness. So, no surprise that innovation is a key priority.

Our innovative products, service and way of working must help to transform the industry to reach new levels of productivity and at the same time improve resource efficiency. To be able to develop these innovative products and service we foster a culture of industrialized entrepreneurship. A large company can have much higher leverage of innovations thanks to the support of the broader organization. This support includes financing, technological competences, sales channels, brands and logistics. One sign of

our innovative spirit is that we have 6 200 active patents globally representing approximately 2 000 inventions.

In Atlas Copco we have two important awards that our entrepreneurs can win; the John Munck Award and the Peter Wallenberg Award.

The John Munck Award this year goes to a team that developed a totally new handheld breaker. Thanks to our engineers' bold and creative thinking, we managed to reduce energy consumption of this high-volume product by 50 percent, while being 25 percent lighter. On top of this, it has great ergonomics with a minimum of vibrations for the operator.

(Video)

There are 100 years between these two breakers on the picture. They did the job both then and now, but in a totally different way as you just heard. Common is that both were built using the latest technology known at the time.

Connectivity is a growing trend and I mentioned earlier that digitalization has contributed to growth in service. In our compressor business, we are monitoring customer installations from remote. Thanks to the data we collect we know exactly when service is needed. This gives customers peace of mind, allowing them to focus on what they do best. It has also clear commercial benefits. With the data on hand, our R&D department develops better compressors. In addition, it generates thousands of service opportunities – for the benefit both for the customers and us.

(Video)

The Smartlink won our second award, The Peter Wallenberg Marketing and Sales Award. Both this and the John Munck award will be presented to the winners on stage right after the meeting.

Digitalization is also used in the mining industry and we are proud to have delivered several drill rigs to a customer in Australia that are running the equipment from remote.

(Video)

This trend is here to stay. Digitalization is part of our daily life.

As innovation is so important, each division has set up key performance indicators suitable and challenging for their respective businesses. All to ensure future successes in a sustainable way. In addition, each business area has identified product categories where they can follow up on energy efficiency.

One example is our Industrial Technique business area which is developing technologies that allows for joining of dissimilar materials within for example the automotive industry. Gluing or riveting enables the design of lightweight vehicles with lower fuel consumption, consequently a longer driving range for electric vehicles. The car owners

will make energy savings they could never have achieved if the car was produced in a traditional way.

Our main contribution to the environment is in developing products that reduce energy consumption for customers when the products are in use. And here we have a real win-win for the customers and us. The more we sell, the higher the productivity for the customer, and the better for the environment.

We recently mapped our contribution during the past 25 years to show that we continuously had launched products that were dramatically more efficient than the previous generations. Many times, a new generation consumed only half the energy compared to the old range. The last five years are no different; we have yet again managed to develop and launch equipment that sets new standards in the industry.

Our vacuum business has adopted a sustainability philosophy from idea to total-cost-of-ownership for customers. They recently introduced a new vacuum pump that are absolutely best in class in energy efficiency.

(video)

We believe in continuous improvements and strive to become more and more resource efficient also in the way we operate. Be it energy in transports or in our premises, water use or the amount of material consumed.

As a global company Atlas Copco is part of global development and contribute to the common challenges we face. At times people ask us if and how our work with our priorities fit with the seventeen Sustainable Development Goals established by the United Nations in 2015? The simple answer is that 'yes, they do fit'. Our priorities for sustainable profitable growth and how we conduct our business will help meet and overcome some of the problems the world is facing.

Seven of the seventeen UN goals can be directly related to our ambitions and goals. One of them - clean water - we share with Water for All, the employee-managed organization that Atlas Copco supports. Through Water for All close to two million people now have access to clean drinking water.

Providing water to people in need is not only about drilling, digging and securing natural springs. As an example, Water for All is sponsoring an innovative project in the Himalayas in northwestern India. The project revolves around an artificial glacier that in the winter builds up a massive amount of ice in a controlled way. During spring and summer, the ice melts, providing much-needed water to the crops below.

Over the years our product portfolios have become more and more diverse. We have different demand drivers for different parts of our businesses and limited synergies between them when it comes to products and technologies. This has caused the Board of Directors to prepare a proposal to split the Group into two parts. I support the proposal and believe a split will increase the two companies' respective abilities to add value to customers and grow the business further.

NewCo will focus on mining and civil engineering customers and have approximately 12 000 employees and revenues around BSEK 28. Atlas Copco will focus on industry and have approximately 33 000 employees and revenues around BSEK 74. Both businesses are global leaders in their respective fields and stakeholders will benefit from more focused management teams.

If approved at the Annual General Meeting 2018, all of you will have the same ownership in both companies next year. One share in Atlas Copco will give you one share in each of the two companies.

With this report and in meeting all of you here today I am also doing my last day with Atlas Copco. Tomorrow Mats Rahmström will take over as President and CEO for this great company. I am handing over a Group that is well prepared for further growth and I am convinced that Atlas Copco is in very good hands with Mats in the lead.

I would like to thank you shareholders, the Board, all colleagues around the world, customers and business partners for a fantastic support during the years. I cannot think of a better company to work for. And for sure I will stay a shareholder.

Thank you! Tack!