

*Transcript*

**President and CEO address at the Annual General Meeting on April 23, 2020**

[Thank you and welcome. It is an honor to stand here again even if it is under strange circumstances due to the ongoing pandemic which we notice across the world.]

Since this is a new situation, I thought I would devote a few words to how we are addressing the corona pandemic. The first thing we've said we would work on is safety for our employees. Many are working from home, but if they aren't working from home we try to maintain the necessary social distancing. And we are not balancing this against financial values. On the other hand, we have seen that it is incredibly important for us to keep our factories going – for our employees, of course, for our customers and the community we are active in. Many of our products are safety-critical in many applications.

Since there isn't much we know about the future, we are currently working a great deal on scenario planning. So we say: If *this* happens, what will we do? If *that* happens, what will we do? And we look at various scenarios for coming out of this crisis as a strong company. One of the positive things, if I can highlight something positive out of all this, is that we are seeing an incredible level of commitment among our employees, looking after their colleagues, figuring out how to deal with this. Taking care of customers. Helping one another across functions. So even though these are tough times, I think there is a wonderful level of commitment among all our employees these days.

I thought I would begin by talking a bit about our first quarter. We had SEK 28 billion in order intake. Our vacuum business was very strong. It is being driven largely by the digitalization we're seeing in the industry and in society. So this mainly concerns the semiconductor industry. We are working from home more, and we are more connected these days. We are buying more through online services. You can even see that gaming and such industries are continually developing. So there has actually been an impetus for vacuum throughout the first quarter.

If we break down the quarter a bit, we can say that January was a record-breaking month for us and we were in an extremely strong position with our products and applications. In February, we started feeling the effects of the virus. There were the New Year's celebrations, of course, but also the closing of the ten factories we have in China was also extended. In March, many of the plants in China began to open up again and we have noted increasing activity among customers, and there is better mobility in society. At the same time, we have seen the effects of the coronavirus in Europe and North America, where Industrial Technique, Power Technique and Compressor Technique were down somewhere between 15 and 20% in March. So we believe the worst is still ahead of us, even if we hope for a society that can open up safely. But in looking forward, we have said that we will experience a deterioration in demand for our products in the coming quarter, when we will see the full impact of the virus.

We had SEK 25 billion in invoicing despite having to adapt to all the regulations in different parts of the world – by which I mean we closed certain factories. One example is Belgium, where we

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manufacture many of our compressors. New directives came out there regarding the distances we should have between people on the job. We closed the plant for two weeks and changed many of our procedures. We have now opened up again and it is working relatively well. Most of our factories around the world are open, and we think that is fitting. Italy and India are still difficult in that regard, as well as a few other locations here and there. But most of our factories are open. Under these circumstances, we think delivering an operating margin over 20% is very good. We have continued our acquisitions where we felt there were candidates of interest, and we added five acquisitions during the quarter.

Looking back on 2019, it was a record-high year for us with SEK 104 billion in revenue. We had a margin of just over 21%, and for an industrial company that could be considered world-class. We had more acquisitions than we ever had before. Not larger, but we had more of them, and we found a number of new strategic platforms we can grow from. So it was a good year for the company, and a good year for the company's owners.

We also had a number of other things to measure ourselves against. We have nearly 39,000 employees around the world. Among the 450 most senior managers, we have 44 different nationalities. They come from different backgrounds, different cultures, and different religions. And we think this diversity is something that enriches up and makes our company that much stronger. That's something we want to continue working on. What we should be clear about is that we have common value platform that we work with, regardless of where we come from, and when I travel I note a great deal of that in how we "think Atlas" so to speak, to be successful in the way we want to be.

One area where we think we're not doing well enough is the number of women working for us. And that is because we want the full possibility and potential that this offers. So we have set ourselves a goal of going from the approximately 20% we have today to 30%, which should better match the educational backgrounds we are recruiting from. We think this is an important goal for our future success as well. We are also involved in encouraging women to apply to the various types of engineering programs. Looking at the HR and accounting functions, it's a fact that we often have more women there. So there are other parts of the company where we should try to work and improve ourselves.

The Business Code of Practice is something everyone in the company should sign on to. The employees are also required to do micro trainings. We are also trying to involve our suppliers and distributors in this. As regards our suppliers, we have come a long way. This was the first year for our distributors, so we have some way to go. We think the collaboration we have with them is highly positive. And our distributors play a crucial role in Atlas Copco's success. For somewhere between 75 and 80% of all our components, we have subcontractors that are the best we can find in the various markets.

Over all these years, we have had an internal whistleblower system that Håkan's team has been responsible for. To further anonymize it, we have now placed it outside the company and provide feedback in all local languages.

As regards the environment, our position is that people have an extremely large impact on the global environment, causing global warming, for example. So we want to play an active part in

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the future in this area. And one of the goals we have imposed is on carbon dioxide, where we said that we would try to cut 50% of the carbon dioxide in our operations by 2030. During the year, we will also be looking at how we can work with our suppliers, and we want to find the possibility of using renewable energy full-time. In our own operations, we say that renewable energy is the top priority, and if that isn't possible we'll look at other solutions, such as solar panels. We have been extremely generous with investments in this area to see if we can continue improving. But our biggest contribution to the environment is our products. We also impose demands on ourselves: that each new generation of product will be more energy-efficient. Looking at the entire value chain from supplier to customer, we know that over 80% of the energy is consumed when our products are actually being used. So it is extremely important for us to sell the best products, bring out new generations of products, and ensure our customers are working with these. As I said, in 2020 we will ourselves ensure that we will identify the full value chain so that we can better prioritize how we can be part of a better global environment.

Responsible growth. We think a lot about what we call industrial ideas. I am thinking about the people who work for us, developing the next generation of products. Finding the right people to work on this is one of our highest and most crucial priorities. We see that if we have solutions that provide customers with more energy-efficient products that are safer and provide good quality, we are over time the least expensive and best alternative for our customers...so we know that these types of world-class products make us extremely successful. And then we can say that our customers can participate fully in society, by making these improvements. And of course, we want to provide our shareholders with sustainable, profitable growth. That is our mission. And we are working with these [points to the presentation] criteria and KPIs to achieve it.

Finally, I would like to thank you all for your confidence in me and my team. This is the third year I have been able to stand here. And as I said at the beginning, it is a great honor to represent Atlas Copco. Thank you very much!

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