

October 20, 2016

## Atlas Copco Third-quarter report 2016

(unaudited)

### Organic order growth, solid profit and strong cash flow

- Order growth for all business areas
- Orders increased 11% to MSEK 26 696 (24 149), organic growth of 7%
- Revenues increased 3% to MSEK 26 528 (25 723), unchanged organically
- Adjusted operating profit of MSEK 5 189 (5 239), corresponding to a margin of 19.6% (20.4)
- Reported operating profit at MSEK 5 023 (5 313), including change in provision for long-term incentive program MSEK -166 (+74)
- Profit before tax amounted to MSEK 4 716 (5 042)
- Profit for the period was MSEK 3 391 (3 806)
- Basic earnings per share were SEK 2.78 (3.12)
- Strong operating cash flow at MSEK 4 958 (4 621)
- Vacuum Technique - New business area in 2017

MSEK	July - September			January - September		
	2016	2015		2016	2015	
Orders received	26 696	24 149	11%	77 351	76 394	1%
Revenues	26 528	25 723	3%	75 103	76 579	-2%
Operating profit	5 023	5 313	-5%	13 968	14 904	-6%
– as a percentage of revenues	18.9	20.7		18.6	19.5	
Profit before tax	4 716	5 042	-6%	13 133	14 179	-7%
– as a percentage of revenues	17.8	19.6		17.5	18.5	
Profit for the period	3 391	3 806	-11%	9 487	10 693	-11%
Basic earnings per share, SEK	2.78	3.12		7.80	8.78	
Diluted earnings per share, SEK	2.76	3.10		7.79	8.72	
Return on capital employed, %	25	27				

### Near-term demand outlook

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

*Previous near-term demand outlook (published July 15, 2016):*

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

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## Atlas Copco Group

### Summary of nine-month results

Orders received in the first nine months of 2016 increased by 1% to MSEK 77 351 (76 394), corresponding to 2% organic increase. Structural changes added 2%, and the currency effect was -3%. Revenues were MSEK 75 103 (76 579), corresponding to 1% organic decline.

Operating profit was MSEK 13 968 (14 904). The operating margin was 18.6% (19.5). The negative impact of changes in exchange rates was MSEK 805.

Profit before tax was MSEK 13 133 (14 179), corresponding to a margin of 17.5% (18.5). Profit for the period totaled MSEK 9 487 (10 693). Basic and diluted earnings per share were SEK 7.80 (8.78) and 7.79 (8.72) respectively.

Operating cash flow before acquisitions, divestments and dividends totaled MSEK 11 572 (11 600).

## Review of the third quarter

### Market development

The order volumes for equipment increased compared to the previous year, with significant growth for vacuum equipment, and growth for industrial tools and industrial compressors. The order volumes also increased for mining equipment and it was slightly higher for construction equipment. Gas and process compressors, however, had lower order intake.

The service business for the industrial sector continued to grow, while the closures and downsizing of mines at the end of 2015 and early 2016 continued to have a negative impact on the mining service business where volumes decreased. Low activity in the construction industry also affected the service activity for construction.

Geographically, a positive year-on-year order development was achieved in all regions.

### Geographic distribution of orders received

%, July - Sep. 2016	Atlas Copco Group	
	Orders Received	Change*
North America	23	+1
South America	7	+1
Europe	29	+7
Africa/Middle East	9	+22
Asia	28	+20
Australia	4	+42
Atlas Copco Group	100	+11

\*Change in orders received compared to the previous year in local currency, %.

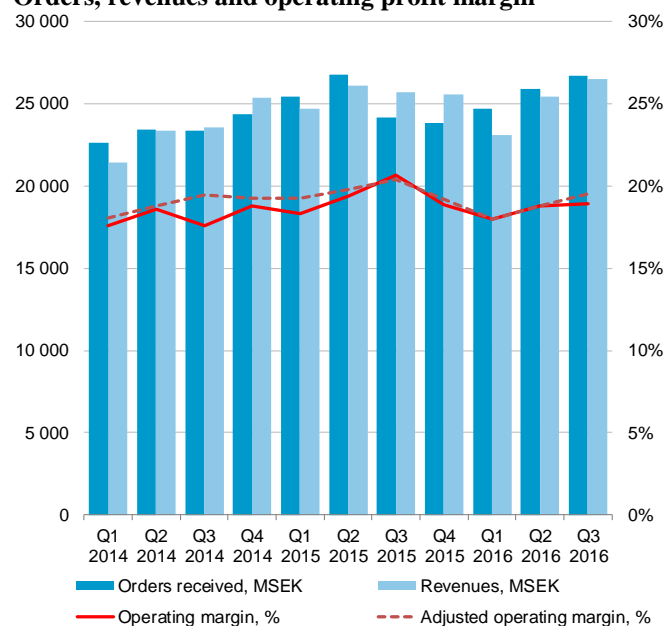
### Geographic distribution of orders received

%, July - Sep. 2016	Compressor Technique	Industrial Technique	Mining and Rock Excavation Tech.	Construction Technique	Atlas Copco Group
North America	20	31	23	23	23
South America	4	4	14	7	7
Europe	28	39	24	35	29
Africa/Middle East	8	1	16	11	9
Asia/Australia	40	25	23	24	32
	100	100	100	100	100

### Sales bridge

MSEK	July - September	
	Orders received	Revenues
2015	24 149	25 723
Structural change, %	+4	+3
Currency, %	+0	+0
Price, %	+0	+0
Volume, %	+7	+0
Total, %	+11	+3
2016	26 696	26 528

### Orders, revenues and operating profit margin



### Revenues, profits and returns

Revenues increased 3% to MSEK 26 528 (25 723) and were unchanged organically. Acquisitions contributed with 3%, and currency was unchanged.

The operating profit decreased to MSEK 5 023 (5 313) and includes a change in provision for share-related long-term incentive programs, reported in Common Group Functions of MSEK -166 (+74).

The adjusted operating profit amounted to MSEK 5 189 (5 239), corresponding to a margin of 19.6% (20.4). The operating margin was negatively affected by dilutions from acquisitions and currency. The net currency effect compared to previous year was MSEK -75.

Net financial items were MSEK -307 (-271). Interest net was MSEK -221 (-193). Other financial items were MSEK -86 (-78), negatively affected by costs related to repurchase of the remaining MUSD 506 of a MUSD 800 bond with maturity in 2017.

Profit before tax amounted to MSEK 4 716 (5 042), corresponding to a margin of 17.8 % (19.6).

Profit for the period totaled MSEK 3 391 (3 806). Basic and diluted earnings per share were SEK 2.78 (3.12) and SEK 2.76 (3.10) respectively.

The return on capital employed during the last 12 months was 25% (27). Return on equity was 22% (29). The Group uses a weighted average cost of capital (WACC) of 8.0% as an investment and overall performance benchmark.

### European Commission's decision on Belgium's tax rulings

On January 11, 2016, the European Commission announced its decision that Belgian tax rulings granted to companies with regard to "Excess Profit" shall be considered as illegal state aid and that unpaid taxes should be paid to the Belgian state. On May 31, 2016, Atlas Copco submitted an appeal for annulment of the decision to the European Court of Justice in Luxembourg (ECJ). The Belgian government and a number of other companies have filed similar appeals.

On June 29, 2016, Atlas Copco paid MEUR 239 (MSEK 2 250) in order to stop interest charges from accruing. The amount covered the potential liability for the years 2010-2014 and reduced the MEUR 300 provision made in Q4 2015. MEUR 61 is kept as a provision for 2015.

The money will be returned if the appeal in ECJ is successful. It will likely take several years until the judgment with the final decision from ECJ is passed.

### Operating cash flow and investments

Operating cash surplus reached MSEK 6 398 (6 168). Working capital decreased by MSEK 1 166 (558), primarily due to lower inventory. Net investments in rental equipment were MSEK 268 (181). Net investments in property, plant and equipment were MSEK 321 (-89). Previous year includes a property sale and leaseback of premises in Sweden amounting to MSEK 420.

In total, operating cash flow, adjusted for currency hedges of loans, reached MSEK 4 958 (4 621, adjusted for the above property sale).

### Net indebtedness

The Group's net indebtedness, adjusted for the fair value of interest rate swaps, amounted to MSEK 17 154 (15 988), of which MSEK 4 622 (2 542) was attributable to post-employment benefits. The increase in post-employment benefits is primarily due to the acquisition of Leybold. The Group has an average maturity of 5.9 years on interest-bearing liabilities. During the quarter, a 10-year MEUR 500 bond was issued at 0.645% interest rate with the primary purpose of repurchasing debt originally maturing in Q2 2017. The second and last installment of the annual dividend, MSEK 3 834, will be paid in November 2016 and is recorded as a liability. The net debt/EBITDA ratio was 0.7 (0.7). The net debt/equity ratio was 34% (34).

### Acquisition and divestment of own shares

During the quarter, 1 008 323 A shares were divested for a net value of MSEK 246. These transactions are in accordance with mandates granted by the Annual General Meeting and relate to the Group's long-term incentive programs.

### Vacuum Technique - New business area 2017

Since the acquisition of Edwards Group in January 2014, the vacuum business has been growing. Several acquisitions have been made, including Leybold and CSK. During the quarter, the Group announced a fifth business area. The new business area will be operational as from January 1, 2017. Restated figures are provided at:

<http://www.atlascopcogroup.com/investor-relations>

### Employees

On September 30, 2016, the number of employees was 45 463 (43 295). The number of consultants/external workforce was 3 321 (3 005). For comparable units, the total workforce decreased by 632 from September 30, 2015.

### Revenues and operating profit – bridge

MSEK	Q3 2016	Volume, price, mix and other	Currency	One-time items Acquisitions	Share based LTI programs	Q3 2015
<b>Atlas Copco Group</b>						
Revenues	26 528	-120	30	895	-	25 723
Operating profit	5 023	-40	-75	65	-240	5 313
%	18.9%	33.3%				20.7%

## Compressor Technique

MSEK	July - September			January - September		
	2016	2015		2016	2015	
Orders received	12 680	11 022	15%	36 552	34 257	7%
Revenues	12 932	11 875	9%	35 553	34 386	3%
Operating profit	2 905	2 709	7%	7 901	7 704	3%
– as a percentage of revenues	22.5	22.8		22.2	22.4	
Return on capital employed, %	39	38				

- Record order intake and revenues, supported by volume growth and acquisitions
- Organic growth for service, vacuum and industrial compressors, but significant drop for gas and process compressors
- The acquisitions of Leybold and CSK were completed

## Sales bridge

MSEK	July - September	
	Orders received	Revenues
2015	11 022	11 875
Structural change, %	+7	+7
Currency, %	+0	+0
Price, %	+0	+0
Volume, %	+8	+2
Total, %	+15	+9
2016	12 680	12 932

## Industrial compressors

The order volumes for industrial compressors increased compared to the previous year, with a relatively better development for large compressors compared to smaller compressors.

The order volumes increased in North America and in Asia, with growth in both India and China, while volumes in Europe were negative.

## Compressor service

The compressor service business continued to achieve organic growth in nearly all markets.

## Gas and process compressors

The order volume decreased compared to the previous year and sequentially, with negative development in North America and in Asia.

## Vacuum solutions

The order volumes for vacuum solutions were significantly higher compared to the previous year and grew sequentially. The order intake year-on-year was higher in all major regions, with Asia as the main contributor to the growth.

## Acquisitions

Two acquisitions were completed in August, Schneider Druckluft, and CSK Inc. Schneider Druckluft, a German designer and producer of professional compressed air solutions, had revenues in 2015 of about MSEK 250 and has about 110 employees. CSK Inc., a South Korean exhaust

management system supplier had revenues in 2015 of about MSEK 870 and has about 400 employees.

The vacuum business of OC Oerlikon Corporation (Leybold), with 1 600 employees and revenues in 2015 of about MSEK 3 150, was acquired in September.

## Innovation

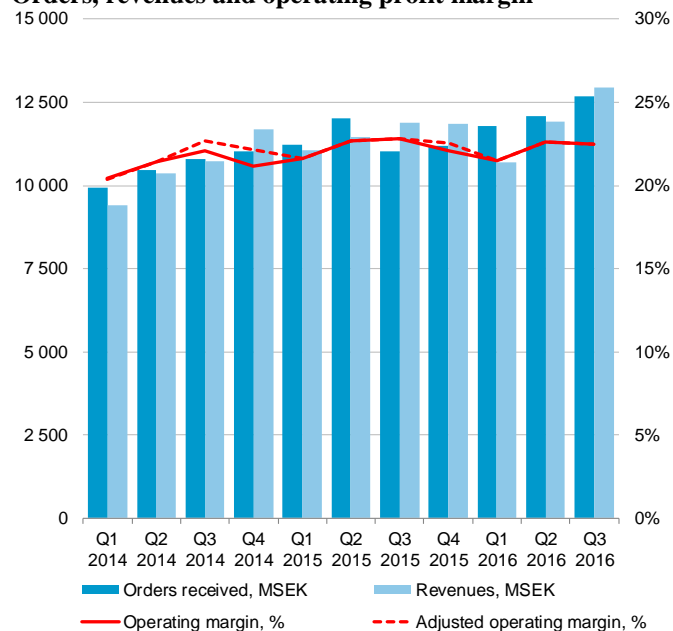
The series of variable speed medium compressor models were extended. The new compressors deliver unsurpassed efficiency in a space-saving upright format. With these models, more industrial air users will get the opportunity to have energy saving compressors with the latest technology.

## Revenues and profitability

Revenues increased 9% to a record MSEK 12 932 (11 875), corresponding to an organic growth of 2%.

Operating profit also reached a record of MSEK 2 905 (2 709), corresponding to a margin of 22.5 % (22.8). The margin was supported by volume, but negatively affected by dilution from acquisitions and by currency. Return on capital employed (last 12 months) was 39% (38).

## Orders, revenues and operating profit margin



## Industrial Technique

MSEK	July - September			January - September		
	2016	2015		2016	2015	
Orders received	3 841	3 604	7%	11 215	11 038	2%
Revenues	3 841	3 668	5%	10 880	10 759	1%
Operating profit	897	866	4%	2 433	2 501	-3%
– as a percentage of revenues	23.4	23.6		22.4	23.2	
Return on capital employed, %	32	31				

- **Increased order intake for both motor vehicle industry and general industry**
- **Strong service growth**
- **Record revenues**

## Sales bridge

MSEK	July - September	
	Orders received	Revenues
2015	3 604	3 668
Structural change, %	+0	+0
Currency, %	+1	+1
Price, %	+0	+0
Volume, %	+6	+4
Total, %	+7	+5
2016	3 841	3 841

## Motor vehicle industry

The demand for advanced industrial tools and assembly solutions from the motor vehicle industry continued to be strong. Orders received increased compared to the previous year.

Geographically, and compared to the previous year, growth was achieved in North America and Asia, while the order intake in Europe was lower.

## General industry

The order volumes for industrial power tools from the general manufacturing industries increased compared to the previous year. The growth was supported by strong demand in metal fabrication, general industrial assembly, and aerospace.

The order intake increased in Europe and Asia but decreased in North America.

## Service

The service business, including maintenance and calibration services, achieved strong growth both year-on-year and sequentially. All regions showed solid growth compared to the previous year.

## Acquisitions

In August 2016, an agreement to acquire the Beijing based self-pierce riveting business of Phillip-Tech Co., Ltd was signed. The business has about 45 employees and sells self-pierce riveting products and solutions designed by Atlas Copco-owned Henrob.

## Innovation

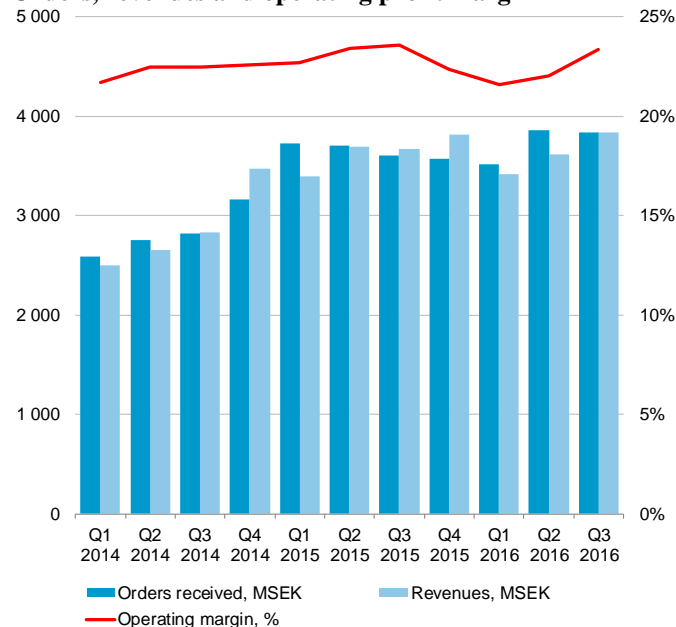
A new low-reaction battery assembly tool with software was introduced. This tool and software will offer our customers improved accuracy and higher speed as well as better ergonomics due to new pulse management technology.

## Revenues and profitability

Revenues increased 5% to a record MSEK 3 841 (3 668), corresponding to an organic growth of 4%.

Operating profit was also at a record level of MSEK 897 (866), corresponding to an operating margin of 23.4% (23.6). The margin was supported by currency and volume, but negatively affected by acquisitions. Return on capital employed (last 12 months) was 32% (31).

## Orders, revenues and operating profit margin



## Mining and Rock Excavation Technique

MSEK	July - September			January - September		
	2016	2015		2016	2015	
Orders received	6 644	6 077	9%	18 766	19 696	-5%
Revenues	6 212	6 481	-4%	18 072	20 107	-10%
Operating profit	1 163	1 296	-10%	3 070	3 830	-20%
– as a percentage of revenues	18.7	20.0		17.0	19.0	
Return on capital employed, %	31	34				

- Increased order intake for mining equipment and consumables
- Service business down year-on-year, but somewhat up sequentially
- Increased operating margin sequentially

## Sales bridge

MSEK	July - September	
	Orders received	Revenues
2015	6 077	6 481
Structural change, %	+0	+0
Currency, %	-1	+0
Price, %	+0	+0
Volume, %	+10	-4
Total, %	+9	-4
2016	6 644	6 212

## Mining equipment

The order volumes for mining equipment increased compared to the previous year, even when adjusted for cancellations in Q3 2015, and also improved sequentially.

Geographically, the order intake increased most in Africa and South America, while it decreased in North America.

## Civil engineering equipment

The order intake for equipment for infrastructure projects was largely unchanged.

## Service and consumables

The service and spare parts business decreased compared to the previous year and was negatively affected by several closed or downsized mines at the end of 2015 and early 2016. Sequentially, service orders increased somewhat. Service order intake was higher in Asia, Europe, and Australia, but lower in North and South America compared to the previous year.

Order volumes for consumables increased somewhat sequentially and compared to the previous year, supported by increases in most mining markets.

## Innovation

Several new products were introduced in connection with MINExpo International in September 2016. A few of the products introduced were:

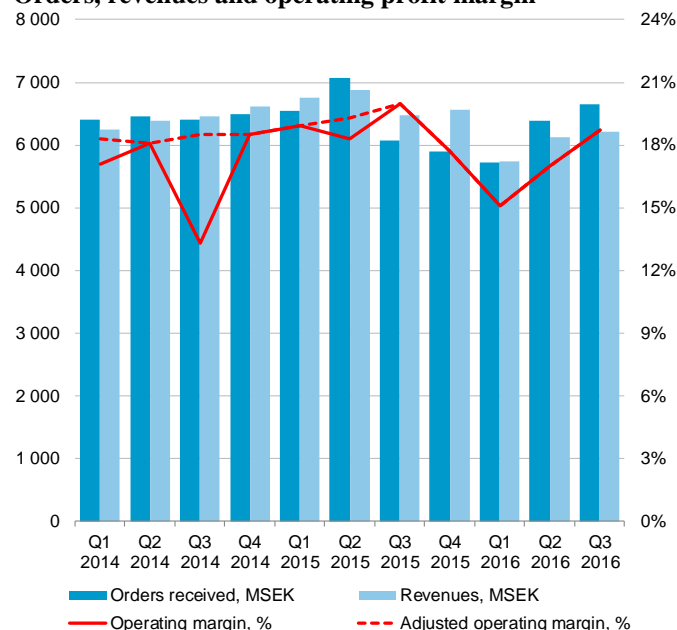
- A new 65 tons mine truck that increases productivity for our customers. The truck comes ready for automation with capabilities of monitoring production data in real time. When equipped with the Certiq software, machine data can be collected and utilized to optimize operation and maintenance.
- A new compact mining and tunneling drill rig with intelligent control systems and high productivity.
- A cab-less drill rig for autonomous drilling.

## Revenues and profitability

Revenues were MSEK 6 212 (6 481), corresponding to an organic decline of 4%.

Operating profit was MSEK 1 163 (1 296), corresponding to a margin of 18.7% (20.0). The margin was negatively affected by currency and volume. Return on capital employed (last 12 months) was 31% (34).

## Orders, revenues and operating profit margin



## Construction Technique

MSEK	July - September			January - September		
	2016	2015		2016	2015	
Orders received	3 635	3 600	1%	11 200	11 872	-6%
Revenues	3 646	3 855	-5%	10 963	11 809	-7%
Operating profit	398	538	-26%	1 296	1 445	-10%
– as a percentage of revenues	10.9	14.0		11.8	12.2	
Return on capital employed, %	12	12				

- **Order growth of 1%**
- **Lower order intake for specialty rental and service**
- **Operating profit margin negatively affected by volume, mix and currency**

## Sales bridge

MSEK	July - September	
	Orders received	Revenues
2015	3 600	3 855
Structural change, %	+2	+2
Currency, %	+0	-1
Price, %	+0	+1
Volume, %	-1	-7
Total, %	+1	-5
2016	3 635	3 646

## Construction equipment

The order volumes for construction equipment increased somewhat. The order intake for portable compressors and construction tools increased, while the order intake for road construction equipment was lower. Overall, the order intake increased in the Americas, Europe, and Asia, while it was lower in Africa/Middle East.

Compared to the previous quarter and due to normal seasonal effects, the order intake decreased for most types of equipment.

## Specialty rental

The specialty rental business had lower order intake compared to the previous year. Geographically, the orders received decreased mostly in the Middle East and in North America.

## Service

The service business order intake was somewhat lower compared to last year, mainly due to lower order volumes in North America and in Africa/Middle East.

## Innovation

The portable compressor offer was extended with a new flexible and versatile compressor. The compressor can be used in a wide range of applications for construction and rental customers, resulting in high utilization and return on investment.

## Acquisition

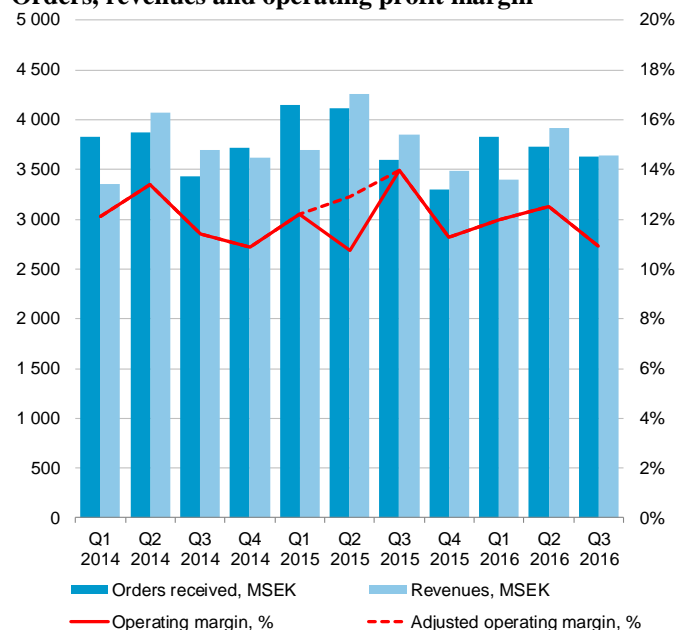
Roxel Rental, a supplier of temporary air solutions for the Norwegian offshore industry, was acquired in July. The acquired business had revenues in 2015 of about MSEK 12 and two employees.

## Revenues and profitability

Revenues reached MSEK 3 646 (3 855), corresponding to an organic decline of 6%.

Operating profit was MSEK 398 (538), corresponding to a margin of 10.9% (14.0). The margin was negatively affected by volume, mix and currency. Return on capital employed (last 12 months) was 12% (12).

## Orders, revenues and operating profit margin



**Accounting principles**

The consolidated accounts of the Atlas Copco Group are prepared in accordance with International Financial Reporting Standards (IFRS). The description of the accounting principles and definitions are found in the annual report 2015. The interim report is prepared in accordance with IAS 34 Interim Financial Reporting. Non-IFRS measures are also presented in the report since they are considered to be important supplemental measures of the company's performance. For further information on how these measures have been calculated, please visit: <http://www.atlascopcogroup.com/investor-relations>

**Risks and factors of uncertainty***Market risks*

The demand for Atlas Copco's equipment and services is affected by changes in the customers' investment and production levels. A widespread financial crisis and economic downturn affects the Group negatively both in terms of revenues and profitability. However, the Group's sales are well diversified with customers in many industries and countries around the world, which limits the risk.

*Financial risks*

Atlas Copco is subject to currency risks, interest rate risks, tax risks, and other financial risks. In line with the overall goals with respect to growth, return on capital, and protecting creditors, Atlas Copco has adopted a policy to control the financial risks to which the Group is exposed. A financial risk management committee meets regularly to manage and follow up financial risks, in line with the policy.

*Production risks*

Many components are sourced from sub-suppliers. The availability is dependent on the sub-suppliers and if they have interruptions or lack capacity, this may adversely affect production. To minimize these risks, Atlas Copco has established a global network of sub-suppliers, which means that in most cases there are more than one sub-supplier that can supply a certain component.

Atlas Copco is also directly and indirectly exposed to raw material prices. Cost increases for raw materials and components often coincide with strong end-customer demand and can partly be offset by increased sales to mining customers and partly compensated for by increased market prices.

*Acquisitions*

Atlas Copco has the ambition to grow all its business areas, primarily through organic growth, complemented by selected acquisitions. The integration of acquired businesses is a difficult process and it is not certain that every integration will be successful. Therefore, costs related to acquisitions can be higher and/or synergies can take longer to materialize than anticipated.

For further information, see the annual report 2015.

**Forward-looking statements**

Some statements in this report are forward-looking, and the actual outcome could be materially different. In addition to the factors explicitly discussed, other factors could have a material effect on the actual outcome. Such factors include, but are not limited to, general business conditions, fluctuations in exchange rates and interest rates, political developments, the impact of competing products and their pricing, product development, commercialization and technological difficulties, interruptions in supply, and major customer credit losses.

**Atlas Copco AB**

Atlas Copco AB and its subsidiaries are sometimes referred to as the Atlas Copco Group, the Group or Atlas Copco. Atlas Copco AB is also sometimes referred to as Atlas Copco. Any mentioning of the Board of Directors or the Directors refers to the Board of Directors of Atlas Copco AB.



**Consolidated income statement**

	3 months ended		9 months ended		12 months ended		
	Sep. 30 2016	Sep. 30 2015	Sep. 30 2016	Sep. 30 2015	Sep. 30 2016	Sep. 30 2015	Dec. 31 2015
MSEK							
Revenues	26 528	25 723	75 103	76 579	100 685	101 939	102 161
Cost of sales	-16 144	-15 440	-45 694	-46 517	-61 208	-62 268	-62 031
<b>Gross profit</b>	<b>10 384</b>	<b>10 283</b>	<b>29 409</b>	<b>30 062</b>	<b>39 477</b>	<b>39 671</b>	<b>40 130</b>
Marketing expenses	-2 834	-2 650	-8 190	-8 213	-10 975	-10 817	-10 998
Administrative expenses	-1 798	-1 401	-4 972	-4 728	-6 598	-6 209	-6 354
Research and development costs	-796	-870	-2 352	-2 437	-3 202	-3 225	-3 287
Other operating income and expenses	67	-49	73	220	90	255	237
<b>Operating profit</b>	<b>5 023</b>	<b>5 313</b>	<b>13 968</b>	<b>14 904</b>	<b>18 792</b>	<b>19 675</b>	<b>19 728</b>
- as a percentage of revenues	18.9	20.7	18.6	19.5	18.7	19.3	19.3
Net financial items	-307	-271	-835	-725	-1 015	-1 060	-905
<b>Profit before tax</b>	<b>4 716</b>	<b>5 042</b>	<b>13 133</b>	<b>14 179</b>	<b>17 777</b>	<b>18 615</b>	<b>18 823</b>
- as a percentage of revenues	17.8	19.6	17.5	18.5	17.7	18.3	18.4
Income tax expense	-1 325	-1 236	-3 646	-3 486	-7 260	-4 587	-7 100
<b>Profit for the period</b>	<b>3 391</b>	<b>3 806</b>	<b>9 487</b>	<b>10 693</b>	<b>10 517</b>	<b>14 028</b>	<b>11 723</b>
Profit attributable to							
- owners of the parent	3 389	3 805	9 481	10 687	10 511	14 020	11 717
- non-controlling interests	2	1	6	6	6	8	6
<b>Basic earnings per share, SEK</b>	<b>2.78</b>	<b>3.12</b>	<b>7.80</b>	<b>8.78</b>	<b>8.64</b>	<b>11.52</b>	<b>9.62</b>
Diluted earnings per share, SEK	2.76	3.10	7.79	8.72	8.62	11.45	9.58
Basic weighted average number of shares outstanding, millions	1 216.7	1 217.8	1 216.1	1 217.6	1 216.3	1 217.5	1 217.4
Diluted weighted average number of shares outstanding, millions	1 217.5	1 218.4	1 216.5	1 219.0	1 216.8	1 218.9	1 218.7

**Key ratios**

Equity per share, period end, SEK	42	38	38
Return on capital employed, 12 month values, %	25	27	27
Return on equity, 12 month values, %	22	29	24
Debt/equity ratio, period end, %	34	34	32
Equity/assets ratio, period end, %	44	44	45
Number of employees, period end	45 463	43 295	43 114

**Consolidated statement of comprehensive income**

	3 months ended		9 months ended		12 months ended		
	Sep. 30 2016	Sep. 30 2015	Sep. 30 2016	Sep. 30 2015	Sep. 30 2016	Sep. 30 2015	Dec. 31 2015
MSEK							
<b>Profit for the period</b>	<b>3 391</b>	<b>3 806</b>	<b>9 487</b>	<b>10 693</b>	<b>10 517</b>	<b>14 028</b>	<b>11 723</b>
<b>Other comprehensive income</b>							
<b>Items that will not be reclassified to profit or loss</b>							
Remeasurements of defined benefit pension plans	-439	223	-703	118	-159	-42	662
Income tax relating to items that will not be reclassified	102	-51	162	-20	58	27	-124
	<b>-337</b>	<b>172</b>	<b>-541</b>	<b>98</b>	<b>-101</b>	<b>-15</b>	<b>538</b>
<b>Items that may be reclassified subsequently to profit or loss</b>							
Translation differences on foreign operations	1 294	-199	2 647	-152	1 429	2 700	-1 370
Hedge of net investments in foreign operations	-378	-356	-881	196	-396	-444	681
Cash flow hedges	-22	-27	-22	62	-16	47	68
Income tax relating to items that may be reclassified	241	222	560	-156	259	272	-457
	<b>1 135</b>	<b>-360</b>	<b>2 304</b>	<b>-50</b>	<b>1 276</b>	<b>2 575</b>	<b>-1 078</b>
<b>Other comprehensive income for the period, net of tax</b>	<b>798</b>	<b>-188</b>	<b>1 763</b>	<b>48</b>	<b>1 175</b>	<b>2 560</b>	<b>-540</b>
<b>Total comprehensive income for the period</b>	<b>4 189</b>	<b>3 618</b>	<b>11 250</b>	<b>10 741</b>	<b>11 692</b>	<b>16 588</b>	<b>11 183</b>
Total comprehensive income attributable to							
- owners of the parent	4 182	3 617	11 241	10 727	11 687	16 562	11 173
- non-controlling interests	7	1	9	14	5	26	10

**Consolidated balance sheet**

MSEK	Sep. 30, 2016	Sep. 30, 2015	Dec. 31, 2015
Intangible assets	39 370	33 789	33 520
Rental equipment	3 102	3 077	3 076
Other property, plant and equipment	10 064	9 069	8 947
Financial assets and other receivables	2 240	2 075	2 305
Deferred tax assets	2 058	1 893	1 823
<b>Total non-current assets</b>	<b>56 834</b>	<b>49 903</b>	<b>49 671</b>
Inventories	18 462	18 261	16 906
Trade and other receivables	28 201	26 817	25 985
Other financial assets	1 675	1 674	1 576
Cash and cash equivalents	10 785	8 279	8 861
Assets classified as held for sale	10	41	11
<b>Total current assets</b>	<b>59 133</b>	<b>55 072</b>	<b>53 339</b>
<b>TOTAL ASSETS</b>	<b>115 967</b>	<b>104 975</b>	<b>103 010</b>
Equity attributable to owners of the parent	50 433	46 529	46 591
Non-controlling interests	69	162	159
<b>TOTAL EQUITY</b>	<b>50 502</b>	<b>46 691</b>	<b>46 750</b>
Borrowings	23 306	22 372	21 888
Post-employment benefits	4 622	2 542	2 225
Other liabilities and provisions	1 865	1 624	1 595
Deferred tax liabilities	1 235	1 292	1 497
<b>Total non-current liabilities</b>	<b>31 028</b>	<b>27 830</b>	<b>27 205</b>
Borrowings	1 548	1 020	1 101
Trade payables and other liabilities	31 093	27 842	26 481
Provisions	1 796	1 592	1 473
<b>Total current liabilities</b>	<b>34 437</b>	<b>30 454</b>	<b>29 055</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>115 967</b>	<b>104 975</b>	<b>103 010</b>

**Fair value of derivatives and borrowings**

The carrying value and fair value of the Group's outstanding derivatives and borrowings are shown in the tables below. The fair values of bonds are based on level 1 and the fair values of derivatives and other loans are based on level 2 in the fair value hierarchy. Compared to 2015, no transfers have been made between different levels in the fair value hierarchy for derivatives and borrowings and no significant changes have been made to valuation techniques, inputs or assumptions.

**Outstanding derivative instruments recorded to fair value**

MSEK	Sep. 30, 2016	Dec. 31, 2015
<i>Non-current assets and liabilities</i>		
Assets	3	102
Liabilities	148	134
<i>Current assets and liabilities</i>		
Assets	162	324
Liabilities	208	190

**Carrying value and fair value of borrowings**

MSEK	Sep. 30, 2016	Sep. 30, 2016	Dec. 31, 2015	Dec. 31, 2015
	Carrying value	Fair value	Carrying value	Fair value
Bonds	15 642	16 741	17 199	18 408
Other loans	9 212	9 379	5 790	5 920
	24 854	26 120	22 989	24 328

**Consolidated statement of changes in equity**

MSEK	Equity attributable to		Total equity
	owners of the parent	non-controlling interests	
<b>Opening balance, January 1, 2016</b>	<b>46 591</b>	<b>159</b>	<b>46 750</b>
<b>Changes in equity for the period</b>			
Total comprehensive income for the period	11 241	9	11 250
Dividends*	-7 659	-13	-7 672
Change of non-controlling interests	-67	-86	-153
Acquisition and divestment of own shares	311	-	311
Share-based payments, equity settled	16	-	16
<b>Closing balance, September 30, 2016</b>	<b>50 433</b>	<b>69</b>	<b>50 502</b>

MSEK	Equity attributable to		Total equity
	owners of the parent	non-controlling interests	
<b>Opening balance, January 1, 2015</b>	<b>50 575</b>	<b>178</b>	<b>50 753</b>
<b>Changes in equity for the period</b>			
Total comprehensive income for the period	11 173	10	11 183
Dividends	-7 305	-29	-7 334
Redemption of shares	-7 305	-	-7 305
Acquisition and divestment of own shares	-453	-	-453
Share-based payments, equity settled	-94	-	-94
<b>Closing balance, December 31, 2015</b>	<b>46 591</b>	<b>159</b>	<b>46 750</b>

MSEK	Equity attributable to		Total equity
	owners of the parent	non-controlling interests	
<b>Opening balance, January 1, 2015</b>	<b>50 575</b>	<b>178</b>	<b>50 753</b>
<b>Changes in equity for the period</b>			
Total comprehensive income for the period	10 727	14	10 741
Dividends	-7 311	-30	-7 341
Redemption of shares	-7 305	-	-7 305
Acquisition and divestment of own shares	-56	-	-56
Share-based payments, equity settled	-101	-	-101
<b>Closing balance, September 30, 2015</b>	<b>46 529</b>	<b>162</b>	<b>46 691</b>

\* The annual dividend of which the first installment of MSEK 3 830 has been paid in May 2016 and the second installment will be paid in November 2016. This latter has been recorded as a liability.

**Consolidated statement of cash flows**

MSEK	July - September		January - September	
	2016	2015	2016	2015
<b>Cash flows from operating activities</b>				
Operating profit	5 023	5 313	13 968	14 904
Depreciation, amortization and impairment (see below)	1 111	1 148	3 188	3 242
Capital gain/loss and other non-cash items	264	-293	185	-513
Operating cash surplus	6 398	6 168	17 341	17 633
Net financial items received/paid	-448	130	-357	-1 182
Taxes paid	-1 270	-1 266	-6 269 <sup>1)</sup>	-3 437
Pension funding and payment of pension to employees	-57	7	-94	66
Change in working capital	1 166	558	1 720	218
Investments in rental equipment	-361	-301	-901	-953
Sale of rental equipment	93	120	324	337
<b>Net cash from operating activities</b>	<b>5 521</b>	<b>5 416</b>	<b>11 764</b>	<b>12 682</b>
<b>Cash flows from investing activities</b>				
Investments in property, plant and equipment	-345	-392	-958	-1 219
Sale of property, plant and equipment	24	481	82	538
Investments in intangible assets	-262	-235	-817	-814
Sale of intangible assets	3	13	6	16
Acquisition of subsidiaries and associated companies	-3 692	-115	-4 656	-1 772 <sup>2)</sup>
Sale of subsidiaries	-	-	-	43
Other investments, net	-71	-31	-239	116
<b>Net cash from investing activities</b>	<b>-4 343</b>	<b>-279</b>	<b>-6 582</b>	<b>-3 092</b>
<b>Cash flows from financing activities</b>				
Dividends paid	-	-	-3 830	-3 651
Dividends paid to non-controlling interest	-1	-30	-13	-30
Acquisition of non-controlling interest	-67	-	-67	-
Redemption of shares	-	-	-	-7 305
Repurchase and sales of own shares	246	17	311	-56
Change in interest-bearing liabilities	244	-3 078	32	552
<b>Net cash from financing activities</b>	<b>422</b>	<b>-3 091</b>	<b>-3 567</b>	<b>-10 490</b>
<b>Net cash flow for the period</b>	<b>1 600</b>	<b>2 046</b>	<b>1 615</b>	<b>-900</b>
Cash and cash equivalents, beginning of the period	8 891	6 301	8 861	9 404
Exchange differences in cash and cash equivalents	294	-68	309	-225
<b>Cash and cash equivalents, end of the period</b>	<b>10 785</b>	<b>8 279</b>	<b>10 785</b>	<b>8 279</b>
Depreciation, amortization and impairment				
<i>Rental equipment</i>	250	263	732	778
<i>Other property, plant and equipment</i>	414	419	1 209	1 246
<i>Intangible assets</i>	447	466	1 247	1 218
<i>Total</i>	1 111	1 148	3 188	3 242

<sup>1)</sup> Includes tax payment in Belgium of MSEK 2 250 see page 3. <sup>2)</sup> Includes deferred consideration for acquisitions made in 2014.

**Calculation of operating cash flow**

MSEK	July - September		January - September	
	2016	2015	2016	2015
<b>Net cash flow for the period</b>	<b>1 600</b>	<b>2 046</b>	<b>1 615</b>	<b>-900</b>
Add back:				
Change in pensions	-	-	-	-
Change in interest-bearing liabilities	-244	3 078	-32	-552
Repurchase and sales of own shares	-246	-17	-311	56
Dividends paid	-	-	3 830	3 651
Dividends paid to non-controlling interest	1	30	13	30
Acquisition of non-controlling interest	67	-	67	-
Redemption of shares	-	-	-	7 305
Acquisitions and divestments	3 692	115	4 656	1 729
Investments of cash liquidity	-	-	-	-
Currency hedges of loans	88	-211	-516	701
Divestment of property	-	-420	-	-420
Tax payment related to Belgian tax rulings	-	-	2 250	-
<b>Operating cash flow</b>	<b>4 958</b>	<b>4 621</b>	<b>11 572</b>	<b>11 600</b>

**Revenues by business area**

MSEK (by quarter)	2014				2015				2016		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Compressor Technique	9 409	10 353	10 718	11 685	11 049	11 462	11 875	11 851	10 692	11 929	12 932
- of which external	9 361	10 307	10 682	11 653	10 951	11 378	11 806	11 793	10 611	11 847	12 870
- of which internal	48	46	36	32	98	84	69	58	81	82	62
Industrial Technique	2 505	2 650	2 827	3 468	3 394	3 697	3 668	3 819	3 417	3 622	3 841
- of which external	2 493	2 636	2 816	3 454	3 382	3 684	3 656	3 806	3 406	3 611	3 830
- of which internal	12	14	11	14	12	13	12	13	11	11	11
Mining and Rock Excavation Technique	6 251	6 396	6 449	6 622	6 756	6 870	6 481	6 558	5 736	6 124	6 212
- of which external	6 237	6 373	6 398	6 618	6 724	6 856	6 451	6 527	5 723	6 111	6 204
- of which internal	14	23	51	4	32	14	30	31	13	13	8
Construction Technique	3 354	4 068	3 692	3 625	3 698	4 256	3 855	3 491	3 402	3 915	3 646
- of which external	3 272	3 971	3 621	3 558	3 634	4 136	3 762	3 408	3 310	3 825	3 572
- of which internal	82	97	71	67	64	120	93	83	92	90	74
Common Group functions/ Eliminations	-96	-119	-96	-40	-152	-174	-156	-137	-110	-152	-103
<b>Atlas Copco Group</b>	<b>21 423</b>	<b>23 348</b>	<b>23 590</b>	<b>25 360</b>	<b>24 745</b>	<b>26 111</b>	<b>25 723</b>	<b>25 582</b>	<b>23 137</b>	<b>25 438</b>	<b>26 528</b>

**Operating profit by business area**

MSEK (by quarter)	2014				2015				2016		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Compressor Technique	1 915	2 219	2 369	2 471	2 392	2 603	2 709	2 620	2 296	2 700	2 905
- as a percentage of revenues	20.4	21.4	22.1	21.1	21.6	22.7	22.8	22.1	21.5	22.6	22.5
Industrial Technique	543	595	636	783	770	865	866	854	737	799	897
- as a percentage of revenues	21.7	22.5	22.5	22.6	22.7	23.4	23.6	22.4	21.6	22.1	23.4
Mining and Rock Excavation Technique	1 071	1 155	856	1 225	1 276	1 258	1 296	1 163	866	1 041	1 163
- as a percentage of revenues	17.1	18.1	13.3	18.5	18.9	18.3	20.0	17.7	15.1	17.0	18.7
Construction Technique	406	545	422	395	450	457	538	394	408	490	398
- as a percentage of revenues	12.1	13.4	11.4	10.9	12.2	10.7	14.0	11.3	12.0	12.5	10.9
Common Group functions/ Eliminations	-175	-175	-138	-103	-369	-111	-96	-207	-137	-255	-340
<b>Operating profit</b>	<b>3 760</b>	<b>4 339</b>	<b>4 145</b>	<b>4 771</b>	<b>4 519</b>	<b>5 072</b>	<b>5 313</b>	<b>4 824</b>	<b>4 170</b>	<b>4 775</b>	<b>5 023</b>
- as a percentage of revenues	17.6	18.6	17.6	18.8	18.3	19.4	20.7	18.9	18.0	18.8	18.9
Net financial items	-158	-165	-266	-335	-232	-222	-271	-180	-173	-355	-307
<b>Profit before tax</b>	<b>3 602</b>	<b>4 174</b>	<b>3 879</b>	<b>4 436</b>	<b>4 287</b>	<b>4 850</b>	<b>5 042</b>	<b>4 644</b>	<b>3 997</b>	<b>4 420</b>	<b>4 716</b>
- as a percentage of revenues	16.8	17.9	16.4	17.5	17.3	18.6	19.6	18.2	17.3	17.4	17.8

**Key figures by quarter**

SEK	2014				2015				2016		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Basic earnings per share	2.27	2.64	2.37	2.74	2.66	3.00	3.12	0.85	2.39	2.62	2.78
Diluted earnings per share	2.27	2.64	2.36	2.73	2.65	2.96	3.10	0.85	2.38	2.62	2.76
Equity per share	35	33	37	42	45	35	38	38	40	37	42
Operating cash flow per share	1.53	2.55	3.35	4.01	2.87	2.86	3.80	4.40	2.57	2.87	4.07
%											
Return on capital employed, 12 months value	26	25	25	24	24	25	27	27	26	27	25
Return on equity, 12 months value	32	31	30	28	27	28	29	24	24	24	22
Debt/equity ratio, period end	37	51	44	30	26	48	34	32	25	34	34
Equity/assets ratio, period end	45	43	45	48	49	41	44	45	46	43	44
Number of employees, period end	43 846	43 937	44 243	44 056	43 866	43 584	43 295	43 114	43 274	43 118	45 463

**Acquisitions**

Date	Acquisitions	Divestments	Business area	Revenues MSEK*	Number of employees*
2016 Sep 1	Leybold		Compressor Technique	3 150	1 600
2016 Aug 5	CSK		Compressor Technique	870	400
2016 Aug 2	Schneider Druckluft		Compressor Technique	250	110
2016 July 4	Roxel Rental		Construction Technique	12	2
2016 June 14	Bondtech		Industrial Technique	32	12
2016 May 2	Kohler Druckluft <i>Distributor Austria, Switzerland and Liechtenstein</i>		Compressor Technique		30
2016 Apr. 15	Scales Industrial Technologies <i>Distributor USA</i>		Compressor Technique		180
2016 Apr. 4	Air et Fluides Lyonnais <i>Distributor France</i>		Compressor Technique		6
2016 Mar. 2	FIAC		Compressor Technique	640	400
2016 Jan. 12	Varisco		Construction Technique	270	135
2016 Jan. 5	Capitol Research Equipment		Compressor Technique	22	15
2015 Dec. 15	Air Supply Systems and A1 <i>Distributors USA</i>		Compressor Technique		37
2015 Dec. 4	Innovative Vacuum Solutions		Compressor Technique	32	19
2015 Oct. 5	NJS Technologies		Industrial Technique	9	7
2015 Sep. 9	Air Repair Sales and Services Limited <i>Distributor Canada</i>		Compressor Technique		12
2015 Aug. 7	Applied Plasma Systems		Compressor Technique		5
2015 July 2	Mustang Services		Construction Technique	45	
2015 Mar. 24		Ortman Fluid Power	Compressor Technique	30	19
2015 Mar. 3	Kalibrierzentrum Bayern		Industrial Technique	28	27
2015 Feb. 9		J.C. Carter	Compressor Technique		35
2015 Jan. 8	Maes Compressoren <i>Distributor Belgium</i>		Compressor Technique		30

\*Annual revenues and number of employees at the time of acquisition/divestment. No revenues are disclosed for former Atlas Copco distributors. Due to the relatively small size of the acquisitions and divestments made in 2016, full disclosure as per IFRS 3 is not given in this interim report. Disclosure will be given in the annual report 2016. See the annual report for 2015 for disclosure of acquisitions made in 2015.

**Parent company****Income statement**

MSEK	July - September		January - September	
	2016	2015	2016	2015
Administrative expenses	-175	-110	-433	-409
Other operating income and expenses	41	23	113	99
<b>Operating profit/loss</b>	<b>-134</b>	<b>-87</b>	<b>-320</b>	<b>-310</b>
Financial income and expenses	387	352	2 348	5 415
<b>Profit/loss before tax</b>	<b>253</b>	<b>265</b>	<b>2 028</b>	<b>5 105</b>
Income tax	94	146	277	220
<b>Profit/loss for the period</b>	<b>347</b>	<b>411</b>	<b>2 305</b>	<b>5 325</b>

**Balance sheet**

MSEK	Sep. 30	Sep. 30	Dec. 31
	2016	2015	2015
Total non-current assets	111 237	94 606	111 026
Total current assets	8 347	5 328	7 331
<b>TOTAL ASSETS</b>	<b>119 584</b>	<b>99 934</b>	<b>118 357</b>
Total restricted equity	5 785	5 785	5 785
Total non-restricted equity	29 429	28 418	34 469
<b>TOTAL EQUITY</b>	<b>35 214</b>	<b>34 203</b>	<b>40 254</b>
Total provisions	368	347	267
Total non-current liabilities	53 186	43 713	49 197
Total current liabilities	30 816	21 671	28 639
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>119 584</b>	<b>99 934</b>	<b>118 357</b>
Assets pledged	259	249	279
Contingent liabilities	8 185	8 025	7 846

**Accounting principles**

Atlas Copco AB is the ultimate Parent Company of the Atlas Copco Group. The financial statements of Atlas Copco AB have been prepared in accordance with the Swedish Annual Accounts Act and the accounting standard RFR 2, Accounting for Legal Entities. The same accounting principles and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements. See also accounting principles, page 8.



## Parent Company

### Distribution of shares

Share capital equaled MSEK 786 (786) at the end of the period, distributed as follows:

Class of share	Shares
A shares	839 394 096
B shares	390 219 008
Total	1 229 613 104
- of which A shares held by Atlas Copco	-11 979 399
- of which B shares held by Atlas Copco	-393 879
Total shares outstanding, net of shares held by Atlas Copco	1 217 239 826

### Performance-based personnel option plan

The Annual General Meeting 2016 approved a performance-based long-term incentive program. For Group Executive Management, the plan requires management's own investment in Atlas Copco shares. The intention is to cover Atlas Copco's obligation under the plan through the repurchase of the company's own shares. For further information, see [www.atlascopcogroup.com/agm](http://www.atlascopcogroup.com/agm)

### Transactions in own shares

Atlas Copco has mandates to acquire and sell own shares as per below:

- Acquisition of not more than 7 250 000 series A shares, whereof a maximum of 7 000 000 may be transferred to personnel stock option holders under the performance-based stock option plan 2016.
- Acquisition of not more than 70 000 series A shares to hedge the obligation of the company to pay remuneration to Board members who have chosen to receive 50% of the remuneration in synthetic shares.

- The sale of not more than 30 000 series A shares to cover costs related to previously issued synthetic shares to Board members.
- The sale of a maximum 5 500 000 series A and B shares currently held by the company, for the purpose of covering costs of fulfilling obligations related to the option plans 2011, 2012 and 2013.
- The shares may only be acquired or sold on NASDAQ Stockholm at a price within the registered price interval at any given time.

During the first nine months of 2016, 1 143 704 series A shares, net, were sold. These transactions are in accordance with mandates granted. The company's holding of own shares at the end of the period appears in the table to the left.

### Risks and factors of uncertainty

#### Financial risks

Atlas Copco is subject to currency risks, interest rate risks, tax risks, and other financial risks. In line with the overall goals with respect to growth, return on capital, and protecting creditors, Atlas Copco has adopted a policy to control the financial risks to which Atlas Copco AB and the Group is exposed. A financial risk management committee meets regularly to manage and follow up financial risks, in line with the policy.

For further information, see the 2015 annual report.

#### Related parties

There have been no significant changes in the relationships or transactions with related parties for the Group or Parent Company compared with the information given in the annual report 2015.

## This is Atlas Copco

Atlas Copco is a world-leading provider of sustainable productivity solutions. The Group serves customers with innovative compressors, vacuum solutions and air treatment systems, construction and mining equipment, power tools and assembly systems. Atlas Copco develops products and service focused on productivity, energy efficiency, safety and ergonomics. The company was founded in 1873, is based in Stockholm, Sweden, and has a global reach spanning more than 180 countries. In 2015, Atlas Copco had revenues of BSEK 102 (BEUR 11) and more than 43 000 employees.

### Business areas

Atlas Copco has four business areas. The business areas are responsible for developing their respective operations by implementing and following up on strategies and objectives to achieve sustainable, profitable growth.

The **Compressor Technique** business area provides industrial compressors, vacuum solutions, gas and process compressors and expanders, air and gas treatment equipment and air management systems. The business area has a global service network and innovates for sustainable productivity in the manufacturing, oil and gas, and process industries. Principal product development and manufacturing units are located in Belgium, the United States, China, South Korea, Germany, Italy and the United Kingdom.

The **Industrial Technique** business area provides industrial power tools and systems, industrial assembly solutions, quality assurance products, software and service through a global network. The business area innovates for sustainable productivity for customers in the automotive and general industries, maintenance and vehicle service. Principal product development and manufacturing units are located in Sweden, Germany, the United States, United Kingdom, France and Japan.

The **Mining and Rock Excavation Technique** business area provides equipment for drilling and rock excavation, a complete range of related consumables and service through a global network. The business area innovates for sustainable productivity in surface and underground mining, infrastructure, civil works, well drilling and geotechnical applications. Principal product development and manufacturing units are located in Sweden, the United States, Canada, China and India.

The **Construction Technique** business area provides construction and demolition tools, portable compressors, pumps and generators, lighting towers, and compaction and paving equipment. The business area offers specialty rental and provides service through a global network. Construction Technique innovates for sustainable productivity in infrastructure, civil works, oil and gas, energy, drilling and road construction projects. Principal product development and manufacturing units are located in Belgium, Germany, Sweden, the United States, China, India and Brazil.

### Vision, mission and strategy

The Atlas Copco Group's vision is to become and remain First in Mind—First in Choice® of its customers and other principal stakeholders. The mission is to achieve sustainable, profitable growth. Sustainability plays an important role in Atlas Copco's vision and it is an integral aspect of the Group's mission. An integrated sustainability strategy, backed by ambitious goals, helps the company deliver greater value to all its stakeholders in a way that is economically, environmentally and socially responsible.

### For further information

- Analysts and investors  
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[media@se.atlascopco.com](mailto:media@se.atlascopco.com)

### Conference call

A conference call for investors, analysts and media will be held on October 20, at 3.00 PM CEST.

The dial-in numbers are:

- Sweden: +46 8 566 426 90
- UK: +44 20 300 898 06
- US: +1 855 753 2235

The conference call will be broadcasted live via the Internet. Please visit our website for link and presentation material: <http://www.atlascopcogroup.com/investor-relations>

The webcast and a recorded audio presentation will be available on our homepage following the call.

### Report on Q4 2016

The report on Q4 2016 will be published on January 27, 2017.

### Capital Markets Day 2016

Atlas Copco will host its annual Capital Markets Day on November 15, 2016, in Antwerp, Belgium. Please see: <http://www.atlascopcogroup.com/CMD2016>

### Annual General Meeting 2017

The Annual General Meeting for Atlas Copco AB will be held April 26, 2017 at 4 PM CEST in Aula Medica, Nobels väg 6, Solna, Sweden.

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*This information is information that Atlas Copco AB is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above, at 12.00 CEST on October 20, 2016*