Ronnie Leten
President and CEO
Hans Ola Meyer
CFO
**ATLAS COPCO**

- A world leading provider of sustainable productivity solutions
- **Consistent strategy** with focus on **innovation**
- **Agile** and **resilient** operations
- Strong global **service** business
- Strong **cash generation** and **value creation**
- **Capacity for strategic acquisitions**
- **Committed employees** in a decentralized organization
OUR PRODUCTS ARE EVERYWHERE

The shower you take

The breakfast you eat

The car you drive

The aircraft you leave on

The airport you walk into

The phone you use
AGENDA

1. Current performance update
2. Business areas
3. Global trends
4. Sustainable profitable growth
5. Summary
CURRENT PERFORMANCE UPDATE
Q3 IN BRIEF

- Organic order growth, solid profit and strong cash flow
- Order growth for all business areas
- Fifth business area announced
  - Vacuum Technique valid from January 2017
  - The acquisitions of Leybold and CSK completed

NEAR-TERM OUTLOOK

- The overall demand for the Group is expected to remain at current level.
ORDERED RECEIVED - LOCAL CURRENCY

Atlas Copco Group

September 2016

A Share of orders received, year-to-date, %
B Year-to-date vs. previous year, %
C Last 3 months vs. previous year, %
## GROUP TOTAL

### July - September 2016 vs. 2015

<table>
<thead>
<tr>
<th></th>
<th>July - September</th>
<th>2016</th>
<th>2015</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orders received</td>
<td>MSEK</td>
<td>26 696</td>
<td>24 149</td>
<td>11%</td>
</tr>
<tr>
<td>Revenues</td>
<td>MSEK</td>
<td>26 528</td>
<td>25 723</td>
<td>3%</td>
</tr>
<tr>
<td>Operating profit</td>
<td>MSEK</td>
<td>5 023</td>
<td>5 313</td>
<td>-5%</td>
</tr>
<tr>
<td></td>
<td>as a percentage of revenues</td>
<td>18.9</td>
<td>20.7</td>
<td></td>
</tr>
<tr>
<td>Profit before tax</td>
<td>MSEK</td>
<td>4 716</td>
<td>5 042</td>
<td>-6%</td>
</tr>
<tr>
<td></td>
<td>as a percentage of revenues</td>
<td>17.8</td>
<td>19.6</td>
<td></td>
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<tr>
<td>Income tax expense</td>
<td>MSEK</td>
<td>-1 325</td>
<td>-1 236</td>
<td>7%</td>
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<tr>
<td></td>
<td>as a percentage of profit before tax</td>
<td>-28.1</td>
<td>-24.5</td>
<td></td>
</tr>
<tr>
<td>Profit for the period</td>
<td>MSEK</td>
<td>3 391</td>
<td>3 806</td>
<td>-11%</td>
</tr>
<tr>
<td>Basic earnings per share, SEK</td>
<td></td>
<td>2.78</td>
<td>3.12</td>
<td></td>
</tr>
<tr>
<td>Return on capital employed, %</td>
<td></td>
<td>25</td>
<td>27</td>
<td></td>
</tr>
</tbody>
</table>

**Graphical Data:**
- Orders received, MSEK
- Revenues, MSEK
- Operating margin, %
- Adjusted operating margin, %

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**Group Presentation**

VACUUM TECHNIQUE – NEW BUSINESS AREA FROM 2017

Vacuum products

Semiconductor

Flat panel displays

Solar panels

Metallurgy

Exhaust management systems

Food & beverages

Packaging

Conveying and assembly

…and more
WHY A FIFTH BUSINESS AREA?

Vacuum is a **growth area**

Vision is to become **global market leader** in vacuum solutions

A **dedicated organization** can focus entirely on the vacuum business

Compressor Technique can focus entirely on industrial compressor business
FIVE BUSINESS AREAS AND 28 DIVISIONS

A decentralized Group

The business area structure as of Jan 1, 2017
BUSINESS AREAS
COMPRESSOR TECHNIQUE (EXCLUDING VACUUM)

In Brief

- Leverage investments in presence and innovation
- Grow market share and customer share
- Strengthen service platform and extend service offer
- Support organic growth with more acquisitions

Orders, revenues and operating margin*

*Restated figures
In Brief

- Vision is to become the global market leader in vacuum solutions
- Priority on integration
- High investments in innovation

Orders, revenues and operating margin*

*Restated figures
INDUSTRIAL TECHNIQUE

- Automotive
- Off-road
- Shipyards / Offshore
- Metal fabrication
- Vehicle maintenance
- Aerospace
- Electronics
- Energy / Oil & gas
- White goods
INDUSTRIAL TECHNIQUE

In Brief

- Focus on further developing the offer within assembly technologies
- Innovation is key
- Extend the service offer

Orders, revenues and operating margin

ROCE 32%
MOTOR VEHICLE INDUSTRY – TREND

Driving Factors for lightweight design

Trends

- Expected increase in usage of adhesives and sealants
- Increased usage of alternative mechanical joining methods to replace welding
- Increased focus on hybrid joining – combination of adhesive and mechanical joining methods

Ambitious emission aims – CO₂ legislation

Source: ICCT, the International Council on Clean Transportation
CONNECTIVITY
Power Focus 6000
MINING AND ROCK EXCAVATION TECHNIQUE

Underground mining

Surface mining

Exploration

Civil engineering

Quarrying

Ground engineering

Water well, oil & gas
MINING AND ROCK EXCAVATION TECHNIQUE

In Brief

- Innovation and automation is key
- Customers’ focus is on total cost of operations
- Strengthen the agility and resilience
- Grow service and consumables
INNOVATION – AUTOMATION
The future in mining

- Safer work environment
- Lower operational costs
- Higher equipment utilization
- Fewer operators required
CONNECTIVITY

Certiq, a Telematics solution
INNOVATION – MINEXPO

Minetruck MT65

- New truck with 65 ton capacity
- Increased productivity
- Rig control system for automation
- Certiq – a telematics system that enables monitoring and management of equipment fleets.
INNOVATION – MINEXPO

Boomer S2

- Drill rig for tunneling
  - First automated drill rig in segment
  - Safe, productive and robust
- Equipped with new rock drill
  - Fast, up to 15% faster
  - Reliable with long service intervals
CONSTRUCTION TECHNIQUE

In Brief

- Innovation is key
- Strengthen market position in our niches
- Develop a service network for an indirect channel
INNOVATION – EFFICIENCY

New portable compressors

- Reliable, efficient and lightweight
EXPANDING THE OFFER

Varisco

- Engine driven pumps are key in the product portfolio
- Sales and service synergies with other portable energy products
- Similar design concept, components and assembly
- Profitable business
CONSTRUCTION TECHNIQUE SERVICE

Anytime, any product, anywhere, you can count on us

- Service and local support in more than 170 markets
- Our local customer centers have a first-class team to support our customers with a single point of contact
- Online technical information with PartsOnline
- Trained technicians
- Efficient logistics
- Buy online 24/7 with ShopOnline
GLOBAL TRENDS
GLOBAL TRENDS

Continued expansion in growth markets

Urbanization drives investments in infrastructure and demand for minerals

Customers focus on core activity

Connectivity

Energy efficiency and productivity requirements
SUSTAINABLE PROFITABLE GROWTH

8% growth over a business cycle – High return on capital employed
WHY

…should Atlas Copco succeed to grow?

- Market leader with strong portfolio of businesses and products
- Commitment to innovation
- Strong service offering
- Capacity for strategic acquisitions
- Top organization, world-class people and top execution
- Sustainability embedded in everything

8% growth
WHY

…should Atlas Copco deliver high return on capital employed?

- Standardization and efficient flow
- Asset light operations
- Variable cost structure
- Strong service business
- Sustainability embedded in everything
PLANTING NEW SEEDS FOR THE FUTURE

Simultaneously

- Develop and defend core
- Build new businesses
- Create options
INCREASE PRESENCE IN FAST GROWING ECONOMIES

…and strengthen in mature markets

- Direct and indirect presence
- Develop local competence
- Create high brand awareness
WHAT DO WE WANT TO ACQUIRE?
Businesses in, or with close relation to, existing core competencies

Characteristics

- Industry-to-industry
- Geographically spread customer base
- Leadership in niche markets
- Differentiated core technology
- Strong base of business partners
- Healthy service potential

Leveraging

- Application knowledge
- Efficient manufacturing and product development processes
- Capacity to swiftly market products and services globally
FINANCIAL STRENGTH FOR ACQUISITIONS

Ready for more

<table>
<thead>
<tr>
<th>Year</th>
<th>Net debt/EBITDA</th>
<th>Net debt/Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>1.44</td>
<td>0.12</td>
</tr>
<tr>
<td>2008</td>
<td>1.37</td>
<td>0.15</td>
</tr>
<tr>
<td>2009</td>
<td>1.25</td>
<td>0.23</td>
</tr>
<tr>
<td>2010</td>
<td>0.31</td>
<td>0.50</td>
</tr>
<tr>
<td>2011</td>
<td>0.74</td>
<td>0.32</td>
</tr>
<tr>
<td>2012</td>
<td>0.53</td>
<td>0.38</td>
</tr>
<tr>
<td>2013</td>
<td>0.49</td>
<td>0.38</td>
</tr>
<tr>
<td>2014</td>
<td>0.49</td>
<td>0.38</td>
</tr>
<tr>
<td>2015</td>
<td>0.49</td>
<td>0.38</td>
</tr>
<tr>
<td>Sept. 2016</td>
<td>0.49</td>
<td>0.38</td>
</tr>
</tbody>
</table>

Credit Rating, S&P:
Show me the money!
CASH GENERATION

Profit for the period, MSEK (continuing operations)
Operating cash flow, MSEK
Cash conversion, %

Average cash conversion 100%

Cash conversion = operating cash flow / net profit from continuing operations.
Operating cash flow adjusted from 2012 for cash flows from currency hedges of loans 12 months figures. Cash flow and net profit for 2015 and Sept. 2016 adjusted for Belgian tax provision/payment.
AGILE, RESILIENT AND CASH GENERATIVE BUSINESS MODEL

Low investment intensity

Variable cost structure

“Asset-light” operations

Profitable aftermarket business

Gross investments in property, plant and equipment, MSEK

Operating cash flow, MSEK
AGILE AND RESILIENT OPERATIONS

Deteriorating business climate
- Reduce variable costs
- Working capital reduction

Improving business climate
- Small incremental investments
- Add variable costs
- Working capital increase

Continuous investments in innovation
Variable cost structure and asset light operations
Stable service business
Competent and committed employees

Agile operational set-up
Resilience
HIGH RETURN ON CAPITAL EMPLOYED AND VALUE CREATION

Return on Capital Employed, %  
10 year average, ROCE%  

EVA, MSEK  
EVA, accumulated, MSEK  

12 month figures.  
Avg. ROCE calculated 10 years until 2015
**SUSTAINABLE CASH DISTRIBUTION**

Annual dividend goal; about 50% of earnings per share

Yield = dividend and redemption divided by the average price quoted of the A-share (arithmetic).

Earnings per share including discontinued operations

Average yield 5%

Average payout ratio 63%
INNOVATION AND DIGITALIZATION HAND-IN-HAND
SERVICE ANYTIME ANYWHERE

Always Close

Monitoring and control

Proactive maintenance
CONTINUOUS GROWTH IN SERVICE

10y CAGR
Service ~ 10%
Equipment ~ 8.5%

12 month figures.
CAGR calculated 10 years until 2015
OUR PRIORITIES ARE EMBEDDED IN THE DAILY OPERATIONS

Presence  Innovation  Service  Operational Excellence  People

ETHICS  SAFETY  INNOVATION  COMPETENCE  RESOURCES

Values and Business Code of Practice
SUSTAINABILITY MILESTONES

1992
- First Sustainability Report
- Launch of the Atlas Copco Book, including behavior towards all stakeholder groups

1993
- Business Code of Practice adopted by the Board
- Developed in dialogue with metal worker’s union, pension funds, Amnesty International, Transparency International, customers and internal stakeholders

1994

1995

1996

1997

1998

1999

2000

2001

2002

2003

2004

2005

Group Presentation
SUSTAINABILITY MILESTONES

- Control Self Assessment launched
- Launch of sustainability goals
- Integrated annual report
- Materiality analysis
- New goals based on the materiality results
- Combined Stakeholder Dialogue and Capital Markets Day

- Atlas Copco signs UN Global Compact membership
- First Stakeholder Dialogue
- Classroom training in Business Code of Practice
- The 10th edition of the Atlas Copco Book to further develop the culture
THE LARGEST IMPACT IS ACHIEVEMENTS IN OUR CORE

- People with strong ethical standards
- Continuously developing the most energy efficient and productive products
The share of recent graduated females recruited among white collar workers has increased from 31% in 2014 to 41% in mid-2016.
ATLAS COPCO’S LEADERSHIP MODEL

MISSION
A mission is given to me – long term expectations and goals

STRATEGY
Decision on what to be done

PEOPLE
Make it happen with leaders able to challenge, coach and inspire

VISION
My own confirmation and expression of the mission

STRUCTURE
Processes and organization to secure implementation

MISSION ACCOMPLISHED
Next step is to find a new world-class challenge

OPEN JOB MARKET

Group Presentation
SUMMARY

Identify and “own” profitable business niches

Use our core competencies to develop the niches

Top execution through a decentralized leadership model