Q3 2018 results

October 19, 2018
Strategy into action
Solving production challenges for light vehicle cars through experience and close customer interaction
Q3 in brief

- Solid profitability and cash flow
- Mixed equipment demand
  - Postponed investment decisions
  - Weakening equipment demand, primarily from semiconductor and flat panel display customers
  - Year-on-year growth for compressors, industrial assembly solutions, and power equipment
- Continued service growth
- Organic revenue growth 6%
Q3 figures in summary

- Orders received were MSEK 23 440 (22 062), organic decline of 1%
- Revenues were MSEK 23 675 (21 033), organic growth of 6%
- Operating profit increased 5% to MSEK 5 263 (5 002), margin at 22.2% (23.8)
  - Adjusted operating profit at 22.5% (22.2)
- Profit for the period was MSEK 3 899 (3 555)
- Basic earnings per share were SEK 3.21 (2.92)
- Operating cash flow was MSEK 3 373
  - Roughly in line with previous year for continuing operations
Orders received – local currency

<table>
<thead>
<tr>
<th>Share of orders received, year-to-date, %</th>
<th>Year-to-date vs. previous year, %</th>
<th>Last 3 months vs. previous year, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>100</td>
<td>+7</td>
<td>-1</td>
</tr>
<tr>
<td>25</td>
<td>+9</td>
<td>+6</td>
</tr>
<tr>
<td>4</td>
<td>+14</td>
<td>+11</td>
</tr>
<tr>
<td>31</td>
<td>+10</td>
<td>+5</td>
</tr>
<tr>
<td>6</td>
<td>-3</td>
<td>+2</td>
</tr>
<tr>
<td>34</td>
<td>+5</td>
<td>-9</td>
</tr>
</tbody>
</table>

September 30, 2018
Order growth per quarter

Organic growth %

*2011-2017 excluding Mining and Rock Excavation Technique business area.
# Sales bridge

## Q3 results 2018

<table>
<thead>
<tr>
<th>MSEK</th>
<th>July - September</th>
<th>January - September</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Orders received</td>
<td>Revenues</td>
</tr>
<tr>
<td>2017</td>
<td>22 062</td>
<td>21 033</td>
</tr>
<tr>
<td>Structural change, %</td>
<td>+0</td>
<td>+0</td>
</tr>
<tr>
<td>Currency, %</td>
<td>+7</td>
<td>+7</td>
</tr>
<tr>
<td>Organic*, %</td>
<td>-1</td>
<td>+6</td>
</tr>
<tr>
<td>Total, %</td>
<td>+6</td>
<td>+13</td>
</tr>
<tr>
<td>2018</td>
<td>23 440</td>
<td>23 675</td>
</tr>
</tbody>
</table>

*Volume, price and mix.
Atlas Copco Group

Revenues by business area and organic order growth*

<table>
<thead>
<tr>
<th>Business Area</th>
<th>Organic Order Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power Technique</td>
<td>+13%</td>
</tr>
<tr>
<td>Industrial Technique</td>
<td>+4%</td>
</tr>
<tr>
<td>Vacuum Technique</td>
<td>-19%</td>
</tr>
<tr>
<td>Compressor Technique</td>
<td>+4%</td>
</tr>
</tbody>
</table>

* Share of Group revenue 12 months ending September 2018.
3 month organic order growth compared to previous year.
Compressor Technique

- Organic order growth of 4%
  - Solid growth for service and industrial compressors
  - Strongest growth came from Europe
- Record revenues
  - Organic growth of 11%
- Record operating profit
  - Margin at 23.7%, supported by volume and currency

Innovation:
A new oil-injected screw compressor with optimal energy efficiency and reliable operation.

* 2016 figures not restated per IFRS 15.
Vacuum Technique

- Organic order decline of -19%
  - Lower investments in semicon and flat panel display industry
  - High factory utilization, incl. semicon plants, drives continued growth for service
- Revenues flat organically
- Solid operating margin at 24.9% (25.3)

Innovation:
A new pump range built on modular design to respond to production processes.

Acquisition:
Cryogenic business from Brooks Automation, Inc, targeting the semiconductor and industrial vacuum market.

* 2016 figures not restated per IFRS 15.
Industrial Technique

- Organic order growth of 4%
  - Mixed demand from motor vehicle customers
  - Good order development in off-road, aerospace and electronics industries
  - Strong service growth in all regions
- Revenues flat organically
- Solid profit margin at 23.3% (adjusted 23.9)

Innovation:
A new controller to support Industry 4.0 and fast tool rebalancing in production.

Acquisition:
Quiss, a German company specialized in machine vision solutions for quality inspection and robot guidance.

Atlas Copco – Q3 results 2018

* 2016 figures not restated per IFRS 15.
Power Technique

- Organic order growth of 13%
  - Driven by equipment orders from Europe and North America, and from the specialty rental business
- Organic revenue growth of 5%
- Operating margin at 16.5% (15.0)
  - Supported by volume growth, currency and structural change

Innovation:
A new range of generators offering 5% reduction in fuel consumption and 20% smaller footprint.

*2016 quarterly figures shows best estimated numbers, as effects of the split of the Group and restatements for IFRS 15, are not fully reconciled.
# Group total

**July – September 2018 vs. 2017**

<table>
<thead>
<tr>
<th>Continuing operations</th>
<th>July-September</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>MSEK</strong></td>
<td>2018</td>
<td>2017</td>
</tr>
<tr>
<td>Orders received</td>
<td>23 440</td>
<td>22 062</td>
</tr>
<tr>
<td>Revenues</td>
<td>23 675</td>
<td>21 033</td>
</tr>
<tr>
<td>Operating profit</td>
<td>5 263</td>
<td>5 002</td>
</tr>
<tr>
<td>– as a percentage of revenues</td>
<td>22.2</td>
<td>23.8</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>5 168</td>
<td>4 780</td>
</tr>
<tr>
<td>– as a percentage of revenues</td>
<td>21.8</td>
<td>22.7</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>-1 269</td>
<td>-1 225</td>
</tr>
<tr>
<td>– as a percentage of profit before tax</td>
<td>24.6</td>
<td>25.6</td>
</tr>
<tr>
<td>Profit for the period from continuing operations</td>
<td>3 899</td>
<td>3 555</td>
</tr>
<tr>
<td>Basic earnings per share, SEK</td>
<td>3.21</td>
<td>2.92</td>
</tr>
<tr>
<td>Return on capital employed, %</td>
<td>32</td>
<td></td>
</tr>
</tbody>
</table>

*2016 quarterly figures shows best estimated numbers, as effects of the split of the Group and restatements for IFRS 15, are not fully reconciled.
**Profit bridge**

**July – September 2018 vs. 2017**

<table>
<thead>
<tr>
<th>MSEK</th>
<th>Q3 2018</th>
<th>Volume, price, mix and other</th>
<th>Currency</th>
<th>Items affecting comparability and acquisitions</th>
<th>Share-based LTI* programs</th>
<th>Q3 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Atlas Copco Group</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenues</td>
<td>23 675</td>
<td>1 137</td>
<td>1 445</td>
<td>60</td>
<td></td>
<td>21 033</td>
</tr>
<tr>
<td>Operating profit</td>
<td>5 263</td>
<td>196</td>
<td>470</td>
<td>-390</td>
<td>-15</td>
<td>5 002</td>
</tr>
<tr>
<td></td>
<td><strong>22.2%</strong></td>
<td><strong>17.2%</strong></td>
<td></td>
<td><strong>23.8%</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*LTI = Long term incentive*
# Profit bridge – by business area

July – September 2018 vs. 2017

<table>
<thead>
<tr>
<th></th>
<th>MSEK</th>
<th>Volume, price,</th>
<th>Currency</th>
<th>Items affecting comparability</th>
<th>MSEK</th>
<th>Q3 2018</th>
<th>Q3 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q3 2018</td>
<td>mix and other</td>
<td></td>
<td>Acquisitions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Compressor Technique</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenues</td>
<td>11 269</td>
<td>1 072</td>
<td>585</td>
<td>60</td>
<td>9 552</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating profit</td>
<td>2 667</td>
<td>267</td>
<td>160</td>
<td>15</td>
<td>2 225</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>23.7%</td>
<td>24.9%</td>
<td></td>
<td></td>
<td>23.3%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Vacuum Technique</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenues</td>
<td>5 272</td>
<td>-27</td>
<td>445</td>
<td>100</td>
<td>4 754</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating profit</td>
<td>1 315</td>
<td>-50</td>
<td>160</td>
<td>0</td>
<td>1 205</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>24.9%</td>
<td>N/A</td>
<td></td>
<td></td>
<td>25.3%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Industrial Technique</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenues</td>
<td>4 365</td>
<td>-28</td>
<td>275</td>
<td>20</td>
<td>4 098</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating profit</td>
<td>1 018</td>
<td>-66</td>
<td>115</td>
<td>-390</td>
<td>1 359</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>23.3%</td>
<td>N/A</td>
<td></td>
<td></td>
<td>33.2%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Power Technique</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenues</td>
<td>2 911</td>
<td>150</td>
<td>150</td>
<td>-120</td>
<td>2 732</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating profit</td>
<td>480</td>
<td>30</td>
<td>30</td>
<td>-15</td>
<td>410</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>16.5%</td>
<td>20.0%</td>
<td></td>
<td></td>
<td>15.0%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
# Balance sheet

<table>
<thead>
<tr>
<th>MSEK</th>
<th>Sep. 30, 2018</th>
<th>Sep. 30, 2017*</th>
<th>Dec. 31, 2017*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intangible assets</td>
<td>29 948</td>
<td>34 992</td>
<td>35 151</td>
</tr>
<tr>
<td>Fixed assets and other non current assets</td>
<td>12 796</td>
<td>18 885</td>
<td>16 285</td>
</tr>
<tr>
<td>Inventories</td>
<td>13 131</td>
<td>18 290</td>
<td>18 810</td>
</tr>
<tr>
<td>Receivables</td>
<td>24 297</td>
<td>27 934</td>
<td>29 994</td>
</tr>
<tr>
<td>Cash and current financial assets</td>
<td>12 314</td>
<td>21 502</td>
<td>25 791</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td><strong>92 486</strong></td>
<td><strong>121 603</strong></td>
<td><strong>126 031</strong></td>
</tr>
<tr>
<td>Total equity</td>
<td>37 377</td>
<td>54 691</td>
<td>60 601</td>
</tr>
<tr>
<td>Interest-bearing liabilities</td>
<td>23 668</td>
<td>27 867</td>
<td>28 182</td>
</tr>
<tr>
<td>Non-interest-bearing liabilities(1)\</td>
<td>31 441</td>
<td>39 045</td>
<td>37 248</td>
</tr>
<tr>
<td><strong>TOTAL EQUITY AND LIABILITIES</strong></td>
<td><strong>92 486</strong></td>
<td><strong>121 603</strong></td>
<td><strong>126 031</strong></td>
</tr>
</tbody>
</table>

\(1)\ Including assets and liabilities related to Epiroc reported as discontinued operations.

\(1)\ Includes also liabilities associated with assets classified as held for sale.
## Cash flow

<table>
<thead>
<tr>
<th>MSEK</th>
<th>June - September</th>
<th>January - September</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
<td>2017*</td>
</tr>
<tr>
<td>Operating cash surplus</td>
<td>6 285</td>
<td>7 319</td>
</tr>
<tr>
<td>of which depreciation added back</td>
<td>823</td>
<td>1 531</td>
</tr>
<tr>
<td>Net financial items</td>
<td>201</td>
<td>583</td>
</tr>
<tr>
<td>Taxes paid</td>
<td>-1 372</td>
<td>-1 450</td>
</tr>
<tr>
<td>Pension funding</td>
<td>-95</td>
<td>-105</td>
</tr>
<tr>
<td>Change in working capital</td>
<td>-459</td>
<td>308</td>
</tr>
<tr>
<td>Increase in rental equipment, net</td>
<td>-292</td>
<td>-242</td>
</tr>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td><strong>4 268</strong></td>
<td><strong>6 413</strong></td>
</tr>
<tr>
<td>Investments of property, plant &amp; eq., net</td>
<td>-480</td>
<td>-390</td>
</tr>
<tr>
<td>Other investments, net</td>
<td>-119</td>
<td>-190</td>
</tr>
<tr>
<td><strong>Cash flow from investments</strong></td>
<td><strong>-599</strong></td>
<td><strong>-580</strong></td>
</tr>
<tr>
<td>Adjustment, pensions</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Adjustment, currency hedges of loans</td>
<td>-296</td>
<td>-825</td>
</tr>
<tr>
<td>Adjustment, tax payment in Belgium</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Sale of financial assets</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Operating cash flow</strong></td>
<td><strong>3 373</strong></td>
<td><strong>5 008</strong></td>
</tr>
<tr>
<td>Company acquisitions/ divestments</td>
<td>-772</td>
<td>-325</td>
</tr>
</tbody>
</table>

*Including discontinued operations.
Near-term outlook

The customer demand is expected to be somewhat lower, mainly due to the semiconductor and automotive industries.
Capital Markets day 2018

November 15, 2018
Stockholm, Sweden
Last day to register: October 26
www.atlascopcogroup.com/CMD2018
Committed to sustainable productivity.
Cautionary Statement

“Some statements herein are forward-looking and the actual outcome could be materially different. In addition to the factors explicitly commented upon, the actual outcome could be materially and adversely affected by other factors such as the effect of economic conditions, exchange-rate and interest-rate movements, political risks, the impact of competing products and their pricing, product development, commercialization and technological difficulties, supply disturbances, and major customer credit losses.”