

January 28, 2019

Atlas Copco Interim report on Q4 and full-year summary 2018 (unaudited)

All-time high revenues and profit conclude a record year

The figures presented in this report refer to continuing operations unless otherwise stated

- Orders increased 6% to MSEK 23 743 (22 459), organic growth of 1%
- Record revenues at MSEK 25 321 (22 645), organic growth of 7%
- Operating profit increased 17% to MSEK 5 661 (4 859), corresponding to a margin of 22.4% (21.5)
 - Adjusted for items affecting comparability, the operating margin was 21.9% (22.2)
- Profit before tax amounted to MSEK 5 934 (4 551)
- Basic earnings per share were SEK 4.29 (2.61)
- Operating cash flow at MSEK 4 970 (approx. 4 000 for continuing operations)
- The Board of Directors proposes a dividend of SEK 6.30 per share (approx. 5.20 for continuing operations), to be paid in two installments

MSEK	October - December			January - December		
	2018	2017		2018	2017	
Orders received	23 743	22 459	6%	97 132	90 132	8%
Revenues	25 321	22 645	12%	95 363	85 653	11%
Operating profit	5 661	4 859	17%	21 187	18 748	13%
– as a percentage of revenues	22.4	21.5		22.2	21.9	
Profit before tax	5 934	4 551	30%	20 844	17 591	18%
– as a percentage of revenues	23.4	20.1		21.9	20.5	
Profit for the period from continuing operations	5 203	3 172	64%	16 336	12 661	29%
Profit for the period from discontinued operations	-	986		90 099 ¹⁾	4 013	
Profit for the period	5 203	4 158		106 435	16 674	
Basic earnings per share, SEK	4.29	3.42		87.49 ¹⁾	13.72	
- of which continuing operations	4.29	2.61		13.45	10.41	
Diluted earnings per share, SEK	4.28	3.38		87.36 ¹⁾	13.61	
- of which continuing operations	4.28	2.57		13.43	10.31	
Return on capital employed, %	33	29				

¹⁾ Includes the effect from the distribution of Epiroc, see page 15 for further information.

Near-term demand outlook

The customer demand is expected to be somewhat lower than the current level.

Previous near-term demand outlook (published October 19, 2018):

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

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Atlas Copco Group – Summary of full-year 2018

Orders and revenues

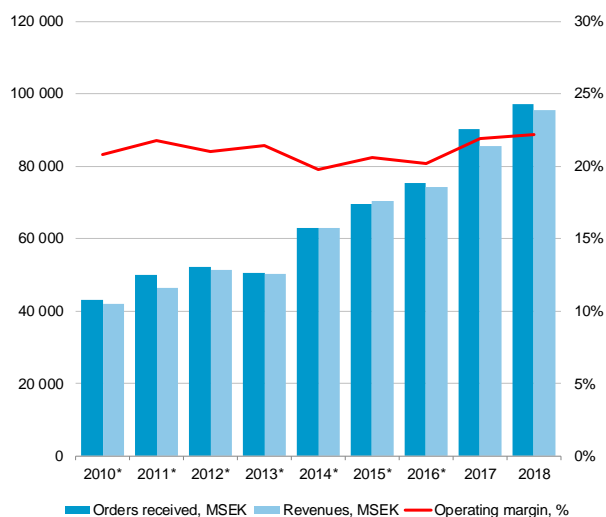
Orders received in 2018 increased 8% to a record of MSEK 97 132 (90 132), corresponding to an organic growth of 5%. Revenues also reached a record level and increased 11% to MSEK 95 363 (85 653), corresponding to an 8% organic increase.

Sales bridge

MSEK	January - December	
	Orders received	Revenues
2017	90 132	85 653
Structural change, %	+0	+0
Currency, %	+3	+3
Organic*, %	+5	+8
Total, %	+8	+11
2018	97 132	95 363

*Volume, price and mix.

Orders, revenues and operating profit margin



* 2010–2016 figures best estimated numbers, as the effects of the split of the Group and restatements for IFRS 15 are not fully reconciled.

Results and cash flow

Operating profit reached a record of MSEK 21 187 (18 748), corresponding to a margin of 22.2% (21.9). Items affecting comparability amounted to MSEK 52 (-76), whereof the change in provision for share-related long-term incentive programs, reported in Common Group Items, accounted for MSEK -18 (-426). Other items affecting comparability include MSEK 109 related to the divestment of the concrete and compaction business in the Power Technique business area, and MSEK -39 for costs associated with the split of the

Group. Both reported in quarter one. Adjusted operating margin was 22.2% (22.0). Changes in exchange rates compared with the previous year had a MSEK 540 positive effect on the operating profit. Profit before tax amounted to MSEK 20 844 (17 591), corresponding to a margin of 21.9% (20.5). Income tax expense amounted to MSEK 4 508 (4 930).

Profit for the period was MSEK 16 336 (12 661). Basic and diluted earnings per share were SEK 13.45 (10.41) and SEK 13.43 (10.31), respectively.

Operating cash flow before acquisitions, divestments and dividends reached approximately MSEK 13 500 (approximately 13 300). The total operating cash flow, including discontinued operations, reached MSEK 14 133 (18 856). See page 14.

Split of the Group

At the Annual General Meeting on April 24, 2018 it was decided to spin-off and distribute the shares of Epiroc AB to the shareholders of Atlas Copco AB. In June, the shareholders received one Epiroc share for each of their Atlas Copco shares. Epiroc AB was listed on Nasdaq Stockholm on June 18, 2018.

Dividend

The Board of Directors proposes to the Annual General Meeting that a dividend of SEK 6.30 per share be paid for 2018. The proposed dividend can be compared to an approximate dividend in 2017, for the continuing business of Atlas Copco (excluding Epiroc), of SEK 5.20 per share. The total dividend previous year, including discontinued operations, was SEK 7.00.

Excluding shares currently held by the company, the proposed dividend corresponds to a total of MSEK 7 640 (8 496).

In order to facilitate a more efficient cash management, the dividend is proposed to be paid in two equal instalments, the first with record date April 29, 2019 and the second with record date October 28, 2019.

Personnel stock option program

The Board of Directors will propose to the Annual General Meeting a similar performance-based long-term incentive program as in the previous years. For Group Management, participation in the plan will require own investment in Atlas Copco shares. It is proposed that the plan is covered as before through the repurchase of the company's own shares. The details of the proposal will be communicated in connection with the Notice of the Annual General Meeting.

Revenues, profits and returns

Revenues increased 12% to MSEK 25 321 (22 645), corresponding to 7% organic increase. The currency translation effect was +5%.

The operating profit increased 17% to MSEK 5 661 (4 859) and includes a change in provision for share-related long-term incentive programs, reported in Common Group Items of MSEK +112 (-127). Previous year also included MSEK -30 in Power Technique related to restructuring of production and R&D. Adjusted for these items affecting comparability, the operating profit increased 11% to MSEK 5 549 (5 016), corresponding to a margin of 21.9% (22.2).

The net currency effect compared to the previous year was positive at MSEK 450, mainly due to a stronger USD.

Net financial items were positive MSEK 273 (-308) including a tax-free gain of MSEK 362 from repatriation to Sweden of Euro-denominated equity. The gain was a result of the strengthening of the Euro vs SEK over the last couple of years. Interest net was MSEK -98 (-248). Other financial items were MSEK 9 (-60).

Profit before tax amounted to MSEK 5 934 (4 551), corresponding to a margin of 23.4% (20.1).

Corporate income tax amounted to MSEK -731 (-1 379), corresponding to an effective tax rate of 12.3% (30.3). The quarter includes various one-time positive tax effects of approximately MSEK 600. Previous year had one-time negative tax effects of approximately MSEK 160.

Profit for the period was MSEK 5 203 (3 172). Basic and diluted earnings per share were SEK 4.29 (2.61) and SEK 4.28 (2.57), respectively.

The return on capital employed during the last 12 months was 33% (29). Return on equity was 34% (30). The Group uses a weighted average cost of capital (WACC) of 8.0% as an investment and overall performance benchmark.

Operating cash flow and investments

Previous year incl. discontinued operations

Operating cash surplus reached MSEK 6 496 (7 211), and net financial items and taxes paid amounted to MSEK -1 239 (-1 459). Working capital decreased by MSEK 503 (1 237), while net investments in rental equipment were MSEK -248 (-315). Net investments in property, plant and equipment were MSEK -505 (-496).

The operating cash flow for continuing operations, adjusted for currency hedges of loans and other non-operational cash flows (see page 14), reached MSEK 4 970 (approx. 4 000 for continuing operations). Including discontinued operations, the operating cash flow in the previous year was MSEK 5 500.

Net indebtedness

The Group's net indebtedness, amounted to MSEK 6 702 (2 466), of which MSEK 2 837 (3 034) was attributable to post-employment benefits. The Group has an average maturity of 4.3 years on interest-bearing liabilities. The net debt/EBITDA ratio was 0.3 (0.1). The net debt/equity ratio was 16% (4).

Acquisition and divestment of own shares

During the quarter, 1 434 776 A shares, net, were acquired and 127 000 B shares, net, were divested for a total net value of MSEK 275. These transactions are in accordance with mandates granted by the Annual General Meeting and relate to the Group's long-term incentive programs. See page 19.

Employees

On December 31, 2018, the number of employees was 36 862 (34 651). The number of consultants/external workforce was 3 195 (2 818). For comparable units, the total workforce increased by 2 294 from December 31, 2017.

Revenues and operating profit – bridge

MSEK	Q4 2018	Volume, price, mix and other	Currency	Items affecting comparability and acquisitions	Share-based LTI* programs	Q4 2017
Atlas Copco Group						
Revenues	25 321	1 481	1 135	60	-	22 645
Operating profit	5 661	83	450	30	239	4 859
	22.4%	5.6%				21.5%

*LTI=Long Term Incentive

Compressor Technique

MSEK	October - December		January - December			
	2018	2017		2018	2017	
Orders received	11 284	10 128	11%	45 580	40 772	12%
Revenues	11 702	10 437	12%	43 972	38 924	13%
Operating profit	2 709	2 370	14%	10 263	8 962	15%
– as a percentage of revenues	23.1	22.7		23.3	23.0	
Return on capital employed, %	107	80				

- **Equipment orders grew, particularly for gas & process compressors**
- **Solid growth in service**
- **Record revenues and operating profit**

Sales bridge

MSEK	October - December	
	Orders received	Revenues
2017	10 128	10 437
Structural change, %	+0	+0
Currency, %	+4	+4
Organic*, %	+7	+8
Total, %	+11	+12
2018	11 284	11 702

*Volume, price and mix.

Industrial compressors

The overall demand for industrial compressors was relatively stable and the order volumes increased slightly compared to the previous year, both for small and large-sized compressors. The order volumes increased in North America and Africa/Middle East but was more or less unchanged in other regions.

Gas and process compressors

The order intake for gas and process compressors increased considerably compared to the previous year, supported by strong demand from air separation, LNG and gas processing customers.

The strongest growth was achieved in Asia. Also other major regions, except North America, grew.

Compressor service

The compressor service business continued to achieve solid growth with the best development in Europe.

Innovation

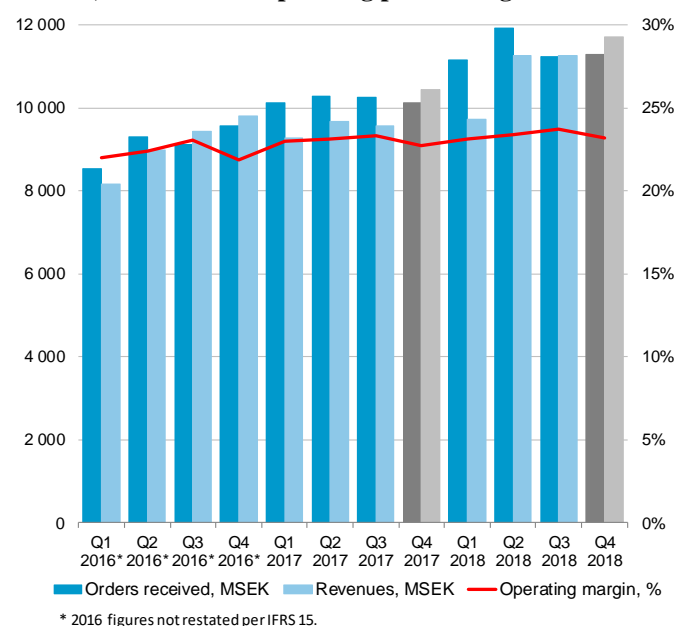
A new oil-injected screw compressor, targeting customers in a need of a compact and robust solution, was launched in the quarter. The new compressor requires less floor space than similar competitive products, has higher energy efficiency and is designed for an optimized reliability.

Revenues and profitability

Revenues increased 12% to a record of MSEK 11 702 (10 437), corresponding to an organic increase of 8%.

A record level was also achieved in operating profit at MSEK 2 709 (2 370), corresponding to an operating margin of 23.1% (22.7). The higher margin was supported by currency and higher revenue volumes. Return on capital employed (last 12 months) was 107% (80).

Orders, revenues and operating profit margin



Vacuum Technique

MSEK	October - December			January - December		
	2018	2017		2018	2017	
Orders received	5 157	5 674	-9%	21 471	21 890	-2%
Revenues	5 740	5 229	10%	22 007	19 503	13%
Operating profit	1 436	1 350	6%	5 522	4 924	12%
– as a percentage of revenues	25.0	25.8		25.1	25.2	
Return on capital employed, %	27	25				

- **Weaker demand from semiconductor and flat panel display industry**
- **Strong service development**
- **Operating margin at 25.0%**

Sales bridge

MSEK	October - December	
	Orders received	Revenues
2017	5 674	5 229
Structural change, %	+2	+2
Currency, %	+6	+7
Organic*, %	-17	+1
Total, %	-9	+10
2018	5 157	5 740

*Volume, price and mix.

Semiconductor and flat panel display equipment

The demand for equipment from the semiconductor and flat panel display industries weakened, and the order intake decreased significantly compared to previous year's high level. The lower order intake was primarily due to lower investment activity in South Korea, while order volumes also decreased in North America and Europe.

Industrial and high vacuum equipment

The order intake for industrial and high vacuum equipment decreased, mainly due to a high comparison period in the previous year, which included a few significant orders to industrial coating applications.

Geographically, the order volumes increased in North America, while Europe and Asia were down.

Vacuum service

The service business remained strong, supported by customers' high factory utilization, and the order intake increased significantly compared to the previous year and sequentially.

Geographically, and compared to the previous year, the order volumes increased in all major regions.

Innovation

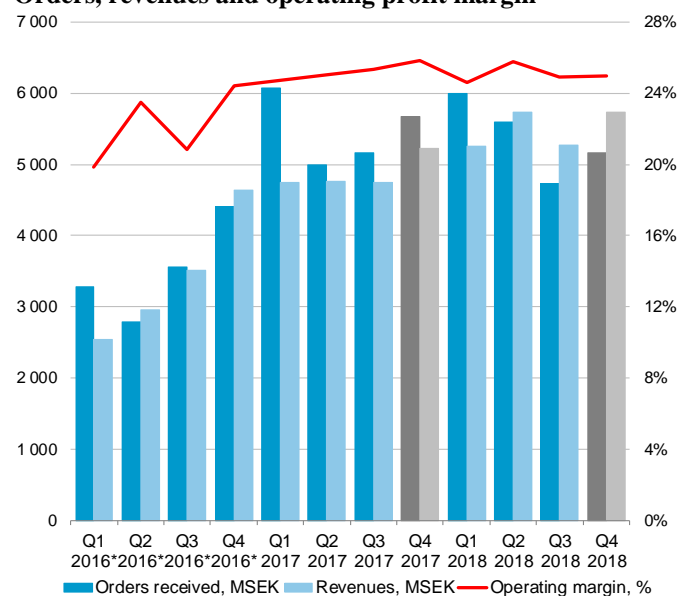
A new liquid ring pump for industrial applications was launched in the quarter. The new pump utilizes variable speed drive technology and offers superior energy efficiency versus competitive products. In addition to this, the pump has connectivity capability and can be used for centralized vacuum solutions.

Revenues and profitability

Revenues increased 10% to MSEK 5 740 (5 229), corresponding to an organic increase of 1%.

The operating profit increased 6% to MSEK 1 436 (1 350), corresponding to a margin of 25.0% (25.8). The margin was positively affected by currency, while sales mix had a dilutive effect on the margin. Return on capital employed (last 12 months) was 27% (25).

Orders, revenues and operating profit margin



Industrial Technique

MSEK	October - December			January - December		
	2018	2017		2018	2017	
Orders received	4 417	4 027	10%	18 264	16 651	10%
Revenues	4 871	4 215	16%	17 933	16 431	9%
Operating profit	1 140	976	17%	4 188	4 194	0%
– as a percentage of revenues	23.4	23.2		23.4	25.5	
Return on capital employed, %	40	43				

- **General industry orders grew, motor vehicle industry flat**
- **Continued stable service growth**
- **Record revenues and solid operating margin**

Sales bridge

MSEK	October - December	
	Orders received	Revenues
2017	4 027	4 215
Structural change, %	+0	+1
Currency, %	+6	+5
Organic*, %	+4	+10
Total, %	+10	+16
2018	4 417	4 871

*Volume, price and mix.

Motor vehicle industry

Order intake for advanced industrial tools and assembly solutions from the motor vehicle industry was more or less unchanged compared to the previous year. The order volumes increased in Asia and North America, but decreased in Europe and South America.

Sequentially, the demand weakened, partly due to postponement of customers' purchasing decisions.

General industry

The demand for industrial power tools to the general industry continued to be favorable and the order intake increased compared to the previous year. Order volumes increased primarily from the off-road, aerospace and electronics industries.

Geographically, and compared to the previous year, orders increased in all major regions.

Service

The service business, including maintenance and calibration services, continued to grow in all major regions.

Innovation

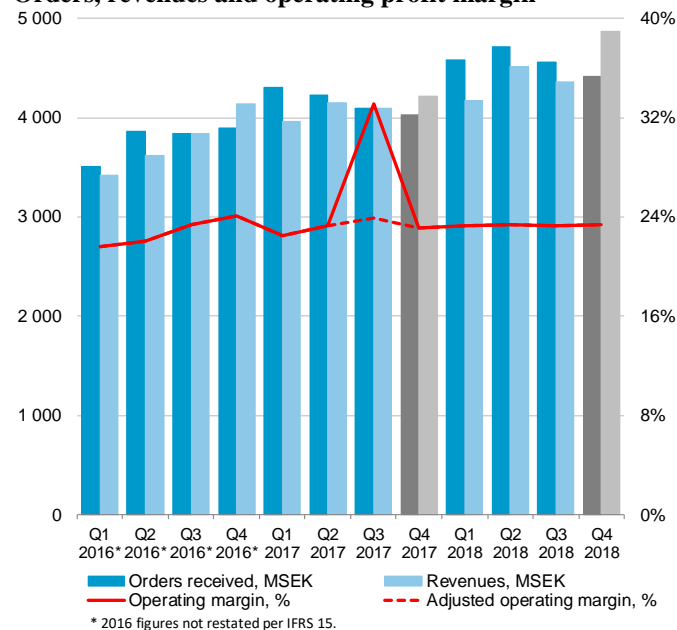
A new platform for quality assurance in assembly applications was launched. The platform contains equipment for testing and calibrating of tools, supervision, connectivity devices, and related software.

Revenues and profitability

Revenues increased to a record of MSEK 4 871 (4 215), corresponding to an organic growth of 10%.

The operating profit increased 17% to MSEK 1 140 (976), corresponding to a margin of 23.4% (23.2). The margin was positively affected by currency and higher revenue volume, but was impacted negatively by mix. Return on capital employed (last 12 months) was 40% (43).

Orders, revenues and operating profit margin



Power Technique

MSEK	October - December		January - December			
	2018	2017		2018	2017	
Orders received	3 027	2 730	11%	12 498	11 259	11%
Revenues	3 146	2 892	9%	12 042	11 217	7%
Operating profit	515	416	24%	2 006	1 705	18%
– as a percentage of revenues	16.4	14.4		16.7	15.2	
Return on capital employed, %	28	20				

- **Growth for equipment and strong growth for specialty rental**
- **Record revenues**
- **Operating margin at 16.4%**

Sales bridge

MSEK	October - December	
	Orders received	Revenues
2017	2 730	2 892
Structural change, %	-4	-4
Currency, %	+4	+4
Organic*, %	+11	+9
Total, %	+11	+9
2018	3 027	3 146

*Volume, price and mix.

Equipment

The overall order intake increased and was supported by increased demand from equipment rental companies, primarily in the US. Portable compressors were the main driver of the growth.

Geographically, the order volumes increased in North and South America, were flat in Europe, but decreased in Asia.

Specialty rental

The demand for the specialty rental business remained strong and the order intake increased double-digit compared to the previous year. Sequentially, the order intake was more or less unchanged.

Geographically, and compared to the previous year, growth was achieved in all regions.

Service

The service business continued to grow primarily driven by increased order volumes in Asia.

Innovation

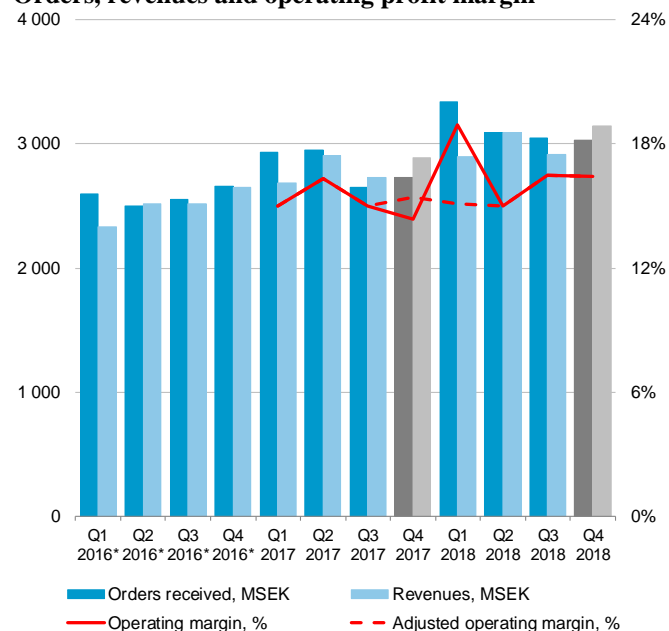
A new oil-free portable compressor for the specialty rental business was launched. The compressor is designed to deliver reliable air quality for a specific flow in any industry, with optimal efficiency. The engine in the compressor conforms to the latest emission standards bringing Nox and Particulate Matter emission levels to near-zero.

Revenues and profitability

Revenues increased to a record MSEK 3 146 (2 892), corresponding to an organic increase of 9%.

Operating profit was MSEK 515 (416), corresponding to a margin of 16.4% (14.4 reported and 15.4, adjusted for items affecting comparability). Compared to previous year, the margin was supported by sales mix, while currency had a negative impact. Return on capital employed (last 12 months) was 28% (20).

Orders, revenues and operating profit margin



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

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 2017, with the complementary description of changes described below. 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>

New and amended accounting standards

IASB has issued new standards effective from January 1, 2018.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement. The standard is applied by Atlas Copco from January 1, 2018. Comparative information has not been restated. Among other things, IFRS 9 introduces a new model for impairment of financial assets. The model's purpose is to recognize credit losses earlier than IAS 39. Additionally, the classification of some financial instruments has changed. Additional information can be found in the annual report 2017.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers has replaced previous revenue recognition standards. The standard is applied by Atlas Copco from January 1, 2018 with full retrospective application. The effects on relevant lines are detailed in the table below. The main effect comes from certain customized projects being recognized at completion instead of over time.

Balance sheet, MSEK	Dec. 31, 2017
Deferred tax assets	21
Inventories	395
Trade and other receivables	-123
Equity	-122
Deferred tax liabilities	-17
Trade payables and other Liabilities	432
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Income statement, MSEK	2017
Revenue	57
Cost of sales	-88
Income tax expense	12

IASB has issued a new standard effective from January 1, 2019

IFRS 16 Leases

IFRS 16 introduces a single accounting model for leases and requires the recognition of substantially all leases in the balance sheet and the separation of depreciation of right-of-use assets from interest of lease liabilities in the income statement.

Atlas Copco has chosen to perform the transition by use of the modified retrospective approach, which does not require restatement of comparative periods. The comparative information continues to be reported in accordance with IAS 17 Leases and IFRIC 4 Determining whether an Arrangement contains a lease.

The Group has elected the option to set the right-of-use asset equal to the lease liability at transition, with adjustments for any prepaid or accrued lease payments. Furthermore, the Group has elected not to recognize short-term and low-value leases as right-of-use assets and lease liabilities.

Atlas Copco's lease portfolio consists mainly of leased buildings such as office and warehouse premises, vehicles and production

equipment. The Group's initial estimate is that an additional 3.3 BSEK of right-of-use assets and lease liabilities will be recognized in the balance sheet at transition. Recognizing depreciation of right of use assets instead of minimum lease payments is estimated to have a small positive impact on operating profit. Interest on lease liabilities is estimated to have a small negative impact on net financial items.

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 general economic downturn, geopolitical tensions, changes in trade agreements, a widespread financial crisis and other macroeconomic disturbances may, directly or indirectly, affect 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 mitigates 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 compensated for by increased sales 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 2017.

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, the Board or the Directors refers to the Board of Directors of Atlas Copco AB.

Consolidated income statement

MSEK	3 months ended 9		12 months ended	
	Dec. 31	Dec. 31	Dec. 31	Dec. 31
	2018	2017	2018	2017
Continuing operations				
Revenues	25 321	22 645	95 363	85 653
Cost of sales	-14 570	-12 956	-54 142	-48 631
Gross profit	10 751	9 689	41 221	37 022
Marketing expenses	-2 934	-2 571	-11 155	-10 143
Administrative expenses	-1 478	-1 475	-6 056	-5 599
Research and development costs	-812	-828	-3 166	-2 928
Other operating income and expenses	134	44	343	396
Operating profit	5 661	4 859	21 187	18 748
- as a percentage of revenues	22.4	21.5	22.2	21.9
Net financial items	273	-308	-343	-1 157
Profit before tax	5 934	4 551	20 844	17 591
- as a percentage of revenues	23.4	20.1	21.9	20.5
Income tax expense	-731	-1 379	-4 508	-4 930
Profit for the period from continuing operations	5 203	3 172	16 336	12 661
Discontinued operations				
Profit for the period from discontinued operations	-	986	90 099 ¹⁾	4 013
Profit for the period	5 203	4 158	106 435	16 674
Profit attributable to				
- owners of the parent	5 200	4 152	106 164 ¹⁾	16 652
- non-controlling interests	3	6	271	22
Basic earnings per share, SEK	4.29	3.42	87.49 ¹⁾	13.72
- of which continuing operations	4.29	2.61	13.45	10.41
Diluted earnings per share, SEK	4.28	3.38	87.36 ¹⁾	13.61
- of which continuing operations	4.28	2.57	13.43	10.31
Basic weighted average number of shares outstanding, millions	1 213.5	1 214.4	1 213.5	1 214.1
Diluted weighted average number of shares outstanding, millions	1 214.0	1 216.6	1 215.3	1 215.8
Key ratios				
Equity per share, period end, SEK	35	50		
Return on capital employed, 12 month values, %	33	29		
Return on equity, 12 month values, %	34	30 ²⁾		
Debt/equity ratio, period end, %	16	4 ²⁾		
Equity/assets ratio, period end, %	44	48 ²⁾		
Number of employees, period end	36 862	34 651		

¹⁾ 2018 includes effect from the distribution of Epiroc ²⁾Including discontinued operations.

Consolidated statement of comprehensive income, including discontinued operations

MSEK	3 months ended		12 months	
	Dec. 31 2018	Dec. 31 2017	Dec. 31 2018	Dec. 31 2017
Profit for the period	5 203	4 158	106 435	16 674
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Remeasurements of defined benefit pension plans	180	372	150	120
Income tax relating to items that will not be reclassified	-72	-133	-65	-61
	108	239	85	59
Items that may be reclassified subsequently to profit or loss				
Translation differences on foreign operations	418	1 834	3 695	-651
- realized and reclassified to income statement	-362	55	-1 308	55
Hedge of net investments in foreign operations	3	-476	-797	-492
Cash flow hedges	-2	8	42	142
Income tax relating to items that may be reclassified	-23	296	467	277
	34	1 717	2 099	-669
Other comprehensive income for the period, net of tax	142	1 956	2 184	-610
Total comprehensive income for the period	5 345	6 114	108 619	16 064
Total comprehensive income attributable to				
- owners of the parent	5 339	6 105	108 346	16 044
- non-controlling interests	6	9	273	20

Consolidated balance sheet

MSEK	Dec. 31, 2018	Dec. 31, 2017*
Intangible assets	30 025	35 151
Rental equipment	2 288	2 934
Other property, plant and equipment	8 099	9 523
Financial assets and other receivables	901	2 098
Deferred tax assets	1 619	1 537
Total non-current assets	42 932	51 243
Inventories	12 718	18 810
Trade and other receivables	24 503	29 994
Other financial assets	102	1 295
Cash and cash equivalents	16 414	24 496
Assets classified as held for sale	1	193
Total current assets	53 738	74 788
TOTAL ASSETS	96 670	126 031
Equity attributable to owners of the parent	42 425	60 517
Non-controlling interests	47	84
TOTAL EQUITY	42 472	60 601
Borrowings	14 415	23 635
Post-employment benefits	2 837	3 034
Other liabilities and provisions	1 282	1 720
Deferred tax liabilities	619	438
Total non-current liabilities	19 153	28 827
Borrowings	5 966	1 513
Trade payables and other liabilities	27 477	33 008
Provisions	1 602	2 026
Liabilities directly associated with assets classified as held for sale	-	56
Total current liabilities	35 045	36 603
TOTAL EQUITY AND LIABILITIES	96 670	126 031

*Including assets and liabilities related to Epiroc reported as discontinued operations.

Fair value of derivatives, cash equivalents and borrowings

The carrying value and fair value of the Group's outstanding derivatives, liquidity funds and borrowings are shown in the tables below. The fair values of bonds are based on level 1 and the fair values of derivatives, liquidity funds and other loans are based on level 2 in the fair value hierarchy. Compared to 2017, 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. Liquidity funds, reported under cash equivalents, are according to IFRS 9 classified at fair value through profit and loss.

Financial instruments recorded at fair value

MSEK	Dec. 31, 2018	Dec. 31, 2017*
<i>Non-current assets and liabilities</i>		
Assets	-	-
Liabilities	-	90
<i>Current assets and liabilities</i>		
Assets	367	466
Liabilities	32	179

*Including assets and liabilities related to Epiroc reported as discontinued operations.

Carrying value and fair value of borrowings

MSEK	Dec. 31, 2018	Dec. 31, 2018	Dec. 31, 2017*	Dec. 31, 2017*
	Carrying value	Fair value	Carrying value	Fair value
Bonds	15 412	15 771	15 907	16 568
Other loans	4 970	5 053	9 241	9 370
	20 381	20 823	25 148	25 938

*Including assets and liabilities related to Epiroc reported as discontinued operations.

Consolidated statement of changes in equity

MSEK	Equity attributable to		Total equity
	owners of the parent	non-controlling interests	
Opening balance, January 1, 2018	60 517	84	60 601
Change in accounting principles	-37	-	-37
Changes in equity for the period			
Total comprehensive income for the period	108 346	273	108 619
Ordinary dividend	-8 487	-9	-8 496
Distribution of Epiroc AB	-107 998	-301	-108 299
Redemption of shares	-9 705	-	-9 705
Acquisition and divestment of own shares	-198	-	-198
Share-based payments, equity settled	-13	-	-13
Closing balance, December 31, 2018	42 425	47	42 472

MSEK	Equity attributable to		Total equity
	owners of the parent	non-controlling interests	
Opening balance, January 1, 2017	53 105	72	53 177
Change in accounting principles	-102	-	-102
Changes in equity for the period			
Total comprehensive income for the period	16 044	20	16 064
Dividends	-8 252	-3	-8 255
Change of non-controlling interests	-14	-5	-19
Acquisition and divestment of own shares	-236	-	-236
Share-based payments, equity settled	-28	-	-28
Closing balance, December 31, 2017	60 517	84	60 601

Consolidated statement of cash flows, including discontinued operations

MSEK	October - December		January - December	
	2018	2017	2018	2017
Cash flows from operating activities				
Operating profit, continuing operations	5 661	4 859	21 187	18 748
Operating profit, discontinued operations	-	1 328	3 013	5 404
Depreciation, amortization and impairment (see below)	868	1 283	3 922	5 110
Capital gain/loss and other non-cash items	-33	-259	322	-75
Operating cash surplus	6 496	7 211	28 444	29 187
Net financial items received/paid	-267	-39	-675	329
Taxes paid	-972	-1 420	-5 896	-7 306
Pension funding and payment of pension to employees	-118	-181	-392	-1 280
Change in working capital	503	1 237	-3 391	1 398
Investments in rental equipment	-257	-458	-1 462	-1 412
Sale of rental equipment	9	143	186	464
Net cash from operating activities	5 394	6 493	16 814	21 380
Cash flows from investing activities				
Investments in property, plant and equipment	-532	-591	-2 000	-1 742
Sale of property, plant and equipment	27	95	78	179
Investments in intangible assets	-188	-237	-846	-1 021
Sale of intangible assets	-	-	-	2
Acquisition of subsidiaries and associated companies	-14	-10	-1 575	-520
Divestment of subsidiaries	6	1 560	166	1 560
Other investments, net	-2	630	-124	784
Net cash from investing activities	-703	1 447	-4 301	-758
Cash flows from financing activities				
Annual dividends paid	-	-4 127	-8 487	-8 252
Dividends paid to non-controlling interest	-	-	-9	-3
Distribution of Epiroc AB	-	-	-4 002 *	-
Acquisition of non-controlling interest	-	-2	-	-19
Redemption of shares	-	-	-9 705	-
Repurchase and sales of own shares	-275	-181	-198	-236
Change in interest-bearing liabilities	-42	91	800	765
Net cash from financing activities	-317	-4 219	-21 601	-7 745
Net cash flow for the period	4 374	3 721	-9 088	12 877
Cash and cash equivalents, beginning of the period	12 023	19 742	24 496	11 492
Exchange differences in cash and cash equivalents	17	527	1 006	127
Cash and cash equivalents discontinued operations	-	506	-	-
Cash and cash equivalents, end of the period	16 414	24 496	16 414	24 496

*Cash in Epiroc closing balance at the time of distribution.

Depreciation, amortization and impairment				
<i>Rental equipment</i>	154	245	807	991
<i>Other property, plant and equipment</i>	332	438	1 463	1 759
<i>Intangible assets</i>	382	600	1 652	2 360
<i>Total</i>	868	1 283	3 922	5 110

Calculation of operating cash flow				
MSEK	October - December		January - December	
	2018	2017	2018	2017
Net cash flow for the period	4 374	3 721	-9 088	12 877
Add back:				
Change in pensions	-	-	-	772
Change in interest-bearing liabilities	42	-91	-800	-765
Repurchase and sales of own shares	275	181	198	236
Annual dividends paid	-	4 127	8 487	8 252
Dividends paid to non-controlling interest	-	-	9	3
Redemption of shares	-	-	9 705	-
Distribution of Epiroc AB	-	-	4 002	-
Acquisition of non-controlling interest	-	2	-	19
Acquisitions and divestments	8	-1 550	1 409	-1 040
Currency hedges of loans	271	-153	211	-1 416
Sale of financial assets	-	-737	-	-737
Tax payment related to Belgian tax rulings	-	-	-	655
Operating cash flow	4 970	5 500	14 133	18 856

Discontinued operations (Epiroc and other divested businesses)

At the Annual General Meeting on April 24, 2018, it was decided to split the Group and distribute the shares of Epiroc AB to the shareholders of Atlas Copco. In June, the shareholders received one Epiroc share for each Atlas Copco share. Epiroc AB was listed on Nasdaq Stockholm on June 18, 2018.

Epiroc has been reported as discontinued operations since January 2018 with a retrospective effect in the income statement. On the distribution of the Epiroc shares, Atlas Copco recognized a capital gain in discontinued operations

of MSEK 87 105 representing the difference between the fair value of Epiroc and the carrying value of Epiroc's net assets at the time of the distribution. As part of the distribution, all historical translation differences allocated to Epiroc, amounting to MSEK 934, have been recycled to the income statement for discontinued operations.

The Road Construction Equipment division within the Power Technique business area was divested on October 5, 2017 and reported as discontinued operations and assets held for sale since Q4 2016.

Income Statement

MSEK	3 months ended		12 months ended	
	Dec. 31 2018	Dec. 31 2017	Dec. 31 2018	Dec. 31 2017
Revenues	-	8 325	15 992	33 329
Cost of sales	-	-5 424	-10 046	-21 631
Gross profit	-	2 901	5 946	11 698
Marketing expenses	-	-597	-1 165	-2 504
Administrative expenses	-	-569	-1 146	-2 269
Research and development costs	-	-232	-439	-845
Other operating income and expenses	-	-175	-183	-676
Operating profit	-	1 328	3 013	5 404
- as a percentage of revenues	-	16.0	18.8	16.2
Net financial items	-	22	-113	82
Profit before tax	-	1 350	2 900	5 486
- as a percentage of revenues	-	16.2	18.1	16.5
Income tax expense	-	-309	-731	-1 418
Gain/loss from divestments	-	-	86 996 *	-
Translation differences recycled	-	-	934	-55
Profit for the period	-	1 041	90 099	4 013

*Includes gain from distribution of Epiroc

Cash flows from discontinued operations

MSEK	October - December		January - December	
	2018	2017	2018	2017
Cash flows from				
Operating activities	-	1 007	748	5 178
Investing activities	-	524	-1 368	-176
Financing activities	-	134	5 902	115
Net cash flow for the period	-	1665	5282	5117

Revenues by business area

MSEK (by quarter)	2016 ¹⁾				2017				2018			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Compressor Technique	8 156	8 976	9 421	9 803	9 268	9 667	9 552	10 437	9 735	11 266	11 269	11 702
- of which external	8 075	8 894	9 359	9 723	9 190	9 577	9 458	10 302	9 578	11 121	11 156	11 593
- of which internal	81	82	62	80	78	90	94	135	157	145	113	109
Vacuum Technique	2 536	2 953	3 511	4 635	4 753	4 767	4 754	5 229	5 255	5 740	5 272	5 740
- of which external	2 536	2 953	3 511	4 635	4 753	4 767	4 754	5 229	5 255	5 740	5 272	5 740
- of which internal	0	0	0	0	0	0	0	0	0	0	0	0
Industrial Technique	3 417	3 622	3 841	4 137	3 965	4 153	4 098	4 215	4 178	4 519	4 365	4 871
- of which external	3 406	3 611	3 830	4 125	3 951	4 139	4 086	4 201	4 163	4 504	4 354	4 863
- of which internal	11	11	11	12	14	14	12	14	15	15	11	8
Power Technique	2 331	2 519	2 519	2 647	2 685	2 908	2 732	2 892	2 894	3 091	2 911	3 146
- of which external	2 242	2 435	2 449	2 575	2 571	2 803	2 651	2 782	2 756	2 980	2 893	3 126
- of which internal	89	84	70	72	114	105	81	110	138	111	18	20
Common Group Items / Eliminations	-135	-122	-100	-133	-93	-98	-103	-128	-156	-155	-142	-138
Atlas Copco Group	16 305	17 948	19 192	21 089	20 578	21 397	21 033	22 645	21 906	24 461	23 675	25 321

¹⁾2016 quarterly figures shows best estimated numbers, as effects of the split and restatements for IFRS 15, are not fully reconciled.

Operating profit by business area

MSEK (by quarter)	2017				2018			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Compressor Technique	2 130	2 237	2 225	2 370	2 249	2 638	2 667	2 709
- as a percentage of revenues	23.0	23.1	23.3	22.7	23.1	23.4	23.7	23.1
Vacuum Technique	1 176	1 193	1 205	1 350	1 292	1 479	1 315	1 436
- as a percentage of revenues	24.7	25.0	25.3	25.8	24.6	25.8	24.9	25.0
Industrial Technique	893	966	1 359	976	974	1 056	1 018	1 140
- as a percentage of revenues	22.5	23.3	33.2	23.2	23.3	23.4	23.3	23.4
Power Technique	404	475	410	416	547	464	480	515
- as a percentage of revenues	15.0	16.3	15.0	14.4	18.9	15.0	16.5	16.4
Common Group Items / Eliminations	-313	-274	-197	-253	-229	-207	-217	-139
Operating profit	4 290	4 597	5 002	4 859	4 833	5 430	5 263	5 661
- as a percentage of revenues	20.8	21.5	23.8	21.5	22.1	22.2	22.2	22.4
Net financial items	-232	-395	-222	-308	-320	-201	-95	273
Profit before tax	4 058	4 202	4 780	4 551	4 513	5 229	5 168	5 934
- as a percentage of revenues	19.7	19.6	22.7	20.1	20.6	21.4	21.8	23.4

Acquisitions and divestments

Date	Acquisitions	Divestments	Business area*	Revenues MSEK**	Number of employees**
2018 Sep. 4	Reno AVS		Compressor Technique	153	60
2018 Aug. 1	QUISS Qualitäts-Inspektionssysteme und Service		Industrial Technique	86	45
2018 Jun. 18		Epiroc AB		31 440	12 948
2018 Apr. 4	Klingel Joining Technologies		Industrial Technique	82	23
2018 Mar. 1	Walker Filtration Ltd.		Compressor Technique	330	220
2018 Feb. 2		Concrete and compaction business	Power Technique	570	200
2018 Jan. 17	Location Thermique Service SAS		Power Technique	70	13
2017 Oct. 5		Road Construction Equipment division	Power Technique	2 900	1 280
2017 Sep. 7	C.H. Spencer & Company Co. <i>Distributor USA</i>		Compressor Technique		40
2017 Aug. 8	Glauber Equipment Corporation (certain assets) <i>Distributor USA</i>		Compressor Technique		16
2017 May 3	Itubombas Locação Comércio Importação e Exportação		Construction Technique	50	40
2017 May 3	Pressure Compressores		Compressor Technique	145	150
2017 Mar. 2	Orcan Basincli <i>Distributor Turkey</i>		Compressor Technique		17
2017 Feb. 2	Erkat Spezialmaschinen und Service		Construction Technique	110	38
2017 Jan. 3	hb Kompressoren Druckluft- und Industrietechnik <i>Distributor Germany</i>		Compressor Technique		10

*Effective July 17, 2017, Construction Technique has changed name to Power Technique.

**Annual revenues and number of employees at 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 2018, full disclosure as per IFRS 3 is not given in this interim report. Disclosure will be given in the annual report 2018. See the annual report for 2017 for disclosure of acquisitions made in 2017.

Parent company**Income statement**

MSEK	October - December		January - December	
	2018	2017	2018	2017
Administrative expenses	-39	-168	-499	-722
Other operating income and expenses	26	-163	88	-155
Operating profit/loss	-13	-331	-411	-877
Financial income and expenses	81 016	32 728	129 790	43 164
Appropriations	3 490	6 603	3 490	6 603
Profit/loss before tax	84 493	39 000	132 869	48 890
Income tax	-382	-1 312	-22	-805
Profit/loss for the period	84 111	37 688	132 847	48 085

Balance sheet

MSEK	Dec. 31	Dec. 31
	2018	2017
Total non-current assets	208 920	150 823
Total current assets	19 588	27 167
TOTAL ASSETS	228 508	177 990
Total restricted equity	5 785	5 785
Total non-restricted equity	139 521 *	75 177
TOTAL EQUITY	145 306	80 962
Total provisions	354	702
Total non-current liabilities	17 025	55 540
Total current liabilities	65 823	40 786
TOTAL EQUITY AND LIABILITIES	228 508	177 990
Assets pledged	226	199
Contingent liabilities	8 517	8 355

* The increase in the parent company's equity is primarily related to internal restructurings where value gains have been realized when shares in subsidiaries have changed owner at fair market values which have been higher than book values. These transactions are eliminated in the Group accounts since they are internal.

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 9.

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
<i>- of which A shares</i>	
<i>held by Atlas Copco</i>	<i>16 779 903</i>
<i>- of which B shares</i>	
<i>held by Atlas Copco</i>	<i>119 159</i>
Total shares outstanding, net of shares held by Atlas Copco	1 212 714 042

Performance-based personnel option plan

The Annual General Meeting 2018 approved a performance-based long-term incentive program. For Group Management and division presidents, 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.

Transactions in own shares

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

- Acquisition of not more than 3 300 000 series A shares, whereof a maximum of 2 300 000 may be transferred to personnel stock option holders under the performance-based stock option plan 2018.
- 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 6 200 000 series A and B shares currently held by the company, for the purpose of covering costs of fulfilling obligations related to the option plans 2013, 2014 and 2015.
- The shares may only be acquired or sold on NASDAQ Stockholm at a price within the registered price interval at any given time.

During 2018, 1 138 307 series A shares, net, were acquired and 127 000 series B shares 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 AB 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 2017 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 2017.

Nacka, Sweden January 28, 2019
Atlas Copco AB (publ)

Mats Rahmström
 President and CEO

This is Atlas Copco

Atlas Copco is a world-leading provider of sustainable productivity solutions. The Group serves customers through its innovative compressors, vacuum solutions, generators, pumps, power tools and assembly systems. Atlas Copco develops products and services 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 2018, Atlas Copco (excluding Epiroc AB) had revenues of BSEK 95 (BEUR 9) and about 37 000 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 compressed air solutions; industrial compressors, 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, India, Germany and Italy.

The **Vacuum Technique** business area provides vacuum products, exhaust management systems, valves and related products mainly under the Edwards, Leybold and Atlas Copco brands. The main markets served are semiconductor and scientific as well as a wide range of industrial segments including chemical process industries, food packaging and paper handling. The business area has a global service network and innovates for sustainable productivity in order to further improve its customers' performance. Principal product development and manufacturing units are located in the United Kingdom, Czech Republic, Germany, South Korea, China and Japan.

The **Industrial Technique** business area provides, through a global network, industrial power tools and assembly solutions, including tightening, bolting, riveting, adhesive dispensing, quality assurance products, material removal, software and service. 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, United States, United Kingdom, France, Japan and Hungary.

The **Power Technique** business area provides air, power and flow solutions through products such as mobile compressors, pumps, light towers and generators, along with a number of complementary products. It also offers specialty rental and provides services through a dedicated, global network. Guided by a forward-thinking approach to innovation, Power Technique provides sustainable productivity solutions across multiple industries, including construction, manufacturing, oil and gas and exploration drilling. Principal product development and manufacturing units are located in Europe, Asia, South America and North America.

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

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Conference call

A presentation for investors, analysts and media will be held on January 28, at 3.00 PM CET.

The dial-in numbers are:

- Sweden: +46 8 566 427 07
- United Kingdom: +44 33 330 092 63
- United States: +1 646 722 4956

The conference call will be broadcasted. Please see our website for link and presentation material:

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

The recorded audio presentation will be available on our homepage following the conference call.

Annual General Meeting 2019

The Annual General Meeting for Atlas Copco AB will be held April 25, 2019 at 4 PM CEST in Aula Medica, Nobels väg 6, Solna, Sweden.

First-quarter report 2019

The Q1 2019 report will be published on April 25, 2019. (Silent period starts March 26, 2019)

Second-quarter report 2019

The Q2 2019 report will be published on July 15, 2019. (Silent period starts June 17, 2019)

Third-quarter report 2019

The Q3 2019 report will be published on October 21, 2019. (Silent period starts September 23, 2019)

Fourth-quarter report 2019

The Q4 2019 report will be published on January 28, 2020. (Silent period starts December 31, 2019)

This information is information that Atlas Copco AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the contact person set out above, at 12.00 CET on January 28 2019.