ATLAS COPCO

- A world leading provider of sustainable productivity solutions
- Consistent strategy
- Agile and resilient operations
- Strong global service business
- Strong cash generation and value creation
AGENDA

1. Business development
2. Global trends
3. Strategy and priorities
4. Agility and resilience
5. Summary
BUSINESS DEVELOPMENT
Q3 IN BRIEF

- Mixed demand development
  - Growth in service
  - Low order volumes for equipment
    - Stable industrial business
    - Weak mining and oil & gas

- Order growth in Europe – declines in China, Brazil and the Middle East

- Record profit and strong operating cash flow

NEAR-TERM OUTLOOK

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

Atlas Copco Group

<table>
<thead>
<tr>
<th>Region</th>
<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>A</td>
<td>100 -1 -3</td>
<td>24 -3 -7</td>
<td>8 -13 -17</td>
</tr>
<tr>
<td>B</td>
<td>30 +5 +7</td>
<td>10 -3 -18</td>
<td>3 -13 -20</td>
</tr>
<tr>
<td>C</td>
<td>25 -1 +2</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

September 2015
**GROUP TOTAL**

<table>
<thead>
<tr>
<th></th>
<th>July - September</th>
<th>January - September</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015</td>
<td>2014</td>
</tr>
<tr>
<td>Orders received</td>
<td>24 149</td>
<td>23 395</td>
</tr>
<tr>
<td>Revenues</td>
<td>25 723</td>
<td>23 590</td>
</tr>
<tr>
<td>Operating profit</td>
<td>5 313</td>
<td>4 145</td>
</tr>
<tr>
<td>– as a percentage of revenues</td>
<td>20.7</td>
<td>17.6</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>5 042</td>
<td>3 879</td>
</tr>
<tr>
<td>– as a percentage of revenues</td>
<td>19.6</td>
<td>16.4</td>
</tr>
<tr>
<td>Profit for the period</td>
<td>3 806</td>
<td>2 878</td>
</tr>
<tr>
<td>Basic earnings per share, SEK</td>
<td>3.12</td>
<td>2.37</td>
</tr>
<tr>
<td>Return on capital employed, %</td>
<td>27</td>
<td>25</td>
</tr>
<tr>
<td>Operating cash flow</td>
<td>4 621</td>
<td>4 075</td>
</tr>
</tbody>
</table>
ORDERS RECEIVED BY CUSTOMER CATEGORY

2010
MSEK 75 178

- Manufacturing: 36%
- Construction: 24%
- Mining: 28%
- Process industry: 11%
- Other: 12%

September 2015
MSEK 100 769

- Manufacturing: 39%
- Construction: 19%
- Mining: 20%
- Process industry: 14%
- Other: 13%

12 month figures.
REVENUES BY BUSINESS AREA

2010
MSEK 69,875

Compressor Technique 43%
Mining and Rock Excavation Technique 32%
Industriial Technique 9%
Construction Technique 16%

September 2015
MSEK 101,939

Compressor Technique 45%
Mining and Rock Excavation Technique 26%
Industrial Technique 14%
Construction Technique 15%

12 month figures.
OPERATING PROFIT BY BUSINESS AREA

- **2010**
  - MSEK 13,915
  - Compressor Technique: 49%
  - Industrial Technique: 9%
  - Mining and Rock Excavation Technique: 34%

- **September 2015**
  - MSEK 19,675
  - Compressor Technique: 50%
  - Mining and Rock Excavation Technique: 25%
  - Industrial Technique: 16%

12 month figures.
GLOBAL TRENDS
GLOBAL TRENDS – EQUIPMENT

Continued expansion in growth markets

Urbanization drive investments in infrastructure and demand for minerals

The energy efficiency and productivity requirements from industry
GLOBAL TRENDS – SERVICE

- Expansion of installed base
- Customers focus on core activity
- Connectivity
- The energy efficiency and productivity requirements from industry
STRATEGY AND PRIORITIES

Sustainable profitable growth
WHY SHOULD ATLAS COPCO SUCCEED TO GROW?

- Market leader with strong portfolio of businesses and products
- Commitment to innovation
- Strong service offering
- Acquisition potential
- Top organization, world-class people, top execution

8% growth
High ROCE
WHY SHOULD ATLAS COPCO DELIVER HIGH ROCE?

- Standardization and efficient flow
- Asset light operations
- Variable cost structure
- Strong service business
THE STRATEGIC PILLARS FOR PROFITABLE GROWTH

Presence  Innovation  Service  Operational excellence  People
PRIORITIES TO SUSTAIN PROFITABLE GROWTH

WE LIVE BY THE HIGHEST ETHICAL STANDARDS
WE INVEST IN SAFETY AND WELL-BEING
WE INNOVATE FOR SUSTAINABLE PRODUCTIVITY
WE BUILD THE MOST COMPETENT TEAMS
WE USE RESOURCES RESPONSIBLY AND EFFICIENTLY
SUSTAINABLE PROFITABLE GROWTH

- Presence
- Innovation
- Service
- Operational Excellence
- People

Values and Business Code of Practice

8% growth
High ROCE
INCREASE PRESENCE IN FAST GROWING ECONOMIES

AND STRENGTHEN IN MATURE MARKETS

- Direct presence
- Develop local competence
- Create high brand awareness
Acquisitions are primarily made in, or very close to, the already existing core businesses. All acquired businesses are expected to make a positive contribution to economic value added.

**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
Acquired revenues and employees at the time of the acquisition. Revenues from distributors are not included.
WHY DRIVE FOR INNOVATION?

- Creates sustainable customer productivity
- Reduces life cycle cost
  - Drives energy efficiency
  - Increase safety
- Drives organic growth
- Supports/drives profitability
  - Pricing power
  - Cost savings
INNOVATION

Compressor Technique 2011 – 2015
INNOVATION

Industrial Technique 2011 – 2015
INNOVATION

Mining and Rock Excavation Technique 2011 – 2015
INNOVATION

Construction Technique 2011 – 2015
GROWTH IN EQUIPMENT AND SERVICE

10 y CAGR
Equipment
~ 10%
Service
~ 12%

Equipment revenues, MSEK
Service revenues, MSEK
Service, share of revenues, %

Continuing operations, excl. divested operations in rental service and professional electric tools. 12 month figures. CAGR calculated 10 years until 2014
Work more efficiently through **lean** and **standardized** solutions and processes.

Spend less time on administration and more **time with customers**.

Have **consistent** business processes.

Improve **financial performance** and increase **customer loyalty**!
PEOPLE

- Results-driven and committed culture
- Time to competence
- Diversity
- Attract and retain talent
“We grow loyal and experienced local leaders in all countries”
AGILITY AND RESILIENCE
AGILE AND RESILIENT OPERATIONS

Volume / Profits

Deteriorating business climate
- Reduce variable costs
- Working capital reduction

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

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

Agile operational set-up

Resilience
Restructuring costs, MSEK in % of revenues

2005 - 2015

-2,0%
-1,5%
-1,0%
-0,5%
0,0%
0,5%
FINANCIAL PERFORMANCE

Group Presentation

Continuing operations, excl. divested operations in rental service 12 month figures.
CAGR calculated 10 years until 2014
12 months figures
**RESILIENCE**

In periods of volume declines

- Larger share of service
- Lean foot-print – asset light
- Decentralized Group

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Average volume change. Quarterly reported operating margin, excluding Rental Service

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Group Presentation
ASSET LIGHT

Average property, plant and equipment, MSEK

Average net working capital, MSEK

in % of revenues

Average working capital and property, plant and equipment including discontinued operations.
CASH GENERATION

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

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

10 year cash conversion 89%

Group Presentation
DIVIDENDS AND DISTRIBUTION

Payout ratio and yield

Yield = dividend and redemption divided by the average price quoted of the A-share (arithmetic). Earnings per share including discontinued operations.

Goal since 2011 - Annual dividend distribution about 50% of earnings per share.
**CAPITAL STRUCTURE**

Net Debt*/EBITDA

-1.5
-1.0
-0.5
0.0
0.5
1.0
1.5
2.0


*Net Debt adjusted for the fair value of interest rate swaps
**SUMMARY**

- **A world leading** provider of sustainable productivity solutions
- **Agile** and **resilient** operations
- Strong global **service** business
- **Consistent strategy**
- Strong **cash generation** and **value creation**

- **Fit for more**
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.”