

Ronnie Leten, President and CEO Address to the shareholders at Atlas Copco's Annual General Meeting on April 26, 2016

Shareholders and guests,

Atlas Copco is everywhere. We have more than 43 000 committed employees based in 92 countries. They are delivering sustainable productivity solutions to customers in one-hundred eighty-three countries.

We are one Group of companies with a strong corporate identity and common values. At the same time we are very diverse in terms of the many languages we speak, our different ages, the countries and cultures we represent, and the competencies and experiences we bring to our company.

We believe diversity makes us stronger. Seventeen percent of our colleagues are women, also in percent of managers. And there are fifty-one nationalities among our top four-hundred managers.

Atlas Copco is all about the people that make it happen. In this respect their safety and health are crucial. Through focused activities, the number of accidents reduced further in 2015 and our sick leave stayed on a low level.

My job as a CEO is to keep us together and ensure we deliver sustainable profitable growth also in the very challenging environment that we are experiencing right now. I am pleased that so many of you have come here today to learn more about our great company and what we are doing. Let's look at our results in 2015.

Aerospace and the automotive sector showed strong demand for our assembly tools and systems. For large compressors we faced a challenging environment in the year. During the second half of the year demand for small and medium sized compressor softened as well. Also demand from construction and oil and gas were weak. The mining industry investments continued to decline. It is now the third year in a row we see this development. Our service business continued to grow. Some of the important larger markets such as the United States, Brazil, China and Russia slowed, or even detracted.

In this tough business climate with a mixed demand situation we reported solid results. Revenues increased by nine percent and for the first time we reached above a hundred billion Swedish krona. The operating margin stayed above nineteen percent. The operating cash flow also reached a record last year.

A few hours ago, we published our first quarter result for 2016. Order volumes stayed on the same level as last year, while mining continued to be very weak. Our service business continued to grow. Moving forward, we expect the overall demand for the Group to remain at current level.

We increased our presence further last year and expanded into new product segments, adjacent to our current businesses. One example is a German company which provides laboratory and calibration services to the motor vehicle, manufacturing and aerospace industries. We took further steps into the vacuum industry and have agreed to acquire Leybold vacuum business. We hope to close this deal later this year.

We have continued to develop our service business, which now generates forty-four percent of our revenues. More than twelve-thousand service technicians are committed to support our customers in the best way to ensure their products are performing on top.

Remember our strategy? Our mission, vision and strategy guide us in where we are going and what we do. Our five strategic pillars will ensure we focus on the right opportunities. The pillars are; presence, innovation, service, operational excellence, and people. All our operational units base their activities on our pillars.

Sustainability is an integrated part in each step in how we do business. Last year we conducted a thorough work to see what our stakeholders, including external parties, believe we should focus on to be successful also in the longer term. Five priorities singled out as the most relevant ones and they make a lot of sense to all of us.

The priorities are; to live by the highest ethical standards, to invest in safety and well-being, to innovate for sustainable productivity, to build the most competent teams, and to use resources responsibly and efficiently.

Further focus on our priorities will help us meet and overcome some of the problems the world is facing. We must act today to secure future growth.

No doubt, the world is going through major changes; We are in the middle of a digital journey which increases speed and transparency and offers new ways of working and developing. In parallel the world is transforming to meet the challenging requirements for better resource efficiency and to lower carbon fuel. This fits well with our customers demand for new innovative products and solutions that will boost their productivity and make them more competitive.

The digitalization offers a tremendous amount of opportunities for industries. The industrial internet, where all parts of the value chain are connected, additive manufacturing, which increases the freedom for designers, and the social network of things together have the potential to revolutionize the way in which organizations manage their assets leading to total new business models.

Digitalization affects everything we do throughout the value chain: how we cooperate with business partners in the full supply chain, how our products are developed, operated, supported and serviced, and, how we reach out to the market and position ourselves in more and new places to generate leads to our business and to attract future employees. Our ambition is to be the undisputed leader in leveraging on the digital transformation to the benefit of our customers. Let me give you a few examples.

Additive manufacturing refers to the process of producing three-dimensional objects by printing them. The objects or parts can be of almost any shape, and in plastic or metal. During the last couple of years we have explored this technology further. Today it is mainly used for prototyping and it gives our designers full freedom in innovation.

In the future we see an increased use of this technology. Imagine service engineers printing spare parts in their vans on the way to customers. Less inventory will save costs, less transports will save energy and give faster deliveries, as no time is lost in sourcing, production or customs handling. Most important, we will have a satisfied customer with uptime guaranteed, consequently higher productivity.

To increase efficiency and accuracy our larger distribution centers have high-tech solutions like voice picking, a process in which the operator is guided by an automated voice system. With this in place, the distribution center has transformed from a pick, pack, and ship facility to a total supply chain competence center that builds logistic networks based on customer needs.

We have competent and motivated teams of people with extensive experience. Keeping the knowledge on a high level we use online training or e-learning program as a complement to class room training. As an example, our compressor service engineers benefit from a structured offering of courses including both product knowledge and soft skills, for example how to handle an unsatisfied customer. Online training is an efficient way to reach out to many and to reduce time to competence. Overall it will make us more competitive.

Digitalization makes the world smaller. We cooperate and learn from one another in a much more efficient way than before. To better serve the motor vehicle industry we have set up a procedure where our engineers, wherever they are located, can help each other in solving a problem. We capitalize on knowledge and experience independent of where in the world we have our 'brains'.

With more people using digital devices like smart phones and tablets, our opportunities for a better out-reach increases. We are present and use our websites, apps and social media to attract customers and prospects. We strive to be 'First in Find'. That is to come up on top in search engines so that more and new customers will get to know us and place their orders with us.

Our specialty rental operation use online databases to approach customers and inform about our offering. Enquiries received are directly added into our CRM system, that is a system for managing customer relations, and quotations are automatically generated. Once a quotation is accepted, a reservation is done. All online.

Since long companies can place orders for spare parts directly on-line and track their orders. One example is our global customer-base in the construction industry that places 35 percent of their orders online.

The digitalization has increased the need for software engineers. Since long we have our own skilled colleagues, but we need more. LinkedIn, Facebook and similar social media

channels are used to promote our brands, we have many as you are aware. These channels give people an idea of who we are, and encourage people to apply for jobs in our companies.

The digitalization also brings new risks which we must prevent and if it happens, be prepared to address. Be it cyber-attacks, server failures, virus or worse, attacks from the inside of the company, we must have our contingency plans in place. Another risk is the legislation related to product development of additive manufactured parts. Here we have started to apply for our first patents to ensure we protect our intellectual property in a good way.

We must get our digital journey right.

Our drill rigs are among the most technically advanced in the market. They are equipped with sensors that report their performance to the customer and to our service technicians. This enables more predictive maintenance and more service opportunities. The reports are also sent to our product development engineers. Based on the 'big data' they can continue to improve our products and make the next generation even better. Integrating sensors in our products are a high priority for the Group in all areas. Atlas Copco has since long compressor monitoring program that offers complete oversight of the compressed air production.

Thanks to digitalization drill rigs can be remotely controlled. Mining is always linked to risks and this enhances the safety for the operator. The rigs can be operated from a distance of for example 1 300 kilometers. That is like sitting in Stockholm and run a machine outside Moscow, or in my home country Belgium. Can you imagine? Typically, however, you want to sit closer to the mine.

Every second hospital in the United States use our compressors or vacuum pumps, to transport medical gases to patients in need. The Karolinska hospital next door also use our medical air equipment. Obviously, all hospitals have alarms to indicate if something goes wrong, but until now, the alarm systems did not have the capability to actively assist in the emergency response plan. Using our notification system you can follow exactly what must be done to solve the problem. This feature is available in all languages spoken by nurses and doctors.

Our Group welcomes that the global community has taken a major step against climate change. The agreement to keep global warming well below two degrees Celsius will also increase our business opportunities. Producing energy efficient products is a core part of our business model since long.

Our biggest opportunity to meet customers' rising demand of environmentally sound solutions is through innovation. Around seven percent of our workforce is employed in research and development and we have continued to increase our investments in this area. We set high ambitions for each new development project. The next generations must always be more productive, safer, ergonomic and energy efficient than the previous generations.

In 2013 we launched a compressor with a breakthrough technology, the VSD+. It uses only half of the energy compared to traditional compressors. This year we are rolling out larger versions, meaning that customers with greater compressed air needs will be able to take advantage of this technology.

Last year the VSD+ technology was transferred to the vacuum pumps. The new range was an immediate sales success and today another important customer category can benefit from major energy savings. This is a good example on how we have built an innovation on an innovation.

I assure you that we have high ambitions for energy efficiency in our own operations as well and strive to decrease our CO2 emissions in relation to cost of sales throughout our total supply chain.

We are proud to continue to be recognized as one of the world's most sustainable companies. The Global one hundred list is presented at the World Economic Forum in Davos each year. This year it ranks us as the world's most sustainable company in the machinery industry and number 34 overall. We have now been on the list ten times.

I want to end my speech where I started. With our people. We are everywhere. Being everywhere also means that we are exposed to the prevailing geo-political instability, to terrorist attacks, natural disasters or pandemics anywhere in the world.

Preventing and managing crises are part of our daily work and we have systems in place to reduce risks and to limit the effects in case of the worst case scenario. We provide travel security support to all our business travelers and offer regular briefings so that everyone will know how to get help if they need.

We also train our people in our Business Code of Practice to protect both the individuals and our Group. In addition, we have a compliance process where all managers sign off that they have understood what we stand for and are prepared to live along the highest ethical values at all times.

Our Atlas Copco is a Group of companies with a very strong corporate identity and common values. That makes us unique. By constantly reinforcing our company culture and build on our innovative spirit we will continue to deliver sustainable profitable growth also in the years to come.

Thank you! Tack!