

The background of the slide features a photograph of industrial machinery, specifically Atlas Copco air compressors. The units are grey with blue accents and are connected by a complex network of stainless steel pipes and valves. The Atlas Copco logo is visible on the side of the units. A semi-transparent blue rectangular box is overlaid on the left side of the image, containing white text and the Atlas Copco logo.

ATLAS COPCO GROUP

Atlas Copco Capital Markets Day 2016

Ronnie Leten
President and CEO

Hans Ola Meyer
CFO

The Atlas Copco logo consists of the company name in a stylized, italicized font, centered between two horizontal white bars.

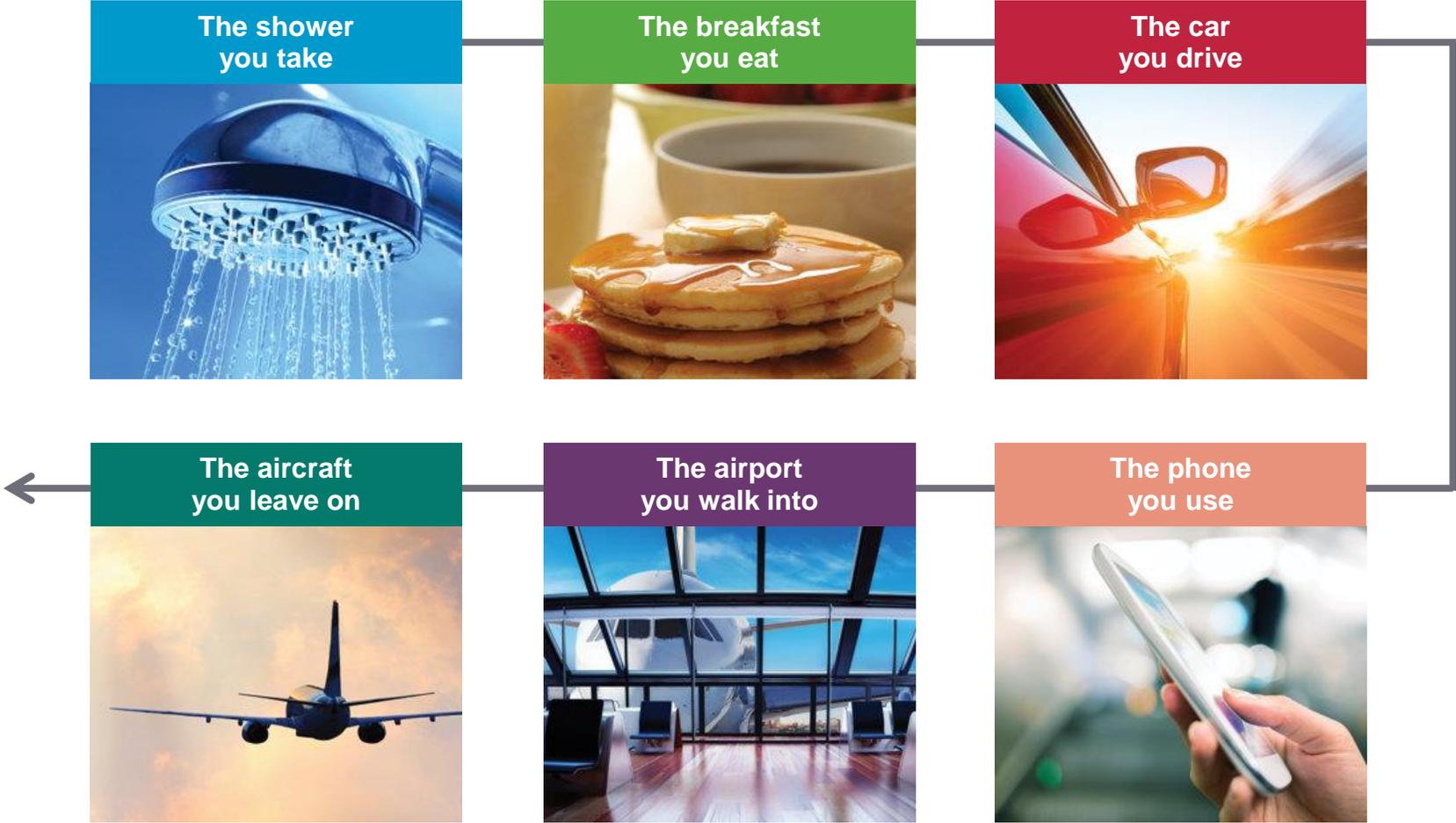
Atlas Copco

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



AGENDA

1. Current performance update
2. Business areas
3. Global trends
4. Sustainable profitable growth
5. Summary

CURRENT PERFORMANCE UPDATE

Q3 IN BRIEF

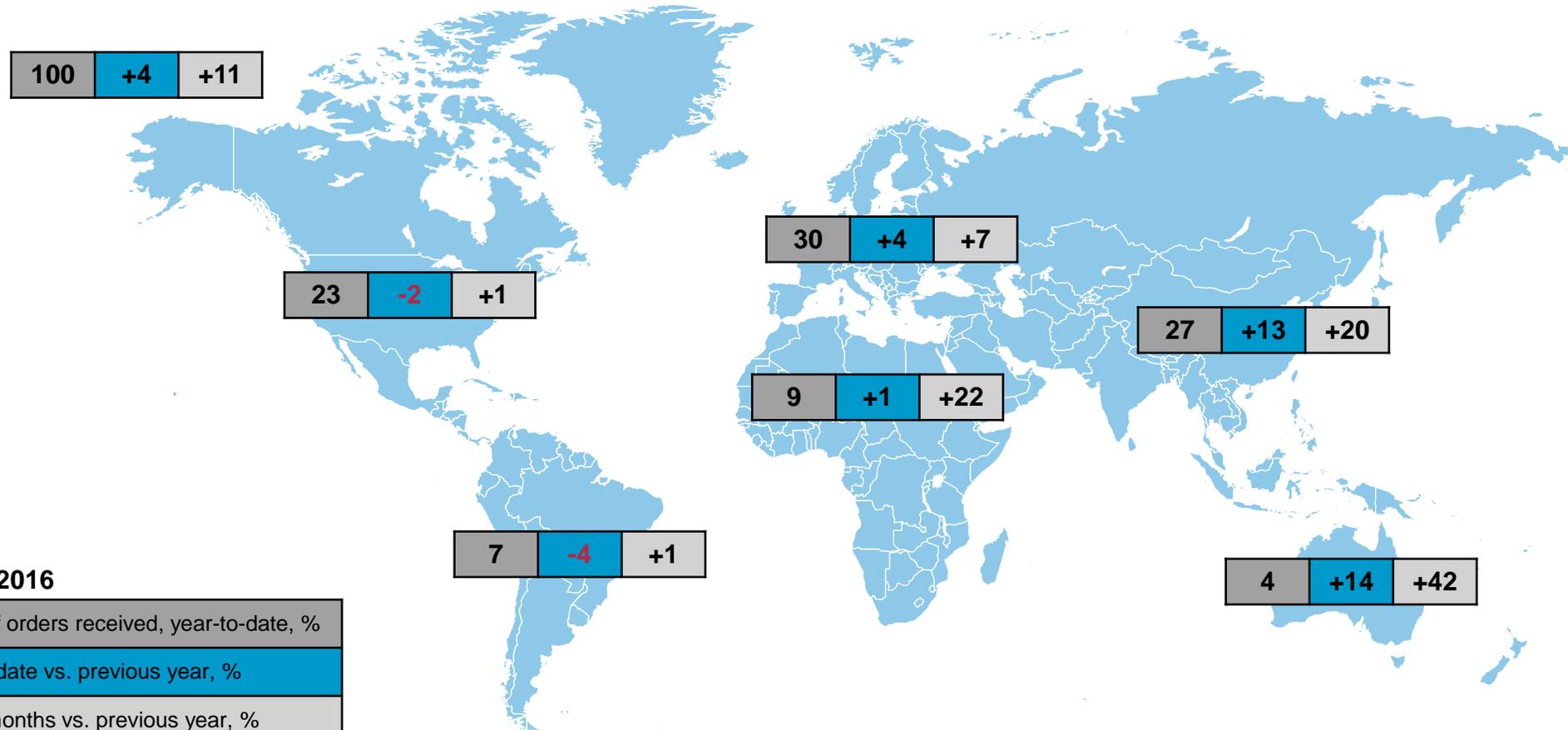
- Organic order growth, solid profit and strong cash flow
- Order growth for all business areas
- Fifth business area announced
 - Vacuum Technique valid from January 2017
 - The acquisitions of Leybold and CSK completed

NEAR-TERM OUTLOOK

- The overall demand for the Group is expected to remain at current level.

ORDERS RECEIVED - LOCAL CURRENCY

Atlas Copco Group



September 2016

A Share of orders received, year-to-date, %

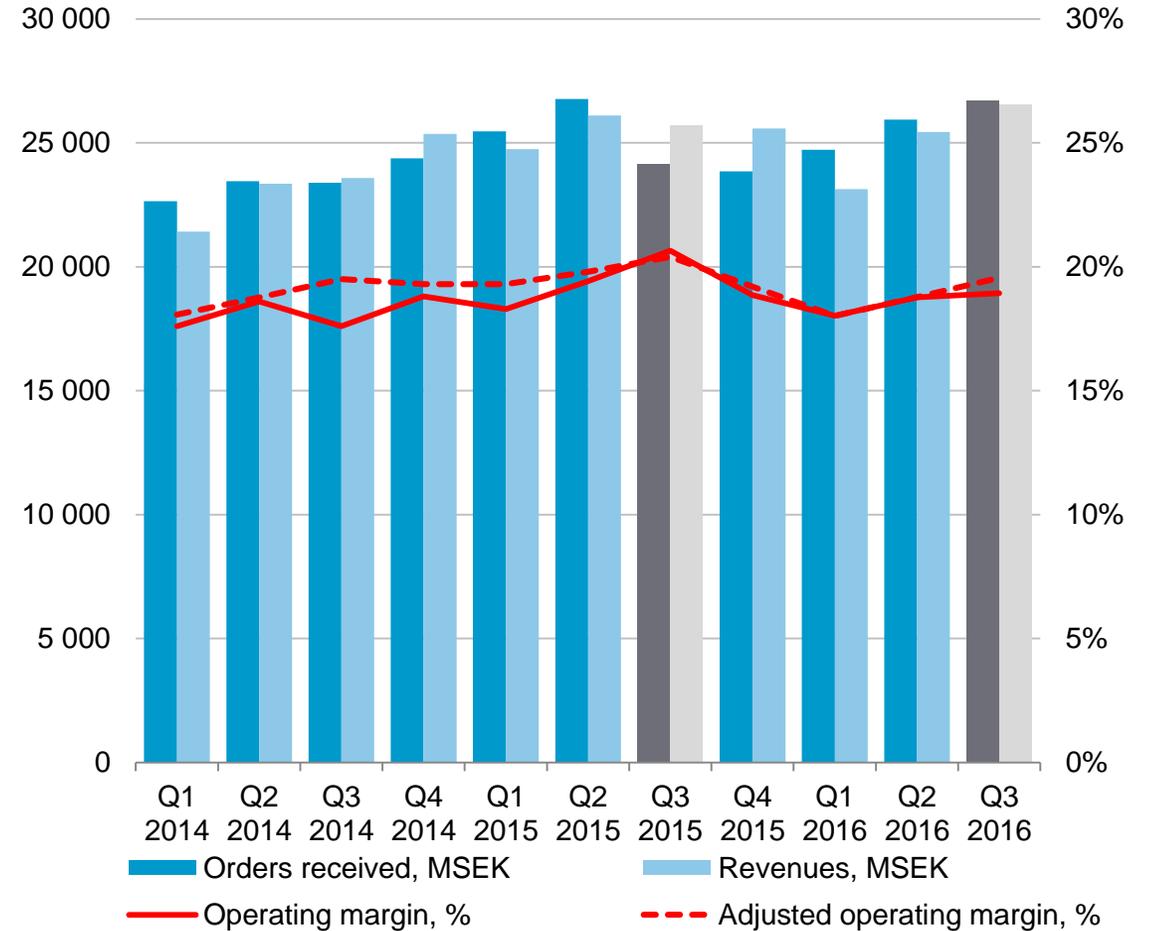
B Year-to-date vs. previous year, %

C Last 3 months vs. previous year, %

GROUP TOTAL

July - September 2016 vs. 2015

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

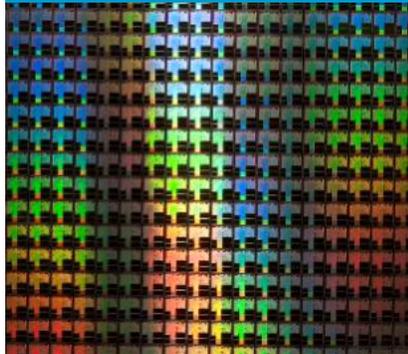


VACUUM TECHNIQUE – NEW BUSINESS AREA FROM 2017

Vacuum products



Semiconductor



Flat panel displays



Solar panels



Metallurgy



Exhaust management systems



Food & beverages



Packaging



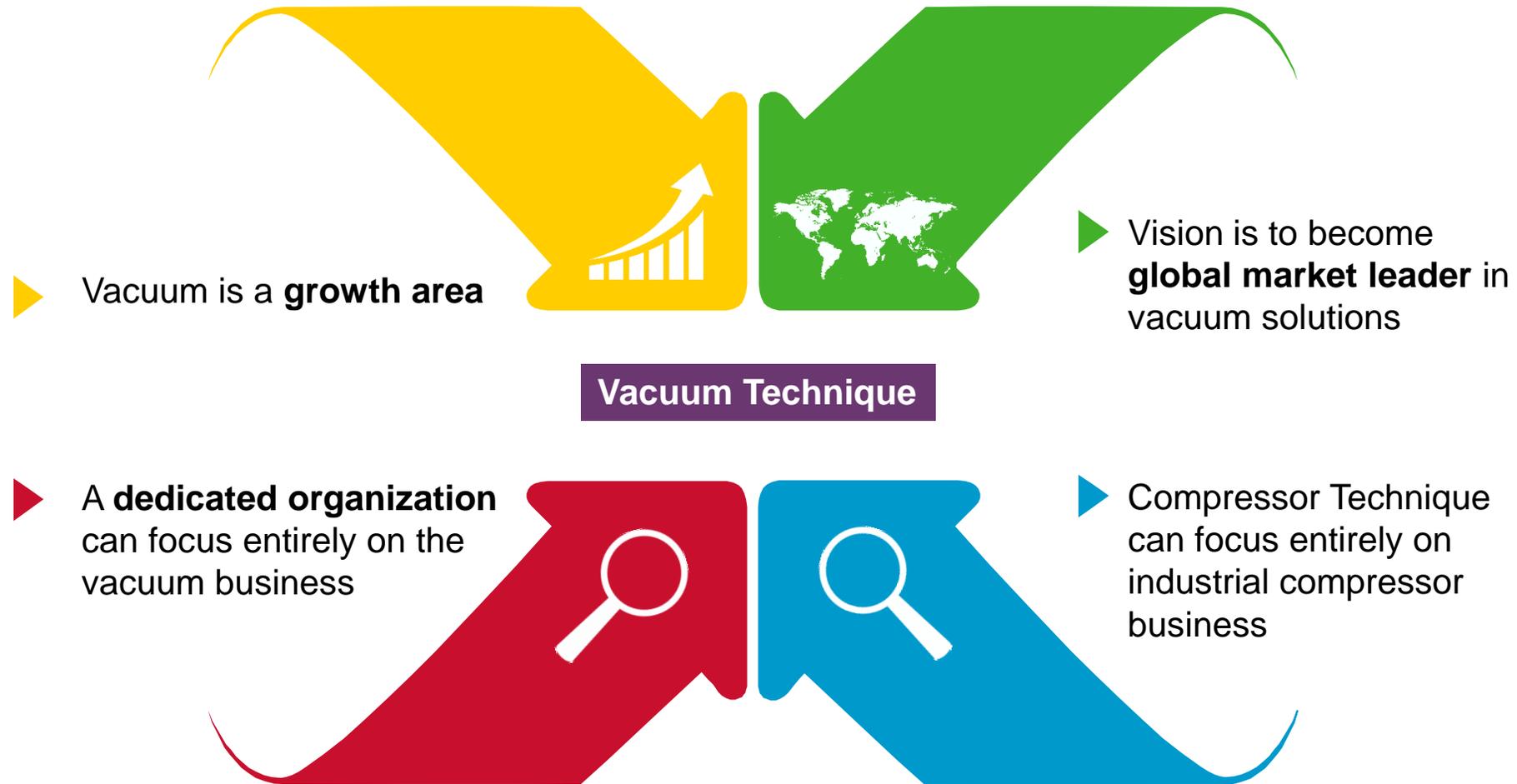
Conveying and assembly



...and more

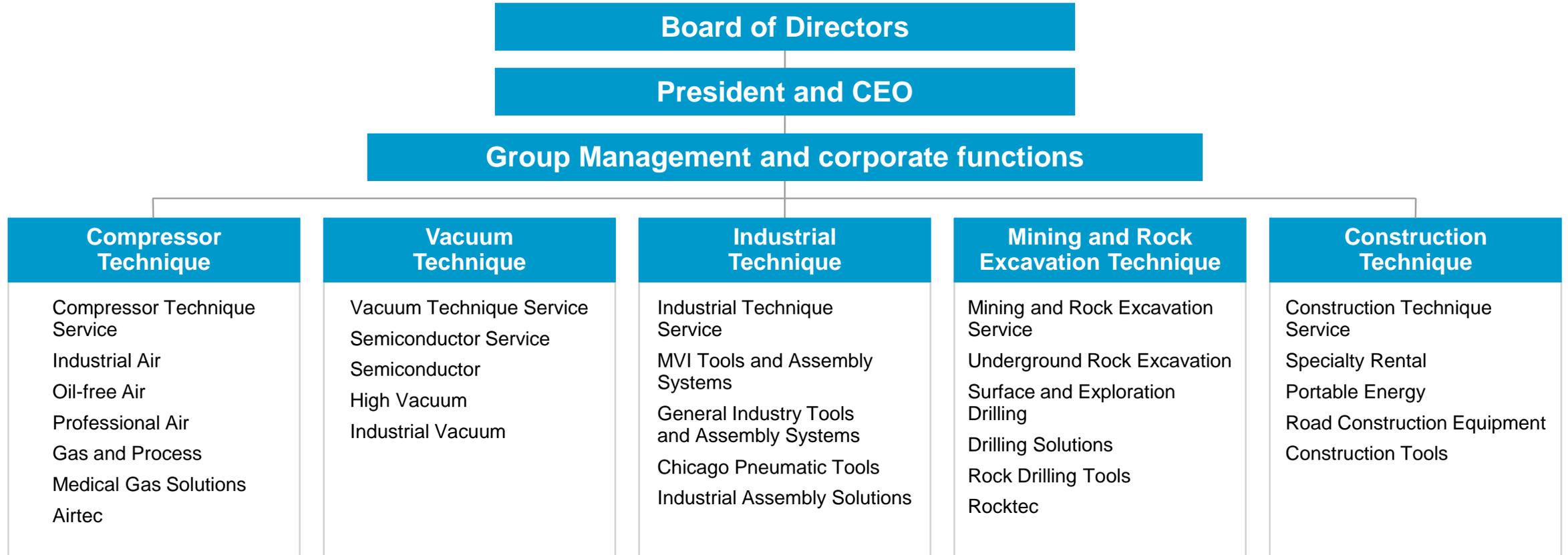


WHY A FIFTH BUSINESS AREA?



FIVE BUSINESS AREAS AND 28 DIVISIONS

A decentralized Group



The business area structure as of Jan 1, 2017

BUSINESS AREAS

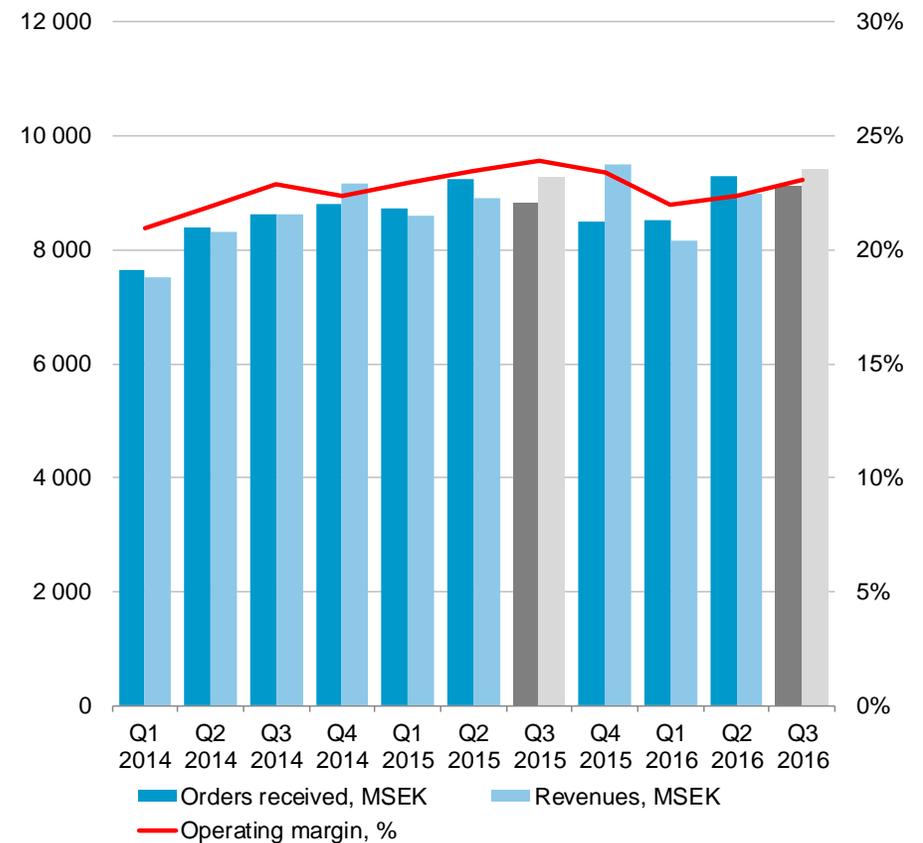
COMPRESSOR TECHNIQUE (EXCLUDING VACUUM)

ROCE
68%

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

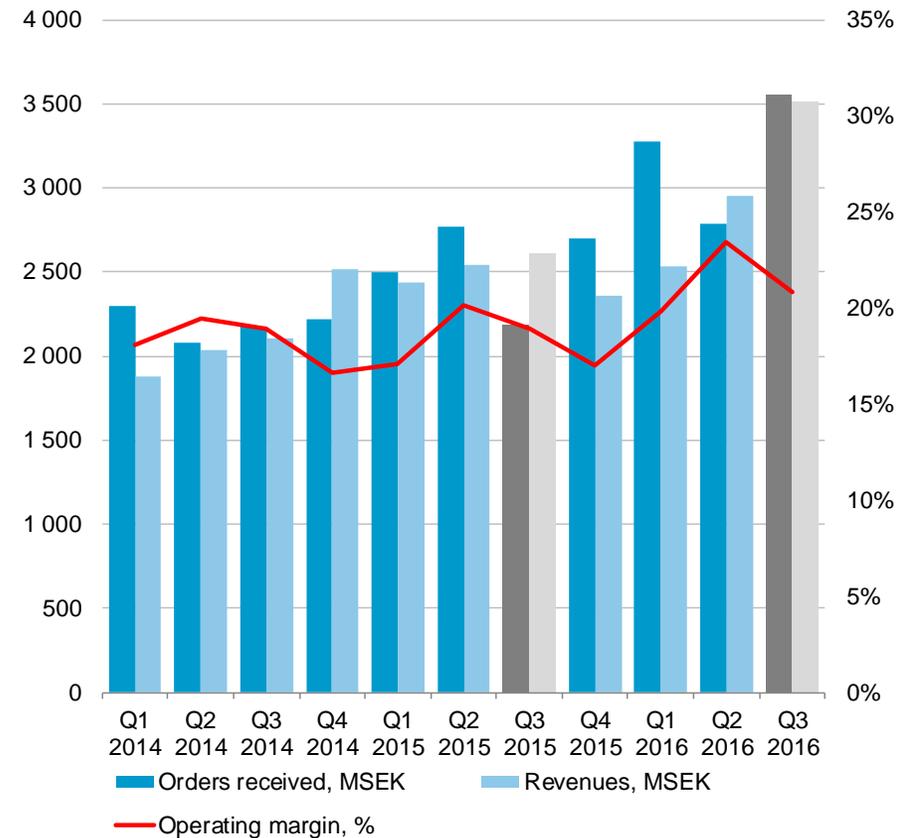
VACUUM TECHNIQUE

ROCE
16%

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



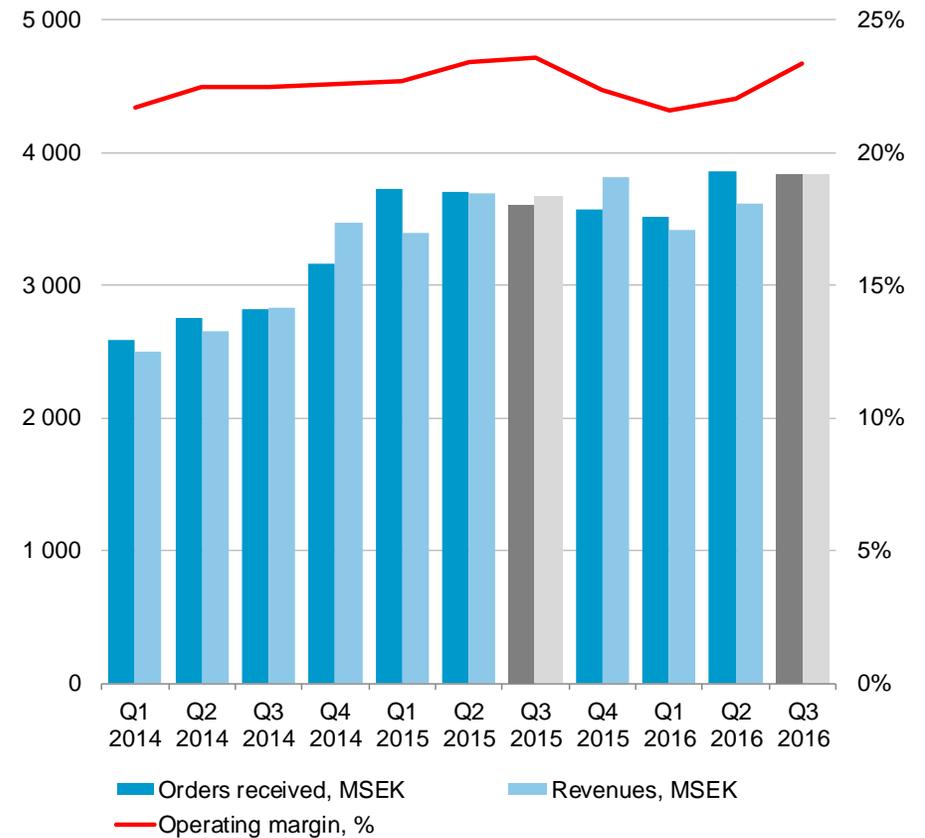
INDUSTRIAL TECHNIQUE

ROCE
32%

In Brief

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

Orders, revenues and operating margin



MOTOR VEHICLE INDUSTRY – TREND

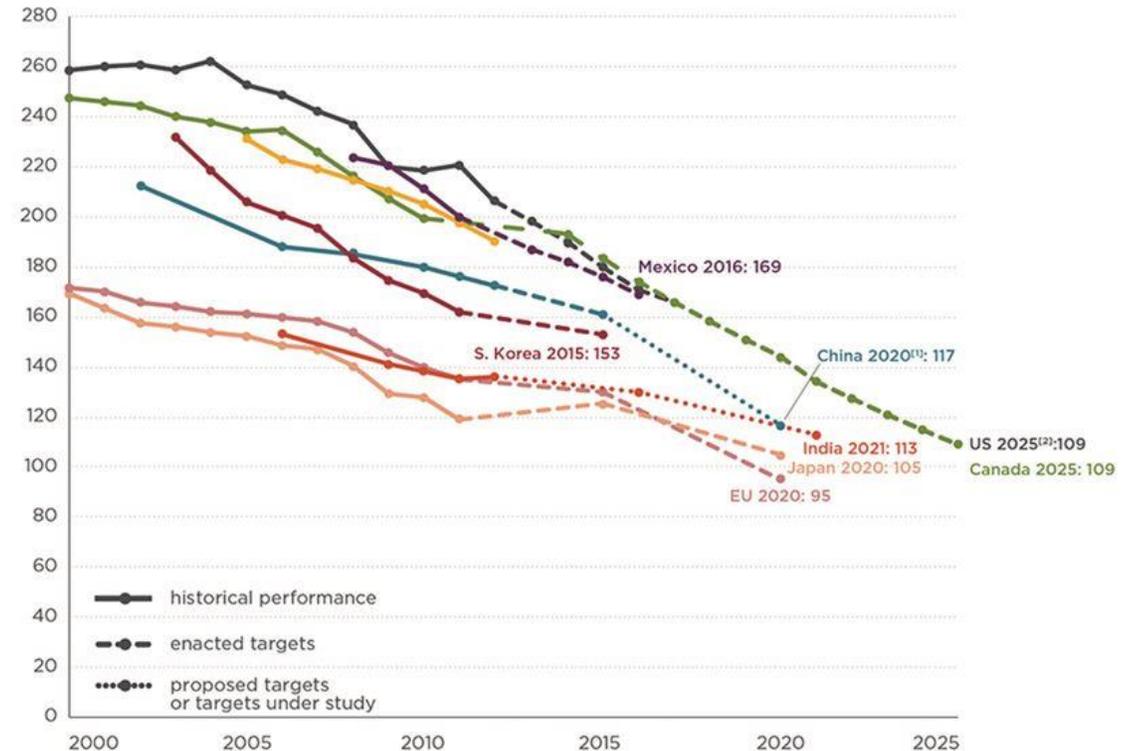
Driving Factors for lightweight design

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



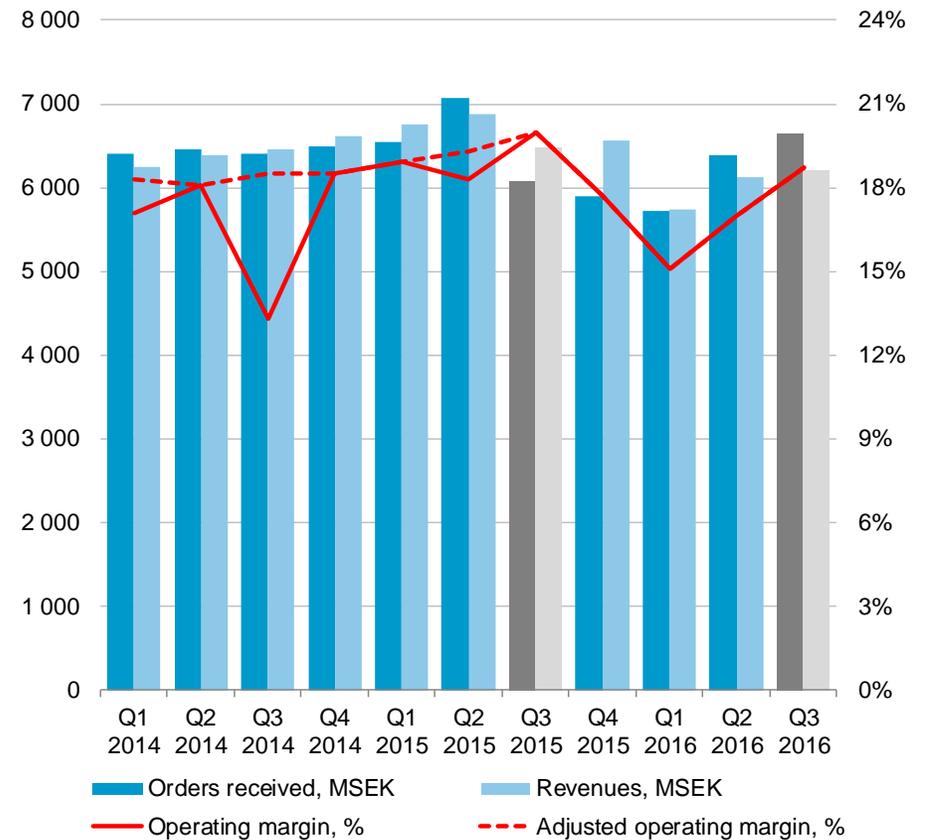
MINING AND ROCK EXCAVATION TECHNIQUE

ROCE
31%

In Brief

- Innovation and automation is key
- Customers' focus is on total cost of operations
- Strengthen the agility and resilience
- Grow service and consumables

Orders, revenues and operating margin



INNOVATION – AUTOMATION

The future in mining



Safer work
environment



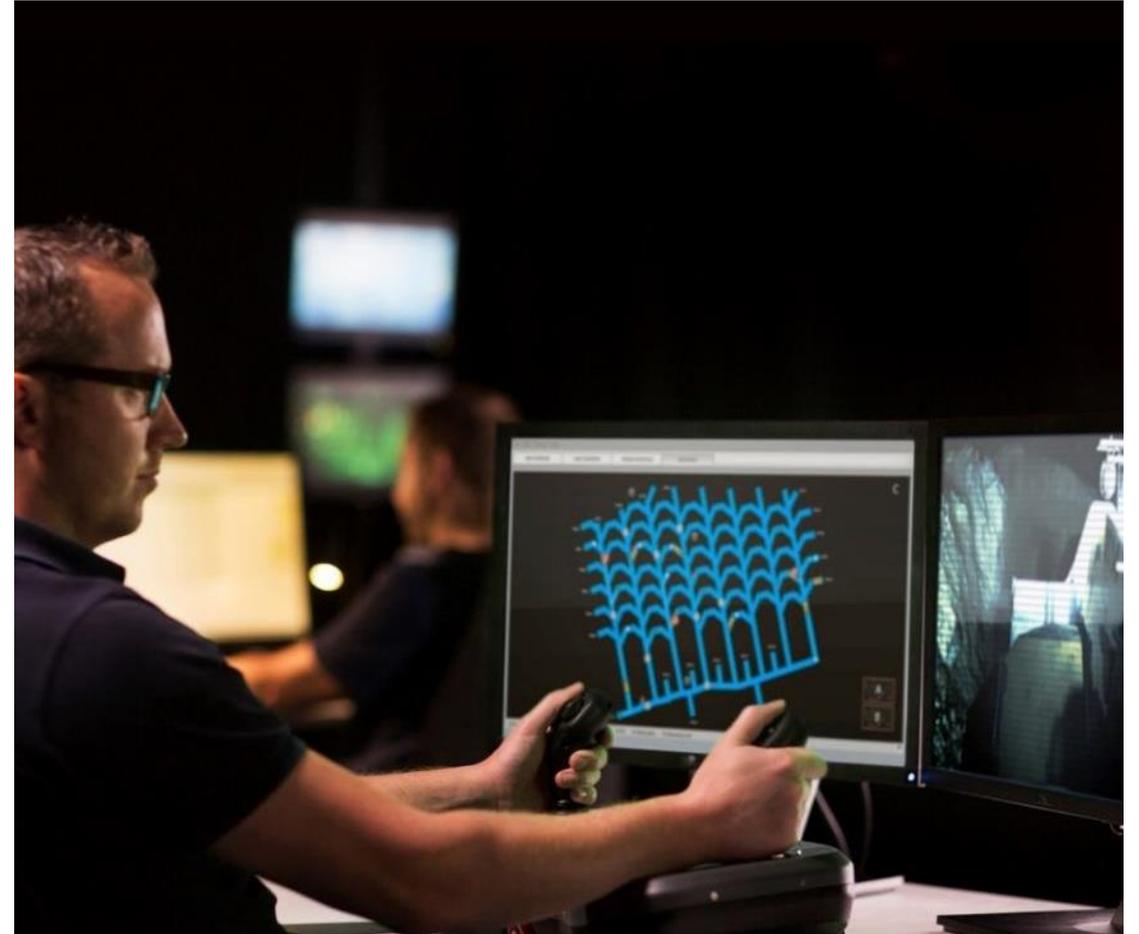
Lower
operational costs



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

Light compaction



Road construction



On-site energy



Concrete



Demolition / recycling



Infrastructure



Specialty Rental



General construction



Tunneling



Water well, oil & gas



Mining



Quarries



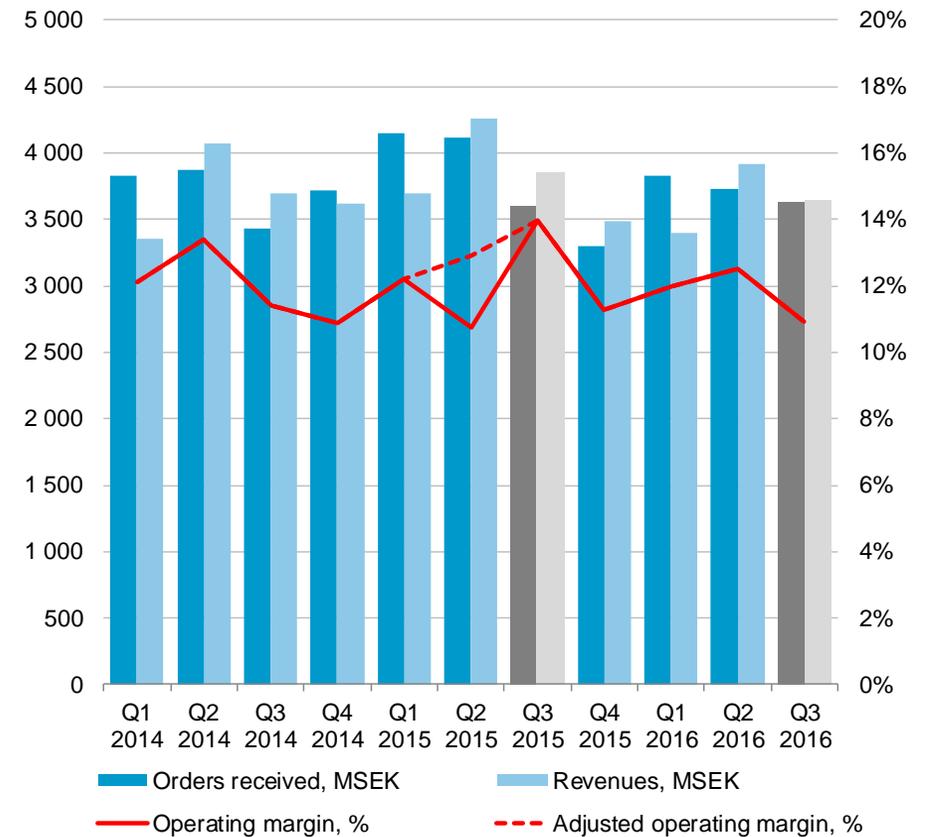
CONSTRUCTION TECHNIQUE

ROCE
12%

In Brief

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

Orders, revenues and operating margin



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



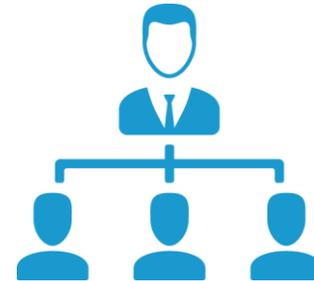
Continued expansion in growth markets



Urbanization drives investments in infrastructure and demand for minerals



Customers focus on core activity



Connectivity

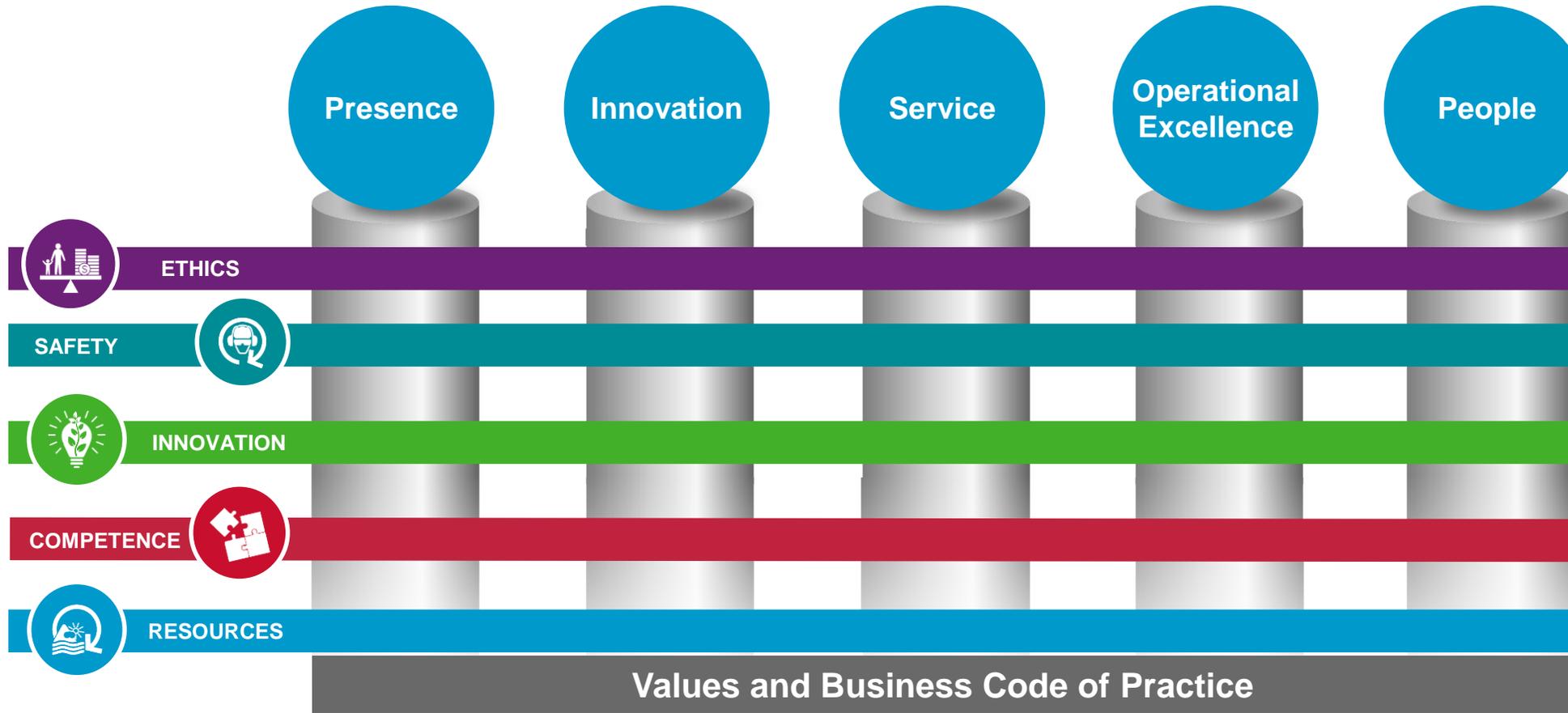


Energy efficiency and productivity requirements

SUSTAINABLE PROFITABLE GROWTH

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



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?

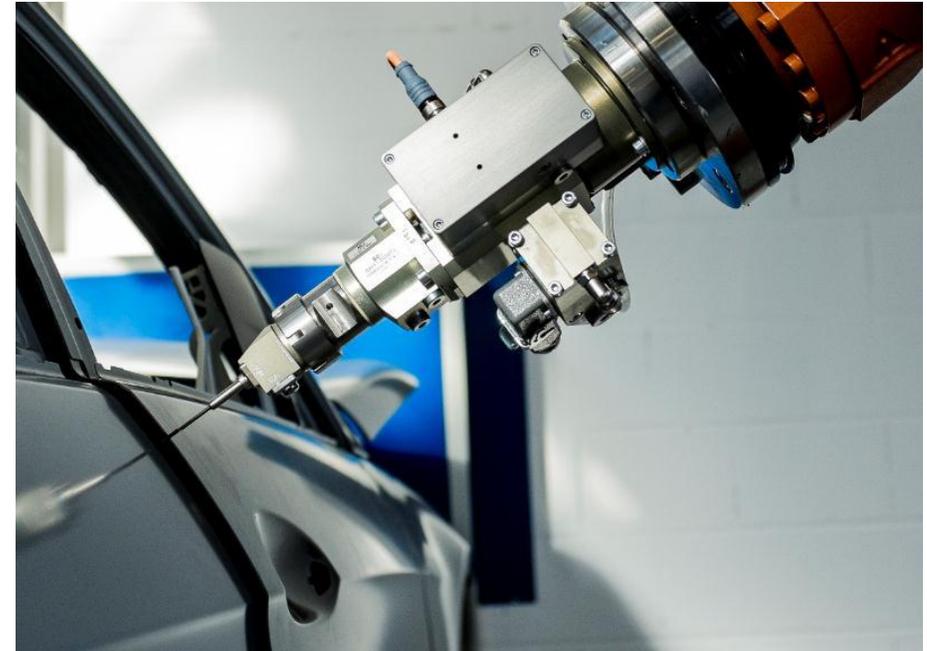
Businesses in, or with close relation to, existing core competencies

Characteristics

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

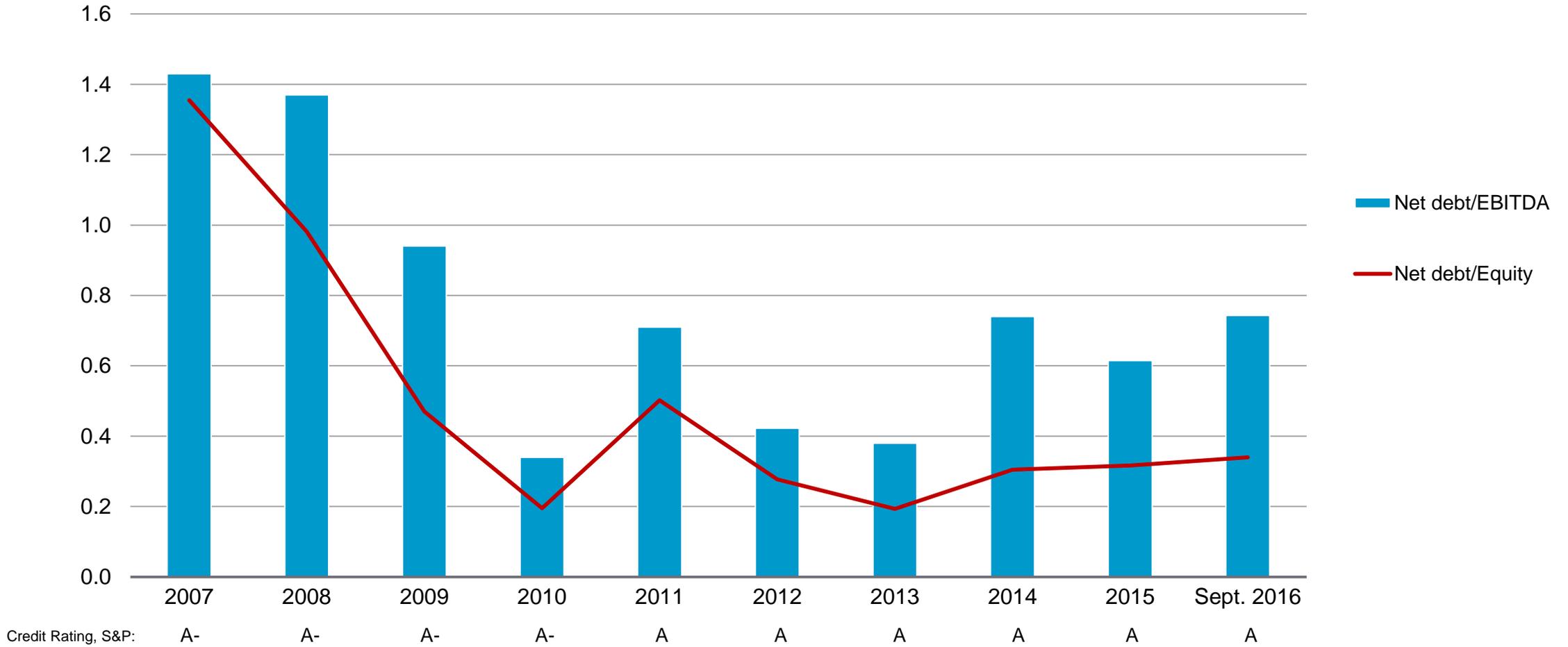
Leveraging

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



FINANCIAL STRENGTH FOR ACQUISITIONS

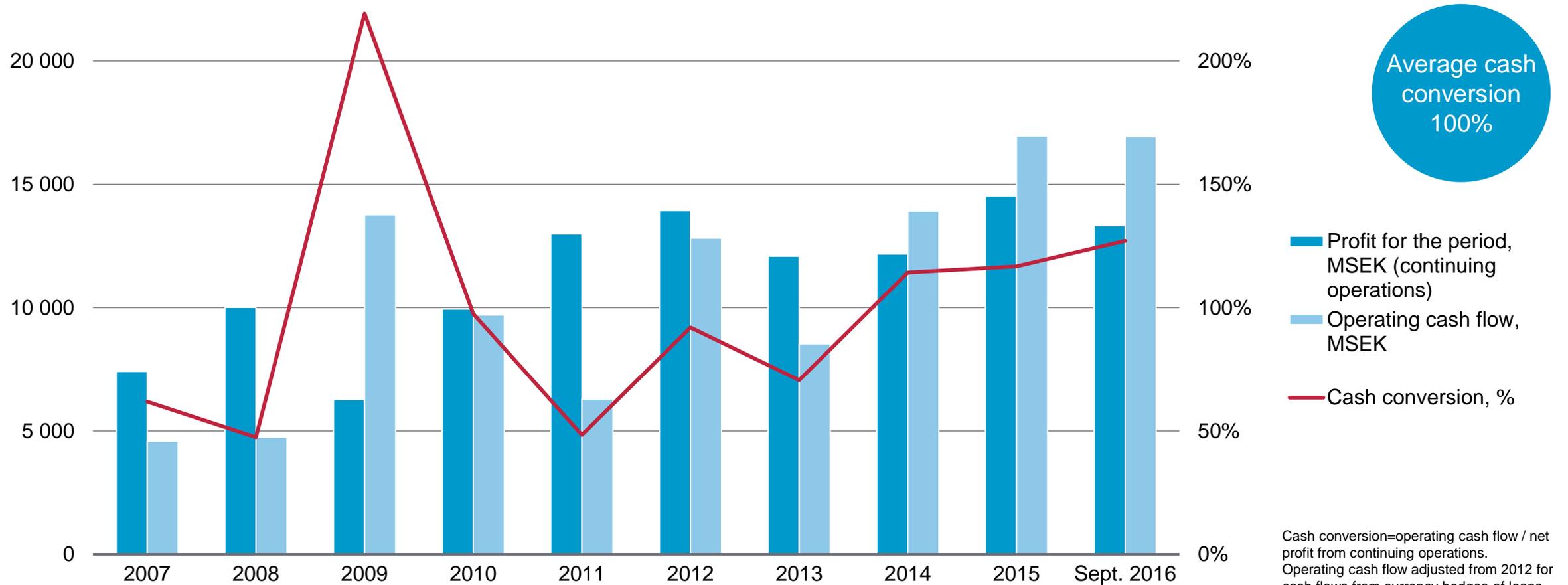
Ready for more



Show me the money!



CASH GENERATION

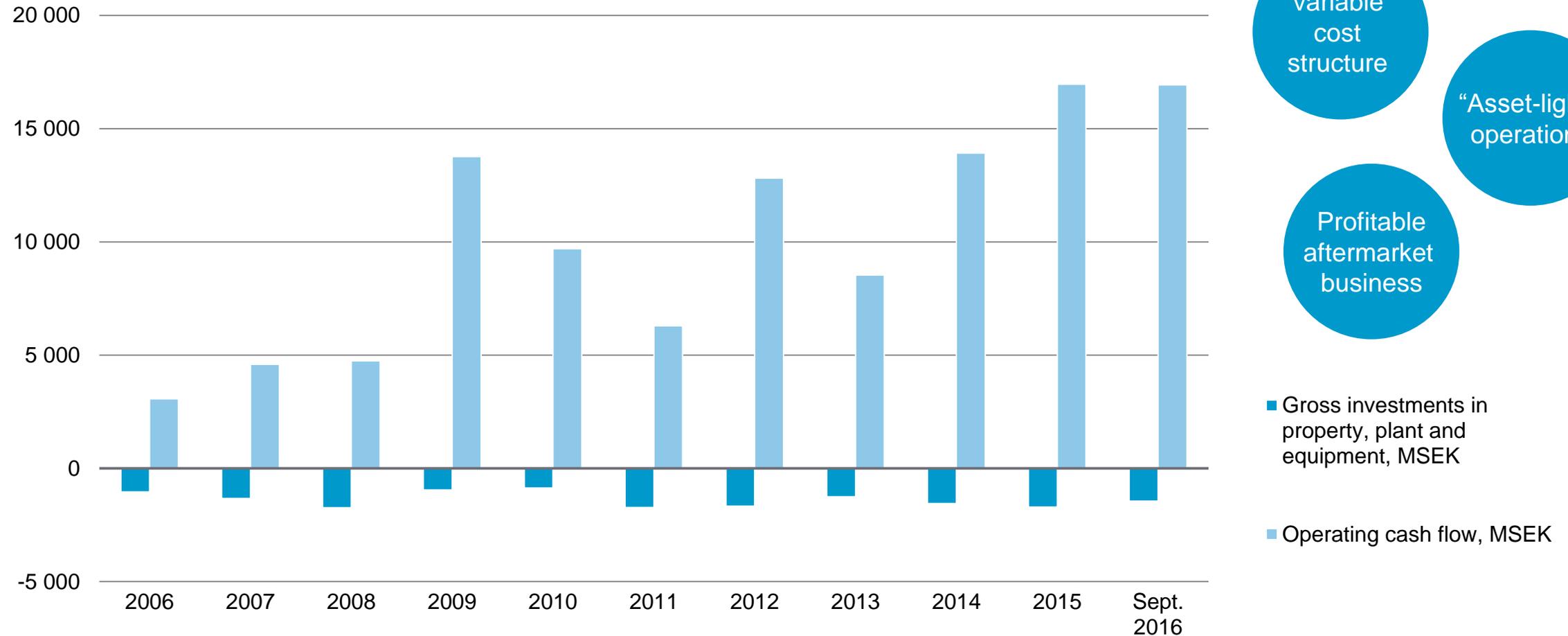


- Profit for the period, MSEK (continuing operations)
- Operating cash flow, MSEK
- Cash conversion, %

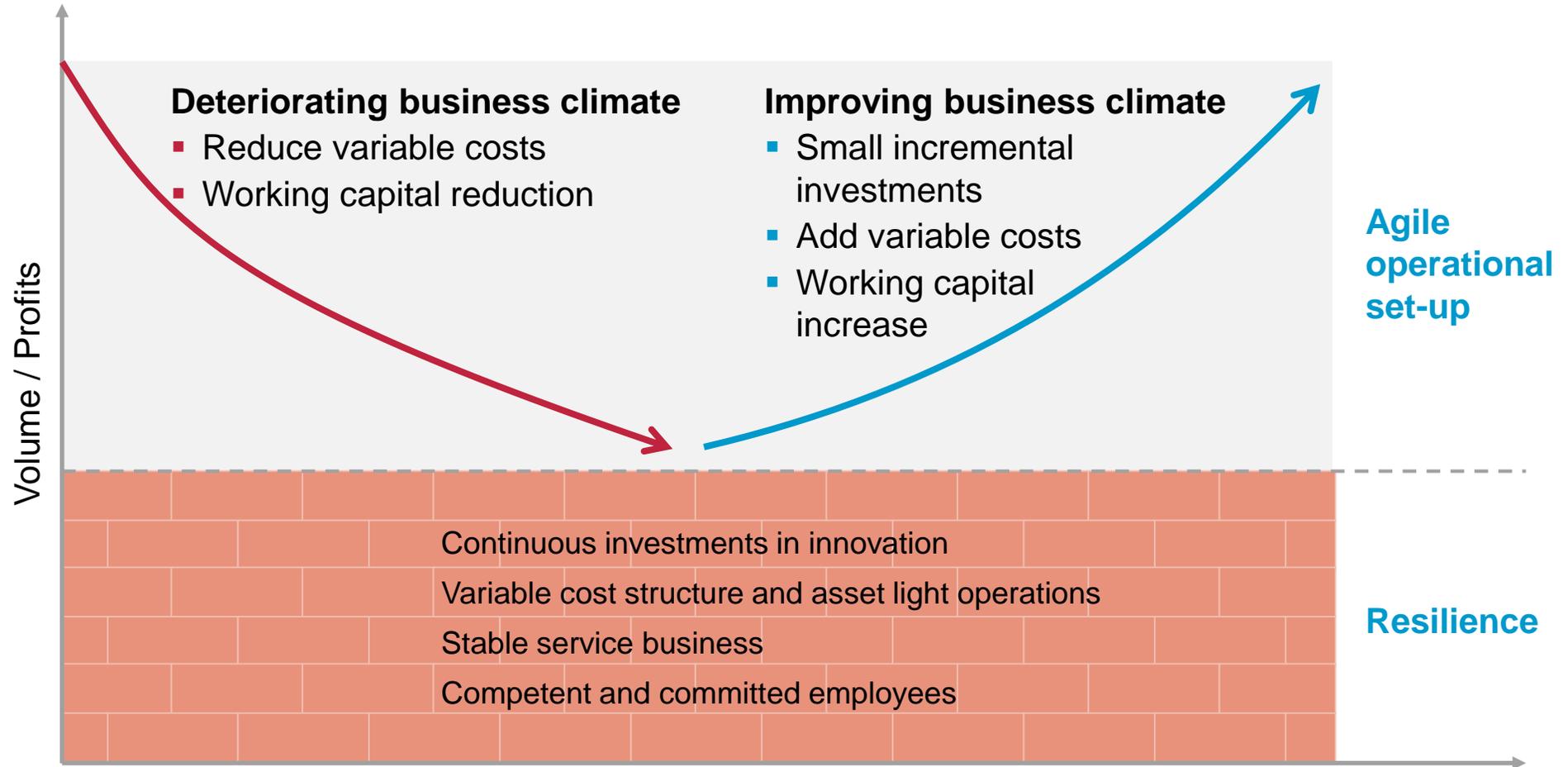
Cash conversion=operating cash flow / net profit from continuing operations.
 Operating cash flow adjusted from 2012 for cash flows from currency hedges of loans 12 months figures. Cash flow and net profit for 2015 and Sept. 2016 adjusted for Belgian tax provision/payment.

AGILE, RESILIENT AND CASH GENERATIVE BUSINESS MODEL

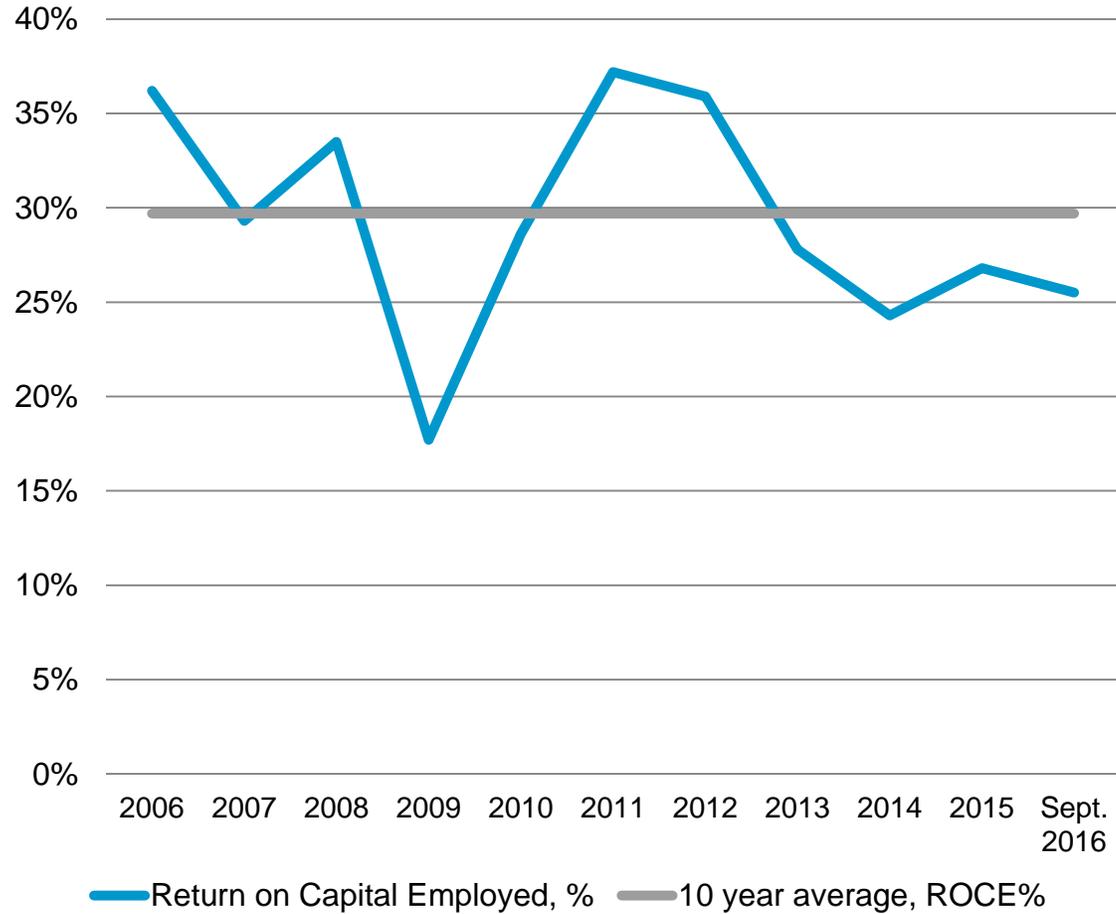
Low investment intensity



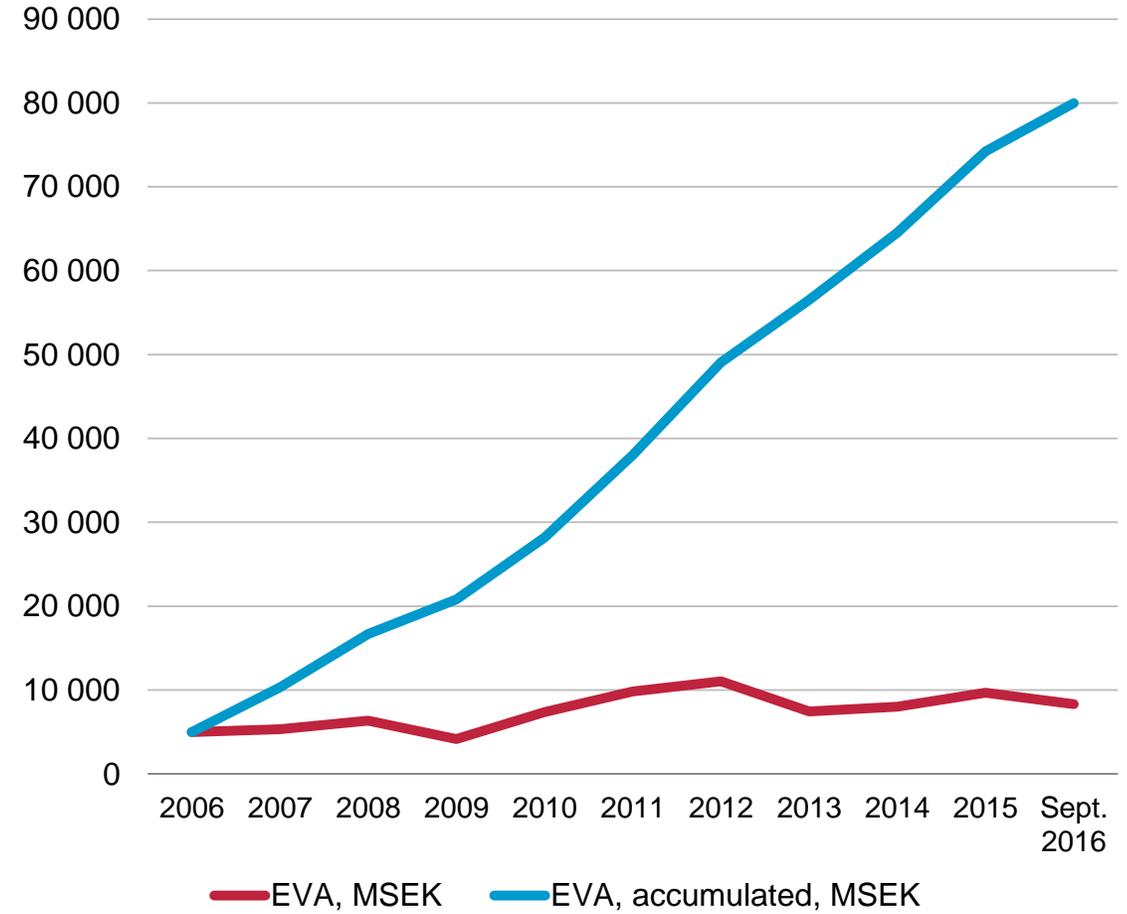
AGILE AND RESILIENT OPERATIONS



HIGH RETURN ON CAPITAL EMPLOYED AND VALUE CREATION

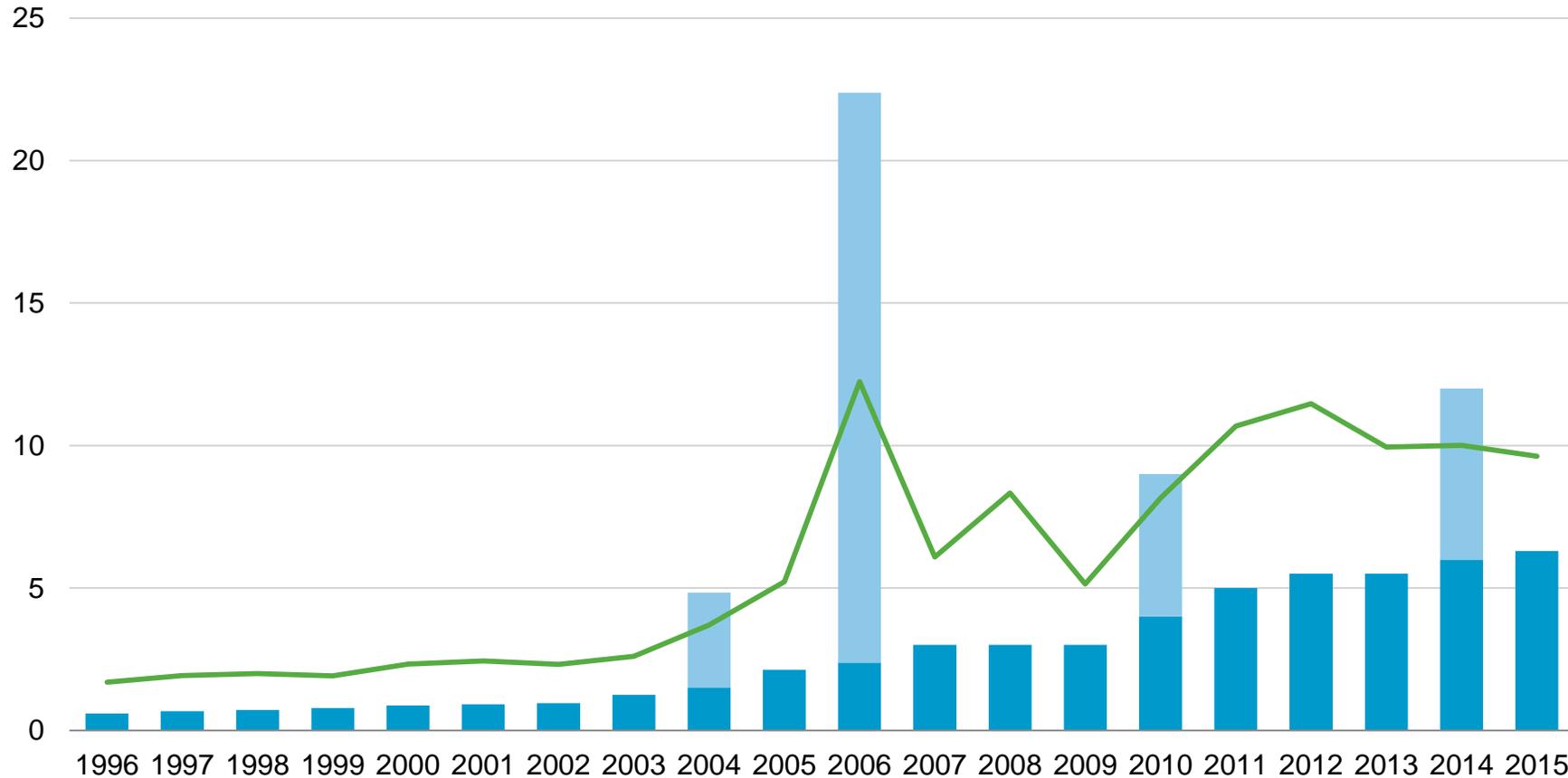


12 month figures.
Avg. ROCE calculated 10 years until 2015



SUSTAINABLE CASH DISTRIBUTION

Annual dividend goal; about 50% of earnings per share



Average yield 5%

Average payout ratio 63%

- Redemption per share, SEK
- Dividend per share, SEK
- Earnings per share, SEK

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

INNOVATION AND DIGITALIZATION HAND-IN-HAND

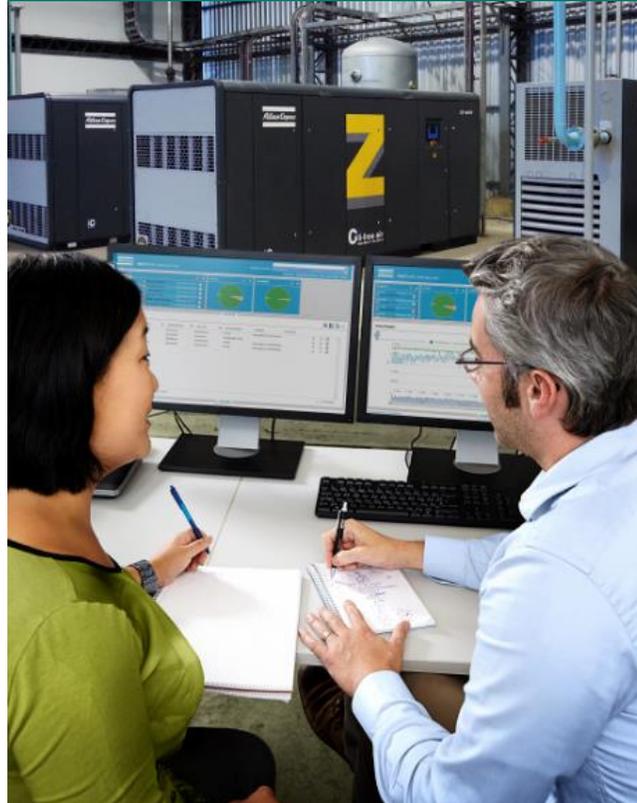


SERVICE ANYTIME ANYWHERE

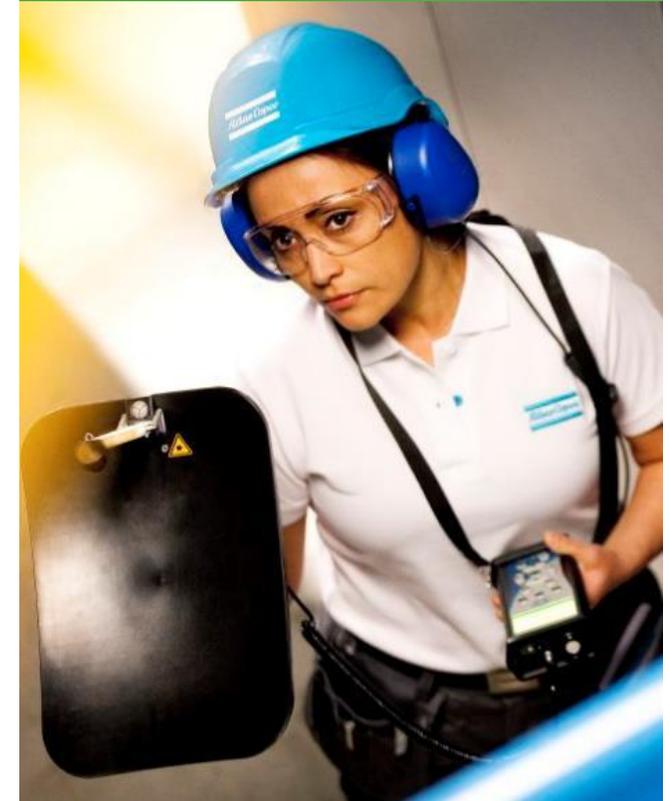
Always Close



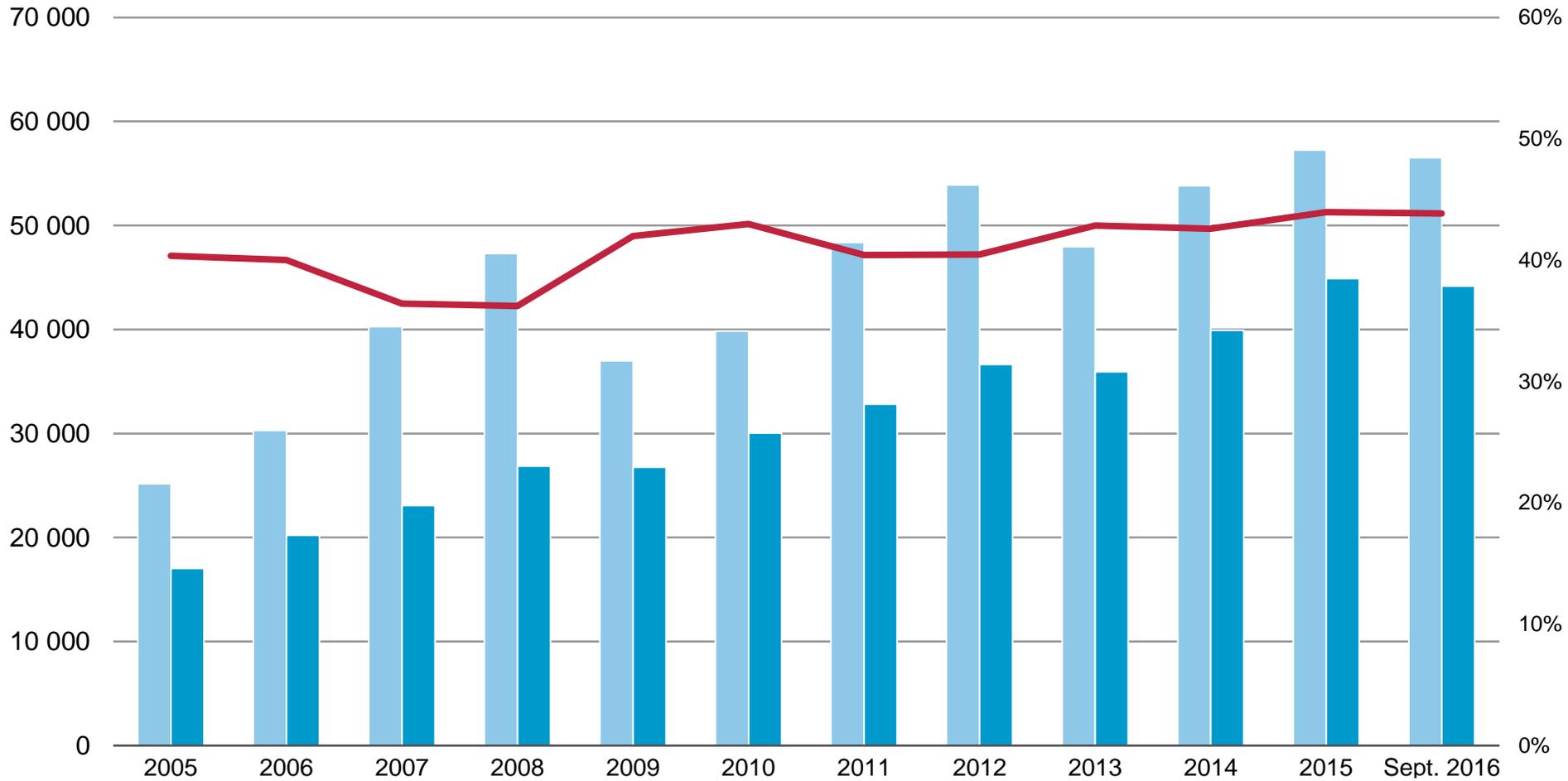
Monitoring and control



Proactive maintenance



CONTINUOUS GROWTH IN SERVICE

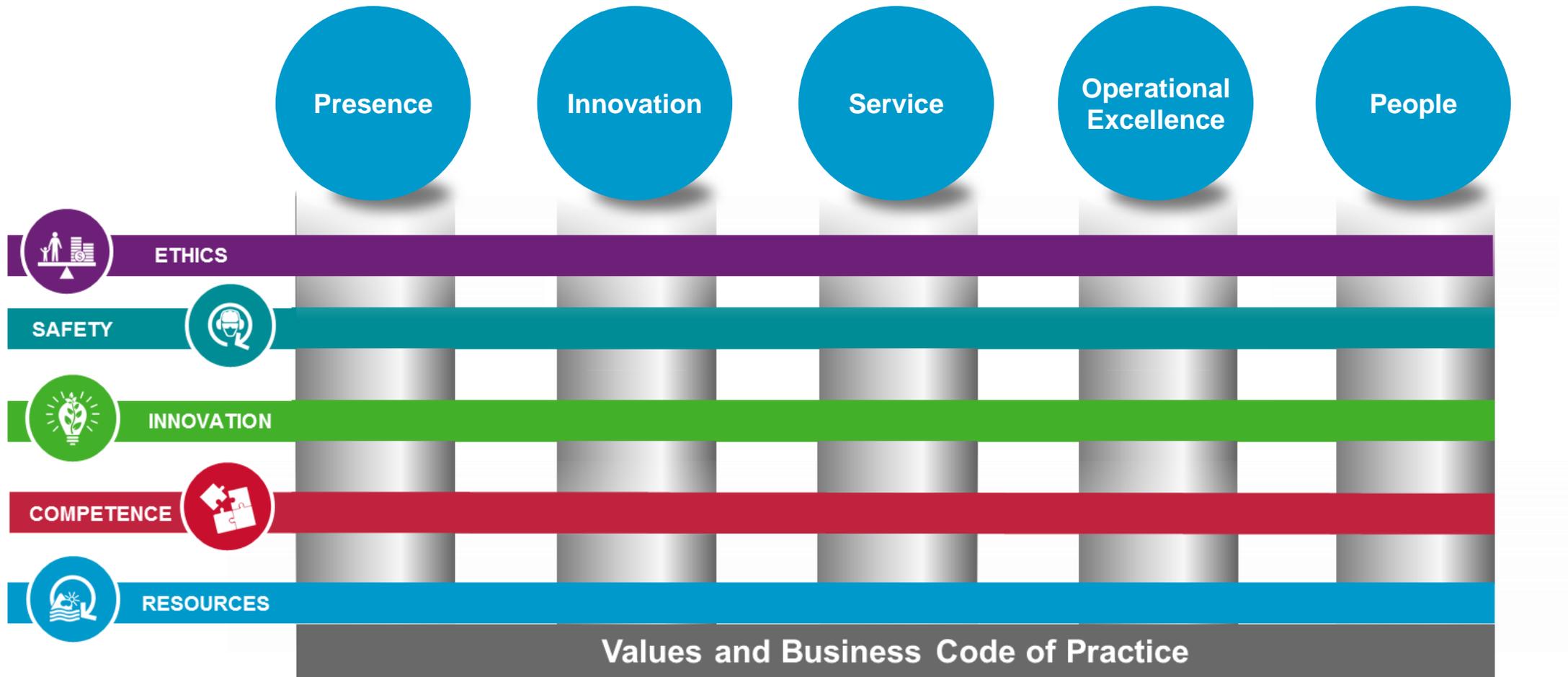


10y CAGR
Service
~ 10%
Equipment
~ 8.5%

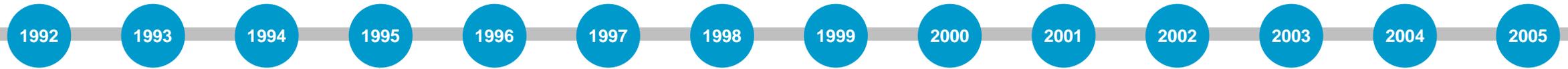
- Equipment revenues, MSEK
- Service revenues, MSEK
- Service, share of revenues, %

12 month figures.
CAGR calculated 10 years until 2015

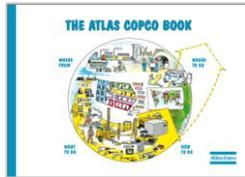
OUR PRIORITIES ARE EMBEDDED IN THE DAILY OPERATIONS



SUSTAINABILITY MILESTONES



- Launch of the Atlas Copco Book, including behavior towards all stakeholder groups



- First Sustainability Report



- 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



SUSTAINABILITY MILESTONES

- 2006**
 - Control Self Assessment launched
- 2007**
 - Atlas Copco signs UN Global Compact membership
 - First Stakeholder Dialogue
- 2008**
- 2009**
- 2010**
 - Launch of sustainability goals

Products, services and solutions	Find in time-to-market, cost-effective solutions for customers in all markets.	Increase customer loyalty.	Increase customer loyalty efficiency to 20% by 2020.	Offer safe and reliable products and services.
Operations	Reduce CO ₂ emissions. Control energy for safety and health of employees.	Compliance. Commitment to achieve good health and safety. Learning opportunities to all employees.	Increase diversity in work force and nationality. Encourage internal mobility.	Safe and healthy working environment for all employees. 20% reduction in lost time due to injury. 20% reduction in lost time due to occupational and non-occupational accidents.
Financials	Reduce CO ₂ emissions. 20% reduction in CO ₂ emissions by 2020.	Reduce CO ₂ emissions. 20% reduction in CO ₂ emissions by 2020.	Reduce water consumption. 20% reduction in water consumption by 2020.	Reduce or recycle waste. 20% reduction in waste by 2020.
- 2011**
 - Classroom training in Business Code of Practice
- 2012**
 - Integrated annual report
- 2013**
- 2014**
- 2015**
 - Materiality analysis
- 2016**
 - New goals based on the materiality results
 - Combined Stakeholder Dialogue and Capital Markets Day
- 2017**
 - The 10th edition of the Atlas Copco Book to further develop the culture

THE LARGEST IMPACT IS ACHIEVEMENTS IN OUR CORE

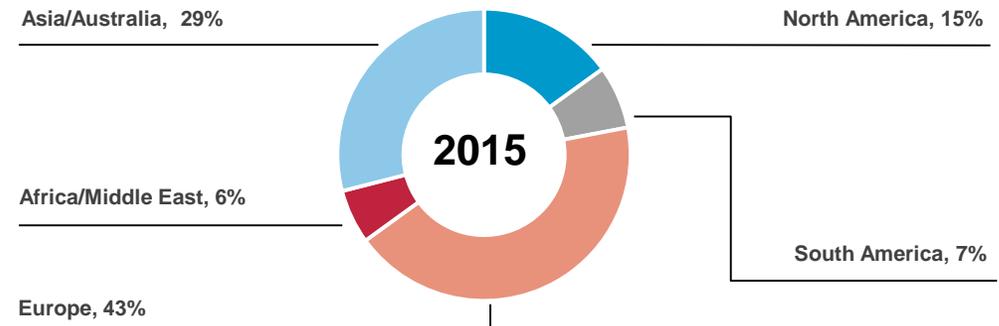
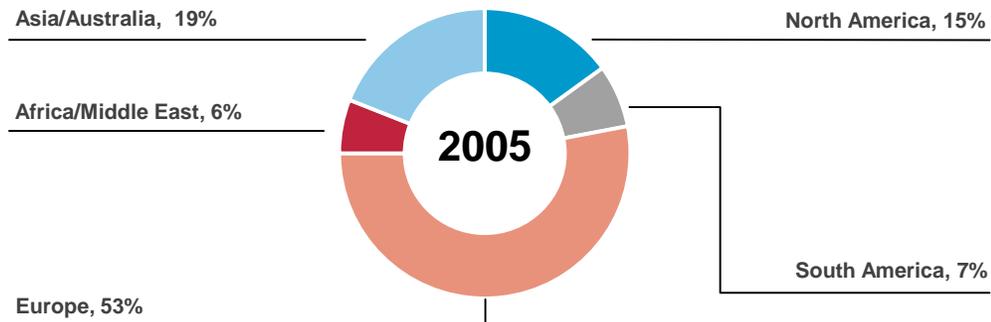
- People with strong ethical standards
- Continuously developing the most energy efficient and productive products



DIVERSITY

Atlas Copco is represented **everywhere**.

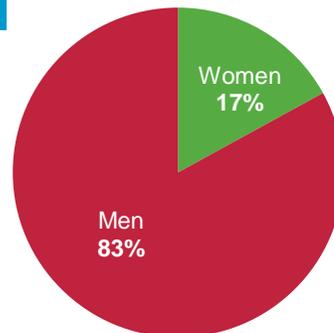
In ten years the proportion of employees in Asia / Australia has increased from 19% to 29%.



Atlas Copco

Female employees: **17%**

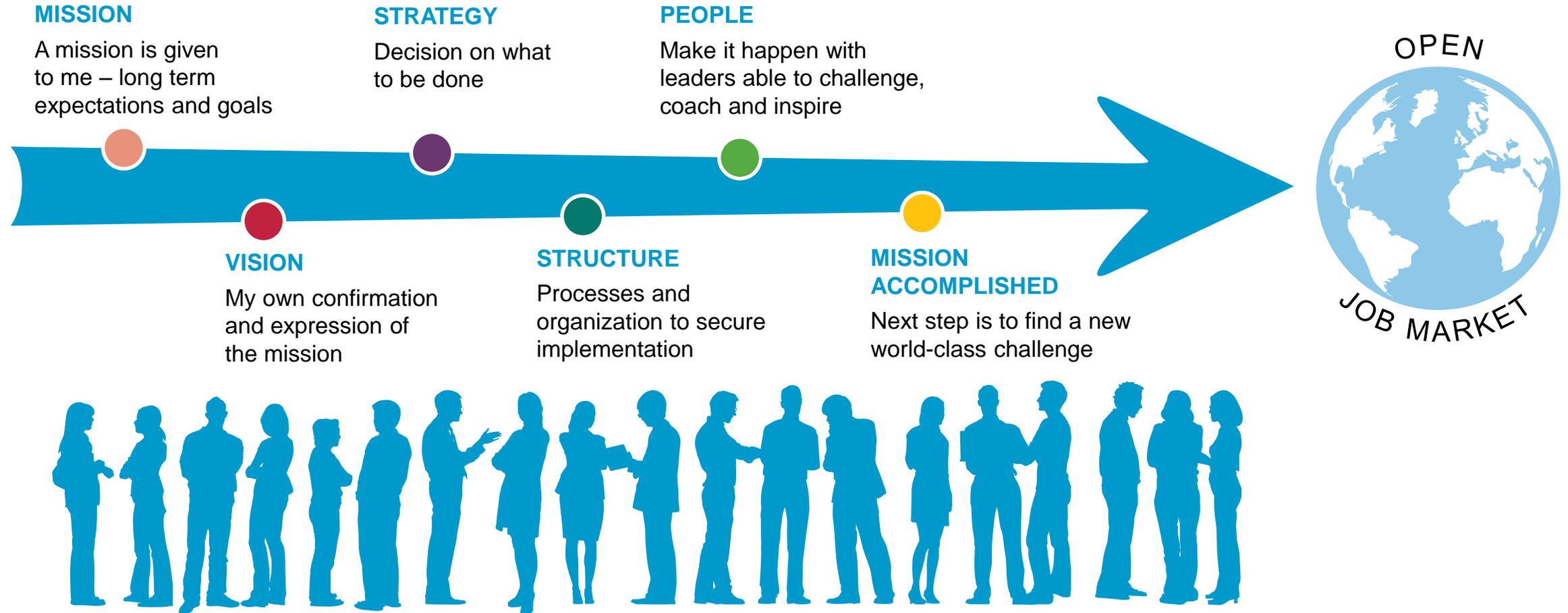
Female managers: **17%**



The share of recent graduated females recruited among white collar workers has increased from 31% in 2014 to

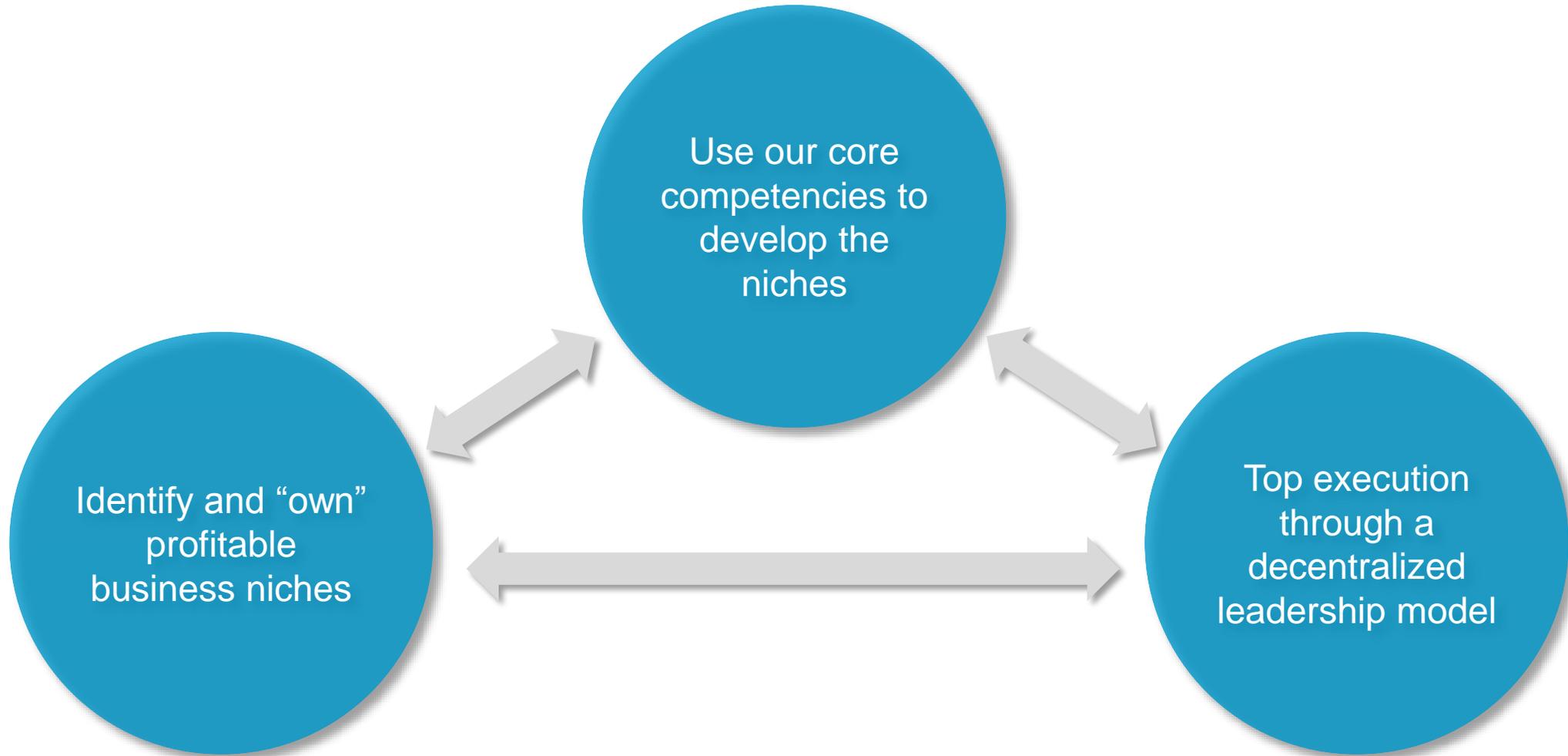
41% in mid-2016.

ATLAS COPCO'S LEADERSHIP MODEL



SUMMARY

SUMMARY





Atlas Copco

