

July 17, 2017

Atlas Copco Second-quarter report 2017

Strong customer demand and record profit

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

- Orders increased 22% to MSEK 30 797 (25 207), organic increase of 11%
- Revenues were MSEK 29 030 (24 565), organic growth of 7%
- Operating profit increased 26% to MSEK 5 988 (4 769)
 - Adjusted operating profit was MSEK 6 244 (4 816), corresponding to a margin of 21.5% (19.6)
- Profit before tax amounted to MSEK 5 620 (4 428)
- Profit for the period was MSEK 4 084 (3 198)
- Basic earnings per share were SEK 3.36 (2.63)
- Operating cash flow at MSEK 4 838 (3 487), including discontinued operations
- Power Technique: New name for Construction Technique
- Epiroc launched as the name for the business that is planned to be dividended out to shareholders in 2018

| MSEK | April - June | | | January - June | | |
|---|--------------|--------|-----|----------------|--------|-----|
| | 2017 | 2016 | | 2017 | 2016 | |
| Orders received | 30 797 | 25 207 | 22% | 62 507 | 49 157 | 27% |
| Revenues | 29 030 | 24 565 | 18% | 57 057 | 47 018 | 21% |
| Operating profit | 5 988 | 4 769 | 26% | 11 699 | 8 939 | 31% |
| – as a percentage of revenues | 20.6 | 19.4 | | 20.5 | 19.0 | |
| Profit before tax | 5 620 | 4 428 | 27% | 11 116 | 8 417 | 32% |
| – as a percentage of revenues | 19.4 | 18.0 | | 19.5 | 17.9 | |
| Profit for the period from continuing operations | 4 084 | 3 198 | 28% | 8 073 | 6 095 | 32% |
| Profit/loss for the period from discontinued operations | -6 | -10 | | 18 | 1 | |
| Profit for the period | 4 078 | 3 188 | 28% | 8 091 | 6 096 | 33% |
| Basic earnings per share, SEK | 3.36 | 2.62 | | 6.66 | 5.01 | |
| - of which continuing operations | 3.36 | 2.63 | | 6.64 | 5.01 | |
| Diluted earnings per share, SEK | 3.31 | 2.62 | | 6.60 | 4.99 | |
| - of which continuing operations | 3.32 | 2.63 | | 6.58 | 5.00 | |
| Return on capital employed, % | 29 | 28 | | | | |

Near-term demand outlook

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

Previous near-term demand outlook (published April 26, 2017):

The overall demand for the Group is expected to improve somewhat.

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Summary of half-year results

Orders received in the first six months of 2017 increased by 27% to MSEK 62 507 (49 157), corresponding to an organic increase of 14%. The currency effect was positive with 6% and acquisitions contributed with 7%. Revenues were MSEK 57 057 (47 018), corresponding to a 9% organic increase.

Operating profit increased by 31% to MSEK 11 699 (8 939). The operating margin was 20.5% (19.0). The

positive impact of changes in exchange rates amounted to MSEK 1 070 for the first half-year.

Profit before tax was MSEK 11 116 (8 417), corresponding to a margin of 19.5% (17.9). Profit for the period totaled 8 073 (6 095). Basic and diluted earnings per share were SEK 6.64 (5.01) and 6.58 (5.00) respectively.

Operating cash flow before acquisitions, divestments and dividends totaled MSEK 8 348 (6 614).

Review of the second quarter

Market development

The overall demand for Atlas Copco's products and services increased compared to the previous year, and order volumes increased for both equipment and service.

The order intake for industrial compressors and related services continued to increase steadily. Demand for vacuum equipment remained strong from the semiconductor industry and orders grew significantly year-on-year, while sequentially, orders were lower than the record level in Q1. Order volumes for mining equipment benefited from replacement investments, but also from expansions of existing mines. The demand for equipment for infrastructure projects also showed good development in the quarter. Order volumes for industrial assembly tools and solutions, including related service, increased, mainly due to good demand from the motor vehicle industry in North America and Asia. Portable compressor orders as well as orders for specialty rental applications increased significantly compared to the previous year.

Geographic distribution of orders received

| April - June 2017 | Atlas Copco Group | |
|--------------------|-------------------|------------|
| | Orders Received % | Change %,* |
| North America | 24 | +18 |
| South America | 7 | +11 |
| Europe | 29 | +13 |
| Africa/Middle East | 7 | -3 |
| Asia | 30 | +32 |
| Australia | 3 | -5 |
| Atlas Copco Group | 100 | +17 |

*Change in orders received compared to the previous year in local currency.

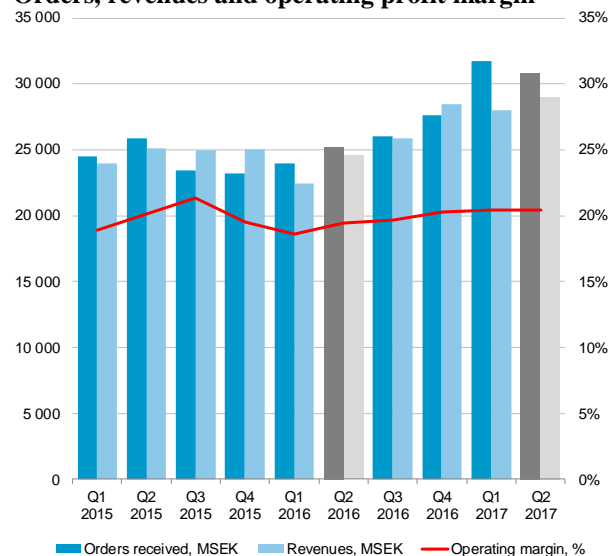
Geographic distribution of orders received

| April - June 2017 | Compressor Technique % | Vacuum Technique % | Industrial Technique % | Mining and Rock Excavation Tech. % | Power Technique % | Atlas Copco Group % |
|--------------------|------------------------|--------------------|------------------------|------------------------------------|-------------------|---------------------|
| North America | 21 | 18 | 34 | 24 | 24 | 24 |
| South America | 6 | 1 | 3 | 14 | 5 | 7 |
| Europe | 33 | 16 | 38 | 24 | 40 | 29 |
| Africa/Middle East | 8 | 2 | 1 | 12 | 10 | 7 |
| Asia/Australia | 32 | 63 | 24 | 26 | 21 | 33 |
| | 100 | 100 | 100 | 100 | 100 | 100 |

Sales bridge

| MSEK | April - June | |
|----------------------|-----------------|----------|
| | Orders received | Revenues |
| 2016 | 25 207 | 24 565 |
| Structural change, % | +6 | +6 |
| Currency, % | +5 | +5 |
| Price, % | +0 | +0 |
| Volume, % | +11 | +7 |
| Total, % | +22 | +18 |
| 2017 | 30 797 | 29 030 |

Orders, revenues and operating profit margin



Revenues, profits and returns

Revenues increased 18% to MSEK 29 030 (24 565), corresponding to an organic increase of 7%. Currency and acquisitions contributed with 5% respectively 6%.

The operating profit increased to MSEK 5 988 (4 769) and includes a non-cash change in provision for share-related long-term incentive programs of MSEK -186 (-47), and MSEK -70 for costs associated with the proposed split of the Group. Both items are reported in Common Group Functions.

The adjusted operating profit increased 30% to MSEK 6 244 (4 816), corresponding to a margin of 21.5% (19.6). The higher profit was due to the organic revenue growth, and a favorable effect from changes in exchange rates. The net currency effect was MSEK +500. Recent acquisitions had a negative, dilutive, effect on the operating margin.

Net financial items were MSEK -368 (-341). Interest net was MSEK -311 (-182), including a one-time interest charge of MSEK -125, related to the EU challenge of Belgian tax rulings (see below). Other financial items were MSEK -57 (-159) and include a one-time cost of MSEK -39 related to the proposed split of the Group and public bond loans. Last year included one-time costs for the repurchase of public USD bonds.

Profit before tax amounted to MSEK 5 620 (4 428), corresponding to a margin of 19.4% (18.0).

Profit for the period totaled MSEK 4 084 (3 198) with an effective tax rate of 27.3% (27.8). Basic and diluted earnings per share were SEK 3.36 (2.63) and SEK 3.32 (2.63), respectively.

The return on capital employed during the last 12 months was 29% (28). Return on equity was 27% (24). The Group uses a weighted average cost of capital (WACC) of 8.0% as an investment and overall performance benchmark.

European Commission's decision on Belgium's tax rulings

Following the European Commission's decision in January 2016 on Belgium's tax rulings, Atlas Copco has provided, in total MEUR 313 (MSEK 2 952). Atlas Copco has appealed the decision, but it will likely take several years until a final judgment from the European Court of Justice is known. In order to stop further interest charges from accruing, Atlas Copco has paid the full amount, whereof MEUR 68 (MSEK 655) in the second quarter 2017.

Operating cash flow and investments (including discontinued operations)

Operating cash surplus reached MSEK 7 528 (5 665). Working capital decreased by MSEK 346 (441). Net investments in rental equipment were MSEK 246 (196). Net investments in property, plant and equipment were MSEK 329 (292).

In total, operating cash flow, adjusted for currency hedges of loans and the tax payment related to the tax rulings in Belgium, reached MSEK 4 838 (3 487). See page 14.

Net indebtedness

The Group's net indebtedness, adjusted for the fair value of interest rate swaps, amounted to MSEK 12 305 (15 460) of which MSEK 3 332 (2 471) was attributable to post-employment benefits. The Group has an average maturity of 5.2 years on interest-bearing liabilities.

In the quarter, payments for the first installment of the annual dividend was made of MSEK 4 126. The second installment of the annual dividend will be paid in November 2017 and is recorded as a liability. The net debt/EBITDA ratio was 0.5 (0.7). The net debt/equity ratio was 24% (34).

Acquisition and divestment of own shares

During the quarter, 1 209 094 A shares, net, were sold for a value of MSEK 399. These transactions are in accordance with mandates granted by the Annual General Meeting and relate to the Group's long-term incentive programs.

Employees

On June 30, 2017, the number of employees was 45 973 (41 878). The number of consultants/external workforce was 3 878 (2 891). For comparable units, the total workforce increased by 2 378 from June 30, 2016.

Proposal to split the Group

As announced in January 2017, Atlas Copco is working on a proposed split of the Group into two listed companies. The preparation for the split is progressing according to plan. Epiroc was launched in the quarter as the name for the mining and civil engineering business that is planned to be divided out to Atlas Copco's shareholders in 2018.

Revenues and operating profit – bridge

| MSEK | Q2 2017 | Volume, price, mix and other | Currency | One-time items Acquisitions | Share based LTI programs* | Q2 2016 |
|--------------------------|---------|---------------------------------|----------|--------------------------------|------------------------------|---------|
| Atlas Copco Group | | | | | | |
| Revenues | 29 030 | 1 770 | 1 125 | 1 570 | - | 24 565 |
| Operating profit | 5 988 | 698 | 500 | 160 | -139 | 4 769 |
| % | 20.6% | 39.4% | | | | 19.4% |

*LTI=Long Term Incentive

Compressor Technique

| MSEK | April - June | | | January - June | | |
|-------------------------------|--------------|-------|-----|----------------|--------|-----|
| | 2017 | 2016 | | 2017 | 2016 | |
| Orders received | 10 279 | 9 293 | 11% | 20 404 | 17 813 | 15% |
| Revenues | 9 597 | 8 976 | 7% | 18 958 | 17 132 | 11% |
| Operating profit | 2 242 | 2 007 | 12% | 4 344 | 3 799 | 14% |
| – as a percentage of revenues | 23.4 | 22.4 | | 22.9 | 22.2 | |
| Return on capital employed, % | 71 | 67 | | | | |

- **Good order development except for gas and process compressors**
- **Continued solid growth for service**
- **Operating margin improved**

Sales bridge

| MSEK | April - June | |
|----------------------|-----------------|----------|
| | Orders received | Revenues |
| 2016 | 9 293 | 8 976 |
| Structural change, % | +2 | +2 |
| Currency, % | +4 | +4 |
| Price, % | +0 | +0 |
| Volume, % | +5 | +1 |
| Total, % | +11 | +7 |
| 2017 | 10 279 | 9 597 |

Industrial compressors

The order intake for industrial compressors increased compared to the previous year. The growth rate for small and medium sized compressors was similar to large compressors.

The order volumes increased in all regions except Europe and Africa/Middle East where the order development was more or less flat.

Compressor service

The compressor service business continued to achieve organic growth in all regions.

Gas and process compressors

The order volumes decreased both compared to the previous year and sequentially.

Asia and South America countered the overall negative development and increased compared to the previous year.

Acquisitions

Pressure Compressores, a Brazilian manufacturer of piston compressors and related equipment, was acquired in May. The company has about 150 employees and had revenues in 2016 of about MSEK 145.

Innovation

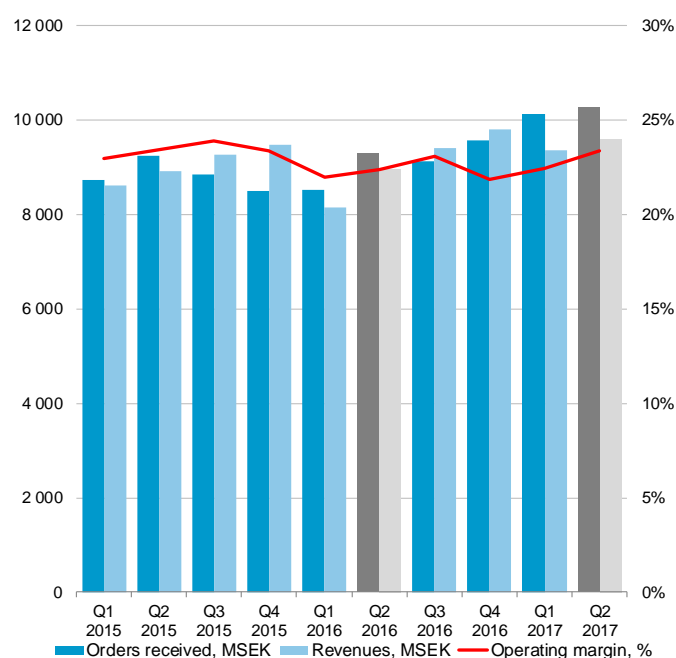
A new range of desiccant dryers was introduced to the market. With an unique valve system and electronic controller, the dryers provide minimized pressure drop, low energy cost, and low noise level.

Revenues and profitability

Revenues were MSEK 9 597 (8 976), corresponding to an organic increase of 1%.

The operating profit increased to MSEK 2 242 (2 007), corresponding to a margin of 23.4% (22.4). A favorable sales mix and currency affected the margin positively, while recent acquisitions diluted it. Return on capital employed (last 12 months) was 71% (67%).

Orders, revenues and operating profit margin



Vacuum Technique

| MSEK | April - June | | January - June | | | |
|-------------------------------|--------------|-------|----------------|--------|-------|-----|
| | 2017 | 2016 | | 2017 | 2016 | |
| Orders received | 4 989 | 2 784 | 79% | 11 056 | 6 059 | 82% |
| Revenues | 4 777 | 2 953 | 62% | 9 545 | 5 489 | 74% |
| Operating profit | 1 198 | 693 | 73% | 2 379 | 1 197 | 99% |
| – as a percentage of revenues | 25.1 | 23.5 | | 24.9 | 21.8 | |
| Return on capital employed, % | 22 | 15 | | | | |

- **Record revenues and profit**
- **Strong order development for semiconductor and strong growth in industrial vacuum**
- **Growth in service, both for semiconductor and general industry**

Sales bridge

| MSEK | April - June | |
|----------------------|-----------------|----------|
| | Orders received | Revenues |
| 2016 | 2 784 | 2 953 |
| Structural change, % | +48 | +45 |
| Currency, % | +6 | +5 |
| Price, % | +0 | +1 |
| Volume, % | +25 | +11 |
| Total, % | +79 | +62 |
| 2017 | 4 989 | 4 777 |

Semiconductor and flat panel display

The demand for equipment for the semiconductor and flat panel industries remained very strong. The order intake increased substantially compared to the previous year for both applications, while sequentially, order volumes decreased from the record levels seen in the first quarter.

Geographically and compared to the previous year, Asia and North America were the main drivers for the strong order development.

Industrial and high vacuum

Orders received for rough, industrial and high vacuum equipment increased significantly compared to the previous year. Strong growth was achieved both organically and through the recently acquired Leybold business.

Compared to the previous year, the order intake increased in all major regions with the highest growth in Asia.

Service

Orders received for the service business increased compared to the previous year.

Growth was achieved in all major regions, with the highest growth in Europe and Asia.

Innovation

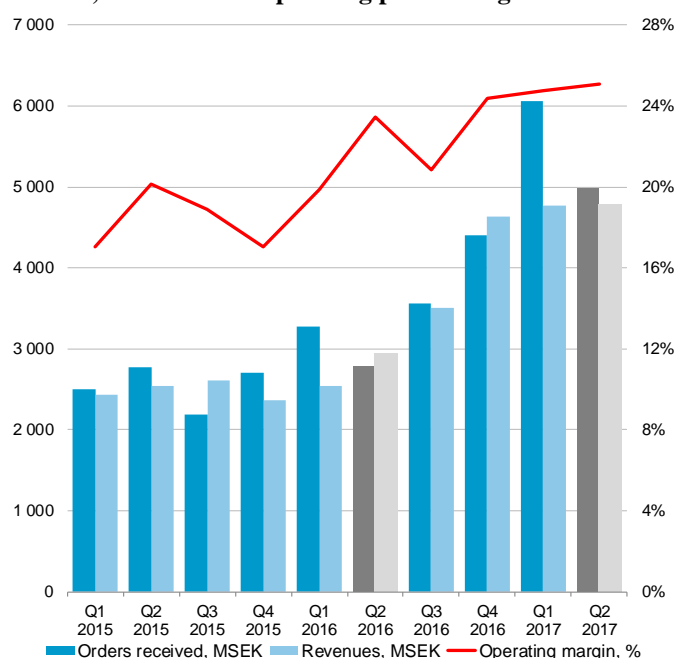
A new plasma based abatement system was introduced. It is a non-fuel, and hence cost efficient solution, eliminating potentially toxic or harmful gases from the exhaust in the semiconductor manufacturing process. The system comes with a dual capability option offering the customer 100% uptime if required.

Revenues and profitability

Revenues increased to a record MSEK 4 777 (2 953), corresponding to an organic increase of 12%.

The operating profit increased 73% to MSEK 1 198 (693) and the operating margin reached 25.1% (23.5). The margin was supported by higher volume and currency, but diluted by acquisitions. Return on capital employed (last 12 months) was 22% (15).

Orders, revenues and operating profit margin



Industrial Technique

| MSEK | April - June | | | January - June | | |
|-------------------------------|--------------|-------|-----|----------------|-------|-----|
| | 2017 | 2016 | | 2017 | 2016 | |
| Orders received | 4 230 | 3 862 | 10% | 8 533 | 7 374 | 16% |
| Revenues | 4 154 | 3 622 | 15% | 8 185 | 7 039 | 16% |
| Operating profit | 964 | 799 | 21% | 1 897 | 1 536 | 24% |
| – as a percentage of revenues | 23.2 | 22.1 | | 23.2 | 21.8 | |
| Return on capital employed, % | 38 | 31 | | | | |

- Demand from the motor vehicle industry remained at a high level
- Record revenues and solid profit level
- Continued healthy growth in service

Sales bridge

| MSEK | April - June | |
|----------------------|-----------------|----------|
| | Orders received | Revenues |
| 2016 | 3 862 | 3 622 |
| Structural change, % | +1 | +0 |
| Currency, % | +4 | +4 |
| Price, % | +0 | +1 |
| Volume, % | +5 | +10 |
| Total, % | +10 | +15 |
| 2017 | 4 230 | 4 154 |

Motor vehicle industry

The demand for advanced industrial tools and assembly solutions from the motor vehicle industry remained robust, and the orders received increased compared to the previous year. Sequentially, the order volumes were largely unchanged.

Compared to the previous year, the order intake increased in all major regions. The strongest growth was achieved in Asia.

General industry

The order volumes for industrial power tools from the general manufacturing industries increased compared to the previous year.

Geographically, the growth was mainly driven by North America and Asia.

Service

The service business, including maintenance and calibration services, continued to grow year-on-year, and all regions achieved growth compared to the previous year.

Innovation

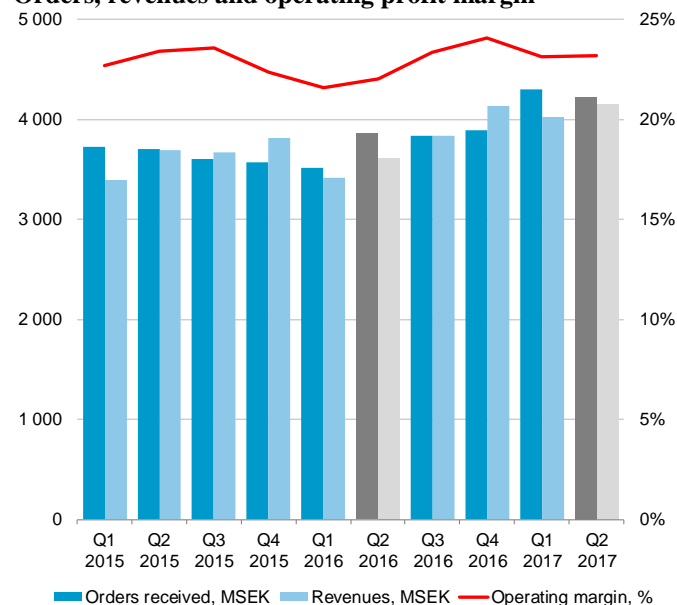
A new system for fixtured tightening applications was introduced. The system supports production line rebalancing, floor space reduction, and flexible positioning thanks to its small size. For example, the system can be directly mounted on rail systems or robots.

Revenues and profitability

Revenues increased to a record MSEK 4 154 (3 622), corresponding to an organic increase of 11%.

Operating profit was MSEK 964 (799), corresponding to an operating margin of 23.2% (22.1). The margin improvement came primarily from the higher sales volume. Return on capital employed (last 12 months) was 38% (31).

Orders, revenues and operating profit margin



Mining and Rock Excavation Technique

| MSEK | April - June | | January - June | | | |
|-------------------------------|--------------|-------|----------------|--------|--------|-----|
| | 2017 | 2016 | | 2017 | 2016 | |
| Orders received | 8 068 | 6 393 | 26% | 15 975 | 12 122 | 32% |
| Revenues | 7 157 | 6 124 | 17% | 14 039 | 11 860 | 18% |
| Operating profit | 1 414 | 1 041 | 36% | 2 775 | 1 907 | 46% |
| – as a percentage of revenues | 19.8 | 17.0 | | 19.8 | 16.1 | |
| Return on capital employed, % | 38 | 31 | | | | |

- **Strong growth for both mining and civil engineering equipment**
- **Continued solid growth for service and consumables**
- **Operating margin supported by volume and currency**

Sales bridge

| MSEK | April - June | |
|----------------------|-----------------|----------|
| | Orders received | Revenues |
| 2016 | 6 393 | 6 124 |
| Structural change, % | +0 | +0 |
| Currency, % | +6 | +6 |
| Price, % | +0 | +0 |
| Volume, % | +20 | +11 |
| Total, % | +26 | +17 |
| 2017 | 8 068 | 7 157 |

Mining equipment

The demand for mining equipment improved, driven both by replacement investments and expansions of existing mines. The order intake increased year-on-year, but was largely unchanged sequentially.

Geographically and compared to the previous year, the order volumes increased in all regions except Australia, where last year included a big order of automation units.

Civil engineering equipment

The orders received for equipment for infrastructure projects increased compared to the previous year.

Geographically, the main contributors to the growth were Europe and Africa/Middle East.

Service and consumables

The demand for service and consumables was positively impacted by higher activities within both infrastructure projects and in mines. Orders received increased compared to the previous year, and the development was unchanged sequentially.

Compared to the previous year, the order volumes increased in all regions.

Innovation

A new Powerbit range for top hammer surface drilling was introduced. With its optimized shape and its surface treatment technology, the new drill bits offer improved wear resistance, better penetration rate and increased productivity compared to previous models.

Acquisition

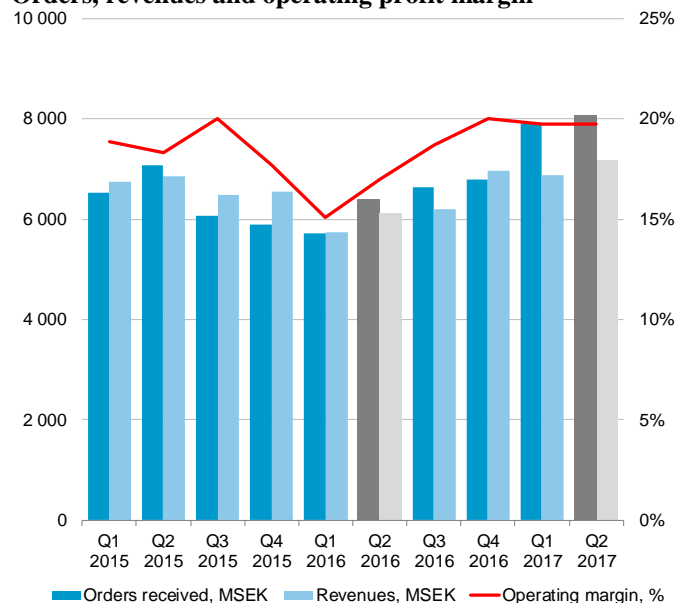
In June, an agreement was signed to acquire 34% of Mobilaris MCE AB, a Sweden-based company that provides advanced software for optimization of underground mining operations. The acquisition was completed in July 2017.

Revenues and profitability

Revenues were MSEK 7 157 (6 124) corresponding to an organic increase of 11%.

Operating profit increased 36% to MSEK 1 414 (1 041), corresponding to a margin of 19.8% (17.0). The margin was supported by the increased revenue volumes and currency, but negatively affected by unfavorable sales mix. Return on capital employed (last 12 months) was 38% (31).

Orders, revenues and operating profit margin



Power Technique

| MSEK | April - June | | January - June | | | |
|-------------------------------|--------------|-------|----------------|-------|-------|-----|
| | 2017 | 2016 | | 2017 | 2016 | |
| Orders received | 3 471 | 3 006 | 15% | 7 039 | 6 067 | 16% |
| Revenues | 3 496 | 3 042 | 15% | 6 673 | 5 760 | 16% |
| Operating profit | 616 | 484 | 27% | 1 136 | 892 | 27% |
| – as a percentage of revenues | 17.6 | 15.9 | | 17.0 | 15.5 | |
| Return on capital employed, % | 19 | 18 | | | | |

- **Strong growth for portable compressors and specialty rental**
- **Healthy operating margin**
- **Power Technique: New name for Construction Technique**

Sales bridge

| MSEK | April - June | |
|----------------------|-----------------|----------|
| | Orders received | Revenues |
| 2016 | 3 006 | 3 042 |
| Structural change, % | +1 | +1 |
| Currency, % | +5 | +5 |
| Price, % | +0 | +1 |
| Volume, % | +9 | +8 |
| Total, % | +15 | +15 |
| 2017 | 3 471 | 3 496 |

Equipment

The demand for equipment increased, and the order intake increased compared to the previous year. The growth was primarily due to good order development for portable compressors. Sequentially, and following a normal seasonal pattern, the order intake decreased for both portable compressors and construction tools.

Compared to the previous year, orders received increased in North America, Europe, and Asia, while decreased in South America and Africa/Middle East.

Specialty rental

Order volumes for the specialty rental business increased compared to the previous year and sequentially.

Geographically, and compared to the previous year, the order intake was higher in all regions except Asia where the volumes were down.

Service

The service business was unchanged compared to the previous year and sequentially.

Geographically and compared to the previous year, the order intake increased in all regions except South America and Africa/Middle East.

Innovation

The range of light towers was expanded with the launch of new advanced LED models. Specially designed directional glass optics provide high performance, and robust housing support long operating lifetime.

Acquisition

In May, Atlas Copco acquired the Brazilian Itubombas Locação Comércio Importação e Exportação, which rents out pumps to professional customers in the oil and gas, construction and mining sector. The acquired company with about 40 employees had revenues of about MSEK 50 in 2016.

Change of business area name

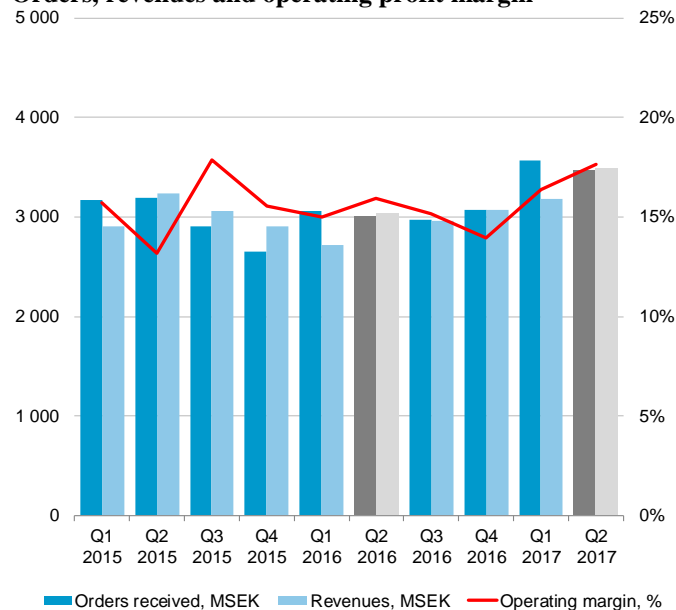
The name of the business area has been changed from Construction Technique to Power Technique, in order to better reflect the current products and customer segments.

Revenues and profitability

Revenues reached MSEK 3 496 (3 042), corresponding to an organic increase of 9%.

Operating profit was MSEK 616 (484), corresponding to a margin of 17.6% (15.9). The increased margin was primarily due to the higher revenue volume. Return on capital employed (last 12 months) was 19% (18).

Orders, revenues and operating profit margin



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 2016. 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>.

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 widespread financial crisis and economic downturn affects 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 limits 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 offset by increased sales to mining customers and partly compensated for by increased market 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 2016.

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

Consolidated income statement

| | 3 months ended | | 6 months ended | | 12 months ended | | |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | Jun. 30 2017 | Jun. 30 2016 | Jun. 30 2017 | Jun. 30 2016 | Jun. 30 2017 | Jun. 30 2016 | Dec. 31 2016 |
| MSEK | | | | | | | |
| Continuing operations | | | | | | | |
| Revenues | 29 030 | 24 565 | 57 057 | 47 018 | 111 395 | 96 943 | 101 356 |
| Cost of sales | -16 812 | -14 891 | -33 163 | -28 312 | -66 088 | -58 100 | -61 237 |
| Gross profit | 12 218 | 9 674 | 23 894 | 18 706 | 45 307 | 38 843 | 40 119 |
| Marketing expenses | -3 122 | -2 652 | -6 144 | -5 197 | -11 991 | -10 475 | -11 044 |
| Administrative expenses | -1 961 | -1 611 | -3 924 | -3 113 | -7 635 | -6 079 | -6 824 |
| Research and development costs | -880 | -745 | -1 732 | -1 486 | -3 342 | -3 136 | -3 096 |
| Other operating income and expenses | -267 | 103 | -395 | 29 | 219 | -11 | 643 |
| Operating profit | 5 988 | 4 769 | 11 699 | 8 939 | 22 558 | 19 142 | 19 798 |
| - as a percentage of revenues | 20.6 | 19.4 | 20.5 | 19.0 | 20.3 | 19.7 | 19.5 |
| Net financial items | -368 | -341 | -583 | -522 | -1 054 | -970 | -993 |
| Profit before tax | 5 620 | 4 428 | 11 116 | 8 417 | 21 504 | 18 172 | 18 805 |
| - as a percentage of revenues | 19.4 | 18.0 | 19.5 | 17.9 | 19.3 | 18.7 | 18.6 |
| Income tax expense | -1 536 | -1 230 | -3 043 | -2 322 | -5 741 | -7 168 | -5 020 |
| Profit for the period from continuing operations | 4 084 | 3 198 | 8 073 | 6 095 | 15 763 | 11 004 | 13 785 |
| Discontinued operations | | | | | | | |
| Profit/loss for the period from discontinued operation | -6 | -10 | 18 | 1 | -1 820 | -72 | -1 837 |
| Profit for the period | 4 078 | 3 188 | 8 091 | 6 096 | 13 943 | 10 932 | 11 948 |
| Profit attributable to | | | | | | | |
| - owners of the parent | 4 073 | 3 185 | 8 080 | 6 092 | 13 919 | 10 927 | 11 931 |
| - non-controlling interests | 5 | 3 | 11 | 4 | 24 | 5 | 17 |
| Basic earnings per share, SEK | 3.36 | 2.62 | 6.66 | 5.01 | 11.45 | 8.98 | 9.81 |
| - of which continuing operations | 3.36 | 2.63 | 6.64 | 5.01 | 12.95 | 9.04 | 11.32 |
| Diluted earnings per share, SEK | 3.31 | 2.62 | 6.60 | 4.99 | 11.36 | 8.94 | 9.79 |
| - of which continuing operations | 3.32 | 2.63 | 6.58 | 5.00 | 12.86 | 9.01 | 11.30 |
| Basic weighted average number of shares outstanding, millions | 1 213.5 | 1 216.1 | 1 213.9 | 1 215.8 | 1 215.2 | 1 216.6 | 1 216.1 |
| Diluted weighted average number of shares outstanding, millions | 1 215.1 | 1 216.3 | 1 215.4 | 1 216.0 | 1 216.4 | 1 216.9 | 1 216.8 |

Key ratios

| | | | |
|--|--------|--------|--------|
| Equity per share, period end, SEK ¹⁾ | 43 | 37 | 44 |
| Return on capital employed, 12 month values, % | 29 | 28 | 27 |
| Return on equity, 12 month values, % ¹⁾ | 27 | 24 | 24 |
| Debt/equity ratio, period end, % ¹⁾ | 24 | 34 | 28 |
| Equity/assets ratio, period end, % ¹⁾ | 44 | 43 | 46 |
| Number of employees, period end | 45 973 | 41 878 | 44 695 |

¹⁾ Including discontinued operations

Consolidated statement of comprehensive income, including discontinued operations

| | 3 months ended | | 6 months ended | | 12 months ended | | |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | Jun. 30 2017 | Jun. 30 2016 | Jun. 30 2017 | Jun. 30 2016 | Jun. 30 2017 | Jun. 30 2016 | Dec. 31 2016 |
| MSEK | | | | | | | |
| Profit for the period | 4 078 | 3 188 | 8 091 | 6 096 | 13 943 | 10 932 | 11 948 |
| Other comprehensive income | | | | | | | |
| Items that will not be reclassified to profit or loss | | | | | | | |
| Remeasurements of defined benefit pension plans | -2 | -85 | -172 | -264 | -21 | 503 | -113 |
| Income tax relating to items that will not be reclassified | 2 | 15 | 56 | 60 | -7 | -95 | -3 |
| | 0 | -70 | -116 | -204 | -28 | 408 | -116 |
| Items that may be reclassified subsequently to profit or loss | | | | | | | |
| Translation differences on foreign operations | -982 | 1 538 | -948 | 1 353 | 900 | -64 | 3 201 |
| Hedge of net investments in foreign operations - realized and reclassified to income statement | -230 | -317 | -198 | -503 | -457 | -374 | -762 |
| Cash flow hedges | 79 | -9 | 109 | - | 84 | -21 | -25 |
| Income tax relating to items that may be reclassified | 126 | 201 | 100 | 319 | 268 | 240 | 487 |
| | -1 007 | 1 413 | -937 | 1 169 | 795 | -219 | 2 901 |
| Other comprehensive income for the period, net of tax | -1 007 | 1 343 | -1 053 | 965 | 767 | 189 | 2 785 |
| Total comprehensive income for the period | 3 071 | 4 531 | 7 038 | 7 061 | 14 710 | 11 121 | 14 733 |
| Total comprehensive income attributable to | | | | | | | |
| - owners of the parent | 3 070 | 4 527 | 7 028 | 7 059 | 14 680 | 11 123 | 14 711 |
| - non-controlling interests | 1 | 4 | 10 | 2 | 30 | -2 | 22 |

Consolidated balance sheet

| MSEK | Jun. 30, 2017 | Jun. 30, 2016* | Dec. 31, 2016 |
|---|----------------|----------------|----------------|
| Intangible assets | 36 295 | 34 451 | 37 828 |
| Rental equipment | 2 892 | 2 993 | 3 095 |
| Other property, plant and equipment | 9 450 | 9 037 | 9 793 |
| Financial assets and other receivables | 2 287 | 2 216 | 2 286 |
| Deferred tax assets | 1 616 | 1 689 | 1 889 |
| Total non-current assets | 52 540 | 50 386 | 54 891 |
| Inventories | 18 033 | 18 297 | 16 912 |
| Trade and other receivables | 28 941 | 27 021 | 27 685 |
| Other financial assets | 1 754 | 2 170 | 2 455 |
| Cash and cash equivalents | 14 550 | 8 891 | 11 458 |
| Assets classified as held for sale | 3 231 | 10 | 2 491 |
| Total current assets | 66 509 | 56 389 | 61 001 |
| TOTAL ASSETS | 119 049 | 106 775 | 115 892 |
| Equity attributable to owners of the parent | 51 718 | 46 071 | 53 105 |
| Non-controlling interests | 74 | 149 | 72 |
| TOTAL EQUITY | 51 792 | 46 220 | 53 177 |
| Borrowings | 23 315 | 18 101 | 23 148 |
| Post-employment benefits | 3 332 | 2 471 | 3 907 |
| Other liabilities and provisions | 1 727 | 1 569 | 1 589 |
| Deferred tax liabilities | 617 | 1 121 | 1 028 |
| Total non-current liabilities | 28 991 | 23 262 | 29 672 |
| Borrowings | 1 869 | 5 811 | 1 574 |
| Trade payables and other liabilities | 33 616 | 29 873 | 28 519 |
| Provisions | 1 903 | 1 609 | 2 139 |
| Liabilities directly associated with assets classified as held for sale | 878 | - | 811 |
| Total current liabilities | 38 266 | 37 293 | 33 043 |
| TOTAL EQUITY AND LIABILITIES | 119 049 | 106 775 | 115 892 |

*Including assets and liabilities related to discontinued operations

Fair value of derivatives and borrowings

The carrying value and fair value of the Group's outstanding derivatives and borrowings are shown in the tables below. The fair values of bonds are based on level 1 and the fair values of derivatives and other loans are based on level 2 in the fair value hierarchy. Compared to 2016, 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.

Outstanding derivative instruments recorded to fair value

| MSEK | Jun. 30, 2017 | Dec. 31, 2016 |
|---|---------------|---------------|
| <i>Non-current assets and liabilities</i> | | |
| Assets | 2 | - |
| Liabilities | 107 | 126 |
| <i>Current assets and liabilities</i> | | |
| Assets | 766 | 128 |
| Liabilities | 218 | 730 |

Carrying value and fair value of borrowings

| MSEK | Jun. 30, 2017 | Jun. 30, 2017 | Dec. 31, 2016 | Dec. 31, 2016 |
|-------------|----------------|---------------|----------------|---------------|
| | Carrying value | Fair value | Carrying value | Fair value |
| Bonds | 15 693 | 16 235 | 15 611 | 16 385 |
| Other loans | 9 491 | 9 634 | 9 111 | 9 268 |
| | 25 184 | 25 869 | 24 722 | 25 653 |

Consolidated statement of changes in equity

| MSEK | Equity attributable to | | Total equity |
|---|-------------------------|------------------------------|---------------|
| | owners of the parent | non-controlling interests | |
| Opening balance, January 1, 2017 | 53 105 | 72 | 53 177 |
| Changes in equity for the period | | | |
| Total comprehensive income for the period | 7 028 | 10 | 7 038 |
| Dividends | -8 246 | -3 | -8 249 |
| Change of non-controlling interests | -12 | -5 | -17 |
| Acquisition and divestment of own shares | -121 | - | -121 |
| Share-based payments, equity settled | -36 | - | -36 |
| Closing balance, June 30, 2017 | 51 718 | 74 | 51 792 |

| MSEK | Equity attributable to | | Total equity |
|---|-------------------------|------------------------------|---------------|
| | owners of the parent | non-controlling interests | |
| Opening balance, January 1, 2016 | 46 591 | 159 | 46 750 |
| Changes in equity for the period | | | |
| Total comprehensive income for the period | 14 711 | 22 | 14 733 |
| Dividends | -7 665 | -22 | -7 687 |
| Change of non-controlling interests | -68 | -87 | -155 |
| Acquisition and divestment of own shares | -470 | - | -470 |
| Share-based payments, equity settled | 6 | - | 6 |
| Closing balance, December 31, 2016 | 53 105 | 72 | 53 177 |

| MSEK | Equity attributable to | | Total equity |
|---|-------------------------|------------------------------|---------------|
| | owners of the parent | non-controlling interests | |
| Opening balance, January 1, 2016 | 46 591 | 159 | 46 750 |
| Changes in equity for the period | | | |
| Total comprehensive income for the period | 7 059 | 2 | 7 061 |
| Dividends | -7 659 | -12 | -7 671 |
| Acquisition and divestment of own shares | 65 | - | 65 |
| Share-based payments, equity settled | 15 | - | 15 |
| Closing balance, June 30, 2016 | 46 071 | 149 | 46 220 |

Consolidated statement of cash flows, including discontinued operations

| MSEK | April - June | | January - June | |
|--|---------------|---------------|----------------|---------------|
| | 2017 | 2016 | 2017 | 2016 |
| Cash flows from operating activities | | | | |
| Operating profit, continuing operations | 5 988 | 4 769 | 11 699 | 8 939 |
| Operating profit, discontinued operations | 1 | 6 | 18 | 6 |
| Depreciation, amortization and impairment (see below) | 1 138 | 1 042 | 2 296 | 2 077 |
| Capital gain/loss and other non-cash items | 401 | -152 | 676 | -79 |
| Operating cash surplus | 7 528 | 5 665 | 14 689 | 10 943 |
| Net financial items received/paid | 608 | 82 | -215 | 91 |
| Taxes paid | -2 616 | -3 609 | -4 436 | -4 999 |
| Pension funding and payment of pension to employees | -885 | -36 | -994 | -37 |
| Change in working capital | 346 | 441 | -179 | 554 |
| Investments in rental equipment | -349 | -291 | -583 | -540 |
| Sale of rental equipment | 103 | 95 | 192 | 231 |
| Net cash from operating activities | 4 735 | 2 347 | 8 474 | 6 243 |
| Cash flows from investing activities | | | | |
| Investments in property, plant and equipment | -359 | -322 | -722 | -613 |
| Sale of property, plant and equipment | 30 | 30 | 45 | 58 |
| Investments in intangible assets | -230 | -283 | -481 | -555 |
| Sale of intangible assets | - | 1 | 2 | 3 |
| Acquisition of subsidiaries and associated companies | -124 | -357 | -185 | -964 |
| Other investments, net | 33 | -109 | 41 | -168 |
| Net cash from investing activities | -650 | -1 040 | -1 300 | -2 239 |
| Cash flows from financing activities | | | | |
| Dividends paid | -4 126 | -3 830 | -4 125 | -3 830 |
| Dividends paid to non-controlling interest | - | - | - | -12 |
| Acquisition of non-controlling interest | -23 | - | -17 | - |
| Repurchase and sales of own shares | 399 | 96 | -121 | 65 |
| Change in interest-bearing liabilities | -343 | -381 | 850 | -212 |
| Net cash from financing activities | -4 093 | -4 115 | -3 413 | -3 989 |
| Net cash flow for the period | -8 | -2 808 | 3 761 | 15 |
| Cash and cash equivalents, beginning of the period | 15 191 | 11 490 | 11 492 * | 8 861 |
| Exchange differences in cash and cash equivalents | -178 | 209 | -166 | 15 |
| Cash and cash equivalents discontinued operations | -455 | - | -537 | - |
| Cash and cash equivalents, end of the period | 14 550 | 8 891 | 14 550 | 8 891 |
| *Includes cash and cash equivalents of 34 related to discontinued operations | | | | |
| Depreciation, amortization and impairment | | | | |
| <i>Rental equipment</i> | 246 | 236 | 508 | 482 |
| <i>Other property, plant and equipment</i> | 440 | 402 | 891 | 795 |
| <i>Intangible assets</i> | 452 | 404 | 897 | 800 |
| <i>Total</i> | 1 138 | 1 042 | 2 296 | 2 077 |

Calculation of operating cash flow

| MSEK | April - June | | January - June | |
|--|--------------|---------------|----------------|--------------|
| | 2017 | 2016 | 2017 | 2016 |
| Net cash flow for the period | -8 | -2 808 | 3 761 | 15 |
| Add back: | | | | |
| Change in pensions | 772 | - | 772 | - |
| Change in interest-bearing liabilities | 343 | 381 | -850 | 212 |
| Repurchase and sales of own shares | -399 | -96 | 121 | -65 |
| Dividends paid | 4 126 | 3 830 | 4 125 | 3 830 |
| Dividends paid to non-controlling interest | - | - | - | 12 |
| Acquisition of non-controlling interest | 23 | - | 17 | - |
| Acquisitions and divestments | 124 | 357 | 185 | 964 |
| Currency hedges of loans | -798 | -427 | -438 | -604 |
| Tax payment related to Belgian tax rulings | 655 | 2 250 | 655 | 2 250 |
| Operating cash flow | 4 838 | 3 487 | 8 348 | 6 614 |

Discontinued operations

Road Construction Equipment division within the Power Technique business area

On January 19, 2017 Atlas Copco announced the agreement to sell its Road Construction Equipment division to the French industrial and construction company Fayat Group. The divestment is expected to be completed during Q3 2017.

The Road Construction Equipment division has been reported as discontinued operations and assets held for sale in the Atlas Copco Group's financial statements, with a retrospective restatement of previous periods unless otherwise stated.

The following tables present the income statement, condensed balance sheet and cash flow for the Road Construction Equipment division.

Assets and Liabilities held for sale

| | Jun. 30 | Dec. 31 |
|-------------------------------|--------------|--------------|
| MSEK | 2017 | 2016 |
| Total non-current assets | 395 | 450 |
| Total current assets | 2 826 | 2 037 |
| Total Assets | 3 221 | 2 487 |
| Total non-current liabilities | 40 | 42 |
| Total current liabilities | 838 | 769 |
| Total Liabilities | 878 | 811 |

Income Statement

| | 3 months ended | | 6 months ended | | 12 months ended | | |
|--|----------------|--------------|----------------|-------------|-----------------|--------------|---------------|
| | Jun. 30 | Jun. 30 | Jun. 30 | Jun. 30 | Jun. 30 | Jun. 30 | Dec. 31 |
| MSEK | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2016 |
| Discontinued operations | | | | | | | |
| Revenues | 1 051 | 873 | 1 808 | 1 557 | 3 163 | 2 937 | 2 912 |
| Cost of sales | -887 | -712 | -1 494 | -1 238 | -2 671 | -2 404 | -2 415 |
| Gross profit | 164 | 161 | 314 | 319 | 492 | 533 | 497 |
| Marketing expenses | -79 | -79 | -156 | -159 | -307 | -316 | -310 |
| Administrative expenses | -57 | -32 | -91 | -61 | -155 | -122 | -125 |
| Research and development costs | -16 | -37 | -35 | -70 | -109 | -140 | -144 |
| Other operating income and expenses | -11 | -7 | -14 | -23 | 6 | -15 | -3 |
| Operating profit/loss | 1 | 6 | 18 | 6 | -73 | -60 | -85 |
| - as a percentage of revenues | 0.1 | 0.7 | 1.0 | 0.4 | -2.3 | -2.0 | -2.9 |
| Net financial items | -5 | -14 | -2 | -6 | -8 | -9 | -12 |
| Profit/loss before tax | -4 | -8 | 16 | 0 | -81 | -69 | -97 |
| - as a percentage of revenues | -0.4 | -0.9 | 0.9 | 0.0 | -2.6 | -2.3 | -3.3 |
| Income tax expense | -2 | -2 | 2 | 1 | 15 | -3 | 14 |
| Loss on remeasurement to fair value less cost to sell | | | | | | | |
| Impairment of intangible assets | | | | | -2 094 | | -2 094 |
| Income tax on remeasurement | | | | | 340 | | 340 |
| Impairment of intangible assets, net of tax | | | | | -1 754 | | -1 754 |
| Profit/Loss for the period from discontinued operations | -6 | -10 | 18 | 1 | -1 820 | -72 | -1 837 |
| Basic earnings per share, SEK | 0.00 | -0.01 | 0.02 | 0.00 | -1.50 | -0.06 | -1.51 |

Cash flows from discontinued operations

| | April - June | | January - June | |
|-------------------------------------|--------------|-----------|----------------|------------|
| | 2017 | 2016 | 2017 | 2016 |
| MSEK | | | | |
| Cash flows from | | | | |
| Operating activities | -41 | 82 | -91 | 24 |
| Investing activities | -27 | -25 | -49 | -51 |
| Financing activities | -97 | -1 | -97 | -1 |
| Net cash flow for the period | -165 | 56 | -237 | -28 |

Revenues by business area

| MSEK (by quarter) | 2015 | | | | 2016 | | | | 2017 | |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 |
| Compressor Technique | 8 610 | 8 922 | 9 261 | 9 489 | 8 156 | 8 976 | 9 421 | 9 803 | 9 361 | 9 597 |
| - of which external | 8 512 | 8 838 | 9 193 | 9 431 | 8 075 | 8 894 | 9 359 | 9 723 | 9 283 | 9 507 |
| - of which internal | 98 | 84 | 68 | 58 | 81 | 82 | 62 | 80 | 78 | 90 |
| Vacuum Technique | 2 439 | 2 540 | 2 614 | 2 362 | 2 536 | 2 953 | 3 511 | 4 635 | 4 768 | 4 777 |
| - of which external | 2 439 | 2 540 | 2 614 | 2 362 | 2 536 | 2 953 | 3 511 | 4 635 | 4 768 | 4 777 |
| - of which internal | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Industrial Technique | 3 394 | 3 697 | 3 668 | 3 819 | 3 417 | 3 622 | 3 841 | 4 137 | 4 031 | 4 154 |
| - of which external | 3 382 | 3 684 | 3 656 | 3 806 | 3 406 | 3 611 | 3 830 | 4 125 | 4 017 | 4 140 |
| - of which internal | 12 | 13 | 12 | 13 | 11 | 11 | 11 | 12 | 14 | 14 |
| Mining and Rock | | | | | | | | | | |
| Excavation Technique | 6 756 | 6 870 | 6 481 | 6 558 | 5 736 | 6 124 | 6 212 | 6 971 | 6 882 | 7 157 |
| - of which external | 6 724 | 6 856 | 6 451 | 6 527 | 5 723 | 6 111 | 6 204 | 6 957 | 6 849 | 7 155 |
| - of which internal | 32 | 14 | 30 | 31 | 13 | 13 | 8 | 14 | 33 | 2 |
| Power Technique | 2 910 | 3 236 | 3 055 | 2 911 | 2 718 | 3 042 | 2 961 | 3 073 | 3 177 | 3 496 |
| - of which external | 2 849 | 3 144 | 2 968 | 2 791 | 2 628 | 2 954 | 2 890 | 3 001 | 3 061 | 3 390 |
| - of which internal | 61 | 92 | 87 | 120 | 90 | 88 | 71 | 72 | 116 | 106 |
| Common Group functions/ Eliminations | -152 | -174 | -157 | -136 | -110 | -152 | -103 | -124 | -192 | -151 |
| Atlas Copco Group | 23 957 | 25 091 | 24 922 | 25 003 | 22 453 | 24 565 | 25 843 | 28 495 | 28 027 | 29 030 |

Operating profit by business area

| MSEK (by quarter) | 2015 | | | | 2016 | | | | 2017 | |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 |
| Compressor Technique | 1 976 | 2 092 | 2 215 | 2 218 | 1 792 | 2 007 | 2 173 | 2 143 | 2 102 | 2 242 |
| - as a percentage of revenues | 23.0 | 23.4 | 23.9 | 23.4 | 22.0 | 22.4 | 23.1 | 21.9 | 22.5 | 23.4 |
| Vacuum Technique | 416 | 511 | 494 | 402 | 504 | 693 | 732 | 1 131 | 1 181 | 1 198 |
| - as a percentage of revenues | 17.1 | 20.1 | 18.9 | 17.0 | 19.9 | 23.5 | 20.8 | 24.4 | 24.8 | 25.1 |
| Industrial Technique | 770 | 865 | 866 | 854 | 737 | 799 | 897 | 997 | 933 | 964 |
| - as a percentage of revenues | 22.7 | 23.4 | 23.6 | 22.4 | 21.6 | 22.1 | 23.4 | 24.1 | 23.1 | 23.2 |
| Mining and Rock | 1 276 | 1 258 | 1 296 | 1 163 | 866 | 1 041 | 1 163 | 1 395 | 1 361 | 1 414 |
| Excavation Technique | | | | | | | | | | |
| - as a percentage of revenues | 18.9 | 18.3 | 20.0 | 17.7 | 15.1 | 17.0 | 18.7 | 20.0 | 19.8 | 19.8 |
| Power Technique | 458 | 427 | 546 | 452 | 408 | 484 | 449 | 428 | 520 | 616 |
| - as a percentage of revenues | 15.7 | 13.2 | 17.9 | 15.5 | 15.0 | 15.9 | 15.2 | 13.9 | 16.4 | 17.6 |
| Common Group functions/ Eliminations | -369 | -111 | -96 | -207 | -137 | -255 | -340 | -309 | -386 | -446 |
| Operating profit | 4 527 | 5 042 | 5 321 | 4 882 | 4 170 | 4 769 | 5 074 | 5 785 | 5 711 | 5 988 |
| - as a percentage of revenues | 18.9 | 20.1 | 21.4 | 19.5 | 18.6 | 19.4 | 19.6 | 20.3 | 20.4 | 20.6 |
| Net financial items | -229 | -220 | -270 | -178 | -181 | -341 | -304 | -167 | -215 | -368 |
| Profit before tax | 4 298 | 4 822 | 5 051 | 4 704 | 3 989 | 4 428 | 4 770 | 5 618 | 5 496 | 5 620 |
| - as a percentage of revenues | 17.9 | 19.2 | 20.3 | 18.8 | 17.8 | 18.0 | 18.5 | 19.7 | 19.6 | 19.4 |

Acquisitions and divestments

| Date | Acquisitions | Divestments | Business area* | Revenues MSEK** | Number of employees** |
|--------------|---|-------------|------------------------|--------------------|--------------------------|
| 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 |
| 2016 Dec. 22 | Air Power of Nebraska <i>Distributor USA</i> | | Compressor Technique | | 12 |
| 2016 Nov. 24 | Phillip-Tech <i>Distributor China</i> | | Industrial Technique | | 45 |
| 2016 Sep. 1 | Leybold | | Compressor Technique* | 3 150 | 1 600 |
| 2016 Aug. 5 | CSK | | Compressor Technique* | 870 | 400 |
| 2016 Aug. 2 | Schneider Druckluft | | Compressor Technique | 250 | 110 |
| 2016 Jul. 4 | Roxel Rental | | Construction Technique | 12 | 2 |
| 2016 Jun. 14 | Bondtech | | Industrial Technique | 32 | 12 |
| 2016 May 2 | Kohler Druckluft <i>Distributor Austria, Switzerland and Liechtenstein</i> | | Compressor Technique | | 30 |
| 2016 Apr. 15 | Scales Industrial Technologies <i>Distributor USA</i> | | Compressor Technique | | 180 |
| 2016 Apr. 4 | Air et Fluides Lyonnais <i>Distributor France</i> | | Compressor Technique | | 6 |
| 2016 Mar. 2 | FIAC | | Compressor Technique | 640 | 400 |
| 2016 Jan. 12 | Varisco | | Construction Technique | 270 | 135 |
| 2016 Jan. 5 | Capitol Research Equipment | | Compressor Technique* | 22 | 15 |

*Effective July 17, 2017, Construction Technique has changed name to Power Technique. As of January 1, 2017, Leybold, CSK and Capitol Research Equipment belong to Vacuum Technique business area.

**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 2017, full disclosure as per IFRS 3 is not given in this interim report. Disclosure will be given in the annual report 2017. See the annual report for 2016 for disclosure of acquisitions made in 2016.

Parent company**Income statement**

| MSEK | April - June | | January - June | |
|-------------------------------------|--------------|--------------|----------------|--------------|
| | 2017 | 2016 | 2017 | 2016 |
| Administrative expenses | -208 | -137 | -399 | -258 |
| Other operating income and expenses | -26 | 38 | 11 | 72 |
| Operating profit/loss | -234 | -99 | -388 | -186 |
| Financial income and expenses | 5 550 | 1 876 | 5 341 | 1 961 |
| Appropriations | - | - | - | - |
| Profit/loss before tax | 5 316 | 1 777 | 4 953 | 1 775 |
| Income tax | 360 | 85 | 445 | 183 |
| Profit/loss for the period | 5 676 | 1 862 | 5 398 | 1 958 |

Balance sheet

| MSEK | Jun. 30 | Jun. 30 | Dec. 31 |
|-------------------------------------|----------------|----------------|----------------|
| | 2017 | 2016 | 2016 |
| Total non-current assets | 112 194 | 111 088 | 110 912 |
| Total current assets | 14 653 | 8 215 | 12 186 |
| TOTAL ASSETS | 126 847 | 119 303 | 123 098 |
| Total restricted equity | 5 785 | 5 785 | 5 785 |
| Total non-restricted equity | 32 589 | 28 834 | 35 578 |
| TOTAL EQUITY | 38 374 | 34 619 | 41 363 |
| Total provisions | 566 | 251 | 413 |
| Total non-current liabilities | 54 524 | 48 385 | 53 200 |
| Total current liabilities | 33 383 | 36 048 | 28 122 |
| TOTAL EQUITY AND LIABILITIES | 126 847 | 119 303 | 123 098 |
| Assets pledged | 337 | 752 | 988 |
| Contingent liabilities | 8 348 | 8 012 | 8 161 |

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 |
| - of which A shares held by Atlas Copco | -15 291 067 |
| - of which B shares held by Atlas Copco | -332 659 |
| Total shares outstanding, net of shares held by Atlas Copco | 1 213 989 378 |

Performance-based personnel option plan

The Annual General Meeting 2017 approved a performance-based long-term incentive program. For Group Executive Management, 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/aggm.

Transactions in own shares

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

- Acquisition of not more than 2 950 000 series A shares, whereof a maximum of 2 900 000 may be transferred to personnel stock option holders under the performance-based stock option plan 2017.
- 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 5 100 000 series A and B shares currently held by the company, for the purpose of covering costs of fulfilling obligations related to the option plans 2012, 2013 and 2014.
- The shares may only be acquired or sold on NASDAQ Stockholm at a price within the registered price interval at any given time.

During the first six months of 2017, 477 683 series A shares, net, were acquired. 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 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 2016 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 2016.

This is Atlas Copco

Atlas Copco is a world-leading provider of sustainable productivity solutions. The Group serves customers with innovative compressors, vacuum solutions and air treatment systems, construction and mining equipment, power tools and assembly systems. Atlas Copco develops products and service 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 about 180 countries. In 2016, Atlas Copco had revenues of BSEK 101 (BEUR 11) and more than 42 000 employees.

Business areas

Atlas Copco has five 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 industrial power tools and systems, industrial assembly solutions, quality assurance products, software and service through a global network. 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, the United States, United Kingdom, France and Japan.

The **Mining and Rock Excavation Technique** business area provides equipment for drilling and rock excavation, a complete range of related consumables and service through a global network. The business area innovates for sustainable productivity in surface and underground mining, infrastructure, civil works, well drilling and geotechnical applications. Principal product development and manufacturing units are located in Sweden, the United States, Canada, China and India.

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. Power Technique innovates for sustainable productivity across multiple industries, including construction, manufacturing, oil and gas and exploration drilling. The business area is headquartered in Belgium. 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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- Media
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Conference call

A presentation for investors, analysts and media will be held on July 17, at 2.00 PM CEST.

The dial-in numbers are:

- Sweden: +46 8 566 426 95
- United Kingdom: +44 20 300 898 02
- United States: +1 855 753 2237

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.

Third-quarter report 2017

The Q3 2017 report will be published on October 18, 2017 (Silent period starts September 19, 2017)

Capital Markets Day 2017

Atlas Copco will host its annual Capital Markets Day on November 14, 2017, in Stockholm, Sweden. More detailed information and instructions on how to register will be distributed prior to the event.

This information is information that Atlas Copco AB is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above, at 11.00 CEST on July 17, 2017.

The Board of Directors and President declare that the interim report gives a fair view of the business development, financial position and result of operation of the Parent Company and the consolidated Group, and describes significant risks and uncertainties that the parent company and its subsidiaries are facing.

Nacka, July 17, 2017

Atlas Copco AB

Hans Stråberg
Chairman

Mats Rahmström
Director
President and CEO

Anders Ullberg
Director

Staffan Bohman
Director

Tina Donikowski
Director

Johan Forssell
Director

Peter Wallenberg Jr
Director

Sabine Neuß
Director

Gunilla Berg
Director

Bengt Lindgren
Director
Union representative

Mikael Bergstedt
Director
Union representative

Auditors' Review Report

Introduction

We have reviewed the interim report for Atlas Copco AB for the period January 1 - June 30, 2017. The Board of Directors and the President are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other

review procedures. A review has a different focus and is substantially less in scope than an audit conducted in accordance with ISA and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not, in all material respects, prepared for the Group in accordance with IAS 34 and the Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act.

Nacka, July 17, 2017

Deloitte AB

Thomas Strömberg
Authorized Public Accountant