

Address given by President and CEO of Atlas Copco on April 28, 2010

Aktieägare och gäster, 2009 inleddes med enorma utmaningar. Minskningen av efterfrågan var större än någonsin och vi jobbade hårt på att anpassa verksamheten. And now I will continue in English.

2009 continued to be tough. The financial crisis affected us in a big way and Atlas Copco underwent rapid changes during the first half of 2009. Perhaps one should not be satisfied after a year when revenues declined sharply and many of our employees lost their jobs. Still we managed to adapt quickly to the lower demand without losing focus on customers or on product development. This, together with our strong business model, enabled us to achieve a good profit and a very strong cash flow.

We lost more than 20 percent in revenue volume, although we still achieved an operating margin of close to 15 percent. This is quite an accomplishment, by any measurement. The most negative development was seen in the sales of equipment. The aftermarket business held up well with only a minor decline in volume. Throughout the year, sales of parts and service provided strong support to the profit. During this tough business climate, we managed to strengthen our market positions in many areas. In Compressor Technique, in Construction and Mining Technique, and in Industrial Technique, looking at the first decade this century, the continuing operations has grown on average 10 percent currency excluded. A large part of the growth comes from further globalization. As we can see in this graph: In 2002, one third of Atlas Copco's turnover came from markets outside Europe and North America. Today, seven years later, this share has increased to half of our revenues. The growth is primarily coming from emerging markets. This means that we must be present in all corners of the world.

We have kept investing in people and the share of employees in Asia has in the period increased from 16 percent to 25 percent. We expect this trend will continue and the number of sales and service personnel in the emerging markets will increase further. We will also set up more manufacturing facilities closer to the customers.

Let's look at the share. The total shareholder return of the Atlas Copco share has averaged almost 25 percent during the past 5 years. This can be compared with 10 percent for the Stockholm Stock Exchange. In 2009, the Atlas Copco share price rebounded after a significant decline in 2008. The A-share increased 58 percent compared to 47 percent of the general index. So far this year, the share price has increased some 15 percent.

Earlier today, we also published our first quarter results. We saw a strong recovery in orders received in the quarter after five quarters of very weak demand. The increase was 22%, organically, compared with previous year. Demand from the mining industry and from emerging markets improved significantly and orders received reached new record levels in Asia and South America. Revenues was 15.3 billion kronor this was somewhat lower than last year but thanks primarily to cost savings and a better sales mix we were able to improve the operating profit with 21%. Now I will leave the financial results and instead tell you about our most important strategies.

To focus on these means working within the frame of Atlas Copco's brand promise sustainable productivity. Our commitment to sustainable productivity means that we do everything we can to ensure reliable lasting results with responsible use of resources; human, natural and capital. Atlas Copco aims to offer a safe and healthy working environment. In 2009, the average number of sick-leave days was 2.1 percent per year. Our target is to stay below 2.5 percent.

We have increased our focus on reducing the work-related accidents in our operations and they continued to decrease. To further enhance the work, we will implement an international health and safety standard, in production units and customer centers. In short, we are taking actions to change the mindset, "to have people thinking of safety first". The ambition is to reduce the number of accidents by 50 percent by 2012 compared with 2008.

We also continue with our environmental work and awareness. Today, 73 percent of all employees work in a company with an environmental management system, compared to 65 percent one year earlier. The target is one hundred percent. Fiftyseven production units have ISO 14001 certification. This represents 95 percent of cost of sales. Carbon dioxide emissions have been high on our agenda for many years. We measure CO2 emissions both from our own operations and from transport to and from our factories. The CO2 emissions from energy were reduced by 18 percent in absolute numbers in 2009. Sales dropped dramatically last year and despite all of our efforts, we could not manage to reduce CO2 emissions with the same magnitude. Looking at transports, the CO2 emissions decreased. Atlas Copco is a small energy consumer in its operations. Our largest impact on the environment is instead when the products are in use at the customers. This graph shows how we have managed to continuously reduce the energy consumption for our compressor customers by launching new, more efficient products. I will come back to this again later, when we look at product innovation.

For us community engagement is part of sustainable productivity. I will give you one example that we are very proud of. Since 1984, Atlas Copco has supported the non-profit organization Water for All. Water for All operates with the motto that clean drinking water is a basic human right. And all of us know that access to clean water is a problem that is increasing. On a voluntary basis Atlas Copco employees donate, and the Group matches employee donations. Thanks to our work more than one million people have access to clean drinking water for life in countries like Peru, Sudan, India, Afghanistan ... and China. This is a project that unites Atlas Copco people worldwide. Water for All is currently present in ten countries and we encourage more companies to join.

Another area of priority is diversity. We recruit, develop and retain the most talented people for the work to be performed, whoever they are and wherever they are from. We have strategies in place to increase diversity in our global team and our local teams. Our global leadership team of around 500 managers must reflect our Group's global structure. Here we search for people with the right knowledge and experience from the industries and markets where we do business. As an increased percentage of sales is done in Asia and South America this means that we must recruit more out of these regions. But it also means that we must transfer competence and culture to the growth markets.

To strengthen our presence in Asia, two management teams are relocating to Shanghai, China; The President of the Construction and Mining Technique, and the President of the Oil-free Air division. Our local teams, around 30 000 people, must reflect the recruitment bases in the respective markets. Here, the focus is on gender diversity, we want to increase the percentage of females working in Atlas Copco. During 2009, 34 percent of the recent graduates that we recruited were female, an important step forward. Atlas Copco also strives to increase the number of female managers. We have a senior female mentorship program to encourage more women to go for leadership positions. Throughout the program they have been supported by mentors, who are part of the Group's management.

The brand portfolio strategy is fundamental to the Atlas Copco Group. Today we have around 40 different brands. Atlas Copco, Chicago Pneumatic and Dynapac are global brands. The other brands have regional focus. Each brand strives to have strong positioning and fulfill a need in its target market segment. Our latest acquisition adds one brand Quincy. This business gives us a stronger position on the North American and the Chinese compressor markets. We have more acquisition targets in the pipeline. However in many cases these acquisitions are integrated into an existing brand and business. During the past two years we have put extra focus on the distributor brand Chicago Pneumatic. The brand has a strong heritage and positions in many markets such as Brazil, United States, and India and we believe it has a great potential. We have developed an attractive product range with a professional look.

Later today we will present the Peter Wallenberg Marketing and Sales Award to the team that has worked on creating a uniform industrial design. Look! Which distributor does not want to represent this brand? Let's meet the designers have done it.

Now to the core of our business. Our products and services are designed to be efficient, safe, ergonomic, and environmentally friendly. They are designed and produced to provide the lowest lifecycle cost. How can this be achieved? We spend time on the customers' sites, we learn about their applications and challenges, and we use our knowledge and experience to develop new products and services that will meet and hopefully also exceed their expectations.

Since a few years back, we measure customer loyalty in a structured way and put actions in place when improvements are required. Our target is to have all customers recommending us as their first choice. In 2009, we had loyal customers in 174 countries. It comes with good service. Providing professional service is the best way to safeguard customers' productivity and satisfaction. At the same time, it enables frequent contact with the customers. Our strategy is to develop the service business in two dimensions. First, we strive to service all our Group products on the market. Second, our goal is to deliver more value-added service, like service agreements and services to improve the customers productivity.

We continuously invest in product development to maintain and increase our customer base. We are proud of the speed in which we launch new and better products to the market. There is always a better way. We will never stop. The share of revenues generated by products introduced in the past six years is around 70 percent.

We are increasingly developing and producing products closer to the customers as one global design does not allow us to enter deep into the market. For example: Industrial tools for the Asian market, developed and manufactured in Japan and sold under the Fuji brand. In India, we have developed a modern surface drill rig that requires less investment. A third example is the Liutech-branded industrial compressors, designed and produced in southern China. Some of these serve customers that are looking for less advanced equipment, but still being productive, safe and environmentally friendly. Nevertheless, we will always offer the state-of-the-art range to the global market.

Here are a few of the latest models. This new handheld wrench is built on a modular concept which makes it possible for the customer to assemble his or her wrench to fulfill his or her own exact need. Later today, we will reward the Italian team that developed the wrench with the John Munck Award. Innovation is also benefiting safety, which is in focus both for surface and underground mining. Here is a new production drill rig with high productivity combined with high safety. It can even be operated remotely.

I mentioned before that there is a good potential to reduce energy consumption of our customers by launching new, more efficient products. Here is a film highlighting this. Did you like it? Compressed air account for approximately 10 percent of the energy consumption of manufacturing. In many cases, especially when the equipment is older, industries have a large savings potential.

Changing to modern equipment means that industries will become more competitive, because of the lower energy costs. And the carbon dioxide emission will be less. Here we have a fantastic opportunity. The more we sell: the better it will be for the customers, for the environment, and for Atlas Copco.

One might wonder why is it not as natural with government incentives to modernize existing industries more rapidly as it is with stimulus to invest in alternative energy sources. To summarize: We have experienced a difficult year with enormous challenges. Looking back, we see that our people truly proved themselves and that our business model is resilient. For the years to come, we have a few must do's, like:

We must tackle the issue of diversity, making sure we have the right people for the future development of the company.

We must further leverage our brands increase our market coverage, and extend our product offering especially in the growth regions. This can be done organically or through acquisitions.

Finally, we must continue to innovate and develop our products and services to meet the needs of present and new markets.

I am really proud to lead a hard working team, in which we find a tremendous professional competence and a will to deliver customer satisfaction at all times. I am confident that this is also the way to create shareholder value. Our Atlas Copco stands strong and is ready for sustainable, profitable growth. Tack!