

## **Ronnie Leten's speech at the Annual General Meeting, April 27, 2012**

Shareholders and guests,

When we met a year ago I described why we are a good alternative for all stakeholders; customers, employees and shareholders.

I showed how our Atlas Copco was ready for more sustainable profitable growth.

Today I can tell you that we have been successful in reaching our goals. 2011 was a great year for Atlas Copco in every way. We have achieved results at record levels.

Demand for our products and services increased significantly last year. Our ambitious goals for sustainable profitable development and the dedicated work by many people in many countries gave fantastic results. We achieved both record revenues and record profit.

Revenues increased by 16 percent to SEK 81.2 billion and the operating margin was 21.6 percent. Atlas Copco has by far exceeded the levels we were on before the global collapse in 2008 to 2009.

While the stock market was negative in 2011, the total shareholder return of the Atlas Copco share has averaged over 20 percent per year over the past 10 years. Compare this with 6 percent for the Stockholm Stock Exchange. During the same ten years shareholders have received more than fifty SEK per share in dividends and redemptions.

The Annual General meeting will later vote for a proposed dividend of five SEK per share, an increase of 25 percent. In relation to our strong balance sheet this is a prudent dividend that maintains our capacity to finance Atlas Copco's further growth.

Committed work and a continued strive to become and remain First in Mind—First in Choice give results in other areas as well. We have been recognized internationally for our innovative spirit and our sustainability work. We were included as one of the world's most innovative companies in two rankings, Forbes and Thomson Reuters. Atlas Copco has once again been included in the Dow Jones Sustainability Indexes. Earlier this year we were also included in the Global one hundred list of the world's most sustainable companies. We are very proud of these achievements.

2011 was a year characterized by many activities and many changes. Many seeds were planted for the future.

Starting last summer we have operated with four business areas instead of three. Each business area has a separate division committed to service. This means that we have an improved product-driven, customer focused organization for each main customer segment.

Following the change we have two new business area presidents in our team. Bob Fassl is heading Mining and Rock Excavation Technique and Nico Delvaux Construction

Technique. They both have long Atlas Copco and business experience. You already know Stephan Kuhn, from Compressor Technique, and Mats Rahmström, from Industrial Technique.

With our new structure we are better positioned to capitalize on some of the most important trends today:

- Growth on emerging markets
- Continued strong demand for minerals
- Investments in infrastructure
- The energy efficiency and productivity requirements from industry

Internally we focus on customer loyalty, presence, innovation, service and on operational excellence. Sustainability is integrated in every aspect.

We continued to make long-term investments in presence in the large rapidly expanding economies like China, India, Russia and Brazil. The objective is to drive growth. We consider each one of them a home market and our objective is to be the undisputable market leader in each one of them.

Let me take China as an example: Today we have 142 offices. In addition, there are distributor networks to safeguard that we also reach the less populated areas. We have 15 production plants primarily serving the home market. Seventy percent of the product sold in China is also produced in China. We have almost five and a half thousand employees. That is more than in any other country. All but some 40 of these are local Chinese.

While Atlas Copco's main focus is on developing and keeping leading positions in larger growth markets, we are also putting more resources into regions where the potential is significant like the Middle East, Africa and South America. The most recent customer centers established and the ones we have in the pipe-line are all in these regions. The objective is to get closer to the customer and to build stronger customer relations.

The power of more mature markets will never be underestimated. Together Europe and North America account for half of Atlas Copco's revenues. In the U.S. for instance, we have the same high market presence as in China. And our business is developing very well.

Our brand portfolio strategy makes it possible to reach more customers and fulfill different needs. At times we operate with up to four different brands in one market, in one single industry segment. Two of these brands will always be our global brands: Atlas Copco and Chicago Pneumatic.

In 2009 we decided to put more focus on the Chicago Pneumatic or CP brand. A solid strategy and a dedicated workforce have paid off. We have increased revenues for the CP brand with more than 50 percent in the past two years. And there is a lot more to do. We follow-up closely on the development. Each brand must add value.

Besides our organic growth, acquisitions are critical to the development of Atlas Copco. During the past 12 months we acquired fifteen companies, with annual revenues of about

SEK 2.1 billion. These acquisitions will help us speed up growth and increase our competitiveness in industries we know well.

The German manufacturer of adhesive equipment, SCA Schucker, increases our knowledge about a new type of technology that is expected to grow in importance because of increased industrial use of lightweight material.

Atlas Copco has customers in 178 countries. These customers can always expect high-level application knowledge and support.

Customer loyalty is primarily built in the service relationship and Atlas Copco Service gives us an opportunity to strengthen our global reach and service offerings even further. The service business today accounts for about 40 percent of revenues and one third of all our employees. It provides a steady revenue stream for Atlas Copco. Professional service also increases the likelihood that the customer will buy from us the next time the need arises.

To safeguard that our service organizations operate in a professional manner a broad range of training courses is offered to the more than 8000 service engineers who are meeting customers daily. Last year I showed you an example of how we train our service engineers in representing the brand. We are of course also providing product training. None of the engineers can service a product unless they are certified to service that specific product. In Compressor Technique alone almost 3000 people were certified to service new products last year.

I believe most of you know our service strategy by now, but in case there are new shareholders present, let me repeat; First, we strive to service all our Group products on the market. Second, we strive to deliver more value-added services, like service agreements and services to improve the customers' sustainable productivity.

We continue to invest in innovation in all aspects. Be it new innovative products and services, operational excellence or sustainability aspects.

To strengthen our innovative capabilities, we opened a new research and development center for mining equipment in Nanjing, China. The Board of Directors was present at the inauguration.

Atlas Copco launched hundreds of great products in 2011. To mention a few; a new range of efficient wheeled pavers; an oil-free compressor tailor-made for the Asian market; an underground mining truck with 60-ton capacity that brings Atlas Copco into the larger trucks segment; and a high torque tightening tool. The team that developed the tightening tool will later today be recognized with the John Munck award, our innovation award.

In 2011 we invested SEK 1.8 billion in product development. All new products are developed to meet our tough energy efficiency targets. Let us see how we have managed to reduce the energy consumption of compressors over the past century. You can see what fantastic reductions we have achieved.

We strive to reduce the energy consumption of our customers by 20 percent by 2020. This target not only means that we must have the best products. As you understand we must also have the best sales people. Not all customers are aware about their savings potential. Yet.

Atlas Copco is an asset light organization which requires speed and efficiency in our manufacturing units, our distribution, our suppliers and our financial processes.

Speed requires closeness to customers and we are building two new factories, one in India and one in China. The rationale behind these investments is to have solid presence in the fast growing large economies. In the U.S. we have consolidated three smaller compressor manufacturing units into one. And in Europe, factories for construction tools and road construction equipment have adapted their capacity to lower business volumes.

We have managed to dramatically reduce the assembly time at the existing compressor lines. As a result, customers benefit from reduced delivery times. With these changes we have yet again challenged our suppliers to deliver the right quantities at the right time. This is a good example of how we have leveraged the competence and innovation capacity of our suppliers. You can only achieve this with highly committed suppliers.

In 2011 we also leveraged the capacity of our providers of administration processes.

A safe and healthy working environment is essential for operational excellence. We have a target of zero work-related accidents and the sick-leave should not exceed 2.5 percent. Our people must come home safe and healthy to their families after a working day. Thanks to the increased focus the number of accidents has reduced by a third and the sick-leave remains at a low level.

All the steps taken and the processes put in place help us to cope with and act fast in a rapidly changing environment.

Earlier today we presented our results for the first quarter: Growth continues. We achieved nearly 25 billion kronor in orders received in the quarter and a growth of 15%. Revenues were up and we had an operating profit of 4.6 billion. Going forward, in the near-term the demand for our products and services is expected to remain at the current high level.

Atlas Copco's success depends on one resource only: people.

Atlas Copco develops managers that have the courage to lead and the engagement to develop committed collaborators. We have a past record of being better than the competition at delivering value to customers and profit to the company. Atlas Copco people are proud of their achievements but they all know that there is always a better way.

We strive to have a global management team that reflects the global structure and requirements. They must live and breathe the Atlas Copco values: innovation, commitment and interaction. Last year we all met in Stockholm, Sweden for several days

of discussions. The objective was to get a common understanding of where we are and where we want to be.

We still have a long way to go with diversity and we must learn how to become better in recruiting from the full talent pool. Having said this, we do have 45 nationalities among the top 350 managers. 15 percent of these are women.

Our local teams on the respective markets must reflect the recruitment bases. Here we continue to put extra effort into getting more women into the company. The objective is to have more women taking on higher positions.

Competence is important to the development of our organization. We offer a wide range of training courses through our competence portal. One course that all managers take each year is our Business Code of Practice. This year we decided to focus on the fight against corruption and we have integrated a training package produced by the UN - United Nations - into ours. Håkan Osvald, our new General Counsel, and new member of Group management, is in charge.

When we are done, about 5000 managers will have gone through this training. They sign a compliance statement to ensure that they comply with the law and with our own Business Code of Practice. The compliance process is repeated annually. We think this is important because of the corruption risks on many markets. It serves as a reminder to all of us.

I can't end my presentation without saying a few words about Water for All, which is close to the heart of everyone at Atlas Copco.

Water for All operates with the motto that clean drinking water is a basic human right. It helps people in countries where there is a need to get access to clean drinking water. Employees donate money on a voluntary basis and Atlas Copco matches with twice the amount. Imagine, more than one million people have been helped to date. With the rapid increase of people on earth and with many more living on a higher standard than before water is becoming more scarce.

I hope that we can help many, many more to get clean drinking water.

Next year when we meet again our Atlas Copco will have seen 140 year of successful operations. I am sure our activities and speed and the new seeds that we have planted will help us to move forward on the road to sustainable profitable development. Now and in the years to come.

Thank you!