

## Ronnie Leten's speech at Atlas Copco's Annual General Meeting April 29, 2013

Shareholders and guests,

2012 was a very good year for Atlas Copco. We have achieved results on the new record levels. We established the company in new markets. We acquired companies that increased our presence and gave us new knowledge. Above all, we grew organically. Our structure with four business units, each with a service division is a winning concept. Customers are more satisfied which secures new orders. Our progress was recognized externally and we were ranked once again among the world leaders in sustainability.

Demand for our products and services continued to grow last year. Our ambitious goals for sustainable profitable development and the dedicated work by many people in many countries continued to give good results.

We achieved both record revenues and record profit in 2012. Revenues grew by 11 percent to 90.5 billion Swedish Crowns and the operating margin was 21.2 percent. Operating cash flow nearly doubled from 6.3 billion Swedish crowns to 12.2.

Earlier today we presented our results for the first quarter. The demand was solid for service, but weaker for equipment. We achieved an order intake of 21 billion kronor. That is an organic decline of 11 percent compared to a strong first quarter last year. Revenues were slightly above 20 billion kronor and we maintained an operating profit margin above high 20 percent. In the near-term, the overall demand is expected to remain at the current level.

The stock market developed positively in 2012 and the Atlas Copco share was up by 20.5 percent. The total shareholder return of the Atlas Copco share has averaged 26.5 percent per year over the past 10 years. Compare this with 12.6 percent for the Stockholm Stock Exchange.

The Annual General meeting will later vote for a proposed dividend of 5.50 Swedish Crowns per share an increase of 10 percent. In relation to our strong balance sheet this is a prudent dividend that maintains our capacity to invest in Atlas Copco's further growth.

With our established structure with four business areas we are well positioned to capitalize on some of the most important trends today:

- Expansion on growth markets
- Continued strong demand for minerals
- Investments in infrastructure
- The energy efficiency and productivity requirements from industry.

Internally we focused on increased presence, professional service, innovation, operational excellence, and on people. Sustainability is integrated in every aspect of these five pillars.

2012 was again a year characterized by many activities within our defined priority areas. We continued to make long-term investments in presence in the large expanding regions

like Asia, Africa and South America, but also in more mature areas. The objective is to drive profitable growth. We consider each country as a home market and our objective is to be the undisputable market leader in each one of them.

Let me take USA as an example. It is a market that has made a strong comeback as an industrial manufacturing country. We have recently seen more investments and in 2012 it regained the position as our largest market. As you might remember, China was the largest market in 2011. Today we have 110 offices in the U.S. In addition, there are distributor networks to safeguard that we reach customers with all types of needs. We have 14 production plants and produce for instance drill rigs, rock tools and compressors. In total, we have almost five thousand employees.

Each year the Board of Directors makes a field trip. In 2012 we visited the US and among others two customers: BMW, which uses both tools and compressors, and a hospital to which we provide medical air equipment. Today every second hospital in the US has our medical air equipment such as our oil-free compressors. This way, patients will breathe perfectly clean air.

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 with significant potential. Africa is one. In 2012 we established new customer centers in Senegal, Mozambique and in Burkina Faso. We want to stay close to our customers and provide the best possible service to them.

Presence is as much about sales and service as it is about production. We have built new factories in India and in China, which have just been inaugurated. They will serve the demand on the local markets, but also export mainly to neighboring regions. All new factories are state-of-the-art and built in accordance with LEED – Leadership in Energy and Environmental Design.

With our established brand portfolio we can reach more customers and fulfill different demands. In China for instance we operate with up to four different compressor brands, in one single industry segment. Atlas Copco and Chicago Pneumatic our two global brands will always be represented where we have implemented this strategy. That is our ambition. Each brand must add value in terms of market share, and profit.

Besides our organic growth, acquisitions are crucial to the development of Atlas Copco. We acquired nine companies in 2012, with annual revenues of more than one billion Swedish Crowns. These acquisitions will add to our growth pace and increase our competitiveness in industries that we are well familiar with.

Let me give you a few examples:

- The Turkish manufacturer Ekomak, which makes industrial screw compressors, increases our presence in the Middle East and in Russia.
- The American Houston Service Industries, a producer of low pressure blower and vacuum pumps, expands our offering in the waste water treatment and industrial process segments.

- In Sweden GIA Industri was acquired. The company produces electric mine trucks and related products and broadens our offering in mining and tunneling.

Atlas Copco has today customers in one hundred and seventy eight countries. These customers can always expect high-level application knowledge and support. They know that we are close to them, ready to provide support at any time.

Having a well-developed service business is crucial for several reasons:

First, service gives us the opportunity to interact almost daily with the customer. This way we can ensure that the equipment is running exactly as it should. Our service engineers experience different real-life scenarios where our products must stand the test. Whether it is a compressor operating on a freezing oil-platform in the stormy North Sea or a drilling tool used on especially tough material. Second, service is also an excellent source of ideas for new equipment or applications as it lets us quickly identify customer needs. Third, 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. Professional service also increases the likelihood that the customer will buy from us the next time the need arises.

The service business grew 12 percent in 2012. Today it accounts for about 40 percent of revenues. Service provides a steady revenue stream for Atlas Copco and we aim for this business to show double-digit annual growth during the next-coming years.

To safeguard that our service organizations operate in a professional manner a broad range of training courses is offered to 15 000 service people who are serving customers daily. The Peter Wallenberg Marketing and Sales Award will this year acknowledge a training program where the service people have developed their customer relations skills. The program has resulted in improved customer satisfaction.

We continue to invest in innovation in all aspects. Be it new innovative products and services, operational excellence or sustainability aspects. Let me show you a film where a few of our collaborators explain our innovative culture and the challenges.

Film: Innovation at Atlas Copco

As you saw in the film, diversity is used as an important mean to increase the creativity. Thanks to professional digital systems we can also work together at a distance.

We believe that the innovative process gets enhanced through close interaction and cooperation with universities and external innovators. As such, we encourage external parties to come to us with their ideas. One out of many ways to get in contact with our development departments is through our website, where we also describe the innovative process.

In 2012 we increased our investment in design and development by 24 percent to 2.2 billion Swedish Crowns. All new products are developed to meet our tough energy efficiency goals, our firm safety ambitions, and of course our high productivity targets.

Atlas Copco launched hundreds of great products in 2012. To mention a few:

- a range of rig-mounted bucket crushers for efficient and economic recycling .
- redesigned compressed air filters that save energy.
- several nitrogen and oxygen generators for on-site gas generation, which let customers save on operational costs.
- a low torque tightening system for the electronics industry.

The team that developed this system will later today be recognized with the John Munck award, our innovation award.

Atlas Copco is an asset light organization. This requires speed and efficiency in our manufacturing units, our distribution, in our financial processes, and from our business partners.

We have continued with our efforts to reduce the assembly time at the existing lines. We are rolling out lean production methods in all our factories. As a result, customers benefit from shorter and reliable delivery times and at the same time we reduce our inventories.

A lean concept imposes higher requirements on our suppliers to deliver the right quantities at the right time. You can only achieve this with highly committed, professional suppliers. At the same time the suppliers must of course meet our sustainability expectations. We do regular audits to safeguard that they have the same values and ambitions as Atlas Copco has.

In 2012 we also increased our administrative efficiency by close cooperation with an external specialist for financial services. Further, we are in the process of improving our information technology systems to better support our customer centers in the future. Next year I can tell you more about the results.

In 2012 we strengthened our Group-wide safety program. The objective is to high-light the reasons to stay safe and to remind about the safety measures that people must take. A safe and healthy working environment is also essential for operational excellence. We have a target of zero work-related accidents and the sick-leave should not exceed 2.5 percent. Sadly we had three fatalities in 2012. We have taken measures to make sure this never happens again.

At times we experience situations that dramatically affect safety but are out of our control. Like earthquakes, pandemics, or wars, like in Mali. All our companies have crisis management committees in place that will assemble in case such an emergency situation occurs. We will continue to intensify training in crisis management. The better prepared we are, the better we can address an unexpected situation.

Our success depends on professional people. They deliver value to customers and profit to the company. We strive to have a team that reflects the global structure and requirements. All our people must live and breathe the Atlas Copco values and implement them in their respective organizations.

We are working to increase diversity in all dimensions gender, nationality and age. We simply must recruit from the full talent pool. In 2012 we had 49 nationalities among the

most senior 371 managers. 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. To encourage more women to grow in Atlas Copco we have established female networks, and specific female mentorship programs are in place.

To stay competitive we must have the best people. We offer a wide range of training courses to enhance our employees' competence and to stay on top. I said it last year and I say it again: One course that all managers must take each year is our Business Code of Practice.

Committed work pays off. We have yet again been recognized internationally for our innovative spirit and our sustainability work. 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, and in the Ethisphere list of the most ethical companies.

We are very proud of our Water for All. This non-profit organization run by employees 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. So far about 1.3 million people have been helped to get access to clean drinking water. We hope to help many, many more.

Two months ago, your Atlas Copco ladies and gentlemen, our Atlas Copco turned 140 years. We used this occasion to strengthen our customer focus. In each operation around the globe we were running workshops with the objective of serving our customers even better. 40 000 employees also got the opportunity to learn more about our history and to celebrate our achievements.

It is amazing to see that the cornerstones of Atlas Copco's activities have remained the same over the years. Innovation, commitment and interaction built our past created the present and I am convinced will guide the next 140 years.

Thank you!