

Ronnie Leten's speech at the Annual General Meeting on April 29, 2014

Shareholders and guests,

Atlas Copco's success is built on five pillars. The goal is sustainable profitable growth.

We continue to increase presence in the world and to expand the product offering in selected market segments.

We invest in research and development and continuously launch new innovative products and services that enhance customers' productivity.

We are broadening our service offer and provide service on a higher share of the products we have sold. That gives our customers comfort.

We always strive to improve efficiency with a responsible use of resources; people, environment and capital.

We also make sure to attract, recruit and develop people and give them the opportunity to quickly get the right competence.

Before I go deeper, let us look at the result.

The business climate was mixed last year. In this environment our service operation continued to develop well and its importance to our business was increasing.

2013 was a good year for the manufacturing focused business with a stable demand for industrial tools, assembly systems and compressors. Also construction equipment had a solid development.

The demand for mining equipment weakened significantly and our Mining and Rock Excavation Technique business area had a difficult year.

Consequently we had to adjust our organization to the current business climate and were forced to reduce the workforce. I would like you to know that the people affected had done a good job for us and it was only because of the very challenging market situation that they had to leave.

The difficulties in mining were also the main reason for the overall decline in order intake of 7 percent organically.

Also, revenues decreased by 7 percent to 84 billion Swedish Crowns. The operating margin was 20.3, compared with 21.2 percent the year before.

Operating cash flow reached almost 10 billion Swedish crowns.

We are aiming for growth and growth must be done in a responsible way, or there will be no growth. Therefore sustainability aspects and efforts are integrated in everything we do.

Consequently, our goal matrix for sustainable profitable development includes everything from customer loyalty to energy consumption of our products, to the goal of zero corruption in our operations.

We have ambitious performance targets and are on a good path to decrease CO2 emissions by 20 percent by 2020.

In fact, looking at the current trend we will do even better.

Management systems are in place to ensure we safeguard the environment, health, safety and quality in our operations.

Our goal is that our companies should have the triple certification;

ISO 9001 for quality,

ISO 14001 for environment and

OHSAS 18001 for health and safety.

Our achievements in the sustainability area gained international recognition and we were ranked among the best companies in the world in the most prestigious indexes.

The Global 100 ...

Ethisphere, and the ...

Dow Jones Sustainability index.

For the FTSE4Good index we are also very proud to be named a leader.

Looking at the stock market development, the Atlas Copco A share ended at the same level as the previous year.

The total shareholder return of the Atlas Copco share has averaged 21.4 percent per year over the past 10 years. Compare this with 12 percent for the Stockholm Stock Exchange.

Earlier today we presented our results for the first quarter.

We reported an 8% increase in orders received with a strong contribution from Edwards Group, the newly acquired vacuum solutions business.

Revenues were 21 423 million kronor and we had an operating profit margin of 17.6 percent.

In the near-term, the overall demand is expected to increase somewhat.

Despite the ups and downs in the market place, we are convinced that we are in a strong position to continue to capitalize on big important global trends:

The continued expansion of growth markets such as Asia, Africa and South America.

The urbanization and the growth of population require investments in infrastructure and drive demand for minerals.

The drive for productivity and energy efficiency from industries in all corners of the world.

We will capitalize on these trends by building on our strategic pillars. As a reminder, the pillars are: Presence, innovation, service, operational excellence and people.

Today we have customers in 182 countries, served by own operations in half of these.

We continued to increase our presence globally, such as by increasing the sales force in the United States and expanding West in China.

We are also strengthening our business in increasingly important markets such as Indonesia, Vietnam, Mexico, Mozambique, Angola and Algeria.

In these markets, as well as in many other where we operate, both personal security and anti-corruption awareness training are in focus for us.

Atlas Copco has many faces. While the majority of our customers buy Atlas Copco-branded products, they have some 40 different brands to choose from.

Depending on if you are buying compressors, tools, construction or mining equipment, or where in the world you are based, you may know us as for example Chicago Pneumatic, or CP, which you see here.

Or you may know us as Quincy, Ceccato or Shenyang.

Each brand plays an important role and fulfills a specific customer need. All of them offer high quality products and service.

Presence is also about expanding into related product segments. In order to speed up the process we acquire technology and products.

Last year we acquired 11 companies. One of them is Synatec, which delivers products and solutions to improve manufacturers' operational processes.

Earlier this year, we completed the acquisition of the Edwards Group, a world-leading provider of vacuum solutions. Let's see what they are doing.

Film

Thanks to the Edwards acquisition, we will be able to offer broader and very powerful solutions to the manufacturing industry. Our mission with Edwards is to become the global market leader in the vacuum market.

The innovative spirit of Atlas Copco is a key factor for our growth. We continuously launch new products and service.

The new generations must always be more productive, safer, ergonomic and energy efficient than the previous generations.

We are extremely proud of our new breakthrough compressor GA VSD+, which only consumes half of the energy compared to traditional compressor technologies. Maybe you saw it before entering this hall.

With this innovation we are setting new industry standards.

Later today this innovation will be rewarded with our John Munck Award for technical innovations.

A new series of electric mine trucks and loaders can reduce the emissions from the mining industry and reduce the operation cost of our customers.

I can talk about our new innovations for hours. But to save some time, let's have a look at a video with some of our more recent successes.

The products that you will see are some of those that will generate revenues in the years to come by adding value to our customers operations.

Film

We can never take the position as a leading innovator for granted. Therefore we will continue to invest in product development and to increase the competence of our engineers and other functions crucial for our success in this area.

In 2013 the number of development engineers increased by 7 percent and our investment in R&D amounted to 2.7 percent of revenues.

A further proof of our innovation culture are the around 3 400 active patents, corresponding to some 900 innovations.

Atlas Copco's service operation has progressed rapidly since the first dedicated service division was established in 2008. From the end of 2011 each business area has a service division of its own.

Our service operation is not only about maintenance and sales of spare parts. In fact, service is crucial in order to help our customers to become more productive.

One example is SMARTLink, a data monitoring system for compressors. SMARTLink makes it possible to measure the compressor capacity from remotely and monitor exactly when maintenance is needed.

With this system in place our customers can focus on their core business instead of on their compressors. We will do it for them.

Film.

Service revenues continued to increase in 2013 and now total 43 percent of the Group's revenues. For the first time ever we have more people working with service than in our production units.

Through our service operations we have close cooperation with our customers throughout the lifetime of our products. This gives us valuable insights into their needs, and as such, gives us good ideas for new innovative products.

There is always a better way.

This concept is imbedded in our Atlas Copco genes. We work hard to find new smarter ways to run the business at all times.

Have a look at this example from our roller production facility in Sweden.

In 2012 a roller had to travel 1526 meter around the factory before it was ready to be delivered. Now we are down to 357 meters.

Together with a smarter modular roller design and a more flexible and efficient assembly operation, we have reduced the total cost, increased the product quality and improved the delivery time to customers.

In another example, in less than half a year, we saved a million dollars and reduced the carbon dioxide emission by more than 120 tons by changing the packaging method of goods shipped from a distribution center in the United States.

At the same time the packaging waste was significantly reduced and 100 percent recyclable. The pallet assembly time was reduced significantly and customer satisfaction improved.

Operational excellence is also about ensuring a safe working environment for our people. We strive to reduce the number of accidents to zero and see to that our people stay healthy and enjoy work.

Skilled, competent and motivated employees are essential for our achievements. Without a strong culture and internal drive we will never accomplish our ambitions.

We must attract, recruit and develop a diverse group of co-workers. It is about gender, age and nationality.

The share of women in the Group was 17 percent in 2013. Among the 405 most senior managers we had 52 nationalities. Compared to other companies in the industry this is good.

We believe that diversity is an asset to fulfill our goal to create profitable growth.

While we are developing the competence of our employees, we are also looking for methods to do this more efficiently. We strive to shorten the time it takes for employees to manage their tasks.

One example of how we are developing the competence is through various leadership programs, for instance in China.

Our Atlas Copco stands strong.

We will continue to create value for our customers also in the years to come by delivering sustainable productivity. We have a global presence with people dedicated to provide the best possible service to our customers.

Our investment in product innovation and our striving to develop products and service that help save the environment and increase productivity, will ensure competitiveness and flexibility.

With the most skilled, diverse and motivated workforce in the industry, we will make it happen.

Let me thank all of Atlas Copco's employees for their dedicated work, thank all of our customers for their business and all of our owners for your support and trust in Atlas Copco.

Thank you!

Tack!