

April 26, 2016

## Atlas Copco First-quarter report 2016

(unaudited)

### Stable order intake – weak mining

- Orders received were MSEK 24 721 (25 470), unchanged organically
  - Growth in service in all business areas, except in Mining and Rock Excavation
  - Order intake for equipment was slightly lower
- Revenues decreased to MSEK 23 137 (24 745), organic decline of 3%
- Operating profit at MSEK 4 170 (4 519), including items affecting comparability of MSEK +13 (-248). Adjusted margin of 18.0% (19.3)
  - Negative currency effect of MSEK 415 compared to Q1 2015
- Profit before tax amounted to MSEK 3 997 (4 287)
- Profit for the period was MSEK 2 908 (3 236)
- Basic earnings per share were SEK 2.39 (2.66)
- Operating cash flow amounted to MSEK 3 127 (3 498)

MSEK	January - March		%
	2016	2015	
Orders received	24 721	25 470	-3%
Revenues	23 137	24 745	-6%
Operating profit	4 170	4 519	-8%
– as a percentage of revenues	18.0	18.3	
Profit before tax	3 997	4 287	-7%
– as a percentage of revenues	17.3	17.3	
Profit for the period	2 908	3 236	-10%
Basic earnings per share, SEK	2.39	2.66	
Diluted earnings per share, SEK	2.38	2.65	
Return on capital employed, %	26	24	

### Near-term demand outlook

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

*Previous near-term demand outlook (published January 28, 2016).*

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

*Atlas Copco discloses the information provided herein pursuant to the Securities Markets Act and/or the Financial Instruments Trading Act.*

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## Review of the first quarter

### Market development

Atlas Copco's service business remained robust and continued to grow in total and in all business areas, except in Mining and Rock Excavation Technique. The latter reflects a challenging business climate within mining, with several closed or downsized mines. The order volumes for equipment decreased somewhat compared to the previous year, with negative comparisons for gas and process compressors, surface drill rigs, construction equipment, and for industrial tools and assembly solutions. Order volumes increased for vacuum solutions and underground rock excavation equipment. The order volumes for industrial compressors were largely unchanged.

Geographically, growth was achieved in Asia, with a strong order intake in India and South East Asia and a positive year-on-year comparison in China. Growth was also achieved in Europe, primarily due to Southern and Eastern Europe. Order volumes were largely unchanged in North America, but lower in South America and in Africa/Middle East.

### Geographic distribution of orders received

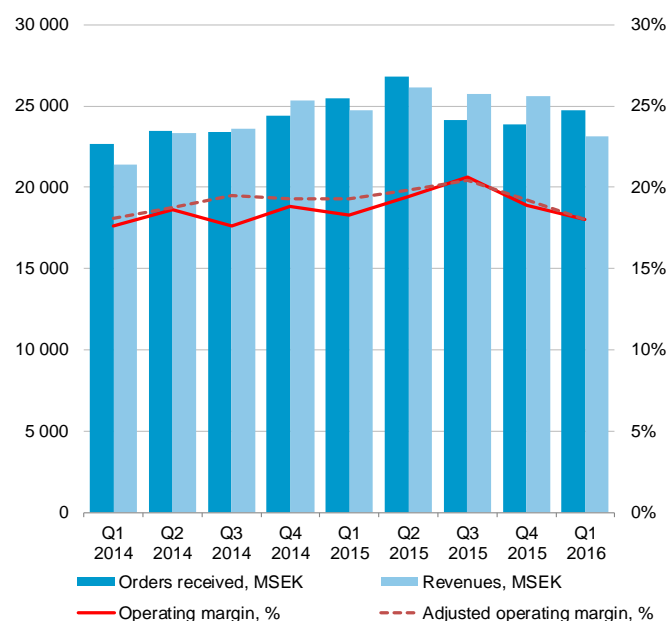
%, Jan - Mar 2016	Atlas Copco Group	
	Orders Received	Change*
North America	24	-2
South America	6	-11
Europe	30	+6
Africa/Middle East	9	-12
Asia	28	+13
Australia	3	-5
	100	+2

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

### Sales bridge

MSEK	January - March	
	Orders received	Revenues
2015	25 470	24 745
Structural change, %	+1	+1
Currency, %	-4	-4
Price, %	+0	+0
Volume, %	+0	-3
Total, %	-3	-6
2016	24 721	23 137

### Orders, revenues and operating profit margin



%, Jan - Mar 2016	Compressor	Industrial	Mining and Rock	Construction	Atlas Copco
	Technique	Technique	Excavation Tech.	Technique	Group
North America	22	31	22	21	24
South America	4	3	13	6	6
Europe	29	42	23	38	30
Africa/Middle East	6	2	18	13	9
Asia/Australia	39	22	24	22	31
	100	100	100	100	100

**Revenues, profits and returns**

Revenues decreased 6% to MSEK 23 137 (24 745). Acquisitions contributed with 1%, while volumes decreased 3%. The currency translation effect was -4%.

The operating profit was MSEK 4 170 (4 519), corresponding to a margin of 18.0% (18.3), and includes an effect of change in provision for share-related long-term incentive programs, reported in Common Group Functions, of MSEK +13 (-248).

The adjusted operating profit decreased 13% to MSEK 4 157 (4 767), corresponding to a margin of 18.0% (19.3). The decreased profit was primarily due to unfavorable exchange rates. The net effect was MSEK -415, which also had a negative effect on the margin. The margin was also negatively affected by lower revenue volume.

Net financial items were MSEK -173 (-232). Interest net was MSEK -161 (-197) and other financial items were MSEK -12 (-35), related to exchange differences and revaluation of financial derivatives.

Profit before tax amounted to MSEK 3 997 (4 287), corresponding to a margin of 17.3% (17.3).

Profit for the period was MSEK 2 908 (3 236) with an effective tax rate of 27.2% (24.5). The increased tax rate reflects the decision on Belgium's tax rulings, see below. Basic and diluted earnings per share were SEK 2.39 (2.66) and SEK 2.38 (2.65), respectively.

The return on capital employed during the last 12 months was 26% (24). Return on equity was 24% (27). 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**

On January 11, 2016, the European Commission announced its decision that Belgian tax rulings granted to multinationals with regard to "Excess Profit" shall be considered as illegal state aid and that unpaid taxes should be paid to the Belgian state. The Belgian government has appealed the decision to the European Court of Justice in Luxembourg (ECJ). Atlas Copco will also appeal to ECJ.

As a result of the European Commission decision, Atlas Copco made a provision of MEUR 300 (MSEK 2 802) in Q4 2015. The amount is an estimate of the potential liability for the years 2010-2015. Atlas Copco has not yet received a claim with information about how to calculate the amount of taxes to be paid.

Payment of the estimated tax amount will likely take place in 2016. The money will be returned if the appeal in ECJ is successful. It will likely takes several years until the judgment with the final decision from ECJ is passed.

**Operating cash flow and investments**

Operating cash surplus reached MSEK 5 278 (5 295). Cash flows from financial items were MSEK +9 (-1 679). The main explanation is positive cash flows from currency hedges of loans of MSEK 177 (negative 1 420) where the offsetting cash flow occurs in the future.

Working capital decreased by MSEK 113 (180). Net investments in rental equipment were MSEK 113 (163). Net investments in property, plant and equipment were MSEK 263 (371).

In total, operating cash flow, adjusted for currency hedges of loans, reached MSEK 3 127 (3 498).

**Net indebtedness**

The Group's net indebtedness, adjusted for the fair value of interest rate swaps, amounted to MSEK 12 655 (14 381), of which MSEK 2 404 (3 219) was attributable to post-employment benefits. The Group has an average maturity of 3.8 years on interest-bearing liabilities. The net debt/EBITDA ratio was 0.5 (0.7). The net debt/equity ratio was 25% (26).

**Dividend**

The Board of Directors proposes to the Annual General Meeting that an ordinary dividend of SEK 6.30 (6.00) per share be paid for the 2015 fiscal year. The dividend is proposed to be paid in two equal installments, the first with record date April 28, 2016 and the second with record date October 31, 2016. The proposed payment periods will facilitate a more efficient cash management.

**Acquisition and divestment of own shares**

During the quarter, 322 140 A shares, net, were acquired for a net value of MSEK 31. 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 March 31, 2016, the number of employees was 43 274 (43 866). The number of consultants/external workforce was 2 889 (3 140). For comparable units, the total workforce decreased by 1 339 from March 31, 2015.

**Revenues and operating profit – bridge**

MSEK	Q1 2016	Volume, price, mix and other	Currency	One-time items Acquisitions	Share based LTI programs	Q1 2015
<b>Atlas Copco Group</b>						
Revenues	23 137	-798	-965	155	-	24 745
Operating profit	4 170	-205	-415	10	261	4 519
%	18.0%	25.7%				18.3%

## Compressor Technique

MSEK	January - March		%
	2016	2015	
Orders received	11 795	11 221	5%
Revenues	10 692	11 049	-3%
Operating profit	2 296	2 392	-4%
– as a percentage of revenues	21.5	21.6	
Return on capital employed, %	38	38	

- **Organic order growth with record order intake for vacuum solutions**
- **Stable orders for industrial compressors – lower for gas and process compressors**
- **Solid growth for compressor service**

## Sales bridge

MSEK	January - March	
	Orders received	Revenues
2015	11 221	11 049
Structural change, %	+1	+1
Currency, %	-3	-2
Price, %	+0	+0
Volume, %	+7	-2
Total, %	+5	-3
2016	11 795	10 692

## Industrial compressors

The order volumes for industrial compressors were stable compared to the previous year. The order volumes increased in both Europe and in Asia, despite a negative development in China. Orders received were lower in the United States, the Middle East and in South America. Sequentially, the order volumes were largely unchanged.

## Compressor service

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

## Gas and process compressors

The order intake was lower compared to the previous year and unchanged sequentially. Compared to the previous year, order volumes were lower in Asia, but higher in Europe.

## Vacuum solutions

The order volumes for vacuum solutions increased both compared to the previous year and sequentially. The orders received were record high, primarily due to strong order intake from the semiconductor industry in Asia and in the United States.

## Acquisitions

In January, Capitol Research Equipment Inc., a U.S. parts and service provider for vacuum pumps, was acquired.

In March, Atlas Copco acquired FIAC, a manufacturer of piston compressors and related equipment, with a global sales network. The company had revenues in 2014 of about MSEK 640 and about 400 employees.

Air et Fluides Lyonnais, a French distributor of industrial air compressors and ancillary systems, was acquired in April.

Scales Industrial Technologies Inc., a U.S. distributor of industrial air compressors and ancillary system, was also acquired in April. The company has about 180 employees.

In November 2015, an agreement to acquire Leybold Vacuum was signed. The business has about 1 600 employees, and had revenues in 2015 of about MSEK 3 100. The acquisition is subject to regulatory approval and is estimated to be completed in the third quarter 2016.

## Innovation

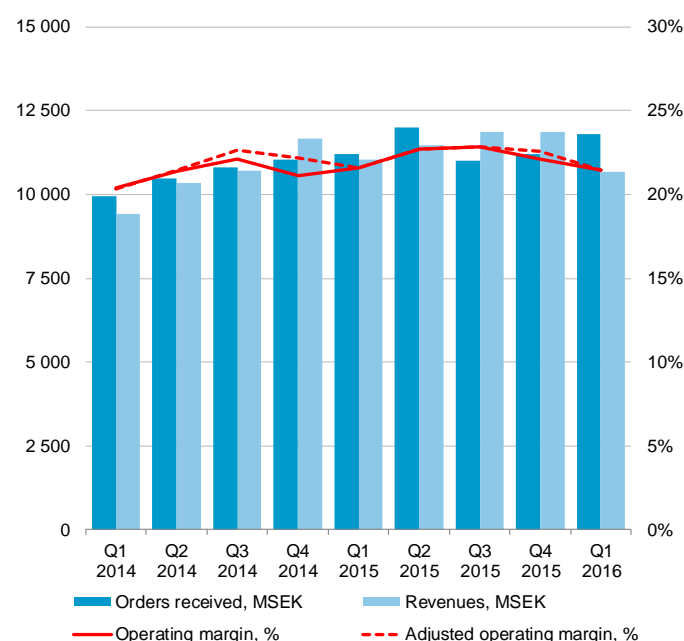
The GHS VSD+ range of screw vacuum pumps introduced in April 2015 was extended to 1900 m<sup>3</sup>/h in the quarter. The range offers average energy savings of up to 50% compared to alternative technologies.

## Revenues and profitability

Revenues decreased to MSEK 10 692 (11 049), corresponding to an organic decline of 2%.

The operating profit was MSEK 2 296 (2 392). The operating margin was 21.5% (21.6) and was supported by currency, but diluted by acquisitions. Return on capital employed (last 12 months) was 38% (38).

## Orders, revenues and operating profit margin



## Industrial Technique

MSEK	January - March		%
	2016	2015	
Orders received	3 512	3 732	-6%
Revenues	3 417	3 394	1%
Operating profit	737	770	-4%
– as a percentage of revenues	21.6	22.7	
Return on capital employed, %	31	34	

- **Healthy demand level, but fewer large projects**
- **Robust growth in the service business**
- **Operating margin at 21.6% negatively affected by currency**

## Sales bridge

MSEK	January - March	
	Orders received	Revenues
2015	3 732	3 394
Structural change, %	+0	+0
Currency, %	-2	-2
Price, %	+0	+0
Volume, %	-4	+3
Total, %	-6	+1
2016	3 512	3 417

## Motor vehicle industry

The order intake for advanced industrial tools, assembly systems and assembly solutions from the motor vehicle industry was somewhat lower compared to the strong order intake previous year, primarily due to lower order intake for large projects. Compared to the previous year, growth was achieved in North America, while the order intake in Europe and in Asia was lower.

## General industry

The order volumes for industrial power tools from the general manufacturing industries was stable compared to the previous year and sequentially. The demand from the aerospace and electronics industries continued to be favorable. Geographically and compared to the previous year, orders received increased in Europe, but decreased in North America.

## Service

The service business, including maintenance and calibration services, continued to grow in most markets with the best development in North America and Europe.

## Innovation

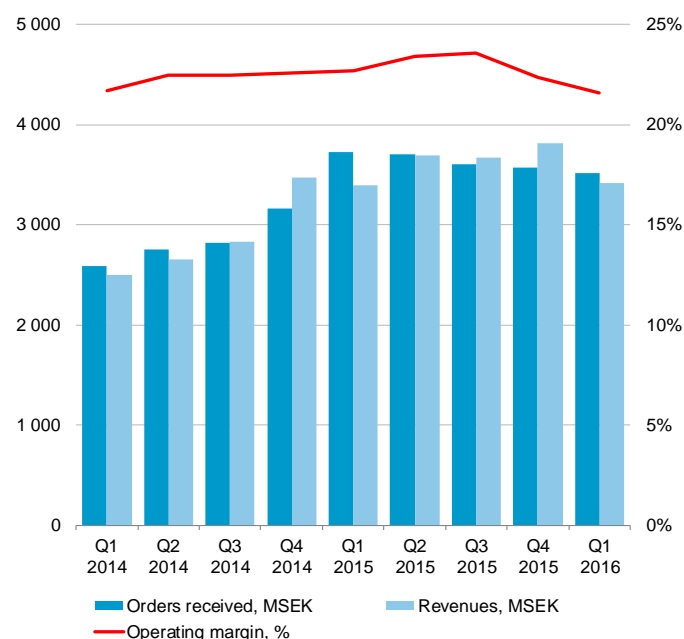
A very compact and light weight angle impact wrench for vehicle service applications was introduced. The wrench has an ergonomic composite handle and the motor is positioned in the head of the tool. These features increase the usability and the performance of the tool.

## Revenues and profitability

Revenues increased to MSEK 3 417 (3 394), corresponding to an organic increase of 3%.

Operating profit was MSEK 737 (770), corresponding to an operating margin of 21.6% (22.7). The margin was supported by volume, but negatively affected by currency. Return on capital employed (last 12 months) was 31% (34).

## Orders, revenues and operating profit margin



## Mining and Rock Excavation Technique

MSEK	January - March		%
	2016	2015	
Orders received	5 729	6 540	-12%
Revenues	5 736	6 756	-15%
Operating profit	866	1 276	-32%
– as a percentage of revenues	15.1	18.9	
Return on capital employed, %	32	31	

- Continued weak demand for equipment
- The service and consumables business negatively affected by several closed or downsized mines
- Operating margin negatively affected by volumes and currency

## Sales bridge

MSEK	January - March	
	Orders received	Revenues
2015	6 540	6 756
Structural change, %	+0	+0
Currency, %	-7	-7
Price, %	+0	+0
Volume, %	-5	-8
Total, %	-12	-15
2016	5 729	5 736

## Mining equipment

The demand for mining equipment continued to be weak. The order volumes decreased somewhat year-on-year, but were somewhat higher sequentially. The underground equipment had increased order intake, while the orders for surface drill rigs decreased. Compared to the previous year, the order volumes increased in Asia and Europe, but decreased in North America, South America and Australia.

## Civil engineering equipment

The orders received for equipment for infrastructure projects increased somewhat compared to the previous year and were largely unchanged sequentially.

## Service and consumables

The demand for service and consumables was negatively impacted by lower activity within both construction and mining with the latter negatively affected by several closed or downsized mines.

The service and spare parts business decreased somewhat both compared to the previous year and sequentially. Compared to the previous year, the largest decrease was in North America and Australia. Consumables volumes decreased compared to the previous year and sequentially. Volumes decreased most in North America.

## Innovation

A range of concrete sprayers built to support all types of mid-sized to large scale underground construction and mining projects were introduced. The range has an increased precision spraying, it is available in a fully automated version, and it allows improved data collection to continuously upgrade the machines for improved efficiency.

## Efficiency measures

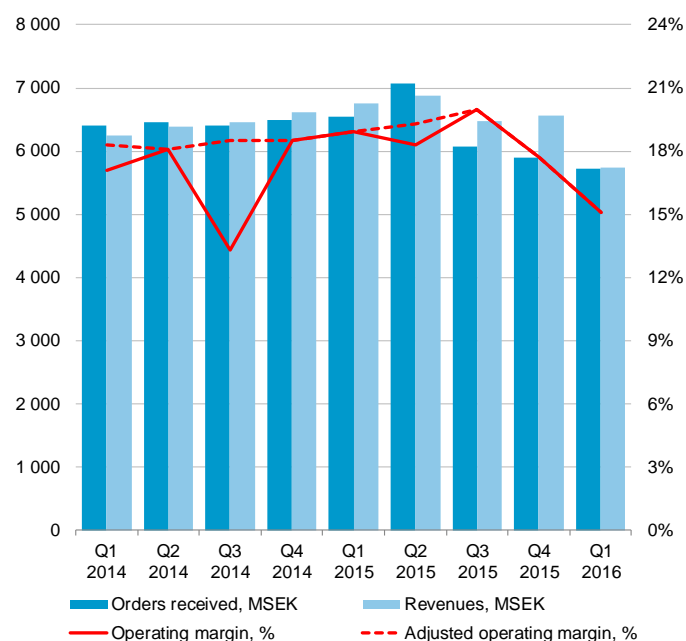
The business area continues to identify and implement further efficiency measures in order to strengthen the operations for the future. This includes consolidation of mining consumables manufacturing in the United States, which will be finished in 2017.

## Revenues and profitability

Revenues decreased to MSEK 5 736 (6 756), corresponding to an organic decline of 8%.

Operating profit decreased to MSEK 866 (1 276), corresponding to a margin of 15.1% (18.9). The margin was impacted negatively by lower volumes and currency. Return on capital employed (last 12 months) was 32% (31).

## Orders, revenues and operating profit margin



## Construction Technique

MSEK	January - March		%
	2016	2015	
Orders received	3 832	4 152	-8%
Revenues	3 402	3 698	-8%
Operating profit	408	450	-9%
– as a percentage of revenues	12.0	12.2	
Return on capital employed, %	12	12	

- Lower order intake for equipment
- Strong growth in India, but significant decline in Brazil
- Service and specialty rental increased

## Sales bridge

MSEK	January - March	
	Orders received	Revenues
2015	4 152	3 698
Structural change, %	+3	+2
Currency, %	-4	-4
Price, %	+1	+1
Volume, %	-8	-7
Total, %	-8	-8
2016	3 832	3 402

## Construction equipment

The demand for construction equipment remained challenging and the order volumes decreased compared to the previous year, albeit moderately for portable compressors and construction and demolition tools. The order volumes decreased significantly for road construction equipment.

The order intake improved in Asia, mainly due to strong growth in India. Europe was somewhat lower, while Brazil was significantly lower. In the United States the order intake was negatively affected by lower order intake from equipment rental companies.

Compared to the previous quarter, and due to normal seasonal effects, the order intake increased for most types of equipment.

## Specialty rental

The demand for the specialty rental business remained at a healthy level and order intake increased somewhat compared to the previous year, but it was somewhat lower sequentially. Compared to the previous year, the order intake was higher in North America and Asia, unchanged in Europe and lower in the Middle East.

## Service

The service business increased somewhat year-on year. The order intake increased in Asia and Europe, but decreased in Africa/ Middle East and in South America.

## Innovation

A range of portable compressors that sets new standards were presented. The compressors are lighter and more fuel

efficient than comparable models. The new range use an average of 12% less fuel than comparable models.

## Acquisition

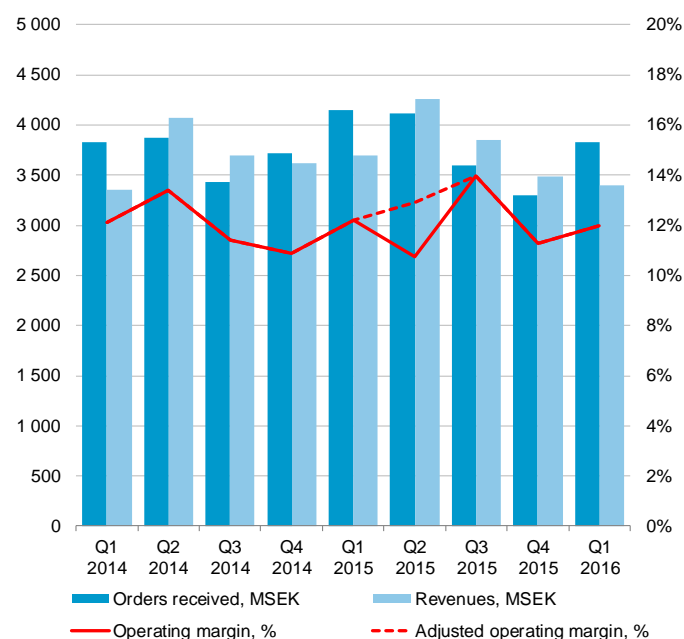
In January 2016, Atlas Copco acquired Varisco, an Italian pump manufacturer. Varisco's high quality pumps are used by a wide range of customers, e.g. to remove unwanted water or other liquids in the construction, mining, and oil and gas industries. They are also used in industrial process plants and for emergency services in case of floods. The company had revenues in 2014 of MSEK 270 and about 135 employees.

## Revenues and profitability

Revenues reached MSEK 3 402 (3 698), corresponding to an organic decline of 6%.

Operating profit was MSEK 408 (450), corresponding to a margin of 12.0% (12.2). The margin was negatively affected by volume and currency. Return on capital employed (last 12 months) was 12% (12).

## 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) as disclosed in the annual report 2015. The interim report is prepared in accordance with IAS 34 Interim Financial Reporting.

**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 2015.

**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		12 months ended		
	Mar. 31 2016	Mar. 31 2015	Mar. 31 2016	Mar. 31 2015	Dec. 31 2015
<b>MSEK</b>					
Revenues	23 137	24 745	100 553	97 043	102 161
Cost of sales	-13 947	-15 298	-60 680	-60 647	-62 031
<b>Gross profit</b>	<b>9 190</b>	<b>9 447</b>	<b>39 873</b>	<b>36 396</b>	<b>40 130</b>
Marketing expenses	-2 625	-2 719	-10 904	-10 242	-10 998
Administrative expenses	-1 531	-1 810	-6 075	-6 148	-6 354
Research and development costs	-774	-775	-3 286	-3 033	-3 287
Other operating income and expenses	-90	376	-229	801	237
<b>Operating profit</b>	<b>4 170</b>	<b>4 519</b>	<b>19 379</b>	<b>17 774</b>	<b>19 728</b>
- as a percentage of revenues	18.0	18.3	19.3	18.3	19.3
Net financial items	-173	-232	-846	-998	-905
<b>Profit before tax</b>	<b>3 997</b>	<b>4 287</b>	<b>18 533</b>	<b>16 776</b>	<b>18 823</b>
- as a percentage of revenues	17.3	17.3	18.4	17.3	18.4
Income tax expense	-1 089	-1 051	-7 138	-4 120	-7 100
<b>Profit for the period</b>	<b>2 908</b>	<b>3 236</b>	<b>11 395</b>	<b>12 656</b>	<b>11 723</b>
Profit attributable to					
- owners of the parent	2 907	3 234	11 390	12 649	11 717
- non-controlling interests	1	2	5	7	6
<b>Basic earnings per share, SEK</b>	<b>2.39</b>	<b>2.66</b>	<b>9.36</b>	<b>10.40</b>	<b>9.62</b>
Diluted earnings per share, SEK	2.38	2.65	9.28	10.39	9.58
Basic weighted average number of shares outstanding, millions	1 215.4	1 217.5	1 216.9	1 216.5	1 217.4
Diluted weighted average number of shares outstanding, millions	1 215.5	1 218.5	1 217.5	1 217.1	1 218.7

**Key ratios**

Equity per share, period end, SEK	40	45	38
Return on capital employed, 12 month values, %	26	24	27
Return on equity, 12 month values, %	24	27	24
Debt/equity ratio, period end, %	25	26	32
Equity/assets ratio, period end, %	46	49	45
Number of employees, period end	43 274	43 866	43 114

**Consolidated statement of comprehensive income**

MSEK	3 months ended		12 months ended		
	Mar. 31 2016	Mar. 31 2015	Mar. 31 2016	Mar. 31 2015	Dec. 31 2015
<b>Profit for the period</b>	<b>2 908</b>	<b>3 236</b>	<b>11 395</b>	<b>12 656</b>	<b>11 723</b>
<b>Other comprehensive income</b>					
<b>Items that will not be reclassified to profit or loss</b>					
Remeasurements of defined benefit pension plans	-179	-641	1 124	-1 171	662
Income tax relating to items that will not be reclassified	45	147	-226	285	-124
	<b>-134</b>	<b>-494</b>	<b>898</b>	<b>-886</b>	<b>538</b>
<b>Items that may be reclassified subsequently to profit or loss</b>					
Translation differences on foreign operations	-185	1 797	-3 352	7 862	-1 370
Hedge of net investments in foreign operations	-186	421	74	-677	681
Cash flow hedges	9	-91	168	-252	68
Income tax relating to items that may be reclassified	118	-264	-75	479	-457
	<b>-244</b>	<b>1 863</b>	<b>-3 185</b>	<b>7 412</b>	<b>-1 078</b>
<b>Other comprehensive income for the period, net of tax</b>	<b>-378</b>	<b>1 369</b>	<b>-2 287</b>	<b>6 526</b>	<b>-540</b>
<b>Total comprehensive income for the period</b>	<b>2 530</b>	<b>4 605</b>	<b>9 108</b>	<b>19 182</b>	<b>11 183</b>
Total comprehensive income attributable to					
- owners of the parent	2 533	4 584	9 122	19 129	11 173
- non-controlling interests	-3	21	-14	53	10

**Consolidated balance sheet**

MSEK	Mar. 31, 2016	Mar. 31, 2015	Dec. 31, 2015
Intangible assets	33 522	34 878	33 520
Rental equipment	2 960	3 201	3 076
Other property, plant and equipment	8 932	9 770	8 947
Financial assets and other receivables	2 134	2 048	2 305
Deferred tax assets	1 808	1 776	1 823
<b>Total non-current assets</b>	<b>49 356</b>	<b>51 673</b>	<b>49 671</b>
Inventories	17 711	19 805	16 906
Trade and other receivables	25 979	27 121	25 985
Other financial assets	1 639	2 156	1 576
Cash and cash equivalents	11 490	10 329	8 861
Assets classified as held for sale	11	35	11
<b>Total current assets</b>	<b>56 830</b>	<b>59 446</b>	<b>53 339</b>
<b>TOTAL ASSETS</b>	<b>106 186</b>	<b>111 119</b>	<b>103 010</b>
Equity attributable to owners of the parent	49 092	54 796	46 591
Non-controlling interests	144	199	159
<b>TOTAL EQUITY</b>	<b>49 236</b>	<b>54 995</b>	<b>46 750</b>
Borrowings	21 663	22 580	21 888
Post-employment benefits	2 404	3 219	2 225
Other liabilities and provisions	1 419	2 052	1 595
Deferred tax liabilities	1 366	1 357	1 497
<b>Total non-current liabilities</b>	<b>26 852</b>	<b>29 208</b>	<b>27 205</b>
Borrowings	1 577	1 080	1 101
Trade payables and other liabilities	27 068	24 285	26 481
Provisions	1 453	1 551	1 473
<b>Total current liabilities</b>	<b>30 098</b>	<b>26 916</b>	<b>29 055</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>106 186</b>	<b>111 119</b>	<b>103 010</b>

**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 2015, 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	Mar. 31, 2016	Dec. 31, 2015
<i>Non-current assets and liabilities</i>		
Assets	2	102
Liabilities	144	134
<i>Current assets and liabilities</i>		
Assets	417	324
Liabilities	95	190

**Carrying value and fair value of borrowings**

MSEK	Mar. 31, 2016	Mar. 31, 2016	Dec. 31, 2015	Dec. 31, 2015
	Carrying value	Fair value	Carrying value	Fair value
Bonds	17 081	18 441	17 199	18 408
Other loans	6 159	6 285	5 790	5 920
	23 240	24 726	22 989	24 328

**Consolidated statement of changes in equity**

MSEK	Equity attributable to		Total equity
	owners of the parent	non-controlling interests	
<b>Opening balance, January 1, 2016</b>	<b>46 591</b>	<b>159</b>	<b>46 750</b>
<b>Changes in equity for the period</b>			
Total comprehensive income for the period	2 533	-3	2 530
Dividends	-	-12	-12
Acquisition and divestment of own shares	-31	-	-31
Share-based payments, equity settled	-1	-	-1
<b>Closing balance, March 31, 2016</b>	<b>49 092</b>	<b>144</b>	<b>49 236</b>

MSEK	Equity attributable to		Total equity
	owners of the parent	non-controlling interests	
<b>Opening balance, January 1, 2015</b>	<b>50 575</b>	<b>178</b>	<b>50 753</b>
<b>Changes in equity for the period</b>			
Total comprehensive income for the period	11 173	10	11 183
Dividends	-7 305	-29	-7 334
Redemption of shares	-7 305	-	-7 305
Acquisition and divestment of own shares	-453	-	-453
Share-based payments, equity settled	-94	-	-94
<b>Closing balance, December 31, 2015</b>	<b>46 591</b>	<b>159</b>	<b>46 750</b>

MSEK	Equity attributable to		Total equity
	owners of the parent	non-controlling interests	
<b>Opening balance, January 1, 2015</b>	<b>50 575</b>	<b>178</b>	<b>50 753</b>
<b>Changes in equity for the period</b>			
Total comprehensive income for the period	4 584	21	4 605
Acquisition and divestment of own shares	-249	-	-249
Share-based payments, equity settled	-114	-	-114
<b>Closing balance, March 31, 2015</b>	<b>54 796</b>	<b>199</b>	<b>54 995</b>

**Consolidated statement of cash flows**

MSEK	January - March	
	2016	2015
<b>Cash flows from operating activities</b>		
Operating profit	4 170	4 519
Depreciation, amortization and impairment (see below)	1 035	1 035
Capital gain/loss and other non-cash items	73	-259
Operating cash surplus	5 278	5 295
Net financial items received/paid	9	-1 679
Taxes paid	-1 390	-972
Pension funding and payment of pension to employees	-1	23
Change in working capital	113	180
Investments in rental equipment	-249	-291
Sale of rental equipment	136	128
<b>Net cash from operating activities</b>	<b>3 896</b>	<b>2 684</b>
<b>Cash flows from investing activities</b>		
Investments in property, plant and equipment	-291	-390
Sale of property, plant and equipment	28	19
Investments in intangible assets	-272	-252
Sale of intangible assets	2	-
Acquisition of subsidiaries and associated companies	-607	-1 635 *
Sale of subsidiaries	-	43
Other investments, net	-59	17
<b>Net cash from investing activities</b>	<b>-1 199</b>	<b>-2 198</b>
<b>Cash flows from financing activities</b>		
Dividends paid to non-controlling interest	-12	-
Repurchase and sales of own shares	-31	-249
Change in interest-bearing liabilities	169	316
<b>Net cash from financing activities</b>	<b>126</b>	<b>67</b>
<b>Net cash flow for the period</b>	<b>2 823</b>	<b>553</b>
Cash and cash equivalents, beginning of the period	8 861	9 404
Exchange differences in cash and cash equivalents	-194	372
<b>Cash and cash equivalents, end of the period</b>	<b>11 490</b>	<b>10 329</b>
Depreciation, amortization and impairment		
<i>Rental equipment</i>	246	260
<i>Other property, plant and equipment</i>	393	417
<i>Intangible assets</i>	396	358
<i>Total</i>	1 035	1 035

\*Includes deferred consideration for acquisitions made in 2014.

**Calculation of operating cash flow**

MSEK	January - March	
	2016	2015
<b>Net cash flow for the period</b>	<b>2 823</b>	<b>553</b>
Add back:		
Change in interest-bearing liabilities	-169	-316
Repurchase and sales of own shares	31	249
Dividends paid to non-controlling interest	12	-
Acquisitions and divestments	607	1 592
Currency hedges of loans	-177	1 420
<b>Operating cash flow</b>	<b>3 127</b>	<b>3 498</b>

## Revenues by business area

MSEK (by quarter)	2014				2015				2016
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Compressor Technique	9 409	10 353	10 718	11 685	11 049	11 462	11 875	11 851	10 692
- of which external	9 361	10 307	10 682	11 653	10 951	11 378	11 806	11 793	10 611
- of which internal	48	46	36	32	98	84	69	58	81
Industrial Technique	2 505	2 650	2 827	3 468	3 394	3 697	3 668	3 819	3 417
- of which external	2 493	2 636	2 816	3 454	3 382	3 684	3 656	3 806	3 406
- of which internal	12	14	11	14	12	13	12	13	11
Mining and Rock									
Excavation Technique	6 251	6 396	6 449	6 622	6 756	6 870	6 481	6 558	5 736
- of which external	6 237	6 373	6 398	6 618	6 724	6 856	6 451	6 527	5 723
- of which internal	14	23	51	4	32	14	30	31	13
Construction Technique	3 354	4 068	3 692	3 625	3 698	4 256	3 855	3 491	3 402
- of which external	3 272	3 971	3 621	3 558	3 634	4 136	3 762	3 408	3 310
- of which internal	82	97	71	67	64	120	93	83	92
Common Group functions/ Eliminations	-96	-119	-96	-40	-152	-174	-156	-137	-110
<b>Atlas Copco Group</b>	<b>21 423</b>	<b>23 348</b>	<b>23 590</b>	<b>25 360</b>	<b>24 745</b>	<b>26 111</b>	<b>25 723</b>	<b>25 582</b>	<b>23 137</b>

## Operating profit by business area

MSEK (by quarter)	2014				2015				2016
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Compressor Technique	1 915	2 219	2 369	2 471	2 392	2 603	2 709	2 620	2 296
- as a percentage of revenues	20.4	21.4	22.1	21.1	21.6	22.7	22.8	22.1	21.5
Industrial Technique	543	595	636	783	770	865	866	854	737
- as a percentage of revenues	21.7	22.5	22.5	22.6	22.7	23.4	23.6	22.4	21.6
Mining and Rock	1 071	1 155	856	1 225	1 276	1 258	1 296	1 163	866
Excavation Technique									
- as a percentage of revenues	17.1	18.1	13.3	18.5	18.9	18.3	20.0	17.7	15.1
Construction Technique	406	545	422	395	450	457	538	394	408
- as a percentage of revenues	12.1	13.4	11.4	10.9	12.2	10.7	14.0	11.3	12.0
Common Group functions/ Eliminations	-175	-175	-138	-103	-369	-111	-96	-207	-137
<b>Operating profit</b>	<b>3 760</b>	<b>4 339</b>	<b>4 145</b>	<b>4 771</b>	<b>4 519</b>	<b>5 072</b>	<b>5 313</b>	<b>4 824</b>	<b>4 170</b>
- as a percentage of revenues	17.6	18.6	17.6	18.8	18.3	19.4	20.7	18.9	18.0
Net financial items	-158	-165	-266	-335	-232	-222	-271	-180	-173
<b>Profit before tax</b>	<b>3 602</b>	<b>4 174</b>	<b>3 879</b>	<b>4 436</b>	<b>4 287</b>	<b>4 850</b>	<b>5 042</b>	<b>4 644</b>	<b>3 997</b>
- as a percentage of revenues	16.8	17.9	16.4	17.5	17.3	18.6	19.6	18.2	17.3

## Key figures by quarter

SEK	2014				2015				2016
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Basic earnings per share	2.27	2.64	2.37	2.74	2.66	3.00	3.12	0.85	2.39
Diluted earnings per share	2.27	2.64	2.36	2.73	2.65	2.96	3.10	0.85	2.38
Equity per share	35	33	37	42	45	35	38	38	40
Operating cash flow per share	1.53	2.55	3.35	4.01	2.87	2.86	3.80	4.40	2.57
%									
Return on capital employed, 12 months value	26	25	25	24	24	25	27	27	26
Return on equity, 12 months value	32	31	30	28	27	28	29	24	24
Debt/equity ratio, period end	37	51	44	30	26	48	34	32	25
Equity/assets ratio, period end	45	43	45	48	49	41	44	45	46
Number of employees, period end	43 846	43 937	44 243	44 056	43 866	43 584	43 295	43 114	43 274

**Acquisitions and divestments**

Date	Acquisitions	Divestments	Business area	Revenues MSEK*	Number of employees*
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
2015 Dec. 15	Air Supply Systems and A1 <i>Distributors USA</i>		Compressor Technique		37
2015 Dec. 4	Innovative Vacuum Solutions		Compressor Technique	32	19
2015 Oct. 5	NJS Technologies		Industrial Technique	9	7
2015 Sep. 9	Air Repair Sales and Services Limited <i>Distributor Canada</i>		Compressor Technique		12
2015 Aug. 7	Applied Plasma Systems		Compressor Technique		5
2015 July 2	Mustang Services		Construction Technique	45	
2015 Mar. 24		Ortman Fluid Power	Compressor Technique	30	19
2015 Mar. 3	Kalibrierzentrum Bayern		Industrial Technique	28	27
2015 Feb. 9		J.C. Carter	Compressor Technique		35
2015 Jan. 8	Maes Compressoren <i>Distributor Belgium</i>		Compressor Technique		30

\*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 2016, full disclosure as per IFRS 3 is not given in this interim report. Disclosure will be given in the annual report 2016. See the annual report for 2015 for disclosure of acquisitions made in 2015.

**Parent company****Income statement**

MSEK	January - March	
	2016	2015
Administrative expenses	-121	-196
Other operating income and expenses	34	34
<b>Operating profit/loss</b>	<b>-87</b>	<b>-162</b>
Financial income and expenses	85	-229
<b>Profit/loss before tax</b>	<b>-2</b>	<b>-391</b>
Income tax	98	81
<b>Profit/loss for the period</b>	<b>96</b>	<b>-310</b>

**Balance sheet**

MSEK	Mar. 31	Mar. 31	Dec. 31
	2016	2015	2015
Total non-current assets	110 989	94 443	111 026
Total current assets	9 578	7 077	7 331
<b>TOTAL ASSETS</b>	<b>120 567</b>	<b>101 520</b>	<b>118 357</b>
Total restricted equity	5 785	5 785	5 785
Total non-restricted equity	34 518	37 502	34 469
<b>TOTAL EQUITY</b>	<b>40 303</b>	<b>43 287</b>	<b>40 254</b>
Total provisions	229	622	267
Total non-current liabilities	54 148	44 135	49 197
Total current liabilities	25 887	13 476	28 639
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>120 567</b>	<b>101 520</b>	<b>118 357</b>
Assets pledged	233	191	279
Contingent liabilities	7 879	7 861	7 846

**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 8.



## 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	-13 445 243
- of which B shares held by Atlas Copco	-393 879
Total shares outstanding, net of shares held by Atlas Copco	1 215 773 982

### Performance-based personnel option plan

The Annual General Meeting 2015 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.

The Board of Directors will propose to the Annual General Meeting 2016 a similar performance-based long-term incentive program as in previous years. For further information, see [www.atlascopcogroup.com/agm](http://www.atlascopcogroup.com/agm).

### Transactions in own shares

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

- Acquisition of not more than 3 800 000 series A shares, whereof a maximum of 3 500 000 may be transferred to personnel stock option holders under the performance-based stock option plan 2015.
- 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 8 100 000 series A and B shares currently held by the company, for the purpose of covering costs of fulfilling obligations related to the option plans 2010, 2011 and 2012.
- 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 quarter 2016, 322 140 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 2015 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 2015.

## 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 more than 180 countries. In 2015, Atlas Copco had revenues of BSEK 102 (BEUR 11) and more than 43 000 employees.

## Business areas

Atlas Copco has four 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 industrial compressors, vacuum solutions, 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, South Korea, Germany, Italy and the United Kingdom.

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 **Construction Technique** business area provides construction and demolition tools, portable compressors, pumps and generators, lighting towers, and compaction and paving equipment. The business area offers specialty rental and provides service through a global network. Construction Technique innovates for sustainable productivity in infrastructure, civil works, oil and gas, energy, drilling and road construction projects. Principal product development and manufacturing units are located in Belgium, Germany, Sweden, the United States, China, India and Brazil.

## 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

- Analysts and investors  
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## Conference call

A conference call for investors, analysts and media will be held on April 26, at 2.00 PM CEST.

The dial-in numbers are:

- Sweden: +46 8 566 426 90
- United Kingdom: +44 20 300 898 06
- United States: +1 855 753 2236

The conference call will be broadcasted live via the Internet. Please see our website for link and presentation material:

[www.atlascopco.com/ir](http://www.atlascopco.com/ir)

The webcast and a recorded audio presentation will be available on our homepage following the call.

## Annual General Meeting

The Annual General Meeting for Atlas Copco AB will be held April 26, 2016 at 4 PM CEST in Aula Medica, Nobels väg 6, Solna, Sweden.

## Report on Q2 2016

The report on Q2 2016 will be published on July 15, 2016.

## Capital Markets Day 2016

Atlas Copco will host its annual Capital Markets Day on November 15, 2016, in Antwerp, Belgium. More detailed information and instructions on how to register will be distributed prior to the event.