

Selected illustrative financial information of Atlas Copco after the split

On January 16, 2017, Atlas Copco's Board of Directors announced that it will prepare a proposal to its Annual General Meeting in 2018 (expected to be held in April 2018) (the "Annual General Meeting 2018") to split the Group into two companies: Atlas Copco, focused on industrial customers, and Epiroc, focused on mining and civil engineering customers.

The following unaudited selected illustrative financial information of Atlas Copco after the split gives effect to the split as if the split had been completed as discussed under the heading "Basis of preparation of selected illustrative financial information of Atlas Copco after the split" below:

- Revenues of BSEK 74.1 for the year ended December 31, 2016, BSEK 70.1 for the year ended December 31, 2015 and BSEK 20.6 for the three months ended March 31, 2017
- EBITDA^(*) ⁽¹⁾ of BSEK 18.3 for the year ended December 31, 2016, corresponding to an EBITDA margin^(*) ⁽²⁾ of 24.7%
- Operating profit^(*) ⁽³⁾ of BSEK 15.3 for the year ended December 31, 2016 (BSEK 14.7 for the year ended December 31, 2015), corresponding to an operating profit margin^(*) ⁽⁴⁾ of 20.7% (21.0% for the year ended December 31, 2015)
- Net cash from operating activities^(*) ⁽⁵⁾ of BSEK 13.0 for the year ended December 31, 2016
- Cash flows from investments in PPE and intangible assets^(*) ⁽⁶⁾ of BSEK -1.6 for the year ended December 31, 2016
- Total assets of BSEK 87.6 as at December 31, 2016

(*) The indicated financial performance measures are not defined according to IFRS. These performance measures provide complementary information and are used to help investors as well as Atlas Copco's management analyze Atlas Copco's operations and facilitate an evaluation of the performance. Since not all companies calculate financial performance measures in the same manner, these are not always comparable with measures used by other companies. These financial performance measures should therefore not be regarded as a replacement for measures as defined according to IFRS.

(1) EBITDA – Earnings Before Interest, Taxes, Depreciation and Amortization – equals operating profit plus depreciation, impairment and amortization.

(2) EBITDA margin equals EBITDA as a percentage of revenues.

(3) Operating profit equals revenues less all costs related to operations, but excluding net financial items and income tax expense.

(4) Operating profit margin equals operating profit as a percentage of revenues.

(5) Includes a non-recurring income tax payment amounting to BSEK 2.3 related to the European Commission's decision on certain Belgian tax rulings.

(6) Cash flows from investments in PPE and intangible assets include investments in property, plant and equipment and intangible assets, but exclude the cash flows from goodwill, intangible assets and property, plant and equipment through acquisitions. For the avoidance of doubt, investments in rental equipment are not included in cash flows from investments in PPE and intangible assets as they are included in net cash from operating activities.

Basis of preparation of selected illustrative financial information of Atlas Copco after the split

The unaudited selected illustrative financial information of Atlas Copco after the split has been prepared for illustrative purposes only. Because of its nature, the unaudited selected illustrative financial information addresses a hypothetical situation and does not, therefore, represent what Atlas Copco's actual results of operations and financial position would have been if the split had been completed as currently expected on the dates indicated. The details of the split have not yet been finalized and the split remains subject to, *inter alia*, proposal by the Board of Directors to and approval by the Annual General Meeting 2018.

The businesses of Atlas Copco and Epiroc are currently operated as part of the Atlas Copco group and there is no history of Atlas Copco and Epiroc as separate entities. Therefore, the preparation of the unaudited selected illustrative financial information of Atlas Copco after the split required certain assumptions to be made regarding and certain adjustments to be made to the historical financial information. Such assumptions and adjustments are based upon Atlas Copco's preliminary analysis and the information currently available to it. The actual results of the split may materially differ from the assumptions used in the preparation of the unaudited selected illustrative financial information of Atlas Copco after the split. Accordingly, the unaudited selected illustrative financial information of Atlas Copco after the split included herein is inherently unreliable and is not necessarily indicative of the results of operations and financial position that Atlas Copco would have realized had the split occurred on the dates indicated, nor is it meant to be indicative of any anticipated financial position or future results of operations that Atlas Copco may experience going forward. The unaudited selected illustrative financial information of Atlas Copco after the split is neither combined financial statements nor pro forma financial statements.

The unaudited selected illustrative financial information of Atlas Copco after the split included herein has not been audited or reviewed by Deloitte AB, Atlas Copco's auditors and, accordingly, Deloitte AB has not issued any audit report or review opinion on the contents of the unaudited selected illustrative financial information of Atlas Copco after the split, or the basis upon which it has been prepared.

The unaudited selected illustrative financial information of Atlas Copco after the split gives effect to the split as currently contemplated by Atlas Copco as if the split had been completed on:

- (a) 1 January 2016 for the purposes of the unaudited selected illustrative income statement and statement of cash flows information for the year ended 31 December 2016;
- (b) 31 December 2016 for the purposes of the unaudited illustrative total assets as at 31 December 2016;
- (c) 1 January 2017 for the purposes of the unaudited illustrative revenues for the three months ended 31 March 2017; and
- (d) 1 January 2015 for the purposes of the unaudited selected illustrative income statement information for the year ended 31 December 2015.

The unaudited selected illustrative financial information of Atlas Copco after the split presented herein is based on financial information derived from the audited consolidated financial statements of Atlas Copco as at and for the year ended 31 December 2016, including comparative financial information as at and for the year ended 31 December 2015, and the unaudited consolidated interim report of Atlas Copco as at and for the three months ended 31 March 2017.

The following significant methods, assumptions and adjustments have been made to the historical consolidated financial information of Atlas Copco in the preparation of the unaudited selected illustrative financial information of Atlas Copco after the split:

- 1. The historical consolidated financial information of Atlas Copco has been divided between Atlas Copco and Epiroc after giving effect to the split as currently contemplated by Atlas Copco whereby the Mining and Rock Excavation Technique business area in full and Epiroc's share

of the Construction Technique business area and common group functions/eliminations have been deducted from the consolidated financial information of Atlas Copco.

2. The transactions between Atlas Copco and Epiroc have been eliminated in the historical consolidated financial information of Atlas Copco. Such eliminations have not been reversed in the unaudited selected illustrative financial information of Atlas Copco after the split and, therefore, the unaudited selected illustrative financial information excludes revenues, expenses, cash flows and assets that have arisen from the transactions between Atlas Copco and Epiroc.
3. The unaudited illustrative total assets of Atlas Copco after the split as at 31 December 2016 have been prepared based on the method described in item 1 above, except for deferred tax assets, income tax receivables, pension and other similar benefit assets and cash and cash equivalents, which have been divided between Atlas Copco and Epiroc based on Atlas Copco's current expectations regarding the legal structure after the split.
4. The unaudited illustrative net cash from operating activities of Atlas Copco after the split for the year ended 31 December 2016 has been prepared based on the methods described in items 1 and 2 above, except for net financial items received/paid and taxes paid, which have been divided based on a pro rata share of the net financial items and income tax expenses. Net financial item and income tax expense have been divided between Atlas Copco and Epiroc based on Atlas Copco's current expectations regarding the legal structure after the split. In addition, adjustments for material country specific tax consolidation transfers have been made. Net cash from operating activities includes a non-recurring tax payment amounting to BSEK 2.3 related to the European Commission's decision on certain Belgian tax rulings, which have been allocated in full to Atlas Copco.

The unaudited selected illustrative financial information of Atlas Copco after the split does not reflect future exceptional charges resulting from the split or future events that may occur, including restructuring activities or other costs related to the split, and does not consider the potential impact of market conditions prior to the date of the split.