Atlas Copco

Press Release from the Atlas Copco Group

July 16, 2010

Atlas Copco
Interim report at June 30, 2010

Strong order growth and record operating margin

- **Organic order intake increased 33% to MSEK 19 221.**
- **Revenues increased 8% to MSEK 17 430 (16 155), organic increase of 9%.**
- **Operating profit increased 69% to MSEK 3 499 (2 066).**
- **Operating margin was record high at 20.1% (12.8).**
  - **Previous year included restructuring costs of MSEK 259 and adjusted operating margin was 14.4%.**
- **Profit before tax amounted to MSEK 3 403 (1 943).**
- **Profit for the period was MSEK 2 523 (1 468).**
- **Basic and diluted earnings per share were SEK 2.07 (1.20).**
- **Very strong operating cash flow at MSEK 2 847 (2 492).**

	April – June			January - June		
MSEK	2010	2009	%	2010	2009	%
Orders received	19 221	14 535	+32	36 488	28 866	+26
Revenues	17 430	16 155	+8	32 731	32 732	0
Operating profit	3 499	2 066	+69	6 126	4 238	+45
– as a percentage of revenues	*20.1*	*12.8*		*18.7*	*12.9*	
Profit before tax	3 403	1 943	+75	5 900	3 737	+58
– as a percentage of revenues	*19.5*	*12.0*		*18.0*	*11.4*	
Profit for the period	2 523	1 468	+72	4 378	2 846	+54
Basic and diluted earnings per share, SEK	2.07	1.20		3.60	2.33	

Near-term demand outlook

The overall demand for the Group’s products and services is expected to increase somewhat.

In emerging markets, demand is foreseen to develop favorably in all business areas. Demand in North America and parts of Europe is expected to increase gradually.

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Atlas Copco Group

Summary of half-year results

Orders received in the first six months of 2010 increased 26%, to MSEK 36 488 (28 866). Volume for comparable units increased 26%, price increases added 1% and structural changes 1%, while the negative currency effect was 5%. Cancellations from the first quarter 2009, represented 3%. Revenues were MSEK 32 731 (32 732), corresponding to 3% organic growth.

Operating profit increased 45% to MSEK 6 126 (4 238), previous year includes redundancy costs of MSEK 489. The operating margin was 18.7% (14.4 adjusted). The positive impact of changes in exchange rates compared with previous year was approximately MSEK 60 for the first half-year.

Profit before tax increased 58% to MSEK 5 900 (3 737) and corresponding to a margin of 18.0% (11.4). Profit for the period totaled MSEK 4 378 (2 846). Basic and diluted earnings per share were SEK 3.60 (2.33).

Operating cash flow before acquisitions, divestments and dividends totaled MSEK 5 070 (5 343).

Review of the second quarter

Market development

The positive demand development seen in recent quarters continued, both for aftermarket and equipment. Sequential improvement, compared with previous quarter, was seen in all major regions and in most customer segments. Order intake for industrial and construction equipment improved sequentially and sales of mining equipment continued to be very favorable. Orders received were, consequently, significantly above the low level of previous year.

In **North America**, order intake for most types of equipment and for the aftermarket improved sequentially and grew strongly compared with previous year. The demand for industrial equipment developed particularly well.

Orders received in **South America** were, again, record high, reflecting strong demand in all countries and from most customer segments.

In **Europe**, overall demand improved sequentially. The most positive order development was seen in Russia, in many other eastern European countries, and in the Nordic countries. Southern Europe, however, remained weak. Order intake for construction equipment recovered. Compared with previous year's weak order intake in the region, solid growth was recorded both for equipment and aftermarket.

Orders received in **Africa/ Middle East** were largely unchanged compared with previous quarter and higher than previous year. Central and northern Africa had a more favorable development compared with southern Africa and the Middle East.

In **Asia,** order intake reached a new record level. Strong growth was recorded both in equipment and aftermarket and the activity was particularly high in the manufacturing industry. Orders received in China and India reached new records and increased in Japan and South Korea.

In **Australia**, demand from the mining industry continued to be very favorable and contributed to the record high orders received.

Sales bridge

	April– June	
MSEK	Orders Received	Revenues
2009	14 535	16 155
Structural change, %	+2	+2
Currency, %	-3	-3
Price, %	+1	+1
Volume, %	+32	+8
Total, %	+32	+8
2010	19 221	17 430

Geographic distribution of orders received

%, last 12 months incl. June 2010	Compressor Technique	Construction and Mining Technique	Industrial Technique	Atlas Copco Group
North America	15	17	23	17
South America	8	15	5	11
Europe	37	27	50	33
Africa/Middle East	11	14	2	11
Asia/Australia	29	27	20	28
	100	100	100	100

Earnings and profitability

Operating profit increased 69% to MSEK 3 499 (2 066), previous year includes redundancy costs of MSEK 259. The operating margin improved significantly to 20.1% (14.4 adjusted) and was positively affected by the cost reductions and efficiency measures that were introduced as from Q4 2008. A favorable sales mix, volume, price increases and more favorable exchange rates, also supported the profit margin. The net currency effect compared with previous year was MSEK 135, primarily related to a positive impact from revaluation of customer receivables in the quarter. It affected the margin positively with more than one percentage point.

Net financial items were MSEK -96 (-123) of which interest net MSEK -110 (-194). The improvement in interest net reflects the large reduction of the net indebtedness in the last year, as well as a lower effective interest rate. Other financial items include primarily positive financial exchange rate differences.

Profit before tax amounted to MSEK 3 403 (1 943), corresponding to a margin of 19.5% (12.0).

Profit for the period totaled MSEK 2 523 (1 468). Basic and diluted earnings per share were SEK 2.07 (1.20).

The return on capital employed during the last 12 months was 22% (24) and 24% (26) excluding the customer financing business. The return on equity was 32% (38). The Group currently uses a weighted average cost of capital (WACC) of 8.0%, pre-tax equivalent approximately 10.5%, as an investment and overall performance benchmark.

Operating cash flow and investments

Operating cash surplus reached MSEK 3 981 (2 506).

Working capital increased with MSEK 327 (decreased 1 692) as a result of increased sales. Rental equipment increased with, net, MSEK 119 (14).

Investments in property, plant and equipment decreased to MSEK -193 (-280). Net cash flow from other investing activities, excluding acquisitions and divestments of MSEK -25 (-13), was MSEK -212 (-44). The increase was primarily due to customer financing.

Operating cash flow equaled MSEK 2 847 (2 492).

Cash flows from financing activities

Dividends paid amounted to MSEK 3 649 (3 653) and a bond loan of MSEK 2 000 was repaid in the quarter. In addition, there was a positive effect in the cash flow of MSEK 483 from the closing of interest rate swap contracts related to bond loans of MEUR 500. The result effect will be amortized over the remaining tenor of the bonds, approximately 4 years.

Net indebtedness

The Group's net indebtedness, adjusted for the fair value of interest rate swaps, amounted to MSEK 10 880 (19 880), of which MSEK 1 665 (1 885) was attributable to post-employment benefits. The funding situation for the Group is stable and favorable, with an average tenor of about 5 years. The net debt/EBITDA ratio was 0.8 (1.5). The debt/equity ratio was 43% (85).

Employees

On June 30, 2010, the number of employees was 31 135 (30 558). The number of consultants/ external workforce was 1 416 (909).

For comparable units, the total workforce increased 708 since June 30, 2009 and with 956 since March 31, 2010.

Compressor Technique

The Compressor Technique business area consists of seven divisions in the following product areas: industrial compressors, compressed air treatment products, portable compressors and generators, gas and process compressors and expanders, service and specialty rental.

	April – June			January – June		
MSEK	2010	2009	%	2010	2009	%
Orders received	**9 359**	**7 341**	**+27**	17 327	15 044	+15
Revenues	**8 615**	**8 221**	**+5**	16 274	16 581	-2
Operating profit	**2 000**	**1 323***	**+51**	3 577	2 707*	+32
– as a percentage of revenues	***23.2***	***16.1****		*22.0*	*16.3**	
Return on capital employed, %	**56**	**49**				

** Include items affecting comparability of MSEK -114 in Q2 2009 and MSEK -234 for January-June 2009. Adjusted margins were 17.5% and 17.7%, respectively.*

- 28% organic order growth; strong demand for standard machines.
- Solid development in aftermarket with high growth in emerging markets.
- Record operating profit margin at 23.2%, supported by currencies, efficiencies, volume and mix.

Sales bridge

	April – June	
MSEK	Orders Received	Revenues
2009	7 341	8 221
Structural change, %	+4	+3
Currency, %	-5	-4
Price, %	+1	+1
Volume, %	+27	+5
Total, %	+27	+5
2010	9 359	8 615

Industrial compressors

The demand for stationary industrial compressors improved, for all sizes of machines as well as for air treatment products, such as dryers, coolers, and filters. Order received grew strongly in Asia and South America. In Europe, a clear improvement was noted with the highest growth in northern and eastern parts. Sales increased moderately in North America for comparable units, i.e. excluding acquired businesses, primarily Quincy Compressor.

Gas and process compressors

Order intake of gas and process compressors was higher than previous quarter and previous year. Important orders were won in China, India and the United States.

Portable compressors, generators and rental

Demand for portable compressors and generators continued to improve. Orders received improved sequentially and was significantly above the low level previous year in most markets. The development was strong in the United States, China and Brazil, and positive also in many western European countries. The specialty rental business, i.e. rental of portable air and power, was largely in line with previous year.

Aftermarket

Sales of service and spare parts increased in all regions. The strongest development was seen in Asia, South America and eastern Europe, where more than 20% growth was recorded.

Product development

A range of oil-injected screw compressors designed for the Asian market was introduced. The range of oil-free screw blowers, which offers a more energy efficient solution for low pressure applications, introduced last quarter was complemented with additional models. A containerized portable compressor for the oil- and gas industry was also introduced, as well as some large oil-injected screw compressors, a number of options for industrial compressors and several air treatment products, such as dryers.

Structural changes

In the quarter, certain assets of American Air Products, a compressor distributor in Minnesota, the United States, were acquired.

Profit and returns

Operating profit increased 51% to MSEK 2 000 (1 323 including restructuring costs of MSEK 114). Operating margin reached 23.2% (17.5 adjusted) and was supported by favorable exchange rates, volume and mix, as well as by efficiency improvements and price increases.

Return on capital employed (last 12 months) was 56% (49).

Construction and Mining Technique

The Construction and Mining Technique business area consists of eight divisions in the following product areas: drilling rigs, rock drilling tools, loading equipment, exploration equipment, construction tools, and road construction equipment.

	April – June			January – June		
MSEK	2010	2009	%	2010	2009	%
Orders received	**8 222**	**5 930**	**+39**	16 038	11 270	+42
Revenues	**7 393**	**6 722**	**+10**	13 626	13 538	+1
Operating profit	**1 331**	**875***	**+52**	2 291	1 743*	+31
– as a percentage of revenues	***18.0***	***13.0****		*16.8*	*12.9**	
Return on capital employed, %	**21**	**21**				

** Include items affecting comparability of MSEK -85 in Q2 2009 and MSEK -143 for January-June 2009. Adjusted margins were 14.3% and 13.9%, respectively.*

- 40% organic order growth; strong growth in both equipment and aftermarket.
- Operating profit margin at 18.0%, supported by volume and efficiency.
- New customer center opened in the Democratic Republic of the Congo.

Sales bridge

	April – June	
MSEK	Orders Received	Revenues
2009	5 930	6 722
Structural change, %	0	0
Currency, %	-1	-1
Price, %	+2	+1
Volume, %	+38	+10
Total, %	+39	+10
2010	8 222	7 393

Mining

Demand for mining equipment continued to be favorable. Overall order intake for mining equipment, used in underground and open-pit mining, as well as for exploration, was comparable with the first quarter and significantly higher than previous year. The best development was seen in South America, North America and Australia.

Construction

Overall demand for construction equipment improved in all major regions, including Europe. Order intake for underground drilling equipment for infrastructure projects, e.g. tunneling and hydropower, as well as for surface drilling rigs used in quarries and road construction, increased. Sales of light construction equipment also improved from low levels, mainly as a result of improved demand from distributors and rental companies. Orders received for road construction equipment developed favorably in emerging markets, but was relatively weak in developed markets.

Aftermarket and consumables

Demand for service, spare parts and consumables developed favorably and double digit sales growth was recorded in all regions. Primary drivers for this development were high activity in the mining industry and the positive development within construction.

Structural changes

On July 1, Atlas Copco inaugurated a new customer center in the Democratic Republic of the Congo. It markets products such as drill rigs and consumables for both underground and surface mining operations, as well as exploration equipment, compressors, and construction equipment. The new customer center will initially employ about 80 people, primarily in sales and service.

Product development

At the Bauma trade fair in Germany, the following products were among the ones introduced: A range of silenced light rock drills for underground applications, a range of heavy hydraulic breakers, a range of power packs for hydraulic equipment, and a number of machines for road construction. Also launched in the quarter were three heavy duty rock drills for tunneling applications, a 15 ton mining loader, a surface drill rig for quarrying and mining applications and a number of drilling tools.

Profit and returns

Operating profit increased to MSEK 1 331 (875 including restructuring costs of MSEK 85), corresponding to an operating margin of 18.0% (14.3 adjusted). The margin was supported, primarily by increased volumes in combination with cost efficiency measures implemented after the financial crisis. A favorable sales mix with more revenues from spare parts and service also contributed to the margin.

Return on capital employed (last 12 months) was 21% (21).

Industrial Technique

The Industrial Technique business area consists of four divisions in the product areas industrial power tools and assembly systems.

	April – June			January – June		
MSEK	2010	2009	%	2010	2009	%
Orders received	**1 701**	**1 283**	**+33**	3 299	2 660	+24
Revenues	**1 535**	**1 211**	**+27**	3 018	2 694	+12
Operating profit	**289**	**-13***		532	63*	+744
– as a percentage of revenues	***18.8***	***-1.1****		*17.6*	*2.3**	
Return on capital employed, %	**28**	**21**				

** Include items affecting comparability of MSEK -58 in Q2 2009 and MSEK -107 for January-June 2009. Adjusted margins were 3.7% and 6.3%, respectively.*

- 40% organic order growth; improved demand from all customer segments and all major regions.
- Operating margin increased to 18.8%, supported by increased volumes and cost savings.
- Sales and service of industrial tools in southern United States was acquired from a distributor.

Sales bridge

	April – June	
MSEK	Orders Received	Revenues
2009	1 283	1 211
Structural change, %	0	0
Currency, %	-7	-7
Price, %	+1	+1
Volume, %	+39	+33
Total, %	+33	+27
2010	1 701	1 535

General industry

Order intake for industrial power tools to the general manufacturing industries, e.g. electrical appliances, aerospace, and shipyards, increased significantly compared with previous year from low levels and improved also sequentially. Compared to the second quarter 2009, the sales increased significantly in North America and Asia. A positive development was also noted in Europe, with strong growth in the eastern parts.

Motor vehicle industry

Demand for advanced industrial tools and assembly systems to the motor vehicle industry continued to improve. Vehicle manufacturers have started to invest in new equipment, both for existing and new assembly lines. Orders received increased strongly in Asia. In North America, strong growth was recorded and a considerable improvement was noted in Europe, both from low levels previous year.

Vehicle service

The vehicle service business, providing large fleet operators and specialized repair shops with tools and other equipment, increased sales from previous year’s low levels in all major regions.

Aftermarket

The aftermarket business continued to grow rapidly in most emerging markets. Strong growth was also recorded in North America, both sequentially and compared to previous year. Demand in Europe also improved and healthy growth was recorded.

Product development

A new tightening tool for high torque assembly lines was introduced. The tool is very powerful, yet it is compact and has a low weight. Operator feedback on the result of each tightening is instant and the tool also collects tightening data for process improvement and traceability. In addition, a number of grinding machines for industrial applications were launched. The machines have improved productivity, safety and ergonomics.

Structural changes

In June, Atlas Copco Tools and Assembly Systems LLC took over the sales and marketing of products and services in southern United States from its distributor Tooling Technologies Inc.

Profit and returns

Operating profit improved significantly to MSEK 289 (-13 including restructuring costs of MSEK 58), corresponding to an operating margin of 18.8% (3.7 adjusted). Significantly higher volumes in combination with lower manufacturing, marketing and administration costs, resulting from previous year’s restructuring measures, affected the profit and margin positively.

Return on capital employed (last 12 months) was 28% (21).

Previous near-term demand outlook

(Published April 28, 2010)

The overall demand for the Group's products and services is expected to improve somewhat from current levels.

Demand in most emerging markets is foreseen to develop favorably in all business areas. Demand in North America is expected to increase gradually, whereas Europe is expected to remain largely unchanged.

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 2009, with the exception of new or revised standards and interpretations endorsed by the EU and effective as from January 1, 2010, as explained below.

The interim report is prepared in accordance with IAS 34 Interim Financial Reporting.

Changes in accounting principles

Revised IFRS 3 Business Combinations and amended IAS 27 Consolidated and Separate Financial Statements

The revised IFRS 3 and amended IAS 27 result among other things in the following changes: transaction costs related to business combinations must be expensed, contingent considerations are recognized at fair value at the acquisition date and the effects of remeasuring liabilities related to contingent considerations are recognized as income or expense in profit or loss and there are two alternative methods to recognize goodwill and non-controlling interest (minority). The choice between the two methods is made on an individual basis for each acquisition. Changes in a parent's ownership interest that do not result in a loss of control are accounted for as equity transactions.

The changes have not yet had any material effect on the consolidated financial statements.

Other new and amended IFRS standards and IFRIC interpretations

The other new or amended IFRS standards and IFRIC interpretations, which became effective January 1, 2010, have had no material effect on the consolidated financial statements.

Audit

This report has not been audited.

Risks and factors of uncertainty

Market risks

The demand for Atlas Copco's products and services is affected by changes in the customers' investment and production levels. A widespread financial crisis and economic downturn, such as the one experienced during 2009, 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 and other financial risks. In line with the overall objectives with respect to growth, operating margin, 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 the production. To minimize these risks, Atlas Copco has established a global network of sub-suppliers, which means that in most cases there is more than one sub-supplier that can supply a certain component.

Atlas Copco is also exposed to raw material prices, directly and indirectly. Cost increases for raw materials and components are often coinciding in time with strong end-customer demand and can partly be offset by increased volumes to the producers of the raw material and partly compensated for by increased market prices towards customers.

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 about risk factors, please see the 2009 Annual Report.

Consolidated Income Statement

	3 months ended		6 months ended		12 months ended		
	June 30	June 30	June 30	June 30	June 30	June 30	Dec. 31
MSEK	2010	2009	2010	2009	2010	2009	2009
Revenues	17 430	16 155	32 731	32 732	63 761	70 903	63 762
Cost of sales	-10 983	-11 014	-20 731	-22 149	-41 213	-47 012	-42 631
Gross profit	**6 447**	**5 141**	**12 000**	**10 583**	**22 548**	**23 891**	**21 131**
Marketing expenses	-1 764	-1 772	-3 414	-3 622	-6 598	-7 437	-6 806
Administrative expenses	-1 020	-986	-1 980	-1 991	-3 834	-4 005	-3 845
Research and development costs	-370	-359	-727	-731	-1 406	-1 472	-1 410
Other operating income and expenses	206	42	247	-1	268	189	20
Operating profit	**3 499**	**2 066**	**6 126**	**4 238**	**10 978**	**11 166**	**9 090**
- as a percentage of revenues	*20.1*	*12.8*	*18.7*	*12.9*	*17.2*	*15.7*	*14.3*
Net financial items	-96	-123	-226	-501	-544	-697	-819
Profit before tax	**3 403**	**1 943**	**5 900**	**3 737**	**10 434**	**10 469**	**8 271**
- as a percentage of revenues	*19.5*	*12.0*	*18.0*	*11.4*	*16.4*	*14.8*	*13.0*
Income tax expense	-880	-475	-1 522	-891	-2 626	-2 272	-1 995
Profit for the period	**2 523**	**1 468**	**4 378**	**2 846**	**7 808**	**8 197**	**6 276**
Profit attributable to							
- owners of the parent	*2 520*	*1 461*	*4 374*	*2 833*	*7 785*	*8 168*	*6 244*
- non-controlling interests	*3*	*7*	*4*	*13*	*23*	*29*	*32*
Basic earnings per share, SEK	**2.07**	**1.20**	**3.60**	**2.33**	**6.40**	**6.71**	**5.14**
Diluted earnings per share, SEK	2.07	1.20	3.60	2.33	6.40	6.71	5.13
Basic weighted average number of shares outstanding, millions	1 215.3	1 215.9	1 215.5	1 215.9	1 215.5	1 216.7	1 215.9
Diluted weighted average number of shares outstanding, millions	1 216.7	1 216.2	1 216.0	1 216.1	1 216.1	1 216.9	1 216.3

Key ratios			
Equity per share, period end, SEK	21	19	21
Return on capital employed before tax, 12 month values, %	22	24	18
Return on equity after tax, 12 month values, %	32	38	26
Debt/equity ratio, period end, %	43	85	42
Equity/assets ratio, period end, %	37	33	38
Number of employees, period end	31 135	30 558	29 802

Consolidated Statement of Comprehensive Income

MSEK	3 months ended June 30 2010	3 months ended June 30 2009	6 months ended June 30 2010	6 months ended June 30 2009	12 months ended June 30 2010	12 months ended June 30 2009	12 months ended Dec. 31 2009
Profit for the period	**2 523**	**1 468**	**4 378**	**2 846**	**7 808**	**8 197**	**6 276**
Other comprehensive income							
Translation differences on foreign operations	177	-405	-1 200	253	-2 554	6 006	-1 098
- realized and reclassified to income statement	-	-	-	-	-	-847	-
Hedge of net investments in foreign operations	299	245	1 222	182	1 991	-2 997	951
- realized and reclassified to income statement	-	-	-	-	-	656	-
Cash flow hedges	5	45	46	293	166	50	410
Available-for-sale investments	-95	98	15	-147	34	-131	-128
- realized and reclassified to income statement	-	-	-	-	-	-33	-
Income tax relating to components of other comprehensive income	-261	-160	-1 020	-181	-1 684	2 061	-845
Income tax relating to components of other comprehensive income, reclassified to income statement		-	-	-	-	-749	-
Other comprehensive income for the period, net of tax	**125**	**-177**	**-937**	**400**	**-2 047**	**4 016**	**-710**
Total comprehensive income for the period	**2 648**	**1 291**	**3 441**	**3 246**	**5 761**	**12 213**	**5 566**
Total comprehensive income attributable to							
- owners of the parent	2 638	1 287	3 424	3 233	5 730	12 167	5 540
- non-controlling interests	10	4	17	13	31	46	26

Consolidated Balance Sheet

MSEK	June 30, 2010	Dec. 31, 2009	June 30, 2009
Intangible assets	13 810	12 697	13 121
Rental equipment	2 056	2 056	2 267
Other property, plant and equipment	6 070	5 993	6 387
Financial assets and other receivables	3 988	4 175	4 565
Deferred tax assets	1 086	2 381	2 878
Total non-current assets	**27 010**	**27 302**	**29 218**
Inventories	12 566	11 377	15 028
Trade and other receivables	17 891	15 433	17 668
Other financial assets	1 708	1 530	1 567
Cash and cash equivalents	9 054	12 165	6 727
Assets classified as held for sale	70	67	40
Total current assets	**41 289**	**40 572**	**41 030**
TOTAL ASSETS	**68 299**	**67 874**	**70 248**
Equity attributable to owners of the parent	25 239	25 509	23 199
Non-controlling interests	176	162	150
TOTAL EQUITY	**25 415**	**25 671**	**23 349**
Borrowings	20 892	21 008	24 494
Post-employment benefits	1 665	1 768	1 885
Other liabilities and provisions	866	658	715
Deferred tax liabilities	235	589	522
Total non-current liabilities	**23 658**	**24 023**	**27 616**
Borrowings	608	2 959	3 045
Trade payables and other liabilities	17 359	13 936	14 880
Provisions	1 259	1 285	1 358
Total current liabilities	**19 226**	**18 180**	**19 283**
TOTAL EQUITY AND LIABILITIES	**68 299**	**67 874**	**70 248**

Consolidated Statement of Changes in Equity

	Equity attributable to		
MSEK	owners of the parent	non-controlling interests	Total equity
Opening balance, January 1, 2009	**23 627**	**141**	**23 768**
Changes in equity for the period			
Total comprehensive income for the period	5 540	26	5 566
Dividends	-3 648	-6	-3 654
Acquisitions of non-controlling interests	-	1	1
Share-based payments, equity settled	-10	-	-10
Closing balance, December 31, 2009	**25 509**	**162**	**25 671**

	Equity attributable to		
MSEK	owners of the parent	non-controlling interests	Total equity
Opening balance, January 1, 2010	**25 509**	**162**	**25 671**
Changes in equity for the period			
Total comprehensive income for the period	3 424	17	3 441
Dividends	-3 646	-3	-3 649
Repurchase of own shares	-51	-	-51
Share-based payments, equity settled	3	-	3
Closing balance, June 30, 2010	**25 239**	**176**	**25 415**

	Equity attributable to		
MSEK	owners of the parent	non-controlling interests	Total equity
Opening balance, January 1, 2009	**23 627**	**141**	**23 768**
Changes in equity for the period			
Total comprehensive income for the period	3 233	13	3 246
Dividends	-3 648	-5	-3 653
Acquisitions of non-controlling interests	-	1	1
Share-based payments, equity settled	-13	-	-13
Closing balance, June 30, 2009	**23 199**	**150**	**23 349**

Consolidated Statement of Cash Flows

	April – June		January – June	
MSEK	2010	2009	2010	2009
Cash flows from operating activities				
Operating profit	3 499	2 066	6 126	4 238
Depreciation, amortization and impairment (see below)	621	563	1 195	1 179
Capital gain/loss and other non-cash items	-139	-123	-112	-232
Operating cash surplus	3 981	2 506	7 209	5 185
Net financial items received/paid	119	-715	-239	-679
Taxes paid	-782	-764	-1 203	-1 182
Change in working capital	-327	1 692	-52	3 086
Increase in rental equipment*	-331	-173	-522	-374
Sale of rental equipment*	212	159	340	269
Net cash from operating activities	**2 872**	**2 705**	**5 533**	**6 305**
Cash flows from investing activities				
Investments in property, plant and equipment	-193	-280	-370	-571
Sale of property, plant and equipment	11	19	23	38
Investments in intangible assets	-109	-189	-232	-381
Sale of intangible assets	2	3	2	5
Acquisition of subsidiaries	-25	-35	-1 386	-177
Divestment of subsidiaries	-	22	-	22
Other investments, net	-116	123	-266	248
Net cash from investing activities	**-430**	**-337**	**-2 229**	**-816**
Cash flows from financing activities				
Dividends paid	-3 649	-3 653	-3 649	-3 653
Repurchase and sales of own shares	29	-	-51	-
Change in interest-bearing liabilities	-1 603	-303	-2 178	-618
Net cash from financing activities	**-5 223**	**-3 956**	**-5 878**	**-4 271**
Net cash flow for the period	**-2 781**	**-1 588**	**-2 574**	**1 218**
Cash and cash equivalents, beginning of the period	11 958	8 336	12 165	5 455
Exchange differences in cash and cash equivalents	-123	-21	-537	54
Cash and cash equivalents, end of the period	**9 054**	**6 727**	**9 054**	**6 727**

** Cash flow from increase and sale of rental equipment has been reclassified from investing to operating activities.*

Depreciation, amortization and impairment				
Rental equipment	180	136	345	317
Other property, plant and equipment	265	257	507	511
Intangible assets	176	170	343	351
Total	621	563	1 195	1 179

Calculation of operating cash flow

	April – June		January – June	
MSEK	2010	2009	2010	2009
Net cash flow for the period	**-2 781**	**-1 588**	**- 2 574**	**1 218**
Add back				
- Change in interest-bearing liabilities	1 603	303	2 178	618
- Repurchase and sales of own shares	-29	-	51	-
- Dividends paid	3 649	3 653	3 649	3 653
- Acquisitions and divestments	25	13	1 386	155
- Equity hedges in net financial items	380	111	380	-301
Operating cash flow	**2 847**	**2 492**	**5 070**	**5 343**

Revenues by Segment

MSEK (by quarter)	2009 1	2009 2	2009 3	2009 4	2010 1	2010 2
Compressor Technique	8 360	8 221	7 799	8 144	7 659	8 615
- of which external	*8 292*	*8 180*	*7 757*	*8 083*	*7 593*	*8 519*
- of which internal	*68*	*41*	*42*	*61*	*66*	*96*
Construction and Mining Technique	6 816	6 722	5 976	6 395	6 233	7 393
- of which external	*6 785*	*6 712*	*5 968*	*6 375*	*6 204*	*7 350*
- of which internal	*31*	*10*	*8*	*20*	*29*	*43*
Industrial Technique	1 483	1 211	1 243	1 455	1 483	1 535
- of which external	*1 478*	*1 207*	*1 240*	*1 451*	*1 473*	*1 529*
- of which internal	*5*	*4*	*3*	*4*	*10*	*6*
Common Group functions/ Eliminations	-82	1	70	-52	-74	-113
Atlas Copco Group	**16 577**	**16 155**	**15 088**	**15 942**	**15 301**	**17 430**

Operating profit by Segment

MSEK (by quarter)	2009 1	2009 2	2009 3	2009 4	2010 1	2010 2
Compressor Technique	1 384	1 323	1 451	1 594	1 577	2 000
- as a percentage of revenues	*16.6*	*16.1*	*18.6*	*19.6*	*20.6*	*23.2*
Construction and Mining Technique	868	875	823	904	960	1 331
- as a percentage of revenues	*12.7*	*13.0*	*13.8*	*14.1*	*15.4*	*18.0*
Industrial Technique	76	-13	83	107	243	289
- as a percentage of revenues	*5.1*	*-1.1*	*6.7*	*7.4*	*16.4*	*18.8*
Common Group functions/ Eliminations	-156	-119	45	-155	-153	-121
Operating profit	**2 172**	**2 066**	**2 402**	**2 450**	**2 627**	**3 499**
- as a percentage of revenues	*13.1*	*12.8*	*15.9*	*15.4*	*17.2*	*20.1*
Net financial items	-378	-123	-192	-126	-130	-96
Profit before tax	**1 794**	**1 943**	**2 210**	**2 324**	**2 497**	**3 403**
- as a percentage of revenues	*10.8*	*12.0*	*14.6*	*14.6*	*16.3*	*19.5*

Acquisitions and Divestments 2009 – 2010

Date	Acquisitions	Business area	Revenues MSEK*	Number of employees*
2010 Jun. 2	Tooling Technologies – US distributor	Industrial Technique		22
2010 May 28	American Air Products – US distributor	Compressor Technique		18
2010 Mar. 1	Quincy Compressor	Compressor Technique	900	400
2010 Jan. 18	Premier Equipment – US distributor	Compressor Technique		12
2009 Sep. 8	Servis A.C. s.r.o.	Compressor Technique	10	10
2009 Apr. 1	Focus and Prisma	Construction & Mining Technique	93	104
2009 Jan. 12	Compressor Engineering – UK distributor	Compressor Technique	40	39

* 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, full disclosure as per IFRS 3 is not given in this interim report. The annual report for 2010 will include all stipulated disclosures for acquisitions made during 2010. See the annual report for 2009 for disclosure of acquisitions and divestments made in 2009.

Parent Company

Income Statement

MSEK	April - June 2010	April - June 2009	January - June 2010	January - June 2009
Administrative expenses	-98	-86	-170	-151
Other operating income and expenses	43	43	75	97
Operating profit/loss	**-55**	**-43**	**-95**	**-54**
Financial income and expense	2 647	7 078	2 740	6 606
Profit after financial items	**2 592**	**7 035**	**2 645**	**6 552**
Appropriations	-	-	-	-
Profit before tax	**2 592**	**7 035**	**2 645**	**6 552**
Income tax	204	133	137	278
Profit for the period	**2 796**	**7 168**	**2 782**	**6 830**

Balance Sheet

MSEK	June 30 2010	Dec. 31 2009	June 30 2009
Total non-current assets	92 724	93 880	92 108
Total current assets	10 859	14 657	10 868
TOTAL ASSETS	**103 583**	**108 537**	**102 976**
Total restricted equity	5 785	5 785	5 785
Total non-restricted equity	36 552	35 483	30 801
TOTAL EQUITY	**42 337**	**41 268**	**36 586**
Total provisions	239	202	122
Total non-current liabilities	50 950	53 059	57 211
Total current liabilities	10 057	14 008	9 057
TOTAL EQUITY AND LIABILITIES	**103 583**	**108 537**	**102 976**

Assets pledged	47	47	36
Contingent liabilities	584	248	273

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 2.3, *Accounting for Legal Entities* as disclosed in the Annual Report 2009.

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	*-11 853 490*
- of which B shares held by Atlas Copco	*-2 331 074*
Total shares outstanding, net of shares held by Atlas Copco	1 215 428 540

Personnel stock option program

The Annual General Meeting 2010 approved a performance-based long-term incentive program. For Group Executive Management, the plan requires own investment in Atlas Copco shares. The intention is to cover the plan through the repurchase of the company's own shares. For further information, see the proposal to the Annual General Meeting published on www.atlascopco.com.

Transaction in own shares

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

- The purchase of not more than 70 000 series A shares, later to be sold on the market in connection with payment to Board members who have opted to receive synthetic shares as part of their board fee.
- The purchase of not more than 5 730 000 series A shares, whereof maximum 4 765 000 will be used for the transfer to performance stock option holders under the Performance Stock Option Plan 2010.
- The purchase of maximum 5% of all issued shares, excluding those shares held by the company at the time of the AGM on April 28, 2010, but including shares that the company will purchase based on mandates granted at that AGM.
- The sale of maximum 2 525 000 series A shares and maximum 2 400 000 series B shares held by the company at the time of the annual general meeting 2010, for the purpose of covering costs of fulfilling obligations related to the performance stock option plans 2006-2008.

During the first six months 2010, 578 490 series A shares, net, were repurchased and 97 326 series B shares were divested in accordance with mandates granted.

The company's present holding of own shares appears in the table to the left.

Risks and factors of uncertainty

Financial risks

Atlas Copco is subject to currency risks, interest rate risks and other financial risks. 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 take decisions about how to manage financial risks.

For further information about risk factors, please see the 2009 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 2009.

Financial targets

The overall objective for the Atlas Copco Group is to grow and to achieve a return on capital employed that will always exceed the Group's average total cost of capital.

The financial targets are:

- to have an annual revenue growth of 8%;
- to reach an operating margin of 15%; and
- to challenge and continuously improve the efficiency of operating capital in terms of fixed assets, inventories, receivables, and rental fleet utilization.

This will have the result that shareholder value is created and continuously increased.

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.

For further information

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Conference call

A conference call to comment on the results will be held at 2:30 PM CEST on July 16.

The dial-in number is +44 (0)20 7162 0177 and the code to attend the call is 870183.

To help ensure that the conference call begins in a timely manner, please dial in 5-10 minutes prior to the scheduled start time.

The conference call will be broadcasted live via the Internet. Please see the Investor Relations section of our website for the link, presentation material, and further details: www.atlascopco.com/ir

A recording of the conference call will be available for 2 days on +44 (0)20 7031 4064 with access code 870183.

Interim report at September 30, 2010

The Q3 report will be published on October 22, 2010.

The Board of Directors and President declare that the interim report gives a fair view of the business development, financial position and result of operation of the Parent Company and the consolidated Group, and describes significant risks and uncertainties that the parent company and its subsidiaries are facing.

Stockholm, July 16, 2010
Atlas Copco AB
(publ)

Sune Carlsson *Chairman*	Jacob Wallenberg *Vice Chairman*	Ulla Litzén *Director*	Christel Bories *Director*
Anders Ullberg *Director*	Staffan Bohman *Director*	Margareth Øvrum *Director*	Johan Forssell *Director*
Gunilla Nordström *Director*	Ronnie Leten *Director* *President and CEO*	Bengt Lindgren *Director* *Union representative*	Mikael Bergstedt *Director* *Union representative*