Atlas Copco

Press Release from the Atlas Copco Group

July 18, 2011

Atlas Copco

Interim report at June 30, 2011

Record orders, revenues and operating profit

- **Organic order intake increased 29% to MSEK 22 202.**
- **Revenues increased 14% to MSEK 19 951 (17 430), organic growth of 27%.**
- **Operating profit increased 19% to MSEK 4 177 (3 499).**
- **Operating margin was 20.9% (20.1).**
- **Profit before tax amounted to MSEK 4 081 (3 403).**
  - **Whereof capital gain of MSEK 75 related to sale of shares in RSC Holdings.**
- **Profit for the period was MSEK 2 982 (2 523).**
- **Basic earnings per share were SEK 2.46 (2.07).**
- **Operating cash flow at MSEK 567 (2 467), affected by financial items.**
- **New business area structure as of July 1.**

	April – June			January - June		
MSEK	**2011**	**2010**	%	2011	2010	%
Orders received	**22 202**	**19 221**	**16%**	43 877	36 488	20%
Revenues	**19 951**	**17 430**	**14%**	38 174	32 731	17%
Operating profit	**4 177**	**3 499**	**19%**	8 164	6 126	33%
– as a percentage of revenues	***20.9***	***20.1***		*21.4*	*18.7*	
Profit before tax	**4 081**	**3 403**	**20%**	8 137	5 900	38%
– as a percentage of revenues	***20.5***	***19.5***		*21.3*	*18.0*	
Profit for the period	**2 982**	**2 523**	**18%**	6 015	4 378	37%
Basic earnings per share, SEK	**2.46**	**2.07**		4.94	3.60	
Diluted earnings per share, SEK	**2.45**	**2.07**		4.92	3.60	
Return on capital employed, %	**34**	**22**				

Near-term demand outlook

The overall demand for the Group's products and services is expected to remain on the current high level.

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Atlas Copco Group

New business area structure

As of July 1, the Group has four business areas instead of three. The divisions for portable compressors and generators, road construction equipment and construction tools have joined forces in the new Construction Technique business area. Divisions with underground and surface drilling products, crushing, loading and hauling, and exploration equipment belong to the Mining and Rock Excavation Technique business area. These new business areas have created dedicated service divisions. Compressor Technique focuses on stationary equipment for air and gas and related service and Industrial Technique is unchanged.

Atlas Copco will report under the new structure as of the third quarter 2011. Pro forma figures of the four business areas can be found on pages 14-15.

Summary of half-year results

Orders received in the first six months of 2011 increased 20%, to MSEK 43 877 (36 488). Volume for comparable units increased 29%, price increases added 2% and structural changes 2%, while the negative currency effect was 13%. Revenues were MSEK 38 174 (32 731), corresponding to 27% organic growth.

Operating profit increased 33% to MSEK 8 164 (6 126). The operating margin was 21.4% (18.7). The negative impact of changes in exchange rates amounted to MSEK 1 460 for the first half-year.

Profit before tax increased 38% to MSEK 8 137 (5 900) and corresponding to a margin of 21.3% (18.0). Profit for the period totaled MSEK 6 015 (4 378). Basic and diluted earnings per share were SEK 4.94 (3.60) and 4.92 (3.60), respectively.

Operating cash flow before acquisitions, divestments and dividends totaled MSEK 2 593 (4 690).

Review of the second quarter

Market development

The overall demand for Atlas Copco’s products and services continued to develop positively. Order intake for mining as well as industrial equipment increased both sequentially, i.e. compared with the previous quarter, and compared with the previous year. Sales of construction equipment increased somewhat compared with the previous year, but decreased sequentially.

Order intake in **North America** for mining equipment, industrial compressors and tools as well as for the aftermarket continued to increase. The growth was significant compared with the previous year. Sales of construction equipment were higher than the previous year but declined sequentially.

The demand in **South America** remained strong and healthy growth in order intake was recorded for the aftermarket and for most types of equipment.

In **Europe**, overall demand continued to improve. The demand for equipment and aftermarket from the mining, manufacturing and process industries increased, whereas demand from the construction industry was weaker. A positive sales development was noted in most markets in western, eastern and northern Europe, whereas southern Europe remained weak. Compared with the previous year, the best order growth was in Russia and Germany.

Orders received in **Africa/ Middle East** was higher than the previous quarter and the previous year, primarily due to strong demand in southern Africa and in parts of the Middle East.

The overall demand in **Asia** remained robust and strong order growth compared with the previous year was recorded in all markets. However, the order intake did not reach the very high level of the first quarter, which included more large orders for gas and process compressors and mining equipment. The aftermarket continued to grow strongly.

In **Australia**, demand from the important mining industry remained strong, resulting in another record quarter for order intake.

Sales bridge

	April– June	
MSEK	Orders received	Revenues
2010	19 221	17 430
Structural change, %	+1	+1
Currency, %	-14	-14
Price, %	+2	+2
Volume, %	+27	+25
Total, %	+16	+14
2011	22 202	19 951

Geographic distribution of orders received

%, last 12 months incl. June 2011	Compressor Technique	Construction and Mining Technique	Industrial Technique	Atlas Copco Group
North America	17	20	24	19
South America	8	13	6	10
Europe	34	24	47	30
Africa/Middle East	9	15	1	11
Asia/Australia	32	28	22	30
	100	100	100	100

Earnings and profitability

Operating profit increased 19% to MSEK 4 177 (3 499), corresponding to an operating margin of 20.9% (20.1). The margin was supported by increased volumes and prices, while currency effects and revenue mix affected negatively. The currency effect, compared with the previous year was MSEK -915 and affected the operating margin negatively by almost two percentage points.

Net financial items were MSEK -96 (-96) of which interest net MSEK -120 (-110). Interest net was affected by this year's significant capital distribution as well as higher interest rates compared with the previous year. Financial exchange rate differences were negative, while other financial items include a capital gain of MSEK 75 from the sale of shares in RSC Holdings Inc, a financial participation remaining from the sale of the Rental Service business area in 2006.

Profit before tax amounted to MSEK 4 081 (3 403), corresponding to a margin of 20.5% (19.5).

Profit for the period totaled MSEK 2 982 (2 523). Basic and diluted earnings per share were SEK 2.46 (2.07) and 2.45 (2.07), respectively.

The return on capital employed during the last 12 months was 34% (22) and 37% (24) excluding the customer financing business. The return on equity was 44% (32).

The Group uses a weighted average cost of capital (WACC) of 8.0% as an investment and overall performance benchmark.

Operating cash flow and investments

Operating cash surplus increased to MSEK 4 817 (3 981), while cash flow from financial items was significantly negative at MSEK -993 (+119). The main explanations are interest payments, which are concentrated to the second and fourth quarter, and negative cash flows from currency hedges of loans and equity where the offsetting cash flow occurs in the future. The latter were positive in the second quarter 2010.

Working capital increased by MSEK 1 469 (327) as a result of increased sales. Rental equipment investments, net, MSEK reached 206 (119). Investments in property, plant and equipment increased to MSEK 472 (193).

Operating cash flow equaled MSEK 567 (2 467).

Capital distribution

Dividends paid amounted to MSEK 4 852 (3 649) and MSEK 6 067 was distributed to shareholders through mandatory redemption of shares.

Net indebtedness

The Group's net indebtedness, adjusted for the fair value of interest rate swaps, amounted to MSEK 15 314 (11 363) of which MSEK 1 570 (1 665) was attributable to post-employment benefits. The funding situation for the Group is stable and favorable, with an average tenor of about 4 years. The net debt/EBITDA ratio was 0.8 (0.8). The net debt/equity ratio was 69% (45).

Acquisition and divestment of own shares

During the quarter 683 761 series A shares and 93 690 series B shares were divested, for a net value of MSEK 128. These transactions are in accordance with mandates granted by the 2011 Annual General Meeting and relate to the Group's long-term incentive programs.

Purchase of minority shares in India and delisting of the Indian subsidiary

In May, Atlas Copco (India) Ltd., delisted from the Indian exchanges following successful acquisition of 8.1% of the minority shares in the first quarter. In the second quarter another 1.7% of shares have been acquired for MSEK 145 bringing the Group's ownership to 94%.

Employees

On June 30, 2011, the number of employees was 34 976 (31 135). The number of consultants/ external workforce was 2 068 (1 416).
For comparable units, the total workforce increased 4 087 since June 30, 2010 and with 2 452 since December 31, 2010.

Compressor Technique

The Compressor Technique business area consisted until June 30, 2011 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	**2011**	**2010**		2011	2010	
Orders received	**10 582**	**9 359**	**13%**	20 459	17 327	18%
Revenues	**9 215**	**8 615**	**7%**	17 620	16 274	8%
Operating profit	**2 161**	**2 000**	**8%**	4 167	3 577	16%
– as a percentage of revenues	***23.5***	***23.2***		*23.6*	*22.0*	
Return on capital employed, %	**73**	**56**				

- Record order intake; 27% organic order growth.
- Solid operating margin at 23.5%.
- New manufacturing facility to be built in India.

Sales bridge

	April – June	
MSEK	Orders received	Revenues
2010	9 359	8 615
Structural change, %	+1	+1
Currency, %	-15	-13
Price, %	+1	+1
Volume, %	+26	+18
Total, %	+13	+7
2011	10 582	9 215

Industrial compressors

The demand for stationary industrial compressors continued to improve, for all sizes of machines as well as for air treatment products. Order intake grew in all major regions, both sequentially and compared with the previous year. The best growth was noted in North America, Asia and Europe.

Gas and process compressors

Order intake of gas and process compressors was higher than the previous quarter and the previous year, supported by a large order in Saudi Arabia. Order intake in Asia was, however, lower than both the previous quarter and the previous year.

Portable compressors, generators and rental

The demand for portable compressors and generators was healthy and order intake was above the previous quarter and the previous year. North America and most emerging markets had a positive development, while sales in Europe were below the previous quarter. The specialty rental business grew moderately compared to the previous year.

Aftermarket

Demand for service and spare parts remained strong and order intake improved in all regions.

Sustainable product development

A new highly energy efficient three-stage centrifugal compressor was launched. It has a high-speed motor, is without gearbox and is designed for industries that rely on high-quality, 100% oil-free air.

Structural changes

In April, an agreement to acquire Penlon’s Medical Gas Solutions business, United Kingdom, was signed. It is a leading provider of medical gas systems, medical vacuum equipment, and pipeline components for hospitals, with revenues of around MGBP 12 (MSEK 120) and about 100 employees in 2010. The acquisition is expected to be closed in the third quarter.

In May, assets related to the compressor business of the Tencarva Machinery Company, a distributor of Atlas Copco products in Southeastern USA, was acquired.

Atlas Copco has decided to build a new compressor manufacturing facility near Pune, India, to meet an anticipated strong growth in demand over the coming years. The investment of about MSEK 160 will also serve to broaden the product offering to customers in India.

As of July 1, the Portable Air division was renamed Portable Energy and is part of the Construction Technique business area.

Profit and returns

Operating profit increased to MSEK 2 161 (2 000), corresponding to a margin of 23.5% (23.2). The positive effects from higher volumes and price increases were largely offset by negative changes in exchange rates, revenue mix and dilution from acquisitions.

Return on capital employed (last 12 months) was 73% (56).

Construction and Mining Technique

The Construction and Mining Technique business area consisted until June 30, 2011 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	**2011**	**2010**		2011	2010	
Orders received	**9 602**	**8 222**	**17%**	19 527	16 038	22%
Revenues	**9 054**	**7 393**	**22%**	17 217	13 626	26%
Operating profit	**1 819**	**1 331**	**37%**	3 500	2 291	53%
– as a percentage of revenues	***20.1***	***18.0***		*20.3*	*16.8*	
Return on capital employed, %	**33**	**21**				

- 30% organic order growth; strong demand from the mining industry.
- Continued strong development in aftermarket and consumables.
- Operating profit margin at 20.1% - supported by volume and price, partly offset by currency and mix.

Sales Bridge

	April – June	
MSEK	Orders received	Revenues
2010	8 222	7 393
Structural change, %	+1	+0
Currency, %	-14	-14
Price, %	+2	+2
Volume, %	+28	+34
Total, %	+17	+22
2011	9 602	9 054

Mining

Demand from the mining industry for equipment and aftermarket, both for underground and surface mines, continued to be very strong. Order intake increased substantially compared with the previous year and was also somewhat higher than the previous quarter. The best development compared with the previous year was noted in Europe and in North America, the latter supported by a large order in Mexico.

Construction

Orders received for construction equipment, increased somewhat compared with the previous year, but decreased sequentially. Order intake for some large types of equipment, such as underground drilling equipment for infrastructure projects and road construction machinery was relatively low in the quarter in all regions. Sales of construction tools, however, developed well.

Aftermarket and consumables

Demand for service, spare parts and consumables developed favorably and high sales growth was recorded. The primary driver for this development was continued high activity in the mining industry.

Sustainable product development

A new large demolition cutter was introduced to complement Atlas Copco’s range of silent demolition tools. Two new surface drilling rigs for construction work were introduced and several upgrades to Tier 4 engines were made. In addition, several underground production drill rigs and loaders were upgraded with additional features.

Structural changes

As of July 1, the divisions for road construction equipment and construction tools as well as portable compressors and generators (previously in Compressor Technique) joined forces in the new Construction Technique business area. The remaining divisions will be part of the Mining and Rock Excavation Technique business area. These new business areas have created dedicated service divisions.

Profit and returns

Operating profit increased 37% to a record MSEK 1 819 (1 331) corresponding to an operating margin of 20.1% (18.0). The margin was supported primarily by increased volume and price. Changes in currency exchange rates compared to the previous year and revenue mix affected the margin negatively.

Return on capital employed (last 12 months) was 33% (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	**2011**	**2010**		2011	2010	
Orders received	**2 111**	**1 701**	**24%**	4 106	3 299	24%
Revenues	**1 800**	**1 535**	**17%**	3 568	3 018	18%
Operating profit	**392**	**289**	**36%**	793	532	49%
– as a percentage of revenues	***21.8***	***18.8***		*22.2*	*17.6*	
Return on capital employed, %	**61**	**28**				

- Record order intake; 37% organic growth.
- Strong demand from both general and motor vehicle industry.
- Solid operating margin at 21.8%.

Sales bridge

	April – June	
MSEK	Orders received	Revenues
2010	1 701	1 535
Structural change, %	+2	+2
Currency, %	-15	-14
Price, %	+2	+2
Volume, %	+35	+27
Total, %	+24	+17
2011	2 111	1 800

General industry
The demand for industrial power tools for the general manufacturing industries, e.g. electrical appliances, aerospace, and shipyards, improved compared with the previous year. Order intake increased significantly compared with the previous year and increased also sequentially. Geographically, the strongest increase was noted in Europe and Asia.

Motor vehicle industry
The demand for advanced industrial tools and assembly systems to the motor vehicle industry continued to improve. Vehicle manufacturers invest in new equipment, both for existing and new assembly lines. Orders received increased strongly in South America and Asia. Healthy growth was also recorded in North America and Europe.

Vehicle service
The vehicle service business, providing large fleet operators and specialized repair shops with tools and other equipment, increased sales compared to the previous year.

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.

Sustainable product development
The business area continuously introduces new products with improved productivity. In the quarter, a system for tool location has been launched in selected markets. A much improved tool to measure and analyze torque was also introduced, as well as a new range of electric tools and control units and several battery tools, including a high torque range nutrunners.

Profit and returns
Operating profit improved to MSEK 392 (289), corresponding to an operating margin of 21.8% (18.8). Significantly higher volumes and increased prices supported the margin, but this was partly offset by negative changes in exchange rates.

Return on capital employed (last 12 months) was 61% (28).

Previous near-term demand outlook

(Published April 20, 2011)

The overall demand for the Group’s products and services is expected to increase somewhat. The demand in the emerging markets as well as from the mining industry is expected to stay strong. Most other markets, except southern Europe and northern Africa, are expected to continue to develop positively.

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 2010, with the exception of new or revised standards and interpretations endorsed by the EU and effective as from January 1, 2011, as explained below.

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

Changes in accounting principles

In 2011 the Group has adopted the following new and updated standards and interpretations issued by the IASB. The changes will have no significant impact on the consolidated financial statements.

Revised IAS 24 Related Party Disclosures. The change simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party.

Amendment to IFRIC 14 Prepayments of a Minimum Funding Requirement removes unintended consequences arising from the treatment of prepayments when there is a minimum funding requirement. The amendment results in prepayments of contributions in certain circumstances being recognized as an asset rather than as an expense. It shall be applied from the beginning of the earliest periods beginning on or after January 1, 2011, but may be applied earlier. It will only have a limited impact 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, 2011, have had no material effect on the consolidated financial statements.

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 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 is 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 about risk factors, see the 2010 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	2011	2010	2011	2010	2011	2010	2010
Revenues	19 951	17 430	38 174	32 731	75 318	63 761	69 875
Cost of sales	-12 391	-10 983	-23 321	-20 731	-46 058	-41 213	-43 468
Gross profit	**7 560**	**6 447**	**14 853**	**12 000**	**29 260**	**22 548**	**26 407**
Marketing expenses	-1 864	-1 764	-3 652	-3 414	-7 152	-6 598	-6 914
Administrative expenses	-1 100	-1 020	-2 111	-1 980	-4 304	-3 834	-4 173
Research and development costs	-442	-370	-841	-727	-1 631	-1 406	-1 517
Other operating income and expenses	23	206	-85	247	-220	268	112
Operating profit	**4 177**	**3 499**	**8 164**	**6 126**	**15 953**	**10 978**	**13 915**
- as a percentage of revenues	*20.9*	*20.1*	*21.4*	*18.7*	*21.2*	*17.2*	*19.9*
Net financial items	-96	-96	-27	-226	-221	-544	-420
Profit before tax	**4 081**	**3 403**	**8 137**	**5 900**	**15 732**	**10 434**	**13 495**
- as a percentage of revenues	*20.5*	*19.5*	*21.3*	*18.0*	*20.9*	*16.4*	*19.3*
Income tax expense	-1 099	-880	-2 122	-1 522	-4 151	-2 626	-3 551
Profit for the period	**2 982**	**2 523**	**6 015**	**4 378**	**11 581**	**7 808**	**9 944**
Profit attributable to							
- owners of the parent	*2 976*	*2 520*	*5 999*	*4 374*	*11 546*	*7 785*	*9 921*
- non-controlling interests	*6*	*3*	*16*	*4*	*35*	*23*	*23*
Basic earnings per share, SEK	**2.46**	**2.07**	**4.94**	**3.60**	**9.50**	**6.40**	**8.16**
Diluted earnings per share, SEK	2.45	2.07	4.92	3.60	9.48	6.40	8.15
Basic weighted average number of shares outstanding, millions	1 213.4	1 215.3	1 215.3	1 215.5	1 215.8	1 215.5	1 215.9
Diluted weighted average number of shares outstanding, millions	1 216.0	1 216.7	1 218.7	1 216.0	1 218.3	1 216.1	1 217.3

Key ratios			
Equity per share, period end, SEK	18	21	24
Return on capital employed, 12 month values, %	34	22	29
Return on equity, 12 month values, %	44	32	38
Debt/equity ratio, period end, %	69	45	19
Equity/assets ratio, period end, %	34	37	41
Number of employees, period end	34 976	31 135	32 790

Consolidated Statement of Comprehensive Income

	3 months ended		6 months ended		12 months ended		
	June 30	June 30	June 30	June 30	June 30	June 30	Dec. 31
MSEK	2011	2010	2011	2010	2011	2010	2010
Profit for the period	**2 982**	**2 523**	**6 015**	**4 378**	**11 581**	**7 808**	**9 944**
Other comprehensive income							
Translation differences on foreign operations	761	177	-271	-1 200	-2 490	-2 551	-3 419
Hedge of net investments in foreign operations	-322	299	-177	1 222	633	1 991	2 032
Cash flow hedges	-26	5	-98	46	-193	163	-49
Available-for-sale investments	-67	-95	101	15	303	34	217
- realized and reclassified to income statement	-75	-	-226	-	-308	-	-82
Income tax relating to components of other comprehensive income	269	-261	168	-1 020	-462	-1 684	-1 650
Other comprehensive income for the period, net of tax	**540**	**125**	**-503**	**-937**	**-2 517**	**-2 047**	**-2 951**
Total comprehensive income for the period	**3 522**	**2 648**	**5 512**	**3 441**	**9 064**	**5 761**	**6 993**
Total comprehensive income attributable to							
- owners of the parent	3 517	2 638	5 508	3 424	9 055	5 731	6 971
- non-controlling interests	5	10	4	17	9	30	22

Consolidated Balance Sheet

MSEK	June 30, 2011	Dec. 31, 2010	June 30, 2010
Intangible assets	13 245	13 464	13 810
Rental equipment	1 889	1 843	2 056
Other property, plant and equipment	5 856	5 702	6 070
Financial assets and other receivables	2 782	2 814	3 988
Deferred tax assets	1 190	1 309	1 086
Total non-current assets	**24 962**	**25 132**	**27 010**
Inventories	15 661	12 939	12 566
Trade and other receivables	19 152	17 474	17 891
Other financial assets	1 433	1 734	1 708
Cash and cash equivalents	4 481	14 264	9 054
Assets classified as held for sale	51	79	70
Total current assets	**40 778**	**46 490**	**41 289**
TOTAL ASSETS	**65 740**	**71 622**	**68 299**
Equity attributable to owners of the parent	22 209	29 141	25 239
Non-controlling interests	78	180	176
TOTAL EQUITY	**22 287**	**29 321**	**25 415**
Borrowings	16 634	19 615	20 892
Post-employment benefits	1 570	1 578	1 665
Other liabilities and provisions	1 043	1 042	866
Deferred tax liabilities	758	1 167	235
Total non-current liabilities	**20 005**	**23 402**	**23 658**
Borrowings	3 351	499	608
Trade payables and other liabilities	18 810	17 125	17 359
Provisions	1 287	1 275	1 259
Total current liabilities	**23 448**	**18 899**	**19 226**
TOTAL EQUITY AND LIABILITIES	**65 740**	**71 622**	**68 299**

Consolidated Statement of Changes in Equity

	Equity attributable to		
	owners of the parent	non-controlling interests	Total equity
Opening balance, January 1, 2011	**29 141**	**180**	**29 321**
Changes in equity for the period			
Total comprehensive income for the period	5 508	4	5 512
Dividends	-4 851	-	-4 851
Redemption of shares	-6 067	-	-6 067
Change of non-controlling interests	-762	-106	-868
Acquisition and divestment of own shares	-725	-	-725
Share-based payments, equity settled	-35	-	-35
Closing balance, June 30, 2011	**22 209**	**78**	**22 287**

	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	6 971	22	6 993
Dividends	-3 646	-4	-3 650
Change of non-controlling interests	1	-	1
Acquisition and divestment of own shares	384	-	384
Share-based payments, equity settled	-78	-	-78
Closing balance, December 31, 2010	**29 141**	**180**	**29 321**

	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
Acquisition and divestment of own shares	-51	-	-51
Share-based payments, equity settled	3	-	3
Closing balance, June 30, 2010	**25 239**	**176**	**25 415**

Consolidated Statement of Cash Flows

	April – June		January – June	
MSEK	2011	2010	2011	2010
Cash flows from operating activities				
Operating profit	4 177	3 499	8 164	6 126
Depreciation, amortization and impairment (see below)	589	621	1 175	1 195
Capital gain/loss and other non-cash items	51	-139	236	-112
Operating cash surplus	4 817	3 981	9 575	7 209
Net financial items received/paid	-993	119	-553	-239
Taxes paid	-982	-782	-1 733	-1 203
Change in working capital	-1 469	-327	-3 819	-52
Increase in rental equipment	-343	-331	-611	-522
Sale of rental equipment	137	212	279	340
Net cash from operating activities	**1 167**	**2 872**	**3 138**	**5 533**
Cash flows from investing activities				
Investments in property, plant and equipment	-472	-193	-773	-370
Sale of property, plant and equipment	16	11	32	23
Investments in intangible assets	-145	-109	-268	-232
Sale of intangible assets	2	2	10	2
Acquisition of subsidiaries	-187	-25	-1 000	-1 386
Other investments, net	-1	-116	454	-266
Net cash from investing activities	**-787**	**-430**	**-1 545**	**-2 229**
Cash flows from financing activities				
Dividends paid	-4 852	-3 649	-4 851	-3 649
Redemption of shares	-6 067	-	-6 067	-
Repurchase and sales of own shares	128	29	-725	-51
Change in interest-bearing liabilities	290	-1 603	323	-2 178
Net cash from financing activities	**-10 501**	**-5 223**	**-11 320**	**-5 878**
Net cash flow for the period	**-10 121**	**-2 781**	**-9 727**	**-2 574**
Cash and cash equivalents, beginning of the period	14 412	11 958	14 264	12 165
Exchange differences in cash and cash equivalents	190	-123	-56	-537
Cash and cash equivalents, end of the period	**4 481**	**9 054**	**4 481**	**9 054**

Depreciation, amortization and impairment				
Rental equipment	*175*	*180*	*339*	*345*
Other property, plant and equipment	*238*	*265*	*483*	*507*
Intangible assets	*176*	*176*	*353*	*343*
Total	*589*	*621*	*1 175*	*1 195*

Calculation of operating cash flow

	April – June		January – June	
MSEK	2011	2010	2011	2010
Net cash flow for the period	**-10 121**	**-2 781**	**-9 727**	**-2 574**
Add back				
- Change in interest-bearing liabilities	-290	1 603	-323	2 178
- Repurchase and sales of own shares	-128	-29	725	51
- Dividends paid	4 852	3 649	4 851	3 649
- Redemption of shares	6 067	-	6 067	-
- Acquisitions and divestments	187	25	1 000	1 386
Operating cash flow	**567**	**2 467**	**2 593**	**4 690**

Revenues by business area

				2010		2011
MSEK (by quarter)	1	2	3	4	1	2
Compressor Technique	7 659	8 615	8 877	9 451	8 405	9 215
- of which external	*7 593*	*8 519*	*8 807*	*9 327*	*8 308*	*9 101*
- of which internal	*66*	*96*	*70*	*124*	*97*	*114*
Construction and Mining Technique	6 233	7 393	7 357	8 173	8 163	9 054
- of which external	*6 204*	*7 350*	*7 339*	*8 154*	*8 107*	*9 008*
- of which internal	*29*	*43*	*18*	*19*	*56*	*46*
Industrial Technique	1 483	1 535	1 569	1 885	1 768	1 800
- of which external	*1 473*	*1 529*	*1 564*	*1 880*	*1 763*	*1 792*
- of which internal	*10*	*6*	*5*	*5*	*5*	*8*
Common Group functions/ Eliminations	-74	-113	-60	-108	-113	-118
Atlas Copco Group	**15 301**	**17 430**	**17 743**	**19 401**	**18 223**	**19 951**

Operating profit by business area

				2010		2011
MSEK (by quarter)	1	2	3	4	1	2
Compressor Technique	1 577	2 000	2 312	2 238	2 006	2 161
- as a percentage of revenues	*20.6*	*23.2*	*26.0*	*23.7*	*23.9*	*23.5*
Construction and Mining Technique	960	1 331	1 312	1 640	1 681	1 819
- as a percentage of revenues	*15.4*	*18.0*	*17.8*	*20.1*	*20.6*	*20.1*
Industrial Technique	243	289	317	413	401	392
- as a percentage of revenues	*16.4*	*18.8*	*20.2*	*21.9*	*22.7*	*21.8*
Common Group functions/ Eliminations	-153	-121	-159	-284	-101	-195
Operating profit	**2 627**	**3 499**	**3 782**	**4 007**	**3 987**	**4 177**
- as a percentage of revenues	*17.2*	*20.1*	*21.3*	*20.7*	*21.9*	*20.9*
Net financial items	-130	-96	-107	-87	69	-96
Profit before tax	**2 497**	**3 403**	**3 675**	**3 920**	**4 056**	**4 081**
- as a percentage of revenues	*16.3*	*19.5*	*20.7*	*20.2*	*22.3*	*20.5*

Acquisitions and Divestments 2010 – 2011

Date	Acquisitions	Business area	Revenues MSEK*	Number of employees*
2011 May 31	Tencarva *– US distributor*	Compressor Technique		37
2011 Apr. 1	ABAC Catalunya *– Spanish distributor*	Compressor Technique		8
2011 Mar. 7	J.C. Carter	Compressor Technique	175	70
2010 Oct. 1	Cirmac International	Compressor Technique	127	42
2010 Sep. 8	Kramer Air Tool *– US distributor*	Industrial Technique	125	50
2010 Sep. 1	H&F Drilling Supplies	Construction & Mining Technique	59	20
2010 Aug. 31	Hartl Anlagenbau	Construction & Mining Technique	197	110
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

* Annual revenues and number of employees at time of acquisition. 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 2011 will include all stipulated disclosures for acquisitions made during 2011. See the annual report for 2010 for disclosure of acquisitions and divestments made in 2010.

New business area structure – pro forma figures

As of July 1, the Group has four business areas instead of three. Atlas Copco will report under the new structure as of the third quarter 2011. Pro forma figures of the four business areas in 2010 and 2011 are as follows:

Sales bridges pro forma

Compressor Technique	Orders received				Revenues			
	2008	2009	Q1 2010	Q2 2010	2008	2009	Q1 2010	Q2 2010
MSEK	31 219	25 804	6 751	7 912	30 111	28 604	6 622	7 394
Structural change, %	+0	+4	+4	+2	+0	+4	+4	+1
Currency, %	+8	-5	-11	-15	+9	-5	-9	-13
Price, %	+1	+1	+1	+1	+1	+1	+1	+1
Volume, %	-26	+16	+30	+26	-15	+4	+10	+15
Total, %	-17	+16	+24	+14	-5	+4	+6	+4
MSEK	25 804	29 966	8 338	8 997	28 604	29 753	6 989	7 676
	2009	2010	Q1 2011	Q2 2011	2009	2010	Q1 2011	Q2 2011

Industrial Technique	Orders received				Revenues			
MSEK	2008	2009	Q1 2010	Q2 2010	2008	2009	Q1 2010	Q2 2010
	7 407	5 367	1 598	1 701	7 450	5 392	1 483	1 535
Structural change, %	+0	+1	+4	+2	+0	+1	+3	+2
Currency, %	+7	-8	-12	-15	+7	-8	-11	-14
Price, %	+0	+1	+1	+2	+0	+1	+1	+2
Volume, %	-35	+31	+32	+35	-35	+26	+26	+27
Total, %	-28	+25	+25	+24	-28	+20	+19	+17
	5 367	6 730	1 995	2 111	5 392	6 472	1 768	1 800
	2009	2010	Q1 2011	Q2 2011	2009	2010	Q1 2011	Q2 2011

Mining and Rock Excavation T.	Orders received				Revenues			
	2008	2009	Q1 2010	Q2 2010	2008	2009	Q1 2010	Q2 2010
MSEK	23 405	17 533	5 785	6 510	24 010	20 202	4 876	5 492
Structural change, %	+1	+1	+2	+1	+1	+1	+2	+1
Currency, %	+6	-2	-9	-14	+7	-2	-9	-15
Price, %	+1	+1	+2	+2	+2	+1	+2	+2
Volume, %	-33	+50	+41	+32	-26	+11	+39	+39
Total, %	-25	+50	+36	+21	-16	+11	+34	+27
MSEK	17 533	26 356	7 849	7 868	20 202	22 520	6 516	6 994
	2009	2010	Q1 2011	Q2 2011	2009	2010	Q1 2011	Q2 2011

Construction Technique	Orders received				Revenues			
	2008	2009	Q1 2010	Q2 2010	2008	2009	Q1 2010	Q2 2010
MSEK	12 016	9 843	3 249	3 159	13 126	9 627	2 394	3 122
Structural change, %	+0	+0	+0	+0	+0	+0	+0	+0
Currency, %	+6	-4	-9	-12	+6	-4	-10	-13
Price, %	+0	+0	+0	+0	+0	+0	+0	+0
Volume, %	-24	+31	+20	+17	-33	+23	+38	+28
Total, %	-18	+27	+11	+5	-27	+19	+28	+15
MSEK	9 843	12 534	3 615	3 319	9 627	11 485	3 063	3 599
	2009	2010	Q1 2011	Q2 2011	2009	2010	Q1 2011	Q2 2011

Orders received pro forma by business area (new structure)

MSEK	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2011 Q1	2011 Q2	2008 Year	2009 Year	2010 Year
Compressor Technique	6 751	7 912	7 873	7 430	8 338	8 997	31 219	25 804	29 966
Industrial Technique	1 598	1 701	1 693	1 738	1 995	2 111	7 407	5 367	6 730
Mining and Rock Excavation Technique	5 785	6 510	6 827	7 234	7 849	7 868	23 405	17 533	26 356
Construction Technique	3 249	3 159	3 044	3 082	3 615	3 319	12 016	9 843	12 534
Common Group functions/ Eliminations	-116	-61	-121	-110	-122	-93	-475	-96	-408
Atlas Copco Group	**17 267**	**19 221**	**19 316**	**19 374**	**21 675**	**22 202**	**73 572**	**58 451**	**75 178**

Revenues pro forma by business area (new structure)

MSEK	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2011 Q1	2011 Q2	2008 Year	2009 Year	2010 Year
Compressor Technique	6 622	7 394	7 598	8 139	6 989	7 676	30 111	28 604	29 753
Industrial Technique	1 483	1 535	1 569	1 885	1 768	1 800	7 450	5 392	6 472
Mining and Rock Excavation Technique	4 876	5 492	5 589	6 563	6 516	6 994	24 010	20 202	22 520
Construction Technique	2 394	3 122	3 047	2 922	3 063	3 599	13 126	9 627	11 485
Common Group functions/ Eliminations	-74	-113	-60	-108	-113	-118	-520	-63	-355
Atlas Copco Group	**15 301**	**17 430**	**17 743**	**19 401**	**18 223**	**19 951**	**74 177**	**63 762**	**69 875**

Operating profit pro forma by business area (new structure)

MSEK	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2011 Q1	2011 Q2	2008 Year	2009 Year	2010 Year
Compressor Technique	1 422	1 755	2 030	2 026	1 701	1 840	6 327	5 236	7 233
- as a percentage of revenues	*21.5%*	*23.7%*	*26.7%*	*24.9%*	*24.3%*	*24.0%*	*21.0%*	*18.3%*	*24.3%*
Industrial Technique	243	289	317	413	401	392	1 328	253	1 262
- as a percentage of revenues	*16.4%*	*18.8%*	*20.2%*	*21.9%*	*22.7%*	*21.8%*	*17.8%*	*4.7%*	*19.5%*
Mining and Rock Excavation Technique	917	1 171	1 287	1 544	1 537	1 641	4 923	3 591	4 919
- as a percentage of revenues	*18.8%*	*21.3%*	*23.0%*	*23.5%*	*23.6%*	*23.5%*	*20.5%*	*17.8%*	*21.8%*
Construction Technique	198	405	307	308	449	499	1 643	395	1 218
- as a percentage of revenues	*8.3%*	*13.0%*	*10.1%*	*10.5%*	*14.7%*	*13.9%*	*12.5%*	*4.1%*	*10.6%*
Common Group Functions/Eliminations	-153	-121	-159	-284	-101	-195	-415	-385	-717
Operating profit	**2 627**	**3 499**	**3 782**	**4 007**	**3 987**	**4 177**	**13 806**	**9 090**	**13 915**
- as a percentage of revenues	*17.2%*	*20.1%*	*21.3%*	*20.7%*	*21.9%*	*20.9%*	*18.6%*	*14.3%*	*19.9%*
Net financial items	-130	-96	-107	-87	69	-96	-694	-819	-420
Profit before tax	**2 497**	**3 403**	**3 675**	**3 920**	**4 056**	**4 081**	**13 112**	**8 271**	**13 495**
- as a percentage of revenues	*16.3%*	*19.5%*	*20.7%*	*20.2%*	*22.3%*	*20.5%*	*17.7%*	*13.0%*	*19.3%*

Parent Company

Income Statement

	April - June		January - June	
MSEK	2011	2010	2011	2010
Administrative expenses	-109	-98	-200	-170
Other operating income and expenses	35	43	63	75
Operating profit/loss	**-74**	**-55**	**-137**	**-95**
Financial income and expense	4 317	2 647	4 227	2 740
Profit before tax	**4 243**	**2 592**	**4 090**	**2 645**
Income tax	113	204	196	137
Profit for the period	**4 356**	**2 796**	**4 286**	**2 782**

Balance Sheet

	June 30	Dec. 31	June 30
MSEK	2011	2010	2010
Total non-current assets	91 521	91 156	92 724
Total current assets	5 931	17 635	10 859
TOTAL ASSETS	**97 452**	**108 791**	**103 583**
Total restricted equity	5 785	5 785	5 785
Total non-restricted equity	33 394	41 122	36 552
TOTAL EQUITY	**39 179**	**46 907**	**42 337**
Total provisions	917	1 034	239
Total non-current liabilities	52 457	48 389	50 950
Total current liabilities	4 899	12 461	10 057
TOTAL EQUITY AND LIABILITIES	**97 452**	**108 791**	**103 583**
Assets pledged	52	52	47
Contingent liabilities	394	525	584

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* (June 2011).

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	*-14 350 318*
- of which B shares held by Atlas Copco	*-1 497 183*
Total shares outstanding, net of shares held by Atlas Copco	*1 213 765 603*

Personnel stock option program

The Annual General Meeting 2011 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.

Transaction in own shares

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

- The purchase of not more than 4 300 000 series A shares, whereof a maximum 3 420 000 may be transferred to personnel stock option holders under the Performance Stock Option Plan 2011.
- 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 sale of not more than 70 000 series A shares to cover costs related to previously issued synthetic shares to Board members.
- The sale of maximum 4 700 000 series A shares and maximum 1 500 000 series B shares currently held by the company, for the purpose of covering costs of fulfilling obligations related to the performance stock option plans 2006-2009.

Repurchases and sales are subject to market conditions, regulatory restrictions and the capital structure at any given time.

During the first six months 2011, 4 825 478 series A shares, net, were repurchased and 214 850 series B shares were divested in accordance with mandates granted.

The company's holding of own shares on June 30, 2011 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 are exposed. A financial risk management committee meets regularly to take decisions about how to manage financial risks.

For further information about risk factors, see the 2010 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 2010.

Goals for sustainable, profitable development

Atlas Copco's vision is to become and remain First in Mind—First in Choice® of its customers and prospects, and of other key stakeholders. This vision drives the Group's strategies and goals for its operations.

The financial goals are:

- annual revenue growth of 8% over a business cycle;
- sustained high return on capital employed;
- all acquired businesses to contribute to economic value added; and
- annual dividend distribution about 50% of earnings per share.

This will have the result that shareholder value is created and continuously increased. Atlas Copco is committed to sustainable productivity and aims to be an industry leader in this area. This is manifested by ambitious goals for its operations, products, services and solutions. See the Annual Report 2010 for a summary of all Group goals.

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 3:00 PM CEST, on July 18.

The dial-in number is +44 (0)20 7162 0077 or +46 (0)8 5052 0110 and the code to attend the call is 898356.

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 two days on +44 (0)20 7031 4064 or +46 (0)8 5052 0333 with access code 898356.

Interim report on Q3 2011

The report on Q3 will be published on October 21, 2011.

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.

Nacka, July 18, 2011

Atlas Copco AB

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

Auditors' Review Report

Introduction

We have reviewed the interim report for Atlas Copco AB for the period January 1 - June 30, 2011. The Board of Directors and the President are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the Standard on Review Engagements (SÖG) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope than an audit conducted in accordance with ISA and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not, in all material respects, prepared for the Group in accordance with IAS 34 and the Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act.

Nacka, July 18, 2011

Deloitte AB

Jan Berntsson
Authorized Public Accountant