

February 2, 2011

## Atlas Copco

### Interim report on Q4 and full-year 2010 summary

(unaudited)

## Record profit and continued order growth

- Order intake increased to MSEK 19 374, organic growth of 28%.
- Revenues increased 22% to MSEK 19 401 (15 942).
- Operating profit increased 64% to MSEK 4 007 (2 450, including restructuring costs of MSEK 80).
- Operating margin at 20.7% (15.4).
- Profit before tax amounted to MSEK 3 920 (2 324).
- Profit for the period was MSEK 2 916 (1 700).
- Basic earnings per share were SEK 2.39 (1.39).
- Operating cash flow at MSEK 2 529 (4 131).
- The Board proposes distribution to shareholders of SEK 9.00 per share through:
  - annual dividend for 2010 of SEK 4.00 (3.00) per share and
  - extra distribution of SEK 5.00 per share through mandatory redemption.
- Updated goals for sustainable, profitable development:
  - annual revenue growth of 8% over a business cycle
  - sustained high return on capital employed
  - annual dividend of about 50% of earnings per share.

MSEK	October – December			January – December		
	2010	2009	%	2010	2009	%
Orders received	19 374	15 276	+27	75 178	58 451	+29
Revenues	19 401	15 942	+22	69 875	63 762	+10
Operating profit	4 007	2 450	+64	13 915	9 090	+53
– as a percentage of revenues	20.7	15.4		19.9	14.3	
Profit before tax	3 920	2 324	+69	13 495	8 271	+63
– as a percentage of revenues	20.2	14.6		19.3	13.0	
Profit for the period	2 916	1 700	+72	9 944	6 276	+58
Basic earnings per share, SEK	2.39	1.39		8.16	5.14	
Diluted earnings per share, SEK	2.38	1.38		8.15	5.13	

## Near-term demand outlook

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. Some mature markets, like North America, are expected to continue the recent improvement.

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## Atlas Copco Group

### Summary of full year 2010 results

Orders received in 2010 increased 29%, to MSEK 75 178 (58 451), corresponding to an organic increase of 29%. Revenues increased 10%, to MSEK 69 875 (63 762), corresponding to a 12% organic increase.

### Sales bridge

MSEK	January – December	
	Orders Received	Revenues
2009	58 451	63 762
Cancellations, %	+2	-
Structural change, %	+2	+2
Currency, %	-4	-4
Price, %	+1	+1
Volume, %	+28	+11
Total, %	+29	+10
2010	75 178	69 875

Operating profit increased 53% to MSEK 13 915 (9 090). Restructuring costs and other costs affecting comparability amounted to MSEK 100 (569). Adjusted operating margin was 20.1% (15.1). Changes in exchange rates compared with the previous year had a negative effect on the operating profit of approximately MSEK 65 but affected the margin positively. Profit before tax amounted to MSEK 13 495 (8 271), up 63% and corresponding to a margin of 19.3% (13.0). Profit for the period totaled MSEK 9 944 (6 276). Basic and diluted earnings per share were SEK 8.16 (5.14) and SEK 8.15 (5.13) respectively.

Operating cash flow before acquisitions, divestments and dividends totaled MSEK 9 698 (13 761).

### Goals for sustainable, profitable development

Atlas Copco's vision is to become and remain First in Mind—First in Choice® for its stakeholders. This vision drives the Group's strategies and goals for its operations (see page 18-19).

### Dividend

The Board of Directors proposes to the Annual General Meeting that a dividend of SEK 4.00 (3.00) per share be paid for the 2010 fiscal year. Excluding shares currently held by the company, this corresponds to a total of MSEK 4 874 (3 646).

### Mandatory redemption of shares

Atlas Copco has generated significant cash flows both during the financial crisis and during the fast growth of 2010. Consequently the financial position of the Group is strong.

Without jeopardizing the capacity to finance further growth, the Board of Directors proposes to the Annual General Meeting a share redemption procedure, whereby every share is split into 1 ordinary share and 1 redemption share. The redemption share is then automatically redeemed at SEK 5.00 per share. This corresponds to a total of MSEK 6 092. Combined with the proposed ordinary dividend, shareholders will receive MSEK 10 966.

The redemption is subject to approval at the Annual General Meeting 2011. The payment of the redemption shares would, if approved, be made around June 15, 2011.

### Personnel stock option program

The Board of Directors will propose to the Annual General Meeting a performance-based long-term incentive program. For Group Executive Management, participation in the plan requires own investment in Atlas Copco shares.

It is proposed that the plan is covered as before through the repurchase of the company's own shares.

The details of the proposals will be communicated in connection with the Notice of the Annual General Meeting.

**Review of the fourth quarter**

**Market development**

The overall demand for the Group's products and services was significantly stronger in all regions than the previous year's low levels. Sequentially, i.e. compared with the previous quarter, the demand also increased somewhat, primarily for mining and industrial equipment. The aftermarket business developed well.

In **North America**, order intake continued to improve and high growth was recorded for comparable units compared to the previous year. The demand from the mining industry was particularly good.

Orders received in **South America** remained on a high level, reflecting strong demand from most customer segments in all countries.

In **Europe**, the development varied between different parts of the region. Activity levels remained healthy in many industry segments and total order intake was clearly higher than the previous year. The trend continued to be very positive in Eastern Europe where demand improved in all major segments, i.e. the mining, construction, manufacturing, and process industries. Demand was softer in southern and western Europe, particularly for construction equipment, and sales were more or less unchanged in many countries, both compared to previous quarters and to the previous year.

Sales in **Africa/Middle East** were strong in the quarter. Order intake was particularly good for mining equipment in southern and central

Africa but also sales of compressors and construction equipment in the Middle East were significantly higher than the previous year.

In **Asia**, order intake remained strong but did not reach the very high levels of the previous quarter. Compared to the previous year solid double-digit growth was recorded. The demand for mining and construction equipment as well as for industrial tools was strong. Also demand for compressed air equipment was good, with the exception of gas and process machines, where sales were in line with the previous year. The aftermarket business developed favorably. Good sales growth compared to the previous year was recorded in China and South Korea whereas the growth in Japan and India was more moderate.

In **Australia**, demand from the mining industry remained strong and sales were significantly higher than the previous year.

**Sales bridge**

MSEK	October – December	
	Orders Received	Revenues
2009	15 276	15 942
Structural change, %	+3	+3
Currency, %	-4	-4
Price, %	+1	+1
Volume, %	+27	+22
Total, %	+27	+22
2010	19 374	19 401

**Geographic distribution of orders received**

% , last 12 months incl. December 2010	Compressor Technique	Construction and Mining Technique	Industrial Technique	Atlas Copco Group
North America	16	18	24	18
South America	9	14	6	11
Europe	35	25	47	31
Africa/Middle East	9	15	2	11
Asia/Australia	31	28	21	29
	100	100	100	100

**Earnings and profitability**

Operating profit increased 64% to MSEK 4 007 (2 450, including restructuring costs of MSEK 80). Operating margin reached 20.7% (15.9, adjusted for restructuring costs). The margin improvement was primarily due to the higher production and revenue volumes and also the efficiency measures implemented in 2009. Price increases also supported the operating margin.

Corporate costs were significantly higher at MSEK -284 (-155) due to revaluation of the provision for share-related long-term compensation programs. The programs are hedged with own shares but this off-setting credit is only recorded in Equity, not in the Income Statement.

The net currency effect, compared with the previous year was almost neutral at MSEK 10.

Net financial items were MSEK -87 (-126), of which interest net MSEK -132 (-166). The improvement in interest net primarily reflects the strong cash flow in recent periods and the related reduction of the net indebtedness.

Profit before tax amounted to MSEK 3 920 (2 324), corresponding to a margin of 20.2% (14.6).

Profit for the period totaled MSEK 2 916 (1 700). Basic and diluted earnings per share were SEK 2.39 (1.39) and 2.38 (1.38) respectively.

The return on capital employed during the last 12 months was 29% (18) and 31% (19) excluding the customer financing business. Return on equity was 38% (26).

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 reached MSEK 4 784 (3 092).

Working capital increased by MSEK 643 (decreased 1 597) as a result of the strong increase in sales. Rental equipment increased by, net, MSEK 71 (72).

Investments in property, plant and equipment were MSEK -224 (-166). Net cash flow from other investing activities, excluding acquisitions and divestments at MSEK -23 (-6), was MSEK +73 (+66).

Operating cash flow equaled MSEK 2 529 (4 131).

**Cash flows from financing activities**

During the quarter, there was a positive effect in the cash flow of MSEK 236 from the closing of an interest rate swap contract related to a bond loan of MUSD 200. The results effect will be amortized over the remaining tenor of the bond, approximately 7 years.

**Net indebtedness**

The Group's net indebtedness, adjusted for the fair value of interest rate swaps, amounted to MSEK 5 510 (10 906), of which MSEK 1 578 (1 768) was attributable to post-employment benefits. The funding situation for the Group is very strong, with an average tenor of around four years and substantial amounts of undrawn committed credit lines. The net debt/EBITDA ratio was 0.3 (0.9). The net debt/equity ratio was 19% (42).

**Employees**

On December 31, 2010, the number of employees was 32 790 (29 802). The number of consultants/external workforce was 1 696 (1 042). For comparable units, the total workforce increased by 2 972 from December 31, 2009.

**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.

MSEK	October – December		Change %	January – December		Change %
	2010	2009		2010	2009	
Orders received	8 681	7 231	+20	35 420	29 680	+19
Revenues	9 451	8 144	+16	34 602	32 524	+6
Operating profit	2 238	1 594	+40	8 127	5 752*	+41
– as a percentage of revenues	23.7	19.6		23.5	17.7*	
Return on capital employed, %	69	45				

\* Includes items affecting comparability of MSEK -234 for 2009. Adjusted margin was 18.4%.

- 21% organic order growth; continued favorable demand for equipment.
- Good development in the aftermarket business.
- Operating margin at 23.7%, supported by volume growth and efficiency.

**Sales bridge**

MSEK	October – December	
	Orders Received	Revenues
2009	7 231	8 144
Structural change, %	+4	+4
Currency, %	-5	-5
Price, %	+1	+1
Volume, %	+20	+16
Total, %	+20	+16
2010	8 681	9 451

**Industrial compressors**

Sales of stationary industrial compressors and air treatment equipment increased significantly compared with the previous year and strong order growth was recorded in Asia, North and South America as well as in Eastern Europe. Compared with the previous quarter, order intake was more or less the same.

**Gas and process compressors**

Order intake of gas and process compressors was lower sequentially but significantly higher compared to a low quarter the previous year. The best year-on-year development was seen in North America, Europe and the Middle East.

**Portable compressors, generators and rental**

Sales of portable compressors and generators were clearly above the previous year. The increase was more pronounced in Europe and North America than in other regions. Order intake was, however, lower than the previous quarter. The specialty rental business, i.e. rental of portable air and power, grew moderately.

**Aftermarket**

Demand for service and spare parts remained strong. The best development was seen in North America and Asia.

**Sustainable product development**

A one-tool portable compressor was launched in the quarter. It has been designed to be very compact and agile. Three ranges of air dryers for demanding industries and applications such as electronics, food and beverage and pharmaceuticals were also introduced. A number of compressor models designed and produced in China have been renewed with upgraded features.

**Structural changes**

An expanded customer center was inaugurated in Dubai, United Arab Emirates, in the quarter. The customer center will represent all three business areas.

In November, a new production facility for gas and process turbo compressors and turbo expanders was inaugurated in China.

**Profit and returns**

Operating profit increased 40% to MSEK 2 238 (1 594), corresponding to a margin of 23.7% (19.6). The increased margin was supported by higher volumes, efficiency improvements, price increases and more favorable exchange rates.

Return on capital employed (last 12 months) was 69% (45).

**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, mobile crushers, loading equipment, exploration equipment, construction tools, and road construction equipment.

MSEK	October – December		Change %	January – December		Change %
	2010	2009		2010	2009	
Orders received	<b>9 065</b>	<b>6 577</b>	<b>+38</b>	33 436	23 500	+42
Revenues	<b>8 173</b>	<b>6 395</b>	<b>+28</b>	29 156	25 909	+13
Operating profit	<b>1 640</b>	<b>904</b>	<b>+81</b>	5 243*	3 470*	+51
– as a percentage of revenues	<b>20.1</b>	<b>14.1</b>		18.0*	13.4*	
Return on capital employed, %	<b>27</b>	<b>17</b>				

\* Includes items affecting comparability of MSEK -100 for 2010 and MSEK -143 for 2009. Adjusted margins were 18.3% and 13.9%, respectively.

- Strong demand continued; 39% organic order growth.
- Record high operating margin at 20.1%.
- Investments in market organization and production capacity.

**Sales bridge**

MSEK	October – December	
	Orders Received	Revenues
2009	6 577	6 395
Structural change, %	+1	+1
Currency, %	-2	-2
Price, %	+1	+1
Volume, %	+38	+28
Total, %	+38	+28
2010	9 065	8 173

**Mining**

Order intake for mining equipment, both for underground and surface mines, continued to be very strong during the quarter as mining companies around the world continued to invest in drilling and loading equipment. Strong growth was recorded both sequentially and compared with the previous year in most regions. The best development was noted in North and South America, Africa and Australia.

**Construction**

Demand for construction equipment continued to recover in the quarter in most markets. Order intake for all types of equipment increased compared with the previous year. Growth was particularly good in North and South America and in Asia. Asian sales were boosted by a large order for road construction equipment received in China.

**Aftermarket and consumables**

Demand for service, spare parts and consumables was continuously strong and solid sales growth was recorded in all regions. The strongest development was seen in Asia and North America.

**Structural changes**

A customer center was opened in Mali in December. The new customer center will serve both Mali and other French speaking countries in the region and will primarily focus on mining equipment.

It was also announced in the quarter that the production capacity of rock drilling tools in Fagersta, Sweden will be expanded. The effects of the new investments, totaling approximately MSEK 450, are expected to be realized gradually during 2012 with full effect from 2013.

The plan to close one of the business area's production facilities in Ljungby, Sweden was announced in January.

**Sustainable product development**

Two new surface drill rigs were launched in the quarter, targeting quarries and other construction customers. For road construction, a range of pavers was introduced. Reduced fuel consumption, increased paving performance and more ergonomic features are examples of improvements compared to previous models. Products introduced targeting the Chinese market include an underground drill rig and a surface drill rig.

**Profit and returns**

Operating profit increased 81% to MSEK 1 640 (904), corresponding to a record operating margin of 20.1% (14.1). The margin was supported by the effects of higher production volumes, efficiency improvements and price increases.

Return on capital employed (last 12 months) was 27% (17).

## Industrial Technique

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

MSEK	October – December		Change %	January – December		Change %
	2010	2009		2010	2009	
Orders received	<b>1 738</b>	<b>1 505</b>	<b>+15</b>	6 730	5 367	+25
Revenues	<b>1 885</b>	<b>1 455</b>	<b>+30</b>	6 472	5 392	+20
Operating profit	<b>413</b>	<b>107*</b>	<b>+286</b>	1 262	253*	+399
– as a percentage of revenues	<b>21.9</b>	<b>7.4*</b>		19.5	4.7*	
Return on capital employed, %	<b>50</b>	<b>9</b>				

\* Includes items affecting comparability of MSEK -80 in Q4 2009 and MSEK -187 for the full year 2009. Adjusted margins were 12.9% and 8.2% respectively.

- 19% organic order growth.
- Demand remained strong from all customer segments and all major regions.
- Significantly improved operating margin at 21.9%.

### Sales bridge

MSEK	October – December	
	Orders Received	Revenues
2009	1 505	1 455
Structural change, %	+3	+3
Currency, %	-7	-7
Price, %	+1	+1
Volume, %	+18	+33
Total, %	+15	+30
2010	1 738	1 885

### General industry

Order volumes for industrial power tools from the general manufacturing industries, e.g. electrical appliances, aerospace, and shipyards, increased compared with the previous year. Also the sequential development was slightly positive. Geographically, the strongest sales increase compared with the previous year was noted in emerging markets. Also Europe developed well whereas orders received in North America were in line with the previous year.

### Motor vehicle industry

Demand for advanced industrial tools and assembly systems from the motor vehicle industry continued to be good. All major markets recorded solid sales growth compared with the previous year. The best development was seen in North and South America.

### Vehicle service

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

### Aftermarket

The aftermarket business continued to do well in all markets and strong growth was recorded compared to the previous year. The strongest sales growth was noted in North America.

### Sustainable product development

In the quarter, a system for tool location was introduced. It can be compared to a small-scale GPS for the cordless tools on an assembly line and makes sure tightenings are being performed in the right station and on the right product. Virtual workstations are created in the system with specific tools linked to them and only the correct tool will work in a specific workstation. One of Atlas Copco's Tensor nutrunners, launched during the year, was awarded with the prestigious 2010 iF design award in the quarter.

### Profit and returns

Operating result reached MSEK 413 (107, including restructuring costs of MSEK 80), corresponding to an operating margin of 21.9% (12.9, adjusted for restructuring costs). The significantly higher operating margin was supported by efficiency improvements, higher volumes and price.

Return on capital employed (last 12 months) was 50% (9).

**Previous near-term demand outlook**

(Published October 22, 2010)

The overall demand for the Group's products and services is expected to increase somewhat. The sequential improvement is primarily expected to come from emerging markets.

**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.

This 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 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.

**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, please see the 2009 Annual Report.



**Consolidated Income Statement**

	3 months ended		12 months ended	
	Dec. 31 2010	Dec. 31 2009	Dec. 31 2010	Dec. 31 2009
MSEK				
Revenues	19 401	15 942	69 875	63 762
Cost of sales	-11 993	-10 593	-43 468	-42 631
<b>Gross profit</b>	<b>7 408</b>	<b>5 349</b>	<b>26 407</b>	<b>21 131</b>
Marketing expenses	-1 838	-1 624	-6 914	-6 806
Administrative expenses	-1 208	-963	-4 173	-3 845
Research and development costs	-423	-373	-1 517	-1 410
Other operating income and expenses	68	61	112	20
<b>Operating profit</b>	<b>4 007</b>	<b>2 450</b>	<b>13 915</b>	<b>9 090</b>
- as a percentage of revenues	20.7	15.4	19.9	14.3
Net financial items	-87	-126	-420	-819
<b>Profit before tax</b>	<b>3 920</b>	<b>2 324</b>	<b>13 495</b>	<b>8 271</b>
- as a percentage of revenues	20.2	14.6	19.3	13.0
Income tax expense	-1 004	-624	-3 551	-1 995
<b>Profit for the period</b>	<b>2 916</b>	<b>1 700</b>	<b>9 944</b>	<b>6 276</b>
<b>Profit attributable to</b>				
- owners of the parent	2 906	1 690	9 921	6 244
- non-controlling interests	10	10	23	32
<b>Basic earnings per share, SEK</b>	<b>2.39</b>	<b>1.39</b>	<b>8.16</b>	<b>5.14</b>
<b>Diluted earnings per share, SEK</b>	<b>2.38</b>	<b>1.38</b>	<b>8.15</b>	<b>5.13</b>
Basic weighted average number of shares outstanding, millions	1 216.9	1 215.9	1 215.9	1 215.9
Diluted weighted average number of shares outstanding, millions	1 219.5	1 216.4	1 217.3	1 216.3
<b>Key ratios</b>				
Equity per share, period end, SEK			24	21
Return on capital employed before tax, 12 month values, %			29	18
Return on equity after tax, 12 month values, %			38	26
Debt/equity ratio, period end, %			19	42
Equity/assets ratio, period end, %			41	38
Number of employees, period end			32 790	29 802

**Consolidated Statement of Comprehensive Income**

	3 months ended		12 months ended	
	Dec. 31 2010	Dec. 31 2009	Dec. 31 2010	Dec. 31 2009
MSEK				
<b>Profit for the period</b>	<b>2 916</b>	<b>1 700</b>	<b>9 944</b>	<b>6 276</b>
<b>Other comprehensive income</b>				
Translation differences on foreign operations	-147	614	-3 419	-1 098
Hedge of net investments in foreign operations	214	-173	2 032	951
Cash flow hedges	-15	9	-49	410
Available-for-sale investments	156	-8	217	-128
- realized and reclassified to income statement	-65	-	-82	-
Income tax relating to components of other comprehensive income	-169	122	-1 650	-845
<b>Other comprehensive income for the period, net of tax</b>	<b>-26</b>	<b>564</b>	<b>-2 951</b>	<b>-710</b>
<b>Total comprehensive income for the period</b>	<b>2 890</b>	<b>2 264</b>	<b>6 993</b>	<b>5 566</b>
<b>Total comprehensive income attributable to</b>				
- owners of the parent	2 873	2 247	6 971	5 540
- non-controlling interests	17	17	22	26

**Consolidated Balance Sheet**

MSEK	Dec. 31, 2010	Dec. 31, 2009
Intangible assets	13 464	12 697
Rental equipment	1 843	2 056
Other property, plant and equipment	5 702	5 993
Financial assets and other receivables	2 814	4 175
Deferred tax assets	1 309	2 381
<b>Total non-current assets</b>	<b>25 132</b>	<b>27 302</b>
Inventories	12 939	11 377
Trade and other receivables	17 474	15 433
Other financial assets	1 734	1 530
Cash and cash equivalents	14 264	12 165
Assets classified as held for sale	79	67
<b>Total current assets</b>	<b>46 490</b>	<b>40 572</b>
<b>TOTAL ASSETS</b>	<b>71 622</b>	<b>67 874</b>
Equity attributable to owners of the parent	29 141	25 509
Non-controlling interests	180	162
<b>TOTAL EQUITY</b>	<b>29 321</b>	<b>25 671</b>
Borrowings	19 615	21 008
Post-employment benefits	1 578	1 768
Other liabilities and provisions	1 042	658
Deferred tax liabilities	1 167	589
<b>Total non-current liabilities</b>	<b>23 402</b>	<b>24 023</b>
Borrowings	499	2 959
Trade payables and other liabilities	17 125	13 936
Provisions	1 275	1 285
<b>Total current liabilities</b>	<b>18 899</b>	<b>18 180</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>71 622</b>	<b>67 874</b>

**Consolidated Statement of Changes in Equity**

MSEK	Equity attributable to		Total equity
	owners of the parent	non-controlling interests	
<b>Opening balance, January 1, 2009</b>	<b>23 627</b>	<b>141</b>	<b>23 768</b>
<b>Changes in equity for the period</b>			
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
<b>Closing balance, December 31, 2009</b>	<b>25 509</b>	<b>162</b>	<b>25 671</b>

MSEK	Equity attributable to		Total equity
	owners of the parent	non-controlling interests	
<b>Opening balance, January 1, 2010</b>	<b>25 509</b>	<b>162</b>	<b>25 671</b>
<b>Changes in equity for the period</b>			
Total comprehensive income for the period	6 971	22	6 993
Dividends	-3 646	-4	-3 650
Change of non-controlling interests	1	-	1
Repurchase of own shares	384	-	384
Share-based payments, equity settled	-78	-	-78
<b>Closing balance, December 30, 2010</b>	<b>29 141</b>	<b>180</b>	<b>29 321</b>

**Consolidated Statement of Cash Flows**

MSEK	October – December		January – December	
	2010	2009	2010	2009
<b>Cash flows from operating activities</b>				
Operating profit	4 007	2 450	13 915	9 090
Depreciation, amortization and impairment (see below)	664	630	2 498	2 470
Capital gain/loss and other non-cash items	113	12	260	-126
<b>Operating cash surplus</b>	<b>4 784</b>	<b>3 092</b>	<b>16 673</b>	<b>11 434</b>
Net financial items received/paid	-649	-187	-960	-1 574
Taxes paid	-741	-199	-2 813	-1 759
Change in working capital	-643	1 597	-1 730	6 715
Increase in rental equipment*	-205	-225	-825	-769
Sale of rental equipment*	134	153	480	557
<b>Net cash from operating activities</b>	<b>2 680</b>	<b>4 231</b>	<b>10 825</b>	<b>14 604</b>
<b>Cash flows from investing activities</b>				
Investments in property, plant and equipment	-224	-166	-868	-954
Sale of property, plant and equipment	16	12	53	79
Investments in intangible assets	-155	-172	-517	-657
Sale of intangible assets	3	3	10	6
Acquisition of subsidiaries	-42	-9	-1 710	-196
Divestment of subsidiaries	19	3	19	25
Other investments, net	209	223	195	683
<b>Net cash from investing activities</b>	<b>-174</b>	<b>-106</b>	<b>-2 818</b>	<b>-1 014</b>
<b>Cash flows from financing activities</b>				
Dividends paid	-1	-	-3 650	-3 652
Repurchase and sales of own shares	394	-	384	-
Change in interest-bearing liabilities	133	-1 970	-1 474	-3 152
<b>Net cash from financing activities</b>	<b>526</b>	<b>-1 970</b>	<b>-4 740</b>	<b>-6 804</b>
<b>Net cash flow for the period</b>	<b>3 032</b>	<b>2 155</b>	<b>3 267</b>	<b>6 786</b>
Cash and cash equivalents, beginning of the period	11 388	10 005	12 165	5 455
Exchange differences in cash and cash equivalents	-156	5	-1 168	-76
<b>Cash and cash equivalents, end of the period</b>	<b>14 264</b>	<b>12 165</b>	<b>14 264</b>	<b>12 165</b>

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

Depreciation, amortization and impairment

<i>Rental equipment</i>	174	172	680	720
<i>Other property, plant and equipment</i>	226	265	995	1 026
<i>Intangible assets</i>	264	193	823	724
<b>Total</b>	<b>664</b>	<b>630</b>	<b>2 498</b>	<b>2 470</b>

**Calculation of operating cash flow**

MSEK	October – December		January – December	
	2010	2009	2010	2009
<b>Net cash flow for the period</b>	<b>3 032</b>	<b>2 155</b>	<b>3 267</b>	<b>6 786</b>
Add back				
- Change in interest-bearing liabilities	-133	1 970	1 474	3 152
- Repurchase and sales of own shares	-394	-	-384	-
- Dividends paid	1	-	3 650	3 652
- Acquisitions and divestments	23	6	1 691	171
<b>Operating cash flow*</b>	<b>2 529</b>	<b>4 131</b>	<b>9 698</b>	<b>13 761</b>

\*Previous periods' cash flows from equity hedges are now included in operating cash flow.

**Revenues by Segment**

MSEK (by quarter)	2009				2010			
	1	2	3	4	1	2	3	4
Compressor Technique	8 360	8 221	7 799	8 144	7 659	8 615	8 877	9 451
- of which external	8 292	8 180	7 757	8 083	7 593	8 519	8 807	9 327
- of which internal	68	41	42	61	66	96	70	124
Construction and Mining Technique	6 816	6 722	5 976	6 395	6 233	7 393	7 357	8 173
- of which external	6 785	6 712	5 968	6 375	6 204	7 350	7 339	8 154
- of which internal	31	10	8	20	29	43	18	19
Industrial Technique	1 483	1 211	1 243	1 455	1 483	1 535	1 569	1 885
- of which external	1 478	1 207	1 240	1 451	1 473	1 529	1 564	1 880
- of which internal	5	4	3	4	10	6	5	5
Common Group functions/ Eliminations	-82	1	70	-52	-74	-113	-60	-108
<b>Atlas Copco Group</b>	<b>16 577</b>	<b>16 155</b>	<b>15 088</b>	<b>15 942</b>	<b>15 301</b>	<b>17 430</b>	<b>17 743</b>	<b>19 401</b>

**Operating profit by Segment**

MSEK (by quarter)	2009				2010			
	1	2	3	4	1	2	3	4
Compressor Technique	1 384	1 323	1 451	1 594	1 577	2 000	2 312	2 238
- as a percentage of revenues	16.6	16.1	18.6	19.6	20.6	23.2	26.0	23.7
Construction and Mining Technique	868	875	823	904	960	1 331	1 312	1 640
- as a percentage of revenues	12.7	13.0	13.8	14.1	15.4	18.0	17.8	20.1
Industrial Technique	76	-13	83	107	243	289	317	413
- as a percentage of revenues	5.1	-1.1	6.7	7.4	16.4	18.8	20.2	21.9
Common Group functions/ Eliminations	-156	-119	45	-155	-153	-121	-159	-284
<b>Operating profit</b>	<b>2 172</b>	<b>2 066</b>	<b>2 402</b>	<b>2 450</b>	<b>2 627</b>	<b>3 499</b>	<b>3 782</b>	<b>4 007</b>
- as a percentage of revenues	13.1	12.8	15.9	15.4	17.2	20.1	21.3	20.7
Net financial items	-378	-123	-192	-126	-130	-96	-107	-87
<b>Profit before tax</b>	<b>1 794</b>	<b>1 943</b>	<b>2 210</b>	<b>2 324</b>	<b>2 497</b>	<b>3 403</b>	<b>3 675</b>	<b>3 920</b>
- as a percentage of revenues	10.8	12.0	14.6	14.6	16.3	19.5	20.7	20.2

**Acquisitions and Divestments 2009 – 2010**

Date	Acquisitions	Business area	Revenues MSEK*	Number of employees*
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
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 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	October – December		January – December	
	2010	2009	2010	2009
Administrative expenses	-140	-104	-397	-330
Other operating income and expenses	44	33	141	146
<b>Operating profit/loss</b>	<b>-96</b>	<b>-71</b>	<b>-256</b>	<b>-184</b>
Financial income and expense	3 827	4 408	7 023	10 840
<b>Profit after financial items</b>	<b>3 731</b>	<b>4 337</b>	<b>6 767</b>	<b>10 656</b>
Appropriations	-	-	-	-
<b>Profit before tax</b>	<b>3 731</b>	<b>4 337</b>	<b>6 767</b>	<b>10 656</b>
Income tax	-992	-461	-779	-94
<b>Profit for the period</b>	<b>2 739</b>	<b>3 876</b>	<b>5 988</b>	<b>10 562</b>

### Balance Sheet

MSEK	Dec. 31 2010	Dec. 31 2009
Total non-current assets	91 156	93 880
Total current assets	17 635	14 657
<b>TOTAL ASSETS</b>	<b>108 791</b>	<b>108 537</b>
Total restricted equity	5 785	5 785
Total non-restricted equity	41 122	35 483
<b>TOTAL EQUITY</b>	<b>46 907</b>	<b>41 268</b>
Total provisions	1 034	202
Total non-current liabilities	48 389	53 059
Total current liabilities	12 461	14 008
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>108 791</b>	<b>108 537</b>
Assets pledged	52	47
Contingent liabilities	525	248

### 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	-9 524 840
- of which B shares held by Atlas Copco	-1 712 033
Total shares outstanding, net of shares held by Atlas Copco	1 218 376 231

### Personnel stock option program

The Annual General Meeting 2010 approved a performance-based long-term incentive program. For Group Executive Management, participation in 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](http://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 a 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 a 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 a maximum 2 525 000 series A shares and maximum 2 400 000 series B shares held by the company at the time of the AGM 2010, for the purpose of covering the costs of fulfilling obligations related to the performance stock option plans 2006-2008.

During the fourth quarter of 2010, 2 035 005 series A shares and 537 857 series B shares were divested in accordance with mandates granted. In addition, 29 375 series A shares were re-issued to the market as options were exercised.

The company's holding of own shares as of December 31, 2010 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, 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.

Nacka, February 2, 2011

Atlas Copco AB

Board of Directors

**Goals for sustainable, profitable development**

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

The past years have proven Atlas Copco's ability to capture a best-in-class position vis-à-vis its industrial peers in terms of profitability – both during cyclical peaks and troughs.

The ambition for the company going forward is to intensify its focus on growth, while maintaining strong profitability. This will ensure that profit is increased and, together with continued efficiency improvements on capital employed, that more economic value is generated.

The emerging markets are expected to continue to grow considerably in the years ahead and with a significant presence in these markets, Atlas Copco is well placed to capture this growth. On the other hand, the mature markets in Europe and North America are facing more challenges for growth than in the last decade.

The Group's goal for annual revenue growth is 8%, measured over a business cycle. At the same time the ambition is to grow faster than the most important competitors.

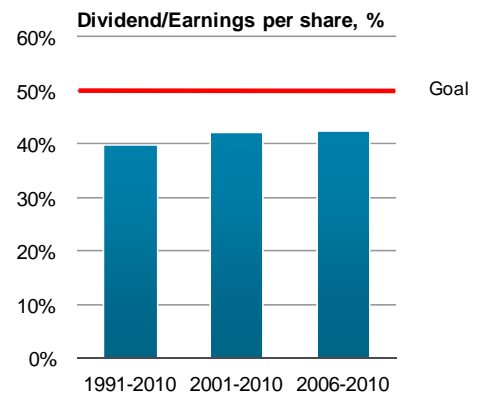
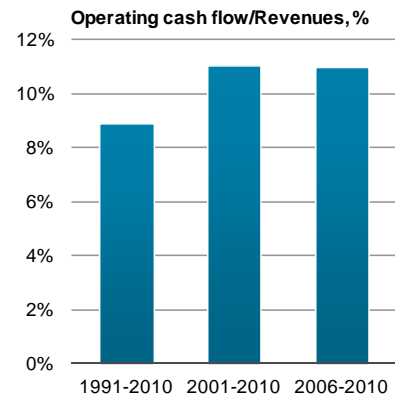
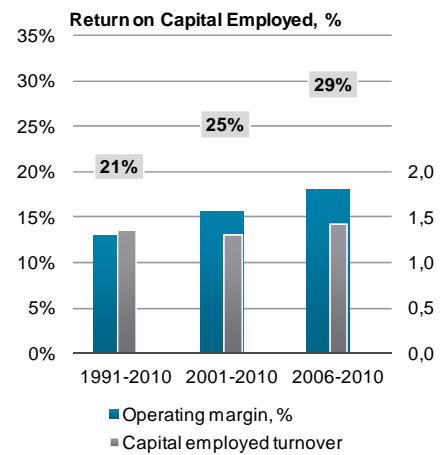
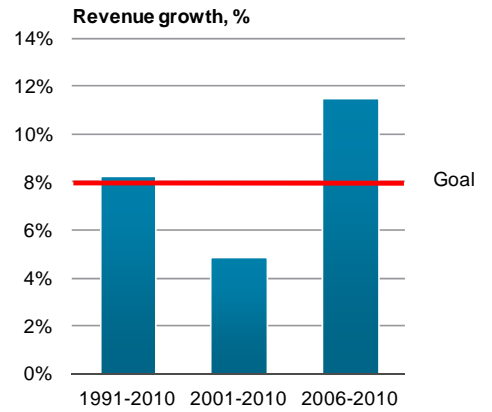
The return on capital employed, i.e. operating profit divided by net operating assets, for the current Atlas Copco business portfolio, has been consistently strong over the years. The goal is to continue to deliver high return on capital employed, by constantly striving for operational excellence and generating the growth indicated above. All acquired businesses are expected to make a positive contribution to economic value added (i.e. a return on capital employed above the Group's weighted average cost of capital).

Atlas Copco aims to have a strong but also cost-efficient financing of the business. The priority for the use of capital is to develop and grow the business. The strong profitability and cash generation that have been reached allow the Group to do that and at the same time raise the goal for dividend distribution to shareholders to about 50% of earnings per share.

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 next page for a summary of all goals.

**Historic performance – average**



<b>Products, services and solutions</b>	Increase customer satisfaction year-on-year.	Increase customer energy efficiency by 20% by 2020*.	Offer safe and reliable products and services.	
<b>Operations</b>	Develop new products and services with a life - cycle perspective.	Decrease CO <sub>2</sub> emissions from operations by 20% in relation to cost of sales by 2020*.	Decrease CO <sub>2</sub> emissions from transport of goods by 20% in relation to cost of sales by 2020*.	Keep water consumption at current level.
	Reuse or recycle waste.	Construct Atlas Copco buildings according to sustainable building standards**.	No corruption or bribes.	Work with business partners committed to high ethical, environmental and social standards.
	Zero work-related accidents.	Competence development and yearly appraisals to all employees.	Safe and healthy working environment for all employees. Sick leave below 2.5%.	Increase diversity in both gender and nationality. Encourage internal mobility.
<b>Financials</b>	Annual revenue growth of 8% over a business cycle.	Sustained high return on capital employed.	All acquired businesses to contribute to economic value added.	Annual dividend distribution about 50% of earnings per share.

\* Base year 2010.

\*\*Leadership in Energy and Environmental Design (LEED) or comparable green building criteria.

**Previous financial targets**

(Until February 2, 2011)

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, stocks, 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 mention of the Board of Directors or the Board refers to the Board of Directors of Atlas Copco AB.

**For further information**

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**Conference call**

A combined presentation and conference call to comment on the results will be held at 3 PM CET, on February 2. The presentation will be held at Operaterassen, Stockholm, Sweden.

The dial-in number is +44 (0)20 7162 0077 and the code to attend the call is 885043.

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](http://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 885043.

**Interim report on Q1 2011**

The report on Q1 will be published on April 20, 2011.

**Annual Report 2010**

The 2010 Annual Report will be published on the website [www.atlascopco.com](http://www.atlascopco.com) on March 15. It will also be sent to shareholders that have requested the information.

**Annual General Meeting**

The Annual General Meeting for Atlas Copco AB will be held on Wednesday, April 20, 2011 at 5 p.m. in Aula Magna, Stockholm University, Frescativägen 6, Stockholm, Sweden.