Atlas Copco

Press Release from the Atlas Copco Group

January 31, 2013

Atlas Copco

Interim report on Q4 and full-year 2012 summary

(unaudited)

A good quarter and a record year

- **Order intake decreased to MSEK 21 101, organic decline of 2%**
- **Revenues increased to MSEK 22 748 (22 290), organic growth of 4%**
- **Operating profit increased 2% to MSEK 4 687 (4 596)**
  - **Including restructuring costs of MSEK 65 (125) and a negative effect of MSEK 127 (116) for share-related long-term incentive programs**
- **Operating margin at 20.6% (20.6)**
  - **Adjusted margin at 21.4% (21.7)**
- **Profit before tax amounted to MSEK 4 476 (4 436)**
- **Profit for the period was MSEK 3 406 (3 372)**
- **Basic earnings per share were SEK 2.80 (2.78)**
- **Strong operating cash flow at MSEK 4 290 (1 574)**
- **The Board of Directors proposes a dividend of SEK 5.50 (5.00) per share**

	October - December			January - December		
MSEK	**2012**	**2011**	**%**	2012	2011	%
Orders received	**21 101**	**21 927**	**-4**	90 570	86 955	+4
Revenues	**22 748**	**22 290**	**+2**	90 533	81 203	+11
Operating profit	**4 687**	**4 596**	**+2**	19 228	17 560	+9
– as a percentage of revenues	***20.6***	***20.6***		*21.2*	*21.6*	
Profit before tax	**4 476**	**4 436**	**+1**	18 538	17 276	+7
– as a percentage of revenues	***19.7***	***19.9***		*20.5*	*21.3*	
Profit for the period	**3 406**	**3 372**	**+1**	13 914	12 988	+7
Basic earnings per share, SEK	**2.80**	**2.78**		11.45	10.68	
Diluted earnings per share, SEK	**2.80**	**2.77**		11.43	10.62	
Return on capital employed, %	**36**	**37**				

Near-term demand outlook

The overall demand for Atlas Copco's products and services is expected to decrease somewhat.

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Atlas Copco Group
Summary of full year 2012

Orders and revenues
Orders received in 2012 increased 4%, to a record MSEK 90 570 (86 955), corresponding to an organic increase of 2%. Revenues increased 11%, to a record MSEK 90 533 (81 203), corresponding to a 9% organic increase.

Sales bridge

	January - December	
MSEK	Orders received	Revenues
2011	86 955	81 203
Structural change, %	+2	+2
Currency, %	0	0
Price, %	+2	+2
Volume, %	0	+7
Total, %	+4	+11
2012	90 570	90 533

Results and cash flow
Operating profit increased 9% and reached MSEK 19 228 (17 560), corresponding to a margin of 21.2% (21.6). Items affecting comparability, including the effect of share-related long-term incentive programs of MSEK -217 (-5), amounted to MSEK -182 (-160). Adjusted operating margin was 21.4% (21.8). Changes in exchange rates compared with the previous year had a positive effect on the operating profit of approximately MSEK 250 and affected the margin positively with 0.2 percentage points.

Profit before tax amounted to MSEK 18 538 (17 276), up 7% and corresponding to a margin of 20.5% (21.3). Profit for the period totaled MSEK 13 914 (12 988). Basic and diluted earnings per share were SEK 11.45 (10.68) and SEK 11.43 (10.62) respectively.

Operating cash flow before acquisitions, divestments and dividends totaled MSEK 12 233 (6 292).

Dividend
The Board of Directors proposes to the Annual General Meeting that a dividend of SEK 5.50 (5.00) per share be paid for the 2012 fiscal year. Excluding shares currently held by the company, this corresponds to a total of MSEK 6 674 (6 058).

Personnel stock option program
The Board of Directors will propose to the Annual General Meeting a similar performance-based long-term incentive program as in previous years. 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 order intake for Atlas Copco's equipment was somewhat lower sequentially (compared to the previous quarter). Order volumes were relatively stable for mining equipment, industrial compressors and industrial tools. The order intake for gas and process compressors was significantly lower, while it increased for construction equipment.

Compared to the previous year, the order volumes were lower, primarily due to lower demand for mining equipment.

The order intake for service and parts increased both compared to the previous year and sequentially.

The overall demand remained healthy in **North America**. Order intake increased compared to the previous year for industrial compressors, industrial tools and construction equipment, but decreased for mining equipment. Sequentially, order intake decreased, primarily due to lower orders of gas and process compressors.

Orders received in **South America** increased both compared to the previous year and sequentially for most types of equipment. The best development was achieved in Brazil. Order intake for mining equipment was supported by some large orders.

In **Europe**, orders received decreased compared to the previous year, but increased somewhat sequentially. The demand was healthy in the United Kingdom and Germany, but was weak in Russia and Southern Europe. The order intake for compressors was strong, while it was weak for mining equipment.

In **Africa/Middle East**, orders received were lower both compared to the previous year and sequentially as no large orders were booked in the quarter.

The orders received in **Asia** increased marginally compared to the previous year. Higher order intake was achieved in South Korea, India and in South East Asia, while it was lower in China, Japan and Central Asia. Order intake for construction and mining equipment increased, while it decreased for industrial compressors and tools. Orders received of gas and process compressors were significantly lower. Sequentially, the order intake was somewhat lower in all business areas.

Order intake in **Australia** was at a good level. It decreased compared to the strong quarter previous year, but improved sequentially.

Sales bridge

	October - December	
MSEK	Orders received	Revenues
2011	21 927	22 290
Structural change, %	+1	+1
Currency, %	-3	-3
Price, %	+2	+2
Volume, %	-4	+2
Total, %	-4	+2
2012	21 101	22 748

Geographic distribution of orders received

%, last 12 months incl. Dec. 2012	Compressor Technique	Industrial Technique	Mining and Rock Excavation Tech.	Construction Technique	Atlas Copco Group
North America	19	26	20	16	20
South America	7	6	15	12	11
Europe	33	46	19	34	29
Africa/Middle East	9	1	17	13	11
Asia/Australia	32	21	29	25	29
	100	100	100	100	100

Earnings and profitability

Operating profit increased 2% to MSEK 4 687 (4 596), including restructuring costs of MSEK 65 in Construction Technique. Previous year, restructuring costs totaled MSEK 125, whereof MSEK 75 in Construction Technique and MSEK 50 in Corporate. The effect in Corporate from the provision for share-related long-term incentive programs was MSEK -127 (-116).

Operating margin reached 20.6% (20.6) and adjusted for the above referred items of MSEK -192 (-241), the margin was 21.4% (21.7). The margin was negatively affected by the strengthening of the Swedish Krona, and by the slightly lower production volumes, but positively affected by higher prices. The net currency effect, compared with the previous year was MSEK -200 and impacted the operating margin negatively with about 0.3 percentage points.

Net financial items were MSEK -211 (-160). Previous year includes a capital gain of MSEK 43 related to the sale of shares in RSC Holdings. Interest net was MSEK -177 (-159).

Profit before tax amounted to MSEK 4 476 (4 436), corresponding to a margin of 19.7% (19.9).

Profit for the period totaled MSEK 3 406 (3 372). Basic and diluted earnings per share were SEK 2.80 (2.78) and SEK 2.80 (2.77) respectively.

The return on capital employed during the last 12 months was 36% (37). Return on equity was 44% (48).

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 5 357 (5 199).

Working capital decreased MSEK 1 168 (increased 1 371), as a result of inventory reductions and good collection of receivables.

Rental equipment, net, increased MSEK 309 (126).

Investments in property, plant and equipment reached MSEK 438 (544).

Operating cash flow equaled MSEK 4 290 (1 574).

Net indebtedness

The Group’s net indebtedness, adjusted for the fair value of interest rate swaps, amounted to MSEK 8 514 (14 194), of which MSEK 1 401 (1 504) was attributable to post-employment benefits. The Group has an average maturity of 4.3 years on interest bearing liabilities. The net debt/EBITDA ratio was 0.4 (0.7). The net debt/equity ratio was 24% (49).

Acquisition and divestment of own shares

During the quarter 1 331 203 series A shares, net, were acquired and 175 407 series B shares, net, were divested, for a net value of MSEK -210. These transactions are in accordance with mandates granted by the 2012 Annual General Meeting and relate to the Group’s long-term incentive programs

Employees

On December 31, 2012, the number of employees was 39 811 (37 579). The number of consultants/external workforce was 2 109 (2 198). For comparable units, the total workforce increased by 1 453 from December 31, 2011.

Compressor Technique

The Compressor Technique business area consists of seven divisions and provides industrial compressors, gas and process compressors and expanders, air and gas treatment equipment and air management systems. The business area has a global service network and offers specialty rental services.

	October - December			January - December		
MSEK	**2012**	**2011**	**%**	2012	2011	%
Orders received	**8 367**	**8 410**	**-1**	35 469	34 664	+2
Revenues	**9 117**	**8 831**	**+3**	34 714	31 760	+9
Operating profit	**2 209**	**2 061**	**+7**	8 017	7 592	+6
– as a percentage of revenues	***24.2***	***23.3***		*23.1*	*23.9*	
Return on capital employed, %	**62**	**70**				

- The order intake remained healthy with positive aftermarket development
- Record revenues and operating profit
- Strong operating margin at 24.2%

Sales bridge

	October - December	
MSEK	Orders received	Revenues
2011	8 410	8 831
Structural change, %	+2	+2
Currency, %	-3	-3
Price, %	+1	+1
Volume, %	-1	+3
Total, %	-1	+3
2012	8 367	9 117

Industrial compressors

The order intake for stationary industrial compressors and air treatment equipment increased slightly both compared to the previous year and sequentially. Compared to the previous year, order intake increased in North America and in Europe, while it decreased somewhat in Asia. Orders received of small and medium-sized compressors increased sequentially, while it was somewhat lower for larger machines.

Gas and process compressors

Order intake for gas and process compressors was relatively low in the quarter and significantly lower both compared to the previous year and to the previous quarter.

Specialty rental

The specialty rental business improved compared to the previous year. The best development was achieved in North America and the Middle East.

Aftermarket

Service and spare parts continued to develop well. All major regions recorded healthy growth with Asia performing particularly well.

Innovation

The following products were introduced in the quarter:

- A range of oil-free, water-injected screw compressors, exclusively with Variable Speed Drive (VSD) technology.
- A range of small piston compressors for the US market.
- Several large oil-injected compressors.

Profit and returns

Operating profit reached a record MSEK 2 209 (2 061), corresponding to a margin of 24.2% (23.3). The margin was supported by efficiency improvements and price increases. This was partly offset by dilution from acquisitions.

Return on capital employed (last 12 months) was 62% (70).

Industrial Technique

The Industrial Technique business area consists of four divisions and provides industrial power tools, assembly systems, quality assurance products, software and services through a global network.

	October - December			January - December		
MSEK	**2012**	**2011**	**%**	2012	2011	%
Orders received	**2 254**	**2 343**	**-4**	9 435	8 462	+11
Revenues	**2 395**	**2 437**	**-2**	9 566	7 821	+22
Operating profit	**532**	**576**	**-8**	2 155	1 767	+22
– as a percentage of revenues	***22.2***	***23.6***		*22.5*	*22.6*	
Return on capital employed, %	**43**	**55**				

- Weaker demand for equipment – strong development for aftermarket
- Orders received declined 2% organically
- Continued investments in innovation and market presence

Sales bridge

	October - December	
MSEK	Orders received	Revenues
2011	2 343	2 437
Structural change, %	+2	+2
Currency, %	-4	-4
Price, %	+1	+1
Volume, %	-3	-1
Total, %	-4	-2
2012	2 254	2 395

General industry

The overall order volumes for industrial power tools for general industry decreased compared to the previous year in all major regions. The negative development was partly offset by strong order intake of advanced tools and systems for electronics assembly and to the aerospace industry.

Sequentially, the orders received were largely unchanged.

Motor vehicle industry

The order volume for advanced industrial tools and assembly systems from the motor vehicle industry was somewhat lower compared to the previous year. Orders received increased in North America, which only partly offset a lower order intake in Europe.

Compared to the previous quarter, order intake was largely unchanged. Geographically, it increased in North America, but decreased somewhat in Europe and in Asia.

Aftermarket

The aftermarket business developed positively and a strong growth was noted in most major markets.

Innovation

The following products were introduced in the quarter:

- An advanced assembly tool with a new controller, offering features such as a very quick shut off, leaving very little reaction force for the operator. It also has a built in gyroscope, which ensures that the bolt is tightened in the correct angle.
- A range of modular angle drills that have interchangeable heads and offers greater flexibility and accessibility.
- A series of impact wrenches for truck and heavy vehicle tire shop mechanics featuring the highest torque of any wrench in its class.

Profit and returns

Operating profit was MSEK 532 (576), corresponding to an operating margin of 22.2% (23.6). The margin was negatively affected by investments in service presence and in research and development, primarily in Asia, and a slightly lower revenue volume.

Return on capital employed (last 12 months) was 43% (55) affected by acquisitions at the end of the previous year.

Mining and Rock Excavation Technique

The Mining and Rock Excavation Technique business area consists of seven divisions and provides equipment for drilling and rock excavation, a complete range of related consumables and service through a global network.

	October - December			January - December		
MSEK	**2012**	**2011**	**%**	2012	2011	%
Orders received	**7 711**	**8 460**	**-9**	33 482	31 751	+5
Revenues	**8 496**	**8 204**	**+4**	34 054	29 356	+16
Operating profit	**2 021**	**2 059**	**-2**	8 315	7 196	+16
– as a percentage of revenues	***23.8***	***25.1***		*24.4*	*24.5*	
Return on capital employed, %	**59**	**66**				

- Weaker demand for equipment; order intake declined 8% organically
- Strong demand for service and parts
- Acquisitions of drill bit manufacturer and shotcreting equipment business

Sales bridge

	October - December	
MSEK	Orders received	Revenues
2011	8 460	8 204
Structural change, %	+1	+1
Currency, %	-2	-2
Price, %	+2	+2
Volume, %	-10	+3
Total, %	-9	+4
2012	7 711	8 496

Mining

The overall demand for mining equipment was weaker compared to previous year and the uncertainty about future investments in capital equipment seen during recent quarters remained. The order volumes for underground and open-pit equipment as well as for exploration equipment decreased significantly compared to the strong levels of the previous year.

Sequentially, order volumes were relatively stable. Orders for rotary blasthole rigs for open-pit mining increased, supported by some large orders in South America, while other product groups had somewhat lower order intake.

Civil engineering

The order intake for both underground and surface drilling equipment for infrastructure applications was lower, both compared to the previous year and sequentially.

Aftermarket and consumables

Demand for service and spare parts remained strong and orders received increased both compared to the previous year and sequentially. The order volumes for consumables remained unchanged sequentially.

Innovation

The following products and services were introduced in the quarter:

- Two surface drill rigs, which have significantly lower fuel consumption compared to their predecessors.
- A service offer that makes it possible to track what parts need to be changed or repaired on a machine, thereby helping customers to improve their efficiency by reducing down-times.

Structural changes and subsequent events

- In October the acquisition of NewTech Drilling Products, LLC was finalized. The company develops and manufactures bits for mining and oil and gas drilling, employs 20 people and had revenues in 2011 of MUSD 6.5 (MSEK 45).
- In December, Atlas Copco agreed to acquire Switzerland-based MEYCO Equipment, a manufacturer of shotcreting equipment. The business has about 40 employees and had revenues in 2011 of around MEUR 20 (MSEK 175). The acquisition is expected to be closed during the first quarter of 2013.
- The weakening demand for mining and rock excavation equipment led to many actions to adapt the capacity. In Örebro, Sweden, for example, 135 employees received final notice in January 2013.

Profit and returns

Operating profit was MSEK 2 021 (2 059), corresponding to an operating margin of 23.8% (25.1). The margin decrease was primarily a result of lower production levels and negative currency effects.

Return on capital employed (last 12 months) was 59% (66).

Construction Technique

The Construction Technique business area consists of four divisions and provides construction and demolition tools, portable compressors, pumps and generators, lighting towers, and compaction and paving equipment. The business area offers service through a global network.

	October - December			January - December		
MSEK	**2012**	**2011**	**%**	2012	2011	%
Orders received	**3 035**	**2 874**	**+6**	13 001	12 786	+2
Revenues	**2 911**	**2 964**	**-2**	12 888	12 918	-0
Operating profit	**141**	**122**	**+16**	1 326	1 460	-9
– as a percentage of revenues	***4.8***	***4.1***		*10.3*	*11.3*	
Return on capital employed, %	**10**	**12**				

Operating profit includes items affecting comparability of MSEK 65 (75) in Q4 2012 and MSEK 65 (105) for the full year. Adjusted operating margin is 7.1% (6.6) for Q4 2012 and 10.8% (12.1) for the full year.

- Organic order intake increased 10%
- Seasonally low operating profit affected by restructuring costs
- Adjusted operating margin improved to 7.1% (6.6)

Sales bridge

	October - December	
MSEK	Orders received	Revenues
2011	2 874	2 964
Structural change, %	0	0
Currency, %	-4	-4
Price, %	+3	+3
Volume, %	+7	-1
Total, %	+6	-2
2012	3 035	2 911

Construction equipment

The orders received for construction equipment increased compared to the previous year. Geographically, the order intake continued to improve in North America, it was significantly better in Asia (where previous year was particularly weak) and it was lower in Europe. The increased order volumes were most pronounced for road construction equipment and for portable compressors and generators.

Compared to the previous quarter, the order intake improved for most product groups with the best development for road construction equipment. The improvement is partly due to normal seasonal effects as customers tend to order equipment for the spring at this time of year. The sequential improvement was most significant in North America.

Aftermarket

The service and spare parts business remained healthy and overall order volumes were largely unchanged. The order intake improved in North America, but was lower in Europe.

Innovation

The following products and services were introduced in the quarter:

- A range of hydraulic breakers for the Chinese market. The breakers are easy to operate and represent a powerful alternative to the premium breaker range.
- A roller with improved ergonomics and serviceability.
- Two large high pressure portable compressors for drilling applications.
- Several kits for enhanced maintenance and overhaul of pavers.

Profit and returns

Operating profit was MSEK 141 (122), including restructuring costs of MSEK 65 (75). Operating profit was affected by low production volumes in some factories. The adjusted operating margin was 7.1% (6.6).

Return on capital employed (last 12 months) was 10% (12).

Previous near-term demand outlook

(Published October 24, 2012)

The overall demand for Atlas Copco's products and services is expected to decrease somewhat.

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 2011.

The interim report is prepared in accordance with IAS 34 Interim Financial Reporting. The same accounting principles and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements. No new or amended IFRS effective 2012 had any significant impact on the Group.

New and amended accounting standards after 2012

IASB has issued several new and amended standards and interpretations effective from January 1, 2013. The assessment of the effect on the consolidated financial statements from the implementation of these standards and interpretations is preliminary, and will be described in more detail in the 2012 Annual Report.

Amendment to IAS 19 Employees Benefits

The amendments to IAS 19, Employee Benefits, will be applied by Atlas Copco from January 1, 2013 with full retrospective application. The most significant change in the amended IAS 19 is the requirement of all actuarial gains and losses to be recognized immediately through other comprehensive income to reflect the full value of the plan deficit or surplus. Consequently Atlas Copco´s net pension liability will increase by approximately MSEK 1 300, retained earnings (equity) will decrease by approximately MSEK 900 and deferred tax liability will decrease by approximately MSEK 400. The impact on the income statement will not be significant.

Other new and amended IFRS standards and IFRIC interpretations–

The other new or amended IFRS standards and IFRIC interpretations are not expected to have any 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 are more than one sub-supplier that can supply a certain component.

Atlas Copco is also directly and indirectly exposed to raw material prices. Cost increases for raw materials and components often coincide with strong end-customer demand and can partly be offset by increased sales to mining customers and partly compensated for by increased market prices.

Acquisitions

Atlas Copco has the ambition to grow all its business areas, primarily through organic growth, complemented by selected acquisitions. The integration of acquired businesses is a difficult process and it is not certain that every integration will be successful. Therefore, costs related to acquisitions can be higher and/or synergies can take longer to materialize than anticipated.

For further information about risk factors, see the 2011 Annual Report.

Consolidated income statement

	3 months ended		12 months ended	
	Dec. 31	Dec. 31	Dec. 31	Dec. 31
MSEK	2012	2011	2012	2011
Revenues	22 748	22 290	90 533	81 203
Cost of sales	-14 097	-13 887	-55 779	-50 051
Gross profit	**8 651**	**8 403**	**34 754**	**31 152**
Marketing expenses	-2 201	-2 076	-8 659	-7 625
Administrative expenses	-1 285	-1 328	-4 982	-4 334
Research and development costs	-506	-543	-2 042	-1 805
Other operating income and expenses	28	140	157	172
Operating profit	**4 687**	**4 596**	**19 228**	**17 560**
- as a percentage of revenues	*20.6*	*20.6*	*21.2*	*21.6*
Net financial items	-211	-160	-690	-284
Profit before tax	**4 476**	**4 436**	**18 538**	**17 276**
- as a percentage of revenues	*19.7*	*19.9*	*20.5*	*21.3*
Income tax expense	-1 070	-1 064	-4 624	-4 288
Profit for the period	**3 406**	**3 372**	**13 914**	**12 988**
Profit attributable to				
- owners of the parent	3 403	3 368	13 901	12 963
- non-controlling interests	3	4	13	25
Basic earnings per share, SEK	**2.80**	**2.78**	**11.45**	**10.68**
Diluted earnings per share, SEK	2.80	2.77	11.43	10.62
Basic weighted average number of shares outstanding, millions	1 214.9	1 212.8	1 213.8	1 214.3
Diluted weighted average number of shares outstanding, millions	1 215.9	1 214.5	1 215.6	1 217.3

Key ratios		
Equity per share, period end, SEK	29	24
Return on capital employed, 12 month values, %	36	37
Return on equity, 12 month values, %	44	48
Debt/equity ratio, period end, %	24	49
Equity/assets ratio, period end, %	43	38
Number of employees, period end	39 811	37 579

Consolidated Statement of Comprehensive Income

	3 months ended		12 months ended	
	Dec. 31	Dec. 31	Dec. 31	Dec. 31
MSEK	2012	2011	2012	2011
Profit for the period	**3 406**	**3 372**	**13 914**	**12 988**
Other comprehensive income				
Translation differences on foreign operations	567	-803	-1 917	-350
- realized and reclassified to income statement	-	-2	-	-2
Hedge of net investments in foreign operations	-390	474	645	93
Cash flow hedges	-28	60	-22	68
Available-for-sale investments	-	19	-	111
- realized and reclassified to income statement	-	-43	-	-351
Income tax relating to components of other comprehensive income	444	-393	-265	-74
Other comprehensive income for the period, net of tax	**593**	**-688**	**-1 559**	**-505**
Total comprehensive income for the period	**3 999**	**2 684**	**12 355**	**12 483**
Total comprehensive income attributable to				
- owners of the parent	3 998	2 685	12 346	12 476
- non-controlling interests	1	-1	9	7

Consolidated Balance Sheet

MSEK	Dec. 31, 2012	Dec. 31, 2011
Intangible assets	15 879	15 352
Rental equipment	2 030	2 117
Other property, plant and equipment	6 846	6 538
Financial assets and other receivables	2 726	2 931
Deferred tax assets	1 110	1 052
Total non-current assets	**28 591**	**27 990**
Inventories	17 653	17 579
Trade and other receivables	21 155	21 996
Other financial assets	1 333	1 773
Cash and cash equivalents	12 416	5 716
Assets classified as held for sale	1	55
Total current assets	**52 558**	**47 119**
TOTAL ASSETS	**81 149**	**75 109**
Equity attributable to owners of the parent	35 078	28 776
Non-controlling interests	54	63
TOTAL EQUITY	**35 132**	**28 839**
Borrowings	20 150	17 013
Post-employment benefits	1 401	1 504
Other liabilities and provisions	1 093	1 039
Deferred tax liabilities	1 749	1 390
Total non-current liabilities	**24 393**	**20 946**
Borrowings	902	3 422
Trade payables and other liabilities	19 531	20 696
Provisions	1 191	1 206
Total current liabilities	**21 624**	**25 324**
TOTAL EQUITY AND LIABILITIES	**81 149**	**75 109**

Consolidated statement of changes in equity

MSEK	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total equity
Opening balance, January 1, 2012	**28 776**	**63**	**28 839**
Changes in equity for the period			
Total comprehensive income for the period	12 346	9	12 355
Dividends	-6 069	-1	-6 070
Change of non-controlling interests	-90	-17	-107
Acquisition and divestment of own shares	271	-	271
Share-based payments, equity settled	-156	-	-156
Closing balance, December 31, 2012	**35 078**	**54**	**35 132**

	Equity attributable to owners of the parent	Equity attributable to 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	12 476	7	12 483
Dividends	-4 851	-2	-4 853
Redemption of shares	-6 067	-	-6 067
Change of non-controlling interests	-869	-122	-991
Acquisition and divestment of own shares	-1 005	-	-1 005
Share-based payments, equity settled	-49	-	-49
Closing balance, December 31, 2011	**28 776**	**63**	**28 839**

Consolidated Statement of Cash Flows

	October - December		January - December	
MSEK	2012	2011	2012	2011
Cash flows from operating activities				
Operating profit	4 687	4 596	19 228	17 560
Depreciation, amortization and impairment (see below)	691	703	2 664	2 522
Capital gain/loss and other non-cash items	-21	-100	-309	-176
Operating cash surplus	5 357	5 199	21 583	19 906
Net financial items received/paid	19	-563	-592	-1 275
Taxes paid	-1 111	-717	-5 053	-3 307
Change in working capital	1 168	-1 371	-1 366	-6 115
Increase in rental equipment	-338	-282	-1 299	-1 332
Sale of rental equipment	29	156	550	544
Net cash from operating activities	**5 124**	**2 422**	**13 823**	**8 421**
Cash flows from investing activities				
Investments in property, plant and equipment	-438	-544	-1 672	-1 728
Sale of property, plant and equipment	26	8	67	52
Investments in intangible assets	-259	-203	-920	-619
Sale of intangible assets	3	-	7	12
Acquisition of subsidiaries	-146	-1 674	-1 195	-2 298
Divestment of subsidiaries	-	92	-	92
Other investments, net	-166	-109	928	154
Net cash from investing activities	**-980**	**-2 430**	**-2 785**	**-4 335**
Cash flows from financing activities				
Dividends paid	-	-	-6 069	-4 851
Dividends paid to non-controlling interest	-	-	-1	-2
Acquisition of non-controlling interest	-	-33	-107	-991
Redemption of shares	-	-	-	-6 067
Repurchase and sales of own shares	-210	-323	271	-1 005
Change in interest-bearing liabilities	-354	-427	1 636	181
Net cash from financing activities	**-564**	**-783**	**-4 270**	**-12 735**
Net cash flow for the period	**3 580**	**-791**	**6 768**	**-8 649**
Cash and cash equivalents, beginning of the period	8 772	6 520	5 716	14 264
Exchange differences in cash and cash equivalents	64	-13	-68	101
Cash and cash equivalents, end of the period	**12 416**	**5 716**	**12 416**	**5 716**
Depreciation, amortization and impairment				
Rental equipment	*161*	*188*	*681*	*716*
Other property, plant and equipment	*291*	*259*	*1123*	*991*
Intangible assets	*239*	*256*	*860*	*815*
Total	*691*	*703*	*2 664*	*2 522*

Calculation of operating cash flow

	October - December		January - December	
MSEK	2012	2011	2012	2011
Net cash flow for the period	**3 580**	**-791**	**6 768**	**-8 649**
Add back				
Change in interest-bearing liabilities	354	427	-1 636	-181
Repurchase and sales of own shares	210	323	-271	1 005
Dividends paid	-	-	6 069	4 851
Dividends paid to non-controlling interest	-	-	1	2
Redemption of shares	-	-	-	6 067
Acquisition of non-controlling interest	-	33	107	991
Acquisitions and divestments	146	1 582	1 195	2 206
Operating cash flow	**4 290**	**1 574**	**12 233**	**6 292**

Revenues by business area

MSEK (by quarter)	2011 Q1	Q2	Q3	Q4	2012 Q1	Q2	Q3	Q4
Compressor Technique	6 989	7 676	8 264	8 831	8 306	8 692	8 599	9 117
- of which external	*7 000*	*7 699*	*8 171*	*8 804*	*8 287*	*8 672*	*8 584*	*9 095*
- of which internal	*-11*	*-23*	*93*	*27*	*19*	*20*	*15*	*22*
Industrial Technique	1 768	1 800	1 816	2 437	2 471	2 420	2 280	2 395
- of which external	*1 763*	*1 792*	*1 807*	*2 429*	*2 464*	*2 414*	*2 271*	*2 387*
- of which internal	*5*	*8*	*9*	*8*	*7*	*6*	*9*	*8*
Mining and Rock Excavation Technique	6 516	6 994	7 642	8 204	8 434	8 846	8 278	8 496
- of which external	*6 485*	*6 987*	*7 609*	*8 183*	*8 418*	*8 807*	*8 265*	*8 508*
- of which internal	*31*	*7*	*33*	*21*	*16*	*39*	*13*	*-12*
Construction Technique	3 063	3 599	3 292	2 964	3 206	3 697	3 074	2 911
- of which external	*2 930*	*3 422*	*3 090*	*2 784*	*3 006*	*3 477*	*2 910*	*2 726*
- of which internal	*133*	*177*	*202*	*180*	*200*	*220*	*164*	*185*
Common Group functions/ Eliminations	-113	-118	-275	-146	-163	-218	-137	-171
Atlas Copco Group	**18 223**	**19 951**	**20 739**	**22 290**	**22 254**	**23 437**	**22 094**	**22 748**

Operating profit by business area

MSEK (by quarter)	2011 Q1	Q2	Q3	Q4	2012 Q1	Q2	Q3	Q4
Compressor Technique	1 701	1 840	1 990	2 061	1 833	1 910	2 065	2 209
- as a percentage of revenues	*24.3*	*24.0*	*24.1*	*23.3*	*22.1*	*22.0*	*24.0*	*24.2*
Industrial Technique	401	392	398	576	592	552	479	532
- as a percentage of revenues	*22.7*	*21.8*	*21.9*	*23.6*	*24.0*	*22.8*	*21.0*	*22.2*
Mining and Rock Excavation Technique	1 537	1 641	1 959	2 059	2 072	2 191	2 031	2 021
- as a percentage of revenues	*23.6*	*23.5*	*25.6*	*25.1*	*24.6*	*24.8*	*24.5*	*23.8*
Construction Technique	449	499	390	122	342	488	355	141
- as a percentage of revenues	*14.7*	*13.9*	*11.8*	*4.1*	*10.7*	*13.2*	*11.5*	*4.8*
Common Group Functions/Eliminations	-101	-195	63	-222	-235	-122	-12	-216
Operating profit	**3 987**	**4 177**	**4 800**	**4 596**	**4 604**	**5 019**	**4 918**	**4 687**
- as a percentage of revenues	*21.9*	*20.9*	*23.1*	*20.6*	*20.7*	*21.4*	*22.3*	*20.6*
Net financial items	69	-96	-97	-160	-115	-180	-184	-211
Profit before tax	**4 056**	**4 081**	**4 703**	**4 436**	**4 489**	**4 839**	**4 734**	**4 476**
- as a percentage of revenues	*22.3*	*20.5*	*22.7*	*19.9*	*20.2*	*20.6*	*21.4*	*19.7*

Acquisitions and Divestments

Date	Acquisitions	Divestments	Business area	Revenues MSEK*	Number of employees*
2012 Oct. 26	NewTech Drilling Products, LLC		Mining & Rock Excavation Tech.	45	20
2012 Aug. 2	Ekomak Group		Compressor Technique	200	160
2012 Aug. 1	Gazcon A/S		Compressor Technique	30	21
2012 Mar. 16	Guangzhou Linghein Compressor Co.		Compressor Technique	100	160
2012 Feb. 13	Wuxi Shengda Air/Gas Purity Equipment		Compressor Technique	85	130
2012 Jan. 31	Neumatica *Distributor Colombia*		Mining & Rock Excavation Tech.		15
2012 Jan. 31	GIA Industri		Mining & Rock Excavation Tech.	230	113
2012 Jan. 12	Perfora S.p.A.		Mining & Rock Excavation Tech.	90	43
2012 Jan. 4	Houston Service Industries, Inc.		Compressor Technique	240	123
2011 Nov. 21	Seti-Tec S.A.S.		Industrial Technique	40	14
2011 Nov. 1	Kalibrierdienst Stenger		Industrial Technique	6	7
2011 Oct. 7		Self drilling anchors	Mining & Rock Excavation Tech.	100	45
2011 Oct. 7	SCA Schucker		Industrial Technique	600	280
2011 Aug. 17	Penlon Medical Gas Solutions		Compressor Technique	120	100
2011 Jul. 15	Gesan		Construction Technique	510	160
2011 Jul. 1	Sogimair S.A. and Aircom S.A.		Compressor Technique	124	75
2011 May 31	Tencarva *Distributor USA*		Compressor Technique		37
2011 Apr. 1	ABAC Catalunya *Distributor Spain*		Compressor Technique		8
2011 Mar. 7	J.C. Carter		Compressor Technique	175	70

* 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 2012 will include all stipulated disclosures for acquisitions made during 2012. See the annual report for 2011 for disclosure of acquisitions and divestments made in 2011.

Parent Company

Income Statement

	October – December		January – December	
MSEK	2012	2011	2012	2011
Administrative expenses	-144	-179	-453	-392
Other operating income and expenses	65	66	217	173
Operating profit/loss	**-79**	**-113**	**-236**	**-219**
Financial income and expense	-4	-608	-532	3 636
Appropriations	4 728	5 737	4 728	5 737
Profit/loss before tax	**4 645**	**5 016**	**3 960**	**9 154**
Income tax	-1 066	-1 256	-936	-946
Profit/loss for the period	**3 579**	**3 760**	**3 024**	**8 208**

Balance Sheet

	Dec. 31	Dec. 31
MSEK	2012	2011
Total non-current assets	93 359	92 190
Total current assets	15 382	12 025
TOTAL ASSETS	**108 741**	**104 215**
Total restricted equity	5 785	5 785
Total non-restricted equity	35 452	37 510
TOTAL EQUITY	**41 237**	**43 295**
Untaxed reserves	1 255	-
Total provisions	1 056	977
Total non-current liabilities	48 945	49 578
Total current liabilities	16 248	10 365
TOTAL EQUITY AND LIABILITIES	**108 741**	**104 215**
Assets pledged	94	55
Contingent liabilities	368	410

Accounting principles

Atlas Copco AB is the ultimate Parent Company of the Atlas Copco Group. The financial statements of Atlas Copco AB have been prepared in accordance with the Swedish Annual Accounts Act and the accounting standard RFR 2, *Accounting for Legal Entities*. The same accounting principles and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements, except that Group contributions are from 2012, with retroactive application, recognized as appropriations instead of as financial items. See also accounting principles, page 8.

Parent Company

Distribution of shares

Share capital equaled MSEK 786 (786) at the end of the period, distributed as follows:

Class of share	Shares
A shares	839 394 096
B shares	390 219 008
Total	1 229 613 104
- of which A shares held by Atlas Copco	*15 372 649*
- of which B shares held by Atlas Copco	*818 280*
Total shares outstanding, net of shares held by Atlas Copco	1 213 422 175

Personnel stock option program

The Annual General Meeting 2012 approved a performance-based long-term incentive program. For Group Executive Management, the plan requires management's own investment in Atlas Copco shares. The intention is to cover Atlas Copco's obligation under the plan through the repurchase of the company's own shares.

Transactions in own shares

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

- The purchase of not more than 4 550 000 series A shares, whereof a maximum 3 500 000 may be transferred to personnel stock option holders under the Performance Stock Option Plan 2012.
- 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 15 000 series A shares to cover costs related to previously issued synthetic shares to Board members.
- The sale of maximum of 4 700 000 series A shares in order to cover the obligations under the performance stock option plans 2008 and 2009 and the sale of maximum 1 200 000 series B shares to cover the corresponding costs for the plan 2007.

The shares may only be purchased or sold on NASDAQ OMX Stockholm and only at a price per share within the registered trading range in effect from time to time.

During 2012, 1 314 981 series A shares and 493 166 series B shares were divested, net, in accordance with mandates granted.

The company's holding of own shares on December 31, 2012 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 2011 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 2011.

Stockholm, January 31, 2013

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® 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 2011 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 CET, on January 31. The dial-in numbers are:

- Sweden: +46 (0)8 5055 6474
- UK: +44 (0)203 364 5374
- US: +1 (0)877 679 2993

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

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

Interim report - Q1 2013

The Q1 2013 report will be published on April 29, 2013.

Annual Report 2012

The 2012 Annual Report will be published on the website www.atlascopco.com/ir on March 19, 2013. 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 April 29, 2013 at 4 PM in Aula Magna, Stockholm University, Frescativägen 6, Stockholm, Sweden.