

July 18, 2008

## Atlas Copco

Interim report at June 30, 2008

(unaudited)

### Emerging markets boost sales growth

- **18% organic order growth; all business areas and regions contributed.**
- **Revenues reached MSEK 18 884 (15 985), organic growth 15%.**
- **Operating profit up 20% to MSEK 3 630 (3 037), a margin of 19.2% (19.0)**
  - strengthened by record profit in Construction & Mining Technique.
  - negative effect from currency and restructuring costs.
- **Profit before tax increased to MSEK 3 354 (3 215).**
  - Previous year included MSEK 134 in capital gain.
- **Profit for the period was MSEK 2 463 (2 377).**
- **Basic and diluted earnings per share were SEK 2.01 (1.94).**
- **Operating cash flow was MSEK 396 (1 232).**
  - Large interest and tax payments and increased investments affected cash flow negatively in the period.

MSEK	April – June			January - June		
	2008	2007	%	2008	2007	%
Orders received	19 788	16 735	+18	39 293	32 855	+20
Revenues	18 884	15 985	+18	36 006	29 375	+23
Operating profit	3 630	3 037	+20	6 878	5 578	+23
– as a percentage of revenues	19.2	19.0		19.1	19.0	
Profit before tax	3 354	3 215	+4	6 380	5 692	+12
– as a percentage of revenues	17.8	20.1		17.7	19.4	
Profit from continuing operations	2 463	2 377		4 655	4 150	
Profit from discontinued operations, net of tax	-	-		184	53	
Profit for the period <sup>1)</sup>	2 463	2 377	+4	4 839	4 203	+15
Basic earnings per share from continuing operations, SEK	2.01	1.94		3.80	3.39	
Basic earnings per share, SEK <sup>1)</sup>	2.01	1.94		3.95	3.43	
Diluted earnings per share, SEK <sup>1)</sup>	2.01	1.94		3.95	3.43	

<sup>1)</sup>Including discontinued operations.

### Near-term demand outlook

The overall demand for Atlas Copco's products and services is expected to remain at a high level, primarily due to a continued strong demand development in emerging markets and the mining industry. Some customer segments in North America and Western Europe, related to consumer goods and residential construction, are expected to weaken.

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**Atlas Copco Group**

**Summary of half-year results**

Orders received in the first six months of 2008 increased 20%, to MSEK 39 293 (32 855). Volume for comparable units increased 12%, price increases added 3% and structural changes 9%, while the negative currency effect was 4%. Revenues increased 23%, to MSEK 36 006 (29 375), corresponding to 16% organic growth. Operating profit increased 23% to MSEK 6 878 (5 578), corresponding to a margin of 19.1% (19.0). The negative impact of changes in exchange rates compared with previous year was approximately MSEK 690 for the first half-year.

Profit before tax amounted to MSEK 6 380 (5 692), up 12% and corresponding to a margin of 17.7% (19.4). Profit for the period totaled MSEK 4 839 (4 203), including MSEK 184 (53) from discontinued operations. Basic and diluted earnings per share were SEK 3.95 (3.43). Earnings per share from continuing operations were 3.80 (3.39).

Operating cash flow before acquisitions, divestments and dividends totaled MSEK 1 296 (2 077).

**Review of the second quarter**

**Market development**

In **North America**, the relatively good demand for industrial equipment continued, primarily for larger projects, e.g. in the infrastructure and energy sectors. Demand for advanced assembly tools and systems from the motor vehicle industry was also good, while a somewhat lower demand from other manufacturing industries related to consumer goods was noted. Activity in the mining industry continued to be high, including a very strong demand for equipment to the coal mining segment in the USA. The demand from the construction industry was weaker than the previous year.

The sales development for all types of equipment and most customer segments continued to be strong throughout **South America**.

In **Europe**, growth was particularly strong in the Eastern European countries for all product areas, but the Western European region also had an overall healthy development. The demand for industrial equipment from sectors exposed to consumer goods slowed down in Western Europe, while, similar to the trend in the USA, demand for equipment to larger investment projects remained strong. Demand from the mining industry, mainly present in Eastern Europe, continued to be very high. Order intake for construction equipment in Western Europe

declined. A good development for large equipment to infrastructure projects was offset by lower demand from rental companies for light construction equipment and portable compressors.

The development in the **Africa/Middle East** region continued to be very positive. Sales of construction equipment grew strongly in the Middle East and Northern Africa, and both industrial and mining demand was very strong in Southern Africa.

Demand for all types of equipment remained strong throughout **Asia**, with good growth in all regions, including the major countries India and China. In **Australia**, the activity in the important mining industry continued on an exceptionally high level.

**Sales bridge**

MSEK	April– June	
	Orders Received	Revenues
2007	16 735	15 985
Structural change, %	+5	+7
Currency, %	-5	-4
Price, %	+3	+3
Volume, %	+15	+12
Total, %	+18	+18
2008	19 788	18 884

**Geographic distribution of orders received**

%, last 12 months incl. June 2008	Atlas Copco Group			
	Compressor Technique	Construction and Mining Technique	Industrial Technique	
North America	14	22	23	18
South America	7	10	5	8
Europe	44	32	56	40
Africa/Middle East	9	15	2	11
Asia/Australia	26	21	14	23
	100	100	100	100

**Earnings and profitability**

Operating profit increased 20% to MSEK 3 630 (3 037), including a restructuring cost of MSEK 43 in the Industrial Technique business area. The operating margin reached 19.2% (19.0). The increase in margin was primarily a result of the increased revenue volumes and a continued positive price development. These factors managed to more than offset the negative effects of higher material costs and an unfavorable development of exchange rates. The changes in exchange rates had a negative effect of approximately MSEK 310 compared to the previous year, or about one percentage point effect on the operating margin. This includes some offsetting corporate hedging gains. Recent acquisitions/divestments also affected the operating margin negatively.

Net financial items were MSEK -276 (+178). Previous year included an MSEK 134 capital gain from the sale of shares in Rental Service Corporation (RSC). The change in interest net to MSEK -287 (+6) reflects the Group's new capital structure with more interest-bearing debt.

Profit before tax amounted to MSEK 3 354 (3 215), corresponding to a margin of 17.8% (20.1).

Profit for the period totaled MSEK 2 463 (2 377). Basic and diluted earnings per share were SEK 2.01 (1.94).

The return on capital employed, during the last 12 months, was 32% (33, including discontinued operations) and the return on equity was 58% (58). Excluding the write-down of right to notes, made in the end of 2007 and related to the sale of the North American construction rental business, the return on capital employed was 34% and the return on equity 64%. The

Group currently uses a weighted average cost of capital (WACC) of 8.5%, pre-tax equivalent approximately 11.8%, as an investment and overall performance benchmark.

**Operating cash flow and investments**

Net cash from operating activities was negatively affected by large interest and tax payments. The interest payments are currently primarily affecting the second and fourth quarters. Working capital increased MSEK 706 (787). The increase primarily reflects the strong sales growth.

Cash flows from investing activities, excluding acquisitions and divestments of businesses, were MSEK -1 215 (-699). Capital expenditure and the planned growth of customer financing explain the increase compared to previous year.

Operating cash flow equaled MSEK 396 (1 232).

**Net indebtedness**

The Group's net indebtedness amounted to MSEK 21 898 (21 934), of which MSEK 1 676 (1 779) was attributable to post-employment benefits. The loans have an average maturity of six years and have attractive rates compared to current conditions in the debt market. The net debt/EBITDA ratio, indicating the Group's ability to service its interest bearing debt, was 1.4. The debt/equity ratio was 144%.

**Employees**

On June 30, 2008, the number of employees was 34 458 (30 704). For comparable units, the number of employees increased by 2 769 from June 30, 2007.

### 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	April – June		Change %	January – June		Change %
	2008	2007		2008	2007	
Orders received	9 522	9 058	+5	18 904	17 383	+9
Revenues	8 640	8 126	+6	16 693	14 920	+12
Operating profit	1 711	1 622	+5	3 354	3 062	+10
– as a percentage of revenues	19.8	20.0		20.1	20.5	
Return on capital employed, %	60	66				

- Continued stable order growth; 9% organically.
- Operating profit affected by currency.
- Strategic acquisitions in North America.

### Sales bridge

MSEK	April – June	
	Orders Received	Revenues
2007	9 058	8 126
Structural change, %	-1	-1
Currency, %	-3	-3
Price, %	+2	+2
Volume, %	+7	+8
Total, %	+5	+6
2008	9 522	8 640

### Industrial compressors

Sales of stationary industrial compressors and related aftermarket products remained on a high level in most geographic regions but a slow-down in demand was noted in Western Europe. The best development for equipment sales was recorded in Asia and the Africa/Middle East region. Medical air and the mining industry were segments that grew more than the average. Demand for energy saving products (variable speed drive) was high and high pressure compressors for PET bottle-making and for Compressed Natural Gas (CNG) applications kept its solid growth rate. Demand for aftermarket products and services continued to develop favorably in all geographic regions.

### Gas and process compressors

Demand for large gas and process compressors, including expanders remained strong. Solid growth was recorded for comparable units compared to a strong second quarter the previous year when a number of large orders were won in some of the major regions. The best development was recorded in Asia and the Middle East.

### Portable compressors, generators and rental

Sales of portable compressors and generators, primarily serving construction-related customers, weakened further in Western Europe and North America for comparable units and sales to rental companies were significantly down. Most other markets showed solid growth, particularly the Middle East.

The specialty rental business, i.e. rental of portable air and power, recorded healthy growth for comparable units in all markets.

### Product development

Two ranges of compressors were released within the multibrand strategy in the quarter, one of which has air quality, energy efficiency and silencing features. Also, a number of products targeting marine applications were launched.

### Structural changes

The acquisition of the Hurricane booster and Grimmer Schmidt portable compressor business from Grimmer Industries Inc., USA was finalized on May 2. The acquired business had revenues of MSEK 146 (MUSD 25) and 90 employees in 2007.

At the end of May two Atlas Copco distributors were acquired in the USA as a further step in the strategy to increase presence and penetration in the US market.

### Profit and returns

Operating profit increased to MSEK 1 711 (1 622) corresponding to an operating margin of 19.8% (20.0). Changes in currencies affected the operating margin negatively by about one and a half percentage points.

Return on capital employed (last 12 months) was 60% (66).

**Construction and Mining Technique**

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

MSEK	April – June		Change %	January – June		Change %
	2008	2007		2008	2007	
Orders received	<b>8 490</b>	<b>6 045</b>	<b>+40</b>	16 775	12 126	+38
Revenues	<b>8 567</b>	<b>6 292</b>	<b>+36</b>	15 911	11 385	+40
Operating profit	<b>1 615</b>	<b>1 125</b>	<b>+44</b>	2 867	2 037	+41
<i>– as a percentage of revenues</i>	<b>18.9</b>	<b>17.9</b>		18.0	17.9	
Return on capital employed, %	<b>30</b>	<b>35</b>				

- Mining industry shows exceptional strength.
- Strong order growth; 32% organically.
- Operating margin at record 18.9%, despite negative currency effect.

**Sales bridge**

MSEK	April – June	
	Orders Received	Revenues
2007	6 045	6 292
Structural change, %	+14	+18
Currency, %	-6	-6
Price, %	+4	+4
Volume, %	+28	+20
Total, %	+40	+36
2008	8 490	8 567

**Mining**

Demand from the mining industry continued on a high level throughout the quarter for both equipment and aftermarket products. Strong growth was recorded in all geographical markets, with a particularly strong development in Australia, Asia and Africa. Most markets recorded very good demand for underground drilling and loading equipment in the quarter and order intake for surface drill rigs used in open pit applications also remained strong. Sales of large rotary drill rigs used in open pit coal mines continued on an exceptionally high level in many markets. The market activity, both for production and prospecting is very high around the world, which is reflected in continued strong demand for spare parts, consumables, and service as well as for exploration equipment.

**Construction**

The demand from the construction industry continued to be mixed between regions and segments. North America and Western Europe remained the weak spots, mainly due to slowing demand from housing related construction, while most other markets recorded solid growth. Sales of drill rigs for surface applications, used in quarries and road construction remained healthy

overall and sales of underground drilling rigs for infrastructure projects, e.g. tunneling and hydropower, increased. Sales of light construction equipment and road construction equipment, both more affected by the slowing housing market in North America and Western Europe than the other product lines, were flat compared to the previous year.

**Product development**

The assortment of consumables was extended in the quarter with a number of drill bits of various categories and sizes and the small remotely controlled surface drill rig launched in the first quarter was successfully introduced in a number of new markets.

**Structural changes**

On April 30, Atlas Copco announced the acquisition of two service companies present in the Indonesian mining sector. The two companies had sales of approximately MSEK 68 (MUSD 11.3) and a total of 223 employees in 2007.

In mid April an agreement was signed to acquire 25% of two Indian companies manufacturing drill bits and hammers. Atlas Copco has an option to acquire the remaining 75% of the two companies.

**Profit and returns**

Operating profit increased 44% to MSEK 1 615 (1 125), corresponding to a record operating margin of 18.9% (17.9). Higher sales volumes and price increases had a positive effect on the operating margin, while currency changes had a negative impact of about two percentage points.

Return on capital employed (last 12 months) was 30% (35).

## Industrial Technique

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

MSEK	April – June		Change %	January – June		Change %
	2008	2007		2008	2007	
Orders received	<b>1 940</b>	<b>1 758</b>	<b>+10</b>	3 899	3 532	+10
Revenues	<b>1 836</b>	<b>1 714</b>	<b>+7</b>	3 661	3 305	+11
Operating profit	<b>318</b>	<b>392</b>	<b>-19</b>	730	770	-5
– as a percentage of revenues	<b>17.3</b>	<b>22.9</b>		19.9	23.3	
Return on capital employed, %	<b>52</b>	<b>60</b>				

- Strong order growth; 12% organically.
- Good development in both major customer segments.
- Restructuring costs of MSEK 43.

## Sales bridge

MSEK	April – June	
	Orders Received	Revenues
2007	1 758	1 714
Structural change, %	+1	+1
Currency, %	-3	-3
Price, %	+1	+1
Volume, %	+11	+8
Total, %	+10	+7
2008	1 940	1 836

Order intake increased in the second quarter compared with the same period previous year both within the general industry and the motor vehicle industry, the two major segments. Equipment as well as related aftermarket products recorded good growth.

### General industry

Demand for industrial power tools from the general manufacturing industries, e.g. electrical appliances, aerospace, and shipyards remained at a healthy level. Growth was recorded in all important markets with the exception of North America where the development was somewhat negative. Growth was particularly strong in Asia and Eastern Europe.

### Motor vehicle industry

Sales of advanced industrial tools and assembly systems to the motor vehicle industry continued on a higher level than previous year. Growth was recorded in all major markets with a particularly strong development in Asia.

The aftermarket business developed very favorably in all major markets. The highest growth rates were recorded in Asia and Western Europe.

### Vehicle service

The vehicle service business, providing large fleet operators and specialized repair shops with tools, recorded sales in line with the level from previous year. Growth in Western Europe was offset by a slightly negative trend in North America.

### Product development

A new pneumatic nutrunner with twin motors, almost twice as fast as its predecessor, was introduced in the quarter. The tool is ergonomically developed and offers low noise and vibration levels.

Another tool that was launched in the quarter is an impact wrench with a closed lubrication system, which demands less maintenance and offers longer lifetime than tools without the lubrication system.

### Structural changes

In the quarter, the business area announced the closure of its factory in Hemel Hempstead, Great Britain, by the end of 2008. This decision follows previous restructuring measures in the pneumatic tools production, initiated in Q3 2007.

As of June 1, Mats Rahmström replaced Fredrik Möller as Business Area President for Industrial Technique.

### Profit and returns

Operating profit was MSEK 318 (392), including restructuring costs of MSEK 43. The adjusted operating margin was 19.7% (22.9). Production disturbances related to the restructuring of the pneumatic tool manufacturing, currency changes and an unfavorable sales mix affected the margin negatively.

Return on capital employed (last 12 months) was 52% (60).

**Previous near-term demand outlook**

(Published April 24, 2008)

The demand for Atlas Copco's products and services from most customer segments and regions is expected to remain at a high level.

The positive outlook includes the main part of the construction segment, while certain sectors, primarily related to housing is expected to remain weak in North America and parts of Europe.

**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 2007.

The interim report is prepared in accordance with IAS 34 *Interim Financial Reporting* and the Swedish Financial Accounting Standards Council's recommendation RR 31 *Consolidated Interim Reporting*.

The new or amended IFRS standards or IFRIC interpretations, which became effective January 1, 2008, have had no material effect on the financial position or results of the Group.

**Risks and factors of uncertainty***Financial risks*

Atlas Copco completed a multi-currency bond issue program in the second quarter of 2007 in order to adjust the balance sheet to a more efficient structure. The higher indebtedness increases the exposure to changes in interest rates, whereas the borrowings partially hedge the currency exposure of net assets of foreign subsidiaries.

*Acquisitions*

Atlas Copco's strategy is to grow both organically and through acquisitions. Although the Group has demonstrated in the past an ability to successfully integrate acquired businesses, the integration of new companies always carries certain risks. Costs related to acquisitions can be higher than anticipated.

*Capacity constraints*

Atlas Copco's manufacturing strategy is based on manufacturing of core components and outsourcing of non-core components. Currently, capacity utilization is high and if there are interruptions or lack of capacity in the supply chain, this may affect the business, result of operations and financial position negatively.

For further information about risk factors, please see the 2007 Annual Report.

**Consolidated Income Statement**

	3 months ended		6 months ended		12 months ended		
	Jun. 30 2008	Jun. 30 2007	Jun. 30 2008	Jun. 30 2007	Jun. 30 2008	Jun 30 2007	Dec. 31 2007
MSEK							
Revenues	18 884	15 985	36 006	29 375	69 986	55 495	63 355
Cost of sales	-12 253	-10 121	-22 923	-18 363	-44 456	-34 761	-39 896
<b>Gross profit</b>	<b>6 631</b>	<b>5 864</b>	<b>13 083</b>	<b>11 012</b>	<b>25 530</b>	<b>20 734</b>	<b>23 459</b>
Marketing expenses	-1 838	-1 637	-3 599	-3 118	-7 030	-5 919	-6 549
Administrative expenses	-935	-913	-1 900	-1 698	-3 720	-3 201	-3 518
Research and development costs	-368	-313	-732	-613	-1 405	-1 165	-1 286
Other operating income and expenses	140	36	26	-5	-9	-101	-40
<b>Operating profit</b>	<b>3 630</b>	<b>3 037</b>	<b>6 878</b>	<b>5 578</b>	<b>13 366</b>	<b>10 348</b>	<b>12 066</b>
- as a percentage of revenues	19.2	19.0	19.1	19.0	19.1	18.7	19.0
Net financial items	-276	178	-498	114	-2 144	-193	-1 532
<b>Profit before tax</b>	<b>3 354</b>	<b>3 215</b>	<b>6 380</b>	<b>5 692</b>	<b>11 222</b>	<b>10 155</b>	<b>10 534</b>
- as a percentage of revenues	17.8	20.1	17.7	19.4	16.0	18.3	16.6
Income tax expense	-891	-838	-1 725	-1 542	-3 301	-2 763	-3 118
<b>Profit from continuing operations</b>	<b>2 463</b>	<b>2 377</b>	<b>4 655</b>	<b>4 150</b>	<b>7 921</b>	<b>7 392</b>	<b>7 416</b>
Profit from discontinued operations, net of tax	-	-	184	53	184	8 100	53
<b>Profit for the period</b>	<b>2 463</b>	<b>2 377</b>	<b>4 839</b>	<b>4 203</b>	<b>8 105</b>	<b>15 492</b>	<b>7 469</b>
- attributable to equity holders of the parent	2 454	2 366	4 822	4 186	8 075	15 464	7 439
- attributable to minority interest	9	11	17	17	30	28	30
<b>Basic earnings per share, SEK</b>	<b>2.01</b>	<b>1.94</b>	<b>3.95</b>	<b>3.43</b>	<b>6.61</b>	<b>12.51</b>	<b>6.09</b>
- of which continuing operations	2.01	1.94	3.80	3.39	6.46	5.96	6.05
Diluted earnings per share, SEK	2.01	1.94	3.95	3.43	6.61	12.50	6.09
Basic weighted average number of shares outstanding, millions	1 220.8	1 220.8	1 220.8	1 220.8	1 220.8	1 236.2	1 220.8
Diluted weighted average number of shares outstanding, millions	1 220.8	1 221.7	1 221.6	1 221.1	1 221.8	1 237.4	1 222.3

**Key ratios, including discontinued operations**

Equity per share, period end, SEK	12	10	12
Return on capital employed before tax, 12 month values, %	32	33	29
Return on equity after tax, 12 month values, %	58	58	35
Debt/equity ratio, period end, %	144	188	135
Equity/assets ratio, period end, %	25	21	26
Number of employees, period end	34 458	30 704	32 947



**Consolidated Balance Sheet**

MSEK	June 30, 2008	Dec. 31, 2007	June 30, 2007
Intangible assets	11 701	11 665	11 326
Rental equipment	1 847	1 906	2 018
Other property, plant and equipment	5 188	4 894	4 553
Financial assets and other receivables	3 269	3 413	4 319
Deferred tax assets	706	832	644
<b>Total non-current assets</b>	<b>22 711</b>	<b>22 710</b>	<b>22 860</b>
Inventories	14 817	12 725	11 962
Trade and other receivables	18 911	16 627	16 080
Other financial assets	1 384	1 124	1 084
Cash and cash equivalents	3 755	3 473	3 609
<b>Total current assets</b>	<b>38 867</b>	<b>33 949</b>	<b>32 735</b>
<b>TOTAL ASSETS</b>	<b>61 578</b>	<b>56 659</b>	<b>55 595</b>
Equity attributable to equity holders of the parent	15 096	14 524	11 536
Minority interest	112	116	115
<b>TOTAL EQUITY</b>	<b>15 208</b>	<b>14 640</b>	<b>11 651</b>
Borrowings	22 052	19 926	20 082
Post-employment benefits	1 676	1 728	1 779
Other liabilities and provisions	961	568	1 083
Deferred tax liabilities	806	823	914
<b>Total non-current liabilities</b>	<b>25 495</b>	<b>23 045</b>	<b>23 858</b>
Borrowings	3 309	2 743	4 766
Trade payables and other liabilities	16 572	15 303	14 498
Provisions	994	928	822
<b>Total current liabilities</b>	<b>20 875</b>	<b>18 974</b>	<b>20 086</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>61 578</b>	<b>56 659</b>	<b>55 595</b>

**Consolidated Statement of Changes in Equity**

MSEK	Equity attributable to		Total equity
	equity holders of the parent	minority interest	
<b>Opening balance, January 1, 2007</b>	<b>32 616</b>	<b>92</b>	<b>32 708</b>
Translation differences	1 895	4	1 899
Hedge of net investments in foreign subsidiaries	-824	-	-824
Change in fair values			
– Cash flow hedge	-86	-	-86
– Available-for-sale	562	-	562
Realized on divestments, available-for-sale	-15	-	-15
Tax on items transferred to/from equity	255	-	255
<b>Net income and expense recognized directly in equity</b>	<b>1 787</b>	<b>4</b>	<b>1 791</b>
Profit for the period	7 439	30	7 469
<b>Total recognized income and expense for the period, excl. shareholders' transactions</b>	<b>9 226</b>	<b>34</b>	<b>9 260</b>
Dividends	-2 899	-4	-2 903
Repurchase of own shares	-25	-	-25
Redemption of shares	-24 416	-	-24 416
Share-based payments, equity settled	22	-	22
Acquisition of minority interest	-	-6	-6
<b>Closing balance, December 31, 2007</b>	<b>14 524</b>	<b>116</b>	<b>14 640</b>

MSEK	Equity attributable to		Total equity
	equity holders of the parent	minority interest	
<b>Opening balance, January 1, 2008</b>	<b>14 524</b>	<b>116</b>	<b>14 640</b>
Translation differences	42	-16	26
Hedge of net investments in foreign subsidiaries	-253	-	-253
Change in fair values			
– Cash flow hedge	-149	-	-149
– Available-for-sale	-297	-	-297
Tax on items transferred to/from equity	113	-	113
<b>Net income and expense recognized directly in equity</b>	<b>-544</b>	<b>-16</b>	<b>-560</b>
Profit for the period	4 822	17	4 839
<b>Total recognized income and expense for the period, excl. shareholders' transactions</b>	<b>4 278</b>	<b>1</b>	<b>4 279</b>
Dividends	-3 662	-4	-3 666
Repurchase of own shares	-21	-	-21
Share-based payments, equity settled	-23	-	-23
Acquisition of minority interest	-	-1	-1
<b>Closing balance, June 30, 2008</b>	<b>15 096</b>	<b>112</b>	<b>15 208</b>

MSEK	Equity attributable to		Total equity
	equity holders of the parent	minority interest	
<b>Opening balance, January 1, 2007</b>	<b>32 616</b>	<b>92</b>	<b>32 708</b>
Translation differences	1 056	7	1 063
Hedge of net investments in foreign subsidiaries	-313	-	-313
Change in fair values			
– Available-for-sale	1 238	-	1 238
Tax on items transferred to/from equity	116	-	116
<b>Net income and expense recognized directly in equity</b>	<b>2 097</b>	<b>7</b>	<b>2 104</b>
Profit for the period	4 186	17	4 203
<b>Total recognized income and expense for the period, excl. shareholders' transactions</b>	<b>6 283</b>	<b>24</b>	<b>6 307</b>
Dividends	-2 899	-4	-2 903
Redemption of shares	-24 416	-	-24 416
Share-based payments, equity settled	-48	-	-48
Acquisition of minority interest	-	3	3
<b>Closing balance, June 30, 2007</b>	<b>11 536</b>	<b>115</b>	<b>11 651</b>

**Consolidated Statement of Cash Flows, including discontinued operations**

MSEK	April – June		January – June	
	2008	2007	2008	2007
<b>Cash flows from operating activities</b>				
Operating profit	3 630	3 037	6 878	5 578
Depreciation, amortization and impairment	490	443	959	857
Capital gain/loss and other non-cash items	-87	-139	-12	-110
Operating cash surplus	4 033	3 341	7 825	6 325
Net financial items received/paid	-1 006	352	-892	78
Taxes paid	-1 130	-975	-1732	-1 667
Change in working capital	-706	-787	-2 331	-1 293
<b>Net cash from operating activities</b>	<b>1 191</b>	<b>1 931</b>	<b>2 870</b>	<b>3 443</b>
<b>Cash flows from investing activities</b>				
Investments in rental equipment	-340	-258	-531	-503
Investments in other property, plant and equipment	-417	-286	-769	-569
Sale of rental equipment	106	166	228	329
Sale of other property, plant and equipment	11	29	16	38
Investments in intangible assets	-132	-139	-296	-271
Sale of intangible assets	-	-	-	-1
Acquisition of subsidiaries	-265	-5 463	-269	-5 682
Divestment of subsidiaries	-	-68	91	-827
Other investments, net	-443	-211	-642	-389
<b>Net cash from investing activities</b>	<b>-1 480</b>	<b>-6 230</b>	<b>-2 172</b>	<b>-7 875</b>
<b>Cash flows from financing activities</b>				
Dividends paid	-3 666	-2 903	-3 666	-2 903
Redemption of shares	-	-24 416	-	-24 416
Repurchase of own shares	-	-	-21	-
Change in interest-bearing liabilities	3 650	19 287	3 292	14 939
<b>Net cash from financing activities</b>	<b>-16</b>	<b>-8 032</b>	<b>-395</b>	<b>-12 380</b>
<b>Net cash flow for the period</b>	<b>-305</b>	<b>-12 331</b>	<b>303</b>	<b>-16 812</b>
Cash and cash equivalents, beginning of the period	3 975	16 139	3 473	20 135
Exchange differences in cash and cash equivalents	85	-199	-21	286
<b>Cash and cash equivalents, end of the period</b>	<b>3 755</b>	<b>3 609</b>	<b>3 755</b>	<b>3 609</b>

**Calculation of operating cash flow**

MSEK	April – June		January – June	
	2008	2007	2008	2007
<b>Net cash flow for the period</b>	<b>-305</b>	<b>-12 331</b>	<b>303</b>	<b>-16 812</b>
Add back				
- Change in interest-bearing liabilities	-3 650	-19 287	-3 292	-14 939
- Redemption and repurchase of shares	-	24 416	21	24 416
- Dividends paid	3 666	2 903	3 666	2 903
- Acquisitions and divestments	265	5 531	178	6 509
- Equity hedges in net financial items	420	-	420	-
<b>Operating cash flow</b>	<b>396</b>	<b>1 232</b>	<b>1 296</b>	<b>2 077</b>

**Summary of Cash Flows from Continuing and Discontinued Operations**

MSEK	April – June 2008			April – June 2007		
	Continuing operations	Discont. operations	Total	Continuing operations	Discont. operations	Total
Net cash from						
— operating activities	1 191		1 191	1 931	-	1 931
— investing activities	-1 480		-1 480	-6 162	-68*	-6 230
— financing activities	-16		-16	-8 032	-	-8 032
<b>Net cash flow for the period</b>	<b>-305</b>		<b>-305</b>	<b>-12 263</b>	<b>-68</b>	<b>-12 331</b>
Cash and cash equivalents, beginning of the period			3 975			16 139
Exchange differences in cash and cash equivalents			85			-199
<b>Cash and cash equivalents, end of the period</b>			<b>3 755</b>			<b>3 609</b>
Depreciation, amortization and impairment						
<i>Rental equipment</i>	147		147	157	-	157
<i>Other property, plant and equipment</i>	203		203	176	-	176
<i>Intangible assets</i>	140		140	110	-	110

\* Includes taxes paid and costs related to the divestment of the equipment rental business.

MSEK	January – June 2008			January – June 2007		
	Continuing operations	Discont. operations	Total	Continuing operations	Discont. operations	Total
Net cash from						
— operating activities	2 870	-	2 870	3 443	-	3 443
— investing activities	-2 131	-41	-2 172	-7 048	-827*	-7 875
— financing activities	-395	-	-395	-12 380	-	-12 380
<b>Net cash flow for the period</b>	<b>344</b>	<b>-41</b>	<b>303</b>	<b>-15 985</b>	<b>-827</b>	<b>-16 812</b>
Cash and cash equivalents, beginning of the period			3 473			20 135
Exchange differences in cash and cash equivalents			-21			286
<b>Cash and cash equivalents, end of the period</b>			<b>3 755</b>			<b>3 609</b>
Depreciation, amortization and impairment						
<i>Rental equipment</i>	282	-	282	313	-	313
<i>Other property, plant and equipment</i>	401	-	401	336	-	336
<i>Intangible assets</i>	276	-	276	208	-	208

\* Includes taxes paid, purchase price adjustment and costs related to the divestment of the equipment rental business.

**Revenues by Business Area**

MSEK (by quarter)	2007				2008	
	1	2	3	4	1	2
Compressor Technique	6 794	8 126	8 304	8 676	8 053	8 640
Construction and Mining Technique	5 093	6 292	6 634	7 121	7 344	8 567
Industrial Technique	1 591	1 714	1 646	1 920	1 825	1 836
Eliminations	-88	-147	-153	-168	-100	-159
<b>Atlas Copco Group</b>	<b>13 390</b>	<b>15 985</b>	<b>16 431</b>	<b>17 549</b>	<b>17 122</b>	<b>18 884</b>

**Operating profit by Business Area**

MSEK (by quarter)	2007				2008	
	1	2	3	4	1	2
Compressor Technique	1 440	1 622	1 801	1 886	1 643	1 711
- as a percentage of revenues	21.2	20.0	21.7	21.7	20.4	19.8
Construction and Mining Technique	912	1 125	1 119	1 228	1 252	1 615
- as a percentage of revenues	17.9	17.9	16.9	17.2	17.0	18.9
Industrial Technique	378	392	343	426	412	318
- as a percentage of revenues	23.8	22.9	20.8	22.2	22.6	17.3
Common Group Functions/ Eliminations	-189	-102	-136	-179	-59	-14
<b>Operating profit</b>	<b>2 541</b>	<b>3 037</b>	<b>3 127</b>	<b>3 361</b>	<b>3 248</b>	<b>3 630</b>
- as a percentage of revenues	19.0	19.0	19.0	19.2	19.0	19.2
Net financial items	-64	178	-419	-1 227	-222	-276
<b>Profit before tax</b>	<b>2 477</b>	<b>3 215</b>	<b>2 708</b>	<b>2 134</b>	<b>3 026</b>	<b>3 354</b>
- as a percentage of revenues	18.5	20.1	16.5	12.2	17.7	17.8

**Acquisitions and Divestments 2007 – 2008**

Date	Acquisitions	Divestments	Business area	Sales* MSEK	Number of employees*
2008 May 23	Two US distributors		Compressor Technique		60
2008 May 2	Hurricane and Grimmer		Compressor Technique	146	90
2008 Apr. 30	Fluidcon		Construction & Mining	68	223
2008 Feb. 13		Guimera	Compressor Technique	130	92
2007 Dec. 17		ABIRD	Compressor Technique	94	31
2007 Dec. 12	KTS		Industrial Technique	75	46
2007 Nov. 1	Shenyang Ruifeng		Construction & Mining	100	700
2007 Aug. 29		Prime Industrial Rentals	Compressor Technique	112	52
2007 Aug. 1	Mafi-Trench		Compressor Technique	360	120
2007 May 31	Dynapac		Construction & Mining	4 600	2 100
2007 April 2	ABAC		Compressor Technique	1 700	650
2007 Mar. 15	Greenfield		Compressor Technique	270	200
2007 Mar. 1	Rodcraft		Industrial Technique	208	78

\* Annual revenues and number of employees at time of acquisition/divestment. No sales 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 2008 will include all stipulated disclosures for acquisitions made during 2008. See the annual report for 2007 for disclosure of acquisitions and divestments made in 2007.

## Parent Company

### Income Statement

MSEK	April - June		January - June	
	2008	2007	2008	2007
Administrative expenses	-68	-94	-172	-168
Other operating income and expenses	56	-34	95	18
<b>Operating loss</b>	<b>-12</b>	<b>-128</b>	<b>-77</b>	<b>-150</b>
Financial income	3 694	600	5 184*	923
Financial expense	-962	-367	-1 820*	-769
<b>Profit after financial items</b>	<b>2 720</b>	<b>105</b>	<b>3 287</b>	<b>4</b>
Appropriations	104	99	209	197
<b>Profit before tax</b>	<b>2 824</b>	<b>204</b>	<b>3 496</b>	<b>201</b>
Income tax	190	71	351	110
<b>Profit for the period</b>	<b>3 014</b>	<b>275</b>	<b>3 847</b>	<b>311</b>

\*The financial income and financial expense for the first quarter 2008 have both been revised with MSEK 891. The net is unchanged.

### Balance Sheet

MSEK	June 30 2008	Dec. 31 2007	June 30 2007
Total non-current assets	103 015	96 636	83 191
Total current assets	8 323	8 725	7 539
<b>TOTAL ASSETS</b>	<b>111 338</b>	<b>105 361</b>	<b>90 730</b>
Total restricted equity	5 785	5 785	5 785
Total non-restricted equity	28 741	28 638	28 847
<b>TOTAL EQUITY</b>	<b>34 526</b>	<b>34 423</b>	<b>34 632</b>
Untaxed reserves	968	1 177	1 374
Total provisions	222	138	135
Total non-current liabilities	46 483	43 662	43 504
Total current liabilities	29 139	25 961	11 085
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>111 338</b>	<b>105 361</b>	<b>90 730</b>

### 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 RR 32:06, *Accounting for Legal Entities* as disclosed in the Annual Report 2007.

## 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	-6 400 000
- of which B shares held by Atlas Copco	-2 428 400
Total shares outstanding, net of shares held by Atlas Copco	1 220 784 704

Atlas Copco presently has a mandate to buy back a maximum of 10% of the total number of shares issued by the company over the OMX Nordic Exchange. The mandate was approved at the Annual General Meeting in April and is valid up until the AGM in 2009. The Board has announced its intention to utilize the mandate but no shares were acquired during the second quarter. The company's present holding of own

shares appears in the table above. The A shares are held for possible delivery under the company's personnel stock option programs and the B shares held can be divested to cover related costs for social security charges.

### Risks and factors of uncertainty

#### *Financial risks*

Atlas Copco completed a multi-currency bond issue program in the second quarter of 2007 in order to adjust the balance sheet to a more efficient structure. In addition, the parent company also borrowed funds internally within the Group. The higher indebtedness increases the exposure to changes in interest rates, whereas the borrowings partially hedge the currency exposure of net assets of foreign subsidiaries.

#### **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 2007.



### Financial targets

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

The financial targets are:

- to have an annual revenue growth of 8%;
- to reach an operating margin of 15%; and
- to challenge and continuously improve the efficiency of operating capital in terms of fixed assets, 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 outcomes could be materially different. In addition to the factors explicitly discussed, other factors could have a material effect on the actual outcomes. 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 / 9:00 AM EDT, on July 18.

The dial-in number is +44 (0)20 7138 0824 and the code to attend the call is 6237964.

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 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 7806 1970 with access code 6237964#.

### Interim report on Q3 2008

The third quarter report will be published on October 23, 2008.

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

Stockholm, July 18, 2008

Atlas Copco AB  
(publ)

Sune Carlsson  
*Chairman*

Jacob Wallenberg  
*Vice Chairman*

Ulla Litzén  
*Director*

Christel Bories  
*Director*

Anders Ullberg  
*Director*

Staffan Bohman  
*Director*

Margareth Øvrum  
*Director*

Johan Forssell  
*Director*

Bengt Lindgren  
*Director, Union representative*

Mikael Bergstedt  
*Director, Union representative*

Gunnar Brock  
*Director, President and CEO*