

July 15, 2016

Atlas Copco Second-quarter report 2016

Solid industrial business – mining and construction demand weak

- Orders decreased 3% to MSEK 25 934 (26 775), organic decline of 1%
- Revenues were MSEK 25 438 (26 111), unchanged organically
- Adjusted operating profit was MSEK 4 822 (5 162), corresponding to a margin of 19.0% (19.8)
- Reported operating profit was MSEK 4 775 (5 072), including items affecting comparability of MSEK -47 (-90), corresponding to a margin of 18.8% (19.4)
- Profit before tax amounted to MSEK 4 420 (4 850)
- Profit for the period was MSEK 3 188 (3 651)
- Basic earnings per share were SEK 2.62 (3.00)
- Operating cash flow at MSEK 3 487 (3 481)

MSEK	April - June			January - June		
	2016	2015	%	2016	2015	%
Orders received	25 934	26 775	-3%	50 655	52 245	-3%
Revenues	25 438	26 111	-3%	48 575	50 856	-4%
Operating profit	4 775	5 072	-6%	8 945	9 591	-7%
– as a percentage of revenues	18.8	19.4		18.4	18.9	
Profit before tax	4 420	4 850	-9%	8 417	9 137	-8%
– as a percentage of revenues	17.4	18.6		17.3	18.0	
Profit for the period	3 188	3 651	-13%	6 096	6 887	-11%
Basic earnings per share, SEK	2.62	3.00		5.01	5.65	
Diluted earnings per share, SEK	2.62	2.96		4.99	5.63	
Return on capital employed, %	27	25				

Near-term demand outlook

The overall demand for the Group is expected to remain at current level.

Previous near-term demand outlook (published April 26, 2016).

The overall demand for the Group is expected to remain at current level.

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Summary of half-year results

Orders received in the first six months of 2016 decreased by 3% to MSEK 50 655 (52 245), corresponding to an unchanged organic development. The currency effect was negative with 4% while acquisitions contributed with 1%. Revenues were MSEK 48 575 (50 856), corresponding to a 1% organic decline.

Operating profit decreased by 7% to MSEK 8 945 (9 591). The operating margin was 18.4% (18.9). The

negative impact of changes in exchange rates amounted to MSEK 730 for the first half-year.

Profit before tax was MSEK 8 417 (9 137), corresponding to a margin of 17.3% (18.0). Profit for the period totaled 6 096 (6 887). Basic and diluted earnings per share were SEK 5.01 (5.65) and 4.99 (5.63) respectively.

Operating cash flow before acquisitions, divestments and dividends totaled MSEK 6 614 (6 979).

Review of the second quarter

Market development

The order volumes for equipment were largely unchanged compared to the previous year. The industrial tools and assembly solutions business achieved solid volume growth and the order intake for compressors and vacuum equipment were largely unchanged. The order development was negative for most types of construction and mining equipment. The relatively low activity in construction as well as the closure and downsizing of mines at the end of 2015 and early 2016 impacted the related service business and the order volumes decreased year-on-year, while the order volumes for consumables were largely unchanged. The service business for industrial compressors, vacuum equipment and industrial tools, on the other hand, was robust and healthy growth was achieved. This contributed to record order intake for Compressor Technique and Industrial Technique.

Geographic distribution of orders received

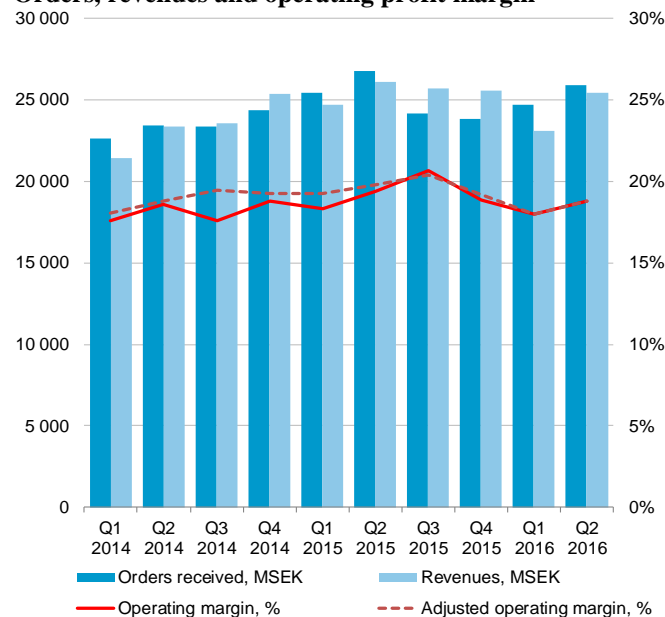
%, April - June 2016	Atlas Copco Group	
	Orders Received	Change*
North America	23	-5
South America	7	+0
Europe	30	+0
Africa/Middle East	9	+0
Asia	27	+7
Australia	4	+11
	100	+1

*Change in orders received compared to the previous year in local currency, %.

Sales bridge

MSEK	April - June	
	Orders received	Revenues
2015	26 775	26 111
Structural change, %	+2	+1
Currency, %	-4	-4
Price, %	+0	+0
Volume, %	-1	+0
Total, %	-3	-3
2016	25 934	25 438

Orders, revenues and operating profit margin



Geographic distribution of orders received

%, April - June 2016	Atlas Copco Group				
	Compressor Technique	Industrial Technique	Mining and Rock Excavation Tech.	Construction Technique	Atlas Copco Group
North America	20	32	23	22	23
South America	4	3	14	5	7
Europe	30	40	22	38	30
Africa/Middle East	9	2	12	12	9
Asia/Australia	37	23	29	23	31
	100	100	100	100	100

Revenues, profits and returns

Revenues decreased 3% to MSEK 25 438 (26 111), due to a negative currency translation effect of 4%. Volume and price were unchanged, while acquisitions contributed with 1%.

The operating profit decreased to MSEK 4 775 (5 072) and includes a change in provision for share-related long-term incentive programs, reported in Common Group Functions, of MSEK -47 (+70). Previous year include restructuring costs of MSEK 65 in Mining and Rock Excavation Technique and MSEK 95 in Construction Technique.

The adjusted operating profit decreased 7% to MSEK 4 822 (5 162), corresponding to a margin of 19.0% (19.8). The lower profit was almost entirely due to unfavorable exchange rates. The net effect was MSEK -315, which also had a negative effect on the margin. The margin was also negatively affected by dilution from acquisitions.

Net financial items were MSEK -355 (-222). Interest net was MSEK -196 (-176). Other financial items were MSEK -159 (-46), negatively affected by costs related to repurchase of MUSD 294 of a MUSD 800 bond with maturity in 2017 and by financial exchange rate differences.

Profit before tax amounted to MSEK 4 420 (4 850), corresponding to a margin of 17.4% (18.6).

Profit for the period totaled MSEK 3 188 (3 651) with an effective tax rate of 27.9% (24.7). The increased tax rate reflects the decision on Belgium's tax rulings, see below. Basic and diluted earnings per share were SEK 2.62 (3.00) and SEK 2.62 (2.96), respectively.

The return on capital employed during the last 12 months was 27% (25). Return on equity was 24% (28). The Group uses a weighted average cost of capital (WACC) of 8.0% as an investment and overall performance benchmark.

European Commission's decision on Belgium's tax rulings

On January 11, 2016, the European Commission announced its decision that Belgian tax rulings granted to companies with regard to "Excess Profit" shall be considered as illegal state aid and that unpaid taxes should be paid to the Belgian state. On May 31, 2016, Atlas Copco submitted an appeal for annulment of the decision to the European Court of Justice in Luxembourg (ECJ). The Belgian government and a number of other companies have filed similar appeals.

On June 29, 2016, Atlas Copco paid MEUR 239 (MSEK 2 250) in order to stop interest charges from

accruing. The amount covered the potential liability for the years 2010-2014 and reduced the MEUR 300 provision made in Q4 2015. MEUR 61 is kept as a provision for 2015 for which the tax return has not yet been filed.

The money will be returned if the appeal in ECJ is successful. It will likely take several years until the judgment with the final decision from ECJ is passed.

Operating cash flow and investments

Operating cash surplus reached MSEK 5 665 (6 170). Paid tax includes a preliminary payment of MSEK 2 250 related to the above mentioned tax rulings. Working capital decreased by MSEK 441 (increased 520), primarily due to increased payables. Rental equipment, net, increased MSEK 196 (272). Net investments in property, plant and equipment were MSEK 292 (399).

In total, operating cash flow, adjusted for currency hedges of loans and the preliminary tax payment related to tax rulings, reached MSEK 3 487 (3 481). See page 13.

Net indebtedness

The Group's net indebtedness, adjusted for the fair value of interest rate swaps, amounted to MSEK 15 460 (20 715) of which MSEK 2 471 (2 740) was attributable to post-employment benefits. The preliminary tax payment of MSEK 2 250 related to the above mentioned tax rulings increased the net indebtedness. The Group has an average maturity of 4.6 years on interest-bearing liabilities.

In the quarter, payments for the first installment of the annual dividend was made of MSEK 3 830. The second installment of the annual dividend will be paid in November 2016 and is recorded as a liability. The net debt/EBITDA ratio was 0.7 (0.9). The net debt/equity ratio was 34% (48).

Acquisition and divestment of own shares

During the quarter, 457 521 A shares were sold for MSEK 96. These transactions are in accordance with mandates granted by the Annual General Meeting and relate to the Group's long-term incentive programs.

Employees

On June 30, 2016, the number of employees was 43 118 (43 584). The number of consultants/external workforce was 2 970 (3 084). For comparable units, the total workforce decreased by 1 326 from June 30, 2015.

Revenues and operating profit – bridge

MSEK	Q2 2016	Volume, price, mix and other	Currency	One-time items Acquisitions	Share based LTI programs	Q2 2015
Atlas Copco Group						
Revenues	25 438	7	-1 055	375	-	26 111
Operating profit	4 775	-40	-315	175	-117	5 072
%	18.8%	nm				19.4%

Compressor Technique

MSEK	April - June			January - June		
	2016	2015	%	2016	2015	%
Orders received	12 077	12 014	1%	23 872	23 325	2%
Revenues	11 929	11 462	4%	22 621	22 511	0%
Operating profit	2 700	2 603	4%	4 996	4 995	0%
– as a percentage of revenues	22.6	22.7		22.1	22.2	
Return on capital employed, %	39	38				

- **Record order intake, supported by solid growth in service**
- **Stable orders for compressors and vacuum equipment**
- **The acquisition of Leybold has received all regulatory approvals**

Sales bridge

MSEK	April - June	
	Orders received	Revenues
2015	12 014	11 462
Structural change, %	+3	+3
Currency, %	-3	-3
Price, %	+0	+0
Volume, %	+1	+4
Total, %	+1	+4
2016	12 077	11 929

Industrial compressors

The order volumes for industrial compressors were stable compared to the previous year. The order intake increased in Asia, with growth in both India and China, while it was lower in Europe and North America. Sequentially, the order volumes increased.

Compressor service

The compressor service business continued to achieve organic growth in nearly all markets.

Gas and process compressors

The order intake was unchanged compared to the previous year and increased sequentially. Compared to the previous year, order volumes were higher in Asia and the Middle East, but lower in Europe and North America.

Vacuum solutions

The order volumes for vacuum solutions were unchanged compared to the previous year, but lower compared to the record order intake in the first quarter. The order intake from the semiconductor industry was strong, particularly in Asia.

Acquisitions

Air et Fluides Lyonnais and Scales Industrial Technologies, a French and a U.S., distributor of industrial compressors, respectively, were acquired in April. Kohler Druckluft, a compressor distributor with operations in Austria, Switzerland and Liechtenstein was acquired in May.

In November 2015, an agreement to acquire Leybold Vacuum was signed. The business has about 1 600 employees, and had revenues in 2015 of about MSEK 3 100. All regulatory approvals have now been received and the closing is planned for August 31, 2016.

In June, Atlas Copco agreed to acquire CSK Inc., a leading supplier of exhaust management systems in South Korea, with 400 employees and revenues in 2015 of about MSEK 870, and Schneider Druckluft, a German designer and producer of professional compressed air solutions, with 110 employees and revenues in 2015 of about MSEK 250. Both acquisitions are subject to regulatory approvals and are expected to close in the third quarter.

Innovation

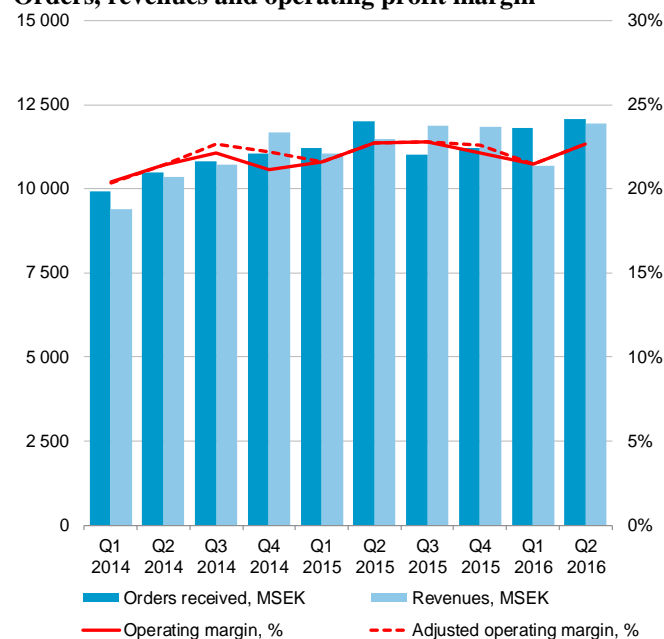
The range of oil-free centrifugal compressors was expanded with several machines. The more advanced compressors in the range are equipped with intelligent control and remote monitoring capabilities. Overall, the new range has a total energy efficiency gain of approximately 6%.

Revenues and profitability

Revenues were MSEK 11 929 (11 462), corresponding to an organic increase of 4%.

The operating profit increased to MSEK 2 700 (2 603), corresponding to a margin of 22.6% (22.7). The increased volume contributed to the margin, while it was negatively affected by currency and dilution from acquisitions. Return on capital employed (last 12 months) was 39% (38).

Orders, revenues and operating profit margin



Industrial Technique

MSEK	April - June			January - June		
	2016	2015	%	2016	2015	%
Orders received	3 862	3 702	4%	7 374	7 434	-1%
Revenues	3 622	3 697	-2%	7 039	7 091	-1%
Operating profit	799	865	-8%	1 536	1 635	-6%
– as a percentage of revenues	22.1	23.4		21.8	23.1	
Return on capital employed, %	31	33				

- **Record order intake**
- **Increased order intake for tools and systems from both the motor vehicle and general industry**
- **Continued growth in the service business**

Sales bridge

MSEK	April - June	
	Orders received	Revenues
2015	3 702	3 697
Structural change, %	+0	+0
Currency, %	-2	-2
Price, %	+0	+0
Volume, %	+6	+0
Total, %	+4	-2
2016	3 862	3 622

Motor vehicle industry

The demand for advanced industrial tools and assembly solutions from the motor vehicle industry remained robust and the orders received increased compared to the previous year and sequentially. Compared to the previous year, the order intake increased in North America and Asia, but decreased in Europe.

General industry

The order volumes for industrial power tools from the general manufacturing industries increased compared to the previous year and sequentially, primarily due to improved demand for industrial assembly tools. Geographically and compared to the previous year, orders received increased in North America and in Europe, but decreased in Asia.

Service

The service business, including maintenance and calibration services, achieved growth in all regions, with the highest growth rates in Europe and in Asia.

Innovation

A new electric pistol-grip tightening tool that combines increased productivity with improved ergonomics was introduced together with a software release.

Acquisition

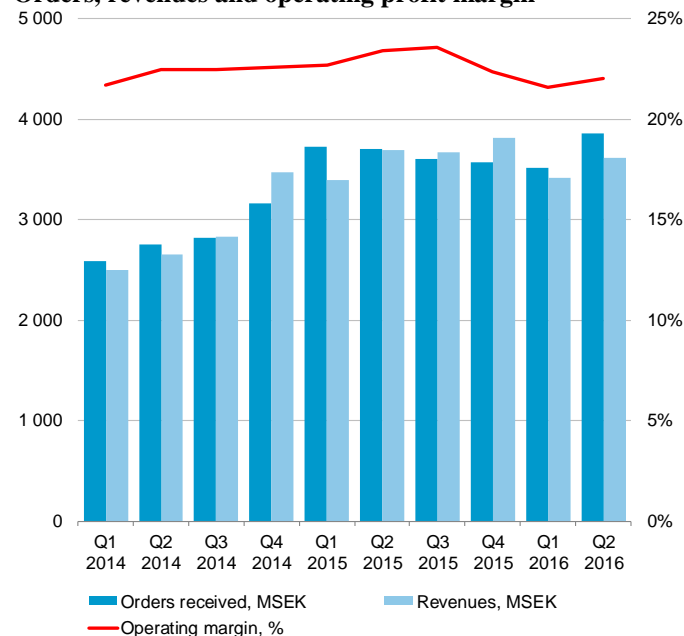
Bondtech, a Swedish supplier of dispensing equipment for adhesives and sealants used by automotive manufacturers, was acquired in June. Bondtech has 12 employees and had revenues in 2015 of about MSEK 32.

Revenues and profitability

Revenues were MSEK 3 622 (3 697), unchanged organically.

Operating profit was MSEK 799 (865), corresponding to an operating margin of 22.1% (23.4). The margin was negatively affected by product mix. Return on capital employed (last 12 months) was 31% (33).

Orders, revenues and operating profit margin



Mining and Rock Excavation Technique

MSEK	April - June			January - June		
	2016	2015	%	2016	2015	%
Orders received	6 393	7 079	-10%	12 122	13 619	-11%
Revenues	6 124	6 870	-11%	11 860	13 626	-13%
Operating profit	1 041	1 258	-17%	1 907	2 534	-25%
– as a percentage of revenues	17.0	18.3		16.1	18.6	
Return on capital employed, %	31	31				

- Continued weak demand for equipment
- Important order for automation units for large surface drill rigs
- Service business down year-on-year, but stable sequentially

Sales bridge

MSEK	April - June	
	Orders received	Revenues
2015	7 079	6 870
Structural change, %	+0	+0
Currency, %	-6	-7
Price, %	+0	+0
Volume, %	-4	-4
Total, %	-10	-11
2016	6 393	6 124

Mining equipment

The demand for mining equipment continued to be weak. The order volumes decreased somewhat year-on-year, but were somewhat higher sequentially. Compared to the previous year, the order volumes increased in Asia, South America and Australia, but decreased in North America and in Africa. In the quarter, Atlas Copco won an order for automation units for large surface drill rigs, allowing for autonomous drilling, to be used at iron ore mines in Western Australia.

Civil engineering equipment

The orders received for equipment for infrastructure projects decreased compared to the previous year, primarily due to lower orders in Europe.

Service and consumables

The demand for service and consumables was negatively impacted by lower activity within both construction and mining with the latter negatively affected by several closed or downsized mines at the end of 2015 and early 2016.

The service and spare parts business decreased somewhat compared to the previous year, but was stable sequentially. Compared to the previous year, the largest decrease was in North America and Australia. Consumables volumes were largely unchanged compared to the previous year, but improved sequentially. Volumes increased in Europe, but decreased in Australia and South America.

Innovation

A battery driven underground loader was introduced. The Scooptram ST7 Battery has zero emissions, which also reduce ventilation needs and costs. It is productive, safe and is equipped for automation, e.g. it is possible to control multiple loaders from a safe, remote location.

Efficiency measures

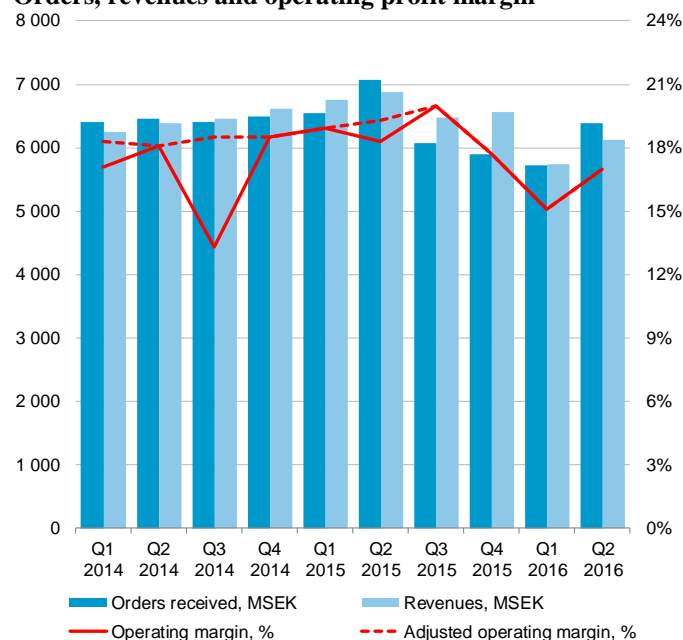
The business area continues to identify and implement further efficiency measures in order to strengthen the operations for the future.

Revenues and profitability

Revenues were MSEK 6 124 (6 870) corresponding to an organic decline of 4%.

Operating profit was MSEK 1 041 (1 258). Previous year includes restructuring costs of MSEK 65. Adjusted operating profit was MSEK 1 041 (1 323), corresponding to a margin of 17.0% (19.3). The margin was negatively affected by currency and lower volumes. Return on capital employed (last 12 months) was 31% (31).

Orders, revenues and operating profit margin



Construction Technique

MSEK	April - June			January - June		
	2016	2015	%	2016	2015	%
Orders received	3 733	4 120	-9%	7 565	8 272	-9%
Revenues	3 915	4 256	-8%	7 317	7 954	-8%
Operating profit	490	457	7%	898	907	-1%
– as a percentage of revenues	12.5	10.7		12.3	11.4	
Return on capital employed, %	13	12				

- Lower equipment demand – service flat
- Growth in North America, declines in South America and Africa/Middle East
- Operating margin at 12.5% (13.0 adjusted), negatively affected by volume and currency

Sales bridge

MSEK	April - June	
	Orders received	Revenues
2015	4 120	4 256
Structural change, %	+2	+2
Currency, %	-4	-4
Price, %	+1	+1
Volume, %	-8	-7
Total, %	-9	-8
2016	3 733	3 915

Construction equipment

The overall demand for construction equipment continued to be weak but mixed with large differences between markets and equipment. Geographically and compared to the previous year, the order intake decreased significantly in South America and Africa/Middle East, while it increased in North America and in Europe. In Asia, orders increased in India, but decreased in China.

The order volumes decreased for road construction equipment as well as for portable compressors and generators, while the order intake increased for construction and demolition tools.

Specialty rental

The specialty rental business had lower order intake compared to the previous year, but it was largely unchanged sequentially. Compared to the previous year, the order intake was higher in Asia, but significantly lower in Africa/Middle East and in South America.

Service

The service business was unchanged year-on year. The order intake increased in Asia, but decreased in North America and in Africa/Middle East.

Innovation

The range of portable generators was extended with six new models designed to provide predictable power for a diversity of applications. The generators are user-friendly, easy to transport and has a secure, corrosion-proof canopy.

Acquisition

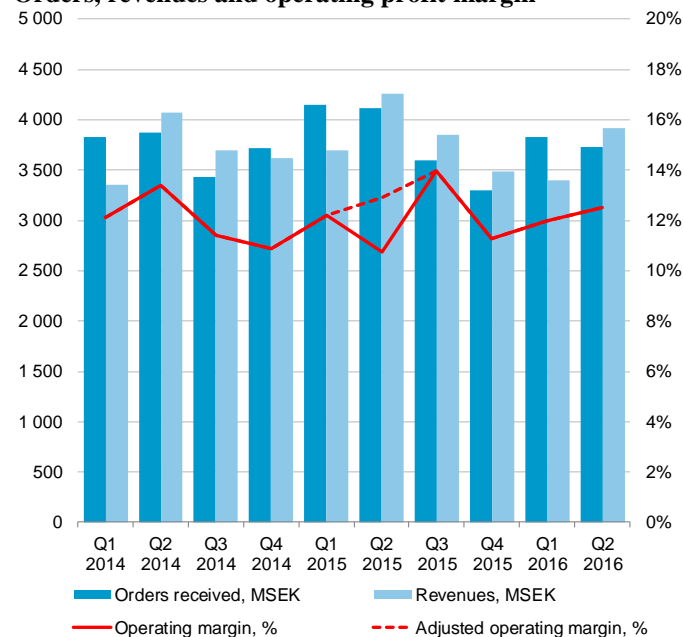
Roxel Rental, a supplier of temporary air solutions for the Norwegian offshore industry, was acquired in July. The acquired business had revenues in 2015 of about MSEK 12 and two employees.

Revenues and profitability

Revenues reached MSEK 3 915 (4 256), corresponding to an organic decline of 6%.

Operating profit was MSEK 490 (457). Previous year's profit included restructuring costs of MSEK 95. The adjusted operating profit margin was 12.5% (13.0) and it was negatively affected by volume and currency. Return on capital employed (last 12 months) was 13% (12).

Orders, revenues and operating profit margin



Accounting principles

The consolidated accounts of the Atlas Copco Group are prepared in accordance with International Financial Reporting Standards (IFRS). The description of the accounting principles and definitions are found in the annual report 2015. The interim report is prepared in accordance with IAS 34 Interim Financial Reporting. Non-IFRS measures are also presented in the report since they are considered to be important supplemental measures of the company's performance.

Risks and factors of uncertainty*Market risks*

The demand for Atlas Copco's equipment and services is affected by changes in the customers' investment and production levels. A widespread financial crisis and economic downturn 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, tax 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, see the annual report 2015.

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.

Consolidated income statement

	3 months ended		6 months ended		12 months ended		
	Jun. 30 2016	Jun. 30 2015	Jun. 30 2016	Jun. 30 2015	Jun. 30 2016	Jun. 30 2015	Dec. 31 2015
MSEK							
Revenues	25 438	26 111	48 575	50 856	99 880	99 806	102 161
Cost of sales	-15 603	-15 779	-29 550	-31 077	-60 504	-61 835	-62 031
Gross profit	9 835	10 332	19 025	19 779	39 376	37 971	40 130
Marketing expenses	-2 731	-2 844	-5 356	-5 563	-10 791	-10 661	-10 998
Administrative expenses	-1 643	-1 517	-3 174	-3 327	-6 201	-6 236	-6 354
Research and development costs	-782	-792	-1 556	-1 567	-3 276	-3 110	-3 287
Other operating income and expenses	96	-107	6	269	-26	543	237
Operating profit	4 775	5 072	8 945	9 591	19 082	18 507	19 728
- as a percentage of revenues	18.8	19.4	18.4	18.9	19.1	18.5	19.3
Net financial items	-355	-222	-528	-454	-979	-1 055	-905
Profit before tax	4 420	4 850	8 417	9 137	18 103	17 452	18 823
- as a percentage of revenues	17.4	18.6	17.3	18.0	18.1	17.5	18.4
Income tax expense	-1 232	-1 199	-2 321	-2 250	-7 171	-4 352	-7 100
Profit for the period	3 188	3 651	6 096	6 887	10 932	13 100	11 723
Profit attributable to							
- owners of the parent	3 185	3 648	6 092	6 882	10 927	13 093	11 717
- non-controlling interests	3	3	4	5	5	7	6
Basic earnings per share, SEK	2.62	3.00	5.01	5.65	8.98	10.76	9.62
Diluted earnings per share, SEK	2.62	2.96	4.99	5.63	8.94	10.75	9.58
Basic weighted average number of shares outstanding, millions	1 216.1	1 217.4	1 215.8	1 217.5	1 216.6	1 217.1	1 217.4
Diluted weighted average number of shares outstanding, millions	1 216.3	1 218.6	1 216.0	1 219.0	1 216.9	1 217.9	1 218.7

Key ratios

Equity per share, period end, SEK	37	35	38
Return on capital employed, 12 month values, %	27	25	27
Return on equity, 12 month values, %	24	28	24
Debt/equity ratio, period end, %	34	48	32
Equity/assets ratio, period end, %	43	41	45
Number of employees, period end	43 118	43 584	43 114

Consolidated statement of comprehensive income

MSEK	3 months ended		6 months ended		12 months ended		
	Jun. 30 2016	Jun. 30 2015	Jun. 30 2016	Jun. 30 2015	Jun. 30 2016	Jun. 30 2015	Dec. 31 2015
Profit for the period	3 188	3 651	6 096	6 887	10 932	13 100	11 723
Other comprehensive income							
Items that will not be reclassified to profit or loss							
Remeasurements of defined benefit pension plans	-85	536	-264	-105	503	-358	662
Income tax relating to items that will not be reclassified	15	-116	60	31	-95	102	-124
	-70	420	-204	-74	408	-256	538
Items that may be reclassified subsequently to profit or loss							
Translation differences on foreign operations	1 538	-1 750	1 353	47	-64	4 418	-1 370
Hedge of net investments in foreign operations	-317	131	-503	552	-374	-103	681
Cash flow hedges	-9	180	0	89	-21	-42	68
Income tax relating to items that may be reclassified	201	-114	319	-378	240	81	-457
	1 413	-1 553	1 169	310	-219	4 354	-1 078
Other comprehensive income for the period, net of tax	1 343	-1 133	965	236	189	4 098	-540
Total comprehensive income for the period	4 531	2 518	7 061	7 123	11 121	17 198	11 183
Total comprehensive income attributable to							
- owners of the parent	4 527	2 526	7 059	7 110	11 123	17 160	11 173
- non-controlling interests	4	-8	2	13	-2	38	10

Consolidated balance sheet

MSEK	Jun. 30, 2016	Jun. 30, 2015	Dec. 31, 2015
Intangible assets	34 451	33 860	33 520
Rental equipment	2 993	3 113	3 076
Other property, plant and equipment	9 037	9 508	8 947
Financial assets and other receivables	2 216	1 953	2 305
Deferred tax assets	1 689	1 737	1 823
Total non-current assets	50 386	50 171	49 671
Inventories	18 297	18 968	16 906
Trade and other receivables	27 021	27 398	25 985
Other financial assets	2 170	1 910	1 576
Cash and cash equivalents	8 891	6 301	8 861
Assets classified as held for sale	10	34	11
Total current assets	56 389	54 611	53 339
TOTAL ASSETS	106 775	104 782	103 010
Equity attributable to owners of the parent	46 071	42 883	46 591
Non-controlling interests	149	191	159
TOTAL EQUITY	46 220	43 074	46 750
Borrowings	18 101	25 258	21 888
Post-employment benefits	2 471	2 740	2 225
Other liabilities and provisions	1 569	1 764	1 595
Deferred tax liabilities	1 121	1 490	1 497
Total non-current liabilities	23 262	31 252	27 205
Borrowings	5 811	945	1 101
Trade payables and other liabilities	29 873	27 954	26 481
Provisions	1 609	1 557	1 473
Total current liabilities	37 293	30 456	29 055
TOTAL EQUITY AND LIABILITIES	106 775	104 782	103 010

Fair value of derivatives and borrowings

The carrying value and fair value of the Group's outstanding derivatives and borrowings are shown in the tables below. The fair values of bonds are based on level 1 and the fair values of derivatives and other loans are based on level 2 in the fair value hierarchy. Compared to 2015, no transfers have been made between different levels in the fair value hierarchy for derivatives and borrowings and no significant changes have been made to valuation techniques, inputs or assumptions.

Outstanding derivative instruments recorded to fair value

MSEK	Jun. 30, 2016	Dec. 31, 2015
<i>Non-current assets and liabilities</i>		
Assets	2	102
Liabilities	173	134
<i>Current assets and liabilities</i>		
Assets	116	324
Liabilities	411	190

Carrying value and fair value of borrowings

MSEK	Jun. 30, 2016	Jun. 30, 2016	Dec. 31, 2015	Dec. 31, 2015
	Carrying value	Fair value	Carrying value	Fair value
Bonds	14 979	16 238	17 199	18 408
Other loans	8 933	9 057	5 790	5 920
	23 912	25 295	22 989	24 328

Consolidated statement of changes in equity

MSEK	Equity attributable to		Total equity
	owners of the parent	non-controlling interests	
Opening balance, January 1, 2016	46 591	159	46 750
Changes in equity for the period			
Total comprehensive income for the period	7 059	2	7 061
Dividends	-7 659	-12	-7 671
Acquisition and divestment of own shares	65	-	65
Share-based payments, equity settled	15	-	15
Closing balance, June 30, 2016	46 071	149	46 220

MSEK	Equity attributable to		Total equity
	owners of the parent	non-controlling interests	
Opening balance, January 1, 2015	50 575	178	50 753
Changes in equity for the period			
Total comprehensive income for the period	11 173	10	11 183
Dividends	-7 305	-29	-7 334
Redemption of shares	-7 305	-	-7 305
Acquisition and divestment of own shares	-453	-	-453
Share-based payments, equity settled	-94	-	-94
Closing balance, December 31, 2015	46 591	159	46 750

MSEK	Equity attributable to		Total equity
	owners of the parent	non-controlling interests	
Opening balance, January 1, 2015	50 575	178	50 753
Changes in equity for the period			
Total comprehensive income for the period	7 110	13	7 123
Dividends	-7 311	-	-7 311
Redemption of shares	-7 305	-	-7 305
Acquisition and divestment of own shares	-73	-	-73
Share-based payments, equity settled	-113	-	-113
Closing balance, June 30, 2015	42 883	191	43 074

Consolidated statement of cash flows

MSEK	April - June		January - June	
	2016	2015	2016	2015
Cash flows from operating activities				
Operating profit	4 775	5 072	8 945	9 591
Depreciation, amortization and impairment (see below)	1 042	1 059	2 077	2 094
Capital gain/loss and other non-cash items	-152	39	-79	-220
Operating cash surplus	5 665	6 170	10 943	11 465
Net financial items received/paid	82	367	91	-1 312
Taxes paid	-3 609 ¹⁾	-1 199	-4 999 ¹⁾	-2 171
Pension funding and payment of pension to employees	-36	36	-37	59
Change in working capital	441	-520	554	-340
Investments in rental equipment	-291	-361	-540	-652
Sale of rental equipment	95	89	231	217
Net cash from operating activities	2 347	4 582	6 243	7 266
Cash flows from investing activities				
Investments in property, plant and equipment	-322	-437	-613	-827
Sale of property, plant and equipment	30	38	58	57
Investments in intangible assets	-283	-327	-555	-579
Sale of intangible assets	1	3	3	3
Acquisition of subsidiaries and associated companies	-357	-22	-964	-1 657 ²⁾
Sale of subsidiaries	-	-	-	43
Other investments, net	-109	130	-168	147
Net cash from investing activities	-1 040	-615	-2 239	-2 813
Cash flows from financing activities				
Dividends paid	-3 830	-3 651	-3 830	-3 651
Dividends paid to non-controlling interest	-	-	-12	-
Redemption of shares	-	-7 305	-	-7 305
Repurchase and sales of own shares	96	176	65	-73
Change in interest-bearing liabilities	-381	3 314	-212	3 630
Net cash from financing activities	-4 115	-7 466	-3 989	-7 399
Net cash flow for the period	-2 808	-3 499	15	-2 946
Cash and cash equivalents, beginning of the period	11 490	10 329	8 861	9 404
Exchange differences in cash and cash equivalents	209	-529	15	-157
Cash and cash equivalents, end of the period	8 891	6 301	8 891	6 301
Depreciation, amortization and impairment				
<i>Rental equipment</i>	236	255	482	515
<i>Other property, plant and equipment</i>	402	410	795	827
<i>Intangible assets</i>	404	394	800	752
<i>Total</i>	<i>1 042</i>	<i>1 059</i>	<i>2 077</i>	<i>2 094</i>

¹⁾ Includes tax payment in Belgium of MSEK 2 250 see page 3. ²⁾ Includes deferred consideration for acquisitions made in 2014.

Calculation of operating cash flow

MSEK	April - June		January - June	
	2016	2015	2016	2015
Net cash flow for the period	-2 808	-3 499	15	-2 946
Add back:				
Change in interest-bearing liabilities	381	-3 314	212	-3 630
Repurchase and sales of own shares	-96	-176	-65	73
Dividends paid	3 830	3 651	3 830	3 651
Dividends paid to non-controlling interest	-	-	12	-
Redemption of shares	-	7 305	-	7 305
Acquisitions and divestments	357	22	964	1 614
Currency hedges of loans	-427	-508	-604	912
Tax payment related to Belgian tax rulings	2 250	-	2 250	-
Operating cash flow	3 487	3 481	6 614	6 979

Revenues by business area

MSEK (by quarter)	2014				2015				2016	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Compressor Technique	9 409	10 353	10 718	11 685	11 049	11 462	11 875	11 851	10 692	11 929
- of which external	9 361	10 307	10 682	11 653	10 951	11 378	11 806	11 793	10 611	11 847
- of which internal	48	46	36	32	98	84	69	58	81	82
Industrial Technique	2 505	2 650	2 827	3 468	3 394	3 697	3 668	3 819	3 417	3 622
- of which external	2 493	2 636	2 816	3 454	3 382	3 684	3 656	3 806	3 406	3 611
- of which internal	12	14	11	14	12	13	12	13	11	11
Mining and Rock										
Excavation Technique	6 251	6 396	6 449	6 622	6 756	6 870	6 481	6 558	5 736	6 124
- of which external	6 237	6 373	6 398	6 618	6 724	6 856	6 451	6 527	5 723	6 111
- of which internal	14	23	51	4	32	14	30	31	13	13
Construction Technique	3 354	4 068	3 692	3 625	3 698	4 256	3 855	3 491	3 402	3 915
- of which external	3 272	3 971	3 621	3 558	3 634	4 136	3 762	3 408	3 310	3 825
- of which internal	82	97	71	67	64	120	93	83	92	90
Common Group functions/ Eliminations	-96	-119	-96	-40	-152	-174	-156	-137	-110	-152
Atlas Copco Group	21 423	23 348	23 590	25 360	24 745	26 111	25 723	25 582	23 137	25 438

Operating profit by business area

MSEK (by quarter)	2014				2015				2016	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Compressor Technique	1 915	2 219	2 369	2 471	2 392	2 603	2 709	2 620	2 296	2 700
- as a percentage of revenues	20.4	21.4	22.1	21.1	21.6	22.7	22.8	22.1	21.5	22.6
Industrial Technique	543	595	636	783	770	865	866	854	737	799
- as a percentage of revenues	21.7	22.5	22.5	22.6	22.7	23.4	23.6	22.4	21.6	22.1
Mining and Rock	1 071	1 155	856	1 225	1 276	1 258	1 296	1 163	866	1 041
Excavation Technique										
- as a percentage of revenues	17.1	18.1	13.3	18.5	18.9	18.3	20.0	17.7	15.1	17.0
Construction Technique	406	545	422	395	450	457	538	394	408	490
- as a percentage of revenues	12.1	13.4	11.4	10.9	12.2	10.7	14.0	11.3	12.0	12.5
Common Group functions/ Eliminations	-175	-175	-138	-103	-369	-111	-96	-207	-137	-255
Operating profit	3 760	4 339	4 145	4 771	4 519	5 072	5 313	4 824	4 170	4 775
- as a percentage of revenues	17.6	18.6	17.6	18.8	18.3	19.4	20.7	18.9	18.0	18.8
Net financial items	-158	-165	-266	-335	-232	-222	-271	-180	-173	-355
Profit before tax	3 602	4 174	3 879	4 436	4 287	4 850	5 042	4 644	3 997	4 420
- as a percentage of revenues	16.8	17.9	16.4	17.5	17.3	18.6	19.6	18.2	17.3	17.4

Key figures by quarter

SEK	2014				2015				2016	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Basic earnings per share	2.27	2.64	2.37	2.74	2.66	3.00	3.12	0.85	2.39	2.62
Diluted earnings per share	2.27	2.64	2.36	2.73	2.65	2.96	3.10	0.85	2.38	2.62
Equity per share	35	33	37	42	45	35	38	38	40	37
Operating cash flow per share	1.53	2.55	3.35	4.01	2.87	2.86	3.80	4.40	2.57	2.87
%										
Return on capital employed, 12 months value	26	25	25	24	24	25	27	27	26	27
Return on equity, 12 months value	32	31	30	28	27	28	29	24	24	24
Debt/equity ratio, period end	37	51	44	30	26	48	34	32	25	34
Equity/assets ratio, period end	45	43	45	48	49	41	44	45	46	43
Number of employees, period end	43 846	43 937	44 243	44 056	43 866	43 584	43 295	43 114	43 274	43 118

Acquisitions and divestments

Date	Acquisitions	Divestments	Business area	Revenues MSEK*	Number of employees*
2016 July 4	Roxel Rental		Construction Technique	12	2
2016 June 14	Bondtech		Industrial Technique	32	12
2016 May 2	Kohler Druckluft <i>Distributor Austria, Switzerland and Liechtenstein</i>		Compressor Technique		30
2016 Apr. 15	Scales Industrial Technologies <i>Distributor USA</i>		Compressor Technique		180
2016 Apr. 4	Air et Fluides Lyonnais <i>Distributor France</i>		Compressor Technique		6
2016 Mar. 2	FIAC		Compressor Technique	640	400
2016 Jan. 12	Varisco		Construction Technique	270	135
2016 Jan. 5	Capitol Research Equipment		Compressor Technique	22	15
2015 Dec. 15	Air Supply Systems and A1 <i>Distributors USA</i>		Compressor Technique		37
2015 Dec. 4	Innovative Vacuum Solutions		Compressor Technique	32	19
2015 Oct. 5	NJS Technologies		Industrial Technique	9	7
2015 Sep. 9	Air Repair Sales and Services Limited <i>Distributor Canada</i>		Compressor Technique		12
2015 Aug. 7	Applied Plasma Systems		Compressor Technique		5
2015 July 2	Mustang Services		Construction Technique	45	
2015 Mar. 24		Ortman Fluid Power	Compressor Technique	30	19
2015 Mar. 3	Kalibrierzentrum Bayern		Industrial Technique	28	27
2015 Feb. 9		J.C. Carter	Compressor Technique		35
2015 Jan. 8	Maes Compressoren <i>Distributor Belgium</i>		Compressor Technique		30

*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 and divestments made in 2016, full disclosure as per IFRS 3 is not given in this interim report. Disclosure will be given in the annual report 2016. See the annual report for 2015 for disclosure of acquisitions made in 2015.

Parent company**Income statement**

MSEK	April - June		January - June	
	2016	2015	2016	2015
Administrative expenses	-137	-103	-258	-299
Other operating income and expenses	38	42	72	76
Operating profit/loss	-99	-61	-186	-223
Financial income and expenses	1 876	5 292	1 961	5 063
Profit/loss before tax	1 777	5 231	1 775	4 840
Income tax	85	-7	183	74
Profit/loss for the period	1 862	5 224	1 958	4 914

Balance sheet

MSEK	Jun. 30	Jun. 30	Dec. 31
	2016	2015	2015
Total non-current assets	111 088	94 330	111 026
Total current assets	8 215	3 132	7 331
TOTAL ASSETS	119 303	97 462	118 357
Total restricted equity	5 785	5 785	5 785
Total non-restricted equity	28 834	28 497	34 469
TOTAL EQUITY	34 619	34 282	40 254
Total provisions	251	495	267
Total non-current liabilities	48 385	43 438	49 197
Total current liabilities	36 048	19 247	28 639
TOTAL EQUITY AND LIABILITIES	119 303	97 462	118 357
Assets pledged	752	353	279
Contingent liabilities	8 012	7 804	7 846

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. 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	-12 987 722
- of which B shares held by Atlas Copco	-393 879
Total shares outstanding, net of shares held by Atlas Copco	1 216 231 503

Performance-based personnel option plan

The Annual General Meeting 2016 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. For further information, see www.atlascopcogroup.com/agm.

Transactions in own shares

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

- Acquisition of not more than 7 250 000 series A shares, whereof a maximum of 7 000 000 may be transferred to personnel stock option holders under the performance-based stock option plan 2016.
- Acquisition of not more than 70 000 series A shares to hedge the obligation of the company to pay remuneration to Board members who have chosen to receive 50% of the remuneration in synthetic shares.

- The sale of not more than 30 000 series A shares to cover costs related to previously issued synthetic shares to Board members.
- The sale of a maximum 5 500 000 series A and B shares currently held by the company, for the purpose of covering costs of fulfilling obligations related to the option plans 2011, 2012 and 2013.
- The shares may only be acquired or sold on NASDAQ Stockholm at a price within the registered price interval at any given time.

During the first six months of 2016, 135 381 series A shares, net, were sold. These transactions are in accordance with mandates granted. The company's holding of own shares at the end of the period appears in the table to the left.

Risks and factors of uncertainty

Financial risks

Atlas Copco is subject to currency risks, interest rate risks, tax 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 Atlas Copco AB and the Group is exposed. A financial risk management committee meets regularly to manage and follow up financial risks, in line with the policy.

For further information, see the 2015 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 2015.

This is Atlas Copco

Atlas Copco is a world-leading provider of sustainable productivity solutions. The Group serves customers with innovative compressors, vacuum solutions and air treatment systems, construction and mining equipment, power tools and assembly systems. Atlas Copco develops products and service focused on productivity, energy efficiency, safety and ergonomics. The company was founded in 1873, is based in Stockholm, Sweden, and has a global reach spanning more than 180 countries. In 2015, Atlas Copco had revenues of BSEK 102 (BEUR 11) and more than 43 000 employees.

Business areas

Atlas Copco has four business areas. The business areas are responsible for developing their respective operations by implementing and following up on strategies and objectives to achieve sustainable, profitable growth.

The **Compressor Technique** business area provides industrial compressors, vacuum solutions, gas and process compressors and expanders, air and gas treatment equipment and air management systems. The business area has a global service network and innovates for sustainable productivity in the manufacturing, oil and gas, and process industries. Principal product development and manufacturing units are located in Belgium, the United States, China, South Korea, Germany, Italy and the United Kingdom.

The **Industrial Technique** business area provides industrial power tools and systems, industrial assembly solutions, quality assurance products, software and service through a global network. The business area innovates for sustainable productivity for customers in the automotive and general industries, maintenance and vehicle service. Principal product development and manufacturing units are located in Sweden, Germany, the United States, United Kingdom, France and Japan.

The **Mining and Rock Excavation Technique** business area provides equipment for drilling and rock excavation, a complete range of related consumables and service through a global network. The business area innovates for sustainable productivity in surface and underground mining, infrastructure, civil works, well drilling and geotechnical applications. Principal product development and manufacturing units are located in Sweden, the United States, Canada, China and India.

The **Construction Technique** business area provides construction and demolition tools, portable compressors, pumps and generators, lighting towers, and compaction and paving equipment. The business area offers specialty rental and provides service through a global network. Construction Technique innovates for sustainable productivity in infrastructure, civil works, oil and gas, energy, drilling and road construction projects. Principal product development and manufacturing units are located in Belgium, Germany, Sweden, the United States, China, India and Brazil.

Vision, mission and strategy

The Atlas Copco Group's vision is to become and remain First in Mind—First in Choice® of its customers and other principal stakeholders. The mission is to achieve sustainable, profitable growth. Sustainability plays an important role in Atlas Copco's vision and it is an integral aspect of the Group's mission. An integrated sustainability strategy, backed by ambitious goals, helps the company deliver greater value to all its stakeholders in a way that is economically, environmentally and socially responsible.

For further information

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- Media
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Phone: +46 8 743 8060 or +46 70 347 2455
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Conference call

A conference call for investors, analysts and media will be held on July 15, at 3.00 PM CEST.

The dial-in numbers are:

- Sweden: +46 8 566 426 90
- UK: +44 20 300 898 06
- US: +1 855 753 2235

The conference call will be broadcasted live via the Internet. Please see our website for link and presentation material:
<http://www.atlascopcogroup.com/investor-relations/>

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

Report on Q3 2016

The report on Q3 2016 will be published on October 20, 2016.

Capital Markets Day 2016

Atlas Copco will host its annual Capital Markets Day on November 15, 2016, in Antwerp, Belgium. More detailed information and instructions on how to register will be distributed prior to the event.

This information is information that Atlas Copco AB is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above, at 12.00 CEST on July 15, 2016

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

Nacka, July 15, 2016

Atlas Copco AB

Hans Stråberg
Chairman

Ronnie Leten
Director
President and CEO

Anders Ullberg
Director

Staffan Bohman
Director

Margareth Øvrum
Director

Johan Forssell
Director

Peter Wallenberg Jr
Director

Sabine Neuß
Director

Gunilla Berg
Director

Bengt Lindgren
Director
Union representative

Mikael Bergstedt
Director
Union representative

Auditors' Review Report

Introduction

We have reviewed the interim report for Atlas Copco AB for the period January 1 - June 30, 2016. The Board of Directors and the President are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other

review procedures. A review has a different focus and is substantially less in scope than an audit conducted in accordance with ISA and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

Conclusion

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

Nacka, July 15, 2016

Deloitte AB

Jan Berntsson
Authorized Public Accountant