

February 2, 2009

## Atlas Copco

### Interim report on Q4 and full-year 2008 summary

(unaudited)

### Tough end to a record year

- **Organic order intake declined 19% following significant drop in world-wide demand.**
  - 27% decline including cancellations, mainly in mining.
  - Continued aftermarket growth in all business areas.
- **Revenues up 12% to MSEK 19 731 (17 549), organic growth 3%.**
- **Operating profit reached MSEK 3 288 (3 361).**
  - Forceful actions to reduce capacity and costs; redundancy costs of MSEK 258 booked in the quarter.
  - Adjusted operating margin at 18.0% (19.3)
  - Positive currency effect of MSEK 350 compared to previous year.
- **Profit before tax amounted to MSEK 3 508 (2 134).**
  - Includes an MSEK 939 tax-free capital gain.
- **Profit for the period was MSEK 2 919 (1 376).**
- **Basic and diluted earnings per share were SEK 2.39 (1.12).**
- **Operating cash flow was MSEK 2 401 (926).**
- **The Board proposes a dividend of SEK 3.00 per share.**

MSEK	October – December			January – December		
	2008	2007	%	2008	2007	%
Orders received	15 437	18 816	-18	73 572	69 059	+7
Revenues	19 731	17 549	+12	74 177	63 355	+17
Operating profit	3 288	3 361	-2	13 806	12 066	+14
– as a percentage of revenues	16.7	19.2		18.6	19.0	
Profit before tax	3 508	2 134	+64	13 112	10 534	+24
– as a percentage of revenues	17.8	12.2		17.7	16.6	
Profit from continuing operations	2 919	1 376		10 006	7 416	
Profit from discontinued operations, net of tax	-	-		184	53	
Profit for the period <sup>1)</sup>	2 919	1 376	+112	10 190	7 469	+36
Basic earnings per share from continuing operations, SEK	2.39	1.12		8.18	6.05	
Basic earnings per share, SEK <sup>1)</sup>	2.39	1.12		8.33	6.09	
Diluted earnings per share, SEK <sup>1)</sup>	2.39	1.12		8.33	6.09	

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

### Near-term demand outlook

The current economic situation makes the outlook very uncertain but demand is expected to remain very weak in most industries and regions.

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## Measures to adapt capacity and costs

The fourth quarter's actions to adapt capacity and costs to the rapidly deteriorating business environment led to a reduction of employees with about 1 350 in total, and MSEK 258 in redundancy costs. Further reductions will take place, affecting more than 3 000 people globally. Associated redundancy costs are estimated to about MSEK 400, most of which will be affecting the first quarter of 2009. The total reductions in work-force are expected to give about MSEK 2 000 in annual savings.

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## Atlas Copco Group

### Summary of full year 2008 results

Orders received in 2008 increased 7%, to MSEK 73 572 (69 059). Volume for comparable units decreased 1%, price increases contributed positively with 3% and structural changes with 5%, while the currency effect was neutral for the full year. Revenues increased 17%, to MSEK 74 177 (63 355), corresponding to 12% organic growth.

Operating profit increased 14% to MSEK 13 806 (12 066), corresponding to a margin of 18.6% (19.0). Changes in exchange rates compared with the previous year had a negative effect of approximately MSEK 340. Profit before tax amounted to MSEK 13 112 (10 534), up 24% and corresponding to a margin of 17.7% (16.6). Financial items include a tax-free capital gain of MSEK 939 as well as an MSEK 33 gain from the sale of RSC shares. Financial items from the previous year include an MSEK 134 capital gain as well as a charge of MSEK 864 for the write-down of rights to notes. Profit for the period totaled MSEK 10 190 (7 469), including MSEK 184 (53) from discontinued operations. Basic and diluted earnings per share were SEK 8.33 (6.09). Earnings per share from continuing operations were SEK 8.18 (6.05).

Operating cash flow before acquisitions, divestments and dividends totaled MSEK 4 751 (4 589).

### Dividend

The Board of Directors proposes to the Annual General Meeting that a dividend of SEK 3.00 (3.00) per share be paid for the 2008 fiscal year. Excluding shares currently held by the company, this corresponds to a total of MSEK 3 648 (3 662).

### Personnel stock option program

The Board of Directors will propose to the Annual General Meeting a long-term incentive program in the form of a performance-based stock option plan. In relevant aspects, the plan will have the same structure as the 2008 plan.

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.

### New President and CEO

The Board announced on January 20 that Ronnie Leten, currently President of the Compressor Technique business area, will replace Gunnar Brock as President and CEO of the Atlas Copco Group effective June 1, 2009. Gunnar Brock has requested to leave his position after seven years of leading the Group.

**Review of the fourth quarter**

**Market development**

A significant slowdown of demand in most regions was noted in the quarter as the global business climate deteriorated.

In **North America**, demand was stable for compressed air solutions for industrial applications, including air treatment and aftermarket products. Demand for mining equipment from both underground and open-pit mines fell sharply and a number of cancellations of existing orders were received. Sales of most types of equipment to the construction industry continued to deteriorate compared to the previous year.

In **South America**, demand from the mining sector showed a similar negative development and also the manufacturing and construction industries were affected by the worsening market conditions.

Demand from most industries in **Europe** declined in both Eastern and Western Europe. With few exceptions, demand for industrial compressors and tools from the manufacturing industry deteriorated. Sales of construction equipment, including portable compressors, continued to fall in Western Europe where both rental companies and other customers reduced their investments even further. Also from the mining industry in Eastern Europe, a decline in demand was noted.

The business development in the **Africa/Middle East** region as a whole was better than in the other regions, although affected by the global financial crisis. The Middle East suffered from a drop in construction activity while South Africa was relatively good, both for mining and industrial equipment.

In **Asia**, customer demand weakened in general, mainly due to a negative development in the manufacturing industries in the main countries; China, India and South Korea. A positive sales development was achieved for construction equipment in China and for industrial equipment in Japan.

Demand from the important mining industry in **Australia** weakened somewhat but held up better than in other mining markets.

**Sales bridge**

MSEK	October – December	
	Orders Received	Revenues
2007	18 816	17 549
Structural change, %	0	0
Currency, %	+9	+9
Price, %	+3	+3
Cancellations, %	-8	-
Volume, %	-22	0
Total, %	-18	+12
2008	15 437	19 731

**Geographic distribution of orders received**

% , last 12 months	Compressor Technique	Construction and Mining Technique	Industrial Technique	Atlas Copco Group
December 2008				
North America	15	21	21	18
South America	7	11	5	9
Europe	43	31	57	39
Africa/Middle East	10	16	2	12
Asia/Australia	25	21	15	22
	100	100	100	100

**Earnings and profitability**

Operating profit amounted to MSEK 3 288 (3 361), corresponding to a margin of 16.7% (19.2). Redundancy costs of MSEK 258 were charged in the quarter. Adjusted for non-recurring items (MSEK -30 in 2007), the margin was 18.0% (19.3). The decrease in adjusted margin was primarily due to the sudden and sharp decline in order intake which resulted in lower utilization of production facilities and under-absorption of fixed costs. Price increases and a positive currency effect of MSEK 350, compared to the previous year, affected the margin positively.

Net financial items were MSEK 220 including a tax-free capital gain of MSEK 939 from repatriation to Sweden of Euro-denominated equity. The gain was a result of the significant strengthening of the Euro vs SEK. An MSEK 33 capital gain from the sale of one million RSC shares is also included. Previous year's financial net of MSEK -1 227 included an MSEK 864 write-down of rights to notes. Interest net increased to MSEK -340 (-260), due to higher borrowings and increased interest rates. In addition, the quarter includes about MSEK -400 in unfavorable exchange rate differences and fair value adjustments on loans and financial

derivatives. The major part of this amount will not be a realized loss unless some related hedge-transactions are terminated pre-maturely.

Profit before tax amounted to MSEK 3 508 (2 134), corresponding to a margin of 17.8% (12.2).

Profit for the period totaled MSEK 2 919 (1 376). The above mentioned tax-free capital gain lowered the tax-rate in the quarter to 16.8%. Basic and diluted earnings per share were SEK 2.39 (1.12).

The return on capital employed during the last 12 months was 34% (29) and 36% (31) excluding the customer financing business. The return on equity was 58% (35). The Group currently uses a weighted average cost of capital (WACC) of 7.4%, pre-tax equivalent approximately 9.9%, as an investment and overall performance benchmark.

#### **Operating cash flow and investments**

Operating cash surplus reached MSEK 3 759 (3 870). A reduction in working capital of MSEK 112 (increase of 865) contributed to the cash flow, primarily due to a reduction of inventory towards the end of the period.

Net cash flow from financial items was positively affected by hedge-transactions of foreign subsidiaries' liquidity and equity.

Cash flows from investing activities, excluding acquisitions and divestments of businesses, were MSEK -1 011 (-902).

Operating cash flow equaled MSEK 2 401 (926).

#### **Net indebtedness**

The Group's net indebtedness, adjusted for the fair value of interest rate swaps, amounted to MSEK 21 686 (19 775), of which MSEK 1 922 (1 728) was attributable to post-employment benefits. The funding situation for the Group is favorable, with an average tenor of almost six years and no major loan maturity in the next 12 months. The net debt/EBITDA ratio, indicating the Group's ability to service its interest bearing debt, was 1.4 (1.4). The debt/equity ratio was 91% (135).

#### **Employees**

On December 31, 2008, the number of employees was 34 043 (32 947). In the quarter, the number of employees was reduced by 1 037 for comparable units. In addition, the number of full time consultants was reduced by 328 to 1 340.

**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 speciality rental.

MSEK	October – December		Change %	January – December		Change %
	2008	2007		2008	2007	
Orders received	8 302	8 638	-4	36 511	35 005	+4
Revenues	9 866	8 676	+14	35 587	31 900	+12
Operating profit	2 016*	1 886*	+7	7 291	6 749	+8
– as a percentage of revenues	20.4*	21.7*		20.5	21.2	
Return on capital employed, %	57	65				

\* Includes MSEK 93 of redundancy costs in 2008 and MSEK 37 of capital gain in 2007. Adjusted margins 21.4% in 2008 and 21.3% in 2007.

- 15% organic order decline after sharp drop in customer demand.
- Growth in aftermarket revenues.
- Comparable profit margin remained at a high level, 21.4%.

**Sales bridge**

MSEK	October – December	
	Orders Received	Revenues
2007	8 638	8 676
Structural change, %	0	0
Currency, %	+11	+11
Price, %	+2	+2
Cancellations, %	-2	-
Volume, %	-15	+1
Total, %	-4	+14
2008	8 302	9 866

**Industrial compressors**

Demand for stationary industrial compressors and related aftermarket products dropped for most product segments and geographic regions. The most notable drop was recorded in Europe and Asia, while the other regions held up reasonably well. The chemical and petrochemical industries were relatively strong customer segments in the quarter, while demand from most of the manufacturing industries was down. Order intake for air treatment products such as dryers, coolers, and filters was also lower than the previous year.

**Gas and process compressors**

Sales of large gas and process compressors, including expanders, declined and the trend was similar in most geographic regions. In Western Europe, however, order intake surpassed the previous year’s level. A large order was won in Norway for turbo expander compressors which will be used for the world’s first floating natural gas liquefaction plant. A positive sales development was also seen in the Africa/Middle East region.

**Portable compressors, generators and rental**

Sales of portable compressors and generators were sharply down, both compared to the previous quarter and compared to the same

quarter the previous year. All regions experienced roughly the same decline in sales. Demand from rental companies continued to be very low.

The speciality rental business, i.e. rental of portable air and power, noted solid demand in most markets and recorded sales in line with the previous year’s level for comparable units.

**Aftermarket**

Sales of service and spare parts continued to develop positively in most markets. Activities in the quarter focused on increasing the penetration and extending the offer of aftermarket products and services.

**Product development**

In the quarter a range of small industrial compressors was introduced with new integrated dryers that enhance both energy efficiency and air quality.

**Structural changes**

The business area announced the acquisition of the European oil-free compressor rental business from Aggreko plc in November. The deal is still subject to anti-trust approval in certain countries.

The acquisition of a UK distributor was announced in January.

Personnel reductions were implemented during the quarter resulting in one-time costs of MSEK 93.

**Profit and returns**

Operating profit increased to MSEK 2 016 (1 886), including redundancy costs of MSEK 93. Adjusted for these costs and the previous year’s capital gain, comparable operating margin reached 21.4% (21.3). Changes in currencies affected the margin positively with 0.2 percentage point.

Return on capital employed (last 12 months) was 57% (65).

**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	October – December		Change %	January – December		Change %
	2008	2007		2008	2007	
Orders received	5 470	8 507	-36	30 129	27 447	+10
Revenues	8 007	7 121	+12	31 660	25 140	+26
Operating profit	1 280*	1 228	+4	5 602	4 384	+28
– as a percentage of revenues	16.0*	17.2		17.7	17.4	
Return on capital employed, %	29	32				

\* Includes MSEK 100 of redundancy costs. Adjusted margin 17.2%.

- Significant drop in equipment demand, while growth continued in the aftermarket.
- Organic order decline of 27% before cancellations of more than MSEK 1 300.
- Adjusted profit margin 17.2% before redundancy costs of MSEK 100.

**Sales bridge**

MSEK	October – December	
	Orders Received	Revenues
2007	8 507	7 121
Structural change, %	0	0
Currency, %	+7	+7
Price, %	+4	+4
Cancellations, %	-16	-
Volume, %	-31	+1
Total, %	-36	+12
2008	5 470	8 007

**Mining**

Demand from the mining industry weakened considerably during the quarter and combined with substantial order cancellations, this resulted in sharply lower order intake compared to the previous year. Sales of underground drilling and loading equipment were down in all geographic regions. Order intake for surface drill rigs used in open pit applications was weak in many markets except for South America and Africa where sales of large rotary drill rigs increased. Demand for exploration equipment declined considerably reflecting the sharp fall in most metal prices.

**Construction**

Demand for equipment was lower within the construction segment and there were some order cancellations also from customers within this industry. Sales of drilling rigs for surface applications used in quarries and road construction, as well as underground drilling rigs for infrastructure projects, e.g. tunneling and hydropower, were down in all markets compared with the previous year. An exception was sales of surface drill rigs in South America.

Total sales of light construction equipment declined compared to the previous year but good growth was recorded in South America and Asia.

The demand for road construction equipment was significantly lower than in the previous year in all regions but Asia.

Rental companies are still reluctant to make new investments because of the uncertain market trend.

The government stimulus packages recently introduced are expected to give support for construction equipment demand but are unlikely to have any major impact near-term.

**Aftermarket and consumables**

Order intake for service and spare parts continued to grow by double digits during the quarter. The highest growth rates were recorded in South America and Asia. Sales of consumables, mainly drill bits and drill steel, were lower than the previous year's level, reflecting lower drilling activities in both mining and construction applications and customers decreasing their stock of consumables.

**Product development**

The first in a new range of mobile onshore oil and gas drill rigs was launched in the quarter. The rig has the advantages of being compact and energy efficient.

**Structural changes**

Further workforce reductions were implemented in several locations during the quarter following the drop in demand. Costs related to these reductions amounted to MSEK 100.

**Profit and returns**

Operating profit increased 4% to MSEK 1 280 (1 228). Excluding redundancy costs of MSEK 100, the adjusted operating margin was unchanged at 17.2%. Currency affected the margin positively by approximately two percentage points.

Return on capital employed (last 12 months) was 29% (32).

**Industrial Technique**

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

MSEK	October – December		Change %	January – December		Change %
	2008	2007		2008	2007	
Orders received	1 732	1 826	-5	7 407	7 043	+5
Revenues	2 001	1 920	+4	7 450	6 871	+8
Operating profit	261*	426*	-39	1 328	1 539	-14
– as a percentage of revenues	13.0*	22.2*		17.8	22.4	
Return on capital employed, %	43	58				

\* Includes redundancy costs of MSEK 59 in 2008 and restructuring costs of MSEK 17 in 2007. Adjusted margins 16.0% and 23.1% respectively.

- Decreased demand, both from the motor vehicle industry and general industry.
- Aftermarket business still growing.
- Operating margin suffered from redundancy costs, under-absorption and sales mix.

**Sales bridge**

MSEK	October – December	
	Received	Revenues
2007	1 826	1 920
Structural change, %	+3	+3
Currency, %	+12	+11
Price, %	0	0
Cancellations, %	0	-
Volume, %	-20	-10
Total, %	-5	+4
2008	1 732	2 001

**General industry**

The fourth quarter noted a clear drop in demand for industrial power tools from the general manufacturing industries, e.g. electrical appliances, aerospace, and shipyards, as the global financial crisis affected many customers negatively. Both Europe and North America, the two major regions, recorded sales at much lower levels than in the same quarter the previous year.

**Motor vehicle industry**

Sales of advanced industrial tools and assembly systems to the motor vehicle industry dropped by double digits compared to the previous year. There were, however, a few bright spots in the order intake. Eastern Europe had a very strong quarter which partly offset a much more negative development in Western Europe. Sales in North America were sharply down, reflecting the weak situation for North American car manufacturers.

**Vehicle service**

The vehicle service business, providing large fleet operators and specialized repair shops with tools and other equipment, had a tough quarter

with sales well below last year’s level. The negative development was world-wide.

**Aftermarket**

The service business saw a moderation of demand but still recorded healthy growth in most regions. Order intake in many emerging markets grew strongly, but from relatively low levels. The best development was seen in Asia.

**Product development**

The multibrand offer was strengthened by the launch of a battery screwdriver with longer battery lifetime, faster run-down speed and lower weight than previous versions. The tool targets motor vehicle customers and certain segments within the general industry.

**Structural changes**

Personnel reductions were announced in Tierp, Sweden and also implemented in several other parts of the organization to adjust the cost structure to the new demand situation. Costs related to these activities amounted to MSEK 59 in the quarter.

**Profit and returns**

Operating profit was MSEK 261 (426, including restructuring costs of MSEK 17), corresponding to an operating margin of 13.0%. Excluding costs related to personnel reductions, the margin reached 16.0% (23.1). The lower volumes created under-absorption of fixed costs, which together with a negative sales mix, currency and inefficiencies from the restructuring of pneumatic tool manufacturing affected the margin negatively.

Return on capital employed (last 12 months) was 43% (58).

**Previous near-term demand outlook**

(Published October 23, 2008)

The overall demand for Atlas Copco's products and services is expected to decrease somewhat compared to the most recent quarters. Demand from the mining industry is foreseen to decrease from the current high level and construction in North America and Western Europe will remain weak. The recent strong growth in emerging markets is expected to moderate.

**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*.

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 exposure to changes in interest rates, whereas the borrowings partially hedge the currency exposure of net assets of foreign subsidiaries. See also comments on the current loan structure on page 3.

*Acquisitions*

Atlas Copco's strategy is to grow both organically and through acquisitions. Although in the past the Group has demonstrated 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.

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

Stockholm, February 2, 2009

Atlas Copco AB  
(publ)

Gunnar Brock  
President and Chief Executive Officer

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**Consolidated Income Statement**

	3 months ended		12 months ended	
	Dec. 31 2008	Dec. 31 2007	Dec. 31 2008	Dec. 31 2007
MSEK				
Revenues	19 731	17 549	74 177	63 355
Cost of sales	-13 011	-11 064	-47 786	-39 896
<b>Gross profit</b>	<b>6 720</b>	<b>6 485</b>	<b>26 391</b>	<b>23 459</b>
Marketing expenses	-1 979	-1 780	-7 414	-6 549
Administrative expenses	-1 087	-930	-3 914	-3 518
Research and development costs	-355	-350	-1 473	-1 286
Other operating income and expenses	-11	-64	216	-40
<b>Operating profit</b>	<b>3 288</b>	<b>3 361</b>	<b>13 806</b>	<b>12 066</b>
- as a percentage of revenues	16.7	19.2	18.6	19.0
Net financial items	220	-1 227	-694	-1 532
<b>Profit before tax</b>	<b>3 508</b>	<b>2 134</b>	<b>13 112</b>	<b>10 534</b>
- as a percentage of revenues	17.8	12.2	17.7	16.6
Income tax expense	-589	-758	-3 106	-3 118
<b>Profit from continuing operations</b>	<b>2 919</b>	<b>1 376</b>	<b>10 006</b>	<b>7 416</b>
Profit from discontinued operations, net of tax	-	-	184	53
<b>Profit for the period</b>	<b>2 919</b>	<b>1 376</b>	<b>10 190</b>	<b>7 469</b>
- attributable to equity holders of the parent	2 911	1 368	10 157	7 439
- attributable to minority interest	8	8	33	30
<b>Basic earnings per share, SEK</b>	<b>2.39</b>	<b>1.12</b>	<b>8.33</b>	<b>6.09</b>
- of which continuing operations	2.39	1.12	8.18	6.05
Diluted earnings per share, SEK	2.39	1.12	8.33	6.09
Basic weighted average number of shares outstanding, millions	1 215.9	1 220.8	1 219.1	1 220.8
Diluted weighted average number of shares outstanding, millions	1 216.3	1 221.9	1 219.8	1 222.3

**Key ratios, including discontinued operations**

Equity per share, period end, SEK	20	12
Return on capital employed before tax, 12 month values, %	34	29
Return on equity after tax, 12 month values, %	58	35
Debt/equity ratio, period end, %	91	135
Equity/assets ratio, period end, %	32	26
Number of employees, period end	34 043	32 947

**Consolidated Balance Sheet**

MSEK	Dec. 31, 2008	Sep. 30, 2008	Dec. 31, 2007
Intangible assets	12 916	12 177	11 665
Rental equipment	2 282	1 992	1 906
Other property, plant and equipment	6 353	5 698	4 894
Financial assets and other receivables	5 287	3 957	3 413
Deferred tax assets	2 690	840	832
<b>Total non-current assets</b>	<b>29 528</b>	<b>24 664</b>	<b>22 710</b>
Inventories	17 106	16 371	12 725
Trade and other receivables	21 603	19 770	16 627
Other financial assets	1 659	1 531	1 124
Cash and cash equivalents	5 455	3 403	3 473
Assets classified as held for sale	43	39	-
<b>Total current assets</b>	<b>45 866</b>	<b>41 114</b>	<b>33 949</b>
<b>TOTAL ASSETS*</b>	<b>75 394</b>	<b>65 778</b>	<b>56 659</b>
Equity attributable to equity holders of the parent	23 627	18 634	14 524
Minority interest	141	125	116
<b>TOTAL EQUITY</b>	<b>23 768</b>	<b>18 759</b>	<b>14 640</b>
Borrowings	26 997	23 648	19 926
Post-employment benefits	1 922	1 749	1 728
Other liabilities and provisions	660	755	568
Deferred tax liabilities	155	101	823
<b>Total non-current liabilities</b>	<b>29 734</b>	<b>26 253</b>	<b>23 045</b>
Borrowings	1 485	2 297	2 743
Trade payables and other liabilities	19 033	17 345	15 303
Provisions	1 374	1 124	928
<b>Total current liabilities</b>	<b>21 892</b>	<b>20 766</b>	<b>18 974</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>75 394</b>	<b>65 778</b>	<b>56 659</b>

\* The large increase in total assets is partly explained by currency translation effects that have had an impact of MSEK approximately 4 000 since September and MSEK 5 400 since December 2007.

**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, changes during the period	1 895	4	1 899
Hedge of net investments in foreign subsidiaries	-824	-	-824
Change in fair values			
– Cash flow hedges, changes during the period	-86	-	-86
– Available-for-sale, changes during the period, excl. reclassifications	562	-	562
– Available-for-sale, reclassified to income statement	-15	-	-15
Tax related to 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 shares in subsidiaries	-	-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			
– Changes during the period, excl reclassifications	5 763	1	5 764
– Realized and reclassified to income statement	-850	-	-850
Hedge of net investments in foreign subsidiaries			
– Changes during the period, excl. reclassifications	-3 432	-	-3 432
– Realized and reclassified to income statement	656	-	656
Change in fair values			
– Cash flow hedges, changes during the period	-392	-	-392
– Available-for-sale, changes during the period, excl. reclassifications	-281	-	-281
– Available-for-sale, reclassified to income statement	-33	-	-33
Tax related to items reported in equity	2 373	-	2 373
Tax related to items reclassified from equity to income statement	-749	-	-749
<b>Net income and expense recognized directly in equity</b>	<b>3 055</b>	<b>1</b>	<b>3 056</b>
Profit for the period	10 157	33	10 190
<b>Total recognized income and expense for the period, excl. shareholders' transactions</b>	<b>13 212</b>	<b>34</b>	<b>13 246</b>
Dividends	-3 662	-5	-3 667
Repurchase of own shares	-453	-	-453
Share-based payments, equity settled	5	-	5
Acquisition of minority shares in subsidiaries	1	-4	-3
<b>Closing balance, December 31, 2008</b>	<b>23 627</b>	<b>141</b>	<b>23 768</b>

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

MSEK	October – December		January – December	
	2008	2007	2008	2007
<b>Cash flows from operating activities</b>				
Operating profit	3 288	3 361	13 806	12 066
Depreciation, amortization and impairment	597	498	2 080	1 800
Capital gain/loss and other non-cash items	-126	11	-81	-136
Operating cash surplus	3 759	3 870	15 805	13 730
Net financial items received/paid	1 127	-357	44	-379
Taxes paid	-1 149	-820	-3 975	-3 346
Change in working capital	112	-865	-2 991	-2 326
<b>Net cash from operating activities</b>	<b>3 849</b>	<b>1 828</b>	<b>8 883</b>	<b>7 679</b>
<b>Cash flows from investing activities</b>				
Investments in rental equipment	-438	-247	-1 158	-1 028
Investments in other property, plant and equipment	-453	-405	-1 741	-1 331
Sale of rental equipment	124	126	419	586
Sale of other property, plant and equipment	21	54	96	126
Investments in intangible assets	-225	-151	-646	-530
Sale of intangible assets	-	-5	1	3
Acquisition of subsidiaries	-55	-74	-370	-6 139
Divestment of subsidiaries	-	49	92	-475
Other investments, net	-40	-274	-1 086	-916
<b>Net cash from investing activities</b>	<b>-1 066</b>	<b>-927</b>	<b>-4 393</b>	<b>-9 704</b>
<b>Cash flows from financing activities</b>				
Dividends paid	-	-	-3 667	-2 903
Repurchase of own shares	-	-25	-453	-25
Redemption of shares	-	-	-	-24 416
Change in interest-bearing liabilities	-825	-1 496	1 414	12 401
<b>Net cash from financing activities</b>	<b>-825</b>	<b>-1 521</b>	<b>-2 706</b>	<b>-14 943</b>
<b>Net cash flow for the period</b>	<b>1 958</b>	<b>-620</b>	<b>1 784</b>	<b>-16 968</b>
Cash and cash equivalents, beginning of the period	3 403	4 020	3 473	20 135
Exchange differences in cash and cash equivalents	94	73	198	306
<b>Cash and cash equivalents, end of the period</b>	<b>5 455</b>	<b>3 473</b>	<b>5 455</b>	<b>3 473</b>

**Calculation of operating cash flow**

MSEK	October – December		January – December	
	2008	2007	2008	2007
<b>Net cash flow for the period</b>	<b>1 958</b>	<b>-620</b>	<b>1 784</b>	<b>-16 968</b>
Add back				
- Change in interest-bearing liabilities	825	1 496	-1 414	-12 401
- Repurchase and redemption of shares	-	25	453	24 441
- Dividends paid	-	-	3 667	2 903
- Acquisitions and divestments	55	25	278	6 614
- Equity hedges in net financial items	-437	-	-17	-
<b>Operating cash flow</b>	<b>2 401</b>	<b>926</b>	<b>4 751</b>	<b>4 589</b>

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

MSEK	October – December 2008			October – December 2007		
	Continuing operations	Discont. operations	Total	Continuing operations	Discont. operations	Total
Net cash from						
— operating activities	3 849	-	3 849	1 828	-	1 828
— investing activities	- 1 066	-	-1 066	-870	-57*	-927
— financing activities	-825	-	-825	-1 521	-	-1 521
<b>Net cash flow for the period</b>	<b>1 958</b>		<b>1 958</b>	<b>-563</b>	<b>-57</b>	<b>-620</b>
Cash and cash equivalents, beginning of the period			3 403			4 020
Exchange differences in cash and cash equivalents			94			73
<b>Cash and cash equivalents, end of the period</b>			<b>5 455</b>			<b>3 473</b>
Depreciation, amortization and impairment						
<i>Rental equipment</i>	186	-	186	145	-	145
<i>Other property, plant and equipment</i>	251	-	251	206	-	206
<i>Intangible assets</i>	160	-	160	147	-	147

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

MSEK	January – December 2008			January – December 2007		
	Continuing operations	Discont. operations	Total	Continuing operations	Discont. operations	Total
Net cash from						
— operating activities	8 883	-	8 883	7 679	-	7 679
— investing activities	-4 352	-41*	-4 393	-8 808	-896*	-9 704
— financing activities	-2 706	-	-2 706	-14 943	-	-14 943
<b>Net cash flow for the period</b>	<b>1 825</b>	<b>-41</b>	<b>1 784</b>	<b>-16 072</b>	<b>-896</b>	<b>-16 968</b>
Cash and cash equivalents, beginning of the period			3 473			20 135
Exchange differences in cash and cash equivalents			198			306
<b>Cash and cash equivalents, end of the period</b>			<b>5 455</b>			<b>3 473</b>
Depreciation, amortization and impairment						
<i>Rental equipment</i>	585	-	585	588	-	588
<i>Other property, plant and equipment</i>	891	-	891	731	-	731
<i>Intangible assets</i>	604	-	604	481	-	481

\* 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	3	4
Compressor Technique	6 794	8 126	8 304	8 676	8 053	8 640	9 028	9 866
Construction and Mining Technique	5 093	6 292	6 634	7 121	7 344	8 567	7 742	8 007
Industrial Technique	1 591	1 714	1 646	1 920	1 825	1 836	1 788	2 001
Eliminations	-88	-147	-153	-168	-100	-159	-118	-143
<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>	<b>18 440</b>	<b>19 731</b>

**Operating profit by Business Area**

MSEK (by quarter)	2007				2008			
	1	2	3	4	1	2	3	4
Compressor Technique	1 440	1 622	1 801	1 886	1 643	1 711	1 921	2 016
- as a percentage of revenues	21.2	20.0	21.7	21.7	20.4	19.8	21.3	20.4
Construction and Mining Technique	912	1 125	1 119	1 228	1 252	1 615	1 455	1 280
- as a percentage of revenues	17.9	17.9	16.9	17.2	17.0	18.9	18.8	16.0
Industrial Technique	378	392	343	426	412	318	337	261
- as a percentage of revenues	23.8	22.9	20.8	22.2	22.6	17.3	18.8	13.0
Common Group Functions/ Eliminations	-189	-102	-136	-179	-59	-14	-73	-269
<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>	<b>3 640</b>	<b>3 288</b>
- as a percentage of revenues	19.0	19.0	19.0	19.2	19.0	19.2	19.7	16.7
Net financial items	-64	178	-419	-1 227	-222	-276	-416	220
<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>	<b>3 224</b>	<b>3 508</b>
- as a percentage of revenues	18.5	20.1	16.5	12.2	17.7	17.8	17.5	17.8

**Acquisitions and Divestments 2007 – 2009**

Date	Acquisitions	Divestments	Business area	Sales* MSEK	Number of employees*
2009 Jan. 12	Compressor Engineering - UK distributor		Compressor Technique	40	39
2008 Nov. 20**	Aggreko European Rental		Compressor Technique	91	25
2008 Aug. 8	Industrial Power Sales - distributor		Industrial Technique		61
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 Apr. 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.

\*\* Part of the acquisition is still subject to anti-trust approval.

## Parent Company

### Income Statement

	October – December		January – December	
	2008	2007	2008	2007
MSEK				
Administrative expenses	-89	-50	-287	-292
Other operating income and expenses	69	44	223	170
<b>Operating loss</b>	<b>-20</b>	<b>-6</b>	<b>-64</b>	<b>-122</b>
Financial income and expense	1 361	674	4 614	407
<b>Profit after financial items</b>	<b>1 341</b>	<b>668</b>	<b>4 550</b>	<b>285</b>
Appropriations	864	98	1 178	393
<b>Profit before tax</b>	<b>2 205</b>	<b>766</b>	<b>5 728</b>	<b>678</b>
Income tax	-204	-278	353	-57
<b>Profit for the period</b>	<b>2 001</b>	<b>488</b>	<b>6 081</b>	<b>621</b>

### Balance Sheet

	Dec. 31 2008	Dec. 31 2007
MSEK		
Total non-current assets	93 055	96 724
Total current assets	15 654	8 724
<b>TOTAL ASSETS</b>	<b>108 709</b>	<b>105 448</b>
Total restricted equity	5 785	5 785
Total non-restricted equity	27 474	28 725
<b>TOTAL EQUITY</b>	<b>33 259</b>	<b>34 510</b>
Untaxed reserves	-	1 178
Total provisions	95	138
Total non-current liabilities	52 287	43 661
Total current liabilities	23 068	25 961
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>108 709</b>	<b>105 448</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 RFR 2.1, *Accounting for Legal Entities* as disclosed in the Annual Report 2007.

#### *New accounting principles and restatement of 2007 comparative figures*

The Parent Company has applied IFRIC 11, IFRS 2 – Group and Treasury Share Transactions, which addresses how share-based payment arrangements are to be classified in entities that receive services from their employees. Previously, the expenses related to

such arrangements were expensed in the Parent Company income statement. In applying IFRIC 11, when a Parent Company grants rights to its equity instruments to employees of a subsidiary, the costs related to such arrangements are recorded as a capital contribution to the subsidiary and an increase in the shares of the subsidiary. In applying this principle retrospectively, the October – December 2007 and January – December 2007 administrative expenses have been restated by MSEK 74 and 87, respectively. Non-current assets have been increased by the corresponding amounts for the respective periods. Minor adjustments have been made to the 2007 figures presented in the third quarter report 2008.



## 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	-11 275 000
- of which B shares held by Atlas Copco	-2 428 400
Total shares outstanding, net of shares held by Atlas Copco	1 215 909 704

Atlas Copco presently has a mandate to buy back a maximum of 10% of the total number of shares issued by the company over NASDAQ OMX Stockholm. The mandate was approved at the Annual General Meeting in April 2008 and is valid up until the AGM in 2009. Share repurchases for the specific purpose of covering the commitments under the 2008 personnel stock option program and in relation to the synthetic shares offered as part of the board remuneration, were made in the third quarter. No repurchases

were made in the fourth quarter. The company's present holding of own shares appears in the table to the left. The A shares are held for possible delivery under the 2006, 2007 and 2008 personnel stock option programs. The B shares held can be divested over time to cover costs related to the stock option programs.

### 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.

### 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 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 combined presentation and conference call to comment on the results will be held at 2:30 PM CET / 8:30 AM EST, on February 2. The presentation will be held at Operaterassen, Stockholm, Sweden.

The dial-in number is +44 (0)20 7138 0825 and the code to attend the call is 1664196.

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 1664196#.

### Interim report on Q1 2009

The report on Q1 will be published on April 27, 2009.

### Annual Report 2008

The 2008 Annual Report will be published on the website [www.atlascopco.com](http://www.atlascopco.com) on March 26. It will also be sent to shareholders that have requested the information.

### Annual General Meeting

The Annual General Meeting for Atlas Copco AB will be held on Monday, April 27, 2009 at 5 p.m. in Aula Magna, Stockholm University, Frescativägen 6, Stockholm, Sweden.