

October 23, 2008

## Atlas Copco

### Interim report at September 30, 2008

### Record results and 9% organic order growth

- **Order growth in all business areas.**
  - **Growth rates moderated in most regions.**
- **Revenues reached MSEK 18 440 (16 431), organic growth 13%.**
- **Operating profit up 16% to MSEK 3 640 (3 127), a margin of 19.7% (19.0).**
  - **Currency effect neutral compared to previous year.**
- **Profit before tax increased to MSEK 3 224 (2 708).**
- **Profit for the period was MSEK 2 432 (1 890).**
- **Basic and diluted earnings per share were SEK 1.99 (1.54).**
- **Operating cash flow was MSEK 1 054 (1 586).**

MSEK	July – September			January – September		
	2008	2007	%	2008	2007	%
Orders received	18 842	17 388	+8	58 135	50 243	+16
Revenues	18 440	16 431	+12	54 446	45 806	+19
Operating profit	3 640	3 127	+16	10 518	8 705	+21
– as a percentage of revenues	19.7	19.0		19.3	19.0	
Profit before tax	3 224	2 708	+19	9 604	8 400	+14
– as a percentage of revenues	17.5	16.5		17.6	18.3	
Profit from continuing operations	2 432	1 890		7 087	6 040	
Profit from discontinued operations, net of tax	-	-		184	53	
Profit for the period <sup>1)</sup>	2 432	1 890	+29	7 271	6 093	+19
Basic earnings per share from continuing operations, SEK	1.99	1.54		5.79	4.93	
Basic earnings per share, SEK <sup>1)</sup>	1.99	1.54		5.94	4.97	
Diluted earnings per share, SEK <sup>1)</sup>	1.99	1.54		5.93	4.97	

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

### Near-term demand outlook

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.

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**Atlas Copco Group**

**Summary of nine-month results**

Orders received in the first nine months of 2008 increased 16%, to MSEK 58 135 (50 243). Volume for comparable units increased 10%, price increases added 3% and structural changes 6%, while the negative currency effect was 3%. Revenues increased 19%, to MSEK 54 446 (45 806), corresponding to 15% organic growth.

Operating profit increased 21% to MSEK 10 518 (8 705), corresponding to a margin of 19.3% (19.0). The negative impact of changes in exchange rates compared with the previous year was approximately MSEK 690 for the first nine

months. Profit before tax amounted to MSEK 9 604 (8 400), up 14% and corresponding to a margin of 17.6% (18.3). Profit for the period totaled MSEK 7 271 (6 093), including MSEK 184 (53) from discontinued operations. Basic earnings per share were SEK 5.94 (4.97) and diluted earnings per share were 5.93 (4.97). Earnings per share from continuing operations were 5.79 (4.93).

Operating cash flow before acquisitions, divestments and dividends totaled MSEK 2 350 (3 663).

**Review of the third quarter**

**Market development**

In **North America**, demand was good for compressed air solutions for industrial applications, including air treatment and aftermarket products. Sales of industrial tools weakened, due to sharply lower demand from the motor vehicle industry. Demand for mining equipment remained very strong, largely driven by the high activity in the coal mining segment in the United States. Sales of most types of equipment to the construction industry continued at lower levels compared to the previous year.

Demand was high for all types of equipment and from all customer segments throughout **South America**.

In **Europe**, growth was more pronounced in the eastern parts, including Russia. The demand for large industrial equipment was strong in both Eastern and Western Europe, while sales to sectors exposed to consumer goods, mainly affecting small and medium-sized compressors, slowed down further in Western Europe. Sales of industrial tools remained relatively stable and demand from the mining industry remained strong. Sales of construction equipment, including portable compressors, slowed considerably in Western Europe where both rental companies and other customers are holding back on new investments, especially for light equipment.

The business development in the **Africa/Middle East** region was very positive, with strong sales of both mining and construction equipment throughout the region. Demand for industrial equipment was also strong and compressor sales reached record levels in the quarter.

Demand in most parts of **Asia** continued to be favorable, despite weaker development in some industrial segments in Japan, South Korea and China. Sales of large gas and process compressors in the region were below previous year's record levels. Sales of mining equipment and industrial tools developed very favorably. Demand for mining equipment remained strong in **Australia**.

**Sales bridge**

MSEK	July – September	
	Orders Received	Revenues
2007	17 388	16 431
Structural change, %	0	0
Currency, %	-1	-1
Price, %	+3	+3
Volume, %	+6	+10
Total, %	+8	+12
2008	18 842	18 440

**Geographic distribution of orders received**

%, last 12 months incl. September 2008	Compressor Technique	Construction and Mining Technique	Industrial Technique	Atlas Copco Group
North America	14	22	22	18
South America	7	10	5	8
Europe	44	32	57	40
Africa/Middle East	10	15	2	12
Asia/Australia	25	21	14	22
	100	100	100	100

**Earnings and profitability**

Operating profit increased 16% to MSEK 3 640 (3 127). The operating margin reached 19.7% (19.0). The improved margin was primarily a result of increased revenue volumes and a continued positive price development, which managed to more than offset the negative effects of higher material costs. The recent improvement in exchange rates, particularly the higher USD rate, resulted in a neutral currency impact compared to the previous year. Acquisitions made in 2007 still affected the operating margin negatively.

Net financial items were MSEK -416 (-419). The change in interest net to MSEK -358 (-263) reflects slightly higher borrowings and interest rates.

Profit before tax amounted to MSEK 3 224 (2 708), corresponding to a margin of 17.5% (16.5).

Profit for the period totaled MSEK 2 432 (1 890). Basic and diluted earnings per share were SEK 1.99 (1.54).

The return on capital employed during the last 12 months was 32% (31, including discontinued operations) and the return on equity was 56% (63). Excluding the write-down of right to notes, made at the end of 2007 and related to the sale of the North American construction rental business, the return on capital employed was 34% and the return on equity 61%. The Group currently uses a weighted average cost of capital (WACC) of 8.5%, pre-tax equivalent approximately 11.8%, as an investment and overall performance benchmark.

**Operating cash flow and investments**

Operating cash surplus increased to MSEK 4 221 (3 535), offset by an increase in working capital of MSEK 772 (168), which primarily reflected higher inventory.

Cash flows from investing activities, excluding acquisitions and divestments of businesses, were MSEK -1 110 (-822). Capital expenditure at manufacturing locations and a new facility shared by all three business areas in Moscow, Russia, explained most of the increase compared to the previous year.

Operating cash flow equaled MSEK 1 054 (1 586).

**Net indebtedness**

The Group's net indebtedness amounted to MSEK 22 760 (20 252), of which MSEK 1 749 (1 770) was attributable to post-employment benefits. The funding situation for the Group is favorable, with an average tenor of six years and no major loan maturity in the next 18 months. The net debt/EBITDA ratio, indicating the Group's ability to service its interest bearing debt, was 1.4 (1.6). The debt/equity ratio was 121% (155).

**Employees**

On September 30, 2008, the number of employees was 35 073 (31 624). For comparable units, the number of employees increased by 2 515 from September 30, 2007.

**Compressor Technique**

The Compressor Technique business area consists of seven divisions in the following product areas: industrial compressors, compressed air treatment products, portable compressors and generators, gas and process compressors and expanders, service and specialty rental.

MSEK	July – September		Change %	January – September		Change %
	2008	2007		2008	2007	
Orders received	<b>9 305</b>	<b>8 984</b>	<b>+4</b>	28 209	26 367	+7
Revenues	<b>9 028</b>	<b>8 304</b>	<b>+9</b>	25 721	23 224	+11
Operating profit	<b>1 921</b>	<b>1 801*</b>	<b>+7</b>	5 275	4 863	+8
– as a percentage of revenues	<b>21.3</b>	<b>21.7*</b>		20.5	20.9	
Return on capital employed, %	<b>59</b>	<b>65</b>				

\* Includes MSEK 78 of capital gain from sale of rental assets. Adjusted margin 20.7%.

- 4% organic order growth.
- Strong aftermarket growth was partly offset by lower equipment sales in some countries.
- Comparable profit margin increased to 21.3%.

**Sales bridge**

MSEK	July – September	
	Orders Received	Revenues
2007	8 984	8 304
Structural change, %	0	0
Currency, %	0	0
Price, %	+3	+3
Volume, %	+1	+6
Total, %	+4	+9
2008	9 305	9 028

**Industrial compressors**

Demand for stationary industrial compressors and related aftermarket products varied between different product segments and geographic regions. North America and Africa/Middle East were among the strongest growth markets for equipment sales while order intake was down in Europe, particularly for smaller and medium-sized compressors. Order intake was also lower than the previous year in Asia, primarily because a few significant orders for large equipment were booked in China in the third quarter last year. The chemical and petrochemical industry was a strong segment in the third quarter and sales of air treatment products such as dryers, filters and coolers also developed very favorably.

Demand for aftermarket products and services remained high and stable growth was recorded in all geographic regions.

**Gas and process compressors**

Demand for large gas and process compressors, including expanders, continued on a high level but sales were below the previous year's strong figures. An important order in the market for geothermal energy was won in Germany and Western Europe and Africa/Middle East were the regions that noted the best development. Order intake in North America and Asia was down

compared to the previous year when large orders were won in these regions.

**Portable compressors, generators and rental**

Sales of portable compressors and generators grew compared to the previous year, despite continued low demand in Western Europe and North America, where rental companies are holding back on new investments. All other markets developed well, with Eastern Europe recording the strongest growth. Demand for oil and gas boosters remained strong in the quarter.

The specialty rental business, i.e. rental of portable air and power, noted solid demand in most markets.

**Product development**

A renewed range of small industrial oil-injected screw compressors was launched in the quarter together with a series of portable compressors which meet the latest noise and exhaust emission directives. Another achievement in the quarter was that high-pressure PET-blowing compressors received the "Class 0" certification, which ensures the air is 100% oil-free.

**Structural changes**

During the quarter, the business area extended its manufacturing capacity for portable compressors in China.

**Profit and returns**

Operating profit increased to MSEK 1 921 (1 801). Previous year included an MSEK 78 capital gain. Comparable operating margin increased to 21.3% (20.7, excluding the capital gain), mainly due to higher volumes and increased prices. Changes in currencies had a marginally positive effect.

Return on capital employed (last 12 months) was 59% (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	July – September		Change %	January – September		Change %
	2008	2007		2008	2007	
Orders received	<b>7 884</b>	<b>6 814</b>	<b>+16</b>	24 659	18 940	+30
Revenues	<b>7 742</b>	<b>6 634</b>	<b>+17</b>	23 653	18 019	+31
Operating profit	<b>1 455</b>	<b>1 119</b>	<b>+30</b>	4 322	3 156	+37
<i>– as a percentage of revenues</i>	<b>18.8</b>	<b>16.9</b>		18.3	17.5	
Return on capital employed, %	<b>31</b>	<b>33</b>				

- 17% organic order growth.
- Continued strong order growth in the mining segment.
- Sustained high operating margin at 18.8%

**Sales bridge**

MSEK	July – September	
	Orders Received	Revenues
2007	6 814	6 634
Structural change, %	+1	+1
Currency, %	-2	-3
Price, %	+4	+4
Volume, %	+13	+15
Total, %	+16	+17
2008	7 884	7 742

**Mining**

Demand from the mining industry remained very strong for both equipment and aftermarket products in the third quarter. The strongest growth regions for mining activities were North America and Asia. Most markets recorded very good sales of underground drilling and loading equipment and demand for surface drill rigs used in open pit applications also remained strong. Sales of large rotary drill rigs used in open pit coal mines recorded another quarter of exceptional growth compared to the previous year. Demand for exploration equipment remained very strong in most markets and order intake for spare parts, consumables and service continued on higher levels than the previous year in all geographic regions.

**Construction**

Sales of drill rigs for surface applications, used in quarries and road construction, slowed in some of the major markets while sales of underground drilling rigs for infrastructure projects, e.g. tunneling and hydropower, held up well.

Sales of light construction equipment were in line with levels from the previous year. A weaker

development in North America and Europe, mainly caused by the slowing housing markets, the general economic turmoil and rental companies' low investments, was compensated by stable growth in most other markets.

Demand for road construction equipment was also negatively affected in Europe and North America and total sales were down compared to the previous year. Emerging markets noted good growth. The strongest region was South America, and Brazil in particular.

**Product development**

Several new products were exhibited at the Mining Expo in Las Vegas in September. Among them were a large rotary drilling rig for open pit mining and a rock reinforcement bolt that adapts to large rock mass movements. The rock bolt can be used in both mining and tunneling applications.

**Structural changes**

During the quarter, the business area decided to reduce the workforce in two of its factories – in Essen, Germany and Kalmar, Sweden – because of the slowing demand in the market for light construction equipment.

In September, a new factory for drilling consumables was opened in Canada, and in India the new Dynapac factory was inaugurated on October 1.

**Profit and returns**

Operating profit increased 30% to MSEK 1 455 (1 119), corresponding to an operating margin of 18.8% (16.9). Higher sales volumes and price increases affected the margin positively.

Return on capital employed (last 12 months) was 31% (33).

**Industrial Technique**

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

MSEK	July – September		Change %	January – September		Change %
	2008	2007		2008	2007	
Orders received	<b>1 776</b>	<b>1 685</b>	<b>+5</b>	5 675	5 217	+9
Revenues	<b>1 788</b>	<b>1 646</b>	<b>+9</b>	5 449	4 951	+10
Operating profit	<b>337</b>	<b>343*</b>	<b>-2</b>	1 067	1 113	-4
– as a percentage of revenues	<b>18.8</b>	<b>20.8*</b>		19.6	22.5	
Return on capital employed, %	<b>51</b>	<b>58</b>				

\* Includes MSEK 28 of restructuring costs. Adjusted margin 22.5%.

- 4% organic order growth.
- Most markets except North America showed good growth.
- Operating margin lower, still affected by production inefficiencies.

**Sales bridge**

MSEK	July – September	
	Orders Received	Revenues
2007	1 685	1 646
Structural change, %	+1	+1
Currency, %	0	+1
Price, %	+1	+1
Volume, %	+3	+6
Total, %	+5	+9
2008	1 776	1 788

Order intake in the third quarter increased slightly compared with the same period of the previous year both within general industry and the motor vehicle industry, the two major customer segments. Aftermarket products recorded very good growth year on year.

**General industry**

Demand for industrial power tools from the general manufacturing industries, e.g. electrical appliances, aerospace, and shipyards, remained relatively stable overall. Sales were somewhat above the levels from the previous year, mainly because of good growth in emerging markets, while development in Europe and North America was almost flat.

**Motor vehicle industry**

Sales of advanced industrial tools and assembly systems to the motor vehicle industry increased compared to the previous year. Strong growth in Asia and Europe was partly offset by weaker development in North America.

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

**Vehicle service**

The vehicle service business, providing large fleet operators and specialized repair shops with tools and other equipment, recorded sales in line with the previous year's level. The major markets noted a flat or slightly negative development.

**Product development**

A new range of battery clutch pistol-grip screwdrivers was introduced on selected markets in the third quarter. The new screwdriver is fast, powerful and offers superior ergonomic features. The tool has been developed for low-torque joints in a wide range of both motor vehicle and general industrial applications.

**Structural changes**

In August, Atlas Copco announced the acquisition of Industrial Power Sales, Inc., USA, a former distributor that has represented Atlas Copco for 28 years.

The announced closure of Industrial Technique's factory in Hemel Hempstead, Great Britain, is proceeding according to plan and is expected to be finalized in the first quarter of 2009.

**Profit and returns**

Operating profit was MSEK 337 (343, including restructuring costs of MSEK 28), corresponding to an operating margin of 18.8% (22.5, adjusted for restructuring costs). A negative sales mix and production inefficiencies related to the restructuring of the pneumatic tool manufacturing affected the margin negatively.

Return on capital employed (last 12 months) was 51% (58).

**Previous near-term demand outlook**

(Published July 18, 2008)

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

**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.

*Capacity constraints*

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

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

Stockholm, October 23, 2008

Atlas Copco AB  
(publ)

Gunnar Brock  
President and Chief Executive Officer

**Auditors' Review Report****Introduction**

We have reviewed the interim report for Atlas Copco AB as per September 30, 2008 and the nine-month period ending thereon. 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.

**Focus and scope of the review**

We conducted our review in accordance with the Standard on Review Engagements SÖG 2410, *Review of Interim Financial Information Performed by the Independent Auditors of the Entity*, issued by FAR SRS. A review consists of making inquiries, primarily to 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 Standards on Auditing in Sweden RS and other generally accepted auditing practices in Sweden. 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 on the basis of 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 in accordance with IAS 34 and the Annual Accounts Act and for the Parent Company, in accordance with the Annual Accounts Act.

Stockholm, October 23, 2008

KPMG AB  
Thomas Thiel  
Authorized Public Accountant



**Consolidated Income Statement**

	3 months ended		9 months ended		12 months ended		
	Sep. 30 2008	Sep. 30 2007	Sep. 30 2008	Sep. 30 2007	Sep. 30 2008	Sep. 30 2007	Dec. 31 2007
MSEK							
Revenues	18 440	16 431	54 446	45 806	71 995	59 388	63 355
Cost of sales	-11 852	-10 469	-34 775	-28 832	-45 839	-37 400	-39 896
<b>Gross profit</b>	<b>6 588</b>	<b>5 962</b>	<b>19 671</b>	<b>16 974</b>	<b>26 156</b>	<b>21 988</b>	<b>23 459</b>
Marketing expenses	-1 836	-1 651	-5 435	-4 769	-7 215	-6 197	-6 549
Administrative expenses	-927	-890	-2 827	-2 588	-3 757	-3 423	-3 518
Research and development costs	-386	-323	-1 118	-936	-1 468	-1 230	-1 286
Other operating income and expenses	201	29	227	24	163	31	-40
<b>Operating profit</b>	<b>3 640</b>	<b>3 127</b>	<b>10 518</b>	<b>8 705</b>	<b>13 879</b>	<b>11 169</b>	<b>12 066</b>
- as a percentage of revenues	19.7	19.0	19.3	19.0	19.3	18.8	19.0
Net financial items	-416	-419	-914	-305	-2 141	-387	-1 532
<b>Profit before tax</b>	<b>3 224</b>	<b>2 708</b>	<b>9 604</b>	<b>8 400</b>	<b>11 738</b>	<b>10 782</b>	<b>10 534</b>
- as a percentage of revenues	17.5	16.5	17.6	18.3	16.3	18.2	16.6
Income tax expense	-792	-818	-2 517	-2 360	-3 275	-2 975	-3 118
<b>Profit from continuing operations</b>	<b>2 432</b>	<b>1 890</b>	<b>7 087</b>	<b>6 040</b>	<b>8 463</b>	<b>7 807</b>	<b>7 416</b>
Profit from discontinued operations, net of tax	-	-	184	53	184	7 458	53
<b>Profit for the period</b>	<b>2 432</b>	<b>1 890</b>	<b>7 271</b>	<b>6 093</b>	<b>8 647</b>	<b>15 265</b>	<b>7 469</b>
- attributable to equity holders of the parent	2 424	1 885	7 246	6 071	8 614	15 238	7 439
- attributable to minority interest	8	5	25	22	33	27	30
<b>Basic earnings per share, SEK</b>	<b>1.99</b>	<b>1.54</b>	<b>5.94</b>	<b>4.97</b>	<b>7.06</b>	<b>12.42</b>	<b>6.09</b>
- of which continuing operations	1.99	1.54	5.79	4.93	6.91	6.35	6.05
Diluted earnings per share, SEK	1.99	1.54	5.93	4.97	7.05	12.42	6.09
Basic weighted average number of shares outstanding, millions	1 218.9	1 220.8	1 220.1	1 220.8	1 220.3	1 226.6	1 220.8
Diluted weighted average number of shares outstanding, millions	1 219.4	1 221.2	1 220.9	1 220.7	1 221.1	1 227.2	1 222.3

**Key ratios, including discontinued operations**

Equity per share, period end, SEK	15	11	12
Return on capital employed before tax, 12 month values, %	32	31	29
Return on equity after tax, 12 month values, %	56	63	35
Debt/equity ratio, period end, %	121	155	135
Equity/assets ratio, period end, %	29	23	26
Number of employees, period end	35 073	31 624	32 947



**Consolidated Balance Sheet**

MSEK	Sep. 30, 2008	Dec. 31, 2007	Sep. 30, 2007
Intangible assets	12 177	11 665	11 578
Rental equipment	1 992	1 906	1 920
Other property, plant and equipment	5 698	4 894	4 629
Financial assets and other receivables	3 957	3 413	4 140
Deferred tax assets	840	832	653
<b>Total non-current assets</b>	<b>24 664</b>	<b>22 710</b>	<b>22 920</b>
Inventories	16 371	12 725	11 962
Trade and other receivables	19 770	16 627	16 141
Other financial assets	1 531	1 124	1 131
Cash and cash equivalents	3 403	3 473	4 020
Assets classified as held for sale	39	-	-
<b>Total current assets</b>	<b>41 114</b>	<b>33 949</b>	<b>33 254</b>
<b>TOTAL ASSETS</b>	<b>65 778</b>	<b>56 659</b>	<b>56 174</b>
Equity attributable to equity holders of the parent	18 634	14 524	12 941
Minority interest	125	116	113
<b>TOTAL EQUITY</b>	<b>18 759</b>	<b>14 640</b>	<b>13 054</b>
Borrowings	23 648	19 926	19 939
Post-employment benefits	1 749	1 728	1 770
Other liabilities and provisions	755	568	768
Deferred tax liabilities	101	823	939
<b>Total non-current liabilities</b>	<b>26 253</b>	<b>23 045</b>	<b>23 416</b>
Borrowings	2 297	2 743	3 694
Trade payables and other liabilities	17 345	15 303	15 115
Provisions	1 124	928	895
<b>Total current liabilities</b>	<b>20 766</b>	<b>18 974</b>	<b>19 704</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>65 778</b>	<b>56 659</b>	<b>56 174</b>

**Consolidated Statement of Changes in Equity**

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

MSEK	Equity attributable to		Total equity
	equity holders of the parent	minority interest	
<b>Opening balance, January 1, 2008</b>	<b>14 524</b>	<b>116</b>	<b>14 640</b>
Translation differences	1 931	-10	1 921
Hedge of net investments in foreign subsidiaries	-1 038	-	-1 038
Change in fair values			
– Cash flow hedge	-162	-	-162
– Available-for-sale	-74	-	-74
Tax on items transferred to/from equity	336	-	336
<b>Net income and expense recognized directly in equity</b>	<b>993</b>	<b>-10</b>	<b>983</b>
Profit for the period	7 246	25	7 271
<b>Total recognized income and expense for the period, excl. shareholders' transactions</b>	<b>8 239</b>	<b>15</b>	<b>8 254</b>
Dividends	-3 662	-5	-3 667
Repurchase of own shares	-453	-	-453
Share-based payments, equity settled	-14	-	-14
Acquisition of minority interest	-	-1	-1
<b>Closing balance, September 30, 2008</b>	<b>18 634</b>	<b>125</b>	<b>18 759</b>

MSEK	Equity attributable to		Total equity
	equity holders of the parent	minority interest	
<b>Opening balance, January 1, 2007</b>	<b>32 616</b>	<b>92</b>	<b>32 708</b>
Translation differences	978	4	982
Hedge of net investments in foreign subsidiaries	-330	-	-330
Change in fair values			
– Available-for-sale	874	-	874
Tax on items transferred to/from equity	93	-	93
<b>Net income and expense recognized directly in equity</b>	<b>1 615</b>	<b>4</b>	<b>1 619</b>
Profit for the period	6 071	22	6 093
<b>Total recognized income and expense for the period, excl. shareholders' transactions</b>	<b>7 686</b>	<b>26</b>	<b>7 712</b>
Dividends	-2 899	-4	-2 903
Redemption of shares	-24 416	-	-24 416
Share-based payments, equity settled	-46	-	-46
Acquisition of minority interest	-	-1	-1
<b>Closing balance, September 30, 2007</b>	<b>12 941</b>	<b>113</b>	<b>13 054</b>

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

MSEK	July – September		January – September	
	2008	2007	2008	2007
<b>Cash flows from operating activities</b>				
Operating profit	3 640	3 127	10 518	8 705
Depreciation, amortization and impairment	524	445	1 483	1 302
Capital gain/loss and other non-cash items	57	-37	45	-147
Operating cash surplus	4 221	3 535	12 046	9 860
Net financial items received/paid	-191	-100	-1 083	-22
Taxes paid	-1 094	-859	-2 826	-2 526
Change in working capital	-772	-168	-3 103	-1 461
<b>Net cash from operating activities</b>	<b>2 164</b>	<b>2 408</b>	<b>5 034</b>	<b>5 851</b>
<b>Cash flows from investing activities</b>				
Investments in rental equipment	-189	-278	-720	-781
Investments in other property, plant and equipment	-519	-357	-1 288	-926
Sale of rental equipment	67	131	295	460
Sale of other property, plant and equipment	59	34	75	72
Investments in intangible assets	-125	-108	-421	-379
Sale of intangible assets	1	9	1	8
Acquisition of subsidiaries	-46	-383	-315	-6 065
Divestment of subsidiaries	1	303	92	-524
Other investments, net	-404	-253	-1 046	-642
<b>Net cash from investing activities</b>	<b>-1 155</b>	<b>-902</b>	<b>-3 327</b>	<b>-8 777</b>
<b>Cash flows from financing activities</b>				
Dividends paid	-1	-	-3 667	-2 903
Redemption of shares	-	-	-	-24 416
Repurchase of own shares	-432	-	-453	-
Change in interest-bearing liabilities	-1 053	-1 042	2 239	13 897
<b>Net cash from financing activities</b>	<b>-1 486</b>	<b>-1 042</b>	<b>-1 881</b>	<b>-13 422</b>
<b>Net cash flow for the period</b>	<b>-477</b>	<b>464</b>	<b>-174</b>	<b>-16 348</b>
Cash and cash equivalents, beginning of the period	3 755	3 609	3 473	20 135
Exchange differences in cash and cash equivalents	125	-53	104	233
<b>Cash and cash equivalents, end of the period</b>	<b>3 403</b>	<b>4 020</b>	<b>3 403</b>	<b>4 020</b>

**Calculation of operating cash flow**

MSEK	July – September		January – September	
	2008	2007	2008	2007
<b>Net cash flow for the period</b>	<b>-477</b>	<b>464</b>	<b>-174</b>	<b>-16 348</b>
Add back				
- Change in interest-bearing liabilities	1 053	1 042	-2 239	-13 897
- Repurchase and redemption of shares	432	-	453	24 416
- Dividends paid	1	-	3 667	2 903
- Acquisitions and divestments	45	80	223	6 589
- Equity hedges in net financial items	-	-	420	-
<b>Operating cash flow</b>	<b>1 054</b>	<b>1 586</b>	<b>2 350</b>	<b>3 663</b>

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

MSEK	July – September 2008			July – September 2007		
	Continuing operations	Discont. operations	Total	Continuing operations	Discont. operations	Total
Net cash from						
— operating activities	2 164		2 164	2 408	-	2 408
— investing activities	-1 155		-1 155	-890	-12*	-902
— financing activities	-1 486		-1 486	-1 042	-	-1 042
<b>Net cash flow for the period</b>	<b>-477</b>		<b>-477</b>	<b>476</b>	<b>-12</b>	<b>464</b>
Cash and cash equivalents, beginning of the period			3 755			3 609
Exchange differences in cash and cash equivalents			125			-53
<b>Cash and cash equivalents, end of the period</b>			<b>3 403</b>			<b>4 020</b>
Depreciation, amortization and impairment						
<i>Rental equipment</i>	117		117	130	-	130
<i>Other property, plant and equipment</i>	239		239	189	-	189
<i>Intangible assets</i>	168		168	126	-	126

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

MSEK	January – September 2008			January – September 2007		
	Continuing operations	Discont. operations	Total	Continuing operations	Discont. operations	Total
Net cash from						
— operating activities	5 034	-	5 034	5 851	-	5 851
— investing activities	-3 286	-41	-3 327	-7 938	-839*	-8 777
— financing activities	-1 881	-	-1 881	-13 422	-	-13 422
<b>Net cash flow for the period</b>	<b>-133</b>	<b>-41</b>	<b>-174</b>	<b>-15 509</b>	<b>-839</b>	<b>-16 348</b>
Cash and cash equivalents, beginning of the period			3 473			20 135
Exchange differences in cash and cash equivalents			104			233
<b>Cash and cash equivalents, end of the period</b>			<b>3 403</b>			<b>4 020</b>
Depreciation, amortization and impairment						
<i>Rental equipment</i>	399	-	399	443	-	443
<i>Other property, plant and equipment</i>	640	-	640	525	-	525
<i>Intangible assets</i>	444	-	444	334	-	334

\* 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
Compressor Technique	6 794	8 126	8 304	8 676	8 053	8 640	9 028
Construction and Mining Technique	5 093	6 292	6 634	7 121	7 344	8 567	7 742
Industrial Technique	1 591	1 714	1 646	1 920	1 825	1 836	1 788
Eliminations	-88	-147	-153	-168	-100	-159	-118
<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>

**Operating profit by Business Area**

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

**Acquisitions and Divestments 2007 – 2008**

Date	Acquisitions	Divestments	Business area	Sales* MSEK	Number of employees*
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.

## Parent Company

### Income Statement

MSEK	July – September		January – September	
	2008	2007	2008	2007
Administrative expenses	-54	-81	-198	-242
Other operating income and expenses	59	108	154	126
<b>Operating loss</b>	<b>5</b>	<b>27</b>	<b>-44</b>	<b>-116</b>
Financial income	801	375	5 985	1 298
Financial expense	-912	-796	-2 732	-1 565
<b>Profit after financial items</b>	<b>-106</b>	<b>-394</b>	<b>3 209</b>	<b>-383</b>
Appropriations	105	98	314	295
<b>Profit before tax</b>	<b>-1</b>	<b>-296</b>	<b>3 523</b>	<b>-88</b>
Income tax	206	111	557	221
<b>Profit for the period</b>	<b>205</b>	<b>-185</b>	<b>4 080</b>	<b>133</b>

### Balance Sheet

MSEK	Sep 30	Dec. 31	Sep 30
	2008	2007	2007
Total non-current assets	104 103	96 711	83 046
Total current assets	9 322	8 725	7 495
<b>TOTAL ASSETS</b>	<b>113 425</b>	<b>105 436</b>	<b>90 541</b>
Total restricted equity	5 785	5 785	5 785
Total non-restricted equity	27 773	28 713	28 744
<b>TOTAL EQUITY</b>	<b>33 558</b>	<b>34 498</b>	<b>34 529</b>
Untaxed reserves	863	1 177	1 276
Total provisions	207	138	162
Total non-current liabilities	47 711	43 662	43 104
Total current liabilities	31 086	25 961	11 470
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>113 425</b>	<b>105 436</b>	<b>90 541</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. The July – September 2008 and the January – September 2008 administrative expenses have been affected by MSEK 8 and 36, respectively. In applying this principle retrospectively, the July – September 2007 and January – September 2007 administrative expenses have been restated by MSEK 6 and 13, respectively. Non-current assets have been increased by the corresponding amounts for the respective periods.



## 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 the OMX Nordic Exchange. The mandate was approved at the Annual General Meeting in April 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 initiated on August 19 and during the third quarter 4 875 000 A shares were acquired. Already before these

repurchases, the company held a number of A shares for possible delivery under the 2006 and 2007 personnel stock option programs and the company's present total holding of own shares appears in the table to the left. 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.

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**Conference call**

A conference call to comment on the results will be held at 3:00 PM CEST / 9:00 AM EDT, on October 23.

The dial-in number is +44 (0)20 7138 0826 and the code to attend the call is 1349087.

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 1349087#.

**Report on Q4 and full-year 2008 summary**

The report on Q4 and full-year 2008 summary will be published on February 2, 2009.