



Revenues decreased by 4% to MSEK 11,635. The operating margin was 10.0% (12.1). Earnings per share decreased to SEK 2.80, compared to SEK 3.23 the preceding year.

## Income Statement

MSEK	3 months ended		12 months ended		
	Mar. 31, 2002	Mar. 31, 2001	Mar. 31, 2002	Mar. 31, 2001	Dec. 31, 2001
Revenues	11,635	12,101	50,673	48,111	51,139
Operating expenses	-10,469	-10,638	-44,840	-41,584	-45,009
<b>Operating profit</b>	<b>1,166</b>	<b>1,463</b>	<b>5,833</b>	<b>6,527</b>	<b>6,130</b>
—as a percentage of revenues	10.0	12.1	11.5	13.6	12.0
Financial income and expenses	-254	-414	-1,270	-1,732	-1,430
<b>Profit after financial items</b>	<b>912</b>	<b>1,049</b>	<b>4,563</b>	<b>4,795</b>	<b>4,700</b>
—as a percentage of revenues	7.8	8.7	9.0	10.0	9.2
Taxes	-314	-364	-1,572	-1,740	-1,622
Minority interest	-11	-9	-13	-41	-11
<b>Net profit</b>	<b>587</b>	<b>676</b>	<b>2,978</b>	<b>3,014</b>	<b>3,067</b>
<i>Earnings per share, SEK</i>	<i>2.80</i>	<i>3.23</i>	<i>14.21</i>	<i>14.38</i>	<i>14.63</i>
<i>Equity per share, SEK</i>			<i>133</i>	<i>125</i>	<i>133</i>
<i>Return on capital employed before tax, %</i>			<i>12</i>	<i>14</i>	<i>13</i>
<i>Return on equity after tax, %</i>			<i>11</i>	<i>13</i>	<i>12</i>
<i>Debt/equity ratio, %</i>			<i>65</i>	<i>85</i>	<i>72</i>
<i>Rate of equity, %</i>			<i>44</i>	<i>40</i>	<i>43</i>
<i>Number of employees at end of period</i>			<i>25,543</i>	<i>26,442</i>	<i>25,529</i>

## Balance Sheet

MSEK	Mar. 31, 2002	Mar. 31, 2001	Dec. 31, 2001
Intangible fixed assets	21,909	22,516	22,600
Rental equipment	14,770	16,044	14,935
Other fixed assets	7,461	7,601	7,887
Inventories	6,505	6,346	5,987
Receivables	11,094	11,844	11,605
Cash, bank, and short-term investments	1,486	1,319	1,343
<b>Total assets</b>	<b>63,225</b>	<b>65,670</b>	<b>64,357</b>
Equity	27,578	25,980	27,568
Minority interest	218	251	221
Interest-bearing liabilities and provisions	19,682	23,721	21,421
Non-interest-bearing liabilities and provisions	15,747	15,718	15,147
<b>Total liabilities and equity</b>	<b>63,225</b>	<b>65,670</b>	<b>64,357</b>

## Changes in Shareholders' Equity

MSEK	Jan.–Mar. 2002	Jan.–Mar. 2001	Jan.–Dec. 2001
Opening balance	27,568	23,982	23,982
Dividend to shareholders	-	-	-1,100
Translation differences for the period	-577	1,322	1,619
Net profit for the period	587	676	3,067
Closing balance	27,578	25,980	27,568

**Financial targets** The overall objective for the Atlas Copco Group is to achieve a return on capital employed that will always exceed the Group's total cost of capital. The targets for the next business cycle are:

- to have an average annual revenue growth of 8%,
- to have an average operating margin of 15%, and
- to continuously challenge the efficiency of operating capital in terms of stock, receivables, and rental fleet utilization.

Overall, achievement of these targets will ensure that shareholder value is created and continuously increased. The strategy for reaching these objectives will adhere to the Group's proven development process for all operational units, focusing on stability first, then profitability, and finally growth.

**Forward-looking statements** Some statements in this report are forward-looking, and the actual outcomes could be materially different. In addition to the factors explicitly discussed, other factors could have a material effect on the actual outcomes. Such factors include but are not limited to general business conditions, fluctuations in exchange rates and interest rates, political developments, the impact of competing products and their pricing, product development, commercialization and technological difficulties, interruptions in supply, and major customer credit losses.

# Weaker demand —in line with expectations

Interim report at March 31, 2002 (unaudited). Note: All comparative figures are for the first quarter of 2001, unless otherwise stated.

- Order volumes 7% below first quarter 2001.
- Profit after financial items was MSEK 912 (1,049).
- Operating margin at 10.0% (12.1).
- Earnings per share were SEK 2.80 (3.23).
- Strong operating cash flow continues at MSEK 1,523 (1,198).

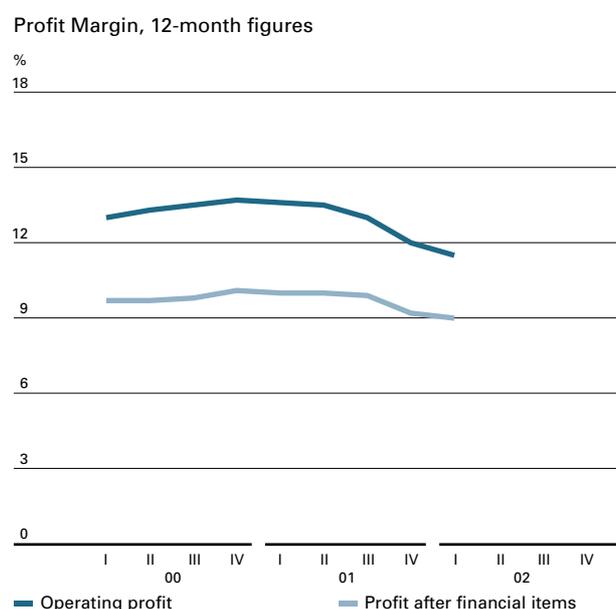
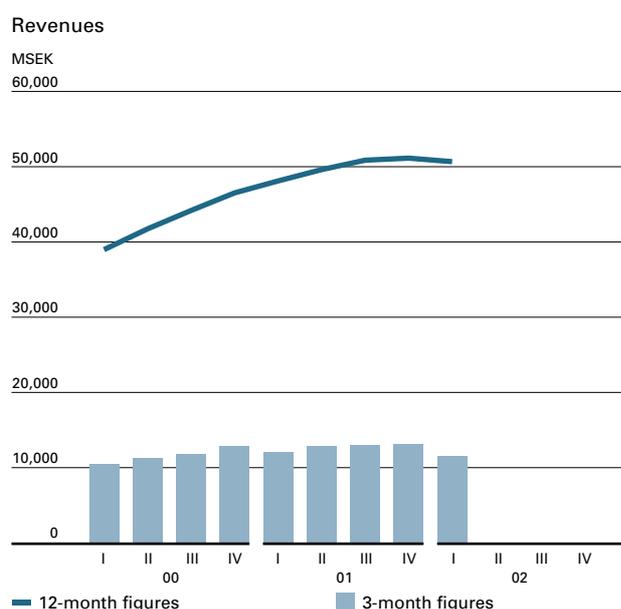
**Near-term outlook** Overall, demand for our products and services is foreseen to stay at the present level in the near-term.

The demand for large investment-related equipment in North America is foreseen to remain weak, while the recent increases in consumption and industrial production in the U.S. should positively affect the demand for production-related equipment and tools. Demand for rental equipment is foreseen to show normal seasonal increases in the next two quarters.

In Europe, the business cycle is expected to lag behind North America and consequently, no improvement of demand is foreseen in the near-term. Demand in Asia is expected to be good, supported by continued strong growth in China.

MSEK	January–March		Change
	2002	2001	%
Orders received	12,058	12,488	–3
Revenues	11,635	12,101	–4
Operating profit*	1,166	1,463	–20
— <i>as a percentage of revenues</i>	10.0	12.1	
Profit after financial items*	912	1,049	–13
— <i>as a percentage of revenues</i>	7.8	8.7	
<i>*Items affecting comparability</i>	+99	–60	
Earnings per share, SEK	2.80	3.23	
Equity capital per share, SEK	133	125	
Return on capital employed (12 month value)	12	14	

\*) Net accounting adjustment in 2002 and restructuring charges in 2001



## Review of first-quarter business

### Atlas Copco Group

#### Market development

With only a few exceptions, the demand in North America remained weak in the first quarter. Demand for rental equipment from the manufacturing industry and the important non-residential building sector remained well below the previous year's level. Demand for investment-related products to larger projects within the manufacturing and process industries was very low, while production-related equipment and tools noted stable or slightly improved demand, partly due to re-filling of stock levels in the distribution channels.

In the mining industry, demand for consumables and service compensated for the lack of big equipment orders.

Most of the markets in South America had a negative demand development in the quarter, partly due to the financial turmoil in Argentina.

In Europe, the negative demand trend from the end of 2001 continued. The only exception was the Nordic region, with some new infrastructure projects. Demand from the construction industry was weak in all other major markets in the region.

Low capacity utilization in most manufacturing and process industries affected demand negatively in the period, both for production and investment-related equipment and tools. The number of projects for capacity extension as well as productivity enhancement within these customer segments declined compared to the same period last year.

The level of demand in Africa and the Middle East, primarily for construction-related applications, had good development in the quarter.

In Asia, the picture remains mixed. While some markets, including China, recorded strong growth in the period, demand in other important countries like Japan and India deteriorated.

#### Orders and revenues

Orders received totaled MSEK 12,058 (12,488), down 3% from a strong first quarter of 2001. This corresponds to a 7% volume decrease after adjusting for a positive translation effect of 4%. The comparison is somewhat affected by a couple of working days less in the first quarter this year. The biggest volume drop continued to be in North and South America. Europe also lost volume compared to the previous

year, while Asia was flat overall. Growth continued in Africa, the Middle East and Australia.

Revenues decreased 4%, to MSEK 11,635 (12,101), corresponding to an 8% volume drop for comparable units.

#### Earnings and returns

Operating profit for the first quarter declined 20%, to MSEK 1,166 (1,463), corresponding to a margin of 10.0% (12.1). The margin drop was due to the negative effect of lower revenues, most pronounced in the Rental Service business area. New accounting standards regarding capitalization of development costs and an adjustment of rental fleet useful life estimates added MSEK 54 and MSEK 45, respectively, to the profit compared to the same period last year.

Net financial items amounted to MSEK -254 (-414), of which net interest items accounted for MSEK -235 (-423) and foreign exchange differences for MSEK -19 (+9). The interest cost continued to decrease in the quarter due to strong cash flow and lower effective interest rates.

Profit after financial items decreased 13%, to MSEK 912 (1,049), corresponding to a margin of 7.8% (8.7). Foreign exchange effects were about 50 MSEK positive compared to the first quarter 2001 but had only a small effect on the profit margin.

Net profit for the quarter totaled MSEK 587 (676), or SEK 2.80 per share (3.23).

The return on capital employed was 12% (14), and the return on shareholders' equity totaled 11% (13) during the past 12 months. The Group's weighted average cost of capital (WACC) is approximately 8.5% (7.5), corresponding to a pretax cost of capital of approximately 13%. The increase is primarily an effect of a higher share of equity capital compared to the preceding period.

#### Cash flow and net indebtedness

The operating cash surplus after tax for the first quarter reached MSEK 1,553 (1,692). Working capital decreased MSEK 668 (increased 135) in the quarter.

Total cash flow from operations reached MSEK 2,221 (1,557), corresponding to 19% (13) of Group revenues.

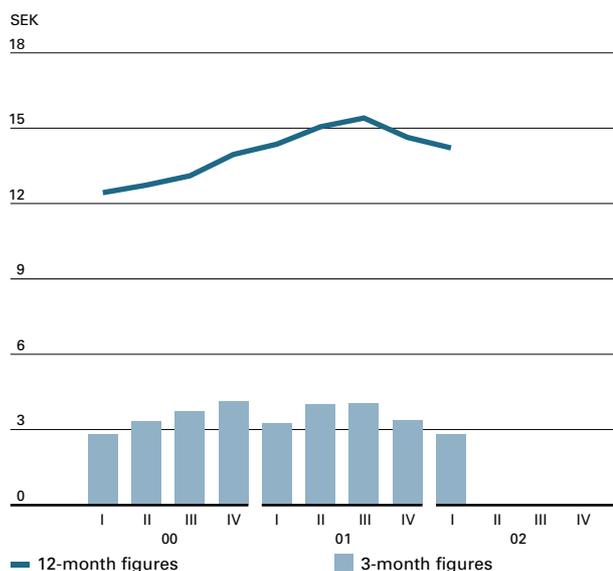
Net investments in tangible fixed assets were MSEK 672 (307).

Operating cash flow before acquisitions and dividends equaled MSEK 1,523 (1,198).

#### Return and cost of capital, 12-month figures



#### Earnings per share



## Summary cash-flow analysis

	January – March	
MSEK	2002	2001
Operating cash surplus after tax	1,553	1,692
<i>of which depreciation added back</i>	<i>1,057</i>	<i>1,059</i>
Change in working capital	668	-135
Cash flow from operations	2,221	1,557
Investments in tangible fixed assets	-1,174	-767
Sale of tangible fixed assets	502	460
Other investments, net	-26	-52
Company acquisitions/divestments	-5	-72
Cash flow from investments	-703	-431
Dividends paid	-4	-1
Net cash flow	1,514	1,125
Change in interest-bearing liabilities	-1,341	-1,097
Cash flow after financing	173	28
Liquid funds at beginning of period	1,343	1,237
Translation difference	-30	54
Liquid funds at end of period	1,486	1,319

The Group's net indebtedness (defined as the difference between interest-bearing liabilities and liquid assets) amounted to MSEK 18,196 (22,402), of which MSEK 1,720 (1,624) was attributable to pension provisions. The debt/equity ratio (defined as net indebtedness divided by shareholders' equity) was 65% (85).

## Investments, depreciation and amortization

Gross investments in property and machinery totaled MSEK 284 (208). Gross investments in rental equipment amounted to MSEK 890 (559). Depreciation on these two asset groups equaled MSEK 237 (231) and MSEK 634 (655), respectively, while amortization of intangible assets was MSEK 186 (173).

## People

At March 31, 2002, the number of employees totaled 25,543 (26,442). For comparable units, the number of employees decreased by 1,025 from March 2001.

## Share capital

Share capital totaled MSEK 1,048 (1,048) at the end of the period, distributed as follows.

Class of share	Shares outstanding
A shares	139,899,016
B shares	69,703,168
Total	209,602,184

## Previous statement on demand outlook

(Published Feb 14, 2002)

The current overall decline in demand is foreseen to continue in the near-term. As a consequence, lower volumes and profitability are anticipated in the first quarter, primarily in the equipment rental business.

There are some indications of an improved business environment in North America, which could positively affect demand in the latter part of the year.

## Accounting principles

The interim report has been prepared using the same accounting principles as disclosed in the Annual Report 2001 with the exception of new standards effective January 1, 2002, issued by the Swedish Accounting Standards Council.

The application of the standard RR 15 dealing with Intangible

Assets increased the pre-tax profit by MSEK 54 for the first quarter 2002 since certain development costs were recognized as assets instead of being expensed. These intangible assets will be amortized over their estimated useful lives. The implementation of the other new standards did not have a material effect on the Group's financial position.

As stated in the Annual Report 2001, the Group has continued to account for goodwill arising on certain strategic acquisitions over a period of 40 years. This is due to the expected changes (IAS), as well as already effective changes (US GAAP) in international standards in the accounting for goodwill.

## Compressor Technique business area

The Compressor Technique business area consists of five divisions in the following product areas: industrial compressors, portable compressors, generators, and gas and process compressors.

MSEK	January–March		Change
	2002	2001	%
Orders received	4,242	4,216	+1
Revenues	3,785	3,928	-4
Operating profit	657	738	-11
<i>—as a percentage of revenues</i>	<i>17.4</i>	<i>18.8</i>	
Return on capital employed (12 month values)	67	65	

- Demand weakened for investment-related equipment.
- Strong growth in China continued.
- Margin affected by lower invoicing level and sales mix.

Orders received during the first quarter were up 1%, to MSEK 4,242 (4,216), corresponding to a drop in volume of 5%. The positive translation effect into SEK was approximately 3% while structural changes and average price changes added 1% each.

Sales of industrial compressors, primarily larger investment-related machines, suffered from declining investments for capacity extension and productivity enhancements at several customer groups. This was noticeable both in the United States and, with few exceptions, in Europe. Asia, and China in particular, achieved further growth for the same type of product range. Compressors with energy-saving Variable Speed Drive (VSD) technology continued to post increased sales in the first quarter as did compressors for certain special applications, such as PET bottle blowing.

Portable compressors, primarily serving construction-related customers through rental companies and distributors, had mixed development in the period. Sales increased in Asia and the Middle East, but were relatively weak in most parts of Europe. In the United States demand improved gradually during the quarter. Sales of generators increased from a low level last year in most markets.

The after-market business grew in value and considerably as a share of total revenues in the quarter.

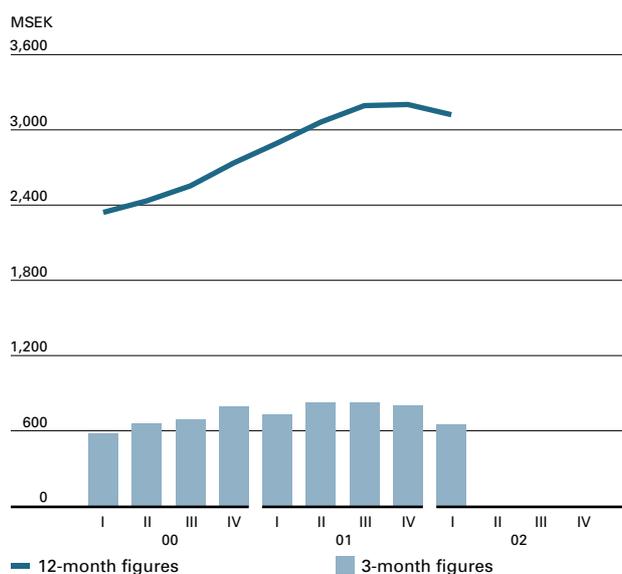
Revenues decreased 4%, to MSEK 3,785 (3,928), corresponding to a volume drop of 9% compared to the same quarter the preceding year.

Operating profit fell 11%, to MSEK 657 (738), corresponding to an operating margin of 17.4% (18.8). The lower invoicing level was the main explanation to the drop in the operating margin. Exchange rate changes since the first quarter 2001 had a small positive effect on the margin. Return on capital employed (past 12 months) was 67% (65).

## Rental Service business area

The Rental Service business area consists of one division in the equipment rental industry in North America, providing services to construction and industrial markets.

## Compressor Technique, Operating profit



MSEK	January–March		Change
	2002	2001	%
Revenues	3,397	3,659	-7
Operating profit*	121	328	-63
—as a percentage of revenues	3.6	9.0	
*Items affecting comparability	+45	-60	

Return on capital employed (12 month values)	3	5
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\*) Net adjustment of fleet depreciation in 2002 and restructuring charges in 2001

- Demand remained well below the previous year.
- Competition for orders affected rental rates.
- Very strong cash flow generation continued.

Total revenues for the first quarter decreased 7%, to MSEK 3,397 (3,659). This includes a 6% positive translation effect into SEK. Volume for comparable units accounted for a drop of 10%.

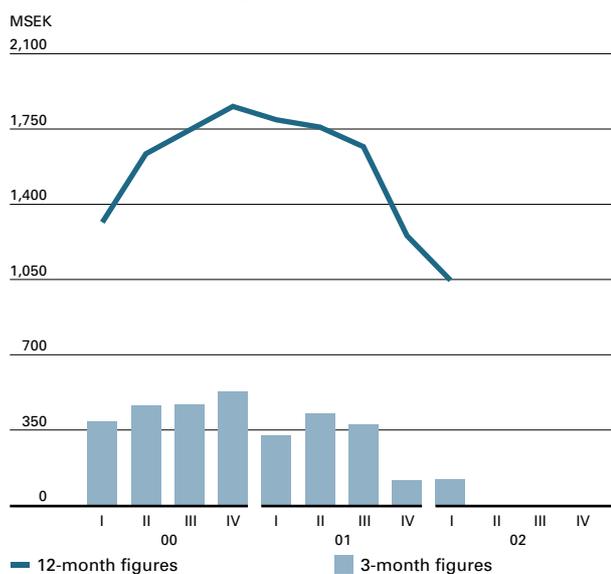
Rental revenues, which accounted for 70% of total revenues, dropped some 13% in volume in the quarter and average rental rates fell 4–5% compared to the preceding year as competition intensified. The rental revenues continued to be negatively affected by declining activity in the important non-residential building and industrial segments. Rental fleet utilization was low in the beginning of the first quarter but improved gradually during the period and ended the quarter somewhat higher than in the preceding year. The fleet size was about 5% smaller than in the corresponding period last year as only replacement investments and no growth investments were made in the quarter. The total number of rental locations also remained stable in the quarter at 530, compared to 562 a year ago.

Sales of equipment, parts, and merchandise, representing 18% of revenues, and sales of used equipment, representing 12% of revenues, were almost unchanged compared to the first quarter last year.

Cash flow remained strong in the quarter.

Operating profit, including goodwill amortization, was MSEK 121 (328), corresponding to a margin of 3.6% (9.0). The drop in rental volume combined with lower rental rates had a sharply negative effect on the profit, which was only partly offset by lower depreciation costs and lower operating expenses. A revision of useful life estimates on certain fleet categories to industry standards led, on average, to a slightly extended economic life. Consequently, this

## Rental Service, Operating profit



reduced depreciation expenses by MSEK 45, compared to the previous year. Return on capital employed (past 12 months) was 3% (5).

On February 1, 2002, Freek Nijdam took over as the new Business Area Executive from Tom Bennett, who retired. As from March, Nijdam is also the Chief Operating Officer in the company.

## Industrial Technique business area

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

MSEK	January–March		Change
	2002	2001	%
Orders received	2,867	2,969	-3
Revenues	2,823	2,838	-1
Operating profit	248	277	-10
—as a percentage of revenues	8.8	9.8	
Return on capital employed (12 month values)	12	15	

- Lower level of orders from the motor vehicle industry.
- Demand for professional electric tools good in the United States, but weak in Europe.
- Milwaukee branded electric tools launched in Europe.

Order intake decreased 3% overall compared with the first quarter of 2001, to MSEK 2,867 (2,969), corresponding to an 8% drop in volume. The positive translation effect was 4% and prices were on average unchanged.

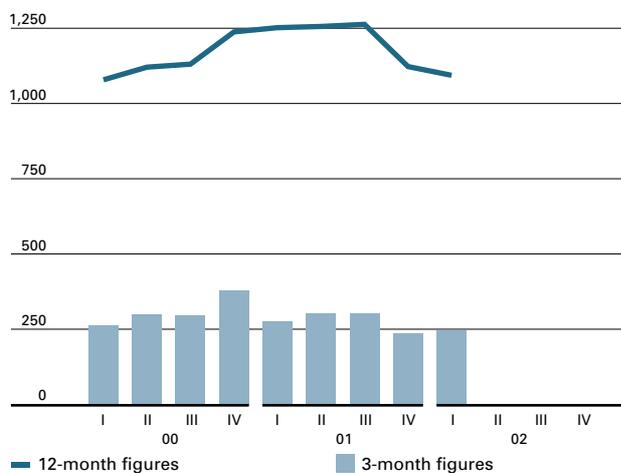
For the first time in a long time, order intake from the motor vehicle industry for assembly tools and systems dropped compared to the same period a year earlier. Many planned projects in the United States and in Europe did not materialize in the quarter. Orders for other industrial tools also suffered from low demand, particularly tools to the automotive aftermarket in the United States.

Orders for professional electrical tools for construction and installation work in North America increased slightly in the quarter, partly due to re-stocking activities within distribution channels. Sales to home-centers increased compared to previous year, while sales to industrial/construction distributors and hardware stores were basically flat. The order volume for the same products in Europe continued to be below the same period previous year.

At the International Hardware Show in Cologne, Germany, in

## Industrial Technique, Operating profit

MSEK  
1,500



March, a premium line of Milwaukee branded professional electric tools was shown and received a lot of attention. This line will be launched country by country in Europe this year.

Revenues were MSEK 2,823 (2,838), down 1% from the first quarter 2001. This corresponded to a 5% negative volume development.

Operating profit was MSEK 248 (277), corresponding to an operating profit margin of 8.8% (9.8). The lower operating margin reflects the drop in revenues and the negative mix effect from lower industrial tools sales compared to professional electric tools. Return on capital employed (past 12 months) was 12% (15).

## Construction and Mining Technique business area

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

MSEK	January–March		Change %
	2002	2001	
Orders received	1,793	1,794	0
Revenues	1,784	1,828	-2
Operating profit	186	185	+1
—as a percentage of revenues	10.4	10.1	
Return on capital employed (12 month values)	22	22	

- Stable order level in spite of weaker market situation.
- First computer-controlled surface drill rig launched.
- Stable margins in spite of lower revenue volume.

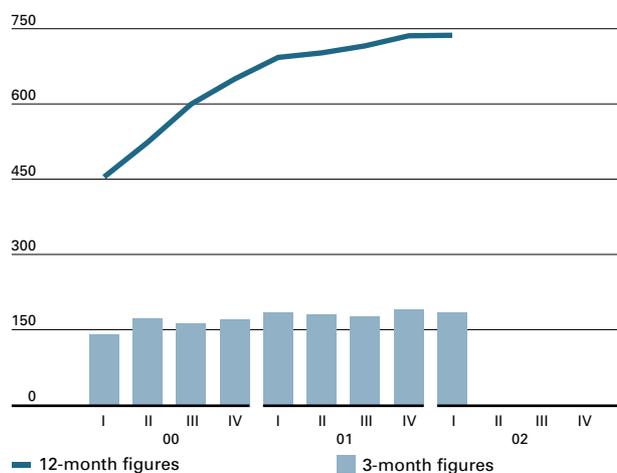
Orders received were virtually unchanged at MSEK 1,793 (1,794), corresponding to a decrease in volume of 2%. There was a positive translation effect of 1%, while acquisitions and price changes had a net effect of +1%.

Demand for large equipment from the mining industry stayed relatively low in the quarter and exploration drilling equipment continued to be the most affected area. On the other hand, sales of consumables, service, and spare parts remained at a good level in most markets. Good growth in overall orders was recorded in Canada, Australia and Chile, while other important mining countries showed flat or negative development.

There was positive development in orders for crawler rigs for

## Construction and Mining Technique, Operating profit

MSEK  
900



surface applications, like building-stone production in quarries and rock excavation for road and railroad projects. Activity in tunneling projects was, however, slow in the quarter, negatively affecting sales of large underground drill rigs. Orders for construction tools, hydraulic and pneumatic breakers as well as consumables recorded good growth in the quarter, with North America showing a positive development after last year's weakness.

At the Con Agg Expo in Las Vegas in March, Atlas Copco launched the world's first surface drill rig equipped with a computerized rig control system. The highly advanced system automatically adjusts impact power and feed based on the rock's characteristics, resulting in improved productivity and efficiency.

Revenues were MSEK 1,784 (1,828), down 2% overall, corresponding to a volume decrease of 4%.

Operating profit for the quarter rose 1%, to MSEK 186 (185), corresponding to a margin of 10.4% (10.1). Efficiency improvements and a small positive currency effect offset the impact of lower invoicing volume. Return on capital employed (past 12 months) was 22% (22).

In March, Björn Rosengren was appointed the new Business Area Executive, succeeding Freek Nijdam who became Business Area Executive for Rental Service.

Stockholm, April 29, 2002

Giulio Mazzalupi  
President and Chief Executive Officer

## Acquisitions and divestments 2001–2002

Time	Acquisitions	Divestments	Business area	Sales* MSEK	No. of employees*
2001 Dec. 6	Grassair		Compressor Technique	85	75
2001 Aug. 31	Christensen Products		Construction & Mining Technique	160	7
2001 May 1	Masons		Compressor Technique	140	50
2001 Q1	Various small rental cos.		Rental Service	36	30

\*) Annual revenues and number of employees at time of acquisition/divestment.

## Revenues by business area

MSEK	January–March				
	2000	2001	2002	2001	2002
Compressor Technique	3,345	3,928	3,785		
Rental Service	3,023	3,659	3,397		
Industrial Technique	2,619	2,838	2,823		
Construction and Mining Technique	1,650	1,828	1,784		
Eliminations	-120	-152	-154		
Atlas Copco Group	10,517	12,101	11,635		
				2001	2002
MSEK (by quarter)	1	2	3	4	1
Compressor Technique	3,928	4,189	4,324	4,432	3,785
Rental Service	3,659	3,940	4,094	3,776	3,397
Industrial Technique	2,838	3,054	3,002	3,232	2,823
Construction and Mining Technique	1,828	1,828	1,766	1,831	1,784
Eliminations	-152	-131	-145	-154	-154
Atlas Copco Group	12,101	12,880	13,041	13,117	11,635

## Reported profit by business area

MSEK	January–March				
	2000	2001	2002	2001	2002
Compressor Technique	580	738	657		
Rental Service	390	328	121		
Industrial Technique	263	277	248		
Construction and Mining Technique	142	185	186		
Corporate items	-47	-65	-46		
Operating profit	1,328	1,463	1,166		
—as a percentage of revenues	12.6	12.1	10.0		
Financial income and expenses	-385	-414	-254		
Profit after financial items	943	1,049	912		
—as a percentage of revenues	9.0	8.7	7.8		
				2001	2002
MSEK (by quarter)	1	2	3	4	1
Compressor Technique	738	831	829	804	657
Rental Service	328	430	378	119	121
Industrial Technique	277	303	305	238	248
Construction and Mining Technique	185	182	178	191	186
Corporate items	-65	-54	-63	-4	-46
Operating profit	1,463	1,692	1,627	1,348	1,166
—as a percentage of revenues	12.1	13.1	12.5	10.3	10.0
Financial income and expenses	-414	-382	-340	-294	-254
Profit after financial items	1,049	1,310	1,287	1,054	912
—as a percentage of revenues	8.7	10.2	9.9	8.0	7.8