



Stable level of value added despite lower profits. Stable environmental and workplace performance. ISO-certified environmental management systems implemented in almost all divisions.



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Three Key Publications at Your Service

Atlas Copco has three separate publications to better serve its main stakeholders.

The **Annual Report** fulfills the legal requirements for information. It also includes information of specific interest to the investor community.

Achieve presents how Atlas Copco works to reach its vision. Strategic moves are highlighted and the Group

communicates what Atlas Copco is focusing on. In this publication you can also read how the President and CEO Gunnar Brock describes the Group in-depth.

The **Sustainability Report** is Atlas Copco's report on environmental and social issues.

All reports are available in pdf format on the Group's web site www.atlascopco-group.com.

Achieve and the Sustainability Report are not part of the Annual Report and they are not audited.

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 mention of the Board of Directors or the Directors refers to the Board of Directors of Atlas Copco AB.

To the Reader

It gives me great pleasure to present Atlas Copco's second Sustainability Report, and to inform you that last year's report was recently nominated by the Swedish institute for authorized public accountants (FAR) as "best first-time report" in the European Sustainability Reporting Awards.

During 2002, we have seen a downturn in the global economy, which has also affected Atlas Copco's businesses and the value added generated by the Group. Despite this, we have continued to develop and launch products that are safe, environmentally friendly, ergonomic, and functional in design.

We are persistently working towards reducing the environmental impact of our products and processes, and to ensure safe and healthy working conditions for our employees. Progress has been made, for example in the implementation of certified environmental management systems, but there is still room for improvement in a number of areas.



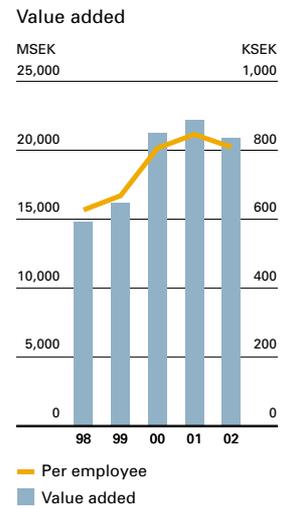
Gunnar Brock
President and Chief Executive Officer

Sustainability Performance at a Glance

During 2002, Atlas Copco made progress in a number of important areas. A selection of key economic, environmental, and social performance indicators is shown in the tables and diagrams.

Economic Performance

The decline in the world economy has had an impact on Atlas Copco's revenues and profit levels. The value added generated by the Group has also decreased somewhat, both in total and in relation to the number of employees, as has the value added distributed to stakeholders.



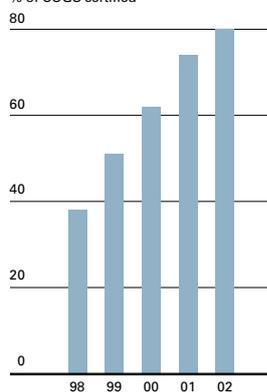
	2002	2001	2000
Value added (total), MSEK	20,871	22,164	21,279
Value added per employee, KSEK	809	846	806

Environmental Performance

All key eco-efficiency indicators are practically unchanged in 2002, and the Group's use of important resources remains relatively constant.

Environmental management systems (EMS) have now been implemented and certified in most divisions.

ISO 14001 certification
% of COGS certified



	2002	2001	2000
ISO 14001 certification, % of COGS*	80	74	62
Energy use, MWh per MSEK COGS	16.7	16.6	17.2
Water use, m ³ per MSEK COGS	21.9	21.6	26.1
Packaging materials, tonnes per MSEK COGS	0.90	0.89	0.92

*) Cost of goods sold.

Social Performance

Workplace health and safety, as measured by the number of work-related accidents, improved slightly in 2002. A new measure of workplace performance—number of employee sick-leave days—is reported for the first time this year. Training hours per employee remained stable, but is still short of the Group target of 40 hours per year.

	2002	2001	2000
Number of accidents per million hours worked*	32.1	34.1	29.6
Sick-leave days, %	3.0	-	-
Average training hrs. per employee	35.2	35.2	24.8

*) Data for 2000 excludes Rental Service business area.

The Atlas Copco Group

Atlas Copco is a global industrial group headquartered in Stockholm, Sweden. The Group employs close to 26,000 people and manufactures products in 15 countries on five continents.

listed on the Stockholm, London, and Frankfurt stock exchanges, and with American Depository Receipts (ADR) available in the United States.

Scope and profile of the report

This second Sustainability Report for the

The Atlas Copco Group develops and manufactures a range of products—construction and mining equipment, compressed air equipment, electric and pneumatic tools and assembly systems, and offer related service and equipment rental. The products are sold and rented under different brands through a worldwide sales and service network reaching 150 countries, half of which are served by wholly or partly owned companies.

Atlas Copco began its operations in 1873. The Group owns famous brands such as Atlas Copco, RSC, Milwaukee, Prime Industrial, Chicago Pneumatic, and AEG Power Tools.

Revenues for 2002 totaled MSEK 47,562 (MSEK 51,139), COGS amounted to MSEK 32,803 (35,134), and the operating profit was MSEK 5,261 (6,130) excluding a goodwill impairment charge of MSEK 6,950. The value added generated by the Group was MSEK 20,871 (22,164). Additional figures relating to the financial performance and status of the Group are available in the Annual Report.

Atlas Copco's largest shareholder is the Investor Group, which controls about 21% of the votes. Atlas Copco shares are

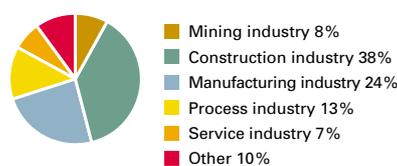
Atlas Copco Group addresses all three sustainability performance dimensions (economic, environment, and social), but with an emphasis on environmental issues. The reporting period for the current report is the calendar year 2002, with historical data provided for 2000 and 2001, where performance data is available and appropriate.

The scope of this report is the Atlas Copco Group, and all policy documents and performance data reported covers the entire Group (including all majority owned subsidiaries and joint ventures), unless otherwise noted. In particular, environmental performance data is at this time only available from the major manufacturing facilities (covering approximately 57% of COGS) and from a representative sample of 39 rental stores in the United States. The addition of selected environmental data for the Rental Service business area is the only significant change in scope since last year's Sustainability Report. Any significant changes in measurement methods for specific performance indicators are disclosed in the relevant sections of the report.

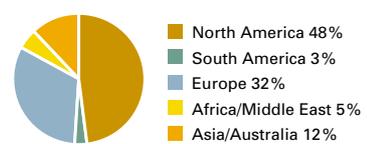
Revenues by business area



Revenues by customer category



Revenues by geographic area



In a Sustainable Society

In approaching a vision of how sustainable development affects the Atlas Copco Group, it is worth asking the question: how do the Group's products, services, and processes contribute to a sustainable society?

It is clear that by developing, manufacturing, and selling or renting products, Atlas Copco creates employment and contributes to economic development. When producing products, Atlas Copco consumes various resources, and these products have environmental impacts when they are used. By treating stakeholders fairly and respecting international human rights, the Group lays a foundation for more equitable and sustainable economic development.

Atlas Copco believes that the products and services do not conflict with the ultimate goal of sustainable development, but rather they are important parts of the global sustainability effort. This does not mean that the products and processes cannot be improved to be even more in line with sustainable development. The Group believes that this should be done in a series of steps, as all improvements involve balancing a number of important economic, environmental, and social issues.

Sustainability challenges

In the economic domain, Atlas Copco has for a number of years generated and distributed an increasing value added to its stakeholders. The challenge is to continue to improve this positive economic impact, while reducing any negative impacts of the Group's operations on each stakeholder. It is the Group's belief that this can best be done by following the well-proven sequence of stability—profitability—growth, while continually improving productivity and developing new and better products.

With regard to environmental performance, the main issue is related to the customers' use and end-of-life disposal of Atlas Copco products. It is therefore of paramount importance that due environmental care is taken in the design and development of new products. The Group strives to make new products with a lesser environmental impact than the previous generation of products, while also continuing to reduce the use of resources in the production process.

The main challenges for Atlas Copco in the social dimen-

sion of sustainability involve recruiting, developing, and retaining professional people, and ensuring that human and labor rights are respected in our operations as well as those of our suppliers and business partners. Throughout the Group, there are ongoing efforts to safe-

guard Atlas Copco's reputation as a great place to work.

Respect for human rights is a basic belief, and management tools are continuously being developed to help monitor performance in this area.

The key challenge is to balance each sustainability dimension so that improved performance in one dimension is not achieved at the expense of poorer performance in the other dimensions. This is accomplished in the every-day work carried out in each Atlas Copco company, guided by Group principles, policies, and procedures.

Atlas Copco included in Dow Jones Sustainability Index

For the third consecutive year, Atlas Copco has been selected as one of only 300 members of the Dow Jones Sustainability World Index (DJSI World), and for the second time as one of 150 members of the European DJSI STOXX index. These are stock indexes used as benchmarks for financial products based on the concept of corporate sustainability and are used to measure the performance of fund managers.

According to SAM Research, which conducts the assessment on behalf of Dow Jones Indexes:

"Atlas Copco AB has a very good overall sustainability performance compared to the industry average. In the economic dimension, Atlas Copco scored above the industry average with a good performance in Corporate Governance. Atlas Copco's management capabilities in the environmental dimension are above average compared to its industry. This is high-lighted by a strong performance in environmental management systems. In addition, Atlas Copco's performance in the social dimension is above average in its industry, especially in public reporting."



Group Policies to Support Operational Progress

Atlas Copco is a highly decentralized Group of companies; the operational responsibility for environmental and workplace issues is delegated to the divisions and their presidents.

Each business area has an environmental coordinator, who in most cases also has other responsibilities in one or more of the divisions. At a Group level, necessary policies and guidelines are established to support divisional progress.

Structure and governance

Atlas Copco is organized in 4 separate business areas, sharing a common vision and identity, corporate culture, and core values, each with its own strategy and structure. The role of the business area management is to develop, implement, and follow up on the objectives, strategy and structure of the business area, including environmental and social performance as appropriate.

The operational responsibility is grouped into separate divisions within each business area, working with specific products, services, and markets. The divisions are normally the highest operational unit in the Atlas Copco organization, and each division is responsible for operating their respective businesses in an environmentally and socially sound manner.

Group Management is responsible for developing and following up Group objectives, strategies, and policies, including updating the Group Environmental Policy and monitoring fulfillment of the Group objective to certify all major manufacturing facilities (product companies) according to the international standard ISO 14001. At Group level, there is a Group Environmental Council, consisting of business area environmental coordinators, which meets periodically to discuss common environmental management problems and share possible solutions.

The Atlas Copco Board of Directors is responsible for setting the overall Group strategy and for oversight of the organization. Environmental and social issues are essentially part of the business strategy and are thus addressed by the Board in the course of reviewing the Group's strategy and management. The Board has 13 members, of which 3 are appointed by the trade unions, and 1 (the President and CEO) has an executive function in the company. Further information on the activities of the Atlas Copco AB Board of Directors is found in the Annual Report.

Environmental policy

The Atlas Copco Group Environmental Policy expresses a commitment to conduct business in an environmentally

responsible fashion, and a vision that the Group's products and services should be in the forefront when it comes to environmental performance.

The Group Environmental Policy also addresses a number of strategic issues that need to be considered in

reducing environmental impact, including implementing environmental management systems (EMS), giving advice to customers, and assessing suppliers and business partners from an environmental perspective.

Within the framework of the Group Environmental Policy, each division has established working procedures, including divisional environmental policies adapted to the divisions' specific environmental and business issues.

The Environmental Policy, which applies to the entire Atlas Copco Group, can be downloaded at the Group's website www.atlascopco-group.com.

Environmental management systems

The main environmental objective for the Atlas Copco Group is to implement environmental management systems (EMS) in all divisions, and ensure that all major manufacturing facilities (product companies) certify their systems according to the international standard ISO 14001.

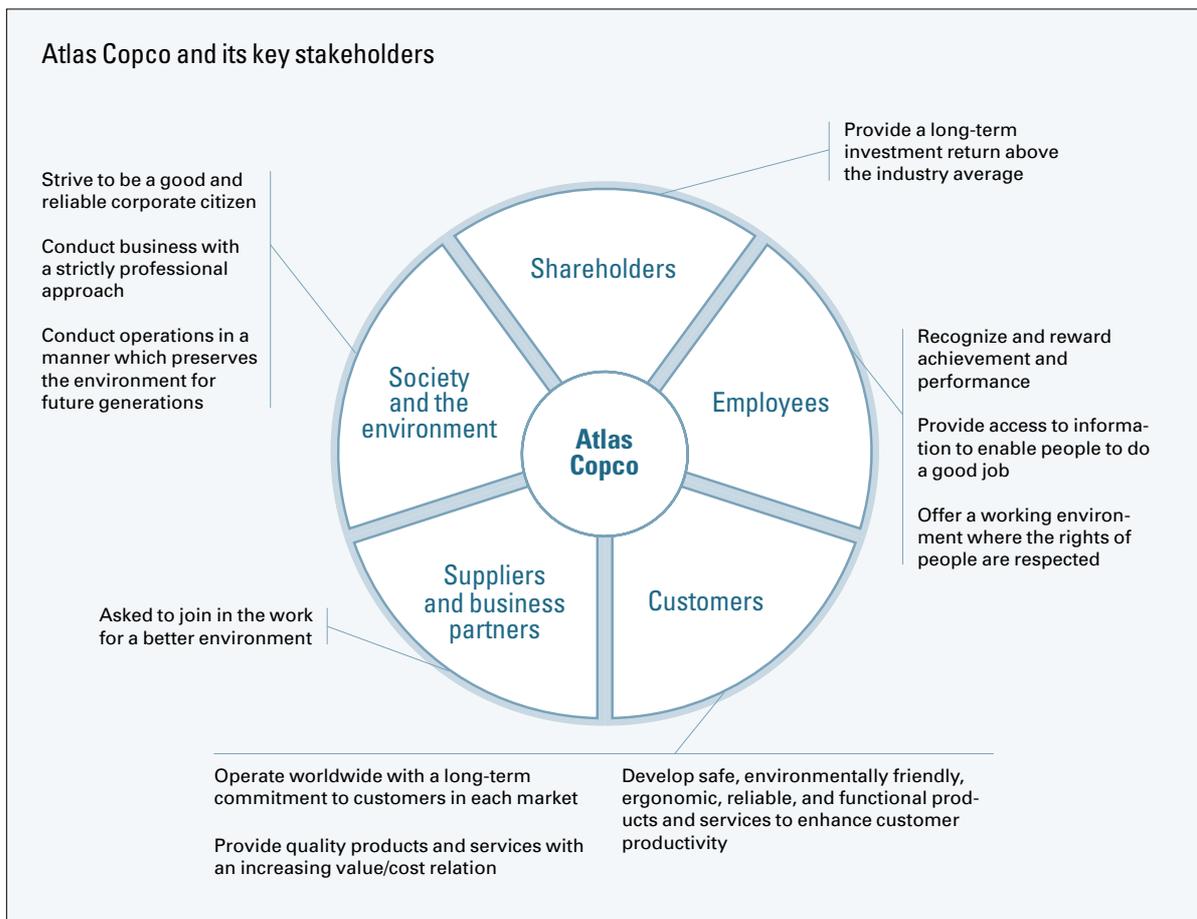
Implementation of EMS is progressing and almost all major product companies have now certified their systems according to ISO 14001. As of year-end 2002, ISO certified management systems have been implemented in product companies representing 80% of COGS, up from 74% in 2001 and 62% in 2000.

"The Way We Do Things"

One of the most important management tools within Atlas Copco is the database of Group principles, guidelines, policies, and instructions, known as "The Way We Do Things." This database contains documents relating to communications and positioning, environmental management, finance, controlling, and accounting, information technology, insurance, legal issues, and people management.

The environmental management section contains instructions and forms for Group environmental reporting as well as Group standards on the use of chemical substances.

Apart from the standards in the environmental management section, there are important environment-related issues in other sections of "The Way We Do Things." It is worth noting that there are requirements to conduct environmental site assessments for all acquisitions and divestments. Furthermore, assess-



ments of environmental compliance are part of the internal audit procedures, which are conducted as required but always when there is a change of General Manager in a company.

Stakeholder relationships

A stakeholder may be defined as someone who can affect or is affected by an organization's activities. A large multinational company like Atlas Copco has many individual stakeholders, making it difficult to take all of them into account at all times. For this reason, Atlas Copco has prioritized those stakeholders

that are crucial for the Group as a business enterprise.

In defining the Atlas Copco Group's core values and basic beliefs, five key stakeholder groups have been identified: shareholders, employees, customers, suppliers and business partners, and society and the environment. Guidelines have been established on how Atlas Copco should behave towards these groups.

There is an ongoing and informal dialogue with these stakeholders, and in this way stakeholder views and expected reactions are constantly being considered in business decisions.

Adding Value for the Benefit of All Stakeholders

The Atlas Copco Group generates a substantial amount of business in the countries where they operate, creating wealth that helps sustain the Group and its many stakeholders. In 2002, the value added generated in total and per employee decreased due to lower sales and production volumes.

Atlas Copco is first and foremost a business enterprise whose primary purpose is to create value for its various stakeholders. The focus has been on generating a good long-term investment return for shareholders, but achieving this goal of course depends on the Group's ability to satisfy other stakeholders. This includes providing customers with quality products and services at reasonable prices, offering employees relevant compensation and working conditions, and contributing to the development and prosperity of the communities in which the Group operates by paying taxes.

One way of expressing economic performance is by tracing the direct economic impacts on various stakeholders as in the statement of value added below. This statement shows the source and monetary amount of value added by the Atlas Copco Group, and how this value is distributed among the various stakeholders. The balance is reinvested in the Group to finance further growth and value creation for the benefit of all stakeholders.

Statement of value added

MSEK		2002	2001	2000
<i>Generation of value added:</i>				
Customers	Revenues	47,562	51,139	46,527
Suppliers	Costs for goods and services	-26,691	-28,975	-25,248
	Value added	20,871	22,164	21,279
	Of which retained in business	-5,887	-6,509	-5,941
	Distributed to stakeholders	14,984	15,655	15,338
<i>Distribution of value added:</i>				
Employees	Wages and salaries	9,275	9,541	8,792
Public sector	Taxes and social costs	3,764	3,559	3,836
Creditors	Interest payments	780	1,430	1,703
Shareholders	Dividend payments	1,165	1,125	1,007

Customers

The source of the value added by Atlas Copco activities is the ability to satisfy the needs of customers, providing them with high-quality, innovative products and services. The products and services contribute to customers' productivity by providing

them with the right products for the application.

Atlas Copco has been in business for 130 years, which in itself is testament to the long-term commitment to customers and the Group's ability to adapt to their requirements. Over this time, Atlas Copco has grown from a small local supplier to a multinational corporation with

98% of revenues originating from outside Sweden. In the past five years, compound annual growth of revenues averaged 10%, mainly due to acquisitions. This is above the Group target of 8% annual revenue growth over a business cycle.

Suppliers

Atlas Copco's suppliers are an integral part of the offer made to customers. The Group's companies depend on suppliers, business partners, and the quality of their work to continue providing high quality products and services to customers. Most suppliers of core assembly components are geographically close to Atlas Copco manufacturing plants. This helps reduce the delivery time and creates local employment.

Employees

About 26,000 people worldwide are employees of the Atlas Copco Group, and the economic activity generated by the Group's business sustains thousands of additional jobs with suppliers and business partners. This is, of course, a huge responsibility. It is critical for Atlas Copco to be considered an attractive employer and thus be able to employ competent people. Treating employees fairly and paying them reasonable wages is fundamental to being a good employer. A number of indicators showing various aspects of the employer-employee relationship are reported in the section on social performance.

Public sector

A portion of revenues generated by Atlas Copco is paid to governments around the world through various duties and taxes. These duties and taxes contribute to economic development as they are used to finance various social and other institutions that are necessary for a well-functioning society, and thus a prerequisite for economic growth. Excluding the effect of goodwill impairment, taxes in 2002 amounted to MSEK 1,513 (1,622) or about 34% (35) of profit after financial items.

The social costs for employees that Atlas Copco pays in most countries contribute to the funding of pensions, unemployment and other social benefits that provide security and improve the quality of life for the employees and their families.

These social costs amounted to MSEK 2,403 or an average of SEK 93,000 per employee in 2002.

Creditors and shareholders

Atlas Copco depends on its creditors and shareholders for funds to finance the asset base that is employed to create added value. Creditors are compensated with regular interest payments for the funding they provide and will eventually be repaid the full value of the amounts borrowed from them. Shareholders receive annual dividends from Atlas Copco, and also have the potential opportunity to make capital gains by selling their shares on the stock exchange.

Atlas Copco has provided increasing dividend payments to shareholders for several years, and the target is to annually distribute 30–40% of earnings per share as dividends. If the shareholders approve the Board of Directors' proposal for a dividend of SEK 5,75 (5,50) per share for 2002, the average dividend growth for the five-year period 1998–2002 will equal 7.1%. The total annual shareholder return (annual dividend plus the appreciation of the share price) has averaged 12.3% per year in the past 10 years. This compares with the corresponding total return for the Stockholm stock exchange, which amounted to 12.9%.

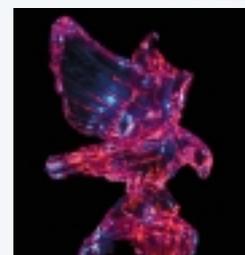
Corporate citizenship awarded

Atlas Copco strives to be a good and reliable corporate citizen wherever the Group does business, and to get involved in local communities in various ways.

Occasionally, these efforts are rewarded by society, as can be exemplified by

Milwaukee Electric Tool's winning of the prestigious

American Eagle Award from the Industrial Supply Manufacturers Association (ISMA). According to the awards committee, Milwaukee was chosen from among 600 U.S. manufacturers because, "...they are truly raising the bar of excellence for how our corporate culture and policies can encourage our employees and communities to live and thrive together for the benefit of both."



Reducing the Use of Resources

In a life cycle perspective, Atlas Copco's main environmental impact results from the use and end-of-life disposal of the Group's products.

In 2002, a number of new products with improved environmental performance have been introduced, and some of these are presented below, along with selected indicators showing the environmental impact of the production process.

The Group environmental information system presently encompasses major manufacturing sites in the Compressor Technique, Construction and Mining Technique, and Industrial Technique business areas (covering approximately 94% of COGS in these business areas).

Environmental performance indicators

	2002	2001	2000
ISO 14001 certification, % of COGS	80	74	62
Energy use, MWh	299,257	308,319	291,045
— <i>in relation to COGS</i>	16.7	16.6	17.2
Water use, m ³	391,042	401,583	441,817
— <i>in relation to COGS</i>	21.9	21.6	26.1
Packaging materials, tonnes	16,055	16,467	15,568
— <i>in relation to COGS</i>	0.90	0.89	0.92
CO ₂ emissions (energy), tonnes	76,390	77,083	74,361
— <i>in relation to COGS</i>	4.3	4.1	4.4

Environmental management systems (EMS)

The single most important Group environmental objective is to ensure that an EMS is implemented in each division, and that all major product companies are certified according to the international standard ISO 14001. Good progress has been made in the past few years, and as of year-end 2002, 80% of the Group's manufacturing and logistics capacity was ISO certified. This is a substantial and rapid increase since Atlas Copco Electric Tools in Germany was awarded the first ISO 14001 certificate in 1997.

The Rental Service business area has developed and is in the process of implementing an EMS based on the ISO 14001 standard. The EMS includes an environmental manual for store operations and a proactive remediation plan for dealing with contaminated sites.

Energy use

The use of energy has been identified as a significant environmental aspect in several manufacturing facilities, and programs have been initiated to reduce the use of energy as much as possible.

Energy use is closely related to the level of production activity, and increased production will often result in more energy being used. In 2002, the Group's energy use decreased from 308,319 MWh to 299,257 MWh in absolute terms, but increased marginally (from 16.6 to 16.7) when adjusted for production volume, as expressed by COGS.

Most of the energy used is purchased from utility companies, but some energy is also generated on site using various fossil fuels, mainly natural gas. Fuels are also used for product testing and for trucks and other equipment used on site.

Water use

During 2002, Atlas Copco used 391,042 m³ of water in the Group's production processes, a decrease of 2.5% from 2001. This reduction is mainly due to the implementation of water conservation programs at CP Georges Renault in France, Atlas Copco Compressor and Expander Technique, and Milwaukee Electric Tool in the United States, and other sites.

Since the Group's production has decreased slightly in 2002, the average amount of water used per MSEK COGS has increased from 21.6 m³ in 2001 to 21.9 m³ in 2002. More than 75% of this water was used in countries suffering from so-called "water stress" (defined as countries with a fresh water supply per person of less than 1,700 m³ per year), including Belgium, Germany, and the United States.

Materials use

The Group's production processes mostly involve machining and assembly of prefabricated components manufactured by suppliers in accordance with Atlas Copco specifications. As such, there is only a limited consumption of materials in the operations, although when seen in a life cycle perspective, materials used is certainly an issue taken into consideration when designing products.

Presently, the Group's environmental information system does not consistently track materials used in the production process, apart from selected chemical substances. However, the use of packaging materials is a significant part of the Group's total environmental impact, and a number of manufacturing sites have programs in place to reduce this consumption.

In 2002, 16,055 tonnes of materials was used for packing products or parts leaving the manufacturing sites. This amounts to approximately 900 kg per MSEK COGS, which is only marginally more than in 2001. The most common packag-

ing materials are wood, paper, and cardboard, accounting for almost 70% of the total mass. The remaining 30% consists mainly of various plastic materials and steel carrying cases used for electric tools.

CO₂ emissions

Carbon dioxide (CO₂) contributes to global warming and can therefore potentially affect the Earth's climate. CO₂ is produced when fossil fuels are burned either in the course of energy production or for transportation purposes.

At this time, only CO₂ emissions resulting from energy production can be measured reliably.

The method used to calculate CO₂ emissions has been modified in 2002, and the quality of the data should improve with the use of standardized conversion factors. The values for 2000 and 2001 have been adjusted appropriately.

The total calculated CO₂ emissions from energy production (both on and off site) was close to 76,500 tonnes in 2002, which is practically unchanged from 2001, and only a marginal increase of 5% (from 4.1 to 4.3) when adjusted for changes in production volume (in terms of COGS). The CO₂ emissions from energy production are only indirectly within the Group's control, and more than 60% of these emissions occur at the suppliers' power plants.

Products and services

With a life cycle perspective it becomes apparent that Atlas Copco also has a significant indirect environmental impact in the supply chain upstream, and especially downstream during the product use phase. A number of environmental reviews and life cycle assessments have shown that energy consumption, oil leakage, noise, and dust emissions are the most significant environmental impacts that occur during the useful life of the products. Energy efficiency is also an important aspect of the value/cost relation of many Atlas Copco products, as lower energy consumption means lower operating costs for the customer.

All product development takes these and other relevant environmental and ergonomic aspects into consideration in order to minimize future negative impacts. There are numerous examples of environmental improvements being made to products in all business areas. One example is the energy-efficient Variable Speed Drive (VSD) compressors, of which there is now an extended range.



Efficient use of the Internet reduces environmental impact

A number of Atlas Copco divisions are increasingly making good use of the Internet to help improve customers' productivity while simultaneously reducing the environmental impact of Atlas Copco products. One example is the use of Internet communication between drillrigs operating in mines in Kiruna in northern Sweden and the technical office of Atlas Copco Rock Drilling Equipment in Örebro, allowing service personnel to identify potential problems from a distance. A similar system is already in place for many Atlas Copco compressors, and for some time now all operating manuals for compressors have been downloadable from the Internet.

New portable compressors meet the toughest environmental requirements

In line with Atlas Copco policy on product development, the new range of large portable compressors has been designed to set the highest environmental, quality, and cost efficiency



standards. All compressors are

compliant with the European Outdoor Noise Directive 2000/14/EC, which means that units can run in the vicinity of hospitals, schools, and residential areas, even at night.

Furthermore, the compressor frames are totally sealed to prevent potential leakage of oil and other liquids, and all engine types are compliant with Tier II/Stage II exhaust emission standards in both the United States and Europe.



Recently ISO 14001 certified sites make significant progress

During 2002, a number of Atlas Copco manufacturing facilities attained ISO 14001 certificates for their environmental management systems. Atlas Copco Tools in Tierp and Nacka, Sweden, CP Desoutter in Hemel Hempstead, Great Britain, and Atlas Copco Craelius in Märsta, Sweden, are among those certified, and now 80% of Group COGS are covered by certified EMS. Significant environmental improvements have already been achieved in each of these facilities, including new surface treatment processes with less environmental impact, replacement of toxic degreasers and ozone depleting cooling agents, as well as increased recycling of waste.

Rental Service environmental performance data



The Atlas Copco environmental information system is constantly being developed and extended to include additional aspects of environmental impact and to cover a larger portion

of the Group's activities. During 2002, a first attempt has been made to measure selected environmental performance indicators for the Rental Service business area, with a focus on electricity and water use, fuel, and waste management used for transports.

The project involved 39 rental stores of varying sizes in different regions, with the intention of gathering data that could be considered representative of the business area's resource use. The results are presented in the table, showing data for the 39 surveyed stores and a weighted estimate for all rental stores based on the sampled data. The totals are also expressed as eco-efficiency indicators in relation to business area COGS (MSEK) for 2002.

Resource use	Surveyed stores	All stores	Per COGS
Electricity (MWh)	4,188	47,367	4.6
Fuel (m ³)	2,934	37,647	3.7
Water (m ³)	47,069	410,434	40.1
Liquid waste (m ³)	475	6,365	0.6
Solid waste (kg)	2,085	64,843	6.3



The importance of good ergonomics

Ergonomics is a science of growing importance. Local research institutes in all major industrialized countries work to prevent occupational injuries and evaluate injuries that happen. Health authorities prepare directives on safety and physical load factors.

The movement started in Europe, and in Sweden in particular, where authorities and workshop managers studied the effects working conditions could have on human beings. Atlas Copco joined early on, and many divisions within the Group have been involved.

Bo Lindqvist at the Atlas Copco Tools and Assembly Systems division took an early interest in the effects that working with hand tools could have on the operator. Bo's research has resulted in several publications and a method for evaluating the ergonomics of a tool using multi-factor analysis.

This method is very useful in optimizing the ergonomics of tool designs because, as Bo Lindqvist says: "There are no ergonomic tools, but there are tools that are more or less ergonomic. A tool design will always involve compromising various factors. For instance, increasing the weight of the tool may result in less vibration, but also greater encumbrance."

The multi-factor evaluation method has received a lot of attention in recent years, and has helped Atlas Copco customers select the tools with the best ergonomics, while making them aware of health risks and how to avoid them, and teach-



ing everyone in production more about ergonomics.

Good ergonomics helps keep operators fit and boost their productivity. It is also a sign of concern for the skilled operator. A workplace with correct working postures, a correct movement pattern for the operator, and tools and equipment with good ergonomics greatly help.

Compressor Technique Energy Savings Systems

With the new Energy Savings (ES) systems, several types of compressors can be centrally controlled, including Variable Speed Drive (VSD) machines and turbo compressors. Central control permits a more precise control of the air pressure and the compressors can therefore run in a narrower pressure band. This results in a lower average net pressure, less air leakage, and reduced energy consumption.

Thanks to sophisticated algorithms in the ES system, the right size and type of compressor will be stopped or started at the right

time, resulting in further energy savings. With variable flow machines, the ES system keeps the compressors in their optimum operating zone as much as possible, resulting in a more efficient compressed air production.

Installing an ES system will help a customer save energy. How much energy is saved will depend on the type of compressor and the application for which it is used, but in most cases savings up to 20% can be expected.



Improving Workplace Performance

Atlas Copco endeavors to be—and be recognized as—a good employer, and in this report the focus is on employees and a selection of workplace performance indicators. In 2002, workplace health and safety has improved, while the average number of employee training hours has remained constant.

Workforce structure

There is a majority of male employees, with 18% of the total workforce and 10% of managers being female. This proportion has been fairly consistent over a number of years, and is common for industrial companies in the engineering sector. Please note that the proportion of female managers was previously reported as percentage of general managers and presidents. Now it refers to all managers in the Group.

Similarly, the age distribution of employees has remained stable, although there has been a slight rejuvenation of the workforce during 2002, as can be seen from the table. The majority (57%) of (non-United States) employees are in the 30–50 age bracket, with the remaining 43% fairly evenly divided between the below 30 and above 50 age brackets.

Promotion of diversity and equal opportunities is a part of Atlas Copco's basic beliefs. It is made quite clear in the internal policy database, "The Way We Do Things", that all employees should be selected and placed in an appropriate position solely on the basis of their qualifications for the work to be performed, and regardless of, for example, race, religion, age or sex.

Workplace performance indicators

	2002	2001	2000
Average number of employees	25,787	26,201	26,392
Workforce structure			
Female employees, %	18	18	17
Female managers, %	10	9	9
Employees ¹			
Below 30 years, %	23	21	21
Between 30 and 50 years, %	57	59	59
Above 50 years, %	20	20	20
Health & safety			
Number of accidents per million hours worked ²	32.1	34.1	29.6
Sick-leave days, %	3.0	-	-
Competence development			
Average number of training hours per employee	35.2	35.2	24.8

1) Excluding United States.

2) Data for 2000 excludes Rental Service business area.

To have competent and committed people in order to bring the Group forward in line with its strategy is part of the vision, and great emphasis is put on the competence development of employees. People are encouraged to take responsibility, ask questions, and work in different positions throughout the Atlas Copco Group.

To promote job mobility there is a well-functioning International Job Market within the Group where all vacant positions are posted. To support professional development each employee is entitled to an annual performance appraisal and one-on-one discussion with their immediate superior.

The Group human resources department continually tracks a set of employee-related indicators measuring competence, training, job mobility, and other aspects of workplace performance. Information on health and safety performance is available at the divisional level, and is not ordinarily monitored at Group level. However, these issues are of course also important aspects of Atlas Copco's workplace performance.

Health and safety

The well being of Atlas Copco employees is a key concern. Unfortunately, accidents in the workplace do happen occasionally, but the frequency of such work-related accidents is continually being reduced—from 34.1 per million hours worked in 2001 to 32.1 per million hours worked in 2002. This is mainly due to substantial improvements in the Rental Service business area.

The Atlas Copco definition of a work-related accident includes illness or injury resulting in loss of consciousness, restriction of work or motion, or transfer to another job, and requiring medical treatment beyond first aid. This does not include accidents occurring when travelling to or from work.

During 2002, sick-leave has been monitored and reported as a new indicator of employee health and safety. Sick-leave is defined as absence from work due to the employee's own illness, and does not include absence due to child care or care of relatives and next-of-kin.

In many countries there is an increasing focus on the escalating levels of sick-leave in the workforce. There is as yet no consensus on the causes of or cures for high levels of sick-leave, but it is clear that this is a potentially expensive health and safety



Interaction with local schools

Nowadays young people appear to be less interested in studying technical subjects in high schools and universities. Atlas Copco Secoroc in Fagersta, Sweden, has started a program together with the municipality and other local employers to revive youths' interest in the manufacturing sector. The three-year program involves the creation of a number of dialogue groups, as well as

various activities such as student visits to the manufacturing site and company visits to the schools, including regular exhibitions and some direct participation in the students' courses.

Atlas Copco in Austria achieves OHSAS 18001 certification

As the fourth company in Austria, Atlas Copco MAI was certified according to the international health and safety standard, OHSAS 18001, in 2002. One of the most important tasks in the OHSAS 18001 certification process was to properly evaluate working conditions to discover and prevent possible safety risks. Rather than creating yet another management system, the health and safety system was integrated with the existing quality management system, which was already certified according to the ISO 9001:2000 standard. The implementation of ISO 14001 in 2003 will complete the company's Generic Management System covering environment, quality, and health and safety.



problem for employees, employers and society in general. For the Atlas Copco Group, a sick-leave indicator of 3.0% (number of sick-leave days in relation to total number of working days) is reported for 2002, and this indicator will be continually monitored in the future.

Competence development

Developing employee competence is crucial both to business success and to personal development, and ongoing training activities take place throughout the year. In 2002, employees

received an average of 35.2 hours of training, which is unchanged from 2001. The Atlas Copco Group goal is an average of 40 hours of training and development per employee per year.

The indicators for competence development include many different types of training and development, and there are numerous training programs tailored to different employee categories throughout the Group. These programs are usually designed and carried out locally, but for about 300 general managers there is a specific Group training program.

Environmental Policy

Vision and Belief

Atlas Copco aims to be—and to be recognized as—the industry leader in environmental protection in the application areas served by our products and services. As a part of this, all processes, such as development, production, administration, distribution and transportation, shall be assessed from an environmental perspective.

Atlas Copco shall conduct its businesses so that the environment is preserved. By doing so, the Group will best serve the interests of its customers, employees, shareholders, and the communities in which it is present.

Strategy

Environmental Management System

The Divisions in the Atlas Copco Group shall conduct their businesses in a manner that does not put nature and people at risk. Environmental Management Systems (EMS) shall be implemented in all Divisions. All major Product Companies shall be certified according to ISO 14001. Compliance with all local environmental legislation and regulations is mandatory in all operations, processes, products, and services.

Continuous improvements

Atlas Copco shall continuously improve Group policies and environmental performance, taking into account new developments and needs.

Training

All employees shall be given awareness training on the ecological system that we as individuals impact in the course of our employment responsibilities.

Environmental assessment

Atlas Copco's Divisions shall assess and consider environmental impacts before starting any new activity or project and before moving onto or leaving a site.

Products and services

Atlas Copco shall design, manufacture and market products for safer operations, and with ergonomic features to enhance the productivity of our customers. The Group's products shall have as little impact as possible on the ecosystem during their life cycles and the goal is to have products with the best environmental performance in the industry. All product development processes shall take environmental aspects into consideration in order to minimize each product's possible negative environmental effects.

Advise to customers

Atlas Copco shall inform its customers about the environmental impact of our products and services and advise our customers on the safe use, transportation, storage and disposal of products provided, and provide similar support for services.

Operations

The Group shall strive to ensure that work sites—production facilities, rental yards, service workshops, distribution centers and offices—operate in a way not to have an adverse environmental impact on the air, ground, or water. Energy shall be used as efficiently as practical, thus demanding less from the environment. All transports, from suppliers and from our own sites, shall be organized so that the environmental impact is optimized.

Suppliers and Partners

Atlas Copco's suppliers and partners shall be evaluated and monitored from an environmental perspective in our work for a better environment. Their ability to assist us in our environmental efforts shall be one factor in our process of selecting suppliers.

Transparency

Atlas Copco shall have a positive attitude toward each and everyone who takes an interest in the Group's environmental performance and shall have the ambition to openly share information relating to the Group's environmental impact.

Environmental reporting

Environmental performance shall be measured at the divisional level, and consolidated for the Group once a year. The Atlas Copco Group shall provide information about the progress of its environmental performance, both internally and externally.

Implementation and Responsibility

Each Division President has the operational responsibility for the environmental performance of his/her division and for the implementation of an Environmental Policy. Each division shall adopt an Environmental Policy within the framework of the Atlas Copco Group Policy. The divisions should identify environmental indicators and establish systems for monitoring environmental progress relating to this area.

Group Management is responsible for a continuous updating of the Group Environmental Policy.

Follow-up

The Group's environmental performance will periodically be followed-up on Group Management meetings.

Stockholm, Sweden, July 2002



Gunnar Brock
President and CEO

Contacts

To help the Group develop future sustainability reports so that they are useful and relevant to your needs, we would appreciate your feedback on the contents and format of this report. You can send general comments or questions relating to this report to any of the following people at Atlas Copco Group Center:

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Definitions

Carbon dioxide (CO₂) The most common greenhouse gas found in the atmosphere.

Cost of Goods Sold (COGS) All costs incurred to manufacture goods (and provide services) to be sold, including costs for material, salaries, and depreciation of equipment, but excluding overhead costs for marketing and administration.

Environmental Management Systems (EMS) The part of the overall management system that includes organizational structure, planning activities, responsibilities, practices, procedures, processes, and resources for developing, implementing, achieving, reviewing, and maintaining the environmental policy. An EMS involves a systematic and documented approach to environmental management.

Fossil fuels Fuels originating from organisms of an earlier geological age, including coal, oil, natural gas and peat.

ISO 14001 An international standard, developed by the International Organization for Standardization (ISO), for setting up and certifying environmental management systems.

Life Cycle Assessment (LCA) A method for assessing the total environmental impact of a product or service "from cradle to grave," including all phases of production, use, and final disposal.

Megawatt hour (MWh) A measure of electrical energy equal to the power provided by one megawatt in one hour. Mega is the metric prefix for one million.

Operating profit Revenues less all costs related to operations, but excluding financial items (income and expenses) and taxes.

Stakeholder An individual or group who can affect or is affected by the activities of an organization.

Sustainability Meeting the needs of the present without compromising the ability of future generations to meet their own needs. Improving quality of life for everyone, now and for generations to come. Sustainability has three dimensions: economic, environmental, and social sustainability.

Value added A measure of the company's productive contribution, that is, the value added through processing and other activities. Calculated by deducting costs for the purchase of raw materials, wholly and semi-finished goods and services from revenues.

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