

ANNUAL REPORT

**Atlas Copco**  
**1988**



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### Cover Photo:

**Atlas Copco's vertical grinding machines are used for tough jobs such as rough grinding, rust removal and cut-off operations. They possess built-in ergonomic characteristics such as vibration-dampers which reduce the risk of injury.**



# 1988

## Sales

*Invoiced sales rose 11 percent to SEK 12,812 m. (1987: 11,520).*

## Earnings

*Earnings after financial items increased by 46 percent to SEK 1,155 m. (789).*

## Acquisitions

*Secoroc, a leader in rock drilling equipment, the French tool manufacturing company, Ets. G. Renault, and the Swedish component manufacturer Hydro-Pneumatic were acquired during the year.*

## Dividend and earnings per share

*The Board proposes a dividend of SEK 8.50 per share (7.50). Earnings per share increase to SEK 26.10 (15.95).*

## Bonus share issue

*The Board proposes a bonus share issue, with one new B share for three old A shares.*

## Outlook 1989

*Continued increase in earnings anticipated in 1989.*

## ATLAS COPCO GROUP

"Nineteen eighty-eight was Atlas Copco's best year ever. There was growth in all business areas."

Page 32

## COMPRESSOR TECHNIQUE

"Increased sales volume and reduced cost levels resulted in a marked improvement in profitability."

Page 34

## CONSTRUCTION AND MINING TECHNIQUE

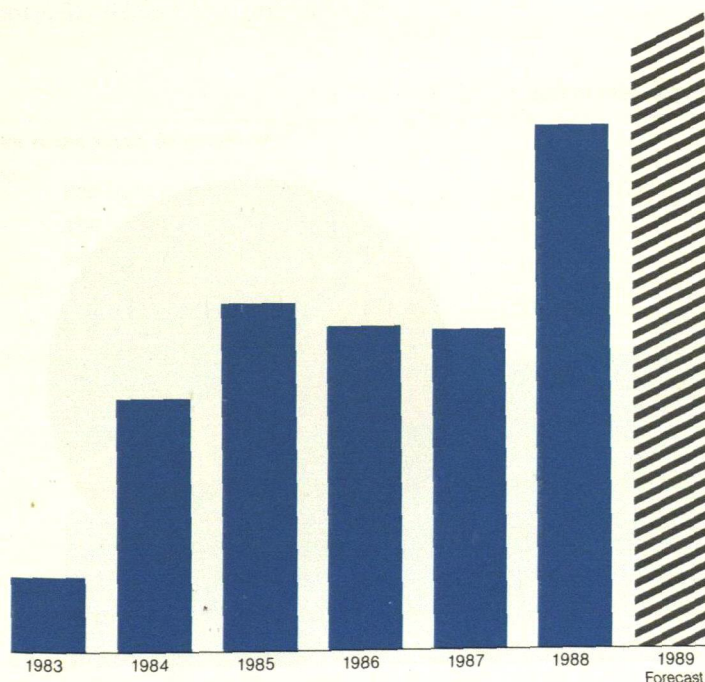
"Through the acquisition of Secoroc, Atlas Copco became the world's largest supplier of complete rock drilling equipment."

Page 40

## INDUSTRIAL TECHNIQUE

"All business lines increased their market shares and reported excellent earnings."

Page 46



Trend of earnings per share



# ATLAS COPCO TODAY

The Atlas Copco Group has invoiced sales of SEK 12.8 billion and employs a total of approximately 19,000 persons in development work, production, marketing and administration.

Atlas Copco markets around 3,000 products and services to 250,000 registered customers throughout the world within three Business Areas:

### Compressor Technique:

- Stationary compressors for industrial applications
- Portable compressors for the building and construction industry
- Air and gas compressors for the process industries

### Construction and Mining Technique:

- Drilling rigs for tunneling and drifting, etc
- Rock drilling equipment and breakers for contracting operations
- Rock drilling tools
- Fuel-powered drills/breakers for construction work

### Industrial Technique

- Hand-held power tools
- Assembly systems
- Pneumatic and hydraulic components and systems

Within these three Business Areas, Atlas Copco markets products, equipment and systems designed to make a significant contribution to increasing the productivity of its customers.

Atlas Copco is the world's leading company within these specialist Business Areas. The Group has attained this position through a comprehensive program to improve efficiency, aggressive product development and marketing as well as through strategic acquisitions of companies. Product development is carried out in close cooperation with customers and end-users.

### Worldwide sales organization

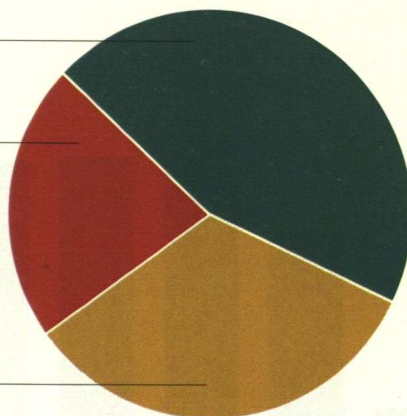
Atlas Copco has a well-established marketing organization, with its own sales companies in 50 countries and independent distributors in another 85 countries.

#### SALES BY BUSINESS AREA IN 1988

Compressor Technique 45%

Industrial Technique 22%

Construction and Mining Technique 33%



**Atlas Copco's operations are concentrated to three business areas.**



As a result of its worldwide sales organization, Atlas Copco occupies a very strong position and is the leading supplier in its field in most markets.

#### Production in 17 countries

Atlas Copco has 43 manufacturing units in 17 countries. The greater part of its production takes place in plants located in the European Community. Within the EC, the Group manufactures stationary and portable air compressors in Antwerp, Belgium and Belfort, France, while gas compressors are manufactured in Cologne, West Germany. Drilling rigs are manufactured in Bremen, West Germany, pneumatic breakers and down-the-hole rock drills are manufactured in Hemel Hempstead, Great Britain, and power tools and assembly systems in Nantes, France.

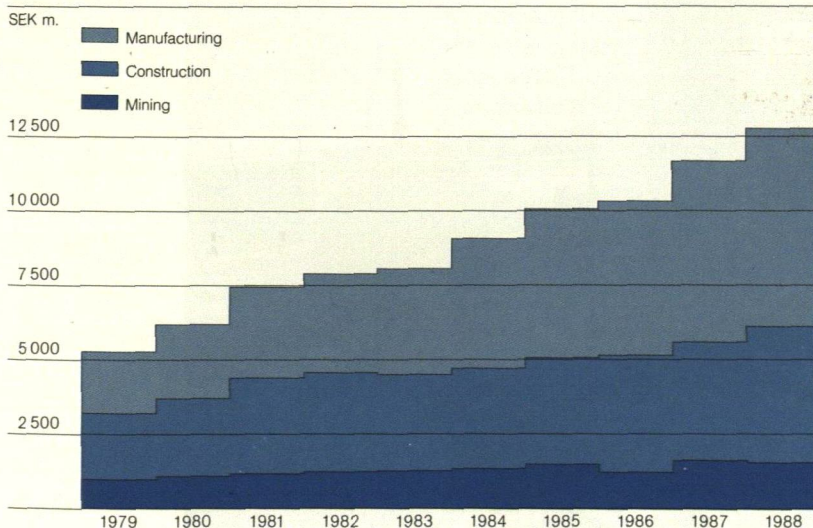
#### Strategy

Atlas Copco's strategy is to continue to be the world's leading company in the three Business Areas mentioned above. To achieve this goal, all

Group units focus on supplying high-quality products that will significantly improve the productivity of their customers. Strong marketing programs and the acquisition of suitable companies are also an important step in the Group's efforts to maintain and strengthen its leading position.

A company is subject to constantly changing conditions. Thus, the organization must always be prepared to adapt the company's capabilities to meet new situations. Atlas Copco's strategy is to adapt and change the Group so that increasing emphasis is placed on the exchange of ideas, know-how, materials and products between Atlas Copco and its customers, and between various units within the Group.

#### TEN YEARS SALES, BY INDUSTRY

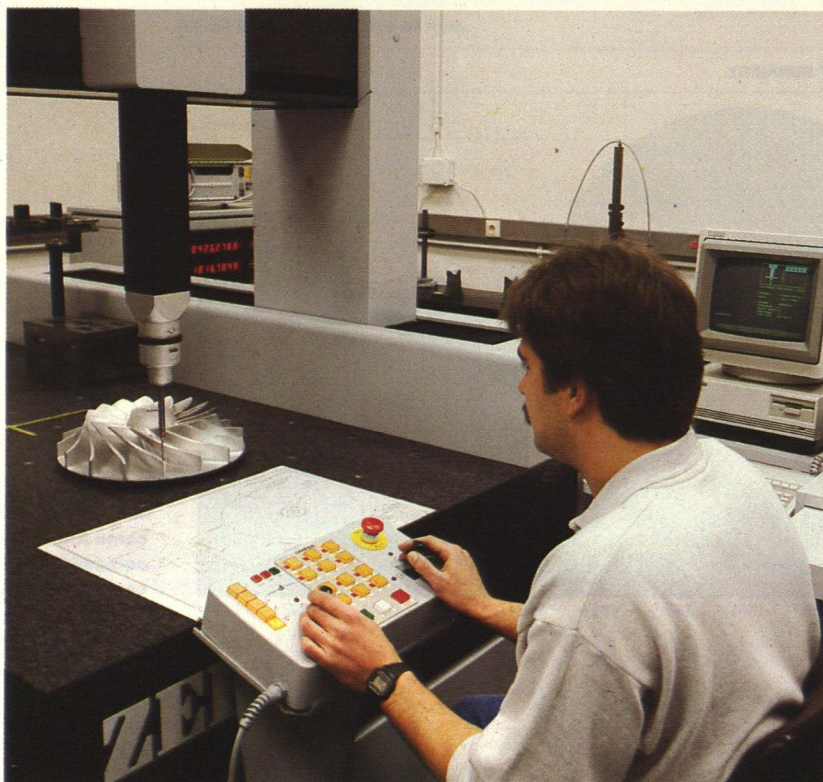
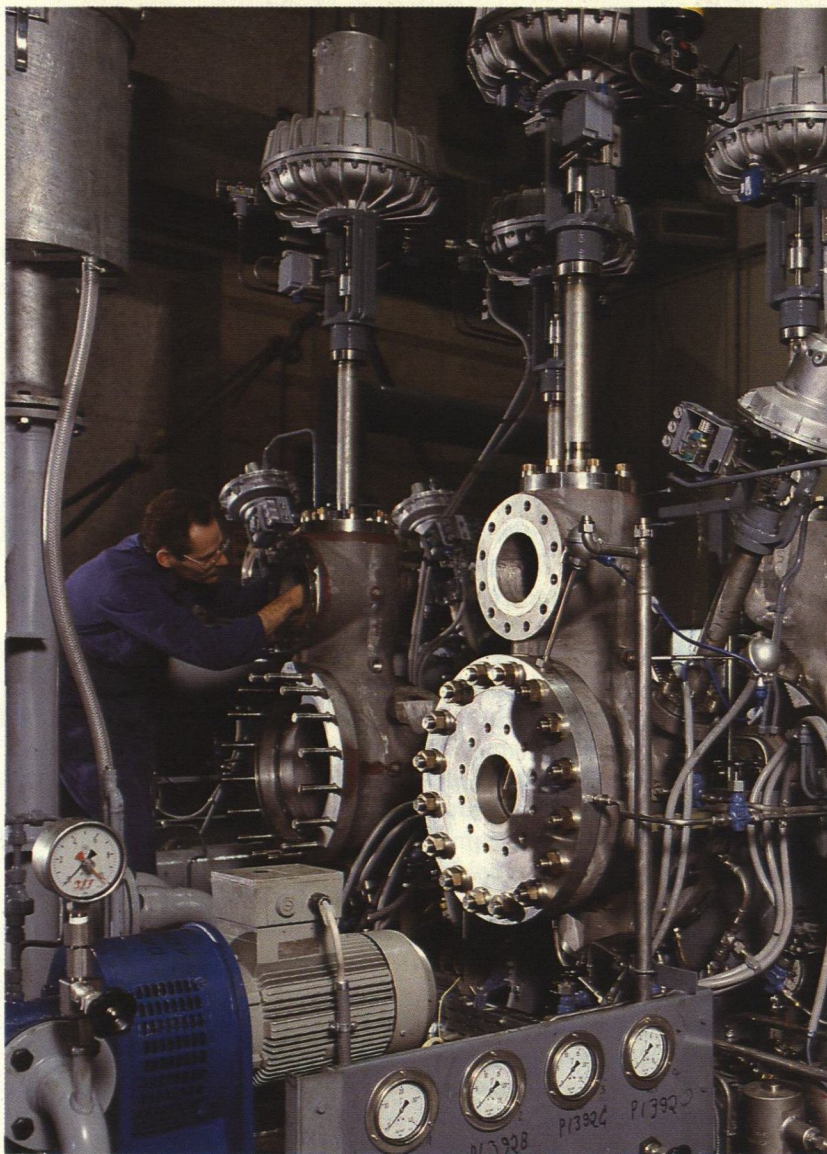


During the past 10 years, the manufacturing industries have gradually become Atlas Copco's largest customer category, and now account for 52 percent of the Group's total sales.



# ATLAS COPCO TREAT

High-quality products and service are very important factors in Atlas Copco's success. The safety and reliability of each product is exposed to meticulous quality controls throughout the manufacturing process and all products receive a final inspection prior to delivery. Customers are thereby assured of high productivity in their own operations.



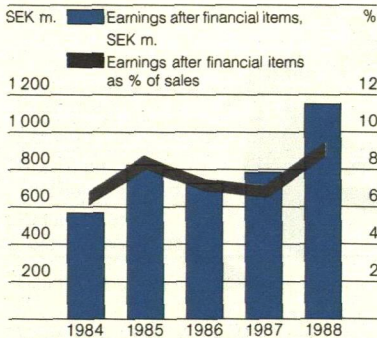


# BOARD OF DIRECTORS' REPORT ON 1988 OPERATIONS

SEK m. unless otherwise indicated

## THE ATLAS COPCO GROUP

### EARNINGS AND PROFIT MARGIN



	1988	1987
Invoicing	12,812	11,520
Value increase, %	+11	+11
Order bookings	13,533	11,797
Value increase, %	+15	+11
Profit after financial items	1,155	789

*Invoiced sales of the Atlas Copco Group in 1988 amounted to SEK 12,812 m., an increase of 11 percent over sales of SEK 11,520 m. in the preceding year. Based on comparable units, the increase was 8.3 percent. Markets outside Sweden account for 92 percent of Group invoiced sales.*

*Order bookings rose 15 percent to SEK 13,533 m. (11,797).*

*Earnings after financial in-*

*come and expenses increased 46 percent to SEK 1,155 m. (789), equal to 9.0 percent of invoicing (6.8). After extraordinary items, earnings amounted to SEK 1,158 m. (987).*

### Forecast

*Investments in machinery are expected to increase throughout 1989 in all industrial countries, with the exception of the Nordic region. The rate of increase may, however, be somewhat lower than in 1988.*

*Present business trends and the pace of rationalization indicate that earnings should improve further in 1989.*

## Structural changes

The Group's operations are divided into three business areas:

*Compressor Technique*, comprising the Atlas Copco Airpower and Atlas Copco ACT divisions.

*Construction and Mining Technique*, consisting of the Atlas Copco MCT, Secoroc and Berema divisions.

*Industrial Technique*, comprising the Tools, Assembly Systems and Components business lines.

During the year, the Group acquired all the shares in Secoroc AB, which manufactures and markets rock drilling tools. Secoroc was consolidated in the Atlas Copco Group accounts, effective July 1, 1988, with sales amounting to SEK 556 m.

Two acquisitions were made in the Industrial Technique business area - HydroPneumatic AB, in Ulricehamn, Sweden, and Ets. G. Renault S.A., in Nantes, France. The latter company was acquired in De-

cember, and consequently did not affect income during 1988. (See page 52).

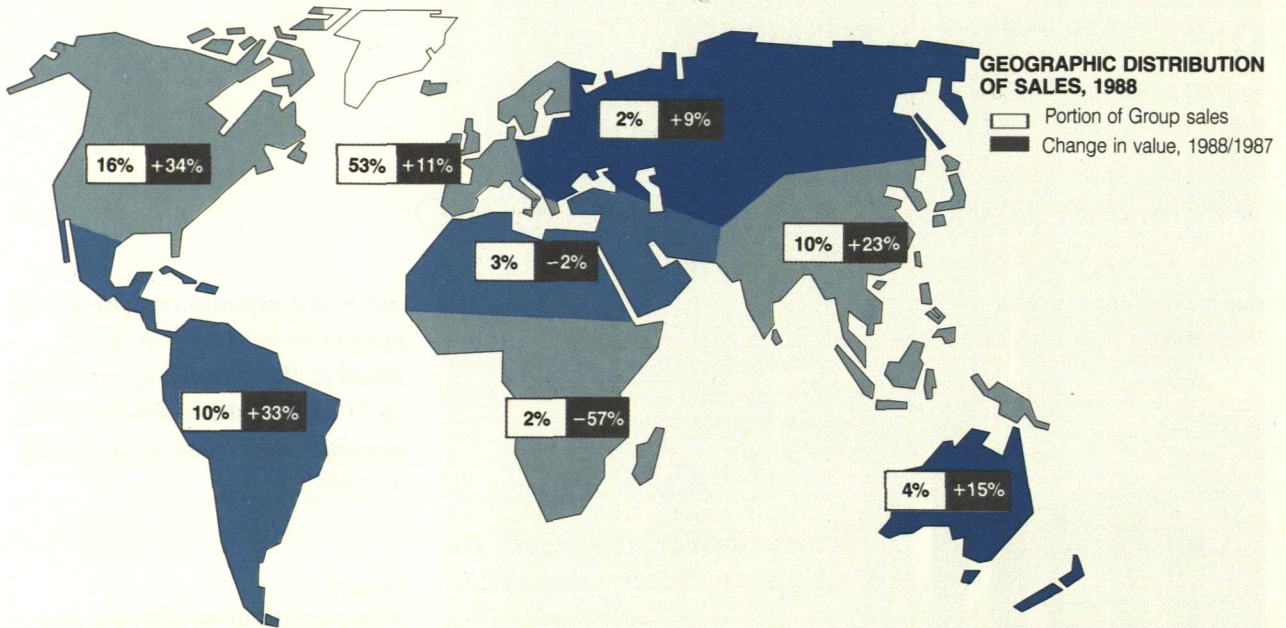
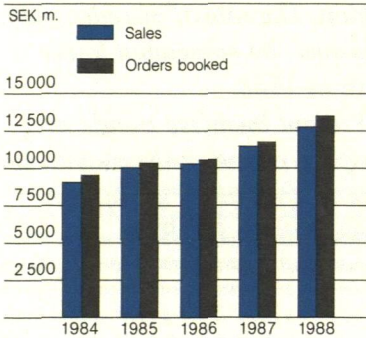
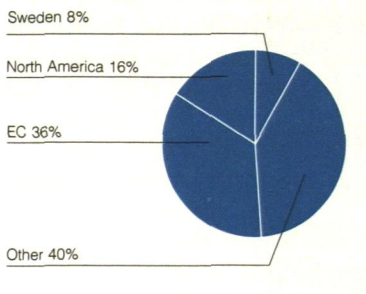
In December 1988, Atlas Copco Industrial Technique AB, in cooperation with other ownership interests, formed a new company, AC Greiff Ytbehandling AB, to facilitate the restructuring of the Group's finishing operations. All shares in Atlas Copco Finishing AB, Atlas Copco Finishing S.A. (in Belgium) and Atlas Copco Icotron AB were transferred to the new company, in which Atlas Copco has a minority share.

The Berema subsidiaries, Atlas Copco ABEM AB, Flodins Filter AB, KGK Mek. Verkstad AB and Toolex Alpha AB, were divested, with effect from January 1, 1988.

Delfos & Atlas Copco (Pty), South Africa, is no longer a part of the Group, effective January 1, 1988 when management responsibility was taken over by the South African majority shareholders.



## BOARD OF DIRECTORS' REPORT

**SALES AND ORDERS BOOKED****SALES BY GEOGRAPHIC AREA****Market summary**

The 1988 fiscal year was characterized by a favorable business climate, which resulted in a substantial increase in world trade, high industrial production and rapidly rising metal consumption. Total worldwide investments in machinery rose 6 percent, compared with the preceding year. Atlas Copco's sales increased somewhat more.

Sales of industrial compressors to the *manufacturing industries* continued to rise. Demand was high in the European Community (EC) countries, North America and East Asia. The Industrial Compressors business line accounted for one-fourth of the Group's total sales. Increased use of compressed air in new industrial applications contributed to the sales volumes growth.

Sales of industrial tools increased in practically all parts of the world. Engineering industries, particularly manufacturers of cars, trucks and aeroplanes, are the Group's principal customers.

Sales to the manufacturing industry comprised 52 per cent of Atlas Copco's total sales.

In the *building and construction market*, demand in the EC and Japan continued to rise, and several large construction projects are under way. Sales of drilling equipment, for both underground and surface applications, as well as sales of portable compressors increased, especially in

the major EC countries, but also in the U.S. and Brazil. Demand in developing countries weakened, particularly in oilproducing countries.

The building and construction sector accounted for 36 percent of total sales.

As a result of increasing metal consumption, as well as a rise in metal prices, the *mining industry* invested in equipment to increase mechanization. Consequently, sales of rock drilling equipment and rock drilling tools increased substantially in Australia, Canada and Chile, among other countries.

The mining industry accounted for only 12 percent of Group sales.

**Sales companies operations**

Atlas Copco has gradually strengthened its position in the world market. During the 1980's, sales have focused increasingly on western industrial countries. As a result, the sales companies in Western Europe, North America and Japan now account for an increasing portion of invoiced sales.

During 1988, EC countries accounted for 36 percent of total sales, compared with 30 percent ten years ago. During 1988, the largest successes were noted in the United Kingdom, France, Italy, Spain and Portugal. Sweden's share of sales remained unchanged at 8 to 9 percent during the same period. North America's share was 16 percent in 1988.



## Financial summary and analysis

### Earnings

	1988	1987
Profit margin, %	9.0	6.8
Earnings per share, SEK	26.10	15.95
Return on capital employed, %	19.0	15.0
Return on risk-bearing equity capital, %	16.9	12.4

Definitions of key figures, page 20.

Earnings after financial income and expenses for the Atlas Copco Group increased 46 percent to SEK 1,155 m. (789). The profit margin was 9.0 percent (6.8). Earnings per share, estimated after full tax and full conversion, amounted to SEK 26.10 (15.95). Earnings after extraordinary items amounted to SEK 26.35 per share (26.20).

Return on equity, after tax, increased to 14.7 percent (10.9). Return on risk-bearing equity capital, after tax, amounted to 16.9 percent (12.4).

### Earnings analysis

Operating profit after depreciation improved by SEK 256 m. to SEK 1,448 m., corresponding to a profit margin of 11.3 percent (10.3). The profit improvement in 1988 is attributable to continuing rationalization measures, intensive marketing programs and a growth market.

The Group has been able to reduce cost levels for administration in relation to invoicing. The effects of the measures already implemented will improve further in the next couple of years.

Cost depreciation during the year amounted to SEK 279 m. (299). The amount shown for the preceding year includes an extra depreciation of SEK 40 m. for goodwill in connection with the 1987 acquisition of Chicago Pneumatic. No goodwill depreciation was incurred in connection with the acquisition of the Secoroc group. (See also page 15.)

Net interest expense improved by

SEK 136 m., as a result of higher average liquidity during 1988. The interest coverage ratio increased to 4.0, compared with 3.1 in the preceding year. Foreign exchange differences during 1988 amounted to SEK +8 m. (+54).

The substantial improvement in earnings for the Compressor Technique business area is due to increased sales volume and reduced costs. Capacity utilization in this business area was high throughout the year.

The improvement in earnings in the Construction and Mining business area is a result of the Secoroc acquisition. The MCT division's earnings trend was affected adversely by the fact that Delfos & Atlas Copco, South Africa, is no longer a part of the Atlas Copco Group. Berema's profitability improved following the divestment of certain operations.

The favorable trend of earnings in the Industrial Technique business area is due to higher sales volumes in the Hydraulic Components, Tools and Assembly Systems business lines. Previous production rationalization measures also contributed to the improved earnings.

Extraordinary items amounted to SEK 3 m., net (198). The transfer of the South African company and the finishing sector is booked as extraordinary expenses. Capital gains accruing from property sales amounted to SEK 31 m.

### Investments

	1988	1987
Investments in machinery and buildings	424	422
Sweden	106	109
Outside Sweden	318	313
Total, as percent of invoiced sales	3.3	3.7

Of total investments, production accounted for SEK 209 m. (257) and marketing for SEK 215 m. (165). The Group's day-to-day investments relate primarily to continued investments in production automation. Investments in existing machinery and real estate owned by acquired companies account for an additional SEK 288 m.

### GROUP SALES AND EARNINGS BY QUARTER

	Sales		Earnings	
	1988	1987	1988	1987
First quarter	2,844	2,477	248	188
Second quarter	3,159	2,823	282	216
Third quarter	3,210	2,865	255	149
Fourth quarter	3,599	3,355	370	236
Total	12,812	11,520	1,155	789

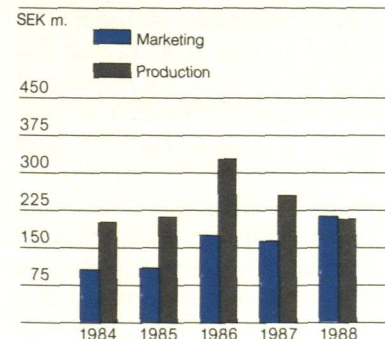
### EARNINGS AFTER NET FINANCIAL ITEMS, BY BUSINESS AREA

	1985	1986	1987	1988
Compressor Technique	450	431	383	563
Construction and Mining Technique	232	144	212	301
Industrial Technique	146	155	194	291
Total	828	730	789	1,155

### RETURN ON TOTAL CAPITAL EMPLOYED, BY BUSINESS AREA, PERCENT

	1985	1986	1987	1988
Compressor Technique	22	19	16	21
Construction and Mining Technique	15	10	12	17
Industrial Technique	24	23	20	21
Group total	19	16	15	19

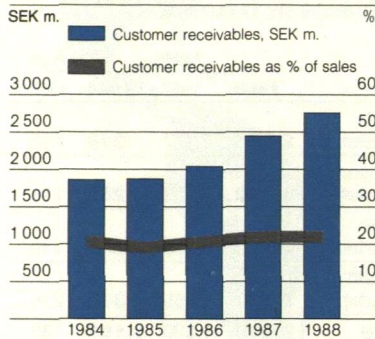
### INVESTMENTS IN MACHINERY AND BUILDINGS



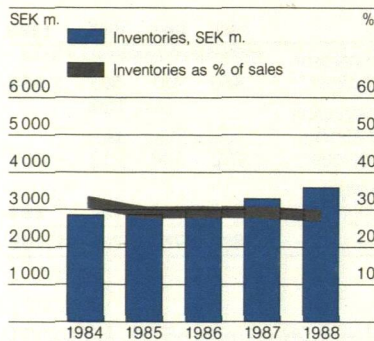


## BOARD OF DIRECTORS' REPORT

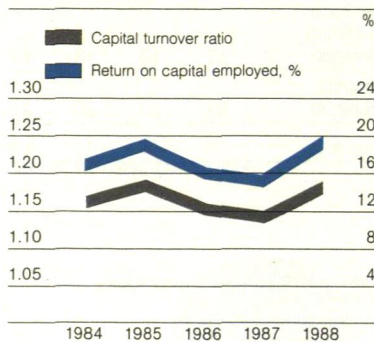
## CUSTOMER RECEIVABLES



## INVENTORIES



## CAPITAL TURNOVER RATIO AND RETURN



## Financial position

	1988	1987
Net interest expense	-25	-161
Degree of self-financing, percent	233	175
Rate of risk-bearing equity capital, percent	38.3	40.9

Funds generated internally from operations amounted to SEK 988 m. (739). The increase was attributable entirely to improved operating income. Taxes amounted to SEK 408 m. (282), representing a relative improvement compared with the preceding year, taking into account the taxfree capital gain in 1987.

Due to higher sales, customer receivables and trade bills increased SEK 311 m. (405), equal to 21.6 percent (21.3) of invoiced sales. Inventories rose SEK 303 m. (280). This increase was mainly due to the acquisition of Secoroc. Inventories were equal to 28.2 percent (28.7) of invoiced sales. The increase in capital tied up in operating assets was financed largely with non-interest-bearing liabilities.

## SUMMARY OF CHANGES IN FINANCIAL POSITION

	1988	1987
Internal funds supplied	988	739
Increase in working capital	-185	-109
From operations	803	630
Investments and acquisitions	-1,205	-604
Dividends and other items	-83	321
Total	-485	347
Increase in interest bearing liabilities	257	522
Change in liquid assets	-228	869

Operations before investments, external borrowing and provision for dividends, resulted in an increase of SEK 803 m. (630) in internal financing.

Acquisitions of companies and investments in property, plant and equipment amounted to SEK 1,205 m. (604). After sales of fixed assets and other items, the financing requirement was SEK 485 m. (+347). The financing occurred through an increase of SEK 257 m. (522) in interest-bearing liabilities and a decrease of liquid funds of SEK 228 m. (+869). Liquid funds amounted to SEK 1,851 m. (2,079) at year-end.

The rate of capital turnover was 1.18 (1.14).

During the year Atlas Copco increased the amount of its commercial paper program from SEK 100 m. to SEK 500 m. Lines of unutilized credit in Swedish and foreign banks amounted to SEK 2,154 m. (1,749).



## Personnel

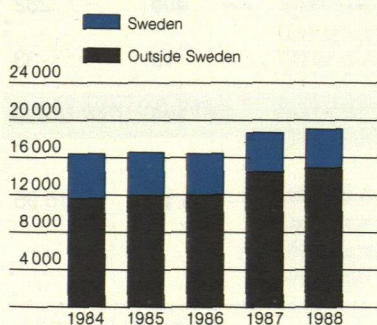
	1988	1987
Average number of employees	19,207	18,777
Headquarters	66	62
Sales companies	8,235	8,882
Divisions	10,906	9,833

At year-end 1988, the number of employees in the Atlas Copco Group was 19,225 (18,321), including approximately 2,000 persons at newly acquired companies.

Specification of Atlas Copco Group salaries, wages and remunerations:

	1988	1987
Boards of Directors and senior executives, including bonus payments of 9 (8)	73	63
Other employees	2,430	2,275
Total	2,503	2,338

### EMPLOYEES (average)



## PARENT COMPANY

Parent Company earnings include Atlas Copco International AB and Atlas Copco Management Consulting AB, both of which operate on a commission basis.

Atlas Copco International AB, which is responsible for marketing in 85 countries where Atlas Copco has no sales companies, reported sales of SEK 301 m. (340).

Atlas Copco Management Consulting AB, which sells its services within the Group, had sales of SEK 98 m. (112).

The Parent Company acquired Atlas Copco Tools' and Atlas Copco Airpower's shares in Atlas Copco North America Inc. All shares in this U.S. holding company are thus owned by Atlas Copco AB.

All shares in Atlas Copco MCT AB and Berema AB were transferred to the newly-formed Atlas Copco Construction and Mining Holding AB, which is also Secoroc AB's parent company. Atlas Copco Italia S p A was transferred to Atlas Copco's holding company in the Netherlands.

Increases in share capital were implemented at Atlas Copco Construction and Mining Holding AB, Atlas Copco North America Inc. and Atlas Copco France S A.

Transactions with other Group companies during 1988 accounted for 90 percent of total purchase value and 25 percent of sales.

### Earnings

Dividends from subsidiaries amounted to SEK 238 m. (152), including SEK 18 m. from Swedish companies (-).

Income after financial items amounted to SEK 147 m. (180).

The Parent Company reported net income after appropriations and taxes of SEK 275 m. (459). As a result, unappropriated earnings amounted to SEK 799 m. (700).

### Financing

The Parent Company's total assets increased by SEK 1,060 m. as a result of new share issues made by subsidiaries.

Cash, bank deposits and other short-term placements declined by SEK 460 m. (+610) to SEK 937 m.

### Personnel

The average number of employees in the Parent Company during the year was 66 (62). The average number in Atlas Copco International was 90 (96), and in Atlas Copco Management Consulting, 140 (176).

Parent Company salaries, wages and remunerations amounted to:

	1988	1987
Board of Directors and senior executives, including bonus payments of 4 (3)	9	9
Other employees	68	73
Total	77	82

### Dividend

The Board of Directors proposes a dividend of SEK 8.50 per share (7.50), corresponding to SEK 199.4 m. (176.0).

### Bonus share issue

The Board also proposes a bonus share issue whereby shareholders will receive one B share carrying 1/10 of a voting right for each three old shares held. The share capital will increase by SEK 195.5 m., from SEK 586.5 m. to SEK 782.0 m., as a result of the new issue. The number of shares, which prior to the bonus issue totals 23,460,500 A shares, will thus be increased by 7,820,166 B shares. It is proposed that the new issue be effected through a transfer from the legal reserve.

Assuming full conversion of the outstanding convertible debenture loan, share capital will amount to SEK 808.0 m. and the number of shares outstanding to 32.3 million shares.

Subject to approval by the shareholders at the Annual General Meeting, the bonus issue will be made with August 10, 1989, as the proposed record date.



## ATLAS COPCO GROUP

**CONSOLIDATED INCOME STATEMENT**

Amounts in SEK m.

		1988	1987
<b>Operating income</b>	Invoiced sales	<b>12 812</b>	11 520
<b>Operating expense</b>	Cost of goods sold, technical development, sales, administration, etc (NOTE 1)	<b>-11 364</b>	-10 328
<b>Operating profit before depreciation</b>		<b>1 448</b>	1 192
<b>Cost depreciation</b>	Goodwill	- 8	- 48
(NOTE 2)	Machinery and equipment	- 226	- 208
	Buildings	- 45	- 43
<b>Operating profit after depreciation</b>		<b>1 169</b>	893
<b>Financial income and expense</b>	Interest received	<b>359</b>	214
	Interest paid (NOTE 3)	- 384	- 375
	Dividends received	<b>3</b>	3
	Foreign exchange differences (NOTE 4)	<b>8</b>	54
<b>PROFIT AFTER FINANCIAL INCOME AND EXPENSE</b>		<b>1 155</b>	789
	Extraordinary income and expense (NOTE 5)	<b>3</b>	198
<b>Profit before appropriations and taxes</b>		<b>1 158</b>	987
<b>Appropriations</b>	(NOTE 6)	- 26	- 80
<b>Profit before taxes</b>		<b>1 132</b>	907
<b>Taxes</b>	(NOTE 7)	- 408	- 282
<b>Minority interest</b>	(NOTE 8)	- 10	- 33
<b>NET PROFIT</b>		<b>714</b>	592
<b>Earnings per share, SEK</b> (NOTE 32)		<b>26.10</b>	15.95



## ATLAS COPCO GROUP

## CONSOLIDATED BALANCE SHEET

Amounts in SEK m.

ASSETS		Dec.31 1988	Dec.31 1987	
<b>Current assets</b>	Cash, bank and short-term investments (NOTE 9)	1 851		2 079
	Receivables (NOTE 10)	3 260		2 987
	Inventories (NOTE 11)	3 612	8 723	3 309
				8 375
<b>Blocked accounts in Bank of Sweden</b> (NOTE 12)			10	20
<b>Fixed assets</b>	Shares and participations (NOTE 13)	87		69
	Goodwill (NOTE 14)	111		99
	Long-term receivables	145		151
	Construction work in progress	29		31
	Machinery and equipment (NOTE 15)	1 081		944
	Buildings (NOTE 16)	928		851
	Land (NOTE 17)	263	2 644	212
				2 357
<b>TOTAL ASSETS</b>		<b>11 377</b>		<b>10 752</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>Current liabilities</b>	<i>Non-interest-bearing liabilities</i>			
	Notes payable	56		73
	Suppliers	1 059		826
	Provision for taxes	274		246
	Accrued expenses and prepaid income	785		690
	Other current liabilities	805		753
	<i>Interest-bearing liabilities</i>			
	Bank loans (NOTE 18)	1 361		1 550
	Current portion of long-term liabilities	108		119
	Other current liabilities	8	4 456	30
				4 287
<b>Long-term liabilities</b>	<i>Non-interest-bearing liabilities</i>			
	Other long-term liabilities	101		82
	<i>Interest-bearing liabilities</i>			
	Debenture and bond loans (NOTE 19)	805		330
	Mortgage and other long-term loans (NOTE 19)	700		767
	Provision for pensions (NOTE 20)	802	2 408	731
				1 910
<b>TOTAL LIABILITIES</b>		<b>6 864</b>		<b>6 197</b>
<b>Convertible debenture loan</b> (NOTE 21)		<b>156</b>		<b>156</b>
<b>Untaxed reserves</b> (NOTE 22)		<b>963</b>		<b>948</b>
<b>Minority interest</b> (NOTE 8)		<b>112</b>		<b>193</b>
<b>Shareholders' equity</b>	<i>Restricted equity</i>			
	Share capital	587		587
	Restricted reserves (NOTE 28)	919	1 506	1 480
	<i>Unrestricted equity</i>			
	Retained earnings (NOTE 29)	1 062		599
	Net profit for the year	714	1 776	592
				1 191
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>3 282</b>		<b>3 258</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>11 377</b>		<b>10 752</b>
<b>Assets pledged</b> (NOTE 30)		<b>559</b>		<b>387</b>
<b>Contingent liabilities</b>	Notes discounted	179		78
	Other contingent liabilities	563		665



ATLAS COPCO

# STATEMENTS OF CHANGES IN FINANCIAL POSITION

Amounts in SEK m.

	GROUP		ATLAS COPCO AB	
	1988	1987	1988	1987
<b>INTERNAL FUNDS SUPPLIED</b>				
Profit before appropriations and taxes	1 158	987	147	435
Depreciation	279	299	11	8
Capital gain from sales of fixed assets	- 51	-289	-	-255
Intra-Group transfers	-	-	129	4
Taxes	- 408	-282	- 2	- 7
Withdrawals from blocked accounts	10	24	2	10
<b>TOTAL INTERNAL FUNDS SUPPLIED</b>	<b>988</b>	<b>739</b>	<b>287</b>	<b>195</b>
<b>WORKING CAPITAL</b>				
Change in short-term receivables	- 273	-271	31	-197
Change in inventories	- 303	-280	5	16
Change in short-term operating liabilities	391	442	0	- 12
<b>CHANGE IN WORKING CAPITAL</b>	<b>- 185</b>	<b>-109</b>	<b>36</b>	<b>-193</b>
<b>NET FUNDS FROM OPERATIONS</b>	<b>803</b>	<b>630</b>	<b>323</b>	<b>2</b>
<b>INVESTMENTS</b>				
Investments in property, plant and equipment*	- 712	-422	- 18	- 18
Investments in shares and participations	- 14	- 43	- 833	-111
Companies and goodwill acquired	- 479	-139	-	-
Investments in long-term receivables	6	181	- 719	72
Sales of fixed assets	164	325	-	294
<b>NET INVESTMENTS IN FIXED ASSETS</b>	<b>-1 035</b>	<b>- 98</b>	<b>-1 570</b>	<b>237</b>
<b>OTHER ITEMS</b>				
Funds transferred to subsidiaries	-	-	- 2	- 4
Dividend from Parent Company	- 176	-164	- 176	-164
Dividend to minority interests in subsidiaries	- 10	- 5	-	-
Minority interest in shareholders' equity	- 68	51	-	-
Change in other liabilities	19	- 6	-	-
Translation differences**	- 18	- 61	-	-
<b>CHANGE IN OTHER ITEMS</b>	<b>- 253</b>	<b>-185</b>	<b>- 178</b>	<b>-168</b>
<b>NET INTERNAL FUNDS SUPPLIED</b>	<b>- 485</b>	<b>347</b>	<b>-1 425</b>	<b>71</b>
<b>INCREASE IN INTEREST-BEARING LIABILITIES</b>	<b>257</b>	<b>522</b>	<b>965</b>	<b>539</b>
<b>CHANGE IN LIQUID ASSETS</b>	<b>- 228</b>	<b>869</b>	<b>- 460</b>	<b>610</b>

\* The amount for 1988 includes investments of SEK 228 m. in existing properties and machinery at newly-acquired companies.

\*\* Of the total translation differences, SEK -75 m. (-58) is attributable to shareholders' equity, untaxed reserves and minority interests, and SEK 57 m. (-3) to fixed assets.



ATLAS COPCO AB

**INCOME STATEMENT**

Amounts in SEK m.

		1988	1987
<b>Operating income</b>	Invoiced sales	399	452
	Commissions etc. from subsidiaries	112	131
<b>Operating expense</b>	Cost of goods sold, technical development, sales, administration, etc.	-560	-573
<b>Operating profit before depreciation</b>		-49	10
<b>Cost depreciation</b>	Machinery and equipment	-9	-6
(NOTE 2)	Buildings	-2	-2
<b>Operating profit after depreciation</b>		-60	2
<b>Financial income and expense</b>	Dividends received from subsidiaries	238	152
	Interest paid to subsidiaries, net	-3	-2
	Interest received (excluding subsidiaries)	149	107
	Interest paid (excluding subsidiaries) (NOTE 3)	-148	-111
	Dividends received (excluding subsidiaries)	1	1
	Foreign exchange differences (NOTE 4)	-30	31
<b>PROFIT AFTER FINANCIAL INCOME AND EXPENSE</b>		147	180
	Extraordinary income and expense (NOTE 5)	-	255
<b>Profit before appropriations and taxes</b>		147	435
<b>Appropriations</b> (NOTE 6)		130	31
<b>Profit before taxes</b>		277	466
<b>Taxes</b> (NOTE 7)		-2	-7
<b>NET PROFIT</b>		275	459



ATLAS COPCO AB

**BALANCE SHEET**

Amounts in SEK m.

<b>ASSETS</b>		<b>Dec.31 1988</b>	<b>Dec.31 1987</b>	
<b>Current assets</b>	Cash, bank and short-term investments (NOTE 9)	<b>937</b>		1 397
	Receivables (NOTE 10)	<b>673</b>		704
	Inventories	<b>17</b>	<b>1 627</b>	22
				2 123
<b>Blocked accounts in Bank of Sweden</b> (NOTE 12)			<b>4</b>	6
<b>Fixed assets</b>	Shares and participations in subsidiaries (PAGE 29)	<b>2 020</b>		1 190
	Shares and participations (excluding subsidiaries) (NOTE 13) (PAGE 29)	<b>21</b>		18
	Long-term receivables from subsidiaries	<b>1 109</b>		399
	Other long-term receivables	<b>84</b>		75
	Construction work in progress	<b>—</b>		2
	Machinery and equipment (NOTE 15)	<b>48</b>		47
	Buildings (NOTE 16)	<b>51</b>		46
	Land (NOTE 17)	<b>22</b>	<b>3 355</b>	20
				1 797
<b>TOTAL ASSETS</b>			<b>4 986</b>	3 926
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>Current liabilities</b>	<i>Non-interest-bearing liabilities</i>			
	Suppliers	<b>23</b>		22
	Accrued expenses and prepaid income	<b>54</b>		50
	Other current liabilities	<b>67</b>		72
	<i>Interest-bearing liabilities</i>			
	Bank loans (NOTE 18)	<b>657</b>		560
	Liabilities to subsidiaries	<b>634</b>		386
	Current portion of long-term liabilities	<b>21</b>		16
	Advances from customers	<b>3</b>	<b>1 459</b>	2
				1 108
<b>Long-term liabilities</b>	<i>Interest-bearing liabilities</i>			
	Liabilities to subsidiaries	<b>72</b>		—
	Debenture and bond loans (NOTE 19)	<b>805</b>		330
	Mortgage and other long-term loans (NOTE 19)	<b>182</b>		132
	Provision for pensions (NOTE 20)	<b>278</b>	<b>1 337</b>	261
				723
<b>TOTAL LIABILITIES</b>			<b>2 796</b>	1 831
<b>Convertible debenture loan</b> (NOTE 21)			<b>156</b>	156
<b>Untaxed reserves</b> (NOTE 22)			<b>50</b>	54
<b>Shareholders' equity</b>	<i>Restricted equity</i>			
	Share capital (23 460 500 shares, par SEK 25)	<b>587</b>		587
	Legal reserve (NOTE 28)	<b>598</b>	<b>1 185</b>	598
	<i>Unrestricted equity</i>			
	Retained earnings (NOTE 29)	<b>524</b>		241
	Net profit for the year	<b>275</b>	<b>799</b>	459
				700
<b>TOTAL SHAREHOLDERS' EQUITY</b>			<b>1 984</b>	1 885
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>			<b>4 986</b>	3 926
<b>Assets pledged</b> (NOTE 30)			<b>9</b>	9
<b>Contingent liabilities</b>	Guarantees and other liabilities, of which 376 (390) on behalf of subsidiaries		<b>531</b>	653
	Capital value of pension obligations		<b>37</b>	28



# NOTES TO FINANCIAL STATEMENTS

SEK millions unless otherwise noted

## ACCOUNTING PRINCIPLES

### International guidelines

Atlas Copco follows in all essential respects the guidelines prepared by the OECD for companies that operate internationally.

These guidelines have been observed in the preparation of this Annual Report, except for certain information which, for competitive reasons, cannot currently be disclosed.

The Annual Report thus provides information on the following:

	Page number
Company's structure – name, and legal headquarters – Shares and participations in subsidiaries, percentage of ownership and ownership between companies.	Cover, page 2 pages 2 to 3 Shares and participations, page 29
Geographical areas in which operations are carried out and the principal activities conducted there.	Sections on the Business Areas, page 34 to 51
Invoiced Sales by geographical area	Board of Directors' report, map page 6
Capital investments, by geo- graphical area and by market- ing/production sector.	Board of Directors' report, table and diagram, page 7
Statement of changes in finan- cial position for the Atlas Copco Group.	Page 12
Research and development costs for the company as a whole.	Note 1, page 20
Principles applied in transfer pricing.	Note 11, page 22
Principles also applied, with respect to consolidated accounting	Notes, page 15

The Company also views with favor the Guidelines with respect to multinational companies and the labor market which have been prepared by ILO, the United Nations organization for labor matters.

In conformity with international standards, the following designations have been used in this Annual Report:

Currency: SEK = Swedish kronor. Other currencies, see "Exchange rates," page 17. Suffix: m. = millions.

### Principles of consolidation

The consolidated income and balance sheet of the Atlas Copco Group cover all companies in which the Parent

Company, directly or indirectly, holds more than half of the shares' voting rights, as well as those companies in which the Group, in some other manner, has a decisive influence and a substantial participation in operating earnings from their operations.

The balance sheets have been prepared in accordance with the purchase method, whereby the shareholders' equity in companies at the date of their acquisition – plus subsequent new issues of shares – has been eliminated against the book value of the shares.

The difference between the cost of acquisition and shareholders' equity in acquired companies is first distributed among fixed assets and depreciated in accordance with the plan for the type of asset. The surplus portion, goodwill, is normally depreciated over 10 years.

Companies acquired during the year have been included in the consolidated income statement in the amounts related to the period following the date of acquisition. In the case of subsidiaries formed, share capital contributed has been offset against the book value of the companies' shares in their respective parent companies. Differences resulting from bonus issues of shares in subsidiaries have been transferred to the Group's restricted reserves.

Earnings of companies divested during the year have been deducted from consolidated earnings on the basis of the Group's reported net assets in these companies at the beginning of the year.

### Acquired goodwill in Chicago Pneumatic

The acquisition of well-established companies active in an international business environment normally means that the acquisition price substantially exceeds visible net worth. The market price is determined primarily by future expectations, which are based on the market position and the know-how existing in the company.

Company acquisitions, in which the acquisition cost exceeds the company's reported capital, means that so-called intangible assets are capitalized and depreciated during a certain period. Determining how long this period should be depends on accounting practice and laws in different countries.

The purchase of Chicago Pneumatic during 1987 can be considered a strategic acquisition, which is expected to contribute to the growth of the Atlas Copco Group over a very long period and to, most importantly, yield a long-term effect on the Group's total market shares.

In the 1987 Annual Report, Atlas Copco chose to depreciate the goodwill arising from the acquisition, SEK 133 m., by charging approximately 30 percent, or SEK 40 m., against earnings for the year. As such, this depreciation is reported as ordinary cost depreciation of goodwill.

The remaining amount is depreciated based on an estimated economic life of a maximum of 20 years.

### Secoroc

A merger of similar companies can be accounted for by the pooling of interests method. The conditions that



## NOTES TO FINANCIAL STATEMENTS

must be satisfied are that the merger takes place through a noncash share issue by the acquiring company, that one of the companies is not totally dominant in terms of size, and that the operations of the two merged companies continue to be conducted without major changes.

Atlas Copco Construction and Mining Holding AB, with its subsidiaries Atlas Copco MCT AB and Berema AB are the sub-group for Construction and Mining Technique. A merger took place between this sub-group and Secoroc, whereby the Parent Company of the sub-group issued a convertible debenture loan, with detachable warrants, to the seller. The parties agreed that the debenture loan would be repaid in December 1988.

In contrast to the purchase method, the pooling of interests method does not involve a revaluation of assets and liabilities. The book value of the subsidiary's shares is eliminated firstly against the subsidiary's share capital and subsequently against the Group's restricted reserves.

### Translation according to current rate method

Atlas Copco applies the "current rate method" in translating the accounts of foreign subsidiaries, in accordance with the Swedish Institute of Authorized Public Accountants' (FAR) suggested recommendations. In applying this method, the subsidiaries are primarily reported as independent units with operations conducted in foreign currencies and in which the parent company has a net investment. The exceptions from this treatment are those subsidiaries which are located in highly inflationary countries. The accounts of these subsidiaries are translated according to the monetary-non-monetary method. In accordance with the FAR's suggested recommendations, such a treatment is judged to provide a more accurate picture of these companies' earnings and financial positions.

In accordance with the current rate method, all assets and liabilities in subsidiaries' balance sheets are translated at year-end rates, and all items in the income statement are translated at the average exchange rates for the year. The translation differences that arise are a result of the fact that the net investment is translated at year-end at a rate different from that used at the beginning of the year. This translation difference does not affect earnings, but is transferred directly to shareholders' equity.

For those subsidiaries treated in accordance with the monetary/non-monetary method, all non-monetary items – real property (land and buildings), machinery and equipment, inventories, shareholders' equity and untaxed reserves – are translated at the rate in effect on the date the item was acquired. Other items – monetary items – are translated at the year-end exchange rates. The income statement has been translated at the average rate for the year, except for depreciation and appropriations, which have been translated at the investment rate. Exchange differences arising in connection with the translation of the accounts, and which accordingly relate to companies in countries with high inflation have been included in the income statement.

The recommendations published by the FAR concerning translation of foreign subsidiaries' accounts essentially correspond with the recommendations issued by the International Accounting Standard Committee (IAS 21), as well as with the corresponding American recommendations (SFAS 52).

### Choice of methods

In a separate point, the FAR's suggested recommendations require that the users choose translation procedures according to their own specific situations. This pertains to classifying of the foreign subsidiaries as either independent or consolidated companies. How the companies are defined leads directly to the choice of translation methods. Independent companies' accounts are translated according to the current rate method, and consolidated companies' according to the monetary/non-monetary method.

Based on the criteria defined by the FAR for classification of subsidiaries, the great majority of Atlas Copco's subsidiaries should be regarded as independent companies.

As a consequence, the accounts of all subsidiaries of the Atlas Copco Group are translated according to the current rate method except for the companies in highly inflationary countries (primarily in Latin America).

On another point the suggested recommendations offer the user the possibility to influence and adapt the translation method to the company's special circumstances. This is done on a point that is specific for Swedish consolidated accounting and which complies to Swedish law requiring separate accounting of unrestricted equity.

The companies are here given two possibilities:

*Alternative 1* entails that the accumulated translation difference that arises from translation according to the current rate method is automatically shown for each subsidiary. Through applying this method, the company – in accordance with international practice – can report the entire accumulated translation difference in a specific amount. In Swedish consolidated accounting this is divided into restricted and unrestricted equity.

*Alternative 2* is a simplified method whereby translation differences are offset directly against each item in untaxed reserves and shareholders' equity.

Atlas Copco has chosen to report in accordance with *Alternative 1*.

### Receivables and liabilities in foreign currencies

Receivables and liabilities in foreign currencies are translated at year-end exchange rates, with the exception that unrealized exchange gains are only reported to the extent they offset unrealized exchange losses. In cases where the rate is secured through forward contracts, receivables and liabilities are translated using the forward contract rate.

Loans in foreign currencies are translated in accordance with the highest value principle. In the event of a currency exchange through a swap agreement, the loan is valued at the highest of the historical exchange rate and the year-end rate for the swapped currency. In



cases where the swapped loan, translated at the year-end rate for the original currency, exceeds the liability that is booked, the difference is included under contingent liabilities.

### Associated companies

The Atlas Copco Group has interests in companies whose earnings and equity are not reported in the Group's consolidated income statement and balance sheet. Atlas Copco's voting right in these companies is between 20 to 50 percent. Specification of the Group's shareholdings in these companies is provided in NOTE 13.

### Interest arbitrage

With the aim of improving the Company's net interest income, Atlas Copco made several interest arbitrage transactions during the year. This entails that a short-term loan, normally in foreign currency, is taken and guaranteed against the Swedish krona, and subsequently invested at a higher interest rate in bank certificates, treasury bills, or other similar Swedish debt instruments.

According to the FAR's accounting committee, debts shown in the balance sheet may be offset against corresponding investments under the assumption that liabilities and receivables comprise parts of a package solution, and that they total the same amount and have the same maturity date. Furthermore, the exchange guarantee must have pertained to possible foreign loans. The interest arbitrage transactions carried out by the Company that fulfill the above criteria have been reported in this manner (NOTES 3 and 9).

## TREASURY ACTIVITIES

### Currency and liability management

The financial markets during 1988 were impacted by substantial fluctuations. The *international currency market* was characterized primarily by the initial rise and subsequent fall for the dollar. Higher interest rates came into force in the *international capital market* to support currency exchange rates and reduce private consumption. The *Swedish market* was characterized by continuing uncertainty and a decline in trading volume, which in part can be attributed to the introduction of a turnover tax on interest-bearing securities.

During the year, Atlas Copco handled financial risks in accordance with the Group's prevailing currency, interest and investment policy.

In the *currency area*, Atlas Copco has further centralized the currency risk to Atlas Copco AB, by guaranteeing currency rates to subsidiaries in countries with convertible currencies, thereby reducing the Group's total currency exposure.

In the area of *liability management*, Atlas Copco was to a certain extent able to avoid the rise in market interest rates, primarily in US dollars, thanks to earlier interest rate swap agreements as well as similar agreements undertaken during 1988. The Group's bank borrowings increased during 1988 in connection with company acquisitions. Total interest-bearing liabilities currently amount to SEK 4.1 billion. In December, the Group took up a Private Placement in the amount of CHF 100 m. Financing in CHF reduces the exposure of the loan portfolio to changes in the US dollar exchange rate. In addition, Atlas Copco introduced a new Corporate Certificate Program during 1988 in the amount of SEK 500 m. on the Swedish market.

### Liquidity

The Group's interest-bearing assets currently consist of about SEK 2.0 billion. The average *liquidity* in Sweden amounted in 1988 to SEK 1.1 billion, which is actively invested in the Swedish money market. The placement of liquid assets primarily took the form of investments in Swedish government securities. Placements are made along the entire yield curve, with interest rate options and forward contracts as a complement to the current account portfolio. An increased percentage of the Parent Company's surplus liquidity was used for internal loans during 1988.

### Cash Pooling

During 1988 Corporate Finance Department developed its role as the Group's internal bank and is now working actively with the subsidiaries. Thus, Corporate Finance Department offers the subsidiaries banking services such as deposits and loans, export and import financing and cash management studies.

By means of company acquisitions and divisionalization, the Atlas Copco Group is now represented by more companies in each country than was previously the case. Each company is responsible for its earnings and its financial operations. To minimize the Group's and individual companies' interest expenses and maximize

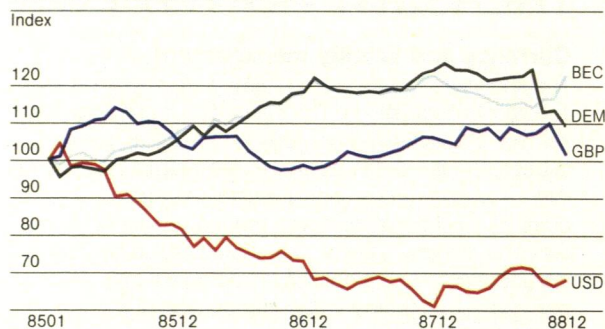
### EXCHANGE RATES

Country	Value	Currency Code	Year-end-rate		Average rate	
			1988	1987	1988	1987
Australia	1	AUD	5.27	4.22	4.81	4.44
Austria	100	ATS	49.00	52.00	49.50	50.50
Belgium	100	BEC	16.40	17.50	16.70	17.00
Brazil	1	BRC	0.008	0.08	0.008	0.08
Canada	1	CAD	5.15	4.47	4.95	4.76
France	100	FRF	101.00	108.00	103.00	105.50
Great Britain	1	GBP	11.04	10.84	10.90	10.35
India	100	INR	41.00	45.50	44.00	49.00
Italy	100	ITL	0.466	0.495	0.471	0.489
Japan	100	JPY	4.89	4.73	4.78	4.40
Luxemburg	100	LUF	16.40	17.50	16.70	17.00
The Netherlands	100	NLG	305.00	325.00	310.50	313.50
Norway	100	NOK	93.50	93.00	94.00	94.00
Spain	100	ESP	5.38	5.36	5.26	5.14
Switzerland	100	CHF	407.00	452.00	420.50	427.00
USA	1	USD	6.12	5.83	6.095	6.325
West Germany	100	DEM	344.50	366.00	349.50	354.00
European Currency Unit	1	ECU	7.170	7.545		



## NOTES TO FINANCIAL STATEMENTS

## TRENDS OF EXCHANGE RATES



Trends of certain exchange rates, important to the Atlas Copco Group, in relation to SEK.

the return on the Group's surplus liquidity, it is important to coordinate financing of the various units in the form of *Cash Pools*. The primary function of a Cash Pool is to ensure that the borrowing requirements of companies are covered by means of other companies' surplus liquidity, and vice versa, thereby minimizing external borrowing.

A Cash Pool is generally established in cooperation with the main bank for the particular companies.

The primary advantages offered by Cash Pooling are:

- Lower interest expenses
- Superior bank terms, thanks to the centralized cash-flow
- Improved control of cashflow

To date, Cash Pools have been established in Sweden, Belgium, the Netherlands, Great Britain, West Germany and the United States. A Cash Pool can ultimately be developed into a *Treasury Center*. This function coordinates the companies' borrowing and investment requirements in addition to providing other financial services. A Treasury Center is normally organized within a holding company and differs from a Cash Pool in that it acts as an internal bank for the companies in the country. In practice, a Treasury Center functions as an extension of Corporate Finance Department.

To date, Treasury Centers have been established in Sweden and the United States, and will be developed in a number of other countries.

## CURRENT COST ACCOUNTING

One result of the highly variable rate of inflation that has been experienced since the mid-1970's is that traditional accounting, based on historical cost, can give an inaccurate picture of a company's income and financial position. Under the historical cost principle, income is calculated without taking into account price rises in resources used and consumed by the company. The higher the rate of price rises, the more a company is affected by the rises without their being reflected in the accounts.

Current cost accounting aims at taking these price changes into consideration, both in the valuation of assets and in calculating income. Since current cost accounting to a relatively large extent is based on estimations, it cannot meet the same demand for exactness as traditional accounting.

In valuation of assets, accounting based on current cost is characterized by the fact that historical cost is abandoned in favor of other principles, such as replacement cost.

Income is also measured differently. In traditional accounting, equity capital at the beginning of the year is compared with equity capital at year-end, calculated in nominal kronor. Each change then constitutes income for the year. Current cost accounting, instead, is based on translating equity capital to units with equivalent purchasing power. A profit is considered to have arisen only if the equity capital has increased more than is required to maintain its purchasing power.

Atlas Copco has chosen to use a model that focuses on three concepts of income to report this effect:

- current cost-based operating income
- current cost-based income before financial items
- real income after financial items

### Current cost-based operating income

Current cost-based operating income is an "operative" income figure which should show the degree to which sales revenues covered the replacement value of goods sold. Current cost-based operating income of the Atlas Copco Group in 1988 amounted to SEK 971 m. (729).

This income figure is SEK 198 m. (164) lower than the traditional operating income. This is explained by two factors. Price changes occurred during the year in goods that are included in the Company's products. These goods are estimated to cost SEK 48 m. (73) more to purchase than they did at date of procurement. Income has also been charged with current cost depreciation that is SEK 150 m. (91) higher than depreciation based on historical cost. This means that the wear on the Company's facilities has been assigned a cost based on the amount that would be required to replace these facilities with new ones today.

### Current cost-based income before financial items

Price increases result in an increase in the value of the Company's assets. Price gains arise on products in inventory and on fixed assets. In accordance with tradi-



tional accounting, unrealized price gains should not be credited to income. In contrast, both unrealized and realized price gains should affect income in current cost-based accounting.

Atlas Copco's current cost-based income before financial items was SEK 1,141 m. (889). Price gains of SEK 48 m. (66) occurred on products in inventory and the Company's fixed assets increased in value by SEK 122 m. (94).

### Real income after financial items

To consider that a profit has arisen, the purchasing power of the equity capital should have increased during the year. Therefore, a so-called purchasing-power adjustment must be made on the equity capital. To consider that the purchasing power of equity capital was maintained during 1988, it should have increased by the average annual price increase, or by SEK 261 m. (147) during the year. The annual average price increase in 1988 has been estimated at 6 percent (4). Atlas Copco's real income after financial items for 1988 becomes SEK 866 m. (638). This income figure is SEK 289 m. (151) lower than the traditional income and corresponds to a real profit margin of 6.8 percent (5.5).

### The balance sheet is also adjusted

The adjustment of the balance sheet involves stating inventories and fixed assets at current values instead of at cost. Total assets thereby increase by SEK 832 m. (860), since hidden reserves in inventory and assets are shown openly. The main effects are shown below:

- Machinery, buildings and land are stated at a value that is SEK 750 m. (792) higher.
- Inventory is shown at a value SEK 38 m. (38) higher.
- Shareholdings are shown at a value SEK 44 m. (30) higher.

Risk capital is shown at a value SEK 832 m. higher, which means that the rate of risk-bearing equity capital thereby amounts to 43 percent, as against 38 percent in accordance with traditional accounting.

### Current cost income statement

	1988	1987
Invoiced sales	12,812	11,520
Current cost of goods sold	-11,412	-10,401
Current cost depreciation	- 429	- 390
Operating income	971	729
Price changes, inventory	48	66
Price changes, fixed assets	122	94
Operating income before financial items	1,141	889
Financial items	- 14	- 104
Purchasing power adjustment, equity capital	- 261	- 147
Real income after financial items	866	638

Return on shareholders' equity amounts to 10.0 percent (7.8), compared with 14.7 percent (10.9) according to the traditional method. The reduction in return is attributable to lower actual earnings and to the fact that equity is SEK 416 m. higher as a result of current cost accounting.

### Reconciliation between traditional and current cost accounting

Net income according to traditional accounting			1,155
Change, unrealized price changes:			
Price change, goods sold	- 48		
Price change, depreciation	- 150	- 198	
Price change for the year:			
inventory	48		
equipment	122	170	- 28
Adjustment for inflation			- 261
Real income after financial items			866

### Effect on accounting of a declining rate of inflation

The sharp decrease in the rate of inflation during recent years in the Western World's economies affects current cost accounting in that unrealized price gains on the company's assets, which in current cost accounting are added to income, will decrease. On the other hand, an increasingly lower purchasing-power adjustment is required to maintain equity capital intact. The effects of these two factors basically offset each other.

However, actual income is charged with current cost depreciation to the same degree as in prior years, since depreciation is based on the asset's replacement value. Despite the present rather low rate of inflation, income based on traditional accounting is, therefore, overestimated due to the real increase in the value of the Company's fixed assets in former years.

### Current cost balance sheet

ASSETS	1988	1987
Cash, bank and short-term investments	1,851	2,079
Receivables	3,270	3,007
Inventories	3,650	3,347
Fixed assets	3,438	3,179
Total assets	12,209	11,612

### LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities	4,456	4,287
Long-term liabilities	2,564	2,066
Untaxed reserves	963	948
Unrealized price changes	832	860
Shareholders' equity	3,394	3,451
Total liabilities and shareholders' equity	12,209	11,612



## NOTES TO FINANCIAL STATEMENTS

## DEFINITIONS AND NOTES

**Profit margin**

Profit after financial income and expense as a percentage of invoiced sales.

**Return on capital employed**

Profit after financial income and expense plus interest paid, as a percentage of average total assets less non-interest-bearing current liabilities.

**Return on risk-bearing equity capital**

Profit after financial income and expense less actual tax as a percentage of average equity capital, minority interests and untaxed reserves.

**Return on shareholders' equity**

Profit after financial income and expense less a standard tax charge of 50 percent as a percentage of average shareholders' equity, minority interests and 50 percent of untaxed reserves (deduction for deferred tax liability).

**Rate of risk-bearing capital**

Shareholders' equity, minority interests and untaxed reserves as a percentage of total capital.

**Degree of self-financing**

Internal funds supplied as a percentage of investments in machinery and buildings.

**Capital turnover ratio**

Invoiced sales divided by average total assets.

**Interest coverage ratio**

Profit after financial income and expense plus interest paid, divided by interest paid.

**Earnings per share**

Profit after financial income and expense less full tax and minority interests in the year's operations, divided by the number of shares outstanding after full conversion. Earnings per share are calculated according to NBK's recommendations (NOTE 32).

**Earnings per share after extraordinary items**

Profit after extraordinary income and expense less full tax and minority interests in the year's operations, divided by the number of shares outstanding after full conversion. Earnings per share are calculated according to NBK's recommendations (NOTE 32).

**1. Operating expenses**

	Group	
	1988	1987
Cost of goods sold	8,110	7,224
Marketing and administrative costs	2,955	2,826
Technical development costs	347	351
Price gains realized on inventory	- 48	- 73
Operating expenses	11,364	10,328

**2. Depreciation**

The Atlas Copco Group applies three types of depreciation: cost depreciation, book depreciation and current cost depreciation.

*Cost depreciation* is based on original cost and is applied by the straight-line method over the economic life of the asset. Goodwill is depreciated in accordance with a plan established for each specific case.

*Book depreciation* is used in the maximum amount allowable in accordance with tax legislation in each country. The difference between book depreciation and cost depreciation is stated under "Appropriations" in the income statement. The total is stated in the balance sheet, among untaxed reserves, under the heading "Accumulated additional depreciation".

	Group		Parent Company	
	1988	1987	1988	1987
Cost depreciation	279	299	11	8
Book depreciation	364	386	14	12
Depreciation in excess of cost (NOTE 24)	85	87	3	4

Book depreciation includes write-downs charged against investment reserves of SEK 13 m. (11).

*Current cost depreciation* is used as the basis for price and profitability calculations and is based on the replacement value of the asset. Depreciation is applied on a straight-line basis over the economic life of the asset.

The following economic lives are used for cost depreciation and current cost depreciation:

Machinery and equipment	5 to 15 years
Vehicles	5 years
Buildings	25 to 50 years

Current cost depreciation for the Group amounted to SEK 429 m. (390) and thus exceeded cost depreciation by SEK 150 m. (91).



### 3. Interest expense

In conformity with recommendations of the Swedish Institute of Authorized Public Accountants (FAR) and the Swedish Pension Registration Institute (FPG/PRI), the interest portion of the year's provision for pensions has not been charged against operating income but has, instead, been shown as interest expense. The amount has been calculated on the basis of provisions for pensions at January 1 and December 31 and at an interest rate of 10.0 percent (11.0) for index pensions and 3.5 percent (3.5) for pensions liabilities expressed in fixed amounts. The interest portion for 1988 amounted to SEK 54 m. (50). The corresponding sum for the Parent Company amounts to SEK 25 m. (22). Interest arbitrage transactions were carried out during the year only in the Parent Company. Interest expense as well as interest income have been reported net in the income statement. Offset amounts in 1988 totaled SEK 37 m. (17).

### 4. Foreign exchange differences

	Group		Parent Company	
	1988	1987	1988	1987
Realized exchange differences, net	8	29	- 22	9
Unrealized exchange differences, net:				
Loans	19	37	- 7	22
Other receivables and liabilities	- 20	17	- 1	-
Translation differences	1	- 29	-	-
	8	54	- 30	31

Exchange differences in translation of foreign subsidiaries refer to differences arising from translation of the balance sheets and income statements in subsidiaries outside of Sweden in high inflation countries, for which the monetary/non-monetary method is applied.

### 5. Extraordinary income and expense

Capital gains and losses that arise in connection with ongoing scrapping of fixed assets are included in operating income. Gains and losses on the sales of major facilities are shown, however, under the heading "Extraordinary income and expense" and are calculated as the difference between sales revenue and the planned residual value.

	Group		Parent Company	
	1988	1987	1988	1987
Capital gain on shares, participations and other securities	-	268	-	268
Capital gain on buildings sold	31	41	-	7
Capital loss on shares, participations and other securities	-	- 1	-	- 1
Capital loss on buildings sold	- 1	- 19	-	- 19
Divestment costs	- 27	- 91	-	-
	3	198	-	255

Divestment costs are attributable to the deconsolidation of Delfos & Atlas Copco, South Africa, and the sale of Atlas Copco Finishing.

### 6. Appropriations

Tax legislation in Sweden and in other countries allows companies the opportunity for consolidation through tax-deductible allocations to untaxed reserves. By utilizing these regulations, the companies can dispose and retain income within the business without being taxed. The untaxed reserve created by this procedure may not be used for dividends. The amounts of allocations and reversals of such reserves and funds are reported under the headline "Appropriations" in the income statement. In the balance sheet and in NOTE 22, the accumulated value of the allocations is stated under the headline "Untaxed reserves".

The untaxed reserves first become subject to taxes when they are withdrawn. If the company should experience losses, certain untaxed reserves can be used to cover the loss without being taxed. Taking this into consideration, the total value of untaxed reserves is considered risk capital, since a potential loss can largely be covered through the liquidation of untaxed reserves.

Transfer of earnings in the form of group contributions can under certain conditions be made between Swedish companies within the same group. The contribution is a tax-deductible expense for the giver and taxable income for the receiver. Group contributions received by the Parent Company include contributions from Atlas Copco Compressor AB, Atlas Copco Tools AB and Monsun-Tison AB. The Parent Company made group contributions to Atlas Copco MCT AB and Berema AB.

	Group		Parent Company	
	1988	1987	1988	1987
General inventory reserves (NOTE 23)	29	- 51	2	- 4
Investment reserves (NOTE 25)	- 16	- 5	- 6	-
Other reserves (NOTE 27)	- 11	- 13	-	-
Difference between book depreciation and cost depreciation (NOTE 24)	- 85	- 87	- 3	- 4
Accumulated additional depreciation on assets sold (NOTE 24)	27	58	-	31
Withdrawals from investment reserves (NOTE 25)	13	8	-	-
Withdrawals from special investment reserves	-	3	-	-
Withdrawals from development reserves (NOTE 26)	17	7	9	4
Group contributions, net	-	-	128	4
	- 26	- 80	130	31



## NOTES TO FINANCIAL STATEMENTS

### 7. Taxes

Of the provision for taxes amounting to SEK 408 m. (282), taxes outside Sweden accounted for SEK 406 m. (260) and taxes in Sweden for SEK 2 m. (22).

The federal tax rate in Sweden is 52 percent. In addition, profit-sharing taxes are paid in Sweden on 20 percent of inflation-adjusted earnings, calculated using a specific formula.

A provision of SEK 1 m. (7) was made for federal income taxes in Sweden, of which SEK 1 m. (3) in the Parent Company. Profit-sharing taxes amounted to SEK 0 m. (15), of which SEK 0 m. (4) in the Parent Company. In addition, the Parent Company allocated SEK 1 m. (0) for property taxes.

Taxable income in the Parent Company was reduced by deductions for dividends on new capital stock issues and tax-exempt dividends from subsidiaries. Taxes paid during 1988 attributable to income after financial items amounted to 35.6 percent (41.6). Based on the full tax method, the theoretical taxation proportion would have been 45 percent (48). The higher amounts reflect utilization of capital loss deductions, among other items.

At year-end 1988, foreign companies had tax-deductible loss carryforwards amounting to SEK 290 m. (350).

### 8. Minority interest in subsidiaries' equity and earnings

The income statement reports the minority shares of the Group's net earnings of SEK 10 m. (33). These minority interests are primarily in Atlas Copco India and subsidiaries of Chicago Pneumatic.

Gross accounting of minority interest in the subsidiaries' equity and earnings is as follows:

	1988	1987
Profit after financial income and expense	1,155	789
Extraordinary items	3	198
Profit before appropriations and taxes	1,158	987
Minority share	- 23	- 68
Profit before appropriations and taxes excluding minority	1,135	919
Appropriations	- 21	- 80
Profit before taxes	1,114	839
Taxes	- 400	- 247
Net profit for the year	714	592

Minority interest in group equity as shown in balance sheet:

	Shareholders' equity	Untaxed reserves	Total
Minority interest Dec. 31, 1987	181	12	193
Minority acquired	- 1	- 1	- 2
Minority sold	- 55	- 11	- 66
Dividends	- 10	-	- 10
Translation differences	- 13	-	- 13
Net profit for the year	10	-	10
Minority interest Dec. 31, 1988	112	-	112

Amount shown for "Minority sold" is mainly attributable to Delfos & Atlas Copco, South Africa and the amount for "Minority acquired" relates to the sales companies in Hong Kong and Taiwan and to Å Karlssons Mek. Verkstad. The translation differences are attributable to subsidiaries in India among others.

### 9. Cash, bank and short-term investments

	Group		Parent Company	
	1988	1987	1988	1987
Cash, bank	870	725	23	112
Government				
Treasury bills	150	734	150	734
Treasury notes	60	68	60	68
Other short-term investments	771	552	704	483
	1,851	2,079	937	1,397

The Group's available but unutilized bank credits at December 31, 1988 amounted to SEK 2,154 m. (1,749).

Unconcluded interest-arbitrage transactions in the Parent Company have been reported in net form and amount to SEK 190 m. (0). Loans are the same amount and have been offset against other short-term investments.

### 10. Receivables

	Group		Parent Company	
	1988	1987	1988	1987
Notes receivable	194	250	9	-
Receivables from subsidiaries	-	-	501	559
Trade receivables	2,574	2,207	104	60
Prepaid expenses and accrued income	142	127	31	40
Other receivables	350	403	28	45
	3,260	2,987	673	704

### 11. Inventories

Inventories are valued at the lower of cost or market, in accordance with the "first in/first out" principle and the net sales value. Group inventories are shown after deductions for obsolescence and for internal profits arising in connection with deliveries from the divisions to the Group sales companies.

Transfer pricing between companies is based in principle on comparable market prices.

	Group	
	1988	1987
Raw materials	168	127
Work in progress	528	442
Semi-finished goods	868	901
Finished goods	2,048	1,839
	3,612	3,309



## 12. Blocked accounts in Bank of Sweden

Funds in blocked accounts in the Bank of Sweden refer to remaining unutilized funds in the development reserves.

## 13. Shares and participations

	Book value		Market value	
	1988	1987	1988	1987
<i>Shares and participations reported by Atlas Copco AB: (as specified on page 29):</i>				
Associated companies				
Bilspedition AB	2	2	18	11
Svensk Interkontinental Luftrafik AB (SILA)	5	1	33	22
Others	10	10		
<b>Total, Parent Company</b>	<b>21</b>	<b>18</b>		
<i>Shares and participations reported by other subsidiaries:</i>				
Associated companies				
Toku-Hanbai KK	25	21		
GME-Systems AB	14	10		
LÖVAB, Lof & Östlund Verkstads AB	1	2		
Atlas Copco TBM Developing AB	1	—		
Webster Machine Development Ltd	1	1		
Atlas Copco-Eickhoff Roadheading Technic GmbH	7	7		
Delair Droogtechniek & Luchtbehandeling B.V.	1	1		
NEAC Compressor Service GmbH & Co KG	1	—		
Other companies				
AC Greiff Ytbehandling AB	1	—		
Cord Capital N.V.	4	4		
Instrument AB				
Scanditronix	5	5		
Others	5	0		
<b>Total, Group</b>	<b>87</b>	<b>69</b>	<b>51</b>	<b>33</b>

With deductions for dividends received and minority interests, the Atlas Copco Group's share in the income of associated companies before appropriations and taxes amounted to SEK 10 m. (8). The Group's share in the shareholders' equity and untaxed reserves of associated companies, with a deduction for deferred tax (50 percent), amounted to SEK 61 m. (63) at the end of the fiscal year.

## 14. Goodwill – group excess value

Group excess value in 1988 amounted to SEK 153 m. (131). This has been distributed over the following items in the balance sheet: Goodwill, SEK 111 m. (99), buildings SEK 16 m. (12) as well as machinery and equipment SEK 26 m. (20). Depreciation of Group excess value amounts to SEK 16 m. (53), distributed as follows:

	Group	
	1988	1987
Goodwill	8	48
Machinery and equipment	7	4
Buildings	1	1
	<b>16</b>	<b>53</b>

Change in goodwill value as shown in balance sheet.

	1988	1987
Acquired goodwill, Jan. 1	246	107
Accumulated depreciation	– 147	– 99
Acquired goodwill	18	139
Goodwill sold	– 2	–
Depreciation for the year	– 8	– 48
Translation differences	4	0
<b>Book value, Dec. 31</b>	<b>111</b>	<b>99</b>

## 15. Machinery and equipment

	Group		Parent Company	
	1988	1987	1988	1987
Cost	2,360	2,010	93	91
Accumulated cost depreciation	– 1,279	– 1,066	– 45	– 44
Planned residual value	1,081	944	48	47
Accumulated depreciation in excess of cost depreciation (NOTE 24)	– 319	– 275	– 19	– 16
<b>Book value, net</b>	<b>762</b>	<b>669</b>	<b>29</b>	<b>31</b>

Future commitments related to leased assets are normally not capitalized.

The estimated acquisition value of premises, machines, vehicles, computer and office equipment leased by the Group is SEK 1,143 m. (870). The leasing costs for this property and equipment, SEK 219 m. (114), are reported under operating expenses. Future costs for non-cancellable leasing contracts amount to SEK 464 m. (368).



## NOTES TO FINANCIAL STATEMENTS

**16. Buildings**

	Group		Parent Company	
	1988	1987	1988	1987
Cost	1,349	1,237	63	57
Undepreciated amount of write-ups	13	14	1	1
Accumulated cost depreciation	- 434	- 400	- 13	- 12
Planned residual value	928	851	51	46
Accumulated cost depreciation (NOTE 24)	- 151	- 145	- 12	- 12
Book value, net	777	706	39	34
Tax assessment value	173	98	27	28

The amount shown for Group "Tax assessment value" relates exclusively to companies in Sweden.

**17. Land**

	Group		Parent Company	
	1988	1987	1988	1987
Cost	238	187	18	16
Write-ups	25	25	4	4
Book value, net	263	212	22	20
Tax assessment value	48	31	23	20

The amount shown for Group "Tax assessment value" relates exclusively to companies in Sweden.

**18. Bank loans**

Short-term bank loans are shown in the balance sheets of the Group and the parent Company as follows:

	1988	1987
PARENT COMPANY		
Available under "USD 100 m. Eurocommercial Paper Program"		
Outstanding USD 86 m.	527	426
Available under "GBP 30 + 30 m. Sterling Acceptances Program"		
Outstanding USD 19 m.	116	134
Other short-term loans	14	-
The Parent Company's bank loans and promissory notes as shown in balance sheet	657	560
SUBSIDIARIES	704	990
Group bank loans as shown in balance sheet	1,361	1,550

All short term loans in the Atlas Copco Group are valued at the year-end exchange rate and are distributed as follows:

CURRENCY	AMOUNT m.	SEK m.	1988	1987
			PERCENT	PERCENT
USD	124	762	56	63
FRF	89	90	7	4
ITL	17,303	81	6	3
INR	173	71	5	1
JPY	1,200	59	4	7
ESP	565	30	2	2
KRW	3,022	27	2	1
DEM	7	24	2	1
Other		217	16	18
		1,361	100	100

**19. Long-term loans**

Loans in foreign currencies are translated in accordance with the highest value principle. A number of loans are valued in a currency other than that of the country of origin, in accordance with so-called swap agreements.

	1988	1987
<i>Bond loans</i>		
PARENT COMPANY		
1978 12 3/4% loan SEK 100 m.,	33	40
1985 CHF 75.5 m.		
Outstanding, USD 30.2 m. + CHF 20 m.	266	246
1987 loan LUF 300 m.		
Outstanding, USD 7.9 m.	51	51
1988 loan LUF 300 m.		
Outstanding, USD 7.6 m.	47	-
1988 loan CHF 100 m.	415	-
Less: next year's maturities	- 7	- 7
Bond loans as shown in balance sheets	805	330

*Mortgage loans and promissory notes*

	1988	1987
PARENT COMPANY		
Available under "USD 100 m. Medium Term Note Program"		
Outstanding USD 29 m.	180	116
1984 multicurrency-loan, GBP 1 m.	11	11
1984 loan, SGD 0.8 m.	2	2
Other mortgage loans and promissory notes	3	12
Less: next year's maturities	- 14	- 9
Parent Company's mortgage loans and promissory notes as shown in balance sheet	182	132
SUBSIDIARIES	605	738
Less: next year's maturities	- 87	- 103

Group mortgage loans and promissory notes as shown in balance sheet

700 767



Bond loans, mortgage loans and promissory notes are being amortized as follows, based on exchange rates at December 31, 1988:

	Group	Parent Company
1989	108	21
1990	248	150
1991	368	272
1992	138	64
1993	131	85
1994 – and thereafter	620	416
	1,613	1,008

Total long-term borrowing of the Atlas Copco Group, including current portion of long-term loans based on year-end exchange rates:

CURRENCY	1988			1987
	AMOUNT m.	SEK m.	PERCENT	PERCENT
USD	81	498	31	21
CHF	120	496	31	1
DEM	42	145	9	18
BEC	800	131	8	21
FIM	33	49	3	1
FRF	46	46	3	5
NOK	50	46	3	3
SEK	44	44	3	5
Other		158	9	25
		1,613	100	100

## 20. Provision for pensions

This item pertains mainly to the Swedish companies and corresponds to the actuarially calculated amount of pension obligations under the negotiated supplementary pension plan in excess of the National Supplementary Pension Plan. In accordance with a recommendation of the Swedish Institute of Authorized Public Accountants, a certain portion of the year's pension cost is shown as interest expense (NOTE 3). "Provision for pensions" is accordingly included among interest-bearing liabilities.

	Group		Parent Company	
	1988	1987	1988	1987
Swedish companies				
FPG/PRI-pensions	559	502	256	235
Other pensions	26	30	22	26
Companies outside Sweden	217	199	–	–
Total provisions for pensions	802	731	278	261

Pensionsregistreringsinstitutet (FPG/PRI) is a public service organization which administers employee pension plans.

## 21. Convertible debenture loan

Convertible debenture loan 1987/93, issued to employees in the Atlas Copco Group. The loan amounted to SEK 156 m. and carries a fixed interest of 10 percent. Conversion can be made during the period from August 14, 1989 to March 1, 1993. The conversion price is SEK 200 per share. Upon full conversion, the number of shares increases by 779,500. Following the proposed bonus issue, the conversion price will be adjusted to SEK 150 per share and on full conversion the number of shares will increase by 1,039,333 (Refer to page 57).

## 22. Untaxed reserves

Untaxed reserves are shown in the balance sheets of both the Atlas Copco Group and the Parent Company as a compounded item. The distribution of the individual items appears below and under separate notes for the different reserves.

	Group		Parent Company	
	1988	1987	1988	1987
General inventory reserves (NOTE 23)	335	366	8	10
Accumulated additional depreciation (NOTE 24)	470	420	31	28
Investment reserves (NOTE 25)	66	67	6	–
Development reserves (NOTE 26)	13	24	5	16
Other reserves (NOTE 27)	79	71	–	–
	963	948	50	54

## 23. General inventory reserves

Allocations to these reserves are made principally in the Group's Scandinavian companies. Swedish legislation permits a write-down of a maximum of 50 percent of the value after a deduction for obsolescence.

	Group	Parent Company
	General inventory reserves, Dec. 31, 1987	366
Allocations	20	–
Withdrawals	– 49	– 2
Companies acquired	0	–
Translation differences	– 2	–
General inventory reserves, Dec. 31, 1988	335	8

Unutilized rights to make allocations to inventory reserves in the Swedish companies amount to SEK 8 m. (10).



## NOTES TO FINANCIAL STATEMENTS

**24. Accumulated additional depreciation**

	Group		
	Machinery and equipment	Buildings	Total
Accumulated additional depreciation, Dec. 31, 1987	275	145	420
Difference between book depreciation and cost depreciation in 1988	73	12	85
Accumulated additional depreciation on fixed assets sold	- 27	0	- 27
Companies acquired	8	0	8
Translation differences	- 10	- 6	- 16
Accumulated additional depreciation, Dec. 31, 1988	319	151	470

	Parent Company		
	Machinery and equipment	Buildings	Total
Accumulated additional depreciation, Dec. 31, 1987	16	12	28
Difference between book depreciation and cost depreciation in 1988	3	0	3
Accumulated additional depreciation, Dec. 31, 1988	19	12	31

**25. Investment reserves**

Swedish companies have the right to allocate 50 percent of their adjusted annual profit to a general investment reserve. The amount allocated is tax-deductible if the whole sum is deposited in a non-interest-bearing account in the Bank of Sweden. Employees must be consulted before application is made to utilize the investment reserves. The reserve may be used with the permission of Governmental authorities and proportional amounts may be withdrawn from the Bank of Sweden in this connection.

When investments in fixed assets are made, the portion of the cost defrayed by utilizing the investment reserve may be written down through a corresponding transfer from the investment reserve.

Certain companies outside Sweden, e.g. Belgium and Norway also have the opportunity to make appropriations to similar investment reserves.

	Group	Parent Company
Investment reserves, Dec. 31, 1987	67	-
Allocations	16	6
Withdrawals for write-downs	- 13	-
Translation differences	- 4	-
Investment reserves, Dec. 31, 1988	66	6

**26. Development reserves**

Swedish companies with an adjusted annual income in excess of SEK 0.5 m. were obligated to make payment to a non-interest-bearing "development account" with the Bank of Sweden for the fiscal year 1985. To make the payments deductible from income taxes, a corresponding amount must be deposited in a development reserve, equal to 10 percent of adjusted annual income. Withdrawal of reserves occurs in accordance with provisions similar to those indicated above for investment reserves and may be utilized to finance employee training as well as costs for research and development.

	Group	Parent Company
Development reserves, Dec. 31, 1987	24	16
Transferred to Group companies	-	- 2
Withdrawals for		
employee training	- 8	0
research and development	- 9	- 9
Companies acquired	6	-
Development reserves, Dec. 31, 1988	13	5

**27. Other reserves**

Other reserves pertain primarily to untaxed security reserves in the Group's insurance companies.

	Group	Parent Company
Other reserves, Dec. 31, 1987	71	-
Allocations	11	-
Translation differences	- 3	-
Other reserves, Dec. 31, 1988	79	-

**28. Restricted reserves**

	Group	Parent Company
Restricted reserves, Dec. 31, 1987	1,480	598
Transferred from retained earnings	41	-
Companies acquired	- 555	-
Companies sold	- 2	-
Translation differences	- 45	-
Restricted reserves, Dec. 31, 1988	919	598

The amount shown for "Companies acquired" is mainly attributable to Secoroc, see page 15.



## 29. Retained earnings

	Group	Parent Company
Retained earnings, Dec. 31, 1987	599	241
1987 net profit	592	459
Dividend to shareholders	- 176	- 176
Transferred to restricted reserves	- 41	-
Companies acquired	78	-
Companies sold	2	-
Translation differences	8	-
Retained earnings, Dec. 31, 1988	1,062	524

Of the Group's retained earnings, SEK 8 m. will be transferred to statutory reserves in accordance with the proposals of the respective companies' Boards of Directors. In evaluating the Atlas Copco Group's retained earnings and profit for the year, it should be noted that a substantial portion was earned in companies outside Sweden, from which the transfer of profit to the Parent Company is, in certain cases, subject to taxation or restrictions.

## 30. Assets pledged

	Group		Parent Company	
	1988	1987	1988	1987
Real estate mortgages	122	128	1	1
Chattel mortgages	437	259	8	8
	559	387	9	9

## 31. Information on loans to shareholders and others

(required in accordance with Chapter 12, Paragraph 7 of the Swedish Companies Act)

During the period 1983-1988 loans have been granted to employees under terms of an offer related to savings invested in Atlas Copco shares through Atlas Copco's General Savings Fund.

	Group	Parent Company
Number of borrowers	194	194
The loans are shown in the balance sheets as		
Other current receivables	1	1
Long-term receivables	1	1

The number of borrowers in the Parent Company includes Atlas Copco Management Consulting AB and Atlas Copco International AB as well as other Swedish companies.

## 32. Application of the Swedish Industry and Stock Exchange Committee's (NBK) Recommendations

As a main alternative, Atlas Copco has chosen to report earnings per share, after full conversion according to the Swedish Industry and Stock Exchange Committee's guidelines regarding calculation of certain key ratios. The guidelines recommend either the full-tax method, or the so-called partial method. The effect of applying this recommendation, using the full-tax alternative, is shown below. Full tax is defined as the tax that the Company calculates for its annual tax declaration plus estimated taxes on appropriations for the year to untaxed reserves.

	1988	1987
Income after financial items	1,155	789
Tax attributable to the above sum	- 520	- 380
Minority interest	- 10	- 33
Income before extraordinary items	625	376
Extraordinary items	3	198
Tax attributable to extraordinary items	3	46
Minority interest	6	244
Net Profit	631	620
Reversals		
Tax charged against net profit	517	334
Minority interest	10	33
Reported profit before appropriations and taxes	1,158	987
Earnings per share after full conversion, SEK*		
before extraordinary items	26.10	15.95
after extraordinary items	26.35	26.20

\* Tax charges on the interest on the convertible debenture loans (SEK 16 m.) have been estimated at 50 percent.

The following key financial ratios, whose definitions follow the NBK's recommendations, using the full-tax method, are based on the above income statement and therefore differ from the corresponding key financial ratios reported elsewhere (page 64).

	1988	1987
Return on shareholders' equity, %	16.8	17.7
Return on capital employed, %	20.0	16.6

The decrease in the amount shown for "Return on shareholders' equity" in 1988, compared with 1987, is mainly attributable to substantial tax-free capital gains that accrued during the preceding year.



## NOTES TO FINANCIAL STATEMENTS

### 33. Generally accepted accounting principles in the United States (U.S. GAAP)

The consolidated accounts of Atlas Copco and its subsidiaries have been prepared in accordance with accounting principles generally accepted in Sweden. These accounting principles differ in certain significant respects from accounting principles generally accepted in the United States (U.S. GAAP).

#### Write-up of assets

Certain properties have been written up to amounts which exceed the acquisition cost. In specific situations, such write-ups are permitted in accordance with Swedish accounting practice. In accordance with U.S. GAAP, write-ups of assets are not reported in the balance sheet.

#### Capitalization of interest expenses

In accordance with Swedish accounting practice, the Group has expensed the interest payments arising from the financing of newly constructed fixed assets. In accordance with U.S. GAAP, such interest expenses are capitalized.

#### Pension provisions

New rules were adopted in the U.S. in 1986 governing accounting of pension provisions. In general, these rules are applied by Atlas Copco's U.S. subsidiaries. Compared with Swedish accounting practice for FPG/PRI pension provisions, there are differences, primarily in selection of the discount rate and in that calculation of equity value is based on the salary or wage at the date of retirement. Generally, it is estimated that the annual pension calculated in accordance with U.S. GAAP would be substantially less than the annual cost for the FPG/PRI plan in accordance with Swedish accounting practice. However, the difference has not been quantified and is not included in the following U.S. GAAP account presentation.

#### Shares and participations in associated companies

Under Swedish accounting principles, investments in shares are generally carried at cost and dividends are included in income for the year in which received. Under U.S. GAAP, investments in 20- to 50-percent-owned companies are generally accounted for using the equity method. The book values of such shareholdings are adjusted continuously in accordance with the abovementioned method.

#### Company acquisitions

In accordance with Swedish accounting principles, the Secoroc Group has been included in the consolidated accounts according to the pooling of interests method. The U.S. GAAP criteria for the application of the pooling of interests method differs in certain respects from those used in Sweden. One of the criteria in U.S. GAAP is that none of the merging companies may be a subsidiary of another company during the two years preceding the merger. On the date of acquisition, Secoroc was a subsidiary of Kinnevik, as a result of which it is impossible to apply the pooling of interests method according to U.S. GAAP.

#### Untaxed reserves

As described in NOTE 6, tax legislation in Sweden and certain other countries permits companies to make appropriations to untaxed reserves. These allocations, which reduce the amount of taxable income, are reported in the income

statement. In accordance with U.S. GAAP, such appropriations are not recognized as a reduction of income for financial reporting purposes.

#### Deferred taxes

In accordance with Swedish accounting practice, no provision is generally made for deferred income taxes. In accordance with U.S. GAAP, deferred income taxes are provided on all significant timing differences, including the appropriations to untaxed reserves. Under certain conditions, loss carry forwards may be recognized when calculating deferred taxes in accordance with U.S. GAAP.

#### Translation differences in shareholders' equity

In accordance with Swedish accounting practice, all account items included in shareholders' equity must be classified in the balance sheet as restricted equity (share capital and restricted reserves) or as unrestricted equity. The accumulated exchange differences which arise from translation of foreign companies' financial statements are distributed between restricted and unrestricted equity in the consolidated balance sheet. In accordance with U.S. GAAP, this currency component is shown as a separate item in the balance sheet.

#### Earnings per share

In accordance with U.S. GAAP, earnings per share are based on net profit for the year as shown in the income statement. As a result, this net profit has been charged with booked deferred tax. Depending on the application of appropriations, and other measures, earnings per share calculated in accordance with Swedish accounting practice are normally based on income before appropriations and taxes.

Application of U.S. GAAP would have the following approximate effect on consolidated net income and shareholders' equity.

	1988	1987
Income as reported in the Consolidated Statements of Income (in accordance with Swedish accounting principles)	714	592
Items increasing/decreasing reported net income:		
Depreciation of write-ups	1	2
Capitalization of interest expenses	- 4	10
Share in net income of associated companies	4	3
Depreciation of goodwill	- 3	-
Appropriations	26	80
Deferred taxes	- 105	- 53
Calculated net profit	633	634
Calculated earnings per share, SEK	27.00	27.00
After full conversion, SEK	26.45	26.80
Shareholders' equity as reported in the Consolidated Balance Sheet (in accordance with Swedish accounting principles)	3,282	3,258
Net adjustment in reported shareholders' equity	954	562
Approximate shareholders' equity	4,236	3,820
Total assets	11,929	10,921



## ATLAS COPCO AB

## Shares and participations

	Number of shares	Per- cent held	Par value loc cur	Book value SEK m.
<b>DIVISIONS</b>				
Atlas Copco Industrial Technique AB	40 000	100	100	5
Atlas Copco Tools AB	100 000	100	100	20
Monsun-Tison AB	400 000	100	100	64
Atlas Copco Airpower n.v., Belgium	59 500	99	1)	200
<b>SALES COMPANIES</b>				
Atlas Copco Compressor AB	60 000	100	100	10
Atlas Copco International AB	10 000	100	100	1
Atlas Copco (Cyprus) Ltd.	99 998	100	1	1
Atlas Copco A/S, Denmark	3 003	100	4 000	7
Oy Atlas Copco Ab, Finland	144	80	100 000	20
Atlas Copco A/S, Norway	4 498	100	10 000	32
Soc. Atlas Copco de Portugal Lda.	1	100	1)	22
Atlas Copco (Schweiz) A.G.	7 995	100	1 000	12
Atlas Copco S.A.E., Spain	512 200	99 <sup>2)</sup>	500	4
Atlas Copco G.m.b.H., Austria	69 990	100	1 000	20
Atlas Copco Boliviana S.A.	42 680	100	10	2
Atlas Copco Brasil Ltda	370 000 000	100	1	21
Atlas Copco Chilena S.A.C.	24 998	100	1 000	6
Atlas Copco Ecuatoriana S.A., Ecuador	24 000	60 <sup>2)</sup>	1 000	1
Atlaservis S.A., Ecuador	1 990	100	1 000	1
Atlas Copco Venezuela S.A.	7 200	60	1 000	9
Atlas Copco Iran AB, Sweden	3 500	100	100	0
Atlas Copco (Philippines) Inc.	121 995	100	100	3
Atlas Copco KK, Japan	375 001	100	1 000	23
Atlas Copco (HK) Ltd., Hong Kong	2 775	93	1 000	3
Atlas Copco (South-East Asia) Pte. Ltd., Singapore	2 500 000	100	1	8
Atlas Copco (Malaysia) SDN BHD	700 000	70	1	2
Atlas Copco Korea Co. Ltd.	4 900	49	10 000	1
Atlas Copco Ticaret ve Sanayi T.A.S., Turkey	84 934	100	5 000	0
Atlas Copco Argentina S.A.C.I.	18 000 000	100	0.001	0
Atlas Copco Taiwan Ltd.	64 746	93	100	1
Atlas Copco (India) Ltd.	1 928 000	40	10	0
Atlas Copco Kenya Ltd.	14 999	100	100	0
Atlas Copco Maroc S.A.	1 880	50	1 500	1

1) No par value

2) Remaining holding owned by other Group companies

3) 62% owned by other companies within the Group

A detailed list of the shares and participations owned by Atlas Copco AB can be obtained free-of-charge by writing the Company or the Swedish Patent and Registration Office.

	Number of shares	Per- cent held	Par value loc cur	Book value SEK m.
<b>HOLDING COMPANIES</b>				
Atlas Copco Construction and Mining Holding AB	700 500	100	100	456
Atlas Copco North America Inc.	35 506	100	1)	750
Atlas Copco UK Holdings Ltd.	3 623 664	100	1	38
Atlas Copco Beheer bv., The Netherlands	15 712	100	1 000	42
Atlas Copco Holding G.m.b.H., West Germany	5	99 <sup>2)</sup>	1)	100
Atlas Copco France Holding S.A.	159 970	100	500	75
<b>OTHER SUBSIDIARIES</b>				
Atlas Copco Airpower Svenska AB	500	100	100	0
Copco Nueva Montaña S.A., Spain, in liquidation	29 999	13 <sup>3)</sup>	1 000	0
Atlas Copco Andina S.A., Bolivia, in liquidation	18 000	50 <sup>2)</sup>	1 000	0
Atlas Copco Industrial S.A., Spain	95	50 <sup>2)</sup>	10 000	0
Atlas Copco Försäkrings AB	50 000	100	100	5
Atlas Copco Reinsurance S.A., Luxemburg	4 999	100	10 000	8
Atlas Copco Finanz AG, Switzerland	5 000	100	1 000	18
Cerac S.A., Switzerland	1 997	100	1 000	2
Atlas Copco Management Consulting AB	500	100	100	0
Atlas Copco Svenska Försäljnings AB	200 000	100	100	20
Atlas Copco Information Systems Development HB	10	10	1 000	0
Atlas Copco Data AB	250	50 <sup>2)</sup>	100	0
Atlas Copco Oden- fastigheter AB	50	100	100	0
Atlas Copco Fond- aktiebolag	2 500	100	100	0
22 dormant companies				6
				2 020

**MINORITY COMPANIES****Associated companies**

Atlas Copco Finans AB	38 000	40	100	4
Atlas Copco Trading AB	500	50	100	0
				4

**Other companies**

Bilspedition AB	71 120	1	25	2
Svensk Interkontinental Lufttrafik AB (SILA)	254 000	1	10	5
Stabil Fastighets AB	56 000	4	100	10
Handelsbolaget Svenska Dagbladets AB & Co	100	2	1 000	0
Sukab Finans AB	640	-	100	0
Mechanical Technology Inc., N.Y.	140 000	5	1	0
ADELA Investment Co. S.A., Luxemburg	3 640	-	100	0
SIFIDA Investment Co. S.A., Luxemburg	275	1	500	0
Other shares and participations				0



## APPROPRIATION OF PROFIT

### Proposed distribution of profit

As shown in the balance sheet of Atlas Copco AB, the following funds are available for appropriation by the Annual General Meeting:

Unappropriated earnings from preceding year	SEK 524,118,307
Net profit for the year	<u>SEK 275,248,473</u>
	SEK 799,366,780

The Board of Directors and the President propose that these earnings be appropriated as follows:

To the shareholders, a dividend of SEK 8.50 per share	SEK 199,414,250
To be retained in the business	<u>SEK 599,952,530</u>
	SEK 799,366,780

*Nacka, March 10, 1989*

PETER WALLEMBERG  
Chairman

ERIK JOHNSON  
OTTO GRIEG TIDEMAND  
PER LUNDBERG  
BO HENNING

CURT G OLSSON  
BJÖRN SVEDBERG  
GEORG KARNSUND

P HENRY MUELLER  
LENNART JOHANSSON  
TOM WACHTMEISTER  
President  
PER-ERIK NYHOLM

## AUDITORS' REPORT

We have examined the Annual Report, the Group accounts, the financial statements and the administration of the Company by the Board of Directors and the President for the year 1988. Our examination was carried out in accordance with generally accepted auditing standards.

We have been assisted in our examination by Bohlins Revisionsbyrå AB.

### Parent Company

The Annual Report has been prepared in accordance with the Swedish Companies Act.

We recommend:

that the income statement and balance sheet be adopted,

that the net profit for the year be disposed of in accordance with the proposal in the Board of Directors' Report, and

that members of the Board of Directors and the President be granted discharge from liability for the fiscal year.

### Group

The Group accounts have been prepared in accordance with the Swedish Companies Act.

We recommend that the consolidated income statement and the consolidated balance sheet be adopted.

*Nacka, March 17, 1989*

KARL-G GIERTZ  
Authorized Public  
Accountant

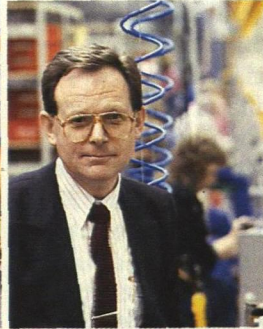
BO RIBERS  
Authorized Public  
Accountant



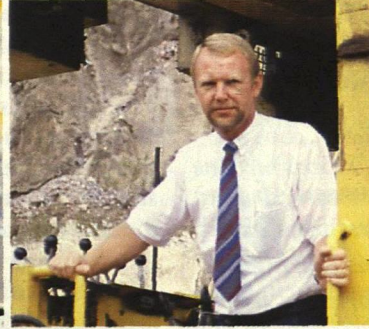
## SALESMEN OF THE YEAR



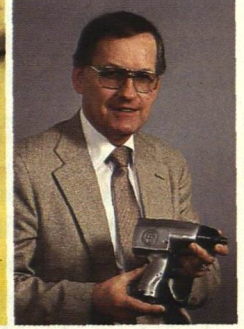
**José M Alves de Carvalho**



**Günter Manderla**



**Albert Herbigneaux**



**Larry Kraft**



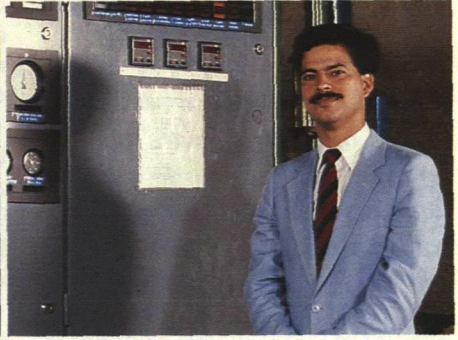
**E Allen Cellar**



**Kazushige Shindo**



**Takashi Yamamoto**



**Eduardo Rodriguez**

*Many outstanding sales efforts by dedicated personnel in the sales companies contributed to the Group's success in 1988. Each sales company was requested to send in reports of major sales successes and from these 1988's Salesmen of the Year have been selected. The winners, and a description of their achievements, are presented below:*

**José M Alves de Carvalho**, salesman with responsibility for major industrial customers in the Lisbon area, Portugal, recorded an extremely good sales result during 1988. In tough competition with other suppliers, he sold eight oil-free compressors to Lisnave shipyard, among other items. His deep knowledge of the product combined with excellent customer relations contributed greatly to his fine sales achievements.

**E Allen Cellar**, salesman in New England and New York in the U.S., sold drilling equipment amounting to about USD 5 m. in 1988, of which USD 1 m. constituted rock drilling equipment. His sales included 14 crawler rigs to contractors and quarry owners, plus two Conjet units.

**Albert Herbigneaux** has been the Group's most successful salesman in Zaire during the past 10 years and has contributed extensively to the modernization of the country's mines. His sales in 1988 included 18 hydraulic rigs to Gecamines for production drilling and tunneling.

**Larry Kraft**, salesman for Chicago Pneumatic in the U.S. midwest, sold tools for USD 8 m. in 1988, up 38 percent on his total for the preceding year. These included sales of 3,600 units of CP's new pneumatic knife and 1,100 of the new series of nut runners to automotive distributors.

**Günter Manderla**, tools salesman in Münsterland and Westphalia in West Germany, sold a considerable number of various types of power tools during 1988 to a combined value of DEM 700,000. A major customer was the white goods manufacturer, Miele. Deliveries mainly comprised oil-free hand-held tools and a large number of ErgoPuls nut runners.

**Eduardo Rodriguez**, head of industrial sales at the sales company in Venezuela, successfully secured several orders in a combined amount of USD 10 m. from the Venalum aluminum smelting works in 1988. These orders included 16 Airpower compressors and 9,000 cylinders from Monsun-Tison.

**Kazushige Shindo** and **Takashi Yamamoto**, salesmen at the Osaka office in Japan, contributed extensively to the 34-percent sales increase reported by the office in 1988. Together they sold a total of 38 oil-free compressors, after-coolers and dryers worth more than SEK 26 m.



GROUP PRESIDENT:

## STRONG PERFORMANCE IN 1988 — FURTHER IMPROVEMENTS IN 1989

*Nineteen eighty-eight was one of Atlas Copco's best years ever, in terms of sales, earnings, profitability and gains in market positions.*

*Our profits increased 46 percent and for the first time exceeded SEK 1 billion. During the past four years, earnings per share have risen by an average of 20 percent annually and are currently equal to SEK 26.10, after full tax.*

*We have started to see the effects of several years' carefully targeted sales efforts and extensive rationalization programs, based on the Group's clearly formulated strategy.*

*The results achieved are attributable to the work described in earlier annual reports. We have also introduced new products, made substantial investments in new production technology and carried out two acquisitions of considerable strategic importance. The combined effect of all these measures resulted in an increase in Group earnings to a level that measures up well, both internationally and in the Swedish engineering industry.*

*Many of the measures taken in recent years will continue to produce favorable effects in the future. Business prospects as they now stand can also be considered promising. I am therefore optimistic about our possibilities of making further gains in earnings during 1989.*

### Cost-reducing measures

Cost-reduction programs have been implemented in all areas. These have taken the form of simplified routines, reductions in personnel, mainly on the administrative side, and shorter decision lines between the divisions and the sales organization.

We have effected cost reductions in all stages of our administrative process. The focus has been on reducing administrative costs and allowing additional resources for directly productive and customer-oriented operations.

In addition, we discontinued certain operations which were outside Atlas Copco's main business area. This occurred primarily within the Berema division and in the Industrial Technique business area.

The entire organization has been deeply involved in programs to reduce inventories and accounts receivable. We have successfully increased our rate of capital turnover by improving flows in the manufacturing area and accelerating delivery routines. This has created some SEK 100 m. in reduced interest charges and a return on capital employed that is close to our goal of 20 percent. We are also well on the way to achieving our return on equity objective.

### Strengthened market positions

Today, Atlas Copco is the world leader within its principal business areas, which cover the greater part of the product range. Yet we still have considerable growth potential in a number of major industrialized countries.

The further strengthening of Atlas Copco's market positions during 1988 was based on new technological advances, and more aggressive marketing programs in all units, and the strategic acquisitions of recent years.



Technological advances have provided us with a base for new market successes. Industrial compressed air is a case in point. In contrast to what many people thought a few years ago, compressed air is now a growth area. Our technological leadership in the area of oil-free compressed air systems, complemented by electronic monitoring and control systems, has enabled us to develop new applications, in close cooperation with customer groups. Today, compressed air plays an increasingly integrated part in advanced manufacturing and control processes in the food, pharmaceutical, textile and chemical industries. Artificial fibers,

circuit cards, aluminum, beer and silks are just examples of the products manufactured with the help of clean, oil-free compressed air.

Additional instances of technological leadership as a base for new or strengthened market positions are found in many other areas of Atlas Copco's operations.

The framework for more aggressive marketing efforts has been created within our divisions through their more direct influence over the field organization. This provides customers with faster and smoother access to specialized counselling and service.

### Growth philosophy

The strategic acquisitions made within the Industrial Technique and Construction and Mining Technique business areas during recent years have also increased our capacity to serve customers more efficiently.

In the Industrial Technique business area, our acquisition of Chicago Pneumatic in 1987 was supplemented by the 1988 acquisitions of Georges Renault in France and Hydro-Pneumatic in Sweden.

In 1988 in the Construction and Mining Technique business area we acquired Secoroc, the world's leading supplier of rock drilling tools. Secoroc will continue to operate as an independent company from its highly successful technological, marketing and commercial platform.

Following our acquisition of Secoroc, Sandvik announced its decision to terminate a long-standing agreement with Atlas Copco. The marketing capacity in the Atlas Copco organization that was consequently made available, and which is well connected to the international construction and mining industry, will be utilized to market a new range of drill steel products under the brand name ATLAS COPCO

ROCK TOOLS. As a result, the Atlas Copco Group's total market share within the drill steel field should increase significantly.

The acquisitions of Chicago Pneumatic, in 1987, and Secoroc in 1988 were made in the middle of each respective fiscal year, which means that sales and earnings cover part of the periods, while the entire equity is included in the accounts. Thus, the contribution to Group earnings made by the two companies will be more clearly visible in upcoming financial reports.

### European Cooperation

The increasingly intensive cooperation between countries within the European Community (EC), can be seen as an historic step forward. The official Swedish line not to apply for EC membership means that many Swedish companies will miss out on the advantages this could bring. Some will even be handicapped, in relation to international competitors.

Fortunately, Atlas Copco was able to establish many of its key operations among the EC's 12 member countries at an early stage. More than 50 percent of the Atlas Copco Group's manufacturing is today already contained in the EC area, as is more than one third of total sales. Atlas Copco today regards itself largely as a company within the EC.

Despite this, we and other Sweden-based companies are adversely affected by Sweden's position outside the common market. It is difficult to create a desirable exchange of personnel between Sweden and other European countries. There is still a risk of technical trade barriers in some form or another. Product safety and liability regulations can be formulated in such a way that they effectively function as obstacles to trade for companies outside the common market. Other po-

tential forms of protectionism, for example in the area of public sector procurement, cannot be disregarded.

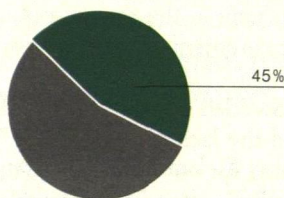
Sweden's position on the EC issue and the lack of any credible time-frame for our closer association with the EC, can reduce willingness to invest and lead to stagnation in the development of our country. Small and medium-sized industrial operations, which play an important role as sub-suppliers to larger Swedish companies, run the risk of being knocked out by competitors from within the EC, unless Sweden somehow becomes part of the community.

One must also take into account the uncertainty that exists concerning Sweden's future energy supply — an uncertainty created by a political process that cast nuclear power as the most serious threat to our environment. The majority of the alternatives that have been presented are unrealistic and in many cases pose even greater threats to our precious environment.

It is essential that clear information be provided as soon as possible, allowing Swedish industry to plan for its future. Otherwise there is an obvious risk that Swedish industry will make too many industrial investments outside Sweden. I concur with those who want a political decision-making process leading Sweden towards close association with the European Community and towards more constructive solutions to our energy problems.

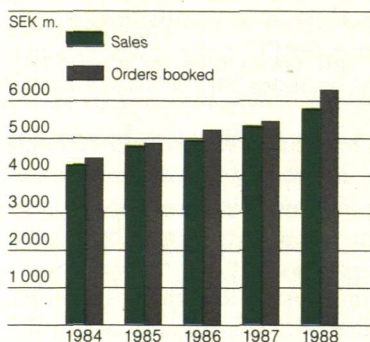


# COMPRESSOR TECHNIQUE

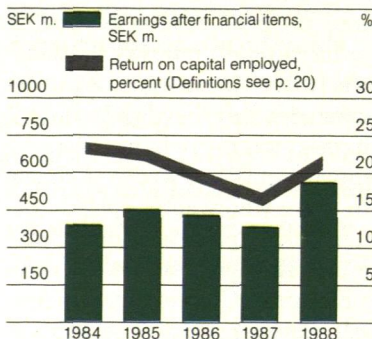


Share of Group sales

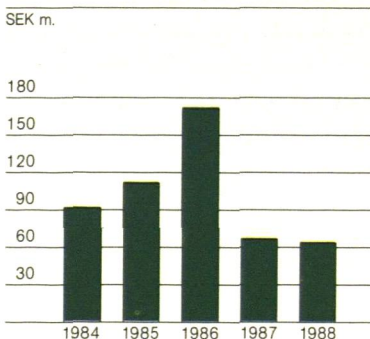
## SALES AND ORDERS BOOKED



## EARNINGS AND RETURN



## INVESTMENTS, RELATED TO PRODUCTION



	1988	1987
INVOICED SALES, SEK m.	5,793	5,323
EARNINGS AFTER FINANCIAL ITEMS, SEK m.	563	383
RETURN ON CAPITAL EMPLOYED, %	21	16

*The business area Compressor Technique comprises Atlas Copco Airpower and Atlas Copco ACT (Applied Compressor Technique). The Airpower Division develops, manufactures and markets portable and industrial compressors, air dryers, after coolers, control systems and filters. ACT focuses its operations on specially built air and gas compressors, expansion turbines and vacuum pumps. The companies' headquarters are in Antwerp, Belgium. Their largest plants are located in Antwerp and Cologne, West Germany, respectively. Manufacturing is also carried out in plants in 9 other countries.*



Giulio Mazzalupi, President, Atlas Copco Airpower, (left) and Theo Dietz, President, Atlas Copco ACT.

## Strategy

The role of business area Compressor Technique is to develop Atlas Copco's position as world market leader in the field of compressors and expansion turbines. As part of this strategy, the Business Area markets quality products and preventive maintenance service, designed to increase customer operating reliability. The Airpower Division is responsible for the supply of air compressors to all industries, while the ACT Division concentrates on equipment for the compression and expansion of air and other gases particularly within process industries.

## Sales

Invoiced sales of the business area Compressor Technique during 1988 rose 9 percent to SEK 5,793 m. (5,323). Orders booked from customers amounted to SEK 6,319 m. (5,470), up 16 percent.

## Earnings

The Business Area's earnings after financial income and expenses increased 47 percent to SEK 563 m. (383), corresponding to 10 percent of invoiced sales.

The sharp increase is mainly attributable to increased sales volume and the effects of rationalization measures.

Return on capital employed was 21 percent (16).

## Investments

Investments in land and buildings related to production amounted to SEK 12 m. (5) and investments in machinery and equipment totaled SEK 52 m. (62). The investments were mainly related to improvements in production to raise productivity and quality levels.

## Business Development

Demand grew steadily throughout the year. Capital expenditures in



machinery increased, particularly in the U.S., Japan and Western Europe.

Market growth in the building and construction industry in the EC and Japan, in particular, was favorable. Growth in the developing countries remained weak.

The restructuring of the market continued. Three West German competitors merged to form a new company in an attempt to improve their market position. The continuing low dollar exchange rate favored American suppliers.

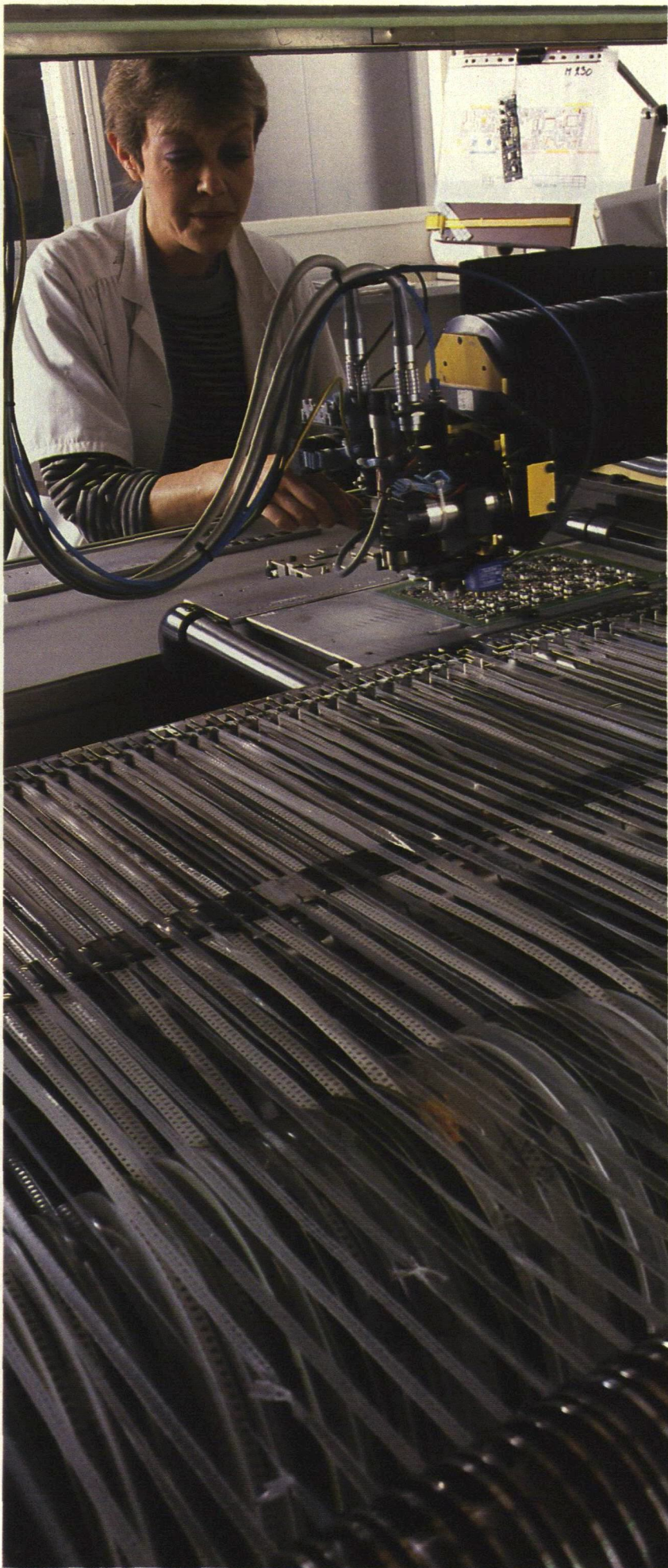
The Airpower Division's sales of portable and industrial compressors plus air dryers, industrial filters and generators continued to rise. Orders booked for oil-free screw compressors in particular were very good throughout the 12-month period.

During the year, ACT took the strategic decision to concentrate the product program and to focus on fewer market segments. The fall-off in certain areas were adequately compensated by a new series of turbo compressors for air and gas.

#### **Outlook for 1989**

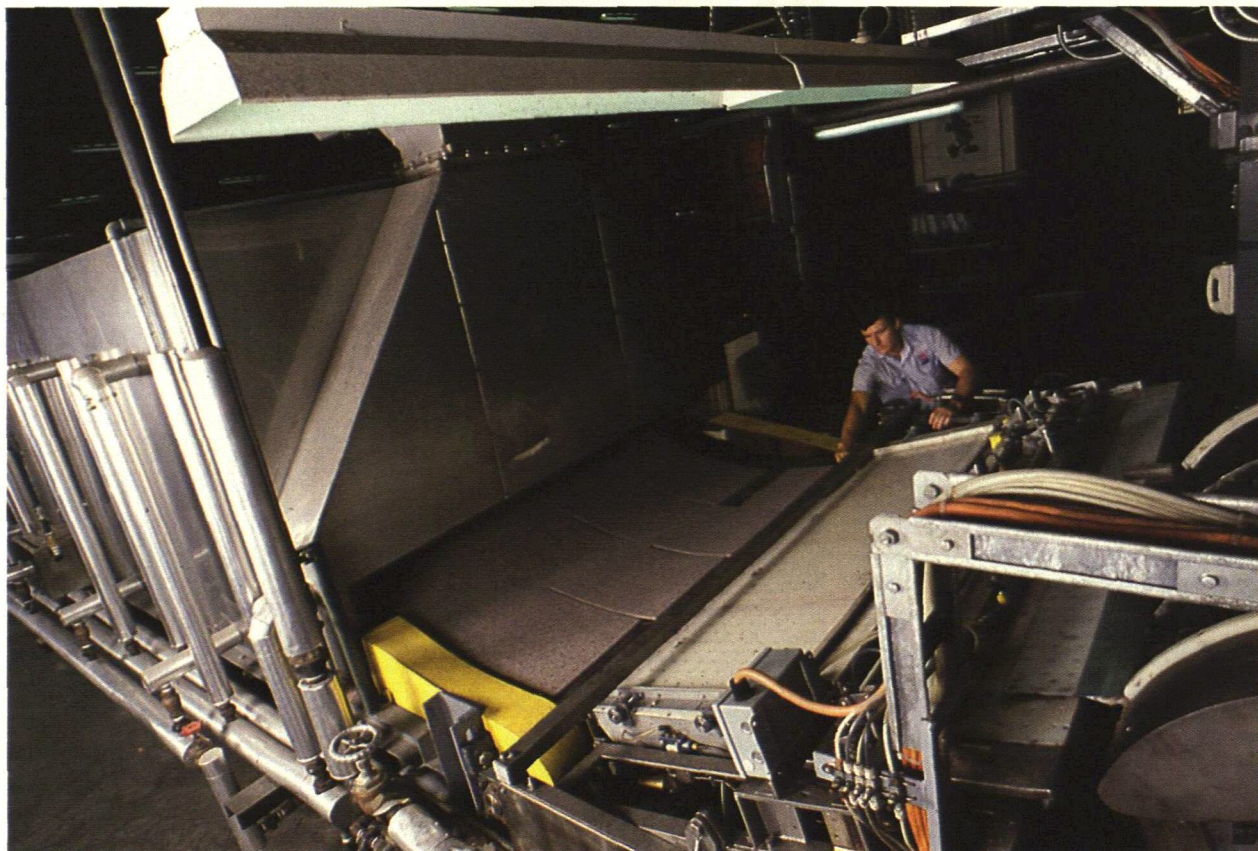
The high demand experienced from both the manufacturing industry and the building and construction sector in Atlas Copco's most important markets is expected to continue. This trend, in combination with the successful introduction of new products, high product quality and a well-established marketing organization, is expected to lead to business area Compressor Technique further strengthening its leading position in the market. Actions to improve efficiency, a more rational organization and new market and applications-oriented products should result in a further improvement in profitability.

**Philips in Denmark uses oil-free compressed air from an Atlas Copco compressor for the production of printed circuit cards.**





## ATLAS COPCO AIRPOWER



**At the Feltex Modular Carpets, Australia, high-tech carpets are manufactured using compressed air for the production and instrumentation control.**

**Management Committee**  
*Giulio Mazzalupi,*  
 President  
*Jan Petersson,*  
 Finance  
*Art Droege,*  
 Marketing  
*Roger Docx,*  
 Production  
*Henri Ysewijn,*  
 Product Development  
*Erik Lebrocqy,*  
 Personnel and Administration

#### **Industrial Compressors**

Sales of oil-free screw compressors increased sharply in Western Europe, North America and East Asia, as a result of new applications for oil-free compressed air in the process and textile industries.

One of a new series of oil-injected screw compressors launched during

the year attained great success in many countries.

As a consequence of increased demands for quality air within industry, sales of related products, such as air dryers and industrial filters rose in all markets.

A new generation of oil-free screw compressors with several important control and monitoring functions was introduced during the year. These compressors provide customers many advantages in cost-efficient and reliable operations.

Demand for fixed-term service contracts with set prices for the maintenance and repair of customers' compressors increased during the year. These contracts provide customers with continuous and reliable supplies of compressed air at fixed operating costs for their compressors.

New assembly lines and new



methods of manufacturing oil-free screw compressors led to increased production volume and reduced lead times.

To additionally assist customers in improving the efficiency of their production, investments continued to be made in the research and development of new products in the field of electronic control and energy recovery.

Sales of small stationary compressors were good in all EC countries.

A new service program for smaller compressors resulted in a considerable increase in the sales of service products during 1988.

Delivery reliability was improved through the introduction of more efficient delivery routines and inventories were reduced. A new computer controlled measurement system makes a complete quality inspection of each product and prepares a report which is valid as a certificate of guarantee for customers.

#### **Portable Energy**

The continued favorable development of the construction industry in Europe resulted in significantly increased sales of portable compres-

sors. A substantial portion of this increase came from three of Europe's most buoyant markets – Italy, Great Britain and France.

Among the Company's larger portable compressors, an increase in demand was noted for high-pressure units, particularly for water drilling. Demand for standard units remained unchanged.

Sales of portable electric generators rose in the most important markets, primarily as a result of the introduction of a series of generators on bogies and two smaller-sized generator models.

#### **Product Development**

During the last quarter of 1988, Airpower took over operative responsibility for CERAC, the Group's research center in Switzerland. In future, this unit will focus resources on applied research in compressor technology and closely related fields.

#### **Production**

Advanced production technology and assembly techniques ensured that the Airpower plant in Wilrijk, Belgium continued to deliver efficient, operationally reliable products. Investment in a flexible pro-

duction system makes it possible to efficiently produce parts also in small volumes.

As a result of improved deliveries from subsuppliers and customer-order controlled production, inventories were able to be reduced and costs declined sharply.

Production and assembly operations are also carried out at Airpower's plants in France, Sweden, Turkey, Brazil, India, Yugoslavia, South Korea, Mexico and the U.S. in order to meet specific market demands.

#### **Direct Distribution**

The method by which products are delivered directly from plant to customer was expanded during the year with the introduction of an efficient new system for the delivery of spare parts and components to customers in Belgium, France and Sweden. The value of this system, which means that customers receive fast, complete deliveries from the centralized European warehouse in Brussels, will increase with the emergence of the internal European market. During 1988, direct deliveries of portable compressors were also made to customers in Great Britain and France. Plans were made to expand the system in 1989 to include the entire Nordic region and other European countries.

#### **Personnel**

The average number of employees in Airpower, excluding the sales companies, totaled 2,387 (2,166).

During the year, 95 persons were employed in production to cope with the increase in order bookings.

A training program for all levels of personnel was carried out in the factories. During the year a management training program was also started, which will continue during 1989.

**Private contractors and municipal administrations often hire Atlas Copco super-silenced compressors for repairation work.**





## COMPRESSOR TECHNIQUE

# ATLAS COPCO ACT

### Management Committee

*Theo Dietz,*

President

*Lars Lindén,*

Executive Vice President

*Anders Björkdahl,*

Finance and Administration

*Ulrich Grundmann,*

Technical Development

### Structural Changes

As a result of the formation of Atlas Copco ACT in October 1987, the plants in Albany, U.S.A. and Cologne, West Germany were coordinated to manufacture air and gas compressors and expansion turbines.

During spring 1988, a new company, NEAC Compressor Service, was founded jointly by Atlas Copco ACT and the West German company, Neuman & Esser, each having a 50-percent ownership interest.

The investment is a step towards improving and securing long-term access to spare parts and qualified service for reciprocating compressors.

### Market Development

Economic conditions in the chemical industry sector and gas industries were, and continue to be, favorable. These customer groups increased their investments in production expansion during the year to a greater extent than their investments in rationalization measures and equipment replacement. The expansion of the chemical industry is expected to continue to have a positive impact on demand for turbo machines during the coming year.

Order bookings rose compared with the previous year. Demand for energy recovery plants is, however, currently lower than previously as a result of favorable energy costs.

The fall off in reciprocating compressors, which were discontinued in 1987, was offset by an increase in orders for turbo machines.

An order was secured from India



Assembly at the Cologne plant of a single-stage centrifugal compressor for a purification plant in Chicago, U.S. Compressed air from the compressor is used for oxygenization of the waste water.

for a substantial number of gas-powered compressors that are being used in gas collection operations in the Assam oil fields. Orders were also received for large expansion turbines for condensation of gas and energy recovery from petrochemical plants in Southeast Asia and North America.

### Product Development

A new series of multi-staged centrifugal compressors for air and gas was introduced in Europe. The series was also well received at an earlier presentation in the United States. Several orders were signed for customers in the automotive, steel and chemical industries.

Ongoing developments for high efficiency impellers with a large application range, improved seals and new bearing concepts are tested and gradually introduced. Work on new, computerized compressor control systems and remote control systems

is continuing. This technology will facilitate customers' monitoring of their operations and reduce operating and maintenance costs.

### Production

Turbo machines are usually custom designed to meet the special applications of individual customers. This requires considerable production flexibility. Since the compressors occupy a central position in customers' plants, it is essential that they measure up to extremely high quality and delivery requirements. A number of major investments were made, especially at the Cologne plant, to meet these requirements and to improve productivity.

### Personnel

The average number of employees in ACT during 1988 amounted to 639 persons (817). The reduction was due to the restructuring of the Cologne plant.



## INHERENT QUALITY INCREASES CUSTOMER PRODUCTIVITY

*Atlas Copco's overriding objective is to supply products, systems and services that enable customers to significantly increase the productivity of their operations. An important part of this objective is the quality contained in Atlas Copco's deliveries. And this applies to each of the Group's three Business Areas.*

### **Product development determined by the market**

Every successful company must follow developments in its industry and be prepared to invest in the renewal of products to meet future demands. The company must also be aware that it is the market, competitors and new areas of application which constantly drive forward the development of completely new units, or the adaptation of existing products. The accelerating pace of technological change means that the market must be provided with new,

reliable and competitive products at an increasingly rapid rate. This has resulted, for example, in manufacturers building-in complex electronic components and software in products that previously were purely mechanical.

Engagement in advanced compressor technology is determined by two key factors. All work carried out reflects specific market demands. The balance between quality and cost must result in products that provide customers with technical and commercial advantages. The development process must therefore be carried out so that the company can manufacture the required products at an acceptable cost and within the shortest possible timespan. How business area Compressor Technique goes about meeting these requirements is described below.

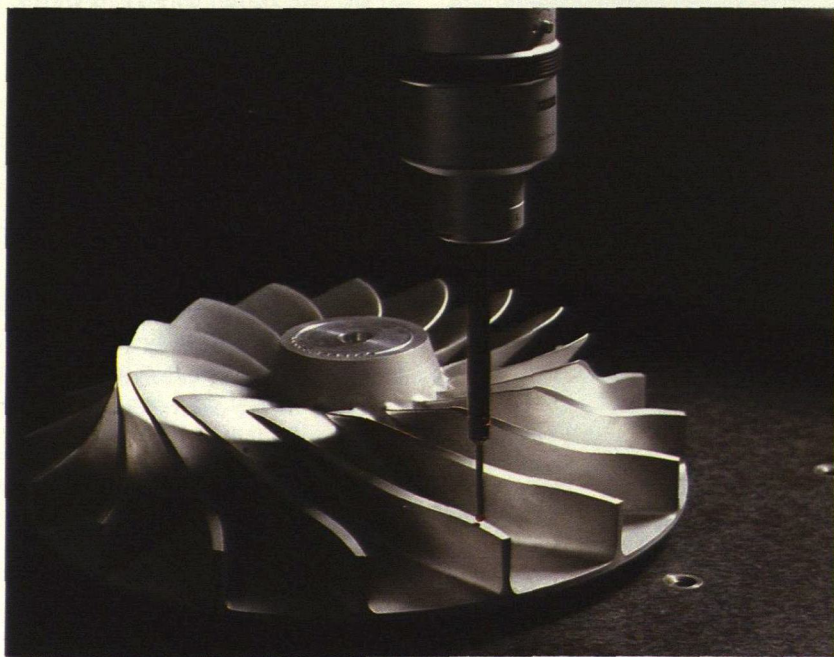
Airpower's central research and development function focuses on compressor technology. During 1988, a substantial portion of its resources were engaged in product design work aimed at attaining further increases in the quality standard of

all existing products, while also introducing new series of technologically advanced products.

### **Meticulous quality control**

To further meet customer expectations, sharpened quality routines have been introduced in cooperation with suppliers, as well as within Airpower's and ACT's own manufacturing organizations.

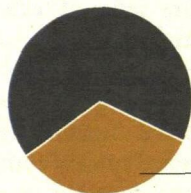
Airpower and ACT's quality control program, based on International Standard (ISO 9001), guarantees maximized quality levels throughout the development, production and delivery of compressors. This program includes administrative systems and routines for making sure that agreed requirements and specifications have been met in all areas, without exception. The program also includes production test equipment and quality control routines for components used in production by sub-suppliers, plus deliveries to the Business Area's own units. But the quality controls do not end there. At Airpower, special inspectors also make comprehensive checks on compressors selected at random. The aim is to discover and remedy possible deficiencies in the quality system, thus ensuring that each machine leaving an Airpower manufacturing plant lives up to its promised performance. The routines have been developed to ensure these products meet or exceed the high expectations of the market. They have made a strong contribution to Atlas Copco maintaining its position as the leading supplier in this industry.



**Inspection of rotor production, which is carried out with an accuracy of 0.001 millimeter.**

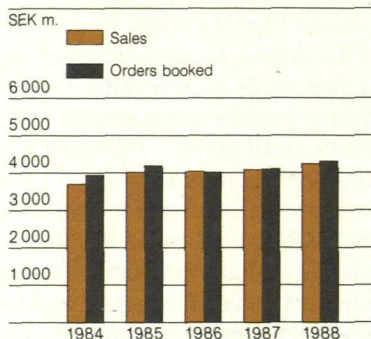


# CONSTRUCTION AND MINING TECHNIQUE

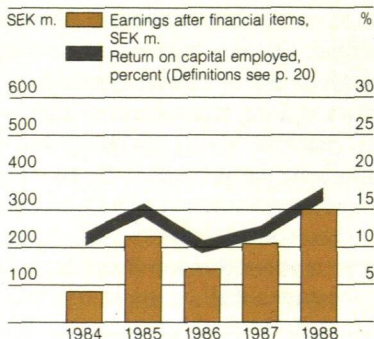


Share of Group sales

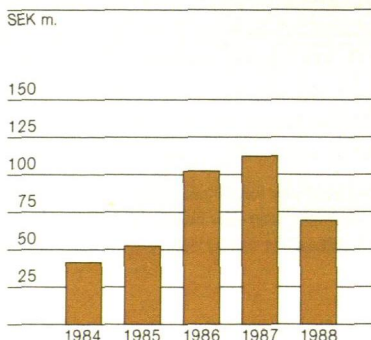
## SALES AND ORDERS BOOKED



## EARNINGS AND RETURN



## INVESTMENTS, RELATED TO PRODUCTION



	1988	1987
INVOICED SALES, SEK m.	4,257	4,107
EARNINGS AFTER FINANCIAL ITEMS, SEK m.	301	212
RETURN ON CAPITAL EMPLOYED, %	17	12

*Business Area Construction and Mining Technique comprises Atlas Copco MCT, Secoroc and the Berema Group. The companies develop, manufacture and market rock drilling and demolition equipment for the construction and mining industries throughout the world.*

### Strategy

The strategy of the Business Area is to provide, from a leading market position, complete product programs comprising quality products under the Business Area's own brand names and aftermarket services, all designed to increase customer productivity.

The intention is to maintain and develop the leading position occupied by the Business Area in all its areas of operation. Continued growth will be achieved through acquisitions, since the market is mature and characterized by a certain degree of overcrowding.

### Sales

Invoiced sales in fiscal 1988 amounted to SEK 4,257 m. (4,107). The trend of sales was adversely affected by the fact that effective January 1, 1988, Delfos & Atlas

Copco in South Africa is no longer part of the Group and that several of Berema's subsidiaries were sold. The increase is due mainly to the acquisition of Secoroc, with sales of SEK 556 m., which is included in the accounts from midyear 1988. Order bookings increased during the year to SEK 4,324 m. (4,126).

### Earnings

The Business Area's earnings after financial income and expenses rose 42 percent to SEK 301 m. (212), equal to 7 percent of sales. The improvement was attributable primarily to the addition of Secoroc during the year. The trend of earnings was negatively affected by the fact that the former South African company is no longer part of the Atlas Copco Group. Following the divestment of certain Berema operations, earnings improved.

Return on capital employed was 17 percent (12).

### Investments

Investments in land and buildings amounted to SEK 8 m. (42), and in plant and equipment to SEK 62 m. (71).

### Business Development

Construction and Mining Technique continued its favorable development during 1988, especially in the EC, North America and Australia. A downturn in the Norwegian economy is reflected to a large degree by the lower volume of sales reported in the contracting market in Norway.

The business climate in the mining industry continued to develop very favorably during most of 1988, due to strong price increases for most metals, particularly copper and zinc. The good trend of business for the electrical and building industries, which are the largest consumers of metals, has resulted in many new mines being opened, especially



From left: Magnus Unger, President, Atlas Copco MCT, Jörgen Krook, President, Berema and Anders Bohlin, President, Secoroc.



in Australia, Chile and Canada. It has also led to an increasing need for mechanization as the mines seek to improve their productivity. This applies to mines in Sweden, Portugal, Brazil, Zaire and – during the latter part of the year – China.

During the year, Atlas Copco acquired all of the shares in Secoroc AB, one of the world's leading manufacturers of rock drilling tools. Through this strategic acquisition, Atlas Copco becomes a leading manufacturer of drill steel products in the world market. The existing Secoroc marketing and sales organization is being retained. A new range of rock drilling tools, ATLAS COPCO ROCK TOOLS is being added and will be launched during 1989 through the Group's current sales organization.

Effective January 1, 1988 Atlas Copco Energy was transferred from Berema to Atlas Copco MCT. The reason is that the company will be better able to utilize synergistic effects with MCT's operations. Atlas Copco Energy will focus its activities on equipment for well drilling.

#### Outlook for 1989

Strong marketing efforts and the increased adaptation of products to meet market needs are expected to bring about an increase in sales across all product lines. It is anticipated that the favorable trend of business in the construction market will continue throughout most of 1989. This is expected to result in continued good sales of equipment to the major international contractors. Demand from the mining industry is also expected to remain at an unchanged high level.

It is expected that the Business Area's profitability will continue to improve during 1989.

**Demand was high during the year for hydraulic drill rigs for rock tunneling and drifting. An Atlas Copco Boomer H175 was delivered to the Japanese contractor, Ohbayashi for drilling the Bantakki Tunnel in southwest Japan. This road tunnel is 1,760 meter long and has an area of 55 sqm.**





## ATLAS COPCO MCT

**Management Committee***Magnus Unger,*

President

(effective October 1, 1988)

*Per Wejke,*

President

(through September 30, 1988)

*Håkan Svendenius,*

Rocktec Systems

*Gustaf Bråkenhielm,*

Rock Drills and Breakers

*Hans Fernberg,*

Rock Drilling Tools, marketing

*Bengt Dahlgren,*

Rock Drilling Tools, products

*Lars Calmered,*

Production and Logistics

*Claes Silfverstolpe,*

Finance and Administration

*Anne-Christine Nordin,*

Personnel and Organization

(effective March 1, 1989)

*Allan Rothlind,*

Personnel and Organization

(through February 28, 1989)

*Atlas Copco MCT (Mining and Construction Technique) develops, manufactures and markets mechanized drill rigs, tunnel-boring machines, rock drills, breakers and rock drilling tools. MCT's head office is located in Nacka, close to Stockholm. Products are manufactured at plants in Sweden and 7 other countries.*

**Market Development****Rocktec systems**

Sales of mechanized hydraulic equipment for rock drilling continued to be favorable during 1988, particularly in North America, Australia, Spain and West Germany. The new hydraulic crawler rig program and range of narrow drift mining equipment were both well received and strengthened the company's position in many markets. The market position for air-powered crawler rigs improved sharply during the year.

Demand continued to be high for

**During the year Atlas Copco launched the world's first vibration-dampened hand-held rock drill. Spring suspension in the hand-grip reduces vibration to one third compared with a conventional rock drill.**

Atlas Copco's high-productivity drill rig for drifting and tunneling, the Rocket Boomer.

During the year, further orders for hydraulic crawler rigs were taken for the Great Man-made River project in North Africa. During the past two years, a total of 28 units have been delivered to this project.

In 1988, the company established a broad base for future expansion in the quarries market segment. In Australia, where Atlas Copco already occupies a leading position, the company's heavy hydraulic drilling rigs received a good reception.

Demand for tunnel-boring machines, which in certain situations are preferable to drilling and blasting equipment, increased during the year, especially for small-dimensioned long-tunnel projects. Among equipment delivered was a 3.5-meter diameter machine for a hydro-power project in Italy. A machine of the same size completed the drilling of a 7.5-kilometer-long water tunnel beneath central Stockholm.

Continuing high demand was noted for drilling rigs in the mining

segment, for mining narrow orebodies and other applications. At the beginning of the year two such rigs were delivered to a mine in Sweden for the mechanized mining of gold.

An order was received from a mine in Yugoslavia for a large quantity of bucket loaders, long-hole drilling rigs and several Boomer H126 drill rigs for production drilling.

**Rock Drills and Breakers sector**

Sales of light construction equipment continued to rise. The largest successes were recorded in the EC countries, especially in Italy, West Germany, Spain and Belgium.

Orders booked for down-the-hole drills were very favorable in most markets, which resulted in increased market shares.

As part of the continuing focus on ergonomic hand-held machines, a new vibration-dampened pneumatic breaker was introduced during the year, together with the world's first vibration-dampened rock drill.

Aquabrasive AB is a newly formed company working with ad-





vanced techniques for the cutting and sandblasting of metals and concrete. The technique is based on a combination of sand and water under reasonably high pressure.

### Rock Drilling Tools

The cooperation agreement between Sandvik and Atlas Copco's sales companies was terminated by Sandvik and will expire during the third quarter of 1989.

To meet this new situation in the market, Atlas Copco strengthened its marketing organization and reserved manufacturing capacity. Deliveries of high-quality, competitively priced rock drilling tools have thus been guaranteed.

Atlas Copco took the decision during the year to launch its own brand, ATLAS COPCO ROCK TOOLS. This means that the Group is a manufacturer and supplier of the complete rock drilling equipment system: the rock drilling tools, the rock drills and the rigs.

### Well-drilling Equipment

Sales of well-drilling equipment remained at an unchanged level in 1988. Heavy-duty rigs of the Aquadrill type were delivered to a number of African countries. Demand for light rigs, for various U.N. projects, was favorable, especially in Africa and India.

During the year, a light cross-country drilling rig was launched, intended for use in heavy terrains.

### Product Development

A new rod adding system for drifting and tunneling was developed and launched with great success in Norway and Sweden during the year. The new system extends rig applications to include longer rounds and longer holes for probing, grouting and bolting/anchoring.

### Production

Capacity utilization in the MCT plants remained high, especially at the plant in Bremen, West Germany, where crawler mounted drill-rigs are produced.

Responsibility for the engineering

plant in Montreal, where drifting, mining and tunneling rigs are produced, was transferred to the Canadian sales company.

Customer-order controlled manufacturing resulted in inventories of both materials and finished products continuing to decrease, while at the same time delivery reliability improved.

### Personnel

During 1988, Atlas Copco MCT employed an average of 1,527 persons (1,632), of whom 1,113 (1,146) in Sweden.

**The new lightweight crawler rigs made a strong contribution to the MTC division's favorable position in a number of markets. In the photograph an Atlas Copco ROC 612HC is used in the planning of a new housing development in the U.S.**



The reduction in the number of salaried employees, already planned in 1987, was carried out during the year.

As a result of the acquisition of Atlas Copco Energy, the number of employees increased. A strengthening of the Rock Drilling Tools sector in connection with a new product range introduction also contributed to the increase in the workforce.

Major training programs were arranged for plant foremen and for employees involved in project management and numerical control operations.



## SECOROC

Secoroc's Swedish plants export 90 percent of their production. Each day drill equipment is transported from the plant in Fagersta to Stockholm Arlanda airport for fast delivery to customers throughout the world.

### Management Committee

Anders Bohlin,  
President  
Mats Bruzaeus,  
Production  
Stig Brännström,  
Purchasing  
Tommy Modin,  
Personnel  
Gösta Niklasson,  
Production Coordination  
Björn Sandström,  
Finance  
Roger Sandström,  
Product Development  
Christer Strandh,  
Marketing

*Secoroc develops, manufactures and markets rock drilling tools under the Secoroc brand name and, via subsidiaries, under the brand names, Kenroc, Kometa and Rebit. The products are sold through the company's own subsidiaries and dealers in around 70 countries. More than 95 percent of sales are outside Sweden. Secoroc's head office is located in Fagersta, Sweden. Manufacturing takes place in plants in Sweden and in 8 other countries.*

### Market Development

During 1988, a marked increase was noted in sales of the company's products across all user areas. In the mining sector, the increase in the price of metals caused increases in sales, particularly in Canada, South America and Australia.

Increases in sales volume were also noted in the construction industry. The greatest successes were achieved in North and South America, the EC countries and the Middle East. The increases in the quarrying industry came mainly from Finland and Sweden. Secoroc increased its share in several markets, primarily as a result of concentrated marketing efforts and more efficient cultivation of the market sectors.

### Product Development

Focus during the year was intensified on the development of button-



bits with inner cones and bench drilling equipment.

Continued improvements were noted in the area of heat treatment technology for long and short drill steel products, resulting in final products with a uniformly high quality.

### Production

Capacity utilization was high at all production units. Investments were made during the year to further increase capacity. A program designed to increase production efficiency was also implemented, resulting in shorter throughput times and high delivery reliability.

### Personnel

During the year, Secoroc employed an average of 1,728 persons (1,641), of whom 567 in Sweden (519). The increase in personnel is wholly attributable to increased sales and manufacturing.

Within the framework of the development reserve, training was provided for all personnel in the parent company under the general theme, "The Secoroc Quality Concept," which focuses on products and service.



## BEREMA

**Management Committee**

Jörgen Krook,  
President (effective August 1, 1988)  
Eric Bursvik,  
President (through July 31, 1988)  
Per Hallström,  
Marketing  
Olav Heinsoo,  
Finance and Administration  
Christer Gustafsson,  
Technology and Production

*Berema develops, manufactures and markets fuel-powered drills to customers throughout the world. The products are sold through the company's own subsidiaries and dealers, as well as by the Atlas Copco sales organization. Honda products are marketed in Sweden and Norway through the Industrial, Garden and Marine business lines. The Industrial operations manufacture and sell hydraulic components and equipment for use in institutional kitchens.*

**Structural Changes**

Berema's operations were concentrated during the year to the business lines: Fuel-Powered Drill/Breakers, Trading Operations and Industrial Operations.

Effective January 1, 1988 Atlas Copco Energy was transferred to Atlas Copco MCT, while the subsidiaries Atlas Copco ABEM, KGK Mekaniska Verkstad, Flodin Filter and Toolex Alpha were sold.

A new company, Berema Sverige AB, was formed in 1988 to coordinate trading operations in Sweden. The shares outstanding in Å. Karlssons Mekaniska Verkstad were acquired during the year.

**Market Development****Fuel-Powered Drill/Breakers**

Sales of fuel-powered drills declined somewhat during 1988, compared with the preceding year, due to import restrictions in key markets. Considerable successes were recorded, however, in Eastern Europe, West Germany and North America. Profitability remained satisfactory. In order to broaden the product



**CNR, Canadian National Railways, regularly uses the Pionjär fuel-powered drill for compaction work.**

range, a petrol-powered breaker was developed.

**Trading Operations**

Sales of Honda products in Sweden continued to show favorable volume growth, with good profitability, despite a rising Japanese yen. Demand for motors intended to be built-in by OEM customers was high.

The severe downturn in the Norwegian economy resulted in a reduced volume of sales for Honda products in that market. In a declining world market, share gains were recorded for the Garden and Industrial business lines.

Berema A/S took over the sales of drill steel products in Norway from Secoroc's subsidiary, Kometa, effective January 1, 1989.

**Industrial Operations**

Industrial Operations, which includes Idesta and its manufacturing of equipment for institutional kitchens and steel doors, and Å Karlssons

Mekaniska Verkstad's hydraulic components, reported continued sales increases during the year.

**Production**

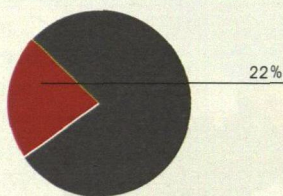
Capacity utilization was satisfactory at all production units. Investments were made in new production equipment, specifically to increase capacity.

**Personnel**

The average number of employees declined by 460 during the year to 316 (776). The decrease was due to the sale of five subsidiaries and to restructuring within the parent company.

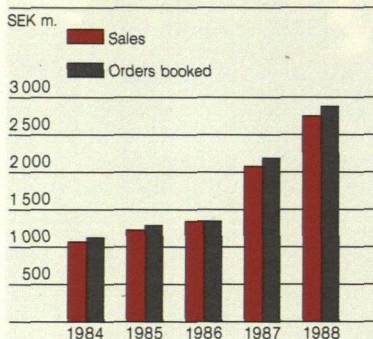


# INDUSTRIAL TECHNIQUE

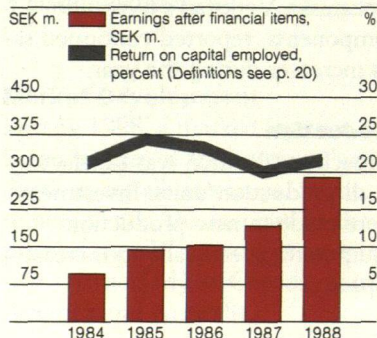


Share of Group sales

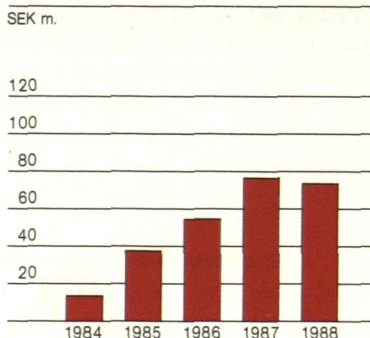
## SALES AND ORDERS BOOKED



## EARNINGS AND RETURN



## INVESTMENTS, RELATED TO PRODUCTION



	1988	1987
<b>INVOICED SALES, SEK m.</b>	<b>2,762</b>	<b>2,090</b>
<b>EARNINGS AFTER FINANCIAL ITEMS, SEK m.</b>	<b>291</b>	<b>194</b>
<b>RETURN ON CAPITAL EMPLOYED, %</b>	<b>21</b>	<b>20</b>

*Business area Industrial Technique is headed by Atlas Copco Industrial Technique AB, which includes the Atlas Copco Group companies for applications within the manufacturing industries. The Business Area comprises: Atlas Copco Tools AB (industrial tools and equipment), Atlas Copco Assembly Systems AB (advanced assembly systems), Chicago Pneumatic Tool Company (industrial tools and assembly systems), Ets. G. Renault S.A., effective December 1988 (industrial tools and assembly systems), Monsun-Tison AB (hydraulic and pneumatic components) and Tedak AB (dust separation equipment).*

### Management Committee

*Michael Treschow, President  
Lennart Johansson, Controller  
Allan Rothlind, Personnel (effective March 1, 1989)  
Carl Axel Rudd, President, Monsun-Tison AB  
Lars Larson, President, Atlas Copco Tools AB  
Lennert Evrell, President, Atlas Copco Assembly Systems*



### Strategy

The Business Area is aiming to become a leading international supplier of both production equipment and components to manufacturing industries. Activities shall be conducted with high volume growth and good profitability.

### Sales

Invoiced sales increased by SEK 672 m. to SEK 2,762 m. Figures for 1988 include Chicago Pneumatic for the full 12-months, compared with only 7 months in 1987. Orders booked totaled SEK 2,890 m. (2,201).

### Earnings

Earnings after financial income and expenses increased 50 percent to SEK 291 m. (194), equal to a profit margin of 11 percent (9).

An improved volume of sales across all business lines, and cost adjustments in the production area were primary factors to the favorable trend of income.

Return on capital employed was 21 percent (20).

### Investments

Investments in land and buildings related to production amounted to SEK 7 m. (18) and in machinery and equipment to SEK 68 m. (59). Investments included a number of machines at the Chicago Pneumatic plant in Utica, U.S.

### Business Development

Sales continued to rise in all business lines in 1988. As a result, market shares also increased in most markets, particularly in the U.S. and Western Europe. The largest customer group, the automotive industry, developed favorably during the year, and demand was strong for the

**From left: Lars Larson, Michael Treschow, Carl Axel Rudd, Jacques Manceron, President, Ets. G. Renault, Dick Besser, President, Chicago Pneumatic and Lennert Evrell.**



Business Area's products. The positive trend was also apparent in other customer segments, particularly the aircraft industry, producers of mobile machinery and the auto after-market.

During the year, a number of structural changes were implemented to further strengthen the Business Area's market position. In the Hydraulic and Pneumatic Components business line, Hydro-Pneumatic AB in Ulricehamn was acquired. This company, which has annual sales of about SEK 45 m., with some 70 employees, manufactures and markets mobile hydraulic, cartridge valves and pneumatic cylinders.

In December 1988, the French company, Ets. G. Renault and subsidiaries, with annual sales of around SEK 135 m. and 240 employees, was acquired. The operations of this company, which is headquartered in Nantes, are conducted in the Tools and Assembly Systems business lines. Ets. G. Renault is the market leader in both these fields in France.

During the year, the finishing sector was also restructured to create a strong base for the important home market for finishing products. Atlas Copco Finishing AB, Sweden, and Atlas Copco Finishing S.A., Belgium, together with Atlas Copco Icotron AB were transferred to a newly formed company, AC Greiff Ytbehandling AB.

The plants in Finland were divested during the year and their production of percussive equipment was transferred to the plant in Skara.

#### Outlook for 1989

Industrial Technique is anticipating favorable growth within major industries and markets. Measures will be taken to maintain the Business Area's present high productivity and competitiveness. Conditions for achieving an improvement in earnings are favorable.

**Low-noise, vibration-dampened Ergoline oil-free screw drivers are used for the assembly of kettles, among other applications.**





## INDUSTRIAL TECHNIQUE

POWER TOOLS  
AND EQUIPMENT

The automotive industry, which is the Industrial Technique business area's largest customer segment, uses a large number of light assembly tools. Picture shows an assembly line at Toyota in Japan.

*This business line consists of Atlas Copco Tools, Chicago Pneumatic and Tedak, plus Ets. G. Renault, which was acquired at the end of 1988. The principal business line is Power Tools, which accounts for 65 percent of the Business Area's total sales.*

**Market Developments**

The market for both Tools and Chicago Pneumatic was characterized during the year by very favorable business conditions. The companies were successful in the market and recorded strong increases in market shares. Tools' success was specially evident in countries where it has its own sales

organization, notably Great Britain, Canada, Sweden and France. Sales for Chicago Pneumatic developed most favorably in the United States, but major successes were also recorded in Great Britain and West Germany. In addition to the automotive industry, the aircraft industry and the market for light assembly tools in the U.S. and Europe also showed a satisfactory trend.

The introduction of oil-free screw drivers was successfully received, as was a vibration-dampened riveter, for which a number of important orders were secured.

Chicago Pneumatic strengthened its position in the auto aftermarket



by utilizing the good growth opportunities offered by the market.

During the year, Tedak, which supplies dust separation equipment to industry, showed a marked increase in sales of portable industrial vacuum cleaners to the building industry in the Nordic region.

### Production

Investments in automatic production machinery continued to be made during the year in the two plants belonging to Tools, and in the Chicago Pneumatic plant in Utica, U.S. The plants in Sweden were wholly adapted to customer-order controlled production, and a comprehensive investment program was started in the U.S. to achieve the same aim. Among other measures, assembly and manufacturing cells were introduced at the U.S. plant and a number of numerically controlled multifunctional machines were placed in operation.

The Tedak plant in Eskilstuna was extensively rebuilt and extended, thus creating good prospects for improving production and inventory handling efficiency.

Through the acquisition of Ets. G. Renault, this business line now has good, centrally located production resources in the EC.

The Finnish plants were closed down and most of the production was relocated to Skara.

Considerable efforts were made in Sweden to present the good work environment in the Swedish plants for educational authorities and labor market representatives. The measures taken are intended to facilitate the recruitment of new personnel in the future.

### Product Development

During the year, Atlas Copco Tools introduced a number of complementary products to its range of



tightening tools for the automotive industry and increased its range of oil-free tools. A number of instruments were launched for the measurement, control and monitoring of compressed air driven and electric nutrunners. Through the acquisition of Ets. G. Renault, a large number of high-quality, highly competitive new products under the Renault and MIR brands were added. Chicago Pneumatic introduced a new generation of light assembly tools and a new series of tools for the auto after-market.

**A number of different compressed air tools from Chicago Pneumatic are used in repair work on New York's many bridges. This picture was taken from the Brooklyn Bridge.**

### Personnel

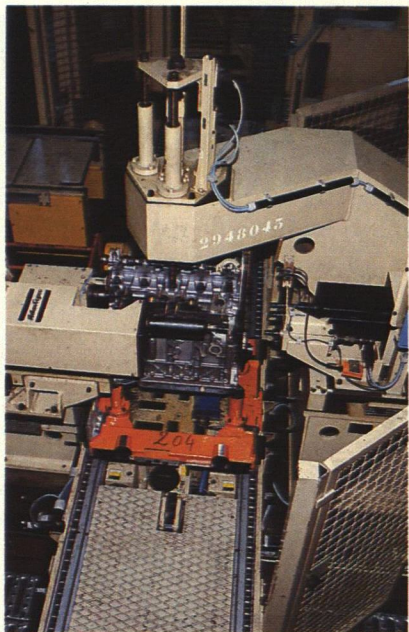
During 1988, the business line employed an average of 3,243 persons in production. The employees were distributed between Atlas Copco Tools: 860 persons; Chicago Pneumatic: 2,383 persons; and in addition Ets. G. Renault: 240 persons.



## INDUSTRIAL TECHNIQUE

# ASSEMBLY SYSTEMS

**ARAS automatic riveting systems for aircraft production have been supplied to Aérospacial, France, among other manufacturers.**



**Automatic assembly systems are used by the automotive industry for the assembly of engines. The picture above shows a system that has been installed at a Citroën plant in France. At right: a system from Chicago Pneumatic at Detroit Diesel in the U.S.**

*The business line comprises Atlas Copco Assembly Systems and the systems divisions in Chicago Pneumatic and Ets. G. Renault.*

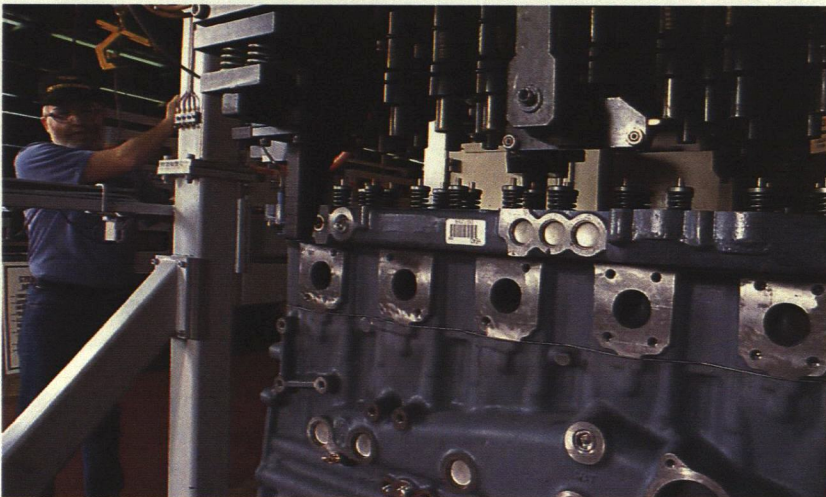
### Market Development

The market developed favorably during the year and showed some growth. Certain European markets reported very strong development due to the high rate of operations in the automotive industry. Major orders were taken in all markets in Europe and North America. Today, Atlas Copco is a leading supplier of automated nutrunner systems to the automotive industry.

Within the field of automatic riveting systems for the aircraft industry (ARAS), a number of new installations were made in West Germany, Great Britain and France, where several new orders were also secured. The market in the aircraft industry is very strong and the automatic riveting field is expected to expand rapidly.

### Production

Atlas Copco Assembly Systems im-



plemented a new international projects organization, focused on the company's various applications centers. The ongoing program to increase production efficiency and reduce manufacturing costs at Chicago Pneumatic's Systems Division, is being continued. The acquisition of Ets. G. Renault provides the business line with favorable manufacturing resources and a high share of the French market.

### Product Development

During the year, Atlas Copco Assembly Systems introduced a number of attractive new products, including a MACS-PAC, which is a

computer controlled, quality monitoring system for tightening operations.

Chicago Pneumatic also introduced new products during the year for monitoring assembly-line operations in the automotive industry.

Cooperation between Atlas Copco Assembly Systems, Chicago Pneumatic and Ets. G. Renault has laid the foundation for more efficient product development activities.

### Personnel

The business line employed an average of 164 persons during 1988.



## INDUSTRIAL TECHNIQUE

HYDRAULIC AND  
PNEUMATIC COMPONENTS

**Monsun-Tison supplies control systems and hydraulic valves for the unique Menzi Muck excavator, which is produced in Switzerland. Monsun-Tison also participated in the work to develop the system solution.**

#### Market Development

The market trend during the year was very favorable in all product areas and geographical markets, especially in the mobile hydraulics market and in Sweden. Industrial automation also showed good development. During the year, the company made the final delivery of a major order to an aluminum smelter in Venezuela. The acquisition of Hydro-Pneumatic strengthened the business line's market position in Scandinavia for mobile hydraulics, cartridge valves and pneumatic cylinders.

#### Production

All the plants operated with high capacity utilization during the year. At the Sika factory in Falköping, Sweden, new anodizing equipment was placed in operation and at the Oden factory in Falköping a new, numerically controlled lathe was installed for the machine processing of cylinder tubes. At the Viskan factory in Borås, Sweden, further equip-

ment was installed to increase production efficiency. The very strong growth in volume forced the company to increase lead times in its plants, but as a result of previously made investments customer demands were able to be met.

The acquisition of Hydro-Pneumatic is increasing production capacity as a result of the completely new and highly efficient production plant in Ulricehamn.

#### Product

Product development remained at a high level during 1988 and a number of new products were launched in the market, among them a new valve series and products in the area of positioning technology.

#### Personnel

During 1988, the business line employed an average of 902 persons (803), of whom 71 are employed at newly acquired Hydro-Pneumatic.

*This business line consists of Monsun-Tison AB, its sales companies and the subsidiary Hydro-Pneumatic AB in Ulricehamn, Sweden. Operations are conducted in two product areas: Mobile hydraulics and Industrial automation.*



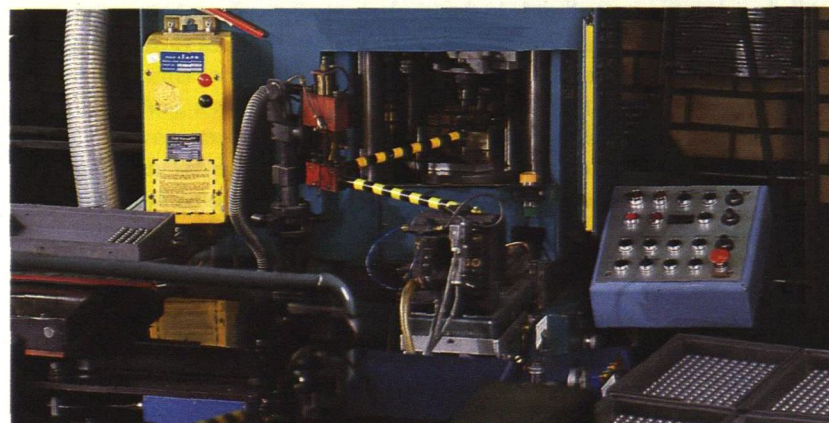
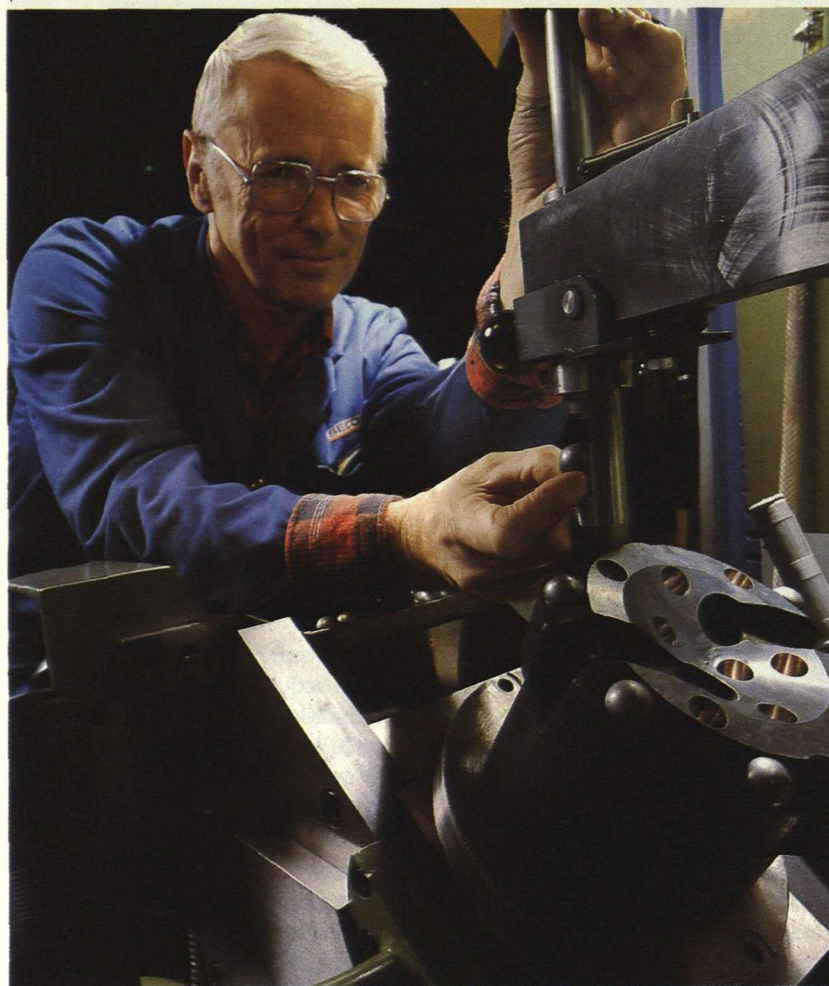
## CONTINUED EXPANSION THROUGH ACQUISITIONS



*During 1988, the Atlas Copco Group continued to expand within its business areas through both internally generated growth and strategically important acquisitions.*

*The acquisition of Secoroc AB, a world leading manufacturer of rock-drilling products, from Industriförvaltnings AB Kinnevik, ensures the Group continued technological leadership in the rock-drilling area. To further strengthen its market position, Atlas Copco decided during the fall, to launch a new range of rock-drilling products under the trade mark ATLAS COPCO ROCK TOOLS, which will be sold by the Group's sales companies.*

*Other important acquisitions were made in the Industrial Technique business area. Atlas Copco strengthened its production base in the European Community through the acquisition of Etablissements Georges Renault Outillages S.A., a French company that manufactures industrial tools and assembly systems. In addition, Monsun-Tison's acquisition of Hydro-Pneumatic AB, in Ulricehamn, Sweden, is an important step towards strengthening the Industrial Technique business area's market position in the Nordic countries, expanding its product range and increasing its production capacity.*



**Secoroc's head office and plant in Fagersta (top).**

**Production of a large drill bit (center).**

**A hard metal button under production in Secoroc's own wholly automated plant in Fagersta (bottom).**



### Secoroc – rock-drilling tools

The acquisition of Secoroc means that Atlas Copco now has full control over the entire chain of production for all rock-drilling equipment – ranging from product development and manufacturing to marketing, sales and the aftermarket. Thus, Atlas Copco can now provide mines, contractors and quarries with a complete range of rock-drilling equipment.

Secoroc has annual sales of approximately SEK 1,100 m., with 1,750 employees. The company is part of the Construction and Mining Technique business area, and will operate as an independent company with an unchanged business focus.

Secoroc develops, manufactures and markets rock-drilling tools for mining and construction sub-contractors. The company also provides special machines and tools to certain markets.

Sales to markets outside Sweden, through the company's own sales companies and dealers in more than 50 countries, account for 95 percent of Secoroc's total sales.

Manufacturing takes place in factories in Fagersta, Östersund and Ockelbo, Sweden, and in Finland, Canada, Mexico, Peru, Brazil, Chile, South Africa and South Korea.

Secoroc started to invest in local production many years ago, as trade restrictions made the delivery of products from Swedish factories practically impossible. An additional motive was the proximity to major customers.

The company's complete product range is manufactured at the main factory in Fagersta, which also manufactures the hard metal buttons and inserts for the drill bits. The Östersund factory focuses on production of Secoroc's drill bits, coupling sleeves and shank adapters as well as some manufacturing of tools. The product range of the manufacturing units outside Sweden is based on local demand.

**Ets. G. Renault's head office and plant in Saint-Sébastien-sur-Loire, just outside Nantes, France (bottom). Grinding machines are one of the company's main products (top).**



### Ets. G. Renault – production within the EC

Ets. G. Renault is one of the leading manufacturers of power tools and electric and pneumatic assembly systems for the French engineering industry.

Ets. G. Renault has annual sales of approximately FRF 130 m., with 240 employees. The company is headquartered in Nantes, France, and has sales offices, technological development units and laboratories in Paris.

The company, which was founded in 1920, has a long and interesting history as a supplier to the European manufacturing industries. As a result of product development in-

vestments made in recent years, the company can now offer the market a competitive product range.

The company's product range consists of pneumatic tools, sanding machines, electrical tools, assembly systems and electronic measuring equipment, which are marketed and sold under the Georges Renault, MIR and GRIN brand names.

The company's main market is in France, while Spain, West Germany, Italy and Great Britain are the most interesting export markets. The automotive and light manufacturing industries are the company's major industrial markets. Today, sales are carried out through direct sales channels and via distributors.



# PERSONNEL EXPANSION THROUGH ACQUISITIONS

SEK thousands	1988	1987
Sales per employee	667	614
Earnings per employee	60	42
Value added per employee	255	238

The average number of employees in the Atlas Copco Group in 1988 increased 430 to 19,207 (18,777), including 1,799 in companies acquired or established during the year. Personnel employed at companies in Sweden accounted for 22 percent (22), while companies operating in the EC accounted for 31 percent (33). Total labor costs amounted to SEK 3,456 m. (3,269), of which social costs accounted for SEK 953 m. (931).

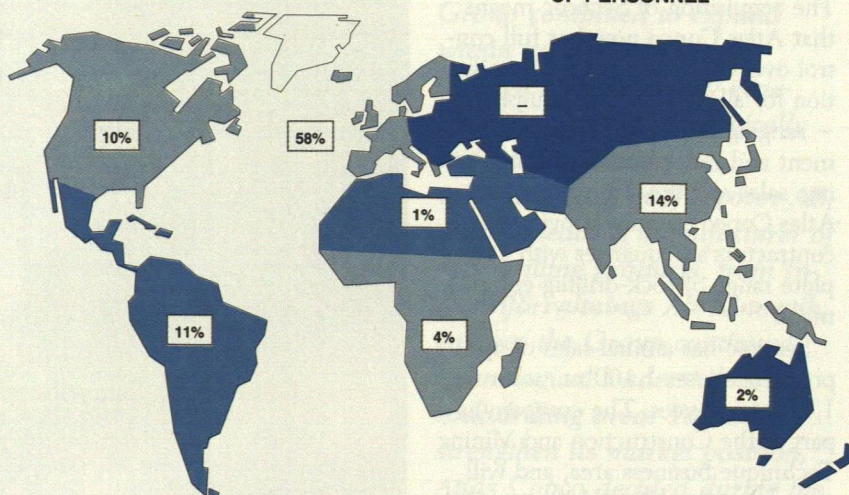
## Value added and parties involved

Value added consists of the Group's total invoicing, SEK 12,812 m., less the costs of purchased raw materials, finished and semifinished goods, and services, SEK 7,908 m. Value added is a measurement of the production input made by the Company; that is, the increase in value that arises through handling, processing, etc.

For 1988, value added amounted to SEK 4,904 m. (4,460), a 10-percent increase attributable mainly to the increased volume of sales and more efficient utilization of the Company's production resources.

Value added is distributed among various parties, such as employees, lenders, the state, municipalities and shareholders. The remaining portion is retained by the Company to cover the costs of normal wear to equipment and machinery (Depreciation), and to permit continued expansion of operations (Retained in business). Net of extraordinary income and expense, SEK 3 m. (198), should be added to this item.

## GEOGRAPHIC DISTRIBUTION OF PERSONNEL



SEK m.		Average number of employees*		Wages, salaries and other costs	
		1988	1987	1988	1987
SWEDEN	Headquarters	66	62	45	39
	Divisions	3 585	3 459	760	722
	Sales companies	558	678	114	164
Total, Sweden		4 209	4 199	919	925
OUTSIDE SWEDEN	Divisions	7 321	6 374	1 191	865
	Sales companies	7 677	8 204	1 346	1 479
Total, outside Sweden		14 998	14 578	2 537	2 344
TOTAL		19 207	18 777	3 456	3 269

\*) A detailed presentation showing the average number of employees, and wages, salaries and other remuneration paid, prepared in conformity with the Swedish Companies Act, is included in the Annual Report filed with the National Patent & Registration Office in Sweden and may be obtained free of charge from Atlas Copco's headquarters in Nacka, Sweden.

DISTRIBUTION OF VALUE ADDED	1988		1987	
	SEK m.	%	SEK m.	%
Wages and salaries	2 503	51	2 338	52
Social costs	953	20	931	21
Depreciation	279	6	299	7
Capital costs, net	14	0	104	2
Corporate and municipal taxes	408	8	282	6
Dividends paid	209	4	181	4
Retained in business	538	11	325	8
Value added, total	4 904	100	4 460	100
Value added per employee, SEK thousands	255		238	



# ATLAS COPCO SHARE

## Dividend policy

The Board's intention is that dividends to shareholders should amount to between 30 to 40 percent of earnings per share. The Board considers that Atlas Copco, in common with many non-European companies, should permit dividends to reflect the fluctuations in the Company's earnings to a greater extent than is common for companies listed on the Stockholm Stock Exchange.

The Company's aim is to cover the greater part of the Parent Company's dividend payments with dividend income from the subsidiaries outside Sweden.

If the Board of Directors' proposal to increase the dividend for fiscal year 1988 to SEK 8.50 (7.50) is adopted, the average growth in dividends for the five-year period from 1984 to 1988 is 23 percent. The proposed dividend is corresponding to 33 percent (47) of the earnings per share. Expressed as a percentage of risk-bearing equity capital per share, the dividend is 4.6 percent (4.0).

## Share trading and listings

During 1988, Atlas Copco shares in the amount of SEK 1,903 m. (2,070), or a total of 9,687,612 (11,967,668) shares, were traded on the Stockholm Stock Exchange, corresponding to an average of 38,291 (47,871) shares per trading day. The number of shares traded was equal to 41 percent (51) of the Company's total shares outstanding. In addition, subsequently registered transactions amounted to SEK 790 m. (1,109), or 4,303,100 (6,514,200) shares, corresponding to 18 percent (28) of the company's total number of shares. The market value of the Company's shares at December 31, 1988 was SEK 6,475 m. (3,636), corresponding to 1.1 percent (0.9) of the total value of shares listed on the exchange. In 1988, the Atlas Copco share was the 12th (10th) most traded share, based on trading on the Stockholm Stock Exchange and subsequently registered transactions.

In addition to the Stockholm Stock Exchange, Atlas Copco shares

are listed on the exchanges in Frankfurt am Main, Düsseldorf and Hamburg.

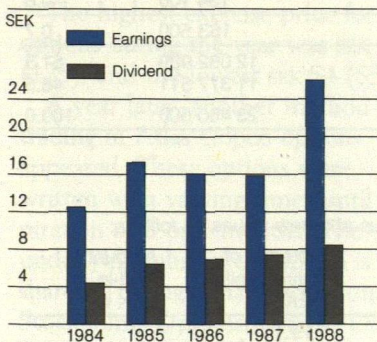
The proportion of foreign-owned shares remains high. At year-end, foreign institutions and persons residing outside Sweden held approximately 15 percent of the total shares outstanding.

## Atlas Copco's General Savings Fund and Share Savings Fund

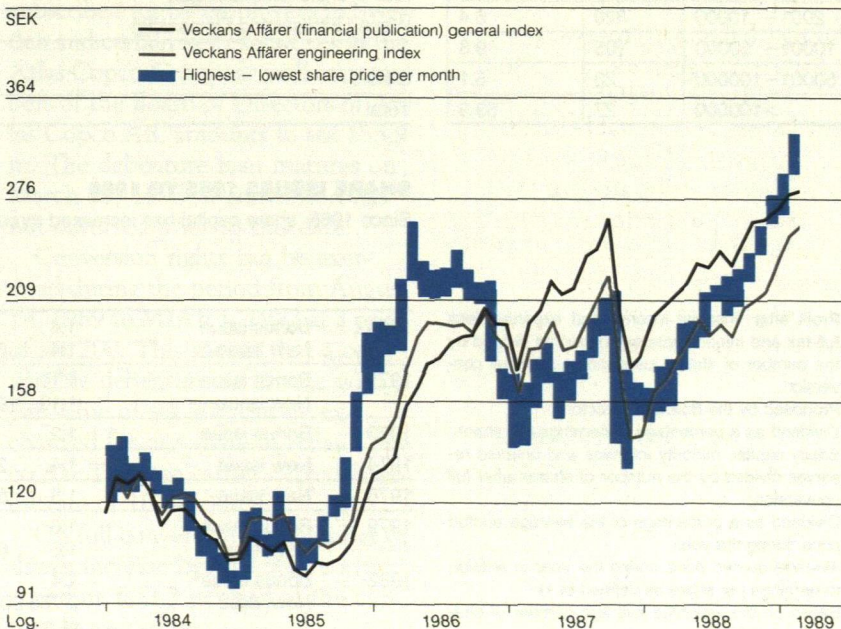
Beginning in April 1984, all employees of Atlas Copco Group's Swedish companies were offered the opportunity of participating in the company affiliated Atlas Copco's General Savings Fund. In February 1989, the Fund's shareholding was 33,249 shares, corresponding to a market value of about SEK 11.3 m. The Funds are managed by Atlas Copco Fond AB.

All shares in Atlas Copco's Share Savings Fund, in which employees have been provided the opportunity to participate since 1981, were transferred to holders of participations in the Fund during January 1989.

EARNINGS AND DIVIDEND PER SHARE



TREND OF SHARE PRICES





## ATLAS COPCO SHARE SHARE CAPITAL

Atlas Copco's share capital amounts to SEK 586,512,500, represented by 23,460,500 shares, each with a par value of SEK 25. All shares are unrestricted and carry one vote each. Shares are traded on the Stockholm Stock Exchange in lots of 200. On full conversion of the convertible debentures outstanding, share capital amounts to SEK 606,000,000, represented by 24,240,000 shares.

Atlas Copco has approximately 36,000 shareholders. The portion of shares held by funds, investment companies, insurance companies and other institutional investors is estimated at 70 percent.

### OWNERSHIP STRUCTURE 1988

Number of shares	Number of shareholders	Percent of total number of shares
1- 500	34 081	12.1
501- 2000	1 363	5.7
2001- 10000	320	6.4
10001- 50000	105	9.8
50001-100000	20	6.1
>100000	27	59.9

PER SHARE DATA SEK	1984	1985	1986	1987 <sup>7)</sup>	1988
Earnings <sup>1)</sup>	12.60	17.35	16.15	15.95	<b>26.10</b>
Earnings after extra-ordinary items	12.30	20.35	14.85	26.20	<b>26.35</b>
Dividend	4.50	6.50	7.00	7.50	<b>8.50<sup>2)</sup></b>
Dividend as percent of earnings <sup>3)</sup>	35.7	37.5	43.3	47.0	<b>32.6</b>
Price quotation, Dec. 31	96	190	168	155	<b>276</b>
Highest price quoted	143	195	260	215	<b>287</b>
Lowest price quoted	95	97	159	132	<b>150</b>
Average price quoted	118	121	209	171	<b>192</b>
Risk-bearing equity capital <sup>4)</sup>	131	150	165	188	<b>186</b>
Direct yield, percent <sup>5)</sup>	3.8	5.4	3.3	4.4	<b>4.4</b>
Price/Earnings <sup>6)</sup>	9.4	7.0	12.9	10.7	<b>7.4</b>
Before full conversion:					
Earnings	12.60	17.35	16.15	16.60	<b>26.65</b>
Risk-bearing equity capital	131	150	165	188	<b>186</b>

### LARGEST SHAREHOLDERS

The largest shareholders, as reported by VPC (Swedish Securities Register Center) in February 1989 are shown in the following table:

	Number of shares	Percent of total
Förvaltnings AB Providentia	2 965 000	12.6
Robur, Aktie- och Allemansfonder	2 933 018	12.5
AB Investor	2 865 000	12.2
AB Patricia	1 849 309	7.9
Livförsäkrings AB Skandia	330 700	1.4
Försäkringsbolaget AB SPP Ömsesidigt	300 669	1.3
Allm Pensionsf Fjärde Fondstyrelsen	246 693	1.1
Aktiefonden Sparinvest	235 000	1.0
AMF Pensionsförsäkringar	194 100	0.8
Wasa Livförsäkring Ömsesidigt	163 500	0.7
Others	12 082 989	51.5
	11 377 511	48.5
Total	23 460 500	100.0

### SHARE ISSUES 1965 TO 1988

Since 1965, share capital has increased through bonus and new issues as follows:

			Increase of share capital SEK m.	Amount paid-in SEK m.
1965	Bonus issue	1:4	19.1	-
	New issue	1:4 60 SEK	19.1	46.0
1971	Bonus issue	1:10	11.5	-
	New issue	1:10 100 SEK	11.5	46.0
1973	Bonus issue	1:2	69.2	-
1974	New issue	1:4 25 SEK	51.7	51.7
1976	New issue	1:5 50 SEK	51.7	103.5
1979	Bonus issue	1:6	51.7	-
	New issue	1:6 60 SEK	51.7	124.1
1982	Bonus issue	1:4	103.5	-
	New issue	2 765 000 shares at SEK 135	69.1	373.3

<sup>1)</sup> Profit after financial income and expense, less full tax and minority interest in income divided by the number of shares outstanding after full conversion.

<sup>2)</sup> Proposed by the Board of Directors.

<sup>3)</sup> Dividend as a percentage of earnings per share.

<sup>4)</sup> Equity capital, minority interests and untaxed reserves divided by the number of shares after full conversion.

<sup>5)</sup> Dividend as a percentage of the average quoted price during the year.

<sup>6)</sup> Average quoted price during the year in relation to earnings per share as defined in 1).

<sup>7)</sup> Based on the weighted average number of shares outstanding.



## ATLAS COPCO SHARE OPTIONS AND CONVERTIBLES

### Call options

A call option gives the holder the right, but not the obligation, at any time within a determined period, time until expiration, to purchase a share at a predetermined price. The call option is written by the shareholder, who is thereby committed to sell the share during time until expiration, if the options holders choose to exercise the right.

### Atlas Copco call options

Two types of options carrying rights to acquire existing Atlas Copco shares are traded in the Swedish capital market.

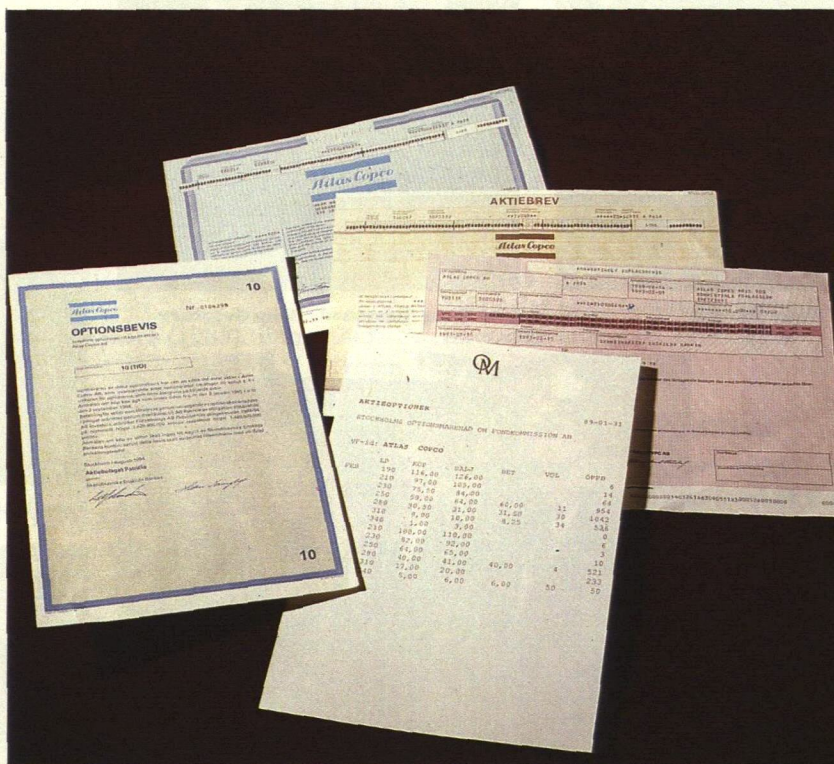
When AB Patricia in 1984 introduced options with the right to purchase shares in Atlas Copco, it was a new type of security on the Swedish capital market. Previously on the Swedish capital market there were only warrants carrying the right to subscribe for new shares. The option gives the holder the right to purchase one Atlas Copco share from AB Patricia at SEK 150 per share during the period 1985 to 1994. There are approximately 3.2 million options outstanding.

The highest exercise price for the options during the year was SEK 148 (125), and the lowest SEK 54 (55).

A year later, another method of trading in Atlas Copco options appeared. These options were written with varying times until expiration of 3 or 6 months. The underlying value of the option is 100 shares. Trading is handled through Stockholms Optionsmarknad OM Fondkommission AB.

In February 1989, option contracts accounted for about 0.3 million shares, approximately 1 percent of all Atlas Copco shares.

Since call options give the holder the right to buy outstanding Atlas Copco shares at a predetermined price, the options do not create a dilution effect.



### Convertible debenture loan

The convertible debenture loan, subscribed for by employees in Sweden and certain key executives in the Atlas Copco Group, as well as members of the Board of Directors of Atlas Copco AB, amounts to SEK 155.9 m. The debenture loan matures on March 15, 1993, if conversion has not occurred prior to this date.

Conversion rights can be exercised during the period from August 14, 1989 to March 1, 1993 at a price of SEK 200. This means that a convertible debenture certificate with a par value of SEK 200 can be exchanged for one share in Atlas Copco AB. The loan carries a fixed interest rate of 10 percent.

On full conversion, the number of shares increase by 779,500, corresponding to 3.3 percent of the current share capital.



ALIAS CORP'D SHARE  
OPTIONS AND  
CONVERTIBLES



**P Henry Mueller**



**Otto Grieg Tidemand Björn Svedberg**



**Peter Wallenberg**

**Tom Wachtmeister**



**Georg Karnsund**

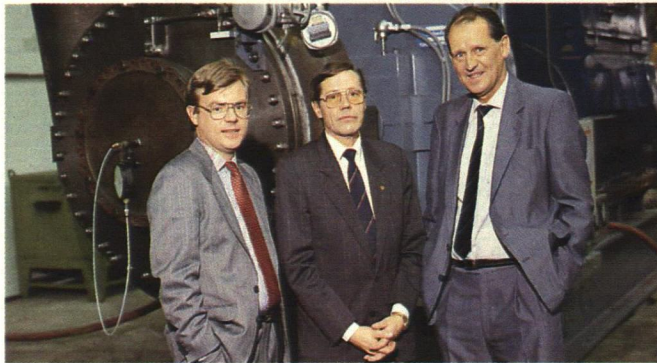
**Erik Johnsson**

**Lennart Johansson**



**Per Lundberg**

**Curt G Olsson**



**Kjell Nordström**

**Per-Erik Nyholm**

**Bo Henning**



**Jacob Wallenberg**

**Gösta Bystedt**

**Christer Améen**



**Stefan Holmström**

**John Teague**

**Bo Ribers**

**Karl-G Giertz**



# BOARD OF DIRECTORS

## Elected by the Annual General Meeting

**Peter Wallenberg** Chairman (1970). Dr. Econ. h.c. and Dr. of Letters h.c. Born 1926. First Vice Chairman of the Board of S-E-Banken. Employed in various positions within Atlas Copco 1953–1974. Chairman of the Boards of Investor, Papyrus, Providentia, STORA, Enskilda Securities (U.K.). Vice Chairman of the Boards of ASEA, Electrolux, LM Ericsson and SKF. President of the International Chamber of Commerce (ICC), Paris. Member of the Boards of the Nobel Foundation, Scandinavian Airlines System (SAS), ASEA Brown Boveri (ABB) and the Lauder Institute – University of Pennsylvania. 50,000 Atlas Copco shares.

**Erik Johnsson** Vice Chairman (1972). Dr. Tech. h.c. Born 1909. President of Atlas Copco AB, 1970–1975. 8,732 Atlas Copco shares. Debentures convertible to 750 shares.

**Curt G. Olsson** (1976). Born 1927. Chairman of the Boards of S-E-Banken, Esselte, Svenska Dagbladet and the Stockholm Chamber of Commerce. Member of the Boards of Hufvudstaden and Skandia. 500 Atlas Copco shares. Debentures convertible to 3,000 shares.

**P. Henry Mueller** (1982). Dr. Litt. h.c. Born 1917. Chairman of the Boards of Atlas Copco North America Inc. and Saab-Scania of America Inc., (U.S.).

**Otto Grieg Tidemand** (1982). Born 1921. Shipowner, Belstove Shipping, Oslo. Chairman of the Board of Atlas Copco A/S (Norway). Chairman and Board member of various shipping companies in Norway and other countries. Debentures convertible to 3,000 Atlas Copco shares.

**Björn Svedberg** (1983). Dr. Tech. h.c. Born 1937. President and Chief Executive Officer of LM Ericsson. Member of the Boards of AGA and LM Ericsson.

**Lennart Johansson** (1985). Dr. Tech. h.c. Born 1921. Chairman of the Board of SKF. Vice Chairman of the Boards of ESAB, S-E-Banken and Volvo. Member of the Boards of ASEA, Investor, Skanska, STORA, Svenska BP, Swedish Employer's Confederation and Swedish Engineering Employers' Association.

**Per Lundberg** (1985). Born 1943. President of Providentia. Chairman of the Boards of LM Ericsson Finans and Stockholm-Saltsjön. Member of the Boards of Alfa-Laval, Atlas Copco Finans, Atlas Copco MCT, Atlas Copco Airpower, Billerud, Bohusbanken, Garphyttan Industrier, Patricia, Saab-Scania, Scanditronix, Stora Timber, Tour & Andersson, SPP and Ångpanneföreningen. 250 Atlas Copco shares. Debentures convertible to 3,000 shares.

**Georg Karnsund** (1987). Born 1933. President and Chief Executive Officer of Saab-Scania. Member of the Board of LM Ericsson. Debentures convertible to 3,000 Atlas Copco shares.

**Tom Wachtmeister** (1975). Born 1931. President of Atlas Copco AB since 1975. Employed in the Company since 1959. Chairman of the General Export Association of Sweden, Swedish Taxpayers' Association and the Sweden-China Trade Council. Member of the Boards of Export-Invest, Hasselfors, Providentia, Saab-Scania and S-E-Banken. 18,392 Atlas Copco shares. 16,000 options. Debentures convertible to 3,000 shares.

**Gösta Bystedt** Deputy Member (1987). Born 1929. Chairman of the Boards of Scanditronix and Åhléns. Vice Chairman of the Boards of Electrolux, Export-Invest and Axel Johnson. Member of the Boards of ESAB, SKF, Swedish Match, S-E-Banken and the Federation of Swedish Industries. Debentures convertible to 500 Atlas Copco shares.

**Jacob Wallenberg** Deputy Member (1985). Born 1956. Member of the Boards of Stockholm Saltsjön AB, Stora Finans AB, Stora Kvarnsveden AB, Rikskuponger AB and the Wharton Undergraduate Executive Board, University of Pennsylvania (U.S.). Deputy Board Member of Investor, Providentia and STORA. 500 Atlas Copco options. Debentures convertible to 3,000 shares.

## Employee representatives

**Bo Henning** (1973). Born 1933. Chairman, Atlas Copco local of the Swedish Union of Clerical and Technical Employees in Industry (SIF), Nacka.

**Per-Erik Nyholm** (1973). Born 1937. Chairman, Atlas Copco local of the Metal Workers' Union, Nacka.

**Kjell Nordström** Deputy member. (1977). Born 1949. Member of the Board of Ecco Works local of the Metal Workers' Union, Skara. Member of the Swedish Parliament.

**Christer Améen** Deputy member. (1986). Born 1939. Chairman Atlas Copco local of the Swedish Association of Graduate Engineers. 372 Atlas Copco shares. Debentures convertible to 500 shares.

## Auditors

**Karl-G Giertz**  
Authorized Public Accountant

**Bo Ribers**  
Authorized Public Accountant

**Stefan Holmström**  
Authorized Public Accountant,  
Deputy

**John Teague**  
Authorized Public Accountant,  
Deputy



## GROUP MANAGEMENT



**Bertil Eriksson**

**Tom Wachtmeister**

**Magnus Schmidt**



**Giulio Mazzalupi**



**Magnus Unger**



**Michael Treschow**



**Per Wejke**

**Sven-Ingvar Svensson**



**Bo Eklöf**

**Bo Johansson**

### Group management

**Tom Wachtmeister** (1931), President, Atlas Copco AB and Chief Executive Officer, employed since 1959.

18,392 Atlas Copco shares. 16,000 options. Debentures convertible to 3,000 shares.

**Bertil Eriksson** (1934), Senior Executive Vice President and Chief Operating Officer, employed 1959–1979, and since 1982. 3,000 Atlas Copco shares. 3,000 options. Debentures convertible to 3,000 shares.

**Magnus Schmidt** (1940), Executive Vice President, Corporate development and control, employed since 1986. 2,000 Atlas Copco shares. Debentures convertible to 3,000 shares.

**Sven-Ingvar Svensson** (1932), Executive Vice President, employed since 1958. 865 Atlas Copco shares. 1,000 options. Debentures convertible to 3,000 shares.

**Per Wejke** (1937), Executive Vice President, Atlas Copco AB and President, Atlas Copco Canada Inc., employed 1964–1970 and since 1980.

365 Atlas Copco shares. 2,500 options. Debentures convertible to 3,000 shares.

**Giulio Mazzalupi** (1941), Executive Vice President, Atlas Copco AB and President, Atlas Copco Airpower n.v., employed since 1971. Debentures convertible to 3,000 shares.

**Magnus Unger** (1942), Executive Vice President, Atlas Copco AB and President, Atlas Copco MCT AB employed since 1983. 1,200 Atlas Copco shares. 25 options.

**Michael Treschow** (1943), Executive Vice President, Atlas Copco AB and President, Atlas Copco Industrial Technique AB, employed since 1975.

314 Atlas Copco shares. 900 options. Debentures convertible to 3,000 shares.

**Bo Eklöf** (1941), Administrative Director, employed since 1974. 100 Atlas Copco shares. Debentures convertible to 3,000 shares.

**Bo Johansson** (1944), Finance Director, employed since 1969. 251 Atlas Copco shares. Debentures convertible to 3,000 shares.



# ORGANIZATION

**ATLAS COPCO**  
Group management, Group staff

## COMPRESSOR TECHNIQUE

### ATLAS COPCO AIRPOWER

- Industrial compressors
- Portable compressors

### ATLAS COPCO ACT

- Compressors and expansion turbines for process industry

## CONSTRUCTION AND MINING TECHNIQUE

### ATLAS COPCO MCT

- Rocktec systems
- Rock drills and breakers
- Rock drilling tools

### SECOROC

- Rock drilling tools

### BEREMA

- Fuel-powered drills/breakers

## INDUSTRIAL TECHNIQUE

### ATLAS COPCO INDUSTRIAL TECHNIQUE

- **POWER TOOLS**
  - Atlas Copco Tools AB
  - Chicago Pneumatic Tool Co
  - Ets G. Renault SA
  - Tedak AB
- **ASSEMBLY SYSTEMS**
  - Atlas Copco Assembly Systems AB
  - Chicago Pneumatic Tool Co
  - Ets G. Renault SA
- **FLUID POWER**
  - Monsun-Tison AB

SALES COMPANIES IN 50 COUNTRIES. SALES IN ANOTHER 85 COUNTRIES THROUGH ATLAS COPCO INTERNATIONAL AND INDEPENDENT DISTRIBUTORS.

### Atlas Copco AB

Group Staffs  
Communications and Public Affairs  
*Hans Johnsson*  
Controller *Bertil Stjernqvist*  
Corporate Planning *Carl Caldenius*  
Finance *Bo Johansson*  
Group Accounting *Hans Lindblad*  
Information Systems *Christer Jonasson*  
Legal *Hans Sandberg*  
Personnel *Nils-Åke Jenstav*

### Special Advisers

Ambassador *Iwo Dölling*  
Ambassador *Lennart Petri*

### Atlas Copco ACT

*Theo Dietz*, President

### Secoroc AB

*Anders Bohlin*, President

### Berema AB

*Jörgen Krook*, President

### Other companies

Atlas Copco Management  
Consulting AB  
*J-A Darlin*, President  
Atlas Copco International AB  
*Peter Lindberg*, President  
Atlas Copco Data AB  
*Rolf Johanson*, President  
Atlas Copco Information Systems  
Development HB  
*Nils Bergkvist*



# ATLAS COPCO'S WORLDWIDE SALES ORGANIZATION

## AFRICA

### Algeria

Atlas Copco Assistance  
Technique  
Algiers  
*Lars Hultgren*

### Egypt

Atlas Copco International  
Egypt Office  
Cairo  
*Georges Herbeaux*

### Kenya

Atlas Copco Kenya Ltd  
Nairobi  
*Eric N Smith*

### Leshoto

Atlas Copco Leshoto Ltd  
Maseru  
*Anders Lindahl*

### Malawi

Atlas Copco (Malawi) Ltd  
Blantyre  
*I M A Mojoo*

### Morocco

Atlas Copco Maroc S A  
Casablanca  
*Edmond Rigauumont*

### Nigeria

Nitro Atlasco Nigeria Ltd\*  
Lagos  
*Thomas Holmquist*

### South Africa

Fagersta Pty Ltd  
Springs Transvaal  
*Rolf Söderman*

Consolidated Pneumatic  
Tool Company S A (Pty) Ltd  
Isando Transvaal  
*Magnus Gyllö*

Delfos & Atlas Copco  
(Pty) Ltd\*  
Benoni  
*Mario Pelligrino*

### Zaire

Atlas Copco EDCA  
Technical Office  
Lubumbashi  
*Albert Herbigneaux*

### Zambia

Atlas Copco (Zambia) Ltd  
Ndola  
*Anders Lindahl*

### Zimbabwe

Atlas Copco Zimbabwe  
(Private) Ltd  
Harare  
*Don Ferreira*

## ASIA

### China

Atlas Copco (China) Ltd  
Kowloon  
*Thomas Kung*

### Hong Kong

Atlas Copco (HK) Ltd  
Kowloon  
*Thomas Kung*

### India

Atlas Copco (India) Ltd  
Bombay  
*Antonio Belcastro*  
Effective Feb 1, 1989

Consolidated Pneumatic  
Tool Co (India) Ltd  
Bombay  
*Narain Mirchandani*

Revathi - CP Equipment Co  
Coimbatore  
*R K Raghavendra*

### Indonesia

P.T. Atlasco Sakti\*  
Jakarta  
*José Santos*

### Iran

Atlas Copco Iran AB  
Tehran  
*Bertil Lindsten*

### Iraq

Atlas Copco Technical  
Service Bureau  
Baghdad  
*Ronny Onkelinx*

### Japan

Atlas Copco KK  
Tokyo  
*Necip Soyak*

### Korea

Atlas Copco Korea Co Ltd  
Seoul  
*Jan Barendregt*  
Effective Feb 1, 1989

Hamico Bit (Korea) Co Ltd  
Seoul  
*Byung Wook Park*

### Malaysia

Atlas Copco (Malaysia) Sdn Bhd  
Kuala Lumpur  
*Sven-Göran Larson*

### Philippines

Atlas Copco (Philippines) Inc  
Paranaque  
*Patrik Wennerström*  
Effective Mar 1, 1989

### Saudi Arabia

Atlas Industrial Equipment  
Co Atlasco\*  
Jeddah  
*Thomas Larsson*

### Singapore

Atlas Copco (South-East  
Asia) Pte Ltd  
Singapore  
*Joop Heiljigers*

### Taiwan

Atlas Copco Taiwan Ltd  
Taipei  
*Tore Bergersen*

### Turkey

Atlas Copco Ticaret ve  
Sanayi T A S  
Istanbul  
*Marc Lambert*

## EUROPE

### Austria

Atlas Copco GmbH  
Vienna  
*Wolf Lackschewitz*

Atlas Copco International  
Büro Wien  
Vienna  
*Vladimir Ćukić*

### Belgium & Luxembourg

Atlas Copco Belgium nv/sa  
Brussels  
*Gaston Moisse*

Chicago Pneumatic SA Tool  
Company  
Brussels  
*Trevor Scrace*

### Cyprus

Atlas Copco Cyprus Ltd  
Nicosia  
*Demetrios Angelides*

Atlas Copco International  
(Middle East) Ltd  
Nicosia  
*John Vanezos*

### Denmark

Atlas Copco A/S  
Copenhagen  
*Bent Kildegaard*

Monsun Automation A/S  
Ishøj  
*Ole Sigvardt*

### Finland

Oy Atlas Copco Ab  
Helsinki  
*Reijo Siimes*

Kometa Oy  
Esbo  
*Juhani Lukumaa*

### France

Atlas Copco Compresseurs  
Industriels SA  
Franconville  
*Alain Rodrigues*

Ets Manguière SA  
Sermamagny  
*Luc Hendrickx*

Atlas Copco Mines &  
Travaux Publics S A  
Franconville  
*Peter G Foertig*

Secoroc S A  
Ivry sur Seine  
*Philippe Derobert*

Le Burin Commercial S A  
Bobigny  
*Edgar Deschamps*

Atlas Copco Applications  
Industrielles S A  
Franconville  
*Jean-Yves Frin*

Ets Georges Renault S A  
Nantes  
*Jacques Manceron*

Monsun-Tison S A  
Cergy  
*Philippe Corrège*

### Great Britain

Atlas Copco Great Britain Ltd  
Hemel Hempstead  
*Lennart Hedlund*

Consolidated Pneumatic  
Tool Company Ltd  
Hemel Hempstead  
*Coen Lemmen*

Monsun-Tison Ltd  
Osset  
*Per Johansson*

### Greece

Atlas Copco Hellas A E  
Athens  
*Peter Meyer*

### Hungary

Atlas Copco Representative  
Office  
Budapest  
*Gunnar Hindrum*

### Ireland

Atlas Copco (Ireland) Ltd  
Dublin  
*Ernest G Power*

### Italy

Atlas Copco Italia SpA  
Milan  
*Erland von Redlich*

Chicago Pneumatic  
Tool Co SpA  
Milan  
*Giorgio Marconi*

Atlas Copco Automazione SpA  
Milan  
*Maurizio Baita*

### Netherlands

Atlas Copco Nederland B V  
Zwijndrecht  
*Stig Svärd*

### Norway

Atlas Copco A/S  
Ski (Oslo)  
*Bill Sundberg*

Secoroc A/S  
Oslo  
*Erik Löftingsmo*

Berema A/S  
Lorenskog  
*Per Finsveen*

Monsun-Tison A/S  
Ski (Oslo)  
*Ole Ingar Vee*

### Portugal

Soc Atlas Copco  
de Portugal Lda  
Lisbon  
*Hans W Brodbeck*

### Spain

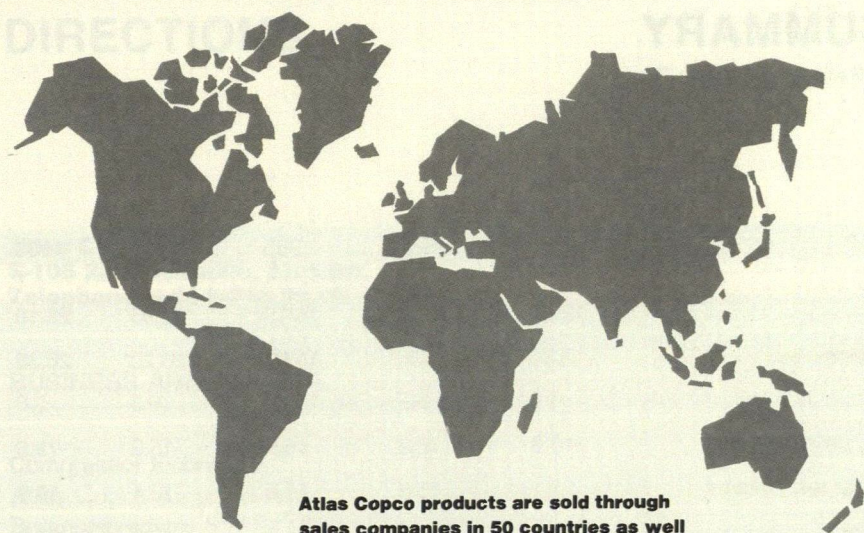
Atlas Copco S A E  
Madrid  
*Romano Girardi*

### Sweden

Atlas Copco Compressor AB  
Nacka  
*Leif Boll*

Atlas Copco MCT Sverige AB  
Nacka  
*Robert Robertsson*





**Atlas Copco products are sold through sales companies in 50 countries as well as through distributors in 85 other countries. Manufacturing is carried out at 43 plants located in 17 countries.**

Atlas Copco Energy AB  
Nacka  
*Per Gunnar Skoglundh*

Aquabrasive AB  
Nacka  
*Bengt Grinn Dahl*

Secoroc AB  
Fagersta  
*Anders Bohlin*

Rebit AB  
Ockelbo  
*Per-Arne Lindqvist*

Kometa AB  
Ludvika  
*Aappo Fagerhill*

Berema Sverige AB  
Solna  
*Jörgen Krook*

AB Idesta  
Eskilstuna  
*Thomas Löjdquist*

AB Å Karlssons Mek  
Verkstad  
Sala  
*Christer Lidén*  
Effective Jan. 1, 1989

Atlas Copco Tools Sverige  
Stockholm  
*Roland Lindqvist*

Chicago Pneumatic Tool Co  
Trade Div.  
Stockholm  
*Radmon Sukhia*

Tedak AB  
Eskilstuna  
*Göran Isaksson*

Atlas Copco Assembly  
Systems AB  
Stockholm  
*Lennart Evrell*

Atlas Copco STIB AB  
Vallentuna  
*Sverker Lindbo*

Monsun-Tison Hydraulik AB  
Borås  
*Roland Nilsson*

Atlas-Copco Automation  
Svenska AB  
Borås  
*Hans Törner*

#### Switzerland

Atlas Copco  
(Schweiz) AG  
Studen  
*Alfred E Pistotnik*

#### West Germany

Atlas Copco Kompressoren  
GmbH  
Essen  
*Freek Nijdam*

NEAC Compressor Service  
GmbH & Co KG\*  
Ubach-Palenberg (Aachen)  
*André Schmitz*

Atlas Copco MCT GmbH  
Essen  
*Paolo Duca*

Secoroc GmbH  
Düsseldorf  
*Wolfram Hussack*

Atlas Copco Eickhoff  
Roadheading Technic GmbH\*  
Bochum  
*Bo Ruda*

Atlas Copco Tools GmbH  
Essen  
*Yngve Revander*

Chicago Pneumatic  
Tool GmbH  
Geisenheim am Rhein  
*W D Wittek*

Atlas Copco EAC GmbH  
Essen  
*Helmut Darmstadt*

Monsun-Tison GmbH  
Darmstadt  
*Rainer Borkowsky*

#### Yugoslavia

Atlas Copco Delegate  
Belgrade  
*Björn Dahlström*

#### NORTH AMERICA

##### Canada

Atlas Copco Canada Inc  
Montreal, Quebec  
*Per Wejke*

Secoroc Ltd  
Burlington  
*Sten Pettersson*

Kenroc Tools Corporation  
North Bay, Ontario  
*Stanley Lundberg*

Canadian Pneumatic Tool  
Company Ltd  
Toronto, Ontario  
*George Blandford*

#### Mexico

Atlas Copco Mexicana  
S A de CV  
Tlalnepantla, Edo de Mexico  
*Kåre Engström*

Fagersta Secoroc de Mexico  
S A de CV  
Mexico 1, DF  
*Malcolm Herlenius*

Chicago Pneumatic Tool de  
Mexico S A  
Delg. V Carranza  
Mexico DF  
*Jaime Cadaval*

#### USA

Atlas Copco Industrial  
Compressors Inc  
Holyoke, Massachusetts  
*M Dean Pope*

Atlas Copco Rental Inc  
Fairfield, New Jersey  
*Anthony A Limongelli*

Atlas Copco Comptec Inc  
Voorheesville, New York  
*Bengt-Ivar Nilsson*

Atlas Copco Roctec Inc  
Pine Brook, New Jersey  
*Thomas M Martinsen*

Secoroc Inc  
Commerce City, Colorado  
*Torbjörn Redaelli*

Kenroc Inc  
Springfield, Montana  
*Jim Sunstrum*

Berema Inc  
Norwalk, Connecticut  
*Leif Eiderberg*

Atlas Copco Industrial  
Tools Inc  
Detroit, Michigan  
*Kurt Ottosson*

Chicago Pneumatic Tool  
Company  
Utica, New York  
*Richard D Besser*

Monsun Hydraulics Inc  
Elk Grove Village, Illinois  
*Kjell Jansson*

#### OCEANIA

##### Australia & New Guinea

Atlas Copco Australia Pty Ltd  
Sydney  
*Jack Mackenzie*

Kenroc Tools Pty Ltd  
Sydney  
*John Brodie*

Consolidated Pneumatic  
Tool Co Pty Ltd  
Sydney  
*Jack Mackenzie*

##### New Zealand

Atlas Copco (N Z) Ltd  
Wellington  
*Bill Gibson*

#### SOUTH AMERICA

##### Argentina

Atlas Copco Argentina SACI  
Buenos Aires  
*Jan Ahlin*

##### Bolivia

Atlas Copco Boliviana S A  
La Paz  
*Olof Hössner*

##### Brazil

Atlas Copco Brasil Ltda  
São Paulo  
*Jan Ahlin*

Fagersta Secoroc  
Ind e Com Ltda  
São Bernardo do Campo, SP  
*Anders Carlén*

##### Chile

Atlas Copco Chilena S A C  
Santiago  
*André Richard*

Drillco S A  
Santiago  
*Rolando Carmona*

##### Colombia

Atlas Copco Colombia Ltda  
Bogotá  
*Antoine Santiago*

##### Ecuador

Atlas Copco Ecuatoriana S A  
Quito  
*Jean Pierre Fauque*

##### Peru

Atlas Copco Peruana S A  
Lima  
*Olof Hössner*

Fagersta Secoroc del Peru S A  
Callao  
*Julio Tamayo*

##### Venezuela

Atlas Copco Venezuela S A  
Caracas  
*Staffan Nordin*

\*Not consolidated in the Atlas Copco Group



## FIVE YEARS IN SUMMARY

SEK m. unless otherwise noted. For definitions, see page 20.

<b>ATLAS COPCO GROUP</b>	1984	1985	1986	1987	1988
Earnings per share, SEK	12.60	17.35	16.15	15.95*	<b>26.10</b>
Earnings per share after extraordinary items, SEK	12.30	20.35	14.85	26.20*	<b>26.35</b>
Profit margin, percent	6.3	8.2	7.1	6.8	<b>9.0</b>
Return on capital employed, before tax, percent	16.8	18.9	16.0	15.0	<b>19.0</b>
Return on risk-bearing equity capital, after tax, percent	11.1	15.8	13.8	12.4	<b>16.9</b>
Rate of risk-bearing equity capital, percent	37.3	40.6	41.7	40.9	<b>38.3</b>
Rate of risk-bearing equity capital after full conversion, percent	37.3	40.6	41.7	42.4	<b>39.7</b>
Dividend per share, SEK	4.50	6.50	7.00	7.50	<b>8.50**</b>
Orders booked	9 581	10 400	10 629	11 797	<b>13 533</b>
Invoiced sales	9 100	10 062	10 351	11 520	<b>12 812</b>
Percent change, current prices	+ 12	+ 11	+ 3	+ 11	<b>+ 11</b>
Sales outside Sweden, percent	92	91	91	92	<b>92</b>
Profit after financial income and expense	573	828	730	789	<b>1 155</b>
Net interest expense	-285	-193	-116	-161	<b>- 25</b>
As percent of invoiced sales	3.1	1.9	1.1	1.4	<b>0.2</b>
Interest coverage ratio	2.2	2.9	2.9	3.1	<b>4.0</b>
Return on shareholders' equity, after tax, percent	10.5	13.7	11.2	10.9	<b>14.7</b>
Total assets	8 217	8 675	9 262	10 752	<b>11 377</b>
Ratio of assets to liabilities	1.6	1.7	1.7	1.7	<b>1.6</b>
Ratio of current assets to current liabilities	1.9	2.1	1.9	2.0	<b>2.0</b>
Capital turnover ratio	1.16	1.18	1.15	1.14	<b>1.18</b>
Ratio of interest-bearing liabilities to adjusted shareholders' equity***	1.13	0.98	0.95	0.94	<b>1.02</b>
Investments in machinery and buildings	311	325	507	422	<b>424</b>
As percent of invoiced sales	3.4	3.2	4.9	3.7	<b>3.3</b>
Average number of employees	16 484	16 659	16 498	18 777	<b>19 207</b>
Invoiced sales per employee, SEK thousands	552	604	627	614	<b>667</b>

\* For 1987 based on the weighted average number of shares outstanding.

\*\* According to the Board of Directors' proposal.

\*\*\* Shareholders' equity, minority interest and untaxed reserves with deduction for deferred tax liability (50%).



# DIRECTIONS

**Atlas Copco AB**  
**S-105 23 Stockholm, Sweden**  
**Telephone: +46-8-743 80 00**

## BUSINESS AREAS

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### Compressor technique

Atlas Copco Airpower n v  
Boomsesteenweg 957  
B-2610 Wilrijk-Antwerpen, Belgium  
Telephone: +32-3-870 21 11

Atlas Copco ACT  
Boomsesteenweg 957  
B-2610 Wilrijk-Antwerpen, Belgium  
Telephone: +32-3-870 21 11

### Construction and mining technique

Atlas Copco MCT AB  
S-104 84 Stockholm, Sweden  
Telephone: +46-8-743 80 00

Secoroc AB  
Box 502  
S-773 01 Fagersta, Sweden  
Telephone: +46-223-459 00

Berema AB  
Box 1286  
S-171 25 Solna, Sweden  
Telephone: +46-8-29 01 70

### Industrial technique

Atlas Copco Industrial  
Technique AB  
Box 81510  
S-104 82 Stockholm, Sweden  
Telephone: +46-8-743 95 00

Atlas Copco Tools AB  
Box 81510  
S-104 82 Stockholm, Sweden  
Telephone: +46-8-743 95 00

Chicago Pneumatic Tool Company  
2200 Bleecker St  
Utica  
New York 13501, USA  
Telephone: +1-315-792 26 00

Atlas Copco Assembly Systems AB  
Box 81510  
S-104 82 Stockholm, Sweden  
Telephone: +46-8-743 95 00

Monsun-Tison AB  
Box 817  
S-501 10 Borås, Sweden  
Telephone: +46-33-16 91 00

Ets. G. Renault S. A.  
199, route de Clisson  
F-44230 Saint-Sébastien-sur-Loire  
France  
Telephone: +33-40 80 20 00

Tedak AB  
Svista 1561  
S-635 02 Eskilstuna, Sweden  
Telephone: +46-16-12 53 10

## OTHER COMPANIES

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Atlas Copco Management  
Consulting AB  
S-105 23 Stockholm, Sweden  
Telephone: +46-8-743 80 00

Atlas Copco International AB  
S-105 23 Stockholm, Sweden  
Telephone: +46-8-743 80 00

Atlas Copco Data AB  
S-105 23 Stockholm, Sweden  
Telephone: +46-8-743 80 00

Atlas Copco Information Systems  
Development HB  
S-105 23 Stockholm, Sweden  
Telephone: +46-8-743 80 00





*Atlas Copco*

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