

ANNUAL REPORT

**Atlas Copco**  
**1990**



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## GROUP PRESIDENT'S COMMENTS

## COMPRESSOR TECHNIQUE BUSINESS AREA

## CONSTRUCTION AND MINING TECHNIQUE BUSINESS AREA

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## INVITATION TO PARTICIPATE IN ANNUAL GENERAL MEETING

Atlas Copco AB shareholders are hereby notified that the Company's Annual General Meeting will be held on Thursday, April 25, 1991, at 5.00 p.m. in the **Berwald Hall**, 69 Strandvägen, Stockholm, Sweden.



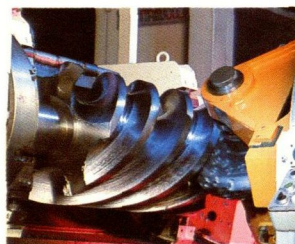
### New President and CEO

Tom Wachtmeister, who has been President of Atlas Copco AB and CEO since 1975, will celebrate his 60th birthday during the present year. Accordingly, he will retire from his executive post at the Annual General Meeting in April. At that time, it will be proposed that Mr. Wachtmeister become Vice Chairman of the Board of Directors.

It is intended that Michael Treschow be appointed the new President of Atlas Copco AB and CEO.

Born in 1943, Michael Treschow graduated with a degree in civil engineering from the Lund Institute of Technology in 1970 and joined Atlas Copco in 1975. During the period 1975-1982, he occupied various marketing management positions in the Group, both in Sweden and abroad. In 1982, he was appointed technical director at Atlas Copco Tools, where two years later he became President. He took over his present position, as President of the Industrial Technique business area in 1988.

**Cover illustration:**  
The screw element of a large oil-free compressor is machined with great precision at the Group's plant in Antwerp, Belgium.





# 1990

## Sales

Group invoiced sales increased 6 percent to SEK 15,915 m. (15,035).

## Earnings

Group operating profit after depreciation declined 15 percent to SEK 1,461 m. and after net financial items to SEK 1,270 m., down 17 percent.

## Company acquisitions

During the year, Atlas Copco acquired Desoutter Brothers (Holdings) PLC, a listed British company engaged in the production and marketing of industrial tools and assembly systems, and the American company Rotoflow Corporation, which was included in the Compressor Technique business area effective mid-year 1990.

## Dividend and earnings per share

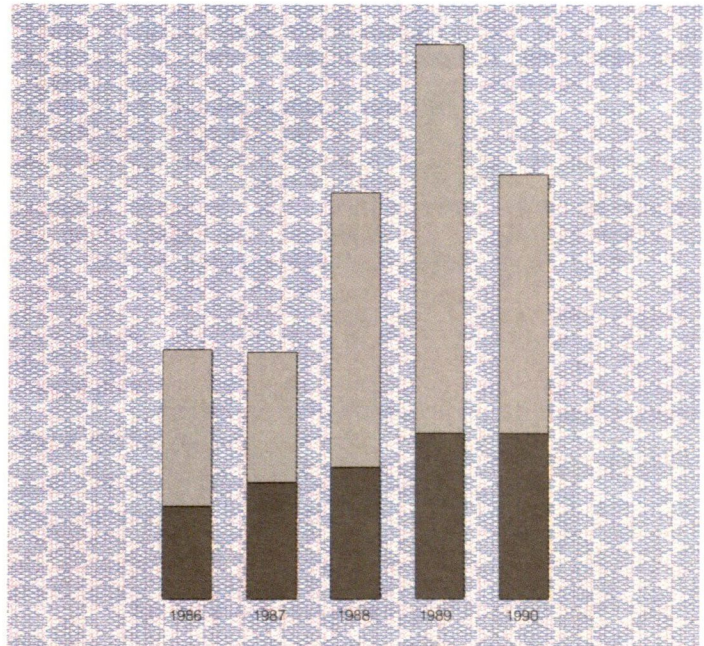
The Board is proposing a dividend of SEK 8.00 (8.00) per share. Earnings per share amounted to SEK 20.45 (26.75).

## New share issue

A new issue of shares, excluding shareholders' preferential rights, was implemented in the international capital market in May. Four million series B shares were issued.

## Outlook for 1991

Owing to general uncertainty following the war in the Persian Gulf and the current critical situation in parts of Eastern Europe, the Board of Directors is refraining from making an earnings forecast for the full 1991 fiscal year.

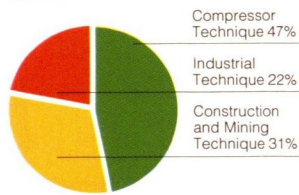


**Trend in Group's earnings per share and dividend.**



# ATLAS COPCO TODAY

SALES BY BUSINESS AREA IN 1990



Atlas Copco is an international industrial company, with its head office in Stockholm. The Company has been listed on the Stockholm Stock Exchange since 1920 and is also quoted on the London, Frankfurt, Düsseldorf and Hamburg Stock Exchanges.

## Business concept

Atlas Copco's business concept is based on the Group's extensive know-how in the areas of:

- compressor technique and its application mainly within the manufacturing and construction industries
- rock drilling, demolition and comparable techniques for use in the mining and construction sector.
- production technique and automation for the development of power tools, assembly systems and components for the manufacturing industries

Atlas Copco's operations shall focus strongly on helping end-user customers to increase their productivity by providing quality products that are characterized by high operating reliability and large capacity.

## Strategy

The long-term goal of the Atlas Copco Group is to become the world's leading company within its specialist areas of business. Economies of scale shall be achieved through a combination of internal growth and company acquisition.

Growth shall be achieved while maintaining favorable profitability and satisfactory financial balance. This places major demands on the Company's financial strength. An in-

creased financial strain must be accepted during certain periods so that acquisition and investment opportunities may be fulfilled.

The objective of Atlas Copco's business strategy is to additionally strengthen the Group's leading position in world markets. Development work focuses on meeting the demands of customers and markets. The size and growth of the European market are factors of the greatest importance to Atlas Copco. During the 1990s, this market will be prioritized through increased attention.

## Operations

More than 93 percent of the Atlas Copco Group's sales of SEK 16 billion is attributable to countries outside Sweden. The Group employs a total of 21,000 persons, of whom 20 percent work in Sweden. Atlas Copco has a well developed marketing organization, with own sales companies in 50 countries and independent distributors in an additional 80 countries.

Atlas Copco is a technology company, with operations organized into three business areas. Each of the business areas is responsible for its own profitability, growth and development within its specialist field. Atlas Copco manufactures its products at 54 locations in 16 countries. The major portion of its manufacturing activities takes place in EC countries. It is the Group's strategy to concentrate its operations to areas of technique, where Atlas Copco can be world leader.

## Compressor Technique:

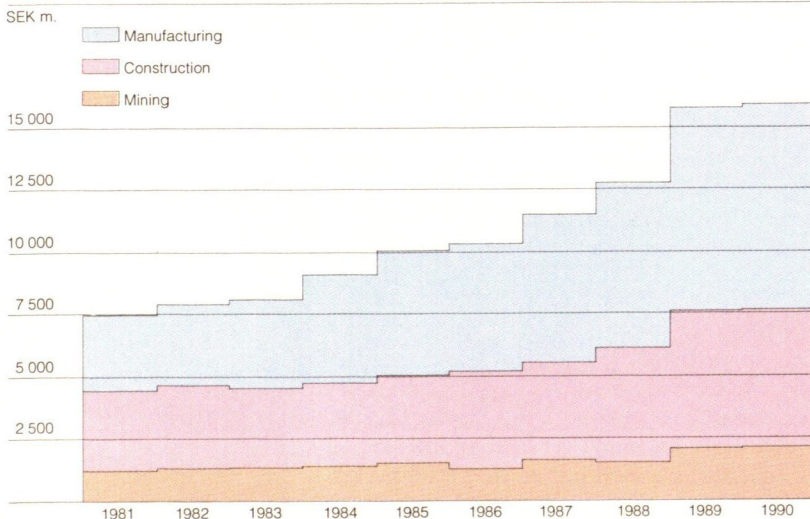
Atlas Copco is the world's leading manufacturer of air and gas compressors, air dryers, after coolers and related products. The product range also includes control systems and systems for industrial energy recovery. The compressors are key components in most industrial processes:

*Industrial compressors* supply the food, pharmaceutical and electronics industries with oil-free air to satisfy the high demands for quality placed upon such products.

*Portable compressors* constitute a reliable and efficient energy source for machines and tools used within the building and construction sector.

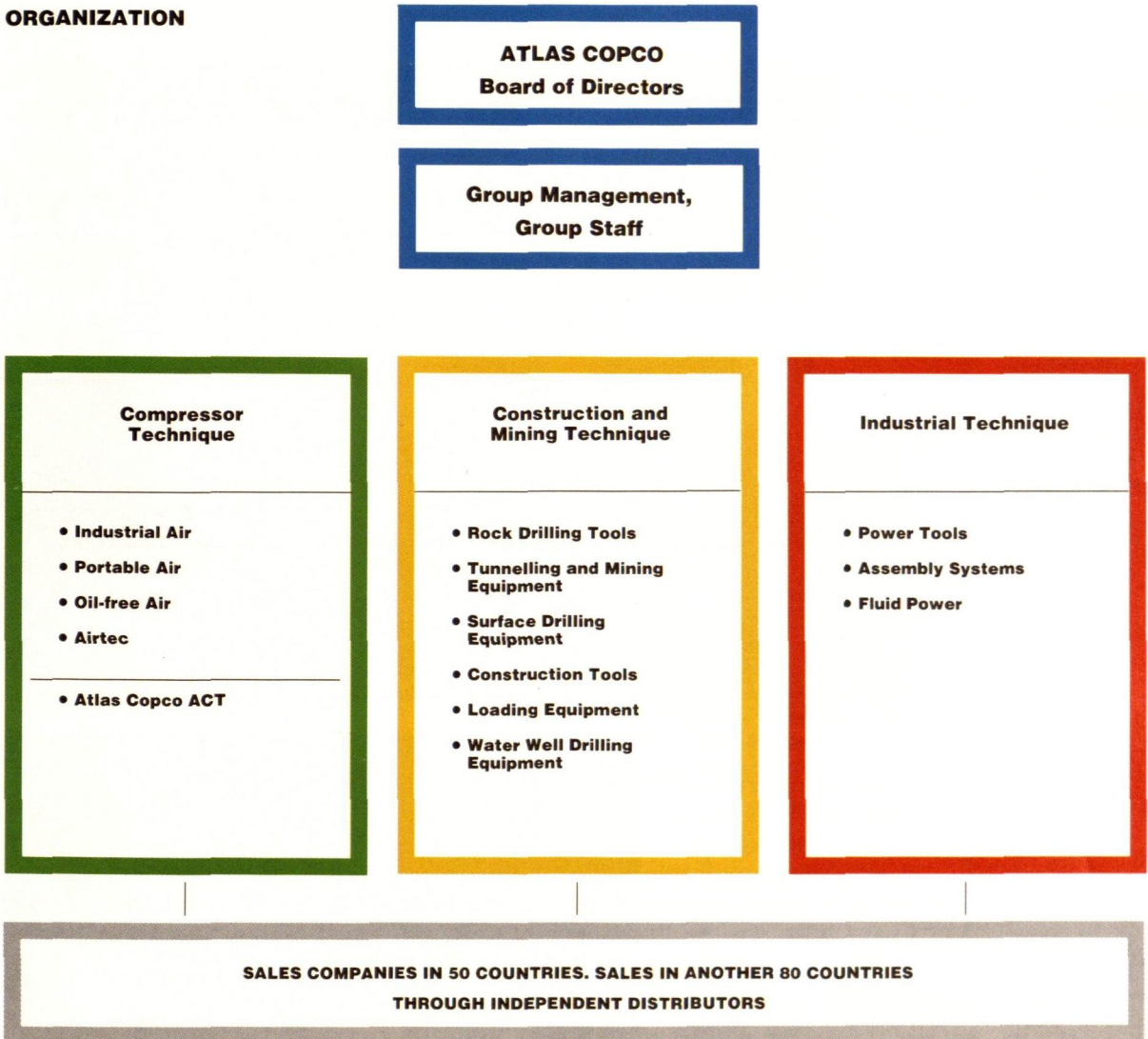
*Customer-adapted air and gas compressors*, expansion turbines and vacuum pumps are delivered to the process industries, such as the chemical, petrochemical, oil and gas industries, as well as to companies focusing on the separation of air and other gases.

TEN YEARS SALES, BY INDUSTRY





## ORGANIZATION



### Construction and Mining Technique:

Atlas Copco is the leading manufacturer of rock drilling tools, rock drills, breakers, rigs and loading equipment.

*Rock drilling tools* include drill steel and drill bits for tunnelling, mining and rock excavation operations.

*Drill rigs* are used in tunnelling operations, mining and surface drilling operations in, for example, construction work and quarrying.

Light *rock drills* and breakers are used by contractors in the construction sector.

*Loading equipment* and trucks are used mainly in underground mining operations, as well as in certain construction projects.

### Industrial Technique:

Atlas Copco is one of the world's largest manufacturers of power tools. The product

range also covers advanced assembly systems, hydraulic and pneumatic components.

*Tools powered* by compressed air or electricity have many applications within industry, such as drilling, grinding, riveting and the tightening of nuts and screws.

*Assembly systems*, with computerized control systems, are supplied primarily to the automotive and aviation industries for nut tightening, riveting and other areas of operation where particularly high precision is required.

*Pneumatic and hydraulic components* are supplied for use in customer machines. Pneumatic components are used for the automation of machines in, for example, the packaging industry, while hydraulic components are used in mobile loading machines and forestry machines.



## Service for high availability

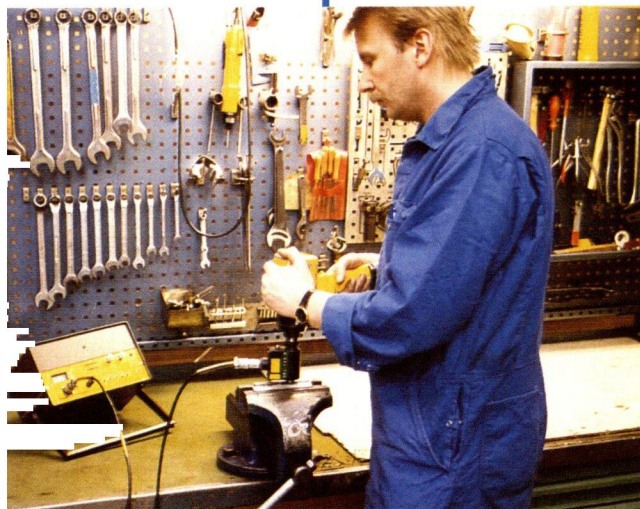
The objective for Atlas Copco is to provide a level of service to its customers which ensures that the equipment delivered to a reasonable cost has high availability. Whether it is continuous maintenance service or emergency repairs, the customer is always provided with fast, efficient and reliable service in order to maintain productivity at a high level. Atlas Copco's service engineers keep the respective divisions informed about how their products are performing, which enables the divisions' designers to make continual improvements to their products.



Computers and other electronic instruments are used for the inspection and maintenance of compressors at customer premises.



An Atlas Copco service container installed at a tunneling project.



Maintenance of an industrial tools.



# THE BOARD OF DIRECTORS' REPORT ON 1990 OPERATIONS

SEK m. unless otherwise indicated.

## THE ATLAS COPCO GROUP

|                              | 1990   | 1989   |
|------------------------------|--------|--------|
| Invoicing                    | 15,915 | 15,035 |
| Value increase, %            | 6      | 17     |
| Order bookings               | 15,931 | 15,785 |
| Value increase, %            | 1      | 17     |
| Order backlog                | 2,826  | 2,878  |
| Profit after financial items | 1,270  | 1,521  |
| Increase in profit, %        | -17    | 32     |

*Invoiced sales of the Atlas Copco Group in 1990 rose by SEK 880 m. to SEK 15,915 m. (15,035), an increase of 6 percent. Markets outside Sweden accounted for 93 percent of the Group's total invoiced sales, with 39 percent attributable to EC countries. Orders booked increased by one percent to SEK 15,931 m. (15,785).*

*Iraq's invasion of Kuwait further compounded the effects of the start of a downturn in general business conditions at midyear, which exerted a powerful brake on earnings during the fourth quarter. In the Construction and Mining Technique business area, earnings for drill steels and rock drilling rigs declined further. In addition, the fourth quarter*

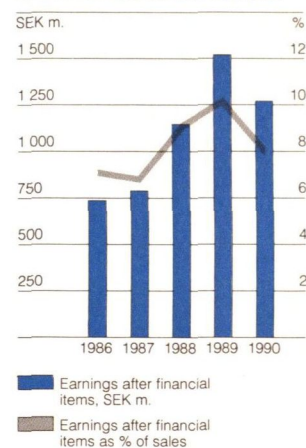
*was charged with considerable restructuring costs. Group profit after financial income and expense amounted to SEK 1,270 m. (1,521) for the entire year. Earnings per share after full tax and full conversion amounted to SEK 20.45 (26.75).*

*The Board of Directors proposes a dividend of SEK 8.00 per share (8.00).*

### Forecast

*The business outlook for the immediate future is particularly difficult to assess, due to uncertainty arising from the war in the Gulf and the critical situation in Eastern Europe. This, in combination with depressed economic conditions in many industrialized countries, is expected to lead to weakened sales during the first half of 1991. The rationalization measures currently in progress will improve the Group's competitiveness. Due to the general instability, the Board of Directors refrains from formulating an earnings forecast for the full 1991 fiscal year.*

EARNINGS AND PROFIT MARGIN



## Structural changes

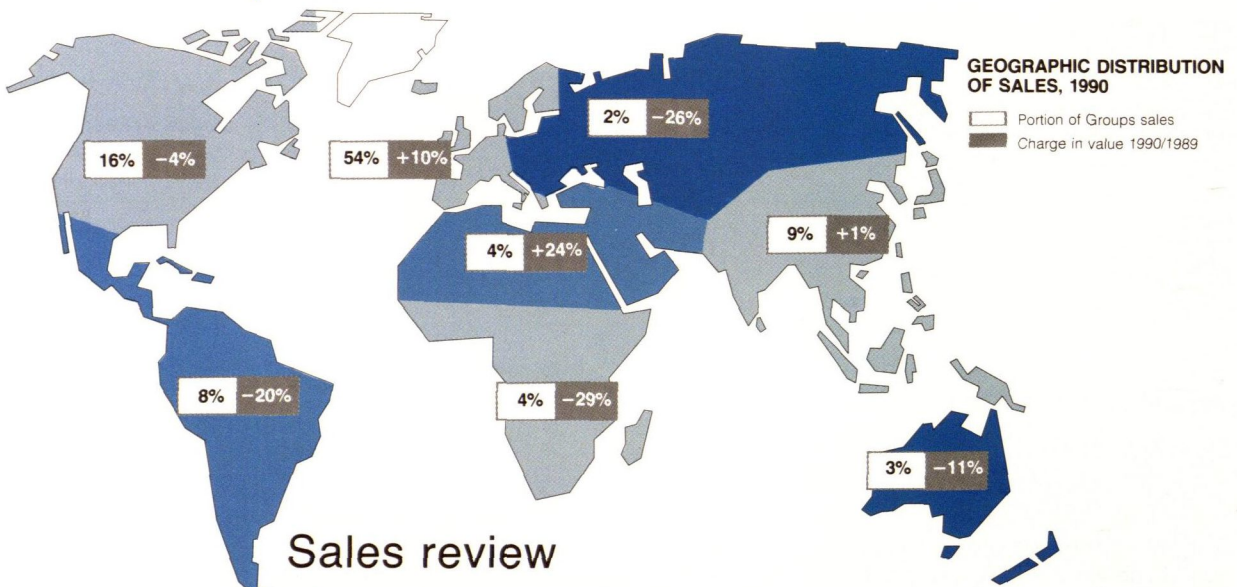
Effective March 1, 1990, Atlas Copco acquired the British listed company, Desoutter Brothers (Holdings) PLC, at a cost of GBP 88.7 m. Desoutter manufactures and markets the same type of industrial tools and assembly systems as Atlas Copco. The company, which is now part of the Industrial Technique business area, has annual sales amounting to approximately SEK 500 m., with 1,200 employees. As a result of the acquisition of Desoutter, Atlas Copco increased its market shares for industrial tools and assembly systems in the British and several other European markets.

On July 1, 1990, Atlas Copco acquired the U.S. company, Rotoflow Corporation, a leader in the field of turbo-expander technology. Rotoflow is now an independent unit within

Atlas Copco ACT. The company has annual sales of approximately SEK 170 m., with 250 employees. Exports account for 70 percent of sales. (See page 39).

In the Compressor Technique business area, Atlas Copco Airpower has been split into a technology division and three product divisions. In the Construction and Mining Technique business area, the operations of the Surface Drilling Equipment division have been concentrated to Bremen. In addition, the divisions for fuelpowered machines and hand-held breakers have been integrated to form a new unit, Atlas Copco Berema AB. Monsun-Tison, part of the Industrial Technique business area, has been organized into two separate divisions for hydraulic and pneumatic components.





## Sales review

Atlas Copco's sales developed favorably during the first half of the year. However, economic conditions deteriorated after August. The downturn was accentuated by the Middle East crisis and the critical situation in Eastern Europe, and adversely affected the Group more rapidly than expected. The uncertain political situation created worldwide unease and, coupled with high interest rates, led to the re-evaluation of many investment decisions in both the public and private sectors.

During 1990, Atlas Copco increased its order bookings by 1 percent on current prices, thereby generally moving in line with global industrial production and machinery investments in the OECD countries.

Order bookings, which are normally substantial during the fourth quarter, were very weak during the closing months of the year. Orders booked at year-end amounted to SEK 2,826 m. compared with SEK 2,878 m. a year earlier, corresponding to a decrease of 2 percent.

Atlas Copco's sales of compressors and assembly tools for the *manufacturing* industry increased, particularly in Europe. However, a weaker inflow of orders was noted during the latter half of the year. Cutbacks in the automotive industry were a significant factor underlying the decline in demand for the Group's products. However, order bookings for heavy-duty compressors from the petrochemical industry remained at an unchanged high level. Group sales to the manufacturing industry accounted for 52 percent of total invoicing.

Group sales of mobile compressors and drilling equipment in the *building and construction* area declined in certain major EC countries. Stiffer price competition created difficulties for drilling rigs and rock drilling tools. The building and construction sector accounted for 35 percent of Group sales.

Sales of mechanized drilling equipment to the *mining industry* were weak in such major mining countries as Canada, Australia and South America. Mining operations accounted for 13 percent of Group sales.

### Sales companies' operations

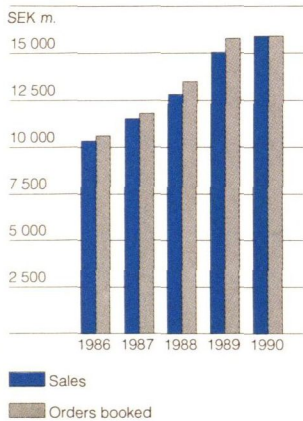
The specialization of Atlas Copco's international sales companies continued in 1990, meaning that the sales companies in the major markets were divided into separate units for each business area. Further development of the sales organizations in medium-sized markets is in progress for the purpose of creating regional units capable of covering a number of countries. This program offers more cost-effective organizations, improved customer service and customer contact as well as a reduction in tied-up capital.

The Compressor Technique and Construction and Mining Technique business areas formed export companies to take over responsibility for Atlas Copco International's distributors and agents in smaller markets.

During 1990, the sales companies continued to consolidate their positions in their respective areas, notably in Germany, France and East Asia.

In 1990, orders from the German mechanical engineering industry for compressors,

### SALES AND ORDERS BOOKED



### SALES BY GEOGRAPHIC AREA





tools and components surpassed all previous annual figures. Sales to the German automotive, and building and construction industries were also highly favorable. The sales organizations in the eastern German states are being expanded to improve the coverage of this growing market in both the industrial and construction sectors.

With the exception of industrial compressors, demand from industrial and construction contractors in the Nordic market decreased in all product areas.

As result of the weak development of the U.S. economy, and the decline in the U.S. dollar exchange rate, order bookings decreased, particularly from the automotive, construction and mining industries.

Thanks to the favorable sales of oil-free compressors for the food-processing, pharmaceutical and electronics industries, total Group sales in the United States remained unchanged.

## Financial summary and analysis

### Earnings

|                               | 1990  | 1989  |
|-------------------------------|-------|-------|
| Earnings per share*, SEK      | 20.45 | 26.75 |
| Return on capital employed, % | 17.7  | 23.4  |
| Return on equity capital, %   | 12.5  | 19.5  |
| Profit margin, %              | 8.0   | 10.1  |

Definitions on key figures, page 16.

\*Due to the new share issue of 4 million B shares in May, a weighted average number of shares has been used in calculating the earnings per share in 1990.

Profit after financial income and expense for the Atlas Copco Group decreased by 17 percent to SEK 1,270 m. (1,521). The profit margin was 8.0 percent (10.1)

Earnings per share, calculated after full tax and full conversion, was SEK 20.45 (26.75).

Return on equity capital after tax amounted to 12.5 percent (19.5).

As part of the program to adjust Atlas Copco's accounting methods to international practice, the consolidated balance sheet and income statement are computed without the inclusion of untaxed reserves and appropriations, with effect from 1990. The calculated tax attributable to appropriations has been charged to profit for the year. Accordingly, net profit includes tax on the taxable profit for the year, as well as the calculated tax on appropriations for the year (see page 14).

### Earnings analysis

Operating profit before depreciation declined by SEK 177 m. to SEK 1,886 m. The latter corresponds to 11.9 percent (13.7) of invoicing. The decline in earnings is due to a lower sales volume, combined with a sharp increase in price competition within the divisions responsible for drill steels and drilling rigs. As a result of the uncertainty arising from the Middle East crisis, the decrease in sales volume was amplified substantially during the latter half of the year. Lower demand and rationalization measures resulted in excess capacity in some engineering plants. Consequently, a decision has been made to implement a restructuring program. For the Group as a whole, restructuring costs relating to measures decided in 1990 amount to SEK 194 m., most of which was charged to the fourth quarter.

Cost depreciation in 1990 amounted to SEK 425 m. (337). Of the total increase of SEK 88 m., newly acquired companies accounted for SEK 37 m.

The Group generally applies a progressive amortization over 20 years for goodwill arising from strategic corporate acquisitions.

Operating profit after depreciation amounted to SEK 1,461 m. (1,726), corresponding to 9.2 percent (11.5) of invoicing.

The substantially higher net borrowings during the first six months in conjunction with the acquisition of Wagner Mining Equipment and Desoutter Brothers (Holdings) PLC, as well as the higher interest rate level compared with 1989, led to a deficit in net interest expense of SEK 198 m. (1990 deficit: 160). However, as a result of a new share issue generating SEK 1,203 m. in May, 1990, Group borrowings again declined. The interest coverage ratio amounted to 3.3 (3.9).

Foreign exchange differences during the year amounted to SEK 1 m. (-49).

Despite lower sales during the second half of the year and an increasingly unfavorable trend in exchange-rates, the *Compressor Technique* business area managed to improve its earnings slightly. This resulted primarily from the effects of ongoing rationalization programs at both the production and sales levels.

Earnings in the *Construction and Mining Technique* business area fell substantially as a result of lower sales volumes, combined with intense price competition. Profit for the year has been charged with all production cut-backs in 1990, amounting to SEK 107 m.

The improvement in the earnings of the

### INVOICED SALES BY QUARTER

|                | 1990   | 1989   |
|----------------|--------|--------|
| First quarter  | 3,930  | 3,489  |
| Second quarter | 4,196  | 3,877  |
| Third quarter  | 3,766  | 3,342  |
| Fourth quarter | 4,023  | 4,327  |
| Total          | 15,915 | 15,035 |

### EARNINGS BY QUARTER

|                | 1990  | 1989  |
|----------------|-------|-------|
| First quarter  | 393   | 333   |
| Second quarter | 427   | 379   |
| Third quarter  | 281   | 295   |
| Fourth quarter | 169   | 514   |
| Total          | 1,270 | 1,521 |

### INVOICED SALES BY BUSINESS AREA

|                                   | 1990   | 1989   |
|-----------------------------------|--------|--------|
| Compressor Technique              | 7,530  | 6,916  |
| Construction and Mining Technique | 4,855  | 5,029  |
| Industrial Technique              | 3,530  | 3,090  |
| Total                             | 15,915 | 15,035 |

### OPERATING PROFIT AFTER DEPRECIATION, BY BUSINESS AREA

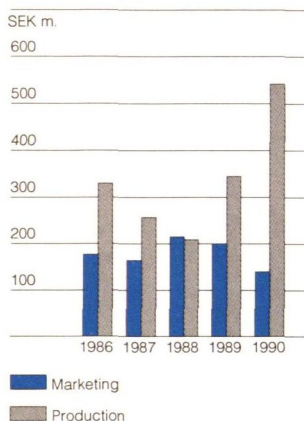
|                                   | 1990  | 1989  |
|-----------------------------------|-------|-------|
| Compressor-Technique              | 1,195 | 1,164 |
| Construction and Mining Technique | 5     | 441   |
| Industrial Technique              | 446   | 388   |
| Corporate items                   | -185  | -267  |
| Total                             | 1,461 | 1,726 |

### RETURN ON CAPITAL EMPLOYED, BY BUSINESS AREA, %

|                                   | 1990 | 1989 |
|-----------------------------------|------|------|
| Compressor Technique              | 35   | 38   |
| Construction and Mining Technique | 3    | 16   |
| Industrial Technique              | 19   | 23   |
| Total Group                       | 18   | 23   |



**INVESTMENTS IN MACHINERY AND BUILDINGS**



*Industrial Technique* business area is due partly to the acquisition of Desoutter and in part to the initial impact of rationalization measures introduced in Chicago Pneumatic. In addition, profitability in Atlas Copco Tools and Ets G. Renault remains favorable.

**Investments**

|  | 1990 | 1989 |
|--|------|------|
| Investments in machinery and buildings | 682  | 545  |
| Sweden                                 | 177  | 199  |
| Outside Sweden                         | 505  | 346  |
| Total, as percentage of invoiced sales | 4.3  | 3.6  |

The year's investments consisted of SEK 177 m. (199) in Sweden and SEK 505 m. (346) outside Sweden.

Investments related primarily to productivity-enhancement measures at the production and market levels. Notable individual projects included the commissioning of a new plant for the manufacture of mobile compressors in Antwerp; the Monsun-Tison plant in Borås, Sweden; and a new distribution center for rock drilling tools in Rotterdam.

**Financial analysis**

|                             | 1990 | 1989 |
|-----------------------------|------|------|
| Net interest expense        | -198 | -160 |
| Degree of self-financing, % | 181  | 225  |
| Rate of equity capital, %   | 45.1 | 36.6 |

Funds generated internally amounted to SEK 1,237 m. (1,226) in 1990.

As a result of the decrease in capital tied-up in inventories and accounts receivable, the Group's cash flow improved substantially, amounting to SEK 1,274 m. (455). In relation to invoicing, this means that accounts receivable decreased to 20.5 percent (21.0) and inventories to 24.9 percent (27.3).

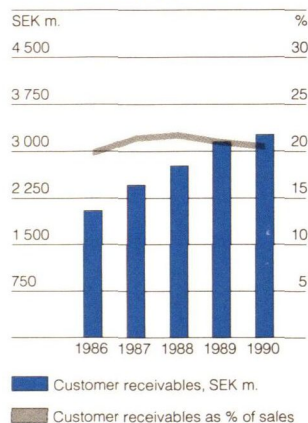
Investments in fixed assets and new company acquisitions amounted to SEK 1,437 m. (1,205). After sales of fixed plant, dividend payments and other items, the Group's financing requirement totaled SEK 450 m. (672).

The new issue of 4 million B shares without preferential rights in the international market provided the Company with SEK 1,203 m. As a result, interest-bearing liabilities were reduced to SEK 3,928 m. (4,625).

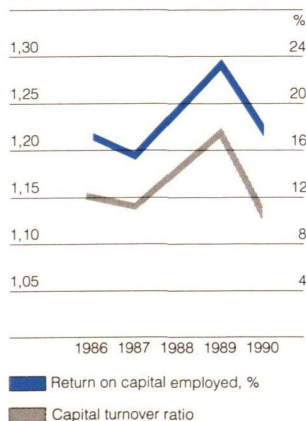
Liquid assets increased by SEK 57 m. (13), amounting to SEK 1,921 m. at year-end, or 12 percent of invoiced sales.

The capital turnover ratio was 1.13 (1.22).

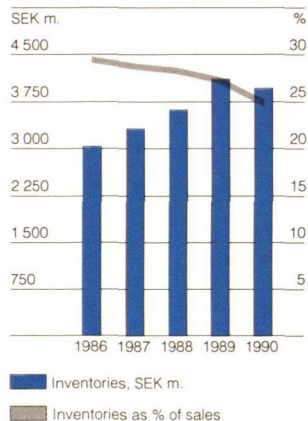
**CUSTOMER RECEIVABLES**



**CAPITAL TURNOVER AND RETURN**



**INVENTORIES**



**SUMMARY OF CHANGES IN FINANCIAL POSITION**

|  | 1990                    | 1989   | 1988   |
|--|-------------------------|--------|--------|
| Internal funds generated               | 1 237                   | 1,226  | 988    |
| Change in working capital              | 37                      | -771   | -185   |
|  | From operations         | 455    | 803    |
| Investments and acquisitions           | -1,437                  | -1,205 | -1,205 |
| Dividends and other items              | -287                    | 78     | -83    |
|  | Total                   | -672   | -485   |
| New share issue                        | 1,203                   | -      | -      |
| Change in interest-bearing liabilities | -696                    | 685    | 257    |
|  | Change in liquid assets | 57     | 13     |
|  |                         | -228   |        |



## Personnel

|                             | 1990   | 1989   |
|-----------------------------|--------|--------|
| Average number of employees | 21,507 | 20,057 |
| Head office                 | 77     | 76     |
| Sales companies             | 8,000  | 8,205  |
| Divisions                   | 13,430 | 11,776 |

Of the average number of employees, 86 percent were men and 14 percent women. Of the average number of employees in Sweden the allocation was 82 percent men and 18 percent women. At year-end 1990, the number of employees in the Atlas Copco Group amounted to 20,528 persons (20,638). As result of rationalization programs, the workforce was reduced by more than 1,500 employees. The acquisition of Desoutter and Rotoflow entailed a net increase of approximately 1,400 employees. See page 30.

Specification of Atlas Copco Group salaries, wages and other remunerations:

|  | 1990  | 1989  |
|--|-------|-------|
| Boards of Directors and senior executives including bonus payment of 12 (10) | 105   | 87    |
| Other employees  | 3,221 | 2,825 |
| Total  | 3,326 | 2,912 |

## PARENT COMPANY

Parent Company earnings include Atlas Copco International AB and Sickla Industrifastigheter AB, which operate on a commission basis. As part of the decentralization of the sales organization, Atlas Copco International's operations were transferred to the business areas during 1990.

Sickla Industrifastigheter AB is responsible for property management in the Sickla area, near Stockholm. In January 1991, Atlas Copco exercised its option from FastighetsRenting to buy back industrial premises in the Sickla area at a cost of SEK 465 m.

During the year, all shares in Atlas Copco Airpower n v, Belgium; Atlas Copco SAE, Spain; Atlas Copco (HK) Ltd, Hong Kong; Atlas Copco Taiwan Ltd, and Chicago Pneumatic International Inc. U.S., were transferred to Atlas Copco's holding company in the Netherlands.

The share capital was increased in Atlas Copco UK Holdings Limited, in conjunction with the acquisition of Desoutter Brothers (Holdings) PLC, and in Atlas Copco North America Inc.

Transactions with other companies within the Group accounted for 90 percent of total purchases and 25 percent of sales.

## Earnings

Dividends from subsidiaries amounted to SEK 464 m. (316).

Profit after financial items totaled SEK 372 m. (135).

The Parent Company reported a net profit after appropriations and taxes of SEK 496 m. (344). As a result, unappropriated earnings amounted to SEK 1,190 m. (944).

## Financing

Cash, bank deposits and short-term placements totaled SEK 1,028 m. (935) at year-end.

Following approval by the Annual General Meeting, a new issue of 4 million B shares, without existing shareholders' preferential rights, in the international market was completed in May, 1990. The share issue increased share capital by SEK 100 m. and the legal reserve by SEK 1,103 m.

After the share issue and including the conversion of the convertible debenture loan during the year, the share capital amounts to SEK 882,214, 900, distributed among 23,468,430 A shares (one voting right) and 11,820,166 B shares (one-tenth of a voting right), each with a nominal value of SEK 25. All shares are unrestricted. After full conversion of the outstanding convertible debenture loan, the number of A shares will amount to 24,499,830 shares.

On December 10, 1990, Atlas Copco's A and B shares were introduced on the International Stock Exchange in London. In addition, at the beginning of March, 1991, the B shares were introduced on the Frankfurt, Düsseldorf and Hamburg Stock Exchanges, where the A shares are already listed.

## Personnel

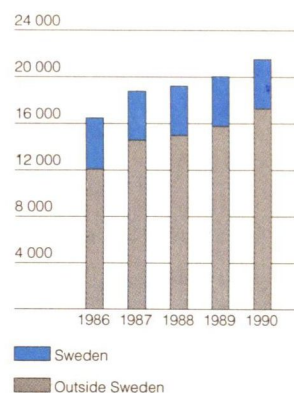
The average number of employees in the Head Office in 1990 was 77 (76), of whom 44 percent were women; in Atlas Copco International 73 (83), of whom 32 percent were women; in Sickla Industrifastigheter 28 (13), of whom 11 percent were women; and in Atlas Copco Management Consulting - (63). Total salaries, wages and other remunerations amounted to:

|  | 1990 | 1989 |
|--|------|------|
| Boards of Directors and senior executives including bonus payment of 6 (5) | 13   | 10   |
| Other employees  | 43   | 49   |
| Total  | 56   | 59   |

## Dividend

The Board of Directors proposes a dividend of SEK 8.00 (8.00) per share, corresponding to SEK 282 m. (250).

## EMPLOYEES





**CONSOLIDATED INCOME STATEMENT***Amounts in SEK m.*

|  |  | <b>1990</b>    | 1989    |
|--|--|----------------|---------|
| <b>Operating income</b>                          | Invoiced sales   | <b>15,915</b>  | 15,035  |
| <b>Operating expense</b>                         | Cost of goods sold, technical development, sales, administration, etc (NOTE 1) | <b>-14,029</b> | -12,972 |
| <b>Operating profit before depreciation</b>      |  | <b>1,886</b>   | 2,063   |
| <b>Cost depreciation</b>                         | In accordance with plan (NOTE 2)   | <b>-425</b>    | -337    |
| <b>Operating profit after depreciation</b>       |  | <b>1,461</b>   | 1,726   |
| <b>Financial income and expense</b>              | (NOTE 3)   | <b>-191</b>    | -205    |
| <b>Profit after financial income and expense</b> |  | <b>1,270</b>   | 1,521   |
| <b>Taxes</b>                                     | (NOTE 5)   | <b>-560</b>    | -665    |
| <b>Minority interest</b>                         | (NOTE 6)   | <b>-12</b>     | -3      |
| <b>NET PROFIT</b>                                |  | <b>698</b>     | 853     |
| <b>Earnings per share, SEK</b>                   | (NOTE 27)  | <b>20.45</b>   | 26.75   |



# CONSOLIDATED BALANCE SHEET

Amounts in SEK m.

| ASSETS  |  | 1990.12.31    | 1989.12.31 |               |
|---|--|---------------|------------|---------------|
| <b>Current assets</b>                             | Cash, bank and short-term investments (NOTE 7) | 1,921         | 1,864      |               |
|   | Receivables (NOTE 8)                           | 3,896         | 3,929      |               |
|   | Inventories (NOTE 9)                           | 3,964         | 4,105      | 9,898         |
| <b>Fixed assets</b>                               | Shares and participations (NOTE 10)            | 73            | 82         |               |
|   | Goodwill (NOTE 11)                             | 1,095         | 553        |               |
|   | Other fixed assets (NOTE 12)                   | 3,022         | 2,725      | 3,360         |
| <b>TOTAL ASSETS</b>                               |  | <b>13,971</b> |            | <b>13,258</b> |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>       |  |               |            |               |
| <b>Current liabilities</b>                        | <i>Non-interest-bearing liabilities</i>        |               |            |               |
|   | Notes payable                                  | 59            | 64         |               |
|   | Suppliers                                      | 925           | 1,037      |               |
|   | Provision for taxes                            | 271           | 321        |               |
|   | Accrued expenses and prepaid income            | 983           | 840        |               |
|   | Other current liabilities                      | 995           | 1,090      |               |
|   | <i>Interest-bearing liabilities</i>            |               |            |               |
|   | Bank loans (NOTE 17)                           | 1,342         | 2,015      |               |
|   | Current portion of long-term liabilities       | 379           | 246        |               |
|   | Other current liabilities                      | 24            | 27         | 5,640         |
| <b>Long-term liabilities</b>                      | <i>Non-interest-bearing liabilities</i>        |               |            |               |
|   | Other long-term liabilities                    | 45            | 44         |               |
|   | Deferred tax liabilities (NOTE 19)             | 462           | 382        |               |
|   | <i>Interest-bearing liabilities</i>            |               |            |               |
|   | Debenture and bond loans (NOTE 18)             | 426           | 800        |               |
|   | Mortgage and other long-term loans (NOTE 18)   | 544           | 457        |               |
|   | Provision for pensions (NOTE 20)               | 1,058         | 924        | 2,607         |
| <b>TOTAL LIABILITIES</b>                          |  | <b>7,513</b>  |            | <b>8,247</b>  |
| <b>Convertible debenture loan</b> (NOTE 21)       |  | <b>155</b>    |            | <b>156</b>    |
| <b>Minority interest</b> (NOTE 6)                 |  | <b>103</b>    |            | <b>111</b>    |
| <b>Shareholders' equity</b>                       | Share capital (NOTE 23)                        | 882           | 782        |               |
|   | Restricted reserves (NOTE 24)                  | 2,733         | 1,608      |               |
|   | Retained earnings (NOTE 25)                    | 1,887         | 1,501      |               |
|   | Net profit                                     | 698           | 853        | 4,744         |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b> |  | <b>13,971</b> |            | <b>13,258</b> |
| <b>Assets pledged</b> (NOTE 28)                   |  | <b>347</b>    |            | <b>561</b>    |
| <b>Contingent liabilities</b> (NOTE 28)           |  | <b>477</b>    |            | <b>577</b>    |



# STATEMENTS OF CHANGES IN FINANCIAL POSITION

Amounts in SEK m.

|   | GROUP         |              | ATLAS COPCO AB |             |
|---|---------------|--------------|----------------|-------------|
|   | 1990          | 1989         | 1990           | 1989        |
| <b>INTERNAL FUNDS GENERATED</b>                 |               |              |                |             |
| Profit after financial income and expense       | 1,270         | 1,521        | 372            | 135         |
| Depreciation                                    | 425           | 337          | 10             | 11          |
| Capital gain from sales of fixed assets         | -1            | -37          | 1              | -           |
| Intra-Group transfers                           | -             | -            | 118            | 207         |
| Taxes paid                                      | -475          | -587         | -              | -1          |
| Withdrawals from blocked accounts               | 18            | -8           | 3              | 1           |
| <b>INTERNAL FUNDS GENERATED FROM OPERATIONS</b> | <b>1,237</b>  | <b>1,226</b> | <b>504</b>     | <b>353</b>  |
| <b>WORKING CAPITAL</b>                          |               |              |                |             |
| Change in short-term receivables                | 15            | -651         | -121           | -492        |
| Change in inventories                           | 141           | -493         | 15             | 2           |
| Change in short-term operating liabilities      | -119          | 373          | -12            | 3           |
| <b>CHANGE IN WORKING CAPITAL</b>                | <b>37</b>     | <b>-771</b>  | <b>-118</b>    | <b>-487</b> |
| <b>NET FUNDS FROM OPERATIONS</b>                | <b>1,274</b>  | <b>455</b>   | <b>386</b>     | <b>-134</b> |
| <b>INVESTMENTS</b>                              |               |              |                |             |
| Investments in property, plant and equipment*   | -831          | -734         | -1             | -6          |
| Investments in shares and participations        | 5             | -10          | -187           | -174        |
| Companies and goodwill acquired                 | -611          | -461         | -              | -           |
| Investments in long-term receivables            | -25           | 80           | -123           | 49          |
| Sales of fixed assets                           | 108           | 142          | 2              | -           |
| <b>NET INVESTMENTS IN FIXED ASSETS</b>          | <b>-1,354</b> | <b>-983</b>  | <b>-309</b>    | <b>-131</b> |
| <b>OTHER ITEMS</b>                              |               |              |                |             |
| Funds transferred to subsidiaries               | -             | -            | -2             | -6          |
| Dividend from Parent Company                    | -250          | -199         | -250           | -199        |
| Dividend to minority interests in subsidiaries  | -4            | -6           | -              | -           |
| Minority interest in shareholders' equity       | -5            | 6            | -              | -           |
| Change in other liabilities                     | 1             | -20          | -              | -           |
| Translation differences**                       | -112          | 75           | -              | -           |
| <b>CHANGE IN OTHER ITEMS</b>                    | <b>-370</b>   | <b>-144</b>  | <b>-252</b>    | <b>-205</b> |
| <b>NET INTERNAL FUNDS GENERATED</b>             | <b>-450</b>   | <b>-672</b>  | <b>-175</b>    | <b>-470</b> |
| <b>NEW SHARE ISSUE</b>                          | <b>1,203</b>  | <b>-</b>     | <b>1,203</b>   | <b>-</b>    |
| <b>INCREASE IN INTEREST-BEARING LIABILITIES</b> | <b>-696</b>   | <b>685</b>   | <b>-935</b>    | <b>468</b>  |
| <b>CHANGE IN LIQUID ASSETS</b>                  | <b>57</b>     | <b>13</b>    | <b>93</b>      | <b>-2</b>   |

\* The amounts include investments of SEK 149 m. (189) in existing properties and machinery at newly-acquired companies.

\*\* Of the total translation differences, SEK -214 m. (107) is attributable to shareholders' equity, deferred tax liabilities and minority interests, and SEK 102 m. (-32) to fixed assets.



# INCOME STATEMENT AND BALANCE SHEET

Amounts in SEK m.

## INCOME STATEMENT

|  | 1990        | 1989 |
|--|-------------|------|
| <b>Operating income</b>                          | <b>489</b>  | 573  |
| <b>Operating expense</b>                         | <b>-541</b> | -624 |
| <b>Operating profit before depreciation</b>      | <b>-52</b>  | -51  |
| <b>Cost depreciation</b> (NOTE 2)                | <b>-10</b>  | -11  |
| <b>Operating profit after depreciation</b>       | <b>-62</b>  | -62  |
| <b>Financial income and expense</b> (NOTE 3)     | <b>434</b>  | 197  |
| <b>Profit after financial income and expense</b> | <b>372</b>  | 135  |
| <b>Appropriations</b> (NOTE 4)                   | <b>124</b>  | 210  |
| <b>Profit before taxes</b>                       | <b>496</b>  | 345  |
| <b>Taxes</b> (NOTE 5)                            | <b>-</b>    | -1   |
| <b>NET PROFIT</b>                                | <b>496</b>  | 344  |

## BALANCE SHEET

| ASSETS  |   | 1990.12.31   | 1989.12.31 |       |
|---|---|--------------|------------|-------|
| <b>Current assets</b>                             | Cash, bank and short-term investments (NOTE 7)                | <b>1,028</b> | 935        |       |
|   | Receivables (NOTE 8)  | <b>1,553</b> | 2,581      | 1,410 |
|   |   |              |            | 2,345 |
| <b>Fixed assets</b>                               | Shares and participations (PAGE 24)                           | <b>2,402</b> | 2,215      |       |
|   | Other fixed assets (NOTE 12)                                  | <b>1,371</b> | 3,773      | 1,260 |
|   |   |              |            | 3,475 |
| <b>TOTAL ASSETS</b>                               |   | <b>6,354</b> |            | 5,820 |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>       |   |              |            |       |
| <b>Current liabilities</b>                        | Non-interest-bearing (NOTE 16)                                | <b>135</b>   | 147        |       |
|   | Interest-bearing (NOTE 16)                                    | <b>1,574</b> | 1,709      | 2,114 |
|   |   |              |            | 2,261 |
| <b>Long-term liabilities</b>                      | Interest-bearing (NOTE 18, 20)                                | <b>878</b>   |            | 1,233 |
| <b>TOTAL LIABILITIES</b>                          |   | <b>2,587</b> |            | 3,494 |
| <b>Convertible debenture loan</b> (NOTE 21)       |   | <b>155</b>   |            | 156   |
| <b>Untaxed reserves</b> (NOTE 22)                 |   | <b>33</b>    |            | 41    |
| <b>Shareholders' equity</b>                       | Share capital (35,288,596 shares, par value SEK 25) (NOTE 23) | <b>882</b>   | 782        |       |
|   | Legal reserve (NOTE 24)                                       | <b>1,507</b> | 403        |       |
|   | Retained earnings (NOTE 25)                                   | <b>694</b>   | 600        |       |
|   | Net profit  | <b>496</b>   | 344        | 2,129 |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b> |   | <b>6,354</b> |            | 5,820 |
| <b>Assets pledged</b> (NOTE 28)                   |   | <b>1</b>     |            | 1     |
| <b>Contingent liabilities</b> (NOTE 28)           |   | <b>387</b>   |            | 488   |



# NOTES TO FINANCIAL STATEMENTS

SEK millions unless otherwise noted

## Accounting principles

### Changes in accounting principles

As part of the adjustment process of the Atlas Copco Group's accounting procedures to international practice, with effect from 1990 the Consolidated Balance Sheet and Income Statement are presented without the inclusion of untaxed reserves and appropriations. As a result of Swedish legislation, this change has been introduced only in the consolidated accounts. Untaxed reserves reported in individual Group companies have been apportioned in such a manner that deferred taxes are reported as a long-term liability, while the remaining amount is included in restricted reserves in the consolidated balance sheet.

Deferred taxes are thus calculated individually for each company on the basis of current local income tax rates at the estimated date of the reversal for taxation, i.e. generally the next accounting year. The tax calculated in this manner relating to the appropriations for the year in the indi-

vidual companies is included in the Group's tax expense as deferred taxes while the remaining amount is included in the consolidated net profit. If the tax rate is changed, the change in tax liabilities is reported among tax expenses for the year.

Comparable values for earlier years have been recalculated in accordance with the new principles. The same applies to the key ratios affected by these changes. However, earnings per share for previous years are unchanged, since the changes now implemented had already been used in their calculation. For information prior to 1988, a standard tax rate of 50 percent has been applied. See further NOTE 26.

Valuation of receivables and liabilities in foreign currencies have been adjusted to comply with Direction R7 of the Swedish Accounting Board, see below.

### International guidelines

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

Accordingly, the Annual Report contains the following information:

|  | Page number   |
|--|---|
| Company structure  |   |
| – name and address of the Parent Company   | Pages 2–3 and page 63                                 |
| – shares and participations in subsidiaries, percentage holdings and shareholdings among companies | Shares and participations, page 24                    |
| Geographic areas of operations and the primary activities conducted there                          | Page 6<br>Business areas, pages 34–51                 |
| Invoicing by geographical area and for important product groups                                    | Board of Directors' Report, pages 6–7                 |
| Capital expenditures by geographical area and by market/production sectors                         | Board of Directors' Report, table and diagram, page 8 |
| Statement of Changes in Financial Position for the Atlas Copco Group                               | Page 12   |
| Average number of employees by geographical area   | Page 30   |
| Research and development costs for the company as a whole  | Note 1, page 17                                       |
| Principles applied for internal pricing  | Note 9, page 18                                       |
| Accounting principles for consolidated accounts  | Page 14   |

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

The Company also views positively 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 23. Suffix m. = millions.

### Consolidation

The Consolidated Income Statement and Balance Sheet of the Atlas Copco Group cover all companies in which the Parent Company, directly or indirectly, holds more than 50 percent of the 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 income from their operations.

The Balance Sheets have been prepared in accordance with the purchase method, whereby 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 amortized over ten years, while goodwill arising from strategic acquisition is amortized over a period of 20 years, see below.

Companies acquired during the year have been reported in the Consolidated Income Statement, with the amounts relating to the period following the date of acquisition.

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 time of the divestment.



### **Goodwill**

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

A company acquisition, for which the acquisition cost exceeds the company's adjusted equity, means that so-called intangible assets are capitalized and amortized over a certain period.

The method chosen by Atlas Copco is based on the theory that from the viewpoint of corporate accounting there is no need to amortize, but, nevertheless, as a precaution certain amortization is effected.

Goodwill arising from strategic acquisitions is amortized at an effective real rate over a period of 20 years, which means that amortization increases exponentially over the years at approximately the same rate as inflation. This is justified on the basis that amortization does not result in payments, and that the funds may therefore be retained in the company and earn interest, thus contributing to future amortization. The effect during the initial years corresponds to approximately 1/33 of the nominal goodwill. The economic life of assets is appraised annually to determine whether the selected amortization plan is sufficient.

### **Associated companies**

Those companies in which Atlas Copco Group's voting rights total 20 to 50 percent are reported as associated companies. Atlas Copco's share in the income and capital of associated companies is not reported in the Consolidated Income Statement and Balance Sheet, but is instead shown in NOTE 10.

### **Translation of accounts of foreign subsidiaries**

Atlas Copco applies the current-rate method in translating the accounts of foreign subsidiaries, in accordance with the suggested recommendations of the Swedish Institute of Authorized Public Accountants (FAR). 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 to this approach are those subsidiaries which are located in high-inflation countries. The accounts of such subsidiaries are translated according to the monetary/non-monetary method. In accordance with FAR's suggested recommendations, such a procedure is regarded as providing a more accurate picture of the earnings and financial positions of these companies.

In accordance with the current-rate method, all assets and liabilities in the balance sheets of subsidiaries are translated at year-end rates, and all items in the income statements are translated at the average exchange rate for the year. Translation differences that arise are a result of the fact that 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 instead transferred directly to shareholders' equity.

For those subsidiaries treated according to the monetary/non-monetary method, all non-monetary items – real estate (land and buildings), machinery and equipment, inventories, shareholders' equity and untaxed reserves – are translated at the acquisition date rates. Other items monetary items – are translated at year-end rates. The Income Statement has been translated at the average rate for the year, except for the cost of goods sold, 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 of FAR concerning translation of the accounts of foreign subsidiaries essentially correspond with the recommendations of the International Accounting Standard Committee (IAS 21), and with the corresponding American recommendations (SFAS 52).

### **Choice of Methods**

In a particular respect, FAR's recommendations require that the user chooses translation procedures according to the specific situation. This applies to the classification of the foreign subsidiaries as either independent or integrated companies. How the company is defined leads directly to the choice of translation method. The accounts of independent companies are translated according to the current-rate method, and integrated companies according to the monetary/non-monetary method.

Based on the criteria defined by FAR for classification of companies, 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 high-inflation countries, primarily Latin America. The operational currency of these companies is regarded as being the U.S. dollar, and is therefore translated in two stages.

In the first stage, translation is made to U.S. dollars in accordance with the monetary/non-monetary method, whereby translation differences arising are charged to consolidated income.

In the second stage, the company's balance sheet items are translated to Swedish kronor according to the year-end rate and the income statement items according to the average rate for the year. The resulting translation differences are transferred directly to shareholders' equity.

For Group companies in Brazil, an inflation-adjusted year-end report is prepared in the local currency. This is subsequently translated to U.S. dollars in accordance with the year-end rate and then to Swedish kronor, whereby translation differences arising are transferred directly to shareholders' equity.



**Receivables and liabilities in foreign currencies**

Receivables and liabilities are translated at the year-end rate.

Unrealized exchange-rate gains on long-term receivables and liabilities are allocated to a currency exchange reserve to the extent that these cannot be offset against unrealized exchange losses in the same (related) currency. Allocations to the currency reserve are reported as appropriations in the individual companies.

In the case of currency exchange through a swap agreement, the loan is valued at 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 booked liability, the difference is included under contingent liabilities.

**Depreciation**

The Atlas Copco Group uses three depreciation concepts; cost depreciation, book depreciation and current cost depreciation.

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

*Book depreciation* is used in each individual company in accordance with the maximum amount permitted by tax legislation in each country. The difference between book depreciation and cost depreciation is reported under "Appropriations" in the income statement. The total value is reported in the balance sheet among untaxed reserves under the heading "Accumulated additional depreciation". In the case of the Group, untaxed reserves and appropriations are eliminated with effect from 1990, see above.

*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 10 years  |
| Vehicles                | 5 years        |
| Buildings               | 25 to 50 years |

**Interest arbitrage**

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

According to FAR's accounting committee, liabilities reported in the balance sheet may be offset against corresponding investments on 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 conducted by the Company that fulfil the above criteria have been reported in this manner (NOTES 3 and 7).

**Research and development costs**

Research and development costs are charged as they arise.

**Extraordinary income and expenses**

In accordance with the recommendations of FAR, Atlas Copco applies a strict interpretation of what may be reported as extraordinary income and expenses in the financial accounts.

**Definitions**

**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 and foreign exchange differences as a percentage of average total assets less non-interest-bearing liabilities.

In contrast to the consolidated calculations, capital employed in the business areas includes deferred tax liabilities.

**Return on equity capital**

Profit after financial income and expense less full tax and minority interests as a percentage of average shareholders' equity.

**Rate of equity capital**

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

**Degree of self-financing**

Internal funds generated 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 and foreign exchange differences divided by interest paid and foreign exchange differences.

**Earnings per share**

Profit after financial income and expense less full tax and minority interests plus interest expense after tax on the convertible debenture loan, divided by the number of shares outstanding after full conversion.

**Earnings per share after extraordinary items**

Profit after extraordinary income and expense, less full tax and minority interests in the year's operations, plus interest expense after tax for the convertible debenture loan, divided by the number of shares outstanding after full conversion.



# Notes

## 1. Operating expense

Group revenues and operating income by business area are shown in the Board of Directors' Report and in the individual sections for each business area.

|                                    | Group  |        |
|------------------------------------|--------|--------|
|                                    | 1990   | 1989   |
| Cost of goods sold                 | 9,942  | 9,268  |
| Marketing and administrative costs | 3,632  | 3,302  |
| Technical development costs        | 455    | 402    |
| Operating expenses                 | 14,029 | 12,972 |

Capital gains/losses arising from continual scrapping and/or divestment of fixed assets are included in reported operating expenses.

## 2. Depreciation

|                         | Group |      | Parent Company |      |
|-------------------------|-------|------|----------------|------|
|                         | 1990  | 1989 | 1990           | 1989 |
| Goodwill (NOTE 11)      | 61    | 15   | —              | —    |
| Machinery and equipment | 308   | 271  | 8              | 9    |
| Buildings               | 56    | 51   | 2              | 2    |
|                         | 425   | 337  | 10             | 11   |

Current cost depreciation for the Group amounted to SEK 601 m. (507) and thus exceeded cost depreciation by SEK 176 m. (170). See further Current cost accounting page 27.

## 3. Financial income and expense

|                              | Group |      | Parent Company |      |
|------------------------------|-------|------|----------------|------|
|                              | 1990  | 1989 | 1990           | 1989 |
| Dividends received           |       |      |                |      |
| – from subsidiaries          |       |      | 464            | 316  |
| – from others                | 6     | 4    | 2              | 1    |
| Interest                     |       |      |                |      |
| – from subsidiaries          |       |      |                |      |
| net                          |       |      | 40             | –19  |
| – interest received          | 355   | 321  | 183            | 120  |
| – interest paid              | –553  | –481 | –272           | –204 |
| Foreign exchange differences | 1     | –49  | 17             | –17  |
|                              | –191  | –205 | 434            | 197  |

In conformity with recommendations of 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 12.5 percent (9.5) for index pensions and 3.5 percent (3.5) for pensions liabilities expressed in fixed amounts. The interest portion for 1990 amounted to SEK 83 m. (57). The corresponding sum for the Parent Company amounts to SEK 37 m. (26).

Interest arbitrage transactions are carried out only by the Parent Company. Interest expense as

well as interest income have been reported net in the Income Statement. Offset amounts in 1990 totaled SEK 12 m. (18).

## 4. Appropriations

Tax legislation in Sweden and in other countries allows companies to retain untaxed profits through tax-deductible allocations to untaxed reserves. By utilizing these regulations, companies can dispose and retain earnings within the business without being taxed. The untaxed reserves created through this means may not be used for dividends.

The untaxed reserves first become subject to tax when they are withdrawn. Should the company report a loss, certain untaxed reserves can be used to cover the loss without being taxed.

|  | Parent Company |      |
|--|----------------|------|
|  | 1990           | 1989 |
| General inventory reserve (NOTE 22)                                  | 6              | 2    |
| Difference between book depreciation and cost depreciation (NOTE 22) | –1             | –1   |
| Utilization of development reserve (NOTE 22)                         | 1              | 2    |
| Group contributions, net   | 118            | 207  |
|  | 124            | 210  |

Under certain circumstances, the transfer of earnings, in the form of Group contributions can be made between Swedish companies within the same Group. The contribution is a tax deductible expense for the donor and taxable income for the receiver. During 1990, the Parent Company received contributions from Atlas Copco Tools AB, Atlas Copco Compressor AB and Atlas Copco Industrial Technique AB.

## 5. Taxes

|                    | Group |      |
|--------------------|-------|------|
|                    | 1990  | 1989 |
| Taxes paid         |       |      |
| Swedish income tax | 1     | 4    |
| Profit-sharing tax | 0     | 0    |
| Foreign tax        | 474   | 583  |
| Deferred tax       | 85    | 78   |
|                    | 560   | 665  |

Total tax expenses for the year, amounting to SEK 560 m. (665) corresponded to 44.1 percent (43.7) of income after financial items. The corresponding figure for taxes paid amounted to 37.4 percent (38.6).

At elimination of untaxed reserves, deferred tax has been calculated separately for each company in accordance with the applicable local income tax rate at the date of expected reversal to taxation. In Sweden, this rate is estimated to be 30 percent.

The federal tax rate in Sweden was 40 percent in 1990, estimated on the nominal book income, plus non-deductible items and less tax-exempt



revenue and other deductions. Foremost among the latter, in respect of the Parent Company, were so-called Annell deductions (deductions for dividends on new capital stock issues) and tax-free dividends from holdings in subsidiaries.

In addition, profit-sharing tax paid in 1990 amounted to 20 percent of an inflation-adjusted income. Profit-sharing tax is deductible in the following year in the company's income tax.

At the beginning of 1990, foreign companies had accumulated tax losses which can be utilized to decrease future taxable profits, in the amount of SEK 80 m. (164). Since deductible losses have not reduced the deferred tax liability, the utilization of these deductible items reduced the tax burden for the Group.

Total allocations to the general inventory reserves and internal profit reserves in the Group's Swedish companies amount to SEK 302 m. Unutilized allocations to these reserves amount to SEK 65 m. In accordance with revised tax legislation, it will be necessary to dissolve all existing general inventory reserves and internal profit reserves in the individual companies. To offset this dissolution, there will be the opportunity to make an allocation to a new so-called tax-equalization reserve (K-SURV), which is calculated in a certain manner on the basis of the company's shareholders' equity. With the new allocation potential, it is estimated that a dissolution of the aforementioned reserves can be eliminated for tax purposes.

At year-end, the Parent Company had Annell deductions for future use. These become available continuously and, in accordance with Swedish legislation, reduce taxable income. With a dividend of SEK 8 per share on the current share capital, the deduction up to the year 2000 is estimated to amount to about SEK 650 m.

**6. Minority interest in subsidiaries' equity and earnings**

The Income Statement reports the minority shares in the Group's profit after tax as totaling SEK 12 m. (3). These minority interests primarily relate to Atlas Copco India and subsidiaries of Chicago Pneumatic.

Minority interest in income after financial income and expense amount to SEK 19 m. (16).

|                                 | Group |
|---------------------------------|-------|
| Minority interest Dec. 31, 1989 | 111   |
| Minority acquired               | -5    |
| Dividends                       | -4    |
| Translation differences         | -11   |
| Net profit                      | 12    |
| Minority interest Dec. 31, 1990 | 103   |

**7. Cash, bank and short-term investments**

|                              | Group |       | Parent Company |      |
|------------------------------|-------|-------|----------------|------|
|                              | 1990  | 1989  | 1990           | 1989 |
| Cash, bank                   | 944   | 1,075 | 56             | 152  |
| Government Treasury bills    | 277   | 39    | 277            | 39   |
| Treasury notes               | 40    | -     | 40             | -    |
| Other short-term investments | 660   | 750   | 655            | 744  |
|                              | 1,921 | 1,864 | 1,028          | 935  |

Financial investments have been valued at market rates on the balance sheet date.

The Parent Company's guaranteed credit at predetermined interest margins amounted to SEK 1,713 m. The subsidiaries' granted but unutilized overdraft facilities amounted to SEK 2,161 m.

Unconcluded interest-arbitrage transactions in the Parent Company have been reported in net form and amount to SEK 95 m. (58). Loans are in the same amount and have been offset against other short-term investments.

**8. Receivables**

|                                     | Group |       | Parent Company |       |
|-------------------------------------|-------|-------|----------------|-------|
|                                     | 1990  | 1989  | 1990           | 1989  |
| Notes receivable                    | 295   | 246   | -              | 3     |
| Receivables from subsidiaries       |       |       | 1,447          | 1,198 |
| Trade receivables                   | 2,965 | 2,904 | 35             | 77    |
| Prepaid expenses and accrued income | 231   | 171   | 44             | 26    |
| Other receivables                   | 405   | 590   | 27             | 88    |
| Blocked accounts in Bank of Sweden  | -     | 18    | -              | 3     |
| Other items                         | -     | -     | -              | 15    |
|                                     | 3,896 | 3,929 | 1,553          | 1,410 |

Funds in the blocked accounts in the Bank of Sweden relate to outstanding unutilized funds from the development reserve.

**9. 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 |       |
|---------------------|-------|-------|
|                     | 1990  | 1989  |
| Raw materials       | 247   | 220   |
| Work in progress    | 598   | 690   |
| Semi-finished goods | 927   | 1,002 |
| Finished goods      | 2,192 | 2,193 |
|                     | 3,964 | 4,105 |



## 10. Shares and participations

|  | Number<br>of<br>shares | Per-<br>cent<br>held | Par<br>value<br>loc cur <sup>1)</sup> SEK m. | Book<br>value |
|--|------------------------|----------------------|--|---------------|
| <i>Shares and participations reported by Atlas Copco AB (as specified on page 24):</i> |                        |                      |  |               |
|  |                        |                      |  | 29            |
| <i>Shares and participations reported by subsidiaries:</i>                             |                        |                      |  |               |
| <i>Associated companies</i>  |                        |                      |  |               |
| Toku-Hanbai KK   | 200,000                | 50                   | 500  | 24            |
| Atlas Copco TBM Developing AB  | 4,000                  | 50                   | 100  | 1             |
| Kiruna Electric AB   | 126                    | 25                   | 100  | 0             |
| <i>Atlas Copco-Eickhoff Roadheading</i>  |                        |                      |  |               |
| Technic GmbH   | 1                      | 50                   | 2)   | 8             |
| <i>Fabrika Kompresora Smederevo</i>  |                        |                      |  |               |
|  | 1                      | 40                   | 2)   | 0             |
| <i>Delair Droogtechniek &amp; Luchtbehandeling BV</i>                                  |                        |                      |  |               |
|  | 52                     | 26                   | 1,000  | 1             |
| <i>NEAC Compressor Service GmbH &amp; Co KG</i>  |                        |                      |  |               |
|  | 1                      | 50                   | 2)   | 1             |
| <i>NEAC Compressor Service Verwaltungs GmbH</i>  |                        |                      |  |               |
|  | 1                      | 50                   | 2)   | 0             |
| <i>Scantrade</i>   |                        |                      |  |               |
| <i>Kereskedelmi Kft., Budapest</i>   |                        |                      |  |               |
|  | 1                      | 50                   | 2)   | 0             |
| <i>Other companies</i>   |                        |                      |  |               |
| Tedak AB   | 3,150                  | 9                    | 100  | 1             |
| <i>Rasa Corporation, Tokyo</i>   |                        |                      |  |               |
|  | 400,000                | 5                    | 50   | 0             |
| <i>Misc. shares and participations</i>   |                        |                      |  |               |
|  |                        |                      |  | 8             |
| <b>Total for the Group</b>   |                        |                      |  | <b>73</b>     |

<sup>1)</sup> Value per share

<sup>2)</sup> Without par value

The Parent Company's holdings of shares in listed companies (Bilspedition and SILA) had a book value at year-end 1990 of SEK 15 m. (15) and a market value of SEK 32 m. (93).

### *Associated companies*

The Atlas Copco Group's share in the income after financial items of associated companies amounted to SEK 25 m. (13). Dividends from these companies amounted to SEK 4 m. (2). The Group's share in the shareholders' equity and the untaxed reserves of associated companies, with deduction for deferred tax at the end of the fiscal year was SEK 57 m. (48).

## 11. Goodwill – group excess value

Group excess value in 1990 amounted to SEK 1,131 m. (594). This excess value has been distributed over the following items in the balance sheet: Goodwill, SEK 1,095 m. (553), buildings and land SEK 22 m. (23) and machinery and equipment SEK 14 m. (18). Depreciation of Group excess value amounts to SEK 68 m. (22), distributed as follows:

|   | Group        |            |
|---|--------------|------------|
|   | 1990         | 1989       |
| Goodwill  | 61           | 15         |
| Machinery and equipment   | 6            | 6          |
| Buildings   | 1            | 1          |
|   | 68           | 22         |
| Goodwill in 1990 includes amortization of a non-recurring nature in the amount of SEK 20 m. |              |            |
| Change in goodwill value as shown in balance sheet:   |              |            |
|   | 1990         | 1989       |
| Acquired goodwill, Jan. 1   | 631          | 182        |
| Accumulated depreciation  | -78          | -71        |
| Acquired goodwill   | 617          | 477        |
| Goodwill sold   | -1           | -4         |
| Depreciation for the year   | -61          | -15        |
| Translation differences   | -13          | -16        |
| <b>Planned residual value, Dec 31</b>   | <b>1,095</b> | <b>553</b> |

## 12. Other fixed assets

|   | Group |       | Parent Company |       |
|---|-------|-------|----------------|-------|
|   | 1990  | 1989  | 1990           | 1989  |
| Long-term receivables from subsidiaries |       |       | 1,254          | 1,107 |
| Long term receivables                   | 90    | 65    | 13             | 37    |
| Construction work in progress           | 102   | 63    | -              | -     |
| Machinery and equipment (NOTE 13)       | 1,439 | 1,276 | 35             | 45    |
| Buildings (NOTE 14)                     | 1,063 | 1,024 | 47             | 49    |
| Land (NOTE 15)                          | 328   | 297   | 22             | 22    |
|   | 3,022 | 2,725 | 1,371          | 1,260 |



**13. Machinery and equipment**

|   | Group  |        | Parent Company |      |
|---|--------|--------|----------------|------|
|   | 1990   | 1989   | 1990           | 1989 |
| Cost  | 3,129  | 2,726  | 89             | 97   |
| Accumulated cost depreciation                                     | -1,690 | -1,450 | -54            | -52  |
| Planned residual value  | 1,439  | 1,276  | 35             | 45   |
| Accumulated depreciation in excess of cost depreciation (NOTE 22) |        |        | -22            | -21  |
| Book value, net   | 1,439  | 1,276  | 13             | 24   |

Future commitments related to leased assets are normally not capitalized. The estimated acquisition value of premises, machines, vehicles major computer and office equipment leased by the Group is SEK 769 m. (919). The leasing costs for this property and equipment, SEK 128 m. (163), are reported under operating expenses. The amount includes rental for the properties in Nacka that were sold in 1987. The option to repurchase these properties was exercised during 1991. Future costs for non-cancellable leasing contracts amount to SEK 126 m. (357).

**14. Buildings**

|   | Group |       | Parent Company |      |
|---|-------|-------|----------------|------|
|   | 1990  | 1989  | 1990           | 1989 |
| Cost  | 1,547 | 1,478 | 65             | 65   |
| Undepreciated amount of revaluations                              | 11    | 12    | 0              | 0    |
| Accumulated cost depreciation                                     | -495  | -466  | -18            | -16  |
| Planned residual value  | 1,063 | 1,024 | 47             | 49   |
| Accumulated depreciation in excess of cost depreciation (NOTE 22) |       |       | -11            | -11  |
| Book value, net   | 1,063 | 1,024 | 36             | 38   |
| Tax assessment value  | 180   | 172   | 28             | 27   |

The amount shown for Group "Tax assessment value" relates exclusively to buildings in Sweden, the book value of which amounts to SEK 219 m. (188).

**15. Land**

|                      | Group |      | Parent Company |      |
|----------------------|-------|------|----------------|------|
|                      | 1990  | 1989 | 1990           | 1989 |
| Cost                 | 304   | 273  | 18             | 18   |
| Revaluations         | 24    | 24   | 4              | 4    |
| Book value, net      | 328   | 297  | 22             | 22   |
| Tax assessment value | 48    | 48   | 24             | 23   |

The amount shown for Group "Tax assessment value" relates exclusively to land and land improvements in Sweden, the book value of which amounts to SEK 49 m. (48).

**16. Current liabilities**

Short-term non-interest-bearing and interest-bearing liabilities are reported in the Parent Company's balance sheet as follows:

|  | Parent Company |      |
|--|----------------|------|
|  | 1990           | 1989 |
| Suppliers                              | 12             | 24   |
| Accrued expenses and prepaid income    | 58             | 57   |
| Other current liabilities              | 65             | 66   |
| Total non-interest-bearing liabilities | 135            | 147  |

|  |       |       |
|--|-------|-------|
| Bank loans (NOTE 17)                     | 406   | 1,099 |
| Liabilities to subsidiaries              | 901   | 861   |
| Current portion of long-term liabilities | 267   | 150   |
| Advances from customers                  | 0     | 4     |
| Total interest-bearing liabilities       | 1,574 | 2,114 |

**17. Bank loans**

Short-term bank loans are shown in the balance sheet of the Group as follows:

|  | 1990 | 1989 |
|--|------|------|
| PARENT COMPANY   |      |      |
| Available under "USD 150 m. Eurocommercial Paper Program" Outstanding USD 56.5 m.  | 323  | 738  |
| Available under "GBP 90 million Sterling Acceptances Program" Outstanding USD 4 m. | 23   | 62   |
| Other short-term loans   | 60   | 299  |

|  |       |       |
|--|-------|-------|
| The Parent Company's bank loans and promissory notes | 406   | 1,099 |
| SUBSIDIARIES   | 936   | 916   |
| Group bank loans                                     | 1,342 | 2,015 |



## 18. Long-term loans

Certain loans are valued in currencies other than that of the currency of origin, in accordance with existing swap agreements.

The Parent Company reports long-term loans in the Balance Sheet as a compounded item. In addition to bond loans and promissory notes, as below, the 1989 figures also include a long-term liability to subsidiaries in the amount of SEK 78 m.

| <i>Bond loans</i>                    | 1990       | 1989       |
|--------------------------------------|------------|------------|
| PARENT COMPANY                       |            |            |
| 1978 11½% loan SEK 100 m.,           | 20         | 26         |
| 1985 loan CHF 75.5 m.                |            |            |
| Outstanding, USD 30.2 m. + CHF 20 m. | 260        | 268        |
| 1987 loan LUF 300 m.                 |            |            |
| Outstanding, USD 7.9 m.              | 45         | 51         |
| 1988 loan LUF 300 m.                 |            |            |
| Outstanding, USD 7.6 m.              | 43         | 47         |
| 1988 loan CHF 100 m.                 |            |            |
| Outstanding CHF 74 m.                | 325        | 415        |
| Less: next year's maturities         | -267       | -7         |
| <b>Bond loans</b>                    | <b>426</b> | <b>800</b> |

| <i>Mortgage loans and promissory notes</i>           | 1990       | 1989       |
|--|------------|------------|
| PARENT COMPANY                                       |            |            |
| Available under                                      |            |            |
| "USD 100 m. Medium Term Note Program"                |            |            |
| Outstanding USD 16 m.                                | 91         | 180        |
| 1989 loan FRF 25 m.                                  | 28         | 27         |
| 1990 loan NOK 10 m.                                  | 9          | -          |
| Other mortgage loans and promissory notes            | 2          | 2          |
| Less: next year's maturities                         | 0          | -143       |
| Parent Company's mortgage loans and promissory notes | 130        | 66         |
| SUBSIDIARIES   | 526        | 487        |
| Less: next year's maturities                         | -112       | -96        |
| <b>Group mortgage loans and promissory notes</b>     | <b>544</b> | <b>457</b> |

The Atlas Copco Group's short- and long-term loans can be divided into the following currencies:

| Currency | Amount m. | SEK m. | Percent | Percent |
|----------|-----------|--------|---------|---------|
| USD      | 163       | 932    | 35      | 47      |
| CHF      | 97        | 424    | 16      | 14      |
| FRF      | 196       | 217    | 8       | 6       |
| ITL      | 32,200    | 161    | 6       | 4       |
| INR      | 353       | 111    | 4       | 4       |
| DEM      | 28        | 104    | 4       | 2       |
| GBP      | 9         | 98     | 4       | 0       |
| CAD      | 19        | 91     | 3       | 4       |
| Others   |           | 553    | 20      | 19      |
|          |           | 2,691  | 100     | 100     |

Based on the currency exchange rates prevailing on Dec. 31, 1990, bond loans, mortgage loans and promissory notes are amortized as follows:

|                       | Group | Parent Company |
|-----------------------|-------|----------------|
| 1991                  | 379   | 267            |
| 1992                  | 260   | 152            |
| 1993                  | 434   | 404            |
| 1994 - and thereafter | 276   | -              |
|                       | 1,349 | 823            |

By means of interest swap agreements, the interest level can be fixed for a period exceeding the term of underlying loan.

## 19. Deferred tax liabilities

Deferred tax liabilities have been calculated individually for each company on the basis of local tax rates, see accounting principles, page 14.

## 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 FAR, 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 |      |
|-------------------------------|-------|------|----------------|------|
|                               | 1990  | 1989 | 1990           | 1989 |
| Swedish companies             |       |      |                |      |
| FPG/PRI-pensions              | 708   | 616  | 314            | 276  |
| Other pensions                | 12    | 16   | 8              | 13   |
| Companies outside Sweden      |       |      |                |      |
|                               | 338   | 292  |                |      |
| Total provisions for pensions | 1,058 | 924  | 322            | 289  |

Pensionsregistreringsinstitutet (FPG/PRI) is an 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 amounts to SEK 155 m. (156) and carries a fixed interest of 10 percent. Conversion can be made during the period from August 14, 1989 to March 1, 1993. After adjustment for the 1989 bonus issue, the conversion price is SEK 150 per share.

During 1990, a nominal amount of SEK 1.2 m. was converted to 7,930 shares. During 1991 up and until the record date of the conversion loan, an additional 2,040 shares were created through conversion. Notwithstanding these, the number of shares at full conversion will increase by 1,031,400. See also page 59.



**22. Untaxed reserves**

Untaxed reserves are reported in the Parent Company balance sheet as a compounded item. The distribution is shown below. These are totally eliminated in the consolidated accounts. See Accounting principles, page 14.

|                                     | Parent Company |      |
|-------------------------------------|----------------|------|
|                                     | 1990           | 1989 |
| General inventory reserve           | —              | 6    |
| Accumulated additional depreciation |                |      |
| Machinery and equipment             | 22             | 21   |
| Buildings                           | 11             | 11   |
| Development reserve                 | —              | 3    |
|                                     | 33             | 41   |

Accumulated additional depreciation

|                              | Machinery and equipment | Buildings |
|------------------------------|-------------------------|-----------|
| Opening value, Jan. 1, 1990  | 21                      | 11        |
| Appropriations               | 1                       | —         |
| Dissolutions                 | —                       | 0         |
| Closing value, Dec. 31, 1990 | 22                      | 11        |

|                              | General inventory reserve | Development reserve |
|------------------------------|---------------------------|---------------------|
| Opening value, Jan. 1, 1990  | 6                         | 3                   |
| Transferred to subsidiaries  |                           | —2                  |
| Utilization for R & D        |                           | —1                  |
| Dissolution                  | —6                        | —                   |
| Closing value, Dec. 31, 1990 | —                         | —                   |

Swedish companies with an adjusted yearly profit exceeding SEK 0.5 m. are obliged, as of 1985, to make non-interest bearing payments to a so-called development reserve in the Bank of Sweden. Payments accounted for 10 percent of the adjusted annual profit. The reserve is used for training personnel or for research and development work. The utilized amount are reported under appropriations.

**23. Share capital**

|                              | Group | Parent Company |
|------------------------------|-------|----------------|
| Share capital, Dec. 31, 1989 | 782   | 782            |
| New share issue              | 100   | 100            |
| Conversion of debenture loan | 0     | 0              |
| Share capital, Dec. 31, 1990 | 882   | 882            |

**24. Restricted reserves**

|   | Group | Parent Company |
|---|-------|----------------|
| Restricted reserves, Dec. 31, 1989                    | 1,608 | 403            |
| Premium for new share issue                           | 1,181 | 1,181          |
| Share issue costs                                     | —78   | —78            |
| Premium on conversion of debenture loan               | 1     | 1              |
| Transfers between restricted and unrestricted capital | 19    | —              |
| Acquired companies                                    | 2     | —              |
| Restricted reserves, Dec. 31, 1990                    | 2,733 | 1,507          |

"Acquired companies" relates to negative goodwill arising from the acquisition of outstanding minorities in previously part-owned subsidiaries.

**25. Retained earnings**

|   | Group | Parent Company |
|---|-------|----------------|
| Retained earnings, Dec. 31, 1989                      | 1,501 | 600            |
| 1989 net profit                                       | 853   | 344            |
| Unrestricted reserves, Dec. 31, 1989                  | 2,354 | 944            |
| Dividend to shareholders                              | —250  | —250           |
| Transfers between restricted and unrestricted capital | —19   | —              |
| Translation differences                               | —198  | —              |
| Retained earnings, Dec. 31, 1990                      | 1,887 | 694            |

Of the Group's retained earnings, SEK 4 m. will be transferred to statutory reserves in accordance with the proposals of the Board of Directors of the respective companies.

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 in certain cases the transfer of profit to the Parent Company is subject to taxation or restrictions.



## 26. Elimination of untaxed reserves

The effect of the implemented change in accounting principles on reported shareholders' equity in 1989 is shown below:

|  | Group |       |
|--|-------|-------|
| Restricted reserves, Dec 31, 1989, according to previous accounting principles               |       | 843   |
| Change in the Group's restricted reserves through transition to new accounting principles:   |       |       |
| Reported untaxed reserves, Dec. 31, 1989   | 1,151 |       |
| Less:  |       |       |
| Deferred tax liability   | -497  |       |
| Minority interest  | -3    |       |
| Total transfers from untaxed reserves  | 651   |       |
| Unutilized tax losses carry forward  | 39    |       |
| Transfers between restricted and unrestricted reserves                                       | 75    | 765   |
| Restricted reserves, Dec. 31, 1989, in accordance with new accounting principles (NOTE 24)   |       | 1,608 |
| Retained earnings, Dec. 31, 1989, according to previous accounting principles                | 1,551 |       |
| 1989 net profit  | 765   | 2,316 |
| Change in the Group's unrestricted reserves through transition to new accounting principles: |       |       |
| Share of internal profits, etc. transferred to deferred tax liabilities                      | 113   |       |
| Transfers between restricted and unrestricted capital  | -75   | 38    |
| Unrestricted reserves, Dec. 31, 1989, in accordance with new accounting principles (NOTE 25) |       | 2,354 |

## 27. Earnings per share

|   | Group      |            |
|---|------------|------------|
|   | 1990       | 1989       |
| Net profit  | 698        | 853        |
| Interest on convertible loan after deduction for 30-percent tax | 11         | 11         |
| Adjusted profit after full tax and full conversion              | 709        | 864        |
| Number of shares after full conversion                          | 34,653,331 | 32,319,999 |
| Earnings per share, SEK   | 20.45      | 26.75      |

The number of shares after full conversion at year-end amounted to SEK 36,319,996. In estimating the net profit for 1990, a weighted average number of shares has been used in order to take into account the new share issue of 4,000,000 shares implemented during May.

Earnings per share before full conversion amounted to SEK 20.75 (27.25).

## 28. Assets pledged and Contingent liabilities

|   | Group |      | Parent Company |      |
|---|-------|------|----------------|------|
|   | 1990  | 1989 | 1990           | 1989 |
| Real estate mortgages                     | 90    | 121  | 1              | 1    |
| Chattel mortgages                         | 257   | 440  | -              | -    |
| Assets pledged                            | 347   | 561  | 1              | 1    |
| Notes discounted                          | 102   | 161  | -              | -    |
| Sureties and other contingent liabilities | 342   | 365  | 359            | 446  |
| Capital value of pension obligations      | 33    | 51   | 28             | 42   |
| Contingent liabilities                    | 477   | 577  | 387            | 488  |

Of the contingent liabilities reported in the Parent Company SEK 273 m. (296) relates to contingent liabilities on behalf of subsidiaries.

Loans in accordance with Chap. 12, Paragraph 7 of the Swedish Companies Act were granted during the period 1986 to 1990 to employees in conjunction with the offer related to savings invested in Atlas Copco shares through the Atlas Copco General Savings Fund. A dispensation was granted by the County Board in the particular counties.

|  | Group | Parent Company |
|--|-------|----------------|
| Number of borrowers                                |       |                |
| Loans reported in the balance sheet as receivables | 205   | 205            |
| Short-term   |       | 1              |
| Long-term  |       | 1              |

In addition to Atlas Copco International AB and Sickla Industrifastigheter AB, borrowers within the Parent Company include other Swedish companies.

## Exchange rates

| Country         | Value | Currency code | Year-end rate |        | Average rate |        |
|-----------------|-------|---------------|---------------|--------|--------------|--------|
|                 |       |               | 1990          | 1989   | 1990         | 1989   |
| Australia       | 1     | AUD           | 4.41          | 4.92   | 4.65         | 5.10   |
| Austria         | 100   | ATS           | 53.50         | 52.50  | 52.00        | 49.00  |
| Belgium         | 100   | BEC           | 18.20         | 17.40  | 17.70        | 16.50  |
| Canada          | 1     | CAD           | 4.92          | 5.36   | 5.08         | 5.42   |
| France          | 100   | FRF           | 110.50        | 107.00 | 108.50       | 101.50 |
| Germany         | 100   | DEM           | 375.50        | 366.50 | 366.50       | 345.00 |
| Great Britain   | 1     | GBP           | 10.83         | 9.95   | 10.50        | 10.56  |
| India           | 100   | INR           | 31.50         | 37.00  | 34.50        | 40.00  |
| Italy           | 100   | ITL           | 0.499         | 0.488  | 0.492        | 0.473  |
| Japan           | 100   | JPY           | 4.21          | 4.32   | 4.10         | 4.68   |
| Luxemburg       | 100   | LUF           | 18.20         | 17.40  | 17.70        | 16.50  |
| The Netherlands | 100   | NLG           | 332.50        | 324.50 | 325.00       | 305.50 |
| Norway          | 100   | NOK           | 96.00         | 94.00  | 94.50        | 93.50  |
| Singapore       | 1     | SGD           | 3.29          | 3.29   | 3.28         | 3.30   |
| South Korea     | 100   | KRW           | 0.820         | 0.930  | 0.864        | 0.962  |
| Spain           | 100   | ESP           | 5.90          | 5.65   | 5.79         | 5.46   |
| Switzerland     | 100   | CHF           | 439.00        | 402.00 | 426.50       | 396.50 |
| USA             | 1     | USD           | 5.71          | 6.20   | 5.93         | 6.41   |



## Shares and participations Atlas Copco AB

|  | Number<br>of<br>shares                 | Per-<br>cent<br>held   | Par<br>value<br>loc cur | Book<br>value<br>SEK m. |
|--|--|------------------------|-------------------------|-------------------------|
| <b>DIVISIONS</b>   |  |                        |                         |                         |
| Atlas Copco Industrial<br>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 Assembly<br>Systems AB   | 90 000                                 | 100                    | 100                     | 11                      |
| Atlas Copco SAC AB   | 16 000                                 | 100                    | 100                     | 3                       |
| GME System AB  | 34 500                                 | 97                     | 100                     | 39                      |
| Atlas Copco Construction<br>and Mining Technique AB  | 700 500                                | 100                    | 100                     | 456                     |
| <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<br>Oy Atlas Copco Ab,<br>Finland  | 3 003<br>144                           | 100<br>80              | 100<br>100 000          | 7<br>20                 |
| Atlas Copco A/S, Norway<br>Soc. Atlas Copco<br>de Portugal Lda.  | 4 498<br>1                             | 100<br>100             | 10 000<br>1)            | 32<br>22                |
| Atlas Copco (Schweiz) A.G.<br>Atlas Copco Ges.m.b.H.,<br>Austria   | 7 995<br>69 990                        | 100<br>100             | 1 000<br>1 000          | 12<br>20                |
| Atlas Copco<br>Argentina S.A.C.I.  | 17 999                                 | 2 <sup>2)</sup>        | 1                       | 0                       |
| Atlas Copco Boliviana S.A.<br>Atlas Copco<br>Brasil Ltda   | 4 268<br>1 899 999 638                 | 100<br>100             | 100<br>1                | 2<br>21                 |
| Atlas Copco<br>Chilena S.A.C.<br>Atlas Copco Ecuatoriana<br>S.A., Ecuador  | 24 998<br>39 976                       | 100<br>100             | 1 000<br>1 000          | 6<br>1                  |
| Atlas Servis S.A., Ecuador<br>Atlas Copco Venezuela S.A.<br>Atlas Copco Iran AB,<br>Sweden                             | 1 990<br>37 920<br>3 500               | 100<br>100<br>100      | 1 000<br>1 000<br>100   | 1<br>14<br>0            |
| Atlas Copco<br>(Philippines) Inc.<br>Atlas Copco KK, Japan<br>Atlas Copco<br>(South-East Asia)<br>Pte. Ltd., Singapore | 121 995<br>375 001<br>2 500 000        | 100<br>100<br>100      | 100<br>1 000<br>1       | 3<br>23<br>8            |
| Atlas Copco<br>(Malaysia) SDN BHD<br>Atlas Copco Makinalari<br>Imalat A.S., Turkey                                     | 700 000<br>424 670                     | 70<br>10 <sup>4)</sup> | 1<br>1 000              | 2<br>0                  |
| Atlas Copco (India) Ltd.<br>Atlas Copco Kenya Ltd.<br>Atlas Copco Lesotho Pty Ltd<br>Atlas Copco Maroc S.A.            | 2 892 000<br>14 999<br>20 000<br>3 572 | 40<br>100<br>100<br>89 | 10<br>100<br>1<br>1 500 | 0<br>0<br>0<br>4        |

<sup>1)</sup> No par value

<sup>2)</sup> Remaining holding owned by other Group companies

<sup>3)</sup> 62 percent owned by other companies within the Group

<sup>4)</sup> 73 percent owned by other companies within the Group

A detailed list of the shares and participations owned by Atlas Copco AB, 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.

|  | Number<br>of<br>shares | Per-<br>cent<br>held | Par<br>value<br>loc cur | Book<br>value<br>SEK m. |
|--|------------------------|----------------------|-------------------------|-------------------------|
| <b>HOLDING COMPANIES</b>                   |                        |                      |                         |                         |
| Atlas Copco North<br>America Inc.          | 35 506                 | 100                  | 1)                      | 796                     |
| Atlas Copco<br>UK Holdings Ltd.            | 28 623 664             | 100                  | 1                       | 294                     |
| Atlas Copco Beheer bv.,<br>The Netherlands | 15 712                 | 100                  | 1 000                   | 230                     |
| Atlas Copco Holding<br>G.m.b.H., Germany   | 5                      | 99 <sup>2)</sup>     | 1)                      | 100                     |
| Atlas Copco France<br>Holding S.A.         | 159 994                | 100                  | 500                     | 75                      |

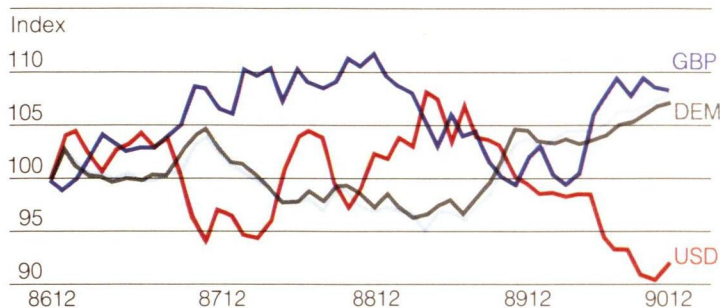
### OTHER COMPANIES

|   |                     |                                |                     |             |
|---|---------------------|--------------------------------|---------------------|-------------|
| Atlas Copco Airpower<br>Svenska AB  | 500                 | 100                            | 100                 | 0           |
| Copco Nueva Montaña S.A.,<br>Spain, in liquidation                                    | 29 999              | 13 <sup>3)</sup>               | 1 000               | 0           |
| Atlas Copco Andina S.A.,<br>Bolivia, in liquidation                                   | 18 000              | 50 <sup>2)</sup>               | 1 000               | 0           |
| Atlas Copco Industrial S.A.,<br>Spain   | 95                  | 50 <sup>2)</sup>               | 10 000              | 0           |
| Industria Försäkrings AB<br>Atlas Copco Reinsurance S.A.,<br>Luxemburg                | 50 000<br>4 999     | 100<br>100                     | 100<br>10 000       | 5<br>8      |
| Atlas Copco Coordination<br>Center, Belgium   | 1                   | 0 <sup>2)</sup>                | 10 000              | 0           |
| Atlas Copco Finanz AG,<br>Switzerland, in liquidation                                 | 5 000               | 100                            | 1 000               | 18          |
| Cerac S.A., Switzerland<br>Atlas Copco Data AB<br>Atlas Copco Oden-<br>fastigheter AB | 1 997<br>250<br>500 | 100<br>50 <sup>2)</sup><br>100 | 1 000<br>100<br>100 | 2<br>0<br>0 |
| Atlas Copco Fond-<br>aktiebolag   | 2 500               | 100                            | 100                 | 0           |
| Sickla Industrifastigheter AB<br>30 dormant companies                                 | 30 000              | 100                            | 100                 | 3<br>34     |
|   |                     |                                |                     | 2 373       |

### MINORITY COMPANIES

|   |                    |        |           |             |
|---|--------------------|--------|-----------|-------------|
| <i>Associated companies</i>   |                    |        |           |             |
| Scanditronix AB   | 45 556             | 22     | 100       | 6           |
| <i>Other companies</i>  |                    |        |           |             |
| Bilspedition AB,<br>Svensk Interkontinental<br>Lufttrafik AB (SILA)                                       | 142 240<br>508 000 | 1<br>1 | 25<br>10  | 5<br>10     |
| Handelsbolaget Svenska<br>Dagbladets AB & Co<br>Svenska Dagbladet   | 100                | 2      | 1 000     | 0           |
| Holding AB<br>AB Sukab  | 18 000<br>300      | 2<br>0 | 10<br>100 | 4<br>0      |
| Mechanical Technology<br>Inc., N.Y.<br>ADELA Investment Co. S.A.,<br>Luxemburg                            | 140 000<br>3 640   | 5<br>0 | 1<br>100  | 0<br>0      |
| SIFIDA Investment Co. S.A.,<br>Luxemburg<br>Cord Capital N.V., Curacao<br>Other shares and participations | 275<br>40          | 1<br>3 | 500<br>50 | 0<br>4<br>0 |
|   |                    |        |           | 29          |





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

## Treasury activities

### Market review

The rapid development of events in Eastern Europe but mainly the crisis in the Middle East had a major impact on the *currency market* in 1990. These events resulted in such factors as the U.S. dollar this time losing its role as a currency of refuge in times of unrest. From the beginning of June until September, the value of the USD fell strongly in relation to the DEM and the CHF. The decline in the value of the U.S. dollar was accelerated by lower interest rates and expectations of a coming recession in the U.S. During 1990, the GBP was strengthened significantly following its entry into the Exchange Rate Mechanism (ERM) during the autumn.

In Sweden, the year was characterized by extremely large movements in interest rates. For example, the interest rate on 3-month treasury bills ranged from approximately 12.5 percent to more than 17 percent. Domestic reasons for the extensive interest rate movements included a deterioration in the Swedish economy, reduced confidence in the Swedish krona and the crisis of the country's financial companies. The latter development resulted in increased interest-rate differentials among Swedish borrowers.

### Atlas Copco Group financing during 1990

During 1990, the financial requirements of the Atlas Copco Group increased, due mainly to the acquisitions of several companies, including Desoutter, Wagner and Rotoflow.

The international share issue effected in May 1990 generated SEK 1,203 m. in new funds, a major portion of which was used to reduce Atlas Copco AB's loan portfolio. At year-end, Atlas Copco's shares were listed on the International Stock Exchange in London, thereby broadening the base for trade in Atlas Copco shares.

To improve and safeguard future borrowing activities, the following measures were implemented during the year:

- Atlas Copco's Eurocommercial Paper Program underwent credit ratings, whereby the best possible ratings (A1, P1) were obtained.
- An additional back-stop credit facility was negotiated with a syndicate of banks, whereby the banks guarantee to grant Atlas Copco credit facilities, over a five-year period, in an amount of USD 200 m., or in corresponding amount in other currencies, at a predetermined interest-rate margin.

As in prior years, liquid assets in Sweden were invested in the Swedish money market. Thanks to a conservative investment policy, which has been adopted by Atlas Copco for several years, the Group was able to completely avoid credit losses in the financial market during 1990.

### Atlas Copco Group's currency management

The currency exposure affecting the Group's commercial flows are handled through a central clearing system "Atlas Copco Group Netting" and central risk management. In addition to forward contracts, options have been used increasingly as a method of reducing the impact of exchange rate variations on Group earnings.

### Coordination of finance operations

Within Atlas Copco AB, Corporate Finance functions as the Group's internal bank. Corporate Finance has the overall responsibility for handling the Group's financial net and currency management activities, Swedish liquidity and the Parent Company funding. In addition, Corporate Finance offers banking services to subsidiaries, such as deposits and loans, export and import financing and financial consulting.

In countries containing more than one Atlas Copco company, finance activities are centralized into a Cash Pool or a Treasury Center within the holding company in the country concerned. Both of these units function as the extended arm of Corporate Finance.

### Financial risk management

In its role as the Group's internal bank, Corporate Finance, is responsible for handling the Atlas Copco Group's financial risks, which can be divided into:

- |                                    |   |
|------------------------------------|---|
| Funding risk:                      | Risk that the Group at any time is not able to raise funds needed.  |
| Interest risk:                     | Risk that changes in interest-rate levels will have an adverse effect on Group earnings.  |
| Transaction and translation risks: | Risk that exchange rate fluctuations on the commercial flow and on net investments made abroad will have a negative effect on Group earnings. |

The basis for the Atlas Copco Group's management of financial risk exposure is the establishment of a so-called zero risk level. This indicates those measures which must be taken, in accordance with an established policy, in order to eliminate financial risks to the greatest extent possible.

Within the framework of the established policy, Corporate Finance will be granted a risk mandate, which defines approved deviation from financial policy.

Corporate Finance's total financial risks are measured on a daily basis and compared with the established risk mandate.



## International accounting principles

The 1990 consolidated accounts for the Atlas Copco Group have been adjusted to international accounting practices to the extent that untaxed reserves have been divided into deferred taxes, and shareholders' equity. In addition, all receivables and liabilities in foreign currencies have been reported at the year-end rate. However, in certain other respects, Swedish Accounting principles differ from international standards. A calculation of the income for the year and financial position, taking into account the major differences between Swedish accounting practice and the U.S. GAAP and IAS standards is provided below.

### U.S. accounting principles, U.S. GAAP

#### *Revaluation of assets*

Certain properties have been written up to amounts which exceed the acquisition cost. In specific situations, such revaluations are permitted by Swedish accounting practice. According to U.S. GAAP, revaluations of assets are not reported in the Balance Sheet.

#### *Capitalization of interest expenses*

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

#### *Pension provisions*

In the U.S. other rules govern accounting of pension provisions. In general, these rules are applied by Atlas Copco's U.S. subsidiaries. Compared with Swedish accounting practice for FPG/PR1 pension provisions, there are differences, primarily in the selection of the discount rate and in that the calculation of equity value is based on the salary or wage at the date of retirement. Possible differences have not been quantified and are not included in the following U.S. GAAP account presentation.

#### *Shares in associated companies*

In accordance with Swedish accounting principles, investments in shares can be carried at cost and dividends are included in income for the year in which they are received. According to 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 aforementioned method.

#### *Company acquisitions*

In accordance with Swedish accounting practices, the Secoroc Group has been included in the consolidated accounts for 1988 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.

The principle applied by Atlas Copco for the progressive amortization of goodwill relating to strategic acquisitions has been adjusted to straight-line amortization according to U.S. GAAP.

Compared with Swedish accounting regulations, the U.S. rules contain much more detailed instructions on the valuation of assets and liabilities in acquired companies. The effect of applying U.S. GAAP, is that acquired excess value is assigned to other and, generally, more types of assets/liabilities, which have different amortization periods than apply under Swedish accounting practice. Negative goodwill arising from company acquisitions, which according to Swedish accounting practice is transferred to restricted reserves in shareholders' equity should, in accordance with the U.S. GAAP, be used to reduce the value of fixed assets in the Balance Sheet.

#### *Deferred taxes*

U.S. accounting practice (SFAS 96) requires that operations in each year be charged with the tax for that year. Consequently, deferred tax is calculated on all the differences between book valuation and valuations for tax purposes (temporary differences). The principles applied by Atlas Copco essentially observe these regulations.

However, no adjustment has been made in the subsequent reconciliation for deferred taxes arising in the form of differences between the valuation in the consolidated accounts of assets and liabilities in company acquisitions and the valuation for tax purposes of corresponding items in the acquired company. Neither has any adjustment been made for deferred taxes on the translation differences arising from the use of the monetary/non-monetary method, since such differences are regarded as marginal.

#### *Translation differences in shareholders' equity*

According to 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 arising from the translation of the financial statements of foreign companies are distributed among restricted and unrestricted equity in the Consolidated Balance Sheet.

According to U.S. GAAP, this currency component is shown as a separate item in the Balance Sheet. In the sale/discontinuation of foreign subsidiaries, the result from the discontinuation shall also include accumulated translation differences.



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

|   | 1990  | 1989  |
|---|-------|-------|
| Income as reported in the Consolidated Income Statement | 698   | 853   |
| Items increasing/decreasing reported net income:        |       |       |
| Depreciation of revaluations                            | 1     | 1     |
| Capitalization of interest expenses                     | 2     | 2     |
| Share in net income of associated companies             | 12    | 2     |
| Depreciation of goodwill                                | -26   | -14   |
| Deferred taxes  | -1    | 0     |
| Calculated net profit                                   | 686   | 844   |
| Calculated earnings per share, SEK                      | 20.40 | 27.00 |
| After full conversion, SEK                              | 20.10 | 26.45 |

|  |        |        |
|--|--------|--------|
| Total assets   | 14,542 | 13,855 |
| Total liabilities  | 7,827  | 8,567  |
| Shareholders' equity as reported in the Consolidated Balance Sheet | 6,200  | 4,744  |
| Net adjustment in reported shareholders' equity                    | 515    | 544    |
| Approximate shareholders' equity                                   | 6,715  | 5,288  |

### International Accounting Standards, IAS

In the prospectus prepared by the Company in conjunction with the nonpreferential share issue in the international market and the subsequent introduction on the International Stock Exchange in London, the earnings per share and capital have been adjusted according to the International Accounting Standards, IAS.

After the adjustment of the Company's accounts to international standards in terms of the treatment of untaxed reserves, there are only minor differences remaining between Swedish accounting principles and IAS.

#### Revaluation of assets

As in the case of U.S. GAAP, it is not permitted to report revaluations of assets.

### Shares and participations

As in the case of U.S. GAAP, adjustments are made for participations in the net profit of associated companies.

#### Proposed dividend

According to Swedish accounting principles, the proposed dividend is not normally debited until it has been approved by the Annual General Meeting of shareholders. According to IAS, the dividend proposed by the Board of Directors is entered as a liability.

Application of IAS would have the following approximate effect on consolidated net income and shareholders' equity for the Group:

|   | 1990  | 1989  |
|---|-------|-------|
| Income as reported in the Consolidated Income Statement | 698   | 853   |
| Items increasing/decreasing reported net income:        |       |       |
| Depreciation of revaluations                            | 1     | 1     |
| Share in net income of associated companies             | 12    | 2     |
| Other items   | -     | -3    |
| Deferred taxes  | 26    | 70    |
| Calculated net profit                                   | 737   | 923   |
| Calculated earnings per share, SEK                      | 21.90 | 29.50 |
| After full conversion, SEK                              | 21.60 | 28.85 |

|  |        |        |
|--|--------|--------|
| Total assets   | 13,962 | 13,242 |
| Total liabilities  | 8,061  | 8,797  |
| Shareholders' equity as reported in the Consolidated Balance Sheet | 6,200  | 4,744  |
| Deferred taxes   | -      | -26    |
| Proposed dividend  | -282   | -250   |
| Other adjustments  | -17    | -23    |
| Approximate shareholders' equity                                   | 5,901  | 4,445  |

The differences in deferred taxes pertain primarily to tax rates. According to both the Company's adjusted Swedish accounting and U.S. GAAP, these differences have been reported in previous years.

## Current cost accounting

One result of the highly variable rate of inflation since the mid-1970s is that traditional accounting based on historical cost can give an inaccurate picture of a company's income and financial position.

Current cost accounting aims at taking price changes into consideration on the resources used and consumed by the company in its production operations, 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 precision as conventional accounting.

In the 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.

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 1990 amounted to SEK 1,239 m. (1,503).

This income figure is SEK 222 m. (223) lower than the traditional operating income. This is due to two factors. Price changes occurred during the year on goods that are included in the Company's products. These goods are estimated to cost SEK 46 m. (53) more to purchase than they did on the purchase date. Income has also been charged with current cost depreciation that is SEK 176 m. (170) 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. Inventories and fixed assets are subject to price gains. In accordance with traditional 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 1,568 m. (1,767). Price gains of SEK 47 m. (49) occurred on inventories and the Company's fixed assets increased in value by SEK 282 m. (215).

**Real income after financial items**

If a real profit is to be regarded as having 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 enable the purchasing power of equity capital to be maintained during 1990, it should have increased by the average annual price increase, or by SEK 661 m. (375) during the year. The annual average price

increase in 1990 has been estimated at 10 percent (7). Atlas Copco's real income after financial items for 1990 is thus SEK 716 m. (1,187). This income figure is SEK 554 m. (334) lower than the traditional income and corresponds to a real profit margin of 4.5 percent (7.9).

The real net profit for the year is SEK 554 m. lower than the traditional income and amounted to SEK 144 m. (519).

**Adjustment of the Balance Sheet**

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 980 m. (873) since hidden reserves in inventories and assets are shown openly. The main effects are shown below:

- Machinery, buildings and land are stated at a value that is SEK 928 m. (761) higher.
- Inventory is shown at a value SEK 35 m. (34) higher.
- Shareholdings are shown at a value SEK 17 m. (78) higher.

Equity capital and unrealized price changes are reported at a value of SEK 980 m. higher, which means that the rate of equity capital thereby amounts to 48 percent, as against 45 percent in accordance with traditional accounting.

Return on shareholders' equity amounts to 2.2 percent (9.9), compared with 12.5 percent (19.5) according to the traditional method.

**Reconciliation between traditional and current cost accounting**

|  |      |      |       |
|--|------|------|-------|
| Income according to traditional accounting |      |      | 1,270 |
| Change, unrealized price changes:          |      |      |       |
| Price change, goods sold                   | -46  |      |       |
| Price change, depreciation                 | -176 | -222 |       |
| Price change for the year:                 |      |      |       |
| Inventory                                  | 47   |      |       |
| Equipment                                  | 282  | 329  | 107   |
| Adjustment for inflation                   |      |      | -661  |
| Real income after financial items          |      |      | 716   |

**Current cost income statement**

|   | 1990    | 1989    |
|---|---------|---------|
| Invoiced sales                              | 15,915  | 15,035  |
| Current cost of goods sold                  | -14,075 | -13,025 |
| Current cost depreciation                   | -601    | -507    |
| Operating income                            | 1,239   | 1,503   |
| Price changes, inventory                    | 47      | 49      |
| Price changes, fixed assets                 | 282     | 215     |
| Operating income before financial items     | 1,568   | 1,767   |
| Financial items                             | -191    | -205    |
| Purchasing power adjustment, equity capital | -661    | -375    |
| Real income after financial items           | 716     | 1,187   |

**Current cost balance sheet**

| ASSETS  | 1990          | 1989          |
|---|---------------|---------------|
| Cash, bank and short-term investments             | 1,921         | 1,864         |
| Receivables                                       | 3,896         | 3,929         |
| Inventories                                       | 3,999         | 4,139         |
| Fixed assets                                      | 5,135         | 4,199         |
| <b>Total assets</b>                               | <b>14,951</b> | <b>14,131</b> |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>       |               |               |
| Current liabilities                               | 4,978         | 5,640         |
| Long-term liabilities                             | 2,793         | 2,874         |
| Unrealized price changes                          | 980           | 873           |
| Shareholders' equity                              | 6,200         | 4,744         |
| <b>Total liabilities and shareholders' equity</b> | <b>14,951</b> | <b>14,131</b> |



# 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 693,514,359          |
| Net profit for the year                     | SEK 496,022,099          |
|   | <u>SEK 1,189,536,458</u> |

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

|   |                          |
|---|--------------------------|
| To the shareholders, a dividend of SEK 8:00 per share | SEK 282,325,088          |
| To be retained in the business                        | SEK 907,211,370          |
|   | <u>SEK 1,189,536,458</u> |

*Nacka, March 7, 1991*

|                          |                             |                               |
|--------------------------|-----------------------------|-------------------------------|
|                          | PETER WALLENGER<br>Chairman |                               |
| CURT G OLSSON            | P HENRY MUELLER             | OTTO GRIEG TIDEMAND           |
| BJÖRN SVEDBERG           | LENNART JOHANSSON           | PER LUNDBERG                  |
| GEORG KARNSUND           | GÖSTA BYSTEDT               | JACOB WALLENGER               |
| JACQUES VAN DER SCHUEREN |                             | TOM WACHTMEISTER<br>President |
| BO HENNING               | PER-ERIK NYHOLM             | KJELL ELIASSON                |

## 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 1990. 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 14, 1991*

KARL-G GIERTZ  
Authorized Public  
Accountant

OLOF HEROLF  
Authorized Public  
Accountant

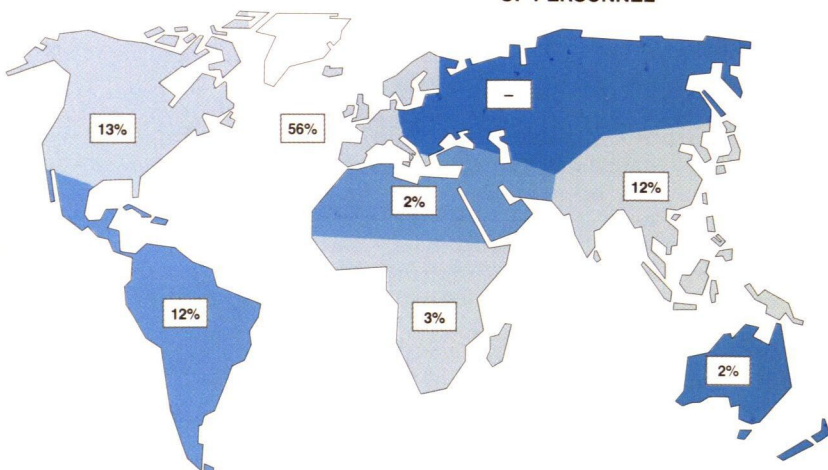


# PERSONNEL

|                       |                 | Average number of employees* |        | Wages, salaries and other costs |       |
|-----------------------|-----------------|------------------------------|--------|---------------------------------|-------|
|                       |                 | 1990                         | 1989   | 1990                            | 1989  |
| SWEDEN                | Headquarters    | 77                           | 76     | 71                              | 47    |
|                       | Divisions       | 3,846                        | 3,853  | 986                             | 936   |
|                       | Sales companies | 339                          | 347    | 106                             | 73    |
| Total Sweden          |                 | 4,262                        | 4,276  | 1,163                           | 1,056 |
| OUTSIDE SWEDEN        | Divisions       | 9,584                        | 7,923  | 1,939                           | 1,484 |
|                       | Sales companies | 7,661                        | 7,858  | 1,438                           | 1,491 |
| Total, outside Sweden |                 | 17,245                       | 15,781 | 3,377                           | 2,975 |
| TOTAL                 |                 | 21,507                       | 20,057 | 4,540                           | 4,031 |

\* 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.

## GEOGRAPHIC DISTRIBUTION OF PERSONNEL



| SEK thousands            | 1990 | 1989 |
|--------------------------|------|------|
| Sales per employee       | 740  | 750  |
| Earnings per employee    | 32   | 43   |
| Value added per employee | 299  | 304  |

During 1990, the average number of employees within the Atlas Copco Group rose by 1,450 to 21,507 (20,057). Through acquisitions and divestments of companies, the net increase in the average number of employees was 1,406. Employees in Swedish companies accounted for 20 percent (21), while EC companies accounted for 33 percent (31). The total payroll costs amounted to SEK 4,540 m. (4,031), of which payroll overheads totaled SEK 1,214 m. (1,119). The distribution of women and men is presented in the table below:

|                             | Distribution as % |     |        |
|-----------------------------|-------------------|-----|--------|
|                             | Women             | Men | Total  |
| Europe                      | 17                | 83  | 12,107 |
| of which Sweden             | 18                | 82  | 4,262  |
| North America               | 13                | 87  | 2,735  |
| Latin America               | 10                | 90  | 2,515  |
| Northern Africa/Middle East | 23                | 77  | 440    |
| South Africa                | 18                | 82  | 599    |
| India and Far East          | 7                 | 93  | 2,605  |
| Oceania                     | 19                | 81  | 506    |
|                             | 14                | 86  | 21,507 |

## Value added and interested parties

The value added during the year is defined as the Group's total invoicing, which was SEK 15,915 m., less the costs for purchasing raw materials, finished and semifinished products and services, in a total amount of SEK 9,489 m. This provides a measurement of the Group's production input during the year, meaning the increase in value resulting from handling, processing and other operating activities.

In 1990, value added increased 5 percent to SEK 6,426 m. (6,094), as a result of larger invoicing volume and a more efficient utilization of the Company's production resources.

The value added is distributed among other interested parties – meaning employees, creditors, governments, municipalities and shareholders. The remainder is retained in the company to cover costs for wear on buildings, machinery and equipment (depreciation) and to facilitate a continued expansion of operations (retained in business).

## DISTRIBUTION OF VALUE ADDED

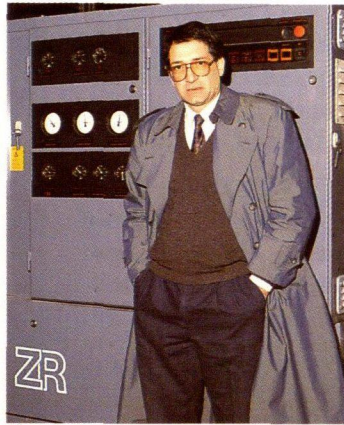
|   | 1990   |     | 1989   |     |
|---|--------|-----|--------|-----|
|   | SEK m. | %   | SEK m. | %   |
| Wages and salaries                      | 3,326  | 52  | 2,912  | 48  |
| Social costs                            | 1,214  | 19  | 1,119  | 18  |
| Depreciation                            | 425    | 7   | 337    | 6   |
| Capital costs, net                      | 191    | 3   | 205    | 3   |
| Corporate and municipal taxes           | 560    | 9   | 665    | 11  |
| Dividends paid                          | 286    | 4   | 256    | 4   |
| Retained in business                    | 424    | 6   | 600    | 10  |
| Value added, total                      | 6,426  | 100 | 6,094  | 100 |
| Value added per employee, SEK thousands | 299    |     | 304    |     |



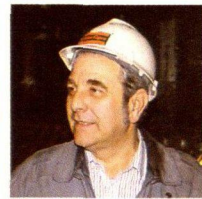
# SALESMEN OF THE YEAR 1990



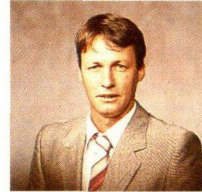
Walter Rentsch Reinhard Gassner



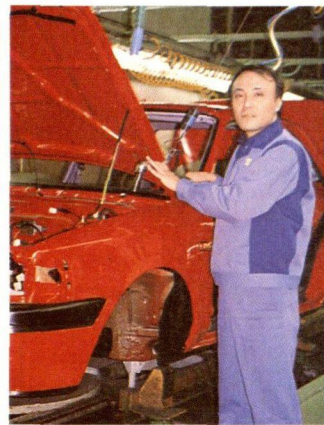
Marc Lauvernier



Bjørn Hansen



Glenn Mc Bride



Shoji Fujita

*During 1990, many outstanding sales achievements were recorded within the Group's sales companies. Each sales company was requested to send in reports of the most successful individual performances and from these it has been possible to select the best salesmen of the year. The winners and a description of their accomplishments are detailed below.*

**Walter Rentsch** and **Reinhard Gassner**, sales engineers at Atlas Copco MCT in Germany, have in 1990 increased the Atlas Copco market shares for contracting equipment and portable compressors. Rentsch was particularly successful in increasing sales of portable compressors, generators and hydraulic breakers to rental companies. As product manager, Gassner succeeded in making Atlas Copco the leading supplier of portable compressors in the German market.

**Marc Lauvernier**, sales engineer in the Rhone Alps area of France, was successful in making Atlas Copco a leading supplier of compressors to Michelin and other major customers during 1990. This was accomplished through the sale of three large oil-free compressors. He also increased Atlas Copco's market share in his region through sales to local distributors.

**Bjørn Hansen**, salesman for Monun-Tison in Norway, made an important contribution to positioning Atlas Copco as the leading supplier of components to the Norwegian aluminum industry, by securing major orders from Icelandic Aluminium and Hydro Aluminium, among other customers.

**Glenn McBride**, sales engineer at Atlas Copco Australia, secured the biggest order for drilling equipment in the country during 1990. The order included four tunnel drilling rigs with hydraulic rock drilling machines, two Boltec rock bolting units and a production drilling rig for the new Thalanga mining project in northern Queensland.

**Shoji Fujita**, sales engineer in Hiroshima, Japan, specializes in sales of industrial tools for the automotive industry. In 1990, he sold 200 angle nutrunners and 50 nutrunner pistols with monitoring systems to Mazda, among other equipment.

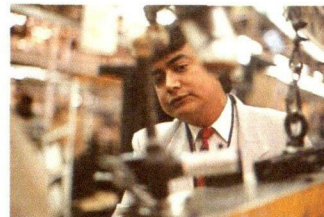
**Miguel Angel Aisa**, industrial tools salesman in Catalonia, Spain, was successful in strongly increasing his sales in 1990, despite severe competition. This resulted in Atlas Copco improving its market share in the Spanish car industry.

**José Luis Benítez**, who sells industrial tools to the automotive industry in Mexico, more than doubled his sales revenues in 1990, compared with the preceding year. This was achieved through successful sales to local units manufacturing Mercedes Benz and Volkswagen, among other makes.

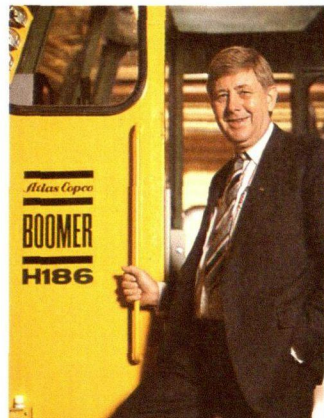
**Larsgösta Almgren**, export manager for Atlas Copco MCT in Sweden, sold 22 tunnel drilling rigs, five crawler drilling rigs, hand-held equipment and a large number of stationary and portable compressors in 1990, which combined totaled more than SEK 100 million. To this figure can be added contracts for spare parts, drill steel and service programs for several years ahead.



Miguel Angel Aisa



José Luis Benítez



Larsgösta Almgren



## 1991 WILL BE TOUGH, BUT OUR LONG-TERM POTENTIAL IS EXCELLENT

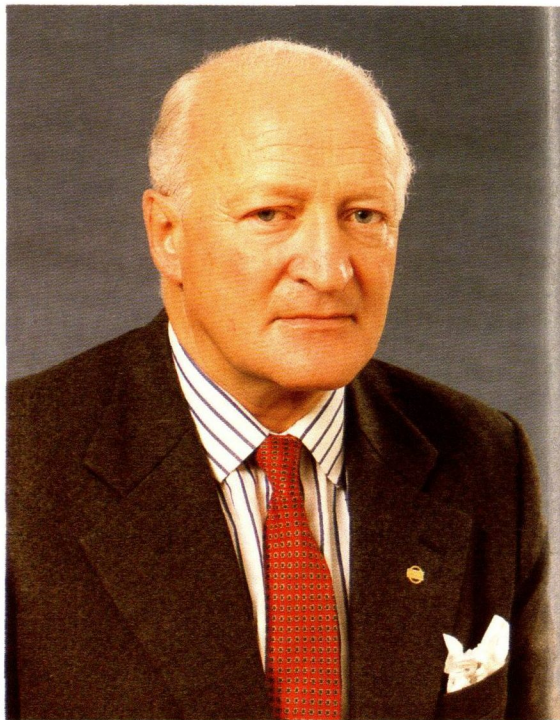
*The many years of favorable business conditions in the industrial sector finally came to an end for Atlas Copco during the late summer and autumn months of 1990, with the war in the Gulf and uncertainty surrounding events in eastern Europe applying an even more powerful brake on developments. The consequences, for our own operations, were much in evidence, especially in the Construction and Mining Technique business area.*

Many of the measures implemented in recent years have been designed to make Atlas Copco less sensitive to fluctuations in volumes and general business conditions:

- The streamlined administrative organization that has emerged from the process of decentralization, from the Parent Company to the business areas and divisions and then out into the organization, has successfully reduced fixed costs and increased our ability to counter market swings.
- Market shares have been strengthened through the strategic acquisitions made in 1989-90, among other measures.
- Our strong balance sheet is the result of many years of work focusing on the rationalization of inventories and distribution, which has relieved pressure on the balance sheet by approximately SEK 1,300 million. In May-June last year, the balance sheet was additionally strengthened through a major new issue of shares into the international market, which improved the financial net following the costs of company acquisitions.
- Personnel costs have been reduced through extensive rationalization measures in all business areas, designed to balance the number of employees joining the Group through newly acquired companies. These measures are continuing.
- Substantial investments have been made in modern production technology in the plants in Belgium, the U.S., Sweden and Germany.

Even if one puts one's own house in order, it is impossible to entirely shut out the effects of an increasingly harsh climate. Naturally, Atlas Copco cannot avoid being affected by the global deterioration in business conditions.

The impact on the Construction and Mining Technique business area was particularly hard. The bulk of the approximately SEK 400



million decline in this business area's profits was due in roughly equal part to three separate but, unfortunately, in the case of the 1990 accounts, interacting circumstances, namely: decreased volumes resulting from a weaker market, price competition on drill steel and drilling rigs, and ongoing rationalization programs in the manufacturing area. The problems being experienced by this business area were given high priority during 1989-90 and must be resolved during 1991.

The postponement of planned investments and reduced manufacturing volumes among customers have also led to order and delivery volumes becoming sluggish in certain other areas, resulting in a decrease in the utilization of resources. A recession also brings about price concessions, which depress margins and profitability in the industry.

The indications we have today point to 1991 also being a tough year in terms of the world economy and industrial development, although some recovery may be possible during the second half of the year. In a longer perspective, there are many bright prospects worth noting.

The development of the industrial sector within the EC is continuing, even if the rate is likely to be dampened for a period by the general downturn in economic conditions. The swift conclusion of the war in the Middle East will reduce uncertainty and can lead to



the implementation of postponed industrial investments in Europe.

Atlas Copco has made substantial strategic and operational investments in Europe, which for us can be compared in size to the United States and Japan combined. Our efforts in this region are already producing results, which hopefully can be additionally strengthened as Sweden, albeit at a late stage, now shows signs of becoming interested in EC membership.

With the free trade agreements currently being made, North America, particularly the U.S., should again attain industrial growth, a development that will also benefit Atlas Copco, through its newly acquired and established Group companies. The need to modernize the U.S. infrastructure also requires resources, which should provide Atlas Copco with opportunities to continue its significant expansion in the American market. This region currently accounts for 16 percent of the Group's total sales, compared with 9 percent in 1980.

Following the end of the war in the Middle East, the region will need to make considerable investments in rebuilding. This is already being reflected in an increased number of enquiries and orders.

Despite political difficulties, the development of eastern central Europe which has been started can hardly be stopped, even if the risk of temporary setbacks cannot be disregarded. Investments from the West will lead to solid business over the long term.

In southern Africa, developments are now progressing in the right direction, with an increased element of market economy appearing in the old "frontier states," and the phasing out of the apartheid system in South Africa, as desired by the South African and international business communities. Consequently, the sanction policies directed by governments against their own country's companies, which have been enforced more aggressively by Sweden than any other country, should have outlived their usefulness, even as a domestic political attraction in Sweden. The sanctions have been a contributing factor to the difficulties experienced by the Construction and Mining Technique business area, a risk that we warned against at an early stage.

Japan is obviously maintaining its role as a major industrial power. Our new cooperation with Japan in the compressors area, within the framework of the Atlas Copco Iwata project, has shown itself to be a successful trans-

action. This venture has already contributed to profits during the first year of operations and we have every reason to believe that the favorable trend will continue. The project has also provided us with an added advantage; the establishment of good direct contacts with important groups in the Japanese business community.

Interesting discussions are currently taking place in Japan aimed at finding ways to better utilize the underground space resources in major cities. Highways, storage facilities and other space-demanding utilities can be accommodated underground. Atlas Copco's techniques can be put to good use in such areas, as can the experience and know-how gained from the Company's engagement in such futuristic city projects as the Österleden highway program in Stockholm.

The sixteen years it has been my good fortune to lead the Atlas Copco Group have constituted an eventful and interesting period, full of stimulating problems and opportunities. The confidence of the Board and the support afforded me by my colleagues in the Group throughout the world, have contributed security and stimulance to the work. It has indeed been a team effort in the strongest sense.

The building of an international company like Atlas Copco will never be completed. New external factors and new development opportunities give rise to a continual process of change and a hard long-term work. In many respects, the rate at which this process of change occurs seems to have gradually accelerated.

For my part, I am convinced that Atlas Copco is extremely well equipped to defend the leadership positions it holds in most of the world's markets, through its broad product program, with a strong financial base and a highly tuned marketing and production organization – all elements of which are accustomed to change. Atlas Copco has excellent potential to continue its development as a stable international industrial company, to the great satisfaction of its customers, shareholders, employees and other interested parties.

In handing over I wish my successor Michael Treschow and his management team best of luck in this tough and very stimulating assignment.

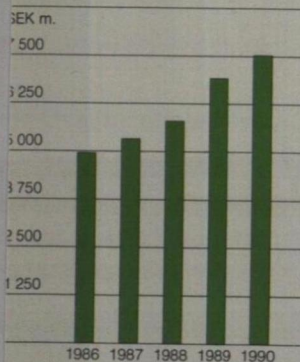




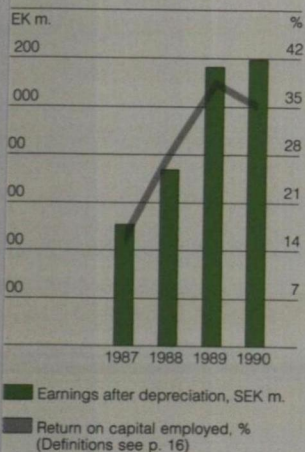
# COMPRESSOR TECHNIQUE



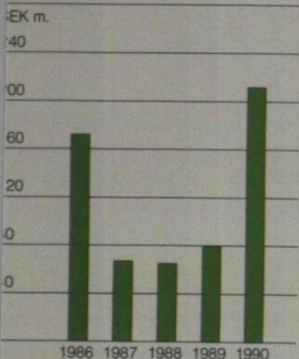
## SALES



## EARNINGS AND RETURN



## INVESTMENTS, RELATED TO PRODUCTION



|  | 1990         | 1989         |
|--|--------------|--------------|
| <b>INVOICED SALES, SEK m.</b>                      | <b>7,530</b> | <b>6,916</b> |
| <b>OPERATING PROFIT AFTER DEPRECIATION, SEK m.</b> | <b>1,195</b> | <b>1,164</b> |
| <b>RETURN ON CAPITAL EMPLOYED, %</b>               | <b>35</b>    | <b>38</b>    |

*The business area Compressor Technique develops, manufactures and markets portable and industrial compressors, air dryers, after coolers, control systems, filters and specially built air and gas compressors, expansion turbines and cryogenic pumps. The Business Area comprises, the following divisions: Airtec, Portable Air, Industrial Air, Oil-free Air and Atlas Copco ACT (Applied Compressor Technique).*

*Headquarters are in Antwerp, Belgium, and the largest plants in Antwerp and Cologne, Germany. Manufacturing also takes place in eight other countries.*

### Management Committees

*Giulio Mazzalupi, President  
Jan Petersson, Finance  
Erik Lebrocqy, Personnel and Administration  
Stig Svärd, Airtec  
Romano Girardi, Portable Air  
Luc Hendrickx, Industrial Air  
Henri Ysewijn, Oil-free Air*

### Atlas Copco ACT

*Theo Dietz, President  
Lars Lindén, Atlas Copco Energas  
Carl Malgerud, Finance and Administration  
Ulrich Grundmann, Technical Development and Rotoflow  
Bengt-Ivar Nilsson, ACT Comptec*



### 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 services designed for customers who demand a high level of operating reliability in their plants. The divisions are responsible for air compressors, while ACT also concentrates on equipment for the compression and expansion of other gases, particularly in process industries.

### Sales

Invoiced sales in 1990 increased 9 percent to SEK 7,530 m. (6,916). Orders booked from customers totaled SEK 7,549 m. (7,425), up 2 percent.

### Earnings

Operating profit after depreciation rose 3 percent to SEK 1,195 m. (1,164), corresponding to 16 percent of invoiced sales.

The improvement in earnings was attributable to increased sales volumes and reduced costs for production, administration and sales activities.

Return on capital employed was 35 percent (38).

### Investments

Investments in land and buildings related to production amounted to SEK 50 m. (27) and investments in machinery and equipment totaled SEK 162 m. (52).

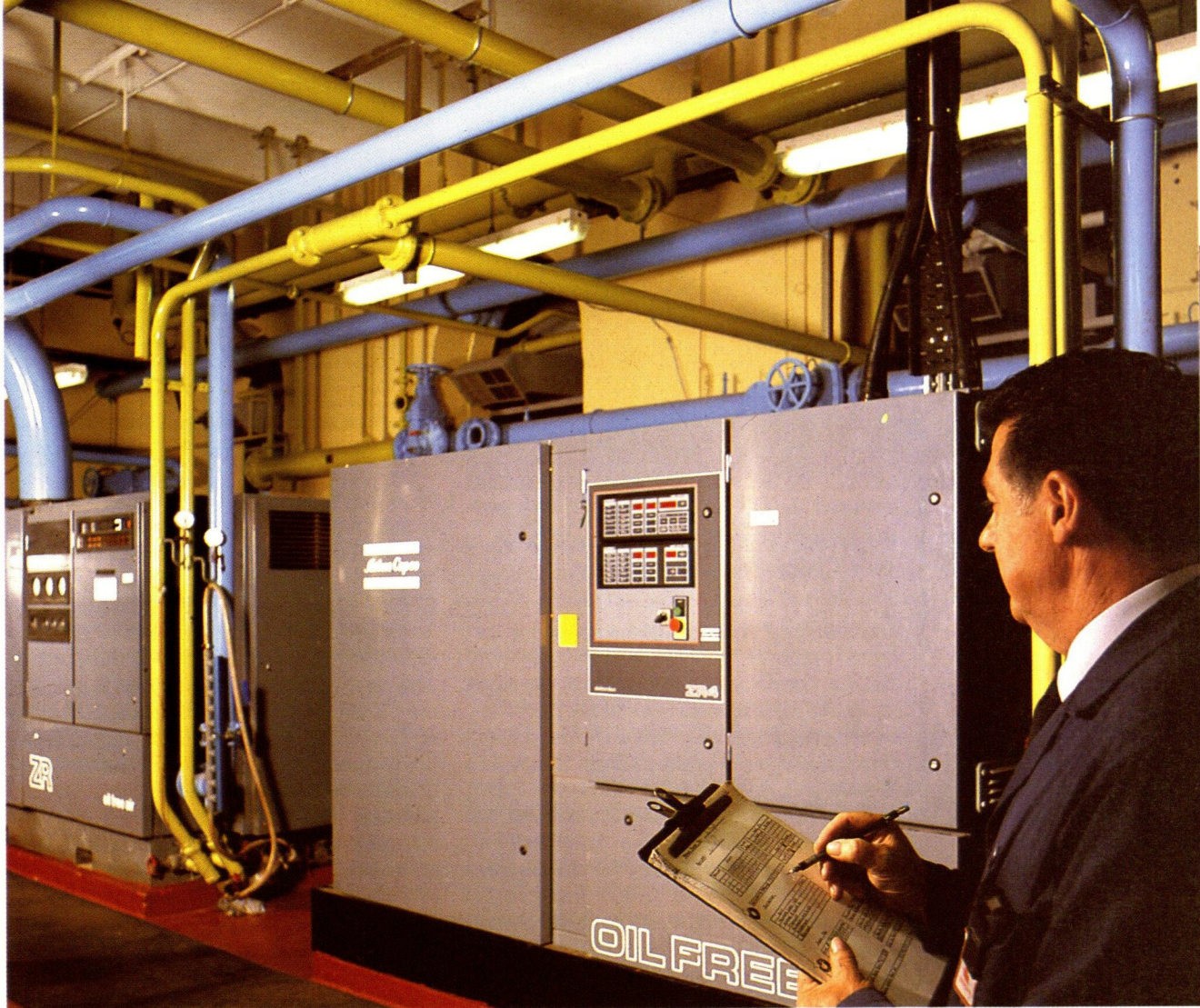
### Business Development

All of the Business Area's divisions reported increased sales during the year, despite a decline being noted in orders booked during the second half, particularly from within the building and construction sector in France, Italy, Spain and Great Britain. In the unified German market, sales of portable compressors reached exceptionally good levels. Compared with 1989, sales of portable compressors also increased in East Asia, the U.S. and Brazil.

Sales of industrial compressors continued to rise in major European markets, with the exception of the Nordic region. A reduction in demand was noted in North and South

Giulio Mazzalupi (left) and Theo Dietz.





America. In Japan, considerable sales successes were noted for screw compressors, assembled locally by Atlas Copco Iwata.

The OEM market for smaller industrial compressors was significantly broadened by developing new areas of application.

Demand for oil-free compressors increased specifically in France, Germany, Spain, U.S.A. and Indonesia as a result of the development of process industries in these countries.

The favorable trend in demand for ACT's products continued during the year. A sharp increase in sales was noted for the new series of turbo compressors introduced in 1989.

The acquisition of Rotoflow Corporation in the U.S., in June 1990, strengthened the division's position in the gas and energy recovery equipment sector. Rotoflow has 250 employees and annual sales of approximately SEK 170 m., of which exports account for 70 percent.

#### **Outlook for 1991**

The deepened recession is expected to continue throughout the whole of 1991. High interest rates are depressing investments both in the public and private sectors, which in turn is having an adverse effect on demand for the Business Area's products. Measures to

counter this decline are focused on new areas of application for oil-free compressed air in combination with the expansion of the building and construction sector in Eastern European markets and the development of after-market sales in East Asia.

A new series of compact rotary compressors delivering low capacity oil-free air for smaller process operations will expand the base of Atlas Copco oil-free units in the market. Simultaneously, the entry of upgraded small oil-injected screw compressors for industrial applications should contribute to increasing market shares and raised sales volumes.

It is expected that sales of gas compressors and expansion turbines will continue to develop favorably during 1991, as demands for improvements in the environment steadily increase. Several projects in Eastern Europe and South America are expected to result in substantial orders.

An investment program is currently in progress designed to increase production efficiency in the manufacturing units in Antwerp and to improve the profitability of the products. The program includes the new plant for producing portable compressors against customer orders.

**Demand for dry oil-free compressed air is rising uninterruptedly, particularly in the food, pharmaceuticals, electronics and other process industries.**



## New division safeguards continued growth

*To meet changes in the market and to better follow strategic objectives, Atlas Copco Airpower was reorganized into four divisions during the year. Effective January 1, 1991, these became independent profit centers within the business area Compressor Technique.*

**Decentralized organization increases service levels**

Airtec is the division responsible for developing compressor technology and for manufacturing compressor elements and other key components in the products from the other divisions.

Three product divisions — *Portable Air, Industrial Air* and *Oil-free Air* — have been established, with responsibility for the design, assembly and marketing of their products. In this decentralized organization, the divisions can concentrate their resources on their respective product lines.

The new organization has enabled the Compressor Technique sales companies to achieve a greater degree of specialization, with sales departments geared to the ranges of the various product divisions. Accordingly, sales and production have been brought closer together. This improves communication between the field and the technicians engaged in adapting product development and enables them to more speedily meet individual customer requirements and specifications.

As a result of this new structure, the product divisions can now maintain a higher level



**Oil-free compressor.**

of service to their field organizations and respond more rapidly to the market in terms of technical data, delivery times, etc.

**Central storage facility for all products**

Major progress has been made in recent years to improve throughput times at the plant in Antwerp, where today production is based on the customer-order control concept. However, to utilize the full benefit of a more rapid production flow, it has been necessary to establish a central storage facility for finished products and spare parts. By building up an international distribution system from a central storage facility containing products from all divisions, it has been possible to reduce both the central inventory and the sales companies' individual inventories, without jeopardizing service levels.

Almost all of the operations at the central storage facility, situated adjacent to the Antwerp plant, are automated, ranging from the picking and packing of spare parts to the printing of delivery documents. During the past two years, the number of order items has increased strongly and it is expected that this trend will continue during 1991. On the distribution side, a daily direct-distribution system has been developed. Deliveries to the Nordic countries commenced in January 1990. Germany joined the system in May and France in October of the same year. At the end of March 1991, all European sales companies, with the exception of Greece and Portugal, were connected to the system.

The advantages inherent in a daily direct distribution system of this type are substantial. Since the deliveries are carried out by external transport companies, the divisions are able to focus on their own operations, assured that deliveries are being conducted on a reliable, professional basis. Inventory handling at the various sales companies has been able to be significantly reduced. For example, during a six-month period, the Italian sales company was able to reduce the amount of capital tied up in inventory by 60 percent and still maintain its 5-day delivery times.



**Screw component for a compressor.**



**Industrial compressor.**

**Portable compressor.**





## New areas of application for oil-free air

*The increase in the use of complex processes and industrial equipment is placing increasingly high quality demands on compressed air equipment. During 1990, this resulted in very successful sales of Atlas Copco's oil-free compressors, with new applications that included the production of ozone and the desulphurization of flue gases.*

The production of ozone is a new application that was developed in Europe but which during 1990 had its largest market in the public waterworks sector in the U.S. With this application, a low-pressure screw compressor feeds an ozone generator to produce active oxygen, which is used in water treatment operations. This provides drinking water that neither tastes nor smells of chlorine.

Directives issued by the EC on harmful gas emissions, together with American legislation covering the protection of the environment, are factors that have contributed to the creation of important new markets for Atlas Copco's oil-free compressors.

Sulphur oxide is mainly emitted by power stations that use coal or other fossil-based fuels. Today, intensive studies of this problem



**The Igelsta thermal power plant in Södertälje, south of Stockholm.**

are being conducted on a worldwide basis. Strict revision of U.S. environmental laws, sharpened German legislation in this area – already among the most stringent in the world – and the EC's directives mean that future business opportunities for Atlas Copco in this sector are highly favorable.

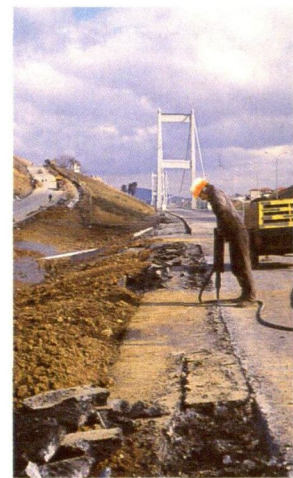
To meet the demands contained in new environmental legislation, power stations, the chemical processing industries and other plants releasing sulphur oxide, must all install flue-gas treatment systems to eliminate harmful gas emissions. The introduction of desulphurization processes using oil-free compressors in power stations in Italy and Great Britain, among other countries, provided Atlas Copco with attractive orders during 1990. The compressors also deliver compressed air to the instruments used in these processes.

## Developments in Eastern Europe create attractive market

*The increasing need for road maintenance in areas of Eastern Germany, and in Eastern Europe as a whole, has stimulated the market for smaller, portable compressors, which are needed to power breakers and other compressed-air tools. To meet this demand, Atlas Copco has expanded its distribution network and appointed some 20 dealers in Eastern Europe. Atlas Copco has also opened a contract with a major German rental company, with its own branch offices throughout Eastern Europe, and has established its own rental operation in Leipzig, Germany.*

This network makes it possible for Atlas Copco to conduct business operations effectively in these developing markets. Access to portable compressors on a rental basis makes it economically viable for these countries to rapidly commence these necessary activities.

To make industry in former East Germany more competitive, billions of DEM must be invested in the modernization of the region's industry. Priority in this respect must be given to the type of equipment needed to install flue-gas treatment systems in order for the new environment protection laws to be followed. Eastern areas of Germany have the largest emissions of sulphur oxide per capita in the world. There are more than 5,000 plants in this region with previously uncontrolled flue-gas emissions. This opens up a large market for Atlas Copco's oil-free compressors and highly favorable opportunities for future growth. In addition, it is estimated that Germany has coal reserves for some 300 years to come.



**Portable compressors are essential in the maintenance and building of highways.**



## Interesting niche area for portable compressors

*The future trend of portable compressor sales depends to a large extent on a new applications base and on increased new markets.*

The development of sandblasting techniques is increasing the demand for dry compressed air.



A specialist area of application for compressed air from portable compressors is sandblasting, where in recent times customer requirements, with regard to speed and high quality, have increased steadily. Sand blasting completely removes undesirable coatings from a surface, enabling it to be painted immediately. Since this is normally a labor-intensive and therefore costly operation, the need to increase productivity and save time is obvious. Atlas Copco's portable, high-pressure compressors are capable of improving the productivity of this operation by 25 to 30 percent. Furthermore, these portable compressors are capable of blasting hard concrete, resin-based plaster and other hard materials, which previously constituted impossible tasks. They have also been designed to meet customer demands for the products' continuous operation under tough conditions and in variable climates. In addition, the units are easy to operate and maintain, they are silent and meet EC specifications on noise and emission levels.

Rapid developments in the blasting technique area have also led to increased demands for high-quality dry compressed air. Dry air is necessary to ensure that no moisture can come into contact with the surface of the sandblasted material. Moisture can cause damage that could lead to additional processing being necessary prior to painting, etc. To meet this increasing requirement, the compressors have been equipped with built-in air coolers, moisture traps and reheating systems in order to keep moisture content to a minimum.

## New OEM applications broaden industrial compressors market

*The OEM customer base for built-in industrial compressors continued to expand during 1990 as new applications were developed for small oil-free reciprocating compressors.*

Nitrogen gas has a number of properties that make it particularly suitable for use within the food industry. In most cases, the gas does not blend with, or become dissolved among, the products with which it comes into contact. The dry, inert atmosphere it creates is excellently maintained in plastic packaging. Since the gas replaces oxygen, it prevents the

product from becoming rancid or mouldy, or from being attacked by insects. It is odorless, without taste or coloring, and is non-toxic.

Systems have been developed that allow the use of inert nitrogen gas for such applications as the packaging, storage and distribution of fruit and vegetables, and for preserving, cleaning and pressure-transfer operations. By feeding oil-free compressed air through a gas separator, a constant supply of nitrogen gas is generated, with flow rate, pressure and purity in accordance with the specific requirements of the customer.

An example of a special application is the transport of beer, where nitrogen gas maintains an overpressure on the beer in the barrel, enabling the brew to be delivered hygienically under pressure to the tap in the bar.



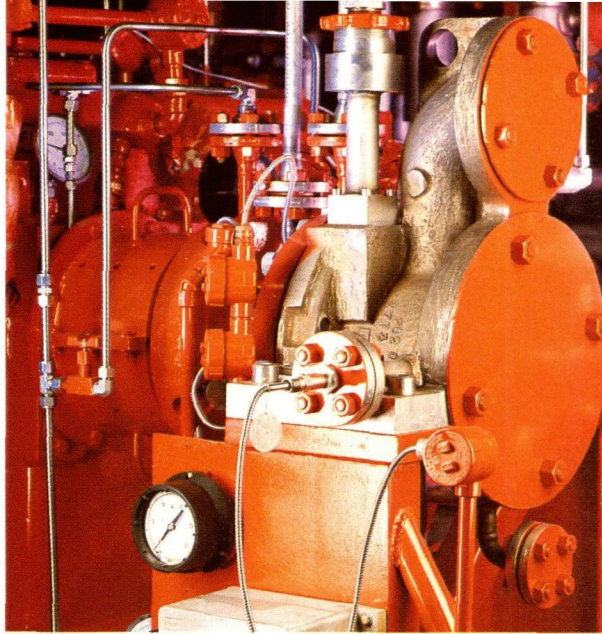
Beer tankards are increasingly filled with the help of oil-free compressors.



## Acquisition opens new markets for ACT

*During the past decade two new and increasingly important market segments have been developed in the field of process applications, namely natural gas expansion and energy recovery. Natural gas is expected to become the power source of the Nineties and will increasingly replace both coal and oil fuels.*

In 1990, Atlas Copco Applied Compressor Technique (ACT), which specializes in the field of compressors and expansion turbines, acquired the U.S. company, Rotoflow Corporation, based in Los Angeles. This company is a leading supplier of turbines used in the recovery of natural and ethane gases and complements the operations of ACT, whose turbines are primarily used to produce industrial gases. Rotoflow has around 100 patents relating to turbo and expansion machines. The company's turbo expanders are used, for example, to recover ethylene from natural gas to ensure that it is environmentally compatible when used as a fuel for residential heating and industrial applications.



**Rotoflow's turbine machines complement the ACT product range.**

The Rotoflow acquisition has strengthened Atlas Copco ACT's position in these expanding markets. To date, Rotoflow has installed more than 1,000 plants in 77 countries. To meet an expected increase in demand, the company recently almost tripled its production capacity and during 1990 achieved sales of approximately SEK 170 m. About 70 percent of total sales is attributable to exports. Through its access now to Atlas Copco's worldwide sales and service organization, Rotoflow can make further investments in key international markets.

## Delivery of 100th new turbo compressor

*In pace with the increase in demand for compressors with large capacities, it has become necessary for Atlas Copco to widen its already extensive line of oil-free compressors.*

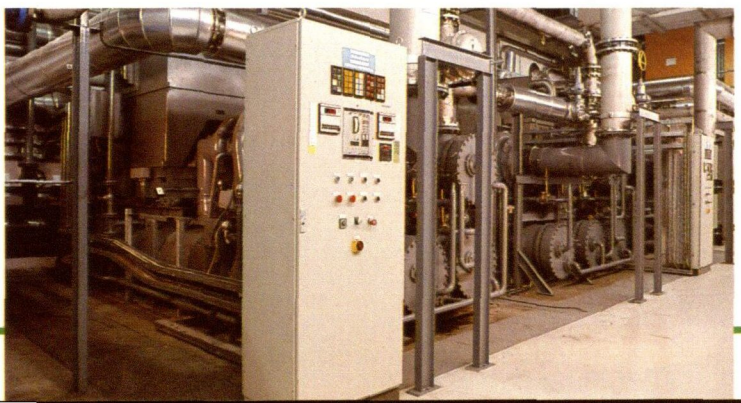
By combining Atlas Copco's know-how in the design of compact units with ACT's long experience in the turbo compressor field, a new series (the H series) of air-turbo compressors was launched. The inherent mechanical and energy-efficient qualities in these machines are being enhanced by an intelligent, operator-friendly microprocessor-based control system. The H series is being manufactured in Albany, U.S.A., and Cologne, Germany. These locations are justified not only because of the increasing number of order bookings being received but also because it is easier to meet local standards and indi-

vidual customer specifications. An additional benefit is that currency-exchange risks are minimized.

Sales to the energy-conscious industrial gases sector have been particularly successful. In addition, the chemicals industry and others, such as the automotive, cement and glass industries, all require large volumes of oil-free air and favor machines that are operationally reliable.

The 100th oil-free turbo compressor has now been installed in an air-separation plant in Spain.

**The new series of air-turbo compressor has been very favorably received by the automotive and chemicals industries in particular, both of which require large volumes of oil-free air.**

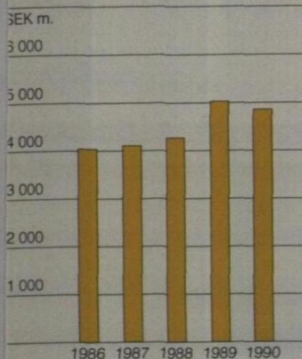




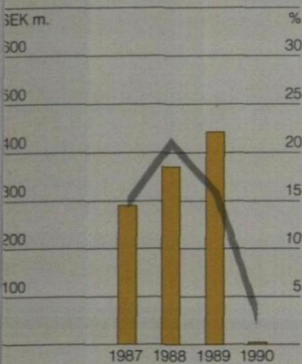
# CONSTRUCTION AND MINING TECHNIQUE

31%  
Share of Group sales

## SALES

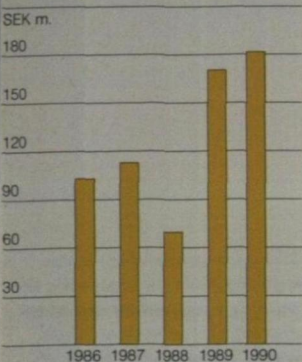


## EARNINGS AND RETURN



■ Earnings after depreciation, SEK m.  
— Return on capital employed, %  
(Definitions see p. 16)

## INVESTMENTS, RELATED TO PRODUCTION



From left: Claes Silfverstolpe, Rod Brown, Håkan Sventenius, Magnus Unger, Anne-Christine Nordin, Erland von Redlich, Jörgen Krook and Bill Sundberg.

|   | 1990  | 1989  |
|---|-------|-------|
| INVOICED SALES, SEK m.                      | 4,855 | 5,029 |
| OPERATING PROFIT AFTER DEPRECIATION, SEK m. | 5     | 441   |
| RETURN ON CAPITAL EMPLOYED, %               | 3     | 16    |

The business area Construction and Mining Technique consists of six divisions, which develop, manufacture and market a complete range of rock drilling tools (Uniroc AB), tunnelling and mining equipment (Atlas Copco Tunnelling and Mining AB), surface drilling rigs (Atlas Copco Surface Drilling GmbH), construction tools (Atlas Copco Berema AB), loading equipment (Wagner Mining and Construction Equipment Co.) and water well drilling equipment (Atlas Copco Energy AB). The products are marketed to building and construction companies, quarries and mining companies throughout the world.

### Management Committee

Magnus Unger, President of the Business Area (Beginning March 1, 1991 Bertil Eriksson)  
Claes Silfverstolpe, Finance and Business Development  
Anne-Christine Nordin, Human Resources and Organization  
Erland von Redlich, Rock Drilling Tools  
Bill Sundberg, Tunnelling and Mining Equipment  
Håkan Sventenius, Surface Drilling Equipment  
Jörgen Krook, Construction Tools  
Rod Brown, Loading Equipment



### Strategy

The business area's strategy is to provide, from a leading market position, a complete range of quality products under own brand names, and after-sales service designed to assure the performance and reliability of the products. Further market penetration will be achieved through the divisions' own sales organizations and via external distributors. Growth will also be attained through continued focus on research and development within existing main areas of operation and via complementary acquisitions.

### Structural changes

The structure of the business area is currently undergoing rapid development. A new business organization has been established, with six independent divisions, each responsible for its own product development, manufacturing, marketing and sales operations. The distribution structure is being changed in major markets through the business area establishing own sales companies, to increase specialization and service to customers. The distribution organizations are being further developed through regional units for several countries. This will result in a more cost-effective organization, increased delivery efficiency and reduced tied-up capital.

An overview of the business area's global production structure has been initiated, with the objective of achieving an increased degree of specialization at each manufacturing plant.

### Sales

Invoiced sales in 1990 totaled SEK 4,855 m. (5,029). The decrease is due primarily to the market situation for rock drilling tools and contracting demand for drilling rigs during the second half of the year. Orders booked declined 3 percent, to SEK 4,945 m. (5,095).

### Earnings

Operating profit after depreciation, but before financial items, amounted to SEK 5 m. (441). The decrease is primarily attributable to three factors: the deterioration in earnings for rock drilling tools, owing to low market price levels; decreased profitability for drill rigs, due to the sharp decline in demand encountered during the second half of the year which led to depressed margins and under-



utilized capacity in the workshops; plus extensive restructuring costs. Return on capital employed was 3 percent (16).

### **Investments**

Investments in land and buildings in 1990 totaled SEK 48 m. (11) and in machinery and equipment SEK 134 m. (160). An investment of SEK 80 m. in the Bremen plant was approved.

### **Business development**

Demand weakened steadily during the year, especially following midyear. In the major mining markets, in such countries as Canada, Australia and South America, demand was weaker, while sales to the EC construction industry remained at the same level as 1989.

For rock drilling tools, the year was characterized by intensive price competition. However, with a one third share of the world market, the Uniroc division holds a strong position and is the leading supplier. From this very solid market platform, a comprehensive program has been set in progress to improve profitability. Powerful measures to reduce both costs and tied up capital are under implementation.

Sales of mechanized drilling equipment for both underground and surface operations declined significantly during the last six months resulting in depressed margins.

The market for breakers and other light contracting equipment remained unchanged from 1989. Sales of rig-mounted hydraulic breakers continued to increase in Europe. The market for hand-held compressed-air breakers also developed favorably.

Demand for loading machines for underground applications declined sharply during the second half of the year. However, Wagner has strongly consolidated its position as market leader and gained further shares of the important North American market.

### **Outlook for 1991**

The business area occupies very strong market positions within all main areas of operation. This, in combination with the development and rationalization programs now in progress — both centrally and in the global sales organization — provides favorable conditions for achieving improvements in earnings during the years ahead. Demand during 1991 is expected to remain weak due to the downturn in general economic conditions. Accordingly, sales are estimated to be somewhat lower than in 1990.

**A new type of drilling rig for the mechanized extraction of narrow ore-bearing strata was launched during the year.**







During 1990, Wagner loading equipment increased its share in a number of important markets.

## Wagner strengthens its hold on the market

*Since its acquisition by Atlas Copco in October 1989, Wagner Mining Equipment has strengthened its position in the world market. During the past year, the company increased its market coverage as 19 of the Group's sales companies started to provide sales and service of the entire Wagner range to all of their mining customers.*

A new generation of compressed-air breakers has made a strong contribution to increased sales.



## Breaker rental a strongly expanding market

*During 1990, a new generation of pneumatic breakers were introduced in a number of markets. These breakers have been developed to meet user demands for greater safety and operating reliability.*

In the building and construction industry, demand for the new breakers is considerable. Equipment rental companies are also expressing considerable interest. The rental market

The sales companies' marketing activities during the year resulted in sales of loading machines in previously uncultivated markets, such as Italy, Turkey, the Philippines and the Australian coal mining sector. In 1991, Wagner is also planning to reinforce its position in other markets via certain of Atlas Copco's other sales companies.

The acquisition of Wagner has provided Atlas Copco with the opportunity to offer packaged solutions. An example is the sale of eight Wagner loading machines and four Atlas Copco drilling rigs to Cyprus Gold in New Zealand.

Notable among the many substantial transactions handled by Wagner during 1990 was an order for seven 13.5-ton Scooptram loading machines from Copper Range, a copper mine in northeast U.S.A., and another for 11 loaders and trucks for use in the coal mining industry in Yugoslavia. The company's share of the North American coal market was increased through an order for 11 Teletram trucks, among others. Several orders for loaders were received from Canadian customers, including Zinc Corp of America, Inco and Brunswick Mining and Smelting.

Product development is another area in which the business area's resources were strengthened through the acquisition. Wagner's specific experience in the underground mining field has contributed valuable know-how. During the year, a series of small Scooptram loaders, an 11-ton loading truck, a 13-ton coal loader and an 18-ton conventional loading truck were launched.

is important for pneumatic breakers, especially in countries like Great Britain where rental companies account for more than 50 percent of sales.

Breaker rental customers, and there are many of them, demand that the machines provide problem-free operation under tough working conditions, without requiring any maintenance.

The breaker range was supplemented during the year with ergonomic versions, to meet work environment requirements in respect of noise and vibration.

This new generation of breakers has contributed strongly to Atlas Copco increasing its sales of hand-held breakers and raising its share in several markets, despite the downturn in business conditions.





Many smaller Chilean mines are planning to mechanize their extraction operations in the near future, in order to reduce costs and increase production.

## Mechanization wave sweeps into small and medium-sized mines

*The trend toward mechanization of operations in the mining of larger ore bodies has been in progress for several decades. In contrast, many small and medium-sized mines still use hand-held equipment. This applies particularly to extraction operations, where the ore-carrying stratum is narrow, ranging from a few centimeters to up to a couple of meters. Favorable metal prices in combination with new opportunities to mechanize mining operation are factors that have contributed to increased interest in the extraction of ores – even from small mines, which were previously considered not worth operating.*

In Chile, 10 smaller companies are planning to mechanize their mining operations in the near future, in order to reduce costs and increase production. The Alhué gold mine, which is part of the Las Cenizas mining com-

pany, is one of the mines that has recently started to mechanize its extraction operations.

The mine, which is located 90 miles south west of Santiago, dresses 25,000 tons of ore each month. To achieve this production level, the company decided in 1989 to introduce a new extraction method, using mechanized equipment. Atlas Copco delivered an electro-hydraulic drilling rig for drifting, two Wagner loaders, an electro-hydraulic rig for long-hole drilling, plus a small down-the-hole crawler rig for drilling of vertical drifts.

The production targets set by the company were attained without any great problem, largely due to motivated employees and the high capacity and functional availability of the new equipment:

- Drift mining operations increased by up to 150 meters per month
- Production drilling capacity was doubled to 110 drilling meters per shift
- Vertical drift working capacity was tripled
- Mine productivity more than doubled, from 100 to 215 tons per man and month.

Following these favorable results, the company now has plans to cooperate with Atlas Copco to mechanize extraction of other smaller-scale ore bodies, both in the Alhué mine and at other of the company's mines, which contain gold or copper.



## Several major development projects launched

*The business area's product development activities are conducted in close cooperation with customers and focus on increasing customers' productivity and improving their working environments. Atlas Copco holds a unique position in this sector, thanks to its rock drilling know-how and its resources for the development and manufacturing of complete drilling systems, including rigs, rock drills and rock drilling tools.*

Mining companies in all mining markets have shown major interest in the newly developed rig for rill mining, a specialist mining method for mechanized long-hole drilling. In contrast to conventional mining, this method enables excavation of larger slices of ore from a lower number of levels.

In 1990, following a development project lasting several years, the Company launched a rig-mounted hydraulic rock drill with high drilling rate. The machine is intended for 105–165 mm-bore holes and drills twice as rapidly as equivalent down-the-hole drills. The unit is intended primarily for use in quarrying and underground mining operations, where it offers major opportunities for increasing productivity.

The limited availability of easily accessible ores and favorable metal prices have increased interest in the mechanized extraction of narrow ore-bearing strata, generally containing high-quality ore, such as gold. A drilling rig that makes it possible to profitably extract such ores has now been developed. The machine, which was launched in the market in October 1990, has aroused major interest, since it results in significantly increased productivity.

Rock reinforcement, another of Atlas Copco's major areas of expertise, is necessary in order to increase safety in all areas of underground operations. A new equipment series has been developed, for completely mechanized installation of rock bolts. These new bolting units, which are unique in their function, provide many advantages. Thanks to the low weight of the moving parts, the short action and the low total weight of these units, they offer excellent precision throughout the entire bolting cycle, while also shortening total bolting time.



**A new range of rigs for completely mechanized bolting is currently being launched in world markets.**



**A new rig-mounted hydraulic rock drill, with a high drilling rate in relation to its weight.**



## Service workshop comes to the customer

*To provide improved customer and delivery service, with a low level of tied-up capital and administrative costs, the Construction and Mining Technique Business Area has introduced a wholly new service concept.*

This concept is based on a fleet of mobile service shops that bring service to the customer rather than the other way around. To begin with, these workshops, which will replace traditional, stationary units, will serve customers in the Nordic region.

The idea originated in Norway and has also been successfully tested in France. The objective is to reduce downtime, particularly in respect of capital-intensive rock drilling equipment. Reactions from customers have been positive, since the servicing of equipment has been made easier and continuous maintenance can be organized on a rational basis.



**Mobile service workshops drive right up to customers' work sites, thereby increasing availability of the drilling equipment.**

The new system provides Atlas Copco's service engineers with direct responsibility for customer contact. The mobile workshops, which are at the disposal of the engineers, are fully equipped with all necessary specialist equipment for preventive maintenance of rock drills and components. The mobile units' inventories are supplemented on a continuing basis with deliveries from the spare parts distribution centers located in different parts of the world. In the case of major repairs, the spare parts and components are delivered directly to customer work sites.

## Continued success for tunnel-boring machines

*Atlas Copco's tunnel-boring machines experienced another successful year of operations in 1990. A number of attractive new contracts were signed and machines delivered earlier have performed extremely satisfactorily.*

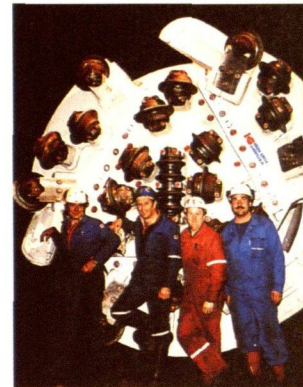
During the year, a Korean contractor, Dong Ah, ordered a Jarva tunnel-boring machine for a water tunnel at the Juam Dam project in Korea. The order constituted a breakthrough for Atlas Copco for this type of equipment in East Asia. The machine was delivered at the end of 1990, just seven months after receipt of order, and tunnelling commenced in February.

In the course of boring a water tunnel for a sewerage plant in Stavanger, Norway, a record was achieved by the machine used. During one working week, this unit bored a 351 meter-long tunnel. The total length of the tunnel is eight kilometers and breakthrough

was achieved in November 1990, after one year's successful tunnelling.

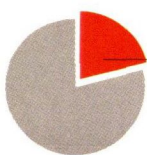
Another record was set in connection with an Italian project, where during 90 days of operation an Atlas Copco tunnel-boring machine bored a total distance of 4,073 meters, or 45.25 meters per day.

A tunnel-boring machine that should arouse major interest will be delivered by Atlas Copco in August 1991 to the Klippen power station in Lappland. Svenska Kraftbyggarna Entreprenad AB is to bore a 10.8 km-long water tunnel from Klippen, close to Tärnaby, to the Överuman Lake. This machine is unique in a number of ways. It is the most powerful hardrock tunnel-boring machine that has ever been built, in terms of thrust force and motor output. Diameter can be varied from 6.4 to 12.4 meters. The machine will be equipped with a completely new type of water-cooled cutters, which enable it to easily handle a 40-percent increase in load. A new bearing design, specially developed for exceptionally wide diameters in hard-rock drilling, is part of the specification.



**Tunnel-boring machines enable entire tunnels to be completed without blasting.**

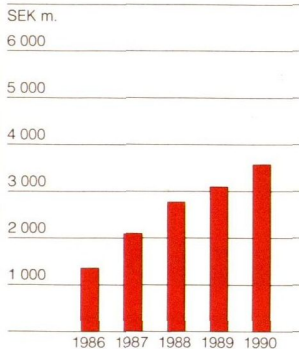




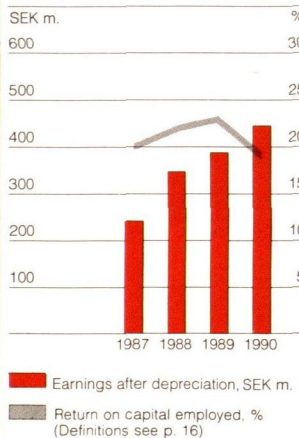
22%  
Share of Group  
sales

# INDUSTRIAL TECHNIQUE

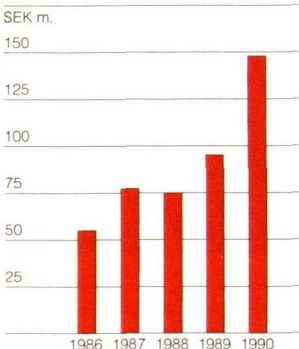
## SALES



## EARNINGS AND RETURN



## INVESTMENTS, RELATED TO PRODUCTION



From left, Lars Larsson, Marianne Hamilton, Lennart Johansson, Roger Desoutter, Michael Treschow, Jacques Manceron, Tord Berggren, Lennart Evrell, Carl Axel Rudd and Richard Besser.

|  | 1990         | 1989         |
|--|--------------|--------------|
| <b>INVOICED SALES, SEK m.</b>                      | <b>3,530</b> | <b>3,090</b> |
| <b>OPERATING PROFIT AFTER DEPRECIATION, SEK m.</b> | <b>446</b>   | <b>388</b>   |
| <b>RETURN ON CAPITAL EMPLOYED, %</b>               | <b>19</b>    | <b>23</b>    |

*The Business Area Industrial Technique consists of three product areas subdivided into seven divisions which are engaged in the development, production and marketing of tools, systems and components for industrial production, automation and maintenance operations: Atlas Copco Automation (components), Atlas Copco Assembly Systems (advanced assembly systems), Atlas Copco Tools (industrial tools), Chicago Pneumatic (industrial tools), Desoutter (industrial tools and assembly systems), Monsun-Tison (components) and Ets. G Renault (tools and assembly systems)*

### Management Committee

Michael Treschow, President of the Business Area

Lennart Johansson, Controller

Marianne Hamilton, Organizational Development

Richard D. Besser, Chicago Pneumatic

Lars Larsson, Atlas Copco Tools

Roger Desoutter, (Beginning Feb 15, 1991,

Paul Jarvis), Desoutter,

Jacques Manceron, Ets. G Renault

Lennart Evrell, Atlas Copco Assembly Systems

Carl Axel Rudd, Monsun-Tison

Tord Berggren, (Beginning April 2, 1991, Clas Nicolin), Atlas Copco Automation

### Strategy

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

### Sales

Invoiced sales increased 14 percent to SEK 3,530 m. (3,090). Orders booked increased 5 percent to SEK 3,437 m. (3,265).

### Earnings

Operating profit after depreciation increased 15 percent to SEK 446 m. (388), corresponding to a profit margin of 13 percent (13). The earnings improvement is primarily due to the Desoutter acquisition and to the rationalization of Chicago Pneumatic beginning to take effect. The profitability of Ets. G Renault remained good.

Return on capital employed was 19 percent (23).

### Investments

Investment in land and buildings related to production amounted to SEK 43 m. (10) and in machinery and equipment to SEK 105 m. (85). An investment in the amount of SEK 27 m. was decided for a new central warehouse in Belgium.

### Business Development

Sales increased during the first half, but fell off increasingly during the autumn. Sales development proceeded favorably in France and Germany, while a decline in demand was noted mainly in Sweden, the U.K. and the U.S.

The strong demand from the aviation industry persisted through the entire year. Order bookings from other customer segments were weaker, particularly from companies manufacturing mobile machinery. A leveling off in order bookings was also noted in the automotive industry, which is the largest customer sector, particularly in North America and Sweden.







### **Structural Changes**

In March 1990, Atlas Copco acquired Desoutter Brothers (Holdings) PLC, a publicly traded company in the U.K. that manufactures and markets industrial tools and assembly systems.

To strengthen Chicago Pneumatic's market position, the company was reorganized and subdivided into three product companies and an international sales company.

The former Monsun-Tison Division was divided into two separate divisions within the business area. These are Monsun-Tison, for hydraulic components, and Atlas Copco Automation, for pneumatic components.

As part of the Atlas Copco Group's reorganization of the sales companies, all divisions within the business area now have their own sales organizations.

To strengthen and coordinate resources for systems development, Atlas Copco Assembly Systems has formed a new company, Advanced Fastening Systems, in the U.S. The company, which takes over systems operations in the U.S. from Atlas Copco Systems and Chicago Pneumatic, will become a leader in its field in the U.S.

### **Outlook for 1991**

In 1991, a continued leveling off is anticipated in the market for most of the business area's products. Action programs are already being implemented to adapt the organization and the cost structure to the situation that is expected. The actions are expected to improve productivity and to raise profitability.

**Roger Desoutter's (left) personal commitment to product development has resulted in the company's strong market position.**



## Organization with earnings responsibility

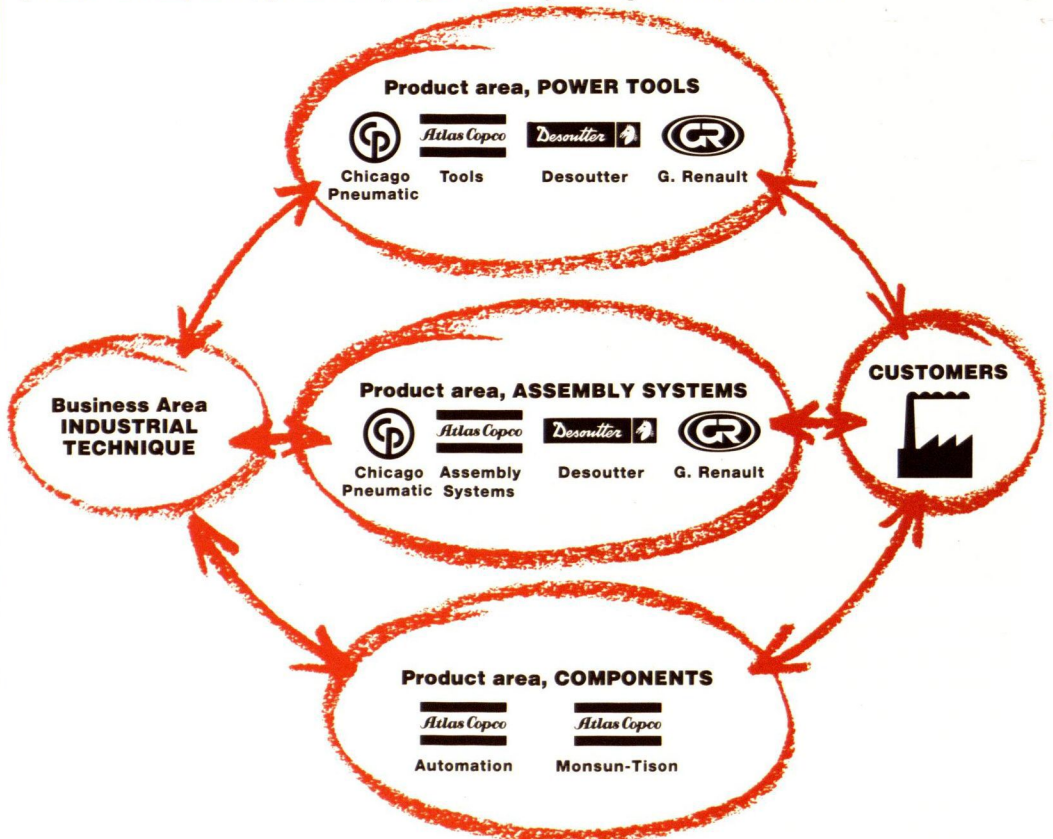
The business area Industrial Technique is an earnings-oriented organization whose focus is on the manufacturing industry via three product areas – power tools, assembly systems and components. The product areas are subdivided into seven divisions to provide each product with the best conceivable market opportunity. Each product concept is consistently supported by the organization. Each product area has its own unique quality and thus its own business culture.

Each division has total responsibility for product development, production, logistics,

administration, sales and profitability. Contact is maintained directly with customers through own sales personnel and retailers, which creates a broad contact area and offers the most favorable prospects for closing a transaction.

The business area's operating method exerts a heavy pressure on the people in the organization to take responsibility for ensuring that the resources placed at their disposal are used in the most efficient way.

The business area's central management can be limited to a few persons due to a clear-cut earnings responsibility and effective follow-up systems. In this way, a rational organization is attained that functions efficiently through informal contacts.



## More trademarks – greater advantages

*Atlas Copco has extensive experience in the marketing of industrial tools and systems. Until just a few years ago, the products were marketed exclusively under the Atlas Copco trademark. To expand its share of the market while simul-*

*taneously improving profitability, a strategy was formulated based on the acquisition of companies with well established trademarks and offering a broad selection.*

The business area's first acquisition was U.S.-based Chicago Pneumatic in 1987. Next came French Ets. G Renault in 1988, with the acquisition of the British company, Desout-



ter, following in 1990. With its four well established trademarks, Atlas Copco can now offer the world's industrialized markets the broadest selection in the industry. With these trademarks, Atlas Copco offers comparable products that nonetheless retain their respective characteristics.

The strategy dictates that each division focus on its own trademark and its own products and services. This means that each division's products must be highlighted not only on the basis of the products' various properties and characteristics but with regard to the market segments that the division in question has the best prospects of being able to cultivate.

This multi-trademark strategy also provides a number of synergy effects for the divisions. Increasingly, components' development is now being conducted jointly with the division which possesses the greatest know-how and which, in turn, directs the development work. The coordination of the purchase of produc-

tion equipment, material and components has resulted in more advantageous agreements with suppliers. Certain components and accessories, e.g. gear wheels and balance blocks, can be produced jointly for all trademarks at one production unit. Another important synergy effect is that the ongoing knowledge-transfer among divisions hastens the development of each individual division.

A multi-trademark strategy also creates certain difficulties, such as market credibility. Since each division has full freedom of action in its marketing, the different trademarks remain market competitors. That means that each division must safeguard the distinctiveness of its products in the marketing to customers, who thereby receive good product information and are better able to select the appropriate product at the right price.

The strategy has already proved successful. The divisions have improved their profitability and increased their market shares.

## Acquired plants raise productivity by stages

Since its 1987 acquisition by Atlas Copco, Chicago Pneumatic has invested heavily in its Utica plant in upstate New York. The investment is aimed at creating a facility based on the latest technology, with advantageous and flexible production from a cost standpoint.

Investments during the first two years focused mainly on modern plant equipment. During the past year, the rationalization has been directed to warehousing and assembly operations.

New, advanced systems, for supplying the manufacturing stations with components and parts, have been established at the Utica plant and already, after one year, production has increased considerably.

In 1988, Chicago Pneumatic reorganized its assembly operations on the basis of stations. Based on experience from this system and Atlas Copco's other plants, a totally different assembly method has been introduced. Work is performed in groups in which individuals assume responsibility for those components that are mounted into finished products. Each work station is designed to be ergonomically sound and rational.

This freer work form has resulted in a considerable rise in motivation. The rationalization program now in progress within Chicago Pneumatic will, in its continuation, be focused on lower level product and capital costs and customer service shall be simultaneously improved.

Since its acquisition in 1988, Ets. G Renault has invested FRF 16 m. in equipment for customer-controlled production and automatic inventory handling, among other systems.

At Desoutter as well, investments in rational production control have been initiated that apply the experience gained from Industrial Technique's other plants.

**Investments in automatic inventory handling, among other systems, have contributed significantly to increased productivity.**





## Intensive product development

*The acquisitions of recent years have meant a broadening of the business area's product development resources. Additional know-how obtained in such areas as electronics, with increased information retrieval from the marketing organizations, has enabled synergy effects to be achieved in the development work in progress in the different divisions.*

Specialized high technology for increased quality

Mass-production tightening technology requires highly advanced equipment. Through utilizing specially designed computers and associated software for guiding and controlling the tightening process, Atlas Copco Assembly Systems provides the automotive industry with the proper aids for automatic assembly.

For Atlas Copco Assembly Systems to stay in the forefront in this highly specialized area requires detailed knowledge of the technology on which the key components are based. One of these is the MACS control system for tightening and quality securing. The fourth generation of this system, MACS Plus, is now in the final stage of development. The development project, the largest that Assembly Systems has ever undertaken, has been in progress for two years. Another of these components is electrical drive systems for nut-runners. GME Systems, a specialist in this area, is responsible for the technical development of these components. A third group of important components is nutrunners which, to date, have been successfully developed by

Atlas Copco Tools. Today, the automotive industry's requirements focus mainly on tightening systems which not only fasten but, on an ongoing basis, perform quality securing, and trigger an alarm when a malfunction occurs in the tightening process. Consequently, development work concentrates on meeting these requirements.

Work environment a priority in Desoutter's development work

The main thrust of Desoutter's development work has been on designing more efficient and environmentally compatible industrial tools. Among other innovations, this has resulted in oscillating grinding machines that require no lubrication. This prevents work surfaces and air in plant premises becoming contaminated by oil particles. A thick protective covering of rubber on the motors and vibration-suppressing handles are some improvements also implemented to enable the operator to work more efficiently with the grinding machine. In addition, all machines are equipped with vacuum cleaners to remove dust from grinding and thereby improve the work environment.

Successful development of components

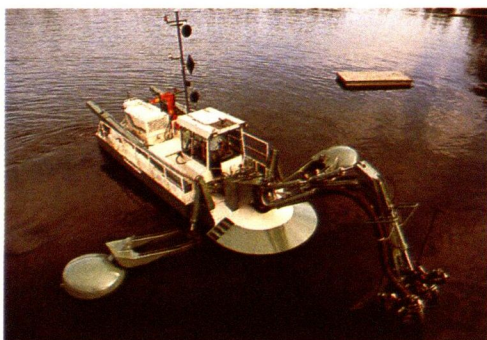
Monsun-Tison concluded several important development projects during the year, among which two new types of control valves for mobile equipment and a new generation of digital electro-hydraulic control systems were introduced.

The demand for customer-adapted, so-called system blocks increased. These integrate various valve functions into one unit and offer a considerable number of combination options. Customers thus save time and reduce costs through shorter design time, simplified purchasing routines and through a reduced number of components to be mounted and stored.

Atlas Copco Automation launched a number of new products on the market during the year for use in such areas as pneumatic positioning technology. Products like cylinders and valves for use within the aluminum industry were further developed and met with increasing worldwide demand. Components for train and truck applications were further developed and introduced to the market with great success. A close cooperation is being maintained with Atlas Copco compressor plants with regard to special compressor valves.



An increasingly large part of Atlas Copco Assembly Systems' sales stem from the needs of customers to document production-related quality. This is accomplished through the connection of tightening-spindles to advanced monitoring systems.



Monsun-Tison's new products and extensive system know-how increase the productivity of its mobile equipment. Shown here is a mini-dredging machine.



## Main supplier to General Motors' Saturn plant

*General Motors has selected Atlas Copco Tools as the main supplier of electrical tools for its new Spring Hill, Tennessee plant in U.S.A. It was mainly the wide Atlas Copco product program, electronics know-how and ability to design tools to extremely specific requirements that contributed to the selection of Atlas Copco Tools.*

The new General Motors plant at Spring Hill is a wholly integrated facility at which engine-, transmission- and final assembly of the entire car are performed. General Motors is producing an entirely new line of car at this plant. It was christened "Saturn" after the space vehicle that carried the first American astronauts to the moon. The Saturn is a small car, thus turning completely away from

American car tradition. During summer 1991, production is scheduled to reach full capacity, annually of 240,000 cars, on a two-shift basis.

This major car project, in which General Motors has invested several billion dollars, has been developed in extremely close cooperation with employees, suppliers and distributors. The employees using the tools and equipment have had a voice in deciding the layout of the plant and work premises as well as determining the suppliers. It was on this basis that Atlas Copco Tools was named main tool supplier. All tools delivered will be electrically powered. General Motors' assembly of the Saturn car requires sensor-controlled as well as directoperated tools with the possibility of optimizing the screw-tightening velocity. Accordingly, Atlas Copco has designed a new tool series for special applications related to safety joints. A large part of the orders received and delivered to date also consist of standard tools. Electrically powered tools for the Saturn plant are produced at the Tierp facility.

## Distribution center upgrades service and reduces costs

*Atlas Copco Tools has decided to relocate its distribution center from the company's factory in Skara to eastern Belgium. This will greatly expedite deliveries and service of industrial tools, accessories and spare parts in Central Europe, where 70 percent of the company's customers are located.*

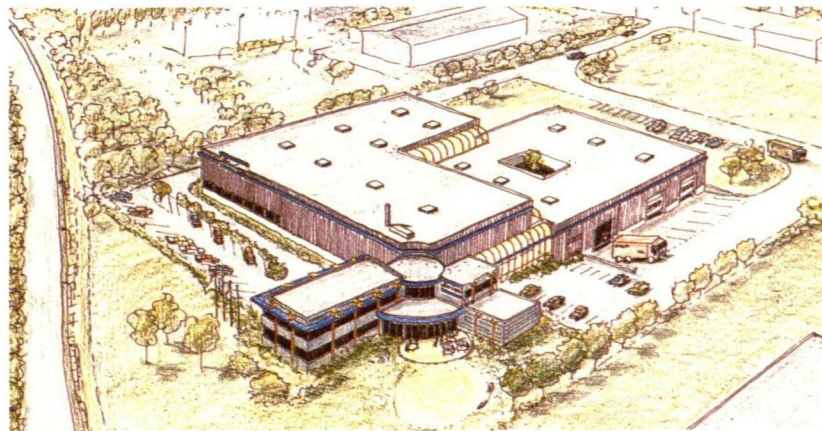
The reason for the company's focusing on this location of its distribution center is wholly related to the implementation of a daily, direct delivery system while simultaneously having discontinued all sales-company stocks in Europe through rationalization. The change enables major savings through reduced capital tied-up and lower freight costs. The facility, in addition to maintaining inventories, will also assemble products consisting exclusively of parts or components from external suppliers.

The new system guarantees that European customers can obtain any product from the

basic assortment within 48 hours due to the warehouse's strategic location, from a transportation standpoint. Operational start-up is expected during 1992, with peak operations to be attained by the beginning of 1993, when the EC's internal market becomes fully implemented. The product line encompasses 900 different tool types, with the central warehouse to handling 19,000 different products, accessories and spare parts.

The distribution center has been planned so as to eventually serve more of the business area's divisions.

**Architect's drawing of Atlas Copco's new distribution center in Belgium.**





# ATLAS COPCO ACTIVE IN HYDROPOWER PROJECTS THROUGHOUT THE WORLD

*Hydroelectrical power facilities in all parts of the world are currently undergoing large-scale expansion, whereby both local and national contractors are being engaged to convert natural resources into valuable energy. Atlas Copco products – such as drilling and bolting rigs, rock drilling tools and compressors – are delivered to major power projects throughout the world. The main reason why such contractors select Atlas Copco as their supplier is the scope of the Group's international operations, which include comprehensive maintenance and service resources and worksite training for operators.*

## **Major expansion of hydropower in India**

At the Kashmir Province, in Northern India, several major hydroelectrical projects are currently being planned, with the objective of adding 19,000 MW of power to the country's energy resources during the 1990s.

One of these projects, in Dul-Hasti, has already commenced. On completion of the first phase, in the summer of 1994, this plant will produce 390 MW of electrical power. A consortium consisting of three French contractors has been assigned responsibility for construction work. The consortium has ordered a

complete package of equipment and services from Atlas Copco in France, including hydraulic and pneumatic drilling rigs, for both underground and surface drilling, as well as a large number of stationary and portable compressors. The equipment is to be used for the drilling of a 9.7-kilometer-long and 8.5-meter-diameter tunnel. Work is divided into two sections; at one end, a 3.4-kilometer tunnel is being bored by conventional methods, while at the same time a tunnel-boring machine bores the remaining 6.4 kilometers from the other end. Simultaneously, the actual power station, with a 70-meter-high and 186-meter-long dam, will be built. To construct the dam, 1,300,000 cubic meters of rock will have to be drilled and blasted with the help of surface rigs.

Another major hydropower project is in progress at Uri, in Kashmir, close to the Himalayas. When this station is completed and becomes operational, in approximately six years, it will have a production effect of 480-MW. A joint-venture company formed by Skanska and NCC is responsible for construction work, which includes removing 5 million cubic meters of rock and earth and drilling and blasting a 17-kilometer long tunnel. Atlas Copco has been assigned to deliver drilling equipment and compressors, at an order value, to date, of SEK 40 m. .

## **Deliveries to the world's largest hydropower projects**

By the year 2007, James Bay in Canada, which has a surface area larger than that of England, will contain 14 hydropower plants with a production capacity of nearly 30,000 MW. Three power stations are already operational and another four are under construction. When fully developed, the James Bay project will be the largest individual hydropower complex worldwide. Atlas Copco has delivered equipment including 24 crawler rigs, for surface construction work in progress, and three large underground rigs for tunnel-boring operations, in addition to several portable compressors.



Atlas Copco has delivered a complete package of drilling equipment, compressors and mobile service workshops for the Dul-Hasti project, in the Kashmir Province of India.

Atlas Copco has delivered crawler rigs for construction work at the world's largest hydropower project, in James Bay, eastern Canada.







Two Atlas Copco jumbo rigs were used for tunnel boring work at the Serra da Mesa power station project, in Brazil.

### Jumbo rigs in Brazil

Work on the Serra da Mesa project, Brazil's latest hydropower station, was initiated in 1987. This station is scheduled for completion during 1991, when it will provide the south-eastern part of the country with electric power. The station will have an effect of 1,200 MW. Since Camargo Correa, the Brazilian contractors, required high-capacity drilling equipment, it ordered two "jumbo" rigs, of the Boomer H178 type, from Atlas Copco; one for each phase of the project. This project, which is now under completion, included the construction of a 150-meter-high and 1,300-meter-long dam, tunnel-boring work and the excavation of rock caverns for the installation of an underground power station. The construction of the tunnels and rock caverns required the blasting and removal of a total of 4.6 million cubic meters of rock.

### New power station in operation in Tanzania

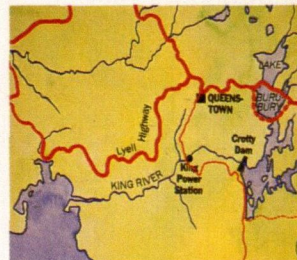
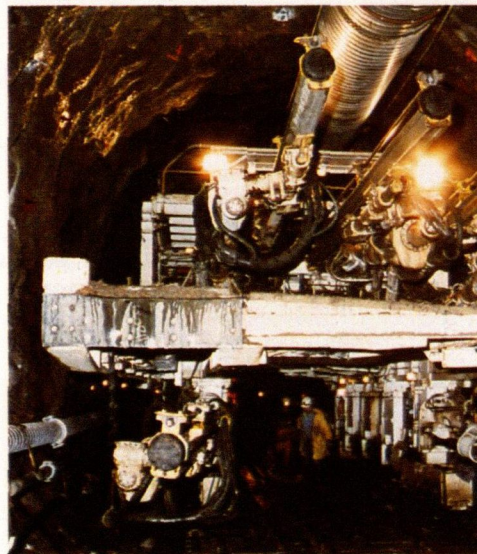
In 1986, two Italian contractors, Cogefar and Strade Coop, were engaged to build an 80-MW power station by the Great Ruaha River, in Tanzania. The contractors, who recruited employees both locally and from Italy, ordered rock-drilling equipment from Atlas Copco. Three drilling rigs were used for project work, which included the building of the actual power station and the construction of several tunnels. Despite difficult drilling conditions, due to the hard types of rock, the rigs succeeded in advancing at an average daily speed of slightly more than 36 meters. The power station is now operational.

### Tasmanians are the world's second largest consumers of electricity

Tasmania, off the south coast of Australia,

already contains 26 power stations. An additional unit, King River, will be completed in 1991, making Tasmanians the world's second largest consumers of electrical power. Waterways constitute the island's only source of energy. King River is situated in the rocky terrain on the west coast of Tasmania. The area has an average annual rainfall of 2,900 mm.

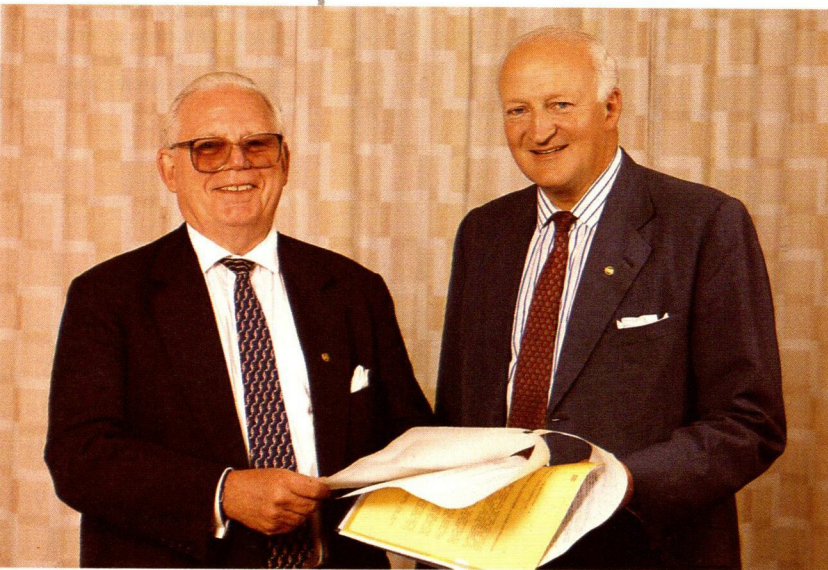
In the face of stiff international competition, Atlas Copco was selected by the Tasmanian Hydro Electric Company to supply rock drilling equipment. An order was made for an 80-ton railborne hydraulic portal rig, equipped with five booms and hydraulic rock drills, to be used for such applications as the boring of the project's largest tunnel. Thanks to the high availability of equipment, construction work was completed five months ahead of schedule, thereby yielding substantial cost savings for the project.



At the Queenstown hydropower project in Tasmania, a jumbo rig equipped with booms and hydraulic rock drills has been used for the drilling of the largest tunnel and other applications.

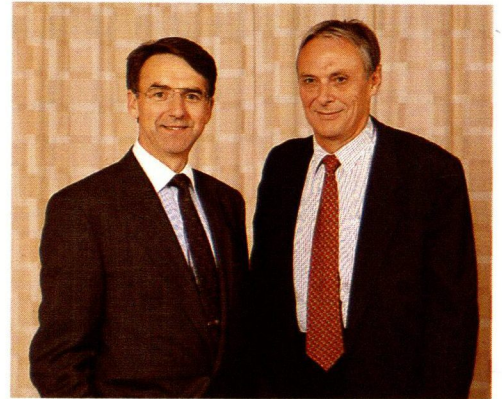


# BOARD OF DIRECTORS AND AUDITORS



**Peter Wallenberg**

**Tom Wachtmeister**



**Per Lundberg**

**Bertil Eriksson**



**Georg Karnsund**

**Björn Svedberg**

**P Henry Mueller**



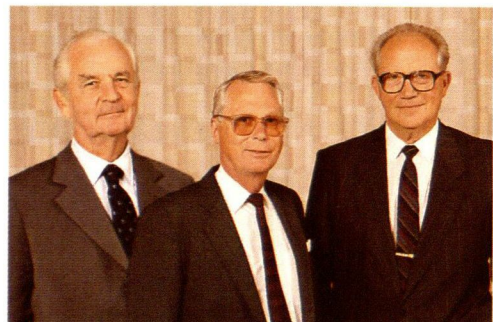
**Curt G Olsson**

**Jacques van der Schueren**

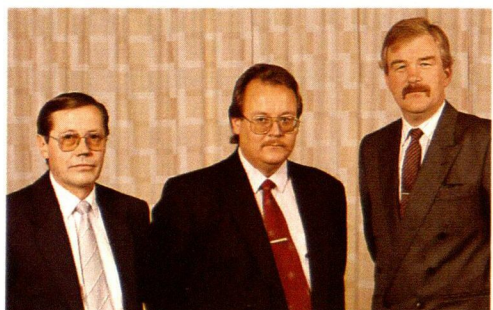


**Jacob Wallenberg**

**Giulio Mazzalupi**



**Otto Grieg Tidemand Gösta Bystedt Lennart Johansson**



**Per-Erik Nyholm**

**Bengt Lindgren**

**Kjell Eliasson**



**Tore Hedberg**

**Christer Améen**

**Bo Henning**



## 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, Providentia, STORA. Vice Chairman of the Boards of ASEA, Electrolux, L M Ericsson and SKF. President of the International Chamber of Commerce (ICC), Paris. Member of the Boards of the Nobel Foundation, Scandinavian Airlines System (SAS), ABB Asea Brown Boveri and the Lauter Institute – University of Pennsylvania. Stockholdings: 50,000 A; 16,667 B.

**Curt G. Olsson** (1976). Born 1927. Chairman of the Boards of S-E-Banken and the Stockholm Chamber of Commerce. Member of the Board of Hufvudstaden. Stockholdings: 600 A; Debentures convertible to 4,000 A shares.

**P. Henry Mueller** (1982). Dr. Litt. h.c. Born 1917. Chairman of the Board of Atlas Copco North America Inc. and Board member of Skandinaviska Enskilda Banken Corp and Ericsson North America Inc.

**Otto Grieg Tidemand** (1982). Born 1921. Shipowner and Board member of Bel ships Co Ltd Skibs A/S, Oslo. Chairman of the Board of Atlas Copco A/S (Norway). Chairman and Board member of various shipping and oil companies in Norway and other countries. Debentures convertible to 4,000 A shares.

**Björn Svedberg** (1983). Dr. Tech. h.c. Born 1937. Chairman of the Boards of L M Ericsson and MoDo. Member of the Boards of AGA and Saab-Scania.

**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, and Federation of Swedish Industries.

**Per Lundberg** (1985). Born 1943. President of Providentia. Chairman of the Boards of L M Ericsson Finans, Nordben Life and Pension Insurance Co Ltd., Nordisk Television, Stockholm-Saltsjön and Ångpanneföreningen. Member of the Boards of Alfa-Laval, Atlas Copco Construction and Mining Technique, Atlas Copco Airpower, Billerud, LM Ericsson (suppl), Garphyttan Industrier, Incentive, Saab Automobile, Saab-Scania, Scanditronix, SPP, Tour & Andersson and Trygg-Hansa SPP Holding. Stockholdings: 250 A; 83 B; Debentures convertible to 3,000 A shares.

**Georg Karnsund** (1987). Born 1933. President and Chief Executive Officer of Saab-Scania. Member of the Board of L M Ericsson. Debentures convertible to 4,000 A shares.

**Gösta Bystedt** (1987). Born 1929. Chairman of the Boards of Scanditronix, Åhléns and the Nilörn Group. Vice Chairman of the Boards of Electrolux, Export-Invest and Axel Johnson. Member of the Boards of ESAB, SKF, S-E-Banken and the Federation of Swedish Industries. Stockholdings: 1,000 A; 333 B; Debentures convertible to 667 A shares.

**Jacob Wallenberg** (1985). Born 1956. Executive vice President of Investor and Providentia. Member of the Boards of Stockholm-Saltsjön, Stora Finans and Wharton European Advisory Board. Deputy Board Member of Investor, Providentia, STORA. Stockholdings: 500 options; Debentures convertible to 4,000 A shares.

**Jacques van der Schueren** (1990). Born 1921. Chairman of the Boards of Atlas Copco Airpower and Atlas Copco Belgium since 1963. Board member in a number of Belgian, Dutch and French companies, incl Société Générale de Belgique, Petrofina, Tractebel, and Federation of Belgian Industries. Member of the Belgian Parliament from 1946 to 1963. Belgium's Minister of Economic Affairs from 1958 to 1961. Stockholdings: 250 A; 84 B.

**Tom Wachtmeister** (1975). Born 1931. President of Atlas Copco AB and Chief Executive Officer since 1975. Employed in the Company since 1959. Member of the Boards of Export-Invest, Hasselfors, Providentia, Saab-Scania and S-E-Banken. Chairman of the General Export Association of Sweden, Swedish Taxpayers' Association and the Sweden-China Trade Council. Stockholdings: 20,400 A; 10,100 B; 16,000 options; Debentures convertible to 4,000 A shares.

**Bertil Eriksson** Deputy Member (1990). Born 1934. Senior Executive Vice President of Atlas Copco AB and Chief Operating Officer. Stockholdings: 3,000 A; 1,000 B; 3,000 options; Debentures convertible to 4,000 A shares.

**Giulio Mazzalupi** Deputy Member (1990). Born 1940. Executive Vice President, Atlas Copco AB and President, Atlas Copco Airpower n.v.

## Employee representatives

**Bo Henning** (1973). Born 1933. Chairman, Atlas Copco local of the Swedish Union of Clerical and Technical Employees in Industry (SIF), Nacka. Debentures convertible to 1,000 A shares.

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

**Kjell Eliasson** (1990) Born 1945. Chairman, Mon-sun-Tison local of the Metal Workers' Union, Borås.

**Christer Améen** Deputy Member. (1986). Born 1939. Chairman Atlas Copco local of the Swedish Association of Graduate Engineers, Nacka. Stockholdings: 272 A; 124 B; Debentures convertible to 667 A shares.

**Tore Hedberg** Deputy Member. (1990) Born 1937. Chairman, Atlas Copco Tools local of the Swedish Union of Clerical and Technical Employees in Industry (SIF), Stockholm.

**Bengt Lindgren** Deputy Member. (1990) Born 1957. Chairman, Uniroc local of the Metal Workers' Union, Fagersta.

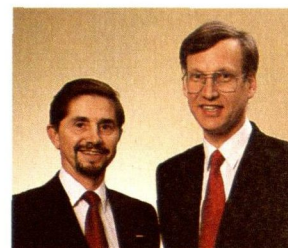
## Auditors

**Karl-G Giertz**  
Authorized  
Public Accountant

**Olof Herolf**  
Authorized  
Public Accountant

**Stefan Holmström**  
Authorized  
Public Accountant,  
Deputy

**Bo Ribers**  
Authorized  
Public Accountant,  
Deputy



Karl-G Giertz

Olof Herolf



Bo Ribers

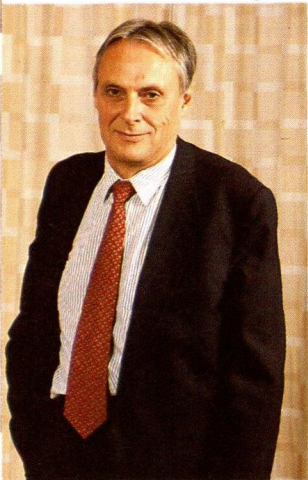
Stefan Holmström



# GROUP MANAGEMENT



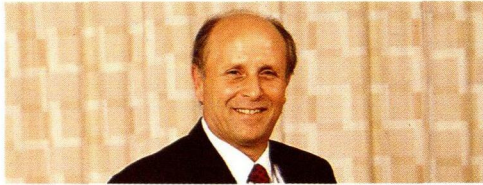
**Tom Wachtmeister**



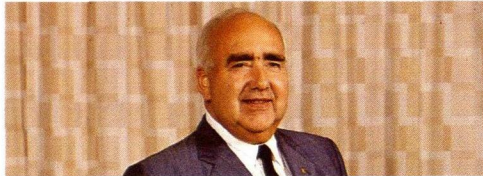
**Bertil Eriksson**



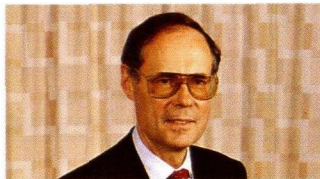
**Magnus Schmidt**



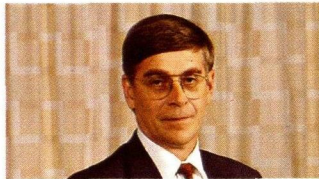
**Giulio Mazzalupi**



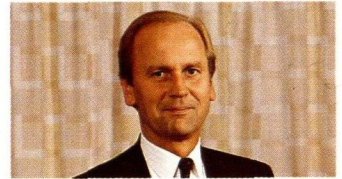
**Sven-Ingvar Svensson**



**Bo Eklöf**



**Bo Johansson**



**Hans Sandberg**



**Michael Treschow**



**Jack Mackenzie**

**Tom Wachtmeister** (1931), President, Atlas Copco AB and Chief Executive Officer, employed since 1959. Stockholdings: 20,400 A; 10,100 B; 16,000 options; Debentures convertible to 4,000 A shares.

**Bertil Eriksson** (1934), Senior Executive Vice President Atlas Copco AB and Chief Operating Officer, employed 1959-1979, and since 1982. Responsible for Atlas Copco Construction and Mining AB (effective March 1, 1991). Stockholdings: 3,000 A; 1,000 B; 3,000 options; Debentures convertible to 4,000 A shares.

**Magnus Schmidt** (1940), Executive Vice President Atlas Copco AB, Corporate development and control, employed since 1986. Stockholdings: 2,000 A; 667 B; Debentures convertible to 4,000 A shares.

**Giulio Mazzalupi** (1940), Executive Vice President, Atlas Copco AB and President, Atlas Copco Airpower n.v., employed since 1971.

**Michael Treschow** (1943), Executive Vice President, Atlas Copco AB and President, Atlas Copco Industrial Technique AB, employed since 1975. Stockholdings: 314 A; 106 B; 900 options; Debentures convertible to 4,000 A shares.

**Sven-Ingvar Svensson** (1932), Executive Vice President Atlas Copco AB, employed since 1958. Stockholdings: 778 A; 260 B; 500 options; Debentures convertible to 4,000 A shares.

**Jack Mackenzie** (1933), Executive Vice President, Atlas Copco AB and President, Atlas Copco Australia Pty Ltd., employed since 1958. Stockholdings: 425 A; 141 B.

**Bo Eklöf** (1941), Senior Vice President, Administration & Information, Secretary to the Board of Directors, employed since 1974. Stockholdings: 123 A; 41 B; Debentures convertible to 1,500 A shares.

**Bo Johansson** (1944), Senior Vice President, Group Treasurer, employed since 1969. Stockholdings: 251 A; 83 B; Debentures convertible to 4,000 A shares.

**Hans Sandberg** (1946), Senior Vice President, General Counsel, employed since 1975.

## Group Staffs

Communications and Public Affairs *Bo Eklöf*  
 Contoller *Anders Björkdahl*  
 Corporate Planning *Carl Caldenius*  
 Finance *Bo Johansson*  
 Group Accounting *Hans Lindblad*

Legal *Hans Sandberg*  
 Executive development *Nils-Åke Jenstav*

## Special Advisers

Ambassador *Iwo Dölling*  
 Ambassador *Lennart Petri*



# ATLAS COPCO SHARE

## Share capital

Atlas Copco's share capital increased during the year by slightly more than SEK 100 m. to SEK 882,214,900 distributed among 35,288,596 shares, each with a par value of SEK 25. Class A shares entitle the holder to one voting right and class B shares entitle the holder to one-tenth of a voting right. All shares are unrestricted. After full conversion of the outstanding convertible debenture loan, share capital amounts to SEK 907,999,900 distributed among 36,319,996 shares.

Atlas Copco has approximately 33,000 shareholders. The portion of shares held by institutional investors amounts to 70 percent. The ten largest shareholders account for 60 percent of the voting rights and 49 percent of the number of shares. The number of foreign-owned shares amounted to about 25 percent.

### Distribution of shares

| Class of share | Shares outstanding | On full conversion | Total             |
|----------------|--------------------|--------------------|-------------------|
| A shares       | 23,468,430         | 1,031,400          | 24,499,830        |
| B shares       | 11,820,166         | —                  | 11,820,166        |
| <b>Total</b>   | <b>35,288,596</b>  | <b>1,031,400</b>   | <b>36,319,996</b> |

### Ownership structure 1990

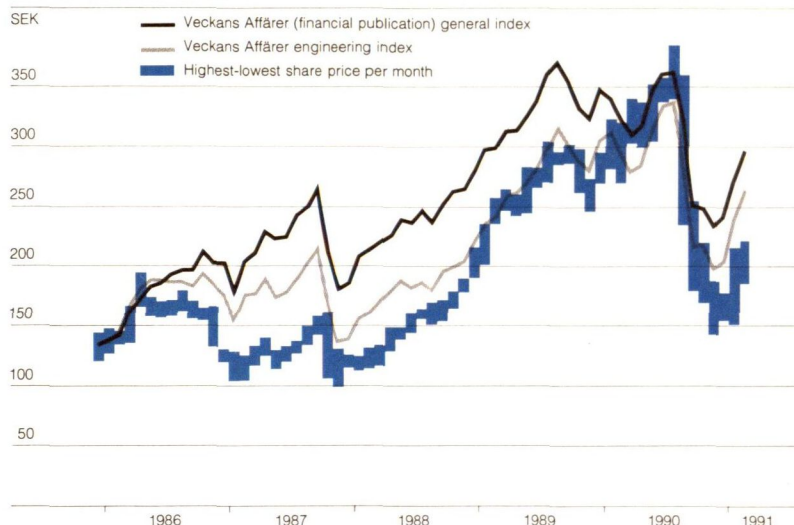
| Number of shares | Number of shareholders | Percent of total number of shares |
|------------------|------------------------|-----------------------------------|
| 1– 500           | 31,346                 | 5.2                               |
| 501– 2000        | 1,857                  | 4.8                               |
| 2001– 10000      | 398                    | 5.1                               |
| 10001– 50000     | 162                    | 10.4                              |
| 50001– 100000    | 33                     | 6.7                               |
| >100000          | 38                     | 67.8                              |
| <b>Total</b>     | <b>33,834</b>          | <b>100.0</b>                      |

### Share price trend

With the exception of April, the Atlas Copco share price increased throughout the spring of 1990. An all-time high of SEK 385 was recorded for the class A share on July 6. In August, the share decreased by 30 percent and the decline continued amid substantial trading. For the year as a whole, the Atlas Copco share fell by a total of 43 percent. The general index fell by 31 percent, while the engineering companies' index declined by 34 percent. The fall in stock prices in 1990 is the largest since the stock market crash of 1931, when the decrease was 40 percent.

The beta value of the Atlas Copco share during 1990 was 1.32. The beta value is a measure of a share's price change compared

### TRENDS OF SHARE PRICES



with that of the market as a whole. Accordingly, the Atlas Copco share moved 32 percent more than the average for the stock market as a whole.

### Market value

The market value on December 31, was SEK 5,575 m. (8,696), which corresponds to 1.1 percent (1.2) of the total market value of the Stockholm Stock Exchange.

### PER SHARE DATA\*

| SEK   | 1986  | 1987 <sup>b)</sup> | 1988  | 1989  | 1990 <sup>b)</sup>       | Average growth per year 85–90, % |
|---|-------|--------------------|-------|-------|--------------------------|----------------------------------|
| Earnings <sup>1)</sup>                        | 12.10 | 11.95              | 19.60 | 26.75 | <b>20.45</b>             | 9                                |
| Earnings after extraordinary items            | 11.15 | 19.65              | 19.75 | 26.75 | <b>20.45</b>             | 6                                |
| Dividend                                      | 5.25  | 5.63               | 6.38  | 8.00  | <b>8.00<sup>2)</sup></b> | 10                               |
| Dividend as percent of earnings <sup>3)</sup> | 43.3  | 47.0               | 32.6  | 29.9  | <b>39.1</b>              |                                  |
| Price quotation, Dec. 31, A                   | 126   | 116                | 207   | 278   | <b>160</b>               | 2                                |
| Price quotation, Dec. 31, B                   |       |                    |       | 278   | <b>154</b>               |                                  |
| Highest price quoted, A                       | 195   | 161                | 215   | 312   | <b>385</b>               |                                  |
| Lowest price quoted, A                        | 119   | 99                 | 112   | 201   | <b>143</b>               |                                  |
| Average price quoted, A                       | 157   | 128                | 144   | 263   | <b>277</b>               |                                  |
| Equity capital <sup>4)</sup>                  | 110   | 126                | 134   | 155   | <b>178</b>               | 12                               |
| Direct yield, percent <sup>5)</sup>           | 3.3   | 4.4                | 4.4   | 3.0   | <b>2.9</b>               |                                  |
| Price/Earnings <sup>6)</sup>                  | 12.9  | 10.7               | 7.4   | 9.8   | <b>13.5</b>              |                                  |
| Price/Sales <sup>7)</sup>                     | 0.47  | 0.35               | 0.36  | 0.57  | <b>0.63</b>              |                                  |

\* Adjusted for share issues.

<sup>1)</sup> Profit after financial income and expense, less full tax and minority interests plus interest expense after tax on the convertible debenture loan, 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 convertible debenture loan 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> Price/Earnings. The average quoted price during the year in relation to earnings per share as defined in <sup>1)</sup>.

<sup>7)</sup> Price/Sales. The average quoted price during the fiscal year in relation to sales per share.

<sup>8)</sup> Based on the weighted average number of shares outstanding.



**LARGEST SHAREHOLDERS**

The largest shareholders, as reported by VPC (Swedish Securities Register Center) in February 1991 are shown in the following table:

|                                      | Number of shares | % of votes | % of total |
|--------------------------------------|------------------|------------|------------|
| Robur, Aktie- och Allemansfonder     | 6,991,397        | 22.49      | 19.81      |
| Förvaltnings AB Providentia          | 2,965,000        | 12.03      | 8.40       |
| AB Investor                          | 2,865,000        | 11.62      | 8.12       |
| AB Patricia                          | 1,434,984        | 5.82       | 4.07       |
| Skandia Gruppen                      | 560,293          | 1.81       | 1.59       |
| Trygg Hansa Gruppen                  | 742,600          | 1.56       | 2.10       |
| Wasa Gruppen                         | 702,116          | 1.25       | 1.99       |
| Försäkringsbolaget SPP Ömsesidigt    | 370,924          | 1.20       | 1.05       |
| Allm Pensionsf. Fjärde Fondstyrelsen | 328,924          | 1.03       | 0.93       |
| AMF Pensionförsäkringar              | 296,149          | 0.82       | 0.84       |
|                                      | 17,257,387       | 59.63      | 48.90      |
| Others                               | 18,031,209       | 40.37      | 51.10      |
| Total                                | 35,288,596       | 100.00     | 100.00     |

**Share issues**

Atlas Copco was responsible for the largest share issue among Swedish companies in 1990. The share issue, which was a non-preferential issue in the international market, consisted of 4,000,000 new B shares, with an issue price of SEK 320.13 per share. The share issue, was aimed primarily at investors in the U.S., Great Britain and Germany.

To further increase international trading in the Atlas Copco share, both types of shares were introduced on the International Stock Exchange in London in December. Class A shares were already listed on the stock exchanges in Frankfurt am Main, Düsseldorf and Hamburg. In March 1991, the B shares were also introduced on the German stock exchanges.

Since 1965, the share capital has increased by means of bonus issues and new issues as follows:

|      |                                 |                                     | Increase of<br>share capital<br>SEK m. | Amount<br>paid-in<br>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<br>(non-preferential) | 2,765,000 shares<br>at SEK 135      | 69.1                                   | 373.3                       |
| 1989 | Bonus issue                     | 1 B share: 3 A shares               | 195.5                                  | —                           |
| 1990 | New issue<br>(non-preferential) | 4,000,000 B shares<br>at SEK 320.13 | 100.0                                  | 1,280.5                     |
|      | Conversion of<br>debenture loan | 7,930 shares                        | 0.2                                    | 1.2                         |

**Dividend policy**

The Board's objective is that dividends to shareholders should amount to 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 of SEK 8.00 per share is approved, the average dividend growth for the 5-year period 1986 to 1990 will amount to 10 percent. The proposed dividend corresponds to 39 percent (30) of earnings per share. Expressed as a percentage of shareholders' equity per share, the dividend is 4.5 percent (5.2)

**Trading**

The Atlas Copco share was the eleventh (sixteenth) most traded share on the Stockholm Stock Exchange in 1990. Including subsequent registrations, a total of 8,534,731 shares were traded, (of which 3,778,056 were class A and 4,756,675 were class B corresponding to a value of SEK 2,052 m. (1,219) or 24 percent (23) of the company's total number of shares at year-end. An average of 34,139 shares (15,916) shares were traded per market day. The turnover rate (degree of liquidity) in 1990 was 22 percent compared with the stock market average of 14 percent.

An increased proportion of trading in the Atlas Copco share occurred outside Sweden, a trend that applied to other major listed companies and which is primarily due to the securities tax in Sweden. Trading in London was almost three times greater than in Stockholm, amounting to 24,101,424 (10,633,202) shares. Ninety percent of all Atlas Copco shares were traded during 1990. Foreign trading in the Atlas Copco share resulted in a net import of SEK 1,004 m.

**Atlas Copco's General Savings Fund**

Beginning in April 1984, all employees of Atlas Copco were offered the opportunity of participating in the company-affiliated Atlas Copco General Savings Fund. In December 1990, the Fund's shareholding was 46,899 shares, corresponding to a market value of SEK 7.5 m. The Funds are managed by Atlas Copco Fondaktiebolag.



# Options and convertibles

## Call options

A call option gives the holder the right, but not the obligation to purchase a share at a predetermined price, at any time within a determined period, referred to as the time to expiration. The call option is written by the shareholder, who is thereby committed to sell the share during the time to expiration, if the option holder chooses 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 introduced options with the right to purchase shares in Atlas Copco in 1984, it marked the appearance of a new type of security on the Swedish capital market. Previously, the Swedish capital market only offered warrants carrying the rights to subscribe for new shares. The option gives the holder the right to purchase 1.33 Atlas Copco shares from AB Patricia at a price of SEK 112 per share at any time during the period January 2, 1985 to September 2, 1994. All of the shares which may be purchased are unrestricted class A shares. There are approximately 1.1 million options outstanding.

The highest exercise price for the options during the year was SEK 332 (275) and the lowest SEK 110 (127). Trading during the year amounted to SEK 41.6 m., corresponding to 171,270 options.

An alternative type of trading in Atlas

Copco options appeared in 1985. These options were written with varying times to expiration of 3 or 6 months. The underlying value of the options is 100 shares. Trading is handled through Stockholms Optionsmarknad OM Fondkommission AB.

In 1990, option contracts accounted for about 1.8 million shares, approximately 5 percent of all Atlas Copco shares.

Since the call option gives the buyer the right to purchase existing shares, options do not create a dilution effect.

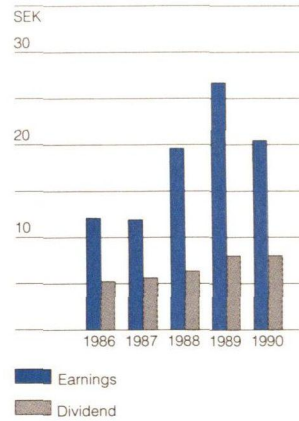
## Convertible debenture loan

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 154.7 m. The debenture loan matures on March 15, 1993, if conversion has not occurred prior to this date.

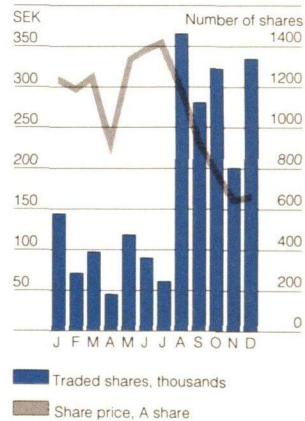
Conversion may take place during the period August 14, 1989 to March 1, 1993. The conversion price was originally SEK 200 per share. After adjustment for the 1989 bonus issue, the conversion price is SEK 150 per share. This means that three convertible debenture certificates, with a par value of SEK 200, can be exchanged for four unrestricted class A shares in Atlas Copco AB. The loan carries a fixed interest rate of 10 percent.

In 1990, conversion of the debenture loan corresponded to 7,930. On full conversion, the number of shares will increase by 1,031,400 corresponding to 2.9 percent of the current share capital.

**EARNINGS AND DIVIDEND PER SHARE**



**TRENDS OF SHARE PRICES/ TRADED SHARES 1990**



**Tom Wachtmeister in discussion with the Managing Director of the Primary Markets Division of the International Stock Exchange in London, Mr. Stewart Douglas-Mann (right) among others at the time of the Atlas Copco listing.**





# WORLDWIDE SALES AND SERVICE ORGANIZATION



## ■ NORTH AMERICA

### Canada

Atlas Copco Compressors Canada  
Montreal, Quebec  
*Wim Schoenmakers*

Atlas Copco Construction &  
Mining NA  
Montreal, Quebec  
*David Bonner*

Secoroc Ltd  
Burlington, Ontario  
*Sten Pettersson*

Kenroc Tools Corporation  
North Bay, Ontario  
*Dan Mahoney*

Atlas Copco Tools Canada  
Toronto, Ontario  
*Peter Jansson*

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

### USA

Atlas Copco Industrial  
Compressors Inc  
Holyoke, Massachusetts  
*Arthur J Droege*

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

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

Rotoflow Corporation Inc  
Gardena, California  
*Ulrich Grundmann*

Atlas Copco Construction and  
Mining NA  
Golden, Colorado  
*David Bonner*

Secoroc  
Commerce City, Colorado  
*Torbjörn Redaelli*

T-H Industries  
Ft Loudon, Pennsylvania  
*Torbjörn Redaelli*

Wagner Mining Construction  
Equipment Co  
Portland, Oregon  
*Rod Brown*

Berema Inc  
Norwalk, Connecticut  
*Peo Sollerud*

Atlas Copco Industrial  
Tools Inc  
Farmington Hills, Michigan  
*Charles Robison*

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

Desoutter Inc  
Livonia, Michigan  
*Thomas Boik*

Advanced Fastening Systems Inc  
Sterling Heights, Michigan  
*Dave Johnson*

GME System Inc  
Wexford, Pennsylvania  
*Björn Karlström*

Monsun North America Inc  
Elk Grove Village, Illinois  
*Kjell Jansson*

## ■ LATIN AMERICA

### Argentina

Atlas Copco Argentina SACI  
Buenos Aires  
*Jan Ahlin*

### Bolivia

Atlas Copco Boliviana S A  
La Paz  
*Olof Hössner*

### Brazil

Atlas Copco Compressores  
São Paulo  
*Mauro de Mesquita*

Atlas Copco Construction and  
Mining Technique Brasil  
São Paulo  
*José Luis Fonseca*

Uniroc do Brasil Ind e Com Ltda  
São Bernardo do Campo, SP  
*Osmar Franco*

Atlas Copco Tools Brasil  
São Paulo  
*Carlos Frateschi*

Atlas Copco Assembly Systems  
Brasil  
São Paulo  
*Walter Cavichioli*

### Chile

Atlas Copco Chilena S A C  
Santiago  
*André Richard*

Drillco S A  
Santiago  
*Per-Arne Lindqvist*

### Colombia

Atlas Copco Colombia Ltda  
Bogotá  
*Antoine Santiago*

### Ecuador

Atlas Copco Ecuatoriana S A  
Quito  
*Jo Cronstedt*

### 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  
Mexico, DF  
*Luis Palacios*

### 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



## ■ AFRICA

### Algeria

Atlas Copco Compressor  
International  
Bureau d'Assistance Technique  
Algiers  
*Jean-Pierre Blomart*

### Botswana

Atlas Copco Botswana (Pty) Ltd  
Gaborone  
*Peter L. Edmunds*

### Egypt

Atlas Copco Compressor  
International  
Representative Office  
Cairo  
*John Vanezos*

### Kenya

Atlas Copco Kenya Ltd  
Nairobi  
*Eric N Smith*

### Lesotho

Atlas Copco Lesotho Ltd  
Maseru  
*Don Thompson*

### Morocco

Atlas Copco Maroc S A  
Casablanca  
*Marc Lanneau*

Atlas Copco Construction and  
Mining Technique Maroc  
Casablanca  
*Gerard Verdou*

### Namibia

Atlas Copco Namibia (Pty) Ltd  
Windhoek  
*Peter L. Edmunds*

### Nigeria

Nitro Atlasco Nigeria Ltd\*  
Lagos  
*Krzysztof Pietkiewicz*

### South Africa

Secoroc Pty Ltd  
Springs Transvaal  
*Rolf Söderman*

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

Desoutter (SA) (Pty) Ltd  
Sandton  
*James Meyers*

Delfos & Atlas Copco  
(Pty) Ltd\*  
Benoni  
*Sergio Camozzi*

### Zaire

Atlas Copco EDCA  
Technical Office  
Lubumbashi  
*Albert Herbigneaux*

### Zambia

Atlas Copco (Zambia) Ltd  
Ndola  
*Per Eric Holmberg*

### Zimbabwe

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

## ■ EUROPE

### Austria

Atlas Copco Compressor Division  
Vienna  
*Helmut Micheli*

Atlas Copco Construction and  
Mining Technique Austria  
Vienna  
*Paulo Duca*

Atlas Copco Tools Austria  
Vienna  
*Heinrich Wagner*

Desoutter Ges mbH  
Gerasdorf  
*Reinhold Fleissner*

### Belgium & Luxemburg

Atlas Copco Compressor Division  
Overijse  
*Jean-Jacque Heymans*

Atlas Copco Construction and  
Mining Technique Belgium &  
Luxemburg  
Overijse  
*André Vanhole*

Atlas Copco Tools Belgium  
Overijse  
*Johan Moeys*

Desoutter Ltd  
Brussels  
*Marc Peeters*

Chicago Pneumatic NA Tool  
Company SA  
Zaventem  
*Trevor Scrace*

Atlas Copco Automation  
Overijse  
*Bert van der Scheer*

### Czechoslovakia

Atlas Copco Compressor  
International  
Representative Office  
Prague  
*Olle Hagling*

### Cyprus

Atlas Copco Cyprus Ltd  
Nicosia  
*Demetrios Angelides*

### Denmark

Atlas Copco Kompressor teknik A/S  
Glostrup  
*Jens Karman*

Atlas Copco Tools Danmark  
Ishøj  
*Flemming Vikbjerg*

Monsun Automation A/S  
Ishøj  
*Henrik Burkal*

### Finland

Oy Atlas Copco Kompressorit Ab  
Masala  
*Reijo Siimes*

Oy Atlas Copco Louhintekniikka Ab  
Masala  
*Ilkka Eskola*

Oy Atlas Copco Tools Ab  
Masala  
*Jyrki Enho*

Kometa Oy  
Esbo  
*Christer Strandh*

### France

Atlas Copco Compresseurs SA  
Franconville  
*Alain Rodrigues*

Ets Mauguière SA  
Sermamagny  
*Johan Molin*

Atlas Copco Mines &  
Travaux Publics S A  
Franconville  
*Edmond Rigauumont*

Secoroc S A  
Ivry sur Seine  
*Philippe Derobert*

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

Ets Georges Renault S A  
Nantes  
*Jacques Manceron*

Desoutter SA  
Nanterre  
*Alain Maurey*

Monsun-Tison S A  
Cergy Pontoise  
*Philippe Corrége*

### 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  
Hilden  
*Sven Axelsson*

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

Atlas Copco Tools GmbH  
Essen  
*Yngve Revander*

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

Desoutter GmbH  
Maintal-Hochstadt  
*Otto Barthel*

Atlas Copco EAC GmbH  
Essen  
*Bo Hellmark*

Monsun-Tison GmbH  
Darmstadt  
*Rainer Borkowsky*

### Great Britain

Atlas Copco Compressors Ltd  
Hemel Hempstead  
*Lennart Hedlund*

Atlas Copco Construction &  
Mining Ltd  
Hemel Hempstead  
*Gordon Woodward*

Atlas Copco Tools Ltd  
Hemel Hempstead  
*John Horn*

Desoutter Ltd  
London  
*Paul Jarvis*

Desoutter Automotive Ltd  
London  
*Ray Whybro*

Consolidated Pneumatic  
Tool Company Ltd  
Hemel Hempstead  
*Ron Homer*

Monsun-Tison Ltd  
Ossett, West Yorkshire  
*Per Johansson*

### Greece

Atlas Copco Hellas A E  
Athens  
*Peter Meyer*

### Hungary

Atlas Copco Compressor  
International  
Representative Office  
Budapest  
*Gunnar Hindrum*

Atlas Copco Kompressor KFT  
Budapest  
*Gunnar Hindrum*

### Ireland

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

### Italy

Atlas Copco Divisione  
Compressori  
Milan  
*Natale Tubiolo*

Atlas Copco Construction and  
Mining Technique Italy  
Milan  
*Flavio Lanati*

Secoroc s r l  
Trezza sul Naviglio  
*Giuseppe Baietta*

Atlas Copco Tools Italia  
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*Annibale Corrieri*

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Oltrona  
*Fiorenzo Livero*



Chicago Pneumatic  
Tool Co SpA  
Milan  
*Renzo Remondi*

Atlas Copco Automazione SpA  
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#### Netherlands

Atlas Copco Kompressoren  
Zwijndrecht  
*Dick Plate*

Atlas Copco Construction and  
Mining Technique Netherlands  
*Andre Vanhole*

Atlas Copco Tools Nederland  
Zwijndrecht  
*Leen van Diggele*

Desoutter Ltd  
Breda  
*Marc Peeters*

Atlas Copco Automation  
Zwijndrecht  
*Bert van der Scheer*

#### Norway

Atlas Copco Kompressor-  
teknikk A/S  
Ski  
*Martin Hagen*

Atlas Copco Anlegg- & Gruve-  
teknikk A/S  
Ski  
*Gunnar Pedersen*

Secoroc A/S  
Skårer  
*Erik Löftingsmo*

Berema A/S  
Ski  
*Per Finsveen*

Atlas Copco Tools Norge  
Ski  
*Per Arne Martinsen*

Monsun-Tison A/S  
Ski  
*Ole Ingar Vee*

#### Portugal

Soc Atlas Copco  
de Portugal Lda  
Lisbon  
*Bengt Dahlgren*

#### Spain

Atlas Copco División  
Compresores  
Madrid  
*Julián Aragonés*

Atlas Copco Construction and  
Mining Technique Spain  
Madrid  
*Francisco Menéndez Larrea*

Atlas Copco Tools España  
Madrid  
*Ascensio Liarte*

Desoutter SA  
Madrid  
*Ramon Rios Mitchell*

#### Sweden

Atlas Copco Compressor AB  
Nacka  
*Leif Boll*

Atlas Copco MCT Sverige AB  
Nacka  
*Gustaf Bråkenhielm*

Atlas Copco Energy AB  
Nacka  
*Per Gunnar Skoglundh*

Secoroc AB  
Fagersta  
*Lars-Erik Aaro*

Uniroc Grinding AB  
Skellefteå  
*Jan Sidén*

Lövab AB  
Sunne  
*Berndt Karlsson*

Rebit AB  
Ockelbo  
*Stig Brännström*

Kometa AB  
Gällivare  
*Aappo Fagerhill*

Berema Sverige AB  
Solna  
*Jörgen Krook*

Atlas Copco Tools Sverige  
Stockholm  
*Roland Lindqvist*

Atlas Copco Assembly  
Systems AB  
Stockholm  
*Lennart Euvrell*

GME System AB  
Stockholm-Tyresö  
*Hans Friberger*

Atlas Copco SAC AB  
Stockholm-Vallentuna  
*Sverker Lindbo*

Monsun-Tison Hydraulik AB  
Borås  
*Roland Nilsson*

Atlas-Copco Automation  
Svenska AB  
Borås  
*Hans Törner*

#### Switzerland

Atlas Copco Kompressoren für  
Industrie und Bau  
Studen/Biel  
*Hans W Brodbeck*

Atlas Copco Construction and  
Mining Technique Switzerland  
Studen/Biel  
*Paolo Duca*

Atlas Copco Tools Schweiz  
Studen/Biel  
*Hugo Pfeuti*

GME System AG  
Küttingen  
*Kjell Sjöberg*

#### Yugoslavia

Atlas Copco Delegate  
Belgrade  
*Georges Herbeaux*

## 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*

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

### Iran

Atlas Copco Iran AB  
Tehran  
*Bertil Lindsten*

### Iraq

Atlas Copco Compressor  
International  
Technical Service Office  
Baghdad  
*Ronny Onkelinx*

### Japan

Atlas Copco KK  
Fukushima  
*Necip Soyak*

Atlas Copco Iwata KK  
Fukushima  
*Necip Soyak*

### Korea

Atlas Copco Mfg Korea Co Ltd  
Seoul  
*Jan Barendregt*

Hamico Bit (Korea) Co Ltd  
Seoul  
*Hans Hedensjö*

### Malaysia

Atlas Copco (Malaysia) Sdn Bhd  
Kuala Lumpur  
*Dawid TW Tan*

### Philippines

Atlas Copco (Philippines) Inc  
Paranaque  
*Patrik Wennerström*

### Saudi Arabia

Atlas Industrial Equipment  
Co Atlasco\*  
Jeddah  
*Jean Pierre Fauque*

### Singapore

Atlas Copco (South-East  
Asia) Pte Ltd  
Singapore  
*Yvo Goossens*

### Taiwan

Atlas Copco Taiwan Ltd  
Taipei  
*Thomas Kung*

### Turkey

Atlas Copco Makinalari  
Imalat AS  
Istanbul  
*Marc Lambert*



## ■ OCEANIA

### Australia & New Guinea

Atlas Copco Compressors  
Australia  
Sydney  
*Michael Tatum*

Atlas Copco Construction and  
Mining Technique Australia  
Sydney  
*Ray Bridgewater*

Atlas Copco Hire Australia  
Sydney  
*John Bohatko*

Secoroc Australia Pty Ltd  
Charlestown  
*Bruce Johnson*

Kenroc Tools Pty Ltd  
Sydney  
*John Brodie*

Atlas Copco Tools Australia  
Blacktown  
*Mike Foy*

Chicago Pneumatic Tool  
Company Pty Ltd  
Castle Hill, NSW  
*Kevin Boorer*

### New Zealand

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

## DIRECTIONS

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Telefax: +46-8-644 9045  
Telex: 14090 copco s

### BUSINESS AREAS

#### Compressor Technique

Atlas Copco Airpower n v  
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B-2610 Wilrijk-Antwerpen, Belgium  
Telephone: +32-3-870 2111

#### Atlas Copco ACT

Boomsesteenweg 957  
B-2610 Wilrijk-Antwerpen, Belgium  
Telephone: +32-3-870 2111

#### Atlas Copco Compressor International

Boomsesteenweg 957  
B-2610 Wilrijk-Antwerpen, Belgium  
Telephone: +32-3-870 2111

#### Construction and Mining Technique

Atlas Copco Construction and  
Mining Technique AB  
S-105 23 Stockholm  
Telephone: +46-8-743 8000

#### Atlas Copco Tunneling and Mining AB

S-105 23 Stockholm  
Telephone: +46-8-743 8000

#### Uniroc AB

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Telephone: +46-223-461 00

#### Atlas Copco Energy AB

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#### Atlas Copco Berema AB

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#### Wagner Mining & Construction Equipment Co

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#### Atlas Copco Surface Drilling GmbH

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#### Atlas Copco Construction and Mining Export AB

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#### Industrial Technique

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#### Atlas Copco Tools AB

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#### Atlas Copco Assembly Systems AB

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Telephone: +46-8-743 9500

#### Monsun-Tison AB

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#### Ets G. Renault S. A.

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France  
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#### Desoutter Brothers (Holdings) PLC

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Colindale  
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#### Atlas Copco Automation AB

Box 110  
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Telephone: +46-321-150 20



# FIVE YEARS IN SUMMARY

SEK m. unless otherwise noted. For definitions, see page 16.

| <b>ATLAS COPCO GROUP</b>   | 1986   | 1987   | 1988   | 1989   | <b>1990</b>   |
|--|--------|--------|--------|--------|---------------|
| Earnings per share, SEK  | 12.10  | 11.95* | 19.60  | 26.75  | <b>20.45*</b> |
| Earnings per share after extraordinary items, SEK                | 11.15  | 19.65* | 19.75  | 26.75  | <b>20.45*</b> |
| Profit margin, percent   | 7.1    | 6.8    | 9.0    | 10.1   | <b>8.0</b>    |
| Return on capital employed, before tax, percent                  | 17.3   | 15.6   | 19.5   | 23.4   | <b>17.7</b>   |
| Return on equity capital, after tax, percent                     | 12.0   | 10.7   | 16.1   | 19.5   | <b>12.5</b>   |
| Rate of equity capital, percent                                  | 37.1   | 36.5   | 36.6   | 36.6   | <b>45.1</b>   |
| Rate of equity capital after full conversion, percent            | 37.1   | 38.0   | 38.0   | 37.8   | <b>46.2</b>   |
| Dividend per share, SEK  | 5.25   | 5.63   | 6.38   | 8.00   | <b>8.00**</b> |
| Orders booked  | 10,629 | 11,797 | 13,533 | 15,785 | <b>15,931</b> |
| Invoiced sales   | 10,351 | 11,520 | 12,812 | 15,035 | <b>15,915</b> |
| Percent change, current prices                                   | +3     | +11    | +11    | +17    | <b>+6</b>     |
| Sales outside Sweden, percent                                    | 91     | 92     | 92     | 92     | <b>93</b>     |
| Profit after financial income and expense                        | 730    | 789    | 1,155  | 1,521  | <b>1,270</b>  |
| Net interest expense   | -116   | -161   | -25    | -160   | <b>-198</b>   |
| As percent of invoiced sales                                     | 1.1    | 1.4    | 0.2    | 1.1    | <b>1.2</b>    |
| Interest coverage ratio  | 2.9    | 3.5    | 4.1    | 3.9    | <b>3.3</b>    |
| Total assets   | 9,262  | 10,752 | 11,377 | 13,258 | <b>13,971</b> |
| Ratio of assets to liabilities                                   | 1.6    | 1.6    | 1.5    | 1.6    | <b>1.8</b>    |
| Ratio of current assets to current liabilities                   | 1.9    | 2.0    | 2.0    | 1.8    | <b>2.0</b>    |
| Capital turnover ratio   | 1.15   | 1.14   | 1.18   | 1.22   | <b>1.13</b>   |
| Ratio of interest-bearing liabilities to shareholders' equity*** | 0.92   | 0.94   | 0.95   | 0.95   | <b>0.62</b>   |
| Investments in machinery and buildings                           | 507    | 422    | 424    | 545    | <b>682</b>    |
| As percent of invoiced sales                                     | 4.9    | 3.7    | 3.3    | 3.6    | <b>4.3</b>    |
| Average number of employees                                      | 16,498 | 18,777 | 19,207 | 20,057 | <b>21,507</b> |
| Invoiced sales per employee, SEK thousands,                      | 627    | 614    | 667    | 750    | <b>740</b>    |

\* For 1987 and 1990 based on the weighted average number of shares outstanding.

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

\*\*\* Shareholders' equity and minority interest.



## FINANCIAL INFORMATION FROM ATLAS COPCO

Atlas Copco will publish the following financial reports in respect of 1991 operations:

|  |                   |
|--|-------------------|
| Group President's Address to Shareholders at the AGM ..... | April 25, 1991    |
| Interim Report on first quarter .....                      | May 16, 1991      |
| on first six months .....                                  | August 23, 1991   |
| on first nine months .....                                 | November 22, 1991 |
| 1991 Preliminary 12-month Report .....                     | February 1992     |
| 1991 Annual Report .....                                   | April 1992        |

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has been published by the following financial analysts in 1990/91:

|   |                              |
|---|------------------------------|
| Barclays de Zoete Wedd, London .....      | Jan Dworsky                  |
| James Capel, London .....                 | Peter Lawrance               |
| Consensus Fondkommission, Stockholm ..... | Ulf Torgrimson               |
| Credit Lyonnais, London .....             | Keith Williams               |
| Deutsche Bank, London .....               | Klaus Perschbacher           |
| Dillon Read, New York .....               | Andrew J. Silver             |
| Enskilda Fondkommission, Stockholm .....  | Michael Grundberg            |
| Enskilda Research, London .....           | Peter Karlsson               |
| First Boston, New York .....              | John E. McGinty              |
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| Goldman Sachs, London .....               | Anders Bräténius             |
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| Hoare Govett, London .....                | Peter Tron                   |
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| Philip & Drew, London .....               | Peter J. Dupont              |
| Salomon Brothers, New York .....          | David R. Snyder              |
| Swiss Bank Corp, London .....             | Gordon MacLean               |
| S.G. Warburg, London .....                | Tim Youngman                 |
| Öhman, Stockholm .....                    | Staffan Östlin/Johan Lannebo |



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