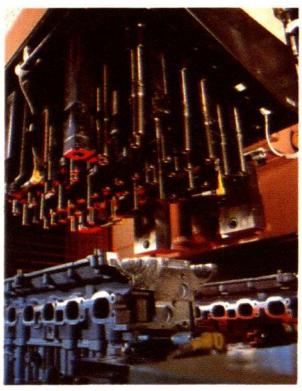
ANNUAL REPORT

Atlas Copco 1991

Contents

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 Friday, May 8, 1992, at 4.00 p.m. in **Berwaldhallen,** Strandvägen 69, Stockholm, Sweden.



Cover illustration:
An assembly system with 49 spindles for tightening of engine bolts. MACS, an advanced, computer controlled system, is responsible for quality assurance.

1991

Sales

Group invoiced sales decreased 6 percent to SEK 15,030 m. (15,915).

Earnings

Group operating profit after depreciation amounted to SEK 1,074 m. (1,461), corresponding to 7.1 percent (9.2) of total sales.

After net financial items, Group operating profit was SEK 910 m., down 28 percent.

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 14.25 (20.45).

Company acquisitions

On January 1, 1992, Atlas Copco acquired AEG's tools operations. An agreement was signed with Volvo Flygmotor regarding the establishment of a jointly-owned company for hydraulic components.

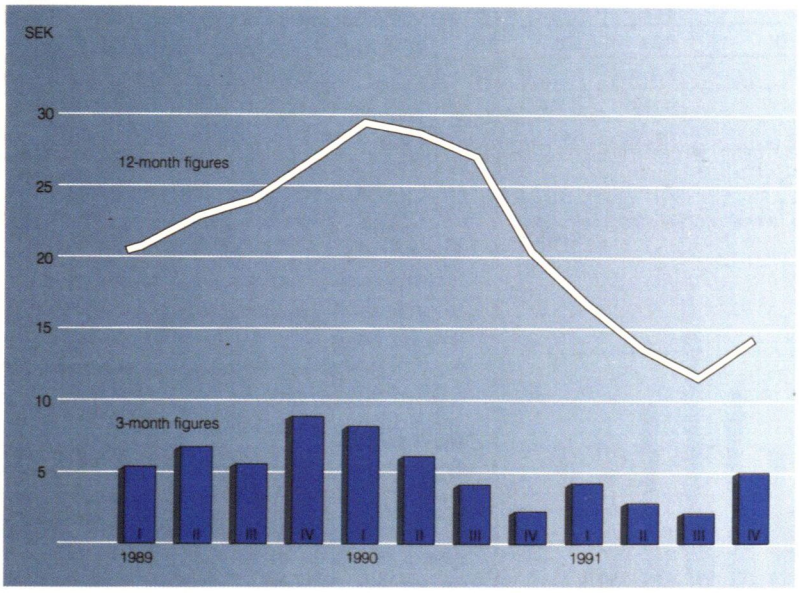
New Chief Executive Officer

At the Annual General Meeting in 1991, Michael Treschow was appointed President of Atlas Copco AB and Chief Executive Officer for the Group. He succeeds Tom Wachtmeister, who retired after 16 years as Chief Executive Officer.

Outlook for 1992

Continued weak conditions in industrial markets are expected during 1992, particularly during the first half of the year.

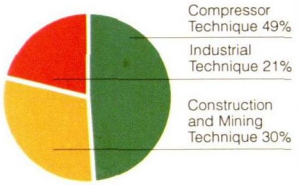
As a result of the restructuring measures that have been taken, earnings are expected to gradually increase during the year, subject to business conditions not deteriorating further.



Trend in Group's earnings per share

ATLAS COPCO TODAY

SALES BY BUSINESS AREA IN 1991



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 works on a world-wide basis to provide a broad range of products and services which meet needs of customers in the areas of

- air and gas compression and expansion, as well as air treatment
- industrial production, mechanization and the automotive aftermarket
- rock excavation, rock transportation, rock support and light construction

Within this business concept, Atlas Copco works with several brands and distribution channels when and where appropriate.

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, joint ventures and company acquisitions.

Growth shall be achieved while maintaining favorable profitability and satisfactory financial balance. This places major demands on the Company's financial strength. An increased financial strain may 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. This is accomplished by the introduction of new products of high quality in existing technical fields. Development work also focuses on expanding markets through new technical applications in order to meet the demands of customers and markets. Due to its size and growth, the European market is most important for Atlas Copco. This market will be prioritized further in the 1990s through increased investment.

Operations

Operations are conducted in three business areas, Compressor Technique, Construction and Mining Technique and Industrial Technique, through 14 divisions, each of which is responsible for its own product development, construction, production, sales and profitability.

More than 94 percent of the Atlas Copco Group's sales of SEK 15 billion is attributable to countries outside Sweden. The Group employs a total of 19,500 persons, of whom 19 percent work in Sweden. The divisions manufacture products at 48 plants in 17 countries. The major share of manufacturing is conducted in the EC.

Compressor Technique:
Industrial compressors are an important source of power in both large and small machine shops and in other industries.

Oil-free compressors supply the food, pharmaceutical and electronic industries with oil-free air used both as a power supply and in manufacturing processes to maintain the high quality demanded of products in these industries.

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

Customer-adapted gas and process compressors, expansion turbines and vacuum pumps are delivered to 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.

Construction and Mining Technique:
Drill rigs are used in tunnelling operations, mining and surface drilling operations in, for example, construction work and quarrying.

Rock drilling tools include drill steel and drill bits for rock drilling operations.

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:
Power tools operated 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 use within those nut tightening, riveting and other areas of operation where particularly high precision is required.

Pneumatic *components* are supplied for incorporation into customer machines and used for the automation of machines in, for example, the packaging industry.

ATLAS COPCO SHARE

Share capital

Atlas Copco's share capital at year-end amounted to SEK 883,271,925 distributed among 35,330,877 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 907,999,775 divided among 36,319,991 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 54 percent of the voting rights and 44 percent of the number of shares. The number of foreign-owned shares amounted to about 22 percent.

Distribution of shares

Class of share	Shares outstanding	On full conversion	Total
A shares	23,510,711	989,114	24,499,825
B shares	11,820,166	–	11,820,166
Total	35,330,877	989,114	36,319,991

Ownership structure 1991

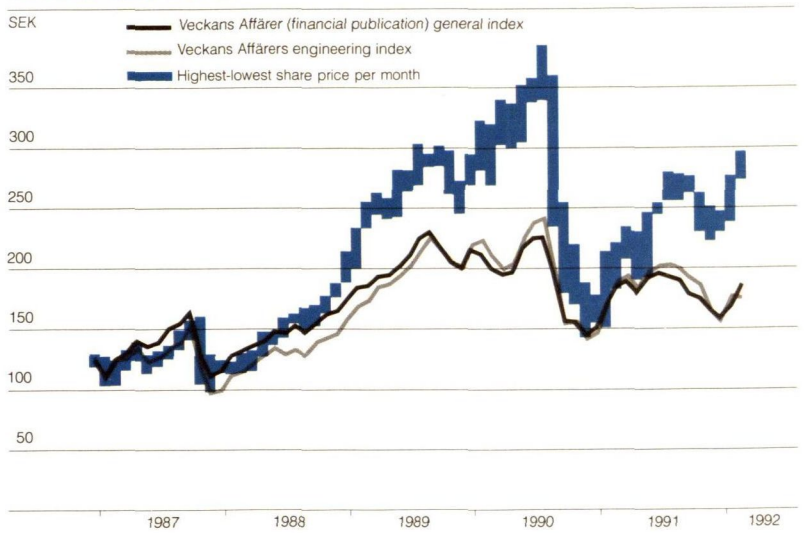
Number of shares	Number of share-holders	Percent of total number of shares
1– 500	31,283	8.9
501– 2000	1,756	4.7
2001– 10000	391	5.4
10001– 50000	142	9.3
50001–100000	35	7.4
>100000	45	64.3
Total	33,652	100.0

Share price trend

The Atlas Copco share price recovered successively during the year after the fall in stock prices in 1990. As of December 31, 1991, the price was SEK 240. The price increase continued during 1992, and on February 28, 1992, the price was SEK 291. For 1991 as a whole, the price of the Atlas Copco share rose 52 percent. The general index increased 5 percent and the engineering companies' index 2 percent during the same period.

The beta value of the Atlas Copco share during 1991 was 1.30. The beta value is a measure of a share's price change compared with that of the market as a whole. Accordingly, the Atlas Copco share moved 30 percent more than the average of the stock market as a whole.

TRENDS OF SHARE PRICES



Market value

The market value on December 31 was SEK 8,491 m. (5,575), which corresponds to 1.6 percent (1.1) of the total market value of the Stockholm Stock Exchange.

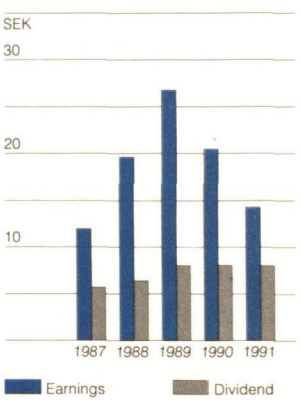
PER SHARE DATA*

SEK	1987[8]	1988	1989	1990[8]	**1991**	Average growth per year 87–91, %
Earnings [1]	11.95	19.60	26.75	20.45	**14.25**	3
Earnings after extra-ordinary items	19.65	19.75	26.75	20.45	**14.25**	5
Dividend	5.63	6.38	8.00	8.00	**8.00[2]**	9
Dividend as percent of earnings [3]	47.0	32.6	29.9	39.1	**56.1**	
Price quotation, Dec. 31, A	116	207	278	160	**240**	14
Price quotation, Dec. 31, B			278	154	**241**	
Highest price quoted, A	161	215	312	385	**280**	
Lowest price quoted, A	99	112	201	143	**151**	
Average price quoted, A	128	144	263	277	**235**	
Equity capital [4]	126	134	155	178	**181**	10
Direct yield, percent [5]	4.4	4.4	3.0	2.9	**3.4**	
Price/Earnings [6]	10.7	7.4	9.8	13.5	**16.5**	
Price/Sales [7]	0.35	0.36	0.57	0.63	**0.57**	

* Adjusted for share issues.

[1] Profit after financial income and expense, less full tax and minority interests plus interest expence after tax on the convertible debenture loan, divided by the number of shares outstanding after full conversion.
[2] Proposed by the Board of Directors.
[3] Dividend as a percentage of earnings per share.
[4] Equity capital, minority interests and convertible debenture loan divided by the number of shares after full conversion..
[5] Dividend as a percentage of the average quoted price during the year.
[6] Price/Earnings. The average quoted price during the year in relation to earnings per share as defined in 1).
[7] Price/Sales. The average quoted price during the fiscal year in relation to sales per share.
[8] Based on the weighted average number of shares outstanding.

EARNINGS AND DIVIDEND PER SHARE



LARGEST SHAREHOLDERS

The largest shareholders, as reported by VPC (Swedish Securities Register Center) in February 1992 are shown in the following table:

	Number of shares	% of votes	% of total
Robur, Aktie- och Allemansfonder	5,878,724	18.51	16.64
Förvaltnings AB Providentia	2,965,000	12.01	8.39
AB Investor	2,371,000	9.60	6.71
AB Patricia	1,289,920	5.22	3.65
Trygg Hansa Gruppen	761,100	2.70	2.15
Försäkringsbolaget SPP Ömsesidigt	430,924	1.35	1.22
AMF Pensionförsäkringar	614,349	1.27	1.74
Skandia Gruppen	385,293	1.18	1.09
Wasa Gruppen	641,616	1.09	1.82
Allm Pensionsf. Fjärde Fondstyrelsen	328,924	1.03	0.93
	15,666,850	53.96	44.34
Others	19,664,027	46.04	55.66
Total	35,330,877	100.00	100.00

Share issues

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 1990. 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 shown in the table below.

SHARE ISSUES 1965–1991

			Increase of share capital SEK m.	Amount paid-in SEK m.
1965	Bonus issue	1:4	19.1	–
	New issue	1:4 SEK 60	19.1	46.0
1971	Bonus issue	1:10	11.5	–
	New issue	1:10 SEK 100	11.5	46.0
1973	Bonus issue	1:2	69.2	–
1974	New issue	1:4 SEK 25	51.7	51.7
1976	New issue	1:5 SEK 50	51.7	103.5
1979	Bonus issue	1:6	51.7	–
	New issue	1:6 SEK 60	51.7	124.1
1982	Bonus issue	1:4	103.5	–
	New issue (non-preferential)	2,765,000 shares at SEK 135	69.1	373.3
1989	Bonus issue	1 B share: 3 A shares	195.5	–
1990	New issue (non-preferential)	4,000,000 B shares at SEK 320.13	100.0	1,280.5
	Conversion of debenture loan	7,930 shares	0.2	1.2
1991	Conversion of debenture loan	42,281 shares	1.1	6.3

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 five year period 1987 to 1991 will amount to 9 percent. During the same period, the average dividend has been 38.7 percent of earnings per share. Expressed as a percentage of shareholders' equity per share, the dividend is 4.4 percent (4.5).

Trading

The Atlas Copco share was the ninth (eleventh) most traded share on the Stockholm Stock Exchange during 1991. Including subsequent registration, a total of 15,651,805 shares were traded (of which 7,133,558 were class A and 8,518,247 were class B), corresponding to a value of SEK 3,496 m. (2,052) or 43 percent (24) of the company's total number of shares at year-end. An average of 62,607 (34,139) shares were traded per market day. The turnover rate (degree of liquidity) in 1991 was 41 percent, compared with the stock market average of 20 percent.

A significant portion of trading in the Atlas Copco share continued to occur outside Sweden, a trend which also applied to other Swedish companies listed on foreign stock exchanges. In London, 24,157,607 (24,101,424) Atlas Copco shares were traded. During 1991, 110 percent of all Atlas Copco shares were traded. Foreign trading in the Atlas Copco share showed a net export of SEK 154 m. (net import: 1,004) in 1991.

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 1991, the Fund's shareholding was 46,299 shares, corresponding to a market value of SEK 11.1 m. The Fund is 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 predetermined 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 1.0 million options outstanding.

The highest exercise price for the options during the year was SEK 220 (332) and the lowest SEK 95 (110). Trading during the year amounted to SEK 40.3 m., corresponding to 238,280 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 1991, option contracts accounted for about 2.7 million shares, approximately 8 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.

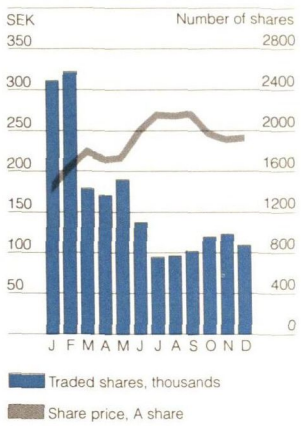
Convertible debenture loan

The convertible debenture loan, subscribed for by employees 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 148.4 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 1991, conversion of the debenture loan corresponded to 42,281 shares. On full conversion, the number of shares will increase by 989,114, corresponding to 2.8 percent of the current share capital.

TRENDS OF SHARE PRICES/ TRADED SHARES 1991

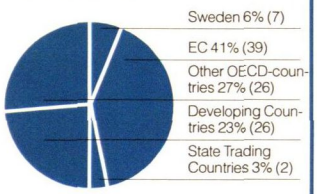


As in 1991, Atlas Copco's 1992 Annual General Meeting will be held at the Berwald Hall.

THE BOARD OF DIRECTORS' REPORT ON 1991 OPERATIONS

SEK m. unless otherwise indicated.

SALES BY ECONOMICAL/ POLITICAL AREA



THE ATLAS COPCO GROUP

	1991	1990
Invoicing	**15,030**	15,915
Change, %	**–6**	6
Order bookings	**15,220**	15,931
Change, %	**–4**	1
Order backlog	**2,679**	2,826
Profit after financial items	**910**	1,270
Change, %	**–28**	–17

Invoiced sales of the Atlas Copco Group in 1991 amounted to SEK 15,030 m. (15,915), a decrease of 6 percent. Markets outside Sweden accounted for 94 percent of the Group's total invoiced sales, with 41 percent attributable to EC countries. Order bookings totaled SEK 15,220 m. (15,931), a decrease of 4 percent.

Group profit after financial income and expense amounted to SEK 910 m. (1,270), down 28 percent. The profit margin was 6.1 percent (8.0), and earnings per share after full tax and full conversion were SEK 14.25 (20.45).

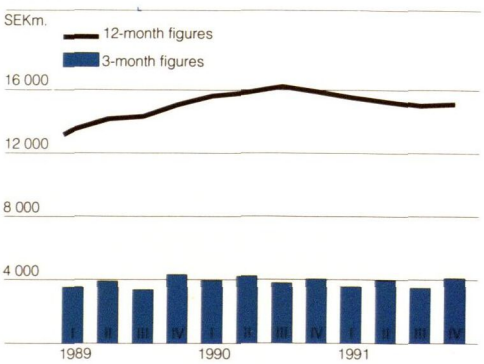
The Board of Directors proposes a dividend of SEK 8.00 (8.00) per share, corresponding to a total of SEK 283 m. (282).

Outlook for 1992

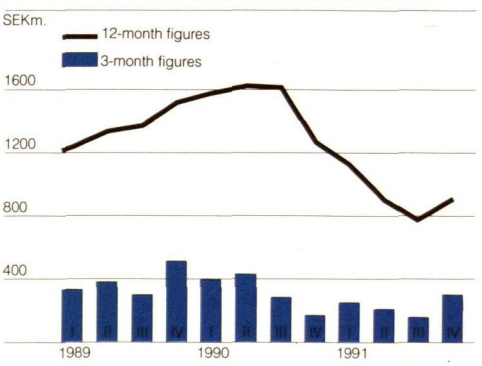
Weak conditions in industrial markets are expected to continue during 1992, especially during the first half of the year.

As a result of the restructuring measures that have been taken, earnings are expected to gradually increase during the year, subject to business conditions not deteriorating further.

SALES



PROFIT AFTER FINANCIAL INCOME AND EXPENSES



INVOICED SALES BY QUARTER

	1989	1990	**1991**
First quarter	3,489	3,930	**3,547**
Second quarter	3,877	4,196	**3,955**
Third quarter	3,342	3,766	**3,478**
Fourth quarter	4,327	4,023	**4,050**
Total	15,035	15,915	**15,030**

EARNINGS BY QUARTER

	1989	1990	**1991**
First quarter	333	393	**250**
Second quarter	379	427	**205**
Third quarter	295	281	**155**
Fourth quarter	514	169	**300**
Total	1,521	1,270	**910**

Structural changes

Effective January 1, 1992, Atlas Copco acquired AEG's power tools operations, AEG Elektrowerkzeuge, with head office and manufacturing facilities in Winnenden outside Stuttgart, Germany. This company, which has annual sales of approximately SEK 1,500 m. and 1,750 employees, is included in the Atlas Copco Power Tools and Equipment division.

During the year, Atlas Copco and Volvo Flygmotor reached an agreement to establish a jointly-owned company for hydraulic components, VOAC Hydraulics AB. This company, in which each partner will hold a 50-percent interest, will be formed by a merger of Atlas Copco's subsidiary Monsun-Tison and Volvo Flygmotor's subsidiary Volvo Hydraulik. The new company, which will have 900 employees, is expected to show annual sales of approximately SEK 700 m.

Extensive rationalization measures were implemented in the Construction and Mining Technique business area. Manufacture of rock drills and drilling rigs at the plant in Nacka, and assembly of drill rigs at the plants in Montreal, Canada and Nacka were transferred to Avosverken in Örebro, Sweden at the beginning of 1992. All production of construction tools is being concentrated to Kalmar, Sweden, and Hemel Hempstead outside London. Uniroc's plants in Finland and Mexico were divested, and in Brazil and Chile, operations in this business area were concentrated to one factory in each country.

New distribution centers for daily deliveries to customers of drill steel and spare parts were established in Rotterdam, the Netherlands and Örebro/Fagersta, Sweden.

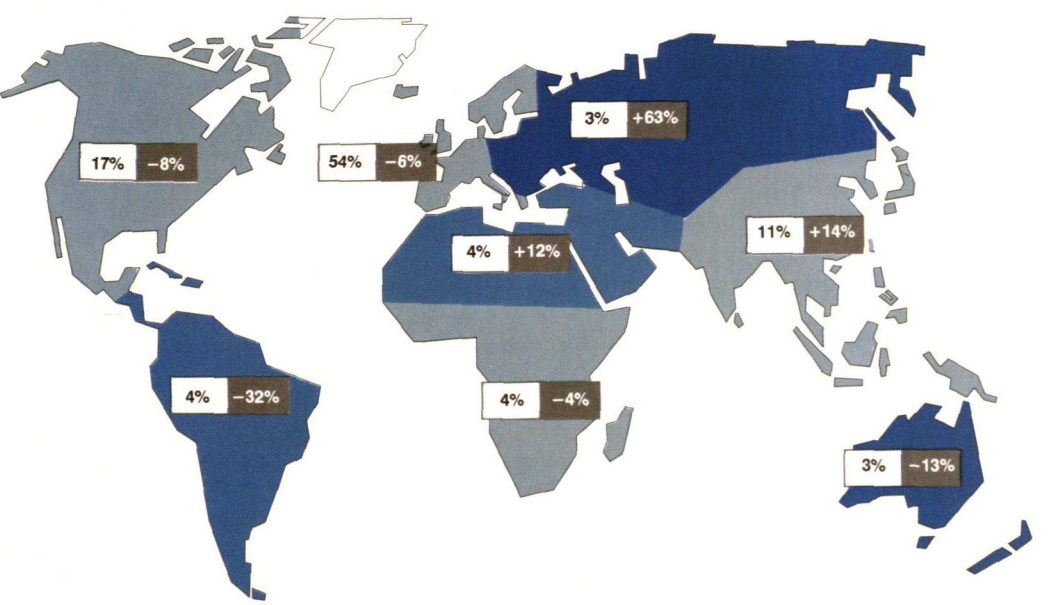
The Atlas Copco Power Tools and Equipment plant in Skara has been shut down. Manufacturing has been transferred to the plant in Tierp. A new distribution center for daily deliveries to customers was built in Hoeselt, Belgium.

Sales review

The recession, which was accentuated by the war in the Middle East, continued throughout the year in the manufacturing, construction and mining industries.

Orders booked at year-end amounted to SEK 2,679 m., compared with SEK 2,826 m. a year earlier, a 5-percent decline.

Atlas Copco's sales of oil-free compressors and computer controlled assembly systems to the *manufacturing industry* showed more favorable development than expected in many otherwise weak industrial markets. Order bookings for gas compressors and turbo expanders increased substantially, particularly in the petrochemical industry. Sales of hand-held power tools, as well as hydraulic and

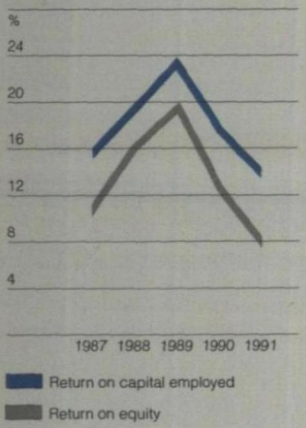


GEOGRAPHIC DISTRIBUTION OF SALES, 1991

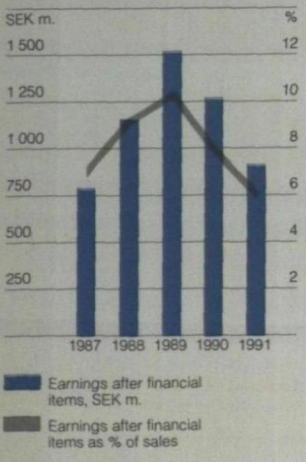
Portion of Groups sales
Change in value 1991/1990

SALES AND ORDERS BOOKED

RETURN



EARNINGS AND PROFIT MARGIN



pneumatic components, declined in most markets. The Group's invoiced sales to the manufacturing industry accounted for 49 percent of total invoicing.

In the *building and construction industry*, demand was weak in most markets, due to political instability and rising costs in other areas of the public sector. Nontheless, Atlas Copco received orders for both conventional drilling equipment and tunnelboring machines for large development projects in South Korea, China and southern Africa. Sales of hydraulic drilling rigs for underground applications developed favorably during the year. The building and construction sector accounted for 37 percent of the Group's invoiced sales.

Sales to the *mining industry* continued to be very weak in most markets, although several attractive orders for customer-adapted hydraulic drilling rigs were received, particularly in the American market. Order bookings for loading equipment for mining operations showed a substantial increase as the result of successful efforts in new markets. Of the Group's total invoiced sales, 14 percent is attributable to mining.

Expansion of marketing organization

The specialization of Atlas Copco's international sales organization continued during the year. Marketing companies in countries such as Australia, Brazil and Italy were divided into separate units for each business area. Further development of sales organizations in medium-size markets was implemented in order to create regional units encompassing several countries. This restructuring results in a more costeffective organization, improved delivery service and customer contact as well as a reduction in tied-up capital.

The expansion of the marketing organization in eastern Europe continued in 1991. In Hungary, where there has been a representative office since 1989, a service company for maintenance of industrial compressors was established in January 1991. A representative office for sales and service of machines was opened at the beginning of 1991 in Czechoslovakia, a country in which substantial order bookings were noted during the year. In Poland, an agreement was reached with a distributor regarding the sales and service of machines. A contract was signed with an agent in Romania for the sale of compressors, and an agent, located in Riga, Latvia, has been appointed for the sale of compressors and tools in the Baltic countries.

Financial summary and analysis

Earnings

	1991	1990
Earnings per share, SEK	**14.25**	20.45
Return on capital employed, %	**12.9**	17.7
Return on equity capital, %	**8.1**	12.5
Profit margin, %	**6.1**	8.0

Definitions on key figures, page 18.

Group profit after financial income and expense declined 28 percent to SEK 910 m. (1,270). The profit margin was 6.1 percent (8.0).

Earnings per share, after full tax and full conversion, were SEK 14.25 (20.45).

Return on equity capital after tax amounted to 8.1 percent (12.5).

Earnings analysis

Operating profit before depreciation declined by SEK 349 m. to SEK 1,537 m., which corresponded to 10.2 percent (11.9) of invoiced sales. The decline in earnings is due mainly to lower sales volumes. Restructuring costs, principally in the Construction and Mining Technique business area, affected earnings, particularly during the first half of the year. For the Group as a whole, these costs amount to SEK 190 m. In 1990, the corresponding costs amounted to SEK 194 m., of which the greater part was incurred during the fourth quarter.

Cost depreciation in 1991 amounted to SEK 463 m. (425). The Group applies a progressive amortization over 20 years for goodwill arising from strategic corporate acquisitions.

Operating profit after depreciation amounted to SEK 1,074 m. (1,461), which corresponded to 7.1 percent (9.2) of invoiced sales.

Operating profit after depreciation in the Compressor Technique business area decreased 14 percent, due mainly to lower sales

volumes and unsatisfactory earnings in Brazil.

As in 1990, operating profit after depreciation in the Construction and Mining business area was charged with substantial restructuring costs, principally in the manufacturing area. These costs amount to SEK 160 m. (107).

Earnings from Unirocs' rock drilling tools continue to improve but are not yet satisfactory, since implemented rationalization measures have not yet achieved full effect.

The 33-percent decline in profit in the Industrial Technique business area is attributable mainly to lower invoiced sales among important customer groups, principally in the automotive, aviation and household appliance industries. Restructuring costs also affected earnings.

Investments

Geographic distribution of investments

	1991	1990
Europe	**570**	496
North America	**85**	117
South America	**21**	33
North Africa/Middle East	**8**	2
Southern Africa	**2**	1
India/Far East	**15**	28
Oceania	**5**	5
Total	**706**	682

Investments in fixed assets amounted to SEK 706 m. (682). An additional investment of SEK 465 m. was made for the repurchase of the industrial property in the Sickla industrial estate in Nacka.

The distribution of investments was SEK 177 m. (177) in Sweden and SEK 529 m. (505) abroad, of which SEK 384 m. (304) was accounted for by EC countries.

Larger investments include a new plant for portable compressors in Antwerp, which was taken into operation in February 1992, a new plant for hydraulic components in Borås, Sweden and the establishment of a distribution center for the Construction and Mining Technique business area in Rotterdam.

Financial analysis

	1991	1990
Net interest expense	**–179**	–198
Degree of self-financing, %	**139**	181
Rate of equity capital, %	**46.7**	46.2

The Atlas Copco Group's liquid assets on December 31, 1991 amounted to SEK 2,106 m. (1,921), which corresponded to 14.0 percent (12.1) of invoiced sales.

The capital turnover ratio was 1.05 (1.13).

Inventories and accounts receivable

For a number of years, the Group has implemented an extensive program to reduce capital tied up in operations. Inventories expressed as a percentage of invoiced sales have declined during the past ten years, from slightly more than 35 percent to below 25 percent and accounts receivable from 25 to slightly more than 20 percent. The objective is to reduce inventories and accounts receivable to less than 20 percent. During 1991, inventories amounted to 23.4 percent (24.9) and accounts receivable to 20.4 percent (20.5) of invoiced sales.

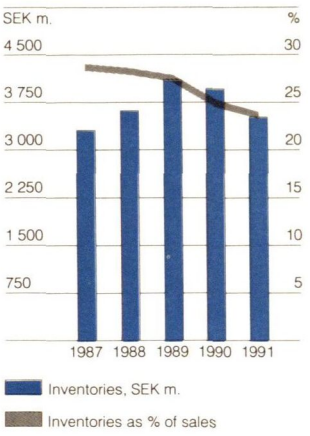
Net borrowing

The Group's net borrowing, i.e. the difference between interest-bearing liabilities and liquid assets, declined to SEK 1,701 m. (1,852). Of this amount, SEK 1,147 m. (1,058) was accounted for by provisions for pensions.

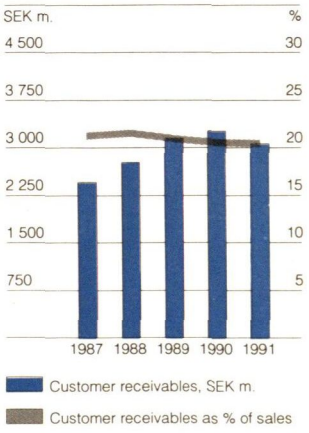
Net interest

The average interest for European currencies was somewhat higher than in 1990. Interest on USD, on the other hand, was lower.The net of the Group's financial income and expenses was a loss of SEK 164 m. (loss: 191), corresponding to 1.1 percent (1.2) of invoiced sales. This improvement was due mainly to a reduction in capital tied up in operations.

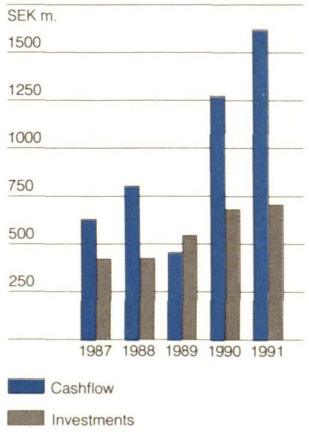
INVENTORIES



CUSTOMER RECEIVABLES



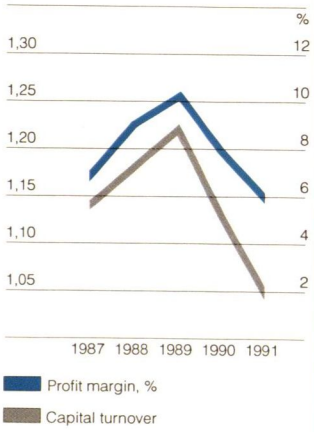
CASHFLOW AND INVESTMENTS



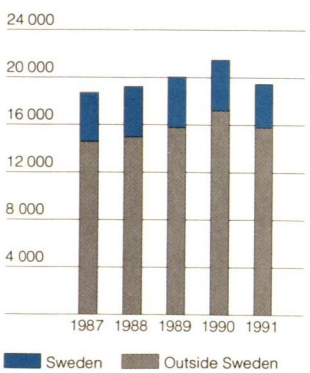
KEY FIGURES BY BUSINESS AREA

	Invoiced sales		Operating profit		Return on capital employed, %	
	1991	1990	**1991**	1990	**1991**	1990
Compressor Technique	**7,361**	7,530	**1,031**	1,195	**28**	35
Construction and Mining Technique	**4,497**	4,855	**–47**	5	**1**	3
Industrial Technique	**3,172**	3,530	**299**	446	**12**	19
Corporate items			**–209**	–185		
Total Group	**15,030**	15,915	**1,074**	1,461	**13**	18

CAPITAL TURNOVER AND PROFIT MARGIN



EMPLOYEES



SUMMARY OF CHANGES IN FINANCIAL POSITION

		1991	1990	1989
Internal funds generated		**980**	1,237	1,226
Change in working capital		**643**	37	−771
	From operations	**1,623**	1,274	455
Investments and acquisitions		**−1,176**	−1,437	−1,205
Dividends and other items		**−296**	−287	78
	Total	**151**	−450	−672
New stock issue		**–**	1,203	–
Change in interest-bearing liabilities		**34**	−696	685
	Change in liquid assets	**185**	57	13

Shareholders' equity
Shareholders' equity on December 31, 1991 amounted to SEK 6,345 m. (6,200). Taking into account the outstanding debenture loan and minority interests, shareholders' equity amounts to SEK 6,581 m.

Shareholders' equity per share, after full conversion, was SEK 181 (178).

During the year, debentures corresponding to 42,281 shares were converted. These represented a par value of SEK 6.3 m. of the total par value of the outstanding loan, which was SEK 148 m. at year-end.

Equity-assets ratio
The portion of equity capital after full conversion improved during 1991 to 46.7 percent (46.2).

Personnel

	1991	1990
Average number of employees	**19,544**	21,507
Sweden	**3,801**	4,262
Outside Sweden	**15,743**	17,245

As a result of rationalization measures, the number of employees was reduced by 2,004 persons and amounted at year-end to 18,524 persons (20,528).

The acquisition of AEG Elektrowerkzeuge and the divestment of Monsun-Tison resulted in the number of employees being increased by 1,200 persons, as of January 1992.

Of the average number of employees, 85 percent (86) were men and 15 percent (14) were women. In Sweden the distribution was 82 percent (82) men and 18 percent (18) women. A detailed breakdown is given on page 54.

The Atlas Copco Group's expenses for wages, salaries and other remunerations plus other payroll costs are shown below.

	1991	1990
Boards of Directors and senior executives including bonus payment of 12 (12)	**115**	105
Other employees	**3,188**	3,221
Total	**3,303**	3,326

In february 1992, the inauguration of a new manufacturing plant for portable compressors was attended by (from the left) Atlas Copco Board chairman Peter Wallenberg. Board member Jacques van der Schueren, Provincial Governor of Antwerp Andries Kinsbergen and Belgian Vice Minister of Foreign Affairs Willy Claes.

PARENT COMPANY

Parent Company earnings include Atlas Copco International AB's remaining operations, which are operated on a commission basis. In January, Atlas Copco AB exercised its option to repurchase the industrial property on the Sickla industrial estate in Nacka from FR FastighetsRenting AB for SEK 465 m.

Earnings from real estate operations in the Sickla industrial estate are included in the Parent Company through Sickla Industrifastigheter KB, a limited partnership company.

During the year, all shareholdings in Atlas Copco Tunnelling and Mining AB, Uniroc AB, Atlas Copco Berema AB and Atlas Copco Energy AB were transferred from Atlas Copco Construction and Mining Technique AB.

In connection with the acquisition earlier of a minority holding in Oy Atlas Copco Kompressorit Ab, all shares in this company held by the Parent Company were sold to Uniroc AB.

As a result of these transferrals, the book value of certain shareholdings has been written down, while the book values of Atlas Copco Beheer B.V. have been increased by a corresponding amount.

Earnings

Dividends from subsidiaries amounted to SEK 239 m. (464).

Profit after financial items totaled SEK 250 m. (372).

The Parent Company reported a net profit after appropriations and taxes of SEK 283 m. (496). As a result, unappropriated earnings amounted to SEK 1,191 m. (1,190).

Financing

The Parent Company's total assets increased by SEK 634 m. as a result of the above subsidiary acquisitions.

Cash, bank deposits and short-term investments amounted to SEK 1,236 m. (1,028) at year-end.

The portion of equity capital after full conversion amounted to 56.0 percent (59.1).

After conversions during the year of outstanding debentures, share capital amounts to SEK 883,271,925 distributed among 23,510,711 class A shares (with one voting right) and 11,820,166 class B shares (with one tenth of a voting right). Each share has a par value of SEK 25. All shares are unrestricted. After full conversion of outstanding debentures, the class A shares will total 24,499,825.

Personnel

The average number of employees at the Head Office was 86 (77), of whom 45 percent (44) were women; in Atlas Copco International AB – (73), of whom – percent (32) were women; and in Sickla Industrifastigheter AB – (28), of whom – percent (11) were women. Total expenses for wages, salaries and other remunerations are shown below.

	1991	1990
Board of Directors and senior executives including bonus payment of 6 (6)	**14**	13
Other employees	**32**	43
Total	**46**	56

Dividend

The Board of Directors proposes a dividend of SEK 8.00 (8.00) per share, corresponding to a total of SEK 283 m. (282).

ATLAS COPCO GROUP

CONSOLIDATED INCOME STATEMENT

Amounts in SEK m.

		1991	1990
Operating income	Invoiced sales (NOTE 1)	**15,030**	15,915
Operating expense (NOTE 2)	Cost of goods sold	**–9,582**	–9,942
	Technical development, marketing and administrative costs, etc	**–3,911**	–4,087
Operating profit before depreciation		**1,537**	1,886
Cost depreciation	In accordance with plan (NOTE 3)	**–463**	–425
Operating profit after depreciation		**1,074**	1,461
Financial income and expense (NOTE 4)		**–164**	–191
Profit after financial income and expense		**910**	1,270
Taxes (NOTE 6)		**–388**	–560
Minority interest (NOTE 7)		**–15**	–12
NET PROFIT		**507**	698
Earnings per share, SEK (NOTE 27)		**14.25**	20.45

CONSOLIDATED BALANCE SHEET

Amounts in SEK m.

ASSETS		1991.12.31		1990.12.31	
Current assets	Cash, bank and short-term investments (NOTE 8)	2,106		1,921	
	Receivables (NOTE 9)	3,677		3,896	
	Inventories (NOTE 10)	3,520	9,303	3,964	9,781
Fixed assets	Shares and participations (NOTE 11)	69		73	
	Goodwill (NOTE 12)	1,022		1,095	
	Other fixed assets (NOTE 13)	3,700	4,791	3,022	4,190
TOTAL ASSETS			14,094		13,971

LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities	*Non-interest-bearing liabilities*				
	Notes payable	46		59	
	Suppliers	744		925	
	Provision for taxes	295		271	
	Accrued expenses and prepaid income	1,087		983	
	Other current liabilities	1,041		995	
	Interest-bearing liabilities				
	Bank loans (NOTE 18)	1,787		1,342	
	Current portion of long-term liabilities	214		379	
	Other current liabilities	32	5,246	24	4,978
Long-term liabilities	*Non-interest-bearing liabilities*				
	Other long-term liabilities	51		45	
	Deferred tax liabilities (NOTE 20)	442		462	
	Interest-bearing liabilities				
	Debenture and bond loans (NOTE 19)	325		426	
	Mortgage and other long-term loans (NOTE 19)	302		544	
	Provision for pensions (NOTE 21)	1,147	2,267	1,058	2,535
TOTAL LIABILITIES			7,513		7,513
Convertible debenture loan (NOTE 22)			148		155
Minority interest (NOTE 7)			88		103
Shareholders' equity	Share capital (NOTE 24)	883		882	
	Restricted reserves (NOTE 25)	2,838		2,733	
	Retained earnings (NOTE 26)	2,117		1,887	
	Net profit	507	6,345	698	6,200
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			14,094		13,971
Assets pledged (NOTE 28)			221		347
Contingent liabilities (NOTE 28)			632		477

STATEMENTS OF CHANGES IN FINANCIAL POSITION

Amounts in SEK m.

	GROUP		ATLAS COPCO AB	
	1991	1990	**1991**	1990
INTERNAL FUNDS GENERATED				
Profit after financial income and expense	**910**	1,270	**250**	372
Depreciation	**463**	425	**10**	10
Capital gain from sales of fixed assets	**−6**	−1	**0**	1
Intra-Group transfers			**256**	118
Taxes paid	**−387**	−475	**–**	–
Withdrawals from blocked accounts	**0**	18	**–**	3
INTERNAL FUNDS GENERATED FROM OPERATIONS	**980**	1,237	**516**	504
WORKING CAPITAL				
Change in short-term receivables	**219**	15	**83**	−121
Change in inventories	**444**	141	**–**	15
Change in short-term operating liabilities	**−20**	−119	**−29**	−12
CHANGE IN WORKING CAPITAL	**643**	37	**54**	−118
NET FUNDS FROM OPERATIONS	**1,623**	1,274	**570**	386
INVESTMENTS				
Investments in property, plant and equipment*	**−1,171**	−831	**−2**	−1
Investments in shares and participations	**5**	5	**−1,101**	−187
Companies and goodwill acquired	**−10**	−611	**–**	–
Investments in long-term receivables	**0**	−25	**584**	−123
Sales of fixed assets	**125**	108	**0**	2
NET INVESTMENTS IN FIXED ASSETS	**−1,051**	−1,354	**−519**	−309
OTHER ITEMS				
Funds transferred to subsidiaries			**–**	−2
Dividend from Parent Company	**−282**	−250	**−282**	−250
Dividend to minority interests in subsidiaries	**−2**	−4		
Minority interest in shareholders' equity	**−5**	−5		
Change in other liabilities	**10**	1	**–**	–
Translation differences**	**−142**	−112		
CHANGE IN OTHER ITEMS	**−421**	−370	**−282**	−252
NET INTERNAL FUNDS GENERATED	**151**	−450	**−231**	−175
NEW SHARE ISSUE	**–**	1,203	**–**	1,203
INCREASE IN INTEREST-BEARING LIABILITIES	**34**	−696	**439**	−935
CHANGE IN LIQUID ASSETS	**185**	57	**208**	93

* The amounts include investments of SEK 465 m. (149) in existing properties and machinery at newly-acquired companies.

** Of the total translation differences, SEK −152 m. (−214) is attributable to shareholders' equity, deferred tax liabilities and minority interests, and SEK 10 m. (102) to fixed assets.

INCOME STATEMENT AND BALANCE SHEET

Amounts in SEK m.

INCOME STATEMENT

	1991	1990
Operating income	144	489
Operating expense	−156	−541
Operating profit before depreciation	−12	−52
Cost depreciation (NOTE 3)	−10	−10
Operating profit after depreciation	−22	−62
Financial income and expense (NOTE 4)	272	434
Profit after financial income and expense	250	372
Appropriations (NOTE 5)	33	124
Profit before taxes	283	496
Taxes (NOTE 6)	–	–
NET PROFIT	283	496

BALANCE SHEET

ASSETS		1991.12.31		1990.12.31	
Current assets	Cash, bank and short-term investments (NOTE 8)	1,236		1,028	
	Receivables (NOTE 9)	1,470	2,706	1,553	2,581
Fixed assets	Shares and participations (PAGE 26)	3,503		2,402	
	Other fixed assets (NOTE 13)	779	4,282	1,371	3,773
TOTAL ASSETS			6,988		6,354
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities	Non-interest-bearing liabilities (NOTE 17)	106		135	
	Interest-bearing liabilities (NOTE 17)	2,142	2,248	1,574	1,709
Long-term liabilities	Interest-bearing liabilities (NOTE 19, 21)		750		878
TOTAL LIABILITIES			2,998		2,587
Convertible debenture loan (NOTE 22)			148		155
Untaxed reserves (NOTE 23)			256		33
Shareholders' equity	Share capital (35,330,877 shares, par value SEK 25) (NOTE 24)	883		882	
	Legal reserve (NOTE 25)	1,512		1,507	
	Retained earnings (NOTE 26)	908		694	
	Net profit	283	3,586	496	3,579
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			6,988		6,354
Assets pledged (NOTE 28)			1		1
Contingent liabilities (NOTE 28)			607		387

NOTES TO FINANCIAL STATEMENTS

SEK m. unless otherwise indicated.

Accounting principles

Compared with the preceding year, there have been no changes in the accounting principles.

International guidelines

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

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

Accordingly, the Annual Report contains the following information:

	Page number
Company structure – name and address of the Parent Company – shares and participations in subsidiaries, percentage holdings and shareholdings among companies	Page 2 and page 63 Shares and participations, page 26
Geographic areas of operations and the primary activities conducted there	Board of Directors' Report, page 7 Business areas, pages 34–51 Sales and service organization, page 60
Invoicing by geographical area and for important product groups	Board of Directors' Report, pages 7–8 Note 1, page 19
Capital expenditures by geographical area and by market/production sectors	Board of Directors' Report, page 9 Business areas, pages 34–51
Statement of Changes in Financial Position for the Atlas Copco Group	Page 14
Average number of employees by geographical area	Page 54
Research and development costs for the company as a whole	Notes to finacial statements, page 18 and Note 2, page 19
Principles applied for internal pricing	Notes to financial statements, page 18
Accounting principles for consolidated accounts	Page 16

The Company also views positively the guidelines with respect to multinational companies and the labor market which have been prepared by the United Nations Organization for labor matters (ILO).

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 25.
Suffix m. = millions.

Consolidation

The consolidated accounts have been prepared in accordance with the recommendations of the Swedish Financial Accounting Standards Council.

The Consolidated Balance Sheet and Income Statement 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 consolidated accounts have been prepared in accordance with the purchase method, which means that assets and liabilities are reported at market value according to the acquisition plan. If the acquisition cost exceeds the market value of the company's net assets, calculated as above, the difference is reported as goodwill.

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.

The Consolidated Balance Sheet and Income Statement are shown without untaxed reserves and appropriations. Under Swedish law, this may only be done in consolidated statements.

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 individual 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.

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 de-

termined primarily by future expectations, which are based on the company's market position and know-how.

A company acquisition, in which the acquisition price exceeds the company's net assets, valued at market prices, results in intangible assets, which 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.

NOTE 12 shows the effects on the Income Statement and Balance Sheet if the Company had applied a straight-line amortization plan.

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 11.

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 items have 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 principle applied by Atlas Copco in the translation of the accounts of foreign subsidiaries essentially corresponds 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 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 USD, and is therefore translated in two stages.

In the first stage, translation is made to USD 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 SEK 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 USD in accordance with the year-end rate and then to SEK, 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 in accordance with Direction R7 of the Swedish Accounting Board.

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.

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 product companies to the Group sales companies.

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

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.

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 SEK, and is subsequently invested at a higher interest rate in bank certificates, treasury bills, or other similar Swedish debt instruments.

Liabilities reported in the Balance Sheet have been offset against corresponding investments in cases where they are part of a package solution, amounted to the same total and have the same maturity date. Hedging on foreign loans shall have been made possible. (See NOTES 4 and 8).

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 liabilites.

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.

Notes

1. Invoiced sales by market

	Group	
	1991	1990
Europe incl CIS	8,579	8,894
of which Sweden	924	1,216
of which EC	6,194	6,199
North America	2,524	2,736
South America	681	972
North Africa/Middle East	672	577
Southern Africa	495	624
India/Far East	1,548	1,523
Oceania	531	589
	15,030	15,915

2. 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.

Operating expenses include costs for major restructuring projects amounting to SEK190 m. (194). The amounts reported relate to identified and approved costs for projects that will not provide any future earnings.

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

	Group	
	1991	1990
Technical development costs	465	455
Marketing and administrative costs	3,446	3,632
	3,911	4,087

The above costs include taxes introduced in Sweden in 1991 based on pension liabilities and pension payments, profit tax and payroll tax, respectively, which totaled SEK 11 m.

3. Depreciation

	Group		Parent Company	
	1991	1990	1991	1990
Goodwill (NOTE 12)	47	61	–	–
Machinery and equipment	348	308	8	8
Buildings	68	56	2	2
	463	425	10	10

Current cost depreciation for the Group amounted to SEK 644 m. (601) and thus exceeded cost depreciation by SEK 181 m. (176). See further Current cost accounting page 29.

4. Financial income and expense

	Group		Parent Company	
	1991	1990	1991	1990
Dividends received				
from subsidiaries			239	464
from others	8	6	1	2
Interest				
from subsidiaries net			61	40
interest received	264	355	119	183
interest paid	−443	−553	−197	−272
Foreign exchange differences	7	1	49	17
	−164	−191	272	434

The interest portion of the year's provision for pensions has not been charged against operating income but has 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 (12.5) for index pensions and 3.5 percent (3.5) for pension liabilities expressed in fixed amounts. The interest portion for 1991 amounted to SEK 94 m. (83). The corresponding sum for the Parent Company amounts to SEK 41 m. (37).

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 1991 totaled SEK 7 m. (12).

5. 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	
	1991	1990
General inventory reserve	–	6
Difference between book depreciation and cost depreciation (NOTE 23)	−1	−1
Allocation to tax equalization reserve (NOTE 23)	−222	–
Utilization of development reserve	–	1
Group contributions, net	256	118
	33	124

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.

6. Taxes

	Group	
	1991	1990
Taxes paid		
Swedish income tax	0	1
Foreign tax	387	474
Deferred tax	1	85
	388	560

Total tax expenses for the year, amounting to SEK 388 m. (560) corresponded to 42.6 percent (44.1) of income after financial items. The corresponding figure for taxes paid amounted to 42.5 percent (37.4).

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.

The federal tax rate in Sweden was 30 percent in 1991, 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.

At year-end 1991, foreign companies had accumulated tax losses amounting to SEK 73 m. (80), which can be utilized to decrease future taxable profits.

Since deductible losses have not reduced the deferred tax liability, the utilization of these deductible items reduced the tax burden for the Group.

In accordance with the revised tax laws, existing general inventory reserves and internal profit reserves in the Group's Swedish companies were dissolved at the beginning of the year.

In accordance with the new tax laws, an allocation has been made to tax equalization reserves (K-SURV), in amount of SEK 223 m., while SEK 180 m. has been allocated as a tax deferment amount for inventory reserves.

Calculation of the tax equalization reserve is based in a certain manner on the Company's shareholders equity, while the deferred amount is based on the compulsorily dissolved untaxed reserves.

Unutilized amounts for allocations to tax equalization reserves remaining at year-end are estimated at SEK 365 m. The size of these reserves in the future is dependent on changes in the Company's shareholders' equity. Reserves allocated to tax deferment amount for inventory reserves will be compulsorily dissolved during the years 1992 to 1994 by a minimum of one third per year.

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 575 m.

7. Minority interest in subsidiaries' equity and earnings

Minority interest in income after financial income and expense amount to SEK 26 m. (19).

The Income Statement reports the minority shares in the Group's profit after tax as totaling SEK 15 m. (12). These minority interests primarily relate to Atlas Copco India and subsidiaries of Chicago Pneumatic.

	Group
Minority interest Dec. 31, 1990	103
Minority acquired	–5
Dividends	–2
Translation differences	–23
Net profit	15
Minority interest Dec. 31, 1991	88

8. Cash, bank and short-term investments

	Group		Parent Company	
	1991	1990	1991	1990
Cash, bank	961	944	95	56
Government Treasury bills	971	277	971	277
Treasury notes	–	40	–	40
Other short-term investments	174	660	170	655
	2,106	1,921	1,236	1,028

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 1,661 m. The subsidiaries' granted but unutilized overdraft facilities amounted to SEK 1,906 m.

Unconcluded interest-arbitrage transactions in the Parent Company have been reported in net form and amount to SEK 0 m. (95). Loans are in the same amount and have been offset against other short-term investments.

9. Receivables

	Group		Parent Company	
	1991	1990	1991	1990
Notes receivable	258	295	–	–
Receivables from subsidiaries			1,370	1,447
Trade receivables	2,805	2,965	12	35
Prepaid expenses and accrued income	171	231	21	44
Other receivables	443	405	67	27
	3,677	3,896	1,470	1,553

10. Inventories

	Group	
	1991	1990
Raw materials	180	247
Work in progress	643	598
Semi-finished goods	907	927
Finished goods	1,790	2,192
	3,520	3,964

11. Shares and participations

	Number of shares	Percent held	Par value loc cur[1]	Book value SEK m.
Shares and participations reported by Atlas Copco AB (as specified on page 26):				32
Shares and participations reported by subsidiaries:				
Associated companies				
Toku-Hanbai KK	200,000	50	500	28
Fabrika Kompressora Smederevo	1	60[3]	[2]	0
Delair Droogtechniek & Luchtbehandeling BV	52	26	1,000	1
NEAC Compressor Service GmbH & Co KG	1	50	[2]	0
NEAC Compressor Service Verwaltungs GmbH	1	50	[2]	0
Scantrade Kereskedelmi Kft., Budapest	1	50	[2]	0
Other companies				
Rasa Corporation, Tokyo	400,000	5	50	0
Misc. shares and participations				8
Total for the Group				69

[1] Value per share
[2] Without par value
[3] This company was not included in the consolidated accounts, since the relevant data had not been secured due to the conditions prevailing in Serbia.

The Parent Company's holdings of shares in listed companies (Bilspedition and SILA) had a book value at year-end 1991 of SEK 17 m. (15) and a market value of SEK 22 m. (32).

Associated companies
The Atlas Copco Group's share in the income after finacial items of associated companies amounted to SEK 17 m. (25). Dividends from these companies amounted to SEK 6 m. (4). 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 46 m. (57).

During the year, Atlas Copco-Eickhoff Roadheading Technic GmbH was divested.

12. Goodwill – Group excess value

Group excess value in 1991 amounted to SEK 1,327 m. (1,131). This excess value has been distributed over the following items in the balance sheet: Goodwill, SEK 1,022 m. (1,095), buildings and land SEK 295 m. (22) and machinery and equipment SEK 10 m. (14). Depreciation of Group excess value amounts to SEK 56 m. (68), distributed as follows:

	Group	
	1991	1990
Goodwill	47	61
Machinery and equipment	4	6
Buildings	5	1
	56	68

Goodwill in 1990 included amortization of a non-recurring nature in the amount of SEK 20 m.

Change in goodwill value as shown in balance sheet:

	1991	1990
Acquired goodwill, Jan. 1	1,229	631
Accumulated depreciation	−134	−78
Acquired goodwill	11	617
Goodwill sold	–	−1
Depreciation for the year	−47	−61
Translation differences	−37	−13
Planned residual value, Dec 31	1,022	1,095

If the Company had used a 20-year straight-line amortization plan for the goodwill accruing from strategic acquisitions, this would have resulted in amortization amounting to SEK 482 m. (442), corresponding to an increase of SEK 19 m. (17). Planned residual value at year-end would amount to SEK 983 m. (1,074).

The table below shows the effect on the Consolidated Income Statement and Balance Sheet.

	1991		1990	
Amortization plan:	straight-line	progressive	straight-line	progressive
Operating profit before depreciation	1,537	1,537	1,886	1,886
Cost depreciation	−482	−463	−442	−425
Operating profit after depreciation	1,055	1,074	1,444	1,461
Financial items, net	−163	−164	−191	−191
Profit after financial income and expense	892	910	1,253	1,270
Taxes	−386	−388	−558	−560
Minority interest	−15	−15	−12	−12
Net profit	491	507	683	698
Earnings per share, SEK	13.80	14.25	20.00	20.45
Goodwill	983	1,022	1,074	1,095
Deferred tax liabilities	437	442	459	462
Shareholders' equity	6,311	6,345	6,182	6,200

13. Other fixed assets

	Group		Parent Company	
	1991	1990	1991	1990
Long-term receivables from subsidaries			673	1,254
Long term receivables	105	90	10	13
Construction work in progress	96	102	–	–
Machinery and equipment (NOTE 14)	1,507	1,439	29	35
Buildings (NOTE 15)	1,426	1,063	46	47
Land (NOTE 16)	566	328	21	22
	3,700	3,022	779	1,371

14. Machinery and equipment

	Group		Parent Company	
	1991	1990	1991	1990
Cost	3,337	3,129	89	89
Accumulated cost depreciation	−1,830	−1,690	−60	−54
Planned residual value	1,507	1,439	29	35
Accumulated depreciation in excess of cost depreciation (NOTE 23)			−23	−22
Book value, net	1,507	1,439	6	13

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 154 m. (769). The leasing costs for this property and equipment, SEK 42 m. (128), are reported under operating expenses. The amount reported in 1990 included rent for the industrial premises on the Sickla industrial estate in Nacka. During 1991, Atlas Copco AB exercised its option to repurchase these premises. Future costs for non-cancellable leasing contracts amount to SEK 81 m. (126).

15. Buildings

	Group		Parent Company	
	1991	1990	1991	1990
Cost	1,942	1,547	65	65
Undepreciated amount of revaluations	9	11	0	0
Accumulated cost depreciation	−525	−495	−19	−18
Planned residual value	1,426	1,063	46	47
Accumulated depreciation in excess of cost depreciation (NOTE 23)			−11	−11
Book value, net	1,426	1,063	35	36
Tax assessment value	232	180	28	28

The amount shown for Group "Tax assessment value" relates exclusively to buildings in Sweden, the book value of which amounts to SEK 478 m. (219).

16. Land

	Group		Parent Company	
	1991	1990	1991	1990
Cost	542	304	17	18
Revaluations	24	24	4	4
Book value, net	566	328	21	22
Tax assessment value	136	48	24	24

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 285 m. (49).

17. Current liabilities

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

	Parent Company	
	1991	1990
Suppliers	6	12
Provision for taxes	6	–
Accrued expenses and prepaid income	43	58
Other current liabilities	51	65
Total non-interest-bearing liabilities	106	135
Bank loans (NOTE 18)	1,312	406
Liabilities to subsidiaries	682	901
Current portion of long-term liabilities	148	267
Advances from customers	–	0
Total interest-bearing liabilities	2,142	1,574

18. Bank loans

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

	1991	1990
PARENT COMPANY		
Available under "SEK 1,500 m. Corporate Paper Program" Outstanding	442	–
Available under "USD 150 m. Eurocommercial Paper Program" Outstanding USD 17 m.	94	323
Available under "GBP 90 m. Sterling Acceptances Program"	–	23
Other short-term loans	776	60
The Parent Company's bank loans and promissory notes	1,312	406
SUBSIDIARIES	475	936
Group bank loans	1,787	1,342

19. Long-term loans

In accordance with swap agreements entered into by the Company, certain loans are valued in another currency than that of the original loan and the interest rate is fixed for a longer period than the term of the loan itself.

The Parent Company reports long-term loans in the Balance Sheet as a compounded item.

Bond loans	1991	1990
PARENT COMPANY		
1978 11⅝% loan SEK 100 m.	13	20
1985 loan CHF 75.5 m.	–	260
1987 loan LUF 300 m.		
Outstanding, USD 7.9 m.	44	45
1988 loan LUF 300 m.		
Outstanding, USD 7.6 m.	42	43
1988 loan CHF 100 m.		
Outstanding USD 50 m. (CHF 74 m.)	277	325
Less: next year's maturities	−51	−267
Bond loans	325	426

Mortgage loans and promissory notes	1991	1990
PARENT COMPANY		
Available under "USD 100 m. Medium Term Note Program"		
Outstanding USD 21 m.	116	91
1989 loan FRF 25 m.	27	28
1990 loan NOK 10 m.	9	9
Other mortgage loans and promissory notes	1	2
Less: next year's maturities	−97	0
Parent Company's mortgage loans and promissory notes	56	130
SUBSIDIARIES	312	526
Less: next year's maturities	−66	−112
Group mortgage loans and promissory notes	302	544

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

			1991	1990
Currency	Amount m.	SEK m.	Percent	Percent
USD	127	703	27	35
FRF	189	202	8	8
GBP	21	218	8	4
CHF	47	195	7	16
DEM	48	175	7	4
ITL	25,156	121	5	6
INR	359	79	3	4
CAD	17	82	3	3
Others		853	32	20
		2,628	100	100

Based on the currency exchange rates prevailing on Dec. 31, 1991, bond loans, mortgage loans and promissory notes are amortized as follows:

	Group	Parent Company
1992	214	148
1993	368	353
1994	229	–
1995 – and thereafter	30	28
	841	529

20. Deferred tax liabilities

Deferred tax liabilities have been calculated individually for each company on the basis of local tax rates, see accounting principles, page 16.

21. 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 4). "Provision for pensions" is accordingly included among interest-bearing liabilities.

	Group		Parent Company	
	1991	1990	1991	1990
Swedish companies				
FPG/PRI-pensions	795	708	343	314
Other pensions	30	12	26	8
Companies outside Sweden	322	338		
Total provision for pensions	1,147	1,058	369	322

Pensionsregistreringsinstitutet (FPG/PRI) is an organization which administers employee pension plans.

22. Convertible debenture loan

Convertible debenture loan 1987/93, issued to employees in the Atlas Copco Group. The loan amounts to SEK 148 m. (155) 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 1991, a nominal amount of SEK 6.3 m. was converted to 42,281 shares. During 1992 up and until the record date of the conversion loan, an additional 1,732 shares were created through conversion. Notwithstanding these, the number of shares at full conversion will increase by 989,114. See also page 3.

23. 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 16.

	Parent Company 1991	1990
Accumulated additional depreciation		
Machinery and equipment	23	22
Buildings	11	11
Tax equalization reserve	222	–
	256	33

	Accumulated additional depreciation	
	Machinery and equipment	Buildings
Opening value, Jan. 1, 1991	22	11
Appropriations	1	–
Dissolutions	–	0
Closing value, Dec. 31, 1991	23	11

	Tax equalization reserve
Opening value, Jan. 1, 1991	–
Appropriation	222
Closing value, Dec. 31, 1991	222

24. Share capital

	Group	Parent Company
Share capital, Dec. 31, 1990	882	882
Conversion of debenture loan	1	1
Share capital, Dec. 31, 1991	883	883

25. Restricted reserves

	Group	Parent Company
Restricted reserves, Dec. 31, 1990	2,733	1,507
Premium on conversion of debenture loan	5	5
Transfers between restricted and unrestricted capital	100	–
Restricted reserves, Dec. 31, 1991	2,838	1,512

The increase in restricted reserves relates primarily to the portion of shareholders' equity in allocations made to untaxed reserves in individual companies.

26. Retained earnings

	Group	Parent Company
Retained earnings, Dec. 31, 1990	1,887	694
1990 net profit	698	496
Unrestricted reserves, Dec. 31, 1990	2,585	1,190
Dividend to shareholders	−282	−282
Transfers between restricted and unrestricted capital	−100	–
Translation differences	−86	
Retained earnings, Dec. 31, 1991	2,117	908

Unrestricted shareholders' equity for the Atlas Copco Group has been defined as follows:

The Parent Company's unrestricted shareholders' equity, increased by the Group's share of each subsidiary's unrestricted equity, to the extent that it can be distributed without the Parent Company having to write-down the shares in the subsidiary.

From this amount, the Group's share in accumulated losses and other reductions of capital in subsidiaries have been deducted to the extent that these amounts have not affected share values in the Parent Company's accounts. In the Consolidated Balance Sheet eliminated internal profit has also been charged against the Group's unrestricted shareholders' equity.

Of the Group's retained earnings, SEK 9 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 shold 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.

27. Earnings per share

	Group 1991	1990
Net profit	507	698
Interest on convertible loan after deduction for 30-percent tax	10	11
Adjusted profit after full tax and full conversion	517	709
Number of shares after full conversion	36,319,991	34,653,331
Earnings per share, SEK	14.25	20.45

The number of shares after full conversion at year-end amounted to 36,319,991. 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 14.35 (20.75).

28. Assets pledged and Contingent liabilities

	Group		Parent Company	
	1991	1990	1991	1990
Real estate mortgages	80	90	1	1
Chattel mortgages	141	257	–	–
Assets pledged	221	347	1	1
Notes discounted	66	102	–	–
Sureties and other contingent liabilities	546	342	593	359
Capital value of pension obligations	20	33	14	28
Contingent liabilities	632	477	607	387

Of the contingent liabilities reported in the Parent Company SEK 274 m. (273) 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 dispension was granted by the County Board in the particular counties.

	Group	Parent Company
Number of borrowers	157	157
Loans reported in the balance sheets as receivables		
Short-term	1	1
Long-term	1	1

Borrowers in the Parent Company also include employees in other Swedish companies.

Exchange rates

Country	Value	Currency code	Year-end rate 1991	Year-end rate 1990	Average rate 1991	Average rate 1990
Australia	1	AUD	4.24	4.41	4.71	4.65
Austria	100	ATS	52.00	53.50	52.00	52.00
Belgium	100	BEC	17.80	18.20	17.70	17.70
Canada	1	CAD	4.77	4.92	5.24	5.08
France	100	FRF	107.00	110.50	107.50	108.50
Germany	100	DEM	366.00	375.50	365.00	366.50
Great Britain	1	GBP	10.39	10.83	10.65	10.50
India	100	INR	22.00	31.50	27.50	34.50
Italy	100	ITL	0.481	0.499	0.486	0.492
Japan	100	JPY	4.41	4.21	4.48	4.10
Luxemburg	100	LUF	17.80	18.20	17.70	17.70
The Netherlands	100	NLG	324.50	332.50	323.50	325.00
Norway	100	NOK	92.50	96.00	93.00	94.50
Singapore	1	SGD	3.42	3.29	3.51	3.28
South Korea	100	KRW	0.800	0.820	0.857	0.864
Spain	100	ESP	5.73	5.90	5.81	5.79
Switzerland	100	CHF	411.00	439.00	421.50	426.50
U.S.A.	1	USD	5.54	5.71	6.01	5.93

Shares and participations
Atlas Copco AB

	Number of shares	Per-cent held	Par value loc cur	Book value SEK m.
PRODUCT COMPANIES				
Atlas Copco Tools AB	100 000	100	100	20
Monsun-Tison AB	400 000	100	100	64
Atlas Copco Automation AB	200 000	100	100	20
Atlas Copco Assembly Systems AB	90 000	100	100	11
Atlas Copco SAC AB	16 000	100	100	3
GME System AB	34 500	97	100	39
Uniroc AB	2 325 000	100	20	112
Atlas Copco Energy AB	200 000	100	100	30
Atlas Copco Tunnelling and Mining AB	1 000 000	100	100	240
Atlas Copco Berema AB	60 000	100	1 000	150
SALES COMPANIES				
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 Kompressor-teknik A/S, Denmark	3 003	100	4 000	7
Soc. Atlas Copco de Portugal Lda.	1	100	[1]	22
Atlas Copco (Schweiz) A.G.	7 995	100	1 000	12
Atlas Copco Ges.m.b.H., Austria	69 990	100	1 000	20
Atlas Copco Argentina S.A.C.I.	17 999	0[2]	1	0
Atlas Copco Boliviana S.A.	4 268	100	100	2
Atlas Copco Brasil Ltda	5 099 999 028	100	1	21
Atlas Copco Chilena S.A.C.	24 998	100	1 000	6
Atlas Copco Ecuatoriana S.A., Ecuador	41 966	100	1 000	1
Atlas Copco Venezuela S.A.	37 920	100	1 000	14
Atlas Copco Iran AB, Sweden	3 500	100	100	0
Atlas Copco (Philippines) Inc.	121 995	100	100	3
Atlas Copco KK, Japan	375 001	100	1 000	23
Atlas Copco (South-East Asia) Pte. Ltd., Singapore	2 500 000	100	1	8
Atlas Copco (Malaysia) SDN BHD	700 000	70	1	2
Atlas Copco Makinalari Imalat A.S., Turkey	424 670	11[4]	1 000	0
Atlas Copco (India) Ltd.	2 892 000	40	10	0
Atlas Copco Kenya Ltd.	14 999	100	100	0
Atlas Copco Lesotho Pty Ltd	19 999	100	1	0
Atlas Copco Maroc S.A.	3 572	89	1 500	4

[1] No par value
[2] Remaining holding owned by other Group companies
[3] 62 percent owned by other companies within the Group
[4] 72 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 of shares	Per-cent held	Par value loc cur	Book value SEK m.
HOLDING COMPANIES				
Atlas Copco North America Inc.	35 506	100	[1]	796
Atlas Copco UK Holdings Ltd.	28 623 664	100	1	294
Atlas Copco Beheer bv, The Netherlands	15 712	100	1 000	470
Atlas Copco Holding G.m.b.H., Germany	5	99[2]	[1]	100
Atlas Copco France Holding S.A.	159 994	100	500	75
Atlas Copco A/S, Norway	4 498	100	10 000	32
OTHER COMPANIES				
Atlas Copco Construction and Mining Technique AB	700 500	100	100	356
Atlas Copco Industrial Technique AB	40 000	100	100	5
Atlas Copco Construction and Mining Distribution AB	500	100	100	0
Atlas Copco Airpower Svenska AB	500	100	100	0
Copco Nueva Montaña S.A., *Spain, in liquidation*	29 999	13[3]	1 000	0
Atlas Copco Andina S.A., *Bolivia, in liquidation*	18 000	50[2]	1 000	0
Atlas Copco Industrial S.A., *Spain*	95	50[2]	10 000	0
Industria Försäkrings AB	50 000	100	100	5
Atlas Copco Reinsurance S.A., Luxemburg	4 999	100	10 000	8
Atlas Copco Tools Distribution n.v., Belgium	1	0[2]	10 000	0
Atlas Copco Coordination Center, Belgium	1	0[2]	10 000	0
Cerac S.A., Switzerland	1 997	100	1 000	2
Atlas Copco Data AB	500	100	100	0
Atlas Copco Fond-aktiebolag	2 500	100	100	0
Sickla Industrifastigheter AB	999	100	1 000	465
30 dormant companies				17
				3 471
MINORITY COMPANIES				
Associated companies				
Scanditronix AB	45 556	22	100	7
VOAC Hydraulics AB	250	50	100	0
Österleden AB	125	25	500	0
Other companies				
Bilspedition AB	213 360	1	25	7
Svensk Interkontinental Lufttrafik AB (SILA)	508 000	1	10	10
Handelsbolaget Svenska Dagbladets AB & Co	100	2	1 000	0
Svenska Dagbladet Holding AB	18 000	2	10	4
AB Sukab	300	0	100	0
Mechanical Technology Inc., N.Y., U.S.A.	140 000	5	1	0
ADELA Investment Co. S.A., Luxemburg	3 640	0	100	0
SIFIDA Investment Co. S.A., Luxemburg	275	1	500	0
Cord Capital N.V., Curacao, The Netherlands Antilles	36	1	50	4
Other shares and participations				0
				32

Financial operations

Market trends in 1991

The fundamental changes taking place in the worlds political and financial systems continued during 1991. On the political scene, a transition toward a market economy took place in eastern Europe and the former Soviet states. The question of EC membership and a united Europe was raised in many countries, including Sweden, which in May abandoned the old currency basket and linked the Krona to the European currency unit, ECU. Consequently, European policy and monetary policy became more important for Sweden than previously.

The world's financial markets had difficulty in following the momentous political changes during 1991. Failure of the American economy to show the expected recovery led to caution and inactivity in the stock market. In currency markets, a price rise for the U.S. dollar was expected after the Gulf War, but instead the dollar declined and, in December, reached the lowest level in several years.

The German mark, however, was stable, despite the expected problems entailed by the reunification program. The German mark was strengthened particularly during the latter half of the year due to rising interest rates and the lack of growth in the U.S. economy.

The international recession also affected Sweden, where banks and finance companies continued to experience problems. Expectations of lower Swedish interest rates as a result of the ECU link were not fulfilled.

Financial risks

Atlas Copco's daily operations are exposed to financial risks, primarily in the areas of currency exchange and interest rates. Changes in exchange and interest rates have a direct influence on the Atlas Copco Group's earnings.

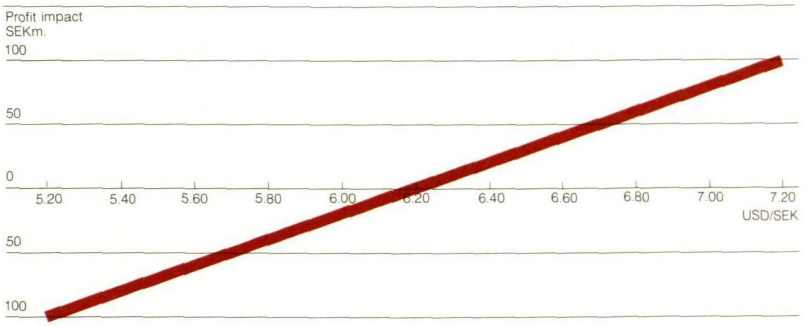
The objective of the finance function at the Parent Company, Corporate Finance, is to define financial risks and, through the selection of financial instruments, to minimize the negative effects of these risks on Group earnings.

Funding risk refers to the risk that the Group is not able to raise funds needed at a given time.

The Atlas Copco Group companies finance their working capital needs through local loans in the local currency. The choice of bank and credit facility must be approved by the Parent Company. In order to limit funding risks, Corporate Finance has negotiated guaranteed credit facilities totaling USD 300 m. In December 1991, the Atlas Copco Group's net borrowing amounted to SEK 1,701 m.

The currency risk refers to the risk that exchange rate fluctuations on commercial flows and on net investments made abroad will have a negative effect on Group earnings.

SENSITIVITY TO CURRENCY MOVEMENTS



The Atlas Copco Group's sensitivity to exchange rate fluctuations is shown by the relationship of USD to several European currencies expressed in SEK. A 10-percent change in exchange rates translates to a profit/loss of about SEK 60 m.

The currency risk on commercial flows occurs when production companies deliver and invoice in the currency used by the sales company. Most of the product companies are based in Europe, which means that the Group is relatively more sensitive to changes in the USD exchange rate than to changes in European currencies.

The responsibility for hedging commercial currency risks rests primarily on the divisions. They base their currency hedging on the sales companies' budget and purchase forecasts.

Corporate Finance takes responsibility for the Group's total currency risk. This means that the production companies' risk coverage is achieved through central netting and currency hedging operations are handled by Corporate Finance. In addition to forward contracts and loans, Corporate Finance uses options as a means of reducing currency exposure.

Interest risk refers to the risk that changes in interest rate levels will have an adverse effect on Group earnings.

During the year, the Group's net borrowing was reduced from SEK 1,852 m. to SEK 1,701 m. The average interest rate term was eight months.

Corporate Finance has responsibility for all interest rate terms for the Group and manages the Parent Company's interest risks.

Credit risk refers to the risk that investments of liquid funds will be lost. Corporate Finance is responsible for managing the Parent Company's liquid funds, which on December 31, 1991 amounted to SEK 1,236 m. As in prior years, liquid funds in Sweden were invested in the Swedish money market. Thanks to the conservative investment policy applied, the Group was again able to completely avoid any credit losses in the financial market during 1991.

Coordination of finance operations

The Group Treasurer has the overall responsibility for the Atlas Copco Group's financing and currency management.

Operationally, daily transactions are made by the Group's internal bank, which also provides services in the areas of export financing and cash management.

The internal bank also has responsibility for coordination of finance operations in countries where there is more than one Atlas Copco company. This is accomplished through a cash pool, which functions as an extension of the internal bank. Such cash pools currently exist in 15 different countries.

International accounting principles

The consolidated accounts for the Atlas Copco Group follow Swedish accounting practices. Swedish accounting practices, however, diverge from international practices on certain points. 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/PRI 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 the criteria then applicable, according to Swedish practises. 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 amortizaton of goodwill relating to strategic acquisitions has been adjusted to straight-line amortization according to U.S. GAAP.

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.

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

	1991	1990
Income as reported in the Consolidated Income Statement	507	698
Items increasing/decreasing reported net income:		
Depreciation of revaluations	3	1
Capitalization of interest expenses	7	2
Share in net income of associated companies	3	12
Depreciation of goodwill	−26	−26
Deferred taxes	−3	−1
Calculated net profit	491	686
Calculated earnings per share, SEK	13.90	20.40
After full conversion, SEK	13.80	20.10
Total assets	14,646	14,542
Total liabilities	7,803	7,827
Shareholders' equity as reported in the Consolidated Balance Sheet	6,345	6,200
Net adjustment in reported shareholders' equity	498	515
Approximate shareholders' equity	6,843	6,715

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.

International Accounting Standards, IAS
With the exception of only a few points, Atlas Copco's accounting principles are in accordance with 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:

	1991	1990
Income as reported in the Consolidated Income Statement	507	698
Items increasing/decreasing reported net income:		
Depreciation of revaluations	3	1
Share in net income of *associated companies*	3	12
Deferred taxes	–	26
Calculated net profit	513	737
Calculated earnings per share, SEK	14.50	21.90
After full conversion, SEK	14.40	21.60
Total assets	14,086	13,962
Total liabilities	8,040	8,061
Shareholders' equity as reported in the Consolidated Balance Sheet	6,345	6,200
Proposed dividend	−283	−282
Other adjustments	−16	−17
Approximate shareholders' equity	6,046	5,901

The differences in deferred taxes for 1990 pertain primarily to tax rates. According to the Company's 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 1991 amounted to SEK 841 m. (1,239).

This income figure is SEK 233 m. (222) 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 52 m. (46) more to purchase than they did on the purchase date. Income has also been

charged with current cost depreciation that is SEK 181 m. (176) 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 1,141 m. (1,568). Price gains of SEK 41 m. (47) occurred on inventories and the Company's fixed assets increased in value by SEK 259 m. (282).

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 it should have increased by the average annual price increase, or by SEK 517 m. (661) during the year. The annual average price increase in 1991 has been estimated at 7 percent (10). Atlas Copco's real income after financial items for 1991 is thus SEK 460 m. (716). This income figure is SEK 450 m. (554) lower than the traditional income and corresponds to a real profit margin of 3.1 percent (4.5).

The real net profit for the year is SEK 450 m. lower than the traditional income and amounted to SEK 57 m. (144).

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 1,047 m. (980) 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 1,018 m. (928) higher.
- Inventory is shown at a value SEK 24 m. (35) higher.
- Shareholdings are shown at a value SEK 5 m. (17) higher.

Equity capital and unrealized price changes are reported at a value of SEK 1,047 m. higher, which means that the rate of equity capital after full conversion and including minority interest thereby amounts to 50 percent, as against 47 percent in accordance with traditional accounting.

Return on shareholders' equity amounts to 0.8 percent (2.2), compared with 8.1 percent (12.5) according to the traditional method. The reduction in return is attributable to lower actual earnings and to the fact that equity is SEK 1,047 m. higher as a result of current cost accounting.

Reconciliation between traditional and current cost accounting

Income according to traditional accounting			910
Change, unrealized price changes:			
Price change, goods sold	−52		
Price change, depreciation	−181	−233	
Price change for the year:			
Inventory	41		
Equipment	259	300	67
Adjustment for inflation			−517
Real income after financial items			460

Current cost income statement

	1991	1990
Invoiced sales	**15,030**	15,915
Current cost of goods sold	**−13,545**	−14,075
Current cost depreciation	**−644**	−601
Operating income	**841**	1,239
Price changes, inventory	**41**	47
Price changes, fixed assets	**259**	282
Operating income before financial items	**1,141**	1,568
Financial items	**−164**	−191
Purchasing power adjustment, equity capital	**−517**	−661
Real income after financial items	**460**	716

Current cost balance sheet

ASSETS	**1991**	1990
Cash, bank and short-term investments	**2,106**	1,921
Receivables	**3,677**	3,896
Inventories	**3,544**	3,999
Fixed assets	**5,814**	5,135
Total assets	**15,141**	14,951

LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities	**5,246**	4,978
Long-term liabilities	**2,503**	2,793
Unrealized price changes	**1,047**	980
Shareholders' equity	**6,345**	6,200
Total liabilities and shareholders' equity	**15,141**	14,951

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	907,211,370
Net profit for the year	SEK	283,006,687
	SEK	1,190,218,057

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	282,660,872
To be retained in the business	SEK	907,557,185
	SEK	1,190,218,057

Nacka, March 11, 1992

PETER WALLENBERG
Chairman

TOM WACHTMEISTER	CURT G OLSSON	OTTO GRIEG TIDEMAND
LENNART JOHANSSON	PER LUNDBERG	GEORG KARNSUND
GÖSTA BYSTEDT	JACOB WALLENBERG	JACQUES VAN DER SCHUEREN
BERT-OLOF SVANHOLM		MICHAEL TRESCHOW 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 1991. 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.

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.

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.

Nacka, March 18, 1992

KARL-G GIERTZ
Authorized Public Accountant

OLOF HEROLF
Authorized Public Accountant

To our shareholders

Nineteen ninety-one was a difficult year in most of our markets, and we will probably continue to feel the effects of the recession during the greater part of 1992 in most of the countries in which we have operations. Although the total market in our business areas has decreased during the preceding year, we have been able to strengthen our leading position on the world market and increase market share. This applies primarily to compressors for the manufacturing industries, but even to equipment for contractors in the construction industry.

Delegated responsibility

During a recession such as the one we are now experiencing, competition intensifies and profitability suffers. To survive in such a situation, an organization must be flexible so that decisions can be taken quickly. Consequently, we have made successive adjustments in our organization by delegating responsibility for product development, design, manufacture, marketing and profitability to each individual division. In this way we move closer to the customer and the customer's problems and requirements. This makes it easier to take decisions on matters such as the development of new products tailored to specific customer groups or markets. Through this delegation of responsibility, it is also easier for each division to be more observant of changes in cost levels.

Strong position in the world market

We have a strong home market in Europe, with production in several EC countries. In recent years we have also strengthened our position in North America and Japan. Several of the divisions' products, which are considered strategic, are manufactured in these markets. In Japan we have entered into a joint venture with a Japanese company for the manufacture and sales of industrial compressors, and in our own Japanese company, we have started assembly of large oil-free compressors. In the North American market, we have multiplied our sales during the past ten years, to the extent that this market now accounts for 17 percent of Atlas Copco's total invoicing. At the same time, we have expanded our market by introducing an increasing number of products with new areas of application for customers in the manufacturing industries, which has become our most important customer segment during the past ten years, and which now accounts for 49 percent of Group sales.

Atlas Copco expanded strongly in the 1980s through the strategic acquisition of companies. We will continue to pursue this strategy in the 1990s. The acquisition of AEG's power tool operations is an excellent example of our efforts in this regard.

As a result of these developments, 35 percent of the Group's sales are today accounted for by other brand names than Atlas Copco. We will continue to look for attractive companies with products and markets that complement our own. Priority will be given to western Europe, the United States, Southeast Asia and Japan.

Through the establishment of a joint company for hydraulic components with Volvo Flygmotor, we have become active participants in the restructuring of this industry. We are now a partner in a very attractive company, which has good prospects for strengthening its coverage of international markets.

The shift of focus to divisions also provides opportunities for expansion. For example, we can make selective investments in the rapidly expanding markets of Southeast Asia, and we are more able to adapt to the changes occurring in eastern Europe. During 1991, we expanded our marketing organization in eastern Europe with the establishment of our own companies or sales representatives in Hungary, Czechoslovakia, Poland, Romania and the Baltic countries. The creation of the internal market within the EC will also provide opportunities for a more effective distribution structure, independent of national borders.

Strong focus on product development

During the past financial year, product development in all business areas was awarded high priority. Intensive efforts have been made to develop cost-efficient products combining superior performance with high reliability.

In the compressors area, two completely new series of small compressors were recently developed and are now being introduced in the market. One of these compressors is particularly interesting, in part because it is based on a completely new compressor technology and also because it is targeted for a new customer group and thereby expands our market. A new portable compressor, based on new technology and using a new design, was also developed and introduced in the market during the year. As the market for this type of product is stable and well established, innovative products are needed that are simple and specifically designed to maintain production costs at competitive levels. To date, the strong sales of this product have provided proof that we are succeeding with these efforts.

In the drilling equipment product area, customers have become increasingly product-oriented and express interest in participating directly in the product development work. For Atlas Copco, this means that we can obtain first-hand information about customer requirements and thereby develop the products demanded by the market more quickly. During the year, this kind of co-operative development was initiated in both Sweden and the U.S.

Tunnel boring technology was further refined and a breakthrough was noted in the market during 1991 through several major orders.

For a number of years, we have been active in the development of electric power tools as a complement to our pneumatic tools. These efforts have been strengthened by the acquisition of Ets G Renault in France and, more recently, of the German company AEG Elektrowerkzeuge, which also has products for the hobby industry. Through these acquisitions, we have also increased our expertise in the electronics area, which is an important factor in such areas as the control units for our advanced assembly systems.

Investments in product development will become more forceful as the divisions now, to a greater extent than previously, are able to adapt them to the needs of the market.

Lower cost levels

Atlas Copco's operations during 1991 were characterized by extensive restructuring measures, which were essential to adapt our organization to changes in market demands and to reduce cost levels, particularly in our manufacturing units. By merging manufacturing plants we were able to consolidate manufacturing in more efficient units, and by investing in the latest production technology we were able to make production more efficient with faster lead times, less capital tied up in inventories and improved product quality.

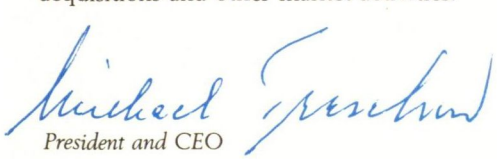
Our investments in plants and equipment, such as the new plants in Antwerp and Borås and the new distribution centers in Belgium and the Netherlands, totaled slightly more than SEK 700 m. during the year. This is more than we have invested in any previous year. The most recent investment of SEK 200 m. represented a completely new plant in Antwerp for the manufacture of portable compressors. Manufacturing is controlled entirely by customer orders and is based on the latest production technology, with a rapid flow of manufacturing materials. Plant capacity is based on the production of one portable compressor every eight minutes.

In other words, we reviewed our cost situation in good time, and as a result we were able to constrain the downturn in our operating income as early as during 1991.

Good prospects for the future

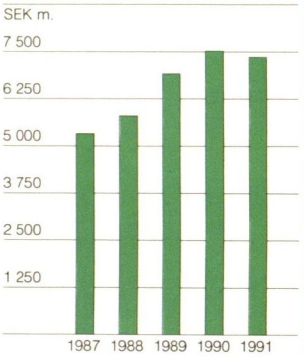
To summarize, I would like to emphasize that we are currently extremely well positioned for the future.

- In addition to our marketing efforts, we have invested in efficient production facilities that facilitate rapid adjustment of both production capacity and costs to the demands of the market.
- The restructuring measures that have been implemented reduce the amount of capital tied up in operations and cost levels. Because the costs for these measures have already been charged against income for the past two years and since investment needs in the years to come will return to what I consider to be a normal level, I am optimistic about the trend of income during 1992. Our objective of achieving a profit margin of 10 percent over the course of an economic cycle stands firm.
- The program of forceful measures implemented during 1991 has successfully strengthened our resources and prepared us for continued growth in the 1990s. Our stable financial position is also a good foundation for further expansion through acquisitions and other market activities.

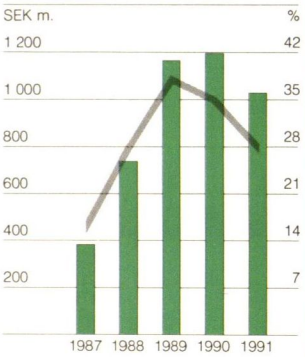


President and CEO

SALES



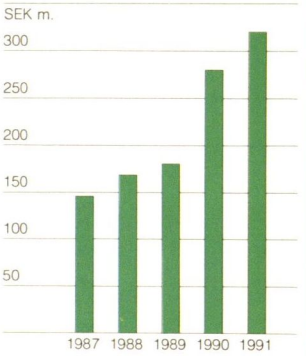
EARNINGS AND RETURN



Earnings after depreciation, SEK m.

Return on capital employed, % (Definitions see p. 18)

INVESTMENTS



COMPRESSOR TECHNIQUE

	1991	1990
INVOICED SALES, SEK m.	**7,361**	**7,530**
OPERATING PROFIT AFTER DEPRECIATION, SEK m.	**1,031**	**1,195**
RETURN ON CAPITAL EMPLOYED, %	**28**	**35**
NUMBER OF EMPLOYEES	**7,790**	**8,103**

The business area Compressor Technique develops, manufactures and markets industrial, oil-free and portable compressors, air dryers, after coolers, energy recovery systems, control systems, filters and specially built gas and process compressors, expansion turbines and cryogenic pumps. The business area is headquartered in Antwerp, Belgium, with the largest plants in Antwerp, Cologne in Germany, and Los Angeles and Albany in the U.S. Manufacturing also takes place in seven other countries.

The following divisions belong to business area Compressor Technique:

- Industrial Air, president *Luc Hendrickx*
- Oil-free Air, president *Henri Ysewijn*
- Portable Air, president *Romano Girardi*
- Atlas Copco ACT (Applied Compressor Technique), president *Freek Nijdam*
- Airtec, president *Stig Svärd* (until Jan 31, 1992)

Henri Ysewijn, Stig Svärd, Romano Girardi, Freek Nijdam and Luc Hendrickx.

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 to industrial customers who demand a high level of operating reliability in their plants. The divisions are responsible for product development, manufacturing and marketing of their respective products.

Structural changes

Effective January 1, 1991, the business area was divisionalized. Accordingly, each product division has individual responsibility for its own product development, engineering, production, sales, service operations and profitability.

Sales

Invoiced sales in 1991 amounted to SEK 7,361 m. (7,530) and order bookings to SEK 7,459 m. (7,549).

Earnings

Operating profit after depreciation declined 14 percent to SEK 1,031 m. (1,195), corresponding to 14 percent (16) of invoiced sales. The decrease was due primarily to lower sales volumes.

Return on capital employed was 28 percent (35).

Investments

The total investments of the business area in plants amounted to SEK 320 m. (280). The investments were mainly related to a new plant in Antwerp, Belgium for the assembly of portable compressors and the modernization of production equipment at the Airtec plant for the manufacture of core components for compressors.

Atlas Copco has delivered turbo expanders to a project in the Sierra Nevada mountains in California for conversion of geothermal energy into electricity.

Business development

The Industrial Air division increased its market share in a contracting overall market. Sales successes were noted primarily in Germany, Japan and the Far East, while markets in Scandinavia and Great Britain were weak. Substantial investments have been made in the development of new small compressors to satisfy the entire market.

Demand for oil-free compressors was satisfactory during the year and production capacity was fully utilized. The newly launched series of oil-free tooth-compressors was particularly well received by the market. Decisions were made regarding investment in a special plant for the production of oil-free compressors in Antwerp.

Sales of portable compressors increased compared with the preceding year, especially in Germany. A new plant, with customer order controlled production of portable compressors was started up during the autumn. A new compressor series, which was designed for customers with large capacity requirements, was introduced during the year and favorably received.

Demand for Atlas Copco ACT's products remained high. Particularly sales of turbo expanders for handling natural gas increased strongly.

Outlook for 1992

Demand for standard products, both industrial and portable compressors will remain weak at least in the first part of the year. Oil-free compressors for large industrial projects will continue to grow. Demand for gas and process compressors will remain high. Newly introduced products in all divisions are expected to generate a positive contribution to sales.

At the manufacturing plants in Antwerp and Cologne, the investment programs to further increase production efficiency and improve material flow are progressing according to plan.

Breakthrough in Japanese compressor market

In recent years, Atlas Copco has gradually increased its engagement in the rapidly expanding Japanese market. From initial sales made via a distributor, a joint venture was formed and this resulted in the establishment in 1986 of Atlas Copco KK, a wholly owned sales company. Today, this company has also started to assemble large oil-free compressors. In 1989, a further step was taken with the formation of Atlas Copco Iwata KK, a company jointly owned with the Japanese industrial company, Iwata Air Compressors Manufacturing Co. The plant manufactures smaller stationary screw compressors, while sales are carried out via local distributors.

Like many other foreign companies, Atlas Copco recognized that a successful penetration of the Japanese market would be extremely difficult. A carefully considered long-term strategy was needed. The objective would be to make Atlas Copco one of the leading compressor manufacturers in Japan through being better and operating differently to its Japanese competitors. Certain risks would be taken in the way the business would be conducted in Japan without, however, deviating too widely from established norms.

Since Japan is a high-tech country, Atlas Copco started by selling its own high-tech products – its oil-free compressors – in the local market. After some time, through aggressive and imaginative marketing, it was possible to gradually increase market share. Part of the company's success is attributable to the way it has adapted the products to meet local market requirements and to the integration of locally produced components. Through continual product development measures, Atlas Copco has held its own against the Japanese competition and today holds a market share of close to 30 percent, with sales of more than 1,300 large oil-free compressors until now. Currently, a forceful expansion of the service organization with highly qualified technicians is in progress to meet the increasingly high demands of the market.

The company's own sales organization responsible for selling the large oil-free compressors also constitutes a solid base for the sale of centrifugal and gas compressors and expanders. In respect of smaller, standard compressor models, an extensive distributor network is required, responsible for both sales and service activities. This is an area in which the company's co-operation with Iwata fits in extremely well. Atlas Copco contributes high-quality products and Iwata its extensive distributor network, skilled personnel and considerable design know-how. The jointly owned manufacturing plant assembles smaller industrial compressors designed by Japanese technicians, and with screw elements from Atlas Copco. Sales of these locally produced compressors have exceeded all expectations and Atlas Copco has already been successful in taking more than 10 percent of the total Japanese market for these products.

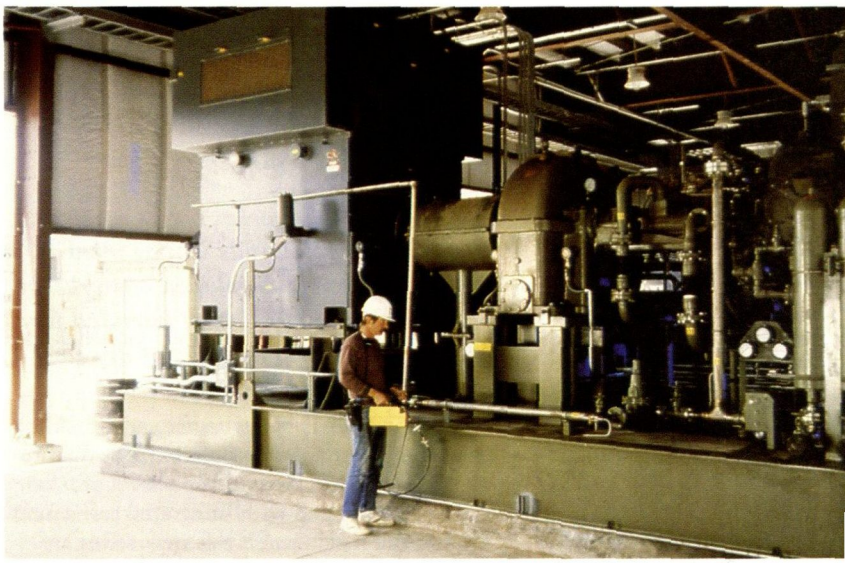
The company's plans for 1992 include an expansion of the plant to cope with the expected sales volumes and the planned introduction of new products in the Japanese market.

Final testing and quality control of oil-free compressors at the Atlas Copco KK's plant in Japan.

Turbo expanders used in Californian energy recovery projects

New methods for the recovery and renewal of energy have been created by the Atlas Copco Applied Compressor Technique Division, not merely as a result of rising energy costs, but primarily to reduce emissions of carbon dioxide for fear of the greenhouse effect.

During 1991, the Atlas Copco company, Rotoflow, in the Compressor Technique business area, manufactured and delivered turbo expanders to a project at Mammoth Lakes in California for the conversion of geothermal energy into electricity. In an underground cavity with molten magma, water is heated in a shallow lake 180 meters below the earth's surface over an area covering 560,000 square meters. These warm springs were created by volcanic forces more than 700,000 years ago. The water, which retains a temperature of 170°C is converted to 70°–90°C via heat exchangers before being pumped back into earth. The heat extracted evaporates a liquid isobutane gas. Power is generated through the high-pressure gas being expanded through an expander, which drives a turbine. The equipment consists of three power plants, with a total of eight turbo expanders.



One of the turbo expanders for converting geothermal energy into electricity.

The patented design of the Rotoflow equipment has many advantages and the expanders are particularly suitable for geothermal applications. Among other features, they can be used for the recovery and recycling of gases thereby avoiding waste and pollution.

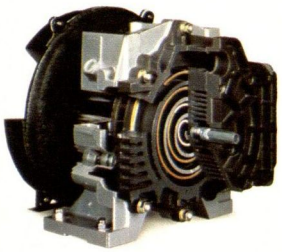
Substantial turbo expander orders were also received during the year from another geothermal project in Sierra Nevada, California and from a large facility in Germany, where pressure drops in the gas network are converted into usable electric power.

Strong demand for oil-free air

Nineteen ninety-one was another successful year for the Oil-free Division. The demand for oil-free compressors remained strong, while demand for oil-lubricated compressors decreased. This was due to steadily increasing applications for pure compressed air.

Access to high-quality oil-free air is an absolute necessity in many hospital departments. A notable example is the Brunico Hospital in Val Pusteria, Italy, where oil-free air constitutes the base for the hospital's respiration system, which in itselt reflects the high quality of the air. Moreover, the entire hospital's air-conditioning system is pneumatically controlled, as are a large number of the instruments and other equipment used in the operating theatres. The laundry equipment is also operated and controlled with the help of compressed air.

Another area in which demand for oil-free air has remained strong is the textile industry. Among other items of equipment, Atlas Copco delivered some 20 oil-free compressors and air dryers valued at approximately SEK 10 m. to a consortium of Egyptian textile companies. The decisive factor in selecting Atlas Copco equipment was the compressors' reputation for good operating reliability and the high level of local service offered by Atlas Copco.



Compression is achieved by the interaction between a fixed and an orbiting scroll.

A compact oil-free scroll compressor with integrated refrigeration dryer.

New compressors for users of smaller volumes of high quality compressed air

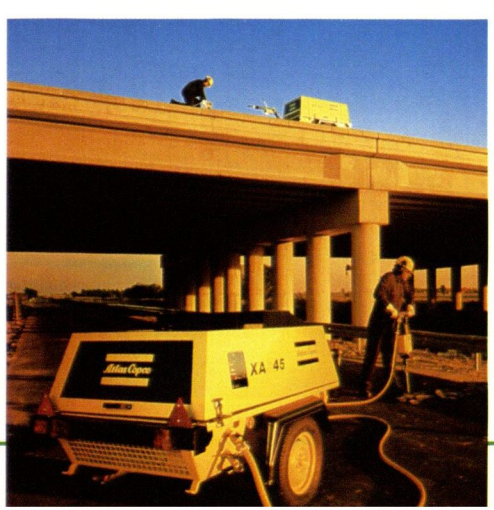
To broaden the market for its compressed air products, Atlas Copco introduced two newly developed compressor models during 1991, both intended for users of smaller quantities of dry and pure compressed air.

The one, which is based on the same technology as existing larger models, extends the product program downwards to a level of 5.5 kW. Equipped with integrated refrigerant dryers, the machines in this new series are compact, easy to install and run so quietly that they can be placed in the actual workplace. This compressor is primarily intended for smaller and medium-sized engineering plants and similar industrial operations. Within one week of the launch, orders corresponding to about 20 percent of the anticipated sales target for the first year had already been received.

The second new compressor series was introduced in the European market in January, 1992. It has a capacity of 4–7 liters per second and is based on scroll compression, a technology not previously applied in the compressor area. With this technique, the compression of atmospheric air is achieved through the interaction between a fixed and an orbiting scroll. Since there is no contact between the scrolls, no lubricating oil is necessary, which results in the unit producing dry, oil-free air. A high level of productivity is also attained due to minimal service and maintenance requirements. The scroll compressor can operate continuously for 24 hours a day and requires minimal service. This series is mainly intended for customers in the food and packaging industries, the photographic industry, companies engaged in electronic assembly work, as well as for hospitals, dental clinics, sea farms, water treatment plants, etc. This broadened range of applications is expected to contribute to increased world market shares for Atlas Copco's compressors.

Increase in market share for German sales company

For many years, annual sales of portable compressors to contractors in western Germany have totaled between 3,500 to 5,000 units. Over the years, Atlas Copco has steadily improved its position in this market and has been the market leader within this product area since the beginning of the 1980s.



The German sales company was successful in selling portable compressors for contractor activities.

Following the unification of the two German republics, demand has more than doubled and Atlas Copco has succeeded in attaining even greater market share. This sharp upturn in demand is attributable to the huge backlog in demand in the new Eastern German states and to continuingly favorable business conditions throughout Germany as a whole.

Through its own direct sales and rental activities, the German sales company has created opportunities for additional sales to be conducted via authorized distributors. During the preceding year, more than half of the German sales were carried out through some 50 distributors, who focus on small and medium-sized contractors. The major contractors and other larger customers, such as the equipment rental firms, continue to be handled directly by the sales company, who in this way is able to provide professional consulting services. These customers can also require customized versions of the equipment.

In addition to the contracting market, there is an OEM market for portable compressors that are built into pumps and drilling rigs by the manufacturer. The German sales company was also successful in this sector and noted increased market shares, mainly as a result of its close cooperation with the product company.

Success for train brake system compressors

Atlas Copco's system with oil-lubricated screw compressors (GAR), designed for use in trains, recorded major sales successes during 1991. A number of attractive contracts were signed and several more are expected in the near future.

Swiss Railways has ordered a large number of GAR compressors for train brake systems.

In connection with the electrification of the Perth Region railway network, the Western Australian Government has ordered a large number of train units from the joint-venture company, Walker-ASEA. Atlas Copco delivered the train brake compressors for this project during 1990–91.

During the year, Danish State Railways ordered high-speed passenger train units from ABB-Scandia, fitted with Atlas Copco's GAR brake compressors.

Norwegian State Railways is in the process of replacing the old piston compressors on its B 69 trains with Atlas Copco's GAR compressors. During 1991, a number of these systems were ordered.

Attractive orders for GAR compressors were placed by SAB-WABCO for installation in locomotives that will be used for trafficking the Channel tunnel between England and France and for installation in new high-speed electric trains in Italy.

The Swiss company, Büro Martin, ordered a significant number of GAR systems for installation in the high-speed trains belonging to Swiss Railways (SBB). To date, more than 500 GAR compressors have been ordered for the account of SBB.

Following an extensive trial period using GAR compressors, the Metro system in Lyon, France, has issued an order confirmation for an initial delivery, which will take place during 1992.

A repeat order for a number of GAR systems was received from Gecamines in Zaire.

All of these successful transactions are attributable to Atlas Copco's ability to offer high-quality products and customized solutions.

Expansion of service organization in the Far East

The rapid growth experienced in many Far Eastern countries has led to a sharp increase in the number of installed compressors. This is largely attributable to the fact that many local and multinational companies have started manufacturing operations in these countries.

The number of compressors installed by Atlas Copco in Japan, Korea, Taiwan, the Philippines, Hong Kong, China, Thailand, Malaysia, Singapore and Indonesia totals approximately 10,000, of which 3,500 are of the oil-free type.

Atlas Copco is currently expanding its service organization and training technicians in each country, to ensure that high-quality service can be provided to all customers within the industrial and construction sectors in this region.

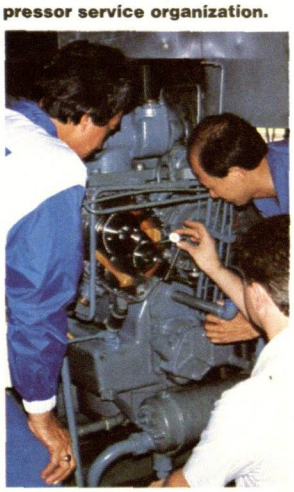
To reach that level Atlas Copco have established a project group whose task is to assist the countries concerned in developing their Service Operations.

This is being carried out by a small team who make frequent visits to each country, inspecting, coaching and instructing at all levels of Service Operations.

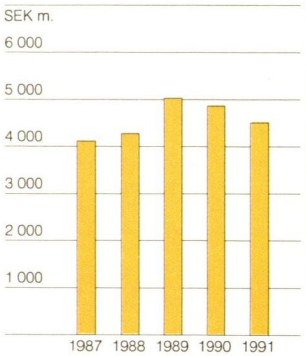
As a spin off to the main objective, the project team is able to evaluate the performance of products operating in the extreme ambient conditions of the Far East providing useful feed-back for product development.

The objective of the whole exercise is to provide the customers with professional assistance and to contribute to customer productivity in creating a true partnership. As an example, Atlas Copco recently signed a service contract with a South Korean company for the maintenance of an installation consisting of nine oil-free compressors, at an annual value of SEK 1.2 m.

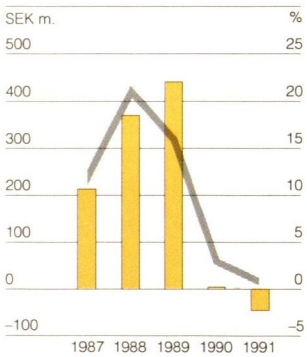
Rapid growth in the Far East has led to the expansion of the compressor service organization.



SALES



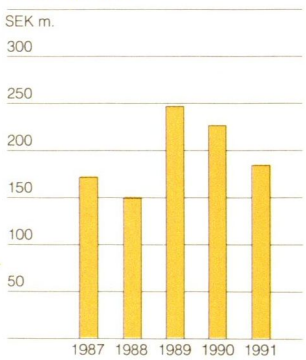
EARNINGS AND RETURN



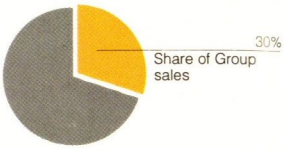
Earnings after depreciation, SEK m.

Return on capital employed, % (Definitions see p. 18)

INVESTMENTS



CONSTRUCTION AND MINING TECHNIQUE



	1991	1990
INVOICED SALES, SEK m.	**4,497**	**4,855**
OPERATING PROFIT AFTER DEPRECIATION, SEK m.	**–47**	**5**
RETURN ON CAPITAL EMPLOYED, %	**1**	**3**
NUMBER OF EMPLOYEES	**5,902**	**6,828**

The business area Construction and Mining Technique develops, manufactures and markets rock drilling tools, tunnelling and mining equipment, surface drilling equipment, construction tools and loading equipment and geotechnical drilling equipment. The products are marketed to building and construction companies, quarries and mining companies throughout the world.

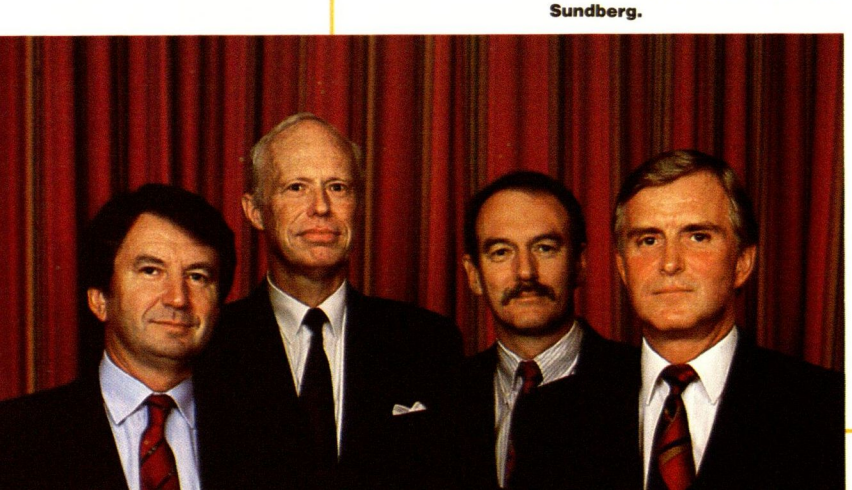
The Construction and Mining Technique business area consists of the following divisions:

- Atlas Copco Rocktech
  President *Bill Sundberg*
- Uniroc, President *Erland von Redlich*
- Atlas Copco Berema,
  President *Jörgen Krook*
- Wagner Mining and Construction Equipment, President *Roderick Brown*

Strategy

The business area's strategy is to provide, from a leading market position, a complete range of products and after-market services designed to optimize customer productivity.

Erland von Redlich, Jörgen Krook, Roderick Brown and Bill Sundberg.



Markets are served via own sales organizations and through external distributors. Growth will be generated through continued focus on research and development within existing main areas of operation and via complementary acquisitions.

Structural changes

An extensive restructuring of the business area's manufacturing resources was conducted during 1991. It was concluded during the first quarter of 1992. The principal changes are:

that the Rocktech division's manufacturing of rock drills and drilling rigs in Nacka, and the assembly of drilling rigs at the plant in Montreal, have been concentrated to the Avos plant in Örebro.

that Uniroc's plants in Finland and Mexico, among others, have been shut down and the division's manufacturing operations in Brazil and Chile are being concentrated to one plant in each country.

that Berema's manufacturing operations have been concentrated to the plants in Kalmar, Sweden, and Hemel Hempstead, outside London.

that new distribution centers for effecting daily deliveries of drill steel and spare parts to customers have been established in Rotterdam and Örebro/Fagersta.

In order to reduce inventory costs, while simultaneously improving the business area's delivery service, a new distribution center was established in Rotterdam, with responsibility for daily direct deliveries to customers outside the Nordic region. This investment will make it possible to close-down all individual sales company storage facilities in Europe during 1992.

Effective February 1, 1992, all mechanical drilling equipment operations, with the exception of rock drilling tools, were organized in one new division, Rocktech, within which Tunnelling and Mining, Surface Drilling, Mechanical Rock Excavation and Geotechnical Drilling are included as product companies.

Sales

Invoiced sales in 1991 declined 7 percent to SEK 4,497 m. (4,855). The decrease was main-

ly due to reduced sales to mining companies, as a result of the generally low demand for metals, and to the decline in the total market for rock drilling tools. Order bookings declined 9 percent to SEK 4,523 m. (4,945).

Earnings

The business area reported an operating loss after depreciation, but before financial items, of SEK 47 m. (profit of SEK 5 m.). Earnings for the year were charged with substantial restructuring costs. Uniroc's earnings improved steadily during the year, but are not yet satisfactory. The measures implemented within the divisions are expected to have their full effect during the second half of 1992.

The return on capital employed was 1 percent (3).

Investments

Investments in plants in 1991 totaled SEK 184 m. (226).

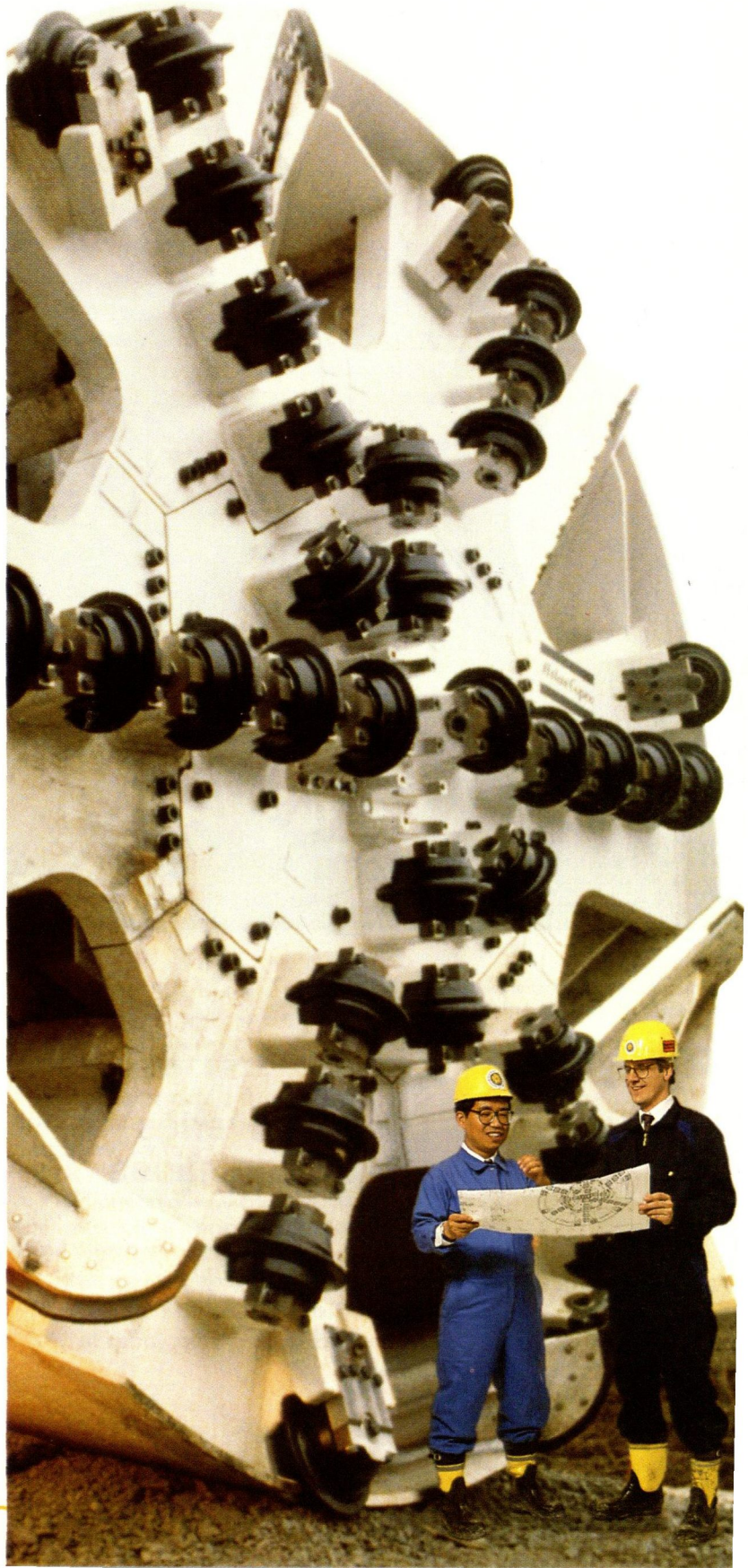
Business development

Demand in most of the world's construction and mining markets was weak during 1991. However, the business area was able to report favorable sales of tunnelling equipment. Substantial orders were received from and partially delivered to a number of major construction projects in Korea and China, among other countries. Orders during the year included several tunnel-boring machines, which reflected a breakthrough for this type of technique, where the entire tunnel area is drilled directly, with no resort to blasting. Wagner's sales of loading equipment were also favorable, with attractive orders from Russia and Chile, among other markets. Lower order bookings were reported by other operating areas, due to the continuing recession.

Outlook for 1992

Continuing weak demand is anticipated during 1992 in both the construction and mining sectors, while the restructuring measures already implemented will lead to an improvement in the business area's operating earnings.

During the weak market conditions in 1991, the business area strengthened its position and invested substantially in new products designed to increase both its market scope and competitiveness.

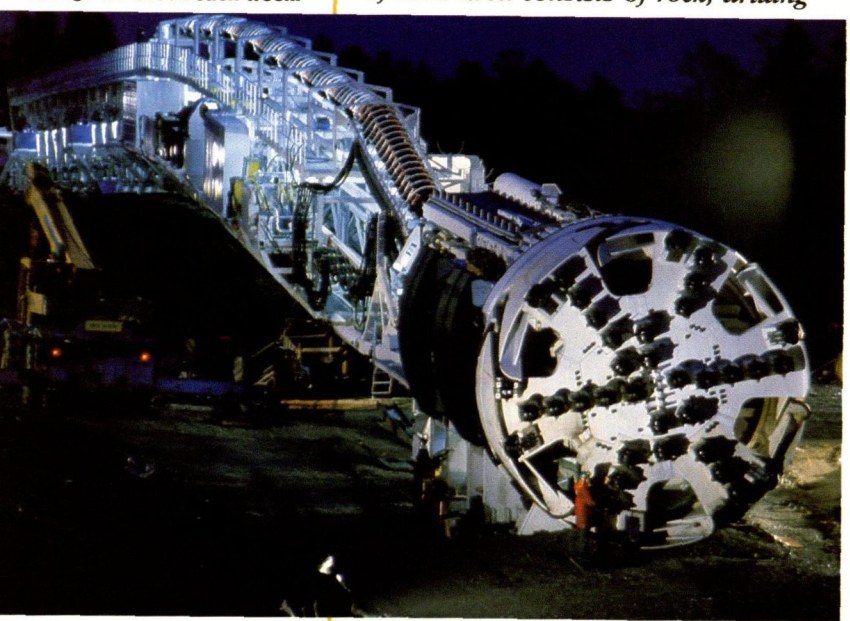


A breakthrough was made in *tunnel-boring technique* during the year. G N Lee (left), responsible for contracting equipment sales in South Korea, and Ulf Linder, marketing manager responsible for tunnelboring machines, have sold a number of units in South Korea in 1991.

South Korea – one of the world's most attractive markets for drilling equipment

South Korea's present strong focus on infrastructural projects is expected to continue throughout the 1990s. Since no less than 75 percent of the country's approximately 100,000 square kilometers of land area consists of rock, drilling equipment is essential to the building of highways, railways, underground oil-storage facilities, harbors, etc. An extensive program is also being planned to increase drinking water supplies and to utilize the hot water available in subterranian springs.

The latest generation of tunnel-boring machines will be delivered to South Korea in 1992. The first such unit to be manufactured is already in operation in Sweden, where it is boring about 100 meters of tunnel through hard rock each week.



During 1991, Atlas Copco received orders from South Korea for rock drilling equipment totaling SEK 250 million. Three tunnel-boring machines were ordered to be used for drilling a complete tunnel area in one operation – without blasting. These machines can be used to drill road and railway tunnels with diameters of up to 12.4 meters.

The orders also include the latest generation of rigs for conventional drilling and blasting, as well as loading machines from Wagner. The equipment, which also comprises rock-reinforcement rigs, is intended for the construction of underground storage cavities.

After making careful studies of the most suitable type of equipment for coal mining, the South Korean coal industry has ordered four rigs from Atlas Copco for this type of work.

During 1991, the Geotechnical Drilling product area received orders for light drilling rigs for the drilling of wells to a depth of 150–200 meters. In addition, an order was obtained for a large drilling rig to be used for the drilling of 1,000 meter deep holes for geothermal power purposes.

Major deliveries to Russian mines

In 1991, hydraulic and pneumatic drilling rigs and Wagner's loading equipment, together totaling SEK 150 m., were delivered to mining companies in Russia.

This order signifies a definite breakthrough for Atlas Copco's hydraulic rock drilling equipment in Russia, which is one of the world's largest individual mining markets.

At the end of 1991, significant additional orders for mining equipment and loading machines were received from this market. The drilling rigs and components included in this order will be produced by Atlas Copco engineering plants in Sweden, while the loading equipment will be manufactured at the Wagner plant in Portland, Oregon, U.S.A. Deliveries will be implemented during the first half of 1992.

Strategic product development in close cooperation with customers

To achieve greater productivity in the sub-level caving of iron ore necessitates a hole that is both longer and wider in diameter than normal. This means that demands for larger and more powerful drilling rigs are increasing.

To meet the new demand for increased productivity in mines with large production volumes, Atlas Copco has developed a new series of hydraulic rock drilling rigs for production drilling operations. The design work involved includes the development of a completely new and much larger hydraulic drilling machine for top-hammer drilling, a new electronically controlled drilling system and improved drilling rods to meet more stringent straightness demands when drilling long holes.

As suppliers of total production-drilling solutions for large underground mines, close co-operation with customers is strategically important. Among other companies, Atlas Copco has worked closely with LKAB, which has the world's largest underground iron ore mine. During 1991, LKAB put three of these new rigs from Atlas Copco into operation and ordered two more for the extraction of ore 800 meters below ground level. LKAB's estimated annual production is 20 million tons. In addition, orders for the same type of equipment have been received from major mining companies in Canada and Australia.

Drilling rig for sub-level caving.

Several attractive orders for light contracting machines

During the year, Atlas Copco Berema successfully launched a number of new products in its light contracting equipment range.

The division's systematic efforts to expand sales via distributors resulted in European market shares continuing to increase during 1991. As a result, sales could be maintained in export markets, despite weak conditions in the building sector, while the decline in Sweden was considerable.

During the year, the state-owned Iranian mining company ordered more than 3,000 hand-held rock drilling machines for use in surface mines and quarries.

Another important order, for 1,800 hand-held pneumatic breakers, was obtained from Switzerland for its Swiss Civil Defense Force.

Deutsche Bundesbahn has used Atlas Copco's fuel-powered breakers for light compaction operations for many years. More than 1,500 such machines have been delivered previously and during 1991 a further 100 machines were ordered, most of which will be used in eastern German states.

A compressed-air breaker in use with the Swiss Civil Defense Force.

New rig with revolutionary drilling technique

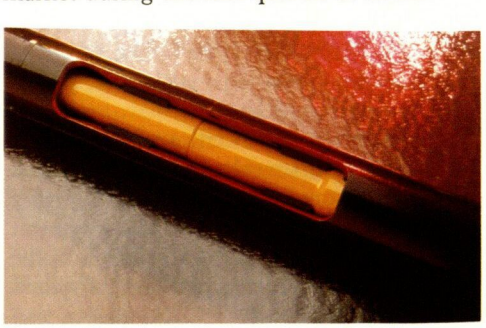
In December 1991, Atlas Copco introduced COPROD, a newly developed drilling system from the Uniroc division. COPROD, which makes it possible for the rapid drilling of very straight holes of up to 165 mm in diameter, is the result of more than ten years' research and development work.

A rig equipped with the new COPROD drilling technique, based on a unique combination of drilling rods, each with a separate rotation and percussion function. The rods transfer percussion energy to the rock, without any power loss to the drilling head.

With the COPROD system a revolutionary drilling technique is introduced, featuring drill steel of a completely new design. The conventional drilling rods that transport both percussion energy and rotation have been replaced by a combination of rods and surrounding tube casing. The drill rods transfer percussion energy to the rock, without any power loss, while the casing delivers the required rotation. With this new mode of operation, the high performance of the modern drilling machines can be used to its fullest effect, with exceptional precision and optimal economy.

During the autumn, the Surface Drilling product area introduced a newly developed crawler rig designed for operating in both quarries and mines. The new rig is distinguished by its ability to remove large volumes of rock very quickly, thanks to a rapid drilling action in combination with the large diameter of the drilled hole. A special version of this hydraulic rig was presented in connection with the launch of the COPROD. This equipment broadens the market for Atlas Copco's surface rigs for mining and quarrying, while simultaneously offering the most economical drilling method available in the market.

Considerable interest has been shown by contractors, with high productivity demands. To date, two rigs with conventional drilling systems have been delivered to a contractor operating in the goldfields of Western Australia, where the equipment is operated in two shifts and often moved to different locations. An additional two rigs have been rented to other contractors in the same area of Australia. In France, a rig has been sold to a quarry, enabling operations to be conducted in one shift instead of two. The most important markets for these products are Australia, North America and France, where demand for this type of drilling is extensive. The new system was launched in the North American market during the first quarter of 1992.



Attractive delivery to U.S. copper mine

Copper Range, where Atlas Copco is represented by Lake Shore Mining Equipment Co., is one of the largest underground mines in the United States. In 1991, the mine ordered five specially constructed drilling rigs from Atlas Copco.

A drilling rig for drifting operations, equipped with the newly developed lightweight hydraulic boom.

The mine's requirements in respect of the rigs were very special, since the ore body is sharply inclined. The drilling rig needed to be broadly based to maintain stability on the uneven sloping ground. At the same time, it had to be capable of drilling deeper holes than those normally associated with small rigs. To meet Copper Range's requirements, Atlas Copco developed a rig offering all these unique features.

The co-operative project with Copper Range resulted in several additional orders being secured where components in the newly designed rig been put to good use. In Norway, a rig was delivered for the drilling of a nine-kilometer tunnel through hard rock, with a tunnel area of 17 square meters. Tunnelling has progressed extremely rapidly, at an average rate of 80–90 meters per week.

General interest in rapid-rate drilling machines on smaller rigs for both smallscale mining and tunnelling operations has increased considerably.

In the American market, contacts with mining and contracting customers regarding underground equipment have changed. Sales and service activities are now conducted through the distributors, thereby increasing the efficiency of the distribution process.

Successful year for Wagner

At the same time as the market for loading equipment in underground mines declined by 45 percent during the past two years, Wagner successfully achieved a strong increase in share outside of the company's traditional geographic market areas.

The most attractive of the company's deliveries to new markets was a large number of loaders to Russia.

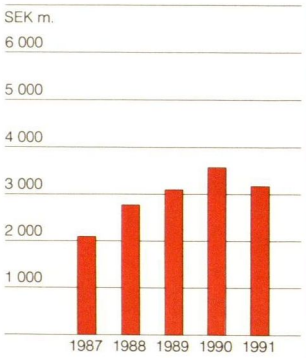
South America also constituted a very positive market for Wagner last year. Among others, an extensive order was obtained from the large Chilean copper mine, Codelco Chile. Worth around SEK 20 m., this order consisted of trucks for the company's Andina Mine and loaders for the El Salvador Mine.

Wagner has developed a special truck, featuring an integrated cabin and turbo engine, that can function reliably and efficiently at high altitudes. In Codelco's Andina Mine, which is located 3,500 meters above sea level, 35,000 tons of copper are extracted each day and the El Salvador Mine in northern Chile, which is 2,500 meters above sea level, produces more than 40,000 tons of copper per day.

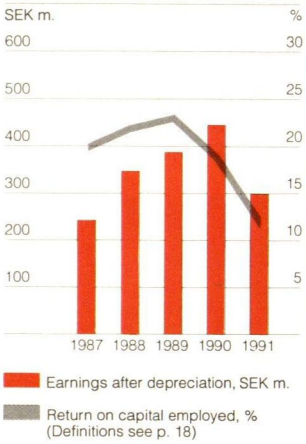
During 1991, Wagner also delivered a large number of loaders to the Brazilian gold mine, Morro Velho, and at the end of the year an order was obtained for a further 15 loaders that will be delivered during the first quarter of 1992.

Loading equipment from Wagner under delivery to a mine in Chile.

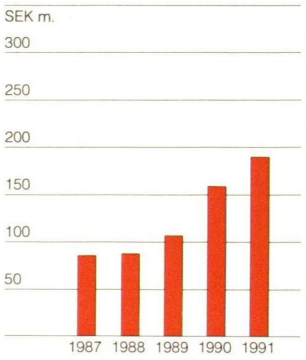
SALES



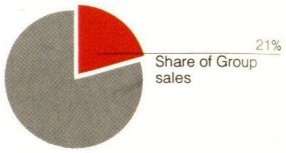
EARNINGS AND RETURN



INVESTMENTS



INDUSTRIAL TECHNIQUE



	1991	1990
INVOICED SALES, SEK m.	**3,172**	**3,530**
OPERATING PROFIT AFTER DEPRECIATION, SEK m.	**299**	**446**
RETURN ON CAPITAL EMPLOYED, SEK m.	**12**	**19**
NUMBER OF EMPLOYEES	**5,573**	**6,154**

The business area Industrial Technique develops, manufactures and markets power tools, assembly systems and components. The business area has manufacturing plants in Sweden, the United Kingdom, France and the United States.

The Industrial Technique business area comprises the following divisions:

- Atlas Copco Power Tools and Equipment, President *Lars Larson*
- Chicago Pneumatic, President *Richard D Besser*
- Desoutter, President *Paul Jarvis*
- Ets G. Renault, President *Jacques Manceron*
- Atlas Copco Automation, President *Clas Nicolin*
- Monsun-Tison, President *Johan Halling* (effective Jan 1, 1992 associated company)

Sitting from left: Lars Larson, Richard D Besser. Standing from left: Johan Halling, Paul Jarvis, Jacques Manceron, Clas Nicolin.

Strategy

The goal of the business area Industrial Technique is to be a leading supplier of production equipment and components to the manufacturing industry. Operations shall be conducted with high volume growth and favorable profitability.

Structural changes

Effective January 1, 1992, Atlas Copco Tools acquired AEG's tools operation, AEG Elektrowerkzeuge GmbH, based in Winnenden, outside Stuttgart, Germany. The company, which is now included as a product area within Industrial Technique, has annual sales corresponding to about SEK 1,500 m., with 1,750 employees. (See separate article on page 52).

Through the merger of Monsun-Tison, which is an Industrial Technique company, and Volvo Hydraulics, a subsidiary of Volvo Flygmotor AB, a new company, VOAC Hydraulics AB, was formed, effective January 1, 1992. The new company, in which Atlas Copco and Volvo Flygmotor each have a 50 percent holding, is expected to have annual sales of approximately SEK 700 m., with 900 employees.

Manufacturing at the Atlas Copco plant in Skara has been discontinued and transferred to the Tierp plant. During the year, the company's distribution center was moved from Skara to Hoeselt in Belgium.

During the year, a restructuring of the business area's divisions was undertaken. A new division, Atlas Copco Power Tools and Equipment, has been formed, which includes the former divisions, Atlas Copco Tools and Atlas Copco Assembly Systems, as well as the tools operations acquired from AEG, which are included as separate product areas.

Sales

Invoiced sales amounted to SEK 3,172 m. (3,530), a decline of 10 percent. Orders booked declined 6 percent to SEK 3,238 m. (3,437).

Atlas Copco has a broad range of grinding and polishing machines. The polisher with the lambs-wool head maintains its performance speed no matter how hard the pressure applied.

Earnings

Operating profit after depreciation decreased 33 percent to SEK 299 m. (446), corresponding to 9 percent (13) of invoiced sales. The decrease was due to lower sales volumes, in combination with restructuring costs, which were charged against income.

Return on capital employed was 12 percent (19).

Investments

Investments in plants amounted to SEK 189 m. (158). Investments during the year included a new plant in Borås for Monsun-Tison and the establishment of a new distribution center in Belgium.

Business development

The decrease in sales of industrial tools was primarily attributable to the continuing worldwide recession in the engineering industry, especially in the automotive, aircraft and white goods sectors, which are key customer segments for this business area. In the declining market within the car manufacturing industry, Atlas Copco strengthened its market positions in Germany and related markets, as well as in the U.S. and Japan.

However, order bookings were weak, particularly in the Nordic region, France, Brazil and North America. Assembly systems sales, especially to the automotive industry, showed a favorable increase.

Manufacturing operations within Atlas Copco Tools in Sweden were concentrated to the Tierp plant, in order to achieve more cost efficient production.

A new distribution center was established by Atlas Copco Tools in Hoeselt, Belgium, to provide faster service and deliveries throughout central Europe, where 70 percent of its customers are located.

Outlook for 1992

Demand is expected to continue to weaken in both the industrial tools and components segments, particularly during the first six months of 1992. In Germany, the rate of increase will probably slow down slightly, while demand in the U.S. will stabilize at an unchanged level.

International cooperation for assembly systems

Atlas Copco's three major Application Centres for assembly systems, in North and South America and Europe, constitute important technical resources for providing the automotive industry worldwide with advanced tightening and control systems.

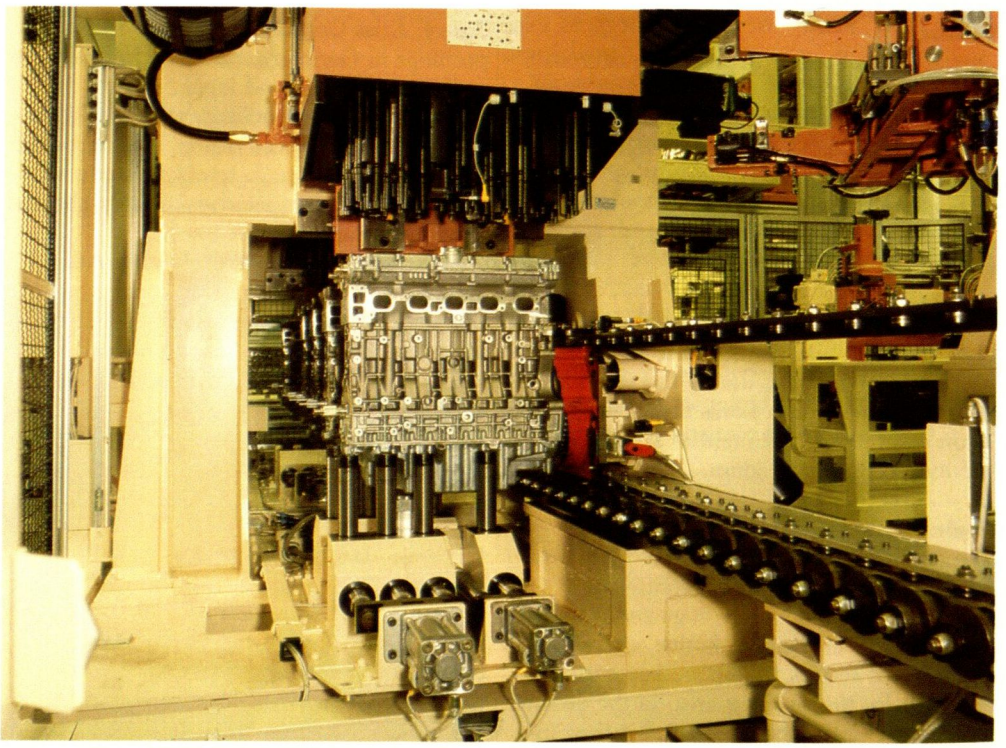
Central procurement, international project management and deliveries across borders characterize the European motor vehicle industry. Purchase of a system in one country for delivery to an end-user in another country has long been a common practice also for Atlas Copco EAC, European Application Centre, in Essen, Germany.

A good example is the new Volvo engine-manufacturing line in Skövde. In 1991, Atlas Copco EAC delivered more than 500 spindles for tightening screws to Italian Comau and German Grob, both of which are builders of such lines. Most of the deliveries included the advanced, computer-control system, MACS.

The advantages of an integrated European operation for a project of this magnitude are obvious. In the various countries, Atlas Copco has specialized sales engineers for the conduct of advanced technical discussions with suppliers of lines and local service resources for start-ups, both at the supplier and the end-user. The Application Centre can provide project management and the necessary technical resources.

The Volvo project, which costs approximately SEK 30 m., is unique in size but not in its international character. A similar project approach has been applied to British projects for Ford in Germany, Italian projects for France and Spain, and German projects for Finland and Belgium. All of these tightening systems were assembled at the German Application Centre, with the core components developed and manufactured in Sweden.

Atlas Copco EAC, which began operations seven years ago, is well prepared to meet the anticipated demands of the borderless Europe of 1993.



Atlas Copco has delivered the advanced tightening and control systems for the new Volvo car motor production line in Skövde, Sweden.

Atlas Copco and Volvo form joint mobile hydraulics company

At the end of 1991 Atlas Copco and Volvo Flygmotor formed a jointly (50%) owned company, VOAC Hydraulics AB, to create a stronger base for continuing aggressive efforts within the mobile hydraulics sector.

The new company, which will have annual sales of SEK 700 m. and 900 employees, was formed through the merger of the Atlas Copco subsidiary Monsun-Tison with the Volvo Flygmotor subsidiary Volvo Hydraulik.

The two companies' product programs complement each other well, which is expected to lead to the achievement of a strong market position. Monsun-Tison is developing, manufacturing and marketing control systems, valves and cylinders, while Volvo Hydraulik is specilized on pumps and motors. The new company's objective is to become the market leader in mobile hydraulics for components and systems in Europe and North America and to become one of the largest companies within this product group in prioritized markets.

Forest machines are equipped with components from Monsun-Tison and Volvo Hydraulik AB.

Close to half of Monsun-Tison's sales take place in Sweden and the company has good market coverage in the rest of Europe. Volvo Hydraulik's sales of pumps and motors focus primarily on EC countries. Both companies have their own sales companies in Sweden, Germany, Great Britain, France and the United States. Volvo Hydraulik also has an own sales company in Spain, while Monsun-Tison has own companies in Denmark, Norway and Italy.

Latest technology installed at Utica Plant

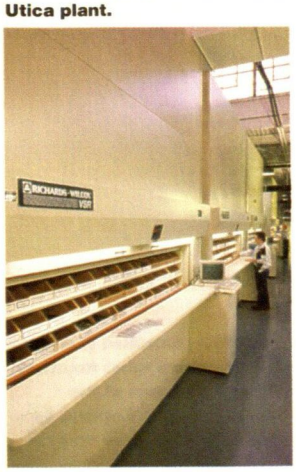
Chicago Pneumatic has considerably improved the manufacturing operations at its plant in Utica, U.S.A. by changing to the same manufacturing methods employed by other plants within the business area. During 1991, an extensive project to make production more flexible was completed. Simultaneously, an automatic inventory handling system was installed at the plant.

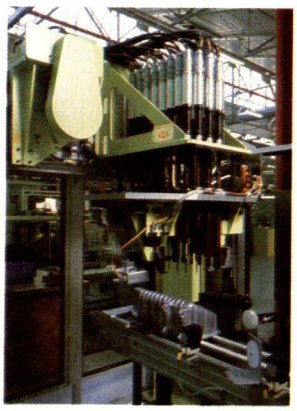
More than 400 conventional, older machines have been replaced by 26 new, completely automatic machining centers based on the latest technology. As a result, total manufacturing space at the plant has been reduced by 40 percent.

To date, experiences gained from the conversion to the new method of manufacturing are favorable. Product quality has improved and delivery reliability has risen to 95 percent. Machine set-up times have been reduced by 18 percent and average manufacturing time has been cut from 28 to 19 days.

With this change, Chicago Pneumatic has now completed the greater part of the planned restructuring of the plant. Today, the company is currently concentrating on raising the production technology level even higher to keep pace with developments and to meet market requirements.

Chicago Pneumatic's vertical inventory handling system, which makes it possible to rapidly find more than 15,000 components for assembly operations at the Utica plant.





An assembly system, with tightening control, manufactured by Ets G. Renault.

Ets G. Renault expands internationally from strong French base

Already well established in France, Ets G. Renault strengthened its position even further in France last year in both the power tools and assembly systems areas. This was achieved mainly through the development of a new distributor network, which provided improved coverage of the industrial market.

During 1991, an expansion of the company's comprehensive range of electric-powered angle nutrunners was commenced in markets outside France. This was made possible through close cooperation with Chicago Pneumatic in the U.S. and Desoutter in the British and German markets. Several substantial orders for this product line were received from major automotive companies, including Chrysler and Jaguar.

During the year, Ets G. Renault entered into an assembly systems joint venture with Desoutter. The companies complement each other extremely well in this area, both in terms of products and markets. Renault has a complete program of tightening spindles and control systems, while Desoutter specializes in products for light assembly operations. The goal is to intensify product development activities and improve the penetration of the market to the extent that sales can be doubled during a three-year period.

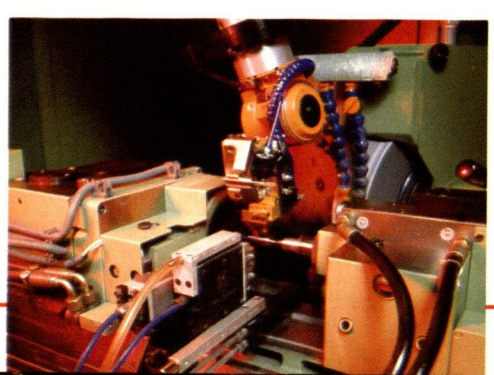
Desoutter rationalizes production at Hendon

During 1991, Desoutter carried out many changes aimed at attaining greater production flexibility and improvements in productivity. A new manufacturing system, based on experiences gained from other companies in the business area, has been installed at the company's plant in Hendon, just north of London. The new plant enables stocks of raw materials, components and finished products to be reduced and maintained at a low level. Simultaneously, production at the facility is customer-order controlled.

As a further step in the rationalization process, the British plant in Angmering, which accounted for 40 percent of Desoutter's manufacturing capacity was closed down. All production there was able to be moved to the Hendon facility, without any increase in the number of employees. This was made possible through restructuring the production work so that it is carried out in teams at separate work stations. This change in the manufacturing process also resulted in a reduction in the number of rejects and increased employee responsibility.

Investments have also been made in advanced production techniques, including the installation of a machining center for the grinding of 54 different types of components for ten production series. The components, which include motor and gearbox parts, are loaded into the machining center by a robot. This enables the machine to be continuously operated unmanned throughout the night.

The installation of the new machine has resulted in many economical advantages. The number of processing operations has been reduced, as have lead times. The work formerly undertaken by subsuppliers has been eliminated and opportunities have been opened for the operation of a third shift.



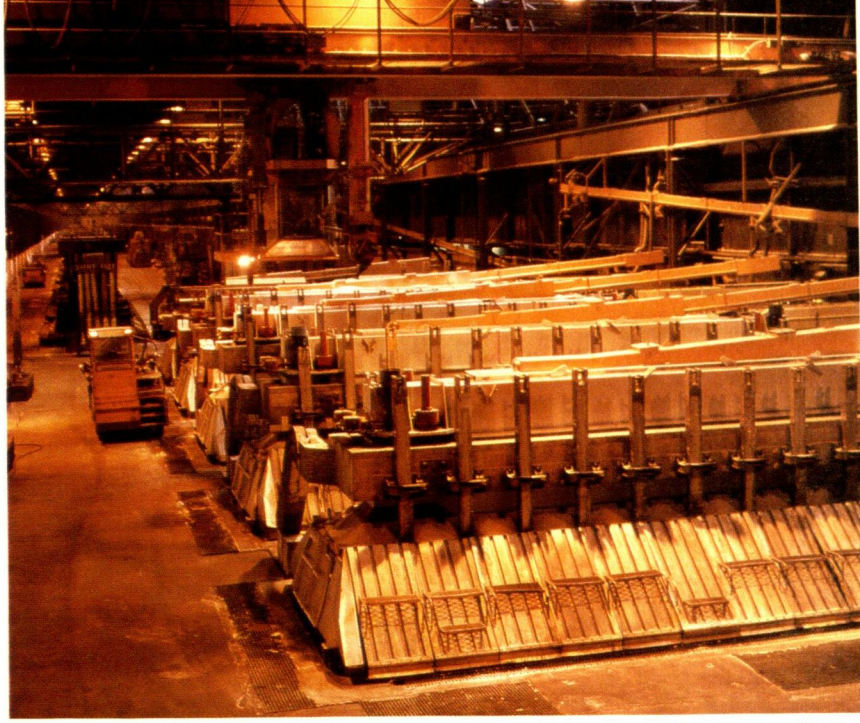
A new CNC-controlled grinding machine, with a robot function, reduces lead times at the Desoutter plant in London, as well as allowing three unmanned shifts.

Czechoslovakian order signifies major market breakthrough

During 1991, the Czechoslovakian aluminum smelting plant Ziar, some 400 kilometers southeast of Prague, ordered components from Atlas Copco Automation in order to raise annual capacity at its production plant from 70,000 to 110,000 tons in 1992.

To achieve this goal and simultaneously reduce environmentally harmful emissions, the company is installing 172 new electrolytic cells with 2,000 pneumatic cylinders and valves supplied by Atlas Copco. The order, which is the first of its kind in eastern Europe, signifies a major breakthrough for Atlas Copco Automation in this market. The selection of Atlas Copco as the supplier of these cylinders is to a large extent due to the quality and reliability demonstrated by these components in other installations of this kind.

In total, there are 160 aluminum smelting plants in the world, of which 15 are located in the former Soviet Union. To date, more than 25,000 cylinders with valves have been delivered by Atlas Copco to plants in mainly Western Europe and the United States. Demand is rising rapidly, in pace with the increasing need to modernize the processes and more stringent regulations to reduce emissions that can harm the environment. An order for 2,200 cylinders was recently obtained from the Tomago Aluminium Smelter in Australia, for delivery during summer 1992.



Modern electrolytic ovens, with components delivered by Atlas Copco Automation, under installation at the aluminum plant in Ziar, Czechoslovakia.

Opening up a demanding market

In a newly built factory outside Nagoya, southwest of Tokyo, Toyota, one of the world's biggest car manufacturers, is creating a production facility that is planned to become a model for all Toyota plants throughout the world. And to this plant, where such factors as quality, working environment and productivity play a leading role, Atlas Copco has been contracted to deliver various advanced assembly tools.

Atlas Copco Tools has made a careful study of tools requirements within the Japanese car industry, which accounts for one third of world car production, or more than 10 million cars, and for the motor vehicle market developed a competitive range of tools for advanced assembly operations. With angle nutrunners and other products linked to systems which monitor that the correct tightening torque is being attained in the joint, Atlas Copco Tools has successfully made its entry into a market that was previously dominated by Japanese suppliers. These achievements are to a great extent attributable to a new series of pulse nutrunners, which have been very well received by Toyota. Atlas Copco has also delivered many other tools to the new factory, including a screwdriver, which as a result of its advanced ergonomic design and precision is making an effective contribution to the plant's high rate of productivity. These factors led to Atlas Copco Tools being able to increase its sales in Japan by 30 percent in 1991, compared with the preceding year. With the experience gained from the new facility in Japan, Toyota is preparing to establish similar plants in other world markets, and in this respect the confidence already shown in Atlas Copco's industrial tools can be of major significance.

Atlas Copco Tools has achieved this leading position in the market as a result of the company's highly developed tools technology and the close co-operation enjoyed between customers and Atlas Copco's own product specialists and development engineers.

KEY SUPPLEMENTARY ACQUISITION

For some time, part of Atlas Copco's strategy has been to broaden the range and market base of its Industrial Technique business area. To date, this has been effected through the development of new pneumatic air tools and intensive marketing efforts, which have resulted in the company becoming the market leader in North America and Europe in the area of pneumatic assembly systems and power tools for industrial applications. Recent years have witnessed the start of a development project in the electrically powered tools area and the acquisition of GME System, a high-tech company specializing in the manufacturing of microelectronics with controls for electrical motors. As a natural step in the development of this strategy, Atlas Copco Tools signed an agreement with the AEG group in Germany at the end of November regarding the acquisition of the German group's Electrical Tools division, AEG Elektrowerkzeuge GmbH, effective January 1, 1992.

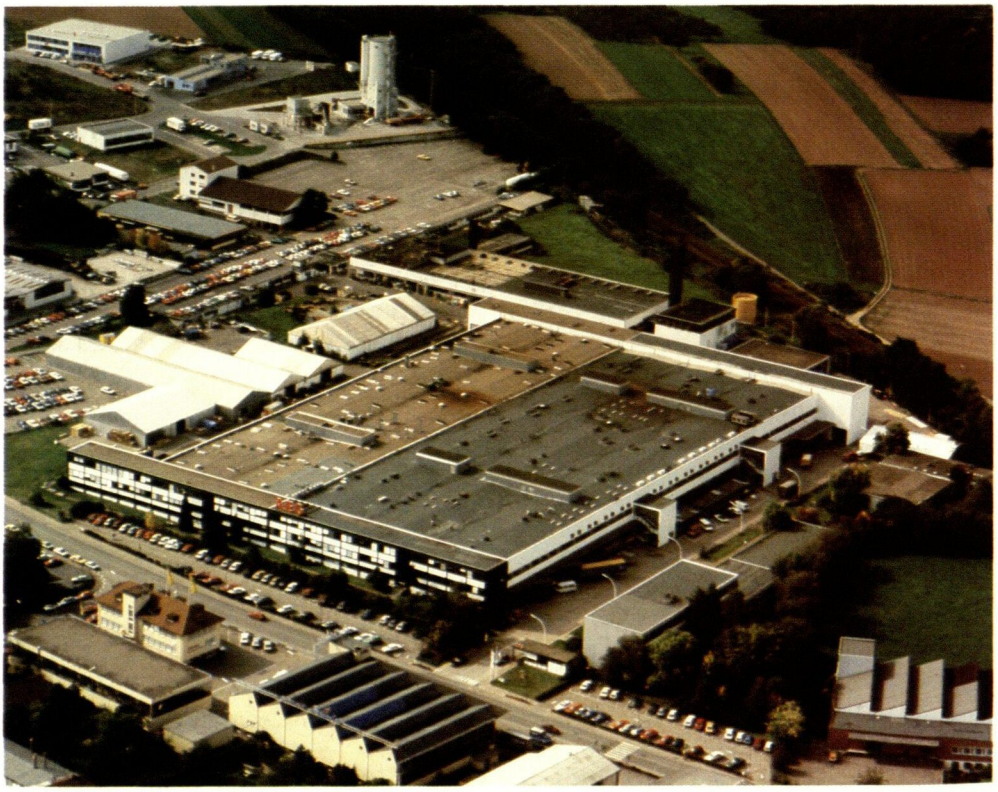
Electrically powered tools an important supplement

In the technological development area during the 1980s, there was an increasing trend toward the use of electrically powered tool solutions for pneumatic tool applications. Since Atlas Copco had only a limited product range of such tools, and therefore only a small market share, the AEG products are an important supplement to Atlas Copco Tools' product lines. In this way, the Division for power tools is provided with a comprehensive range of both pneumatic and electrically powered tools.

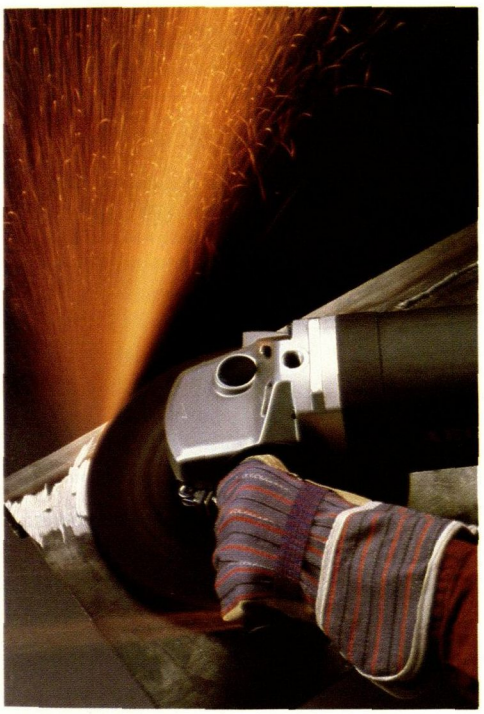
AEG's tools operation – third largest in Europe

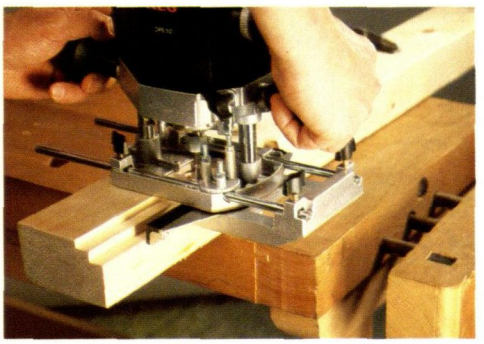
AEG Elektrowerkzeuge GmbH is a subsidiary of AEG AG, which is a member of the Daimler-Benz group. The company has a total of 1,750 employees, of whom 1,500 work at the plant in Winnenden, north east of Stuttgart in southern Germany, and 250 work in sales outside Germany.

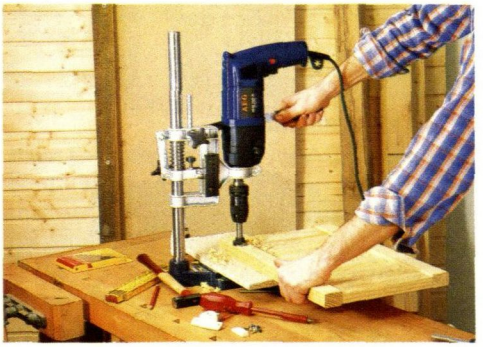
The product range consists of a great many types of tools, for applications in industry and the handicraft trades, which can be operated on mains electricity or batteries. The range also includes a broad spectrum of electrical



AEG Elektrowerkzeuge's plant in Winnenden, Germany.







The AEG product range comprises 850 different types of power tools for both professional and hobby use. Shown here are an angle grinding machine (left), an overhand milling machine for cabinet makers and builders (above right) and a drill for hobbyists (below right).

tools for the hobbies area, a completely new customer segment for Atlas Copco.

Production focuses on a large, modern plant in Winnenden, with thirty assembly lines. Total manufacturing output is 2,000,000 tools per year. In 1991, the company had sales of DEM 410 m., corresponding to around SEK 1,500 m., up 5 percent on the preceding year. Industrial tools account for 55 percent of total sales, with the balance consisting of sales to the hobby segment. More than 60 percent of production is sold in markets outside Germany, mainly North America, France, Italy and Spain.

AEG's electrically powered tools have been sold in 15 countries through own sales companies, and by general agents and distributors in a further 40 countries. However, since the sales companies have been responsible for the sale of both AEG household products and electrically-powered tools, those units engaging in the sale of electrical tools will be transferred to Atlas Copco Tools sales companies in each country.

Within the electrical tools area, AEG is the third largest company in Europe and the sixth largest worldwide. The AEG trademark is well established and enjoys a good reputation in the marketplace. Until further notice, the electrically-powered tools will be sold under the AEG name. The main competitors are Bosch, Black & Decker and a few Japanese companies.

Many advantages

The acquisition provides many favorable synergies, including a forceful broadening of the customer base, distributors and retailing channels worldwide. Atlas Copco's well-established daily direct deliveries system can also be applied in the case of AEG's products, which means that capital currently tied up in inventory can be reduced, as can capital and handling costs. By merging the sales companies, substantial cost savings can be achieved in the sales, marketing and administrative areas, whereby reasonable profitability can be expected within two to three years. Major benefits are also anticipated in the technology area, as a result of a joint strengthening of the companies' development resources.

Established over 100 years ago

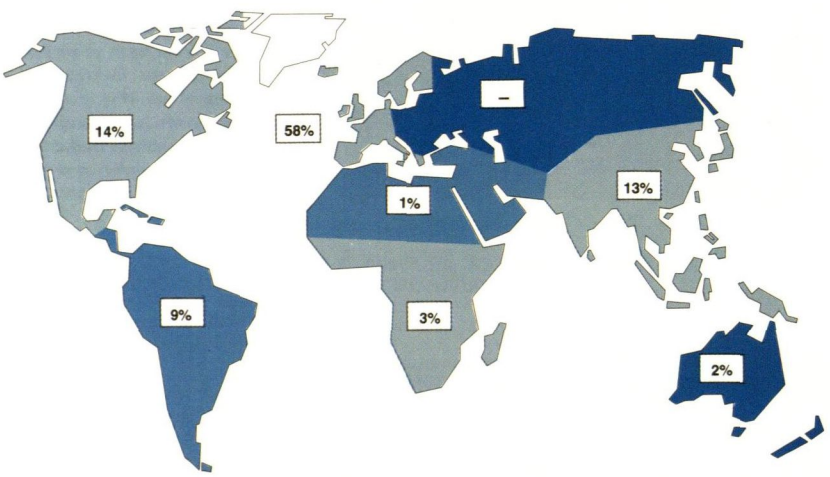
AEG manufactured its first electrically powered tools in 1886, in a factory in Berlin. In 1936, manufacturing operations were relocated to Bad Cannstatt, close to Stuttgart, and in 1963 the existing plant was built in Winnenden. By 1971, this facility already had to be extended and today the workshop covers an area of 16,600 square meters.

PERSONNEL

	Average number of employees*)	
	1991	1990
Compressor Technique	7,790	8,103
Construction and Mining Technique	5,902	6,828
Industrial Technique	5,573	6,154
Others	279	422
Total	19,544	21,507

*) 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



DISTRIBUTION OF VALUE ADDED	1991		1990	
	SEK m.	%	SEK m.	%
Wages and salaries	3,303	54	3,326	52
Social costs	1,233	20	1,214	19
Depreciation	464	8	425	7
Capital costs, net	164	3	191	3
Corporate and municipal taxes	388	6	560	9
Dividends paid	285	5	286	4
Retained in business	236	4	424	6
Value added, total	6,073	100	6,426	100
Value added per employee, SEK thousands	311		299	

SEK thousands	**1991**	1990
Sales per employee	**769**	740
Net profit per employee	**26**	32
Value added per employee	**311**	299

The average number of employees in the Atlas Copco Group decreased by 1,963 persons during 1991 to 19,544 employees (21,507). The proportion employed in Swedish companies was 19 percent (20) and 35 percent (33) in companies within the EC. Salaries, wages and other remunerations totaled SEK 4,536 m. (4,540), of which SEK 1,233 m. (1,214) represented social welfare costs.

The distribution of women and men is shown below.

	Distribution as %		Total
	Women	Men	number
Europe	17	83	11,271
of which Sweden	18	82	3,801
of which EC	16	84	6,834
North America	14	86	2,766
South America	11	89	1,760
North Africa/Middle East	25	75	242
Southern Africa	18	82	533
India/Far East	7	93	2,503
Oceania	20	80	469
	15	85	19,544

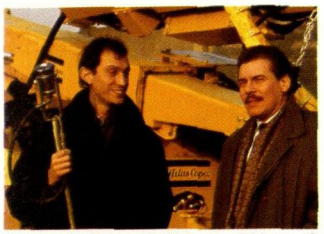
Value added and interested parties

The value added corresponds to the Group's total invoicing, SEK 15,030 m., reduced by costs for the purchase of raw materials, wholly and partially finished goods as well as services, SEK 8,957 m. The figure obtained is a measure of the company's productive contribution, i.e. the value added through processing etc.

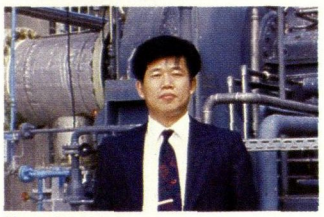
In 1991, the value added amounted to SEK 6,073 m. (6,426), a decrease of approximately 5 percent, which was primarily attributable to lower sales volumes.

The value added is distributed among other interested parties, i.e. employees, creditors, government, municipalities and shareholders. Remaining funds are retained in the company to cover costs for wear on plants and equipment (depreciation) and to provide for continued expansion of operations (retained in the business).

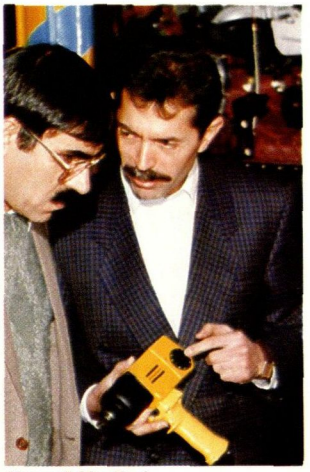
SALESMEN OF THE YEAR 1991



Federico Scolari Roberto D'Agostini

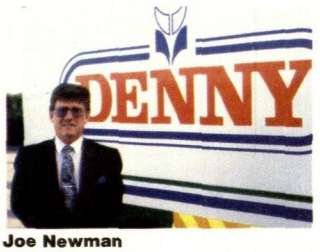


Hyun Lee

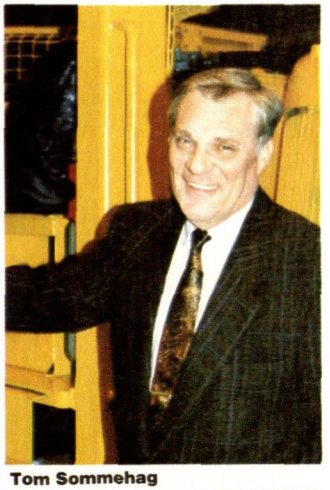


Yousef Ghaffari

Helmut Kastner



Joe Newman



Tom Sommehag

During 1991, 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.

Federico Scolari and **Roberto D'Agostini,** underground rig salesmen at the Italian sales company, exceeded their 1991 sales quota by 60 percent. Orders included nine hydraulic boomers, seven Boltec rock-bolting units and Swellex bolts valued at SEK 27 m., three Wagner loading machines and one Jarva tunnel boring machine.

Helmut Kastner, sales manager at Wagner, with responsibility for Europe, Africa, the Middle East and the CIS states, sold 42 Scooptram loading machines and spare parts to the Russian Norilsk nickel and copper mines.

Joe Newman, who sells oil-free compressors in Ireland, has actively contributed, during the past 16 years, to broadening the use of oil-free air in the Irish market. In 1991, he sold compressors valued at GBP 1 m. to the food products, pharmaceuticals, electronics and aircraft industries.

Tom Sommehag, sales manager at Atlas Copco Construction and Mining Export, landed an order during 1991 for 28 drilling rigs and a large number of rock drilling tools and spare parts for delivery to mines in Russia's Norilsk district of Siberia. He also sold 80 hydraulic rock drilling machines to a Polish mine.

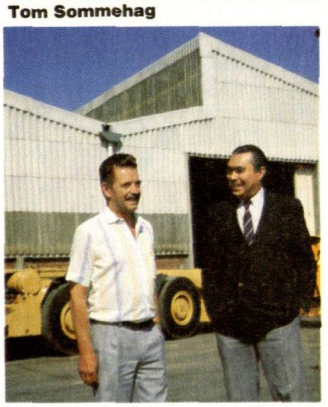
Hyun Lee, sales engineer for ACT products in South Korea, sold compressors totaling more than SEK 50 m. to chemical and petro-chemical companies. The orders are for applications in the transportation of liquid gas, energy recovery and handling of natural gas.

Yousef Ghaffari, sales engineer at Atlas Copco Tools in Iran, sold tools in the amount of SEK 15 m. in 1991 thereby achieving a significant increase in market shares. The year's sales included 100 chipping hammers to a steel mill and 100 riveting hammers to another company.

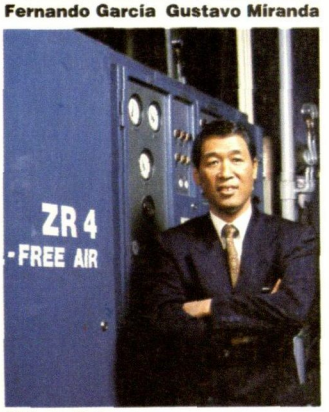
Fernando Garcia, service manager, and **Gustavo Miranda,** marketing manager for spare parts at Atlas Copco in Chile, jointly closed two attractive sales contracts totaling SEK 25 m. A contract with the Mantos Blancos mine included maintenance for 14 jumbo rigs, seven Wagner loading machines and spare parts. A contract was signed with Codelco copper mine covering monthly deliveries of spare parts from the Portland plant.

Shigeo Fukunaga, sales manager for compressors at Atlas Copco KK in Japan, enjoyed major sales successes during 1991, which included 25 oilfree compressors totaling SEK 40 m. to a number of large Japanese industrial companies. He also has a large number of compressor quotations pending which can shortly be expected to result in orders.

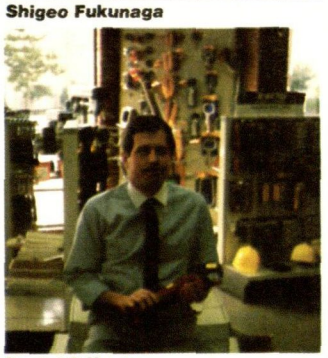
Daniel R Hucke, salesman for Chicago Pneumatic in the northwestern United States, expanded the retailing network by 30 percent during 1991 while concentrating his direct sales efforts on Boeing Aircraft, where he doubled CP's sales of riveting hammers.



Fernando Garcia Gustavo Miranda



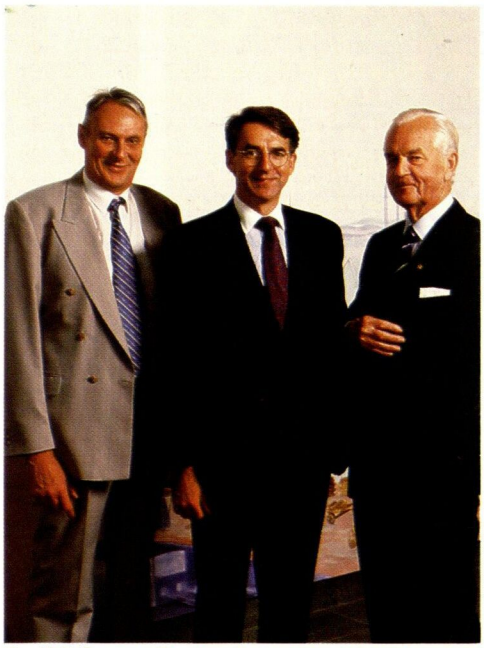
Shigeo Fukunaga



Daniel R Hucke

BOARD OF DIRECTORS AND AUDITORS

Michael Treschow Peter Wallenberg

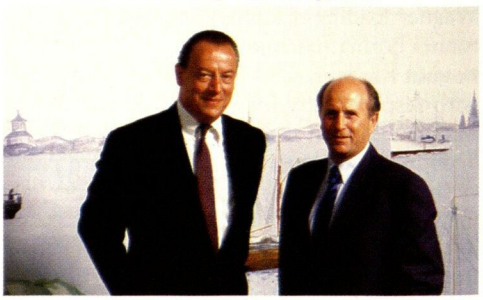


Bertil Eriksson Per Lundberg Otto Grieg Tidemand

Lennart Johansson Tom Wachtmeister Georg Karnsund

Jacob Wallenberg Gösta Bystedt

Jacques van der Schueren Bert-Olof Svanholm Curt G Olsson



Erik Belfrage Giulio Mazzalupi

Bo Henning Per-Erik Nyholm Kjell Eliasson

Bengt Lindgren Christer Améen Tore Hedberg

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 ASEA, Investor, STORA. Co-chairman of the Board of ABB Asea Brown Boveri. Vice Chairman of the Boards of Electrolux, LM Ericsson and SKF. Former President of the International Chamber of Commerce (ICC), Paris. Member of the Boards of the Nobel Foundation, Scandinavian Airlines System (SAS), and the Lauder Institute – University of Pennsylvania. Stockholdings: 10,000 A.

Tom Wachtmeister Vice Chairman (1975). Born 1931. Employed in various positions within Atlas Copco 1959–1991. Member of the Boards of Astra, Export-Invest, Hasselfors, Investor, Saab-Scania, S-E-Banken, STORA and Svenska Dagbladet. Chairman of General Export Association of Sweden, Swedish Taxpayers' Association and the Sweden–China Trade Council.
Stockholdings: 22,741 A; 11,547 B; 10,395 options; Debentures convertible to 4,000 A shares.

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: 800 A.

Otto Grieg Tidemand (1982). Born 1921. Skipowner 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.

Lennart Johansson (1985). Dr. Tech. h.c. Born 1921. Chairman of the Board of SKF. Vice Chairman of the Board of ESAB. Member of the Board of Federation of Swedish Industries.

Per Lundberg (1985). Born 1943. President of Providentia and Senior Executive Vice President of Investor. Chairman of the Boards of LM Ericsson Finans, Nordben Life and Pension Insurance Co Ltd, Nordisk Television, TV4 and Stockholm-Saltsjön. Member of the Boards of Billerud, LM Ericsson, Garphyttan Industrier, Saab Automobile, Saab-Scania, Scanditronix, SPP, Sterling Holding A/S and Trygg-Hansa SPP Holding.
Stockholdings: 250 A; 83 B; Debentures convertible to 4,000 A shares.

Georg Karnsund (1987). Born 1933. Member of the Boards of LM Ericsson, Saab-Scania, Stora Billerud, Stora Inköp & Transport and Virkeshantering. Debentures convertible to 4,000 A shares.

Gösta Bystedt (1987). Born 1929. Chairman of the Boards of Scanditronix, Dagab and the Nilörn Group. Vice Chairman of the Boards of Electrolux, Export-Invest, Åhlens and Axel Johnsson. Member of the Boards of ESAB, SKF, S-E-Banken and Federation of Swedish Industries.
Stockholdings: 1,000 A; 333 B.

Jacob Wallenberg (1985). Born 1956. Executive Vice President of Investor and Providentia. Member of the Boards of LM Ericsson, Investor, Providentia, STORA, Stockholm-Saltsjön, Stora Finans and Wharton European Advisory Board and Knut och Alice Wallenberg Foundation. Chairman of the Board of Investor Group Finance.
Stockholdings: 1,595 A; 532 B; 1,100 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.

Bert-Olof Svanholm (1991). Born 1935. President of Asea Brown Boveri AB, Executive Vice President of ABB Asea Brown Boveri Ltd. Chairman of the Association of Swedish Engineering Industries.

Michael Treschow (1991). Born 1943. President of Atlas Copco AB and Chief Executive Officer. Employed in the Company since 1975.
Stockholdings: 314 A; 106 B; Debentures convertible to 4,000 A shares.

Bertil Eriksson Deputy Member (1990). Born 1934. Senior Executive Vice President of Atlas Copco AB and responsible for the Construction and Mining Technique business area.
Stockholdings: 3,000 A; 1,000 B; Debentures convertible to 4,000 A shares.

Giulio Mazzalupi Deputy Member (1990). Born 1940. Senior Executive Vice President of Atlas Copco AB and responsible for the Compressor Technique business area.

Erik Belfrage Deputy Member (1991). Born 1946. Executive Director of S-E-Banken. Various positions in the Swedish Foreign Office from 1970 to 1987. Member of the Boards of Aerotransport, Investor, Providentia, Saab-Scania, the International Council of Swedish Industry and the Foundation Positive Sweden.

Employee representations

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, Monsun-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.

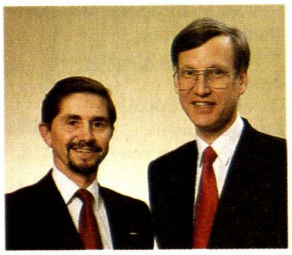
Auditors

Karl-G Giertz
Authorized
Public Accountant

Olof Herolf
Authorized
Public Accountant

Stefan Holmström
Authorized
Public Accountant,
Deputy

Bo Ribers
Authorized
Public Accountant,
Deputy



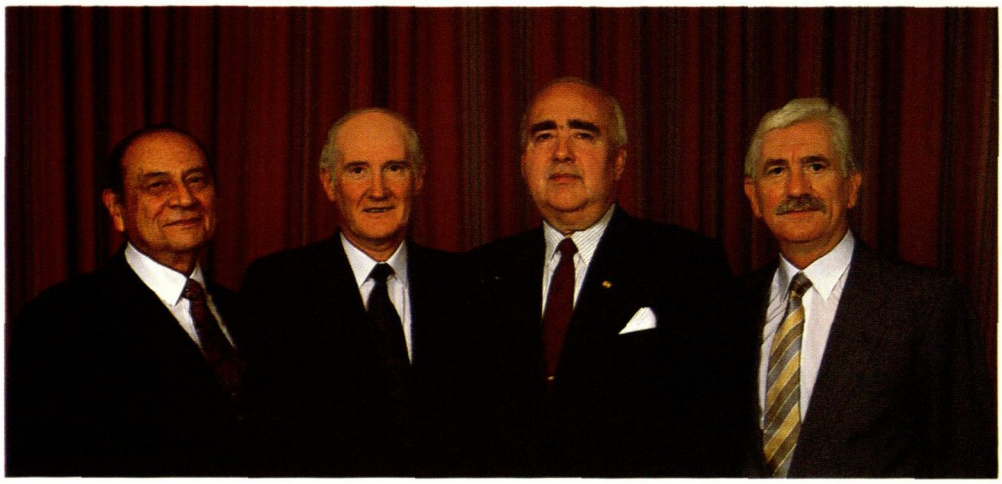
Karl-G Giertz **Olof Herolf**

Bo Ribers **Stefan Holmström**

GROUP MANAGEMENT AND GROUP STAFFS

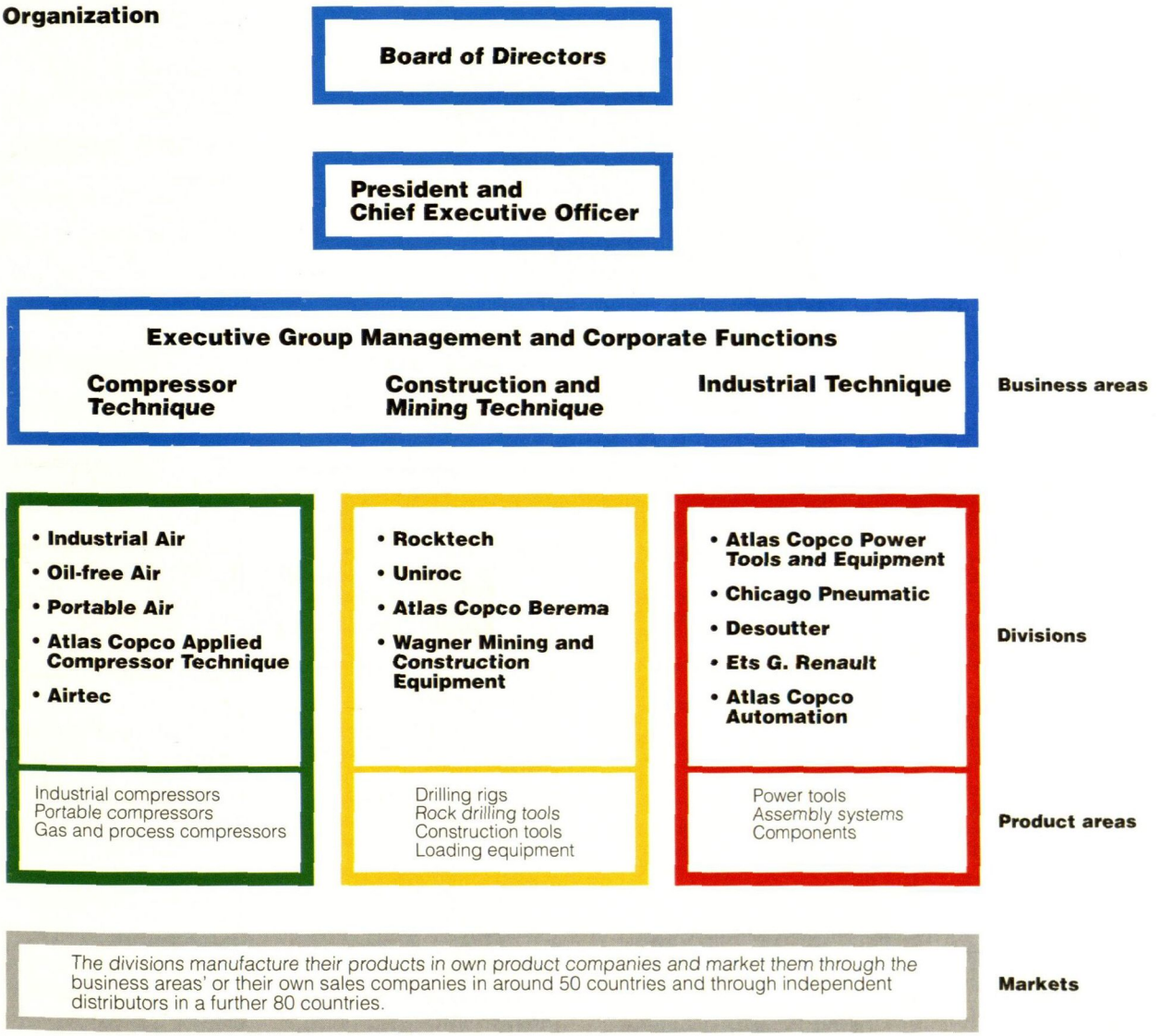
Michael Treschow,
President and Chief Executive Officer, business area Industrial Technique;
Giulio Mazzalupi,
Senior Executive Vice President, business area Compressor Technique;
Bertil Eriksson,
Senior Executive Vice President, business area Construction and Mining Technique.

Lennart Johansson,
controlling, accounting and auditing;
Marianne Hamilton,
organization development and management resources;
Bo Johansson, finance;
Hans Sandberg, legal.

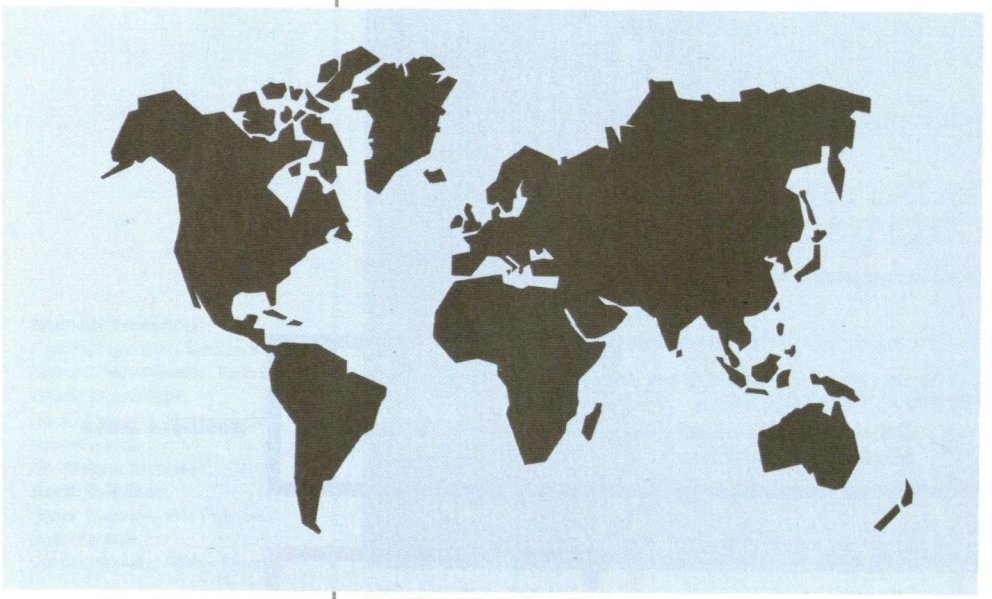


Mario Pellegrino,
Regional Executive southern Africa;
Jack Mackenzie,
Regional Executive Far East;
Sven-Ingvar Svensson, acting Regional Executive South America;
Edgar Deschamps,
Regional Executive Middle East and northern Africa.

Organization



WORLDWIDE SALES AND SERVICE ORGANIZATION



NORTH AMERICA

Canada
Atlas Copco Compressors Canada
Montreal, Quebec
Wim Schoenmakers

Atlas Copco Construction and Mining North America
Montreal, Quebec
David Bonner

Secoroc Ltd
Burlington, Ontario
Sten Pettersson

Atlas Copco Tools Canada
Toronto, Ontario
Wayne Timmins

Chicago Pneumatic Tool Co Canada Ltd
Mississauga, Ontario
Charles Ingram

Mexico
Atlas Copco Mexicana SA de CV, Division Compressores
Tlalnepantla, Edo de Mexico
Kåre Engström

Atlas Copco Mexicana SA de CV, Division Construction v Minerva
Tlalnepantla, Edo de Mexico
Jaime Cadaval

Fagersta Secoroc de Mexico SA de CV
Mexico 1, DF
Luis Palacios

Atlas Copco Mexicana SA de CV, Division Herramientas
Tlalnepantla, Edo de Mexico
Edward Jones

Chicago Pneumatic Tool de Mexico SA
Mexico DF
Luis Palacios

U.S.A.
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
Frank J van Gogh

Secoroc Inc
Commerce City, Colorado
Dennis Gibson

T-H Industries
Ft Loudon, Pennsylvania
Stanley Lundberg

Wagner Mining & Construction Equipment Co
Portland, Oregon
Roderick J M Brown

Atlas Copco Berema Inc
Holyoke, Massachussetts
Peter Bigwood

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
David M Johnson

GME Systems Inc
Wexford, Pennsylvania
Björn Karlström

Monsun-Tison North America Inc
Elk Grove Village, Illinois
Kjell Jansson

SOUTH AMERICA

Argentina
Atlas Copco Argentina SACI
Buenos Aires
Mauro de Mesquita

Bolivia
Atlas Copco Boliviana SA
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

Atlas Copco Tools Brasil
São Paulo
Carlos Frateschi

Atlas Copco Assembly Systems Brasil
São Paulo
Walter Cavichiolli

Chile
Atlas Copco Chilena SAC
Santiago
André Richard

Drillco SA/Secoroc SA
Santiago
Per-Arne Lindqvist

Colombia
Atlas Copco Colombia Ltda
Bogotá
Antoine Santiago

Ecuador
Atlas Copco Ecuatoriana SA
Quito
Jo Cronstedt

Peru
Atlas Copco Peruana SA
Lima
Olof Hössner

Fagersta Secoroc del Peru SA
Callao
Julio Tamayo

Venezuela
Atlas Copco Venezuela SA
Caracas
Staffan Nordin

AFRICA

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

** Not consolidated in the Atlas Copco Group*

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

Egypt
Atlas Copco Compressor International
Representative Office
Cairo
John Vanezos

Ghana
Atlas Copco C & M Export
Representative Office
Accra
Gerry Tucker

Kenya
Atlas Copco Kenya Ltd
Nairobi
Eric N Smith

Lesotho
Atlas Copco Lesotho Ltd
Maseru
Don Thompson

Morocco
Atlas Copco Maroc SA
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
Krysztof Pietkiewicz

South Africa
Secoroc (Pty) Ltd
Springs, Transvaal
Allan Buekes

Chicago Pneumatic Tool Company SA (Pty) Ltd
Isando, Transvaal
Magnus Gyllö

Desoutter (SA) (Pty) Ltd
Sandton
Stephen Bullock

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
Otto Barthel

Belgium, Luxemburg
Atlas Copco Benelux
Overijse
Thomas Larsson

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
Otto Barthel

Chicago Pneumatic NV Tool Company SA
Zaventem
Radmon Sukhia

Atlas Copco Automation
Overijse
Bert van der Scheer

Cyprus
Atlas Copco Cyprus Ltd
Nicosia
Demetrios Angelides

Czechoslovakia
Atlas Copco Compressor International
Representative Office
Prague
Olle Hagling

Atlas Copco C & M Export
Representative Office
Prague
Jindrich Hummel

Denmark
Atlas Copco Kompressor-teknik A/S
Glostrup
Jens Karman

Atlas Copco Tools Danmark
Ishøj
Flemming Vikbjerg

Monsun Automation A/S
Ishøj
Henrik Burkal

Estonia
BERKE Ltd
Tallinn
Jaak Arulaane

Finland
Oy Atlas Copco Kompressorit Ab
Masala
Reijo Siimes

Oy Atlas Copco Louhinta-tekniikka Ab
Masala
Ilkka Eskola

Oy Atlas Copco Tools Ab
Masala
Jyrki Enho

Atlas Copco Automaatio
Masala
Bertel Wickström

Kometa Oy
Esbo
Christer Strandh

France
Atlas Copco Compresseurs SA
Franconville
Alain Rodriguez

Ets Mauguière SA
Sermamagny
Johan Molin

Atlas Copco Mines & Travaux Publics SA
Franconville
Edmond Rigaumont

Secoroc SA
Ivry sur Seine
Philippe Derobert

Atlas Copco Applications Industrielles SA
Franconville
Jean-Yves Frin

Ets Georges Renault SA
Nantes
Jacques Manceron

Desoutter SA
Nanterre
Thierry Desaphix

Monsun-Tison SA
Cergy Pontoise
Philippe Corrège

Germany
Atlas Copco Kompressoren GmbH
Essen
Leif Boll

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 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 Cummings

Desoutter Automotive Ltd
London
Ray Whybro

Chicago 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 Kompresszor Kft
Budapest
Gunnar Hindrum

SALES AND SERVICE ORGANIZATION

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 Italiana S r l
Trezzano sul Naviglio
Giuseppe Baietta

Atlas Copco Tools Italia
Milan
Peter Janson

Desoutter Italiana S r l
Oltrona
Fiorenzo Liviero

Chicago Pneumatic Tool Co SpA
Milan
Renzo Remondi

Atlas Copco Automazione SpA
Milan
Maurizio Baita

The Netherlands
Atlas Copco Kompressoren
Zwijndrecht
Dick Plate

Atlas Copco Construction and Mining Technique Netherlands
Zwijndrecht
Andre Vanhole

Atlas Copco Tools Nederland
Zwijndrecht
Leen van Diggele

Desoutter Ltd
Breda
Otto Barthel

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
Atlas Copco Portugal, Divisão Compressores Industriais
Lisbon
Jorge Cifuentes

Atlas Copco Portugal, Divisão Construcão Civil & Minas
Lisbon
Bengt Dahlgren

Atlas Copco Portugal, Divisão Tecnica Industrial
Lisbon
Jorge Cifuentes

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
James Meyers

Sweden
Atlas Copco Compressor AB
Nacka
Leif Rydberg

Atlas Copco MCT Sverige AB
Nacka
Bertil Sundberg

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
Rolf Söderman

Kometa AB
Gällivare
Aappo Fagerhill

Berema Sverige AB
Nacka
Anders Bröms

Atlas Copco Tools Sverige
Stockholm
Kurt Ottosson

GME System AB
Stockholm – Tyresö
Hans Friberger

Atlas Copco SAC AB
Stockholm-Vallentuna
Patrik Regårdh

Atlas Copco Automation Svenska AB
Borås
Hans Törner

Atlas Copco C & M Export AB
Nacka
Robert Robertson

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

Atlas Copco Automation Schweiz
Studen/Biel
Tom Casinge

GME System AG
Küttingen
Kjell Sjöberg

Yugoslavia
Atlas Copco Yugoslavia Inc
Belgrade
Dobrilo Tešović

■ 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
James A Henderson

Iran
Atlas Copco Iran AB
Teheran
Bertil Lindsten

Japan
Atlas Copco KK
Tokyo
Necip Soyak

Korea
Atlas Copco Mfg Korea Co Ltd
Seoul
Alan Heggie

Atlas Copco Construction and Mining Technique
Seoul
Hans Hedensjö

* *Not consolidated in the Atlas Copco Group*

Malaysia
Atlas Copco (Malaysia) Sdn Bhd
Kuala Lumpur
Yvo Goossens

The 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

Atlas Copco C & M Export
Liaison Office
Tuzla, Istanbul
Ercan Narlioglu

■ 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

Atlas Copco Tools Australia
Blacktown
Michael J Foy

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

New Zealand
Atlas Copco (N Z) Ltd
Wellington
Bill Gibson

DIRECTIONS

Atlas Copco AB
S-105 23 Stockholm
Telephone: +46-8-743 8000
Telefax: +46-8-644 9045
Telex: 14090 copco s

BUSINESS AREAS

Compressor Technique, Divisions
Industrial Air
Boomsesteenweg 957
B-2610 Wilrijk-Antwerpen, Belgium
Tel: +32-3-870 2111

Oil-free Air
Boomsesteenweg 957
B-2610 Wilrijk-Antwerpen, Belgium
Tel: +32-3-870 2111

Portable Air
Boomsesteenweg 957
B-2610 Wilrijk-Antwerpen, Belgium
Tel: +32-3-870 2111

Atlas Copco ACT
Boomsesteenweg 957
B-2610 Wilrijk-Antwerpen, Belgium
Tel: +32-3-870 2111

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

Construction and Mining Technique, Divisions
Atlas Copco Rocktech
S-105 23 Stockholm
Tel: +46-8-743 8000

Uniroc AB
Box 521
S-773 01 Fagersta
Tel: +46-223-461 00

Atlas Copco Berema AB
Box 767
S-131 24 Nacka
Tel: +46-8-743 9600

Wagner Mining & Construction
Equipment Co
P.O. Box 20307
Portland, Oregon 97220-0307, U.S.A.
Tel: +1-503-255 2864

Industrial Technique, Divisions
Atlas Copco Power Tools and Equipment
Box 90111
S-120 21 Stockholm
Tel: +46-8-743 9500

Chicago Pneumatic Tool Company
2200 Bleecker St
Utica, New York 13501, U.S.A.
Tel: +1-315-792 2600

Desoutter Brothers (Holdings) PLC
319 Edgware Road
Colindale
London NW9 6ND, Great Britain
Tel: +44-81-205 7050

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

Atlas Copco Automation AB
Box 110
S-523 23 Ulricehamn
Tel: +46-321-150 20

FIVE YEARS IN SUMMARY

SEK m. unless otherwise noted. For definitions, see page 18.

ATLAS COPCO GROUP	1987	1988	1989	1990	1991
Earnings per share, SEK	11.95*	19.60	26.75	20.45*	**14.25**
Earnings per share after extraordinary items, SEK	19.65*	19.75	26.75	20.45*	**14.25**
Profit margin, percent	6.8	9.0	10.1	8.0	**6.1**
Return on capital employed, before tax, percent	15.6	19.5	23.4	17.7	**12.9**
Return on equity capital, after tax, percent	10.7	16.1	19.5	12.5	**8.1**
Rate of equity capital, percent	36.5	36.6	36.6	45.1	**45.6**
Rate of equity capital after full conversion, percent	38.0	38.0	37.8	46.2	**46.7**
Dividend per share, SEK	5.63	6.38	8.00	8.00	**8.00****
Orders booked	11,797	13,533	15,785	15,931	**15,220**
Invoiced sales	11,520	12,812	15,035	15,915	**15,030**
Percent change, current prices	+11	+11	+17	+6	**−6**
Sales outside Sweden, percent	92	92	92	93	**94**
Profit after financial income and expense	789	1,155	1,521	1,270	**910**
Net interest expense	−161	−25	−160	−198	**−179**
As percent of invoiced sales	1.4	0.2	1.1	1.2	**1.2**
Interest coverage ratio	3.5	4.1	3.9	3.3	**3.1**
Total assets	10,752	11,377	13,258	13,971	**14,094**
Ratio of assets to liabilities	1.6	1.5	1.6	1.8	**1.8**
Ratio of current assets to current liabilities	2.0	2.0	1.8	2.0	**1.8**
Capital turnover ratio	1.14	1.18	1.22	1.13	**1.05**
Ratio of interest-bearing liabilities to shareholders' equity***	0.94	0.95	0.95	0.62	**0.61**
Investments in machinery and buildings	422	424	545	682	**706**
As percent of invoiced sales	3.7	3.3	3.6	4.3	**4.7**
Average number of employees	18,777	19,207	20,057	21,507	**19,544**
Invoiced sales per employee, SEK thousands,	614	667	750	740	**769**

* 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 1992 operations:

President's Address to Shareholders at the AGM	May 8 1992
Interim Report on first three months of operations	May 8 1992
on first six months of operations	August 24 1992
on first nine months of operations	November 12 1992
1992 Preliminary 12-month Report	February 1993
1992 Annual Report	April 1993

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FINANCIAL INFORMATION ON ATLAS COPCO

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Barclays de Zoete Wedd, London	Jan Dworsky
Baring Securities, London	Hans Westerberg
Alfred Berg, London	Erik Mitteregger
James Capel, London	Christian Diebitsch/Peter Lawrence
Carnegie Fondkommission, Stockholm	Staffan Östlin
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