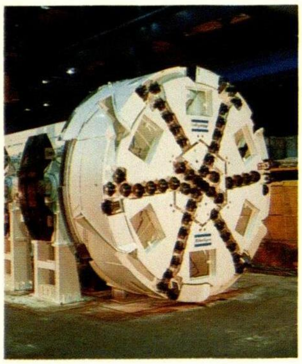
ANNUAL REPORT

Atlas Copco 1992

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



Cover illustration:
A tunnel boring machine used in the Hallandsåsen project features a 9.1 meter-diameter drilling head equipped with 60 cutters.

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 Thursday, April 29, 1993, at 5.00 p.m. in **Berwaldhallen,** Strandvägen 69, Stockholm, Sweden.

FINANCIAL INFORMATION FROM ATLAS COPCO

Atlas Copco will publish the following financial reports in respect of 1993 operations:

President's Address to Shareholders at the AGM .... April 29 1993
Interim Report on first three months of operations .... May 17 1993
Interim Report on first six months of operations .... August 30 1993
Interim Report on first nine months of operations .... November 25 1993
1993 Preliminary 12-month Report .... February 1994
1993 Annual Report .... April 1994

□ Additional copies of Atlas Copco's Annual Report in English can be ordered through Atlas Copco AB, Information, S-105 23 Stockholm, Sweden, Telefax: +46-8-643 3718.

FINANCIAL INFORMATION ON ATLAS COPCO

Published by the following financial analysts in 1992/93:

Aros Fondkommission, Stockholm, *Ola Asplund*
Baring Securities, London, *Per Chrom-Jacobsen*
Alfred Berg, London, *Jan Dworsky*
James Capel, London, *John Longhurst*
Carnegie Fondkommission, Stockholm, *Staffan Östlin*
Enskilda Fondkommission, Stockholm, *Michael Grundberg*
Enskilda Research, London, *Peter Karlsson*
First Boston, New York, *John E McGinty*
Goldman Sachs, London, *Anders Bråténius*
Handelsbanken, Stockholm, *Anders Roslund*
Hägglöf & Ponsbach Fondkommission, Stockholm, *Johan Strandberg*
Kleinwort Benson, London, *Christian Diebitsch*
Merchant Fondkommission, Stockholm, *Ulf Jönsson*
Merrill Lynch, London, *Jennifer Tora*
Midland Montagu Bank, Stockholm, *Bo Selling*
Morgan Stanley, London, *Edward Hadas*
Phillips & Drew, London, *Peter J Dupont*
Swedbank Fondkommission, Stockholm, *Mats Larsson*
S G Warburg, London, *Tim Youngman*
Unibörs, Köpenhamn, *Henrik Breum*
Öhman, Stockholm, *Arne C Karlsson*

1992

Sales

Group invoiced sales increased 7 percent to SEK 16,007 m. (15,030).

Earnings

Group operating profit after net financial items increased 14 percent to SEK 1,027 m. (902), corresponding to 6.4 percent (6.0) of invoiced sales.

Net profit after tax increased 22 percent to SEK 604 m. (495).

Dividend and earnings per share

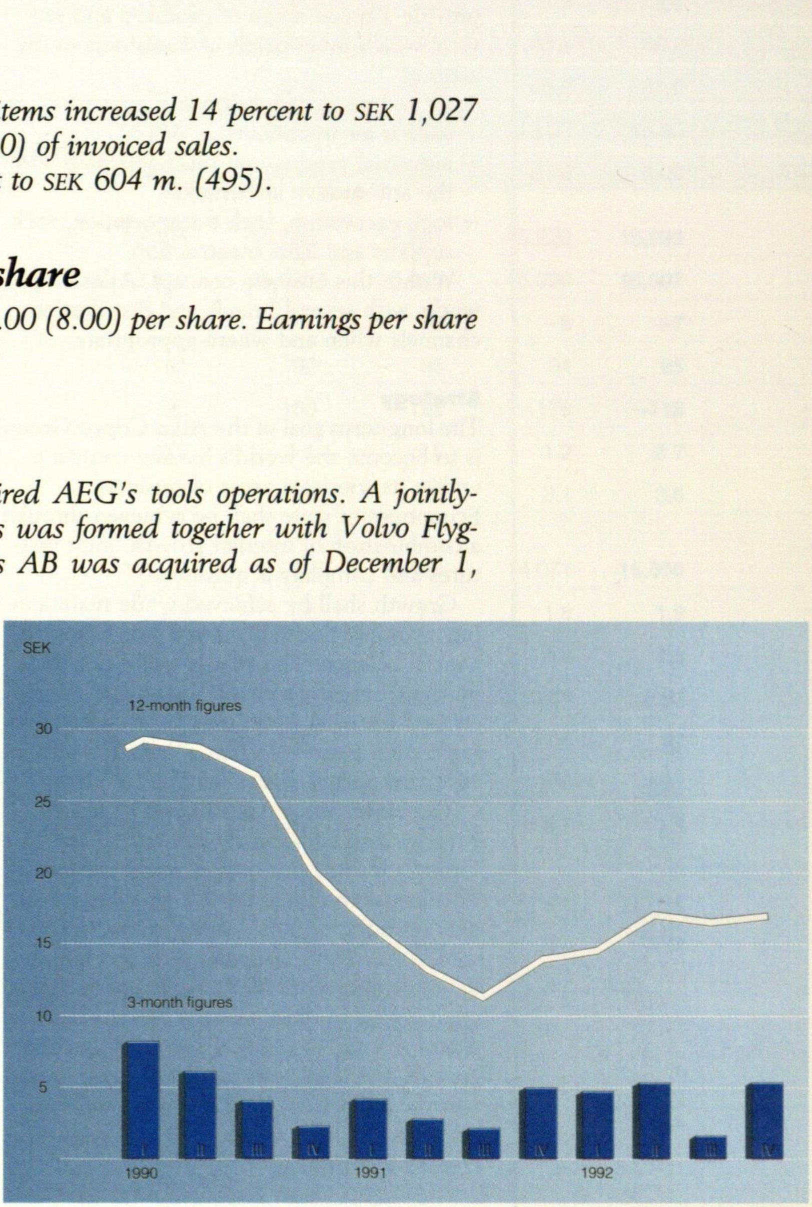
The Board is proposing a dividend of SEK 8.00 (8.00) per share. Earnings per share amounted to SEK 16.90 (13.90).

Company acquisitions

On January 1, 1992 Atlas Copco acquired AEG's tools operations. A jointly-owned company for hydraulic components was formed together with Volvo Flygmotor. The engineering company Craelius AB was acquired as of December 1, 1992.

Outlook for 1993

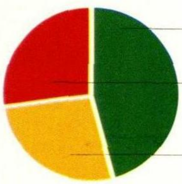
The weak sales trend towards the end of 1992 has continued, particularly in Europe. Assuming that sales volumes do not decrease any further, earnings for 1993 should be in line with earnings for 1992.



Trend in Group's earnings per share.

ATLAS COPCO TODAY

SALES BY ECONOMICAL/ POLITICAL AREA



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 95 percent of the Atlas Copco Group's invoiced sales of SEK 16 billion is attributable to countries outside Sweden. The Group employs a total of 19,195 persons, of whom 15 percent work in Sweden. The divisions manufacture products at 48 plants in 15 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 tunneling 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.

FIVE YEARS IN SUMMARY

SEK m. unless otherwise noted. For definitions, see page 17.

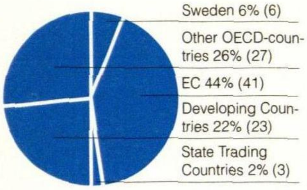
ATLAS COPCO GROUP	1988	1989	1990	1991	**1992**
Profit after financial income and expense	1,155	1,521	1,259	902	**1,027**
Profit margin, percent	9.0	10.1	7.9	6.0	**6.4**
Net profit after tax	631	853	684	495	**604**
Return on capital employed, before tax, percent	19.5	23.4	17.6	12.8	**13.3**
Return on equity capital, after tax, percent	16.1	19.5	12.2	7.9	**9.1**
Rate of equity capital, percent	36.6	36.6	45.1	45.6	**46.2**
Rate of equity capital after full conversion, percent	38.0	37.8	46.2	46.6	**47.0**
Earnings per share, SEK	19.60	26.75	20.05*	13.90	**16.90**
Dividend per share, SEK	6.38	8.00	8.00	8.00	**8.00****
Orders received	13,533	15,785	15,931	15,220	**15,883**
Invoiced sales	12,812	15,035	15,915	15,030	**16,007**
Percent change, current prices	+11	+17	+6	−6	**+7**
Sales outside Sweden, percent	92	92	93	94	**95**
Net interest expense	−25	−160	−198	−179	**−118**
As percent of invoiced sales	0.2	1.1	1.2	1.2	**0.7**
Interest coverage ratio	4.1	3.9	3.3	3.1	**3.5**
Total assets	11,377	13,258	13,963	14,071	**16,000**
Ratio of assets to liabilities	1.5	1.6	1.8	1.8	**1.9**
Ratio of current assets to current liabilities	2.0	1.8	2.0	1.8	**1.8**
Ratio of interest-bearing liabilities to shareholders' equity***	0.95	0.95	0.58	0.58	**0.53**
Capital turnover ratio	1.18	1.22	1.13	1.05	**1.07**
Investments in machinery and buildings	424	545	682	706	**553**
As percent of invoiced sales	3.3	3.6	4.3	4.7	**3.5**
Average number of employees	19,207	20,057	21,507	19,544	**19,195**
Invoiced sales per employee, SEK thousands	667	750	740	769	**834**

* For 1990 based on the weighted average number of shares outstanding.
** According to the Board of Directors' proposal.
*** Shareholders' equity and minority interest.

THE BOARD OF DIRECTORS' REPORT ON 1992 OPERATIONS

SEK m. unless otherwise indicated.

SALES BY ECONOMICAL/ POLITICAL AREA



THE ATLAS COPCO GROUP

	1992	1991
Invoicing	**16,007**	15,030
Change, %	**+7**	−6
Orders received	**15,883**	15,220
Change, %	**+4**	−4
Profit after financial items	**1,027**	902
Change, %	**+14**	−28
Net profit after taxes	**604**	495
Change, %	**+22**	−28

Invoiced sales of the Atlas Copco Group in 1992 amounted to SEK 16,007 m. (15,030), up 7 percent. For comparative units, invoiced sales decreased by 2 percent. Markets outside Sweden accounted for 95 percent, with 44 percent attributable to EC countries. Orders received during the fiscal year totaled SEK 15,883 m. (15,220), up 4 percent. For comparable units, the level of orders received decreased by 4 percent. Exchange-rate effects both on invoiced sales and orders received were negative, despite the depreciation of the Swedish krona.

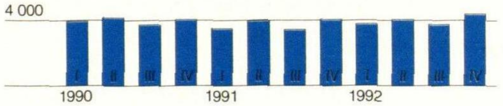
Group profit after financial income and expense increased 14 percent to SEK 1,027 m. (902). The profit margin was 6.4 percent (6.0). Group profit for the year, after tax, increased to SEK 604 m. (495). Earnings per share after full tax and full conversion totaled SEK 16.90 (13.90).

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

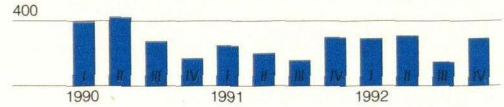
Outlook for 1993

The weak sales trend towards the end of 1992 has continued, particularly in Europe. Assuming that sales volumes do not decrease any further, earnings for 1993 should be in line with earnings for 1992.

SALES



PROFIT AFTER FINANCIAL INCOME AND EXPENSES



INVOICED SALES BY QUARTER

	1990	1991	1992
First quarter	3,930	3,547	**3,834**
Second quarter	4,196	3,955	**4,040**
Third quarter	3,766	3,478	**3,774**
Fourth quarter	4,023	4,050	**4,359**
Total	15,915	15,030	**16,007**

EARNINGS BY QUARTER

	1990	1991	1992
First quarter	393	247	**288**
Second quarter	423	202	**307**
Third quarter	276	154	**144**
Fourth quarter	167	299	**288**
Total	1,259	902	**1,027**

Figures are adjusted to reflect a change in accounting principles.

Structural changes

Effective January 1, 1992, the electric tools operations acquired from AEG were incorporated within the Industrial Technique business area, in the Atlas Copco Power Tools and Equipment division.

VOAC Hydraulics AB, in which Atlas Copco and Volvo Flygmotor each have a 50-percent ownership interest, was formed on January 1, 1992 through the merger of the Atlas Copco subsidiary, Monsun-Tison, and the Volvo Flygmotor subsidiary, Volvo Hydraulik. The company's invoiced sales amounted to SEK 662 m., with 846 employees. VOAC Hydraulics is reported as an associated company.

On December 1, 1992, as part of its focus on geotechnical equipment, Atlas Copco acquired the engineering company Craelius AB and its international marketing organization. This company has annual sales of about SEK 300 m., with 110 employees active in sales and production.

Within the Construction and Mining Technique business area, the decision was taken to concentrate manufacturing of pneumatic breakers to the Atlas Copco Berema plant in Kalmar, Sweden and manufacture of down-the-hole hammers to the Uniroc plant in Fagersta, Sweden. As a result of these moves, the plant in Hemel Hempstead, outside London, will close during the second half of 1993.

Sales review

Demand within most of the Atlas Copco product areas remained weak during the past year.

The order backlog at year-end amounted to SEK 2,698 m., compared with SEK 2,679 m. a year earlier.

Atlas Copcos sales of both compressors and tools to the *manufacturing industry* remained at a satisfactory level in Germany and neighboring markets, although some decline was noted towards year-end. In other European countries, particularly in the Mediterranean area, demand was weak. Certain signs of an increase in orders received were noted on the other hand in the American market. An improved volume of orders received for compressors was evident in East Asia, with the exception of Japan.

Orders received for gas compressors and turbo expanders were at a slightly lower level than in 1991, when levels were relatively high. Sales of hand-held power tools and pneumatic components continued to decrease in most markets, with the exception of Germany. The Group's invoiced sales to the manufacturing industry accounted for 55 percent of total invoicing.

Favorable activity was noted in the *building and construction* industry, especially for construction projects involving rock drilling operations, while demand from the building sector was weak. Atlas Copco secured attractive orders for drilling rigs and tunnel boring machines, particularly from customers in East Asia and the Nordic region. Increased activity within the building and construction industry in North America was reported, but to date this has not resulted in any increase in the level of orders received. Sales to the building and construction sector accounted for 25 percent of Group invoicing.

Sales to the *mining industry* remained weak. Low metal prices and large inventories had a depressing effect on demand in the mining sector. Certain strategically important orders for mechanized mining equipment were secured from mines in Russia, Brazil, India and North America. Of total invoicing, sales to the mining sector accounted for 10 percent.

Continued expansion of marketing organization

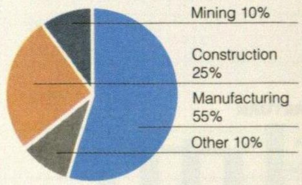
The expansion of the marketing organization continued during 1992, especially in Eastern Europe. A representative office was established in Moscow, with the aim of marketing the products of all divisions in the Russian market. Atlas Copco was previously represented by a distributor in the Russian mining equipment market.

Atlas Copco has served customers in the Czech Republic through a representative office in Prague since 1991. Due to the development of this market, an Atlas Copco sales office is to be established. Sales of compressors in this market increased sharply during 1992. The company has a representative office in the Slovak Republic.

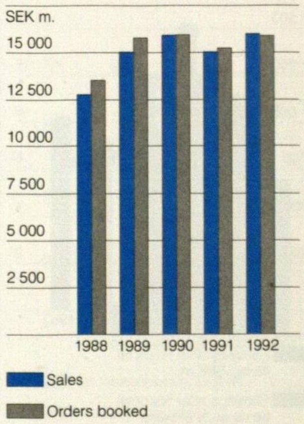
In Poland, Atlas Copco is represented by a distributor. Sales of oil-free compressors were particularly successful during 1992.

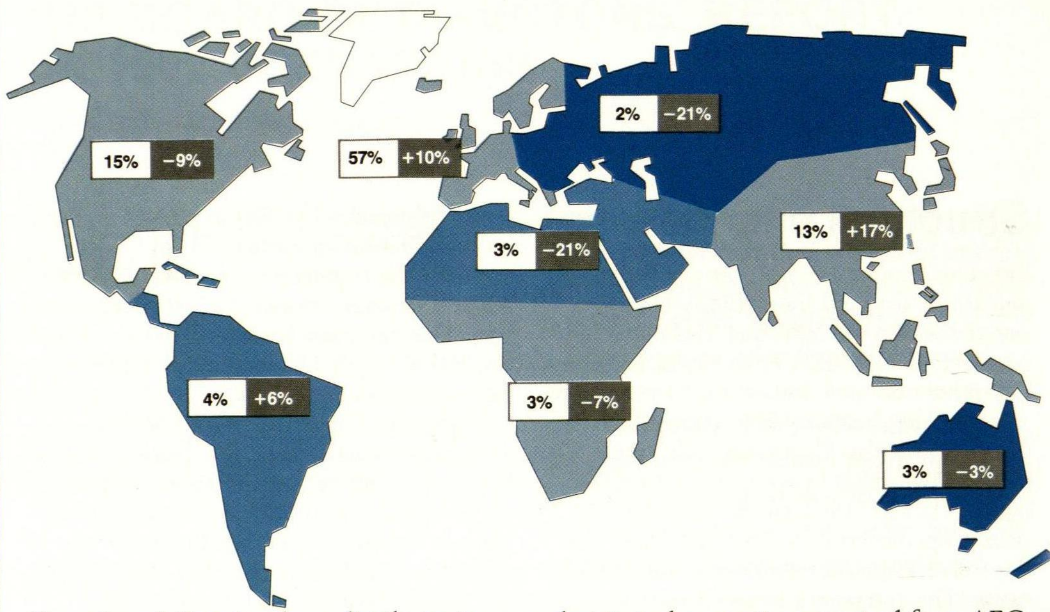
In the former Yugoslavia, Atlas Copco has a representative office in Ljubljana, for

SALES DEVELOPMENT BY INDUSTRY



SALES AND ORDERS BOOKED





GEOGRAPHIC DISTRIBUTION OF SALES 1992

Portion of Group sales
Change 1992/1991

Slovenia and Croatia, plus a distributor in Macedonia. In other areas of the former Yugoslavia, operations are stand idle as a result of the prevailing trade embargo.

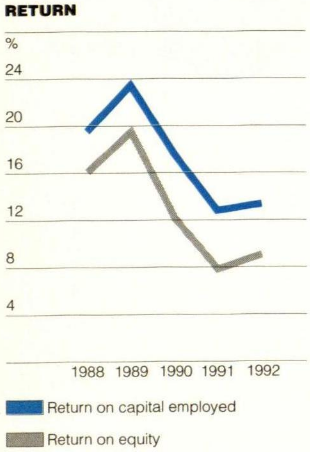
In the important South African market, Atlas Copco has been granted general exemption from the export sanctions and is allowed to export products from the Group's Swedish units.

An agreement was recently signed with Atlas Copco's distributor in Thailand regarding a joint venture for marketing Atlas Copco products in Vietnam.

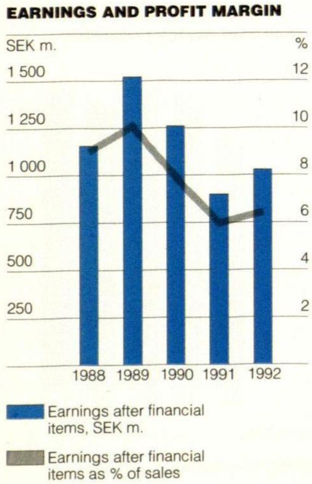
During the year, sales companies in the electric tools operations acquired from AEG were gradually integrated with sales companies in the Atlas Copco Power Tools and Equipment division.

Operations at new distribution centers for daily deliveries to customers of products within the business areas, Construction and Mining Technique and Industrial Technique, were started up during the year. The distribution center in Hoeselt, Belgium, was expanded to additionally include the flow of goods from the Atlas Copco Electrowerkzeuge's plant in Germany.

RETURN



EARNINGS AND PROFIT MARGIN



Financial summary and analysis

Earnings

	1992	1991
Earnings per share, SEK	**16.90**	13.90
Return on capital employed, %	**13.3**	12.8
Return on equity capital, %	**9.1**	7.9
Profit margin, %	**6.4**	6.0

Definitions on key figures, page 17.

Group profit after financial income and expense increased by 14 percent to SEK 1,027 m. (902). The profit margin was 6.4 percent (6.0). Profit for the year after tax increased to SEK 604 m. (495).

Earnings per share after full tax and full conversion were SEK 16.90 (13.90).

Return on equity capital after tax amounted to 9.1 percent (7.9).

Earnings analysis

Operating profit before depreciation improved 8 percent to SEK 1,661 m. (1,537), corresponding to 10.4 percent (10.2) of invoicing. The improvement in operating earnings is mainly due to the positive effects of earlier structural measures, and despite lower sales volumes. During the past fiscal year, earnings were charged with the costs of structural changes in an amount of SEK 100 m. (190). As in 1991, the greater portion of these costs related to the Construction and Mining Technique business area.

KEY FIGURES BY BUSINESS AREA

	Invoiced sales		Operating profit		Return on capital employed %		Investments	
	1992	1991	**1992**	1991	**1992**	1991	**1992**	1991
Compressor Technique	**7,402**	7,361	**970**	1,031	**26**	28	**245**	320
Construction and Mining Technique	**4,254**	4,497	**157**	–53	**7**	0	**142**	184
Industrial Technique	**4,351**	3,172	**135**	286	**6**	12	**156**	189
Corporate items			**–128**	–209			**10**	13
Total Group	**16,007**	15,030	**1,134**	1,055	**13**	13	**553**	706

Cost depreciation in 1992 amounted to SEK 527 m. (482). In contrast to previous years, amortization of goodwill was conducted according to a straight-line method. The figures for previous years have been recalculated in accordance with this method. The difference between the method applied earlier and the straight-line method means that amortization of goodwill increased by SEK 16 m. (19).

Operating profit after depreciation amounted to SEK 1,134 m. (1,055), which corresponds to 7.1 percent (7.0) of invoiced sales.

Operating profit after depreciation for the Compressor Technique business area decreased 6 percent (14), due mainly to lower sales volumes and the negative effect of currency exchange-rate changes in Europe.

Operating profit after depreciation for the Construction and Mining Technique business area improved from a loss of SEK 53 m. to profit of SEK 157 m. The improvement was due to the restructuring projects in the preceding year being able to be implemented according to plan, while profit for the year was simultaneously charged with smaller restructuring costs, compared with 1991.

The operating profit after depreciation of the Industrial Technique business area decreased by SEK 151 m. to SEK 135 m. The decrease was due to lower sales volumes and to the tools operations acquired from AEG having an adverse effect on earnings, plus interruptions in connection with the transfer of production operations.

Investments

	1992	1991
Europe	**448**	570
North America	**65**	85
South America	**14**	21
North Africa/Middle East	**1**	8
Southern Africa	**2**	2
India/East Asia	**19**	15
Oceania	**4**	5
Total	**553**	706

Investments in fixed assets totaled SEK 553 m. (706). The distribution of investments was SEK 109 m. (177) in Sweden and SEK 444 m. (529) abroad, of which SEK 332 m. (384) was accounted for by EC countries.

Investments related primarily to productivity improvements in the production and marketing areas. Larger investments included a new assembly plant for industrial compressors in Antwerp, the expansion of a distribution center for tools in Belgium and production equipment for cylinder manufacture in Ulricehamn.

Financial analysis

	1992	1991
Net interest expense	**–118**	–179
Degree of self-financing, %	**224**	139
Rate of equity capital, %	**47.0**	46.6

The Atlas Copco Group's liquid assets on December 31, 1992 amounted to SEK 1,938 m. (2,106), corresponding to 12 percent (14) of invoicing.

The capital turnover ratio was 1.07 (1.05).

The notes to the Group's Statements of Changes in Financial Position on page 13 and the section on Financial Operations on page 29 describe how exchange-rate fluctuations during the year have affected the Group.

Inventories and accounts receivable

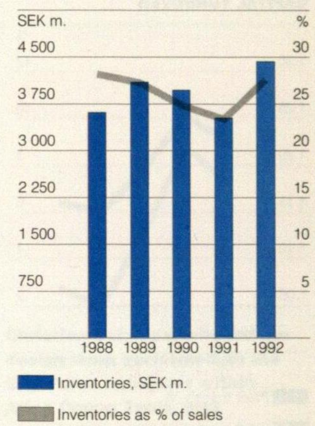
For a number of years, the Group has conducted an extensive program designed to reduce the amount of capital tied up in operations. Further reductions in volumes were achieved in 1992. As a result of the changes in currency exchange rates following the decision to allow the Swedish krona to float, the reported value of both inventories and receivables increased sharply in Swedish kronor. The effect of the currency exchange-rate fluctuations was approximately 15 percent. The acquisition of Atlas Copco Elektrowerkzeuge and Craelius resulted in a slight relative increase in the amount of tied-up capital.

During the past 10 years, inventories measured as a percentage of invoiced sales have decreased from 35 percent to about 27 percent, while receivables have declined from 25 percent to approximately 21 percent. The goal is to reduce both inventories and receivables to less than 20 percent of invoicing. During 1992, inventories totaled 27.6 percent (23.4) and receivables 21.9 percent (20.4), respectively, of invoicing. During 1993, the ratios should decrease sharply as the full effect of the new exchange rates subsequently affect invoicing figures.

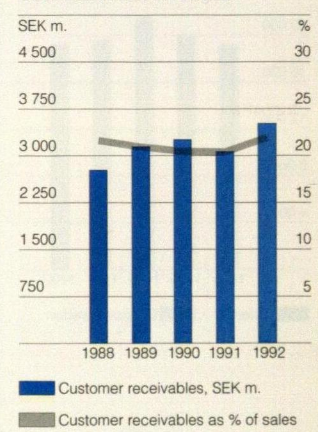
Net indebtedness

The Group's net indebtedness, meaning the difference between interest-bearing liabilities and liquid assets, increased to SEK 2,062 m. (1,701). Of this amount, SEK 1,604 m.

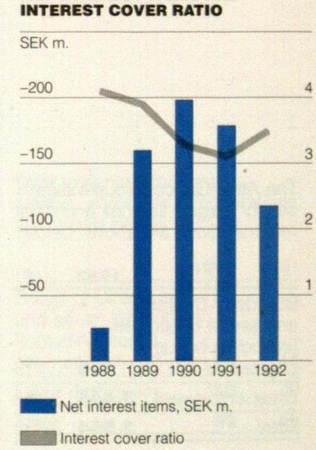
INVENTORIES



CUSTOMER RECEIVABLES

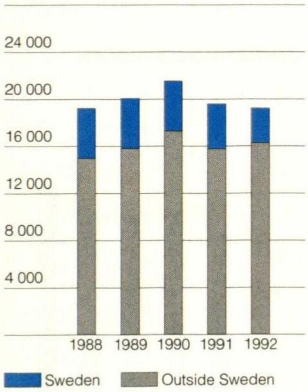


NET INTEREST ITEMS AND INTEREST COVER RATIO



PROFIT MARGIN AND CAPITAL TURNOVER

EMPLOYEES



The Atlas Copco Group's expenses for wages, salaries and other remunerations are shown below:

	1992	1991
Boards of Directors and senior executives [including bonus payment of 10 (12)]	**109**	115
Other employees	**3,445**	3,188
Total	**3,554**	3,303

SUMMARY OF CHANGES IN FINANCIAL POSITION

	1992	1991	1990
Internal funds generated	**1,237**	981	1,235
Change in working capital	**–802**	643	37
From operations	**435**	1,624	1,272
Investments and acquisitions	**–655**	–1,051	–1,354
Dividends and other items	**–141**	–422	–368
Total	**–361**	151	–450
New issue of shares	**–**	–	1,203
Change in interest-bearing liabilities	**193**	34	–696
Change in liquid assets	**–168**	185	57

(1,147) was accounted for by provisions for pensions. Excluding the effects of currency exchange-rate fluctuations, the volume of net indebtedness decreased.

Net financial items
The net of the Group's financial income and expense was a loss of SEK 138 m. (169), corresponding to 0.9 percent (1.1) of invoicing.

Interest levels for European currencies declined gradually during the year. Since the Group has the major portion of its borrowing in such currencies and in USD, total interest expense declined. At the same time, a high interest-rate level was maintained in Sweden, which had a positive effect on the Group's interest income, particularly during the latter part of the year.

Exchange-rate gains totaled SEK 27 m. (8). The entire effect was achieved as a result of trends in exchange rates during the final quarter.

Net financial items includes a provision of SEK 48 m. relating to a financial receivable.

Share in associated companies
Effective January 1, 1992, Atlas Copco applies the equity method, which means that participation in the income of associated companies is included in reported profit. For the 12-month period, such participation amounted to SEK 31 m. (16). The profit for the preceding year has been recalculated in accordance with this change.

Shareholders' equity
The weakening of the Swedish krona at the end of the year affected the Group's equity capital by SEK 635 m. through favorable translation differences.

Shareholders' equity on December 31, 1992 amounted to SEK 7,295 m. (6,327). Taking into account the outstanding debenture loan and minority interest, shareholders' equity amounted to SEK 7,522 m. (6,563).

Shareholders' equity per share, after full conversion, amounted to SEK 207 (181).

During the year, debentures corresponding to 74,311 shares were converted. These represented a par value of SEK 11 m. of the total par value of the outstanding loan, which at year-end amounted to SEK 137 m.

Equity/assets ratio
The portion of equity capital after full conversion in 1992 was 47.0 percent (46.6).

Personnel

	1992	1991
Average number of employees	**19,195**	19,544
Sweden	**2,907**	3,801
Outside Sweden	**16,288**	15,743

The number of persons employed within Atlas Copco at year-end 1992, was 18,494 (18,524). Taking into account acquisitions and divestments, 1,300 employees left the Group as a result of rationalization measures. Of the average number of employees, 84 percent (85) were men and 16 percent (15) were women. In Sweden, the distribution was 82 percent (82) men and 18 percent (18) women. See also page 54.

Product development

As in 1991, product development activities were again allocated high priority within Atlas Copco during the past year. The underlying strategy of the work has been to produce costefficient products that are well suited to the manufacturing process.

Within the Compressor Technique business area a new design standard for industrial compressors was established. Certain portable compressor models have been redesigned to reduce the number of components and decrease manufacturing costs. Within the Airtec division, which produces compressor components, improvements were made gradually through the optimization of design considerations and the introduction of new materials.

Within Construction and Mining Technique a new rock drilling system that offers good drill steel economy and a completely new down-the-hole hammer was developed. Wagner developed and launched a large new articulated dumper for the construction market. In addition, five new loaders for mining applications were introduced.

Intensive development work within Industrial Technique resulted in a completely new series of grinding machines. Further development work was performed on ErgoPulse, which is a simple pneumatic nutrunner design. This has resulted in a new generation of pulse nutrunner. Desoutter developed and launched two new products each month during the year, including a new series of drilling machines. Atlas Copco Automation developed ten new products, including a new cylinder series.

Christian Schoeps, who led the design work performed on the ErgoPulse nutrunner within Atlas Copco Tools, was awarded the 1992 Johan Munck Award, presented here by Michael Treschow.

PARENT COMPANY

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

During the year, all of the shares in Monsun-Tison AB were transferred as a contribution in kind to VOAC Hydraulics AB. All of the shares in Craelius AB were acquired from Diamant Boart.

During 1992, the Parent Company subscribed for 977 shares in the Stockholm Stock Exchange. Through the distribution of shares held by Sweden's former wage-earner funds 100,469 shares were received in the venture capital company HIDEF AB. The shares were booked at a value of SEK 15 per share.

Earnings

Dividends from subsidiaries amounted to SEK 285 m. (239).

Profit after financial items totaled SEK 331 m. (250).

The Parent Company reported a net profit after appropriations and taxes of SEK 319 m. (283). As a result, unappropriated earnings amounted to SEK 1,227 m. (1,191).

Financing

The total assets of the Parent Company increased by SEK 193 m.

At year-end cash, bank deposits and short-term investments amounted to SEK 1,174 m. (1,236).

The portion of equity capital after full conversion amounted to 56.7 percent. (56.0).

After conversions during the year of outstanding debentures, share capital at year-end amounted to SEK 885,129,700 distributed among 23,585,022 A shares (one voting right) and 11,820,166 B shares (one tenth of a voting right). Each share has a par value of SEK 25. All shares are unrestricted. Following the expiration of the conversion period on March 1, 1993, the number of A shares amounted to 24,499,518.

Personnel

The average number of employees at the Parent Company during the year was 78 (86), of whom 45 percent (45) were women.

Dividend

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

Total expenses for wages, salaries and other remunerations are shown below:

	1992	1991
Board of Directors and senior executives [including bonus payment of 5 (6)]	**10**	14
Other employees	**30**	32
Total	**40**	46

ATLAS COPCO GROUP

CONSOLIDATED INCOME STATEMENT

Amounts in SEK m.

		1992	1991
Operating income	Invoiced sales (NOTE 1)	**16,007**	15,030
Operating expense (NOTE 2)	Cost of goods sold	**−10,229**	−9,582
	Technical development, marketing and administrative costs, etc	**−4,117**	−3,911
Operating profit before depreciation		**1,661**	1,537
Cost depreciation	In accordance with plan (NOTE 3)	**−527**	−482
Operating profit after depreciation		**1,134**	1,055
Financial income and expense (NOTE 4)		**−138**	−169
Share in associated companies (NOTE 11)		**31**	16
Profit after financial income and expense		**1,027**	902
Taxes (NOTE 6)		**−412**	−392
Minority interest (NOTE 7)		**−11**	−15
NET PROFIT		**604**	495
Earnings per share, SEK (NOTE 27)		**16.90**	13.90

CONSOLIDATED BALANCE SHEET

Amounts in SEK m.

ASSETS			**1992.12.31**		1991.12.31
Current assets	Cash, bank and short-term investments (NOTE 8)	1,938		2,106	
	Receivables (NOTE 9)	4,216		3,677	
	Inventories (NOTE 10)	4,425	10,579	3,520	9,303
Fixed assets	Shares and participations (NOTE 11)	224		85	
	Goodwill (NOTE 12)	989		983	
	Other fixed assets (NOTE 13)	4,208	5,421	3,700	4,768
TOTAL ASSETS			16,000		14,071
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities	*Non-interest-bearing liabilities*				
	Notes payable	55		46	
	Suppliers	1,003		744	
	Provision for taxes	222		295	
	Accrued expenses and prepaid income	1,533		1,087	
	Other current liabilities	1,059		1,041	
	Interest-bearing liabilities				
	Bank loans (NOTE 18)	1,617		1,787	
	Current portion of long-term liabilities	488		214	
	Other current liabilities	24	6,001	32	5,246
Long-term liabilities	*Non-interest-bearing liabilities*				
	Other long-term liabilities	80		51	
	Deferred tax liabilities (NOTE 20)	526		437	
	Interest-bearing liabilities				
	Debenture and bond loans (NOTE 19)	–		325	
	Mortgage and other long-term loans (NOTE 19)	267		302	
	Provision for pensions (NOTE 21)	1,604	2,477	1,147	2,262
TOTAL LIABILITIES			8,478		7,508
Convertible debenture loan (NOTE 22)			137		148
Minority interest (NOTE 7)			90		88
Shareholders' equity	Share capital (NOTE 24)	885		883	
	Restricted reserves (NOTE 25)	3,429		2,835	
	Retained earnings (NOTE 26)	2,377		2,114	
	Net profit	604	7,295	495	6,327
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			16,000		14,071
Assets pledged (NOTE 28)			251		221
Contingent liabilities (NOTE 28)			578		632

ATLAS COPCO

STATEMENTS OF CHANGES IN FINANCIAL POSITION

Amounts in SEK m.

	GROUP 1992	GROUP 1991	ATLAS COPCO AB 1992	ATLAS COPCO AB 1991
INTERNAL FUNDS GENERATED				
Profit after financial income and expense	**1,027**	902	**331**	250
Reversal of undistributed shares in the profit of associated companies	**–24**	–10		
Depreciation	**527**	482	**8**	10
Capital gain from sales of fixed assets	**–9**	–6	**0**	0
Intra-Group transfers			**190**	256
Taxes paid	**–284**	–387	**–**	–
INTERNAL FUNDS GENERATED FROM OPERATIONS	**1,237**	981	**529**	516
WORKING CAPITAL				
Change in short-term receivables	**–559**	219	**–206**	83
Change in inventories	**–960**	444	**–**	–
Change in short-term operating liabilities	**717**	–20	**92**	–29
CHANGE IN WORKING CAPITAL	**–802**	643	**–114**	54
NET FUNDS FROM OPERATIONS	**435**	1,624	**415**	570
INVESTMENTS				
Investments in property, plant and equipment	**–858**	–1,171	**0**	–2
Investments in shares and participations	**–7**	5	**–38**	–1,101
Companies and goodwill acquired	**–21**	–10		
Divested companies*	**89**	–		
Investments in long-term receivables	**–13**	0	**–20**	584
Sales of fixed assets	**155**	125	**1**	0
NET INVESTMENTS IN FIXED ASSETS	**–655**	–1,051	**–57**	–519
OTHER ITEMS				
Dividend from Parent Company	**–283**	–282	**–283**	–282
Dividend to minority interests in subsidiaries	**–5**	–2		
Lapsed bonus shares	**1**	–	**1**	–
Minority interest in shareholders' equity	**–15**	–5		
Change in other liabilities	**18**	10		
Translation differences**	**143**	–143		
CHANGE IN OTHER ITEMS	**–141**	–422	**–282**	–282
NET INTERNAL FUNDS GENERATED	**–361**	151	**76**	–231
CHANGE IN INTEREST-BEARING LIABILITIES	**193**	34	**–138**	439
CHANGE IN LIQUID ASSETS	**–168**	185	**–62**	208

* Net cash effect of a subsidiary involved in the formation of an associated company.

** Of the total translation differences, SEK 641 m. (–152) is attributable to shareholders' equity, deferred tax liabilities and minority interests, and SEK –498 m. (9) to fixed assets.

Note to the Atlas Copco Group statements of changes in financial position

Changes in foreign exchange rates during the latter part of 1992 caused an extremely high increase in total Group assets. This affects the traditional Statement of Changes in Financial Position which, as a result, does not provide an accurate picture of actual financial flows.

Net result from operations

Cash flow from operations (net funds from operations) in 1992 amounted to SEK 435 m. (1,624). This was affected negatively in the amount of SEK 528 m. by the newly acquired working capital of the AEG Elektrowerkzeuge and Craelius operations.

As a consequence of the depreciation of the Swedish krona, working capital in the foreign subsidiaries has been translated at the new higher exchange rates, resulting in an increase of SEK 485 m. This revaluation has not de facto affected cash flow from operations. The effect of changes in exchange rates in comparison years has been of minor importance; accordingly these changes are stated as nil.

Cash flow, excluding the effects of acquisitions and changes in exchange rates, thus amounted to SEK 1,448 m. (1,624).

Excluding the above effects, inventories and accounts receivable both continued to contribute to the positive cash flow with a total of SEK 444 m. (663), a decrease of 0.6 percent (1991: decrease 8.4).

Investments

Group investments in buildings, machinery and equipment amounted to SEK 858 m. (1,171), including SEK 305 m. for fixed assets in newly acquired companies. Investment figures in 1991 included SEK 465 m. pertaining to the repurchase of industrial property in the Nacka area.

Following the large investments during 1990 and 1991, mainly in the Compressor Technique business area, the rate of investing has begun to return to a level adapted to current production capacity.

The self-financing ratio, defined as internally generated funds as a percentage of investments in machinery and buildings, was 224 (139) percent.

Net internal funds generated

The net from operations for the year was a deficit of SEK 361 m. (1991: +151), of which the total effect of company acquisitions amounted to SEK 759 m. (465), and the foreign exchange component to SEK 403 m. (0).

Net indebtedness

Net indebtedness pertains to the Group's total interest-bearing liabilities less cash, bank deposits and short-term investments. Net indebtedness also includes the item Provision for pensions, which is classified as an interest-bearing liability.

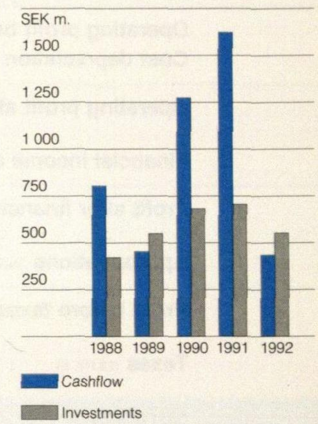
The positive cash flow generated during 1992 was used to finance the acquisitions of companies during the year.

Five-year condensed statement of changes in financial position (1988–1992)

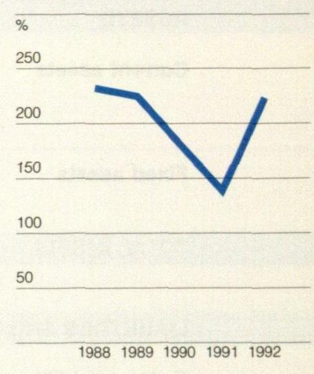
Internal funds generated from operations	5,669
Change in working capital	–1,078
Net funds from operations	4,591
Net investments in fixed assets	–5,078
Dividends paid	–1,190
Other items, net	–140
Net internal funds generated	–1,817
New issue of shares	1,203
Change in interest-bearing liabilities	473
Change in liquid assets	–141

NET INDEBTEDNESS	1988	1989	1990	1991	1992
Net indebtedness, January 1	**–1,448**	**–1,933**	**–2,605**	**–1,852**	**–1,701**
Company acquisitions	–931	–600	–924	–465	–759
Effect of changes in exchange rates	0	0	0	0	–403
New issue of shares	–	–	1,203	–	–
Cash effect, excluding above items	446	–72	474	616	801
Net from year's operations	**–485**	**–672**	**753**	**151**	**–361**
Net indebtedness, December 31	**–1,933**	**–2,605**	**–1,852**	**–1,701**	**–2,062**
Provision for pensions	802	924	1,058	1,147	1,604
Net indebtedness, excluding Provision for pensions, December 31	**–1,131**	**–1,681**	**–794**	**–554**	**–458**

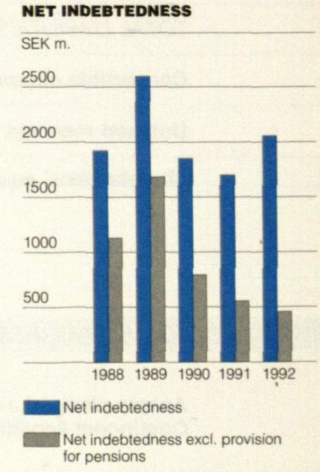
CASHFLOW AND INVESTMENTS



SELF-FINANCING RATIO



NET INDEBTEDNESS



ATLAS COPCO AB

INCOME STATEMENT AND BALANCE SHEET

Amounts in SEK m.

INCOME STATEMENT

	1992	1991
Operating income	173	144
Operating expense	–116	–156
Operating profit before depreciation	57	–12
Cost depreciation (NOTE 3)	–8	–10
Operating profit after depreciation	49	–22
Financial income and expense (NOTE 4)	282	272
Profit after financial income and expense	331	250
Appropriations (NOTE 5)	–12	33
Profit before taxes	319	283
Taxes (NOTE 6)	0	–
NET PROFIT	319	283

BALANCE SHEET

ASSETS		1992.12.31		1991.12.31	
Current assets	Cash, bank and short-term investments (NOTE 8)	1,174		1,236	
	Receivables (NOTE 9)	1,676	2,850	1,470	2,706
Fixed assets	Shares and participations (PAGE 25)	3,541		3,503	
	Other fixed assets (NOTE 13)	790	4,331	779	4,282
TOTAL ASSETS			7,181		6,988

LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities	Non-interest-bearing liabilities (NOTE 17)	198		106	
	Interest-bearing liabilities (NOTE 17)	2,318	2,516	2,142	2,248
Long-term liabilities	Interest-bearing liabilities (NOTE 19, 21)		436		750
TOTAL LIABILITIES			2,952		2,998
Convertible debenture loan (NOTE 22)			137		148
Untaxed reserves (NOTE 23)			458		256
Shareholders' equity	Share capital (35,405,188 shares, par value SEK 25) (NOTE 24)	885		883	
	Legal reserve (NOTE 25)	1,522		1,512	
	Retained earnings (NOTE 26)	908		908	
	Net profit	319	3,634	283	3,586
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			7,181		6,988
Assets pledged (NOTE 28)			5		1
Contingent liabilities (NOTE 28)			548		607

NOTES TO FINANCIAL STATEMENTS

SEK m. unless otherwise noted

Accounting principles

Change in accounting principles

Effective in 1992, as part of the adaption of the Atlas Copco Group's accounting to international practice, companies in which the Parent Company directly or indirectly holds between 20 and 50 percent of the voting rights, and in which it has a substantial ownership involvement, are reported in accordance with the equity method.

In prior years the Company has amortized goodwill arising in connection with strategic acquisitions of companies at a real amortization rate, whereby the amortization increased exponentially over years at approximately the same rate as inflation. In 1992 the principle for amortizing goodwill was changed to straight-line amortization.

Comparable values for prior years have been adjusted to reflect the change in principles. Key ratios affected by the change have also been adjusted.

Effective in January 1993 Atlas Copco Group companies in the United States will apply the American SFAS 106 accounting rules (Employer's accounting for post-retirement benefits other than pensions) pertaining to costs of health care and drugs for retired employees. The Atlas Copco Group will report the effect of this change in principle as a charge against shareholders' equity. The same procedure will be followed with SFAS 109 (Accounting for income taxes). Note 28 contains a pro forma income statement and a pro forma balance sheet.

International guidelines

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

Accordingly, the Annual Report contains the following information:

	Page number
Company structure – name and address of the Parent Company – shares and participations in subsidiaries, percentage holdings and shareholdings among companies	Page 2 and inside cover Shares and participations, page 25
Geographic areas of operations and the primary activities conducted there	Board of Directors' Report, page 6 Business areas, pages 34–51 Sales and service organization, page 59
Invoicing by geographical area and for important product groups	Board of Directors' Report, pages 5–6 Note 1, page 18
Capital expenditures by geographical area and by business area	Board of Directors' Report, page 6–7 Business areas, pages 34–51
Statements of Changes in Financial Position for the Atlas Copco Group	Page 12
Average number of employees by geographical area	Page 54
Research and development costs for the company as a whole	Notes to financial statements, page 17 and Note 2, page 18
Principles applied for internal pricing	Notes to financial statements, page 18
Accounting principles for consolidated accounts	Page 15

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

The Company also views positively the guidelines with respect to multinational companies and the labor market which have been prepared by 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 30.
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, 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 determined 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.

Goodwill is normally amortized over ten years, while goodwill arising from strategic acquisition is amortized over a period of 20 years.

The economic life of assets is appraised annually to determine whether the selected amortization plan is sufficient.

Associated companies

Companies in which the Atlas Copco Group has between 20 and 50 percent of the voting rights, and in which it has a substantial ownership involvement, are reported as associated companies.

Holdings in associated companies are reported in the Consolidated Income Statement and Balance Sheet in accordance with the equity method.

Atlas Copco's share of income before appropriations in associated companies is reported in the Income Statement under the heading Financial income and expense.

Shares of taxes in associated companies are reported in consolidated tax expense.

The acquisition cost of shares is reported among Shares and participations in the Balance Sheet, increased or reduced by the shares in income and less dividend received. Undistributed income in these companies is reported among restricted reserves in consolidated shareholders' equity.

Internal profits have been eliminated in appropriate cases.

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 deferred tax, 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 deferred taxes, 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 Standards Committee (IAS 21), and with the corresponding American recommendations (SFAS 52).

Choice of Methods

In a particular respect, FAR's suggested 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.

Hedging of net investments

Forward contracts and loans in foreign currency have been arranged in some Group companies to hedge the Group's net investments in foreign subsidiaries. Foreign exchange gains and losses on such contracts, less current and deferred tax, are not included in income for the year but are offset against translation differences arising in connection with the translation of the foreign subsidiaries' net assets.

Interest-rate differences arising between currencies are distributed evenly over the term of each contract.

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 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	3 to 10 years
Vehicles	4 to 5 years
Buildings	25 to 50 years

Research and development costs

Research and development costs are expensed as incurred.

Product development costs and warranty costs

Product development costs are charged against operations when they are incurred.

Estimated costs of product warranties are charged against cost of sales at the time the products are sold.

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 calculating capital employed in the business areas, in contrast to the calculation for the Group, deferred tax liabilities are not deducted.

Return on equity capital

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

Rate of equity capital

Shareholders' equity and minority interest, 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 interest 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	
	1992	1991
Europe incl CIS	9,200	8,579
of which Sweden	783	924
of which EC	6,992	6,194
North America	2,356	2,524
South America	689	681
North Africa/Middle East	641	672
Southern Africa	559	495
India/East Asia	2,046	1,548
Oceania	516	531
	16,007	15,030

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 SEK100 m. (190). The amounts reported relate to identified and approved costs for projects that will not provide any future earnings. Of the appropriations remaining from the two most recent years, SEK 76 m. had not been utilized at year-end 1992.

Appropriations for future restructuring charges have been made in the balance sheets of companies acquired during the year. At year-end 1992 SEK 9 m. remained, which will be utilized during 1993.

Deferred taxes have been taken into account in the above calculations.

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

	Group	
	1992	1991
Technical development costs	479	465
Marketing and administrative costs	3,638	3,446
	4,117	3,911

The above costs include taxes of SEK 16 m. (11) in Sweden based on pension liabilities and pension payments, profit tax and payroll tax respectively.

3. Depreciation

	Group		Parent Company	
	1992	1991	1992	1991
Goodwill (NOTE 12)	66	66	–	–
Machinery and equipment	381	348	7	8
Buildings	80	68	1	2
	527	482	8	10

Current cost depreciation for the Group amounted to SEK 648 m. (644) and thus exceeded cost depreciation by SEK 121 m. (181). See further Current cost accounting page 27.

4. Financial income and expense

	Group		Parent Company	
	1992	1991	1992	1991
Dividends received				
from subsidiaries			285	239
from others	*1*	*2*	*0*	*1*
Interest				
from subsidiaries net			29	61
interest received	324	264	187	119
interest paid	−442	−443	−226	−197
Foreign exchange differences	27	8	7	49
Write-down of financial receivable	−48	–	–	–
	−138	−169	282	272

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 8.1 percent (12.5) for index pensions and 3.5 percent (3.5) for pension liabilities expressed in fixed amounts. The interest portion for 1992 amounted to SEK 71 m. (94). The corresponding sum for the Parent Company amounts to SEK 30 m. (41).

A financial receivable of SEK 50 m. par value was written down in connection with the bankruptcy of Gota AB. The receivable is thereby fully reserved.

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	
	1992	1991
Difference between book depreciation and cost depreciation (NOTE 23)	4	−1
Allocation to tax equalization reserve (NOTE 23)	−206	−222
Group contributions, net	190	256
	−12	33

Under certain circumstances, the transfer of earnings, in the form of Group contributions can be made between Swedish companies within the same Group. The contribution is a tax deductible expense for the donor and taxable income for the receiver. During 1992, the Parent Company received contributions from Atlas Copco Tools AB and Atlas Copco Tunnelling and Mining AB, and made contributions to Atlas Copco Construction and Mining Technique AB.

6. Taxes

	Group	
	1992	1991
Taxes paid		
Swedish income taxes	–1	0
Foreign taxes	285	387
Deferred taxes	114	–1
Taxes in associated companies	14	6
	412	392

Total tax expenses for the year, amounting to SEK 412 m. (392) corresponded to 40.1 percent (43.5) of income after financial items.

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.

Changes in tax rates had a favorable impact, amounting to SEK 13 m. (14), on tax expense.

The federal tax rate in Sweden was 30 percent in 1992, calculated on nominal book income plus non-deductible items and less tax-exempt revenue and other deductions. In the case of the Parent Company, the latter include mainly so-called Annell deductions (for capital stock issues) and tax-exempt dividends received from holdings of shares in subsidiaries.

At year-end, the Parent Company had Annell deductions that can be utilized in the future. These deductions become available on a continuing basis and, in accordance with Swedish tax law, reduce taxable income. With a dividend of SEK 8 per share on the present share capital, the deductions can be estimated at approximately SEK 620 m. up to the year 2002.

The Group's Swedish companies made appropriations of SEK 483 m. to tax equalization reserves (K-SURV). The remaining unutilized amount was estimated at SEK 137 m. at year-end 1992. The tax equalization reserve is calculated in a certain manner based on the companies' shareholders' equity. The reserve allocated for tax deferment for inventory reserves was dissolved in the amount of SEK 140 m. The appropriation to this reserve was made in 1991 and the full amount will be liquidated in 1994.

A substantial percentage of Group income is attributable to companies operating in countries whose tax rates are higher than Sweden's. At year-end 1992 foreign subsidiaries had accumulated tax loss carry forwards totaling SEK 161 m. (73) that can reduce future taxable income. Since the tax loss carry forwards did not reduce deferred tax liability, utilization of these deductions reduced the tax charge for the Group.

7. Minority interest in subsidiaries' equity and earnings

Minority interest in income after financial income and expense amount to SEK 22 m. (26).

The Income Statement reports the minority shares in the Group's profit after tax as totaling SEK 11 m. (15). These minority interests primarily relate to Atlas Copco India, Atlas Copco Mfg Korea and subsidiaries of Chicago Pneumatic.

During the year the outstanding minority interests in Airpower and certain small sales companies were acquired.

	Group
Minority interest Dec. 31, 1991	88
Minority acquired	–15
Dividends	–5
Translation differences	11
Net profit	11
Minority interest Dec. 31, 1992	90

8. Cash, bank and short-term investments

	Group		Parent Company	
	1992	1991	1992	1991
Cash, bank	1,082	961	318	95
Financial investments				
Government Treasury bills	149	971	149	971
Treasury notes	207	–	207	–
Other short-term investments	400	74	400	70
Other investments	100	100	100	100
	1,938	2,106	1,174	1,236

Financial investments have been valued at market rates on the balance sheet date. Other investments that are to be held to maturity are valued at acquisition cost.

The Parent Company's guaranteed credit at predetermined interest margins amounted to SEK 2,461 m. The subsidiaries' granted but unutilized overdraft facilities amounted to SEK 1,690 m.

9. Receivables

	Group		Parent Company	
	1992	1991	1992	1991
Notes receivable	405	258	–	–
Receivables from subsidiaries			1,561	1,370
Trade receivables	3,108	2,805	4	12
Prepaid expenses and accrued income	222	171	89	21
Other receivables	481	443	22	67
	4,216	3,677	1,676	1,470

10. Inventories

	Group	
	1992	1991
Raw materials	218	180
Work in progress	709	643
Semi-finished goods	1,097	907
Finished goods	2,401	1,790
	4,425	3,520

11. Shares and participations

	Number of shares	Per-cent held	Par value loc cur[1]	Book value SEK m.
Associated companies				
VOAC Hydraulics AB	250,000	50	100	72
Delair Droogtechniek & Luchtbehandeling B.V.	52	26	1,000	1
NEAC Compressor Service GmbH & Co KG	1	50	[2]	0
NEAC Compressor Service Verwaltungs GmbH	1	50	[2]	0
Pneumatic Equipment Corporation	2,398	30	100	0
Toku-Hanbai KK	200,000	50	500	6
Adjustment for consolidation of associated companies				97
				176
Other companies				
Shares and participations reported by Atlas Copco AB (as specified on page 25)				33
Shares and participations reported by subsidiaries:				
Bhagwati Foundries Ltd	14,253	36	100	2
Atlas Copco Yugoslavia Inc., Belgrad	100,000	60[3]	[2]	0
Honda Power Equipment Sweden AB	1,250	25	1,000	2
Rasa Corporation, Tokyo	400,000	5	50	0
Venture capital companies	159,319			2
Misc. shares and participations				9
				48
Total for the Group				224

[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 1992 of SEK 17 m. (17) and a market value of SEK 22 m. (22).

Associated companies
The Atlas Copco Group's share in the income after financial items of associated companies amounted to SEK 31 m. (16). Dividends from these companies amounted to SEK 7 m. (6). 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 176 m. (46).

Venture capital companies
The Atlas Copco Group's Swedish companies were allocated a total of 259,788 shares, including 100,469 received by the Parent Company, in six venture capital companies as a result of the Swedish Parliament's decision that certain parts of the funds of the former wage earner funds should be used as venture capital for small and medium-size companies. The allocation was related to the amount of profit tax each recipient company had paid during the years 1985–1991.

The shares have been valued at SEK 15 per share, or a total of SEK 4 m. Corresponding amounts have been credited to operating costs. Deferred tax of SEK 1 m. was included in tax expense for the year.

12. Goodwill – Group excess value

Group excess value in 1992 amounted to SEK 1,398 m. (1,288). This excess value has been distributed over the following items in the Balance Sheet: Goodwill, SEK 989 m. (983), buildings and land SEK 399 m. (295) and machinery and equipment SEK 10 m. (10). Depreciation of Group excess value amounts to SEK 74 m. (75), distributed as follows:

	Group	
	1992	1991
Goodwill	66	66
Machinery and equipment	2	4
Buildings	6	5
	74	75

Change in goodwill value as shown in the Balance Sheet:

	1992	1991
Acquired goodwill, Jan. 1	1,198	1,229
Accumulated depreciation	−215	−155
Acquired goodwill	21	11
Depreciation for the year	−66	−66
Translation differences	51	−36
Planned residual value, Dec 31	989	983

Effective in 1992, in contrast to prior year's practice, the straight-line method was applied. Amortization for the year was thereby increased by SEK 16 m. The comparable increases for 1991 and 1990 were SEK 19 m. and SEK 17 m., respectively.

13. Other fixed assets

	Group		Parent Company	
	1992	1991	1992	1991
Long-term receivables from subsidaries			694	673
Long term receivables	108	105	9	10
Construction work in progress	70	96	–	–
Machinery and equipment (NOTE 14)	1,763	1,507	23	29
Buildings (NOTE 15)	1,612	1,426	43	46
Land (NOTE 16)	655	566	21	21
	4,208	3,700	790	779

14. Machinery and equipment

	Group		Parent Company	
	1992	1991	1992	1991
Cost	4,513	3,337	88	89
Accumulated cost depreciation	–2,750	–1,830	–65	–60
Planned residual value	1,763	1,507	23	29
Accumulated depreciation in excess of cost depreciation (NOTE 23)			–20	–23
Book value, net	1,763	1,507	3	6

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 179 m. (154). The leasing costs for this property and equipment, SEK 39 m. (42), are reported under operating expenses. Future costs for non-cancellable leasing contracts amount to SEK 112 m. (81).

15. Buildings

	Group		Parent Company	
	1992	1991	1992	1991
Cost	2,318	1,942	63	65
Undepreciated amount of revaluations	8	9	0	0
Accumulated cost depreciation	–714	–525	–20	–19
Planned residual value	1,612	1,426	43	46
Accumulated depreciation in excess of cost depreciation (NOTE 23)			–10	–11
Book value, net	1,612	1,426	33	35
Tax assessment value	228	232	29	28

The amount shown for Group "Tax assessment value" relates exclusively to buildings in Sweden, the book value of which amounts to SEK 416 m. (478).

16. Land

	Group		Parent Company	
	1992	1991	1992	1991
Cost	631	542	17	17
Revaluations	24	24	4	4
Book value, net	655	566	21	21
Tax assessment value	132	136	26	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 280 m. (285).

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	
	1992	1991
Suppliers	14	6
Provision for taxes	11	6
Accrued expenses and prepaid income	97	43
Other current liabilities	76	51
Total non-interest-bearing liabilities	198	106
Bank loans (NOTE 18)	781	1,312
Liabilities to subsidiaries	1,091	682
Current portion of long-term liabilities	446	148
Total interest-bearing liabilities	2,318	2,142

18. Bank 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.

Short-term bank loans are shown in the Balance Sheet of the Group as follows:

	1992	1991
PARENT COMPANY		
Available under "SEK 1,500 m. Corporate Paper Program" Outstanding	–	442
Available under "USD 150 m. Eurocommercial Paper Program" Outstanding USD 30 m.	204	94
Other short-term loans	577	776
The Parent Company's bank loans and promissory notes	781	1,312
SUBSIDIARIES	836	475
Group bank loans	1,617	1,787

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	1992	1991
PARENT COMPANY		
1978 11⅝% loan SEK 100 m.	6	13
1987 loan LUF 300 m.	–	44
1988 loan LUF 300 m.		
Outstanding, USD 7.6 m.	53	42
1988 loan CHF 100 m.		
Outstanding USD 50 m.	351	277
Less: next year's maturities	–410	–51
Bond loans	–	325

Mortgage loans and promissory notes	1992	1991
PARENT COMPANY		
Available under "USD 100 m. Medium Term Note Program"		
Outstanding USD 10 m.	70	116
1989 loan FRF 25 m.	–	27
1990 loan NOK 10 m.	–	9
Other mortgage loans and promissory notes	2	1
Less: next year's maturities	–36	–97
Parent Company's mortgage loans and promissory notes	36	56
SUBSIDIARIES	273	312
Less: next year's maturities	–42	–66
Group mortgage loans and promissory notes	267	302

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

			1992	1991
Currency	Amount m.	SEK m.	%	%
USD	81	566	24	27
DEM	93	407	17	7
FRF	203	261	11	8
GBP	21	224	10	8
ITL	34,346	164	7	5
JPY	1,857	105	4	4
CAD	13	72	3	3
INR	206	51	2	3
Others		522	22	35
		2,372	100	100

Based on the currency exchange rates prevailing on Dec. 31, 1992, bond loans, mortgage loans and promissory notes are amortized as follows:

	Group	Parent Company
1993	488	446
1994	21	–
1995	116	36
1996 – and thereafter	130	–
	755	482

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 15.

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	
	1992	1991	1992	1991
Swedish companies				
FPG/PRI-pensions	820	795	357	343
Other pensions	49	30	43	26
Companies outside Sweden	735	322		
Total provision for pensions	1,604	1,147	400	369

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

22. Convertible debenture loan

Pertains to 1987/1993 convertible debenture loan issued to employees in the Atlas Copco Group. The loan amounted at year-end 1992 to SEK 137 m. (148) and carries interest at a fixed rate of 10 percent. The conversion period was August 14, 1989 through March 1, 1993. After adjustment for the issue of bonus shares in 1989, the conversion price was SEK 150 per share.

During 1992 debentures in a nominal amount of SEK 11.1 m. were converted to 74,311 shares. As of the record date for conversion of the loan, January 25, 1993, the number of shares outstanding was increased by 7,595 through conversion. These shares carry rights to dividends on 1992 operations. At the expiration of the conversion period on March 1, 1993, the remaining portion of the debenture loan had been converted to 906,901 shares. See also page 58.

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 15.

	Parent Company	
	1992	1991
Accumulated additional depreciation		
Machinery and equipment	20	23
Buildings	10	11
Tax equalization reserve	428	222
	458	256

	Accumulated additional depreciation	
	Machinery and equipment	Buildings
Opening value, Jan. 1, 1992	23	11
Appropriations	–	0
Dissolutions	–3	–1
Closing value, Dec. 31, 1992	20	10

	Tax equalization reserve
Opening value, Jan. 1, 1992	222
Appropriation	206
Closing value, Dec. 31, 1992	428

24. Share capital

	Group	Parent Company
Share capital, Dec. 31, 1991	883	883
Conversion of debenture loan	2	2
Share capital, Dec. 31, 1992	885	885

25. Restricted reserves

	Group	Parent Company
Restricted reserves, Dec. 31, 1991	2,835	1,512
Premium on conversion of debenture loan	9	9
Lapsed bonus shares	1	1
Transfers between restricted and unrestricted capital	584	–
Restricted reserves, Dec. 31, 1992	3,429	1,522

The increase in restricted reserves for the Atlas Copco Group relates primarily to translation differences and the portion of shareholders' equity in allocations made to untaxed reserves in individual companies.

26. Retained earnings

	Group	Parent Company
Retained earnings, Dec. 31, 1991	2,114	908
1991 net profit	495	283
Unrestricted reserves, Dec. 31, 1991	2,609	1,191
Dividend to shareholders	–283	–283
Transfers between restricted and unrestricted capital	–584	–
Translation differences	635	
Retained earnings, Dec. 31, 1992	2,377	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 8 m. will be transferred to statutory reserves in accordance with the proposals of the Board of Directors of the respective companies.

In evaluating the Atlas Copco Group's retained earnings and profit for the year, it should be noted that a substantial portion was earned in companies outside Sweden, from which in certain cases the transfer of profit to the Parent Company is subject to taxation or restrictions.

27. Earnings per share

	Group	
	1992	1991
Net profit	604	495
Interest on convertible loan after deduction for 30-percent tax	10	10
Adjusted profit after full tax and full conversion	614	505
Number of shares after full conversion	36,319,969	36,319,991
Earnings per share, SEK	16.90	13.90

Earnings per share before full conversion amounted to SEK 17.05 (14.00).

28. Assets pledged and Contingent liabilities

	Group		Parent Company	
	1992	1991	1992	1991
Real estate mortgages	91	80	1	1
Chattel mortgages	89	96	–	–
Receivables	71	45	4	–
Assets pledged	251	221	5	1
Notes discounted	122	66	–	–
Sureties and other contingent liabilities	456	546	548	593
Capital value of pension obligations	–	20	–	14
Contingent liabilities	578	632	548	607

Of the contingent liabilities reported in the Parent Company SEK 401 m. (274) relates to contingent liabilities on behalf of subsidiaries.

Commitments made by the Group's American companies pertaining to health care and drugs for retired employees are not included among reported contingent liabilities. See below.

Loans in accordance with Chap. 12, Paragraph 7 of the Swedish Companies Act were granted during the period 1987 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	161	161
Loans reported in the balance sheets as receivables		
Short-term	1	1
Long-term	0	0

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

Accounting for Post-Retirement Benefits
Effective January 1, 1993, Atlas Copco Group companies in the United States will apply the American accounting rules in accordance with SFAS 106 (Employer's accounting for post-retirement benefits other than pensions) pertaining to costs of health care and drugs for retired employees. SFAS 106 lists two alternative ways of reporting the change-over. Companies may either report the entire estimated cost in income for the year or, alternatively, the cost can be distributed over a maximum period of 20 years. The Group's American companies will treat the cost in accordance with the first-named alternative.

This change in accounting principle will be made in the Atlas Copco Group as of January 1, 1993. In contrast to the SFAS 106 recommendation, the new principle will be applied retroactively and the cumulative effect of the change in principle will be reported as an adjustment item in consolidated shareholders' equity.

The net effect on shareholders' equity at January 1, 1993 amounts to SEK 73 m. after deduction of the portion of the amount calculated to pertain to deferred tax.

A pro forma consolidated income statement and pro forma balance sheet are presented below.

	1992	
SEK m.	Pro forma	Actual
Operating profit after depreciation	1,124	1,134
Net financial items	−138	−138
Share in associated companies	31	31
Profit after financial income and expense	1,017	1,027
Taxes	−408	−412
Minority interest	−11	−11
Net profit	598	604
Earnings per share, SEK	16.75	16.90
Cash, bank and short-term investments	1,938	1,938
Receivables	4,216	4,216
Inventories	4,425	4,425
Fixed assets	5,483	5,421
Total assets	16,062	16,000
Non-interest-bearing liabilities	4,473	4,478
Interest-bearing liabilities	4,167	4,000
Convertible debenture loan	137	137
Minority interest	90	90
Shareholders' equity	7,195	7,295
Total liabilities and shareholders' equity	16,062	16,000

Shares and participations Atlas Copco AB

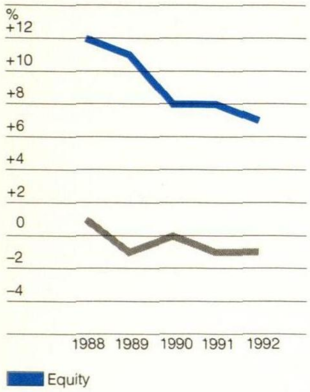
	Number of shares	Per-cent held	Par value loc cur	Book value SEK m.
PRODUCT COMPANIES				
Atlas Copco Tools AB	100 000	100	100	20
Atlas Copco Automation AB	200 000	100	100	20
Atlas Copco Assembly Systems AB	90 000	100	100	11
Atlas Copco SAC AB	16 000	100	100	3
GME System AB	34 500	97	100	39
Uniroc AB	2 325 000	100	20	112
Craelius AB	45 000	100	100	28
Atlas Copco Geotechnical Drilling AB	200 000	100	100	30
Atlas Copco Tunnelling and Mining AB	1 000 000	100	100	240
Atlas Copco Mechanical Rock Excavation AB	95 000	100	100	11
Atlas Copco Berema AB	60 000	100	1 000	150
SALES COMPANIES				
Atlas Copco MCT Sverige AB	3 000	100	100	0
Atlas Copco Construction and Mining Export AB	500	100	100	0
Atlas Copco Compressor AB	60 000	100	100	10
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.	7 994	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	45 999 991 234	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 3)	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) 72 percent owned by other companies within the Group

	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 TBM Development AB	8 000	100	100	1
Atlas Copco Airpower Svenska AB	500	100	100	0
Atlas Copco Andina S.A., Bolivia, in liquidation	18 000	50 2)	1 000	0
Atlas Copco Industrial S.A., Spain	500	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 n.v., Belgium	1	0 2)	10 000	0
Cerac S.A., Switzerland, in liquidation	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 KB	999	100	1 000	465
31 dormant companies				7
				3 436

	Number of shares	Per-cent held	Par value loc cur	Book value SEK m.
MINORITY COMPANIES				
Associated companies				
VOAC Hydraulics AB	250 000	50	100	72
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
HIDEF Kapital AB	100 469	1	10	2
Scanditronix AB	45 556	22	100	7
Österleden AB	125	25	500	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	32	1	50	3
Other shares and participations				0
				105

DIFFERENCE US GAAP/SWEDISH ACCOUNTING



(the plus symbol denotes that the US GAAP is greater)

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.

Forward contracts
Hedging transactions via forward contracts are reported in the Swedish accounts on the basis of budgeted volume. For a contract to be treated as a hedge in accordance with U.S. GAAP, there must be a firm commitment. The effect of the difference in accounting principles is not substantial and is not included in the accompanying reconciliation.

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.

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.

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.

No adjustment has been made for deferred taxes on the translation differences arising from the use of the monetary/non-monetary method, since such differences are regarded as marginal.

Translation differences in shareholders' equity
According to Swedish accounting practice, all account items included in shareholders' equity must be classified in the Balance Sheet as restricted equity (share capital and restricted reserves) or as unrestricted equity. The accumulated exchange differences arising from the translation of the financial statements of foreign companies are distributed among restricted and unrestricted equity in the Consolidated Balance Sheet.

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

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.

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.

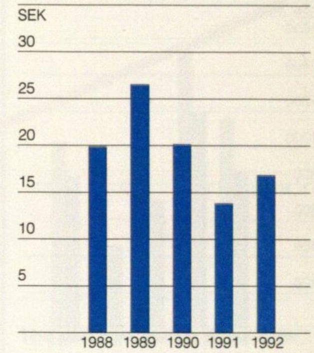
Application of U.S. GAAP would have the following approximate effect on consolidated net income and shareholders' equity for the Group:

US GAAP	1992	1991
Income as reported in the Consolidated Income Statement	604	495
Items increasing/decreasing reported net income:		
Depreciation of revaluations	1	3
Capitalization of interest expenses	0	7
Depreciation of goodwill	−10	−9
Deferred taxes	0	−5
Calculated net profit	595	491
Calculated earnings per share, SEK	16.65	13.90
After full conversion, SEK	16.80	13.80
Total assets	16,577	14,646
Total liabilities	8,765	7,803
Shareholders' equity as reported in the Consolidated Balance Sheet	7,295	6,327
Net adjustments in reported shareholders' equity	517	516
Approximate shareholders' equity	7,812	6,843

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

IAS	1992	1991
Income as reported in the Consolidated Income Statement	604	495
Items increasing/decreasing reported net income:		
Depreciation of revaluations	1	3
Calculated net profit	605	498
Calculated earnings per share, SEK	17.10	14.10
After full conversion, SEK	16.90	14.00
Total assets	15,978	14,047
Total liabilities	8,997	8,035
Shareholders' equity as reported in the Consolidated Balance Sheet	7,295	6,327
Net adjustments in reported shareholders' equity		
Proposed dividend	−283	−283
Other adjustments	−31	−32
Approximate shareholders' equity	6,981	6,012

EARNINGS PER SHARE ACCORDING TO US-GAAP



Current cost accounting

One result of the highly variable rate of inflation 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 1992 amounted to SEK 978 m. (822).

This income figure is SEK 156 m. (233) 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 35 m. (52) more to purchase than they did on the purchase date. Income has also been charged with current cost depreciation that is SEK 121 m. (181) 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.

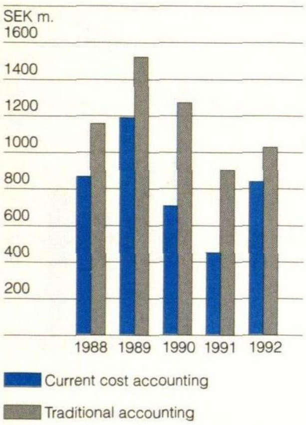
Current cost-based income before financial items

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 1,104 m. (1,122). Price gains of SEK 42 m. (41) occurred on inventories and the Company's fixed assets increased in value by SEK 84 m. (259).

PROFIT MARGIN

EARNINGS AFTER FINANCIAL ITEMS



RETURN ON EQUITY

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 159 m. (516) during the year. The annual average price increase in 1992 has been estimated at 2 percent (7). Atlas Copco's real income after financial items for 1992 is thus SEK 838 m. (453). This income figure is SEK 189 m. (449) lower than the traditional income and corresponds to a real profit margin of 5.2 percent (3.0).

The real net profit for the year is SEK 189 m. lower than the traditional income and amounted to SEK 415 m. (46).

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 1,017 m. (1,047) 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 981 m. (1,018) higher.
- ☐ Inventory is shown at a value SEK 31 m. (24) higher.
- ☐ Shareholdings are shown at a value SEK 5 m. (5) higher.

Equity capital and unrealized price changes are reported at a value of SEK 1,017 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 5.3 percent (0.6), compared with 9.1 percent (7.9) according to the traditional method. The reduction in return is attributable to lower actual earnings and to the fact that equity is SEK 1,017 m. higher as a result of current cost accounting.

Reconciliation between traditional and current cost accounting

Income according to traditional accounting			1,027
Change, unrealized price changes:			
Price change, goods sold	−35		
Price change, depreciation	−121	−156	
Price change for the year:			
Inventory	42		
Equipment	84	126	−30
Adjustment for inflation			−159
Real income after financial items			838

Current cost income statement

	1992	1991
Invoiced sales	**16,007**	15,030
Current cost of goods sold	**−14,381**	−13,545
Current cost depreciation	**−648**	−663
Operating income	**978**	822
Price changes, inventory	**42**	41
Price changes, fixed assets	**84**	259
Operating income before financial items	**1,104**	1,122
Financial items	**−107**	−153
Purchasing power adjustment, equity capital	**−159**	−516
Real income after financial items	**838**	453
Taxes	**−412**	−392
Minority interest	**−11**	−15
Net profit	**415**	46

Current cost balance sheet

ASSETS	**1992**	1991
Cash, bank and short-term investments	**1,938**	2,106
Receivables	**4,216**	3,677
Inventories	**4,456**	3,544
Fixed assets	**6,407**	5,791
Total assets	**17,017**	15,118

LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities	**6,001**	5,246
Long-term liabilities	**2,704**	2,498
Unrealized price changes	**1,017**	1,047
Shareholders' equity	**7,295**	6,327
Total liabilities and shareholders' equity	**17,017**	15,118

Financial operations

The market in 1992

The relatively calm trend in financial markets during the first half of 1992 came to an abrupt end in June with the Danish referendum on the Maastricht Treaty.

The turmoil increased during the autumn and can be summarized as follows:

Sep. 8	The Finnish markka's link to the European Currency Unit (ECU) is ended and the currency depreciates sharply.
Sep. 9	The Bank of Sweden raises the marginal interest rate to 75 percent.
Sep. 16	Spain devalues the peseta by 5 percent. The Italian lira and British pound are withdrawn from the European Rate Mechanism (ERM) and are thereby allowed to float.
Sep. 20	France votes on Maastricht, with accompanying currency speculation.
Sep. 24	The Bank of Sweden raises the marginal interest rate to 500 percent.
Oct.	There is heavy speculation against the French, Irish, Norwegian, Portuguese, Spanish and Swedish currencies. Sharp marginal interest rate increases in many countries in Europe.
Nov. 19	The Swedish krona's link to the ECU is ended, with sharp weakening of the currency as a consequence.
Dec.	In mid-December Norway also ends its link to the ECU. Speculation against remaining ERM currencies continues during December.

Briefly stated, it may be said that the market expressed its displeasure with the existing relationships within the ERM. The Bundesbank's unwillingness to reduce German short-term interest rates was also a strong factor contributing to the turbulence.

Financial risks

Atlas Copco's daily operations give rise to financial risks, primarily in the foreign exchange and interest-rate areas. Changes in exchange rates and interest rates therefore have a direct impact on Group income.

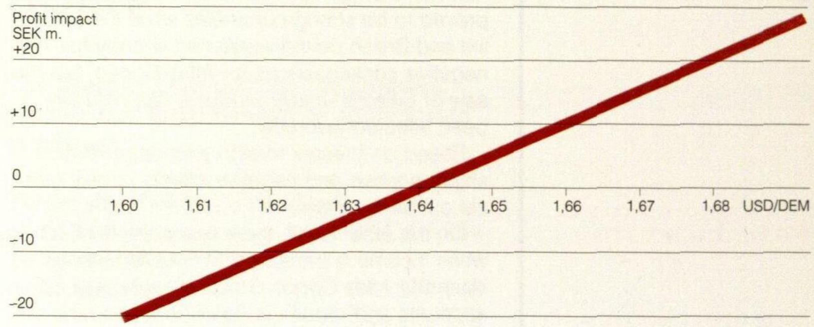
Financial management's task is to define the financial risks and to limit their negative impact on Group income through the selection of financial instruments.

Borrowing risk

Borrowing risk is the risk that the Group may lack sources of financing at a given time.

Atlas Copco Group companies finance their capital employed through local borrowing in local currencies. A substantial portion of this borrowing is handled by Atlas Copco's internal bank, which borrows funds in the external market and lends it to Group companies on market terms. To limit borrowing risk, there are guaranteed credit facilities of USD 350 m., equal to SEK 2,461 m., of which USD 150 m. consists of an agreement made in 1992 with a group of Atlas Copco's principal banks. In December 1992, the Atlas Copco Group's net borrowing amounted to SEK 2,396 m.

SENSITIVITY TO CURRENCY MOVEMENTS



The diagram shows Atlas Copco's currency sensitivity to USD/DEM exchange rate expressed in SEK. A change of 0.02 in the exchange-rate relationship means an increase/decrease in earnings of SEK 10 m.

Currency risk

Currency risk is the risk that changes in foreign exchange rates on net foreign assets and commercial transactions will affect Group income negatively. The currency risk in net foreign investments – shareholders' equity in the non-Swedish companies in the Group – is hedged by means of forward contracts and currency swaps, among other measures. Only a certain amount of hedging occurred during 1992. As a result, the effects of hedging on consolidated shareholders' equity in the 1992 accounts was limited.

Since the Swedish units did not have loans in foreign currency, the depreciation of the krona had no negative financial effect.

The currency risk in commercial transactions arises when product companies deliver and invoice in the currency of sales companies.

As a result of the unstable currency situation, notably in Europe, a number of major currencies were withdrawn from the ERM and the fixed exchange rate for the Swedish krona was abandoned. This naturally affected Atlas Copco's situation.

Only approximately 20 percent of the Atlas Copco Group's total manufacturing takes place in Sweden. Because of this, the weaker krona has only a certain positive effect.

The Group's foreign exchange sensitivity with respect to the U.S. dollar is still important and the chart shows how the USD/DEM relationship can affect Group income before tax, expressed in Swedish kronor. If the present USD/DEM relationship is maintained, it will mean a competitive advantage for Atlas Copco, relative to 1992.

Belgium and Germany are important production countries for the Group while Italy and Great Britain, for example, are substantial markets. The fact that the German mark and Belgian franc proved to be strong currencies while the Italian lira and British pound weakened sharply has had negative consequences for Atlas Copco, but the sale of Swedish-made products has naturally been affected favorably.

Based on present foreign exchange relationships, positive and negative effects largely cancel out each other.

On the other hand, there is a positive effect when income is translated to Swedish kronor since the Atlas Copco Group consolidates its accounts and reports in Swedish kronor and the greater part of its income is earned outside Sweden.

The responsibility for hedging commercial currency risks lies primarily with the 14 divisions. They base their hedging measures on their judgement of the proper time to adjust prices and costs in connection with a change in foreign exchange rates. Most of the divisions have chosen relatively short-term hedging strategies normally three to six months – in the form of both options and forward contracts.

The Finance function is responsible for the Group's total foreign exchange risk. As a result, the divisions' risk coverage is handled in the Finance function through central netting and exchange-rate hedging. Loans, forward contracts and options are employed to reduce sensitivity to changes in exchange rates.

Interest-rate risk

Interest-rate risk is the risk that changes in interest-rate levels will affect Group income negatively.

During the year, to further improve its borrowing capacity, the Group completed negotiations covering an American commercial paper program (USCP) in the amount of USD 100 m.

Excluding Provision for pensions, consolidated net indebtedness declined from SEK 554 m. to SEK 458 m. during the year. The average interest-rate commitment period was five months.

The Finance function is responsible for the Group's total interest-rate commitments and manages the Parent Company's interest-rate risk.

Credit risk

Credit risk is the risk of loss on short-term investments of liquid funds. The Finance function is responsible for managing the Parent Company's liquid funds which amounted to SEK 1,174 m. in December 1992. As in the past, liquid funds in Sweden were invested in the Swedish money market. During 1992 Atlas Copco was affected adversely by the Swedish financial crisis through the bankruptcy of Gota AB, in which Atlas Copco has an investment of SEK 50 m. par value. This amount has been fully reserved in the accounts for the year.

Co-ordination of financial operations

The Group Treasurer has basic responsibility for the Atlas Copco Group's financing requirements and currency trading.

Day-to-day transactions are handled by the Group's internal bank, which also offers export financing and cash management services.

In addition, the internal bank is also responsible for coordinating in a cash pool the financial operations in countries with more than one Atlas Copco company. These cash pools, which are in operation in 19 countries, serve as an extension of the internal bank's facilities.

Exchange rates

Country	Value	Currency code	Year-end rate 1992	Year-end rate 1991	Average rate 1992	Average rate 1991
Australia	1	AUD	4.85	4.24	4.31	4.71
Austria	100	ATS	62.50	52.00	53.50	52.00
Belgium	100	BEC	21.50	17.80	18.30	17.70
Canada	1	CAD	5.54	4.77	4.84	5.24
France	100	FRF	128.50	107.00	110.50	107.50
Germany	100	DEM	437.50	366.00	375.50	365.00
Great Britain	1	GBP	10.67	10.39	10.25	10.65
India	100	INR	24.50	22.00	21.50	27.50
Italy	100	ITL	0.478	0.481	0.472	0.486
Japan	100	JPY	5.66	4.41	4.63	4.48
Luxemburg	100	LUF	21.50	17.80	18.30	17.70
The Netherlands	100	NLG	389.00	324.50	333.50	323.50
Norway	100	NOK	102.00	92.50	94.00	93.00
Singapore	1	SGD	4.30	3.42	3.60	3.51
South Korea	100	KRW	0.907	0.800	0.776	0.857
Spain	100	ESP	6.15	5.73	5.70	5.81
Switzerland	100	CHF	482.50	411.00	418.00	421.50
U.S.A.	1	USD	7.03	5.54	5.84	6.01

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 907,557,185
Net profit for the year	SEK 319,039,227
	SEK 1,226,596,412

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 283,302,264
To be retained in the business	SEK 943,294,148
	SEK 1,226,596,412

Nacka, March 11, 1993

PETER WALLENBERG
Chairman

TOM WACHTMEISTER

ANDERS SCHARP

CURT G OLSSON

OTTO GRIEG TIDEMAND

GEORG KARNSUND

GÖSTA BYSTEDT

JACOB WALLENBERG

JACQUES VAN DER SCHUEREN

BERT-OLOF SVANHOLM

MICHAEL TRESCHOW
President

BO HENNING

PER-ERIK NYHOLM

BENGT LINDGREN

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 1992. Our examination was carried out in accordance with generally accepted auditing standards.

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

Parent Company

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

We recommend:

that the Income Statement and Balance Sheet be adopted.

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

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

Group

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

We recommend:

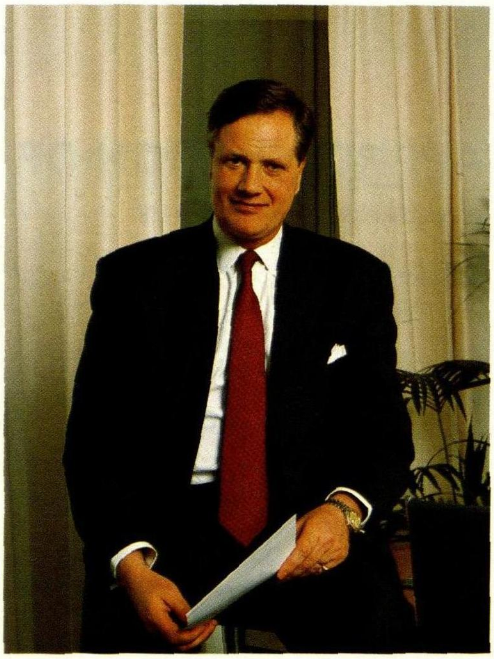
that the Consolidated Income Statement and the Consolidated Balance Sheet be adopted.

Nacka, March 17, 1993

KARL-G GIERTZ
Authorized Public Accountant

OLOF HEROLF
Authorized Public Accountant

To our shareholders



Nineteen ninety-two was an eventful but difficult year, filled with surprises. On numerous occasions, business conditions seemed to be showing signs of a recovery, particularly in North America, but each time the upturns were found to be only temporary. We can now see a clearly improved trend in the U.S., at the same time as demand in Germany and neighboring markets is weakening. The turbulence experienced in the currency markets during 1992 was another unforeseen event, but one which we handled with satisfactory results.

Although it was a difficult year, we were able to successfully improve our earnings, thanks to having implemented both cost-reduction measures and a program of investment in rational production equipment, more efficient distribution systems and new products at an early stage.

Strengthened market positions

We have strengthened our positions in many of the world's markets through long-term investments. Eastern Asia is one of the world markets that we have traditionally cultivated. We delivered the first drilling equipment and compressors to China at the beginning of the 1950s and today Atlas Copco equipment is to be found throughout the entire country. We established a representative office in Beijing at the beginning of the 1980s and a number of our products have been manufactured under license at six plants in China. Negotiations are currently in progress to additionally strengthen our position in the Chinese market. This is a step towards meeting the anticipated increase in demand for Atlas Copco products in the years ahead.

During 1992, Atlas Copco increased its sales of compressors and mining equipment in the growth markets of Eastern Asia, particularly in China, South Korea and Hong Kong. To additionally strengthen our positions in this area of the world, we entered into a joint venture at the beginning of 1993 to market our products initially in Vietnam but with plans to continue into neighboring markets.

We are also strengthening our positions in Eastern European markets. We have been represented in Russia for a number of years. During 1992, we opened a representative office in Moscow from which to intensify our cultivation of the Russian market. The office represents all Atlas Copco divisions. We are also establishing our own sales or representative offices in other Eastern European states to meet the long-term growth potential.

During the most recent five-year period, we have been unable to export products from our Swedish units to the South African market because of Sweden's trade sanctions. However, since being granted general exemption from the export sanctions in October 1992, local sales personnel and technicians are being trained and new products introduced in this market. However, it will take some time to regain customers who went over to new suppliers during the period the sanctions were in force.

The acquisition of AEG's electrical tools operations at the beginning of 1992 was strategically important and provided us with electric tools to supplement our range of pneumatic tools. The transaction also boosts our competitiveness.

Through the acquisition of Craelius, a strategically important step was taken into the market for geotechnical drilling. As a result, we broadened our product program within the Construction and Mining Technique business area and were provided with our own manufacturing unit for diamond drilling products. A specialized sales organization is being developed in Europe and North America for these products. (See page 52).

In March 1993, we signed an agreement to acquire The Robbins Company in the U.S., which is the world's leading manufacturer of tunnel boring machines (TBM). Subject to the acquisition being approved by the authorities, this transaction will strengthen our position within an area of technology that offers attractive growth potential.

Many strength factors

Atlas Copco's worldwide marketing organization has for many years constituted one of the Group's underlying strength factors. In the majority of its markets, Atlas Copco is the leading supplier within its business areas.

Another key factor contributing to the Group's strength is that the divisions are directly involved at every stage in the lifetime of a product – from product development through manufacture, sales, distribution and installation to after-sales maintenance.

We have made substantial investments in new distribution centers for all our business areas. The new centers are responsible for the rapid and direct delivery of products to our customers. As a result, it has been possible to phase out the local warehouses in Europe and most of our customers can now receive standard products from our stocks within 24-48 hours. This comprehensive system results in significantly improved delivery reliability and is an important competitive advantage.

Our financial position is strong. Equity/assets ratio is 47 percent. The improvement in recent years is attributable to the rationalization measures implemented. Capital released from inventory and the swift distribution of finished goods have eased the strain on our balance sheet considerably. This strong financial position means, for example, that we stand well equipped to engage in new corporate acquisitions.

Reduced product costs increase competitiveness

The intensive efforts made in the product development area by the Group's various divisions in recent years have created a large number of new products and new technical solutions. These have made a strong contribution to our success in meeting the intensifying competition. To an increasing degree, we have adapted the engineering design of many of our products in order to improve production lead times in our plants.

Starting in 1992, each division is conducting a thorough review of its production costs. The selection of materials and manufacturing methods is closely studied, with the aim of decreasing costs by reducing the number of products in process.

By retesting each of the component parts of a product, increasing the efficiency of the plants, introducing rational machine processing based on the latest technologies and by making continual improvements, it is possible to achieve considerable cost reductions. Such measures contribute significantly towards improving profit margins.

The corporate objective is still to achieve an average 10-percent profit margin during a business cycle.

Investments and rationalization measures reduce cost levels

During the past year, we have continued to implement rationalization measures at all manufacturing units. Among actions taken, we have invested in state-of-the-art manufacturing plants for the assembly of compressors in Antwerp and efforts in this area will be continued during 1993. Possibly the most important investment made in recent years is the rebuilding of the plant for the manufacture of compressor components. New technology and production controls have changed the production process radically. Today, the plant consists of small independent flow production units that are characterized by substantial capacity and short lead times.

The reorganization of manufacturing operations in recent years has significantly improved and simplified the production structure. The concentration of production to Örebro and Tierp has been completed and the processes adapted. This has led to steadily increased productivity and lower cost levels. The decision to transfer manufacturing of pneumatic breakers and drilling machines from the plant outside London to Kalmar and Fagersta will provide further improvements.

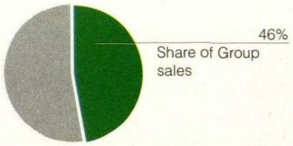
During the past three years, the rate of investment within the Group has been high. On average, we have invested SEK 600–700 m. annually. Investment requirements, other than in normal efficency improvements, will decrease during the next few years. Rationalization measures during the corresponding period mean that annual cost levels will be significantly reduced.

The Group's comprehensive product range and strong market positions combined with our skilled and highly motivated personnel are key elements in Atlas Copco's future development. Although we can expect to encounter restraint in our markets during 1993, we are very well positioned for when demand begins to increase again. I therefore have great confidence in the long-term future development of all Group divisions.

Michael Treschow

President and CEO

COMPRESSOR TECHNIQUE



	1992	1991
INVOICED SALES, SEK m.	**7,402**	**7,361**
OPERATING PROFIT AFTER DEPRECIATION, SEK m.	**970**	**1,031**
RETURN ON CAPITAL EMPLOYED, %	**26**	**28**
NUMBER OF EMPLOYEES	**7,481**	**7,790**

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 *Arthur Droege*
- Portable Air, President *Romano Girardi*
- Atlas Copco ACT (Applied Compressor Technique), President *Freek Nijdam*
- Airtec, President *Henri Ysewijn*

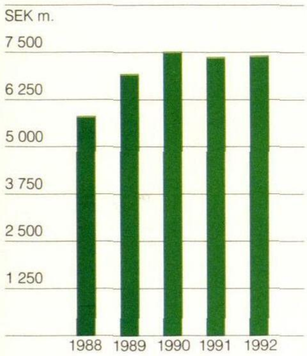
Strategy

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.

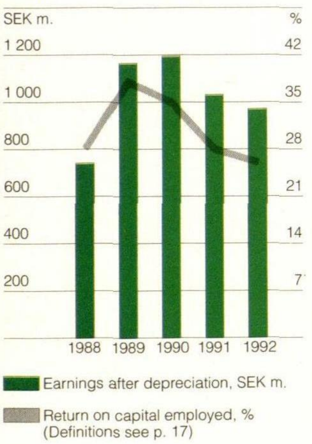
Sales

Invoiced sales in 1992 amounted to SEK 7,402 m. (7,361) and order bookings to SEK 7,247 m. (7,459).

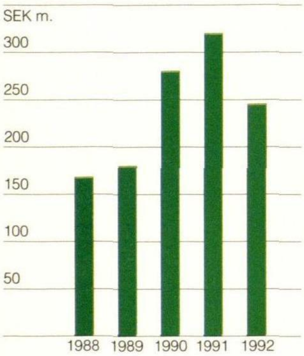
SALES



EARNINGS AND RETURN



INVESTMENTS



From left: Freek Nijdam, Henri Ysewijn, Romano Girardi, Luc Hendrickx and Arthur Droege.

The Compressor Technique industrial complex in Antwerp includes a manufacturing unit for compressor components and three compressor assembly plants.

Earnings
Operating profit after depreciation amounted to SEK 970 m. (1,031), corresponding to 13 percent (14) of invoiced sales.

The decrease is mainly due to lower sales volumes. Also the foreign exchange-rate differences in Europe had a negative effect on earnings.

Return on capital employed was 26 percent (28).

Investments
The total investments of the business area in plants amounted to SEK 245 m. (320). The investments were mainly related to a new assembly plant for industrial compressors in Antwerp and production equipment for gas and process compressors at the ACT plant in Cologne.

Business development
The Industrial Air division introduced during the year several products that have opened new markets. These products compensated the decline within the traditional product range. Sales successes were noted for both oil-injected and oil-free industrial compressors in East Asia, particularly in China. A Service Center was established in Singapore to further develop the after-sales activity.

The demand for portable compressors declined somewhat during the second part of the year. The production of portable compressors in the new assembly plant is today completely customer-order driven resulting in a better response to the customers' demand and less capital tied-up in stock.

The Atlas Copco ACT division has despite the recession noted good order bookings in the U.S concerning centrifugal compressors, gas turbines and expanders.

Outlook for 1993
Sales are expected to remain weak in the first part of the year. A possible upturn in the U.S. will be offset by the weakening of the German economy.

Advanced compressors for production of industrial gases

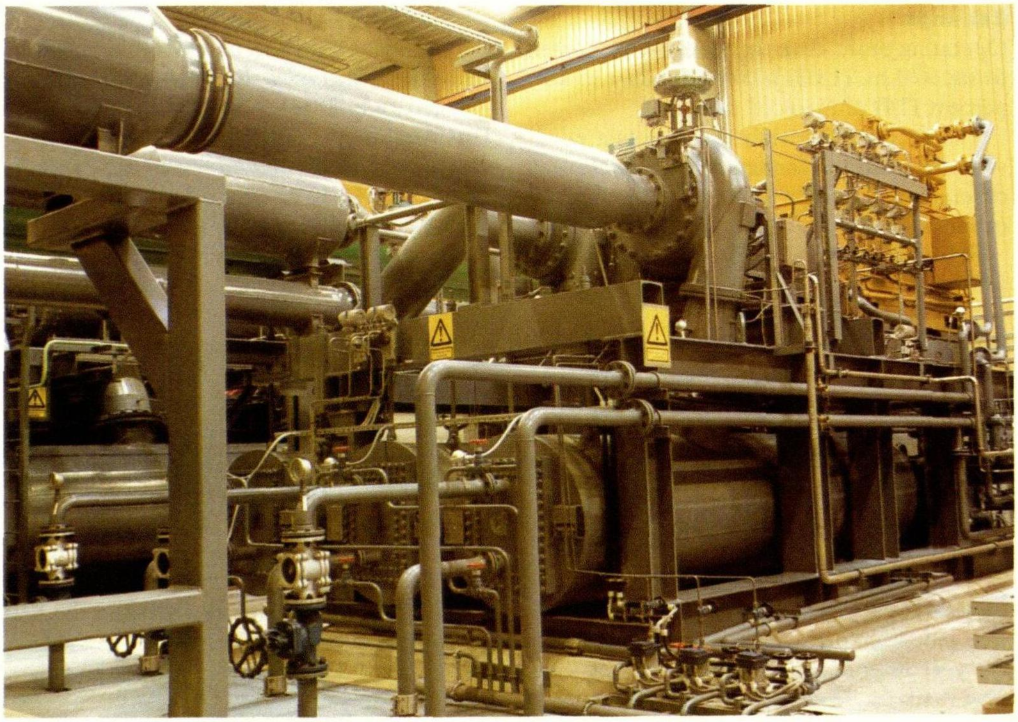
In an extensive joint venture with the French company, L'Air Liquide, Denmark's biggest producer of industrial gases, Hede Nielsen A/S in Hedenstad, has built one of Scandinavia's largest air separation facilities. Atlas Copco Applied Compressor Technique (ACT) was commissioned to supply a specially designed compressor plant, consisting of a three-stage turbo compressor for air, a six-stage compressor plant for nitrogen and two turbo expanders.

The facility, which was started up in autumn 1992, has a daily production capacity of 340 tons of liquid oxygen and nitrogen. With continuous production throughout the year, the facility is dimensioned to meet the needs of the Danish market during the next 15 years. It is entirely dependent upon the Atlas Copco compressors to achieve and maintain the high production levels set.

The separation of air into its component parts can be achieved with various chemical and physical methods, but the most advantageous by far is through the fractional distillation of liquid air. This method is based on the same principles as the fractionation of e.g. crude oils.

The process itself is based on using air and energy as raw materials. Since air is compressed in three stages and then cooled, the air is converted to liquid form, after which separation can be made into the different component parts. The cost of the separation is largely dependent upon the high efficiency and operational reliability of the compressor plant.

The finished products, consisting of liquid nitrogen and oxygen, argon and several other gases, are delivered primarily to the metalworking industries and hospitals. Other major consumers are the food industry, the chemicals and electronics industries and the forest industry for pulp bleaching. The total world market for industrial gases from air is estimated at USD 19 billion. As a result of increasingly stringent environmental demands, particularly within the steel, chemicals and electronics industries, the demand for industrial gases is rising.



Atlas Copco ACT has delivered specially designed compressor equipment to one of Scandinavia's largest air separation facilities.

Efficient manufacturing of compressor elements

Manufacturing of compressor components has been concentrated to the Airtec Division's plant in Antwerp, with the aim of achieving the greatest possible volume synergy and in order to fully utilize the employees' unique technological knowhow. Atlas Copco has invested SEK 400–450 m. in state-of-the-art production technology in this plant, including computer-controlled machining centers and robots.

Manufacturing of compressor components at Airtec's plant in Antwerp is based on state-of-the-art production technology.

The large capacity and flexibility of the machines means that they are able to produce highly complex component parts extremely rapidly, sometimes in just one operation.

As a result, the plant has been able to convert to continuous production planning, meaning that production can be scheduled and updated on a daily basis.

New production processes enable the plant to achieve a much faster throughput of components and assemblies, resulting in a significantly improved cost efficiency. As a result the traditional job oriented workshops have been replaced by small autonomous flow production lines, with substantial capacities.

The use of Advanced Manufacturing Technologies and Production Control Methods (BPCS) are decisive factors for continuous assurance of high quality products at the lowest total cost.

In the new assembly system the compressor elements are assembled on customer order and are delivered on a just-in-time base to the three product divisions Industrial Air, Oil-free Air and Portable Air – for assembly in the compressor units.

Scroll compressor opens new markets

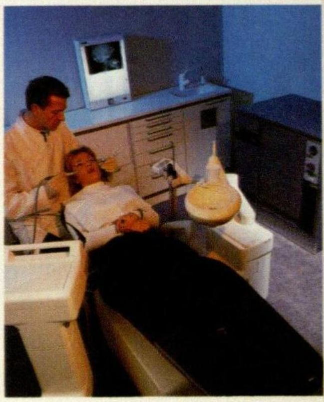
The new series of oil-free scroll compressors, introduced in the autumn of 1991, has been received very favorably by the market. During 1992, the series received no less than three international design awards.

It's not only the scroll technology that is new. The series is also distinguished by the fact that the compressors are fully equipped with integrated dryer units. This provides many advantages. For example, no exterior pipe connections or accessories are required. The compressor is compact and requires very little space. It is also easy to install, since the final checks can be made before it leaves the plant.

The scroll compressors are designed to operate on a continuous basis and have been found to need a minimum of service. Since they operate very quietly, the units can be installed directly in the workplace. This has opened up completely new areas of application, such as dental clinics, laboratories within the chemicals and pharmaceuticals industries, and precision instruments and clock makers. An important contributing factor to this broadening of the product's applications is the high quality of the dry and clean air produced by the compressor.

The new series of scroll compressors are manufactured at the Industrial Air plant in Belfort, France, and are marketed through Atlas Copco's sales companies in Europe.

A scroll compressor in use by a dentist.



Hospitals are major consumers of oil-free air. It is used both by nursing units and operating theaters.

Clean and dry air to hospitals

Hospitals are highly dependent upon the consistent and reliable supply of clean, dry compressed air for its nursing units and operating theaters, as well as for the control of ventilation equipment. Operating breakdowns are mainly caused by the uneven consistency of the chemicals used in the cooling water, or by fluctuating pressure levels. As a result, Atlas Copco has introduced an air-cooled compressor that is extremely reliable and therefore particularly well suited for applications in a medical environment.

At an installation at a hospital in New York, operating experiences have been very favorable. During the most recent 18 months, the compressor has been run continuously for 24 hours a day, stopping for just two hours each week for the reserve plant to be tested.

The new air-cooled compressor has provided the hospital with particular benefits. Firstly, its dependence on an external water resource has been eliminated, resulting in an annual reduction in water consumption of more than 15 million liters. Moreover, service needs have declined drastically, leading to significantly fewer disturbances in the routines of the hospital's various departments. These improvements have resulted in substantially lower operating costs.

Textile company costs reduced with the help of compressed air

During the year, Atlas Copco has successfully sold oil-free compressors to textile companies in Eastern Asia, Pakistan and Egypt. The largest individual order was for the delivery of 19 oil-free compressors to a textile company in Pakistan. In Eastern Asia, one third of all installed oil-free compressors have been delivered to companies in the textile industry.

The use of compressed air jets in woven textiles production has resulted in increased productivity and improved product quality.

Strong growth can be expected within the Indonesian textile industry, thanks largely to the way in which the use of compressed air has helped improve the cost efficiency of the process. Many companies have ordered compressors from Atlas Copco as a result of the machines' high reliability and performance and low maintenance costs. The largest textile plant in Indonesia, P.T. Kanindo, has ordered oil-free compressors to supply 238 new weaving machines with compressed air to power the shuttle. With the changeover from mechanical to airjet weaving, capacity has doubled. During the past year, the company also installed oil-injected screw compressors, fitted with integrated dryers, to increase capacity in the spinning mill.

New assembly plant in Antwerp

During 1992, the division responsible for industrial compressors initiated an investment project totaling close to SEK 50 m. aimed at reducing production lead times and improving productivity at the Antwerp plant.

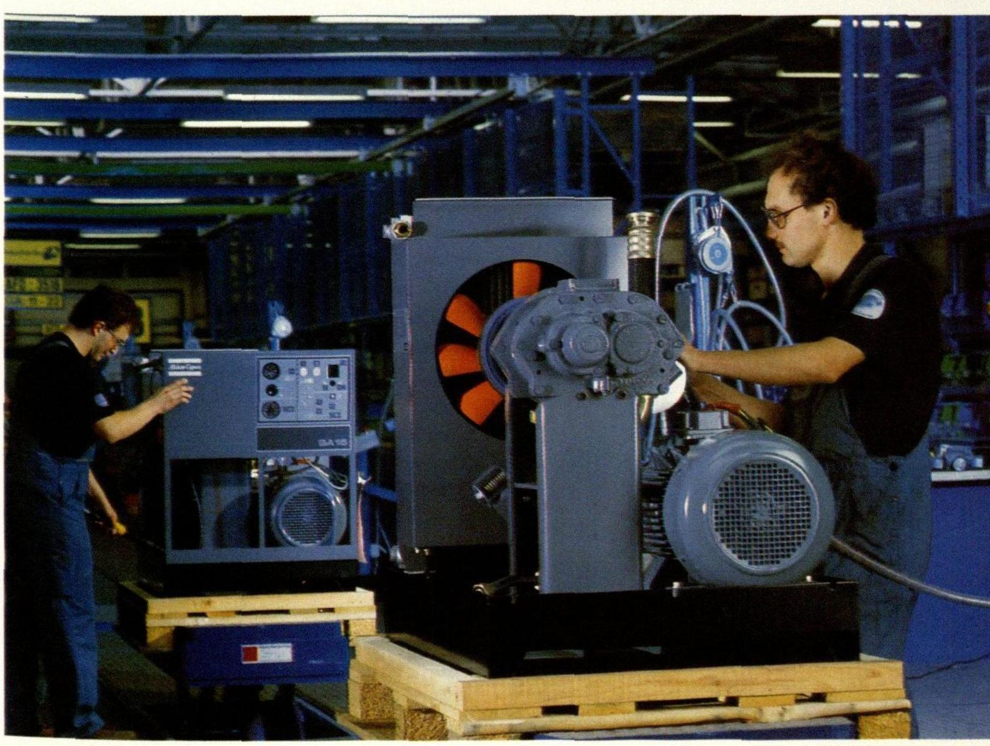
Through the establishment of five separate assembly lines for the different product groups, the plant is now able to produce any type of compressor at very short notice. The changed flows at the plant mean that lead times for various models are being reduced by up to a week. When all of the lines are ready, production capacity will improve to one compressor every four minutes.

To date, the first phase of the investment has been implemented. A couple of the new lines are already in operation. The assembly of smaller piston and screw compressors at an adjoining plant has been moved to the new industrial compressor assembly lines. This means that total production space has been reduced by 25 percent.

With the aim of further increasing the division's worldwide customer service activities, the investment project includes the introduction of an advanced logistics system.

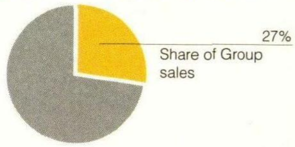
It has been decided that total delivery time – meaning the period from when suppliers deliver components and spare parts right up to the time the finished product reaches the customer – must be reduced. Accordingly, close co-operation has been entered into with principal suppliers to install the latest techniques within this area – such as just-in-time delivery systems direct to worksites and electronic communications. Simplified procedures, increased automation and the introduction of electronic scanning systems are methods by which the administrative costs in the plant will be reduced.

The entire investment program, the aim of which is to control production on the basis of customer orders, is scheduled to be completed by the end of 1993.



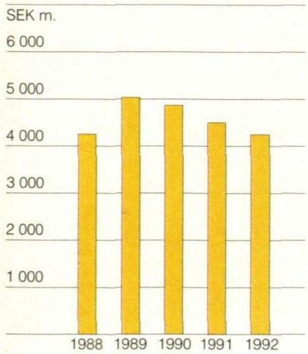
Assembly of industrial compressors on one of the new assembly lines.

CONSTRUCTION AND MINING TECHNIQUE

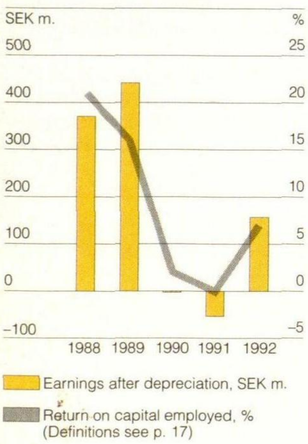


	1992	1991
INVOICED SALES, SEK m.	**4,254**	**4,497**
OPERATING PROFIT/LOSS AFTER DEPRECIATION, SEK m.	**157**	**–53**
RETURN ON CAPITAL EMPLOYED, %	**7**	**0**
NUMBER OF EMPLOYEES	**5,369**	**5,902**

SALES



EARNINGS AND RETURN



INVESTMENTS

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

The 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 market leadership position, a complete range of products and after-market services designed to optimize customer productivity. Markets are served via own sales organizations and through external distributors.

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

Growth will be generated through continued focus on research and development within existing main areas of operation and via complementary acquisitions.

Structural changes

In February 1992, operations of rock drilling rigs were organized in one new division, Rocktech, in which Tunnelling and Mining, Surface Drilling, Mechanical Rock Excavation and Geotechnical Drilling are included as product companies.

Effective December 1, 1992, Atlas Copco acquired the engineering company Craelius AB in Märsta, Sweden and its international marketing organization. Craelius is the world's leading supplier of equipment for core drilling, injection and steerable drilling systems for pipelaying. The company has annual sales of about SEK 300 m., with 110 employees engaged in sales and production operations. The operation was able to be swiftly integrated within the Atlas Copco organization.

As part of the production restructuring process, the decision was taken during 1992 to concentrate manufacturing of pneumatic breakers to the Atlas Copco Berema plant in Kalmar, Sweden and of down-the-hole hammers to the Uniroc plant in Fagersta, Sweden. As a result of these moves, the plant in Hemel Hempstead, outside London, will close during the second half of 1993. About 100 persons will be affected.

Sales

Invoiced sales in 1992 declined 5 percent to SEK 4,254 m. (4,497). The decrease was primarily due to reduced sales of light construction equipment and weak demand for rock drilling tools. Total orders received declined 5 percent to SEK 4,305 m. (4,523).

Earnings

Operating profit after depreciation but before financial items increased by SEK 210 m. to SEK 157 m (loss: 53). Earnings correspond to 4 percent of invoiced sales. The improvement was due in part to the fact that restructuring costs charged against earnings were greater in 1991 than in 1992. Restructuring projects within the divisions were able to be im-

plemented according to approved plans and therefore had a positive impact on earnings in 1992.

The return on capital employed was 7 percent (0).

Investments

Total business area investments in plants amounted to SEK 142 m. (184). These mainly related to the modernization of manufacturing processes within the Uniroc division.

Business development

Weak demand in the mining sector and a low level of investment in the building sector, contributed to the lower sales volume.

Orders received by the Rocktech division for drilling rigs and tunnel boring machines for major construction projects involving rock drilling activities were favorable.

Sales of rock drilling tools were weak due to a decreasing total market in the mining sector. However, Uniroc's sales in the largest mining market, South Africa, were good.

The Berema division strengthened its position in the pneumatic breakers segment, especially in Germany and Great Britain, despite the total market having decreased.

Wagner increased its share of the market for loading equipment in the mining sector, despite a decreasing total market. After year-end, a large articulated dumper truck was launched, thereby opening a new market with major potential in the construction area.

Outlook for 1993

Demand for drilling equipment in the construction sector in 1993 is expected to remain at the same level as 1992, while trends in the mining sector are expected to remain weak.

Structural measures implemented or approved earlier should lead to further improvements in earnings, subject to the market not deteriorating further during the year.

State-of-the-art drill and blast technology is applied in the form of an Atlas Copco Robot Boomer during the expansion of the Henriksdal treatment plant in Stockholm.

Ergonomic breakers capture market share

During 1992, the division responsible for light construction equipment strengthened its position as the leading supplier of ergonomic breakers and hand-held rock drills. Conscious efforts to develop machines that focus on ergonomic design have actively contributed to gaining new market shares.

The Belgian telephone company, Belgacom, is a major user of ergonomically designed fuel-powered breakers.

The transition to ergonomic machines has been very rapid. Such machines now account for half of Atlas Copco's sales of pneumatic breakers. As an example, British Gas has introduced ergonomically designed pneumatic breakers and drilling machines as standard.

Among the strategically important orders received for the new FB 60 fuel-powered breaker, is an order from the Belgium telephone company, Belgacom. With the help of fuel-powered breakers, smaller jobs can be carried out more easily and quickly than with other equipment. Customer demands for the rapid repair of, for example, telecommunications, electricity, water and gas networks are an increasingly important consideration.

Moreover, during the year an increase was noted in the sales of rig-mounted hydraulic hammers, especially in the lighter weight classes.

Introduction of new, high-efficiency rock drilling system

During the year, Atlas Copco introduced a new rock drilling system. This was implemented within the framework of the Total Rock Drilling Technology concept, meaning that all components – drill rig, control system, rock drills and drill strings – work together to optimize results.

The new COP 1838/ECS system is a feature of Atlas Copco's highly productive new drilling rigs.

The new system, the COP 1838/ECS, means increased efficiency for customer operations and strengthens Atlas Copco's position as the leading supplier. The operator of a drilling rig equipped with three booms and the new system can achieve an average drilling rate of 300 meters per hour.

The increased efficiency is due mainly to a rock drill system that concentrates percussion energy on the rock and minimizes those forces which have a destructive effect on the drilling equipment. The machine, which has a drilling penetration of 3.0 meters per minute in hard rock with a 45 mm drill bit, is highly reliable and offers good drill steel economy. During the drilling operation, the operator is supported by the system through continual monitoring and adjustment of percussion energy, power feed and torque to ensure optimal drilling results.

Today, the ECS system is used for production drilling in mines, for tunneling and for bench drilling in construction projects.

Atlas Copco improves an already strong position in China

Atlas Copco has a long tradition of business relations with China, based on 30 years of continuous operations in Beijing. At the start of the 1980s, the company established its own sales office and warehouse in the city. Today, more than 500 Atlas Copco drilling rigs are in operation in mines and construction projects in China.

Licensing agreements for the manufacture of drilling rigs for surface and underground operations and compressors were already signed with Chinese companies at the beginning of the 1980s. Atlas Copco equipment has been manufactured under license in six plants in China. Currently, negotiations are in progress with licensees in order to further consolidate its strong position in the country.

The Chinese rock drilling equipment market is growing rapidly. Major projects for the construction of power plants are in progress, in order to supply the country's expanding industrial sector with energy resources. The Ertan hydropower plant, under development in the Sichuan Province, is planned to have an annual capacity of 17,000 GWh. Atlas Copco is the exclusive supplier of all rock drilling equipment for the project. Construction work at the site is carried out by leading Italian, German and French contractors.

The work, which started in January 1992, includes drilling, blasting and unloading 4 million cubic meters of rock to prepare tunnels and rock chambers. For the construction of the dam, 4.5 million cubic meters of rock needs to be removed. At the start-up of the project, 17 surface rigs and 18 underground rigs were in operation, as well as a large number of compressors and Wagner loaders.

During the next ten years, a very impressive expansion of the infrastructure is planned. A great many power plants and communications channels are scheduled to be built, among them a 2,500-km long eight-lane highway between Beijing and Hong Kong and 10,000-km new railway lines. One of these, between Beijing and Hong Kong, will contain 127 tunnels and will employ 200,000 persons up until 1997.

China is also a major mining market. Virtually all known ores and metals can be mined within the country's borders. Currently, some 15 of China's mines are mechanized, while hundreds more are in need of modernization with mechanized drilling equipment.

Construction work at Ertan's hydro power plant in China.

New series of down-the-hole hammers launched

During spring 1992, a new series of high-performance down-the-hole hammers was introduced. The machines are intended both for the drilling of water wells and of blast holes in quarries and mines. Through its trademarks, Atlas Copco Tools and Secoroc, Uniroc is the European market leader for this type of rock drills.

The new COP 64 down-the-hole hammer is in operation at the Aitik copper mine.

Down-the-hole hammers are used for drilling blast holes in both surface and underground applications as well as for geotechnical drilling. The most important markets for down-the-hole hammers are North America and Europe. Increasing demand has also been noted in Southeast Asia. The estimated total value of the world market is SEK 500–600 m.

At the Boliden Group's Aitik copper mine in northern Sweden, the new COP 64 down-the-hole hammer has been in operation since June 1992. During the drilling of 165 mm holes for the extraction of copper ore, the new machine has significantly increased the production rate. The average drilling time per meter has been reduced with 10 percent. At the same time, the operational lifetime of the drilling components has increased. Drilling bit lifetime has almost been doubled and a 30 percent improvement has been noted for the drill rods. The new hammers have a service life of 10,000 drill meters, compared with 8,000 previously.

Manufacture of the down-the-hole hammers currently takes place in Hemel Hempstead in the U.K., but this will be merged with operations at the Fagersta plant in Sweden during 1993. Uniroc also manufactures down-the-hole drill bits at Fagersta and in the U.S. for the American market.

The new ADT from Wagner for the construction market has 45 tons capacity.

Wagner launches new large-capacity truck in construction market

Following two years of extensive research and development work Wagner Mining and Construction Equipment has launched a new 45-ton articulated dump truck (ADT), the Fullback, intended for use within the contractor sector, landfill, quarrying and mining operations.

Wagner has broad experience in this area from its work in developing and manufacturing heavy-duty excavation equipment. Since the mid-1950s, Wagner has specialized in the design and manufacture of tough, durable loading equipment for use in mining operations. It is from this solid know-how base that the new ADT has been developed.

The market for the new dump truck consists of construction companies, specifically those working regularly with larger civil engineering and building projects. There is an increasing trend in quarrying and open-pit mining towards using excavators in combination with ADTs.

During the 1990s, the use of larger hydraulic excavators and large-capacity ADTs is expected to increase. Currently, there are very few trucks on the market with a capacity in the range of 45 to 50 tons. Most manufacturers focus on producing trucks in the 16 to 35-ton capacity range.

The new ADT from Wagner has 45 tons capacity. This gives Wagner a significant advantage over its competitors. The Fullback is also the only truck on the market with an integrated liquid-cooled brake system, which means that its lifetime is extended and maintenance costs are kept at a low level.

Initially, the new ADT will be sold in the United States and other countries where there is a demand for trucks of this size.

Production restructuring improves profitability

The business area's manufacturing resources have been extensively restructured during the past two years. These measures have enabled cost levels to be reduced in the manufacturing plants at the same time as quality and delivery reliability have been improved.

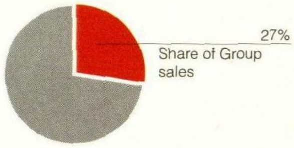
The relocation of underground rig production, from Nacka and Montreal, Canada, was completed during the first half of the year. Manufacturing of all drill rig components and final assembly operations have been concentrated to the plant in Örebro.

During 1992, production of drill rigs at the Bremen plant was thoroughly rationalized. Among other measures, production of the number of strategic components needed for a drill rig was reduced to around ten items. For the entire range, this means that only 250 items are produced within the company, compared with 2,000 earlier. It has thus been possible to reduce the workforce by about 90 persons, while simultaneously increasing production capacity. Moreover, 40,000 square meters of ground and large production space have been released and sold. Throughput times for the production of a hydraulic crawler rig, including administration, has been reduced from 22 to six weeks through the rationalization measures.

As part of the production restructuring program, the decision has been taken to concentrate all manufacture of pneumatic breakers to Atlas Copco Berema's plant in Kalmar, while production of down-the-hole hammers will be relocated to Uniroc's plant in Fagersta. As a result of these moves, the plant in Hemel Hempstead, outside London, will be closed during the second half of 1993.

Assembly of drill rigs in Bremen.

INDUSTRIAL TECHNIQUE



	1992	1991
INVOICED SALES, SEK m.	**4,351**	**3,172**
OPERATING PROFIT AFTER DEPRECIATION, SEK m.	**135**	**286**
RETURN ON CAPITAL EMPLOYED, %	**6**	**12**
NUMBER OF EMPLOYEES	**6,170**	**5,573**

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

The business area comprises the following divisions:

- Atlas Copco Power Tools and Equipment, President *Lars Larson*
- Chicago Pneumatic, President *Necip Soyak*
- Desoutter, President *Paul Jarvis*
- Ets G. Renault, President *Jacques Manceron*
- Atlas Copco Automation, President *Clas Nicolin*

Strategy

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

Structural changes

During the year, Atlas Copco Tools manufacturing was concentrated to the plant in Tierp, whereby the Skara unit was phased out.

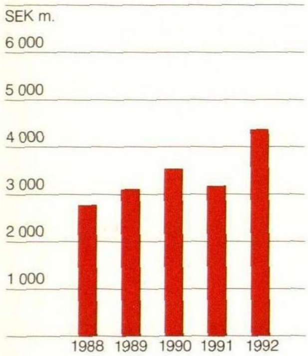
During the year, the sales companies within the electric tools operations acquired from AEG were gradually integrated in the Atlas Copco Power Tools and Equipment division's sales organization.

A distribution center, with daily direct deliveries of tools to the European market, commenced operations in Belgium.

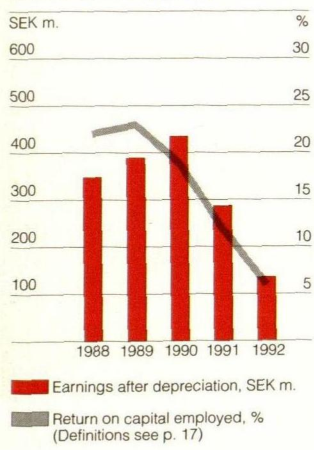
Sales

Invoiced sales amounted to SEK 4,351 m. (3,172). The increase was attributable to the tools operations acquired from AEG.

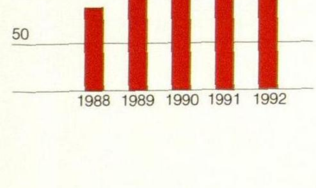
SALES



EARNINGS AND RETURN



INVESTMENTS



From left: Lars Larson, Jacques Manceron, Paul Jarvis, Necip Soyak and Clas Nicolin.

ErgoPulse, a new generation of pulse nutrunners with excellent ergonomic properties, was introduced during the year.

Earnings

Operating profit after depreciation decreased to SEK 135 m. (286), corresponding to 3 percent (9) of invoiced sales. The decrease was due to lower sales volumes, the negative impact on earnings of the tools operations acquired from AEG and interruptions resulting from the transfer of production.

The return on capital employed was 6 percent (12).

Investments

Total business area investments in plants amounted to SEK 156 m. (189). Included in the year's investments were the expansion of the distribution center in Hoeselt, Belgium, and production equipment for the Atlas Copco Automation plant in Ulricehamn.

Business development

Sales of industrial tools declined totally across virtually all industrial markets. A significant downturn was noted towards the end of the year in the German market. However, sales volumes for the electric tools operations acquired from AEG were almost unchanged.

The decrease in sales of industrial tools was primarily due to the recession in the world's engineering industries, particularly the automotive, aircraft and white goods industries, all of which are important customer groups for the business area. Demand for advanced tools and assembly systems remain at a stable level, since such investments relate to rationalization measures and programs to enhance productivity and quality.

Outlook for 1993

Demand for industrial tools is expected to be weak throughout 1993. A decline in the level of orders received is expected in the German market.

Following the measures implemented within Atlas Copco Elektrowerkzeuge in 1992, a positive earnings trend is anticipated for the business area.

Restructuring measures increase profitability of electric tools

Sales of electric tools from Atlas Copco Elektrowerkzeuge, which was acquired from AEG as of January 1, 1992, remained favorable during the year, despite the market recession. Accordingly, Atlas Copco increased its share of the electric tools market in several countries.

An electric grinding machine from Atlas Copco Electrowerkzeuge.

During the year, forceful restructuring measures were implemented with the aim of improving profitability.

Rationalization measures at administration, manufacturing and distribution level resulted in a significant reduction in the workforce. Production activities were realigned and are now oriented toward customer orders. As a result, it was possible to considerably reduce inventories of finished products and work in process.

All of the former AEG sales companies were integrated with the sales companies within Atlas Copco Power Tools and Equipment. In addition, responsibility for the marketing of electric tools in Australia and Finland was transferred from local general agents to the sales companies in these countries. The sales companies' inventories were phased out and all exports within Europe are now undertaken in the form of direct daily deliveries through the Belgian distribution center.

Profitable investment in logistics

Since the early 1980s, the number of Atlas Copco Tools production plants has been reduced by six. During 1992, manufacturing was concentrated to a single unit, the Tierp plant.

Thanks to increased shift-based activities and the substantial capacity of the flexible machine park, the existing workshop premises are now able to handle a considerably increased volume. During the year , a comprehensive training program was arranged to facilitate the transfer of administrative routines, responsibility and decision-making to the shop-floor. Efficiency at the Tierp plant has now reached the same high level as before the merger. Although the number of employees at Tierp has increased, the company's total workforce has been reduced by approximately 150 persons.

With the help of such aids as a specially developed data communications program, production can be easily adapted to sales volume, enabling the elimination of inventories at the sales companies. As a result of increased flexibility and a fast manufacturing flow, it has been possible to attain sound profitability despite reduced sales volume. Following final assembly, products are transported directly to the warehouse.

The Division placed a new distribution center in operation during January 1992. In order to reduce both transportation time and costs, the new center was located in Hoeselt, Belgium. This strategic location means that European customers can receive any product in the stocked range within 24 to 48 hours of receipt of the order.

Following the acquisition of AEG's tools operations, it was decided that exports of these tools should also be effected via the new distribution center. Accordingly, the center was expanded during 1992. Thanks to the use of proven systems and routines, it took only 8 months to implement the restructuring activities needed to phase out the sales companies inventories of AEG products and introduce direct daily deliveries.

The rational logistics system not only resulted in faster deliveries and reduced tied-up capital; it also led to more efficient materials-handling activities, less administration, lower costs for premises and sharply reduced obsolescence.

Breakthrough for GME's electronic systems

GME System, a high-tech company in the Industrial Technique business area, specializes in products for industrial drive technology. The company's largest individual product area comprises components for screw-drivers used in automatic assembly systems for the automotive industry. GME manufactures electronic control systems, servo systems and motors with gear heads on behalf of Atlas Copco Assembly Systems, in Essen, Germany, and Detroit, Michigan, U.S.A.

Intensive work is in progress to broaden the company's operations into other industrial markets. The aim is to better utilize the company's know-how in positioning and servo products and to exploit its high-tech products and technical solutions.

Major successes have already been registered. GME is currently the main supplier of servo-powered systems to ABB Robotics, the world's largest manufacturer of industrial robots. The robot's movements are created by a computer that controls the robot's motors via servo drives.

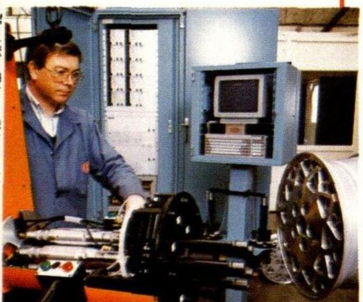
GME has also designed an electronic servo-powered steering system for BT's industrial trucks, which replaces the traditional hydraulic system. The trucks are steered using a small lever in an extension to the armrest, thereby improving the ergonomic design of the driver workplace.

GME delivers in co-operation with the motor manufacturer Elmo drive systems for Wascator's industrial laundry machines. This has enabled the number of motors in each machine to be reduced to just one, despite the fact that the machine's operations require different speeds. In addition to greater flexibility, the new technique also provides opportunities to automatically optimize the consumption of energy, water and detergent. As a result, the laundry process requires fewer resources and becomes environmentally compatible.

GME has developed and delivered a hybrid drive system for Stockholms Lokaltrafik's fleet of city buses with the aim of improving the inner-city environment. The system, which consists of motors and inverters, involves replacing the conventional diesel engine with electric motors and the oil tank with batteries and a small combustion engine equipped with a charging generator. The new propulsion system minimizes exhaust emissions. The first buses equipped with this system are being placed in traffic during 1993.

GME's systems not only steer processes in the direction of more flexible and efficient machines, they also provide a better environment for people.

A BT industrial truck, with an ergonomically designed driver workplace.



In the company's laboratories in Nantes, Ets Georges Renault has developed and constructed an automatic tightening system for wheel assembly operations on the Renault car company's latest models.

Efficient wheel assembly with automatic tightening systems

Ets Georges Renault has enjoyed many years of close co-operation with the French automotive manufacturer, Renault, regarding the supply of industrial tools used in Renault's car assembly operations. During 1992, such co-operation resulted in a newly developed and custom-tailored system for the reliable tightening of the wheel bolts on Renault's larger models, including the new Safrane.

To increase the efficiency of wheel-assembly operations on the Safrane, Renault's Sandouville plant decided to initiate closer forms of co-operation between the company's various production technology departments and Ets Georges Renault in Nantes. With earlier models, two machines were needed to handle the tightening of the four, or five bolts on the wheels. The aim of this particular co-operation was to find a way by which assembly could be carried out using just one machine.

The development work resulted in a new automatic tightening system, where the setting was capable of being changed to meet the different diameters determined by the number of bolts on the wheel.

On the assembly line, two operators (one on each side of the car) handle this part of the job. The wheel is delivered via a transporter at the correct height for placement on the wheel hub. The operator attaches the bolts, which are then automatically tightened. The system then automatically confirms whether the tightening process has been performed satisfactorily. If not, the tightening process is automatically repeated.

The new system results in a major improvement for the assembly technicians. Earlier machines were heavy to handle, resulting in longer assembly times. Moreover, the new tools mean that the work environment has been improved, since noise levels have been reduced significantly.

Ets Georges Renault has also supplied automatic assembly systems to Renault for the correct tightening of engine, gear box and other bolts. In total, these systems have enabled Renault to improve the assembly time on the Safrane by 20 percent, compared with earlier car models of the same size.

County Governor Bengt K Å Johansson starting up the fully automated manufacturing line at Atlas Copco Automation's cylinder plant in Ulricehamn.

Investment that shortens delivery times by 40 percent

During the autumn, Atlas Copco Automation invested approximately SEK 15 m. in a computerized machine center, featuring an automatic inventory system, at the plant in Ulricehamn, and in a multi-operation machining center at the plant in Falköping, both in Sweden.

The investments have substantially raised the level of technology and created greater flexibility. Lead times have been shortened and tied up capital has decreased, mainly as a result of lower inventory levels. Inventories of raw materials have also been automated and integrated into production activities. The investment at Ulricehamn, which substantially improved the work environment, also included an extensive training program.

At the Ulricehamn plant, 50 percent of the production of piston and pull rods and of mantle tubing for pneumatic cylinders is now geared to customer orders. The new machine center has reduced production time by 40 percent, compared with the former method, thereby enabling a reduction in inventory levels. The investment has also resulted in a very high level of delivery reliability. Products are delivered from the central warehouse in Falköping. Orders received before 3 p.m. are processed the same day and reach customers in Europe within 48 hours.

System changes improve profitability at Desoutter

During recent years, Desoutter in United Kingdom has implemented many production technology changes, all designed to achieve greater manufacturing flexibility and improved productivity. In 1992, efforts focused on improving the company's procedures through the introduction of new systems based on strategies formulated earlier.

During the year, Desoutter's management group devoted intense efforts to developing rational systems solutions that increase profitability.

In a very short space of time, new computer routines were installed that enabled earlier systems to be greatly simplified. This has led to significantly reduced administrative costs and a more streamlined organization. As a result of the changes, Desoutter's sales companies throughout the world can today book orders directly via their own computer terminals, check whether certain products are in stock and monitor the delivery of orders.

Desoutter's objective is to introduce two new products each month. This requires extremely close collaboration between the product development and production units. Accordingly, the company has expanded its CAD systems, which have also been supplemented with new, state-of-the-art software programs. This provides the company's development engineers with more rapid access to data and designs and cuts down on the time needed to develop a new product. Moreover, the number of tooling changes on the machining centers has been reduced by using CAD technology for the standardization of components and tolerances. This has led to lower manufacturing costs at Desoutter.

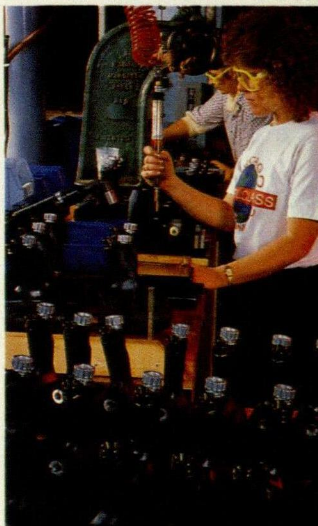
Successful introduction of new impact wrench for auto repair shops

During 1992, Chicago Pneumatic achieved major successes when it introduced the first in a series of completely new impact wrenches for service mechanics in auto repair shops. The first tool in the new series, marketed under the brand name Premium Black™, is based on an advanced design, that reduces the component parts significantly.

A special new plant has been started in the Chicago Pneumatic facility in Utica, N.Y., in the U.S. for the assembly of the new series of impact wrenches, which will be produced in substantial quantities. Since high volume requires a rapid flow through the plant, the reduction in the number of component parts has been a key design feature. Each employee has been trained to serve at all work stations in the process; from order registration to assembly, packaging and dispatch. Detailed ergonomic studies have also been made to find new ways to facilitate assembly. The experiences gained on the first assembly line, which started up during the year, are highly positive.

Chicago Pneumatic has gained a strong position in the U.S. market, which is the largest single market for automotive service tools in the world. Outside the U.S. the Premium Black™ series has successfully been launched e.g. in the important German market.

Assembly of a new series of screwdrivers at the plant in Utica, N.Y.



ATLAS COPCO PLACES EMPHASIS ON GEOTECHNICAL DRILLING

Well-drilling in the Philippines using Aquadrill 60.

Interest in geotechnical drilling is presently on the rise in many areas. As a consequence, Atlas Copco now has approximately 200 employees within the product area Geotechnical Drilling, which in recent years has developed a very high level of applications know-how and has a broad range of products for solving the most varied problems. In line with this strategy, Atlas Copco acquired the engineering company, Craelius, from the Belgian company, Diamant Boart, in late 1992.

Strategy
Through the emphasis on geotechnical drilling, the business area Construction and Mining Technique has been broadened to encompass completely new categories of customers. A component of the strategy is that this product area be a complete supplier in the area of geotechnical drilling. It also means that developments in all application areas must be rigorously monitored. In this way, the marketing organization can also serve as consultants to customers. This is important considering that, for the customer, the end-product is a hole of a certain shape, diameter and depth. The quality of the hole is dependent on the drilling method selected for the particular geotechnical conditions.

Growing number of application areas
Geotechnical drilling centers mainly on three different application areas.

Well-drilling
The best known drilling application is, of course, well-drilling to find water for drinking, or irrigation and the like. During the past year, Atlas Copco has delivered equipment of this type to many countries, mainly outside Europe. Deliveries to the Philippines include a small rig, easily transported to inaccessible villages and designed to drill 60–70-meter deep wells to provide drinking water. An order has been received in the Middle East for equipment to drill 1000–1500-meter deep holes for irrigation of grain fields. In South Korea, which has no domestic oil resources, a project is under way to drill to a depth of 1,000–2,000 meters to reach hot-water springs. With the aid of heat pumps and heat exchangers, the country has secured an energy source of its own.

A related area is the repair of old wells that have gone dry or silted up. To provide rapid solutions to this type of problem, Atlas Copco has developed a hydralic splitting system which has provided satisfactory results. Among orders booked during the year was a large order from the Swedish International Development Authority for a project in Zimbabwe, where an extremely prolonged drought presently prevails. A total of some 50 units of this type of equipment have been delivered to drought-ravaged areas.

Anchor-bolt drilling in Italy.

Construction-related drilling
Construction-related drilling is an area where new applications are constantly emerging. One of the most common applications is drilling preparatory to piledriving to establish a firm foundation in residential construction. There are numerous other areas where drilling is used in different types of anchoring and bracing. One application is in connection with earth or sand embankments, which require bracing to prevent their collapsing on roads or populated areas. Another area where such drilling is common is in the erection of various types of masts. The use of horizontal drilling for pipe-laying beneath roads, railway roadbeds and populated areas in order to avoid open excavations, which cause irritation and disruption, is gaining acceptance. Holes of 200 mm in diameter can be drilled up to 200 meters and the drilling bits can be

steered past major obstacles. Thus, the hole need not be straight and can be used for power lines or laying pipe. The need to drill drainage wells adjacent to dams to drain off leakage has increased. To seal dams, holes are drilled which are filled with cement.

Environmental drilling

A third type of drilling, which is relatively new, is environmental drilling. This is an area where the growth expectation is enormous. The greatest progress in requirements for environmentally related drilling has been achieved in the U.S. The drilling relates to measuring holes at refuse dumps and industrial areas and where tanks of various sizes have been buried. Such measurements are authorized to ensure that no leakage is reaching the groundwater. In the U.S., such requirements are in force to date in 33 states, and equivalent requirements exist in The Netherlands, Norway and Portugal. Increasing numbers of countries are following this trend. This involves the creation of a need of enormous proportions for measuring-hole drilling, since measuring holes at 50–100-meter intervals around the periphery of each industrial unit will be required, and each tank containing, for example, gasoline exceeding 40,000 liters, will require four measuring holes. The drilling of holes into refuse dumps has led to the exploitation of methane gas formed there and its conversion to energy.

Acquisitions broaden the product program

The acquisition of Craelius, a world leader in equipment used for core drilling, injection and steerable drilling systems for pipe laying, brings to Atlas Copco supplementary products and know-how in diamond drilling. The manufacture of Craelius drilling machines, drilling pipe and bits is located in Märsta, north of Stockholm. The product area Geotechnical Drilling will concentrate all its manufacturing at this plant.

Applications for diamond-drilling products, which will continue to be marketed under the Craelius trademark, are found mainly in mining and tunneling. Test drilling is being carried out in mines to localize ore bodies. A core sampling is taken to determine the metal content and calculate whether future mining will be profitable. Before tunnels are drilled, test drilling is first carried out to ascertain the geotechnical conditions and thus determine the direction of the tunnel.

Environmental drilling at the Gladökvarn refuse plant outside Stockholm.

Specialized sales organization

Geotechnical Drilling is in the process of forming a specialized sales organization within business area Construction and Mining Technique's sales companies in several markets. The Craelius sales companies in North America and Europe are being integrated into this specialized sales organization. This means that the product area will have its own sales personnel in the U.S., Canada and most European countries.

Presently, half of all sales take place in Europe, mainly for construction and environmental drilling. For the most part, well-drilling takes place in markets outside Europe.

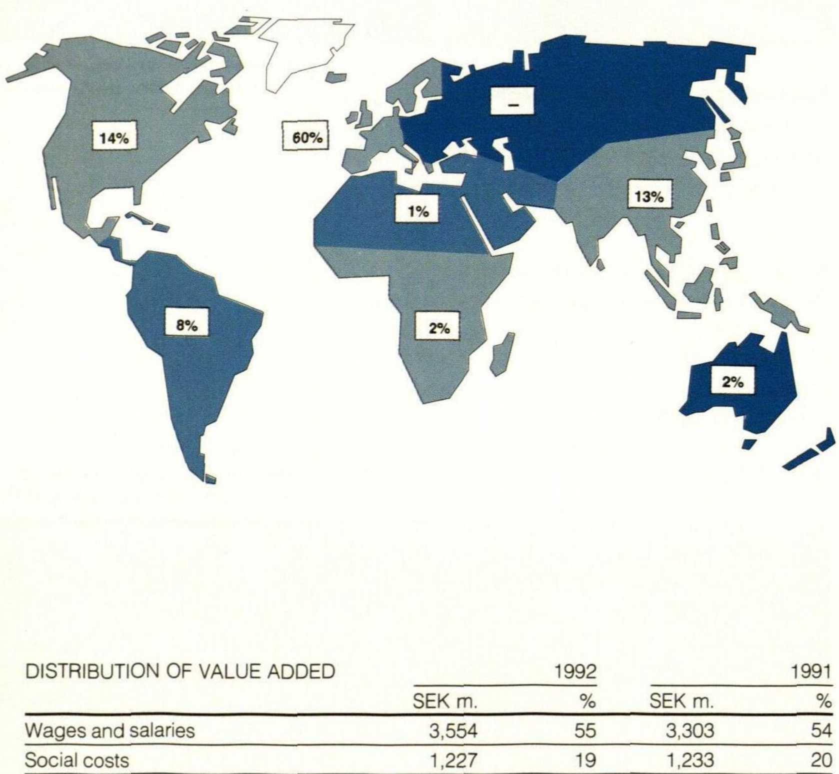
Drilling machines, drill tubes and drill bits being manufactured at the Craelius plant in Märsta, outside Stockholm.

PERSONNEL

	Average number of employees* 1992	1991
Compressor Technique	7,481	7,790
Construction and Mining Technique	5,369	5,902
Industrial Technique	6,170	5,573
Others	175	279
Total	19,195	19,544

*) 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	1992 SEK m.	%	1991 SEK m.	%
Wages and salaries	3,554	55	3,303	54
Social costs	1,227	19	1,233	20
Depreciation	527	8	482	8
Capital costs, net	107	2	153	3
Corporate and municipal taxes	412	6	392	6
Dividends paid	288	5	284	5
Retained in business	327	5	226	4
Value added, total	6,442	100	6,073	100
Value added per employee, SEK thousands	336		311	

SEK thousands	1992	1991
Sales per employee	**834**	769
Net profit per employee	**31**	26
Value added per employee	**336**	311

The average number of employees in the Atlas Copco Group decreased by 349 persons during 1992 to 19,195 employees (19,544). The proportion employed in Swedish companies was 15 percent (19) and 42 percent (35) in companies within the EC. Salaries, wages and other remunerations totaled SEK 4,781 m. (4,536), of which SEK 1,227 m. (1,233) represented social welfare costs.

The distribution of women and men is shown below.

	Distribution as % Women	Men	Total number
Europe	19	81	11,448
of which Sweden	18	82	2,907
of which EC	19	81	7,975
North America	14	86	2,604
South America	12	88	1,504
North Africa/Middle East	26	74	235
Southern Africa	18	82	465
India/East Asia	7	93	2,464
Oceania	18	82	475
	16	84	19,195

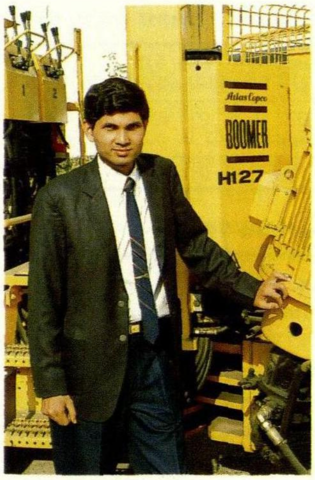
Value added and interested parties

The value added corresponds to the Group's total invoicing, SEK 16,007 m., reduced by costs for the purchase of raw materials, wholly and partially finished goods as well as services, SEK 9,565 m. The figure obtained is a measure of the company's productive contribution, i.e. the value added through processing etc.

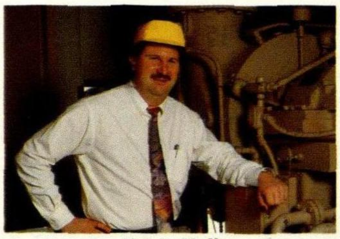
In 1992, the value added amounted to SEK 6,442 m. (6,073), an increase of approximately 6 percent.

The value added is distributed among 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).

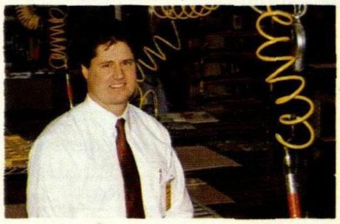
SALESMEN OF THE YEAR 1992



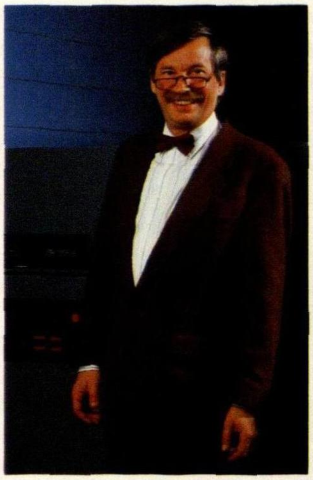
Abhijit Som



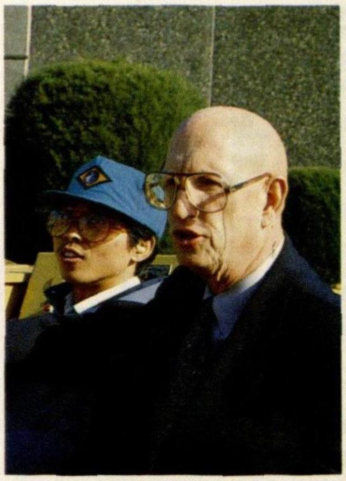
Kevin Hull



Ed Pudlo



Jaromir Novák



Wendell "Buzz" Barnes

During 1992, 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 described below.

Abhijit Som, sales engineer for Atlas Copco India, sold drill rigs and loading machines to a mine last year for a total of SEK 13 m. This order can be regarded as a breakthrough for Atlas Copco in the underground mining sector in India.

Kevin Hull, district manager for ACT in western U.S., successfully increased his sales of expanders and compressors, despite a weakening market, by focusing on customers with applications in the geothermal energy recovery, special steels and petrochemical energy recovery markets.

Ed Pudlo, regional manager for Desoutter in western U.S., increased his sales of assembly tools by 15 percent in 1992. His greatest sales successes were to computer manufacturers, who have installed Desoutter tools as the industry standard.

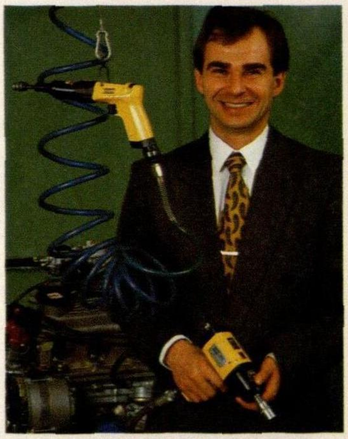
Jaromir Novák, sales manager for industrial compressors at the representative office in Prague, in the Czech Republic, tripled his sales compared with 1991. The largest order, for close to SEK 9 m., was for compressors for a power plant in northern Bohemia.

Wendell "Buzz" Barnes, sales manager for Wagner in Eastern Asia, sold three times as many loading machines as the average for the past three years. Deliveries included some 30 Scooptrams and dumper trucks for customers in China, South Korea, the Philippines and India.

Jan Kougl, salesman at Atlas Copco Tools in the Czech Republic, doubled his sales of industrial tools and assembly systems in 1992 through the successful cultivation of the Czech automotive industry.

Anthony Huang, sales manager for compressors in China, achieved major successes in his sales to the petrochemical, pharmaceutical and textile industries. Sales included 35 oil-free compressors, ten of which were large compressors for use within a major chemical-fiber company in the Jiangsu province.

Peter Aigner, Willfried Herzog and **Max Scharnreiter,** a Rocktech sales team in Austria, have reported good sales results for a number of years. During 1992, they successfully doubled their market share for Boomers.



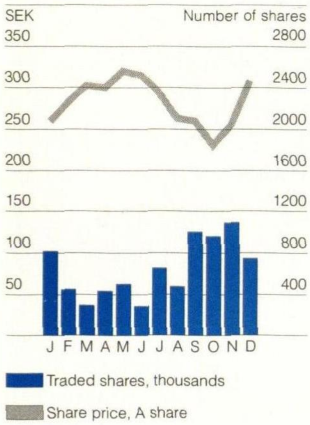
Jan Kougl

Anthony Huang

Peter Aigner, Willfried Herzog and Max Scharnreiter

ATLAS COPCO SHARE

TRENDS OF SHARE PRICES/ TRADED SHARES 1992



Share capital

Atlas Copco's share capital at year-end amounted to SEK 885,129,700 distributed among 35,405,188 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 907,992,100 divided among 36,319,684 shares.

Atlas Copco has approximately 32,000 shareholders. The portion of shares held by institutional investors amounts to 80 percent. The ten largest shareholders account for 60 percent of the voting rights and 51 percent of the number of shares. The number of foreign-owned shares amounted to about 20 percent (22).

Distribution of shares

Class of share	Shares outstanding	After full conversion	Total
A shares	23,585,022	914,496	24,499,518
B shares	11,820,166	–	11,820,166
Total	35,405,188	914,496	36,319,684

Ownership structure 1992

Number of shares	Number of share-holders	Percent of total number of shares
1– 500	30,000	6.8
501– 2,000	1,629	3.9
2,001– 10,000	340	4.5
10,001– 50,000	121	7.7
50,001–100,000	38	7.3
>100,000	56	69.8
Total	32,184	100.0

LARGEST SHAREHOLDERS

The largest shareholders, as reported by VPC (Swedish Securities Register Center) in February 1993 are shown in the following table:

	Number of shares	% of votes	% of total
Investor Group	6,332,669	25.57	17.89
Sparbankernas Aktie- och Allemansfonder	6,073,524	18.11	17.15
Allm Pensionsf. Fjärde Fondstyrelsen	790,724	3.11	2.23
Trygg Hansa Group	810,609	2.64	2.29
Föreningsbankens Aktie- och Allemansfonder	615,850	2.33	1.74
Försäkringsbolaget SPP Ömsesidigt	1,006,824	2.06	2.84
Handelsbankens Aktie- och Allemansfonder	812,467	1.75	2.30
Inter Ikea Finance	395,600	1.60	1.12
Folksam Group	500,000	1.52	1.41
AMF Pensionsförsäkringar	745,949	1.12	2.11
	18,084,216	59.81	51.08
Others	17,320,972	40.19	48.92
Total	35,405,188	100.00	100.00

SHARE ISSUES 1973–1992

			Increase of share capital SEK m.	Amount paid-in SEK m.
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*	7,930 shares	0.2	1.2
1991	Conversion*	42,281 shares	1.1	6.3
1992	Conversion*	74,311 shares	1.9	11.1

* Pertains to 1987/1993 convertible debenture loan.

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 1988 to 1992 will amount to 7 percent. During the same period, the average dividend has been 39.5 percent of earnings per share. Expressed as a percentage of shareholders' equity per share, the dividend is 3.9 percent (4.4).

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 1973, the share capital has increased by means of bonus issues and new issues as shown in the table adjacent.

Share price trend

The Atlas Copco share price continued to increase during the year. As of December 31, 1992, the price was SEK 334. For 1992 as a whole, the price of the Atlas Copco share rose 39 percent. The general index remained virtually unchanged, while the engineering companies' index increased 24 percent.

The beta value of the Atlas Copco share was 1.20. The beta value is a mathematical measure of share risk, measured as the sensitivity of a share, upwards or downwards, compared with the index during the past 48 months. A beta of 1.20 means that a share has moved 20 percent more than the index.

Market value

The market value on December 31 was SEK 11,802 m. (8,491), which corresponds to 2.2 percent (1.6) of the total market value of the Stockholm Stock Exchange.

Trading

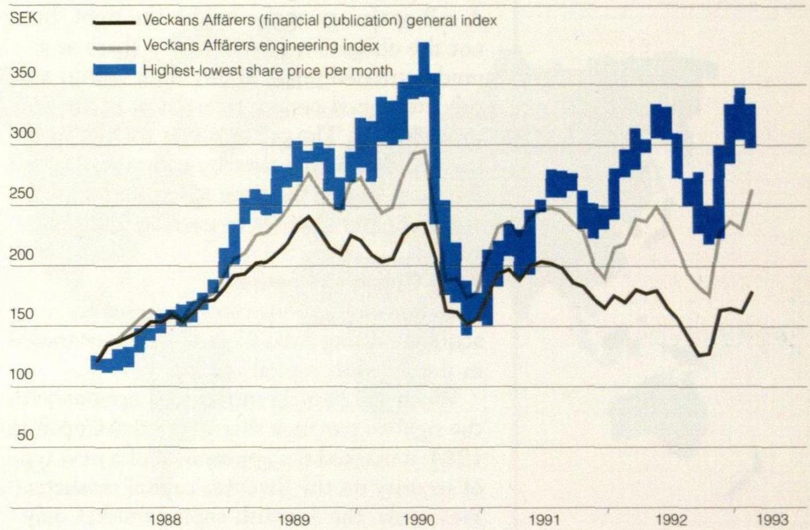
The Atlas Copco share was the eleventh (ninth) most traded share on the Stockholm Stock Exchange during 1992. Including subsequent registration, a total of 16,608,895 shares were traded (of which 8,697,677 were class A and 7,911,218 were class B), corresponding to a value of SEK 4,596 m. (3,496) or 46 percent (43) of the company's total number of shares at year-end. An average of 66,171 (62,607) shares were traded per market day. The turnover rate (degree of liquidity) in 1992 was 45 percent, compared with the stock market average of 32 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, 21,189,228 (24,157,607) Atlas Copco shares were traded. During 1992, 104 percent of all Atlas Copco shares were traded. Foreign trading in the Atlas Copco share showed a net import of SEK 112 m. (net export: 154) in 1992.

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 1992, the Fund's shareholding was 41,899 shares, corresponding to a market value of SEK 14 m. The Fund is managed by Atlas Copco Fondaktiebolag.

TRENDS OF SHARE PRICES

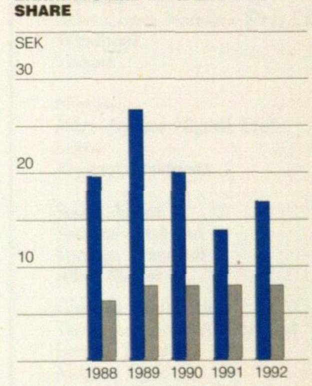


PER SHARE DATA*						Average growth per year
SEK	1988	1989	1990[8)]	1991	**1992**	88–92, %
Earnings [1)]	19.60	26.75	20.05	13.90	**16.90**	7
Dividend	6.38	8.00	8.00	8.00	**8.00[2)]**	7
Dividend as percent of earnings [3)]	32.6	29.9	39.9	57.6	**47.3**	
Price quotation, Dec. 31, A	207	278	160	240	**334**	24
Price quotation, Dec. 31, B		278	154	241	**332**	
Highest price quoted, A	215	312	385	280	**334**	
Lowest price quoted, A	112	201	143	151	**218**	
Average price quoted, A	144	263	277	235	**283**	
Equity capital [4)]	134	155	178	181	**207**	10
Direct yield, percent [5)]	4.4	3.0	2.9	3.4	**2.8**	
Price/Earnings [6)]	7.4	9.8	13.8	16.9	**16.7**	
Price/Sales [7)]	0.36	0.57	0.63	0.57	**0.64**	

* Adjusted for share issues.

1) 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.
2) Proposed by the Board of Directors.
3) Dividend as a percentage of earnings per share.
4) Equity capital, minority interest 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



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 750,000 options outstanding.

The highest exercise price for the options during the year was SEK 296 (220) and the lowest SEK 155 (95). Trading during the year amounted to SEK 44.9 m., corresponding to 196,549 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 Stockholm AB.

In 1992, option contracts accounted for about 2.0 million shares, approximately 5 percent of all Atlas Copco shares.

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

Convertible debenture loan

The convertible debenture loan, subscribed for by employees 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 137.2 m.

Conversion could 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 1992, conversion of the debenture loan corresponded to 74,311 shares. At the expiration date of March 1, 1993 for the conversion of the debenture loan outstanding at year-end, debentures had been converted to 914,496 shares, corresponding to 2.6 percent of the current share capital.

As in 1992, Atlas Copco's 1993 Annual General Meeting will be held at the Berwald Hall.

ATLAS COPCO
WORLDWIDE SALES AND SERVICE ORGANIZATION

■ NORTH AMERICA

Canada
Atlas Copco Compressors Canada
Montreal, Quebec
Dick Plate

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

Secoroc Ltd
Burlington, Ontario
Stanley Lundberg

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
Edo de Mexico
Luis Palacios Haase

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

Chicago Pneumatic Tool de Mexico SA
Edo de Mexico
Luis Palacios Haase

U.S.A.
Atlas Copco Compressors Inc
Holyoke, Massachusetts
Anthony A Limongelli

Atlas Copco Rental Inc
Fairfield, New Jersey
Ernest G Power

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
Stan Robinson

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

Atlas Copco Berema Inc
Holyoke, Massachussetts
Peter Bigwood

Atlas Copco Tools Inc
Farmington Hills, Michigan
Charles Robison

Atlas Copco Electric Tools Inc
New London, Connecticut
John S Boyd

Chicago Pneumatic Tool Company
Utica, New York
Necip Soyak

Desoutter Inc
Livonia, Michigan
Thomas Boik

Advanced Fastening Systems Inc
Sterling Heights, Michigan
David M Johnson

GME Systems Inc
Wexford, Pennsylvania
Björn Karlström

Atlas Copco Automation Inc
Mt Prospect, Illinois
Claes Paulsson

■ 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

EMBEP-Empresa Brasileira de Equipamentos Pneumáticos Ltda
São Paulo
Ronald Peach

Atlas Copco Assembly Systems Brasil
São Paulo
Walter Cavichioli

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
Olof Hössner

Peru
Atlas Copco Peruana SA
Lima
Olof Hössner

Fagersta Secoroc del Peru SA
Callao
Julio Tamayo

Venezuela
Atlas Copco Venezuela SA
Caracas
Patrik Wennerström

■ AFRICA

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

Botswana
Atlas Copco Botswana (Pty) Ltd
Gaborone
Vacant

Egypt
Atlas Copco Compressor International Representative Office
Cairo
John Vanezos

Ghana
Atlas Copco C & M Export Ltd
Accra
Gerry Tucker

Kenya
Atlas Copco Kenya Ltd
Nairobi
Eric N Smith

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
Vacant

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

* *Not consolidated in the Atlas Copco Group*

Delfos & Atlas Copco
(Pty) Ltd*
Benoni
Antonio Belcastro

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
Sergio Camozzi

Atlas Copco Tools Austria
Vienna
Heinrich Wagner

Desoutter Ges mbH
Gerasdorf
Otto Barthel

Atlas Copco Automation
Vienna
Friedhelm Heck

Belgium, Luxemburg
Atlas Copco Benelux
Overijse
Thomas Larsson

Atlas Copco Compressor Division
Overijse
Jean-Jacque Heymans/
André Vanhole

Atlas Copco Compressor
International, Wilrijk
Staffan Nordin

Atlas Copco Tools Belgium
Overijse
Johan Moeys

Desoutter Ltd
Brussels
Marino Kacalo

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

Czech Republic
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

Atlas Copco Automation A/S
Ishøj
Karsten Köhlert

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

France
Atlas Copco Compresseurs SA
Franconville
Alain Rodriguez

Ets Mauguière SA
Belfort
Johan Molin

Atlas Copco Mines &
Travaux Publics SA
Franconville
Philippe Corrége

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

Atlas Copco Automation SA
Cergy Pontoise
Gérard Labbé

Germany
Atlas Copco
Kompressoren GmbH
Essen
Leif Boll

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

Atlas Copco MCT GmbH
Essen
Sergio Camozzi

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

Atlas Copco Automation
Darmstadt
Friedhelm Heck

Great Britain
Atlas Copco Compressors Ltd
Hemel Hempstead
Mike Tatum

Atlas Copco Construction &
Mining Ltd
Hemel Hempstead
Royston Goodman

Atlas Copco Tools Ltd
Hemel Hempstead
Björn Dahlström

Desoutter Ltd
London
Paul Cummings/Ray Whybro

Desoutter Automotive Ltd
London
Ray Whybro

Chicago Pneumatic
Tool Company Ltd
Hemel Hempstead
Gordon Woodward

Atlas Copco Automation Ltd
Wakefield
Barry Mackay

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

Ireland
Atlas Copco (Ireland) Ltd
Dublin
Michael Allen

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
Wim Schoenmakers

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

Atlas Copco Automation A/S
Langhus
Hans Törner

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
António Barros

Russia
Atlas Copco CME Repr. office
Moscow
Boeric Andersson

Slovenia/Croatia
Atlas Copco Compressor Interna-
tional
Kranj
Zlatko Ilic

Spain
Atlas Copco División
Compresores
Madrid
Julián Aragonés

Secoroc SA
Madrid
José Miguel Botella

Atlas Copco Construction and
Mining Technique Spain
Madrid
Francisco Menéndez Larrea

Atlas Copco Tools España
Madrid
Ascensio Liarte

Desoutter SA
Madrid
James Meyers

Atlas Copco Automation
Barcelona
Tom Casinge

Sweden
Atlas Copco Compressor AB
Nacka
Leif Rydberg

Atlas Copco MCT Sverige AB
Nacka
Bertil Sundberg

Secoroc AB
Fagersta
Sten Pettersson

Rebit AB
Ockelbo
Rolf Söderman

Atlas Copco Tools Sverige
Nacka
Kurt Ottosson

GME System AB
Stockholm-Tyresö
Hans Friberger

Atlas Copco SAC AB
Stockholm-Vallentuna
Patrik Regårdh

Atlas Copco Automation
Svenska AB
Ulricehamn
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
Sergio Camozzi

Atlas Copco Tools Schweiz
Studen/Biel
Hugo Pfeuti

Atlas Copco Automation Schweiz
Studen/Biel
Friedhelm Heck

Yugoslavia
Atlas Copco Yugoslavia Inc
Belgrade
Dobrilo Tešović

ASIA

China
Atlas Copco China Ltd/
Construction and Mining
Kowloon
Thomas Kung

Atlas Copco Compressor Div
Kowloon
John Noordwijk

Hong Kong
Atlas Copco Construction and
Mining Div
Kowloon
Thomas Kung

Atlas Copco Compressor Div
Kowloon
John Noordwijk

India
Atlas Copco Compressor
Technique Div
Bombay
Jag M Kaul

Atlas Copco Construction and
Mining Div
Bombay
Rakesh Dewan

Consolidated Pneumatic
Tool Co (India) Ltd
Bombay
James A Henderson

Iran
Atlas Copco Iran AB
Teheran
Bertil Lindsten

Japan
Atlas Copco KK
Tokyo
James Tapkas

Korea
Atlas Copco Mfg Korea Co Ltd
Seoul
Alan Heggie

Atlas Copco Construction
and Mining Technique
Seoul
John Bohatko

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

The Philippines
Atlas Copco Industry Div
Paranaque
Joseph-Christy L Corpuz

Atlas Copco Construction and
Mining Div
Paranaque
Jose D Santos

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 Compressor Div
Taipei
Herman Hsu

Atlas Copco Construction
and Mining Div
Taipei
Vacant

Turkey
Atlas Copco Makinalari Imalat AS
Istanbul
Peter Lindberg

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

OCEANIA

Australia, New Guinea
Atlas Copco Compressors
Australia
Blacktown
Vacant

Atlas Copco Construction and
Mining Technique Australia
Blacktown
Ray Bridgewater

Atlas Copco Hire Australia
Blacktown
Malcolm Davidsson

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

BOARD OF DIRECTORS AND AUDITORS

Michael Treschow Peter Wallenberg

Anders Scharp Tom Wachtmeister

Georg Karnsund Otto Grieg Tidemand

Jacques van der Schueren Gösta Bystedt
Jacob Wallenberg

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 and STORA. Co-chairman of the Board of ABB Asea Brown Boveri. Vice Chairman of the Board of LM Ericsson. 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 by Atlas Copco 1959–1991. President and CEO 1975–1991. Member of the Boards of i.a. Astra, Export-Invest, Hasselfors, Investor, Saab-Scania, S-E-Banken, STORA and Svenska Dagbladet. Chairman of the General Export Association, Swedish Trade Council and Swedish Taxpayers' Association.
Stockholdings: 22,741 A; 11,547 B; 10,395 options; Debentures convertible to 4,000 A shares.
Anders Scharp Vice Chairman (1992). Born 1934. Chairman of the Board and CEO of Electrolux. Chairman of the Boards of SKF, Saab-Scania and Incentive. Vice Chairman of the Board of Investor.
Curt G Olsson (1976). Born 1927. Chairman of the Board of S-E-Banken. 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.
Georg Karnsund (1987). Born 1933. Member of the Boards of LM Ericsson, Saab-Scania, Stora Billerud, Stora Inköp & Transport and Virkeshantering. Chairman of the Board of the Swedish National Road Administration. 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. Skandinaviska Enskilda Banken. Vice Chairman of the Board of STORA. Member of the Boards of LM Ericsson, Investor, Wharton European Advisory Board and Knut och Alice Wallenberg Foundation. Stockholdings: 1,595 A; 532 B; 1,100 options; Debentures convertible to 4,000 A shares.

Bert-Olof Svanholm **Curt G Olsson**

Bertil Eriksson **Erik Belfrage** **Giulio Mazzalupi**

Bo Henning **Per-Erik Nyholm** **Bengt Lindgren**

Christer Améen **Sune Kjetselberg** **Tore Hedberg**

Jacques van der Schueren (1990). Born 1921. Chairman of the Boards of Atlas Copco Airpower and Atlas Copco Belgium since 1963. Former 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. Member of the Boards of Saab Automobile and SKF (deputy). Employed in the Company since 1975. Stockholdings: 322 A; 247 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. Senior Vice President of S-E-Banken. Various positions in the Swedish Foreign Office from 1970 to 1987. Member of the Boards of Investor, Saab-Scania, SILA, SAS, Linjeflyg, TV 4 and the Swedish Institute of Management.

Employee representations

Bo Henning (1973). Born 1933. Chairman, Atlas Copco local of the Swedish Union of Clerical and Technical Employees in Industry (SIF), Nacka.
Per-Erik Nyholm (1973). Born 1937. Chairman, Atlas Copco local of the Metal Workers' Union, Nacka.
Bengt Lindgren (1990). Born 1957. Chairman, Uniroc local of the Metal Workers' Union, Fagersta.
Christer Améen Deputy Member (1986). Born 1939. Deputy 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.
Sune Kjetselberg Deputy Member (1992). Born 1951. Chairman Atlas Copco Tools local of the Metall Workers' Union, Tierp.

Auditors

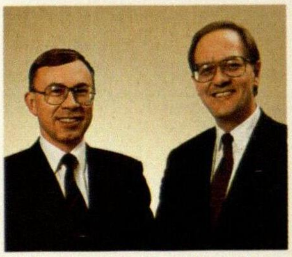
Karl-G Giertz
Authorized
Public Accountant

Olof Herolf
Authorized
Public Accountant

Stefan Holmström
Authorized
Public Accountant,
Deputy

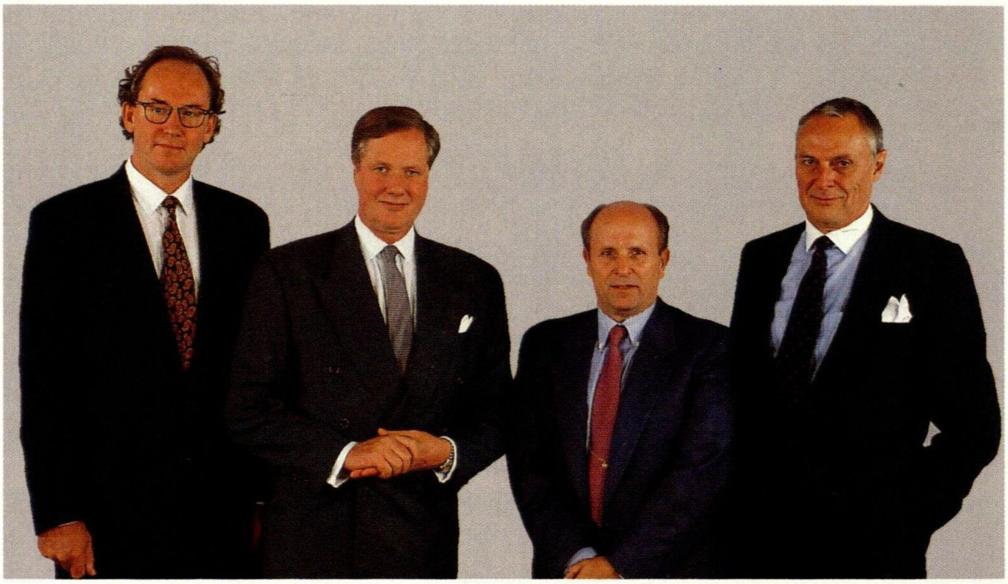
Bo Ribers
Authorized
Public Accountant,
Deputy

Karl-G Giertz **Olof Herolf**



Bo Ribers **Stefan Holmström**

GROUP MANAGEMENT AND GROUP STAFFS



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

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

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

ORGANIZATION

Board of Directors

President and Chief Executive Officer

Executive Group Management and Corporate Functions

	Compressor Technique	Construction and Mining Technique	Industrial Technique
Business areas	**Compressor Technique**	**Construction and Mining Technique**	**Industrial Technique**
Divisions	• Industrial Air • Oil-free Air • Portable Air • Atlas Copco Applied Compressor Technique • Airtec	• Rocktech • Uniroc • Atlas Copco Berema • Wagner Mining and Construction Equipment	• Atlas Copco Power Tools and Equipment • Chicago Pneumatic • Desoutter • Ets G. Renault • Atlas Copco Automation
Product areas	Industrial compressors Portable compressors Gas and process compressors	Drilling rigs Rock drilling tools Construction tools Loading equipment	Power tools Assembly systems Components

Markets

The divisions manufacture their products in own product companies and market them through the business areas' or their own sales companies in around 50 countries and through independent distributors in a further 80 countries.

DIVISIONS BY BUSINESS AREA

Compressor Technique, Divisions

Industrial Air
P O Box 103
B-2610 Wilrijk, Belgium
Tel: +32-3-870 2111

Oil-free Air
P O Box 104
B-2610 Wilrijk, Belgium
Tel: +32-3-870 2111

Portable Air
P O B ox 102
B-2610 Wilrijk, Belgium
Tel: +32-3-450 6011

Atlas Copco ACT
P O Box 100
B-2610 Wilrijk, Belgium
Tel: +32-3-870 2111

Airtec
P O Box 101
B-2610 Wilrijk Belgium
Tel: +32-3-870 2111

Construction and Mining Technique, Divisions

Atlas Copco Rocktech AB
S-105 23 Stockholm, Sweden
Tel: +46-8-743 8000

Uniroc AB
Box 521
S-737 25 Fagersta, Sweden
Tel: +46-223-461 00

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

Wagner Mining and Construction Equipment Co
P O Box 20307
Portland, Oregon 97220-0307, U.S.A.
Tel: +1-503-255 2863

Industrial Technique, Divisions

Atlas Copco Power Tools and Equipment
Box 90111
S-120 21 Stockholm, Sweden
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 Limited
319, Edgware Road
Colindale
London NW9 6ND, Great Britain
Tel: +44-81-205 7050

Ets. Georges 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, Sweden
Tel: +46-321-150 20

Production: LGH Business Information
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Atlas Copco

Annual Report 1992

Extract in US dollars

All figures have been converted at the exchange rate of Dec. 31, 1992: USD 1.00 = SEK 7.03. An English version of the complete Annual Report is available.

FIVE YEARS IN SUMMARY

USD millions unless otherwise noted

THE ATLAS COPCO GROUP	1988	1989	1990[11]	1991	**1992**
Profit after financial income and expense	164	216	179	128	**146**
Profit margin, percent[1]	9.0	10.1	7.9	6.0	**6.4**
Net profit after tax	90	121	97	70	**86**
Return on capital employed, before tax, percent[2]	19.5	23.4	17.6	12.8	**13.3**
Return on equity capital, after tax, percent[3]	16.1	19.5	12.2	7.9	**9.1**
Rate of equity capital, percent[4]	36.6	36.6	45.1	45.6	**46.2**
Rate of equity capital after full conversion, percent	38.0	37.8	46.2	46.6	**47.0**
Orders received	1,925	2,245	2,266	2,165	**2,259**
Invoiced sales	1,822	2,139	2,264	2,138	**2,277**
Percent change, current prices	+11	+17	+6	−6	**+7**
Sales outside Sweden, percent	92	92	93	94	**95**
Net interest expense	4	23	28	25	**17**
As percent of invoiced sales	0.2	1.1	1.2	1.2	**0.7**
Interest coverage ratio[5]	4.1	3.9	3.3	3.1	**3.5**
Total assets	1,618	1,886	1,986	2,002	**2,276**
Ratio of assets to liabilities	1.5	1.6	1.8	1.8	**1.9**
Ratio of current assets to current liabilities	2.0	1.8	2.0	1.8	**1.8**
Ratio of interest-bearing liabilities to shareholders' equity[6]	0.95	0.95	0.58	0.58	**0.53**
Capital turnover ratio[7]	1.18	1.22	1.13	1.05	**1.07**
Investments in machinery and buildings	60	78	97	100	**79**
As percent of invoiced sales	3.3	3.6	4.3	4.7	**3.5**
Average number of employees	19,207	20,057	21,507	19,544	**19,195**
Invoiced sales per employee, thousands of USD	95	107	105	109	**119**
Data per share, USD unless otherwise noted					
Earnings per share, USD[8]	2.79	3.81	2.85	1.98	**2.40**
Dividend	0.91	1.14	1.14	1.14	**1.14**[12]
Highest price quoted, A	30.58	44.38	54.77	39.83	**47.51**
Lowest price quoted, A	15.93	28.59	20.34	21.48	**31.01**
Average price quoted, A	20.48	37.41	39.40	33.43	**40.26**
Price quotation, Dec. 31, A	29.45	39.54	22.76	34.14	**47.51**
Price quotation, Dec 31, B		39.54	21.91	34.28	**47.23**
Direct yield, percent[9]	4.4	3.0	2.9	3.4	**2.8**
Price/earnings[10]	7.4	9.8	13.8	16.9	**16.7**

GUIDELINES FOR FOREIGN READERS OF ATLAS COPCO'S FINANCIAL STATEMENTS

Accounting principles
General background

Development over the last decade in legislation affecting Swedish companies (a new Companies Act and a modernised Accounting Law came into effect in 1977), increased activity in the field of accounting recommendations by FAR (the Swedish Institute of Authorized Public Accountants), and a remarkably widespread movement towards a high degree of informative disclosure have all contributed to revolutionising the form and contents of Swedish annual reports and the financial information they contain.

The underlying principles on which Swedish financial statements are based are the universally accepted ones of historical cost, accrual accounting – i.e. matching income and expense on a correct inter-period allocation basis – and conversatism – recognising a loss risk as soon as it is measurable but not taking credit for income items until actually earned. Certain exceptions from the consistent application of these principles are described below.

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.

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

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

Goodwill

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

A company acquisition, 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.

Goodwill is normally amortized over ten years, while goodwill arising from strategic acquisition is amortized over a period of 20 years.

The economic life of assets is appraised annually to determine whether the selected amortization plan is sufficient.

Notes

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

2 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.

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

4 Shareholders' equity and minority interest as a percentage of total capital.

5 Profit after financial income and expense plus interest paid and foreign exchange differences divided by interest paid and foreign exchange differences.

6 Interest-bearing debt divided by shareholders' equity and minority interest.

7 Invoiced sales divided by average total assets.

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

9 Dividend as percent of average quoted price during year.

10 Average quoted price during year in relation to earnings per share as defined in note 8.

11 For 1990 based on the weighted average number of shares outstanding.

12 According to the Board of Directors' proposal.

Associated companies

Companies in which the Atlas Copco Group has between 20 and 50 percent of the voting rights, and in which it has a substantial ownership involvement, are reported as associated companies.

Holdings in associated companies are reported in the Consolidated Income Statement and Balance Sheet in accordance with the equity method.

Atlas Copco's share of income before appropriations of associated companies is reported in the Income Statement under the heading Financial income and expense.

Shares of taxes in associated companies are reported in consolidated tax expense.

The acquisition cost of shares is reported among Shares and participations in the Balance Sheet, increased or reduced by the shares in income and less dividend received. Undistributed income in these companies is reported among restricted reserves in consolidated shareholders' equity.

Internal profits have been eliminated in appropriate cases.

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 deferred taxes – 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 deferred taxes, 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 Standards Committee (IAS 21), and with the corresponding American recommendations (SFAS 52).

The accounts of all subsidiaries of the Atlas Copco Group are thus 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.

Hedging of net investments
Forward contracts and loans in foreign currency have been arranged in some Group companies to hedge the Group's net investments in foreign subsidiaries. Foreign exchange gains and losses on such contracts, less current and deffered tax, are not included in income for the year but are offset against translation differences arising in connection with the translation of the foreign subsidiaries' net assets.

Interest-rate differences arising between currencies are distributed evenly over the term of each contract.

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 on comparable market prices.

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.

The following economic lives are used for cost depreciation:

Machinery and equipment	3 to 10 years
Vehicles	4 to 5 years
Buildings	25 to 50 years

Research and development costs
Research and development costs are expensed as incurred.

Product development costs and warranty costs
Product development costs are charged against operations when they are incurred.

Estimated costs of product warranties are charged against cost of sales at the time the products are sold.

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.

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 difference between Swedish accounting practice and the U.S. GAAP.

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

	1992	1991
Income as reported in the Consolidated Income Statement	86	70
Items increasing/decreasing reported net income:		
Depreciation of revaluations	0	1
Capitalization of interest expenses	0	1
Depreciation goodwill	–1	–1
Deferred taxes	0	–1
Calculated net profit	85	70
Calculated earnings per share, USD	2.37	1.98
After full conversion, USD	2.39	1.96

Total assets	2,358	2,083
Total liabilities	1,247	1,110
Shareholders' equity as reported in the Consolidated Balance Sheet	1,038	900
Net adjustment in reported shareholders' equity	73	73
Approximate shareholders' equity	1,111	973

Accounting for Post-Retirement Benefits
Effective January 1, 1993, Atlas Copco Group companies in the United States will apply the American accounting rules in accordance with SFAS 106 (Employer's accounting for post-retirement benefits other than pensions) pertaining to costs of health care and drugs for retired employees. SFAS 106 lists two alternative ways of reporting the change-over. Companies may either report the entire estimated cost in income for the year or, alternatively, the cost can be distributed over a maximum period of 20 years. The Group's American companies will treat the cost in accordance with the first-named alternative.

This change in accounting principle will be made in the Atlas Copco Group as of January 1, 1993. In contrast to the SFAS 106 recommendation, the new principle will applied retroactively and the cumulative effect of the change in principle will be reported as an adjustment item in consolidated shareholder's equity.

The net effect on shareholders' equity at January 1, 1993 amounts to SEK 10 m. after deduction of the portion of the amount calculated to pertain to deferred tax.

ATLAS COPCO GROUP

CONSOLIDATED INCOME STATEMENT

Amounts in USD millions

		1992	1991
Operating income	Invoiced sales	**2,277**	2,138
Operating expense	Cost of goods sold	**–1,455**	–1,363
	Technical development, marketing and administrative costs, etc	**–586**	–556
Operating profit before depreciation		**236**	219
Cost depreciation	In accordance with plan	**–75**	–69
Operating profit after depreciation		**161**	150
Financial income and expense		**–19**	–24
Share in associated companies		**4**	2
Profit after financial income and expense		**146**	128
Taxes		**–59**	–56
Minority interest		**–1**	–2
NET PROFIT		**86**	70
Earnings per share, USD		**2.40**	1.98

ATLAS COPCO GROUP

CONSOLIDATED BALANCE SHEET

Amounts in USD millions

ASSETS		1992.12.31		1991.12.31	
Current assets	Cash, bank and short-term investments	**276**		300	
	Receivables	**600**		523	
	Inventories	**629**	**1,505**	501	1,324
Fixed assets	Shares and participations	**32**		12	
	Goodwill	**141**		140	
	Other fixed assets	**598**	**771**	526	678
TOTAL ASSETS			**2,276**		2,002

LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities	*Non-interest-bearing liabilities*				
	Notes payable	**8**		6	
	Suppliers	**143**		106	
	Provision for taxes	**32**		42	
	Accrued expenses and prepaid income	**218**		155	
	Other current liabilities	**151**		148	
	Interest-bearing liabilities				
	Bank loans	**230**		254	
	Current portion of long-term liabilities	**69**		30	
	Other current liabilities	**3**	**854**	5	746
Long-term liabilities	*Non-interest-bearing liabilities*				
	Other long-term liabilities	**11**		7	
	Deferred tax liabilities	**75**		62	
	Interest-bearing liabilities				
	Debenture and bond loans	**–**		47	
	Mortgage and other long-term loans	**38**		43	
	Provision for pensions	**228**	**352**	163	322
TOTAL LIABILITIES			**1,206**		1,068
Convertible debenture loan			**19**		21
Minority interest			**13**		13
Shareholders' equity	Share capital	**126**		126	
	Restricted reserves	**488**		403	
	Retained earnings	**338**		301	
	Net profit	**86**	**1,038**	70	900
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			**2,276**		2,002
Assets pledged			**36**		31
Contingent liabilities			**82**		90

Atlas Copco

ATLAS COPCO AB
S-105 23 STOCKHOLM
SWEDEN
TEL +46-8-743 8000
TFX +46-8-644 9045

ATLAS COPCO GROUP

	1992	1991
INVOICED SALES USD m.	2,277	2,138
PROFIT AFTER FINANCIAL ITEMS USD m.	146	128
RETURN ON CAPITAL EMPLOYED, %	13	13
INVESTMENTS USD m.	79	100
NUMBER OF EMPLOYEES	19,195	19,544

Atlas Copco is an international company, with its head office in Stockholm, Sweden. 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 95 percent of the Group's invoiced sales is attributable to countries outside Sweden. Products are manufactured at 48 plants in 15 countries.

Compressor Technique

	1992	1991
INVOICED SALES USD m.	1,053	1,047
OPERATING PROFIT AFTER DEPRECIATION USD m.	138	147
RETURN ON CAPITAL EMPLOYED, %	26	28
INVESTMENTS USD m.	35	46
NUMBER OF EMPLOYEES	7,481	7,790

The business area Compressor Technique is a leading manufacturer of 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 products are developed, manufactured and marketed by the following divisions: Industrial Air, Oil-free Air, Portable Air and Atlas Copco ACT (Applied Compressor Technique).

Construction and Mining Technique

	1992	1991
INVOICED SALES USD m.	605	640
OPERATING PROFIT AFTER DEPRECATION USD m.	22	–8
RETURN ON CAPITAL EMPLOYED, %	7	0
INVESTMENTS USD m.	20	26
NUMBER OF EMPLOYEES	5,369	5,902

The business area Construction and Mining Technique is a leading manufacturer of rock drilling tools, tunnelling and mining equipment, surface drilling equipment, construction tools and loading equipment.

The products are developed, manufactured and marketed by the following divisions: Atlas Copco Rocktech, Uniroc, Atlas Copco Berema and Wagner Mining and Construction Equipment.

Industrial Technique

	1992	1991
INVOICED SALES USD m.	619	451
OPERATING PROFIT AFTER DEPRECIATION USD m.	19	41
RETURN ON CAPITAL EMPLOYED, %	6	12
INVESTMENTS USD m.	22	27
NUMBER OF EMPLOYEES	6,170	5,573

The business area Industrial Technique is one of the world's largest manufacturers of power tools. The product range also covers assembly systems and pneumatic components.

The products are developed, manufactured and marketed by the following divisions: Atlas Copco Power Tools and Equipment, Chicago Pneumatic, Desoutter, Ets G. Renault and Atlas Copco Automation.