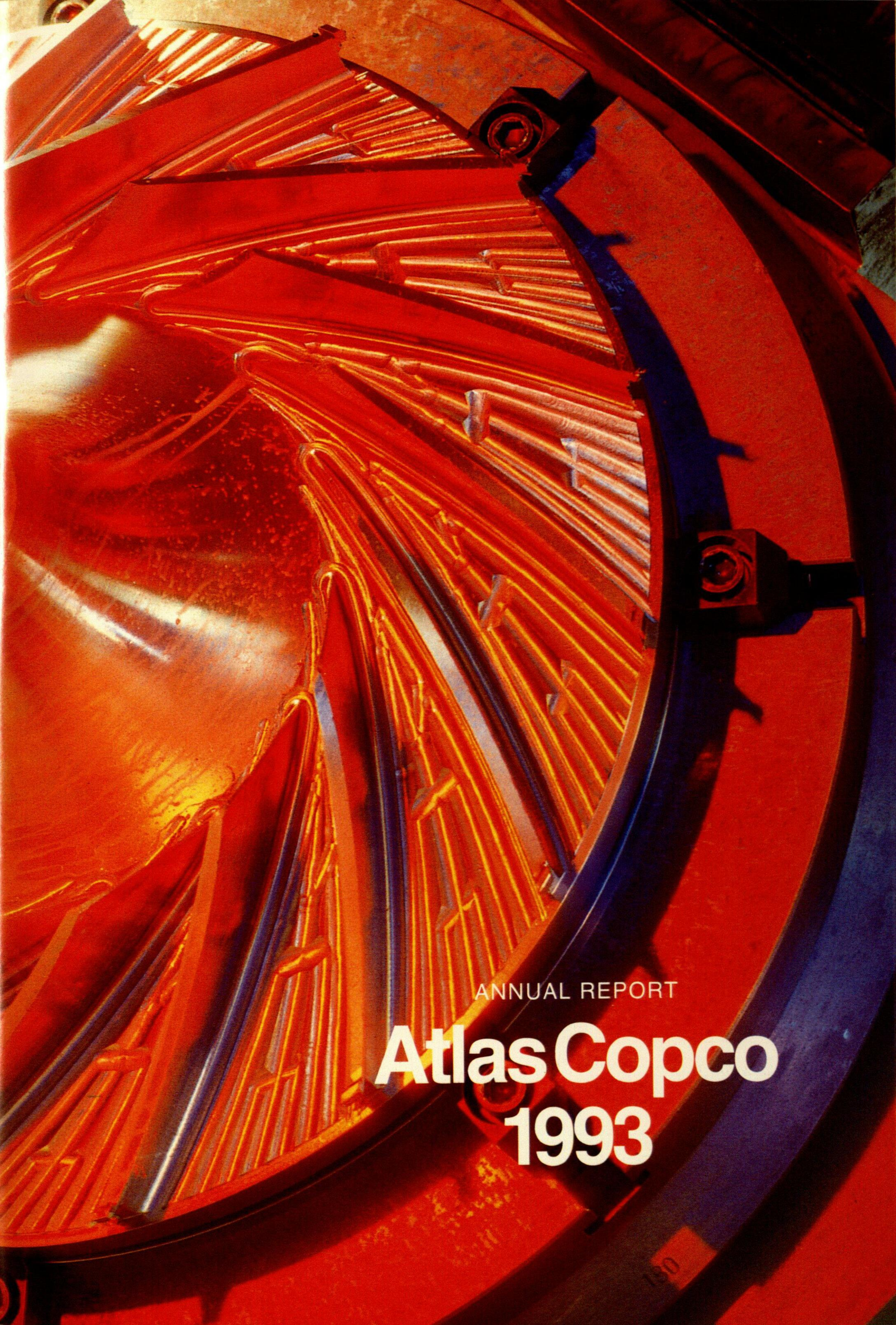
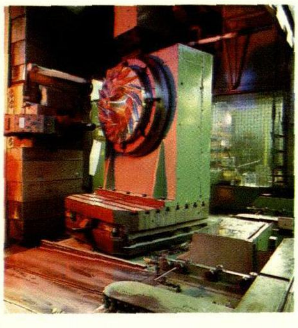


ANNUAL REPORT

Atlas Copco 1993

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



Cover:
The manufacture of a complete impeller for a centrifugal compressor in a computer-controlled machining center. The photograph was taken inside the machining center.

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 Wednesday, April 27, 1994, 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 1994 operations:

President's Address to Shareholders at the AGM .... April 27 1994
Interim Report on first three months of operations .... May 6 1994
Interim Report on first six months of operations .... August 24 1994
Interim Report on first nine months of operations .... November 24 1994
1994 Preliminary 12-month Report .... February 1995
1994 Annual Report .... April 1995

☐ 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 1993/94:

Aros Fondkommission, Stockholm, *Ola Asplund*
Alfred Berg, Stockholm, *Michael Grundberg*
James Capel, Stockholm, *Bo Selling*
Carnegie Fondkommission, Stockholm, *Staffan Östlin*
Enskilda Research, Stockholm, *Stefan Hansson*
FIBA Nordic Securities, London, *Jan Dworsky/Peter Karlsson*
First Boston, New York, *John E McGinty*
Föreningsbanken Fondkommission, Stockholm, *Erik Magnusson*
Goldman Sachs, London, *Anders Bråténius*
Hoare Govett, London, *Tommy Erixon*
Handelsbanken, Stockholm, *Anders Roslund*
Kleinwort Benson, London, *Christian Diebitsch*
Merchant Fondkommission, Stockholm, *Ulf Jönsson*
Merrill Lynch, London, *Jennifer Tora*
Morgan Stanley, London, *Gideon Franklin*
Nat West Securities, London, *Sigurd Kallhovde*
Smith New Court, London, *Gordon Maclean*
Swedbank Fondkommission, Stockholm, *Mats Larsson*
Swiss Bank, London, *Edward Hadas*
UBS, London, *John Longhurst*
Unibörs, Köpenhamn, *Henrik Breum*
Öhman, Stockholm, *Arne C Karlsson*

1993

Sales

Group invoiced sales increased 18 percent to SEK 18,906 m. (16,007).

Earnings

Group operating profit after net financial items increased 30 percent to SEK 1,320 m. (1,017), corresponding to 7.0 percent (6.4) of invoiced sales.

Net profit after tax increased 45 percent to SEK 867 m. (598).

Dividend and earnings per share

The Board is proposing a dividend of SEK 9.00 (8.00) per share. Earnings per share rose 41 percent to SEK 23.70 (16.75).

Split 5:1

The Board is proposing a 5:1 split, whereby the par value of the share will change from SEK 25 to SEK 5.

Company acquisitions

During 1993, Atlas Copco acquired:

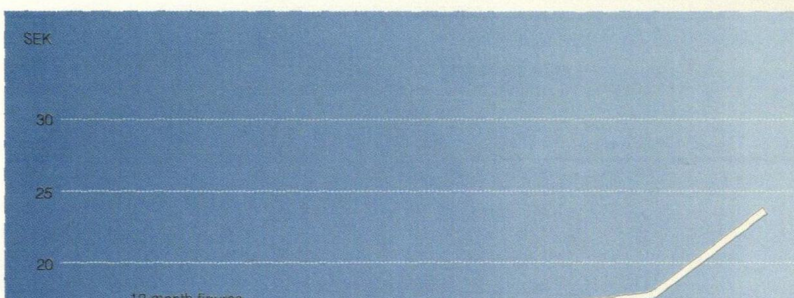
- *The Robbins Company in the U.S. – the world's leading manufacturer of tunnel-boring machines.*
- *the business operations of the manufacturing company, Kango Ltd, in the U.K.*
- *the compressor operations of Worthington-Creyssensac, in France.*

Outlook for 1994

The favorable trend of sales in the non-European markets, primarily in North America and East Asia, is expected to continue during the current year. It is estimated that the weak demand experienced in the large central and southern European markets will continue during the greater part of the year. The rising volume of orders received, as noted in certain European markets towards the end of 1993, is likely to continue during 1994.

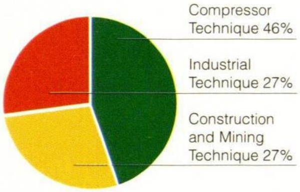
Earnings in 1994 are expected to improve in comparison with 1993.

Trend in Group earnings per share on a quarterly and rolling 12-month basis.



ATLAS COPCO TODAY

INVOICED SALES BY BUSINESS AREA 1993



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

The long-term goal of the Atlas Copco Group is to become the world's leading company within its specialist areas of business.

The Group 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
- rock excavation, rock transportation, rock support and light construction
- industrial production, mechanization and the automotive aftermarket.

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

Strategy

Expansion shall be achieved through a combination of internal growth, joint ventures and company acquisitions.

Growth shall also 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 in order to meet the demands of customers and markets. The European market is Atlas Copco's home market.

Operations

Operations are conducted in three business areas, Compressor Technique, Construction and Mining Technique and Industrial Technique, through 15 divisions, each of which is responsible for its own product development, construction, production, sales and profitability.

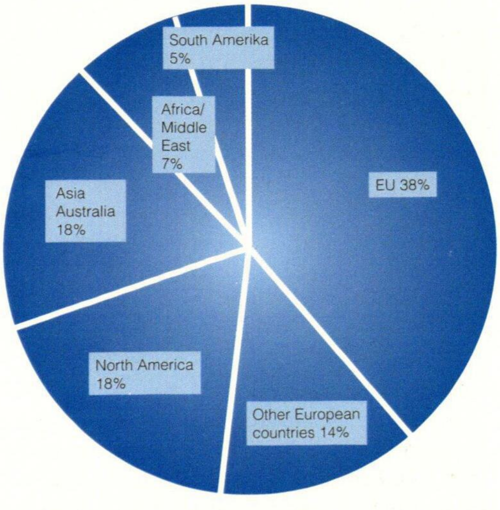
More than 95 percent of the Atlas Copco Group's invoiced sales of SEK 19 billion is attributable to countries outside Sweden. The Group employs a total of 18,000 persons, of whom 15 percent work in Sweden. The divisions manufacture products at 47 plants in 14 countries. The major share of manufacturing is conducted in the EU.

Compressor Technique:

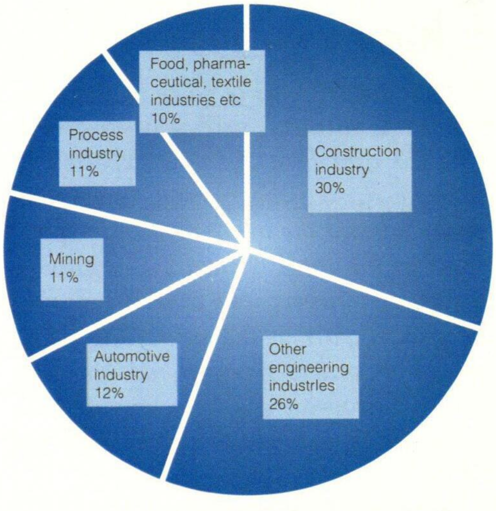
Industrial compressors are an important source of power in both large and small machine shops and in other industries.

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

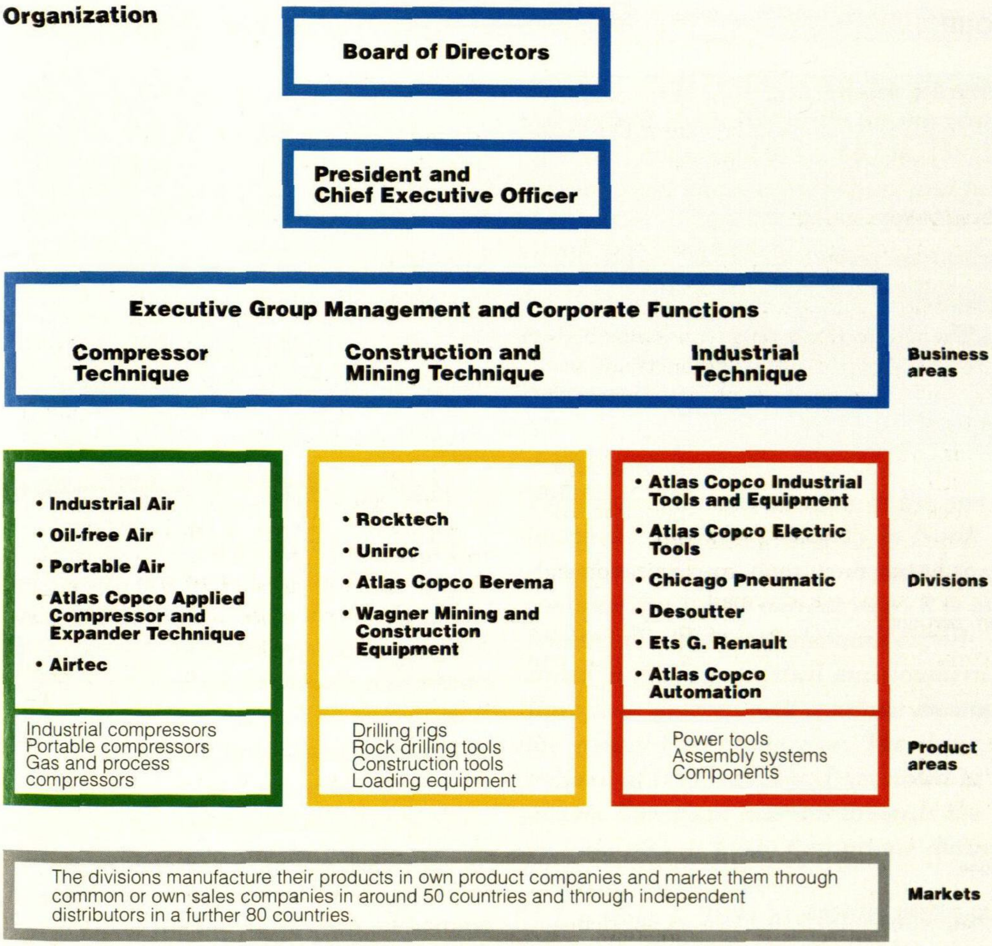
GEOGRAPHIC DISTRIBUTION OF INVOICED SALES



INVOICED SALES BY CUSTOMER CATEGORY



Organization



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

Customer-adapted gas/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. An expanding application area is geotechnical drilling.

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. Electric tools are also manufactured for the do-it-yourself market.

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 and the metallurgic process industry.

FIVE YEARS IN SUMMARY

SEK m. unless otherwise noted. For definitions, see page 19.

ATLAS COPCO GROUP	1989	1990	1991	1992*	**1993**
Profit after financial income and expense	1,521	1,259	902	1,017	**1,320**
Profit margin, percent	10.1	7.9	6.0	6.4	**7.0**
Net profit after tax	853	684	495	598	**867**
Return on capital employed, before tax, percent	23.4	17.6	12.8	13.1	**12.8**
Return on equity capital, after tax, percent	19.5	12.2	7.9	9.0	**11.0**
Rate of equity capital, percent	36.6	45.1	45.6	45.6	**47.8**
Rate of equity capital after full conversion, percent	37.8	46.2	46.6	46.5	**47.8**
Earnings per share, SEK	26.75	20.05	13.90	16.75	**23.70**
Dividend per share, SEK	8.00	8.00	8.00	8.00	**9.00****
Orders received	15,785	15,931	15,220	15,883	**19.194**
Invoiced sales	15,035	15,915	15,030	16,007	**18,906**
Percent change, current prices	+17	+6	−6	+7	**+18**
Sales outside Sweden, percent	92	93	94	95	**95**
Net interest expense	−160	−198	−179	−118	**88**
As percent of invoiced sales	−1.1	−1.2	−1.2	−0.7	**0.5**
Interest coverage ratio	3.9	3.3	3.1	3.5	**5.9**
Total assets	13,258	13,963	14,071	16,219	**17,822**
Ratio of assets to liabilities	1.6	1.8	1.8	1.8	**1.9**
Ratio of current assets to current liabilities	1.8	2.0	1.8	1.8	**1.8**
Ratio of interest-bearing liabilities to shareholders' equity***	0.95	0.58	0.58	0.55	**0.46**
Capital turnover ratio	1.22	1.13	1.05	1.06	**1.09**
Investments in machinery and buildings	545	682	706	553	**394**
As percent of invoiced sales	3.6	4.3	4.7	3.5	**2.1**
Average number of employees	20,057	21,507	19,544	19,195	**18,247**
Invoiced sales per employee, SEK thousands	750	740	769	834	**1,036**

* Values and key ratios have been recalculated in accordance with the change in accounting principles, see further Note 29.
** According to the Board of Directors' proposal.
*** Shareholders' equity and minority interest.

THE BOARD OF DIRECTORS' REPORT ON 1993 OPERATIONS

SEK m. unless otherwise indicated.

THE ATLAS COPCO GROUP

	1993	1992
Invoiced sales	**18,906**	16,007
Change, %	**+18**	+7
Orders received	**19,194**	15,883
Change, %	**+21**	+4
Profit after financial items	**1,320**	1,017
Change, %	**+30**	+13
Net profit after taxes	**867**	598
Change, %	**+45**	+21

Invoiced sales of the Atlas Copco Group in 1993 amounted to SEK 18,906 m. (16,007), up 18 percent. Markets outside Sweden accounted for 95 percent (95), with 38 percent (44) attributable to EU countries. Orders received during the fiscal year increased by 21 percent to SEK 19,194 m. (15,883). Excluding acquisitions during the year, invoiced sales increased by 14 percent and orders received by 18 percent. The increases were due primarily to changes in exchange rates, which are advantageous when foreign currencies are translated into Swedish kronor. Exchange rate movements during fiscal 1993 generated an effect of slightly more than 20 percent.

Group profit after financial income and expense increased 30 percent to SEK 1,320 m. (1,017). The profit margin was 7.0 percent (6.4). Net profit for the year, after tax, amounted to SEK 867 m. (598). Earnings per share after full tax and full conversion totaled SEK 23.70 (16.75).

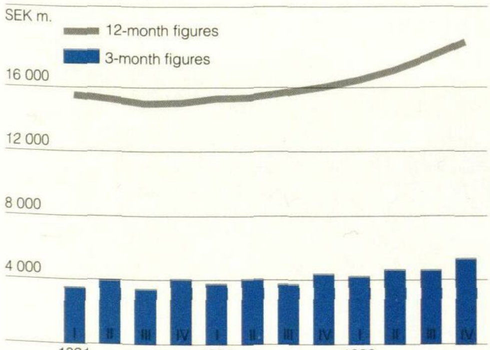
The Board of Directors proposes payment of a dividend of SEK 9.00 (8.00) per share and a 5:1 split, whereby the par value of the share will change from SEK 25 to SEK 5.

Outlook for 1994

The favorable trend of sales in the non-European markets, primarily in North America and East Asia, is expected to continue during the current year. It is estimated that the weak demand experienced in the large central and southern European markets will continue during the greater part of the year. The rising volume of orders received, as noted in certain European markets towards the end of 1993, is likely to continue during 1994.

Earnings in 1994 are expected to improve in comparison with 1993.

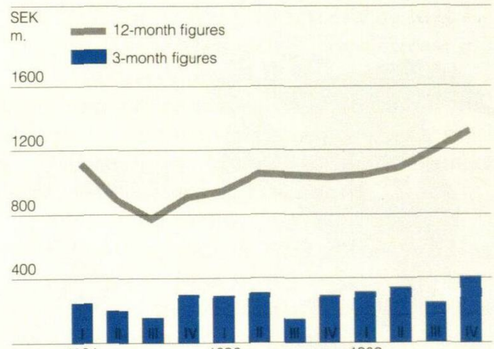
SALES



INVOICED SALES BY QUARTER

	1991	1992	1993
First quarter	3,547	3,834	**4,286**
Second quarter	3,955	4,040	**4,644**
Third quarter	3,478	3,774	**4,621**
Fourth quarter	4,050	4,359	**5,355**
Total	15,030	16,007	**18,906**

PROFIT AFTER FINANCIAL INCOME AND EXPENSES



EARNINGS BY QUARTER

	1991	1992	1993
First quarter	247	286	**315**
Second quarter	202	304	**346**
Third quarter	154	142	**249**
Fourth quarter	299	285	**410**
Total	902	1,017	**1,320**

Figures are adjusted to reflect a change in accounting principles. See page 17.

Structural changes

In April 1993, Atlas Copco acquired The Robbins Company, based in Seattle, U.S. This company is the world's leading manufacturer of tunnel-boring machines (TBMs) and raise-boring machines. A joint product area consisting of Atlas Copco's and Robbins' operations has been formed, which is now part of the Rocktech division within the Construction and Mining Technique business area. This product area, which employs 240 persons, is expected to have annual sales of SEK 800 m.

During May 1993, Atlas Copco acquired the business operations of the British company, Kango Ltd., whose product range includes electrically powered rotating demolition equipment and electric power tools. The company, which today forms part of the Berema division within the Construction and Mining Technique business area, has annual sales corresponding to about SEK 250 m., with 140 employees.

In November 1993, Atlas Copco acquired the Worthington-Creyssensac compressor business from the U.S. company, Indresco Inc. This business, which is based in France, had sales in 1992 of approximately SEK 400 m., with 240 employees. The operations are part of the Compressor Technique business area's Industrial Air division.

During the year, Atlas Copco signed a definitive joint-venture agreement in Nanjing, China, covering the manufacture of certain products and components within the Construction and Mining Technique business area.

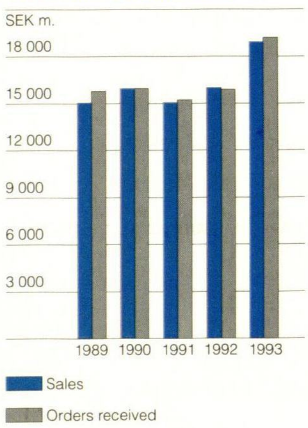
Sales review

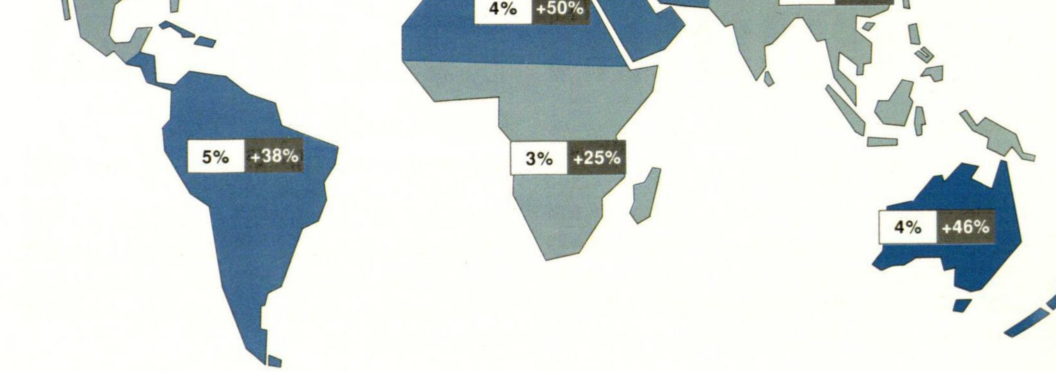
Demand was weak throughout the whole of 1993 in most of the European markets, particularly in Germany, Italy and France. However, some recovery was noted during the latter part of the year in some countries, primarily in Great Britain. The trend of sales in non-European markets – particularly in North and South America, East Asia and Australia – was positive and strengthened gradually during the year.

The order backlog at year-end amounted to SEK 3,394 m., compared with SEK 2,698 m. a year earlier.

Atlas Copco's sales to the *manufacturing industry* were weaker in Europe, especially in Germany and neighboring markets. Outside Europe, however, demand for tools and assembly systems from the American automotive industry increased, as did demand for compressors from the electronics and textile sectors in East Asia.

SALES AND ORDERS RECEIVED





GEOGRAPHIC DISTRIBUTION OF ORDERS RECEIVED, 1993

Portion of Group orders received
Change in value, 1993/1992

Orders received for gas and process compressors and turbo expanders rose sharply in the North American market, while a significant downturn was noted in Europe.

The Group's invoiced sales to the manufacturing and process industries accounted for about 60 percent of total Group sales in 1993.

In the *building and construction industry*, demand for mechanized drilling equipment, rockdrilling tools and portable compressors remained weak. In contrast, increased demand was noted for hydraulic construction machinery in particular. A number of major orders were also received for drilling rigs for large underground construction projects in mainly Europe and East Asia.

The building and construction industry accounted for about 30 percent of Group invoicing.

Sales to the *mining industry* remained weak. However, a number of attractive orders were obtained for drilling equipment from customers in North America, Russia and China, and for loading equipment from customers in the U.S. and Australia. Of total invoicing, sales to the mining sector accounted for 10 percent.

Marketing organization expands

In order to meet the rapid expansion of business activities in East Asia, the service organization for compressors has been expanded. A regional office has been established in Hong Kong for the marketing of industrial tools in East Asia. In China, local sales and service offices have been opened in several strategic locations. A company has been formed jointly with Atlas Copco's distributor in Thailand for the marketing of Atlas Copco's products in initially Vietnam, but also later in Cambodia, Laos and Burma.

The organization in Eastern Europe was further strengthened during 1993. A sales company for compressors was started in Poland. The sales companies and representation offices established earlier in Eastern European countries increased their sales by 50 percent during 1993, compared with the preceding year.

The sales companies of the newly acquired company, Kango, in Australia, the U.S. and Canada were integrated with Atlas Copco's own local sales companies during the year. In several countries, sales operations were transferred from independent distributors to sales companies in the countries concerned.

Financial summary and analysis

Earnings

	1993	1992
Earnings per share, SEK	**23.70**	16.75
Return on capital employed, %	**12.8**	13.1
Return on equity capital, %	**11.0**	9.0
Profit margin, %	**7.0**	6.4

Definitions on key figures, page 19.

Group profit after financial income and expense increased by 30 percent to SEK 1,320 m. (1,017). The profit margin was 7.0 percent (6.4). Profit for the year after tax increased to SEK 867 m. (598). Tax expenses for the year amounted to SEK 432 m. (408). Changes in tax rates in Sweden, among other countries, had a favorable effect on Atlas Copco's tax expenses in an amount of SEK 74 m. (13).

Earnings per share after full tax and full conversion were SEK 23.70 (16.75).

Return on equity capital after tax amounted to 11.0 percent (9.0).

Earnings analysis

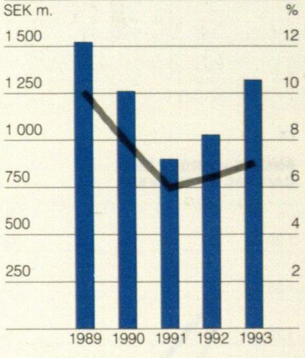
Operating profit before depreciation totaled SEK 1,829 m. (1,651), corresponding to 9.7 percent (10.3) of invoicing. The decrease in profit margin is due to the lower sales volumes not being completely offset by cost reductions. Restructuring costs for mainly the Construction and Mining Technique business area were charged against earnings in an amount of SEK 100 m. (100).

Cost depreciation in 1993 amounted to SEK 653 m. (527). Most of the increase was attributable to the translation of currencies into Swedish kronor.

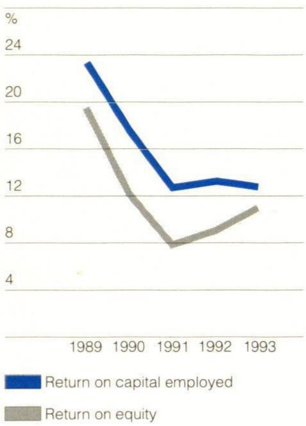
Operating profit after depreciation increased 5 percent to SEK 1,176 m. (1,124), which corresponds to an operating margin of 6.2 percent (7.0).

Operating profit after depreciation for the Compressor Technique business area increased 3 percent to SEK 1,001 m. (968). The earnings trend was depressed by the lower sales volumes.

EARNINGS AND PROFIT MARGIN



RETURN



KEY FIGURES BY BUSINESS AREA

	Invoiced sales		Operating profit		Return on capital employed %		Investments	
	1993	1992	**1993**	1992	**1993**	1992	**1993**	1992
Compressor Technique	**8,554**	7,402	**1,001**	968	**22**	26	**143**	245
Construction and Mining Technique	**5,257**	4,254	**98**	155	**4**	7	**122**	142
Industrial Technique	**5,095**	4,351	**201**	129	**7**	6	**124**	156
Corporate items			**–124**	–128			**5**	10
Total Group	**18,906**	16,007	**1,176**	1,124	**13**	13	**394**	553

Operating profit after depreciation for the Construction and Mining Technique business area declined by SEK 57 m. to SEK 98 m. (155). The decrease was due in part to the lower sales volume and in part to the substantial cost of restructuring measures.

The profit after depreciation of the Industrial Technique business area increased by 56 percent to SEK 201 m. (129). The rationalization measures already implemented were able to offset the effect of lower sales volumes.

Investments

Geographic distribution of investments

	1993	1992
Europe	**273**	448
North America	**56**	65
South America	**16**	14
North Africa/Middle East	**2**	1
Southern Africa	**10**	2
India/East Asia	**31**	19
Oceania	**6**	4
Total	**394**	553

In addition to company acquisitions, investments in fixed assets totaled SEK 394 m. (553). The distribution of investments was SEK 73 m. (109) in Sweden and SEK 321 m. (444) outside Sweden, of which SEK 192 m. (332) was accounted for by EU countries.

In addition to the replacement of older machines, investments related primarily to new production equipment for the industrial compressors plants in Antwerp, Belgium.

Financial analysis

	1993	1992
Net interest expense	**+88**	–118
Degree of self-financing, %	**397**	222
Rate of equity capital, %	**48**	47

The Swedish krona depreciated by a further 10 percent during 1993. Total Group assets increased by a corresponding 10 percent as a result of the weakened krona, of which newly acquired companies increased total assets by about 4 percent. This was offset by a corresponding decrease in existing units.

The Atlas Copco Group's liquid assets on December 31, 1993 amounted to SEK 2,123 m. (1,938), corresponding to 11 percent (12) of invoicing.

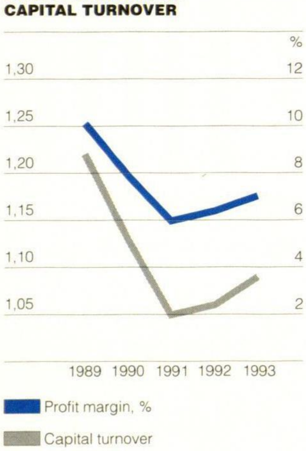
The capital turnover ratio was 1.09 (1.06).

The Notes to the Atlas Copco Group's Statement of Changes in Financial Position on page 15 and the section on Financial Operations on page 28 describe how currency exchange-rate changes affected the Group during 1993.

Inventories and accounts receivable

During the year, the Group implemented extensive programs to reduce the amount of tied-up capital. During 1993, substantial reductions in inventory volumes were achieved, while trade receivables increased slightly. The amount of capital tied-up in inventories and trade receivables in acquired companies was greater than the average for the Group as a whole.

PROFIT MARGIN AND CAPITAL TURNOVER



SUMMARY OF CHANGES IN FINANCIAL POSITION

		1993	1992	1991
Internal funds generated		**1,563**	1,227	981
Change in working capital		**16**	–802	643
	From operations	**1,579**	425	1,624
Investments and acquisitions		**–425**	–655	–1,051
Dividends and other items		**–719**	–173	–422
	Total	**435**	–403	151
Change in interest-bearing liabilities		**–250**	235	34
	Change in liquid assets	**185**	–168	185

During 1993, inventories totaled 23.8 percent (27.6) and receivables 22.1 percent (21.9), respectively, of invoicing. The goal is to reduce both inventories and trade receivables to less than 20 percent of invoicing.

Net indebtedness
The Group's net indebtedness, meaning the difference between interest-bearing liabilities and liquid assets, decreased to SEK 1,779 m. (2,214). Of this amount, SEK 1,905 m. (1,756) related to pension provisions. The decrease was achieved despite the negative effects of the weakening Swedish krona and the acquisitions made.

Pension liabilities include SEK 1,000 m., attributable to foreign subsidiaries, in which interest expense is not reported separately but is included among operating costs.

Net financial items
The net of the Group's financial income and expense was income of SEK 122 m. (−138), corresponding to 0.6 percent (−0.9) of invoicing.

Net interest items improved steadily during the year and amounted to income of SEK 88 m. (−118). The improvement was due to favorable interest-rate differences when hedging the net assets of foreign subsidiaries, lower net borrowing and lower interest rates.

Exchange-rate gains during 1993 totaled SEK 33 m. (+27).

Net financial items in 1992 were charged with a provision of SEK 48 m. relating to a financial receivable.

Share in associated companies
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 22 m. (31) and includes the 50-percent owned hydraulics company, VOAC Hydraulics.

Shareholders' equity
Group shareholders' equity, including minority interests, amounted to SEK 8,513 m. (7,402) on December 31, 1993. The positive translation effect from the weakened Swedish krona was neutralized by the currency hedging measures undertaken.

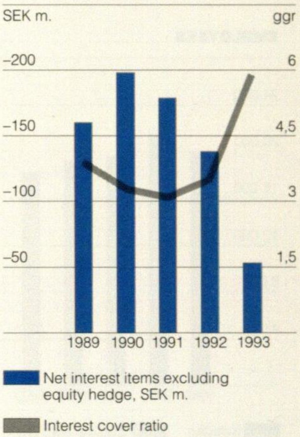
Shareholders' equity per share amounted to SEK 232 (208).

During the year, debentures corresponding to 914,496 A shares were converted, representing a par value of SEK 137 m. The convertible debenture loan has thus been redeemed in full.

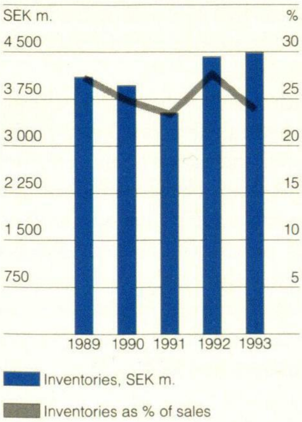
The acquisition of The Robbins Company was implemented in September through a non-cash issue, approved at the Annual General Meeting, of 383,500 B shares. The new shares were issued at a price of SEK 317 per share, corresponding to the average listed price of the Atlas Copco B share on the Stockholm Stock Exchange during the 10 days immediately prior to the announcement of the acquisition.

Equity/assets ratio
The portion of equity capital after full conversion in 1993 was 47.8 percent (46.5).

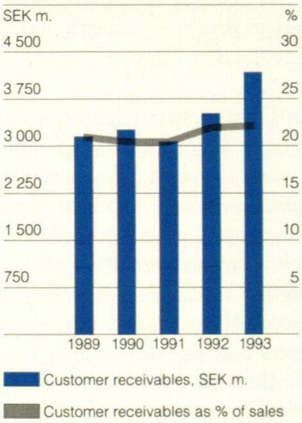
NET INTEREST ITEMS AND INTEREST COVER RATIO



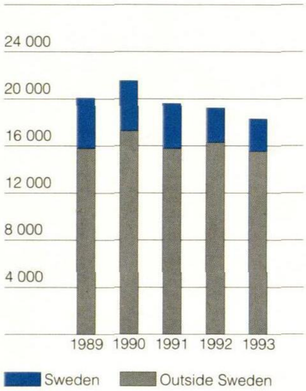
INVENTORIES



CUSTOMER RECEIVABLES



EMPLOYEES



Personnel

	1993	1992
Average number of employees	**18,247**	19,195
Sweden	**2,748**	2,907
Outside Sweden	**15,499**	16,288
Business areas Compressor Technique	**7,276**	7,481
Construction and Mining Technique	**5,280**	5,369
Industrial Technique	**5,553**	6,170
Other	**138**	175

The average number of persons employed within Atlas Copco declined in 1993 by 948 to 18,247 (19,195). The proportion of employees in Swedish units was 15 percent (15) and in units based in EU countries 41 percent (42). Of the average number of employees, 84 percent (84) were men and 16 percent (16) women. In Sweden, the corresponding figures were 82 percent (82) men and 18 percent (18) women. See also Note 30 on page 26.

At year-end 1993, the Group had 17,823 employees (18,494). Including acquisitions, the number of employees increased by 642 persons. Thus, for comparable units, the number of employees declined by slightly more than 1,300 persons.

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

	1993	1992
Boards of Directors and senior executives [including bonus payment of 8 (10)]	**130**	109
Other employees	**4,012**	3,445
Total	**4,142**	3,554

The Atlas Copco Group's wages, salaries and other remunerations amounted to SEK 5,564 m. (4,791), of which SEK 1,422 m. (1,237) represented social welfare costs. As in the case of other earnings items, these costs were affected by the depreciation of the Swedish krona.

Product development

	1993	1992
R & D costs	**582**	479
Total in % of invoicing	**3.1**	3.0

Product development activities were again allocated high priority within Atlas Copco during the past year. The underlying strategy of the work has been to cooperate closely with end-users to produce cost-efficient products that are well suited to the manufacturing process.

Within the Compressor Technique business area, a newly developed line of industrial compressors was launched. The compressors, which are based on a new modular design concept, are equipped with a completely new compressor element and are adapted to optimize production efficiency. A new industrial compressor offering substantial energy savings for users was also developed. This was made possible through a new patented system featuring variable rotation speeds. Through the redesign of certain industrial compressors, it was possible to achieve a significant reduction in product costs.

In the Construction and Mining Technique business area, a new surface rig was developed for use in densely populated urban areas. The new rig is computerized and can be operated on a remote control basis, which offers significant benefits in terms of the working environment. During the year, a new range of drill bits was introduced, which significantly strengthened business area competitiveness.

Within the Industrial Technique business area, several new pneumatic and electrically powered industrial tools were developed during the year. These include a new generation of electric tools equipped with a newly designed motor, which are considerably lighter and faster than previous models. A pneumatic grinding machine, based on a newly developed turbine motor, was also introduced in the market in 1993.

PARENT COMPANY

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

Increases in the share capital of Atlas Copco UK Holdings Ltd., Atlas Copco France Holding SA and Atlas Copco Brasil Ltda also occurred during the year.

All of the shares held in Bilspedition AB and the shares in the venture capital company HIDEF Kapital AB, received in 1992, were sold during 1993.

Earnings

Dividends from subsidiaries amounted to SEK 378 m. (285).

Profit after financial items totaled SEK 607 m. (331).

The Parent Company reported a net profit after appropriations and taxes of SEK 430 m. (319). As a result, unappropriated earnings amounted to SEK 1,373 m. (1,227).

Financing

The total assets of the Parent Company decreased by SEK 239 m.

At year-end 1993, cash, bank deposits and short-term investments amounted to SEK 1,038 m. (1,174).

The Parent Company's net indebtedness was reduced by SEK 480 m. due among other reasons to the repayment of the 1988 bond loan in an original amount of CHF 100 m.

The portion of equity capital amounted to 63.5 percent (57.0).

Personnel

The average number of employees in the Parent Company during the year was 65 (78), of whom 48 percent (45) were women. Total expenses for wages, salaries and other remunerations are shown as follows:

	1993	1992
Board of Directors and senior executives [including bonus payment of 4 (5)]	**11**	10
Other employees	**25**	30
Total	**36**	40

A specification of remunerations etc paid to certain members of the Board, the President and other members of Group management is shown in Note 30 on page 26.

Dividend

The Board of Directors proposes a dividend of SEK 9.00 (8.00) per share, corresponding to a total of SEK 330 m. (284).

5:1 split

The Board also proposes that a 5:1 split be implemented, whereby the par value of the share will change from SEK 25 to SEK 5.

The number of shares in the Company prior to the proposed change amounts to 24,499,518 A shares and 12,203,666 B shares, a total of 36,703,184 shares. In the event of the 5:1 split, the number of A shares will increase to 122,497,590 and the number of B shares to 61,018,330, a total of 183,515,920 shares.

Assuming that the Annual General Meeting approves the proposal, the shares will be listed on the Stockholm Stock Exchange at a par value of SEK 5 per share, effective June 6, 1994.

ATLAS COPCO GROUP

CONSOLIDATED INCOME STATEMENT

Amounts in SEK m.

		1993	1992
Operating income	Invoiced sales (NOTE 1)	18,906	16,007
Operating expense (NOTE 2)	Cost of goods sold	−12,133	−10,229
	Technical development, marketing and administrative costs, etc	−4,944	−4,127
Operating profit before depreciation		1,829	1,651
Cost depreciation	In accordance with plan (NOTE 3)	−653	−527
Operating profit after depreciation		1,176	1,124
Financial income and expense (NOTE 4)		122	−138
Share in associated companies (NOTE 11)		22	31
Profit after financial income and expense		1,320	1,017
Taxes (NOTE 6)		−432	−408
Minority interest (NOTE 7)		−21	−11
NET PROFIT		867	598
Earnings per share, SEK (NOTE 27)		23.70	16.75

CONSOLIDATED BALANCE SHEET

Amounts in SEK m.

ASSETS			**1993.12.31**		1992.12.31
Current assets	Cash, bank and short-term investments (NOTE 8)	**2,123**		1,938	
	Receivables (NOTE 9)	**5,043**		4,216	
	Inventories (NOTE 10)	**4,491**	**11,657**	4,425	10,579
Fixed assets	Shares and participations (NOTE 11)	**227**		224	
	Goodwill (NOTE 12)	**1,237**		989	
	Other fixed assets (NOTE 13)	**4,701**	**6,165**	4,427	5,640
TOTAL ASSETS			**17,822**		16,219

LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities	*Non-interest-bearing liabilities*				
	Notes payable	**99**		55	
	Suppliers	**1,135**		1,003	
	Provision for taxes	**303**		222	
	Accrued expenses and prepaid income	**2,084**		1,533	
	Other current liabilities	**1,160**		1,059	
	Interest-bearing liabilities				
	Bank loans (NOTE 18)	**1,678**		1,617	
	Current portion of long-term liabilities	**28**		488	
	Other current liabilities	**27**	**6,514**	24	6,001
Long-term liabilities	*Non-interest-bearing liabilities*				
	Other long-term liabilities	**80**		80	
	Deferred tax liabilities (NOTE 20)	**546**		576	
	Interest-bearing liabilities				
	Mortgage and other long-term loans (NOTE 19)	**264**		267	
	Provision for pensions (NOTE 21)	**1,905**	**2,795**	1,756	2,679
TOTAL LIABILITIES			**9,309**		8,680
Convertible debenture loan (NOTE 22)			**–**		137
Minority interest (NOTE 7)			**119**		90
Shareholders' equity	Share capital (NOTE 24)	**918**		885	
	Restricted reserves (NOTE 25)	**4,417**		3,429	
	Retained earnings (NOTE 26)	**2,192**		2,400	
	Net profit	**867**	**8,394**	598	7,312
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			**17,822**		16,219

Assets pledged (NOTE 28)	**237**	251
Contingent liabilities (NOTE 28)	**749**	578

STATEMENTS OF CHANGES IN FINANCIAL POSITION

Amounts in SEK m.

	GROUP 1993	GROUP 1992	ATLAS COPCO AB 1993	ATLAS COPCO AB 1992
INTERNAL FUNDS GENERATED				
Profit after financial income and expense	**1,320**	1,017	**607**	331
Reversal of undistributed shares in the profit of associated companies	**–12**	–24		
Depreciation	**653**	527	**7**	8
Capital gain from sales of fixed assets	**–15**	–9	**3**	0
Intra-Group transfers			**–185**	190
Taxes paid	**–383**	–284	**0**	–
INTERNAL FUNDS GENERATED FROM OPERATIONS	**1,563**	1,227	**432**	529
WORKING CAPITAL				
Change in short-term receivables	**–827**	–559	**3**	–206
Change in inventories	**–66**	–960	**–**	–
Change in short-term operating liabilities	**909**	717	**128**	92
CHANGE IN WORKING CAPITAL	**16**	–802	**131**	–114
NET FUNDS FROM OPERATIONS	**1,579**	425	**563**	415
INVESTMENTS				
Investments in property, plant and equipment*	**–488**	–858	**0**	0
Investments in shares and participations	**15**	–7	**–162**	–38
Companies and goodwill acquired	**–110**	–21		
Divested companies	**17**	89		
Investments in long-term receivables	**13**	–13	**365**	–20
Sales of fixed assets	**128**	155	**0**	1
NET INVESTMENTS IN FIXED ASSETS	**–425**	–655	**203**	–57
OTHER ITEMS				
Dividend from Parent Company	**–284**	–283	**–284**	–283
Dividend to minority interests in subsidiaries	**–3**	–5		
Lapsed bonus shares	**–**	1	**–**	1
Minority interest in shareholders' equity	**–2**	–15		
Change in other liabilities	**–36**	18	**–2**	–
Translation differences**	**–394**	111		
CHANGE IN OTHER ITEMS	**–719**	–173	**–286**	–282
NET INTERNAL FUNDS GENERATED	**435**	–403	**480**	76
CHANGE IN INTEREST-BEARING LIABILITIES	**–250**	235	**–616**	–138
CHANGE IN LIQUID ASSETS	**185**	–168	**–136**	–62

* The amounts include investments of SEK 94 m. (305) in existing properties and machinery at newly-acquired companies.

** Of the total translation differences, SEK 96 m. (610) is attributable to shareholders' equity, deferred tax liabilities and minority interests, and SEK –490 m. (–499) to fixed assets.

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

Changes in foreign exchange rates in recent years have 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
The Statement of Changes in Financial Position shows cash flow from operations (net funds from operations) of SEK 1,579 m. (425). The actual payment flows, however, provided a cash flow of SEK 2,169 m. (1,448). This calculation takes into account items that do not affect cash flows, such as differences arising in translation of the working capital in subsidiaries, a negative effect of SEK 504 m. (485) – as well as a negative effect of SEK 102 m. (528) on the initial working capital of acquired companies. The positive cash effect of the working capital released is attributable primarily to reductions in inventory.

Investments
Group investments in buildings, machinery and equipment amounted to SEK 488 m. (858), including SEK 94 m. (305) for fixed assets in newly acquired companies.

Following the large investments during 1990 and 1991, mainly in the Compressor Technique business area, the rate of investing has decreased to a level slightly below that which is expected to apply during the next few years.

The self-financing ratio, defined as internally generated funds as a percentage of investments in machinery and buildings, was 397 percent (222).

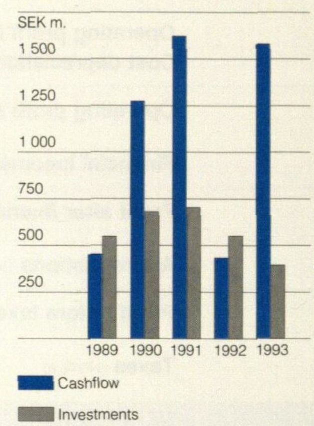
Net from year's operations
Actual cash flow from the year's operations amounted to SEK 687 m. (42). The difference between this figure and the figure of SEK 435 m. (−403) given in the Statement of Changes in Financial Position, relates to translation differences that do not affect cash flow.

Net indebtedness
Net indebtedness pertains to the Group's interest-bearing liabilities less cash, bank deposits and short-term investments. Net indebtedness also includes SEK 1,905 m. in the item Provision for pensions, which is classified as an interest-bearing liability.

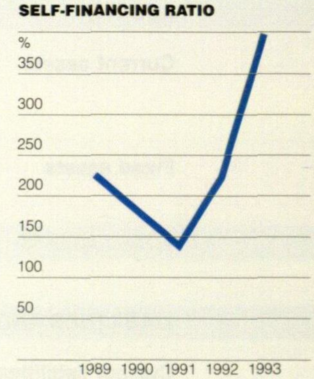
Five-year condensed Statement of Changes in Financial Position 1989–1993

Internal funds generated	6,234
Change in working capital	−877
Net funds from operations	5,357
Net investments in fixed assets	−4,468
Dividends paid	−1,299
Other items, net	−529
Net internal funds generated	−939
New issue of shares	1,203
Change in interest-bearing liabilities	8
Change in liquid assets	272

CASHFLOW AND INVESTMENTS



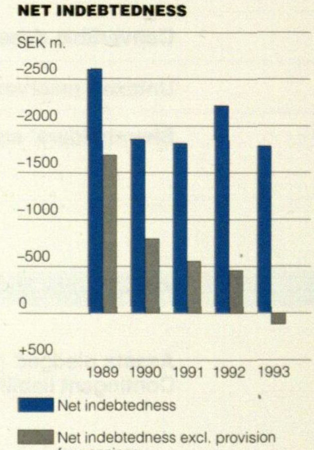
SELF-FINANCING RATIO



NET INDEBTEDNESS	1989	1990	1991	1992	1993
Net indebtedness, January 1	**−1,933**	**−2,605**	**−1,852**	**−1,811**	**−2,214**
Company acquisitions	−600	−924	−465	−759	−332
Effect of changes in exchange rates	0	0	0	−403	−252
New issue of shares	–	1,203	–	–	–
Cash effect, excluding above items	−72	474	506[1)]	759	1,019
Net from year's operations	**−672**	**753**	**41**	**−403**	**435**
Net indebtedness, December 31	**−2,605**	**−1,852**	**−1,811**	**−2,214**	**−1,779**
Provision for pensions	924	1,058	1,257	1,756	1,905
Net indebtedness, excluding Provision for pensions, December 31	**−1,681**	**−794**	**−554**	**−458**	**126**

1) Includes adjustment of SEK 110 m. for change in accounting principles.

NET INDEBTEDNESS



INCOME STATEMENT AND BALANCE SHEET

Amounts in SEK m.

INCOME STATEMENT

	1993	1992
Operating income	238	173
Operating expense	–85	–116
Operating profit before depreciation	153	57
Cost depreciation (NOTE 3)	–7	–8
Operating profit after depreciation	146	49
Financial income and expense (NOTE 4)	461	282
Profit after financial income and expense	607	331
Appropriations (NOTE 5)	–177	–12
Profit before taxes	430	319
Taxes (NOTE 6)	–	0
NET PROFIT	430	319

BALANCE SHEET

ASSETS			1993.12.31		1992.12.31
Current assets	Cash, bank and short-term investments (NOTE 8)	1 038		1,174	
	Receivables (NOTE 9)	1 673	2 711	1,676	2,850
Fixed assets	Shares and participations (PAGE 27)	3 816		3,541	
	Other fixed assets (NOTE 13)	415	4 231	790	4,331
TOTAL ASSETS			6 942		7,181

LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities	Non-interest-bearing liabilities (NOTE 17)	326		198	
	Interest-bearing liabilities (NOTE 17)	1 692	2 018	2,318	2,516
Long-term liabilities	Interest-bearing liabilities (NOTE 19, 21)		446		436
TOTAL LIABILITIES			2 464		2,952
Convertible debenture loan (NOTE 22)			–		137
Untaxed reserves (NOTE 23)			450		458
Shareholders' equity	Share capital (36,703,184 shares, par value SEK 25) (NOTE 24)	918		885	
	Legal reserve (NOTE 25)	1 737		1,522	
	Retained earnings (NOTE 26)	943		908	
	Net profit	430	4 028	319	3,634
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			6 942		7,181
Assets pledged (NOTE 28)			44		5
Contingent liabilities (NOTE 28)			636		548

NOTES TO FINANCIAL STATEMENTS

SEK m. unless otherwise noted

Accounting principles

International guidelines

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

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

Accordingly, the Annual Report contains the following information:

	Page number
Company structure – name and address of the Parent Company – shares and participations in subsidiaries, percentage holdings and shareholdings among companies	 Page 2 and inside cover Shares and participations, page 27
Geographic areas of operations and the primary activities conducted there	Page 6 Business areas, pages 36–53 Sales and service organization, page 59
Invoicing by geographical area and for important product groups	Pages 2, 6–7 Note 1, page 20
Capital expenditures by geographical area and by business area	Page 8 Business areas, pages 36–53
Statements of Changes in Financial Position for the Atlas Copco Group	Page 14
Average number of employees by geographical area and by business area	Page 10 Note 30, page 26
Research and development costs for the company as a whole	Page 10 Page 19 Note 2, page 20
Principles applied for internal pricing	Page 19
Accounting principles for consolidated accounts	Page 17

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 29.
Suffix m. = millions.

Change in accounting principles

Effective in 1993, Atlas Copco applies the American accounting rules in respect of the cost of health care and drugs for retired employees (FAS 106) and new procedures for tax accounting (FAS 109). The new principles are applied retroactively in accordance with the recommendations of Sweden's Financial Accounting Standards Council regarding changes in accounting principles and this means that the accumulative effect is shown as an adjustment entry against consolidated shareholders' equity.

Values for the year under comparison have been recalculated in accordance with the change in principles. Corresponding adjustments have also been made to the affected key figures. See further NOTE 29.

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 (FAS 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 in foreign currencies are translated at the year-end rate.

For individual Swedish companies, these receivables and liabilities are reported in accordance with Directive R7 of the Swedish Accounting Standards Board. Unrealized exchange-rate gains on long-term receivables and liabilities are allocated to a currency exchange reserve and are reported as appropriations.

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 assets 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 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.

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.

Cash flow

The total of internally generated funds from operations and changes in working capital.

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 average number of shares outstanding after full conversion.

Notes

1. Invoiced sales by market

	Group	
	1993	1992
Europe incl CIS	9,830	9,200
of which Sweden	894	783
of which EU	7,197	6,992
North America	3,344	2,356
South America	890	689
North Africa/Middle East	767	641
Southern Africa	633	559
India/East Asia	2,708	2,046
Oceania	734	516
	18,906	16,007

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.

2. Operating expense

Operating expenses include costs for major restructuring projects amounting to SEK 100 m. (100). The amounts reported relate to identified and approved costs for projects that are not estimated to provide any future earnings. Of the appropriations remaining from the two most recent years, SEK 79 m. (76) had not been utilized at year-end 1993.

Appropriations for future restructuring charges have been made in the balance sheets of companies acquired during the year. At year-end 1993 SEK 14 m. (9) remained, which will be utilized during 1994.

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 in an amount of SEK +15 m. (+9).

	Group	
	1993	1992
Technical development costs	582	479
Marketing and administrative costs	4,362	3,648
	4,944	4,127

The above costs include taxes of SEK 15 m. (16) in Sweden based on pension liabilities and pension payments, profit tax and payroll tax respectively.

3. Depreciation

	Group		Parent Company	
	1993	1992	1993	1992
Goodwill (NOTE 12)	82	66	–	–
Machinery and equipment	479	381	5	7
Buildings	92	80	2	1
	653	527	7	8

Current cost depreciation for the Group amounted to SEK 762 m. (648) and thus exceeded cost depreciation by SEK 109 m. (121). See further Current cost accounting page 31.

4. Financial income and expense

	Group		Parent Company	
	1993	1992	1993	1992
Dividends received				
from subsidiaries			378	285
from others	1	1	0	0
Interest				
from subsidiaries			104	117
from others	391	324	219	187
to subsidiaries			−161	−88
to others	−303	−442	−137	−226
Foreign exchange differences	33	27	58	7
Write-down of financial receivable	–	−48		
	122	−138	461	282

The interest portion of the year's provision for pensions in Swedish companies is not charged against operating income but 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 6.1 percent (8.1) for index pensions. The interest portion for 1993 amounted to SEK 52 m. (71). The corresponding sum for the Parent Company amounts to SEK 25 m. (30). No such division has ocurred in the Group's foreign companies. The average pension liability for these companies amounts to SEK 1,000 m.

During 1992, net financial items were charged with a write-down of SEK 48 m. in connection with the bankruptcy of Gota AB.

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	
	1993	1992
Difference between book depreciation and cost depreciation (NOTE 23)	8	4
Allocation to tax equalization reserve	–	−206
Group contributions, net	−185	190
	−177	−12

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 1993, the Parent Company received contributions from Atlas Copco Tools AB and made contributions to Atlas Copco Construction and Mining Technique AB and Uniroc AB.

6. Taxes

	Group	
	1993	1992
Taxes paid		
Swedish taxes	1	−1
Foreign taxes	382	285
Deferred taxes	43	110
Taxes in associated companies	6	14
	432	408

Total tax expenses for the year, amounting to SEK 432 m. (408) corresponded to 32.7 percent (40.1) of income after financial items.

When eliminating 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 in Sweden, among other countries, had a favorable impact, amounting to SEK 74 m. (13), on tax expense. Applying unchanged rates, tax expense in 1993 was equal to 38.3 percent (41.4) of profit after financial items.

The federal tax rate in Sweden was 30 percent in 1993, calculated on nominal book income plus non-deductible items and less tax-exempt revenue and other deductions. Other deductions in the Parent Company include mainly so-called Annell deductions (for capital stock issues) and tax-exempt dividends received from holdings of shares in subsidiaries.

Changes in tax legislation in Sweden have resulted in a reduction of the federal tax rate to 28 percent, effective in 1994. As specified in the new regulations, Annell deductions cannot be utilized after 1993. Instead, effective in 1994, the possibility of making allocations to a profit-equalization reserve has been introduced.

Capital-based tax equalization reserves (K-Surv) in the Group's Swedish companies amount to SEK 484 m. (487). Up to and inlucing 1993, allocations were based on a company's equity capital. Under the new tax regulations, beginning in 1994 existing reserves are to be recovered at a rate of 20 percent annually over five years. Half of the amount, with certain limitations, may be recovered tax-free. The full amount, SEK 47 m. (140) of the transitional reserve for inventory reserves was withdrawn.

7. Minority interest in subsidiaries' equity and earnings

Minority interest in income after financial income and expense amount to SEK 36 m. (22).

The Income Statement reports the minority shares in the Group's profit after tax as totaling SEK 21 m. (11). These minority interests primarily relate to Atlas Copco India, Atlas Copco Malaysia and subsidiaries of Chicago Pneumatic.

	Group
Minority interest Dec. 31, 1992	90
Minority acquired	−2
Dividends	−3
Translation differences	13
Net profit	21
Minority interest Dec. 31, 1993	119

8. Cash, bank and short-term investments

	Group		Parent Company	
	1993	1992	1993	1992
Cash, bank	1,283	1,082	198	318
Financial investments				
Government				
Treasury bills	696	149	696	149
Treasury notes	–	207	–	207
Other short-term investments	44	400	44	400
Other investments	100	100	100	100
	2,123	1,938	1,038	1,174

Financial investments and other investments that are to be held to maturity are valued at acquisition cost.

Investments related to trade are valued at market rates.

The Parent Company's guaranteed credit at predetermined interest-rate levels amounted to SEK 2,910 m.

The subsidiaries' granted but unutilized overdraft facilities amounted to SEK 1,675 m.

9. Receivables

	Group		Parent Company	
	1993	1992	1993	1992
Notes receivable	445	405	–	–
Receivables from subsidiaries			1,584	1,561
Trade receivables	3,728	3,108	16	4
Prepaid expenses and accrued income	333	222	57	89
Other receivables	537	481	16	22
	5,043	4,216	1,673	1,676

10. Inventories

	Group	
	1993	1992
Raw materials	201	218
Work in progress	691	709
Semi-finished goods	1,183	1,097
Finished goods	2,416	2,401
	4,491	4,425

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
Atlas Copco-Diethelm Ltd, Thailand	49,000	49	100	1
Nanjing Huarui Construction Machinery Ltd, China	1	25	2)	8
Nanjing Atlas Copco Construction Machinery Ltd, China	1	51	2)	9
NEAC Compressor Service GmbH & Co KG, Germany	1	50	2)	0
NEAC Compressor Service Verwaltungs GmbH, Germany	1	50	2)	0
Pneumatic Equipment Corp., Philippines	2,398	30	100	0
Toku-Hanbai KK, Japan	200,000	50	500	48
Adjustment for consolidation of associated companies				54
				192
Other companies				
Shares and participations reported by Atlas Copco AB (as specified on page 27)				17
Shares and participations reported by subsidiaries				
Bhagwati Foundries Ltd, India	84,480	50	100	2
Atlas Copco Yugoslavia Inc., Serbia	100,000	60[3]	2)	0
Honda Power Equipment Sweden AB	1,250	25	1,000	2
Rasa Corporation, Japan	400,000	5	50	0
Misc. shares and participations				14
				35
Total for the Group				227

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 (SILA) had a book value at year-end 1993 of SEK 10 m. (17) and a market value of SEK 18 m. (22). The figures for the preceding year include the divested shares in Bilspedition.

Associated companies
The Atlas Copco Group's share in the income after financial items of associated companies amounted to SEK 22 m. (31). Dividends from these companies amounted to SEK 8 m. (7). 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 192 m. (176).

12. Goodwill

Change in goodwill value as shown in the Balance Sheet:

	1993	1992
Acquired goodwill, Jan. 1	1,298	1,198
Accumulated depreciation	–309	–215
Acquired goodwill	206	21
Depreciation for the year	–82	–66
Translation differences	124	51
Planned residual value, Dec 31	1,237	989

Acquired goodwill pertains to the Robbins Company, Kango and Worthington-Creyssensac.

13. Other fixed assets

	Group		Parent Company	
	1993	1992	1993	1992
Long-term receivables from subsidaries			331	694
Long term receivables	80	93	7	9
Deferred tax receivable	361	225	–	–
Construction work in progress	61	70	–	–
Machinery and equipment (NOTE 14)	1,804	1,763	14	23
Buildings (NOTE 15)	1,693	1,613	42	43
Land (NOTE 16)	702	663	21	21
	4,701	4,427	415	790

14. Machinery and equipment

	Group		Parent Company	
	1993	1992	1993	1992
Cost	5,130	4,513	71	88
Accumulated cost depreciation	–3,326	–2,750	–57	–65
Planned residual value	1,804	1,763	14	23
Accumulated depreciation in excess of cost depreciation (NOTE 23)			–12	–20
Book value, net	1,804	1,763	2	3

The estimated acquisition value of premises, machines, vehicles, major computer and office equipment leased by the Group is SEK 228 m. (179). The leasing costs for this property and equipment, SEK 53 m. (39), are reported under operating expenses. Future costs for non-cancellable leasing contracts amount to SEK 130 m. (112).

15. Buildings

	Group 1993	Group 1992	Parent Company 1993	Parent Company 1992
Cost	2,551	2,320	63	63
Undepreciated amount of revaluations	7	8	0	0
Accumulated cost depreciation	−865	−715	−21	−20
Planned residual value	1,693	1,613	42	43
Accumulated depreciation in excess of cost depreciation (NOTE 23)			−10	−10
Book value, net	1,693	1,613	32	33
Tax assessment value	229	228	29	29

The amount shown for Group "Tax assessment value" relates exclusively to buildings in Sweden, the book value of which amounts to SEK 404 m. (416).

16. Land

	Group 1993	Group 1992	Parent Company 1993	Parent Company 1992
Cost	678	639	17	17
Revaluations	24	24	4	4
Book value, net	702	663	21	21
Tax assessment value	129	132	23	26

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 279 m. (280).

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 1993	Parent Company 1992
Suppliers	5	14
Provision for taxes	3	11
Accrued expenses and prepaid income	316	97
Other current liabilities	2	76
Total non-interest-bearing liabilities	326	198
Bank loans (NOTE 18)	727	781
Liabilities to subsidiaries	965	1,091
Current portion of long-term liabilities	0	446
Total interest-bearing liabilities	1,692	2,318

18. Bank loans

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

	1993	1992
PARENT COMPANY		
Available under "USD 200 m. Eurocommercial Paper Program" Outstanding USD 24.3 m.	202	204
Available under "USD 100 m. US Commercial Paper Program" Outstanding USD 25.5 m.	212	–
Other short-term loans and promissory notes	313	577
The Parent Company's bank loans and promissory notes	727	781
SUBSIDIARIES	951	836
Group bank loans	1,678	1,617

19. Long-term loans

Long-term liabilities in the Balance Sheet of the Parent Company pertain to long-term loans and provision for pensions.

Bond loans	1993	1992
PARENT COMPANY		
1978 11⅝% loan SEK 100 m.	–	6
1988 loan LUF 300 m.	–	53
1988 loan CHF 100 m.	–	351
Less: next year's maturities	–	−410
Bond loans	–	–

Mortgage loans and promissory notes	1993	1992
PARENT COMPANY		
Available under "USD 100 m. Medium Term Note Program" Outstanding USD 5 m.	42	70
Other mortgage loans and promissory notes	0	2
Less: next year's maturities	0	−36
Parent Company's mortgage loans and promissory notes	42	36
SUBSIDIARIES	250	273
Less: next year's maturities	−28	−42
Group mortgage loans and promissory notes	264	267

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

Currency	Amount m.	SEK m.	1993 %	1992 %
USD	98	816	41	24
FRF	114	161	8	11
ITL	27,595	134	7	7
DEM	25	121	6	17
JPY	1,634	122	6	4
CAD	21	128	6	3
AUD	17	96	5	1
NLG	12	52	3	4
Others		367	18	29
		1,997	100	100

Based on the currency exchange rates prevailing on Dec. 31, 1993, mortgage loans and promissory notes are amortized as follows:

	Group	Parent Company
1994	28	0
1995	149	42
1996	58	–
1997 – and thereafter	57	–
	292	42

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 17.

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	
	1993	1992	1993	1992
Swedish companies				
FPG/PRI-pensions	792	820	362	357
Other pensions	57	49	42	43
Companies outside Sweden	1,056	887		
Total provision for pensions	1,905	1,756	404	400

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 carried 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. 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 17.

	Parent Company	
	1993	1992
Accumulated additional depreciation		
Machinery and equipment	12	20
Buildings	10	10
Tax equalization reserve	428	428
	450	458

	Accumulated additional depreciation	
	Machinery and equipment	Buildings
Opening value, Jan. 1, 1993	20	10
Dissolutions	–8	–
Closing value, Dec. 31, 1993	12	10

24. Share capital

	Group	Parent Company
Share capital, Dec. 31, 1992	885	885
Conversion of debenture loan	23	23
Non-cash issue	10	10
Share capital, Dec. 31, 1993	918	918

25. Restricted reserves

	Group	Parent Company
Restricted reserves, Dec. 31, 1992	3,429	1,522
Premium on conversion and non-cash issue	226	226
Less taxes	–11	–11
Transfers between restricted and unrestricted capital	773	
Restricted reserves, Dec. 31, 1993	4,417	1,737

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, 1992	2,377	908
1992 net profit	604	319
Effect of changes in accounting principles (NOTE 29)	17	
Unrestricted reserves, Dec. 31, 1992	2,998	1,227
Dividend to shareholders	–284	–284
Transfers between restricted and unrestricted capital	–773	
Translation differences	251	
Retained earnings, Dec. 31, 1993	2,192	943

Group shareholders' equity has been affected by the translation differences arising from the application of the current method of accounting in an amount of SEK 647 m. By hedging the net assets of the foreign subsidiaries, translation differences have been reduced by SEK 396 m.

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 11 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	
	1993	1992
Net profit	867	598
Interest on convertible loan after deduction for 30-percent tax	1	10
Adjusted profit after full tax and full conversion	868	608
Average number of shares after full conversion	36,591,330	36,319,969
Earnings per share, SEK	23.70	16.90

28. Assets pledged and Contingent liabilities

	Group		Parent Company	
	1993	1992	1993	1992
Real estate mortgages	80	91	1	1
Chattel mortgages	47	89	–	–
Short-term investments	39	–	39	–
Receivables	71	71	4	4
Assets pledged	237	251	44	5
Notes discounted	77	122	–	–
Sureties and other contingent liabilities	672	456	636	548
Contingent liabilities	749	578	636	548

Of the contingent liabilities reported in the Parent Company SEK 549 m. (401) relates to contingent liabilities on behalf of subsidiaries.

Loans in accordance with Chap. 12, Paragraph 7 of the Swedish Companies Act were granted during the period 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	147	147
Loans reported in the balance sheets as receivables	0	0

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

29. Change in accounting principles

Effective 1993, Atlas Copco applies the American accounting rules in accordance with FAS 106 (Employer's accounting for post-retirement benefits other than pensions) pertaining to costs of health care and drugs for retired employees and new procedures for tax accounting (FAS 109).

The new principles have been applied retroactively and the cumulative effect of the change is reported as an adjustment item in consolidated shareholders' equity.

The effect on shareholders' equity at January 1, 1993 for "post-retirement benefits" amounted to SEK −91 m. and for change in tax accounting to SEK +108 m.

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

	1992	
	Established	According to new principles
Operating profit after depreciation	1,134	1,124
Net financial items	−138	−138
Share in associated companies	31	31
Profit after financial income and expense	1,027	1,017
Taxes	−412	−408
Minority interest	−11	−11
Net profit	604	598
Earnings per share, SEK	16.90	16.75
Cash, bank and short-term investments	1,938	1,938
Receivables	4,216	4,216
Inventories	4,425	4,425
Fixed assets	5,421	5,640
Total assets	16,000	16,219
Non-interest-bearing liabilities	4,478	4,528
Interest-bearing liabilities	4,000	4,152
Convertible debenture loan	137	137
Minority interest	90	90
Shareholders' equity	7,295	7,312
Total liabilities and shareholders' equity	16,000	16,219

30. Other information regarding personnel

Remunerations etc paid to certain members of the Board, the President and CEO, and to other members of Group management
The Chairman of the Board received SEK 150,000 in fees, SEK 2,088,447 in the form of a bonus, fees from a Group company amounting to FRF 50,000 and a certain ten-year pension effective from the age of 65. A fee of SEK 60,000 and a bonus of SEK 125,000 was paid to each other non-employed Board member and to each deputy for such a member a fee of SEK 30,000 and a bonus of SEK 62,500. Vice Chairman, Tom Wachtmeister, received SEK 68,000 in special compensation plus FRF 50,000 and USD 50,000 in fees from Group companies, plus a pension based on 70 percent of his former salary. A special ten-year pension commitment exists that becomes effective during ten years at the age of 65. Board member Jacques van der Schueren received BEF 1,300,000 in fees from a Group company and Board member Otto Grieg Tidemand received BEF 525,000 in fees from a Group company plus an old-age pension. The President and Chief Executive Officer received a salary of SEK 2,291,849, a bonus payment of SEK 1,027,000 and fees from Group companies in the amount of USD 66,000, FRF 50,000 and CAD 14,000. In addition, a pension commitment exists that is estimated to provide approximately 55 percent of pensionable salary upon retirement after the age of 60.

Notice of termination served by the Company on a member of management with 20 years of service extends over a period not exceeding 30 months. This applies to the President and other members of Group management, with certain individual exceptions within a given framework. Deductions will be made from salaries during notice-of-termination periods in the event of income being received from an another employer or other business operations. From the age of 60 a pension commitment which is estimated to provide approximately 70 percent of the salary at that age currently exists in the category designated "other members of Group management."

Value added and interested parties
The value added corresponds to the Group's total invoicing, SEK 18,906 m., reduced by costs for the purchase of raw materials, wholly and partially finished goods as well as services, SEK 11,513 m. The figure obtained is a measure of the company's productive contribution, i.e. the value added through processing etc.

In 1993, the value added amounted to SEK 7,393 m. (6,442), an increase of approximately 15 percent, while value added per employee increased by approximately 21 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).

Distribution of value added:

	1993		1992	
	SEK m.	%	SEK m.	%
Wages and salaries	4,142	56	3,554	55
Social costs	1,422	19	1,237	19
Depreciation	653	9	527	8
Capital costs, net	−144	−2	107	2
Corporate and municipal taxes	432	6	408	6
Dividends paid	287	4	288	5
Retained in business	601	8	321	5
Value added, total	7,393	100	6,442	100
Value added per employee, SEK thousands	405		336	

Geographic distribution of personnel and distribution of women and men:

	Total number	Distribution as % Women	Men
Europe	10,842	19	81
of which Sweden	2,748	18	82
of which EU	7,523	19	81
North America	2,572	14	86
South America	1,234	13	87
North Africa/Middle East	234	26	74
Southern Africa	445	20	80
India/East Asia	2,412	7	93
Oceania	508	19	81
	18,247	16	84

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.

Shares and participations Atlas Copco AB

	Number of shares	Per-cent held	Par value loc cur	Book value SEK m.
PRODUCT COMPANIES				
Atlas Copco Automation AB	200 000	100	100	20
Atlas Copco Berema AB	60 000	100	1 000	150
Atlas Copco Controls AB	35 600	100	100	41
Atlas Copco Geotechnical Drilling AB	200 000	100	100	30
Atlas Copco SAC AB	16 000	100	100	3
Atlas Copco Tools AB	100 000	100	100	20
Atlas Copco Tunnelling and Mining AB	1 000 000	100	100	240
Craelius AB	45 000	100	100	23
Robbins Europe AB	95 000	100	100	11
Uniroc AB	2 325 000	100	20	112
SALES COMPANIES				
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	693 799 892	100	1	65
Atlas Copco Chilena S.A.C.	24 998	100	1 000	6
Atlas Copco Compressor AB	60 000	100	100	10
Atlas Copco Construction and Mining Export AB	500	100	100	0
Atlas Copco (Cyprus) Ltd.	99 998	100	1	1
Atlas Copco Ecuatoriana S.A., Ecuador	99 922	100	1 000	1
Atlas Copco Ges.m.b.H., Austria	69 990	100	1 000	20
Atlas Copco (India) Ltd.	2 892 000	40	10	0
Atlas Copco Iran AB, Sweden	3 500	100	100	0
Atlas Copco Kenya Ltd.	14 999	100	100	0
Atlas Copco KK, Japan	375 001	100	1 000	23
Atlas Copco Kompressor-teknik A/S, Denmark	3 003	100	4 000	7
Atlas Copco Makinalari Imalat A.S., Turkey	424 670	11[3)]	1 000	0
Atlas Copco (Malaysia) SDN BHD	700 000	70	1	2
Atlas Copco Maroc S.A.	3 574	89	1 500	4
Atlas Copco MCT Sverige AB	3 000	100	100	0
Atlas Copco (Philippines) Inc.	121 995	100	100	3
Atlas Copco (Schweiz) A.G.	7 995	100	1 000	12
Atlas Copco (South-East Asia) Pte. Ltd., Singapore	2 500 000	100	1	8
Atlas Copco Venezuela S.A.	37 920	100	1 000	14
Soc. Atlas Copco de Portugal Lda.	1	100	[1)]	22

[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 Beheer bv, The Netherlands	15 712	100	1 000	470
Atlas Copco France Holding S.A.	219 994	100	500	116
Atlas Copco Holding GmbH, Germany	5	99[2)]	[1)]	100
Atlas Copco North America Inc.	35 506	100	[1)]	796
Atlas Copco UK Holdings Ltd.	45 423 664	100	1	504
Atlas Copco A/S, Norway	4 498	100	10 000	32
OTHER COMPANIES				
Atlas Copco Coordination Center n.v., Belgium	1	0[2)]	10 000	0
Atlas Copco Construction and Mining Distribution AB	500	100	100	0
Atlas Copco Construction and Mining Technique AB	700 500	100	100	356
Atlas Copco Fond-aktiebolag	2 500	100	100	0
Atlas Copco Industrial S.A., Spain	500	50[2)]	10 000	0
Atlas Copco Reinsurance S.A., Luxemburg	4 999	100	10 000	8
Atlas Copco TBM Developing AB	8 000	100	100	1
Atlas Copco Tools Distribution n.v., Belgium	1	0[2)]	10 000	0
Industria Försäkrings AB	50 000	100	100	5
Sickla Industrifastigheter KB	999	100	1 000	465
Atlas Copco Andina S.A., *Bolivia, in liquidation*	18 000	50[2)]	1 000	0
Cerac S.A., Switzerland, in liquidation	1 997	100	1 000	0
36 dormant companies				24
				3 727
MINORITY COMPANIES				
Associated companies				
VOAC Hydraulics AB	250 000	50	100	72
Other companies				
Stockholms Fondbörs AB	977	0	100	0
Svensk Interkontinental Lufttrafik AB (SILA)	508 000	1	10	10
Svenska Dagbladet Holding AB	18 000	2	10	4
Handelsbolaget Svenska Dagbladets AB & Co	100	2	1 000	0
ADELA Investment Co. S.A., Luxemburg	3 640	0	100	0
Cord Capital N.V., Curacao, The Netherlands Antilles	28	1	50	3
Mechanical Technology Inc., U.S.A.	140 000	5	1	0
SIFIDA Investment Co. S.A., Luxemburg	275	1	500	0
Other shares and participations				0
				89

Financial operations

The market in 1993

The turmoil that characterized the currency market in 1992 continued in 1993. The peak was reached on August 2, when the allowed rate fluctuations within the European Rate Mechanism (ERM) were changed from plus/minus 2.25 percent to plus/minus 15 percent for most currencies. This was a temporary setback for plans for a common European currency.

The German mark maintained its strong position in Europe during 1993, although the British pound increased about 4 percent in value relative to the mark. This can be attributed to the economic recovery that was discernible in England. The currencies that declined most in value relative to the German mark were the Italian lira, the Spanish peseta, the Portuguese escudo, the Finnish markka and, in particular, the Swedish krona, which fell 10 percent. (See table on page 29.)

Interest rates dropped sharply in most markets throughout the world. The short-term rate for the U.S. dollar was stable, at a very low level, while corresponding rates for the German mark and Swedish krona – two other important borrowing currencies for Atlas Copco – each declined by about three percentage units.

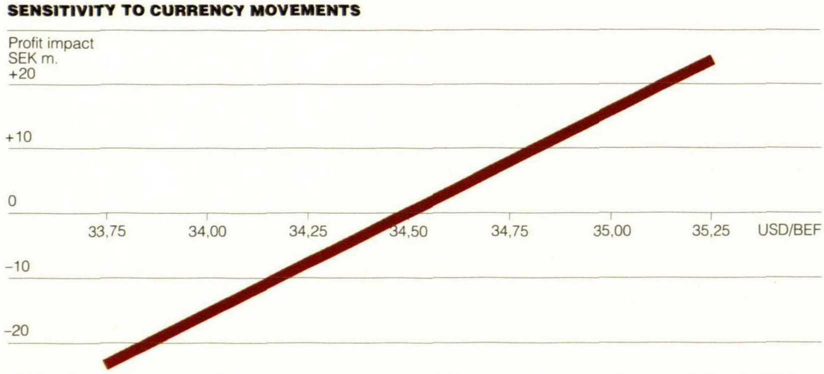
Political upheaval and unrest in Eastern Europe and the failed coup d'état in Russia in October had limited repercussions in the world's financial markets.

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 earnings.

The chart shows Atlas Copco's sensitivity to changes in the USD/BEF exchange rate, expressed in Swedish kronor. A change of one percent in the rate increases/decreases Group profit by SEK 11 m.

SENSITIVITY TO CURRENCY MOVEMENTS



Coordination of financial operations

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

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

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

In addition, the internal bank is responsible for coordinating the financial operations in countries in which there are more than one Atlas Copco company by i e establishing local cash pools. These cash pools, which serve as an extension of the internal bank's operations, have been established in 19 countries.

Borrowing risk

Borrowing risk pertains to the risk that it may be difficult to obtain sources of financing at a given time.

Atlas Copco 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 open market and lends them to Group companies on market terms. To limit borrowing risk, the Parent Company has guaranteed but unutilized credit facilities of USD 350 m., equal to SEK 2,910 m., with Swedish and international banks. In December 1993, the Atlas Copco Group's net borrowing amounted to SEK 1,997 m. (2,396). During the year the Group's net indebtedness, less liquid funds, which had amounted to SEK 458 m. at year-end 1992, was converted to a surplus of SEK 126 m. These figures do not include the item Provision for pensions.

Currency risk

Currency risk is the risk that changes in foreign exchange rates will have a negative impact on the value of the Group's commercial transactions and net assets outside Sweden.

The Group Treasurer is responsible for managing Atlas Copco's total currency exposure. Accordingly, risks arising in the divisions are covered in the Group's internal bank through centralized netting and currency hedges. Loans, forward contracts and options are employed as part of the program to reduce sensitivity to movements in foreign exchange rates.

Atlas Copco's currency policy is to minimize currency risks in commercial flows of currencies, so-called transaction risks. Each division manages its own risks and determines the period and the manner in which hedging is effected. In principle, flows of currencies are hedged only for the period estimated to be required to adapt to changes in foreign exchange rates. These periods vary from division to division and amount, on average, to approximately four months for the Group as a whole. Changes in exchange rates thus impact relatively quickly on Group earnings.

The Group's net commercial flows, which can give rise to a transaction risk, amounts to SEK 3,000 m. per year. Its "surplus" currencies – currencies in which revenues exceed disbursements – are well distributed geographically, while the "deficit" currencies are concentrated in Europe. As the accompanying chart shows, the USD/BEF exchange rate is the single most important one for the Atlas Copco Group. This is due to the growing importance of the United States as a market and to the high percentage of production in Belgium within the Compressor Technique business area. The most important currency exposure in the Construction and Mining Technique business area and the Industrial Technique business area is related to the USD/SEK exchange rate. The annual impact on the Group of a change of one percentage unit in the USD/BEF exchange rate amounts to approximately SEK 11 m., when the value of the U.S. dollar rises by one percent relative to the Belgian franc, Group income increases by SEK 11 m.

The currency risk in net assets outside Sweden – shareholders' equity in non-Swedish Group companies – is minimized through forward contracts and currency swaps, among other measures.

At year-end 1993, the value of the Group's net assets outside Sweden was approximately SEK 6,000 m. Exchange differences arising as a result of the hedging of foreign exchange rates are offset in shareholders' equity against translation differences arising when net assets of subsidiaries are translated at year-end exchange rates. (See Note 26 on page 24.) Interest-rate differences – the difference between foreign and Swedish interest rates in the forward contracts and swap contracts employed in hedging operations – are reported in the consolidated net interest item. The net interest-rate difference in 1993 amounted to SEK 141 m. (20).

An additional effect of changes in exchange rates occurs when translating earnings to Swedish kronor since the Group's consolidated accounts are reported in kronor. Due to the weakening of the krona, this effect was positive in the amount of approximately SEK 130 m.

Interest-rate risk

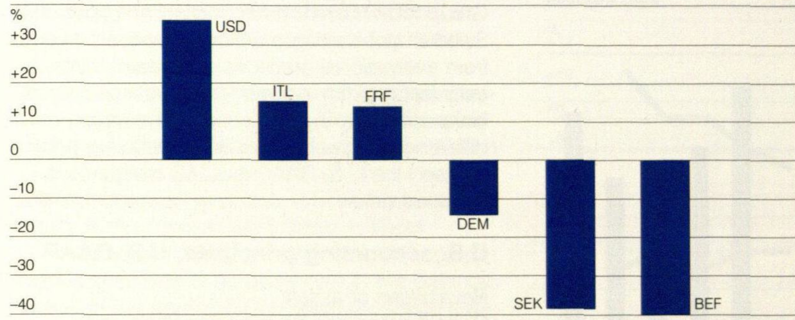
Interest-rate risk is the risk that changes in interest-rate levels will affect Group income negatively. Group loans have largely had short fixed-interest-rate periods. As a result of declining interest rates, this has had a positive effect on the Group's net interest expense. At year-end 1993, the average fixed-rate period was four months. During the year, to further improve the Group's borrowing potential, Atlas Copco's European commercial paper program was increased to USD 200 m.

Credit risk

Credit risk is the risk of loss on short-term investments of liquid funds. The internal bank is responsible for managing the Parent Company's liquid funds which amounted to SEK 1,038 m. in December 1993.

Investments in money markets and bond markets are concentrated in Sweden, via the internal bank. These operations are governed by a highly restrictive policy with regard to credit risk; only a limited group of creditworthy borrowers are accepted. There were no credit losses in 1993.

TRANSACTIONS EXPOSURE IN KEY GROUP CURRENCIES



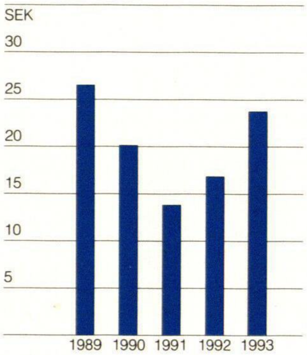
The chart shows the Group's most important surplus and deficit currencies. These are shown as a percentage of the Group's total net exposure of SEK 3,000 m.

Exchange rates

Country	Value	Currency code	Year-end rate 1993	Year-end rate 1992	Average rate 1993	Average rate 1992
Australia	1	AUD	5.64	4.85	5.31	4.31
Austria	100	ATS	68.50	62.50	67.00	53.50
Belgium	100	BEF	23.00	21.50	22.50	18.30
Canada	1	CAD	6.22	5.54	6.01	4.84
France	100	FRF	142.00	128.50	137.50	110.50
Germany	100	DEM	481.00	437.50	471.00	375.50
Great Britain	1	GBP	12.33	10.67	11.68	10.25
India	100	INR	27.00	24.50	25.00	21.50
Italy	100	ITL	0.485	0.478	0.492	0.472
Japan	100	JPY	7.44	5.66	7.01	4.63
Luxemburg	100	LUF	23.00	21.50	22.50	18.30
The Netherlands	100	NLG	430.00	389.00	419.00	333.50
Norway	100	NOK	111.00	102.00	109.50	94.00
Singapore	1	SGD	5.21	4.30	4.86	3.60
South Korea	100	KRW	1.023	0.907	0.976	0.776
Spain	100	ESP	5.84	6.15	6.10	5.70
Switzerland	100	CHF	567.00	482.50	528.00	418.00
U.S.A.	1	USD	8.32	7.03	7.77	5.84

International accounting principles

EARNINGS PER SHARE ACCORDING TO US GAAP



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.

Accounting for Post-Retirement Benefits
Effective in 1993 Atlas Copco applies FAS 106 in reporting costs of health care and drugs for retired employees. In accordance with Swedish accounting principles, shareholders' equity at January 1, 1993 is adjusted for the effects of the change in principles, as well as the values for the preceding year. FAS 106 provides two alternatives for reporting the transition. A company can either account for the entire estimated costs in income for the year, or the costs can be distributed over a maximum of 20 years. The Group's reporting in accordance with U.S. GAAP reflects the first alternative. The effect of the change in principle is reported as "Prior year adjustments" and amount to a reduction of SEK 91 m.

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

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

U.S. GAAP	1993	1992
Income as reported in the Consolidated Income Statement	867	598
Items increasing/decreasing reported net income:		
Depreciation of revaluations	1	1
Capitalization of interest expenses	−6	0
Depreciation of goodwill	−12	−10
Deferred taxes	2	0
Prior year adjustments	17	6
Calculated net profit	869	595
Calculated earnings per share, SEK	23.75	16.65
After full conversion, SEK	23.75	16.80

Total assets	18,337	16,533
Total liabilities	9,486	8,765
Shareholders' equity as reported in the Consolidated Balance Sheet	8,394	7,312
Net adjustments in reported shareholders' equity	457	456
Approximate shareholders' equity	8,851	7,768

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

IAS	1993	1992
Income as reported in the Consolidated Income Statement	867	598
Items increasing/decreasing reported net income:		
Depreciation of revaluations	1	1
Calculated net profit	868	599
Calculated earnings per share, SEK	23.75	17.20
After full conversion, SEK	23.75	16.75

Total assets	17,800	16,197
Total liabilities	9,767	9,199
Shareholders' equity as reported in the Consolidated Balance Sheet	8,394	7,312
Net adjustments in reported shareholders' equity		
Proposed dividend	−330	−283
Other adjustments	−31	−31
Approximate shareholders' equity	8,033	6,998

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
Effective in 1993, Atlas Copco applies FAS 109, which 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). Accrued loss carryforwards are anticipated in those cases in which it is more likely than not that these will be utilized. In accordance with Swedish accounting principles shareholders' equity at January 1, 1993 is adjusted for the effect of the change in principles, as well as the values for the preceding year. In accordance with U.S. GAAP, the effect of the change in principles is reported as "Prior year adjustments" and amounts to SEK 108 m.

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.

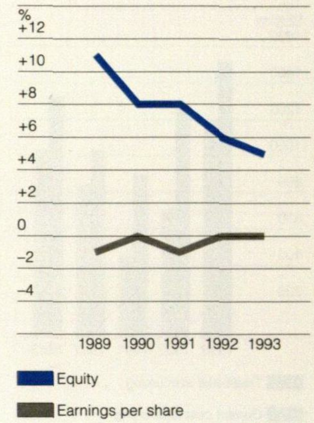
According to U.S. GAAP, this currency component is shown as a separate item in the Balance Sheet. In the sale/discontinuation of foreign subsidiaries, the result from the discontinuation shall also include accumulated translation differences.

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.

DIFFERENCE US GAAP/SWEDISH ACCOUNTING



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

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.

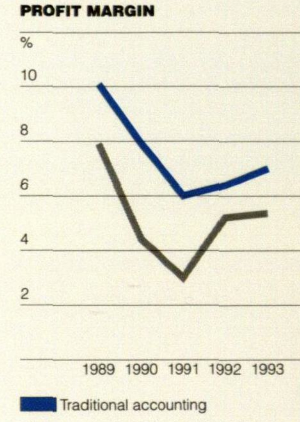
In the valuation of assets, accounting based on current cost is characterized by the fact that historical cost is abandoned in favor of other principles, such as replacement cost.

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

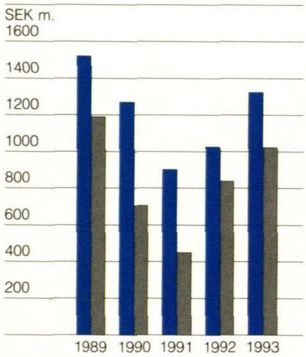
Current cost-based operating income
Current cost-based operating income is an "operative" income figure which should show the degree to which sales revenues covered the replacement value of goods sold. Current cost-based operating income of the Atlas Copco Group in 1993 amounted to SEK 1,075 m. (968).

This income figure is SEK 101 m. (156) 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 8 m. less (1992: SEK 35 m. more) to purchase than they did on the purchase date. Income has also been charged with current cost depreciation that is SEK 109 m. (121) 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.

PROFIT MARGIN



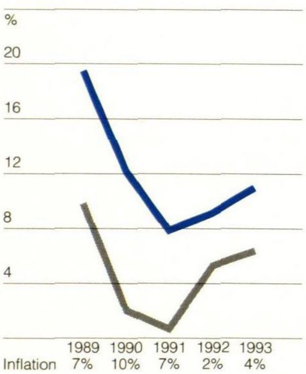
EARNINGS AFTER FINANCIAL ITEMS



Traditional accounting

Current cost accounting

RETURN ON EQUITY



Traditional accounting

Current cost accounting

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 1,237 m. (1,095). Price losses of SEK 16 m. (1992: price gains SEK 42 m.) occurred on inventories and the Company's fixed assets increased in value by SEK 178 m. (85).

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 360 m. (159) during the year. The annual average price increase in 1993 has been estimated at 4 percent (2). Atlas Copco's real income after financial items is thus SEK 1,021 m. (829). This income figure is SEK 299 m. (188) lower than the traditional income and corresponds to a real profit margin of 5.4 percent (5.2).

The real net profit for the year is SEK 299 m. lower than the traditional income and amounted to SEK 568 m. (410).

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 1,078 m. (1,018) since hidden reserves in inventories and assets are shown openly. The main effects are shown below:

- ☐ Machinery, buildings and land are stated at a value that is SEK 1,047 m. (982) higher.
- ☐ Inventory is shown at a value SEK 23 m. (31) higher.
- ☐ Shareholdings are shown at a value SEK 8 m. (5) higher.

Equity capital and unrealized price changes are reported at a value of SEK 1,078 m. higher, which means that the rate of equity capital including minority interest thereby amounts to 51 percent, as against 48 percent in accordance with traditional accounting.

Return on shareholders' equity amounts to 6.4 percent (5.2), compared with 11.0 percent (9.0) according to the traditional method. The reduction in return is attributable to lower actual earnings and to the fact that equity is SEK 1,078 m. higher as a result of current cost accounting.

Current cost income statement

	1993	1992
Invoiced sales	**18,906**	16,007
Current cost of goods sold	**−17,069**	−14,391
Current cost depreciation	**−762**	−648
Operating income	**1,075**	968
Price changes, inventory	**−16**	42
Price changes, fixed assets	**178**	85
Operating income before financial items	**1,237**	1,095
Financial items	**144**	−107
Purchasing power adjustment, equity capital	**−360**	−159
Real income after financial items	**1,021**	829
Taxes	**−432**	−408
Minority interest	**−21**	−11
Net profit	**568**	410

Current cost balance sheet

ASSETS	**1993**	1992
Cash, bank and short-term investments	**2,123**	1,938
Receivables	**5,043**	4,216
Inventories	**4,514**	4,456
Fixed assets	**7,220**	6,627
Total assets	**18,900**	17,237

LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities	**6,514**	6,001
Long-term liabilities	**2,914**	2,906
Unrealized price changes	**1,078**	1,018
Shareholders' equity	**8,394**	7,312
Total liabilities and shareholders' equity	**18,900**	17,237

Reconciliation between traditional and current cost accounting

Income according to traditional accounting			1,320
Change, unrealized price changes:			
Price change, goods sold	8		
Price change, depreciation	−109	−101	
Price change for the year:			
Inventory	−16		
Equipment	178	162	61
Adjustment for inflation			−360
Real income after financial items			1,021

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 943,294,148
Net profit for the year	SEK 430,020,202
	SEK 1,373,314,350

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

To the shareholders, a dividend of SEK 9.00 per share	SEK 330,328,656
To be retained in the business	SEK 1,042,985,694
	SEK 1,373,314,350

Nacka, March 10, 1994

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

BENGT LINDGREN

LARS-ERIK SOTING

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 1993. Our examination was carried out in accordance with generally accepted auditing standards.

We have been assisted in our examination by KPMG Bohlins 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, 1994

STEFAN HOLMSTRÖM
Authorized Public Accountant

OLOF HEROLF
Authorized Public Accountant

To our shareholders

Despite the recession in Europe, 1993 was a successful year for Atlas Copco. Our earnings developed satisfactorily. Several factors contributed to this positive trend. The restructuring measures implemented earlier had a favorable effect during the year. In addition, we have strived to achieve cost savings on an ongoing basis at all levels throughout the organization. We have also administered our financial resources well by decreasing the level of our net borrowing and through successful currency hedging measures. These factors, combined with strong efforts, contributed to the 30-percent improvement in earnings achieved in 1993.

The devaluation of the Swedish krona had a positive effect when the sales and earnings of foreign operations were translated into Swedish kronor, since the greater portion of the Group's revenues and earnings are earned outside Sweden.

Closer to the market

The European market, which accounts for more than 50 percent of our sales, showed a decline in demand within all business areas during 1993. The downturn was particularly noticeable in Italy and Germany. When a change occurs so quickly, as was the case in Europe, major demands are exerted on the local organizations. As a result of the divisionalization process implemented some years ago, we have been able to counter these difficulties in time. Accordingly, each product area has become even closer to its market.

In Eastern Europe, where for many years we have been represented by local agents, we have continued to strengthen our positions. Today, we have our own sales and service organizations in Poland, the Czech Republic, Hungary, Romania and the Baltic States. We have also established an office in Moscow to serve Russia and neighboring markets. During the past year, this has led to a 50-percent increase in the level of orders received and a number of attractive orders in these expanding markets, primarily from Poland, Russia and Hungary.

The most active region of the world for Atlas Copco during 1993 was Asia. In Japan, where we established a joint venture as early as 1989, we deliver compressors to mainly Japan but also to surrounding markets. Sales in the Japanese market have also increased steadily for industrial tools and equipment for mechanized rockdrilling, despite the prevailing recession.

In recent years, Atlas Copco has significantly increased its presence in China. Today, we have local sales and service offices in a number of cities and close to major construction projects. During the year, we secured several orders for drilling and loading equipment in the face of intense competition. As part of our investment in the Chinese market, we signed joint venture agreements with local manufacturers to produce drilling rigs and components. The first shipments from the new plant are scheduled for summer 1994.

As a result of the rapid development of Chinese industry, demand for our industrial compressors and industrial tools has increased. Accordingly, we are establishing locally based marketing organizations to distribute products not only in China but also throughout Eastern Asia.

To additionally strengthen our position in Indochina, we have formed a joint company with our distributor in Thailand to market our products in primarily Vietnam but at a later stage also in Cambodia, Laos and Burma.

We have gradually expanded our service organization for compressors in Eastern Asia in order to provide high quality service. In total, more than 10,000 Atlas Copco compressors have been sold to customers in this region.

In South Africa, we have reestablished our operations. The sanctions which previously prevented us from operating in this market, in combination with the unstable political climate, mean that the trend of sales during the present year is uncertain. In addition, it will require both hard work and considerable time for us to make a real come-back in this market.

Strategic acquisitions

During 1993, we continued our policy of acquiring companies with operations of strategic importance to us within areas of technology that complement our existing business areas.

The acquisition of The Robbins Company in the U.S. positions Atlas Copco as the world's leading producer of tunnel-boring machines, an area expected to increase in importance in future years. Other transactions of strategic importance for Atlas Copco were the acquisitions of Kango Ltd., in the U.K., which manufactures electrically powered construction tools, and Craelius, a world leader in the geotechnical drilling product area.

The most recent acquisition, of the compressor manufacturing company, Worthington-Creyssensac, complements our extensive range of compressor operations from both a product and marketing viewpoint. The company holds a strong position in the French market and is also well represented with its own sales companies in Great Britain, Italy and Spain.

In the North American market, where we are well represented thanks to company acquisitions and our own organic growth, sales were successful during 1993.

Cost-adapted manufacturing

Target-oriented investments were made in order to adapt products and manufacturing techniques to attain optimal production efficiency. Each division has comprehensively reviewed its purchasing routines and reappraised the components used in its products. The review also included materials selection, design solutions and manufacturing methods.

Through the application of rational production methods and efficient logistics handling, manufacturing times for complete compressor elements were reduced by one third.

Our new production methods have also meant that manufacturing inventories could be decreased. Experiences learned from the various divisions show that capital and handling costs have been reduced by up to 40 percent. Since manufacturing is becoming increasingly customer-adapted, with the distribution of finished products and spare parts being implemented via daily deliveries from our distribution centers, the amount of capital tied up in inventory has decreased sharply.

Market-adapted product development

During recent years, we have focused intensively on product development in order to remain at the forefront of technological developments in our various areas of business. This means that with efficient products, we can provide our customers with significant productivity gains. During 1993, our investments in product development were 32 percent higher than in the preceding year, when we introduced more new products than at any other stage during Atlas Copco's history.

The past year's product developments included a new series of portable compressors, a new computerized surface drilling rig and several new industrial tools.

We have signed an interesting agreement with the LKAB mine in Kiruna, northern Sweden. In cooperation with the customer, a new rockdrilling system, featuring completely new drilling equipment, is being developed to replace the mine's existing technology. Initial deliveries will be made at the end of 1994 and will continue through 1998.

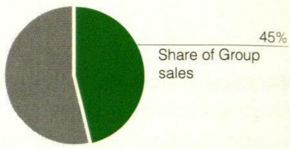
Strong financial position

During the year, we implemented a number of key company acquisitions, while simultaneously maintaining a strong financial position. Our solidity, expressed as the rate of equity capital, increased to 48 percent. The background to this strong position is that the divisions have consistently implemented rationalization measures that have resulted in less capital being tied up in plants and inventory. During the period 1991–1993, manufacturing operations were concentrated to 47 units, at the same time as ten new units were added through company acquisitions. This means a reduction of 16 plants in total. A contributing factor was also our improved productivity, expressed as invoiced sales per employee. During the most recent three-year period, this ratio has increased by an average of 7 percent per year in real terms, despite substantial falls in volumes.

Thus, during the recession of recent years, Atlas Copco has worked intensively to strengthen its position as the leading supplier within its areas of operation. Today, I am convinced that through our investments in state-of-the-art technologies, the concentration of our manufacturing resources, the increased efficiency of our administrative functions and the expansion of our sales organization, we have established a strong position to meet an increasing demand.

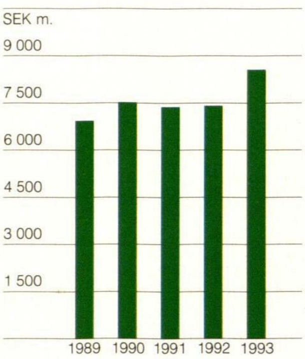
Michael Treschow

COMPRESSOR TECHNIQUE

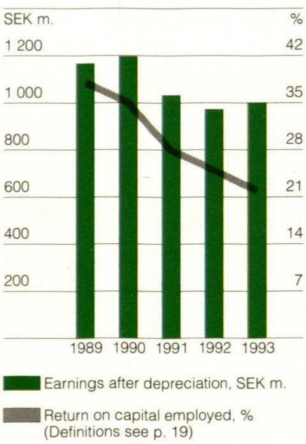


	1993	1992
INVOICED SALES, SEK m.	**8,554**	**7,402**
OPERATING PROFIT AFTER DEPRECIATION, SEK m.	**1,001**	**968**
RETURN ON CAPITAL EMPLOYED, %	**22**	**26**
NUMBER OF EMPLOYEES	**7,276**	**7,481**

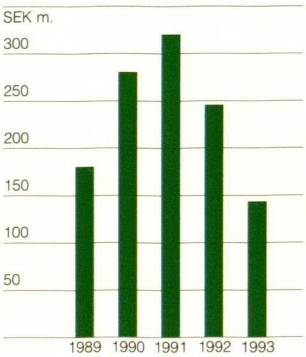
SALES



EARNINGS AND RETURN



INVESTMENTS



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, Méru and Belfort in France and Los Angeles and Albany in the U.S. Manufacturing also takes place in six 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*, effective April 1994 *Hans W Brodbeck*
- Atlas Copco ACT (Applied Compressor and Expander Technique), President *Freek Nijdam*
- Airtec, President *Henri Ysewijn*

Strategy

The role of the business area is to develop Atlas Copco's position as world market leader in the field of compressors and expansion turbines. As part of this strategy, the business area markets quality products to industrial customers who demand a high level of operating reliability in their plants. The divisions are responsible for product development, manufacturing and marketing of their respective products.

Structural changes

In November 1993, Atlas Copco acquired the Worthington-Creyssensac compressor business from Indresco Inc, a U.S. company. This business which is based in France, had sales in 1992 of approximately SEK 400 m. and 240 employees. The operations are included in the Industrial Air division.

Sales

Invoiced sales in 1993 rose 16 percent to SEK 8,554 m. (7,402) and orders received 22 percent to SEK 8,825 m. (7,247).

Earnings

Operating profit after depreciation increased by 3 percent to SEK 1,001 m. (968), corresponding to 12 percent (13) of invoiced sales. The effect on earnings of the lower sales volumes was not fully offset by the positive translation effect and rationalization gains.

Return on capital employed was 22 percent (26).

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

Production of screw compressor components at the Airtec plant in Antwerp is carried out in fully automatic machining centers.

Investments

The total investments of the business area in plants amounted to SEK 143 m. (245). In addition to replacement of old machines the investments were mainly related to production equipment, e.g. in the assembly plants of industrial compressors in Antwerp.

Business development

Demand was weak on several key markets in Europe, mainly in Germany and Italy.

Within the Industrial Air division orders received were gradually improved during the year, partly attributable to the introduction of new products. The strongest sales development for both oil injected and oil-free compressors was noted in North America and East Asia, but also in Australia and certain countries in Europe.

The total demand for portable compressors declined substantially in Europe due to the recession in the building and construction market. Despite lower sales volume Atlas Copco maintained its strong position in the European market. In Great Britain, the U.S. and East Asia orders received increased. The division was able to adjust costs to the demand due to rational production, and in addition considerably decrease the capital tied up in stock.

Atlas Copco ACT increased orders received mainly owing to a positive demand in the U.S. and East Asia, particularly within new application areas such as power generation and natural gas and environmental processes. Demand in Europe, particularly in Germany, weakened considerably.

Outlook for 1994

The weak market trend in Europe is expected to continue most of the year. In overseas markets, mainly North America and East Asia, a continuing favorable trend is foreseen. New products will contribute to increased sales. Operating profit is expected to slightly improve in 1994 as a consequence of further rationalization of the production and distribution activities.

The assembly of complete compressor elements is conducted with optimal efficiency through automated material flows.

Efficient assembly of compressor elements

The assembly of various compressor elements at the Airtec Division's Antwerp plant has been reorganized and integrated with the manufacturing warehouse. The implementation was made in different phases during 1992 and the assembly was fully operational from the beginning of 1993. The aim of the change was to facilitate the assembly and to shorten lead times.

The implementation of automated material flows, combined with a computerized system and bar code scanners, enable the use of highly advanced and efficient production methods in the assembly of compressor elements.

Assembly operations have been divided into ten separate cells, in which each team member assembles a complete element. With the help of a computer, the various assembly lines are provided with exactly the components needed. If any feature is not available, the computer takes this into account during the planning stage, the day before assembly. This makes assembly more flexible and totally adapted to incoming orders. As a result, it is irrelevant whether one or several units of a specific model are to be assembled, since the processes can be conducted on a parallel basis. The computer system controls transportation, ensures that the warehouse is replenished automatically and that the assembly lines receive the required components at the right time and place. Accordingly, the system interacts with both the planning personnel and the assembly teams.

These flexible new routines have resulted in a very efficient utilization of resources. Lead times for the manufacture of a compressor element have been reduced by up to 75 percent, resulting in a substantial reduction in capital employed.

Modular compressor introduced

The new portable compressor is based on a modular design to rapidly meet changes in market demands.

During May 1993, Atlas Copco introduced a newly developed portable compressor in Europe. Based on a completely new concept of modular design, the new compressor can be easily and rapidly adapted to meet the changing demands of the market.

The design of the new compressor satisfies the operating requirements of customers for work on building sites or highways, and for use in public utility applications and by equipment rental companies. The low weight and compact design mean that it can easily be moved to operate indoors and in confined areas. Individual customers may now order portable compressors equipped to exactly meet their specific needs.

The new compressor, which is equipped with a completely new compressor element, has also been adapted to conform to efficient manufacturing methods. All components are designed to offer optimal ease of access for maintenance. It combines quiet operation with low pollutant emission levels, meeting very strict environmental regulations.

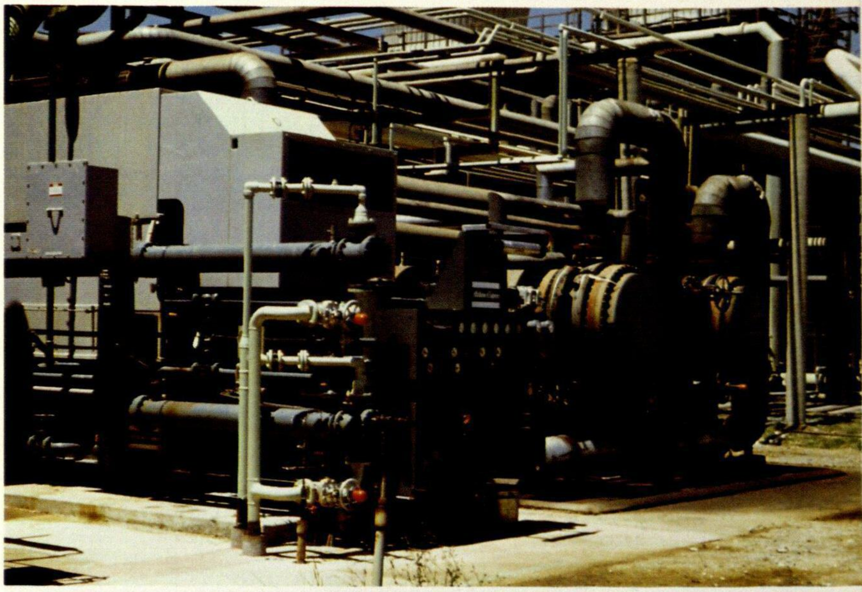
Confirmed by the number of orders already received the initial reaction from the market has been extremely favorable.

Interesting orders for gas and process compressors

During the past year, Atlas Copco obtained a number of interesting orders for its centrifugal compressors and turbo expanders, for delivery to both process industries and power companies.

Among other advantages, a delivery to an oil refinery in Australia of a singlestage turbo compressor for catalytic cracking has resulted in increased capacity, improved efficiency and substantial cost savings for the customer. The installation is being used in a process where heavy hydrocarbon fractions from crude oil are broken down into lighter hydrocarbons, such as gasoline. Since the cracking process constitutes a critical part of refining, the compressor's reliability is decisive to the entire process. Atlas Copco's turbo compressors are designed for continuous operation, 24 hours a day, 365 days a year, for a period of four years at a time. Following this, the equipment needs a six-week overhaul.

Another order relates to three centrifugal compressors, which are playing a vital role in supplying General Electric's gas turbines with natural gas at a power plant in South Korea. The background to this state-of-the-art power generation technology is the rising interest in environmentally adapted processes and the more stringent standards applied to the discharges from fossil fuels. This has resulted in greater utilization of natural gas in the production of electrical power. The function of the compressors is to increase the gas pressure in two stages in order to supply the turbines with gas at a specific, constantly maintained pressure.



A single-stage turbo compressor.

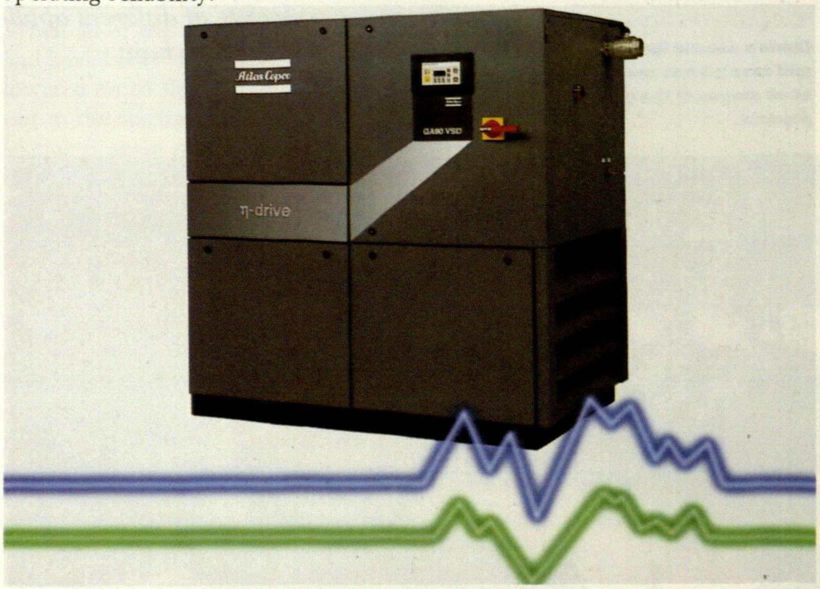
New compressor reduces air energy costs

Atlas Copco has pioneered and patented a variable speed drive (VSD) system into its most recent compressor range. Through this revolutionary development, the compressor's capacity can be regulated to exactly match the required working load, resulting in substantial energy savings and, ultimately, lower costs.

The new technology drive system relies on an advanced electronic frequency converter governing a high efficient induction motor. The system steers the compressor by automatically adjusting the frequency of the electrical power and the compressor speed in order to maintain delivery pressure within a narrow pressure band. In addition, the compressor is equipped with an advanced electronic monitoring and control system, which automatically regulates the compressor for economic and efficient operation. This system also contributes to significantly reduced maintenance costs.

The new energy-saving system provides the new compressor with extremely low operating costs, low maintenance cost and high operating reliability.

The variable speed drive system in Atlas Copco's latest compressor provides substantial energy savings.



Acquisition of French-based compressor manufacturer

During autumn 1993, Atlas Copco acquired the compressor manufacturer Worthington-Creyssensac, with headquarters and plant located in Méru, just north of Paris. The company, which in 1992 had sales of SEK 400 m. and 240 employees, is included in the Industrial Air Division and will maintain its brands and distribution channels.

The company holds a strong position in the French compressor market, where its products are sold via more than 700 sales outlets. The products are also sold through the company's own sales units in Italy, Spain and Great Britain, all markets in which the company's brands are well established.

The product range extends to reciprocating compressors, a complete series of screw compressors and oil-free compressor models.

All production has been concentrated to the plant in Méru, where a new production line for screw compressors is currently under installation.

The acquisition strengthens the Division's position, particularly in the French market. It is also expected that exports from Worthington-Creyssensac will increase as a result of continuing efforts in the product development area and through the expansion of the international sales organization.

Head of Worthington-Creyssensac, Robert Boss, inspecting the newly installed production line.

Cotton mill uses oil-free compressed air to increase production

During 1993 one of China's biggest cotton mills, Beijing No. 2 Cotton Mill, began to use Atlas Copco's oil-free compressors for a number of different applications in its production chain.

The oil-free compressed air is being used initially in the processing and analysis of the raw material, which is then transported to the spinning mill using compressed air rather than a conventional conveyor belt. Large quantities of compressed air are consumed in the process of twisting and winding the cotton. Compressed air is also used to splice the cotton automatically into the large rolls which are used in the weaving machines. It is in the weaving machines that the compressed air has its most important application, which is to take the place of the mechanical shuttle. The plant, which has a total of 2,000 looms, installed 90 new airjet weaving machines as a first phase in summer 1993.

The use of compressed air in the production process has substantially improved productivity. Apart from producing a higher-quality product, the weaving process itself is three times as fast as before, and has the added advantage that the width of the material can be adjusted. The mill produces an annual total of 70 million meters of cotton fabric, most of which is exported to Europe and North America. The installation of four large oil-free compressors and new weaving machines is an important step in improving the plant's competitiveness in the world market.

China's second largest cotton mill uses oil-free compressed air at all stages of the production process.

Scroll compressors for Paris Metro system and airport

During 1993, Atlas Copco completed a number of attractive scroll compressor orders for various applications in the Paris Metro subway system and at the Roissy-Charles-de-Gaulle airport.

The Paris Metro system is supplied with oil-free compressed air from Atlas Copco's small scroll compressors.

Compressed air has been used for various purposes in Paris ever since 1888. Today, the pipework system is obsolete and in need of replacement. However, surveys have shown this would be too costly to implement. The Société Urbaine d'Air Comprimé, which is the organization responsible for this service to many municipal users, thus intends to stop the distribution of compressed air in 1996. The Metro subway system is one of their customers who had to look for an own source providing compressed air at different places. The result was an order for 125 scroll compressors which will be installed together with 25 oil-injected screw compressors and 70 refrigeration dryers to serve 138 Metro stations in the southern part of Paris. The compressed air will be used primarily for the automatic opening and closing of the doors to the Metro stations. In a number of instances, the compressors will be installed in combination with the refrigeration dryers to protect the compressed-air system from sludge.

Another area of application is found in the Metro's air-lift-pumps, which keep the subway free of water. When the groundwater level rises, oil-free air is injected in a vertical pipe connected with the water into the Parisian sewage system. All of the compressors are centrally controlled and are connected to a back-up system in the event of a power failure.

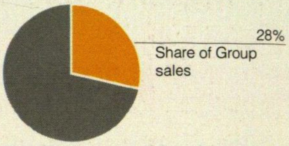
The selection of scroll compressors for this project was made on the basis of their minimal maintenance needs, high operating reliability and low noise level.

Prior to 1996, when central distribution of compressed air will cease, the 222 Paris Metro stations in the northern sectors of the city will be part of a further investment for the same type of applications.

Scroll compressors are also used at the Roissy-Charles-de-Gaulle international airport, but for a completely different application. Four million passengers yearly are transported between the airport terminals and the actual aircraft using specially designed buses equipped with compressors – a transport system that significantly reduces the distance to be walked by the passengers. The body section of the bus, each of which can carry 150 passengers, is raised by means of an hydraulic system which is pneumatically operated to the height of the airport terminal building. When all of the passengers have checked-in and have boarded the bus, the body section is lowered on to the chassis and the bus drives out to the waiting aircraft. There, the body section is again raised, to the height of the boarding doors and the passengers walk on to the airplane. Compressed air is also used for the brakes and suspensions system of the buses.

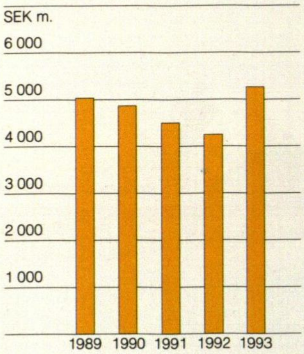
During 1993, comprehensive tests were conducted, whereby the compressors were operated non-stop during 24 hours a day and the body sections were raised and lowered 400 times, respectively. In future, the bus manufacturer intends to include the Atlas Copco scroll compressors as an integrated feature and export the buses to other airports throughout the world.

CONSTRUCTION AND MINING TECHNIQUE

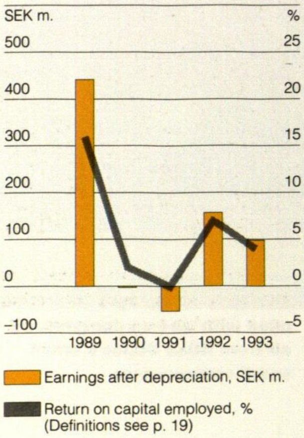


	1993	1992
INVOICED SALES, SEK m.	5,257	4,254
PROFIT AFTER DEPRECIATION, SEK m.	98	155
RETURN ON CAPITAL EMPLOYED, %	4	7
NUMBER OF EMPLOYEES	5,280	5,369

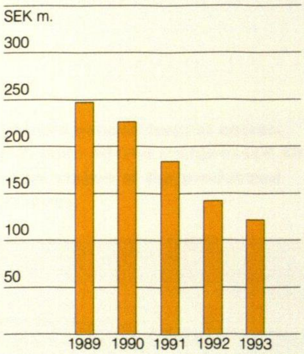
SALES



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 and 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 contains the following divisions:

- Atlas Copco Rocktech, President *Bill Sundberg*
- Uniroc, President *Kjell Carlsson*
- 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. Growth will be generated through continued focus on research and development within existing main areas of operation and via complementary acquisitions.

Structural changes

In April 1993, The Robbins Company, based in Seattle, U.S., was acquired. This company is the world's leading manufacturer of tunnel-boring machines (TBMs) and raise-boring machines. A joint product area consisting of Atlas Copco and Robbins' operations has been formed and is today part of the Rocktech division. This product area, which employs 240 persons, is expected to have annual sales of about SEK 800 m.

During May 1993, Atlas Copco acquired the business operations of the British company, Kango Ltd., based in Peterborough, north of London. The company, which today forms part of the Berema division, manufactures and markets electrically powered rotating demolition tools. Kango has annual sales of about SEK 250 m., with 140 employees.

During the year, Atlas Copco signed a definite joint venture agreement in Nanjing, China, for the manufacture of certain drilling rigs and components.

In 1993, production of pneumatic breakers was concentrated to the Atlas Copco Berema plant in Kalmar and production of down-the-hole hammers was transferred to the Uniroc plant in Fagersta. As a result, operations at the plant in Hemel Hempsted, outside London, were terminated in the autumn.

From left: Kjell Carlsson, Roderick Brown, Bill Sundberg and Jörgen Krook.

Robbins tunnel-boring machine (TBM) is made ready for boring a section of the major hydro power plant project in Lesotho.

Sales

Invoiced sales in 1993 rose 24 percent to SEK 5,257 m. (4,254). The increase was due to favorable currency effects and the acquisitions of Craelius, Kango and The Robbins Company. In terms of volume for comparable units, sales declined significantly. The drastic downturn in the European construction sector could only be partially offset by increased demand in mainly China, Canada and Australia. Orders received increased 20 percent to SEK 5,181 m. (4,305).

Earnings

Operating profit after depreciation but before financial items totaled SEK 98 m. (155). The weak trend in earnings was attributable to the decrease in the volume of sales of surface drilling equipment and rock drilling tools in particular and to substantial restructuring costs.

The return on capital employed was 4 percent (7).

Investments

Total business area investments in plants amounted to SEK 122 m. (142) and referred mainly to replacement of production equipment.

Business development

Demand remained weak during the year, due to the low levels of activity in both the mining sector and the building market.

Orders received for drilling rigs for major underground construction projects were favorable, however. Several large orders were taken, particularly from customers in Europe, China and India.

Within the mining sector, attractive orders were obtained for both drilling and loading equipment in Russia, China and Australia. During the year, the Wagner division delivered a substantial order of coal loaders to a mine in the U.S.

Sales of rock drilling tools stabilized, but at a low level due to a declining total market. Earnings of the Uniroc division were charged with the cost of restructuring measures to adapt production to market demand.

The Berema division continued to strengthen its position in the market for light construction equipment. The acquisition of Kango, with its range of electrically powered tools, therefore constitutes a good complement.

Outlook for 1994

Demand for drilling equipment in the underground construction sector in 1994 is expected to remain unchanged at a favorable level, while it is anticipated that the weak trends in the mining sector will continue. It is estimated that the structural measures approved earlier will lead to an improvement in earnings during 1994.

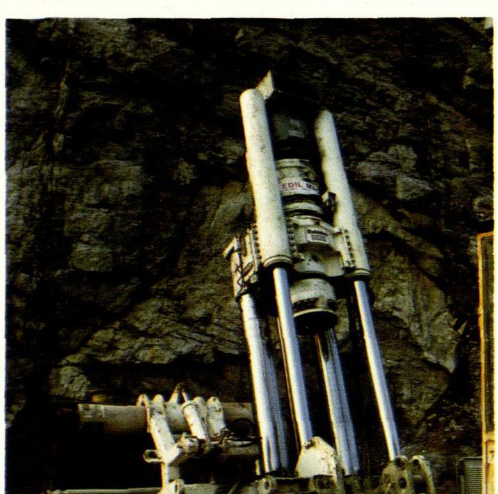
Substantial deliveries to gold mine in Ghana

During the year, Atlas Copco signed a long-term cooperation agreement with one of the world's leading gold producers, Ashanti Goldfields Corporation (Ghana) Ltd, with the aim of increasing the level of mechanization at the company's Obuasi mine.

A modern hydraulic drilling rig for the mining of gold in Ghana.

The production objective is to double the annual mining volume from 18 tons to approximately 30 tones of gold. To achieve this goal, an initial delivery of nine Boomer drilling rigs has been made for production drilling and drifting operations, as well as two Simba rigs for long-hole drilling. The agreement also includes the delivery of Wagner loaders. Ashanti has been using Wagner's Scooptram loaders with highly successful results since 1982 and 35 such machines are currently in operation at the mine. In addition, a Robbins raise-boring machine, for the drilling of a ventilation and mucking shaft, was delivered during the year. This is the sixth Robbins machine of this type in operation at the Obuasi mine.

Atlas Copco's extensive resources, including a complete range of equipment for the mining and transport of the ore, was a major factor in Ashanti's selection of supplier. Other decisive reasons included training, mechanical maintenance and service, all of which Atlas Copco provides as part of its total service concept. As a result of this cooperation, Atlas Copco has established a new company in the capital, Accra, with a branch office located close to the mine.



Raise-boring machines from The Robbins Company complement the Atlas Copco range.

Strategic acquisition is broadening the product program

The acquisition of the world's leading manufacturer of tunnel boring machines (TBM) – The Robbins Company in Seattle, U.S. – means a broadening of the Rocktech Division's technical know-how and product program.

Through the acquisition, Atlas Copco's product program has been expanded and includes today both open and shielded TBMs for boring in mixed ground and hard rock, Mobile Miner for drift mining and raise boring machines, with BorPak, which is a new system for blind bored shafts.

The total TBM market is expected to grow considerably during the next decade. The product area has therefore established Application Centers in Seattle, Stockholm and HongKong in order to support customers with cost effective solutions for underground boring. TBMs from Atlas Copco and Robbins have so far excavated 2,600 km tunnels in rock for more than 650 projects in different parts of the world.

Five Robbins TBMs participated in boring both the rail tunnels of 8.8 meter diameter and the service tunnel of 5.6 meter diameter of the Channel Tunnel project, which will be inaugurated in the summer 1994.

At the large Lesotho Highlands Water Project in southern Africa four TBMs from Atlas Copco are in action, both the Robbins and Jarva trade names.

In Norway six Robbins TBMs have been boring a large number of tunnels at the Svartisen hydro-electric project.

In the beginning of 1994 the production of two double shielded TBMs was completed for delivery to a hydro-electric project in China.

Increased interest in geotechnical drilling

During the autumn, Atlas Copco organized a tour of several European countries to demonstrate its geotechnical drilling equipment. Geotechnical drilling, which is a generic term used to describe the products, methods and know-how relating to drilling in primarily soil and porous rock species, is one of the fastest growing segments of the drilling market.

During the tour, which attracted more than 3,000 prospective users, a complete range of drilling rigs and diamond drill bits for various applications was demonstrated. The demonstration program included land stabilization, with the help of injection equipment, ore prospecting drilling and equipment for land studies prior to the commencement of construction or tunneling work. Equipment for horizontally controllable drilling – with applications including pipe-laying under roads, railways and urban areas – was also displayed. This method eliminates the need for digging, which often results in time-consuming traffic obstacles and increased costs. Holes with a length of up to 250 meters and a diameter of 200 mm can be drilled.

The Geotechnical Drilling product area demonstrated its products, methods and know-how in a tour of several European countries.

Launch of the first computerized surface rig

A new remote-controlled surface rig.

A small remote-controlled surface rig was launched in the world market during 1993. The rig was developed to satisfy increasing demand for drilling in densely populated areas, where noise and vibration levels must be kept to a minimum.

The new rig's boom and feed movements, as well as all of its other drilling functions, are controlled with the help of a light, portable manoeuver box, linked to the drilling rig's on-board computer via a cable. The system simplifies the training of new operators, since all drilling features are programmed into the computer in a logical order. This minimizes the risk of faults caused by human error.

This drilling rig is a financially attractive alternative for contractors engaging in the drilling of small-diameter holes and in mechanical drilling in connection with small contracting assignments.

Mount Isa selects Wagner as supplier

The latest Scooptram model provides double loading capacity at an Australian mine.

During 1993, Wagner Mining and Construction Equipment Co. in Portland, Oregon, U.S. signed a contract with Mount Isa Mines in Australia for the ongoing delivery of loading equipment during the next five years.

Prior to the decision being made, Mount Isa carried out extensive trials on Wagner's latest Scooptram loader over a period of one and a half years. The trials, which were based on the loading and transport of copper ore using a 4.2 cubicmeter loader, were implemented under actual working conditions. The aim was to assess productivity, measured in tons per hour, operating expenses measured in terms of maintenance costs and down time. The trials showed that compared with the loading equipment previously used by the company, on average Wagner's Scooptram handled double the number of tons per hour during the period covered by the trials, while at the same time maintenance costs were significantly lower.

In close cooperation with personnel from Mount Isa, technicians from Wagner were able to rapidly implement improvements during the trial period in order to meet customer demands for increased productivity.

The first loader was delivered during spring 1993. Further deliveries were made at the end of the year. In total, the contract includes some 25 units of the latest Scooptram model.

New drill bits increase competitiveness

During recent years, the Rock Drilling Tools division has made target-oriented investments in the research and development of its key products. This has already resulted in a new series of down-the-hole hammers and the revolutionary COPROD technology. A new range of button drill bits was launched during the year.

New threaded drill bits.

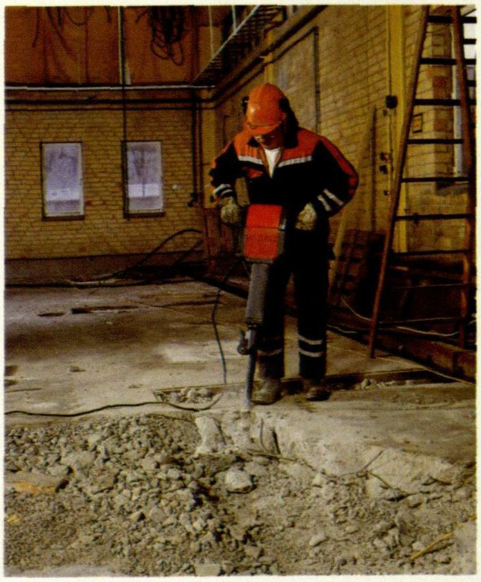
During spring 1993, the division's largest product area introduced about 70 new threaded drill bits in the world market. These are used mainly for surface bench drilling and production drilling in mines. The changes in the design of the drill bits improve productivity, while simultaneously increasing the quality of the drilled holes, since the new bits enable faster and smoother drilling. In combination, the new design and improved production technology increase the service life of the drill bits. Trials have shown that these changes result in substantial cost savings for customers.

The new range of bits, which has been received favorably by the market, substantially strengthens the division's competitiveness and provides opportunities for breakthroughs with new customers.

Kango's sales organization rapidly integrated

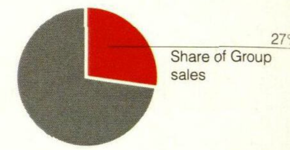
Atlas Copco's purchase of the business operations of the British tool manufacturer Kango Ltd in spring 1993 was a strategically important acquisition intended to broaden the Berema division's range of construction tools with electrically powered tools.

The acquisition was immediately followed by comprehensive restructuring of the sales area to coordinate Berema's and Kango's local sales organizations. Kango's sales companies in Australia, the U.S. and Canada were integrated with Atlas Copco's local sales companies. In some countries Kango's sales organization has been transferred to Atlas Copco's sales companies in the respective countries. In countries where Kango has a well-established distributor with a strong market position, representation is being retained. Towards the end of 1993, Kango's products began to be distributed to export markets via the business area's distribution center in Rotterdam to minimize the amount of tied-up capital and increase delivery efficiency. The distribution center coordinates distribution of Kango's products and spare parts with the business area's other products. Orders received before 12 noon are shipped the same day and reach most customers in central and southern European countries within 24 hours.



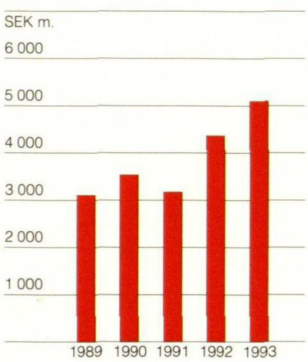
Demolition using an electrically powered Kango breaker.

INDUSTRIAL TECHNIQUE

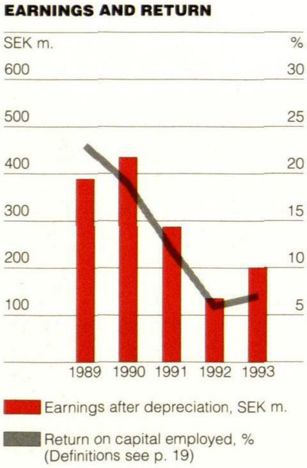


	1993	1992
INVOICED SALES, SEK m.	**5,095**	**4,351**
PROFIT AFTER DEPRECIATION, SEK m.	**201**	**129**
RETURN ON CAPITAL EMPLOYED, %	**7**	**6**
NUMBER OF EMPLOYEES	**5,553**	**6,170**

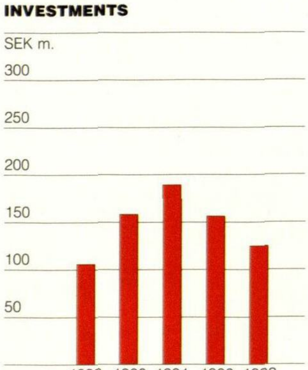
SALES



EARNINGS AND RETURN



INVESTMENTS



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

The business area comprises the following divisions:

- Atlas Copco Industrial Tools and Equipment, President *Gunnar Palme* (From February 1994)
- Atlas Copco Electric Tools, acting President *Bengt Kvarnbäck*
- 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 volume growth and favorable profitability.

Structural changes

Effective 1994, Atlas Copco Power Tools and Equipment has been organized in two separate divisions – Atlas Copco Industrial Tools and Equipment and Atlas Copco Electric Tools. The former includes the product companies, Atlas Copco Tools, Atlas Copco Assembly Systems and Atlas Copco Controls, plus several sales companies. The latter consists of the product company, Atlas Copco Elektrowerkzeuge, in Germany, and a number of sales companies.

Sales

Invoiced sales increased by 17 percent to SEK 5,095 m. (4,351). The increase was attributable primarily to the effect of favorable currency rate movements. Orders received increased by 20 percent to SEK 5,188 m. (4,331).

From left: Jacques Manceron, Bengt Kvarnbäck (business area president and acting head of Atlas Copco Electric Tools), Necip Soyak, Paul Jarvis and Clas Nicolin.

During the servicing of aircraft, many metal plates have to be replaced due to corrosion. The picture shows a drill in use in the service area at Stockholm Arlanda.

Earnings

Operating profit after depreciation rose 56 percent to SEK 201 m. (129), corresponding to 4 percent (3) of invoiced sales. The improvement was due to the effects of rationalization measures implemented within the divisions being sufficient to offset a slightly reduced sales volume.

The return on capital employed was 7 percent (6).

Investments

Total business area investments in plants amounted to SEK 124 m. (156). The year's investments included new machine equipment for increasing the operating efficiency of the plants and the continued expansion of the distribution center in Hoeselt, Belgium.

Business development

Demand for both pneumatic and electrically powered tools continued to weaken in a number of European markets. Sales of industrial tools in the North American market showed a notable increase, however. Atlas Copco Tools' new electric assembly tools were extremely well received in several major markets. Orders received for this product group increased significantly during 1993.

Sales of assembly systems also developed favorably, due to increased production within the American car industry.

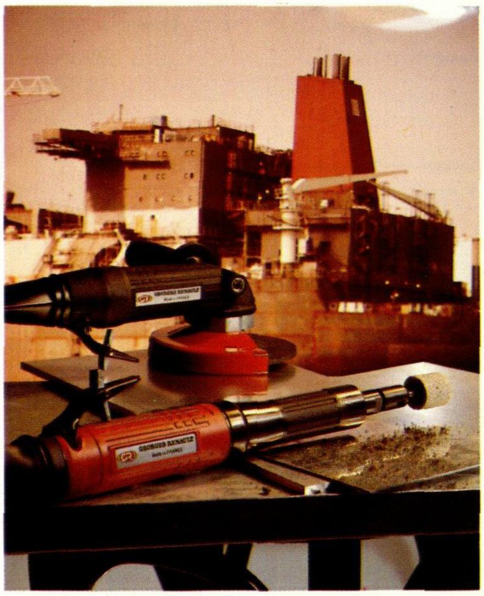
The volume of pneumatic component sales was unchanged, compared with 1992.

Outlook for 1994

Demand for the business area's industrial products is expected to stabilize in 1994, with a slight upturn during the second half. The German market is expected to remain weak.

An improvement in earnings is anticipated as a result of both the cost-reduction measures implemented during 1993 and a modest increase in sales volumes.

Georges Renault introduces new series of grinding machines



Tools from the new series of Georges Renault grinding machines.

During the past year, Georges Renault in France expanded its development resources as part of the company's strategy to strengthen its market position. Efforts focused mainly on the development of the company's traditional product line, grinding machines.

The development work, which was conducted in cooperation with some other companies in the Industrial Technique business area, resulted in a series of new, high-performance grinding machines. Through a process of close international collaboration, it was possible to adapt the machines to meet the specific requirements of different countries. The main challenge was to develop a series of powerful tools that would also satisfy user demands for ergonomic design and low noise and vibration levels.

The series is based on a modular design to facilitate the flexible manufacture of 30 different tool models using just 200 components.

Desoutter rationalizes production

During the year, a completely integrated production environment was created at the Desoutter plant in Colindale, England. Planning and assembly operations have now been organized in a single work station, so that orders of varying sizes can be assembled with optimal flexibility. This has resulted in a considerable decrease both in the amount of capital tied up in products in work and in production lead times.

A work station for the assembly of Desoutter's tools.

The project, which was planned during 1992 based on experiences gained at the Atlas Copco Tools plant in Tierp, was completed in 1993. Revolving stocks and related parts have been built up adjacent to the assembly stations in order to minimize transport. Each component is assembled separately within the work team. In this way, the need to collect all the components in advance of the final assembly process is eliminated. When the product leaves the assembly station, it is tested, packaged and ready for delivery to the customer. This new system of complete assembly by groups has shown to contain a number of important benefits for Desoutter. The production area has been decreased by 30 percent. Products in work have been reduced considerably, as have lead times. Moreover, quality has improved.

Customer-controlled product development

During the spring Chicago Pneumatic's Industrial Division, whose product range includes pneumatic impact wrenches, abrasive tools and nutrunners, started an extensive product development program in close cooperation with customers and multi-disciplined engineering teams. The objective of the approach, called Concurrent Engineering, was to ensure that all new products are developed to satisfy current market needs in terms of technology, materials, ergonomics and value in order to increase their acceptance in the marketplace.

The starting point was to determine the customer's need of performance in combination with a competitive price. Using this as a base, individuals representing users, product development, marketing, production and industrial design functions participated in product development at the same time. In this way, a new series of tools could be developed, all the way from concept stage to product introduction, within an 18-month time period. With the market price having been set at the outset, the various parties involved are forced to contribute solutions that will constrain manufacturing, marketing and administrative costs, without relinquishing quality and performance.

The same Concurrent Engineering approach is also being used to a review of the most frequently purchased products in the current industrial range, with the aim of improving their quality and performance, but at a pre-determined price. These programs are expected to result in increased sales volumes and market share.

The products which are sold through Chicago Pneumatic's global sales organization, are expected to strengthen the company's position world-wide.

Users and representatives from the product development, marketing, manufacturing and industrial design functions participate in the development of new products.

Atlas Copco introduces new generation of electric tools

During the autumn, Atlas Copco introduced a new tool generation – Tensor-S – the first electric tools with a performance superior to that of their pneumatic counterparts.

In the 1980s, Atlas Copco was a pioneer in computerized hand-held car-assembly tools. At that time, the main challenge was to develop electric tools that were comparable with pneumatic tools in terms of output and weight. In addition, very high accuracy was required in the tightening process.

The new generation of electric tools now being introduced in European and North American markets weigh half as much as the corresponding pneumatic tools and reduce the tightening time considerably. The secret behind this revolutionary new development is the combination of the new S motor with a versatile and flexible control system, which is the result of long-term technological efforts.

Atlas Copco Tools has introduced a new generation of electric tools.

High-speed train order for Automation

In close cooperation with the company supplying the train doors, the Atlas Copco Automation division has developed a special door panel for Italy's high-speed trains, which contains a number of automatic functions.

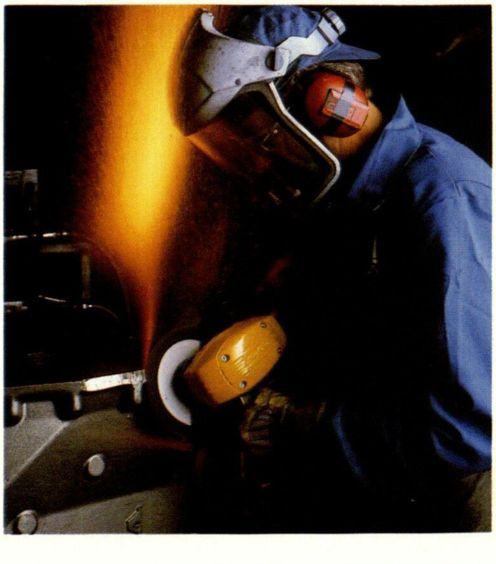
High-speed trains in Italy have been equipped with a special door panel from Atlas Copco Automation.

With speeds that reach 300 km/hour, major demands are placed on safety in the new express trains connecting Rome with the provincial cities. A conventional solution would take up too much space, since the area is extremely limited. Instead, a special door-opening unit was designed, which among other functions controls the opening and closing of the doors, the extension and retraction of the foot plates, pressure regulation and the emergency opening of the doors should pressure be lost.

To date, the division has received orders for 1,160 systems for delivery during the next 18 months. Other new areas of application in the high-speed train automation area are currently under development, including vacuum toilets, air conditioning and seat adjustment systems. Bearing in mind the current expansion within the high-speed train area in many countries, strong demand is expected for Atlas Copco Automation's newly developed automatic systems.

Introduction of grinding machine based on new technique

During the year, Atlas Copco launched a new series of pneumatic hand-held grinding machines based on a completely newly designed turbine motor. By using turbine technology, it is possible to develop a compact tool that combines low-weight with high output. This technology has never been used before in a handheld pneumatic machine.



A series of pneumatic grinding machines featuring a new turbine motor has been introduced by Atlas Copco Tools.

Users want small, light-weight and powerful tools, particularly ones that enable them to undertake grinding operations in places that are difficult to access. The recently launched series of grinding machines, which satisfies market demands for low weight, high cutting capacity and functional design, is the result of several years of development work. It is ergonomically adapted to the needs of the operator, since vibrations and noise can be maintained at a very low level. As a result of the unique turbine operation, the motor requires no lubrication, thereby providing additional benefits in terms of the working environment and operating economy. Since the new design contains fewer components, production and maintenance are more efficient.

Customers are found primarily in engineering workshops, such as foundries, shipyards and railway industries.

Flow concept introduced at electric tools plant

Following the acquisition of AEG's electric tools operations in 1992, an extensive production restructuring program was started at the plant in Winnenden, Germany. The result of the measures implemented – reductions in the amount of tied-up capital, faster flows and shorter lead times – had a favorable impact on profitability during 1993.

In a very short space of time, the know-how and experience built up over many years within Atlas Copco in the areas of production efficiency and distribution have all been able to be applied at the Winnenden plant. The prerequisites, in the form of the necessary competence, systems and production equipment, were already in place. The planning process has been simplified through changes in materials flows and investment in flexible assembly equipment. This has enabled the plant's stocks and finished inventory to be halved and these now lie on level with the Group's average target for capital tied up in inventory. It has also resulted in fewer personnel and increased delivery reliability.

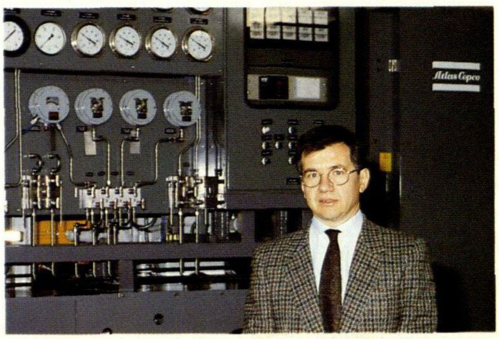
By improving the speed of the flow through the plant, most of the company's direct daily deliveries can be met by the business area's joint distribution center in Belgium. During 1993, all export orders within Europe were distributed in this fashion. Since experiences to date have been extremely positive, the distribution of all tools from the Winnenden plant will in future be concentrated to this distribution center as soon as the current rebuilding work is completed. This means that the central warehouse at the plant can be phased out and additional costs savings can be achieved.

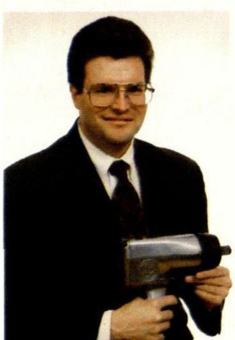
A winding station in the new, wholly automatic assembly line for rotors at the electric tools plant in Winnenden, Germany.

ATLAS COPCO PERSONNEL

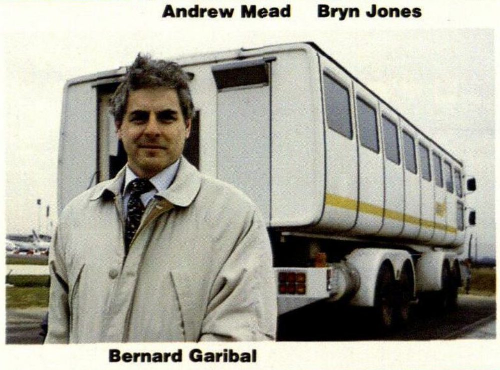

James Ling

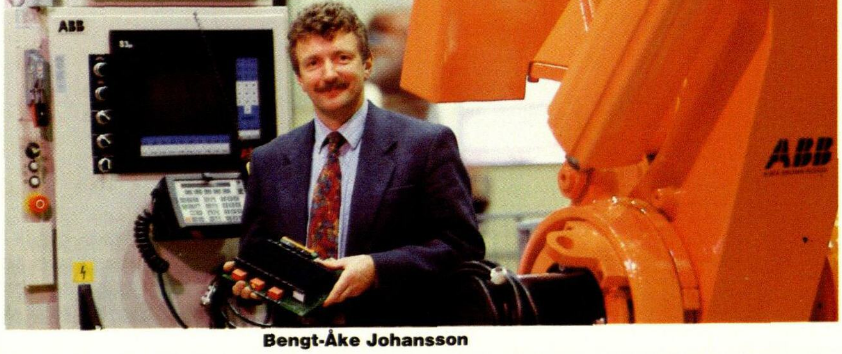

Emily Zhu


Claudio Boselli


John Scardino

Andrew Mead Bryn Jones


Bernard Garibal



Bengt-Åke Johansson

SEK thousands	1993	1992
Sales per employee	1,036	834
Net profit per employee	48	31
Value added per employee*	405	336

*See note 30 page 26.

Few Swedish companies are so internationally diversified as Atlas Copco, with personnel permanently based in most of the world's markets. They represent all personnel categories, ranging from employees with external contacts, such as sales engineers, technicians and service personnel, to employees engaged in manufacturing and administration functions. This geographic spread means that Atlas Copco personnel literally work around the clock to contribute to the Company's success.

During 1993, many outstanding sales achievements were recorded within the 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 1993." The winners and a description of their accomplishments are described below.

Emily Zhu, product manager for mining equipment, and **James Ling,** sales manager, mines, at the Atlas Copco sales company in China, have jointly secured strategic customer orders totaling about SEK 100 m. These included 18 Scooptrams, 10 boomers and 8 surface drilling rigs, plus rock drilling tools and spare parts.

Claudio Boselli, responsible for sales of oil-free compressors at the Milan sales office, sold 23 oil-free compressors among other equipment during 1993.

Andrew Mead and **Bryn Jones,** at Atlas Copco Construction & Mining Australia had a successful year selling Wagner's loading equipment and Atlas Copco's drilling equipment, respectively, to mines in Australia.

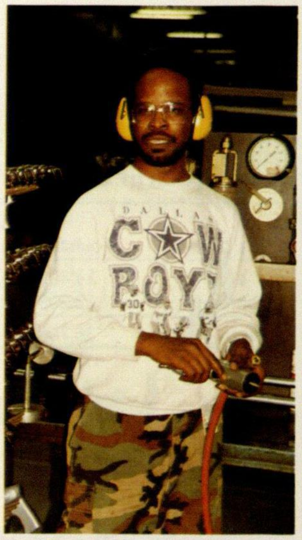
John Scardino, salesman for Chicago Pneumatic Midwest Region in the U.S., reported excellent sales results in 1993. He was also successful in obtaining orders from a number of completely new customers.

Bernard Garibal, industrial compressors salesman in the Paris area, successfully obtained the largest order ever taken for Mauguière's scroll compressors, despite intense competition. He also secured orders for a large number of screw compressors, dryers and related equipment.

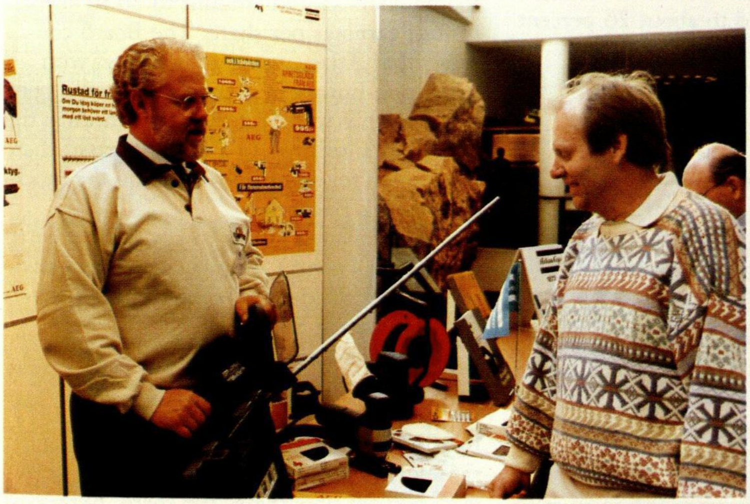
Bengt-Åke Johansson at Atlas Copco Controls worked closely with ABB Robotics product development personnel to further develop a new-generation power system. This led to a major delivery agreement, valued at SEK 150–180 m. over a three-year period.

The "Gold Club," with a membership of 1,400 Atlas Copco employees who have served the company for 25 years, celebrated its 25th jubilee in December 1993. Combined, these three employees have a total of 115 years service.

Preparing a consignment of rock drilling tools at the distribution center in Rotterdam, the Netherlands.

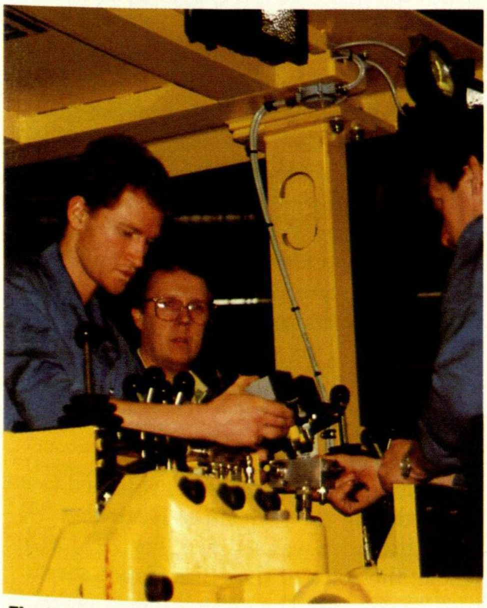


Final assembly of tools for car repair shops at the Utica plant, in the U.S.



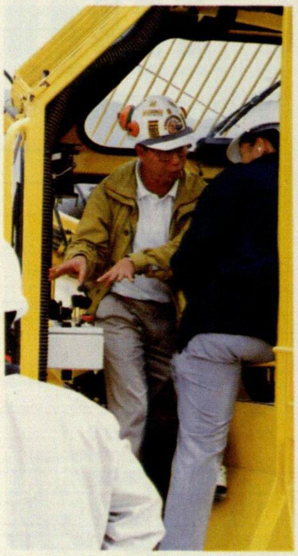
Demonstration of an AEG tool at the 1993 Annual General Meeting.

Quality control of a rotor wheel at the ACT plant in Cologne, Germany.



Final assembly and quality control of a Boomer at the Örebro plant, Sweden.

A production detail is discussed at the Wagner plant in Portland, U.S.



The service manager at the sales company in China inspects a drilling rig at a customer location.

ATLAS COPCO SHARE

DISTRIBUTION OF SHARES

Class of share	Shares outstanding
A shares	24,499,518
B shares	12,203,666
Total	36,703,184

Share capital

Atlas Copco's share capital at year-end amounted to SEK 917,579,600 distributed among 36,703,184 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.

Atlas Copco has approximately 30,000 shareholders. The portion of shares held by institutional investors amounts to 62 percent. The ten largest shareholders account for 54 percent of the voting rights and 48 percent of the number of shares. The number of foreign-owned shares amounted to about 26 percent (20).

LARGEST SHAREHOLDERS, FEBRUARY 1994

	Number of shares	% of votes	% of total
Investor Group	5,969,770	23.2	16.3
Sparbankernas Aktie- och Allemansfonder	5,930,556	16.3	16.1
Allm Pensionsf. Fjärde Fondstyrelsen	825,790	3.2	2.2
Folksam Group	1,110,000	2.2	3.0
Försäkringsbolaget SPP Ömsesidigt	1,007,294	2.0	2.8
Trygg Hansa Group	590,809	1.6	1.6
Föreningsbankens Aktie- och Allemansfonder	392,760	1.5	1.0
Skandia Group	470,962	1.4	1.3
SE-bankens Aktie- och Allemansfonder	572,900	1.2	1.6
Handelsbankens Aktie- och Allemansfonder	638,217	1.0	1.8
	17,509,058	53.6	47.7
Others	19,194,126	46.4	52.3
Total	36,703,184	100.0	100.0

SHARE ISSUES 1973–1993

			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
1993	Non-cash issue**	383,500 shares at SEK 317	9.5	121.6
	Conversion*	914,496 shares	22.9	137.2

* Pertains to 1987/1993 convertible debenture loan.

** Implemented in connection with the acquisition of The Robbins Company.

Ownership structure 1993

Number of shares	Number of share-holders	Percent of total number of shares
1– 500	28,547	7.4
501– 2,000	1,517	3.8
2,001– 10,000	338	4.2
10,001– 50,000	136	8.8
50,001–100,000	48	9.7
>100,000	39	66.1
Total	30,625	100.0

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 9.00 per share is approved, the average dividend growth for the five year period 1989 to 1993 will amount to 7 percent. During the same period, the average dividend has been 40.5 percent of earnings per share. Expressed as a percentage of shareholders' equity per share, the dividend is 3.9 percent (3.9).

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, 1993, the price was SEK 415. For 1993 as a whole, the price of the Atlas Copco share rose 24 percent. The general index increased 54 percent and the engineering companies' index increased 56 percent.

The beta value of the Atlas Copco share was 1.11 (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 1.11 means that a share has moved 11 percent more than the index.

Market value

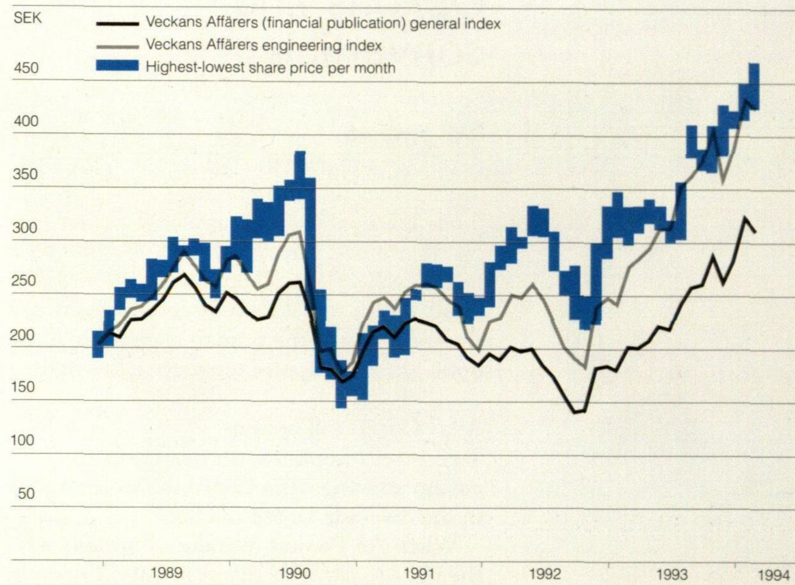
The market value on December 31 was SEK 15,220 m. (11,802), which corresponds to 1.8 percent (2.2) of the total market value of the Stockholm Stock Exchange.

Trading

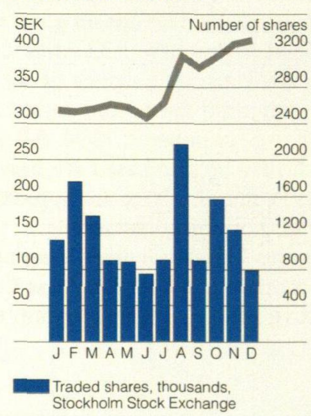
The Atlas Copco share was the sixteenth (eleventh) most traded share on the Stockholm Stock Exchange during 1993. Shares are traded on the Stockholm Stock Exchange in lots of 200. Including subsequent registration, a total of 14,384,628 shares were traded (of which 8,342,737 were class A and 6,041,891 were class B), corresponding to a value of SEK 5,104 m. (4,596) or 39 percent (46) of the company's total number of shares at year-end. An average of 57,081 (66,171) shares were traded per market day. The turnover rate (degree of liquidity) in 1993 was 40 percent, compared with the stock market average of 46 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, 17.1 million (21.2) Atlas Copco shares were traded. During 1993, 86 percent (104) of all Atlas Copco shares were traded on the stock exchanges in Stockholm and London. Foreign trading in the Atlas Copco share showed a net export of SEK 832 m. (net import: 112) in 1993.

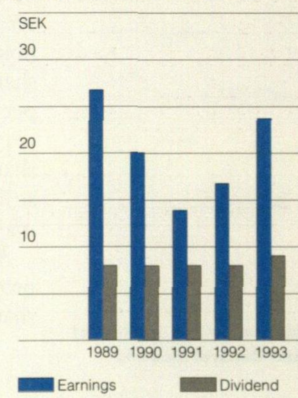
TRENDS OF SHARE PRICES



TRENDS OF SHARE PRICES/ TRADED SHARES 1993



EARNINGS AND DIVIDEND PER SHARE



PER SHARE DATA

SEK	1989	1990	1991	1992	**1993**	Average growth per year 89–93, %
Earnings [1]	26.75	20.05	13.90	16.75	**23.70**	4
Dividend	8.00	8.00	8.00	8.00	**9.00**[2]	7
Dividend as percent of earnings [3]	29.9	39.9	57.6	47.8	**38.0**	
Price quotation, Dec. 31, A	278	160	240	334	**415**	15
Price quotation, Dec. 31, B	278	154	241	332	**412**	
Highest price quoted, A	312	385	280	334	**430**	
Lowest price quoted, A	201	143	151	218	**298**	
Average price quoted, A	263	277	235	283	**352**	
Equity capital [4]	155	178	181	208	**232**	12
Direct yield, percent [5]	3.0	2.9	3.4	2.8	**2.6**	
Price/Earnings [6]	9.8	13.8	16.9	16.9	**14.9**	
Price/Sales [7]	0.57	0.63	0.57	0.64	**0.68**	

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.

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 660,000 options outstanding.

Assuming the Annual General Meeting approves the proposed split of the Atlas Copco share, effective June 6, 1994 an option will provide the holder with the right to purchase 6.65 shares at a price per share of SEK 22.

The highest exercise price for the options during the year was SEK 410 (296) and the lowest SEK 246 (155). Trading during the year amounted to SEK 34.3 m., corresponding to 111,993 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 1993, option contracts accounted for about 2.2 million (2.0) shares, approximately 6 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, was entirely converted into shares in 1993.

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 was SEK 150 per share. This meant that three convertible debenture certificates, with a par value of SEK 200, could be exchanged for four unrestricted class A shares in Atlas Copco AB. The loan carried a fixed interest rate of 10 percent.

At the expiration date of March 1, 1993 for the conversion of the SEK 137.2 m. debenture loan outstanding at year-end 1992, debentures had been converted to 914,496 shares, corresponding to 2.6 percent of the share capital at that time.

Part of the product exposition at the Annual General Meeting 1993.

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
Joseph Camerata

Kango Division
Montreal, Quebec
Peter Bigwood

Secoroc Ltd
Burlington, Ontario
Stanley Lundberg

Atlas Copco Tools Canada
Toronto, Ontario
Wayne Timmins

Chicago Pneumatic Tool Co Canada Ltd
Mississauga, Ontario
Peeter Toome

Mexico
Atlas Copco Mexicana SA de CV, Division Compresores
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
Juan Antonio Léon S

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

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

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

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

Atlas Copco Rental Inc
Fairfield, New Jersey
Ernest G Power

NEAC Compressor Service USA Inc
Franklin, Pennsylvania
David Pryer

Rotoflow Corporation Inc
Gardena, California
Frank J van Gogh

Secoroc Inc
Commerce City, Colorado
Dennis Gibson

The Robbins Co
Kent, Washington
Sverker Hartwig

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

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

Atlas Copco Controls Inc
Wexford, Pennsylvania
Björn Karlström

Atlas Copco Automation Inc
Mt Prospect, Illinois
Claes Paulsson

SOUTH AMERICA

Argentina
Atlas Copco Argentina SACI
Buenos Aires
Ronald Peach

Bolivia
Atlas Copco Boliviana SA
La Paz
Juan Porcel

Brazil
Atlas Copco Compressor Technique
São Paulo
Ronald Peach

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

Atlas Copco Tools Brasil
São Paulo
Carlos Frateschi

Atlas Copco Assembly Systems Brasil
São Paulo
Walter Cavichioli Jr

Chile
Atlas Copco Chilena SAC
Santiago
André Richard

Drillco SA
Santiago
Per-Arne Lindqvist

Colombia
Atlas Copco Colombia Ltda
Bogotá
Antoine Santiago

Peru
Atlas Copco Peruana SA
Lima
Olof Hössner

Venezuela
Atlas Copco Venezuela SA
Caracas
Patrik Wennerström

AFRICA

Algeria
Atlas Copco Assistance Technique
Algiers
Jean-Pierre Blomart

Egypt
Egyptian Int Service & Engineering
Atlas Copco Division
Cairo
John Vanezos

Ghana
Atlas Copco CME Ghana Ltd
Accra
Gerry Tucker

Kenya
Atlas Copco Kenya Ltd
Nairobi
Eric N Smith

Morocco
Atlas Copco Maroc SA
Casablanca
Marc Lanneau

Namibia
Atlas Copco Namibia (Pty) Ltd
Windhoek
H L Van den Berg

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
Benoni
Stephen Bullock

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

Zaire
Atlas Copco Bureau Technique
Lubumbashi
Albert Herbigneaux

Zambia
Atlas Copco (Zambia) Ltd
Ndola
Albert Herbigneaux

Zimbabwe
Atlas Copco Zimbabwe (Private) Ltd
Harare
Alan Terry

EUROPE

Albania
Representative Office
Tirana
Ilir Abdiu

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
Richard Wagner

Atlas Copco Automation
Vienna
Friedhelm Heck

Belgium, Luxemburg
Atlas Copco Compressors Benelux
Overijse
Thomas Larsson

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
Overijse
Gordon J Woodward

Atlas Copco Automation
Overijse
Bert van der Scheer

Cyprus
Atlas Copco Cyprus Ltd
Nicosia
Demetrios Angelides

Czech Republic
Atlas Copco Kompresszori Spol. sro
Prague
Olle Hagling

Atlas Copco CME AB
Prague
Jindrich Hummel

Atlas Copco Tools sro
Prague
Jan Kougl

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

Compresseurs Mauguière SA
Belfort
Jean Jacques Heymans

Compresseurs Worthington-Creyssensac SA
Méru
Robert Boss

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
Übach-Palenberg (Aachen)
André Schmitz

Atlas Copco MCT GmbH
Essen
Sergio Camozzi

Atlas Copco Tools GmbH
Essen
Yngve Revander

Chicago Pneumatic Tool GmbH
Wiesbaden
Automotive Div
Rolf Konn
Industrial Div
Detlev Kantelberg

Desoutter GmbH
Maintal-Hochstadt
Richard Wagner

Atlas Copco Automation
Darmstadt
Friedhelm Heck

Great Britain
Atlas Copco Compressors Ltd
Hemel Hempstead
Mike Tatum

Worthington-Creyssensac Compressors Air Ltd
Gravesend
Robert Petersen

Atlas Copco Construction & Mining Ltd
Hemel Hempstead
Royston Goodman

Atlas Copco Tools Ltd
Hemel Hempstead
Björn Dahlström

Desoutter UK Sales Ltd
Colindale/London
Dominic Wish

Chicago Pneumatic Tool Company Ltd
Hemel Hempstead
Gordon J Woodward

Atlas Copco Automation Ltd
Wakefield
Richard Holland

Greece
Atlas Copco Hellas A E
Athens
Demetrios Angelides

Hungary
Atlas Copco Kompresszor Kft
Budapest
Roland Kylfält

Ireland
Atlas Copco (Ireland) Ltd
Dublin
Michael Allen

Italy
Atlas Copco Divisione Compressori
Milan
Natale Tubiolo

Worthington Turbodyne SpA
Premenugo (Mi)
Vittorio Pregnolato

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 S r l
Milan
Patrizio Tettamanti

Atlas Copco Automazione SpA
Milan
Maurizio Baita

Macedonia
Atlas Copco CME Representative Office
Skopje
Milco Cosevski

The Netherlands
Atlas Copco Kompressoren
Zwijndrecht
Thomas Larsson

Atlas Copco Tools Nederland
Zwijndrecht
Leen van Diggele

Desoutter Ltd
Breda
Marino Kacala

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
Staffan Sjödin

Poland
Atlas Copco Kompresor Spz oo
Warszawa
Bertil Lindsten

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
Atlas Copco Compressor
International
Kranj
Zlatko Ilic

Spain
Atlas Copco División
Compresores
Madrid
Julián Aragonés

Worthington Int Compresores SA
Madrid
Antonio Lacuna

Atlas Copco Construction and
Mining Technique Spain
Madrid
Francisco Menéndez Larrea

Secoroc SA
Madrid
José Miguel Botella

Atlas Copco S A E
Industrial Tools and
Equipment Div
Madrid
Ascensio Liarte

Atlas Copco S A E
Electric Tools Div
Madrid
Frank T Schenk

Desoutter SA
Madrid
Marino Kacala

Atlas Copco Automation
Barcelona
Tom Casinge

Sweden
Atlas Copco Compressor AB
Nacka
Leif Rydberg

Atlas Copco MCT Sverige AB
Nacka
Bertil Sundberg

Atlas Copco C & M Export AB
Nacka
Robert Robertson

Secoroc AB
Fagersta
Sten Pettersson

Rebit AB
Ockelbo
Rolf Söderman

Atlas Copco Tools Sverige
Nacka
Kurt Ottosson

Atlas Copco Controls AB
Stockholm-Tyresö
Hans Friberger

Atlas Copco Automation
Svenska AB
Ulricehamn
Staffan Sjödin

Switzerland
Atlas Copco Kompressoren für
Industrie und Bau
Studen/Biel
Vacant

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 DD
Belgrade
Dobrilo Tešović

■ ASIA

China
Atlas Copco (China) Ltd/
Construction and Mining Div
Hong Kong
Thomas Kung

Atlas Copco Compressor Div
Hong Kong
John Noordwijk

Nanjing Atlas Copco
Construction Machinery Ltd
Nanjing
Thomas Kung

Hong Kong
Atlas Copco Hong Kong Ltd/
Construction and Mining Div
Hong Kong
Thomas Kung

Atlas Copco Compressor Div
Hong Kong
John Noordwijk

Power Tools (Asia) Ltd
Hong Kong
Yvo Goossens

India
Atlas Copco Compressor
Technique Div
Pune
Jag M Kaul

Construction and Mining Div
Bombay
Rakesh Dewan

Chicago Pneumatic India Ltd
Bombay
James A Henderson

Iran
Atlas Copco Iran AB
Teheran
Gerard Verdou

Japan
Atlas Copco KK
Tokyo
James Tapkas

Atlas Copco
Compressor Technique Div
Tokyo
Shigehiro Nagayama

Atlas Copco
Construction & Mining
Technique Div
Tokyo
Nobuo Suematsu

Atlas Copco
Industrial Technique Div
Toyota-shi, Aichi
Tatsuhiko Tanaka

Kazachstan
Atlas Copco CME
Representative Office
Almaty
Vadim Potapov

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
David T W Tan

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

Construction and Mining Div
Parañaque
Jose D Santos

Saudi Arabia
Atlas Industrial Equipment
Co (Atlasco)*
Jeddah
Jean Pierre Fauque

Singapore
Atlas Copco (South-East
Asia) Pte Ltd
Singapore
Ray Löfgren

Taiwan
Atlas Copco Industrial Div
Pingchen City
Herman Hsu

Atlas Copco Construction
and Mining Div
Taipei
Jose D Santos

Turkey
Atlas Copco Makinalari Imalat AS
Istanbul
Peter Lindberg

Atlas Copco C & M Export
Tuzla, Istanbul
Ercan Narlioglu

Vietnam
Atlas Copco-Diethelm Ltd
Bangkok
Walter Brenneis

■ OCEANIA

Australia, New Guinea
Atlas Copco Compressors
Australia
Blacktown
Gunnar Hindrum

Atlas Copco Construction and
Mining Technique Australia
Blacktown
Ray Bridgewater

Atlas Copco Hire Australia
Blacktown
Malcolm Davidson

Secoroc Australia Pty Ltd
Charlestown
Bruce Johnson

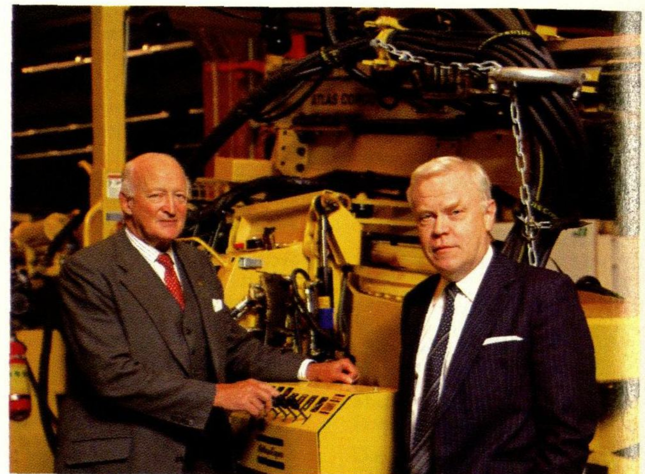
Atlas Copco Tools Australia
Blacktown
Michael J Foy

New Zealand
Atlas Copco (N Z) Ltd
Wellington
Bernard Hanaray

* *Not consolidated in the Atlas Copco Group*

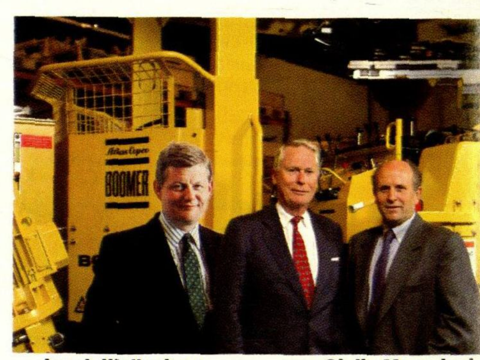
BOARD OF DIRECTORS AND AUDITORS

Peter Wallenberg **Michael Treschow**



Tom Wachtmeister **Anders Scharp**

Curt G Olsson **Georg Karnsund**
Bert-Olof Svanholm



Jacob Wallenberg **Giulio Mazzalupi**
Gösta Bystedt

Elected by the Annual General Meeting

Peter Wallenberg Chairman (1970). Dr Econ. 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 and Investor. 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 i.a. the Nobel Foundation. 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. ABA/SILA, Astra, Export-Invest, Hasselfors, Investor, Saab-Scania, STORA and Svenska Dagbladet. Chairman of Swedish Trade Council and Swedish Taxpayers' Association. Vice Chairman of the General Export Association. Stockholdings: 22,741 A; 11,259 B; 1,000 options.

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: 700 A.

Otto Grieg Tidemand (1982). Born 1921. Skipowner of Belships 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. Stockholdings: 4,000 A.

Georg Karnsund (1987). Born 1933. Member of the Boards of LM Ericsson, Saab-Scania, Stora Billerud and Virkeshantering. Chairman of the Board of the Swedish National Road Administration.

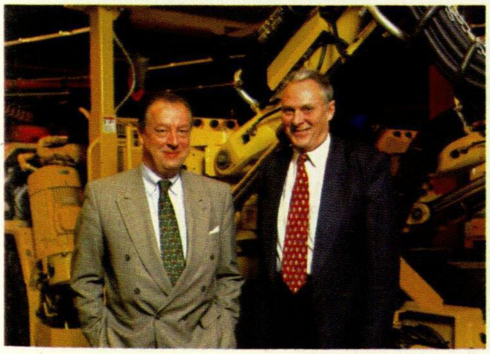
Gösta Bystedt (1987). Born 1929. Chairman of the Board of Export-Invest. Vice Chairman of the Boards of Electrolux and Axel Johnsson. Member of the Boards of ESAB, SKF and Federation of Swedish Industries.
Stockholdings: 1,666 A; 333 B.

Jacob Wallenberg (1985). Born 1956. Skandinaviska Enskilda Banken. Vice Chairman of the Board of STORA. Member of the Boards of LM Ericsson and Knut och Alice Wallenberg Foundation (deputy). Stockholdings: 4,000 A; 500 options;

Jacques van der Schueren (1990). Born 1921. Former Chairman of the Boards of Atlas Copco Airpower and Atlas Copco Belgium. Former board member in a number of Belgian, Dutch and French

Otto Grieg Tidemand Jacques van der Schueren

Bengt Lindgren Bo Henning Lars-Erik Soting



Erik Belfrage Bertil Eriksson

Sune Kjetselberg Per-Olov Olsson Tore Hedberg

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 Boards of AB Volvo and the Association of Swedish Engineering Industries. First vice Chairman of the Board of the Federation of Swedish Industries. Member of the Boards of Euroc and A. Ahlström Oy.

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: 4,314 A; 106 B; 900 options.

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.

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. Chairman of the Boards of TV 4 and NewSec. Member of the Boards of Investor, Saab-Scania, SILA, SAS 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.

Lars-Erik Soting (1993). Born 1965. Chairman, Atlas Copco local of the Metal Workers' Union at Avos, Örebro.

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

Per-Olov Olsson Deputy Member (1993). Born 1937. Chairman, Atlas Copco local of the Swedish Association of Graduate Engineers, Nacka.

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

Stefan Holmström
Authorized
Public Accountant

Olof Herolf
Authorized
Public Accountant

Karl-G Giertz
Authorized
Public Accountant
Deputy

Tomas Thiel
Authorized
Public Accountant,
Deputy

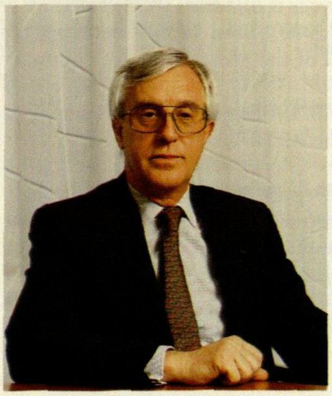
Stefan Holmström Olof Herolf

Karl-G Giertz Tomas Thiel

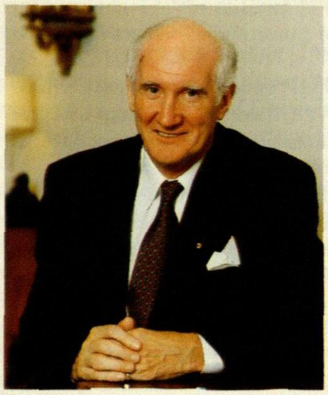
GROUP MANAGEMENT AND GROUP STAFFS

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

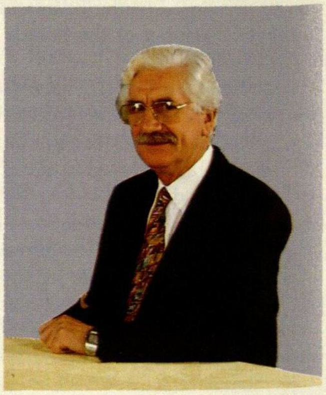
Hans Ola Meyer, finance;
Lennart Johansson, controlling accounting and auditing;
Hans Sandberg, legal;
Marianne Hamilton, organization development and management resources;



Romano Girardi, Regional Executive Latin America;



Jack Mackenzie, Regional Executive Far East;



Edgard Deschamps, Regional Executive Middle East and northern Africa.

DIRECTIONS

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

Compressor Technique, Divisions

Industrial Air
P O Box 103
B-2610 Wilrijk, Belgium
Tel: +32-3-870 2111
Fax: +32-3-870 2576

Oil-free Air
P O Box 104
B-2610 Wilrijk, Belgium
Tel: +32-3-870 2111
Fax: +32-3-870 2443

Portable Air
P O Box 102
B-2610 Wilrijk, Belgium
Tel: +32-3-450 6011
Fax: +32-3-450 6211

Atlas Copco ACT
P O Box 100
B-2610 Wilrijk, Belgium
Tel: +32-3-870 2111
Fax: +32-3-870 2815

Airtec
P O Box 101
B-2610 Wilrijk Belgium
Tel: +32-3-870 2111
Fax: +32-3-870 2443

Construction and Mining Technique, Divisions

Atlas Copco Rocktech AB
S-105 23 Stockholm, Sweden
Tel: +46-8-743 8000
Fax: +46-8-642 8159

Uniroc AB
Box 521
S-737 25 Fagersta, Sweden
Tel: +46-223-461 00
Fax: +46-223-461 01

Atlas Copco Berema AB
Box 767
S-131 24 Nacka, Sweden
Tel: +46-8-743 9600
Fax: +46-8-743 9650

Wagner Mining and Construction Equipment Co
P O Box 20307
Portland, Oregon 97220-0307, U.S.A.
Tel: +1-503-255 2863
Fax: +1-503-255 7175

Industrial Technique, Divisions

Atlas Copco Industrial Tools and Equipment
S-105 23 Stockholm, Sweden
Tel: +46-8-743 9500
Fax: +46-8-640 0546

Atlas Copco Electric Tools
Postfach 320
D-71361 Winnenden
Tel: +49-7195-120
Fax: +49-7195-12666

Chicago Pneumatic Tool Company
2200, Bleecker St
Utica, New York 13501, U.S.A.
Tel: +1-315-792 2600
Fax: +1-315-792 2668

Desoutter Limited
319, Edgware Road
Colindale
London NW9 6ND, Great Britain
Tel: +44-81-205 7050
Fax: +44-81-205 7471

Ets. Georges Renault S. A.
199, route de Clisson
F-44230 Saint-Sébastien-sur-Loire, France
Tel: +33-40-80 20 00
Fax: +33-40-33 27 07

Atlas Copco Automation AB
Box 110
S-523 23 Ulricehamn, Sweden
Tel: +46-321-285 00
Fax: +46-321-161 07

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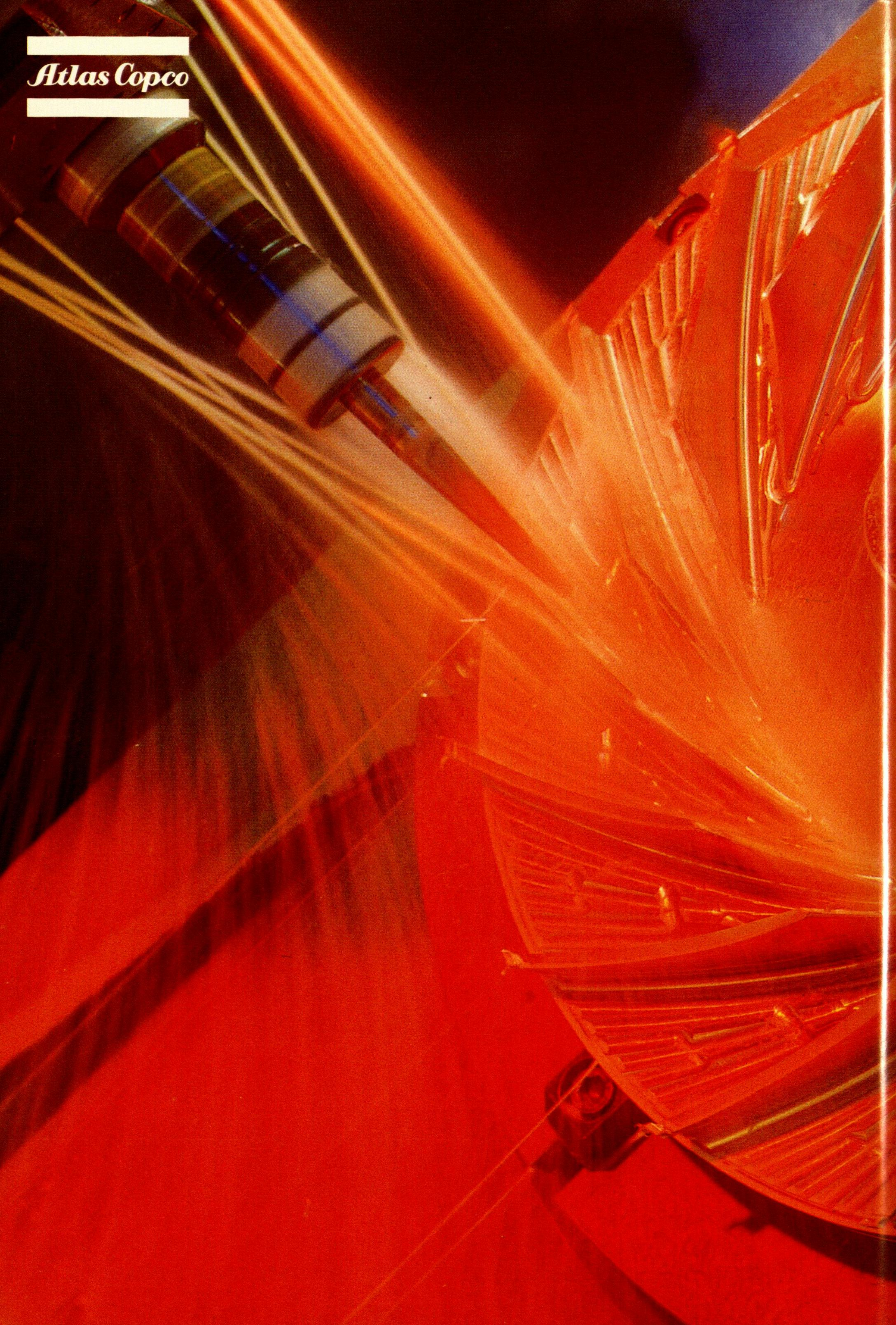
Atlas Copco

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Annual Report 1993

Extract in US dollars

All figures have been converted at the exchange rate of Dec. 31, 1993: USD 1.00 = SEK 8.32. An English version of the complete Annual Report is available.

FIVE YEARS IN SUMMARY

USD millions unless otherwise noted.

THE ATLAS COPCO GROUP	1989	1990	1991	1992 [11]	**1993**
Profit after financial income and expense	183	151	108	122	**159**
Profit margin, percent [1]	10.1	7.9	6.0	6.4	**7.0**
Net profit after tax	103	82	59	72	**104**
Return on capital employed, before tax, percent [2]	23.4	17.6	12.8	13.1	**12.8**
Return on equity capital, after tax, percent [3]	19.5	12.2	7.9	9.0	**11.0**
Rate of equity capital, percent [4]	36.6	45.1	45.6	45.6	**47.8**
Rate of equity capital after full conversion, percent	37.8	46.2	46.6	46.5	**47.8**
Orders received	1,897	1,915	1,829	1,909	**2,307**
Invoiced sales	1,807	1,913	1,806	1,924	**2,272**
Percent change, current prices	+17	+6	–6	+7	**+18**
Sales outside Sweden, percent	92	93	94	95	**95**
Net interest expense	–19	–24	–22	–14	**11**
As percent of invoiced sales	–1.1	–1.2	–1.2	–0.7	**0.5**
Interest coverage ratio [5]	3.9	3.3	3.1	3.5	**5.9**
Total assets	1,594	1,678	1,691	1,949	**2,142**
Ratio of assets to liabilities	1.6	1.8	1.8	1.8	**1.9**
Ratio of current assets to current liabilities	1.8	2.0	1.8	1.8	**1.8**
Ratio of interest-bearing liabilities to shareholders' equity [6]	0.95	0.58	0.58	0.55	**0.46**
Capital turnover ratio [7]	1.22	1.13	1.05	1.06	**1.09**
Investments in machinery and buildings	66	82	85	66	**47**
As percent of invoiced sales	3.6	4.3	4.7	3.5	**2.1**
Average number of employees	20,057	21,507	19,544	19,195	**18,247**
Invoiced sales per employee, USD thousands	90	89	92	100	**125**
Per Share Data, USD unless otherwise noted					
Earnings [8]	3.22	2.41	1.67	2.01	**2.85**
Dividend	0.96	0.96	0.96	0.96	**1.08** [12]
Price quotation, Dec. 31, A	33.41	19.23	28.85	40.14	**49.88**
Price quotation, Dec. 31, B	33.41	18.51	28.97	39.90	**49.52**
Highest price quoted, A	37.50	46.27	33.65	40.14	**51.68**
Lowest price quoted, A	24.16	17.19	18.15	26.20	**35.82**
Average price quoted, A	31.61	33.29	28.25	34.01	**42.31**
Direct yield, percent [9]	3.0	2.9	3.4	2.8	**2.6**
Price/Earnings [10]	9.8	13.8	16.9	16.9	**14.9**

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 pariticipation 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.

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.

Notes

1 Profit after financial income and expence 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 Values and key ratios have been recalculated in accordance with change in accounting principles.

12 According to the Board of Directors' proposal.

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 (FAS 52).

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 in foreign currencies are translated at the year-end rate.

Hedging of net investments

Forward contracts and loans in foreign currency have been arranged in some Group companies to hedge the Group's net assets 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 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 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.

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

U.S. GAAP	1993	1992
Income as reported in the Consolidated Income Statement	104	72
Items increasing/decreasing reported net income:		
Depreciation of revaluations	0	0
Capitalization of interest expenses	–1	0
Depreciation of goodwill	–1	–1
Deferred taxes	0	0
Prior year adjustments	2	1
Calculated net profit	104	72
Calculated earnings per share, USD	2.85	2.00
After full conversion, USD	2.85	2.02
Total assets	2,204	1,987
Total liabilities	1,140	1,053
Shareholders' equity as reported in the Consolidated Balance Sheet	1,009	879
Net adjustments in reported shareholders' equity	55	55
Approximate shareholders' equity	1,064	934

CONSOLIDATED INCOME STATEMENT

Amounts in USD m.

		1993	1992
Operating income	Invoiced sales	**2,272**	1,924
Operating expense	Cost of goods sold	**–1,458**	–1,230
	Technical development, marketing and administrative costs, etc	**–594**	–496
Operating profit before depreciation		**220**	198
Cost depreciation	In accordance with plan	**–79**	–63
Operating profit after depreciation		**141**	135
Financial income and expense		**15**	–17
Share in associated companies		**3**	4
Profit after financial income and expense		**159**	122
Taxes		**–52**	**–49**
Minority interest		**–3**	**–1**
NET PROFIT		**104**	**72**
Earnings per share, USD		**2.85**	2.01

CONSOLIDATED BALANCE SHEET

Amont in USD m.

ASSETS			1993.12.31.		1992.12.31
Current assets	Cash, bank and short-term investments	**255**		233	
	Receivables	**606**		506	
	Inventories	**540**	**1,401**	532	1,271
Fixed assets	Shares and participations	**27**		27	
	Goodwill	**149**		119	
	Other fixed assets	**565**	**741**	532	678
TOTAL ASSETS			**2,142**		1,949
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities	*Non-interest-bearing liabilities*				
	Notes payable	**12**		7	
	Suppliers	**136**		121	
	Provision for taxes	**36**		27	
	Accrued expenses and prepaid income	**251**		184	
	Other current liabilities	**140**		127	
	Interest-bearing liabilities				
	Bank loans	**202**		194	
	Current portion of long-term liabilities	**3**		59	
	Other current liabilities	**3**	**783**	3	722
Long-term liabilities	*Non-interest-bearing liabilities*				
	Other long-term liabilities	**10**		10	
	Deferred tax liabilities	**65**		69	
	Interest-bearing liabilities				
	Mortgage and other long-term loans	**32**		32	
	Provision for pensions	**229**	**336**	211	322
TOTAL LIABILITIES			**1,119**		1,044
Convertible debenture loan			–		16
Minority interest			**14**		11
Shareholders' equity	Share capital	**110**		106	
	Restricted reserves	**531**		412	
	Retained earnings	**264**		288	
	Net profit	**104**	**1,009**	72	878
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			**2,142**		1,949
Assets pledged			**28**		30
Contingent liabilities			**90**		69

Atlas Copco

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

ATLAS COPCO GROUP	1993	1992
INVOICED SALES USD m.	2,272	1,924
PROFIT AFTER FINANCIAL ITEMS USD m.	159	122
RETURN ON CAPITAL EMPLOYED, %	13	13
INVESTMENTS USD m.	47	66
NUMBER OF EMPLOYEES	18,247	19,195

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 15 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 47 plants in 14 countries.

Compressor Technique	1993	1992
INVOICED SALES USD m.	1,028	890
OPERATING PROFIT AFTER DEPRECIATION USD m.	120	116
RETURN ON CAPITAL EMPLOYED, %	22	26
INVESTMENTS USD m.	17	29
NUMBER OF EMPLOYEES	7,276	7,481

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 and Expander Technique).

Construction and Mining Technique	1993	1992
INVOICED SALES USD m.	631	511
OPERATING PROFIT AFTER DEPRECIATION USD m.	12	19
RETURN ON CAPITAL EMPLOYED, %	4	7
INVESTMENTS USD m.	15	17
NUMBER OF EMPLOYEES	5,280	5,369

The business area Construction and Mining Technique is a leading manufacturer of rock drilling tools, tunnelling and mining equipment, surface drilling equipment, construction tools, loading equipment and geotechnical drilling 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	1993	1992
INVOICED SALES USD m.	612	523
OPERATING PROFIT AFTER DEPRECIATION USD m.	24	16
RETURN ON CAPITAL EMPLOYED, %	7	6
INVESTMENTS USD m.	15	19
NUMBER OF EMPLOYEES	5,553	6,170

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 Industrial Tools and Equipment, Atlas Copco Electric Tools, Chicago Pneumatic, Desoutter, Ets G. Renault and Atlas Copco Automation.