



ANNUAL REPORT

**Atlas Copco**  
**1994**

**Atlas Copco AB**  
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**Sweden**

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 Atlas Copco AB is a public  
 company.

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## ATLAS COPCO AB

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## FINANCIAL INFORMATION FROM ATLAS COPCO

Atlas Copco will publish the following financial reports in respect of 1995 operations:

President's Address to Shareholders at the AGM	April 26 1995
Interim Report on first three months of operations	May 5 1995
Interim Report on first six months of operations	Augusti 24 1995
Interim Report on first nine months of operations	November 23 1995
1995 Preliminary 12-month Report	Februari 1996
1995 Annual Report	April 1996

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

Aros Fondkommission, Stockholm, *Ola Asplund*  
 Alfred Berg, Stockholm, *Michael Grundberg*  
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*Mikael Sjöwall*  
 Banque Paribas, London, *Christian Diebitsch*  
 James Capel, Stockholm, *Bo Selling/Graham Phillips*  
 Carnegie Fondkommission, Stockholm,  
*Staffan Östlin*  
 Enskilda Research, Stockholm, *Anders Eriksson*  
 FIBA Nordic Securities, London,  
*Jan Dworsky/Peter Karlsson*  
 First Boston, New York, *John E McGinty*  
 Föreningsbanken Fondkommission, Stockholm,  
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 UBS, London, *John Longhurst*  
 Unibörs, Köpenhamn, *Henrik Breum*  
 Öhman, Stockholm, *Arne C Karlsson*



**Cover:**  
 Automatic assembly of up to  
 60 different types of pneu-  
 matic tool motors at the  
 Atlas Copco Tools' plant in  
 Tierp, Sweden.

## INVITATION TO PARTICIPATE IN ANNUAL GENERAL MEETING

Atlas Copco shareholders are hereby notified that the Company's Annual General Meeting will be held on Wednesday, April 26, 1995, at 5.00 p.m. in **Berwaldhallen**, Strandvägen 69, Stockholm.

# 1994

## Sales

Group invoiced sales increased 11 percent to SEK 20,914 m (18,906).

## Earnings

Group operating profit after net financial items increased 48 percent to SEK 1,955 m (1,320), corresponding to 9.3 percent (7.0) of invoiced sales.

Net profit after tax increased 38 percent to SEK 1,194 m (867).

## Dividend and earnings per share

The Board is proposing a dividend of SEK 2.30 (1.80) per share.

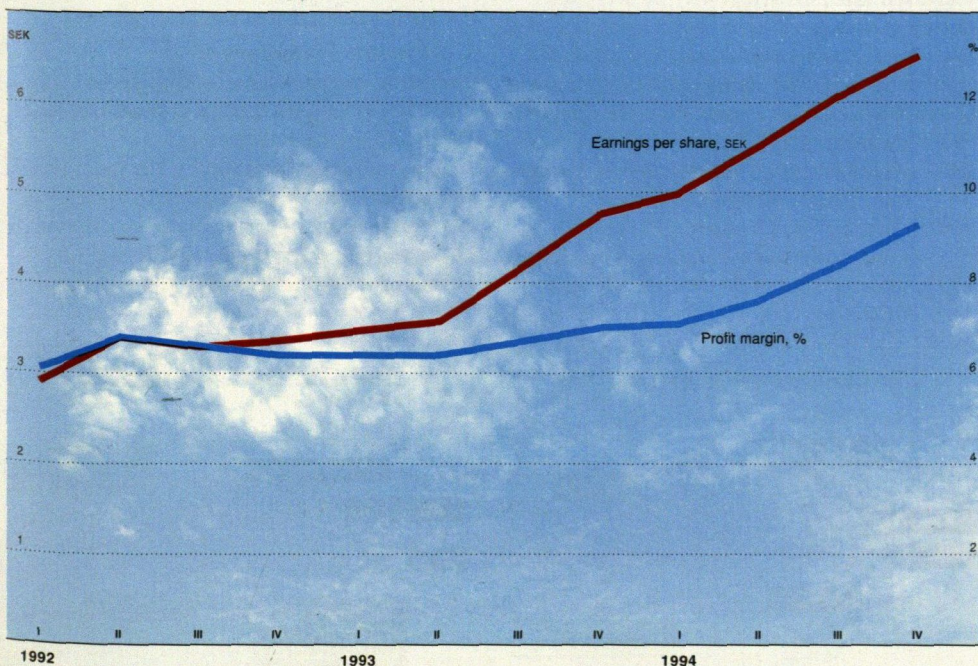
Earnings per share rose 37 percent to SEK 6.51 (4.74).

## Structural changes

A cooperation agreement was signed with Wuxi Compressor, a leading manufacturer of screw compressors in China. The Atlas Copco Automation division, which produces pneumatic products, was divested.

## Outlook for 1995

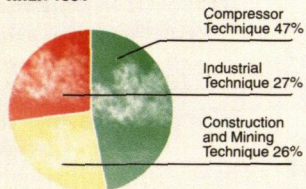
Orders from the manufacturing industries and the mining sector are expected to increase in most markets. It is estimated that demand from the construction sector will remain unchanged. Earnings are expected to continue to improve during 1995.



Trend of earnings per share and profit margin

# ATLAS COPCO TODAY

INVOICED SALES BY BUSINESS AREA 1994



Atlas Copco is an international industrial company, with its head office in Stockholm. The Company, which was founded in 1873, 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.

During the latest seven years the following acquisitions and joint ventures were effected:

- 1987 Acquisition of Chicago Pneumatic, U.S.
- 1988 Acquisitions of Secoroc in Sweden and Ets Georges Renault in France.
- 1989 Acquisition of Wagner, U.S. and creation of the Iwata joint venture in Japan.
- 1990 Acquisitions of Desoutter, UK and Rotoflow, U.S.

1991 Acquisition of AEG's tool operation and creation of VOAC Hydraulic joint venture in Sweden.

1992 Acquisition of Craelius.

1993 Acquisitions of The Robbins Company, U.S.; Kango in the UK; Worthington-Creysensac's compressor operations in France and the creation of joint ventures in Nanjing and Wuxi, China.

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 16 divisions, each of which is responsible for its own product development, construction, production, sales and profitability.

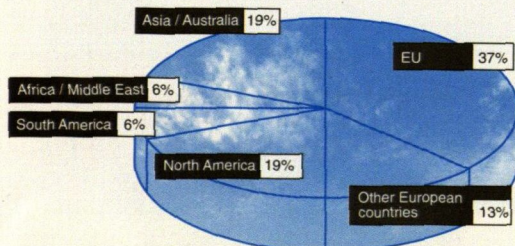
More than 95 percent of the Atlas Copco Group's invoiced sales of SEK 21 billion is attributable to countries outside Sweden. The Group employs a total of 18,000 persons, of whom 15 percent work in Sweden. The divisions manufacture products at 45 plants in 14 countries. The major share of manufacturing is conducted in the EU.

## Compressor Technique:

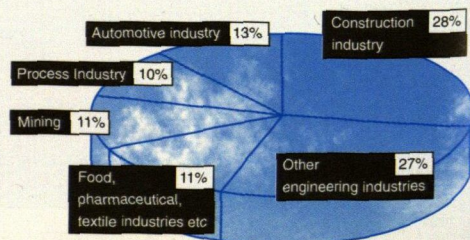
*Industrial compressors* are an important source of power in both large and small machine shops and in other industries.

*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

GEOGRAPHIC DISTRIBUTION OF INVOICED SALES



INVOICED SALES BY CUSTOMER CATEGORY



# Atlas Copco

## Annual Report 1994

**Extract in US dollars**

*All figures have been converted at the exchange rate of Dec. 31, 1994: USD 1.00 = SEK 7.44. An English version of the complete Annual Report is available.*

# FIVE YEARS IN SUMMARY

USD millions unless otherwise noted.

## THE ATLAS COPCO GROUP

1990 1991 1992 <sup>1)</sup> 1993 <sup>1)</sup> 1994

Profit after financial income and expense	169	121	137	177	<b>263</b>
Profit margin, % <sup>1)</sup>	7.9	6.0	6.4	7.0	<b>9.3</b>
Net profit after tax	92	67	80	117	<b>160</b>
Return on capital employed, before tax, % <sup>2)</sup>	17.6	12.8	13.5	13.2	<b>18.4</b>
Return on equity, after tax, % <sup>3)</sup>	12.2	7.9	9.0	11.0	<b>13.7</b>
Rate of equity, % <sup>4)</sup>	45.1	45.6	45.6	47.8	<b>51.1</b>
Rate of equity after full conversion, %	46.2	46.6	46.5	47.8	<b>51.1</b>

Orders received	2,141	2,046	2,135	2,580	<b>2,917</b>
Invoiced sales	2,139	2,020	2,151	2,541	<b>2,811</b>
Percent change, current prices	+6	-6	+7	+18	<b>+11</b>
Sales outside Sweden, %	93	94	95	95	<b>95</b>
Net interest expense	-27	-24	-22	5	<b>8</b>
As percent of invoiced sales	-1.2	-1.2	-1.0	0.2	<b>0.3</b>
Interest coverage ratio <sup>5)</sup>	3.3	3.1	3.2	5.1	<b>6.7</b>

Total assets	1,877	1,891	2,180	2,395	<b>2,446</b>
Ratio of assets to liabilities	1.8	1.8	1.8	1.9	<b>2.0</b>
Ratio of current assets to current liabilities	2.0	1.8	1.8	1.8	<b>2.0</b>
Debt/equity ratio <sup>6)</sup>	28.7	27.5	29.4	20.9	<b>3.8</b>
Capital turnover ratio <sup>7)</sup>	1.13	1.05	1.06	1.09	<b>1.16</b>
Investments in machinery and buildings	92	95	74	53	<b>85</b>
As percent of invoiced sales	4.3	4.7	3.5	2.1	<b>3.0</b>

Average number of employees	21,507	19,544	19,195	18,247	<b>18,104</b>
Invoiced sales per employee, USD thousands	99	103	112	139	<b>155</b>

## Per Share Data, USD unless otherwise noted

Earnings <sup>8)</sup>	0.53	0.37	0.45	0.64	<b>0.88</b>
Dividend	0.22	0.22	0.22	0.24	<b>0.30</b> <sup>12)</sup>
Price quotation, Dec. 31, A	4.30	6.45	9.01	11.16	<b>12.77</b>
Price quotation, Dec. 31, B	4.17	6.45	8.87	11.02	<b>12.77</b>
Highest price quoted, A	10.35	7.53	9.01	11.56	<b>14.52</b>
Lowest price quoted, A	3.90	4.03	5.91	8.06	<b>10.89</b>
Average price quoted, A	7.39	6.32	7.66	9.41	<b>12.63</b>
Direct yield, percent <sup>9)</sup>	2.9	3.4	2.8	2.6	<b>2.4</b>
Price/Earnings <sup>10)</sup>	13.8	16.9	16.9	14.9	<b>14.5</b>

# 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 conservatism – recognising a loss risk as soon as it is measurable but not taking credit for income items until actually earned. Certain exceptions from the consistent application of these principles are described below.

### Consolidation

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

The Consolidated Balance Sheet and Income Statement of the Atlas Copco Group cover all companies in which the Parent Company, directly or indirectly, holds more than 50 percent of the voting rights, as well as those companies in which the Group in some other manner has a decisive influence and a substantial participation in operating income from their operations.

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

## Notes

- <sup>1</sup> Profit after financial income and expense as a percentage of invoiced sales.
- <sup>2</sup> 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.
- <sup>3</sup> Profit after financial income and expense less full tax and minority interest, as a percentage of average shareholders' equity.
- <sup>4</sup> Shareholders' equity and minority interest as a percentage of total capital.
- <sup>5</sup> Profit after financial income and expense plus interest paid and foreign exchange differences divided by interest paid and foreign exchange differences.
- <sup>6</sup> Difference between interest-bearing liabilities

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.

and liquid assets in relation to shareholders' equity including minority interest.

- <sup>7</sup> Invoiced sales divided by average total assets.
- <sup>8</sup> 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.
- <sup>9</sup> Dividend as percent of average quoted price during year.
- <sup>10</sup> Average quoted price during year in relation to earnings per share as defined in note 8.
- <sup>11</sup> Values and key ratios have been recalculated in accordance with change in accounting principles.
- <sup>12</sup> 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, currency swaps and loans in foreign currency have been arranged in order 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 included in the net interest items and distributed evenly over the term of each contract.

### **Hedging of commercial flows**

When calculating the value of the forward contracts outstanding, provision is made for unrealized losses to the extent these exceed unrealized gains. Unrealized gains which exceed unrealized losses are not recognized as revenue. When calculating unrealized exchange-rate differences, that portion of the hedged amounts is excluded for which currency flows, through currency transactions, are most likely to cover the forward contracts.

### **Financial investments**

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

Investments intended for trading are valued at market rates.

### **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. Deferred tax has been taken into account in connection with these transactions.

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

Atlas Copco's own 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.

### Taxes

The company calculates deferred tax based on the differences between reported value in the balance sheet and residual value available for tax purposes. Those tax-loss carryforwards arising are anticipated in instances where it is probable that they will result in lower tax payments in the future. When calculating deferred tax, the nominal tax rates prevailing in each country have been used individually for each company. Deferred tax relating to 1994 operations is shown under the entry "Taxes" in the Income Statement and is specified in Note 6 and under "Fixed assets" and "Non-interest-bearing long-term liabilities" in the Balance Sheet.

### 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	1994	1993
Income as reported in the Consolidated Income Statement	160	117
Items increasing/decreasing reported net income:		
Depreciation of revaluations	0	0
Capitalization of interest expenses	0	-1
Depreciation of goodwill	-1	-1
Deferred taxes	0	0
Prior year adjustments	-	2
Calculated net profit	159	117
Calculated earnings per share, USD	0.88	0.64
After full conversion, USD	0.88	0.64
Total assets	2,514	2,465
Total liabilities	1,219	1,275
Shareholders' equity as reported in the Consolidated Balance Sheet	1,234	1,128
Net adjustments in reported shareholders' equity	61	62
Approximate shareholders' equity	1,295	1,190

**CONSOLIDATED INCOME STATEMENT**

Amounts in USD m.

		1994	1993
<b>Operating income</b>	Invoiced sales	<b>2,811</b>	2,541
<b>Operating expense</b>	Cost of goods sold Technical development, marketing and administrative costs, etc	<b>-1,742</b>	-1,626
		<b>-696</b>	-663
<b>Operating profit before depreciation</b>		<b>373</b>	252
<b>Cost depreciation</b>	In accordance with plan	<b>-119</b>	-88
<b>Operating profit after depreciation</b>		<b>254</b>	164
<b>Financial income and expense</b>		<b>0</b>	10
<b>Share in associated companies</b>		<b>9</b>	3
<b>Profit after financial income and expense</b>		<b>263</b>	177
<b>Taxes</b>		<b>-100</b>	-58
<b>Minority interest</b>		<b>-3</b>	-2
<b>NET PROFIT</b>		<b>160</b>	117
<b>Earnings per share, USD</b>		<b>0.88</b>	0.64

**CONSOLIDATED BALANCE SHEET**

Amount in USD m.

<b>ASSETS</b>		<b>1994.12.31.</b>		<b>1993.12.31</b>	
<b>Current assets</b>	Cash, bank and short-term investments	<b>398</b>		285	
	Receivables	<b>686</b>		678	
	Inventories	<b>596</b>	<b>1,680</b>	603	1,566
<b>Fixed assets</b>	Shares and participations	<b>34</b>		31	
	Goodwill	<b>123</b>		166	
	Other fixed assets	<b>609</b>	<b>766</b>	632	829
<b>TOTAL ASSETS</b>		<b>2,446</b>		<b>2,395</b>	
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
<b>Current liabilities</b>	<i>Non-interest-bearing liabilities</i>				
	Notes payable	<b>12</b>		13	
	Suppliers	<b>181</b>		153	
	Provision for taxes	<b>63</b>		41	
	Accrued expenses and prepaid income	<b>235</b>		280	
	Other current liabilities	<b>160</b>		155	
	<i>Interest-bearing liabilities</i>				
	Bank loans	<b>170</b>		226	
	Current portion of long-term liabilities	<b>12</b>		4	
	Other current liabilities	<b>4</b>	<b>837</b>	4	876
<b>Long-term liabilities</b>	<i>Non-interest-bearing liabilities</i>				
	Other long-term liabilities	<b>12</b>		11	
	Deferred tax liabilities	<b>88</b>		73	
	<i>Interest-bearing liabilities</i>				
	Mortgage and other long-term loans	<b>12</b>		35	
	Provision for pensions	<b>247</b>	<b>359</b>	256	375
<b>TOTAL LIABILITIES</b>		<b>1,196</b>		<b>1,251</b>	
<b>Minority interest</b>		<b>16</b>		<b>16</b>	
<b>Shareholders' equity</b>	Share capital	<b>123</b>		123	
	Restricted reserves	<b>568</b>		593	
	Retained earnings	<b>383</b>		295	
	Net profit	<b>160</b>	<b>1,234</b>	117	1,128
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>2,446</b>		<b>2,395</b>	
<b>Assets pledged</b>		<b>20</b>		<b>32</b>	
<b>Contingent liabilities</b>		<b>80</b>		<b>101</b>	

**ATLAS COPCO GROUP**

	1994	1993
<b>INVOICED SALES USD m.</b>	<b>2,811</b>	<b>2,541</b>
<b>OPERATING PROFIT AFTER DEPRECIATION USD m.</b>	<b>254</b>	<b>164</b>
<b>PROFIT AFTER FINANCIAL ITEMS USD m.</b>	<b>263</b>	<b>159</b>
<b>RETURN ON CAPITAL EMPLOYED, %</b>	<b>18</b>	<b>13</b>
<b>INVESTMENTS USD m.</b>	<b>85</b>	<b>47</b>
<b>NUMBER OF EMPLOYEES</b>	<b>18,104</b>	<b>18,247</b>

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 16 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 45 plants in 14 countries.

**Compressor Technique**

	1994	1993
<b>INVOICED SALES USD m.</b>	<b>1,329</b>	<b>1,150</b>
<b>OPERATING PROFIT AFTER DEPRECIATION USD m.</b>	<b>193</b>	<b>137</b>
<b>RETURN ON CAPITAL EMPLOYED, %</b>	<b>27</b>	<b>23</b>
<b>INVESTMENTS USD m.</b>	<b>30</b>	<b>19</b>
<b>NUMBER OF EMPLOYEES</b>	<b>7,297</b>	<b>7,276</b>

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**

	1994	1993
<b>INVOICED SALES USD m.</b>	<b>736</b>	<b>707</b>
<b>OPERATING PROFIT AFTER DEPRECIATION USD m.</b>	<b>8</b>	<b>14</b>
<b>RETURN ON CAPITAL EMPLOYED, %</b>	<b>3</b>	<b>4</b>
<b>INVESTMENTS USD m.</b>	<b>19</b>	<b>16</b>
<b>NUMBER OF EMPLOYEES</b>	<b>5,182</b>	<b>5,280</b>

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 Rock Drilling Equipment, Atlas Copco Robbins, Atlas Copco Craelius, Uniroc, Atlas Copco Berema and Atlas Copco Wagner.

**Industrial Technique**

	1994	1993
<b>INVOICED SALES USD m.</b>	<b>746</b>	<b>684</b>
<b>OPERATING PROFIT AFTER DEPRECIATION USD m.</b>	<b>63</b>	<b>31</b>
<b>RETURN ON CAPITAL EMPLOYED, %</b>	<b>14</b>	<b>7</b>
<b>INVESTMENTS USD m.</b>	<b>30</b>	<b>17</b>
<b>NUMBER OF EMPLOYEES</b>	<b>5,505</b>	<b>5,553</b>

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

The products are developed, manufactured and marketed by the following divisions: Atlas Copco Industrial Tools and Equipment, Atlas Copco Electric Tools, Chicago Pneumatic, Desoutter and Georges Renault.

**Organization**

**Board of Directors**

**President and Chief Executive Officer**

**Executive Group Management and Corporate Functions**

**Compressor Technique**

**Construction and Mining Technique**

**Industrial Technique**

**Business areas**

- Industrial Air
  - Oil-free Air
  - Portable Air
  - Atlas Copco Applied Compressor and Expander Technique
  - Airtec
- Industrial compressors  
Portable compressors  
Gas and process compressors

- Atlas Copco Rock Drilling Equipment
  - Atlas Copco Robbins
  - Atlas Copco Craelius
  - Uniroc
  - Atlas Copco Berema
  - Atlas Copco Wagner
- Drilling rigs  
Rock drilling tools  
Construction tools  
Loading equipment

- Atlas Copco Industrial Tools and Equipment
  - Atlas Copco Electric Tools
  - Chicago Pneumatic
  - Desoutter
  - Georges Renault
- Power tools  
Assembly systems

**Divisions**

**Product areas**

The divisions manufacture their products in own product companies and market them through common or own sales companies in around 60 countries and through independent distributors in a further 80 countries.

**Markets**

demand of the production in these industries.

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

*Customer-adapted gas/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.

*Tunnel boring machines* are used for full-face driving, in which the entire tunnel is drilled out without blasting.

*Geotechnical drilling equipment* is used in well-drilling, construction-related drilling and environmental 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.

## Dear shareholders,

*Atlas Copco's positive development during the recent difficult recession is largely attributable to efficiently implemented restructuring measures, which have significantly reduced costs and increased productivity. Another very important strength factor is Atlas Copco's presence in markets in 140 countries with sales and service organizations. The Company's strategy, which includes not abandoning markets in which it has established sound customer relations when times become hard, creates long-term confidence in Atlas Copco and a high regard for its products and services.*

*This strategic direction has been instrumental in enabling Atlas Copco to maintain and even improve its shares in many markets, even during times of weak economic development. But especially now, as we prepare for a period of boom conditions in the majority of Atlas Copco's markets, this strategy is of major value.*

*Sweden's membership of the European Union has formally extended our domestic market from Sweden, with its eight million inhabitants, to the EU countries, with a total population of some 370 million people. This means that nearly 50 percent of our revenues will be accounted for by our new domestic market, where the majority of our products are also manufactured. EU membership has thus provided us with yet another strength factor, at the same time as we are able to conduct negotiations and business on equal terms with our competitors in the Union.*

*A determined and long-term ambition to adapt and concentrate operations to the core activities contained within our business areas has, in pace with changing external conditions, gradually improved the Company's profitability and has made Atlas Copco one of the most well-consolidated engineering companies in Sweden. It has also opened the way to new growth opportunities.*

*As a result of the favorable trend of profit, the Board is proposing that the dividend for 1994 be raised to SEK 2.30 per share.*

*Atlas Copco's successes are largely based on the farsightedness of its management and the exceptional corporate spirit, expertise and enthusiasm to be found in all of its employees throughout the world. I therefore consider that we shareholders can be truly thankful for the excellent efforts and achievements of our company during the past year.*



Peter Wallenberg  
Chairman

# THE BOARD OF DIRECTORS' REPORT ON 1994 OPERATIONS

SEK m. unless otherwise indicated

## THE ATLAS COPCO GROUP

	1994	1993
Invoiced sales	<b>20,914</b>	18,906
Change, %	<b>+11</b>	+18
Orders received	<b>21,701</b>	19,194
Change, %	<b>+13</b>	+21
Profit after financial items	<b>1,955</b>	1,320
Change, %	<b>+48</b>	+30
Net profit after taxes	<b>1,194</b>	867
Change, %	<b>+38</b>	+45

*Invoiced sales of the Atlas Copco Group in 1994 amounted to SEK 20,914 m. (18,906), up 11 percent. Markets outside Sweden accounted for 95 percent of invoicing, with 37 percent attributable to EU countries. Orders received during the fiscal year increased by 13 percent to SEK 21,701 m. (19,194). The improvements were due mainly to increased volumes.*

*Group profit after financial income and expense increased 48 percent to SEK 1,955 m. (1,320). The profit margin was 9.3 percent (7.0). Earnings per share after full tax and full conversion totaled SEK 6.51 (4.74).*

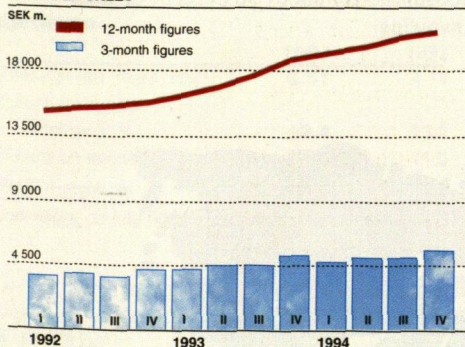
*The Board of Directors proposes payment of a dividend of SEK 2.30 (1.80) per share.*

### Outlook for 1995

*Orders from the manufacturing industries and the mining sector are expected to increase in most markets. It is estimated that demand from the construction market will remain unchanged.*

*Earnings are expected to continue to improve during 1995.*

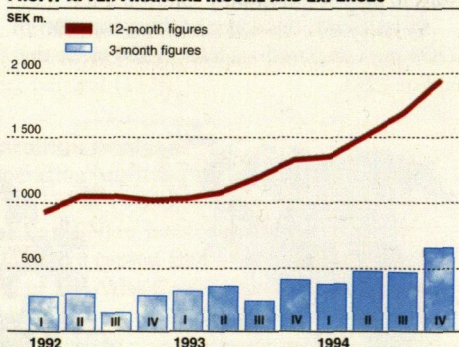
### INVOICED SALES



### INVOICED SALES BY QUARTER

	1992	1993	1994
First quarter	3,834	4,286	<b>4,829</b>
Second quarter	4,040	4,644	<b>5,182</b>
Third quarter	3,774	4,621	<b>5,167</b>
Fourth quarter	4,359	5,355	<b>5,736</b>
Total	16,007	18,906	<b>20,914</b>

### PROFIT AFTER FINANCIAL INCOME AND EXPENSES



### EARNINGS BY QUARTER

	1992	1993	1994
First quarter	286	315	<b>380</b>
Second quarter	304	346	<b>472</b>
Third quarter	142	249	<b>458</b>
Fourth quarter	285	410	<b>645</b>
Total	1,017	1,320	<b>1,955</b>

## Structural changes

In order to take full advantage of the synergies in the manufacturing of rock drilling equipment, decision was made to close the plant manufacturing crawler rigs in Bremen, Germany. The main part of the production will be transferred to the Avos plant in Örebro, Sweden.

Atlas Copco Automation, a division within the Industrial Technique business area, was divested on August 1, 1994. This means that Atlas Copco has divested all of its operations within the Pneumatic Components product area. In 1993, Atlas Copco Automation reported invoiced sales of approximately SEK 275 m., with 250 employees.

The Swedish company Hamrin Adsorptions & Filtrerteknik AB was acquired during the year. This company, which manufactures drying and filtration products, has annual sales of about SEK 20 m.

Following the close of the fiscal year, Atlas Copco acquired ABB's operations in the product area of gas expanders, with annual sales of about SEK 50 m. This operation, which is based in Brussels, Belgium, will be incorporated in the Atlas Copco ACT division and will be regarded as an ideal complement to Atlas Copco's technology within the expansion turbine area.

## Sales review

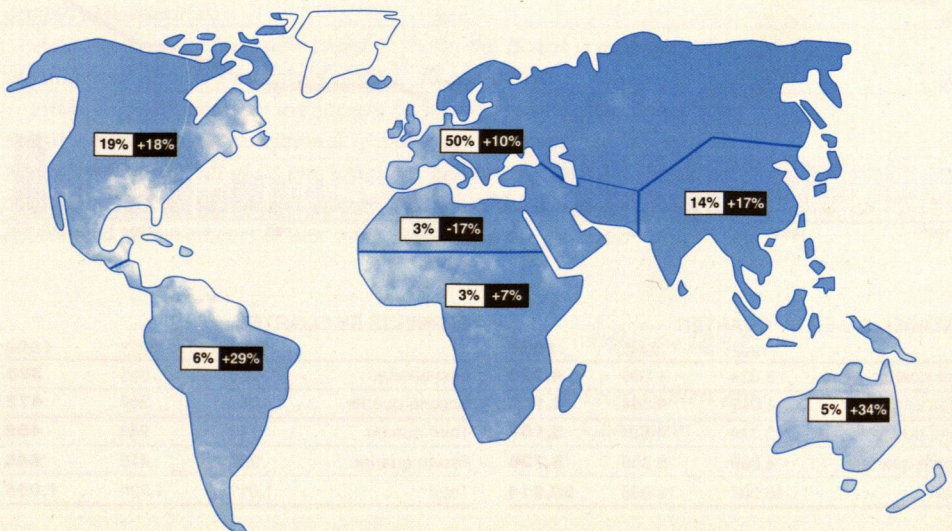
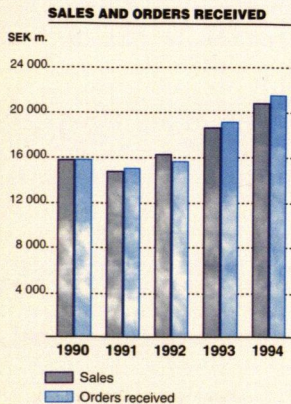
All business areas reported steadily increasing demand in most markets during 1994, particularly during the second half of the year.

A significant increase in the level of orders received was noted during the year, primarily in North and South America and Australia, but also in certain European markets, particularly in Great Britain. In the German market, demand rose mainly during the latter half of the year. Sales in Japan, Russia and the Middle East were weak.

At year-end, the order backlog was SEK 3,834 m., compared with SEK 3,394 m. at the end of 1993.

Atlas Copco's sales of both industrial compressors and industrial tools to the *manufacturing industry* increased during the year. Significantly increased sales of industrial compressors were noted in several major markets in Europe and in Brazil and South Korea. Orders received for industrial tools increased in all of the business area's markets. Sales to the North American automotive industry were particularly successful.

Sales to the manufacturing industry accounted for about 50 percent of total invoicing.





Demand within the *building and construction industry* was weak, particularly for mechanized drilling equipment for large infrastructure projects. Several such projects have been postponed due to revised priorities. However, substantial orders for drilling equipment were secured in Sweden, Japan and Hong Kong/China. Demand for demolition equipment and portable compressors from the construction sector improved during the year, especially in North America and Australia, but also in certain European and East Asian markets.

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

Sales to the *mining industry* developed positively during the year due to rising metal prices and reduced inventories. Several attractive orders for drilling equipment and loaders were obtained from mines in North and South America and Australia, among other markets.

Sales to customers in the mining industry accounted for about 10 percent of total invoicing.

### Marketing organization

The marketing organization within each division was further refined during the year to adapt operations to the fullest possible

extent to changes in the different markets.

The organization in Eastern Europe was strengthened during the year through the addition of local sales companies. In Ghana, a new sales and service organization was established to meet the needs of the local mining industry.

In South Africa, operations were broadened after the lifting of sanctions. In order to re-enter this attractive market, following many years of absence, requires a high level of service. To maintain such a level, Atlas Copco is engaging in the local production of hand-held drilling machines and rock drilling tools.

In recent years, Atlas Copco has concentrated the inventories of its local sales companies to strategically located distribution centers for each business area with the aim of increasing delivery reliability and reducing the amount of capital tied up in inventories. This now enables most orders to be delivered to customers within 24 hours. As a result, it has been possible to reduce inventories in relation to invoicing during the past five years by 6 percentage units. During 1994, deliveries of electric tools from the plant in Germany directly to customers were transferred to Industrial Technique's distribution center in Belgium.

## Financial summary and analysis

### Earnings

	1994	1993
Earnings per share, SEK	6.51	4.74
Return on capital employed, %	18.4	13.2
Return on equity, %	13.7	11.0
Profit margin, %	9.3	7.0

Definitions of key figures, page 26.

Group profit after financial income and expense increased by 48 percent to SEK 1,955 m. (1,320).

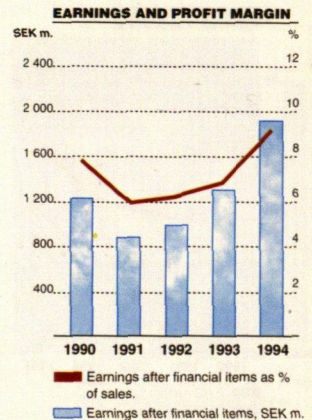
The profit margin increased to 9.3 percent (7.0). Net profit for the year after tax increased to SEK 1,194 m. (867). Tax expenses for the year amounted to SEK 737 m. (432). This amount includes a non-recurring cost of SEK 50 m. (non-recurring revenue: 74) due to changes in Swedish tax regulations.

Earnings per share after full tax and full conversion were SEK 6.51 (4.74).

Return on capital employed amounted to 18.4 percent (13.2) and on equity after tax to 13.7 percent (11.0).

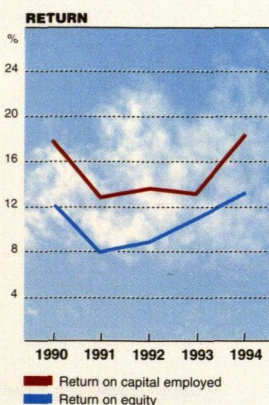
### Earnings analysis

Operating profit before depreciation totaled SEK 2,777 m. (1,878), corresponding to 13.3 percent (9.9) of invoicing. Operating profit included a capital gain of SEK 195 m. from the sale of the Atlas Copco Automation division. The improvement in margin in 1994 was mainly due to rising sales volumes and higher productivity. In contrast to 1993, currency rate changes had a negative impact on earnings, primarily as a result of the weakened U.S. dollar. An analysis of the earnings for the two years as a whole shows that the positive effects on earnings as a result of the devaluation of the Swedish krona in 1992 were entirely offset by the Group's large production share in hard currency countries.



KEY FIGURES BY BUSINESS AREA

	Invoiced sales		Operating profit		Return on capital employed %		Investments	
	1994	1993	1994	1993	1994	1993	1994	1993
Compressor Technique	9,889	8,554	1,433	1,018	27	23	226	143
Construction and Mining Technique	5,472	5,257	58	102	3	4	139	122
Industrial Technique	5,553	5,095	470	228	14	7	222	124
Corporate items			- 71	- 123			45	5
<b>Total Group</b>	<b>20,914</b>	<b>18,906</b>	<b>1,890</b>	<b>1,225</b>	<b>18</b>	<b>13</b>	<b>632</b>	<b>394</b>



Cost depreciation in 1994 amounted to SEK 887 m. (653). The figure for 1994 included a non-recurring write-down of goodwill in an amount of SEK 180 m.

Operating profit after depreciation increased 54 percent to SEK 1,890 m. (1,225), which corresponds to an operating margin of 9.0 percent (6.5).

Operating profit after depreciation for the Compressor Technique business area increased 41 percent to SEK 1,433 m. (1,018). The improvement was mainly attributable to increased volumes and higher productivity.

Operating profit after depreciation for the Construction and Mining Technique business area totaled SEK 58 m. (102). Costs of restructuring measures were charged against earnings.

Profit after depreciation for the Industrial Technique business area increased SEK 242 m. to SEK 470 m. The improvement was mainly attributable to greater volumes and productivity improvements.

Investments

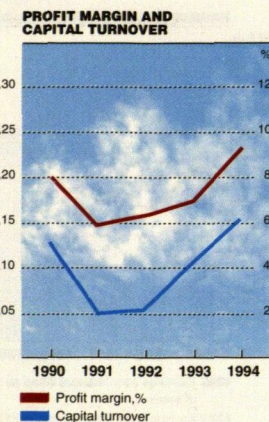
Investments in fixed assets totaled SEK 632 m. (394). The distribution of investments was SEK 132 m. (73) in Sweden and SEK 500 m. (321) outside Sweden, of which SEK 260 m. (192) was accounted for by EU countries.

The investments related primarily to the expansion of the plants in Antwerp, Belgium, and Tierp, Sweden, as well as to the Industrial Technique distribution center in Belgium. In addition to replacement investments, substantial machinery investments were made in certain Industrial Technique plants.

Investments during the year exceeded the total depreciation booked on machinery, equipment and buildings, which was in line with the Group's long-term goal. In total, depreciation during the year amounted to SEK 611 m.

Geographical distribution of investments

	1994	1993
Europe	405	273
North America	78	56
South America	62	16
North Africa/Middle East	2	2
South Africa	26	10
India/East Asia	54	31
Oceania	5	6
<b>Total</b>	<b>632</b>	<b>394</b>



SUMMARY OF CHANGES IN CASH FLOW ANALYSES

	1992	1993	1994
Surplus liquid funds from operations	1,690	1,707	2,443
Change in working capital	468	543	- 63
Investments in fixed assets	- 553	- 394	- 632
Cash flow from operations	1,605	1,856	1,748
Financial items, including tax payments	- 558	- 550	- 372
Cashflow from operations after financial items	1,047	1,306	1,376
Company acquisitions/divestments	- 759	- 332	257
Dividend to shareholders	- 288	- 287	- 342
<b>Net cash flow</b>	<b>0</b>	<b>687</b>	<b>1,291</b>

## Financial analysis

	1994	1993
Net interest income	+57	+39
Degree of self-financing, %	387	433
Rate of equity, %	51	48

The strengthened Swedish krona resulted during the year in a decrease of the Group's total assets with approximately 4 percent. The increased sales volumes resulted, however, in a total assets improvement of 2 percent.

The capital turnover ratio was 1.16 (1.09).

The Notes to the Atlas Copco Group's Cash Flow Analysis on page 15 and the section on Financial Operations on page 28 describe how currency exchange-rate changes affected the Group's financial position.

### Inventories and accounts receivable

During the year, the Group implemented extensive programs to further reduce the amount of tied-up capital. During 1994, inventory value excluding hire fleet was reduced and totaled 18.9 percent (21.0) of invoicing. A slight rise in inventory volume was balanced by negative currency translation effects.

During the year, receivables declined to 20.5 percent (22.1) of invoicing.

The goal is to reduce both inventories and 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 351 m. (1,779). Of this amount, SEK 1,840 m. (1,905) related to pension provisions. On December 31, 1994, Atlas Copco Group liquid assets amounted to SEK 2,964 m. (2,123), corresponding to 14 percent (11) of invoicing.

The debt/equity ratio, meaning net indebtedness in relation to equity, decreased to 4 percent (21). Gross borrowing, excluding pensions, is of an overwhelmingly short-term nature, with maturity dates of within one year.

Cash flow totaled SEK 1,291 m. (687). The improvement is mainly due to the funds generated internally through operations and contributed via the sale of Atlas Copco Automation.

### Net financial items

The net of the Group's financial income and expense was an expense of SEK 1 m. (+73).

Net interest items amounted to SEK 57 m. (39). The improvement was due mainly to lower net borrowing volumes. Since interest rates are now also calculated on foreign pension liabilities, the figures for previous periods have been recalculated. This change resulted in an increase in interest expense during the year totaling SEK 56 m. (49) and a corresponding decrease in operating expense. See also page 34.

Exchange-rate differences during 1994 resulted in a loss of SEK 59 m. (+33). This negative outcome was mainly due to devaluation effects, e.g. in Mexico.

### Share in associated companies

Atlas Copco applies the equity method, which means that participation in the results of associated companies is included in reported profit. For the 12-month period, such participation amounted to SEK 66 m. (22) and relates primarily to the 50-percent owned hydraulics company, VOAC Hydraulics.

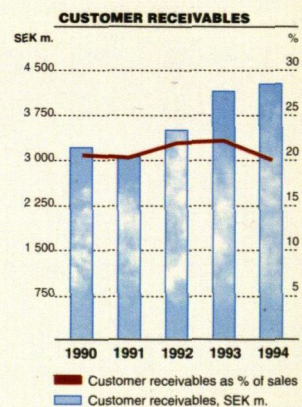
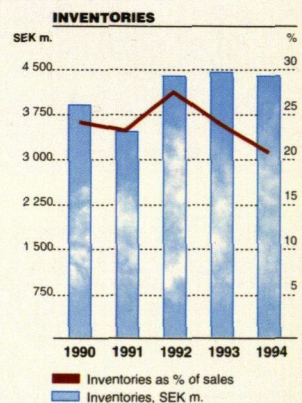
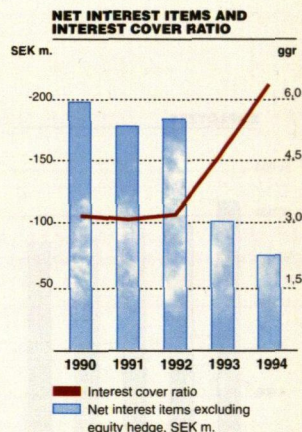
### Shareholders' equity

Group shareholders' equity, including minority interests, amounted to SEK 9,303 m. (8,513) on December 31, 1994. The negative translation effect from the strengthened Swedish krona was largely neutralized by the currency hedging measures undertaken.

Shareholders' equity per share amounted to SEK 51 (46).

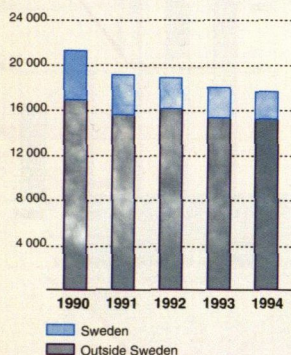
### Equity/assets ratio

The equity portion of total assets was 51 percent (48).



## Personnel

EMPLOYEES



	1994	1993
Average number of employees, total	<b>18,104</b>	18,247
Sweden	<b>2,701</b>	2,748
Outside Sweden	<b>15,403</b>	15,499
<b>Business areas</b>		
Compressor Technique	<b>7,297</b>	7,276
Construction and Mining Technique	<b>5,182</b>	5,280
Industrial Technique	<b>5,505</b>	5,553
Other	<b>120</b>	138

The average number of persons employed within Atlas Copco decreased in 1994 by 143 to 18,104 (18,247). The proportion of employees in Swedish units was 15 percent (15) and in units based in EU countries was 41 percent (41). Of the average number of employees, 84 percent (84) were men and 16 percent (16) women. In Sweden, the corresponding figures

were 83 percent (82) men and 17 percent (18) women. See also Note 26.

At year-end 1994, the Group had 18,030 employees (17,823).

The Atlas Copco Group's payroll expenses are shown below:

	1994	1993
Boards of Directors and senior executives [including bonus payment of 10 (8)]	<b>143</b>	130
Other employees	<b>4,203</b>	4,012
<b>Total</b>	<b>4,346</b>	4,142

The Atlas Copco Group's total payroll expenses amounted to SEK 5,913 m. (5,564), of which SEK 1,567 m. (1,422) represented social welfare costs.

## Product development

	1994	1993
Research and development costs	<b>620</b>	581
Total in % of invoicing	<b>3,0</b>	3,1

Product development activities were again allocated high priority within the different Atlas Copco divisions during the past year and a large number of new products were launched in the market. New routines and technical aids enabled development times to be cut, at the same time as improvements could be made in product quality and costs reduced.

Within the Compressor Technique business area, a new series of modular-design oil-injected compressors was introduced, featuring integrated electronics and dryers.

A new generation of refrigeration and heat regenerated adsorption dryers has also been introduced enhancing performance and offering the customer a better quality of air.

A generator line was developed and successfully introduced into the market as a complement to the portable compressor. Moreover, a compact turbo compressor was introduced in the market for a broad range of industrial applications.

In the Construction and Mining Technique

business area, a new raise-boring machine for blind-boring operations was introduced. This machine is developed to operate in the same way as a tunnel boring machine (TBM), which means that the entire tunnel area is drilled out without blasting. A new rig has been developed for core-drilling operations. A new series of pneumatic breakers offering improved performance and a further refinement of the light hydraulic breaker were both received positively by the market. To increase rock drilling tool productivity, the cemented carbide insert in drill bits was further developed.

Within the Industrial Technique business area, several new industrial tools were developed during 1994. These include a complete series of powerful pulse tools, designed to require less maintenance, and a completely new generation of automatic drilling machines for installation in larger machine units. Product development work also included electric and pneumatic tools, such as a powerful rotary hammer, a series of compact grinding machines, an electric nutrunner and a new drill equipped with a patented system for the fast replacement of tools. Furthermore, a completely new series of battery-powered tools was developed during the year, which is scheduled for market launch in 1995.

## 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 Holding GmbH and Atlas Copco France Holding SA occurred during the year. All of the shares in Atlas Copco Automation AB were sold generating a capital gain of SEK 217 m.

### Earnings

Dividends from subsidiaries amounted to SEK 274 m. (378).

Profit after financial items totaled SEK 629 m. (607).

The Parent Company reported a net profit after appropriations and taxes of SEK 955 m. (430). As a result, unappropriated earnings amounted to SEK 1,998 m. (1,373).

### Financing

The total assets of the Parent Company increased by SEK 484 m.

At year-end 1994, cash, bank deposits and short-term investments amounted to SEK 1,500 m. (1,038).

The Parent Company's debt/equity ratio, meaning net indebtedness in relation to shareholders' equity, was 8 percent (25).

The portion of equity amounted to 69 percent (64).

### Personnel

The average number of employees in the Parent Company during the year was 62 (65), of whom 50 percent (48) were women. Total payroll expenses are shown as follows:

	1994	1993
Board of Directors and senior executives [including bonus payment of 5 (4)]	13	11
Other employees	25	25
Total	38	36

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

### Dividend

The Board of Directors proposes a dividend of SEK 2.30 (1.80) per share, corresponding to a total of SEK 422 m. (330).

### Distribution of shares

During the year, the 5:1 share split approved by the Annual General Meeting was implemented, whereby the par value of the share was changed from SEK 25 to SEK 5.

Following the split, the number of shares amounts to:

A-shares (one vote)	122,497,590
B-shares (one tenth of a vote)	61,018,330
Total	183,515,920

The shares were listed on the Stockholm Stock Exchange at a par value of SEK 5 per share, effective June 6, 1994.

**CONSOLIDATED INCOME STATEMENT**

Amounts in SEK m.

		1994	1993
<b>Operating income</b>	Invoiced sales (NOTE 1)	20,914	18,906
<b>Operating expense</b> (NOTE 2)	Cost of goods sold Technical development, marketing and administrative costs, etc.	- 12,958	- 12,100
<b>Operating profit before depreciation</b>		2,777	1,878
<b>Cost depreciation</b>	In accordance with plan (NOTE 3)	- 887	- 653
<b>Operating profit after depreciation</b>		1,890	1,225
<b>Financial income and expense</b> (NOTE 4)		- 1	73
<b>Share in associated companies</b> (NOTE 11)		66	22
<b>Profit after financial income and expense</b>		1,955	1,320
<b>Taxes</b> (NOTE 6)		- 737	- 432
<b>Minority interest</b> (NOTE 7)		- 24	- 21
<b>NET PROFIT</b>		1,194	867
<b>Earnings per share, SEK</b> (NOTE 24)		6.51	4.74

## CONSOLIDATED BALANCE SHEET

Amounts in SEK m.

ASSETS		1994.12.31		1993.12.31		
<b>Current assets</b>	Cash, bank and short-term investments (NOTE 8)	2,964		2,123		
	Receivables (NOTE 9)	5,103		5,043		
	Inventories (NOTE 10)	4,434	12,501	4,491	11,657	
<b>Fixed assets</b>	Shares and participations (NOTE 11)	255		227		
	Goodwill (NOTE 12)	913		1,237		
	Other fixed assets (NOTE 13)	4,529	5,697	4,701	6,165	
<b>TOTAL ASSETS</b>		<b>18,198</b>		<b>17,822</b>		
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>						
<b>Current liabilities</b>	<i>Non-interest-bearing liabilities</i>					
	Notes payable	86		99		
	Suppliers	1,343		1,135		
	Provision for taxes	466		303		
	Accrued expenses and prepaid income	1,751		2,084		
	Other current liabilities	1,193		1,160		
	<i>Interest-bearing liabilities</i>					
	Bank loans (NOTE 18)	1,266		1,678		
	Current portion of long-term liabilities	90		28		
	Other current liabilities	29	6,224	27	6,514	
	<b>Long-term liabilities</b>	<i>Non-interest-bearing liabilities</i>				
		Other long-term liabilities	90		80	
Deferred tax liabilities		651		546		
<i>Interest-bearing liabilities</i>						
Mortgage and other long-term loans (NOTE 19)		90		264		
Provision for pensions (NOTE 20)	1,840	2,671	1,905	2,795		
<b>TOTAL LIABILITIES</b>		<b>8,895</b>		<b>9,309</b>		
<b>Minority interest</b> (NOTE 7)		<b>120</b>		<b>119</b>		
<b>Shareholders' equity</b>	Share capital	918		918		
	Restricted reserves (NOTE 22)	4,225		4,417		
	Retained earnings (NOTE 23)	2,846		2,192		
	Net profit	1,194	9,183	867	8,394	
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>18,198</b>		<b>17,822</b>		
<b>Assets pledged</b> (NOTE 25)		<b>150</b>		<b>237</b>		
<b>Contingent liabilities</b> (NOTE 25)		<b>595</b>		<b>749</b>		

## CASH FLOW ANALYSES

Amounts in SEK m.

	GROUP		ATLAS COPCO AB	
	1994	1993	1994	1993
Invoiced sales	20,914	18,906		
Operating expense	- 18,471	- 17,199		
<b>Surplus liquid funds from operations</b>	<b>2,443</b>	<b>1,707</b>	<b>103</b>	<b>156</b>
Change in:				
Operating receivables	- 335	- 139	140	3
Inventories	- 164	540	-	-
Operating liabilities	436	142	- 40	128
Change in working capital	- 63	543	100	131
Investments in fixed assets	- 632	- 394	- 6	0
<b>Total cash flow from operations before financial items</b>	<b>1,748</b>	<b>1,856</b>	<b>197</b>	<b>287</b>
Net financial income/expense	- 1	73	300	461
Dividends from associated companies	6	8	-	-
Sale of fixed assets	126	128	0	0
Group contributions			677	- 185
Tax payments	- 626	- 442	- 201	0
Other items, net	123	- 317	39	363
<b>Total cash flow from operations after financial items</b>	<b>1,376</b>	<b>1,306</b>	<b>1,012</b>	<b>926</b>
Cash flow from divestments/acquisitions	257	- 332	31	- 162
<b>Total cash flow before dividend</b>	<b>1,633</b>	<b>974</b>	<b>1,043</b>	<b>764</b>
Dividend to shareholders	- 342	- 287	- 330	- 284
<b>Total net cash flow</b>	<b>1,291</b>	<b>687</b>	<b>713</b>	<b>480</b>



# Notes to Atlas Copco Group

## Cash Flow Analysis

The purpose of a cash flow analysis is to provide a description of a company's capacity to generate cash during a given period. This information is an important complement to the description of the profitability and financial position contained within the Income Statements and Balance Sheets. The analysis shown on the preceding page shows the net of the Group's deposits and payments during the year based on income statement and balance sheet entries.

### Operating surplus

The operating surplus increased 43 percent and its share of Group invoicing rose to 11.7 percent (9.0).

### Cash flow from operations before financial items

As a consequence of the increase in Group sales, working capital (operating receivables and inventories less operating liabilities) rose by SEK 63 m. (decrease: 543). The increase during 1994 is marginal, however, in relation to the value of the increase in sales.

Investments in fixed assets increased significantly and totaled SEK 632 m. (394).

In total, the funds tied up in working capital and investments led to a reduction in cash flow from operations before financial items to SEK 1,748 m., compared with SEK 1,856 m. in 1993.

### Cash flow from operations after financial items

Negative exchange-rate differences and higher tax payments compared with 1993 were offset by the improvement in liquid funds resulting from the Group's hedging of net investments in foreign subsidiaries. This latter sub item is reported among "Other items" in the analysis. In total therefore, cash flow from operations after financial items improved to SEK 1,376 m. (1,306).

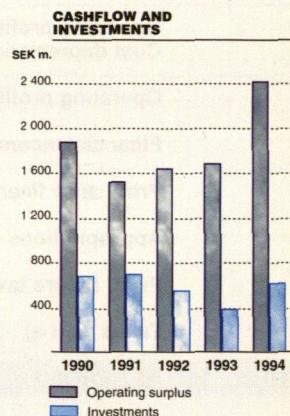
### Net cash flow

After the effects of divestments and the acquisition of operations, plus the dividend to shareholders, of which SEK 12 m. (3) related to dividends to minority interests in subsidiaries, net cash flow totaled SEK 1,291 m. (687).

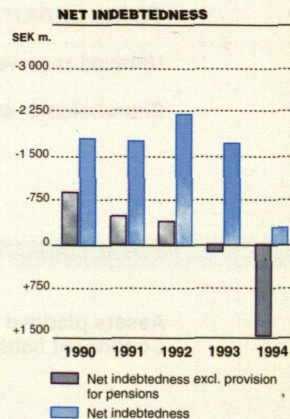
The impact on the Group's assets and liabilities of exchange-rate changes, so-called translation differences, is not classified as real cash flow and is therefore reported in a special table after the cash flow analysis.

### Five-year summary of cash flow analysis 1990-1994

Surplus liquid funds from operations	9,256
Change in working capital	1,791
Investments in fixed assets	-2,967
<b>Total cash flow from operations, before financial items</b>	<b>8,080</b>
Net financial income/expense and dividends from associated companies	-447
Sale of fixed assets	642
Tax payments	-2,214
Other items, net	-814
<b>Total cash flow from operations, after financial items</b>	<b>5,247</b>
Cash flow from acquisitions/divestments	-2,223
<b>Total cash flow before new share issue/dividend</b>	<b>3,024</b>
New share issue	1,203
Dividend to shareholders	-1,455
<b>Total net cash flow</b>	<b>2,772</b>



NET INDEBTEDNESS	1990	1991	1992	1993	1994
Net indebtedness, January 1	-2,605	-1,852	-1,811	-2,214	-1,779
Exchange-rate effects	0	0	-403	-252	137
New share issue	1,203	-	-	-	-
Cash effect, excluding above items	-450	41	0	687	1,291
<b>Net from year's operations</b>	<b>753</b>	<b>41</b>	<b>-403</b>	<b>435</b>	<b>1,428</b>
<b>Net indebtedness, December 31</b>	<b>-1,852</b>	<b>-1,811</b>	<b>-2,214</b>	<b>-1,779</b>	<b>-351</b>
Provision for pensions	1,058	1,257	1,756	1,905	1,840
<b>Net indebtedness, excluding Provision for pensions, December 31</b>	<b>-794</b>	<b>-554</b>	<b>-458</b>	<b>126</b>	<b>1,489</b>



**INCOME STATEMENT AND BALANCE SHEET**

Amounts in SEK m.

**INCOME STATEMENT**

	1994	1993
Operating income	412	238
Operating expense	- 76	- 85
Operating profit before depreciation	336	153
Cost depreciation (NOTE 3)	- 7	- 7
Operating profit after depreciation	329	146
Financial income and expense (NOTE 4)	300	461
Profit after financial income and expense	629	607
Appropriations (NOTE 5)	527	- 177
Profit before taxes	1,156	430
Taxes (NOTE 6)	- 201	-
<b>NET PROFIT</b>	<b>955</b>	<b>430</b>

**BALANCE SHEET**

ASSETS		1994.12.31	1993.12.31
<b>Current assets</b>	Cash, bank and short-term investments (NOTE 8)	1,500	1,038
	Receivables (NOTE 9)	1,533 3,033	1,673 2,711
<b>Fixed assets</b>	Shares and participations (PAGE 27)	4,018	3,816
	Other fixed assets (NOTE 13)	375 4,393	415 4,231
<b>TOTAL ASSETS</b>		<b>7,426</b>	<b>6,942</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>	Non-interest-bearing liabilities (NOTE 17)	286	326
	Interest-bearing liabilities (NOTE 17)	1,475 1,761	1,692 2,018
<b>Long-term liabilities</b>	Interest-bearing liabilities (NOTE 19, 20)	412	446
<b>TOTAL LIABILITIES</b>		<b>2,173</b>	<b>2,464</b>
<b>Untaxed reserves (NOTE 21)</b>		<b>600</b>	<b>450</b>
<b>Shareholders' equity</b>	Share capital (183 515 920 shares, par value SEK 5)	918	918
	Legal reserve (NOTE 22)	1,737	1,737
	Retained earnings (NOTE 23)	1,043	943
	Net profit	955 4,653	430 4,028
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>7,426</b>	<b>6,942</b>
<b>Assets pledged (NOTE 25)</b>		<b>4</b>	<b>44</b>
<b>Contingent liabilities (NOTE 25)</b>		<b>441</b>	<b>636</b>

# 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	Page 2 and inside cover
– shares and participations in subsidiaries, percent- age holdings and share- holdings among companies	Shares and participations, page 27
Geographic areas of oper- ations and the primary activities conducted there	Page 6 Business areas, pages 38–55
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 38–55
Cash Flow Analyses for the Atlas Copco Group	Page 14
Average number of employees by geographical area and by business area	Page 10 Note 26, page 25
Research and development costs	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 1994, Atlas Copco also calculates the interest on pension obligations of its foreign subsidiaries. Accordingly, figures for previous years have been recalculated to reflect this change. The change results in an increase in interest expense and a corresponding decrease in operating expense. The values reported previously are shown on page 34.

### 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 the 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 Balance Sheet and Income Statement 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 related acquisition costs are reported among Shares and participations in the Balance Sheet, increased or reduced by shares of 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-inflationary countries. The accounts of such subsidiaries are translated according to the monetary/non-monetary method. In accordance with this suggested recommendation, 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-inflationary 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.

Exchange rates for major currencies used in the year-end accounts are shown on page 29.

### **Hedging of net investments**

Forward contracts, currency swaps and loans in foreign currencies have been arranged in order 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.

The interest-rate differences between currencies are included in the net interest items and are distributed evenly over the term of each contract.

### **Hedging of commercial flows**

When calculating the value of the forward contracts outstanding, provision is made for unrealized losses to the extent these exceed unrealized gains. Unrealized gains which exceed unrealized losses are not recognized as revenue. When calculating unrealized exchange-rate differences, that portion of the hedged amounts is excluded for which currency flows, through currency transactions, are most likely to cover the forward contracts.

### **Financial investments**

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

Investments intended for trading are valued at market rates.

### **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. Deferred tax has been taken into account in connection with these latter transactions.

Transfer pricing between the companies is based on market price setting.

### **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.

*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:

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

### **Research and development costs**

Atlas Copco's own 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.

### **Taxes**

The company calculates deferred tax based on the differences between reported values in the balance sheet and residual value available for tax purposes. Those tax-loss carryforwards arising are anticipated in instances where it is probable that they will result in lower tax payments in the future. When calculating deferred tax, the nominal tax rates prevailing in each country have been used individually for each company. Deferred tax relating to 1994 operations is shown under the entry "Taxes" in the Income Statement and is specified in NOTE 6 and under "Fixed assets" and "Non-interest-bearing long-term liabilities" in the Balance Sheet.

## Notes

### 1. Invoiced sales by market

	Group	
	1994	1993
Europe inkl CIS	10,591	9,830
of which Sweden	926	894
of which EU	7,737	7,197
North America	3,947	3,344
South America	1,168	890
North Africa/Middle East	647	767
Southern Africa	678	633
India/East Asia	2,980	2,708
Oceania	903	734
	20,914	18,906

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 income includes a capital gain of SEK 195 m. from the sale of the Atlas Copco Automation Division.

Appropriations for future restructuring charges were made in the balance sheets of companies acquired during 1993. All such appropriations were utilized during the year. Capital gains/losses arising from continual scrapping and/or divestment of fixed assets are included in reported operating expenses in an amount of SEK +22 m. (+15).

	Group	
	1994	1993
Technical development costs	620	581
Marketing and administrative costs	4,559	4,347
	5,179	4,928

The above costs include taxes of SEK 12 m. (15) in Sweden based on pension liabilities and pension payments, profit tax and payroll tax respectively.

### 3. Depreciation

	Group		Parent Company	
	1994	1993	1994	1993
Goodwill (NOT 12)	276	82	-	-
Machinery and equipment	491	479	5	5
Buildings	120	92	2	2
	887	653	7	7

Current cost depreciation for the Group amounted to SEK 997 m. (762) and thus exceeded cost depreciation by SEK 110 m. (109). See further Current cost accounting page 31.

### 4. Financial income and expense

	Group		Parent Company	
	1994	1993	1994	1993
Dividends received				
from subsidiaries			274	378
from others	1	1	0	0
Interest				
from subsidiaries			76	104
from others	340	391	211	219
to subsidiaries			-175	-161
to others	-283	-352	-81	-137
Foreign exchange differences	-59	33	-5	58
	-1	73	300	461

The interest portion of this year's provision for pensions is not charged against operating income but is shown as interest expense for both Swedish and foreign companies. The amount has been calculated on the basis of the average of the opening and closing provision for pensions. For Swedish companies, the interest has been calculated at 7.7 percent (6.1). The interest portion for 1994 totals SEK 117 m. (101), of which Swedish companies accounted for SEK 61 m. (52). For the Parent Company, the corresponding amount totaled SEK 31 m. (25).

The interest differential between international and Swedish interest rates on futures contracts and swap agreements used to hedge shareholders' equity in non-Swedish companies in the Group amounted to SEK 134 m. (141).

### 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	
	1994	1993
Difference between book depreciation and cost depreciation (NOTE 21)	4	8
Dissolution of tax equalization reserve	86	-
Allocation to tax-deferrals reserve	-240	-
Group contributions, net	677	-185
	527	-177

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 tax-

able income for the receiver. The Parent Company received contributions from Atlas Copco Tools AB, Atlas Copco Compressor AB, Atlas Copco Construction and Mining Technique AB and Uniroc AB.

## 6. Taxes

	Group	
	1994	1993
Taxes paid		
Swedish taxes	203	1
Foreign taxes	487	382
Deferred taxes	31	43
Taxes in associated companies	16	6
	737	432

Total tax expenses for the year, amounting to SEK 737 m. (432) corresponded to 37.7 percent (32.7) of income after financial items.

Changes in tax rates in Sweden and other countries had an adverse impact of SEK 47 m. (+74) on tax for the year. This amount includes non-recurring costs of SEK 50 m. resulting from the decision of the Swedish Parliament to fully tax the tax equalization reserve in conjunction with its dissolution.

Applying unchanged rates, tax expense in 1994 was equal to 35.3 percent (38.3) of profit after financial items.

Changes in tax legislation in Sweden meant that the federal tax rate was reduced to 28 percent with effect from 1994. The tax is estimated on the nominal book net profit with additions for non-deductible items, and deductions for tax-free income and other deductions. For the Parent Company, this primarily involves tax-free dividends on shares in subsidiaries. The new tax regulations mean that Annell deductions cannot be utilized after 1993. Instead, with effect from 1994, the possibility has been provided for allocations to a tax-deferrals reserve. Allocations to such reserves were made in the amount of SEK 240 m. and attributable entirely to the Parent company.

Capital-based tax equalization reserves (K-Surv) in the Group's Swedish companies amount to SEK 361 m. (484). Up to and including 1993, allocations were based on a company's equity. Under the new tax regulations, beginning in 1994 existing reserves are to be recovered over seven years. With certain exceptions, 50 percent of the amount reversed in 1994 was exempt from tax.

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

Minority interest in income after financial income and expense amount to SEK 37 m. (36).

The Income Statement reports the minority shares in the Group's profit after tax as totaling SEK 24 m. (21). These minority interests primarily relate to Atlas Copco India, Atlas Copco

Malaysia and subsidiaries of Chicago Pneumatic.

	Group
Minority interest Dec. 31, 1993	119
Minority acquired	-1
Dividends	-12
Translation differences	-10
Net profit	24
Minority interest Dec. 31, 1994	120

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

	Group		Parent Company	
	1994	1993	1994	1993
Cash, bank	1,557	1,283	178	198
Financial investments				
Government				
Treasury bills	405	696	391	696
Treasury notes	122	-	51	-
Commercial papers	798	-	798	-
Other short-term investments	51	44	51	44
Other investments	31	100	31	100
	2,964	2,123	1,500	1,038

The Parent Company's guaranteed credit at predetermined interest-rate levels amounted to SEK 2,602 m.

The subsidiaries' granted but unutilized overdraft facilities amounted to SEK 1,718 m.

## 9. Receivables

	Group		Parent Company	
	1994	1993	1994	1993
Notes receivable	445	445	-	-
Receivables from subsidiaries			1,441	1,584
Trade receivables	3,845	3,728	10	16
Prepaid expenses and accrued income	259	333	66	57
Tax receivables	56	79	-	-
Other receivables	498	458	16	16
	5,103	5,043	1,533	1,673

## 10. Inventories

	Group	
	1994	1993
Raw materials	194	201
Work in progress	686	691
Semi-finished goods	1,166	1,183
Finished goods	2,388	2,416
	4,434	4,491

**11. Shares and participations**

	Number of shares	Per-cent held	Par value loc cur <sup>1)</sup>	Book value SEK m.
<i>Associated companies</i>				
VOAC				
Hydraulics AB	250,000	50	100	72
Atlas Copco-Diethelm Ltd, Thailand	49,000	49	100	1
Dalian Atlas Copco Application Co Ltd, China	1	38	<sup>2)</sup>	0
Nanjing Huarui Construction Machinery Ltd, China	1	25	<sup>2)</sup>	8
Nanjing Atlas Copco Construction Machinery Ltd, China	1	51	<sup>2)</sup>	8
NEAC Compressor Service GmbH & Co KG, Germany	1	50	<sup>2)</sup>	0
NEAC Compressor Service Verwaltungs GmbH, Germany	1	50	<sup>2)</sup>	0
NEAC Compressor Services U.S. Inc	25,000	50	1	0
Pneumatic Equipment Corp, Philippines	2,398	30	100	0
Shanghai Atlas Copco Machinery Ltd, China	1	51	<sup>2)</sup>	3
Shenzen Nectar Engineering & Equipment Co Ltd, China	1	25	<sup>2)</sup>	1
Toku-Hanbai KK, Japan	200,000	50	500	51
Adjustment for consolidation of associated companies				86
				230
<i>Other companies</i>				
Shares and participations reported by Atlas Copco AB (as specified on page 27)				16
Shares and participations reported by subsidiaries				
Atlas Copco Yugoslavia Inc., Serbia	100,000	60 <sup>3)</sup>	<sup>2)</sup>	0
Rasa Corporation, Japan	400,000	5	50	0
Misc. shares and participations				9
				25
<b>Total for the Group</b>				<b>255</b>

<sup>1)</sup> Value per share <sup>2)</sup> Without par value

<sup>3)</sup> 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 1994 of SEK 10 m. (10) and a market value of SEK 40 m. (18).

*Associated companies*

The Atlas Copco Group's share in the income after financial items of associated companies amounted to SEK 66 m. (22). Dividends from these companies amounted to SEK 6 m. (8). 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 230 m. (192).

**12. Goodwill**

Change in goodwill value as shown in the Balance Sheet:

	1994	1993
Acquired goodwill, Jan. 1	1,667	1,298
Accumulated depreciation	- 430	- 309
Acquired goodwill	9	206
Depreciation for the year	- 276	- 82
Translation differences	- 57	124
<b>Planned residual value, Dec 31</b>	<b>913</b>	<b>1,237</b>

In addition to the selected depreciation schedules, depreciation for the year includes requisite write-downs of SEK 180 m.

**13. Other fixed assets**

	Group Parent Company			
	1994	1993	1994	1993
Long-term receivables from subsidiaries			293	331
Long term receivables	63	80	6	7
Deferred tax receivables	385	361	-	-
Construction work in progress	121	61	-	-
Machinery and equipment (NOTE 14)	1,634	1,804	12	14
Buildings (NOTE 15)	1,629	1,693	43	42
Land (NOTE 16)	697	702	21	21
	4,529	4,701	375	415

**14. Machinery and equipment**

	Group Parent Company			
	1994	1993	1994	1993
Cost	5,019	5,130	70	71
Accumulated cost depreciation	- 3,385	- 3,326	- 58	- 57
Planned residual value	1,634	1,804	12	14
Accumulated depreciation in excess of cost depreciation (NOTE 21)			- 9	- 12
<b>Book value, net</b>	<b>1,634</b>	<b>1,804</b>	<b>3</b>	<b>2</b>

The estimated acquisition value of premises, machines, vehicles, major computer and office equipment leased by the Group is SEK 295 m. (228). The leasing costs for this property and equipment, SEK 61 m. (53), are reported under operating expenses. Future costs for non-cancellable leasing contracts amount to SEK 142 m. (130).



## 15. Buildings

	Group		Parent Company	
	1994	1993	1994	1993
Cost	2,544	2,551	66	63
Undepreciated amount of revaluations	6	7	-	0
Accumulated cost depreciation	- 921	- 865	- 23	- 21
Planned residual value	1,629	1,693	43	42
Accumulated depreciation in excess of cost depreciation (NOTE 21)			- 9	- 10
Book value, net	1,629	1,693	34	32
Tax assessment value	390	229	45	29

The amount shown for Group "Tax assessment value" relates exclusively to buildings in Sweden, the book value of which amounts to SEK 408 m. (404).

## 16. Land

	Group		Parent Company	
	1994	1993	1994	1993
Cost	673	678	17	17
Revaluations	24	24	4	4
Book value, net	697	702	21	21
Tax assessment value	132	129	25	23

The amount shown for Group "Tax assessment value" relates exclusively to land and land improvements in Sweden, the book value of which amounts to SEK 289 m. (279).

## 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	
	1994	1993
Suppliers	9	5
Provision for taxes	198	3
Accrued expenses and prepaid income	77	316
Other current liabilities	2	2
Total non-interest-bearing liabilities	286	326
Bank loans (NOTE 18)	537	727
Liabilities to subsidiaries	901	965
Current portion of long-term liabilities	37	0
Total interest-bearing liabilities	1,475	1,692

## 18. Bank loans

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

	1994	1993
PARENT COMPANY		
Available under "USD 200 m. Eurocommercial Paper Program"		
Outstanding USD 19.4 m.	144	202
Available under "USD 100 m. US Commercial Paper Program"		
Outstanding USD 6.8 m.	51	212
Other short-term loans and promissory notes	342	313
The Parent Company's bank loans and promissory notes	537	727
SUBSIDIARIES	729	951
Group bank loans	1,266	1,678

## 19. Long-term liabilities

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

<i>Mortgage loans and promissory notes</i>	1994	1993
PARENT COMPANY		
Available under "100 MUSD Medium Term Note Program"		
Outstanding USD 5 m.	37	42
Other mortgage loans and promissory notes	0	0
Less: next year's maturities	- 37	0
Parent Company's mortgage loans and promissory notes	0	42
SUBSIDIARIES	143	250
Less: next year's maturities	- 53	- 28
Group mortgage loans and promissory notes	90	264

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

Currency	1994				1993			
	Amount m.	SEK m.	%	%	Amount m.	SEK m.	%	%
USD	45	335	23	41				
GBP	21	244	17	-				
FRF	120	166	11	8				
CAD	26	136	9	6				
AUD	17	102	7	5				
JPY	1,236	92	6	6				
ITL	15,601	71	5	7				
DEM	11	52	4	6				
Others		277	18	21				
		1,475	100	100				

The table above takes into account currency swaps undertaken at the closing date. Based on the currency exchange rates prevailing on Dec. 31, 1994, mortgage loans and

promissory notes are amortized as follows:

	Group	Parent Company
1995	90	37
1996	25	-
1997	24	-
1998 and thereafter	41	-
	180	37

## 20. Provision for pensions

The amount for provision for pensions corresponds to the actuarially calculated amount of pension obligations in accordance with contractual supplementary pension plans in addition to the national supplementary pension plan. The Pensions Registration Institute (FPG/PRI) is an organization responsible for administering the employees pension plans.

The amount for foreign companies includes SEK 171 m. (177) for health-care benefits. With effect from 1993, the Atlas Copco Group applies the U.S. regulations in accordance with FAS 106 (Employer's accounting for post-retirement benefits other than pensions) for medical care costs and pharmaceuticals for retired employees.

In accordance with the recommendation of the Swedish Institute of Authorized Public Accountants, a certain portion of the pension costs for the year is reported as an interest expense (NOTE 4). Accordingly, the item "Provision for pensions" is reported among interest-bearing liabilities.

	Group		Parent Company	
	1994	1993	1994	1993
Swedish companies				
FPG/PRI-pensions	706	792	372	362
Other pensions	56	57	40	42
Companies outside Sweden				
	1,078	1,056		
	1,840	1,905	412	404

## 21. 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	
	1994	1993
Accumulated additional depreciation		
Machinery and equipment	9	12
Buildings	9	10
Tax equalization reserve	342	428
Tax-deferrals reserve	240	-
	600	450

	Accumulated additional depreciation	
	Machinery and equipment	Buildings
Opening value, Jan. 1, 1994	12	10
Dissolutions	-3	-1
Closing value, Dec. 31, 1994	9	9

## 22. Restricted reserves

	Group	Parent Company
Restricted reserves, Dec. 31, 1993	4,417	1,737
Transfers between restricted and unrestricted capital	-192	
Restricted reserves, Dec. 31, 1994	4,225	1,737

The decrease in restricted reserves in the Group pertains primarily to translation differences.

## 23. Retained earnings

	Group	Parent Company
Retained earnings, Dec. 31, 1993	2,192	943
1993 net profit	867	430
Unrestricted reserves, Dec. 31, 1993	3,059	1,373
Dividend to shareholders	-330	-330
Statute-barred dividend	0	0
Transfers between restricted and unrestricted capital	192	
Translation differences	-75	
Retained earnings, Dec. 31, 1994	2,846	1,043

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 - 191 m. By hedging the net assets of the foreign subsidiaries, translation differences have been reduced by SEK 116 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 6 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.

## 24. Earnings per share

	Group	
	1994	1993
Net profit	1,194	867
Interest on convertible loan after deduction for 30-percent tax		1
Adjusted profit after full tax and full conversion	1,194	868
Average number of shares after full conversion	183,515,920	182,956,650
Earnings per share, SEK	6.51	4.74

## 25. Assets pledged and Contingent liabilities

	Group Parent Company			
	1994	1993	1994	1993
Real estate mortgages	57	80	1	1
Chattel mortgages	24	47	-	-
Short-term investments	-	39	-	39
Receivables	69	71	3	4
Assets pledged	150	237	4	44
Notes discounted	67	77	-	-
Sureties and other contingent liabilities	528	672	441	636
Contingent liabilities	595	749	441	636

Of the contingent liabilities reported in the Parent Company SEK 376 m. (549) relates to contingent liabilities on behalf of subsidiaries.

Loans in accordance with Chapter 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 dispensation was granted by the County Board in the particular counties.

	Group	Parent Company
Number of borrowers	61	61
Loans reported in the balance sheets as receivables	0	0

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

## 26. 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 450,000 in fees, and SEK 2,818,580 in the form of a bonus, FRF 50,000 in fees from Group companies and a certain ten-year pension, effective from the age of 65.

Non-employed Board members have received the following remuneration: re-elected members received SEK 130,000 in fees and SEK 125,000 in bonuses; newly elected members received SEK 100,000 in fees, retiring members received SEK 30,000 in fees and SEK 125,000 in bonuses, while previous deputy members received SEK 15,000 in fees and SEK 62,500 in bonuses.

In addition vice Chairman Tom Wachtmeister, received a special remuneration of SEK 60,390 and FRF 50,000 and USD 50,000 in fees from Group companies. In addition to a pension which is paid in the amount of 70 percent of the previous salary, there is a special 10-year pension undertaking from the age of 65.

Fees were paid by Group companies to the Board member Paul-Emmanuel Janssen in the amount of BEF 850,000, with BEF 525,000 in fees to Board member Jacques van der Schueren and BEF 525,000 in fees and old-age pension to the Board member Otto Grieg Tidemand.

The President and Chief Executive received a salary of SEK 3,076,430, plus a bonus of SEK 1,320,000, as well as fees from Group companies in the amounts of USD 66,000, FRF 50,000 and CAD 14,000. In addition, a pension commitment exists which is expected to provide about 55 percent of the 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".

*Geographic distribution of the average number of employees and distribution of women and men:*

	Total Distribution as %		
	number	Women	Men
Europa	10,753	19	81
of which Sweden	2,701	17	83
of which EU	7,471	19	81
North America	2,584	14	86
South America	1,037	14	86
North Africa/Middle East	219	29	71
Southern Africa	435	16	84
India/East Asia	2,553	7	93
Oceania	523	20	80
	18,104	16	84

A detailed presentation showing the average number of employees, and wages, salaries and other remunerations 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 Group Center in Nacka, Sweden.

*Value added and interested parties*

The value added corresponds to the Group's total invoicing, SEK 20,914 m., reduced by costs for the purchase of raw materials, wholly and partially finished goods as well as services, SEK 12,224 m. The figure obtained is a measure of the company's productive contribution, i.e. the value added through processing etc.

In 1994, the value added amounted to SEK 8,690 m. (7,442), an increase of approximately 17 percent, while value added per employee increased by approximately 18 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:*

	1994		1993	
	SEK m.	%	SEK m.	%
Wages and salaries	4,346	50	4,142	55
Social costs	1,567	18	1,422	19
Depreciation	887	10	653	9
Capital costs, net	- 65	- 1	- 95	- 1
Corporate and municipal taxes	737	9	432	6
Dividends paid	342	4	287	4
Retained in business	876	10	601	8
<b>Value added</b>	<b>8,690</b>	<b>100</b>	<b>7,442</b>	<b>100</b>
<b>Value added per employee, SEK thousands</b>	<b>480</b>		<b>408</b>	

## 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**

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

**Rate of equity**

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

**Degree of self-financing**

Surplus liquid funds from operations as a percentage of investments in machinery and equipment.

**Capital turnover ratio**

Invoiced sales divided by average total assets.

**Net indebtedness**

Difference between interest-bearing liabilities and liquid assets.

**Debt/equity ratio**

Net indebtedness in relation to shareholder's equity, including minority interest.

**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.

# Shares and participations

## Atlas Copco AB

	Number of shares	Per- cent held	Par value loc cur	Book value SEK m.
<b>PRODUCT COMPANIES</b>				
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 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
<b>SALES COMPANIES</b>				
Atlas Copco Argentina S.A.C.I.	17 999	0 <sup>2)</sup>	1	0
Atlas Copco Brasil Ltda	22 908 088	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 Ges.m.b.H., Austria	69 990	100	1 <sup>1)</sup>	13
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	4 000	100	1 000	2
Atlas Copco Makinalari Imalat A.S., Turkey	424 670	11 <sup>3)</sup>	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) AG	7 995	100	1 000	12
Atlas Copco (South-East Asia) Pte. Ltd., Singapore	2 500 000	100	1	8
Atlas Copco Tools Spol s.r.o., Czech Republique	500	100	1 000	0
Atlas Copco Venezuela S.A.	37 920	100	1 000	14
Soc. Atlas Copco de Portugal, Lda.	1	100	1 <sup>1)</sup>	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.
<b>HOLDING COMPANIES</b>				
Atlas Copco Beheer bv, The Netherlands	15 712	100	1 000	470
Atlas Copco France Holding S.A.	329 993	100	500	192
Atlas Copco Holding GmbH, Germany	1	99 <sup>2)</sup>	1 <sup>1)</sup>	263
Atlas Copco North America Inc.	35 506	100	1 <sup>1)</sup>	796
Atlas Copco UK Holdings Ltd.	45 423 664	100	1	504
Atlas Copco A/S, Norway	4 498	100	10 000	32
<b>OTHER COMPANIES</b>				
Atlas Copco Coordination Center n.v., Belgium	1	0 <sup>2)</sup>	10 000	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 <sup>2)</sup>	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
Power Tools Distribution n.v., Belgium	1	0 <sup>2)</sup>	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 <sup>2)</sup>	1 000	0
37 dormant companies				26
				3 930

### MINORITY COMPANIES

<i>Associated companies</i>				
VOAC Hydraulics AB	250 000	50	100	72
<i>Other companies</i>				
Stockholms Fondbörs AB	100	0	100	0
Svensk Interkontinental Lufttrafik AB (SILA)	508 000	1	10	10
Svenska Dagbladet Holding AB	18 000	2	10	4
ADELA Investment Co. S.A., Luxemburg	3 640	0	100	0
Cord Capital N.V., Curacao, The Netherlands Antilles	24	1	50	2
Mechanical Technology Inc., U.S.	140 000	5	1	0
SIFIDA Investment Co. S.A., Luxemburg	275	1	500	0
Other shares and participations				0
				88

A detailed presentation showing Shares and participations 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 Group Center in Nacka, Sweden.

## Financial operations

### Financial risks

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

### Currency exposure

Currency movements affect the Group's earnings and equity value in different ways:

The value of the Group's commercial payment flows – when revenues from invoicing are in different currencies than the costs for production.

The Group's earnings – when earnings in foreign subsidiaries are translated to Swedish kronor.

The Group's equity – when the net asset value in foreign subsidiaries is translated to Swedish kronor.

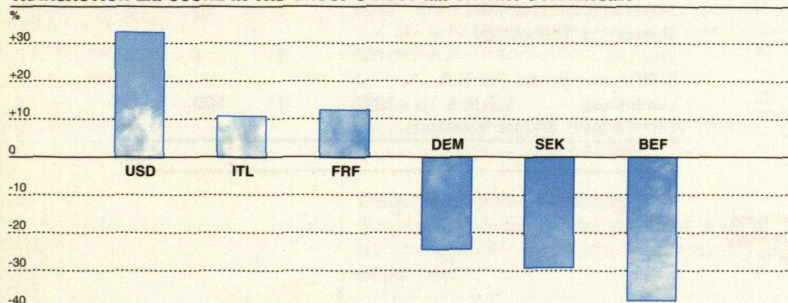
Atlas Copco's currency policy is to minimize the effect of sudden currency movements and create a stable business environment for the divisions.

The Group's net commercial flows, which give rise to the so-called transaction risk, amount to SEK 3,500 m. per year. The surplus currencies – currencies in which revenues exceed disbursements – are well distributed geographically, while the deficit currencies are concentrated in Europe. The diagrams of the Group's transaction risk and the exchange rates show that the Group's most important surplus currencies weakened against the SEK in 1994, while its deficit currencies, such as the DEM and BEF strengthened. This had an adverse effect on Group earnings.

According to Atlas Copco currency policy, each division manages its own risks and determines the hedging period and instrument to be used. 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 most important surplus and deficit currencies are shown as percentages of the Group's total net exposure, which amounts to SEK 3,500 m.

TRANSACTION EXPOSURE IN THE GROUP'S MOST IMPORTANT CURRENCIES



The translation risk related to those foreign assets is offset or minimized through forward contracts and currency swaps in corresponding currencies. The impact of the hedging measures on income for the year and shareholders' equity are described in NOTES 4 and 23.

The value of the Group's net assets outside Sweden at year-end 1994 totaled approximately SEK 6,500 m., distributed among the following currencies:

Valuta	%
BEF	33
USD	24
GBP	9
DEM	7
FRF	5
Other	22

### Interest-rate exposure

Atlas Copco's financial policy states that average interest-rate periods on loans and liquid investment should be short in duration. At year-end 1994, the average period was four months.

Standardized derivative instruments are frequently used to actively manage the interest-rate exposure, i.e. extending or shortening the average interest-rate period without changing the underlying loan or investment.

### Funding and liquidity

The Group's gross interest-bearing liabilities as per December 31, 1994 amounted to SEK 3,315 m. (3,902), of which SEK 1,840 m. (1,905) related to provisions for pension liabilities. Cash and short-term investments increased to SEK 2,964 m. (2,123) reducing net interest-bearing liabilities to SEK 351 m. (1,779) and debt/equity ratio to 4 percent. In addition to its cash holdings, Atlas Copco had guaranteed but unutilized credit facilities of USD 350 m. (SEK 2,602 m.) at year-end 1994. As from April 1995 the guaranteed credit facilities will amount to USD 250 m. (SEK 1,800 m.).

Except for pension liabilities, the Group's borrowing is predominately short-term. A substantial portion of this borrowing is handled by Atlas Copco's Group Treasury Center, a department within Atlas Copco AB, which borrows externally and lends to Group companies at market terms.

Atlas Copco AB has commercial paper programs for short-term borrowing in the U.S., Europe and Sweden with a combined volume limit of approximately USD 500 m. Those programs enjoy a rating of K1 in Sweden and A1/P1 internationally.

Investments in money markets and bond markets are managed by Group Treasury Center in Sweden. These operations are governed by a restrictive policy with regard to credit risk; only a limited group of creditworthy borrowers are accepted. There were no credit losses in 1994.

The Group's most important currencies in relation to SEK during 1994.

### Financial derivatives

During 1994 major attention was given to the financial derivatives markets. The main reason having been the huge speculative losses incurred by financial and non-financial corporations.

As the name implies, derivatives are instruments derived from an underlying asset of some kind. Typically the assets are shares, bonds, currencies or commodities, such as metals and oil.

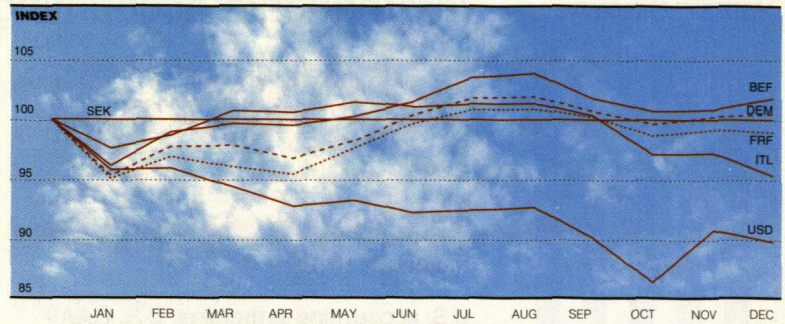
A derivative is basically a risk-management tool used to hedge or create a certain risk profile. They are characterized by their high leverage effect. Derivatives can take the form of a forward transaction, an option, a swap or a combination of these.

Atlas Copco uses only standardized derivatives, with currencies or interest-rate instruments with a clear market value as the underlying assets.

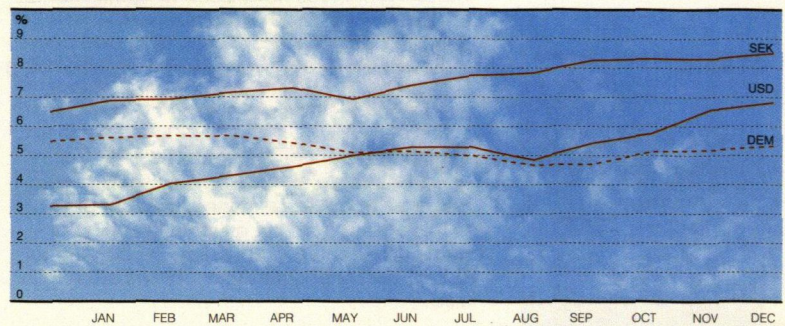
Atlas Copco uses these financial derivatives primarily as a hedging tool to minimize currency and interest-rate risk. However, they are also a very useful complement to straight loans and deposits in order to efficiently manage Group cash and borrowings. Furthermore, the liquidity in these instruments is normally higher.

There was no significant difference between the market value and the book value of the Group's derivative instruments at year-end 1994.

### DEVELOPMENT OF EXCHANGE RATES IN 1994



### DEVELOPMENT OF INTEREST RATES IN 1994



Interest rates for six month treasury bills in Sweden, the U.S. and Germany in 1994.

### Exchange rates

Country	Value	Currency code	Year-end rate		Average rate	
			1994	1993	1994	1993
Australia	1	AUD	5.81	5.64	5.66	5.31
Austria	100	ATS	68.50	68.50	68.00	67.00
Belgium	100	BEF	23.50	23.00	23.00	22.50
Canada	1	CAD	5.29	6.22	5.65	6.01
France	100	FRF	139.00	142.00	139.50	137.50
Germany	100	DEM	481.00	481.00	476.50	471.00
Great Britain	1	GBP	11.63	12.33	11.81	11.68
India	100	INR	24.00	27.00	24.50	25.00
Italy	100	ITL	0.456	0.485	0.476	0.492
Japan	100	JPY	7.47	7.44	7.57	7.01
Luxemburg	100	LUF	23.50	23.00	23.00	22.50
The Netherlands	100	NLG	429.00	430.00	424.50	419.00
Norway	100	NOK	110.00	111.00	109.50	109.50
Singapore	1	SGD	5.12	5.21	5.06	4.86
South Korea	100	KRW	0.939	1.023	0.962	0.976
Spain	100	ESP	5.64	5.84	5.77	6.10
Switzerland	100	CHF	568.00	567.00	564.50	528.00
U.S.	1	USD	7.44	8.32	7.72	7.77

## International accounting principles

The consolidated accounts for the Atlas Copco Group follow Swedish accounting practices. Swedish accounting practices, however, diverge from international practices on certain points. A calculation of the income for the year and financial position, taking into account the major differences between Swedish accounting practice and the U.S. GAAP and IAS standards is provided below.

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

#### Revaluation of assets

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

#### Capitalization of interest expenses

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

#### Forward contracts

Hedging transactions via forward contracts are reported in the Swedish accounts on the basis

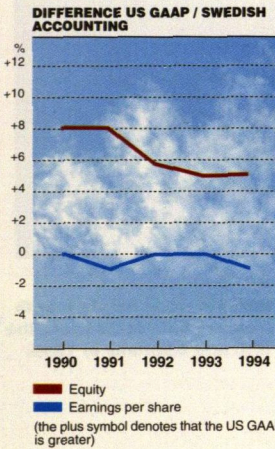
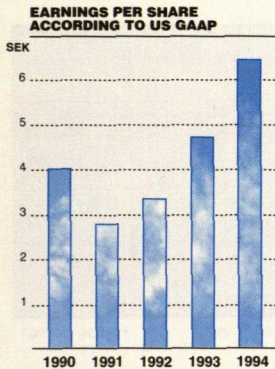
of budgeted volume. For a contract to be treated as a hedge in accordance with U.S. GAAP, there must be a firm commitment. The effect of the difference in accounting principles is not substantial and is not included in the accompanying reconciliation.

#### Pension provisions

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

#### Company acquisitions

In accordance with Swedish accounting practices, the Secoroc Group has been included in the consolidated accounts for 1988 according to the pooling of interests method. The U.S. GAAP criteria for the application of the pooling of interests method differs in certain respects from the criteria then applicable, according to Swedish practices. One of the criteria in U.S. GAAP is that none of the merging companies may be a subsidiary of another company



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

US GAAP	1994	1993
Income as reported in the Consolidated Income Statement	1,194	867
Items increasing/decreasing reported net income:		
Depreciation of revaluations	1	1
Capitalization of interest expenses	3	-6
Depreciation of goodwill	-12	-12
Deferred taxes	-1	2
Cumulative effect of accounting changes	-	17
Calculated net profit	1,185	869
Calculated earnings per share, SEK	6.46	4.75
Total assets	18,705	18,337
Total liabilities	9,073	9,486
Shareholders' equity as reported in the Consolidated Balance Sheet	9,183	8,394
Net adjustments in reported shareholders' equity:		
Proposed dividend	449	457
Other adjustments	-	-
Approximate shareholders' equity	9,632	8,851

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

IAS	1994	1993
Income as reported in the Consolidated Income Statement	1,194	867
Items increasing/decreasing reported net income:		
Depreciation of revaluations	1	1
Calculated net profit	1,195	868
Calculated earnings per share, SEK	6.51	4.75
Total assets	18,177	17,800
Total liabilities	9,445	9,767
Shareholders' equity as reported in the Consolidated Balance Sheet	9,183	8,394
Net adjustments in reported shareholders' equity:		
Proposed dividend	-422	-330
Other adjustments	-29	-31
Approximate shareholders' equity	8,732	8,033



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.

No adjustment has been made for deferred taxes on the translation differences arising from the use of the monetary/non-monetary method.

#### 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.

## 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 after depreciation.

Current cost-based income before financial items.

Real income after financial items.

#### Current cost-based operating income after depreciation

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 1994 amounted to SEK 1,742 m. (1,124).

This income figure is SEK 148 m. (101) 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 38 m. more (1993: SEK 8 m. less) to purchase than they did on the purchase date. Income has also been charged with current cost depreciation that is SEK 110 m. (109) higher than depreciation based on historical cost. This means that the wear on the Company's facilities has been assigned a cost based on the amount that would be required to replace these facilities with new ones today.

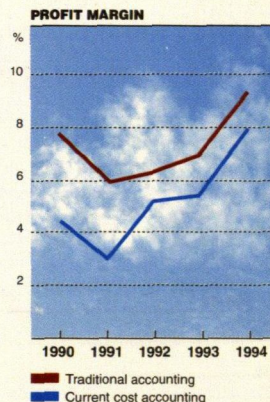
#### Current cost-based income before financial items

Price increases result in an increase in the value of the company's assets. Inventories and fixed assets are subject to price gains. In accordance with traditional accounting, unrealized price gains should not be credited to income. In contrast, both unrealized and realized price gains should affect income in current cost-based accounting.

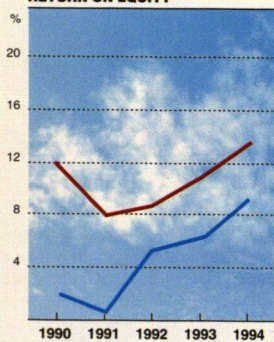
Atlas Copco's current cost-based income before financial items was SEK 1,915 m. (1,286). Price gains of SEK 35 m. (1993: price losses SEK 16 m.) occurred on inventories and the Company's fixed assets increased in value by SEK 138 m. (178).

#### Real income after financial items

If a real profit is to be regarded as having arisen, the purchasing power of the equity



RETURN ON EQUITY



■ Traditional accounting  
■ Current cost accounting

Current cost income statement

	1994	1993
Invoiced sales	20,914	18,906
Current cost of goods sold	- 18,175	- 17,020
Current cost depreciation	- 997	- 762
Operating income after depreciation	1,742	1,124
Price changes, inventory	35	- 16
Price changes, fixed assets	138	178
Operating income before financial items	1,915	1,286
Financial items	65	95
Purchasing power adjustment, equity	- 300	- 360
Real income after financial items	1,680	1,021
Taxes	- 737	- 432
Minority interest	- 24	- 21
Net profit	919	568

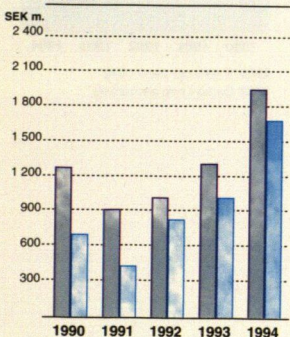
Current cost balance sheet

	1994	1993
<b>ASSETS</b>		
Cash, bank and short-term investments	2,964	2,123
Receivables	5,103	5,043
Inventories	4,454	4,514
Fixed assets	6,780	7,220
Total assets	19,301	18,900
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities	6,224	6,514
Long-term liabilities	2,791	2,914
Unrealized price changes	1,103	1,078
Shareholders' equity	9,183	8,394
Total liabilities and shareholders' equity	19,301	18,900

Reconciliation between traditional and current cost accounting

Income according to traditional accounting		1,955
Change, unrealized price changes:		
Price change, goods sold	- 38	
Price change, depreciation	- 110	- 148
Price change for the year:		
Inventory	35	
Equipment	138	173
Equipment		25
Adjustment for inflation		- 300
Real income after financial items		1,680

EARNINGS AFTER FINANCIAL ITEMS



■ Traditional accounting  
■ Current cost accounting

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 to be maintained it should have increased by the average annual price increase, or by SEK 300 m. (360) during the year. The annual average price increase in 1994 has been estimated at 3 percent (4). Atlas Copco's real income after financial items is thus SEK 1,680 m. (1,021). This income figure is SEK 275 m. (299) lower than the traditional income and corresponds to a real profit margin of 8.0 percent (5.4).

The real net profit for the year is SEK 275 m. lower than the traditional income and amounted to SEK 919 m. (568).

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 1,103 m. (1,078) 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 1,053 m. (1,047) higher.

Inventory is shown at a value SEK 20 m. (23) higher.

Shareholdings are shown at a value SEK 30 m. (8) higher.

Equity capital and unrealized price changes are reported at a value of SEK 1,103 m. higher, which means that the rate of equity capital including minority interest thereby amounts to 54 percent, as against 51 percent in accordance with traditional accounting.

Return on shareholders' equity amounts to 9.3 percent (6.4), compared with 13.7 percent (11.0) according to the traditional method. The reduction in return is attributable to lower actual earnings and to the fact that equity is SEK 1,103 m. higher as a result of current cost accounting.

## 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 1,043,013,019
Net profit for the year	SEK 955,362,934
	<u>SEK 1,998,375,953</u>

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

To the shareholders, a dividend of SEK 2.30 per share	SEK 422,086,616
To be retained in the business	SEK 1,576,289,337
	<u>SEK 1,998,375,953</u>

*Nacka, March 6, 1995*

PETER WALLENBERG  
Chairman

TOM WACHTMEISTER

ANDERS SCHARP

CURT G OLSSON

OTTO GRIEG TIDEMAND

GÖSTA BYSTEDT

ERIK BELFRAGE

PAUL-EMMANUEL JANSSEN

KEITH O BUTLER-WHEELHOUSE

GÖRAN LINDAHL

MICHAEL TRESCHOW  
President

TORE HEDBERG

LARS-ERIK SOTING

BENGT LINDGREN

## AUDITORS' REPORT

We have examined the Annual Report, the Group accounts, the financial statements and the administration of the Company by the Board of Directors and the President for the year 1994. Our examination was carried out in accordance with generally accepted auditing standards.

### 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 13, 1995*

STEFAN HOLMSTRÖM  
Authorized Public  
Accountant

THOMAS THIEL  
Authorized Public  
Accountant

# SALES AND EARNINGS BY QUARTER

Amounts in SEK m.

## Invoiced Sales by Business Area and Quarter

	1993				1994			
	1	2	3	4	1	2	3	4
Compressor Technique	1,956	2,158	2,106	2,334	2,258	2,454	2,508	2,669
Construction and Mining Technique	1,094	1,235	1,297	1,631	1,251	1,325	1,330	1,566
Industrial Technique	1,236	1,251	1,218	1,390	1,320	1,403	1,329	1,501
Atlas Copco Group	4,286	4,644	4,621	5,355	4,829	5,182	5,167	5,736

## Earnings by Business Area and Quarter

	1993				1994			
	1	2	3	4	1	2	3	4
Compressor Technique	206	260	241	311	300	346	382	405
Construction and Mining Technique	39	47	11	5	35	27	- 30	26
Industrial Technique	85	53	12	78	87	116	105	162
Corporate items	- 33	- 28	- 30	- 32	- 25	- 17	- 12	- 17
Operating profit after depreciation	297	332	234	362	397	472	445	576
Financial items	12	8	11	42	- 27	- 15	- 3	44
Share in associated companies	6	6	4	6	10	15	16	25
Profit after financial items	315	346	249	410	380	472	458	645

### TABLES FOR REFERENCE PURPOSE

As interest is now being charged also to foreign pension liabilities, figures for previous periods have been restated accordingly. The change represents an increase in interest paid for 1994

by SEK 56 m. (49) and a corresponding decrease in operating expenses. For reference purpose, tables below show figures as previously reported.

### Earnings by Business Area

	1992	1993	1994
Compressor Technique	968	1,001	1,418
Construction and Mining Technique	155	98	55
Industrial Technique	129	201	433
Corporate items	- 128	- 124	- 72
Operating profit after depreciation	1,124	1,176	1,834
Financial items	- 138	122	55
Share in associated companies	31	22	66
Profit after financial items	1,017	1,320	1,955

### Earnings by Business Area and Quarter

	1993				1994			
	1	2	3	4	1	2	3	4
Compressor Technique	202	255	237	307	296	342	378	402
Construction and Mining Technique	38	46	10	4	34	27	- 31	25
Industrial Technique	78	47	5	71	77	106	96	154
Corporate items	- 33	- 29	- 30	- 32	- 25	- 17	- 12	- 18
Operating profit after depreciation	285	319	222	350	382	458	431	563
Financial items	24	21	23	54	- 12	- 1	11	57
Share in associated companies	6	6	4	6	10	15	16	25
Profit after financial items	315	346	249	410	380	472	458	645

# FIVE YEARS IN SUMMARY

SEK m. unless otherwise noted. For definitions, see page 26.

ATLAS COPCO GROUP	1990	1991	1992 *	1993 *	1994
Profit after financial income and expense	1,259	902	1,017	1,320	<b>1,955</b>
Profit margin, %	7.9	6.0	6.4	7.0	<b>9.3</b>
Net profit after tax	684	495	598	867	<b>1,194</b>
Return on capital employed, before tax, %	17.6	12.8	13.5	13.2	<b>18.4</b>
Return on equity, after tax, %	12.2	7.9	9.0	11.0	<b>13.7</b>
Rate of equity, %	45.1	45.6	45.6	47.8	<b>51.1</b>
Rate of equity after full conversion, %	46.2	46.6	46.5	47.8	<b>51.1</b>
Earnings per share, SEK	4.01	2.78	3.35	4.74	<b>6.51</b>
Dividend per share, SEK	1.60	1.60	1.60	1.80	<b>2.30 **</b>
Orders received	15,931	15,220	15,883	19,194	<b>21,701</b>
Invoiced sales	15,915	15,030	16,007	18,906	<b>20,914</b>
Percent change, current prices	+ 6	- 6	+ 7	+18	<b>+11</b>
Sales outside Sweden, %	93	94	95	95	<b>95</b>
Net interest expense	- 198	- 179	- 166	39	<b>57</b>
As percent of invoiced sales	- 1.2	- 1.2	- 1.0	0.2	<b>0.3</b>
Interest coverage ratio	3.3	3.1	3.2	5.1	<b>6.7</b>
Total assets	13,963	14,071	16,219	17,822	<b>18,198</b>
Ratio of assets to liabilities	1.8	1.8	1.8	1.9	<b>2.0</b>
Ratio of current assets to current liabilities	2.0	1.8	1.8	1.8	<b>2.0</b>
Debt/equity ratio	28.7	27.5	29.4	20.9	<b>3.8</b>
Capital turnover ratio	1.13	1.05	1.06	1.09	<b>1.16</b>
Investments in machinery and buildings	682	706	553	394	<b>632</b>
As percent of invoiced sales	4.3	4.7	3.5	2.1	<b>3.0</b>
Average number of employees	21,507	19,544	19,195	18,247	<b>18,104</b>
Invoiced sales per employee, SEK thousands	740	769	834	1,036	<b>1,155</b>

\*Values and key ratios have been recalculated in accordance with the change in accounting principles.

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

## Volume growth and continued strong earnings trend

*Nineteen ninety-four was a very successful year for Atlas Copco. We achieved a significant improvement in earnings, primarily as a result of two factors. Our powerful sales organization in most of the world's markets, combined with the continuing favorable economic upturn in Europe, enabled us to increase sales volumes. Moreover, the investments and restructuring measures implemented during the recent recession have had an increasingly positive effect. The weakened SEK since 1992 also had a favorable effect on sales, while the beneficial effects on earnings achieved through production in Sweden were entirely offset by the disadvantages of production in hard currency countries.*

*Further reductions in our costs were made as a result of the restructuring measures. This was made possible through the generation of a better workflow in the sales, administration, product development and production areas. In addition, we successfully released capital tied up in inventory by engaging in just-in-time deliveries to the production areas and via the daily delivery of finished products directly to customers.*

### **Well prepared to meet the economic upturn**

To strengthen our organization and thus increase our competitiveness, we implemented a variety of measures at an early stage. Rationalizations, investments, intensive product development, the strengthening of our sales organization and supplementary company acquisitions have enabled us to successfully maintain a profit margin of more than 6 percent throughout the entire three-year recession, the worst since the 30s. However, I believe our former internally established goal of a 10-percent profit margin during an economic cycle should stand firm. During the past six months, we have obtained a margin in excess of that level.

Extensive investments have been made in new assembly lines at all of our compressor production plants in Belgium. In Brazil, a completely new compressor production plant was commissioned and yet another compressor plant is under construction in China.

We have concentrated production of rock drilling equipment from Stockholm, Sweden, and Montreal, Canada, to the Avos plant in Örebro, Sweden. A decision taken to also transfer production of surface drilling rigs from Bremen in Germany to Örebro in Sweden will lead to further coordination benefits and substantial costs savings. Moreover, strengthened resources will be created for the development and production of drilling rigs.

In China, we have continued the cooperation agreement with local partners and have started production of drilling equipment for delivery to domestic customers. With respect

to construction tools and rock drilling tools, we have concentrated production to plants in Sweden, Brazil and Chile, with the aim of achieving synergistic effects.

Production of industrial tools in the Nordic region, has been concentrated to one plant, where investments have been made in the latest production technology.

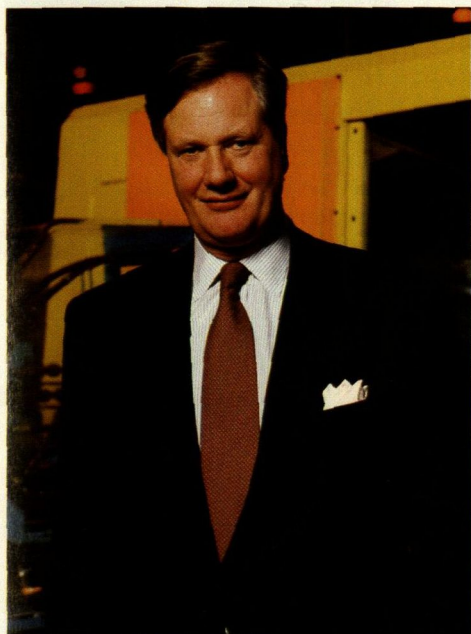
The production of tools at our plants in the U.K., France, Germany and the U.S. has also been concentrated to one unit in each of these countries in order to create the most rational production possible.

In order to reduce the amount of tied up capital, while simultaneously increasing delivery service levels, the divisions have gradually moved over to daily distribution of products direct to end customers throughout the world. This is effected through a system of strategically located distribution centers for each business area. The change has resulted in Atlas Copco achieving its corporate goal of an inventory/sales ratio of no more than 20 percent.

Through the strategic acquisitions in recent years of The Robbins Company, Kango, Craelius, Worthington-Creysensac, and AEG's electrical tools operations, we have gradually complemented our product program and strengthened our market positions.

### **Expansion and adaptation of sales organization**

The market for all Group products was drastically affected by the recession. But despite the total market declining by more than 25 percent in volume, most of the Atlas Copco



product areas were able to increase their market shares. Revised priorities, political intervention and the overheated economies of certain countries resulted in the postponement of several large infrastructure projects, which had an adverse effect on our operations, primarily within the construction area.

We have redistributed our resources and adapted our sales organization to the new demand situation through continued specialization. At the same time, we have focused on new and expanding markets to prepare the way for profitable future growth. These markets consist of the countries in Eastern Europe, East Asia including Vietnam, and Ghana in Africa. In all these countries we have continued to develop our sales and service organizations. Another important market is South Africa to which we are reassigning priority, following the lifting of trading sanctions. It is our intention to acquire the majority holding in our former subsidiary which manufactures products for mainly the mining sector.

Thus, we have emerged from the recession with an improved structure and with advanced market positions. Our efforts are focused on growth.

#### **Product development awarded high priority**

During the past year, we have continued to allocate resources within all divisions to the development of new products and the refine-

ment of the products in the current range. In total, we invested 3 percent of total revenues in research and development activities during 1994.

Within the Compressor Technique business area we have developed new, compact industrial compressors, which simplify production and maintenance. In addition, we have developed our own generator, which is starting to be marketed by our sales companies in Europe. Moreover, the product range has been supplemented through the acquisition of companies with strategically important products for drying and filtration.

During the year, we introduced several items of drilling equipment and loaders, primarily for the mining sector, plus new ranges of electric, pneumatic and hydraulic demolition tools for the construction industry.

Within the various product segments of the Industrial Technique business area, we developed new series of pneumatic and electrical tools for various industrial applications, including drills, grinding machines and nutrunners.

#### **Good growth opportunities**

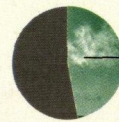
The investments, acquisitions and restructuring measures that we have implemented within the various divisions, have created an excellent platform upon which to base our efforts during the improved economic conditions now being experienced by our units in most of the world's markets.

Market growth within our business areas is expected to remain at a high level in North America, Asia and Australia, while simultaneously improving in an increasing number of countries in Europe and South America. In addition, our major investments in the development of new, competitive products and new applications will enhance our market positions.

Our strongly improved productivity and financial position will also provide us with a high degree of flexibility, freedom of action and opportunities for future growth. I am therefore optimistic about 1995, with sales and earnings continuing to improve.

*Michael Treschow*

# COMPRESSOR TECHNIQUE



47%  
Share of Group sales

	1994	1993
<b>INVOICED SALES, SEK m.</b>	<b>9,889</b>	<b>8,554</b>
<b>OPERATING PROFIT AFTER DEPRECIATION, SEK m.</b>	<b>1,433</b>	<b>1,018</b>
<b>RETURN ON CAPITAL EMPLOYED, %</b>	<b>27</b>	<b>23</b>
<b>NUMBER OF EMPLOYEES</b>	<b>7,297</b>	<b>7,276</b>

*The business area Compressor Technique develops, manufactures and markets industrial, oil-free and portable compressors and generators, 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 is also conducted at plants in five other countries.*

The business area contains the following divisions:

- Industrial Air, President *Luc Hendrickx*
- Oil-free Air, President *Arthur Droege*
- Portable Air, President *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 May 1994, Atlas Copco signed a cooperation agreement with Wuxi Compressor Co. Ltd., a leading manufacturer of screw compressors in China. A joint company, in which Atlas Copco is the majority shareholder, has been formed for the local production of industrial compressors.

The Swedish company, Hamrin Adsorptions & Filterteknik AB, was acquired during the year. This company has annual sales of about SEK 20 m.

Following the close of the 1994 fiscal year, Atlas Copco acquired ABB's operations in the gas expander product area, with annual sales of approximately SEK 50 m. This operation, which is based in Brussels, Belgium, will become part of the Atlas Copco ACT division.

## Sales

Invoiced sales in 1994 rose 16 percent to SEK 9,889 m. (8,554) and orders received 15 percent to SEK 10,117 m. (8,825).



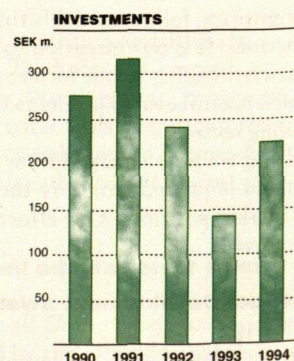
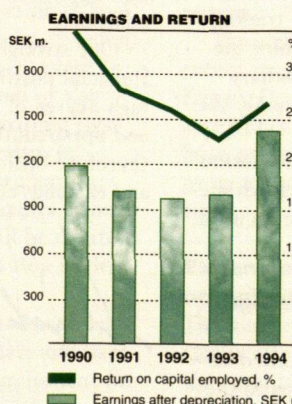
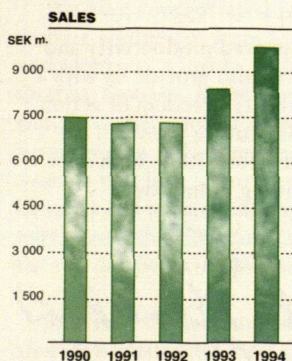
Hans W Brodbeck Arthur Droege



Henri Ysewijn



Freek Nijdam, Luc Hendrickx







**An Atlas Copco generator, used for the welding of tram rails in Antwerp, Belgium.**

### **Earnings**

Operating profit after depreciation increased 41 percent to SEK 1,433 m. (1,018). Earnings correspond to 14 percent (12) of invoiced sales. The positive trend is due primarily to increased volumes and improved productivity.

The return on capital employed was 27 percent (23).

### **Investments**

Total business area investments in plants amounted to SEK 226 m. (143). The investments related to the completion of new production lines for industrial compressors and to the commencement of work to expand Atlas Copco's oil-free compressor production plant.

### **Business development**

Demand for both industrial and portable compressors strengthened in most markets during the year.

Sales of industrial compressors increased sharply in a number of key markets in Europe and in Brazil and South Korea. A significant increase in the level of orders received for

newly launched products in particular was noted during the year.

In the Portable Air division, major sales increases were noted in primarily Great Britain, France, the U.S. and in several markets in East Asia, including Hong Kong, South Korea and Thailand. The division developed its own series of generators, which were introduced in European markets during the year.

The market for process compressors was characterized by a low rate of investment. However, towards the end of the year a strong upturn was noted, particularly in Germany and the U.S.

### **Outlook for 1995**

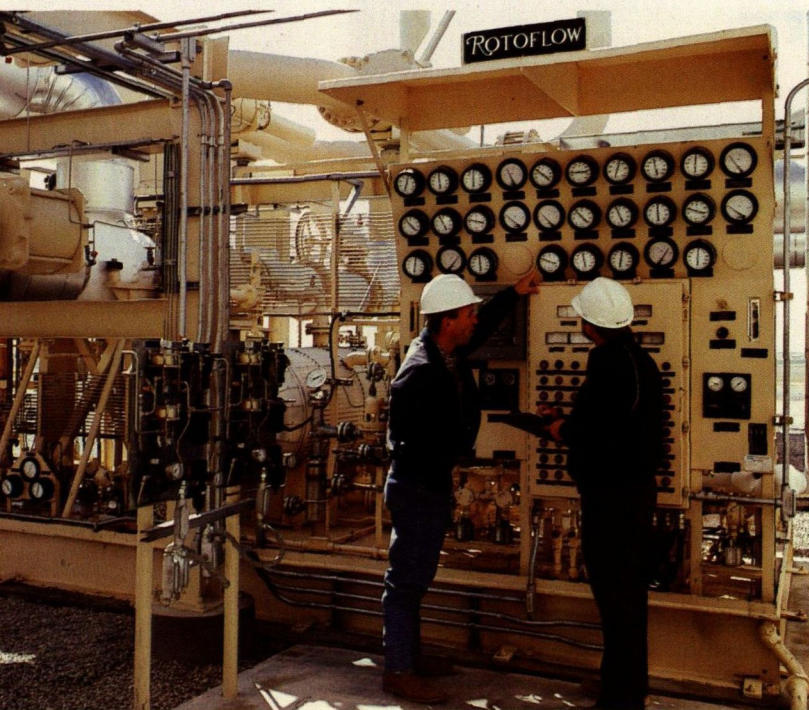
It is estimated that the current favorable trend of demand for industrial compressors will continue during 1995, especially in Europe and East Asia. The increased level of orders received for portable compressors is also expected to continue, particularly in Germany.

Earnings are expected to continue to increase as a result of increased volumes and improved productivity.

## Rotoflow equipment reduces customer operating costs

*A unique process design based upon two Rotoflow turbo expander/compressors has led to lower initial costs, significant energy savings and lower overall operating costs at a large natural gas plant in Kansas, U.S.*

**One of the turboexpanders at MESA's natural gas plant in Kansas, U.S.**



The two turboexpanders, connected in parallel, replace a conventional refrigeration system thus eliminating the cost of the chiller, condenser and associated piping. Since going on line in 1993, the plant has shown itself to be a model of operating efficiency and automation.

About 7 million m<sup>3</sup> of gas from 1,000 wells in the nearby Hugoton Fields, enters the plant everyday. The plant processes this gas to produce 13,000 barrels of natural gas liquid (NGL), 5,4 million m<sup>3</sup> of natural gas (90% methane) and 22,600 m<sup>3</sup> of helium. The NGL, consisting of ethane, propane, butane and gasoline, is sold as a feedstock to local refineries and petrochemical plants. The natural gas is compressed into the gas pipeline network for domestic and industrial consumption, while the helium is delivered for further processing.

Following compression, gas enters the turboexpanders at 66.5 bar and minus 33°C. By reducing the pressure of the gas through the turbine, the temperature drops to minus 61°C. A series of heat exchangers and distillation columns operating at specific pressures and temperatures are then used to separate the various components of the gas mixture. Each expansion turbine is connected to a centrifugal compressor. These two compressors, connected in series, provide some of the boost required to compress the processed natural gas into the pipeline for distribution. Thus the power developed by the turbines while cooling the gas is used to reduce the total energy requirement for compression. This process design will enable the facility to save millions of dollars in energy over the life of the plant.

## New printing presses equipped with scroll compressors

*The world's largest manufacturer of printing presses, Heidelberg Druckmaschinen AG in Germany, has decided to equip its new generation of offset printing machines with Atlas Copco's oil-free scroll compressors equipped with an integrated dryer.*

The first order extends to more than 300 scroll compressors. The introduction of the new generation of presses at DRUPA, the international printing and allied trades fair in Düsseldorf at the beginning of May, is expected to lead to a very positive level of orders received, which means in turn that demand for the company's scroll compressors could increase substantially during the remainder of the year.

Since all of the print unit settings on the new sheet-offset machines have been automated with the help of compressed air, printing capacity and the demand for quality air have been raised. However, the main reason for the switch of compressor type is the need for highly reliable compressors capable of producing compressed air without causing any condensation in the air lines. Another requirement was that the compressors must have a low noise level, since these will be delivered and installed directly adjacent to the presses.

Since Heidelberger Druckmaschinen delivers presses to customers in about 90 countries, exhaustive tests were performed on the compressor's functions under various operating conditions. As a result of the tests, the scroll compressor was selected for its ability to meet all of the imposed demands.



## Generators - a new product line within Portable Air

*To broaden the product range within the Compressor Technique business area, the Portable Air division has developed a series of generators, which received their commercial launch in 1994.*

Studies conducted as early as the mid-1980s showed that generators would fit in well as a complement to portable compressors. Cooperation was therefore entered into with a Japanese supplier, whereby the Portable Air division marketed an Atlas Copco branded product made in Japan on the European market.

With the objective to expand product know-how and market knowledge outside European markets, Atlas Copco started to develop its own generator series. These conform to new European regulations and their design is modular. The new series was introduced in the European markets in September 1994 and received a very positive reception. A special production line has been started at the Portable Air division's plant in Antwerp, Belgium, using European sub-suppliers on a just-in-time delivery basis.

The generator series is intended primarily

for use on construction sites as an energy source for lighting, as well as for the operation of conveyor belts, cranes, cement mixers, pumps, drills and other construction equipment.

**Production of generators started at Portable Air's plant in Antwerp.**



## Oil-free compressors for the Vietnamese food industry

**Vietnamese food industry has ordered a large number of compressors for its fermentation processes etc.**

*The food industry was first to utilize oil-free compressors in its processing opera-*



*tions. Today, oil-free air is a vital factor in this sector, enabling customers to fulfill stringent hygiene demands. The use of this type of quality air has also become the standard in many other industries, where product quality demands are high and where the air comes into contact with the products under manufacture.*

As part of an investment in ten plants totaling USD 20 million, a major food products company in Vietnam recently ordered oil-free compressors for the production of additives that will provide the products with a particular flavor, much appreciated by the Chinese society.

Extremely high-quality compressed air is essential to the production of these additives, since the air has to supply the fermentation process with oxygen to stimulate bacteria growth. In addition, the compressed air contributes a continuous stirring motion in the fermentation tanks assuring a correct and consistent mixture of the ingredients.

To date, deliveries from Atlas Copco extend to eight large oil-free compressors and about ten oil-injected compressors.

## New compressor drive technology saves energy

*The increasing environmental awareness of industrial customers and demands for energy savings resulted in major successes last year for Atlas Copco's patented variable speed drive (VSD) system for its most recent range of oil-injected compressors.*

With the new system, an electronic frequency converter controls the speed of the electric motor and the compressor to perfectly match the capacity to the required working load at any time, which results in substantial energy savings.

Compressors featuring the new system have been sold to customers in various industrial sectors. The greatest interest has been shown by companies which already have

several installed compressors. Within these companies, one or a couple of compressors are in operation on a continuous basis and at full capacity, while most of the others are started up or shut down, depending on the varying load requirements. The new system is ideal for such compressor installations.

For a customer with a 90 kW compressor, which is utilized at 60 percent of its capacity, the saving is about 13 kW. With an average machine time of 4,000 running hours per year, the saving totals 52,000 kWh, equal to 20-25 percent of total energy consumption.

During the lifetime of a compressor, energy costs account for about three fourths of the total cost mass, while its purchase cost is in the region of 16-18 percent. Thus, savings in the energy area are of major economic importance.

In many countries, customers which have purchased Atlas Copco compressors featuring the new system, have made such substantial energy savings that local authorities have awarded them financial compensation that has often corresponded to the additional cost of the VSD system.

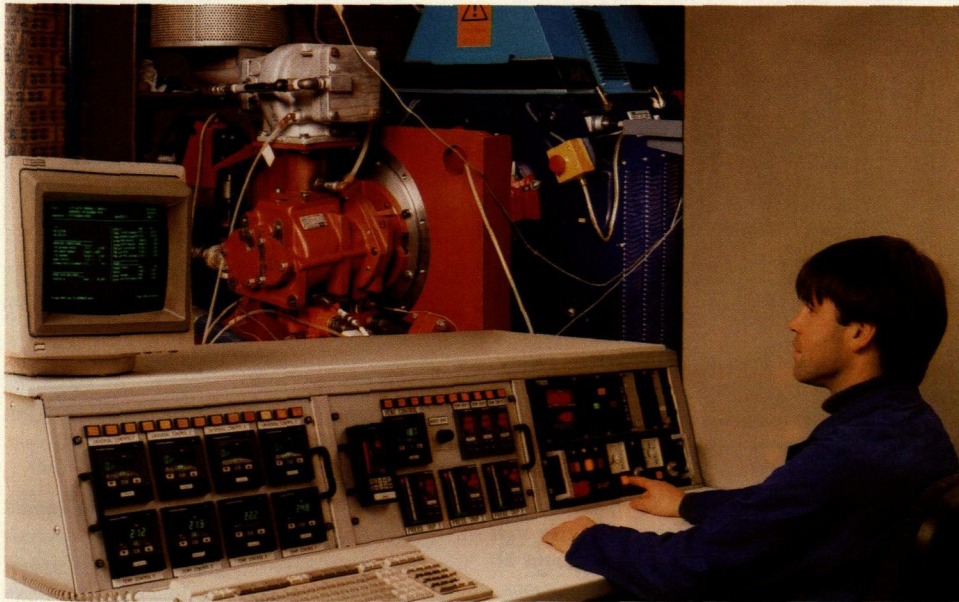
## Airtec launches completely new compressor elements

*The Airtec division, which is responsible for the development and manufacture of core components and the assembly of finished compressor elements, has developed a completely new heart for oil-injected screw compressors.*

The new compressor element is characterized by an advanced rotor design, which delivers

optimal efficiency at all speeds and pressures. Its high speed has facilitated the design of a compact unit, which has generated substantial cost savings.

To increase the efficiency of the development laboratory, major investments have been made in equipment designed to reduce test times. Each test cell is equipped with a computer aided testing function, which is linked to a central computer and control system. This system enables 24-hour remote controlled, automatic tests at the same time as it provides the engineering department with compiled data.



**Test of a new compressor element at Airtec's laboratory in Antwerp.**

## Successes recorded with large oil-injected compressors

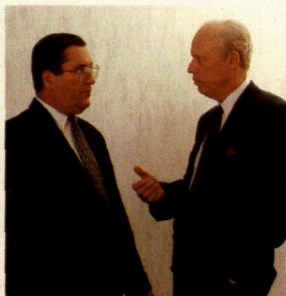
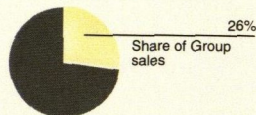
*During autumn 1991, a range of large oil-injected compressors was launched, which was well received by the market, particularly within the mining sector. A large number was sold in 1994, to mining companies in Australia.*

A zinc mine in Western Australia has ordered three units to function as a source of energy for operating the mining equipment and to generate instrument and process air. Among the key reasons for selecting this type

of compressor were its design, low operating and maintenance costs and high availability. Accordingly, the mine has signed a five-year service agreement with Atlas Copco. It was also considered essential that the mine have the opportunity to lease corresponding units as a reserve facility in case of production stoppages.

Within the mining sector, this new compressor is of particular interest for gold mines. In such facilities, the extraction of gold from the ore is conducted using a biotechnological method, whereby a special bacteria culture is created that removes the sulphide in the ore. To survive, the bacteria requires substantial volumes of compressed air. Thus, a large number of compressors of this type have been ordered by gold mines.

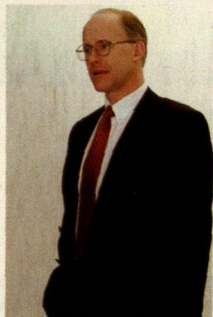
# CONSTRUCTION AND MINING TECHNIQUE



James Henderson      Jörgen Krook



Romano Girardi



Kjell Carlsson



Lars de Verdier

	1994	1993
<b>INVOICED SALES, SEK m.</b>	<b>5,472</b>	<b>5,257</b>
<b>OPERATING PROFIT AFTER DEPRECIATION, SEK m.</b>	<b>58</b>	<b>102</b>
<b>RETURN ON CAPITAL EMPLOYED, %</b>	<b>3</b>	<b>4</b>
<b>NUMBER OF EMPLOYEES</b>	<b>5,182</b>	<b>5,280</b>

*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 Rock Drilling Equipment, President *Lars de Verdier*
- Atlas Copco Robbins, President *Romano Girardi*
- Atlas Copco Craelius, acting President *Jan-Olof Gustavi*, effective July 1995 *Claes Ahrengart*
- Uniroc, President *Kjell Carlsson*
- Atlas Copco Berema, President *Jörgen Krook*
- Atlas Copco Wagner, President *James Henderson*

## 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

The decision has been taken to close the plant manufacturing crawler rigs in Bremen, Germany, and transfer production to the Avos plant in Örebro, Sweden.

## Sales

Invoiced sales in 1994 rose 4 percent to SEK 5,472 m. (5,257). Orders received increased 12 percent to SEK 5,789 m. (5,181). The increase was due primarily to favorable sales in the mining sector in North and South America and Australia and in the construction market in East Asia. Demand within the European construction market remained weak throughout the year.

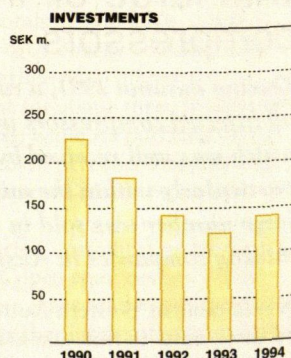
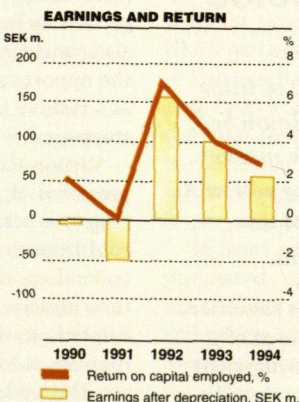
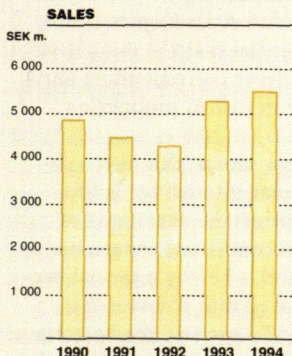
## Earnings

Operating profit after depreciation but before financial items totaled SEK 58 m. (102). The decrease was attributable mainly to earnings being charged with restructuring costs.

The return on capital employed was 3 percent (4).

## Investments

Total business area investments in plants amounted to SEK 139 m. (122) and related primarily to production equipment for the Uniroc plant in Fagersta and the Berema plant in Kalmar, Sweden.





**A hydraulic drilling rig in operation at a quarry in the Czech Republic.**

### **Business development**

Activity in European construction markets remained weak during the year, with the exception of Sweden where several attractive orders were secured. In the East Asian markets, particularly Japan, Hong Kong/China, South Korea and Taiwan, major orders were obtained for infrastructure projects.

Demand for mechanized drilling equipment from the mining sector increased significantly during the past year, particularly in North and South America and in Australia. Orders received for loaders for underground mines rose sharply during the second half of the year.

Sales of light construction equipment increased, especially in markets outside Europe. A sharp increase in sales to equipment-rental firms was noted in North America and Australia. During the year, Berema signed a licensing agreement with Arbortech for the exclusive global sales

rights to a unique cut-off saw for hard construction materials.

The Uniroc division's sales of rock drilling tools developed favorably and increased in volume, particularly in non-European markets.

### **Outlook for 1995**

It is estimated that demand for mechanized drilling equipment in the mining sector will continue to increase, while the trend within the construction market is expected to remain unchanged. Following the implementation of approved restructuring methods, a positive trend of earnings is anticipated in 1995.

## New cemented carbide increases performance for rock drilling tools

*The Uniroc division, which develops, manufactures and markets rock drilling tools, developed very positively during 1994. Its successes, which to a large*



**Production of cemented carbide for the rock drilling tools.**

*extent derive from its focus on further refinement of cemented-carbide inserts for drilling tools, have given the division a world-leading position.*

Product development work on cemented carbide has been concentrated to a plant in Fagersta, Sweden, and is conducted in close cooperation with end users. In this way, Atlas Copco has been able to offer drill bits and integral drill steels that provide customers with an optimal drilling result in widely varying rock types and conditions.

Manufacture of cemented carbide is a precision process, carried out today in a special plant in Fagersta. The metal is produced from a powder specially developed for the world market. The powder is subjected to very high pressure to form the inserts and cutting plates, which are fitted into the drills and drill bits using a special process. Continuous quality controls are carried out during the manufacturing stage. Substantial investments were made in rational production equipment during 1994, enabling the company to engage in the cost-effective manufacturing of high-quality market-adapted products.

## Geotechnical drilling equipment for Australia

*Rising demand for metals has resulted in higher prices and an increased level*

**Craelius demonstrated core drilling equipment at exhibition in Australia.**



*of investment within the mining sector. During the past year, this has been particularly evident in Australia, where mining is a very important sector.*

The positive investment climate in the sector has also led to an increase in prospecting for new ore reserves. Accordingly, the Craelius division, which markets geotechnical drilling equipment, participated in the Atlas Copco booth at the large Goldfields Expo 94 in Kalgoorlie, which was attended by some 15,000 visitors. Craelius demonstrated its latest rig, the Diamec 282, which is capable of drilling and extracting ore samples from a depth of 1,000 meters.

This was the first step in Craelius' program to establish itself in the attractive Australian market. In connection with the exhibition, three rigs and core-drilling accessories were sold and a number of promising contacts were established.

Core drilling is also commonly used to obtain soil samples for inspection prior to starting building and construction operations.



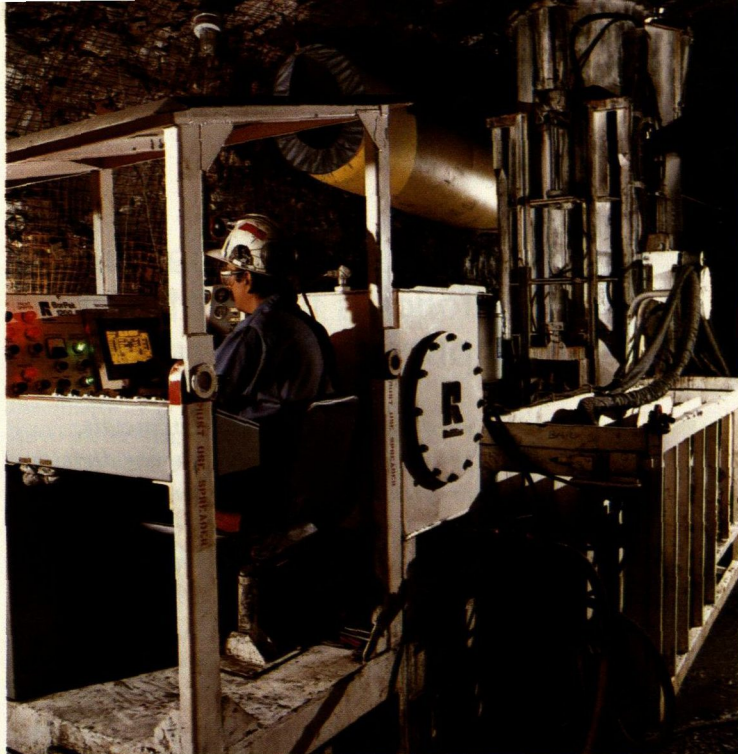
## New raise-boring method opens up new markets

*The Atlas Copco Robbins division, which is the world's leading manufacturer of tunnel boring machines (TBMs) and raise boring machines, has developed a completely new method for raise boring. This type of boring has always been rated one of the most difficult and time consuming operations in the mining and construction industries.*

The new raise boring machine is called the BorPak. In October 1994, the first order for a BorPak was obtained from a new mine in Zimbabwe that contains the world's largest known undeveloped resources of platinum-group metals. Mining is expected to start at the end of 1995 and full production – 4 million tons per year – should be attained in 1997.

The machine, which operates in largely the same way as a TBM but is much smaller, is designed for raise boring based on a diameter of 1-2.5 meters and for gradients of between 20° and 90°. The length of the raise can be up to 300 meters.

The BorPak machine is primarily intended for use in traditionally difficult situations,



**BorPak is a new raise boring machine.**

when it is impossible to bore from above. Applications include the blind boring of ore, ventilation and opening shafts.

Development work has been in progress since 1990 and prototypes have been tested at customer locations in Norway, Sweden and Canada. A machine with a 1.2-meter diameter, modified on the basis of experiences learned from these trial boring operations, has been used since summer 1994 for production boring operations in a Canadian nickel mine. The machine's performance was highly efficient – reaching an hourly bore rate of up to 2.7 meters.

## Berema success in Rental market sales

*Construction equipment rental companies, particularly those involved in drilling and demolition work, constitute a major customer group for Berema products.*

The Rental market is experiencing major growth in several countries. During 1994, substantial sales successes were achieved in the U.S. and Australia, where rental operations are widespread.

The introduction of a fuel-powered breaker has contributed strongly to the increase in sales. It is mainly the machines' light

weight and high efficiency, combined with its ease of operation, which is attracting customers in the rental market.

The acquisition of Kango and its well established range of electro-pneumatic hammers and drill hammers, has also contributed significantly to the favorable trend.



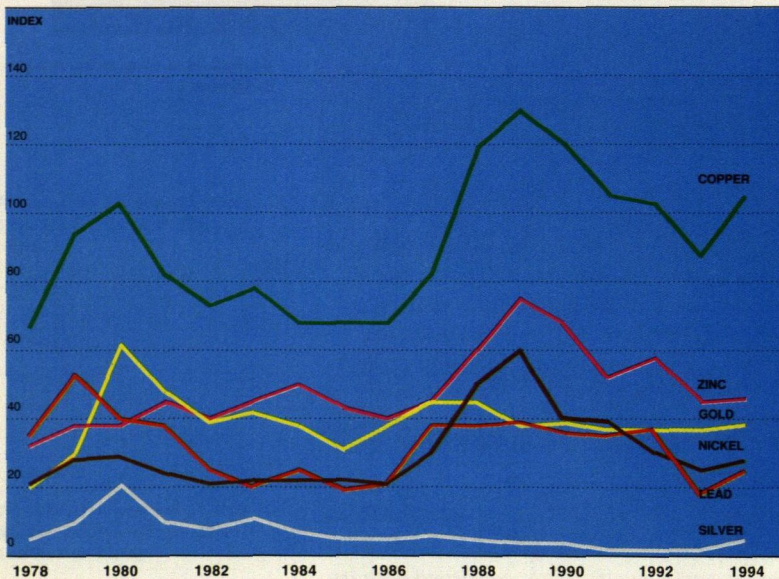
**Growing market for rental of light construction machines.**

## Demand for loaders follows trend of metal prices

*As a result of the decline in metals prices, the Atlas Copco Wagner division experienced a sharp downturn in the level of orders received for its loading equipment for underground mines during the first half of 1994.*

Prices for most metals rose until 1989, when the highest price peaks were achieved. This

Many metal prices began to rise during the summer 1994.



trend led to a boom in the mining industry. Many mines, which had earlier been shut down due to their unprofitability, now needed new, efficient equipment to resume production, while at the same time other mines needed to expand their loading capacity. As a result, orders received by Wagner increased sharply and production capacity was expanded to enable Wagner to rapidly deliver a large number of loaders to mining customers throughout the world.

Since 1989, metal prices have fallen steadily. This has had an adverse effect on Wagner and the company has been forced to adapt its capacity to demand. This trend bottomed out during summer 1994, when metal prices again began to rise sharply, particularly for copper, nickel and gold. Towards the end of the year, the prices of these metals had returned to the same levels as in 1989. This favorable trend has made the mining of these minerals increasingly profitable and has led to the reopening of a number of mines which had earlier been mothballed. During autumn 1994, this rapid turnaround resulted in a significant increase in demand for loaders, which in turn has created a need to expand production capacity. Consequently, new personnel are again starting to be hired in order to meet delivery commitments.

A new loader was developed during the recession. The first machines were delivered to Mount Isa copper mine in Australia where a yearly capacity of more than one million tonnes was reached for one loader. Notable among a number of attractive orders taken during autumn 1994 were 35 loaders from two new American underground gold mines.

## Quality certification for Rock Drilling Equipment Division

*Atlas Copco is the first company within the rock drilling market segment to receive the ISO 9001 quality assurance certificate. This is part of Atlas Copco's goal, which is to offer its customers products and services of uniformly high quality.*

The certification was granted to the unit within the Atlas Copco Rock Drilling Equipment division responsible for the manufacture of rock drilling machines and rigs for underground drilling by the official ISO organ, Det Norske Veritas, following a formal examination. Corresponding certification has been obtained from Lloyds Register of Quality Assurance by the division's crawler rigs unit.

The certification is confirmation of the fact that all development, design and manufacturing is conducted in an approved structured manner and that records and work specifications are well documented.

## Atlas Copco rigs selected for construction of world's largest power plant

*Atlas Copco is a major supplier of drilling equipment to the gigantic Three Gorges power plant project on the Yangtze River in China. The plant, which is scheduled for start up in the year 2008, will be the world's largest power facility, with a total capacity of 18,200 MW. This is 50 percent larger than the Itaipu plant in Brazil, today the world's largest power plant, which was also built with equipment from Atlas Copco.*

Three Gorges is one of approximately 70 major power plant projects currently in the process of being planned and constructed in China. Through the regulation of the Yangtze River, traffic on the river will be facilitated at the same time as recurrent flooding problems will be eliminated. As part of the project, some 1.2 million people will be relocat-

ed from the river valley to 100 new locations in different areas.

As a first step, new roads are being built for transportation purposes. Furthermore, several quarries have been opened to provide the quantities of fill needed for the massive 2,400-meter-long and 175-meter-high dam wall. This must be capable of retaining the water in the 600-km-long reservoir. A total of 100 million m<sup>3</sup> of rock needs to be removed, which makes Three Gorges one of the largest rock drilling projects of all time.

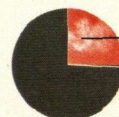
To date, Atlas Copco has delivered some 40 drilling rigs and a further ten are currently being delivered. These rigs have been selected for their ability to operate effectively in the difficult terrain of the region. A number of rigs have also been supplied for underground drilling operations.

Atlas Copco's responsibility includes the training of operators, technicians and service personnel for the maintenance of the equipment. The Atlas Copco plant for the manufacture and assembly of both surface and underground rigs in Nanjing, between Three Gorges and Shanghai, will supply the work-site with the necessary resources.



**Construction of the Three Gorges power plant project started in 1994 with a large number of Atlas Copco rock drilling rigs.**

# INDUSTRIAL TECHNIQUE



27%  
Share of Group sales

	1994	1993
<b>INVOICED SALES, SEK m</b>	<b>5,553</b>	<b>5,095</b>
<b>OPERATING PROFIT AFTER DEPRECIATION, SEK m.</b>	<b>470</b>	<b>228</b>
<b>RETURN ON CAPITAL EMPLOYED, %</b>	<b>14</b>	<b>7</b>
<b>NUMBER OF EMPLOYEES</b>	<b>5,505</b>	<b>5,553</b>

*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*
- Atlas Copco Electric Tools, President *Paolo Duca*
- Chicago Pneumatic, President *Necip Soyak*
- Desoutter, President *Paul Jarvis*
- Georges Renault, President *Jacques Manceron*

## 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 August 1, 1994, Atlas Copco Automation was divested. This means that Atlas Copco has sold all of its operations within the Pneumatic components product area. In 1993, Atlas Copco Automation had sales of about SEK 275 m., with 250 employees.

## Sales

Invoiced sales increased by 9 percent to SEK 5,553 m. (5,095). The increase was attributable largely to the North American market.

Orders received rose 12 percent to SEK 5,795 m. (5,188).

## Earnings

Operating profit after depreciation rose by SEK 242 m. to SEK 470 m. (228). The improvement was due mainly to larger volumes.

The return on capital employed was 14 percent (7).



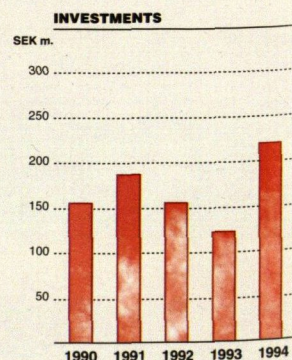
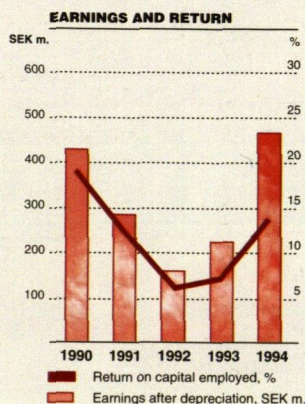
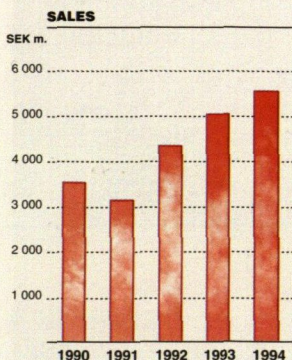
Paolo Duca Gunnar Palme

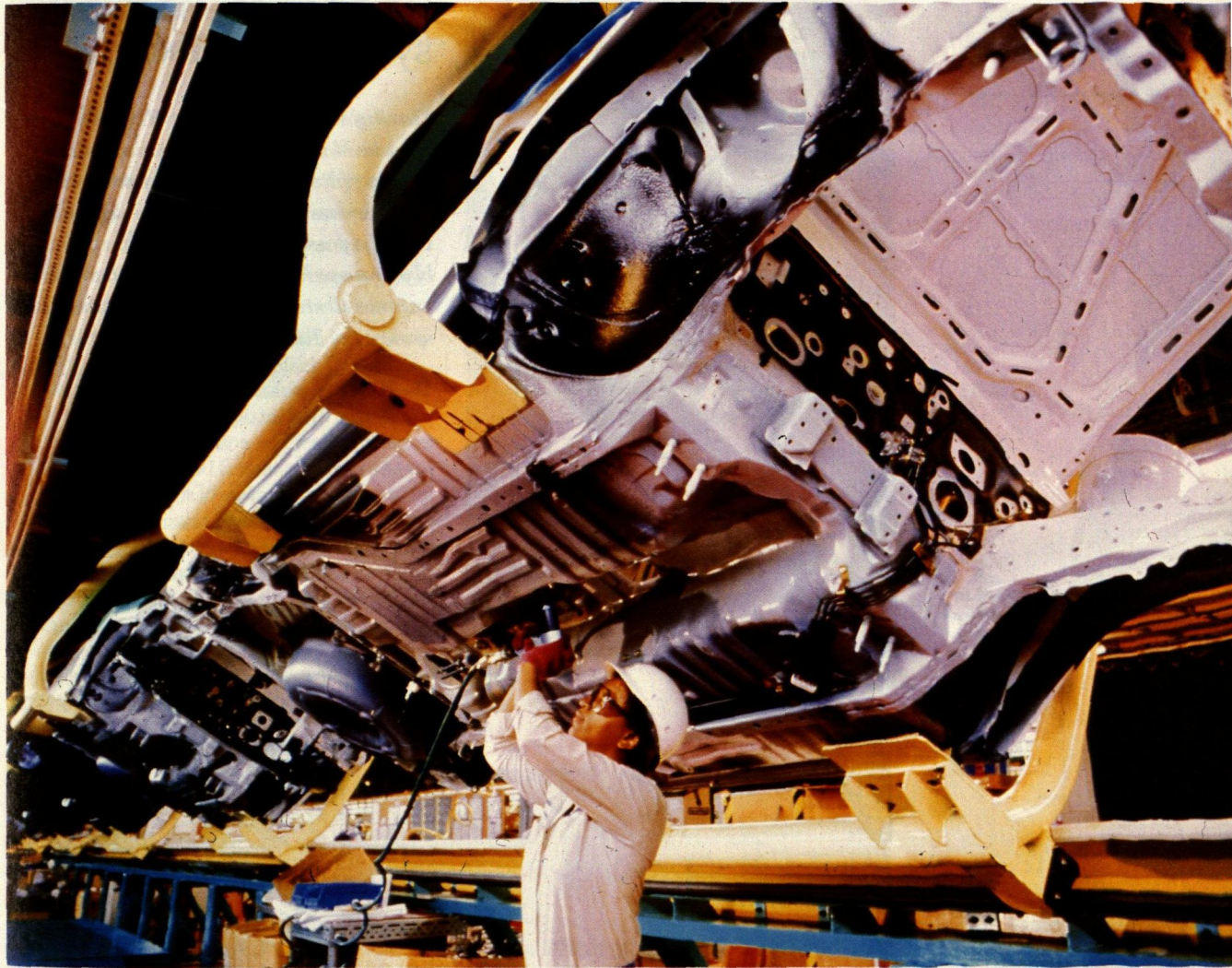


Paul Jarvis



Jacques Manceron, Necip Soyak





**The automotive industry is an important customer group for the divisions in the business area.**

### **Investments**

Total business area investments in plants amounted to SEK 222 m. (124). The year's investments included the expansion of the plant in Tierp and the distribution center in Belgium as well as major machinery investments in several business area units.

### **Business development**

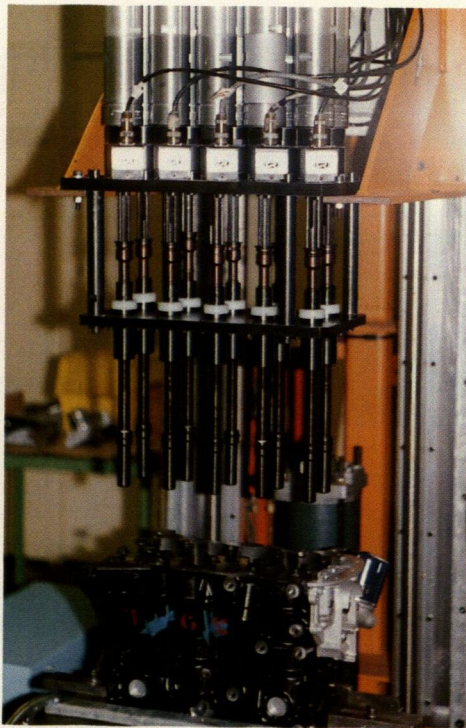
Demand for both pneumatic and electrically powered industrial tools increased in all markets. In North America in particular, significant sales increases continued to be made to the automotive industry, especially of Atlas Copco Tools' new electrically powered tools. Chicago Pneumatic noted a continuation of

its favorable trend of sales in both North America and India.

Atlas Copco Electric Tools increased its sales during 1994, particularly in North America and Asia, and established sales offices in Mexico and China.

### **Outlook for 1995**

Demand for the business area's industrial products is expected to continue to increase in 1995. A continued improvement in earnings is anticipated as a result of growing sales volumes.



A tightening system used in the production of car engines for Renault's small-cars series.

## Delivery of assembly systems to Renault

*During 1994, the Georges Renault division in Nantes, France, was appointed sole supplier of assembly systems, electronic measuring equipment and electrically-powered nutrunners for assembly-line operations related to the new engines destined for Renault's small-car series, the Twingo and Clio.*

The contract includes a tightening system featuring 171 electric spindles for three assembly lines. The equipment will be used for the production of 3,000 engines per day including the assembly of cylinder heads.

Georges Renault was selected as sole supplier in the face of extremely tough competition because of the technical solutions proposed by the company for the fast assembly of large volumes of the models' compact engines.

## Control system increases packaging machine's precision and speed

The electronic control system from Atlas Copco Controls in operation on one of Tetra Pak's latest packaging machines.



*Tetra Pak has equipped its latest packaging machine with electronic control systems from the Atlas Copco Controls plant in Tyresö, Sweden.*

Bob Industrier in Kumla, which packages juice and fruit syrups in paperboard containers, has installed packaging machines from Tetra Pak which feature electronic servo positioning controls. These enable the containers to be packed with great precision and without damage during transport, packaging cases at a rate of 7,000 cartons per hour. The rapid process line is monitored and controlled by the electronic control systems.

The trend toward new complex machine designs shows a future where electronic servo systems will replace hydraulic, pneumatic and mechanical systems at a rapidly growing pace. Servo systems are providing customers with higher speed, greater precision and quicker set-up times.

## Investment in rational tools production

*Successful sales of industrial tools have placed increasing demands on manufacturing capacity at the Atlas Copco Tools plant in Tierp, Sweden, which specializes in the production of both pneumatic and electric industrial tools.*

As a result, the decision was taken at the end of April 1994 to expand the plant by approximately 2,000 m<sup>2</sup> of production and storage space. This provides the plant with a total of 13,000 m<sup>2</sup> of floor space.

The plant in Tierp produces 2,200 different types of industrial tools, with a total of 15,000 parts. Rational production is thus a major requirement. The machine park in the tooling department is standardized and the work is conducted by machining centers, CNC machines and robot-controlled machines, which are based on the latest production technology. The large capacity and high flexibility of these machines enable them to

rapidly produce very complex parts in just a few operations.

The assembly of the motors on the pneumatic tools is conducted in an automatic assembly unit, while the tool itself is put together manually.

To maximize production efficiency, the various work stations are grouped to follow the flow through the plant. The internal transport routes for the manufactured parts are thus minimized. Previously, it took several months for an order to become ready for delivery to the customer. Gradually it has become possible to reduce this lead time significantly.

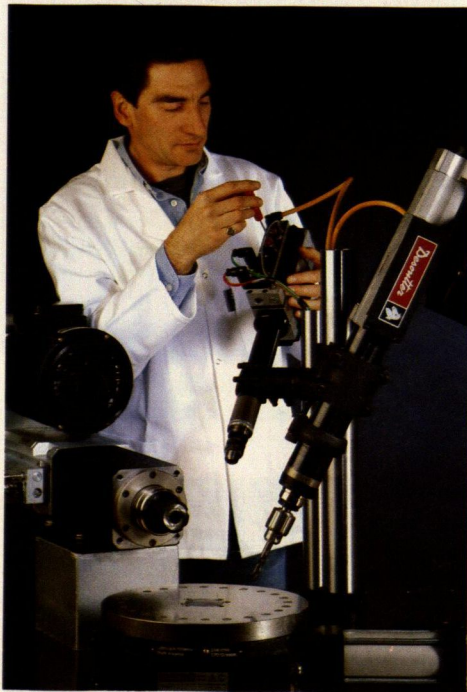
The reduction in lead times has led to changes in the routines for planning and administration. This new type of production control has been a decisive factor in reducing and maintaining inventories of both raw materials and parts at a low level. The finished products are delivered on an ongoing basis to a distribution center in Belgium, from where deliveries are made directly to the customers. Through these new routines, it has been possible to achieve the goal of a high level of delivery reliability without increasing production cost levels.



**The Atlas Copco plant in Tierp has been expanded to meet rising demand for industrial tools.**

## Desoutter's new automatic drilling machine makes market gains

*Desoutter has developed a new generation of automatic drilling machines, which made their initial appearance in the market in 1993. The whole of the earlier line of automatic drilling machines*



**Auto feed drill units under test in Desoutter's workshop.**

*is being replaced by a completely new concept based on a modular design. This gives significantly improved accuracy over the previous range and at the same time the machines can easily be adapted to suit specific applications.*

The new series of automatic drilling machines have major potential within many manufacturing industries, such as the automotive and aircraft sectors, automotive components, electronic components, household appliances, furniture, etc.

The American company, Micro Gage Corporation, which is a supplier of components for air-conditioning systems used in the automotive industry, is one of the companies which has recently incorporated Desoutter's automatic drilling machines in a customized, machining plant. This plant features three auto feed drilling units, one of which is equipped with a drilling head featuring six spindles that enables the machine to drill six 12.5 mm holes in diameter simultaneously in die cast aluminum. As a result of the stability of the new machine, operations are conducted with great precision which assures the high quality of the processed surfaces at a significantly lower cost, compared with alternative methods. Desoutter's new series of drilling machines, which are capable of drilling holes from 2 to 26 mm in diameter in steel, are therefore particularly suitable for this type of high-volume production process.

## CP introduces entirely new range of tools

*During the fall 1994 Chicago Pneumatic introduced an entirely new complete line of pulse tools which are marketed under the brand name LaserPulse™. It consists of 7 different models with totally 19 tools.*

The market for the new line is not only the automotive industry but also companies with line production of agricultural machinery and construction machines. The reception by the market has been outstanding and sales in 1995 is expected to reach a substantial part of CP's total sales.

The development of LaserPulse started in 1992 and has resulted in a range of tools which are characterized of fast tightening under controlled accuracy. This means that the entire development project which was accomplished in cooperation with Desoutter was realized within 18 months from concept to market introduction in North America and Europe.



The tools are ergonomically designed, and meet quite a number of demands from line workers, maintenance personnel and tooling engineers within important customer groups in the U.S. and Europe. An important feature is that the same tool can be used for several different tasks, thereby increasing operator efficiency.

The new line of pulse tools delivers full energy pulses throughout the fastening cycle which means it can operate at peak performance up to five times longer than conventional pulse tools. The range is equipped with a patent-pending shut-off system which causes the torque to be interrupted at the right moment. The tools run at considerably lower operating temperature than conventional pulse tools, which means maximum productivity, lower oil consumption, increased durability and tool life as well as simpler and less maintenance.



**A completely new series of pulse tools was introduced by Chicago Pneumatic.**

## New hammer drill an instant hit

*The Atlas Copco Electric Tools division based in Winnenden, Germany, introduced a completely new rotary hammer at the large tools exhibition in Cologne in March 1994. The machine, which is primarily intended for applications in the building industry and handicraft trades, has been very well received by the market. The sales successes led to significant increases in market share for this type of product.*

Compared with most competitive machines in its class, the new rotary hammer, which is equipped with many new technical features, was shown to deliver clearly superior drilling results.

The rotary hammer features a new patented two-speed planetary gear box, which enables the hammer to be produced in a compact design, with an optimal drilling performance. It also includes the Fixtec performance system for rapid and safe replacement of tool accessories, plus a system designed to reduce machine vibration by 50 percent. Major

efforts have been made in the ergonomics area to optimize the working comfort of the operator.

**A powerful electric rotary hammer featuring many technical innovations.**



# ATLAS COPCO CONTROLS – A HIGH-TECH COMPANY

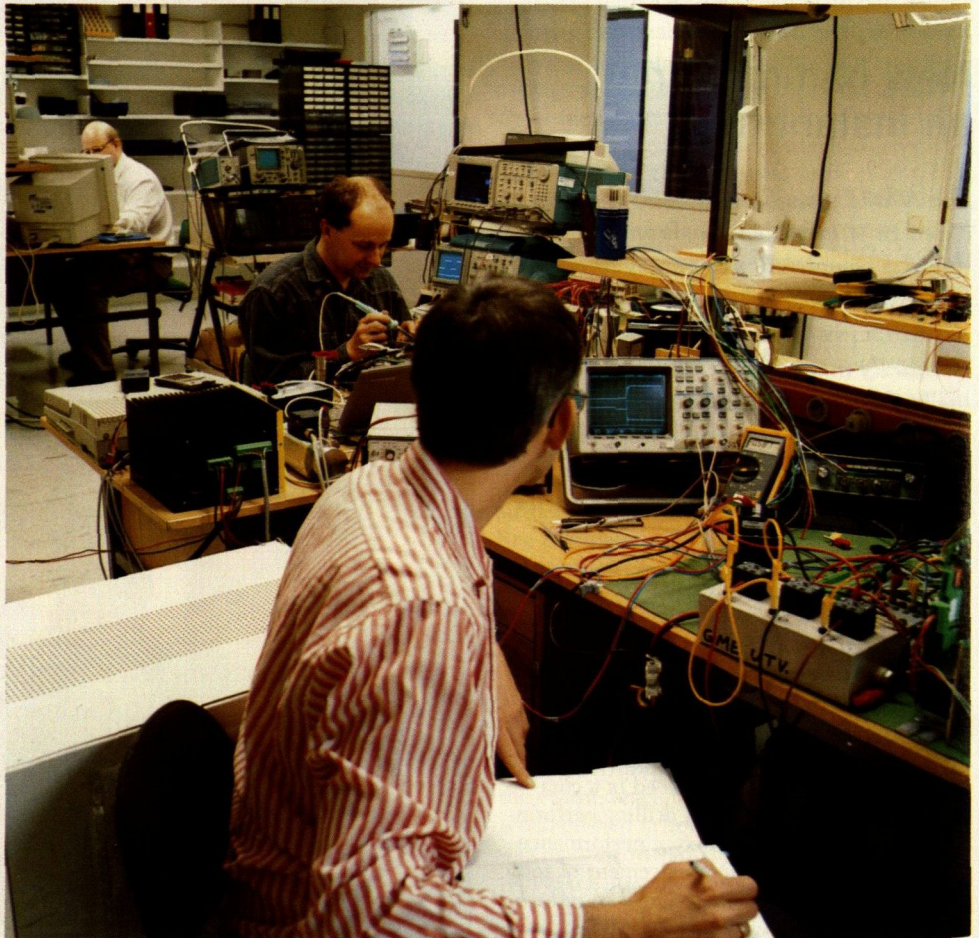
*Atlas Copco Controls is a high-tech operation that specializes in electrically powered control and drive systems. The company was established more than 25 years ago and has been part of the Atlas Copco Industrial Tools and Equipment division within the Industrial Technique business area since 1989.*

*Atlas Copco Controls is involved in three main areas, namely industrial automation, comprising control systems and servo systems, electronic drive systems for automotive applications and custom engineered drive systems. The customer base consists of companies manufacturing industrial vehicles, robots and other advanced machines and equipment, including assembly and tightening systems for the automotive industry.*

## **Drive solutions for robotics**

A significant portion of Atlas Copco Controls' operations involve custom engineered

drive systems. Customers benefit from expertise in the form of technological solutions and high-tech products designed to achieve greater productivity.



**Substantial resources are being invested in R&D within Atlas Copco Controls, where work in the technological area is developing rapidly.**

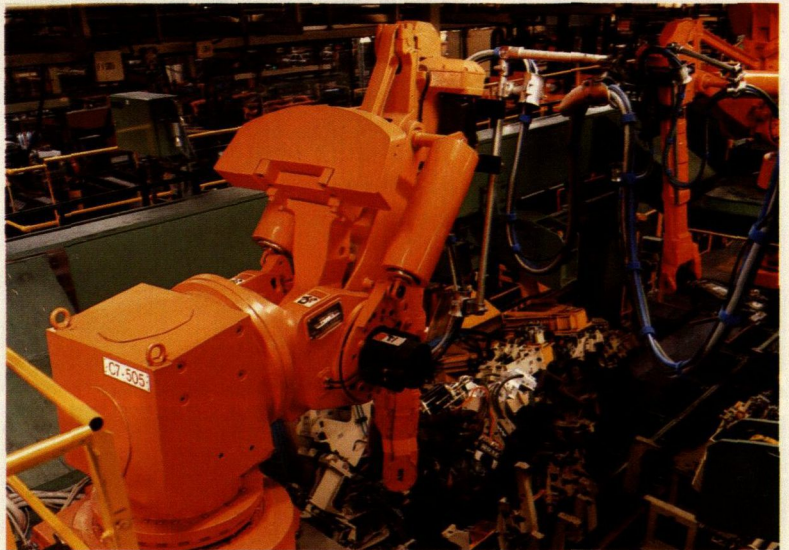
As a result of Atlas Copco Controls' ability to offer its special skills in the technology area, which is a fast-growing segment, the company is perceived as a valuable partner in the development of products for machine manufacturers. These manufacturers can benefit from the company's applications know-how ranging from feasibility studies, development of technical specifications, programming, start-up of machines, and follow up customer service.

**Motion control systems**

Within the Motion Control Group, operations focus on standardized programmable control and drive systems. Electronic servo control is being used in machines which are designed to carry out controlled movements, where high demands are placed on operating speed and precision. This technology, which today often replaces hydraulic, pneumatic and mechanical systems, contributes to reducing manufacturing costs and lead times for customers.

**Electrical drive systems improve the work environment**

More stringent environmental rules require industrial vehicle manufacturers to minimize exhaust emissions on, for example, industrial trucks operated inside warehouses and on busses servicing inner city routes. Atlas Copco Controls offers an electric drive technology that provides high efficiency and improved operation. Industrial trucks can now be completely powered with electric drive systems and motors supplied by Atlas Copco Controls. The company is becoming a world leader in the area of these electric steering systems.



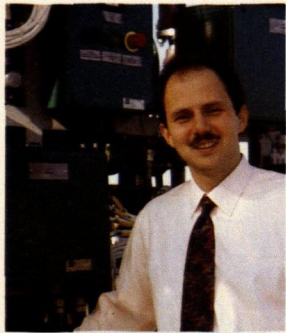
**Comprehensive training is necessary for customers to adapt to rapidly developing servo technology (top).**

**Atlas Copco Controls has developed the drive system for all ABB Robotics' robots (center).**

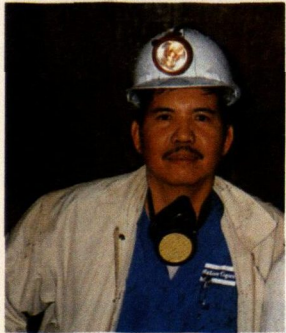
**A BT truck equipped with electric drive technology and the new electric steering system from Atlas Copco Controls (bottom).**



# ATLAS COPCO PERSONNEL



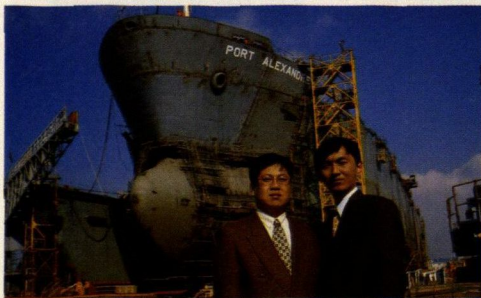
**Emile Bado**



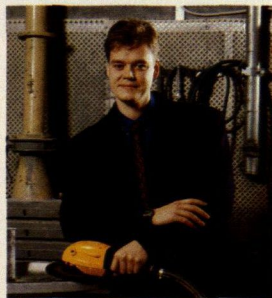
**Ernesto O Principe**



**José Luis Ramos**



**S G Kim and W G Kim**



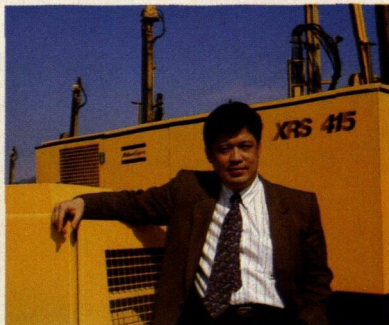
**Mats Rahmström**



**Daniel Vinch and Todd Sutherland**



**Robert Carporaro**



**K K Lai**

SEK thousands	1994	1993
Sales per employee	<b>1,155</b>	1,036
Net profit per employee	<b>66</b>	48
Value added per employee	<b>480</b>	408

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 1994, many outstanding sales achievements were recorded within the sales companies. Each sales company was requested to report the most successful individual performances and from these it has been possible to select the "Best Salesmen of 1994." The winners and a description of their accomplishments are described below.

**Emile Bado**, specialist for ACT in the Middle East, secured several strategically important orders for turbo compressors and expansion turbines, valued at SEK 52 m.

**Ernesto O Principe**, is product manager for drilling equipment and loaders in the Philippines. In 1994, he sold seven Wagner Scooptram loaders, two underground drilling rigs, one surface rig and rock drilling tools to customers in the mining sector.

**José Luis Ramos**, sales manager for hydraulic breakers in Spain, increased his sales by 230 percent during 1994, at the same time as the total market increased by 25 percent.

**S G Kim and W G Kim**, compressor salesmen in South Korea, jointly sold 60 large oil-free compressors to dockyards and steel works.

**Mats Rahmström**, product manager at Atlas Copco Tools in Sweden, successfully introduced the new turbo grinding machine and achieved excellent sales results.

**Robert Carporaro**, salesman for Secoroc in the Western Rand region in South Africa, was highly successful with his sales of rock drilling tools during 1994. He was named Supplier of the Year for the third successive year for his exceptional service and advice.

**Daniel Vinch and Todd Sutherland**, who sell industrial tools in the Detroit region in the U.S., recorded major successes in the automotive industry and sold electric nutrunners totaling approximately SEK 60 m. to strategically important customers.

**K K Lai**, marketing manager for drilling equipment and portable compressors in Hong Kong, has quadrupled his sales during a three-year period through aggressive marketing.



Sorting of diamonds for mounting on a diamond drill bit at the Craelius plant in Märsta, Sweden.



Electric tools sales man at the trade fair in Brno, Czech Republic.



ISO-9001 quality control checks during start-up of a press at the Wagner plant in Portland, U.S.



Service technicians at the compressor engineering plant in Warsaw, Poland.



Final check of compressed air tools at the Tierp plant in Sweden.



Assembly of portable compressors at the plant in Antwerp, Belgium.



Production of power tools at the Desoutter plant in the U.K.

# ATLAS COPCO SHARE

## DISTRIBUTION OF SHARES

Class of share	Shares outstanding
A shares	122,497,590
B shares	61,018,330
Total	183,515,920

## Share capital

Atlas Copco's share capital at year-end amounted to SEK 917,579,600 distributed among 183,515,920 shares, each with a par value of SEK 5. 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. Each round lot consists of 200 shares. Atlas Copco has approximately 29,500 shareholders. The portion of shares held by institutional investors amounts to 64 percent. The ten largest shareholders account for 48 percent of the voting rights and 41 percent of the number of shares. The number of foreign-owned shares amounted to about 36 percent (26) and represented 33 percent of the voting rights. Shares held by foreign investors, in the U.S.,

## LARGEST SHAREHOLDERS, FEBRUARY 1994

	Number of shares	% of votes	% of total
Investor Group	25,866,336	20.1	14.1
Sparbankernas Aktie- och Allemansfonder	22,884,930	12.5	12.6
Allm Pensionsfonden, Fjärde Fondstyrelsen	4,128,950	3.2	2.2
Trygg Hansa Group	3,754,303	2.3	2.0
Folksam Group	4,600,000	2.2	2.6
SE-bankens Aktie- och Allemansfonder	4,331,150	1.9	2.3
Skandia Group	3,180,085	1.8	1.8
Försäkringsbolaget SPP Ömsesidigt	4,141,920	1.7	2.3
Föreningsbankens Aktie- och Allemansfonder	1,587,300	1.0	0.9
Allm Pensionsfonden, Femte Fondstyrelsen	1,134,500	0.9	0.6
	75,609,474	47.6	41.4
Others	107,906,446	52.4	58.6
Total	183,515,920	100.0	100.0

## SHARE ISSUES 1973-1994

			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
1994	Split	5:1 par value SEK 5	-	-

\*Pertains to 1987/1993 convertible debenture loan.

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

## Ownership structure 1994

	Number of shares	Number of shareholders	Percent of total number of shares
1 - 500	19,937	2.0	
501 - 2,000	7,140	3.9	
2,001 - 10,000	1,786	3.9	
10,001 - 50,000	343	4.4	
50,001 - 100,000	83	3.4	
> 100,000	184	82.4	
Total	29,473	100.0	

the U.K., France and Belgium, correspond to 32 percent of the share capital and 29 percent of the voting rights.

## 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 dividend payments with dividend income from foreign subsidiaries.

If the Board of Directors' proposal of SEK 2.30 per share is approved, the average dividend growth for the five year period 1990 to 1994 will amount to 8 percent. During the same period, the average dividend has been 41.6 percent of earnings per share. Expressed as a percentage of shareholders' equity, the proposed dividend is 4.5 percent (3.9).

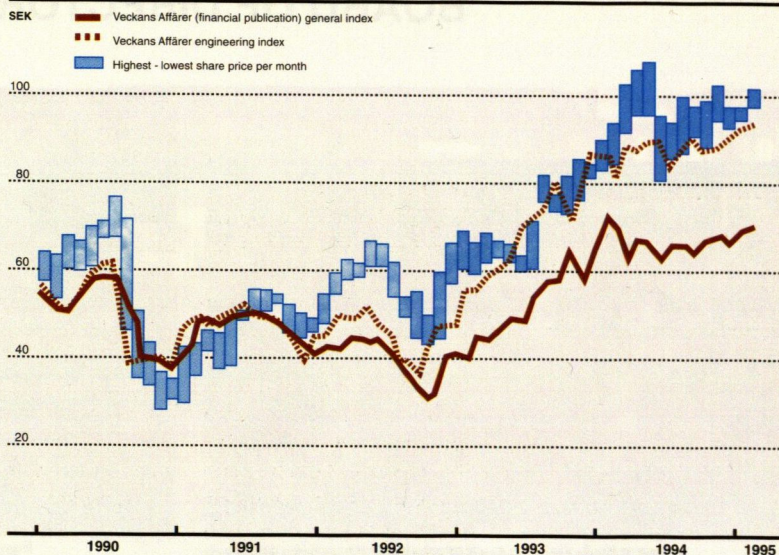
## Share issues

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, Düsseldorf and Hamburg. In March 1991, the B shares were also introduced on the German stock exchanges.

## Share price trend

The Atlas Copco share price continued to increase during the year. As of December 31, 1994, the price was SEK 95. For 1994 as a whole, the price of the Atlas Copco share rose 14 percent. The general index increased 5 percent and the engineering companies' index increased 14 percent. During the past five year-period, the annual average total

## TRENDS OF SHARE PRICES



yield, meaning the sum of the growth in share price and the dividend, was 15 percent. The corresponding return for the Stockholm Stock Exchange as a whole was 5 percent.

The beta value of the Atlas Copco share was 0.89 (1.11). 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 0.89 means that a share has moved 11 percent less than the index.

### Market value

The market value on December 31 was SEK 17,434 m. (15,220), which corresponds to 2.0 percent (1.8) of the total market value of the Stockholm Stock Exchange.

### Trading

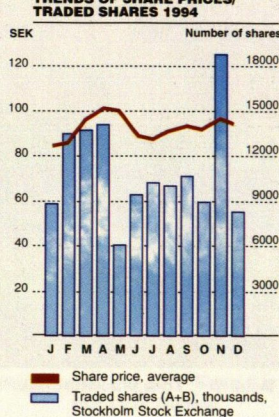
The Atlas Copco share was the seventeenth (sixteenth) most traded share on the Stockholm Stock Exchange during 1994. Including subsequent registration, a total of 135,413,206 shares were traded (of which 71,625,550 class A and 63,787,656 class B), corresponding to a value of SEK 12,773 m. (5,104). An average of 535,230 (285,405) shares were traded per market day. The turnover rate (degree of liquidity) in 1994 was 73 percent (39), compared with the stock market average of 69 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, 117.8 million (85.5) Atlas Copco shares were traded. During 1994, 138 percent (86) 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 1,322 m. (832) in 1994.

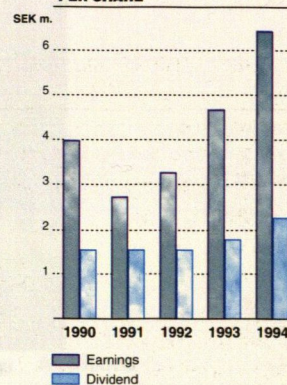
### Atlas Copco Options

The Atlas Copco options listed on the Stockholm Option Market (OM) consist of call options and put options, each relating to 100 shares. During 1994, approximately 7.7 million (11) shares were covered by option contracts, which constitute about 4 percent (6) of the total number of Atlas Copco shares. Each day an average of 30,443 Atlas Copco shares are affected by trading in options. Since the options only provide the holder with the right to buy and sell shares which already exist, the options do not result in any dilution effect.

### TRENDS OF SHARE PRICES/ TRADED SHARES 1994



### EARNINGS AND DIVIDEND PER SHARE



### PER SHARE DATA

SEK	1990	1991	1992	1993	1994	Average growth per year 90-94, %
Earnings <sup>1)</sup>	4.01	2.78	3.35	4.74	<b>6.51</b>	4
Dividend	1.60	1.60	1.60	1.80	<b>2.30</b> <sup>2)</sup>	8
Dividend as percent of earnings <sup>3)</sup>	39.9	57.6	47.8	38.0	<b>35.4</b>	
Price quotation, Dec. 31, A	32	48	67	83	<b>95</b>	11
Price quotation, Dec. 31, B	31	48	66	82	<b>95</b>	
Highest price quoted, A	77	56	67	86	<b>108</b>	
Lowest price quoted, A	29	30	44	60	<b>81</b>	
Average price quoted, A	55	47	57	70	<b>94</b>	
Equity <sup>4)</sup>	36	36	42	46	<b>51</b>	10
Direct yield, percent <sup>5)</sup>	2.9	3.4	2.8	2.6	<b>2.4</b>	
Price/Earnings <sup>6)</sup>	13.8	16.9	16.9	14.9	<b>14.5</b>	
Price/Sales <sup>7)</sup>	0.63	0.57	0.64	0.68	<b>0.83</b>	

<sup>1)</sup> Profit after financial income and expense, less full tax and minority interests plus interest expense after tax on the convertible debenture loan, divided by the average number of shares outstanding after full conversion.

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

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

<sup>4)</sup> Equity, minority interest and con-

vertible debenture loan divided by the number of shares after full conversion.

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

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

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

# BOARD OF DIRECTORS AND AUDITORS



**Bertil Eriksson   Göran K Lindahl   Gösta Bystedt**



**Michael Treschow   Peter Wallenberg**



**Anders Scharp   Tom Wachtmeister**



**Giulio Mazzalupi   Curt G Olsson**

## 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: 50,000 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, Hasselfors, Investor, Norsk Hydro, Saab-Scania, STORA and Svenska Dagbladet. Chairman of Swedish Trade Council and Swedish Taxpayers' Association. Vice Chairman of the General Export Association. Stockholdings: 131,230 A; 20,135 B.

**Anders Scharp** Vice Chairman (1992). Born 1934. Chairman of the Boards of Electrolux, SKF, Saab-Scania and Incentive. Vice Chairman of the Board of Investor.

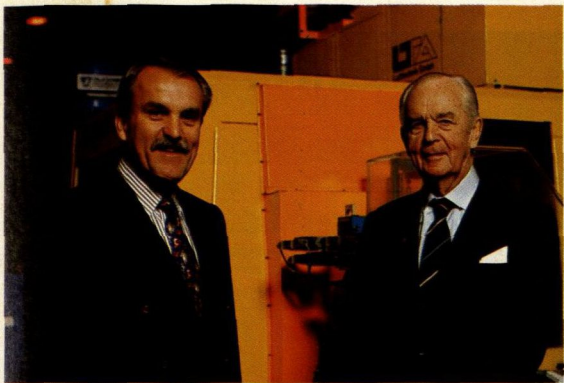
**Curt G Olsson** (1976). Born 1927. Chairman of the Board of S-E-Banken. Member of the Board of Hufvudstaden. Stockholdings: 4,000 A.

**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: 20,000 A.

**Gösta Bystedt** (1987). Born 1929. Chairman of the Board of Kalmar Industries. Vice Chairman of the Boards of Electrolux and Axel Johnson. Member of the Boards of SKF and Federation of Swedish Industries. Stockholdings: 8,330 A; 1,665 B.

**Erik Belfrage** (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 TV4, the Swedish Institute of Management and NewSec. Member of the Boards of Investor, Saab-Scania, ABA/SILA and SAS.





**Keith O Butler-Wheelhouse** **Otto Grieg Tidemand**



**Paul-Emmanuel Janssen** **Erik Belfrage**



**Tore Hedberg** **Bengt Lindgren** **Lars-Erik Soting**



**Håkan Hagerius** **Sune Kjsetselberg**  
**Per-Olov Olsson**

**Auditors**

**Baron Paul-Emmanuel Janssen** (1994). Born 1931. Chairman of Générale de Banque, Brussels and President of Société Immobilière du Brabant "Imbra". Chairman of the Board of Atlas Copco Airpower and member of the boards of Union Financière Boël, Usines Gustave Boël, Solvac and Lhoist. Director and member of the Executive Committee of Federation des Entreprises de Belgique. Stockholdings: 1,125 B.

**Keith O Butler-Wheelhouse** (1994). Born 1946. President of Saab-Automobile AB. Board member of Delta Motor Corporation.

**Göran K Lindahl** (1994). Born 1945. Executive Vice President of ABB Asea Brown Boveri Ltd, Zürich. Chairman and member of several ABB companies. Member of the Board of Saab-Scania .

**Michael Treschow** (1991). Born 1943. President of Atlas Copco AB and Chief Executive Officer. Employed in the Company since 1975. Member of the Boards of Saab Automobile and SKF (deputy). Stockholdings: 27,810 A, 1,235 B.

**Bertil Eriksson** Deputy Member (1990). Born 1934. Employed by Atlas Copco 1959-1979 and 1982-1994. Senior Executive Vice President of Atlas Copco AB 1986-1994. Stockholdings: 10,000 A.

**Giulio Mazzalupi** Deputy Member (1990). Born 1940. Senior Executive Vice President of Atlas Copco AB. Employed by Atlas Copco since 1971.

**Employee representations**

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

**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.

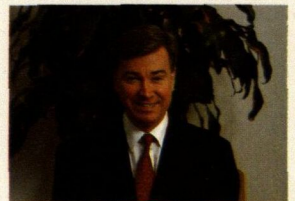
**Per-Olov Olsson** Deputy Member (1993). Born 1937. Chairman, Atlas Copco local Association of the Swedish Graduate Engineers, Nacka.

**Håkan Hagerius** Deputy Member (1994). Born 1942. Chairman of the Swedish Union of Clerical and Technical Employees in Industry (SIF) at Avos, Örebro.

**Sune Kjsetselberg** Deputy Member (1992). Born 1951. Chairman, Atlas Copco Tools local of the Metall Workers' Union, Tierp.



**Stefan Holmström**  
Authorized Public Accountant

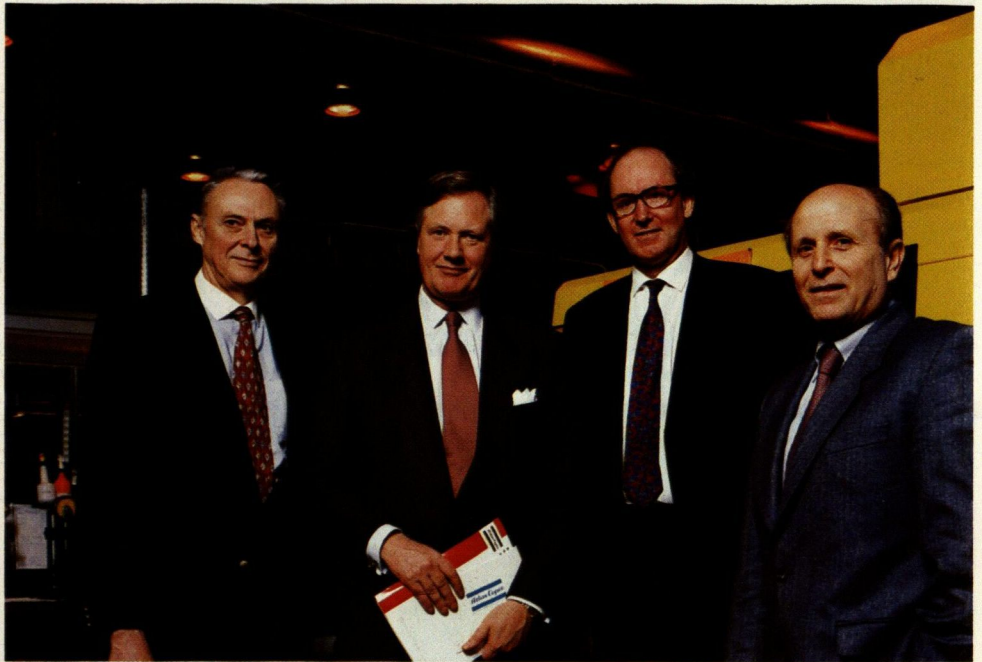


**Thomas Thiel** Authorized Public Accountant, Deputy



**Karl-G Giertz** Authorized Public Accountant, Deputy

# GROUP MANAGEMENT AND GROUP STAFFS



**Michael Treschow,**  
President and Chief Executive  
Officer  
**Giulio Mazzalupi,** Senior  
Executive Vice President  
**Bengt Kvarnäck,** Senior  
Executive Vice President  
**Bertil Eriksson,** Senior  
Executive Vice President  
(until December 31, 1994)

**Bertil Eriksson**

**Michael Treschow**

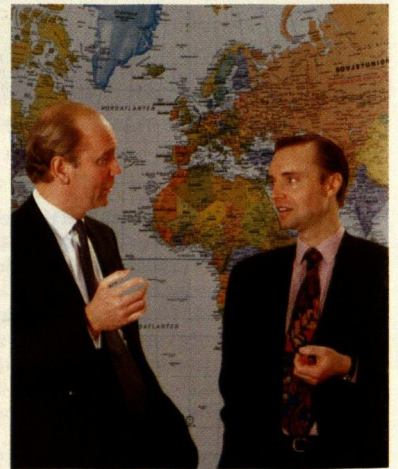
**Bengt Kvarnäck**

**Giulio Mazzalupi**

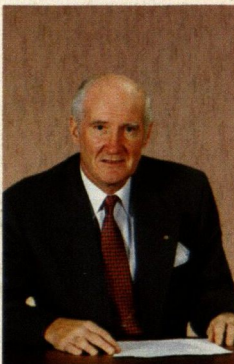


**Hans Ola Meyer,** finance  
**Lennart Johansson,**  
controlling, accounting and  
auditing  
**Marianne Hamilton,**  
organization development and  
management resources  
**Hans Sandberg,** legal  
**Carl-Johan Wachtmeister,**  
information, (effective 1995)

**Hans Ola Meyer Lennart Johansson Marianne Hamilton**



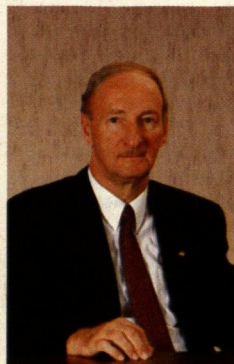
**Hans Sandberg Carl-Johan Wachtmeister**



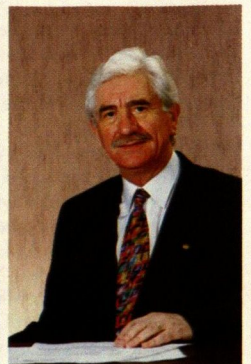
**Jack Mackenzie**



**Romano Girardi**



**André Richard**



**Edgard Deschamps**

**Jack Mackenzie,** Regional  
Executive Far East  
**Romano Girardi,** Regional  
Executive Latin America  
**André Richard,** Regional  
Executive Middle East and  
northern Africa (effective  
January, 1995)  
**Edgard Deschamps,**  
Regional Executive Middle East  
and northern Africa (until  
December 31, 1994)

# DIRECTIONS

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Telephone: +46-8-743 8000

Telefax: +46-8-644 9045

Telex: 14090 copco s

Atlas Copco AB is a  
public company.

### **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  
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Fax: +32-3-870 2443

### **Construction and Mining Technique, Divisions**

Atlas Copco  
Rock Drilling Equipment  
S-105 23 Stockholm, Sweden  
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Fax: +46-8-642 8159

Atlas Copco Robbins  
P O Box 97027, Kent,  
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Fax: +1-206-872 0199

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Tel: +46-8-591 785 00  
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S-737 25 Fagersta, Sweden  
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P O Box 20307  
Portland, Oregon 97220-0307,  
U.S.  
Tel: +1-503-255 2863  
Fax: +1-503-255 7175

### **Industrial Technique, Divisions**

Atlas Copco Industrial Tools  
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S-105 23 Stockholm, Sweden  
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Fax: +46-8-640 0546

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Postfach 320  
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Fax: +49-7195-12666

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

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319, Edgware Road  
Colindale  
London NW9 6ND, England  
Tel: +44-181-205 7050  
Fax: +44-181-205 7471

Georges Renault  
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*

