Atlas Copco Three months ended September 30, 2002

Q3

Revenues decreased by 9% to MSEK 11,873. The operating margin, before goodwill impairment charge, was 11.8% (12.5). Earnings per share, before goodwill impairment charge, decreased to SEK 3.69, compared to SEK 4.06 the preceding year.

Income Statement

	3 months ended September 30			9 months ended September 30			12 months ended September 30	
MSEK	2002[1]	2002[2]	2001	2002[1]	2002[2]	2001	2002[1]	2002[2]
Revenues	11,873	11,873	13,041	35,613	35,613	38,022	48,730	48,730
Operating expenses	–10,468	–10,468	–11,414	–31,738	–31,738	–33,240	–43,507	–43,507
Goodwill impairment charge	–6,950			–6,950			–6,950	
Operating profit	–5,545	1,405	1,627	–3,075	3,875	4,782	–1,727	5,223
—as a percentage of revenues		*11.8*	*12.5*		*10.9*	*12.6*		*10.7*
Financial income and expenses	–164	–164	–340	–648	–648	–1,136	–942	–942
Profit after financial items	–5,709	1,241	1,287	–3,723	3,227	3,646	–2,669	4,281
—as a percentage of revenues		*10.5*	*9.9*		*9.1*	*9.6*		*8.8*
Taxes	–445	–445	–449	–1,138	–1,138	–1,277	–1,483	–1,483
Minority interest	–22	–22	13	–54	–54	–6	–59	–59
Net profit	–6,176	774	851	–4,915	2,035	2,363	–4,211	2,739
Earnings per share, SEK	–29.47	3.69	4.06	–23.45	9.71	11.27	–20.09	13.07
Key ratios								
Equity capital per share, period end, SEK				95	126	131		
Return on capital employed before tax, 12 month values, %				–3	12	14		
Return on equity after tax, 12 month values, %				–17	10	13		
Debt / equity ratio, period end, %				79	60	80		
Rate of equity, period end, %				39	46	41		
Number of employees, period end				26,002	26,002	25,932		

1) Reported. 2) Excluding goodwill impairment charge.

Balance Sheet

MSEK	Sept. 30, 2002[1]	Sept. 30, 2002[2]	Dec. 31, 2001	Sept. 30, 2001
Intangible fixed assets	13,614	20,121	22,600	22,835
Rental equipment	12,320	12,320	14,935	15,719
Other fixed assets	6,896	6,896	7,887	7,760
Inventories	6,211	6,211	5,987	6,670
Receivables	10,548	10,548	11,605	12,228
Cash, bank, and short-term investments	1,458	1,458	1,343	1,658
Total assets	51,047	57,554	64,357	66,870
Equity	19,707	26,214	27,568	27,138
Minority interest	163	163	221	220
Interest-bearing liabilities and provisions	17,241	17,241	21,421	23,667
Non-interest-bearing liabilities and provisions	13,936	13,936	15,147	15,845
Total liabilities and equity	51,047	57,554	64,357	66,870

1) Reported. 2) Excluding goodwill impairment charge.

Changes in Shareholders' Equity

MSEK	Jan.–Sept. 2002[1]	Jan.–Sept. 2002[2]	Jan.–Dec. 2001	Jan.–Sept. 2001
Opening balance	27,568	27,568	23,982	23,982
Dividend to shareholders	–1,153	–1,153	–1,100	–1,100
Translation differences for the period	–1,793	–2,236	1,619	1,893
Net profit for the period	–4,915	2,035	3,067	2,363
Closing balance	19,707	26,214	27,568	27,138

1) Reported. 2) Excluding goodwill impairment charge.

Financial targets The overall objective for the Atlas Copco Group is to achieve a return on capital employed that will always exceed the Group's total cost of capital. The targets for the next business cycle are:

- to have an average annual revenue growth of 8%,
- to have an average operating margin of 15%, and
- to continuously challenge the efficiency of operating capital in terms of stock, receivables, and rental fleet utilization.

Overall, achievement of these targets will ensure that shareholder value is created and continuously increased. The strategy for reaching these objectives will adhere to the Group's proven development process for all operational units, focusing on stability first, then profitability, and finally growth.

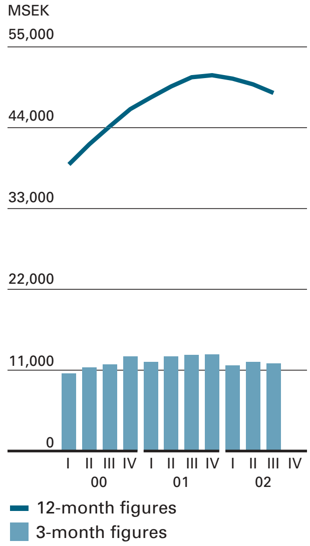
Forward-looking statements Some statements in this report are forward-looking, and the actual outcomes could be materially different. In addition to the factors explicitly discussed, other factors could have a material effect on the actual outcomes. Such factors include, but are not limited to, general business conditions, fluctuations in exchange rates and interest rates, political developments, the impact of competing products and their pricing, product development, commercialization and technological difficulties, interruptions in supply, and major customer credit losses.

Stable cash flow at high level

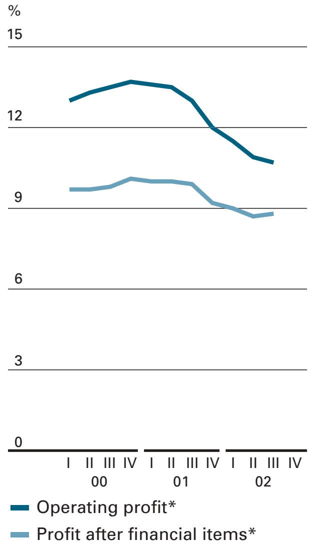
Interim report at September 30, 2002 (unaudited). Note: All comparative figures are for the third quarter of 2001, unless otherwise stated.

- Goodwill impairment charge of MSEK 6,950, no cash flow effect.
- Order volumes down 1% from Q3 2001, 8% negative currency translation effect.
- Profit after financial items, before impairment charge, was MSEK 1,241 (1,287), or 10.5% (9.9).
- Operating profit margin, before impairment charge, equaled 11.8% (12.5).
- Earnings per share, before impairment charge, were SEK 3.69 (4.06).
- Operating cash flow totaled MSEK 1,645 (1,403), 14% of revenues.

Revenues



Profit Margin, 12-month figures



*) Excluding goodwill impairment charge

Near-term demand outlook Overall, the demand for Atlas Copco's products and services is expected to remain unchanged during the coming quarter.

Demand for rental equipment in the United States is expected to stay at present level, adjusted for normal seasonal downturn in the fourth quarter.

	July–September				January–September			
MSEK	2002[1]	2002[2]	2001	%	2002[1]	2002[2]	2001	%
Orders received	11,833	11,833	12,885	–8	36,532	36,532	38,573	–5
Revenues	11,873	11,873	13,041	–9	35,613	35,613	38,022	–6
Operating profit	–5,545	1,405	1,627	–14	–3,075	3,875	4,782	–19
—as a percentage of revenues		*11.8*	*12.5*			*10.9*	*12.6*	
Profit after financial items	–5,709	1,241	1,287	–4	–3,723	3,227	3,646	–11
—as a percentage of revenues		*10.5*	*9.9*			*9.1*	*9.6*	
Items affecting comparability								
Goodwill impairment charge	*–6,950*				*–6,950*			
Restructuring charges					*–48*	*–48*	*–60*	
Capitalized development costs	*+64*	*+64*			*+214*	*+214*		
Revised useful life estimates	*+45*	*+45*			*+135*	*+135*		
Total	–6,841	+109			–6,649	+301	–60	
Earnings per share, SEK	–29.47	3.69	4.06	–9	–23.45	9.71	11.27	–14
Equity capital per share, SEK	95	126	131					
Return on capital employed (12-month value)	–3	12	14					

1) Reported. 2) Excluding goodwill impairment charge.

Impairment charge

In the third quarter, Atlas Copco has taken an impairment charge (extraordinary write-down of goodwill) in the Rental Service business area of MSEK 6,950, equal to MUSD 700 at average exchange rate of 9.93. This corresponds to SEK 33.16 per share. The charge has no cash flow effect and does not affect the company's dividend capacity for 2002.

During the last two years, non-residential building in the United States has fallen substantially. The resulting lower demand, combined with an oversupply of rental equipment in the industry, has made the market place very competitive. The weak market has also revealed that the assumptions for average revenue growth and rental rates, used at the time of the acquisitions, had to be revised. As a consequence, the expected financial returns of the rental business do not fully justify the acquisition costs of the rental companies, acquired at a time of substantially higher market valuations than today.

The size of the impairment charge is a result of an impairment test (in accordance with Swedish GAAP/IAS, reviewed by Group auditors), whereby the present value of future, estimated, cash flow is compared with the book values of the referred business. The resulting charge is included in the reported operating profit but separated as an item affecting comparability in the analysis of results.

The underlying facts and reasons as to why Atlas Copco entered into the equipment rental business are still valid. The trend towards outsourcing continues, i.e. to rent instead of own and companies look for suppliers that offer the function rather than the product. Providing a rental service is in line with Atlas Copco's "use-of-product" strategy and allows the Group to come closer to the end user which in itself has substantial merits.

The Rental Service business area has carried out an aggressive rationalization and is continuously adapting to the current market reality. With a very good cash flow and a more efficient rental operation, the business area is well positioned to grow and improve profitability as the demand improves. The long-term prospects for the equipment rental industry look good.

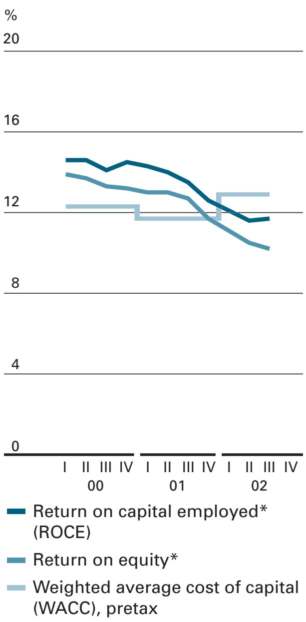
Summary of nine-month results – Atlas Copco Group

In order to enhance comparability, the current year's results are compared to the previous year excluding the goodwill impairment charge.

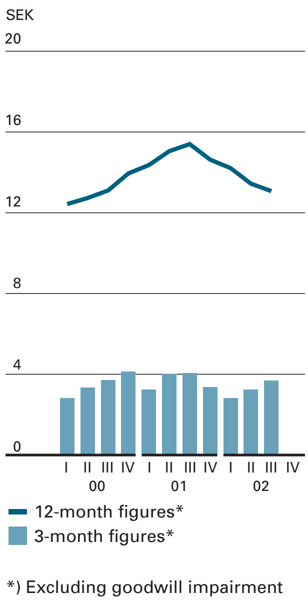
Orders received by the Atlas Copco Group in the first nine months of 2002 decreased 5% to MSEK 36,532 (38,573), corresponding to a volume decline of 3% for comparable units. The negative translation effect from foreign exchange rate fluctuations was 3%. Revenues declined 6%, to MSEK 35,613 (38,022), corresponding to a 4% decline in volume.

The Group's operating profit decreased to MSEK 3,875 (4,782), down 19% and corresponding to a profit margin of 10.9% (12.6). Profit after financial items amounted to MSEK 3,227 (3,646), down 11% and corresponding to a margin of 9.1% (9.6). Excluding items affecting comparability, the operating profit and profit after financial items amounted to MSEK 3,574 and 2,926 respectively. The negative impact of changes in exchange rates compared with the previous year was approximately MSEK 160 for the first nine months.

Return and cost of capital, 12-month figures



Earnings per share



*) Excluding goodwill impairment charge.

Operating cash flow before acquisitions and dividends but including capital expenditure and taxes, equaled MSEK 4,197 (3,881).

Review of third quarter – Atlas Copco Group

Market development

The important non-residential building sector in the United States continued to deteriorate in the third quarter, affecting particularly rental, but also wholesale demand for construction equipment. Other segments of the construction market—residential and infrastructure—had a flat and a positive development respectively, which supported demand for certain products, notably professional electric tools with accessories.

Demand for investment-related products from the manufacturing industry in North America remained relatively low, even though investments in the motor vehicle industry recovered after a period of weakness. Capacity utilization was still very low in most customer segments. Demand for production-related equipment and services were also affected by the generally weak market conditions but less than investment goods.

In Latin America, demand was good from the mining industry. The activity level in the construction and manufacturing industries in most countries was however low, which affected sales of products and services to these customer groups negatively.

In Europe, low capacity utilization in most manufacturing industries and an overall low activity level in the construction industry, affected the demand for investment-related equipment. Exceptions were primarily the motor vehicle industry and tunneling projects, where investments in industrial tools and drill rigs increased respectively. The demand for consumables and service continued at a relatively high level. The overall demand trend in France and southern Europe remained weak, while Germany was stable. The Nordic and East European regions had a better than average development.

The Africa and Middle East region continued to develop favorably, thanks primarily to solid demand from the mining industry in southern Africa and a few large construction projects in the Middle East.

In Asia, the demand development from manufacturing and construction customers remained positive. China was the main contributor to growth, but strong demand was also noted in some other markets in the region.

Orders and revenues

Orders received totaled MSEK 11,833 (12,885), down 8% from the third quarter of 2001. This corresponds to a 1% decrease in volumes after adjusting for an 8% negative translation effect, a 1% negative price effect and a positive acquisition effect of 2%. In North America, representing 49% of Group sales, volumes remained lower than in the same quarter in 2001, while in Europe, representing 31% of sales, volumes were slightly up. Asia/Australia and Africa/Middle East, representing 12% and 5% of total sales respectively, continued to grow considerably. South America, 3% of the total, reported lower order volumes.

Revenues decreased 9%, to MSEK 11,873 (13,041), corresponding to a 2% volume drop for comparable units.

Earnings and profitability

In order to enhance comparability, the current year's results are compared to the previous year excluding the goodwill impairment charge.

Operating profit dropped 14%, to MSEK 1,405 (1,627), corresponding to a margin of 11.8% (12.5). The decrease in the margin was primarily a result of the weak market conditions for the Rental Service business area in the United States. Compared to the previous year, the operating profit for the quarter also suffered from negative currency effects of about MSEK 180. New accounting standards regarding capitalization of development costs, and the adjustment of rental fleet useful life estimates had a positive effect on profit of MSEK 64 and MSEK 45 respectively.

Net financial items amounted to MSEK –164 (–340), of which net interest items accounted for MSEK –166 (–318) and financial foreign exchange difference MSEK +2 (–22). Interest expense declined year-on-year owing to strong cash flow and successful interest rate management.

Profit after financial items decreased 4%, to MSEK 1,241 (1,287), to a margin of 10.5% (9.9). Net foreign exchange effects were about MSEK –160 in the quarter.

Net profit totaled MSEK 774 (851), or SEK 3.69 (4.06) per share.

The return on capital employed during the 12 months to September 30, 2002, was 12% (14), and the return on shareholders' equity 10% (13). The Group uses a weighted average cost of capital (WACC) for 2002 of 8.5% (7.5), corresponding to a pre-tax cost of capital of approximately 13%.

Cash flow and net indebtedness

The reported goodwill impairment charge is a non-cash item and has consequently no impact on the Group's cash generation.

The operating cash surplus after tax reached MSEK 1,887 (1,692), corresponding to 16% (13) of Group revenues. Working capital increased MSEK 73 (decrease of 78).

Total cash flow from operations reached MSEK 1,814 (1,770).

Net investment in tangible fixed assets, including proceeds from sales of rental equipment was MSEK 75 (357).

Operating cash flow before acquisitions and dividends equaled MSEK 1,645 (1,403).

Summary cash-flow analysis

	July–Sept.		Jan.–Sept.	
MSEK	2002	2001	2002	2001
Operating cash surplus after tax	1,887	1,692	5,045	5,146
of which depreciation added back	*986*	*1,154*	*3,055*	*3,332*
Change in working capital	–73	78	576	27
Cash flow from operations	1,814	1,770	5,621	5,173
Investments in tangible fixed assets	–485	–964	–2,541	–2,795
Sale of tangible fixed assets	410	607	1,358	1,613
Other investments, net	–94	–10	–241	–110
Company acquisitions/divestments	–9	–106	–710	–241
Cash flow from investments	–178	–473	–2,134	–1,533
Dividends paid	0	0	–1,163	–1,122
Net cash flow	1,636	1,297	2,324	2,518
Change in interest-bearing liabilities	–1,474	–2,101	–2,097	–2,179
Cash flow after financing	162	–804	227	339
Liquid funds at beginning of period	1,300	2,470	1,343	1,237
Translation difference	–4	–8	–112	82
Liquid funds at end of period	1,458	1,658	1,458	1,658

The Group's net indebtedness (defined as the difference between interest-bearing liabilities and liquid assets) amounted to MSEK 15,783 (22,009), of which MSEK 1,829 (1,766) was attributable to pension provisions. The debt/equity ratio (defined as net indebtedness divided by shareholders' equity) improved only slightly to 79% (80), due to the goodwill impairment charge. Excluding this non-cash impairment charge, the debt/equity ratio was 60%.

Investments, depreciation and amortization

Gross investments in property and machinery totaled MSEK 191 (147). Gross investments in rental equipment ended at MSEK 294 (817). Depreciation on these two asset groups was MSEK 223 (241) and MSEK 581 (729), respectively, while amortization of intangible assets equaled MSEK 182 (184), excluding the goodwill write-down from the impairment charge.

People

On September 30, 2002, the number of employees was 26,002 (25,932). For comparable units, the number of employees decreased by 568 from September 30, 2001.

Distribution of shares

Share capital equaled MSEK 1,048 (1,048) at the end of the period, distributed as follows.

Class of share	Shares outstanding
A shares	139,899,016
B shares	69,703,168
Total	209,602,184

Compressor Technique business area

The Compressor Technique business area consists of five divisions in the following product areas: industrial compressors, portable compressors, generators, and gas and process compressors.

	July–Sept.			Jan.–Sept.		
MSEK	2002	2001	%	2002	2001	%
Orders received	3,863	4,249	–9	12,405	12,725	–3
Revenues	3,963	4,324	–8	11,787	12,441	–5
Operating profit	768	829	–7	2,196	2,398	–8
—as a percentage of revenues	*19.4*	*19.2*		*18.6*	*19.3*	
Return on capital employed (12-month values)	66	67				

- Good order development for industrial compressors and aftermarket.
- Portable compressors were negatively affected by poor market conditions.
- High and stable profit margin, above 19%.

Orders received decreased 9%, at MSEK 3,863 (4,249), corresponding to a decrease in volume of 5%. The negative translation effect was approximately 7%, while acquisitions and a small average price increase added 3%.

As a consequence of further market penetration and the introduction of new products, standard industrial compressor business, especially small and medium-sized machines, continued to grow. Apart from Europe, where the demand was erratic, growth was recorded in most regions with Asia again being the strongest. Larger units, predominantly oil-free machines, recorded stable development overall, but with large variations between markets. The aftermarket business recorded another quarter of consistent growth.

Gas and process compressors had a weak quarter and were well below the previous year's strong order volume.

Sales of generators and portable compressors, primarily serving construction-related customers, suffered from poor market conditions in many markets. In addition, the very low level of fleet investments from rental companies, both internal and external, continued in the quarter. Only a few markets, among them China, had a favorable sales development.

In the quarter, a new laboratory and test facility for small and medium-sized industrial compressors was inaugurated in Antwerp, Belgium. This will enhance further the capacity for product development and faster time to market.

Revenues decreased 8% for the quarter, to MSEK 3,963 (4,324), corresponding to a volume decrease of 5%.

Operating profit amounted to MSEK 768 (829), corresponding to a slightly improved operating margin of 19.4% (19.2). The margin was supported by the change in accounting concerning capitalization of certain development costs, but negatively affected by currency effects and a lower level of invoicing. The return on capital employed (past 12 months) remained at a very high level, 66% (67).

Rental Service business area

The Rental Service business area consists of one division in the equipment rental industry in North America, providing services to construction and industrial markets.

	July–September				January–September			
MSEK	2002[1]	2002[2]	2001	%	2002[1]	2002[2]	2001	%
Revenues	3,191	3,191	4,094	–22	9,945	9,945	11,693	–15
Goodwill impairment charge	–6,950				–6,950			
Operating profit	–6,733	217	378	–43	–6,443	507	1,136	–55
—as a percentage of revenues		*6.8*	*9.2*			*5.1*	*9.7*	
Return on capital employed (12-month values)	–18	2	5					

1) Reported. 2) Excluding goodwill impairment charge.

In order to enhance comparability, the current year's results are compared to the previous year excluding the goodwill impairment charge.

- Further weakening of non-residential building activity.
- Rental rates continued to be under pressure.
- Improved fleet utilization indicates strengthened market position.
- Cash flow remained very strong.

Revenues decreased 22%, to MSEK 3,191 (4,094). The negative translation effect was 9% and volumes decreased 10%, primarily due to a sharp fall in used equipment sales of 53%. The drop in used equipment sales came as a result of the active fleet restructuring efforts in Q3–Q4 last year. Sales of new equipment, parts and merchandise, representing 17% of total revenues, dropped 6%.

Rental revenues, which accounted for 76% of total revenues, dropped 3% in volume, and average rental rates were 4% short of one year previously. However, rental volumes and rental rates continued to improve compared to Q1 and Q2 in spite of the difficult market situation.

The underlying market situation for construction continued to deteriorate in Q3. Non-residential building, representing about 50% of Rental Service's revenues, was close to 20% below the previous year's level. The industrial business saw some improvement in turnaround and maintenance business, but with manufacturing capacity utilization at historically low levels, overall demand remained weak.

Rental fleet utilization continued to improve and was higher than in both Q3 2001 and Q2 2002, thanks to focused sales and marketing efforts and continued fleet-efficiency measures. Total rental fleet at original cost was 7% lower than in Q3 2001.The number of rental locations at the end of the period was 520, compared to 547 one year earlier.

Cash flow remained very strong for the quarter, due to active asset management, and limiting investments in the fleet to replacements only.

Operating profit, including ordinary goodwill amortization, was MSEK 217 (378), corresponding to a margin of 6.8% (9.2). Lower rental rates and volumes were the main explanation for the drop in margins, partly compensated for by a continued reduction of operational costs. The revision of useful life estimates on certain fleet categories made in the beginning of 2002 led to a MSEK 45 lower depreciation expense than for the same quarter the preceding year. Return on capital employed (past 12 months) was 2% (5).

Industrial Technique business area

The Industrial Technique business area consists of four divisions in the following product areas: industrial power tools, professional electric tools, and assembly systems.

	July–Sept.			Jan.–Sept.		
MSEK	2002	2001	%	2002	2001	%
Orders received	2,925	2,987	–2	8,727	9,071	–4
Revenues	2,928	3,002	–2	8,578	8,894	–4
Operating profit	295	305	–3	731	885	–17
—as a percentage of revenues	*10.1*	*10.2*		*8.5*	*10.0*	
Return on capital employed (12-month values)	12	15				

- Order volumes up compared to a weak Q3 in the previous year.
- Sales and profit improvement in electric tools.
- Profit margin above 10%.

Order intake decreased 2%, to MSEK 2,925 (2,987), corresponding to a 7% increase in volumes. The negative translation effect was 7% and the net effect of a slight average price decrease and divestments was –2%. Adjusted for the weak sales immediately after September 11 last year, the volume in Q3 2002 was approximately at the same level as in Q3 2001.

The motor vehicle industry in the United States returned to a better level of demand than what has been seen in the most recent quarters. Orders to the European motor vehicle industry remained at a relatively good level. Signs of recovery were noted for industrial tools to general industry and the automotive aftermarket in North America, whilst the demand in Europe continued to be very weak.

Orders for professional electric tools for construction and installation work increased further in North America. All sales channels with the exception of rental, recorded increases in the quarter. Demand in Europe was still weak, but thanks to the launch of a Milwaukee-branded professional electric tool range in Europe, a modest growth was achieved in spite of an overall low market demand.

A restructuring and investment plan for industrial tool production in France was announced in the quarter. The plan aims to increase profitability and growth by better utilization of existing competence centers in France and Great Britain. The provision for costs for this plan was almost offset by a MSEK 30 capital gain from the sale of the Revathi, India business.

Revenues were MSEK 2,928 (3,002), down 3%, corresponding to a volume increase of 6% for comparable units.

Operating profit was MSEK 295 (305), corresponding to a margin of 10.1% (10.2). Profit margin for the professional electric tools business increased while the margin for the industrial tools business decreased. Return on capital employed (past 12 months) was 12% (15).

Construction and Mining Technique business area

The Construction and Mining Technique business area consists of five divisions in the following product areas: drilling rigs, rockdrilling tools, exploration equipment, construction tools, and loading equipment.

	July–Sept.			Jan.–Sept.		
MSEK	2002	2001	%	2002	2001	%
Orders received	1,914	1,701	+13	5,748	5,481	+5
Revenues	1,864	1,766	+6	5,600	5,422	+3
Operating profit	179	178	+1	568	545	+4
—as a percentage of revenues	*9.6*	*10.1*		*10.1*	*10.1*	
Return on capital employed (12-month values)	22	22				

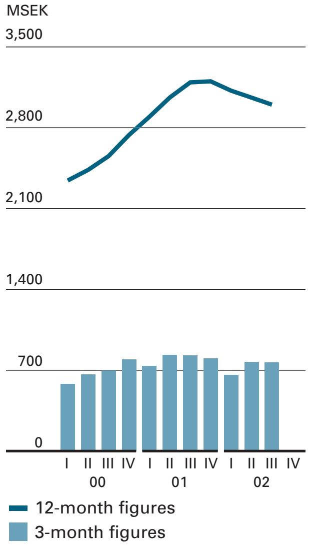
- Mining orders improved significantly.
- Modest overall growth in orders from the construction market.
- Operating margins affected by negative currency effects.

Orders received increased 13% to MSEK 1,914 (1,701), corresponding to an increase in volumes of 15%. There was a negative translation effect of 13%, while acquisitions and price added 10% and 1% respectively.

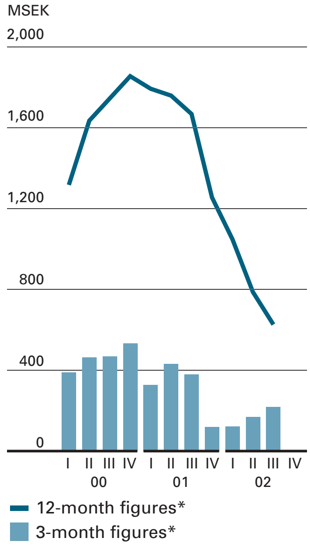
Orders from the mining industry improved significantly. Sales of production drilling rigs and underground loaders increased compared to recent quarters and the aftermarket business and sales of consumables continued to develop favorably. The positive trend was general across the regions, but especially strong in South America and Africa.

The construction market showed a mixed picture. Orders for

Compressor Technique,
Operating profit

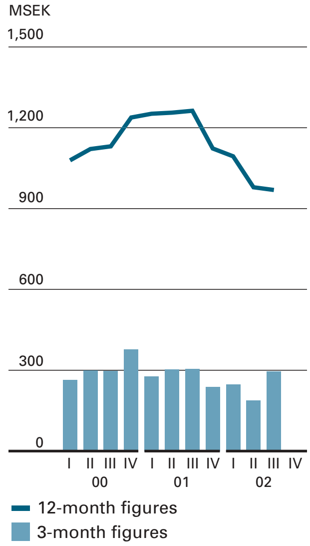


Rental Service,
Operating profit

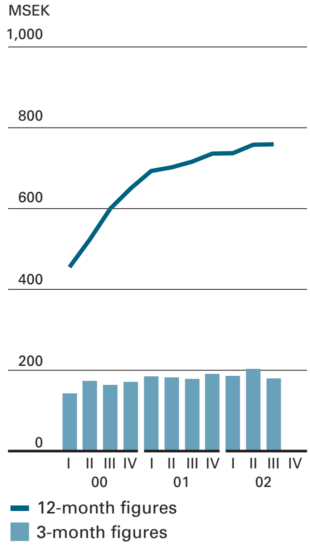


*) Excluding goodwill impairment charge.

Industrial Technique,
Operating profit



Construction and Mining
Technique, Operating profit



drilling equipment for underground and surface construction increased in all important markets, while the light construction equipment deteriorated in Europe and North America. The "use-of-product" revenues, consumables, spare parts and service, continued to develop favorably.

In the beginning of October, the business area announced the decision to integrate its drill rig and loader/truck businesses into one dedicated division in Sweden. Substantial synergies will be achieved in product development, manufacturing, purchasing, logistics and administration. The transfer, which affects 215 employees in the Portland plant in Oregon, USA, will be made during 2003 and involves a restructuring cost of MSEK 150. The main part, approximately MSEK 100, will be charged to Q4 2002.

Revenues were MSEK 1,864 (1,766), up 6%, corresponding to a volume increase of 6% for comparable units.

Operating profit amounted to MSEK 179 (178), up 1% and corresponding to a slight drop in margin to 9.6% (10.1). A stronger Swedish Krona coupled with substantially weaker currencies in some African and South American countries had a clear negative effect on the profit margin. This more than offset the positive effect from higher invoicing volumes. Return on capital employed (past 12 months) was 22% (22).

Previous near-term demand outlook
(Published July 18, 2002)

Overall, the demand for Atlas Copco's products and services is expected to remain at the present level.

Investment in the two main regions, North America and Europe, is not expected to increase, while recent increases in manufacturing output in the United States are likely to support ongoing modest growth in demand for production-related equipment and tools in that market.

Demand for rental equipment in the United States is expected to remain unchanged in the next quarter.

Demand in Asia is expected to continue to develop favorably.

Accounting principles

The interim report has been prepared using the same accounting principles as disclosed in the Annual Report 2001, with the exception of new standards effective January 1, 2002, issued by the Swedish Accounting Standards Council.

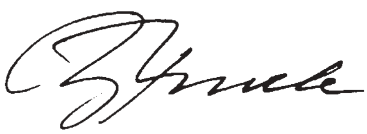
The application of the standard RR 15 dealing with Intangible Assets increased the pre-tax profit by MSEK 214 for the first nine months of 2002 since certain development costs were recognized as assets instead of being expensed. These intangible assets will be amortized over their estimated useful lives, which is estimated to be between 3 and 5 years. The implementation of the other new standards did not have a material effect on the Group's financial position.

Regarding accounting for goodwill: The International Accounting Standards Committee (IASC) issued a revised standard IAS 22 (1998) which became effective for financial statements covering periods beginning on or after July 1, 1999. Under this standard there is a rebuttable presumption that the useful life of goodwill should not exceed 20 years from initial recognition. However, it also states that in rare cases, there may be persuasive evidence that the useful life will be longer than twenty years. As a consequence of IAS 22, the Swedish Financial Accounting Standards Board also revised the applicable section of the recommendation RR 1:96 and the revised standard RR 1:00 agrees in all material respects to the IASC standard and became effective as of January 1, 2002.

Due to the significant changes in the accounting for goodwill that has happened and is foreseen to happen, Atlas Copco decided to continue to amortize the strategic U.S. acquisitions over a period of 40 years. Given the short time before the Group will adapt to the revised IAS standard, this treatment offers readers the best comparability and continuity in the Group's financial results.

In addition to annual amortization, goodwill is evaluated for impairment on a regular basis by estimating the discounted future cash flows of the business to which the goodwill relates. This has resulted in the impairment charge in the Rental Service business area affecting the operating profit for the third quarter by MSEK –6,950.

Stockholm, October 24, 2002



Gunnar Brock
President and Chief Executive Officer

Acquisitions and divestments 2001–2002

Time	Acquisitions	Divestments	Business area	Sales* MSEK	No. of employees*
2002 Aug. 22		Revathi	Industrial Technique	100	114
2002 June 3	Krupp		Construction & Mining Technique	600	420
2002 April 18	Liutech		Compressor Technique	100	190
2002 April 17	MAI		Construction & Mining Technique	70	15
2001 Dec. 6	Grassair		Compressor Technique	85	75
2001 Aug. 31	Christensen Products		Construction & Mining Technique	160	7
2001 May 1	Masons		Compressor Technique	140	50
2001 Q1	Various small rental cos.		Rental Service	36	30

*) Annual revenues and number of employees at time of acquisition/divestment.

Revenues by business area

	July–September			January–September		
MSEK	2000	2001	2002	2000	2001	2002
Compressor Technique	3,643	4,324	3,963	10,613	12,441	11,787
Rental Service	3,751	4,094	3,191	10,106	11,693	9,945
Industrial Technique	2,869	3,002	2,928	8,293	8,894	8,578
Construction and Mining Technique	1,726	1,766	1,864	5,185	5,422	5,600
Eliminations	–194	–145	–73	–511	–428	–297
Atlas Copco Group	11,795	13,041	11,873	33,686	38,022	35,613

	2001				2002		
MSEK (by quarter)	1	2	3	4	1	2	3
Compressor Technique	3,928	4,189	4,324	4,432	3,785	4,039	3,963
Rental Service	3,659	3,940	4,094	3,776	3,397	3,357	3,191
Industrial Technique	2,838	3,054	3,002	3,232	2,823	2,827	2,928
Construction and Mining Technique	1,828	1,828	1,766	1,831	1,784	1,952	1,864
Eliminations	–152	–131	–145	–154	–154	–70	–73
Atlas Copco Group	12,101	12,880	13,041	13,117	11,635	12,105	11,873

Operating Profit by business area (excl. goodwill impairment charge)

	July–September			January–September		
MSEK	2000	2001	2002*	2000	2001	2002*
Compressor Technique	698	829	768	1,942	2,398	2,196
Rental Service	469	378	217	1,323	1,136	507
Industrial Technique	298	305	295	860	885	731
Construction and Mining Technique	164	178	179	479	545	568
Corporate items	71	–63	–54	–35	–182	–127
Operating profit	1,700	1,627	1,405	4,569	4,782	3,875
—as a percentage of revenues	*14.4*	*12.5*	*11.8*	*13.6*	*12.6*	*10.9*
Financial income and expenses	–455	–340	–164	–1,251	–1,136	–648
Profit after financial items	1,245	1,287	1,241	3,318	3,646	3,227
—as a percentage of revenues	*10.6*	*9.9*	*10.5*	*9.8*	*9.6*	*9.1*

*) Excluding goodwill impairment charge.

	2001				2002		
MSEK (by quarter)	1	2	3	4	1	2	3*
Compressor Technique	738	831	829	804	657	771	768
Rental Service	328	430	378	119	121	169	217
Industrial Technique	277	303	305	238	248	188	295
Construction and Mining Technique	185	182	178	191	186	203	179
Corporate items	–65	–54	–63	–4	–46	–27	–54
Operating profit	1,463	1,692	1,627	1,348	1,166	1,304	1,405
—as a percentage of revenues	*12.1*	*13.1*	*12.5*	*10.3*	*10.0*	*10.8*	*11.8*
Financial income and expenses	–414	–382	–340	–294	–254	–230	–164
Profit after financial items	1,049	1,310	1,287	1,054	912	1,074	1,241
—as a percentage of revenues	*8.7*	*10.2*	*9.9*	*8.0*	*7.8*	*8.9*	*10.5*

*) Excluding goodwill impairment charge.

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