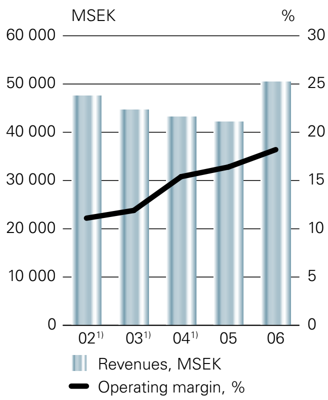
Atlas Copco
2006 – strong growth and record results

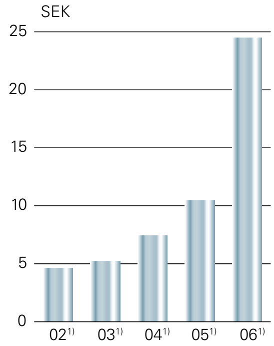
Annual Report
Sustainability Report
Corporate Governance Report
06

Contents

Revenues and operating margin



Earnings per share



[1] Including discontinued operations
Excluding goodwill impairment charge in 2002.

Atlas

Note: The amounts are presented in MSEK unless otherwise indicated and numbers in parentheses represent comparative figures for the preceding year.

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.

Atlas Copco AB and its subsidiaries are sometimes referred to as the Atlas Copco Group, the Group, or Atlas Copco. Atlas Copco AB is also sometimes referred to as Atlas Copco. Any mention of the Board of Directors or the Directors refers to the Board of Directors of Atlas Copco AB.

The Annual Report, the Sustainability Report and the Corporate Governance Report are published in one document.

The annual magazine Achieve presents how Atlas Copco works to reach the vision First in Mind—First in Choice™.

- Improved demand, increased market presence and penetration, and successful introductions of new products.
- Strong order growth with double digit growth in all regions.
- Record revenues MSEK 50 512 (42 205), up 15% in volume.
- Operating profit MSEK 9 203 (6 938), corresponding to an operating margin of 18.2% (16.4).
- Sale of equipment rental business.
- Profit for the year was MSEK 15 373 (6 581).
- Proposed 3:1 share split and dividend and distribution to shareholders of SEK 44.75 per share through
  – dividend SEK 4.75 (4.25) per share.
  – distribution of SEK 40 per share through mandatory redemption.

Copco 2006

2006 in figures

MSEK	2006	2005	Change, %
Orders received	55 239	44 744	+23
Revenues	50 512	42 205	+20
Operating profit	9 203	6 938	+33
–as a percentage of revenues	*18.2*	*16.4*	
Profit before tax	8 695	6 863	+27
–as a percentage of revenues	*17.2*	*16.3*	
Profit from continuing operations	6 260	4 964	+26
Basic earnings per share, continuing operations, SEK	9.95	7.86	+27
Diluted earnings per share, continuing operations, SEK	9.93	7.84	+27
Profit from discontinued operations, net of tax	9 113	1 617	
Profit for the year	15 373	6 581	+134
Basic earnings per share, SEK	24.48	10.43	+135
Diluted earnings per share, SEK	24.44	10.41	+135
Dividend per share, SEK	4.75[2]	4.25	+12
Mandatory redemption per share, SEK	40[2]	–	
Equity per share, SEK	54	41	
Operating cash flow	3 065	3 740	
Return on capital employed	36	38	
Return on equity, %[1]	54.8	27.8	
Average number of employees	24 378	21 431	

[1] Including discontinued operations.
[2] Proposed by the Board of Directors.

Atlas Copco Group

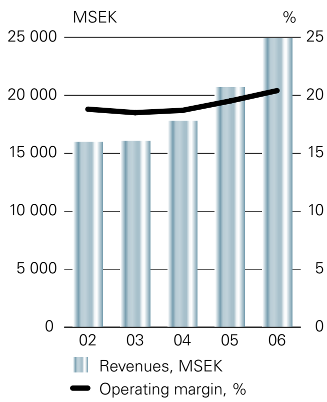
Atlas Copco is a world leading provider of industrial productivity solutions. The products and services range from compressed air and gas equipment, generators, construction and mining equipment, industrial tools and assembly systems, to related aftermarket and rental. In close cooperation with customers and business partners, and with more than 130 years of experience, Atlas Copco innovates for superior productivity. Headquartered in Stockholm, Sweden, the Group's global reach spans more than 150 markets. In 2006, Atlas Copco had revenues of BSEK 51 (BEUR 5.6) and 25 900 employees.

Compressor Technique

The Business

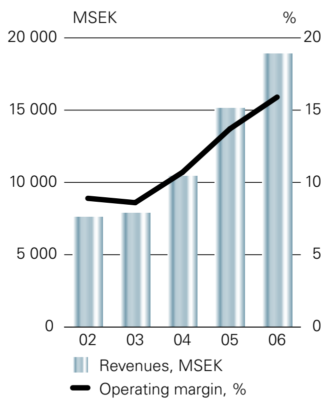
The Compressor Technique business area develops, manufactures, markets, and services oil-free and oil-injected stationary air compressors, portable air compressors, gas and process compressors, turbo expanders, electric power generators, air treatment equipment and air management systems. It also offers specialty rental services. It innovates for superior productivity in applications such as manufacturing, construction, and the process industry worldwide. Principal product development and main manufacturing units are in Belgium.

Revenues and operating margin



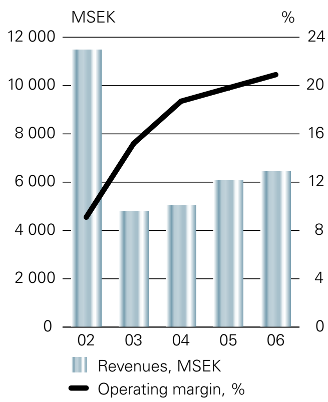
Construction and Mining Technique

The Construction and Mining Technique business area develops, manufactures, markets and services rock drilling tools, construction and demolition tools, drill rigs and loading equipment. It innovates for superior productivity for surface and underground rock excavation, exploration drilling, rock reinforcement, ground engineering, water well, oil and gas drilling worldwide. Principal product development and main manufacturing units are in Sweden and the United States.



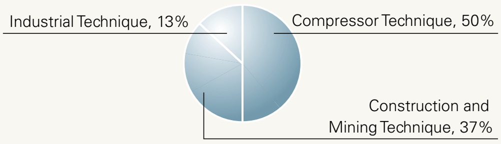
Industrial Technique

Atlas Copco's Industrial Technique business area develops, manufactures and markets industrial power tools, assembly systems, aftermarket products, software and service. It innovates for superior productivity for applications in the automotive and aerospace industry, general industrial manufacturing and maintenance, and vehicle service worldwide. Principal product development and main manufacturing units are in Sweden, Great Britain, and France.

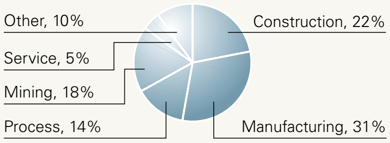


Excluding professional electric tools from 2003.

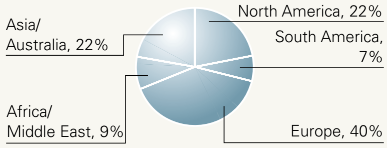
Revenues by business area

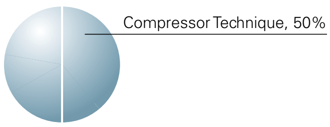


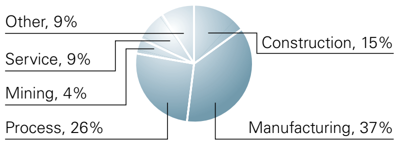
Revenues by customer category

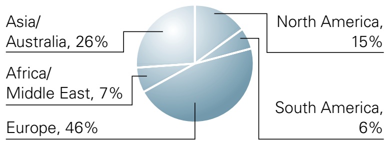


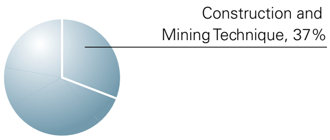
Revenues by geographic area

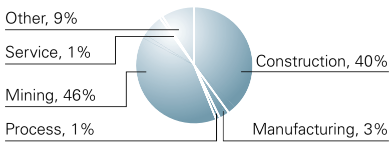


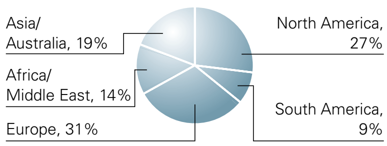


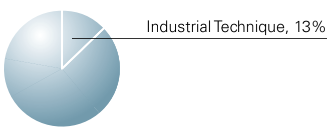


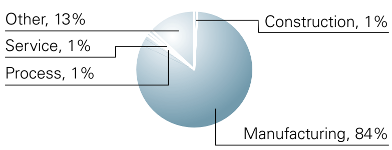


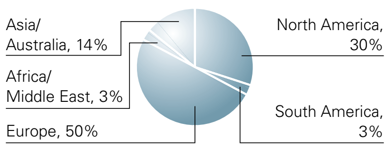












2006 – The Best

It is gratifying for me to report to all our employees and shareholders that 2006 was the most successful year in Atlas Copco's history. Today, we stand stronger than ever and the future is filled with challenging opportunities.

Summary of 2006

All continents and major geographic markets recorded strong double-digit growth. Our already strong market positions have been further strengthened by major investments in our sales and service organizations in order to improve our market presence and penetration. All business areas showed record figures in terms of sales, profits, and value creation.

In November 2006, our North American equipment rental business, which represented about 20% of Group sales, was divested. The operating environment and the business characteristics of this business are very different from Atlas Copco's industrial-equipment operation and the opportunities to capture and develop synergies proved to be limited.

Atlas Copco has currently three focused business areas with very strong global market positions creating a solid platform for further strong growth and value creation.

2006 in figures

Total orders received for the continuing operations, excluding the North American equipment rental business, grew by 23% to MSEK 55 239 (44 744). Total revenues increased 20% to MSEK 50 512 (42 205). The operating profit increased 33% to MSEK 9 203 (6 938) with a corresponding operating margin of 18.2% (16.4). Return on capital employed was 36%.

Orders received in local currency in our focused markets showed very good growth. China increased 31%, India 46%, Russia 26%, and the United States 16%. We have today an excellent global distribution of sales with Europe accounting for 39%, North America 22%, Asia 22%, Africa and the Middle East 10%, and South America 7%. Compressor Technique represents 50% of Group sales, while Construction and Mining Technique and Industrial Technique account for 37% and 13%, respectively.

The Business Areas

Compressor Technique

Compressor Technique is today a world leader in compressed-air products and solutions. They have a global coverage with dedicated resources in sales and aftermarket coupled with technology and cost leadership.

The business area grew orders received by 28%, to which volume and price contributed 25%. The remaining increase came from acquisitions. Bolaite, a Chinese compressor manufacturer, and BeaconMedaes in the United States were acquired. The latter represent an important extension of the core business into systems for medical air. Several distributors in Europe and the United States were acquired. Furthermore, an agreement has been signed to acquire ABAC, an Italian compressor manufacturer with a turnover of approximately BSEK 1.7.

Although several acquisitions were made, the main thrust is organic growth. The major components of this growth strategy are to come from continuous introductions of new products and systems, extending the presence and improving the penetration of our sales and distribution network, deploying a multi-brand strategy, and focusing strongly on the aftermarket. During the year, the divisions within Compressor Technique showed strong organic growth and substantial investments in production capacity to meet the increased demand were carried out both in Europe and Asia.

As a consequence of the growth and improved overall productivity, the business area noted a record operating profit of MSEK 5 071 (4 032). This corresponds to a margin of 20.4% (19.5), and the return on capital employed reached 70% (70).

Year Ever

"Atlas Copco has today three focused business areas with very strong global positions creating a solid platform for further strong growth and value creation."

Construction and Mining Technique

The continued strong demand from both the mining sector and construction industries contributed to record performance for Construction and Mining Technique. Very strong and focused efforts have been made to drive the organic growth. A high rate of new product introductions, a reinforced key-account strategy, and substantial investments in attracting and developing people and the aftermarket resources to support major mining clients' operations all contributed to significant volume growth.

All the divisions within Construction and Mining Technique performed very well. Major orders for capital equipment were received. Sales of consumables, such as drill bits and drill steel, and the important and profitable aftermarket, showed significant growth.

Orders received increased 24%, of which volume and price accounted for 23%. Revenues grew 25% and reached MSEK 18 914 (15 154), approximately half of which is related to consumables and the aftermarket. The operating profit increased 45% and reached MSEK 3 010 (2 073). The operating profit margin was 15.9% (13.7) and the return on capital employed has improved to 35% (28).

In February, 2007 Atlas Copco AB entered an agreement to acquire Dynapac AB of Sweden, a leading supplier of compaction and paving equipment for the road construction market. This acquisition will strengthen Atlas Copco's position in an expanding global infrastructure market and add a new range of products for customers worldwide.

Industrial Technique

In order to have a more efficient organizational structure, Industrial Technique has during the year split the operations



into five separate divisions. The principle is based on grouping activities with common customer segments, applications, and technologies. We can already see the results in better-adapted product development, stronger customer focus, and, most importantly, higher sales. While organic growth represents the preferred mode of growth also for Industrial Technique as well, several acquisitions were made during the year. The acquisitions – Fuji Air Tools, Microtec Systems, BLM, and TBB – have in common that they bring new products and services to Atlas Copco's existing distribution channels as well as offering our existing products better market coverage.

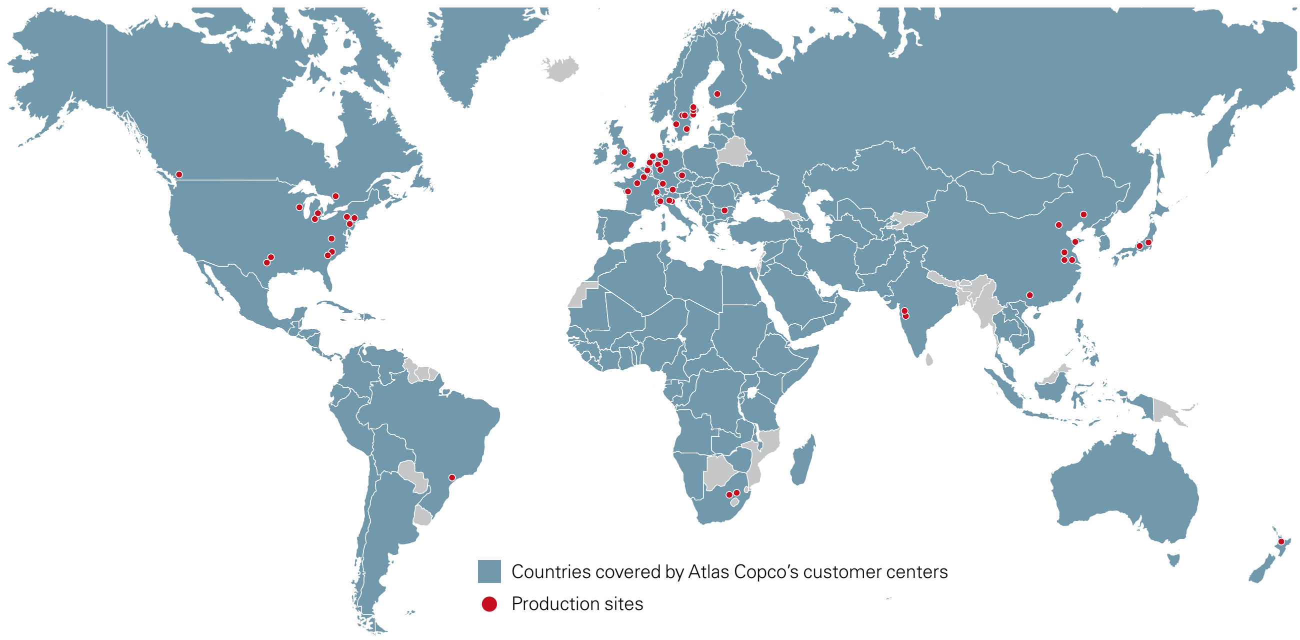
Despite somewhat reduced demand from the North American and European motor vehicle industries, Industrial Technique managed to increase orders received by 7%. The operating profit reached a record level of MSEK 1 346 (1 200) which corresponds to an operating margin of 20.9% (19.8). The return on capital employed was 63% (66).

A good corporation to work for

Parallel with delivering solid results, Atlas Copco strives to be a good citizen and good employer in all countries where we operate. To us, this means that we continuously minimize the negative environmental impact of our operations and products, and promise to offer a safe and healthy workplace for all our employees, wherever we are in the world. Furthermore, we are continuously providing training to ensure that our employees both understand and act in line with our ethical standards.

Atlas Copco's global reach spans more than 150 countries with its own operations in about 80 countries. The most recent customer centers having been established in Mongolia, Algeria, Lithuania, Latvia, Pakistan, and Tanzania. In all new and existing operations, Atlas Copco's policies related to people management are implemented and we aim to create an environment where diversity is respected and competence development encouraged.

We are proud of Atlas Copco people for their efforts in supporting schools, orphanages, and fighting diseases in their local markets, for example the HIV/AIDS projects run in Southern



Africa. We are equally proud of the time that they spend on a voluntary basis to support the Water for All association, which over the years has given more than 700 000 people access to clean well water, which can last for up to 30 years.

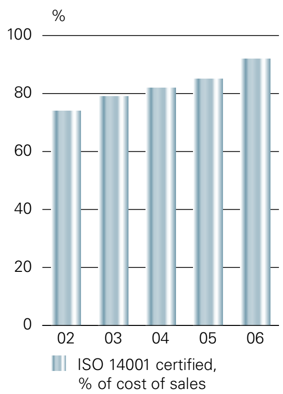
Improved environmental performance

At Atlas Copco, we are conscious about the effect our manufacturing and distribution activities have on the environment. Knowledge, commitment, and transparency are needed to account for what we are doing and for how we continuously try to improve our performance in this respect.

We take a life-cycle approach to our operations' environmental impact. This means that, for example, energy consumption and emissions to land, air, and water are considered not only in the production and distribution phase, but during the entire life, or use, of the products we deliver.

Environmental certification systems play an important role and our objective is that all our production and distribution units will be ISO 14001 certified. Today 92% of our sales come from certified units. In 2006, we inaugurated new production plants in China. All our new production facilities are built to the same high environmental standards wherever they are constructed.

Environmental performance



Our sustainability report gives more detailes of how we strive to improve our performance in these areas.

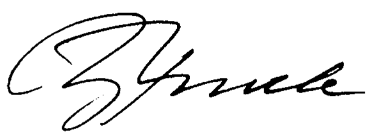
The importance of growth

A corporation is like a living organism. It needs to grow in order to avoid stagnation. The organic growth avenue is the most profitable, quickest, and least risky way to grow. It simply means increasing presence and penetration in the marketplace by selling more existing and new products. From time to time acquisitions play a vital role in adding products, customers, distribution channels, and technology. During the past five years, revenues for Atlas Copco have grown approximately 14% annually, excluding currency variations.

In summary, we have an excellent position and a solid platform for growth and value creation through:

- Three focused, profitable, and strong industrial businesses
- Well-balanced strong global positions
- Leadership in the most important market segments
- High operating margin
- Efficient and effective utilization of capital
- High return on capital employed

I'm convinced that Atlas Copco's strength will enable us to capitalize on the challenging opportunities that we will encounter in the years to come. All our employees show strong commitment to the company and I would like to thank them all as well as our other stakeholders for their contribution to Atlas Copco's best year ever.



Gunnar Brock
President and CEO
Stockholm, February 16, 2007

Vision, Mission, and Strategy

Vision

The Atlas Copco Group's vision is to become and remain First in Mind—First in Choice™ of its customers and prospects, and of other key stakeholders.

Mission

Atlas Copco is a world leading provider of industrial productivity solutions. The products and services range from compressed air and gas equipment, generators, construction and mining equipment, industrial tools and assembly systems, to related aftermarket and rental. In close cooperation with customers and business partners, and with more than 130 years of experience, Atlas Copco innovates for superior productivity.

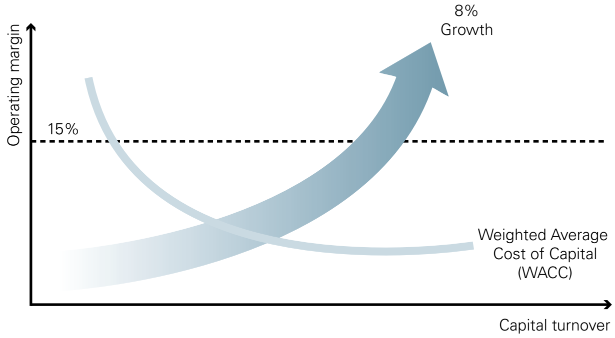
Financial targets

Atlas Copco Group has defined financial targets that will create and continuously increase shareholder value. The overall objective is to grow while achieving a return on capital employed that always exceeds the Group's average total cost of capital.

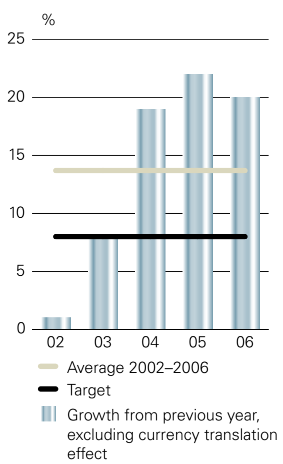
The financial targets are
- to have an annual revenue growth of 8%,
- to reach an operating margin of 15%, and
- to challenge and continuously improve the efficiency of operating capital in terms of fixed assets, inventories, receivables, and rental-fleet utilization.

To reach these targets, all operative units within the Group follow a proven development process: stability first, then profitability, and finally growth.

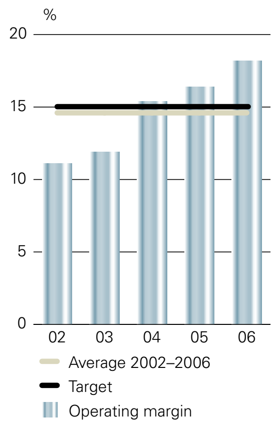
In the past five years, compound annual growth for continuing operations averaged approximately 14% excluding currency translation effect. The Group's operating margin averaged 14.6% for the past five years. In 2006, the operating margin was 18.2%.



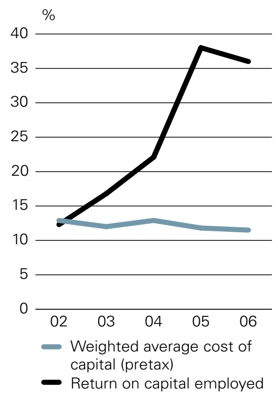
Revenue growth restated for continuing operations



Operating margin



Return on capital employed



Excluding goodwill impairment charge in 2002. Including discontinued operations 2002–2004.

Non-financial targets

Atlas Copco Group has defined non-financial targets for advancement within environmental and social areas.

These targets are

- all units shall have an environmental management system. Furthermore, all product companies are to be certified in accordance with ISO 14001,
- employees are to receive an average of 40 hours of competence development per year, and
- every employee will have an annual personal appraisal.

Strategy

Atlas Copco has strong positions globally in most segments where it offers products and solutions. The Group concentrates on strengthening its position within segments where it has core competence.

To reach its vision First in Mind—First in Choice™, the Group has three overall strategic directions:

Organic and acquired growth

Growth should primarily be organic, supported by selected acquisitions. Growth can be achieved by:

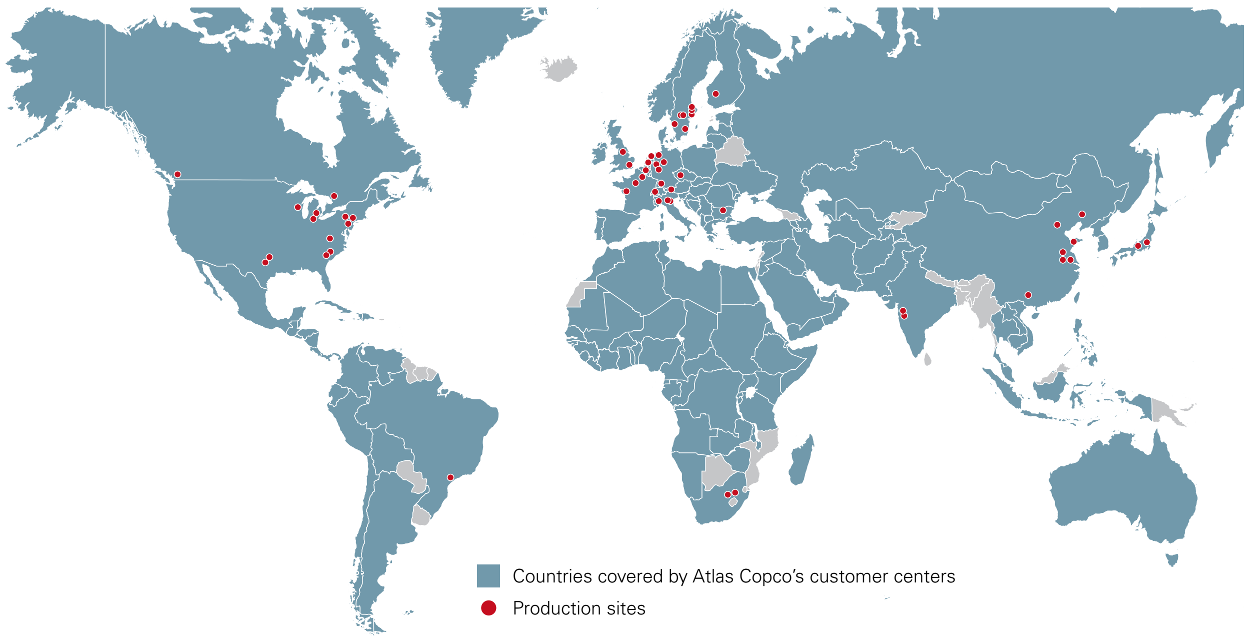
- geographic expansion, by opening additional customer centers
- deeper market penetration, by recruiting more service and sales personnel
- increase scope of supply
- acquiring more channels to the market, for example more brands or more distributor channels
- continuously launching new products for existing applications
- finding new applications for existing products
- acquiring products for existing applications
- acquiring technology/expertise in related applications

Innovations and continuous improvements

To be a market leader demands continuous substantial investment in research and development. Customers should be offered first class products and solutions that increase their productivity and reduce their cost. The new products and solutions should provide extra benefits for the customer compared to the existing products or to the competition.

Strengthened aftermarket

The aftermarket comprises accessories, consumables, parts, service, maintenance, and training. A strengthened aftermarket offers the Group a stable revenue stream, high growth potential, and optimized business processes. In addition, product development get a better understanding of the customers' needs and preferences.



Primary Drivers of Revenues

Capital goods investment in various private and public sectors, such as manufacturing, infrastructure, and mining are drivers for Atlas Copco's revenues. Important customer groups in manufacturing and process industries demand and invest in compressed air products and solutions, industrial tools and assembly systems. Such industrial machinery investments are influenced by customers' ambitions to reduce cost and improve productivity, quality, and capacity. Customers in the construction and mining industries require equipment, including drill rigs, drilling tools, breakers, portable compressors, and generators. Large infrastructure investments, such as tunnel construction for roads, railways and hydroelectric power plants often depend on political decisions. Private investments from the construction and mining industries can be influenced by a number of factors, e.g. underlying construction activity, interest rates, metal prices, and metal inventory levels.

Customers also demand service and maintenance, training, parts, accessories, consumables, and equipment rental. This demand arises during the time the capital goods, equipment, or product is in use, i.e. during industrial production, construction activity and ore production. Additionally, there is an outsourcing trend that is driving demand as customers increasingly look for suppliers that offer additional services or functions rather than only the equipment. Atlas Copco is also looking to offer more services and aftermarket products in line with the Group's aftermarket strategy. Demand for these services and products is relatively stable compared to the demand for equipment. Currently, aftermarket, consumables, and rental revenues are generating about 40% of Atlas Copco's revenues.

	Equipment, 60%	**Aftermarket and and rental, 40 %**
Industry	Industrial machinery investment	Industrial production
Construction	Investment in infrastructure	Construction activity/outsourcing
Mining	Mining machinery investment	Metal and ore production

Structure

The Group is organized in three separate, focused but still integrated business areas each operating through divisions.

The role of **the business area** is to develop, implement, and follow up the objectives and strategy within its business.

The divisions are separate operational units, each responsible to deliver growth and profit in line with strategies and objectives set by the business area. The divisions generally conduct business through customer centers, distribution centers, and product companies, which are acting on an equal-dignity basis.

Common service providers – internal or external – have been established with the mission to provide services faster, to a higher quality, and at a lower cost, thus allowing the divisions to focus on their core businesses.

The Atlas Copco Group is unified and strengthened through:

- A shared vision and a common identity
- The sharing of brand names and trademarks
- The sharing of resources and infrastructure support
- Common processes and shared best practices
- The use of common service providers
- Financial and human resources
- A common leadership model
- The corporate culture and the core values: interaction, commitment, and innovation.

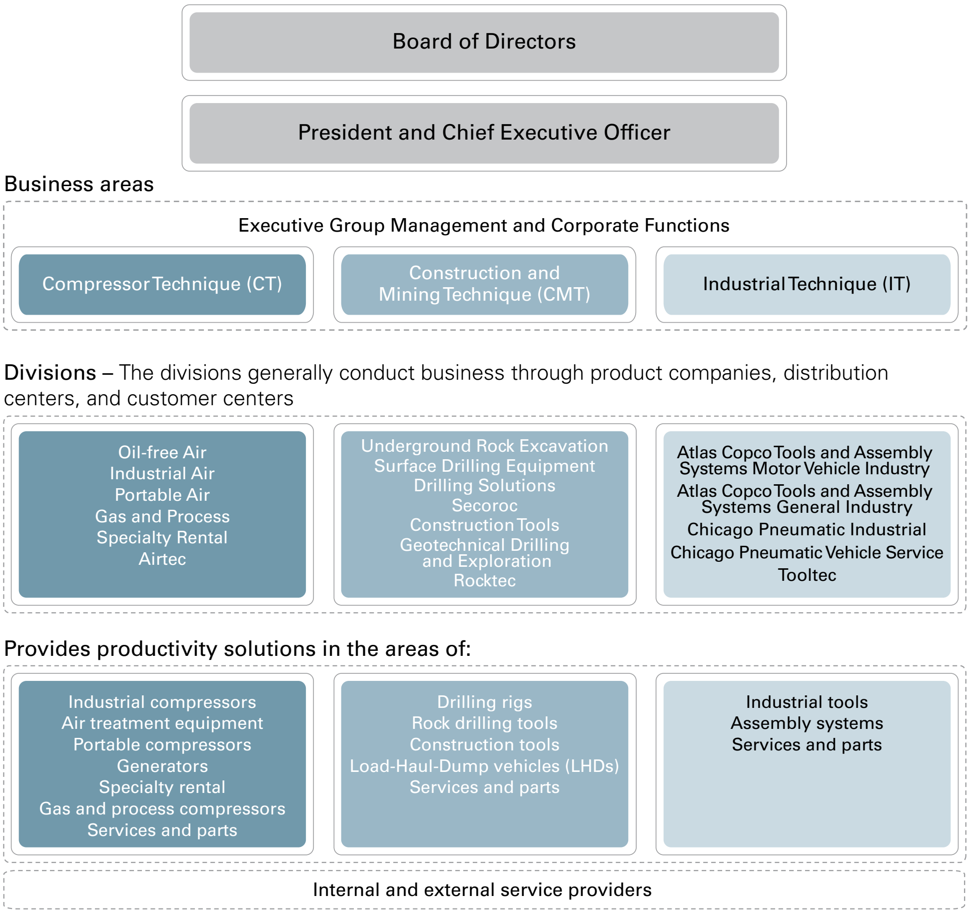
Processes

Group-wide strategies, processes, and shared best practices are collected in the database *The Way We Do Things*. The processes covered are finance, controlling, and accounting, legal, people management, crisis management, insurance, communications and positioning, information technology, Group standards, business code of practice, and environmental management. The information is stored electronically and is available to all employees. Although most of the documentation is self-explanatory, training on how to implement the processes is provided to managers on a regular basis. Wherever they are located, Atlas Copco employees are expected to operate in accordance with the principles and guidelines provided.

People

Atlas Copco's growth is closely related to how the Group succeeds in being a good employer, attracting, developing, and keeping qualified and motivated people. With a global business conducted through numerous companies, Atlas Copco works hard with continuous competence development, knowledge sharing and in implementing the core values – interaction, commitment, and innovation. Everybody is expected to contribute by committing themselves to Group objectives and to their individual performance targets.

Organization as of January 2007



Brands

Atlas Copco – the leading global brand

In order to reach its vision of First in Mind—First in Choice™, the Group owns more than 20 brands. The multi-brand strategy is fundamental to the Atlas Copco Group as it by using more brands better can satisfy the various customers' specific needs.

Each brand strives to have a clear, unique, attractive image and position in its target market segment: a mission, a brand promise, a specific focus, and a role. The visual identity and its consistent use play a vital role in positioning a brand and should be the same throughout the world.

The specific Atlas Copco brand promise is: We are committed to your superior productivity through interaction and innovation. In line with this, each brand owned by the Group has its own specific brand promise.

Board of Directors' Report on 2006 Operations

Market Review and Sales Development

The demand for Atlas Copco's products and services improved in 2006. The manufacturing and process industries' demand for industrial equipment and related aftermarket products increased in most markets. Demand from the construction industry also increased and the demand from the mining industry remained very strong.

Increased market presence and penetration, and successful introductions of new products, including aftermarket products and services, gave further support to the business.

Orders received increased 23%, to MSEK 55 239 (44 744). Volume increased 18% for comparable units attributable to all business areas; Compressor Technique +23%, Construction and Mining Technique +20%, and Industrial Technique +2%. Prices increased 2% and structural changes (acquisitions and divestments) added 3%. See also business area sections on page 22–33.

Orders received grew double-digit in all geographic regions.

North America

The demand for the Group's products and services in North America, which accounted for 22% (22) of Group sales, continued to be strong in most product and customer segments. Increased demand from the manufacturing and process industries was noted for most types of industrial equipment and related aftermarket products and services. In the motor vehicle industry, however, demand for advanced assembly tools and systems decreased compared with the previous year. The investments in the mining industry continued on a high level throughout the year. The overall demand from the construction industry was favorable. In total, orders received increased 19% in local currencies.

South America

In South America, representing 7% (7) of Group sales, improved demand was recorded in all major markets and across most customer segments. Investments in mining equipment and compressed air equipment increased significantly. In total, orders received increased 26% in local currencies.

Europe

Europe, representing 39% (42) of Group sales, saw improved demand from most customer segments and healthy growth was recorded in the region. Investments in compressed air equipment, construction and mining equipment as well as standard industrial tools increased while the motor vehicle industry's investments in advanced assembly tools and systems decreased. Geographically, the growth in demand was well spread with many major markets, including Russia, Great Britain, Italy, and Germany, recording double-digit order growth. In total, orders received increased 16% in local currencies.

Africa/Middle East

In the Africa/Middle East region, accounting for 10% (8) of Group sales, the development was very strong. The demand for mining equipment in Africa and construction and industrial equipment in the Middle East was particularly favorable and contributed to the very strong sales growth in the region. In total, orders received increased 61% in local currencies.

Asia/Australia

The demand in Asia/Australia, representing 22% (21) of Group sales, improved. Industrial and process compressors, industrial tools and the corresponding aftermarkets were in good demand from the manufacturing and process industries. The demand from the mining and construction industry was also strong, particularly for exploration equipment and aftermarket products. China, Australia, India, Japan and South Korea recorded the best growth in the region. In total, orders received increased by 31% in local currencies.

Significant events and structural changes

Divestment of majority stake of the equipment rental business

On February 2, it was announced that Atlas Copco, following a thorough strategic review, had decided to explore a divestment of its construction equipment rental operations in North America. The primary reasons for the decision were that the operating environment and the business characteristics are very different from Atlas Copco's industrial equipment operations and the possibilities to capture and develop synergies are limited. The Atlas Copco Rental Service operation is only active in North America and a further growth of the business would accentuate the operational differences and lack of synergies vis-à-vis the rest of the Group. It would also change the Atlas Copco Group's business and capital profile in an unwanted direction.

On November 27, the Atlas Copco Group completed the divestment of Rental Service Corporation, USA, and Rental Service Corporation of Canada Ltd., to affiliates of private equity firms Ripplewood Holdings L.L.C. and Oak Hill Capital Management, LLC.

Atlas Copco received BSEK 23 in cash, net of taxes, retains a 14.5% minority stake in the business, and holds rights to notes up to a maximum value of BSEK 3. Issuance of the notes is contingent upon the profit development of the business until the end of 2008.

In the 12 months period ending September 30, 2006, the divested business had revenues of MSEK 11 958 and approximately 5 100 employees in 450 rental stores throughout North America. In accordance with IFRS, the divested business' operational result and the capital gain from the divestment is reported as discontinued operations.

Acquisitions

The Group completed nine acquisitions during the year, which added annual revenues of MSEK 1 548 and 1 139 employees. The Industrial Technique business area completed four acquisitions, Compressor Technique three, and Construction and Mining Technique two. All acquisitions are integrated into the business structure in order to give the best possibilities for profitable growth and to exploit synergies. See also business area sections on page 22–33 and note 2.

New divisions

Effective January 1, 2006, the Industrial Technique business area refined its structure to support the growth strategy and better serve its worldwide customer base. The new structure consists of five focused divisions, instead of previously two.

Effective January 1, 2007, a new division was created within the Compressor Technique business area. It is responsible for all specialty rental activities focusing primarily on industry and includes the Prime Energy operations in North America, which were previously reported in the Rental Service business area.

Subsequent events

On February 5 an agreement was signed to acquire Dynapac, a leading supplier of compaction and paving equipment for the road construction market. The operations have annual revenues of approximately MSEK 4 600 and 2 100 employees. See also note 29.

Geographic distribution of orders received, by business area, %

	Compressor Technique	Construction and Mining Technique	Industrial Technique	Group
North America	14	26	31	22
South America	6	10	3	7
Europe	44	31	50	39
Africa/Middle East	9	14	3	10
Asia/Australia	27	19	13	22
Total	100	100	100	100

Distribution of orders received, by geographic region, %

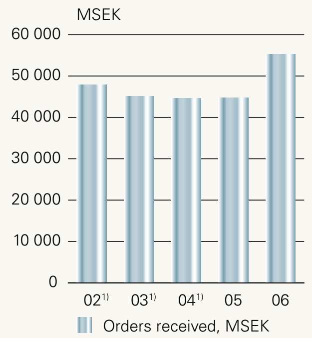
	Compressor Technique	Construction and Mining Technique	Industrial Technique	Total
North America	36	46	18	100
South America	42	52	6	100
Europe	57	29	14	100
Africa/Middle East	43	54	3	100
Asia/Australia	62	31	7	100

Orders received by customer category, %

	Compressor Technique	Construction and Mining Technique	Industrial Technique	Group
Construction	15	40	1	22
Manufacturing	37	3	84	31
Process	26	1	1	14
Mining	4	46		18
Service	9	1	1	5
Other	9	9	13	10
Total	100	100	100	100

Customers are classified according to standard industry classification systems. The classification does not always reflect the industry of the end user.

Orders received



[1)] Including discontinued operations

Near Term Outlook

The demand for Atlas Copco's products and services, from most customer segments such as mining, construction and the manufacturing and process industries, is expected to remain at the current high level.

(Published February 1, 2007)

Basis of information

In the Board of Directors report, including the financial summary and analysis, the continuing operations are presented, unless otherwise stated. The assets, related liabilities and cash flows of the divested equipment rental business have been excluded. In accordance with IFRS, these were not designated as discontinued operations until March 31, 2006 but have, however, been restated to facilitate comparability and analysis.

Financial Summary and Analysis

Revenues

The Group's revenues increased 20% to MSEK 50 512 (42 205). Volume increased 15% for comparable units attributable to all business areas; Construction and Mining Technique +21%, Compressor Technique +15%, and Industrial Technique +1%. Prices increased 2% and structural changes (acquisitions and divestments) added 3%. There was only a marginally negative currency translation effect. See also business area sections on page 22–33 and notes 2 and 3.

Operating profit

Operating profit increased 33%, to a record MSEK 9 203 (6 938), corresponding to an operating profit margin of 18.2% (16.4), also a record in the history of the company. Record profits were achieved in all business areas and resulted primarily from higher revenue volumes, price increases, and efficiency improvements. The positive effects more than offset the effects of increased marketing and sales activities, higher material costs, and unfavorable changes in exchange rates. The negative impact from foreign exchange rate fluctuations was approximately MSEK 450 compared with previous year, and it affected the operating margin with about one percentage point.

Operating profit for the Compressor Technique business area increased by MSEK 1 039 to MSEK 5 071 (4 032), corresponding to a margin of 20.4% (19.5). The margin benefited from the increase in revenue volume and prices, but was negatively affected by currency effects and higher marketing costs. The return on capital employed remained at a very high level, 70% (70).

Operating profit for the specialty rental business in North America, which was integrated into the Compressor Technique business area as from Jan 1, 2007 was MSEK 252 (186), corresponding to a margin of 33.3% (26.2).

Operating profit for the Construction and Mining Technique business area increased by 45% to MSEK 3 010 (2 073), corresponding to a margin of 15.9% (13.7). The operating profit benefited strongly from higher revenue volume and price increases. This more than offset the negative currency effect, which affected the operating margin with more than one percentage point. Return on capital employed increased to 35% (28).

Operating profit for the Industrial Technique business area increased 12% to MSEK 1 346 (1 200), corresponding to a margin of 20.9% (19.8). The operating margin benefited from increased prices, efficiency improvements and a favorable revenue mix, while changes in exchange rates affected the margin negatively. Return on capital employed was 63% (66).

Depreciation and EBITDA

Depreciation and amortization totaled MSEK 1 637 (1 417), of which rental equipment accounted for MSEK 634 (553), property and machinery MSEK 623 (566), and amortization of intangible assets MSEK 380 (298). Earnings before depreciation and amortization, EBITDA, was MSEK 10 840 (8 355) corresponding to a margin of 21.5% (19.8).

Net financial items

The Group's net financial items totaled MSEK –508 (–75). The net interest cost increased to MSEK –654 (–469), primarily as an effect of higher USD interest rates and higher borrowing. Since December it was, however, positively affected by interest income on cash proceeds from the divestment of the equipment rental business. Financial foreign exchange differences were MSEK 257 (0). Other financial items were MSEK –111 (394), including provisions related to repurchase of bonds in January 2007 and a positive fair market valuation of derivative instruments related to share based payments although not as big as previous year. See note 27 for additional information on financial instruments, financial exposure and principles for control of financial risks.

Profit before tax

Atlas Copco Group profit before tax increased 27% to MSEK 8 695 (6 863), corresponding to a margin of 17.2% (16.3).

Key figures by business area

	Revenues		Operating profit		Operating margin, %		Return on capital employed, %		Investments in tangible fixed assets[1]	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Compressor Technique	24 907	20 672	5 071	4 032	20.4	19.5	70	70	807	683
Construction and Mining Technique	18 914	15 154	3 010	2 073	15.9	13.7	35	28	969	933
Industrial Technique	6 440	6 064	1 346	1 200	20.9	19.8	63	66	83	121
Rental Service, continuing operation[2]	757	709	252	186	33.3	26.2			129	134
Common Group functions/Eliminations	–506	–394	–476	–553					180	74
Total Group	50 512	42 205	9 203	6 938	18.2	16.4	36	38	2 168	1 945

[1] Excluding assets leased.

[2] The remaining parts of the North American rental operations will be integrated into the Compressor Technique business area in 2007.

Taxes

Taxes for the year totaled MSEK 2 435 (1 899), corresponding to 28.0% (27.7) of profit before tax. See also note 10.

Profit and earnings per share

Profit from continuing operations increased 26% to MSEK 6 260 (4 964). Basic earnings per share from continuing operations were SEK 9.95 (7.86). Diluted earnings per share for continuing operations were SEK 9.93 (7.84), up 27%.

Profit for the year amounted to MSEK 15 373 (6 581), whereof MSEK 15 349 (6 560) and MSEK 24 (21) are attributable to equity holders and minority interests, respectively. The profit includes profit from discontinued operations, net of tax, of MSEK 9 113 (1 617). See also note 3. Basic earnings per share were SEK 24.48 (10.43). Diluted earnings per share were SEK 24.44 (10.41).

Key figures

MSEK	2006	2005
Orders received	55 239	44 744
Revenues	50 512	42 205
Operating profit	9 203	6 938
Operating margin, %	18.2	16.4
Profit before tax	8 695	6 863
Profit margin, %	17.2	16.3
Profit from continuing operations	6 260	4 964
Basic earnings per share, SEK	9.95	7.86
Diluted earnings per share, SEK	9.93	7.84
Profit for the year[1]	15 373	6 581
Basic earnings per share, SEK[1]	24.48	10.43
Diluted earnings per share, SEK[1]	24.44	10.41

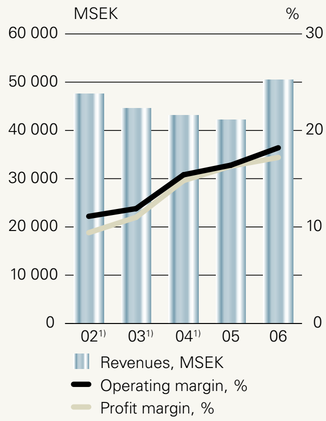
[1] Including discontinued operations.

Sales bridge

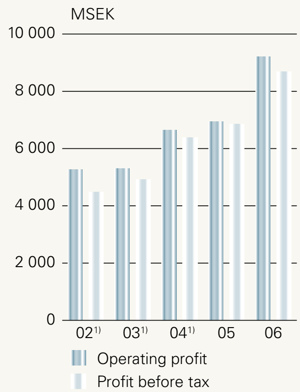
MSEK	Orders Received	Orders on hand, December 31	Revenues
2004	44 659		43 192
Discontinued operations	–9 546		–9 546
2004	35 113	5 717	33 646
Structural change, %	+8		+7
Currency, %	+3		+3
Price, %	+2		+2
Volume, %	+14		+13
Total, %	+27		+25
2005	44 744	9 014	42 205
Structural change, %	+3		+3
Currency, %	0		0
Price, %	+2		+2
Volume, %	+18		+15
Total, %	+23		+20
2006	55 239	12 639	50 512

For more details and comments, see also the business area sections on pages 22–33.

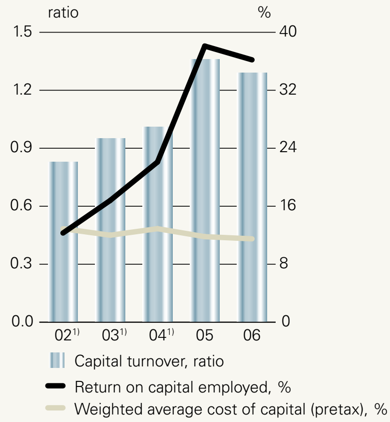
Revenues and profit margin



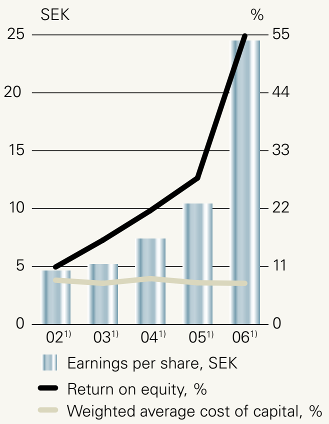
Operating profit and profit before tax



Capital turnover and return on capital employed



Return on equity and earnings per share



[1] Including discontinued operations.
Excluding goodwill impairment charge in 2002.

Financial Summary and Analysis
(continued)

Balance sheet
The Group's total assets increased to MSEK 55 255 (54 955). The assets at year end 2005 included the assets related to the divested equipment rental business amounting to MSEK 21 977. At year end 2006, Group assets included a significant part of the proceeds from the divestment. Assets in comparable units increased approximately 16%, reflecting the growth of the business with the corresponding increase in fixed assets and working capital. Acquisitions added about 3%, while currency translation effects were approximately –10%.

Balance sheet in summary

MSEK	December 31, 2006		December 31, 2005	
Intangible assets	4 299	8%	3 446	6%
Rental equipment	1 979	4%	1 991	3%
Other property, plant and equipment	3 777	7%	3 469	6%
Other fixed assets	3 161	6%	1 635	3%
Inventories	8 487	15%	7 066	13%
Receivables	12 401	22%	11 335	21%
Current financial assets	1 016	2%	389	1%
Cash and cash equivalents	20 135	36%	3 647	7%
Assets related to discontinued operations	–		21 977	40%
Total assets	55 255	100%	54 955	100%
Total equity	32 708	59%	25 808	47%
Interest-bearing liabilities	8 787	16%	10 521	19%
Non-interest-bearing liabilities	13 760	25%	12 105	22%
Liabilities associated with assets related to discontinued operations	–		6 521	12%
Total equity and liabilities	55 255	100%	54 955	100%

Fixed assets and investments
Fixed assets increased as a result of acquisitions, increased investments in other property, plant and equipment, and increased investments in financial assets related to customer financing.

Gross investment in rental equipment amounted to MSEK 1 133 (1 136), while sales of used rental equipment totaled MSEK 495 (646) Thus, net investments in rental equipment was MSEK 638 (490).

Investments in other property, plant and equipment totaled MSEK 1 035 (809), 66% above the annual depreciation. Significant investments to enhance production capacity were made in Compressor Technique's plants in Belgium and China, in Construction and Mining Technique's plants in Sweden and Germany, and in Industrial Technique's plant in Sweden.

Investments in intangible fixed assets, mainly related to capitalization of certain development costs, were MSEK 524 (369).

Investments in financial assets, primarily finance leases related to equipment financing for customers, increased to MSEK 986 (422).

The minority ownership stake in the equipment rental business and the potential earn-out notes are recorded as non-current financial assets. The book value of these assets at year end was MSEK 1 333.

Inventories and trade receivables
Inventories and trade receivables increased 20% and 9%, respectively, affected by the increased volumes. The average ratio of inventories to revenues increased to 15.8% (15.5), while the ratio of trade receivables to revenues decreased to 19.1% (19.5). At year-end, the corresponding ratios were 16.8% (16.7) and 19.7% (21.6) respectively.

Cash and cash equivalents
Cash and cash equivalents were MSEK 20 135 (3 647). The substantial increase is primarily due to the cash proceeds received for the divested equipment rental business. At December 31, 2006, the majority of the cash holdings were invested in liquid, highly rated interest bearing securities, available for use in conjunction with the proposed dividend and share redemption payments to shareholders, and to buy back outstanding bonds.

Liabilities
The borrowings, excluding post-employment benefits, were MSEK 7 140 (8 711). The decrease is a result of payments and of currency translation effects as these liabilities are predominantly denominated in USD. Post-employment benefits decreased to MSEK 1 647 (1 810), primarily due to payments made to pension funds in the United States and Canada. See note 23 for additional information.

Trade payables increased by 22%. Average trade payables in relation to revenues increased to 7.6% (7.4).

The liabilities at year end 2005 included liabilities associated with the assets of the equipment rental business amounting to MSEK 6 521.

Equity
Changes in equity in summary

MSEK	2006	2005
Opening balance	25 808	23 020
Translation differences	–1 739	2 535
Other items	–286	–250
Profit for the year	15 373	6 581
Dividend to equity holders of the parent	–2 672	–1 886
Redemption of shares	–	–4 192
Repurchase of own shares	–3 776	–
Closing balance	32 708	25 808
Equity attributable to		
– equity holders of the parent	32 616	25 716
– minority interest	92	92

At year-end, Group equity including minority interests was MSEK 32 708 (25 808). MSEK 2 672 (1 886) was distributed to shareholders of the parent through ordinary dividend and MSEK 3 776 was used to repurchase own shares, see page 21. Previous year, MSEK 4 192 was distributed through a mandatory share redemption.

Equity per share was SEK 54 (41). Equity accounted for 59% (47) of total assets. Atlas Copco's total market capitalization on the Stockholm Stock Exchange at year-end was MSEK 138 865 (107 430), or 425% (416) of net book value.

Net cash position / net indebtedness
The Group was in a net cash position of MSEK 12 364 (net indebtedness of 7 229) at year end, following receipt of the proceeds from the divested equipment rental business at the end of November.

The debt/equity ratio (defined as net cash/debt divided by equity) was –38% (28). Previous year's figures include interest-bearing liabilities attributable to the equipment rental business. Excluding those, the net indebtedness amounted to MSEK 6 485 and the debt/equity ratio was 25%.

Cash flow

The cash flow before change in working capital (defined as revenues less operating expenses after the reversal of non-cash items, such as depreciation and amortization, and after taxes) totaled MSEK 8 197 (6 758).

Working capital increased MSEK 2 045 (990) as trade receivables and inventory increased in line with the strong volume growth.

Net cash from operating activities increased to MSEK 6 152 (5 768). Net cash from investing activities was MSEK –4 419 (–2 660), reflecting increased investments in property, plant and equipment and financial assets for customer financing, as well as the net effect of acquisitions/divestments, which amounted to MSEK –1 332 (–632).

Operating cash flow before acquisitions, divestments and dividends was MSEK 3 065 (3 740), equal to 6% (9) of Group revenues.

Cash flow, including discontinued operations

The cash flow before change in working capital totaled MSEK 11 558 (10 230). Working capital increased MSEK 2 353 (231) and net investment in property, plant and equipment totaled MSEK 5 592 (4 688).

Operating cash flow before acquisitions, divestments and dividends was MSEK 2 106 (4 521). Net cash flow for company divestments and acquisitions were MSEK 21 636 (3 482), the majority in 2006 related to the divestment of the equipment rental business and in 2005 related to the divestment of the professional electric tool business, see also note 2 and 3.

Dividends paid to the equity holders of the parent totaled MSEK 2 672 (1 886). Repurchase of own shares amounted to MSEK 3 776. A mandatory redemption of shares of MSEK 4 192 was made previous year. Net cash flow before change in interest-bearing liabilities was MSEK 17 290 (1 921).

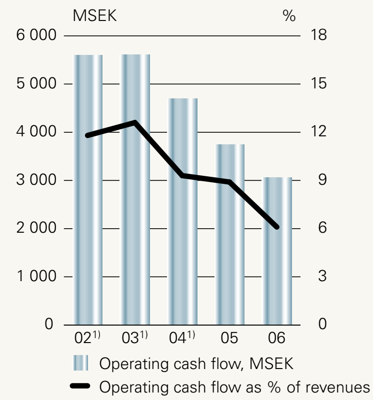
Capital turnover

The capital turnover ratio was 1.29 (1.36) and the capital employed turnover ratio was 1.96 (2.14). The turnover ratios decreased as the cash proceeds received from the divested equipment rental business is recorded as an asset in the balance sheet.

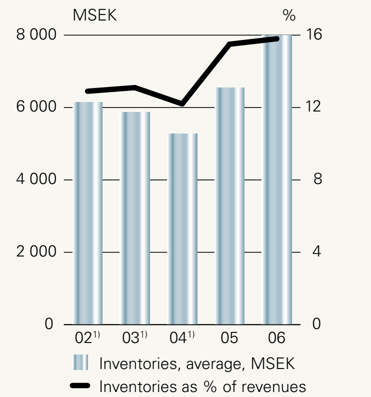
Return on capital employed and return on equity

Return on capital employed increased to 35.1% (28.5) and the return on equity to 54.8% (27.8), including discontinued operations. The return on capital employed, excluding discontinued operations, was approximately 36% (38), affected negatively by the large cash holding at the end of the year.. The Group uses a weighted average cost of capital (WACC) of 8.5%, corresponding to a pre-tax cost of capital of approximately 11.8%, as an investment and overall performance benchmark.

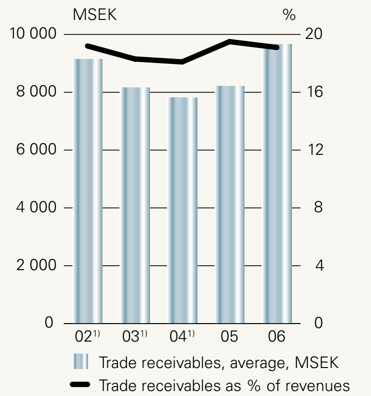
Operating cash flow



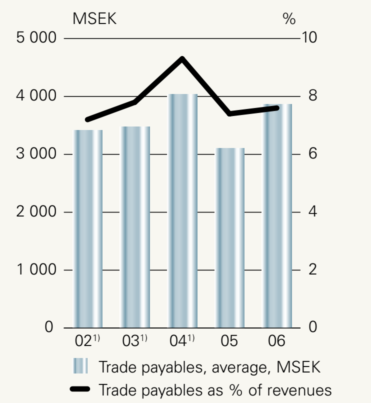
Inventories



Trade receivables



Trade payables

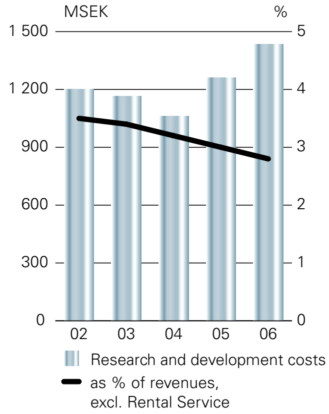


1) Including discontinued operations.

Product Development

MSEK	2006		2005	
Research and development costs				
– expensed during the year	1 111		978	
– capitalized during the year				
(net of amortization)	325	(105)	283	(93)
Total (net of amortization)	1 436	(1 216)	1 261	(1 071)
– as a percentage of revenues	2.8	(2.4)	3.0	(2.5)

Research and development costs



Continuous research and development to secure innovative products is critical for maintaining the competitiveness of Atlas Copco's divisions. The amount invested in these activities, including capitalized costs, increased 14% to MSEK 1 436 (1 261), corresponding to 2.8% (3.0) of revenues. For further information, see the description under each business area.

Personnel

	2006	2005
Average number of employees, total	24 378	21 431
– Sweden	3 141	2 887
– Outside Sweden	21 237	18 544
Business areas		
– Compressor Technique	11 609	10 284
– Construction and Mining Technique	8 625	7 363
– Industrial Technique	3 103	2 848
– Rental Service/Prime Energy[1]	186	169
– Common Group Functions	855	767

[1] Prime Energy will be integrated into the Compressor Technique business area on January 1, 2007.

In 2006, the average number of employees in the Atlas Copco Group increased by 2 947 to 24 378 (21 431). At year-end, the number of employees was 25 900 (22 578). For comparable units, the number of employees increased by 2 187. Acquisitions, net of divestments, added 1 135 employees. This excludes the divested equipment rental business. See also note 5.

Management resourcing

Competent and committed managers are crucial for achieving the strategy of the Group. The Atlas Copco management resourcing strategy is to have a flow of potential leaders within the Group striving towards more and more challenging positions, thereby safeguarding recruitment to management positions.

Internal mobility is a way to increase efficiency and avoid stagnation in the organization. When a manager has fulfilled his/her mission, he/she will be given a new mission either in the existing position or in a new position.

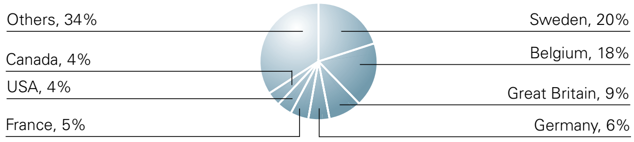
The goal is to have 85% of the managers internally recruited, and the outcome in 2006 was 80% (81).

Atlas Copco employees are encouraged and supported to grow professionally by applying for open positions internally, published in the Internal Job Market database since 1992. In 2006 1 946 (1 450) positions were advertised, whereof 346 (200) were international positions.

The Group employs 275 (276) expatriates from 41 countries working in 51 countries. The share of Swedish expatriates has decreased from 40% in 1996 to 20% in 2006. The role of the expatriate is to develop local managers and to get international professional experience for even more demanding positions within the Group.

External recruitment of young high potential employees is focused through active promotion of the Atlas Copco employer brand.

Expatriate nationality 2006



Risk Factors and Risk Management

To be exposed to risks is part of doing business and is reflected in Atlas Copco Group's risk management. It aims at identifying, measuring, and preventing these risks from realizing as well as continuously making improvements and thereby limiting potential risks. Atlas Copco's risk management addresses strategic, operational, financial, legal risks as well as those that can threaten the company's good standing and reputation.

Strategic risks

The Board of Directors decides on the strategic direction of the Group based on recommendations from the management. The Board then follows up the strategic direction and makes required corrections. Strategic considerations are a priority for the Board and at each board meeting strategic issues are dealt with and decided upon. This applies in particular to major acquisitions, divestments and capital structure.

Operational risks

The Atlas Copco Group's principles, guidelines, and instructions provide management with tools to monitor and follow up business operations to quickly detect deviations that could develop into risks. Managers are in charge of developing the strategies and business of their respective units, of identifying opportunities and risks, and of monitoring and following up, both formally by using available tools and informally through continuous communication with employees, customers and other stakeholders. One systematic way of following up the status in the units is the use of monthly reports where managers describe the development of their respective unit. In these monthly reports "red flags" are raised if negative deviations or risks are identified. All operative units have business boards, which serve in an advisory and decision making capacity concerning operative issues in addition to the legal board. This process and structure is intended to ensure that well-founded and correct risk assessments are made, that risks are detected at an early stage and that appropriate decisions and corrective actions are taken without delay.

Market risks

The demand for Atlas Copco's products and services is affected by changes in the customers' investment plans and production levels. The customers' investments in equipment can change materially if the economic situation in an industry, in a country or in a region changes. Also changes in the political situation or political decisions affecting an industry or a country can also have an impact on investments in equipment. The Group's sales are well diversified with customers in many industries and in more than 150 countries around the world. This diversification limits the total effect if the demand changes materially in an industry, in a country or in a region. Changes in customers' production levels have an effect on sales of aftermarket products and services. These changes have, however, been relatively small in comparison to changes in investments, which mean that the risk of sales deteriorating as a result of decreased production levels so far has been limited.

Product development risks

Atlas Copco's long term growth and profitability is dependent on its ability to develop and successfully launch and market new products. If Atlas Copco is unable to successfully introduce new products in a timely fashion it can affect revenues and profits negatively.

Production risks

Atlas Copco has a global manufacturing strategy based on manufacturing core components complemented with sourcing of other components from sub suppliers. The core component manufacturing is concentrated to few locations and if there are interruptions or if there is not enough capacity in these locations this may have an effect on deliveries. To minimize these risks and to keep a high flexibility, the manufacturing units continuously monitor the production process, make risk assessments, train employees, and invest in modern equipment that can perform multiple operations as well as in sprinkler systems etc. The availability of non-core components is dependent on the sub suppliers and if they have interruptions or if they do not have enough capacity, this may have an effect on deliveries. To minimize these risks, Atlas Copco has established a global network of sub suppliers, which means that in most cases there are more than one sub supplier that can supply a certain component.

Distribution risks

Atlas Copco distributes products and services primarily direct to the end customer, but also through distributors. All physical distribution of products is concentrated to a number of service centers and the delivery efficiency of these is continuously monitored in order to minimize interruptions. The distribution of services depends on the efficiency of the aftermarket organization and Atlas Copco allocates significant resources for training of employees and development of this organization. The performance of distributors can have a negative effect on Atlas Copco´s sales, but there is not one distributor that has a significant importance for the Group.

Risks with acquisitions and divestments

Atlas Copco has the ambition to grow all its business areas. Growth should primarily be organic, supported by selected acquisitions. Integration of acquired businesses is difficult and it is not certain that the integration will be successful. Therefore, costs related to acquisitions can be higher than anticipated. Also divestments of non-core assets can prove more costly than anticipated and affect the result of the Group.

Operational risks that are continuously monitored in all industries and countries where Atlas Copco is present include, but are not limited to market, product development, production, distribution risks, and risks with acquisitions and divestments. They also include price and cost trends, behavior of the competition, financing possibilities, technical development, environmental issues, patent and product liability claims, other legal matters, warranty-cost trends and insurance claims.

Financial risks

Atlas Copco is subject to currency risks, interest rate risks and other financial risks. In line with the overall objectives with respect to growth, operating margin, and return on capital, Atlas Copco has adopted a policy to control the financial risks to which the Group is exposed. The policy is designed to enhance stability in Group earnings and dividend growth while simultaneously protecting the interests of creditors. A financial risk management committee meets regularly to take decisions about how to manage currency risks, interest rate risks and other financial risks. See also note 27.

Changes in exchange rates can adversely affect Group earnings when revenues from sales and costs for production and sourcing are denominated in different currencies (transaction risk) or when earnings of foreign subsidiaries are translated into SEK (translation risk), and Group equity when the net assets of foreign subsidiaries are translated into SEK (translation risk). To limit these risks, the practice during the last couple of years has been to protect the Group earnings from large negative exchange rate movements and to partially hedge the value of the net assets by borrowings and financial derivatives.

Atlas Copco's net interest cost is affected by changes in market interest rates. Atlas Copco generally favors a short interest rate duration, which may result in more volatility in net interest cost as compared to fixed rates (long duration). However, higher interest rates have historically tended to reflect a strong general economic environment in which the Group enjoys strong profits and thereby can absorb higher interest costs. The Group's earnings in periods of weaker economic conditions may not be as strong but general interest rates also tend to be lower and reduce the net interest expense.

Atlas Copco is exposed to the risk of non-payment by any of its extensive number of end customers, to whom sales are made on credit. To mitigate this risk, all Customer Centers apply credit policies. No major concentration of credit risk exists and the provision for bad debt is deemed sufficient based upon known cases and general provisions for losses based on historical loss levels incurred.

Legal risks

Responsibility for monitoring and steering the legal risk management within the Group rests with the legal function, lead by the General Counsel located at Atlas Copco AB. In addition to a continuous follow-up of the legal risk exposure within the Group carried out within the operative and legal structures, a special annual review of all companies within the Group has been performed by the legal function for several years. With particular consideration to the trends within different risk areas, the result is compiled, analyzed, and reported to both the Board and the auditor.

The conclusion for the business year 2006 as reported to the Board and the auditor was that the potential legal risk exposure to the Atlas Copco Group has leveled out or even decreased during 2006 primarily reflecting a substantial decrease of respiratory cumulative trauma product liability plaintiffs in the United States. As of December 31, 2006, Atlas Copco had 126 (201) asbestos cases filed with a total of 4 708 (16 739) individual claimants. It is important to note that none of these cases identifies a specific Atlas Copco product. In each case there are several defendants, on average 122 (119) companies per case. Thus, considering the size of the world wide business operations of the Group and the fact that Group products have so far not been linked with an actual impairment in these cases, the actual level of the overall risk exposure remains low.

Atlas Copco's business operations are affected by numerous commercial and financial agreements with customers, supplier and other counterparties, and by licenses, patents and other immaterial property rights. This is normal for a business like Atlas Copco and the company is not dependent upon a single agreement or immaterial property right.

Insurable risks

Atlas Copco companies continuously identify, analyze, monitor and manage insurable risks and carry out preventive measures in order to reduce the risk for losses. Each company is responsible for managing and reporting its insurance related matters in accordance with guidelines of the Group's insurance program. This ensures that insurance coverage exists in accordance with the guidelines. The Group's insurance company is responsible for managing and coordinating the global insurable risk and provides insurance counseling to all Atlas Copco companies. Atlas Copco is purchasing insurance coverage from top rated internationally recognized insurance companies and is using world leading international broking firms for consulting services within the area of risk management and insurance.

Risks to reputation

The Group's reputation can be affected in part through the operation or actions of the Group and in part through the actions of external stakeholders. The Atlas Copco Group strives to avoid actions that could pose a risk to the Group's good reputation. To minimize the risk to the Group's reputation, Atlas Copco strives to be a good citizen of all communities in which it operates, and the Group is positive towards constructive dialogues with the stakeholders. To ensure good business practice in all markets, managers are continuously educated about Atlas Copco's Business Code of Practice. The Code consists of internal policy documents and guidelines that address business ethics as well as social and environmental aspects. Visit www.atlascopco.com/csr for the Business Code of Practice. Corruption, bribery and human rights crimes exist in markets where Atlas Copco conducts business. To increase employee awareness of such unacceptable behavior and thereby to help them learn to avoid it, the Group uses information from Transparency International to map countries with significant risks associated with corruption and bribery and Amnesty Business Group to identify the countries where human rights violations commonly occur. Atlas Copco has an internal routine for reporting violations.

Environmental Impact

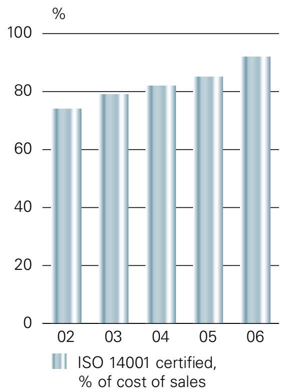
Atlas Copco strives to conduct its business in a manner that does not put the environment at risk, and complies with environmental legislation in its operations and processes world-wide. The Group conducts operations requiring permission based on Swedish environmental regulations in five Swedish companies. These operations mostly involve machining and assembly of components, and the permits relate to areas such as emissions to water and air, as well as noise pollution.

To support environmental efforts, Atlas Copco has a global Environmental Policy. The policy states that all product companies should be certified in accordance with the international standard ISO 14001 and that all other companies in the Atlas Copco Group must implement an Environmental Management System (EMS).

During the year ten new sites achieved ISO 14001 certification. Overall, the manufacturing sites with ISO 14001 certification represent 92% (85) of cost of sales.

Environmental and ergonomic aspects have been integrated into Atlas Copco's product development process for many years, such that compressors, construction and mining equipment and industrial tools are designed and manufactured to become increasingly more energy efficient and ergonomic. Atlas Copco customers are, thereby, provided with products that are more environmentally friendly than those of competitors. See also the Sustainability Report.

Environmental performance



Parent Company

Atlas Copco AB is the ultimate Parent Company of the Atlas Copco Group and is headquartered in Stockholm, Sweden. Its operations include holding company functions as well as the Group internal bank.

Earnings

Profit after financial items totaled MSEK 52 730 (9 138). The profit includes very large dividends from subsidiaries and capital gains as a result of a significant capital restructuring within the Group. See also note A4. Profit for the period after appropriations and taxes amounted to MSEK 52 689 (8 562). Undistributed earnings totaled MSEK 55 979 (9 811).

Financing

The total assets of the Parent Company were MSEK 88 602 (36 484). At year-end 2006, cash and cash equivalents amounted to MSEK 3 725 (1 899) and interest-bearing liabilities to MSEK 24 624 (18 039). Equity, including the equity portion of untaxed reserves, represented 71% (46) of total assets.

Personnel

The average number of employees in the Parent Company was 77 (93). Fees and other remuneration paid to the Board of Directors, the President, and other members of Group management, as well as other statistics are specified in note 5.

Share capital

At year-end, Atlas Copco's share capital totaled MSEK 786 (786).

Repurchases of Own Shares

The 2006 Annual General Meeting approved a mandate for the repurchase of a maximum of 10% of the total number of shares issued by the Company as proposed by the Board of Directors. The intention with the repurchases is to continuously be able to adapt the capital structure to the capital needs of the Company and thus contribute to increased shareholder value. This mandate is valid up to the Annual General Meeting in 2007. Share repurchases were initiated on October 30, 2006 and as per December 31, 2006 Atlas Copco held 18 414 200 B shares, corresponding to 2.9% of the total number of shares, bought back for MSEK 3 776, for an average price of SEK 205 per share.

Appropriation of Profit

The Board of Directors proposes to the Annual General Meeting that a dividend of SEK 4.75 (4.25) per share, equal to MSEK 2 899 (2 672), be paid for the 2006 fiscal year and that the balance of retained earnings after the dividend be retained in the business as described on page 82.

Share split and mandatory redemption of shares

The financial position of the Group is very strong due to a number of years with improved profitability and the recent disposal of the majority of the construction equipment rental business in North America.

In order to adjust the Group's balance sheet to a more efficient structure, while preserving adequate financial flexibility for further growth, the Board of Directors proposes to the Annual General Meeting a share redemption procedure, whereby every share is split into 2 ordinary shares and 1 redemption share. The redemption share is then automatically redeemed at SEK 40 per share. This corresponds to a total of MSEK 24 416.

Compressor Technique

Compressor Technique is a world-leading provider in compressed air products and solutions. In 2006, the business area strengthened its position further and reached all-time high order intake, revenues, and operating profit.

- Very strong order growth in most markets and product segments with organic growth at 25%.
- Strategic investments in people, increased manufacturing capacity, and new businesses.
- Success in the market for newly introduced products and services.

Significant events and structural changes

The business area completed three strategic acquisitions during 2006. The acquired businesses improve the presence and penetration in many markets and add products, services, and technical knowledge that will develop the existing business and help build new businesses close to the business area's core competencies. In addition, the business area acquired strategic distributors in Great Britain and the United States during the year.

The compressed air distributor BEMT Tryckluft AB, Sweden, and its subsidiaries in Lithuania and Latvia were acquired in July.

In August, BeaconMedaes group, a provider of medical air solutions to end customers in the growing healthcare market, was acquired. Its products, for example, supply breathing air for hospitals and compressed air to drive surgical tools, represent an extension of the offering for medical air products.

Shanghai Bolaite Compressor Co. Ltd., China, was acquired in October. Bolaite manufactures and distributes piston compressors, oil-injected screw compressors and dryers.

See also note 2.

The acquisition of the Industrial Division of ABAC Group S.p.A., Italy, a compressor manufacturer, chiefly of piston compressors was approved in February 2007, subject to certain conditions by the German and Austrian antitrust authorities, and is scheduled to close in April 2007. The business had revenues in 2006 of approximately BSEK 1.7 and some 650 employees.

The business area opened two new plants in China. A new assembly plant in Liuzhou was inaugurated in May and compressor element manufacturing started in a new plant in Wuxi in September. In India, the business area concentrated its manufacturing to one location in Pune. These investments were made to further support the growth in the Asian region.

Effective January 1, 2007, a new division was created. It is responsible for all specialty rental activities focusing primarily on industry and includes the Prime Energy operations in North America, which had a turnover of MSEK 757 (709) and previously was included in the Rental Service business area.

Business development

All major customer segments contributed to a very strong demand for stationary industrial compressors and related aftermarket products and services. Investments for capacity increases, productivity enhancements, and extended product offerings were important drivers for equipment sales. Sales increased strongly for large oil-free screw and turbo compressors, utilized in specialized applications within, for example, the electronics, pharmaceutical, textile, and food industries. Standard oil-injected machines for a wide variety of industrial applications also recorded healthy volume growth. Sales of energy efficient Variable Speed Drive (VSD) compressors as well as other energy saving products and services developed very well. Low noise levels and integrated air treatment capabilities were also in high demand, benefiting quiet workplace compressors. The strong volume growth was well spread geographically with double digit growth in all regions, with the strongest development recorded in Asia, North and South America, the Middle East, and Eastern Europe. The aftermarket business also grew firmly in all regions, supported by new innovative services and an increased local presence.

Orders for gas and process compressors increased significantly, thanks to strong demand and development of new businesses. Large orders were won for natural gas reliquefaction, natural gas power generation, and the chemical and petrochemical industry.

Demand for portable compressors from the construction industry and construction-related customers, such as equipment rental companies, was very strong. Sales of portable compressors grew strongly, supported by newly introduced products. The specialty rental business, primarily rental of portable oil-free air and power, increased steadily.

Revenues totaled MSEK 24 907 (20 672), up 15% in volume. Operating profit increased to a record of MSEK 5 071 (4 032), corresponding to a margin of 20.4% (19.5). The return on capital employed was 70% (70).

Competence development

Competence development continued to be an important tool in support of short- and long-term developments. Competence mapping is done extensively to establish hiring and resource needs, particularly in core areas. A massive training effort was made locally at customer centers, particularly to develop the skills level of the service organization.

Product development

The business area develops machines, aftermarket products and services that provide cost-effective solutions for the customers' compressed air needs, including considerable savings on energy costs and reduced environmental impacts.

New products and solutions were continuously introduced during 2006. Several new models of small oil-injected rotary screw compressors with improved performance were introduced, many of which have integrated dryers and filters, as well as the energy efficient Variable Speed Drive (VSD).

Key figures

	2006	2005
Orders received	27 910	21 770
Revenues	24 907	20 672
Operating profit	5 071	4 032
Operating margin, %	20.4	19.5
Return on capital employed, %	70	70
Investments	807	683
Average number of employees	11 609	10 284

Sales bridge

	Orders Received	Revenues
2004	18 337	17 787
Structural change, %	+2	+1
Currency, %	+3	+3
Price, %	+2	+2
Volume, %	+12	+10
Total, %	+19	+16
2005	21 770	20 672
Structural change, %	+4	+4
Currency, %	–1	–1
Price, %	+2	+2
Volume, %	+23	+15
Total, %	+28	+20
2006	27 910	24 907

A number of Quality Air Solutions products, such as coolers, dryers, and filters, were launched. The offer of aftermarket products and services to monitor, control, and optimize compressed air installations was enhanced. The product range was, for example, extended with an innovative piping system for compressed air, designed for quick installation and maximum energy efficiency.

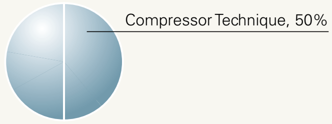
In the portable compressor range, two new high-pressure, high-volume air compressors were launched, specifically designed to meet the ever increasing demands of the drilling industry for efficient production.

Several design improvements were made for the large gas and process compressor range, resulting in more energy efficient and compact machines. The business area also extended the range upwards on the large multi-stage centrifugal compressors.

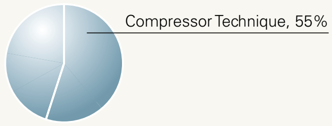
In 2006, Atlas Copco set a new standard for compressed air purity, when the oil-free rotary screw air compressors became the first in the world to be certified to be 100% oil-free. The risk of any contamination by oil is effectively eliminated during, for example, food and beverage processing, pharmaceuticals manufacturing and packaging, electronics manufacturing, automotive paint spraying and powder coating as well as textile manufacturing.

Atlas Copco's oil-free screw compressors are certified to be 100% oil-free.

Share of Group revenues

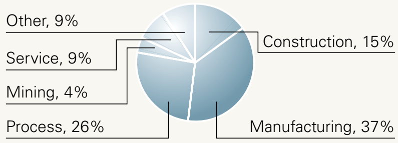


Share of Group operating profit

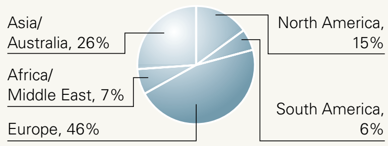


Including Prime Energy

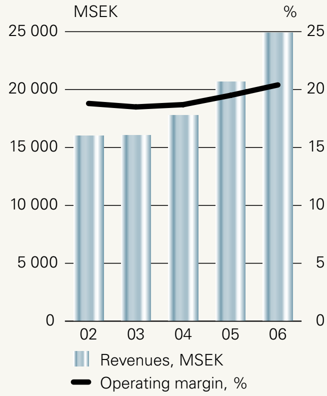
Revenues by customer category



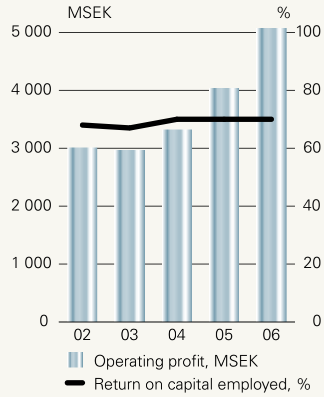
Revenues by geographic area



Revenues and operating margin



Earnings and return



The Compressor Technique business area consists of six divisions in the following product areas: industrial compressors, compressed air treatment products, portable compressors, generators, gas and process compressors, and specialty rental.

Business area management

On February 1, 2007

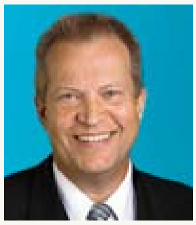
Business Area President: Ronnie Leten

Compressor Technique's divisions are:

- Oil-free Air, President Luc Hendrickx
- Industrial Air, President Ray Löfgren
- Specialty Rental, President Horst Wasel
- Portable Air, President Geert Follens
- Gas and Process, President André Schmitz
- Airtec, President Filip Vandenberghe


Ronnie Leten


Luc Hendrickx


Ray Löfgren


Horst Wasel


Geert Follens


André Schmitz


Filip Vandenberghe

Compressor Technique

The Compressor Technique business area develops, manufactures, markets, distributes, and services oil-free and oil-injected stationary air compressors, portable air compressors, gas and process compressors, turbo expanders, generators, air treatment equipment (such as compressed air dryers, coolers, and filters) and air management systems. The business area has in-house resources for basic development in its core technologies. In addition, the business area offers specialty rental services of mainly compressors and generators. Development, manufacturing, and assembly are concentrated in Belgium, with other units situated in Brazil, China, Czech Republic, France, Germany, Great Britain, India, Italy, the Netherlands, and the United States.

Vision and strategy

The business area aims to be First in Mind—First in Choice™ as supplier of compressed air solutions, by being interactive, committed, and innovative and offering customers the best value. The strategy is to further develop its leading position in the field of compressed air and grow the business profitably by capitalizing on its strong market presence worldwide, improving market penetration in Asia, North America, the Middle East, and Eastern Europe, and continuously developing improved products and solutions to satisfy demands from customers. The local presence is further enhanced by establishing the multi-brand concept in more markets. The strategy encompasses developing businesses within focused segments such as compressed and liquid natural gas, air treatment equipment, and compressor solutions for trains, boats, and hospitals. The ambition is also to continue to grow the aftermarket business, to further strengthen the position in the specialty rental business, to develop new businesses – such as low pressure blowers, compressed air piping, and nitrogen compressors – and to establish the multi-brand concept in more markets. Growth should primarily be organic, supported by selective acquisitions.

Strategic activities

- Increase market coverage and invest in people in sales, service and support
- Establish presence in new markets
- Develop new products and solutions offering better value
- Extend the product offering, including new compressors, air treatment equipment and services
- Extend the offering, development, and marketing of aftermarket products and services
- Focus through a specialist organization, providing uniform service in all markets

The market

The global market for compressed air equipment and aftermarket, in the product categories offered by Atlas Copco, is estimated to approximately BSEK 75. It is characterized by a diversified customer base and the products are used in a wide spectrum of applications in which compressed air is either used as a source of power in manufacturing or in the construction industry, or as active air in industrial processes. An important application is assembly, where compressed air is used to power assembly tools. In industrial processes, clean, dry, oil-free quality air is preferred for applications in which compressed air comes into direct contact with the end product (e.g., in the food, pharmaceutical, electronics, and textile industries). Diesel-driven portable compressors and generators are reliable power sources for machines and tools in the construction sector as well as in numerous industrial applications. Gas and process compressors are supplied to various process industries, such as air separation plants, power utilities, and liquefied natural gas applications.

The most important customer segments are the manufacturing and process industries, which together represent about two thirds of revenues. The construction industry is also an important segment, primarily for portable compressors and generators. Customers are also found among utility companies and in the service sector.

Stationary industrial air compressors and associated air-treatment products and aftermarket activities represent about 65–70% of sales. Large gas and process compressors represent about 10% and the balance is represented by portable compressors, generators and specialty rental, some 20–25% of sales. The aftermarket, excluding specialty rental, represents close to 30% of total sales.

Market trends

- Energy efficiency
- Workplace compressors with low noise levels
- Quality Air – air treatment equipment
- Outsourcing of maintenance and monitoring of compressed air installations
- Auditing of installations
- New applications for compressed air
- Specialty rental

Demand drivers

- Investments in machinery
- Industrial production
- Construction activity
- Energy cost

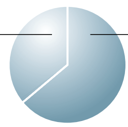
Market position

Compressor Technique has a leading market position globally in most of its operations.

Competition

Compressor Technique's largest competitor in the market for compressors and air treatment is Ingersoll-Rand. Other competitors are Kaeser, Hitachi, Gardner-Denver, Cameron, CompAir, Sullair, Parker Hannifin and regional and local competitors. Aggreko is the main competitor for specialty rental. In the market for compressors for process gas applications, the main competitors are Siemens and MAN Turbo.

Share of revenues



Products and applications

Atlas Copco offers all air compression technologies and is able to offer customers the best solution for every application.

Stationary industrial compressors are available with 1.5–15 000 kW engine size.

Oil-injected rotary screw compressors

Piston compressors

Piston compressors are available as oil-injected and oil-free. They are used in general industrial applications as well as specialized applications.

Rotary screw compressors

Rotary screw compressors are available as oil-injected and oil-free. They are used in numerous industrial applications and are available as WorkPlace AirSystem with integrated dryers, as well as with the energy efficient Variable Speed Drive (VSD).

Oil-free tooth and scroll compressors

Oil-free tooth and scroll compressors are used in industrial applications with a demand for high quality oil-free air. Some models are available as WorkPlace AirSystem with integrated dryers as well as with energy efficient VSD.

Oil-free rotary blowers

Oil-free rotary blowers are used in process industry applications with a demand for a consistent flow of low pressure air.

Air treatment equipment, such as dryers, are important in many applications.

Oil-free centrifugal compressors

Oil-free centrifugal compressors are used in industrial applications with a demand for constant large volumes of oil-free air. They are also called turbo compressors

Gas and process compressors

Gas and process compressors are supplied to process industries. The main product category is multi-stage centrifugal, or turbo, compressors which are complemented by turboexpanders.

Portable compressors and generators provide temporary compressed air or electricity. Portable compressors are available with 21.6–429 kW engine size. Generators are available with an output of 12–1 250 kVA.

Portable oil-injected screw compressors

Portable oil-injected screw compressors are primarily used in construction applications where the compressed air is used as a power source for equipment, such as breakers and pneumatic rock drills.

Portable oil-free screw compressors

Portable oil-free screw compressors are used to meet a temporary need for oil-free air primarily in industrial applications. The equipment is rented.

Portable generators

Portable generators fulfill a temporary need for electricity, primarily in construction applications.

Portable compressor with polymer canopy

Construction and Mining Technique

The business area strengthened its position in many areas and continued to grow significantly in 2006. Substantial investments were made in people, product development and production capacity.

- Continued strong demand, both from mining and construction.
- Capacity investments and strategic acquisitions.
- Record revenues and significantly improved operating margin.

Significant events and structural changes

The business area completed two strategic acquisitions during 2006. The acquired businesses improve the presence and penetration in key markets and add products, services and technical knowledge to help build new businesses.

The acquisition of the net assets of Consolidated Rock Machinery (Pty) Ltd., South Africa, was finalized in January. It is a leading distributor of surface drill rigs, portable compressors, and compact equipment, as well as rig-mounted and handheld construction and demolition equipment, and has its own manufacturing of hydraulic boom systems and a range of pneumatic tools.

Thiessen Team Mining Products, Canada, a leading manufacturer of consumables for rotary drilling and raise boring, was acquired in May. See also note 2.

In February 2007 an agreement was reached to acquire Dynapac, a leading supplier of compaction and paving equipment for the road construction market. The operations have annual revenues of approximately MSEK 4 600 and 2 100 employees. See also note 29.

An investment of MSEK 40 in an extension of the assembly plant for loaders and mine trucks was made in Örebro, Sweden to improve flow and expand capacity. The assembly plant was in operation in the beginning of 2006.

In India, the business area concentrated its manufacturing to one location and increased the capacity. In China, a new manufacturing plant for surface drill rigs was built. These investments are made to further support the growth in the Asian region.

Investments of close to MSEK 200 were approved to increase manufacturing capacity, primarily for rig mounted and handheld hydraulic breakers, at the construction tools facilities in Germany, Sweden, and Bulgaria.

Business development

Good demand for raw material, high metal prices, and increased ore production continued to influence investments in the mining sector positively and demand for equipment for underground and open pit mines continued to be strong. Order volumes for underground drilling and loading equipment improved significantly and sales of rotary drilling rigs for open pit mining and related applications continued at a very high level. Order intake for exploration equipment was very strong and reflected the high mineral prices. The aftermarket business, including consumables, continued to develop well, reflecting the high activity level in mines around the world. All mining markets developed favorably and Africa, Australia, and North and South America recorded the highest growth rates.

The demand from the construction industry improved. Sales of crawler rigs for surface applications, such as quarries and road construction, continued to grow steadily and order intake for underground drilling rigs for infrastructure projects, such as tunneling and hydropower, increased. The sales of light construction equipment, such as breakers and crushers, increased significantly and the development of the aftermarket business was strong. Growth was achieved in all major construction markets and the best development was achieved in Asia, Europe, and the Middle East.

Revenues increased 25% to a record MSEK 18 914 (15 154), up 21% in volume. Operating profit increased to a record MSEK 3 010 (2 073), corresponding to a margin of 15.9% (13.7). Return on capital employed was 35% (28).

Competence development

2006 was, again, characterized by strong growth. About 1 400 employees have been added to the business area. Competence development, therefore, is a high priority and annual training hours per employee reached 39 hours. A key activity, primarily for the new employees, has been internal training in *The Way We Do Things,* the Group's single most important management tool. Product and sales training for customers and employees has also been conducted. As from the second half of 2005, all general managers and sales managers are trained in mining and construction applications at the CMT academy in Sweden.

Product development

The business area continuously invests in product development in order to provide its customers with increasingly productive and cost efficient solutions. A number of new and improved machines and aftermarket products were introduced during 2006.

A new series of underground drill rigs for tunneling applications as well as several large surface drill rigs suitable for both construction and mining applications were introduced. For underground mining applications, the first models of a new series of loaders, fully developed in Sweden, were introduced. This marks an important step in the restructuring project for underground loaders that started a couple of years ago. An underground core drilling rig for mineral exploration was also introduced.

A new range of small hydraulic breakers was launched alongside some heavy breakers and other heavy hydraulic demolition equipment. In addition, a range of new pneumatic handheld breakers were brought to market. The new products are more productive and easier to handle and service than previous versions. Also, to meet emerging legislation, noise and vibration levels have been cut significantly on several new products.

Many new aftermarket products, consumables, and service products were also brought to market.

A new small hydraulic breaker with improved productivity.

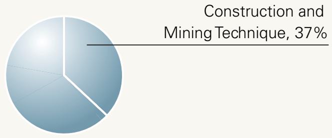
Key figures

	2006	2005
Orders received	20 563	16 581
Revenues	18 914	15 154
Operating profit	3 010	2 073
Operating margin, %	15.9	13.7
Return on capital employed, %	35	28
Investments	969	933
Average number of employees	8 625	7 363

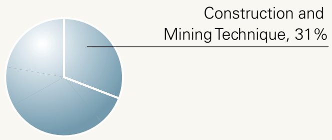
Sales bridge

	Orders Received	Revenues
2004	11 177	10 454
Structural change, %	+20	+17
Currency, %	+5	+5
Price, %	+3	+3
Volume, %	+20	+20
Total, %	+48	+45
2005	16 581	15 154
Structural change, %	+1	+1
Currency, %	0	0
Price, %	+3	+3
Volume, %	+20	+21
Total, %	+24	+25
2006	20 563	18 914

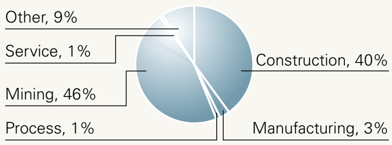
Share of Group revenues



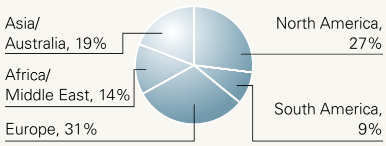
Share of Group operating profit



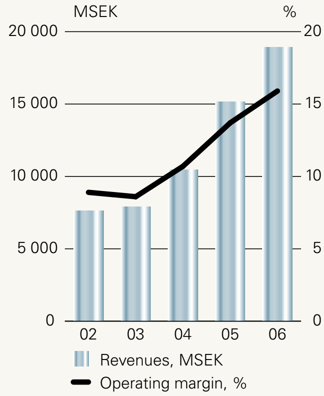
Revenues by customer category



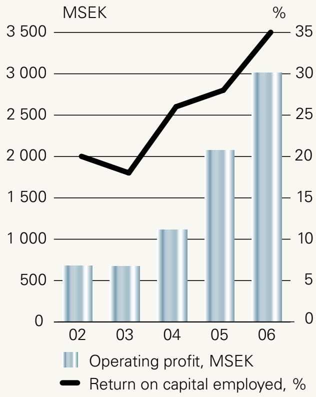
Revenues by geographic area



Revenues and operating margin



Earnings and return

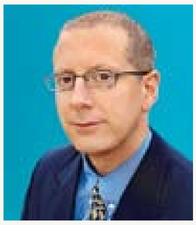


The Construction and Mining Technique business area consists of seven divisions in the following product areas: drilling rigs, rock drilling tools, exploration equipment, construction tools, and loading equipment.


Björn Rosengren


Patrik Nolåker


Stephan Kuhn


Robert Fassl


Johan Halling


Claes Ahrengart


Hans Lidén


Roger Sandström

Business area management

On February 1, 2007

Business Area President: Björn Rosengren

Construction and Mining Technique's divisions are:

- Underground Rock Excavation, President Patrik Nolåker
- Surface Drilling Equipment, President Stephan Kuhn
- Drilling Solutions, President Robert Fassl
- Secoroc, President Johan Halling
- Construction Tools, President Claes Ahrengart
- Geotechnical Drilling and Exploration, President Hans Lidén
- Rocktec, President Roger Sandström

Construction and Mining Technique

The Construction and Mining Technique business area develops, manufactures, and markets rock drilling tools, underground rock drilling rigs for tunneling and mining applications, surface drilling rigs, loading equipment, exploration drilling equipment, and construction tools. The business area has its principal product development and manufacturing units in Sweden and the United States, with other units in Australia, Austria, Bulgaria, Canada, Chile, China, Finland, Germany, India, Japan, South Africa, and Peru.

Vision and strategy

The business area aims to be First in Mind—First in Choice™ as supplier of equipment and aftermarket services for rock excavation and demolition applications to the mining and construction industries.

The strategy is to grow by maintaining and reinforcing its leading market position as a global supplier for drilling and loading equipment for the mining and construction industries, by developing its positions in exploration drilling and light construction equipment and by increasing revenues by offering more aftermarket products and services to customers.

Strategic activities

- Increase market coverage and invest in people in sales, service and support
- Acquisitions of complementary operations
- Develop new products and solutions offering enhanced productivity
- Extended product offering based on modular design and computerized control systems
- Develop the global service concept/competence and extend the offering on aftermarket products
- Provide increased support to key customers, take more responsibility for service and aftermarket and offer global contracts

The market

The market for mining and construction equipment in general is very large and it also has a large number of market participants offering a wide range of products and services for different applications. The Construction and Mining Technique business area, however, offers products and services only to selected applications in mining and construction.

The mining sector is a key customer segment and represents about half of revenues. The applications include production and development work for both underground and open pit mines as well as mineral exploration. These customers demand rock drilling equipment, rock drilling tools, loading and haulage equipment, and exploration drilling equipment.

The other key customer segment is construction, accounting for close to half of revenues. General and civil engineering contractors, often involved in infrastructure projects like tunneling or dam construction, demand rock drilling equipment and rock tools, while special trade contractors and rental companies are important customers for light construction tools, such as breakers, cutters, and drills.

Mining companies and contractors are vital customer groups for aftermarket products, such as consumables, maintenance contracts, service, parts, and rental. The aftermarket business, including sales of consumables and rental of equipment, is continuously growing and represents approximately 50% of total sales.

Market trends

- More productive equipment
- More intelligent products and remote control
- Customer and supplier consolidation
- Supplier integration forward – aftermarket performance contracts

Demand drivers

Mining

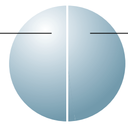
- Machine investments
- Ore production

Construction
- Infrastructure and public investments
- Non-building construction activity

Market position
The Construction and Mining Technique business area has a leading market position globally in most of its operations.

Competition
Construction and Mining Technique's principal competitor in most product areas is Sandvik. Other competitors include Furukawa in the market for underground and surface drilling equipment and construction tools; Boart Longyear for underground drilling equipment, exploration drilling equipment, and rock drilling tools; and Caterpillar Elphinstone for loading and haulage equipment.

Share of revenues



Products and applications
Atlas Copco offers a range of products and services that enhance its customers' productivity.

Underground rock drilling equipment
Underground drill rigs are used to drill blast holes in hard rock to excavate ore in mines or to excavate rock for road, railway or hydropower tunnels, or underground storage facilities. Holes are also drilled for rock reinforcement with rock bolts. The business area offers drill rigs with hydraulic and pneumatic rock drills. Raise boring machines are used to drill large diameter holes, 0.6–6.0 meters, which can be used for ventilation, ore- and personnel transportation, etc.

Tunneling drill rig

Underground loading and haulage equipment
Underground vehicles are used, mainly in mining applications, to load and transport ore and/or waste rock.

Underground loader

Surface drilling equipment
Surface drill rigs are primarily used for blast hole drilling in open pit mining, quarries, and civil construction projects, but also to drill for water, and shallow oil and gas. The business area offers drill rigs with hydraulic and pneumatic rock drills as well as rotary drill rigs.

Rock drilling tools
Rock drilling tools include drill bits and drill rods for blast hole drilling in both underground and surface drilling applications, as well as consumables for raise boring and rotary drilling.

Exploration drilling and ground engineering equipment
The business area supplies a wide range equipment for underground and surface exploration applications. An extensive range of equipment for ground engineering, including systems for overburden drilling, is also offered. Applications include anchoring, geotechnical surveying, ground reinforcement, and water well drilling.

Construction and demolition tools
Hydraulic, pneumatic, and gasoline-powered breakers, cutters, and drills are offered to construction, demolition and mining businesses.

Surface drill rig

Industrial Technique

In 2006, the business area strengthened its position as a world leader in industrial tools and assembly systems. The structure was refined, the market coverage improved and more products and services were offered to the customers.

- Strong sales to customer segments within the general industry, while demand from the motor vehicle industry was weaker compared with previous year.
- Strategic acquisitions of complementary businesses.
- Revenues, operating profit, and margin at all-time highs.

Significant events and structural changes

Effective January 1, 2006, the business area refined its structure to support the growth strategy and better serve its worldwide customer base. The new structure consists of five focused divisions, instead of previously two.

The business area completed four strategic acquisitions during 2006. The acquired businesses improve the presence and penetration in many markets, widen the product range and add services and technical knowledge to help build new businesses.

BLM s.r.l., Italy, was acquired in January. BLM specializes in torque and tightening testing equipment with 90% of sales to the motor vehicle industry.

In October 2005, an agreement was signed to acquire Japanese tool manufacturer Fuji Air Tools Co. Ltd. The acquisition was completed in February. Fuji Air Tools manufactures and distributes a wide range of standard and specialized air powered tools and accessories for customers within the general industry as well as the motor vehicle industry.

In August, the German industrial tool company Microtec Systems GmbH was acquired. The company specializes in advanced electric tightening tools for small screw applications with the electronic industry as the main customer group.

Another German company; Technisches Büro Böhm GmbH (TBB), was acquired in October. TBB specializes in services and consulting for tightening technologies, such as calibration, tightening and process analysis, training and repairs.

See also note 2.

Business development

Demand for industrial tools from the general manufacturing industry (e.g., electrical appliances, aerospace, and ship yards) improved in all regions. At the same time, the business area strengthened its presence and gained market share within this customer segment, which resulted in significantly higher order intake. Weaker demand for advanced industrial tools and assembly systems with control units was noted in the motor vehicle industry in Europe and North America, where sales declined compared with previous year. The aftermarket business, however, developed favorably and showed healthy growth. Also the vehicle service business, providing large fleet operators and specialized repair shops with tools, had healthy development.

Organic growth in orders received was 3%. Geographically the growth was very strong in Eastern Europe and healthy in Asia and North America, whereas Western Europe was roughly flat.

Revenues totaled MSEK 6 440 (6 064), up 1% in volume. Operating profit increased 12% to a record MSEK 1 346 (1 200), corresponding to a record operating profit margin of 20.9% (19.8). Return on capital employed was 63% (66).

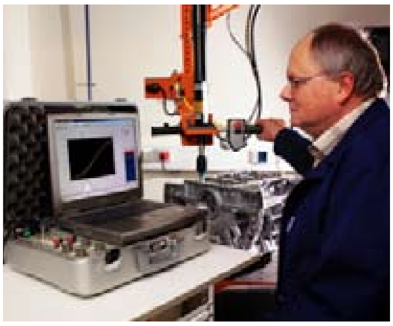
Competence development

Each manager has a mission statement to ensure that the strategic content of his or her assignment is defined and understood. Every employee has an annual performance appraisal during a meeting with his or her manager. At this meeting a competence review takes place and the development plan for the employee is assessed and discussed. Gap analysis is used as a tool for competence development in the customer centers linked to the internal training organization.

Training plans are worked out based on the needs of the employee or group of employees. Training hours per employee averaged 41 hours. The divisions emphasized value-based sales training, SAP training, leadership skills for shop floor supervisors, quality-function deployment programs, and product training programs. A large part of the training consists of remote learning, interactive computer-based training that can easily be adapted to the needs and skill level of each participant. The business area also supports initiatives for management training, personal and group development, language training, etc.

Product development

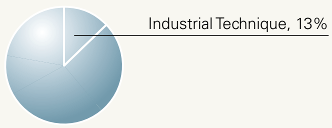
The business area continuously invests in product and process development in order to offer its customers a constant flow of innovative and productivity enhancing products and services. A number of tools, systems and aftermarket services were introduced during the year.



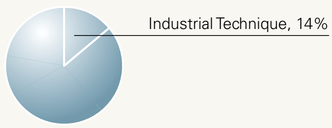
Joint analysis early in the product development process contributes to shortened lead times and reduced costs.

A series of new electric screwdrivers was added to the range of advanced assembly tools offering full traceability and several software improvements were made to enhance the performance of the systems. The year also saw the launch of a collection of advanced hardware and software tools for joint analysis, tightening simulation, tool selection, and production support that contribute to shortened lead times and reduced costs in the customers' assembly applications.

Share of Group revenues



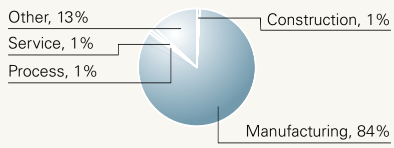
Share of Group operating profit



Key figures

	2006	2005
Orders received	6 533	6 086
Revenues	6 440	6 064
Operating profit	1 346	1 200
Operating margin, %	20.9	19.8
Return on capital employed, %	63	66
Investments	83	121
Average number of employees	3 103	2 848

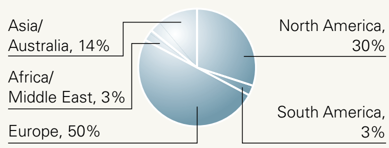
Revenues by customer category



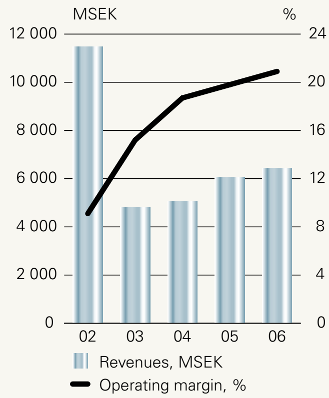
Sales bridge

	Orders Received	Revenues
2004	5 180	5 046
Structural change, %	+7	+7
Currency, %	+3	+3
Price, %	+1	+1
Volume, %	+6	+9
Total, %	+17	+20
2005	6 086	6 064
Structural change, %	+4	+3
Currency, %	0	0
Price, %	+1	+2
Volume, %	+2	+1
Total, %	+7	+6
2006	6 533	6 440

Revenues by geographic area



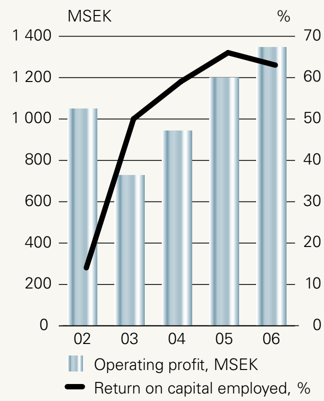
Revenues and operating margin



The assortment of industrial tools for general industry and vehicle service was extended with many new pneumatic assembly tools, including pulse tools, large multi-torque nutrunners, and impact wrenches, as well as a new range of electric screwdrivers suitable for low torque assembly applications. Several small new pneumatic grinders, all offering significantly more power than other grinders of the same size, were introduced alongside a new range of electric grinders of the successful Brazor concept.

In addition, the range of aftermarket products and services to enhance the productivity of the tools and systems were further developed and introduced to more customers.

Earnings and return



Industrial Technique,
excluding professional electric tools from 2003.

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

Business area management

On February 1, 2007

Business Area President: Fredrik Möller

Industrial Technique's divisions are:

- Atlas Copco Tools and Assembly Systems Motor Vehicle Industry, President Christer Bülow
- Atlas Copco Tools and Assembly Systems General Industry, President Mats Rahmström
- Chicago Pneumatic Industrial, President Norbert Paprocki
- Chicago Pneumatic Vehicle Service, President Yves Antier
- Tooltec, President Håkan Söderström


Fredrik Möller


Christer Bülow


Mats Rahmström


Norbert Paprocki


Yves Antier


Håkan Söderström

Industrial Technique

The Industrial Technique business area develops, manufactures, and markets high quality industrial power tools, assembly systems, and aftermarket products and services. It serves the needs of advanced industrial manufacturing, such as the automotive and aerospace industries, general industrial manufacturing, and maintenance and vehicle service.

Industrial Technique has its principal product development and manufacturing in Sweden, Great Britain, France, Japan, Germany, the United States, and Italy and has assembly system application centers also in several other markets.

The brands used for industrial power tools and assembly systems are Atlas Copco, CP, Fuji Air Tools, and Microtec.

Vision and strategy

The vision is to be First in Mind—First in Choice™ as a supplier of industrial power tools, assembly systems, and aftermarket services to customers in the motor vehicle industry, in targeted areas in the general manufacturing industry, and in vehicle service.

The strategy is to continue to grow the business by building on the technological leadership and continuously offering products and aftermarket services that improve customers' productivity. To extend the offer, particularly with the motor vehicle industry and to provide additional services, know-how, and training, are important activities. The business area is also increasing its presence in general industrial manufacturing, vehicle service and geographically in targeted markets in Asia and Eastern Europe, and is actively looking at acquiring complementary businesses.

Strategic activities

- Increase market coverage and invest in people in sales, service, and support
- Refinement of structure to better serve worldwide customer base
- Improve presence in targeted markets
- Develop new products and solutions offering better value
- Extend product offering, including electric tools for general industrial manufacturing
- Extend aftermarket offering, including service and consulting activities

The market

The global market for industrial power tools, in the product categories offered by Atlas Copco, is estimated to be well over BSEK 15. The motor vehicle industry including sub-suppliers is a key customer segment, representing more than half of Industrial Technique's revenues, and the application served is primarily assembly operations. The motor vehicle industry has been in the forefront in demanding more accurate fastening tools that minimize the errors in production and enable recording and traceability of operations. The business area has successfully developed electric industrial tools and assembly systems that assist customers in achieving fastening according to their specifications and minimizing errors in production.

Industrial manufacturing, in a broader sense, uses industrial tools for a number of applications. Customers are found in light assembly, general engineering, shipyards, foundries, and among machine tool builders. The equipment supplied includes assembly tools, drills, percussive tools, grinders, hoists and trolleys, and accessories. Air motors are supplied also separately for different applications in production facilities.

For vehicle service – car and truck service – and tire and body shops, the equipment supplied includes impact wrenches, percussive tools, drills, sanders, and grinders.

There is a growing demand for aftermarket products and services (e.g., maintenance contracts and calibration services) that improve customers' productivity. The aftermarket represents approximately 23% of total sales.

Market trends

- More advanced tools and systems and increased importance of know-how and training, driven by higher requirements for quality and productivity
- More power tools with electric motors, partly replacing pneumatic tools
- Productivity and ergonomics

Demand drivers

- Assembly line investments
- Replacement and service of tools and systems
- Changes in manufacturing methods, e.g. change from pneumatic to electric tools
- Industrial production

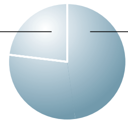
Market position

Industrial Technique has a leading market position globally in most of its operations.

Competition

Industrial Technique's competitors in the industrial tools business include Cooper Industries, Ingersoll-Rand, Uryu, Stanley, Bosch and several local or regional competitors.

Share of revenues



Customer groups, products, and applications

The Industrial Technique business area offers the most extensive range of industrial power tools in the market.

Motor vehicle industry

The motor vehicle industry primarily demands advanced assembly tools and assembly systems and is offered a broad range of electric assembly tools, control systems and associated software packages for their safety critical tightening. Specialized application centers around the world configure suitable assembly systems. The systems make it possible to view, collect, and record the assembly data. The motor vehicle industry, like any industrial manufacturing operation, also demands basic industrial power tools.

Vehicle service

The business area offers tools that are tough, powerful and dependable to meet the demands of the vehicle service professional. The tools supplied include impact wrenches, percussive tools, drills, sanders, and grinders.

A small pneumatic angle grinder

Electric screwdriver for small low torque screw joints

General industrial manufacturing

The business area provides a complete range of products, services, and production solutions for general industrial manufacturing. It ranges from basic fastening tools, drills, and abrasive tools, to the most advanced assembly systems available. A large team of specialists is available to support customers in improving production efficiency.

Advanced electric assembly tools with control unit

Consolidated Income Statement

For the year ended December 31, Amounts in MSEK	Note	2006	2005
Revenues	4	50 512	42 205
Cost of sales	7	–31 516	–26 681
Gross profit		**18 996**	**15 524**
Marketing expenses		–5 560	–4 939
Administrative expenses		–2 970	–2 849
Research and development costs		–1 111	–978
Other operating income	8	122	187
Other operating expenses	8	–291	–11
Share of profit in associated companies	14	17	4
Operating profit	4, 5, 6, 7	**9 203**	**6 938**
Financial income	9	666	575
Financial expense	9	–1 174	–650
Net financial items		**–508**	**–75**
Profit before tax		**8 695**	**6 863**
Income tax expense	10	–2 435	–1 899
Profit from continuing operations		**6 260**	**4 964**
Profit from discontinued operations, net of tax	3	9 113	1 617
Profit for the year		**15 373**	**6 581**
Attributable to:			
Equity holders of the parent		15 349	6 560
Minority interest		24	21
Basic earnings per share, SEK	11	24.48	10.43
–of which continuing operations		*9.95*	*7.86*
Diluted earnings per share, SEK	11	24.44	10.41
–of which continuing operations		*9.93*	*7.84*

Consolidated Balance Sheet

As at December 31, Amounts in MSEK	Note	2006	2005[1)]
ASSETS			
Non-current assets			
Intangible assets	12	4 299	10 607
Rental equipment	13	1 979	13 456
Other property, plant and equipment	13	3 777	4 503
Investments in associated companies	14	77	83
Other financial assets	15	2 459	868
Other receivables		6	14
Deferred tax assets	10	619	853
Total non-current assets		**13 216**	**30 384**
Current assets			
Inventories	16	8 487	7 215
Trade receivables	17	9 976	10 910
Income tax receivables		135	111
Other receivables	18	2 290	2 219
Other financial assets	15	1 016	389
Cash and cash equivalents	19	20 135	3 727
Total current assets		**42 039**	**24 571**
TOTAL ASSETS		**55 255**	**54 955**
EQUITY	Page 36		
Share capital		786	786
Other paid-in capital		4 999	4 999
Reserves		–253	1 675
Retained earnings		27 084	18 256
Total equity attributable to equity holders of the parent		**32 616**	**25 716**
Minority interest		92	92
TOTAL EQUITY		**32 708**	**25 808**
LIABILITIES			
Non-current liabilities			
Borrowings	21, 22	1 163	7 652
Post-employment benefits	23	1 647	1 826
Other liabilities		149	86
Provisions	25	443	542
Deferred tax liabilities	10	648	3 342
Total non-current liabilities		**4 050**	**13 448**
Current liabilities			
Borrowings	21, 22	5 977	1 867
Trade payables		4 108	5 985
Income tax liabilities		1 541	1 288
Other liabilities	24	6 155	5 936
Provisions	25	716	623
Total current liabilities		**18 497**	**15 699**
TOTAL EQUITY AND LIABILITIES		**55 255**	**54 955**

1) Including assets and liabilities related to equipment rental business.

Information concerning pledged assets and contingent liabilities is disclosed in note 26.

Consolidated Statement of Changes in Equity

2005 Amounts in MSEK	Share capital	Other paid-in capital	Reserves: Hedging reserve	Reserves: Translation reserve	Retained earnings	Total	Minority interest	Total equity
Opening balance, Jan. 1	1 048	5 733	171	–823	16 826	22 955	65	23 020
Translation differences				2 456		2 456	13	2 469
Realized on divestment of subsidiaries				66		66		66
Hedge of net investments in foreign subsidiaries				–33		–33		–33
Cash flow hedges[1]			–238			–238		–238
Tax on items transferred to/from equity			67	9		76		76
Net income and expense recognized directly in equity	**–**	**–**	**–171**	**2 498**	**–**	**2 327**	**13**	**2 340**
Profit for the year					6 560	6 560	21	6 581
Total recognized income and expense for the year excl. shareholders' transactions	**–**	**–**	**–171**	**2 498**	**6 560**	**8 887**	**34**	**8 921**
Dividends					–1 886	–1 886	–4	–1 890
Redemption of shares	–262	–734			–3 196	–4 192		–4 192
Share-based payment, equity settled								
–Expense during the year					4	4		4
–Exercise of options					–52	–52		–52
Acquisition of minority shares in subsidiaries						–	–3	–3
Closing balance, Dec. 31	**786**	**4 999**	**–**	**1 675**	**18 256**	**25 716**	**92**	**25 808**

2006 Amounts in MSEK	Share capital	Other paid-in capital	Reserves: Hedging reserve	Reserves: Translation reserve	Retained earnings	Total	Minority interest	Total equity
Opening balance, Jan. 1	786	4 999	–	1 675	18 256	25 716	92	25 808
Translation differences				–1 727		–1 727	–12	–1 739
Realized on divestment of subsidiaries				–199		–199		–199
Hedge of net investments in foreign subsidiaries				–3		–3		–3
Tax on items transferred to/from equity				1		1		1
Net income and expense recognized directly in equity	**–**	**–**	**–**	**–1 928**	**–**	**–1 928**	**–12**	**–1 940**
Profit for the year					15 349	15 349	24	15 373
Total recognized income and expense for the year excl. shareholders' transactions	**–**	**–**	**–**	**–1 928**	**15 349**	**13 421**	**12**	**13 433**
Dividends					–2 672	–2 672	–4	–2 676
Repurchase of own shares					–3 776	–3 776		–3 776
Share-based payment, equity settled								
–Expense during the year					13	13		13
–Exercise of options					–86	–86		–86
Acquisition of minority shares in subsidiaries						–	–8	–8
Closing balance, Dec. 31	**786**	**4 999**	**–**	**–253**	**27 084**	**32 616**	**92**	**32 708**

[1] Recognized in income statement in profit from discontinued operations.

See note 20 for additional information.

Consolidated Statement of Cash Flows

Including discontinued operations

For the year ended December 31, Amounts in MSEK	Note	2006	2005
Cash flows from operating activities			
Operating profit		13 581	9 403
Adjustments for:			
Depreciation, amortization and impairment	7	2 142	3 320
Capital gain/loss and other non-cash items		–374	–639
Operating cash surplus		15 349	12 084
Net financial items received/paid		–12	60
Cash flow from other items		–4	128
Taxes paid		–3 775	–2 042
Cash flow before change in working capital		**11 558**	**10 230**
Change in:			
Inventories		–1 870	–712
Operating receivables		–1 803	–1 326
Operating liabilities		1 320	1 807
Change in working capital		**–2 353**	**–231**
Net cash from operating activities		**9 205**	**9 999**
Cash flows from investing activities			
Investments in rental equipment		–6 357	–6 396
Investments in other property, plant and equipment		–1 198	–840
Sale of rental equipment		1 763	2 364
Sale of other property, plant and equipment		200	184
Investments in intangible assets		–524	–369
Sale of intangible assets		4	1
Acquisition of subsidiaries	2	–1 333	–632
Divestment of subsidiaries	3	22 969	4 114
Other investments, net		–987	–422
Net cash from investing activities		**14 537**	**–1 996**
Cash flows from financing activities			
Dividends paid		–2 676	–1 890
Redemption of shares		–	–4 192
Repurchase of own shares		–3 776	–
Borrowings		30	78
Repayment of borrowings		–766	–1 312
Payment of finance lease liabilities		–309	–205
Net cash from financing activities		**–7 497**	**–7 521**
Net cash flow for the year		**16 245**	**482**
Cash and cash equivalents, Jan. 1		3 727	2 618
Net cash flow for the year		16 245	482
Exchange-rate difference in cash and cash equivalents		163	627
Cash and cash equivalents, Dec. 31	19	**20 135**	**3 727**

For information on cash flows for continued and discontinued operations, see note 3.

Notes to the Consolidated Financial Statements

MSEK unless otherwise stated

Contents

1. Significant accounting principles

Atlas Copco AB (also referred to as the "Company") is a company headquartered in Stockholm, Sweden. The consolidated financial statements comprise Atlas Copco AB and its subsidiaries (together referred to as the "Group" or Atlas Copco) and the Group's interest in associates.

Basis of preparation

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as endorsed by the European Commission for financial reporting within the European Union. The statements are also prepared in accordance with the Swedish accounting standard RR 30:05 which details certain additional disclosure requirements for Swedish consolidated financial statements prepared in accordance with IFRS. The accounting policies set out in the following paragraphs have been consistently applied to all periods presented in these consolidated financial statements and have been consistently applied by Group companies.

Certain comparative amounts have been reclassified to conform with current year's presentation (see note 3). In addition, the comparative income statement has been re-presented as if an operation discontinued during the current year had been discontinued from the start of the comparitive period.

Functional currency and presentation currency

These financial statements are presented in Swedish krona which is the functional currency for Atlas Copco AB and is also the presentation currency for the Groups financial reporting. Unless otherwise indicated, the amounts are presented in millions of Swedish kronor.

Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except for certain financial assets and liabilities that are stated at their fair value; derivative financial instruments, financial instruments held for trading and financial instruments classified as available-for-sale. Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may vary from these estimates.

The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies which can have significant effects on the financial statements is described in note 30.

Classification

Non-current assets, non-current liabilities and provisions are comprised primarily of amounts that are expected to be realized or paid in periods more than 12 months after the balance sheet date. Current assets and current liabilities are comprised primarily of amounts expected to be settled within 12 months of the balance sheet date.

Changes in accounting principles

No changes in accounting principles have been implemented during 2006.

Revenue recognition

Revenues are recorded net of sales taxes, discounts and other similar deductions. No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Goods sold and services rendered

Revenue from sale of goods is recognized when delivery has occurred and the significant risks and rewards of ownership have been transferred to the buyer which in most cases occurs in connection with delivery. When the product requires installation and installation is a significant part of the contract, revenue is recognized when the installation is completed. Buy-back commitments can lead to that sales revenue cannot be recognized, if the substance of the agreement is that the customer only has leased the product for a certain period of time.

Revenue from services is recognized in current earnings in proportion to the stage of completion of the transaction at the balance sheet dates providing that a reliable profit estimate can be made.

Rental operations

Revenues are derived and recognized from the rental of equipment on a daily, weekly or monthly basis, as well as from sales of parts, supplies and new and used equipment. Rental income is recognized on a straight-line basis.

Other revenue

Revenue in the form of interest, royalty, and dividend is recognized when it is probable that the economic benefits associated with the transaction will flow to the company and the amount of revenue can be measured reliably. Interest is recognized using the effective interest rate method. Royalty is recognized on an accrual basis in accordance with the financial substance of the agreement. Dividend is recognized when the shareholders' right to receive payment is established. Such revenues are recorded as other operating income or financial income as applicable.

Business combinations and consolidation

The consolidated income statement and balance sheet of the Atlas Copco Group include all companies in which the Company, directly or indirectly, exercises control. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity, so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account.

The consolidated financial statements have been prepared in accordance with the purchase method. According to this method business combinations are seen as the Group directly acquires the assets and assumes the liabilities and contingent liabilities of the entity acquired. The assets acquired and liabilities and contingent liabilities assumed are recognized in the consolidated financial statements at fair value, when control is established. The cost of a business combination is measured as the aggregate, at the date of control, of the fair value of the assets given, liabilities incurred or assumed and equity instruments issued by the Group to acquire the business. Costs directly attributable to the business combination are also included in the cost of business combinations.

Goodwill arising on an acquisition represents the excess of the cost of the acquisition over the fair value of the net identifiable assets acquired in the business combination. Goodwill is not amortized.

1. Continued

If the acquired interest in the net fair value, at date of control, exceeds the cost of the business combination, the Group, after reassessment, immediately recognizes the excess in the income statement.

Earnings of entities acquired during the year are reported in the consolidated income statement from the date of control. The gain or loss on entities divested during the year is calculated on the basis of the Group's reported net assets in such entities, including earnings to the date of divestment.

Intra-group balances, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains are eliminated. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Business combinations that have occurred since January 1, 2004 have been recognized in accordance with IFRS 3, Business Combinations. Business combinations prior to January 1, 2004, were not restated when IFRS was adopted, but are reported on the basis previously used by the Group in accordance with Swedish GAAP. According to Swedish GAAP, intangible assets are not separately recognized to the same extent as according to IFRS 3 and contingent liabilities are not valued at fair value on initial recognition of business combinations.

Associated companies

An associate is an entity in which the Group has significant influence over financial and operating policies, but not control and that is neither a subsidiary nor an interest in a joint venture. When the Group holds 20% to 50% of the voting power, it is presumed that significant influence exists, unless it can be clearly demonstrated that this is not the case.

Holdings in associated companies are reported in the consolidated financial statements in accordance with the equity method, from when significant influence has been established, until significant influence ceases. Under the equity method, the investment is initially recognized at cost and subsequently the carrying amount is adjusted for the investor's share of profit or loss, distribution received and depreciation on differences between fair value and the associates' carrying value of assets, when acquired.

Atlas Copco's share of income after tax in associated companies is reported on a separate line in the income statement. Unrealized gains arising from transactions with associates are eliminated to the extent of the Group's interest. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products and services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group's primary business segments are the business areas.

Foreign currency

Foreign currency transactions

Functional currency is the currency of the primary economic environment in which an entity operates. Transactions in foreign currencies (those which are other than the functional currency) are translated at the foreign exchange rate ruling at the date of the transaction. Receivables and liabilities and other monetary items denominated in foreign currencies are translated using the foreign exchange rate at the balance sheet date. Exchange rate differences on translation to functional currency are reported in the income statement. Exchange rates for major currencies used in the year-end accounts are shown in note 27.

Translation of accounts of foreign entities

The assets and liabilities of foreign entities, including goodwill and fair value adjustments arising on consolidation, are generally translated to Swedish kronor at the exchange rates ruling at the balance sheet date. The revenues and expenses are translated at average exchange rates which approximate the exchange rate for the respective transactions. Foreign exchange differences arising on translation are recognized as a separate component of equity. On divestment of foreign entities the accumulated exchange differences, net after impact of currency hedges of net investments, are recycled through the income statement, increasing or decreasing the profit or loss of divestments. Accumulated translation differences from before the date of transition to IFRS, which was January 1, 2004, are not reported in the separate component of equity for translation differences and will not be recycled on divestments.

Intangible assets

Goodwill

Goodwill arising on an acquisition represents the excess of the cost of the acquisition over the fair value of the net identifiable assets acquired for combinations.

Goodwill from acquisitions before January 1, 2004 is stated at cost less amortization until December 31, 2003 and any accumulated impairment losses. Goodwill from acquisitions after December 31, 2003 is stated at cost less any accumulated impairment losses.

Goodwill is allocated to cash-generating units and is tested annually for impairment.

Technology-based intangible assets

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge, is expensed in current earnings as incurred. Research projects acquired as part of business combinations are capitalized and carried at cost less amortization and impairment losses.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products or processes, is capitalized if the product or process is technically and commercially feasible and the Group has the intent and ability to complete, sell or use the intangible. The expenditure capitalized includes the cost of materials, direct labor and an appropriate proportion of overheads. Capitalized development expenditure is stated at cost less accumulated amortization and impairment losses.

Computer software is capitalized and is stated at cost less accumulated amortization and impairment losses.

Marketing and customer related intangible assets

Acquired marketing and customer related intangibles such as trademarks, customer relations and other similar items are capitalized and are stated at cost less accumulated amortization and impairment losses.

Other intangible assets

Acquired intangible assets relating to contract-based rights such as licenses or franchise agreements are capitalized and stated at cost less accumulated amortization and impairment losses. Amortization is calculated using the straight-line method over useful lives or contract periods whichever is shorter.

Expenditure on internally generated goodwill, trademarks and similar items is expensed as incurred.

Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost of an item of property, plant and equipment comprises purchase price, import duties and any cost directly attributable to bringing the asset to location and condition for use. The Group capitalizes costs on initial recognition and on replacing significant parts of property, plant and equipment, when the cost is incurred, if it is probable that the future economic benefits embodied will flow to the Group and the cost can be measured reliably. All other costs are recognized as an expense in current earnings when incurred.

Rental equipment
Prior to the divestment, the rental fleet included a broad selection of equipment ranging from small items such as pumps, generators and electric hand tools to larger equipment such as air compressors, drilling rigs, dirt equipment, aerial manlifts, skid-steer loaders and backhoes. Rental equipment is initially recognized at cost and is depreciated over the estimated useful lives of the equipment. Rental equipment is depreciated to a salvage value of 0–10% of cost.

Depreciation and amortization
Depreciation and amortization is calculated based on cost using the straight-line method over the estimated useful life of the asset, unless the useful life is indefinite. Parts of property, plant and equipment with a cost that is significant in relation to the total cost of the item, are depreciated separately, when the useful life of the parts do not coincide with the useful life of other parts of the item.

The following useful lives are normally used for depreciation and amortization:

	Years
Technology-based intangible assets	3–15
Marketing and customer related intangible assets	5–10
Buildings	25–50
Machinery and equipment	3–10
Vehicles	4–5
Computer hardware and software	3–5
Rental equipment	1–12

The useful lives and residual values are reassessed annually.

Land is not depreciated.

Leased assets
In the course of business, the Group acts both as lessor and lessee. Leases are classified in the consolidated financial statement as either finance leases or operating leases. A finance lease entails the transfer to the lessee of substantially all of the economic risks and benefits associated with ownership. If this is not the case, the lease is accounted for as an operating lease.

Accounting for finance leases implies for the lessee that the fixed asset in question is recognized as an asset in the balance sheet and initially a corresponding liability is recorded. Fixed assets under finance leases are depreciated over their estimated useful lives, while the lease payments are reported as interest and amortization of the lease liability. For operating leases the lessee does not account for the leased asset in its balance sheet. In the income statement, the costs of operating leases are recorded on a straight-line basis over the term of the lease.

In cases where the Group acts as the lessor under an operating lease, the asset is classified as rental equipment. The asset is subject to the Group's depreciation policies. The lease payments are included in earnings on a straight-line basis over the term of the lease. Under finance leases where the Group acts as lessor, the transaction is recorded as a sale with a lease receivable being recorded. Lease payments are recognized as interest income and repayment of the lease receivable.

Inventories
Inventories are valued at the lower of cost or net realizable value. Net realizable value is the estimated selling price less the estimated costs of completion and selling expenses. The cost of inventories are based on the first-in, first-out principle and include the costs of acquiring inventories and bringing them to their existing location and condition. Inventories manufactured by the Group and work in progress include an appropriate share of overheads. Inventories are reported net of deductions for obsolescence and internal profits arising in connection with deliveries from the production companies to the customer centers.

Impairment
Financial assets
A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value. Individually significant financial assets are regularly tested for impairment on an individual basis. Other financial assets are assessed collectively in groups with similar credit risks. All impairment losses are recognized in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and available-for-sale financial assets that are debt securities, the reversal is recognized in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in equity.

Non-financial assets
The carrying amount of the Group's assets excluding inventories, non-current assets and disposal groups held for sale, plan assets for employee benefit plans and deferred tax assets are reviewed at least at each reporting date to determine whether there is any indication of impairment in accordance with IAS 36, Impairment of Assets. Excluded assets are accounted for in accordance with the respective standard for that asset type. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and other assets that have an indefinite useful life, impairment tests are performed on at least an annual basis. Annual impairment tests are also carried out for intangible assets not yet ready for use.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. If a largely independent cash inflow cannot be linked to an individual asset, impairment is tested for the smallest group of assets that includes the asset and generates cash inflows that are largely independent, a cash-generating unit. Goodwill is always allocated to a cash generating unit or groups of cash generating units and tested at the lowest level within the Group at which the goodwill is monitored for internal management purpose, the divisions.

The recoverable amount is the greater of the fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) pro rata. Impairment losses are recognized in the income statement.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Provisions
A provision is recognized in the balance sheet when the Group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

1. Continued

A provision for warranties is charged as cost of sales at the time the products are sold based on the estimated cost using historical data for level of repairs and replacements.

A provision for restructuring is recognized when the Group has approved a detailed and formal restructuring plan and the restructuring has either commenced or been announced publicly. Future operating losses are not provided for.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

Employee benefits

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an expense in the income statement as incurred.

Defined benefit plans

The Group has a number of defined benefit plans related to pensions and post-retirement health care benefits in the various countries where operations are located. The net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefits employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value and the fair value of any plan assets is deducted.

The cost for defined benefit plans is calculated using the Projected Unit Credit Method which distributes the cost over the employee's service period. The calculation is performed annually by independent actuaries. The obligations are valued at the present value of the expected future disbursements, taking into consideration assumptions such as expected future pay increases, rate of inflation, increases in medical cost and mortality rates. The discount rate used is the equivalent of the interest rate for high-quality corporate or government bonds with a remaining term approximating that of the actual commitments.

Changes in actuarial assumptions and unexpected changes in the fair value of plan assets result in actuarial gains or losses. Such gains or losses within a 10% 'corridor' of the obligation or asset value are not immediately recognized. Gains or losses exceeding the 10% corridor are amortized over the remaining estimated service period of the employees. Gains and losses before January 1, 2004 have been reported in equity.

Plan assets are measured at fair value. Funded plans with net assets, plans with assets exceeding the commitments, are reported as financial non-current assets, limited to the amount of accumulated actuarial losses and the present value of economic benefits available to the Group from the plan assets.

The interest portion of pension and other post retirement benefit costs is not classified as an operating expense but is shown as interest expense for both Swedish and foreign companies. See notes 9 and 23 for additional information.

Share-based payments

The Group has share-based incentive programs, which have been offered to certain employees based on position and performance, consisting of share options and share appreciation rights.

The fair value of the share options is recognized as an employee expense with a corresponding posting in equity. The fair value is calculated using the Black-Scholes formula and is measured at grant date and spread over the vesting period, taking into account terms and conditions upon which the instruments are granted. The amount recognized as an expense is adjusted to reflect the actual number of share options that vest.

The liability for rights is measured, initially and at each reporting date until settled, at the fair value of the share appreciation rights, by applying the Black-Scholes formula and the extent to which the employees have rendered service to date. Changes in fair value are recognized in profit or loss as an employee expense. When the Black-Scholes formula is applied all the terms and market conditions upon which the instruments were granted are taken into account.

Social security charges are paid in cash. Social security charges are accounted for consistent with the share appreciation rights, regardless if they are related to the share options or to the rights. Agreements with banks related to the share options and rights are accounted for as separate financial instruments according to IAS 39. Profits and losses on these agreements are reported as financial items.

Government grants

A government grant is recognized in the balance sheet when there is reasonable assurance that it will be received and that the Group will comply with the conditions attached to it. Government grants that compensate the Group for expenses incurred are recognized in the income statement on a systematic basis in the same periods in which expenses are incurred. Grants that compensate the Group for the cost of an asset are recognized in the income statement on a systematic basis over the useful life of the assets.

Financial instruments

Recognition and derecognition

Financial assets and liabilities are recognized on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. Trade receivables are recognized when they have been invoiced. Liabilities are recognized when the other party has performed and there is a contractual obligation to pay.

Derecognition of a financial asset (or part of a financial asset) occurs when the rights to receive cash flows from the financial instruments expire or are transferred and substantially all of the risks and rewards of ownership have been removed from the Group. The Group derecognizes a financial liability (or a part of a financial liability) when the obligation specified in the contract is discharged or otherwise expires.

Purchases and sales of financial assets are accounted for at trade date, which is the day when the Group contractually commits to acquire or dispose of the assets.

A financial asset and a financial liability is offset and the net amount presented in the balance sheet when, and only when, there is a legally enforceable right to set off the recognized amounts and there is an intention to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

Measurement

Financial instruments are at initial recognition measured at fair value with addition or deduction of transaction cost in the case of a financial asset or a financial liability not measured at fair value through profit or loss.

Financial instruments are upon initial recognition classified in accordance with the categories in IAS 39. Financial assets and financial liabilities are designated to different categories upon initial recognition, depending on the purpose. This determines the subsequent measurement. The financial instruments are reported as follows:

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. Loans and receivables are subsequently measured at amortized cost using the effective interest method, less provision for impairment. Trade receivables are classified as loans and receivables. Impairment is assessed regularly. In most cases, the trade receivables are not carried at discounted values due to short expected time to payment.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity.

Held to maturity investments are subsequently measured at amortized cost using the effective interest rate method.

An instruments is classified as fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Subsequent to initial recognition, they are measured at fair value and changes therein are recognized directly in equity except for impairment losses, and foreign exchange gains and losses on available-for-sale monetary items which are recognized in earnings. When an investment is derecognized, the cumulative gain or loss in equity is transferred to profit or loss.

Financial liabilities are initially measured at fair value less attributable transaction cost and subsequently at amortized cost, using the effective interest rate method. Borrowing costs are recognized as an expense in the period in which they are incurred regardless of how the borrowings are used.

Derivative instruments are measured at fair value. Fair value changes on derivatives are recognized in the income statement unless the derivatives are designated as hedging instruments in cash flow or net investment hedges. Some currency derivatives and some interest rate derivatives held by the Group do not qualify for hedge accounting according to IAS 39. Changes in fair values of cross currency swaps are divided into three components; Interest is recognized as interest income/expense, the foreign exchange effect as foreign exchange difference and changes in fair values are recognized in the income statement as gains and losses from financial instruments. Interest payments for interest swaps are recognized in the income statement as interest income/expense, whereas changes in fair value of future payments are presented as gains and losses from financial instruments. Effects from interest swaps used for hedge accounting are recognized as interest income/expense. Changes in fair values of foreign exchange contracts are recognized as foreign exchange income/expense and the interest component is recognized in the income statement as interest expense.

Fixed or determinable payments and fixed maturity mean that a contractual arrangement defines the amounts and dates of payments to the holder, such as interest and principal payments.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument.

Cash and cash equivalents

Cash and cash equivalents include cash balances and short term highly liquid investments that are readily convertible to known amounts of cash which are not subject to a significant risk of changes in value. An investment normally only qualifies as cash equivalent if it upon acquisition only has three months or less to maturity.

Hedge accounting

In order to qualify for hedge accounting according to IAS 39, the hedging relationship must be designated, the hedge expected to be highly effective and the hedge relationship documented. The Group assesses, evaluates and documents effectiveness both at hedge inception and on an ongoing basis. The method of recognizing a gain or loss resulting from hedging instruments is dependent on the type of hedge relationship, i.e. which type of risk exposure that is secured by the hedging instrument.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. These changes in the fair value of the hedged asset or liability are recognized in the income statement to offset the effect of gain or loss on the hedging instrument.

The Group's policy is on an ongoing basis to hedge forecasted foreign currency cash flows against the risk of large adverse fluctuations in the exchange rates The derivative instruments currently used have not qualified for hedge accounting according to IAS 39.

The Group's policy is generally not to hedge the exchange-rate risks related to net investments in foreign operations. In case net investments are hedged, gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in equity. Gain or loss relating to the ineffective portion is recognized immediately in the income statement. Gains and losses accumulated in equity are included in the income statement on disposal of foreign operations.

For derivatives which are not part of hedge accounting, changes in fair value are reported as operating or financial income or expense based on the purpose of the use of the derivatives and whether the instruments relate to operational or financial items.

Income taxes

Income taxes include both current and deferred taxes in the consolidated accounts. Income taxes are reported in the income statement unless the underlying transaction is reported directly in equity. In those cases the related income tax is also reported directly in equity.

A current tax liability or asset is recognized for the estimated taxes payable or refundable for the current or prior years.

The calculation of deferred taxes is based on, either the differences between the values reported in the balance sheet and their respective values for taxation, which are referred to as temporary differences, or the carry forward of unused tax losses and tax credits. Temporary differences related to the following are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and differences related to investments in subsidiaries and associated companies to the extent that they will probably not reverse in the foreseeable future.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. In the calculation of deferred taxes, enacted tax rates are used for the individual tax jurisdictions.

Assets held for sale and discontinued operations

The Group classifies a non-current asset or disposal group as held for sale if its carrying amount will be recovered principally through a sale. For classification as held for sale the asset or disposal group must be available for immediate sale in its present condition and its sale must be highly probable.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. A disposal group that is to be abandoned may also qualify.

Immediately before classification as held for sale, the measurement of the assets (and all assets and liabilities in a disposal group) is brought up-to-date in accordance with applicable IFRSs. Then, on initial classification as held for sale, noncurrent assets and disposal groups are generally recognized at the lower of carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

Non-current assets and disposal group assets and liabilities, are reported separately in the balance sheet. Post-tax profits or losses

1. Continued

and gains and losses recognized on measurement to fair value less cost to sell or on disposal are reported separate in the income statement for discontinued operations.

Contingent liabilities
A contingent liability is a possible obligation or a present obligation that arises from past events that is not reported as a liability or provision, due either to it being unlikely that an outflow of resources will be required to settle the obligation, or that a sufficiently reliable calculation of the amount cannot be made.

Earnings per share
The Group presents basic and diluted earnings per share (EPS) data. Basic EPS is calculated by dividing the profit attributable to shareholders of the Parent Company by the weighted average number of shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to shareholders and the weighted average number of shares outstanding for the effects of all dilutive potential shares, which comprise stock options granted to employees.

New IFRS standards and IFRIC interpretations
The following standards, interpretations and amendments to standards have been issued, but have not become effective before December 31, 2006 and have not been applied by the group:

- IFRS 7 Financial Instruments: Disclosures and Amendment to IAS 1 Presentation of Financial Statements: Capital Disclosures will require extensive disclosures about the significance of financial instruments for an entity's financial position and performance, and qualitative and quantitative disclosures on the the nature and extent of risks. IFRS 7 and amended IAS 1, which becomes mandatory for the Group's 2007 financial statements, will require additional disclosures with respect to the Group's financial instruments and share capital.
- IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies addresses the application of IAS 29 when an economy becomes hyperinflationary and in particular the accounting for deferred tax. IFRIC 7, which becomes mandatory for the Group's 2007 financial statements, is not expected to have any significant impact on the consolidated financial statements.
- IFRIC 8 Scope of IFRS 2 Share-based Payment addresses the accounting for share-based payment transactions in which some or all of goods or services received cannot be specifically identified. IFRIC 8, which becomes mandatory for the Group's 2007 financial statements, is not expected to have any significant impact on the consolidated financial statements.
- IFRIC 9 Reassessment of Embedded Derivatives requires that a reassessment of whether embedded derivatives should be separated from the underlying host contract should be made only when there are changes to the contract. IFRIC 9, which becomes mandatory for the Group's 2007 financial statements, is not expected to have any significant impact on the consolidated financial statements.
- IFRIC 10 Interim Financial Reporting and Impairment prohibits the reversal of an impairment loss recognized in a previous interim period in respect to goodwill, an investment in an equity instrument or a financial asset carried at cost. IFRIC 10 will become mandatory for the Group's 2007 financial statements, and will apply to goodwill, investments in equity instruments, and financial assets carried at cost prospectively from the date that the Group applied the measurement of IAS 36 and IAS 39 respectively, (i.e. January 1, 2005 for investments and financial assets and January 1, 2004 for goodwill). As the Group has not made any such reversals, the implementation of IFRIC 10, should not have any impact on the consolidated financial statements.

2. Acquisitions

The following summarizes the significant acquisitions during 2006 and 2005:					
Closing date		Country	Business area	Revenues[1)]	Number of employees[1)]
2006 Oct. 31	Technisches Büro Böhm (TBB)	Germany	Industrial Technique	54	30
2006 Oct. 2	Shanghai Bolaite	China	Compressor Technique	137	309
2006 Aug. 28	Microtec Systems	Germany	Industrial Technique	18	18
2006 Aug. 25	BeaconMedaes	U.S.A./Great Britain	Compressor Technique	720	386
2006 July 13	BEMT Tryckluft	Sweden/Latvia/Lithuania	Compressor Technique	50	40
2006 May 8	Thiessen Team	Canada and others	Construction & Mining	160	142
2006 Feb. 24	Fuji Air Tools	Japan/Brazil	Industrial Technique	190	120
2006 Jan. 3	Consolidated Rock Machinery	South Africa	Construction & Mining	160	50
2006 Jan. 2	BLM	Italy	Industrial Technique	59	44
2005 Nov. 2	Creemers Compressors	Netherlands	Compressor Technique	56	22
2005 Oct. 31	Pneumatech Inc. and ConservAIR Technologies	U.S.A./China	Compressor Technique	140	175
2005 Oct. 11	Ketting Handel	Netherlands	Compressor Technique	35	13
2005 Sept. 6	Intermech	New Zealand	Compressor Technique	100	45
2005 June 16	Contex[2)]	Croatia/Slovenia	Compressor Technique/ Construction & Mining	72	23
2005 June 1	Lutos	Czech Republic	Compressor Technique	41	87
2005 March 21	BIAB Tryckluft[2)]	Sweden	Compressor Technique	15	8
2005 March 3	GSE tech-motive	U.S.A.	Industrial Technique	170	67
2005 Jan. 17	Lifton	Bulgaria/Denmark	Construction & Mining	55	141
2005 Jan. 10	Scanrotor	Sweden and others	Industrial Technique	71	33

1) Annual revenues and number of employees at time of acquisition.
2) Distributor of Atlas Copco products.

All of the above acquisitions were made through the purchase of 100% of the shares and voting rights while in some cases, the net assets of the business were purchased directly with the Group gaining full control of the operations at the date of acquisition. All acquisitions were accounted for using the purchase method for consolidation. No equity instruments have been issued as part of consideration paid.

The amounts recognized in the financial statements have been aggregated by business area as the relative amounts of the individual acquisitions are not considered material. The carrying amounts before the acquisition in accordance with IFRS 3 and fair value adjustments of assets and liabilities from companies acquired in the business areas are included in the following sections. The Group is in the process of reviewing the final values for the aquired companies, particularly those made in the second half of 2006. Therefore, the allocation of the purchase price and the valuation of assets and liabilities are subject to refinement. Any adjustments are not expected to be material. Similar adjustments from 2005 acquisitions are not material.

Compressor Technique	Carrying amounts	Fair value adjust-ments	Recog-nized values
Intangible assets	6	235	241
Property, plant and equipment	45	8	53
Current assets	461		461
Borrowings	–117		–117
Other liabilities and provisions	–200	–46	–246
Net identifiable assets	**195**	**197**	**392**
Minority interest			9
Goodwill			525
Consideration paid			**926**

The Compressor Technique business area made three acquisitions during 2006, the most significant being the BeaconMedaes Group. These companies are a world-leading supplier of medical air equipment whose products are for example, supply breathing air for hospitals and compressed air to drive surgical instruments. The operations have facilities and a strong presence in both the United States and Great Britain. The consideration paid was 700 and goodwill of 427 was recorded on the purchase.

Other acquisitions included BEMT Tryckluft which is an important distributor on the Swedish compressed air market and is also active in the Baltic markets. Shanghai Bolaite which manufactures and distributes piston compressors and oil-injected screw compressors and dryers was also acquired during 2006. In addition, the business area acquired strategic distributors in Great Britain and the USA. Intangible assets acquired were primarily comprised of trademarks and customer relations.

Construction and Mining Technique	Carrying amounts	Fair value adjust-ments	Recog-nized values
Intangible assets		47	47
Property, plant and equipment	23	3	26
Current assets	106		106
Borrowings	–3		–3
Other liabilities and provisions	–37		–37
Net identifiable assets	**89**	**50**	**139**
Goodwill			22
Consideration paid			**161**

The Construction and Mining Technique business area completed two acquisitions during 2006. Consolidated Rock Machinery which is a leading distributor of surface drill rigs and portable compressors as well as rig-mounted and handheld construction and demolition equipment, was acquired in South Africa. Thiessen Team was acquired in Canada and other countries and is a leading manufacturer of consumables for rotary drilling and raise boring. Intangible assets acquired were primarily comprised of customer relations and unpatented technology.

2. Continued

Industrial Technique	Carrying amounts	Fair value adjust-ments	Recog-nized values
Intangible assets	3	33	36
Property, plant and equipment	50		50
Current assets	325		325
Borrowings	–37		–37
Other liabilities and provisions	–95	–13	–108
Net identifiable assets	**246**	**20**	**266**
Goodwill			134
Consideration paid			**400**

The Industrial Technique business area acquired four businesses in 2006. BLM was acquired in Italy and specializes in torque and tightening equipment primarily to the motor vehicle industry. The tool manufacturer, Fuji Air Tools, manufactures and distributes a wide range of standard and specialized air powered tools and accessories for customers within a variety of markets including general industry and the motor vehicle industry. Microtec Systems which specializes in advanced electric tightening for small screw applications was acquired in Germany. The service and consulting company, Technisches Büro Böhm specializes in tightening technologies was also acquired in Germany. Intangible assets acquired were primarily comprised of trademarks and customer relations.

Total fair value of assets and liabilities for acquisitions	Carrying amounts	Fair value adjustments	2006 Recognized values	2005 Recognized values
Intangible assets	9	315	324	131
Property, plant and equipment	118	11	129	39
Other non-current assets	9		9	–
Inventories	363		363	102
Receivables	366		366	218
Cash and cash equivalents	154		154	6
Borrowings	–157		–157	–41
Other liabilities and provisions	–385		–385	–138
Deferred tax liabilities, net	53	–59	–6	–19
Net identifiable assets	**530**	**267**	**797**	**298**
Minority interest			9	3
Goodwill			681	337
Consideration paid			**1 487**	**638**
Cash and cash equivalents acquired			–154	–6
Net cash paid			**1 333**	**632**

The total consideration paid amounted to 1 487 including directly attributable costs of 15. For all acquisitions, the outflow totaled 1 333 excluding cash and cash equivalents acquired of 154. The major part of goodwill for all business areas results from various synergies which the Group expects to achieve from the respective acquisitions, for example related to marketing that do not meet the criteria for recognition as intangible assets and are therefore classified as goodwill.

Contribution from companies acquired in 2006 by Business Area	Compressor Technique	Construction and Mining Technique	Industrial Technique	Group
Contribution from date of control				
Revenues	533	141	279	953
Operating profit	18	1	57	76
Profit for the year				49
Contribution if the acquisition had ocurred on January 1, 2006				
Revenues	1 195	211	376	1 782
Operating profit	64	1	70	135
Profit for the year				91

3. Non-current assets held for sale and discontinued operations

The following summarizes the significant divestments during 2006 and 2005:

Closing date		Country	Business Area	Revenues[1]	Number of employees[1]
2006 Nov. 27	Rental Service Corporation	U.S.A./Canada	Rental Service	11 958	5 100
2005 Dec. 7	Stationary generator business	U.K. and other	Compressor Technique	200	28
2005 Jan. 3	Electric Tools	U.S.A./Germany, other	Industrial Technique	5 462	3 000

[1] Annual revenues and number of employees at time of divestment.

The Group completed the sale of the equipment rental operations in North America in November 2006. The divestment included all operations of the Rental Service business area with the exception of the specialty rental operations of Prime Energy and Prime Mexico which have been retained by the Group and will be integrated into the Compressor Technique business area. The capital gain, net of taxes, on the divestment was 6 900 and is included in profit from discontinued operations. The capital gain reported is affected by that fixed assets held for sale are not depreciated according to IFRS 5. Depreciation for the period from April 1, 2006 to the date of the sale totaled 889 (after tax) and would have reduced the carrying amount of the net assets sold and increased the gain had it been recorded. The Group has retained a 14.5% minority interest in the business and a portion of the consideration received is in the form of rights to notes. The issuance of the notes is contingent on the future earnings and profitability of the company. See note 15 for additional information.

The results of operations for the divested equipment rental operations are reported within discontinued operations in the consolidated income statement and the 2005 comparative period has been restated. The segment results in note 4 also reflect the reclassification of the equipment rental operations in North America to discontinued operations. The consolidated statement of cash flows for the year ending December 31, 2006 does not separately report the cash flows of the discontinued operations and the balance sheet as of December 31, 2005 and related statement of cash flows has not been restated.

The divestment of the electric tools business included two divisions within Industrial Technique and was completed on January 3, 2005. This was also reported as discontinued operations. Since the divestment was completed on January 3, 2005, the primary effect on the 2005 financial statements was the capital gain and cash flows from the proceeds. Other divestments in 2005 were relatively insignificant and have been included in continuing operations.

The components of profit from discontinued operations are as follows:

Income statement discontinued operations	2006	2005
Revenues	10 740	10 537
Cost of sales	–5 559	–7 290
Gross profit	**5 181**	**3 247**
Marketing expenses	–522	–514
Administrative expenses	–319	–310
Other operating income	38	42
Operating profit	**4 378**	**2 465**
Financial income	–	2
Financial expense	–628	–30
Net financial items	**–628**	**–28**
Profit before tax	**3 750**	**2 437**
Income tax expense	–1 537	–1 037
Profit from operations	**2 213**	**1 400**
Gain on sale of discontinued operations	7 525	278
Income tax on gain on sale of discontinued operations	–625	–61
Profit for the year	**9 113**	**1 617**
Basic earnings per share, SEK	14.53	2.57
Diluted earnings per share, SEK	14.51	2.57

The following table presents the carrying value of the divested operations for the equipment rental operations on November 27, 2006 and electric tools business on January 3, 2005. Please note that the following amounts include the minority interest and the right to notes.

Carrying value of assets and liabilities for divestments	2006	2005
Intangible assets	–	118
Rental equipment	13 441	–
Other property, plant and equipment	1 318	979
Other non-current assets	–1 323	66
Inventories	116	824
Receivables	1 765	881
Cash and cash equivalents	–17	204
Borrowings	–876	–836
Other liabilities and provisions	–1 595	–619
Deferred tax liabilities, net	–2 791	–64
Net identifiable assets	**10 038**	**1 553**
Capital gain	6 901	211
Hedging gain and translation differences	–199	–104
Goodwill	6 212	2 658
Consideration received	**22 952**	**4 318**
Cash and cash equivalents divested	17	–204
Net cash received	**22 969**	**4 114**

The cash flows from continued and discontinued operations are presented in the following table:

Cash flows from continuing and discontinued operations	2006			2005		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Cash flows from:						
operating activities	6 152	3 053	9 205	5 768	4 231	9 999
investing activities	–4 419	18 956	14 537	–2 660	664	–1 996
financing activities	–7 973	476	–7 497	–6 771	–750	–7 521
Net cash flow for the year	**–6 240**	**22 485**	**16 245**	**–3 663**	**4 145**	**482**
Cash and cash equivalents, Jan. 1			3 727			2 618
Exchange-rate difference in cash and cash equivalents			163			627
Cash and cash equivalents, Dec. 31			**20 135**			**3 727**

4. Segment information

2006	Compressor Technique	Construction and Mining Technique	Industrial Technique	Rental Service continuing operations	Common Group Functions	Elimina-tions	Group
Revenues from external customers	24 639	18 587	6 423	757	106		50 512
Inter-segment revenues	268	327	17			–612	–
Total revenues	**24 907**	**18 914**	**6 440**	**757**	**106**	**–612**	**50 512**
Operating profit	**5 071**	**3 010**	**1 346**	**252**	**–407**	**–69**	**9 203**
– of which share of profit in associated companies	*7*	*3*	*7*				*17*
Net financial items							–508
Income tax expense							–2 435
Profit from discontinued operations, net of tax							9 113
Profit for the year							**15 373**
Non-cash expenses							
Depreciation/amortization/impairment	692	589	144	122	153	–63	1 637
Other non-cash expenses	50	28	16	3	–45		52
Segment assets	14 022	11 608	3 342	831	2 606	–1 588	30 821
– of which goodwill	*1 051*	*1 099*	*421*				*2 571*
Investments in associated companies		14	63				77
Unallocated assets							24 357
Total assets							**55 255**
Segment liabilities	5 914	2 959	1 196	211	2 265	–975	11 570
Unallocated liabilities							10 977
Total liabilities							**22 547**
Capital expenditure							
Property, plant and equipment	854	984	89	141	303	–120	2 251
– of which assets leased	*47*	*15*	*6*	*12*	*3*		*83*
Intangible assets	264	167	75		18		524
Total capital expenditure	**1 118**	**1 151**	**164**	**141**	**321**	**–120**	**2 775**
Goodwill acquired	525	22	134				681

2005	Compressor Technique	Construction and Mining Technique	Industrial Technique	Rental Service continuing operations	Common Group Functions	Elimina-tions	Group
Revenues from external customers	20 469	14 929	6 050	709	48		42 205
Inter-segment revenues	203	225	14			–442	–
Total revenues	**20 672**	**15 154**	**6 064**	**709**	**48**	**–442**	**42 205**
Operating profit	**4 032**	**2 073**	**1 200**	**186**	**–529**	**–24**	**6 938**
– of which share of profit in associated companies			*4*				*4*
Net financial items							–75
Income tax expense							–1 899
Profit from discontinued operations, net of tax							1 617
Profit for the year							**6 581**
Non-cash expenses							
Depreciation/amortization/impairment	631	510	128	111	76	–39	1 417
Other non-cash expenses	61	29	–14	1	86		163
Segment assets	11 435	10 861	3 189	832	2 185	–1 205	27 297
– of which goodwill	*591*	*1 179*	*306*				*2 076*
Investments in associated companies		17	65		1		83
Unallocated assets							5 861
Total assets, continuing operations							**33 241**
Segment assets, discontinued operations							21 714
Total assets							**54 955**
Segment liabilities	5 029	2 719	1 226	147	2 037	–1 182	9 976
Unallocated liabilities							15 976
Total liabilities, continuing operations							**25 952**
Segment liabilities, discontinued operations							3 195
Total liabilities							**29 147**
Capital expenditure							
Property, plant and equipment	713	959	125	138	144	–68	2 011
– of which assets leased	*30*	*26*	*4*	*4*	*2*		*66*
Intangible assets	182	93	91		3		369
Total capital expenditure	**895**	**1 052**	**216**	**138**	**147**	**–68**	**2 380**
Goodwill acquired	207	60	70				337

4. Continued

Prior to the divestment of the rental equipment operations Atlas Copco was divided into four separate business areas. These business areas coincide with the definition for business segment reporting in that they offer different products and services to different customer groups. These groups are also the basis for the Group's management and internal reporting structure. All business areas are managed on a worldwide basis with their own sales operations and strive to maintain close and long-term relationships with their customers.

The major portion of the equipment rental operations were divested in 2006 and have been reported as discontinued operations in these financial statements. The remaining portion of the rental equipment operations representing the specialty rental activities will be incorporated into the Compressor Technique business area effective January 1, 2007.

The following describes the business areas of continuing operations:

- The Compressor Technique business area develops, manufactures, markets and services oil-free and oil-injected stationary air compressors, portable air compressors, gas and process compressors, turbo expanders, electric power generators, air treatment equipment and air management systems for applications in manufacturing, construction and process industry worldwide. It also offers specialty rental services.
- The Construction and Mining Technique business area develops, manufactures, markets and services rock drilling tools, construction and demolition tools, drill rigs and loading equipment within the areas of surface and underground excavation, exploration drilling, rock reinforcement, ground engineering, water well, oil and gas drilling worldwide.
- The Industrial Technique business area develops, manufactures and markets industrial power tools, assembly systems, aftermarket products, software and service for applications in the automotive and aerospace industry, general industrial manufacturing and maintenance, and vehicle service worldwide.

Common group functions include those operations which serve all business areas or the Group as a whole. The accounting principles of the segments are the same as those described in note 1. Atlas Copco intersegment pricing is determined on a commercial basis.

Segment assets are comprised of property, plant and equipment, intangible assets, other non-current receivables, inventories and current receivables. Segment liabilities include the sum of non-interest bearing liabilities such as operating liabilities, other provisions and other non-current liabilities. Capital expenditure includes property, plant and equipment and intangible assets but excludes the effect of goodwill, intangible assets and property, plant and equipment through acquisitions.

Revenues from external customers are comprised of the following categories:	2006	2005
Sale of equipment	30 068	24 726
Service (incl. spare parts, consumables and accessories)	17 771	14 954
Rental	2 673	2 525
	50 512	**42 205**

The revenues presented for the geographical segments are based on the location of the customers while assets and capital expenditures are based on the geographical location of the assets.

By geographic area	Revenues[1]		Segment assets[2]		Capital expenditure[1]	
	2006	2005	2006	2005	2006	2005
North America	11 229	9 250	6 770	27 858	578	662
South America	3 474	2 918	1 086	537	112	141
Europe	20 190	17 647	16 679	14 670	1 551	1 214
–of which Sweden	*1 185*	*971*	*4 997*	*4 330*	*658*	*418*
Africa/Middle East	4 591	3 465	1 206	979	142	71
Asia/Australia	11 028	8 925	5 080	4 967	392	292
	50 512	**42 205**	**30 821**	**49 011**	**2 775**	**2 380**

[1] Revenues and capital expenditures include only continuing operations.

[2] Segment assets for 2005 include 27 297 related to continuing operations and 21 714 in North America related to discontinued operations.

5. Employees and personnel expenses

Average number of employees	2006			2005		
	Women	Men	Total	Women	Men	Total
Parent Company						
Sweden	44	33	77	47	46	93
Subsidiaries						
North America	562	3 030	3 592	440	2 465	2 905
South America	222	1 446	1 668	174	1 280	1 454
Europe	1 955	10 463	12 418	1 763	9 620	11 383
–of which Sweden	*505*	*2 560*	*3 065*	*444*	*2 350*	*2 794*
Africa/Middle East	272	1 432	1 704	250	1 149	1 399
Asia/Australia	901	4 018	4 919	737	3 460	4 197
Total in subsidiaries	**3 912**	**20 389**	**24 301**	**3 364**	**17 974**	**21 338**
	3 956	**20 422**	**24 378**	**3 411**	**18 020**	**21 431**

Salaries and other remuneration	2006		2005	
	Board & President	Other employees	Board & President	Other employees
Parent Company				
Sweden	28	53	37	66
–of which variable compensation	*9*		*13*	
Subsidiaries	303	8 003	267	6 954
–of which variable compensation	*31*		*46*	
	331	**8 056**	**304**	**7 020**

Women in Atlas Copco Board and Management, %	2006	2005
Parent Company		
Board of Directors excl. employee representatives	25	22
Group Management	25	22
Group companies		
Boards of Directors	2	5
Management	9	9

Absence due to illness, %	2006	2005
Parent Company	2.7	3.3
Swedish companies	3.7	3.8
Long-term absence due to illness, in % of total absence	*32.4*	*31.3*
Group	2.4	2.2

	Group		Parent Company	
	2006	2005	2006	2005
Salaries and other remuneration	8 387	7 324	80	103
Contractual pension benefits for Board members and Presidents	43	34	5	13
Contractual pension benefits for other employees	569	442	11	17
Other social costs	1 966	1 747	30	43
	10 965	**9 547**	**126**	**176**
Pension obligations to Board members and Presidents	50	50	45	39

Remuneration and other benefits

SEK	Fee	Base salary	Variable compensation[1]	Value of stock option granted[5]	Other benefits[2]	Pension fees[1]	Other fees[3]	Total
Chairman of the Board	1 384 375						150 000	1 534 375
Vice Chairman	518 750						50 000	568 750
Other members of the Board	2 178 500						400 000	2 578 500
President and CEO		7 865 000	5 505 500	1 863 500	431 117	2 816 856		18 481 973
Other members of Group Management[4]		16 160 104	6 897 410	4 658 750	946 538	5 182 449		33 845 251
	4 081 625	**24 025 104**	**12 402 910**	**6 522 250**	**1 377 655**	**7 999 305**	**600 000**	**57 008 849**

[1] The CEO has exercised the option to have his variable compensation for 2006 as an additional pension contribution. The variable compensation to other members of Group Management for 2006 include amounts resulting from final adjustments for 2005.

[2] Refers to vacation pay, company car, medical care insurance and disability pension.

[3] Refers to fees for membership in audit- and remuneration committees.

[4] Excluding representatives from discontinued operations.

[5] For information of share based payments, see note 23.

Remuneration and other fees for members of the Board, the President and CEO, and other members of the Group Management

Principles

The Chairman of the Board and the Board Members are remunerated in accordance with the decision taken at the Annual General Meeting.

The remuneration to the President and CEO and other members of Group Management (seven positions) consists of an annual base salary, variable compensation as well as retirement and other benefits. No long-term share-related remuneration program was started in 2004 or 2005. For 2006 there is a performance based personnel stock option program decided upon by the Annual General Meeting. The variable compensation plan is limited to a maximum percentage of the base salary. No fees are paid for Board memberships in Group companies or any other compensation for other duties that they may perform outside the immediate scope of their positions.

Board of Directors

In 2006, the Chairman of the Board Sune Carlsson received a director's fee of SEK 1 384 375. The Vice Chairman Jacob Wallenberg received SEK 518 750. The Board members Staffan Bohman, Thomas Leysen, Ulla Litzén, Grace Reksten Skaugen and Anders Ullberg each received SEK 412 500 and Kurt Hellström SEK 87 500 for the first quarter. Employee representatives received a total amount of SEK 28 500. Additionally, as members of the audit committee, Sune Carlsson received SEK 100 000, Ulla Litzén SEK 200 000 and Staffan Bohman SEK 100 000. Further, Sune Carlsson and Jacob Wallenberg received SEK 50 000 each and Anders Ullberg received SEK 100 000 as members of the remuneration committee.

President and CEO

The President and Chief Executive Officer (CEO), Gunnar Brock, had an annual base salary of SEK 7 865 000.

The variable compensation for 2006 can give a maximum of 70% of the base salary paid, broken down into a maximum of 50% based on the Group's profit before tax and a maximum of 20% for various projects. The variable compensation is not included in the basis for pension benefits. According to agreement, the CEO has the option to receive variable compensation in the form of cash payment or as a pension contribution. Total cost for remuneration and benefits to Gunnar Brock amounted to SEK 18 481 973 in 2006, including the calculated value of stock options granted.

The CEO is a member of Atlas Copco Group Pension Policy for Swedish Executives, which is a defined contribution plan. He is entitled to retire at the age of 60. The contribution is age related and is 35% of the base salary and includes provisions for survivor's pension. In addition, he is entitled to a disability pension of 50% of his base salary. It has been agreed with the CEO to freeze the premium for the disability pension at 2005 level and instead increase the premium for the retirement pension. This is cost neutral for the company. The pension premium is therefore somewhat higher than 35% and the disability pension somewhat lower than 50%. The cost for the disability pension in 2006 was SEK 220 050. These pension plans are vested and are lifetime payments upon retirement.

Other members of the Group Management

The principle is that the base salary is compensation for general performance, while variable compensation is for a combination of the Group's and the individual's results. The variable compensation can amount to a maximum of 40% or 50% of the base salary. The variable compensation is not included in the basis for pension benefits. In 2006, the total cost for remuneration and benefits to other Group Management members amounted to SEK 33 845 251 of which SEK 16 160 104 was base salaries and SEK 11 556 160 variable compensation, including the calculated value of stock options granted.

Members of the Group Management employed in Sweden have a defined contribution pension plan, with contribution ranging from 25% to 35% of the base salary according to age. Members of the Group Management not based in Sweden also have a defined contribution pension plan. These pension plans are vested and are lifetime payments upon retirement. The retirement age is 65.

Options/share appreciation rights, holdings for Group Management

The number of stock options/share appreciation rights holdings as at December 31, are detailed below:

Stock options/Share appreciation rights holdings as at Dec. 31, 2006

Grant year	2001	2002	2003	2006[1]	Total
CEO	–	70 559	70 559	50 000	191 118
Other members of Group Management	17 640	23 518	47 029	125 000	213 187

[1] Estimated grants for 2006 stock option program.

See note 23 for additional information

Termination of employment

The principle for termination of the CEO's employment is that, if either party intends to terminate the contract, a notice period of six months is stipulated. The CEO is entitled to a severance pay of 12 months if the Company terminates the employment and a further 12 months if other employment is not available.

Other members of the Group Management are entitled to severance pay, if the Company terminates their employment. The amount of severance pay is depending on the length of employment with the company and the age of the executive, but is never less than 12 months and never more than 24 months.

Any income that the executive receives from employment or other business activity, whilst severance pay is being paid, will reduce the amount of severance pay accordingly.

Severance pay for the CEO and other members of Group Management is calculated only on the base salary and does not include variable compensation. Severance pay cannot be elected by the employee but will only be paid if employment is terminated by the Company.

Remuneration committee

In 2006 the Chairman of the Board, Sune Carlsson, Vice Chairman, Jacob Wallenberg, and Board member, Anders Ullberg were members of the remuneration committee. The committee proposed compensation to the President and CEO for approval by the Board. The committee also supported the President and CEO in determining the compensation for the other members of Group Management.

6. Remuneration to auditors

Audit fees and consultancy fees for advice or assistance other than audit for continuing operations, were as follows:

	2006	2005
KPMG		
–Audit fee	37	29
–Other	10	14
Other audit firms		
–Audit fee	3	2
	50	**45**

Other fees to KPMG are primarily consultancy for tax and accounting matters.

7. Operating expenses

Amortization, depreciation and impairment	2006	2005
Product development	223	191
Marketing and customer related assets	76	48
Other technology and contract based assets	81	59
Buildings	73	81
Machinery and other technical plant	292	303
Equipment	258	182
Rental equipment	634	553
	1 637	**1 417**

Amortization and impairment of intangible assets are recognized in the following line items in the income statement:

	2006		2005	
	Internally generated	Acquired	Internally generated	Acquired
Cost of sales	19	8	9	2
Marketing expenses	1	74	1	48
Administrative expenses	12	15	9	8
Research and development costs	219	32	190	31
	251	**129**	**209**	**89**

Impairment charges totaled 5 (36) of which 2 (36) are recorded as cost of sales and 3 (–) as development costs

Cost of sales
The amount of inventories recognized as expense amounted to 25 360 (20 419).

8. Other operating income and expenses

	2006	2005
Other operating income		
Commissions received	19	15
Income from insurance operations	60	21
Capital gain on sale of fixed assets	23	11
Capital gain on divestment of business	1	–
Exchange-rate differences	–	133
Other operating income	19	7
	122	**187**
Other operating expenses		
Capital loss on sale of fixed assets	–7	–
Capital loss on divestment of business	–	–6
Exchange-rate differences	–275	–
Other operating expenses	–9	–5
	–291	**–11**

The 2005 income from insurance operations include charges for hurricane-related losses totaling 78 in the United States.

Information related to the changes in fair value of financial instruments using a valuation technique is included in note 27.

9. Financial income and expense

	2006	2005
Financial income		
Dividends	1	–
Interest income	255	173
Gains from financial instruments including fair value adjustments	153	402
Exchange-rate differences	257	–
	666	**575**
Financial expense		
Interest expense	–847	–555
Net interest expense on pension provision	–62	–87
Losses from financial instruments including fair value adjustments	–265	–8
	–1 174	**–650**

Information related to the changes in fair value of financial instruments using a valuation technique is included in note 27.

The gains from financial instruments include 150 (381) related to the financial instruments entered into in connection with the employee stock option program.

The interest expense for 2006 was affected negatively from the closing of certain derivative instruments at the end of 2005 which were related to the extension of the Group's average interest rate period. The losses from financial instruments include –137 in provision related to repurchase of bonds in January 2007.

10. Taxes

Income tax expense	2006			2005		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Current taxes	–2 690	–637	–3 327	–1 967	–506	–2 473
Deferred taxes	255	–900	–645	68	–531	–463
	–2 435	**–1 537**	**–3 972**	**–1 899**	**–1 037**	**–2 936**

The above taxes do not include taxes related to the profit on the sale of discontinued operations. Taxes on the profit on the sale of discontinued operations total 625 (61). See note 3 for additional information on discontinued operations.

The following is a reconciliation of the companies' weighted average tax based on the national tax for the country as compared to the actual tax charge:

	2006	2005
Profit before tax, continuing operations	8 695	6 863
Profit before tax, discontinued operations	3 750	2 437
Profit before tax	12 445	9 300
Weighted average tax based on national rates	–4 253	–3 088
– In %	34.2	33.2
Tax effect of:		
Non-deductible expenses	–118	–86
Imputed interest on tax allocation reserve	–13	–17
Withholding tax on dividends	–13	–16
Tax-exempt income	243	219
Adjustments from prior years:		
– Current taxes	17	–2
– Deferred taxes	37	–19
Effects of tax losses/credits utilized	125	61
Change in tax rate, deferred tax	–1	–1
Tax losses not valued	–10	–6
Other items	14	19
Income tax expense	**–3 972**	**–2 936**
Effective tax in %	31.9	31.6

The divestment of equipment rental business has decreased the Group's presence in the United States, where the corporate tax rate is considerably higher than the Group's effective tax rate. As a consequence the Group's effective tax rate for continuing operations was 28.0% (27.7).

Previously unrecognized tax losses/credits and temporary differences which have been recognized against current tax expense amounted to 125 (54). No material unrecognized tax losses/credits or temporary differences have been used to reduce deferred tax expense. There is no significant deferred tax expense arising from a write-down of a previously recognized deferred tax asset.

Deferred taxes relating to temporary difference between book value and tax base of directly held shares in subsidiaries and associated companies have not been recognized. For group companies the Parent Company controls the realization of the deferred tax liability/asset and realization is not in the foreseeable future. The following reconciles the net liability balance of deferred taxes at the beginning of the year to that at the end of the year:

Change in deferred taxes	2006	2005
Net balance, Jan. 1	–2 489	–1 581
Effect of change in accounting principle	–	–165
Acquisition of subsidiaries	–6	–19
Divestment, discontinued operations	2 791	6
Charges to profit of the year	–645	–463
Translation differences	320	–267
Net balance, Dec. 31	**–29**	**–2 489**

Tax amounts credited directly to equity amounted to 1 (76).

The deferred tax assets and liabilities recognized in the balance sheet are attributable to the following:

Deferred tax assets and liabilities	2006			2005		
	Assets	Liabilities	Net balance	Assets	Liabilities	Net balance
Intangible assets	226	330	–104	8	438	–430
Property, plant and equipment	178	285	–107	133	2 824	–2 691
Other financial assets	14	60	–46	30	44	–14
Inventories	489	4	485	422	23	399
Current receivables	78	191	–113	71	146	–75
Cash and cash equivalents		8	–8			–
Operating liabilities	231	1	230	292	13	279
Provisions	125	6	119	170	3	167
Post-employment benefits	222	11	211	416	5	411
Borrowings	25		25	338		338
Loss/credit carry forwards	7		7	13		13
Other items	2	730	–728	16	902	–886
Deferred tax assets/liabilities	**1 597**	**1 626**	**–29**	**1 909**	**4 398**	**–2 489**
Netting of assets/liabilities	–978	–978	–	–1 056	–1 056	–
Net deferred tax balances	**619**	**648**	**–29**	**853**	**3 342**	**–2 489**

Other items primarily include tax deductions (tax allocation reserve etc.) which are not related to specific balance sheet items.

At December 31, 2006, the Group had total tax loss carry-forwards of 63 of which no deferred tax assets had been recognized for 37 as it is not considered probable that future taxable profit will be available from which the Group can utilize the benefits. There is no expiry date for utilization of the tax loss carry-forwards for which no deferred tax assets have been recorded.

10. Continued

Changes in temporary differences during the year that are recognized in the income statement are attributable to the following:

	2006	2005
Intangible assets	–146	–140
Property, plant and equipment	–788	78
Other financial assets	–35	14
Inventories	111	108
Current receivables	13	95
Cash and cash equivalents	–8	–
Operating liabilities	120	–10
Provisions	2	23
Post-employment benefits	39	–110
Borrowings	10	6
Other items	43	129
Changes due to temporary differences	**–639**	**193**
Loss/credit carry-forward	–6	–656
	–645	**–463**

11. Earnings per share

	Basic earnings per share		Diluted earnings per share	
Amounts in SEK	**2006**	**2005**	**2006**	**2005**
Earnings per share	24.48	10.43	24.44	10.41
– of which continuing operations	*9.95*	*7.86*	*9.93*	*7.84*
– of which discontinued operations	*14.53*	*2.57*	*14.51*	*2.57*

The calculation of earnings per share presented above is based on profits and number of shares as detailed below.

Profit for the year attributable to the equity holders of the parent	2006	2005
Profit for the year	15 349	6 560
– of which continuing operations	*6 236*	*4 943*
– of which discontinued operations	*9 113*	*1 617*

Basic earnings per share
The earnings per share are calculated based on the profit for the year attributable to the equity holders of the parent and the weighted average number of shares outstanding. The weighted average number of shares has been calculated as follows:

	2006	2005
Total shares outstanding at January 1	628 806 552	209 602 184
Stock split 4:1, adding to the number of shares	–	628 806 552
Redemption of shares	–	–209 602 184
Effect of repurchase of own shares	–1 701 105	–
Basic weighted average number of shares outstanding	**627 105 447**	**628 806 552**

In accordance with IAS 33, no adjustments for the effects of the redemption shares issued and redeemed during 2005 have been included in calculating the basic weighted average number of shares outstanding.

Diluted earnings per share
Diluted earnings per share are calculated in accordance with IAS 33. The dilutive effects arise from the stock options in the share based incentive programs. The earnings per share are calculated based on the profit for the year attributable to the equity holders of the parent and the weighted average number of shares outstanding. The weighted average number of shares has been calculated as follows:

	2006	2005
Basic weighted average number of shares outstanding	627 105 447	628 806 552
Effect of employee stock options	907 380	1 134 936
Diluted weighted average number of shares outstanding	**628 012 827**	**629 941 488**

Potentially dilutive instruments and changes after the balance sheet date
Atlas Copco has outstanding employee stock option programs where the exercise price exceeded the average share price for ordinary shares (SEK 198 per share). These options are therefore considered anti-dilutive and are not included in the calculation of diluted earnings per share. If the average share price exceeds the strike price in the future, these options will be dilutive.

12. Intangible assets

2006	Internally generated intangible assets: Product development	Internally generated intangible assets: Other technology and contract based	Acquired intangible assets: Product development	Acquired intangible assets: Marketing and customer related	Acquired intangible assets: Other technology and contract based	Goodwill	Total
Cost							
Opening balance, Jan. 1	1 040	134	3	473	427	9 250	11 327
Less: discontinued operations						–7 161	–7 161
Continuing operations, Jan. 1	1 040	134	3	473	427	2 089	4 166
Investments	325	87			112		524
Acquisition of subsidiaries				300	24	681	1 005
Disposals	–9	–1			–5		–15
Reclassifications	–1	–3					–4
Translation differences	–34	–5		–59	–45	–187	–330
Closing balance, Dec. 31	**1 321**	**212**	**3**	**714**	**513**	**2 583**	**5 346**
Amortization and impairment losses							
Opening balance, Jan. 1	437	31	1	113	125	13	720
Amortization	220	28		74	53		375
Impairment charge	3			2			5
Acquisition of subsidiaries					1		1
Disposals	–6				–5		–11
Reclassifications		–1	1				–
Translation differences	–18	–1		–13	–10	–1	–43
Closing balance, Dec. 31	**636**	**57**	**2**	**176**	**164**	**12**	**1 047**
Carrying amount							
At Jan. 1	603	103	2	360	302	9 237	10 607
Less: discontinued operations						–7 161	–7 161
Continuing operations, Jan. 1	603	103	2	360	302	2 076	3 446
At Dec. 31	685	155	1	538	349	2 571	4 299

2005	Internally generated intangible assets: Product development	Internally generated intangible assets: Other technology and contract based	Acquired intangible assets: Product development	Acquired intangible assets: Marketing and customer related	Acquired intangible assets: Other technology and contract based	Goodwill	Total
Cost							
Opening balance, Jan. 1	728	58		343	337	7 552	9 018
Investments	283	74			12		369
Acquisition of subsidiaries			3	86	42	337	468
Disposals	–1				–5	–24	–30
Reclassifications	2				–1		1
Translation differences	28	2		44	42	1 385	1 501
Closing balance, Dec. 31	**1 040**	**134**	**3**	**473**	**427**	**9 250**	**11 327**
Amortization and impairment losses							
Opening balance, Jan. 1	233	12		59	82	35	421
Amortization	190	19	1	48	40		298
Disposals	–1				–4	–24	–29
Reclassifications	2				–2		–
Translation differences	13			6	9	2	30
Closing balance, Dec. 31	**437**	**31**	**1**	**113**	**125**	**13**	**720**
Carrying amount							
At Jan. 1	495	46	–	284	255	7 517	8 597
At Dec. 31	603	103	2	360	302	9 237	10 607

Other technology and contract based intangible assets include computer software, patents and contract based rights such as licenses and franchise agreements. All intangible assets other than goodwill are amortized. For information regarding amortization, see notes 1 and 7.
See notes 2 and 3 for information on acquisitions and divestments.

12. Continued

Impairment tests for cash-generating units with goodwill

The following table presents the carrying value of goodwill allocated by division. Acquired businesses are historically integrated with other Atlas Copco operations soon after the acquisition which also includes the related cash flows. Therefore, the Group prepares impairment tests at the divisional level which have also been identified as the cash-generating units (CGU). The recoverable amounts of the CGUs have been calculated as value in use, based on management's five-year forecast for net cash flows. The Group has no intangible assets with indefinite useful lives other than goodwill.

The most significant goodwill previously held by the Group was related to the Rental Service operations which were divested during 2006 with a gain being recorded on the sale.

The revenue growth for the five-year forecast is estimated for each of the divisions based on their particular market position and the characteristics and development of their end markets. The forecasted growth rates are within a range of 2–16% which, on average, is in line with the Group's target growth. The operating profit margins are forecasted to be in line with the 2006 levels. The growth rate after the forecast period is 2–3%. The Group's 2006 weighted average cost of capital of 7.8% (approximately 11.5% pretax) has been used in discounting the cash flows to determine the recoverable amount.

The recoverable amounts for all divisions are in excess of their carrying amounts and accordingly no impairment has been recorded. The Group also evaluates the sensitivity of the recoverable amounts considering the reasonably expected adverse changes in the key factors which also noted all amounts to be in excess of their carrying amounts.

Carrying value of goodwill by cash-generating unit for continuing operations	2006	2005
Compressor Technique		
Oil-free Air	232	226
Industrial Air	657	193
Portable Air	130	135
Business area level	32	37
	1 051	**591**
Construction and Mining Technique		
Underground Rock Excavation	44	44
Surface Drilling Equipment	93	106
Drilling Solutions	200	228
Secoroc	111	115
Construction Tools	467	482
Geotechnical Drilling and Exploration	171	189
Business area level	13	15
	1 099	**1 179**
Industrial Technique		
Tools and Assembly Systems Motor Vehicle Industry	100	–
Tools and Assembly Systems General Industry	26	–
Chicago Pneumatic Industrial	278	287
Chicago Pneumatic Vehicle Service	11	12
Tooltec	2	2
Business area level	4	5
	421	**306**
Rental Service	**–**	**7 161**
Total	**2 571**	**9 237**

13. Property, plant and equipment

	2006	2005
Carrying amounts continuing operations		
Buildings and land	1 321	1 312
Machinery and other technical plant	1 418	1 328
Equipment, etc.	685	565
Construction in progress and advances	353	263
Other property, plant and equipment	**3 777**	**3 468**
Rental equipment	1 979	2 000
	5 756	**5 468**
Tax assessment value, buildings and land	153	150

The tax assessment values reported for the Group pertain exclusively to buildings and land in Sweden. The net book value of these is 167 (180).

For information regarding depreciation, see notes 1 and 7.

13. Continued

2006	Buildings and land	Machinery and equipment	Construction in progress and advances	Total	Rental equipment
Cost					
Opening balance, Jan. 1	2 690	7 979	301	10 970	20 111
Less: discontinued operations[1]	–266	–1 797	–38	–2 101	–16 437
Continuing operations, Jan. 1	2 424	6 182	263	8 869	3 674
Investments	164	843	108	1 115	1 136
Acquisition of subsidiaries	71	189		260	1
Disposals	–53	–297		–350	–722
Reclassifications		1		1	1
Translation differences	–164	–373	–18	–555	–363
Closing balance, Dec. 31	**2 442**	**6 545**	**353**	**9 340**	**3 727**
Depreciation and impairment losses					
Opening balance, Jan. 1	1 298	5 169		6 467	6 655
Less: discontinued operations[1]	–186	–880		–1 066	–4 981
Continuing operations, Jan. 1	1 112	4 289		5 401	1 674
Depreciation	73	550		623	634
Acquisition of subsidiaries	23	108		131	
Disposals	–16	–259		–275	–395
Reclassifications	–5	3		–2	
Translation differences	–66	–249		–315	–165
Closing balance, Dec. 31	**1 121**	**4 442**		**5 563**	**1 748**
Carrying amounts					
At Jan. 1	1 392	2 810	301	4 503	13 456
Less: discontinued operations[1]	–80	–917	–38	–1 035	–11 456
Continuing operations, Jan. 1	1 312	1 893	263	3 468	2 000
At Dec. 31	1 321	2 103	353	3 777	1 979

[1] In accordance with IFRS 5, fixed assets related to the equipment rental operations were reclassified as assets held for sale at the end of the first quarter and were subsequently divested in the fourth quarter. See note 3 for additional information.

2005	Buildings and land	Machinery and equipment	Construction in progress and advances	Total	Rental equipment
Cost					
Opening balance, Jan. 1	2 422	6 923	203	9 548	14 751
Investments	100	1 108	71	1 279	6 407
Acquisition of subsidiaries	18	66	2	86	4
Disposals	–79	–822		–901	–4 043
Reclassifications	–5	–10	–2	–17	–4
Translation differences	234	714	27	975	2 996
Closing balance, Dec. 31	**2 690**	**7 979**	**301**	**10 970**	**20 111**
Depreciation and impairment losses					
Opening balance, Jan. 1	1 134	4 700		5 834	5 597
Depreciation	103	713		816	2 199
Impairment	7			7	
Acquisition of subsidiaries	1	34		35	16
Disposals	–50	–720		–770	–2 207
Reclassifications	–5	–10		–15	–5
Translation differences	108	452		560	1 055
Closing balance, Dec. 31	**1 298**	**5 169**		**6 467**	**6 655**
Carrying amounts					
At Jan. 1	1 288	2 223	203	3 714	9 154
At Dec. 31	1 392	2 810	301	4 503	13 456

See note 22 for information on finance leases.

14. Investments in associated companies

Accumulated capital participation	2006	2005
Opening balance, Jan. 1	83	73
Acquisitions of associated companies	1	–
Acquisition of subsidiary	–2	–
Dividends	–3	–
Profit for the year after income tax	7	4
Translation differences	–9	6
Closing balance, Dec. 31	**77**	**83**

Summary of financial information for associated companies

	Country	Assets	Liabilities	Equity	Revenues	Profit for the year	Percentage of capital
2006							
Qingdao Qianshao Pneumatic Tool Manufacturing Tech Ltd.	China	11	2	9	8	-1	25
Shenyang Rui Feng Machinery Ltd.	China	26	12	14	22		25
Toku-Hanbai KK	Japan	100	48	52	312	7	50
Others				2		1	
				77		**7**	
2005							
Qingdao Qianshao Pneumatic Tool Manufacturing Tech Ltd.	China	13	1	12	8		25
Shenyang Rui Feng Machinery Ltd.	China	30	15	15	21		25
Toku-Hanbai KK	Japan	104	51	53	287	4	50
Others				3			
				83		**4**	

The above table is based on the most recent financial reporting available and represents Atlas Copco's share of the respective company.

The acquisition in 2006 relates to interest in a company acquired in connection with the Fuji investment. The Group also acquired the full interest in a former associated company in South Africa whereby it became a wholly owned subsidiary.

Income from the share of profits in associated companies as reported in the income statement also includes 10 related to the gain of the sale of Pneumatic Equipment Corporation in the Philippines which was sold during 2006 (previously included in others in the above table).

15. Other financial assets

	2006	2005
Non-current		
Pension and other similar benefit assets (note 23)	294	218
Derivatives		
– not designated for hedge accounting	4	4
– designated for hedge accounting	62	101
Finance lease receivables	544	313
Investments available for sale	1 333	–
Other non-current receivables	222	232
	2 459	**868**
Current		
Government bonds	269	308
Finance lease receivables	459	79
Other financial receivables	288	1
Other financial receivables, associated companies	–	1
	1 016	**389**

Available-for-sale investments include 413 related to the 14.53% interest holding in the rental operations as well as 920 of the contingent consideration on the divested operations in the form of rights to notes. These financial assets are classified as available-for-sale. The government bonds of 269 (308) are classified as held-to-maturity.

See note 22 for information on finance leases and note 27 for additional information on fair value derivatives.

16. Inventories

	2006	2005
Raw materials	348	266
Work in progress	2 028	1 399
Semi-finished goods	2 118	1 843
Finished goods	3 993	3 707
	8 487	**7 215**

Provisions for obsolescence and other write-downs of inventories recorded as cost of sales amounted to –360 (–218). Reversals of write-downs which were recognized in earnings totaled 67 (28).

17. Trade receivables

Trade receivables are reported net of provisions for doubtful accounts and other impairments. Provisions for doubtful accounts and impairment losses recognized in current earnings totaled 127 (76). For credit risk information see note 27.

18. Other receivables

	2006	2005
Derivatives		
– not designated for hedge accounting	492	572
Other receivables	1 290	1 168
Prepaid expenses and accrued income	508	479
	2 290	**2 219**

Prepaid expenses and accrued income include items such as rent, insurance, premiums and commissions.

See note 22 for information on finance leases and note 27 for additional information on fair value derivatives.

19. Cash and cash equivalents

	2006	2005
Cash	2 057	2 129
Cash equivalents	18 078	1 598
	20 135	**3 727**

Cash and cash equivalents totaled 20 135 at December 31, 2006 including 14 488 of which the management was outsourced to five banks who invested it in highly rated securities governed by mandates defined by Atlas Copco. As of December 31, 2006, this investment had an average effective interest rate of 3.77%. These investments are designated as fair value through profit and loss.

Guaranteed, but unutilized, credit lines equaled 4 903 (5 385). See note 27 for additional information.

20. Equity

Class of share	Shares outstanding
A shares	419 697 048
B shares	209 109 504
	628 806 552
– of which B-shares held by Atlas Copco	18 414 200
	610 392 352

The parent company, Atlas Copco AB's, share capital amounted to SEK 786 008 190 distributed among 628 806 552 shares, each with a quota value of some SEK 1.25 (1.25). Series A shares entitle the holder to one voting right and series B shares entitle the holder to one-tenth of a voting right per share.

Repurchases of own shares	Number of shares		Carrying amount	
	2006	2005	2006	2005
Opening balance, Jan. 1	–	–	–	–
Repurchase of own shares	18 414 200	–	3 776	–
Closing balance, Dec. 31	**18 414 200**	**–**	**3 776**	**–**
Percentage of total number of shares	2.9%	–		

The 2006 Annual General Meeting approved a mandate for the repurchase of a maximum of 10% of the total number of shares issued by the Company as proposed by the Board of Directors. This mandate is valid up to the Annual General Meeting in 2007. Share repurchases were initiated on October 30, 2006 and as per December 31, 2006 Atlas Copco held 18 414 200 series B shares, bought back for 3 776, for an average price of SEK 205 per share.

Reserves

Consolidated equity includes certain reserves which are described as follows:

Hedging reserve

The hedging reserve comprises the effective portion of net changes in fair value for certain cash flow hedging instruments.

Translation reserve

The translation reserve comprises all exchange differences arising from the translation of the financial statements of foreign operations.

Appropriation of profit

The Board of Directors proposes a dividend of SEK 4.75 (4.25) totaling SEK 2 899 363 672 (2 672 427 846). For further information see appropriation of profit on page 82.

21. Borrowings

	2006	2005
Non-current		
Loans	1 072	6 964
Finance lease liabilities	91	688
	1 163	**7 652**
Current		
Current portion of loans	4 883	787
Short-term borrowings	1 046	826
Finance lease liabilities	48	254
	5 977	**1 867**
	7 140	**9 519**

See note 22 for information on finance leases.

Loans	2006	2005
Parent Company		
Bond loan MUSD 375	2 569	2 969
Bond loan MUSD 392.5	2 718	3 164
Promissory notes MUSD 75	516	597
Promissory notes MSEK	–	43
Available under "MSEK 5 000 Medium Term Note Program"		
– Outstanding MSEK	–	500
– Outstanding MEUR – (15)	–	141
Available under "MEUR 500 Medium Term Note Program"		
– Outstanding MUSD – (10)	–	80
Less: current portion	–4 829	–726
The Parent Company's loans	**974**	**6 768**
Subsidiaries		
Other non-current loans	152	257
Less: current portion	–54	–61
	1 072	**6 964**

Finance lease liabilities decreased by approximately 800 due to the divestment of the rental equipment business. In December 2006, Atlas Copco initiated a make-whole procedure which led to the repurchase of the MUSD 625 of 2008 and 2009 bonds in January 2007. As a result of this, the bonds have been reclassified from non-current to current. The estimated difference between the book value and the repurchase cost of MSEK 137 was provisioned in Q4 2006. Additional information about the Group's future maturities of loan liabilities, exposure to interest rate and foreign currency risk are detailed in note 27.

Atlas Copco has currently a long-term debt rating of A-/A3.

Atlas Copco AB has commercial paper programs for short-term borrowings in the United States, Sweden, and certain European countries. The maximum amounts available under these programs total MUSD 1 500 and MSEK 4 000 (corresponding to a total of 14 314). No amounts were outstanding under these programs as of December 31, 2006 or 2005. These programs have a K1 rating in Sweden and an A2/P2 rating internationally.

The Atlas Copco Group's short-term and long-term loans are distributed among the following currencies. The table also reflects the effect of derivatives at year end.

Distribution of current and non-current borrowings	2006			2005
Currency	Local curr. (millions)	MSEK	%	%
USD	852	5 859	82.1	88.7
AUD	17	94	1.3	0.7
HKD	105	93	1.3	0.7
INR	470	73	1.0	1.2
EUR	8	71	1.0	1.8
SEK	48	48	0.7	0.5
GBP	1	16	0.2	0.2
CAD	–	–	–	1.0
Others		886	12.4	5.2
		7 140	**100.0**	**100.0**

Other than standard undertakings such as negative pledge and pari passu the various interest-bearing loans and borrowings do not contain any restrictions.

22. Leases

Operating leases – lessee

The leasing costs for assets under operating leases, such as rented premises, machinery, and significant computer and office equipment are reported as operating expenses and amounted to 394 (400). Future payments for non-cancelable leasing contracts amounted to 1 046 (1 947). The amount for 2005 included 896 related to discontinued operations. Future payments for non-cancelable operating leasing contracts fall due as follows:

	2006	2005
Less than one year	331	588
Between one and five years	670	1 253
More than five years	45	106
	1 046	**1 947**

Operating leases – lessor

Atlas Copco has equipment which is leased to customers under operating leases. Future payments for non-cancelable operating leasing contracts fall due as follows:

	2006	2005
Less than one year	115	124
Between one and five years	159	211
More than five years	24	32
	298	**367**

Finance leases – lessee

Assets utilized under finance leases	Machinery and equipment	Rental equipment
Carrying amounts, Jan. 1, 2005	596	14
Carrying amounts, Dec. 31, 2005	893	13
Carrying amounts, Jan. 1, 2006	893	13
Carrying amounts, Dec. 31, 2006	121	9

Future payments will fall due as follows:

	2006			2005		
	Minimum lease payments	Interest	Principal	Minimum lease payments	Interest	Principal
Less than one year	57	9	48	294	40	254
Between one and five years	97	7	90	727	123	604
More than five years	1	–	1	117	33	84
	155	**16**	**139**	**1 138**	**196**	**942**

Finance leases – lessor

The Group offers lease financing to customers via Atlas Copco Customer Finance and certain other subsidiaries. Future lease payments to be received fall due as follows:

	2006		2005	
	Gross investment	Present value of minimum lease payments	Gross investment	Present value of minimum lease payments
Less than one year	482	458	117	76
Between one and five years	565	521	311	294
More than five years	14	10	12	11
	1 061	**989**	**440**	**381**
Unearned finance income		58		47
Unguaranteed residual value		14		12
	1 061	**1 061**	**440**	**440**

23. Employee Benefits

Post-employment benefits

2006	Funded pension	Unfunded pension	Other unfunded	Total
Defined benefit obligations	4 745	1 460	211	6 416
Fair value of plan assets	–4 739			–4 739
Present value of net obligations	**6**	**1 460**	**211**	**1 677**
Unrecognized actuarial gains (+) / losses (–)	–298	6	3	–289
Recognized liability for defined benefit obligations	**–292**	**1 466**	**214**	**1 388**
Other long-term service liabilities			14	14
Net amount recognized in balance sheet	**–292**	**1 466**	**228**	**1 402**

2005	Funded pension	Unfunded pension	Other unfunded	Total
Defined benefit obligations	4 836	1 543	277	6 656
Fair value of plan assets	–4 445			–4 445
Present value of net obligations	**391**	**1 543**	**277**	**2 211**
Unrecognized actuarial gains (+) / losses (–)	–435	–139	3	–571
Recognized liability for defined benefit obligations	**–44**	**1 404**	**280**	**1 640**
Other long-term service liabilities			22	22
Net amount recognized in balance sheet	**–44**	**1 404**	**302**	**1 662**

Atlas Copco provides post-retirement defined benefit pensions and benefits in most of its major locations. The most significant countries in terms of size of plan are Belgium, Canada, France, Germany, Great Britain, Italy, Norway, Sweden, Switzerland and the United States. Some plans are funded in advance with certain assets or funds held separately from the Group for future benefit payment obligations. Other plans are unfunded and the benefits from these plans are paid by the Group as they fall due.

The plans in Belgium cover early retirement, jubilee and termination indemnity benefits. All plans are unfunded. The earlier estimated cost of early retirement benefits has been revised to reflect the increased likelihood that employees will become eligible for these benefits in the future. The effect of this change in estimate, which increased the defined benefit obligations by 135, has been recognized as a one-time increase in pension cost in 2006.

In Canada, Atlas Copco provides a pension plan, a supplemental retirement pension benefit plan for executives, both funded, and a post-retirement benefit plan.

In France, the companies offer retirement indemnities. These benefits are unfunded for most companies.

The German plans include those for pensions, early retirement, jubilee and death benefits. All plans are unfunded.

There is a final salary pension plan in Great Britain and the plan is funded. This plan has the largest defined benefit obligation of all plans and represents 33% of the total defined benefit obligation of the Group.

In Italy, Atlas Copco provides the statutory termination indemnity benefit (TFR) which pays a lump sum benefit to members when they leave the company. The plan is unfunded. Changes in the legislation for this benefit are expected to lead to special event accounting during 2007.

The Norwegian companies offer a final salary scheme that is insured. Additionally, an unfunded early retirement plan is provided.

There are three defined benefit pension plans in Sweden. The ITP plan is a final salary pension plan covering the majority of salaried employees in Sweden. Atlas Copco finances the benefits through a pension foundation. Atlas Copco has also obligations for family pensions for salaried employees, which are funded through a third-party insurer. This plan is accounted for as a defined contribution plan as insufficient information is available for calculating the net pension obligation. The other plan relates to a group of employees earning more than 10 income base amounts who have opted out from the ITP plan. This plan is insured. The third plan subject to IAS 19 relates to former senior employees now retired. These pension arrangements are provided for in the balance sheet.

In Switzerland, the Group offers a cash-balance plan where a minimum return is promised. In 2006 a further plan was added following the Servatechnik aquisition. Both of these arrangements are funded.

In the United States, Atlas Copco provides a pension plan, a post retirement medical plan and a number of supplemental retirement pension benefits for executives. The pension plan is partially funded while the other plans are unfunded.

The Group made additional contributions to their funded arrangements in the United States, Canada and Switzerland in order to reach full funding on the IAS 19 measure.

The actual return on plan assets totaled 238 (446). Of the total benefit expense of 392 (264), an amount of 328 (176) has been charged to operating expense and an amount of 62 (87) has been charged to financial expense.

The net pension obligations have been recorded in the balance sheets as follows:

	2006	2005
Financial assets (note 15)	–294	–218
Post-employment benefits	1 647	1 826
Other provisions (note 25)	49	54
Total, net	**1 402**	**1 662**

Movement in plan assets

	2006	2005
Fair value of plan assets at Jan. 1	4 445	3 234
Plan amendments	76	–
Expected return on plan assets	227	202
Difference between expected and actual return on plan assets	11	244
Acquisition of subsidiaries	31	–
Settlements	–9	–29
Employer contributions	554	771
Plan members contributions	17	16
Benfits paid by the plan	–368	–321
Translation differences	–245	328
Fair value of plan assets at Dec. 31	**4 739**	**4 445**

Plan assets consist of the following:

	2006	2005
Equity securities	1 178	2 022
Bonds	3 261	2 155
Others	266	238
Cash	34	30
	4 739	**4 445**

The plan assets are allocated among the following geographic areas	2006	2005
Europe	3 532	3 321
North America	1 160	1 092
Rest of the world	47	32
	4 739	**4 445**

Plan assets do not include any of the Group's financial instruments or property which is occupied by members of the Group.

Movement in the obligations for defined benefits	2006	2005
Defined benefit obligations at Jan. 1	6 656	6 201
Service cost	192	155
Interest expense	291	290
Actuarial experience gains (–) / losses (+)	51	142
Actuarial assumptions gains (–) / losses (+)	–287	427
Acquisition of subsidiaries	37	–
Settlements	–9	–818
Benefits paid from plan or company assets	–369	–321
Effect of change in estimates	135	–
Other	85	20
Translation differences	–366	560
Defined benefit obligations at Dec. 31	**6 416**	**6 656**

The defined benefit obligations for employee benefits are comprised of plans in the following geographic areas	2006	2005
Europe	4 903	4 964
North America	1 441	1 637
Rest of the world	72	55
	6 416	**6 656**

Expenses recognized in the income statement	2006	2005
Service cost	192	155
Interest expense	291	290
Expected return on plan assets	–227	–202
Employee contribution	–17	–16
Past service cost	5	21
Amortization of unrecognized actuarial loss	12	10
Settlement loss	1	6
Effect of change in estimates	135	–
	392	**264**

The expenses are recognized in the following line items in the income statement	2006	2005
Cost of sales	155	54
Marketing expenses	69	52
Administrative expenses	85	63
Research and development costs	19	7
Financial expense (note 9)	62	87
Discontinued operations	2	1
	392	**264**

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages)	2006	2005
Discount rate		
Europe	4.54	4.18
North America	5.66	5.38
Rest of the world	3.97	3.65
Expected return on plan assets		
Europe	3.61	4.94
North America	5.42	5.73
Rest of the world	2.52	2.87
Future salary increases		
Europe	3.37	3.29
North America	0.94	3.42
Rest of the world	3.36	2.66
Medical cost trend rate		
North America	9.5	10.0
Future pension increases		
Europe	2.16	2.23
North America	1.62	1.68
Rest of the world	n/a	n/a

The expected return on assets is based on yields for government bonds with the addition of an equity risk premium in respect of equity related instruments. The assumption also reflects the allocation of assets for respective plans as well as the particular yields for the respective country or region.

Assumed healthcare cost trend rates have a significant effect on the amounts recognized in profit and loss. A one percentage point change in assumed healthcare cost trend rates would have the following effects:

Medical cost trend rate	One percentage point increase	One percentage point decrease
Effect on aggregate service cost	18.0%	–18.0%
Effect on defined benefit obligation	9.1%	–9.1%

Historical information	2006	2005	2004	2003
Present value of defined benefit obligations	6 416	6 656	6 201	5 907
Fair value of plan assets	4 739	4 445	3 234	3 025
Present value of net obligations	**1 677**	**2 211**	**2 967**	**2 882**

Actuarial gains (+) / losses (–) arising on experience, relating to:	2006	2005
Plan assets	11	244
Plan liabilities	–51	–142

The Group expects to pay 323 in contributions to defined benefit plans in 2007.

Defined contribution plans

In addition to the defined obligation plans, the Group also provides post-employment pensions and other benefits through defined contribution schemes. The expense for defined contribution plans was 284 (300).

23. Continued

Share value based incentive programs

In 2000 the Board of Directors resolved to implement a worldwide personnel stock option plan for 2000–2003 aimed at key employees in the Group. The implementation of this plan was decided upon by the Board on a yearly basis. In 2006 the Annual General Meeting decided on a performance based personnel stock option program for 2006 based on a proposal from the Board. No personnel stock options or SARs were granted in 2004 or 2005.

Program 2000–2003

The 2000–2003 plan provided for the grant of stock options, which entitled the holders to acquire Atlas Copco AB series A shares at a exercise price which was calculated as 110% of the average trading price during a ten day period before the grant.

In some countries (the United States, Belgium, Brazil, Canada, India, Malaysia and the Philippines) Share Appreciation Rights (SARs) were granted instead of options due to legal and tax reasons. A SAR does not entitle the holder to acquire shares, but only to receive the difference between the price of the A-share at exercise and a fixed price, corresponding to the exercise price of the stock options.

The main terms of the personnel stock options/SARs 2000–2003 are the following: they are issued by Atlas Copco AB; have a term of six years from grant date and; vest at a rate of one third per year as from the date of grant. They are not transferable.

Unvested personnel stock options/SARs expire at termination of employment, while vested personnel stock options/SARs are exercisable within one month (grant year 2000 and 2001) or three months (grant year 2002 and 2003) after termination of employment (12 months in case of retirement). The personnel options were granted free of charge and had no performance conditions.

Program 2006

At the Annual General Meeting 2006 it was decided to implement a performance related personnel option program that entitle a maximum of 220 key persons in the Group the possibility to acquire a total of 1 600 000 Atlas Copco series A shares.

The grant of options is dependent on the development of the value growth within the Group, expressed as Economic Value Added (EVA), during 2006 and will take place not later than during March 2007. The personnel stock options are issued based on the achieved performance of the Group and are granted without compensation paid by the employee. They have a term of five years from grant date and vest at a rate of one third per year as from the year after the date of grant. They are not transferable. The Board has the right to decide to implement an alternative incentive solution for key persons in such countries where the grant of personnel options is not feasible.

The grant of personnel options is maximized to the following number per person within the different key groups:

– Category 1 – the Group President – 50 000 personnel options
– Category 2 – Business Area Presidents – 25 000 personnel options
– Category 3 – other members of Group Management and Division Presidents – 12 500 personnel options
– Category 4 – other key persons – 6 250 personnel options

Due to the fact that the grant is dependent on EVA for 2006, a theoretical grant value has been calculated and accounted for in accordance with IFRS 2 from the time of notice to the individuals of the option program, May 2006, and with the assumption that only stock options will be issued. A recalculation of estimated figures will be performed when the factual grant in February/March 2007 is known.

The Black & Scholes model has been used for the calculation in 2006 with the following preconditions:

– Estimated EVA	100%
– Exercise price	SEK 243
– Expected volatility	25%
– Expected option life	3.88–4.88 years
– Expected dividend (growth)	SEK 14.45 (10%)
– Risk free interest rate	3.49%–3.62%

The calculation resulted in an average grant value of SEK 37.27 per option. In total approximately 1 593 750 options and SARs equivalents to options are expected to be issued to 219 individuals under the program during February/March 2007.

Summary of share value based incentive programs[1)]

	Stock options				Share appreciation rights			
Grant year	**2000**	**2001**	**2002**	**2003**	**2000**	**2001**	**2002**	**2003**
Initial number of employees	120	142	145	138	28	118	125	127
Initial number of options	1 278 889	1 411 188	1 437 648	1 420 008	299 877	1 164 230	1 261 249	1 234 789
Expiration date	April 26, 06	May 13, 07	May 12, 08	May 11, 09	April 26, 06	May 13, 07	May 12, 08	May 11, 09
Exercise price, SEK	72	76	86	68	72	76	86	68
Type of share	A	A	A	A	A	A	A	A
Number of options/rights 2006								
Outstanding Jan. 1	149 435	258 583	558 760	881 862	9 024	104 515	359 134	693 344
Exercised	–140 615	–105 702	–180 157	–337 560	–9 024	–59 391	–237 640	–359 380
Forfeited	–8 820	–	–	–	–	–	–	–
Outstanding Dec. 31	**–**	**152 881**	**378 603**	**544 302**	**–**	**45 124**	**121 494**	**333 964**
– of which vested	*–*	*152 881*	*378 603*	*544 302*	*–*	*45 124*	*121 494*	*333 964*
Remaining period, months	–	5	17	29	–	5	17	29
Average stock price for exercised options, SEK	197	199	198	203	192	209	200	205
Number of options/rights 2005								
Outstanding Jan. 1	411 250	863 229	1 183 306	1 278 876	126 421	452 774	900 073	987 774
Exercised	–267 559	–595 964	–618 671	–376 433	–99 757	–321 796	–511 999	–273 864
Forfeited	5 744	–8 682	–5 875	–20 581	–17 640	–26 463	–28 940	–20 566
Outstanding Dec. 31	**149 435**	**258 583**	**558 760**	**881 862**	**9 024**	**104 515**	**359 134**	**693 344**
– of which vested	*149 435*	*258 583*	*558 760*	*420 436*	*9 024*	*104 515*	*359 134*	*311 139*
Remaining period, months	4	17	29	41	4	17	29	41
Average stock price for exercised options, SEK	109	111	116	121	109	113	128	132

[1)] All numbers have been adjusted for the effect of the share split in June 2005.

Provisions for social costs are recorded for both types of instruments and are classified as personnel costs. In accordance with IFRS 2, the net expense in 2006 for the share-based incentive programs including social costs amounted to 78 (145). Provisions for share appreciation rights and social costs as per December 31, 2006 amounted to 110 (144).

24. Other liabilities

	2006	2005
Advances from customers	1 135	826
Derivatives		
– not designated for hedge accounting	64	68
– designated for hedge accounting	3	–
Other operating liabilities	1 906	1 964
Accrued expenses and prepaid income	3 047	3 078
	6 155	**5 936**

Accrued expenses and prepaid income include items such as social costs, vacation pay liability and accrued interest. See note 27 for additional information on valuation of derivatives.

25. Provisions

2006	Product warranty	Restructuring	Service contract	Other	Total
Opening balance, Jan. 1	483	63	143	476	1 165
Less: discontinued operations		–10		–16	–26
Continuing operations, Jan. 1	483	53	143	460	1 139
During the year					
– provisions made	561	23	223	233	1 040
– provisions used	–477	–21	–181	–223	–902
– provisions reversed	–17	–13	–11	–44	–85
Acquisition of subsidiaries	17			23	40
Translation differences	–41	–5	–8	–19	–73
Closing balance, Dec. 31	**526**	**37**	**166**	**430**	**1 159**
Non-current	108	25	65	245	443
Current	418	12	101	185	716
	526	**37**	**166**	**430**	**1 159**

2005	Product warranty	Restructuring	Service contract	Other	Total
Opening balance, Jan. 1	382	79	132	334	927
During the year					
– provisions made	274	33	203	308	818
– provisions used	–198	–56	–196	–178	–628
– provisions reversed	–20	–5	–7	–13	–45
Acquisition of subsidiaries	5	2		1	8
Translation differences	40	10	11	24	85
Closing balance, Dec. 31	**483**	**63**	**143**	**476**	**1 165**
Non-current	158	33	61	290	542
Current	325	30	82	186	623
	483	**63**	**143**	**476**	**1 165**

Provisions for product warranty are recorded at the time of sale of a product and represent the estimated costs to repair or replace defect products. The amounts are estimated primarily using historical data for the level of repairs and replacement. As warranty periods are limited, the majority of the provision is classified as a current liability. Provisions for service contracts relate primarily to amounts which have been invoiced but service has not yet been performed. Other provisions consist of amounts related to share-based payments including social fees, jubilee benefits (see note 23) and environmental remediation obligations.

26. Assets pledged and contingent liabilities

	2006	2005
Assets pledged for debts to credit institutions		
Real estate mortgages	42	62
Chattel mortgages	7	61
	49	**123**
Contingent liabilities		
Notes discounted	39	51
Sureties and other contingent liabilities	3 012	2 660
	3 051	**2 711**

Sureties and other contingent liabilities relate primarily to guarantees to customers and suppliers in the ordinary course of business and often in the form of letters of credit or bank guarantees.

27. Financial exposure and principles for control of financial risks

Objectives
In line with its overall targets for growth, operating margin, and return on capital, the objective of Atlas Copco's financial risk policy is to control the financial risks to which the Group is exposed. The policy is designed to enhance stability in Group earnings and dividends, while protecting the interests of creditors. A financial risk management committee meets regularly to take decisions about how to manage currency risks, interest rate risks and other financial risks.

Currency risk
Changes in exchange rates affect Group earnings and equity in various ways:
- Group earnings – when revenues from sales and costs for production and sourcing are denominated in different currencies (transaction risk).
- Group earnings – when current year earnings of foreign subsidiaries are translated into SEK (translation risk).
- Group equity – when the net assets of foreign subsidiaries are translated into SEK (translation risk).

Transaction risk
The Group's annual net cash flows in foreign currencies which are equivalent to approximately MSEK 8 170 give rise to transaction risks. The largest surplus currencies, i.e. those in which inflows exceed outflows, and deficit currencies, are shown in graph 1. Graph 2 indicates the effects on Group pre-tax earnings of one-sided variations in USD and EUR against all other currencies, if no hedging transactions had been undertaken to cover the exposure and before any impact of price adjustments and other operational measures.

The practice during the last couple of years has been to protect the Group from large negative exchange rate movements during the following 6–18 month period through the use of currency options. The notional amounts of currency derivatives outstanding as of December 31, 2006 totaled MSEK 4 100.

Translation risk
The value of the net assets of foreign subsidiaries at year-end 2006 corresponded to approximately MSEK 43 500 and is shown in graph 3, by main currencies. The increase of the net assets in EUR and decrease in USD net assets compared with 2005 is mainly due to capital restructuring in connection with the sale of the Rental business.

Graph 4 shows the approximate sensitivity to currency translation effects of Group annual earnings when the earnings of foreign subsidiaries are translated to SEK.

The practice during the last couple of years has been to match net investments with external loans in USD. In Q4 2006, financial derivatives were used to hedge part of the net investment in EUR.

Interest rate risk
Atlas Copco's net interest cost is affected by changes in market interest rates. The impact of a change in the interest rate level on Group earnings depends on the duration of the fixed interest rate periods of loans and financial investments.

Atlas Copco generally favors a short interest rate duration which may result in more volatility in net interest cost as compared to fixed rates (long duration). Debt is normally raised as fixed rate debt but the Group uses interest rate swaps to convert debt to short duration. Higher interest rates have historically tended to reflect a strong general economic environment in which the Group enjoys strong profits and thereby can absorb higher interest costs. The Group's earnings in periods of weaker economic conditions may not be as strong but general interest rates also tend to be lower and reduce the net interest expense.

Funding risk
Following the receipt of the proceeds on the divestment of the rental equipment operations, the Group was in a net cash position of MSEK 12 364 as of December 31, 2006 as compared to a net indebtedness of MSEK 7 229 in 2005. In addition to the net cash position, the Group had committed unutilized credit facilities of MSEK 4 903 as of year end 2006.

The policy in regards to funding risk is that there should always be sufficient funds in cash and committed credit facilities to cover expected requirements for the next 12 months and that the average YTFM (Years to Final Maturity) should be at least 3 years. The funding risk is controlled by limiting the amount of debt maturing in any single year, as well as by keeping the average tenor of outstanding debt above a minimum YTFM which should be at least 3 years.

Credit rating
Atlas Copco's long-term interest-bearing debt is currently rated by Standard & Poor's (A–) and Moody's (A3). The short-term debt is rated by Standard & Poor's (A2) and Moody's (P2).

Credit risk governed by mandates
Customers
Atlas Copco is exposed to the risk of non-payment by any of its extensive number of end customers, when sales are made on credit. To mitigate this risk, all Customer Centers apply credit policies limiting the amounts and credit periods outstanding for any single customer at any moment in time. The average outstanding receivables are approximately 2 months, and as a result of the very high geographic and industry diversification in sales, no major concentration of credit risk exists as the receivables are spread across the Group's extensive customer base.

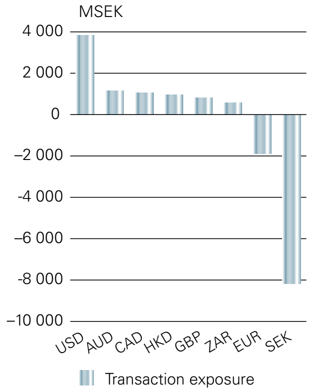
At year end 2006, the provision for bad debt amounted to 2.7% of gross total customer receivables, which is deemed sufficient based upon known cases and general provisions for losses based on historical loss levels incurred and updated regularly.

For certain customers who demand long-term financing from the supplier, a specialized financing operation called Atlas Copco Customer Finance has been created. Its credit portfolio at year end 2006 was MSEK 1 668. At the reporting date there was no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivatives in the balance sheet.

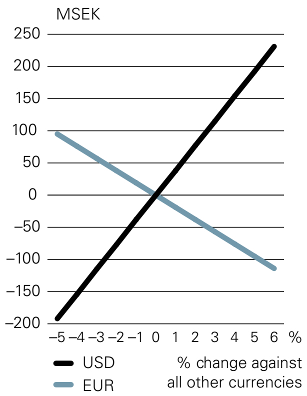
Other counterparties
Credit risk is also incurred when investing liquidity surpluses. The majority of such investments are handled by the Group Internal Bank (see further below), and are governed by policies stipulating minimum rating, maximum limit and maximum tenor on each counterparty.

Cash and cash equivalents totaled MSEK 20 135 at December 31, 2006 including MSEK 14 488 of which the management was outsourced to five banks who invested it in highly rated securities governed by mandates defined by Atlas Copco.

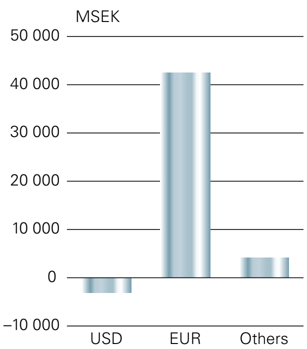
Graph 1
Estimated annual transaction exposure in the Group's most important currencies



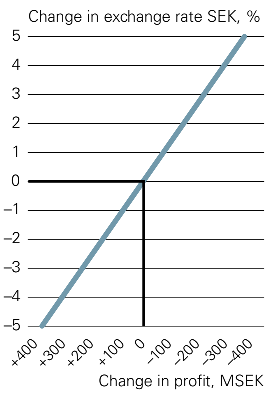
Graph 2
Transaction exposure – effect of USD and EUR fluctuations before hedging



Graph 3
Net assets in foreign currency



Graph 4
Translation effect on Group profit before tax



The use of financial derivatives implies taking risk on the counterparties with which the transactions are made. The resulting credit risk, which is calculated taking into account the nominal value of the transaction, a time add-on and the market value (if positive for Atlas Copco) and which is monitored daily amounted to MSEK 2 439 at year end 2006. ISDA (International Swaps and Derivatives Association) master agreements are in force with all derivative counterparties.

Hedge accounting

Group and Parent

To reduce the translation exposure on net investments in the consolidated accounts and the exchange rate risk related to shares in subsidiaries in the Parent Company accounts, Atlas Copco AB has entered into a forward contract EUR/SEK, with a notional value of MEUR 352, accounted for as net investment hedge in the consolidated accounts and as fair value hedge in the accounts of the Parent Company. The fair value of the hedging instrument was at the balance sheet date MSEK –3.

To convert fixed to floating interest on MUSD denominated loans, Atlas Copco AB has entered into interest rate swaps designated as hedge instruments, with a notional amount of MUSD 250. The fair value of the hedging instruments was at the balance sheet date MSEK 54.

Parent Company

Atlas Copco AB has designated loans amounting to MUSD 450 and MEUR 745 to hedge currency risk related to shares in subsidiaries. The MEUR 745 loan is a group internal loan. Deferral hedge accounting based on an RR 32 exemption has been applied. The deferred loan amounts were at balance sheet date MSEK –26. (See Parent Company financial statements on page 71.)

Parent Company debt

Atlas Copco AB had MSEK 5 779 of external debt and MSEK 13 127 internal debt at December 31, 2006. Derivative instruments are used to manage the currency and interest rate risk in line with policies set by the financial risk committee. The extent is shown in the following table.

Notional amounts of derivative instruments related to Atlas Copco AB's debt as at December 31	2006	2005
Interest rate swaps	9 565	3 980
Cross currency swaps	–	502
Other interest related derivatives	1 375	–

Sensitivity of financial instruments to shifts in interest and exchange rates

It is estimated that a parallel upward shift of one percentage point (100 basis points) in all interest rates would have reduced the fair value of Atlas Copco AB's loan portfolio (net of investments and including derivatives) by about MSEK 41 as at December 31, 2006. A one percentage point weakening of the SEK against all other currencies would have increased the fair value of the same portfolio by MSEK 58.

27. Continued

Fair value of financial assets and liabilities

Fair values are based on market prices or- in case such prices are not available- derived from an assumed yield curve. Amounts are indicative and will not necessarily be realized. Translation to SEK has been done using year-end 2006 exchange rates. All financial assets and liabilities, including derivatives, are stated at fair value except long-term loans. Fair valuation of these loans would increase the value of the Group's loans by MSEK 348 and the Parent Company's loans by MSEK 372.

Financial Instruments	Group				Parent Company			
	2006		2005		2006		2005	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Non-current loans	1 163	1 370	7 652	8 257	966	1 028	6 768	7 348
Current portion of loans	4 931	5 072	1 041	1 063	4 813	5 123	726	735
Current loans	1 046	1 046	826	827	35	35	1	1
	7 140	**7 488**	**9 519**	**10 147**	**5 814**	**6 186**	**7 495**	**8 084**

Valuation methods

Derivatives. Fair values of futures, FRA's (forward rate agreements) and interest rate swaptions are calculated based on quoted markets rates.
Interest rate swaps and Cross currency swaps are valued by using discounted cash flows.
Foreign exchange contracts are valued with the forward exchange rate.
Standard currency options are calculated by using the Garman & Kohlhagen option valuation model.
Interest-bearing liabilities. Fair values are calculated by using discounted cash flows.
Finance leases. Fair values are based on the present value of future cash flows discounted to the market rate for similar contracts.

The total net amount of the change in fair value estimated using a valuation technique that was recognized in the income statement during 2006 was approximately MSEK –256.

Measurement of financial instruments	2006 Group	2006 Parent Company
IAS 39 classifications		
Fair value through profit and loss		
– derivatives	383[1]	387
– cash equivalents	18 078	3 520
Assets available-for-sale	1 333	–
Held to maturity	269	–

[1] Including 107 classified as other non-current liabilities.

All other financial instruments have been measured using amortized cost unless the instruments were hedged items in fair value hedges.

27. Continued

The difference between fair value and carrying value on long-term loans is explained by the decline in market interest rates and tightening of Atlas Copco AB's corporate spread since the date of issuance. In December 2006 Atlas Copco initiated a make-whole procedure which led to the repurchase of the MUSD 625 of 2008 and 2009 bonds in January 2007. The estimated difference between the book value and the repurchase cost of MSEK 137 was provisioned in Q4 2006 (see also note 21).

As of December 31, 2006 the Group's interest-bearing borrowings had the maturity structure as shown in the following table.

Maturity structure of interest-bearing liabilities

	Group			Parent Company		
Maturity	**Fixed**	**Float**	**Total**	**Fixed**	**Float**	**Total**
2007	2 577	2 354	4 931	2 577	2 236	4 813
2008		156	156			
2009		9	9			
2010		17	17			
2011		5	5			
Later years		976	976		966	966
	2 577	**3 517**	**6 094**	**2 577**	**3 202**	**5 779**

The effective interest for bank loans including the effect of derivatives was 6.9% (6.6).

Atlas Copco Internal Bank

Centralized management for an international group like Atlas Copco provides clear and obvious advantages in the area of financing and financial risk management. The Atlas Copco Internal Bank, part of Atlas Copco AB, was developed to ensure that these benefits remain in the Group, while recognizing the decentralized operating structure of the Group.

The Internal Bank's mission is to provide the companies within the Group with financing and other financial services., including foreign exchange transactions, the inter-company netting system, payments and cash pooling within the Group. The Internal Bank has a limited risk mandate established by the Board of Directors, within which it may take risk positions in the currency and the interest rate markets.

Exchange rates used in the year-end accounts

		Currency	Year End Rate		Average Rate	
	Value	**Code**	**2006**	**2005**	**2006**	**2005**
Australia	1	AUD	5.43	5.85	5.57	5.68
Canada	1	CAD	5.92	6.86	6.52	6.17
EU	1	EUR	9.05	9.42	9.26	9.28
Great Britain	1	GBP	13.49	13.73	13.58	13.54
Hong Kong	100	HKD	88.44	102.65	95.02	95.88
South Africa	100	ZAR	98.40	125.69	109.82	117.94
U.S.A	1	USD	6.88	7.96	7.38	7.46

28. Related parties

Relationships

The Group has related party relationships with the Company's largest shareholder, its subsidiaries, its associates and with its Board Members and Group Management. The Company's largest shareholder, the Investor Group, controls approximately 21% of the voting rights in Atlas Copco.

The subsidiaries that are directly owned by the Parent Company are presented in note A21 to the financial statements of the Parent Company. Holding companies and operating subsidiaries are listed on pages 118–119. Information about associated companies is found in note 14. Information about Board Members and Group Management is presented on page 104 and pages 108–109.

Transactions and outstanding balances

The Group has not had any transactions with Investor during the year other than dividends declared and has no outstanding balances with Investor.

The Investor Group has controlling or significant influence in companies which Atlas Copco may have transactions with in the normal course of business. Any such transactions are made on commercial terms.

Transactions with associated companies

The Group sold various products and purchased goods through certain associated companies on terms generally similar to those prevailing with unrelated parties. The following table summarizes the Group's related party transactions with its non-consolidated associates:

	2006	**2005**
Revenues	16	18
Goods purchased	120	146
Service purchased	117	142
At Dec. 31:		
Trade receivables	3	4
Trade payables	29	58
Guarantees	11	13

Compensation to key management personnel

Compensation to the Board and to Group Management is disclosed in note 5.

29. Subsequent events

Atlas Copco AB announced on February 5, 2007 that an agreement had been reached to acquire Dynapac AB and subsidiaries. The Dynapac group is headquarted in Sweden and is a leading supplier of compaction and paving equipment for the road construction market. The operations have annual revenues of approximately 4 600 and 2 100 employees with production sites in six countries and sales in over 115 countries. The total purchase price is approximately 6 300 of which 2 100 is in assumed debt. The closing date is dependent on the approvals from relevant authorities. As this event has only recently been announced and approval for the acquisition has not yet been received, the Group does not yet have additional information of the allocation of the purchase price to the assets and liabilities. No equity instruments will be issued in connection with this acquisition.

30. Accounting estimates and judgments

The preparation of financial reports requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. Estimates and judgments which, in the opinion of management, are significant to the underlying amounts included in the financial statements and for which it would be reasonably possible that future events or information could change those estimates or judgments include:

Key sources of estimation uncertainty

Impairment of goodwill, other intangible assets and other long-lived assets

In accordance with IFRS, goodwill is not amortized but is subject to annual tests for impairment. Other intangible assets and other long-lived assets are amortized or depreciated based on management's estimates of the period that the assets will generate revenue but are also reviewed regularly for indications of impairment. These tests are based on a review of recoverable amount which is estimated based on management's projections of future cash flows which are made using internal business plans and forecasts. Additional information on the estimates used in this review is included in note 12.

Pension and post-employment benefit valuation assumptions

The pension and post-employment obligations are dependent on the assumptions established by management and used by actuaries in calculating such amounts. The assumptions include discount rates, inflation, salary growth, long-term return on plan assets, retirement rates, mortality rates, health care cost trend rates and other factors. The actuarial assumptions are reviewed on an annual basis and are changed when it is deemed appropriate. Actual results which differ from management's assumptions are accumulated and amortized over future periods and, therefore, affect the recognized expense and recorded obligations in future periods. See note 23 for additional information regarding assumptions used in the calculation of pension and post-retirement obligations.

Legal proceedings

In accordance with IFRS, the Group recognizes a liability when Atlas Copco has an obligation from a past event involving the transfer of economic benefits and when a reasonable estimate can be made of what the transfer might be. The Group reviews outstanding legal cases regularly in order to assess the need for provisions in the financial statements. These reviews consider the factors of the specific case by internal legal counsel and through the use of outside legal counsel and advisers when necessary. To the extent that management's assessment of the factors considered are not reflected in subsequent developments, the financial statements could be affected.

Credit loss reserves

The Group provides for credit losses based on specific provisions for known cases and general provisions for losses based on historical loss levels. Management's judgment also considers rapidly changing market conditions which may be particularly sensitive in customer financing operations.

Inventory obsolescence

The Group values inventory at the lower of historical cost, based on the first-in, first-out basis, and net realizable value. The calculation of net realizable value involves management's judgment as to over-stock articles, out-dated articles, damaged goods, handling and other selling costs.

Warranty provisions

Warranty costs arise due to free-of-charge repair or replacement of products due to faulty design or manufacturing. The cost provisions include a variety of variables but are primarily based on past experience. The primary factors include historical claim statistics, warranty period, average time lag between product failure and claim as well as estimates of the cost to repair or replace the products. Differences between the estimated and actual warranty claims affect the earnings and provisions recognized in future periods.

Critical accounting judgments

There have been no critical accounting judgments in applying the Group's accounting principles.

Parent Company

Income statement

For the year ended December 31, Amounts in MSEK	Note	2006	2005
Administrative expenses		–305	–410
Other operating income	A3	146	96
Other operating expenses	A3	–1	–1
Operating loss		**–160**	**–315**
Financial income	A4	54 067	10 443
Financial expense	A4	–1 177	–990
Profit after financial items		**52 730**	**9 138**
Appropriations	A5	325	161
Profit before tax		**53 055**	**9 299**
Income tax expense	A6	–366	–737
Profit for the year		**52 689**	**8 562**

Statement of Cash Flows

For the year ended December 31, Amounts in MSEK	2006	2005
Cash flows from operating activities		
Operating loss	–160	–315
Adjustments for:		
Depreciation	2	3
Capital gain/loss and other non-cash items	–116	183
Operating cash surplus	–274	–129
Net financial items received/paid	3 099	2 593
Taxes paid	–991	–410
Cash flow before change in working capital	**1 834**	**2 054**
Change in		
Operating receivables	122	187
Operating liabilities	76	95
Change in working capital	**198**	**282**
Net cash from operating activities	**2 032**	**2 336**
Cash flow from investing activities		
Investments in intangible assets	–4	–
Investments in tangible assets	–3	–2
Investments in subsidiaries	–1 238	–75
Divestment of subsidiaries	–	329
Other investments, net	–	–7
Net cash from investing activities	**–1 245**	**245**
Cash flow from financing activities		
Dividends paid	–2 672	–1 886
Redemption of shares	–	–4 192
Repurchase of own shares	–3 776	–
Change in interest-bearing liabilities	7 487	4 958
Net cash from financing activities	**1 039**	**–1 120**
Net cash flow for the year	**1 826**	**1 461**
Cash and cash equivalents, Jan. 1	1 899	438
Net cash flow for the year	1 826	1 461
Cash and cash equivalents, Dec. 31	**3 725**	**1 899**

Balance Sheet

As at December 31, Amounts in MSEK	Note	2006	2005
ASSETS			
Non-current assets			
Intangible assets	A7	4	–
Tangible assets	A8	9	8
Financial assets			
Shares in Group companies	A9	79 718	8 084
Other financial assets	A10	302	6 856
Total non-current assets		**80 033**	**14 948**
Current assets			
Income tax receivables		206	–
Other receivables	A11	4 638	19 637
Cash and cash equivalents	A12	3 725	1 899
Total current assets		**8 569**	**21 536**
TOTAL ASSETS		**88 602**	**36 484**
EQUITY	Page 72		
Restricted equity			
Share capital		786	786
Share premium reserve		–	–
Legal reserve		4 999	4 999
Total restricted equity		**5 785**	**5 785**
Non-restricted equity			
Retained earnings		3 290	1 249
Profit for the year		52 689	8 562
Total non-restricted equity		**55 979**	**9 811**
TOTAL EQUITY		**61 764**	**15 596**
Untaxed reserves	A14	**1 571**	**1 896**
PROVISIONS			
Post-employment benefits	A15	48	45
Other provisions	A16	110	144
Deferred tax liabilities	A17	41	75
Total provisions		**199**	**264**
LIABILITIES			
Non-current liabilities			
Borrowings	A18	9 816	6 768
Other liabilities		107	41
Total non-current liabilities		**9 923**	**6 809**
Current liabilities			
Borrowings	A18	14 760	11 226
Other liabilities	A19	385	693
Total current liabilities		**15 145**	**11 919**
TOTAL EQUITY AND LIABILITIES		**88 602**	**36 484**
Assets pledged	A20	**17**	**10**
Contingent liabilities	A20	**5 447**	**5 427**

Statement of Changes in Equity

MSEK unless otherwise stated	Number of shares	Share capital	Share premium reserve	Legal reserve	Retained earnings	Total
Opening balance, Jan. 1, 2005	**209 602 184**	**1 048**	**3 996**	**1 737**	**6 189**	**12 970**
Effect of change in accounting principles[1]					203	203
Restated opening balance, Jan. 1, 2005	**209 602 184**	**1 048**	**3 996**	**1 737**	**6 391**	**13 172**
Dividend					–1 886	–1 886
Split of shares 4:1	628 806 552					
Redemption of shares	–209 602 184	–262	–734		–3 196	–4 192
Reclassification of share premium reserve			–3 262	3 262		
Cash flow hedges					–12	–12
Share-based payment, equity settled						
–Expense during the year					4	4
–Exercise of options					–52	–52
Profit for the year					8 562	8 562
Closing balance, Dec. 31, 2005	**628 806 552**	**786**	**–**	**4 999**	**9 811**	**15 596**
Opening balance, Jan. 1, 2006	**628 806 552**	**786**	**–**	**4 999**	**9 811**	**15 596**
Dividend					–2 672	–2 672
Repurchase of own shares	–18 414 200				–3 776	–3 776
Share-based payment, equity settled						
–Expense during the year					13	13
–Exercise of options					–86	–86
Profit for the year					52 689	52 689
Closing balance, Dec. 31, 2006	**610 392 352**	**786**	**–**	**4 999**	**55 979**	**61 764**

See note A13 for additional information.

[1] Adoption of IAS 39 retroactive from January 1, 2005. See note A1 for additional information.

Notes to Parent Company Financial Statements

MSEK unless otherwise stated

A1. Significant Accounting Principles

Atlas Copco AB is the ultimate Parent Company of the Atlas Copco Group and is headquartered in Stockholm, Sweden. Its operations include holding company functions as well as the Group internal bank. The financial statements of Atlas Copco AB have been prepared in accordance with the Swedish Annual Accounts Act and the accounting standard RR 32:05, "Accounting for Legal Entities", hereafter referred to as "RR 32", issued by the Swedish Financial Accounting Standards Council. In accordance with RR 32, parent companies that issue consolidated financial statements according to IFRS, shall present their financial statements in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as well as interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the European Union, to the extent these accounting principles and interpretations comply with the Swedish Annual Accounts Act and may use exemptions from IFRS provided by RR 32 due to Swedish tax legislation. The Parent Company has also applied two exemptions introduced in RR 32:06.

The financial statements are presented in Swedish kronor (SEK), rounded to the nearest million. The financial statements are prepared using the same accounting principles as described in note 1 to the Group's consolidated financial statements, except for those disclosed in the following below.

For discussion regarding accounting estimates and judgments, see note 30 in the consolidated financial statements.

Change in accounting principles
Effective January 1, 2006, IAS 39 has been adopted in the Parent Company accounts. The change in accounting principles has been accounted for on a retroactive basis applying IAS 8.

Under Swedish GAAP, total return swaps, that has been entered into related to the share based payments programs, has been reported using hedge accounting. According to IFRS the total return swaps are not accepted as hedge instruments.

The effect of changes in accounting principles is included in note A22.

Subsidiaries and associated companies
Participations in subsidiaries and associated companies are accounted for by the Parent Company at historical cost. Dividend income is only recognized in earnings to the extent that these originate from profits which arose after the date of acquisition. Dividends that exceed these profits are accounted for as a repayment of the investment and a reduction in the historical cost of the investment.

Lease contracts
All lease contracts entered into by the Parent Company are accounted for as operating leases.

A1. Continued

Employee benefits
Defined benefit plans
Defined benefit plans are not accounted for in accordance with IAS 19, but are accounted for according to Swedish GAAP which are based on the Swedish law regarding pensions, "Tryggandelagen" and regulations issued by the Swedish Financial Supervisory Authority. The primary differences as compared to IAS 19 is the way discount rates are fixed, that the calculation of defined benefit obligations is based on current salary levels, without consideration of future salary increases and that all actuarial gains and losses are included in earnings as they occur.

Financial guaranteess
Financial guarantees issued by the Parent Company for the benefit of subsidiaries are not valued at fair value. They are reported as contingent liabilities, unless it becomes probable that the guarantees will lead to payments. In such case provisions will be made.

Hedge accounting
Interest-bearing liabilities denominated in other currencies than SEK, used to hedge currency exposure from investments in shares, issued by foreign subsidiaries are not re-measured according to exchange rates prevailing on the date of the balance sheet, but measured based on the exchange rate the day that the hedging relation was established.

Income taxes
Allocations to untaxed reserves are reported on a gross basis in the Parent Company accounts. In the consolidation, these reserves are allocated to deferred taxes and equity with changes in the reserves being recorded as deferred taxes in current earnings.

Group and shareholder's contributions
In Sweden, group contributions are deductible for tax purposes, but shareholders contributions are not. Group contributions are accounted for to reflect the substance of the transactions.

Shareholder's contributions and group contributions with the same objective as shareholder's contributions are capitalized as investments in subsidiaries, in the Parent Company's balance sheet, subject to impairment tests. Group contributions received by the Parent Company to minimize tax within the Swedish tax group, are credited directly to equity net of tax. Group contributions received which are equivalent to dividends are classified as such and included in earnings together with the related tax.

The cash flow statement 2005 has been restated due to the adoption of IAS 39 but also to present the cash effect of group contributions.

Assets held for sale and discontinued operations, IFRS 5
The Parent Company applies IFRS 5, but do not separately present the assets held for sale (disposal groups) on a separate line in the balance sheet and not discontinued operations separately in the income statement.

A2. Employees and personnel expenses

Average number of employees	2006			2005		
	Women	Men	Total	Women	Men	Total
Sweden	44	33	77	47	46	93

As of Jan. 1, 2006, 19 employees have been transferred to the subsidiary Atlas Copco Customer Finance AB.

Women in Atlas Copco Board and Group Management, %	2006	2005
Board of Directors excl. employee representatives	25	22
Group Management	25	22

A2. Continued

Salaries and other remuneration	2006		2005	
	Board & President	Other employees	Board & President	Other employees
Sweden	31	48	37	65
of which variable compensation	*12*		*13*	

	2006	2005
Salaries and other remuneration	79	102
Contractual pension benefits for Board members and Presidents	5	13
Contractual pension benefits for other employees	9	9
Other social costs	42	43
	135	**167**
Capitalized pension obligations to Board members and Presidents	45	37

In 2005 the amounts include remuneration to former president Tom Wachtmeister.

Absence due to illness, %	2006	2005
Total	2.7	3.3
for men	0.8	4.4
for women	4.1	2.5
long-term absence due to illness, in percent of total absence	66.9	53.0
Absence due to illness, men		
employees under 30 years old	0.3	0.9
employees 30-49 years old	1.5	0.5
employees 50 and older	0.1	12.8
Absence due to illness, women		
employees under 30 years old	0.1	0.1
employees 30-49 years old	3.1	3.3
employees 50 and older	7.2	2.1

Remunerations to auditors
Audit fees and consultancy fees for advice or assistance other than audit, were as follows:

	2006	2005
KPMG Bohlins AB		
Audit fee	4	4
Other	3	2
	7	**6**

A3. Other operating income and expenses

	2006	2005
Commissions received	137	81
Other	9	15
Total other operating income	**146**	**96**
Total other operating expenses	**–1**	**–1**

A4. Financial income and expense

	2006	2005
Financial income		
Profit from shares in Group companies		
Dividends received	45 904	1 292
Group contribution	1 241	2 095
Write-down of shares	–	–22
Reversed write-down of shares	710	–
Capital gain on divestment of shares	5 035	5 461
	52 890	**8 826**
Profit from financial fixed assets		
Interest income from:		
–Group companies	79	68
–Others	0	1
	79	**69**
Other interest income		
Interest income from:		
–Group companies	923	1 122
–Other	24	24
Gain from financial instruments including fair value adjustments	151	402
	1 098	**1 548**
Total financial income	**54 067**	**10 443**
Financial expense		
Interest and similar expenses from:		
–Group companies	–126	–530
–Others	–688	–481
Losses from financial instruments including fair value adjustments	–265	–8
Foreign exchange differences	–98	29
Total financial expense	**–1 177**	**–990**

In 2006, an intra-group restructuring gave rise to a substantial capital gain (which is exempt from tax) in a wholly owned subsidiary.

The capital gain was distributed and recorded by the Parent Company as a dividend received in the amount of 44 901.

Also, in 2006 a capital gain of 5 035 was recognized on the intra-group sale on the holdings of 40 percent in Atlas Copco North America Inc. In 2005 a capital gain of 5 454 was recognized on the sale of Atlas Copco Tools AB to a group company. External appraisals has confirmed that the values in the transactions described above did not exceed fair market value.

The interest portion of provision for pensions is not classified as operating expense but is shown as interest expense. The amount is based on the average of the opening and closing pension provisions. The interest portion for 2006 amounted to 1 (1).

A5. Appropriations

	2006	2005
Appropriations	325	161
	325	**161**

Tax legislation in Sweden allows companies to retain untaxed earnings through tax-deductible allocations to untaxed reserves. The untaxed reserves created in this manner cannot be distributed as dividends.

If the Parent Company reported deferred tax on appropriations as reported in the consolidated accounts, deferred tax would have amounted to 91 (45).

A6. Income tax expense

	2006	2005
Current tax	–400	–712
Deferred tax	34	–25
	–366	**–737**
The Swedish corporate tax rate, %	28.0	28.0
Profit before taxes	53 055	9 299
National tax based on profit	–14 855	–2 604
before taxes (28 %)		
Tax effects of:		
Non-deductible expenses	–30	–8
Tax exempt income	14 522	1 892
Imputed interest on tax allocation reserve	–12	–16
Controlled Foreign Company taxation	–13	–7
Adjustments from prior years	22	6
	–366	**–737**
Effective tax in %	**0.7**	**7.9**

The Parent Company’s effective tax rate of 0.7% (7.9) is primarily affected by non taxable dividends, but also non taxable capital gains.

A7. Intangible assets

	Capitalized expenditures for computer programs	
	2006	**2005**
Accumulated cost		
Opening balance, Jan. 1	–	–
Investments	4	–
Closing balance, Dec. 31	**4**	**–**

A8. Tangible assets

	2006			2005		
	Land improve-ments	Equip-ment, etc.	Total	Land improve-ments	Equip-ment, etc.	Total
Accumulated cost						
Opening balance, Jan. 1	4	23	27	4	22	26
Investments	–	3	3	–	2	2
Disposals	–	–	–	–	–1	–1
Closing balance, Dec. 31	**4**	**26**	**30**	**4**	**23**	**27**
Accumulated depreciation						
Opening balance, Jan. 1	1	18	19	1	16	17
Depreciation for the year	0	2	2	0	3	3
Disposals	–	–	–	–	–1	–1
Closing balance, Dec. 31	**1**	**20**	**21**	**1**	**18**	**19**
Carrying amount						
Closing balance, Dec. 31	3	6	9	3	5	8
Opening balance, Jan. 1	3	5	8	3	6	9

Depreciation of equipment is accounted for under administrative expenses in the Income Statement.

The leasing costs for assets under operating leases, such as rented premises, and major computer and office equipment are reported among operating expenses and amounted to 11 (10). Future payments for non-cancelable leasing contracts amounted to 40 (20). Future payments for non-cancelable operating leasing contracts fall due as follows:

	2006	2005
Less than one year	10	10
Between one and five years	27	10
More than five years	3	–
	40	**20**

The Parent Company has no finance leases.

A9. Shares in Group companies

	2006	2005
Accumulated cost		
Opening balance, Jan. 1	8 887	8 345
Investments	47 190	110
Shareholders' contribution	25 833	762
Disposals	–2 189	–9
Capital redemption	–	–321
Closing balance, Dec. 31	**79 721**	**8 887**
Accumulated write-up		
Opening balance, Jan. 1	600	612
Disposals	–	–12
Closing balance, Dec. 31	**600**	**600**
Accumulated write-down		
Opening balance, Jan. 1	–1 403	–1 381
Disposals	90	–
Reversed write-down	710	–
Write-down	–	–22
Closing balance, Dec. 31	**–603**	**–1 403**
	79 718	**8 084**

For further information about Group companies, see note A21.

A10. Other financial assets

	2006	2005
Receivables from Group companies	206	6 718
Shares and participations in associated companies	–	0
Other long-term securities	5	5
Derivatives		
–not designated for hedge accounting	4	4
–designated for hedge accounting	62	101
Other long-term receivables	25	28
	302	**6 856**

Shares and participations in associated companies	2006	2005
Accumulated cost		
Opening balance, Jan. 1	72	72
Disposals	–72	–
Closing balance, Dec. 31	**–**	**72**
Accumulated write-down		
Opening balance, Jan. 1	–72	–72
Disposals	72	–
Closing balance, Dec. 31	**–**	**–72**
Carrying amount, Dec. 31	**–**	**0**

A11. Current receivables

	2006	2005
Receivables from Group companies	4 092	19 009
Derivatives – not designated for hedge accounting	479	562
Other receivables	32	23
Prepaid expenses and accrued income	35	43
	4 638	**19 637**

A12. Cash and cash equivalents

	2006	2005
Cash	205	429
Cash equivalents	3 520	1 470
	3 725	**1 899**

The Parent Company's guaranteed, but unutilized, credit lines equalled 4 126 (4 776).

A13. Equity

Class of share	Shares outstanding
A shares	419 697 048
B shares	209 109 504
Total	**628 806 552**
– of which B-shares held by Atlas Copco	18 414 200
	610 392 352

The parent company, Atlas Copco AB's, share capital amounted to SEK 786 008 190 distributed among 628 806 552 shares, each with a quota value of some SEK 1.25 (1.25). Series A shares entitle the holder to one voting right and series B shares entitle the holder to one-tenth of a voting right per share.

Repurchases of own shares	Number of shares		Carrying amount	
	2006	2005	2006	2005
Opening balance. Jan. 1	–	–	–	–
Repurchase of own shares	18 414 200	–	3 776	–
Closing balance, Dec. 31	**18 414 200**	**–**	**3 776**	**–**
Percentage of total number of shares	2.9%	–		

The 2006 Annual General Meeting approved a mandate for the repurchase of a maximum of 10% of the total number of shares issued by the Company as proposed by the Board of Directors. This mandate is valid up to the Annual General Meeting in 2007. Share repurchases were initiated on October 30, 2006 and as per December 31, 2006 Atlas Copco held 18 414 200 series B shares, bought back for MSEK 3 776, for an average price of SEK 205 per share.

The legal reserve is not available for distribution.

Appropriation of profit

The Board of Directors proposes a dividend of SEK 4.75 (4.25) totalling SEK 2 899 363 672 (2 672 427 846).

For further information, see appropriation of profit on page 82.

A14. Untaxed reserves

	2006	2005
Additional tax depreciation equipment	2	1
Tax allocation reserves	1 569	1 895
	1 571	**1 896**

Provisions have been made to tax allocation reserves as shown below:

Year	2006	2005
2000	–	325
2001	393	393
2002	419	419
2003	321	321
2004	436	437
	1 569	**1 895**

A15. Post-employment benefits

	2006			2005		
	Defined contribution pension plan	Defined benefit pension plan	Total	Defined contribution pension plan	Defined benefit pension plan	Total
Opening balance, Jan. 1	10	35	45	3	29	32
Provision made	7	–	7	7	9	16
Provision used	–	–4	–4	–	–3	–3
Closing balance, Dec. 31	**17**	**31**	**48**	**10**	**35**	**45**

	2006			2005		
	Defined contribution pension plan	Defined benefit pension plan	Total	Defined contribution pension plan	Defined benefit pension plan	Total
Assets pledged for pension commitments						
Endowment insurances	17	–	17	10	–	10
	17	**–**	**17**	**10**	**–**	**10**

Pension expenses for the year, which are included within administrative expenses, amounted to 10 (22). The expenses for 2006 have been reduced with compensation from the Atlas Copco pension foundation of 18 (20). Excluding the compensation from the pension foundation the pension expenses amount to 28 (42), of which the Board of Directors and the President 5 (13) and others 23 (29).

Description of defined benefit pension plans

The Parent Company has three defined benefit pension plans. The ITP plan is a final salary pension plan covering the majority of salaried employees in Atlas Copco AB which benefits are secured through the Atlas Copco pension foundation. The second plan relates to a group of employees earning more than 10 basic amounts who have opted out from the ITP plan. This plan is insured. The third plan relates to former senior employees now retired. These pension arrangements are provided for.

	2006			2005		
	Funded Pension	Unfunded Pension	Total	Funded Pension	Unfunded Pension	Total
Defined benefit obligations	152	31	183	160	35	195
Fair value of plan assets	–190	–	–190	–200	–	–200
Present value of net obligations	**–38**	**31**	**–7**	**–40**	**35**	**–5**
Not recognized surplus	38	–	38	40	–	40
Net amount recognised in balance sheet	**–**	**31**	**31**	**–**	**35**	**35**

Reconciliation of defined benefit obligations	Funded Pension	Unfunded Pension	Total	Funded Pension	Unfunded Pension	Total
Defined benefit obligations at Jan. 1	160	35	195	167	29	196
Service cost	1	–	1	1	9	10
Interest expense	5	1	6	7	1	8
Benefits paid from plan	–14	–5	–19	–15	–4	–19
Defined benefit obligations at Dec. 31	**152**	**31**	**183**	**160**	**35**	**195**

Reconciliation of plan assets	Funded Pension	Unfunded Pension	Total	Funded Pension	Unfunded Pension	Total
Fair value of plan assets at Jan. 1	200	–	200	198	–	198
Return on plan assets	8	–	8	22	–	22
Payments	–18	–	–18	–20	–	–20
Fair value of plan assets at Dec. 31	**190**	**–**	**190**	**200**	**–**	**200**

Defined benefit plans are not accounted for in accordance with IAS 19 but are accounted for according to Swedish standards including the Swedish law on pensions, ”Tryggandelagen” and regulations prescribed by the Swedish Financial Supervisory Authority. The primary differences as compared to IAS 19 include the discount rate, the calculation of defined benefit obligations based on current salary levels without consideration of future salary increases and that all actuarial gains and losses are included in earnings as they occur.

A15. Continued

	2006	2005
Pension commitments accounted for in the balance sheet		
Costs excluding interest	15	18
Interest expense	1	1
	16	**19**
Pension commitments provided for through insurance contracts		
Service cost	13	24
	13	24
Special employer's contribution	4	6
Credit insurance costs	0	0
Cost for pensions	**33**	**49**
Costs covered by the Atlas Copco pension foundation	–18	–20
Net cost for pensions	**15**	**29**

The Parent Company's share in plan assets fair value in the Atlas Copco pension foundation amount to 190 (200) according to the following.

	2006	2005
Equity securities	66	68
Bonds	120	131
Other financial assets	3	1
Cash and cash equivalents	1	0
	190	**200**

The plan assets of the Atlas Copco pension foundation are not included in the financial assets of the Atlas Copco Group.

The return on plan assets in the Atlas Copco pension foundation amounted to 4.0% (11,0).

The Parent Company adheres to the actuarial assumptions used by The Swedish Pension Registration Institute (PRI) i.e. discount rate 4.2% (4.2%).

A16. Other provisions

	2006	2005
Opening balance, Jan. 1	144	58
Provisions made	65	141
Provisions used	–99	–55
Closing balance, Dec. 31	**110**	**144**

Other provisions include primarily provisions for costs related to employee option programs accounted for in accordance with IFRS 2 and URA 46.

A17. Deferred tax assets and liabilites

	2006			2005		
	Assets	Liabi-lities	Net balance	Assets	Liabi-lities	Net balance
Other financial assets	–	13	–13	–	19	–19
Current receivables	–	137	–137	–	99	–99
Post-employment benefits	14	–	14	12	–	12
Other provisions	22	–	22	31	–	31
Non-current liabilities	4	–	4	8	–	8
Current liabilities	69	–	69	2	10	–8
	109	**150**	**–41**	**53**	**128**	**–75**

The following reconciles the net balance of deferred taxes at the beginning of the year to that at the end of the year:

	2006	2005
Net balance, Jan. 1	–75	25
Effect of change in accounting principles	–	-79
Changes to equity	–	4
Charges to profit of the year	34	-25
Net balance, Dec. 31	**–41**	**–75**

A18. Borrowings

Non-current borrowings[1]	2006	2005
Bond loan MUSD 375	2 604	2 969
Bond loan MUSD 392.5	2 660	3 164
Promissory notes MUSD 75	515	597
Promissory notes MSEK	–	43
Available under "MSEK 5 000 Medium Term Note Program":		
– Outstanding MSEK	–	500
– Outstanding MEUR – (15)	–	141
Available under "MEUR 500 Medium Term Note Program"		
– Outstanding MUSD – (10)	–	80
Less: current portion	–4 813	–726
	966	**6 768**
Non-current borrowings from Group companies	8 850	–
	9 816	**6 768**

Current borrowings	2006	2005
Liabilities to credit institutions	35	1
Current portion of long-term liabilities	4 813	726
Liabilities to Group companies	9 912	10 499
	14 760	**11 226**

[1] For further information regarding liabilities and financial exposure, see note 27 in the notes to the consolidated financial statements.

A19. Other liabilities

	2006	2005
Accounts payable	16	13
Income tax liability	–	395
Other liabilities	15	24
Derivatives – not designated for hedge accounting	47	46
Accrued expenses and prepaid income	307	215
	385	**693**

Accrued expenses and prepaid income include items such as social costs, vacation pay liability and accrued interest.

A20. Assets pledged and contingent liabilities

	2006	2005
Assets pledged for pension commitments		
Endowment insurances	17	10
	17	**10**
Contingent liabilities		
Sureties and other contingent liabilities		
for external parties	3	3
for group companies	5 444	5 424
	5 447	**5 427**

Sureties and other contingent liabilities include bank and commercial guarantees as well as performance bonds. Of the contingent liabilities reported for Group companies 5 140 (4 939) relates to a letter of guarantee issued to a Group company with no liability to a third party.

A21. Directly owned companies

	Number of shares	Percent held	Book value
Directly owned product companies			
Atlas Copco Airpower N.V. Wilrijk, Belgium	76 415	100	58 428
Atlas Copco Construction Tools AB, 556069-7228, Nacka	60 000	100	100
Atlas Copco Craelius AB, 556041-2149, Märsta	200 000	100	20
Atlas Copco MAI GmbH, Feistritz an der Drau	1	100	124
Atlas Copco Rock Drills AB, 556077-9018, Örebro	1 000 000	100	352
Atlas Copco Secoroc AB, 556001-9019, Fagersta	2 325 000	100	139
Directly owned sales companies			
Atlas Copco (Cyprus) Ltd., Nicosia	99 998	100	0
Atlas Copco (India) Ltd., Mumbai	9 449 680	84	593
Atlas Copco (Ireland) Ltd., Dublin	250 000	100	36
Atlas Copco (Malaysia), Sdn. Bhd., Kuala Lumpur	1 000 000	100	12
Atlas Copco (Philippines) Inc., Paranaque	121 995	100	3
Atlas Copco (Schweiz) AG., Studen/Biel	7 997	100	12
Atlas Copco (South East Asia) Pte.Ltd., Singapore	2 500 000	100	8
Atlas Copco Brasil Ltda., Sao Paulo	22 909 086	100	65
Atlas Copco Chilena S.A.C., Santiago de Chile	24 998	100	6
Atlas Copco CMT Sweden AB, 556100-1453, Nacka	103 000	100	10
Atlas Copco Compressor AB, 556155-2794, Nacka	60 000	100	10
Atlas Copco Customer Finance Chile Ltd., Santiago de Chile	6 318	95/100[1]	0
Atlas Copco Drilling Solutions AG, Studen/Biel	5 999	100	37
Atlas Copco Equipment Egypt S.A.E., Cairo	5	0/80[1]	0
Atlas Copco Ges.m.b.H., Vienna	1	100	7
Atlas Copco Iran AB, 556155-2760, Nacka	3 500	100	0
Atlas Copco Kenya Ltd., Nairobi	482 999	100	5
Atlas Copco KK, Tokyo	375 001	100	23
Atlas Copco Kompressorteknik A/S, Copenhagen	4 000	100	2
Atlas Copco Maroc SA., Casablanca	3 852	96	1
Atlas Copco Services Middle East OMC, Bahrain	500	100	1
Atlas Copco Venezuela S.A., Caracas	38 000	100	14
BEMT Tryckluft AB, 556273-1801 Staffanstorp	1 500	100	37
BIAB Tryckluft AB, 556439-1208, Ludvika	5 000	100	6
CP Scanrotor Aktiebolag, 556103-0080 Tanum	1 500	100	1
Servatechnik AG., Oftringen	3 500	100	28
Soc. Atlas Copco de Portugal Lda., Lisbon	1	100	22

A21. Continued

	Number of shares	Percent held	Book value
Directly owned holding companies and others			
Atlas Copco A/S, Langhus	2 498	100	15
Atlas Copco Argentina S.A.C.I, Buenos Aires	525 000	75	10
Atlas Copco Beheer b.v., Zwijndrecht	15 712	100	604
Atlas Copco France Holding S.A., St. Ouen lÁumône	221 112	100	118
Atlas Copco Holding GmbH, Essen	1	99/100[1]	258
Atlas Copco Industrial Technique AB, 556207-8898, Nacka	40 000	100	5
Atlas Copco Järla Holding AB, 556062-0212 Nacka	95 000	100	10 402
Atlas Copco Lugnet Treasury AB, 556277-9537, Nacka	700 500	100	717
Atlas Copco Nacka Holding AB, 556397-7452, Nacka	100 000	100	2 692
Atlas Copco PAIR Ltd., London	3	100	10
Atlas Copco Reinsurance SA, Luxembourg	4 999	100	8
Atlas Copco Sickla Holding AB, 556309-5255, Nacka	1 000	100	994
Atlas Copco UK Holdings Ltd., Hemel Hempstead	28 623 665	100	294
Atlas Copco USA Holdings Inc., Pine Brook, NJ	100	100	3 335
CP Scanrotor Global AB, 556337-5897, Hamburgsund	1 000	100	40
Econus S A, Montevideo	21 582 605	100	63
Industria Försäkrings AB, 516401-7930, Nacka	50 000	100	5
Oy Atlas Copco Ab, Vantaa	150	100	30
Power Tools Distribution n.v., Hoeselt	1	0/100	0
14 dormant companies		100	16
Carrying amount, Dec. 31			**79 718**

[1] First figure; percentage held by Parent Company, second figure percentage held by Atlas Copco Group.

A22. Change in accounting principles

Change in accounting principles

Effective January 1, 2006, IAS 39 has been adopted in the Parent Company accounts. The change in accounting principles has been accounted for on a retroactive basis applying IAS 8.

Under Swedish GAAP, total return swaps, that has been entered into related to the share based payments programs, has been reported using hedge accounting. According to IFRS the total return swaps are not accepted as hedge instruments.

Reconciliation of profit for 2005

Income statement Amounts in MSEK	Swedish GAAP	Effect of change in accounting principles	Restated income statement 2005
Administrative expenses	–289	–121	–410
Other operating income	96	–	96
Other operating expenses	–1	–	–1
Operating loss	**–194**	**–121**	**–315**
Financial income	10 157	286	10 443
Financial expense	–1 057	67	–990
Profit after financial items	**8 906**	**232**	**9 138**
Appropriations	161	–	161
Profit before tax	**9 067**	**232**	**9 299**
Income tax expense	–672	–65	–737
Profit for the year	**8 395**	**167**	**8 562**

A22. Continued

Reconciliation of equity Jan. 1 and Dec. 31, 2005 Balance Sheet	Swedish GAAP	Effect of change in accounting principles	Restated balance Jan. 1, 2005	Swedish GAAP	Effect of change in accounting principles	Restated balance Dec 31, 2005
ASSETS						
Non-current assets						
Tangible assets	9	–	9	8	–	8
Financial assets						
Deferred tax assets	25	–25	–	45	–45	–
Shares in Group companies	7 576	–	7 576	8 084	–	8 084
Other financial assets	6 552	118	6 670	6 757	99	6 856
Total non-current assets	**14 162**	**93**	**14 255**	**14 894**	**54**	**14 948**
Current assets						
Current receivables	12 109	384	12 493	19 316	321	19 637
Cash and cash equivalent	438	–	438	1 899	–	1 899
Total current assets	**12 547**	**384**	**12 931**	**21 215**	**321**	**21 536**
TOTAL ASSETS	**26 709**	**477**	**27 186**	**36 109**	**375**	**36 484**
EQUITY						
Total restricted equity	**6 781**	**–**	**6 781**	**5 785**	**–**	**5 785**
Non-restricted equity						
Retained earnings	6 189	203	6 392	1 110	139	1 249
Profit for the year	–	–	–	8 395	167	8 562
Total non-restricted equity	**6 189**	**203**	**6 392**	**9 505**	**306**	**9 811**
TOTAL EQUITY	**12 970**	**203**	**13 173**	**15 290**	**306**	**15 596**
Untaxed reserves	**2 056**	**–**	**2 056**	**1 896**	**–**	**1 896**
PROVISIONS						
Post-employment benefits	32	–	32	45	–	45
Other provisions	58	–	58	144	–	144
Deferred tax liabilities	–	54	54	–	75	75
Total provisions	**90**	**54**	**144**	**189**	**75**	**264**
LIABILITIES						
Non-current liabilities						
Borrowings	6 307	85	6 392	6 744	24	6 768
Other liabilities	13	–	13	35	6	41
Total non current liabilities	**6 320**	**85**	**6 405**	**6 779**	**30**	**6 809**
Current liabilities						
Borrowings	4 896	–	4 896	11 262	–36	11 226
Other liabilities	377	135	512	693	–	693
Total current liabilities	**5 273**	**135**	**5 408**	**11 955**	**–36**	**11 919**
TOTAL EQUITY AND LIABILITIES	**26 709**	**477**	**27 186**	**36 109**	**375**	**36 484**

A23. Related parties

Relationships

The Parent Company has related party relationships with its largest shareholder, its subsidiaries, its associates and with its Board Members and Group Management.

The Parent Company's largest shareholder, the Investor Group, controls approximately 21% of the voting rights in Atlas Copco AB.

The subsidiaries that are directly owned by the Parent Company are presented in note A21 and other indirectly owned subsidiaries are listed on pages 118–119.

Information about associated companies is found in note A10.

Information about Board Members and Group Management is presented on page 104 and 108–109.

Transactions and outstanding balances

The Group has not had any transactions with Investor during the year other than dividends declared and has no outstanding balances with Investor.

The Investor Group has controlling or significant influence in companies which Atlas Copco AB may have transactions with in the normal course of business. Any such transactions are made on commercial terms.

The following table summarizes the Parent Company's transactions with its subsidiaries:

	2006	2005
Revenues		
Dividends	45 904	1 292
Group contribution	1 241	2 095
Interest income	1 002	1 190
Expenses		
Interest expenses	126	530
Receivables	4 298	25 727
Liabilities	18 762	10 499
Guarantees		
Group companies	5 442	5 424

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	3 290 189 680
Profit for the year	SEK	52 688 982 936
	SEK	**55 979 172 616**

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

To the shareholders, a dividend of SEK 4.75 per share	SEK	2 899 363 672
To be retained in the business	SEK	53 079 808 944
	SEK	**55 979 172 616**

Proposed share split and mandatory redemption of shares
The Board has also proposed that the Annual General Meeting 2007 resolves on an automatic redemption procedure of shares, including a share split 3:1, of which one share will be redeemed for SEK 40. In total, approximately MSEK 24 416 will be distributed to the shareholders, in addition to the proposed dividend distribution. The proposal also includes a bonus issue with the objective to restore the share capital, by use of the non-restricted equity.

The Board of Directors and the President certify that, to the best of our knowledge, the financial reporting is prepared in accordance with generally accepted accounting principles for a publicly listed company in Sweden. The information presented is consistent with the actual conditions and nothing of a significant nature has been omitted that would be required for the fair presentation of the Group and Parent Company in the financial reporting. The consolidated and Parent Company financial statements are subject to the approval of the Annual General Meeting of Shareholders to be held on April 26, 2007.

Nacka, February 16, 2007

Sune Carlsson
Chairman

Jacob Wallenberg

Ulla Litzén

Thomas Leysen

Grace Reksten Skaugen

Anders Ullberg

Staffan Bohman

Gunnar Brock
President and CEO

Bengt Lindgren

Håkan Hagerius

Our Audit Report was submitted on February 20, 2007.
KPMG Bohlins AB

Thomas Thiel
Authorized Public Accountant

Audit Report

To the annual meeting of the shareholders of Atlas Copco AB (publ)
Corporate identity number 556014-2720

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the President of Atlas Copco AB (publ) for the year 2006. The annual accounts and the consolidated accounts are presented in the printed version of this document on pages 12–82. The Board of Directors and the President are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of International Financial Reporting Standards IFRSs as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain high but not absolute assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President and significant estimates made by the Board of Directors and the President when preparing the annual accounts and the consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the President. We also examined whether any board member or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with International Financial Reporting Standards IFRSs as adopted by the EU and the Annual Accounts Act and give a true and fair view of the group's financial position and results of operations. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the annual meeting of shareholders that the income statements and balance sheets of the Parent Company and the Group be adopted, that the profit of the Parent Company be dealt with in accordance with the proposal in the administration report and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Nacka, February 20, 2007
KPMG Bohlins AB

Thomas Thiel
Authorized Public Accountant

Financial Definitions

Average number of shares outstanding
The weighted average number of shares outstanding before or after dilution. Shares held by Atlas Copco are not included in the number of shares outstanding. The diluted weighted average number of shares outstanding is the number of shares that would be outstanding if all convertible securities, e.g. personnel stock options, were converted to common stock.

Capital employed
Total assets less non-interest-bearing liabilities/provisions. Capital employed for the business areas excludes cash, tax liabilities and tax receivables.

Capital employed turnover ratio
Revenues divided by average capital employed.

Capital turnover ratio
Revenues divided by average total assets.

Debt/EBITDA ratio
Net indebtness in relation to earnings before depreciation and amortization (EBITDA).

Debt/equity ratio
Net indebtedness in relation to equity, including minority interest.

Dividend yield
Dividend divided by the average share price quoted.

Earnings before depreciation and amortization (EBITDA)
Operating profit plus depreciation, impairment and amortization.

Earnings per share
Profit for the period, attributable to equity holders of the parent divided by the average number of shares outstanding.

EBITDA margin
Earnings before depreciation, impairment and amortization as a percentage of revenues.

Equity/assets ratio
Equity including minority interest, as a percentage of total assets.

Equity per share
Equity including minority interest divided by the number of shares.

Interest coverage ratio
Profit before tax plus interest paid and foreign exchange differences divided by interest paid and foreign exchange differences.

Net cash flow
Change in cash and cash equivalents excluding currency exchange rate effects.

Net indebtedness/net cash position
Interest-bearing liabilities/provisions less cash and cash equivalents and current financial assets.

Net interest expense
Interest expense less interest income.

Operating cash flow
Cash flow from operations and cash flow from investments, excluding company acquisitions/divestments.

Operating profit
Revenues less all costs related to operations, but excluding financial items and taxes.

Operating profit margin
Operating profit as a percentage of revenues.

Profit margin
Profit before tax as a percentage of revenues.

Return on capital employed (ROCE)
Profit before tax plus interest paid and foreign exchange differences (for business areas: operating profit) as a percentage of average capital employed.

Return on equity
Profit for the period, attributable to equity holders of the parent as a percentage of average equity, excluding minority interest.

Weighted average cost of capital (WACC)

$$\frac{\text{interest-bearing liabilities} \times i + \text{market capitalization} \times r}{\text{interest-bearing liabilities} + \text{market capitalization}}$$

i: The Swedish risk-free interest rate (10-year government bonds) plus 0.5 percentage points to compensate for the premium Atlas Copco pays on borrowings compared to that of the Swedish state, and adjusted for the standard tax rate.
r: The Swedish risk-free interest rate, plus a risk premium (5.0%).

Pre-tax WACC
WACC divided by (1 – the standard tax rate).

Sustainability Report

Atlas Copco's vision is to become and remain First in Mind—First in Choice™ for its key stakeholders. This vision is also the driving force of the Group's sustainability strategy, and the objective is to be a good corporate citizen on each market. As such, Atlas Copco is committed to making a positive impact within its sustainability framework: the economic, environmental and social dimensions, and the pride of behaving in accordance with Group values.

About this report

Atlas Copco's Sustainability Report includes information regarding all three aspects of the Group's sustainability strategy i.e. where Atlas Copco has a significant economic, environmental and social impact. It also gives examples of activities that its employees are proud to present.

The report covers all of Atlas Copco's operations for the fiscal year 2006, unless otherwise stated. Operations divested during the year are excluded, whilst units that have been acquired are included. (See Annual Report for details.) Limitations and reporting principles that apply specifically to certain aspects of the Group's sustainability performance are mentioned in the appropriate section of the report.

The Sustainability Report is published combined with the 2006 Annual Report and Corporate Governance Report. To avoid duplication of information, references are at times made to these reports. Atlas Copco's most recent Sustainability Report was published in March 2006, combined with the 2005 Annual Report and Corporate Governance Report.

The 2006 Sustainability Report has been developed, guided by the most recent version (3.0) of the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines. The GRI core indicators reported and analyzed are those that are understood to be relevant and material to the Atlas Copco Group and its stakeholders, and which facilitate benchmarking with other companies in a broader sense. To facilitate for the readers, the report has been structured in accordance with Atlas Copco's stakeholder model.

A brief GRI content index showing where the main GRI sections can be found in this report is presented below, and a more comprehensive version with additional comments is available on the Group's website: www.atlascopco.com/csr.

GRI Content Index

	GRI Section	Page(s)
1	Strategy and Analysis	4–7, 85–87
2	Organizational Profile	8–11, 85–87
3	Report Parameters	85
4	Governance, Commitments, and Engagement	101–111
5	Management Approach and Performance Indicators	
	–Economic	88
	–Environmental	21, 88–91, 93
	–Product Responsibility	94
	–Labor Practices and Decent Work	95
	–Human Rights	91
	–Society	91–92

Reported facts and figures have been verified in accordance with Atlas Copco's procedures for internal control over non-financial reporting. The sustainability report has been reviewed and approved by Atlas Copco's Group Management. It has not been audited by external auditors.

International guidelines and standards

Atlas Copco supports the following voluntary international ethical guidelines;

- United Nations Universal Declaration of Human Rights
- International Labour Organization Declaration on Fundamental Principles and Rights at Work
- United Nations Global Compact
- OECD's Guidelines for Multinational Enterprises

Stakeholder engagement

Atlas Copco has regular dialogues with a number of stakeholders regarding its sustainability work. The discussions are conducted on a local and/or corporate level. The ambition is to identify opportunities to improve sustainability performance with specific focus on safety, health and environmental aspects, compare performance with other multinational companies, and to take account of stakeholders' views and perspectives on the Group.

Atlas Copco encourages learning and development through cooperation with local communities – stakeholders that may provide important contributions towards the development of the Group's sustainability performance. Atlas Copco encourages its local companies to engage in constructive dialogue with local stakeholders, such as universities, health authorities, and others where such dialogues can add value.

Atlas Copco also values discussions with influencers, and takes advice based on their knowledge and experience or learn from listening to their questions. Regular meetings are held with the following:

- Amnesty Business Group (member since 2005)
- Transparency International
- Rating institutes
- Students
- CSR focused networks, mainly in the Nordic countries
- Discussion groups sponsored by trade organizations, where Atlas Copco is a member

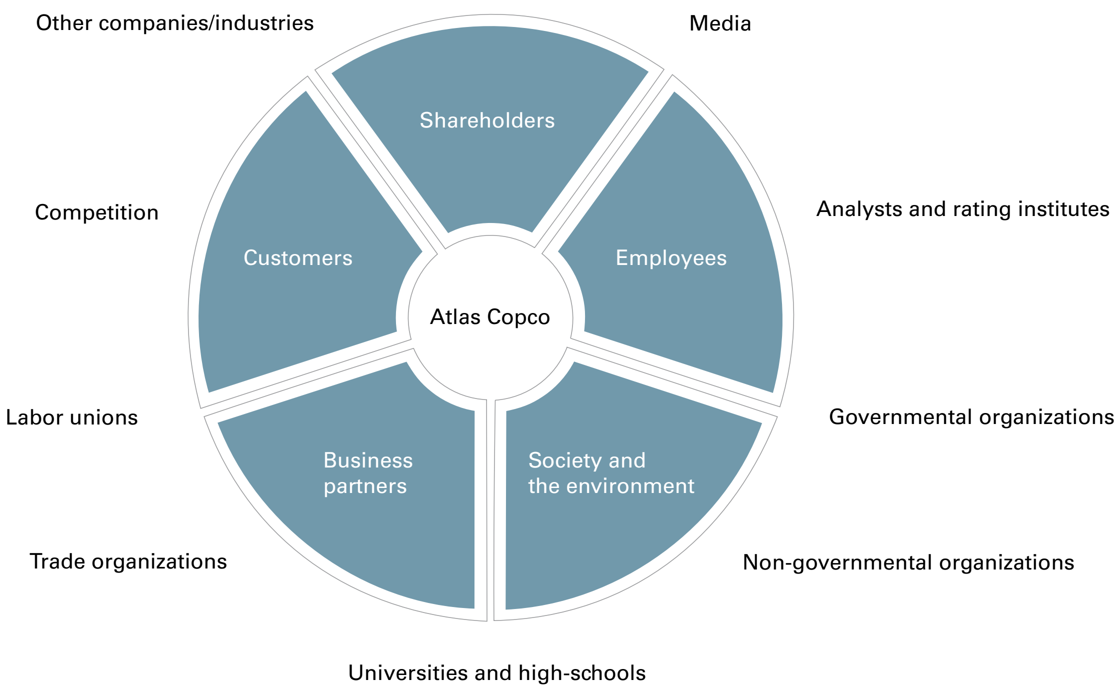
Main issues from stakeholder/influencer discussions

Focus area	Stakeholder views	Achievements 2006
Society and the environment	Continue to show progress in environmental aspects.	ISO 14001 certification reached 92% of Atlas Copco's product companies (measured in % of cost of sales).
	Continue to develop community engagement projects.	Up to 70 000 people provided with clean drinking water through the Water for All organization.
Customers	Increase the energy efficiency of products and solutions further.	More products consuming less energy have been launched.
Employees	Continue to offer a safe and healthy work place world wide.	The number of accidents per million working hours has decreased.
	Enhance competence development and diversity in all operations.	The number of hours of training has increased. The proportion of women has increased from last year.
Business partners	Provide more information on implementation of supplier evaluations and results of such evaluations.	More suppliers have been evaluated, both from an environmental and a social perspective.
Shareholders	Continue to improve sustainability reporting and set targets on more key performance indicators.	The Atlas Copco 2006 Sustainability report is guided by the GRI 3.0 guidelines.

As an extension to the regular dialogues, Atlas Copco encourages contact with stakeholders through its website. All stakeholders and influencers are invited to e-mail comments and questions to csr@se.atlascopco.com. Learn more about Atlas Copco and the Group's sustainability progress on www.atlascopco.com/csr.

Going forward, the ambition is to create a more formal process to collect views from stakeholders and learn about their expectations and concerns.

Stakeholders and influencers



See Sustainability Definitions on page 100 for explanations of stakeholder and influencer

Business Code of Practice

Atlas Copco's Business Code of Practice details the values and policies that underpin the Group's corporate social responsibilities and commitments, both within its own global organization and in its interaction with external stakeholders.

Atlas Copco's standards and performance expectations are the same for all operations around the world, and the Business Code of Practice helps employees understand the Group's spirit and commitments to stakeholders. Policy documents, guidelines and instructions are available in the database The Way We Do Things, which is available to all employees, to help Group companies and individuals to interpret and implement the Business Code of Practice. New employees are routinely introduced to these standards and expectations. See also page 106.

Group companies have established routines to share the Group's views with business partners and customers. Business partners are encouraged to comply with the same standards as Atlas Copco complies with.

The Business Code of Practice, which was updated in 2006, is available in 11 languages both in electronic and printed format. It can be downloaded from the Group's website: www.atlascopco.com/csr.

Key strategies for achieving performance

Based on the Business Code of Practice and associated sustainability policies, Atlas Copco has established a number of strategies and targets regarding the Group's economic (financial), environmental and social performance. Whereas the financial targets are described in the Annual Report, the following environmental and social (workplace) strategies apply to all Atlas Copco companies and performance is monitored on a regular basis (see table below).

Tools and training

In recognition of the fact that environmental or social considerations may, at times, override purely commercial considerations, guidance documents and training materials are available to assist operations with the implementation of sustainability policies, within the context of their commercial responsibilities. Some of these are listed in the table below, and the environmental policy, for instance, is available on the Group website.

Business Code Guidance Documents and Training Material
Health and Safety Guideline
Environmental Policy, processes and guidance documents
Environmental Training Program
Diversity Guideline
Risk Evaluation Check Lists
Supplier Evaluations Guideline and Check Lists
Training Modules, including business ethics in the sales process

Since the initial introduction of the Business Code of Practice in 2003, almost 80% of Atlas Copco employees have received training on the Business Code of Practice, mainly via the Group's "Circles" approach at the local company level. In 2006, an environmental training module was launched. The program includes training for General Managers and an interactive training for all employees.

Reporting of violations

Atlas Copco has an established process where employees can report on behavior or actions that are, or for good reasons may be perceived as, violations of laws or of the Atlas Copco Group Business Code of Practice. These reports are treated confidentially and the person who is reporting is given anonymity. The process has been in place since mid-2005. Atlas Copco's ethical helpline is accessible to all employees by e-mail.

During 2006, a total of five possible violations of the Business Code of Practice came to the attention of Group Management. In each case a special internal audit was conducted to investigate and assess the circumstances of the reported cases. In three of the cases, actions were taken as a result.

Key environmental and social strategies

Environmental	Social – workplace and beyond
1. Each unit shall implement an environmental management system (EMS) and all product companies shall be certified according to ISO 14001.	1. Atlas Copco strives to offer a safe and healthy environment worldwide.
2. Group companies shall continuously improve energy efficiency in products, production and transports.	2. Each employee shall be provided with an average of 40 hours competence development per year and an annual personal performance appraisal.
3. Atlas Copco's list of prohibited substances of concern shall be complied with.	3. Internal mobility is encouraged and 85% of managers shall be internally recruited.
4. Atlas Copco shall evaluate business partners from an environmental perspective.	4. Atlas Copco shall evaluate business partners from a social performance perspective.
5. All employees shall receive appropriate training in environmental awareness as specified in each division's EMS.	5. All employees shall receive appropriate training in the Business Code of Practice, including human rights aspects.

Society and the environment

Atlas Copco is a world-leading provider of industrial productivity solutions with operations in approximately 80 countries around the world, and production facilities in 17 countries on five continents. Its global reach spans customers in the manufacturing, process, mining, construction and services sectors in more than 150 countries. As such, Atlas Copco has an impact on a number of local communities, contributing to economic and social development, and also a responsibility to manage its business in an environmentally sound manner.

Atlas Copco's shareholders and creditors provide funds to finance the asset base that is used to create added value. In turn, these stakeholders receive interest payments, annual dividends, and an increased value of their shares. In 2006, net interest cost was MSEK 654 (469). Dividend payments increased 41% to MSEK 2 672 (1 890), and in addition, MSEK 3 776 was spent on repurchasing of own shares. In 2005, MSEK 4 192 was distributed to the shareholders through a mandatory redemption of shares. The value retained in the business increased to MSEK 1 303 (–95).

Economic

Atlas Copco's objective is to deliver value to its stakeholders and to achieve sustainable profitable growth. When achieved, this growth clearly adds value both to the local and global economies.

Atlas Copco assesses its economic sustainability in terms of the *value added* concept, defined as the economic value created by the Group's own operations. The economic value generated by selling products and services to customers is to a large extent distributed to various stakeholders, with a portion being retained in the business.

Development and distribution of value added

Over the past few years the value added has steadily increased for comparable units, thus permitting progressively larger payments to all Atlas Copco stakeholders. In 2006, the value added increased by 23% to MSEK 20 939 (16 960) for the continuing operations, largely as a result of increased revenues generated by the business. The value added per employee increased to KSEK 808 (751).

In 2006, Atlas Copco had an average of 24 378 (21 431) employees. Salaries and other monetary remuneration paid by the Group increased 19% to MSEK 8 133 (6 858).

The Group contributes to economic development within the regions where it operates, for example to pension funds and social security, through payments of taxes, social costs and other duties. In 2006, taxes and social costs were up 21% to MSEK 4 401 (3 646).

Through subcontracting manufacturing and other activities, Atlas Copco generated further employment and financial growth. Payments to suppliers for goods and services amounted to MSEK 29 573 (25 245), an increase of 17%.

Environment

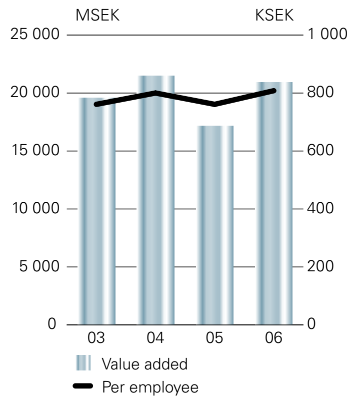
Like most industrial companies, Atlas Copco affects the environment in the production process, through the use of natural resources, and the generation of emissions and wastes, in the distribution of, as well as in the use and final disposal of its products. The Group works to reduce these impacts both in the design of new products and through continuous improvements of the manufacturing plants. For this purpose, a number of key performance indicators are monitored, and a selection of these is reported here.

In 2006, Atlas Copco's revenues increased in volume by 15% for comparable units. At the same time, through efficiency improvements and a greater focus on environmental issues, the use of natural resources has increased at a lower pace. For example, in absolute figures, energy use increased 3%, water use 9%, CO_2 emissions from energy 3%, cooling agents 8%, and transport fuel and CO_2 emissions from transport both increased 13%.

Core environmental indicators

Key performance indicator	Change 2006/05, %
Revenues in volume	+15
Energy use	+3
Water use	+9
Transport fuel	+13
Cooling agents	+8
CO_2 emissions from energy	+3
CO_2 emissions from transport	+13

Development of value added

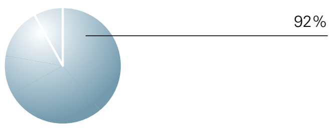


2003 and 2004 includes the electric tools business.

Environmental management systems

One of Atlas Copco's most significant environmental goals is to implement environmental management systems (EMS) in all operations to help minimize environmental impacts. All product companies shall be certified according to the international standard ISO 14001. This process has to date been successful, and the proportion of product companies attaining ISO 14001-certification has grown continuously in the past few years. In 2006, manufacturing units representing 92% (85) of cost of sales were ISO 14001 certified.

ISO 14001 certification



Use of resources

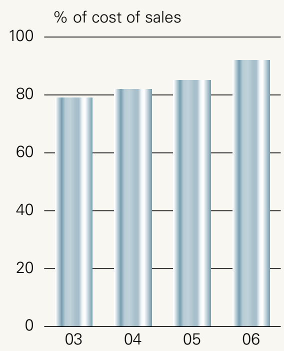
The transformation of raw materials and purchased components into finished products is a fundamental part of the Atlas Copco business, and substantial amounts of materials, energy and water are annually consumed in this process. In recognition of this environmental impact, the Group works constantly to improve the efficient use of resources in the manufacturing process, and has, for instance, achieved noticeable reductions of both energy and transport use in recent years. Measured in relation to cost of sales, the use of energy was reduced by 11% and CO_2 emissions from energy use and transport by 5% in 2006.

Atlas Copco tracks the use of significant quantities of materials used in the production process, and for packing finished products or spare parts.

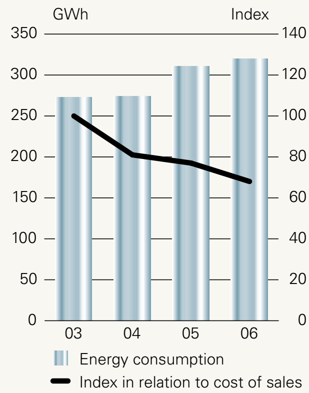
The by far most significant material used in the production process is steel, either in a raw form, as part of components that are machined in-house or by subsuppliers. In terms of weight, steel, which represents more than 95% of the materials used in production, has increased in the past few years due to the expanding Atlas Copco business. The main portion consists of recycled materials. Other materials used in the production process include: aluminum, copper and brass, plastics, rubber, oils and greases, and natural gas.

Considerable efforts have been made over the years to cut down on unnecessary packaging materials, for instance by developing smarter packing solutions and reusing packaging materials.

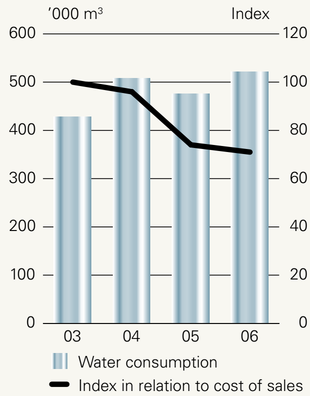
ISO 14001 certification



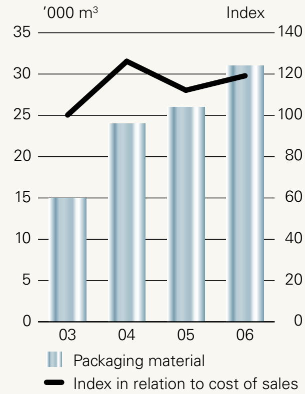
Energy consumption



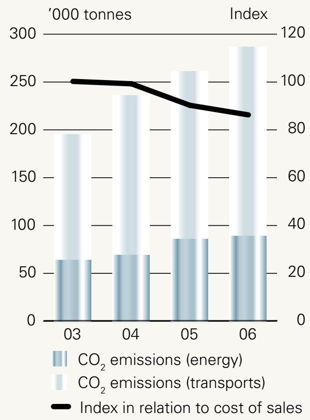
Water consumption



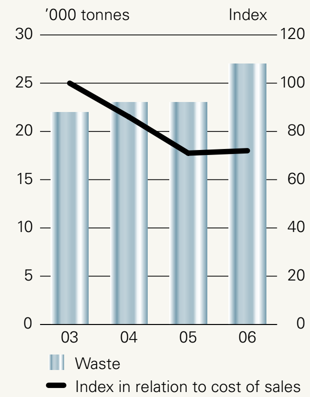
Packaging material



CO_2 emissions



Waste



Emissions and waste

Climate change is perhaps the most global of all environmental problems, and is to a great extent caused by the emission of greenhouse gases to the atmosphere. The most abundant greenhouse gas is carbon dioxide (CO_2), produced as a by-product when burning fossil fuels for producing energy or transportation purposes. Atlas Copco estimates and reports CO_2 emissions from both direct and indirect energy production as well as transportation to and from production sites (standardized conversion factors published by the Greenhouse Gas Protocol Initiative are used to calculate CO_2 emissions).

Strategic changes to manufacturing and distribution operations have resulted in considerable reductions in airfreight in relation to cost of sales, while increasing sales volumes have contributed to more efficient road transport in 2005 and 2006. For instance, Atlas Copco Compressor Technique has implemented a distribution structure where the main distribution center in Belgium is complemented by local distribution centers in China, India, the United States, and Brazil. In order to reduce transport by road, an attempt was also made to transport goods by rail between Belgium and Italy. However, this project was stopped due to unreliable delivery times.

Atlas Copco does not monitor emissions caused by business travel, but actively promotes alternatives such as interactive internet-based conferences, telephones and video conferences.

Atlas Copco is using cooling agents in some products (dryers) and processes (cooling installations). The 8% increase in 2006 reflects the 15% volume increase and is further influenced by recent acquisitions. The Group acknowledges that some cooling agents has an ozone depleting impact, and the Group offers products with zero impact (0 ODP) and strives to use this for all products.

Atlas Copco tracks the generation of various categories of waste in the production process, including regulated (sometimes referred to as hazardous) waste. As the main raw material going into the process is steel, metal scrap is not surprisingly the most significant fraction of waste coming out of the process, and practically all of this scrap is reused or recycled. Other waste categories are various plastics, as well as wood and paper from incoming packaging material and office use. Of the total waste produced by the Group less than 3% is classified as regulated waste requiring special treatment and disposal methods. All other waste tends to be reused on site, recycled by waste handling companies or burned to produce energy in municipal heat and power plants.

Biodiversity

Almost all Atlas Copco's production units are located in industrial areas. However, Atlas Copco Comptec in the United States, is located near a protected area of high biodiversity value. The area is affected by Atlas Copco's use of large quantities of local water sources to cool centrifugal compressors during their performance testing. To reduce the water consumption, Atlas Copco invested MSEK 6.5 in a closed-loop cooling-tower system for the testing facility. Atlas Copco estimates that reductions of up to 70–80% can be achieved.

Legal matters and environmental incidents
Atlas Copco follows applicable environmental laws in all countries where the Group operates and reports incidents or fines for non-compliance with environmental legislation, as well as incidents involving chemical, oil or fuel spillages, in accordance with these laws. No major incidents have occurred during 2006.

Human Rights

Atlas Copco's Business Code of Practice supports fundamental human rights and respects those rights in the Group's operations throughout the world. Atlas Copco does not accept any forms of child or forced labor, actively discourages discrimination, and encourages equality and diversity. The Group recognizes that employees have the right to decide whether to be organized or not in all of its operations. These basic principles are also promoted to business partners around the world.

Human rights abuse exists on markets where Atlas Copco operates, for example in Asia and Africa.

In order to identify areas where there are risks related to human rights abuses, Atlas Copco takes advice from Amnesty Business Group. Atlas Copco can thereby provide support to its own companies, active in such areas. These companies are encouraged to evaluate business processes and relationships, and to act in order to minimize such risks, wherever possible. To support the local companies' work in this area, Atlas Copco has issued a set of guidance documents, to help identify and deal with such risks.

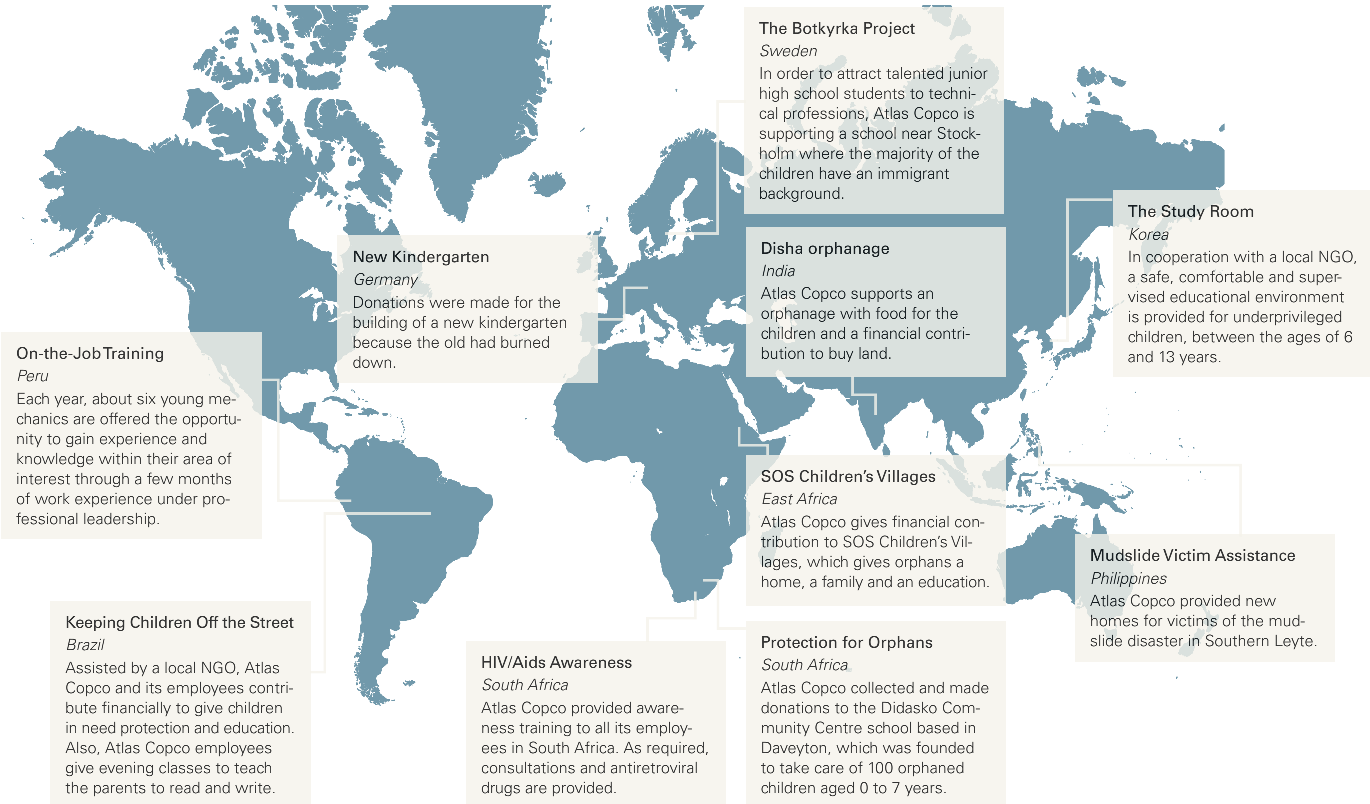
Through the Control Self Assessment routine (see also page 111), Atlas Copco both highlights and confirms that Group companies have systems in place to inform customers and business partners about the Group's human rights policies as well as to assess possible reputation risks by association with customers. Approximately half of Atlas Copco's units have to date established this routine. The routine also stipulates that Group companies confirm that business partners have established codes of conduct in line with the Group's.

Society

Atlas Copco is truly global, with ambitious business growth targets in regions where social standards and cultures vary significantly. The Business Code of Practice is therefore an important tool in the implementation of the Group's social responsibility.

Atlas Copco recognizes that its social responsibility extends beyond its own work place and evaluates the social, environmental, political and reputation risks it faces when operating globally. Whilst striving to be a good and reliable corporate citizen, and as one of its three core values, the Group considers interaction to be an important success factor and therefore wants constructive dialogues with its key stakeholders in society.

Examples of Community Engagement and Charity Projects around the world



The Group encourages learning and development through cooperation with local communities. This involves active participation in local environmental networks and engaging in environmental activities where this is seen to add value both to the community at large and to local companies.

Community engagement and charity

Atlas Copco companies have a long history of local engagement in the societies where they operate. Besides supporting local charity projects, the Group's Community Engagement Policy also encourages companies to provide support in the case of natural and humanitarian disasters. The policy acknowledges the value of supporting employee lead initiatives, by following the financial 'matching' principle. This principle says that Group companies should seek to match financial donations made by employees, with company funds.

Since 1984, Atlas Copco has supported the employee managed organization *Water for All*, which raises funds to finance water well drilling activities and equipment in order to supply clean drinking water to needy villages and communities. The water supply is normally achieved through drilling or digging and installing hand pumps or through protection of natural springs. The Water for All association has over the years given more than 700 000 people access to clean water from water wells, which can last for up to 30 years.

Atlas Copco supports the drive to find new members and to encourage the spirit of philanthropy which employees and companies pride themselves on. The ambition is to make it possible for all employees, regardless of location, to become part of the organization, which will thereby become increasingly effective in providing clean drinking water to thousands of people every year. Water for All continues to be the Group's priority corporate and global charity activity. See also www.water4all.org.

During 2006, estimates indicate that up to 70 000 people were provided with a sustainable source of clean drinking water, as a result of the financial contributions made by Water for All.

Atlas Copco's *local charity initiatives* – selected and supported by local companies – are chiefly focusing on three areas: providing education, give children a safe childhood or on fighting deceases. In line with this, Atlas Copco companies are supporting schools or universities to raise the educational level, helping orphanages to give the children living there a safe environment to grow up in, and for example supporting HIV/Aids programs.

All local charity has in common that the support should be given during either a medium or long-term period. However, support to natural and humanitarian disasters, which is of a completely different character, can be provided on a short-term basis.

Build lasting relations

At Atlas Copco, sponsorship is almost always a local activity. The objective is to build lasting relations, chiefly with customers, distributors and future employees.

However, between 2005 and 2007, Atlas Copco has one global sponsorship, the Swedish Ship Götheborg. The objective is to strengthen the value of the Atlas Copco brand and to improve relations with the Group's stakeholders. The ship, a replica of the ship from the mid 1750, has been sailing from Sweden to China and is currently on its return journey. At each stop in a harbor, the sponsors are inviting stakeholders and media. In 2006, Atlas Copco arranged activities in Cadiz in Spain, Recife in Brazil, Cape Town in South Africa, Fremantle in Australia, Djakarta in Indonesia, and Guangzhou and Shanghai in China.

Anti-competitive behavior

As a global citizen with a valuable brand, Atlas Copco is mindful of the importance of working actively to build awareness for, and compliance with, principles of integrity in its business dealings. As regards corruption, Atlas Copco instructs its operations not to give or receive anything of more than 'token value' to or from any stakeholder, to avoid the risk of creating an unhealthy loyalty.

During 2006, training packages covering anti-corruption procedures and behavior were introduced in the organization. Local companies are encouraged to run training workshops which deal pragmatically with business integrity and possible ethical dilemmas. More than 90% of Atlas Copco's companies have a process in place to analyze risks related to corruption.

The Group is committed to supporting fair competition and specifically forbids discussions or agreements with competitors concerning pricing or market sharing. There have been no instances of anti-competitive behavior brought to the attention of Group management in 2006 and there are no pending legal actions in this area.

Public policy

Atlas Copco is a member of a number of trade organizations – such as The Association of Swedish Engineering Industries, CAGI (Compressed Air and Gas Institute) in the United States, and the German Engineering Federation, VDMA – and is actively participating in the development of international standardization programs.

Since 1959, Atlas Copco has been an active member of Pneurop, the European sector committee for manufacturers of compressors and pneumatic tools. The committee provides recommendations regarding noise test codes, safety recommendations, test procedures for measurement of dust emissions, etc. Atlas Copco has implemented these recommendations in its operations at an early stage, many of which have served as the basis for ISO and CEN standards.

In 2000, Atlas Copco became a member of CECE, the Committee for the European Construction Equipment Industry. The committee is, for example working to remove technical barriers and improve the safety standards and environmental aspects of construction machinery.

Atlas Copco is participating in the ongoing development of the ISO 26000 standard on Social Responsibility.

The Atlas Copco Group does not take political stands and does not use Group funds or assets to support political campaigns or candidates, or otherwise provide services to political endeavors.

Customers

Atlas Copco strives to be the preferred supplier to current and potential customers, by developing, manufacturing, and delivering quality solutions that provide superior productivity. The Group's success depends on the interaction with customers in order to sustain competitiveness.

By providing high quality products and services which meet or exceed customer requirements, the Group adds value to its customers' own operations and business objectives.

Atlas Copco customer centers track their performance in terms of customer share, as a measure of how customers value the products and services offered by the Group. Furthermore, in accordance with the Group's Quality Policy, all divisions conduct customer surveys to measure how satisfied customers are with Atlas Copco. In some countries the 'Net Promoter Score' concept has been adopted to measure customers' perception of the operations.

The Group recognizes its reputation risks related to the association with certain customers. In 'high risk' areas, Atlas Copco seeks to minimize these risks by first and foremost safeguarding that the Group's own commitments are met regarding the safety and technological leadership of its products and services, and regarding its business practices, and secondly, by building awareness for the ethical guidelines supported by the Group.

Products and solutions

Seen over the entire product life cycle, the largest environmental impact does not take place in the production process, but during the use of Atlas Copco products. In designing its products Atlas Copco strives to reduce environmental impacts by improving the performance of every product design. Life cycle assessments show energy consumption, oil leakage, noise and dust emissions to be the most significant environmental impacts.

Atlas Copco is organized in three separate, but still integrated, business areas. Each business area operates globally. Depending on the nature of the product and solutions offered, the focus and priorities varies. As each business area manufactures a wide variety of products and solutions, it is difficult to report a consolidated figure for their environmental impact. However, all divisions specify and report these impacts on an annual basis for their main product groups.

During 2006, Atlas Copco business areas conducted a number of product improvements. Some examples of these are given below.

The **Compressor Technique** business area has continued to develop energy efficient products. Products with better performances and applications with variable speed drives are available in a broad power range. On average, the energy savings of the compressors increase with 1% per year. Noise emissions for smaller diesel-driven compressors have decreased significantly; since 2001, the average noise level has been reduced by 30%. Compressor Technique also offers a monitoring service intended to identify leaks in compressed air systems, helping customers save energy.

In the **Construction and Mining Technique** business area, new low-emissions engines have been introduced in the surface rock drill product range. The new silenced drill rig with 10dB(A) lower noise emissions launched in 2005 is now in serial production. The first of the new generation of underground vehicles designed after the transfer of the Wagner division from the United States to Sweden has been equipped with modern system solutions resulting in fuel savings of up to 20%.

Atlas Copco introduced two new water well drills combining proven technology with new innovations boosting productivity and efficiency while reducing fuel consumption by 15–18% during the drilling cycle. The new variable-speed cooling fan runs only as fast as needed to maintain optimal fluid temperature, drastically reducing noise and fuel consumption.

In the development of new handheld pneumatic breakers, rational material choices have noticeably reduced the consumption of lubricants.

In the **Industrial Technique** business area, there is continuous work to reduce substances of concern in the production process and in products. Some examples of this include the use of new efficient lithium batteries, the replacement of lead-based bushings with advanced compounds, and the elimination of chrome+6 from the surface treatment process of certain products. Atlas Copco has also worked extensively to help customers analyze what it means to eliminate chrome+6 and has helped them to find a good solution to do it. A specific friction tester has been developed by Atlas Copco, as the friction per batch varies more when Crome+6 is not used.

In all product-development projects, Industrial Technique sets targets to reduce energy consumption. During 2006, a stand-

Key Sustainability Priorities

Business area	Products	Key sustainability priorities
Compressor Technique	Oil-free and oil-injected stationary air compressors, portable air compressors, gas and process compressors, turbo expanders, electric power generators, air treatment equipment and air management systems.	– Reduction in energy use – Reduction of noise
Construction and Mining Technique	Rock drilling tools, construction and demolition tools, drill rigs and equipment	– Reduction in energy use – Reduction of noise – Reduction of dust emissions
Industrial Technique	Industrial power tools, assembly systems, aftermarket products, software and service.	– Reduction in energy use – Replacement of substances of concern

by mode for a selection of tightening tools was introduced, contributing to a lower energy use. Finally, as a result of the introduction and promotion of more and new electric tools which are replacing pneumatic tools, energy will be saved as electric tools consume less energy that the pneumatic.

Product Responsibility

Atlas Copco strives to consistently deliver high-quality products and services that contribute to its customers' productivity and prosperity. All products and services are intended to meet or exceed quality, functionality, safety, and environmental expectations. Activities are conducted to ensure that the Group's customers can consistently benefit from the best possible contribution to their productivity and profit.

The Group's total-quality concept is a combination of different factors, such as availability, ergonomics, durability, performance, profitability, reliability, safety, and serviceability. Additionally, during the design stage, products are evaluated from a health-and-safety perspective, including ergonomics. Further, all Atlas Copco products come with relevant product, service and safety information.

Recently, steps have also been taken to develop a second lifecycle for older products. Focus for these products are quality, health, and safety aspects.

No significant cases of noncompliance with regulations concerning health and safety or product information and labeling have occurred during 2006.

Atlas Copco in China – Committed to making a positive impact

by Magnus Gyllö, Vice President Atlas Copco China Holding

Until the 1980s, sales to China were managed from Sweden. Today, Atlas Copco has more than 120 sales-and-service offices, nine manufacturing units, and 2 400 employees in the country. Group companies in China are attractive employers, which is seen in the low employee turnover compared to the market.

The Atlas Copco Business Code of Practice has been presented to all employees and training has been provided as appropriate. To manifest its importance further, all employees sign a confirmation, as part of their employment contracts, to confirm that they understand and will live by the values. Processes are established to share the Business Code of Practice with both suppliers and customers. As a part of this, the Business Code of Practice is routinely attached to supplier agreements.

Health and Safety

All companies have established Environment and Safety Committees to enhance the environmental and safety management, including monthly audits. Usually, the general managers chair these committees.

Atlas Copco's goal is to continuously improve and review health-and-safety issues. In line with this, Atlas Copco is making advance preparation for OHSAS 18001, which is an international occupational health and safety management system specification.

The achievements in the health and safety area include

– Full health checks for employees at least every two years and yearly health checks for employees with harder working conditions (painting, welding, etc).
– Task risk assessments and safe work procedures for tasks that have risk; regular checking of high-risk equipment like cranes and forklifts.
– Transparent system for recording working accidents – there were no accidents in 2006.
– Safety clothes, shoes, gloves, and glasses are provided to factory workers, including winter outfits in Atlas Copco's factories in Northern China.

Social Welfare

Social welfare has been a focus area in 2006. The most important achievement was the introduction of a supplemental pension system in all Group companies.

Atlas Copco has for many years been contributing to the mandatory state retirement system for all employees. In 2005, the Chinese government issued new regulations to encourage employer-sponsored supplemental pension plans called "Enterprise Annuity" plans (EA). As the first Swedish company and the second international company in China, Atlas Copco received the approval from the Ministry of Labor and Social Services for its proposed EA plan in 2006.

The new EA plan, where all Group companies' employees are eligible to participate, is an important part of Atlas Copco's total rewards system in China, and will be instrumental in future talent recruitment and retention. The plan is in line with Atlas Copco's global commitment to its employees.

Competence Development

Atlas Copco has been running its own "Academy" competence development program for many years. The program allows employees to select from a curriculum of some 25 courses each year. The training objective is to achieve a minimum of 40 hours of training each year for each employee.

Employees

Atlas Copco has a vision to become and remain First in Mind—First in Choice™ for potential, as well as for its existing, employees. During 2006, Atlas Copco has continued to focus on offering a safe, healthy and inclusive working environment for all employees.

Labor Practices and Decent Work

Atlas Copco employs 25 900 people around the world and 87% of its workforce is based outside Sweden. In 2006, new acquisitions brought 1 139 new employees to the Group, and through the divestment of the equipment rental business some 5 100 left.

Atlas Copco's people management strategy is to attract, develop and keep motivated people, whilst expecting managers to take responsibility for developing themselves and their organizations for new positions. One of the key success factors of this strategy has been the encouragement of diversity as well as the integration of the Group's basic beliefs and values, with local culture.

Employer/employee relations

All employees have access to information regarding the Group's People Management processes, which include guidance on recruitment, compensation, performance reviews and development.

Atlas Copco's policy is that all employees should have the right to decide whether or not to be represented by a labor union, and reporting units specify whether or not they have labor union representation on site.

Wages and benefits are determined in accordance with market forces. The goal is to be fair, consistent and competitive, but to remain in line with the industry standards, in order to retain and attract the best people.

Atlas Copco encourages mobility across geographical, organizational and cultural boundaries. This is important for competence development, but also for successful integration of newly acquired companies. Experienced Atlas Copco managers lead the integration process and make it possible to establish the Group's business code, values and vision in an efficient and pragmatic manner. In 2006, internal mobility for salaried employees was 10%, which means that 1 947 people moved to new positions. External recruitment for the same category reached 18% and has varied between 10% and 14% during the past five years. External recruitment totaled 3 425 people excluding acquisitions.

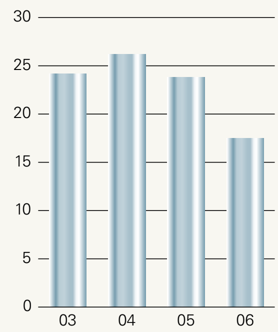
Employee surveys are conducted to evaluate the Group's relative attractiveness as an employer. In 2006, the Group continued with the employer brand study, which was initiated in 2005. The focus of the survey is to measure and to evaluate the organizations overall perception through the eyes of the employees. To gauge the efficiency of the companies' performance, the Group calculates an Employee Net Promoter Score to understand to what extent Atlas Copco is a preferred employer.

Health, safety and well-being

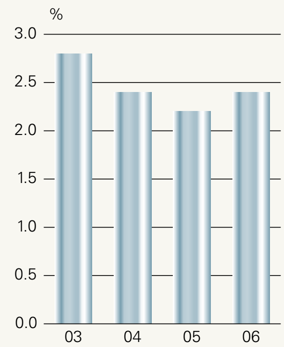
Atlas Copco aims to offer a safe and healthy working environment in all operations. In support of this, the Group measures numbers of accidents and sick leave days and seeks actively to ensure that these numbers reduce over time.

The number of accidents reduced further in 2006, to 17.5 (23.8) accidents per million hours worked. The decrease is attributed to all regions and business areas.

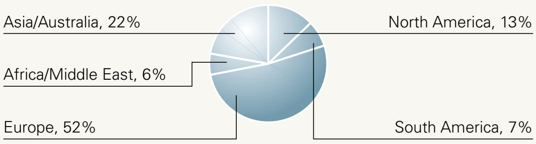
No of accidents per millions of hours worked



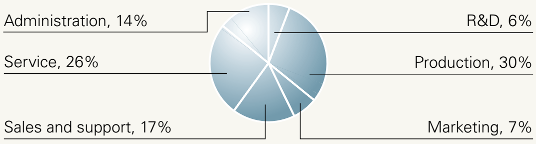
Sick-leave



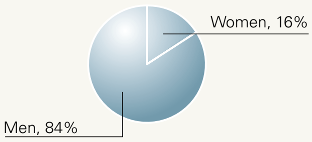
Proportion of employees geographical spread



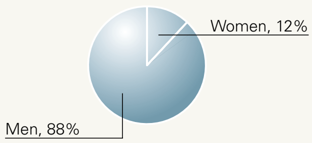
Proportion of employees per professional category



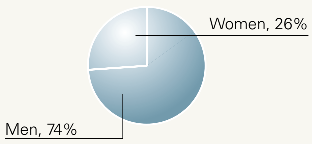
Proportion of men and women



Proportion of men and women managers



Proportion of men and women recent graduates recruited in the year



The level of sick-leave has increased slightly, to 2.4% (2.2). The increase was reported from two of the three business areas in the Group, but was not referred to any specific reason. During the period 2003–2006, the sick leave percentage has varied between 2.2–2.8.

Competence development

In 2006, the average number of training hours per employee was 38.9 (33.7). This corresponds to an increase of 15%. The increase is a result of the enhanced focus on training in the newly acquired companies and due to increased product and application training for new products launched. Atlas Copco's target is 40 hours.

Training provided from a corporate perspective, includes workshops and seminar modules that are developed to help implement Group policies and processes. Business areas provide targeted skills based training in accordance with the needs of the organization. Whilst training seminars and workshops remained the most popular way of offering training within Atlas Copco, e-learning has been developed as a complementary tool for disseminating and sharing knowledge, both within the Group and between product experts and customers. Examples of efficient e-learning programs are two training modules in environmental management.

A further measure of success of the focus on competence building within Atlas Copco, is the percentage of employees with university (or higher) degrees. In 2006, 40.4% (37.8) of the salaried employees had university degree or higher. The percentage has increased continuously since 2003.

In 2006, 71% of all employees had an appraisal, an annual performance and career development review.

Fairness and diversity

Equal opportunities, fairness, and diversity are fundamental pillars of Atlas Copco's People Development policy. The Group is chiefly recruiting both senior managers and other employees from the local communities where it operates. As such, Atlas Copco's workforce reflects the local recruitment base and comprises all cultures, religions and nationalities. However, Atlas Copco strives to increase the proportion of female leaders and has a policy stating that recruiting managers should ensure to always have at least one female candidate when recruiting external candidates to positions where a university degree is needed.

Atlas Copco companies report and comment on the relative number of males and females in their organizations. Since 2005, Atlas Copco has an internal mentorship program for female managers in place. The objective is to allow regular discussion forums on subjects chosen by the participants and to help encourage a stronger sense of belonging.

The proportion of women within the Group and those in management positions increased in 2006. The proportion of female employees was 16.2% (14.6), and the proportion of female managers was 11.8% (9.0). During 2006, 26% of the recent graduates recruited were female.

Business Partners

Atlas Copco strives to be the preferred associate for its business partners – suppliers, sub-contractors, joint venture partners and agents – and is committed to working closely with them. The ultimate aim is that through such close working relationships, the Group shall be able to deliver high quality products and services, whilst meeting its commitments to environmentally and socially sound business practices.

Atlas Copco recognizes an increasing need to take a more active role in dialogues and assessments of business partners from a sustainability perspective. Group companies partly select and evaluate business partners on the basis of their commitment to social and environmental performance and development. In accordance with the Business Code of Practice, a common ten-point checklist, based on the UN Global Compact, is used to clarify the Group's expectations on its business partners. Atlas Copco's reporting units provide quantitative data of evaluated, approved and rejected suppliers and those requiring development, based on sustainability expectations and/or business expectations. They report in which regions their suppliers are located and the status of environmental and social evaluations.

In 2006, 1 200 suppliers were evaluated by Atlas Copco teams directly at the suppliers' sites, through certification, or through verification of the suppliers' own reports. While all audits included evaluation from an environmental perspective, approximately 90% of the evaluations included social aspects (including human rights issues). The social evaluation checklist was introduced to all business areas in 2006.

97% of the suppliers evaluated from an environmental perspective were rated average, good, or exceptional. 3% of the suppliers required development and will be monitored by Atlas Copco. The same figures related to the social evaluations were 94% and 6% respectively. No suppliers were rejected in 2006.

Atlas Copco lists substances that might be harmful to the health and to the environment. Substances that are going to be replaced when technically and economically feasible can be used restrictively. There is another list with substances that are prohibited. Suppliers' use of such substances are regularly checked, and if prohibited substances should be found, it is required that these are replaced with approved alternatives.

In certain markets it is necessary to work with suppliers that do not have the same standards as the Group. In such cases, Atlas Copco can contribute positively by providing experience and know-how. For various reasons, between 1% and 2% of the Group's 5 000 major supplier are currently rated as risk suppliers.

Shareholders

The Group has ambitious growth targets to create and continuously increase shareholder value. As such, Atlas Copco must safeguard its good relations with all stakeholders.

Investors, ethical funds in particular, are increasingly interested in evaluating Atlas Copco from a non-financial perspective, in addition to the financial evaluation. Among many of those investors, there is a belief that leading sustainability corporations will create significant long-term value through innovation, attracting and keeping the best people, and through being the customers' first choice.

Atlas Copco aims at open, truthful, and accurate communication within the limits of commercial confidentiality. Since 2002, Atlas Copco publishes a Sustainability Report to give shareholders and other stakeholders an insight in the Group's strategies and achievements.

Sustainability ratings

Atlas Copco was rated by a number of ratings institutes during 2006 and was for example listed as one of "The 2007 Global 100 Most Sustainable Corporations in the world", by Corporate Knights and Innovest Strategic Value Advisers, and as one of the top ten companies in the 'Amnesty Business Rating 2007' list made among Swedish listed companies.

Further information about Atlas Copco's participation in external sustainability ratings is available upon request.

Sustainability risks

Assessing significant strategic, operational, financial, legal, and reputation risks is an integral part of conducting good, sensible business. Atlas Copco's approach to assessing and managing risks, including risks related to the Group's sustainability performance, is described in the Annual Report.

One specific area of potential risk and opportunity is global climate change. Governments and authorities all around the world are gradually increasing regulations and requirements related to carbon dioxide emissions from products and industrial processes. Atlas Copco has consistently developed products with improved energy efficiency and reduced emissions, and at present none of the Group's operations are subject to any emission allowance trading schemes or similar systems. Atlas Copco continues to monitor and adhere to the Kyoto protocol, and as an example Atlas Copco Airpower n.v. participates in the voluntary scheme presented by the Flemish Authoroties.

Performance Summary 2006

GRI indicator	Economic	2003	2004[2]	2005[1]	2006[1]
EC1	*Economic value generated*				
EC1	Revenues	44 619	48 654	42 205	50 512
EC1	*Economic value distributed*				
EC1	Cost of goods and services	25 048	27 188	25 245	29 573
EC1	Value added (Revenues – cost of goods and services)	19 571	21 466	16 960	20 939
EC1	Wages and remuneration (monetary)	8 537	8 821	6 858	8 133
EC1	Taxes & social costs	4 030	4 558	3 646	4 401
EC1	Interest payments (net)	386	225	469	654
EC1	Dividends	1 219	1 575	1 890	2 672
EC1	Redemption/repurchase of shares	–	–	4 192	3 776
EC1	*Economic value retained*	5 399	6 287	–95	1 303

GRI indicator	Social	2003	2004	2005	2006
LA7	Number of accidents per million hours worked	24.2	26.2	23.8	17.5
LA7	Sick-leave %	2.8	2.4	2.2	2.4
LA10	Average training hours per employee	30.0	27.7	33.7	38.9
LA12	Proportion of appraisals, % employees	67.4	66.6	69.0	71.0
LA13	Proportion of women, % employees	17.0	16.0	14.5	16.2
LA13	Proportion of women in management positions, % managers	10.0	10.0	9.0	11.7

GRI indicator	Environmental (production units)[3]	2003	2004	2005	2006
EN1	Material use in '000 tonnes (iron and steel)	30	52	82	85
EN1	Packaging material in '000 tonnes	15	24	26	31
EN3 + EN4	Energy use in GWh	273	274	311	321
EN8	Use of water in '000 m^3	428	508	476	523
EN16	CO_2 emissions '000 tonnes (energy)	64	69	86	89
EN16	CO_2 emissions '000 tonnes (transports)	131	169	175	198
EN19	Cooling agents in tonnes	52	82	67	73
EN22	Waste '000 tonnes	22	23	23	27
EN29	Transports '000 m^3 fuel	50	65	67	76

GRI indicator	Environmental (specialty rental)	2003	2004	2005	2006
EN3 + EN4	Energy use in GWh				40
EN8	Use of water in '000 m^3				25
EN16	CO_2 emissions '000 tonnes (energy)				24
EN16	CO_2 emissions '000 tonnes (transports)				2.3

[1] Excludes the equipment rental operation in North America, which was divested in 2006.
[2] Includes the electric tool business, which was divested in 2004.
[3] Changes reflect both changes in volume, consumption and an increase in the number of reporting units.

Sustainability Definitions

Carbon dioxide (CO_2)
The most common greenhouse gas found in the atmosphere.

Core Indicator
Core indicators are those defined in the GRI (Global Reporting Initiative) Guidelines to be of interest to most stakeholders and deemed to be material to the organization.

Cost of sales
All costs incurred to manufacture goods (and provide services) to be sold, including costs for material, salaries, and depreciation of equipment, but excluding costs for marketing, administration, and product development.

Environmental Management Systems (EMS)
The part of the overall management system that includes organizational structure, planning activities, responsibilities, practices, procedures, processes, and resources for developing, implementing, achieving, reviewing, and maintaining the environmental policy. An EMS involves a systematic and documented approach to environmental management.

Fossil fuels
Fuels originating from organisms of an earlier geological age, including coal, oil, natural gas, and peat.

Influencer
An individual or group who is expected to have an indirect impact on Atlas Copco or its stakeholders through influence.

ISO 14001
An international standard, developed by the International Organization for Standardization (ISO), for setting up and certifying environmental management systems.

Life Cycle Assessment (LCA)
A method for assessing the total environmental impact of a product or service "from cradle to grave," including all phases of production, use, and final disposal.

Megawatt hour (MWh)
A measure of electrical energy equal to the energy provided by a one-megawatt power source in one hour. Mega is the metric prefix for one million. In the report, gigawatt hour (GWh) is also used as a measurement unit. Giga is the prefix for one billion.

Sick leave
Absence from work due to the employee's own illness, and does not include absence due to childcare or care of relatives and next-of-kin. The sickleave indicator used in the Atlas Copco Group is measured as the number of sick-leave days in relation to total number of working days.

Stakeholder
An individual or group who is expected to significantly affect or to be significantly affected by Atlas Copco's activities, products, and solutions.

Sustainability
Meeting the needs of the present without compromising the ability of future generations to meet their own needs. Improving quality of life for everyone, now and for generations to come. Sustainability has three dimensions: economic, environmental, and social sustainability.

Value added
A measure of the company's productive contribution; that is, the value added through processing and other activities. Calculated by deducting costs for the purchase of raw materials, wholly and semi-finished goods, and services from revenues.

Work-related accident
Includes illness or injury resulting in loss of consciousness, restriction of work or motion, or transfer to another job, and requiring medical treatment beyond first aid. This does not include accidents occurring when traveling to or from work.

Corporate Governance Report

Atlas Copco AB is incorporated under the laws of Sweden with a public listing at the Stockholm Stock Exchange. Reflecting this, the corporate governance of Atlas Copco is based on Swedish rules and legislation: primarily the Swedish Companies Act, but also the Listing Agreement with the Stockholm Stock Exchange, the Swedish Code of Corporate Governance, and the Articles of Association and other relevant regulations. This Corporate Governance Report has not been reviewed by the company's auditors.

Atlas Copco's Articles of Association, as well as an item-by-item report on its compliance with the Swedish Code of Corporate Governance, are available on the Group's website www.atlascopco.com/ir.

Shareholders

Atlas Copco had 40 260 shareholders according to the 2006 year-end shareholders register published by VPC AB, the Swedish Central Securities Depository. Foreign investors held about 48% of the shares, representing 52% of the voting rights. The 10 largest shareholders, by voting rights, registered directly or as a group with VPC AB accounted for 33% of the voting rights and 30% of the share capital.

10 largest shareholders, December 31, 2006

	% of votes	% of capital
Investor	21.08	15.01
Swedbank Robur	2.32	3.31
Alecta Pension Insurance, Mutual	2.24	3.32
Handelsbanken Funds	1.75	2.01
AP 4	1.45	1.07
AP 1	1.35	1.27
Nordea Funds	0.97	1.35
Folksam – KPA – Förenade Liv	0.84	0.99
AP 2	0.79	0.89
AP 3	0.69	0.76
Other	66.52	70.02
	100.0	**100.0**
– of which shares held by Atlas Copco	0.42	2.93

The table shows the largest shareholders, by voting rights, registered directly or as a group with VPC AB, the Swedish Central Securities Depository.

Share capital, voting rights, and dividend policy

Atlas Copco's share capital at year-end 2006 amounted to 628 806 552 shares distributed among 419 697 048 Class A shares and 209 109 504 Class B shares. Class A shares entitle the holder to one voting right, while Class B shares entitle the holder to one tenth of a voting right. One trading lot on the stock exchange consists of 100 shares.

The 2006 Annual General Meeting resolved a mandate to repurchase a maximum of 10% of the total number of shares issued by the company. The intention with the repurchases is to be able to adapt the company's capital structure to its capital needs and thus contribute to increased shareholder value. At year-end 2006, a total of 18 414 200 Class B shares had been repurchased. The total number of shares outstanding, net after repurchases, was 610 392 352.

All shares carry the same rights to the company's assets and profits and entitle the holders to equal dividends. The Atlas Copco Group's dividend policy states that the dividend is to reflect the company's profit and cash flow trend as well as future growth potential. The Board of Directors' opinion is that the dividend should correspond to 40–50% of earnings per share.

Trading and market capitalization

Trading of Atlas Copco shares takes place on the Stockholm Stock Exchange. The shares are also available as depository receipts in the United States without being formally listed on a United States stock exchange.

Atlas Copco's market capitalization as of December 31, 2006, was MSEK 138 865 (107 430), excluding shares held by Atlas Copco.

Annual General Meeting

The Annual General Meeting shall be held within six months of the close of the financial year. All shareholders registered in the shareholders' register, and who have given due notification to the company of their intention to attend, may attend the meeting and vote for their total share holdings. A shareholder may be accompanied by one assistant. Shareholders who cannot participate personally may be represented by proxy.

Shareholders representing 35.3% of the votes in the company and 34.8% of the shares attended the Annual General Meeting held in April 2006 in Stockholm, Sweden.

The Annual General Meeting elects Board Members for a period of one year. A Board Member can be nominated for re-election up to and including the year the Member reaches the age of 70. Board Members are nominated in accordance with the process proposed by the Nomination Committee and adopted by the Annual General Meeting.

Nomination process

Election to the Board

The process for nomination and presentation of Board Members for (re)election at the 2007 Annual General Meeting has been performed in accordance with the nomination process and the criteria adopted at the 2006 Annual General Meeting.

As prescribed by this process and criteria, during Q3 2006 the Chair of the Board, Sune Carlsson, contacted the four largest shareholders by September 30 to establish the Nomination Committee. The designated Committee representatives were Lennart Johansson, Investor AB, Ramsay Brufer, Alecta Pension Insurance, Mutual, Björn C. Andersson, Handelsbanken Funds, and William af Sandeberg, First National Swedish Pension Fund (AP1). The names of the Committee members were made public as soon as the representatives had been appointed. A way to contact the Nomination Committee directly was also provided. The Committee members represented some 26% of all votes in the company. Lennart Johansson was elected to chair the Committee at the first meeting. The Committee began preparing a proposal to be submitted to the 2007 Annual General Meeting covering the issues specified at the 2006 Annual General Meeting and by law.

In line with the formal evaluation process adopted by the Committee, the Chair of the Board of Directors, Sune Carlsson, carried out individual discussions with each Board Member based upon which he evaluated the work performed and the processes employed by the Board and its Members. This evaluation was presented to the Nomination Committee. He also presented his assessment of the need for special Board competence considering the current phase of the company's development and, together with the Nomination Committee, compared these needs with the resources presently available within the Board.

In the notice to the 2007 Annual General Meeting, the Committee will present its proposal regarding chairman of the Annual General Meeting, number of Board Members, names of the proposed Board members, as well as chairman and vice chairman of the Board. It will also submit its proposal for remuneration to the chairman, vice chairman and other board members not employed by the company, and to union representatives, as well as a proposal for remuneration for committee work. In addition, the Committee will present a proposal for the process and criteria that shall govern the appointment of the members of the Nomination Committee.

No remuneration was paid to either the Chair or any other member of the Nomination Committee for their work.

Election of auditor

During the early spring 2006, the Nomination Committee continued the process of identifying the auditor for appointment at the Annual General Meeting in April. The Nomination Committee met with the chair of the Audit Committee who presented a review of the selection process and the considerations made. At the Annual General Meeting the audit firm KPMG Bohlins AB, Sweden, was reelected auditor in compliance with the proposal from the Nomination Committee.

Board of Directors

At the 2006 Annual General Meeting in April, eight Board Members were elected, one of which is the President and Chief Executive Officer. The Board also has two Members, with personal deputies, that are appointed by the labor unions.

The Board met nine times in 2006, four times at Atlas Copco AB in Nacka, Sweden, once at Atlas Copco Airpower NV in Antwerp, Belgium, once at Atlas Copco Rock Drills AB in Örebro, Sweden, twice by telephone and once per capsulam. The primary objective of the field trips was to give the Board Members the opportunity to visit major Atlas Copco operations. Six Board Members missed one board meeting each during the year. The Board meetings were governed by an approved agenda. A list of outstanding issues from previous meetings and supporting documentation for the agenda items were distributed to all Board Members prior to each meeting. Hans Sandberg, General Counsel and Board secretary and Hans Ola Meyer, CFO, were present at all Board meetings. The business area presidents have been present at one meeting each during the year where they presented an in-depth reviews of their respective areas of responsibility. The business area presidents have also presented major acquisition projects to the board during the year. In addition, the president of the Gas and Process division made a presentation of the very positive business developments in his division and the Group IS/IT manager presented the status of Atlas Copco's IS/IT area focusing on strategy, organization, and costs.

At the February meeting, the company's auditor reported his observations from the annual audit, both the September hard close and as of December 31. Members of the management were not present during the Board's discussion with the auditor regarding the audit process and findings.

Rules of Procedure and Written Instructions

With the exception of the delegations described in the updated Rules of Procedure and Written Instructions, only one area of responsibility was delegated to the Board Members: Two Board Members, Anders Ullberg and Ulla Litzén, were granted special responsibility to support the management in the share repurchase program. The Rules of Procedure and Written Instructions have been updated and readopted by the Board at each statutory meeting since 1999.

Besides the general distribution of responsibilities that apply in accordance with the Swedish Companies Act, the Rules of Procedure primarily provide information on:

- The minimum number of Board meetings (5) per year, as well as when and where they are to be held during the year.
- The President's authority to sign quarterly reports.
- The Board of Directors' delegation of authority.
- Items normally to be included in the agenda for each Board meeting, e.g. a financial status report, business development from a financial and operative perspective, acquisition and divestment of business operations, decisions on investments exceeding MSEK 20, changes in the legal organization, follow-up of acquisitions, financial guaranties, and appointments.
- When Board documentation is to be available prior to every meeting.
- Identification of the Chair's major tasks.
- Keeping of minutes of the meeting.
- Appointment of the Remuneration Committee and the Audit Committee and the identification of the committees' major tasks.
- The Board's right to vital information, its right to make statements on behalf of the company, and its obligation to observe confidentiality.

The Written Instructions, which regulate the distribution of tasks between the Board, the President, and the company's reporting processes, particularly when it comes to financial reports, deals primarily with:

- The President's responsibility for daily operations and for maintaining both the company's operative (business) as well as legal (owner) structure.
- The structure and the contents in the database *The Way We Do Things* covers Atlas Copco Group's set of principles, guidelines, processes and instructions. *The Way We Do Things* is the Group's single most important management tool, and – for example – contains a detailed plan for all accounting and financial reporting within the company. (See also fact box on page 106.)
- Issues that always require a Board decision or an application

to the Board, such as quarterly reports, major investments, changes of the legal structure, certain appointments, and financial guarantees.
- The order in which the Senior Executive Vice Presidents are to serve in the President's absence.
- The external auditor's reporting to the Board upon completion of the audit

Board decisions are made after an open discussion lead by the Chair. No dissenting opinions in relation to a decision have been reported in the minutes during the year. However, the Board has at times decided to table an issue until a later meeting. Each Board Member commented on the market development from his/her perspective at each Board meeting.

Major initiatives taken by the Board during the year include the decision to divest the equipment rental operations in North America and the approval of 14 acquisitions. Further, the capital structure was discussed in depth.

The Board continuously addresses strategic direction, financial goals, and the goal of sustainable growth for the Atlas Copco Group. During the year, special attention was also given to investments in the Group's production capacity.

Remuneration to the Board

The 2006 Annual General Meeting allocated a total of SEK 3 850 000, of which the Chair received SEK 1 350 000, the Vice Chair SEK 500 000, and each of the other Board Members not employed by the company SEK 400 000. The amount of SEK 600 000 was granted as remuneration for committee work. This amount was allocated to the committee members at the December Board meeting.

Committee for remuneration to Group Management

The Board established a Remuneration Committee in 1999. Chair of the Board, Sune Carlsson, Vice Chair, Jacob Wallenberg, and Board Member Anders Ullberg were committee members in 2006. The committee submitted its proposals to the Board for remuneration to the President and CEO and its proposal for a long-term incentive plan covering approximately 200 key employees. The committee also supported the President and CEO in determining remuneration to the other members of Group Management.

In 2003, the committee approved a Remuneration Policy for Group Management aimed at establishing principles for a fair and consistent remuneration with respect to compensation (base pay, variable compensation, any long-term incentive plans), benefits (pension premiums, sickness benefits, and company car), and termination (retirement, notice period, and severance pay). The base salary is determined by position and performance and the variable compensation is for the achievement of specific results.

The Remuneration Policy is assessed every year and will be presented to the 2007 Annual General Meeting for approval. The current Remuneration Policy is included in the Annual Report.

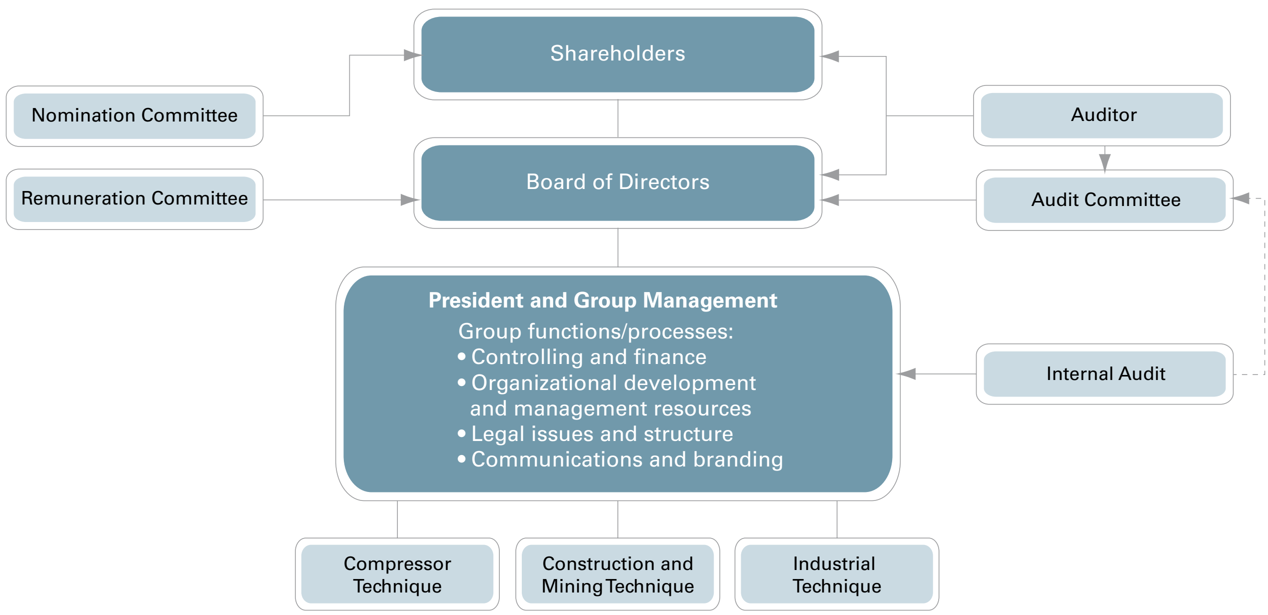
During the year, the committee met once and all members were present at the meeting.

Audit Committee

The work of the Audit Committee is directed by the Audit Committee Charter, adopted by the Board in 2003 and revised in 2005. The committee's primary task is to support the Board in fulfilling its responsibilities in the areas of audit and internal control, accounting, and financial reporting. In the beginning of 2006, the committee finalized the proposal for auditor (KPMG) for the period 2006–2009, and presented it to the Nomination Committee. Subsequently, the proposal was approved by the Annual General Meeting. Work in 2006 focused on following up both the 2005 audit and the hard-close audit carried out as of September 30. A review was made of the Group's internal control procedures and certain risk areas were monitored. In addition, the committee reviewed the Group's capital structure in relation with the divestment of the North American equipment rental business.

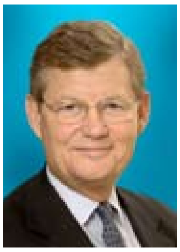
In 2006, the committee consisted of Board Members Ulla Litzén (Chair), Sune Carlsson, Thomas Leysen (until April 26), and Staffan Bohman (as of April 26) and convened 5 times. All members were present at all meetings.

Governance structure



Board of Directors


Sune Carlsson


Jacob Wallenberg


Gunnar Brock


Ulla Litzén


Thomas Leysen


Anders Ullberg


Staffan Bohman


Grace Reksten Skaugen

Employee representatives

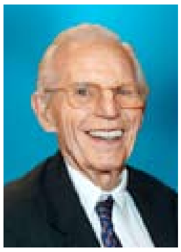

Bengt Lindgren


Lars-Erik Soting


Håkan Hagerius


Mikael Bergstedt

Honorary Chairman


Peter Wallenberg

Board of Directors

The Board of Directors consists of eight elected Board Members, including the President and Chief Executive Officer. The Board also has two additional Members, with two personal deputies, appointed by the unions. In addition to the President and CEO and the union representatives, three of the Board Members are not independent; they are all members of the Board of Investor AB, Sweden, which controls the greatest number of votes among Atlas Copco's owners.

Sune Carlsson, Chair of the Board. M.Sc. in Mechanical Engineering, Chalmers University of Technology, Gothenburg, Sweden. Member of the Board of investment company Investor AB, Sweden, automotive safety systems company Autoliv Inc., the United States, and truck manufacturer Scania AB, Sweden.

Jacob Wallenberg, Vice Chair. B.Sc. in Economics and MBA, Wharton School, University of Pennsylvania, the United States. Chair of the Board of investment company Investor AB, Sweden. Vice Chair of the commercial bank SEB, Sweden, and airline SAS AB, Sweden. Board Member of the nonprofit Knut and Alice Wallenberg Foundation, Sweden, consulting company Thisbe AB, Sweden, power and automation company ABB Ltd, Switzerland, Stockholm School of Economics, Sweden, and the Nobel Foundation, Sweden.

Gunnar Brock, President and Chief Executive Officer. M.Sc. in Economics and Business Administration, Stockholm School of Economics, Sweden. Board Member of toy manufacturer Lego A/S, Denmark, forest products company Stora Enso Oyj, Finland, and the trade and employers' organization the Association of Swedish Engineering Industries, Sweden. Member of the Royal Swedish Academy of Engineering Sciences (IVA), Sweden.

Ulla Litzén, M.Sc. in Economics and Business Administration, Stockholm School of Economics, Sweden, and MBA, Massachusetts Institute of Technology, the United States. Member of the Board of bearing manufacturer SKF AB, pharmaceutical company Karo Bio AB, logistics and distributions company Posten AB, mining company Boliden AB, industrial company Alfa Laval, and hotel management company Rezidor Hotel Group, all based in Sweden.

Thomas Leysen, Master of Law, University of Leuven, Belgium. Chief Executive Officer of materials technology group Umicore, Belgium. Chair of the media company Corelio, Belgium, and member of the Supervisory Board of Bank Metzler, Germany.

Anders Ullberg, M.Sc. in Economics and Business Administration, Stockholm School of Economics, Sweden. Chair of the Board of the mining company Boliden AB, Sweden, Vice Chair of the IT company TietoEnator, Finland. Member of the Board of the aluminum profile company Sapa AB, Sweden, and member of the Swedish Corporate Governance Board. Former President and Chief Executive Officer of the steel company SSAB Svenskt Stål AB, Sweden.

Staffan Bohman, M.Sc. in Economics and Business Administration, Stockholm School of Economics, Sweden, and Stanford Executive Program, the United States. Vice Chair of the IT group EDB Business Partner ASA, Norway, and of the risk-capital company Swedfund International AB, Sweden. Member of the Board of the industrial group Trelleborg AB, Sweden, truck manufacturer Scania AB, Sweden, road construction machine manufacturer Dynapac AB, Sweden, holding company Inter-IKEA, Holland, and investment company Ratos AB, Sweden. Former President and Chief Executive Officer of the aluminum profile company Sapa AB, Sweden.

Grace Reksten Skaugen, MBA BI, Norwegian School of Management, PhD Laser Physics Imperial College of Science and Technology London University, Great Britain. Chair of the Board of the state-owned real estate company Entra Eiendom, Vice Chair in the IT company Opera Software, and member of the Board of the oil company Statoil ASA, all based in Norway. Member of the Board of investment company Investor AB, Sweden.

Employee representatives

Bengt Lindgren, Economics. Chair of Metall's local union branch at Atlas Copco Secoroc in Fagersta, Sweden.

Deputy **Lars-Erik Soting,** Chair of Metall's local union branch at Atlas Copco Rock Drills AB in Örebro, Sweden.

Håkan Hagerius, Mechanical engineering. Chair of SIF's local union branch at Atlas Copco Rock Drills in Örebro, Sweden.

Deputy **Mikael Bergstedt,** Chair of Ledarna, Atlas Copco Tools in Tierp, Sweden.

Honorary Chair

Peter Wallenberg, Ph.D. in Economics, h.c. Bachelor of Law, University of Stockholm, Sweden. Held various positions within the Atlas Copco Group, 1953–1974. Chair of the Board, 1974–1996. Honorary Chair of the Board of the investment company Investor AB, Sweden. Chair of the Knut and Alice Wallenberg Foundation, financier in research, Sweden.

The Board of Directors and holdings[1] in Atlas Copco

Name	Title	Born	Nationality	Elected	Audit Committee	Remuneration Committee	Independent	Class A shares	Class B shares	Employee stock options
Sune Carlsson	Chair of the Board	1941	Swedish	1997	Member	Chair	No	10 000	17 142	
Jacob Wallenberg	Vice Chair	1956	Swedish	1998		Member	No	116 666	7 980	
Gunnar Brock	President and CEO	1950	Swedish	2002			No	23 100	18 500	191 118
Ulla Litzén		1956	Swedish	1999	Chair		Yes	36 600		
Thomas Leysen		1960	Belgian	2001			Yes	10 500		
Anders Ullberg		1946	Swedish	2003		Member	Yes	6 000		
Staffan Bohman		1949	Swedish	2003	Member		Yes	5 000	5 000	
Grace Reksten Skaugen		1953	Norwegian	2004			No	220		
Bengt Lindgren	Employee representative	1957	Swedish	1990			No			
Håkan Hagerius	Employee representative	1942	Swedish	1994			No			

[1] Holdings as of turn of the year 2006/2007, including those of close relatives or legal entities.

Auditor

At the 2002 Annual General Meeting, the audit firm KPMG Bohlins AB, Sweden, was elected auditor with the Authorized Public Accountant Stefan Holmström as the main responsible auditor for the period until the 2006 Annual General Meeting. At the Annual General Meeting on April 26, 2006, KPMG Bohlins AB was reelected for the period until the 2010 Annual General Meeting with Authorized Public Accountant Thomas Thiel appointed main responsible auditor. KPMG Bohlins AB has the necessary expertise and a global network that coincides with Atlas Copco's demand for geographical coverage.

The responsible auditor personally reported his observations and presented his views on the quality of internal control in the Group at the February 2006 and 2007 Board meetings. He also participated in all but one meeting with the audit committee and met regularly with management representatives.

Group Management and Structure

Atlas Copco's operations are organized in three business areas and, at year end, were comprised of 17 divisions. As of January 1, 2007, the number of divisions is 18 as the Compressor Technique business area established a new division focusing on specialty rental. In addition to the business areas, there are four Group functions and a number of internal service providers.

Business areas and divisions

The Group's business organization is based on the principle of decentralized responsibilities and authorities. The business areas are in charge of developing their respective operations by implementing and following up on objectives – financial, environmental, and social – defined for each business area. The divisions are the Group's highest operational level, responsible for operative results and capital employed, strategies, and structures for product development, manufacturing, marketing, sales, and rental, as well as service of those products, services and markets included in the division's responsibility. Further information about the business areas can be found on pages 20–31.

Internal service providers

Part of the efforts to achieve profitable growth includes combining the advantages of a decentralized operative organization with the advantages that the Atlas Copco Group can offer. Therefore, as a complement to the operative divisions, a number of internal service providers have been set up to provide service in administration, IT support, finance and banking, insurance, and product distribution. Information technology enables people around the world to work together to improve the quality of these services. These internal service providers are an integral part of the Group's strategy and, besides realizing internal synergy effects, facilitate continuous improvement of processes and routines.

Operational responsibility

In addition to a legal board, each company has one or more operative boards, called Business Boards. The duty of the Business Board is to serve in an advisory and decision-making capacity concerning operative issues.

A division's Business Board gives advice and makes decisions concerning strategic matters and ensures the implementation of controls and assessments. A division can have one or more product companies (producing units) and customer centers (selling units). A Business Board for one of these units could concentrate on issues related to, for example, product development, production, or market and sales administration. In a similar way, the boards of the Atlas Copco Group's internal service providers govern these companies.

The procuration routine is aimed at clarifying how responsibility is delegated to individual positions within the Atlas Copco Group. Each position has a predetermined authority, with rights and obligations, to act both with respect to a third party and internally within a company that is part of the Group. The Board of Atlas Copco AB delegates the decision-making authority concerning business activities to the President and CEO, who in turn delegates the responsibility to the responsible managers for the operative units. The objective is to issue a written power of procuration to every employee.

Common Group processes

Atlas Copco has regularly introduced and fine-tuned processes and control systems to effectively generate profitable growth.

The Way We Do Things is the Atlas Copco Group's single most important management tool. It includes the Group's set of principles, guidelines, processes, and instructions.

The Atlas Copco Group's ambition is to grow organically and to make complementary acquisitions closely affiliated with the core business. The company's policy is to have 100% ownership in all its holdings, whenever possible. To ensure a successful acquisition strategy and integration, the company has designed a three-phase process that includes the search for and mapping of potential acquisitions, the execution of the acquisition, and the post-acquisition integration and follow-up. The process is used for all Group acquisitions.

With respect to the Group's long-term business sustainability, highest priority is given to Atlas Copco's stakeholders – customers, business partners, employees, and shareholders – and also to specific stakeholders in the regions where the Group operates. Continuous, informal dialogue is conducted with these stakeholders to address relevant issues; thereby the Group always considers the stakeholders' views and expected reactions to business decisions that affect them.

Guidelines for business ethics as well as social and environmental measures are presented in Atlas Copco's *Business Code of Practice.* The Code applies to all employees and must be followed in all markets. Atlas Copco strives to be an attractive employer and provide a safe and healthy working environment where both human rights and labor rights are respected. The Group has a tradition of developing innovative productivity enhancing solutions that at the same time have a minimum impact on the environment.

The Way We Do Things

The Way We Do Things is Atlas Copco's single most important management tool and includes the Group's set of principles, guidelines, processes, and instructions within the following main areas.

- Business code of practice
- Communications
- Crisis management
- Environmental management
- Branding
- Finance/control/accounting
- Group standards
- Information technology
- Insurance
- Legal issues
- People management

Each process in *The Way We Do Things* is owned by a member of Group Management. Managers at various levels are in charge of implementing these processes within their respective areas of responsibility. Training modules are linked with the most important segments of *The Way We Do Things* to give employees a better understanding and ensure that the processes are implemented. All employees have access to *The Way We Do Things*.

Vision

The Atlas Copco Group's vision is to be First in Mind – First in Choice™ for its customers and other principal stakeholders. The operative units adopt objectives modified to suit their respective business operations. The set objectives reflect the ambition to realize the vision; therefore, objectives are followed up carefully.

The Board has adopted a limited number of financial and nonfinancial (sustainable-growth) objectives at the Group level. Each business area and division respectively gets objectives for its operations within the framework of these Group-level objectives.

Financial targets

Atlas Copco Group has defined financial targets that will create and continuously increase shareholder value. The overall objective is to grow while achieving a return on capital employed that always exceeds the Group's average total cost of capital.

The financial targets are

- to have an annual revenue growth of 8%,
- to reach an operating margin of 15%, and
- to challenge and continuously improve the efficiency of operating capital in terms of fixed assets, inventories, receivables, and rental-fleet utilization.

To reach these objectives, all operative units within the Group follow a proven development process: stability first, then profitability, and finally growth.

Non-financial targets

Atlas Copco Group has defined non-financial targets for advancement within environmental and social areas.

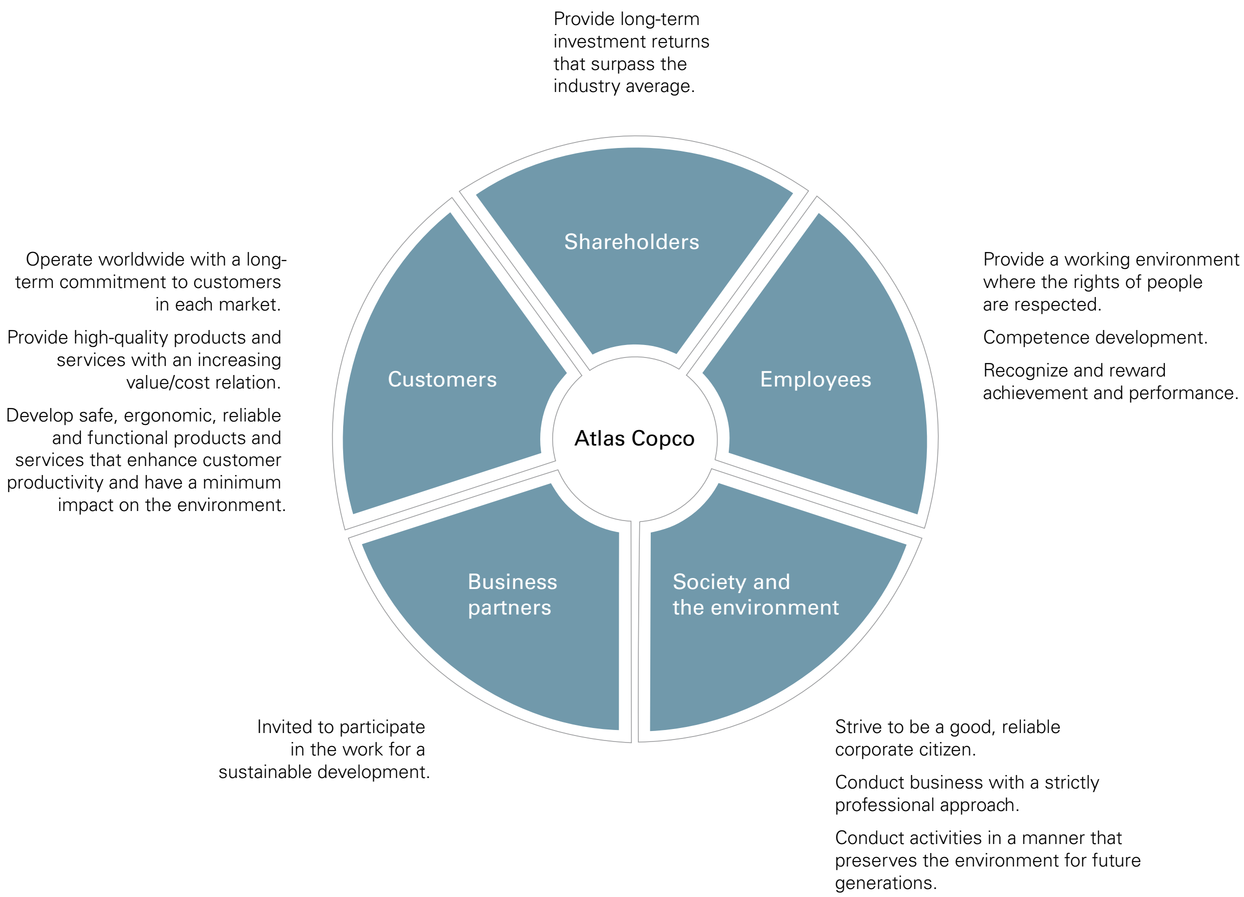
The non-financial targets are

- all units shall have an environmental management system. Furthermore, all product companies are to be certified in accordance with ISO 14001,
- employees are to receive an average of 40 hours of competence development per year, and
- every employee will have an annual personal appraisal.

Risk management

See Administration Report, page 19.

Atlas Copco and its principal stakeholders



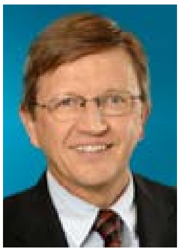
Group Management


Gunnar Brock

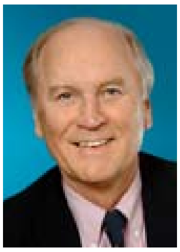

Ronnie Leten

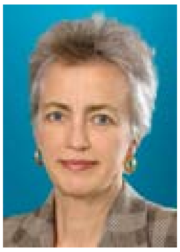

Björn Rosengren


Fredrik Möller


Hans Ola Meyer


Marianne Hamilton


Hans Sandberg


Annika Berglund

Group Management

Besides the President and Chief Executive Officer, Group Management consists of three business area executives and four persons responsible for the Group functions: Controlling and Finance, Organizational Development and Management Resources, Legal, and Communication and Branding.

President and Chief Executive Officer

Gunnar Brock received his M.Sc. in Economics and Business Administration from the Stockholm School of Economics, Sweden, in 1974. He assumed his position as President and Chief Executive Officer of Atlas Copco in 2002.

Between 1974 and 1992, Gunnar Brock held various positions within the packaging systems company Tetra Pak, Sweden, including Managing Director in Europe and Asia and Executive Vice President of the Tetra Pak Group. Between 1992 and 1994, he was President and Chief Executive Officer of industrial company Alfa Laval Group, Sweden, and held the same position for the Tetra Pak Group between 1994 and 2000. Before assuming his current position, he was Chief Executive Officer for the load carrier company Thule International, Sweden.

Besides his holdings in Atlas Copco, neither Brock nor any member of his immediate family have shares/partnerships in companies with which the Atlas Copco Group has significant business connections.

External directorships: forest products company Stora Enso Oyj, Finland, toy manufacturer Lego A/S, Denmark, and the trade and employers' organization the Association of Swedish Engineering Industries, Sweden. Member of the Royal Swedish Academy of Engineering Sciences (IVA), Sweden.

Business Area Presidents

Ronnie Leten, Business Area President for Compressor Technique. Master's Degree in Applied Economics from the University of Hasselt, Belgium, in 1979. Before joining Atlas Copco in 1985, Ronnie Leten worked for the food producer General Biscuits, Belgium, in various positions. From 1985 to 1995, he held several management positions in Atlas Copco Compressor Technique in information technology, logistics, and manufacturing. Between 1995 and 1997, he was Plant Manager in Monroe Tenneco, Belgium, a subsupplier to the motor vehicle industry. Ronnie Leten returned to Atlas Copco in 1997 as Business Development Manager for Compressor Technique. In 1999, he became President of the Airtec division and in 2001, President of the Industrial Air division. All positions based in Belgium. He assumed his present position in July 2006.

Björn Rosengren, Senior Executive Vice President for Atlas Copco AB and Business Area President for Construction and Mining Technique, earned his M.Sc. in Technology from Chalmers University of Technology in Gothenburg, Sweden, in 1985. Between 1985 and 1995, Björn Rosengren held various positions within the welding company Esab Group, Sweden, including international assignments as Marketing Manager in Switzerland and Sweden and other international positions in the field of marketing. From 1995, he was General Manager for the hydraulic firm Nordhydraulic, Nordwin AB, Sweden. In 1998, Björn Rosengren joined Atlas Copco as President of the Craelius division and, before assuming his present assignment in 2002, President of the Rock Drilling Equipment division.

External directorship: HTC AB, professional floor treatment systems, Sweden.

Fredrik Möller, Senior Executive Vice President for Atlas Copco AB and Business Area President for Industrial Technique. Fredrik Möller earned a Master's of Science degree from Linköping Institute of Technology, Sweden, in 1988, and an MBA from Weatherhead School of Management, Case Western Reserve University, the United States, in 1990. He joined Atlas Copco in 1990 and has held managerial positions in sales, marketing, and product development in Sweden and has been General Manager of a Customer Center in the United States. Between 2003 and 2005, Fredrik Möller was President of the Atlas Copco Tools and Assembly Systems division. Fredrik Möller assumed his present position in 2005.

Group functional responsibles

Hans Ola Meyer, Senior Vice President, Controlling and Finance, earned his M.Sc. in Economics and Business Administration from the Stockholm School of Economics in Stockholm, Sweden, in 1977. He was employed by Atlas Copco in 1978 to work with Group accounting and controlling. Later he moved to Ecuador as Financial Manager. Between 1984 and 1991, he held various positions at the broker Penningsmarknadsmäklarna, Sweden, among them Head of Asset Management. Hans Ola Meyer returned to Atlas Copco in 1991 as Financial Manager in Spain and in 1993 became Senior Vice President, Finance, for Atlas Copco AB and a member of Group Management. Hans Ola Meyer has held his current position since 1999.

Marianne Hamilton, Senior Vice President Organizational Development and Management Resources, earned her Bachelor of Arts at the Stockholm University, Sweden, in 1972. Marianne Hamilton was employed in 1973 by the pharmaceutical company Astra, Sweden, where she performed market analysis. Between 1975 and 1990, she was a consultant for the international consulting agency, Mercuri Urval, Sweden. Marianne Hamilton joined Atlas Copco in 1990 as Vice President Organizational Development for the Atlas Copco Industrial Technique Business Area and assumed her current position in 1991.

External directorship: Pharmaceutical company Meda AB and the retirement pension fund Alecta, both in Sweden.

Hans Sandberg, Senior Vice President General Counsel, earned his Master of Law from Uppsala University, Sweden, in 1970 and his Master of Comparative Jurisprudence (MCJ) from New York University, the United States, in 1972. In 1972, Hans Sandberg began as an Assistant Judge at Södra Roslagen District Court, Sweden, and was later employed at the Lagerlöf Law firm, Sweden. Hans Sandberg joined Atlas Copco in 1975 as Corporate Counsel. In 1980, he was appointed General Counsel for Atlas Copco North America, Inc., the United States. He has held his current position since 1984 and has been a member of Group Management since 1989. Hans Sandberg has been Secretary of the Board of Directors for Atlas Copco AB since 1991.

External directorship: Chair of the Board for legal matters of the trade and employers' organization, the Association of Swedish Engineering Industries, Sweden.

Annika Berglund, Senior Vice President Corporate Communications, earned her M.Sc. in Economics and Business Administration from Stockholm School of Economics, Sweden, in 1980 and her MBA from the University of Antwerp, Belgium, in 1995. Annika Berglund began her career in marketing analysis with Atlas Copco in 1979. Since then, she has had a number of positions in the Group related to marketing, sales, and business controlling in Europe. Prior to her current position assumed in 1997, she was Marketing Manager for the electronic company Atlas Copco Controls (Danaher Motion), Sweden. Annika Berglund has been a member of Group Management since 1999.

Group Management[1)]

Name	Born	Nationality	Employed	Function	Class A shares	Class B shares	Employee stock options
Gunnar Brock	1950	Swedish	2002	President and CEO	23 100	18 500	191 118
Ronnie Leten	1956	Belgian	1997	President Compressor Technique			30 878
Björn Rosengren	1959	Swedish	1998	President Construction and Mining Technique			25 000
Fredrik Möller	1963	Swedish	1990	President Industrial Technique			25 000
Hans Ola Meyer	1955	Swedish	1991	Controlling and Finance	1 713	3 900	65 420
Marianne Hamilton	1947	Swedish	1990	Organizational Development and Management Resources	11 625		24 256
Hans Sandberg	1946	Swedish	1975	General Counsel	5 000		12 500
Annika Berglund	1954	Swedish	1979	Corporate Communications	7 515	1 695	30 133

[1)] Holdings as per Dec. 31, 2006, including those of close relatives or legal entities, including grant for the 2006 program.

See note 23 for additional information.

Remuneration to Group Management

Remuneration covers an annual base salary, variable compensation, pension premiums, and other benefits. The variable compensation plan is limited to a maximum percentage of the base salary. No fees are paid for Board Memberships in Group companies or for other duties performed outside the immediate scope of the individual's position.

President and Chief Executive Officer: The variable compensation can give a maximum of 70% of the base salary paid, broken down into a maximum of 50% based on the Group's profit before tax and a maximum of 20% for various projects. The variable compensation is not included in the basis for pension benefits.

The President and CEO is a member of the Atlas Copco Group Pension Policy for Swedish Executives, which is a defined contribution plan. He is entitled to retire at the age of 60. The contribution is age related and is 35% of the base salary and includes provisions for a survivors' pension. In addition, he is entitled to a disability pension corresponding to 50% of his base salary. It has been agreed with the CEO to freeze the premium for the disability pension at 2005 level and instead increase the premium för the retirement pension. This is cost neutral for the company. The pension premium is therefore somewhat higher than 35% and the disability pension somewhat lower than 50%. These pension plans are vested and pension payments are planned to be for lifetime. See also note 5.

Other members of Group Management: The principle is that the base salary is compensation for general performance, while variable compensation is for a combination of the Group's and the individual's results. The variable compensation can amount to a maximum of 40% or 50% of the base salary. The variable compensation is not included in the basis for pension benefits.

Members of the Group Management employed in Sweden have a defined contribution pension plan, with contribution ranging from 25% to 35% of the base salary according to age.

Members of the Group Management not based in Sweden also have a defined contribution pension plan. These pension plans are vested and pension payments are planned to be for lifetime. The retirement age is 65.

Termination of employment

The basis for severance pay for all members of Group Management is base salary only. No member is able to trigger severance pay for him/herself.

Any income the executive receives from employment or other business activity while compensation is being paid will reduce the amount of severance pay accordingly.

President and Chief Executive Officer: The principle of termination for the President and CEO is that if either party intends to terminate the contract, a notice time of six months is stipulated. He is entitled to 12 months severance pay if the company terminates the employment and a further 12 months if other employment is not available within the first 12-month period.

Other members of Group Management: The principle is that other members of the Group Management are entitled to compensation if the company terminates the employment. The amount of severance pay depends on how long the individual has been employed by the company and the executive's age but is never less than 12 months and never more than 24 months.

Information for the Capital Market

The Board of Atlas Copco AB adopted an information policy in 2004 that fulfills the requirements stipulated in the listing agreement with the Stockholm Stock Exchange. Financial reports are prepared in line with legal and International Financial Reporting Standards (IFRS). The Board of Directors approves the quarterly reports and the annual report before publication.

Financial information is regularly presented to the market in the form of:

- Annual report
- Quarterly reports
- Press releases concerning events that may, to a not insignificant extent, have an affect on the share price
- Presentations and phone conferences for analysts, investors, and journalists in conjunction with quarterly reports and/or other significant information.

All reports and press releases are simultaneously published on the Group's website, www.atlascopco.com.

Internal Control over Financial Reporting

This is a description of the internal control dealing with financial reporting. With reference to 'Instructions for Application of the Code's Rules on Internal Control Reporting,' issued by the Swedish Corporate Governance Board on September 5, 2006, it does not include a statement by the Board as to how well the internal control has functioned during the year.

The base for the internal control over the financial reporting consists of the overall control environment that the Board of Directors and the management have established. An important part of the control environment is that the organizational structure, the decision hierarchy, and the authority to act are clearly defined and communicated in such guiding documents as internal policies, guidelines, manuals, and codes.

The company applies different processes for risk assessment and identification of the principle risks. The risk assessment is continuously updated to include changes that substantially influence the internal control over the financial reporting.

The risks concerning the financial reporting that have been identified are managed through the control activities in the company, which are documented in process and internal control descriptions on the company, division, business area, and Group levels. These include among others procuration and attesting instructions and controls in business systems as well as accounting and reporting processes.

The company has information and communication channels designed to ensure that the financial reporting is complete and accurate. Instructions and guidelines are communicated and made known to personnel concerned through the Intranet, supported by, for example, management training programs.

The company monitors the adherence to internal policies, guidelines, manuals, and codes as well as efficiency in the control activities. The audit committee has an important role in the Board of Directors' monitoring of the internal control over the financial reporting.

Atlas Copco has established the following main internal control processes related to financial reporting:

Business Control: Each unit has a business controller responsible for ensuring that, among other things, there are adequate internal control processes, the Group's control processes are implemented, and any risk exposures are reported. The controller is also responsible for ensuring that *The Way We Do Things* is followed in all respects and that the financial reports – for many companies produced with a standard process by the internal service provider ASAP – are correct, complete, and delivered on time. In addition, there are controllers at the division, business area, and Group levels, with corresponding responsibilities for these aggregated levels.

Financial Reporting: Monthly operative reports are prepared to measure profitability per company, division, and business area. Each division consolidates its units and reports division adjustments and eliminations to Atlas Copco AB. All legal entities submit quarterly reports in accordance with a standardized reporting routine. These reports, which are reconciled with the operative reports, constitute the basis for the Group's quarterly and annual consolidated reports presented to the market.

The Group uses a common system for consolidation of both legal and operative reports. Information is stored in a central database from which it can be retrieved for analysis and follow-up at Group, business area, division, and unit levels. The analysis package includes a series of standardized scorecards used to follow up key indicators in relation to historic trends and to the set targets. A decision was made during the year to replace the present reporting and consolidation system with a more modern system and to review the financial reporting process.

To ensure the proper application of IFRS and the quality of the financial reporting, the Group has during the year further developed and trained an internal international network of qualified accountants to provide regional support and act as ambassadors of Group accounting.

Business Boards: An internal board structure (business boards), organized according to operational responsibilities (i.e. parallel to the legal company board structure), and Company Review Meetings between local management and responsible division management are essential tools to follow up the adherence to internal policies, guidelines, instructions and codes as well as the efficiency in the control activities.

Internal Audit: In Atlas Copco, the Internal Audit process is intended to add value to each operational unit by providing an independent and objective assurance of its processes, identify and recommend improvements, and serve as a tool for employee professional development. Internal audits are normally initiated by the division in charge of operations or the responsible holding company. An internal audit is routinely performed each time a unit changes manager, but an audit may be carried out for other reasons in between such transitions, for instance after major negative events or structural changes, comments from external auditors, if a long time has passed since the last audit, or as a planned risk-driven audit. The target is that all operational units shall be audited at least once each 4 years. There are standardized tools for planning and risk assessment before an audit, as well as checklists and forms for reports and follow-ups.

During the year, a Group Internal Auditor has been appointed with the overall responsibility for the internal audit process, reporting to the Chief Financial Officer and also available, on request, for the Audit Committee. To support the Group Internal Auditor in maintaining and developing the process, an Internal Audit Council has been formed with representatives from Group Center and the three regions that are most important for the Group: North America, Europe, and Asia. Internal audits are performed by a team of people appointed from various parts of the organization with suitable competence for the audit to be conducted.

Post-acquisition audits are conducted approximately 18 months after an acquisition in accordance with a special review with the objective of following up synergies, integration activities, and the acquisition process as such. The audit is performed by a team consisting of at least two persons, of which at least one should have practical acquisition experience. The audit is initiated by and reported to a steering committee for the acquisition process appointed by Group Management.

Special Risk Areas: On request from the audit committee, management has during the year identified a limited number of areas to assess the risks, plan activities to control these risks, monitor actions taken, and regularly report back to the audit committee in a standardized format. Examples of such identified areas are specific countries/regions, structural changes, certain accounting principles, and information systems.

Control Self Assessment: The objective of this process is primarily to support local unit managers in understanding and evaluating the status of their responsibilities. One of the areas is internal control. Legal, branding, and Business Code of Practice are also included in the assessment. Unit managers annually review extensive questionnaires to personally measure to what extent their units comply with the defined requirements. The answers are used by the respective unit managers to plan necessary improvement measures and, aggregated, for statistical assessments of the control routines on Group level. During the year, a number of special internal audits have been conducted on selected units to verify the answers to the Control Self Assessment questionnaires and rectify when necessary, in order to improve the quality and accuracy of the assessments.

Internal control routines – Overview

Procedure	Scope	Frequency
Business control	Ensures adequate control routines, implementation of Group processes and reporting of risk exposure	Continuous
Financial reporting	Prepared to measure profitability and constitute basis for Group consolidated (public) reports	Monthly (operative) Quarterly, Annually (legal)
Non-financial reporting	Prepared to measure progress within the areas of environmental and social performance. See also Sustainability Report	Quarterly, Annually
Business boards and company review meetings	Follow-up on adherence to *The Way We Do Things* and on efficiency in control activities	3–4 times per year
Internal audits	To provide independent objective assurance, recommend improvements, and contribute to employee professional development	All units at least once during 4 years
Special risk areas	To identify, assess and control major risks and monitor actions taken	Quarterly
Control Self Assessment	To support the unit manager in taking appropriate actions and to assess control routines on the Group level	Annually

The Atlas Copco Share

At December 31, 2006, the price of the Atlas Copco A share was SEK 230. During 2006, the price of the A share increased 30%, while the Stockholm Stock Exchange's Industrial Index and General Index gained 30% and 24%, respectively. The annual total return on the Atlas Copco A share, equal to dividend plus the appreciation of the share price, averaged 19.3% for the past 10 years and 28.8% for the past 5 years. The corresponding total return for the Stockholm Stock Exchange was 13.0% (1997–2006) and 12.6% (2002–2006).

Dividend and dividend policy

The Board of Directors proposes to the Annual General Meeting that a dividend of SEK 4.75 (4.25) per share be paid for the 2006 fiscal year. This corresponds to a total of MSEK 2 899 (2 672).

The dividends to shareholders shall reflect the company's profit and cash flow development as well as growth targets.

The Board of director's opinion is that the dividend should correspond to 40–50% of earnings per share. If the shareholders approve the Board of Directors' proposal for a dividend of SEK 4.75 per share, the annual dividend growth for the five-year period 2002–2006 will equal 21%. During the same period, the dividend has averaged 31.5% of basic earnings per share. The dividend has averaged 47.3% of basic earnings per share if the effect from profit from discontinued operations is excluded.

Mandatory redemption of shares

The financial position of the Group is very strong due to a number of years with improved profitability and the recent disposal of the equipment rental business.

In order to adjust the Group's balance sheet to a more efficient structure, while preserving adequate financial flexibility for further growth, the Board of Directors proposes to the Annual General Meeting a share redemption procedure, whereby every share is split into 2 ordinary shares and 1 redemption share. The redemption share is then automatically redeemed at SEK 40 per share. This corresponds to a total of MSEK 24 416. Combined with the proposed dividend, shareholders will receive MSEK 27 315.

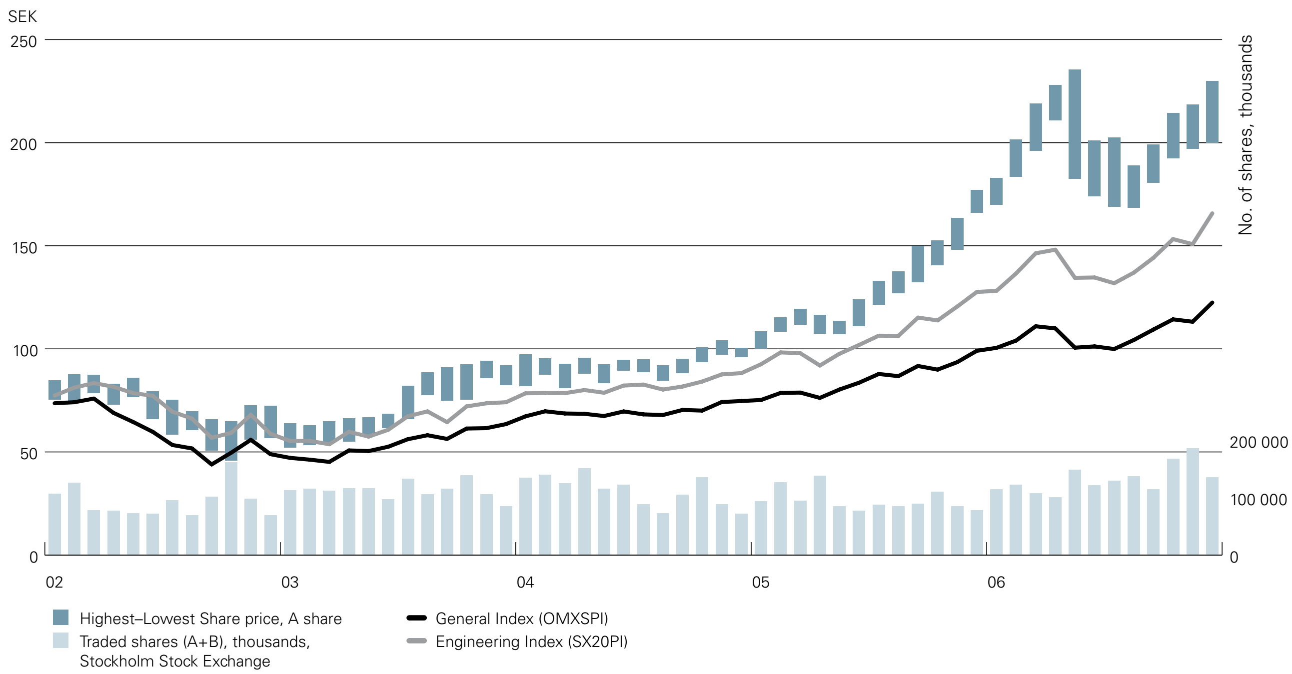
Repurchases of own shares

The 2006 Annual General Meeting approved a mandate for the repurchase of a maximum of 10% of the total number of shares issued by the Company as proposed by the Board of Directors. The intention with the repurchases is to continuously be able to adapt the capital structure to the capital needs of the Company. This mandate is valid up to the Annual General Meeting in 2007. Share repurchases were initiated on October 30, 2006 and as per December 31, 2006 Atlas Copco held 18 414 200 B shares, corresponding to 2.9% of the total number of shares, bought back for MSEK 3 776, for an average price of SEK 205 per share.

Symbols and tickers

	A-share	B-share
Stockholm Stock Exchange	ATCO A	ATCO B
Round lot	100 shares	100 shares
ISIN code	SE0000101032	SE0000122467
Reuters	ATCOa.ST	ATCOb.ST
Bloomberg	ATCOA SS	ATCOB SS
ADR	ATLKY.OTC	ATLSY.OTC

Share price



Share capital

Atlas Copco's share capital at year-end 2006 amounted to SEK 786 008 190 distributed among 628 806 552 shares, each with a quota value of SEK some 1.25. Class A shares entitle the holder to one voting right, and class B shares entitle the holder to one-tenth of a voting right. Each round lot consists of 100 shares.

Distribution of shares, December 31, 2006

Class of share	Shares outstanding	% of votes	% of capital
A shares	419 697 048	95.3	66.7
B shares	209 109 504	4.7	33.3
	628 806 552	100.0	100.0
– of which B-shares held by Atlas Copco	*18 414 200*	*0.4*	*2.9*
Total, net of shares held by Atlas Copco	610 392 352		

Statutory limitations on coupon shares

Non-VPC registered shares from 1974 have been sold and the right to these shares has been transformed to a right to receive the proceeds. These rights will expire in 2010.

Market capitalization

Atlas Copco's market capitalization at December 31, 2006 was MSEK 138 865 (107 430), excluding shares held by Atlas Copco. This corresponds to 3.3% (3.1) of the total market value of the Stockholm Stock Exchange.

Trading

Trading of the Atlas Copco AB shares primarily takes place on the Stockholm Stock Exchange. In 2006, Atlas Copco shares were the 2nd (7th) most actively traded shares. A total of 1 598 324 473 shares were traded, whereof 1 258 901 357 A shares and 339 423 116 B shares, corresponding to a value of MSEK 311 682 (143 976). On average, 6 367 827 shares (4 550 718) were traded each business day, corresponding to a value of MSEK 1 242 (569). The turnover rate was 254% (183), compared with the stock market average of 147% (124). Foreign trading in the Atlas Copco shares showed a net export of MSEK 1 123 (1 267).

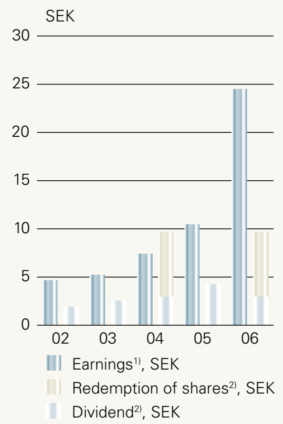
Atlas Copco options

Call options, put options, and futures each linked with 100 Atlas Copco A-shares, are listed on the Stockholm Stock Exchange. In 2006, 531 330 (318 036) option contracts were traded. Since the options grant the holder the right to buy or sell existing shares only, they have no dilution effect.

ADRs in the United States

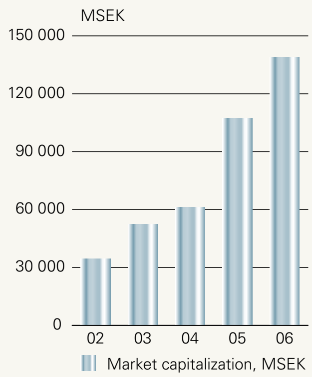
A program for American Depositary Receipts (ADRs) was established in the United States in 1990. Since then, both A and B shares are available as ADRs in the United States without being formally registered on a United States stock exchange. One ADR corresponds to one share. The depositary bank is Citibank N.A. At year-end 2006, there were 3 271 908 (2 221 908) ADRs outstanding, of which 3 023 934 represented A shares and 247 974 B shares.

Earnings and dividend per share

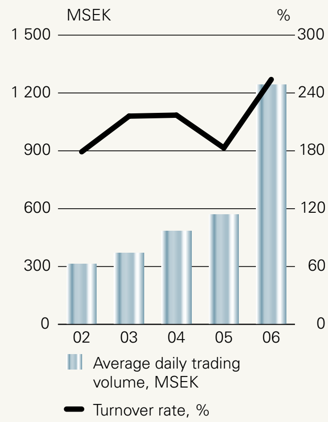


[1] Excluding goodwill impairment charge 2002.
[2] For 2006 proposed by the Board of Directors.

Market capitalization



Liquidity



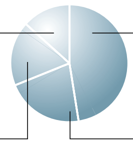
Ownership structure

At year-end 2006, Atlas Copco had 40 260 shareholders (37 200). The 10 largest shareholders registered directly or as a group with VPC, the Swedish Central Securities Depository, by voting rights, accounted for 33% (29) of the voting rights and 30% (26) of the number of shares. Non-Swedish investors held 48% (51) of the shares and represented 52% (57) of the voting rights.

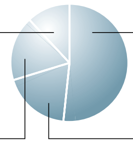
Ownership structure, December 31, 2006

Number of shares	% of shareholders	% of capital
1–500	55.6	0.7
501–2 000	29.5	2.0
2 001–10 000	11.3	2.9
10 001–50 000	2.1	2.9
50 001–100 000	0.5	2.2
>100 000	1.0	89.3
	100.0	100.0

Shareholders by country, December 31, 2006
% of votes



Shareholders by country, December 31, 2006
% of capital



10 largest shareholders, December 31, 2006

	Number of shares	A-shares	B-shares	% of votes	% of capital
Investor	94 364 913	92 721 613	1 643 300	21.08	15.01
Swedbank Robur	20 800 888	9 065 913	11 734 975	2.32	3.31
Alecta	20 895 000	8 635 000	12 260 000	2.24	3.32
Handelsbanken funds	12 625 166	7 172 451	5 452 715	1.75	2.01
AP 4	6 708 400	6 358 400	350 000	1.45	1.07
AP 1	7 957 046	5 724 446	2 232 600	1.35	1.27
Nordea funds	8 503 925	3 823 018	4 680 907	0.97	1.35
Folksam – KPA	6 245 528	3 414 957	2 830 571	0.84	0.99
AP 2	5 617 660	3 222 440	2 395 220	0.79	0.89
AP 3	4 776 881	2 850 300	1 926 581	0.69	0.76
Others	440 311 145	276 708 510	163 602 635	66.52	70.02
	628 806 552	419 697 048	209 109 504	100.00	100.00
– of which shares held by Atlas Copco	*18 414 200*	–	*18 414 200*	*0.42*	*2.93*
Total, net of shares held by Atlas Copco	**610 392 352**	**419 697 048**	**190 695 304**		

The table shows the largest shareholders, by voting rights, registered directly or as a group with VPC, the Swedish Central Securities Depository.

Share issues 1973–2006

			Change of share capital, MSEK	Amount paid/ distributed, MSEK
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[1]	7 930 shares	0.2	1.2
1991	Conversion[1]	42 281 shares	1.1	6.3
1992	Conversion[1]	74 311 shares	1.9	11.1
1993	Non-cash issue[2]	383 500 shares at SEK 317	9.5	121.6
	Conversion[1]	914 496 shares	22.9	137.2
1994	Split	5:1 nominal value SEK 5		
1999	New issue	1:7 SEK 160	130.4	4 173.8
2005	Split	4:1 nominal value SEK 1.25		
	Share redemption	209 602 184 shares at SEK 20	–262.0	–4 192.0

[1] Pertains to 1987/1993 convertible debenture loan.
[2] In connection with the acquisition of The Robbins Company.

Key figures per share[1)]

SEK	2002[2)]	2003	2004	2005	2006	Average growth 5 years, %
Basic earnings	4.63	5.21	7.41	10.43	24.48	38.1
Diluted earnings			7.40	10.41	24.44	
Dividend	1.92	2.50	3.00	4.25	4.75[3)]	21.0
– in % of basic earnings	41.4	48.0	40.5	40.7	19.4	
Dividend yield, %	2.7	3.4	3.3	3.3	2.4	
Redemption of shares			6.67		40.00[3)]	
Operating cash flow	8.90	8.92	7.47	5.95[4)]	4.89[4)]	
Equity	42	34	36	41	54	
Share price, December 31, A	57	86	100	177	230	24.0
Share price, December 31, B	52	78	93	159	222	24.8
Highest share price quoted, A	88	94	104	177	236	
Lowest share price quoted, A	46	52	81	100	169	
Average share price quoted, A	71	73	92	128	198	
Market capitalization, December 31, MSEK	34 552	52 369	61 312	107 430	138 865	
Average number of shares[1)]	628 806 552	628 806 552	628 806 552	628 806 552	627 105 447	
Diluted average number of shares[1)]	628 806 552	628 806 552	629 512 161	629 941 488	628 012 827	

1) Earnings per share and other per share figures have been adjusted for share split 3:1 in 2005. No adjustment has been made for the redemption of shares in accordance with the recommendation from The Swedish Society of Financial Analysts. To adjust historical figures also for the redemption of shares, use factor 0.939 for years prior to 2005.

2) Excluding goodwill impairment charge.

3) Proposed by the Board of Directors.

4) Continuing operations.

Analysts following Atlas Copco

ABG Sundal Collier	Erik Ejerhed
Bear Stearns	Daniel Cunliffe
Carnegie	Anders Idborg
Cazenove	Glen Liddy
Cheuvreux	Johan Eliason
Citigroup	Tim Adams
CSFB	Patrick Marshall
Danske Bank	Henrik Breum
Deutsche Bank	Johan Wettergren
Dresdner Kleinwort Wasserstein	Colin Grant
Enskilda Securities	Anders Eriksson
Evli Bank	Magnus Axén
Exane BNP Paribas	Olivier Esnou
Glitnir	Ola Asplund
Goldman Sachs	James Moore
Handelsbanken	Peder Frölén
Hagströmer & Qviberg	Hans-Olov Öberg
HSBC	Edward Stacey
JP Morgan	Nick Paton
Kaupthing Bank	Joakim Höglund
Lehman Brothers	Brian Hall
Merrill Lynch	Mark Troman
Morgan Stanley	Gustaf Lindskog
SG Securities	Gaël de Bray
Standard & Poors/Nordea	Lars Glemstedt
Swedbank	Mats Liss
UBS	Fredric Stahl
Öhman	Anders Roslund

Five Years in Summary

MSEK	2002[1]	2003	2004	2005	2006
Orders received	47 946	45 149	44 659	44 744	55 239
Revenues and profit					
Revenues	47 562	44 619	43 192	42 205	50 512
Change, %	–7	–6	9	25	20
Change, excluding currency, %	–2	4	14	22	20
Change, organic from volume and price, %	–4	3	10	15	17
EBITDA	9 217	8 623	9 567	8 355	10 840
EBITDA margin, %	19.4	19.3	22.1	19.8	21.5
Operating profit	5 261	5 310	6 651	6 938	9 203
Operating profit margin, %	11.1	11.9	15.4	16.4	18.2
Net interest expense	–722	–386	–374	–469	–654
as a percentage of revenues	*–1.5*	*–0.9*	*–0.9*	*–1.1*	*–1.3*
Interest coverage ratio	5.1	7.5	9.1	11.7	14.3
Profit before tax	4 481	4 913	6 382	6 863	8 695
Profit margin, %	9.4	11.0	14.8	16.3	17.2
Profit from continuing operations			4 430	4 964	6 260
Profit for the year	2 909	3 274	4 671	6 581	15 373
Employees					
Average number of employees	25 787	25 707	23 849	21 431	24 378
Revenues per employee, kSEK	1 844	1 736	1 811	1 969	2 072
Cash flow [2]					
Operating cash surplus	8 770	8 291	9 816	12 084	10 722
Cash flow before change in working capital	6 922	6 799	8 305	10 230	8 197
Change in working capital	377	863	–445	–231	–2 045
Cash flow from investing activities	–2 412	–2 823	–5 568	–1 996	–4 419
Gross investments in other property, plant and equipment	–965	–724	–841	–840	–1 035
as a percentage of revenues	*–2.0*	*–1.6*	*–1.9*	*–2.0*	*–2.0*
Gross investments in rental equipment	–2 144	–2 681	–3 991	–6 396	–1 133
Net investments in rental equipment	–742	–1 175	–2 050	–4 032	–638
as a percentage of revenues	*–1.6*	*–2.6*	*–4.7*	*–9.6*	*–1.3*
Cash flow from financing activities	–4 733	–1 895	–3 490	–7 521	–7 973
of which dividends paid[3]	–1 165	–1 219	–1 575	–6 082	–6 452
Operating cash flow	5 599	5 609	4 697	4 521	3 065
Financial position and return[2]					
Total assets	54 684	45 862	48 168	54 955	55 255
Capital turnover ratio	0.80	0.95	0.99	1.02	1.29
Capital employed	41 420	32 859	33 174	34 970	25 797
Capital employed turnover ratio	1.12	1.33	1.41	1.51	1.96
Return on capital employed, %	12.3	16.8	22.1	28.5	36.2
Net indebtedness	13 694	7 613	7 860	7 229	–12 364
Net debt/EBITDA	1.49	0.88	0.82	0.87	–1.14
Equity	20 194	21 015	22 601	25 808	32 708
Debt/equity ratio, %	51.9	36.1	34.8	28.0	–37.8
Equity/assets ratio, %	48.2	45.9	46.9	47.0	59.2
Return on equity, %	10.9	16.0	21.6	27.8	54.8

For definitions see page 84.
Per share data, please see page 115.
Key financial data in USD and EUR is published on www.atlascopco.com
[1] Excluding impact of goodwill impairment charge.
[2] Including discontinued operations in until 2005.
[3] Includes repurchases of own shares in 2006.

Quarterly Data

Revenues by Business Area

				2005				2006
MSEK	1	2	3	4	1	2	3	4
Compressor Technique	4 423	5 207	5 247	5 795	5 640	6 065	6 379	6 823
Construction and Mining Technique	3 212	3 771	3 817	4 354	4 568	4 719	4 567	5 060
Industrial Technique	1 340	1 464	1 544	1 716	1 676	1 629	1 493	1 642
Rental Service[1)]	134	191	178	206	186	184	206	181
Eliminations	–99	–94	–112	–89	–122	–153	–107	–124
Atlas Copco Group	9 010	10 539	10 674	11 982	11 948	12 444	12 538	13 582

Operating profit by Business Area

				2005				2006
MSEK	1	2	3	4	1	2	3	4
Compressor Technique	813	962	1 047	1 210	1 136	1 215	1 370	1 350
as a percentage of revenues	*18.4*	*18.5*	*20.0*	*20.9*	*20.1*	*20.0*	*21.5*	*19.8*
Construction and Mining Technique	347	485	559	682	703	721	748	838
as a percentage of revenues	*10.8*	*12.9*	*14.6*	*15.7*	*15.4*	*15.3*	*16.4*	*16.6*
Industrial Technique	262	280	311	347	351	336	311	348
as a percentage of revenues	*19.6*	*19.1*	*20.1*	*20.2*	*20.9*	*20.6*	*20.8*	*21.2*
Rental Service[1)]	33	35	50	68	59	60	72	61
as a percentage of revenues	*24.6*	*18.3*	*28.1*	*33.0*	*31.7*	*32.6*	*35.0*	*33.7*
Common Group functions/Eliminations	–111	–95	–186	–161	–153	5	–195	–133
Operating profit	1 344	1 667	1 781	2 146	2 096	2 337	2 306	2 464
as a percentage of revenues	*14.9*	*15.8*	*16.7*	*17.9*	*17.5*	*18.8*	*18.4*	*18.1*
Net financial items	19	–64	19	–49	–64	–137	–225	–82
Profit before tax	1 363	1 603	1 800	2 097	2 032	2 200	2 081	2 382
as a percentage of revenues	*15.1*	*15.2*	*16.9*	*17.5*	*17.0*	*17.7*	*16.6*	*17.5*

[1)] Continuing operations. The specialty rental operation in the Rental Service business area, Prime Energy and Prime Mexico, remains in Atlas Copco. This business was integrated into the rental operations in the Compressor Technique business area from January 1, 2007.

Legal Entities

(Holding and operating companies – excluding branches)

Country	Company	Location (City)
Algeria	SPA Atlas Copco Algérie	ALGER
Argentina	Atlas Copco Argentina S.A.C.I	BUENOS AIRES
	Atlas Copco Servicios Mineros S.A.	BUENOS AIRES
Australia	Atlas Copco Australia Pty Ltd.	BLACKTOWN
	Atlas Copco Customer Finance Australia Pty Ltd.	BLACKTOWN
	Atlas Copco South Pacific Holdings Pty Ltd.	BLACKTOWN
Austria	Atlas Copco Ges.m.b.H.	VIENNA
	Atlas Copco MAI GmbH	FEISTRITZ AN DER DRAU
Bahrain	Atlas Copco Services Middle East OMC	BAHRAIN
Belgium	Atlas Copco Airpower n.v.	WILRIJK
	Atlas Copco ASAP n.v.	WILRIJK
	Atlas Copco Belgium n.v.	OVERIJSE
	Atlas Copco Compressor International n.v.	WILRIJK
	Atlas Copco Rental Europe n.v.	RUMST
	Atlas Copco Tools Europe n.v.	OVERIJSE
	Atlas Finance Europe n.v.	WILRIJK
	CP Benelux n.v.	WONDELGEM
	Power Tools Distribution n.v.	TONGEREN
Bolivia	Atlas Copco Boliviana SA	LA PAZ
Botswana	Atlas Copco (Botswana) (Pty) Ltd.	GABORONE
Brazil	Atlas Copco Brasil Ltda	SAO PAULO
	Chicago Pneumatic Brasil Ltda	SAO PAULO
Bulgaria	Atlas Copco Lifton Eood	ROUSSE
Canada	Atlas Copco Canada Inc.	LASALLE
	Chicago Pneumatic Tool Co. Canada Ltd.	TORONTO
Chile	Atlas Copco Chilena S.A.C.	SANTIAGO
	Atlas Copco Customer Finance Chile Ltda	SANTIAGO
China	Atlas Copco (China) Investment Co Ltd.	SHANGHAI
	Atlas Copco (Shanghai) Trading Co Ltd.	SHANGHAI/PUDONG
	Atlas Copco (Nanjing) Construction and Mining Equipment Ltd.	NANJING
	Atlas Copco (Shenyang) Construction and Mining Equipment Ltd.	SHENYANG
	Atlas Copco (Wuxi) Compressor Co Ltd.	WUXI
	Atlas Copco (Zhangjiakou) Construction & Mining Equipment Ltd.	ZHANGJIAKOU
	CP Qianshao (Qingdao) Power Tools Ltd.	QINGDAO
	Liuzhou Tech Machinery Co Ltd.	LIUZHOU
	Shanghai Bolaite Compressor Co., Ltd.	SHANGHAI
	Wuxi-Hobic Diamond Bit Co., Ltd.	WUXI
	Wuxi Pneumatech Air/Gas Purity Equipment Co., Ltd.	WUXI
Colombia	Atlas Copco Colombia Ltda	BOGOTA
Croatia	Contex d.o.o.	SPLIT
Cyprus	Atlas Copco (Cyprus) Ltd.	NICOSIA
Czech Republic	Atlas Copco Lutos a.s.	LUBENEC
	Atlas Copco s.r.o.	PRAHA
Denmark	Atlas Copco Kompressorteknik A/S	COPENHAGEN
Egypt	Atlas Copco Equipment Egypt S.A.E.	CAIRO
Finland	Oy Atlas Copco Ab	VANTAA
	Oy Atlas Copco Kompressorit Ab	VANTAA

Country	Company	Location (City)
	Oy Atlas Copco Louhintatekniikka Ab	VANTAA
	Oy Atlas Copco Rotex Ab	TAMPERE
	Oy Atlas Copco Tools Ab	VANTAA
France	Atlas Copco France Holding S.A.	ST. OUEN L'AUMÔNE
	Atlas Copco Applications Industrielles S.A.S.	ST. OUEN L'AUMÔNE
	Atlas Copco Compresseurs S.A.S.	ST. OUEN L'AUMÔNE
	Atlas Copco Crépelle S.A.S.	LILLE
	Atlas Copco Drilling Solutions S.A.S.	ST OUEN L'AUMÔNE
	Atlas Copco Forage et Démolition S.A.S.	ST. OUEN L'AUMÔNE
	Compresseurs Mauguière S.A.S.	MERU
	Compresseurs Worthington Creyssensac S.A.S.	MERU
	ETS Georges Renault S.A.S.	NANTES
	Techfluid Nord SARL	LILLE
Germany	Atlas Copco Holding GmbH	ESSEN
	IRMER + ELZE Kompressoren GmbH	BAD OEYNHAUSEN
	Atlas Copco Application Center Europe GmbH	ESSEN
	Atlas Copco Construction Tools GmbH	ESSEN
	Atlas Copco Energas GmbH	COLOGNE
	Atlas Copco Kompressoren und Drucklufttechnik GmbH	ESSEN
	Atlas Copco MCT GmbH	ESSEN
	Atlas Copco Tools Central Europe GmbH	ESSEN
	Desoutter GmbH	MAINTAL
	Microtec Systems GmbH	VILLIGEN-SCHWENNINGEN
	TBB Q-Service GmbH	DINGOLFING
	Techniches Büro Böhm GmbH	DINGOLFING
Ghana	Atlas Copco Ghana Ltd.	ACCRA
Great Britain	Atlas Copco UK Holdings Ltd.	HEMEL HEMPSTEAD
	Atlas Copco Compressors Ltd.	HEMEL HEMPSTEAD
	Atlas Copco Construction & Mining Ltd.	HEMEL HEMPSTEAD
	Atlas Copco PAIR Ltd.	LONDON
	Atlas Copco Tools Ltd.	HEMEL HEMPSTEAD
	Best Pneumatic Ltd.	HEMEL HEMPSTEAD
	Desoutter Ltd.	HEMEL HEMPSTEAD
	Desoutter Sales Ltd.	HEMEL HEMPSTEAD
	Kolfor Plant Ltd.	DUNDEE
	Medaes Ltd.	DERBYSHIRE
	Worthington Creyssensac Air Compressors Ltd.	HEMEL HEMPSTEAD
Greece	Atlas Copco Hellas AE	RENTIS
Hong Kong	Atlas Copco China/Hong Kong Ltd.	KOWLOON
	CP China/Hong Kong Ltd.	KOWLOON
Hungary	Atlas Copco Kft.	BUDAPEST
India	Atlas Copco (India) Ltd.	PUNE
Indonesia	P T Atlas Copco Indonesia	JAKARTA
Ireland	Atlas Copco (Ireland) Ltd.	DUBLIN
	Aircrosse Ltd.	DUBLIN
Italy	Atlas Copco Italia S.p.A.	MILANO
	Atlas Copco BLM S.R.L.	MILANO
	Ceccato Aria Compressa S.p.A.	VICENZA
	Desoutter Italiana S.r.l.	MILANO
Japan	Atlas Copco KK	TOKYO
	Fuji Air Tools Co., Ltd.	OSAKA
Kazakhstan	Atlas Copco Central Asia LLP	ALMATY
Kenya	Atlas Copco Eastern Africa Ltd.	NAIROBI

Country	Company	Location (City)
Latvia	BaltAir SIA	RIGA
Lithuania	UAB Baltair	KLAIPEDA
Luxemburg	Atlas Copco Finance S.à.r.l.	LUXEMBURG
	Atlas Copco Reinsurance SA	LUXEMBURG
Malaysia	Atlas Copco (Malaysia) Sdn. Bhd.	KUALA LUMPUR
Mexico	Atlas Copco Mexicana SA de CV	TLALNEPANTLA
	Inversora Capricornio SA de CV	TLALNEPANTLA
	Prime Equipment SA de CV	MONTERREY
Mongolia	Atlas Copco Mongolia LLC	ULAANBAATAR
Morocco	Atlas Copco Maroc SA	CASABLANCA
Namibia	Atlas Copco Namibia (Pty) Ltd.	WINDHOEK
Netherlands	Atlas Copco Beheer B.V.	ZWIJNDRECHT
	Atlas Copco Internationaal B.V.	ZWIJNDRECHT
	Atlas Copco Ketting Marine Center B.V.	IJMUIDEN
	Atlas Copco Nederland B.V.	ZWIJNDRECHT
	Creemers Compressors B.V.	EINDHOVEN
	Grass-Air Compressoren B.V.	OSS
	Technische Handelmaatschappij ABIRD B.V.	ROTTERDAM
New Zealand	Atlas Copco (N.Z.) Ltd.	MT. WELLINGTON
	Intermech Ltd.	AUCKLAND
Norway	Atlas Copco A/S	LANGHUS
	Atlas Copco Anlegg- og Gruveteknikk A/S	LANGHUS
	Atlas Copco Kompressorteknikk A/S	LANGHUS
	Atlas Copco Tools A/S	LANGHUS
	Berema A/S	LANGHUS
Pakistan	Atlas Copco Pakistan (Pvt) Ltd.	LAHORE
Peru	Atlas Copco Peruana SA	LIMA
Philippines	Atlas Copco (Philippines) Inc.	PARANAQUE
Poland	Atlas Copco Polska Sp. z o. o.	WARSAW
Portugal	Sociedade Atlas Copco de Portugal Lda	LISBON
Romania	Atlas Copco Industrial Technique SRL	PITESTI
	Atlas Copco Romania S.R.L.	OTOPENI
Russia	ZAO Atlas Copco	MOSCOW
Serbia	Atlas Copco A.D.	NOVI BEOGRAD
Singapore	Atlas Copco (South East Asia) Pte. Ltd.	SINGAPORE
Slovakia	Industrial Technique s.r.o.	BRATISLAVA
Slovenia	Atlas Copco d.d.	LJUBLJANA
South Africa	Atlas Copco Holdings South Africa (Pty) Ltd.	WITFIELD
	Atlas Copco Secoroc (Pty) Ltd.	SPRINGS
	Atlas Copco South Africa (Pty) Ltd.	BOKSBURG
	Mining Carbide (Pty) Ltd.	SPRINGS
South Korea	Atlas Copco Mfg. Korea Co. Ltd.	SEOUL
	CP Tools Korea Co. Ltd.	SEOUL
Spain	Atlas Copco S.A.E.	MADRID
	Desoutter S.A.	MADRID
	Guimerá, S.A.	BARCELONA
	Puska Pneumatic S.A.	VIZCAYA
	Worthington Internacional Compresores S.A.	MADRID
Sweden	Atlas Copco AB	NACKA
	Atlas Copco CMT Sweden AB	NACKA
	Atlas Copco Compressor AB	NACKA
	Atlas Copco Construction Tools AB	NACKA
	Atlas Copco Craelius AB	MÄRSTA
	Atlas Copco Customer Finance AB	NACKA
	Atlas Copco Industrial Technique AB	NACKA

Country	Company	Location (City)
	Atlas Copco Industrial Technique Finance KB	NACKA
	Atlas Copco Iran AB	NACKA
	Atlas Copco Järla Holding AB	NACKA
	Atlas Copco Lugnet Treasury AB	NACKA
	Atlas Copco Nacka Holding AB	NACKA
	Atlas Copco Rock Drills AB	ÖREBRO
	Atlas Copco Secoroc AB	FAGERSTA
	Atlas Copco Sickla Holding AB	NACKA
	Atlas Copco Tools AB	NACKA
	BEMT Tryckluft AB	STAFFANSTORP
	BIAB Tryckluft AB	LUDVIKA
	CP Scanrotor AB	TANUM
	Industria Försäkrings AB	NACKA
Switzerland	Atlas Copco Drilling Solutions AG	STUDEN/BIEL
	Atlas Copco (Schweiz) AG	STUDEN/BIEL
Taiwan	Atlas Copco Taiwan Ltd.	TAIPEI
Tanzania	Atlas Copco Tanzania Ltd.	GEITA
Thailand	Atlas Copco (Thailand) Ltd.	BANGKOK
	Atlas Copco Service (Thailand) Ltd.	BANGKOK
Turkey	Atlas Copco Makinalari Imalat AS	ISTANBUL
	Scanrotor Otomotiv Ticaret A.S.	BURSA
United Arab Emirates	Atlas Copco Middle East FZE	DUBAI
	Atlas Copco Services Middle East SPC, Abu Dhabi	ABU DHABI
USA	Atlas Copco ASAP North America LLC	PINEBROOK, NJ
	Atlas Copco Assembly Systems LLC	AUBURN HILLS, MI
	Atlas Copco BHMT LLC	GRAND PRAIRIE, TX
	Atlas Copco Compressors LLC	HOLYOKE, MA
	Atlas Copco Comptec LLC	VOORHEESVILLE, NY
	Atlas Copco Construction Mining Technique USA LLC	COMMERCE CITY, CO
	Atlas Copco Construction Tools LLC	WEST SPRINGFIELD, MA
	Atlas Copco Customer Finance USA LLC	PINE BROOK, NJ
	Atlas Copco Drilling Solutions LLC	GARLAND, TX
	Atlas Copco North America LLC	PINE BROOK, NJ
	Atlas Copco Tools & Assembly Systems LLC	AUBURN HILLS, MI
	Atlas Copco USA Holdings Inc.	PINE BROOK, NJ
	Beacon Medical Products LLC	CHARLOTTE, NC
	Chicago Pneumatic Tool Company LLC	ROCK HILL, SC
	Pneumatech LLC	KENOSHA, WI
	Prime Engergy Rental LLC	DEER PARK, TX
Venezuela	Atlas Copco Venezuela SA	CARACAS
Vietnam	Atlas Copco Vietnam Company Ltd.	HANOI
Zambia	Atlas Copco (Zambia) Ltd.	CHINGOLA
Zimbabwe	Atlas Copco Zimbabwe (Pty) Ltd.	HARARE

Financial Information

Welcome to the Annual General Meeting

Atlas Copco shareholders are hereby notified that the Annual General Meeting will be held on Thursday, April 26, 2007, at 5 p.m. in Aula Magna, Stockholm University, Frescativägen 6, Stockholm, Sweden.

Financial information from Atlas Copco

Atlas Copco will publish the following financial reports:

April 26, 2007 .... Q1 – first quarter results
July 16, 2007 ....Q2 – second quarter results
October 24, 2007 ....Q3 – third quarter results
February 4, 2008 ....Q4 – fourth quarter results
March, 2008 .... Annual Report 2007

Order the Annual Report from

Atlas Copco AB
Corporate Communications
SE-105 23 Stockholm, Sweden
www.atlascopco.com
Phone: +46 (0)8 743 80 00
Fax: +46 (0)8 643 37 18

Contacts:

Investor Relations: Mattias Olsson, Investor Relations Manager, ir@se.atlascopco.com and Ingrid Andersson, Investors Relations Coordinator, ir@se.atlascopco.com.

On the web site **www.atlascopco.com y**ou can find addresses to all customer centers. The web site serves its stakeholders – customers, students, the press, and the financial markets – with information.

In the Investors sector, available in English and Swedish, you will find financial reports and key figures in ready-to-use digital formats and you can subscribe to information from the Group. Investor presentations can be downloaded and you can view and/or listen to presentations of quarterly reports (in English).

Addresses

Atlas Copco Group Center
Atlas Copco AB (publ)
SE-105 23 Stockholm, Sweden
Phone: +46 8 743 80 00
Fax: +46 8 644 90 45
www.atlascopco.com
Corp. id. no: 556014-2720

Atlas Copco
Compressor Technique
Airpower n.v.
P O Box 100
BE-2610 Wilrijk, Belgium
Phone: +32 3 870 21 11
Fax: +32 3 870 24 43

Atlas Copco
Airtec
P O Box 101
BE-2610 Wilrijk, Belgium
Phone: +32 3 870 21 11
Fax: +32 3 870 24 43

Atlas Copco
Industrial Air
P O Box 103
BE-2610 Wilrijk, Belgium
Phone: +32 3 870 21 11
Fax: +32 3 870 25 76

Atlas Copco
Oil-free Air
P O Box 104
BE-2610 Wilrijk, Belgium
Phone: +32 3 870 21 11
Fax: +32 3 870 24 43

Atlas Copco
Portable Air
P O Box 102
BE-2610 Wilrijk, Belgium
Phone: +32 3 870 21 11
Fax: +32 3 870 24 43

Atlas Copco
Gas and Process
Am Ziegelofen 2
DE-50999 Cologne, Germany
Phone: +49 2236 965 00
Fax: +49 2236 965 05 22

Atlas Copco
Specialty Rental
P O Box 107
BE-2610 Wilrijk, Belgium
Phone: +32 3 870 2111
Fax: +32 3 870 2443

Atlas Copco Construction
and Mining Technique
SE-105 23 Stockholm, Sweden
Phone: +46 8 743 80 00
Fax: +46 8 644 90 45

Atlas Copco
Underground Rock Excavation
SE-701 91 Örebro, Sweden
Phone: +46 19 670 70 00
Fax: +46 19 670 70 70

Atlas Copco
Surface Drilling Equipment
SE-701 91 Örebro, Sweden
Phone: +46 19 670 70 00
Fax: +46 19 670 72 98

Atlas Copco
Rocktec
SE-701 91 Örebro, Sweden
Phone: +46 19 670 70 00
Fax: +46 19 670 75 13

Atlas Copco
Drilling Solutions
PO Box 462288
Garland TX 75046-2288, USA
Phone: +1 972 496 74 00
Fax: +1 972 496 74 25

Atlas Copco
Secoroc
Box 521
SE-737 25 Fagersta, Sweden
Phone: +46 223 461 00
Fax: +46 223 461 01

Atlas Copco
Construction Tools
SE-105 23 Stockholm, Sweden
Phone: +46 8 743 96 00
Fax: +46 8 743 96 50

Atlas Copco
Geotechnical
Drilling and Exploration
SE-195 82 Märsta, Sweden
Phone: +46 8 587 785 00
Fax: +46 8 591 187 82

Atlas Copco
Industrial Technique
SE-105 23 Stockholm, Sweden
Phone: +46 8 743 80 00
Fax: +46 8 644 90 45

Atlas Copco Tools and Assembly
Systems Motor Vehicle Industry
SE-105 23 Stockholm, Sweden
Phone: +46 8 743 95 00
Fax: +46 8 640 05 46

Atlas Copco Tools and Assembly
Systems General Industry
SE-105 23 Stockholm, Sweden
Phone: +46 8 743 95 00
Fax: +46 8 640 05 46

Chicago Pneumatic Industrial
ZAC de la Lorie
38, Rue Bobby Sands
BP 10273
FR-44818 Saint Herblain, France
Phone: +33 2 40 80 20 00
Fax: +33 2 40 33 27 07

Chicago Pneumatic Vehicle Service
ZAC de la Lorie
38, Rue Bobby Sands
BP 10273
FR-44818 Saint Herblain, France
Phone: +33 2 40 33 20 00
Fax: +33 2 40 33 27 07

Atlas Copco
Tooltec
SE-105 23 Stockholm, Sweden
Phone: +46 8 743 95 00
Fax: +46 8 640 05 46

Atlas Copco Customer Centers Worldwide

Algeria	+213 (0)21 69 35 58	Finland	+358 (0)9 29 64 41	Malaysia	+60 (0)3 51 23 88 88	Slovenia	+386 (0)1 234 27 10
Argentina	+54 (0)11 47 17 22 00	France	+33 (0)1 39 09 30 00	Mexico	+52 (0)55 553 21 06 00	South Africa	+27 (0)11 821 90 00
Australia	+61 (0)2 96 21 99 99	Germany	+49 (0)201 217 70	Mongolia	+ 976 (0)11 99 11 48 16	South Korea	+82 (0)2 21 89 40 00
Austria	+43 (0)1 76 01 20	Ghana	+233 (0)21 77 45 12	Morocco	+212 (0)22 60 00 40	Spain	+34 91 627 91 00
Bahrain	+973 17 22 15 51	Great Britain	+44 (0)1442 26 12 01	Namibia	+264 (0)61 26 13 96	Sweden	+46 (0)8 743 80 00
Belgium	+32 (0)2 689 05 11	Greece	+30 (0)210 349 96 00	Netherlands	+31 (0)78 623 02 30	Switzerland	+41 (0)32 374 14 14
Bolivia	+591 (0)3 343 68 68	Hong Kong	+852 27 97 66 00	New Zealand	+64 (0)9 579 40 69	Taiwan	+886 (0)3 479 68 38
Brazil	+55 (0)11 41 96 87 00	Hungary	+36 (0)1 237 30 20	Norway	+47 64 86 08 60	Tanzania	+255 (0)28 07 86 37 89 83
Bulgaria	+359 (0)2 29 76 30 98	India	+91 (0)20 39 85 21 00	Pakistan	+92 (0)42 574 94 06	Thailand	+66 (0)38 56 29 00
Canada	+1 514 366 2626	Indonesia	+62 (0)21 780 10 08	Peru	+51 (0)1224 86 80	Turkey	+90 (0)216 581 0 581
Chile	+56 (0)2 442 36 00	Iran	+98 (0)21 669 377 11	Philippines	+63 (0)2 823 81 78	Ukraine	+380 (0)44 205 37 28
China	+86 (0)21 62 55 13 31	Ireland	+353 (0)1 450 59 78	Poland	+48 (0)22 572 68 00	United Arab	
Croatia	+385 (0)1 379 41 18	Italy	+39 02 61 79 91	Portugal	+351 21 416 85 00	Emirates	+971 (0)2 555 26 00
Colombia	+57 (0)1 291 54 90	Japan	+81 (0)3 57 65 78 01	Romania	+40 (0)21 351 37 62	United States	+1 973 439 34 00
Cyprus	+357 22 48 07 40	Kazakhstan	+7 (0)3272 58 85 34	Russia	+7 495 933 55 50	Uzbekistan	+998 (0)711 20 47 64
Czech		Kenya	+254 (0)20 660 50 00	Saudi Arabia	+966 (0)2 693 33 57	Venezuela	+58 (0)212 256 23 11
Republic	+420 (0) 225 43 40 00	Latvia	+371 760 91 90	Serbia	+381 (0)11 311 66 18	Vietnam	+84 (0)8 898 96 38
Denmark	+45 43 45 46 11	Lithuania	+370 (0)37 31 25 99	Singapore	+65 68 62 28 11	Zambia	+260 (0)2 31 12 81
Egypt	+20 (0)2 610 03 37	Macedonia	+389 (0)2 311 23 83	Slovakia	+421 (0)32 743 80 01	Zimbabwe	+263 (0)4 62 17 61

Atlas Copco AB
(publ)
SE-105 23 Stockholm, Sweden
Phone: +46 8 743 8000
Corp.id.no: 556014-2720
www.atlascopco.com