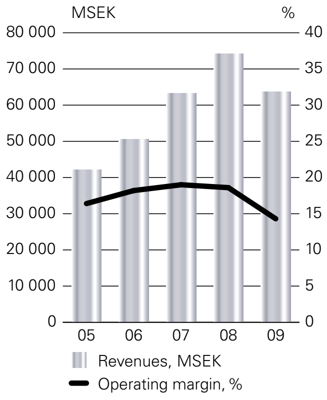
Atlas Copco

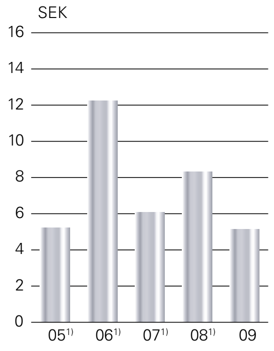
2009 – healthy profitability in a challenging year

Annual Report
Sustainability Report
Corporate Governance Report 09

Sustainable Productivity

Contents





1) Including discontinued operations.

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.

www This symbol indicates that further information is available on Atlas Copco's website, www.atlascopco.com.

- Very weak demand for equipment following the global financial crisis. Forceful actions were taken to adapt capacity and costs to the new demand situation.
- Aftermarket products and services showed resilience.
- Revenues MSEK 63 762 (74 177), down 23% in volume.
- Operating profit declined 34% to MSEK 9 090 (13 806), corresponding to an operating margin of 14.3% (18.6).
- Restructuring costs and other items affecting comparability of MSEK –569 (–292). Adjusted operating margin of 15.1% (19.0).
- Profit for the year was MSEK 6 276 (10 190).
- Operating cash flow was MSEK 13 291 (4 751).
- The Board of Directors proposes a dividend for 2009 of SEK 3.00 (3.00) per share and a share repurchase program.

Copco 2009

2009 in figures

MSEK	2009	2008	Change, %
Orders received	58 451	73 572	–21
Revenues	63 762	74 177	–14
Operating profit	9 090	13 806	–34
– as a percentage of revenues	*14.3*	*18.6*	
Profit before tax	8 271	13 112	–37
– as a percentage of revenues	*13.0*	*17.7*	
Profit from continuing operations	6 276	10 006	–37
Basic earnings per share, continuing operations, SEK	5.14	8.18	–37
Diluted earnings per share, continuing operations, SEK	5.13	8.18	–37
Profit from discontinued operations, net of tax	–	184	
Profit for the year[1)]	6 276	10 190	–38
Basic earnings per share, SEK[1)]	5.14	8.33	
Diluted earnings per share, SEK[1)]	5.13	8.33	
Dividend per share, SEK	3.00[2)]	3.00	
Equity per share, SEK[1)]	21	20	
Operating cash flow	13 291	4 751	
Return on capital employed, %	17.7	33.5	
Return on equity, %[1)]	25.8	57.7	
Average number of employees	31 085	34 119	

1) Including discontinued operations in 2008.
2) Proposed by the Board of Directors.

Atlas Copco Group

Atlas Copco is an industrial group with world-leading positions in compressors, construction and mining equipment, power tools and assembly systems. The Group delivers sustainable solutions for increased customer productivity through innovative products and services. Founded 1873, the company is based in Stockholm, Sweden, and has a global reach spanning more than 170 countries. In 2009, Atlas Copco had about 30 000 employees and revenues of BSEK 64 (BEUR 6.0). Learn more at www.atlascopco.com. www

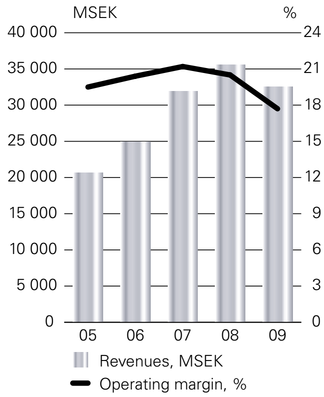
Compressor Technique

The business

The Compressor Technique business area develops, manufactures, markets, and services oil-free and oil-injected stationary air compressors, portable air compressors, oil and gas boosters, gas and process compressors, turbo expanders, generators, air treatment equipment, and air management systems. The business area has in-house resources for basic development in its core technologies, and offers specialty rental services.

Development, manufacturing, and assembly are concentrated in Belgium, with other units situated in Brazil, China, France, Germany, Great Britain, India, Italy, the Netherlands, New Zealand, and the United States.

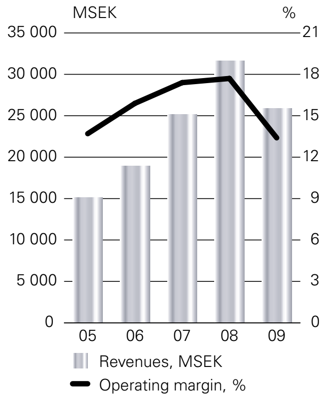
Revenues and operating margin



Construction and Mining Technique

The Construction and Mining Technique business area develops, manufactures, markets, and services rock drilling tools, underground rock drilling rigs for tunneling and mining applications, surface drilling rigs, loading equipment, exploration drilling equipment, construction tools and road construction equipment.

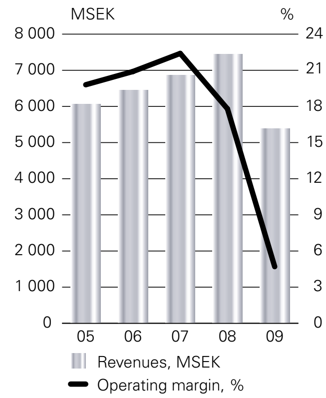
The business area has its principal product development and manufacturing units in Sweden, Germany, and the United States, with other units in Australia, Austria, Brazil, Bulgaria, Canada, China, Finland, France, India, Japan, and South Africa.



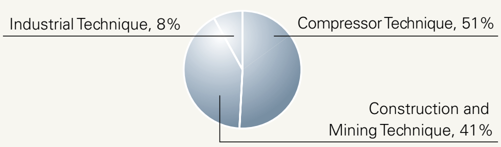
Industrial Technique

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 industrial manufacturing, such as the automotive and aerospace industries, general industrial manufacturing, and maintenance and vehicle service.

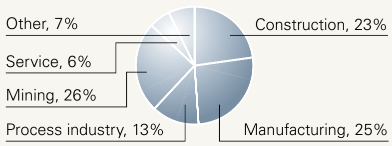
The business area has its product development and manufacturing units in Sweden, China, France, Hungary, Italy and Japan. The business area also has assembly system application centers in several markets.



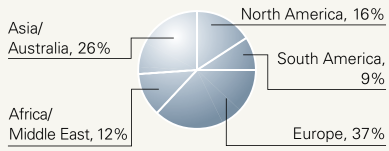
Revenues by business area



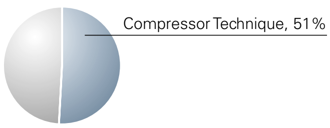
Revenues by customer category



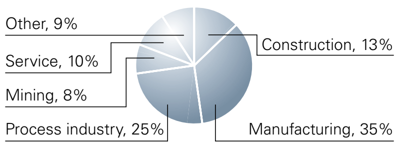
Revenues by geographic area



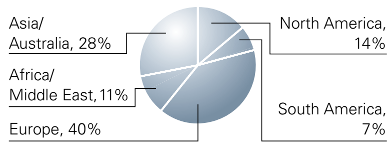
Share of Group revenues



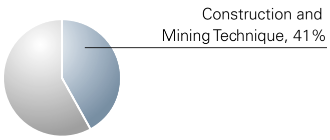
Revenues by customer category



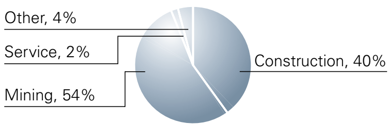
Revenues by geographic area



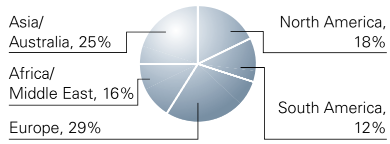
Share of Group revenues



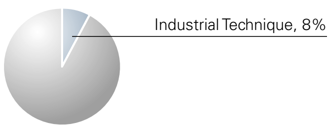
Revenues by customer category



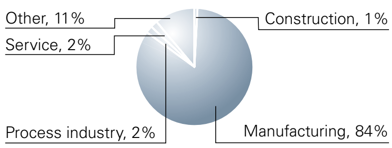
Revenues by geographic area



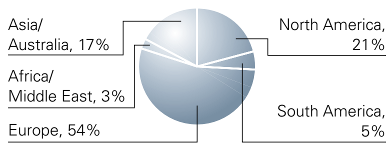
Share of Group revenues



Revenues by customer category



Revenues by geographic area



Preparing for profitable growth

Perhaps one should not be satisfied after a year when revenues dropped and many of our employees lost their jobs. But we entered 2009 facing enormous challenges; the decline in demand was on a scale new to all of us and we were in the midst of adapting to the situation. Taking stock after this difficult time, we see that our people truly proved themselves. We achieved a good profit and maintained a solid financial position. Atlas Copco is prepared for sustainable, profitable growth.

Summary of 2009

The end of a long period of economic growth, like the one we saw during the previous six years, naturally has consequences. Atlas Copco underwent rapid changes in the first half of 2009, coping with this global 'hangover.' The Group's large share of service revenues provided some resilience, as did its geographical sales mix, but in many markets and customer segments, equipment orders halved compared to the previous year, or fell even more, like in Russia. New investments in compressors, construction and mining equipment and industrial tools were very low in North America and Europe.

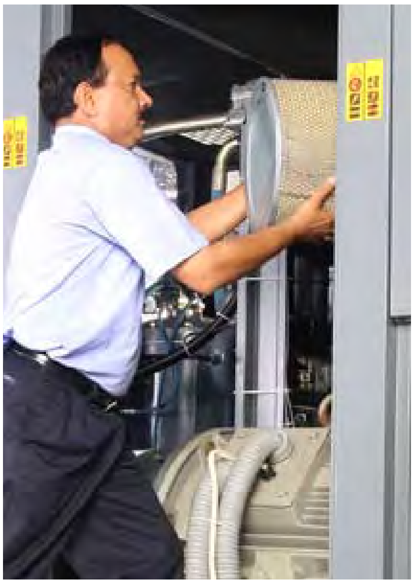
The direct effect on our business from government stimulus packages around the world was limited, perhaps with the exception of China, where signs of a recovery became visible more quickly than in other markets. This market emerged as Atlas Copco's largest during 2009, highlighting the growing importance for the Group of business related to the emerging markets. Overall, demand for Atlas Copco's products stabilized during the second half of 2009, with pockets of growth seen also in India and South America.

Our contingency plans, kicked off in the final quarter of 2008, included reductions of the workforce, improvements to the efficiency in operations and reductions of working capital. Wherever possible, we implemented shorter working hours, but a large number of people had to leave the Group. Such decisions are difficult to take, seeing the impact on loyal employees and their families, but necessary to safeguard future growth and job opportunities. The measures were targeted so as not to jeopardize the Group's capabilities within product design, development and service, or its presence in key markets.

This tough period put great demands on all our collaborators – employees, suppliers and distributors – but they all put in a tremendous effort, allowing us to keep our market position or even strengthen our relative share. In a situation like the current, we must remain focused on creating lasting customer value. We had a high focus on improving customer satisfaction by delivering new products of top quality, suited to the customers' needs and supported by our world-class service operation.

The proof of these efforts is in the numbers. The global financial crisis and the rough road to recovery have also brought the power of the company's core business back into sharp focus. During the worst economic crisis in recent history, Atlas Copco achieved an operating margin around 15% and maintained a robust balance sheet, allowing a proposed dividend to shareholders of SEK 3.00 per share. Thanks to this financial performance, we have a healthy base from which we can not only defend our position, but also go on the offensive.

We ended the year with the announcement of a significant acquisition, in line with our plans to strengthen our presence in growing market segments and important geographical areas. Purchasing Quincy Compressor for MUSD 190 will solidify our position in North America and China, adding a strong brand with an extensive, professional distributor network to the Atlas Copco Group. We also decided to invest more than MSEK 100 in building a new facility for gas and process compressors in China.



During 2009, our spending on research and development in relation to revenues increased. We launched many new and upgraded products, such as rollers for road development with reduced fuel consumption and ergonomically developed battery-powered screwdrivers. We also announced that a range of oil-free compressors, with heat recovery equipment, is the first in the world to be certified for 'net zero energy consumption'. This means we have succeeded at recuperating all the waste heat generated in air compression, making it reusable in other applications.

This is what we call sustainable productivity

The above products have something more than innovation in common; they have been designed taking human and environmental aspects into consideration in the process of increasing productivity. Reducing the energy consumption of every new product is an integral part of our design process. Additionally we make life-cycle assessments, identifying the environmental impact of a product throughout the course of its use.

We do these things because we believe the sustainable development of Atlas Copco will benefit all our stakeholders. When we say we are committed to sustainable productivity, it means that we do everything we can to ensure reliable, lasting results with a responsible use of resources; human, natural, and capital. Even a difficult decision like giving notice to employees is based on this. We always take the long-term view because our customers need to know they will be productive not just today or tomorrow, but also years from now.

Sustainability is therefore not an optional add-on, but a route to prosperity for Atlas Copco and other companies. Those that succeed will be the ones with the truly innovative products, services and processes. Reaching the best results begins with having a solid strategy that includes analyzing our performance on the economical, social and environmental levels.

We have already mentioned the strong financial performance by Atlas Copco, but how are we doing on the other issues? In absolute numbers, the Group's usage of energy and water declined, but it is difficult to distinguish the achievements related to efficiency improvements, because of the sharply lower activity levels in our factories. One clear outcome is that initiatives to introduce more environmentally friendly energy sources resulted in a decrease of CO_2 emissions. We are happy to report a decrease in the number of work-related accidents, and will this year further sharpen the Group's focus on safety, by implementing new targets, routines and policies.

Among notable events, our work to reduce the impact of HIV/AIDS in South Africa was recognized with the Swedish Workplace HIV and AIDS Programme (SWHAP) Achievement Award, and the employee-driven organization *Water for All* expanded to a total 10 countries.

When it comes to the environment, we see that Atlas Copco's biggest long-term impact, and improvement potential, lies in the use of our products. An average 10% of the energy consumption in manufacturing facilities comes from the use of compressed air. In many cases, especially when the equipment is more than 10 years

old, Atlas Copco can reduce this figure dramatically. Given this opportunity to reduce CO_2 emissions, one might wonder why it is not as natural with government incentives to modernize manufacturing more rapidly, as it is with stimulus packages to invest in alternative energy sources. Either way, it is a strong business case for Atlas Copco, and likely to continue driving our organic growth.

Priorities for 2010 and beyond

Going back into a more expansive mode after the tough past year, my task as the new CEO is to further intensify the execution of Atlas Copco's strategy for profitable growth. As before, we expect,

in the longer term, to generate about one third of growth through acquisitions and the other two thirds organically. We continue evaluating mostly acquisition targets that are 'modest in size and close to home.' We will explore opportunities that can extend the Group's geographic presence and product portfolio.

A few issues will be critical in achieving long-term organic growth; continued innovation, presence in growth markets and developing our service organization.

Innovation is a deeply embedded part of Atlas Copco's company culture, and we have to actively work to make sure it stays that way. We will continue investing in this area and cooperating on product development with universities and customers. We want to have the fittest product portfolio on the market. The share of revenues generated by products introduced in the past six years is currently around 70% in the Group. On a scale of three years, there is room for improvement but we believe we are the undisputable leader. Increasing the share of new products will be a driving force in organic growth, and we work continuously to provide customers with a state-of-the-art product offer.

We can also innovate internally. Many of the measures we have taken during this severe downturn have been aimed at achieving operational excellence. Atlas Copco as a company is 'fit,' but we will strive to become even better in areas such as business processes, sourcing, manufacturing, logistics and energy efficiency.

As we focus on innovation, we must make sure that products

are developed suited to the needs of customers in emerging markets. We see how rapidly the world has changed in this respect in how our distribution of sales is shifting towards the southern hemisphere. Since 2002, non-OECD countries have gone from generating 29% of orders received to 44% in 2009. Brazil and India are today our fourth and sixth largest markets respectively. In 2002, they weren't even in the top ten.

We will continue to extend and broaden our presence in such growth markets, of course without forgetting the markets which are already significant for Atlas Copco. As of this year, two important management functions are moving to establish a base in Shanghai, China. Having the leadership of Construction and Mining Technique in the region will deepen our knowledge and penetration of key growth segments such as infrastructure. The head of the Oil-free Air division will closely follow the rapid shifts and growth of the Chinese compressor markets.

Strengthening the focus on delivering services to our customers, we will invest in training, presence and logistics. This gives us a great opportunity to improve customer satisfaction and grow our business at the same time. Our measurements show we can work on getting closer to the customers and developing to an even greater extent a high-performance sales culture.

The key to success in this field lies with our employees. We have to recruit, develop and retain the most talented people, whoever they are and wherever they are from. This is a long-term priority in

order to ensure the Atlas Copco Group remains a global leader. We already have a great group of people, but achieving a higher level of diversity within the company is a key target that we believe will yield even better results. We see a positive trend in terms of both new recruitments of female graduates and international diversity in Group management, but there is more we can do.

I am proud to lead this hard-working team, in which we find a tremendous professional competence and a strong will to deliver customer satisfaction. I am confident this is also the way to create shareholder value.

Ronnie Leten
President and CEO
Stockholm, February 2, 2010

Vision and Mission

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 an industrial group with world-leading positions in compressors, construction and mining equipment, power tools and assembly systems. The Group delivers sustainable solutions for increased customer productivity through innovative products and services.

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 intensified training for service and sales personnel
- increasing the 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 products and solutions that increase their productivity and reduce their cost. 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, the product development organization gets a better understanding of the customers' needs and preferences.

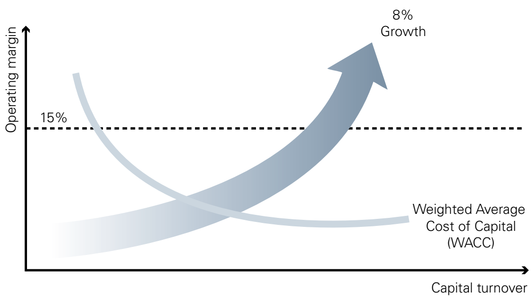
Targets

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.



Non-financial targets

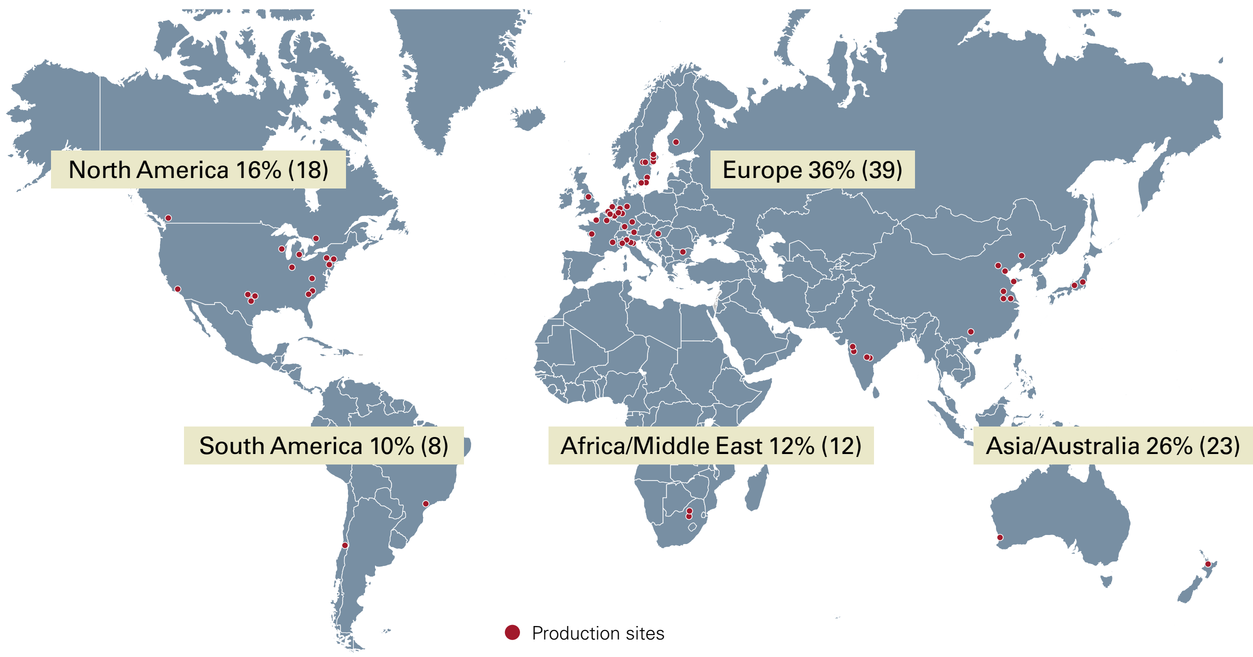
General
- All employees shall receive appropriate training in the Business Code of Practice.

Social/employees
- Each employee shall be provided with an average of 40 hours competence development per year.
- Each employee shall receive an annual personal performance appraisal.
- Internal mobility is encouraged with the aim to recruit 85% of managers internally.
- Reduction of work-related accidents by 50%. The vision is no work-related accidents.
- Increase number of business units with zero accidents.
- Sick-leave shall remain below 2.5% days.
- All employees shall work in an environment with an occupational health and safety system.
- All production units and customer centers with more than 70 employees shall have an OHSAS 18001/VPP certified system.

Environmental
- All production units shall be ISO 14001 certified.
- All employees shall work in an Environmental Management System (EMS) certified environment.
- All divisions shall have measurable targets for main product categories to increase energy efficiency.
- All production units shall reduce their CO_2 emissions, including transport to and from production sites.

Business partners
- Business partners shall be evaluated from an environmental and social performance point of view in addition to general business objectives.
- Business partners shall be encouraged to implement an environmental system similar to Atlas Copco's system.

The regions' portion of orders received



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 invest in equipment, e.g. for rock excavation, demolition and road construction. 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. The demand arises during the time the 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. Aftermarket and rental revenues are generating about 40% of Atlas Copco's revenues.

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

Brands

In order to reach its vision of First in Mind—First in Choice®, the Group owns more than 30 brands. The multi-brand strategy is fundamental to the Atlas Copco Group and by using more brands it can better satisfy the various customer segments' specific needs.

The Atlas Copco brand accounts for about 82% of revenues.

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.

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.

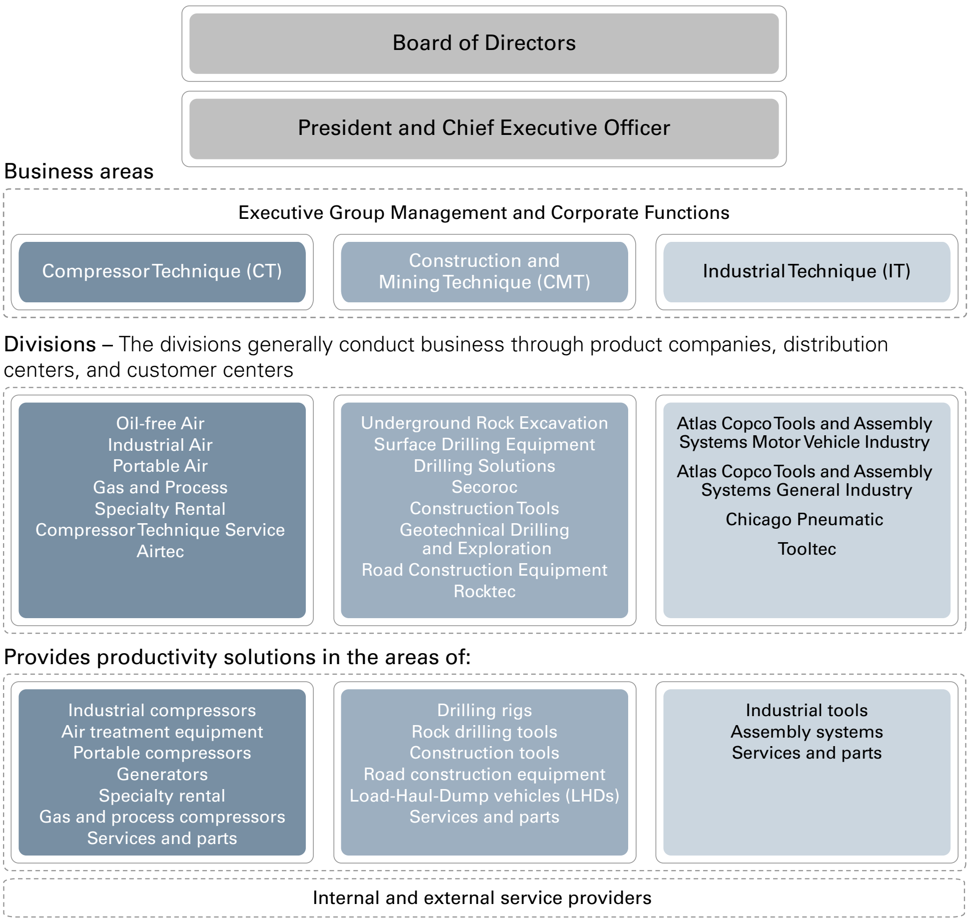
Processes

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 branding, 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 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 2010



Board of Directors' Report on 2009 Operations

Market Review and Demand Development

The year 2009 was a challenge for Atlas Copco. The sharp fall in demand at the end of 2008 created a new level of business and particularly equipment sales were affected negatively. Some product areas saw sales decline more than 50%. The beginning of the year was particularly challenging as the low order intake was combined with cancellations and the uncertainty was very high. After the first quarter the demand stabilized at a low level and a gradual improvement was noted towards the end of the year. The improvement was primarily related to a positive development in many emerging markets. In most customer segments equipment orders decreased significantly, with a few exceptions like oil and gas, food and textile industry as well as public services and utilities, where demand was more stable.

Orders received decreased 21%, to MSEK 58 451 (73 572). Volumes decreased 30% for comparable units. Compressor Technique volumes decreased 27%, Construction and Mining Technique 31% and Industrial Technique 35%. Favorable currency development supported with 7%, prices increased 1% and the net effect of cancellations in 2008 and 2009 was 1%.

See also business area sections on pages 24–35.

North America

North America accounted for 16% (18) of orders received and was severely affected by the global financial crisis. The demand for compressed air equipment from the manufacturing and process industries declined significantly. At the same time, the aftermarket business remained stable. The order intake for mining equipment declined sharply compared with the high sales during the main part of 2008. Weak demand also prevailed for construction equipment. The aftermarket business for both mining and construction also declined in the region as the activity level was lower. The order intake for industrial tools, assembly systems and related aftermarket was very weak both from the motor vehicle industry and from general industry. In total, orders received decreased 38% in local currencies.

South America

South America, representing 10% (8) of orders received, was also affected by the global financial crisis, but demand held up better than in most other regions. Several markets recorded order intake close to pre-crisis level in the second half of the year, primarily due to improved demand from the mining and construction industry. The demand for equipment from the manufacturing and process industries declined considerably, whereas the aftermarket business remained stable. In total, orders received decreased 15% in local currencies.

Europe

The demand for equipment in Europe, representing 36% (39) of orders received, declined significantly. The demand for industrial compressors and related aftermarket from the manufacturing and process industries was negatively affected by the low capacity utilization. This resulted in stopped or delayed investment decisions as well as reduced maintenance need for the equipment. The situation also affected sales of industrial tools and assembly systems, which was considerably below previous year´s high level. The sales of mining equipment decreased sharply compared with a strong 2008. Similarly, the decline was also substantial for construction equipment, a drop that was reinforced by inventory adjustments at distributors. Geographically, the most negative development was seen in Russia and Eastern Europe, the best performers in 2008, but also Germany and Spain noted substantial declines in order intake. The least negative development was seen in Italy and Benelux. In total, orders received decreased 30% in local currencies.

Africa/Middle East

The Africa/Middle East region accounts for 12% (12) of orders received. The development in the region was mixed with very weak demand in southern Africa, both in mining and industrial segments, and the Middle East, primarily related to construction. On the other hand, sales grew in many markets in central and northern Africa, partly due to mining investments, but also through good development in manufacturing and construction. This development mitigated the decline and in total, orders received decreased 28% in local currencies.

Asia/Australia

The demand in Asia/Australia, representing 26% (23) of orders received, was mixed. China, India and many other emerging markets saw only moderate sales decline compared with the strong 2008. In Japan and South Korea, however, order intake decreased significantly. This pattern largely mirrored the order intake for compressed air equipment as well as for industrial tools and assembly systems. Sales of construction and mining equipment were unchanged in Asia, primarily due to improved demand from mining and infrastructure construction in southeastern and southwestern Asia, supported by healthy demand in China. The aftermarket business developed favorably in most customer segments and countries. In Australia, order intake for compressed air equipment held up reasonably well, whereas a significant drop in sales of mining equipment was recorded, albeit against a record of 2008. In total, orders received decreased by 17% in local currencies.

Near-term demand outlook

The overall demand for the Group's products and services is expected to improve somewhat.

Many emerging markets are foreseen to have a continued favorable development and demand from the mining industry is expected to improve.

Published February 2, 2010

Geographic distribution of orders received, by business area, %

	Compressor Technique	Construction and Mining Technique	Industrial Technique	Group
North America	14	16	21	16
South America	8	13	5	10
Europe	39	29	54	36
Africa/Middle East	11	15	2	12
Asia/Australia	28	27	18	26
Total	100	100	100	100

Distribution of orders received, by geographic region, %

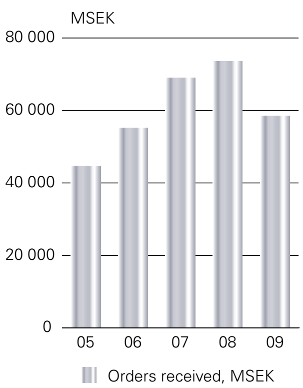
	Compressor Technique	Construction and Mining Technique	Industrial Technique	Group
North America	46	42	12	100
South America	40	55	5	100
Europe	54	32	14	100
Africa/Middle East	48	50	2	100
Asia/Australia	53	41	6	100
Total	51	40	9	100

Orders received by customer category, %

	Compressor Technique	Construction and Mining Technique	Industrial Technique	Group
Construction	13	40	1	23
Manufacturing	35	0	84	25
Process industry	25	0	2	13
Mining	8	54	0	26
Service	10	2	2	6
Other	9	4	11	7
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



Significant Events and Structural Changes

Acquisitions

The Group completed four acquisitions during the year, which added annual revenues of MSEK 234 and 169 employees. The Compressor Technique business area finalized the acquisition of a rental business initiated in 2008 and acquired a distributor as well as a small compressor service company. In addition, an agreement was signed in December to acquire Quincy Compressor, a US based manufacturer of compressors. In January 2010, the acquisition was approved by antitrust authorities in the United States and it is expected to be closed during the first quarter 2010. Also in January 2010, another distributor acquisition was announced. The Construction and Mining Technique business area completed the acquisition of the remaining 75% in two Indian companies. Acquisitions are always integrated into the existing business structure in order to give the best possibilities for profitable growth and to exploit synergies. See also business area sections on pages 24–35 and note 2.

Merger of two divisions

Effective March 1, 2009, the two divisions Chicago Pneumatic Industrial and Chicago Pneumatic Vehicle Service were merged into one. The reorganization will strengthen the focus on the Chicago Pneumatic brand and combines resources from the two divisions.

Measures to adapt capacity and costs

Following the global financial crisis and the weak demand across the businesses, measures to adjust capacity and costs were taken across the Group. During the year, several manufacturing entities were consolidated or closed and the total workforce for comparable units was reduced with 4 708 to 30 844. In addition, 1 365 people left the Group in the fourth quarter 2008. Costs related to these activities amounted to MSEK 569 in 2009 and MSEK 258 in 2008. The targeted level of annual savings of more than MSEK 2 000 compared to the situation in September 2008 was achieved during the third quarter 2009.

Change of President and CEO

In January 2009, the Board of Directors of Atlas Copco AB announced that Ronnie Leten, President of the Compressor Technique business area, was appointed new President and CEO of the Atlas Copco Group effective June 1, 2009. He replaced Gunnar Brock, who requested to leave his position after leading the Group for seven years.

Financial Summary and Analysis

Revenues

The Group's revenues decreased 14% to MSEK 63 762 (74 177). Volume decreased 23% for comparable units attributable to all business areas; Compressor Technique –18%, Construction and Mining Technique –27%, and Industrial Technique –35%. Positive currency translation effects contributed 8% and prices increased 1%. See also business area sections on pages 24–35 and notes 2 and 3.

Operating profit

Operating profit decreased 34%, to MSEK 9 090 (13 806), corresponding to a margin of 14.3% (18.6). Restructuring costs and other items affecting comparability was MSEK –569 (–292) and affected the operating margin negatively with 0.9 (0.4) percentage points. Lower production volumes and the resulting underabsorption of fixed costs also affected the margin negatively. A favorable sales mix with a larger share of more profitable aftermarket business, and cost reductions from activities to adapt the organization to the lower demand could only partly offset this effect. Changes in exchange rates had a positive effect of MSEK 960 on the operating profit and affected the margin positively with approximately 0.3 percentage points.

Operating profit for the Compressor Technique business area decreased 21% to MSEK 5 752 (7 291), corresponding to a margin of 17.7% (20.5). Restructuring costs and other items affecting comparability was MSEK –234 (–74) and affected the operating margin negatively with 0.7 (0.2) percentage points. The operating margin benefited from a higher share of aftermarket revenues and cost reductions, but these effects were not enough to compensate for the lower volume and restructuring costs. The return on capital employed was 45% (57).

Operating profit for the Construction and Mining Technique business area decreased 38% to MSEK 3 470 (5 602), corresponding to a margin of 13.4% (17.7). Restructuring costs and other items affecting comparability was MSEK –143 (–110) and affected the operating margin negatively with 0.6 (0.3) percentage points. The margin was also negatively affected by low capacity utilization, whereas a favorable sales mix, price, currency and cost reductions gave support. Return on capital employed was 17% (29).

Operating profit for the Industrial Technique business area decreased 81% to MSEK 253 (1 328), corresponding to a margin of 4.7% (17.8). Restructuring costs and other items affecting comparability was MSEK –187 (–102) and affected the operating margin negatively with 3.5 (1.4) percentage points. In addition, the negative effect of lower volumes was significant. Return on capital employed was 9% (43).

Depreciation and EBITDA

Depreciation and amortization totaled MSEK 2 470 (2 080), of which rental equipment accounted for MSEK 720 (585), property and machinery MSEK 1 026 (891), and amortization of intangible assets MSEK 724 (604). Earnings before depreciation and amortization, EBITDA, was MSEK 11 560 (15 886), corresponding to a margin of 18.1% (21.4).

Net financial items

The Group's net financial items totaled MSEK –819 (–694). The net interest cost decreased to MSEK –808 (–1 243). The reduced interest cost reflects both a lower net interest-bearing debt, thanks to a strong cash generation, and lower effective interest rates. Net financial items previous year include a tax-free gain of MSEK 939 from the repatriation of Euro-denominated equity to Sweden, as well as an MSEK 33 capital gain from the divestment of some of the shares held in the divested Rental Service Corporation (RSC). Financial foreign exchange differences were MSEK 19 (–126).

Other financial items were MSEK –30 (–297). See note 27 for additional information on financial instruments, financial exposure and principles for control of financial risks.

Profit before tax

Profit before tax decreased 37% to MSEK 8 271 (13 112), corresponding to a margin of 13.0% (17.7).

Taxes

Taxes for the year totaled MSEK 1 995 (3 106), corresponding to 24.1% (23.7) of profit before tax. See also note 10. Excluding the effect from the tax-free gain in net financial items, taxes for 2008 corresponded to 25.5% of profit before tax.

Profit and earnings per share

Profit from continuing operations decreased 37% to MSEK 6 276 (10 006). Basic earnings per share from continuing operations were SEK 5.14 (8.18). This corresponds to a decline of 31% compared with basic earnings per share in 2008 of SEK 7.41 adjusted for the one-time effect from the tax-free gain in net financial items.

Profit for the year amounted to MSEK 6 276 (10 190), of which MSEK 6 244 (10 157) and MSEK 32 (33) are attributable to owners of the parent and minority interests, respectively. Previous year´s profit includes profit from discontinued operations, net of tax, of MSEK 184. See also note 3. Basic and diluted earnings per share, including discontinued operations, were SEK 5.14 (8.33) and SEK 5.13 (8.33), respectively.

Key figures by business area

	Revenues		Operating profit		Operating margin, %		Return on capital employed, %		Investments in tangible fixed assets[1]	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Compressor Technique	32 524	35 587	5 752	7 291	17.7	20.5	45	57	659	1 194
Construction and Mining Technique	25 909	31 660	3 470	5 602	13.4	17.7	17	29	854	1 213
Industrial Technique	5 392	7 450	253	1 328	4.7	17.8	9	43	94	148
Common Group functions/eliminations	–63	–520	–385	–415					116	344
Total Group	63 762	74 177	9 090	13 806	14.3	18.6	18	34	1 723	2 899

[1] Excluding assets leased.

Key figures

MSEK	2009	2008
Orders received	58 451	73 572
Revenues	63 762	74 177
Operating profit	9 090	13 806
– in % of revenues	14.3	18.6
Profit before tax	8 271	13 112
– in % of revenues	13.0	17.7
Profit from continuing operations	6 276	10 006
Basic earnings per share, SEK	5.14	8.18
Diluted earnings per share, SEK	5.13	8.18
Profit for the year[1]	6 276	10 190
Basic earnings per share, SEK[1]	5.14	8.33
Diluted earnings per share, SEK[1]	5.13	8.33

[1] Including discontinued operations.

Sales bridge

MSEK	Orders received	Orders on hand, December 31	Revenues
2007	69 059	19 618	63 355
Structural change, %	+5		+5
Currency, %	0		0
Price, %	+3		+3
Volume, %	0		+9
Cancellations, %	–1		–
Total, %	+7		+17
2008	73 572	20 692	74 177
Cancellations, %	+1		–
Structural change, %	0		0
Currency, %	+7		+8
Price, %	+1		+1
Volume, %	–30		–23
Total, %	–21		–14
2009	58 451	14 265	63 762

For more details and comments, see also the business area sections on pages 24–35.

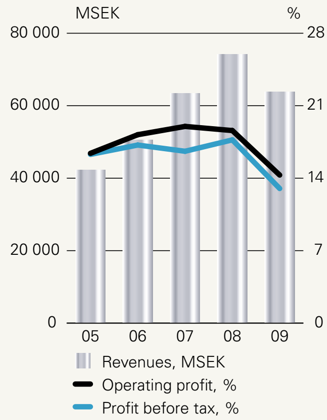
Balance sheet

The Group's total assets decreased to MSEK 67 874 (75 394). Excluding cash and cash equivalents, assets decreased approximately 20% in comparable units, reflecting the revenue decline with the corresponding decrease in working capital. Currency translation effects represented approximately 2% of the decrease.

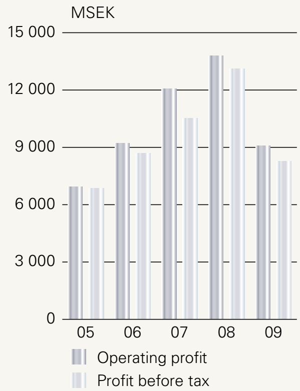
Balance sheet in summary

MSEK	December 31, 2009		December 31, 2008	
Intangible assets	12 697	19%	12 916	17%
Rental equipment	2 056	3%	2 282	3%
Other property, plant and equipment	5 993	9%	6 353	8%
Other fixed assets	6 556	9%	7 977	11%
Inventories	11 377	17%	17 106	23%
Receivables	15 433	23%	21 603	29%
Current financial assets	1 530	2%	1 659	2%
Cash and cash equivalents	12 165	18%	5 455	7%
Assets classified as held for sale	67	0%	43	0%
Total assets	67 874	100%	75 394	100%
Total equity	25 671	38%	23 768	32%
Interest-bearing liabilities	25 735	38%	30 404	40%
Non-interest-bearing liabilities	16 468	24%	21 222	28%
Total equity and liabilities	67 874	100%	75 394	100%

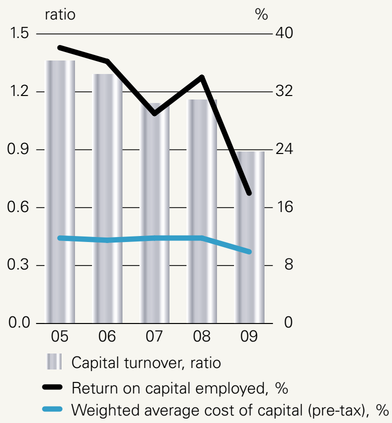
Revenues and margins



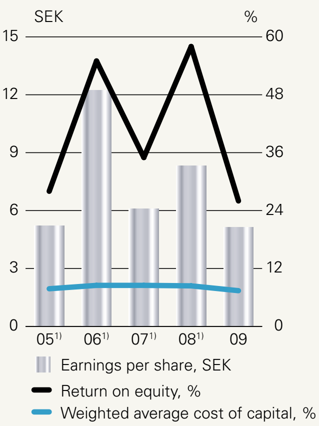
Operating profit and profit before tax



Capital turnover and return on capital employed



Return on equity and earnings per share



[1] Including discontinued operations.

Financial Summary and Analysis

(continued)

Fixed assets and investments

Fixed assets decreased, primarily as a result of low investments. Acquisitions added MSEK 212. Investments in intangible fixed assets, mainly related to capitalization of certain development expenditures, were MSEK 657 (646).

Gross investments in rental equipment amounted to MSEK 769 (1 158), while sales of used rental equipment totaled MSEK 557 (419). Consequently, net investments in rental equipment decreased to MSEK 212 (739).

Investments in other property, plant and equipment totaled MSEK 954 (1 741), 93% of the annual depreciation. Investments to increase capacity and efficiency were made in Compressor Technique's and Construction and Mining Technique's plants in China and India. In addition, investments were made in all business areas in order to improve efficiency, primarily in Europe and North America.

Financial assets, primarily finance leases related to equipment financing for customers, decreased MSEK 666 (increased 1 141), reflecting several large divestments of equipment previously under lease contracts. The minority ownership stake in the equipment rental business (RSC Holdings Inc.) is recorded as a non-current financial asset. The book value of this asset at year end was MSEK 549 (713).

Working capital

Inventories and trade receivables decreased 33% and 21%, respectively, due to the negative sales development as well as the focus on inventory management and collection. The ratio of inventories to revenues at year end decreased to 17.8% (23.1). The ratio of trade receivables to revenues decreased to 19.2% (20.8). The corresponding average ratios were 22.9% (20.2) and 21.0% (19.0), respectively.

Trade payables decreased by 27%. Average trade payables in relation to revenues decreased to 8.0% (8.4).

Cash and cash equivalents

Cash and cash equivalents increased significantly to MSEK 12 165 (5 455). The increase is the result of continued profitability in combination with the significant release of cash tied up in working capital.

Interest-bearing debt

The borrowings, excluding post-employment benefits, were MSEK 23 967 (28 482). A medium term loan of MSEK 2 000 with initial maturity date in April 2011 was amortized during the year. Post-employment benefits decreased to MSEK 1 768 (1 922), primarily due to changes in currency exchange rates and the reduction in workforce. See notes 21 and 23 for additional information.

Net indebtedness

The Group's net indebtedness, adjusted with –1 134 (–1 604) for the fair value of related interest rate swaps, amounted to MSEK 10 906 (21 686) at year end. The debt/equity ratio (defined as net cash/debt divided by equity) was 42% (91).

Equity

Changes in equity in summary

MSEK	2009	2008
Opening balance	23 768	14 640
Profit for the year	6 276	10 190
Other comprehensive income for the year	–710	3 056
Shareholders' transactions	–3 663	–4 118
Closing balance	25 671	23 768
Equity attributable to		
– owners of the parent	25 509	23 627
– minority interest	162	141

At year end, Group equity including minority interests was MSEK 25 671 (23 768). Translation differences recognized in equity amounted to MSEK –1 585 (5 714). There was a net effect after taxes of MSEK 875 (–2 658) related to hedging and fair value reserves. MSEK 3 648 (3 662) was distributed to shareholders of the parent through the ordinary dividend. In 2008, sales and repurchases of own shares equaled net MSEK 453.

Equity per share was SEK 21 (20). Equity accounted for 38% (32) of total assets. Atlas Copco's total market capitalization on NASDAQ OMX Stockholm at year end was MSEK 123 440 (78 350), excluding shares held by the company, or 481% (329) of net book value.

The information related to public take-over bids given for the Parent Company, on page 23, is also valid for the Group.

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 8 101 (11 874).

Working capital decreased MSEK 6 715 (increased with 2 991) as trade receivables and inventory were reduced, primarily due to the volume decline.

Net cash from operating activities increased to MSEK 14 816 (8 883). Net cash from investing activities was MSEK –1 226 (–4 393). Investments in property, plant and equipment and financial assets for customer financing decreased. The net effect of acquisitions/divestments, was also lower at MSEK –171 (–237).

Operating cash flow before acquisitions, divestments and dividends was MSEK 13 291 (4 751), equal to 21% (6) of Group revenues.

Capital turnover

The capital turnover ratio was 0.89 (1.16) and the capital employed turnover ratio was 1.20 (1.67). The turnover ratios decreased as revenues declined and the cash balance increased.

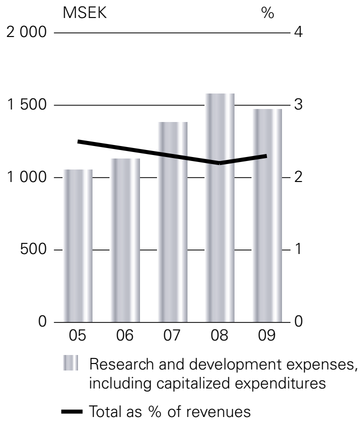
Return on capital employed and return on equity

Return on capital employed decreased to 17.7% (33.5) and the return on equity to 25.8% (57.7). Excluding the customer financing business, the return on capital was 19.6% (36.4). In 2009, the Group used a weighted average cost of capital (WACC) of 7.4%, corresponding to a pre-tax cost of capital of approximately 9.9%, as an investment and overall performance benchmark.

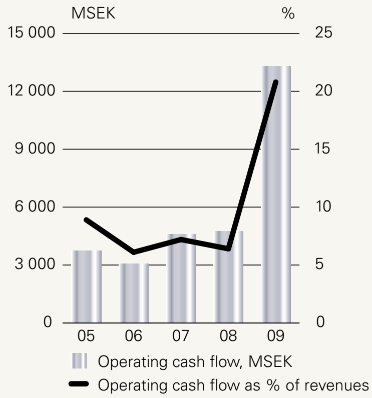
Product Development

The aim of the research and development activities is to support the Group's vision First in Mind—First in Choice®, through innovation and close interaction with customers. The wide span of technologies used by Atlas Copco – from advanced computer control systems, hydraulics and pneumatics to specialized technologies such as compression of air or rock drilling – creates an exciting and challenging environment for the Group's product developers. A winning approach to maintaining a leading market position has been to work closely with universities and in different cooperations and alliances with customers around the world. In 2009, the amount invested in product development, including capitalized expenditures, decreased 7% to MSEK 1 472 (1 581), corresponding to 2.3% (2.1) of revenues and 2.7% (2.6) of operating expenses. While the number of research projects remained high, and even increased in some areas, the Group could realize important cost savings and efficiency improvements in 2009. For further information, see the description under each business area.

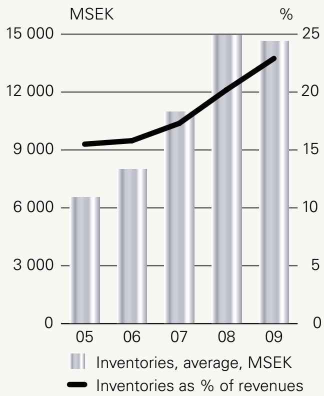
Research and development expenditures



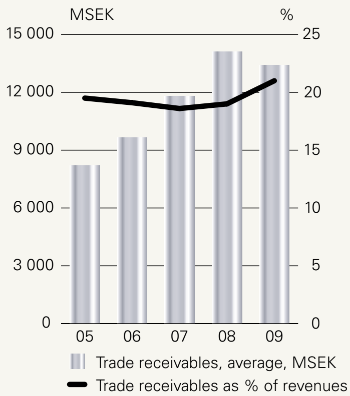
Operating cash flow



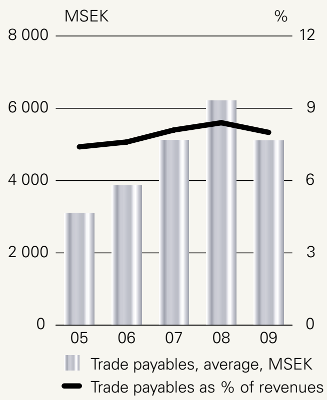
Inventories



Trade receivables



Trade payables



More financial information

WWW

The following information is available at www.atlascopco.com/ir:

- Annual reports
- Quarterly reports
- Quarterly results presentations
- Presentation material from capital markets days
- Debt information
- Key figures in Excel
- Information about acquisitions and divestments
- Share information

Personnel

	2009	2008
Average number of employees, total	31 085	34 119
– Sweden	3 863	4 515
– Outside Sweden	27 222	29 604
Business areas		
– Compressor Technique	14 277	15 303
– Construction and Mining Technique	12 564	13 992
– Industrial Technique	3 182	3 748
– Common Group Functions	1 062	1 076

In 2009, the average number of employees in the Atlas Copco Group decreased by 3 034 to 31 085. At year end, the number of employees was 29 802 (34 043) and the number of full-time consultants/external workforce was 1 042 (1 340). For comparable units, the total workforce decreased by 4 708. Acquisitions added 169 employees. See also note 5.

Management resourcing and recruitment

Competent and committed managers are crucial for realizing 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 2009 was 91% (80).

Atlas Copco employees are encouraged and supported to grow professionally by applying for open positions internally through the Internal Job Market database, which was created in 1992. In 2009, 1 343 (2 231) positions were advertised, of which 190 (338) were international positions.

The Group has managers on international assignments from 46 (46) countries working in 56 (59) countries. The share of Swedish managers on international assignments has decreased from 28% in 1999 to 12% in 2009. The role of the international managers is to develop local managers and get international professional experience for even more demanding positions within the Group.

Competence mapping is done extensively to establish resource needs, particularly in core areas. External recruitment of young high-potential employees is focused through active promotion of the Atlas Copco employer brand. The Group strives to increase the proportion of female employees. In 2009, the share of female employees was 17.7% (16.6), the proportion of women in management positions increased sligthly to 13.6% (12.9), and the female proportion of recent graduate recruitments remained on a high level.

Equal opportunities, fairness, and diversity are fundamental pillars of Atlas Copco's people management process. Atlas Copco's workforce reflects the local recruitment base and comprises all cultures, religions and nationalities.

Competence development

One of the Group targets is that every employee shall be provided with an average of 40 hours of training per year. During 2009, the average number of hours decreased to 34 (38). The decrease in the training hours is partly an effect of the global financial crisis, which led to that less external training were conducted. Instead, the share of internal training increased, both by using specialists and managers as trainers and through an increased use of e-learning.

A significant part of the trainings that are conducted in the Group are related to products and applications. Newly appointed service technicians, product specialists and salespeople receive extensive training in this area, and trainings are then continuously held in order to keep the knowledge and competence on a high level. Product and application trainings are also offered to customers and relevant consultants.

Another important area for competence development is value-based sales training, in which the understanding of the product and the customer's application is essential.

An important part of product and application trainings is safety issues and there have also been several dedicated trainings on health and safety. This is in line with the Group´s vision to eliminate work-related accidents. During the year the number of accidents decreased further compared to the previous year. This development has also been supported by the implementation of OHSAS 18001 in more companies in the Group.

Language training, primarily English, is frequently held in order to facilitate easy communication throughout the organization. Leadership and people management trainings are continuously being conducted with the ambition to improve efficiency and processes, e.g. special trainings for aftermarket managers and team leaders. Specific courses in the areas of processes and efficiency is also part of the activities conducted, for example training in lean production and lean research and development.

All employees, both newly recruited and existing employees, receive training in *The Way We Do Things*, the Group´s single most important management tool. All employees should also receive training in the Business Code of Practice.

The ambition is that all employees shall have annual competence reviews as well as a personal development plan.

For further information regarding the social performance in relation to the Group targets, see the Sustainability Report.

Diversity 2009

Share of local General Managers from the region	
North America	59%
South America	67%
Europe	97%
Africa/Middle East	46%
Asia	59%
Australia	14%

Environmental Impact

Atlas Copco strives to conduct its business so that the environment is preserved, complying with environmental legislation in its operations and processes world-wide. The Group reports incidents relating to non-compliance with environmental legislation, as well as incidents involving chemical, oil or fuel spillages, in accordance with these laws. In 2009, there were no major incidents reported concerning these aspects.

The Group conducts operations requiring permission based on Swedish environmental regulations in eight Swedish companies, which account for almost 20% of the Group's manufacturing. 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. During 2009, one permit has been renewed and no permits have been revised and the Group has been granted all permits needed to conduct its business. No penalties relating to environmental permits have been imposed during 2009.

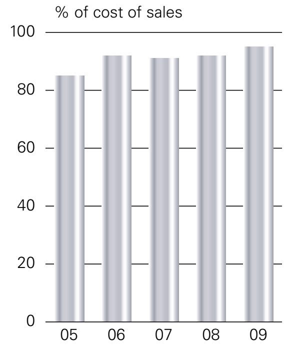
Atlas Copco has a global Environmental Policy to support its environmental efforts. The Group also has established specified environmental targets, see page 9. The targets state that all product companies should be certified in accordance with the international standard ISO 14001 and that all employees shall work in an Environmental Management System (EMS) certified environment. During the year, six new sites achieved ISO 14001 certification. The production units with ISO 14001 certification represent 95% (92) of cost of sales. Many Group companies around the world have introduced an EMS and by the end of 2009, 73% (65) of Atlas Copco's employees worked in an EMS certified environment.

Atlas Copco's main environmental impact is when the products are in use. The Group focuses on developing products and solutions to increase energy efficiency. Group companies have established measurable targets for main product categories, relating to the Group environmental targets. Environmental, safety and health as well as ergonomic aspects have been integrated into Atlas Copco's product development process for many years. Compressors, construction and mining equipment and industrial tools are designed and manufactured to be increasingly more energy efficient, safe and ergonomic.

Atlas Copco also strives to decrease the environmental impact in terms of energy and water consumption, waste and CO_2 emissions. In 2009, water consumption and emissions decreased in absolute numbers, mainly due to the effects of the global financial crisis. They did, however, increase in relative terms.

For more information about Atlas Copco's environmental performance, see the Sustainability Report.

ISO 14001 certification



Health and Safety

Atlas Copco aims to offer a safe and healthy working environment in all its operations. In 2010, new non-financial targets on health and safety were decided by Group Management, see the Corporate Governance Report. For more information about Atlas Copco's health and safety performance, see the Sustainability Report.

Risk Factors and Risk Management

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

The risk management system includes assessments which will be carried out in all business units. Established tools are used for evaluating and ranking existing risks based on their potential financial impact and likelihood of materializing.

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. This is done 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 in which managers describe the development of their respective unit. In these monthly reports, "red flags" are raised if negative deviations or risks are identified. Mitigative actions will then be implemented. See also the Corporate Governance report.

Market risks

The demand for Atlas Copco's products and services is affected by changes in the customers' investment and production levels. A widespread financial crisis and economic downturn, such as the one experienced during 2009, affects the Group negatively both in terms of revenues and profitability. Furthermore, the functionality of the financial markets also has an impact on the customers' ability to finance their investments.

However, the Group's sales are well diversified with customers in many industries and countries around the world, which limits the effect when the demand changes are concentrated to a single industry, country or region.

Changes in customers' production levels also have an effect on sales of spare parts, service and consumables. These changes have however historically been relatively small in comparison to changes in investments, indicating that the risk of customer service-related sales deteriorating as a result of decreased production levels is limited.

The Group has leading positions in most market segments where it is active, with relatively few competitors of a comparable size. In developing markets, new smaller competitors continuously appear which may affect Atlas Copco negatively, mainly through competitive pricing.

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. To ensure its leading position in the market, Atlas Copco continuously invests in research and development to develop products in line with customer demand and expectations. If Atlas Copco fails to successfully introduce new products of high quality in a timely fashion, it can affect revenues and profits negatively.

One of the challenges in this respect will be to continuously develop innovative, sustainable products that consume less resources over the entire life cycle (such as energy, water, steel, and human effort). Each Atlas Copco division has established measurable efficiency targets for their main product categories. In every master specification of a new product development project, the issue of energy and other resources is addressed, as well as ergonomics and health and safety aspects.

Product development efforts also reflect national and regional legislation in the United States and European Union, on issues such as emissions, noise, vibrations, and recycling. This may increase the risk of competition in emerging markets where low-cost products are not affected by such rules.

The technologies for compressors, construction and mining equipment and assembly tools are considered relatively mature. The risk is deemed minor that a major technological advancement by a competitor could undermine the Group's position in any significant way.

Production risks

Atlas Copco has a global manufacturing strategy based on manufacturing of core components and assembly. 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 or on the quality of products. To minimize these risks and to maintain a high flexibility, the manufacturing units continuously monitor the production process, make risk assessments, and train employees. They also invest in modern equipment that can perform multiple operations and the production units are equipped with sprinkler systems for fire prevention.

Many components are sourced from sub-suppliers. The availability is dependent on the sub-suppliers and if they have interruptions or lack 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 is more than one sub-supplier that can supply a certain component.

Atlas Copco is also exposed to raw material prices, directly and indirectly. Cost increases for raw materials and components are partly compensated by increased sales volumes to the producers of the raw material and partly by increased market prices towards customers.

Atlas Copco affects the environment in the production process through the use of natural resources and generation of emissions and waste. To limit the environmental risks in production, the Group has a target that all manufacturing units shall be certified in accordance with the ISO 14001 standard.

Distribution risks

Atlas Copco distributes products and services primarily directly to the end customer, but also through distributors and rental companies. All physical distribution of products from the Group is concentrated to a number of distribution centers and the delivery efficiency of these is continuously monitored in order to minimize interruptions and improve delivery efficiency.

The distribution of services depends on the efficiency of the aftermarket organization and the Group 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 no single 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, primarily through organic growth, complemented by selected acquisitions. In order to ensure the success of acquisitions, the Group has established an Acquisitions Process Competence Group, which provides training in the Atlas Copco acquisition processes, which are based on the experience from a number of acquisitions. The competence group supports all business units prior to and during an acquisition, and initiates a follow-up after a year and a complete post-acquisition audit within 18 months. The integration of acquired businesses is a difficult process and it is not certain that every integration will be successful. Therefore, costs related to acquisitions can be higher and/or synergies can take longer to materialize than anticipated.

Annual impairment tests are made on acquired goodwill, which are reviewed by the Group's auditors. If goodwill is not deemed justified in such impairment tests it can lead to a write-down, which would affect the Atlas Copco Group's results.

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, return on capital, and protecting creditors, Atlas Copco has adopted a policy to control the financial risks to which the Group is exposed. A financial risk management committee meets regularly to take decisions about how to manage financial risks.

The turbulence in the financial markets in 2008 and 2009 showed that it could become more expensive and difficult to obtain new funding for borrowers in general. Although Atlas Copco has already secured long-term loans and a guaranteed long-term stand-by credit facility, a renewed turbulence and deterioration of the functioning of the financial markets could lead to increased costs and difficulties to meet future funding needs.

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 the 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.

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). To limit this risk, the Group's operations are continuously monitoring and adjusting sales-price levels and cost structures. Occasionally, Group management complements these measures through financial hedging. An adverse effect on Group earnings can also occur when earnings of foreign subsidiaries are translated into SEK and on the value of the Group equity when the net assets of foreign subsidiaries are translated into SEK (translation risks). These risks are partially hedged by borrowings in foreign currency and financial derivatives.

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. Over the past years Atlas Copco has built up an in-house customer finance operation, Atlas Copco Customer Finance, as a means of broadening the offering to customers. Stringent credit policies are applied, and in the case of Atlas Copco Customer Finance, the norm is to retain security in the equipment until full payment is received. No major concentration of credit risk exists in Atlas Copco and the provision for bad debt is deemed sufficient based upon known cases and general provisions for losses based on historical loss levels incurred. See also note 27.

Risks to reputation

The Group's reputation is a valuable asset which 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 avoids actions that could pose a risk to the Group's good reputation, and takes numerous measures to ensure its reputation is maintained.

To ensure good business practice in all markets, managers are repeatedly educated about Atlas Copco's Business Code of Practice. From time to time, Atlas Copco encounters customers, for instance in the mining industry, who are exposed to problems concerning environmental and human rights issues. To support its operations in such situations, the Group has developed a customer assessment checklist. The results can be used for evaluation of reputation and sustainability risks.

Risks to the Group's reputation may also arise from the relationship with suppliers not complying with internationally accepted ethical, social, and environmental standards. Supplier evaluations are regularly conducted in accordance with a checklist based on the United Nations Global Compact. Efforts may be made to assist suppliers who show a willingness to overcome a failure to meet Atlas Copco's expectations. However, if there is no demonstrated improvement, Atlas Copco will discontinue the business relationship.

Risks of corruption and fraud

The Group is aware of the risk of being defrauded by external or internal parties and has internal control routines in place aimed at preventing and detecting deviations that may be the result of such activities, such as internal audits and an ethical helpline. During the latter part of the year, a training package relating to detection of fraud was developed, which will be launched throughout the Group. The Internal Audit & Assurance function is established

Risk categories	Possible risks to Atlas Copco	Risk management
Market	Changes to customer investment levels, lack of funding for customers, competitor behavior	Monthly reports, diversified structure, leading market position
Product development	Lack of new products, legislation, increased energy costs	Continuous investments
Production	Interruptions or lack of capacity at own facilities or at suppliers, quality, rising costs, pollution	Multi-purpose equipment, wide supplier network, environmental certifications
Distribution	Interruptions at delivery centers	Continuous monitoring of efficiency, training
Acquisitions and divestments	Integration problems, costs, goodwill impairments	Acquisitions Process Competence Group supports in all acquisitions
Financial	Currency and interest rate fluctuations, credit losses, difficulties to raise funding	Financial risk exposure policy, hedging, adjustments of prices and costs, long-term loans
Reputation	Ethical and other violations internally, at suppliers or customers	Education in Atlas Copco Business Code of Practice, supplier and customer assessments
Corruption and fraud	Fraud by internal or external parties, corruption in some markets	Internal audit function, ethical helpline, employee training
Legal	Product and patent liability claims, commercial and financial agreements	Monthly, quarterly and yearly legal risk exposure reviews
Insurable	Physical damage to all insurable assets and interests	Customary insurance program, extensive risk management surveys
Financial reporting	Internal reports could fail to give fair view of true financial position and results	Internal audits and other control procedures, external audits
Health and safety	Accidents, illness, pandemics	Health and safety standards, workplace programs
Environmental (covered in sections on production and product development)	Increased energy costs, pollution	Product development, environmental certifications

to ensure compliance with the Group's corporate governance, internal control and risk management policies, see further Internal Control section in the Corporate Governance Report.

It is clear that corruption and bribery exist in markets where Atlas Copco conducts business. To avoid the risk of creating an unhealthy loyalty or breaking laws, employees should refrain from giving or receiving anything of more than a token value to or from any stakeholder. The Group has established training modules to increase awareness of such unacceptable behaviour and thereby to help them avoid it.

In Transparency International's Corruption Perceptions Index for 2009, the vast majority of the 180 countries included scored below five on a scale from 0 (perceived to be highly corrupt) to 10 (perceived to have low levels of corruption).

Legal risks

Responsibility for monitoring and steering the legal risk management within the Group rests with the legal function. In addition to a continuous follow-up of the legal risk exposure carried out within the operative and legal structures with focus on areas of special concern, an in depth review of all companies within the Group is performed yearly. With particular consideration to the trends within identified risk areas, the result is compiled, analyzed, and reported to both the Board and to the external auditor.

The conclusion for the business year 2009 was that the potential legal risk exposure to the Atlas Copco Group has been on the same level as in 2008, primarily reflecting the leveling out on a low level of the number of plaintiffs in respiratory cumulative trauma product liability cases in the United States. Considering the size of the business operations of the Group and the fact that Group products have so far only been linked with an actual impairment in one of 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, suppliers, and other counterparties, and by licenses, patents and other intangible property rights. This is normal for a business like Atlas Copco's and the company is not dependent upon any single agreement or intangible property right.

Insurable risks

Atlas Copco has a customary insurance program in place to protect all insurable assets and interests of the Group and its shareholders. Each company within the Group is responsible for managing and reporting its insurance-related matters in accordance with guidelines of the Group's insurance program.

The Atlas Copco Group Insurance Program is provided by the Group in-house insurance companies Industria Insurance Company Ltd. and Atlas Copco Reinsurance S. A., which are retaining part of the risk exposure. In addition, reinsurance capacity is purchased from leading reinsurers in cooperation with international insurance brokers. The scope of insurable risks covered by the insurance program includes properties, various types of liabilities, goods in transit and financial lines.

In connection with the insurance program, loss prevention standards have been developed through a large number of risk management surveys. Focused on physical damage to the Group's facilities and the financial consequences thereof, these take place on a frequent basis. The various findings of the surveys are summarized in a grading schedule, which gives the management control over and an overview of the risk exposure throughout the different sites. By way of control and conformity in terms of level of risk management, the probability of events that can cause material damage and severely impact the business operation of the Atlas Copco Group is reduced.

Financial reporting risks

Atlas Copco subsidiaries report their financial position regularly in accordance with internal reporting rules which are in line with International Financial Reporting Standards (IFRS). The Group's financial position, based on those reports, is reported in accordance with IFRS and applicable parts of the Annual Accounts Act as stated in RFR 1.2 "Supplementary Rules for Groups". The risk related to the communication of financial information to the capital market is that the reports do not give a fair view of the company's true financial position and results of operations. In order to minimize this risk, the Group has several internal procedures in place to ensure compliance with Group instructions, standards, laws and regulations, see further Internal Control section in the Corporate Governance Report.

Health and safety risks

The Group assesses and manages health and safety risks regularly with the aim to prevent and reduce work-related accidents and sickness rates, and to create a working environment that promotes the well-being of employees. This is done for example through training and by encouraging Atlas Copco companies to implement the OHSAS 18001 standard for occupational health and safety.

Atlas Copco recognizes the risk that serious diseases and pandemics can interrupt business operations and harm employees. Workplace programs to reduce the impact of HIV/AIDS are in place in southern Africa, where employees can join up to receive testing, awareness training, and consultation and treatment if necessary. Regarding the new pandemic influenza (H1N1), all Atlas Copco companies were instructed to follow medical directives and instructions to reduce the risk of personnel being infected. Locally implemented measures included providing opportunities for vaccination during work hours and procuring hand disinfectant liquids for rest rooms in the workplace.

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 part of Group Treasury.

Earnings

Profit after financial items totaled MSEK 10 656 (4 550). The increase is primarily related to dividends from subsidiaries, but also from sale of Group companies. See also note A4. Profit for the period after appropriations and taxes amounted to MSEK 10 562 (6 081). Undistributed earnings totaled MSEK 35 483 (27 475).

Financing

The total assets of the Parent Company were MSEK 108 537 (108 709). At year end 2009, cash and cash equivalents amounted to MSEK 9 264 (3 587) and interest-bearing liabilities, excluding post-employment benefits, to MSEK 65 953 (71 128) whereof the main part is Group internal loans. The increase in cash and cash equivalents is the result of ongoing efforts to concentrate liquidity to Atlas Copco AB, to obtain more efficient liquidity management. Equity represented 38% (31) of total assets.

Personnel

The average number of employees in the Parent Company was 96 (96).

Fees and other remuneration paid to the Board of Directors, the President, and other members of Group Management, as well as other statistics and the guidelines regarding remuneration and benefits to the management of the Group as approved by the Annual General Meeting 2009 are specified in note 5.

The Board proposes to the Annual General Meeting 2010 that the guidelines shall be applied for another year, with the amendment that participation in the proposed performance-based long-term incentive program requires own investment in Atlas Copco shares for Group Executive Management and division presidents.

Risks and factors of uncertainty

Atlas Copco completed a multi-currency bond issue program in the second quarter of 2007, in order to adjust the balance sheet to a more efficient structure. The higher indebtedness increases the exposure to changes in interest rates, whereas the borrowings partially hedge the currency exposure of net assets of foreign subsidiaries. See also Risk Factors and Risk Management on pages 19–22.

Shares and share capital

At year end, Atlas Copco's share capital totaled MSEK 786 (786) and a total number of 1 229 613 104 shares divided into 839 394 096 class A shares and 390 219 008 class B shares were outstanding. Net of shares held by Atlas Copco, 1 215 909 704 shares were outstanding. Class A shares entitle the owner to one vote while class B shares entitle the owner to one tenth of a vote. Investor AB is the single largest shareholder in Atlas Copco AB. At year end 2009 Investor held a total of 204 384 326 shares, representing 22.3% of the votes and 16.6% of the capital.

There are no restrictions which prohibit the right to transfer shares of the Company nor is the Company aware of any such agreements. In addition, the Company is not party to any agreement that enters into force or is changed or ceases to be valid if the control of the company is changed as a result of a public take-over bid. There is no limitation on the number of votes that can be cast at a General Meeting of shareholders nor are there any employee pension funds or similar employee organizations which hold shares and are, thereby, eligible to vote.

As prescribed by the Articles of Association, the General Meeting has sole authority for the election of Board members, and there are no other rules relating to election or dismissal of Board members or changes in the Articles of Association. Correspondingly, there are no agreements with Board members or employees regarding compensation in case of changes of current position reflecting a public take-over bid.

Share Repurchases

In 2008, 7 697 500 series A shares were repurchased for MSEK 699 and 2 822 500 series B shares were divested for MSEK 246 in accordance with Annual General Meeting resolutions; all related to commitments and obligations under the performance stock option plans. No shares were repurchased or divested in 2009.

As per December 31, 2008 and 2009 Atlas Copco held 11 275 000 series A shares and 2 428 400 series B shares, each with a quota value of approximately SEK 0.64 and corresponding to 1.1% of both the share capital and the total number of shares. The series A shares are held to fulfil the obligation to provide shares under the performance stock option plans of 2006, 2007 and 2008, and the series B shares are held for the purpose of being divested over time to cover costs related to the performance stock option plans. See note 20 and A14 for further information.

Appropriation of Profit

The Board of Directors proposes to the Annual General Meeting that a dividend of SEK 3.00 (3.00) per share, equal to MSEK 3 648 (3 648), be paid for the 2009 fiscal year and that the balance of retained earnings after the dividend be retained in the business as described on page 97.

Share Repurchases, Proposal to the Annual General Meeting

In order to be able to continuously adapt the capital structure to the capital needs of the company and thus contribute to increased shareholder value the Board of Directors will propose to the Annual General Meeting 2010 that a mandate be approved for the repurchase of a maximum of 5% of the total number of shares issued by the company, excluding shares held at the time of the Annual General Meeting.

Personnel Stock Option Program

The Board of Directors will propose to the Annual General Meeting 2010 a performance-based long-term incentive program. For Group Executive Management and division presidents, participation in the program requires own investment in Atlas Copco shares. It is proposed that the program is covered as before through the repurchase of the company's own shares.

Compressor Technique

The business area strengthened its position as a world-leading provider of compressed air solutions in 2009. Investments in product development continued and complementary businesses were acquired to extend the offering and improve the market presence. Demand was very weak and measures to adjust capacity and costs had to be implemented to sustain efficiency and profitability.

- 26% organic order decline.
- Aftermarket held up well.
- Resilient business model with sustained healthy profitability.

Significant events and structural changes

In May, Stephan Kuhn was appointed President of the Compressor Technique business area. He succeeded Ronnie Leten, who was appointed President and CEO of the Group. Stephan Kuhn started his career at Atlas Copco in 1995 and most recently he headed the Surface Drilling Equipment division until May 2008, when he left for a position outside the Group.

Following the weak demand, the actions to adapt capacity and costs initiated in the fourth quarter 2008 continued during the year. This resulted in a further reduction of the workforce of approximately 1 800 people, primarily in manufacturing. Three manufacturing sites, in France, Czech Republic and Switzerland, were consolidated or restructured. Costs affecting comparability related to these actions were MSEK 234 (93).

In December, the construction of a new production facility in China was initiated. The facility is to be completed in late 2010 and enables assembly and packaging of the entire range of turbo compressors and expansion turbines.

In November 2008, Atlas Copco announced the acquisition of the European compressor rental business of Aggreko plc. The business fits well with the already existing rental operations and broadens the customer base in Europe. This acquisition was finalized in March. In January, a UK distributor was acquired. In September, a compressor service provider was acquired in the Czech Republic.

In December, an agreement was reached to acquire Quincy Compressor, based in the United States. Quincy Compressor designs and manufactures reciprocating compressors, rotary screw compressors and vacuum pumps, which are sold through a network of independent distributors under the Quincy brand. The acquisition supports Atlas Copco's profitable growth in North America and China. Quincy had a turnover in 2009 of MUSD 125. The acquisition is expected to be closed in the first quarter of 2010.

Business development

The demand for compressed air equipment was very weak throughout the year, following the drastic change in the economic situation in the end of 2008.

Orders received of large stationary industrial compressors were significantly below the high level of 2008. Sales of small to medium-sized compressors also decreased substantially, but did not decrease as much as for the large compressors as sales already started to slow down at the end of 2008. Customers continued to favor energy efficient Variable Speed Drive (VSD) compressors, as well as compressors with integrated features such as dryers and coolers. The least negative development for industrial stationary compressors was recorded in many of the emerging markets, but also Australia did relatively well. Demand from public services and utilities as well as from food and textile held up slightly better than average.

Demand for air treatment equipment, such as compressed air dryers, coolers and filters, declined more moderately than demand for industrial compressors, reflecting an increased focus on compressed air quality.

Orders received of gas and process compressors and expanders declined sharply. The decline was most pronounced in North America and Europe, while it was less negative in many emerging markets, e.g. China and India. Demand related to oil and gas as well as energy recovery held up relatively better.

Demand for portable compressors from the construction industry and construction-related customers, such as equipment rental companies, was down in all regions, even if Asia and South America saw less pronounced declines.

The specialty rental business, primarily rental of oil-free and high-pressure equipment, recorded negative growth in most markets.

The aftermarket business – sales of service and spare parts – held up well with only a moderate decline in the developed markets and continued growth in the emerging markets. Notably, the extended offering of products developed to bring energy savings to customers performed very well.

Revenues totaled MSEK 32 524 (35 587), down 18% in volume. Operating profit decreased to MSEK 5 752 (7 291), corresponding to a margin of 17.7% (20.5). The operating profit includes MSEK 234 in restructuring costs. Previous year included restructuring costs of MSEK 93 and a capital gain of MSEK 19 from the divestment of rental operations in Spain. The adjusted operating margin was 18.4% (20.7). The operating margin was positively affected by cost reductions, a favorable sales mix and price increases. Restructuring costs and low capacity utilization, i.e. under-absorption of fixed cost and inventory adjustments, affected the margin negatively. The return on capital employed was 45% (57).

Sustainable product development

The business area continuously develops equipment, aftermarket products and services to help improve customers' productivity in their compressed air and gas applications. In the product development process, a lot of attention is given to improving the reliability, air quality and energy efficiency of the new products, since these are important features for customers. Lower production cost and environmental impact are other important aspects and all components used are evaluated from an environmental, quality, design and cost-efficiency perspective.

Key figures

	2009	2008
Orders received	29 680	36 511
Revenues	32 524	35 587
Operating profit	5 752	7 291
Operating margin, %	17.7	20.5
Items affecting comparability	–234	–74
Adjusted operating profit	5 986	7 365
Adjusted operating margin, %	18.4	20.7
Return on capital employed, %	45	57
Investments	659	1 194
Average number of employees	14 277	15 303

Sales bridge

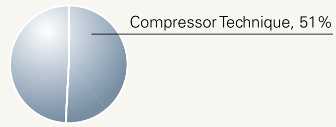
	Orders received	Revenues
2007	**35 005**	**31 900**
Structural change, %	+1	+1
Currency, %	+1	+1
Price, %	+2	+2
Volume, %	0	+7
Total, %	**+4**	**+11**
2008	**36 511**	**35 587**
Structural change, %	0	0
Currency, %	+7	+8
Price, %	+1	+1
Volume, %	–27	–18
Total, %	**–19**	**–9**
2009	**29 680**	**32 524**

One of the most important product launches made in 2009 was a new range of oil-free compressors with a unique certification from the German TÜV institute. The compressors were certified to have "net zero energy consumption" under certain design conditions, meaning all the electrical energy input can be recovered and used for heating water.

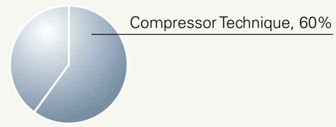
Another launch was a new oil-free scroll compressor, which targets sensitive applications for example in hospitals, laboratories and breweries. The range of quality air products were extended with more environmental friendly integrated dryers. The multiple brand strategy was strengthened by the introduction of several non-Atlas Copco-branded industrial compressors. The Quincy branded compressor range will further bolster the multiple brand product ranges. The portable compressor range was updated with several new machines, for example an open-frame compressor intended for oil and gas applications in remote areas. The high-pressure portable compressor range was equipped with a new energy-efficient compressor element. The compressors, offered to customers within the rental and construction industries, meet the latest exhaust emission and noise directives for off-highway vehicles.

In the first quarter of 2009, the range of large oil-injected screw compressors, successfully launched during 2008, received the P&A Best Product 2008 Award, one of European industry's highest honors. The main reason was the energy efficiency of the new product line.

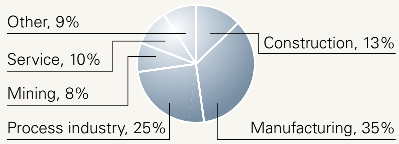
Share of Group revenues



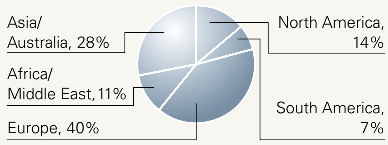
Share of Group operating profit



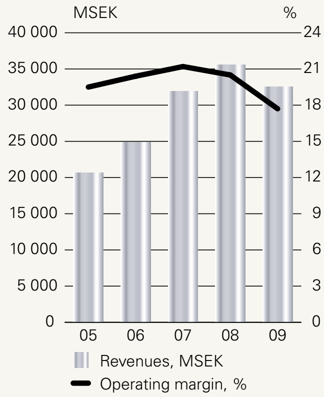
Revenues by customer category



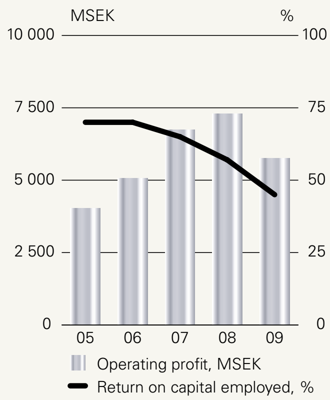
Revenues by geographic area



Revenues and operating margin



Earnings and return



Compressor Technique,
including Prime Energy from 2006.

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

Business area management

On February 2, 2010

Business Area President: Stephan Kuhn

Compressor Technique's divisions are:

- Oil-free Air, President Chris Lybaert
- Industrial Air, President Ray Löfgren
- Specialty Rental, President Horst Wasel
- Portable Air, President Geert Follens
- Gas and Process, President André Schmitz
- Airtec, President Paul Frigne
- Compressor Technique Service, President Nico Delvaux


Stephan Kuhn


Chris Lybaert


Ray Löfgren


Horst Wasel


Geert Follens


André Schmitz


Paul Frigne


Nico Delvaux

The operations

The Compressor Technique business area develops, manufactures, markets and services oil-free and oil-injected stationary air compressors, portable air compressors, oil and gas boosters, 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 of 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, France, Germany, Great Britain, India, Italy, the Netherlands, New Zealand, and the United States.

Vision and strategy

The vision is to be First in Mind—First in Choice® as a 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 multiple brand concept in more markets. The strategy encompasses giving a continuous focus to the aftermarket business as well as developing businesses within focused segments such as compressed and liquid natural gas, air treatment equipment, and compressor solutions for trains, ships, and hospitals. The ambition is 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, high-pressure natural gas and air compressors, and nitrogen compressors. 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 sustainable products and solutions offering better value to customers
- 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 related aftermarket products and services is characterized by a diversified customer base. The products are used in a wide spectrum of applications in which compressed air is either used as a source of power, mainly in the manufacturing and construction industries, or as an integrated part of the industrial processes – active air. An important customer segment is assembly operations, where compressed air is used to power assembly tools. In industrial processes, clean, dry and oil-free air is needed for applications where the compressed air comes into direct contact with the end product, e.g., in the food, pharmaceutical, electronics, and textile industries. Apart from the process and manufacturing industries, industrial compressors are used in applications as diversified as snow making, fish farming, on high-speed trains, and in hospitals. 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 and expanders are supplied to various process industries, such as air separation plants, power utilities, chemical and petrochemical plants, and liquefied natural gas applications. The most important customer segments are the manufacturing and process industries, which together represent close to 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 approximately 10% and the balance is portable compressors, generators and specialty rental, some 20–25% of sales.

The aftermarket business represented 32% (27) of total revenues.

Market trends

- Energy efficiency – focus on the life-cycle cost of compressed air equipment
- Increased environmental awareness – energy savings and reduction of CO_2 emissions
- Workplace compressors with low noise levels
- Quality Air – air treatment equipment
- Outsourcing of maintenance and monitoring of compressed air installations
- Energy auditing of installations
- New applications for compressed air
- Specialty rental

Demand drivers

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

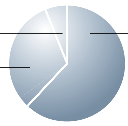
Market position

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, Sullair, Parker Hannifin, Doosan Infracore, and regional and local competitors. In the market for gas and process compressors and expanders, the main competitors are Siemens and MAN Turbo.

Share of revenues



PRODUCTS AND APPLICATIONS

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

Stationary industrial compressors are available with engine sizes ranging from 1.5–15 000 kW.

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 can feature the WorkPlace AirSystem with integrated dryers, as well as the energy-efficient Variable Speed Drive (VSD) technology.

Oil-free tooth and scroll compressors
Oil-free tooth and scroll compressors are used in industrial and medical 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 blowers
Oil-free blowers are available with different technologies being rotary lobe blowers, rotary screw blowers and turbo blowers. Oil-free rotary blowers are used in process industry applications with a demand for a consistent flow of low-pressure air, for example waste water treatment and conveying.

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

Gas and process compressors
Gas and process compressors are supplied primarily to the oil and gas, chemical/petrochemical process and power industries. The main product category is multi-stage centrifugal, or turbo, compressors which are complemented by turbo expanders.

Air treatment equipment
Dryers, coolers and filters are supplied to produce the right quality of compressed air.

Portable compressors provide compressed air for applications where flexibility on the location is needed. They are available with 18–429 kW engine size.

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.

Boosters
When extra high pressure is needed, boosters are used to boost air fed by portable compressors. This high pressure air is mainly used in the drilling industry and in oil and gas applications.

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 out through the Specialty Rental division.

Portable generators provide temporary electricity

Portable generators
Portable generators fulfil a temporary need for electricity, primarily in construction applications. Other common generator applications are power supply for events, emergency power and power in remote locations.

Lighting towers
Lighting towers provide light during night time for safe construction operations.

Oil-free scroll compressor

Portable oil-free compressor for rental

Oil-injected screw compressor for trains

Construction and Mining Technique

2009 was characterized by very weak demand and the business area adapted capacity and costs throughout the organization. Simultaneously, the market position was strengthened in many areas as a result of focused activities and introduction of new products.

- 30% organic order decline.
- Service and spare parts showed moderate decline.
- Cost reductions and favorable product mix gave support to profitability.

Significant events and structural changes

The business area continued with the actions to adapt capacity and costs which were initiated in the fourth quarter 2008 as the demand continued to be very weak. The workforce was reduced with approximately 1 900 people, primarily in the manufacturing facilities in Sweden, Germany and the United States. Efficiency activities involving manufacturing structure were carried out resulting in the consolidation of several product lines. An example from the United States is that the manufacturing of a range of surface drill rigs was discontinued in Garland, Texas. Simultaneously, the manufacturing of compactors in St. Antonio, Texas, was closed and moved to the available space in the Garland facility. Costs affecting comparability related to redundancy and structural activities were MSEK 143 (110).

In April, the option to acquire the remaining shares in the two Indian companies Focus Rocbit Pvt and Prisma Roctools Pvt Ltd. was utilized. A 25% stake in these companies was acquired in 2008. Focus manufactures bits for rotary drilling and Prisma manufactures bits and hammers for down-the-hole drilling. The acquisitions add a competitive range of products for customers in India and other selected markets.

Also in April, a new customer center was opened in Nigeria, marketing products such as drill rigs and consumables for construction and mining as well as portable and stationary compressors. The Atlas Copco Group has previously been represented in the country by distributors.

The manufacturing facilities in Nanjing, China, were extended during the year for the assembly of large surface drilling rigs.

At the end of the year the decision was taken by the business area management to move from Stockholm, Sweden, to Shanghai, China. This decision is in line with the strategy to give special attention to focused growth markets.

Business development

Mining companies and contractors reduced their capital expenditures significantly and this affected the overall demand for drilling equipment for underground and open pit mines as well as for exploration equipment. Order volumes decreased significantly compared to the high level of 2008 and for many types of equipment the decline was more than 50%. In the beginning of the year there were several cancellations of orders, but demand stabilized as the year progressed. At the end of the year the improvement in metal prices and increased activity in the mining industry resulted in more inquiries and a slight sequential improvement in orders received could be noted, albeit from a low level. Geographically, the demand from Asia and South America was relatively better than in other regions. Russia was particularly weak.

The demand from the construction industry was also affected by declining investments in equipment, a trend which started already early in 2008, primarily in North America and Western Europe. Order volumes of crawler rigs for surface applications, such as quarries and road construction, as well as for underground drilling rigs for infrastructure projects, such as tunneling and hydropower, declined in all regions. Sales of light construction equipment, such as breakers and crushers, as well as sales of road construction equipment also declined. The decline in these two product segments were, however, less pronounced. The best relative development for construction equipment was achieved in Asia.

The aftermarket business for both mining and construction held up relatively well and decreased only moderately, primarily as the utilization of the equipment declined. The negative development was seen primarily in North America and Europe, whereas solid growth was recorded in Asia. Sales of consumables declined, partly due to customers reducing their inventory levels.

Revenues decreased 18% to MSEK 25 909 (31 660), down 27% in volume. Operating profit decreased to MSEK 3 470 (5 602), corresponding to a margin of 13.4% (17.7). The operating profit includes MSEK 143 (110) in restructuring costs and the adjusted operating margin was 13.9% (18.0). The margin was positively affected by a favorable sales mix with relatively more aftermarket revenues, cost reductions, currency and increased prices, whereas low capacity utilization, i.e. under-absorption of fixed cost and restructuring costs had a negative impact. Return on capital employed was 17% (29).

Sustainable product development

A number of new and improved machines and aftermarket products were launched in 2009, all with the aim of increasing customers' productivity and efficiency, while at the same time reducing environmental impact and increasing safety.

Among the new products introduced to mining customers was a small rig as well as two rock drills for long-hole production drilling. A low profile and an electric underground loader were also presented to the market. Chinese customers are now offered a locally designed and manufactured surface drill rig suitable for both quarries and open pit mining, including coal mining. The range of drilling consumables for surface drilling was extended with drill rods and bits with a new thread offering longer service life as well as with a new range of drill bits for soft rock drilling.

A new range of rollers for road development work was introduced. The new range set new standards in low fuel consumption. Compared with already fuel efficient predecessors the new rollers use up to 24% less fuel. In addition, a new software tool to optimise the compaction was launched, which enables customers to reduce costs and environmental impact even further.

Key figures

	2009	2008
Orders received	23 500	30 129
Revenues	25 909	31 660
Operating profit	3 470	5 602
Operating margin, %	13.4	17.7
Items affecting comparability	–143	–110
Adjusted operating profit	3 613	5 712
Adjusted operating margin, %	13.9	18.0
Return on capital employed, %	17	29
Investments	854	1 213
Average number of employees	12 564	13 992

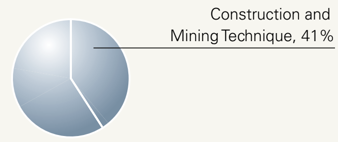
Sales bridge

	Orders received	Revenues
2007	**27 447**	**25 140**
Structural change, %	+9	+10
Currency, %	–1	–1
Price, %	+4	+4
Volume, %	+2	+13
Cancellations, %	–4	–
Total, %	**+10**	**+26**
2008	**30 129**	**31 660**
Cancellations, %	+2	–
Structural change, %	0	0
Currency, %	+6	+7
Price, %	+1	+2
Volume, %	–31	–27
Total, %	**–22**	**–18**
2009	**23 500**	**25 909**

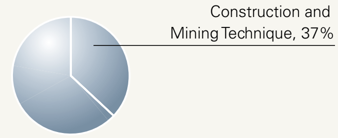
A new and improved range of handheld breakers was introduced. This range is equipped with vibration dampening system which reduces the vibrations with up to 75%. The range of hydraulic breakers was extended with many new and improved models.

Low-profile underground loader

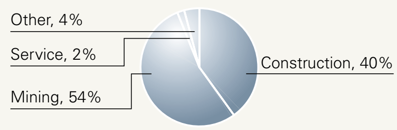
Share of Group revenues



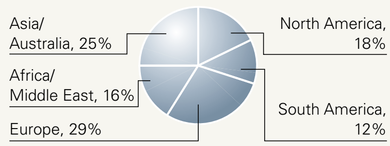
Share of Group operating profit



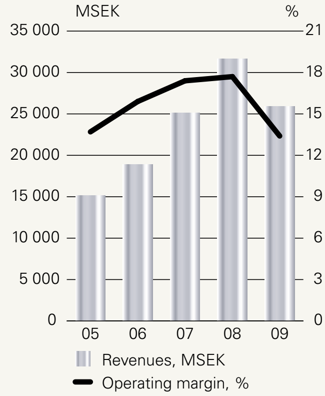
Revenues by customer category



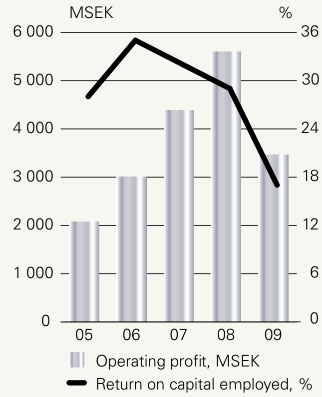
Revenues by geographic area



Revenues and operating margin



Earnings and return

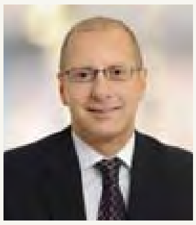


The Construction and Mining Technique business area consists of eight divisions in the following product areas: drilling rigs, rock drilling tools, loading equipment, exploration equipment, construction tools, and road construction equipment.


Björn Rosengren


David Shellhammer


Andreas Malmberg

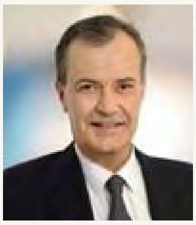

Robert Fassl

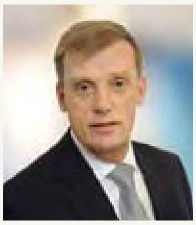
Business area management

On February 2, 2010

Business Area President:
Björn Rosengren


Claes Ahrengart


Johan Halling


Henk Brouwer


Peter Salditt


Kobus Malan

Construction and Mining Technique's divisions are:

- Underground Rock Excavation, President David Shellhammer
- Surface Drilling Equipment, President Andreas Malmberg
- Drilling Solutions, President Robert Fassl
- Road Construction Equipment, President Claes Ahrengart
- Secoroc, President Johan Halling
- Construction Tools, President Henk Brouwer
- Geotechnical Drilling and Exploration, President Peter Salditt
- Rocktec, President Kobus Malan

The operations

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

Vision and strategy

The vision is to be First in Mind—First in Choice® as supplier of equipment and aftermarket services for rock excavation, road development, 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 the mining and construction industries; by developing its positions in drilling and loading equipment, exploration drilling, light construction, and road 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, with special attention given to focused growth markets
- Invest in production capacity in strategic growth markets such as China and India to meet local demand
- Develop new sustainable products and solutions offering enhanced productivity and safety, while reducing environmental impact
- Extend the product offering based on modular design and computerized control systems
- Develop the global service concept/competence and extend the offering of aftermarket products
- Provide increased support to key customers, take more responsibility for service and aftermarket, and offer global contracts
- Acquire complementary businesses

The market

The total market for mining and construction equipment is very large and 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 for selected applications within the mining and construction industries.

The mining sector is a key customer segment that represent more than half of annual business area 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 slightly less than half of annual revenues. General and civil engineering contractors, often involved in infrastructure projects like road building, tunneling or dam construction, demand rock drilling equipment, rock tools, and compaction and paving equipment, while special trade contractors and rental companies are important customers for light construction tools such as breakers, cutters, drills and handheld compaction equipment.

Mining companies and contractors are vital customer groups for aftermarket products such as maintenance contracts, service and parts, as well as consumables and rental. The aftermarket business, sales of consumables, and rental of equipment represented 51% (44) of revenues.

Market trends
- More productive equipment
- More intelligent products and remote control
- Increased focus on environment and safety
- 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

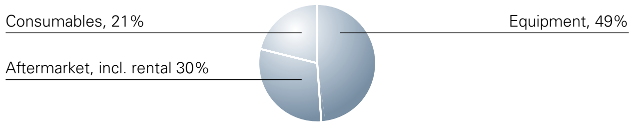
Market position

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 for mining, exploration drilling equipment, and rock drilling tools; Caterpillar Elphinstone for loading and haulage equipment; and Volvo, Caterpillar, Wirtgen, and Bomag for road construction 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.

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

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 of 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.

Compaction and asphalt equipment
The business area offers a range of compaction and asphalt equipment to the road construction market. Rollers are used to compact all types of soil or newly laid asphalt. Planers are used for removing asphalt and pavers for laying out new asphalt. The product range also includes smaller handheld compaction and concrete equipment.

Pneumatic rock drill – down-the-hole hammer

Single drum vibratory roller

Production drill rig for underground mining

Industrial Technique

2009 was a very challenging year for the business area as demand for industrial tools and assembly systems was very weak and volumes dropped significantly. Activities to adjust cost and capacity have been implemented. At the same time, the business area has introduced new products and strengthened its position in the market.

- 35% organic order decline.
- Merger of the two Chicago Pneumatic Divisions
- Operating profit and margin negatively affected by low volumes and restructuring activities.

Significant events and structural changes

In March, the two divisions Chicago Pneumatic Industrial and Chicago Pneumatic Vehicle Service were merged into one. The reorganization will strengthen the focus on the Chicago Pneumatic brand and combines resources from the two divisions.

During 2008, a decision to close the factory in Hemel Hempstead, Great Britain, was taken and the closure was finalized in the first quarter of 2009. The production has been moved to other manufacturing units within the Group and to sub-suppliers.

The actions to adapt capacity and costs initiated in the fourth quarter 2008 continued during the year. The workforce was reduced with more than 700 employees, mostly in North America and Europe. Several production activities were consolidated and two facilities, in Germany and in Japan, were closed. Costs affecting comparability related to these actions were MSEK 187 (102).

Business development

The capacity utilization at many of the most important customer groups was very low throughout the year, which affected the demand for the business area's products and services.

Sales of industrial tools to the general manufacturing industry, e.g. electrical appliances, aerospace, and shipyards, declined sharply in all regions. North America and Europe showed the largest negative development while the decline in Asia was more moderate.

Demand for advanced industrial tools and assembly systems from the motor vehicle industry was also dramatically weaker than previous year. Volumes declined sharply in important automotive manufacturing markets such as the United States, Germany, France and Japan, whereas emerging markets such as China and India showed a less negative development.

The vehicle service business, providing large fleet operators and specialized repair shops with tools, recorded sales clearly below the previous year's level in all major regions.

The aftermarket business was also negatively affected by the low capacity utilization at many of the customers groups and volumes declined, albeit less pronounced than for tools. The sales in China, for example, were only slightly negative.

Revenues totaled MSEK 5 392 (7 450), down 35% in volume. Operating profit decreased 81% to MSEK 253 (1 328), corresponding to an operating profit margin of 4.7% (17.8). The operating profit includes MSEK 187 (102) in restructuring costs and the adjusted operating margin was 8.2% (19.2). The large drop in operating profit and margin was primarily caused by the low volumes, which caused under-absorption of fixed costs. Cost reductions had, however, a gradual positive effect on operating profit. Return on capital employed was 9% (43).

Sustainable product development

The Industrial Technique product development process focuses on offering customers increased quality and productivity as well as improved ergonomics. The business area introduces customers to tools that are often faster and more powerful than their predecessors, offering the same or improved accuracy and reliability and lower noise and vibration levels. Environmental aspects are also considered, resulting in increasingly energy efficient tools, for example. New products and services are continuously introduced to the market.

A range of battery powered pistol-grip screwdrivers was introduced to customers within both the motor vehicle and general industry. These screwdrivers are ergonomically developed, fast, powerful, and communicates to the operator whether or not the tightening was made according to the preset torque. The range of pneumatic screwdrivers was complemented with a model suitable for very low-torque applications, e.g. in the electronics industry. Several ergonomically designed tools with low vibrations and improved productivity was added to the range of material removal tools. A powerful pneumatic impact wrench with a new forward/reverse functionality was introduces to the vehicle service market. An electric high-torque nutrunner with a very high power-to-weight-ratio was introduced for the off-road and truck segment. A new generation of process monitoring and analysis software was launched. The software makes it possible for customers to continuously improve the tightening process on their assembly lines.

Pneumatic impact wrench

Key figures

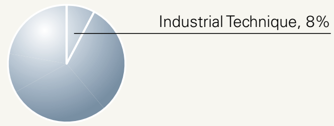
	2009	2008
Orders received	5 367	7 407
Revenues	5 392	7 450
Operating profit	253	1 328
Operating margin, %	4.7	17.8
Items affecting comparability	–187	–102
Adjusted operating profit	440	1 430
Adjusted operating margin, %	8.2	19.2
Return on capital employed, %	9	43
Investments	94	148
Average number of employees	3 182	3 748

Sales bridge

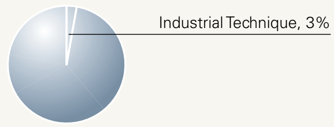
	Orders received	Revenues
2007	7 043	6 871
Structural change, %	+2	+2
Currency, %	+2	+2
Price, %	+1	+1
Volume, %	0	+3
Total, %	**+5**	**+8**
2008	**7 407**	**7 450**
Structural change, %	0	0
Currency, %	+7	+7
Price, %	0	0
Volume, %	–35	–35
Total, %	**–28**	**–28**
2009	**5 367**	**5 392**

Electric high torque nutrunner

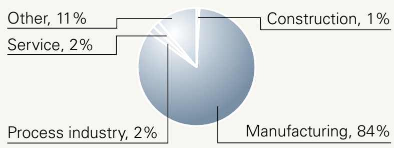
Share of Group revenues



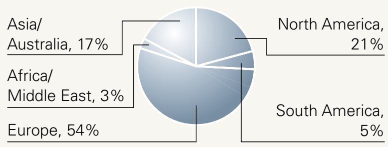
Share of Group operating profit



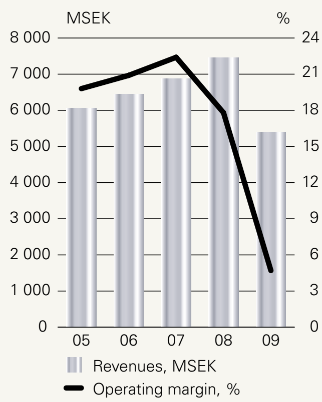
Revenues by customer category



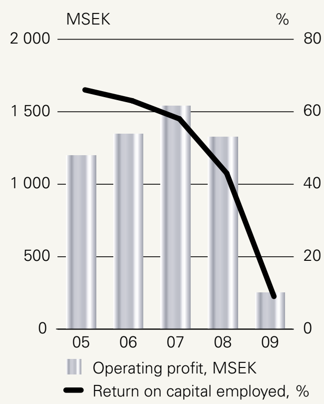
Revenues by geographic area



Revenues and operating margin



Earnings and return



The Industrial Technique business area consists of four divisions in the product areas industrial power tools and assembly systems

Business area management

On February 2, 2010

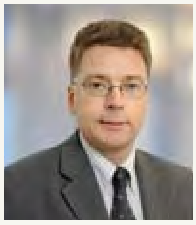
Business Area President: Mats Rahmström

Industrial Technique's divisions are:

- Atlas Copco Tools and Assembly Systems Motor Vehicle Industry, President Anders Lindquist
- Atlas Copco Tools and Assembly Systems General Industry, President Tobias Hahn
- Chicago Pneumatic, President Norbert Paprocki
- Tooltec, President Roger Sandström


Mats Rahmström


Anders Lindquist


Tobias Hahn


Norbert Paprocki


Roger Sandström

The operations

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 industrial manufacturing, such as the automotive and aerospace industries, general industrial manufacturing, and maintenance and vehicle service.

Industrial Technique has its product development and manufacturing in Sweden, China, France, Hungary, Italy, and Japan and also has assembly system application centers in several markets.

The brands used for industrial power tools and assembly systems are Atlas Copco, Chicago Pneumatic, Desoutter, Fuji, and Rodcraft.

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. Important activities are to extend the product offering, particularly with the motor vehicle industry, and to provide additional services, know-how, and training. 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
- Improve presence in targeted markets
- Develop new sustainable products and solutions, offering better value to customers and reducing the environmental impact
- Extend product offering, including electric tools for general industrial manufacturing
- Extend aftermarket offering

The market

The global market for industrial power tools, in the product categories offered by Atlas Copco, is estimated to be above BSEK 20.

The motor vehicle industry, including sub-suppliers, is a key customer segment, representing slightly less than half of Industrial Technique's revenues, and the application served is primarily assembly operations. The motor vehicle industry has been at the forefront in demanding more accurate fastening tools that minimize errors in production and enable recording and traceability of operations. The business area has successfully developed advanced electric industrial tools and assembly systems that assist customers in achieving fastening according to their specifications and minimizing errors and interruptions in production.

In general industry, industrial tools are used in 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 also supplied 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 business, including sales of consumables, represented 26% (23) of total revenues.

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
- Both general industrial and motor vehicle manufacturing moving east
- Productivity, ergonomics and environment

Demand drivers

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

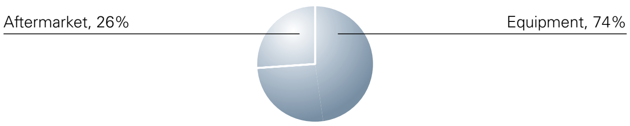
Market position

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, Stanley, Uryu, Bosch and several local and regional competitors.

Share of revenues



CUSTOMER GROUPS, PRODUCTS AND APPLICATIONS

The Industrial Technique business area offers the most extensive range of industrial power tools on 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 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 offering includes impact wrenches, percussive tools, drills, sanders, and grinders.

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.

Pneumatic angle drill

Electric screwdriver optimized for low torque assembly with control unit

Battery driven electric nutrunner

Electric grinding machines with mobile power unit

Consolidated Income Statement

For the year ended December 31, Amounts in MSEK	Note	2009	2008
Revenues	4	63 762	74 177
Cost of sales	7	–42 631	–47 786
Gross profit		**21 131**	**26 391**
Marketing expenses		–6 806	–7 414
Administrative expenses		–3 845	–3 914
Research and development expenses		–1 410	–1 473
Other operating income	8	260	254
Other operating expenses	8	–240	–52
Share of profit in associated companies	14	–	14
Operating profit	4, 5, 6, 7	**9 090**	**13 806**
Financial income	9	1 352	2 741
Financial expense	9	–2 171	–3 435
Net financial items		**–819**	**–694**
Profit before tax		**8 271**	**13 112**
Income tax expense	10	–1 995	–3 106
Profit from continuing operations		**6 276**	**10 006**
Profit from discontinued operations, net of tax	3	–	184
Profit for the year		**6 276**	**10 190**
Profit attributable to:			
– owners of the parent		6 244	10 157
– minority interest		32	33
Basic earnings per share, SEK	11	5.14	8.33
–of which continuing operations		*5.14*	*8.18*
Diluted earnings per share, SEK	11	5.13	8.33
–of which continuing operations		*5.13*	*8.18*

Consolidated Statement of Comprehensive Income

For the year ended December 31, Amounts in MSEK	Note	2009	2008
Profit for the year		**6 276**	**10 190**
Other comprehensive income			
Translation differences on foreign operations		–1 098	5 764
– realized and reclassified to income statement		–	–850
Hedge of net investments in foreign operations		951	–3 432
– realized and reclassified to income statement		–	656
Cash flow hedges		410	–392
– realized and reclassified to income statement		–	–
Available-for-sale investments		–128	–281
– realized and reclassified to income statement		–	–33
Income tax relating to components of other comprehensive income		–845	2 373
Income tax relating to components of other comprehensive income, reclassified to income statement		–	–749
Other comprehensive income for the year, net of tax	10	**–710**	**3 056**
Total comprehensive income for the year	Page 39	**5 566**	**13 246**
Total comprehensive income attributable to:			
– owners of the parent		5 540	13 212
– minority interest		26	34

Consolidated Balance Sheet

As at December 31, Amounts in MSEK	Note	2009	2008
ASSETS			
Non-current assets			
Intangible assets	12	12 697	12 916
Rental equipment	13	2 056	2 282
Other property, plant and equipment	13	5 993	6 353
Investments in associated companies	14	101	121
Other financial assets	15	4 064	5 119
Other receivables		10	47
Deferred tax assets	10	2 381	2 690
Total non-current assets		**27 302**	**29 528**
Current assets			
Inventories	16	11 377	17 106
Trade receivables	17	12 212	15 404
Income tax receivables		395	893
Other receivables	18	2 826	5 306
Other financial assets	15	1 530	1 659
Cash and cash equivalents	19	12 165	5 455
Assets classified as held for sale	3	67	43
Total current assets		**40 572**	**45 866**
TOTAL ASSETS		**67 874**	**75 394**
EQUITY	Page 39		
Share capital		786	786
Other paid-in capital		5 129	5 129
Reserves		3 885	4 589
Retained earnings		15 709	13 123
Total equity attributable to owners of the parent		**25 509**	**23 627**
Minority interest		162	141
TOTAL EQUITY		**25 671**	**23 768**
LIABILITIES			
Non-current liabilities			
Borrowings	21, 22	21 008	26 997
Post-employment benefits	23	1 768	1 922
Other liabilities		82	124
Provisions	25	576	536
Deferred tax liabilities	10	589	155
Total non-current liabilities		**24 023**	**29 734**
Current liabilities			
Borrowings	21, 22	2 959	1 485
Trade payables		4 678	6 415
Income tax liabilities		428	587
Other liabilities	24	8 830	12 031
Provisions	25	1 285	1 374
Total current liabilities		**18 180**	**21 892**
TOTAL EQUITY AND LIABILITIES		**67 874**	**75 394**

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

Consolidated Statement of Changes in Equity

2008	Equity attributable to owners of the parent								
Amounts in MSEK	**Share capital**	**Other paid-in capital**	**Hedging reserve**	**Fair value reserve**	**Trans-lation reserve**	**Retained earnings**	**Total**	**Minority interest**	**Total equity**
Opening balance, Jan. 1	786	5 075	–62	547	1 049	7 129	14 524	116	14 640
Total comprehensive income for the year	–	–	–290	–314	3 659	10 157	13 212	34	13 246
Dividends						–3 662	–3 662	–5	–3 667
Divestment of series B shares held by Atlas Copco AB		54				192	246		246
Acquisition of series A shares						–699	–699		–699
Acquisition of minority shares in subsidiaries						1	1	–4	–3
Share-based payment, equity settled									
– expense during the year						52	52		52
– exercise option						–47	–47		–47
Closing balance, Dec. 31	**786**	**5 129**	**–352**	**233**	**4 708**	**13 123**	**23 627**	**141**	**23 768**

2009	Equity attributable to owners of the parent								
Amounts in MSEK	**Share capital**	**Other paid-in capital**	**Hedging reserve**	**Fair value reserve**	**Trans-lation reserve**	**Retained earnings**	**Total**	**Minority interest**	**Total equity**
Opening balance, Jan. 1	786	5 129	–352	233	4 708	13 123	23 627	141	23 768
Total comprehensive income for the year	–	–	302	–128	–878	6 244	5 540	26	5 566
Dividends						–3 648	–3 648	–6	–3 654
Acquisition of minority shares in subsidiaries							–	1	1
Share-based payment, equity settled									
– expense during the year						16	16		16
– exercise option						–26	–26		–26
Closing balance, Dec. 31	**786**	**5 129**	**–50**	**105**	**3 830**	**15 709**	**25 509**	**162**	**25 671**

See notes 10 and 20 for additional information.

Consolidated Statement of Cash Flows

Including discontinued operations

For the year ended December 31, Amounts in MSEK	Note	2009	2008
Cash flows from operating activities			
Operating profit		9 090	13 806
Adjustments for:			
Depreciation, amortization and impairment	7	2 470	2 080
Capital gain/loss and other non-cash items		–126	–81
Operating cash surplus		11 434	15 805
Net financial items received/paid		–1 574	44
Taxes paid		–1 759	–3 975
Cash flow before change in working capital		**8 101**	**11 874**
Change in:			
Inventories		5 568	–2 830
Operating receivables		3 324	–1 223
Operating liabilities		–2 177	1 062
Change in working capital		**6 715**	**–2 991**
Net cash from operating activities		**14 816**	**8 883**
Cash flows from investing activities			
Investments in rental equipment		–769	–1 158
Investments in other property, plant and equipment		–954	–1 741
Sale of rental equipment		557	419
Sale of other property, plant and equipment		79	96
Investments in intangible assets		–657	–646
Sale of intangible assets		6	1
Sale of investments		13	67
Acquisition of subsidiaries	2	–196	–370
Divestment of subsidiaries	3	25	92
Divestment/acquisition of associated companies	14	4	–12
Investment in other financial assets, net		666	–1 141
Net cash from investing activities		**–1 226**	**–4 393**
Cash flows from financing activities			
Dividends paid		–3 652	–3 667
Repurchase of own shares		–	–453
Borrowings		74	3 085
Repayment of borrowings		–3 125	–1 604
Payment of finance lease liabilities		–101	–67
Net cash from financing activities		**–6 804**	**–2 706**
Net cash flow for the year		**6 786**	**1 784**
Cash and cash equivalents, Jan. 1		5 455	3 473
Net cash flow for the year		6 786	1 784
Exchange-rate difference in cash and cash equivalents		–76	198
Cash and cash equivalents, Dec. 31	19	**12 165**	**5 455**

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 EU. The statements are also prepared in accordance with the Swedish recommendation RFR 1.2 "Supplementary Accounting Rules for Groups" and applicable statements issued by the Swedish Financial Reporting Board. These detail certain additional disclosure requirements for Swedish consolidated financial statements, prepared in accordance with IFRS.

The accounting principles 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, unless otherwise stated.

The Annual report for the Group and the Company, including financial statements, was approved for issuance on February 12, 2010 and balance sheet and income statement are subject to the approval of the Annual Meeting of the shareholders to be held on April 28, 2010.

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 Group's 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 measured at their fair value; financial instruments at fair value through profit or loss, derivative financial instruments and financial assets classified as available-for-sale.

Non-current assets and disposal groups held for sale are carried at the lower of carrying amount and fair value less costs to sell, as of the date of the initial classification as held for sale.

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 accounting principles and the carrying amounts of assets and liabilities. 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 estimates are revised and in any future periods affected. Information about significant areas of estimation uncertainty and critical judgments in applying accounting principles, which can have significant effects on the financial statements, is found in note 30.

Classification

Non-current assets and non-current liabilities are comprised primarily of amounts that are expected to be realized or paid 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

These new and amended standards have been applied from 2009:

Amendment to IFRS 7 Improving Disclosures about Financial Instruments – The adoption of the amended IFRS 7 mainly results in new disclosure requirements about financial instruments measured at fair value in the balance sheet. The instruments are divided into three levels depending on the quality of the inputs used in making the measurements. The classification in levels settles how and which disclosures that are required, where level 3 with the lowest input-quality requires more disclosures compared to level 1 and 2. These enhanced disclosures principally affect note 27. In addition, the amendment to IFRS 7 also impacts the disclosures about liquidity risk. According to the transition rules, an entity needs not provide comparative information for the disclosures required by the amendments in the first year of application. Still the Group has decided to voluntarily provide comparative information for 2008. The revised standard does not change the recognition and measurement of the amounts reported in the financial statements.

IFRS 8 Operating Segments – IFRS 8 replaces IAS 14 Segment Reporting and introduces the "management approach" to segment reporting. The operating segments are identified based on the internal reports regularly reviewed by the Group's Chief Operating Decision Maker. The Group's President has been identified as the Chief Operating Decision maker.

The adoption of IFRS 8 did not require any change in the presentation of the segments as those previously presented correspond to the operating segments reviewed by the Group's Operating Decision Maker, i.e. the business areas. Accordingly, there has been no restatement of previously reported information.

Revised IAS 1 Presentation of Financial Statements –The adoption of the revised IAS 1 results in items of income and expense that were previously recognized directly in equity are now reported in a separate statement that discloses these items as other comprehensive income. This statement is named statement of comprehensive income and follows the income statement. The Group has decided to retain the previously used titles for the other statements. The changes, that only affect the presentation of the financial statements, have been applied retrospectively.

Revised IAS 23 Borrowing Costs – The revised standard requires capitalization of borrowing costs directly attributable to the acquisition, construction or production of qualifying assets. The implementation constituted a change in accounting principle for the Group and was applicable for qualifying assets for which capitalization of borrowing costs commenced on or after January 1, 2009. The adoption of this accounting principle has not had any significant impact on the consolidated financial statements.

Other new and amended IFRS standards and IFRIC interpretations – The other new or amended IFRS standards and IFRIC interpretations, which became effective January 1, 2009, have had no material effect on the consolidated financial statements.

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, has 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 and is recognized in the balance sheet. Goodwill is not amortized but tested for impairment at least annually. 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 profit or loss.

Earnings of entities acquired during the year are reported in the

1. Continued

consolidated income statement from the date of control. The gain or loss from 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 when control ceases to exist.

Intra-group balances, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains and losses on intra-group transactions are eliminated, but losses 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 and 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 measured at fair value on initial recognition of business combinations.

Associated companies

An associate is an entity in which the Group has significant influence, but not control, over financial and operating policies. 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 and until significant influence ceases. Under the equity method, the carrying values of interests in associates correspond to the Group's share of reported equity of associated companies, any goodwill and any other remaining fair value adjustments recognized at acquisition date. The Group's profit or loss includes "Share of results of associated companies", which comprises of the Group's share of the associate's income adjusted for any amortization and depreciation, impairment losses and other adjustments arising from the purchase price allocation. Dividends received from an associated company reduce the carrying value of the investment.

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

Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, and for which discrete financial information is available. All operating segments' operating results are reviewed regularly by the Group's President to make decisions about resources to be allocated to the segments and assess their performance. See note 4 for additional information.

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 denominated in 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 profit or loss, except when reported in other comprehensive income in the following cases:

- differences arising on the translation of *available-for-sale* equity instruments,
- a financial liability designated as a *hedge of the net investment* in a foreign operation,
- on receivables from or liabilities to a foreign operation that in substance is part of the net investment in the foreign operation, or
- qualifying hedging instruments in *cash flow hedges* hedging currency risk to the extent that the hedges are effective.

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 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 in other comprehensive income and are accumulated in a separate component of equity as a translation reserve. On divestment of foreign entities or when the equity or portion of the equity is repatriated, the accumulated exchange differences, net after impact of currency hedges of net investments, are recycled through profit or loss, increasing or decreasing the profit or loss on divestments.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, net of sales taxes, goods returned, discounts and other similar deductions. Revenue is recognized when recovery of the consideration is considered probable and the revenue and associated costs can be measured reliably.

Goods sold

Revenue from sale of goods is recognized when 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. No revenue is recognized if there are significant uncertainties regarding the possible return of goods.

Services rendered

Revenue from services is recognized in profit or loss in proportion to the stage of completion of the transaction at the balance sheet dates or on a straight-line basis providing that a reliable profit estimate can be made. The stage of completion is determined based on the proportion that costs incurred to date bear to the estimated total costs of the transaction.

Rental operations

Revenue is derived and recognized from the rental of equipment on a daily, weekly or monthly basis. Rental income is recognized on a straight-line basis. Revenue from delivery services, fuel sales, and sales of parts, supplies and new and used equipment are recognized when the product or service is delivered to the customer.

Other operating income and expense

Commissions and royalties are recognized on an accrual basis in accordance with the financial substance of the agreement.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net within "other operating income" or "other operating expenses".

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 profit or loss on a systematic basis in the same periods in which expenses are incurred and in the same way. Grants related to assets are presented by deducting the grant from the carrying value of the asset.

1. Continued

Finance income and expenses
Finance income comprises interest income on funds invested, dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognized in profit or loss for hedging items recognized as financial income. Interest income is recognized as it accrues in profit or loss using the effective interest method. Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognized on financial assets, and losses on hedging instruments that are recognized in profit or loss for hedging items recognized as financial expense. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

Earnings per share
The Group presents basic and diluted earnings per share (EPS) data. Basic EPS is calculated by dividing the profit or loss attributable to owners of the Parent Company by the weighted average number of shares outstanding during the period. Diluted EPS is determined by adjusting the weighted average number of shares outstanding for the effects of all dilutive potential shares – which comprise employee stock options that are settled in shares or that at the employees' choice can be settled in shares or cash – and in such case by adjusting the profit or loss for the difference between cash-settled and equity-settled treatment of options for which employees can choose settlement in shares or cash. The options are dilutive if the exercise price is less than the quoted stock price and the effect on the number of potential shares increases with the size of the difference.

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 in the business combination.

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

Goodwill is allocated to cash-generating units and is tested at least 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 profit or loss 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 other costs directly attributable to the development project. Capitalized development expenditure is carried at cost less accumulated amortization and impairment losses.

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

Trademarks
Trademarks acquired by the Group are capitalized based on their fair value at the time of acquisition. Certain trademarks are estimated to have an indefinite useful life and are carried at cost less accumulated impairment losses. They are tested at least annually for impairment. Other trademarks, which have finite useful lives, are carried at cost less accumulated amortization and accumulated impairment losses.

Marketing and customer related intangible assets
Acquired marketing and customer related intangibles such as customer relations and other similar items are capitalized and carried 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 carried 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 carried 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 profit or loss when incurred.

Rental equipment
The rental fleet is comprised of diesel and electric powered air compressors, generators, air dryers and to a lesser extent general construction equipment. 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 lives of the parts do not coincide with the useful lives of other parts of the item.

The following useful lives are used for depreciation and amortization:

	Years
Technology-based intangible assets	3–15
Trademarks with definite lives	5–10
Marketing and customer related intangible assets	5–10
Buildings	25–50
Machinery and equipment	3–10
Vehicles	4–5
Computer hardware and software	3–8[1)]
Rental equipment	3–12

1) Comparative periods 3–5

The useful lives and residual values are reassessed annually. Land, goodwill and trademarks with indefinite lives are not depreciated or amortized.

1. Continued

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. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. 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 profit or loss, 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 profit or loss 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 comprising the future minimum lease payments and any residual value guaranteed to the lessor. Lease payments are recognized as interest income and repayment of the lease receivable.

Impairment of non-financial assets
The carrying amount of the Group's assets, excluding financial assets within the scope of IAS 39, Financial Instruments: Recognition and Measurement, 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 standard applicable for each type of such asset.

If any indication exists of impairment in accordance with IAS 36, the asset's recoverable amount is estimated. For goodwill and other assets that have an indefinite useful life, impairment tests are performed at a minimum on 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 largely independent cash inflow cannot be linked to an individual asset, the recoverable amount is estimated 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. This is normally at division level.

The recoverable amount is the greater of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit. 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 profit or loss.

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.

Inventories
Inventories are valued at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses. The cost of inventories is based on the first-in, first-out principle and includes 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 production overheads based on normal operating capacity. Inventories are reported net of deductions for obsolescence and internal profits arising in connection with deliveries from the production companies to the customer centers.

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, it is probable that an outflow of economic benefits will be required to settle the obligation and that it can be estimated reliably. The amount recognized as a provision shall be the best estimate of the expenditure required to settle the present obligation at the balance sheet date. If the effect of the expected payment date is material, the provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

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. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognizes any impairment loss on the assets associated with the contract.

Employee benefits
Defined contribution plans
A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss when due as employees provide services to the entity during a period.

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 in 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 experience adjustments of obligations and the fair value of plan assets result in actuarial gains or losses. Such gains or losses, within 10% of the obligation or asset value, that is within the 'corridor', are not immediately recognized.

1. Continued

Gains or losses exceeding the 10% corridor are amortized over the remaining estimated service period of the employees.

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 and return on plan assets is not classified as an operating expense but is shown as interest expense. See notes 9 and 23 for additional information.

Other long-term employee benefits
The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that 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 related assets is deducted. The discount rate used is the same as for the defined benefit plans. The calculation is performed using the Projected Unit Credit Method. Any actuarial gains or losses are recognized in the period in which they arise.

Termination benefits
Termination benefits are recognized as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. When termination benefits are provided as a result of an offer to encourage voluntary redundancy, an expense is recognized if it is probable that the offer will be accepted and the number of acceptances can be estimated reliably.

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

A liability is recognized for the amount expected to be paid under short-term cash bonus plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

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. Additionally, the Board is offered synthetic shares.

The fair value of share options that can only be settled in shares (equity-settled) is recognized as an employee expense with a corresponding increase in equity. The fair value, measured at grant date using the Black-Scholes formula, is recognized as an expense over the vesting period. The amount recognized as an expense is adjusted to reflect the actual number of share options that vest.

The fair value of the share appreciation rights, synthetic shares and options with a choice for employees to settle in shares or cash is recognized in accordance with principles for cash-settled share-based payments, which is to recognize the value as an employee expense with a corresponding increase in liabilities. The fair value, measured at grant date and remeasured at each reporting date using the Black-Scholes formula, is accrued and recognized as an expense over the vesting period. Changes in fair value are, during the vesting period and after the vesting period until settlement, recognized in profit or loss as an employee expense. The accumulated expense recognized equals the cash amount paid (or liability amount transferred to equity when employees have a choice and choose to settle in shares) at settlement.

Social security charges are paid in cash. Social security charges are accounted for consistent with the principles for cash-settled share-based payments, regardless of whether they are related to equity- or cash-settled share-based payments. 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.

Financial instruments
Recognition and derecognition
Financial assets and liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument. 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. Trade receivables are recognized on issuance of invoices. Liabilities are recognized when the other party has performed and there is a contractual obligation to pay.

Derecognition (fully or partially) 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 (fully or partially) a financial liability when the obligation specified in the contract is discharged or otherwise expires.

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 and classification
Financial instruments are, at initial recognition, measured at fair value with addition or deduction of transaction costs 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 based on the purpose of the acquisition of the instrument. 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 any impairment losses. Trade receivables are included in this category. 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, less any impairment losses.
- An instrument 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. Subsequent to initial recognition, they are measured at fair value and changes therein are recognized in other comprehensive income except for impairment losses and foreign exchange gains and losses on available-for-sale monetary items, which are recognized in profit or loss. When an investment is derecognized, the cumulative gain or loss in other comprehensive income 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 unless they are directly attributable to the acquisition, construction or production of a qualifying asset.
- *Derivative instruments* are measured at fair value. For derivatives which are not part of hedge accounting (classified as financial assets or liabilities held for trading), changes in fair value are reported as operating or financial income or expense based on the

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purpose of the use of the derivatives and whether the instruments relate to operational or financial items. Fair value changes on derivatives are recognized in profit or loss unless the derivatives are designated as hedging instruments in cash flow or net investment hedges (see section below about hedge accounting). Changes in fair values of cross currency swaps are divided into three components; interest is recognized as interest income/expense, foreign exchange effect as foreign exchange difference and other changes in fair values are recognized in profit or loss as gains and losses from financial instruments. Interest payments for interest swaps are recognized in profit or loss 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 profit or loss 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 periods. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

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 profit or loss, 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 profit or loss to offset the effect of gain or loss on the hedging instrument.

Based on decisions taken in the Financial Risk Management Committee, transaction exposure can be hedged using various derivative instruments. The overriding objective is to attain cash flow or fair value hedge accounting in the consolidated financial statements. See note 27 for additional information.

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognized in other comprehensive income to the extent that the hedge is effective and the accumulated changes in fair value are recognized as a separate component in equity. To the extent that the hedge is ineffective, changes in fair value are recognized in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in equity via other comprehensive income remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognized in equity via other comprehensive income is transferred to the carrying amount of the asset when it is recognized. In other cases, the amount recognized in equiy via other comprehensive income is transferred to profit or loss in the same period that the hedged item affects profit or loss.

The Group hedges a substantial part of net investments in foreign operations. Gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income. Gain or loss relating to the ineffective portion is recognized immediately in profit or loss. Gains and losses accumulated in other comprehensive income are included in profit or loss on disposal of foreign operations.

Impairment of financial assets

Financial assets, except for such assets classified as fair value through profit or loss, are assessed at each reporting date to determine whether there is any objective evidence that they are impaired. 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 or in some cases are assessed collectively in groups with similar credit risks. In respect of an available-for-sale financial asset, any cumulative loss previously recognized in other comprehensive income is recognized in profit or loss. Impairment losses on financial assets of all other categories are recognized directly in 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 in other comprehensive income.

Equity

Shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effect.

When share capital recognized as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or subsequently reissued, the amount received is recognized as an increase in equity and the resulting surplus or deficit on the transaction is transferred to or from other paid-in capital.

Income taxes

Income taxes include both current and deferred taxes in the consolidated accounts. Income taxes are reported in profit or loss unless the underlying transaction is reported in other comprehensive income or in equity. In those cases, the related income tax is also reported in other comprehensive income or 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 as a discontinued operation at the date on which it ceases to be used.

Immediately before classification as held for sale, the measurement of the assets (and all assets and liabilities in a disposal group) is remeasured in accordance with applicable IFRSs. Then, on initial classification as held for sale, non-current assets and disposal groups are 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 as well as gains and losses recognized on measurement to fair value less cost to sell or on disposal are reported separately in profit or loss for discontinued operations. When an operation is classified as a discontinued operation, the comparative profit or loss is restated as if the operation had been discontinued from the start of the comparative period.

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.

New and amended IFRS standards and IFRIC interpretations
The following standards, interpretations and amendments to standards have been issued but have not become effective as of December 31, 2009 and have not been applied by the Group. The assessment of the effect of the implementation of these standards and interpretations could have on the consolidated financial statements is preliminary.

- Revised IFRS 3 Business Combinations and amended IAS 27 Consolidated and Separate Financial Statements require changes in consolidated financial statements and accounting for business combinations. The revised standards are effective for annual periods beginning on or after July 1, 2009. The revised IFRS 3 will have an effect on how future business combinations are accounted for. The changes in the amended IAS 27 will mainly influence the accounting of future transactions.

- IFRS 9 Financial Instruments (not yet adopted by the EU) deals with classification and measurement of financial assets only. The standard requires financial assets to be classified on initial recognition as measured at amortized cost or fair value. IFRS 9 is effective for annual periods beginning on or after January 1, 2013 but may be applied earlier. The standard generally requires retrospective application in accordance with IAS 8 but there are several exceptions to this principle and the transitional requirements are extensive. If an entity adopts IFRS 9 for reporting periods beginning before January 1, 2012 it is not required to restate prior periods.

- Amendment to IFRIC 14 Prepayments of a Minimum Funding Requirement (not yet adopted by the EU) removes unintended consequences arising from the treatment of prepayments when there is a minimum funding requirement. The amendment results in prepayments of contributions in certain circumstances being recognized as an asset rather than an expense. It shall be applied from the beginning of the earliest periods beginning on or after January 1, 2011, but may be applied earlier. It will only have a limited impact on the consolidated financial statements.

The following amended IFRS standards and new IFRIC interpretations are not expected to have any impact on the consolidated financial statements:
- Amendments to IFRS 2 Group Cash-settled Share-based Payment Transactions (not yet adopted by the EU)
- Revised IAS 24 Related Party Disclosures (2009) (not yet adopted by the EU)
- Amendments to IAS 32 Classification of Rights Issues
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement: Eligible Hedged Items
- Improvements to IFRSs (April 2009) (not yet adopted by the EU)
- IFRIC 12 Service Concession Arrangements
- IFRIC 15 Agreements for the Construction of Real Estate
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation
- IFRIC 17 Distributions of Non-cash Assets to Owners
- IFRIC 18 Transfers of Assets from Customers
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (not yet adopted by the EU)

2. Acquisitions

The following summarizes the significant acquisitions during 2009 and 2008:

Closing date		Country	Business area	Revenues[1]	Number of employees[1]
2009 Sep. 8	Servis. A.C. s.r.o.	Czech Republic	Compressor Technique	10	10
2009 April 1	Focus and Prisma	India	Construction & Mining	93	104
2009 Jan. 12	Compressor Engineering	Great Britain	Compressor Technique	40	39
2008 Nov. 20 [3]	Aggreko	Belgium and others	Compressor Technique	91	25
2008 Aug. 8	Industrial Power Sales	U.S.A.	Industrial Technique	[2]	61
2008 May 23	Gulf Atlantic Equipment and Compressed Air Products	U.S.A.	Compressor Technique	[2]	60
2008 May 2	Hurricane and Grimmer	U.S.A.	Compressor Technique	146	90
2008 April 30	Fluidcon	Indonesia	Construction & Mining	68	223

[1] Annual revenues and number of employees at time of acquisition.
[2] Distributor of Atlas Copco products. No revenues are disclosed for former Atlas Copco distributors.
[3] The acquisiton was finalized on March 1, after anti-trust approval in all relevant countries.

The above acquisitions were made through the purchase of 100% of shares and voting rights or through the purchase of the net assets of the acquired operations. In the case of the former associated companies Focus and Prisma, the remaining 75 % share was acquired. The Group received control over the operations upon the date of acquisition. No equity instruments have been issued in connection with the acquisitions. All acquisitions have been accounted for using the purchase method of consolidation.

The amounts presented in the following tables detail the carrying amounts and fair value adjustments aggregated by business areas, as the relative amounts of the individual acquisitions are not considered significant. The fair value adjustments related to intangible assets are amortized over 5–10 years.

The pre-acquisition carrying amounts were determined based on the applicable IFRSs immediately before the acquisition. The Group is in the process of reviewing the final values for the acquired businesses but any adjustments are not expected to be material. Similar adjustments from 2008 acquisitions are described under each business area.

Compressor Technique	Carrying amounts	Fair value adjust-ments	Recognized values 2009	Recognized values 2008
Intangible assets		48	48	338
Property, plant and equipment	35	13	48	46
Other assets	13	–3	10	75
Cash and cash equivalents				8
Interest-bearing loans and borrowings	–1		–1	–4
Other liabilities and provisions	4	–10	–6	–143
Net identifiable assets	**51**	**48**	**99**	**320**
Minority interest				3
Goodwill			55	–69
Consideration paid			**154**	**254**

The Compressor Technique business area made two acquisitions in 2009. It also completed the acquisition of the European oil-free air compressor rental business of Aggreko plc, which supports the growth of the Specialty Rental division's core business, rental of oil-free air equipment. This acquisition was initiated in November 2008 and was subject to final approval by anti-trust authorities in certain countries. For those businesses included in the acquisition, which have been approved and completed during 2009, the consideration paid amounted to 112 and goodwill of 62 and intangible assets of 10 were recorded on the purchase.

In January 2009, the business area acquired Compressor Engineering Ltd, a UK distributor and service provider for compressed air equipment with customers throughout the Northamptonshire and Manchester areas. It offers complete packages in the supply, installation and maintenance of compressors and related equipment. This acquisition is part of Atlas Copco's strategy of getting closer to the customers and strengthening the aftermarket business. The consideration was 37 and customer-related intangible assets of 33 were recorded on the purchase.

In the third quarter, Servis A.C. s.r.o., a compressor service provider in North Moravia in the Czech Republic, was acquired. This acquisition will strengthen the presence and service to customers in the area and also provide an opportunity for increased sales of compressed air equipment and aftermarket products. The consideration paid amounted to 6 and intangible assets of 5 were recorded on the purchase.

As of December 18, 2009, Atlas Copco has agreed to acquire Quincy Compressor from EnPro Industries, Inc. for approximately BSEK 1.4. Quincy Compressor had revenues in 2009 of BSEK 1.0 (MUSD 125), with an operating profit margin of about 7%, and has approximately 400 employees. The Group expects the transaction to close in the first quarter of 2010.

Certain final adjustments related to acquisitions from 2008 have been made.

Construction and Mining Technique	Carrying amounts	Fair value adjust-ments	Recognized values 2009	Recognized values 2008
Intangible assets		20	20	18
Property, plant and equipment	15	3	18	4
Other assets	30		30	5
Cash and cash equivalents	2		2	1
Interest-bearing loans and borrowings	–9		–9	–7
Other liabilities and provisions	–33	–7	–40	4
Net identifiable assets	**5**	**16**	**21**	**25**
Goodwill			21	50
Consideration paid			**42**	**75**

In 2009, the Construction and Mining Technique business area acquired the remaining 75 % of the shares in Focus Rocbit Pvt Ltd and Prisma Roctools Pvt Ltd, India. Focus is a manufacturer of bits for rotary drilling and Prisma makes bits and hammers for down-the-hole drilling. These acquisitions therefore strengthen the Group's position in the market for drill bits and hammers. Goodwill of 16 and intangible assets of 19 were recorded on the purchase.

The consideration paid for acquisitions noted in the table above does not include contingent consideration not yet paid of 16.

Some minor adjustments related to the acquisitions from 2008 have been recorded. The goodwill of 35 related to the acquisition of Fluidcon which was initially calculated has been increased by 5 with a corresponding increase in deferred tax liabilities of 5.

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Industrial Technique	Carrying amounts	Fair value adjust- ments	Recognized values 2009	2008
Intangible assets				2
Property, plant and equipment				3
Other assets				27
Cash and cash equivalents				1
Interest-bearing loans and borrowings				–8
Other liabilities and provisions				–19
Net identifiable assets			**–**	**6**
Goodwill			2	45
Consideration paid			**2**	**51**

The Industrial Technique business area made no acquisitions during 2009. Some minor adjustments related to the acquisition of Industrial Power Sales, Inc. from 2008 have been recorded resulting in an increase of goodwill of 2. The goodwill which was initially calculated totaled 40.

Total fair value of acquired assets and liabilities	Carrying amounts	Fair value adjustments	Group recognized values 2009	2008
Intangible assets		68	68	358
Property, plant and equipment	50	16	66	53
Other non-current assets	–16		–16	–2
Inventories	20	–3	17	16
Receivables	39		39	93
Cash and cash equivalents	2		2	10
Interest-bearing loans and borrowings	–10		–10	–19
Other liabilities and provisions	–24		–24	–100
Deferred tax liabilities, net	–5	–17	–22	–58
Net identifiable assets	**56**	**64**	**120**	**351**
Minority interest				3
Goodwill			78	26
Consideration paid			**198**	**380**
Cash and cash equivalents acquired			–2	–10
Net cash outflow			**196**	**370**

Other non-current assets include the adjustment for former capital participation in associated companies, see also note 14. The goodwill recognized on acquisitions is primarily related to the synergies expected to be achieved from integrating these companies into the Group's existing structure. The total consideration paid for all acquisitions was 198 including directly related costs of 3. For all acquisitions, the outflow totaled 196 after deducting cash and cash equivalents acquired of 2. Consideration paid does not include contingent consideration not yet paid.

Transaction costs related to in-process acquisitions (i.e. closing in 2010) amounted to 9 and were expensed as incurred.

Contribution from businesses acquired in 2009 and 2008 by business area	Compressor Technique		Construction and Mining Technique		Industrial Technique		Group	
	2009	2008	2009	2008	2009	2008	2009	2008
Contribution from date of control								
Revenues	81	179	66	89	–	46	147	314
Operating profit	–	28	6	6	–	1	6	35
Profit for the year							5	21
Contribution if the acquisition had occurred on Jan. 1								
Revenues	95	307	85	129	–	111	180	547
Operating profit	2	51	9	8	–	2	11	61
Profit for the year							8	34

3. Assets held for sale, divestments and discontinued operations

Divestments

There were no significant divestments during 2009. As part of the Specialty Rental business strategy to focus on its core business, the Compressor Technique business area divested Guimerá S.A. in February 2008. The gains on divestments are reported under other operating income. See note 8.

The following table presents the carrying value of the divested operations on the date of divestment.

Carrying value of assets and liabilities for divestments including discontinued operations	2009	2008
Intangible assets	–	10
Rental equipment	–	74
Other property, plant and equipment	–	4
Inventories	2	3
Receivables	21	7
Other liabilities and provisions	–	–198
Deferred tax liabilities, net	–	–50
Net identifiable assets	**23**	**–150**
Capital gain	2	204
Translation differences recycled	–	–3
Goodwill	–	41
Consideration and cash received	**25**	**92**

The consideration received in 2009 and 2008 was primarily for the divestment of Guimerá.

Assets held for sale

The Industrial Technique business area restructured certain operations in Japan and accordingly reclassified certain properties as assets held for sale during 2009 which amounted to 31 at year end 2009. There have been partial divestments of the buildings and equipment in Great Britain which were classified as assets held for sale in 2008 while the remaining portion totaling 36 is still classified as such due to the difficult market conditions during the year. The total assets held for sale are measured at their carrying value amounting to 67 (43). The estimated net realizable value is reviewed on a regular basis.

Discontinued operations

The Group completed the sale of the equipment rental operations in North America in November 2006 which were reported as discontinued operations. Final tax assessments related to this divestment were received in 2008 and resulted in a gain of 184. The cash flow from discontinued operations was –41. There were no effects from discontinued operations in 2009.

Basic and diluted earnings per share amounted to SEK 0 (0.15).

4. Segment information

2009	Compressor Technique	Construction and Mining Technique	Industrial Technique	Common group functions	Eliminations	Group
Revenues from external customers	32 312	25 840	5 376	234		63 762
Inter-segment revenues	212	69	16	52	–349	–
Total revenues	**32 524**	**25 909**	**5 392**	**286**	**–349**	**63 762**
Operating profit	**5 752**	**3 470**	**253**	**–441**	**56**	**9 090**
– of which share of profit in associated companies		*1*	*–1*			–
Net financial items						–819
Income tax expense						–1 995
Profit from discontinued operations, net of tax[1]						–
Profit for the year						**6 276**
Non-cash expenses						
Depreciation/amortization/impairment	1 117	945	207	257	–56	2 470
Other non-cash expenses	–2	–64	–23	93		4
Segment assets	19 450	23 081	3 650	3 773	–1 528	48 426
– of which goodwill	*1 938*	*5 783*	*533*			*8 254*
Investments in associated companies			101			101
Unallocated assets						19 347
Total assets						**67 874**
Segment liabilities	8 337	4 459	1 110	2 380	–1 177	15 109
Unallocated liabilities						27 094
Total liabilities						**42 203**
Capital expenditures						
Property, plant and equipment	673	887	95	169	–53	1 771
– of which assets leased	*14*	*33*	*1*			*48*
Intangible assets	216	342	74	25		657
Total capital expenditures	**889**	**1 229**	**169**	**194**	**–53**	**2 428**
Goodwill acquired	55	21	2			78

2008	Compressor Technique	Construction and Mining Technique	Industrial Technique	Common group functions	Eliminations	Group
Revenues from external customers	35 225	31 376	7 426	150		74 177
Inter-segment revenues	362	284	24	45	–715	–
Total revenues	**35 587**	**31 660**	**7 450**	**195**	**–715**	**74 177**
Operating profit	**7 291**	**5 602**	**1 328**	**–388**	**–27**	**13 806**
– of which share of profit in associated companies	*1*	*3*	*10*			*14*
Net financial items						–694
Income tax expense						–3 106
Profit from discontinued operations, net of tax[1]						184
Profit for the year						**10 190**
Non-cash expenses						
Depreciation/amortization/impairment	959	832	193	149	–53	2 080
Other non-cash expenses	164	114	32	–42		268
Segment assets	24 134	27 282	4 889	6 484	–1 649	61 140
– of which goodwill	*2 018*	*5 825*	*556*			*8 399*
Investments in associated companies	4	15	102			121
Unallocated assets						14 133
Total assets						**75 394**
Segment liabilities	9 880	5 728	1 479	5 829	–2 455	20 461
Unallocated liabilities						31 165
Total liabilities						**51 626**
Capital expenditures						
Property, plant and equipment	1 211	1 276	151	444	–100	2 982
– of which assets leased	*17*	*63*	*3*			*83*
Intangible assets	240	238	142	26		646
Total capital expenditures	**1 451**	**1 514**	**293**	**470**	**–100**	**3 628**
Goodwill acquired	–69	50	45			26

[1] See note 3 for information on discontinued operations.

4. Continued

The Group is organized in three separate, focused but still integrated business areas, each operating through divisions. The business areas offer different products and services to different customer groups. They are also the basis for management and internal reporting and are regularly reviewed by the Group's Chief Operating Decision Maker, which has been identified as the Group President. The adoption of IFRS 8 did not require any change in the presentation of the segments as those previously presented corresponded to the operating segments reviewed by the Group President. Accordingly, there has been no restatement of previously reported information.

All business areas are managed on a worldwide basis and their role is to develop, implement, and follow up the objectives and strategy within its business. The following describes the business areas:

- The Compressor Technique business area develops, manufactures, markets, distributes, and services oil-free and oil-injected stationary air compressors, portable air compressors, oil and gas boosters, gas and process compressors, turbo expanders, generators, air treatment equipment, and air management systems. The business area has in-house resources for basic development in its core technologies, and offers specialty rental services.
- The Construction and Mining Technique business area develops, manufactures, markets and services rock drilling tools, underground rock drilling rigs for tunneling and mining applications, surface drilling rigs, loading equipment, exploration drilling equipment, construction tools and road construction equipment.
- 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 industrial manufacturing, such as the automotive and aerospace industries, general industrial manufacturing, and maintenance and vehicle service.

Common group functions includes those operations which serve all business areas or the Group as a whole and is not considered a segment. The accounting principles of the segments are the same as those described in note 1. Atlas Copco inter-segment 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:	**2009**	**2008**
Sale of equipment	36 996	47 312
Service (incl. spare parts, consumables and accessories)	24 503	24 497
Rental	2 263	2 368
	63 762	**74 177**

Geographical information

The revenues presented are based on the location of the customers while non-current assets are based on the geographical location of the assets. These assets include non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets.

By geographic area/country	**Revenues**		**Non-current assets**	
	2009	**2008**	**2009**	**2008**
North America				
U.S.A.	6 647	9 000	2 654	3 081
Other countries in North America	3 717	4 920	311	376
	10 364	**13 920**	**2 965**	**3 457**
South America				
Brazil	2 826	3 000	389	305
Other countries in South America	2 894	3 084	143	114
	5 720	**6 084**	**532**	**419**
Europe				
Belgium	720	862	1 579	1 723
France	2 406	2 867	657	289
Germany	3 360	3 837	1 211	1 639
Italy	1 913	2 371	1 219	1 335
Sweden	1 579	1 835	8 436	8 399
Other countries in Europe	13 309	17 403	1 382	1 500
	23 287	**29 175**	**14 484**	**14 885**
Africa/Middle East				
South Africa	2 268	2 895	190	167
Other countries in Africa/Middle East	5 511	5 408	184	222
	7 779	**8 303**	**374**	**389**
Asia/Australia				
Australia	3 020	3 548	213	123
China	6 796	6 374	1 048	1 104
India	2 478	2 220	475	449
Other countries in Asia/Australia	4 318	4 553	655	725
	16 612	**16 695**	**2 391**	**2 401**
	63 762	**74 177**	**20 746**	**21 551**

5. Employees and personnel expenses

Average number of employees	2009			2008		
	Women	Men	Total	Women	Men	Total
Parent Company						
Sweden	50	46	96	52	44	96
Subsidiaries						
North America	889	3 115	4 004	723	3 939	4 662
South America	331	1 948	2 279	323	1 994	2 317
Europe	2 489	12 068	14 557	2 801	14 056	16 857
–of which Sweden	*691*	*3 076*	*3 767*	*736*	*3 683*	*4 419*
Africa/Middle East	403	1 953	2 356	469	1 998	2 467
Asia/Australia	1 356	6 437	7 793	1 491	6 229	7 720
Total in subsidiaries	**5 468**	**25 521**	**30 989**	**5 807**	**28 216**	**34 023**
	5 518	**25 567**	**31 085**	**5 859**	**28 260**	**34 119**

Women in Atlas Copco Board and Management, %	2009	2008
Parent Company		
Board of Directors excl. union representatives	33	33
Group Management	25	25

Absence due to illness, %	2009	2008
Parent Company	**1.0**	**1.8**
Swedish companies	**3.4**	**3.6**
Long-term absence due to illness, in % of total absence	*32.6*	*34.5*
Group	**2.1**	**2.3**

Remuneration and other benefits	Group		Parent Company	
	2009	2008	2009	2008
Salaries and other remuneration	10 281	11 572	129	108
Contractual pension benefits	728	615	19	16
Other social costs	2 330	2 368	51	55
	13 339	**14 555**	**199**	**179**
Pension obligations to Board members and Group Management[1]	24	25	24	25

[1] Refers to former members of Group Management.

Remuneration and other benefits to the Board

KSEK	Fee	Value of synthetic shares at grant date	Number of shares at grant date	Other fees[1]	Total fees incl. value of synthetic shares at grant date 2009	Adj. due to change in stock price and accrual period[2]	Total expense recognized 2009[3]	Total expense recognized 2008[3]
Chair of the Board:								
Sune Carlsson	731	750	9 885	170	1 651	515	2 166	1 337
Vice Chair:								
Jacob Wallenberg	268	275	3 624	60	603	187	790	489
Other members of the Board:								
Staffan Bohman	219	225	2 965	110	554	156	710	459
Christel Bories	219	225	2 965	–	444	156	600	274
Margareth Øvrum	219	225	2 965	–	444	156	600	274
Johan Forssell	219	225	2 965	110	554	156	710	274
Ulla Litzén	219	225	2 965	230	674	156	830	579
Anders Ullberg	219	225	2 965	120	564	156	720	469
Other members of the Board previous year								75
Union representatives (4 positions)	36				36		36	47
Total	**2 349**	**2 375**	**31 299**	**800**	**5 524**	**1 638**	**7 162**	**4 277**
Total 2008	2 287	2 625	25 914	690	5 602	–1 325		4 277

[1] Refers to fees for membership in board committees. [2] Refers to synthetic shares received in 2008 and 2009.
[3] Provision for synthetic shares as at December 31, amounted to MSEK 5 (1).

Remuneration and other benefits to Group Management

KSEK	Base salary	Variable compensation[1]	Recognized costs for stock options, SARS[3]	Other benefits[4]	Pension fees	Total expense recognized 2009	Total expense recognized 2008
President and CEO							
Ronnie Leten, from June, 1	4 958	1 736	284	515	1 562	9 055	–
Gunnar Brock, until May, 31	3 792	2 654[2]	3 636	134	1 377	11 593	20 440
Other members of Group Management (7 positions)	19 110	7 493	8 398	1 726	6 178	42 905	38 175
Total	**27 860**	**11 883**	**12 318**	**2 375**	**9 117**	**63 553**	**58 615**
Total 2008	28 686	13 134	4 705	2 748	9 342		58 615
Total remuneration and other benefits to the Board and Group Management						**70 715**	**62 892**

[1] Refers to variable compensation earned 2009 to be paid in 2010.
[2] The CEO has exercised the option to have his compensation for 2009 as an additional pension contribution.
[3] For information on share based payments, see note 23.
[4] Refers to vacation pay, company car, medical insurance, house allowance, transfer allowance and disability pension.

5. Continued

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

Principles for remuneration to the Board and Group Management
The principles for remuneration of the Board and Group Management are approved at the Annual General Meeting of the shareholders. The decisions approved by the 2009 meeting are described in the following paragraphs.

Board members
Remuneration and fees are based on the work performed by the Board. The remuneration and fees approved for 2009 are detailed in the table on the previous page. The remuneration to the President and CEO, who is a member of Group Management, is described in the following sections.

The Annual General Meeting decided that each Board member can elect to receive 50% of the 2009 gross fee before tax, excluding other committee fees, in the form of synthetic shares and the remaining part in cash. The number of shares is based upon an average end price of series A shares during ten trading days following the release of the first quarterly interim report for 2009. The share rights are earned 25% per quarter as long as the member remains on the Board. After five years, the synthetic shares give the right to receive a cash payment per synthetic share based upon an average price for series A shares during 10 trading days following the release of the first quarterly interim report of the year of payment. The Board members will receive dividends on series A shares until payment date in the form of new synthetic shares. If a Board member resigns their position before the stipulated payment date as stated above, the Board member has the right to request a prepayment. The prepayment will be made twelve months after the date from when the Board member resigned or otherwise the original payment date is valid.

All Board members accepted the right to receive synthetic shares. The number and costs at grant date and at the end of the financial year are disclosed by Board member in the table on the previous page.

Group Management
The Group Management consists of the President and the other seven members of the Management Committee. The compensation to the Group Management shall consist of base salary, variable compensation, possible long term incentive (personnel options), pension premium and other benefits. The following describes the various guidelines in determining the amount of remuneration:

- Base salary is determined by position, qualification and individual performance.
- Variable compensation is dependent upon how certain quantitative and qualitative goals set in advance are achieved. The variable compensation is maximized to 70% of the base salary for the Group President, 50% for Business Area Presidents and 40% for other members of the Management Committee.
- Performance related personnel option program for 2009 as approved by the Board. See note 23.
- Pension premiums are paid in accordance with a defined contribution plan with premiums ranging between 25–35% of base salary depending on age.
- Other benefits consist of company car and private health insurance.
- For the expatriates, certain benefits are paid in compliance with the Atlas Copco expatriate employment policy.

A mutual notice of termination of employment of six months shall apply. Compensation for termination is maximized to an amount corresponding to 24 months base salary.

The Board has the right to deviate from the principles stated above if special circumstances exist in a certain case. No fees are paid to Group Management for board memberships in Group companies nor do they receive compensation for other duties that they may perform outside the immediate scope of their duties.

President and CEO
The variable compensation can give a maximum of 70% of the base salary. 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.

The President and CEO is a member of the Atlas Copco Airpower n.v. pension plan and the contributions follow the Atlas Copco 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. These pension plans are vested and are lifetime payments upon retirement.

Other members of the Group Management
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. The variable compensation is not included in the basis for pension benefits. 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.

Option/share appreciation rights, holdings for Group Management
The stock options/share appreciations rights holdings as at December 31, are detailed below:

Stock options/share appreciation rights holdings as at Dec. 31, 2009

Grant year	2006	2007	2008	2009[1]	Total
CEO until May 31	117 500	117 500	117 500	–	352 500
CEO from June 1				50 525	50 525
Other members of Group Management	205 625	205 625	293 750	126 313	831 313

[1] Estimated grants for the 2009 stock option program.
See note 23 for additional information.

Termination of employment
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 dependent 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 salary.

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 2009, the Chair of the Board, Sune Carlsson, Vice Chair, 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. In addition, two members of the Board participated in a committee regarding repurchase and sale of own shares for option program and synthetic shares.

6. Remuneration to auditors

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

	2009	2008
KPMG		
–Audit fee	58	53
–Other	15	19
Other audit firms		
–Audit fee	5	6
	78	**78**

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

7. Operating expenses

Amortization, depreciation and impairment	2009	2008
Product development	379	319
Trademark	40	33
Marketing and customer related assets	142	131
Other technology and contract based assets	147	121
Goodwill	16	–
Buildings	161	113
Machinery and equipment	865	778
Rental equipment	720	585
	2 470	**2 080**

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

	2009		2008	
	Internally generated	Acquired	Internally generated	Acquired
Cost of sales	27	20	28	12
Marketing expenses	5	205	3	165
Administrative expenses	34	16	30	16
Research and development expenses	359	58	295	55
	425	**299**	**356**	**248**

Impairment charges for 2009 totaled 39 (7) of which 23 (–) were classified as development expenses, 10 (7) as marketing expenses and 6 (–) as cost of sales. Impairment charges were recorded for capitalized development costs and for goodwill amounting to 23 and 16 respectively. The goodwill impairment charge of 16 relates to two small acquisitions where the activities have been discontinued.

Cost of sales

The amount of inventories recognized as expense amounted to 32 688 (37 668).

Personnel expenses

Total personnel expenses amounted to 13 339 (14 555), see note 5.

8. Other operating income and expenses

	2009	2008
Other operating income		
Commissions received	26	42
Income from insurance operations	122	74
Capital gain on sale of fixed assets	31	54
Capital gain on divestment of business	2	20
Exchange-rate differences	–	21
Other operating income	79	43
	260	**254**

	2009	2008
Other operating expenses		
Capital loss on sale of fixed assets	–27	–10
Exchange-rate differences	–158	–
Other operating expenses	–55	–42
	–240	**–52**

The gain on divestment of business for 2008 was related to the sale of Guimerá in Spain. See note 3 for more information. Other operating income increased in part due to government grants received in China.

The operating profit includes –106 (28) of realized and –2 (–47) of unrealized foreign exchange hedging result which were previously recognized in equity.

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

	2009	2008
Interest income		
– held-to-maturity investments	6	14
– assets held for trading	13	21
– bank deposits	95	101
– loans and receivables	240	255
Dividend income		
– other financial assets	1	1
Net foreign exchange gain	19	–
Change in fair value		
– financial assets to fair value through profit or loss	930	1 377
– ineffective part of fair value hedge	47	–
Capital gain		
– disposal of available-for-sale financial assets	–	33
– gain on repatriation of subsidiary equity	–	939
– other financial assets	1	–
Financial income	**1 352**	**2 741**
Interest expense		
– financial liabilities measured at amortized cost	–1 240	–1 510
– liabilities held for trading	–	–36
– derivatives for fair value hedge	198	–
– pension provision, net	–120	–88
Net foreign exchange loss	–	–126
Change in fair value		
– financial assets to fair value through profit or loss	–53	– 49
– ineffective part of fair value hedge	–	–33
– related to other liabilities	–862	–1 583
Impairment loss		
– loans and receivables	–94	–10
Financial expense	**–2 171**	**–3 435**
Net finance costs	**–819**	**–694**

The downturn in interest rates had a positive impact on the reduced interest costs during 2009 from 1 510 to 1 042, including the effect of interest rate swaps. The corresponding negative impact on the interest income was partly offset by the strong cash flow during the year.

The fair value of derivatives has decreased from 1 377 to 930, mainly due to the effect of shorter time to maturity on the interest rate swaps in the fair value hedges of bonds issued by Atlas Copco. The corresponding gain related to the long-term loans in the hedge is included in the change in fair value of –862 on other liabilities. The change in fair value from financial instruments entered into in connection with the personnel stock option programs amounted to 9 (–49).

The gain in 2008 of 939 represented accumulated translation differences, previously reported in equity, on the portion of equity in subsidiaries which was repatriated and accordingly reclassified to the income statement.

The gain in 2008 on disposal of available-for-sale assets was from the sale of shares in the divested rental business operations and include 33 previously recognized in equity.

The financial income and expenses above include the following in respect of assets (liabilities) not at fair value through profit or loss:

	2009	2008
Total interest income on financial assets	354	370
Total interest expense on financial liabilities	–1 240	–1 510

The following table presents the net gain or loss by financial instrument category:

	2009	2008
Net gain/loss on		
– financial assets to fair value through profit or loss	890	4 578
– loans and receivables, incl. bank deposits	241	347
– available-for-sale financial assets	–	33
– held-to-maturity investments	6	14
– other liabilities	–2 081	–5 545
– fair value hedge	245	–33
	–699	**–606**
Other financial expense		
– interest expense on pension provisions, net	–120	–88
Net finance costs	**–819**	**–694**

The gain on financial assets to fair value through profit or loss include foreign exchange gains of 960 (3 265) while foreign exchange losses of 941 (3 391) are included in loss on other liabilities.

10. Taxes

Income tax expense	2009	2008
Current taxes	–2 095	–3 194
Deferred taxes	100	88
	–1 995	**–3 106**

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:

	2009	2008
Profit before tax	8 271	13 112
Weighted average tax based on national rates	–2 512	–4 077
– in %	30.4	31.1
Tax effect of:		
Non-deductible expenses	–167	–201
Imputed interest on tax allocation reserve	–	–10
Withholding tax on dividends	–133	–45
Tax-exempt income	838	1 306
Adjustments from prior years:		
– current taxes	–28	47
– deferred taxes	–72	–79
Effects of tax losses/credits utilized	120	21
Change in tax rate, deferred tax	15	25
Tax losses not valued	–86	–68
Other items	30	–25
Income tax expense	**–1 995**	**–3 106**
Effective tax in %	24.1	23.7

The effective tax rate amounted to 24.1% (23.7). The capital restructuring executed in the end of 2006 and the tax-exempt gain in connection with repatriation of equity in subsidiaries contribute positively to the lower effective tax rate.

Previously unrecognized tax losses/credits and deductible temporary differences which have been recognized against current tax expense amounted to 120 (21). 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.

10. Continued

Deferred taxes relating to temporary differences between carrying 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	2009	2008
Net balance, Jan. 1	2 535	9
Business acquisitions	–22	–58
Divestment, discontinued operations	–	50
Charges to profit for the year	100	88
Tax on amounts recorded to equity	–842	2 401
Translation differences	21	45
Net balance, Dec. 31	**1 792**	**2 535**

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

Deferred tax assets and liabilities	2009			2008		
	Assets	Liabilities	Net balance	Assets	Liabilities	Net balance
Intangible assets	36	870	–834	43	643	–600
Property, plant and equipment	248	449	–201	294	756	–462
Other financial assets	2	226	–224	–	210	–210
Inventories	751	4	747	879	7	872
Current receivables	119	25	94	100	41	59
Operating liabilities	382	8	374	331	4	327
Provisions	226	5	221	233	1	232
Post-employment benefits	181	8	173	231	12	219
Borrowings	998	2	996	1 645	–	1 645
Loss/credit carry forwards	759	–	759	511	–	511
Other items	111	424	–313	326	384	–58
Deferred tax assets/liabilities	**3 813**	**2 021**	**1 792**	**4 593**	**2 058**	**2 535**
Netting of assets/liabilities	–1 432	–1 432	–	–1 903	–1 903	–
Net deferred tax balances	**2 381**	**589**	**1 792**	**2 690**	**155**	**2 535**

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

At December 31, 2009, the Group had total tax loss carry-forwards of 4 023 (3 331) of which no deferred tax assets had been recognized of 1 234 (1 450) as it is not considered probable that future taxable profit will be available from which the Group can utilize the benefits. There is no expiration date for utilization of the tax losses for which no deferred tax assets have been recorded.

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

	2009	2008
Intangible assets	85	–35
Property, plant and equipment	–83	–99
Other financial assets	–11	–68
Inventories	–107	136
Current receivables	37	–3
Operating liabilities	5	70
Provisions	–22	36
Post-employment benefits	–35	–1
Borrowings	130	–335
Other items	–155	–57
Changes due to temporary differences	**–156**	**–356**
Loss/credit carry-forward	256	444
	100	**88**

10. Continued

Consolidated Statement of Comprehensive Income

Other comprehensive income for the year	2009 Before tax	2009 Tax	2009 After Tax	2008 Before tax	2008 Tax	2008 After Tax
Attributable to owners of the parent						
Translation differences on foreign operations	–1 092	–487	–1 579	5 763	1 365	7 128
– realized and reclassified to income statement	–	–	–	–850	–565	–1 415
Hedge of net investments in foreign operations	951	–250	701	–3 432	906	–2 526
– realized and reclassified to income statement	–	–	–	656	–184	472
Cash flow hedges	410	–108	302	–392	102	–290
– realized and reclassified to income statement	–	–	–	–	–	–
Available-for-sale investments	–128	–	–128	–281	–	–281
– realized and reclassified to income statement	–	–	–	–33	–	–33
	141	**–845**	**–704**	**1 431**	**1 624**	**3 055**
Attributable to minority interest						
Translation differences on foreign operations	–6		–6	1		1
	135	**–845**	**–710**	**1 432**	**1 624**	**3 056**

11. Earnings per share

Amounts in SEK	Basic earnings per share 2009	Basic earnings per share 2008	Diluted earnings per share 2009	Diluted earnings per share 2008
Earnings per share	5.14	8.33	5.13	8.33
– of which continuing operations	*5.14*	*8.18*	*5.13*	*8.18*
– of which discontinued operations	–	*0.15*	–	*0.15*

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 owners of the parent	2009	2008
Profit for the year	6 244	10 157
– of which continuing operations	*6 244*	*9 973*
– of which discontinued operations	–	*184*

Basic earnings per share

Basic earnings per share are calculated based on the profit for the year attributable to owners of the parent and the basic weighted average number of shares outstanding.

Diluted earnings per share

Diluted earnings per share are calculated based on the profit for the year attributable to owners of the parent and the diluted weighted average number of shares outstanding and, if dilutive, by adjusting the profit for the year for the difference between cash-settled and equity-settled treatment of options for which employees can choose settlement in shares or cash.

The dilutive effects arise from the stock options that are settled in shares or that at the employees' choice can be settled in shares or cash in the share based incentive programs.

The stock options have a dilutive effect when the average share price during the period exceeds the exercise price of the options. The dilutive effect increases in proportion to the increase in the difference between the average share price during the period and the exercise price of the options. The exercise price is adjusted by the value of future services related to the options when calculating the dilutive effect.

Average number of shares outstanding	2009	2008
Basic weighted average number of shares outstanding	1 215 909 704	1 219 099 275
Effect of employee stock options	434 544	716 123
Diluted weighted average number of shares outstanding	**1 216 344 248**	**1 219 815 398**

Potentially dilutive instruments

As of December 31, 2009 Atlas Copco has four outstanding employee stock option programs, of which the exercise price for three programs for 2009 and 2008 exceeded the average share price for ordinary shares, SEK 81 (86) per share. These three programs 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

2009	Internally generated intangible assets		Acquired intangible assets					
	Product development	Other technology and contract based	Product development	Trademark	Marketing and customer related	Other technology and contract based	Goodwill	Total
Cost								
Opening balance, Jan. 1	2 444	450	64	1 847	1 301	781	8 414	15 301
Investments	539	66				52		657
Business acquisitions					48	20	78	146
Disposals	–89	–2			–3	–6		–100
Reclassifications	22	–5				24		41
Translation differences	–90	–11		–27	–64	–35	–208	–435
Closing balance, Dec. 31	**2 826**	**498**	**64**	**1 820**	**1 282**	**836**	**8 284**	**15 610**
Amortization and impairment losses								
Opening balance, Jan. 1	1 314	159	25	140	377	355	15	2 385
Amortization for the period	343	59	13	40	142	88		685
Impairment charge for the period	23						16	39
Disposals	–89	–1			–3	–3		–96
Reclassifications	–1	3						2
Translation differences	–54	–5		–7	–19	–16	–1	–102
Closing balance, Dec. 31	**1 536**	**215**	**38**	**173**	**497**	**424**	**30**	**2 913**
Carrying amounts								
At Jan. 1	1 130	291	39	1 707	924	426	8 399	12 916
At Dec. 31	1 290	283	26	1 647	785	412	8 254	12 697

2008	Internally generated intangible assets		Acquired intangible assets					
	Product development	Other technology and contract based	Product development	Trademark	Marketing and customer related	Other technology and contract based	Goodwill	Total
Cost								
Opening balance, Jan. 1	1 746	340	63	1 715	830	614	7 915	13 223
Investments	495	100				51		646
Business acquisitions				50	314	–6	26	384
Divestments				–3	–13		–41	–57
Disposals		–7				–4		–11
Reclassifications	5	–11			1	24		19
Translation differences	198	28	1	85	169	102	514	1 097
Closing balance, Dec. 31	**2 444**	**450**	**64**	**1 847**	**1 301**	**781**	**8 414**	**15 301**
Amortization and impairment losses								
Opening balance, Jan. 1	892	103	13	92	208	237	13	1 558
Amortization for the period	306	50	13	26	131	71		597
Impairment charge for the period				7				7
Divestments				–1	–5			–6
Disposals		–7				–3		–10
Reclassifications		2		–1	3	9		13
Translation differences	116	11	–1	17	40	41	2	226
Closing balance, Dec. 31	**1 314**	**159**	**25**	**140**	**377**	**355**	**15**	**2 385**
Carrying amounts								
At Jan. 1	854	237	50	1 623	622	377	7 902	11 665
At Dec. 31	1 130	291	39	1 707	924	426	8 399	12 916

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 and trademark with indefinite lives are amortized. For information regarding amortization and impairment, 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 and for intangible assets with indefinite useful lives

Atlas Copco reviews the carrying value of goodwill and intangible assets with an indefinite useful life, certain trademarks, for impairment on at least an annual basis. The impairment tests (including sensitivity analyses) are performed as per September 30 each year. In addition to the annual review, an assessment is made to determine whether there is any indication of impairment at each reporting date.

The accompanying table presents the carrying value of goodwill and trademarks with indefinite useful lives 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 has 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 where the most significant assumptions are revenues, operating profits, working capital, capital expenditures and discount rates.

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 forecasts assigned represent management's assessment and are based on both external and internal sources. The revenue forecasts are individual for each division. They vary from negative to positive the first year, and are positive going forward. The perpetual percentages for the period after five years vary and the weighted average is three percent. Better demand and measures to improve the efficiency are expected to support margin expansion. The groups average weighted cost of capital in 2009 was 7.4% after tax (approximately 9.9% before tax) and has been used in discounting the cash flows to determine the recoverable amounts.

Effective January 1, 2010 the group will use a weighted average cost of capital of 8.0% after tax (approximately 10.5% before tax).

Carrying value of goodwill and intangible assets with indefinite useful lives by cash generating unit

	2009		2008	
	Trademarks	**Goodwill**	**Trademarks**	**Goodwill**
Compressor Technique				
Oil-free Air		264		276
Industrial Air		1 036		1 100
Specialty Rental		92		34
Portable Air		30		64
Gas and Process		152		164
Compressor Technique Service		332		347
Business area level		32		33
	–	**1 938**	**–**	**2 018**
Construction and Mining Technique				
Underground Rock Excavation		45		45
Surface Drilling Equipment		134		147
Drilling Solutions		248		248
Road Construction Equipment	1 225	4 448	1 225	4 448
Secoroc		132		123
Construction Tools		575		609
Geotechnical Drilling and Exploration		188		192
Business area level		13		13
	1 225	**5 783**	**1 225**	**5 825**
Industrial Technique				
Tools and Assembly Systems Motor Vehicle Industry		134		141
Tools and Assembly Systems General Industry		56		58
Chicago Pneumatic	114	338	120	346
Tooltec		–		6
Business area level		5		5
	114	**533**	**120**	**556**
	1 339	**8 254**	**1 345**	**8 399**

13. Property, plant and equipment

2009	Buildings and land	Machinery and equipment	Construction in progress and advances	Total	Rental equipment
Cost					
Opening balance, Jan. 1	3 685	9 676	698	14 059	4 111
Investments	494	871	–379	986	785
Business acquisitions	9	25		34	41
Disposals	–39	–463		–502	–921
Reclassifications[1)]	–34	–52	–16	–102	13
Translation differences	–165	–284	–1	–450	–6
Closing balance, Dec. 31	**3 950**	**9 773**	**302**	**14 025**	**4 023**
Depreciation and impairment losses					
Opening balance, Jan. 1	1 496	6 210		7 706	1 829
Depreciation for the period	145	860		1 005	720
Impairment charge for the period	16	5		21	
Business acquisitions		9		9	
Disposals	–19	–407		–426	–579
Reclassifications[1)]	–9	–19		–28	11
Translation differences	–65	–190		–255	–14
Closing balance, Dec. 31	**1 564**	**6 468**		**8 032**	**1 967**
Carrying amounts					
At Jan. 1	2 189	3 466	698	6 353	2 282
At Dec. 31	2 386	3 305	302	5 993	2 056

[1)] In accordance with IFRS 5, fixed assets related to operations in Japan were reclassified as assets held for sale during the fourth quarter. See note 3 for additional information.

2008	Buildings and land	Machinery and equipment	Construction in progress and advances	Total	Rental equipment
Cost					
Opening balance, Jan. 1	2 930	8 125	438	11 493	3 548
Investments	378	1 222	224	1 824	1 158
Business acquisitions	10	8		18	36
Divestments		–19		–19	–169
Disposals	–41	–396		–437	–745
Reclassifications[2)]	–27	–118	–13	–158	–11
Translation differences	435	854	49	1 338	294
Closing balance, Dec. 31	**3 685**	**9 676**	**698**	**14 059**	**4 111**
Depreciation and impairment losses					
Opening balance, Jan. 1	1 242	5 357		6 599	1 642
Depreciation for the period	113	778		891	585
Business acquisitions		1		1	
Divestments		–15		–15	–95
Disposals	–27	–358		–385	–434
Reclassifications[2)]	–7	–99		–106	–10
Translation differences	175	546		721	141
Closing balance, Dec. 31	**1 496**	**6 210**		**7 706**	**1 829**
Carrying amounts					
At Jan. 1	1 688	2 768	438	4 894	1 906
At Dec. 31	2 189	3 466	698	6 353	2 282

[2)] In accordance with IFRS 5, fixed assets related to operations in Great Britain were reclassified as assets held for sale during the third quarter. See note 3 for additional information.

The tax assessment values for Group properties in Sweden amount to 273 (269) and pertain exclusively to buildings and land. The corresponding net book value of these is 332 (285). For information regarding depreciation, see notes 1 and 7. See note 22 for information on finance leases.

14. Investments in associated companies

Accumulated capital participation	2009	2008
Opening balance, Jan. 1	121	71
Acquisitions of associated companies	–	12
Acquisition of subsidiary	–16	–1
Divestment of associated company	–4	–
Dividends	–2	–2
Profit for the year after income tax	–	14
Translation differences	2	27
Closing balance, Dec. 31	**101**	**121**

Summary of financial information for associated companies	Country	Assets	Liabilities	Equity	Revenues	Profit for the year	Percentage of capital
2009							
Focus Rocbit Pvt. Ltd.	India	–	–	–	3	1	25
Prisma Roctools Pvt. Ltd.	India	–	–	–	2	–	25
Qingdao Qianshao Pneumatic Tool Manufacturing Tech Ltd.	China	12	1	11	8	–1	25
Shanghai Toku International Co. Ltd.	China	15	9	6	47	–	50
Toku–Hanbai KK	Japan	132	48	84	261	–	50
Others		20	20	–	30	–	
				101		**–**	
2008							
ABAC Air Compressors SA Pty Ltd.	South Africa	4	1	3	7	1	50
Focus Rocbit Pvt. Ltd.	India	15	3	12	11	3	25
Prisma Roctools Pvt. Ltd.	India	5	2	3	5	–	25
Qingdao Qianshao Pneumatic Tool Manufacturing Tech Ltd.	China	14	2	12	9	–	25
Shanghai Toku International Co. Ltd.	China	16	10	6	53	3	50
Toku–Hanbai KK	Japan	135	51	84	315	8	50
Others		12	11	1	25	–1	
				121		**14**	

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

In 2008, Atlas Copco (India) Ltd. acquired 25% interest in Focus Rocbit Pvt. Ltd. and Prisma Roctools Pvt. Ltd. in India, in order to strengthen the Group's position in the market for drill bits and hammers. Atlas Copco exercised its option to acquire the remaining shares in both companies in 2009. In 2008, the Group also acquired the full interest in a former associated company in Australia, whereby it became a wholly owned subsidiary.

In 2009, the 50% interest in the South African company of ABAC was sold.

15. Other financial assets

	2009	2008
Non-current		
Pension and other similar benefit assets (note 23)	562	457
Derivatives		
– not designated for hedge accounting	10	9
– designated for hedge accounting	1 298	1 695
Available-for-sale investments	549	713
Held-to-maturity securities	185	45
Other shares and investments	6	13
Finance lease receivables	700	1 549
Other financial receivables	754	638
	4 064	**5 119**
Current		
Held-to-maturity investments		
– government bonds	219	329
Finance lease receivables	585	863
Other financial receivables	726	467
	1 530	**1 659**

The available-for-sale investments consist of shares in RSC Holdings Incorporated which derive from the divestment of the rental operations in 2006, see note 27 Other financial market/price risk for further details.

The change in fair value of derivatives is primarily due to the shorter time to maturity during 2009.

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

16. Inventories

	2009	2008
Raw materials	503	658
Work in progress	2 353	3 352
Semi-finished goods	2 891	4 068
Finished goods	5 630	9 028
	11 377	**17 106**

Provisions for obsolescence and other write-downs of inventories recorded as cost of sales amounted to 508 (380). Reversals of write-downs which were recognized in earnings totaled 108 (101).

17. Trade receivables

Trade receivables are reported net of provisions for doubtful accounts and other impairments totaling 621 (548). Provisions for doubtful accounts and impairment losses recognized in the income statement totaled 339 (342). For credit risk information see note 27.

18. Other receivables

	2009	2008
Derivatives		
– not designated for hedge accounting	46	1 765
– designated for hedge accounting	109	589
Financial assets classified as loans and receivables		
– other receivables	2 016	2 227
– accrued income	184	211
Prepaid expenses	471	514
	2 826	**5 306**

The decrease in fair value of derivatives is due to decreased level of derivatives held, primarily for SEK/EUR exposure as well as the strengthening of the Swedish krona to the EUR for the remaining holdings of derivatives.

Other receivables consist primarily of VAT claims and advances to suppliers. Prepaid expenses and accrued income include items such as rent, insurance, interest, premiums and commissions.

See note 27 for additional information on fair value derivatives.

19. Cash and cash equivalents

	2009	2008
Cash	2 959	1 844
Cash equivalents	9 206	3 611
	12 165	**5 455**

Cash and cash equivalents totaled 12 165 (5 455) at December 31. During 2009, cash equivalents had an average effective interest rate of 1.26% (3.83). The increase in cash equivalents was the result of continued profitability in combination with the significant release of cash tied up in working capital.

Guaranteed, but unutilized, credit lines equaled 7 207 (7 738).

See note 27 for additional information.

20. Equity

Shares outstanding, 2009 and 2008	A shares	B shares	Total
Opening balance, Jan. 1	839 394 096	390 219 008	1 229 613 104
Total shares outstanding, Dec. 31	**839 394 096**	**390 219 008**	**1 229 613 104**
– of which held by Atlas Copco	–11 275 000	–2 428 400	–13 703 400
Total shares outstanding, net of shares held by Atlas Copco, Dec. 31	**828 119 096**	**387 790 608**	**1 215 909 704**

The Parent Company's, Atlas Copco AB's, share capital amounted to SEK 786 008 190 distributed among 1 229 613 104 shares, each with a quota value of approximately SEK 0.64 (0.64). 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 shares	Number of shares		Carrying amount	
	2009	2008	2009	2008
Opening balance, Jan. 1	13 703 400	8 828 400	1 211	704
Sales of B shares	–	–2 822 500	–	–192
Repurchase of A shares	–	7 697 500	–	699
Closing balance, Dec. 31	**13 703 400**	**13 703 400**	**1 211**	**1 211**
Percentage of total number of shares	1.1%	1.1%		

The 2009 AGM approved a mandate to repurchase on one or more occasions a maximum of 5 570 000 series A shares on the NASDAQ OMX Stockholm to be able to fulfill the obligations under the performance stock option plan 2009 and in relation to the synthetic shares offered as part of the Board remuneration. The AGM also approved a mandate to sell a maximum of 1 445 000 series B shares held by Atlas Copco on NASDAQ OMX Stockholm on one or more occasions to cover costs, including social insurance charges, cash settlements, or performance of alternative incentive solutions in countries where allotment of employee stock options is unsuitable, in accordance with the obligations in the 2006 and 2007 performance-based employee stock option plans. The mandates are valid until the AGM 2010. No shares were repurchased or divested in 2009.

The 2008 AGM approved a resolution to repurchase a maximum of 10% of the total number of shares issued by Atlas Copco on the NASDAQ OMX Stockholm. This mandate was valid until the 2009 AGM. Share repurchases of 4 875 000 series A shares were made during the third quarter 2008 for the specific purpose of covering the commitments under the 2008 personnel stock option program and in relation to the synthetic shares offered as part of the Board remuneration. The 2007 AGM approved a mandate to sell series B shares held by Atlas Copco and purchase series A shares which was executed in 2007 and 2008 where in the first quarter of 2008, 2 822 500 shares were sold and purchased in accordance with this resolution.

The series A shares are held for possible delivery under the 2006, 2007 and 2008 personnel stock option programs.

The total number of shares of series A and series B held by Atlas Copco are presented in the preceding table. The series B shares held can be divested over time to cover costs related to the personnel stock option programs.

20. Continued

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, as well as from the translation of liabilities that hedge the company's net investments in foreign subsidiaries.

Fair value reserve
The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognized or impaired.

See note 27 for information on capital management.

Appropriation of profit
The Board of Directors proposes a dividend of SEK 3.00 (3.00) totaling SEK 3 647 729 112 (3 647 729 112). For further information see appropriation of profit on page 97.

The proposed dividend for 2008 of SEK 3.00 totaling 3 647 729 112 as approved by the AGM on April 27, 2009 was accordingly paid by Atlas Copco AB.

21. Borrowings

	2009		2008	
	Carrying amount	Notional amount	Carrying amount	Notional amount
Non-current				
Medium Term Note Program	11 456	10 841	12 125	11 571
Other bond loans	7 219	6 792	8 238	7 188
Other bank loans	4 357	4 265	6 616	6 616
Less: current portion of bank loans	–2 095	–2 095	–89	–89
Total non-current loans	20 937	19 803	26 890	25 286
Finance lease liabilities	71	71	107	107
	21 008	**19 874**	**26 997**	**25 393**
Current				
Current portion of bank loans	2 095	2 095	89	89
Short-term loans	815	815	1 327	1 327
Finance lease liabilities	49	49	69	69
	2 959	**2 959**	**1 485**	**1 485**
	23 967	**22 833**	**28 482**	**26 878**

See note 22 for information on finance leases.

The Company has outstanding loans consisting of a MSEK 2 000 3-year bond issue, a MSEK 3 000 5-year bond issue, a MEUR 600 7-year bond issue, and a MUSD 800 10-year bond issue. This is complemented by loans from the European Investment Bank and the Nordic Investment Bank. Atlas Copco has a long-term debt rating of A-/A3. During the year, bank loans of MSEK 2 000 were repaid and bonds of MSEK 360 of the 5-year bond issue were repurchased.

The company 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 6 000 corresponding to a total of MSEK 16 810 (17 606). As of December 31, 2009 and 2008 there were no outstanding balances under these programs. These programs have a K1 rating in Sweden and an A2/P2 rating internationally.

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

The difference between carrying amount and nominal amount on the borrowings is due to the fair value adjustment resulting from the decrease in market interest rates as compared to the nominal interest rates for the loans which are designated as hedged items in fair value hedges.

Additional information about the Group's future maturities of loan liabilities, exposure to interest rate and foreign currency risk is detailed in note 27.

The Atlas Copco Group's short-term and long-term loans are distributed among the following currencies:

Distribution of current and non-current borrowings

	2009			2008		
Currency	Local currency (millions)	MSEK	%	Local currency (millions)	MSEK	%
EUR	969	10 013	42	953	10 441	37
SEK	6 044	6 044	25	7 926	7 926	28
USD	1 016	7 319	31	1 098	8 494	30
Other		591	2		1 621	5
		23 967	**100**		**28 482**	**100**

22. Leases

Operating leases – lessee

The leasing costs of assets under operating leases amounted to 717 (573) and are derived primarily from rented premises, machinery, computer and office equipment. The office and factory facilities under operating leases typically run for a period of 10 to 15 years. Future payments for non-cancelable operating leasing contracts fall due as follows:

	2009	2008
Less than one year	502	525
Between one and five years	875	883
More than five years	407	325
	1 784	**1 733**

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:

	2009	2008
Less than one year	232	219
Between one and five years	257	394
More than five years	32	56
	521	**669**

Finance leases – lessee

Assets used under finance lease are comprised primarily of vehicles.

Assets utilized under finance leases	Machinery and equipment	Rental equipment
Carrying amounts, Jan. 1, 2009	163	6
Carrying amounts, Dec. 31, 2009	125	17
Carrying amounts, Jan. 1, 2008	131	7
Carrying amounts, Dec. 31, 2008	163	6

Future payments will fall due as follows:

	2009			2008		
	Minimum lease payments	Interest	Principal	Minimum lease payments	Interest	Principal
Less than one year	57	8	49	77	8	69
Between one and five years	76	9	67	109	14	95
More than five years	4	–	4	13	1	12
	137	**17**	**120**	**199**	**23**	**176**

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:

	2009		2008	
	Gross investment	Present value of minimum lease payments	Gross investment	Present value of minimum lease payments
Less than one year	664	585	1 002	863
Between one and five years	754	680	1 628	1 503
More than five years	18	15	40	36
	1 436	**1 280**	**2 670**	**2 402**
Unearned finance income		151		258
Unguaranteed residual value		5		10
	1 436	**1 436**	**2 670**	**2 670**

23. Employee benefits

The net pension obligations have been recorded in the balance sheets as follows:	2009	2008
Financial assets (note 15)	–562	–457
Post-employment benefits	1 768	1 922
Other provisions (note 25)	66	70
Total, net	**1 272**	**1 535**

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 plans are Belgium, Canada, 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 those plans are paid by the Group as they fall due.

The debt financial markets were more stable at year end 2009 as compared with 2008. The post-retirement plans were, however, affected by plan changes and workforce reductions, resulting in settlements of 14 and curtailments of 12. Asset performance was improved in 2009 but remains on a relatively low level.

In Japan, the largest defined benefit pension scheme was closed and replaced by a defined contribution resulting in a plan settlement of both the defined benefit obligation of 64 and the plan asset of 62.

Adjustments in respect of minimum funding requirements have increased in 2009 due to the funded status in Canada where the company is limited in its ability to recover the surplus. The effects of this were, however, largely offset by actuarial gains in the pension expense. The adjustments in minimum funding for 2008 related to the Swiss pension plans were reversed in 2009.

The plans in Belgium cover early retirement, jubilee and termination indemnity benefits. All plans are unfunded.

In Canada, Atlas Copco provides a pension plan, a supplemental retirement pension benefit plan for executives, both funded and two unfunded plans, a post retirement benefit plan and a post employment plan.

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

There is a final salary pension plan in Great Britain and the plan is funded. The plan has the largest defined benefit obligation of all plans and represents 26% of the total defined benefit obligation of the Group.

In Italy, Atlas Copco provides a statutory termination indemnity benefit (TFR) which pays a lump sum benefit to members when they leave the company. The plan is unfunded. After the 2007 reform, the TFR plan was converted from defined benefit plan to defined contribution for future service.

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

In Sweden, there are three defined benefit pension plans. 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 has opted out from the ITP plan. The 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. 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 funded while the other plans are unfunded.

The actual return on plan assets totaled 81 (–54). Of the total benefit expense of 346 (281), 226 (193) has been charged to operating expense and 120 (88) to financial expense.

Post-employment benefits 2009	Funded pension	Unfunded pension	Other unfunded	Total
Defined benefit obligations	4 893	1 536	266	6 695
Fair value of plan assets	–4 852			–4 852
Present value of net obligations	**41**	**1 536**	**266**	**1 843**
Adjustment in respect of minimum funding requirement	55			55
Unrecognized actuarial gains (+) / losses (–)	–706	57	6	–643
Recognized liability for defined benefit obligations	**–610**	**1 593**	**272**	**1 255**
Other long-term service liabilities			17	17
Net amount recognized in balance sheet	**–610**	**1 593**	**289**	**1 272**

2008				
Defined benefit obligations	4 739	1 738	264	6 741
Fair value of plan assets	–4 863			–4 863
Present value of net obligations	**–124**	**1 738**	**264**	**1 878**
Adjustment in respect of minimum funding requirement	6			6
Unrecognized actuarial gains (+) / losses (–)	–376	–21	27	–370
Recognized liability for defined benefit obligations	**–494**	**1 717**	**291**	**1 514**
Other long-term service liabilities			21	21
Net amount recognized in balance sheet	**–494**	**1 717**	**312**	**1 535**

23. Continued

Movement in plan assets	2009	2008
Fair value of plan assets at Jan. 1	4 863	4 936
Plan amendments	–	4
Expected return on plan assets	233	239
Difference between expected and actual return on plan assets	–152	–293
Settlements	–124	–26
Employer contributions	494	416
Plan members contributions	20	19
Benefits paid by the plan	–489	–393
Translation differences	7	–39
Fair value of plan assets at Dec. 31	**4 852**	**4 863**

Plan assets consist of the following:	2009	2008
Equity securities	634	1 033
Bonds	3 606	3 392
Other	485	265
Cash	127	173
	4 852	**4 863**

The plan assets are allocated among the following geographic areas:	2009	2008
Europe	3 520	3 486
North America	1 321	1 301
Rest of the world	11	76
	4 852	**4 863**

Plan assets include 19 (–) of Atlas Copco AB series B shares. Plan assets do not include any property which is occupied by members of the Group.

Movement in the obligations for defined benefits	2009	2008
Defined benefit obligations at Jan. 1	6 741	6 288
Service cost	176	178
Interest expense	353	327
Actuarial experience gains (–) / losses (+)	56	33
Actuarial assumptions gains (–) / losses (+)	93	36
Business acquisitions	–	6
Settlements	–135	–37
Benefits paid from plan or company assets	–489	–393
Other	20	31
Translation differences	–120	272
Defined benefit obligations at Dec. 31	**6 695**	**6 741**

The defined benefit obligations for employee benefits are comprised of plans in the following geographic areas:	2009	2008
Europe	5 110	5 103
North America	1 546	1 546
Rest of the world	39	92
	6 695	**6 741**

Expenses recognized in the income statement	2009	2008
Service cost	176	178
Interest expense	353	327
Expected return on plan assets	–233	–239
Employee contribution	–20	–19
Past service cost	22	17
Amortization of unrecognized actuarial loss	–1	19
Settlement/curtailment	2	–8
Adjustment in respect of minimum funding requirement	47	6
	346	**281**

The expenses are recognized in the following line items in the income statement:	2009	2008
Cost of sales	80	67
Marketing expenses	58	47
Administrative expenses	74	67
Research and development expenses	14	12
Financial expense (note 9)	120	88
	346	**281**

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages)	2009	2008
Discount rate		
Europe	5.00	5.03
North America	5.94	6.15
Expected return on plan assets		
Europe	4.43	4.53
North America	6.24	5.85
Future salary increases		
Europe	3.33	3.41
North America	3.51	3.51
Medical cost trend rate		
North America	9.4	11.0
Future pension increases		
Europe	2.15	2.29
North America	0.35	0.32

The expected return on plan 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 the respective plans as well as the particular yields for the respective country or region.

23. Continued

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	5.9%	–5.5%
Effect on defined benefit obligation	6.3%	–5.5%

Historical information	2009	2008	2007	2006	2005
Present value of defined benefit obligations	6 695	6 741	6 288	6 416	6 656
Fair value of plan assets	4 852	4 863	4 936	4 739	4 445
Present value of net obligations	**1 843**	**1 878**	**1 352**	**1 677**	**2 211**

Experience adjustments relating to:	2009	2008	2007	2006	2005
Plan assets	–152	–293	–66	11	244
Plan liabilities	–56	–33	16	–51	–142

The Group expects to pay 287 in contributions to defined benefit plans in 2010.

Share value based incentive programs

In 2000, the Board of Directors resolved to implement a worldwide personnel stock option program for the years 2000–2003 for key employees in the Group. The implementation of this program was to be decided upon by the Board on a yearly basis. No personnel stock option programs were decided upon in 2004 and 2005. In 2006, 2007 and 2008, the Annual General Meeting decided on performance based personnel stock option programs based on a proposal from the Board reflecting an option program for the respective years. In 2009, the Annual General Meeting decided on a performance based personnel stock option program for 2009 similar to the 2006, 2007 and 2008 programs.

Option program 2000–2003

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

In some countries, 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 series 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 program 2000–2003 were as followed: they were issued by Atlas Copco AB; had a term of six years from grant date and vested at a rate of one third per year as from the date of grant. They were not transferable. The personnel options were granted free of charge and had no performance conditions. These programs have all expired at year end 2009.

Option program 2006–2009

At the Annual General Meeting 2006, 2007, 2008 and 2009 respectively, it was decided to implement performance related personnel stock option programs. The decision to grant options was made in May/June each year and the options were issued in March the following year. The number of options issued each program year depended on the value creation in the Group, measured as Economic Value Added (EVA), for the respective program year.

In connection to the issuance, the exercise price was calculated as 110% of the average trading price for series A shares during a ten-day period before the issuance date. The options were issued without compensation paid by the employee and the options granted 2006–2008 remain the property of the employee also if the employment is terminated. For the 2009 program the options remain the property of the employee only to the extent they are exercisable at the time employment is terminated. The options have a term of five years from the issuance date and are not transferable. The options become exercisable at a rate of one third per year, starting one year after the date of issue.

The Board had the right to decide to implement an alternative incentive solution (SARs) for key persons in such countries where the grant of personnel options was not feasible.

In the 2008 and 2009 programs the options may, on request by an optionee in Sweden, be settled by the Company paying cash equal to the excess of the closing price of the shares over the exercise price on the exercise day less any administrative fees. Due to this choice of settlement by the Swedish employees, these options are classified for accounting purposes as cash-settled in accordance with IFRS 2.

The Black-Scholes model was used to calculate the fair value of the options/SARs in the programs at grant date (May/June each year) where the exercise price was a simulation of what it may be established at in March the following year. For the programs in 2009 and 2008, the fair value of the options/SARs was based on the following assumptions:

At grant date (May/June)	2009 Program	2008 Program
Expected exercise price	SEK 85.80	SEK 127.50
Expected volatility	35%	30%
Expected option life	3.76–5.76 years	3.84–5.84 years
Expected/estimated share price	SEK 77.75	SEK 112.50
Expected dividend (growth)	SEK 3.00 (10%)	SEK 3.00 (10%)
Risk free interest rate	2.27–2.89%	4.05–4.07%
Average grant value	SEK 14.89	SEK 23.36
Maximum number of options	4 699 874	4 200 000
– of which forfeited	2 691 559	219 792

For stock options, in the 2006–2008 programs, the fair value is recognized as an expense over the period May through March the following year, while, for the stock options in the 2009 program, the fair value is recognized as an expense over the period June 2009 through March 2013. For SARs and the options classified as cash-settled, the fair value is recognized as an expense over the same vesting period; the fair value is, however, remeasured at each reporting date and changes in the fair value after the end of the vesting period continue to be recognized as a personnel expense.

In accordance with IFRS 2, the expense in 2009 for all share-based incentive programs amounted to 90 (50) excluding social costs of which 16 (52) refers to equity-settled options. The related costs for social security contributions are accounted for in accordance with the statement from the Swedish Financial Reporting Board (UFR 7) and are classified as personnel expenses.

In the balance sheet, the provision for share appreciation rights and stock options classified as cash-settled as of December 31 amounted to 90 (28). Atlas Copco shares are held by the Parent Company in order to cover commitments under the programs 2006–2008. See also note 20.

23. Continued

The details for the 2002–2008 stock option/SAR programs issued are presented in the table below. The 2009 program was granted in 2009 but will be issued in March 2010 and is therefore not included in the table. Information for the 2009 program is included on the previous page.

Summary of share value based incentive programs[1)										
	Stock options					**Share appreciation rights**				
Program	**2002**	**2003**	**2006**	**2007**	**2008**[2)]	**2002**	**2003**	**2006**	**2007**	**2008**
Initial number of employees	145	138	183	177	198	125	127	36	38	41
Initial number of options	3 378 473	3 337 019	3 201 795	3 128 361	3 466 164	2 963 935	2 901 754	543 320	572 794	616 855
Expiration date	May 12, 08	May 11, 09	Mar 30, 12	Mar 30, 13	Mar 20, 14	May 12, 08	May 11, 09	Mar 30, 12	Mar 30, 13	Mar 20, 14
Exercise price, SEK	36.41	28.81	111.06	105	71	36.41	28.81	111.06	105	71
Type of share	A	A	A	A	A	A	A	A	A	A

2009 Number of options/rights										
Outstanding Jan. 1, 2009	–	674 175	3 201 795	3 040 239	3 363 353	–	266 522	499 360	528 733	587 481
Granted	–	–	–	–	–	–	–	–	–	–
Exercised	–	–674 175	–	–	–	–	–266 522	–	–	–
Expired/forfeited	–	–	–	–	–117 496	–	–	–	–	–14 687
Outstanding Dec. 31, 2009	**–**	**–**	**3 201 795**	**3 040 239**	**3 245 857**	**–**	**–**	**499 360**	**528 733**	**572 794**
– of which vested	–	–	*3 201 795*	*3 040 239*	*3 245 857*	–	–	*499 360*	*528 733*	*572 794*
– of which exercisable	–	–	*2 134 530*	*1 013 413*	–	–	–	*332 907*	*176 244*	–
Remaining exercise period, months	–	–	27	39	51	–	–	27	39	51
Average stock price for exercised options, SEK	–	70	–	–	–	–	74	–	–	–

2008 Number of options/rights										
Outstanding Jan. 1, 2008	655 708	934 009	3 201 795	3 040 239	–	144 856	449 724	499 360	528 733	–
Granted	–	–	–	–	3 466 164		–	–	–	616 855
Exercised	–655 708	–259 834	–	–	–	–144 856	–183 202	–	–	–
Expired/forfeited	–	–	–	–	–102 811		–	–	–	–29 374
Outstanding Dec. 31, 2008	**–**	**674 175**	**3 201 795**	**3 040 239**	**3 363 353**	**–**	**266 522**	**499 360**	**528 733**	**587 481**
– of which vested	–	*674 175*	*3 201 795*	–	–	–	*266 522*	*499 360*	–	–
– of which exercisable	–	*674 175*	*1 067 265*	–	–	–	*266 522*	*166 453*	–	–
Remaining exercise period, months	–	5	39	51	63	–	5	39	51	63
Average stock price for exercised options, SEK	98	90	–	–	–	101	91	–	–	–

1) All numbers have been adjusted for the effect of the share split in June 2005 and May 2007.

2) Includes the stock options issued for which the optionees in Sweden have a choice to settle in shares or cash.

24. Other liabilities

	2009	2008
Derivatives		
– not designated for hedge accounting	170	584
– designated for hedge accounting	6	1 858
Financial liabilities classified as other liabilities		
– other operating liabilities	2 447	2 197
– accrued expenses	3 695	4 158
Advances from customers	2 072	2 759
Prepaid income	78	107
Deferred revenues service contracts	362	368
	8 830	**12 031**

The decrease in fair value of derivatives, primarily consisting of forward exchange contracts for the sale of EUR, is due to contracts which matured during 2009 and as well as lower levels of derivatives held.

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

2009	Product warranty	Restructuring	Service contract	Other	Total
Opening balance, Jan. 1	914	147	248	601	1 910
During the year					
– provisions made	911	176	285	389	1 761
– provisions used	–866	–154	–256	–309	–1 585
– provisions reversed	–83	–15	–15	–59	–172
Business acquisitions	1			1	2
Translation differences	–32	–2	–3	–18	–55
Closing balance, Dec. 31	**845**	**152**	**259**	**605**	**1 861**
Non-current	101	32	85	358	576
Current	744	120	174	247	1 285
	845	**152**	**259**	**605**	**1 861**

2008	Product warranty	Restructuring	Service contract	Other	Total
Opening balance, Jan. 1	710	37	173	513	1 433
During the year					
– provisions made	898	134	286	359	1 677
– provisions used	–751	–32	–223	–308	–1 314
– provisions reversed	–60	–2	–8	–25	–95
Business acquisitions	14		–1	9	22
Translation differences	103	10	21	53	187
Closing balance, Dec. 31	**914**	**147**	**248**	**601**	**1 910**
Non-current	121	45	77	293	536
Current	793	102	171	308	1 374
	914	**147**	**248**	**601**	**1 910**

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. Restructuring provisions consist primarily of severance pay to employees and costs for closure of facilities. Provisions for service contracts relate to future commitments to customers. Other provisions consist primarily 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

	2009	2008
Assets pledged for debts to credit institutions		
Real estate mortgages	33	55
Chattel mortgages	47	29
	80	**84**
Contingent liabilities		
Notes discounted	23	33
Sureties and other contingent liabilities	103	104
	126	**137**

Sureties and other contingent liabilities relate primarily to guarantees to 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

Overview

Atlas Copco Group Treasury has the operational responsibility for financial risk management in the Group. The establishment of the overall policies and systems to ensure the monitoring and management of the Group's financial risk is the responsibility of the Financial Risk Management Committee (FRMC). These risks include:

- Funding risk
- Interest rate risk
- Currency risk
- Credit risk

In addition to Group level policies, there are similar policies for currency and credit risks at the business area, division and operating business unit level.

In its management of financial risks, the Group uses derivatives, and also incurs financial liabilities. All such transactions are carried out within the guidelines set by the FRMC. Generally, the Group seeks to apply hedge accounting in order to reduce volatility in the profit or loss that can result from fair-value adjustments. In those cases where hedge accounting is not applicable, the Group receives the benefits of an economic hedge but earnings may be affected by fair value adjustments during the term of the financial instrument.

The members of the FRMC are the CEO, CFO, Group Treasurer and Group Treasury Controller. Representatives from other functions are normally invited to discuss specific risks. The FRMC meets on a quarterly basis or more often if circumstances require.

The financial crisis that followed the Lehman crash in September 2008 and gradually dissipated during 2009 led to significant disturbances of debt markets and some banks ability or willingness to extend financing. Atlas Copco's financial strategy is based on long-term financing and short-term interest rates. Consequently, Atlas Copco did not have any new financing need during this period and could benefit from lower interest costs as central banks lowered rates. Continued profitability in combination with release of cash previously tied up in working capital led, during 2009, to a reduction of net debt to 10 906 (21 686).

Funding risk

Funding risk is the risk that the Group and its subsidiaries do not have access to adequate financing on acceptable terms at any given point in time. As per December 31, cash and cash equivalents totaled 12 165 (5 455). The overall liquidity of the Group is strong considering the maturity profile of the external borrowings and the balance of cash and cash equivalents as of year end.

Group funding risk policy

- The Group should maintain a minimum of MUSD 1 000 committed and sufficient uncommitted stand-by credit facilities to meet operational and strategic objectives.
- The average tenor (i.e. time until maturity) of Atlas Copco AB's external debt should be at least 3 years (actual: 5.0 years).
- No more than MSEK 5 000 of Atlas Copco AB's external debt may mature within the next 12 months (actual: 2 000).

The following table shows the maturity structure of the Group's borrowings and excludes finance lease liabilities but includes the effect of interest rate swaps:

2009 Maturity	Fixed	Float	Carrying amount	Notional amount
2010		2 910	2 910	2 910
2011		81	81	81
2012		2 852	2 852	2 692
2013		3	3	3
2014		8 951	8 951	8 496
2015		1 034	1 034	1 034
2016		705	705	705
2017	1 571	4 713	6 284	5 765
2018		–	–	–
Later years	1 027	–	1 027	1 027
	2 598	**21 249**	**23 847**	**22 713**

The amount maturing in 2010 is primarily related to Atlas Copco AB's Medium Term Note program.

At year end 2009, the main credit facilities available to the Group were:

- MUSD 1 000 committed revolving credit facility with maturity in 2012. The facility has never been utilized. The interest expense for utilizing the facility is LIBOR plus 0.14% per annum. If the average utilization is more than 50%, the applicable rate is LIBOR plus 0.165% per annum.
- Uncommitted 1-year commercial paper facilities in EUR, SEK and USD totaling 16 810 (17 606) (MSEK equivalent). No amounts were utilized at year end 2009. The costs for utilizing these facilities depend on the market at time of utilization.

Interest rate risk

Interest rate risk is the risk that the Group is negatively affected by changes in the interest rate level.

Group interest rate risk policy

The interest rate risk policy states that the average duration (i.e. period for which interest rates are fixed) should be a minimum of 6 months and a maximum of 24 months, with a benchmark of 12 months. Atlas Copco generally favors a short interest rate duration (variable rate) which results in more volatility in net interest expense as compared to long duration (fixed rate). Debt which carries fixed rates is usually converted to shorter duration by the use of interest rate swaps. 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.

To convert fixed to variable interest rates on EUR, SEK and USD denominated loans, Atlas Copco AB has entered into interest rate swaps designated as hedging instruments, with notional amounts of MEUR 600, MSEK 2 640 and MUSD 600, respectively. Including the effect of the derivatives, the effective interest rate and duration of the Group's borrowings at year end 2009 was 1.8% (4.8) and 1.0 (1.0) year, respectively.

27. Continued

Excluding any derivatives, the Group's effective interest rate was 4.2 % (5.1) and the average duration was 3.5 (3.8) years. 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's loan portfolio (net of investments and including derivatives) by approximately 234 (303) as at December 31.

The fair value of the interest rate swaps outstanding at December 31 was 1 284 (1 695) and the effect of these are not included in the calculation of the effective interest rate.

The following table shows the amounts of the fair value adjustments related to the hedging of interest rate risks included in net income before tax during the year:

Fair value hedge	Net result 2009	Net result 2008
Financial liabilities	457	–1 474
Interest rate-related derivatives	–410	1 441
	47	**–33**

Currency risk

Currency risk is the risk that the Group's profitability is affected negatively by changes in exchange rates. This affects both transaction (flow) exposure and translation (balance sheet) exposure.

Group currency risk policy

a) Transaction exposure

Due to Atlas Copco's presence in various markets, there are inflows and outflows in different currencies. As a normal part of business, net surpluses or deficits in specific currencies are created. The value of these net positions fluctuates with the changes in currency rates and, thus, a transaction exposure is created. The largest operational surplus and deficit currencies are shown in Graph 1. The amounts presented in the graph are based on the Group's intercompany payments, and on the external payment flows from customers and to suppliers. The total transaction exposure, measured in SEK is 10 263 (14 122).

The following describes the Group's general policies for managing transaction exposure:

- Exposures should be reduced by matching the in- and outflows of the same currencies.
- Business area and divisional management are responsible for maintaining readiness to adjust their operations (price and cost) to compensate for adverse currency movements. Business areas and divisions should normally not hedge currency risks. Hedging can, however, be motivated in case of long-term contracts where there is no possibility to adjust the contract price or the associated costs.
- Based on the assumption that hedging does not have any significant positive or negative effect on the Group's results over the long term, the policy does not require transaction exposure to be hedged on an ongoing basis. The FRMC decides from time to time if the transaction exposure should be hedged, fully or partly.

In accordance with the above, Atlas Copco has entered into foreign currency forwards which are designated as hedging instruments in an operational cash flow hedge. As a part of the normal business operations, the hedged cash flows are received or paid and the currency effects recorded in earnings. The related hedging instruments mature on a monthly basis and are recorded in earnings thus offsetting the effects of the hedged cash flows for the respective period.The hedge ratio at December 31 was 1% (24).

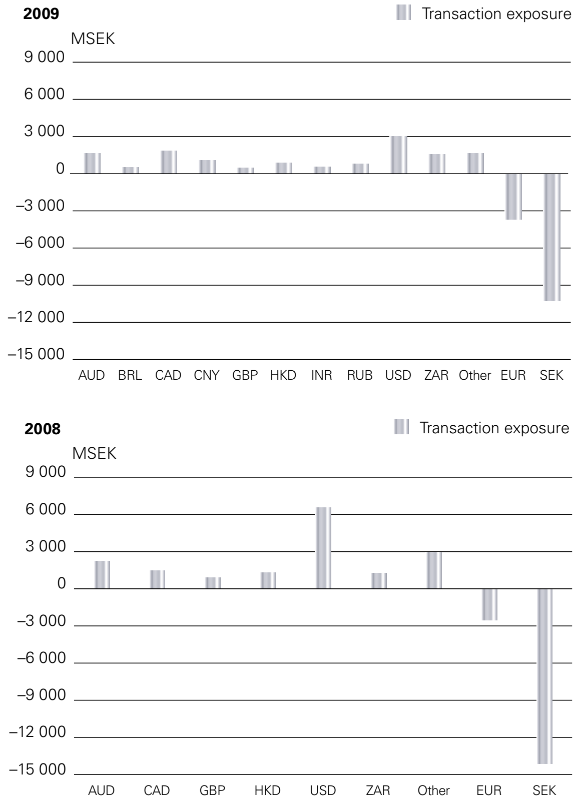
The fair value of the outstanding foreign currency forwards at December 31 was –6 (– 73) and the maturities are set out in the table to the right. A net realized result for currency hedging of –106 (28) was included in earnings during 2009.

Graph 2 indicates the effect on Group pre-tax earnings of one-sided fluctuation in USD and EUR exchange rates if no hedging transactions have been undertaken and before any impact of offsetting price adjustments or similar measures.

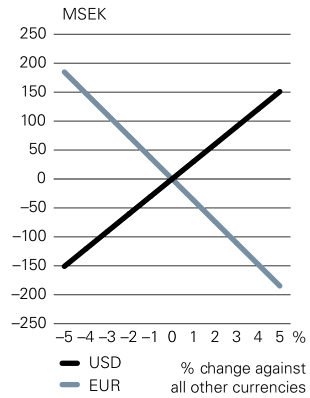
A one percentage point weakening of the SEK against all other currencies would have increased the fair value of the loan portfolio by 162 (171). The impact on the net income would be very limited as substantially all of the Group's loans are designated as hedges of net investments and the effect is accounted for in other comprehensive income (see also Accounting Principles for Financial Instruments).

Atlas Copco AB also entered into a MUSD 700 forward contract which is designated as a hedge of the cash flow risk arising from a certain

Graph 1
Estimated transaction exposure in the Group's most important currencies 2009 and 2008



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



Maturity table of foreign currency forwards	
Q1 2010	–6
Q2 2010	–
Q3 2010	–
Q4 2010	–
	–6

27. Continued

intercompany loan and classified as financial items. At December 31, the fair value of the forward contract was positive 100 (295), with a corresponding loss on the loan, both accounted for through the profit or loss. The cash flows related to the repayment of the loan and the maturity of the forward contract will occur in 2013.

b) Translation exposure
Atlas Copco's worldwide presence creates a currency effect when all entities with functional currencies other than the Swedish krona are translated to the Swedish krona when preparing the consolidated financial statements. The exposure is the net of assets and liabilities denominated in the specific currency. The effect of currency rate fluctuation on these net positions is the translation effect. The following describes the Group's general policies for managing translation exposure:

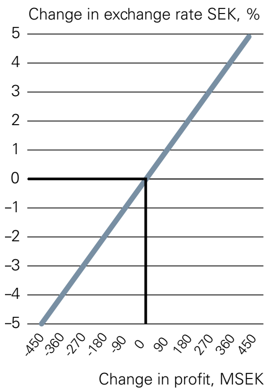
- Translation exposure should be reduced by matching assets and liabilities in the same currencies.
- The FRMC may decide to hedge the remaining translation exposure.

To reduce the translation exposure on net investments in USD and EUR in the consolidated financial statements and the exchange rate risk related to net assets in subsidiaries, Atlas Copco uses loans and forward contracts which are designated as net investment hedges in the consolidated financial statements. The hedging instruments used to hedge the corresponding EUR-denominated net assets in subsidiaries are loans totaling MEUR 1 470 (1 461). As of December 31, the fair value of the hedging instruments was –1 560 (–1 996), of which currency effect was –907 (–1 416). Atlas Copco also uses loans totaling MUSD 58 (58) to hedge the corresponding equity positions in USD. The fair value of the hedging instruments as of December 31, 2009 was –102 (–226). The following table shows the amounts of the fair value adjustments included in net income during the year, excluding amounts reclassified to profit or loss:

Net investment hedge	Net result 2009	Net result 2008
Equity	–951	3 432
Loans and forward contracts realized and unrealized	951	–3 432
	–	–

Graph 3 indicates the sensitivity to currency translation effects when earnings of foreign subsidiaries are translated.

Graph 3



Credit risk
Credit risk can be divided into operational and financial credit risk. These risks are described further in the following sections.

Group operational credit risk policy
Operational credit risk can be divided into commercial and political credit risk.

a) Group commercial risk policy
Commercial risk is the risk that the Group's customers will not meet their payment obligations. The Group's commercial risk policy is that business areas, divisions and individual business units are responsible for the commercial risks arising from their operations. Since the Group's sales are dispersed among thousands of customers, of which no single customer represents a significant share of the Group's commercial risk, the monitoring of commercial credit risks is primarily done at the business area, divisional or business unit level. Each business unit is required to have an approved commercial risk policy.

The Group has during the past years established an in-house customer finance operation (Atlas Copco Customer Finance) as a means of broadening its offering to customers. At December 31, the credit portfolio of their customer finance operations totaled approximately 3 189 (3 991). There were no concentrations of customer risks in these operations.

The Group maintains collateral for its credit portfolio primarily through repossession rights in equipment when mid- or long-term financing is extended to the customer (normally through Atlas Copco Customer Finance). Business units may also, to a limited extent, transfer the commercial risk insurance to external entities (normally to an export credit agency).

b) Group political risk policy
Political risk is the risk that the central bank or other authority of a certain country does not allow transfers of funds to a foreign Atlas Copco company (despite the fact that the customer or an Atlas Copco entity in the country wants and has sufficient funds to pay). The Group's political risk policy is that political risks should be monitored and managed on a group level, based on country risk ratings. The Group generally retains most political risks since the Group's sales are dispersed around the world and the Group has historically only experienced insignificant losses due to political risk. However, for certain countries the policy is to purchase political risk insurance.

Provision for impairment of credit risks
The business units establish provisions for impairment that represent their estimate of incurred losses in respect of trade and other receivables. The main components of this provision are specific loss provisions corresponding to individually significant exposures and a collective loss component established for groups of similar assets in respect of losses that have not yet been identified. The collective loss provision is determined based on historical data of default statistics for similar financial assets. At year end 2009, the provision for bad debt amounted to 4.8% (3.4) of gross total customer receivables.

The following tables present the gross value of trade, finance lease and other receivables by ageing category together with the related impairment provisions:

	2009		2008	
Trade receivables	**Gross**	**Impairment**	**Gross**	**Impairment**
Not past due	8 721	3	9 818	15
Past due but not impaired				
0–30 days	1 881		3 083	
31–60 days	725		1 103	
61–90 days	307		514	
More than 90 days	820		969	
Past due and individually impaired				
0–30 days	18	3	66	19
31–60 days	14	3	48	13
61–90 days	12	5	46	15
More than 90 days	345	246	352	237
Collective impairment		361		249
Total	**12 843**	**621**	**15 999**	**548**

The total estimated fair value of collateral for trade receivables was 809. Approximately 50% of collateral consisted of repossession rights and 50% of export credit insurance.

27. Continued

Finance lease receivables	2009 Gross	2009 Impairment	2008 Gross	2008 Impairment
Not past due	1 295	18	2 406	7
Past due but not impaired				
0–30 days	2		8	
31–60 days			3	
61–90 days			1	
More than 90 days			1	
Past due and individually impaired				
0–30 days	2	1		
31–60 days	2	1	2	2
61–90 days	1		1	1
More than 90 days	7	4	3	3
Total	**1 309**	**24**	**2 425**	**13**

Other financial receivables	2009 Gross	2009 Impairment	2008 Gross	2008 Impairment
Not past due	1 447	32	1 083	13
Past due but not impaired				
0–30 days	9			
31–60 days	1			
More than 90 days	3		35	
Past due and individually impaired				
0–30 days	13	4		
31–60 days	8	2		
61–90 days	7	4		
More than 90 days	74	40		
Total	**1 562**	**82**	**1 118**	**13**

The total estimated fair value of collateral to financial lease receivables and other financial receivables was 909 and 1 089, respectively, consisting primarily of repossession rights.

Provisions for bad debts, trade	2009	2008
Provisions at Jan. 1	548	346
Business acquisitions	3	1
Divestments	–	–3
Provisions recognized for potential losses	339	342
Amounts used for established losses	–172	–71
Release of unnecessary provisions	–82	–111
Translation differences	–15	44
Provisions at Dec. 31	**621**	**548**

Impairment of finance lease receivables	2009	2008
Provisions at Jan. 1	13	4
Provisions recognized for potential losses	30	13
Amounts used for established losses	–9	–2
Release of unnecessary provisions	–10	–2
Provisions at Dec. 31	**24**	**13**

Impairment of other financial receivables	2009	2008
Provisions at Jan. 1	13	13
Provisions recognized for potential losses	100	12
Amounts used for established losses	–6	–
Release of unnecessary provisions	–25	–13
Effect of foreign currency movement	–	2
Translation differences	–	–1
Provisions at Dec. 31	**82**	**13**

Group financial credit risk policy

Credit risk on financial transactions is the risk that the Group incurs losses as a result of non-payment by counterparts related to the Group's investments, bank deposits or derivative transactions.

a) Investment transactions

Efficient cash management systems should be maintained in order to minimize excess cash in the operations that cannot be invested or used to reduce interest-bearing debt. Cash may only be invested if the credit rating (as rated by Standard & Poor's or Moody's) of the counterpart or underlying investment is at least A-/A3 in case of financial counterparties, funds or sovereigns and BBB-/Baa3 in case of non-financial counterparties. Investments in complex financial products are not allowed even if they meet the rating criteria unless approved by the FRMC. Other criteria which are considered when investing include limiting the exposure with any single counterparty, the tenor and liquidity of the investment.

b) Derivative transactions

As part of the Group's management of financial risks, the Group enters into derivative transactions with financial counterparts. Such transactions may only be undertaken with approved counterparts for which credit limits have been established and with which ISDA (International Swaps and Derivatives Association) master agreements are in force. At year end 2009, the measured credit risk on financial transactions, taking into account the nominal value of the transaction, a time add-on, and the market value (if positive for Atlas Copco), amounted to 3 234 (5 144).

Derivative transactions may only be entered into by Group Treasury or, in rare cases by another entity, but only after the approval of Group Treasury. Atlas Copco uses derivatives only as hedging instruments and the policy allows only standardized instruments.

The table below shows the actual exposure of financial instruments as at December 31:

Financial credit risk	2009	2008
Trade receivables	12 222	15 451
Cash and cash equivalents	12 165	5 455
Held to maturity investments	404	374
Available-for-sale investments	549	713
Financial receivables	2 771	3 530
Unrealized derivative gains	1 463	4 058
Other	1 977	2 047
	31 551	**31 628**

Other financial market/price risk

In addition to the above mentioned risks, the Group's main financial market/price risks included the following as of December 31:

- The Group held 10 816 575 shares in RSC Holdings Inc. representing approximately 10.5% (10.5) of total shares. The shares are listed on the New York Stock Exchange (ref RRR). The market value of the shares, as of year end 2009, was approximately 549 (713), which exceeds the historic cost value by approximately 116 (248). These shares are classified as available-for-sale.
- Pension fund investments. The Group had funded defined pension benefit plan assets totaling 4 852 (4 863) at year end 2009. The pension investment policy gives guidelines regarding the investment of these funds and is as follows:
  - The assets should be invested with low risk (e.g. low-risk bonds or equity related instruments, preferably with a capital guarantee).
  - The investment portfolio should be diversified; that is, multiple products and issuers should be utilized. A maximum of 10% of the assets can be invested with one issuer. There are generally no limitations on government bonds.

27. Continued

The Group had a price risk on agreements with banks related to the share options and rights in the 2002 and 2003 share based incentive programs. These bank agreements matured in 2009.

Guarantees

At December 31, the Group had approximately 264 (280) of guarantees issued for the benefit of third parties, which is generally done to facilitate customer financing of sales of Group products. In connection with some commercial transactions, e.g. public bidding processes, the Group also provides performance and/or financial guarantees for its own account.

Capital management

Atlas Copco defines capital as borrowings and equity, which at December 31 totaled 49 638 (52 250). There are no external capital requirements imposed on the Atlas Copco Group.

The Board's policy is to maintain an adequate capital structure so as to maintain investor, creditor and market confidence and to support future development of the business. The Board's opinion is that the dividend over a business cycle should correspond to 40–50 % of earnings per share. The board has also in the recent years proposed, and the Annual General Meeting of the shareholders (AGM) has approved, a distribution of "excess" (in relation to e.g. rating and strategic objectives) equity to the shareholders through share redemptions, and share repurchases.

The Group's long-term interest-bearing debt has had the same A-/A3 ratings from Standard & Poor's and Moody's respectively since 1999. The short-term debt is rated A2/P2. The stability of long-term ratings has been an objective in connection with the significant cash distributions and share buy-backs made in 2006 and 2007. The outstanding loans of the Group at December 31 are shown in note 21.

Fair value of assets and liabilities

Fair values are based on market prices – or in the case that such prices are not available – derived from an assumed yield curve. Amounts shown are unrealized and will not necessarily be realized.

Due to the short time to maturity for trade receivables and trade liabilities, the carrying amount is considered to be the best approximation of fair value.

Level 1 includes all assets and liabilities to fair value where the instrument itself is quoted on an active market. As Atlas Copco only uses so called "plain vanilla" instruments (i.e. straight-forward, basic derivatives) in its hedging activities, all interest and currency rates used for valuation are directly observable in active markets. See also table below.

Valuation methods

Derivatives
Fair values of future contracts are calculated based on quoted market rates. Fair values of forward exchange contracts are calculated with the forward exchange rate while the fair values of standard currency options are based on the Garman & Kohlhagen option valuation model.

Interest-bearing liabilities
Fair values are calculated by using discounted cash flows and interest rates prevailing on the balance sheet date.

Finance leases
Fair values are based on present value of future cash flows discounted to the market rate for similar contracts.

There was no change in fair value estimated using a valuation technique and recognized in the income statement during 2009 and 2008.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2009	Level 1	Level 2	Total
Financial deposits	549		549
Derivatives		1 463	1 463
Financial assets	**549**	**1 463**	**2 012**
Derivatives		209	209
Financial liabilities	**–**	**209**	**209**

2008	Level 1	Level 2	Total
Financial deposits	713		713
Derivatives		4 058	4 058
Financial assets	**713**	**4 058**	**4 771**
Derivatives		2 518	2 518
Financial liabilities	**–**	**2 518**	**2 518**

Currency rates used in the financial statements

			Year-end rate		Average rate	
	Value	Code	2009	2008	2009	2008
Australia	1	AUD	6.43	5.36	5.98	5.56
Canada	1	CAD	6.87	6.30	6.68	6.21
EU	1	EUR	10.34	10.95	10.63	9.67
Hong Kong	100	HKD	92.92	99.84	98.55	84.81
United Kingdom	1	GBP	11.43	11.21	11.86	12.11
U.S.A.	1	USD	7.21	7.74	7.64	6.60

27. Continued

The Group's financial instruments per category

The following tables show the Group's financial instruments per category at December 31, 2009 and 2008:

2009 Financial Instruments – Assets	Derivatives used for hedge accounting	Financial assets held for trading	Loans and receivables	Held-to-maturity investments	Assets available for sale	Total carrying value	Fair value
Financial assets			1 460	185	549	2 194	2 194
Other receivables			10			10	10
Derivatives	1 298	10				1 308	1 308
Non-current financial assets	**1 298**	**10**	**1 470**	**185**	**549**	**3 512**	**3 512**
Trade receivables			12 212			12 212	12 212
Financial assets			1 311	219		1 530	1 530
Other receivables			1 793			1 793	1 793
Derivatives	109	46				155	155
Other accrued income			184			184	184
Cash and cash equivalents			12 165			12 165	12 165
Current financial assets	**109**	**46**	**27 665**	**219**	**–**	**28 039**	**28 039**
Financial assets	**1 407**	**56**	**29 135**	**404**	**549**	**31 551**	**31 551**

2008 Financial Instruments – Assets	Derivatives used for hedge accounting	Financial assets held for trading	Loans and receivables	Held-to-maturity investments	Assets available for sale	Total carrying value	Fair value
Financial assets			2 200	45	713	2 958	2 958
Other receivables			47			47	47
Derivatives	1 695	9				1 704	1 704
Non-current financial assets	**1 695**	**9**	**2 247**	**45**	**713**	**4 709**	**4 709**
Trade receivables			15 404			15 404	15 404
Financial assets			1 330	329		1 659	1 659
Other receivables			1 836			1 836	1 836
Derivatives	589	1 765				2 354	2 354
Other accrued income			211			211	211
Cash and cash equivalents			5 455			5 455	5 455
Current financial assets	**589**	**1 765**	**24 236**	**329**	**–**	**26 919**	**26 919**
Financial assets	**2 284**	**1 774**	**26 483**	**374**	**713**	**31 628**	**31 628**

27. Continued

2009 Financial Instruments – Liabilities	Derivatives used for hedge accounting	Financial liabilities held for trading	Other liabilities	Total carrying value	Fair value
Liabilities to credit institutions			21 008	21 008	21 933
Derivatives		33		33	33
Other liabilities			45	45	45
Non-current financial liabilities	**–**	**33**	**21 053**	**21 086**	**22 011**
Liabilities to credit institutions			815	815	815
Current portion of interest-bearing liabilities			2 144	2 144	2 605
Current financial interest-bearing liabilities	**–**	**–**	**2 959**	**2 959**	**3 420**
Derivatives	6	170		176	176
Other accrued expenses			3 695	3 695	3 695
Trade payables			4 678	4 678	4 678
Other liabilities			2 447	2 447	2 447
Current financial operating liabilities	**6**	**170**	**10 820**	**10 996**	**10 996**
Financial liabilities	**6**	**203**	**34 832**	**35 041**	**36 427**

2008 Financial Instruments – Liabilities	Derivatives used for hedge accounting	Financial liabilities held for trading	Other liabilities	Total carrying value	Fair value
Liabilities to credit institutions			26 997	26 997	27 890
Derivatives		76		76	76
Other liabilities			42	42	42
Non-current financial liabilities	**–**	**76**	**27 039**	**27 115**	**28 008**
Liabilities to credit institutions			1 327	1 327	1 327
Current portion of interest-bearing liabilities			158	158	158
Current financial interest-bearing liabilities	**–**	**–**	**1 485**	**1 485**	**1 485**
Derivatives	1 858	584		2 442	2 442
Other accrued expenses			4 158	4 158	4 158
Trade payables			6 415	6 415	6 415
Other liabilities			2 197	2 197	2 197
Current financial operating liabilities	**1 858**	**584**	**12 770**	**15 212**	**15 212**
Financial liabilities	**1 858**	**660**	**41 294**	**43 812**	**44 705**

28. Related parties

Relationships

The Group has related party relationships with the Company's largest shareholder, its associates and with its Board members and Group Management. The Company's largest shareholder, the Investor Group, controls approximately 22% of the voting rights in Atlas Copco.

The subsidiaries that are directly owned by the Parent Company are presented in note A22 to the financial statements of the Parent Company. Holding companies and operating subsidiaries are listed in note A23. Information about associated companies is found in note 14. Information about Board members and Group Management is presented on pages 124–126 and pages 128–130.

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 within 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 associates:

	2009	2008
Revenues	7	23
Goods purchased	43	103
Service purchased	31	30
At Dec. 31:		
Trade receivables	4	1
Trade payables	6	14
Guarantees	11	12

Compensation to key management personnel

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

29. Subsequent events

There have been no events subsequent to the balance sheet date which require adjustment of, or disclosure in, the financial statements or notes.

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 there is a significant risk 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 and certain trademarks are not amortized but are 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 the 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.

Management judgment is required in the area of asset impairment, particularly in assessing

- whether an event has occurred that may affect asset values,
- whether the carrying value of an asset can be supported by the net present value of future cash flows, which are estimated based upon the continued use of the asset in the business, and
- the appropriate assumptions to be applied in preparing cash flow projections.

Changing the assumptions selected by management to determine the level, if any, of impairment could affect the financial condition and results of operation.

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.

Credit loss reserves

The Group provides for credit losses based on specific provisions for known cases and collective 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. Additional information is included in section Credit Risk in note 27.

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. See note 16.

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 advisors 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.

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	2009	2008
Administrative expenses	A2	–330	–287
Other operating income	A3	146	223
Other operating expenses	A3	0	0
Operating loss		**–184**	**–64**
Financial income	A4	14 135	11 925
Financial expense	A4	–3 295	–7 311
Profit after financial items		**10 656**	**4 550**
Appropriations	A5	–	1 178
Profit before tax		**10 656**	**5 728**
Income tax	A6	–94	353
Profit for the year		**10 562**	**6 081**

Statement of Comprehensive Income

For the year ended December 31, Amounts in MSEK	Note	2009	2008
Profit for the year		**10 562**	**6 081**
Other comprehensive income			
Group contributions paid		–336	–1 300
Tax effect of Group contribution		88	364
Translation of net investment		1 352	–2 285
Other comprehensive income of the year, net of tax		**1 104**	**–3 221**
Total comprehensive income for the year	Page 82	**11 666**	**2 860**

Balance Sheet

As at December 31, Amounts in MSEK	Note	2009	2008
ASSETS			
Non-current assets			
Intangible assets	A7	39	28
Tangible assets	A8	19	7
Financial assets			
Deferred tax assets	A9	1 230	1 704
Shares in Group companies	A10	90 542	87 785
Other financial assets	A11	2 050	3 531
Total non-current assets		**93 880**	**93 055**
Current assets			
Income tax receivables		66	450
Other receivables	A12	5 327	11 617
Cash and cash equivalents	A13	9 264	3 587
Total current assets		**14 657**	**15 654**
TOTAL ASSETS		**108 537**	**108 709**
EQUITY	Page 82		
Restricted equity			
Share capital		786	786
Legal reserve		4 999	4 999
Total restricted equity		**5 785**	**5 785**
Non-restricted equity			
Reserve for fair value		–1 490	–2 842
Retained earnings		26 411	24 236
Profit for the year		10 562	6 081
Total non-restricted equity		**35 483**	**27 475**
TOTAL EQUITY		**41 268**	**33 260**
Untaxed reserves	A15	**–**	**–**
PROVISIONS			
Post-employment benefits	A16	72	55
Other provisions	A17	130	40
Total provisions		**202**	**95**
LIABILITIES			
Non-current liabilities			
Borrowings	A18	53 026	52 211
Other liabilities		33	76
Total non-current liabilities		**53 059**	**52 287**
Current liabilities			
Borrowings	A18	12 927	18 917
Other liabilities	A19	1 081	4 150
Total current liabilities		**14 008**	**23 067**
TOTAL EQUITY AND LIABILITIES		**108 537**	**108 709**
Assets pledged	A21	**47**	**29**
Contingent liabilities	A21	**248**	**411**

Statement of Changes in Equity

MSEK unless otherwise stated	Number of shares outstanding	Share capital	Legal reserve	Reserve for fair value –Translation reserve	Retained earnings	Total
Opening balance, Jan. 1, 2008	1 220 784 704	786	4 999	–557	29 282	34 510
Total comprehensive income for the year				–2 285	5 145	2 860
Dividends					–3 662	–3 662
Divestment of series B shares held by Atlas Copco AB	2 822 500				246	246
Acquisition of series A shares	–7 697 500				–699	–699
Share–based payment, equity settled						
– expense during the year					52	52
– exercise of options					–47	–47
Closing balance, Dec. 31, 2008	**1 215 909 704**	**786**	**4 999**	**–2 842**	**30 317**	**33 260**
Opening balance, Jan. 1, 2009	1 215 909 704	786	4 999	–2 842	30 317	33 260
Total comprehensive income for the year				1 352	10 314	11 666
Dividends					–3 648	–3 648
Share–based payment, equity settled						
– expense during the year					16	16
– exercise of options					–26	–26
Closing balance, Dec. 31, 2009	**1 215 909 704**	**786**	**4 999**	**–1 490**	**36 973**	**41 268**

See note A14 for additional information.

Statement of Cash Flows

For the year ended December 31, Amounts in MSEK	2009	2008
Cash flows from operating activities		
Operating loss	–184	–64
Adjustments for:		
Depreciation	7	3
Capital gain/loss and other non-cash items	0	–72
Operating cash surplus	–177	–133
Net financial items received/paid	6 029	5 888
Taxes paid	372	–177
Cash flow before change in working capital	**6 224**	**5 578**
Change in		
Operating receivables	1 369	–645
Operating liabilities	155	303
Change in working capital	**1 524**	**–342**
Net cash from operating activities	**7 748**	**5 236**
Cash flow from investing activities		
Investments in intangible assets	–14	–16
Investments in tangible assets	–16	–3
Investments in subsidiaries	–652	–7 270
Divestment of subsidiaries/repatriation of equity	1	13 491
Investments in financial assets	696	–754
Net cash from investing activities	**15**	**5 448**
Cash flow from financing activities		
Dividends paid	–3 648	–3 662
Repurchase of own shares, net	–	–453
Change in interest-bearing liabilities	1 562	–3 071
Net cash from financing activities	**–2 086**	**–7 186**
Net cash flow for the year	**5 677**	**3 498**
Cash and cash equivalents, Jan. 1	3 587	89
Net cash flow for the year	5 677	3 498
Cash and cash equivalents, Dec. 31	**9 264**	**3 587**

Notes to the 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 administrative functions, holding company functions as well as part of Group Treasury. In 2008, the Group function for administration of expatriates and benefits including post-employment benefits for such personnel was integrated into the Parent Company.

The financial statements of Atlas Copco AB have been prepared in accordance with the Swedish Annual Accounts Act and the recommendation RFR 2.2, "Accounting for Legal Entities", hereafter referred to as "RFR 2.2", issued by the Swedish Financial Reporting Board. In accordance with RFR 2.2, 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 RFR 2.2 due to Swedish tax legislation.

The financial statements are presented in Swedish kronor (SEK), rounded to the nearest million. The parent company´s accounting principles have been consistently applied to all periods presented unless otherwise stated. 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 sections.

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

Changes in accounting principles
According to RFR 2.2, the revised IAS 1 must be adopted for the Parent Company financial statements in 2010. The Parent Company adopted the revised IAS 1 in 2009. The early adoption resulted in items of income and expense that were previously recognized directly in equity now being reported in a separate statement that discloses these items as other comprehensive income.

This statement is named statement of comprehensive income and is presented after the income statement. The changes only affect the presentation of the financial statements. Prior periods have been restated.

Changes in IFRS 1 and in IAS 27 regarding the cost of an investment in a subsidiary was adopted prospectively as of January 1, 2009. In accordance with the new principle, all dividends are recorded as income in profit or loss. Prior years, dividends received reduced the carrying value of the shares to the extent these originate from profits which arose after the date of acquisition. Prior periods have not been restated.

Subsidiaries
Participations in subsidiaries are accounted for by the Parent Company at historical cost. The carrying amounts of participations in subsidiaries are reviewed for impairment in accordance with IAS 36, Impairment of Assets. See the Group's accounting policies, Impairment, for further details.

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

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 profit or loss as they occur.

Share-based payments
The share-based payments that the Parent Company has granted to employees in the Parent Company are accounted for using the same principle as described in note 1 in the consolidated financial statements.

The share-based payments that the Parent Company has granted to employees in subsidiaries are not accounted for as an employee expense in the Parent Company, but as an increase of Shares in Group companies. This increase is accrued over the same period as in the Group and with a corresponding increase in Equity for equity-settled programs and as an increase in liabilities for cash-settled programs.

Financial guarantees
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 recorded.

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 remeasured 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 consolidated financial statements, 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 are classified as dividends and included in profit or loss together with the related tax. Group contributions paid by the Parent Company are debited directly to equity, net of tax.

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 and remunerations to auditors

Average number of employees	2009			2008		
	Women	Men	Total	Women	Men	Total
Sweden	50	46	96	52	44	96

Women in Atlas Copco Board and Management, %	2009	2008
Board of Directors excl. union representatives	33	33
Group Management	25	25

Salaries and other remuneration	2009		2008	
	Board members & Group Management[1)]	Other employees	Board members & Group Management[1)]	Other employees
Sweden	53	73	46	60
of which variable compensation	21		15	

[1)] Includes 8 (9) Board members who receive fees from Atlas Copco AB as well as the President and CEO and 6 (6) members of Group Management who are employed by and receive salary and other remuneration from the Company.

For information regarding remuneration and other fees for members of the Board, the President and CEO, and other members of the Group Management, see note 5 to the consolidated financial statements.

Pension benefits and other social costs	2009	2008
Contractual pension benefits for Board Members and Group Management	8	8
Contractual pension benefits for other employees	21	18
Other social costs	51	55
	80	**81**
Capitalized pension obligations to Board Members and Group Management	22	24

Absence due to illness, %	2009	2008
Total	1.0	1.8
for men	0.7	0.8
for women	1.2	2.6
long-term absence due to illness, in percent of total absence	–	52.9
Absence due to illness, men		
employees under 30 years old	3.6	0.3
employees 30–49 years old	0.5	1.4
employees 50 years and older	0.4	0.3
Absence due to illness, women		
employees under 30 years old	0.5	3.3
employees 30–49 years old	1.2	1.9
employees 50 years and older	1.9	3.1

Remunerations to auditors

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

	2009	2008
KPMG AB		
– Audit fee	6	6
– Other	1	2
	7	**8**

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

A3. Other operating income and expenses

	2009	2008
Commissions received	139	199
Exchange-rate differences	7	19
Other	0	5
Total other operating income	**146**	**223**
Total other operating expenses	**0**	**0**

A4. Financial income and expense

	2009	2008
Financial income		
Interest income		
– bank deposits	148	30
– Group companies	673	704
Dividend income from Group companies	8 241	5 670
Group contribution	1 976	2 897
Change in fair value		
– financial assets to fair value through profit or loss	550	1 086
– ineffective part of fair value hedge	47	–
Capital gain		
– gain on repatriation of subsidiary equity	–	1 538
– gain on divestment of shares in Group companies	2 500	–
Financial income	**14 135**	**11 925**
Financial expense		
Interest expense		
– financial liabilities measured at amortised cost	–1 019	–1 240
– liabilities to fair value through profit or loss	–	–36
– derivatives for fair value hedge	198	–
– Group companies	–1 849	–2 398
– pension provision, net	–1	–2
Foreign exchange loss	–19	–1 960
Change in fair value		
– financial assets to fair value through profit or loss	–8	–49
– ineffective part of fair value hedge	–	–33
– related to other liabilities	–487	–1 583
Impairment loss		
– writedown of shares in Group companies	–109	–
– financial assets	–1	–10
Financial expense	**–3 295**	**–7 311**
Net finance income	**10 840**	**4 614**

The above financial income and expenses include the following in respect of assets (liabilities) not at fair value through profit or loss:

	2009	2008
Total interest income on financial assets	821	734
Total interest expense on financial liabilities	–2 868	–3 276

The following table presents the net gain or loss by financial instrument category:

	2009	2008
Net gain/loss on		
– financial assets to fair value through profit or loss	542	1 001
– loans and receivables, incl bank deposits	801	734
– other liabilities	–3 355	–7 183
– fair value hedge	245	–33
Profit from shares in Group companies	12 607	10 095
	10 840	**4 614**

The Parent Company hedges a substantial part of the interest rate risk in its debt, which increases the amount of assets to fair value. The decrease in value of these in 2009 is mainly due to their shorter time to maturity. For further information on the hedges, see note 27 of the consolidated statements, section Hedge Accounting.

The capital gain of 2 500 in 2009 results from an intra-group sale of shares. In 2008, capital was repatriated from subsidiaries in the EU which resulted in a foreign exchange gain of 1 538.

A5. Appropriations

	2009	2008
Appropriations	–	1 178
	–	**1 178**

If the Parent Company reported deferred tax on appropriations as reported in the consolidated accounts, deferred tax would have amounted to – (330).

A6. Income tax

	2009	2008
Current tax	–12	–30
Deferred tax	–82	383
	–94	**353**
The Swedish corporate tax rate, %	26.3	28.0
Profit before taxes	10 656	5 728
National tax based on profit before taxes	–2 803	–1 604
Tax effects of:		
Non-deductible expenses	–55	–44
Tax exempt income	2 824	2 112
Prior year adjustment, deferred tax	2	–
Imputed interest on tax allocation reserve	–	–10
Controlled Foreign Company taxation	–50	–36
Change in tax rate, deferred tax	–	–45
Adjustments from prior years	–12	–20
	–94	**353**
Effective tax in %	**0.9**	**–6.2**

The Parent Company's effective tax rate of 0.9% (–6.2%) is primarily affected by non-taxable dividends and a non-taxable capital gain on intra-group sale of shares.

A7. Intangible assets

	Capitalized expenditures for computer programs	
	2009	2008
Accumulated cost		
Opening balance, Jan. 1	28	12
Investments	14	16
Closing balance, Dec. 31	**42**	**28**
Accumulated depreciation		
Opening balance, Jan. 1	0	0
Depreciation for the year	3	0
Closing balance, Dec. 31	**3**	**0**
Carrying amount		
Closing balance, Dec. 31	39	28
Opening balance, Jan 1	28	12

A8. Tangible assets

	2009				2008			
	Land improvements	Equipment, etc.	Construction in progress	Total	Land improvements	Equipment, etc.	Construction in progress	Total
Accumulated cost								
Opening balance, Jan. 1	4	30	–	34	4	28	–	32
Investments	–	7	9	16	–	3	–	3
Disposals	–	0	–	0	–	–1	–	–1
Closing balance, Dec. 31	**4**	**37**	**9**	**50**	**4**	**30**	**–**	**34**
Accumulated depreciation								
Opening balance, Jan. 1	1	26	–	27	1	23	–	24
Depreciation for the year	2	2	–	4	0	3	–	3
Disposals	–	0	–	0	–	0	–	0
Closing balance, Dec. 31	**3**	**28**	**–**	**31**	**1**	**26**	**–**	**27**
Carrying amount								
Closing balance, Dec. 31	1	9	9	19	3	4	–	7
Opening balance, Jan. 1	3	4	–	7	3	5	–	8

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 16 (16). Future payments for non-cancelable leasing contracts amounted to 191 (200) and fall due as follows:

	2009	2008
Less than one year	15	16
Between one and five years	64	64
More than five years	112	120
	191	**200**

The Parent Company has no leases which have been classified as finance leases.

A9. Deferred tax assets and liabilities

	2009			2008		
	Assets	Liabilities	Net balance	Assets	Liabilities	Net balance
Fixed assets	0	–	0	0	–	0
Tax loss carryforwards	488	–	488	367	–	367
Post-employment benefits	18	–	18	16	–	16
Other provisions	6	–	6	1	–	1
Non-current liabilities	718	–	718	1 321	1	1 320
	1 230	**–**	**1 230**	**1 705**	**1**	**1 704**

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

	2009	2008
Net balance, Jan. 1	1 704	132
Charges to equity	–392	1 189
Charges to profit for the year	–82	383
Net balance, Dec. 31	**1 230**	**1 704**

A10. Shares in Group companies

	2009	2008
Accumulated cost		
Opening balance, Jan. 1	88 199	95 556
Investments	–	57
Net investment hedge	–375	708
Shareholders' contribution	15 917	15 409
Disposals	–12 676	–25
Repatriation of equity	–	–23 506
Closing balance, Dec. 31	**91 065**	**88 199**
Accumulated write-up		
Opening balance, Jan. 1	600	600
Closing balance, Dec. 31	**600**	**600**
Accumulated write-down		
Opening balance, Jan. 1	–1 014	–1 004
Write-down	–109	–10
Closing balance, Dec. 31	**–1 123**	**–1 014**
	90 542	**87 785**

For further information about Group companies, see note A22.

A11. Other financial assets

	2009	2008
Receivables from Group companies	687	1 786
Other long-term securities	1	5
Derivatives		
– not designated for hedge accounting	10	9
– designated for hedge accounting	1 298	1 695
Endowment insurances	47	29
Other long-term receivables	7	7
	2 050	**3 531**

Endowment insurances relate to defined contribution pension plans and are pledged to the pension beneficiary (see note A16 and A21).

A12. Other receivables

	2009	2008
Receivables from Group companies	5 120	9 311
Derivatives		
– not designated for hedge accounting	33	2 236
– designated for hedge accounting	109	–
Other receivables	16	20
Prepaid expenses and accrued income	49	50
	5 327	**11 617**

A13. Cash and cash equivalents

	2009	2008
Cash	272	149
Cash equivalents	8 992	3 438
	9 264	**3 587**

The Parent Company's guaranteed, but unutilized, credit lines equalled 7 206 (7 738).

A14. Equity

Shares outstanding 2009 and 2008	A shares	B shares	Total
Opening balance, Jan. 1	839 394 096	390 219 008	1 229 613 104
Total shares outstanding, Dec. 31	**839 394 096**	**390 219 008**	**1 229 613 104**
– of which held by Atlas Copco AB	–11 275 000	–2 428 400	–13 703 400
Total shares outstanding, net of shares held by Atlas Copco AB	**828 119 096**	**387 790 608**	**1 215 909 704**

The Parent Company's share capital amounted to SEK 786 008 190 distributed among 1 229 613 104 shares, each with a quota value of approximately SEK 0.64 (0.64). 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	
	2009	2008	2009	2008
Opening balance, Jan. 1	13 703 400	8 828 400	1 211	704
Sales of B shares		–2 822 500		–192
Repurchase of A shares		7 697 500		699
Closing balance, Dec. 31	**13 703 400**	**13 703 400**	**1 211**	**1 211**
Percentage of total number of shares	1.1%	1.1%		

The 2009 Annual General Meeting approved a mandate to repurchase on one or more occasions a maximum of 5 570 000 series A shares on the NASDAQ OMX Stockholm to be able to fulfill the obligations under the performance stock option plan 2009 and in relation to the synthetic shares offered as part of the Board remuneration. The AGM also approved a mandate to sell a maximum of 1 445 000 series B shares held by Atlas Copco on NASDAQ OMX Stockholm on one or more occasions to cover costs, including social insurance charges, cash settlements, or performance of alternative incentive solutions in countries where allotment of employee stock options is unsuitable, in accordance with the obligations in the 2006 and 2007 performance-based employee stock option plans. The mandates are valid until the AGM 2010. No shares were repurchased or divested in 2009.

The 2008 AGM approved a resolution to repurchase a maximum of 10% of the total number of shares issued by Atlas Copco on the NASDAQ OMX Stockholm. This mandate was valid until the 2009 AGM. Share repurchases of 4 875 000 series A shares were made during the third quarter 2008 for the specific purpose of covering the commitments under the 2008 personnel stock option program and in relation to the synthetic shares offered as part of the Board remuneration. The 2007 AGM approved a mandate to sell series B shares held by Atlas Copco and purchase series A shares which was executed in 2007 and 2008 where 2 822 500 shares were sold and purchased in accordance with this resolution in the first quarter 2008.

The series A shares are held for possible delivery under the 2006, 2007 and 2008 personnel stock option programs.

The total number of shares of series A and series B held by Atlas Copco are presented in the preceding table. The series B shares held can be divested over time to cover costs related to the personnel stock option programs.

A14. Continued

Reserves
The Parent Company's equity includes certain reserves which are described as follows:

Legal reserve
The legal reserve is a part of the restricted equity and is not available for distribution.

Reserve for fair value
The reserve consists of exchange rate fluctuations relating to net investments in foreign subsidiaries net after tax.

Appropriation of profit
The Board of Directors proposes a dividend of SEK 3.00 (3.00) totaling SEK 3 647 729 112 (3 647 729 112). For further information see appropriation of profit on page 97.

The proposed dividend for 2008 of SEK 3.00 totaling 3 647 729 112 as approved by the AGM on April 27, 2009 was accordingly paid by the Parent Company.

A15. Untaxed reserves

	2009	2008
Additional tax depreciation equipment	–	–
Tax allocation reserves	–	–
	–	**–**

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.

The untaxed reserves from 2007 were reversed through profit or loss in 2008.

A16. Post-employment benefits

	2009			2008		
	Defined contribution pension plan	Defined benefit pension plan	Total	Defined contribution pension plan	Defined benefit pension plan	Total
Opening balance, Jan. 1	29	26	55	23	29	52
Provision made	18	–	18	6	–	6
Provision used	–	–1	–1	–	–3	–3
Closing balance, Dec. 31	**47**	**25**	**72**	**29**	**26**	**55**

The Parent Company has endowment insurances of 47 (29) relating to defined contribution pension plans. The insurances are recognized as other financial assets, and pledged to the pension beneficiary.

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 trust. The second 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 relates to retired former senior employees. These pension arrangements are provided for.

A16. Continued

	2009			2008		
	Funded pension	Unfunded pension	Total	Funded pension	Unfunded pension	Total
Defined benefit obligations	132	25	157	144	26	170
Fair value of plan assets	–185	–	–185	–174	–	–174
Present value of net obligations	–53	25	–28	–30	26	–4
Not recognized surplus	53	–	53	30	–	30
Net amount recognized in balance sheet	**–**	**25**	**25**	**–**	**26**	**26**

Reconciliation of defined benefit obligations	Funded pension	Unfunded pension	Total	Funded pension	Unfunded pension	Total
Defined benefit obligations at Jan. 1	144	26	170	145	30	175
Service cost	2	–	2	2	–	2
Interest expense	4	1	5	4	1	5
Other changes in obligations	–5	–	–5	6	–	6
Benefits paid from plan	–13	–2	–15	–13	–5	–18
Defined benefit obligations at Dec. 31	**132**	**25**	**157**	**144**	**26**	**170**

Reconciliation of plan assets	Funded pension	Unfunded pension	Total	Funded pension	Unfunded pension	Total
Fair value of plan assets at Jan. 1	174	–	174	187	–	187
Return on plan assets	11	–	11	–13	–	–13
Payments	–	–	–	–	–	–
Fair value of plan assets at Dec. 31	**185**	**–**	**185**	**174**	**–**	**174**

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.

	2009	2008
Pension commitments provided for in the balance sheet		
Costs excluding interest	14	12
Interest expense	1	2
	15	**14**
Pension commitments provided for through insurance contracts		
Service cost	15	14
	15	**14**
Reimbursement from the Atlas Copco pension trust	–	–
	–	**–**
Net cost for pensions, excluding taxes	**30**	**28**
Special employer´s contribution	9	8
Credit insurance costs	0	0
	39	**36**

Pension expenses for the year included within administrative expenses amounted to 29 (26) of which the Board members and Group Management 8 (8) and others 21 (18).

The Parent Company’s share in plan assets fair value in the Atlas Copco pension trust amount to 185 (174) and are allocated as follows:

	2009	2008
Equity securities	26	40
Bonds	152	122
Other financial assets	–	5
Cash and cash equivalents	7	7
	185	**174**

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

The return on plan assets in the Atlas Copco pension trust amounted to 6.4% (–6.0).

The Parent Company adheres to the actuarial assumptions used by The Swedish Pension Registration Institute (PRI) i.e. discount rate 3.9% (5.7).

The Parent Company estimates 12 will be paid to defined benefit pension plans during 2010.

A17. Other providers

	2009	2008
Opening balance, Jan. 1	40	86
During the year		
– provisions made	107	1
– provisions used	–17	–33
– provisions reversed	–	–14
Closing balance, Dec. 31	**130**	**40**

Other provisions include primarily provisions for costs related to employee option programs accounted for in accordance with IFRS 2 and UFR 7.

A18. Borrowings

	2009	Notional amount	2008	Notional amount
Non-current borrowings				
Medium Term Note Program	10 768	10 153	11 067	10 513
Other bond loans	7 257	6 738	8 213	7 163
Other bank loans	3 656	3 656	5 656	5 656
Non-current borrowings from Group companies	33 345	33 345	27 275	27 275
Less current portion of bank loans	–2 000	–2 000	–	–
	53 026	**51 892**	**52 211**	**50 607**
Current borrowings				
Current portion of bank loans	2 000	2 000	–	–
Short-term loans	166	166	29	29
Current borrowings from Group companies	10 761	10 761	18 888	18 888
	12 927	**12 927**	**18 917**	**18 917**
Total interest-bearing loans and borrowings	**65 953**	**64 819**	**71 128**	**69 524**

A19. Other liabilities

	2009	2008
Accounts payable	18	18
Liabilities to Group companies	500	1 209
Derivatives		
– not designated for hedge accounting	165	582
– designated for hedge accounting	6	1 858
Other liabilities	4	3
Accrued expenses and prepaid income	388	480
	1 081	**4 150**

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

A20. Financial exposure and principles for control of financial risks

Parent Company borrowings

Atlas Copco AB had MSEK 21 847 (24 965) of external borrowings and MSEK 44 106 (46 163) of internal borrowings at December 31, 2009. Derivative instruments are used to manage the currency and interest rate risk in line with policies set by the Financial Risk Management Committee, see note 27 in the consolidated statements.

2009 Maturity	Fixed	Float	Carrying amount	Notional amount
2010	–	2 167	2 167	2 167
2011	–	–	–	–
2012	–	2 799	2 799	2 640
2013	–	–	–	–
2014	–	7 976	7 976	7 521
2015	–	943	943	943
2016	–	705	705	705
2017	1 571	4 713	6 284	5 765
2018	–	–	–	–
Later years	973	–	973	973
	2 544	**19 303**	**21 847**	**20 714**

Hedge accounting

The Parent Company hedges shares in subsidiaries using deferral hedge accounting of loans of MEUR 913 and MUSD 142.5 and a fair value hedge using derivatives of MEUR 556 (547). The deferral hedge accounting is based on a RFR 2.2 exemption.

Internal loans of MEUR 3 214 (2 514) have reduced the net investment in a foreign operation. The effect of the change in the exchange rate, which as of the reporting date amounted to MSEK –1 490 (–2 842) net of tax, has been recognized in equity.

The interest rate risk is managed with interest rate swaps, designated as fair value hedges. Note 27 of the consolidated statements includes fair value of these swaps and further details.

Financial credit risk

Credit risk on financial transactions is the risk that the Parent Company incurs losses as a result of non-payment by counterparts related to the Parent Company's investments, bank deposits or derivative transactions. For further information regarding investment and derivative transactions, see Note 27 of the consolidated statements.

The table below shows the actual exposure of financial instruments as at December 31:

Financial credit risk	2009	2008
Cash and cash equivalents	9 264	3 587
Receivables from Group companies	5 807	11 097
Unrealized derivative gains	1 450	3 940
Other	76	61
	16 597	**18 685**

A20. Continued

Valuation methods

Derivatives

Fair value of futures contracts are calculated based on quoted marketrates. Fair values of forward exchange contracts are calculated with the forward exchange rate while the fair values of standard currency options are based on the Garman & Kohlhagen option valuation model.

Interest-bearing liabilities

Fair values are calculated by using discounted cash flows and interest rates prevailing on the balance sheet date.

Fair value hierarchy

The table below analyses financial Instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2009	Level 1	Level 2	Total	2008	Level 1	Level 2	Total
Derivatives		1 450	1 450	Derivatives		3 940	3 940
Financial assets	**–**	**1 450**	**1 450**	**Financial assets**	**–**	**3 940**	**3 940**
Derivatives		204	204	Derivatives		2 516	2 516
Financial liabilities	**–**	**204**	**204**	**Financial liabilities**	**–**	**2 516**	**2 516**

The Parent Company's financial instruments per category

The following tables show the Parent Company's financial instruments per category as of December 31, 2009 and 2008:

2009 Financial instruments – assets	Derivatives used for hedge accounting	Financial assets held for trading	Loans and receivables	Total carrying value	Fair value
Financial assets			55	55	55
Derivatives	1 298	10		1 308	1 308
Long-term receivables from Group companies			687	687	687
Non-current financial assets	**1 298**	**10**	**742**	**2 050**	**2 050**
Other receivables			16	16	16
Derivatives	109	33		142	142
Other accrued income			5	5	5
Cash and cash equivalents			9 264	9 264	9 264
Short-term receivables from Group companies			5 120	5 120	5 120
Current financial receivables	**109**	**33**	**14 405**	**14 547**	**14 547**
Financial assets	**1 407**	**43**	**15 147**	**16 597**	**16 597**

2008 Financial instruments – assets	Derivatives used for hedge accounting	Financial assets held for trading	Loans and receivables	Total carrying value	Fair value
Financial assets			41	41	41
Derivatives	1 695	9		1 704	1 704
Long-term receivables from Group companies			1 786	1 786	1 786
Non-current financial assets	**1 695**	**9**	**1 827**	**3 531**	**3 531**
Other receivables			19	19	19
Derivatives		2 236		2 236	2 236
Cash and cash equivalents			3 587	3 587	3 587
Short-term receivables from Group companies			9 311	9 311	9 311
Current financial receivables	**–**	**2 236**	**12 917**	**15 153**	**15 153**
Financial assets	**1 695**	**2 245**	**14 744**	**18 684**	**18 684**

A20. Continued

2009 Financial instruments – liabilities	Derivatives used for hedge accounting	Financial liabilities held for trading	Other liabilities	Total carrying value	Fair value
Liabilities to credit institutions			19 681	19 681	21 608
Derivatives		33		33	33
Long-term liabilities to Group companies			33 345	33 345	33 345
Non-current financial liabilities	**–**	**33**	**53 026**	**53 059**	**54 986**
Liabilities to credit institutions			2 000	2 000	2 000
Short-term liabilities to Group companies			10 761	10 761	10 761
Current financial interest-bearing liabilities	**–**	**–**	**12 761**	**12 761**	**12 761**
Derivatives	6	165		171	171
Other accrued expenses			388	388	388
Trade payables			18	18	18
Other liabilities			504	504	504
Current financial operating liabilities	**6**	**165**	**910**	**1 081**	**1 081**
Financial liabilities	**6**	**198**	**66 697**	**66 901**	**68 828**

2008 Financial instruments – liabilities	Derivatives used for hedge accounting	Financial liabilities held for trading	Other liabilities	Total carrying value	Fair value
Liabilities to credit institutions			24 936	24 936	27 286
Derivatives		76		76	76
Long-term liabilities to Group companies			27 275	27 275	27 275
Non-current financial liabilities	**–**	**76**	**52 211**	**52 287**	**54 637**
Liabilities to credit institutions			29	29	29
Short-term liabilities to Group companies			18 888	18 888	18 888
Current financial interest-bearing liabilities	**–**	**–**	**18 917**	**18 917**	**18 917**
Derivatives	1 858	582		2 440	2 440
Other accrued expenses			480	480	480
Trade payables			18	18	18
Other liabilities			1 212	1 212	1 212
Current financial operating liabilities	**1 858**	**582**	**1 710**	**4 150**	**4 150**
Financial liabilities	**1 858**	**658**	**72 838**	**75 354**	**77 704**

A21. Assets pledged and contingent liabilities

	2009	2008
Assets pledged for pension commitments		
Endowment insurances	47	29
	47	**29**
Contingent liabilities		
Sureties and other contingent liabilities		
– for external parties	3	3
– for Group companies	245	408
	248	**411**

Sureties and other contingent liabilities include bank and commercial guarantees as well as performance bonds.

A22. Directly owned subsidiaries

	2009			2008		
	Number of shares	Percent held	Carrying value	Number of shares	Percent held	Carrying value
Directly owned product companies						
Atlas Copco Airpower N.V. Wilrijk, Belgium	76 415	100	45 785	76 415	100	45 778
Atlas Copco Construction Tools AB, 556069-7228, Nacka	60 000	100	108	60 000	100	105
Atlas Copco Craelius AB, 556041-2149, Märsta	200 000	100	28	200 000	100	24
Atlas Copco MAI GmbH, Feistritz an der Drau	1	100	129	1	100	129
Atlas Copco Rock Drills AB, 556077-9018, Örebro	1 000 000	100	375	1 000 000	100	363
Atlas Copco Secoroc AB, 556001-9019, Fagersta	2 325 000	100	149	2 325 000	100	144
Directly owned customer centers						
Atlas Copco (Cyprus) Ltd., Nicosia	99 998	100	0	99 998	100	0
Atlas Copco Argentina S.A.C.I., Buenos Aires	525 000	75/100[1)]	11	525 000	75/100[1)]	11
Atlas Copco (India) Ltd., Mumbai	18 899 360	84	596	18 899 360	84	593
Atlas Copco (Ireland) Ltd., Dublin	250 000	100	37	250 000	100	37
Atlas Copco (Malaysia), Sdn. Bhd., Kuala Lumpur	1 000 000	100	13	1 000 000	100	12
Atlas Copco (Philippines) Inc., Paranaque	121 995	100	4	121 995	100	3
Atlas Copco (Switzerland) AG., Studen/Biel	8 000	100	13	8 000	100	13
GreenField Brazil Ltda	5 997	100	4	5 997	100	4
Rodcraft Sarl, Switzerland			–	1	100	1
Atlas Copco (South East Asia) Pte.Ltd., Singapore	1 500 000	100	5	1 500 000	100	5
Atlas Copco Brasil Ltda., Sao Paulo	22 909 089	100	227	22 909 089	100	227
Atlas Copco Chilena S.A.C., Santiago de Chile	24 998	100	7	24 998	100	6
Atlas Copco CMT Sweden AB, 556100-1453, Nacka	103 000	100	12	103 000	100	11
Atlas Copco Compressor AB, 556155-2794, Nacka	60 000	100	11	60 000	100	11
Atlas Copco Customer Finance Chile Ltd., Santiago de Chile	6 317 500	95/100[1)]	0	6 317 500	95/100[1)]	0
GreenField AG, Studen/Biel	5 997	100	37	5 997	100	36
Atlas Copco Equipment Egypt S.A.E., Cairo	5	0/100[1)]	1	5	0/100[1)]	1
Atlas Copco Ges.m.b.H., Vienna	1	100	6	1	100	6
Atlas Copco Iran AB, 556155-2760, Nacka	3 500	100	1	3 500	100	1
Atlas Copco Eastern Africa Ltd., Nairobi	482 999	100	5	482 999	100	5
Atlas Copco KK, Tokyo	375 001	100	25	375 001	100	25
Atlas Copco Kompressorteknik A/S, Copenhagen	4 000	100	3	4 000	100	3
Atlas Copco Maroc SA., Casablanca	3 854	96	1	3 854	96	1
Atlas Copco Services Middle East OMC, Bahrain	500	100	2	500	100	2
Atlas Copco Venezuela S.A., Caracas	38 000	100	15	38 000	100	15
BEMT Tryckluft AB, 556273-1801, Staffanstorp	1 500	100	0	1 500	100	36
BIAB Tryckluft AB, 556439-1208, Ludvika	5 000	100	1	5 000	100	6
CP Scanrotor Aktiebolag, 556103-0080, Tanum	1 500	100	2	1 500	100	2
Servatechnik AG., Oftringen	3 500	100	28	3 500	100	28
Soc. Atlas Copco de Portugal Lda., Lisbon	1	100	23	1	100	23
AGRE Kompressoren GmbH, Garsten-St. Ulrich	200 000	100	29	200 000	100	29

A22. Continued

	2009			2008		
	Number of shares	Percent held	Carrying value	Number of shares	Percent held	Carrying value
Directly owned holding companies and others						
Atlas Copco A/S, Langhus	2 498	100	16	2 498	100	16
Atlas Copco Beheer b.v., Zwijndrecht	15 712	100	637	15 712	100	626
Atlas Copco Dynapac AB, 556655-0413, Nacka	86 993 823	100	5 298	86 993 823	100	4 677
Atlas Copco Finance Belgium bvba	1	0/100[1)]	0	–	–	–
Atlas Copco Finance Europe n.v., Belgium	1	0/100[1)]	0	4 200 000	100	12 675
Atlas Copco France Holding S.A., St. Ouen l'Áumône	278 255	100	172	278 255	100	168
Atlas Copco Holding GmbH, Essen	1	100	269	1	100	268
Atlas Copco Industrial Technique AB, 556207-8898, Nacka	40 000	100	5	40 000	100	5
Atlas Copco Järla Holding AB, 556062-0212, Nacka	95 000	100	20 550	95 000	100	5 368
Atlas Copco Lugnet Treasury AB, 556277-9537, Nacka	700 500	100	718	700 500	100	717
Atlas Copco Nacka Holding AB, 556397-7452, Nacka	100 000	100	12	100 000	100	12
Atlas Copco Reinsurance SA, Luxembourg	4 999	100	16	4 999	100	16
Atlas Copco Sickla Holding AB, 556309-5255, Nacka	1 000	100	10 590	1 000	100	10 547
Atlas Copco UK Holdings Ltd., Hemel Hempstead	50 623 666	100	297	50 623 666	100	297
Atlas Copco USA Holdings Inc., Pine Brook, NJ	100	100	3 353	100	100	3 337
CP Scanrotor Global AB, 556337-5897, Tanum	1 000	100	0	1 000	100	21
Econus S A, Montevideo	21 582 605	100	16	21 582 605	100	63
Industria Försäkrings AB, 516401-7930, Nacka	300 000	100	30	300 000	100	30
Gulf Turbomachinery, Dubai	6	50/100[1)]	3	6	50/100[1)]	3
Oy Atlas Copco AB, Vantaa	150	100	30	150	100	30
Power Tools Distribution n.v., Hoeselt	1	0/100[1)]	0	1	0/100[1)]	0
14 dormant companies		100	16		100	16
Net investment hedge			821			1 197
Carrying amount, Dec. 31			**90 542**			**87 785**

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

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 22% of the voting rights in Atlas Copco AB.

The subsidiaries that are directly owned by the Parent Company are presented in note A22 and all directly and indirectly owned operating subsidiaries are listed on the following pages.

Information about Board Members and Group Management is presented on pages 124–126 and 128–130.

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 Group companies:

	2009	2008
Revenues		
Dividends	8 241	5 670
Group contribution	1 976	2 897
Interest income	673	704
Expenses		
Group contribution	–336	–1 300
Interest expenses	–1 849	–2 398
Receivables	5 807	11 097
Liabilities	44 606	47 372
Guarantees	245	408

A23. Continued

The following details directly and indirectly owned holding and operational subsidiaries (excluding branches), presented by country of incorporation.

Country	Company	Location (City)
Algeria	SPA Atlas Copco Algérie	*Alger*
Angola	Atlas Copco Angola Lda	*Luanda*
Argentina	Atlas Copco Argentina S.A.C.I	*Buenos Aires*
	Atlas Copco Servicios Mineros S.A.	*Buenos Aires*
Australia	Atlas Copco South Pacific Holdings Pty Ltd	*Blacktown*
	Atlas Copco Australia Pty Ltd	*Blacktown*
	Atlas Copco Customer Finance Australia Pty Ltd	*Blacktown*
Austria	AGRE Kompressoren GmbH	*St Ulrich*
	Atlas Copco MAI GmbH	*Feistritz An Der Drau*
	Atlas Copco Ges.m.b.H.	*Wien*
Bahrain	Atlas Copco Services Middle East OMC	*Bahrain*
Bangladesh	Atlas Copco Bangladesh Ltd	*Dhaka*
Belgium	Power Tools Distribution n.v.	*Tongeren*
	Atlas Copco ASAP n.v.	*Wilrijk*
	Atlas Copco Rental Europe n.v.	*Rumst*
	CP Benelux n.v.	*Hoeselt*
	Atlas Copco Finance Europe n.v.	*Wilrijk*
	Atlas Copco Finance Belgium bvba	*Wilrijk*
	Atlas Copco Airpower n.v.	*Wilrijk*
	International Compressor Distribution	*Wilrijk*
	Atlas Copco Belgium n.v.	*Overijse*
Bolivia	Atlas Copco Boliviana SA	*La Paz*
Bosnia Herzegovina	Atlas Copco BH d.o.o.	*Sarajevo*
Botswana	Atlas Copco (Botswana) (Pty) Ltd	*Gaborone*
Brazil	Atlas Copco Brasil Ltda	*Sao Paulo*
	Dynapac Brasil Industria e Comercio Ltda	*Sao Paolo*
	Chicago Pneumatic Brasil Ltda	*Sao Paulo*
Bulgaria	Atlas Copco Lifton EOOD	*Ruse*
	Atlas Copco Bulgaria EOOD	*Sofia*
	ALUP Compressors Bulgaria OOD Ltd	*Sofia*
Canada	Atlas Copco Canada Inc.	*Lasalle*
	Chicago Pneumatic Tool Co. Canada Ltd	*Toronto*
Chile	Atlas Copco Customer Finance Chile Ltda	*Santiago*
	Atlas Copco Chilena S.A.C.	*Santiago*
China	Atlas Copco (China) Investment Co Ltd	*Shanghai*
	Atlas Copco (Nanjing) Construction and Mining Equipment Ltd	*Nanjing*
	Atlas Copco (Shanghai) Process Equipment Co Ltd	*Shanghai*
	Atlas Copco (Wuxi) Compressor Co Ltd	*Wuxi*
	Atlas Copco (Wuxi) Research and Development Center Co Ltd	*Wuxi*
	Atlas Copco (Zhangjiakou) Construction & Mining Equipment Ltd	*Zhangjiakou*
	Dynapac (China) Compaction & Paving Eq Co Ltd	*Tianjin*
	Tooltec (Qingdao) Tool Co Ltd	*Qingdao*
	Atlas Copco (Shenyang) Construction and Mining Equipment Ltd	*Shenyang*
	Atlas Copco (Wuxi) Exploration Equipment Ltd	*Wuxi*
	Liuzhou Tech Machinery Co Ltd	*Liuzhou*
	Shanghai Bolaite Compressor Co Ltd	*Shanghai*
	Wuxi Pneumatech Air/Gas Purity Equipment Co Ltd	*Wuxi*
	Atlas Copco (Shanghai) Equipment Rental Co Ltd	*Shanghai/Pudong*
	Atlas Copco (Shanghai) Trading Co Ltd	*Shanghai/Pudong*
	Dynapac (Tianjin) International Trading Co Ltd	*Tianjin*
	Shanghai Tooltec Pneumatic Tool Co Ltd	*Shanghai*
	Shenyang Rui Feng Machinery Ltd	*Shenyang*
Colombia	Atlas Copco Colombia Ltda	*Bogota*
Croatia	Atlas Copco d.o.o.	*Zagreb*
Cyprus	Atlas Copco (Cyprus) Ltd	*Nicosia*
Czech Republic	Atlas Copco Lutos a.s.	*Lubenec*
	Atlas Copco s.r.o.	*Praha*
	Servis A.C. s.r.o.	*Havířov*
	ALUP CZ spol. S.r.o	*Breclav*
Denmark	Atlas Copco Kompressorteknik A/S	*Copenhagen*
Egypt	Atlas Copco Equipment Egypt S.A.E.	*Cairo*

Country	Company	Location (City)
Finland	Oy Atlas Copco Ab	*Vantaa*
	Oy Atlas Copco Rotex Ab	*Tampere*
	Oy Atlas Copco Kompressorit Ab	*Vantaa*
	Oy Atlas Copco Louhintatekniikka Ab	*Vantaa*
	Oy Atlas Copco Tools Ab	*Vantaa*
France	Atlas Copco France Holding S.A.	*St. Ouen l'Áumône*
	Atlas Copco Crépelle S.A.S.	*Lille*
	Compresseurs Worthington Creyssensac S.A.S.	*Meru*
	ETS Georges Renault S.A.S.	*Nantes*
	ABAC France S.A.S.	*Valence*
	Atlas Copco Applications Industrielles S.A.S.	*St. Ouen l'Áumône*
	Atlas Copco Compresseurs S.A.S	*St. Ouen l'Áumône*
	Atlas Copco Drilling Solutions S.A.S	*St. Ouen l'Áumône*
	Atlas Copco Forage et Démolition S.A.S.	*St. Ouen l'Áumône*
	Compresseurs Mauguière S.A.S.	*Meru*
	Techfluid Nord S.A.S.	*Lille*
	Dynapac S.A.S.	*Tournan-En-Brie*
	Dynapac France S.A.S.	*Tournan-En-Brie*
	Vibratechniques S.A.S.	*Saint Valéry-En-Caux*
Germany	Dynapac Holding GmbH	*Wardenburg*
	Atlas Copco Holding GmbH	*Essen*
	Rodcraft Pneumatic Tools GmbH	*Muelheim*
	Dynapac GmbH	*Wardenburg*
	Atlas Copco Application Center Europe GmbH	*Essen*
	Atlas Copco Construction Tools GmbH	*Essen*
	Atlas Copco Energas GmbH	*Köln*
	IRMER + ELZE Kompressoren GmbH	*Bad Oeynhausen*
	Microtec Systems GmbH	*Villingen-Schwenningen*
	ALUP-Kompressoren GmbH	*Köngen*
	Atlas Copco Kompressoren und Drucklufttechnik GmbH	*Essen*
	Atlas Copco MCT GmbH	*Essen*
	Atlas Copco Tools Central Europe GmbH	*Essen*
	Chicago Pneumatic Tool Verwaltungs GmbH	*Maintal*
	Desoutter GmbH	*Maintal*
	TBB Industrial Tools Services GmbH	*Dingolfing*
Ghana	Atlas Copco Ghana Ltd	*Accra*
Great Britain	Atlas Copco UK Holdings Ltd	*Hemel Hempstead*
	MedaesUKCo	*Chesterfield*
	Desoutter Brothers (Holding) PLC	*Hemel Hempstead*
	Desoutter Ltd	*Hemel Hempstead*
	ABAC UK Ltd	*Oxon*
	Atlas Copco Compressors Ltd	*Hemel Hempstead*
	Atlas Copco Construction & Mining Ltd	*Hemel Hempstead*
	Atlas Copco Kolfor Ltd	*Dundee*
	Atlas Copco Tools Ltd	*Hemel Hempstead*
	Desoutter Sales Ltd	*Hemel Hempstead*
	Medaes Ltd	*Chesterfield*
	Dynapac Ltd	*Rugby*
	Atlas Copco (Northern Ireland) Ltd	*Lisburn*
	Atlas Copco (NI) Ltd	*Lisburn*
Greece	Atlas Copco Hellas AE	*Rentis*
Hong Kong	CP China/Hong Kong Ltd	*Kowloon*
	Atlas Copco China/Hong Kong Ltd	*Kowloon*
Hungary	Industrial Technique Hungary Kft.	*Budapest*
	ALUP Magyaroszàg Kft.	*Eger*
	Atlas Copco Kft.	*Budapest*
India	Atlas Copco (India) Ltd	*Pune*
	Dynapac Compaction & Paving Equipment (India) Pvt Ltd	*Pune*
Indonesia	PT Atlas Copco Indonesia	*Jakarta*
	PT Fluidcon Jaya	*Jakarta*
Ireland	Atlas Copco (Ireland) Ltd	*Dublin*
	Aircrosse Ltd	*Dublin*
Italy	Atlas Copco Customer Finance Italia S.p.A	*Milan*
	ABAC Aria Compressa S.p.A	*Robassomero*
	Ceccato Aria Compressa S.p.A.	*Vicenza*
	Atlas Copco BLM S.R.L.	*Milano*

A23. Continued

Country	Company	Location (City)
Italy	Atlas Copco Italia S.p.A.	*Milano*
	Desoutter Italiana S.r.l.	*Milano*
	Dynapac S.p.A	*Milano*
Japan	Fuji Air Tools Co., Ltd	*Osaka*
	KTS co Ltd	*Tokyo*
	Atlas Copco KK	*Tokyo*
	Atlas Copco Shizouka Service KK	*Shizuoka City*
Kazakhstan	Atlas Copco Central Asia LLP	*Almaty*
Kenya	Atlas Copco Eastern Africa Ltd	*Nairobi*
Latvia	Atlas Copco Latvija SIA	*Riga*
Lithuania	Atlas Copco Lietuva UAB	*Kaunas*
Luxemburg	Atlas Copco Finance S.à.r.l.	*Luxemburg*
	Atlas Copco Reinsurance SA	*Luxemburg*
Malaysia	Atlas Copco (Malaysia) Sdn. Bhd.	*Kuala Lumpur*
Mexico	Desarrollos Técnologicos ACMSA S.A. de C.V.	*Tlalnepantla*
	Atlas Copco Mexicana SA de CV	*Tlalnepantla*
	Dynapac Mexico S de RL de CV	*Col De Valle*
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*
	Grass-Air Holding B.V.	*Oss*
	Atlas Copco Abird B.V.	*Rotterdam*
	ALUP Kompressoren B.V.	*Nieuwegein*
	Atlas Copco Nederland B.V.	*Zwijndrecht*
	Creemers Compressors B.V.	*Oss*
	Grass-Air Compressoren B.V.	*Oss*
New Zealand	Intermech Ltd	*Auckland*
	Atlas Copco (N.Z.) Ltd	*Mt. Wellington*
Nigeria	Atlas Copco CMT & CT Nigeria Ltd	*Abuja*
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.	*Binan*
Poland	ALUP Kompressoren Polska Sp. Z.o.o.	*Warsaw*
	Atlas Copco Polska Sp. z o. o.	*Warsaw*
	Dynapac Poland Sp. Z.o.o.	*Katowice*
Portugal	Sociedade Atlas Copco de Portugal Lda	*Lisbon*
Romania	Atlas Copco Romania S.R.L.	*Otopeni*
	S.C. ALUP Kompressoren Romania S.R.L	*Baia Mare*
	Atlas Copco Industrial Technique S.R.L.	*Pitesti*
Russia	ZAO Atlas Copco	*Khimki*
	ALUP GUS LLC	*Moscow*
Serbia	Atlas Copco A.D.	*Belgrade*
Singapore	ABAC DMS Air Compressors Pte Ltd	*Singapore*
	Atlas Copco (South East Asia) Pte. Ltd	*Singapore*
	Fluidcon Services Pte. Ltd	*Singapore*
Slovakia	Atlas Copco Compressors Slovakia s.r.o	*Trencin*
	Industrial Technique s.r.o.	*Bratislava*
	Atlas Copco d.o.o.	*Trzin*
South Africa	Atlas Copco Holdings South Africa (Pty) Ltd	*Witfield*
	Atlas Copco Investment Company (Pty) Ltd	*Witfield*
	Atlas Copco South Africa (Pty) Ltd	*Witfield*
South Korea	CP Tools Korea Co. Ltd	*Seoul*
	Atlas Copco Mfg. Korea Co. Ltd	*Seoul*
Spain	Aire Comprimido Industrial Iberia, S.L	*Madrid*
	Atlas Copco S.A.E.	*Madrid*
	Desoutter S.A.	*Madrid*
	Dynapac Iberia SLU	*Madrid*
Sweden	Atlas Copco Rock Drills AB	*Örebro*
	Atlas Copco Dynapac AB	*Nacka*
	Dynapac AB	*Karlskrona*
	Atlas Copco Järla Holding AB	*Nacka*
	Atlas Copco Nacka Holding AB	*Nacka*
	Atlas Copco Sickla Holding AB	*Nacka*
	Atlas Copco Industrial Technique AB	*Nacka*
	Atlas Copco Lugnet Treasury AB	*Nacka*
	Atlas Copco Customer Finance AB	*Nacka*
	Industria Försäkringsaktiebolag	*Nacka*
	Atlas Copco Construction Tools AB	*Nacka*
	Atlas Copco Craelius AB	*Märsta*
	Atlas Copco Secoroc AB	*Fagersta*
	Atlas Copco Tools AB	*Nacka*
	Atlas Copco CMT Sweden AB	*Nacka*
	Atlas Copco Compressor AB	*Nacka*
	Atlas Copco Iran AB	*Nacka*
	CP Scanrotor Aktiebolag	*Fjällbacka*
	Dynapac Compaction Equipment AB	*Karlskrona*
	Dynapac International AB	*Malmoe*
	Dynapac Nordic AB	*Stockholm*
	Nordic Construction Equipment AB	*Stockholm*
Switzerland	Atlas Copco (Schweiz) AG	*Studen/Biel*
	GreenField AG	*Pratteln*
	Servatechnik AG	*Oftringen*
Taiwan	Atlas Copco Taiwan Ltd	*Taipei*
Tanzania	Atlas Copco Tanzania Ltd	*Geita*
Thailand	Sickla Holding (Thailand) Ltd	*Bangkok*
	Atlas Copco (Thailand) Ltd	*Bangkok*
Turkey	Atlas Copco Makinalari Imalat AS	*Istanbul*
	Scanrotor Otomotiv Ticaret A.S.	*Istanbul*
Ukraine	LLC Atlas Copco Ukraine	*Kiev*
United Arab Emirates	Gulf Turbomachinery Company FZCO	*Dubai*
	Atlas Copco Services Middle East SPC, Abu Dhabi	*Abu Dhabi*
	Atlas Copco Middle East FZE	*Dubai*
USA	Atlas Copco North America LLC	*Pine Brook, NJ*
	Atlas Copco USA Holdings Inc.	*Pine Brook, NJ*
	Beacon Holdings Corporation	*Rock Hill, SC*
	Medaes Holdings, Inc.	*Rock Hill, SC*
	MedaesUSCo, Inc.	*Rock Hill, SC*
	Atlas Copco ASAP North America LLC	*Pinebrook, NJ*
	Atlas Copco Customer Finance USA LLC	*Pine Brook, NJ*
	Chicago Pneumatic International Inc.	*Charlotte, NC*
	Atlas Copco Assembly Systems LLC	*Auburn Hills, MI*
	Atlas Copco Comptec LLC	*Voorheesville, NY*
	Atlas Copco Drilling Solutions LLC	*Garland, TX*
	Atlas Copco Mafi-Trench Company LLC	*Santa Maria, CA*
	Atlas Copco SECOROC LLC	*Grand Prairie, TX*
	Chicago Pneumatic Tool Company LLC	*Charlotte, NC*
	Beacon Medical Products LLC	*Rock Hill, SC*
	Atlas Copco Prime Energy LLC	*Laporte, TX*
	Atlas Copco Compressors LLC	*Rock Hill, SC*
	Atlas Copco Construction Equipment LLC	*Commerce City, CO*
	Atlas Copco Construction Mining Technique USA LLC	*Commerce City, CO*
	Atlas Copco Tools & Assembly Systems LLC	*Auburn Hills, MI*
	Dynapac USA Inc.	*San Antonio, TX*
	Benz Compressed Air Systems, Inc.	*Montebello, CA*
	Atlas Copco Hurricane LLC	*Franklin, IN*
	Atlas Copco Specialty Rental LLC	*La Porte, TX*
	Fulcrum Acquisition LLC	*Bay Minette, AL*
Venezuela	Atlas Copco Venezuela SA	*Caracas*
Vietnam	Atlas Copco Vietnam Company Ltd	*Hanoi*
Zambia	Atlas Copco (Zambia) Ltd	*Chingola*
Zimbabwe	Atlas Copco Zimbabwe (Private) Ltd	*Harare*

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:

Retained earnings including Reserve for fair value	SEK	24 920 840 764
Profit for the year	SEK	10 561 829 784
	SEK	**35 482 670 548**

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

To the shareholders, a dividend of SEK 3.00 per share	SEK	3 647 729 112
To be retained in the business	SEK	31 834 941 436
	SEK	**35 482 670 548**

The Parent Company financial statements have been prepared in accordance with generally accepted accounting principles in Sweden and the consolidated financial statements have been prepared in accordance with International Accounting Standards as prescribed by the European Parliament and the Regulation (EC) No 1606/2002 dated July 19, 2002 on the application of International Accounting Standards. The Parent Company financial statements and the consolidated financial statements give a true and fair view of the Parent Company and Group's financial position and results of operations.

The administration report for the Group and Parent Company provides a true and fair overview of the development of the Group's and Parent Company's business activities, financial position and results of operations as well as the significant risks and uncertainties which the Parent Company and its subsidiaries are exposed to.

Nacka, February 12, 2010

Sune Carlsson
Chair

Jacob Wallenberg
Vice Chair

Staffan Bohman
Board Member

Christel Bories
Board Member

Johan Forssell
Board Member

Ronnie Leten
President and CEO

Ulla Litzén
Board Member

Anders Ullberg
Board Member

Margareth Øvrum
Board Member

Mikael Bergstedt
Union representative

Bengt Lindgren
Union representative

Our Audit Report was submitted on February 17, 2010.
KPMG AB

Thomas Thiel
Authorized Public Accountant

Atlas Copco AB is required to publish information included in this Annual Report in accordance with the Swedish Securities Market Act. The information was made public on March 25, 2010.

Audit Report

To the Annual Meeting of the shareholders of Atlas Copco AB
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 for the year 2009. The annual accounts and the consolidated accounts are included in the printed version of this document on pages 12–97. 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 17, 2010
KPMG 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 owners 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. Adjusted for the fair value of interest rate swaps.

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 owners 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: For 2009, the risk-free interest rate used is 4.0% and the premium used is 0.5%. An estimated standard tax rate of 25% has then been applied.
r: The estimated average risk-free interest rate (4%), plus an equity 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 stakeholders. This vision is also the driving force of the Group's corporate responsibility strategy, and the objective is to be a good corporate citizen in each market. As such, Atlas Copco is committed to making a positive impact within its corporate responsibility framework: through the economic, environmental and social dimensions, and through the pride among employees in the Group's values.

Atlas Copco has for the fifth time been selected as one of the 100 most sustainable companies in the world. By and large, the Group's production units are ISO 14001 certified and suppliers are encouraged to have an environmental management system.

Important Events in 2009

- Water-cooled oil-free air compressors with built-in energy recovery were launched.
- Atlas Copco won recognition for its HIV/AIDS program in South Africa.
- Further decrease in number of work-related accidents, 652 (881)
- 73% (65) of all employees work in an environmental management system certified environment.
- New training material package on corporate responsibility rolled out.
- *Water for All* celebrated 25 years.
- Risk Transparency Award received from Ernst & Young for Risk Management in the Annual Report 2008.

More information on corporate responsibility

WWW

The following information is available at www.atlascopco.com/cr:

– Sustainability reports since 2001

– Energy-efficient products and solutions

– Business Code of Practice

– Sustainability scorecards

– Environmental policy

– Community engagement projects

– Substances of concern – prohibited and restricted lists

– Corporate responsibility risks and opportunities

– GRI Compliance index

– Sustainability reporting definitions

The Global Reporting Initiative guidelines are available on www.globalreporting.org

About this report

Atlas Copco's Sustainability Report is a yearly report prepared since 2001 in accordance with the Global Reporting Initiative (GRI) guidelines. Since 2006 the report has followed the GRI 3.0 version guidelines.

This report is also Atlas Copco's Communication on Progress (COP), i.e. the report on the performance in relation to the ten principles within UN Global Compact.

Basis for the Sustainability Reporting is presented in this section with regards to the Sustainability Reporting and in note 1 with regards to financial accounting principles.

Atlas Copco's Sustainability Report includes information regarding all three aspects of the Group's corporate responsibility strategy i.e. where Atlas Copco has a significant economic, environmental and social impact. It also gives examples of activities that employees are proud to present.

The report covers all of Atlas Copco's operations for the fiscal year 2009, i.e. Atlas Copco and its subsidiaries, unless otherwise stated. Operations divested during the year are excluded, while units that have been acquired are included. This may at times cause major changes in reported performance. Limitations and reporting principles as well as any restatement of the reporting are explained in the corresponding section. In 2009, this regards energy, transport, cooling agents and business partner reporting.

Environmental data is reported twice a year and covers production units, including distribution centers and applications centers. The environmental impact from rental operations is disclosed on page 119. Employee data is reported quarterly and all other data is annual and covers all operations. Responsibility for reporting rests with the heads of each company except in the case of the divisional environmental target, see non-financial targets in the Corporate Governance Report. Data is compiled by the Public Affairs and Sustainability function and is then reported to Group Management.

The Sustainability Report and the Corporate Governance Report are both included in the 2009 Annual Report. To avoid duplication of information, references are, at times, made to these reports, including the statement from the President and CEO.

Atlas Copco's most recent Sustainability Report and Corporate Governance Report were published in March 2009, as part of the Annual Report 2008. Atlas Copco has used the GRI Indicator Protocols when compiling and disclosing information on core indicators in the Sustainability Report, unless specifically noted in GRI compliance index. Atlas Copco has also applied the Guidance on Defining Report Content and the corresponding principles on materiality, stakeholder inclusiveness, sustainability context and completeness, see 'Atlas Copco's sustainability reporting definitions' published on www.atlascopco.com/cr. 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.

The 'Atlas Copco Sustainability Report 2009 – GRI Compliance Index' is published on www.atlascopco.com/cr, and presents how Atlas Copco has implemented the GRI reporting guidelines. The report has been structured in accordance with Atlas Copco's stakeholder model, see below. The Group had the self-declared GRI Application Level A confirmed by KPMG, which means that KPMG agreed that the content, page references and comments of the Atlas Copco Sustainability Report 2009 and GRI Compliance Index fulfills the GRI application level A.

A GRI REPORT SELF DECLARED

Review/audit

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. The Sustainability Report 2009 has not been subject to limited assurance by an external part.

A GRI REPORT 3rd PARTY CHECKED

Corporate Responsibility

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 established in the database *The Way We Do Things,* and are available to all employees to help Group companies to interpret and implement the Business Code of Practice. New employees are routinely introduced to these standards and expectations, see also the Corporate Governance Report. Atlas Copco's companies have established routines to share the Group's views with business partners and customers.

International guidelines and standards

The Group's Business Code of Practice is built on UN Global Compact principles and the other voluntary ethical guidelines mentioned below. The principles refer to human rights, labor, environment and anti-corruption. Atlas Copco has supported the principles of UN Global Compact for many years and signed membership in 2008, which is a long-term commitment.

Atlas Copco supports the following voluntary international ethical guidelines:

- United Nations Universal Declaration of Human Rights, www.un.org
- International Labour Organization Declaration on Fundamental Principles and Rights at Work, www.ilo.org
- United Nations Global Compact, www.unglobalcompact.org
- OECD's Guidelines for Multinational Enterprises, www.oecd.org

THE GLOBAL COMPACT
WE SUPPORT

Corporate responsibility work

Atlas Copco's corporate responsibility work aims at achieving sustainability. It covers environment, health and safety, human rights issues as well as ethical relationships with employees, business partners, customers, shareholders and the society and the environment. The Group's corporate responsibility work is based on the policies that are summarized in the Business Code of Practice, which was approved by union representatives and the Atlas Copco AB Board in 2004. The related principles, guidelines, processes and instructions are established in *The Way We Do Things*. The governance structure, which covers corporate responsibility, is also presented in the Corporate Governance Report.

Roles and responsibilities

The Board of Directors formally approves the Group's Business Code of Practice. Group Management is responsible for the policies in the Business Code of Practice and the principles, guidelines, processes, and instructions in *The Way We Do Things.* Group Management also initiates guidance, support activities, and follow-up procedures as required and establishes Group targets. It provides support for corporate responsibility work through the Public Affairs and Sustainability function, including the Group's Safety, Health and Environmental (SHE) Council, and the Organizational Development and Human Resources department. The corporate responsibility spokesperson in Group Management is the Senior VP Corporate Communications. The CEO reports directly to the Board of Directors in a situation with significant corporate responsibility issues, including environmental or social aspects.

The role of the business areas is to develop, implement, and follow up on the objectives and strategy within the total business scope, including environmental and social performance.

The divisions are the highest operational units in the Group and they are in charge of the implementation of corporate responsibility policies in their area of responsibility. They establish measurable targets for product development projects and conduct supplier evaluations as appropriate.

Risk assessments regarding legal, social, and environmental performance are reported at board meetings. The Group Internal Audit and Assurance function monitors internal control routines for financial and non-financial processes.

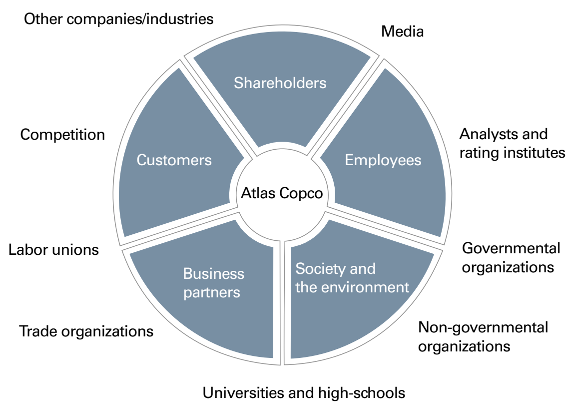
Targets for corporate responsibility work

Based on its vision to become and remain First in Mind—First in Choice® for its stakeholders, Atlas Copco has established a number of qualitative and quantitative strategies and targets regarding the Group's financial, environmental and social performance.

The non-financial targets are described in the Corporate Governance Report and they are yearly with 2008 as basis. A five-year performance summary is reported on page 119. The analysis is made under the respective stakeholder section.

In February 2010, new non-financial targets on health and safety were decided by Group Management, with the aim to improve the performance in this area through an increased focus by all Atlas Copco companies.

Atlas Copco's stakeholder model



Training

Environmental or social considerations may at times override purely commercial considerations. In recognition of that fact, guidance documents and training materials are available to assist operations with the implementation of corporate responsibility policies within the context of their commercial responsibilities.

In 2009, around 80% (75) of Atlas Copco employees had received training in the Business Code of Practice, mainly via the Group's internal training program at local company level.

One of the environmental targets is that all employees shall work in an Environmental Management System certified environment, which means that all employees shall receive relevant training. An environmental interactive e-learning module is available to all employees and special training is offered to managers.

In 2009, Atlas Copco launched a new training package on Corporate Responsibility aimed at managers world-wide. The training material includes a number of cases on human rights, corruption, environmental concerns and business integrity in general. The program has been rolled out using a train-the-trainer concept including all Holding company managers in the Group.

During 2009, members of Atlas Copco's divisional management teams received theory and case-based training in human rights by Amnesty International.

In 2010, a new training package on fraud awareness will be launched and rolled out in the Group, primarily to managers and business controllers.

Reporting of violations

Atlas Copco has an ethical helpline on Group level where employees can report on behavior or actions that are, or for good reasons may be perceived as, violations of laws or of the Business Code of Practice. The ethical helpline process is used when a case can not be solved at a local unit level. It serves as a complement to similar processes that may exist on a country level. The reports are treated confidentially and the person reporting is given anonymity.

In 2009, a total of 26 (14) possible violations of the Business Code of Practice were reported to Group Management through the ethical helpline. The increase is partly explained by the increased confidence of the process. The nature of the violations is in most cases related to economic issues, for example fraud, and personal issues. The relation to corruption was difficult to distinguish. All cases lead to actions taken, for example internal audits.

Corporate responsibility focus

Atlas Copco has grouped its main sustainability activities in three dimensions. All are important, but the third dimension, to reengineer the larger industrial environment and set new standards, will potentially have a greater positive impact on the environment.

Corporate responsibility	**1. Community engagement (Philantropy)**	**2. Reengineer within 'the family' (Internal processes)**	**3. Reengineer the larger environment (Industry standards)**
Social/ employees	• Natural disaster support • Support to orphanages and students • Fighting diseases • *Water for All* • Many local projects, e.g. Sunshine school in China	• Supplier evaluations • Customer assessments • Safe and healthy work place, no work-related accidents and low sick-leave, OHSAS 18001, HIV/AIDS program • Competence development • Gender diversity program • Safety, Health and Environment (SHE) Council	• Safe drilling methods • Safe tightening • Knowledgeable and efficient service • Ergonomics, less vibration and noise • Electronikon, user-friendly compressors
Environmental	• Lecturers at universities and technical schools on energy-efficient products • Supply compressors that help clean water, waste-water treatment	• ISO14001 in all production units • EMS for all employees • Environmental car policy • Supplier evaluations • Customer assessments • Targets in all product development projects • Safety, Health and Environment (SHE) Council	• Compressors with less energy consumption and oil-free compressors with clean air, less maintenance • Innovation of mining methods
Business	• Partnership with technical schools and universities • Apprenticeships • Employer branding, e.g. student days	• Customer satisfaction surveys • Business ethics • Product responsibility • Application stories on products and solutions • Service level agreements	• Launch of new, innovative products and solutions that shape regulations and push the industry to adapt to new standards, e.g. compressors with variable speed drive or with built-in energy recovery, remote monitoring and AirScan • Participation in the development of ISO 26000 guiding standard

Stakeholder Engagement

Atlas Copco conducts dialogues with a number of stakeholders regarding its corporate responsibility work. The discussions are held both on a local and a 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 leading multinational companies, and to take account of stakeholders' views and perspectives on the Group.

Besides the identified stakeholder groups; customers, business partners, society and the environment, employees and shareholders, general selection criteria are not used due to the fact that the Group tries to take all opportunities to stakeholder dialogues.

Atlas Copco values discussions with NGO's, GO's and other influencers, with whom it can have constructive dialogues. The Group takes advice and/or learns from listening to their views. No stakeholders are excluded.

Atlas Copco replies to surveys from major rating institutes, for example SAM, Eiris, and Vigeo.

Regular meetings are held with the following:

- Major shareholders and Socially Responsible Investors (SRI)
- Amnesty International
- Transparency International
- Students, e.g. theses writing, internships, job fairs at universities and technical schools
- Corporate responsibility-focused networks, for example Global Compact Nordic Network, Globalt Ansvar
- Discussion groups sponsored by trade organizations in which Atlas Copco is a member
- Industry organizations, for example Pneurop and CECE

In 2009 Atlas Copco has conducted two formal stakeholder dialogues with the Group's major shareholders. Members of Group Management participated in these meetings. The meetings were positively perceived and resulted in a list of issues for Atlas Copco to consider in its corporate responsibility work.

Main issues from stakeholder/influencer dialogues

Stakeholders	Stakeholder views	Focus 2009
Society and the environment	Concern over CO_2 emission increase from transport in 2008.	Reporting guidelines for CO_2 emissions from transport have been restated.
	Continue to develop community engagement projects.	Further promotion of *Water for All.*
Customers	Further increase the energy efficiency of products and solutions.	Launch of water-cooled oil-free air compressors with built-in energy recovery and other more energy-efficient products and solutions.
	Perform customer risk assessments in countries with weak governments[1].	Customer risk mapping and checklists are under development.
Employees	Continue to offer a safe and healthy workplace in all operations.	New health and safety targets established regarding reduction of accidents and keeping sick-leave at a low level. Expansion of HIV/AIDS program to more countries. Implementation of OHSAS 18001, which puts more focus on health and safety.
	Continue to strengthen employee relations and loyalty.	Based on the 2008 employee survey, workshops on how to improve the internal working environment took place in all companies. A communicative leadership index was launched to highlight the importance for managers to communicate internally visions, strategies and targets.
	Ensure employees' knowledge in human rights.	Launch of new training program in corporate responsibility and targeted training in human rights with divisional managements.
Business partners	Provide more information on supplier evaluations process.	Group guidelines, reporting procedures have been reviewed and updated. Training of purchasers and quality experts in supplier evaluations.
Shareholders	Continue to improve sustainability reporting through follow-up on targets on key performance indicators, for example.	Non-financial target performance is reported.

[1] OECD definition

Society and the Environment

Atlas Copco is a world-leading provider of industrial productivity solutions with own operations in approximately 85 countries around the world, and production facilities in 20 countries on five continents. Its global reach spans customers in the manufacturing, process, mining, construction and service sectors in more than 170 countries.

Atlas Copco has an impact on a number of local communities, contributing to economic and social development, and has accordingly a responsibility to manage its business in an environmentally sound manner. Atlas Copco is truly global, with ambitious business growth targets in different regions where social standards and cultures vary significantly.

Society

Atlas Copco recognizes that its social responsibility extends beyond its own workplace and evaluates the social, environmental, political and reputation risks it faces when operating globally. Striving to be a good and reliable corporate citizen, the Group considers interaction to be an important success factor and therefore wants constructive dialogues with its key stakeholders in society. Atlas Copco's practice is to assess and manage the impact of its operations on communities when entering, operating and divesting, which since mid-year 2009 is included in the acquisition process in the Group. After this, one company was acquired by Atlas Copco, where the updated acquisition process was used (100%), including human rights.

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-led initiatives, by following the financial 'matching' principle. This principle says that Group companies shall seek to match financial donations made by employees, with company funds.

In Atlas Copco companies, a local community need assessment is performed in order to determine how Atlas Copco best can contribute to the local society. The initiative *Water for All* is the major example of this type of engagement.

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 villages and communities in need. The water supply is normally achieved through drilling or digging and installing hand pumps or through protection of natural springs. Over the years, the *Water for All* organization has given approximately 1 000 000 people access to clean water from water wells, which can last up to 30 years. The *Water for All* organization is established in ten countries and more are under way. In 2009, *Water for All* celebrated 25 years of dedicated work to provide clean drinking water to people in need. Atlas Copco employees run the local *Water for All* organization on a voluntary basis and largely in their own time, with support from the Atlas Copco Group and local management. Employees make donations of various sizes to the organization. More information about the *Water for All* organization can be found at www.water4all.org.

www

The Group's local charity initiatives, selected and supported by local companies, chiefly focus on three areas: providing education, providing a safe upbringing for children, and fighting disease. In line with this, Atlas Copco companies support schools or universities to raise the educational level and help orphanages to give the children a safe environment to grow up in.

All local charity activities should provide support over a medium or long-term period. However, support following natural and humanitarian disasters, which is of a completely different character, can be provided on a short-term basis. Often this support is provided in the form of generators and breakers, e.g. in the case of the rescue operations in the Abruzzo region of Italy, struck by an earthquake in April 2009.

Extract from the Atlas Copco Group Community Engagement Policy:

- The Group encourages learning and development through cooperation with local communities and believes that this will help to maintain the sustainable development of its own business and contribute to developing communities for future generations to come.
- The Group encourages its subsidiaries to participate in and support local engagement in selective and focused community activities as appropriate, which are seen to add value to the local community and supporting the long term development of the Group's business.

Human rights

The Business Code of Practice supports fundamental human rights, such as freedom of association and collective bargaining and the non-existence of forced and child labor, as well as the rights of indigenous people, and respects those rights in the Group's operations throughout the world. These basic principles are also promoted to business partners around the world.

Human rights abuse exists in markets where Atlas Copco operates. In order to identify areas where there are risks related to human rights abuse, Atlas Copco takes advice from Amnesty International. In this way, Atlas Copco can 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. The Control Self Assessment routine includes a yearly follow-up on the aspects covered by the Business Code of Practice, see Corporate Governance Report. 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. In 2009, human rights aspects have been integrated in the acquisition process. As soon as an acquisition has been completed the Atlas Copco guidelines and policies are applied.

Atlas Copco both highlights and follows up 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 reputational risks by association with customers through the Control Self Assessment routine. To date, approximately half of Atlas Copco's operational units have established this routine.

There have been no instances of human rights violations brought to the attention of Group Management in 2009.

Corruption and human rights risk mapping

In 2009, Atlas Copco identified countries where the Group has operations with major risks in human rights and corruption. The countries are Angola, Democratic Republic of the Congo, Iran and Uzbekistan where the Group has sales and service operations. The result from the mapping will be used in future Group awareness trainings to discuss how to conduct business in difficult environments.

Anti-competitive behavior

As a global citizen with valuable brands, Atlas Copco is mindful of the importance of working actively to build awareness of, and compliance with, principles of integrity in its business dealings. The Group 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.

Anti-corruption procedures and behavior are covered by Group training packages. Corruption Perception Indices provided by Transparency International are used in the training, see also www.transparency.org. 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.

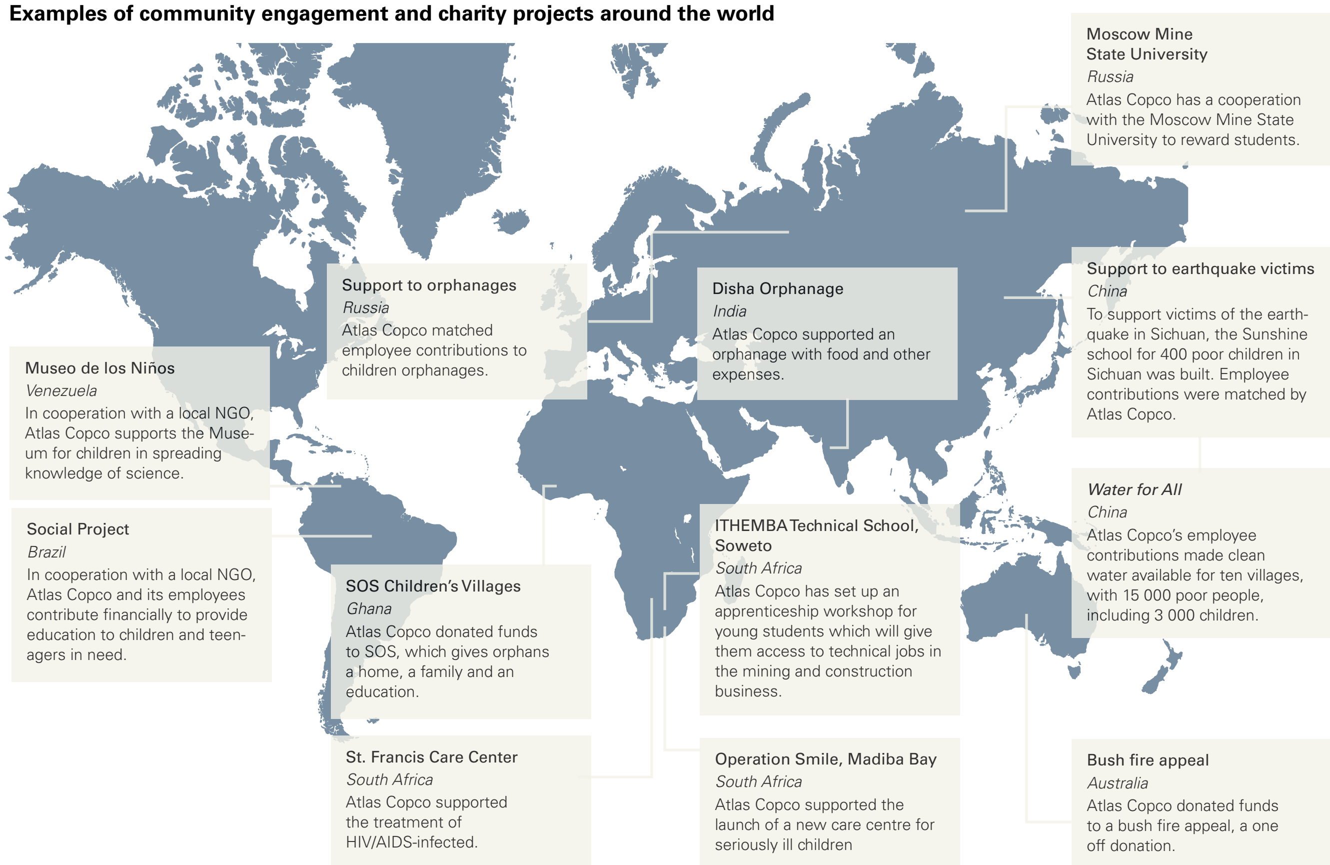
The Group is committed to supporting fair competition and forbids discussions or agreements with competitors concerning pricing or market sharing. There have been no instances of anti-competitive behavior brought to the attention of Group Management in 2009. There are no pending legal actions in this area and no fines have been paid during the year.

Public policy

Atlas Copco is a member of a number of trade organizations – such as The Association of Swedish Engineering Industries, Agoria (Federation for the Technology Industry) in Belgium, CAGI (Compressed Air and Gas Institute) in the United States, and the German Engineering Federation, VDMA and many others.

Since 1959, Atlas Copco has been actively involved in Pneurop, the European committee of manufacturers of compressors, vacuum pumps, pneumatic tools and allied equipment. Pneurop acts on behalf of its members in European and international forums regarding the harmonization of technical, normative and legislative development of construction equipment.

Examples of community engagement and charity projects around the world



Atlas Copco is 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 equipment.

Atlas Copco is participating in the ongoing development of international standards and is involved in the ISO committee ISO/TC 118 and the CEN committee CEN 232. Atlas Copco participates in the development of the ISO 26000 guiding standard on Social Responsibility, and serves as the Swedish industry representative.

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.

Environment

Life cycle analysis shows that Atlas Copco products have their main impact on the environment, not when they are produced, but when they are used, through the energy required to operate them. The Group works to reduce this impact already in the design of its new products and in the continuous product development as well as in the ongoing improvements of the manufacturing plants where environmental considerations are integral parts.

The environmental performance covers Atlas Copco's product companies, including distribution centers and application centers. In 2010, the Group plans to also include environmental performance for customer centers.

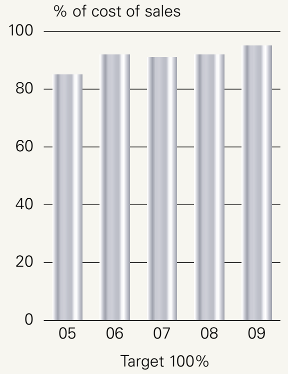
The Atlas Copco Group's main environmental impact is related to CO_2 emissions during the use of the products and to some lesser degree during transport and in production. The major disclosures regarding environmental aspects are therefore energy consumption and emissions of CO_2. However, Atlas Copco also discloses information regarding water consumption, packaging material and waste.

Environmental management systems

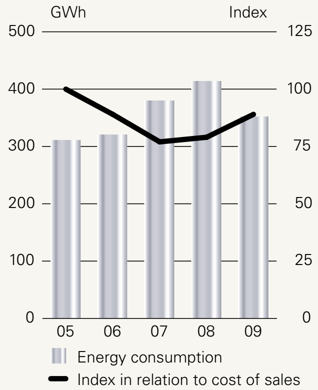
To help minimize the environmental impact and to secure that the precautionary approach is applied, Atlas Copco implements environmental management systems (EMS) in all operations, which is a non-financial target. In 2009, 73% (65) of Atlas Copco's employees worked in an EMS environment.

All product companies shall be certified according to the international standard ISO 14001. Acquired product companies are normally certified according to ISO 14001 within a two-year period. In 2009, an additional seven product companies were ISO 14001 certified. Out of the Group's 76 product companies, 57 are ISO 14001 certified, representing 95% (92) of cost of sales.

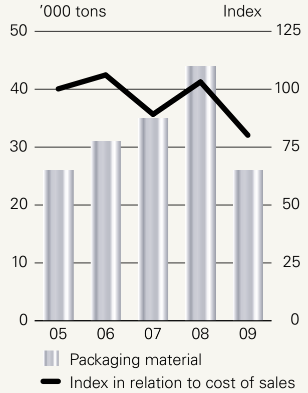
ISO 14001 certification



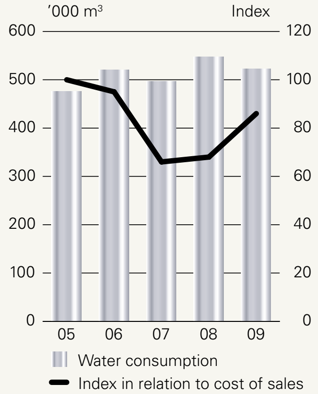
Energy consumption



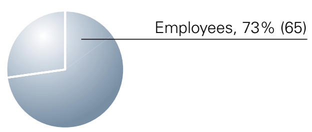
Packaging material



Water consumption



Proportion of employees working in an EMS environment



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 material, energy and water are consumed in this process. The Group works constantly to improve the efficient use of resources in the manufacturing process.

The reporting of energy consumption is divided into direct and indirect energy. Direct energy is defined as purchased fuel for own production, for example oil, coal, natural gas, gasoline and diesel. Indirect energy is defined as purchased and consumed energy from external sources, for example energy required to produce and deliver purchased electricity and district heating. The reporting of renewable energy was started during the year.

In 2009, the total energy used in production increased by 13% measured in relation to cost of sales. Despite activities to change to more environmental friendly energy use, the business decline had a greater impact on the energy consumption, related to the cost of sales. Production units have a big part of fixed costs, which is not related to the production level, such as heating and lighting.

Efficiencies are more difficult to report on in 2009, as explained above. However, some examples of activities are: investments in district heating, installations of high efficiency indoor lighting, and recycling of heated air. The Industrial Technique business area has worked with raising the awareness among its employees of its environmental impact, through implementation and training of the 'green-office' concept.

Divisional measurable targets regarding energy efficiency on major product categories have been established and further developed in 2009. Achievements versus these targets are reported on in the customer section regarding product and solutions.

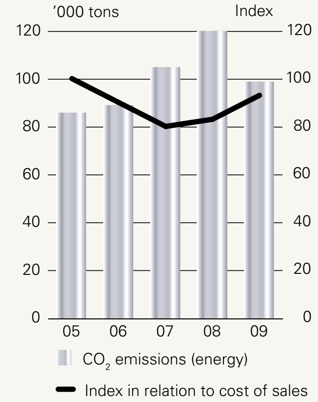
Atlas Copco tracks materials used in the production process, and for packing of finished products or parts. By far the most significant direct material used in the production process is steel, either as raw steel, or as part of components that are machined in-house or by sub-suppliers. In terms of weight, steel represents more than 92% of the raw material used in production. Approximately 90% of the used steel comes from recycled material. Other materials used in the production process include: aluminum, copper and brass, plastics, rubber, oils and greases, and natural gas. Steel and other major direct material are reported on Group level.

Atlas Copco does not disclose information about non-renewable materials as this stands for a minority of materials used. Atlas Copco's finished products mainly consist of parts or components, which are not accounted for.

Every year the Group awards internal environmental achievements. Atlas Copco Environmental Award winner 2009, was the Shenyang factory team in China, for the introduction of water-based paint, which will reduce the use of paint solvent, the cost for paint, and waste.

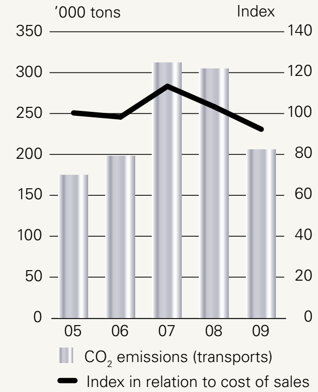
The Group has a number of initiatives to reduce its use of resources, for example products such as stationary compressors, drill rigs and hydraulic breakers are taken back from customers, refurbished and resold as used equipment. In 2009, a strategic alliance between Atlas Copco and ITT Corporation was entered, providing significant energy-saving solutions for municipal waste-water treatment plants.

CO_2 emissions from energy



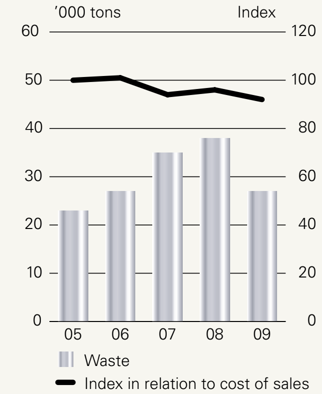
Target –10% (2013)

CO_2 emissions from transport

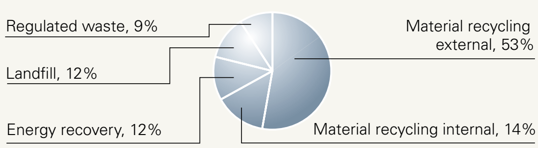


Target –10% (2013)

Waste



Distribution of waste disposal



Optimizing packaging material is a focus area for the Group's companies. The consumption decreased in 2009 by 23% in relation to cost of sales primarily due to business decline. One example of an initiative to reduce packaging material is in Charlotte, the United States, where the reuse of cardboard boxes and pallets from incoming shipments has resulted in a reduction of consumption of packaging material of 46% during the year.

Atlas Copco has operations in countries with water scarcity and understands the importance of water, as noted in the commitment to the employee led organization *Water for All*. However, the water withdrawal is disclosed as a total figure and not by source, as water is normally purchased and not considered as the major environmental impact to the Group. The water usage is to a great extent related to the non-production process. The water consumption increased by 28% in relation to cost of sales. The related increase is primarily explained by new reporting units and by a few units that had water leakages during the year. Atlas Copco companies reported initiatives to reduce and reuse water, for example in India where rain water is collected and reused.

Emissions and waste

Climate change is high on the political agenda and one of the most global of all environmental problems. Atlas Copco reports CO_2 emissions from direct and indirect energy used in production, and from transport to and from production sites. Standardized conversion factors published by the Greenhouse Gas Protocol Initiative are used to calculate CO_2 emissions, see www.ghgprotocol.org.

The Atlas Copco target is to reduce its CO_2 emissions from energy in production by 2% in relation to cost of sales on a yearly basis. In 2009, CO_2 emissions from energy at production sites increased by 12% in relation to cost of sales. The increase is due to the relatively bigger decrease in business compared to the decrease in energy consumption, as explained under use of resources. In absolute numbers the decrease in CO_2 emissions was 18%. Since the decrease in energy consumption was 15%, more environmental friendly energy is used in the Atlas Copco companies.

Atlas Copco's production units continue the work to reduce the CO_2 emissions. For example a few factories have invested in more environmental friendly heating systems such as district heating, or started to reuse the heating from the production for heating of offices.

In 2009, the reporting guideline on transport was further improved to increase the reliability in data. The Group is a member of the Network for Transport and Environment (NTM) and closely follows its recommendations, which impact the reporting guideline. The Atlas Copco target is to reduce its CO_2 emissions from transport by 2% in relation to cost of sales on a yearly basis. In 2009, the CO_2 emissions from transport decreased by 11% in relation to cost of sales. The reduction is partly explained by the decrease in business due to the financial crisis, but also by an active choise of some companies to replace air freight by other means of transportation, for example by ship.

Initiatives to reduce the CO_2 emissions of transport were launched in 2009, for example consolidation of shipments and testing of drill rigs near the production instead of in the test mine, which reduced the transport by truck.

During the year, the Group continued its efforts to monitor emissions caused by business-related travel. The use of internet-based conferences, and telephone and video conferences were used to a high extent. A number of Atlas Copco companies have invested in modern video conference units.

Atlas Copco is using cooling agents in some products (air dryers) and processes (cooling installations). For products, all cooling agents used have a zero ozone depleting impact, and there is a continued strive to introduce cooling agents with lower Global Warming Potential (GWP). The majority of the cooling agents is in closed-loop systems in the products and therefore not released during the operational life of the products.

In 2009, the reporting of cooling agents was restated to better follow the GRI guideline, i.e. only cooling agents added to facility equipment is reported. In 2009, the amount of cooling agents used for facility equipment was 0.9 ton, including 0.5 ton HCFC and 0.4 ton HFC and HFC blends.

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.

There are initiatives in the Group to reduce the waste to landfill, for example in Atlas Copco Australia a waste disposal contract with a supplier is agreed, with a common target to reduce waste to landfill by 3% each year over the three-year period of the contract.

In 2009, the amount of waste in relation to cost of sales decreased by 4%. Waste disposal is illustrated in the graph on page 107.

Biodiversity

Almost all of Atlas Copco's production units are located in industrial areas. However, Atlas Copco Comptec in the New York State in the United States, representing 2.4% of the cost of sales of the reporting product companies, is located near a protected area of biodiversity value. The area is affected by Atlas Copco's use of water to cool the compressors in the performance testing. In 2006, measures were taken to solve the issue, in cooperation with the local authority. In 2009, no units reported issues regarding biodiversity.

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 2009 and no major fines have been paid.

Economy

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, for example in employing local personnel and in purchasing from local suppliers. The Group's strategy for growth and financial result is reported in the Annual Report, including the financial targets, which state for example the Group's proven development process: stability first, then profitability, and finally growth. Sales development in different regions is reported on page 12.

In many countries Atlas Copco works in close relation with society, which has indirect positive economic impact, through the training of engineers, for example. The Group does not receive any significant assistance from governments.

Atlas Copco assesses its economic sustainability in terms of the economic value generated by the Group's own operations. The economic value generated by selling products and services to customers is distributed to various stakeholders and/or retained in the business.

Development and distribution of economic value

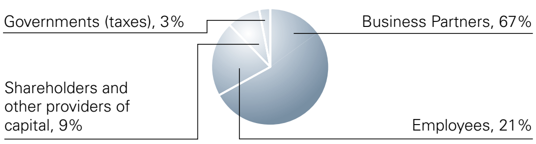
The economic value retained decreased by 61% to MSEK 2 528 (6 440), as a result of the decrease in business due to the global financial crisis. Employee wages and benefits paid by the Group decreased by 8% to MSEK 13 339 (14 555).

The Group contributes to economic development within the regions where it operates, through payments to pension funds and social security, and payments of taxes, social costs and other duties. In 2009, payments to governments through direct tax was down 34% to MSEK 2 095 (3 194).

Through subcontracting manufacturing and other activities, Atlas Copco generated further employment and financial stability. Operating costs include payments to suppliers for goods and services and deducted for functional costs and employee wages and benefits, amounted to MSEK 41 593 (46 084), a decrease of 10%.

Atlas Copco's providers of capital, for example shareholders and creditors, provide funds to finance the asset base that is used to create economic value. In turn, these stakeholders receive annual dividend and interest payments. Further details are reported in the Annual Report and on page 119.

Distribution of economic value



Customers

Atlas Copco strives to be the preferred supplier to current and potential customers, by developing, manufacturing, and delivering quality products and solutions that provide sustainable productivity. The Group's success depends on the interaction with customers.

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 measurement of how customers value the products and services offered by the Group. Furthermore, in accordance with the Group's quality policy, all units conduct customer surveys to measure how satisfied customers are with Atlas Copco. They are implementing the Net Promoter Score (NPS) concept to measure customer loyalty and to continuously improve performance. The overall objective is to achieve long-term profitable growth. In 2009, there was an increased focus on expanding the NPS concept to more countries where Atlas Copco operates and to follow up on the result from previous measurements as well as plan for activities to improve in certain areas. A summary of the feedback from customers is that Atlas Copco has good product knowledge, product innovation and good product performance.

The Group recognizes it has reputation risks related to the association with certain customers. In countries defined to be high risk areas or at risk, Atlas Copco seeks to minimize these risks by safeguarding that its own commitments are met regarding its business practices and the safety and technological leadership of its products and services. In addition to this, Atlas Copco strives to build awareness for the ethical guidelines supported by the Group. The Group has a customer risk assessment guideline, to assist Atlas Copco companies in the process. This guideline will in particular be used in cases of financing by credit export agencies.

Atlas Copco follows both local and international rules (US OFAC, UN and EU) and regulations regarding trading in high risk countries. In all of its operations Atlas Copco follows its own Business Code of Practice.

Products and Solutions

Atlas Copco's products and solutions are continuously improved in regards to customers' demands of quality, cost and efficiency as well as in regards to ergonomic, environmental and health and safety aspects. Atlas Copco complies with laws and regulations, stricter regulation has a direct effect on the development of for example more environmental friendly or safer products.

Seen over the entire product life cycle, from product development, manufacturing, usage to discards, the largest environmental impact takes place during the use of Atlas Copco products. In designing its products the Group aims to reduce the environmental impact and improve the performance of every product. Life cycle assessments show energy consumption has the most significant environmental impact. Atlas Copco assesses relevant aspects of ergonomics, safety and health not only in its product development process but in all life cycle stages of the product.

Atlas Copco is organized in three separate, but still integrated, business areas. Each business area operates globally. Depending on the nature of the products and solutions offered, the focus and priorities vary. It is difficult to report a consolidated figure for their environmental impact, since each business area manufactures a wide variety of products and solutions. Some examples in each business area are given below.

Compressor Technique

In 2009, the Compressor Technique business area continued the focus to continuously improve both products and services, designed to reduce customers' energy consumption and increase their capacity. Product improvements were realized for compressors of all brands owned by Atlas Copco. Examples include the water-cooled oil-free air compressor range with built-in energy recovery systems, the redesigned oil-injected screw compressor range and the new oil-free scroll compressor, which offer increased energy efficiency.

For both compressors and generators Atlas Copco meets outdoor noice directives—and in many cases comes far below limits set by regulations. Over three generations of compressors a noise reduction of 50% has been realized.

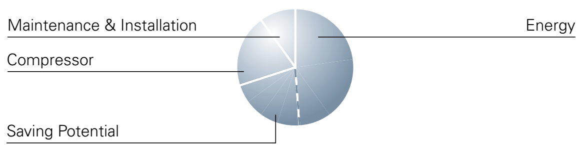
The expansion of the portfolio of equipment upgrade kits, allowing customers to benefit from service products such as AirScan, AirOptimizer and AirConnect, provide comprehensive control over the entire system installations or configurations for customers. This type of intelligent control systems has been shown to produce energy savings of up to 25%.

More than 3 000 AirScan audits have been performed, resulting in recommendations for how customers can reduce their energy costs and carbon footprints. These audits went beyond the installed Atlas Copco equipment by looking at other practical aspects of the system configuration, such as the management of air leaks in the hose/pipe connections to the compressors.

Increased efficiency and environmental gains are the key benefits of the refrigerant dryer, now integrated in several oil-injected and oil-free compressor ranges. The customers now benefit from a reduction of up to 40% lower direct dryer power consumption and the environment of a reduction of 50% in global warming potential.

Atlas Copco's variable speed drive (VSD) technology closely follows the air demand by automatically adjusting the motor speed, which results in energy savings of up to 35%. The life cycle cost of a compressor can be cut by an average of 22%.

Potential savings with VSD



Construction and Mining Technique

Part of the Construction and Mining Technique business area's strategy is to develop new products and offer services to reduce customers total cost of ownership, by enhancing performance and reduction of costs, such as fuel, labor and parts, as well as ensuring a safe working environment.

The new generation of Atlas Copco Cobra™ petrol drills and breakers reduce the emissions of hydrocarbons compared to the previous generations of Cobra™ machines. The machine is primarily used for breaking concrete and asphalt.

New asphalt rollers, used in road construction projects, require less fuel consumption with a reduction of up to 24% compared to already fuel efficient predecessors.

A new generation of rock drills were launched with a reduced energy consumption of 8%. Environmental declarations for underground drill rigs were implemtented and the work with reducing hydraulic leakage through improved coupling quality and training of assembly personnel was continued.

Further Atlas Copco introduced a self-drilling micropile that drills and reinforces the hole in one single process, which will for example have a low impact on surroundings and be convenient for sites with limited working space.

Energy efficiency and noise level are examples of focus areas in the development of hydraulic breakers, used for demolition within construction as well as within tunneling and mining applications. This has resulted in all heavy breakers being equipped with VibroSilenced system as standard, which reduces noise and vibrations, both negative for carrier and operator.

In the tough business climate in 2009, Atlas Copco increased its focus on the service offer and on securing availability for customers through for example the Atlas Copco ROC CARE service agreement.

Atlas Copco first to offer compressors certified for 100% energy recovery

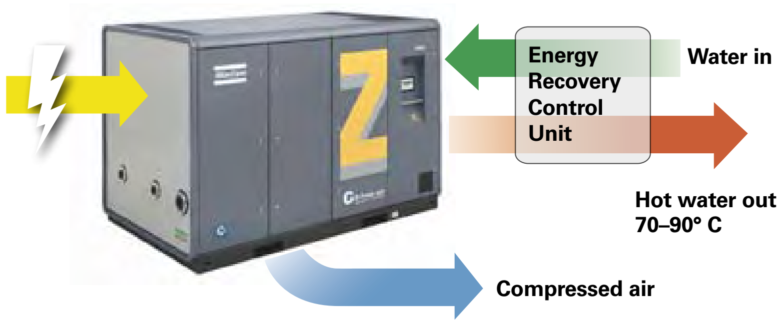
Atlas Copco has introduced a water-cooled oil-free air compressor with built in energy recovery. The concept is called Carbon Zero. Capable of recovering 100% of the electrical energy input for heating water, these compressors can dramatically reduce energy costs for a number of industries. The compressors are the first in the world to be certified by the TÜV institute as having "net zero energy consumption" at specific design conditions.

"We are very pleased to offer our customers a compressed air solution which can recover 100% of the input energy," says Stephan Kuhn, President of Atlas Copco's Compressor Technique business area. "Today our customers face stringent targets to reduce carbon dioxide emissions. The new compressor will have significant impact towards preserving the environment and also on our customers' bottom line."

Most industries can make use of hot water for space heating, showers and other such applications. The compressors will provide the most significant cost savings for industries using a great deal of hot water and steam in their processes, such as food and beverage, pulp and paper, chemicals and power plants. In some cases they will even make it possible to eliminate one source of carbon dioxide emissions from factories.

A business case

Up to 10% of energy consumption comes from compressed air systems. With modern technology available, both customers and the environment would benefit if all compressor installations older than five years are replaced. For Atlas Copco with its state of the art products and solutions, this is a major business opportunity, which at the same time contributes to dramatically less energy consumption and CO_2 emissions. This will also increase the competitiveness of Atlas Copco customers, due to reduced costs for energy.



Industrial Technique

The Industrial Technique business area's product development activities focus on reducing energy consumption during the customer's use of the tools, from a life cycle cost perspective. The business area supports the customer to find the 'green way' by demonstrating life cycle costs and showing the lifetime savings for material use and energy costs. The product development teams work closely with the marketing people, who listen to the customers and identify common needs and new trends.

During 2009, products were launched that outperform their predecessors significantly in terms of energy consumption, ergonomics and total life cycle costs. Some examples of improvements were: the low air consuming pneumatic nutrunners, which saves more than 30% energy through higher speed and less air consumption per tightening cycle and the introduction of a range of battery powered pistol-grip screwdrivers. These screwdrivers are ergonomically developed, fast, powerful, and communicates to the operator whether or not the tightening was made according to the preset torque. Several ergonomically designed tools with low vibrations and improved productivity was added to the range of material removal tools.

The development of energy efficient tools drives the transformation from pneumatic to electric tools. An electric tools system offers a more advanced fastening process together with a lower energy consumption compared to a pneumatic tools system.

Product renewal rate

Share of revenue and product age	Compressor Technique business area	Construction and Mining Technique business area	Industrial Technique business area
> 6 years	< 20%	< 50%	> 30%
3–6 years	> 40%	> 30%	< 30%
< 3 years	< 40%	< 20%	> 40%

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.

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. Training of customers are included when relevant, to secure a safe handling of the products.

Atlas Copco is in general not directly covered by the EU Waste Electrical and Electronic Equipment (WEEE) Directive. However, a few products are defined to be within the scope (handheld electric tools and monitoring control instruments). For those products Atlas Copco has a producer responsibility for the disposed products.

The Atlas Copco Group strives to follow laws and regulations in regards to environmental, health and safety aspects or product information and labeling. In cases where product labeling is required, Atlas Copco meets those demands.

No significant cases of non-compliance with regulations concerning health and safety or product information and labeling have occurred during 2009. No fines have been paid.

Sales and marketing communication

The Group's products and services are marketed and sold on the basis of their quality, productivity, price and service level and other legitimate attributes. The divisions are responsible for the marketing activities and for communications as well as training of personnel within the area of customer health and safety, product and service labeling, marketing communications, customer privacy and compliance.

Atlas Copco has established clear policies published in *The Way We Do Things* where it is stated how to communicate with different stakeholders while adhering to applicable laws and regulations, standards (e.g. ISO) and the Business Code of Practice. As a result, Atlas Copco does not sell products that are banned in certain markets, or subject to stakeholder questions or public debate.

Communications professionals are employed in the local markets. In addition to the competence that they bring, they are offered internal training through the Atlas Copco Communications Academy, for example on legal aspects of communication or on how to write for the website.

Sponsoring

The Group has a sponsoring policy which is followed by the Group's companies. On Group level Shanghai World Expo 2010 is supported. Several local sponsoring activities are also ongoing.

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 2009, Atlas Copco continued to focus on offering a safe, healthy and diverse working environment for all employees.

Labor Practices and Decent Work

Atlas Copco's people management strategy is to attract, develop and keep motivated people, while expecting managers to take responsibility for developing themselves and their organizations. 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.

At year end 2009, Atlas Copco employed 29 802 (34 043) people around the world and 88% of its workforce was based outside of Sweden. In 2009, new acquisitions brought 169 (323) new employees to the Group, and 0 (95) left through divestments. The financial crisis has caused Atlas Copco to adjust its workforce to the current demand, which resulted in a reduction of the total workforce (including full time consultants/external workforce) for comparable units of 4 708 people in 2009 (1 365 in the last quarter of 2008). To minimize social impact, the Group strived to support the people that had to leave as much as possible in cooperation with unions and local authorities.

Employer/employee relations

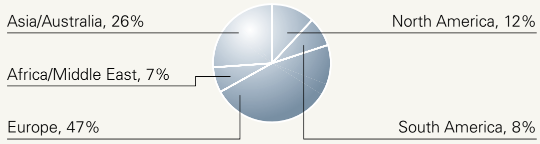
All employees shall have access to information regarding the Group's people management processes, which includes guidance on recruitment, compensation, performance reviews, and competence development.

Atlas Copco has a non-discrimination policy covering all employees. All employees have the right to decide whether or not to be represented by a labor union, for example in case of collective bargaining purposes, which is recognized in the Business Code of Practice. In 2009, 38% (39) of all companies, which represents 52% (58) of all employees, reported that the employees had union representatives that could support them. The decrease is partly explained by the shift of business between geographical areas.

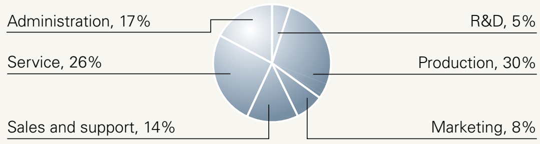
In countries where no independent labor union may be established, Atlas Copco has taken measures to establish forums for employer/employee relations e.g. as in China through Environment and Safety Committees.

Wages and benefits are determined in accordance with market forces. The goal is to be fair, consistent and competitive, and to remain in line with the industry standards, in order to attract and retain the best people. To safeguard a fair salary structure, Atlas Copco consults external companies to classify different positions. The compensation level for each position is established based on the classification and on benchmarks with similar companies using the same system. The Group does not have any material differences in benefits provided to full-time or part-time employees.

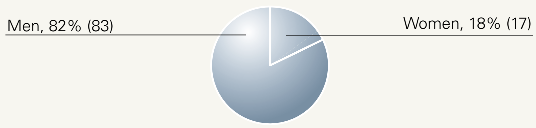
Proportion of employees by geographical spread



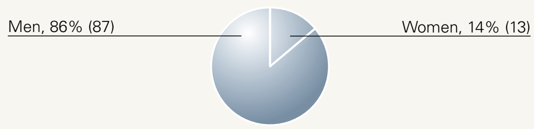
Proportion of employees by professional category



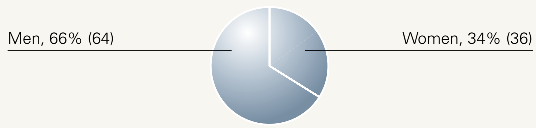
Proportion of male and female employees



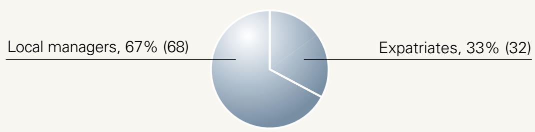
Proportion of male and female managers



Proportion of male and female recent graduates recruited in the year

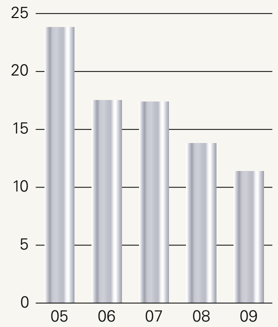


Proportion of locally employed senior managers and expatriate senior managers*



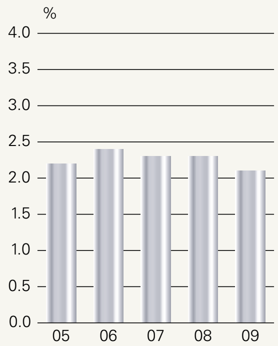
* Senior managers include Presidents, Vice Presidents and General Managers.

No. of accidents per million of hours worked



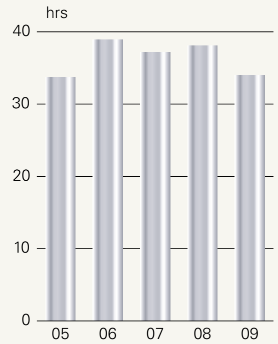
Target –50% accidents (2008–2012)

Percent of sick-leave days per year



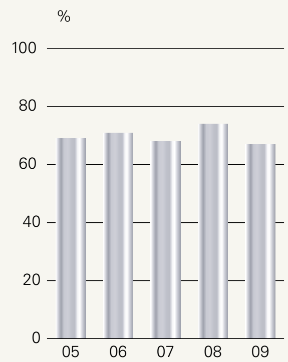
Target <2.5% days

Average hours of training per employee per year



Target 40 hrs/employee

Proportion of appraisals among employees



Target 100%

For temporary employees, benefits provided are in line with national legislation. Atlas Copco complies with national laws and regulations regarding minimum wages and minimum notice period in cases of operational changes.

Atlas Copco encourages mobility across geographical, organizational and cultural boundaries. This is important for developing competence, but also for successful integration of newly acquired companies. Experienced Atlas Copco managers in senior positions 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 2009, internal mobility for salaried employees was 8%, which means that 1 650 (2 132) people moved to new positions. Overall external recruitment for salaried employees reached 6%. External recruitment totaled 1 230 (4 178) people excluding acquisitions. Employee turnover for salaried employees was 10%. The decrease in internal mobility and external recruitment are explained by lower business due to the global financial crisis.

Proportion of salaried and hourly employees

	2006	2007	2008	2009
Salaried employees	70	66	68	67
Hourly employees	30	34	32	33

Employee surveys

Atlas Copco has an ambition to conduct a Group employee survey on a bi-annual basis. During 2009, all Atlas Copco companies worked with the follow-up of the result from the 2008 survey. The results are followed up by local management, who involve the employees in workshops to explore how they can best improve their weaknesses and capitalize on their strengths. The next Group employee survey will be conducted in 2010, to which all employees in the Group will be invited to participate.

The communicative leadership index was established in 2009 with the aim to map and eventually improve the leadership ability to communicate internally plans and targets as well as to give feedback.

Health, safety and well-being

Atlas Copco aims to offer a safe and healthy working environment in all its operations. In 2010, new non-financial targets on health and safety were decided by Group Management, see the Corporate Governance Report. The divisions are responsible for deciding on activities to achieve the targets. Compressor Technique business area has decided to launch a program that puts safety first in 2010, to increase the awareness on health and safety issues amongst the employees.

Based on more comprehensive information available in each business unit, local management can take appropriate measures to further improve the well-being of employees. Almost all Atlas Copco companies have reported that a health and safety policy is implemented in the company. In general, health and safety topics are covered by national laws and regulations, not by agreements with trade unions.

The number of accidents per million hours worked was 11.4 (13.8), in 2009. This corresponds to 652 (881) accidents during the year. The average during the past five years is 983 (1 094) accidents. This substantial improvement is partly explained by increased awareness through the implementation of OHSAS 18001 or Voluntary Protection Plan (VPP) certification in more companies in the Group, and by achievements in the preventive work in product companies. Safety training, for example, is included in the introduction program for new employees and the reporting of near-accidents or injuries is increasing at the local level. In 2009, 32% (23) of all employees work in an environment with a OHSAS 18001.

In 2009, there were two work-related fatalities in the Group's operations. Sadly, one person died in a traffic accident and one in a heart-attack, both when travelling to customers' sites. The level of sick-leave has decreased to 2.1% (2.3) days. During the period 2005–2009, the sick-leave percentage has varied between 2.1 and 2.4% days.

In 2002, Atlas Copco introduced an HIV/AIDS program in its operations in South Africa, including testing, awareness training, and consultation and treatment for those who are diagnosed HIV positive. Today, Atlas Copco's HIV/AIDS program spans nine countries in Africa, including for example Ghana, Zambia, Kenya and Zimbabwe. No Atlas Copco employee who joined the program with a negative test result has later been tested positive for HIV/AIDS. Atlas Copco's vision is that healthy personnel add business value. In 2009, Atlas Copco's program in South Africa was recognized with the SWHAP (the Swedish Workplace HIV and AIDS programme, www.swhap.org) Achievement Award. The HIV/AIDS program will continue to expand to other countries.

Regarding the new pandemic influenza (H1N1), all Atlas Copco companies were instructed to follow medical directives and instructions to reduce the risk of personnel being infected. Locally implemented measures included providing opportunities for vaccination during work hours and procuring hand disinfectant liquids for rest rooms in the workplace.

Extract from Atlas Copco Group Health and Safety Vision:

Atlas Copco is committed to providing a safe and healthy working environment for all its employees in all its operations through:

– Legal compliance with applicable health and safety laws in all countries where the Group operates.
– No injuries to employees or other people involved in manufacturing and supporting processes, within the Group's facilities.
– No work-related illnesses and a continuous reduction of absenteeism due to illness.
– A working environment which promotes the well-being of employees.

Competence development

Atlas Copco's training target of 40 hours on average per employee per year, regardless of professional category, includes on the job training. In 2009, the average number of training hours per employee was 34 (38). Even though there was a continued focus on competence development, it was difficult to maintain the same intensity of training as in previous years. Examples of training initiatives include local Academy training in Russia, China, India and South Africa, management training, sales and service training. Atlas Copco Academy in South Africa was rewarded in the local press for the outstanding approach and performance with regards to customer focus.

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 skill-based training in accordance with the needs of the organization. While training seminars and workshops remained the most popular way of offering training within Atlas Copco, the Group also focuses on distance learning, for example e-learning courses and webinars.

Certain training courses are mandatory to all employees; one is the introduction course named Atlas Copco Circles, which comprises the Business Code of Practice, and another is the environmental awareness training.

All business areas have comprehensive competence development programs in place, for example the Construction and Mining Technique business area introduced a uniform high standard training for all its service technicians, a global certification for service and maintenance technicians. In 2009, Atlas Copco in Örebro launched a program with short-term assignments abroad to increase the competence development but also to increase diversity.

A further measure of success of the focus on competence building within Atlas Copco is the percentage of employees with university degree or higher. In 2009, 44% of the salaried employees had a university degree or higher.

In 2009, 67% (74) of all employees had an appraisal, an annual performance and career development review. The target is 100%. The decrease is partly explained by the reduction in workforce and exit interviews are excluded from the statistics.

Equality, fairness and diversity

Equal opportunities, fairness, and diversity are fundamental pillars of Atlas Copco's people management process, which is clearly stated in the Atlas Copco Group Diversity Policy. The Group companies establish a local diversity policy and guideline in line with local laws and regulations as well as the Group policy and local ambitions. This can for example include options regarding reduction of working time for childcare or educational leave.

The Group is chiefly recruiting both 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.

Atlas Copco has stepped up its efforts within employer brand communications through focused teams. The Group is today considered more international and multicultural than in the past. These are two extremely important factors for students and potential employees today.

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. In 2009, a new high level mentorship program was conducted. It is aimed at women with the ambition and potential to become general managers. A female managers' network is being established to further enhance gender diversity. Another example to support female managers is a gender diversity program, launched in 2009 at Atlas Copco in Fagersta, with local mentors, networks and training.

Atlas Copco companies report and comment on the relative number of males and females in their organizations. In 2009, the ratio of female employees was 17.7% (16.6). The proportion of women in management positions increased slightly to 13.6% (12.9). During the year, 34.2% (36.4) of the recent graduates recruited were female, which is a slight decrease but still good considering the low level of recruitments. There will be a continued focus on gender diversity in 2010.

Female talents improve career opportunities through mentorship program

Recognizing the need to develop more female managers, and ultimately recruit from the full base of talent within Atlas Copco, the first high-level female mentorship program was launched in 2009. Fifteen highly qualified applicants were paired with mentors including division presidents as well as general and holding managers. "We have taken this initiative because we need to grow more female managers into top positions within the company. We believe that if we are going to be an attractive employer, we must have gender diversity at the higher levels," said Kristina Ahlbom, Project Manager at the Atlas Copco Group's Human Resources function.

To make female managers with a high potential better known among the Group's decision makers, the program only has male mentors.

"The aim is to include these women into networks, making them known to the managers who sooner or later will be recruiting for high-level positions. We hope to see at least a few of them become general managers within three years," Ahlbom said.

Take a step forward

With a specific labor market segment in mind, current and potential female professionals, Atlas Copco has published a booklet, Take a Step Forward. In this booklet, 22 female employees describe the Group's work style and culture, and their own professional career paths. Read more on www.atlascopco.com/careers.

www

Business Partners

Atlas Copco strives to be the preferred associate for its business partners such as suppliers, sub-contractors, joint venture partners and agents, and is committed to working closely with them.

The purchasing process in the Group is decentralized and managed in the divisions. However, local purchasing (non-core) is in most cases made by the individual units. Atlas Copco promotes local purchasing since it benefits the region where the Group operates and also facilitates close relationships and possibilities to achieve high quality and efficiency, as well as decreases the impact on the environment.

Group companies select and evaluate business partners partly on the basis of their commitment to social and environmental performance and development. To reinforce the Business Code of Practice, a common ten-point checklist, based on the UN Global Compact and on the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, has been developed to clarify the Group's expectations on its business partners. Specific criteria on suppliers are developed within the divisions with the basis of expectations in the Business Code of Practice.

Atlas Copco encourages all business partners to implement an environmental management system similar to Atlas Copco's. For example Atlas Copco in Örebro has set a local target that most of the purchased volume should come from suppliers who have implemented an environmental management system.

The checklist forms the basis of the supplier evaluation guideline. The Group supplier evaluation template has been adapted to the different businesses in the Group.

In 2009, the social aspect in the supply chain was a specific focus and it will be integrated more clearly in the supplier evaluations model in the future.

Supplier evaluations

Group companies report quantitative data of evaluated, approved and rejected suppliers and those requiring development. They report in which regions their suppliers are located and the status of environmental and social evaluations. The reporting regarding suppliers is relatively new and it is continuously being improved. During the year, the reporting guidelines of business partners was discussed and revised.

A supplier is considered approved if Atlas Copco has performed an assessment at the supplier site and then reported that there is no risk of violence to the Business Code of Practice, or that the supplier has corrected all development suggestions from a previous evaluation.

In 2009, training material on supplier evaluations was developed and discussed in the Group. The training is internal but it is influenced by input from experts on human rights e.g. Amnesty International. Also in 2009, there were training occasions in China, where Atlas Copco purchasers and quality engineers were trained in supplier evaluations. Local purchasers and Swedish representatives discussed the importance of supplier evaluations to increase awareness and establish ownership of the procedure. Training is being given on a worldwide basis and will continue in 2010.

Where business partners operate with a potential conflict to the Business Code of Practice, improvement plans can be agreed upon and Atlas Copco can provide experience and know-how.

Increased activities on supplier evaluations took place in the product companies. In some places suppliers were invited to Suppliers' Day, during which they were informed and trained in the Atlas Copco's supplier evaluation procedure. The activities have in many cases resulted in safety, health and environmental improvements.

In 2009, approximately 2 883 (3 600) significant suppliers, representing 21% of the total number of suppliers, were evaluated by Atlas Copco teams directly at the suppliers' sites, or through verification of the suppliers' own reports. 83% of the suppliers evaluated from an environmental perspective was approved. They were rated average, good, or exceptional. 17% of the suppliers were conditionally approved and will be monitored by Atlas Copco. The same figures related to the social evaluations were 82% and 18% respectively.

In 2009, one supplier was rejected for environmental reasons and none for social, health and safety reasons. The supplier was rejected, or not approved, because it was deemed as not living up to Atlas Copco requirements and not willing to improve.

The supplier evaluations will continue to be a focus area.

Prohibited or restricted substances

Atlas Copco keeps a list of substances whose use are either prohibited or restricted due to their potential negative impact on health or the environment. Restricted substances should be replaced as soon as it is possible from a technical and financial perspective. Prohibited substances are not allowed in the Group's products or processes. Suppliers' use of such substances is regularly checked, and if prohibited substances should be found, they must immediately be replaced with approved alternatives. The lists are continuously revised according to applicable legislation, including REACH.

A supplier survey was launched in 2009 by the Compressor Technique business area to increase awareness of suppliers' environmental management system and use of substances of concern. This survey resulted in an increased awareness of the substances of concern used by suppliers, which will be addressed.

The Atlas Copco lists on prohibited and restriced substances are published at www.atlascopco.com/cr.

www

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 sustainable corporations will create significant long-term value through innovation, attracting and keeping the best people, and through being customers' first choice.

Corporate responsibility challenges and risks

Atlas Copco's approach to assessing and managing risks, including those related to the Group's corporate responsibility work, is described in the Annual Report, section Risk Factors and Risk Management.

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 CO_2 emissions from products and industrial processes. Atlas Copco has consistently developed products with improved energy efficiency and reduced emissions. 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 support the Kyoto protocol, and as an example Atlas Copco Airpower n.v. participates in the voluntary scheme presented by the Flemish Authorities.

Atlas Copco is a minor consumer of energy in its own operations and as such only to a small degree subject to changes in energy costs. However, extreme weather conditions, natural disasters, or other events could cause a shortage of resources such as water and energy, and thus affect the operations of Atlas Copco.

Atlas Copco's insurance company assesses the exposure to property risks as a result of extreme weather conditions and the danger of natural disasters. Preventive measures are taken to reduce the risk levels wherever necessary. In general, Atlas Copco's exposure to this type of risk is perceived as low, hence potential financial implications have not been quantified.

Atlas Copco has established a Sustainability Construction Manual, which is available for use when new production sites are built, this includes considering climate risks such as weather-related risks and the risk of natural disaster.

Sustainability awards

In 2009, Atlas Copco received a few awards in the corporate responsibility area, for example the Risk Transparency Award received from Ernst & Young for Risk Management in the Annual Report 2008, and the SWHAP (the Swedish Workplace HIV and AIDS programme, www.swhap.org) Achievement Award for Atlas Copco's HIV/AIDS program in South Africa. The Group also received a few local awards, primarily in the environmental area.

Sustainability ratings

It is important not only to follow Atlas Copco policy and performance from year to year but also to look at the performance against peer companies and external standards. This way the Group learns from the comparison and sets more challenging targets.

Besides the reporting on its key performance indicators, which have been defined based on GRI's indicator protocols, Atlas Copco each year reports on its sustainability performance to a number of companies involved in sustainability ratings. In 2009, Atlas Copco was not placed in Dow Jones Sustainability Index 2009/2010. The Group will strive to be included in next year's rating.

Atlas Copco was listed in:

- Ethibel Pioneer and Ethibel Excellence Investment Register, www.ethibel.org and www.vigeo.com
- FTSE4Good Global Index, www.ftse.com
- Global 100 list by Innovest, www.global100.org
- OMX GES Sustainability Nordic index by NASDAQ OMX Stockholm and GES Investments Services, indexes.nasdaqomx.com
- Folksam Climate Index 2009 and Folksam Diversity Index 2009, www.folksam.se
- Carbon Disclosure Project's (CDP) annual reporting of climate impact, www.cd-project.net

The Group received its most recent recognition in February 2010 from NASDAQ OMX.

Performance Summary[1)]

GRI indicator	Economic[4)]	2006	2007	2008	2009
EC1	*Direct economic value*				
EC1	Revenues	60 430	64 391	77 370	65 374
EC1	*Economic value distributed*				
EC1	Operating costs[2)]	30 483	38 888	46 084	41 593
EC1	Employee wages and benefits	10 965	12 696	14 555	13 339
EC1	Payments to providers of capital[3)]	3 846	5 119	7 097	5 819
EC1	Payments to governments (tax)	2 690	3 434	3 194	2 095
EC1	Community investments	–	–	–	–
EC1	Economic value retained	12 446	4 254	6 440	2 528
EC1	– Redemption of shares	–	24 416	–	–
	– Repurchase of own shares	3 776	–	–	–

GRI indicator	Social/employees[4)]	2005	2006	2007	2008	2009	Target[5)]
LA7	Number of accidents per million hours worked	23.8	17.5	17.4	13.8	11.4	–50% (2012)
LA7	Absolute numbers of accidents			911	881	652	
LA7	Sick-leave, % days	2.2	2.4	2.3	2.3	2.1	<2.5
LA10	Average training hours per employee	34	39	37	38	34	40
LA10	Average training hours per salaried employee			39	39	36	40
LA10	Average training hours per hourly employee			35	36	30	40
LA12	Proportion of appraisals, % employees	69.0	71.0	68.1	74.0	67.1	100
LA13	Proportion of women, % employees	14.5	16.2	16.4	16.6	17.7	
LA13	Proportion of women in management positions, % managers	9.0	11.7	12.0	12.9	13.6	

GRI indicator	Environmental (production units)[4)]	2005	2006	2007	2008	2009	Target[5)]
EN1	Material use in ’000 tons (iron and steel)	82	85	143	138	104	
EN1	Packaging material in ’000 tons	26	31	35	44	26	
EN3[6)]	Direct energy use in GWh			122	140	101	
EN4[6)]	Indirect energy use in GWh			258	276	251	
EN3+EN4	Energy use in GWh	311	321	380	416	352	
EN8	Use of water in ’000 m^3	476	523	497	547	523	
EN16	CO_2 emissions in ’000 tons (direct energy)		20	25	30	21	–10% (2013)
EN16	CO_2 emissions in ’000 tons (indirect energy)		69	80	90	78	–10% (2013)
EN16	CO_2 emissions in ’000 tons (total energy)	86	89	105	120	99	–10% (2013)
EN17	CO_2 emissions in ’000 tons (transport)	175	198	312	305	206	–10% (2013)
EN19[7)]	Cooling agents in tons					0.9	
EN22	Waste in ’000 tons	23	27	35	38	27	

GRI indicator	Environmental (specialty rental)[4)]	2006	2007	2008	2009	Target[5)]
EN3 + EN4	Energy use in GWh	40	65	27	17	
EN8	Use of water in ’000 m^3	25	19	23	16	
EN16	CO_2 emissions in ’000 tons (energy)	24	17	7	5	–10% (2013)
EN17	CO_2 emissions in ’000 tons (transports)	2	9	4	3	–10% (2013)

1) Changes reflect both changes in volume, consumption and an increase in the number of reporting units.

2) In operating costs, cost of sales also includes taxes paid to local governments.

3) Payments to providers of capital include financial costs and dividend, but exclude redemption of shares and repurchase of own shares.

4) Reported values are not corrected retroactively.

5) Target base year is 2008.

6) All direct energy is reported as non-renewable energy and 20% of the reported indirect energy is renewable energy.

7) EN19 is restated to follow GRI guidelines; cooling agents added to facility equipment is reported.

WWW

Sustainability and Reporting Definitions

Carbon dioxide (CO_2)
The most common greenhouse gas found in the atmosphere. It is generated in various processes in nature as well as in the combustion of most fuels.

Carbon Disclosure Project (CDP)
Independent organization that encourages corporations to disclose their greenhouse gas emissions.

Cooling agents
Different cooling agents added to on-site equipment (including refrigerators and air conditioners) and/or finished products leaving the site during the year.

Core indicator
Key Performance Indicators defined in the Global Reporting Initiative guidelines to be of interest to most stakeholders and deemed to be material to the organization.

Corporate Responsibility (CR)
Concept whereby organizations consider the interests of society by taking responsibility for the impact of their activities on customers, suppliers, employees, shareholders, communities and other stakeholders, as well as the environment.

Corruption
OECD's guidelines define corruption as when a civil servant or other person with influence unfairly or illegally takes advantage of his position to achieve benefits for himself or another person.

Cost of sales
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.

Employee turnover salaried
Calculated as external resignations of salaried employees/average salaried employees.

Energy consumption
Energy consumed for production includes production, heating, cooling, ventilation, as well as fuel delivered with rental products. Energy consumed during transport is measured from all inbound and outbound transports in cubic meters of fuel.

Environmental Management System (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 organization's 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.

Global Compact
UN initiative with ten principles on corporations' activities focusing on human rights, labor practices, environmental, and corruption considerations.

Global Reporting Initiative (GRI)
Independent international organization working to develop guidelines for sustainability reporting.

GHG Protocol
GHG Protocol Corporate Standard provides standards and guidance for companies and other organizations preparing a GHG (green house gas) emissions inventory. Through the use of the standardized approaches and principles, it provides a clear and transparent reporting mechanism.

Governmental Organization (GO)
Legally constituted organization created by government, such as the OECD.

Influencer
Individual or group who is expected to have an indirect impact on an organization, company or its stakeholders through influence.

ISO 9001
International standard developed by the International Organisation for Standardization (ISO), for setting up and certifying quality management systems.

ISO 14001
International standard developed by the International Organisation for Standardization (ISO), for setting up and certifying environmental management systems.

ISO 26000
Guiding international standard providing guidelines for social responsibility (SR).The standard will be published in 2010 as ISO 26000.

Life Cycle Assessment (LCA)
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)
Measure of electrical energy consumption 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.

Non Governmental Organization (NGO)
Legally constituted organization created by private persons or organizations with no participation or representation of any government, e.g. Amnesty International and Greenpeace.

OHSAS 18001
International standard, developed by the International Organisation for Standardization (ISO), for setting up and certifying occupational health and safety management systems.

Ozone Depleting Potential (ODP)
ODP indicates the ozone-depleting potential of a chemical substance i.e. a substance that has a negative impact on the earth's protective ozone layer.

Packaging material
Measured as the consumption of outbound packaging materials, i.e. materials used for packing Atlas Copco original products and parts such as paper/cardboard, plastic, wood, packing chips (foam) and iron/steel.

Rating institutes
Provide indices based on companies' financial performance as well as their sustainability performance (ethical indexes), e.g. Dow Jones.

REACH
European Community regulation on chemicals, deals with the Registration, Evaluation, Authorization and Restriction of Chemical substances.

Sick leave
Calculated as 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 sick leave 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
Individual or group that is expected to significantly affect or to be significantly affected by a company's activities, products, and solutions.

Sustainability
Meeting the needs of the present without compromising the ability of future generations to meet their own needs. It is also improving quality of life for everyone, now and for generations to come and it has three dimensions: economic, environmental, and social sustainability.

Waste
Reported in tons and in the following categories: metal scrap from production, plastic, paper, oils and solvents, paint, rocks and concrete, contaminated soil and mixed waste. The waste is classified as: reusable, recyclable, recoverable, landfill, and regulated waste. Regulated waste requires special treatment and disposal methods.

Water
Water consumption in m^3, own and purchased, is measured at internal water meters or by water utility companies.

WEEE
EU Waste Electrical and Electronic Equipment Directive imposes responsibility for the disposal of waste electrical and electronic equipment on the manufacturers.

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, not including 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 NASDAQ OMX Stockholm AB (OMX Stockholm). Reflecting this, the corporate governance of Atlas Copco is based on Swedish legislation and regulations: primarily the Swedish Companies Act, but also rules of OMX Stockholm, the new version of the Swedish Code of Corporate Governance, the Articles of Association and other relevant rules. This Corporate Governance Report has not been reviewed by the company's auditor.

More information on corporate governance www

The following information is available at www.atlascopco.com:

– Corporate Governance Reports since 2004

– Atlas Copco's Articles of Association

– An item-by-item report on Atlas Copco´s compliance with the Swedish Code of Corporate Governance

– Business Code of Practice

– Information on Atlas Copco's Annual General Meeting (AGM):
Nomination committee
Press releases
Report from the AGM
Notification of AGM

The Swedish Code of Corporate Governance is available in English on www.bolagsstyrning.se/en.

Shareholders

In the Atlas Copco Share section, pages 134–137, the shareholder structure, share capital, voting rights, and dividend policy are described as well as the trading and market capitalization.

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 who have given due notification to the company of their intention to attend may attend the meeting and vote for their total shareholdings. Shareholders who cannot participate personally may be represented by proxy and a proxy form is made available for the shareholders. A shareholder or a proxy holder may be accompanied by two assistants.

Shareholders representing 48.4% of the total number of votes in the company and 44.1% of the shares attended the Annual General Meeting held on April 27, 2009 in Stockholm, Sweden.

Among other matters, all specified in the Notice, 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

Board members

The process for nomination and presentation of Board members for election at the 2010 Annual General Meeting has been performed in accordance with the nomination process and the criteria adopted at the 2009 Annual General Meeting.

As prescribed by this process and criteria, during October 2009 the Chair of the Board of Directors, Sune Carlsson, contacted the four largest shareholders listed in the shareholders' register as of September 30 to establish the Nomination Committee. In addition to Sune Carlsson, the committee representatives were Petra Hedengran, Investor AB, Chair, Ramsay Brufer, Alecta Pension Insurance, Mutual, KG Lindvall, Swedbank Robur Fonder and Håkan Sandberg, Handelsbanken Fonder. The names of the Committee members were made public on October 20, 2009. A way to contact the Nomination Committee directly was also provided. The Committee members represented some 30% of all votes in the company. Late 2009 the Committee began preparing a proposal to be submitted to the 2010 Annual General Meeting covering the issues specified at the 2009 Annual General Meeting and the Code of Corporate Governance.

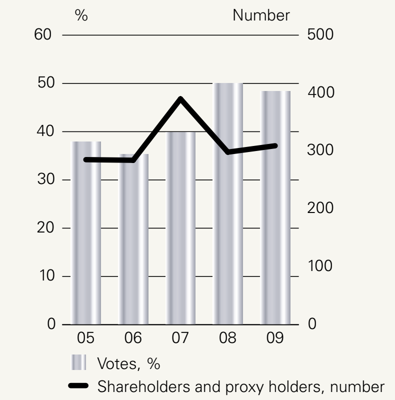
In line with the formal evaluation process adopted by the Committee, Sune Carlsson made an evaluation of the work performed and the processes employed by the Board and its members. This evaluation was presented to the Nomination Committee. He also presented his assessment of the need for special competence 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. Members of the Nomination Committee also met with a Board member for discussions.

When the notice of the Annual General Meeting 2010 is issued, the Nomination Committee will issue a statement on Atlas Copco´s website explaining its proposal regarding the Board members as stated in the Code of Corporate Governance.

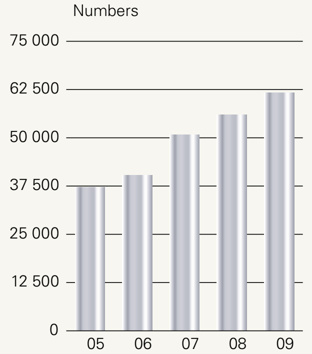
In the notice to the 2010 Annual General Meeting, the Committee will present its proposal regarding Chair of the Annual General Meeting, number of Board members, names of the proposed Board members, as well as Chair and Vice Chair of the Board. It also submits its proposal for remuneration to the Chair, Vice Chair and other Board members not employed by the company, 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 until the Annual General Meeting 2011 as well as a list of decision points for this Annual General Meeting.

Neither Sune Carlsson nor the other members of the Nomination Committee received any compensation for their work in the committee.

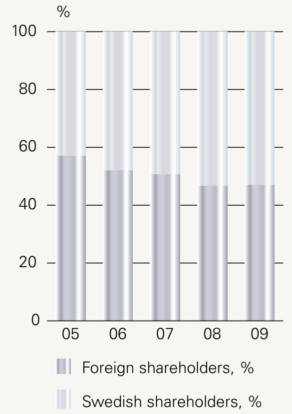
Annual General Meeting attendance



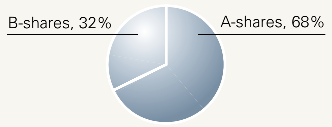
Number of shareholders



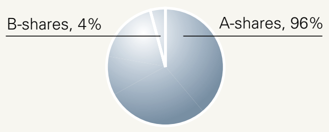
Ownership structure (votes)



Distribution of shares, % of number



Distribution of shares, % of votes



External auditor

At the Annual General Meeting 2006 the audit firm KPMG AB (KPMG), Sweden, was re-elected external auditor until the 2010 Annual General Meeting in compliance with a proposal from the Nomination Committee.

During late summer 2009 Ulla Litzén, chair of the Audit Committee, met with the Nomination Committee and presented the proposed process for the selection of an external auditor. The Nomination Committee authorized the search for a candidate in compliance with the proposed process starting with the invitation to a bidding procedure.

Board of Directors

At the 2009 Annual General Meeting, nine Board members were elected, one of which is the President and Chief Executive Officer (CEO). The Board also has two members, with personal deputies, that are appointed by the labor unions.

The Board had eight meetings in 2009, five times at Atlas Copco AB in Nacka, Sweden, twice per capsulam and one in Atlas Copco Airpower N.V. Antwerp, Belgium. Each Board meeting was governed by an approved agenda. Supporting documentation for the agenda items as well as a list of outstanding issues from the previous meeting was distributed to the Board members prior to each meeting. All meetings of the Remuneration and Audit Committees have been reported to the Board and the corresponding Minutes have been distributed. Hans Sandberg, General Counsel and Board secretary and Hans Ola Meyer, CFO, have been present at all meetings. The three business area presidents, Björn Rosengren, Mats Rahmström and Stephan Kuhn have been present at one meeting each when they presented in-depth reviews of their respective business area. Jeanette Livijn, Vice President Organizational Development and Human Resources, Mats Högberg, Vice President Corporate IT, and Ken Lagerborg, Group Treasurer, presented the situation in their areas of responsibility at the April and July Board meetings.

At the February meeting, the main responsible external auditor, Thomas Thiel, KPMG, 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

The Rules of Procedure and Written Instructions for the Board and its committees have been updated and readopted by the Board at each statutory meeting since 1999. In addition to the task of preparing matters for decision by the Board described in the Rules of Procedure and Written Instructions, Anders Ullberg, Ulla Litzén and Sune Carlsson were given the task to support the management in the implementation of the share repurchase mandate given by the Annual General Meeting.

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 per year, as well as when and where they are to be held.
- The President's authority to sign quarterly reports for quarter one and three.

- The Board of Directors' delegation of authority to prepare matters for decision by the Board.
- 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, acquisitions and divestments of business operations, decisions on investments exceeding MSEK 20, changes in the legal organization, follow-up of acquisitions, financial guarantees, and appointments.
- When Board documentation is to be available prior to every meeting.
- Identification of the Chair's major tasks.
- Keeping of Minutes.
- Appointment of the Remuneration Committee and the Audit Committee and the identification of the respective committee's major tasks.
- The Board's right to receive vital information, the right to make statements on behalf of the company, and the 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, deal primarily with:

- The President's responsibility for daily operations, corporate responsibility 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*, which covers principles, guidelines, processes and instructions of the Atlas Copco Group. *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 127.
- 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 yearly 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 or rejected a proposal from the Management. Each Board member has commented on the market/economic development from his/her perspective at the Board meetings.

Major issues dealt with by the Board, in particular during the first half of the year, include the follow-up of measures taken to implement contingency plans to deal with the reduced business volumes that resulted from the financial and economic crisis. Further, the capital structure has been discussed in depth.

During the year, the Board has continuously addressed the strategic direction, contingency plans, the financial performance, and the methods to maintain sustainable profitability of the Atlas Copco Group in a crisis environment. Corporate responsibility issues were covered, with a special focus on safety. During the last part of the year, the strategy regarding growth through acquisitions was emphasized and implemented.

Remuneration to the Board members

The 2009 Annual General Meeting decided on the following fees: the Chair received SEK 1 500 000, the Vice Chair SEK 550 000, and each of the other Board members not employed by the company SEK 450 000. The amount of SEK 170 000 was granted to the Chair of the Audit Committee and SEK 110 000 to each of the other three members of this committee. The amount of SEK 60 000 was granted to each one of the three members of the Remuneration Committee and SEK 60 000 to a Board member who participated in additional committee work decided upon by the Board.

The Annual General Meeting further decided that out of the stated fees, 50% of the Board fee could be received in the form of synthetic shares. All Board members accepted this offer prior.

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 2009. 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 a maximum of 280 key employees. The committee also supported the President and CEO in determining remuneration to the other members of Group Management.

In 2003, the Board adopted 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 (notice period, and severance pay). The base salary is determined by position and performance and the variable compensation is for the achievement of individual results. The goal with a long-term incentive plan is to align the interests of key personnel with those of the shareholders.

The Remuneration Policy is reviewed every year and was presented to the 2009 Annual General Meeting for approval. The current Remuneration Policy is included in the Annual Report. During the year, the Remuneration Committee had one meeting where all members were present.

Audit Committee

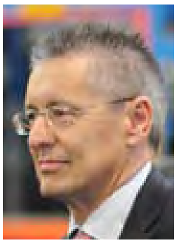
In 2009, the committee consisted of Board Members Ulla Litzén, Chair, Sune Carlsson, Staffan Bohman and, as from April 27, Johan Forssell. The Chair of the committee has the accounting competence required by the Swedish Companies Act and two of the members are independent from the company and its main shareholder. The committee convened six times. For the members' attendance, see table on page 126. The meetings were also attended by the responsible auditor, Thomas Thiel, KPMG, Atlas Copco's President and CEO, Gunnar Brock and Ronnie Leten respectively, CFO, Hans Ola Meyer, Group Treasurer, Ken Lagerborg and Vice President Group Internal Audit & Assurance, Anders Björkdahl.

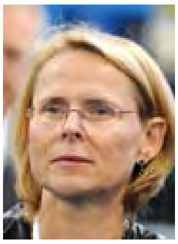
The work of the Audit Committee is directed by the Audit Committee Charter, adopted by the Board in 2003 and reviewed and approved each year, latest in April 2009. The committee's primary task is to support the Board in fulfilling its responsibilities in the areas of audit and internal control, accounting, financial reporting and, as from this year, to supervise the financial structure of the Group. Work in 2009 focused on follow-up of the 2008 audit, the auditor's review of the half-year report according to

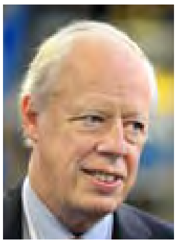
Board of Directors

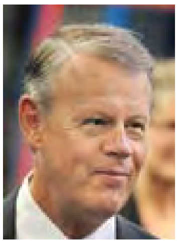

Sune Carlsson


Jacob Wallenberg


Ronnie Leten


Ulla Litzén


Anders Ullberg


Staffan Bohman

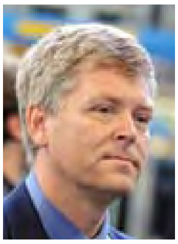

Margareth Øvrum


Christel Bories


Johan Forssell

Union Representatives


Bengt Lindgren


Ulf Ström


Mikael Bergstedt


Kristina Kanestad

Honorary Chair


Peter Wallenberg

agreed upon procedures and the hard close audit carried out as of September 30. Further, each quarterly interim report was reviewed, the financial risk exposure, the capital and financial structures were reviewed, an evaluation was made of the Group's internal control procedures, and certain risk areas were monitored by the committee. During the second half-year the Audit Committee prepared the proposal for selection of auditor for the period 2010–2013, to be put forward to the Nomination Committee.

Board of Directors

The Board of Directors consists of nine elected Board members, including the President and CEO. The Board also has two union members, each with one personal deputy. Atlas Copco fulfilled the 2009 requirements of the OMX Stockholm and the proposed rules of the Swedish Code of Corporate Governance regarding independency of board members, which secures that conflicts of interest are avoided. See table on page 125.

All Board members have participated in the training sessions arranged by OMX Stockholm.

Sune Carlsson, Chair of the Board. M.Sc. in Mechanical Engineering, Chalmers University of Technology, Gothenburg, Sweden. Member of the Board of the investment company Investor AB, Sweden, the shipping company Stena AB, Sweden and the automotive safety systems company Autoliv Inc., the United States. *Work experience:* Vice Chairman of Scania AB, President and CEO of AB SKF, Sweden, and Executive Vice President of ASEA AB, Sweden, and ABB Ltd, Switzerland.

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 AB, Sweden, and the airline SAS AB, Sweden. Board Member of the power and automation company ABB Ltd. Switzerland, The Coca-Cola Company, the United States, the nonprofit Knut and Alice Wallenberg Foundation, Sweden and the Stockholm School of Economics, Sweden. *Work experience:* Chairman of W Capital Management AB and SEB AB, Director of Thisbe AB, President and CEO of SEB AB, Executive Vice President and Head of Enskilda Division, SEB AB, Advisor to the President and CEO of SEB AB, Executive Vice President and CFO of Investor AB. All positions based in Sweden.

Ronnie Leten, President and CEO, Master's Degree in Applied Economics, University of Hasselt, Belgium. *Work experience:* Various positions at General Biscuits, Plant Manager in Monroe Tenneco, Business Development Manager for Compressor Technique, Atlas Copco, President of the Airtec division, Atlas Copco, President of the Industrial Air division, Atlas Copco and Business Area President for Compressor Technique, Atlas Copco. All positions based in Belgium.

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, the mining company Boliden AB, the industrial company Alfa Laval AB, the construction company NCC AB and the hotel management company Rezidor Hotel Group, all based in Sweden. *Work experience:* President of W Capital Foundations, Sweden, and Managing Director and member of the Management Group, Investor AB, Sweden.

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, the technical services company Studsvik AB, Sweden, and the IT services company Tieto-Enator, Finland. Member of the Board of the aluminum profile company Sapa AB, Sweden, the investment company Beijer Alma, Sweden and the roll manufacturer Åkers AB, Sweden. Chairman of the Swedish Financial Reporting Board and member of the

Swedish Corporate Governance Board. *Work experience:* Vice President Corporate Control Swedyards (Celsius Group), Executive Vice President and CFO, SSAB Swedish Steel and President and CEO of SSAB Swedish Steel. All positions based in 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 truck manufacturer Scania AB, Sweden. Member of the Board of the industrial group Trelleborg AB, Sweden, the holding company Inter-IKEA Holding N.V., the Netherlands, the private equity company Ratos AB, Sweden, the mining company Boliden AB, Sweden, and the component manufacturer OSM AB, Sweden. *Work experience:* Former CEO of Sapa AB, Gränges AB and DeLaval AB. All positions based in Sweden.

Margareth Øvrum, M. Sc. in Technical Physics, Norwegian University of Science and Technology (NTNU). Executive vice president for the Technology & New Energy business area in Statoil. Member of the Board of RATOS, Sweden, and of the Norwegian Research Council. *Work experience:* Several leading positions within technology, projects, production, maintenance, health/safety/environment, and procurement in Statoil.

Christel Bories, graduated in Business Administration from the HEC School of Management in Paris, France. President and CEO, Alcan Engineered Products, part of aluminum producer Rio Tinto Alcan, Canada. Member of Rio Tinto Alcan's Executive Committee. Board Member of the European Aluminium Association (EAA), Belgium. *Work experience:* Member of the Executive Committee of materials technology group Umicore, France, of aluminum conglomerate Pechiney and of Alcan, Canada.

Johan Forssell, M.Sc. in Economics and Business Administration, Stockholm School of Economics, Sweden. He is a member of the management team of investment company Investor AB, Sweden, and Managing Director and Head of Core Investments. Board Member of Foundation SSE-MBA, Sweden. *Work experience:* Head of Research, Head of Capital Goods and Healthcare sector, Head of Capital Goods sector and Analyst Core Holdings in Investor AB.

Union representatives (local union branches)

Bengt Lindgren, Chair of IF Metall, Atlas Copco Secoroc AB, Fagersta, Sweden.

Deputy **Ulf Ström,** Vice Chair of IF Metall, Atlas Copco Rock Drills AB, Örebro, Sweden.

Mikael Bergstedt, Chair of Ledarna, Atlas Copco Tools AB, Tierp, Sweden.

Deputy **Kristina Kanestad,** Chair of Unionen, Atlas Copco Rock Drills AB, Örebro, Sweden.

Honorary Chair

Dr. Peter Wallenberg, Econ. Dr. h.c. and Dr. of Laws h.c., Bachelor of Law, University of Stockholm, Sweden. Held various positions within the Atlas Copco Group 1953–1974 and was Chair of the Board 1974–1996. Honorary Chair of the Board of the investment company Investor AB, Sweden. Chair of the Board of the nonprofit Knut and Alice Wallenberg Foundation, Sweden.

The Board of Directors of Atlas Copco AB, roles, and dependency

Name	Born	Nationality	Elected	Position	Audit Committee	Remuneration Committee	Independent to the company's major shareholders	Independent to the company and its management
Sune Carlsson	1941	Swedish	1997	Chair	Member	Chair	No[3]	Yes
Jacob Wallenberg[1]	1956	Swedish	1998	Vice Chair		Member	No[3]	Yes
Ronnie Leten[2]	1956	Belgian	2009	Member			Yes	No[4]
Ulla Litzén	1956	Swedish	1999	Member	Chair		Yes	Yes
Anders Ullberg	1946	Swedish	2003	Member		Member	Yes	Yes
Staffan Bohman	1949	Swedish	2003	Member	Member		Yes	Yes
Margareth Øvrum	1958	Norwegian	2008	Member			Yes	Yes
Christel Bories	1964	French	2008	Member			Yes	Yes
Johan Forssell	1971	Swedish	2008	Member	Member		No[5]	Yes
Bengt Lindgren	1957	Swedish	1990	Member*				
Ulf Ström	1961	Swedish	2008	Member*				
Mikael Bergstedt	1960	Swedish	2004	Member*				
Kristina Kanestad	1966	Swedish	2007	Member*				

[1] Jacob Wallenberg was also a Board Member of Atlas Copco AB between 1985–1994.
[2] Ronnie Leten was elected Board Member at the 2009 AGM. (Gunnar Brock left the Board at the same meeting.)
[3] Board member in a company which is a larger owner (Investor AB)
[4] President and CEO of Atlas Copco
[5] Employed by a company which is a larger owner (Investor AB)
* Union representative

Board members' attendance in 2009

Name	Board meeting	Annual General Meeting	Audit Committee meeting	Remuneration Committee meeting
Sune Carlsson	8 of 8	Yes	6 of 6	1 of 1
Jacob Wallenberg	7 of 8	Yes		1 of 1
Ronnie Leten[1)]	4 of 4	Yes		
Ulla Litzén	8 of 8	Yes	6 of 6	
Anders Ullberg	8 of 8	Yes		1 of 1
Staffan Bohman	8 of 8	Yes	6 of 6	
Margareth Øvrum	6 of 8	No		
Christel Bories	8 of 8	Yes		
Johan Forssell	8 of 8	Yes	5 of 6	
Bengt Lindgren	8 of 8	Yes		
Ulf Ström	8 of 8	Yes		
Mikael Bergstedt	8 of 8	Yes		
Kristina Kanestad	8 of 8	Yes		

Board of Directors' holdings[2)] in Atlas Copco

Name	Class A shares	Class B shares	Synthetic shares/employee stock options
Sune Carlsson	20 000	34 284	18 354
Jacob Wallenberg	163 000	15 960	6 704
Ronnie Leten[1)]	10 000	2 000	226 775
Ulla Litzén	75 800	3 000	5 532
Anders Ullberg	14 000	10 000	5 532
Staffan Bohman	10 000	30 000	5 532
Margareth Øvrum			5 532
Christel Bories			5 532
Johan Forssell		2 000	5 532
Bengt Lindgren			
Ulf Ström			
Mikael Bergstedt			
Kristina Kanestad			

1) Ronnie Leten was elected member of the Board at the 2009 AGM. He was appointed President and CEO of Atlas Copco at June 1, 2009.

2) Holdings as per end of 2009, including those of close relatives or legal entities.

Auditor

At the 2006 Annual General Meeting the audit firm KPMG AB (KPMG), Sweden, was re-elected auditor for the period until the 2010 Annual General Meeting with Authorized Public Accountant Thomas Thiel appointed main responsible auditor. KPMG has the necessary expertise and a global network that coincides with Atlas Copco's demands.

The responsible auditor personally reported his observations and presented his views on the quality of internal control in the Group at the February 2009 and 2010 Board meetings. He also participated in all meetings with the Audit Committee and met regularly with management representatives. The preparation for election of auditor for the period 2010–2013 has been initiated during the year.

Group Structure and Management

Atlas Copco's operations are organized in three business areas and, at year end, comprised of 20 divisions. 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 operative 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 strategies and objectives – financial, environmental, and social – defined for each business area. The divisions are the Group's highest operational units, responsible for operative results and capital employed, strategies, and structures for product development, manufacturing, marketing, sales, and rental, as well as service of the products and solutions of the division. Comprehensive information about the business areas can be found on pages 24–35.

Internal service providers

Part of the efforts to achieve profitable growth includes combining the advantages of a decentralized operative organization with the synergy advantages that the Atlas Copco Group can offer. Therefore, as a complement to the divisions, a number of internal service providers have been set up to provide service in the areas of administration, IT support, treasury and customer finance, insurance, and product distribution. Information technology enables people around the world to work together to improve the quality of these services. The internal service providers are an integral part of the Group's strategy and structure, which 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, business boards, reflecting the operational structure of the Group. The duty of a business board is to serve in an advisory and decision-making capacity concerning operative issues.

Each division has a business board that 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).

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 principles, guidelines, processes, and instructions of the Atlas Copco Group.

The Atlas Copco Group's ambition is to grow organically and to make complementary acquisitions closely related to the core business. To ensure a successful acquisition strategy and integration, the company has designed a two-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. The company's policy is to have 100% ownership in all its holdings.

With respect to the Group's long-term business sustainability, highest priority is given to Atlas Copco's primary stakeholders – customers, employees, business partners, and shareholders – and also to specific stakeholders in the regions where the Group operates. Continuous, informal dialogues are 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 the single most important management tool of the Atlas Copco Group and includes principles, guidelines, processes, and instructions within the following main areas.

- Business Code of Practice
- Communications and branding
- Crisis management
- Environmental management
- 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 shall 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 non-financial targets at Group level. Each business area and division respectively gets objectives for its operations within the framework of these Group level objectives.

Financial targets

The 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.

General
- All employees shall receive appropriate training in the Business Code of Practice.

Social/employee
- Each employee shall be provided with an average of 40 hours competence development per year.
- Each employee shall receive an annual personal performance appraisal.
- Internal mobility is encouraged with the aim to recruite 85% of managers internally.
- Reduction of work-related accidents by 50%. The vision is no work-related accidents.
- Increase number of business units with zero accidents.
- Sick-leave shall remain below 2.5% days.
- All employees shall work in an environment with an occupational health and safety system.
- All production units and customer centers with more than 70 employees shall have an OHSAS 18001/VPP certified system.

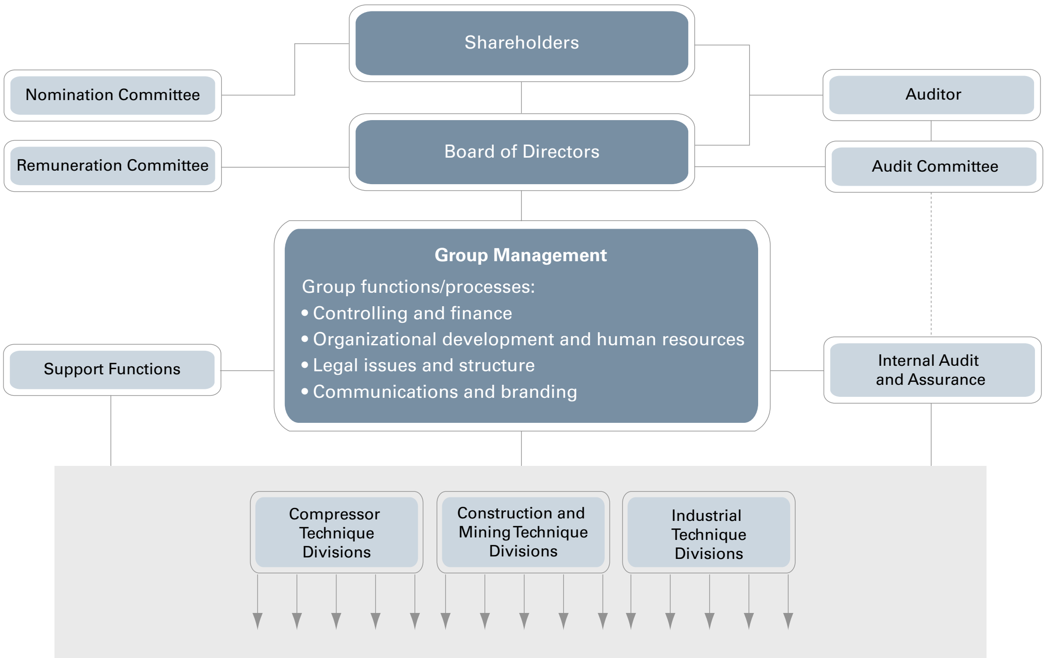
Environmental
- All employees shall work in an Environmental Management System (EMS) certified environment.
- All production units shall be ISO 14001 certified.
- All divisions shall have measurable targets for main product categories to increase energy efficiency.
- All production units aim to reduce their CO_2 emissions, including transports to and from production sites.

Business partners
- Business partners shall be evaluated from an environmental and social performance point of view in addition to general business objectives.
- Business partners shall be encouraged to implement an environmental system similar to Atlas Copco's system.

Risk management

See Board of Directors' report, page 19–22.

Governance structure



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 Human Resources, Legal, and Communications and Branding.

President and Chief Executive Officer

Ronnie Leten, assumed his position as President and CEO on June 1, 2009. He earned his Master's Degree in Applied Economics from the University of Hasselt, Belgium, in 1979. Before joining Atlas Copco in 1985, he 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 sub-supplier 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, in 2001, President of the Industrial Air division and in 2006, Business Area President for Compressor Technique. All positions based in Belgium. Besides his holdings in Atlas Copco, neither Ronnie Leten nor any member of his immediate family have shares/partnerships in companies with which the Atlas Copco Group has significant business connections.

Business Area Presidents

Stephan Kuhn, Business Area President for Compressor Technique as from June 2009. He holds a Masters Degree in Business Administration from Bentley College in Waltham MA, USA. Stephan Kuhn started his career at Atlas Copco in 1995 as manager of an electric tools joint venture in China, and later held General Manager positions in Belgium and Germany. He was President of the Surface Drilling Equipment division within the Construction and Mining Technique business area until 2008, when he took a position outside the Group.

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 equipment 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, he was President of the Rock Drilling Equipment division.

External directorship: HTC AB, professional floor grinding systems, Sweden.

Mats Rahmström, Senior Executive Vice President for Atlas Copco AB and Business Area President for Industrial Technique, earned his MBA in 2005 from the Henley Management College, Great Britain. He joined Atlas Copco in 1988 and has held positions in sales, service, marketing and general management within the Industrial Technique business area. Between 1998 and 2006 he held the position as the General Manager for customer centers in Sweden, Canada, and Great Britain. Between 2006 and 2008 he was the President of the Atlas Copco Tools and Assembly Systems General Industry division within Industrial Technique. Mats Rahmström holds his current position as from June, 2008.

From left to right: Stephan Kuhn, Jeanette Livijn, Hans Sandberg, Mats Rahmström, Ronnie Leten, Björn Rosengren, Hans Ola Meyer, Annika Berglund.

Group functional responsible

Hans Ola Meyer, Senior Vice President, Controlling and Finance, and Chief Financial Officer, 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 Penningmarknadsmäklarna, 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.

External directorships: Member of The Swedish Financial Reporting Board and member of the Board of Trustees for The Bank of Sweden Tercentenary Foundation.

Jeanette Livijn, Vice President Organizational Development and Human Resources, earned her university degree in Business Administration from Växjö högskola in 1987 and joined Atlas Copco later the same year. She started to work in the field of financial and business controlling and held various positions in this function for the Construction and Mining Technique business area as well as for the Industrial Technique business area, working in a customer center, product companies, and divisions. Since 1997 Jeanette Livijn has held managerial positions within human resource management. Before she took up this present position she was Vice President Human Resources for the Industrial Technique business area. Jeanette Livijn is a member of Group Management since 2007.

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. He 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 and market research with Atlas Copco in 1979. Since then, she has held 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 1997.

External directorship: Member of the Committee for Sweden's participation in World Expo 2010 in Shanghai, Sweden.

Group Management

Name	Born	Nationality	Employed	Function	Class A shares	Class B shares	Employee stock options
Ronnie Leten	1956	Belgian	1997	President and CEO	10 000	2 000	226 775
Stephan Kuhn	1962	German	1995	Compressor Technique			84 013
Björn Rosengren	1959	Swedish	1998	Construction and Mining Technique			201 513
Mats Rahmström	1965	Swedish	1988	Industrial Technique			142 763
Hans Ola Meyer	1955	Swedish	1991	Controlling and Finance	3 426	24 993	100 756
Jeanette Livijn	1963	Swedish	1987	Organizational Development and Human Resources			71 380
Hans Sandberg	1946	Swedish	1975	Legal	10 000	14 000	100 756
Annika Berglund	1954	Swedish	1979	Communications and Branding	7 800	5 900	100 756

Holdings as per Dec 31, 2009, including those of close relatives or legal entities, including grant for the 2009 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. The variable compensation is not included in the basis for pension benefits.

The President and CEO is a member of the Atlas Copco Airpower n.v. pension plan and the contributions follow the Atlas Copco Group's for Swedish executives. 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.

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 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 OMX Stockholm. The policy was updated in 2007 to include new rules and regulations. Financial reports are prepared in line with legal and International Financial Reporting Standards (IFRS).

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 effect 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 by an external distributor and directly after on the Group's website, www.atlascopco.com. www

Internal Control

This is a description of the internal control regarding financial reporting, established in accordance with the Swedish Code of Corporate Governance. This section also covers Atlas Copco's non-financial control routines.

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 main risks. See also the Board of Directors' report, page 19–22. The risk assessment process 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 instructions for attests and authority to pay 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 to personnel concerned in *The Way We Do Things* through the Intranet, supported by, for example, training programs for general managers, controllers and accounting staff.

The company continuously *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.

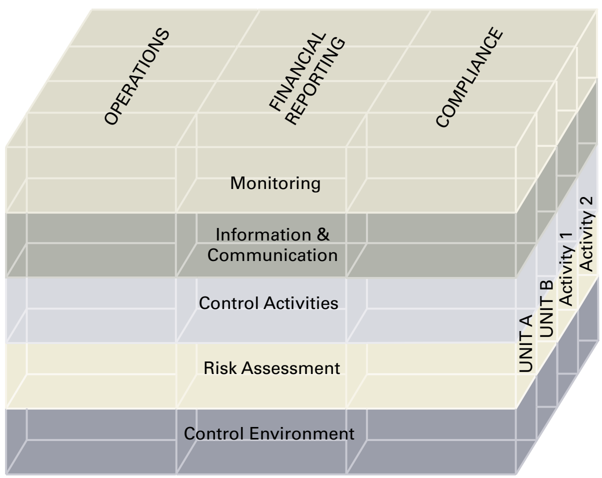
Atlas Copco's internal control processes

Prokura: The delegation of the authority to act both with respect to a third party and internally, or Prokura, as it is referred to in the Atlas Copco Group, aims at defining how responsibility is allocated to positions and, reflecting this, to individuals. With each position covered by a Prokura follows a predetermined authority to act, with stated rights and obligations. The goal is that each individual with any authority to take decisions should have such a defined written Prokura. The delegation of authority in the Group starts with the delegation by the Board of the authority to be in charge of operations to the President and CEO. He then delegates to those reporting to him and so on down the line throughout the legal and operational structure of the Group.

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 that any risk exposures are reported. The controller is also responsible for ensuring that *The Way We Do Things* is applied 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, business line, division, and business area. Each division consolidates its units and reports division adjustments and eliminations to the Atlas Copco Group Center. Quarterly these reports are completed with some additional information and specifications in accordance with a standardized reporting routine. These reports constitute the basis for the Group's quarterly and annual consolidated reports.

Internal Control Framework



Source: Committee of Sponsoring Organizations of the Treadway Commissions (COSO), USA.

The Group uses a common system for consolidation of the reports. Information is stored in a central database from which it can be retrieved for analysis and follow-up at group, business area, division, business line, country and unit levels. The analysis package includes a series of standardized scorecards used to follow up key indicators trends and to the set targets. During the year a new reporting and consolidation system has been put in place. At the same time the account structure has been aligned to IFRS and old internal codes have been replaced by international standard codes.

Business boards: An internal board structure, 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 mainly initiated by the division in charge of operations or the responsible holding company, but can also be initiated by other parties. An internal audit is routinely performed each time a unit changes manager, but an audit may be carried out for other reasons, 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 should be audited at least once every four years. Internal audits are normally performed by a team of people appointed from various parts of the organization with suitable competence for the audit to be conducted. There are standardized tools for planning and risk assessment before an audit, as well as checklists and forms for reports and follow-up activities.

The function Group Internal Audit & Assurance, created during 2008, with a small team of dedicated internal auditors to add a more professional and proactive approach to the internal audit process, as a complement to the project-based process, has continued to strengthen the internal audit function during 2009 in terms of quality and quantity. The Vice President Group Internal Audit & Assurance participated in all meetings of the Audit Committee during the year.

Post-acquisition audits are conducted approximately 18 months after an acquisition in accordance with a special review format 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 audits are initiated by and reported to a competence group for the acquisition process chaired by the General Counsel. A summary is presented to the Board of Directors.

Internal control routines – overview

Procedure	Scope	Frequency
Prokura	Defining how responsibility is delegated to individuals	When a person is recruited to a new position
Business control	Ensures adequate control routines, implementation of Group processes and reporting of risk exposure	Continuously
Financial reporting	Prepared to measure profitability and constitute basis for Group consolidated (public) reports	Monthly, quarterly, annually
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.To ensure compliance with the Group's corporate governance, internal control and risk management policies.	All units at least once every four years
Post-acquisition audits	To follow up synergies, integration activities and the acquisition process as such	18 months after acquisition
Special risk areas	To identify, assess and control major risks and monitor actions taken	Annually
Control self assessment	To support the unit manager in taking appropriate actions and to assess control routines on the Group level	Annually
Ethical helpline	To highlight possible violations through anonymous reporting	As required

Special risk areas: On request from the Audit Committee, management has during the year identified some specific areas, in which the risks are assessed, activities to control these risks are planned and monitored, and findings and conclusions reported back to the Audit Committee in a standardized format. Examples of such identified areas are specific countries/regions, structural changes, certain accounting principles, business processes and information technology 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 issues, Communication and 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 and business area level as a base for improvement of Group processes, clarification of instructions etc. As an integrated part of the internal audits, the audit teams are asked to verify certain answers in the Control Self Assessment questionnaires in order to improve the quality and accuracy of the assessments.

Ethical helpline: The Group has a process where employees can report on behavior or actions that are, or for good reasons may be perceived as, violations of laws or of Group policies. This process serves as a complement to similar processes that exist in certain countries. The reports are treated confidentially and the person who is reporting is given anonymity.

Efforts have been made to increase the awareness of this process among all employees. The number of issues reported through the ethical hotline has increased during 2009 compared to previous years. A fraud awareness training program is planned to be conducted during 2010.

Internal control statistics

	2009	2008	2007
Operative units in the Group	392	395	350
Internal audits conducted (incl post-acquisition audits)	107	86	60
Control self assessments completed	290	250	204

The Atlas Copco Share

At December 31, 2009, the price of the Atlas Copco A share was SEK 105.30. During 2009, the price of the A share increased 58%. The Industrial Index and General Index on NASDAQ OMX Stockholm increased 50% and 47%, respectively. The annual total return on the Atlas Copco A share, equal to dividend plus the appreciation of the share price, averaged 15.0% for the past 10 years and 24.5% for the past five years. The corresponding total return for NASDAQ OMX Stockholm was 2.2% (2000–2009) and 9.6% (2005–2009).

Dividend and dividend policy

The Board of Directors proposes to the Annual General Meeting that a dividend of SEK 3.00 (3.00) per share be paid for the 2009 fiscal year. This corresponds to a total of MSEK 3 648 (3 648).

The dividends to shareholders shall reflect the company's profit and cash flow development as well as growth opportunities.

The Board of Directors' 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 3.00 per share, the annual dividend growth for the five-year period 2005–2009 will equal 15%. During the same period, the dividend has averaged 36.5% of basic earnings per share. The dividend has averaged 47.7% of basic earnings per share if the effect from profit from discontinued operations is excluded.

Share repurchases, proposal to the Annual General Meeting

In order to be able to continuously adapt the capital structure to the capital needs of the company and thus contribute to increased shareholder value the Board of Directors will propose to the Annual General Meeting 2010 that a mandate be approved for the repurchase of a maximum of 5% of the total number of shares issued by the company, excluding shares held at the time of the Annual General Meeting.

Personnel stock option program

The Board of Directors will propose to the Annual General Meeting 2010 a performance-based long-term incentive program. For Group Executive Management and division presidents, participation in the program requires own investment in Atlas Copco shares. It is proposed that the program is covered as before through the repurchase of the company's own shares.

Transaction in own shares

In 2008, 7 697 500 series A shares were repurchased for MSEK 699 and 2 822 500 series B shares were divested for MSEK 246 in accordance with Annual General Meeting resolutions; all related to commitments and obligations under the performance stock option plans. No shares were repurchased or divested in 2009.

As per December 31, 2008 and 2009 Atlas Copco held 11 275 000 series A shares and 2 428 400 series B shares, each with a quota value of approximately SEK 0.64 and corresponding to 1.1% of both the share capital and the total number of shares. The series A shares are held to fulfil the obligation to provide shares under the performance stock option plans of 2006, 2007 and 2008, and the series B shares are held for the purpose of being divested over time to cover costs related to the performance stock option plans. See note 20 and A14 for further information.

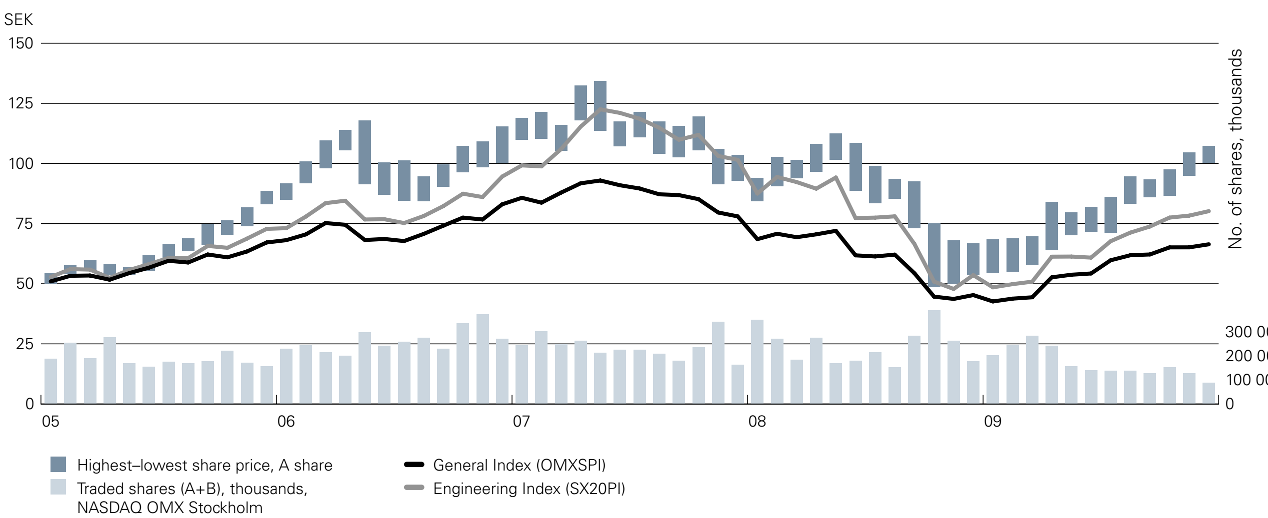
Symbols and tickers

	A share	B share
NASDAQ OMX Stockholm	ATCO A	ATCO B
ISIN code	SE0000101032	SE0000122467
Reuters	ATCOa.ST	ATCOb.ST
Bloomberg	ATCOA SS	ATCOB SS
ADR	ATLKY.OTC	ATLSY.OTC

Share capital and votes

Atlas Copco's share capital at year end 2009 amounted to SEK 786 008 190 distributed among 1 229 613 104 shares, each with a quota value of SEK approximately 0.64. Class A shares entitle the holder to one vote, and class B shares entitle the holder to one tenth of a vote. The total number of votes amounted to 878 415 996.8.

Share price



Distribution of shares, December 31, 2009

Class of share	Shares out-standing	% of votes	% of capital
A shares	839 394 096	95.6	68.3
B shares	390 219 008	4.4	31.7
Total	**1 229 613 104**	**100.0**	**100.0**
– of which A-shares held by Atlas Copco	*11 275 000*	*1.3*	*0.9*
– of which B-shares held by Atlas Copco	*2 428 400*	*0.0*	*0.2*
Total, net of shares held by Atlas Copco	**1 215 909 704**		

Statutory limitations on coupon shares

Non registered shares at Euroclear Sweden 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, 2009 was MSEK 123 440 (78 350), excluding shares held by Atlas Copco. This corresponds to 3.6% (3.5) of the total market value of NASDAQ OMX Stockholm.

Trading

Trading of the Atlas Copco AB shares primarily takes place on NASDAQ OMX Stockholm. In 2009, Atlas Copco shares were the 5th (5th) most actively traded shares. A total of 2 045 974 183 shares were traded, whereof 1 712 491 435 A shares and 333 482 748 B shares, corresponding to a value of MSEK 153 541 (238 857). On average, 8 151 292 (11 496 338) were traded each business day, corresponding to a value of MSEK 612 (948). The turnover rate was 166% (236), compared with the stock market average of 119% (152). Foreign trading in the Atlas Copco shares showed a net import of MSEK 3 (1 437).

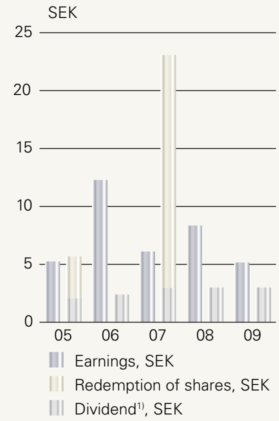
Atlas Copco options

Call options, put options, and futures each linked with 100 Atlas Copco A-shares, are listed on NASDAQ OMX Stockholm. In 2009, 851 773 (504 852) 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

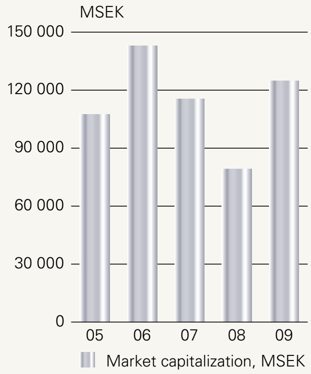
A program for American Depositary Receipts (ADRs) was established in the United States in 1990. Since then, both A and B shares are available as ADRs in the United States without being formally registered on a United States stock exchange. One ADR corresponds to one share. The depositary bank is Citibank N.A. At year end 2009, there were 17 956 680 (16 956 680) ADRs outstanding, of which 14 458 932 represented A shares and 3 497 748 B shares.

Earnings and dividend per share

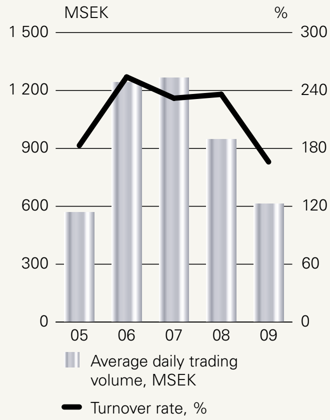


[1] For 2009 proposed by the Board of Directors.

Market capitalization



Liquidity



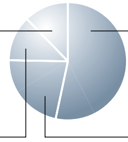
Ownership structure

At year end 2009, Atlas Copco had 61 645 shareholders (55 976). The 10 largest shareholders registered directly or as a group with Euroclear Sweden, the Swedish Central Securities Depository, by voting rights, accounted for 36% (36) of the voting rights and 34% (34) of the number of shares. Non-Swedish investors held 42% (43) of the shares and represented 47% (47) of the voting rights.

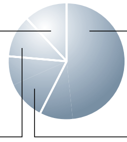
Ownership structure, December 31, 2009

Number of shares	% of shareholders	% of capital
1–500	48.9	0.5
501–2 000	32.6	1.8
2 001–10 000	14.5	3.1
10 001–50 000	2.8	3.0
50 001–100 000	0.4	1.4
>100 000	0.8	90.2
	100.0	**100.0**

Shareholders by country, December 31, 2009
% of votes



Shareholders by country, December 31, 2009
% of capital



Share issues 1973–2009

			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 quota value SEK 5		
1999	New issue	1:7 SEK 160	130.4	4 173.8
2005	Split	4:1 quota value SEK 1.25		
	Share redemption	209 602 184 shares at SEK 20	–262.0	–4 192.0
2007	Split	3:1 quota value SEK 0.417		
	Share redemption[3)]	628 806 552 shares at SEK 40	–262.0	–24 415.7
	Bonus issue	No new shares issued, quota value SEK 0.625	262.0	
	Redemption of shares held by Atlas Copco	28 000 000 shares	–17.5	
	Bonus issue	No new shares issued, quota value SEK 0.639	17.5	

1) Pertains to 1987/1993 convertible debenture loan.

2) In connection with the acquisition of The Robbins Company.

3) 610 392 352 shares net of shares held by Atlas Copco.

10 largest shareholders, December 31, 2009

	Number of shares	A-shares	B-shares	% of votes	% of capital
Investor	204 384 326	194 803 726	9 580 600	22.29	16.62
Alecta	49 543 000	24 555 000	24 988 000	3.08	4.03
Swedbank Robur	47 636 346	18 622 794	29 013 552	2.45	3.87
Handelsbanken funds	24 823 805	15 275 192	9 548 613	1.85	2.02
AP 4	14 658 297	11 572 264	3 086 033	1.35	1.19
Nordea funds	18 137 338	9 267 721	8 869 617	1.16	1.48
Folksam – KPA	17 805 031	8 380 156	9 424 875	1.06	1.45
AP 2	11 403 445	7 891 835	3 511 610	0.94	0.93
AP 1	9 228 953	5 929 062	3 299 891	0.71	0.75
SEB	18 778 224	4 488 149	14 290 075	0.67	1.53
Others	813 214 339	538 608 197	274 606 142	64.44	66.13
	1 229 613 104	839 394 096	390 219 008	100.00	100.00
– of which shares held by Atlas Copco	*13 703 400*	*11 275 000*	*2 428 400*	*1.31*	*1.11*
Total, net of shares held by Atlas Copco	1 215 909 704	828 119 096	387 790 608		

Key figures per share[1)]

SEK	2005	2006	2007	2008	2009	Average growth 5 years, %
Basic earnings	5.22	12.24	6.09	8.33	5.14	26.2
Diluted earnings	5.21	12.22	6.09	8.33	5.13	
Dividend	2.13	2.38	3.00	3.00	3.00[2)]	14.9
– in % of basic earnings	40.7%	19.4%	49.3%	36.0%	58.4%	
Dividend yield, %	3.3%	2.4%	2.7%	3.5%	3.7%	
Redemption of shares	3.34		20.00			
Operating cash flow	2.98[3)]	2.45[3)]	3.76	3.91	10.93	
Equity	21	27	12	20	21	
Share price, December 31, A	89	115	97	67	105	16.0
Share price, December 31 B	80	111	88	60	93	14.6
Highest share price quoted, A	89	118	134	113	107	
Lowest share price quoted, A	50	85	91	49	55	
Average price quoted, A	64	99	113	86	81	
Market capitalization, December 31, MSEK	107 430	138 865	114 630	78 350	123 440	
Average number of shares	1 257 613 104	1 254 210 894	1 220 784 704	1 219 099 275	1 215 909 704	
Diluted number of shares	1 259 882 976	1 256 025 654	1 222 305 273	1 219 815 398	1 216 344 248	

1) Earnings per share and other per share figures have been adjusted for share split 2:1 and 3:1 in 2007 and 2005, respectively. 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 0.85 for years prior to 2007.
2) Proposed by the Board of Directors.
3) Continuing operations.

Analysts following Atlas Copco

ABG Sundal Collier . . . . . Erik Ejerhed
Bank of America-Merrill Lynch . . . . . Ben Maslen
Carnegie . . . . . Joakim Höglund
Cheuvreux . . . . . Johan Eliason
Citigroup . . . . . Natalia Mamaeva
CSFB . . . . . Andre Kukhnin
Danske Bank . . . . . Anders Idborg
Deutsche Bank . . . . . Johan Wettergren
DnB Nor . . . . . Erik Bergöö
Enskilda Securities . . . . . Anders Eriksson
Evli Bank . . . . . Magnus Axén
Evolution Securities . . . . . Annabel Hewson
Exane BNP Paribas . . . . . Arnaud Brossard
Execution Limited . . . . . Nick Paton
Goldman Sachs . . . . . Tim Rothery
Handelsbanken . . . . . Peder Frölén
HQ Bank . . . . . Andreas Koski
HSBC . . . . . Colin Gibson
JP Morgan . . . . . Nico Dil
Morgan Stanley . . . . . Guillermo Peigneux
New Street Research . . . . . Alasdair Leslie
Nomura . . . . . Michael Hagmann
Nordea . . . . . Ann-Sofie Nordh and Johan Trocmé
Societe Generale . . . . . Roderick Bridge
Swedbank . . . . . Mats Liss
The Royal Bank of Scotland . . . . . Klas Bergelind
UBS . . . . . Fredric Stahl
Ålandsbanken . . . . . Anders Roslund
Öhman . . . . . Oscar Stjerngren

Five Years in Summary

MSEK	2005	2006	2007	2008	2009
Orders received	**44 744**	**55 239**	**69 059**	**73 572**	**58 451**
Revenues and profit					
Revenues	42 205	50 512	63 355	74 177	63 762
Change, %	25	20	25	17	–14
Change, excluding currency, %	22	20	29	17	–22
Change, organic from volume and price, %	15	17	18	12	–22
EBITDA	8 355	10 840	13 866	15 886	11 560
EBITDA margin, %	19.8	21.5	21.9	21.4	18.1
Operating profit	6 938	9 203	12 066	13 806	9 090
Operating profit margin, %	16.4	18.2	19.0	18.6	14.3
Net interest expense	–469	–654	–453	–1 243	–808
as a percentage of revenues	*–1.1*	*–1.3*	*–0.7*	*–1.7*	–1.3
Interest coverage ratio	11.7	14.3	11.2	8.5	8.2
Profit before tax	6 863	8 695	10 534	13 112	8 271
Profit margin, %	16.3	17.2	16.6	17.7	13.0
Profit from continuing operations	4 964	6 260	7 416	10 006	6 276
Profit for the year	6 581	15 373	7 469	10 190	6 276
Employees					
Average number of employees	21 431	24 378	29 522	34 119	31 085
Revenues per employee, SEK thousands	1 969	2 072	2 146	2 174	2 051
Cash flow [1]					
Operating cash surplus	12 084	10 722	13 730	15 805	11 434
Cash flow before change in working capital	10 230	8 197	10 005	11 874	8 101
Change in working capital	–231	–2 045	–2 326	–2 291	6 715
Cash flow from investing activities	–1 996	–4 419	–8 808	–4 352	–1 226
Gross investments in other property, plant and equipment	–840	–1 035	–1 331	–1 741	–954
as a percentage of revenues	*–2.0*	*–2.0*	*–2.1*	*–2.3*	–1.5
Gross investments in rental equipment	–6 396	–1 133	–1 028	–1 158	–769
Net investments in rental equipment	–4 032	–638	–442	–739	–212
as a percentage of revenues	*–9.6*	*–1.3*	*–0.7*	*–1.0*	–0.3
Cash flow from financing activities	–7 521	–7 973	–14 943	–2 706	–6 804
of which dividends paid [2]	–6 082	–6 452	–27 344	–4 120	–3 652
Operating cash flow	4 521	3 065	4 589	4 751	13 291
Financial position and return [1]					
Total assets	54 955	55 255	56 659	75 394	67 874
Capital turnover ratio	1.02	1.29	1.14	1.16	0.89
Capital employed	34 970	25 797	39 512	44 372	53 160
Capital employed turnover ratio	1.51	1.96	1.60	1.67	1.20
Return on capital employed, %	28.5	36.2	29.3	33.5	17.7
Net indebtedness	7 229	–12 364	19 775	21 686	10 906
Net debt/EBITDA	0.87	–1.14	1.43	1.37	1.00
Equity	25 808	32 708	14 640	23 768	25 671
Debt/equity ratio, %	28.0	–37.8	135.1	91.2	42.5
Equity/assets ratio, %	47.0	59.2	25.8	31.5	37.8
Return on equity, %	27.8	54.8	34.7	57.7	25.8

For definitions, see page 99.
Per share data, see page 137.
Key financial data in USD and EUR is published on www.atlascopco.com

[1] Including discontinued operations in 2005.
[2] Includes share redemption in 2005 and 2007 and repurchases of own shares in 2006, 2007 and 2008.

Quarterly Data

Revenues by business area

	2008				2009			
MSEK	1	2	3	4	1	2	3	4
Compressor Technique	8 053	8 640	9 028	9 866	8 360	8 221	7 799	8 144
– of which external	7 967	8 544	8 937	9 777	8 292	8180	7 757	8 083
– of which internal	86	96	91	89	68	41	42	61
Construction and Mining Technique	7 344	8 567	7 742	8 007	6 816	6 722	5 976	6 395
– of which external	7 304	8 474	7 681	7 917	6 785	6 712	5 968	6 375
– of which internal	40	93	61	90	31	10	8	20
Industrial Technique	1 825	1 836	1 788	2 001	1 483	1 211	1 243	1 455
– of which external	1 819	1 829	1 783	1 995	1 478	1 207	1 240	1 451
– of which internal	6	7	5	6	5	4	3	4
Common Group functions/eliminations	–100	–159	–118	–143	–82	1	70	–52
Atlas Copco Group	17 122	18 884	18 440	19 731	16 577	16 155	15 088	15 942

Operating profit by business area

	2008				2009			
MSEK	1	2	3	4	1	2	3	4
Compressor Technique	1 643	1 711	1 921	2 016	1 384	1 323	1 451	1 594
as a percentage of revenues	*20.4*	*19.8*	*21.3*	*20.4*	*16.6*	*16.1*	*18.6*	*19.6*
Construction and Mining Technique	1 252	1 615	1 455	1 280	868	875	823	904
as a percentage of revenues	*17.0*	*18.9*	*18.8*	*16.0*	*12.7*	*13.0*	*13.8*	*14.1*
Industrial Technique	412	318	337	261	76	–13	83	107
as a percentage of revenues	*22.6*	*17.3*	*18.8*	*13.0*	*5.1*	*–1.1*	*6.7*	*7.4*
Common Group functions/eliminations	–59	–14	–73	–269	–156	–119	45	–155
Operating profit	3 248	3 630	3 640	3 288	2 172	2 066	2 402	2 450
as a percentage of revenues	*19.0*	*19.2*	*19.7*	*16.7*	*13.1*	*12.8*	*15.9*	*15.4*
Net financial items	–222	–276	–416	220	–378	–123	–192	–126
Profit before tax	3 026	3 354	3 224	3 508	1 794	1 943	2 210	2 324
as a percentage of revenues	*17.7*	*17.8*	*17.5*	*17.8*	*10.8*	*12.0*	*14.6*	*14.6*

Financial Information

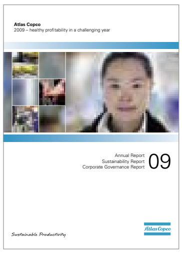
Welcome to the Annual General Meeting

Atlas Copco shareholders are hereby notified that the Annual General Meeting will be held on Wednesday, April 28, 2010, 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 28, 2010	Q1 – first quarter results
July 16, 2010	Q2 – second quarter results
October 22, 2010	Q3 – third quarter results
February 2, 2011	Q4 – fourth quarter results
March, 2011	Annual Report 2010



Order the Annual Report from

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The web site **www.atlascopco.com** serves its stakeholders – customers, students, the press, and the financial markets – with information in several languages.

In the Investor section, **www.atlascopco.com/ir**, 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).

In the Corporate Responsibility section, **www.atlascopco.com/cr**, available in English and Swedish, you will find the Sustainability Report and key figures in ready to use digital formats.

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