

ATLAS COPCO



1984



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FINANCIAL INFORMATION FROM ATLAS COPCO

Atlas Copco will publish the following financial reports for 1985:

The Group President's Report at the Annual General Meeting.	April 24
Report on first-quarter operations	Mid-May
Report on first six months of operations	End of August
Report on first nine months of operations	Mid-November
Year-end Report on 1985 operations	February, 1986
Annual Report 1985	April, 1986

Cover photo – Centrifugal compressors, delivered by the U.S. subsidiary Atlas Copco Comptec, installed at a large refinery near Baton Rouge, Louisiana, U.S. The total project calls for installation of eight centrifugal compressors, shown here being used in a sulfur process.

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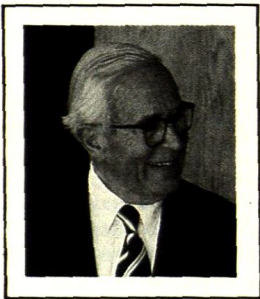
ATLAS COPCO 1984

ANNUAL REPORT

The logo consists of the text "Atlas Copco" in a blue, italicized serif font, centered between two horizontal blue bars.

Atlas Copco

"Atlas Copco – a global engineering company specializing in compressed air and hydraulics. With its technology and marketing organization, Atlas Copco offers its customers increased productivity in such areas as rock drilling, industrial automation and gas compression"



HENRY N SPORBORG

Henry N. Sporborg passed away on March 5, 1985. With his passing the company has lost a greatly appreciated Board member. He was a prominent English banker, a Board member of Atlas Copco since 1969, and Chairman of the Boards of the British subsidiaries since 1960. His valuable contributions to the Atlas Copco Group will be long-remembered.

1984:

SHARP INCREASE IN PROFITS

Profit after financial items rose
by SEK 338 m. to SEK 573 m.

BREAKTHROUGH IN CHINA

Substantial orders were received from China totaling SEK 200 m.
In addition, several agreements were signed covering licensed
manufacturing of drilling equipment and compressors in China.

EXPANSION

The acquisition of the West German company Linde AG's
gas compressor division during the year poses
a powerful concentration on the gas compressor market.

DIVIDEND

The Board of Directors recommends
that the dividend be increased
to SEK 4.50 (1983: SEK 3.00)
per share.

*The sharp increase in profits during
1984 is partly attributable to a favor-
able volume increase and a substan-
tial improvement in administrative,
production and capital management.
This is reflected in the profit margin
trend.*

FORECAST

Sales for 1985 are estimated to total SEK 10,000 m.,
and earnings will be additionally improved.

1981

1982

1983

1984

1985

THIS IS ATLAS COPCO:

Atlas Copco

Atlas Copco is one of the world's leading companies in the field of compressors, mining and construction equipment, and industrial automation. The Company's large marketing organization sells approximately 3,000 products and services to 250,000 registered customers in more than 120 countries.

Atlas Copco's aim is to supply equipment and specialized competence which increase the productivity of its customers. Complete system solutions and long-term service contracts are therefore being offered to an increasing extent.

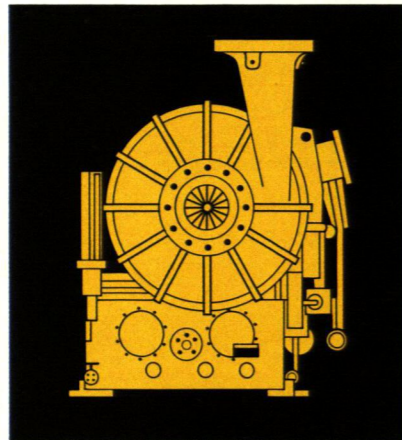
In recent years the Company has established itself in areas of technology that offer new opportunities for growth. These areas include gas compression, the mining of soft rock, including coal, and heat energy recovery.

Five divisions are responsible for developing, manufacturing and marketing. Manufacturing is conducted in Group-owned facilities in 16 countries.

Atlas Copco has a highly developed marketing organization with own sales companies in 47 countries.

Atlas Copco International AB is responsible for sales of the Group's products in countries where Atlas Copco is not represented by own sales companies.

Atlas Copco AB
S-105 23 Stockholm, Sweden
Tel. Int. + 468-743 80 00



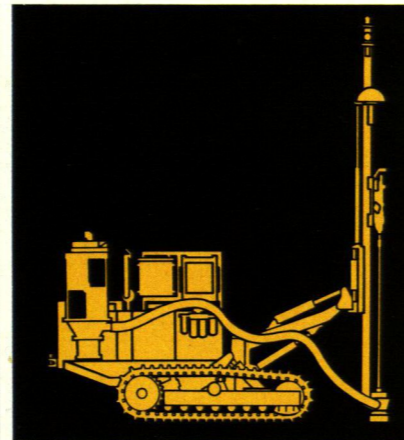
ATLAS COPCO AIRPOWER

Atlas Copco Airpower n.v.
Boomssteenweg 957
B-2610 Wilrijk-Antwerp
Belgium
Tel. Int + 323-887 6870

Business areas:

- Industrial air compressors
- Portable air compressors
- Small compressors for service air
- Gas compressors for processing industry

14 factories in 10 countries
Invoiced sales SEK 4,296 m.



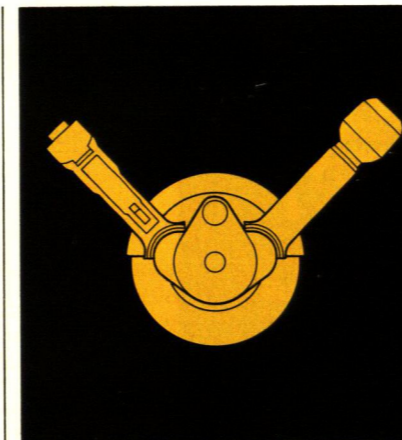
ATLAS COPCO MCT

Atlas Copco MCT AB
S-104 84 Stockholm, Sweden
Tel. Int. + 468-743 80 00

Business areas:

- Tunneling and underground mining equipment
- Contracting, quarrying and surface mining equipment
- Sandvik Coromant rock-drilling tools

8 factories in 5 countries
Invoiced sales SEK 3,207 m.



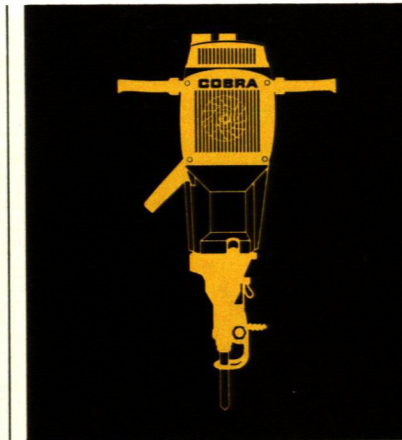
ATLAS COPCO TOOLS

Atlas Copco Tools AB
Box 81510
S-104 82 Stockholm, Sweden
Tel. Int. + 468-743 95 00

Business areas:

- Industrial tools and accessories
- Assembly systems
- Finishing equipment

4 factories in 2 countries
Invoiced sales SEK 784 m.
2 own sales companies



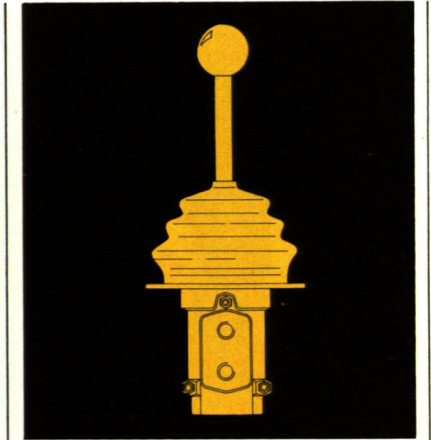
BEREMA

Berema AB
Box 1286
S-171 25 Solna, Sweden
Tel. Int + 468-2901 70

Business areas:

- Power drills
- Atlas Copco Energy – well drilling products and heat pumps
- Other companies:
Toolex Alpha AB
KGK Mekaniska Verkstad AB
Flodins Filter AB
AB Svenska Stålprodukter

5 factories in Sweden
Invoiced sales SEK 517 m.
2 own sales companies and
35 own agents



MONSUN-TISON

Monsun-Tison AB
Box 817
S-501 10 Borås, Sweden
Tel. Int. + 4633-100200

Business areas:

- Mobile Controls
- Industrial Automation

3 factories in Sweden
Invoiced sales SEK 296 m.
8 own sales companies and
2 own agents

Atlas Copco's Group sales companies have 8,415 employees in 47 countries – Distributors in an additional 85 countries.



Increased production of coal is an important factor in the industrial expansion program currently in progress in the People's Republic of China. Development of the country's road network, railways and power generating facilities are also included in the program.

China's Minister of Coal Yu Hongen visited Atlas Copco during 1984 with a delegation from the Coal Ministry to discuss modern coal-mining equipment.

The visit coincided with the testing at Atlas Copco's own test mine of the first of a series of drilling rigs to be delivered to China.

Seen in the photo are from left: Tom Wachtmeister, President, Atlas Copco AB, Thomas Kung, President, Atlas Copco (China) Ltd., Yu Hongen, and Bo Rönnvall, Atlas Copco MCT AB.

BOARD OF DIRECTORS' REPORT ON 1984 OPERATIONS

Amounts in SEK m., unless otherwise noted.

ATLAS COPCO GROUP

ATLAS COPCO GROUP

	1984	1983
Invoicing	9,100	8,093
Profit after financial items	573	235

Invoiced sales of the Atlas Copco Group in 1984 amounted to SEK 9,100 m. (1983: 8,093) 12 percent higher than a year earlier, when sales had risen 2 percent. The volume of sales increased 8 percent, compared with a 10-percent decrease in 1983. Markets outside Sweden accounted for 92 percent of sales. Order bookings increased 16 percent (5), to SEK 9,581 m. (8,277), representing an increase of approximately 11 percent in volume, compared with a 7-percent decrease in the preceding year. The growth was most rapid during the second half of the year.

Earnings of the Atlas Copco Group in 1984, after financial income and expense but before extraordinary items, appropriations and taxes, rose by SEK 338 m., to SEK 573 m. (235), equal to 6.3 percent (2.9) of sales.

MARKET DEVELOPMENT

	1984	1983
Order bookings	9,581	8,277
Increase in value, percent	+16	+5
Change in volume, percent	+11	-7

The manufacturing industries in the industrialized countries increased their capital expenditures significantly during 1984. Where Atlas Copco was concerned, this resulted in increased demand for compressors from producers of transport vehicles, electronics, chemical and forest products. As a consequence of the higher industrial production there was also greater demand for tools and spare parts. The continued updating of the Group's product program also contributed to its sales successes.

The Group continued its penetration of the market for gas compressors. The acquisition in West Germany of Linde AG's sector for production of compressors for the gas and processing industries contributed to a large extent to this technological broadening. Sales to manufacturing companies accounted for nearly 50 percent of total invoicing.

Investments in the market for mining equipment were higher,

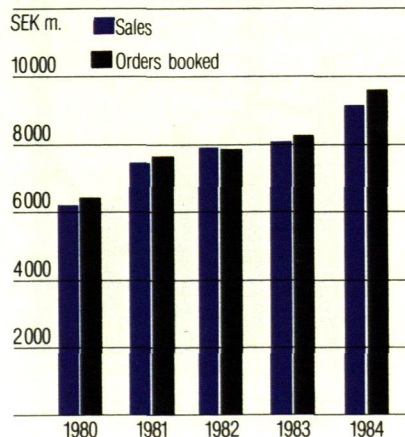
due in part to increased demand for metals on the part of manufacturing industries. Group sales of hydraulic and pneumatic rock drilling equipment to companies that mine gold, silver and copper were notably higher. Sales to mining companies represented approximately 15 percent of total Group invoicing.

Demand in the building and construction market continued to be low during the past year. Deficits in the national budgets of many industrialized countries reduced the latter's ability to invest in new infrastructure. One reason is that the infrastructure in many countries is already fully developed. Capital spending in the developing countries, especially those which export oil, was also low. In China and West Germany, the Group was successful in its marketing of tunnelling rigs for railway lines, among other products. The building and construction market accounted for slightly more than 35 percent of total Group sales.

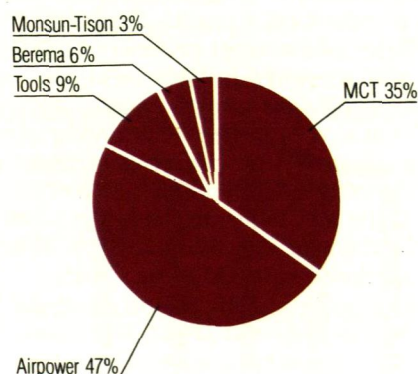
Sales companies

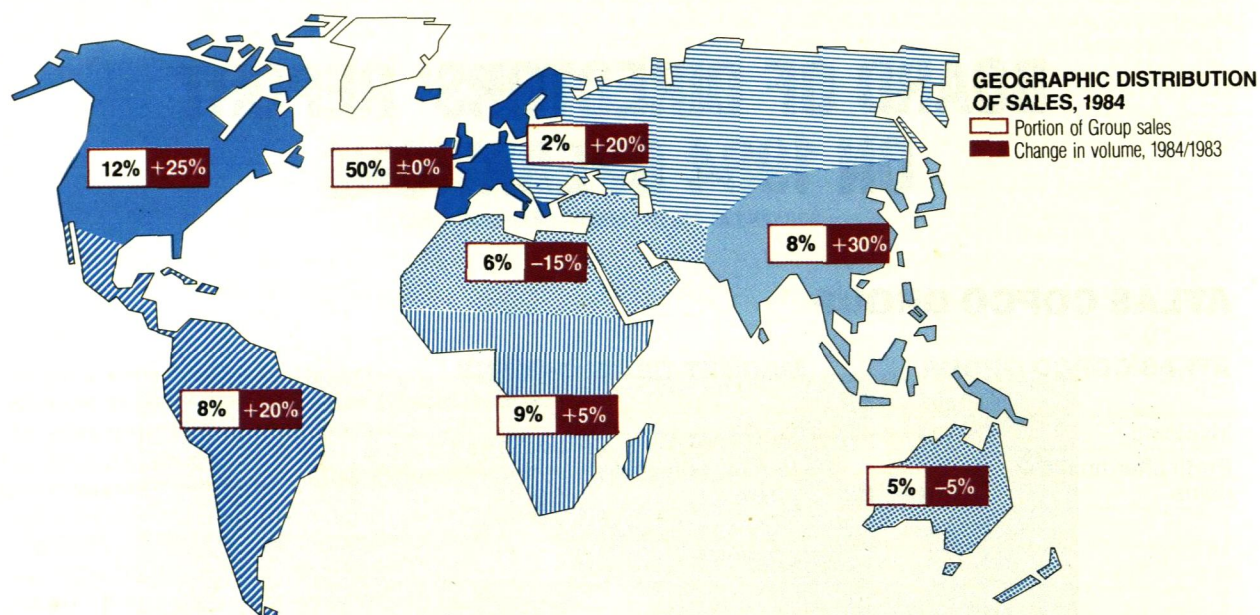
The Atlas Copco Group has very large market shares in Scandinavia and in many developing countries. Substantial shares have also been gained in many European countries as well as in such indus-

SALES AND ORDERS BOOKED



SALES BY DIVISION





trialized mining countries as Australia, Canada and South Africa. The Group's smallest market shares are in the home markets of its largest competitors, primarily the United States and Japan.

The sales companies in North America and East Asia posted the greatest sales gains. The U.S. is by far the Group's largest single market. Atlas Copco Gadelius in Japan recorded strong sales. In China, Atlas Copco secured orders for tunneling rigs, compressors and accessories totaling SEK 200 m. Atlas Copco (China) Ltd., based in Hong Kong, was established to market the Group's products in the People's Republic of China. The company has a consignment stock in Beijing (Peking) and will open a representative office there during the spring of 1985.

In Western Europe, industrial production and capital spending rose. Due to the continued weak building and construction market, however, sales volume showed no increase. The sales companies in Great Britain, Belgium, The Netherlands and Denmark were, however, successful in their sales of industrial compressors and compressed air tools. Profitable sales of the latter products were also recorded in West Germany.

Following several years of economic crisis, sales in a number of Latin American countries turned upward, notably in Mexico, Peru, Chile and – during the second half of the year – in Brazil as well. The market continued to be weak in the oil producing countries of the Middle East and Africa. The South African sales company showed a marked sales increase.

EARNINGS

	1984	1983
Profit margin, %	6.3	2.9
Percent return on capital employed	16.7	12.3

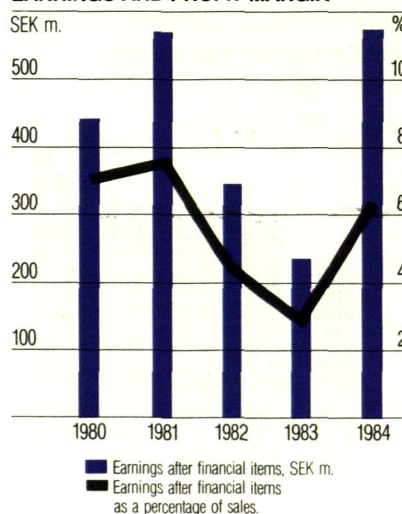
Definitions, p 23

Atlas Copco Group earnings for 1984 are reported in accordance with the current-rate method, in contrast to the monetary/non-monetary accounting method used earlier.

The reason for the change in accounting method is that the current-rate method provides a more accurate picture of the financial position of a corporate group such as Atlas Copco, which conducts a large part of its operations in countries whose currencies are subject to sharp fluctuations in exchange rates.

All comparable figures for 1983 have been restated to conform to the current-rate method (see page 17).

EARNINGS AND PROFIT MARGIN



Earnings after financial income and expense increased by SEK 338 m., to SEK 573 m. (235). The profit margin amounted to 6.3 percent (2.9) of invoiced sales. Earnings per share were 11.25 SEK (4.55).

The return on total capital, excluding non-interest-bearing current liabilities, rose from 12.3 percent to 16.7 percent.

If the previously applied accounting method had been used, Group profit after financial income and expense would have amounted to SEK 521 m. (253), corresponding to a profit margin of 5.7 percent (3.1). Earnings per share would then have been 10.70 SEK (4.90).

The rise in income was due, among other things, to increased sales volume which led to a more efficient utilization of capacity in both production and sales operations. Net interest expense improved compared with the pre-

EARNINGS AND RETURN BY DIVISION

	Earnings (SEK m.)		Return (percent)	
	1984	1983	1984	1983
Airpower	390	190	23	16
MCT	35	-37	11	7
Tools	66	21	20	13
Berema	50	48	20	21
Monsun-Tison	32	13	23	13
Total	573	235	17	12

EARNINGS BY QUARTER

	1984	1983
First quarter	144	67
Second quarter	152	72
Third quarter	64	3
Fourth quarter	213	93
Total	573	235

ceding year as a result of continued improvement of capital utilization. The ongoing rationalization program also contributed towards increasing profit a major step towards the levels achieved in prior years. Exchange rate differences were lower than in the preceding year.

The Airpower, Tools and Mon-sun-Tison Divisions had strong improvements in operating results. The MCT Division also had improvements, though not yet satisfactory. Berema's level of earnings continues to be high.

As in former years, the Air-power Division accounted for the greater part of Group earnings. The improvement in this sector was attributable primarily to a strong increase in volume and completed rationalization measures.

Operating results of the MCT Division, after financial income and expense, improved, amounting to SEK 35 m., compared with a loss of SEK 37 m. in 1983. The continuing large loss in Jarva's tunnel-drilling machinery operations is the main reason why the Division's relatively low profit is still unsatisfactory. These operations are being restructured, and the costs have been charged against 1984 earnings.

The Tools and the Monsun-Tison Divisions more than doubled their earnings. The strong improvement was due mainly to a high capacity utilization stemming from a favorable trend of volume, and to rationalization measures that were implemented.

The Berema Group showed unchanged strong earnings in 1984, despite bearing start-up costs for Atlas Copco Energy.

Income of the sales companies improved in Norway, Belgium, the United States, Canada, South Africa, Brazil, Japan and New Zealand, among other countries. Portugal and Greece were weak markets in terms of earnings.

The continuing rationalization work within the Group resulted in

the closing down or restructuring of additional production units during the year. Reductions in personnel involved nonrecurring costs that were charged against income for the year. In all, the cost of these measures was approximately SEK 90 m. (70), of which SEK 23 m. (20) was shown as extraordinary expense.

FINANCING

	1984	1983
Net financial expense	272	376
Degree of self-financing, %	141	115*
Rate of risk-bearing equity capital, %	37.3	38.3

* Excl. extraordinary exchange losses

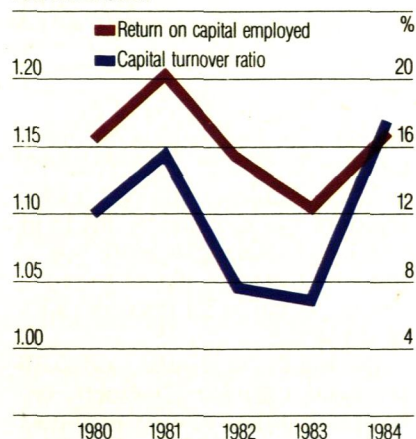
The Group's liquid funds increased by SEK 213 m. during the year, totaling SEK 1,131 m. at December 31, 1984. Granted but not utilized credits in Swedish and foreign banks, amounted to SEK 1,758 m. (1,984).

As a result of continuing programs to reduce the Group's tied-up capital, fixed assets, inventories and trade receivables were further reduced or maintained at their former level. This was accomplished despite a 12 percent increase in invoiced sales.

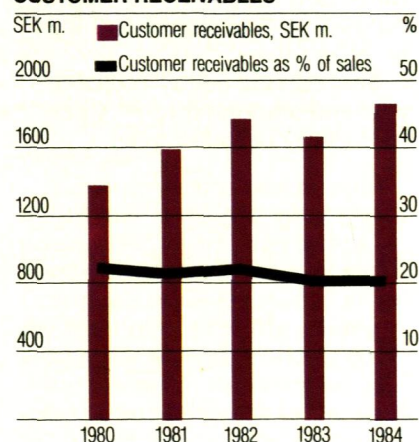
Funds generated from operations during the year amounted to SEK 440 m. (-20). This exceeded the Group's financing requirement for investments in fixed assets, which amounted to SEK 332 m. (188). Of this amount, expenditures for property, plant and equipment accounted for SEK 311 m. (175), investments in shares and participations totaled SEK 13 m. (9), and acquired goodwill amounted to SEK 8 m. (4).

Trade receivables and notes receivable increased by SEK 205 m. (1983: decrease of SEK 116 m.), amounting at year-end to SEK 1,871 m., or 21 percent (21) of invoicing. Inventories rose by SEK 185 m. (1983: decrease of SEK 312 m.) to SEK 2,884 m., equal to 32 percent (33) of invoicing.

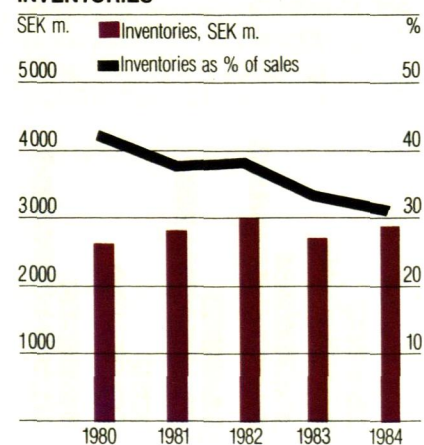
CAPITAL TURNOVER RATIO AND RETURN



CUSTOMER RECEIVABLES



INVENTORIES



The relative reduction in the amount of tied-up capital resulted in a satisfactory increase, from 1.04 to 1.17, in the rate of capital turnover.

Including the effects of exchange rate fluctuations during the year, as well as an increase in pension liabilities, interest bearing debt was reduced by SEK 13 m. (180). Net interest expense was reduced from SEK 305 m. to SEK 285 m., equal to 3.1 percent (3.8) of invoicing.

During the year Atlas Copco AB arranged a private placement, on favorable terms, of a six-year note in the amount of 75.5 million Swiss francs in the Swiss capital market. Upon receipt of the funds in January 1985, the proceeds were used for prior redemption of the 1976 7.75-percent bond loan in Swiss francs.

Risk-bearing equity capital at year-end amounted to 37.3 percent (38.3) of total capital.

INVESTMENTS

	1984	1983
Investments in machinery and buildings	311	175
In Sweden	66	58
Outside Sweden	245	117
Total, as percent of invoiced sales	3.4	2.2

Investments in buildings and machinery in 1984 amounted to SEK 203 m. (120) in the production sector and to SEK 108 m. (55) in marketing operations.

A large part of the year's capital expenditures was attributable to the Airpower Division's program to modernize and automate its production plant in Antwerp.

Investments in the marketing sector were attributable mainly to the continuing program to develop automated data processing facilities.

During the year an intensive program in the field of personal computers involved investments in both hardware and software.

Again in 1984, as part of the continuing effort to reduce the amount of tied-up capital, a number of buildings in Sweden and other countries were sold. The total amount received for these properties was SEK 80 m. (57).

RESEARCH AND DEVELOPMENT

	1984	1983
Number of employees in direct R & D work	730	770
Direct investments in R & D work	270	225

The areas of technology in which the Atlas Copco Group is engaged are continually expanding. The Group's operations are focused increasingly on electrical-drive technology, electronics, data technology and ergonomics.

As a result of the acquisition of the gas compressor sector of Linde AG, the West German company, the Group's research in the area of gas compressor technology

was broadened. Comprehensive studies in various sub-areas of this technology are being conducted at Cerac, Atlas Copco's research institute in Switzerland. Heat pump systems represent one of a number of attractive applications.

High-power lasers constitute a new area of technology for such factory operations as cutting, welding and surface treatment. During the year, Atlas Copco acquired an interest in Prelucor Laser AB, a company established by researchers at Luleå University in northern Sweden, to develop this technology and its areas of application.

The action of high-pressure jets of liquids when applied to rock and concrete has been studied at Cerac for many years. During the year the MCT Division introduced equipment that utilizes this technology to treat and remove weathered concrete on bridges and other concrete structures.

Further integration of electronic control systems is under way in the current product development program. During the past year, for example, the engines used in MCT's raise boring rigs were equipped with electronically controlled variable drives.

PERSONNEL

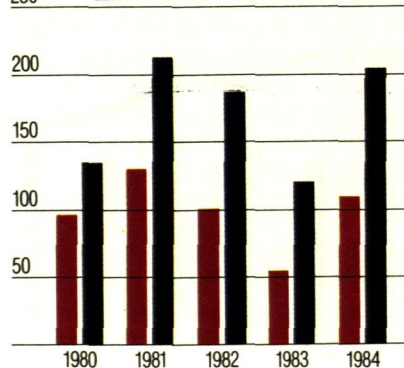
	1984	1983
Average number of employees	16,484	16,974
Head office	63	64
Divisions	8,006	8,015
Sales companies	8,415	8,895

The restructuring of the Atlas Copco Group continued during the year. Excluding employees added through newly acquired companies, the number of employees in Sweden and foreign countries was reduced as a result of the sale and rationalization of various units.

During the year Atlas Copco became one of the first companies in Sweden to negotiate a local "development agreement" with its

INVESTMENTS IN MACHINERY AND BUILDINGS

SEK m. ■ Marketing ■ Production





Her Majesty the Queen of Sweden congratulates Board Chairman Peter Wallenberg, who was awarded an honorary Doctor of Economics degree from the Stockholm School of Economics, during 1984.

union organizations. Among other points, the agreement defines how information related to "codetermination in the workplace" is to be handled within the Swedish sector of the Group.

At year-end, the Group had 16,303 (15,839) employees. The figure of 1984 includes employees, numbering 844, in companies acquired during the year.

Salaries, wages and other remuneration,		
Atlas Copco Group	1984	1983
Directors and senior executives	50.4	49.8
Other employees	1,842.2	1,727.8
Total	1,892.6	1,777.6

Salaries, other remuneration, Parent Company		
	1984	1983
Directors and senior executives [including bonus payments of 1.3 (1.3)]	4.3	4.4
Other employees	65.8	60.6
Total	70.1	65.0

PARENT COMPANY

EARNINGS

Operating results of the Parent Company, Atlas Copco AB, include Atlas Copco International AB and Atlas Copco Management Consulting AB, both of which are operated on a commission basis.

Atlas Copco International AB, which is responsible for marketing in countries where the Group does not have its own sales companies, had sales of SEK 374 m. (496) in 1984. Responsibility for sales in certain markets was transferred to other Group companies during the year.

Atlas Copco Management Consulting AB, which sells its services within the Group, had sales of SEK 105 m. (74).

The Parent Company's net interest expense declined by SEK 5 m. as the result of lower borrowing and declining interest rates.

In recent years the Parent Company has cycled unrealized exchange losses on long-term loans in foreign currencies. The Income Statement has been affected only by that share of exchange losses incurred during the year.

In 1984, however, these losses were charged in their entirety against earnings. Of these losses, SEK 101 m. were reported as an extraordinary expense. In this connection, all foreign loans in both the Parent Company and the Group are stated at year-end exchange rates.

The currency adjustment reserve in the amount of SEK 43 m. for unrealized exchange losses was liquidated.

Dividends from subsidiaries amounted to SEK 110 m. (128), including SEK 10 m. (0) from Swedish companies.

The Parent Company's purchase from subsidiaries accounts for 90 percent of the total purchase value. Invoicing concerns exclusively customers outside the Group.

FINANCING

Cash, bank deposits, and other short-term investments increased by SEK 188 m., to SEK 744 m.

Increases in share capital were effected in Berema AB, Soc Atlas Copco de Portugal Lda and Atlas Copco (South-East Asia) Pte. Ltd. During the year the Parent Company acquired the shares of Atlas Copco Saarbrücken GmbH from Atlas Copco Airpower n.v.

The average number of employees in the Parent Company during the year was 63 (64). The average number in Atlas Copco Management Consulting AB was 197 (186), and in Atlas Copco International AB, 111 (136).

DIVIDEND AND FORECAST

The Board of Directors proposes a dividend of SEK 4.50 (3.00) per share. Atlas Copco AB was granted exemption to the law which temporarily prohibits rises in share dividends.

The industrial economy will most likely remain at a high level during 1985. Machinery investments which are important for the Group are normally made late in the business cycle. The mining industry is also expected to continue investing. However, no significant improvement in the weak market experienced in 1984 is anticipated in the construction sector.

A favorable increase in sales is projected for Atlas Copco during 1985, which combined with a higher level of efficiency in the Group should result in a continued improvement in earnings.

CONSOLIDATED INCOME STATEMENT

Amounts in SEK m.

		1984	1983
Invoiced sales		9099.6	8092.7
	Cost of goods sold, technical development, sales, administration, etc (NOTE 1)	- 8 087.4	- 7 315.6
Operating profit before depreciation		1 012.2	777.1
Cost depreciation (NOTE 2)	Goodwill	- 5.1	- 12.3
	Machinery and equipment	- 127.4	- 120.0
	Buildings	- 34.5	- 33.7
Operating profit after depreciation		845.2	611.1
Financial income and expense	Interest received	190.8	227.6
	Interest paid (NOTE 3)	- 475.5	- 532.8
	Dividends received	7.4	6.6
	Foreign exchange differences (NOTE 4)	+ 5.1	- 77.6
Profit after financial income and expense		573.0	234.9
	Extraordinary income and expense (NOTE 5)	+ 2.0	- 243.5
Profit before appropriations and taxes		575.0	- 8.6
Appropriations (NOTE 6)		- 29.9	162.9
Profit before taxes		545.1	154.3
Taxes (NOTE 7)		- 242.1	- 153.7
Minority interest		- 21.9	- 10.5
NET PROFIT		281.1	- 9.9

CONSOLIDATED BALANCE SHEET

Amounts in SEK m.

ASSETS		Dec. 31 1984		Dec. 31 1983
Current assets	Cash, bank and short-term investments (NOTE 8)	1 131.4		918.0
	Receivables (NOTE 9)	2 356.7		2 182.3
	Inventories (NOTE 10)	2 884.3	6 372.4	2 699.4
				5 799.7
	Blocked accounts in Bank of Sweden (NOTE 11)		8.8	—
Fixed assets	Shares and participations (NOTE 12)	123.1		117.5
	Goodwill (NOTE 13)	11.5		8.5
	Long-term receivables (NOTE 14)	222.1		248.2
	Construction work in progress	17.1		23.4
	Machinery and equipment (NOTE 15)	558.1		537.0
	Buildings (NOTE 16)	740.8		772.4
	Land (NOTE 17)	162.7	1 835.4	158.2
				1 865.2
	TOTAL ASSETS		8 216.6	7 664.9
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities	<i>Interest-bearing liabilities</i>			
	Bank loans and notes payable	1 107.4		1 045.4
	Current portion of long-term liabilities	286.0		198.3
	Other short-term liabilities	44.4		57.9
	<i>Non-interest-bearing liabilities</i>			
	Notes payable	216.9		139.8
	Suppliers	616.8		503.1
	Provision for taxes	109.4		101.5
	Accrued expenses and prepaid income	422.2		274.9
	Other short-term liabilities	504.7	3 307.8	439.8
				2 760.7
Long-term liabilities	<i>Interest-bearing liabilities</i>			
	Debenture and bond loans (NOTE 18)	314.7		354.8
	Mortgage and other long-term loans (NOTE 18)	865.0		1 042.3
	Provision for pensions (NOTE 19)	549.9		481.7
	<i>Non-interest-bearing liabilities</i>			
	Other long-term liabilities	114.1	1 843.7	89.7
				1 968.5
	TOTAL LIABILITIES		5 151.5	4 729.2
Untaxed reserves	General inventory reserves (NOTE 20)		511.6	514.4
Minority interest			165.6	187.0
Shareholders' equity	<i>Restricted equity</i>			
	Share capital (PAGE 54)	586.5		586.5
	Restricted reserves (NOTE 25)	1 322.7	1 909.2	1 413.9
	<i>Unrestricted equity</i>			
	Retained earnings (NOTE 26)	197.6		243.8
	Net profit for the year	281.1	478.7	— 9.9
				233.9
	TOTAL SHAREHOLDERS' EQUITY		2 387.9	2 234.3
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		8 216.6	7 664.9
Assets pledged (NOTE 27)			606.9	674.7
Contingent liabilities	Notes discounted		147.5	134.9
(NOTE 28)	Other contingent liabilities		461.3	445.4

STATEMENTS OF CHANGES IN FINANCIAL POSITION

Amounts in SEK m.

	GROUP		ATLAS COPCO AB	
	1984	1983	1984	1983
SOURCES OF FUNDS				
Internal funds supplied*	440.0	- 19.5	100.2	80.6
Sales of fixed assets	136.0	86.0	17.0	10.2
Decrease in long-term receivables	26.1	1.3	12.5	-
Increase in interest-bearing liabilities	-	-	145.9	-
Minority interest in shareholder's equity	- 14.3	19.9	-	-
Translation differences ¹⁾	- 27.4	- 10.3	-	-
TOTAL FUNDS SUPPLIED	560.4	77.4	275.6	90.8
APPLICATION OF FUNDS				
Investments in property, plant and equipment	311.2	174.7	6.8	7.9
Investments in shares and participations	13.2	8.8	48.6	38.2
Goodwill acquired	8.1	4.1	-	-
Increase in long-term receivables	-	-	-	30.3
Decrease in interest-bearing liabilities	13.0	180.2	-	111.4
Reserves transferred to subsidiaries	-	-	17.6	-
Dividend from Parent Company	70.4	140.8	70.4	140.8
Dividend to minority interests in subsidiaries	7.1	4.7	-	-
TOTAL FUNDS APPLIED	423.0	513.3	143.4	328.6
CHANGE IN WORKING CAPITAL				
	+ 137.4	- 435.9	+ 132.2	- 237.8
Change in inventories	+ 184.9	- 311.8	- 6.7	+ 2.1
Change in short-term receivables	+ 174.4	+ 19.6	- 43.4	+ 53.3
Change in non-interest-bearing liabilities	- 435.3	+ 78.9	- 6.2	- 20.4
Change in liquid funds	+ 213.4	- 222.6	+ 188.5	- 272.8
TOTAL CHANGE	+ 137.4	- 435.9	+ 132.2	- 237.8
*) Internal funds supplied				
Profit before appropriations and taxes	575.0	- 8.6	19.8	- 21.1
Depreciation	167.0	166.0	6.5	5.6
Capital gain/loss on fixed assets sold	- 29.2	- 12.7	- 9.3	- 4.0
Group contributions	-	-	85.2	113.1
Taxes	- 242.1	- 153.7	-	- 13.0
Minority interest in profit	- 21.9	- 10.5	-	-
Withdrawals/deposit from blocked accounts	- 8.8	-	- 2.0	-
	440.0	- 19.5	100.2	80.6

¹⁾ Changes in translation differences in shareholders' equity and untaxed reserves whereof exchange rate effects relating to translation of fixed assets and the year's actual changes in fixed assets accounted for SEK -62.4 m.

INCOME STATEMENT

Amounts in SEK m.

		1984	1983
Operating income	Invoiced sales	478.6	570.3
	Commissions etc. from subsidiaries	134.0	90.5
Operating expense	Cost of goods sold, technical development, sales, administration, etc.	- 546.7	- 661.8
Operating profit before depreciation		65.9	- 1.0
Cost depreciation	Machinery and equipment	- 4.3	- 3.8
(NOTE 2)	Buildings	- 2.2	- 1.8
Operating profit after depreciation		59.4	- 6.6
Financial income and expense	Dividends received from subsidiaries	109.6	128.3
	Interest received from subsidiaries, net	6.7	9.1
	Interest received (excluding subsidiaries) (NOTE 3)	112.8	129.0
	Interest paid (excluding subsidiaries)	- 125.7	- 149.1
	Dividends received (excluding subsidiaries)	6.8	6.1
	Foreign exchange differences (NOTE 4)	- 54.7	- 65.1
Profit after financial income and expense		114.9	51.7
	Extraordinary income and expense (NOTE 5)	- 95.1	- 72.8
Profit before appropriations and taxes		19.8	- 21.1
Appropriations (NOTE 6)		98.9	92.9
Profit before taxes		118.7	71.8
Taxes		-	- 13.0
NET PROFIT		118.7	58.8

BALANCE SHEET

Amounts in SEK m.

ASSETS		Dec. 31 1984		Dec. 31 1983		
Current assets	Cash, bank and short-term investments (NOTE 8)	744.5		556.0		
	Receivables (NOTE 9)	483.6		529.0		
	Inventories	30.1	1 258.2	36.8	1 121.8	
Blocked accounts in Bank of Sweden (NOTE 11)			2.0		-	
Fixed assets	Shares and participations in subsidiaries (PAGE 30)	872.5		838.1		
	Shares and participations (excluding subsidiaries) (NOTE 12) (PAGE 30)	113.4		106.7		
	Long-term receivables from subsidiaries	100.1		104.5		
	Other long-term receivables (NOTE 14)	208.3		216.4		
	Construction work in progress	1.8		-		
	Machinery and equipment (NOTE 15)	20.1		17.6		
	Buildings (NOTE 16)	77.2		79.3		
	Land (NOTE 17)	24.5	1 417.9	24.6	1 387.2	
TOTAL ASSETS			2 678.1		2 509.0	
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current liabilities	<i>Interest-bearing liabilities</i>					
	Liabilities to subsidiaries	154.8		137.2		
	Current portion of long-term liabilities	143.9		48.2		
	Advances from customers	1.5		2.4		
	<i>Non-interest-bearing liabilities</i>					
	Suppliers	9.5		9.9		
	Accrued expenses and prepaid income	53.8		30.3		
	Other current liabilities	47.1	410.6	64.0	292.0	
	Long-term liabilities	<i>Interest-bearing liabilities</i>				
		Debenture and bond loans (NOTE 18)	314.7		241.2	
Mortgage and other long-term loans (NOTE 18)		336.6		387.9		
Provision for pensions, PRI		131.3		123.9		
Provision for pensions, other		16.8	799.4	12.9	765.9	
TOTAL LIABILITIES			1 210.0		1 057.9	
Untaxed reserves (NOTE 20)			77.2		108.5	
Shareholders' equity	<i>Restricted equity</i>					
	Share capital (23 460 500 shares, par SEK 25)	586.5		586.5		
	Legal reserve (NOTE 25)	597.1	1 183.6	597.1	1 183.6	
	<i>Unrestricted equity</i>					
	Retained earnings (NOTE 26)	88.6		100.2		
Net profit for the year	118.7	207.3	58.8	159.0		
TOTAL SHAREHOLDERS' EQUITY			1 390.9		1 342.6	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			2 678.1		2 509.0	
Assets pledged (NOTE 27)		105.1		108.1		
Contingent liabilities (NOTE 28)	Guarantees and other liabilities, of which 669.6 (614.4) on behalf of subsidiaries		863.1		768.7	
	Capital value of pension obligations		49.2		49.7	

NOTES TO FINANCIAL STATEMENTS

SEK millions unless otherwise noted

INTERNATIONAL GUIDELINES

Atlas Copco welcomes the guidelines prepared by the OECD – the Organization for Economic Cooperation and Development of the western industrialized countries – for companies that operate internationally. Atlas Copco follows these guidelines in all essential respects.

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

The Annual Report thus provides information on the following:

	Page number
Company's structure – name, and legal head- quarters	Cover, page 2
– Shares and participations in subsidiaries, percen- tage of ownership and ownership between com- panies.	Shares and participa- tions, page 30
Geographical areas in which operations are carried out and the principal activities conducted there.	Introduction to sections on the divisions, page 35, 39,43,47, and 49.
Invoiced sales by geograph- ical area	Board of Directors' re- port, map page 8
Capital investments, by geo- graphical area and by mar- keting/production sector.	Board of Directors' re- port, table and diagram, page 10
Statement of changes in fi- nancial position for the Atlas Copco Group.	Page 14
Research and development costs for the company as a whole.	Board of Directors' re- port, table on page 10 and Note 1, page 23
Principles applied in transfer pricing.	Note 10, page 25
Principles also applied, with respect to consolidated ac- counting	Notes, page 17

The Company is also favorably disposed to the Guidelines with respect to multinational companies and the labor market which have been prepared by ILO, the United Nations organization for labor matters.

In conformity with international standards, the following designations have been used in this Annual Report:

Currency: SEK = Swedish kronor. Other currencies, see "Exchange rates" page 22. Suffix: m. = millions.

ACCOUNTING PRINCIPLES

Principles of consolidation

The consolidated accounts of the Atlas Copco Group cover all companies in which the Parent Company, directly or indirectly, holds more than half of the shares' voting rights, as well as those companies in which the Group, in some other manner, has a decisive influence and a substantial portion of operating earnings.

The balance sheets have been prepared in accordance with the purchase method, whereby the shareholders' equity in companies at the date of their acquisition – plus subsequent new issues of shares – has been eliminated against the book value of the shares.

Companies acquired during the year have been consolidated following the date of acquisition.

In the case of subsidiaries formed, share capital contributed has been offset against the book value of the companies' shares in their respective parent companies. Differences resulting from bonus issues of shares in subsidiaries have been transferred to the Group's restricted reserves.

Translation of foreign currencies

Starting in 1984, Atlas Copco applies the "current rate method" in translating the accounts of foreign subsidiaries, in accordance with the Swedish Association of Authorized Public Accountants' (FAR) proposal of recommendations. In applying this method, the subsidiaries are primarily reported as independent units with operations conducted in foreign currencies and in which the parent company has a net investment. The exceptions from this treatment are those subsidiaries which are located in high inflation countries. The accounts of these subsidiaries are translated according to the monetary/nonmonetary method. In accordance with the FAR's proposal of recommendations, such a treatment is estimated to provide a more accurate picture of these companies' earnings and financial positions.

In accordance with the current rate method, all assets and liabilities in subsidiaries' balance sheets are translated at year-end rates, and all items in the income statement are translated at the average exchange rates for the year.

The translation differences that arise are a result of the fact that the net investment is translated at year-end at a rate different from that used at the first of the year. This translation difference does not affect earnings, but is transferred directly to shareholders' equity.

For those subsidiaries that will continue to be treated in accordance with the monetary/nonmonetary method, all nonmonetary items – real property (land and buildings), machinery and equipment, inventories, shareholders' equity and untaxed reserves – are translated at the rate in effect on the date the item was acquired. Other items – monetary items – are translated at the year-end exchange rates. The income statement has been translated at the average rate for the year, except for depreciation

and appropriations, which have been translated at the investment rate. Exchange differences arising in connection with the translation of the accounts, and which accordingly relate to companies in countries with high inflation have been included in the income statement.

Atlas Copco applied the monetary/nonmonetary method in the Annual Reports for 1982 and 1983. An essential reason for this was that no recommendations were suggested by the FAR. Instead, as a complement to the accounts, it was stated which effects a changeover to the current rate method would have had on the accounts during these years.

The recommendations published by the FAR in December 1984 concerning translation of foreign subsidiaries' accounts essentially correspond with the recommendations issued in 1983 by the International Accounting Standard Committee (IAS 21), as well as with the American recommendations issued in 1981 (SFAS 52). Shown below is how the Group's earnings and financial position would have been reported had the monetary/nonmonetary method been applied as the primary method for 1984.

Earnings after financial items would have been SEK 52 m. lower, primarily due to higher translation differences charged against earnings.

The fixed assets would have been reported at a value of SEK 133 m. lower, primarily due to the fact that machinery and buildings would have been reported at the rate in effect at the acquisition date, and that the Swedish krona would have in several cases dropped in value in relation to other countries' currencies.

Shareholders' equity, including minority shares, would have been reported at a correspondingly lower amount.

Choice of method

The FAR's proposed recommendations particularly emphasize the point that the users themselves choose translation procedures according to their own specific situations. This pertains to classifying of the foreign subsidiaries as either independent or integrated companies. How the companies are defined leads directly to the choice of translation method. Independent companies' accounts are translated according to the current rate method, and integrated companies' according to the monetary/nonmonetary method.

Based on the criteria defined by the FAR for classification of subsidiaries, the majority of Atlas Copco's subsidiaries should be considered as independent companies.

This entails that accounts of all subsidiaries of the Atlas Copco Group are translated according to the current rate method except for the companies in high inflation countries (primarily in Latin America).

On another point the proposal offers the user the possibility to influence and adapt the translation method to the company's special circumstances. This is done on a point that is specific for Swedish consolidated accounting and which complies to Swedish law requiring separate accounting of unrestricted equity.

The companies are here given two possibilities:

Alternative 1 entails that the accumulated translation difference that arises from translation according to the current rate method is automatically shown for each subsidiary. Through applying this method, the company – in accordance with international practice – can report the entire accumulated translation difference in a specific amount. In Swedish consolidated accounting this is divided into restricted and unrestricted equity.

Alternative 2 is a simplified method where translation differences are set directly against each item in untaxed reserves and shareholders' equity.

Atlas Copco has chosen to report in accordance with Alternative 1.

Comparison between the current-rate method and the monetary/nonmonetary method (M/NM).

Income Statement	1984		1983	
	Current-rate	M/NM	Current-rate	M/NM
Invoiced Sales	9,100	9,100	8,093	8,093
Cost of goods sold	-8,088	-8,049	-7,316	-7,283
Depreciation	- 167	- 161	- 166	- 151
Financial items	- 272	- 369	- 376	- 406
<i>Profit after financial items</i>	573	521	235	253
Extraordinary items	+ 2	+ 2	- 243	- 243
Appropriations	- 30	- 25	+ 162	+ 156
<i>Profit before taxes</i>	545	498	154	166
Taxes	- 242	- 240	- 153	- 152
Minority interest	- 22	- 9	- 11	- 11
<i>Net profit</i>	281	249	10	3

Balance Sheet	1984		1983	
	Current-rate	M/NM	Current-rate	M/NM
ASSETS				
Cash, bank and short-term investments	1,131	1,131	918	918
Receivables	2,366	2,366	2,182	2,184
Inventories	2,884	2,895	2,700	2,698
Fixed assets	1,836	1,703	1,865	1,670
TOTAL ASSETS	8,217	8,095	7,665	7,470
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities	3,308	3,308	2,761	2,761
Long-term liabilities	1,844	1,845	1,968	1,968
Untaxed reserves	512	523	515	497
Minority interest	165	109	187	112
Shareholders' equity	2,388	2,310	2,234	2,132
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	8,217	8,095	7,665	7,470

THE SWEDISH INDUSTRY AND COMMERCE STOCK EXCHANGE COMMITTEE RECOMMENDATION ON KEY RATIO CALCULATIONS

For 1984 Atlas Copco has chosen as a main alternative to show earnings per share in accordance with previously customary principles, that is, after standard tax (50%). The Swedish Industry and Commerce Stock Exchange Committee (NBK) instructions concerning calculation of certain key ratios recommends either the full tax method or the partial method. The reason that the Company chose not to apply either of these methods is that it was judged inappropriate in 1984 to diverge from previously applied principles at the same time that the company is changing accounting methods concerning translation of foreign subsidiaries' accounts. Atlas Copco also chose to maintain previously applied principles in 1984 for other ratios covered in the NBK recommendation. However, the Company has decided to report the effects of the application of NBK's recommendations in note form, shown in Note 29.

INTEREST ARBITRAGE

With the aim of improving the Company's net interest income, Atlas Copco made several interest arbitrage transactions (notes 3 and 8). This entails that a short-term loan, normally in foreign currency, is taken and guaranteed by the Swedish krona, to be thereafter placed against a higher interest rate in bank certificates, treasury bills, or other similar Swedish receivables.

According to the FAR's accounting committee, debts shown in the balance sheet can be offset against corresponding investments under the assumption that liabilities and receivables comprise parts of a package solution, and that they total the same amount and have the same maturity date. Furthermore, the exchange guarantee must have pertained to eventual foreign loans. Consequently, neither the liability nor the receivable should be included in the balance sheet.

In the income statement, only the net of interest income and expense, and possible costs for forward cover are included among other financial income and expense.

With consideration to the fact that Atlas Copco's interest arbitrage transactions fulfill the criteria set forth by the FAR's accounting committee, the net accounting principle described above was applied.

CURRENT COST ACCOUNTING 1984

One result of the high level of inflation that has been experienced since the mid-1970's is that traditional accounting, based on historical cost, can give an inaccurate picture of a company's income and financial position. Under the historical cost principle, income is calculated without taking into account price rises in resources used and consumed by the company. The higher the rate of price rises, the more a company is affected by the rises without their being reflected in the accounts. This applies both to goods utilized in production and to production resources.

To make it possible for a reader of a company's annual report to better evaluate the company's income and profitability, it is essential that the company shows the extent to which general and specific price changes on input goods, inventories and fixed assets have affected income.

Current cost accounting aims at taking these price changes into consideration both in evaluating assets and in calculating income. Since current cost accounting to a relatively large extent is based on estimations, it cannot meet the same demand for exactness as traditional accounting.

Where the valuation of assets is concerned, accounting based on current cost is characterized by the fact that historical cost is abandoned in favor of other bases for evaluation such as replacement cost.

Income is also measured differently. In traditional accounting, equity capital at the beginning of the year is compared with equity capital at year-end, calculated in nominal units of currency. Each change then constitutes income for the year.

Current cost accounting, instead, is based on translating equity capital to units with equivalent purchasing power. A profit is considered to have arisen only if the equity capital has increased more than is required to maintain its purchasing power. The consumer price index, for example, can then be used as a base.

Many different models for reporting this are being used today by listed companies. The models may be divided into two main groups:

- partial adjustments
- general models

Partial adjustments, which focus specifically on the items that are affected most by price changes, relate primarily to the income statement.

General models comprise both the income statement and the balance sheet.

To be able to present a satisfactory analysis of the effects of price changes on a company, the income statement and balance sheet both have to be adjusted. In so doing, certain adjusted key ratios can also be obtained.

To permit a complete analysis of true profit, profitability and financial position, a current cost-based income statement and balance sheet are now being shown, as well as certain key ratios.

Current cost income statement

	1984	1983
Invoiced sales	9,100	8,093
Current cost of goods sold	-8,206	-7,476
Current cost depreciation	- 313	- 302
Operating income	581	315
Price changes, inventory	+ 129	+ 126
Price changes, fixed assets	173	256
Operating income before financial items	883	697
Financial items	- 272	- 376
Purchasing power adjustment, equity capital	- 220	- 282
Real income after financial items	391	39

Current cost balance sheet

ASSETS	1984	1983
Cash, bank and short-term investments	1,131	918
Receivables	2,366	2,182
Inventories	2,931	2,736
Fixed assets	2,692	2,690
TOTAL ASSETS	9,120	8,526

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities	3,308	2,761
Long-term liabilities	1,844	1,968
Untaxed reserves	512	515
Unrealized price changes	902	861
Shareholders' equity	2,554	2,421
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	9,120	8,526

Atlas Copco has chosen to use one of the models presented by the FAR in its draft of a recommendation for current cost accounting. This model focuses on three concepts of income:

- current cost-based operating income
- current cost-based income before financial items
- real income after financial items

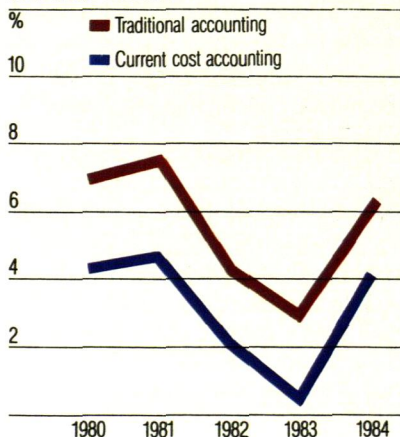
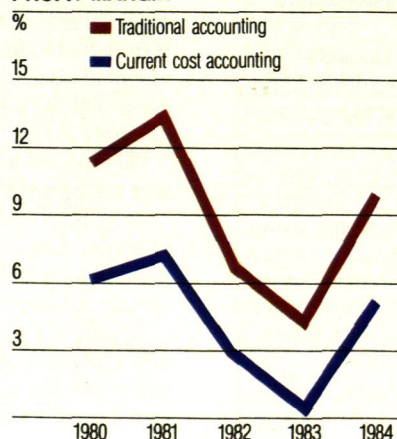
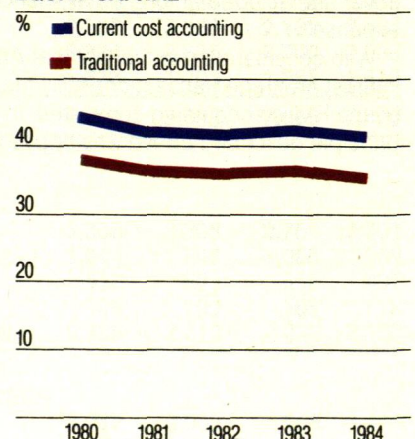
Current cost-based operating income

Current cost-based operating income is an "operative" income figure which should show the degree to which sales revenues covered the replacement value of goods sold. Current cost-based operating income of the Atlas Copco Group in 1984 amounted to SEK 581 m. (315).

This income figure is SEK 264 m. (296) lower than the traditional operating income. This is explained by two factors. Price changes occurred during the year in goods that are included in the company's products. These goods are estimated to cost SEK 118 m. (160) more to purchase than they did at date of procurement. Income has also been charged with current cost depreciation that is SEK 146 m. (136) higher than depreciation based on historical cost. This means that the wear on the Company's facilities has been assigned a cost based on the amount that would be required to replace these facilities with new ones today.

Current cost-based income before financial items

In periods of rapid price increases, the value of a company's assets increases. Price gains arise on products in inventory and on fixed assets. Price gains on inventory are generally realized rapidly and are largely included in traditional income. In contrast, price gains on fixed assets are not realized and, in accordance with traditional accounting, these increases in values should not be credited to income. According to the FAR model, however, both realized and unrealized price changes should affect income.

RETURN ON EQUITY**PROFIT MARGIN****RATE OF RISK-BEARING EQUITY CAPITAL**

Atlas Copco's current cost-based income before financial items was SEK 883 m. (697).

Price increases of SEK 129 m. (126) occurred on products in inventory and the Company's fixed assets increased in value by SEK 173 m. (256).

Real income after financial items

To consider that a profit has arisen, the purchasing power of the equity capital should have increased during the year. Therefore the final adjustment item in an inflation-adjusted income statement is an adjustment related to the equity capital. To consider that the purchasing power of equity capital was maintained during 1984, it should have increased by SEK 220 m. Accordingly, the adjustment amounts to SEK 220 m. (282). Atlas Copco's real income after financial items for 1984 thereby becomes SEK 391 m. (39).

This income figure is SEK 182 m. (196) lower than the traditional income and corresponds to a real profit margin of 4.3 percent (0.5).

The balance sheet is also adjusted

An adjusted balance sheet is shown in which inventory assets and fixed assets are stated at current values instead of at cost. Total assets are SEK 902 m. (861) greater than in accordance with traditional accounting, since hidden reserves in inventory and facilities are shown openly. The main effects are shown below:

- Machinery, buildings and land are stated at a value that is SEK 862 m. higher.
- The inventory is shown at a value SEK 47 m. higher.
- Shareholdings are shown at a value SEK 7 m. lower.

Risk capital is shown at a value SEK 902 m. higher, which means that the rate of risk-bearing equity capital thereby amounts to 44 percent, as against 37 percent in accordance with traditional accounting.

ATLAS COPCO AND THE DEBT CRISIS

For a company with such internationally oriented operations as Atlas Copco, the "debt crisis" has involved an increasing amount of attention being focused on transfer risks. This concerns the risk of a customer, a subsidiary or an agent not being able to make agreed payments due to currency shortages. Such defaults can cause the seller interest losses, exchange losses, and in certain cases even loss of the actual amount outstanding.

Atlas Copco's situation is complicated by the fact that the Group has subsidiaries in many of those countries that have suffered from acute payment problems during recent years.

The most common reaction of exporters when payment delays occur is to strictly limit or cancel deliveries. Atlas Copco tries to avoid this solution in every way. Significant investments have been made in Atlas Copco factories and markets, as well as in personnel. For many major customers, a cancellation of deliveries would have

serious consequences, which would adversely affect future business possibilities for Atlas Copco. As a result of the current situation, Atlas Copco is forced to find ways to spread and reduce the risks posed by the payment crisis.

Spread of risks

One positive factor is the Group's market structure. In the majority of countries where Atlas Copco is represented, the Company is not dependent on the development of just a few markets. As a result, the wide market dispersion provides a degree of self-insurance. The Company's customer make-up in the different countries is also a very important factor in determining the payment risks. Many of Atlas Copco's customers within the mining sector, for example, are of vital importance to their particular country's economy and its ability to generate foreign currency. These customers and their primary suppliers often have an allotment from the currency control authorities, or the possibility to secure priority for foreign payments. It is most often essential for the country's economy that production in these companies can continue, a factor requiring disturbance-free deliveries of machinery, spare parts and drill steel.

In the same manner as the market structure, the Company's product-line also reduces the risk of exposure. Atlas Copco is not subject to the same requirements concerning credits in connection with export transactions that are placed on the heavier engineering and construction companies since most orders do not exceed SEK 10 m.

The presence of Group sales companies in virtually all significant markets contributes to the ability to limit currency risk exposure. The local sales companies' financial needs should be met in the subsidiary country's own currency to the greatest possible extent. Due to Atlas Copco's extensive contacts with bankers operating internationally, these financing needs can be generally satisfied. The companies' exposure to sudden currency fluctuations is hereby limited.

The availability of local currencies further enables the sales companies to regularly pay the production companies. This enhances transfer exposure risks to a high degree.

Risk policy

To control the Group's exposure to transfer risks in subsidiary countries, a policy has been drawn up defining which risk levels can be accepted and which measures should be taken to limit exposure. The policy aims to prevent large transfer risks while at the same time not obstructing the sales companies' supply of products, spare parts and accessories.

All countries are divided into risk categories stemming from the risk degrees applied by the Swedish Export Credits Guarantee Board (EKN). This categorization is agreed upon by independent appraisers. According to the policy, all customer receivables should be insured

from transfer risks with the exception of those in the lowest risk group. During recent years, the risk capacity at several of the official institutes for export credit insurance has substantially worsened due to losses, altered risk grading and still incomplete debt consolidation proceedings. In those cases where insurance was not obtainable at official institutes, it was obtained instead from the private insurance market. The capacity of the private market has developed considerably during recent years.

A highest acceptable risk level is defined for those subsidiaries that are not placed in the lowest risk category. This level is dependent upon which risk category the country belongs to, and upon the company's anticipated yearly export to that country. In cases where the established risk limit must be exceeded, it is essential that deliveries be protected through extra security arrangements. When credit limits are exceeded, it is required that commercial credit also be used for deliveries to subsidiaries. As a result, commercial credit that is traditionally used to insure an exporter from credit risks has partially changed in character. From having been a security against commercial risks, this character of preferred payment obligation is utilized. Through the use of commercial credit, the Group's payment demands will most often be handled with a certain priority from the importing country's side.

The Group's export units report monthly to the Parent Company certain key data concerning outstanding customer receivables, due payment amounts and secured payment arrangements. Through this, quick fluctuations in the total transfer exposure can be detected, and eventual revisional measures can be taken.

DIVISIONALIZED PROFIT RESPONSIBILITY

Atlas Copco is an international enterprise with sales companies in 47 countries and production companies in 16 countries. The business activities are divided into five divisions. In addition to this there are also common Group units such as Atlas Copco AB and Atlas Copco Management Consulting AB.

The Group organization has a smooth-functioning financial control system to follow up, control and coordinate Group units.

For the past few years Atlas Copco has been using a control system based on consolidated profit responsibility in the divisions. Consolidated profit responsibility means that the management of each division has operational and strategic responsibility for the division's operations, from product development and the establishment of manufacturing plans in the production companies to the marketing and sales of the divisions' products through the sales companies. The division managers are members of the boards of directors of many sales companies. The overall control of the divisions' operations by Group Management occurs

through the establishment of a financial objective in the form of a measurement of yield, ROCE: return on total capital, excluding non-interest-bearing current liabilities.

The divisions establish targets for their operations in each manufacturing company and each sales company. This includes decisions on buying services from Group common units.

The Group Management also gives the sales companies a ROCE-objective for its legally defined operations. The overall profit responsibility of a division and the yield objective of a sales company is coordinated through negotiations regarding customer pricing, transfer pricing, marketing, product development, etc.

This Annual Report describes the operations of each division during the past year and the ROCE-yield each division management reached.

EXCHANGE RATES

Country	Currency		Year-end-rate		Average rate	
	Value	Code	1984	1983	1984	1983
Argentina	100	ARP	5.00	34.50	17.30	87.50
Australia	1	AUD	7.450	7.180	7.260	6.920
Austria	100	ATS	40.50	41.50	41.50	42.50
Belgium	100	BEC	14.20	14.40	14.30	15.00
Bolivia	100	BOP	0.10	1.60	0.66	3.41
Brazil	100	BRC	0.282	0.813	0.496	1.539
Canada	1	CAD	6.800	6.420	6.405	6.215
Denmark	100	DKK	79.50	81.00	80.00	84.00
France	100	FRF	93.00	96.00	94.50	101.00
Great Britain	1	GBP	10.450	11.585	11.020	11.635
India	100	INR	71.50	76.00	72.50	75.50
Italy	100	ITL	0.462	0.481	0.470	0.504
Japan	100	JPY	3.588	3.448	3.475	3.223
Mexico	100	MXP	4.66	5.57	4.72	6.48
The Netherlands	100	NLG	252.50	261.50	257.50	268.50
Norway	100	NOK	98.50	104.00	101.50	105.00
Portugal	100	PTE	5.25	6.00	5.60	6.98
Singapore	1	SGD	4.140	3.760	3.870	3.620
South Africa	1	ZAR	4.465	6.540	5.650	6.850
Spain	100	ESP	5.16	5.09	5.13	5.35
Switzerland	100	CHF	346.50	367.50	352.50	364.50
U.S.A	1	USD	8.985	7.995	8.280	7.660
Venezuela	1	VEB	1.200	1.330	1.070	1.345
West Germany	100	DEM	285.50	293.50	290.50	300.00

DEFINITIONS**Profit margin**

Profit after financial income and expense as a percentage of invoiced sales.

Return on capital employed

Profit after financial income and expense plus interest paid, as a percentage of average total assets less non-interest-bearing current liabilities.

Return on risk-bearing equity capital

Profit after financial income and expense less actual tax as a percentage of average equity capital, minority interests and untaxed reserves.

Return on shareholders' equity

Profit after financial income and expense less a standard tax charge of 50 percent as a percentage of average shareholders' equity, minority interests and 50 percent of untaxed reserves (deduction for latent tax liability).

Rate of risk-bearing capital

Shareholders' equity, minority interests and untaxed reserves as a percentage of total capital.

Degree of self-financing

Funds generated internally as a percentage of investments in machinery and buildings.

Capital turnover ratio

Invoiced sales divided by average total assets.

Interest coverage

Profit after financial income and expense plus interest expense, divided by interest expense.

Earnings per share

Profit after financial income and expense less a standard tax charge of 50 percent and minority interests in the year's operations, divided by the number of shares outstanding.

Earnings per share after extraordinary items

Profit after extraordinary income and expense less a standard tax charge of 50 percent and minority interests in the year's operations, divided by the number of shares outstanding.

Utilization of capacity

The number of production hours utilized in relation to normal production capacity calculated as the average of the most recent two years' actual utilization of capacity and the utilization budgeted for the next three years.

1. OPERATING EXPENSES

	GROUP	
	1984	1983
Cost of goods sold	5,299.9	4,701.5
Marketing and administrative costs	2,399.4	2,229.0
Technical development costs	270.1	225.1
Price gains realized on inventory	118.0	160.0
Operating expenses	8,087.4	7,315.6

2. DEPRECIATION

The Atlas Copco Group applies three types of depreciation: cost depreciation, book depreciation and current cost depreciation.

Cost depreciation is based on original cost and is applied by the straight-line method over the economic life of the asset. Goodwill is depreciated in accordance with a plan established for each specific case.

Book depreciation is used in the maximum amount allowable in accordance with tax legislation in each country. The difference between book depreciation and cost depreciation is stated under "Appropriations" in the income statement. The total is stated in the balance sheet, among untaxed reserves, under the heading "Accumulated additional depreciation."

	GROUP	
	1984	1983
Cost depreciation	167.0	166.0
Book depreciation	188.0	204.8
Depreciation in excess of cost (NOTE 22)	21.0	38.8

Book depreciation includes write-downs charged against the following reserves:

	GROUP	
	1984	1983
Special investment reserves	11.9	1.3
Compulsory profit reserve	-	37.4
	11.9	38.7

Current cost depreciation is used as the basis for price and profitability calculations and is based on the replacement value of the asset. Depreciation is applied on a straight-line basis over the economic life of the asset.

The following economic lives are used for cost depreciation and current cost depreciation:

Machinery and equipment	5 to 15 years
Vehicles	5 years
Buildings	25 to 50 years

Current cost depreciation for the Group amounted to SEK 313 m. (302) and thus exceeded cost depreciation by SEK 146 m. (136).

3. INTEREST EXPENSE

In conformity with recommendations of the Swedish Association of Authorized Public Accountants (FAR) and the Swedish Pension Registration Institute (PRI), the interest portion of the year's provision for pensions has not been charged against operating income but has, instead, been shown as interest expense. The amount has been calculated on the basis of provisions for pensions at January 1 and December 31 and an interest rate of 12.0 percent (11.5) for index pensions and 3.5 percent (3.5) for pensions liabilities expressed in fixed amounts. The interest portion for 1984 amounted to SEK 44.9 m. (38.9).

Interest arbitrage transactions were carried out during the year only in the Parent Company. Interest expense as well as interest income have been reported net in the income statement. Offset amounts in 1984 totaled SEK 8.1 m.

4. FOREIGN EXCHANGE DIFFERENCES

Foreign exchange differences arising in connection with financial transactions are stated net.

	GROUP		PARENT COMPANY	
	1984	1983	1984	1983
Realized exchange differences, net	17.6	-37.5	-1.8	-5.7
Unrealized exchange differences:				
Long-term loans	-33.0	-74.3	-53.9	-60.1
Other receivables and liabilities	35.1	2.9	1.0	0.7
Translation differences	-14.6	31.3	-	-
	5.1	-77.6	-54.7	-65.1

After the operating portion of unrealized exchange losses amounting to SEK 53.9 m. were charged against earnings in the Parent Company, SEK 101.2 m. remained. This amount is reported as an extraordinary cost in the Parent Company income statement. Effective in 1984, all unrealized exchange losses in the Parent Company have been charged against earnings.

Exchange differences in translation of foreign subsidiaries refer to differences arising from translation of the balance and income statements in subsidiaries outside of Sweden in high inflation countries, for which the monetary/nonmonetary method is applied.

5. EXTRAORDINARY INCOME AND EXPENSE

Exchange losses on loans raised prior to 1978 pertain to loans in Swiss francs for which the current exchange losses are covered by the currency adjustment reserve. This reserve has been liquidated as an appropriation in the 1983 Group accounts and in the 1984 Parent Company accounts.

The liquidation and closing-down costs are attributable to the costs of closing facilities and to restructuring measures in the United States and Sweden, among other countries.

Capital gains and losses that arise in connection with ongoing scrapping of fixed assets are included in operating income. Gains and losses on the sales of major facilities are shown, however, under the heading "Extraordinary items" and are calculated as the difference between sales revenue and the planned residual value.

	GROUP		PARENT COMPANY	
	1984	1983	1984	1983
Exchanges losses on foreign loans cycled earlier	-	-177.1	-58.2	-77.3
Exchange losses on foreign loans raised prior to 1978	-	43.0	-43.0	-
Write-downs of receivables	-	21.0	-	-
Liquidation costs	-23.1	-19.8	-	-
Capital gain on buildings sold	21.8	12.9	2.8	-
Capital gain on shares and participations sold	3.3	4.5	3.3	4.5
	2.0	-243.5	-95.1	-72.8

6. APPROPRIATIONS

Tax legislation in Sweden and in other countries allows companies the opportunity to strengthen their financial position through tax-deductible allocations to untaxed reserves. By utilizing these regulations, companies can dispose and retain income within the business without being taxed. The untaxed reserve created by this procedure may not be used for dividends. The amounts of allocations and reversals of such reserves and funds are reported under the headline "Appropriations" in the income statement. In the balance sheet and in NOTE 20, the accumulated value of the allocations is stated under the headline "Untaxed reserves".

The untaxed reserves first become subject to taxes when they are withdrawn. If the company should experience losses, certain untaxed reserves can be used to cover the loss without being taxed. Taking this into consideration, the total value of untaxed reserves is

considered risk capital, since a potential loss can largely be covered through the liquidation of untaxed reserves.

Transfer of earnings in the form of group contributions can under certain conditions be made between Swedish companies within the same group. The contribution is a tax-deductible expense for the giver and taxable income for the receiver. Group contributions received by the Parent Company refer to contributions from Monsun-Tison, Berema and Atlas Copco Tools, among others.

	GROUP		PARENT COMPANY	
	1984	1983	1984	1983
General inventory reserves (NOTE 21)	-21.9	135.6	-	-
Investment reserves (NOTE 23)	-0.4	-5.0	-	-
Special investment reserves (NOTE 24)	-30.0	-21.0	-29.7	-19.6
Other reserves	-0.4	-4.3	-	-
Difference between book depreciation and cost depreciation (NOTE 22)	-21.0	-38.8	-1.6	-37.3
Accumulated additional depreciation on assets sold (NOTE 22)	28.6	11.7	-	-
Utilization of special investment reserves (NOTE 24)	15.2	41.7	2.0	37.4
Currency adjustment reserve (NOTE 5)	-	43.0	43.0	-
Write-downs of new plants corresponding to government contributions	-	-	-	-0.7
Group contributions	-	-	85.2	113.1
	-29.9	162.9	98.9	92.9

7. TAXES

Of the provision for taxes amounting to SEK 242.1 m. in 1984, SEK 240.6 m. pertains to taxes outside Sweden and SEK 1.5 m. to taxes in Sweden. Municipal taxes in Sweden amounted to SEK 1.4 m., federal taxes to SEK 0.1 m. and profit sharing taxes to SEK m. At the close of 1984, the Swedish companies had tax-deductible loss carryforwards of SEK 93.1 m.

8. CASH, BANK AND SHORT-TERM INVESTMENTS

	GROUP		PARENT COMPANY	
	1984	1983	1984	1983
Cash, bank	439.0	338.1	128.1	34.7
Bank certificates	-	9.8	-	9.8
Liquid funds	439.0	347.9	128.1	44.5
Government Treasury bills	145.4	111.0	145.4	101.0
Treasury notes	48.6	-	48.6	-
Other short-term investments	498.4	459.1	422.4	410.5
	1,131.4	918.0	744.5	556.0

The Group's available but unutilized bank credits at December 31, 1984 amounted to SEK 1,758 m. (1,984). Ongoing interest arbitrage transactions in the Parent Company are reported net, and on December 31, 1984 amounted to SEK 183.1 m. The loan sum totals the same amount and has been placed as follows:

Government Treasury bills	28.1
Promissory notes	155.0
	183.1

These amounts are not included in the balance sheets.

9. RECEIVABLES

	GROUP		PARENT COMPANY	
	1984	1983	1984	1983
Notes receivable	156.1	159.6	-	-
Receivables from subsidiaries	-	-	230.9	364.2
Trade receivables	1,714.5	1,506.4	59.6	16.2
Prepaid expenses and accrued income	108.3	130.8	58.7	57.4
Other receivables	377.8	385.5	134.4	91.2
	2,356.7	2,182.3	483.6	529.0

10. INVENTORIES

Inventories are valued at the lower of cost or market, in accordance with the "first in/first out" principle and net sales value. Group inventories are shown after deductions for obsolescence and for internal profits arising in connection with deliveries from the divisions to the Group sales companies.

Transfer pricing between companies is based in principle on comparable market prices.

	GROUP	
	1984	1983
Raw materials	103.8	88.8
Work in progress	366.3	222.2
Semifinished goods	694.4	641.0
Finished goods	1,719.8	1,747.4
	2,884.3	2,699.4

11. BLOCKED ACCOUNTS WITH THE BANK OF SWEDEN

Funds in blocked accounts in the Bank of Sweden refer to remaining unutilized funds in the special investment reserves. The amount in 1984 totaled SEK 8.8 m. (-) for the Group and SEK 2.0 m. (-) for the Parent Company.

12. SHARES AND PARTICIPATIONS

	BOOK VALUE		MARKET VALUE	
	1984	1983	1984	1983
Shares and participations reported by Atlas Copco AB:				
Boliden AB	96.6	90.6	121.6	127.3
Svensk Interkontinental Lufttrafik AB (SILA)	0.7	0.7	8.1	12.3
Bilspedition AB	1.4	1.4	3.3	-
Other shares and participations reported by Atlas Copco AB as specified on page 30	14.7	14.0		
Total, Parent Company	113.4	106.7		
Shares and participations reported by other companies:				
Cord Capital N.V.	3.7	3.7		
Instrument AB				
Scanditronix	3.0	3.0		
Webster Machine Development Ltd	2.0	3.1		
Atlas Copco-Eickhoff Engineering	0.2	0.2		
Others	0.8	0.8		
Total, Group	123.1	117.5	133.0	139.6

13. GOODWILL-GROUP EXCESS VALUE

Group excess value in 1984 amounted to SEK 17.2 m. (14.5). This has been distributed over the following items in the balance sheet: Goodwill, SEK 11.5 m. (8.5) and buildings SEK 5.7 m. (6.0). The Goodwill items pertain

mainly to patents, manufacturing rights and know-how.

Depreciation of Group excess value amounts to SEK 5.4 m., distributed as follows:

	GROUP	
	1984	1983
Goodwill	5.1	12.3
Buildings	0.3	0.7
	5.4	13.0
Acquired goodwill December 31, 1983		92.4
Accumulated depreciation December 31, 1983		-83.9
Acquired goodwill, 1984		8.1
Depreciation during 1984		-5.1
Book value, December 31, 1984		11.5

14. LONG-TERM RECEIVABLES

The Swedish "Law on payments to liquidity accounts" requires Swedish employers in 1984 and 1985 to pay funds into blocked liquidity accounts with the Bank of Sweden. The amount, calculated in 1984 as 3 percent of that part of the total paid in wages and salaries in 1983 exceeding SEK 20 m., is SEK 8.8 m. for the Group and SEK 1.0 m. for the Parent Company, and is reported in the entry "long-term receivables".

These funds will be repaid by the Bank of Sweden on December 30, 1986, including a fixed annual interest of 7 percent.

15. MACHINERY AND EQUIPMENT

	GROUP		PARENT COMPANY	
	1984	1983	1984	1983
Cost	1,293.2	1,261.8	51.2	44.7
Accumulated cost depreciation	-735.1	-724.8	-31.1	-27.1
Planned residual value	558.1	537.0	20.1	17.6
Accumulated depreciation in excess of cost depreciation (NOTE 22)	-142.8	-165.5	-10.9	-9.1
Book value, net	415.3	371.5	9.2	8.5

16. BUILDINGS

	GROUP		PARENT COMPANY	
	1984	1983	1984	1983
Cost	1,006.3	1,022.5	88.1	88.1
Undepreciated amount of write-ups	22.4	22.8	0.6	0.6
Accumulated cost depreciation	-287.9	-272.9	-11.5	-9.4
Planned residual value	740.8	772.4	77.2	79.3
Accumulated cost depreciation (NOTE 22)	-105.7	-113.2	-36.6	-36.8
Book value, net	635.1	659.2	40.6	42.5
Tax assessment value			33.8	33.8

Reported book value in the Parent Company includes buildings with a construction cost of SEK 34.8 m. which have not been assigned a tax assessment value.

17. LAND

	GROUP		PARENT COMPANY	
	1984	1983	1984	1983
Cost	131.3	126.8	20.5	20.6
Write-ups	31.4	31.4	4.0	4.0
Book value, net	162.7	158.2	24.5	24.6
Tax assessment value			24.0	25.8

18. LONG-TERM LOANS

Long-term liabilities are shown in the balance sheets of the Group and the Parent Company as follows:

Bond loans 1984

PARENT COMPANY		
1970 9 ½%, USD 20 m., final amortization 1985		3.1
1976 7 ¾%, CHF 80 m., amortization 1981-1991. (Amortized: CHF 0.5 m.)	275.5	
1978 12 ¾%, SEK 100m., amortization 1979-1993		59.8
Less: 1985 maturities		-23.7
Bond loans as shown in balance sheets		314.7

Mortgage loans and promissory notes 1984

PARENT COMPANY		
1980 multicurrency-loan, USD 20 m.		179.7
1980 multicurrency-loan, USD 10 m.		71.9
1980 multicurrency-loan, USD 13.4 m.		120.4
1981 multicurrency-loan, USD 2.8 m.		25.2
1982 multicurrency-loan, GBP 1.7 m.		18.5
1982 multicurrency-loan, GBP 1.2 m.		12.2
1984 multicurrency-loan, GBP 0.7 m.		7.3
1983 loan, LUF 50 m.		7.1

1984 loan, SGD 0.8 m.	3.3
National Pension Fund loan	10.2
National Labor Market Board loan	0.4
Other mortgage loans and promissory notes	0.6
Less: 1985 maturities	-120.2

Mortgage loans and promissory notes as shown in balance sheet 336.6

SUBSIDIARIES

Atlas Copco Airpower	206.6
Atlas Copco MCT	102.0
Atlas Copco Tools	29.6
Berema	19.0
Monsun-Tison	8.9
Other companies	304.4
Less: 1985 maturities	-142.1

Group mortgage loans and promissory notes as shown in balance sheet 865.0

Bond loans, mortgage loans and promissory notes are being amortized as follows, based on exchange rates at December 31, 1984:

	GROUP	PARENT COMPANY
1985	286.2	143.9
1986	320.2	165.7
1987	290.5	170.9
1988	122.8	47.0
1989	96.7	32.2
1990 and thereafter	349.3	235.5
	1,465.7	795.2

Total long-term borrowing of the Atlas Copco Group, including current portion of long-term loans based on year-end exchange rates:

CURRENCY	AMOUNT	SEK m.	PERCENT
USD m.	53.7	482.4	32.9
CHF m.	80.5	278.9	19.0
BEC m.	1,365.8	193.9	13.2
SEK m.	173.6	173.6	11.8
MXP m.	1,212.8	56.5	3.8
NOK m.	48.2	47.4	3.2
FRF m.	50.8	47.3	3.2
AUD m.	5.2	38.9	2.7
GBP m.	3.7	38.5	2.7
DEM m.	5.7	16.3	1.2
Other	-	92.0	6.3
		1,465.7	100.0

19. PROVISION FOR PENSIONS

This item pertains mainly to the Swedish companies and corresponds to the actuarially calculated amount of pension obligations under the negotiated supplementary

pension plan in excess of the National Supplementary Pension Plan. In accordance with a recommendation of the Swedish Association of Authorized Public Accountants, a certain portion of the year's pension cost is shown as interest expense. (See NOTE 3.) The item "Provision for pensions" is accordingly included among interest-bearing liabilities.

	GROUP		PARENT COMPANY	
	1984	1983	1984	1983
Swedish companies				
PRI-pensions	387.5	359.3	131.3	123.9
Other pensions	22.4	19.7	16.8	12.9
Companies outside Sweden				
Sweden	140.0	102.7	—	—
	549.9	481.7	148.1	136.8

The Swedish Pension Registration Institute (PRI) is a public service organization which administers employee pension plans.

20. UNTAXED RESERVES

Untaxed reserves are shown in the balance sheets of both the Atlas Copco Group and the Parent Company as a compounded item. The distribution of the individual items appears below and under separate notes for the different reserves.

	GROUP		PARENT COMPANY	
	1984	1983	1984	1983
General inventory reserves (NOTE 21)	183.4	165.7	—	—
Accumulated additional depreciation (NOTE 22)	248.5	278.7	47.5	45.9
Investment reserves (NOTE 23)	23.0	23.5	—	—
Special investment reserves (NOTE 24)	35.8	21.0	29.7	19.6
Currency adjustment reserve	—	—	—	43.0
Other reserves	20.9	25.5	—	—
	511.6	514.4	77.2	108.5

21. GENERAL INVENTORY RESERVES

Allocations to these reserves are made principally in the Group's Scandinavian companies. Beginning in 1985, Swedish legislation permits a write-down of a maximum of 50 percent (earlier 60 percent) of the value after a deduction for obsolescence.

	GROUP
General inventory reserves, December 31, 1983	165.7
Allocations	32.2
Withdrawals	-10.3
Translation differences	-4.2
General inventory reserves, December 31, 1984	183.4

Unutilized rights to make allocations to inventory reserves in the Swedish companies amount to SEK 208.0 m. In addition to the inventory reserves shown in the balance sheet, SEK 23.4 m. has been eliminated in connection with application of the purchase method of accounting.

22. ACCUMULATED ADDITIONAL DEPRECIATION

	GROUP		
	Machinery and equipment	Buildings	Total
Accumulated additional depreciation, December 31, 1983	165.5	113.2	278.7
Difference between book depreciation and cost depreciation in 1984	18.8	2.2	21.0
Accumulated additional depreciation on fixed assets sold	-25.6	-3.0	-28.6
Translation differences	-15.9	-6.7	-22.6
Accumulated additional depreciation, December 31, 1984	142.8	105.7	248.5
	PARENT COMPANY		
	Machinery and equipment	Buildings	Total
Accumulated additional depreciation, December 31, 1983	9.1	36.8	45.9
Difference between book depreciation and cost depreciation in 1984	1.8	-0.2	1.6
Accumulated additional depreciation, December 31, 1984	10.9	36.6	47.5

23. INVESTMENT RESERVES

Swedish companies have the right to allocate 50 percent of their adjusted annual profit to a general investment reserve. The amount allocated is tax-deductible if 75 percent (earlier 50 percent) of the sum is deposited in a non-interest-bearing account in the Bank of Sweden. Employees must be consulted before application is made to utilize the investment reserves. The reserve may be used with the permission of Governmental authorities and proportional amounts may be withdrawn from the Bank of Sweden in this connection.

When investments in fixed assets are made, the portion of the cost defrayed by utilizing the investment reserve may be written down through a corresponding transfer from the investment reserve.

Certain companies outside Sweden also have the opportunity to make appropriations to similar investment reserves. Investment reserves shown in 1983 and 1984 pertain mainly to companies outside Sweden.

24. SPECIAL INVESTMENT RESERVES

According to Swedish legislation passed in 1982 concerning payments to special investment accounts, Swedish companies with an adjusted annual income exceeding SEK 1 m. became obligated to make payment to a non-interest-bearing account with the Bank of Sweden for the fiscal year 1983 and also later for 1984. The amounts for both years consisted of 20 percent of the company's adjusted annual income. To make the payment deductible from income taxes, a corresponding amount must be deposited in a special investment reserve. Withdrawal of reserves occurs in accordance with the same provisions described for investment reserves.

Atlas Copco AB allocated SEK 29.7 m. in 1984. During 1984 the Parent Company transferred a total of SEK 17.6 m. to Atlas Copco MCT AB, Berema AB, Atlas Copco Tools AB, Monsun-Tison AB and Atlas Copco Airpower AB. Of the transferred amount, these companies have withdrawn SEK 13.2 m. during the year.

	GROUP	PARENT COMPANY
Special investment reserves		
December 31, 1983	21.0	19.6
Transferred to subsidiaries	—	-17.6
Withdrawals		
for write-downs	-11.9	-2.0
for other purposes	-3.3	—
Allocations	30.0	29.7
Special investment reserves		
December 31, 1984	35.8	29.7

25. RESTRICTED RESERVES

	GROUP	PARENT COMPANY
Restricted reserves, December 31, 1983	1,413.9	597.1
Transferred from retained earnings	8.6	—
Translation differences	-99.8	—
Restricted reserves December 31, 1984	1,322.7	597.1

Of the Group's restricted reserves, SEK 768.1 m. is attributable to statutory allocations in Atlas Copco companies.

26. RETAINED EARNINGS

	GROUP	PARENT COMPANY
Retained earnings, December 31, 1983	243.8	100.2
1983 net profit	- 9.9	58.8
Dividend to shareholders	- 70.4	- 70.4
Transferred to restricted reserves	- 8.6	—
Translation differences	+ 42.7	—
Retained earnings, December 31, 1984	197.6	88.6

In evaluating the Atlas Copco Group's retained earnings and profit for the year, it should be noted that a substantial portion was earned in companies outside Sweden, from which the transfer of profit to the Parent Company is, in certain cases, subject to taxation or restrictions.

27. ASSETS PLEDGED

	GROUP		PARENT COMPANY	
	1984	1983	1984	1983
Real estate mortgages	313.7	391.7	6.7	9.7
Chattel mortgages	272.6	270.2	98.4	98.4
Other assets pledged	20.6	12.8	—	—
	606.9	674.7	105.1	108.1

28. CONTINGENT LIABILITIES

In addition to the contingent liabilities shown, through a financing agreement with Atlas Copco Finans AB, trade receivables and notes receivable totaling SEK 285.1 m. (251.1) have been sold with a limited repurchase guarantee. The value to Atlas Copco AB amounts to SEK 85.0 m. (89.5). Appropriate reservations have been made for anticipated customer losses.

29. APPLICATION OF THE SWEDISH INDUSTRY AND COMMERCE STOCK EXCHANGE COMMITTEE'S (NBK) RECOMMENDATION

Application of the NBK recommendation concerning the format of the income statement and calculation of certain key ratios would yield the following changes in the income statement:

Income after financial items	573.0
tax attributable to the above sum	-249.0
minority interest	- 21.9
Income before extraordinary items	302.1
extraordinary items	+2.0
tax attributable to extraordinary items	-8.1
	- 6.1
Net Income	296.0
Reversals	
tax charged against net profit	+257.1
minority interest	+ 21.9
Reported earnings before appropriations and taxes	575.0

The following key financial ratios, whose definitions follow the NBK's recommendations, using the full-tax method, are based on the above income statement and therefore differ from the corresponding key financial ratios reported elsewhere (see page 64).

Earnings per share	SEK 12.90
Earnings per share after extraordinary items	SEK 12.60

SHARES AND PARTICIPATIONS

December 31, 1984

	Number of shares	Per- cent held	Par value loc cur	Book value SEK m.		Number of shares	Per- cent held	Par value loc cur	Book value SEK m.
DIVISIONS					OTHER SUBSIDIARIES				
Atlas Copco MCT AB	1 000 000	100	100	115.0	Atlas Copco ABEM AB	25 000	100	100	2.5
Atlas Copco Tools AB	100 000	100	100	20.0	Atlas Copco Airpower AB	60 000	100	100	8.2
Berema AB	40 000	100	1 000	59.2	Atlas Copco				
Monsun-Tison AB	140 000	100	100	32.9	Kompressor AB	500	100	100	0.1
Atlas Copco Airpower n.v., Belgium	59 500	99	1)	200.0	Copco Nueva Montaña S.A., Spain	29 999	13 ³⁾	1 000	—
SALES COMPANIES					Atlas Copco Andina S.A., Bolivia, in liquidation	18 000	50 ²⁾	1 000	—
Atlas Copco Svenska Försäljnings AB	200 000	100	100	20.0	Atlas Copco				
Atlas Copco International AB	10 000	100	100	1.0	UK Holdings Ltd.	3 623 664	100	1	38.3
Atlas Copco (Cyprus) Ltd.	99 998	100	1	0.6	Atlas Copco Beheer bv, The Netherlands	15 712	100	1 000	35.0
Atlas Copco A/S, Denmark	12 000	100	1 000	6.9	Atlas Copco				
Atlas Copco France S.A.	79 965	100	500	35.2	Saarbrücken G.m.b.H., West Germany	3	95 ²⁾	1)	—
Atlas Copco Italia S.p.A.	107 996	100	10 000	33.1	Atlas Copco Industrial S.A., Spain	95	50 ²⁾	10 000	—
Atlas Copco A/S, Norway	3 998	100	10 000	26.6	Atlas Copco				
Soc. Atlas Copco de Portugal Lda	1	100	1)	22.1	Reinsurance S.A., Luxemburg	4 993	100	10 000	7.4
Atlas Copco (Schweiz) A.G.	7 995	100	1 000	12.3	Institut CERAC S.A., Switzerland	1 997	100	1 000	2.4
Atlas Copco S.A.E., Spain	197 000	99 ²⁾	500	3.7	Atlas Copco Management Consulting AB	500	100	100	0.1
Atlas Copco Deutschland G.m.b.H.	7	95	1)	62.8	AB Sicklahus	2 000	100	100	0.2
Atlas Copco G.m.b.H., Austria	39 990	100	1 000	8.0	Atlas Copco Data AB	125	25 ²⁾	100	—
Atlas Copco North America Inc.	5 249	50 ²⁾	1)	50.0	Atlas Copco Fond- aktiebolag	2 500	100	100	0.3
Atlas Copco Boliviana S.A.	6 170	100	1 000	2.1	14 dormant companies	—	—	—	0.5
Atlas Copco Brasil Ltda	16 499 997 762	100	1)	20.9					872.5
Atlas Copco Chilena S.A.C.	9 154	100	1 000	6.0	OTHER COMPANIES				
Atlas Copco Ecuatoriana S.A., Ecuador	3 000	60 ²⁾	1 000	0.6	Atlas Copco Finans AB	38 000	40	100	3.8
Atlaservis S.A., Ecuador	1 990	100	1 000	0.4	Atlas Copco Leasing AB	16 000	40	100	2.0
Atlas Copco Venezuela S.A.	7 200	60	1 000	8.7	Atlas Copco Trading AB	500	50	100	0.1
Atlas Copco Iran AB, Sweden	3 500	100	100	0.3	Atlas Copco Finanz AG, Switzerland	2 449	49	1 000	7.2
Atlas Copco (Philippines) Inc.	121 995	100	100	3.0	Sickla Industrifastig- heter AB	10 000	33	100	1.0
Atlas Copco Gadelius KK, Japan	150 001	60	1 000	12.6	Mechanical Technology Inc., N.Y.	140 000	5	1	—
Atlas Copco (HK) Ltd., Hong Kong	2 400	80	1 000	2.1	Boliden AB	700 000	8	50	96.6
Atlas Copco (South-East Asia) Pte. Ltd., Singapore	2 500 000	100	1	8.4	Bilspeidition AB	53 340	1	25	1.4
Atlas Copco Malaysia Ltd.	1 000 000	100	1	2.6	Svensk Interkontinental Lufttrafik AB (SILA)	42 300	2	50	0.7
Atlas Copco Korea Co. Ltd.	49 000	49	1 000	0.4	Prelucor Laser AB	1 750	35	100	0.6
Atlas Copco Hellas A.E., Greece	7 082	97 ²⁾	10 000	—	Handelsbolaget Svenska Dagbladets AB & Co	100	2	1 000	—
Atlas Copco Ticaret ve Sanayi T.A.S., Turkey	1 130	100	500	—	AB Stadsfastigheter	6	—	1 000	—
Atlas Copco Argentina S.A.C.I.	7 124 692 304	100	0.0001	—	AB Sukab Finans	80	—	100	—
Atlas Copco Taiwan Ltd.	15 996	80	100	—	ADELA Investment Co. S.A., Luxemburg	3 640	—	100	—
Atlas Copco (India) Ltd.	1928 000	40	10	—	SIFIDA Investment Co. S.A., Luxemburg	25	1	5 000	—
Atlas Copco Kenya Ltd.	14 999	100	100	—	Employment Conditions Abroad Ltd., Great Britain	100	2	1	—
Atlas Copco Maroc S.A.	940	50	1 500	—	Näringslivets Utbildnings AB	170	8	1 000	—
									113.4

1) No par value

2) Remaining holding owned by other Group companies

3) 62% owned by other companies within the Group

APPROPRIATION OF PROFIT

PROPOSED DISTRIBUTION OF PROFIT

As shown in the balance sheet of Atlas Copco AB, the following funds are available for appropriation by the Annual General Meeting:

Unappropriated earnings from preceding year	SEK 88,601,540
Net profit for the year	<u>SEK 118,650,850</u>
	SEK 207,252,390

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

To the shareholders, a dividend of SEK 4.50 per share	SEK 105,572,250
To be retained in the business	<u>SEK 101,680,140</u>
	SEK 207,252,390

Nacka, March 11, 1985

PETER WALLENBERG

Chairman

K-A BELFRAGE
ERIK JOHNSON
P. HENRY MUELLER
BJÖRN SVEDBERG

AXEL IVEROTH
OTTO GRIEG TIDEMAND

BO HENNING

STURE ÖDNER
CURT G. OLSSON
PEHR G. GYLLENHAMMAR
TOM WACHTMEISTER
President
PER-ERIK NYHOLM

AUDITORS' REPORT

We have examined the Annual Report, the Group accounts, the financial statements and the administration of the Company by the Board of Directors and the President for the year 1984. Our examination was carried out in accordance with generally accepted auditing standards.

We have been assisted in our examination by Bohlins Revisionsbyrå AB.

PARENT COMPANY

The Annual Report has been prepared in accordance with the Swedish Companies Act.

We recommend:

that the income statement and balance sheet be adopted,

that the net profit for the year be disposed of in accordance with the Board of Directors' proposal, and that members of the Board of Directors and the President be granted discharge from liability for the year 1984.

GROUP

The Group accounts have been prepared in accordance with the Swedish Companies Act.

We recommend:

that the consolidated income statement and the consolidated balance sheet be adopted.

Stockholm, March 18, 1985

BIRGER SONESSON
Authorized Public Accountant

BERTIL E. OLSSON
Authorized Public Accountant

ON THE RIGHT TRACK – SHARP IMPROVEMENT IN PROFITABILITY



1984 was a successful year for Atlas Copco. Sales volume increased by 8 percent after two years of declining sales. Earnings more than doubled. We are now on our way back to the favorable profit levels we had before the years 1982–83, when our business areas suffered from the dramatic decline in the contracting and mining industries.

Economic growth in 1984 was stronger than expected. This is especially true in North America, but also in East Asia, parts of Latin America and Scandinavia. The major markets in Western Europe, however, experienced moderate growth, and the economies of many of the oil exporting countries continued to decline. Sales outside of Sweden still account for 92 percent of our total sales.

The increase in volume, stemming from the introduction of a number of new products, structural changes and effected rationalizations, resulted in a rise in earnings after financial items of more than 100 percent to SEK 573 m.* Order bookings increased 11 percent in volume. The order backlog, with a partially different product mix, has increased to more than SEK 1,700 m., nearly a 50 percent increase from the preceding year. For the first time since 1981, the markets in which we operate increased by 5 percent in volume in 1984. Through efficient utilization of our resources we have increased our share of these markets.

*SEK 521 m. according to the previously applied accounting method.

We have reduced both manufacturing and sales costs, eliminated sources of loss, improved the net financial position, and accelerated the rate of capital turnover while simultaneously increasing flexibility. The number of employees has been reduced by nearly 4,000 during the period 1982–84. Some of these measures resulted in substantial non-recurring costs during 1984, which were charged against the year's earnings.

One consequence of these measures is that we should have good possibilities to further increase earnings and profitability in 1985.

STRONGER MARKET POSITION

Our position in the various markets of the world has been further strengthened. We have secured our standing as a leading supplier in our business areas in practically every country outside of North America and Japan, and we have taken a significant step forward there as well.

Our sales to industrial customers continued to increase. Sales to the mining industry picked up again mainly due to an increased use of metal in the western world's industries. Unfortunately the building and construction sector continued to decline.

Our ambition is to maintain our dominant position as supplier of machines to the mining as well as the construction industry. At the same time we hope to continue to expand in the manufacturing industry, where we continually find new application areas for compressed air, industrial tools and manufacturing systems.

Sales to industry currently account for almost 50 percent of Atlas Copco's business.

The Group's long-term investments in the U.S. and The People's Republic of China yielded results in 1984. Our sales to the U.S. rose by 30 percent during the year, and we have more than doubled our market share during the past 5-year period. We have experienced problems with the Jarva tunnel drilling machines in the U.S. It has been decided, however, to move those operations to Europe and transfer manufacturing to a subcontractor in Norway. As a result, Atlas Copco will be able to continue offering its customers this technology, which has an attractive future especially in Europe.

We scored a breakthrough on the Chinese market during the year, and succeeded in winning orders for tunneling rigs. The five license agreements that were signed with Chinese organizations will result in the manufacture of many of our compressors and drilling rigs in China within a few years.

CONTINUED EXPANSION

The acquisition of the West German company Linde AG's gas and process division has opened the door to a market that is as large as our current air

compressor market. The newly established company Atlas Copco Energas, belonging to the Airpower Division, will give us a solid footing in this market, which presents a major growth potential for Atlas Copco.

In the future we will continue to use our capital resources for investments in research, development and marketing. In addition we will concentrate on incorporating new technology into our production facilities.

Expansion will take place through both our own development and strategic company acquisitions. In order to increase freedom of action in these areas a still higher level of profitability than today's is required. We are striving to achieve a level of profitability which, expressed as the percent of return on capital employed, exceeds the level of inflation by five percent.

THE COMPETITIVE SITUATION

Atlas Copco has only a few international competitors, most of which are American. In addition, in Europe we face local competitors in several markets.

Our main competitors were also severely affected by the business decline in 1982-83. Their recovery during 1984 appears to have been weaker than Atlas Copco's, due in part to the high value of the U.S. dollar. Atlas Copco's increasingly stronger market positions also play a role in this respect. Service and increased productivity for the customer are becoming more important competitive tools.

Atlas Copco and service have been synonymous for decades. Our international organization makes constructive solutions possible for the customer. One example of this is in Columbia, where a Japanese contractor is building a power plant with equipment supplied by Atlas Copco. Intensive interplay and cooperation take place between the customer, our product division and our sales organizations in Japan and Columbia.

We are striving to provide our customers with higher productivity. This is an essential goal for our customers in industrial countries as well as for international contractors in developing countries.

TOUGHER CLIMATE FOR BUSINESS INITIATIVE

Companies based in Sweden are currently hampered by their economical and political environment.

I feel obliged to note certain setbacks that affect international companies based in Sweden.

- Cost development is a serious problem. The Government and the labor market parties have not succeeded in reducing Swedish inflation to the level that other leading industrial countries have

achieved. This worsens our international competitive strength.

- Currency regulations - remnants of a world where countries could still isolate themselves - do not fit into today's world economy. These regulations are especially ill-suited for companies with major foreign operations.

- Through the "wage earner funds" companies are forced to make extra allocations to union-controlled stock investments in Sweden.

- Extra compulsory allocations to investment funds, amounting to 20 percent of profits, to non-interest-bearing accounts in the Bank of Sweden may only be used for investment in Sweden.

I find it disturbing that profits which are generated primarily by our foreign companies and employees, will only benefit Sweden.

- A complicated tax system based on wealth distribution policies which leaves competence and creativity unrewarded.

- Swedish meddling in other countries' internal affairs is occurring more often, from the Government, the church and the labor organizations. They are playing a game, using Sweden's industry as a stake and a threat. This indirectly worsens Swedish industry's reputation and impairs its credibility as a reliable business partner.

NEW INVESTMENTS YIELD POSITIVE FUTURE POTENTIAL

Atlas Copco currently has two major operations in Airpower and MCT. We are leading the world in compressed air as well as in rock drilling. Our third area of operations includes Atlas Copco Tools and Monsun-Tison, with a wide range of products for industry's rationalization and automation. We will be concentrating heavily on broadening our product-line and on strengthening our market position. Berema operates currently as an independent company group within Atlas Copco, with its base operations in motor drilling machines. A substantial number of attractive companies with a strong entrepreneurial spirit have been added to this base. The newly established Atlas Copco Energy is also being developed within Berema, and has experienced favorable international growth.

The year 1985 should be a very successful one for Atlas Copco. I estimate that sales should exceed SEK 10 billions, and that earnings will be further improved.

A prerequisite is that costs in Sweden, which increased sharply during the latter half of 1984, can be offset by further rationalizations and improvements in efficiency. This is essential despite the fact that only one-third of our production lies in Sweden.





ATLAS COPCO AIRPOWER

INVOICED SALES	SEK 4,296 m.
EARNINGS after financial items	SEK 390 m.
RETURN on capital employed	23%

SALES

Invoiced sales of the Airpower Division increased 17 percent to SEK 4,296 m. (3,657). Orders booked from customers totaled SEK 4,482 m. (3,849), a 16-percent increase.

EARNINGS

Earnings after financial income and expense rose SEK 200 m. to SEK 390 m. (190), corresponding to approximately 9 percent (5) of invoiced sales.

The return on Airpower's total capital, excluding non-interest-bearing current liabilities, amounted to 23 percent (16).

INVESTMENTS

Investments in land and buildings related to production amounted to SEK 25 m. (19), and investments in machinery and equipment totaled SEK 67 m. (21).

MARKET DEVELOPMENT

The economic upswing in the United States during the past year had a favorable impact on other industrial markets, especially in Europe, where an increased demand for capital goods within the manufacturing industry was noted.

Economic growth in many developing countries was hampered by increasing foreign debts, resulting in import restrictions. The market was also influenced by low activity in the building and construction

Atlas Copco's service engineers from the South Korean sales company conduct regular visits aboard this 25,000-ton oil drilling platform that is currently in operation in the Bering Sea. It was constructed at a large shipbuilding company in South Korea for the Korea Drilling Company. Atlas Copco equipment used on board includes three GA 1100 EW seawater-cooled compressors and two cooling dryers. The equipment provides the platform with compressed air for control and instrumentation, and for operation of tools and winches.



BERTIL ERIKSSON

MANAGEMENT COMMITTEE

Bertil Eriksson President
 Theo Dietz Executive Vice President
 Carl Johansson Executive Vice President, Finance
 Jan Barendregt Industrial Air
 Fredric Nijdam Service Air
 Peter Schreiber Gas and Process
 Eric Lebrocqy Personnel
 Lars Lindén Production
 John Dierckx Purchasing
 Sven-Åke Rosell Engineering
 Necip Soyak Business Development

Atlas Copco Airpower develops, manufactures and markets portable screw compressors for air, stationary screw, piston and centrifugal compressors, and expansion turbines for air and other gases, air dryers, after coolers and automatic control systems. The product program also includes special compressors to start and service aircraft, as well as industrial energy recovery systems. Sales are handled mainly through Atlas Copco sales companies.

The Airpower Division has its head office and largest factory in Antwerp, Belgium. Manufacturing is also carried out in Sweden, Brazil, France, India, Mexico, Turkey, West Germany, the United States and Yugoslavia.

industry during the past year in both Europe and in much of the rest of the world. The trend in this market sector was positive only in the United States and Great Britain.

Competitive situation

As a result of its strong market position, in terms of both service resources and customer-oriented products, Atlas Copco Airpower succeeded in dampening the effects of the severe price competition prevailing in the market.

Business area: Industrial air

Sales of oil-free air compressors increased sharply, especially to the pharmaceutical, food processing, electronics and textile industries.

Demand for standard products which are adapted to customer demands remained high within the offshore industry. Many of the sales companies' expertise and resources to supply this type of equipment improved during the year.

Sales of a new, compact oil-injected screw compressor, introduced on the market in 1983, were highly successful. Development of a larger model, which will be introduced in 1985, was carried out during the year. To meet the increasing market demand for high quality compressed air, a series of smaller air dryers and a broader assortment of air filters were developed.

The previous year's cooperation agreement covering railway brake compressors with WABCO-Westinghouse, a market leader in railway braking systems, was reinforced through the development of a new, smaller unit for commuter trains. This is expected to have a favorable effect on sales in 1985.

A computerized continuous monitoring system, operated through a telecommunications network, was developed to complement sales of service contracts for large compressor installations.

ATLAS COPCO AIRPOWER

Business area: Portable compressors

Sales volume could be maintained in this business area despite the unchanged low level demand from the building and construction industry. In the existing market situation, the sales companies in Great Britain and the United States succeeded particularly well compared with those in other countries. New marketing approaches provide good hope for the future. Two examples of such innovative marketing are rentals of large, portable compressors for use on offshore platforms, and sales of built-in compressors to manufacturers of rock drill units.

Business area: Service air

Considerable quality improvements in the small compressors resulted in increased sales during the year.

Rationalization measures and cost-savings contributed to increased profit margins and reduced capital requirements.

A new series of compressors that require very little maintenance was introduced and well-received on the market towards year-end. Sales of oil-free mini-compressors built into hobby equipment exceeded expectations. Cooperation with local workshops for compressor installations resulted in increased deliveries of compressor blocks to this growing market. The foremost sales successes were achieved in the U.S., France, Sweden and Australia.

Business area: Gas and process

The acquisition in June 1984 of the West German company Linde AG's gas compressor sector in Cologne, with subsidiaries in the U.S., France, Italy and Great Britain, was the most important event of the year.

This unit, which is now the center of Atlas Copco Airpower's gas compressor sector, was combined with the businesses in Saarbrücken to form the newly

established company Atlas Copco Energas GmbH.

Specialist training for sales engineers was started during the latter half of the year allowing a quick marketing of this technology.

The business area's products, including expansion turbines and centrifugal-and-reciprocating compressors, have led to substantial increases in the number of inquiries and orders from the process industry. A large order for centrifugal heat pumps for a local heating project in Gothenburg, Sweden was received. In addition, several well-known oil companies in West Germany and the United States became new customers.

Indications of increased willingness to invest is strengthening the Group's possibilities to broaden its operations in this attractive market segment.

BUSINESS DEVELOPMENT

Three licensing agreements covering the manufacture of air compressors in The People's Republic of China established a competitive position in this rapidly growing market, and provide a base for future sales growth. A formalized agreement covering local assembly in Hungary will play a key role in maintaining the company's strong position in this market.

PRODUCT DEVELOPMENT

A comprehensive development effort was made during the year to especially true at the Division's improve the quality of both stationary and portable compressors. Several new machine models will be introduced in 1985.

PRODUCTION

Due to high order bookings in 1984, capacity utilization in the factories was very high. This was especially true at the Division's largest manufacturing unit in Antwerp, Belgium, where production resources were very heavily utilized for new products and to meet the strong demand for oil-

free air compressors.

Now that rationalization and inventory reductions are complete, measures are being taken to initiate flexible manufacturing to meet the changing demands more effectively during 1985-86. In addition, a new central distribution warehouse will be built at the factory in Antwerp.

PERSONNEL

The number of employees in the Division increased by 770 through the acquisition of Linde AG's gas compressor division. At year-end the number of employees totaled 3,342 (2,705).

Measures were initiated during the year to discontinue Atlas Copco Kompressor AB's operations in Nacka, Sweden. This will be completed in 1985. A large percentage of the 160 employees have been provided employment in other Atlas Copco units in the Nacka area.

In addition to the ongoing training programs for the employees in Antwerp and for sales and service engineers worldwide, a special course was offered for managers. The course focused on improved product quality and lower costs.

OUTLOOK FOR 1985

The economic conditions during the coming business year are expected to be nearly the same as those for most of the Airpower Division's markets in 1984.

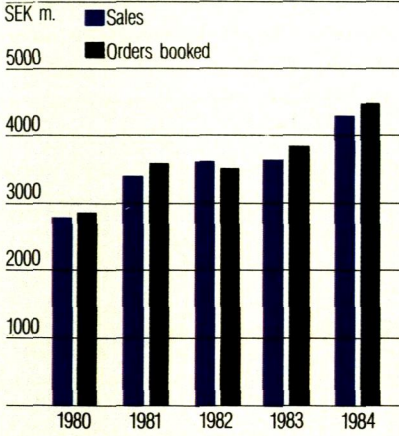
Even if economic growth recedes somewhat in the United States, the current improvement in business activity in the rest of the world should continue for another year.

Investment by the manufacturing industry is expected to concentrate on rationalization measures. The low level of business activity in the building and construction industry will most likely continue.

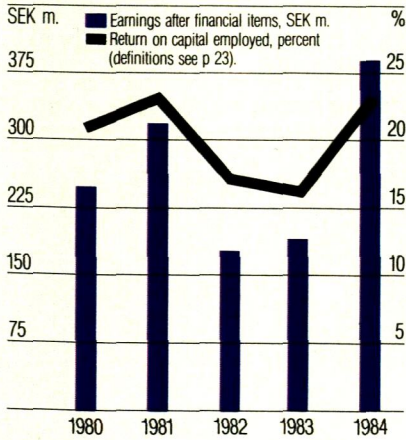
Sales increases in 1985 will probably not be as sharp as in 1984. Continued improvement in earnings is foreseen during 1985.

Testing of a new, compact oil-injected screw compressor, the GA 200 series in the factory in Antwerp, Belgium. This new compressor, which has higher performance and requires only half the floor area of previous models, is being introduced on the world market early in 1985.

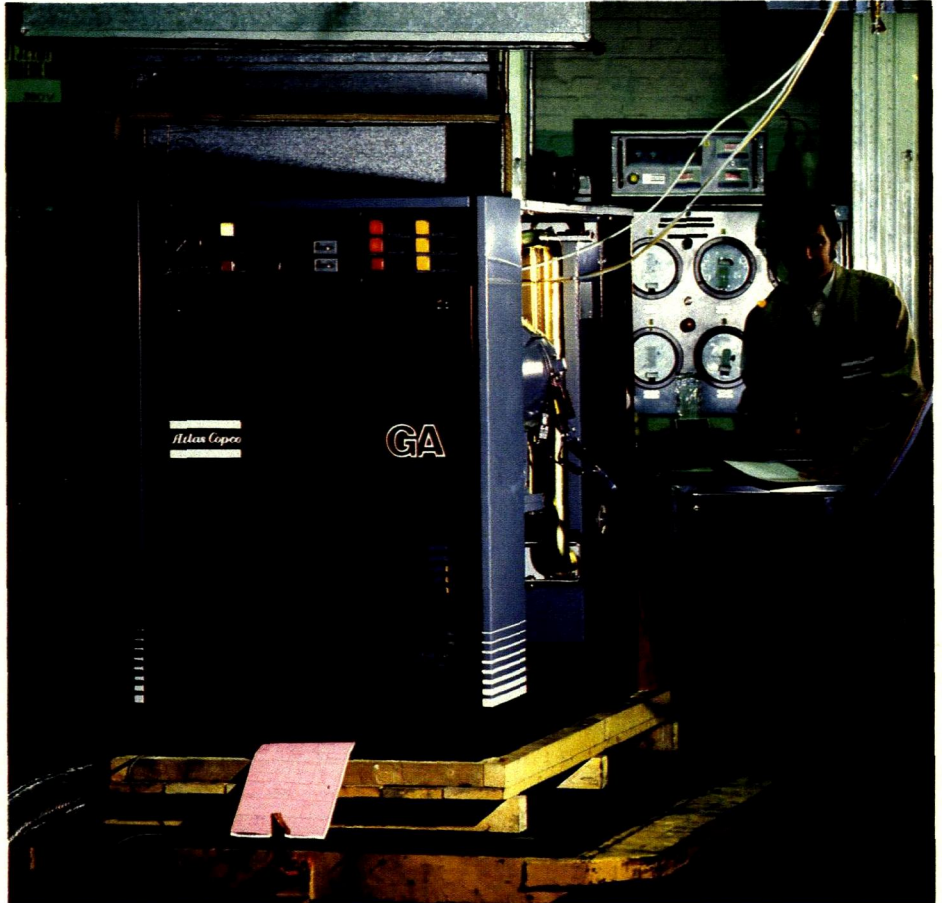
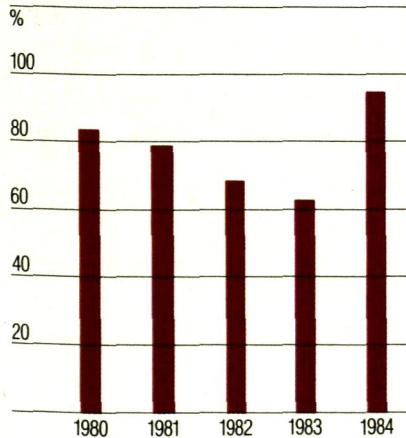
SALES AND ORDERS BOOKED



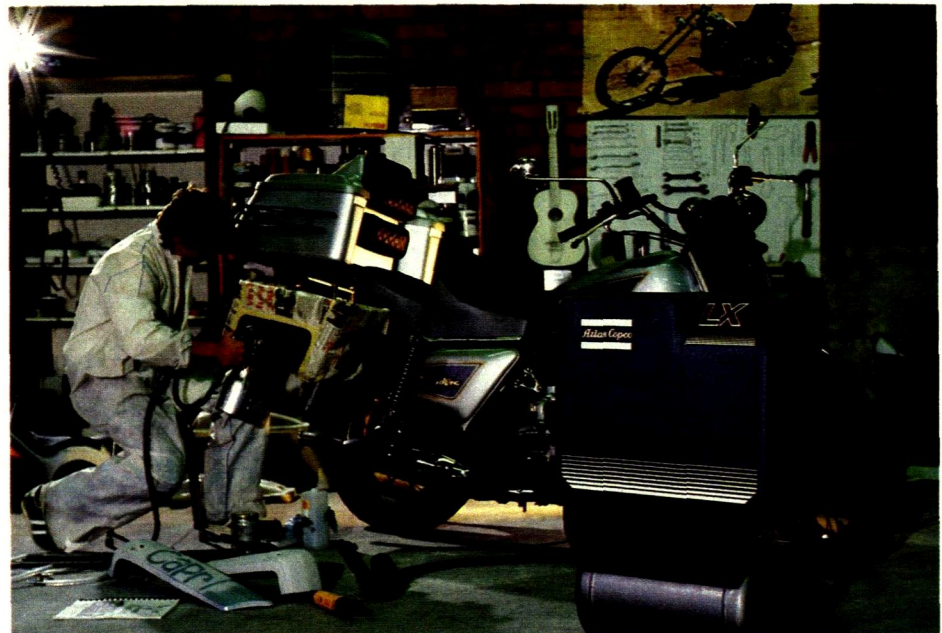
EARNINGS AND RETURN



UTILIZATION OF CAPACITY



Atlas Copco Airpower's new mini-compressor is perfect for smaller work-shops. It requires very little maintenance.



The Simba H222 mining unit, seen here in LKAB's mine in Kiruna, Sweden, is part of a new generation of rock drilling rigs. LKAB participated in development of this unit, which is part of Atlas Copco's complete new series of computer-controlled production rigs. It is equipped with 15 steel drills, which are automatically augmented.



ATLAS COPCO MCT

INVOICED SALES	SEK 3,207 m.
EARNINGS after financial items	SEK 35 m.
RETURN on capital employed	11%

SALES

Invoiced sales of the MCT Division in 1984 amounted to SEK 3,207 m. (3,111), a three-percent increase. Orders from customers increased 11 percent to SEK 3,418 m. (3,089), a five-percent volume increase.

EARNINGS

Earnings after financial income and expense amounted to SEK 35 m. (-37). The main reason for the low profit is the continued substantial losses on the Jarva tunnel drilling machines. This operation is undergoing restructuring, and the costs were thus charged against the year's earnings.

The return on the Division's total capital, excluding non-interest-bearing current liabilities was 11 percent (7).

INVESTMENTS

Investments in land and buildings related to production amounted to SEK 5 m. (25) and SEK 21 m. (17) was invested in machinery and equipment. Extraordinary costs for closing down of production units amounted to SEK 23 m. (16).

The investments completed during the year concerned primarily machine acquisitions to increase productivity in the production units.

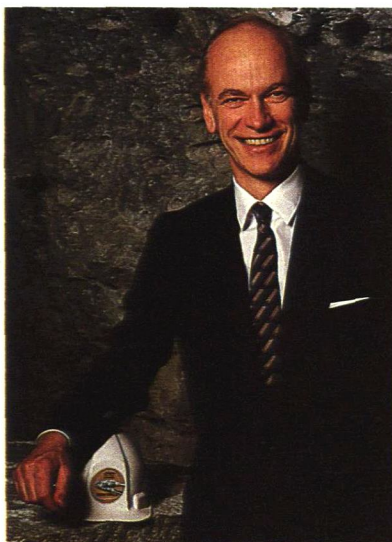
MARKET DEVELOPMENT

The market climate improved during the year for most of the Division's products. The mining market improvement that was noted at year-end 1983 continued during 1984. The market for contracting equipment for surface work remained weak, but improved during the later half of the year.

Successful sales were achieved in Sweden, North America, Japan and China.

Competitive situation

Atlas Copco is a market leader in hydraulic as well as pneumatic rock drilling equipment. In terms of hydraulic equipment, the most



PER WEJKE

MANAGEMENT COMMITTEE

Per Wejke President
 Gösta Fernström Underground Equipment
 Lars Lindberg Surface Equipment
 Gösta Torssell Rock Drilling Tools
 Lars Calmered Production and Logistics
 Åke Stävling Finance and Administration
 Nils-Åke Jenstav Personnel and Organization
 Staffan Gullander Business Development
 Olaf Meyer Technical Development

Atlas Copco MCT (Mining and Construction Technique) develops, manufactures and markets hydraulic and pneumatic equipment for mining, tunneling, surface drilling and rock reinforcement. The product line also includes demolition equipment, pumps and winches. In addition, MCT markets under cooperation agreements, Sandvik Coromant rock drilling tools, Linden-Alimak raise boring machines, Holmbed's contracting machines, Hägglund's loading machines, Nitro Nobel Mec charging units, and Eickhoff and Webster coal-and-soft-rock equipment.

MCT has its headquarters in Nacka (Stockholm). Products are manufactured at MCT factories in Sweden, Canada, Great Britain, the United States and West Germany. In addition, MCT products are manufactured in Australia, Brazil, India, Mexico, South Africa, Turkey, Japan and China.

significant manufacturer on the international level, after Atlas Copco MCT, is the Finnish Tamrock. The American company Ingersoll-Rand is the most important competitor in the market for compressed air equipment.

Business area: Underground equipment

Demand for underground products improved sharply in 1984. The Division took full advantage of this improvement, further strengthening its market position.

Increased activity in the mining market, especially outside of the United States, resulted in high sales of light rock drilling machines, air-driven loaders and spare parts, among other products. In the construction market a major improvement was noted, resulting in increased sales of primarily hydraulic tunnel boring rigs.

Substantial investments in the coal-and-soft-rock market resulted in nearly doubled sales within that business area during the year. Particularly high sales earnings were noted for rock drilling rigs and rock bolts for rock reinforcement. Sales of the special soft rock product line, developed in cooperation with Webster, the British company, and Eickhoff, the German company, also progressed favorably. Demand for Jarva tunnel boring machines remained weak, adding to a continued high loss for these operations. It was decided during the year to restructure and transfer the operations to Europe.

The greatest market successes during the year were achieved in China and Japan. Other markets in which sales increased were Brazil, Canada, Chile, Greece, Sweden, South Africa and the United States.

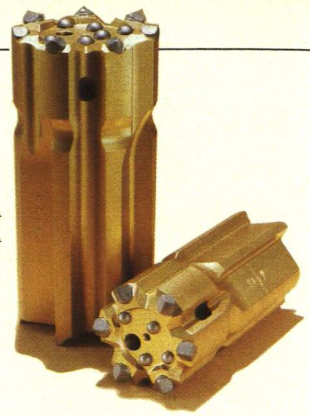
Invoiced sales of underground equipment to customers, (including rock drilling tools), amounted to SEK 1,764 m. (1,612).

Business area: Surface equipment

Demand in the contracting indus-

ATLAS COPCO MCT

The Sandvik Coromant Guide Bit is a totally new special drill bit for drilling straighter holes.



try was weak during 1984, but improved somewhat during the later half of the year. In Western Europe, which accounts for half of sales, demand remained weak. A sharp improvement occurred, however, in the United States.

Positions in most markets improved through a program of rationalizations, comprehensive standardization of components to drilling carriers, and complementary additions to the product line, resulting in higher market shares.

A new business area for mechanized demolition equipment, focusing on concrete demolition, was established during the year. A growing market for such equipment exists especially in Western Europe and North America. Through cooperation with Holmhed, a Swedish company specializing in the development and manufacture of demolition equipment, Atlas Copco can offer a broad range of equipment for advanced demolition work. A new product featuring a new technique for removing worn-out concrete pavement from bridges, for example, was also introduced during the year. The first units were sold in Sweden and the U.S.

Invoiced sales of surface equipment, (including rock drilling tools) amounted to SEK 1,443 m. (1,499).

Business area: Rock drilling tools

Demand for drill steel from mining companies continued to increase in 1984, while sales to building and construction contractors remained weak. The market position for Sandvik Coromant rock drilling tools was maintained throughout the year.

A new generation of counter-bore end bits was introduced, resulting in good possibilities for strengthened positions in a vital market sector.

In addition, the Guide Bit was introduced, a completely new end bit for drilling straighter holes. It was introduced to enable full uti-

lization of modern hydraulic drilling machines, which operate with high percussion and feeding pressure.

BUSINESS DEVELOPMENT

A cooperation agreement was signed with the Swedish machine manufacturers Linden-Alimak and Holmhed covering sales of their mining and contracting machinery through Atlas Copco's international sales organization. The agreements, which also include product development, are part of Atlas Copco's endeavor to offer customers complete package and system solutions.

PRODUCT DEVELOPMENT

The Division intensified efforts in technological development during 1984, and a large number of significant development projects were begun.

The traditional product program was strengthened during the year with new models of drilling machines and rigs for surface and underground operation. The first computer-controlled drilling rig for mine excavation was delivered. A totally new product line of milling tunnel rigs was introduced for the coal-and-soft-rock market.

Conjet, the high pressure water jet unit for bridge repair, was launched during the year. Its introduction is the result of an intensive development effort.

In addition to Conjet, a hydraulic wedge for concrete demolition was introduced. It is designed for mounting on tractor excavators.

A new unit for rock reinforcement, the Swellbolter, was introduced, featuring fully mechanized bolting with Swellex rock bolts.

Introduction of computer-aided design and manufacturing (CAD/CAM) technology yielded positive results. Adaptation to the new method of manufacturing and computer-aided design has progressed much quicker than expected.

PRODUCTION

Utilization of capacity in production rose appreciably due in part to increased order bookings, and in part to cutbacks of previously too large production resources. Further adaptation of production capacity was initiated through the sale of the Jahrls Works, with factories in Örebro and Smedjebacken (Sweden). Investments were continued in numerically controlled machines, especially at the factories in Nacka and at the Avos factory in Örebro. The intention is to achieve more flexible production with short throughput times and smaller inventories.

PERSONNEL

During the year the MCT Division employed an average of 1,941 persons (2,111), of whom 1,460 (1,561) were in Sweden. The increasing order bookings resulted in a need for recruitment during the later half of the year at the Division's larger factories in Sweden.

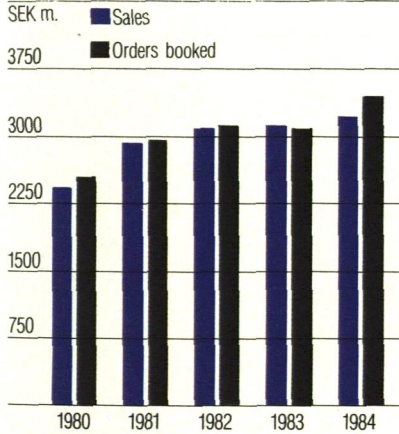
Some employees at Jahrls AB will take over the operations in Örebro. As a result, most of the personnel are provided continued employment. Half of the employees at Smedjebacken have been employed at a newly founded company, independent from Atlas Copco, which has taken over parts of Atlas Copco's production.

OUTLOOK FOR 1985

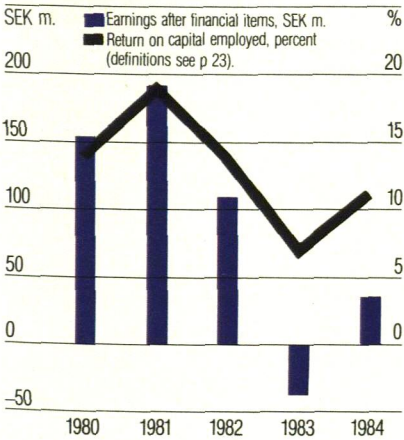
Continued increase in demand for mining and tunneling equipment is expected during 1985. A slight improvement in the contracting market is anticipated. Through continued development of the product line, further increases in market shares are projected. For the MCT Division, the outlook for increased sales volume and improved earnings appears favorable for 1985.

The ROC 712H, a hydraulic, surface rig, is being used for a major pipeline project in the state of Utah. Demand for the rig in the U.S. was high during the past year, especially from building contractors and rock quarries. It is equipped with a folding boom, which increases the radial range and enables drilling of a large number of holes without moving the rig.

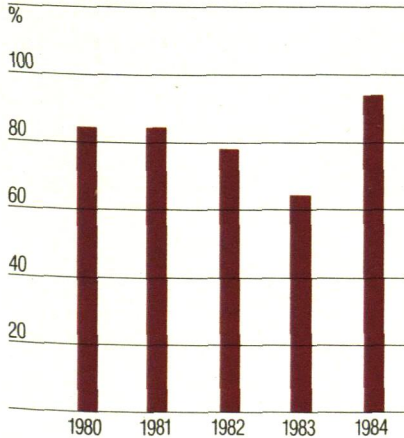
SALES AND ORDERS BOOKED

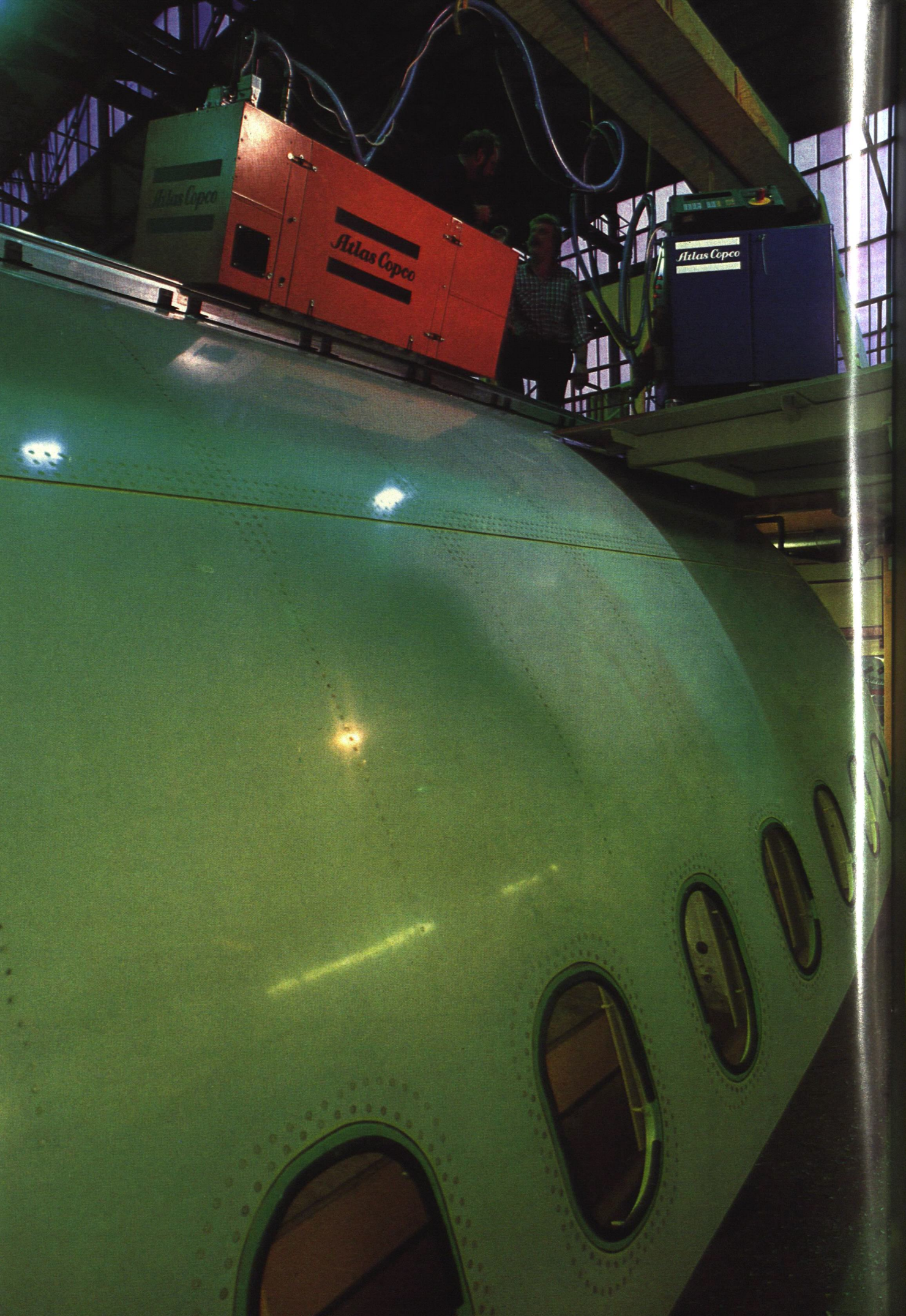


EARNINGS AND RETURN



UTILIZATION OF CAPACITY





ATLAS COPCO TOOLS

INVOICED SALES	SEK 784 m.
EARNINGS after financial items	SEK 66 m.
RETURN on capital employed	20%

SALES

Invoiced sales of the Tools Division in 1984 increased 14 percent to SEK 784 m. (686). Customer order bookings increased 18 percent to SEK 818 m. (693), corresponding to a growth in volume of 14 percent.

EARNINGS

Earnings after financial income and expense were SEK 66 m. (21), corresponding to 8 percent of invoiced sales.

The sharp rise in earnings for the year is primarily attributable to a favorable volume growth, to full realization of the previous year's concentration of production resources, and to lower inventory costs as a result of continued capital rationalization. Another contributing factor was the increased concentration on marketing.

The return on total capital, excluding non-interest-bearing current liabilities, was 20 percent (13).

INVESTMENTS

Investments in machinery and equipment related to production amounted to SEK 5 m. (4).

MARKET DEVELOPMENT

Indications of an improvement in the market for Atlas Copco Tools' products were already present toward the end of 1983, and the market developed positively during 1984. The automotive industry, one of the Division's most important customers, markedly increased its rate of production in many countries. This had a favorable impact on demand for the Division's products.

This new riveting system was delivered to MBB (Messerschmidt-Bölkow-Blohm), in Hamburg, West Germany, for riveting large sections to the Airbus airplane. It drills and countersinks the holes, applies the sealing compound, selects and sets in rivets and performs the riveting in only 9 seconds.



MICHAEL TRESCHOW

MANAGEMENT COMMITTEE

Michael Treschow President
Lars Larson Industrial Tools and Air Line Accessories
Kaj Hindsberg Engineering and Production, Finland
Kurt Ottosson Assembly Systems
Gustaf Bråkenhielm Finishing Technique
Gösta Henningsson Business Development
Ulf Bärjegård Finance
Allan Rothlind Personnel and Organization Development
Stefan Börjesson Materials Administration
Rolf Carlsson Data Processing

Atlas Copco Tool develops, manufactures and markets industrial tools and systems. Operations are divided into three business areas: Industrial tools for machining, assembly, handling and mechanization, as well as air line accessories; advanced assembly systems; and finishing equipment and systems.

Sales are handled mainly through Atlas Copco sales companies.

The Division's head office is in Stockholm and there are plants in Skara and Tierp (Sweden), and in Masaby and Idensalmi (Finland).

Competitive situation

The most significant international competitors are based in the United States, Japan and Great Britain. In certain markets and within certain technical areas, there is also competition from local manufacturers. Competition intensified for Tools due to the negative Swedish cost trend. American competitors were adversely affected by the high exchange rate for the U.S. dollar. They have tried to offset this to a certain extent by moving production outside of the United States.

The strength of the Tools Division lies in the high quality of their products, such as exceptional ergonomic features, reliable service and high delivery efficiency.

Business area: Industrial tools

Sales rose sharply. Increased marketing and better distribution resulted in increased sales and larger market shares. Profitability was very satisfactory.

The strong business trend in the automotive, aircraft manufacturing, and engineering industries influenced sales favorably. Through the Division's introduction of many new highly productive industrial tools during the market depression, the sales organization was well-prepared with quality products when industry demand increased.

New machine types introduced during the year included a high-torque nutrunner with unique characteristics, impact wrenches with torque control and a series of screwdrivers.

The market for industrial tools is characterized by a tendency towards concentration and restructuring. Certain competitors have discontinued production or sold their operations. In certain cases the various manufacturers of compressed-air tools offer almost identical products. This results in increased competition. Markets in the U.S., West Germany, Australia and the Nordic countries are the

ATLAS COPCO TOOLS

most important in terms of volume.

Business area: Assembly systems
Sales increased and order bookings remained high.

A drastic change in the systems' technical design occurred during the year. The share of pneumatic-electronic systems declined sharply, benefiting fully electric systems.

The electric motor product-line was expanded. As a result of this and the powerful MACS control systems, customer-adapted fully electric systems could be offered on the market.

A significant change was that engineering and training comprised an increasing share of delivery. This is a direct result of industry's growing need for flexible manufacturing systems. Interest in systematic quality control increased during the year and resulted in orders for logging statistic equipment.

Within the Assembly systems business area, which is capital intensive, highly technological and in rapid development, the Division is meeting strong competition especially from American and Japanese companies.

The largest sales successes were noted in the U.S., Sweden, West Germany and Brazil.

Business area: Finishing technique

Sales and order bookings increased sharply, especially in Sweden, Belgium and France. The sales organizations in The Netherlands and Great Britain were strengthened during the year.

The most attractive market segment for anti-corrosion treatment is the automotive industry. The engineering industry, with its increasingly intensive investment in automation, is the most important market segment for paint spraying robots, automated plants and control systems.

A new development and testing laboratory was opened in Stock-

holm during the year. Test spraying of special customer products can be performed in a fully equipped painting facility.

In addition to a broadening of the blast units product line, a new generation of paint spraying robot with improved mechanical qualities and an advanced, micro-computerbased control system was introduced.

PRODUCT DEVELOPMENT

The expanded and modernized development laboratory was completed during the autumn.

As in the past, great importance has been placed on the development of tools with good ergonomic design to maintain the Division's leading market position. Among the new industrial tools that were developed during the year are a series of large surface grinders.

PRODUCTION

Better manufacturing adaptation of the products was one of the many reasons for the increased productivity during the year.

Delivery service was maintained at a high standard. Tools continued to expand its data communication system for transmission of orders and sales information and for its production control system, based on customer demand.

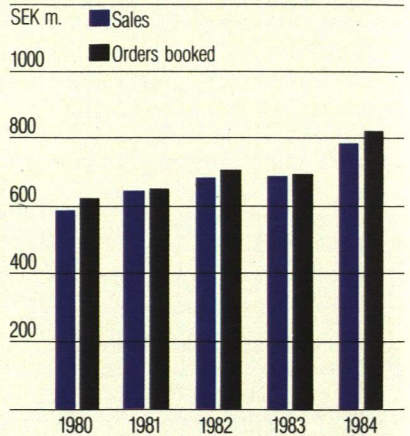
Atlas Copco Tools' factories operated with a high capacity utilization during the year.

The Borås factory (Sweden), which has 43 employees, was sold during the year to three of the leading staff employees at the factory.

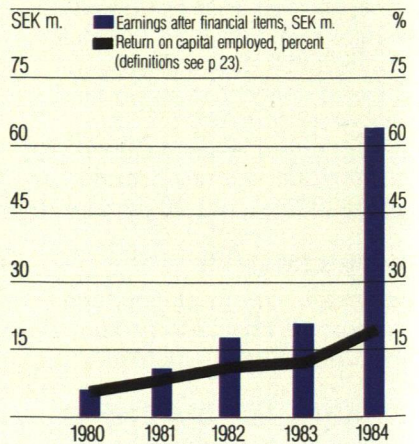
PERSONNEL

The Tools Division employed an average of 882 persons (983), of whom 124 (136) were located outside of Sweden.

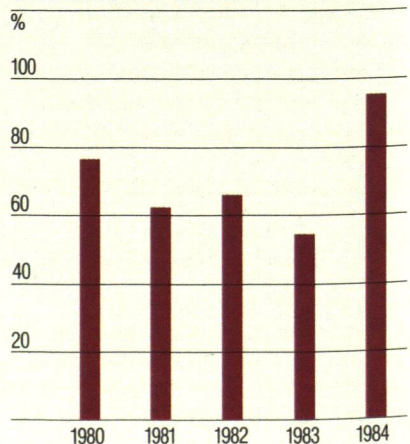
SALES AND ORDERS BOOKED

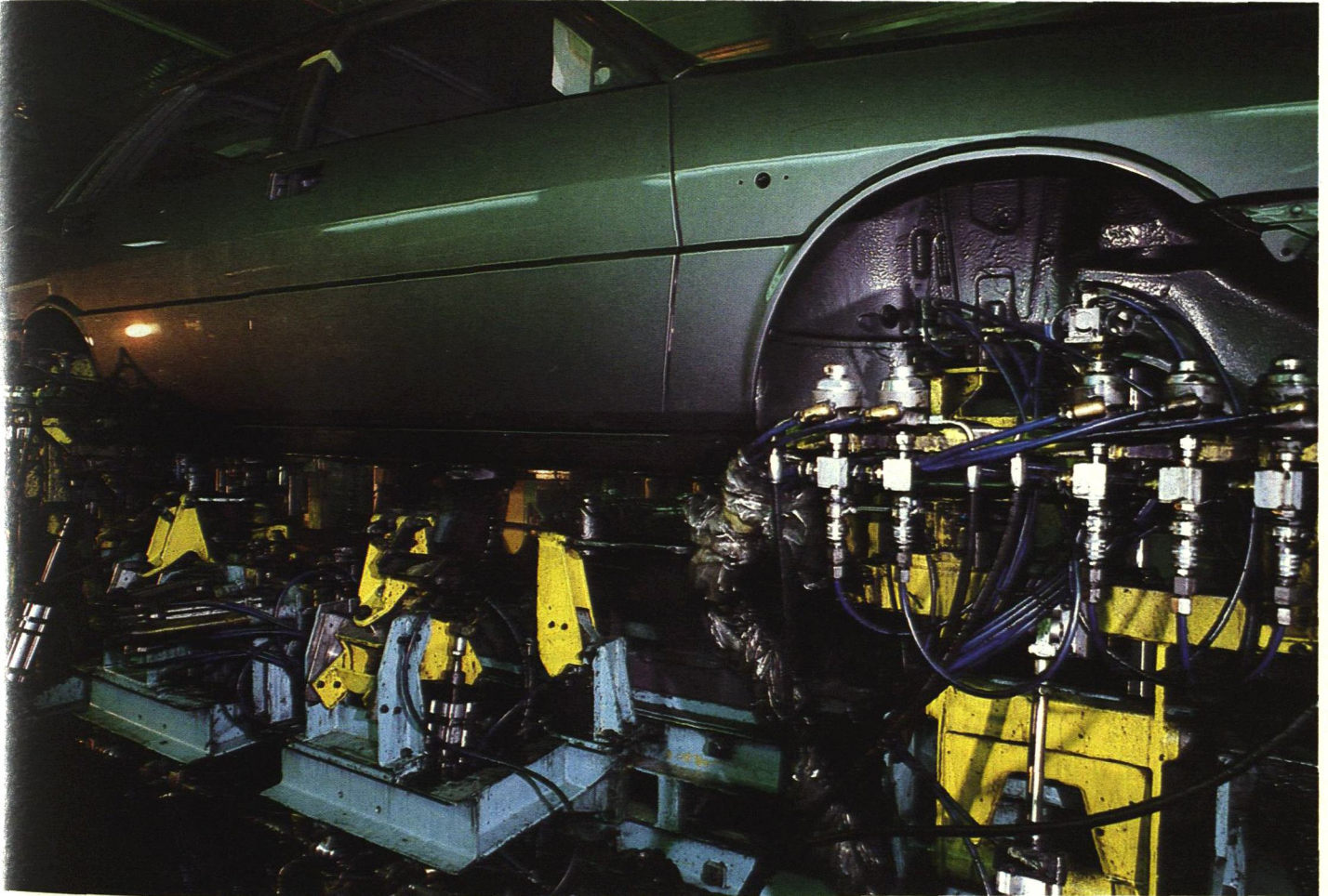


EARNINGS AND RETURN



UTILIZATION OF CAPACITY





Atlas Copco has installed a plant at the Lancia factory in Italy for anti-corrosion treatment of car body cavities. Anti-corrosion wax is injected automatically in four stages through a total of 47 nozzles. Computer-controlled Ecco Meter pump units assure correct dosing through each nozzle.

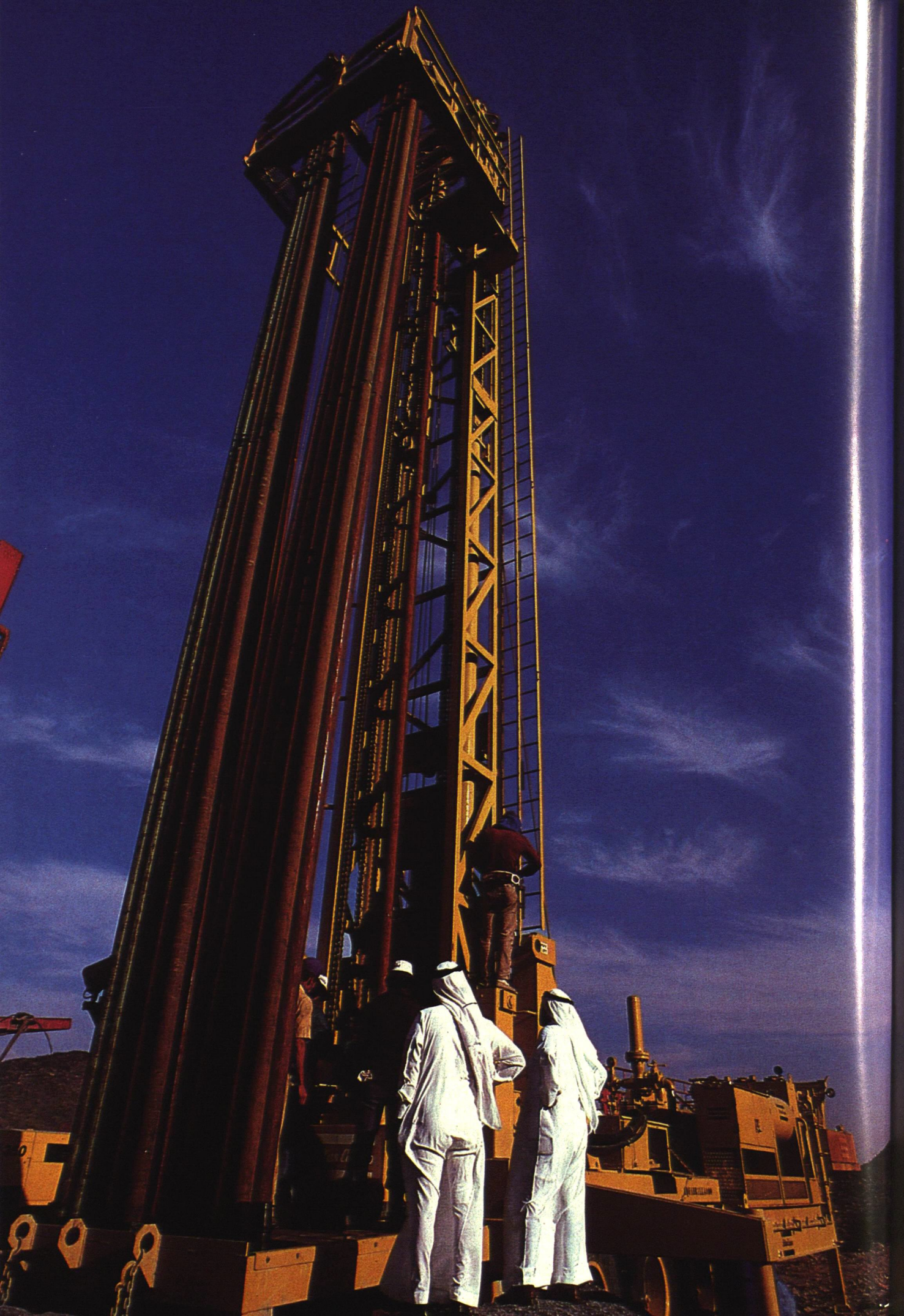
OUTLOOK FOR 1985

A continued high level of economic activity is expected in the Tools Division's most important markets, during at least the first half of 1985.

The advantages of devaluation for the Swedish-manufactured portion of the product line have been eliminated by cost and exchange rate trends.

In order to further increase flexibility and cost effectiveness, the Tools Division is continuing its restructuring program and initiating a larger investment program,

among other measures. A number of modern, highly productive machine tools are being installed and new administrative systems will be put into operation. Demand for systems and equipment featuring a high technical content is expected to increase. Continued high demand for industrial tools will yield a satisfactory production base for the factories. With continued positive economic activity, the possibilities for further improvements in earnings are therefore good.



BEREMA

INVOICED SALES	SEK 517 m.
EARNINGS after financial items	SEK 50 m.
RETURN on capital employed	20%

SHARP INCREASE IN SALES

Sales of the Berema group increased during the year by 35 percent to SEK 517 m. (384).

Order bookings rose 44 percent to SEK 547 m. (378). Atlas Copco Energy and the newly acquired Svenska Stålprodukter accounted for a major part of the sales increase.

EARNINGS

Earnings after financial income and expense amounted to SEK 50 m. (48), corresponding to 10 percent of invoiced sales. Berema's profit remained at a high level despite substantial market investments which were charged against the year's earnings.

The return on Berema's total capital excluding non-interest-bearing current liabilities was 20 percent (21).

INVESTMENTS AND ACQUISITIONS

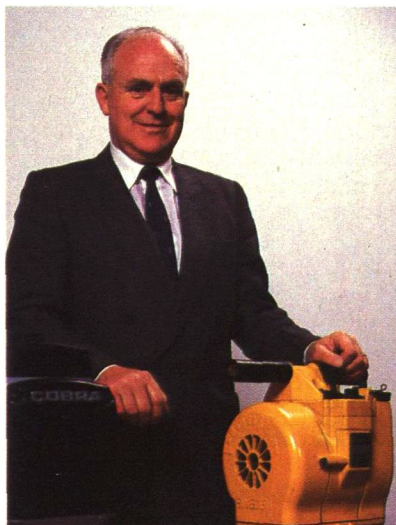
Investments in machinery and equipment related to production totaled SEK 16 m. (8).

During the year, 91 percent of the shares in AB Svenska Stålprodukter, producers of stainless steel equipment for commercial kitchens, were acquired. The acquisition is part of the gradual complementing of the Berema group with companies and products having high growth potential on export markets. Svenska Stålprodukter reported sales of approximately SEK 25 m. during 1984 and showed satisfactory profitability.

GASOLINE-POWERED DRILLS/BREAKERS

Sales were satisfactory. Continued efforts towards the railways

Atlas Copco Energy, part of the Berema Group, delivered two Aqua-drill 4000 units for well drilling in Saudi Arabia in 1984. These units are the largest that Atlas Copco has manufactured to date, and can drill holes to a depth of 1,000 meters.



LARS ÅSELL

MANAGEMENT COMMITTEE

Lars Åsell President
Arne Gerold Finance and Administration
Per Hallström Marketing

Berema develops, manufactures and markets gasoline-powered drills. These products are marketed partly through Berema's own sales companies and distributors and partly through Atlas Copco's sales companies. The Berema Group also includes independent subsidiaries: Toolex Alpha AB (fully automatic record presses), KGK Mekaniska Verkstad AB (small air compressors), Flodins Filter AB (air filters), Atlas Copco Energy AB (well drilling products and heat pumps), AB Svenska Stålprodukter (commercial kitchen equipment). Berema is the general agent in Sweden and Norway for Honda Power Products, for whom it markets rotary cultivators, lawn mowers, generators and pumps.

Berema's head office is located in Solna (Stockholm) and its factories are situated in Kalmar, Lysekil, Skara, Sundbyberg and Eskilstuna (Sweden).

and armed forces resulted in significant orders. Concentration on sales to public utilities resulted in breakthroughs in the market for repair work on gas, electricity and water lines.

Intensified marketing aimed at the international aid organizations resulted in, among other things, orders for road construction work in developing countries.

Special customer groups will be further penetrated during 1985. In addition, efforts will be focused on certain strategically vital markets with growth potential.

ATLAS COPCO ENERGY

Atlas Copco Energy, established at year-end 1983, experienced rapid development during the year. The company's objectives are to develop, coordinate and market products and know-how relating to well drilling, heat pumps and associated equipment. An effective organization was created, resulting in a rapid order and invoicing growth. Goals for the year were exceeded considerably and a significant increase in sales is expected during 1985.

Sales of well drilling equipment were made primarily to markets in Africa and the Middle East.

A new distribution network for heat pumps was created in Scandinavia.

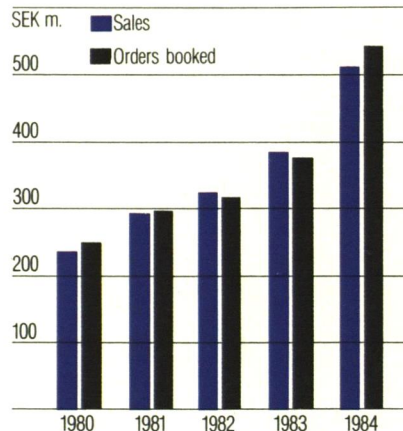
OTHER COMPANIES

Toolex Alpha

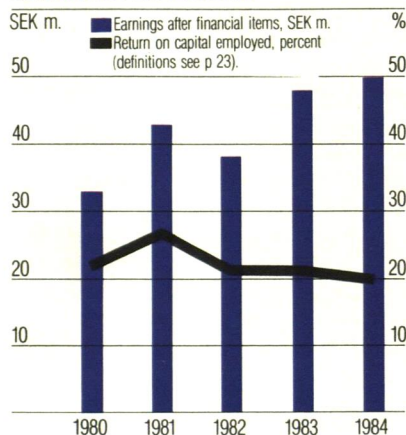
The market for automatic record presses remained weak. A number of large orders were, however, received from new markets. In order to cover a new area in which rapid development is anticipated, a moulding machine was developed during the year for manufacture of Compact Discs. This equipment generated considerable interest on the market and several orders were booked. The company also strengthened its product line through the acquisition of galvanic equipment for nickel matrices.

BEREMA

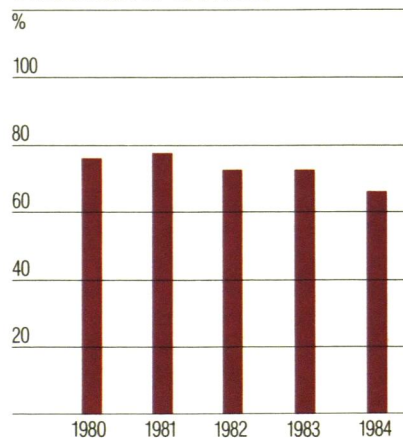
SALES AND ORDERS BOOKED



EARNINGS AND RETURN



UTILIZATION OF CAPACITY



KGK Mekaniska Verkstad

The company expanded its line of small compressors. The Danish production in Fredrikshavn was transferred to the factory in Skara (Sweden). Sales are primarily concentrated on the Scandinavian market.

Flodins Filter

Flodins Filter strengthened its organization during the year, facilitating intensified efforts on export markets for its main products – protective mask filters and industrial filters.

Svenska Stålprodukter

Svenska Stålprodukter experienced high demand for its products, with sharply increased order-bookings during the later half of the year.

Honda Power Products

Berema achieved a sales increase in terms of volume for Honda Power Products in Sweden and Norway, despite a generally declining market.

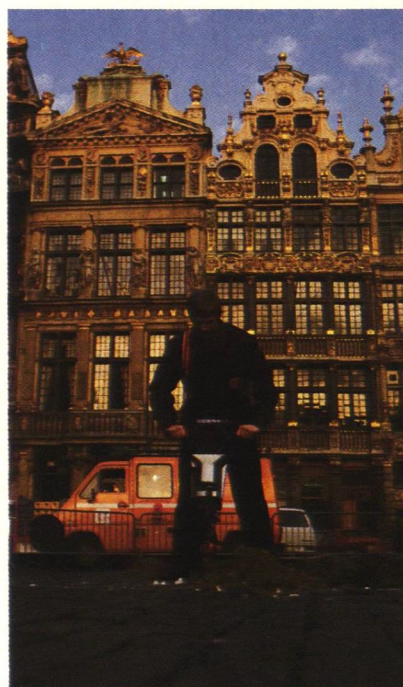
Berema combination drill and breaker is being used to a growing extent for work within the public sector. The national telephone company in Belgium is using the Cobra for maintenance and repair work, seen here at Grande Place in Brussels.

PERSONNEL

The average number of employees increased during the year to 606 persons (555). The increase is a direct result of the acquisition of Svenska Stålprodukter.

OUTLOOK FOR 1985

A continued favorable development for most of the product areas is anticipated during 1985. Due to the company's diversified operations, sales as well as profitability are expected to remain at least at the same level as during 1984.



MONSUN-TISON

INVOICED SALES*	SEK 296 m.
EARNINGS after financial items	SEK 32 m.
RETURN on capital employed	23%

*) Excl. SEK 32 m. in invoicing to other Atlas Copco companies.

INCREASE IN SALES VOLUME

Monsun-Tison's invoiced sales in 1984 amounted to SEK 296 m. (255), a 16-percent increase. The company also invoiced SEK 32 m. (23) to other companies in the Atlas Copco Group. Order bookings were up by 18 percent to SEK 317 m. (268), an 11-percent increase in sales volume.

FAVORABLE EARNINGS TREND

Earnings after financial income and expense increased to SEK 32 m. (13). The sharp increase in earnings is primarily attributable to a substantial rise in volume and higher production efficiency.

The return on Monsun-Tison's total capital, excluding non-interest-bearing current liabilities, was 23 percent (13).

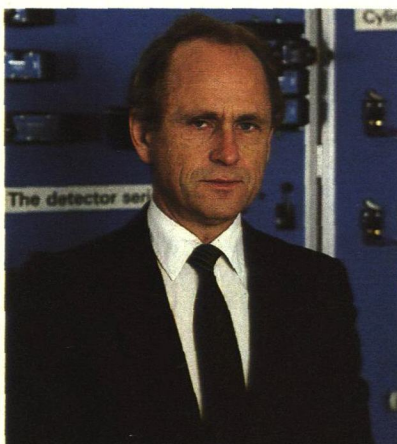
INVESTMENTS

Investments in machinery and equipment related to production totaled SEK 9 m. (7).

MARKET DEVELOPMENT

The expansion of Monsun-Tison's own sales companies continued and they account for an increasingly larger portion of sales. New sales companies were established in Norway and Italy.

Business area: Mobile Controls
Recent introduction of new products and concentration on sales to new customer categories resulted in a rise in volume during the year. Demand increased in several markets. In Europe, significant orders were received from a number of machine manufacturers, who booked large project orders from countries outside of Europe. The newly established companies in Norway and Italy reported favorable growth. Sales in the U.S. were disrupted by the depressed market faced by American construction equipment manufacturers. Profitability improved strongly.



ERIC BURSVIK

MANAGEMENT COMMITTEE

Eric Bursvik President
Anders Perring Finance and Administration
Torgny Segerberg Mobile Controls
Hans-Jörgen Lindström Industrial Automation

Monsun-Tison's operations consist of the Mobile Controls business area and the Industrial Automation business area.

The company develops, manufactures and markets hydraulic and pneumatic components with compatible electronics.

Mobile Controls marketing is conducted through their own sales companies in Denmark, France, Italy, Norway, Great Britain, the United States and West Germany, to manufacturers of such mobile equipment as cranes, forest machinery and mining equipment. Industrial Automation's marketing is carried out through their own sales companies, except in the United States, and in other countries through agents or Atlas Copco sales companies to manufacturers of packaging machinery, transport equipment, etc.

Monsun-Tison's head office is located in Borås and the company has production facilities in Borås and Falköping (Sweden).

Business area: Industrial Automation

Demand for the company's products was high. Sales, which are primarily concentrated on Western Europe, showed a strong growth in volume. Increased sales volumes were noted for standard products as well as products for specific customer needs. A further strengthening of the international sales organization was carried out.

Sales of the vacuum and electronic products introduced during 1983 were intensified and the product line was expanded. A comprehensive training package comprising textbooks and instruction panels in pneumatics and system solutions was introduced on the market.

Profitability improved favorably.

PRODUCTION

Investments in highly productive machines and equipment for manufacture of the hydraulic valve product line were made during the year with the aim of creating a more flexible, order-controlled production process with improved quality and delivery reliability.

At the Industrial Automation factory, an investment was made in new production machines. An extensive realignment of inventories and warehouses with relating investments in efficient equipment for inventory handling was completed.

PRODUCT DEVELOPMENT

Both standard and special application products were developed within Mobile Controls during the year. The main focus of the development effort was on electrohydraulic and load detecting systems. The electrohydraulic EHC35 remote control system was named as product of the year by the respected American trade journal "Hydraulics & Pneumatics."

Industrial Automation's product line was expanded through the addition of pneumatic cylinders meeting ISO (International Standardization Organization) stan-

MONSUN-TISON

Pneumatic housings are produced at the Sika Works in Falköping, Sweden, for specific customer requests. These products constitute an increasing portion of sales to industrial customers.

dards, including a mini- cylinder series. A cylinder series was also introduced with inherently compact dimensions.

PERSONNEL

The company employed an average of 749 persons (704) in 1984, of whom 114 were outside of Sweden (87).

The training received by the employees during periods of low business activity during the year, especially in material administration, was particularly worthwhile. Continued training in electronics and computer technology is making personnel better prepared for the future.

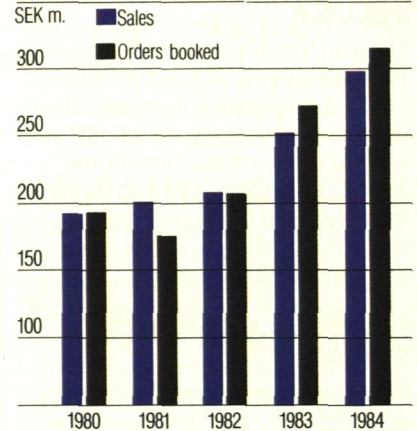
OUTLOOK FOR 1985

Demand in the Mobile Control business area is expected to remain at approximately the same level. However, new products and increased sales efforts are expected to lead to a certain increase in volume.

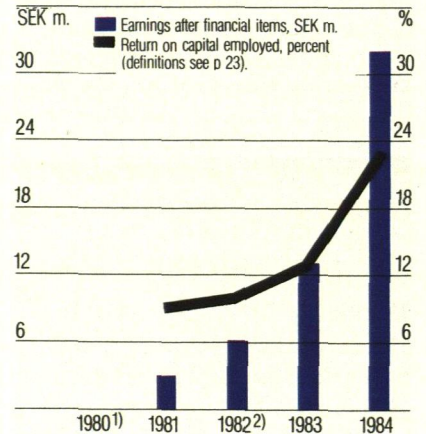
Industrial Automation booked several large orders for delivery in 1985. The backlog of orders was unusually large at year-end. The conditions for continued growth in volume are favorable.

Further increases in earnings are expected.

SALES AND ORDERS BOOKED



EARNINGS AND RETURN



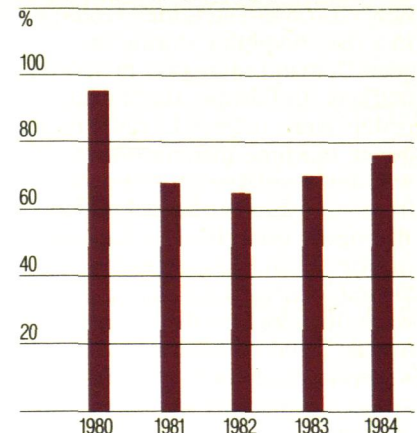
1) Corresponding figures for this year are not available

2) Excluding extraordinary costs of SEK 5 m. reported by Monsun-Tison



Monsun-Tison's hydraulic control system has made it easier and quicker to maneuver cranes and forest machinery for loading of timber in forests.

UTILIZATION OF CAPACITY





OTHER OPERATIONS

ATLAS COPCO ABEM

Founded in 1969, the instrument company Atlas Copco ABEM has roots in a prospecting operation begun in the 1920's. The company has developed the Terrameter – a world-renowned instrument for locating a water table. The Terrameter is currently used in more than 90 countries, especially in international aid projects in Asia, Africa and Latin America. The company's three business areas – Geophysical exploration, Industrial measurement, and Monitoring and control systems – are based upon measuring methods, registering and monitoring, assisted primarily by micro-processor technology.

ABEM markets its products through both Atlas Copco sales companies and independent distributors. In addition to its own products, ABEM sells products from manufacturers in the United States, Canada, Great Britain and Japan on the Scandinavian market.

OPERATIONS 1984

Sales increased 21 percent during the year to SEK 27 m. (22). Earnings after financial items increased to SEK 3.5 m. (1.7). The return on total capital, excluding non-interest-bearing liabilities, amounted to 29 percent (21).

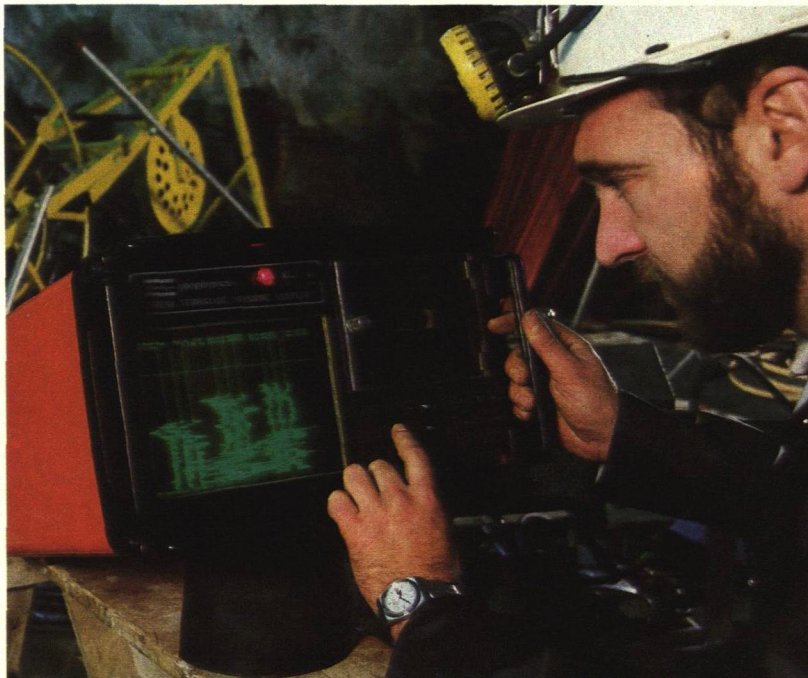
The market for measurement instruments in Scandinavia was favorable. Sales of agency instruments increased 40 percent compared with 1983.

The new Terraloc seismic system attracted considerable interest on the international market, and sales were satisfactory.

An agreement was signed in May, 1984 with Robertson Research Engineering Ltd. in Wales for the rights to market the company's geophysical recording equipment.

During the year, ABEM delivered a large number of electronic components to Atlas Copco Tools' MACS nutrunning system.

The outlook in 1985 for continued profitable expansion is positive within all business areas.



An ABEM Terraloc Seismograph is used in the Stripa mine in Sweden for location of cracks in rock. This research project is aimed at finding suitable locations for nuclear waste depositories.

ATLAS COPCO MANAGEMENT CONSULTING

Atlas Copco Management Consulting is a commercial consulting and service company with customers primarily within the Atlas Copco Group. The main objective is to increase the operations' efficiency in the different departments through financial management and cost follow-up.

Two new departments were formed during the year – Company Health Care and Atlas Copco Aqua Technique.

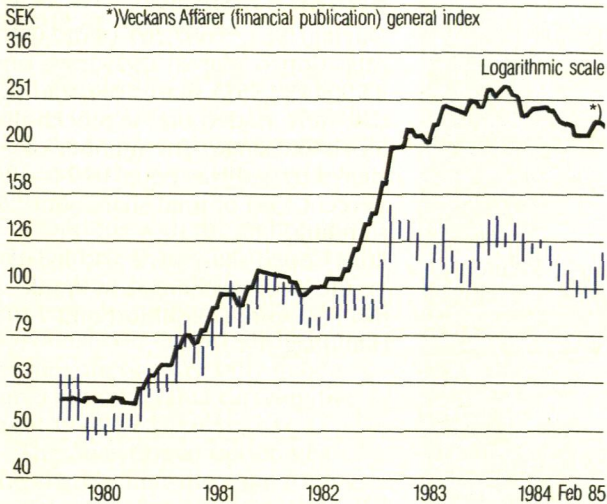
Aqua Technique is active in environmental protection, and develops, manufactures and markets products for cleaning lakes, for example. A certain level of cooperation is maintained with scientific institutions in Sweden and other countries. Operations were previously handled by Atlas Copco Airpower, Belgium.

ATLAS COPCO DATA

Atlas Copco Data, which is the Group's competence center for ADB technology and service agency for most of the Group's Swedish and Norwegian companies, continued expansion of the Group's data and telecommunications network. The data company increased its assistance to Group sales companies outside Sweden and installed, among other things, an in-house developed order, inventory and invoicing system, designated KICK, at the Group's sales companies in Brazil, France and the United States.

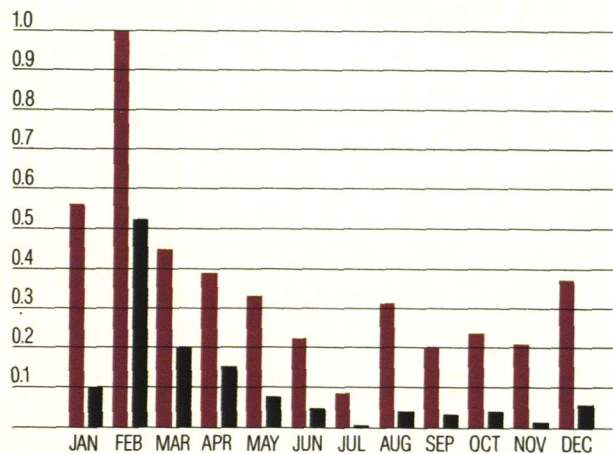
ATLAS COPCO SHARE DATA

TREND OF SHARE PRICES



ATLAS COPCO-SHARES TRADING ON THE STOCKHOLM STOCK EXCHANGE 1984

Total number of shares, (millions) ■ Floor sales ■ Off-floor closed trading



DIVIDEND POLICY

The Board intends that the shareholders should receive a reasonable percentage of Group earnings. Efforts will be made to cover the greater part of Parent Company dividends paid through dividend income from the subsidiaries outside of Sweden.

The decision made at the Annual General Meeting to reduce the dividend for the 1983 business year broke the development of positive dividend growth which extended over several consecutive years.

The yearly growth in dividends averaged 10.7 percent for the ten year period extending to and including 1982. This should be compared with the corresponding average monetary depreciation in Sweden, which totaled 10.3 percent. Viewed over a five year perspective, the corresponding figures were 8.4 and 10.0 percent, respectively.

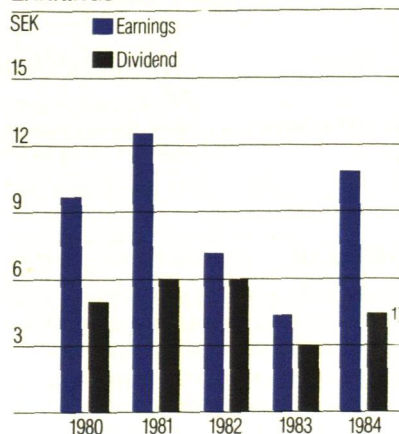
The reduction of dividends for the 1983 business year occurred as a result of the decline in earnings that the Group had to bear in 1982 as well as in 1983.

The Board of Directors has proposed an increase in dividends for 1984 to SEK 4.50, corresponding to 40 percent of the profit per share. Exemption from the law temporarily prohibiting increases in share dividends was granted from the Swedish Bank Association.

PER SHARE DATA, SEK

	1980	1981	1982 ²⁾	1983	1984
Earnings ¹⁾	10.10	12.95	7.40	4.55	11.25
Earnings after extraordinary items	10.10	13.25	6.85	- 0.65	11.30
Dividend	5.20	6.00	6.00	3.00	4.50 ³⁾
Dividend as percent of earnings ⁴⁾	52.0	46.3	87.6	65.9	40.0
Price quotation, Dec. 31	64	98	90	121	96
Highest price quoted	68	106	109	150	143
Lowest price quoted	48	61	82	90	95
Average price quoted	56	83	93	118	118
Risk-bearing equity capital ⁵⁾	136	153	125	117	131
Direct yield, percent ⁶⁾	9.3	7.2	6.5	2.5	3.8
Price/earnings ⁷⁾	5.6	6.4	12.2	24.1	10.5

EARNINGS AND DIVIDEND PER SHARE



Dividend for 1984 as proposed by the Board of Directors

For purposes of comparison between years, adjustments have been made to reflect new issues of shares. Beginning in 1982 the current rate method has been applied.

1) Profit after financial income and expense, less a standard 50 percent provision for tax and minority interest in income divided by the number of shares outstanding.

2) Based on the weighted average number of shares outstanding.

3) Proposed by the Board of Directors.

4) Dividend as a percentage of earnings per share.

5) Equity capital and untaxed reserves divided by the number of shares.

6) Dividend as a percentage of the average quoted price during the year.

7) Average quoted price during the year in relation to earnings per share as defined in note 1.

LARGEST SHAREHOLDERS

The share capital amounts to SEK 586.5 m., represented by 23,460,500 shares, each with a par value of SEK 25. All shares are unrestricted and carry one vote each. Shares are traded on the Stockholm Stock Exchange in lots of 100.

Atlas Copco AB has approximately 42,000 shareholders. The largest shareholders, as reported by VPC (Swedish Securities Register Center) in February 1985, are shown in the following table:

	Number of shares	Percentage of total
1. AB Patricia	7,650,000	32.60
2. Förvaltnings AB Providentia	2,005,501	8.55
3. AB Investor	1,612,852	6.87
4. General Pension Fund, Fourth Fund Board	778,693	3.32
5. Swedish Staff Pension Society	737,369	3.14
6. Livförsäkring AB Skandia	617,853	2.63
7. The Mitsubishi Bank of California	315,000	1.34
8. Fabege AB	245,600	1.05
9. Atlas Copco Share Saving Fund	210,848	0.90
10. Nats Cumco, New York	200,000	0.85

SHARE ISSUES 1965-1984

		Increase of share capital SEK m.	Amount paid-in SEK m.
1965 Bonus issue	1:4	19.1	-
New issue	1:4 60 SEK	19.1	46.0
1971 Bonus issue	1:10	11.5	-
New issue	1:10 100 SEK	11.5	46.0
1973 Bonus issue	1:2	69.2	-
1974 New issue	1:4 25 SEK	51.7	51.7
1976 New issue	1:5 50 SEK	51.7	103.5
1979 Bonus issue	1:6	51.7	-
New issue	1:6 60 SEK	51.7	124.1
1982 Bonus issue	1:4	103.5	-
New issue	2,765,000 shares at 135 SEK	69.1	373.3

CHANGES IN OWNERSHIP STRUCTURE

In May 1984, the Investor and Providentia investment companies decided to purchase Volvo's 25-percent shareholding in Atlas Copco. The transfer of shares was made through a newly established company, AB Patricia, which pur-

chased all of Volvo's shares in Atlas Copco. AB Patricia, of which 50 percent is owned by Investor and 50 percent by Providentia, acquired an additional 1,785,875 shares from Investor, corresponding to 7 percent of the shares of

SHARE TRADING

During 1984, 5,687,267 (8,017,033) Atlas Copco shares, an average of 23,900 (32,857) shares per trading day, were traded on the Stockholm Stock Exchange. The number of shares traded was equal to 24 percent (34) of total shares outstanding.

Atlas Copco shares are also listed on the stock exchanges in Frankfurt am Main, Düsseldorf and Hamburg.

OWNERSHIP STRUCTURE 1984

Number of shareholders	Percentage of total number of shares	Number of shares
12	62.4	100 001-
10	3.2	50 001-100 000
49	4.4	10 001- 50 000
319	5.6	2 001-10 000
1878	7.6	501-2 000
40138	16.8	1-500

Atlas Copco AB. AB Patricia currently owns 32 percent of the shares of Atlas Copco AB and thereby directly and indirectly owns 48 percent of Atlas Copco shares.

ATLAS COPCO CALL OPTION

NEW SECURITY ON THE CAPITAL MARKET

As a direct result of AB Patricia's 1984 acquisition of AB Volvo's shares in Atlas Copco AB, a totally new type of security was introduced on the Swedish capital market:

- Options with the right to *buy* outstanding shares in Atlas Copco.

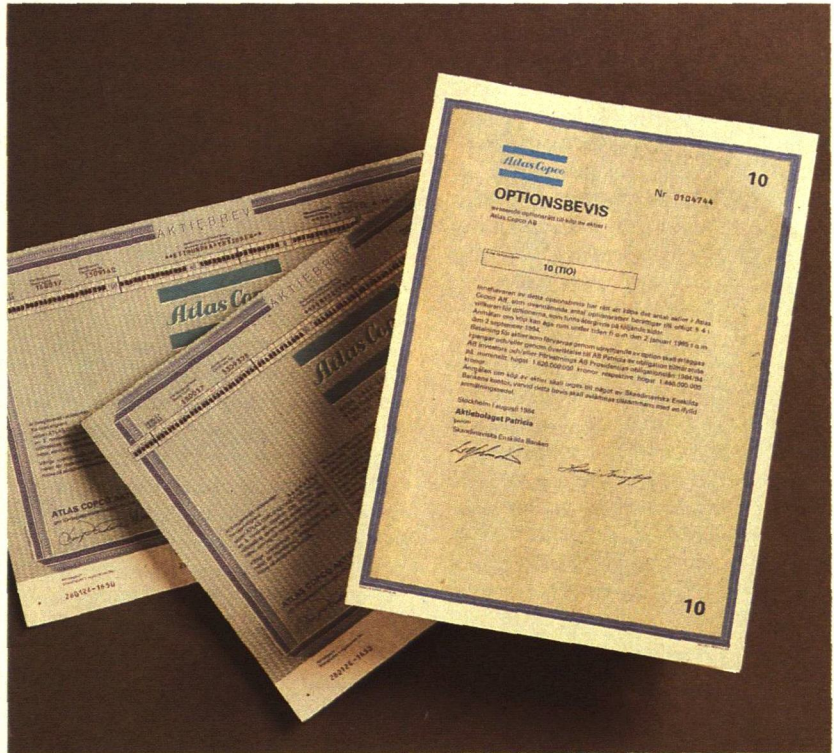
The American designation for this type of option is a call option. Previously on the Swedish capital market, there were only debentures with warrants carrying the *right to purchase new shares*.

The Atlas Copco option gives the shareholder the right to buy an Atlas Copco share at a price of SEK 150 at any time during the next 10 years. In contrast to warrants the Atlas Copco option does not create a "dilution effect."

The options are bought and sold in the same manner as shares, and have been assigned a market price since October 1984.

Option value

In that certain conditions are tied to the options, an anticipated market value can be estimated. The price for the options will fluctuate around this anticipated market value. This fluctuation reflects the various investors' attitudes concerning the factors that influence the option's value. These factors are included in the box below:



Effects of leverage

A characteristic feature of options is that fluctuations in the option's value are considerably larger than fluctuations in the underlying quotation price for the share.

For example, if Atlas Copco's shares increase from 120 SEK to 160 SEK, or 33 percent, the option's value will increase from approximately SEK 50 to almost SEK 90, or 70 percent. It is evident from this that the profit potential, and also

the risks in options are greater than with shares.

At the same time, the connection noted above between share prices and option prices means that an investor can meet his expectations for a share without investing the entire amount that would be necessary to purchase shares. The investor can instead choose to invest the difference in another manner, for example in risk-free savings in a bank.

Factors that influence the value of a call option

PRICE QUOTATION

The higher the share price on the share to which the option pertains, the greater the value of the option.

PURCHASE PRICE

The purchase price is the price that the shareholder has the right to purchase a share at - at any time within a specified period. The lower the purchase price, the higher the value of the option.

TIME

The longer the time period for exercising the option rights, the greater the

value of the option becomes, since the possibilities for a rise in share prices are expected to increase.

DIVIDENDS AND THEIR GROWTH

The option carries no rights to dividends. A high dividend per share gives the option a lower value. At the same time, a higher dividend usually leads to an increased price quotation for the share and thereby a higher option value.

BANK INTEREST RATES

High interest rates contribute to a higher option value.

OPTION DATA

1984

Number of outstanding options	7,650,000
As a percentage of total number of shares in Atlas Copco	33
One option carries the right to buy	1 share
Purchase price for shares, SEK	150
Term	1985-1994
Dilution effect, %	0
Highest option quote, SEK	40
Lowest option quote, SEK	29

TECHNOLOGY FOR A WORLD-WIDE MARKET – ATLAS COPCO'S STRENGTH

Technology developed by Atlas Copco in cooperation with an industry in the United States or a mining company in Sweden for example, becomes quickly accessible in all of the 120 countries where Atlas Copco operates.

Research and product development at Atlas Copco is carried out in direct cooperation with customers and customers' own research organizations throughout the world. As a result, resources are focused on areas based on market needs and on areas which contribute to improving the customers' own productivity. The extensive and valuable experience accumulated in this manner in the company's technical area is further conveyed throughout the world by Atlas Copco's sales engineers, primarily through personal visits.

Customer desires and demands concerning further technological development are reported to the central technical divisions, to ensure that continuous development and product improvement is achieved.

Collected knowledge results in technological advances

At Atlas Copco, work is conducted on several different levels in order to extend the Group's knowledge within the technological areas, which are of great future importance for established and new business areas. The various divisions' engineering units, with design offices and laboratories, are in continuous cooperation with the various research organizations related to their customers' fields – for example electronics, carbon research and rock engineering. In this manner they gather wide and valuable knowledge. The Group's central research unit, Cerac, based in Switzerland, which is staffed by a very international group of researchers, provides the company with valuable technical know-how through its international network of industrial and scientific contacts. The method

studies and research findings that the divisions acquire in this manner are put into practice, resulting in new machine equipment and new technology, which is then marketed through Atlas Copco's comprehensive sales organization.

High availability ensured by 350 service centers

Through a network of 350 technical service centers, located in every country where Atlas Copco operates, the Company can guarantee high product reliability. In turn, customer productivity is maintained at a high level.

In order to achieve the most optimal availability of products as possible, the larger sales companies' technical service reports are regularly computer processed. In this manner, the products' weak points are identified. R & D is then concentrated on these points. The result is an increasingly higher product quality and increased product reliability.

Technical cooperation essential for customer-oriented products

Automated monitoring systems

The technical division of the Dutch sales company, in cooperation with Airpower's technical specialists, has developed a new monitoring system for its compressors. Built-in sensors on the customers' compressors are linked by telephone to a central control unit, which automatically signals if deviations from indicated figures occur for pressure, temperature, or oil and coolant levels, for example. This monitoring system ensures a high degree of equipment utilization. It has already been installed in compressors at Erasmus University in Rotterdam and Hoechst's factory in Vlissingen (The Netherlands).

Large bore drilling

A unique research project is being carried out by the Luleå Institute of Technology, LKAB, and Atlas Copco at a research mine in

Kiruna (Sweden). The aim of the project is to develop a new mining system for future mining operations.

Atlas Copco has designed and built a special computer-based drilling rig for precision drilling of long holes with large diameters. The goal is to drill holes measuring twice the normal length, thereby reducing the number of middle stages. The experience gained from this research will lay the groundwork for equipment that will be introduced on the market.

Compressed air to replace shuttles

Atlas Copco Airpower, in close cooperation with textile companies' technical divisions, developed a new method for weaving with compressed air jets. This method improves quality and increases productivity and is considerably faster than previous conventional methods. It has given the textile industry increased competitive strength.

High-pressure water jets break concrete

Group research work with high-powered liquid and energy jets, combined with previously gathered technical know-how and close cooperation with customers, has opened new avenues for both material cutting and selective surface-finishing. Conjet – designed for concrete bridge repair, etc. – is one product resulting from this research in which there exists a vast worldwide market.

Supervisory systems for increased safety

Following detailed studies of the automobile industry's special problems in the United States and Italy, Atlas Copco Tools developed the MACS-system. This is a computer-aided supervisory system ensuring proper tension of every screw, thus meeting safety demands. This system is currently used by all of the major auto manufacturers.



Installation of a turbo compressor at the Atlas Copco Energas factory in Cologne. This is a new technical area being offered on the world market by Atlas Copco.

Electronic service

In the U.S., Atlas Copco Comptec has test-started a new type of service for certain selected customers. It is an electronic service that provides customers access through the company's main-frame computers to a comprehensive data base of information on compressors. The customers can integrate this information into the design of their own process systems. Experience from this activity is positive, and there are currently plans to expand this service.

Manufacturing at 34 factories in 16 countries

For many years, Atlas Copco has manufactured many of its technically advanced products locally

in various countries throughout the world. At present there are 34 Atlas Copco factories in 16 countries, and a number of units for licensed production.

Through local manufacturing, the Group's high level of production technology know-how is transferred to the different countries. For Atlas Copco, this means that the same demands on quality can be met for their products, regardless of where they are manufactured. As new production methods are developed, they can be gradually transferred to the local factories. Agreements on license manufacturing of certain products have been signed with cooperation partners in The People's Republic of China, Yugo-

slavia and Hungary. Such agreements cover the transfer of technical know-how and the training of technical personnel. In addition, assistance with initial start-up of production is included.

Modification and assembly of products to meet local market needs are also carried out at certain Group sales companies.

PERSONNEL

SEK thousands	1984	1983
Sales per employee	552	477
Earnings per employee	35	14
Value added per employee	217	188

The average number of employees in the Atlas Copco Group in 1984 was 16,484 (16,974). The number of employees in Sweden was 4,761 (4,978), and in other countries, 11,723 (11,996). Total labor costs rose by 6.6 percent to SEK 2,569 m. (2,409), of which social costs account for SEK 676 m. (631).

ATLAS COPCO GROUP VALUE ADDED

Value added – the Group's total invoicing less the costs of purchased raw materials, finished and semifinished goods, and services – amounted in 1984 to SEK 3,581 m. (3,186). Value added expresses the production input made by the Company; that is, the increase in value that arises through handling, processing, etc. Of the total value added, 72 percent, or SEK 2,569 m. (2,409), was in the form of wages, salaries and social costs, of which wages and salaries comprised SEK 1,893 m. and social costs SEK 676 m.

A net amount of SEK 272 m., equal to 8 percent of the value added, was paid to lenders etc. The public sector received, in addition to social costs and taxes for employees, corporate taxes amounting to SEK 242 m., or 7 percent of value added. The 3 percent received by shareholders represents interest on the risk capital they invested in the business.

	Average number of employees*)		Wages, salaries and other personnel costs	
	1984	1983	1984	1983
SWEDEN				
Head office	63	64	26	22
Divisions	3,966	4,084	625	580
Sales companies	732	830	129	123
Total, Sweden	4,761	4,978	780	725
OUTSIDE SWEDEN				
Divisions	4,040	3,931	724	646
Sales companies	7,683	8,065	1,065	1,038
Total, outside Sweden	11,723	11,996	1,789	1,684
Total	16,484	16,974	2,569	2,409

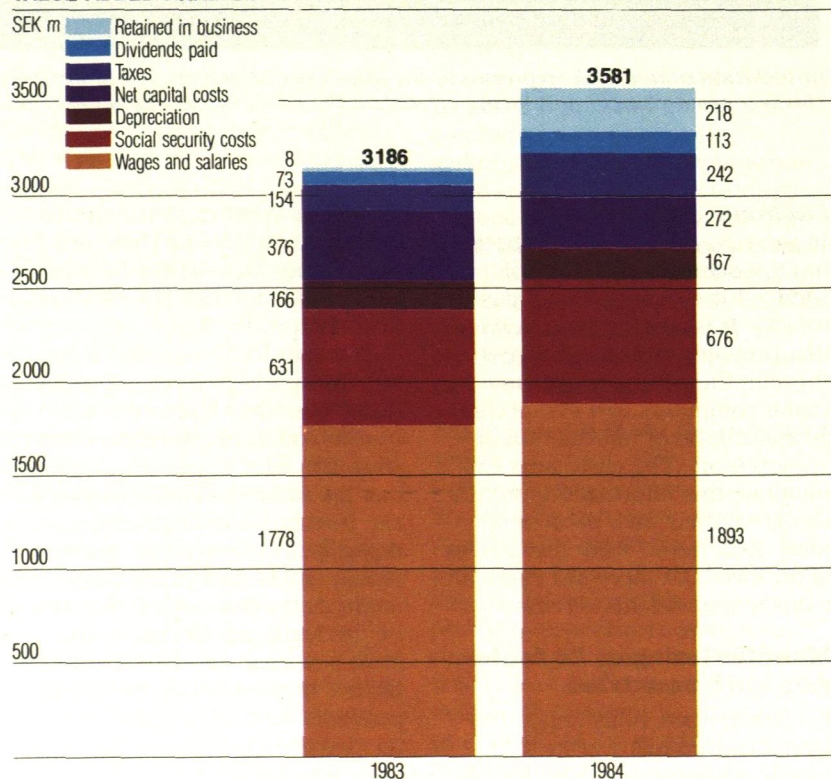
*) The average number of employees in Sweden has been calculated in accordance with the principles established for reporting to the National Social Insurance Board. A detailed presentation showing the average number of employees and wages, salaries and other remuneration paid, prepared in conformity with the Swedish Companies Act, is included in the Annual Report filed with the National Patent & Registration Office in Sweden and can be obtained free of charge from Atlas Copco's headquarters in Nacka, Sweden.

SHARE SAVINGS FUNDS

Atlas Copco's Share Savings Fund was discontinued on March 31, 1984 in response to the Swedish government's decision to replace this kind of fund with the Swedish National Public Savings Funds. As a result only returns from shares in this fund will be reinvested. The fund will purchase shares only in Atlas Copco. During 1984, 22,000 shares were purchased (47,040). On December 31, 1984 the fund's shareholding amounted to 206,848 shares (184,848), corresponding to a market value of SEK 20 m. (22).

Beginning in April 1984, employees were offered the possibility to save in a new company-related Swedish National Public Savings Fund, which also buys shares only in Atlas Copco. The fund's shareholding on December 31, 1984 was 6,500 shares, corresponding to a market value of SEK 1 m. Both funds are administered by Atlas Copco Fond AB.

VALUE ADDED ANALYSIS



SALESMEN OF THE YEAR

Outstanding sales performances were made in 1984
by the sales companies.

A salesman of the year has been chosen from those countries
that showed the best sales successes.
They are presented below with their results.

Thomas Kung, President for the newly established sales company Atlas Copco (China) Ltd., and President of Atlas Copco (HK) Ltd., Hong Kong, led the sales effort in the Chinese market. In cooperation with Atlas Copco International and the divisions, drilling rigs for mining and construction work and compressors worth SEK 200 m. were sold. In addition, he participated in the negotiations over the license agreements that were signed with Chinese organizations.

Leen van Diggele, of the Dutch sales company succeeded following lengthy negotiations in selling standard screw compressors to Esso's refinery and plant in Rotterdam valued SEK 10 m. In addition, he secured an order for compressors with dryers from Aramco totaling SEK 4 m.

Dan Momberg, sales manager for light contracting equipment in the South African sales company, has during the past four years sold more than 3,000 Pionjär power drilling machines to the South African Transport Services. In addition, he has secured an order for more units to the same customer during the next four years, and a six year contract for spare parts. Furthermore, he won a considerable amount of orders from the competitors for sales to government authorities, municipalities and private contractors.

Mike Zakur has been a successful salesman for Atlas Copco Roctec in the New York area for several years. During 1984 he succeeded in selling surface and underground equipment for nearly SEK 40 m. Sales included drilling rigs and loading machines for a water tunnel project in New York, and a Jarva tunnel boring machine for a contracting project in Rochester, New York.



THOMAS KUNG



FRITZ REICHELSDORFER



KARL-HEINZ WENNMOHS



JÜRGEN KORIOETH



LEEN VAN DIGGELE



GERALDO VIEIRA



DAN MOMBERG



SHIGEHIRO NAGAYAMA



MIKE ZAKUR



FRANCIS PALMAY

Fritz Reichelsdorfer, sales engineer for Atlas Copco Tools' German sales company, sold 100 nutrunners to the Bizerba scale factory, and 50 automatic drilling and tapping units to the Klöckner Group, which is a leading manufacturer of oil burners.

Project engineer **Karl-Heinz Wennmoths** and service engineer **Jürgen Koriöth**, of Atlas Copco's German sales company, were mainly responsible for Atlas Copco's supplying of the main portion of the hydraulic tunneling rigs for the railway construction between Hannover and Würzburg. The stretch is 327 kilometers long, of which 125 km. consists of 60 tunnels.

Geraldo Vieira, sales engineer for compressors at the Brazilian sales company, due to his genuine know-how and through special studies of the customers' requirements, succeeded in selling a large number of stationary compressors for new areas of application.

Shigehiro Nagayama, the MCT manager of the sales company Atlas Copco Gadelius KK in Japan, experienced significant success during 1984 in selling underground rigs for tunnel projects. In addition he sold nine drilling rigs, three Häggloader loading machines, 12 loading shuttletrain loading systems and drill steel and spare parts to Japanese contractors for projects in Indonesia and Colombia.

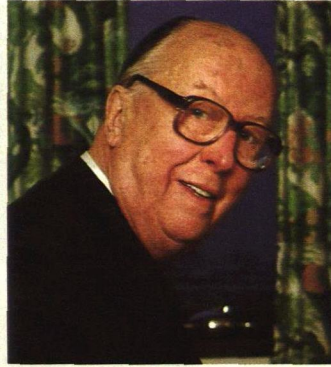
Francis Palmay, of the Hungarian agent organization, had great success in selling screw compressors and hand-held tools. He negotiated also for a license agreement for the manufacture of screw compressors in Hungary, which is expected to further strengthen Atlas Copco's position in the Hungarian market.

BOARD OF DIRECTORS

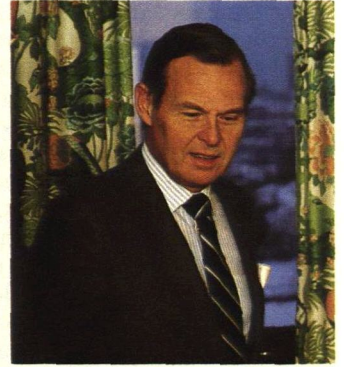


PETER WALLENBERG

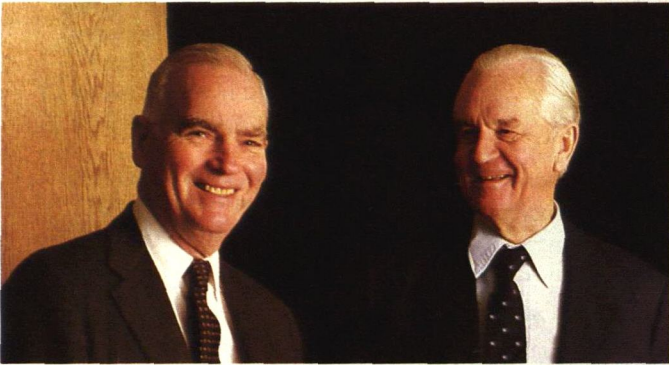
TOM WACHTMEISTER



K-A BELFRAGE

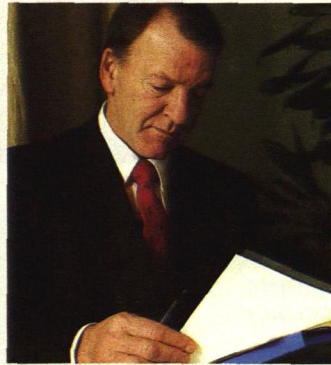


CURT G OLSSON

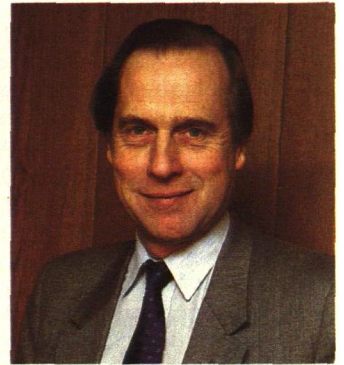


P HENRY MUELLER

OTTO GRIEG TIDEMAND



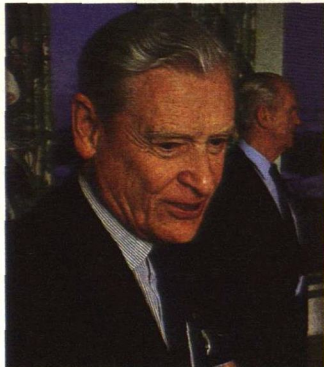
PEHR G GYLLENHAMMAR



BJÖRN SVEDBERG



AXEL IVEROTH

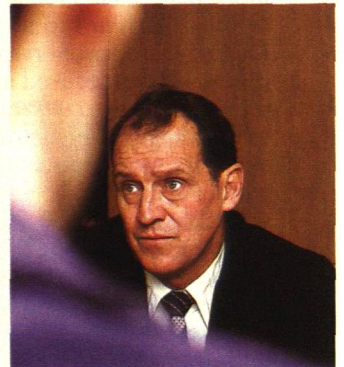


ERIK JOHNSSON



STURE ÖDNER

TORE HEDBERG



BO HENNING



PER-ERIK NYHOLM

KJELL NORDSTRÖM

The photos of the Board members were taken at the Atlas Copco AB Board Meeting on December 19, 1984.

BOARD OF DIRECTORS

ELECTED BY THE ANNUAL GENERAL MEETING

Peter Wallenberg

Chairman (1970). Dr. Econ. h.c., First Vice Chairman of the Board of Skandinaviska Enskilda Banken. Employed in various positions within Atlas Copco 1953–1974. Chairman of the Boards of Investor, Nymölla, Papyrus, Providentia, SKF, The Wallenberg Foundation and Enskilda Securities Skandinaviska Enskilda Ltd. (Great Britain). Vice Chairman of the Boards of ASEA, Broströms, Electrolux, L M Ericsson and Stora Kopparberg. Member of the Board of Dillon, Read & Co. Inc., (USA).

Kurt-Allan Belfrage

Vice Chairman (1956). President, Atlas Copco AB, 1957–1970. Chairman of LKB Instrument Ges.m.b.H. Vienna. Member of the Board of Scania France S.A.

Henry N Sporborg

(1969). Director Hambros Ltd., Great Britain 1949–1977. Retired from his Board post during 1984 due to health reasons. Passed away March 5, 1985.

Sture Ödner

(1970). Chairman of the Boards of J S Saba and STC Venture. Member of the Boards of Trygg-Hansa, Argonaut and Skandigen.

Erik Johnsson

(1972). Dr. Tech. h.c., President of Atlas Copco AB, 1970–1975.

Axel Iveroth

(1975). President of the Federation of Swedish Industries 1957–1977 and its Vice Chairman 1977–1983.

Curt G Olsson

(1976). Chairman of the Board of Skandinaviska Enskilda Banken and Esselte. Member of the Boards of Hufvudstaden, Skandia and Dillon, Read & Co. Inc., (USA).

P Henry Mueller

(1982). Dr. Litt. h.c., Chairman of the Boards of Atlas Copco North America Inc. and Saab-Scania of America Inc., (USA).

Otto Grieg Tidemand

(1982). Shipowner, Belstove Shipping, Oslo. Chairman of the Boards of A/S Kosmos, the Insurance Group Vesta-Hygea, Store Norske Spitsbergen Kulkompani and Atlas Copco A/S (Norway). Chairman and Board member of various shipping companies and oil companies in Norway and other countries.

Pebr G Gyllenhammar

(1982). Dr. Med. h.c., Chairman of the Board and Chief Executive Officer of AB Volvo. Member of the Boards of Skandinaviska Enskilda Banken, United Technologies Corp., (USA), S. Pearson & Son, (Great Britain). Member of the International Advisory Committee of Chase Manhattan Bank, (USA). Vice Chairman of the Board of Trustees of Aspen Institute (USA).

Björn Svedberg

(1983). Dr. Tech. h.c., President and Chief Executive Officer, L M Ericsson. Member of the Boards of AGA and L M Ericsson.

Tom Wachtmeister

(1975). President of Atlas Copco AB since 1975. Employed in the Company since 1959. Vice Chairman of Boliden. Member of the Boards of Export-Invest, Hasselfors, Saab-Scania, S-E-

Banken, and Chairman of the Swedish Taxpayers' Association and the Sweden-China Trade Council. Vice Chairman of the Trade Association of the Swedish Mechanical and Electrical Engineering Industry

EMPLOYEE REPRESENTATIVES

Bo Henning

(1973). Chairman, Atlas Copco local of the Swedish Industrial Salaried Employees' Union, Nacka.

Per-Erik Nyholm

(1973). Chairman, Atlas Copco local of the Metal Workers' Union, Nacka.

Kjell Nordström

(1977). Deputy member. Chairman, Ecco Works local of the Metal Workers' Union, Skara.

Tore Hedberg

(1983). Deputy member. Chairman, Atlas Copco Tools' local of the Swedish Industrial Salaried Employees' Union, Stockholm.

AUDITORS

Birger Sonesson

Authorized Public Accountant

Bertil E Olsson

Authorized Public Accountant

Karl-G Giertz

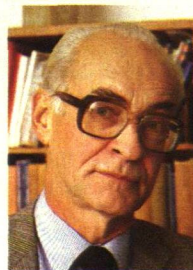
Authorized Public Accountant, Deputy

Bo Ribers

Authorized Public Accountant, Deputy



BIRGER SONESSON



BERTIL E OLSSON



KARL-G GIERTZ



BO RIBERS

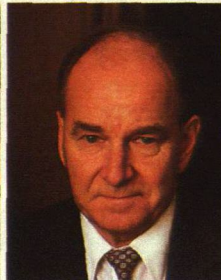
GROUP MANAGEMENT



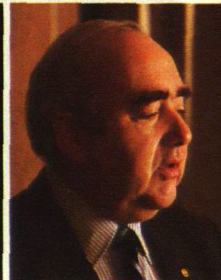
MICHAEL TRESCHOW BERTIL ERIKSSON OLOF SJÖSTRÖM TOM WACHTMEISTER PER WEJKE



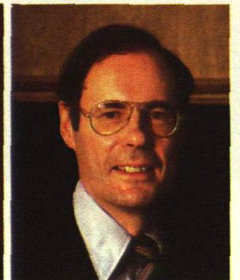
IWAN ÅKERMAN



EINAR LIWENDAHL



SVEN-INGVAR SVENSSON



BO EKLÖF

GROUP MANAGEMENT

Tom Wachtmeister (1931), President, Atlas Copco AB, employed since 1959.

Olof Sjöström (1940), Senior Executive Vice President, employed since 1980.

Iwan Åkerman (1923), Executive Vice President, employed since 1955.

Einar Liwendahl (1927), Executive Vice President, employed since 1953.

Sven-Ingvar Svensson (1932), Executive Vice President, employed since 1958.

Bertil Eriksson (1934), President, Atlas Copco Airpower n.v., employed 1959–1979, and since 1982.

Per Wejke (1937), President, Atlas Copco MCT AB, employed 1964–1970 and since 1980.

Michael Treschow (1943), President, Atlas Copco Tools AB, employed since 1975.

Bo Eklöf (1941), Administrative Director, employed since 1974.

ATLAS COPCO AB**GROUP STAFF, SENIOR VICE PRESIDENTS**

Communications and Public Affairs:	<i>Hans Johnsson</i>
Corporate Planning:	<i>Gunnar Ruding</i>
Economy:	<i>Jan Petersson</i>
Finance:	<i>Bo Jobansson</i>
Legal:	<i>Hans Sandberg</i>
Logistics:	<i>Patrick Gnosspeilius</i> , acting
Markets:	<i>Anders Björk</i>
Personnel:	<i>J-A Darlin</i>
Technique:	<i>Jan Holdo</i>

SPECIAL ADVISERS

Lennart Friberg
Bo Gyllenberg
Rolf Lahnbage
Ambassador Olof Landenius
Ambassador Lennart Petri

OTHER COMPANIES

ATLAS COPCO MANAGEMENT CONSULTING AB
Göran Lundborg, President

SERVICE STAFF

Administrative Development:	<i>Bertil Andersson</i>
Aqua Technique:	<i>Bo Verner</i>
Corporate Health Care:	<i>Sven Tänneryd</i>
Economy and Group Accounting:	<i>Hans Lindblad</i>
Office Administration:	<i>Karin Palm Karnell</i>
Organization Development:	<i>Leif Aadde</i>
Patents:	<i>Alexis Molin</i>
Physical Resources:	<i>Ulf Hernestam</i>
Public Relations (also Public Relations, Atlas Copco AB):	<i>Bengt Möller</i>
Special Projects:	<i>Bo Lemcke</i>
Standards:	<i>Jan Wenström</i>

ATLAS COPCO INTERNATIONAL AB
Erland von Redlich, President

ATLAS COPCO ABEM AB
Lars Helgöstm, President

ATLAS COPCO DATA AB
Rolf Jobansson, President

INSTITUT CERAC S.A., SWITZERLAND
Techn. Dr. Barry Edney, President

FIVE YEARS IN SUMMARY

SEK m. unless otherwise noted. For definitions, see page 23.

ATLAS COPCO GROUP

	1980	1981	1982*	1983	1984
Earnings per share, SEK	10.10	12.95	7.40	4.55	11.25
Profit margin, percent	7.1	7.6	4.3	2.9	6.3
Return on capital employed, before tax, percent	16.5	20.2	15.3	12.3	16.7
Return on risk-bearing equity capital, after tax, percent	9.8	12.2	6.2	3.4	10.5
Rate of risk-bearing equity capital, percent	38.9	37.0	38.4	38.3	37.3
Orders booked	6448	7651	7877	8277	9581
Invoiced sales	6227	7488	7924	8093	9100
Percent change, current prices	+ 17	+ 20	+ 6	+ 2	+ 12
Percent change in volume	+ 7	+ 5	- 8	- 10	+ 8
Sales outside Sweden, percent	91	91	92	91	92
Profit after financial income and expense	442	570	343	235	573
Net interest expense	249	370	418	305	284
As percent of invoiced sales	4.0	4.9	5.3	3.8	3.1
Interest coverage ratio	2.5	2.2	1.6	1.4	2.2
Return on shareholders' equity, after tax, percent	11.4	13.4	6.8	4.5	10.4
Earnings per share, after extraordinary items, SEK	10.10	13.25	6.85	-0.65	11.30
Ratio of assets to liabilities	1.6	1.6	1.6	1.6	1.6
Ratio of current assets to current liabilities	2.2	2.1	2.0	2.1	1.9
Capital turnover ratio	1.11	1.15	1.05	1.04	1.17
Ratio of interest-bearing liabilities to adjusted shareholders' equity**	1.25	1.30	1.25	1.19	1.13
Investments in machinery and buildings	231	342	287	175	311
As percent of invoiced sales	3.7	4.6	3.6	2.2	3.4
Average number of employees	18786	19538	18402	16974	16484
Invoiced sales per employee, SEK thousands	331	383	431	477	552

*Beginning in 1982, these figures are based on the current rate method.

**Shareholders' equity, minority interest and untaxed reserves with deduction for latent tax liability (50%).



Atlas Copco