Atlas Copco 1983

ATLAS COPCO AB
Mail address: S-105 23 Stockholm, Sweden
Head Office: Sickla Industriväg 3, Nacka (Stockholm)
Telephone: 08-743 80 00
Telex: 14090 copco s

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Cover illustrations
The tooth rotors in the oil-free ZT2 compressors require extreme precision in machining and assembly. The main reason is that compression is created by two rotors intermeshing without metallic contact. The tooth compressor extends downwards the capacity range of the oil-free rotary Z-series.
Hundreds of ZT2 compressors have already been installed in food and pharmaceutical industries, textile mills and electronics companies all over the world.

1983

Sales of the Atlas Copco Group increased 2 percent, to SEK 8 093 m., and order bookings rose 5 percent, to SEK 8 277 m.

Earnings amounted to SEK 253 m., equal to 3.1 percent of sales, (1982: SEK 353 m.).

The return on total capital employed within the Atlas Copco Group was 12.6 percent, (1982: 15.6 percent).

Investments in research and development amounted to SEK 225 m. (1982: SEK 195 m.).

Negotiations during the year with Linde AG, West Germany, resulted in early 1984 in a preliminary agreement on the acquisition of the latter's gas and process compressor division.

Atlas Copco Energy AB was formed at the end of the year.

The number of Group employees at year-end was 15 839, a decrease of 1 818.

The Board of Directors proposes a dividend of SEK 3.00 per share (1982: SEK 6.00)

The "GA 100," a new, compact oil-injected series of compressors for low-capacity applications, was named "Product of the Year" from Atlas Copco. The new series, introduced in the autumn, has already been sold to small companies and plants in more than 30 countries. Picture shows the new compressor being used to power compressed air stone-cutting tools in the old cathedral in Antwerp.

The ROC 812H hydraulic drill shown in operation in a lime quarry at the Ssang Yong Cement plant in Korea. The compressor is used for air-flushing of the drill hole.

BOARD OF DIRECTORS' REPORT ON 1983 OPERATIONS

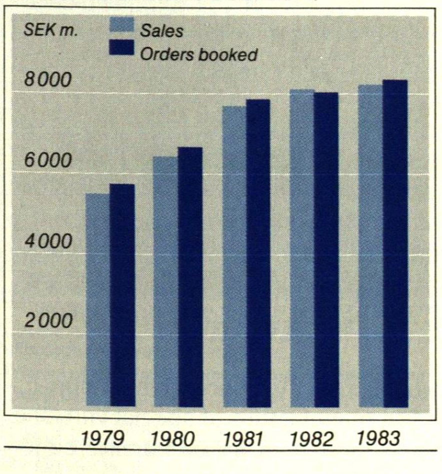
Amounts in SEK m., unless otherwise noted.

ATLAS COPCO GROUP

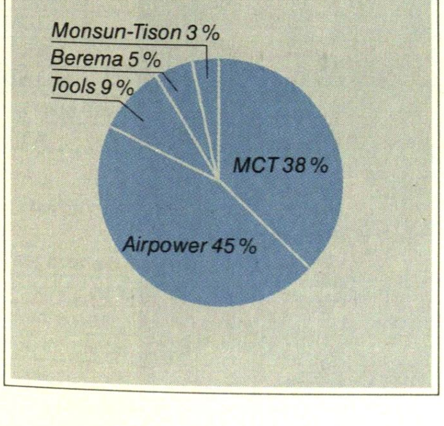
	1983	1982
Invoicing	8 093	7 924
Profit after financial items	253	353

	1983	1982
Order bookings	8 277	7 877
Increase in value, percent	+5	+3
Change in volume, percent	−7	−10

SALES AND ORDERS BOOKED



SALES BY DIVISION



Invoiced sales of the Atlas Copco Group in 1983 amounted to SEK 8 093 m. (1982: 7 924), an increase of 2 percent (6). The volume of goods invoiced decreased 10 percent (– 8). Markets outside Sweden accounted for 91 percent of the invoicing. Order bookings increased 5 percent (3), to SEK 8 277 m. (7 877), which represented a decrease of 7 percent (– 10) in volume.

Earnings of the Atlas Copco Group in 1983, after financial income and expense but before extraordinary items, appropriations and taxes amounted to SEK 253 m. (353), equal to 3.1 percent (4.5) of sales.

MARKET DEVELOPMENT

The investment climate in Atlas Copco's business areas continued to be restrained during 1983. Capital spending by industry in the Western world was low. As a consequence of large national budget deficits, most countries restricted public expenditures, with special impact on the building and construction market. Demand in the developing countries fell sharply, due to payment problems, among other factors.

The upswing in demand which had been expected to occur as early as the beginning of 1983 was not noticeable until the last quarter of the year, and then only in certain customer categories and countries.

Industrial production in the Western world turned upward during 1983. The increase was relatively strong in the United States and Japan but somewhat weaker in Western Europe. For Atlas Copco, this resulted in weak demand for standard equipment, while interest in such advanced products as assembly systems and oil-free compressors was higher.

The decline in the mining market slowed during the latter part of the year; as a result, the volume of sales of underground rigs and drill steel to mines was maintained. Thanks to major sales efforts, Atlas Copco succeeded in increasing its market shares.

Conditions in the building and construction market further deteriorated during 1983. The volume of Atlas Copco's sales of surface rigs, tunnel rigs, construction tools and portable compressors declined.

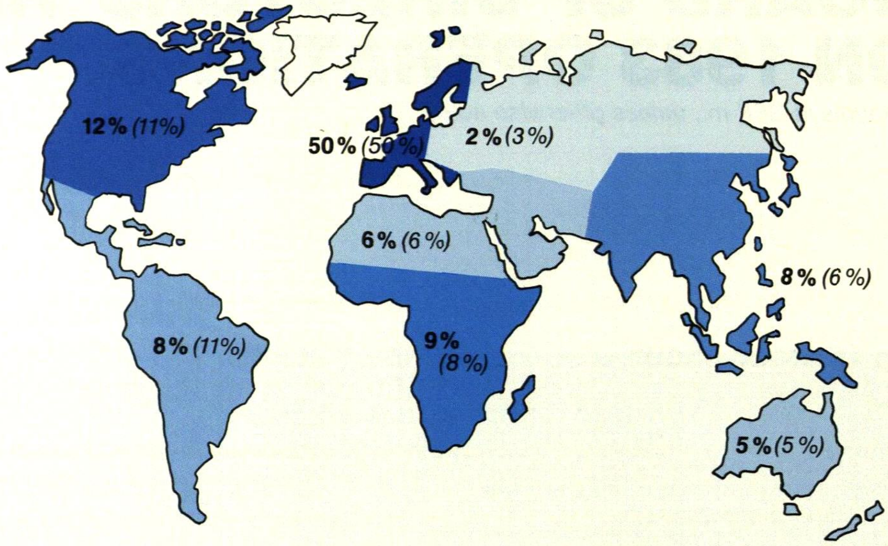
SALES COMPANIES

The sales companies in Western Europe, which account for half of the Group's invoicing, took advantage of the opportunity to increase their market shares in the severe competitive situation. The companies in Switzerland, Spain and Great Britain were especially successful and recorded good increases in the volume of their orders. The companies in Belgium, The Netherlands and Austria were among others in Western Europe that held their own well. The weak economy in Portugal contributed to the problems of the company in that country.

Outside Europe, the sales companies in Australia, India and South Africa did well, while the companies in Brazil, Mexico and Venezuela lost volume due to the major economic problems in those countries.

Atlas Copco International AB, whose most important markets are in the Eastern countries, the Middle East and Africa, recorded a decrease in volume. Payment problems in many countries in these areas contributed to the difficult marketing climate.

ATLAS COPCO GROUP



GEOGRAPHIC DISTRIBUTION OF SALES 1983 (1982)

Group President Tom Wachtmeister and Board Chairman Peter Wallenberg participated in the conference arranged aboard HMY Britannia at the end of May. During the conference leading British and Swedish businessmen and bankers discussed the possibilities of commercial cooperation in countries other than Great Britain and Sweden.

OTHER OPERATIONS

Atlas Copco Management Consulting AB is a commercial consulting company which sells its services primarily within the Atlas Copco Group. This new company has carried out a program to improve the efficiency of such Group central service areas as standards, patents, information and others. The company has responsibility for administrative development within the Group. The comprehensive program involving automatic data processing technology continued during the year.

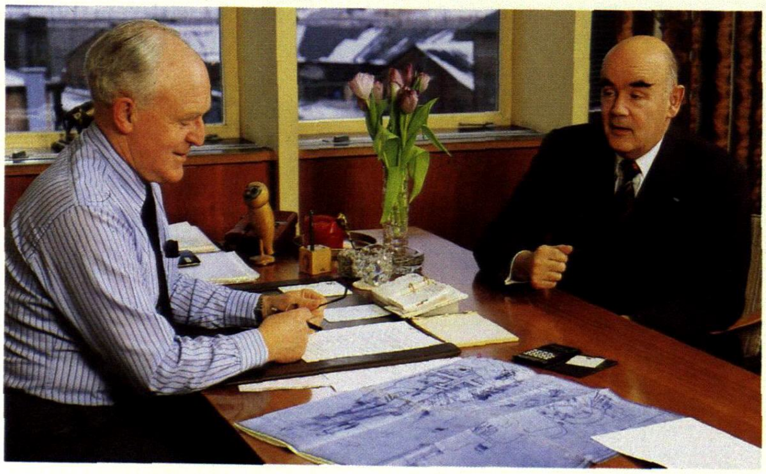
Atlas Copco ABEM AB develops, manufactures and sells electronic products for geophysical measurements, as well as industrial measurement and control systems. ABEM rationalized its organization and product program during the year.

Atlas Copco Data AB is the Group's center of competence for automatic data processing technology and is responsible for the computer operations of companies in Sweden and Norway.

STRUCTURAL CHANGES

Atlas Copco Energy AB, a subsidiary of Berema AB, was established at the end of the year. The company's areas of operation comprise the marketing of heat energy systems, related system solutions and well-drilling machinery. It has acquired Cinab Energi AB's heat pump business and Well Drill Systems AB, Gothenburg, which manufactures light equipment for well-drilling and water pumps. Atlas Copco Energy is starting with annual sales of approximately SEK 75 m.

A decision was made to phase out the production of "E" Series piston compressors in Nacka during 1984 and 1985. The manufacture of special versions of these compressors for the gas and process industries will be transferred to the Saarbrücken plant in West Germany.

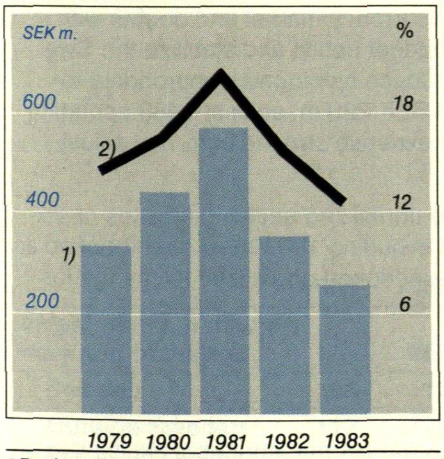


Berema's president, Lars Åsell, (left), discusses operations in Atlas Copco Energy, the newly formed company, with the latter's president, Per Gunnar Skoglundh.

A preliminary agreement has been reached with Linde AG, Cologne, West Germany, covering the purchase of the latter's division for gas and process compressors. This business comprises the manufacture and sale of expansion turbines, centrifugal and piston-type gas compressors and compressed air tools. The operation, in which 760 persons are currently employed, has annual sales of approximately SEK 300 m. The agreement is subject to approval by the West German authorities.

	1983	1982
Income as a percentage of invoiced sales	**3.1**	**4.5**
Percent return on total capital employed	**12.6**	**15.6**

EARNINGS AND RETURN



1) Earnings after financial items, SEK m.
2) Return on total capital employed, percent (definitions see p 20).

EARNINGS AND RETURN BY DIVISION

	Earnings (SEK m.)		Return (percent)	
	1983	1982	1983	1982
Airpower	196	183	16	17
MCT	– 24	114	7	14
Tools	20	17	13	12
Berema	48	38	21	21
Monsun-Tison	13	1	13	7
Total	253	353	13	16

EARNINGS BY QUARTER

	1983	1982
First quarter	71	155
Second quarter	77	94
Third quarter	7	– 46
Fourth quarter	98	150
Total	253	353

EARNINGS

Group earnings, after financial income and expense but before extraordinary items, appropriations and taxes, amounted to SEK 253 m. (353), equal to 3.1 percent (4.5) of sales. Earnings per share in 1983 was SEK 4.90 (7.65).

Return on total capital, excluding non-interest-bearing current liabilities, amounted to 12.6 percent (15.6).

The program initiated in 1982 to adapt the Group's plants and sales organization to a lower volume of sales continued during 1983. As a result of the unsatisfactory sales volume during the year, there was low utilization of the Group's resources. Thanks to the steps that were taken, earnings during the second half of the year were maintained at the same level as during the corresponding period in the preceding year. Approximately SEK 75 m. of the reduction in earnings was attributable to lower utilization of Group plants. Certain factories operated three- and four-day work weeks during parts of the year.

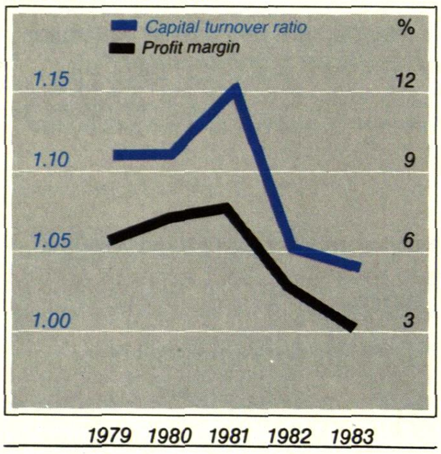
With the exception of Atlas Copco MCT, all divisions showed improved earnings. The Airpower and Tools Divisions had slightly higher earnings despite lower volumes of sales. Monsun-Tison and Berema recorded striking improvements in earnings.

Operating results in the MCT Division deteriorated sharply and the Division showed a loss of SEK 24 m. before extraordinary items and appropriations. The international building and construction market decreased for the second year in a row at the same time that the mining market continued to be weak. Despite its higher market shares, the Division experienced a large decline in volume, which had a negative impact on operating results. The explanation for the poor operating results also lies in losses in the Jarva unit in the United States; this unit was hit particularly hard by the weak market for tunnel boring machines, as well as by large charges for scrappings.

The total market for Atlas Copco's products shrank drastically during the year, affecting earnings of the sales companies. This was particularly true of the companies in Portugal and France. Outside Europe, the companies in Brazil, Venezuela and Zambia were notably those which reported lower operating results. The sales company in Mexico, which experienced large exchange losses and a weak market in 1982, was again able to show a profit. Among the European sales companies, those in Belgium, Switzerland and Great Britain, among others, had higher earnings. The companies in South Africa, the United States and Canada had marked increases in operating results.

The continued rationalization work resulted in the closing down or restructuring of many production units. The costs of these steps, amounting to SEK 20 m. (90), are nonrecurring in nature and have been treated as extraordinary items. The reduction in personnel in both the sales companies and the divisions involved large costs which have been charged to operating income for the year in an amount of approximately SEK 50 m.

CAPITAL TURNOVER RATIO AND PROFIT MARGIN



Net interest expense declined by SEK 112 m., to SEK 306 m., equal to 3.8 percent (5.3) of sales. The improvement was achieved, among other means, by reducing the amount of capital tied up in inventories, trade receivables and buildings. The cash proceeds of the special 1982 issue of shares subscribed by AB Volvo, as well as lower international interest rates, also contributed to lower interest expense. The average interest rate on loans paid by the Group declined from 16.3 percent in 1982 to 14.3 percent in the past year.

The improvement in interest expense was offset by sharply higher exchange losses which were caused primarily by the continued strong rise of the U.S. dollar and losses on devaluations in Brazil and other countries.

In recent years the Group has cycled unrealized exchange losses on foreign loans received by the Parent Company. Following a charge of SEK 74 m. (93) against earnings in 1983, representing the portion attributable to that year, remaining unrealized exchange losses amount to SEK 220 m. Offsetting these exchange losses is a currency adjustment reserve of SEK 43 m. established earlier.

In view of the prevailing uncertainty in the currency market and doubts with respect to Sweden's ability to reduce its budget deficit and stabilize the Swedish krona vis-a-vis the U.S. dollar, Atlas Copco has found it appropriate to charge the unrealized exchange losses of SEK 220 m. against 1983 operating results. This is shown as an extraordinary expense and the currency adjustment reserve has been liquidated.

In the Parent Company, however, only the unrealized exchange losses of SEK 77 m. relating to loans maturing up to and including 1987 have been booked as an extraordinary expense. The remaining unbooked unrealized exchange losses in the Parent Company amount to SEK 89 m.

	1983	1982
Net financial expense	405	453
Degree of self-financing, %	118*	90
Rate of risk-bearing equity capital, %	36.7	37.7

** Excl. extraordinary exchange losses*

FINANCING

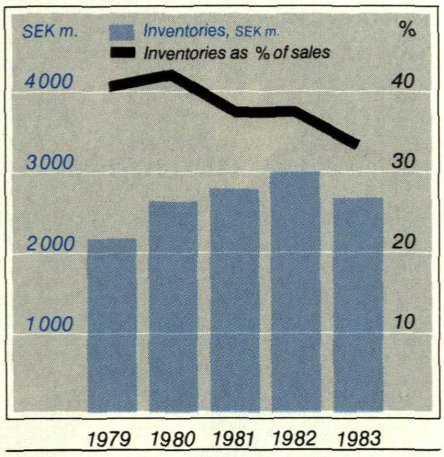
Major efforts were made during the year to reduce the amount of capital tied up in inventories, trade receivables and fixed assets, and thereby permit a reduction in the amount of interest-bearing loans.

The capital thereby released also covered the Group's total financing requirements, amounting to SEK 188 m. (381), for investments in fixed assets. Of this amount, SEK 175 m. (287) pertained to investments in buildings, machinery and equipment; SEK 9 m. to shares and participations, and SEK 4 m. to goodwill acquired.

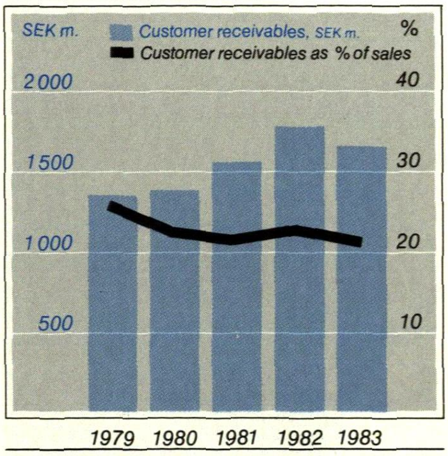
Trade receivables and notes receivable decreased by SEK 116 m. (increase 183), to SEK 1 666 m., equal to 21 percent (22) of sales. Inventories decreased by SEK 313 m. during the year (increase 194), to SEK 2 698 m., equal to 33 percent (38) of sales. The Group's liquid funds declined, due primarily to the amortization of Parent Company loans, and amounted at year-end to SEK 918 m. (1 141). The liquidity reserve, expressed in terms of credits granted but not utilized in Swedish and foreign banks, was SEK 1 984 m. (1 653).

The reduction in tied-up capital made possible the repayment of both short- and long-term loans. Interest-bearing loans were reduced in a total amount of SEK 180 m., after giving effect to changes in exchange rates during the year, and to the charged extraordinary exchange losses. Because of the international character of its business, the currency exposure of the Atlas Copco Group is

INVENTORIES



CUSTOMER RECEIVABLES



highly diversified. However, the trend of exchange rates for the U.S. dollar and the Swiss franc are particularly important because of the Parent Company's borrowings in these currencies.

To reduce the Group's sensitivity to changes in exchange rates as well as to changes in international interest rates, portions of the long-term U.S. dollar loans were converted to another currency during the year.

Risk-bearing equity capital at year-end amounted to 36.7 percent (37.7) of total capital.

To facilitate the trading in Atlas Copco's shares by investors in the United States, a so-called ADR program has been worked out in cooperation with an American bank. Under the ADR (American Depositary Receipts) program, Swedish shares are deposited in Sweden for the account of foreign investors, in exchange for certificates in which the trading occurs.

A wholly owned reinsurance company, Atlas Copco Reinsurance S.A., Luxemburg, was established with a view to reducing the Group's insurance costs.

INVESTMENTS

Investments in buildings and machinery amounted to SEK 120 m. (186) in the production sector and to SEK 55 m. (101) in marketing operations. Modernization of factories, warehouses and offices continued. As in most recent years, a large part of the investments were for automatic data processing equipment and related software.

The new building for Atlas Copco Data, Nacka, was placed in service on schedule, as was the computer building at Atlas Copco Airpower in Antwerp.

A new facility with headquarters and workshops is under construction in Portugal, for occupancy during the first half of 1984.

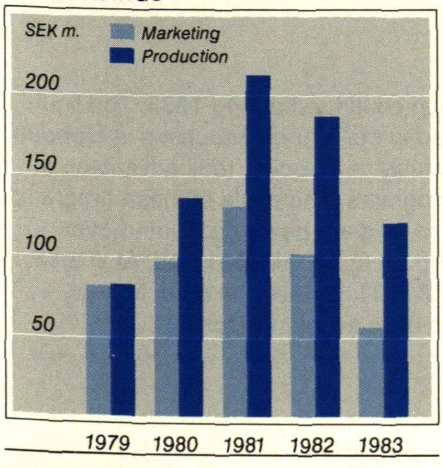
The plant and land formerly leased by Atlas Copco (Manufacturing) Ltd in Great Britain was purchased during the year at a favorable price.

A number of buildings were sold during the year in connection with the rationalization program and in order to reduce the amount of tied-up capital. The factory buildings of the Injector Works in Sweden, Copco Nueva Montana in Spain, and parts of the factory properties in Holyoke, Massachusetts (U.S.), among others, were sold.

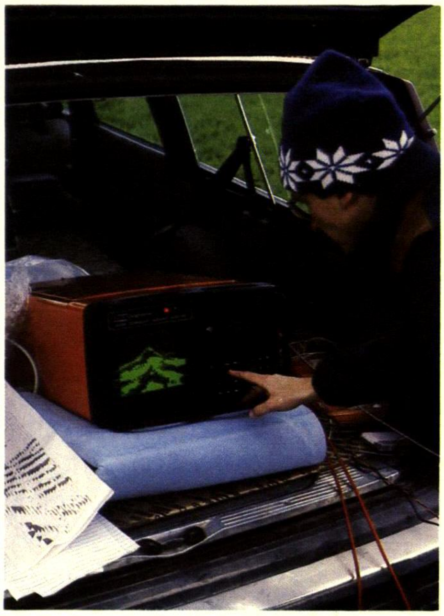
The total amount received for the buildings sold was SEK 57 m.

	1983	1982
Investments in machinery and buildings	**175**	**287**
Sweden	**58**	**112**
Outside Sweden	**117**	**175**
Total, as percent of invoiced sales	**2.2**	**3.6**

INVESTMENTS IN MACHINERY AND BUILDINGS



ATLAS COPCO GROUP



During the year ABEM introduced Terraloc, a new computerized instrument system for ground investigation. The new instrument can provide precise measurements of the depth to, and the quality of the bedrock, among other functions.

Two Atlas Copco employees, Bo Skogberg (left) and Vigg Romell, were honored December 7 in connection with the Golden Cogwheel Awards. They received a silver plaque and honorary mention for their work on the Swellex ground reinforcement system. Ericsson's chief executive officer, Björn Svedberg, and SE-Banken's board chairman, Curt G Olsson, congratulate the pair.

	1983	1982
Number of employees in direct R & D work	770	750
Investments in direct R & D work	225	195

RESEARCH AND DEVELOPMENT

Research and development was increasingly concentrated on new areas of technology and new markets.

The long-term accumulation of knowledge, notably in the Company's Cerac research institute in Switzerland, was focused on specific technical areas. Studies of materials under conditions of wear and controlled cooling of metals were among those undertaken. The recovery of geothermic energy was another new field investigated during the year. Atlas Copco participated in a district heating project in southern Sweden, in connection with the drilling of deep geothermic holes.

Product development, which is carried out in the divisions, resulted during the year in the introduction of a number of advanced products, which increasingly incorporate electronics. Products launched included a computerized riveting robot with programmed feed and a laser-based control system, new electronic control systems for compressors, rpm-controls for raise boring machines, and microcomputer-equipped geophysical instruments.

A completely new ground reinforcement method based on "swelling" technology attracted considerable attention. The method is being tested under difficult conditions in central Stockholm, among other locations.

A major facility for computer-aided design and manufacturing (CAD/CAM) was installed in the Nacka area, Stockholm.

	1983	1982
Number of employees	16 974	18 402
Head office	64	73
Sales companies	8 895	9 569
Divisions	8 015	8 760

PERSONNEL

The restructuring of the Atlas Copco Group continued during 1983. The liquidation and merger of various units resulted in personnel reductions in Sweden and other countries. Many employees, notably in Sweden, took advantage of early retirement or part-time retirement programs. The costs of these programs in the Swedish units amounted to SEK 37 m. and are being distributed over five years. Some were also offered training for more qualified jobs. At year-end, the Group had 15 839 employees (17 657). Of the total reduction amounting to 1 818 persons, the Swedish units accounted for 397.

PARENT COMPANY

Salaries, other remuneration, Parent Company:	1983	1982
Directors and senior executives (incl. bonus payments of 1.3 (1.7))	4.4	4.8
Other employees	60.6	60.7
Total	65.0	65.5

Salaries, wages and other remuneration, Atlas Copco Group:	1983	1982
Directors and senior executives	49.8	41.9
Other employees	1 727.8	1 681.6
Total	1 777.6	1 723.5

EARNINGS

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

Atlas Copco Management Consulting AB sells its services within the Group. Its invoicing amounted to SEK 74 m. Atlas Copco International AB, which is responsible for marketing in countries where the Group does not have its own sales companies, had invoicing of SEK 496 m. (524). Earnings declined.

Losses on foreign exchange totaled SEK 65 m. (loss 39). Unrealized exchange losses of SEK 60 m. (87) on long-term loans in foreign currency were charged against earnings for the year. The remaining unrealized exchange losses amounted to SEK 209 m. (234), of which SEK 43 m. was allocated to a currency adjustment reserve in prior years. Of the unrealized exchange losses, the portion, SEK 77 m., which pertains to loans maturing up to and including 1987 has been charged against earnings as an extraordinary expense. As in the preceding year, the balance has been cycled over the remaining terms of the loans.

Interest income from liquid funds and short-term investments increased by SEK 29 m., to SEK 129 m. as a consequence of the higher average liquidity.

Dividends from subsidiaries amounted to SEK 128 m. (109). Swedish subsidiaries contributed no dividends in 1983, as against SEK 6 m. in 1982.

FINANCING

Cash, bank deposits and other short-term investments decreased to SEK 556 m. (829). Increases in share capital were effected in Atlas Copco Deutschland GmbH and Berema AB, among other companies.

The book value of the shares in Terratest SA, Spain, and in certain other companies was written down, while the book value of the shares in Atlas Copco Benelux b v and Atlas Copco UK Holdings Ltd was increased in a corresponding amount.

The average number of employees in the Parent Company during the year was 64 (73), in Atlas Copco Management Consulting AB, 186 (188), and in Atlas Copco International AB, 136 (141). All of these companies are located in Nacka, Stockholm.

DIVIDEND AND FORECAST

The Board of Directors proposes that the dividend be reduced to SEK 3.00 (6.00) per share. This will strengthen the Company's financial base for the ongoing process of change and for future aggressive development initiatives.

An improvement in the industrial economy is expected during 1984. This should in turn lead to increased investments in customer areas that are important to Atlas Copco, and to increased demand for Group products.

Increased market shares and continuing rationalization measures should lead to improved utilization of the Group's resources and, consequently, to improved earnings for 1984.

CONSOLIDATED INCOME STATEMENT

Amounts in SEK m.

		1983	1982
Invoiced sales		8 092.7	7 923.9
	Cost of goods sold, technical development, sales, administration, etc. (NOTE 1)	–7 282.8	–6 963.0
Operating profit before depreciation		809.9	960.9
Cost depreciation (NOTE 2)	Goodwill	– 12.3	– 24.7
	Machinery and equipment	– 108.2	– 93.6
	Buildings	– 30.9	– 37.0
Operating profit after depreciation		658.5	805.6
Financial income and expense	Interest received	227.6	174.5
	Interest paid (NOTE 3)	– 532.8	– 591.3
	Dividends received	6.6	0.7
	Foreign exchange differences (NOTE 4)	– 106.6	– 36.5
Profit after financial income and expense		253.3	353.0
	Extraordinary income and expense (NOTE 5)	– 243.5	– 22.6
Profit before appropriations and taxes		9.8	330.4
Appropriations	General inventory reserves	135.2	80.4
	Investment reserves	– 5.8	– 4.1
	Special investment reserves	– 21.0	–
	Other reserves	– 11.2	– 13.2
	Difference between book depreciation and cost depreciation (NOTE 18)	– 39.3	– 11.1
	Accumulated additional depreciation on fixed assets sold	12.3	4.1
	Utilization of work environment, compulsory investment and investment reserves	42.6	6.5
	Reserve for exchange losses	43.0	–
Profit before taxes		165.6	393.0
Taxes (NOTE 6)		– 151.5	– 175.2
Minority interest		– 11.4	– 16.6
NET PROFIT		2.7	201.2

CONSOLIDATED BALANCE SHEET

Amounts in SEK m.

ASSETS			Dec. 31 1983		Dec. 31 1982
Current assets	Cash, bank and short-term investments (NOTE 7)	918.0		1 140.6	
	Receivables (NOTE 8)	2 183.9		2 162.7	
	Inventories (NOTE 9)	2 697.6	5 799.5	3 011.2	6 314.5
Fixed assets	Shares and participations (NOTE 10)	116.6		114.7	
	Goodwill (NOTE 11)	8.5		16.7	
	Long-term receivables	245.6		249.5	
	Construction work in progress	26.1		45.5	
	Machinery and equipment (NOTE 12)	492.9		511.2	
	Buildings (NOTE 13)	640.3		625.2	
	Land (NOTE 14)	140.5	1 670.5	144.0	1 706.8
TOTAL ASSETS			7 470.0		8 021.3

LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities	*Interest-bearing liabilities*				
	Bank loans and notes payable	1 045.4		1 403.8	
	Current portion of long-term liabilities	198.3		264.2	
	Other short-term liabilities	57.9		–	
	Non-interest-bearing liabilities				
	Notes payable	139.8		195.2	
	Suppliers	503.1		451.7	
	Provision for taxes	100.9		108.0	
	Accrued expenses and prepaid income	274.9		290.0	
	Other short-term liabilities	441.0	2 761.3	493.1	3 206.0
Long-term liabilities	*Interest-bearing liabilities*				
	Debenture and bond loans (NOTE 15)	354.8		249.8	
	Mortgage and other long-term loans (NOTE 15)	1 042.3		994.3	
	Provision for pensions (NOTE 16)	481.7		448.6	
	Non-interest-bearing liabilities				
	Other long-term liabilities	89.6	1 968.4	98.3	1 791.0
TOTAL LIABILITIES			4 729.7		4 997.0
Untaxed reserves	General inventory reserves (NOTE 17)	176.5		311.7	
	Accumulated additional depreciation (NOTE 18)	252.5		225.5	
	Investment reserves (NOTE 19)	22.8		20.5	
	Special investment reserves (NOTE 20)	21.0		1.7	
	Compulsory investment reserves (NOTE 21)	–		37.4	
	Reserve for exchange losses	–		43.0	
	Other reserves	24.4	497.2	13.2	653.0
Minority interest			112.0		102.1
Shareholders' equity	*Restricted equity*				
	Share capital (PAGE 50)	586.5		586.5	
	Restricted reserves (NOTE 22)	1 183.0	1 769.5	1 108.6	1 695.1
	Unrestricted equity				
	Retained earnings (NOTE 23)	358.9		372.9	
	Net profit for the year	2.7	361.6	201.2	574.1
TOTAL SHAREHOLDERS' EQUITY			2 131.1		2 269.2
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			7 470.0		8 021.3

		1983	1982
Assets pledged (NOTE 24)		674.7	707.8
Contingent liabilities (NOTE 25)	Notes discounted	134.9	193.8
	Other contingent liabilities	445.4	531.8

STATEMENTS OF CHANGES IN FINANCIAL POSITION

Amounts in SEK m.

		GROUP		ATLAS COPCO AB	
		1983	1982	1983	1982
SOURCE OF FUNDS					
	Internal funds supplied*	– 14.4	258.4	80.6	113.1
	Sales of fixed assets	86.0	268.8	10.2	180.9
	Decrease in long-term receivables	3.9	–	–	–
	Increase in interest-bearing liabilities	–	350.7	–	69.1
	Directed issue of new shares	–	373.3	–	373.3
	Minority interest in shareholders' equity	9.9	18.0	–	–
TOTAL FUNDS SUPPLIED		85.4	1 269.2	90.8	736.4
APPLICATION OF FUNDS	Investment in property, plant and equipment	174.7	287.0	7.9	33.2
	Investments in shares and participations	8.8	86.1	38.2	196.2
	Goodwill acquired	4.1	8.1	–	–
	Increase in long-term receivables	–	180.4	30.3	204.1
	Decrease in interest-bearing liabilities	180.3	–	111.4	–
	Reserves transferred to subsidiaries	–	–	–	0.3
	Dividend from Parent Company	140.8	124.2	140.8	124.2
	Dividend to minority interests in subsidiaries	4.7	2.8	–	–
TOTAL FUNDS APPLIED		513.4	688.6	328.6	558.0
CHANGE IN WORKING CAPITAL		–428.0	+580.6	–237.8	+178.4
	Change in inventories	–313.6	+194.9	+ 2.1	– 29.0
	Change in short-term receivables	+ 21.2	+208.7	+ 53.3	– 93.9
	Change in non-interest-bearing liabilities	+ 87.0	–189.0	– 20.4	– 7.4
	Change in liquid funds	–222.6	+366.0	–272.8	+308.7
TOTAL CHANGE		–428.0	+580.6	–237.8	+178.4

***) Internal funds supplied**

		Group 1983	Group 1982	Atlas Copco AB 1983	Atlas Copco AB 1982
	Profit before appropriations and taxes	9.8	330.4	– 21.1	45.4
	Depreciation	151.4	155.3	5.6	7.3
	Capital gain/loss on fixed assets sold	– 12.7	– 67.3	– 4.0	– 67.3
	Intra-group transfers	–	–	113.1	108.3
	Taxes	–151.5	–175.2	– 13.0	– 1.5
	Minority interest in profit	– 11.4	– 16.6	–	–
	Withdrawals from blocked accounts	–	31.8	–	20.9
		– 14.4	258.4	80.6	113.1

INCOME STATEMENT

Amounts in SEK m.

		1983	1982
Operating income	Invoiced sales	570.3	523.8
	Commissions etc. from subsidiaries	90.5	128.6
Operating expense	Cost of goods sold, technical development, sales, administration, etc.	−661.8	−705.4
Operating profit before depreciation		− 1.0	− 53.0
Cost depreciation (NOTE 2)	Machinery and equipment	− 3.8	− 3.4
	Buildings	− 1.8	− 3.9
Operating profit after depreciation		− 6.6	− 60.3
Financial income and expense	Dividends received from subsidiaries	128.3	109.1
	Interest received from subsidiaries, net	9.1	24.9
	Interest received (excluding subsidiaries)	129.0	100.1
	Interest paid (excluding subsidiaries)	−149.1	−157.9
	Dividends received (excluding subsidiaries)	6.1	0.7
	Foreign exchange differences (NOTE 4)	− 65.1	− 38.5
Profit after financial income and expense		51.7	− 21.9
	Extraordinary income and expense (NOTE 5)	− 72.8	67.3
Profit before appropriations and taxes		− 21.1	45.4
Appropriations	Special investment reserve	− 19.6	–
	Difference between book depreciation and cost depreciation (NOTE 18)	− 37.3	− 2.1
	Accumulated additional depreciation on fixed assets sold	–	1.6
	Utilization of work environment, compulsory investment and special investment reserve	37.4	1.9
	Write-down of new investment corresponding to government subsidy	− 0.7	–
	Intra-group transfers	113.1	108.3
Profit before taxes		71.8	155.1
Taxes (NOTE 6)		− 13.0	− 1.5
NET PROFIT		58.8	153.6

BALANCE SHEET

ATLAS COPCO AB

Amounts in SEK m.

ASSETS		Dec. 31 1983		Dec. 31 1982	
Current assets	Cash, bank and short-term investments (NOTE 7)	556.0		828.8	
	Receivables (NOTE 8)	529.0		475.7	
	Inventories	36.8	1 121.8	34.7	1 339.2
Fixed assets	Shares and participations in subsidiaries (PAGE 26)	838.1		803.1	
	Shares and participations (excluding subsidiaries) (NOTE 10) (PAGE 26)	106.7		110.4	
	Long-term receivables from subsidiaries	104.5		69.8	
	Other long-term receivables	216.4		220.8	
	Construction work in progress	–		35.0	
	Machinery and equipment (NOTE 12)	17.6		13.4	
	Buildings (NOTE 13)	79.3		46.2	
	Land (NOTE 14)	24.6	1 387.2	23.9	1 322.6
TOTAL ASSETS			2 509.0		2 661.8

LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities	*Interest-bearing liabilities*				
	Liabilities to subsidiaries	137.2		210.6	
	Current portion of long-term liabilities	48.2		167.5	
	Advances from customers	2.4		31.2	
	Non-interest-bearing liabilities				
	Suppliers	9.9		11.6	
	Provision for taxes	–		2.2	
	Accrued expenses and prepaid income	30.3		53.3	
	Other current liabilities	64.0	292.0	16.7	493.1
Long-term liabilities	*Interest-bearing liabilities*				
	Debenture and bond loans (NOTE 15)	241.2		249.8	
	Mortgage and other long-term loans (NOTE 15)	387.9		280.6	
	Provision for pensions, PRI	123.9		112.2	
	Provision for pensions, other	12.9	765.9	13.2	655.8
TOTAL LIABILITIES			1 057.9		1 148.9
Untaxed reserves	Accumulated additional depreciation (NOTE 18)	45.9		7.9	
	Special investment reserve (NOTE 20)	19.6		–	
	Compulsory investment reserve (NOTE 21)	–		37.4	
	Reserve for exchange losses	43.0	108.5	43.0	88.3
Shareholders' equity	*Restricted equity*				
	Share capital (23 460 500 shares, par SEK 25)	586.5		586.5	
	Legal reserve (NOTE 22)	597.1	1 183.6	530.5	1 117.0
	Unrestricted equity				
	Retained earnings (NOTE 23)	100.2		154.0	
	Net profit for the year	58.8	159.0	153.6	307.6
TOTAL SHAREHOLDERS' EQUITY			1 342.6		1 424.6
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			2 509.0		2 661.8
Assets pledged (NOTE 24)			108.1		108.1
Contingent liabilities (NOTE 25)	Guarantees and other liabilities, of which 614.4 (596.1) on behalf of subsidiaries		768.7		778.8
	Capital value of pension obligations		49.7		45.2

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 headquarters – Shares and participations in subsidiaries, percentage of ownership and ownership between companies.	Cover, page 2 Shares and participations, page 26
Geographical areas in which operations are carried out and the principal activities conducted there.	Introduction to sections on the divisions, page 31, 35, 39, 42 and 44
Sales by geographical area	Board of Directors' report, map page 4
Capital investments, by geographical area and by marketing/ production sector.	Board of Directors'report, table and diagram, page 7
Statement of changes in financial position for the Atlas Copco Group.	Page 12
Research and development costs for company as a whole.	Board of Directors' report, table on page 7 and Note 1, page 20
Principles applied in transfer pricing.	Note 9, page 22
Principles also applied, with respect to consolidated accounting.	Notes, page 15

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 19. 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

Atlas Copco applies the monetary-nonmonetary method in translating the accounts of foreign subsidiaries. The purpose is to present Group accounts as if the subsidiaries were domiciled in the country of the Parent Company.

In accordance with this 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 balance sheet items – monetary items – are translated at 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 of foreign subsidiaries have been included in the inome statement.

In the balance sheets and income statements of the individual companies, receivables and liabilities in currencies other than those of the host country have been translated in accordance with the lowest/highest-value principle. Thus receivables have been translated at the lower of cost and year-end exchange rates, while liabilities have been translated at the higher of these rates. However, this does not apply in the Parent Company, where unrealized exchange losses on foreign loans have been cycled in a certain manner. (See Note 4.) In the consolidated balance sheet and income statement, however, all loans have been stated at year-end exchange rates.

In 1981 a new standard for translating the accounts of subsidiaries was adopted in the United States. This was followed in July, 1983, by IAS 21, a recommendation of the International Accounting Standards Committee which coincides with the U.S. directive in all essential respects. These directives will

NOTES TO FINANCIAL STATEMENTS

affect Swedish accounting practice. They embody a changed view of subsidiaries from an accounting standpoint and a number of Swedish companies have already chosen to use versions of the so-called current rate method.

With the current rate method, a company states the accounts of subsidiaries as if they were independent units whose operations are conducted in a foreign currency, and in which the parent company has a net investment. All assets and liabilities in subsidiaries' balance sheets are translated at year-end rates, and all items in the income statement are translated at average exchange rates for the year.

However, the accounts of subsidiaries in so-called high-inflation countries are not translated in the manner stated above, but in accordance with the monetary-nonmonetary method.

The translation differences which arise are simply an effect 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.

If Atlas Copco had applied the current-rate method in 1983, the Group accounts would have been affected in the following manner:

- Profit after financial items would have been SEK 14 m. lower, due mainly to higher depreciation in connection with translations to current rates.
- Fixed assets would have increased in value by SEK 195 m. The increase is attributable mainly to a higher valuation of machinery and buildings when year-end exchange rates are used.
- Shareholders' equity would have been stated in a correspondingly higher amount, of which SEK 30 m. is attributable to a changed valuation of the Group's total net investment outside Sweden. This change is wholly due to this year's changes in exchange rates.

Since it is not yet clear, with respect to many points, how the current-rate method should be applied in a practical way to Swedish companies, and since a recommendation regarding the translation of foreign subsidiaries' accounts is expected from the Swedish Association of Authorized Public Accountants (FAR) during 1984, Atlas Copco has chosen to prepare its 1983 accounts in conformity with the method applied earlier.

APPROPRIATIONS

Tax legislation in Sweden and certain other countries gives companies the opportunity to strengthen their financial position through tax-deductible allocations to untaxed reserves. By utilizing these regulations, companies may retain profit in the business without such profit being taxed. Dividends cannot be paid out from untaxed reserves created through use of this procedure. The transfers to, and withdrawals from, such reserves and funds during the year are reported under "Appropriations" in the income statement. In the balance sheet, the accumulated value of the allocations is reported under "Untaxed reserves."

These reserves do not become subject to taxation until they are liquidated. If a company has incurred losses, some untaxed reserves may be used to cover the losses without application of the effective tax. The total amount of the untaxed reserves may thus be considered to be risk capital since potential losses can, to a large extent, be covered by liquidating the untaxed reserves.

INTRA-GROUP TRANSFERS

A transfer of profit in the form of a group contribution may be made, under certain conditions, between Swedish companies within the same group. The contribution is a deductible expense for the donor and taxable income for the recipient.

CURRENT COST ACCOUNTING 1983

One result of the high level of inflation that has been experienced since the mid-1970s 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 accounting. 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. As current cost accounting to a relatively large extent is based on estimations, it cannot meet the same demand for exactness as traditional accounting.

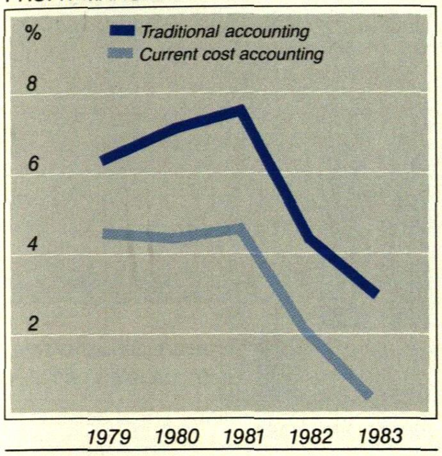
Where the valuation of assets is concerned, accounting based on current-cost is characterized by the fact that historical cost is abandoned in favor of other bases for evaluation such as replacement cost.

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.

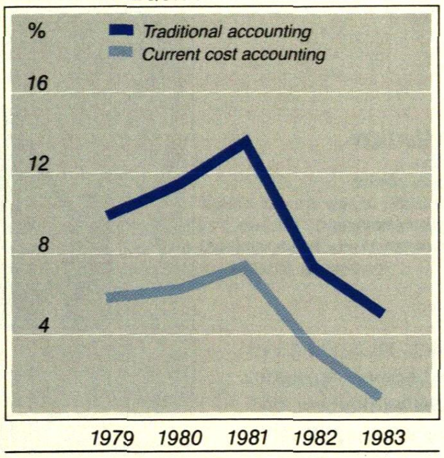
Current cost accounting, instead, is based on translating equity capital to units with equivalent purchasing power. A profit is considered to have arisen only if the equity capital has increased more than is required to maintain its purchasing power. The consumer price index, for example, can then be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

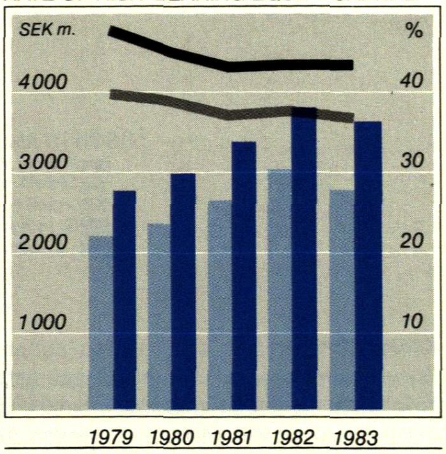
PROFIT MARGIN



RETURN ON EQUITY



RATE OF RISK-BEARING EQUITY CAPITAL



Rate of risk-bearing equity capital, traditional accounting, %
Rate of risk-bearing equity capital, current cost accounting, %
Risk-bearing equity capital, traditional accounting
Risk-bearing equity capital, current cost accounting

- ☐ 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.

Atlas Copco earlier choose to show a partially adjusted income statement. 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.

Atlas Copco has chosen to use one of the models presented by the Swedish Association of Authorized Public Accountants (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 1983 amounted to SEK 363 m. (1982: 491).

This income figure is SEK 296 m. (315) 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. Today, these goods are estimated to cost SEK 145 m. (189) more to purchase than they did at date of procurement. Income has also been charged with current cost depreciation that is SEK 151 m. (126) 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.

Atlas Copco's current cost-based income before financial items was SEK 729 m. (880).

Price increases of SEK 134 m. (210) occurred on products in inventory and the Company's fixed assets increased in value by SEK 232 m. (179). Of this increase, SEK 38 m. (7) is attributable to holding gains on shares.

The price increases on inventory amounted to 4.6 percent of the average inventory during the year, compared with 7.1 percent in the preceding year. This is a consequence of the depressed market for Atlas Copco's products during the year.

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 inflation-adjusted accounting is an adjustment of the equity capital. To consider that the purchasing power of equity capital was maintained during 1983, it should have increased by SEK 282 m. Accordingly, the adjustment amounts to SEK 282 m. (251). Atlas Copco's real income after financial items for 1983 thereby becomes SEK 42 m. (176).

This income figure is SEK 211 m. lower than the traditional income and corresponds to a real profit margin of 0.5 (2.7) percent.

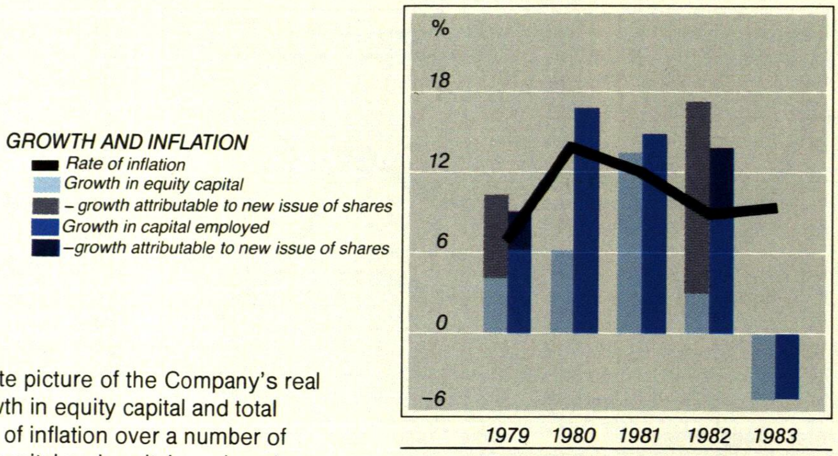
The balance sheet is also adjusted

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 832 m. 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 650 m. higher.
- The inventory is shown at a value SEK 60 m. higher.
- Shareholdings are shown at a value SEK 38 m. higher.

Risk capital is shown at a value SEK 832 m. higher, which means that the rate of risk-bearing equity capital thereby amounts to 43 percent, as against 37 percent in accordance with traditional accounting.

NOTES TO FINANCIAL STATEMENTS



Capital growth

One way to provide an accurate picture of the Company's real growth is to compare the growth in equity capital and total capital employed with the rate of inflation over a number of years. By valuing both equity capital and capital employed on the basis of replacement values, real growth can be calculated. As shown in diagram , capital employed has during 1979–83, in general, developed in pace with inflation up to and including 1982.

During 1983 capital employed declined due to the release during the year of capital tied up in inventory, trade receivables and buildings.

If new issues of shares during the period are taken into account, equity capital has developed in pace with inflation only during 1981 During 1983 equity capital decreased by 5 percent while the rate of the Swedish inflation was about 10 percent. In terms of an average for the past five years, the rate of inflation has been around 10 percent while equity capital, when using this basis for calculations, has grown by only slightly more than 8 percent annually.

CURRENT COST INCOME STATEMENT

	1983	1982
Invoiced sales	**8 093**	7 924
Current cost of goods sold	**– 7 428**	– 7 152
Current cost depreciation	**– 302**	– 281
Operating income	**363**	491
Price changes, inventory	**+ 134**	+ 210
Price changes, fixed assets	**+ 232**	+ 179
Operating income before financial items	**729**	880
Financial items	**– 405**	– 453
Purchasing power adjustment, equity capital	**– 282**	– 251
Real income after financial items	**42**	176

CURRENT COST BALANCE SHEET

ASSETS	1983	1982
Cash, bank and short-term investments	**918**	1 141
Receivables	**2 184**	2 163
Inventories	**2 758**	3 082
Fixed assets	**2 442**	2 378
TOTAL ASSETS	**8 302**	8 764
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities	**2 761**	3 206
Long-term liabilities	**1 969**	1 791
Untaxed reserves	**497**	653
Unrealized price changes	**832**	743
Shareholders' equity	**2 243**	2 371
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**8 302**	8 764

ATLAS COPCO IN THE MONEY MARKET

Atlas Copco has in recent years devoted increased attention to improving the Group's cash management. This program has focused on a number of different areas.

Cash management studies carried out in subsidiaries have contributed to the release of working capital, and financial expenses have thereby been reduced. A clearing system for international payments has also been introduced, which leads to lower transfer costs and eliminates interest losses. Atlas Copco also attempts to obtain the best possible yield on its liquidity (cash and bank deposits). The possibility of doing so has improved considerably in recent years as a result of changes in the Swedish money market.

The currency restrictions of the Bank of Sweden are a contributing factor explaining why the Group's liquid funds are largely invested in Sweden. The Swedish money market thereby acquires especially great importance.

Prior to 1980 investment opportunities in the Swedish market were still relatively limited. Companies with funds available for short-term placement were generally referred to the special deposit accounts of the banks and to finance bills or promissory notes which, due to the nearly nonexisting trading, were highly rigid forms of investments. Beginning with the introduction of bank certificates in March, 1980, and Government Treasury bills in July, 1982, however, the market became active and a sharp expansion – in terms of both volume and the number of placement instruments – began. The most marked change was that the new instruments were designed for trading in a "secondary" market, conducted initially only by banks but later also by independent brokerage firms.

Today many different alternatives are available to company financial managers. The table below shows the Swedish money market, by type of services offered, as of December, 1983 and April, 1980.

SEK billions	1983	1980
Special bank deposits	46	39
Bank certificates	22	6
Finance bills, etc.	27	18
Government Treasury bills	58	–
Corporate and municipal certificates	1	–
	154	63

The high liquidity of Swedish companies as well as the large Government deficit which is increasingly being financed by the

The introduction of Atlas Copco's corporate certificate on the Swedish money market has opened the way to a very flexible short-term financing.

general public, have contributed to the sharp growth in the volume of placements.

In addition to the volume of SEK 154 billion noted above, there is also about SEK 25 billion in outstanding Government obligations with maturities of 3–7 years which, thanks to a smoothly functioning secondary market, have become an attractive short-term placement alternative for the participants in the money market.

Atlas Copco is active in the money market with a view to maximizing its interest income from investments, with the reservation, however, that the placements should not involve a credit risk. By buying and selling the various types of securities at the right time, the return on liquid funds can be improved substantially. In brief, this operation is based on adapting the average maturity of the placements to interest expectations, and on utilizing the differences in interest yield between various instruments and maturity periods: so-called interest arbitrage. With the aid of terminals linked to Reuter's comprehensive information system, Atlas Copco's financial managers can follow the money market from their work stations on a continuous basis and thereby assure themselves of an adequate basis for decisions. Atlas Copco uses all of the placement instruments cited above and normally seeks a balanced mix in terms of liquidity, term and interest rate (fixed or variable). Liquidity, in this connection, is defined as the possibility of cashing in a security prior to its due date.

In periods of strong expectations of changes in interest rates, the placement program is naturally adapted to this situation. Investments with long maturities are sought, for example, when interest rates are expected to decline, while fixed rates of interest are preferred to variable rates.

In the autumn of 1983 Atlas Copco became one of the first Swedish companies to also enter the money market as a borrower, through a corporate certificate program in cooperation with Skandinaviska Enskilda Banken. The corporate certificate is a promissory note with a fixed rate of interest, made out to the holder and, like bank certificates and Treasury bills, designed for trading in a secondary market.

The introduction of corporate certificates has opened the way to short-term financing at reasonable borrowing cost coupled with a high degree of flexibility. Atlas Copco can itself determine the date for issuance of a certificate, as well as the term, and thereby fully adapt the loan to short-term financing needs that may arise.

In view of Atlas Copco's present good liquidity it should be noted that the certificate program is still in the nature of a reserve to be used in the event of possible future changes in the Company's liquidity and credit situation. At year-end, SEK 45 m. of the program's total of SEK 100 m. had been utilized.

In the future there will probably be continued growth in the Swedish money market in the form of more participants, increased turnover and new instruments and techniques. Hopefully, a development of this type will hasten the work on a rating system for the Swedish market. A rating system administered by an impartial, independent company will rank corporations, municipalities and institutions in terms of their creditworthiness. This would improve the investor's possibilities of correctly evaluating yields offered on various securities.

EXCHANGE RATES

Country	Currency Value	Code	Year-end-rate 1983	1982	Average rate 1983	1982
Denmark	100	DKK	81:00	87:00	84:00	75:50
Norway	100	NOK	104:00	104:00	105:00	97:00
Austria	100	ATS	41:50	43:50	42:50	36:50
Great Britain	1	GBP	11:585	11:820	11:635	10:915
Portugal	100	PTE	6:00	8:21	6:98	7:91
Switzerland	100	CHF	367:50	366:00	364:50	310:00
Belgium	100	BEC	14:40	15:60	15:00	13:80
France	100	FRF	96:00	108:50	101:00	96:00
The Netherlands	100	NLG	261:50	277:00	268:50	234:50
Italy	100	ITL	0:4810	0:5310	0:5040	0:4630
West Germany	100	DEM	293:50	307:50	300:00	259:00
Spain	100	ESP	5:090	5:790	5:350	5:677
Canada	1	CAD	6:420	5:900	6:215	5:065
U.S.A.	1	USD	7:995	7:290	7:660	6:265
Mexico	100	MXP	5:57	7:70	6:48	12:70
Bolivia	100	BOP	1:60	3:70	3:41	7:80
Argentina	100	ARP	34:50	150:00	87:50	375:00
Brazil	100	BRC	0:8125	2:8900	1:5390	3:6140
Peru	100	PES	0:3465	0:7300	0:5030	0:9280
Venezuela	100	VEB	133:00	170:00	134:50	144:00
South Africa	1	ZAR	6:540	6:770	6:850	5:780
India	100	INR	76:00	75:00	75:50	66:00
Japan	100	JPY	3:448	3:120	3:223	2:530
Australia	1	AUD	7:180	7:130	6:920	6:340

DIVISIONALIZED PROFIT RESPONSIBILITY

Atlas Copco is an international enterprise with sales companies in nearly 50 countries and production companies in around 20 countries. The business activities are divided into five divisions. In addition to this there are also Group common 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 three 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 employed, excluding noninterest-bearing current liabilities.

NOTES TO FINANCIAL STATEMENTS

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.

DEFINITIONS

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

Return on total capital employed
Profit after financial income and expense plus interest paid, as a percentage of average total assets less noninterest-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).

Percentage of own 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.

Rate of capital turnover
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	
	1983	1982
Cost of goods sold	4 736.0	4 482.8
Marketing and administrative costs	2 177.0	2 096.0
Technical development costs	225.1	195.2
Price gains realized on inventory	144.7	189.0
Operating expenses	7 282.8	6 963.0

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	
	1983	1982
Cost depreciation	151.4	155.3
Book depreciation	190.7	166.4
Depreciation in excess of cost (NOT 18)	39.3	11.1

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

	GROUP	
	1983	1982
Investment reserves	–	4.2
Special investment reserves	1.3	1.4
Compulsory profit reserve	37.4	–
	38.7	5.6

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 302 m. (281) and thus exceeded cost depreciation by SEK 151 m. (126).

3. INTEREST EXPENSE

In conformity with a recommendation 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 11.5 percent for index pensions and 3.5 percent for pensions liabilities expressed in fixed amounts.

For purposes of comparison , the income statement for 1982 has been restated in a corresponding manner. The interest portion for 1983 amounted to SEK 38.9 m. (32.1).

4. FOREIGN EXCHANGE DIFFERENCES

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

	GROUP		PARENT COMPANY	
	1983	1982	1983	1982
Realized exchange differences, net	– 22.5	– 2.1	– 5.7	35.7
Unrealized exchange differences:				
Long-term loans	– 74.3	– 108.8	– 60.1	– 87.3
Other receivables and liabilities	11.5	– 0.9	0.7	13.1
Translation differences	– 21.3	75.3	–	–
	– 106.6	– 36.5	– 65.1	– 38.5

Unrealized exchange losses not previously charged against earnings changed as follows during the year:

		GROUP		PARENT COMPANY
Remaining unrealized exchange losses not charged against earnings at December 31, 1982		212.5		191.2
Unrealized exchange losses attributable to change in exchange rates in 1983		38.9		34.7
		251.4		225.9
Unrealized exchange losses charged against earnings in 1983:				
Attributable to prior years	– 52.1		– 41.4	
Attributable to 1983	– 22.2	– 74.3	– 18.7	– 60.1
Unrealized exchange losses charged against earnings in 1983 as extraordinary expense		– 177.1		– 77.3
Remaining unrealized exchange losses not charged against earnings at December 31, 1983		–		88.5

Effective in 1983, all unrealized exchange losses in the Group have been charged against earnings while the Parent Company has charged only the unrealized exchanged losses attributable to foreign loans falling due in 1987 or earlier. These exchange losses amount to SEK 77.3 m.

The remaining portion, SEK 43.0 m., of the unrealized exchange losses that arose on long-term loans of the Parent Company prior to 1978 and which were covered in the 1978 accounts by a currency adjustment reserve have also been charged in the Group accounts as an extraordinary expense. In this connection, the corresponding remaining portion of the currency adjustment reserve, SEK 43.0 m., has been liquidated.

5. EXTRAORDINARY INCOME AND EXPENSE

	GROUP		PARENT COMPANY	
	1983	1982	1983	1982
Exchange losses on foreign loans cycled earlier	– 177.1	–	– 77.3	–
Exchange losses on foreign loans raised prior to 1978	– 43.0	–	–	–
Write-down of receivables	– 21.0	–	–	–
Liquidation costs	– 19.8	– 89.9	–	–
Capital gain on buildings sold	12.9	67.3	–	67.3
Capital gain on shares and participations sold	4.5	–	4.5	–
	– 243.5	– 22.6	– 72.8	67.3

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 accounts for 1983.

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.

6. TAXES

Of the provision for taxes amounting to SEK 151.5 m. in 1983, SEK 137.8 m. pertains to taxes outside Sweden and SEK 13.7 m. to taxes in Sweden. Of the taxes reported in Sweden, SEK 13.0 m. pertains to the provision in accordance with the law on a temporary profits tax. Under terms of this law, 20 percent of the dividend for the fiscal year 1983 is to be paid as a special tax. In calculating this tax, a deduction may be made for certain dividends received.

NOTES TO FINANCIAL STATEMENTS

7. CASH, BANK AND SHORT-TERM INVESTMENTS

	GROUP		PARENT COMPANY	
	1983	1982	1983	1982
Cash, bank	338.1	450.0	34.7	180.4
Bank certificates	9.8	78.5	9.8	78.5
Liquid funds	347.9	528.5	44.5	258.9
Government Treasury bills	111.0	281.2	101.0	258.0
Other short-term investments	459.1	330.9	410.5	311.9
	918.0	1 140.6	556.0	828.8

The Group's available but unutilized bank credits at December 31, 1983 amounted to SEK 1 984 m. (1 653).

8. RECEIVABLES

	GROUP		PARENT COMPANY	
	1983	1982	1983	1982
Notes receivable	159.6	221.4	–	–
Receivables from subsidiaries	–	–	364.2	350.3
Trade receivables	1 506.3	1 561.0	16.2	40.5
Prepaid expenses and accrued income	130.8	81.4	57.4	28.4
Other receivables	387.2	298.9	91.2	56.5
	2 183.9	2 162.7	529.0	475.7

9. 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	
	1983	1982
Raw materials	88.8	128.6
Work in progress	222.2	275.2
Semifinished goods	652.1	641.4
Finished goods	1 734.5	1 966.0
	2 697.6	3 011.2

10. SHARES AND PARTICIPATIONS

	Book value		Market value	
	1983	1982	1983	1982
Shares and participations reported by Atlas Copco AB:				
Boliden AB	90.6	87.7	127.3	91.1
Svensk Interkontinental Lufttrafik AB (SILA)	0.7	0.7	12.3	6.3
Other shares and participations reported by Atlas Copco AB as specified on page 26	15.4	22.0		
Total, Parent Company	106.7	110.4		
Shares and participations reported by other companies				
Cord Capital N.V.	3.7	–		
Instrument AB Scanditronix	3.0	–		
Webster Machine Development Ltd	2.7	3.8		
Atlas Copco-Eickhoff Engineering	0.2	0.2		
Others	0.3	0.3		
Total, Group	116.6	114.7	139.6	97.4

11. GOODWILL – GROUP EXCESS VALUE

Group excess value in 1983 amounted to SEK 14.5 m. (21.8). This has been distributed over the following items in the balance sheet. Goodwill, SEK 8.5 m. (16.7) and buildings SEK 6.0 m. (5.1). The Goodwill items pertain mainly to patents, manufacturing rights and know-how. Depreciation of Group excess value amounts to SEK 13.0 m, distributed as follows:

	GROUP	
	1983	1982
Goodwill	12.3	24.7
Machinery and equipment	–	2.5
Buildings	0.7	0.3
	13.0	27.5

Acquired goodwill December 31, 1982	88.3
Accumulated depreciation December 31, 1982	– 71.6
Acquired goodwill, 1983	4.1
Depreciation during 1983	– 12.3
Book value, December 31, 1983	8.5

12. MACHINERY AND EQUIPMENT

	GROUP		PARENT COMPANY	
	1983	1982	1983	1982
Costs	1 155.2	1 141.2	44.7	37.0
Accumulated cost depreciation	– 662.3	– 630.0	– 27.1	– 23.6
Planned residual value	492.9	511.2	17.6	13.4
Accumulated depreciation in excess of cost depreciation (NOTE 18)	– 150.3	– 159.2	– 9.1	– 6.0
Book value, net	342.6	352.0	8.5	7.4

13. BUILDINGS

	GROUP		PARENT COMPANY	
	1983	1982	1983	1982
Cost	841.9	812.7	88.1	53.2
Undepreciated amount of write-ups	22.8	23.1	0.6	0.7
Accumulated cost depreciation	– 224.4	– 210.6	– 9.4	– 7.7
Planned residual value	640.3	625.2	79.3	46.2
Accumulated cost depreciation (NOTE 18)	– 102.2	– 66.3	– 36.8	– 1.9
Book value, net	538.1	558.9	42.5	44.3
Tax assessment value			33.8	13.1

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.

14. LAND

	GROUP		PARENT COMPANY	
	1983	1982	1983	1982
Cost	109.1	112.6	20.6	19.9
Write-ups	31.4	31.4	4.0	4.0
Book value, net	140.5	144.0	24.6	23.9
Tax assessment value			28.1	28.1

15. LONG-TERM LOANS

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

	1983	
Bond loans	GROUP	PARENT COMPANY
1970 9½ %, USD 20 m, amortization 1971–1985 (Amortized: USD 17.4 m.)	20.5	20.5
1976 7¾ %, CHF 80 m., amortization 1981–1991. (Amortized: CHF 0.5 m.)	292.2	178.6
1978 12¾ %, SEK 100 m., amortization 1979–1993	66.5	66.5
Less: 1984 maturities	– 24.4	– 24.4
Debenture and bond loans as shown in balance sheets	354.8	241.2

	1983	
Mortgage loans and promissory notes	GROUP	PARENT COMPANY
1979 multicurrency-loan, USD 0.7 m.	5.5	5.5
1980 multicurrency-loan, USD 20.0 m.	159.9	159.9
1980 multicurrency-loan, USD 10 m.	79.9	61.7
1980 multicurrency-loan, USD 13.4 m.	107.2	107.2
1981 multicurrency-loan, USD 2.8 m.	22.5	22.5
1982 multicurrency-loan, GBP 1.7 m.	20.6	20.6
1982 multicurrency-loan, GBP 1.2 m.	13.5	13.5
1983 loan, LUF 50 m.	7.1	7.4
National Pension Fund loan	12.3	12.3
National Labor Market Board loan	0.7	0.7
Other mortgage loans and promissory notes	0.4	0.4
Less: 1984 maturities	– 23.8	– 23.8
Mortgage loans and promissory notes as shown in balance sheet	405.8	387.9
SUBSIDIARIES		
Atlas Copco Airpower	254.9	
Atlas Copco MCT	134.3	
Atlas Copco Tools	36.0	
Berema	24.9	
Monsun-Tison	13.6	
Other companies	322.9	
Less: 1984 maturities	– 150.1	
Group mortgage loans and promissory notes as shown in balance sheet	1 042.3	

NOTES TO FINANCIAL STATEMENTS

Bond loans, mortgage loans and promissory notes are being amortized as follows, based on exchange rates at December 31, 1983:

	GROUP	PARENT COMPANY
1984	198.3	48.2
1985	255.1	113.2
1986	295.8	133.6
1987	264.3	144.4
1988	64.5	28.6
1989 and thereafter	517.4	340.8
	1 595.4	808.8

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.	61.6	492.7	30.9
CHF m.	80.7	296.6	18.6
SEK m.	211.7	211.7	13.3
BEC m.	1 403.3	202.1	12.7
MXP m.	1 372.0	76.4	4.8
NOK m.	53.4	55.5	3.5
AUD m.	5.9	42.3	2.6
GBP m.	3.0	34.6	2.2
FRF m.	36.0	34.5	2.2
DEM m.	8.1	23.7	1.5
Other	–	125.3	7.7
		1 595.4	100.0

16. 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 contrast to prior years, effective in 1983, 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, beginning with the 1983 accounts.

	GROUP		PARENT COMPANY	
	1983	1982	1983	1982
Swedish companies				
PRI-pensions	359.3	309.8	123.9	112.2
Other pensions	19.7	18.4	12.9	13.2
Companies outside Sweden	102.7	120.4	–	–
	481.7	448.6	136.8	125.4

Pensionregistreringsinstitutet (PRI) is a public service organization which administers employee pension plans.

17. GENERAL INVENTORY RESERVES

Allocations to these reserves are made principally in the Group's Scandinavian companies. Swedish legislation permits a write-down of a maximum of 60 percent of the value after a general deducation for obsolescence.

		GROUP
General inventory reserves, December 31, 1982		311.7
Allocations	10.8	
Withdrawals	– 146.0	– 135.2
General inventory reserves December 31, 1983		176.5

Unutilized rights to make allocations to inventory reserves in the Swedish companies amount to SEK 319.1 m. In addition to the inventory reserves shown in the balance sheet, SEK 21.7 m. has been eliminated in connection with application of the purchase method of accounting.

18. ACCUMULATED ADDITIONAL DEPRECIATION

GROUP	Machinery and equipment	Buildings	Total
Accumulated additional depreciation, December 31, 1982	159.2	66.3	225.5
Difference between book depreciation and cost depreciation in 1983	3.4	35.9	39.3
Accumulated additional depreciation on fixed assets sold	– 12.3	–	– 12.3
Accumulated additional depreciation, December 31, 1983	150.3	102.2	252.5

PARENT COMPANY	Machinery and equipment	Buildings	Total
Accumulated additional depreciation, December 31, 1982	6.0	1.9	7.9
Difference between book depreciation and cost depreciation in 1983	3.1	34.9	38.0
Accumulated additional depreciation on fixed assets sold	–	–	–
Accumulated additional depreciation, December 31, 1983	9.1	36.8	45.9

Accumulated additional depreciation in the Parent Company includes SEK 0.7 m. in write-downs of new plant, corresponding to Government contributions.

19. INVESTMENT RESERVES

Swedish companies have the right to allocate 50 percent of their profit before appropriations to a general investment reserve. The amount allocated is tax-deductible if 50 percent of the sum is deposited in a noninterest-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 pertain to companies outside Sweden.

During the year sales companies in Italy, France and other countries appropriated a total of SEK 5.8 m. to investment reserves. Atlas Copco Airpower and sales companies in Denmark and Austria, among others, utilized a total of SEK 3.5 m. from investment reserves.

20. SPECIAL INVESTMENT RESERVES

In accordance with a temporary law adopted in 1974, Swedish companies were obliged to allocate 15 percent of their profit before appropriations and taxes to a special investment reserve. The amount was deductible for tax purposes if deposited in its entirety in a noninterest-bearing account in the Bank of Sweden. In 1983 Atlas Copco MCT AB utilized SEK 1.7 m., thereby fully utilizing this reserve.

In 1983 Atlas Copco AB allocated SEK 19.6 m. and Berema AB allocated SEK 1.4 m. to special investment reserves in accordance with a law requiring Swedish companies to pay to a special investment account. This law requires that 20 percent of adjusted net profit for 1983 be paid into a non-interest-bearing account in the Bank of Sweden. The amount is deductible for tax purposes in 1984.

	GROUP	PARENT COMPANY
Special investment reserves, December 31, 1982	1.7	–
Withdrawals		
For write-downs	– 1.3	–
For other purposes	– 0.4	–
Allocations	21.0	19.6
Special investment reserves, December 31, 1983	21.0	19.6

21. COMPULSORY INVESTMENT RESERVES

Swedish companies which reported a profit exceeding SEK 1.0 m. before appropriations and taxes for 1980 were required to allocate 25 percent of this profit to a special compulsory investment reserve. The entire amount was required to be deposited in a noninterest-bearing account in the Bank of Sweden.

During 1983 Atlas Copco AB utilized the remaining SEK 37.4 m. of this reserve to write down buildings in the amount of SEK 34.2 m. and machinery and equipment in the amount of SEK 3.2 m.

22. RESTRICTED RESERVES

	GROUP	PARENT COMPANY
Restricted reserves, December 31, 1982	1 108.6	530.5
Transferred from retained earnings	74.4	66.6
Restricted reserves December 31, 1983	1 183.0	597.1

Of the Group's restricted reserves, SEK 729.4 m. is attributable to statutory allocations in Atlas Copco companies.

23. RETAINED EARNINGS

	GROUP	PARENT COMPANY
Retained earnings, December 31, 1982	372.9	154.0
1982 net profit	201.2	153.6
Dividend to shareholders	–140.8	–140.8
Transferred to restricted reserves	– 74.4	– 66.6
Retained earnings, December 31, 1983	358.9	100.2

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.

24. ASSETS PLEDGED

	GROUP		PARENT COMPANY	
	1983	1982	1983	1982
Real estate mortgages	391.7	410.4	9.7	9.7
Chattel mortgages	270.2	277.2	98.4	98.4
Other assets pledged	12.8	20.2	–	–
	674.7	707.8	108.1	108.1

25. CONTINGENT LIABILITES

In addition to the contingent liabilities shown, through a financing agreement with Atlas Copco Finans AB, trade receivables and notes receivable totaling SEK 251.1 m. (261.0) have been sold with a limited repurchase guarantee. The value to Atlas Copco AB amounts to SEK 89.5 m. (94.0). Appropriate reservations have been made for anticipated customer losses.

Information on loans and contingent liabilities to shareholders and others (required in accordance with Chapter 12, Paragraph 7 of the Swedish Companies Act).

During 1981, 1982 and 1983 loans have been granted to employees under terms of an offer related to savings invested in Atlas Copco shares. Exemptions have been obtained from the County Councils in the counties involved.

	GROUP	PARENT COMPANY
Number of borrowers	1 609	319
The loans are shown in the balance sheets as		
Other current receivables	2.4	0.4
Long-term receivables	6.4	1.1

SHARES AND PARTICIPATIONS

December 31, 1983

	Number of shares	Per-cent held	Par value loc cur	Book value SEK m.
DIVISIONS				
Atlas Copco MCT AB	1 000 000	100	100	115.0
Atlas Copco Tools AB	100 000	100	100	20.0
Berema AB	30 000	100	1 000	49.2
Monsun-Tison AB	140 000	100	100	32.9
Atlas Copco Airpower N.V., Belgium	59 500	99	[1])	200.0
SALES COMPANIES				
Atlas Copco Svenska Försäljnings AB	200 000	100	100	20.0
Atlas Copco International AB	10 000	100	100	1.0
Atlas Copco (Cyprus) Ltd.	99 998	100	1	0.7
Atlas Copco A/S, Denmark	12 000	100	1 000	6.9
Atlas Copco France S.A.	79 960	100	500	35.2
Atlas Copco Italia S.p.A.	1 079 996	100	10 000	33.2
Atlas Copco A/S, Norway	3 998	100	10 000	26.6
Soc. Atlas Copco de Portugal Lda	1	100	[1])	4.3
Atlas Copco (Schweiz) A.G.	8 000	100	1 000	12.3
Atlas Copco S.A.E., Spain	197 000	99[2])	500	3.6
Atlas Copco Deutschland G.m.b.H.	7	95	[1])	62.8
Atlas Copco G.m.b.H., Austria	39 990	100	1 000	8.0
Atlas Copco North America Inc.	5 249	50[2])	[1])	50.0
Atlas Copco Boliviana S.A.	6 170	100	1 000	2.1
Atlas Copco Brasil Ltda	6 349 999 156	100	[1])	20.9
Atlas Copco Chilena S.A.C.	9 154	100	1 000	6.0
Atlas Copco Ecuatoriana S.A., Ecuador	3 000	60[2])	1 000	0.6
Atlaservis S.A., Ecuador	1 990	100	1 000	0.4
Atlas Copco Venezuela S.A.	7 200	60	1 000	8.7
Atlas Copco Iran AB, Sweden	3 500	100	100	0.3
Atlas Copco (Philippines) Inc.	121 995	100	100	3.0
Atlas Copco Gadelius KK, Japan	150 001	60	1 000	12.6
Atlas Copco (HK) Ltd., Hong Kong	2 400	80	1 000	2.1
Atlas Copco (South-East Asia) Pte. Ltd., Singapore	1 500 002	100	0.6	1.8
Atlas Copco Malaysia Ltd.	1 000 000	100	1	2.6
Atlas Copco Korea Co. Ltd.	49 000	49	1 000	0.4
Atlas Copco Hellas A.E., Greece	7 082	97[2])	10 000	–
Atlas Copco Ticaret ve Sanayi T.A.S., Turkey	1 130	100	500	–
Atlas Copco Argentina S.A.C.I.	7 124 692 304	100	0.0001	–
Atlas Copco Taiwan Ltd.	15 996	80	100	–
Atlas Copco (India) Ltd.	1 928 000	40	10	–

	Number of shares	Per-cent held	Par value loc cur	Book value SEK m.
Atlas Copco Kenya Ltd.	14 999	100	100	–
Atlas Copco Maroc S.A.	940	50	1 500	–
OTHER SUBSIDIARIES				
Atlas Copco ABEM AB	25 000	100	100	2.5
Atlas Copco Airpower AB	60 000	100	100	8.2
Atlas Copco Kompressor AB	500	100	100	0.1
Copco Nueva Montaña S.A., Spain	29 999	13[3])	1 000	–
Terratest S.A., Spain	175 000	100	800	–
Atlas Copco Andina S.A., Bolivia, in liquidation	18 000	50[2])	1 000	–
Atlas Copco UK Holdings Ltd.	3 623 664	100	1	38.3
Atlas Copco Benelux bv, Holland	15 712	100	1 000	35.0
Atlas Copco Industrial S.A., Spain	95	50[2])	10 000	–
Atlas Copco Reinsurance S.A., Luxemburg	4 993	100	10 000	7.4
Institut CERAC S.A., Switzerland	1 917	100	1 000	2.4
Atlas Copco Management Consulting AB	500	100	100	0.1
AB Sicklahus	2 000	100	100	0.2
Atlas Copco Data AB	125	25[2])	100	–
Atlas Copco Fondaktiebolag	2 500	100	100	0.2
14 dormant companies	–	–	–	0.5
				838.1
OTHER COMPANIES				
Atlas Copco Finans AB	38 000	40	100	3.8
Atlas Copco Leasing AB	16 000	40	100	2.0
Atlas Copco Trading AB	500	50	100	0.1
Sickla Industrifastigheter AB	10 000	33	100	1.0
Atlas Copco Finanz AG, Switzerland	2 449	49	1 000	7.1
Mechanical Technology Inc., N.Y.	140 000	5	1	–
Boliden AB	350 000	8	100	90.6
Bilspedition AB	13 335	1	100	1.4
Svensk Interkontinental Lufttrafik AB (SILA)	16 920	2	100	0.7
Handelsbolaget Svenska Dagbladets AB & Co	100	2	1 000	–
AB Stadsfastigheter	6	0	1 000	–
AB SUKAB	80	0	100	–
ADELA Investment Co. S.A., Luxemburg	3 640	0	100	–
SIFIDA Investment Co. S.A., Luxemburg	25	1	5 000	–
Employment Conditions Abroad Ltd., England	100	2	1	–
Näringslivets Utbildnings AB	170	8	1 000	–
				106.7

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 100 215 805
Net profit for the year	SEK 58 767 235
	SEK 158 983 040

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

To the shareholders, a dividend of SEK 3.00 per share	SEK 70 381 500
To be retained in the business	SEK 88 601 540
	SEK 158 983 040

Nacka, March 21, 1984

PETER WALLENBERG
Chairman

K-A BELFRAGE
H N SPORBORG
STURE ÖDNER
ERIK JOHNSSON
AXEL IVEROTH
CURT G OLSSON
P HENRY MUELLER
OTTO GRIEG TIDEMAND
PEHR G GYLLENHAMMAR
BJÖRN SVEDBERG
TOM WACHTMEISTER
President
BO HENNING
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 1983. 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 1983.

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 28, 1984.

BIRGER SONESSON
Authorized Public Accountant

BERTIL E OLSSON
Authorized Public Accountant

THE GROUP PRESIDENT ON 1983:

ATTACK – theme of the year

1983 will go down in history as a difficult year for the Atlas Copco Group and for our industry. Ongoing structural change within the industry, combined with the economic recession, forced intensive rationalization and cost reduction measures.

At the same time we have concentrated aggressively on the new Atlas Copco that is now emerging. "Attack" was chosen as the theme of the Atlas Copco World Conference in September, 1983. "Attack" is now also the keyword for Atlas Copco throughout the world.

The year was unexpectedly weak for those sectors of the engineering industry that depend on capital expenditure for machinery. The volume decrease in the total market for Atlas Copco's products was about 15 percent but, thanks to strong marketing efforts, our decline in volume was limited to 10 percent. This represented a further strengthening of our market shares. Atlas Copco is now the largest supplier in the industry in virtually every market except North America and Japan.

Western Europe - our domestic market

It is in Western Europe that Atlas Copco registers its most significant market shares. This situation is expected to continue during the years immediately ahead, although the investments in the United States since the end of the 1970s are beginning to produce results in the form of increased market shares in priority business areas. Industrial development continues in East Asia and Atlas Copco has strengthened its positions in this market. China has been a market for us since the end of the 1950s. These continuing contacts have now yielded results.

Financing costs, which have risen steadily in recent years, were reduced in 1983 as a result of forceful measures to trim inventories and trade receivables. Certain buildings were also sold to reduce the amount of tied-up capital. As a result, it has been possible to repay large loans. However, we suffered large exchange losses again in 1983.

Intensive competition

Our internationalization began following World War II and during the 1970s Atlas Copco developed into the leading company in its industry, technically and marketwise.

We can now look back on two years in which we have held our own in a very tough market situation. In certain of our product areas, this has involved price competition that has depressed the overall profitability in our industry. The result has been that some of our competitors have been knocked out and forced to leave some market segments.

Determined development of new products

In a shrinking market, the Company has invested aggressively in product development and it has been possible to launch a number of new products.

The development of Atlas Copco, the compressed air company, into a hydraulics expert in the 1970's is now being followed by an electronics program during the 1980s. Electronics is now a natural ingredient not only in control systems but in many of our standard products.

Restructuring

Our restructuring, involving the curtailment of certain operations and the expansion of others, has meant that the number of Group employees has been reduced by nearly 4 000 since 1981. These changes will affect earnings in the future. Together with new production technology and more efficient administration, they have sharply increased our production and sales per employee.

Rationalization is a natural and continuous process for an industrial enterprise. Everyone in industry is certainly aware of this. The process works rather well as long as production volume and profitability increase. But in periods of production changes and reductions in personnel, the constructive dialogue is quickly transformed into a defense of narrow partisan interests.

Employee Board representatives have a difficult role in these discussions. On the one hand, they must take the same long-term responsibility for the Company's future and growth as other members of the Board of Directors; on the other, they must defend their constituents' short-term interests. It is difficult to combine these tasks. This dilemma is built into the Swedish system and in current labor legislation. The fault lies in the fact that the system has not adequately foreseen the necessity for flexibility and adaptation to new situations.

Outside influences

The introduction of wage earner funds, against the well-justified wishes of a broad cross section of public opinion, is clearly disturbing. Confidence in Sweden as a country receptive to investments is being weakened. In addition, the fact that politically motivated conditions under which companies operate are being continuously changed, is troublesome. For an international industrial company, this involves careful and difficult considerations when discussing the establishment of production in Sweden, for example, and – in a long-term perspective – also with respect to other decisions related to the Company's growth and development.

Changed production strategy

Our strategy during the 1960s and the early 1970s was to distribute our production facilities. A number of small plants were set up throughout the world to serve as production resources for local sales.

We have now changed strategy and have shut down a number of small production units. Concentration on fewer, but relatively large, plants offers increased opportunities to use modern production technology.

Strategy and objectives for the rest of the 1980s

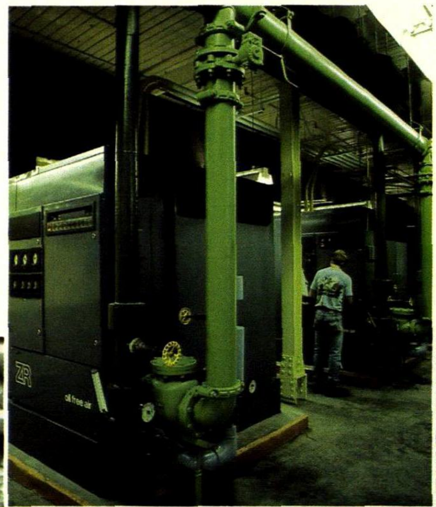
Atlas Copco's international profile today is based on high quality and outstanding technology combined with a widespread marketing and service organization, and on our position as a world leader in certain niches.

Our most important objective during the next few years is to regain the former level of profitability. This will occur by concentrating on the product areas where our expertise and market positions are strong, and where we at the same time anticipate growth. We are therefore concentrating on compressors for the gas and process industries, on equipment for the soft-rock mining market, including coal, and on advanced assembly, finishing and control systems. At the same time, the traditional business areas will be strengthened. These include light equipment for the building and construction market, hydraulic and pneumatic drilling equipment, and standard tools and compressors for the manufacturing industry. Software in various forms constitutes an ever-increasing portion of our sales, accounting today for more than a third of our total invoicing.

The Group's new organization, with more clearly defined profit areas and increased decentralization, has increased "profitability awareness." A decentralized organization with many profit centers imposes great demands on management personnel. Skilled and efficient employees at all levels, with a strong faith in Atlas Copco's capacity for growth, are the Group's most valuable asset.

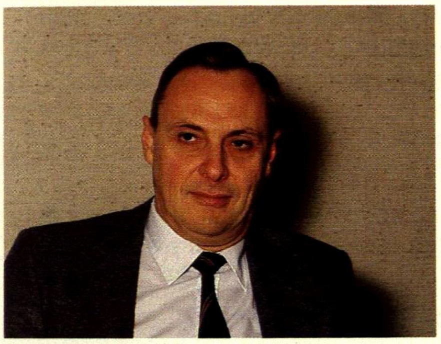
In 1984 we are counting on an increase in the volume of sales – to the manufacturing industry, primarily, but also to the mining industry. Orders booked during the first months of the year have exceeded the corresponding figures last year.

Tom Wachtmeister



Many textile companies in Europe, the United States and other countries are investing in the new loom technology that replaces the mechanical shuttles with compressed-air jets.
The technology, which requires oil-free air, already represents substantial business for Atlas Copco. Insert shows a compressor station with five ZR compressors that supply oil-free compressed air for air-jet weaving.

Strengthened market positions


BERTIL ERIKSSON

INVOICED SALES, SEK m.	**3 657**
EARNINGS, SEK m. after financial items	**196**
PERCENT RETURN on total capital employed	**16**

Atlas Copco Airpower develops, manufactures and markets portable screw compressors for air, stationary screw, piston and centrifugal compressors for air and other gases, air dryers, aftercoolers and automatic control systems. The product program also includes special compressors to start and service aircraft, industrial energy recovery systems and equipment to restore the quality of water in lakes. 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

MANAGEMENT COMMITTEE

Bertil Eriksson President
Theo Dietz Executive Vice President
Carl Johansson Executive Vice President, Finance
Jan Barendregt Industrial Air
Fredric Nijdam Service Air
Erik Lebrocquy Personnel
Lars Lindén Production
Sven-Åke Rosell Engineering

Sales

Invoiced sales of the Airpower Division in 1983 amounted to SEK 3 657 m. (3 620), an increase of one percent. Orders booked from customers totaled SEK 3 849 m. (3 517), an increase of 9 percent.

Earnings

The return on Airpower's total capital, excluding non-interest-bearing current liabilities, amounted to 16 percent (17). Earnings after financial income and expense were SEK 196 m. (183), equal to approximately 5 percent of invoiced sales.

Investments

Investments in land and buildings related to production amounted to SEK 19 m. (11), and investments in machinery and equipment totaled SEK 21 m. (40).

Market Development

The weak demand that marked the latter part of 1982 continued during the first half of 1983. Recovery in the United States provided some stimulus to the industrial markets in Europe where the first signs of improved demand for capital goods appeared during the latter part of the year.

Import restrictions in a number of markets, cutbacks in the development programs of the oil producing countries and weaker demand in the industrialized countries limited the total sales volume. While experiencing some decrease in sales volume, Airpower succeeded in taking additional shares of the market.

Low activity in the building and construction industry resulted during the year in a surplus of machines in many markets, with consequent weak demand for new equipment.

Competitive situation

The depressed market led to a severe price competition, notably in Europe and the Middle East. The effects on Atlas Copco were offset, however, by the company's strong market position, service resources and broad product range.

Business area: Industrial air

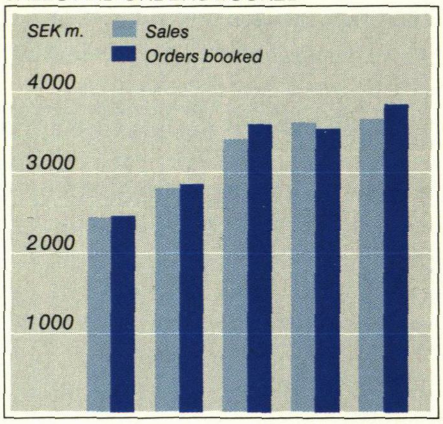
During the year Atlas Copco strengthened its position as a leading supplier of oil-free air compressors for industry. These compressors are used for operation and instrumentation in the processing, textile and food processing industries, as well as in the chemical industry.

Sales of single or multipurpose air compressors engineered to customer specifications developed successfully. Important orders were received from the offshore industry, among others.

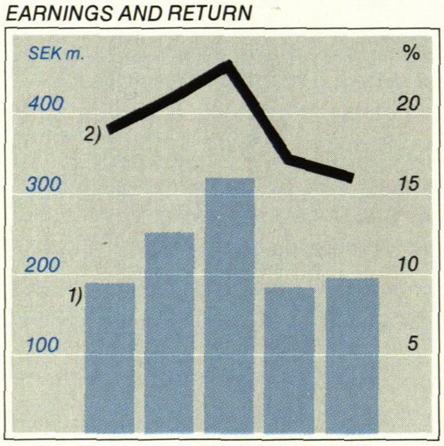
The oil-injected screw compressors for industrial standard air continued to meet hard competition. However, Airpower succeeded in increasing its sales and broadening its distribution network through the introduction of products specially adapted for distributors. One of these products is a new compact oil-injected screw compressor that was introduced successfully during the year.

To meet increasing market interest in higher-quality compressed air, a new series of high-efficiency air dryers was introduced during 1982. This product was well received in the market during 1983.

SALES AND ORDERS BOOKED

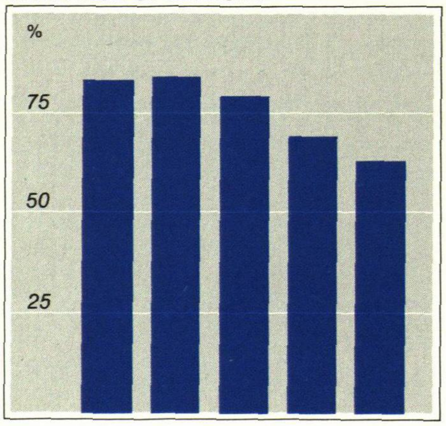


EARNINGS AND RETURN



[1]) Earnings after financial items, SEK m.
[2]) Return on total capital employed, percent (definitions see p 20).

UTILIZATION OF CAPACITY



Rotary screw brake compressors for railway companies were launched successfully. Further expansion in this important and specialized field is expected. The cooperation agreement signed during the year with WABCO-Westinghouse, a subsidiary of American Standard Inc., in the United States and market leader in railway braking systems, will further strengthen Atlas Copco's position in this field.

During the year increasing demand was noted for Atlas Copco's heat recovery system, which is delivered as an integrated design option for the entire program of stationary compressors.

Sales of service contracts for compressor installations were higher.

Business area: Portable compressors

Sales of portable compressors were affected adversely by the low rate of activity in the building and construction market.

This was caused, among other factors, by the substantial reductions in development projects in oil producing countries, due to lower oil revenues, and to reduced investments for general purposes in the industrialized countries. Sales improved during the latter part of the year, notably in the market for larger compressors used in such specialized fields as water well drilling.

Sales increases were achieved in Great Britain and Southeast Asia. Market shares in Western Europe as a whole were maintained or increased slightly, despite tough price competition.

Business area: Service air

Sales of small compressors held up fairly well. Higher sales were achieved in Great Britain, Australia and Sweden, as well as in the United States, where special marketing efforts were made during the initial stages of the economic upturn.

In the lower end of the small compressor range, intensive product development work resulted in the introduction of minicompressors for the large "do it yourself" market. Atlas Copco also began deliveries of compressor blocks to other manufacturers in this market.

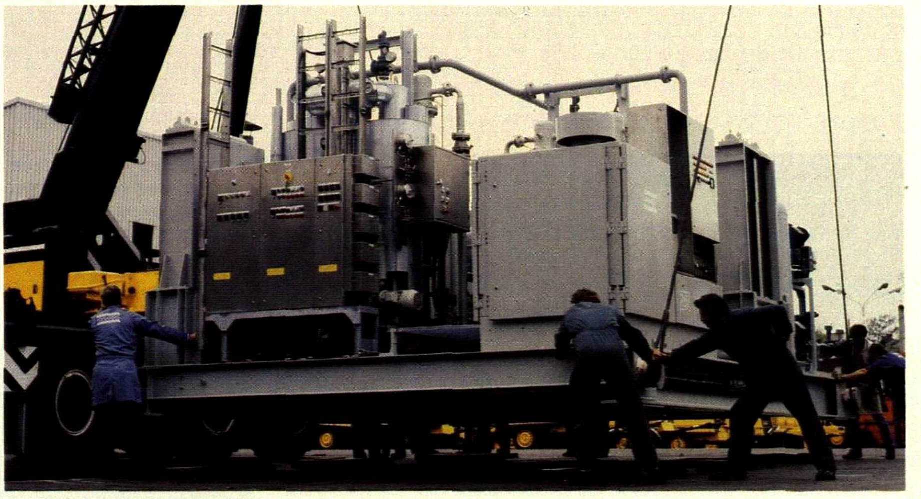
Business area: Gas and process

Atlas Copco's traditional market for gas compressors decreased during the year. A strong presence was, however, established in new market segments that open future market opportunities.

Sales of centrifugal compressors in Western Europe more than doubled. Equipment was sold for use in the world's largest pilot plant for coal gasification, among other orders.

The gathering of natural gas with the aid of reciprocating compressors is a growing market segment. During the year an agreement was signed with Energy Industries Inc. in the United States that gives Atlas Copco manufacturing and marketing rights for compressors of this type outside the U.S.

Systematic training in the gas and processing field was conducted in the sales companies as a means of strengthening the marketing organization. The network of specialists was also expanded to cover Canada and countries in South America.



A compressor station, specially designed to customer specifications, leaves the Airpower plant in Antwerp for installation aboard an oil rig in the North Sea.

Product development

Development work in recent years has resulted in a product program that is the most modern and complete in the industry in the field of stationary and portable air compressors and related equipment.

During 1983 this work was concentrated on further improving the products' performance and on rationalization of product design for compressors and accessories in order to reduce production costs.

Production

The comprehensive restructuring and rationalization of all Airpower production resources that was begun in 1982 continued during 1983. Production in the factory in Spain was shut down.

Some of the Division's plants continued to work four-day weeks in order to reduce inventories and adjust production to demand. Full work weeks were utilized towards the end of the year, however.

Construction of the new data processing building at Airpower's main plant in Antwerp was completed during the year and the facility was placed in service by stages.

Personnel

The average number of employees in the Airpower Division during the year was 2 705 (3 242). Of this number, 1 859 (1 916) were in the main plant in Antwerp. About 80 employees accepted offers of early retirement.

An extensive training program comprising 16 500 man-hours, primarily for office employees, was conducted during the year. The training was focused principally on preparing employees for more qualified jobs. A large number of courses related to product knowledge and selling techniques were arranged in Antwerp and other locations throughout the world.

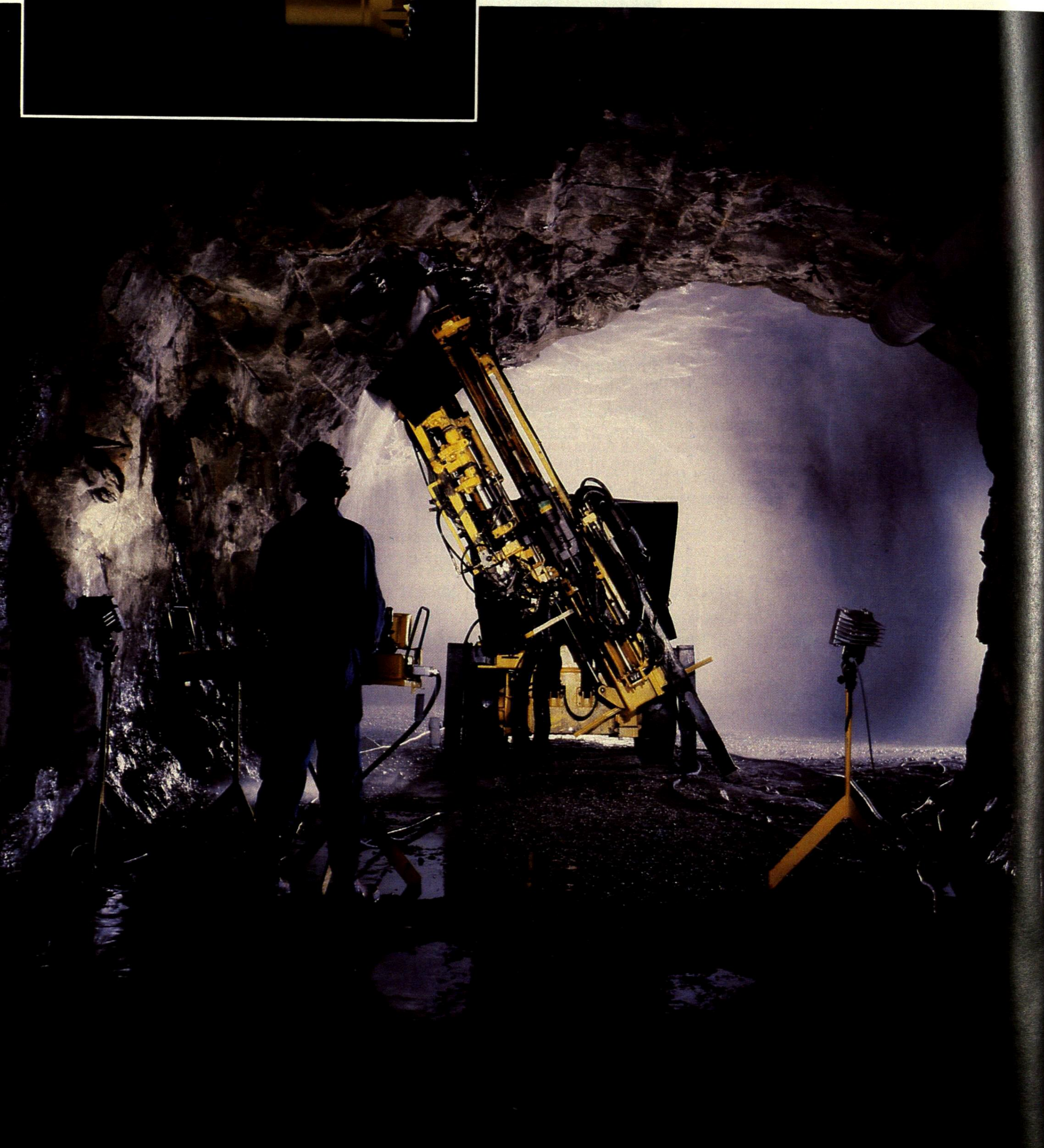
Outlook for 1984

An improvement in economic conditions in Airpower's most important markets is anticipated, partly as a result of the recovery in the U.S. A modest upturn in the building and construction market is also expected. The Airpower Division's entry into new business areas and the company's strong position in most markets offer opportunities to take advantage of a general upswing in the world market.

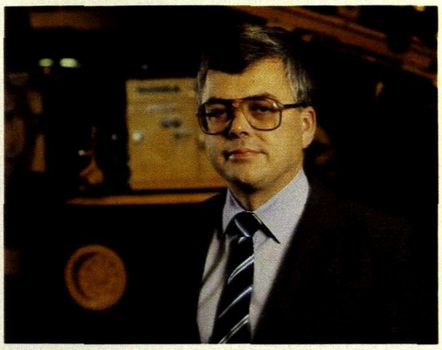
With a more favorable development in the market and better utilization of capacity, an improvement in earnings is expected during 1984.

A modified version of the new Simba H221 hydraulic rock drilling rig was very well received in the market during the year. The rig, used for production drilling in underground mines, is equipped with an automatic handling system for drill steel, which makes the machine operator's work substantially easier.

Insert shows a Sandvik Coromant button drill bit of a type used for underground production drilling.



A year of adjustment



ARNE FORSELL

INVOICED SALES, SEK m.	**3 111**
EARNINGS, SEK m. after financial items	**– 24**
PERCENT RETURN on total capital employed	**7**

Atlas Copco MCT (Mining and Construction Technique) develops, manufactures and markets pneumatic and hydraulic rock drills, loaders, winches, tunnel boring machines, crawler-mounted drills, tunneling rigs, breakers, pumps and other equipment. MCT also markets Sandvik Coromant drill steel.

Sales are made principally through Atlas Copco sales companies.

MCT has its headquarters in Nacka (Stockholm). MCT products are manufactured at plants in Sweden, Brazil, Canada, Great Britain, India, South Africa, the United States and West Germany.

MANAGEMENT COMMITTEE

Arne Forsell President (until May 1, 1984)
Per Wejke President (from May 1, 1984)
Gösta Fernström Underground Equipment
Lars Lindberg Surface Equipment
Gösta Torssell Drill Steel Equipment
Lars Calmered Production and Logistics
Åke Stavling Finance and Administration
Nils-Åke Jenstav Personnel and Organization Development
Staffan Gullander Business Development
Olaf Meyer Technical Development

Sales
Invoiced sales of the MCT Division in 1983 amounted to SEK 3 111 m. (3 082), an increase of one percent. Orders from customers declined by one percent, to SEK 3 089 m. (3 120).

Earnings
The return on the Division's total capital, excluding non-interest-bearing current liabilities was 7 percent (14). The principal reason for the decline was the reduced sales volume and low capacity utilization in the Division's plants, as well as the loss on the Jarva operations. Earnings were also charged with large scrapping costs. The loss after financial income and expense was SEK 24 m., (+114).

Investments
Investments in land and buildings related to production amounted to SEK 25 m. (22) and SEK 17 m. (33) was invested in machinery and equipment. Extraordinary costs of closing down production units were estimated at SEK 16 m. (8).

Market development
Demand continued to weaken during the year in most of the MCT Division's markets. Payment problems in the developing countries, combined with large budget deficits in the industrialized countries, resulted in continued low capital spending throughout the world. Some recovery could be noted towards the end of the year, however, primarily in the mining markets. Activity in the building and construction field declined further.

The Division was able to increase its market shares in this tight market, however. Sales successes were recorded primarily in Spain, South Africa, West Germany and Austria.

Competitive situation
Price competition was severe during 1983, especially in the building and construction market. The most important competitors at the international level were Tamrock, the Finnish company, with respect to hydraulic equipment, and Ingersoll-Rand, the American firm, in the market for compressed air equipment.

Business area: Underground equipment
Demand for underground equipment for the mining industry increased gradually during the year. Volume was maintained in the hydraulic drilling equipment segment, and increased where loaders were concerned. This resulted in larger market shares but at depressed margins.

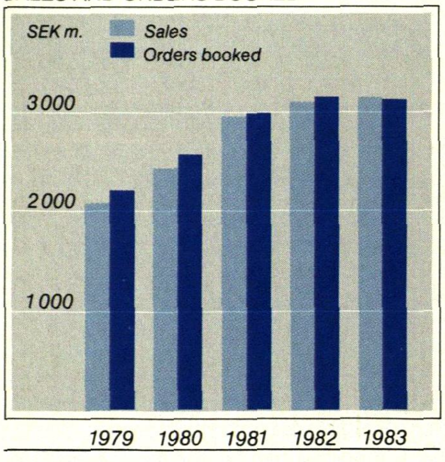
Sales successes were recorded in Spain, West Germany, Austria, South Africa, Chile and Japan, while sales in Australia, Norway and the United States stagnated.

Sales of Swellex rock bolts used in stabilizing ceilings and walls in mine galleries rose sharply during the year, with breakthroughs in the largest potential markets Australia, Canada, South Africa and the United States.

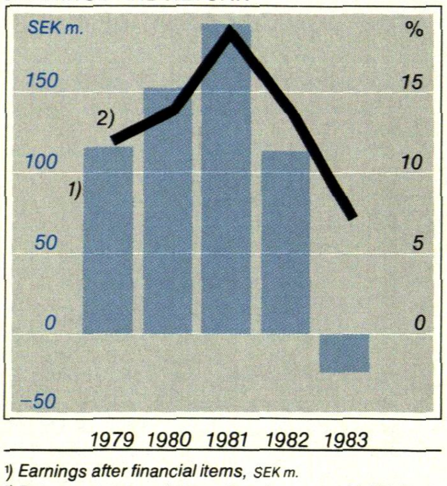
Demand for underground equipment for the building and construction industry declined slightly. A low rate of activity in tunneling combined with a large supply of second-hand machinery, caused demand for the new Jarva tunnel boring machines to be very weak, contributing to the loss in that company. Additional orders were received for Jarva's new raise boring machines.

ATLAS COPCO MCT

SALES AND ORDERS BOOKED

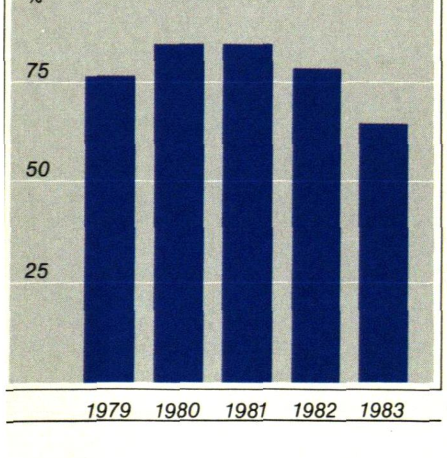


EARNINGS AND RETURN



¹) Earnings after financial items, SEK m.
²) Return on total capital employed, percent (definitions see p 20).

UTILIZATION OF CAPACITY



Invoicing of underground equipment, including drill steel, to customers amounted to SEK 1 612 m. (1 467).

Business area: Drill steel equipment
Increased demand for drill steel from mining companies was noted during the second half of the year, but sales in the building and construction industry continued to be slow. Sales of bore heads for raise boring rigs were successful.

A new generation of Sandvik Coromant button drill bits and drill rods for drifting and tunneling was introduced.

Market positions in this segment were further strengthened during the year.

Business area: Surface equipment
The decline in demand from building and construction contractors and quarry operators that began in mid-1982 continued throughout 1983. A broad program to increase sales of light contracting equipment through distributors was carried out in cooperation with Airpower and Berema. The product program was strengthened during the year through the addition of a light hydraulic carrier used in demolition work and a new flexible drill rig for surface mining.

Sales of well drilling equipment increased, with emphasis on light drill rigs.

Notable attractive breakthroughs in the market for contractors' equipment included deliveries to Japanese and French international contractors for a housing project in Hong Kong and a power station in Morocco.

Invoiced sales of equipment, including drill steel, to customers in this business area amounted to SEK 1 499 m. (1 615).

Product development
The MCT Division carries out long-term, target-oriented development work designed to improve the productivity of its machines in the hands of customers, and supplement the Division's program with new products and applications.

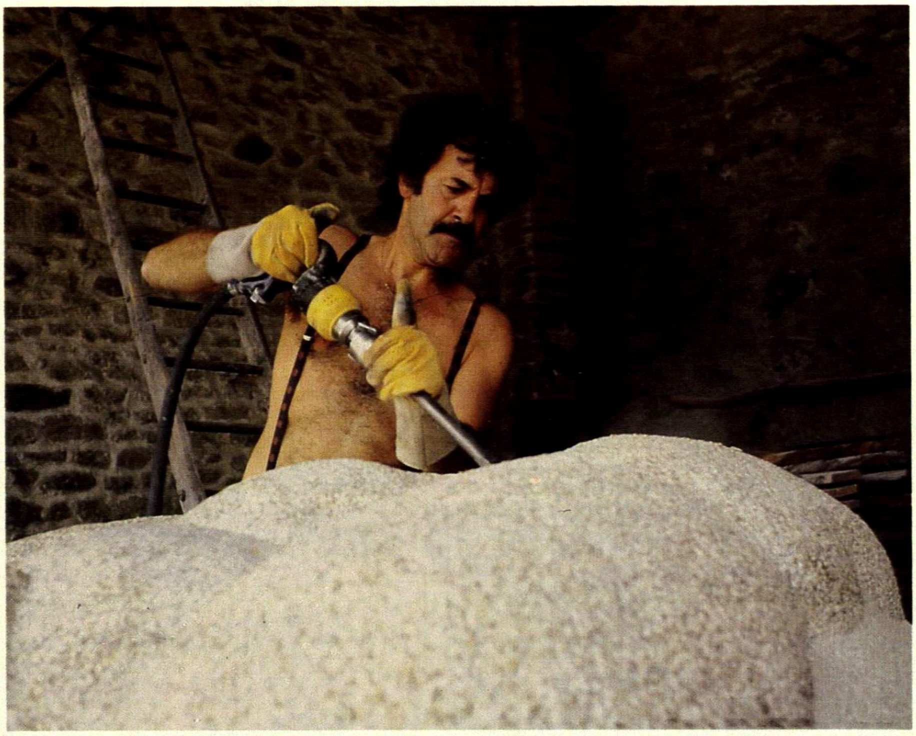
The program involving electronic control systems for use in hostile environments was given high priority during the year. Product development was also concentrated to a great extent on designs that permit more efficient manufacturing. During the autumn a decision was made to invest in computer-aided design and manufacturing (CAD/CAM) equipment. The investment is resulting in lower production costs.

Notable new products include hydraulic and pneumatic rock drills as well as rigs used to remove loose rock from ceilings and walls in rock chambers. The line of Sandvik Coromant button drill bits was broadened by the addition of a new type that lasts up to 50 percent longer.

Production
Utilization of capacity in most factories was low, due to the weak order bookings and the reduction in inventories. Short work weeks were instituted in MCT's plants during parts of the year. The assembly of surface machines in Southampton, Massachusetts, in the U.S. was shut down as a result of the weak demand in North America. This production was transferred to Bremen.

Atlas Copco has delivered three specially built hydraulic tunnel rigs for the nuclear waste storage facility that is being constructed at Forsmark, outside Stockholm. In the first stage of their work, the rigs are driving two 1 400 meter long tunnels beneath the sea floor.

This new mine drilling rig, developed by Atlas Copco in cooperation with the Swedish Mining Research Foundation and tested in the Luossavaara research mine in Kiruna in northern Sweden, has been called a bright star among rock drilling rigs. It is the first rig of its type that is able to drill 100 meter long holes with a deviation of not more than one percent.



There was strong demand from building and construction contractors and others for the new light chipping hammer introduced in the Tex series during the year. The Tex series also includes a large number of hand-held compressed air breakers as well as heavy, rig-mounted hydraulic breakers.

Picture shows that the light Tex 4 chipping hammer is also well suited for sculpting.

A restructuring of the production of drilling rigs was begun in the Nacka plants, outside Stockholm, and the number of numerically controlled machines was extended. The introduction of a mechanized materials handling system, together with a new order and invoicing system will permit faster deliveries and reduce the need for warehousing.

Personnel

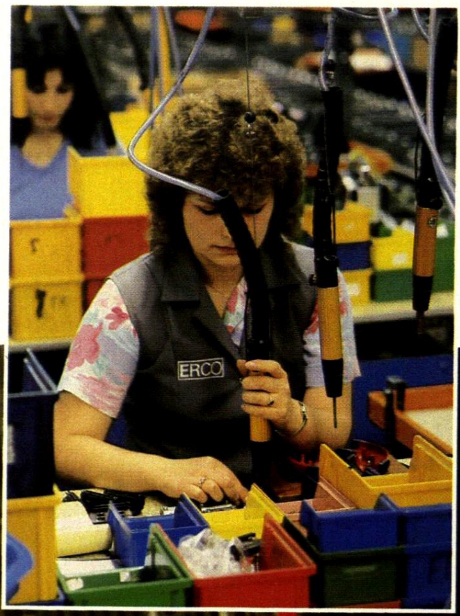
During the year the MCT Division employed an average of 2 111 persons (2 660), of whom 1 561 (1 933) were in Sweden. Approximately 80 employees left the Division under early-retirement programs.

Outlook for 1984

The upturn noted in the market for underground equipment during the final months of the year is expected to continue during 1984. Large international hydro power projects and increasing investments in mining operations are expected to offer MCT an increased volume of sales. Sales of equipment for coal and other soft-rock mining should also develop favorably.

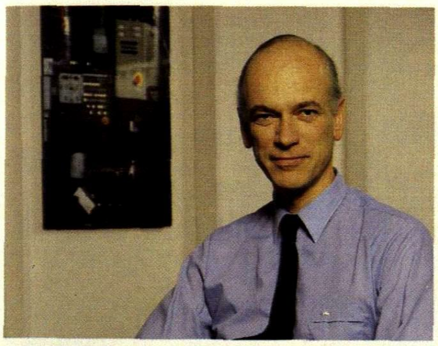
The trend in the market for surface equipment is somewhat less favorable, but new and rescheduled international construction projects may improve the tight market. The market for well drilling equipment is expected to expand. Larger sales volume and additional rationalization in the plants will mean substantially improved income in 1984.

ATLAS COPCO TOOLS



In order to increase productivity in the assembly of lighting fixtures in its plant at Lüdenscheid, the West German company ERCO-Leuchten uses 250 energy-efficient screwdrivers made by Atlas Copco.

Continued improvement in earnings



PER WEJKE

INVOICED SALES, SEK m.	**686**
EARNINGS, SEK m. after financial items	**20**
PERCENT RETURN on total capital employed	**13**

Atlas Copco Tools develops, manufactures and markets industrial machines 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; 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, Tierp, Borås (Sweden) and Masaby and Idensalmi (Finland).

MANAGEMENT COMMITTEE

Per Wejke President (until May 1, 1984)
Michael Treschow President (from May 1, 1984)
Wolfgang Emmerich Engineering and production, Finland
Lars Larson Marketing, industrial tools and air line accessories
Kurt Ottosson Assembly systems
Gustaf Bråkenhielm Finishing
Gösta Henningsson Business development
Ulf Bärjegård Economy
Stefan Börjesson Materials administration
Rolf Carlsson Data processing

Sales

Invoiced sales of the Tools Division in 1983 amounted to SEK 686 m. (683). Orders booked from customers declined 2 percent, to SEK 693 m. (709).

Despite a decrease in volume, the Division's market shares continued to rise.

Earnings

The return on Tools' total capital, excluding non-interest-bearing current liabilities, was 13 percent (12) .

Earnings after financial income and expense were SEK 20 m. (17), equal to 3 percent of sales. Structural rationalization in production, more efficient use of capital through improved materials administration and the 1982 devaluation of the Swedish krona were the factors principally responsible for the improved earnings.

Investments

Investments in machinery and equipment amounted to SEK 4 m. (3). Extraordinary expenses related to shutting down production units were estimated at SEK 6 m. (2).

Market development

The market for the Division's products was weak throughout the year. Production in the manufacturing industries in the Western countries, which constitute Atlas Copco Tools' most important customer category, was lower than in 1982. While good demand was noted from the automotive industry in a number of countries, many large car manufacturers posted losses, which restricted their purchases of industrial tools, the Division's most important product line in terms of volume.

Customer investments to improve productivity increased, however, which resulted in larger sales of assembly systems and finishing systems.

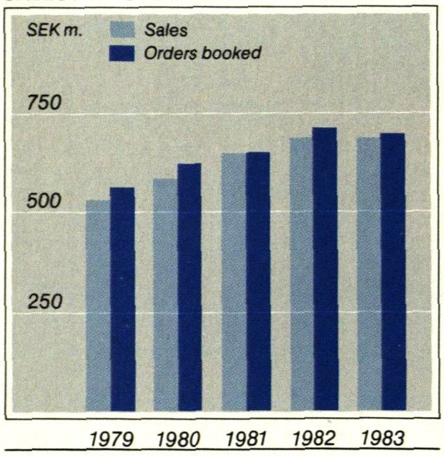
Manufacturers of compressed air tools had overcapacity during the year. Atlas Copco Tools was well able to hold its own, however, while many competitors recorded large losses.

In order to draw maximum benefits from the devaluation of the Swedish krona in 1982 and the high exchange rate for the U.S. dollar, a program of sales support measures was carried out during the year. However, currency devaluations in some of the Division's main markets, coupled with low rate of inflation in others, limited the gains anticipated from the Swedish devaluation. But in markets for which reliable industrial statistics are available it is clear that Atlas Copco Tools increased its shares. The sales companies in Italy, The Netherlands, Switzerland and Sweden were notably successful.

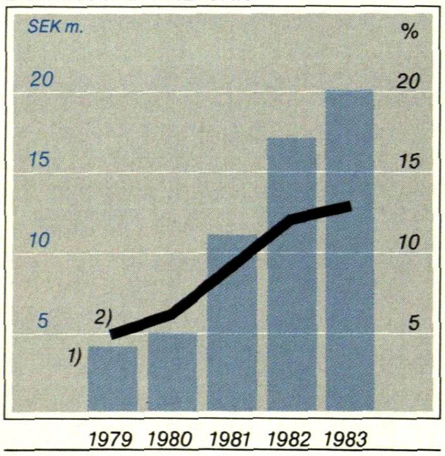
A special business development function was established at the head office to permit Atlas Copco Tools to take full advantage of its opportunities and to broaden and intensify its operations. The Division's management has also participated actively in work related to the organization of the sales companies' Tools operations. There is now a specialized Tools organization in all but one of the sales companies that have been assigned priority.

During the year the order booking and invoicing system was linked via telecommunications network with some of the Atlas Copco Group's larger sales companies. As a result, information about orders and invoicing is now transmitted rapidly and accurately.

SALES AND ORDERS BOOKED

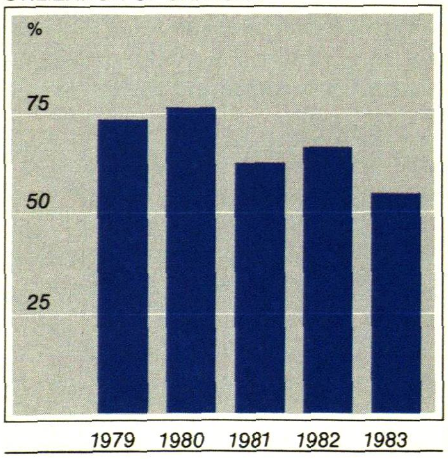


EARNINGS AND RETURN



1) *Earnings after financial items,* SEK m.
2) *Return on total capital employed, percent (definitions* *see p 20).*

UTILIZATION OF CAPACITY



Competitive situation
The Division's main competitors continue to be the American, English and Japanese manufacturers. But Tools is also meeting competition from local producers in certain areas of technology. The competitors have in most cases been harder hit by the economic recession than Atlas Copco Tools. To offset the decreased demand, the Division increased its marketing programs and improved its delivery efficiency. Competitiveness was also strengthened through reduced costs. The American competition was less severe due to the high exchange rate for the U.S. dollar. The Japanese companies were particularly successful in markets in which there is no local production.

Business area: Industrial tools and accessories
The automotive industry and the mechanical engineering industry are the most important customer groups in this business area. The total market for industrial tools and air line accessories continued to shrink. Determined marketing programs resulted in increased market shares for industrial tools in a number of regions, notably in Western Europe. An increased program to sell industrial tools through distributors was introduced during the year, with good results.

The Division launched a large number of new, technically improved types of machines in the market in 1983. A series of new grinding and filing machines was particularly successful. In the air line accessories sector, Atlas Copco Tools acquired, from K-son Patenter AB, manufacturing and marketing rights to the K-son balancers. In addition to these balancers the Division manufactures quick couplings. Other accessories are produced by outside suppliers.

Business area: Assembly systems
Sales increased sharply and the order bookings were at the high level of the preceding year.

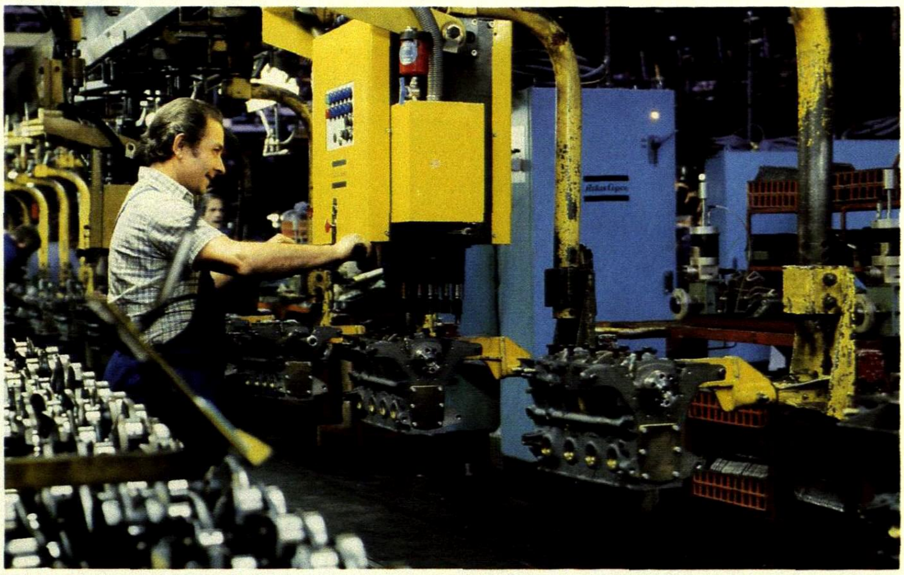
Notable innovations during the year included a series of electric-powered nutrunner motors. These were received with interest by engine manufacturers throughout the world and a large number of orders were signed in Brazil, Italy and Sweden, among other countries.

In order to meet market requirements for assembly systems more effectively, particularly with a view to long-term investment and development, technical development, marketing and service were coordinated in a separate sector.

Business area: Finishing equipment
Sales of standard products declined, while sales of systems were higher. The best sales results were achieved in Belgium, Finland and notably in Italy where also the finishing organization was strengthened during the year. Strong sales were also achieved in Atlas Copco International's markets. A new generation of equipment for electrostatic finishing was introduced during the year and was well received in the market.

All resources for technical development and marketing in the business area were concentrated in the Division's head office in Stockholm during the year. In addition, the finishing sector of Atlas Copco Svenska Försäljnings AB was transferred to Atlas Copco Tools in order to obtain more rational and broader use of the Group's finishing expertise in Sweden.

Product development
The Divison increased its research and development resources substantially, especially in the field of assembly systems.



During 1983 Fiat equipped its Mirafiori plant in Turin with additional microcomputer-based MACS assembly systems. The equipment includes the new electric-powered multiple nutrunners. Here, they are being used in the assembly of crankshafts.

Body-grinding in the Volvo Torslanda plant with the LSV 26 grinder, which was introduced successfully during 1983. A special feature of the machine is its extremely low noise level, 66 dB(A).

During the year it was decided to expand and modernize the Division's laboratory resources, including an increase in the computer-controlled measurement and calculating equipment.

The development of many new products was completed, e g an automatic riveting machine for aircraft industry and a series of electric-powered nutrunner motors. The line of hand-held riveters and nutrunners was also filled out.

Production

Production of rotary tools was concentrated in the factories in Skara and Tierp. The Injector Works in Stockholm were shut down and the building was sold.

The new inventory control system became fully effective during the year. As a result of reliable transports on fixed schedules, the time required to distribute goods to customers was further shortened. Inventories at the Division's main plant and in the largest sales companies were reduced by more than SEK 50 m.

A system of customer-demand controlled production was introduced in the two largest factories. This will improve the possibilities of adapting production to actual customer needs.

As part of the Division's rationalization program, a new production system designed to improve materials flow was introduced. This change in the manufacturing process means that the work of machine operators will be more diversified and that production will be more efficient, with sharply reduced through-put times.

Personnel

The Division assumed responsibility for the sales of finishing products in Sweden at the beginning of the year. In this connection, 15 employees were transferred from the Swedish sales company.

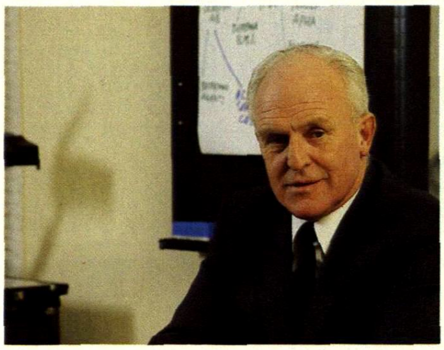
The Tools Division employed an average of 983 persons (1 097), of whom 136 (167) were located outside Sweden.

Outlook for 1984

The rationalization program that has now been carried out, plus a stronger development and marketing program, will make it possible for the Division to capture larger market shares. Trade restrictions will remain in a number of substantial markets. There will be a growing market for systems and equipment with a large technical content.

The prospects for further improved profitability are good.

Stable growth



LARS ÅSELL

INVOICED SALES, SEK m.	**384**
EARNINGS, SEK m. after financial items	**48**
PERCENT RETURN on total capital employed	**21**

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. Berema has the following subsidiaries: Toolex Alpha AB (fully automatic record presses), KGK Mekaniska Verkstad AB (small air compressors), Flodins Filter AB (air filters), and Atlas Copco Energy AB (well drilling products and heat pumps). 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 and Sundbyberg (Sweden) and in Fredrikshavn (Denmark).

MANAGEMENT COMMITTEE

Lars Åsell President
Arne Gerold Economy and Administration
Per Hallström Marketing

Sales

Invoiced sales of the Berema group increased 18 percent to SEK 384 m. (326). These figures include Flodins Filter AB, which became a member of the group at the end of 1982.

Order bookings rose 18 percent, to SEK 378 m. (319).

Earnings

The higher volume of sales of Berema's main products contributed strongly to the favorable trend of earnings for the year. However, as a consequence of the devaluation of the Swedish krona in 1982, imports – primarily from Japan – resulted in an exchange loss of SEK 2 m. Earnings after financial income and expense was SEK 48 m. (38), equal to 13 percent of sales.

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

Utilization of capacity was satisfactory in all production units except Toolex Alpha.

Investments

Investments in machinery and equipment related to production amounted to SEK 8 m. (31).

Acquisitions

The stable growth of the Berema group within its traditional areas of operations – primarily gasoline-powered drills – has created resources for moves into other sectors through the acquisition of companies and products with good growth potentials, particularly in terms of exports. A number of small and medium-size companies have accordingly been acquired in recent years. These companies have maintained their close contacts with customers and their relatively simple administrative structures, but have had the larger group's resources and contact network to support and aid in their development.

During the year Berema acquired a 21 percent interest in Instrument AB Scanditronix, Sweden, whose products include advanced X-ray equipment for hospitals, pharmaceutical companies and scientific institutions. A small investment was also made in Cord Capital N.V., a venture capital company which invests in projects in the United States. At the end of the year a subsidiary, Atlas Copco Energy AB, was formed to coordinate and develop products and marketing in the field of well drilling, heat pumps and related equipment.

Atlas Copco Energy AB acquired Well Drill Systems AB from Götaverken Motor AB, as well as production and patent rights for heat pumps from Cinderella AB.

Market development

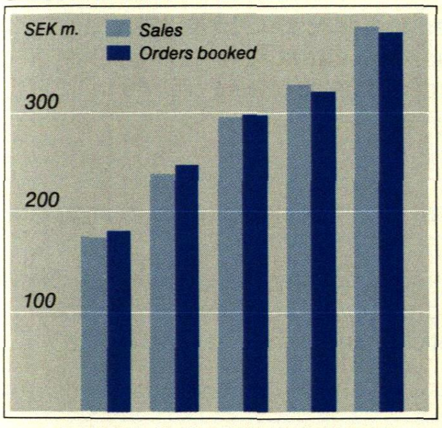
Improved demand was noted for many groups of products, especially during the second half of the year.

Marketing efforts during the year were concentrated largely in Europe and North America.

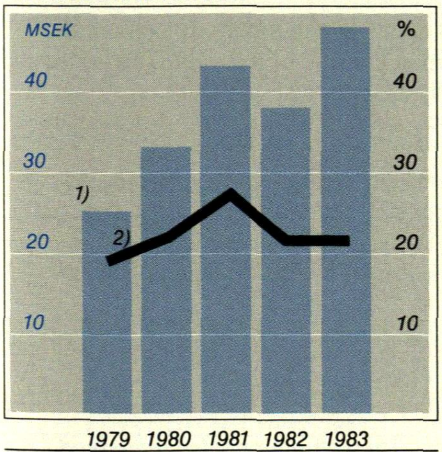
Gasoline-powered drills

A small increase in volume was recorded again in 1983. The cultivation of sectors for special applications – including railways, highway maintenance and military projects – was continued.

SALES AND ORDERS BOOKED

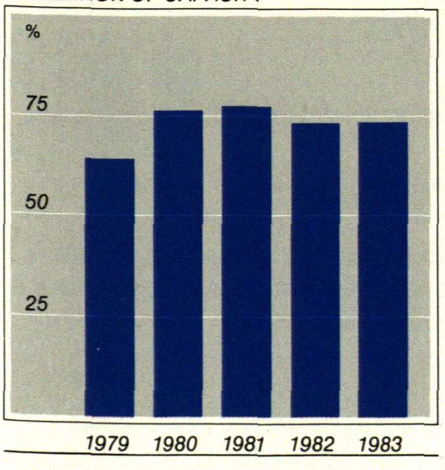


EARNINGS AND RETURN



[1]) Earnings after financial items, SEK m.
[2]) Return on total capital employed, percent (definitions see p 20).

UTILIZATION OF CAPACITY



The "Pionjär" gasoline-powered portable combination machine is used for rock drilling, breaking, tamping of cross-ties, digging, etc. This machine is being used to excavate a cable bed along a railroad right-of-way in the U.S.

Other products

Demand for Toolex Alpha's automatic record presses continued to be weak, due to structural change in the industry. Some large orders were received, however, further strengthening the company's position in this product area. The company began to cooperate with Europafilm, which produces galvanic equipment for record pressing.

KGK Mekaniska Verkstad AB, which is engaged primarily in the manufacture and marketing of small compressors, developed well, notably in the Scandinavian market.

Flodins Filter AB, acquired at the end of 1982, succeeded in increasing its sales substantially in both Sweden and export markets.

Viewed as a whole, demand for Honda's products in Sweden and Norway matched that of the preceding year despite the price increase caused by the krona devaluation.

Product development

The various group companies continued their product development work. Special efforts were made in Toolex Alpha to develop new product areas.

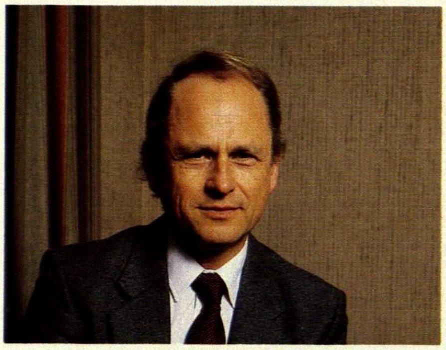
Personnel

The average number of employees increased during the year to 555 (458). The number of employees in the Valdemarsvik facility decreased by 33 in connection with the concentration of Toolex Alpha's production in Sundbyberg.

Outlook for 1984

Assuming a further improvement in economic conditions, Berema's determined programs in export markets, plus the exchange benefits resulting from the devaluation of the Swedish krona, should offer opportunities for continuing favorable growth during 1984.

Sales volume and profitability increase



ERIC BURSVIK

INVOICED SALES, SEK m.	**255**
EARNINGS, SEK m. after financial items	**13**
PERCENT RETURN on total capital employed	**13**

Monsun-Tison develops, manufactures and markets hydraulic and pneumatic components and control systems.

Hydraulics are marketed through Monsun-Tison's own sales companies in Canada, Denmark, France, Great Britain, Italy, Norway, West Germany and the United States to manufacturers of such mobile machines as cranes, forest machinery and mining equipment. The pneumatics product line is marketed through Monsun-Tison's sales companies in Denmark, France, Great Britain, Italy, Norway and West Germany and, in other countries, through Atlas Copco sales companies, to manufacturers of packaging machinery, transport equipment, etc.

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

MANAGEMENT COMMITTEE

Eric Bursvik President
Anders Perning Economy and Administration
Torgny Segerberg Hydraulics
Hans-Jörgen Lindström Pneumatics

Sales
Monsun-Tison's invoiced sales in 1983 amounted to SEK 255 m. (213), an increase of 20 percent. The company also invoiced SEK 18 m. (23) to other companies in the Atlas Copco Group. Orders booked totaled SEK 268 m. (211), 27 percent higher than in the preceding year.

Earnings
The return on Monsun-Tison's total capital, excluding non-interest-bearing current liabilities, was 13 percent (7).

Earnings after financial income and expenses amounted to SEK 13 m. (1). The increase was achieved as a result of the greater volume of invoicing, a higher rate of capital turnover, intensified marketing programs and rationalization measures.

Investments
Investments in machinery and equipment totaled SEK 7 m. (11).

Market development
The market was characterized by excess capacity and severe price competition. Some increase in demand was noted at the end of the year. The company continued to increase its shares in virtually all markets.

Business area: Hydraulics
Hydraulic components are sold in Western Europe and North America. As a result of introducing new products and focusing on new applications and customers, sales increased gradually during the year. During the latter part, a substantial increase in demand could be noted in North America and West Germany.

Profitability improved.

Business area: Pneumatics
Sales are concentrated to Western Europe. The volume of sales increased despite weak demand and hard price competition. The product program was strengthened through the introduction of a number of new products for industrial automation. The successive expansion of the sales organization continued.

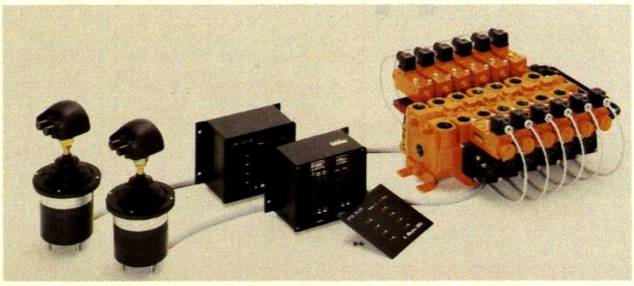
There was a further improvement in profitability.

Production
The restructuring of production, begun earlier, to create product factories was completed during the year.

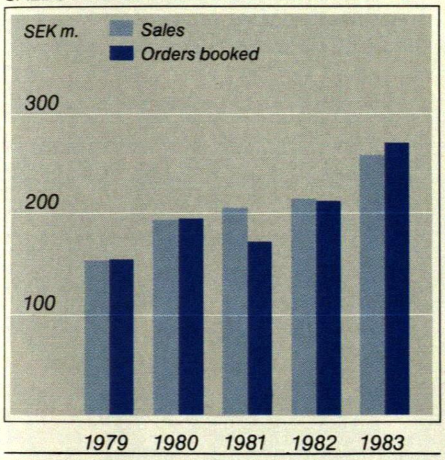
In the area of materials management, measures included the introduction of refined routines for preparing forecasts and production programs.

The introduction of product factories and new materials management routines made it possible to reduce through-put times and inventories. The result was a higher rate of capital turnover and improved profitability.

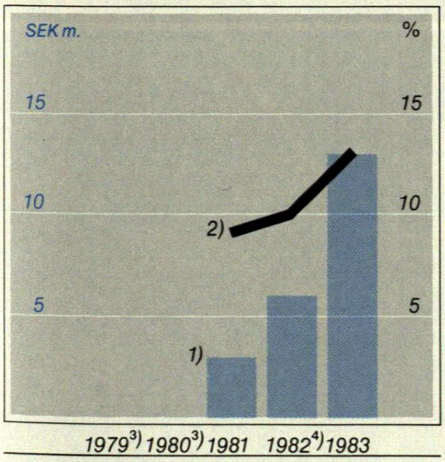
Product development
The line of hydraulics products was strengthened during the year by the addition of versions of valves for trucks, cranes and other applications. A new



SALES AND ORDERS BOOKED

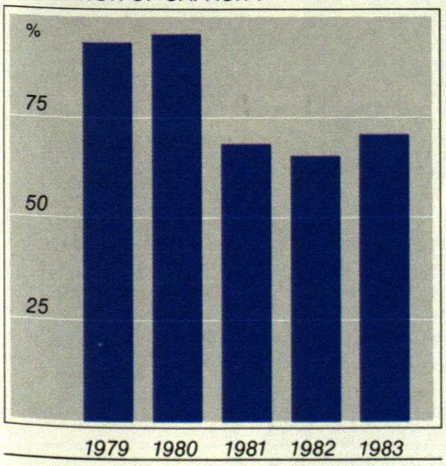


EARNINGS AND RETURN



[1] Earnings after financial items, SEK m.
[2] Return on total capital employed, percent (definitions see p 20).
[3] Corresponding figures for these years are not avaible
[4] Excluding extraordinary costs of SEK 5 m. reported by Monsun-Tison

UTILIZATION OF CAPACITY



Monsun-Tison's electrohydraulic control systems have made it simpler and safer to operate excavators, cranes, forest machines and similar equipment. Because the hydraulic power cylinders and valves are controlled electronically, it is easy to operate a machine by remote control, via an electric cable, in hazardous situations, or where extreme precision is required. Small picture shows the components in the electrohydraulic control system.

generation of electro-hydraulic control components for a large number of mobile machines reached the marketing stage.

The pneumatics product range was reinforced with additional components that meet ISO (International Standards Organization) standards, as well as with components for materials handling systems.

Personnel

The company employed an average of 704 persons (736) in 1983, of whom 87 (80) were located outside Sweden. The company has for some years been investing to an increasing degree in employee training and development. During the past year a comprehensive training program was conducted for management and sales personnel, among others, in both Parent Company and sales companies.

Outlook for 1984

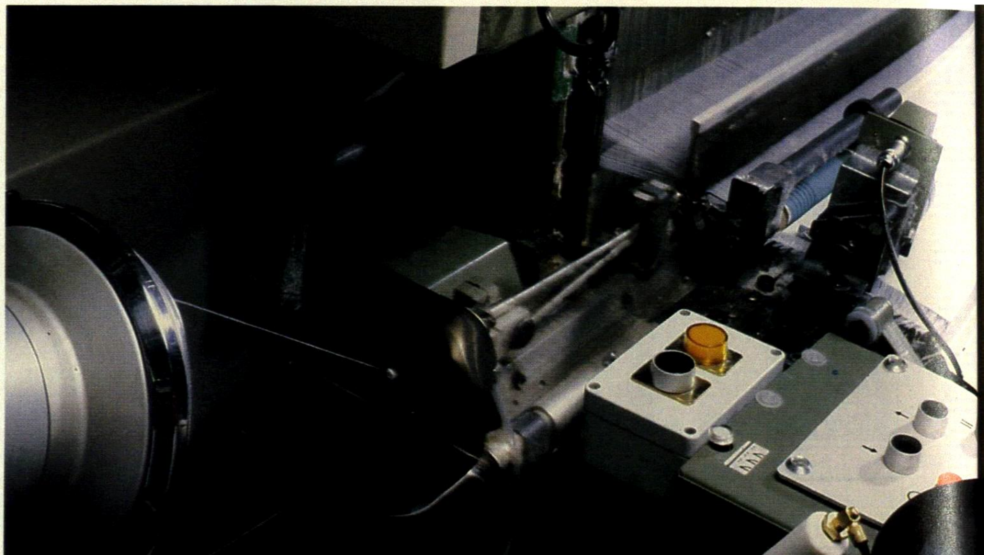
For manufacturers of such mobile machines as construction equipment, the market is still weak but improving somewhat. At the same time a structural rationalization is under way. Monsun-Tison expects to increase its volume in this field, however.

Monsun-Tison has a strong line of pneumatic and electronic products for automation within the engineering industry and for other applications, and is expecting a substantial upturn in this area.

Overall, a further improvement in earnings is expected.

Customer oriented approaches

Through its worldwide marketing network, Atlas Copco comes in close contact with the special problems of its customers. As a result, the Company has to an ever-increasing extent been able to adapt its products and services to customers' specific requirements. For the customers, this often means substantial improvements in productivity; for Atlas Copco, it means increased confidence on the part of the customers, as well as higher profitability for the Company since it is able to supply complete systems and related software.



WEAVING WITH AIR JETS

The textile industry in large parts of the industrialized world has for many years been exposed to stiff price competition and high labor and energy costs. This segment of the industry now sees new opportunities to compete. Many companies in Europe and the United States have invested in a new technology which uses compressed air instead of shuttles to conduct thread through a web. The new technology, based on Atlas Copco's oil-free compressors, increases productivity considerably while resulting in better-quality fabric. With compressed air, the new looms work three times as fast as conventional units and require only one operator to supervise 20 machines.

The new technology also offers substantial energy savings, compared with the old. In cooperation with the technical departments of textile companies, Atlas Copco has developed special heat recovery systems. Thanks to these systems heat recovered is used for drying purposes or to heat offices and factories. Energy costs are thus considerably reduced.

Atlas Copco is actively involved in this new development, supplying equipment, installation work, consultation and service to textile companies throughout the world.

DETAILED PROJECT PROPOSALS

As a result of the sharp increases in oil prices during the past ten years, it has become increasingly urgent for developing countries to expand their supply of hydro power. Ecuador is a case in point. In 1982 a Swedish-Norwegian consortium consisting of Armerad Betong Vägförbättringar (ABV) and Høyer Ellefsen received the assignment to construct the 150-MW Agoyan hydro power station south of the capital city of Quito. Atlas Copco became involved in the project through its sales companies in Sweden, Norway and Ecuador. During 1981 MCT's project department collected information on the project and then developed proposals employing various technical solutions for both surface and underground drilling. In all, 135 000 cubic meters of rock had to be excavated under ground, and 550 000 cubic meters above ground, to construct the tunnels, dams and power station. In the spring of 1982 equipment specified in Atlas Copco's proposal was chosen as the most suitable, technically and economically. Atlas Copco thereby became the sole supplier of rock drilling equipment, compressors and drill steel. Heavy equipment, drill steel and spare parts were all delivered from Sweden. Training of local operators and service personnel and maintenance of the equipment are managed, on a contract basis, by a service engineer from the Swedish sales company together with locally trained personnel.

Service and preventive maintenance is facilitated by the fact that Atlas Copco's specially fitted container is available at the work site. It contains all the equipment required for the repair and testing of the hydraulic drilling machines: a complete workshop adapted to customer needs.

The project is currently under construction and is scheduled to be completed in 1986.

ERGONOMICALLY DEVELOPED TOOLS

Noise and vibration have long been major problems in manufacturing industries where riveting is required in assembly operations. This is particularly true in the aircraft industry, where hand-held riveting machines are used to fasten more than a million rivets on each large passenger aircraft. Atlas Copco, in close cooperation with Saab-Scania, manufacturer of the Saab-Fairchild 340 regional airliner, and VFW-MBB – builder of the Airbus in West Germany – has developed a revolutionary vibration-damping system. The system takes up the shocks and vibration of riveting inside the tool. The solution lies in the fact that Atlas Copco has abandoned the traditional concept involving mechanical springs as vibration- and shock-absorbers. The mechanical spring has been replaced by an "air spring," a piston that is activated by pressure in an air chamber inside the riveting machine. The result has been a virtually vibration-free riveter that is an ergonomical sensation on the market. Vibration-damping has also made it possible for the designers to use light metal in the handle. The riveter has thus been made lighter at the same time that its performance has been improved considerably.

PERSONNEL

SEK thousands	1983	1982
Sales per employee	477	431
Earnings per employee	15	19
Value added per employee	189	180

Continued reduction in number of employees

The average number of employees in the Atlas Copco Group in 1983 was 16 974 (18 402). The number of employees in Sweden was 4 978 (5 283), and in other countries, 11 996 (13 119). The decrease was attributable mainly to the adjustment of production to a lower level of demand, and to more efficient administration in both the sales companies and the divisions. Total labor costs rose 2.5 percent, to SEK 2 409 m. (2 349), of which social costs account for SEK 631 m. (625).

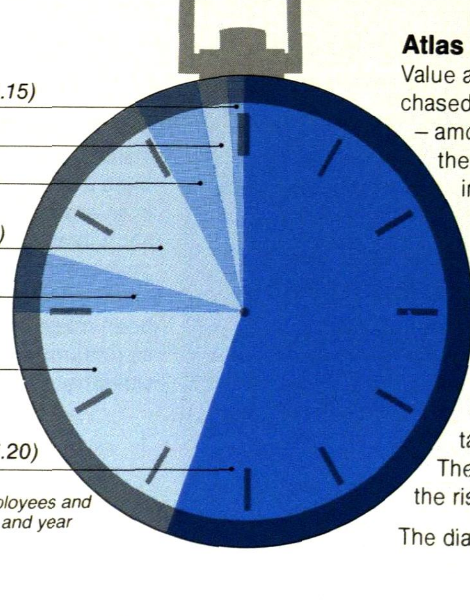
Electronics expertise increases

Atlas Copco has for many years used electronic equipment for monitoring, regulation and control in product areas were environmental demands are severe. During the past year a further investment was made in the field of electronics through the employment of specialists with advanced degrees and practical experience within industry. They will concentrate on electronic monitoring and control of compressor plants, large drill rigs and assembly systems, as well as on the development of robot technology and electronic measuring instruments.

PERSONNEL DATA	Average number of employees*		Wages, salaries and other personnel costs	
	1983	1982	1983	1982
SWEDEN				
Head office	64	73	22	25
Divisions	4 084	4 384	580	557
Sales companies	830	826	123	159
Total, Sweden	4 978	5 283	725	741
OUTSIDE SWEDEN				
Divisions	3 931	4 376	646	603
Sales companies	8 065	8 743	1 038	1 005
Total, outside Sweden	11 996	13 119	1 684	1 608
Total	16 974	18 402	2 409	2 349

*) 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.

VALUE ADDED PER WORKING HOUR [1]
SEK



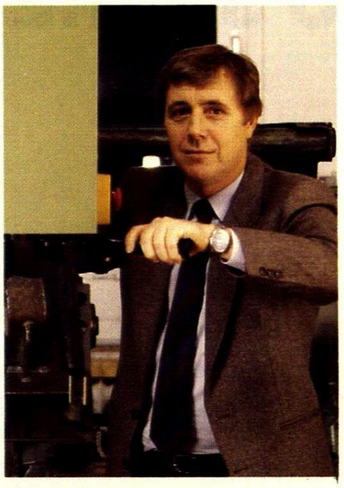
[1] Based on average number of employees and 1640 working hours per employee and year
[2] Before extraordinary items
[3] Incl dividend to minority interests

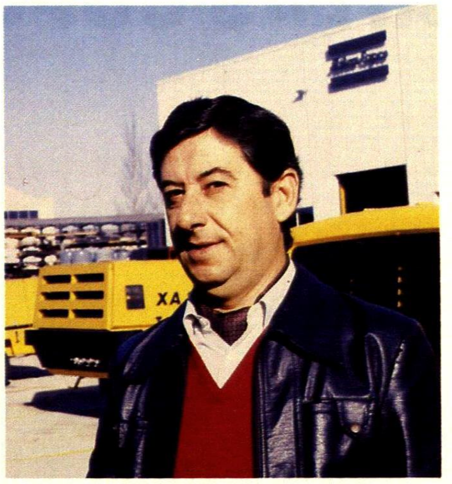
Atlas Copco Group value added

Value added – the Group's total invoicing less the costs of purchased raw materials, finished and semifinished goods, and services – amounted in 1983 to SEK 3 209 m. (3 279). Value added expresses the production input made by the Company; that is, the increase in value that arises through handling, processing, etc. Value added per employee amounted in 1983 to SEK 189 000 (180 000). Of the total value added 71 percent, or SEK 2 409 m. (2 349), was in the form of wages and salaries SEK 1 778 m. and social costs SEK 631 m.

A net amount of SEK 405 m., equal to 13 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 151 m., or 5 percent of value added. The 2 percent received by shareholders represent interest on the risk capital they invested in the business.

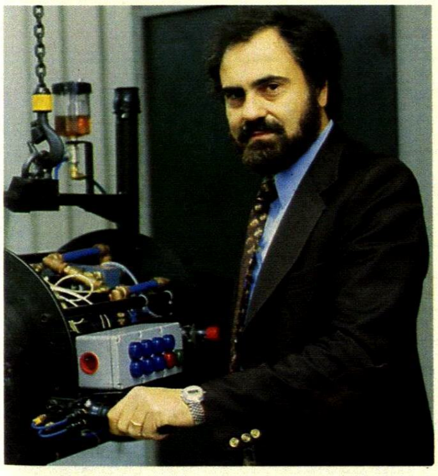
The diagram shows the value added per hour worked.



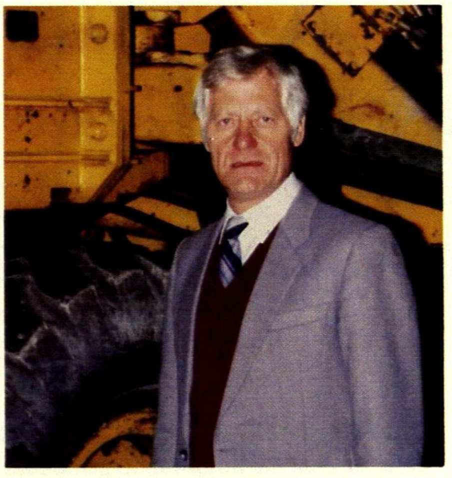


Close cooperation between **Alpan Inal** and **Osman Tümay** of the Turkish sales company and **Joakim Vogt** of the German company resulted in a substantial order from MAN, the West German company, for equipment to be used in a new diesel engine plant in Ankara, Turkey. The three men sold multiple nutrunners, screw compressors, air dryers, hoists, hand-held tools and accessories for the new factory.

Miguel Fernández López, responsible for MCT's sales in the Barcelona regional office, has had very good sales results during the past two years. He sold three drilling rigs, with related drill steel, spare parts and technical service, for a tunnel project in northern Spain. In the face of tough competition, he obtained orders for two ROC 812H rock drilling rigs to be used in construction of a hydro power station and a ROC 712H for a quarry. He was also successful in selling to leasing firms. On Palma de Mallorca, he sold 22 portable compressors as replacements for competitor's equipment, as well as 20 units in Barcelona. He has also opened an important new market in Spain through the sale of water well drilling equipment within his region.

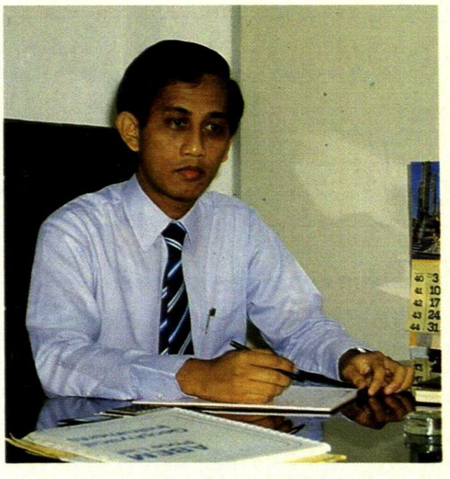


Salvatore Filia manager of the assembly system business area in the Italian sales company, has been highly successful in selling multiple nutrunners and MACS systems by developing customer adapted solutions. During 1983 he had reason to be pleased with the sale of 23 MACS assembly systems and 29 multiple nutrunners to various Fiat plants in Italy.



Wilfried Herzog, in the Austrian sales company, has specialized in the sale of equipment used in tunnel construction. He sold the first two Jarva tunnel boring machines in Europe and, in 1983, five drill rigs for a highway tunnel construction project at Graz, Austria. During the year he also sold no fewer than 11 new drilling rigs, and 12 second-hand units, to Austrian contractors.

Jan Theuwissen, in the Belgian sales company, during a test period for one of his customers (a Belgian coal mine), demonstrated that the Webster loader he sold could increase productivity 100 percent. This resulted in the sale of four Webster 2000 DL units, which have now become standard equipment for the company's coal mines.



Tonny Notosetyanto, at P.T. Atlasco Sakti in Indonesia scored a number of sales successes. In close cooperation with Atlas Copco Gadelius in Japan, he sold three Rotamec drilling rigs to a government-owned coal mine. He also succeeded in obtaining orders for 32 portable compressors, ordered by the Ministry of Public Works in Indonesia.

ATLAS COPCO SHARE DATA

DIVIDEND POLICY

The dividend per share for the fiscal years 1977 through 1982 increased an average of 8.4 percent annually. For the period 1973–1982 the corresponding increase was 10.7 percent. The average monetary depreciation in Sweden during the two periods was 10.0 and 10.3 percent respectively. The Board of Directors has proposed a dividend for 1983 of SEK 3.00 be approved. This will strengthen the Company's financial base for the ongoing process of change and for future aggressive development initiatives.

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

PER SHARE DATA, SEK	1979	1980	1981	1982[2])	1983
Earnings[1])	8.00	10.10	12.95	7.65	4.90
Earnings *after* extraordinary items	7.40	10.10	13.25	7.10	– 0.25
Dividend	4.80	5.20	6.00	6.00	3.00[3])
Dividend as percent of earnings	60.0	52.0	46.3	78.4	61.2
Highest price quoted	78	68	106	109	150
Lowest price quoted	54	48	61	82	90
Average price quoted	62	56	83	93	118
Risk-bearing equity capital[4])	116	136	153	125	117
Direct yield, percent[5])	7.7	9.3	7.2	6.5	2.5
Price/earnings[6])	7.8	5.6	6.4	12.2	24.1

For purposes of comparison between years, adjustments have been made to reflect new issues of shares.

[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 Board of Directors.

[4]) Equity capital and untaxed reserves divided by number of shares.

[5]) Dividend as a percentage of average quoted price during the year.

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

OWNERSHIP OF ATLAS COPCO SHARES

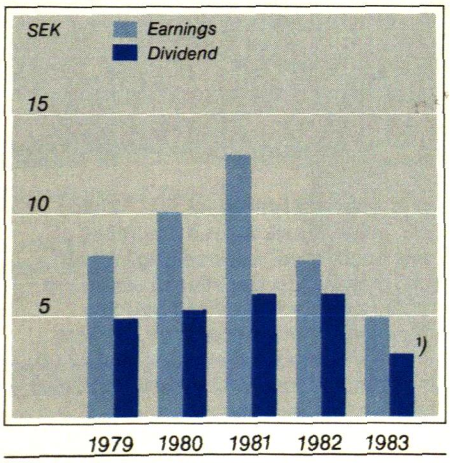
The share capital amounts to SEK 586.5 m., represented by 23 460 500 shares, each with a par value of SEK 25. All shares are unrestricted and carry one vote each. Shares are traded on the Stockholm Stock Exchange in lots of 100.

Atlas Copco AB has approximately 42 000 shareholders. The largest shareholders, as reported by VPC (Swedish Securities Register Center) in February, 1984, are shown in the following table:

	Number of shares	Percentage of total
1. AB Volvo	5 865 125	25.00
2. Förvaltnings AB Providentia	2 479 572	10.57
3. AB Investor	2 206 000	9.40
4. General Pension Fund, Fourth Board	943 693	4.02
5. Swedish Staff Pension Society (SPP)	737 369	3.14
6. Livförsäkrings AB Skandia	568 753	2.42
7. SE-Banken Share Savings Fund	188 050	0.80
8. Atlas Copco Share Savings Fund	184 848	0.79
9. Handelsbanken Tax Savings Fund	155 863	0.66
10. Dreyfus Growth Opportunity Fund Inc., N.Y.	150 000	0.64

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

EARNINGS AND DIVIDEND PER SHARE

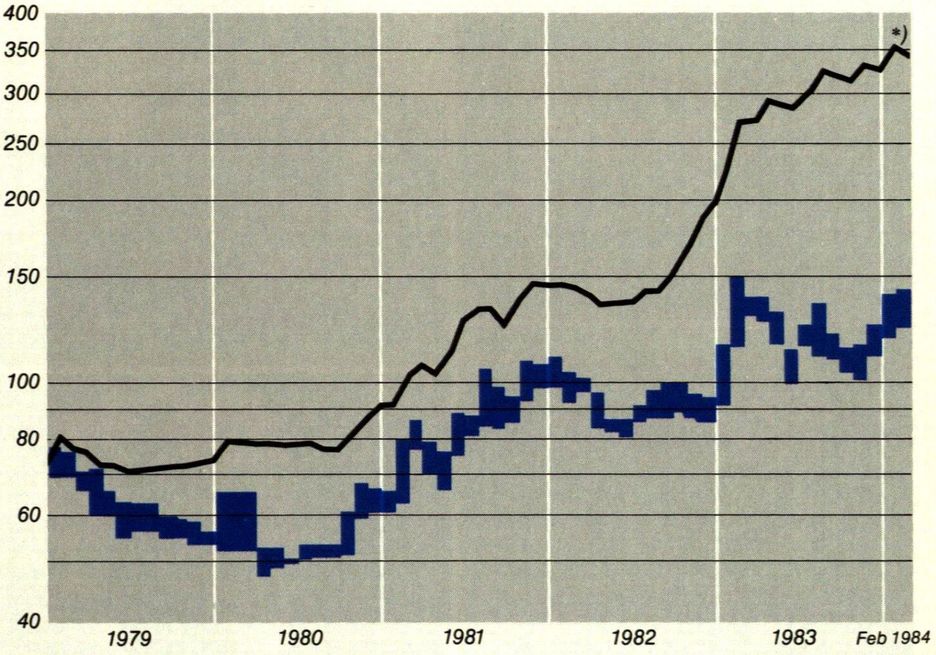


1) Dividend for 1983 as proposed by the Board of Directors

INTEREST OUTSIDE SWEDEN INCREASED

Total holdings of Atlas Copco shares by shareholders outside Sweden rose sharply during 1983, from 347 000 at the first of the year to 886 000 at year-end. The rise is mainly attributable to the increased interest on the part of American investors.

TREND OF SHARE PRICES, SEK



*) Veckans Affärer (financial publication) general index

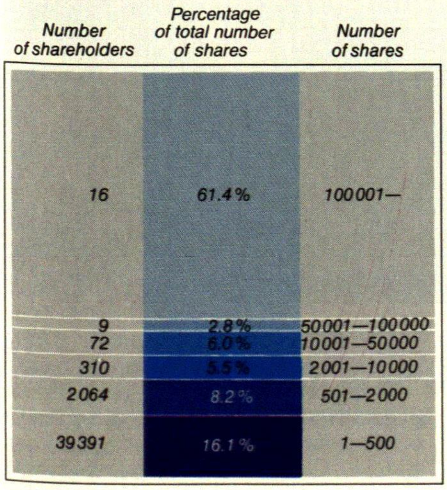
Logarithmic scale

During 1983, 7 987 033 (5 634 268) Atlas Copco shares, an average of 32 468 (22 358) shares per trading day, were traded on the Stockholm Stock Exchange. The number of shares traded was equal to 34 percent (27) of total shares outstanding.

SHARE ISSUES 1965–1983

			Increase of share capital SEK m.	Amount paid-in SEK m.
1965	Bonus issue	1:4	19.1	–
	New issue	1:4 SEK 60	19.1	46.0
1971	Bonus issue	1:10	11.5	–
	New issue	1:10 SEK 100	11.5	46.0
1973	Bonus issue	1:2	69.0	–
1974	New issue	1:4 SEK 25	51.7	51.7
1976	New issue	1:5 SEK 50	51.7	103.5
1979	Bonus issue	1:6	51.7	–
	New issue	1:6 SEK 60	51.7	124.1
1982	Bonus issue	1:4	103.5	–
	New issue	2 765 000 shares at SEK 135	69.1	373.3

OWNERSHIP STRUCTURE 1983



SHARE SAVINGS FUND RANKS AMONG 8 LARGEST SHAREHOLDERS

The Atlas Copco Share Savings Fund, which began operations in 1981, today has 1 778 members (1 745), of whom 384 contributed savings during the year.

The fund, which invests in Atlas Copco shares exclusively, acquired 47 040 shares (39 570) during the year. At year-end the fund held 184 848 shares (137 808) with a market value of SEK 22 m. (12).

Effective in April, 1984, saving via the Share Savings Fund will be replaced by saving in the Atlas Copco General Share Savings Fund. The Company was the first to offer its employees an opportunity to save through the new company-related General Share Savings Program. Like the Share Savings Fund, the General Share Savings Fund will be administered by Atlas Copco Fond AB.

BOARD OF DIRECTORS, AUDITORS AND GROUP MANAGEMENT

1. K-A Belfrage 2. Curt G Olsson 3. Pehr G Gyllenhammar 4. Peter Wallenberg
5. Tom Wachtmeister 6. Henry N Sporborg 7. Tore Hedberg 8. Otto Grieg Tidemand
9. Sture Ödner 10. Björn Svedberg 11. P Henry Mueller 12. Per-Erik Nyholm
13. Kjell Nordström 14. Bo Henning 15. Erik Johnsson 16. Axel Iveroth

BOARD OF DIRECTORS

ELECTED BY THE ANNUAL GENERAL MEETING

PETER WALLENBERG
Chairman (1970). 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. (England). 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. Wien. Member of the Board of Scania France S.A.

HENRY N SPORBORG
(1969). Director Hambros Ltd., Great Britain 1949-1977. Chairman of the Boards of Atlas Copco (Great Britain) Ltd., LKB Instruments Ltd., Almex Ticket Machine Co Ltd., Papyrus Ltd., Papyrus Kopparfors (UK) Ltd. Vice Chairman of the Board of LKB Biochrom Ltd.

STURE ÖDNER
(1970). Member of the Board of Saléninvest. Chairman of the Board of J S Saba. Member of the Board of Trygg-Hansa.

ERIK JOHNSSON
(1972). Dr. Tech. h.c., President of Atlas Copco AB, 1970–1975. Member of the Board of Alfa-Laval.

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 and Atlas Copco A/S (Norway). Chairman and Board member of shipping companies, insurance companies, etc. in Norway and other countries.

PEHR 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, Stora Kopparberg, 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 and The Trade Association of the Mechanical and Electrical Engineering Industry. Member of the Boards of Saab-Scania and Skandinaviska Enskilda Banken.

EMPLOYEE REPRESENTATIVES

BO HENNING
(1973). Chairman, Atlas Copco local of Salaried Staff Union.

PER-ERIK NYHOLM
(1973). Chairman, Atlas Copco local of Metal Workers' Union.

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

TORE HEDBERG
(1983). Deputy member. Chairman, Atlas Copco Tools' local of Salaried Staff Union.

AUDITORS

BIRGER SONESSON
Authorized Public Accountant

BERTIL E OLSSON
Authorized Public Accountant

KARL-G GIERTZ
Authorized Public Accountant, Deputy

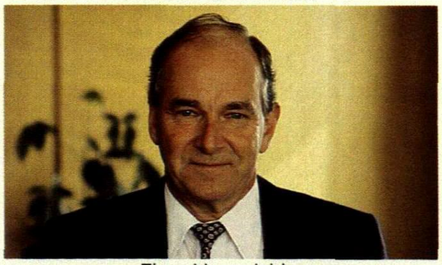
BO RIBERS
Authorized Public Accountant, Deputy

GROUP MANAGEMENT

TOM WACHTMEISTER, President and Chief Executive Officer

OLOF SJÖSTRÖM, Senior Executive Vice President and Deputy Chief Executive Officer


Olof Sjöström


Einar Liwendahl


Sven-Ingvar Svensson


Iwan Åkerman

EINAR LIWENDAHL, Executive Vice President

SVEN-INGVAR SVENSSON, Executive Vice President

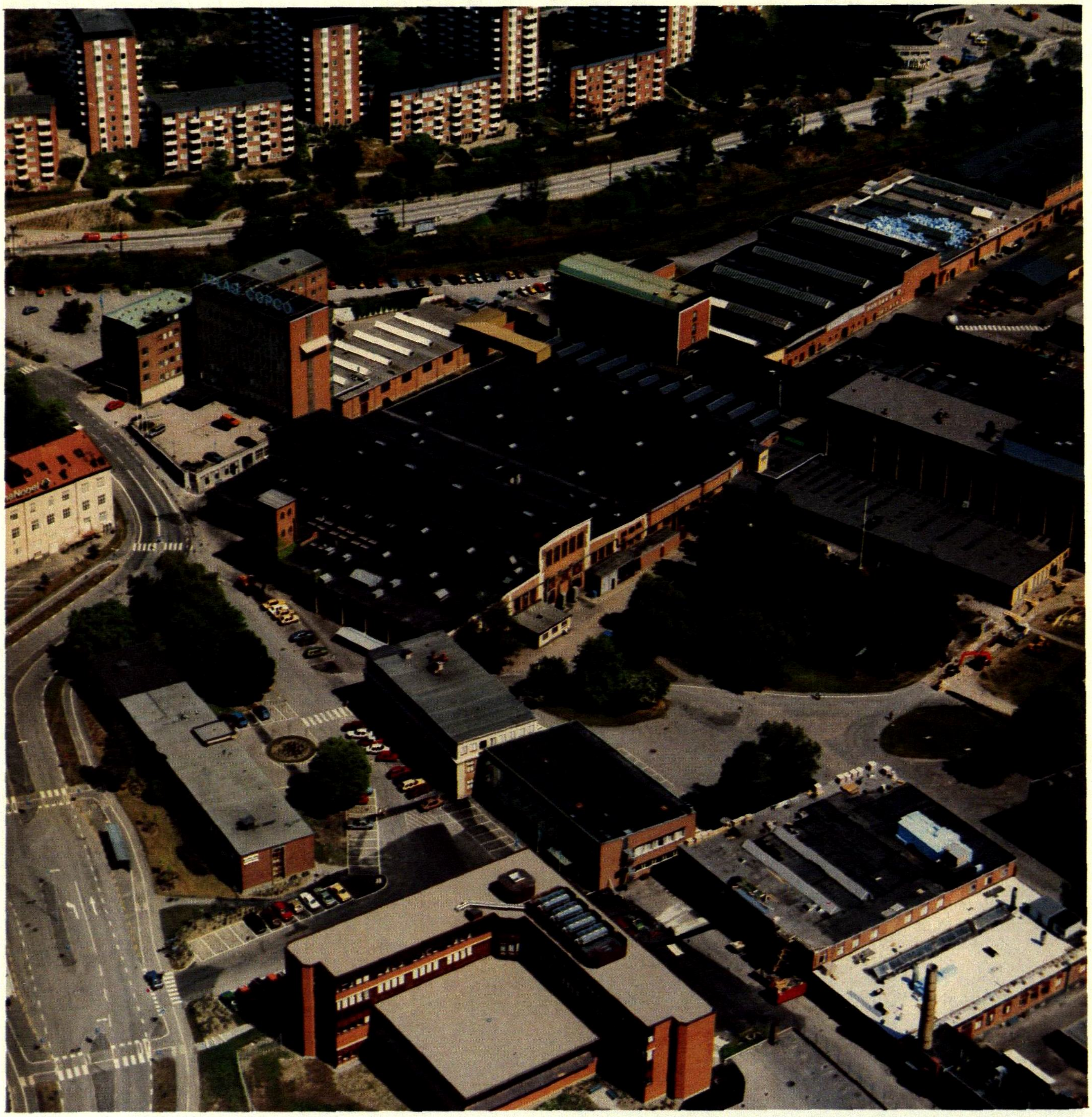
IWAN ÅKERMAN, Executive Vice President

BERTIL ERIKSSON, President
Atlas Copco Airpower NV

ARNE FORSELL, President
Atlas Copco MCT AB*

PER WEJKE, President
Atlas Copco Tools AB*

** Effective May 1, 1984, Per Wejke succeeds Arne Forsell as president of Atlas Copco MCT. At the same date Michael Treschow succeeds Per Wejke as president of Atlas Copco Tools.*



The Atlas Copco Headquarters and plant in Nacka, Stockholm.

Atlas Copco is one of the world's leading companies in the field of compressed air and hydraulics, but is also active in such other technical areas as electronics. The Company's large marketing organization sells its approximately 3 000 products and services to 250 000 registered customers in more than 120 countries. Manufacturing and product development take place in own facilities in 16 countries.

Typical customers are in such branches of industry as mechanical production, food processing, chemicals, pharmaceuticals, textiles and electronics, and include building and construction contractors and mine operators. By means of its equipment and specialized competence, Atlas Copco seeks to 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 open up good opportunities for expansion. These fields include gas compression, the mining of soft rock, including coal, and heat energy recovery.

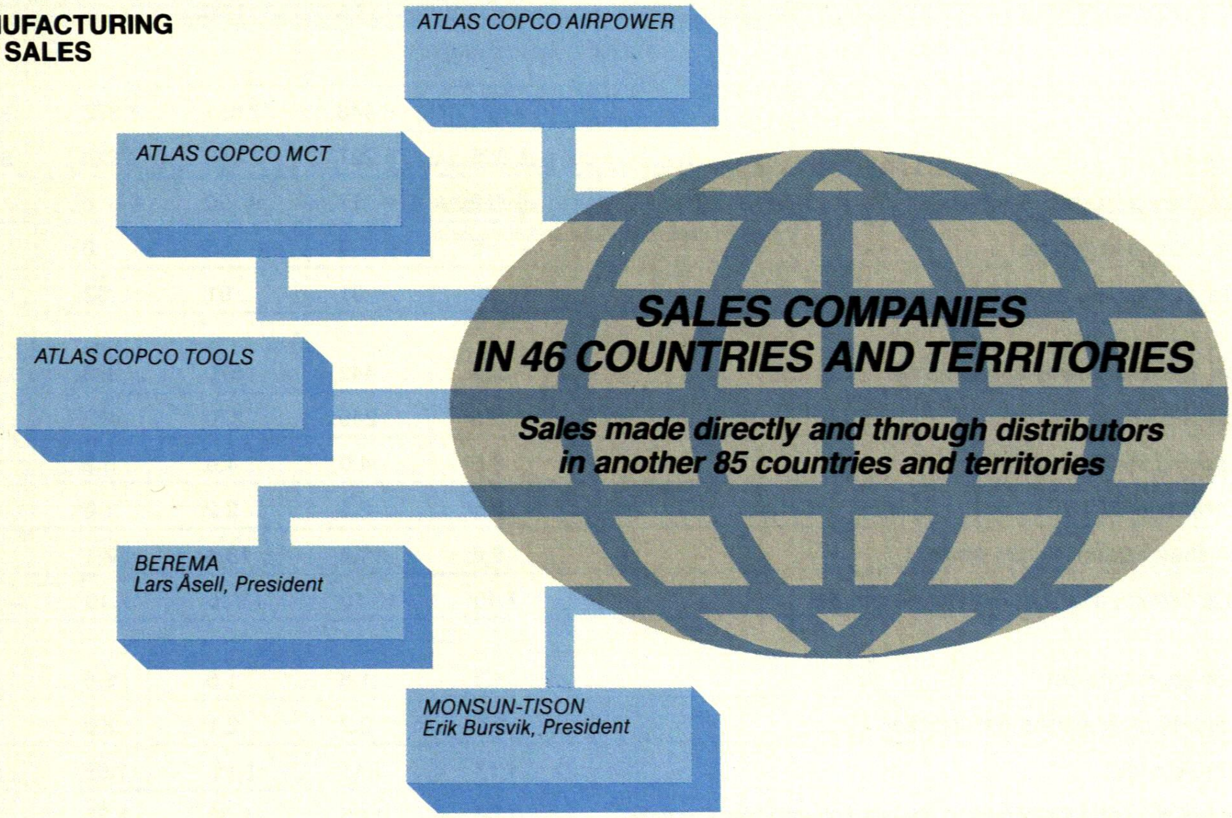
ORGANIZATION

GROUP MANAGEMENT

Tom Wachtmeister: President Atlas Copco AB

Olof Sjöström: Senior Executive Vice President
Einar Liwendahl: Executive Vice President
Sven-Ingvar Svensson: Executive Vice President
Iwan Åkerman: Executive Vice President
Bertil Eriksson: President Atlas Copco Airpower NV
Arne Forsell: President Atlas Copco MCT AB*
Per Wejke: President Atlas Copco Tools AB*

MANUFACTURING AND SALES



Atlas Copco AB

GROUP STAFF, Senior Vice Presidents

Communications
and Public Affairs: Hans Johnsson
Corporate Planning: Gunnar Ruding
Economy: Jan Petersson
Finance: Bo Johansson
Legal: Bo Eklöf
Hans Sandberg
Logistics: Göran Lundborg
Markets: Anders Björk
Personnel: Rolf Lahnhagen
Production: Bo Gyllenberg
Technique: Jan Holdo

SPECIAL ADVISERS

Ambassador Olof Landenius
Ambassador Lennart Petri

Other companies

ATLAS COPCO MANAGEMENT CONSULTING AB

President: J-A Darlin

Service staff

Accounting: Hans Lindblad
Administrative Development: Bertil Andersson
Information: Bengt Möller (also Public Relations, Atlas Copco AB)
Office Administration: Karin Palm Karnell
Organization Development: Leif Aadde
Patents: Alexis Molin
Personnel: J-A Darlin
Physical Resources: Ulf Hernestam
Special Projects: Bo Lemcke
Standards: Jan Wenström

ATLAS COPCO INTERNATIONAL AB

President: Erland von Redlich

ATLAS COPCO ABEM AB

President: Lars Helgöstam

ATLAS COPCO DATA AB

President: Rolf Johanson

* *Effective May 1, 1984, Per Wejke succeeds Arne Forsell as president of Atlas Copco MCT. At the same date Michael Treschow succeeds Per Wejke as president of Atlas Copco Tools.*

FIVE YEARS IN SUMMARY

SEK m. unless otherwise noted. For definitions, see page 20.

ATLAS COPCO GROUP

	1979	1980	1981	1982	1983
EARNINGS PER SHARE, SEK	8.00	10.10	12.95	7.65	**4.90**
PROFIT MARGIN, PERCENT	6.3	7.1	7.6	4.5	**3.1**
RETURN ON TOTAL CAPITAL EMPLOYED, PERCENT	14.5	16.5	20.2	15.6	**12.6**
RETURN ON RISK-BEARING EQUITY CAPITAL, PERCENT	9.8	9.8	12.2	6.3	**3.5**
RATE OF RISK-BEARING EQUITY CAPITAL, PERCENT	39.7	38.9	37.0	37.7	**36.7**

	1979	1980	1981	1982	1983
Orders booked	5 527	6 448	7 651	7 877	**8 277**
Invoiced sales	5 305	6 227	7 488	7 924	**8 093**
Percent change, current prices	+ 12	+ 17	+ 20	+ 6	**+ 2**
Percent change in volume	+ 5	+ 7	+ 5	– 8	**– 10**
Sales outside Sweden, percent	92	91	91	92	**91**
Profit after financial income and expense	334	442	570	353	**253**
Net interest expense	185	249	370	418	**306**
As percent of invoiced sales	3.5	4.0	4.9	5.3	**3.8**
Interest coverage ratio	2.5	2.5	2.2	1.6	**1.5**
Return on shareholders' equity, percent	9.8	11.4	13.4	7.1	**4.9**
Earnings per share, after extraordinary items, SEK	7.40	10.10	13.25	7.10	**– 0.25**
Ratio of assets to liabilities	1.7	1.6	1.6	1.6	**1.6**
Ratio of current assets to current liabilities	2.1	2.2	2.1	2.0	**2.1**
Capital turnover ratio	1.11	1.11	1.15	1.05	**1.04**
Ratio of interest-bearing liabilities to adjusted shareholders' equity*	1.06	1.25	1.30	1.25	**1.34**
Investments in machinery and buildings	161	231	342	287	**175**
As percent of invoiced sales	3.0	3.7	4.6	3.6	**2.2**
Average number of employees	17 883	18 786	19 538	18 402	**16 974**
Invoiced sales per employee, SEK thousands	297	331	383	431	**477**

From 1983 a certain part of this year's costs for pensions is classified as interest cost. Previous years' ratios affected by this change, have been adjusted accordingly.

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

FINANCIAL INFORMATION FROM ATLAS COPCO

Atlas Copco will publish the following financial reports for 1984:

The Group President's Report at the Annual General Meeting	April 27
Report on first-quarter operations	May 11
Report on first six months of operations	End of August
Report on first nine months of operations	Middle of November
Year-end Report on 1984 operations	February, 1985
Annual Report, 1984	April, 1985

The following publications can be ordered from Department ZRE, Atlas Copco Management Consulting AB, S-105 23 Stockholm, Sweden:

Atlas Copco 1983 (Annual Report in Swedish)

Atlas Copco Nytt/Utveckling (Quarterly news publication in Swedish, distributed to shareholders upon request in writing.)

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Atlas Copco