Atlas Copco 1976

Peter Wallenberg, Kurt-Allan Belfrage, Henry N Sporborg, Jan Hellner, Axel Iveroth
Erik Johnsson, Sture Ödner, Ulf-C Bratt, Curt G Olsson, Tom Wachtmeister
Bo Henning, Per-Erik Nyholm, Ingmar Berthelsen, Göran Norberg

Atlas Copco AB

Board of Directors
Elected by the Annual General Meeting

Peter Wallenberg
Chairman

Kurt-Allan Belfrage
Deputy Chairman

Henry N Sporborg

Jan Hellner

Axel Iveroth

Erik Johnsson

Sture Ödner

Ulf-C Bratt
Deputy Member

Curt G Olsson
Deputy Member

Tom Wachtmeister
Managing Director

Employee Representatives

Bo Henning

Per-Erik Nyholm

Ingmar Berthelsen
Deputy Member

Göran Norberg
Deputy Member

Group Management Committee

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Managing Director

Bengt Andersson
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Finance, Administration

Einar Liwendahl
Deputy Managing Director
Market Operations – East

Göran Lundborg
Deputy Managing Director
Manufacturing and Technical Operations

Sven-Ingvar Svensson
Deputy Managing Director
Market Operations – West

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Jan Holdo
Dir. of Research and Development

Rolf Lahnhagen
Personnel Director

Rune Back
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Atlas Copco MCT AB

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Managing Director
Atlas Copco Airpower N.V.

Theo Dietz
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Atlas Copco Tools AB

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Authorized Auditor

Bertil E Olsson
Authorized Auditor

Karl-G Giertz
Deputy Auditor

Olof Orwander
Deputy Auditor

Atlas Copco
Annual Report 1976

*) *Separate US$ version available*

Where Swedish Kr have been converted to US$, the exchange rate applied is that of Dec. 31, 1976: US$ 1.00=Kr 4.11. The average exchange rate during 1976 has been US$ 1.00=Kr 4,32.

Cover: The interplay between man and machine is studied in depth in the development of new products. Here the machine and process noise from a grinding operation is registered in the Atlas Copco Tools Ergonomics Laboratory.

Above: Atlas Copco's starter units for jet aircraft are used at airports around the world. Here the new silenced Air Partner supplies oil-free compressed air to a Boeing 727 at the Charles de Gaulle airport, Paris.

The Atlas Copco Group
Five years in summary *

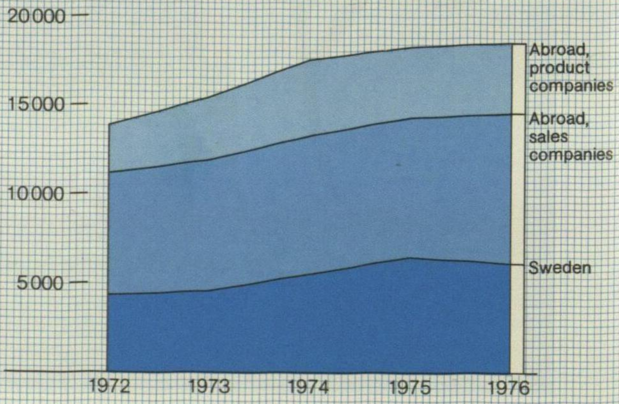
	1976	1975	1974	1973	1972
Invoiced sales, mill. Kr.	3,791	3,385	2,949	2,213	1,849
Increase (%)	12.0	14.8	33.3	19.7	9.0
Profit before extraordinary items and appropriations, mill. Kr.	338	430	369	275	192
in % of invoiced sales	8.9	12.7	12.5	12.4	10.4
Return on total assets (%)[1]	12.8	17.0	18.1	16.2	12.9
Adjusted profit after taxes, mill. Kr.[2]	165	208	181	135	94
Return on equity (%)[3]	12.3	17.4	17.4	15.3	12.1
Earnings per share, Kr.[4]	14.48	17.71	12.94	9.51	8.29
Total assets, mill. Kr.[5]	3,946	3,566	2,864	2,302	1,953
Solidity (%)[6]	36.2	35.2	39.4	41.3	41.6
Investment in fixed assets, mill. Kr.	153	174	142	93	60
Number of employees	18,384	18,236	17,392	15,473	13,881
Dividend per share, Kr.[4]	6.00[7]	5.29	4.85	3.64	2.92
Stock market price, Kr.[4] high	183	175	146	119	120
low	144	122	95	83	93

[1]) *Profit before extraordinary items, appropriations, and interest paid in % of the year average of total assets as defined in footnote 5.*
[2]) *After deduction for a calculated tax (50%) and minority interest.*
[3]) *Equity is defined as net worth and reserves—after deduction for future tax liability.*
[4]) *Adjusted for new issues 1971, 1974 and 1976 and bonus issue 1971 and 1973.*
[5]) *Fixed assets are included at book value (i.e. fixed assets at cost less accumulated depreciation).*
[6]) *Equity as defined in footnote 3 in % of total assets as defined in footnote 5.*
[7]) *Board of Directors' proposal.*

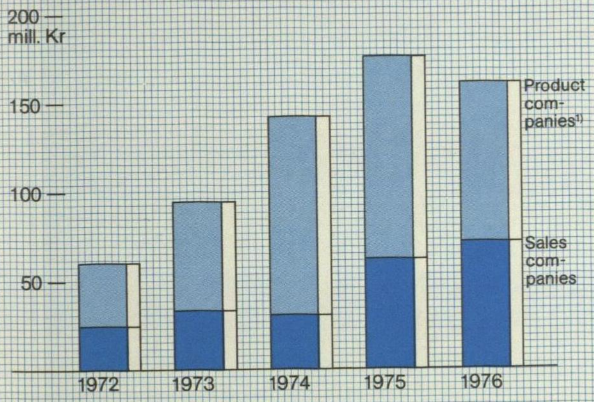
*) *Separate US$ version available.*

Invoiced sales and orders received

Number of employees

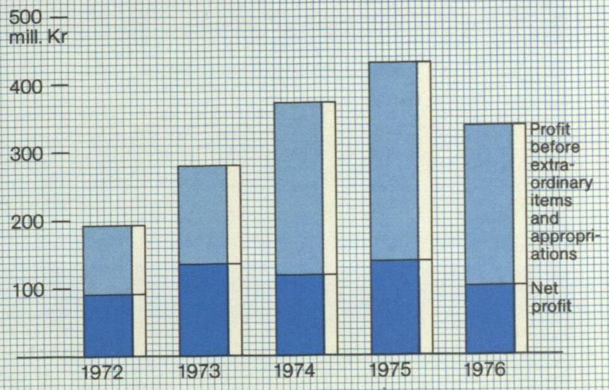


Investment in fixed assets

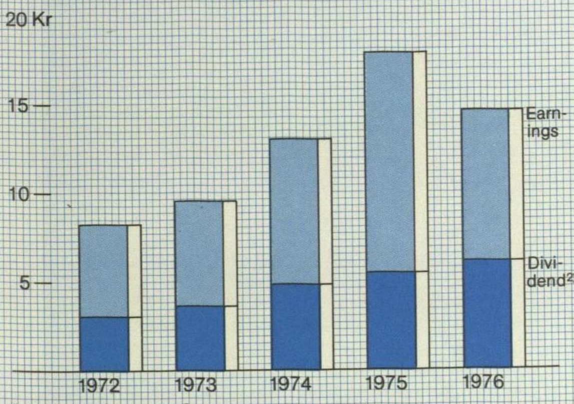


[1] Includes the parent company.

Profit before extraordinary items and appropriations/Net profit

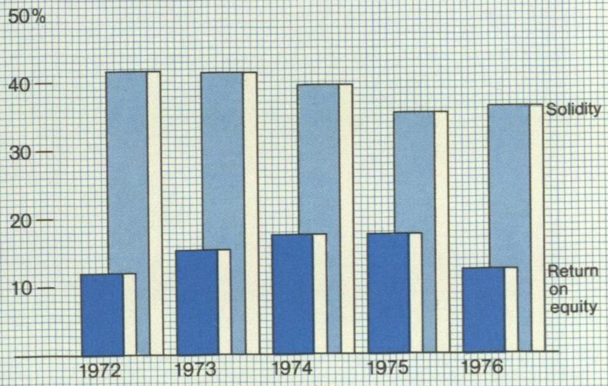


Earnings and dividend per share[1]



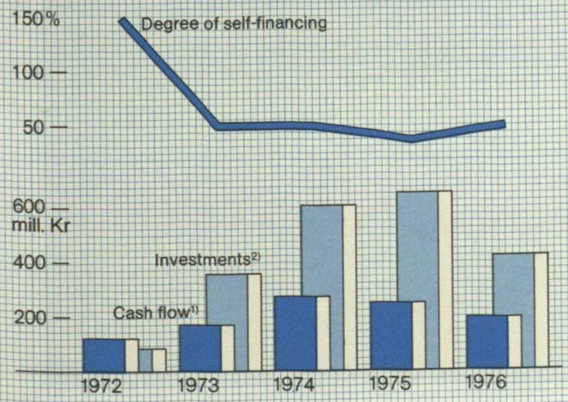
[1] As defined on page 2.
[2] 1976 as proposed by the Board of Directors.

Solidity and return on equity[1]



[1] As defined on page 2, footnote 5 and 6.

Investments and cash flow



[1] According to funds statement, page 11.
[2] Investments in fixed assets, inventories and current receivables.

Stock exchange quotation[1]

[1] Adjusted for issues. Logarithmic scale.

In the autumn of 1976 the oil drilling rig "Deep Sea Driller" ran aground in the North Sea. With the help of XAS compressors the salvage crew from Norsk Bjergningskompani was able to refloat the rig.

The Atlas Copco Group in 1976

Expectations for an improvement in the business climate during the second half of 1976 were not met. Instead the global economy remained weak, which affected many customer branches, not least the mining industry. Civil engineering projects were postponed and investments in the manufacturing industry diminished.

The international sales and service organization of the Group, as well as its wide product range, were the factors that contributed to the Group's achievement in maintaining or even, for some products, increasing its market shares. Atlas Copco achieved a volume increase of about 4%. Yet the financial result was not as good as in 1975.

The Group's manufacturing units are mainly located in countries where currency development has been stable during the year, primarily Sweden, Belgium and West Germany. Since sales have been made chiefly to countries with weaker currencies, and due to the fact that market conditions have become increasingly adverse, it has not been possible to maintain profit margins.

Results

The invoicing of the Atlas Copco Group in 1976 amounted to Kr 3 791 million (previous year Kr 3 385) or US$ 922 million, an increase of 12%. Orders received totalled Kr 3685 million (3186) or US$ 897 million, an increase of 16%.

Group results before appropriations dropped by 21% compared to the previous year and amounted to Kr 338 million (430) or US$ 82 million. The profit margin dropped from 12.7% to 8.9%. Return on the total average capital decreased from 17.0% to 12.8%.

This decline in profit is due primarily to increased personnel costs at the Swedish companies and insufficient utilization of capacity at certain of the Swedish factories. Currency exchange losses were also higher than the previous year.

The results of subsidiaries outside Sweden have generally been maintained on the same level as in 1975. The reduction in profit must therefore be primarily ascribed to the Swedish units.

The third quarter in particular showed unsatisfactory results, while a certain improvement in the profit trend occurred in the fourth quarter.

Interest costs after deductions for interest receipts and dividends increased by Kr 17 million to Kr 103 million, which is mainly due to the increased long-term borrowing by the parent company.

Financing

Despite the lower return the Group's solidity improved somewhat. This is partly due to the new issue made during

Atlas Copco's first completely hydraulic bench drilling unit ROC 810 H has undergone a series of tests in a limestone quarry in San Vincenzo in Italy. An XA compressor is sufficient for the new crawler's limited air requirements.

One of the year's contact trip groups visited Turkish colleagues. Seen here in central Istanbul are (from the left) contact traveller Bernt Dahlin, Airpower's Scandinavian representative, and one of his hosts, Ertugrul Gaziogullari, communications manager at the Turkish sales company, accompanied by the coordinator of the trip, Karin Karnell of the parent company.

the year, which added Kr 103.5 million to the Group capital. In addition, investments in fixed capital assets were somewhat lower than the previous year and the need for operating capital has increased at a slower pace. Inventory increases, chiefly in the sales companies, have been limited to Kr 97 million (409), while short-term receivables have increased by Kr 164 million (78). Accounts receivable from customers increased somewhat more rapidly than sales in certain of the markets where the Group is represented by independent distributors. In the sales companies, on the other hand, credit periods have basically remained unchanged.

Funds generated internally accounted for Kr 192 million (241) of the total financing of Kr 467 million (747), which represents a higher proportion of self-financing.

The increase in short-term liabilities was limited to Kr 17 million, while long-term liabilities increased by Kr 154 million. This figure includes a 15 years debenture loan of Swiss Francs 80 million issued by the parent company.

Investments

Total Group investment in buildings and machinery amounted to Kr 153 million (174). The product companies are responsible for Kr 88 million (112), while investments in the sales companies totalled Kr 65 million (62).

Investments in marketing facilities

The sales company facilities in several countries have been modernized and expanded with a view to strengthening the sales organization.

New central sales and service premises are under construction in Norway and the Philippines. In Switzerland such central facilities entered service in the course of the year.

Investment in regional facilities continues, and expansion and renovation are in progress in Sweden, France and Spain, among other countries.

The head office of the Swedish sales company moved during the year to new rented premises in Nacka.

Investments in production facilities

Machinery investments have been geared increasingly towards automation, which has also contributed to an improved working environment. During the year the Group acquired 17 numerically controlled machines and now has a total of 150 such machines in operation. Continuing efforts were made in cooperation with employees to improve the working environment. Approximately Kr 11 million from the working environment reserve have been authorized, of which Kr 7 million have been spent.

The Group has acquired, through Atlas Copco Airpower, the majority of shares in the French company Mauguière S.A., a

Atlas Copco (Schweiz) AG, Büetigenstrasse 80, Studen, Biel, is the address of the new central facilities of the Swiss sales company, with excellent resources for service, testing and customer training.

company with a product range of small compressors and spray painting equipment which has a large reseller network. The acquisition of Mauguière gives Atlas Copco additional opportunities to widen its market contacts.

In India Atlas Copco has received authorization to manufacture a wider range of products, including water well drilling equipment and related down-the-hole drills and, for the mining industry, some types of drill rigs, rock drills and feeds. A locally financed expansion of the workshops in Poona has been started to cover this manufacturing program.

The Bolivian manufacturing company, Atlas Copco Andina S.A., La Paz, which thus far works in rented premises, began building its own workshops in 1976. They are planned for completion in October 1977. This will permit extended local manufacturing for the Andean trade block.

Research and technical development

To meet stricter customer requirements Atlas Copco has introduced methods of defining more accurately the grades of compressed air for special applications. Comprehensive efforts have been made at the Central Laboratories to develop accurate measurement methods for dry, oil-free and dust-free air. Techniques for the separation of undesirable substances from compressed air are being developed in connection with this work.

As in the past, automatic systems for governing and control of various work processes, and working environment problems have been important elements in the development program.

Personnel

Restrictive employment policies have reduced the number of employees in Sweden compared to the previous year. At the production units outside Sweden the number of employees remained mainly unchanged while the sales company staff increased.

Number of employees	1976		1975	
Sweden		6110		6330
Abroad, product companies	3836		3846	
Abroad, sales companies ..	8438		8060	
Abroad, total.		12274		11906
Group, total .		18384		18236

Wages and salaries amounted to Kr 790 million, of which Kr 360 million were paid in Sweden. Additional personnel costs amounted to Kr 310 million, of which Kr 150 million referred to Sweden.

Short-time absenteeism at the Swedish units is still high in spite of continuing efforts over the years to improve the working environment and health care. A committee including employee representatives is investigating possible solutions to this serious problem.

Training

Training within the Atlas Copco Group has been intensified in all three main areas:

- administrative training including management training, language training and basic sales training
- training in production technology and skills
- product training including applied sales training and service training

A relatively extensive program was introduced during the year to complement the management training at the Swedish units.

Within the framework of administrative training in Sweden, extensive training and information activities were conducted with reference to the new Swedish Democracy at Work Act.

In addition to regular training a considerable amount of time was allocated for the further training of workshop personnel during periods when production facilities were not being fully used.

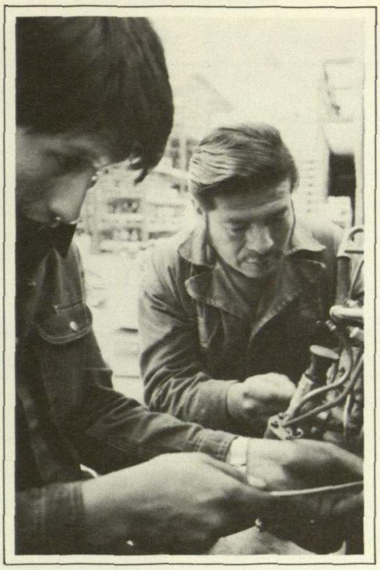
Product training has been given the same high priority as in the past. New training material has been produced at all the product companies. The number of courses carried out by the product companies remained unchanged from the previous year.

Both at the parent company and at several of the sales companies the training staff has increased in number.

Improvements have also been made in the physical facilities at certain units. For the Swedish companies, a course and conference building, Säby Mansion, has been purchased and will be available for use in July 1977.

An internal information survey was made among employees in Sweden. This provides a basis for improvements in the contents and channels of internal information flows. Certain portions of the results of the survey will also be used in training activities.

A total of 533 employees participated in contact trips to Atlas Copco companies in other countries. The allocation for this activity in 1976 was Kr 1.3 million.



Atlas Copco Andina, the Group's manufacturing unit in Bolivia, began the construction of workshops on its own property in La Paz in 1976. The Atlas Copco company in Bolivia has offered employment and the possibility of further training to more than twenty young Bolivians.

The Atlas Copco Group

Consolidated balance sheet*

At December 31, 1976

Assets

	1976 mill. Kr		1975 mill. Kr	
Current assets				
Cash in hand and at banks	353.4		308.5	
Notes receivable	154.0		113.1	
Accounts receivable from customers	725.7		622.0	
Other accounts receivable	154.5		135.3	
Inventories and work in progress *(note 1)*	1,769.7	**3,157.3**	1,672.7	**2,851.6**
Blocked accounts		**35.7**		**44.4**
Fixed assets				
Shares *(note 2)*	6.4		7.4	
Other investments	83.4		79.1	
Machinery and equipment at cost *(note 3)*	626.7		535.9	
Land and buildings at cost *(note 3)*	604.5	**1,321.0**	542.5	**1,164.9**
		4,514.0		**4,060.9**

Liabilities

	1976 mill. Kr		1975 mill. Kr	
Current liabilities				
Notes payable	302.9		324.3	
Suppliers	264.5		265.9	
Bank loans	357.5		341.9	
Current portion of long-term debts	67.0		61.2	
Provision for taxes	118.4		117.2	
Other current liabilities	296.6	**1,406.9**	279.1	**1,389.6**
Long-term liabilities				
Mortgage and other long-term loans *(note 4)*	403.2		401.9	
Bond and debenture loans	219.3		95.7	
Provision for pensions *(note 5)*	181.2		161.9	
Other long-term liabilities	21.2	**824.9**	11.4	**670.9**
Accumulated depreciation on fixed assets		**567.9**		**494.8**
Untaxed reserves				
General inventory reserves *(note 6)*	447.4		376.0	
Investment reserves *(note 7)*	25.8		26.3	
Working environment reserves *(note 8)*	19.6		24.0	
Special investment reserves *(note 9)*	16.9	**509.7**	17.2	**443.5**
Minority holdings		**28.9**		**29.7**
Shareholders' equity				
Share capital	310.4		258.7	
Legal reserves *(note 10)*	260.9		208.2	
Other reserves not available for distribution *(note 11)*	255.2		235.7	
Contingency fund	38.8		38.8	
Surplus *(note 12)*	209.3		155.7	
Profit for the year	101.1	**1,175.7**	135.3	**1,032.4**
		4,514.0		**4,060.9**
Pledged assets *(note 13)*		310.5		297.9
Contingent liabilities				
Notes discounted		135.9		119.0
Other contingent liabilities		172.6		161.9

The Atlas Copco Group

Consolidated profit and loss account*

For the year 1976

	1976		1975	
		mill. Kr		mill. Kr
Invoiced sales		3,791.2		3,385.3
Cost of goods sold, technical development, sales, administration etc		−3,268.4		−2,794.5
Operating profit		522.8		590.8
Depreciation *(note 14)*				
Buildings	16.0		13.6	
Machinery and equipment	66.2	− 82.2	61.3	− 74.9
Financial charges and other income				
Interest paid	−142.2		−117.6	
Interest income	+ 36.6		+ 27.5	
Dividends received	+ 3.0	− 102.6	+ 4.4	− 85.7
Profit before extraordinary items and appropriations		338.0		430.2
Capital gain on buildings sold		+ 4.3		−
Profit before appropriations and taxes		342.3		430.2
Appropriations				
Additional depreciation on fixed assets	− 7.6		− 5.4	
General inventory reserve	− 54.4		−112.1	
Investment reserve	− 2.1		− 4.8	
Utilization of working environment and investment reserves	+ 7.5		+ 16.8	
Depreciation against working environment and investment reserves	− 7.5	− 64.1	− 16.8	− 122.3
Profit before taxes		278.2		307.9
Taxes *(note 15)*		− 172.9		− 165.3
		105.3		142.6
Minority interest		− 4.2		− 7.3
Net profit		101.1		135.3
Net profit for the year mill. US$.		24.6		32.9

Where Swedish Kr have been converted to US$, the exchange rate applied is that of Dec. 31, 1976: US$ 1.00 = Kr 4.11. The average exchange rate during 1976 has been US$ 1.00 = Kr 4.32.

*) *Separate US$ version available.*

Notes to the consolidated balance sheet and profit and loss account

Principles of consolidation

The consolidated balance sheet and profit and loss account of the Atlas Copco Group cover all the companies in which the parent company directly or indirectly owns 50%, plus companies over which the Group in some other way exercises decisive influence.

The share capital of subsidiaries formed by the parent company has been eliminated against the book value of the shares in the parent company. Differences due to bonus issues in subsidiaries have been carried to the Group's legal reserves, while differences due to the depreciation of subsidiaries' shares have been entered against the Group's surplus.

The equity of acquired companies has at the time of their acquisition—with the addition of subsequent new issues—been eliminated against the book value of the shares. Differences due to the depreciation of subsidiaries' shares as well as the deficit and surplus values in the acquisition of companies have been carried against the surplus.

The balance sheets of foreign subsidiaries have been converted according to the monetary/non-monetary method that is:

Properties (land and buildings), machinery, equipment, inventories and equity at exchange rates prevailing at the dates of acquisition or investment.

Other assets and liabilities at year- end exchange rates.

The profit and loss statements have been converted according to the average rate of exchange for the year, with the exception of depreciation, which have been calculated according to the rate of exchange at the dates of investment.

Revaluation differences which arise through the use of different exchange rates have been charged to the operating result.

Note 1 Inventories and work in progress

Inventories are valued at the lower of cost or market, in general according to the principle of "first in—first out", after depreciation for obsolescence.

Changed principles for inventory valuation were introduced at the Swedish manufacturing units during 1976. They entail a certain revalorization of the Group's inventory value. The revalorization has been carried directly to the inventory reserve, which has then increased by 22 mill. Kr.

Note 2 Shares

Refers mainly to Atlas Copco AB, see page 17.

Note 3 Fixed assets (in mill. Kr)

	Machinery and equipment 1976	1975	*Land and buildings* 1976	1975
Cost value	626.7	535.9	584.5	522.5
Revaluation in connection with 1973 bonus issue			20.0	20.0
Accumulated depreciation	416.2	362.5	151.7	132.3
Book value	210.5	173.4	452.8	410.2

Note 4 Mortgage and other long-term loans

	1976	1975
Atlas Copco AB	166.2	175.7
Atlas Copco MCT AB	53.3	49.4
Atlas Copco Airpower N.V.	39.9	23.2
Atlas Copco Tools AB	27.1	25.8
Other Group companies	116.7	127.8
	403.2	401.9

Note 5 Provision for pensions

Refers mainly to Swedish companies and corresponds to the actuarially calculated amount for pension obligations under the agreed supplementary pension plan in addition to the general National Pension Plans.

Note 6 General inventory reserves

Appropriations to these reserves are done primarily in the Scandinavian companies of the Group. Swedish legislation permits depreciation of maximum 60% of the inventory value after deduction for possible obsolescence.

Note 7 Investment reserves

Similar to the Swedish companies the companies in chiefly Norway and Spain make appropriations in accordance with local regulations.

Swedish companies have the option of setting aside 40% of profit before appropriations and taxes to investment reserves. Such appropriations presuppose the deposit of 46% of the amount in an interest-free account with Sveriges Riksbank.

Subject to special permission from the government the investment reserve may be used for immediate depreciation of fixed assets. Permission of this kind was obtained in 1976 for Atlas Copco Tools AB and Berema AB, by 2.7 mill. Kr.

Note 8 Working environment reserves

A temporary law in 1974 required Swedish companies to set aside 20% of their profit before appropriations and taxes to a working environment reserve. The amount, which was tax-deductible, was deposited in its entirety in an interest-free account with Sveriges Riksbank.

Permission to utilize the reserve is granted by the government or the National Labour Market Board on application followed by a statement of opinion on the part of employee representatives. A basic prerequisite for obtaining permission is that the company intends to improve the working environment of the employees. After five years, tne entire reserve can be utilized without permission and is then subject to taxation. In 1976 Atlas Copco MCT AB, Atlas Copco Tools AB, Berema AB and Monsun-Tison AB employed funds from the working environment reserve by 4.5 mill. Kr.

Note 9 Special investment reserves

In addition to appropriation for the working environment reserve the Swedish companies had to set aside 15% of profit before appropriations and taxes to a special investment reserve. The entire amount, which was tax-deductible, is to be paid into an interest-free account with Sveriges Riksbank.

A statement of opinion from employee representatives must accompany the application to utilize the special investment reserve. The application must be approved by the government or the National Labour Market Board. After five years the entire reserve can be utilized without permission and is then subject to taxation. In 1976 Atlas Copco MCT AB utilized funds from the special investment reserve amounting to 0.3 mill. Kr. Furthermore in January 1977, 9.8 mill. Kr has been utilized for a new goods terminal at Nacka.

Note 10 Legal reserves

Of the total increase of 52.7 mill. Kr, 51.7 mill. Kr refer to the 1976 new issue of shares in Atlas Copco AB.

Note 11 Other reserves not available for distribution

These reserves consist mainly of retained earnings invested in the share capital of subsidiaries.

Note 12 Surplus and profit for the year

In evaluating the surplus and result for the year of the Atlas Copco Group, it should be noted that a substantial amount has been earned in companies abroad, from which the transfer of profit to the parent company is in certain cases accompanied by taxes or subject to restrictions.

Note 13 Pledged assets

Mortgaged properties amount to 173.6 mill. Kr (175.8)
Trade mortgage represents 92.6 mill. Kr (66.2).

Note 14 Depreciation

Ordinary actuarial depreciation has generally been made with the highest sum permitted by the legislation of each country.

Special depreciation refers mainly to the subsidiaries in Belgium and Norway, where accelerated depreciation on new investments may be practised.
In addition depreciation has also been made with the utilization of the following reserves:

(Amounts in mill. Kr.)	1976	1975
Investment reserves (see note 7)	2.7	16.8
Working environment reserves (see note 8)	4.5	—
Special investment reserves (see note 9)	0.3	—
Total	7.5	16.8

If *fixed rate depreciation* had been used, the result of the Group had been as stated below. The following rates have been calculated on the basis of the cost value with 3% for buildings, 10% for machinery and equipment, and 20% for vehicles.

(Amounts in mill. Kr.)	1976	1975
Actuarial depreciation according to the profit and loss statement	82.2	74.9
Fixed rate depreciation	75.5	64.9
Excess depreciation	6.7	10.0

Note 15 Taxes

The net result of the Atlas Copco Group has been reached after deduction of the taxes accrueing thereto including coupon taxes on profit earned abroad, which have been paid to the respective parent company.

The higher tax burden of this year compared to the previous year is explained by exchange losses that have materialized when converting the balance sheets of subsidiaries from local currencies to Swedish Kronor. These unrealized exchange losses are not deductible for tax purposes. Furthermore, some countries do not recognize exchange losses on receivables and debts in foreign currencies as tax deductible.

Source and application of funds

Source of funds

	1976	1975
	mill. Kr	
Internal		
Profit before extraordinary items and appropriations	338.0	430.2
Depreciation	+ 82.2	+ 74.9
Withdrawals from/payments to blocked accounts	+ 8.7	− 40.9
Taxes	−172.9	−165.3
Dividend	− 63.6	− 58.2
	192.4	240.7
External		
New issue	103.5	—
Increase in		
long-term liabilities	154.0	183.8
current liabilities	17.3	322.9
Total funds generated	467.2	747.4

Application of funds

	1976	1975
Increase in long-term receivables	3.3	12.4
Investment in land, buildings, machinery and equipment	152.8	174.0
Increase in current assets:		
Inventories	97.0	408.6
Short-term receivables	163.8	78.2
Sundry changes net	+ 5.4	− 9.1
Total funds applied	422.3	664.1
Change in liquid assets	44.9	83.3

Atlas Copco AB
Directors' report to the shareholders

The role of Atlas Copco AB as parent company of the Atlas Copco Group was more closely identified in 1976. As a result of a reorganization which was made in the course of the year the responsibility for a number of operative functions has been transferred to other companies in the Group. Other departments, such as the Eastern sales department and the Distributor sales department, remain within the parent company, but have assumed greater independence and profit accountability. One function, data processing, has been transferred to a newly formed service company, Atlas Copco Data AB, which will offer computer services to Atlas Copco companies in Sweden. The decentralization which has been made from Atlas Copco AB to the product companies, primarily MCT, comprises the Central Laboratories and certain specialized departments in production, materials handling and communications. As a consequence of this reorganization, which was conducted after extensive consultation with employee representatives, the number of employees in group management functions has been reduced to about 200. To these can be added approximately 130 employees engaged in the Eastern sales and Distributor sales departments. The decentralization has meant that several service functions have been moved closer to the actual users, cost accountability has been linked directly to needs, and the central corporate management has been relieved of several routine matters in order to allow more time for strategic management questions.

Profit and loss account of the parent company

The invoicing of the parent company in 1976 amounted to Kr 457.7 million (467.4) or US$ 111.4 million. This figure refers to sales to markets where the Group is not represented by its own sales companies.

During a two month tour in Eastern Europe Atlas Copco demonstrated a ROC crawler drill with dust collector DCT, a high pressure silenced compressor PTHS and hand held rock drills.

The Säby Mansion, outside Stockholm, acquired during the year, will provide a valuable addition to Atlas Copco's conference and training facilities.

Excluding deliveries to North Korea, the 1976 figure represents an increase of 9.0% compared to the previous year. This increase can be mainly ascribed to large deliveries to Saudi Arabia and Nigeria.

Included in the item "Operating profit including commissions etc from subsidiaries" are the gross profit from the above-mentioned sales, as well as the factoring fees which the parent company has received primarily from Atlas Copco MCT AB and Atlas Copco Tools AB, by assuming the claims of these companies on the sales companies of the Group.

The operating costs include pension and social security costs of Kr 24.1 million (18.6).

As a result of increased borrowing, interest costs have risen by Kr 13.6 million. The item "Dividends received from other than subsidiaries" refers mainly to the company's share in the profit of the Swedish Lamco Syndicate.

During the year the company sold its building in Sundsvall, Sweden, which resulted in a capital gain of Kr 1.2 million.

As the stock on hand diminished, the inventory reserve had to be reduced by Kr 9.0 million (appropriation Kr 19.0 million). After appropriations for taxes of Kr 13.5 million (13.0) the company reports a net profit of Kr 77.3 million (68.6) or US$ 18.8 million.

Balance sheet of the parent company

Shareholdings in subsidiaries increased from Kr 323 million to Kr 354 million, or by Kr 31 million, as a result of new issues in the subsidiaries in the USA, the Netherlands, Norway, Austria, the Philippines and Bolivia.

The company's shares in Delfos & Atlas Copco, Benoni, have been sold to Atlas Copco UK Holdings, Hemel Hempstead.

The share values of certain companies have been appreciated. Corresponding depreciations have been made in the share values of other companies.

Customer receivables including accounts and notes receivable have increased by Kr 139 million, mainly due to large deliveries in the last two months of the year.

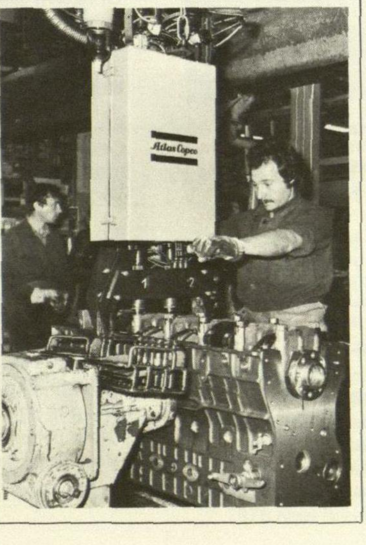
In the course of the year Kr 5.4 million from the working environment reserve were transferred to Atlas Copco MCT AB, Atlas Copco Tools AB and the Swedish sales company.

Long-term liabilities increased by Kr 119 million. In January a bond loan of SFrs 80 million was issued on the Swiss market. The loan has a maturity of 15 years and an interest rate of 7 3/4%.

The new issue, decided upon at the extraordinary general meeting on February 16, was made in the course of the year. The share capital thereby increased by Kr 51.7 million and the legal reserve by the same amount.

Inasmuch as industrial activities are conducted by wholly owned subsidiaries, none of the employees of the parent company are engaged in production.

The average number of employees at the parent company during the year was 724 as opposed to 686 the previous year.



Fiat's advanced system for tightening bolted joints—developed together with Atlas Copco—was presented for 85 journalists from 21 countries at a press meeting initiated by the international press department of the parent company.

The company has the following claims arising out of financial loans and contingent liabilities which are notifiable in the Directors' Report under the Company Act.

	Loans	Contingencies
	Kr	Kr
Board members and deputy board members of subsidiaries	–	38 000
Managing directors and board members of subsidiaries	53 000	27 000
	53 000	65 000

The above-mentioned loans and contingent liabilities predate the entry into force of the law restricting the right of companies to advance loans to shareholders etc.

During the year Kr 2.5 million were paid to the Board of Directors, the Managing Director and other senior management, and Kr 52.5 million to other staff members.

Appropriation of profit

Additional details on the company's accounts and activity are given in the attached balance sheets and profit and loss accounts. According to the balance sheet of the parent company unappropriated earnings from the previous year

amounted to	Kr 35 860 532
to which should be added the net profit for the year	Kr 77 325 443*)
	Kr 113 185 975

The Board of Directors and the Managing Director propose that these unappropriated earnings be applied as follows:

in paying shareholders a dividend of Kr 6 per share	Kr 74 503 800
leaving a balance to be carried forward of	Kr 38 682 175
	Kr 113 185 975

*) Net profit for the year mill. US$ 18.8.

Atlas Copco AB

Balance sheet

At December 31, 1976

Assets

	1976 mill. Kr		1975 mill. Kr	
Current assets				
Cash in hand and at banks	262.0		219.7	
Notes receivable	130.7		47.3	
Accounts receivable from customers	144.9		89.5	
Advances to subsidiaries (less amounts due 123.5 mill. Kr and 123.4 mill. Kr)	134.7		1.5	
Other accounts receivable	21.0		21.4	
Inventories	28.3	**721.6**	76.1	**455.5**
Blocked accounts with Sveriges Riksbank				
Working environment account	13.0		18.4	
Special investment account	13.8	**26.8**	13.8	**32.2**
Shares and long-term receivables				
Shares in other companies	5.8		6.1	
Shares in subsidiaries	354.4		323.2	
Long-term receivables	65.6	**425.8**	67.0	**396.3**
Fixed assets *(note 16)*				
Machinery and equipment	33.1		30.2	
Office and industrial properties	100.5		98.2	
Housing properties	1.1		1.8	
Fixed assets under construction	9.7	**144.4**	3.7	**133.9**
		1,318.6		**1,017.9**
Pledged assets *(note 17)*		78.6		48.6

Notes

Note 16 Fixed assets

	Machinery and equipment 1976	1975
Cost value	33.1	30.2
Accumulated depreciation	27.2	25.4
Book value	5.9	4.8
Fire insurance value	38.1	36.4

	Industrial properties 1976	1975	*Housing properties* 1976	1975
Cost value	80.5	78.2	1.1	1.8
Revaluation in connection with 1973 bonus issue	20.0	20.0	–	–
Accumulated depreciation	28.6	27.6	0.2	0.5
Book value	71.9	70.6	0.9	1.3
Assessment value	98.4	99.8	1.5	1.7
Fire insurance value	175.8	164.0	6.8	6.5

Note 17 Pledged assets and contingent liabilities
The figure for pledged assets includes mortgaged properties amounting to Kr 30.2 million (30.3) and trade mortgages amounting to Kr 48.4 million (18.3). In addition to the listed contingent liabilities Atlas Copco AB participates as a partner in the Swedish Lamco Syndicate, Gränges AB & Co in guarantees issued by the Syndicate for US$ 15.1 million and SFrs. 47.7 million. By the terms of the agreement Atlas Copco AB's share is US $ 4.8 million and SFrs 15.3 million.

Note 18 Other accounts payable

	1976	1975
Employees withheld taxes	5.2	3.6
Other personnel costs	10.9	10.0
Interest costs	24.9	14.5
Various costs	6.6	13.0
	47.6	41.1

Note 19 Long-term liabilities
Foreign loans have been converted at the highest exchange rate prevailing at the date of acquisition or the date of the balance sheet.

Mortgage and promissory notes	1976	1975
9½% SFrs 40 million	67.2	66.4
8% SFrs 50 million	84.0	83.1
Other Swedish long-term loans	14.9	26.1
Mortgage loans	0.1	0.1
	166.2	175.7

Liabilities

	1976		1975	
	mill. Kr		mill. Kr	
Current liabilities				
Suppliers	6.5		2.4	
Promissory notes	88.1		24.9	
Current portion of long-term debts	17.2		25.2	
Provision for taxes	13.1		3.8	
Other accounts payable *(note 18)*	47.6	**172.5**	41.1	**97.4**
Long-term liabilities *(note 19)*				
Mortgage and promissory notes	166.2		175.7	
Bond and debenture loans	219.3		95.7	
Provision for pensions	52.2	**437.7**	47.5	**318.9**
Accumulated depreciation on fixed assets *(note 16)*		**56.0**		**53.5**
Untaxed reserves				
General inventory reserve	35.6		44.6	
Working environment reserve	13.0		18.4	
Special investment reserve	13.8	**62.4**	13.8	**76.8**
Shareholders' equity				
Share capital *(note 20)*	310.4		258.7	
Legal reserve	153.9		102.1	
	464.3		360.8	
Contingency fund	12.5		12.5	
Surplus				
Profit brought forward	98.0		86.3	
Less: dividend	62.1		56.9	
	35.9		29.4	
Profit for the year	77.3		68.6	
	113.2	**590.0**	98.0	**471.3**
		1,318.6		**1,017.9**
Contingent liabilities *(note 17)*				
Other contingent liabilities		412.3		338.6
Notes discounted		3.7		10.5

(Note 19 cont'd)

Bond and debenture loans	*1976*	*1975*
4¾% bond loan, 1963	6.0	6.8
5½% debenture loan, 1963	2.4	4.6
7½% debenture loan, 1967	16.0	18.6
9½% bond loan of US$ 20 million, 1970	60.5	65.7
7¾% bond loan of SFrs 80 million, 1976	134.4	–
	219.3	95.7

The current portion of long-term debt has been entered under short-term liabilities.

Provisions for pensions
The company's total pension obligations amount to 52.2 mill. Kr (47.5), of which 45.2 mill. Kr (38.2) for supplementary pension plans.

Note 20 Share capital
After the new issue of 1976 the share capital is distributed on 12,417,300 shares, each with a nominal value of Kr 25.
All shares issued are free. The number of shareholders amounts to about 40,000.
The share capital has been raised since 1965 by means of bonus issues and new issues as follows:

				Share capital increase	*Total amount paid*
1965	Bonus issue	1:4		19.1	–
	New issue	1:4	Kr 60	19.1	46.0
1971	Bonus issue	1:10		11.5	–
	New issue	1:10	Kr 100	11.5	46.0
1973	Bonus issue	1:2		69.0	–
1974	New issue	1:4	Kr 25	51.7	51.7
1976	New issue	1:5	Kr 50	51.7	103.5

Profit and loss account

For the year 1976

	1976		1975	
		mill. Kr		mill. Kr
Operating revenue				
Operating profit incl. commissions etc from subsidiaries	187.2		182.0	
Interest received from subsidiaries	17.5		8.0	
Interest paid to subsidiaries	− 4.5		− 7.2	
Dividends received from subsidiaries	55.3		51.8	
Other costs and revenue	− 30.2	**225.3**	− 19.4	**215.2**
Cost of technical development, sales administration etc (of which general administrative costs 37.5 mill. Kr and 33.8 mill. Kr)		**−116.0**		**− 94.4**
Balance		**109.3**		**120.8**
Depreciation				
Buildings	1.7		1.8	
Machinery and equipment	2.2	**− 3.9**	1.8	**− 3.6**
Financial charges and other income				
Interest expense (excl subsidiaries)	− 55.3		− 41.7	
Interest income (excl subsidiaries)	+ 27.5		+ 20.6	
Dividends received (excl subsidiaries)	+ 3.0	**− 24.8**	+ 4.5	**− 16.6**
Profit before extraordinary items and appropriations		**80.6**		**100.6**
Capital gain on buildings sold		**1.2**		**−**
Profit before appropriations and taxes		**81.8**		**100.6**
Appropriations				
Change in inventory reserve		**+ 9.0**		**− 19.0**
Profit before taxes		**90.8**		**81.6**
Taxes		**− 13.5**		**− 13.0**
Net profit		**77.3**		**68.6**
Net profit for the year mill. US$.		**18.8**		**16.7**

Atlas Copco AB

Shares and participating rights

At December 31, 1976

Subsidiaries	Number of shares/part. rts	Par value per share/part. rt		Book value mill. Kr
Atlas Copco MCT AB, Nacka	300000	SKr	100	30.0
Atlas Copco Svenska Försäljnings AB, Nacka	150000	SKr	100	15.0
AB Sicklahus, Nacka	2000	SKr	100	0.2
Atlas Copco Tools AB, Stockholm	100000	SKr	100	10.0
Atlas Copco ABEM AB, Stockholm	15000	SKr	100	1.5
Monsun-Tison AB, Borås	70000	SKr	100	25.9
Berema AB, Solna	2213	SKr	1000	21.2
Atlas Copco Airpower N.V., Antwerp	59500	no par value		60.0
Atlas Copco Belgium S.A., Overijse	49994	BFrs	1000	5.0
Atlas Copco (Cyprus) Ltd., Nicosia	99998	£	1	0.7
Atlas Copco A/S, Copenhagen	11997	DKr	1000	6.9
Atlas Copco UK Holdings Ltd., Hemel Hempstead	1000000	£	1	11.3
Atlas Copco France S.A., Franconville	59960	Frs	500	25.0
Atlas Copco Nederland b.v., Zwijndrecht	10000	Hfl	1000	11.1
Atlas Copco Italia S.p.A., Milan	269978	Lire	10000	15.1
Atlas Copco A/S, Oslo	2498	NKr	10000	14.2
Atlas Copco (Schweiz) A.G., Studen/Biel	7600	SFrs	1000	11.1
Institut CERAC S.A., Ecublens	1995	SFrs	1000	2.4
Atlas Copco S.A.E., Madrid	197000	Ptas	500	3.6
Atlas Copco Deutschland G.m.b.H., Essen	5	no par value		20.7
Atlas Copco G.m.b.H., Vienna	29990	AS	1000	5.0
Atlas Copco Inc., Wayne, New Jersey	1925	no par value		47.0
Atlas Copco (Philippines) Inc., Makati, Rizal	48995	Pesos	100	2.0
Atlas Copco Paulista Ltda., São Paulo	152999964	no par value		7.0
Atlas Copco Andina S.A., La Paz	9000	Pesos	1000	1.9
Atlas Copco Venezuela S.A., Caracas	60	BS	1000	0.1
Atlas Copco Boliviana S.A., La Paz	2400	Pesos	1000	0.5
Atlas Copco Iran AB, Stockholm	50	SKr	100	—
Atlas Copco Hellas A.E., Athens	4480	Drs	10000	—
Soc. Atlas Copco de Portugal Lda., Lisbon	1	no par value		—
Atlas Copco Industrial S.A., Madrid	95	Ptas	10000	—
Copco Nueva Montaña S.A., Santander	29999	Ptas	1000	—
Atlas Copco Maroc S.A., Casablanca	940	Dirh	1500	—
Atlas Copco Ticaret ve Sanayi T.A.S., Istanbul	1140	T£	500	—
Atlas Copco (India) Ltd., Bombay	482000	Rs	10	—
Atlas Copco Argentina S.A.C.I., Buenos Aires	4290000	Pesos	1	—
Atlas Copco Chilena S.A.C., Santiago de Chile	31993070	Pesos	0.001	—
Atlas Copco Colombiana Ltda., Bogotá	190	Pesos	100	—
Other subsidiaries				—
				354.4
Other companies				
Atlas Copco Finans AB, Stockholm	12000	SKr	100	1.0
The Swedish Lamco Syndicate, Gränges AB & Co., Stockholm	9/28 of the capital			0.7
The Liberian American-Swedish Minerals Company, preference shares series A	2722.5	US$	100	1.5
Handelsbolaget Svenska Dagbladets AB & Co., Stockholm	100	SKr	1000	0.1
Svensk Interkontinental Lufttrafik AB, Stockholm	14100	SKr	100	0.7
Cockerill-Ougree-Providence et Espérance-Longdoz, Liège	1420	no par value		0.2
ADELA Investment Company S.A., Luxemburg	1820	US$	100	0.9
SIFIDA Investment Company S.A., Luxemburg	25	US$	5000	0.6
Casa de Suecia S.A., Madrid	90	Ptas	5000	0.1
AB Stadsfastigheter, Stockholm	6	SKr	1000	—
AB Byggnadsgaranti, Stockholm	40	SKr	100	—
Other companies				—
				5.8

Auditors' report

We have examined the annual report, group accounts, accounting records and administration by the Board of Directors and the Managing Director for the year 1976. Our examination was carried out in accordance with generally accepted Swedish auditing standards.

The accounting records have been examined using sampling methods by Bohlins Revisionsbyrå AB.

Parent Company

The annual report has been prepared in accordance with the Swedish Companies Act 1944. Separate statements of loan, pledged assets and contingent liabilities as called for by the Swedish Companies Act have been prepared.

The proposed dividend does not conflict with the regulations in the new Swedish Companies Act, limiting the parent company's dividend considering the financial position of the Group.

We recommend,

that the profit and loss account and balance sheet be adopted,

that the retained earnings be appropriated in accordance with the proposal in Directors' Report, and

that the Board of Directors and the Managing Director be granted discharge of responsibility for the year 1976.

Group

The group accounts have been prepared in accordance with the Swedish Companies Act 1944.

We recommend that the consolidated profit and loss account and the consolidated balance sheet be adopted.

Stockholm, March 16, 1977

Birger Sonesson
Authorized Public Accountant

Bertil E Olsson
Authorized Public Accountant

Atlas Copco MCT AB

The first quarter of the year showed a positive trend but this was broken rather quickly.

The business stimuli initiated by the governments of several countries in 1975 were followed by increased investment and the prices of metals began to rise. By mid-year this recovery had stagnated. The demand for metals weakened, metal prices dropped, and have since fluctuated at an unsatisfactorily low level.

The market for Atlas Copco's products in the civil engineering sector was good, but this was not sufficient to compensate for the reduced demand from the mining industry.

Among mining companies the global recession led to restricted investment in new machines and equipment. In the civil engineering industry numerous projects were postponed.

Good sales results were obtained especially in Sweden, Norway, France, Italy and West Germany. Outside Europe, South Africa and Brazil displayed satisfactory sales figures, as well as the countries where sales are handled through distributors.

The hydraulic rock drills have further strengthened their position in the market and displayed their excellent characteristics: high penetration rates and reliability combined with low energy consumption. In addition they create a tangibly better working environment for the operators. An excellent increase in sales was noted.

Light rock drills and paving breakers comprise an important part of MCT's products and the year resulted in a modest increase in the volume of sales.

Several interesting contracts were signed for Fullfacer tunnel-boring machines, designed for the excavation of

At the Harsprånget hydro-electric power station on the Lule River in northern Sweden, expansion work is in progress. For the rock excavation work the Swedish State Power Board is using two Promec hydraulic drill rigs from Atlas Copco.

small-sized tunnels without conventional drilling and blasting.

The Rotamec series of rigs for rotary surface drilling introduced at the end of 1975, met with a positive reception on the market and several important orders were obtained.

The sales of Sandvik Coromant drill steel equipment declined, chiefly due to the slackened activity in the mining industry.

At the end of the year a cooperation agreement was reached with AB Hägglund & Söner according to which Hägglund's loading and transport machines for mines and tunnels will be marketed by the Atlas Copco sales organization around the world. With these additions Atlas Copco can offer the market both complete systems and "package" solutions to excavation, loading and hauling.

Product development

In 1976 the hydraulic rock drill COP 1038 made its breakthrough in several markets outside Sweden. With a view to satisfying customers' wishes to exploit the capacity and environmental advantages of this machine, several types of drill rigs for drifting and tunnelling were developed.

During the year Atlas Copco's first all-hydraulic crawler drill for surface drilling —ROC 810H— reached the final development stage. This unit, which will primarily be employed in the contracting industry, has been equipped with a bench drilling version of COP 1038 with a more powerful rotation motor. The crawler drill is provided with equipment for rod handling, which substantially simplifies the work of the operator.

In order to meet the safety requirements, particularly in coal mines, hydraulic drill rigs were successfully adapted in 1976 for operation with flame-proof fluids.

A more efficient design of rock drills COP 4 and COP 6 for down-the-hole drilling has been developed, along with a new light crawler carrier.

In the Rotamec series a new track-mounted unit for rotary surface drilling has been introduced. The new unit—Rotamec 2200—is intended for drilling large diameter holes with down-the-hole drills or roller bits.

Production

The combined production volume from MCT's manufacturing units was only slightly less than that of the preceding year. The relatively high order stock at the beginning of the year has been greatly reduced. Despite a decrease in incoming orders, it has proved possible to avoid increases in stocks through the introduction of new methods of materials planning and vigorous savings measures.

The transfer of boom and feed manufacture to the Eyra Works in Örebro, Sweden, was concluded during the year and in this connection an extensive retraining program was carried out with the personnel concerned.

At the Sickla Works work was begun on a new goods terminal. The functions of goods reception, cutting and raw materials stocks will be transferred to the new building in stages in 1977. This will free new production areas for heavy rock drills, particularly the hydraulic units.

The Orminge Works have obtained a greatly increased capacity for the assembly of underground drill rigs.

At the Bremen Works and Hemel Hempstead Works expansions in capacity were completed, contributing to a very strong increase in the delivery capacities of these plants.

The Bromma Works of Atlas Copco Craelius AB moved the manufacture of core barrels and core drills to new rented premises in Sundbyberg. Facilities previously used, which had proved very difficult to utilize effectively, could then be released.

In Montreal an assembly plant for underground drill rigs was started up in the course of the year in order to adapt mining and tunnelling equipment to the special conditions which prevail in North America.

Investments in machinery remained on a high level in 1976 and were oriented chiefly towards the production of heavier equipment. As previously a large share of the newly acquired machines are numerically controlled. Several investments were made to improve the working environment on the basis of priorities established in consultation with employees.

Personnel

At the end of the year Atlas Copco MCT AB employed 3 337 persons.

In Sweden the wage agreement with industrial employees was reached early in the year, while negotiations concerning office staff's salaries proved more complicated and could be concluded only after a period of labour conflict in the form of a ban on overtime work, travel and new employment.

Turnover in personnel dropped during the year. Short-term absenteeism was disquieteningly high. Efforts to check its further increase will be required.

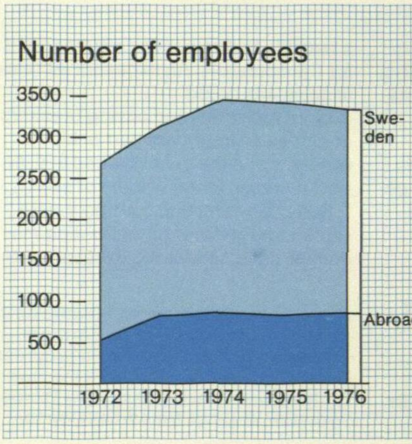
The new Swedish Democracy at Work Act was the main theme of several conferences, primarily for all employees in managerial positions. Further training is planned.

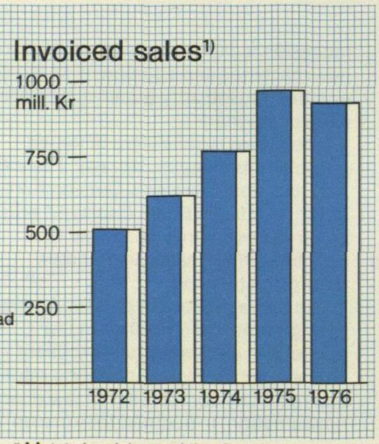
In the area of the working environment some 200 safety supervisors, foremen and members of local works councils took a basic course of 35 hours.

75 immigrants participated in the compulsory courses in the Swedish language and in 1977 all newly employed immigrants will have gone through this legally prescribed training.

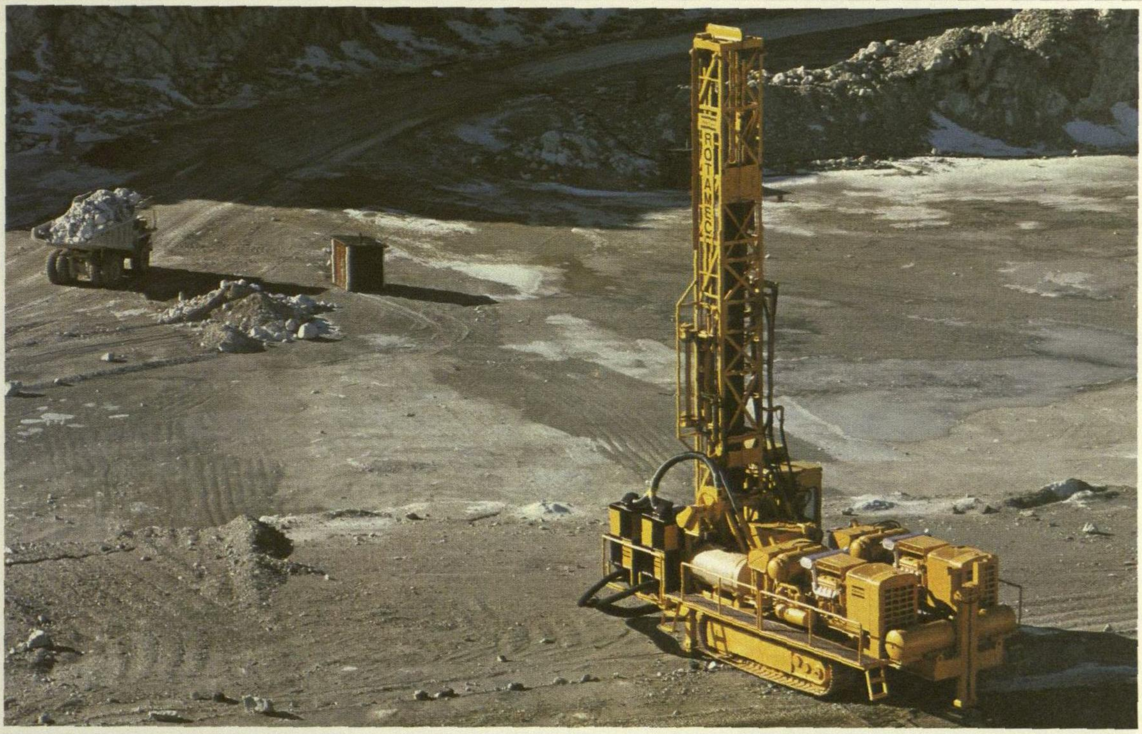
The factory in Bremen had good access to manpower resources. Wage demands were marked by moderation. Training during the year was directed particularly toward computer processing and hydraulics.

Access to manpower at the plant in Hemel Hempstead in England was





[1)] Mainly invoicing to Atlas Copco Sales Companies.



satisfactory. Inflation was high and entailed increases in production costs. The wage situation was characterized by restraint as a result of an agreement between the government and the concerned parties of the labour market. Intensive training was carried out with production personnel prior to the introduction of new products.

Organization

After extensive studies the Board of Directors decided on November 12, 1976, on a new organization for the MCT group. Operative activities will be divided among seven separate sectors, each responsible for product development, production and sales support. The sectors, which comprise market-oriented profit centres, are as follows:
Underground sector
Surface sector
Contractors' tools sector
Drill steel sector
Rock drill sector
Prospecting sector (Atlas Copco Craelius AB)
Compressor sector

Airpower will assume a more comprehensive responsibility for the compressor sector.

The investigation work was conducted as a project in which representatives of employees participated through all stages. The experience of this cooperation was positive.

Results

Orders received during 1976 amounted to Kr 958 million (948) and invoiced sales totalled Kr 931 million (976).

Profit before appropriations and taxes was Kr 45.5 million, which represents a considerable reduction as compared to the preceding year. It did not prove possible to compensate fully for the great increase in costs at the Swedish manufacturing units through higher prices and rationalization. The decline in the volume of invoicing also negatively affected profits.

Investments in buildings amounted to Kr 1.7 million and in machines and equipment to Kr 23.7 million. Kr 3.3 million of the investments have been financed from the working environment reserve and the special investment reserve.

Atlas Copco's new unit for rotary drilling, Rotamec 2200, in a limestone quarry near Nynäshamn, Sweden. This 41-ton drill rig, which has a drill hole capacity of 10 inches, can be operated by one man.

Atlas Copco Airpower N.V.

Cautious optimism characterized the market situation at the beginning of the year. The heightened demand from the major European markets during the first months of the year can be ascribed mainly to the measures taken by several governments to stimulate the economy. The contracting industry reacted quickly to these stimuli and invested in new equipment. For Atlas Copco this was particularly favourable for the product group portable compressors.

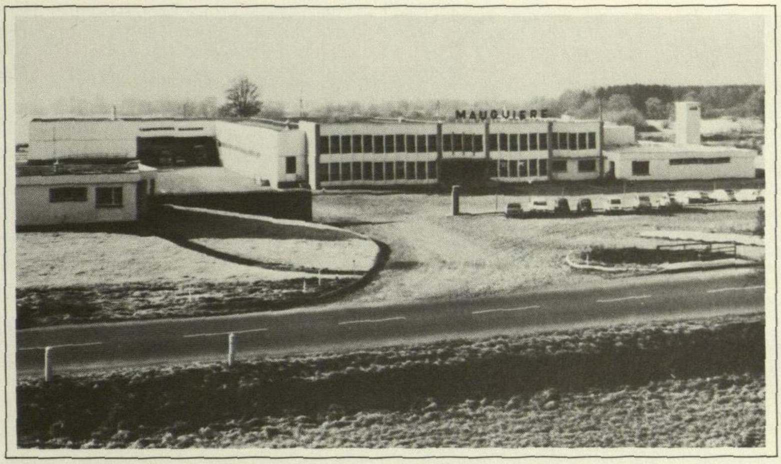
As a consequence of flexible marketing and the positive situation created by the introduction in Europe and the OPEC countries of the new series of portable screw compressors, the year as a whole was successful, despite keen competition from countries whose weakened currencies favoured their exports.

The willingness to invest was affected on the part of the manufacturing industry, by the uncertain economic climate and the troubled currency situation. The investments made were rather in the nature of prior commitments which could no longer be postponed than new initiatives.

A large number of European companies directed their efforts to the export of turn-key plants and to large-scale international business in order to maintain employment. Atlas Copco's geographical coverage made it possible for the company to profit from this development.

Stationary compressors of the pack type, which are simple to install and have a low noise level, continued to secure their position. The construction industry, which by tradition has mostly used portable compressors, is increasingly exploiting the advantages of pack compressors—operating economy, low noise level and ease of transport.

At "Sucromiles Cali" in Colombia water-free citric acid is produced with the aid of compressed air from Atlas Copco. The compressor installation in the background comprises four ZA 4 screw compressors wich supply completely oil-free air.



During the year the French company Mauguière S.A. joined the Atlas Copco Group. Their product range includes small compressors and paint spraying equipment.

Large orders for portable compressors were received from Saudi Arabia and Nigeria for public works and pipeline construction. In Great Britain a considerable number of portable screw compressors were sold to a large hydro-electric power project.

The introduction in 1975 of oil-free screw compressors in the higher capacity range, which increased the capacity span of the Z series to 5.7 m^3/s, opened a new sector of the industrial market to Atlas Copco. The interest in these new compressors is illustrated by the fact that they were chosen for a turn-key factory project executed by Japanese industry for Brazil and that the same type of compressor was sold to two major automobile manufacturers in Italy and France. One unit was also sold to the service facilities at the Panama airport.

Increased demand for quality air—clean, dry compressed air—resulted in a very positive development in the sales of air dryers, with the greatest gain being made by refrigeration dryers.

A new compressor of the smaller type, intended for small industries and service stations, was introduced in the course of the year.

Efforts in the fields of environmental conservation and improvement continued during the year and for the first time a Limno unit was installed for the oxygenation of a drinking water reservoir. The installation, which is in West Germany, is unique inasmuch as Limno is normally employed in lake restoration.

Production

As a consequence of further rationalization in manufacturing the production capacity could be utilized more efficiently in 1976 than previously.

The company acquired the majority of shares in Mauguière S.A. in Sermamagny, France, manufacturers of small compressors and spray painting equipment.

The anticipated development toward the silencing of both stationary and portable compressors was one of the principal reasons for efforts made in 1976 to meet the need for increased stock and manufacturing facilities. A high-rise storage building was constructed during the year at Airpower's main plant. It will be ready for use in 1977. In order to meet the increased work load, particularly in planning and production, a new central computer was installed.

Product development

The GA series of oil-flooded screw compressors was extended by standard versions—units without the silencing protective canopy—in order to meet the demands of industries where the noise level is of less importance.

Industry has a constantly increasing need for quality air. The air dryer program was extended with a series of air cleaners for adsorption dryers, and the adsorption dryer series for Z compressors was completed with a larger model.

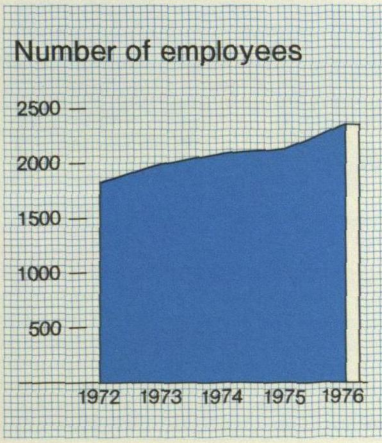
High energy prices resulted in greater interest in large E compressors of the piston type which feature a high degree of efficiency. Two models in the series—ET 5 and ET 6—were further developed in order to simplify installation work.

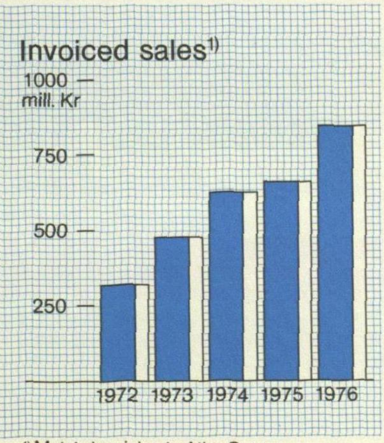
A new generation of Airpartners was introduced during the year. Airpartners, which are employed at airports for starting jet engines and for ground service, are now available in silenced and standard versions.

Personnel

At the end of the year Atlas Copco Airpower employed 2400 persons.

With a view to stimulating the economy and reduce unemployment the Belgian government introduced legislation in 1976 making it easier for trainees to take positions with Belgian companies for a six month period. This legislation also permits those who so wish to retire at 60 years of age. 30 Airpower employees have taken this opportunity. The legislation, which will remain in force in 1977 as well, also prohibits overtime work.





[1)] Mainly invoicing to Atlas Copco Sales Companies.

The patented rotor profile contributes to give Atlas Copco screw compressors their good operating economy. The manufacturing process is under strict control. The illustration shows the precision measurement of a rotor profile.

The company continued its internal training program with a view to increasing productivity and cooperation.

Capital increase

Share capital increases were made during the year in Atlas Copco Airpower AB in Åmål, Sweden, and Atlas Copco Andina S.A. in La Paz, Bolivia.

Results

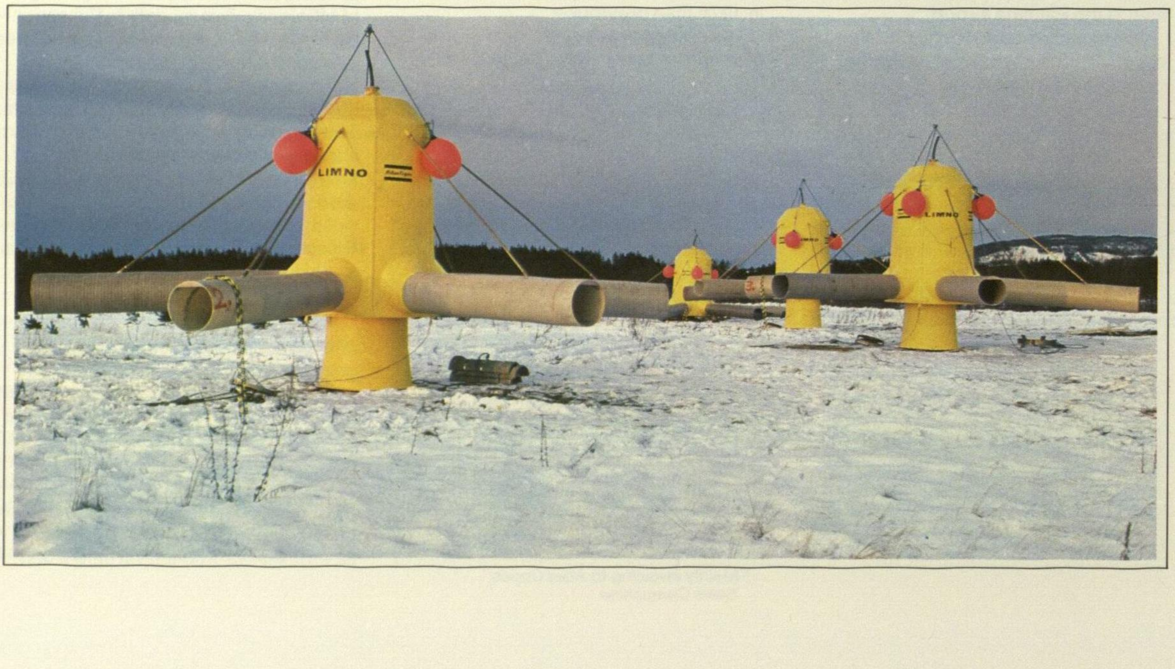
Orders received amounted in 1976 to BFrs 7 953 million (5 754). Invoiced sales totalled BFrs 7 617 million (5 929). The figures for the year include the new acquisition Mauguière S.A.

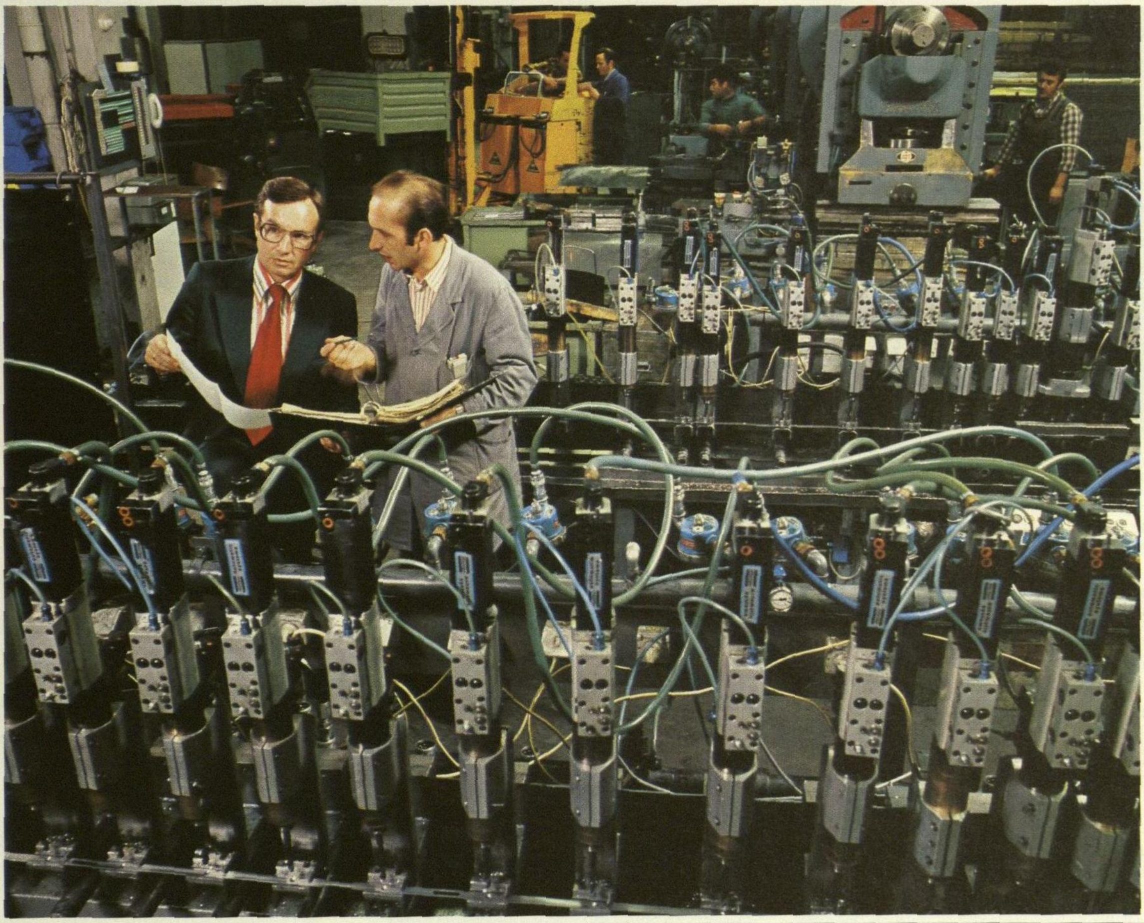
Profit before appropriations and taxes was BFrs 1 123.3 million (1 024.4). The increase in profit is due primarily to increased invoicing.

Fluctuations on the currency market had a negative effect on results. Increased interest costs, due to higher interest rates, also contributed to a lower profit margin.

Investments in buildings, machines and equipment amounted to BFrs 433 million (215).

The Swedish mining company Gränges have acquired five Limno lake restoration units from Atlas Copco. These units are incorporated in a purification plant with the purpose to reoxygenate the water used in the ore dressing process. The addition of oxygen assists the degradation of organic residues and protects the lake which is the recipient of the surplus water.





Atlas Copco Tools AB

The expectations for 1976 were not fully realized. However, as a result of vigorous marketing efforts and the improved business climate in West Germany and France, the figures for orders received were better than those for 1975 in terms of both volume and value. Yet, profitability was poorer. High stock levels, low utilization of production resources and efforts to maintain employment for the workers had a clearly negative effect on the economic results. The unfavourable development of the currency situation in several markets and big cost increases, above all at the Swedish plants, reduced the company's possibilities of holding its own in the increasingly keen international price competition. The investment rate was maintained.

A reorganization was carried out in the marketing sector. Through this, marketing resources were concentrated in order to facilitate sales, planning and sales support.

In the field of industrial tools the greatest success was achieved with new, advanced products. The company's position in the international automobile industry as in other assembly industries has been strengthened. A marked tendency can be noted in this sector to analyze requirements and demands for performance and quality, which has had as a consequence that Atlas Copco has become internationally known in this field as a main supplier of compressed air equipment.

A torque control nutrunner with magnetic torque release clutch was introduced and met with great interest.

The program of impact wrenches, both with and without torque control, was extended and now completely covers

Automation and mechanization with compressed air are one of Atlas Copco's five major areas of industrial technique. This German manufacturer of metal goods has raised his production considerably and also increased tool life by 50% by incorporating more than 100 LBL drilling and tapping units.

Some fifty guests were invited when the Tierp Works were presented to Atlas Copco management and local authority representatives. Berna Lövgren was visited at her work place by (from the left) Ragnar Edenman, County Governor, Sixten Lindgren, Municipal Commissioner, Theo Dietz, Managing Director of Atlas Copco Tools, Tore Axzell, Manager of the Tierp Works, and Tom Wachtmeister, Group Managing Director.

the traditional market for these machines.

The recoil- and vibration-free chipping hammer which was introduced in 1975 proved very successful. A bigger model, primarily intended for foundries, will be introduced in 1977.

The system for spot evacuation of grinding dust was further developed and a number of complete installations were sold—chiefly to the plastics, automobile and similar industries.

The stagnating market for pneumatic components in 1975 gave way during the year to a clear upwards swing. Strong efforts were made for this product line in several European markets in the form of recruiting and training of a large number of new sales engineers.

Marketing was oriented toward original equipment manufacturers who integrate components in their machines or method solutions, often on a series production basis. This offers possibilities of repeat sales.

The cylinder program was completed and given a wider area of application. It was adapted to European dimensions standards, which should facilitate customers' shift to Atlas Copco products.

During the year a new series of silenced automatic drilling units was launched in numerous European countries. This program is among the most advanced available in the market.

Substantial sales increases can be noted for surface treatment equipment, particularly in Scandinavia. An application method for anti-corrosion was introduced and sold to the automobile industry in Sweden, West Germany, Italy and France. The method is quite superior to previous procedures and makes it possible to utilize fully the anticorrosion oil applied inside the structural elements of the vehicle bodies. The time for this operation has also been reduced.

Greater efforts to promote sales through resellers contributed to an increase in volume, particularly for spray guns.

A completely new series of air preparation units was introduced. It includes air filters, pressure regulators and oil mist lubricators. The market reaction was positive and sales results were very satisfactory. A new series of quick couplings completes the fittings program.

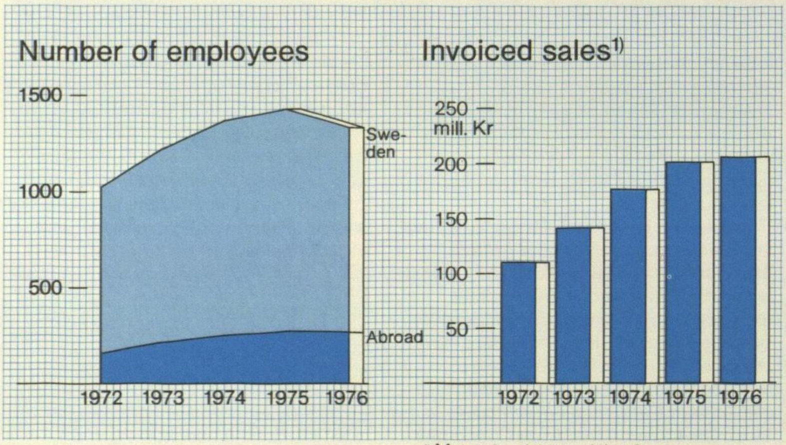
Product development

The concern to reduce the negative environmental factors and improve operator safety continues to dominate the development work in compressed air tools. The pioneer work was concentrated to a limited number of machine types, but the experience gained with time is now being applied to other machines of a similar nature. Percussive tools such as chipping hammers and scalers as well as grinders were further developed in this respect.

Silenced tools have been given high priority and silenced surface grinders, die grinders and drills have been developed. Sales have begun, although the main introduction will take place in 1977.

Advanced systems and components for tightening threaded fasteners, plus equipment for automatic control of these operations, have been the objects of continued development work, as have several screwdrivers and small torque control nutrunners. The aim has been to meet new demands for very high tightening torque accuracy. A new screwdriver with an extremely low noise level will be introduced in 1977. Development work on automatic machines continues.

The range of pneumatic components for mechanization and automation has been extended by a new series of valves designed to control the air supply to cylinders and motors. These new valves have been designed with a view to coming international standards. They are completely lubrication-free and are equipped with indicators for the position and signal condition, so that trouble-



1) Mainly invoicing to Atlas Copco Sales Companies.

At the Volvo plant at Born, Holland, Atlas Copco tools and equipment are present in almost every step of the production process. Grinders of type LSS 52 are here being used to give the body of a Volvo 343 a smooth surface.

shooting and the starting up of pneumatic control systems will be considerably simplified. A new series of cylinder mountings which permit adaption to European CETOP recommendations has been designed.

New air preparation units for filtering, pressure regulation and oil mist lubrication were developed. The dimensions have been reduced to satisfy demands from original equipment manufacturers.

In the surface treatment sector the development work on pump equipment for individual paint feed to spray guns of the conventional type has been concluded. These pumps are intended to be installed directly on the delivery vessels of the paint manufacturers, which will eliminate the need for special paint drums and will facilitate handling and cleaning.

Production

The production capacity, which had been greatly extended in recent years, particularly as concerns the machine plant, was not fully utilized.

Increased costs for materials, wages, energy etc provided a sharp stimulus towards rationalization. Work operations have been reorganized, for example, by the installation of special machines, simultaneous operation of several machines and increased mechanization.

In consultation with employee representatives, funds from the working environment reserve have been used to improve the environment in the factories. The ventilation and noise level in the workshops have been the primary targets. As a result of these and similar steps the point of departure before a new business upswing has been considerably improved.

Personnel

The number of employees dropped both in the offices and in the factories. At the end of the year employees totalled 1337 Employment policies have been very restrictive. Vacancies were filled primarily through internal recruiting.

Training activities were maintained at the same high level as previously and a large number of courses were given to further develop and specialize the personnel of the sales companies.

In the internal training in Sweden, the labour rights were an important subject as a consequence of the new Democracy at Work Act.

Language training was extensive with emphasis on English for Swedes and Swedish for immigrants.

Results

Orders received in 1976 amounted to Kr 202.9 million (192.0). Invoiced sales totalled Kr 206.4 million (195.9). Profit before extraordinary items and appropriations amounted to Kr 4.1 million (10.4).

The poorer results are due to the low utilization of workshop capacity and the great increase in costs which could not be compensated for by price increases.

Investments in buildings, machinery and equipment amounted to Kr 5.8 million (22.2).

Product companies

Balance sheet

At December 31, 1976

	ATLAS COPCO MCT AB[1])		ATLAS COPCO AIRPOWER N V[2])		ATLAS COPCO TOOLS AB[3])	
Assets	1976	1975	1976	1975	1976	1975
	mill. SKr		mill. BFrs[4])		mill. SKr	
Current assets						
Cash in hand and at banks	3.7	2.8	27.9	32.7	0.7	1.2
Notes receivable	1.0	1.4	4.2	29.0	—	—
Accounts receivable from customers	10.1	13.0	176.5	55.6	1.1	0.6
Advances to Group companies	59.6	58.0	2,287.6	1,808.8	27.7	5.3
Other accounts receivable	17.6	17.2	88.2	84.9	2.9	2.7
Inventories	445.2	408.6	1,944.7	2,015.9	125.1	119.0
	537.2	**501.0**	**4,529.1**	**4,026.9**	**157.5**	**128.8**
Blocked accounts	**4.4**	**6.1**	**—**	**—**	**3.2**	**3.9**
Fixed assets						
Machinery and equipment at cost	177.7	159.6	1,251.6	910.6	65.8	59.6
Land and buildings at cost	61.8	59.9	682.4	590.2	37.7	37.1
Fixed assets under construction	4.6	0.2	—	—	0.1	—
Other investments	0.3	—	58.4	35.6	0.1	0.1
	244.4	**219.7**	**1,992.4**	**1,536.4**	**103.7**	**96.8**
	786.0	**726.8**	**6,521.5**	**5,563.3**	**264.4**	**229.5**
Liabilities						
Current liabilities						
Notes payable	52.8	58.2	1,069.5	1,087.6	0.7	0.9
Accounts payable	60.8	74.3	577.6	475.5	16.9	19.6
Due to Group companies	23.8	18.8	176.1	26.4	5.4	3.9
Bank loans	24.2	31.4	585.5	495.3	6.4	5.6
Current portion of long-term debts	8.2	6.0	94.1	92.9	3.7	2.1
Provision for taxes	18.4	9.8	56.9	107.2	0.2	0.1
Other liabilities	51.8	51.0	272.1	241.5	19.2	20.7
	240.0	**249.5**	**2,831.8**	**2,526.4**	**52.5**	**52.9**
Long-term liabilities						
Mortgage and other long-term loans	53.3	49.4	414.1	207.1	27.1	25.8
Provision for pensions	50.4	43.2	22.9	21.3	14.8	11.8
	103.7	**92.6**	**437.0**	**228.4**	**41.9**	**37.6**
Accumulated depreciation on fixed assets	**138.8**	**124.0**	**1,039.3**	**845.8**	**73.2**	**62.4**
Untaxed reserves						
General inventory reserves	216.0	176.4	6.5	—	68.0	47.1
Investment reserves	—	—	2.4	—	6.9	9.3
Working environment reserves	3.6	3.6	—	—	1.8	0.7
Special investment reserves	2.2	2.5	—	—	0.5	0.5
	221.8	**182.5**	**8.9**	**—**	**77.2**	**57.6**
Minority holdings	**—**	**—**	**35.0**	**21.9**	**—**	**—**
Shareholders' equity						
Share capital	30.0	30.0	1,000.0	1,000.0	10.0	10.0
Legal reserves	22.8	17.9	106.0	106.9	5.5	4.7
Surplus	21.2	21.0	508.4	324.9	2.2	2.7
Profit for the year	7.7	9.3	555.1	509.0	1.9	1.6
	81.7	**78.2**	**2,169.5**	**1,940.8**	**19.6**	**19.0**
	786.0	**726.8**	**6,521.5**	**5,563.3**	**264.4**	**229.5**
Pledged assets	46.1	39.4	13.2	7.8	20.6	22.7
Contingent liabilities						
Notes discounted	22.7	15.1	48.7	69.1	—	—
Other contingent liabilities	6.1	6.9	69.7	53.9	2.3	2.0

Product companies

Profit and loss account

For the year 1976

	ATLAS COPCO MCT AB[1])		ATLAS COPCO AIRPOWER N V[2])		ATLAS COPCO TOOLS AB[3])	
	1976	1975	1976	1975	1976	1975
	mill. SKr		mill. BFrs[4])		mill. SKr	
Invoiced sales	**931.0**	**976.2**	**7,617.2**	**5,928.9**	**206.4**	**195.9**
Cost of goods sold, technical development, sales, administration, etc	**−856.9**	**−865.6**	**−6,151.2**	**−4,668.3**	**−192.0**	**−174.7**
Operating profit	**74.1**	**110.6**	**1,466.0**	**1,260.6**	**14.4**	**21.2**
Depreciation						
Buildings	− 2.3	− 2.2	− 29.2	− 24.3	− 1.0	− 1.0
Machinery and equipment	− 17.6	− 21.0	− 147.2	− 99.4	− 5.9	− 7.3
	− 19.9	**− 23.2**	**− 176.4**	**− 123.7**	**− 6.9**	**− 8.3**
Financial charges and other income						
Interest paid (excl. Group companies)	− 9.1	− 9.2	− 207.7	− 157.2	− 3.7	− 3.2
Interest income (excl. Group companies)	+ 0.4	+ 0.3	+ 11.2	+ 1.8	+ 0.1	+ 0.1
Interest paid to Group companies	− 2.0	− 0.7	− 7.6	—	− 0.1	− 0.1
Interest income from Group companies	+ 2.0	+ 4.3	+ 37.8	+ 42.9	+ 0.3	+ 0.7
	− 8.7	**− 5.3**	**− 166.3**	**− 112.5**	**− 3.4**	**− 2.5**
Profit before extraordinary items and appropriations	**45.5**	**82.1**	**1,123.3**	**1,024.4**	**4.1**	**10.4**
Extraordinary items						
Group contribution	—	—	—	—	+ 12.9	—
Profit before appropriations and taxes	**45.5**	**82.1**	**1,123.3**	**1,024.4**	**17.0**	**10.4**
Appropriations						
Additional depreciation on fixed assets	—	—	− 34.4	− 21.1	− 0.6	− 0.7
General inventory reserve	− 24.2	− 61.3	—	—	− 13.7	− 7.2
Utilization of investment and working environment reserves	+ 3.3	—	—	—	+ 3.2	+ 14.4
Depreciation against investment and working environment reserves	− 3.3	—	—	—	− 3.2	− 14.4
	− 24.2	**− 61.3**	**− 34.4**	**− 21.1**	**− 14.3**	**− 7.9**
Profit before taxes	**21.3**	**20.8**	**1,088.9**	**1,003.3**	**2.7**	**2.5**
Taxes	**− 13.6**	**− 11.5**	**− 533.8**	**− 494.3**	**− 0.8**	**− 0.9**
Net profit	**7.7**	**9.3**	**555.1**	**509.0**	**1.9**	**1.6**

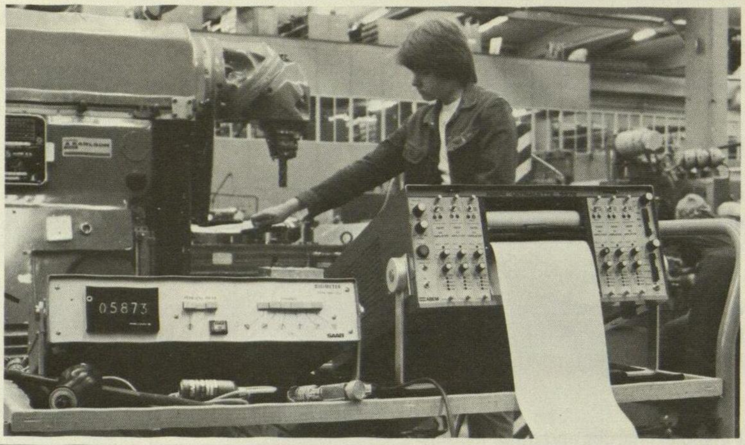
[1]) Including subsidiary companies:
Atlas Copco (Manufacturing) Ltd., Hemel Hempstead; Atlas Copco Maschinen AG, Thun; Atlas Copco MCT G.m.b.H., Bremen; Atlas Copco Craelius Ltd., Daventry; Atlas Copco Craelius AB, Sundbyberg, *with subsidiaries*; Atlas Copco Jahrls AB, Örebro.

[2]) Including subsidiary companies:
EMAC S.p.A., Turin; Atlas Copco Makinalari Imalat A.S., Istanbul; Atlas Copco Airpower AB, Åmål; Ets Mauguière S.A., Sermamagny.

[3]) Including subsidiary companies:
Oy Atlas Copco Ab, Helsinki; Maskinfabriken Pluto A/S, Saeby

[4]) 100 BFrs=11:20 Kr (31/12 1976)

Atlas Copco ABEM



The ABEM Ultralette is a flexibile measuring system used in for example production control. Here used together with a SAAB-Scania Digimeter, also marketed by ABEM.

Atlas Copco ABEM AB is a specialized company for advanced measuring technology with three product lines:

— geophysical instruments for prospecting for water and mineral resources and for civil engineering work
— measuring instruments for the manufacturing industry, medical technology and research
— electronic and precision mechanical units which are incorporated in other Atlas Copco products.

Sales are effected in part through Atlas Copco sales companies and in part through a network of distributors. The offices and workshops of the company are in Sundbyberg, Sweden. Managing Director is Hans Björklund.

Market development

Total sales volume for Atlas Copco ABEM AB was approximately the same in 1976 as in 1975. Increased deliveries of geophysical instruments, particularly to oil-producing countries, plus increased sales of distributorship products in Sweden compensated for the decline in market demand for other measuring systems. The demand for ABEM's instruments for water prospecting and seismic ground investigations remained satisfactory. The sharp fall in the British pound and the poor business climate in the European manufacturing industry delayed the anticipated recovery in the sales of industrial measuring systems. The high manufacturing costs which characterize Swedish industry are becoming increasingly perceptible in the keener international competition. Approximately 66 % of ABEM's turnover are in export markets. Invoiced sales in 1976 amounted to Kr 11.4 million (11.3).

Product development

The increased reliability of modern electronics, realized through the use of integrated circuit technology, has reduced the need for mechanics in today's geophysical and industrial measuring instruments. One of the most significant new electronic products is the microprocessor, which will be of great importance for measurement technology. In cooperation with Atlas Copco's Central Laboratories ABEM has developed the Datacop 6800, a micro-computer based system for measuring, testing and control under difficult environmental conditions.

Production

A decision was taken to create new production facilities specially equipped for the needs of ABEM. Rebuilding work began in November 1976 and the premises are expected to be ready for use in May 1977.

Personnel.

At the end of the year ABEM had 60 employees, 22 factory workers and 38 office employees.

Salaries and wages paid amounted to Kr 3.9 million. Additional personnel costs totalled Kr 1.6 million.

A comprehensive internal training program was carried out parallel to the training of distributors.

Monsun-Tison

Monsun-Tison AB is the Group's company specialized in hydraulic and pneumatic regulating technology. The head office and workshops for hydraulic components are situated in Borås, while the workshops for pneumatic components are in Falköping. As concerns hydraulics, the development, manufacture and marketing of products in Sweden and abroad is conducted wholly by Monsun-Tison, while pneumatic components are marketed by Atlas Copco.

During a visit to Monsun-Tison's Borås Works, Group Managing Director Tom Wachtmeister and Board Chairman Peter Wallenberg had a lesson in control measurement of hydraulic valve housings from Monsun-Tison's Johnny Gustafsson.

Monsun-Tison has been a wholly owned subsidiary in the Atlas Copco Group since 1974. The Managing Director is Eric Bursvik.

Market development

During the year the company made vigorous efforts to expand its export activity. As one example, a sales subsidiary was formed in Chicago.

The export efforts of previous years also started to give results in the form of incoming orders.

Reduced demand for forestry equipment and cranes in Sweden has negatively affected incoming orders and invoicing. Yet orders received for 1976 totally surpassed those for 1975 by 15 %. Invoicing amounted to Kr 85 million (88).

Product development

The company continued its strong activity in hydraulics, emphasizing the specialized products for mobile machines.

The pilot control of systems has been a successful product line in the 1970's, and Monsun-Tison is now ready with a second generation of products for electro-hydraulic pilot control. The need for more efficient machines offering a good working environment for the operator has made these products interesting.

A combination of the company's main fields of pneumatics and hydraulics has led to the development of a pneumatic proportional pilot control of hydraulic systems, which is a very attractive solution pricewise.

For the pneumatics markets a new series of working valves, with completely lubrication-free operation was launched during the year. With this valve series Monsun-Tison is well in the forefront of international competition and can also meet the most stringent environmental demands.

Cylinders were also developed for operation by low-pressure hydraulics, which permits stabilized movements in machine tools, for example. The cylinders are now dimensioned for the new international measurement standards.

Production

The company's production of pneumatic components was completely transferred to the plant in Falköping during the year.

Numerically controlled machines were acquired to a greater extent.

In order to avoid undesirable stock increases during the recession, the utilization of capacity in the workshops was somewhat restrained.

In consultation with employees, improvements were made in the working environment as concerns both noise reduction and air purification.

Personnel

The number of employees in the Monsun-Tison group was 611 at the end of the year, 437 factory workers and 174 office employees.

Salaries and wages paid amounted to Kr 29.0 million, additional personnel costs to Kr 9.6 million.

More attention was paid both to language and sales training in order to strengthen export activities, and to courses in workshop technology.

Comprehensive training was also carried out concerning the new Democracy at Work Act.

Berema

The Berema companies, with head office in Solna and manufacturing units in Kalmar, Gävle and Bräcke, are part of the Atlas Copco Group since October 1975, when Atlas Copco AB acquired the share majority. Berema's manufacturing program, primarily motor drills and hydraulic lorry cranes, is marketed by the company's own sales subsidiaries in Germany, Norway and the USA, and through distributors in an additional large number of countries. Managing Director is Lars Åsell.

Market development

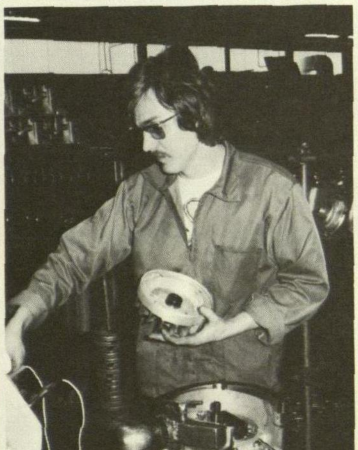
Sales increased in 1976 by Kr 28 million over the previous year and totalled Kr 86.8 million.

A decline in demand on traditional markets was compensated for by increased sales to the Arab countries, among others. The development continued to be favourable in Sweden and Norway where increased market shares could be noted for Honda power products, consisting of generators, pumps, rotary cultivators etc.

Product development

Development work on new petrol-powered drills continued and a new model will be introduced in 1977.

The assortment of Tico lorry cranes was successfully completed with two new models during the year.



Fitter Roland Karlsson at Berema's Kalmar plant assembles 30 motor drills per day.

Production

Despite reduced production of Tico products at the workshops in Gävle and Bräcke, the employment level could be maintained unchanged as a result of successful acquisition of outside work.

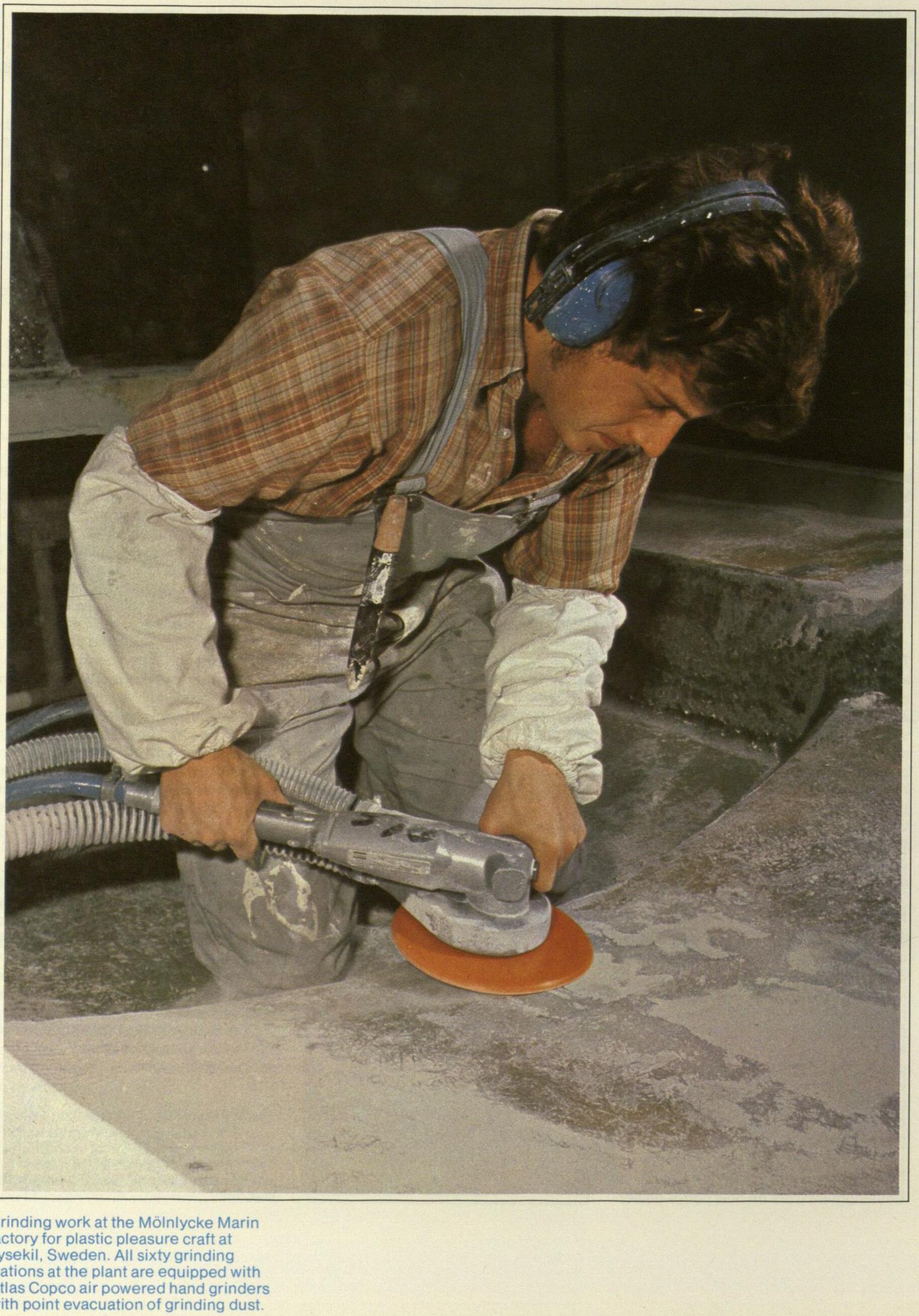
At the plant in Kalmar production was on a somewhat higher level than the previous year. Here newly built personnel and office space totalling 1 058 m² entered service.

Personnel

The number of employees in the Berema group at the end of the year was 440, of which 269 factory workers and 171 office employees.

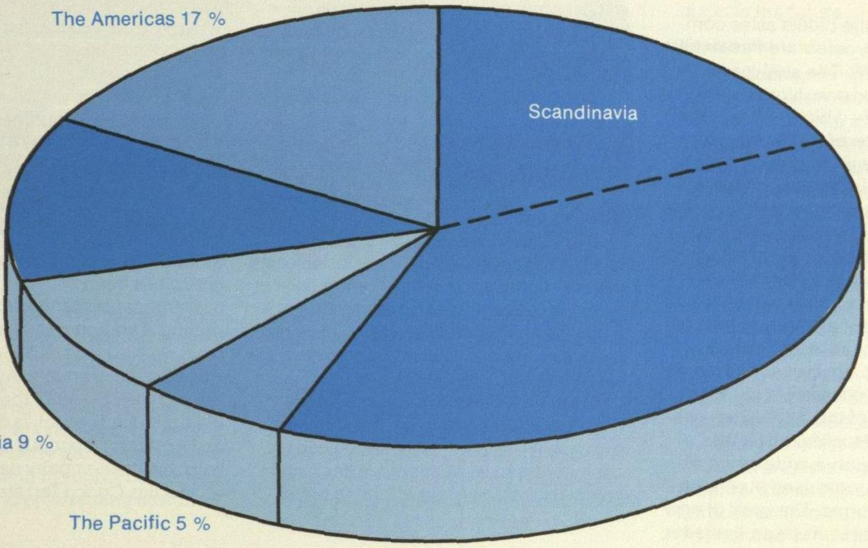
Wages and salaries paid amounted to Kr 22.4 million and other personnel costs Kr 8.9 million.

Personnel turnover continued to drop during the year, while absenteeism remained unchanged.



Grinding work at the Mölnlycke Marin factory for plastic pleasure craft at Lysekil, Sweden. All sixty grinding stations at the plant are equipped with Atlas Copco air powered hand grinders with point evacuation of grinding dust.

A view of the market



Percentage distribution of Group invoicing 1976.

After the deep recession the world economy showed certain signs of recovery in 1976. However this improvement largely by-passed manufacturers of machinery. The world investment volume grew only marginally. Some of Atlas Copco's important customer branches even reduced their purchases of new equipment.

The market development in mining remained weak. No great improvement can be expected, since metal prices remain at the same low level as last year and large stockpiles will delay the upswing. Mines investing in mechanization and an improved working environment however meant good incoming orders for the Group.

Contracting proved the best customer group during the first half of the year, as a result of the public works programs initiated in Western Europe in order to stimulate employment, and some large-scale construction projects in the Third World. New products introduced by the Group, including the new series of silenced screw compressors, also contributed to good sales to contractors. During the second half of the year the demand from this category dropped.

The third, very heterogeneous customer group is the manufacturing industry. Here the demand naturally varied in strength: best in the automobile industry, good in the chemical and food industries, very weak in shipyards and steel works. On the whole, the industrial business climate was better towards the end of the year.

Also geographically, the Group's markets show substantial differences. Sweden continued to be the largest national market, representing about 10% of the turnover. Sales results for the year were good in Sweden and Denmark, and excellent in Norway.

In the remainder of Western Europe sales increased relatively strongly, particularly in France, West Germany and Portugal. The demand in Eastern Europe dropped off considerably, not least as a consequence of these countries' lack of Western currencies.

The sales development was weak in typical mining countries such as Zambia, Peru and Chile. On the other hand the sales volume rose in Brazil and Iran as a consequence of large-scale investment programs in these countries.

Facing 1977

Economic growth will probably continue to be weak in most of Atlas Copco's main markets. The greatest increases are expected in the USA, Japan and West Germany, a development which will have a favourable effect on the Atlas Copco Group only in the long-term perspective.

Among the customer branches of the Group the weakest development is foreseen for the mining industry, while some improvement can probably be expected in the manufacturing industry and contracting.

Market reports

A brief presentation follows of some markets in Europe, Africa, Latin America and Australia. The selection has been made to provide a picture of the various conditions facing the Group's marketing organization.

Norway

Atlas Copco A/S, the oldest sales company of the Group, celebrated its sixtieth anniversary in 1976. The anniversary year proved a good one. Norway was the only OECD country which was not affected by the recession of 1975 and 1976. The chief reason was increased state support to particularly exposed industries, and large-scale investment in power stations and the oil industry. The market potential for compressed air products, is good in contracting and Norwegian topographic conditions necessitate air powered equipment of various kinds in most construction projects.

Although Atlas Copco does not supply the actual drilling equipment to the oil drilling platforms of the North Sea—which exploit a different technology—the company does supply a wide range of compressors and tools used in servicework, on the platforms. The level of new investments in this sector was, however, low.

The Group maintained its very strong position in the Norwegian market in 1976. Sales of tunnelling equipment, both pneumatic and hydraulic, were particularly good. Sales of surface treatment equipment to the manufacturing industry were also successful.

Among the marketing activities of 1976 specific mention can be made of a campaign conducted in the autumn for production equipment with work environment advantages.

The Norwegian company is currently building new central facilities at Ski, just south of Oslo.

About 300 persons are employed by Atlas Copco A/ S.

The Group reached an agreement during the year with Unitor, a Norwegian trading company which will sell Atlas Copco products to ships from their branch offices in 200 ports around the world.

France

The French economy experienced an upswing at the beginning of the year due to a series of government measures to stimulate investment in 1975. This was particularly favourable to suppliers of machinery, since companies which ordered machines before the end of January 1976 enjoyed tax benefits. Atlas Copco France had a record volume of incoming orders, mostly for deliveries later in the year: building contractors and rental companies purchased portable compressors, while the automobile industry, for example, invested in stationary compressors and industrial tools.

Later in the year it became evident that French exports were lagging compared to domestic consumption. The result was a poorer balance of payments, increased inflation, a weaker franc and concurrently reduced industrial investment. The automobile industry was a cheering exception in this regard. With a view to restoring national confidence in the French economy the government presented the Barre Plan in September, which entailed restrictions in public spending and a price freeze among other measures.

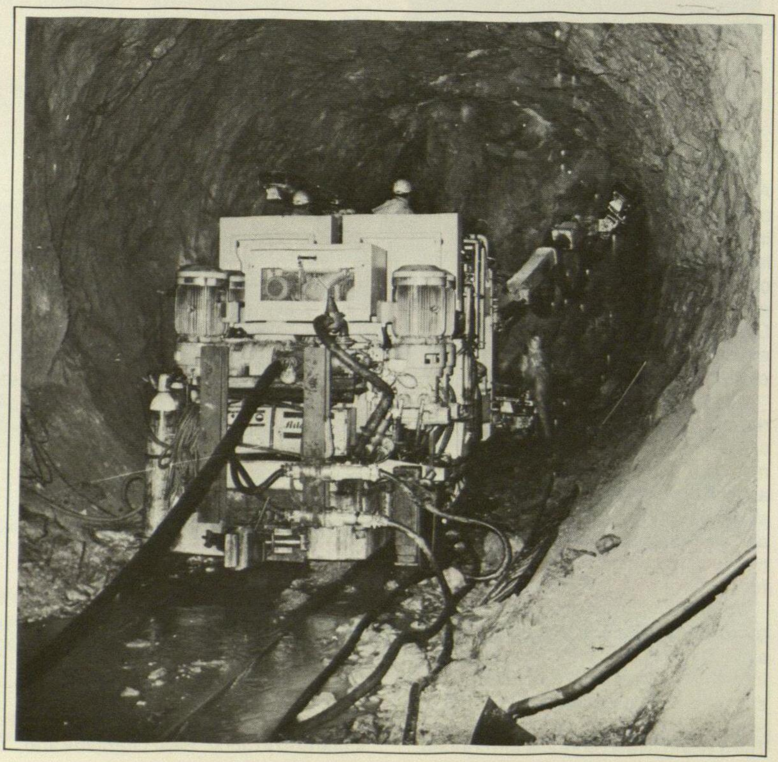
Seen in a long-term perspective the French market holds great potential for expansion—as both Atlas Copco and its competitors have observed. Atlas Copco France is making great efforts to penetrate new customer groups. One order worth special mention was for large screw compressors from the power company Electricité de France.

The Atlas Copco company, employing about 450 persons, has its head office outside Paris and covers the country by ten branch offices with service facilities. The company also works through resellers.

The Group also has two manufacturing units in France. Atlas Copco Craelius SA in Carros manufactures diamond core drilling products, while Mauguière S A in Sermamagny—purchased by Atlas Copco Airpower in 1976—has small compressors and spray painting equipment on its program.

Kenya

Since 1936, a company in the Craelius group has been active in Kenya as one of the largest companies in water well drilling. This company has also been responsible since 1966 for the sales of Atlas Copco products. As of the turn of the year 1976—1977 the company, which is situated in Nairobi, is directly accountable to Atlas Copco AB. In conjunction with this the company name was changed to Atlas Copco Terratest Ltd. The



At Grand Châtelard in the French Alps a hydro-electric power project is under way. This fully hydraulic Atlas Copco Promec rig is engaged in driving a tunnel connecting the rivers Arc and Isère.

Michael Papassideris, Managing Director of Atlas Copco Terratest, Kenya, surrounded by customers from the Masai tribe after concluding water well business.

company employs some 150 persons.

Atlas Copco Terratest sells compressed air equipment of all kinds, including breakers and portable compressors to large-scale construction projects such as roads, power stations, ports etc. About half of the company's turnover is from water well drilling in support of Kenyan agriculture, and prospecting assignments for the mining industry. The construction projects and mineral prospecting are dependent on foreign credit. Mining operations have not yet started on a large scale.

Kenya has now overcome the recession of 1975, partly due to rising coffee prices. The relatively high educational level offers a basis for industries for the production of steel, automobiles, textile goods and food. Atlas Copco should be able to supply a wider assortment of products in the future.

Venezuela

Oil-producing Venezuela offers a very interesting Latin American market. The currency is stable, inflation moderate, and economic growth relatively steady. The present five-year plan entails vigorous investment to build up the infrastructure and develop industries other than those based on oil. The five-year plan is financed chiefly with oil revenues.

The Atlas Copco sales company, established in 1975 in Caracas, has expanded rapidly in the face of tough competition from primarily American companies, who have long been active in the country. Quantities of crawler drills, Sandvik Coromant drill steel equipment and portable compressors were sold to construction projects. There was also a large order for stationary compressors for the Caracas underground transport system. The contractor for the project is an Italo-Venezuelan consortium. The sales of compressors were conducted in cooperation between Atlas Copco's Italian and Venezuelan sales companies.

Atlas Copco AB holds 60 per cent of the shares in the sales company, while the remaining 40 per cent are held by the former local distributor.

Atlas Copco Venezuela employs some 60 persons.

Argentina

Argentina is a market characterized by difficulties of various kinds.

The country is potentially rich but the buying power is currently weak. Among the reasons are inflation, which in recent years has at times reached 30% per month, the lack of foreign currencies and domestic capital, delays in projects etc. Atlas Copco Argentina's sales in 1976 consisted mainly of spare parts and consumables such as Sandvik Coromant drill steel equipment. But even these sales were accompanied by problems due to delays caused by currency problems and import restrictions.

Atlas Copco is engaged in several Argentinian development projects. The

The staff of the sales company in Caracas, Venezuela, gathered around their managing director Bo Grektorp.

contractors who are at work on the power stations of Rio Grande and Salto Grande and the mining complex Sierra Grande have purchased rock drilling and tunnelling equipment, crawler drills and compressors. In 1976 the level of activity on such projects was low, and investments by the manufacturing industry also dropped.

But for Atlas Copco it is vital to stay on in a country like Argentina as long as is possible. The equipment which customers purchased in more favourable years requires service, spare parts and even replacements. These are important components in the "package" the Group markets and can best be handled by a local sales company. Atlas Copco thus meets its obligations to customers, suppliers, employees and local authorities. Atlas Copco Argentina employs some 50 persons.

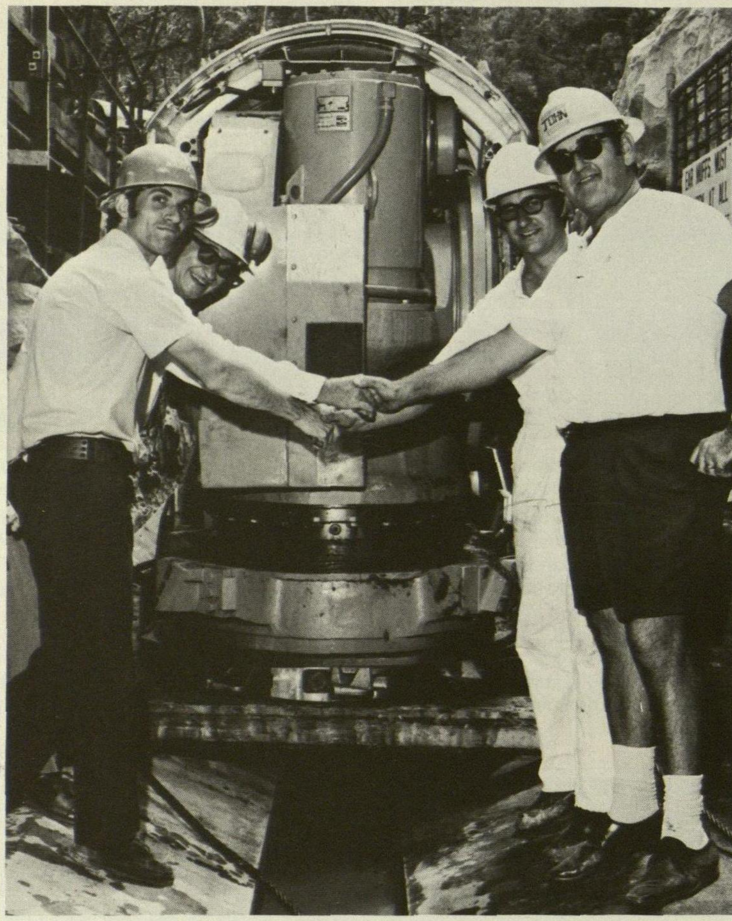
Australia

The Australian market picture was uncertain in 1976. Metal mines bought less equipment than usual for the greater part of the year, due in part to the low metal prices. This was partially compensated for by high activity in coal mines. A 15% devaluation November 1st resulted in certain signs of increased investments since Australian ore exports then became more competitive. In the last month of the year Atlas Copco sold the first hydraulic drilling rig in Australia.

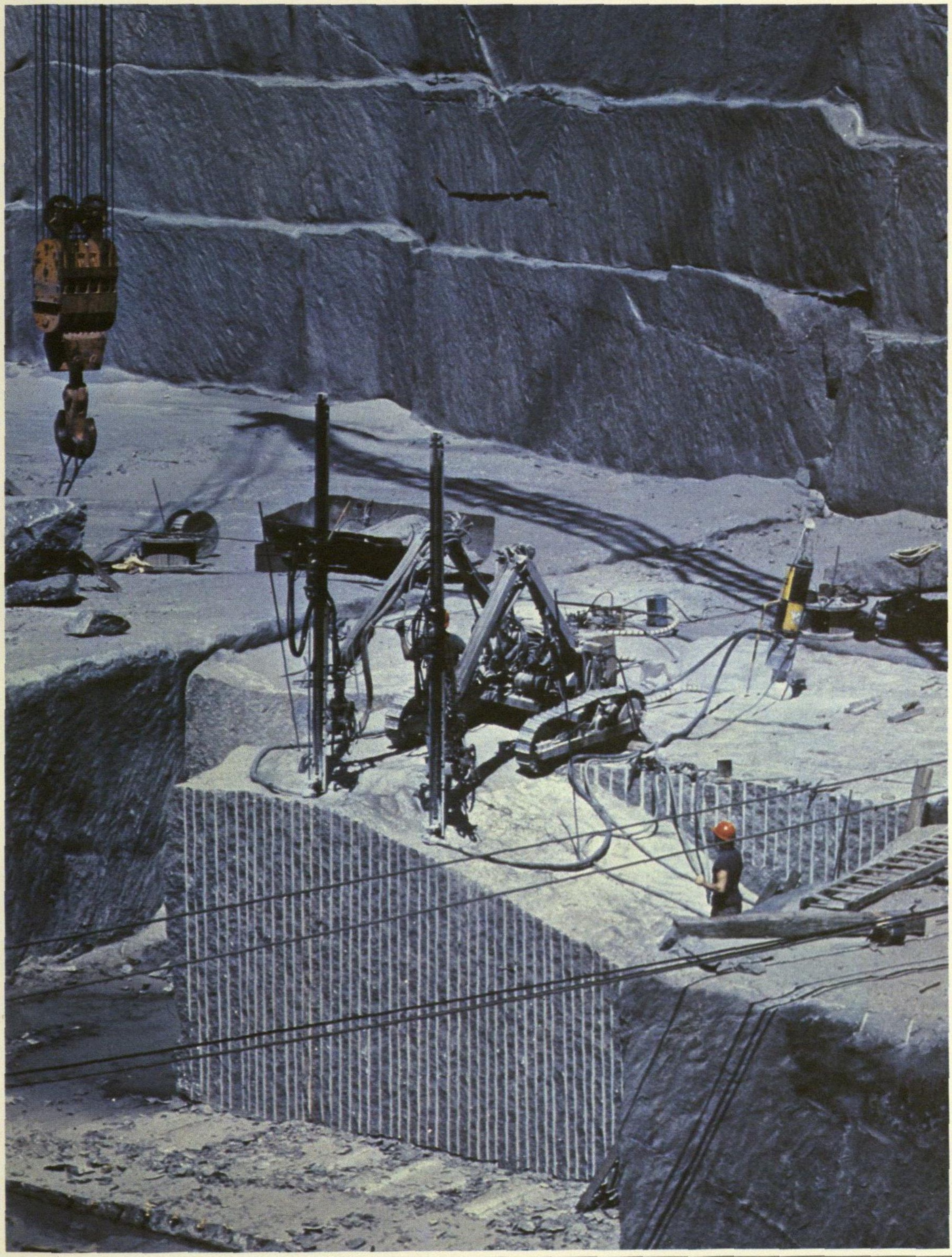
A diametrically opposite development characterized the contracting industry. During the modest upswing of the first half of the year Atlas Copco Australia sold quite a lot of tunnelling equipment, bench drilling equipment, Sandvik Coromant drill steels and portable compressors to local contractors, and above all to municipalities. Investments by contractors then dropped off when the government sharply cut back public spending in order to counteract the inflationary effect of devaluation. Sales to medium-sized and small industry were very successful as a consequence of active efforts to extend the network of resellers, combined with the introduction of new products.

The sales company in Blacktown outside Sydney has an extensive rental service. This activity facilitates contacts with new customers and furthers sales to customers short of ready cash.

The company employs about 500 persons.



A confirming handshake at the delivery to Sydney Water Board of a Mini Fullfacer—a unit for driving tunnels without blasting. The units first task was a 3300 metre sewage tunnel at Engadine south of Sydney.



Above:
Mechanization with crawler drills type ROC 302 has doubled productivity and improved working environment at *this granite quarry in South Dakota, USA.*

Back cover:
The ARLA plant in Gothenburg is western Sweden's largest distribution and stock facility for dairy products. The *greater share* of the handling is performed here with the aid of pneumatic components from Atlas Copco.

Atlas Copco