Atlas Copco 1978

Above:

Portable compressors are an important part of Atlas Copco's sales to Hong Kong, where equipment for construction and the manufacturing industry dominates Atlas Copco deliveries. The parent company's Export Sales Division administers sales via the distributor Honor Industrial Development Co.

Cover illustration:

The assembly of relays at Standard Telefon og Kabelfabrik A/S in Oslo. The screwdriver LUM 11SS may appear to be a simple machine, but it combines good ergonomy with high productivity. The low noise level has made the tool highly valued by assembly personnel around the world.

Atlas Copco
Annual Report 1978

Atlas Copco AB Board of Directors

Elected by the Annual General Meeting

Peter Wallenberg
Chairman
Elected 1970
Industrial Adviser
Skandinaviska
Enskilda Banken

Kurt-Allan Belfrage
Deputy Chairman
Elected 1956
Man. Dir.
Atlas Copco AB 1957-70
Chairman Swedish Export Council

Henry N. Sporborg
Elected 1969
Dir. Hambro's Ltd.
England

Jan Hellner
Elected 1969
Professor
Stockholm University

Sture Ödner
Elected 1970
Man. Dir.
Saléninvest AB

Erik Johnsson
Elected 1972
Dr Techn.
Man. Dir.
Atlas Copco AB
1970–75

Axel Iveroth
Elected 1975
Dep. Chairman
Federation of
Swedish Industries

Ulf-C Bratt
Elected 1976
Man. Dir.
Förvaltnings AB
Providentia

Curt G Olsson
Elected 1976
Man. Dir.
Skandinaviska
Enskilda Banken

Tom Wachtmeister
Elected 1975
Man. Dir.
Atlas Copco AB
since 1975

Employee representatives

Bo Henning
Elected 1973
Atlas Copco local
of Salaried Staff Union

Ingmar Berthelsen
Deputy
Elected 1973
Atlas Copco local of
Graduate Eng. Union

Kjell Nordström
Deputy
Elected 1977
Ecco Works local of
Metal Workers' Union

Per-Erik Nyholm
Elected 1973
Atlas Copco local of
Metal Workers' Union

Atlas Copco Annual Report 1978

*) *Separate US $ version available*

Atlas Copco AB

Group Management Committee

Tom Wachtmeister, Man. Dir.
Bengt Andersson, Dep. Man. Dir., Finance, Administration
Einar Liwendahl, Dep. Man. Dir., Market operations – East
Sven-Ingvar Svensson, Dep. Man. Dir., Market operations – West
Bo Gyllenberg, Production Dir.
Rolf Lahnhagen, Personnel Dir.
Jan Holdo, Man. Dir., Atlas Copco MCT AB
Iwan Åkerman, Man. Dir., Atlas Copco Airpower N.V.
Göran Lundborg, Man. Dir., Atlas Copco Tools AB

Associate Directors

Anders Björk, Lennart Friberg, Hans Johnsson, Anders Kindahl, Olle Lundquist, Kalevi Söderlund

Special Advisers

Olof Landenius, Stig Unger

Auditors

Birger Sonesson, Authorized Auditor
Bertil E Olsson, Authorized Auditor
Karl-G Giertz, Deputy Auditor
Olof Orwander, Deputy Auditor

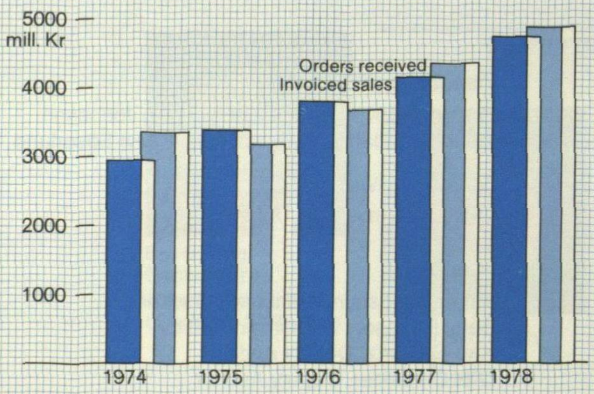
The Atlas Copco Group

Five years in summary

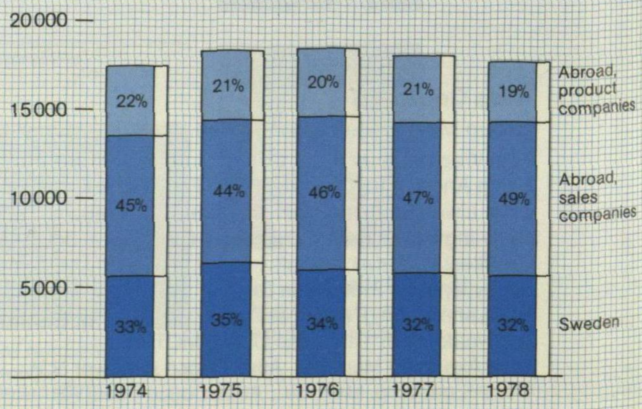
	1974	1975	1976	1977	**1978**
Invoiced sales, mill. Kr	2 949	3 385	3 791	4 157	**4 742**
Increase, %	33.3	14.8	12.0	9.7	**14.1**
Invoiced abroad, %	90	90	90	91	**92**
Profit before extraordinary items and appropriations, mill. Kr	369	430	338	297	**301**
in % of invoiced sales	12.5	12.7	8.9	7.1	**6.3**
Total assets, mill. Kr	2 864	3 566	3 946	4 411	**4 545**
Return on total assets, %[1]	18.1	17.0	12.8	11.4	**11.2**
Adjusted profit after taxes, mill. Kr[2]	181	208	165	141	**145**
Return on equity, %[3]	17.4	17.4	12.3	9.7	**9.5**
Earnings per share, Kr[4]	12.94	17.71	14.48	11.35	**11.69**
Equity/total assets, %[5]	39.4	35.2	36.2	33.4	**34.5**
Investment in fixed assets, mill. Kr	142	174	153	169	**133**
Number of employees	17 392	18 236	18 271	18 032	**17 664**
Invoiced sales/employee, th. Kr	170	186	207	231	**268**
Dividend per share, Kr[4]	4.85	5.29	6.00	6.00	**7.00**[6]
Stock market price, Kr[4] high	146	175	183	156	**141**
low	95	122	134	89	**106**
Price/Earning ratio[7]	9.6	8.9	11.3	10.7	**10.4**

1) Profit before extraordinary items, appropriations and interest paid in % of the assets as per the balance sheet.
2) Deductions have been made for a calculated tax (50 %) and minority interest.
3) Untaxed reserves are included in equity – after deduction for future tax liability.
4) Adjustments have been made for new issues for purposes of comparison.
5) Equity as defined in footnote 3 in % of total assets.
6) Board of Directors' proposal.
7) Average stock market price during the year in relation to earnings per share.

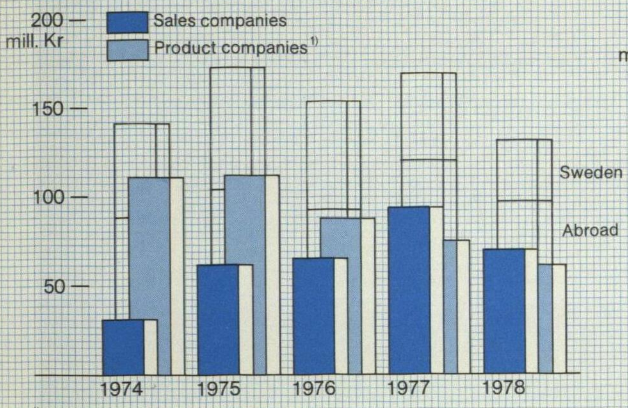
Invoiced sales and orders received



Number of employees

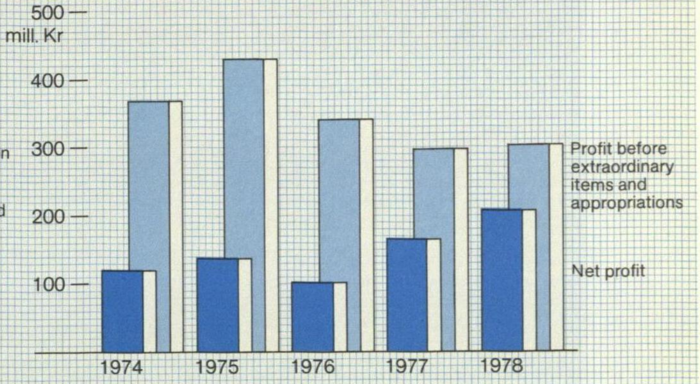


Investment in fixed assets

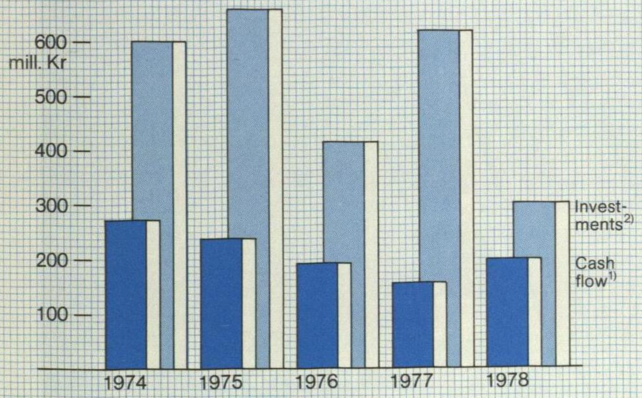


[1] Includes the parent company.

Profit before extraordinary items and appropriations, net profit

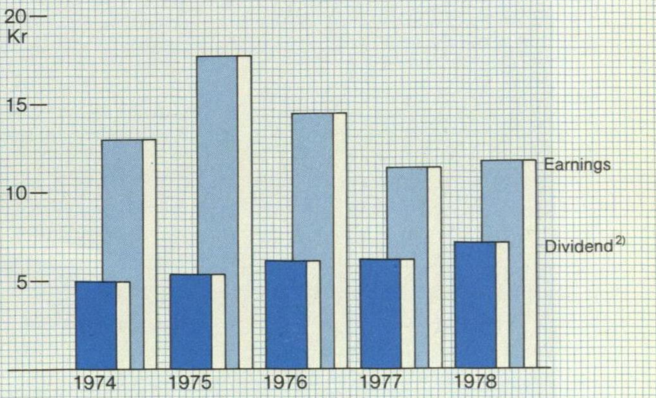


Investments and cash flow



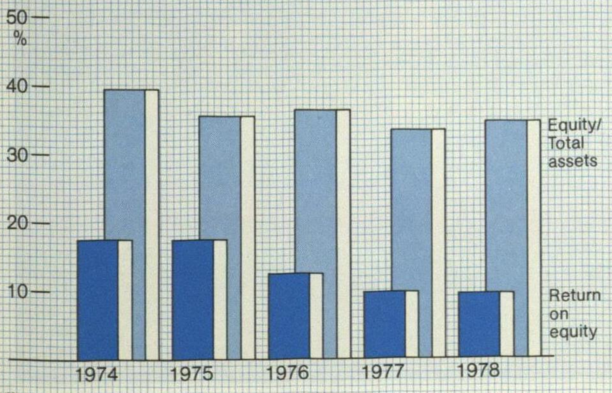
[1] According to funds statement, page 13.
[2] Investments in fixed assets, inventories and current receivables.

Earnings and dividend per share[1]



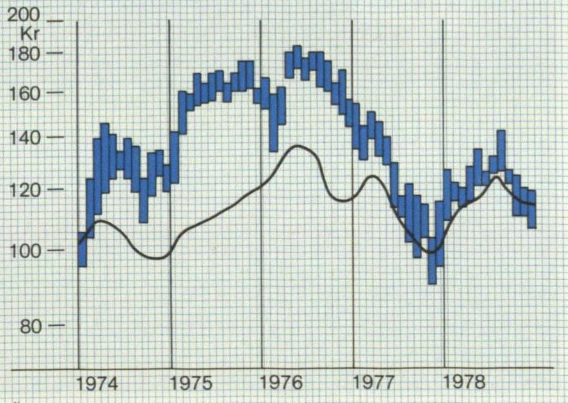
[1] As defined on page 4.
[2] 1978 as proposed by the Board of Directors.

Equity/Total assets ratio and return on equity[1]



[1] As defined on page 4.

Stock exchange quotation[1]



[1] Adjusted for issues. Logarithmic scale. The black curve shows total stock market development according to the business magazine, Affärsvärlden.

Atlas Copco's fully hydraulic underground drill rig Simba H221 is employed by Pirites Alentejanas, one of Portugal's most important mines. The rig is equipped with a separate control stand for remote control, giving a considerably improved working environment.

The Atlas Copco Group in 1978

The recovery of world trade in 1978 was chiefly due to greater business activity in the United States, but a positive trend could be noted in Europe as well. Among the industrial sectors of greatest concern for the Atlas Copco Group, the manufacturing and process industries were relatively active, civil engineering activity increased in certain countries, while the mining industry remained in a slump with the chief exception of gold, uranium and platinum mines.

The structural shift among the Group's customer categories that has occurred in recent years has proved beneficial in these circumstances. Industry is now responsible for all of 40 %, civil engineering for 35 %, while only 20 % of the Group's sales is to the mining sector.

Total invoicing for the Atlas Copco Group in 1978 was Kr 4 742 million (previous year Kr 4 157 million) or US$* 1 107 million, an increase of more than 14 %. Orders received amounted to Kr 4 888 million (4 249) or US$ 1 141 million, an increase of 15 %.

The increase in sales was particularly great in Brazil, China, Great Britain, Italy, Mexico, the Soviet Union, USA and Yugoslavia.

* *Conversion rate: US$ 1.00=SKr 4.285*

The positive effects of the devaluation of the Swedish Krona in 1977 diminished during the year, due to the low exchange rate for the dollar and the continued high cost level in Sweden. Great efforts were made within Atlas Copco to improve the company's competitiveness. The sectorization which was realized during 1977 at Atlas Copco MCT AB permits more accurate cost and profitability evaluations, which in turn provide the necessary basis for concrete decisions to further the effectiveness. The Swedish sales company has also been reorganized in order to achieve better control over activities, lower costs and concurrently more efficient customer service.

To alleviate the effects on our employees of the cost reductions, the company has during the latest three years, through temperate pricing policies, tried to keep sales volume and consequently employment on a higher level than would have been possible with normal pricing policies. The sales companies outside Sweden have thus, by giving priority to volume before margins on Swedish made products, supported employment in Sweden. This can be allowed to continue for a limited time. But it is the ambition of corporate management that each sphere of activity should bear its own costs and yield a surplus to guarantee future development.

In addition to the complicated decision processes and the high cost level, exports from Sweden in recent years have been hampered by political decisions and public opinion pressures which make normal customer contacts difficult. Atlas Copco's ability to compete rests to a great extent on professional advice and service to its customers. Continuity, sometimes for decades, is a cornerstone to build confidence in for an equipment supplier so that he is accepted as a stable, reliable trading partner. It is a question of credibility.

Atlas Copco, with its responsibility for more than 17 000 employees and 250 000 customers, must work with long-range perspectives. This requires free, politically unhampered foreign trade with all countries, regardless of shifts in political opinions.

Atlas Copco sales companies are being increasingly complemented by resellers in order to better meet the requirements of smaller customers. The small Airlet compressors – seen here at a Dutch reseller's – and industrial tools in the 2000 series, have been successful products for resellers.

Results

Group results before appropriations were Kr 301 million (297) or US$ 70 million. Return on total average capital was kept almost unchanged, 11.2 % as compared with the 11.4 % of the previous year. This was made possible despite a lower profit margin, 6.3 % as opposed to 7.1 %, by an increase in the rate of turnover of the Group's working capital, due chiefly to a reduction in the volume of capital tied up in inventories. As a sign of this improved utilization of capital it can be noted that for the first time in many years total sales were higher than total assets.

The Group's ability to generate profits in Sweden has been considerably reduced during the latest three years. Some of the Swedish units were run at a loss during this period. These units also report unsatisfactory results for 1978.

The Swedish sales company reports a continued loss, while profit from sales companies abroad is in the main unchanged from 1977. The sales companies in Belgium, the Netherlands, Italy, Great Britain and Brazil show good results, while the sales company in Iran reports a rather great loss.

Atlas Copco Airpower N.V. reports a smaller profit than the previous year, mainly because of higher interest and financing costs.

Even for 1979 a certain excess capacity, plus a high cost level, is foreseen for Sweden, Germany and Belgium. The cost level in Belgium, which is one of the Group's important manufacturing countries, is now on a par with that in Sweden, but productivity remains higher in Belgium. It is estimated that even the main competitors have over-capacity in their production. Therefore the company, in 1979, must be prepared to give priority to capacity employment and the defence of market shares. However, a continued increase is also expected in the demand for most product lines and this in itself should lead to a greater utilization of capacity and thereby an improvement in results.

Exchange losses of Kr 47 million (15) have been charged to the profit for the year. Of these Kr 30 million (12) represent unrealized exchange losses which occurred in 1978 on the parent company's loans in foreign currency. To eliminate the previous year's unrealized exchange losses on these loans an allocation of Kr 65 million to the reserve for exchange losses is reported among the appropriations. These sums cover all unrealized exchange losses up to the accounting date.

The allocation to the reserve for exchange losses was made possible by the dissolvement of inventory reserves in the Swedish companies. Inventory reserves have also been dissolved as a consequence of stock reductions in the Swedish companies and to cover losses in Iran.

Interest costs after deduction of interest revenues increased by Kr 22 million to Kr 167 million, which represents 3.5 % of the sales. The increase is due to relatively high interest rates, particularly during the first part of the year, in countries where the Group has taken large loans, primarily Belgium, and to rising conversion rates for certain currencies.

Financing

Overall financing requirements dropped to Kr 268 million (606), of which Kr 198 million (157) were generated internally, The need for external financing thus diminished considerably, from Kr 449 million to Kr 70 million. The increased degree of self-financing raised the Group's equity/total assets ratio from 33.4 % to 34.5 %.

Inventories of the sales companies increased by Kr 70 million, while inventories of the manufacturing companies decreased in a corresponding degree.

Accounts receivable did not increase at the same pace as the invoicing. Average customer credit periods were kept on the level as that of the previous year.

Current liabilities dropped by Kr 164 million (previous year an increase of Kr 372 million), while long-term liabilities increased by Kr 231 million (74). This increase occurred principally through a bond loan of Kr 100 million at 10¼ % taken by the parent company, and a medium-term loan of US$ 20 million.

During 1978 50 % of the shares in the Craelius Group were sold to the British company Unicorn Industries Ltd. In February 1979 Unicorn exercised its option right to acquire the remaining shares.

To bring about a better ratio of net worth to liabilities, thus facilitating the financing of the company's continued expansion, the Board proposes a bonus issue of 2 069 550 shares, giving the shareholders one new share for every six shares held as well as a cash issue of 2 069 550 shares at the price of Kr 60:– per share, totally Kr 124.2 million, with preferential right for existing shareholders to subscribe for one new share for every six shares held.

By these issues the share capital will be increased from Kr 310.4 million to Kr 413.9 million. The legal reserve will increase from Kr 153.9 million to Kr 226.3 million.

Investments

Investments in the sales companies for the year amounted to Kr 70 million (94) and in the manufacturing companies to Kr 63 million (75).

Investments in marketing facilities

In the relatively tight market situation which prevailed, Atlas Copco chose to work toward continued expansion and development of efficient sales and service resources around the world. Improved administrative systems, more active marketing toward industrial customers and more extensive build-up of the network of resellers are examples of the measures taken. Among the major investments which were made during the year can be mentioned a new regional centre in Sundsvall, Sweden, (Kr 6 million), two new regional facilities in the Netherlands (Kr 6 million), plus the expansion of main facilities in Italy (Kr 6 million) and West Germany (Kr 7 million). In addition, complementary investments were made at the Norwegian main facilities to the amount of Kr 8 million.

In the course of the year a new sales company was formed in Ecuador in collaboration with the previous distributor. Preparations have also been made to form sales companies in Japan and Singapore.

Investments in production facilities

The year's investments in production facilities consisted chiefly of the replacement of old machines and the necessary extension of the machine plant in connection with the introduction of new products.

Atlas Copco Andina's factory in Bolivia was completed during the year. An intensive training program was conducted for the approximately 80 employees in order to facilitate the transition from previous activities on rented premises, which consisted of only assembly.

In Atlas Copco India, as a result of the requirements of Indian authorities, Atlas Copco's portion of shareholding was reduced from 60 % to 40 % through a new issue reserved for the Indian shareholders. The production program has been extended, chiefly in the field of water well drilling equipment. The necessary investments were financed locally.

In Brazil, where Atlas Copco enjoys a considerable share of the rapidly growing market, the import restrictions of recent years and the requirements of Brazilian authorities have led to a decision in favor of increased local manufacturing, principally of screw compressors and pneumatic paving breakers.

An agreement has been reached with the Yugoslav companies Fagram and Univerzal on collaboration in the manufacture of certain compressor types in Yugoslavia. The main reason for this engagement was the desire to confirm Atlas Copco's position on the Yugoslav market for the entire product program of the Group. Negotiations are in progress concerning a further development of the Group's activity in Yugoslavia.

Research and Development

During 1978 approximately 3.5 % of the company's turnover was invested in research and development, which is a comparatively high figure for the branch. The company considers continuing offensive research and development activity an essential means of maintaining its position in the face of stiff global competition. The investments have been concentrated on fewer projects and are expected to give more rapid results due to a clearer connection to market demands. The company's unique direct contact with more than a quarter million customers is of great assistance in this respect.

Atlas Copco has striven for several years to offer complete systems solutions to specific customer problems. This requires an extensive knowledge of the various suboperations of industrial processes and of the interplay among them. A viable solution often requires applications taken from various areas of technology. Power and movement can be generated to good advantage with pneumatics and hydraulics. Steering and control functions can also be handled by pneumatics and hydraulics but to an increasing degree also by modern electronics. The area of electronic control has received increased attention.

Long-range research and development questions have been the objects of special consideration. The parent company's department for R&D planning carries out running studies and technical prognoses in the areas of technology and market needs, which in the longer term can be assumed to be of importance for the future development of the company. This is an important activity, as it enables the company to identify new possibilities in technology and the market, or to meet future risks.

At the research units studies are continuously in progress on "exotic" rock disintegration processes in which for example, ultrasonic technology, laser technology, plasma rays, high pressure water jets, heating or spark treatment are employed to break up the rock material. These studies indicate that the mechanical methods, percussive and rotary, will continue to be the dominant methods in practical rock excavation for a long time in the future.

Personnel

During the last ten years the importance of personnel administration has been increasingly recognized in the Group. At the product divisions in Sweden and Belgium personnel functions have been further developed and have been given greater responsibility. In the autumn the first international conference for personnel managers in Atlas Copco history was organized. Some 20 countries were represented. Differences as well as the common trends in legislation, labor agreements and cultural traditions must be considered to realize the company's ambition to execute progressive personnel policies in all the companies of the Group.

Management training and general administrative training

The further development of Atlas Copco's training program for management personnel at various levels continued during the year.

A training program dealing with product responsibility has been developed and will be introduced outside Sweden in 1979.

Product training

The product divisions have devoted considerable interest to product training, including service training, sales techniques, applications know-how, and product knowledge. New training material has been developed and placed at the disposal of the sales companies.

Customers too have shown increased interest in training. Atlas Copco's ability to offer training can in many cases be an important reason for the customer to choose the company's equipment.

A training project specially adapted to distributors and resellers has been initiated.

International study and contact trips

For the fifth year in a row international study and contact trips were arranged for employees. The Board of Atlas Copco AB had granted Kr 1.25 million for this purpose to the entire Atlas Copco Group. Since 1974, more than 2000 employees have now been given an opportunity to get to know colleagues and their working conditions in other countries.

The Atlas Copco Group

Consolidated balance sheet*

At December 31

Assets

	1978 mill. Kr		1977 mill. Kr	
Current assets				
Cash in hand and at banks	306.0		336.3	
Notes receivable	177.6		145.4	
Accounts receivable from customers	948.3		859.9	
Prepaid expenses and accrued income	34.9		45.8	
Other accounts receivable	196.9		145.4	
Inventories *(note 1)*	2 065.6	**3 729.3**	2 058.8	**3 591.6**
Blocked accounts		**8.5**		**18.7**
Fixed assets				
Shares and bonds *(note 2)*	10.5		5.8	
Other investments	74.3		81.1	
Construction work in progress	21.3		92.0	
Machinery and equipment *(note 3)*	186.8		197.7	
Buildings *(note 4)*	355.6		323.6	
Land *(note 4)*	158.9	**807.4**	100.0	**800.2**
Total assets		**4 545.2**		**4 410.5**

Liabilities and Shareholders' Equity

	1978 mill. Kr		1977 mill. Kr	
Current liabilities				
Notes payable	286.2		264.9	
Suppliers	302.8		325.6	
Bank loans	542.0		581.6	
Provision for taxes	59.6		100.9	
Accrued liabilities and prepaid income	145.4		62.3	
Other current liabilities	279.4	**1 615.4**	444.0	**1 779.3**
Long-term liabilities				
Mortgage and other long-term loans *(note 5)*	512.6		445.6	
Bond and debenture loans	317.8		211.9	
Provision for pensions *(note 6)*	251.6		216.7	
Other long-term liabilities	48.0	**1 130.0**	24.5	**898.7**
Total liabilities		**2 745.4**		**2 678.0**
Untaxed reserves				
General inventory reserves *(note 7)*	265.1		393.6	
Investment reserves *(note 8)*	32.6		28.5	
Working environment reserves *(note 9)*	4.4		11.6	
Special investment reserves *(note 10)*	4.2		6.8	
Reserve for exchange losses	65.0	**371.3**	–	**440.5**
Minority holdings		**48.0**		**37.6**
Shareholders' equity				
Restricted equity				
Share capital	310.4		310.4	
Legal reserves *(note 11)*	237.3		249.6	
Other reserves not available for distribution *(note 12)*	332.2	**879.9**	305.6	**865.6**
Non-restricted equity				
Contingency fund	38.8		38.8	
Surplus *(note 13)*	253.2		186.4	
Profit for the year	208.6	**500.6**	163.6	**388.8**
Total shareholders' equity		**1 380.5**		**1 254.4**
Total liabilities and shareholders' equity		**4 545.2**		**4 410.5**
Pledged assets *(note 14)*		399.3		354.0
Contingent liabilities				
Notes discounted		214.8		204.6
Other contingent liabilities		166.5		129.1

The Atlas Copco Group

Consolidated profit and loss account*

	1978		1977	
		mill. Kr		mill. Kr
Invoiced sales		**4 742.3**		**4 157.2**
Cost of goods sold, technical development, sales, administration etc		**−4 184.2**		**−3 630.3**
Operating profit before depreciation		**558.1**		**526.9**
Depreciation *(note 15)*				
Buildings	20.3		17.3	
Machinery and equipment	69.9	− **90.2**	67.9	− **85.2**
Operating profit after depreciation		**467.9**		**441.7**
Financial charges and other income				
Interest paid	−201.1		−179.0	
Interest income	+ 34.0		+ 35.3	
Dividends received	+ 0.2		+ 0.3	
Share in net result of non-consolidated companies	− 0.5	− **167.4**	− 1.8	− **145.2**
Profit after financial charges and other income		**300.5**		**296.5**
Extraordinary income *(note 16)*		+ **7.6**		−
Profit before appropriations and taxes		**308.1**		**296.5**
Appropriations				
Additional depreciation on fixed assets	− 7.8		− 14.9	
General inventory reserves	+115.4		+ 59.8	
Investment reserves	− 2.0		3.9	
Provision for exchange losses	− 65.0		−	
Utilization of working environment and investment reserves	+ 10.2		+ 18.5	
Depreciation against working environment and investment reserves	− 10.2	+ **40.6**	− 18.5	+ **41.0**
Profit before taxes		**348.7**		**337.5**
Taxes *(note 17)*		− **135.0**		− **166.6**
		213.7		**170.9**
Minority interest		− **5.1**		− **7.3**
Net profit		**208.6**		**163.6**
Net profit mill. US $		**48.7**		**38.2**

*) Separate US $ version available.

Notes to the consolidated accounts

Consolidation policies

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 at least 50 %, plus companies over which the Group in some other way exercises decisive influence.

The balance sheet has been drawn up according to the purchase method, which means that the equity of acquired companies at the time of their acquisition – with the addition of subsequent new issues – has been eliminated against the book value of the shares. Differences due to the depreciation of subsidiaries' shares have been carried against the surplus. Overvalue in the Group which at the end of the year amounted to 10.4 mill. Kr (13.3) has, as in prior years, not been entered under separate heading in the balance sheet but instead been distributed as follows: Buildings 8.1 mill. Kr, machinery and equipment 1.5 mill. Kr and goodwill 0.7 mill. Kr. The last item of 0.7 mill. Kr has reduced the surplus of the Group. This year's depreciation of 2.9 mill. Kr has been charged to the year's profit.

The share capital of founded subsidiaries has been eliminated against the book values of these shares in the parent company. Differences due to bonus issues in subsidiaries have been carried to the Group's legal reserves.

The balance sheets of foreign subsidiaries have been converted to Swedish Kr according to the monetary/non-monetary method. Properties (land and buildings), machinery and equipment, inventories and equity at exchange rates prevailing at the time of acquisition.

For the other items in the balance sheet the year-end exchange rate has been applied.

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

The conversion differences which arise due to the use of different exchange rates have been carried to the profit and loss account.

Note 1 Inventories

Inventories have been valued at the lower of the cost or market value, in general according to the principle of "first in-first out", after depreciation for obsolescence.

Note 2 Shares and bonds (mill. Kr)

	1978	1977
Shares in non-consolidated companies owned by Atlas Copco AB, see page 20	7.0	5.7
Shares held by other Group companies:		
50 % in Atlas Copco Craelius AB	2.3	–
50 % in Atlas Copco Craelius Ltd.	1.1	–
Bonds held by other Group companies	0.1	0.1
	10.5	5.8

Note 3 Machinery and equipment (mill. Kr)

	1978	1977
Cost value	707.3	672.7
Accumulated depreciation	520.5	475.0
Book value	186.8	197.7

Note 4 Buildings and land (mill. Kr)

	Buildings 1978	Buildings 1977	Land 1978	Land 1977
Cost value	546.3	485.1	158.9	100.0
Revaluation in connection with the 1973 bonus issue	20.0	20.0		
Accumulated depreciation	210.7	181.5		
Book value	355.6	323.6	158.9	100.0

Note 5 Mortgage and other long-term loans (mill. Kr)

	1978	1977
Atlas Copco AB	205.4	104.2
Atlas Copco MCT AB	53.3	57.4
Atlas Copco Airpower N.V.	51.6	59.0
Atlas Copco Tools AB	28.7	27.6
Other Group companies	173.6	197.4
	512.6	445.6

Note 6 Provision for pensions

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

Note 7 General inventory reserves (mill. Kr)

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

General inventory reserves 1977-12-31	393.6
Appropriations to inventory reserves	+ 9.8
Appropriations from inventory reserves	– 60.2
Appropriation from inventory reserve to a reserve for exchange losses	– 65.0
Less: General inventory reserve in company sold	– 13.1
General inventory reserves 1978-12-31	265.1

Note 8 Investment reserves

Swedish companies have the option of setting aside 40 % of the profit before appropriations and taxes for investment reserves. Such appropriations presuppose the deposit of 46 % of the appropriated amount on a non-interest-bearing account with Bank of Sweden.

Subject to special permission from government authorities the investment reserve may be utilized for the immediate depreciation of fixed assets. Such permission was obtained in 1978 by Monsun-Tison AB for a sum of 0.4 mill. Kr.

Note 9 Working environment reserves

In accordance with a temporary law from 1974 Swedish companies were obliged 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 on a non-interest-bearing account with Bank of Sweden.

In 1978 Atlas Copco AB, Atlas Copco MCT AB, Atlas Copco Tools AB, Monsun-Tison AB and the Swedish sales company utilized funds from the working environment reserve with a total value of 7.2 mill. Kr.

Note 10 Special investment reserves

In addition to appropriation for the working environment reserve, Swedish companies were obliged to set aside 15 % of their profit before appropriations and taxes to a special investment reserve. The entire sum was deposited on a non-interest-bearing account with Bank of Sweden.

During 1978 2.6 mill. Kr have been utilized by Atlas Copco Tools AB.

Note 11 Legal reserves (mill. Kr)

Legal reserves 1977-12-31	249.6
Transferred from the surplus	+ 6.9
Transferred to the share capital	− 17.2
Less: Legal reserve in company sold	− 3.4
Reclassifications etc, net	+ 1.4
Legal reserves 1978-12-31	237.3

Note 12 Other reserves not available for distribution (mill. Kr)

Other reserves not available for distribution 1977-12-31	305.6
Transferred from the surplus	+ 16.0
Reclassifications etc, net	+ 10.6
Other reserves not available for distribution 1978-12-31	332.2

These reserves consist mainly of profits which have been transferred to the share capital of the subsidiaries.

Note 13 Surplus (mill. Kr)

Surplus 1977-12-31	186.4
Net profit for the year 1977-12-31	+163.6
Dividends to shareholders	− 75.5
Transferred to the restricted equity	− 22.9
Less: Surplus of company sold	− 6.3
Various adjustment, net	+ 7.9
Surplus 1978-12-31	253.2

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

Note 14 Pledged assets (mill. Kr)

	1978	*1977*
Property mortgages	269.6	209.7
Trade mortgages	106.6	94.4
Other pledged assets	23.1	49.9
	399.3	*354.0*

Note 15 Depreciation

Ordinary actuarial depreciation has generally been practised with the highest sum permitted by the tax legislation of each country. This agrees well with the fixed-rate depreciation requirement based on the following depreciation rates: Machinery and equipment 7–10 %, vehicles 20 % and buildings 2–4 %.

Estimated depreciation, based on the replacement values of the fixed assets, amounts for the Group to mill. Kr. 114 (103) and thus exceeds the ordinary depreciations by mill. Kr. 24 (18).

Additional depreciation which is entered among appropriations refers mainly to the subsidiaries in Belgium, where accelerated depreciation on new investments may be practised.

Depreciation has also been made with the utilization of the following reserves (mill. Kr):

	1978	*1977*
Investment reserves *(note 8)*	0.4	0.4
Working environment reserves *(note 9)*	7.2	7.9
Special investment reserves *(note 10)*	2.6	10.2
	10.2	18.5

Note 16 Extraordinary income

	1978	*1977*
Capital gain on the disposal of 50 % of the shares in the Craelius companies	5.9	–
Capital gain on buildings sold	1.7	–
	7.6	–

Note 17 Taxes

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

Source and application of funds

Source of funds

	1978	*1977*
Internal	mill. Kr	
Profit before extraordinary items, appropriations and taxes	300.5	296.5
Depreciation	+ 90.2	+ 85.2
Capital gain on assets sold	+ 7.6	–
Taxes	−135.0	−166.6
Withdrawals from blocked accounts	+ 10.2	+ 17.0
Dividend	− 75.5	− 75.5
	198.0	156.6
External		
Increase in long-term liabilities	+231.3	+ 73.8
Decrease/increase of short-term liabilities	−163.9	+372.4
Decrease in long-term receivables	+ 2.1	+ 2.9
Total funds generated	267.5	605.7

Application of funds

Investments in land, buildings, machinery and equipment	132.7	168.6
Increase in current assets:		
Inventories	6.8	289.1
Short-term receivables	161.2	162.3
Sundry changes, net	− 2.9	+ 2.8
Total funds applied	297.8	622.8
Change in liquid assets	− 30.3	− 17.1

Personnel data

Wages and other personnel costs

	1978		1977	
Sweden				
Product companies	479.8		468.7	
Sales companies	73.0	**552.8**	73.4	**542.1**
Abroad				
Product companies	317.8		276.1	
Sales companies	573.7	**891.5**	452.2	**728.3**
Total		**1 444.3**		**1 270.4**

Note:
Due to modified principles of classification the figures for companies abroad for 1978 and 1977 are not fully comparable.

A more detailed record of average number of employees and remuneration expenses, set up in accordance with the Swedish Companies Act, is included in the Annual Report sent to the National Patent & Registration Office.

Average number of employees[1]

	1978		1977	
Sweden				
Product companies	4 920		5 022	
Sales companies	701	**5 621**	748	**5 770**
Abroad				
Product companies	3 390		3 771	
Sales companies	8 653	**12 043**	8 491	**12 262**
Total		**17 664**		**18 032**

[1] Average number of employees in Sweden has been calculated according to the principles for the reporting to the National Social Insurance Board.

For the fifth year in a row study and contact trips were arranged among the companies in the Group. The picture shows 74 visitors from Belgium making the acquaintance of Sweden and their Swedish colleagues during a four day trip.

Atlas Copco AB
Directors' report to the shareholders

Profit and loss account of the parent company

The invoiced sales of the parent company amounted to Kr 459.6 million (349.8), or US$ 107 million. This invoicing, which is handled by the sales division for distributors and state foreign trade countries, refers to markets where the Group is not represented by its own sales companies. Large deliveries were made to Algeria, Yugoslavia, Nigeria, Saudi Arabia and the Soviet Union.

Under the heading commissions etc from subsidiaries are reported the factoring fees which the parent company receives from Atlas Copco MCT AB and Atlas Copco Tools AB by assuming these companies' accounts receivable from the Group's sales companies.

In other liabilities and revenues are included unrealized exchange losses of Kr 30 million (16) referring to loans taken in foreign currencies. In contrast to previous years, all exchange profits and losses which occurred during the year have been charged to the profit for the year. In order to eliminate the unrealized exchange losses of previous years on these loans, Kr 65 million were allocated to a reserve for exchange losses. All unrealized exchange losses up to the accounting date have thereby been covered.

Financial costs and revenues show a net deficit of Kr 53.6 million (50.3), due chiefly to increased interest costs as a result of raised conversion rates for foreign loans.

After a dissolvement of the inventory reserve of Kr 11.6 million (24.0) and the above-mentioned allocation to the reserve for exchange losses, which was made possible by an intra group transfer from Atlas Copco MCT AB, a profit before taxes of Kr 101.7 million is reported. After deductions for taxes, calculated at Kr 1.0 million (2.0), a net profit of Kr 100.7 million (96.7) is reported.

Balance sheet of the parent company

Share-holding in subsidiaries increased from Kr 410 million to Kr 427 million in part due to new issues in the subsidiaries in Germany and France.

In order to reduce interest costs, the 8 % loan of Swiss Fr 50 million of 1975, was converted to a new loan at 2 3/8 %. This loan will be due for payment in 1980.

In the course of the year Kr 5.9 million from the working environment reserve were transferred to Atlas Copco MCT AB, Atlas Copco Tools AB and Monsun-Tison AB. From the special investment reserve Kr 2.0 million were transferred to Atlas Copco Tools AB.

The number of employees at the parent company during the year averaged 356 as compared to 343 the previous year, all in Nacka.

The parent company's expenses for salaries and other remuneration were as follows:

	1978	1977
	mill. Kr	
Directors and Senior Management whereof bonus 1.1 (1.1)	3.4	3.1
Others	36.0	29.0
	39.4	32.1

Salary and other remuneration expenses for the Atlas Copco Group were:

	1978	1977
	mill. Kr	
Directors and Senior Management	23.3	26.6
Others	1 016.0	897.9
	1 039.3	924.5

Information on the average number of employees and a specification of salaries, wages and personnel costs is given on page 14.

The company's purchases from subsidiaries amounted to 95 % of the total purchase value. The company's total invoicing refers exclusively to external customers.

Bonus and cash issues

To bring about a better ratio of net worth to liabilities, thus facilitating the financing of the company's continued expansion, the Board proposes a bonus issue of 2 069 550 shares, giving the shareholders one new share for every six shares held as well as a cash issue of 2 069 550 shares at the price of Kr 60:– per share, totally Kr 124 173 000, with preferential right for existing shareholders to subscribe for one new share for every six shares held. By these issues the share capital will be increased from Kr 310 432 500 to Kr 413 910 000. The legal reserve will increase by Kr 72 434 250 to Kr 226 323 000. It is proposed that the shares to be issued for cash should be entitled to dividends as from the financial year 1979. It is also proposed that the bonus issue be made by revaluation of the company's shareholdings in subsidiaries by Kr 51 738 750.

Appropriation of profit

Further information on the company's accounts and activity is given in the accompanying balance sheet and profit and loss account. At the disposal of the annual general meeting are:

unappropriated earnings from the previous year	Kr	60 833 517
net profit for the year	Kr	100 710 468*
	Kronor	161 543 985

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

in paying shareholders a dividend of Kr 6 per share on both present shares and on the proposed bonus issue, which means Kr 7 per present share	Kr	86 921 100
leaving a balance to be carried forward of	Kr	74 622 885
	Kronor	161 543 985

* Net profit for the year mill. US$ 23.5.

Atlas Copco AB

Balance sheet

At December 31

Assets	1978 mill. Kr		1977 mill. Kr	
Current assets				
Cash in hand and banks	127.8		198.1	
Notes receivable	83.0		18.7	
Accounts receivable from subsidiaries	372.0		280.0	
Accounts receivable from customers	165.9		159.9	
Prepaid expense and accrued income	9.0		12.6	
Tax claim	–		4.6	
Other accounts receivable	23.6		13.2	
Inventories	44.0	**825.3**	31.7	**718.8**
Blocked accounts with Bank of Sweden				
Working environment reserve	2.4		8.2	
Special investment reserve	2.0	**4.4**	4.0	**12.2**
Fixed assets				
Shares in subsidiaries *(see page 20)*	427.1		409.6	
Shares in other companies *(see page 20)*	7.0		5.7	
Notes receivable	9.4		10.5	
Long-term receivables from subsidiaries	59.6		24.5	
Other long-term receivables	54.4		61.9	
Construction work in progress	0.5		6.5	
Machinery and equipment *(note 18)*	7.1		5.1	
Buildings *(note 18)*	59.6		53.1	
Land *(note 18)*	23.9	**648.6**	23.5	**600.4**
Total assets		**1 478.3**		**1 331.4**

Liabilities and Shareholders' Equity

	1978		1977	
		mill. Kr		mill. Kr
Current liabilities				
Liabilities to subsidiaries	110.4		150.3	
Suppliers	7.0		5.0	
Provision for taxes	0.7		–	
Accrued liabilities and prepaid income	20.1		18.8	
Other current liabilities *(note 19)*	31.9	**170.1**	145.8	**319.9**
Long-term liabilities				
Debenture loans *(note 20)*	10.3		13.3	
Bond loans *(note 20)*	307.5		198.6	
Mortgage and promissory notes *(note 20)*	205.4		104.2	
Provision for pensions, PRI	66.7		51.9	
Provision for pensions, other	10.6	**600.5**	7.5	**375.5**
Total liabilities		**770.6**		**695.4**
Untaxed reserves				
General inventory reserve	–		11.6	
Working environment reserve	2.4		8.3	
Special investment reserve	2.0		4.0	
Reserve for exchange losses	65.0	**69.4**	–	**23.9**
Shareholders' equity				
Restricted equity				
Share capital (12 417 300 shares, nom. value Kr 25) *(note 21)*	310.4		310.4	
Legal reserve	153.9	**464.3**	153.9	**464.3**
Non-restricted equity				
Contingency fund	12.5		12.5	
Unappropriated earnings *(note 22)*	60.8		38.6	
Profit for the year	100.7	**174.0**	96.7	**147.8**
Total shareholders' equity		**638.3**		**612.1**
Total liabilities and shareholders' equity		**1 478.3**		**1 331.4**
Pledged assets				
Mortgaged properties		34.8		34.9
Trade mortgages		48.3		48.3
Contingent liabilities *(note 23)*				
Notes discounted		1.9		17.0
Guarantees and other contingent liabilities, of which 479.8 (404.7) on behalf of subsidiaries		516.5		433.6
Capital value of pension obligation		17.5		10.5

Atlas Copco AB

Profit and loss account

	1978 mill. Kr		1977 mill. Kr	
Operating revenue				
Invoiced sales	459.6		349.8	
Commissions etc from subsidiaries	131.8		111.0	
Interest received from subsidiaries	16.0		20.3	
Interest paid to subsidiaries	– 5.2		3.2	
Dividends received from subsidiaries	82.7		72.5	
Other costs and revenue	– 52.6	**632.3**	– 21.9	**528.5**
Operating costs				
Cost of goods sold, technical development, sales, administration etc		**–499.2**		**–399.6**
Operating profit before depreciation		**133.1**		**128.9**
Depreciation				
Buildings	2.0		1.7	
Machinery and equipment	2.9	**– 4.9**	2.2	**– 3.9**
Operating profit after depreciation		**128.2**		**125.0**
Financial charges and other income				
Interest expense (excl. subsidiaries)	– 71.0		– 69.4	
Interest income (excl. subsidiaries)	+ 17.7		+ 20.6	
Dividends received (excl. subsidiaries)	+ 0.2		+ 0.3	
Share in net result of non-consolidated companies	– 0.5	**– 53.6**	– 1.8	**– 50.3**
Profit before appropriations and taxes		**74.6**		**74.7**
Appropriations				
General inventory reserve	+ 11.6		+ 24.0	
Utilization of working environment and special investment reserves	+ 0.1		+ 11.0	
Depreciation against working environment and special investment reserves	– 0.1		– 11.0	
Intra group transfer	+ 80.5		–	
Provision for exchange losses	– 65.0	+ 27.1	–	**+ 24.0**
Profit before taxes		**101.7**		**98.7**
Taxes		**– 1.0**		**– 2.0**
Net profit		**100.7**		**96.7**
Net profit mill US $		**23.5**		**22.6**

Atlas Copco AB

Notes to the accounts of the parent company

Note 18 Machinery and equipment, buildings, land (mill. Kr)

	Machinery and equipment 1978	1977
Cost value	36.2	31.3
Accumulated depreciation	29.1	26.2
Book value	7.1	5.1
Fire insurance value	46.3	45.1

	Buildings 1978	1977	*Land* 1978	1977
Cost value	78.0	69.7	24.8	24.3
Revaluation in connection with the bonus issue 1973	20.0	20.0	–	–
Accumulated depreciation	38.4	36.6	0.9	0.8
Book value	59.6	53.1	23.9	23.5
Assessment value	63.4	55.7	49.8	48.4
Fire insurance value	250.4	211.6		

Note 19 Other current liabilities (mill. Kr)

	1978	1977
Current portion of long-term debt	15.1	128.4
Employees' withheld taxes	3.0	3.7
Other current liabilities	13.8	13.7
	31.9	145.8

Note 20 Long-term liabilities

The exchange differences for 1978 referring to long-term loans in foreign currencies have in their full amount been charged to this year's profit. The net effect of these differences, mainly consisting of gains on US$-loans and losses on Swiss Fr-loans, was 30.2 mill. Kr.

In order to meet balanced exchange losses of earlier years, funds amounting to 65 mill. Kr have been allocated to a reserve for exchange losses.

Debenture loan (mill. Kr)	1978	1977
7 1/2 % of 1967	10.3	13.3

Bond loans (mill. Kr)	1978	1977
4 3/4 % of 1963	4.2	5.1
10 1/4 % of 1978	93.3	–
9 1/2 % US$ 20 mill. of 1970	47.1	55.4
7 3/4 % Swiss Fr. 80 mill. of 1976	162.9	138.1
	307.5	198.6

Mortgage and promissory notes (mill. Kr)	1978	1977
US$ 20 mill. multicurrency loan	85.7	–
2 3/8 % Swiss Fr. 50 mill.	107.6	92.1
Other Swedish promissory notes	11.8	11.8
Mortgages	0.3	0.3
	205.4	104.2

Loan instalments for 1979 are entered under other current liabilities.

Note 21 Share capital

The share capital after the new issue of 1976 is distributed among 12 417 300 shares, each with a nominal value of Kr 25. All shares issued are free. The number of shareholders totals about 43 300. The share capital has been raised since 1965 by means of bonus issues and new issues as follows:

				Increase of the share capital (mill. Kr)	*Total amount paid (mill. Kr)*
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

Note 22 Unappropriated earnings (mill. Kr)

Unappropriated earnings 1977-12-31	38.6
Net profit 1977	96.7
Dividend decided by the annual general meeting 1978	– 74.5
Unappropriated earnings 1978-12-31	60.8

Note 23 Contingent liabilities

In addition to the stated contingent liabilities Atlas Copco participates as partner in The Swedish Lamco Syndicate, Gränges AB & Co. in guarantees issued by the Syndicate for US$ 34.8 million. By the terms of the agreement Atlas Copco AB's share is US$ 9.8 million.

Information concerning financial loans and contingent liabilities for share-holders etc. (according to the Swedish Companies Act)

Loans amounting to 26 thousand Kr (39) have been advanced for Managing directors. These loans predate the entry into force of the law restricting the right of companies to advance loans and assume contingent liabilities for shareholders etc.

Source and application of funds

Source of funds

	1978	1977
Internal	mill. Kr	
Profit before appropriations and taxes	74.6	74.7
Depreciation	+ 4.9	+ 3.9
Withdrawals from blocked account	+ 0.1	+ 11.1
Taxes	– 1.0	– 2.0
Dividend	– 74.5	– 74.5
	4.1	13.2
External		
Increase/decrease in long-term receivables	+225.0	– 62.3
Decrease/increase in current liabilities	– 69.3	+ 19.8
Total funds generated	159.8	– 29.3

Application of funds

	1978	1977
Increase in long-term receivables	45.4	57.4
Investment in land, buildings, machinery & equipment	7.8	14.7
Change in current assets:		
Inventories	12.3	3.4
Short-term receivables	+164.6	– 40.9
Total funds applied	230.1	34.6
Change in liquid assets	– 70.3	– 63.9

Shares and participating rights

At December 31, 1978

	Number of shares/ part. rts	Holding %	Par value local currency	Book value mill. Kr
Product companies				
Atlas Copco MCT AB	300 000	100	100	30.0
Atlas Copco Tools AB	100 000	100	100	10.0
Atlas Copco ABEM AB	15 000	100	100	1.5
Berema AB	10 000	100	1 000	29.2
Monsun-Tison AB	140 000	100	100	32.9
Terratest AB	40 000	100	100	–
Atlas Copco Airpower N.V., Belgium	59 500	99	[1]	60.0
Atlas Copco Andina S.A., Bolivia	9 713	50[2]	1 000	1.9
Copco Nueva Montaña S.A., Spain	29 999	50	1 000	–
Terratest S.A., Madrid	75 000	100	1 000	–
Sales companies				
Atlas Copco Svenska Försäljnings AB	200 000	100	100	15.0
Atlas Copco Belgium S.A.	99 998	100	1 000	5.0
Atlas Copco (Cyprus) Ltd.	99 998	100	1	0.7
Atlas Copco A/S, Copenhagen	11 997	100	1 000	6.9
Atlas Copco France S.A.	79 960	100	500	35.2
Atlas Copco Nederland b.v.	10 000	100	10 000	12.3
Atlas Copco Italia S.p.A.	539 998	100	10 000	28.2
Atlas Copco A/S, Oslo	3 998	100	10 000	14.2
Atlas Copco (Schweiz) A.G.	7 975	100	1 000	12.2
Atlas Copco S.A.E., Madrid	197 000	99[2]	500	3.6
Atlas Copco Deutschland G.m.b.H.	7	95	[1]	29.4
Atlas Copco G.m.b.H., Vienna	29 990	100	1 000	5.0
Atlas Copco Inc., Wayne	1 925	100	[1]	47.0
Atlas Copco (Philippines) Inc.	69 995	100	100	2.0
Atlas Copco Paulista Ltda., São Paulo	423 499 940	100	[1]	8.5
Atlas Copco Venezuela S.A.	60	60	1 000	0.1
Atlas Copco Boliviana S.A.	2 400	60	1 000	0.5
Atlas Copco Ecuatoriana S.A., Quito	3 000	60	1 000	0.6
Atlas Copco Iran AB, Stockholm	50	100	100	–
Atlas Copco Hellas A.E., Athens	6 400	97[2]	10 000	–
Soc. Atlas Copco de Portugal Lda.	1	100	[1]	–
Atlas Copco Maroc S.A.	940	50	1 500	–
Atlas Copco Ticaret ve Sanayi T.A.S., Istanbul	1 140	100	500	–
Atlas Copco (India) Ltd.	964 000	40	10	–
Atlas Copco Argentina S.A.C.I.	50 000 000	100	1	–

	Number of shares/ part. rts	Holding %	Par value local currency	Book value mill. Kr
Atlas Copco Chilena S.A.C.	1 335 710 671	100	0.001	–
Atlas Copco Colombiana Ltda.	190	100	100	–
Terratest S.A. de Servicios, Buenos Aires	22 800	100	10	–
Craelius Terratest Peruana S.A.	528	100	10 000	–
Atlas Copco Kenya Ltd., Nairobi	14 999	100	100	–
Other subsidiaries				
Atlas Copco UK Holdings Ltd.	3 623 664	100	1	32.6
Institut CERAC S.A., Ecublens	1 995	100	1 000	2.4
Atlas Copco Industrial S.A., Spain	95	50[2]	10 000	–
AB Sicklahus	2 000	100	100	0.2
Atlas Copco Data AB	125	25[2]	100	–
Sicklaverken AB	50	100	100	–
AB Atlas Diesel	500	100	100	–
AB Elektrisk Malmletning	500	100	100	–
AB Tryckluftverktyg	500	100	100	–
AB Avos	50	100	100	–
AB Eccoverken	50	100	100	–
				427.1
Other companies				
Atlas Copco Finans AB	12 000	40	100	1.0
The Swedish Lamco Syndicate Gränges AB & Co.	9/28 of the capital	32	–	0.7
The Liberian American-Swedish Minerals Co., preference shares series A	2 722.5		100	1.5
Handelsbolaget Svenska Dagbladets AB & Co	100	2	1 000	0.1
Svensk Interkontinental Lufttrafik AB	16 920	2	100	0.7
AB Stadsfastigheter	6	0	1 000	–
AB SUKAB	40	0	100	–
Cockerill-Ougree-Providence et Espérance-Longdoz, Liège	1 420	0	[1]	0.2
ADELA Investment Co. S.A., Luxemburg	1 820	0	100	0.9
SIFIDA Investment Co. S.A., Luxemburg	25	1	5 000	0.6
Casa de Suecia S.A., Madrid	90	0	5 000	0.1
Employment Conditions Abroad Ltd.	100	2	1	–
Näringslivets Utbildnings AB	170	8	1 000	0.2
Bilspedition AB	8 000	1	100	1.0
				7.0

[1] = no par value

[2] Remaining part is owned by other companies within the Group

Atlas Copco AB

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 1978. 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.

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 1978.

Parent Company

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

Group

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

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

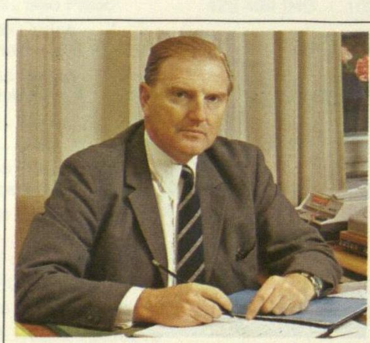
Stockholm, March 16, 1979.

BIRGER SONESSON
Authorized Public Accountant

BERTIL E OLSSON
Authorized Public Accountant

Participation in the exhibition held in conjunction with the American Mining Congress in Las Vegas was Atlas Copco MCT's incomparably largest single marketing effort during the year. The objective was to demonstrate Atlas Copco's leadership in hydraulic rock drilling.

Atlas Copco MCT AB



Jan Holdo, Managing Director of Atlas Copco MCT AB.

Atlas Copco MCT's sales results at the customer level in 1978 reveal maintained or somewhat increased market shares. Invoicing at this level increased by 12 % and orders received by 14 %. Business transactions had to be made at forced prices. The two devaluations of the Krona were helpful in this respect, especially during the first half of the year. The greatest sales gains were in Brazil, Italy, China, Mexico and the Soviet Union.

The anticipated improvement of the international mining business did not materialize, with the exception of uranium, gold, coal and diamonds. The metal mining industry in general worked with only a 60 % capacity utilization. In certain countries civil engineering work was not initiated on the scale which would have been desirable because of acute balance of payment difficulties and fear of stimulating inflation. However, several large international projects were initiated and Atlas Copco successfully defended its position in these projects.

Among the most successful products were light rock drills, where special reseller activities in many countries, plus successful sales on the South American mining markets, gave positive results. The volume increase of 13 %, however, was reached at the cost of lower profit margins. Pneumatic paving breakers and pumps also registered an increased sales volume of 12 and 5 % respectively as a result of intensified marketing activities combined with attractive new products. Of the heavy equipment Hägglund's loading and transport program noted excellent orders for both mining and civil engineering work. Rotamec drill rigs for water well, prospecting and production drilling doubled their figure for new orders.

The greatest marketing effort during the year was the exhibition held in conjunction with the American Mining Congress in Las Vegas, directed primarily toward the North American market. Among the products presented there were two new hydraulic rock drills mounted on four new drill rigs. Atlas Copco's wide product program in hydraulic rock drilling, which has today hardly any equivalent among competitors, attracted a great deal of attention. This advanced hydraulic equipment has gained impressive market shares for Atlas Copco in the USA and Canada despite the traditionally strong position that American companies have in this area.

Product development

In 1978 development work was completed on two new hydraulic rock drills which were introduced at Las Vegas. As a result of this development Atlas Copco now markets a complete series of hydraulic drills for both underground and surface drilling. New drill rigs, Boomer H 115 and Boomer H 125, have been developed in parallel with the development of the rock drills, making it possible for a customer to fully benefit from the high drilling capacity of the hydraulic rock drills.

In order to meet demands for higher penetration rates in water well drilling and similar operations, a series of down-the-hole drills for both normal and high pressures has been developed. The first types in this series will be introduced during 1979.

The drill rig program for rotary and down-the-hole drilling was expanded through the introduction of high pressure versions offering increased drilling capacities in deep holes.

A new generation of compressed air powered sump pumps including both centrifugal and membrane types, was developed, as well as a new pneumatic paving breaker with advanced vibration and noise dampening. These new products are expected to further reinforce the favorable development of sales in the contracting sector.

Production

Plant capacity utilization averaged 70 % in 1978. This unsatisfactory figure is mainly attributed to the lower production load during the first half of the year, due to inventory reduction. Towards the end of the year production personnel was in balance with capacity utilization.

Capital tied up in inventories was reduced by Kr 45 million, approximately the same as previous year.

In the fourth quarter an organizational change was carried out whereby the Avos Works and the Eyra Works in Örebro, Sweden, were combined into one unit with common administration. Discussions aimed at further improving utilization of the Örebro resources are under way with the personnel organizations concerned.

At the beginning of 1978 an agreement was reached with the British company Unicorn Industries Ltd on the sale of 50 % of the shares of Atlas Copco Craelius AB. The agreement included an option for Unicorn to acquire the remaining shares in Craelius. This option was exercised in February

Pneumatic paving breaker TEX 25E is one of the new products which are expected to reinforce the favorable development of sales to the contracting sector. The breaker features significant reductions of vibration and noise.

1979. Craelius figures have not been included in the report for 1978.

Personnel

Atlas Copco MCT employed an average of about 2 988 persons (3 313) during the year. Personnel turn-over was low.

During the first half of the year a production cut was carried out in Sweden, totalling 12 days. In all about 500 workers were affected. The salaried employees who were affected were offered the option of a leave.

Eighteen trainees graduated from the three-year vocational training program of the Atlas Copco industrial school.

At the Avos Works in Örebro the work force was reduced to match the lower production volume.

At the Hemel Hempstead Works in England the work force was reduced by voluntary resignation. The Bremen Works in West Germany operated at generally full capacity during the year.

Results

Orders received of Atlas Copco MCT which come mainly from the sales companies, amounted to Kr 987 million (1 068) and invoiced sales to Kr 983 million (992).

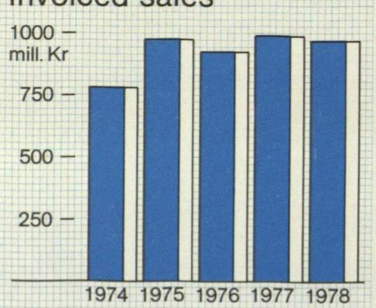
Results of the MCT Group before extraordinary items, appropriations and taxes amounted to Kr 4.9 million (6.1), which represents a slight decrease compared with 1977. The Swedish units of the MCT Group show approximately the same results as in 1977.

Difficulties at the Swedish units are mainly due to low capacity utilization. Price increases and staff reduction have not been able to fully compensate for the cost increases.

A capital gain was realized through the sale of half the stock of shares in the previously owned subsidiary Atlas Copco Craelius AB.

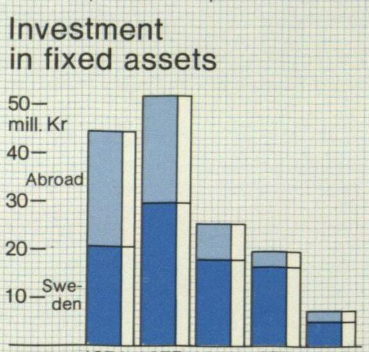
Investments in buildings amounted to Kr 0.4 million (3.8) and in machinery and equipment Kr 7.2 million (15.8). Kr 4.4 million (4.0) of the investments were financed from the working environment reserve.

Invoiced sales[1)]



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

Investment in fixed assets



From the MCT Group accounts

	1978	1977
Balance sheet	mill. Kr	mill. Kr
Current assets¹)	109.8	131.4
Inventories	345.9	423.9
Fixed assets	81.4	101.6
	537.1	656.9
Current liabilities	217.6	237.4
Long-term liabilities	133.3	128.0
Untaxed reserves	87.0	194.3
Shareholders' equity	99.2	97.2
	537.1	656.9
Profit and loss account		
Invoiced sales	982.6	991.6
Operating profit	31.5	37.1
Depreciation	21.9	20.4
Financial items, net	– 4.7	– 10.6
Profit before extraordinary items and taxes	4.9	6.1
Average number of employees	2 988	3 313
Investment in fixed assets	7.6	19.6

¹) Mainly receivables on the Parent Company

Atlas Copco Airpower N.V.

Iwan Åkerman, Managing Director of Atlas Copco Airpower N.V.

The economic climate improved somewhat in industrialized countries in 1978 and led to increased investments in several industrial branches which are of interest to Atlas Copco Airpower, among them manufacturing, chemical and food industries. Exceptions were the steel, ship-building and textile industries.

Invoicing at the customer level increased by 18 % and orders received increased by 21 %.

The improved investment trend and a concentration of Atlas Copco's sales efforts on industry resulted in a sharply increased volume of sales for stationary compressors and ancillary equipment.

The construction and civil engineering sector had problems with inflation and unemployment in many important European markets. Good sales were registered in Great Britain. A favor-

A super-silenced XASS compressor helps to reveal a bit of the Middle Ages at the old parliament building in Stockholm. The advantages of compressed air have long been exploited in archaeological excavations, in breaking, hacking and blowing.

A ZR8 – the largest in the Z series – installed at Alfa Romeo in Naples. The compressor is the heart of an advanced electronic testing station for aircraft engines.

able sales development in the USA and the Middle East also contributed to a somewhat increased volume of sales to this sector compared to the previous year.

Price competition was keen, not least because the U.S. based competitors could benefit from the low exchange rate of the U.S. dollar. The generally improved sales volume and increased market shares made it possible for Atlas Copco to meet the situation with adequate price adjustments.

Increased deliveries of both stationary and portable compressors to the USA are the result of efforts to confirm Atlas Copco's position in this important market.

Stationary compressors

The trend towards increased automation in several industries entails ever greater demands on the quality of compressed air. Pneumatic control systems and instrumentation, for example, require compressed air that is dry and free from oil and other impurities. The same high demands characterize process industries such as the pharmaceutical and food industries. Atlas Copco is in the forefront in the sphere of quality air, with an extensive program of oil-free compressors and air treatment equipment. Sales development for medium and large oil-free compressors was favorable, notably deliveries to nuclear power plants in several countries. Demand was also good from process and manufacturing industries around the world. Large oil-free stationary compressors were delivered for example to automobile manufacturers in Europe and the USA and to glass and steel works in Latin America.

The air treatment program was expanded during the year by a new series of refrigeration dryers, the "20 series". Sales to date point towards increased market shares for this product type.

The development of sales in industrialized countries for oil-injected screw compressors continues to be positive, but competition in this market sector is keen. Yet Atlas Copco could maintain and even somewhat increase its market share for medium-sized screw and piston compressors.

The introduction some years ago of Atlas Copco's Airlet series has confirmed the company's position as the manufacturer of the world's most advanced small compressors. Sales volume increased considerably in most markets in spite of low overall demand.

Portable compressors

The success of and demand for portable compressors of the screw type, led to a decision to give priority to the production of such units and to reduce the manufacture of the corresponding piston compressors. The trend since then has made it obvious that the investment in the X series of portable screw compressors with its various silencing alternatives was right.

The extensive program of medium-sized and large portable screw compressors was remarkably successful even in otherwise strong markets such as Great Britain, the USA and the Middle East.

A new high pressure compressor in this product group was introduced during the year, offering new sales possibilities in water well drilling among other sectors. Due to the quality, performance and not least service measures, the sales of this new compressor have been especially successful to rental firms in Great Britain. It has also been sold for such varied areas of application as the construction of power plants in Nepal and the Philippines, the building of an airport in Jeddah, Saudi Arabia, and a large number of projects in the extensive highway construction programs in the countries of the Middle East.

Environmental equipment

Among installations for the conservation and improvement of the environment which were made in the course of the year can be mentioned a bubble barrier against oil spills in the oil port of Rasta outside Stockholm. A similar installation was made at the inlet to a dock area on the Rhine in Germany. A number of installations to prevent ice formation were made in Sweden. At nuclear power plants in Germany and Sweden bubble barriers were tested to protect cooling water against sludge.

A water restoration unit of the Limno type was installed at a Swedish iron ore plant to purify process water, and tests are under way to oxygenate drinking water in Germany.

Product development

Special attention was given to reliability and safety questions within the existing product program.

The series of oil-injected stationary screw compressors was expanded by a two-stage high pressure version. A new series of brake compressors has given promising results.

In the sector of medium-sized portable compressors a large oil-injected screw compressor in a high pressure version is now ready for production.

Extensive support was given to the various local manufacturing units in the development of their production resources.

The trend toward custom-built compressors is becoming stronger, because of the specific requests of large international consulting companies engaged in various large projects.

A workshop was set up to supply the design department with parts and prototypes for the environmental sector.

Close collaboration was maintained with Atlas Copco MCT on drill rigs in the Rotamec series. These rigs drill very deep and place great demands on the compressor as concerns pressure and capacity.

Production

New machines were acquired for the expanded production of portable screw compressors which will begin in 1979. Other machine investments were concentrated on replacements.

During the year the manufacture of a new series of stationary high pressure compressors of the screw type was begun, plus high pressure versions of the larger portable screw compressors.

The Swedish manufacturing unit at Åmål increased its production of small compressors.

The cornerstone of a new compressor factory was laid in Yugoslavia as a result of the joint venture agreement between Atlas Copco and the Yugoslav companies Fagram and Univerzal, the latter Atlas Copco's representative since many years.

The new factory will mainly deliver to the local market.

Personnel

Atlas Copco Airpower and its subsidiaries employed an average of 2 348 (2 370) persons during the year. Personnel turnover was low. Openings were filled as a rule by internal promotion or transfer.

Training activities included both the production and marketing sectors. In addition the company's extensive course program in internal relations was continued and expanded.

Results

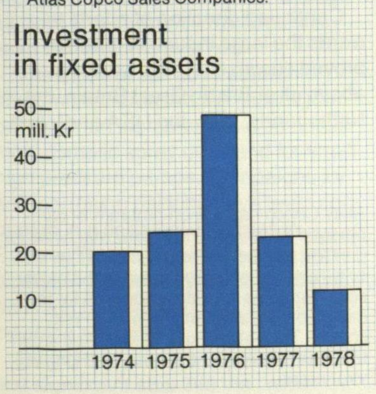
Atlas Copco Airpower's orders received, chiefly from the sales companies, amounted in 1978 to Kr 1 172 million, (925). Invoiced sales amounted to Kr 1 117 million (931). Profit before appropriations and taxes was Kr 95 million (105).

1978 was marked by continued keen competition, especially in those areas where Airpower's competitors have manufacturing in countries with weaker currencies.

In addition the mutilized production capacity in the compressed air industry contributed to reduced profit margins.

Investments in buildings, machinery and equipment amounted to Kr 12 million (23).

[1] Mainly invoicing to Atlas Copco Sales Companies.



From the Airpower Group accounts

	1978	1977
Balance sheet	mill. Kr	mill. Kr
Current assets[1]	350.6	378.1
Inventories	323.3	329.0
Fixed assets	83.4	98.7
	757.3	805.8
Current liabilities	392.1	447.5
Long-term liabilities	59.9	62.6
Untaxed reserves	1.7	1.7
Shareholders' equity	303.6	294.0
	757.3	805.8
Profit and loss account		
Invoiced sales	1 117.1	930.7
Operating profit	138.6	146.2
Depreciation	18.4	20.9
Financial items, net	– 24.8	– 20.1
Profit before appropriations and taxes	95.4	105.2
Average number of employees	2 348	2 370
Investment in fixed assets	11.6	22.9

[1] Mainly receivables on the Atlas Copco Sales Companies

Atlas Copco Tools AB

Göran Lundborg, Managing Director of Atlas Copco Tools AB

The economic climate for manufacturing industry improved somewhat in 1978 and production increased above all in Western Europe. Positive trends in the automotive industry also stimulated other industrial activitity.

For Atlas Copco Tools this market situation, combined with increased sales activity, led to a 14 % increase in invoicing at the customer level and 19 % increase in orders received.

In most countries and branches there was, however, no general willingness to invest even if a positive trend can be recognized.

Continued direction of efforts towards the large industrial markets proved successful. This was true above all of Brazil, Great Britain, the Netherlands, Italy, the USA and West

Atlas Copco has a wide program of compressed air powered industrial machines for grinding, drilling, chiselling, assembly, material handling etc. Ergonomical and safety considerations provide guidelines for the design of modern compressed air machines. The yellow color also makes a contribution to safety and a better working environment.

Germany. As for the USA, sales increased very appreciably following a concentration of sales and technical resources to Detroit.

During the latter part of the year the Swedish market also displayed a certain improvement.

In some planned-economy markets numerous significant business transactions were made.

The long-term concentration on the international automotive industry continued and gave promising results in *both Europe and the USA*. Impressive orders for advanced assembly systems from a series of prominent automobile manufacturers such as Ford deserve to be mentioned.

Machines and systems in the area of assembly technology, machining and surface treatment were among the most successful. The market for percussive tools has stagnated or developed slowly in most countries. Increased demands for better working environment and for product responsibility in a growing number of countries have greatly improved Atlas Copco's competitive strength.

The success in advanced assembly systems continued during the year. The development in both the product program and the markets gives good hopes for the future. The systems have been developed wholly by Atlas Copco and can easily be incorporated into various types of production. The industrial branch which has predominated thus far is the automotive industry which is facing heightened demands for assembly quality.

In the surface treatment sector as well, significant advances have been registered in the automotive industry, for both anti-corrosion systems and paint circulation equipment.

The sales of surface treatment equipment increased significantly. In particular an increase could be noted for automatic spray guns and for small high pressure pumps. Campaigns for anti-corrosion painting have been conducted in a series of countries in Europe. They have resulted in a considerable increase in the sales of zinc and high pressure pumps, and of blast cleaning equipment.

During the year the company took a first significant step into the "robot era". With a view to expanding the product program an agreement was reached with Retab, a development company in the Bonnier Group. The agreement gives Atlas Copco exclusive international sales rights for Coat-A-Matic surface treatment robots.

New products oriented towards improving the working environment, such as grinders with spot dust evacuation, noise and vibration-damped screwdrivers etc., attracted great interest.

Efforts directed towards distributors and other alternative marketing channels have yielded good results in sales on established markets and introductions in other countries. Several products in the Atlas Copco Tools program are well suited for sales through resellers.

The department for marketing of pneumatic fittings and accessories was further strengthened, thus marking the importance of this product group. Unlike the majority of its competitors Atlas Copco can offer an almost complete assortment of fittings for various types of compressed air applications and systems.

Despite keen competition, market shares could be increased on many important markets and in many market segments. This competition comes above all from American companies.

The central development and marketing responsibility for pneumatic components was transferred September 1 to the Atlas Copco company Monsun-Tison.

Great importance was attached during the year to achieving a correct composition of inventories at production facilities and at the sales companies. This has resulted in better utilization of capital and sharp reduction in slow-moving items.

The specific features of multiple nutrunners are now utilized by practically the whole world's automobile manufacturers. Not simply because demands for precision are increasing; important savings in time can also be made in production.

Product development

Atlas Copco has successfully worked with the development of ergonomically correct and environment-oriented tools. As one phase of this development, work began during the year on a comprehensive renewal of small grinders.

A new series of air motors intended for incorporation in mechanized equipment was introduced. The motor units, which are rated at 1.5, 2.5 and 3.5 kW, complete the earlier LZB series. They are expected to satisfy a growing demand, above all from OEM customers.

A new type of nutrunner motor for multiple spindle units was developed. The motors, which are constructed on the module system have a very wide range of applications from the simplest to the most sophisticated assembly operations.

In this connection a micro-computer controlled electronic unit was developed. It is based on a small number of standardized modules with which it is possible to meet all current requirements for controlling and monitoring assembly processes.

Production

As a consequence of the need to improve the company's liquidity through reductions in inventories, capacity utilization at the production units remained low in 1978.

The manufacturing program was sharply curtailed at the beginning of the year in order to adapt inventories to the current sales level.

This entailed surplus manpower for a number of months. All personnel could be given meaningful employment through an extensive training program.

The measures taken to reduce inventories made it possible to increase the manufacturing program again early in the autumn.

Personnel

Atlas Copco Tools maintained a very restrictive recruiting policy during the year. Vacancies were filled by a redistribution of duties, internal recruiting, and transfers within the Atlas Copco Group.

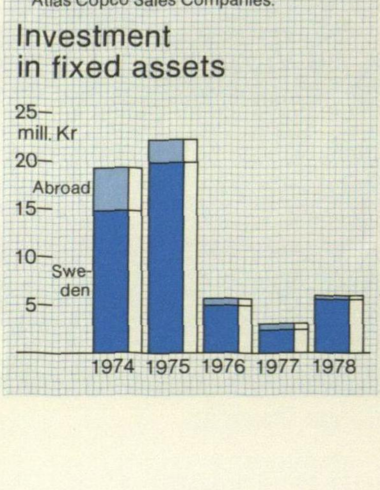
The average number of employees during the year was 1 236 (1 331).

Results

Atlas Copco Tools' orders received, chiefly coming from the sales companies, amounted in 1978 to Kr 237 million (201). Invoiced sales amounted to Kr 232 million (205). Profit before appropriations and taxes amounted to Kr 2.2 million (0.2).

Investments in buildings, machinery and equipment amounted to Kr 5.9 million (3.3) of which Kr 3.7 million (0.8) were financed from the working environment reserve and the special investment reserve.

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



From the Tools Group accounts

	1978	1977
Balance sheet	mill. Kr	mill. Kr
Current assets¹)	33.2	11.7
Inventories	127.0	151.6
Fixed assets	25.4	30.1
	185.6	193.4
Current liabilities	41.1	53.3
Long-term liabilities	51.9	46.7
Untaxed reserves	73.0	73.3
Shareholders' equity	19.6	20.1
	185.6	193.4
Profit and loss account		
Invoiced sales	231.9	204.6
Operating profit	11.6	10.3
Depreciation	4.5	5.6
Financial items, net	– 4.9	– 4.5
Profit before appropriations and taxes	2.2	0.2
Average number of employees	1 236	1 331
Investment in fixed assets	5.9	3.3

¹) Mainly receivables on the Parent Company

Atlas Copco ABEM

Atlas Copco ABEM is the Atlas Copco company for geophysics and electronics. During 1978 the product program was in part renewed and expanded. The objective was increased concentration on products and markets with good growth potential. Within the Atlas Copco Group Atlas Copco ABEM is responsible for measuring, monitoring and controlling. ABEM's activities comprise the following main sectors:

Products for water exploration, ground investigation and for measurement in and around drill holes.

Products for the measurement of physical events in research and development work and in the manufacturing industry.

Products for controlling and monitoring machines and processes in the manufacturing industry.

Market development

Demand for the company's products for water exploration and for ground investigation increased considerably during the latter half of 1978. There was also good demand for electronic measuring equipment and this is expected to increase somewhat in 1979.

Product development

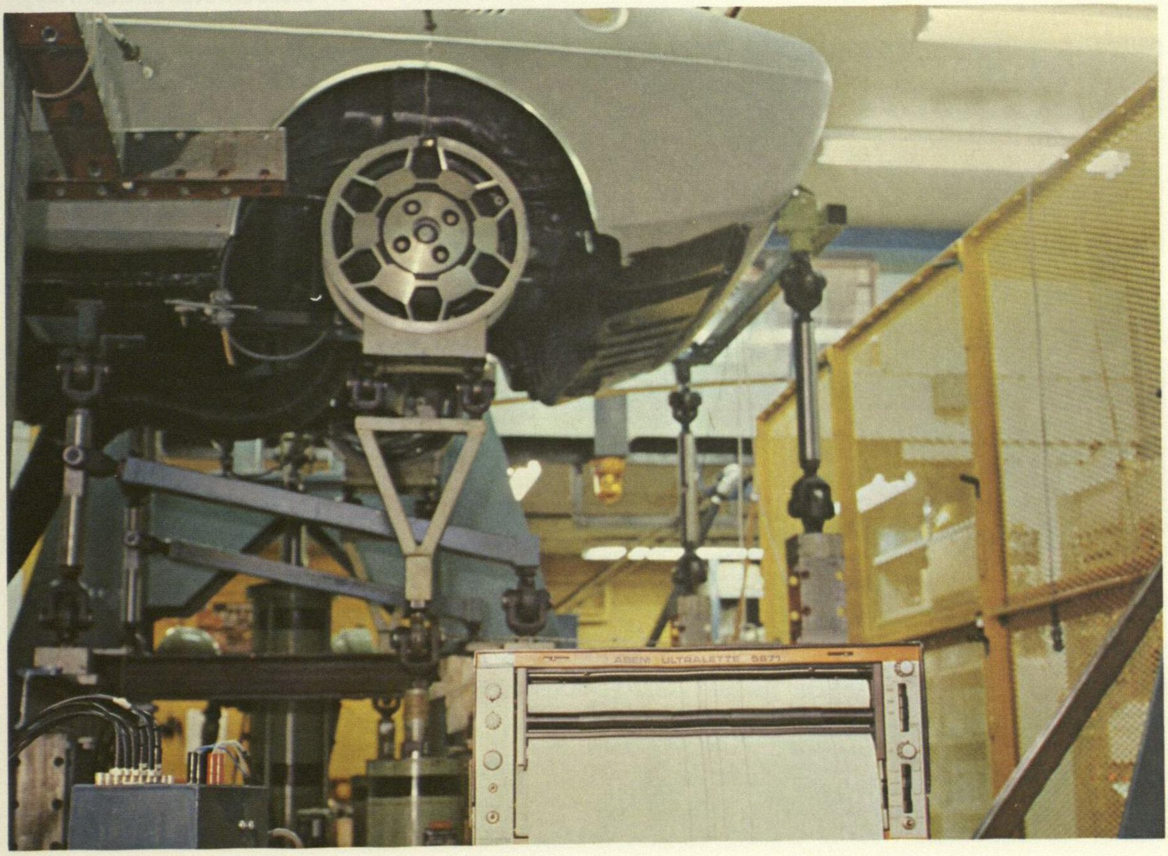
Work on the development of new equipment for water exploration and seismic ground investigation continued during the year. Development resources were strengthened in terms of both personnel and equipment. This permitted more intensive efforts directed to products for the monitoring and control of assembly processes in the manufacturing industry.

Production

Considerably increased demand for the company's products during the year has meant that the earlier surplus capacity turned into a capacity deficiency. In order to complete delivery commitments a considerable portion of the production had to be placed with sub-suppliers.

For the production of newly developed products, modern equipment for the assembly of electronic components was acquired. In addition, investments were made in computer-based equipment for testing complex electronic components.

The movement of automobile wheels is checked with an ABEM Ultralette during a fatigue test at SAAB-SCANIA.



Berema

Lars Åsell, Managing Director of Berema AB.

The Berema companies, with head office in Solna and manufacturing units in Kalmar, Gävle and Bräcke, Sweden, have been part of the Atlas Copco Group since 1975. Emphasis in Berema's manufacturing program is on gasoline-powered motor drills, where Berema occupies a leading position in the world market. In addition to motor drills Berema also manufactures hydraulic truck cranes and accessories at its subsidiary AB TICO. The products are marketed in part by the company's own sales subsidiaries in Germany, Norway and the USA, in part through Atlas Copco sales companies in various parts of the world, plus by distributors in a further large number of countries. Berema has, in adddition, its own sales subsidiary in Austria devoted chiefly to reciprocal purchasing transactions with Eastern European states.

Market development

Invoicing in 1978 increased by 12 % to Kr 134 million (120). This increase in sales concerns solely products manufactured by the company, and can be chiefly referred to the company's main product, the PIONJÄR motor drill, which displayed a very positive sales trend during the year chiefly on certain markets in the Middle East.

With the introduction of the PICO drill, a light, portable, gasoline-powered motor drill in the 10-kilogram class, Berema has further confirmed its strong position in the sphere of motor drills. The sales of this drill developed very positively during the year and marketing in the coming year will be intensified through the established sales channels.

More than 95 % of the production of motor drills from the Kalmar plant in south Sweden are exported.

For TICO products production and sales have been maintained at the same level as the previous year.

Berema's motor drill program enjoys a strong position on the world market. One of the most important customer branches is telecommunications, where the drill is employed for anchoring holes for telegraph poles, for excavating cable trenches etc.

In Sweden and Norway Berema represents Honda Power Products, which include cultivators, gasoline-powered motors, generators and pumps. Because of the appreciation of the Japanese yen the volume increase in the sales of this product group has not matched the rising curve of the previous year. But despite higher import prices sales have been maintained at a high level.

Product development

A continuous product development program is in progress at the Berema Group including revisions of the existing product range. The development of new machines in the motor drill program, aims at meeting sharpened environmental demands for less noise and vibration.

Production

At the production unit in Kalmar continued investments in numerically controlled machines have increased the efficiency and allowed an increase in capacity within the framework of the existing facilities. Through-times in production and working time per produced unit has been considerably reduced. A modern forge installation was introduced, which contributes to a more even quality in production.

Personnel

Despite the increase in volume the work force was further reduced during the year. The reason for this is the continuing investments in production facilities and elimination of certain unprofitable products.

The average number of employees was 402 (420).

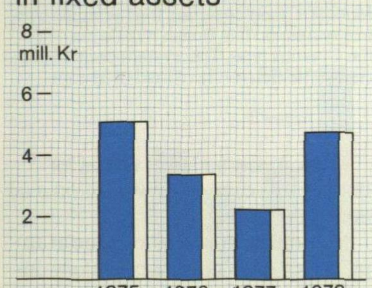
Results

Orders received amounted to Kr 137 million (119). Invoiced sales amounted to Kr 134 million (120). Profit before appropriations and taxes was Kr 12.9 million (7.3).

Investments in buildings, machinery and equipment totalled Kr 4.8 million (2.3).

Invoiced sales

Investment in fixed assets



From the BEREMA Group accounts

	1978	1977
Balance sheet	mill. Kr	mill. Kr
Current assets	43.8	38,7
Inventories	44.4	38.6
Fixed assets	16.5	15.8
	104.7	93.1
Current liabilities	43.6	40.1
Long-term liabilities	27.6	25.5
Untaxed reserves	20.9	15.4
Shareholders' equity	12.6	12.1
	104.7	93.1
Profit and loss account		
Invoiced sales	134.4	119.5
Operating profit	18.4	12.0
Depreciation	3.6	2.4
Financial items, net	– 1.9	– 2.3
Profit before appropriations and taxes	12.9	7.3
Average number of employees	402	420
Investment in fixed assets	4.8	2.3

Monsun-Tison

Eric Bursvik, Managing Director of Monsun-Tison AB

Monsun-Tison AB is the Atlas Copco Group's specialized company for the development, manufacture and marketing of hydraulic and pneumatic components and systems. The hydraulic products are marketed in Sweden and abroad through the company's own sales organization, while the Group's sales companies are responsible for the distribution of pneumatic components.

Market development

Demand from established customers of hydraulics continued to be weak in Sweden during the year. Yet the sales volume did increase due to the extension of the company's products to new applications and markets, especially in those countries where Monsun-Tison has its own subsidiaries, such as West Germany, France, Great Britain and the USA.

The marketing of pneumatic equipment is concentrated to the European markets and the customer categories are spread among both OEMs and end-users. A certain increase in volume was achieved in a branch characterized by keen competition.

During the year Iowa Hydraulic AB in Falköping, Sweden, was acquired, which resulted in the product program for hydraulic cylinders being expanded to include considerably larger dimensions.

Monsun-Tison designed the hydraulic control system on this British mobile crane of the Cosmos type. The system permits precision manoeuvering of load of 25 tons.

Invoicing increased by 11 % and amounted to Kr 107 million (96), which figure includes invoicing for Iowa Hydraulic AB for a portion of the year.

Product development

Pneumatics

In the pneumatics section additional products have been developed to satisfy the market's needs for lubrication-free components with internationally standardized dimensions.

Thus, a new series of valves for greater flow capacities was introduced during the year.

In addition, products for special applications have been successfully developed. One example is mechanization in the production of aluminum, and dumping devices for railroad cars and trucks.

Hydraulics

As a result of the broadening of foreign markets there has been an increase in demands for the adaptation and extension of existing product series.

Greater productivity and better working environment can be achieved through remote control. For this reason Monsun-Tison is devoting particular interest to the development of components for remote control. As a result of these efforts a hydraulic control valve was introduced during the year. This valve allows three functional movements to be controlled at the same time with one hand.

A system has been developed for ships to control cargo handling and mooring winches. The system makes it possible to set optimally varying forces on the cable which are held constant during mooring.

Monsun-Tison's area of activity was expanded during the year by the development, manufacture and sales of long, large dimension cylinders for ships and mobile cranes.

Production

During the year investments were made in special machines, numerically controlled machines and modern testing equipment. In conjunction with the establishment of central stocks for pneumatic components, investments were made in storage and handling equipment.

During the year systematic efforts were made to lower the manufacturing costs of all products.

Personnel

As a consequence of the transfer of the international marketing responsibility for pneumatic components from Atlas Copco Tools to Monsun-Tison, the company's marketing resources were expanded. In this connection organizational changes were carried out within the marketing department.

Also in the development and production departments the work force was strengthened, in connection with the acquisition of Iowa Hydraulic AB.

Monsun-Tison employed an average of 646 persons during the year (582). This figure includes the employees of Iowa Hydraulic AB.

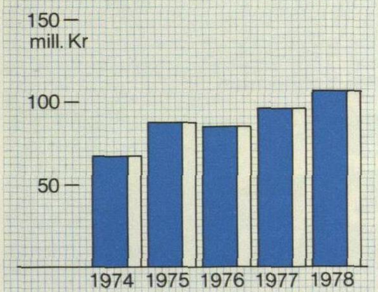
Results

Orders received amounted in 1978 to Kr 108 million (99) and invoiced sales to Kr 107 million (96). Profit before appropriations and taxes amounted to Kr 0.8 million (7.7).

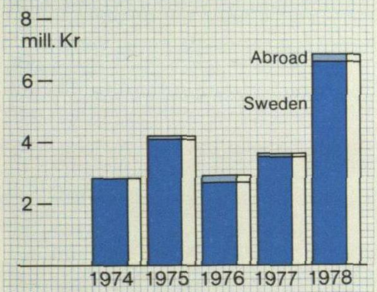
Results were negatively affected by the acquisition of Iowa Hydraulic AB, which, chiefly due to low sales, reported poor results. In addition the transfer of the sales responsibility for pneumatic components entailed extra costs during the year.

Investments in machinery and equipment amounted to Kr 6.9 million (3.6), of which Kr 0.4 million was financed from the working environment reserve.

Invoiced sales



Investment in fixed assets

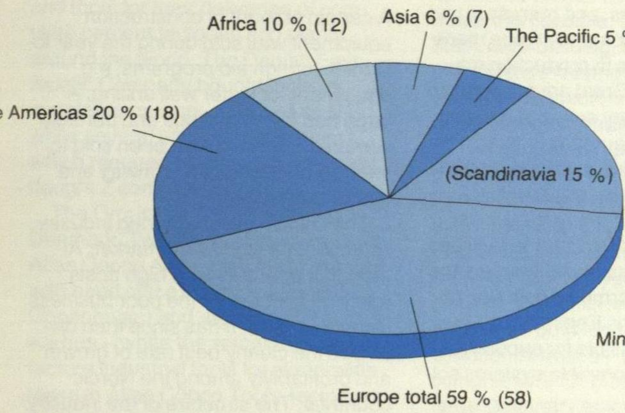


From the Monsun–Tison Group accounts

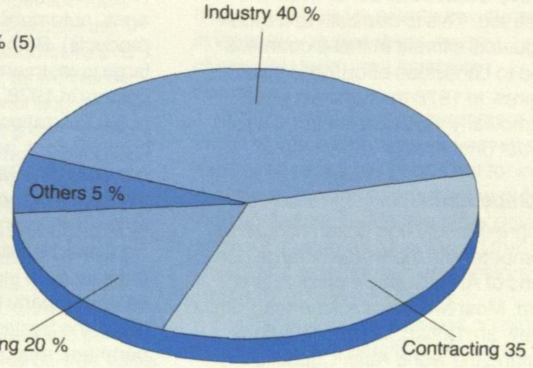
	1978	1977
Balance sheet	mill. Kr	mill. Kr
Current assets	32.3	25.4
Inventories	63.1	49.6
Fixed assets	13.3	10.3
	108.7	85.3
Current liabilities	26.8	18.2
Long-term liabilities	34.3	17.0
Untaxed reserves	26.1	28.2
Shareholders' equity	21.5	21.9
	108.7	85.3
Profit and loss account		
Invoiced sales	107.4	96.1
Operating profit	6.2	11.4
Depreciation	3.9	3.0
Financial items, net	−1.5	−0.7
Profit before appropriations and taxes	0.8	7.7
Average number of employees	646	582
Investment in fixed assets	6.9	3.6

In collaboration with the Norwegian Department of Highways Atlas Copco has specially designed a hydraulic rock drilling rig for highway construction in broken terrain. A great deal of interest has been shown in the rig by both the Department's personnel and private contractors.

A view of the market



Percentage distribution of Group invoicing 1978



Atlas Copco's customer pattern 1978

The recovery of the world economy has been in progress for three years, but without stimulating any strong increase in investments, with the exception of the USA. This depresses the market for suppliers of machinery such as Atlas Copco. A rough evaluation shows that the investment volume for a balanced average of the Group's markets rose by about 2 % in 1978.

Three market segments

The manufacturing industry is the motor of the world economy and oil is its fuel. After the oil crisis many branches have now succeeded in adapting themselves, raised production and profitability, and have again begun to invest. This is particularly true of the USA but also of West Europe, although not the Nordic countries. Particularly active are portions of the manufacturing industry, the chemical industry, the food industry and the automotive industry. On the other hand, such basic commodities as steel, cement, plastics, synthetic fibres and pulp have just barely come out of their slump.

The Group has made great efforts on the industrial branches mentioned above, especially in the USA and the four large countries of West Europe. The sales companies offer economical systems solutions at the customers' plants with the aid of industrial compressors and pneumatics, supported by the product divisions Atlas Copco Airpower and Atlas Copco Tools.

The Group's tightening technology has made new gains in the automotive industry. Breweries require oil-free air for oxygenation and transportation. Many manufacturers require a better working environment in surface treatment operations. Since the manufacturing industry is presently the only one of the Group's three market segments which is growing, it is natural that its share of sales is also growing.

Mines display different development. Since most metal plants are not working at full capacity, they are buying less ore than previously. The consequences are large stockpiles, low metal prices, poor profits and little new investment among mines. The description applies to lead, iron, copper, nickel and zinc. This affected the Group's sales in Sweden, Spain, all of North and South America, and central Africa. Demand was good, on the other hand, for gold, platinum, diamonds and uranium, which favored sales in South Africa. Seen globally, the market for equipment to underground mines shrank in 1978. The fact that the Group could retain and even increase its market shares had several reasons. Products with established reputation were complemented by new solutions such as diesel-powered loaders, hydraulic drill rigs and surface rigs for coal-mining. To this can be added the fact that the Group's permanent presence in mining districts entails better service, delivery capacity, customer-training etc than those competitors can offer.

Civil engineering contractors form the third market segment, again with its own business situation. Contractors buy equipment in order to start up new projects (highways, tunnels, harbors, power stations, wells). Many such projects are the result of public investment which varies greatly over the years. Traditionally the industrialized countries have sought to regulate their economic situation with such projects, while developing countries initiate them as soon as their payments situation permits. In 1978, especially the latter half of the year, these factors combined to force down the Group's sales of construction equipment in

Norway, Great Britain, France, Turkey, Iran and Australia. On the other hand, increased sales could be noted in central Europe.

In recent years the large industrialized countries' share of the Group's sales has continuously increased. This is due both to a better industrial climate in these countries and to conscious efforts and investments. In 1978 the turnover grew particularly vigorously in the USA, Great Britain, Italy and Mexico.

Competition

Approximately one dozen companies compete with the whole or large portions of Atlas Copco's product program. Most of them are American, while a few are British. On most markets around the world Atlas Copco is largest, but this does not apply to North America. Since the USA and Mexico displayed good or even very good economical activity in 1978, American competitors were automatically favored by a stronger overall demand than Atlas Copco.

The five large American competitors increased their order volume more than Atlas Copco. This is explained by the above mentioned market situation. In 1979 the American economy is expected to slow its pace, while the economy of West Europe is expected to quicken, especially in Sweden, West Germany, France, and Italy.

Market reports

The selection of markets in the following brief presentation has been made with a view to giving examples of the varying conditions facing the Group's marketing organization.

Great Britain

After many years of stagnation the British economy corresponds to only half that of West Germany or three times that of Sweden.

Oil revenues and the government's belt-tightening policy strengthened the exchange balance and the pound, and slowed down inflation. The policy entailed reduced public construction which affected the Group's sales of portable compressors, breakers, rock drills etc.

However, the policies also resulted in an upswing for industry. British industry includes both state-owned companies which were mainly unprofitable (coal, steel, automobiles, aircraft) and many profitable private companies (chemicals, pharmaceuticals, beverages, automobiles, and manufactured products). Both company types made large investments in production machinery in 1978. Great advances were noted for stationary screw and piston compressors, pneumatic tools and components. Sales rose in almost all the above branches, especially to automobile manufacturers such as Ford and Leyland. In order to facilitate the service to industrial customers the sales company formed a new department, the Systems Engineering Department, responsible for supplying customers with complete systems solutions.

The Group increased its market share but now anticipates sharper competition, primarily from British companies and some American rivals with local manufacturing.

The sales company, Atlas Copco (Great Britain) Ltd, has its head office in Hemel Hempstead north of London and ten regional offices. Hemel Hempstead is also the site for Atlas Copco MCT's factory for the manufacturing of pneumatic paving breakers and light rock drills for export worldwide. In all the Group has 800 employees in Great Britain.

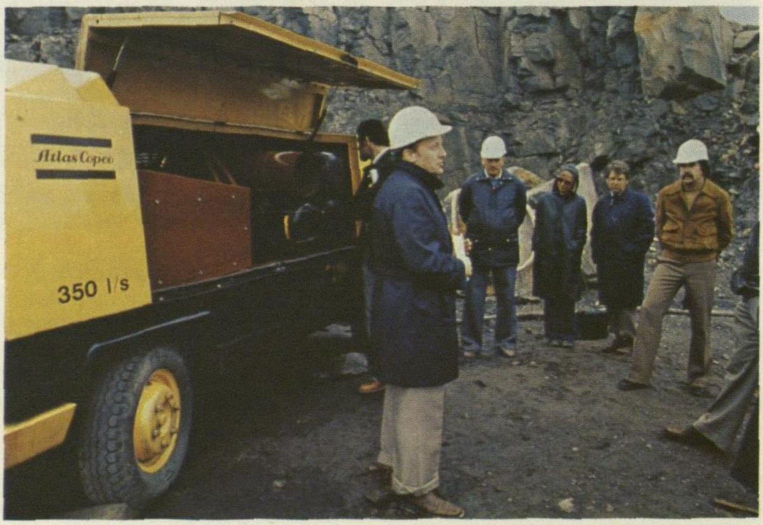
Denmark

The market for rock drilling equipment is limited in Denmark. Contractors need paving breakers and compressors, for example for work in cities, but municipal cost-cutting programs have reduced such activities in recent years. A certain amount of construction equipment was sold during the year to Danish foreign aid programs, e.g. equipment for water well drilling. A large number of drill rigs and portable compressors have also been sold to the Faeroe Islands for highway and tunnel construction.

The Danish manufacturing industry represents a significant market. Although it operates with high costs and was affected by the poor business climate of 1975, it has since then displayed the clearly best rate of growth and profitability among the Nordic countries. The structure of the industry is a basic cause: critical areas are few, while such branches as food, chemicals, mechanical and electrical plants have been successful.

The Atlas Copco Group gradually has increased its presence in these

The Managing Director of the Danish sales company, Bent Kildegaard, demonstrates an XA compressor for a group of journalists during a press trip to the Faeroe Islands. In the Faeroes a vigorous expansion of the road system is in progress, including highways, tunnels and bridges. A large number of drill rigs and compressors from Atlas Copco are being used in these projects.



branches through close cooperation with customers in finding systems solutions to their production problems. This resulted in sales rising at the same pace as customers' investments. F.L. Smidth & Co. A/S purchased, for example, large piston compressors and tools for their deliveries of complete cement factories and plants around the world. The Danish East Asiatic Company bought tools for maintenance work on board its ships, while several electric power plants, which required oil-free instrument air, bought Z compressors.

The Group has 250 employees in Denmark. Two thirds of them work for Atlas Copco A/S – the sales company with head office in Glostrup outside Copenhagen and regional office in Aarhus – while the remainder manufacture industrial tools for world-wide sales at Atlas Copco Tools' factory in Saeby.

Hungary

The increase in Atlas Copco's sales in Hungary during the last two years has been very positive and amounts to about 40 % per year.

The increase refers above all to the industrial sector where comprehensive modernization programs are in progress in order to improve the quality of Hungarian industrial goods. Sales have been primarily of stationary screw compressors. A Hungarian pharmaceutical manufacturer, for example, purchased two big ZA7 Pack oil-free screw compressors.

Through an arrangement as unique in the planned-economy countries as a distributor, Atlas Copco began to supply GA compressors. A consignment stock has now been set up with this distributor, at the request of Hungarian authorities, in order to facilitate the supply of spare parts for the rapidly growing number of compressors on the market.

The industrial modernization which is in progress has also created sales of various types of industrial tools from Atlas Copco Tools.

The market is stimulated by means of symposia and "customer days" for selected groups of customers, and by participation in trade shows.

South Korea

The GNP of Korea is barely half that of Sweden. The country has shown very rapid economic growth during the 1970s. A well-trained work force and skilful central planning with a large sphere for private competition have made this possible. Especially the steel, ship-building, automotive and electronics industries, as well as construction contractors working on international projects have grown rapidly.

It is naturally tempting for an equipment supplier to enter the South Korean market at this time, when large initial investments are being made. The Group has been successful in this effort in the last two years. Drill steel, loaders, rock drills and screw compressors – both for mines and construction activities – plus oil-free screw compressors for metal works and large stationary screw compressors for a shipyard are included in recent deliveries.

Sales are administered by the Export Sales Division of the parent company through a Korean distributor.

Mexico

The Mexican economy is approximately as large as the Swedish one. The economical crisis of 1976–77, most apparent in a large devaluation, passed quickly. The chief reason was the discovery of large petroleum resources in the Gulf of Mexico. The export of oil began in earnest in 1978 and is expected to increase in scale. This led to greater state revenues which the government can invest in highways, power plants and water supply systems. It also entails more private investment in industry – automobiles, petrochemicals, food – not least from abroad.

At the same time the government is eager to spend the oil revenues not on imports of consumer goods but for industrial expansion to employ the growing population. Tariffs and other government measures have forced the Group and its American competitors to start up local manufacturing.

The Group's sales increased considerably in 1978, especially of rock drills and drill steel for silver and lead mines, pneumatic paving breakers and portable compressors for highway construction and industrial compressors and pneumatic tools for automotive and steel industries etc. Among the

Customer call at the Chon Kun Dang Corporation pharmaceutical factory, one of Atlas Copco's largest customers for oil-free Z compressors in South Korea. Seen from the left are Bo Sjöberg from Atlas Copco's Export Sales Division, Byun Won Chuk, the customer's factory engineer, and Y S Kang who is the service manager of Atlas Copco's distributor, U Young Industrial.

company's promotional efforts can be mentioned the demonstration of a hydraulic tunnelling rig at several mines and a course where personnel from the state oil company Pemex acquainted themselves with the oil-free Z compressor.

Atlas Copco's business activities in Mexico are conducted from Tlalnepantla outside Mexico City, with seven regional offices and almost 300 employees. Manufacturing includes light rock drills and piston and screw compressors, and is based to a great extent on domestic components.

South Africa

South Africa's GNP, foreign trade or industrial production are only half those of Sweden, but it is one of the world's leading mining countries (gold, platinum, chrome, manganese, lead, iron, uranium, coal, diamonds). This is true of both reserves and deposits now being worked. The export revenues from the mines are still the chief stimulus in the country's economy.

The rising standard of living, which is spreading to all ethnic groups, is based on the mining companies and their being supplied with rational equipment. An interesting example is the huge Anglo-American corporation, which is active in all aspects of the mining industry, plus machinery and automobile manufacture, and which is at the same time a pioneer in the sphere of personnel policy. The company itself produces both rock drills and drill steel, and is thus both a competitor and a customer of Atlas Copco.

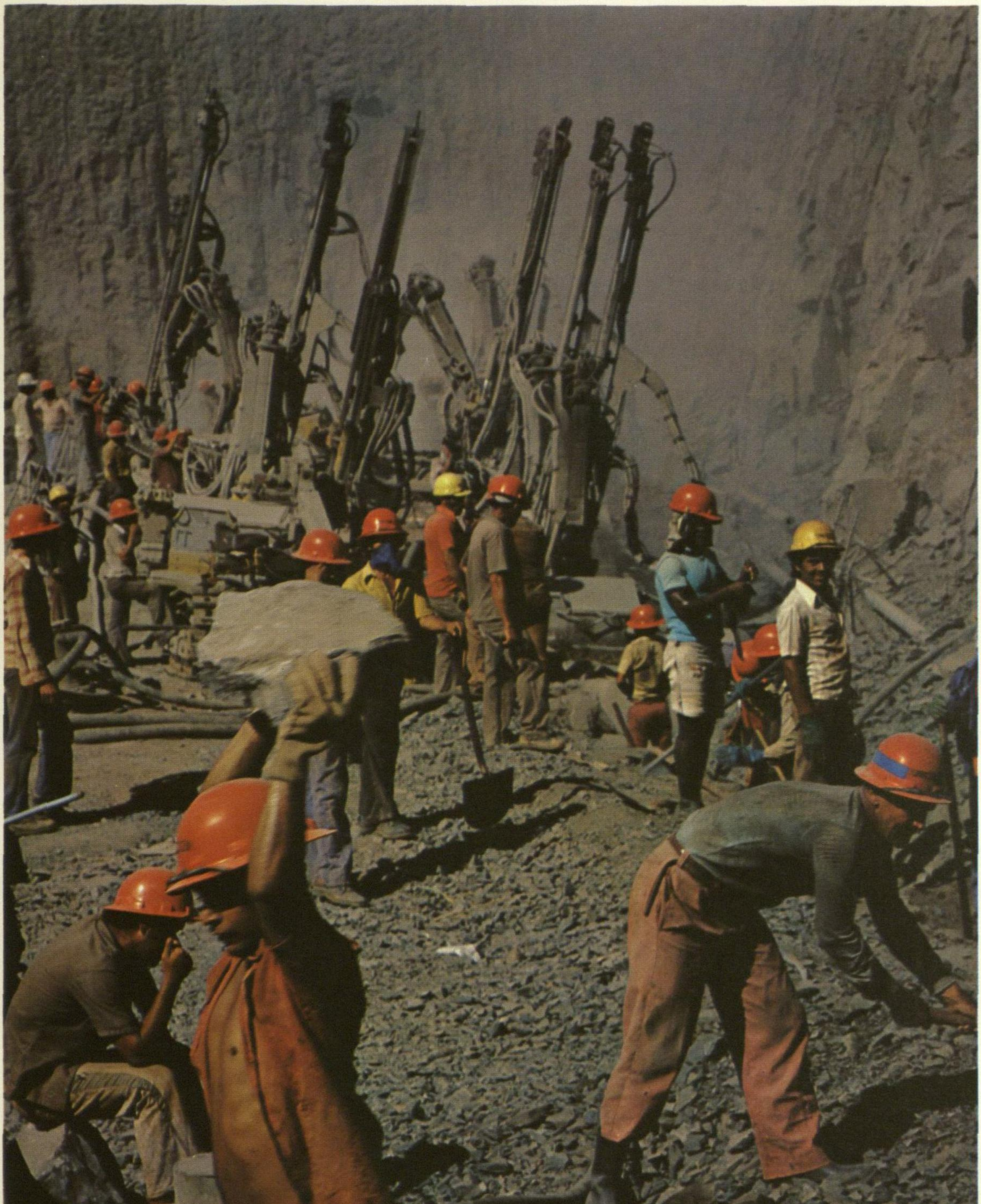
South African mines offer the equipment extremely rugged operating conditions in shifting geological conditions, with poor drainage possibilities, deep working levels etc. Experience from such conditions of the performance and applications of equipment are invaluable for the supplier, for his product development and in his sales efforts on other mining markets. Atlas Copco's chief competitors are represented on this market via their own subsidiaries.

Atlas Copco administers its activities through a partially owned company, Delfos & Atlas Copco, with head office in Benoni outside Johannesburg and about 800 employees. Most of them are engaged in sales, service and training in the use of the products. Some one hundred employees are engaged in manufacturing and in adapting Swedish-made machines to local requirements. Delfos & Atlas Copco also develops new products, including the Janus rig intended for coal mines, which will strengthen the Group's ability to compete in this area. The Group's companies in Botswana, Malawi and Namibia collaborate technically and administratively with Delfos & Atlas Copco.

The political unrest of recent years has affected faith in South Africa's economic future, among both domestic and foreign companies. The result has been dropping investments. Low metal prices contributed to this in parts of the mining industry. The Group then met a shrinking market in 1976–77. In 1978 demand began slowly to build up again, keeping pace with rising gold, platinum and diamond prices.

Products which sold well were tunnelling rigs, loaders and pneumatic tools, drill steel, and portable and stationary screw compressors. They went above all to the mines, but also to railway construction and the automobile industry.

A new drill rig, specially designed for open pit coal mining, is the result of the collaboration between the Group's companies in Italy and South Africa. The rig, which has a double drilling system – both percussive and rotary – has been called after Janus, the Latin god with two faces.

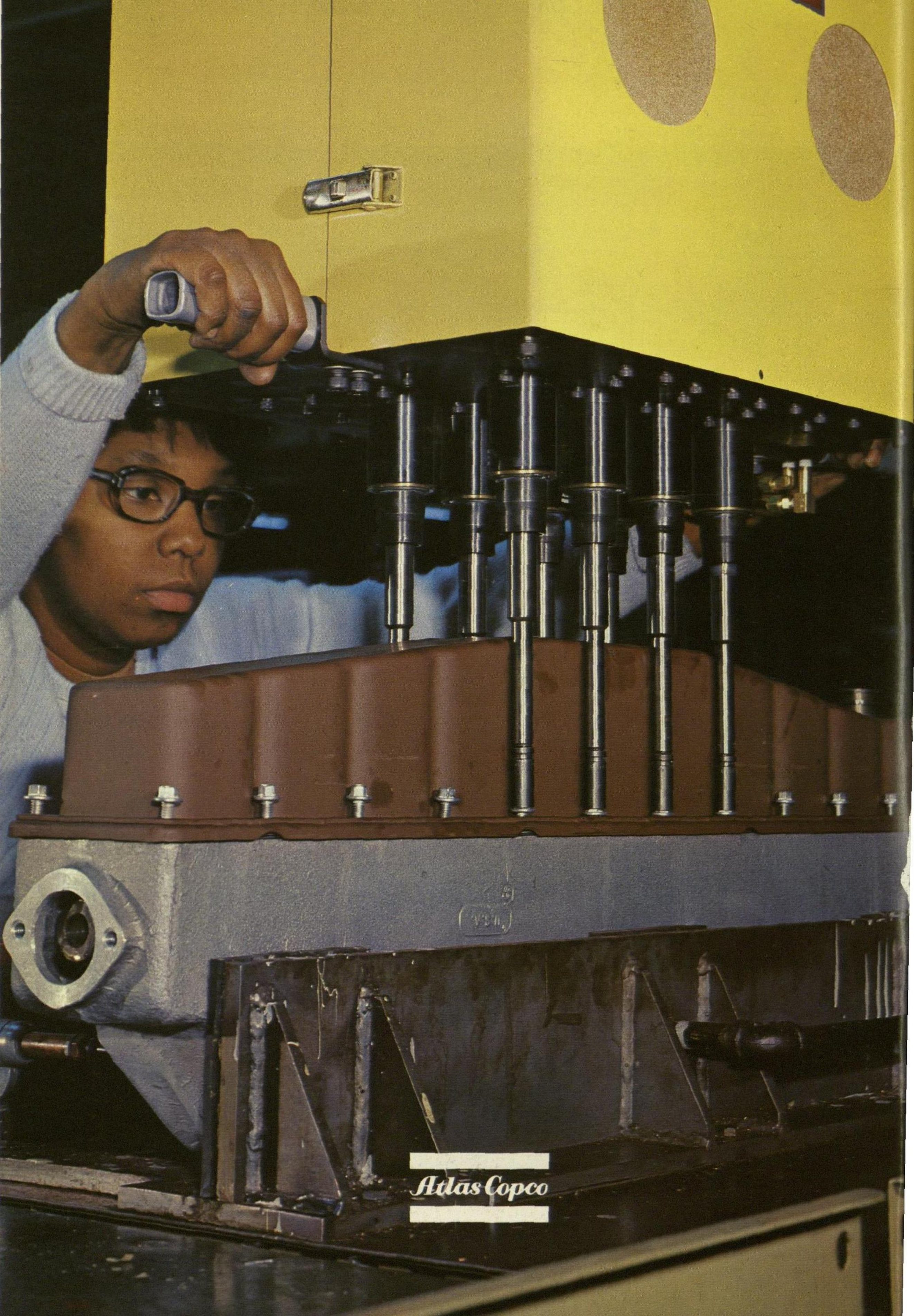


Above:

A detail from the world's largest power project. Itaipu in Brazil, where equipment from Atlas Copco and Sandvik play an important role. The installation will be completed in 1988. By then more than 40 million cubic metres of rock will have been drilled, blasted and hauled away.

Rear cover:

Atlas Copco's multiple nutrunner at the Cummins engine factory in Jamestown, USA. The illustration shows simultaneous tightening of eight bolts on the intermediate cooler of a large diesel engine. The method is rapid and gives high, constant product quality and offers a good working environment.


Atlas Copco

Atlas Copco

Extract from the Atlas Copco Annual Report 1978

All figures have been converted from Swedish Kronor to US $ at the exchange rate of Dec. 31, 1978: US $ 1.00 = SKr 4.285.

A complete English translation of the Annual Report is available.

The Atlas Copco Group
FIVE YEARS IN SUMMARY

	1974	1975	1976	1977	**1978**
Invoiced sales, mill US $	687	789	884	970	**1 107**
Increase, %	33.3	14.8	12.0	9.7	**14.1**
Invoiced abroad %	90	90	90	91	**92**
Profit before extraordinary items and appropriations, mill US $	86.1	100.3	78.9	69.2	**70.1**
in % of invoiced sales	12.5	12.7	8.9	7.1	**6.3**
Total assets, mill US $	668	832	921	1 029	**1 061**
Return on total assets, %[1]	18.1	17.0	12.8	11.4	**11.2**
Adjusted profit after taxes, mill US $[2]	42.2	48.5	38.5	32.9	**33,8**
Return on equity, %[3]	17.4	17.4	12.3	9.7	**9.5**
Earnings per share, US $[4]	3.02	4.13	3.38	2.65	**2.72**
Equity/total assets, %[5]	39.4	35.2	36.2	33.4	**34.5**
Investment in fixed assets, mill US $	33.1	40.6	35.7	39.4	**31.0**
Number of employees	17 392	18 236	18 271	18 032	**17 664**
Invoiced sales/employee, th. US $	39.5	43.3	48.4	53.8	**62.7**
Dividend per share, US $[4]	1.13	1.23	1.40	1.40	**1.63**[6]
Stock market price, US $[4] high	34.1	40.8	42.7	36.4	**32.9**
low	22.2	28.5	31.3	20.8	**24.7**
Price/Earning ratio[7]	9.6	8.9	11.3	10.7	**10.4**

[1]) Profit before extraordinary items, appropriations and interest paid in % of the assets as per the balance sheet.
[2]) Deductions have been made for a calculated tax (50 %) and minority interest.
[3]) Untaxed reserves are included in equity – after deduction for future tax liability.
[4]) Adjustments have been made for new issues for purposes of comparison.
[5]) Equity as defined in footnote 3 in % of total assets.
[6]) Board of Directors' proposal.
[7]) Average stock market price during the year in relation to earnings per share.

The Atlas Copco Group
Consolidated balance sheet

At December 31

Assets

	1978		1977	
	mill. US $		mill. US $	
Current assets				
Cash in hand and at banks	71.4		78.5	
Notes receivable	41.4		33.9	
Accounts receivable from customers	221.3		200.7	
Prepaid expenses and accrued income	8.1		10.7	
Other accounts receivable	46.0		33.9	
Inventories	482.1	**870.3**	480.5	**838.2**
Blocked accounts		**2.0**		**4.4**
Fixed assets				
Shares and bonds	2.5		1.4	
Other investments	17.3		18.9	
Construction work in progress	5.0		21.5	
Machinery and equipment	43.6		46.1	
Buildings	83.0		75.5	
Land	37.1	**188.5**	23.3	**186.7**
Total assets		**1 060.8**		**1 029.3**

Liabilities and Shareholders' Equity

	1978		1977	
Current liabilities				
Notes payable	66.8		61.8	
Suppliers	70.7		76.0	
Bank loans	126.5		135.7	
Provision for taxes	13.9		23.6	
Accrued liabilities and prepaid income	33.9		14.5	
Other current liabilities	65.2	**377.0**	103.6	**415.2**
Long-term liabilities				
Mortgage and other long-term loans	119.6		104.0	
Bond and debenture loans	74.2		49.4	
Provision for pensions	58.7		50.6	
Other long-term liabilities	11.2	**263.7**	5.7	**209.7**
Total liabilities		**640.7**		**624.9**
Untaxed reserves				
General inventory reserves	61.9		91.9	
Investment reserves	7.6		6.6	
Working environment reserves	1.0		2.7	
Special investment reserves	1.0		1.6	
Reserve for exchange losses	15.2	**86.7**	–	**102.8**
Minority holdings		**11.2**		**8.8**
Shareholders' equity				
Restricted equity				
Share capital	72.4		72.4	
Legal reserves	55.4		58.3	
Other reserves not available for distribution	77.5	**205.3**	71.3	**202.0**
Non-restricted equity				
Contingency fund	9.1		9.1	
Surplus	59.1		43.5	
Profit for the year	48.7	**116.9**	38.2	**90.8**
Total shareholders' equity		**322.2**		**292.8**
Total liabilities and shareholders' equity		**1 060.8**		**1 029.3**
Pledged assets		93.2		82.6
Contingent liabilities				
Notes discounted		50.1		47.7
Other contingent liabilities		38,8		30.1

The Atlas Copco Group
Consolidated profit and loss account

	1978		1977	
	mill. US $		mill. US $	
Invoiced sales		**1 106.7**		**970.2**
Cost of goods sold, technical development, sales, administration etc		**– 976.5**		**–847.2**
Operating profit before depreciation		**130.2**		**123.0**
Depreciation				
Buildings	4.7		4.0	
Machinery and equipment	16.3	**– 21.0**	15.9	**– 19.9**
Operating profit after depreciation		**109.2**		**103.1**
Financial charges and other income				
Interest paid	– 46.9		–41.8	
Interest income	+ 7.9		+ 8.2	
Dividends received	–		+ 0.1	
Share in net result of non-consolidated companies	– 0.1	**– 39.1**	– 0.4	**– 33.9**
Profit after financial charges and other income		**70.1**		**69.2**
Extraordinary income		**+ 1.8**		**–**
Profit before appropriations and taxes		**71.9**		**69.2**
Appropriations				
Additional depreciation on fixed assets	– 1.8		– 3.5	
General inventory reserves	+ 26.9		+14.0	
Investment reserves	– 0.4		– 0.9	
Provision for exchange losses	– 15.2		–	
Utilization of working environment and investment reserves	+ 2.4		+ 4.3	
Depreciation against environment and investment reserves	– 2.4	**+ 9.5**	– 4.3	**+ 9.6**
Profit before taxes		**81.4**		**78.8**
Taxes		**– 31.5**		**– 38.9**
		49.9		**39.9**
Minority interest		**– 1.2**		**– 1.7**
Net profit		**48.7**		**38.2**

From the MCT Group accounts

Balance sheet	1978 mill. US $	1977 mill. US $
Current assets[1])	25.6	30.7
Inventories	80.7	98.9
Fixed assets	19.0	23.7
	125.3	153.3
Current liabilities	50.8	55.4
Long-term liabilities	31.1	29.9
Untaxed reserves	20.3	45.3
Shareholders' equity	23.1	22.7
	125.3	153.3
Profit and loss account		
Invoiced sales	229.2	231.3
Operating profit	7.3	8.7
Depreciation	5.1	4.8
Financial items, net	– 1.1	– 2.5
Profit before appropriations and taxes	1.1	1.4
Average number of employees	2 988	3 313
Investment in fixed assets	1.8	4.6

[1]) Mainly receivables on the Parent Company

From the Airpower Group accounts

Balance sheet	1978 mill. US $	1977 mill. US $
Current assets[1])	81.8	88.2
Inventories	75.4	76.8
Fixed assets	19.5	23.0
	176.7	188.0
Current liabilities	91.5	104.4
Long-term liabilities	14.0	14.6
Untaxed reserves	0.4	0.4
Shareholders' equity	70.8	68.6
	176.7	188.0
Profit and loss account		
Invoiced sales	260.6	217.1
Operating profit	32.3	34.1
Depreciation	4.3	4.9
Financial items, net	– 5.8	– 4.7
Profit before appropriations and taxes	22.2	24.5
Average number of employees	2 348	2 370
Investment in fixed assets	2.7	5.3

[1]) Mainly receivables on the Atlas Copco Sales Companies

From the Tools Group accounts

Balance sheet	1978 mill. US $	1977 mill. US $
Current assets[1])	7.8	2.7
Inventories	29.6	35.4
Fixed assets	5.9	7.0
	43.3	45.1
Current liabilities	9.6	12.4
Long-term liabilities	12.1	10.9
Untaxed reserves	17.0	17.1
Shareholders' equity	4.6	4.7
	43.3	45.1
Profit and loss account		
Invoiced sales	54.1	47.7
Operating profit	2.7	2.4
Depreciation	1.0	1.3
Financial items, net	– 1.1	– 1.1
Profit before appropriations and taxes	0.6	–
Average number of employees	1 235	1 331
Investment in fixed assets	1.4	0.8

[1]) Mainly receivables on the Parent Company

Printed in Sweden. Davidsons, Växjö