



Revenues increased by 36 percent to SEK 10,517 m. The operating margin was 12.6 percent (9.4). Earnings per share increased to SEK 2.80, compared to SEK 1.87 the preceding year.

# Income Statement

SEK m.	3 months ended		March 1999	12 months ended	
	March 31 1999	March 31 2000		Dec. 1999	March 2000
Revenues	7,751	10,517	33,383	36,234	39,000
Operating expenses	-7,026	-9,189	-29,356	-31,764	-33,927
<b>Operating profit</b>	725	1,328	4,027	4,470	5,073
<i>– as a percentage of revenues</i>	9.4	12.6	12.1	12.3	13.0
Financial income and expenses	-168	-385	-714	-1,058	-1,275
<b>Profit after financial items</b>	557	943	3,313	3,412	3,798
<i>– as a percentage of revenues</i>	7.2	9.0	9.9	9.4	9.7
Taxes	-196	-347	-1,205	-1,137	-1,288
Minority interest	-3	-10	-28	-28	-35
<b>Net profit</b>	358	586	2,080	2,247	2,475
<i>Earnings per share, SEK</i>	1.87	2.80	10.89	11.50	12.43
<i>Return on capital employed before tax, %</i>			15.8	14.1	14.6
<i>Return on equity after tax, %</i>			14.2	13.6	13.9
<i>Debt/equity ratio, %</i>			62.1	91.7	86.5
<i>Rate of equity, %</i>			42.3	39.3	40.4
<i>Number of employees at end of period</i>			23,028	26,134	26,053

# Balance Sheet

SEK m.	March 31, 1999	Dec. 31, 1999	March 31, 2000
Intangible fixed assets	11,492	18,851	19,060
Other fixed assets	10,803	18,702	18,688
Inventories	5,527	5,348	5,592
Receivables	7,670	9,463	9,502
Cash, bank, and short-term investments	1,678	1,286	857
<b>Total assets</b>	37,170	53,650	53,699
Equity	15,529	20,885	21,512
Minority interest	201	192	202
Interest-bearing liabilities and provisions	11,445	20,611	19,639
Non-interest-bearing liabilities and provisions	9,995	11,962	12,346
<b>Total liabilities and equity</b>	37,170	53,650	53,699

## Cover

Atlas Copco's corporate positioning program uses head-hand images to symbolize knowledge and experience. Middle picture: Presenting the new generation cordless battery screwdriver LOKTOR, which is powerful, durable and easily maintained.

# Revenues up in all regions

Interim Report on the three months ended March 31, 2000 (unaudited)

The Atlas Copco Group's revenues for the first three months of the year increased 36 percent, to SEK 10,517 m. (7,751), corresponding to a volume increase of 11 percent, for comparable units. The net effect from acquisitions and divestments was an increase of approximately 23 percent. Foreign exchange fluctuations had a positive translation effect of 3 percentage points. Orders received increased 36 percent, to SEK 11,088 m. (8,156), corresponding to a volume increase of 13 percent.

The Atlas Copco Group's operating profit increased to SEK 1,328 m. (725), corresponding to an increase of 83 percent and a profit margin of 12.6 percent (9.4). The profit after financial items increased 69 percent, to SEK 943 m. (557), a margin of 9.0 percent (7.2).

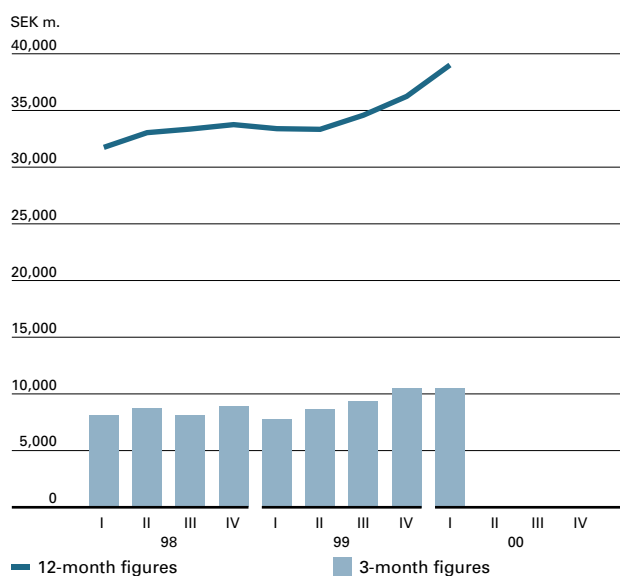
**Near-term outlook** Current favorable demand in the North American region is expected to continue. New investments in the mining and process industries are foreseen to improve, balancing uncertainty in some of the construction segments. The outlook for the equipment rental industry continues to be positive. Growth in European demand is expected to accelerate and new investments are foreseen to account for a bigger part of the growth than so far. The already high level of demand from the automotive industry is expected to continue. The positive trend in the Asian region is foreseen to continue at a strong pace, and South America, Africa, and the Middle East economies are gaining new momentum, partly thanks to higher commodity prices. In summary, the overall demand for Atlas Copco's products and services is expected to improve further in the near term.

**Financial targets** The overall objective for the Atlas Copco Group is to achieve a return on capital employed that will always exceed the Group's total cost of capital. The targets over the next business cycle are to have an annual revenue growth of 8 percent, to have an average operating margin of 15 percent, and to continuously challenge the operating capital efficiency in terms of stock, receivables, and hire fleet utilization. Overall, this will ensure that shareholder value is created and continuously increased. The strategy to reach the objectives would follow the proven development process for all operational units in the Group of stability first, then profitability, and finally growth.

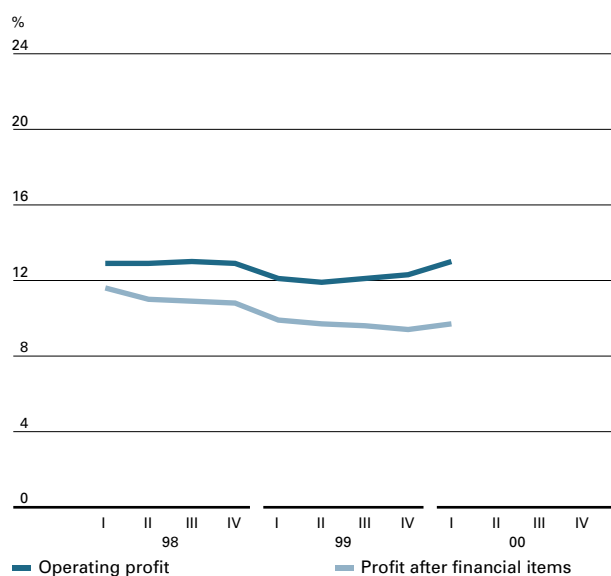
SEK m.	January–March		Change
	2000	1999	%
Revenues	10,517	7,751	+36
Operating profit	1,328	725	+83
– as a percentage of revenues	12.6	9.4	
Profit after financial items	943	557	+69
– as a percentage of revenues	9.0	7.2	
Earnings per share*, SEK	2.80	1.87	+50

\* Adjusted for the effects of the equity rights issue in October 1999.

## Revenues



## Profit Margin



## Market development

Overall, the demand in North America remained on a strong healthy level, and in the industrial sector an increase was noted for larger investments. The mining industry in the region developed favorably during the quarter. In the construction field, non-residential building stayed on a good demand level, with limited impact from bad weather conditions.

In Europe, the indications of an improved level of demand shown at the end of last year were confirmed in the first quarter. The southern and Alpine region remained strong. Great Britain has recovered after a long period of stagnation, and also Germany shows increased demand for some construction-related products and for larger compressors. However, the Nordic countries continued to develop unfavorably.

The upturn in Asia continued during the first quarter and in China, South Korea and the South East Asian markets demand for Atlas Copco's products and services grew at a high pace.

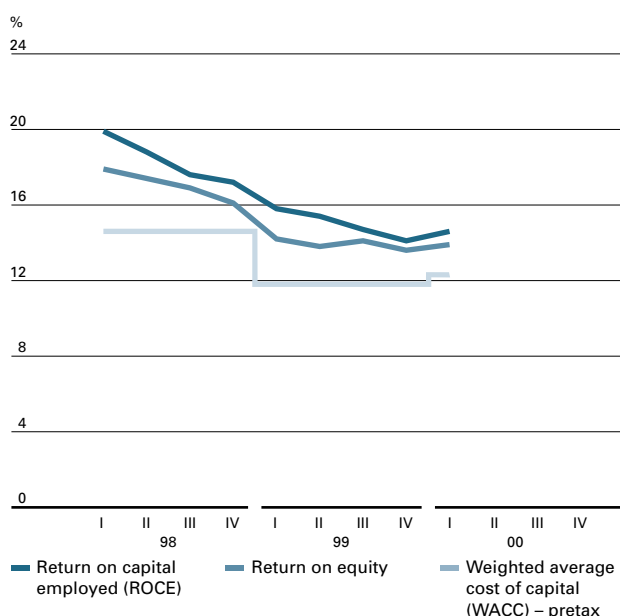
A highlight of the first quarter has been the recovery in South America, which accelerated during the quarter. Brazil, Chile and Peru all contributed to the positive development in demand. Also Africa and the Middle East showed a good development, with a particularly strong growth in South Africa.

## First quarter orders and revenues

Orders received were SEK 11,088 m. (8,156), up 36 percent compared to the first quarter previous year. Volume growth was 13 percent after excluding a positive currency effect of 3 percentage points and a net effect from acquisitions and divestments of 21 percent. The strong volume gain reflects an overall positive trend of demand for the Group's products and services, and partly the relatively weak first quarter of 1999. All major geographic regions recorded volume gains and they were particularly accentuated in Asia and Latin America.

Revenues increased 36 percent, to SEK 10,517 m. (7,751), corresponding to a volume gain of 11 percent.

Return and Cost of Capital, 12-month figures



Geographic distribution of orders received (%)

January-March	2000	1999
Europe	32	42
North America	50	39
South America	4	4
Africa/Middle East	4	5
Asia/Australia	10	10

## First quarter earnings

Operating profit increased SEK 603 m. to SEK 1,328 m. (725), or 83 percent compared to the same period in 1999. The operating margin increased to 12.6 percent (9.4). All four business areas showed a healthy improvement over previous year, primarily as a result of higher revenues, effects of rationalization measures and the contribution from the recently acquired Rental Service Corporation. The combined effect of acquired and divested businesses explained about 40 percent of the profit increase. Net currency effects between the first quarters 1999 and 2000 were insignificant as negative translation effects to SEK offset positive transaction effects.

Net financial items amounted to SEK -385 m. (-168), of which net interest items accounted for SEK -378 m. (-165) and financial foreign exchange differences for SEK -7 m. (-3).

Profit after financial items increased 69 percent, to SEK 943 m. (557). The profit margin was 9.0 percent (7.2).

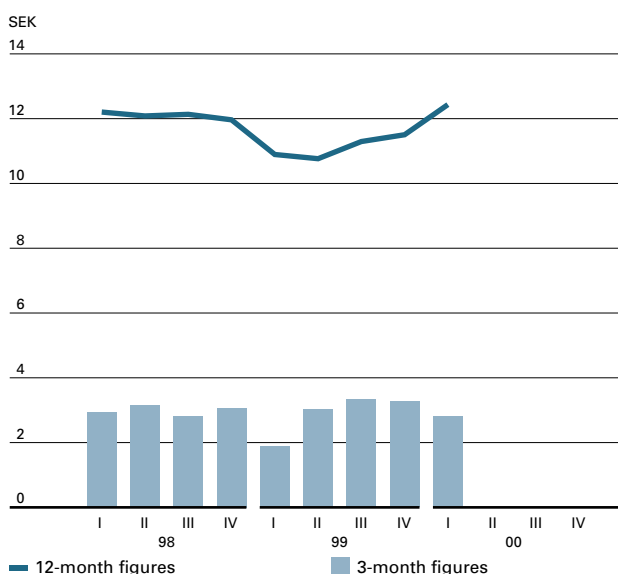
Net profit for the period totaled SEK 586 m. (358), or SEK 2.80 per share (1.87).

The return on capital employed during the 12 months to March 31, 2000 was 15 percent (16), and return on shareholders' equity 14 percent (14). The Group's Weighted Average Cost of Capital (WACC) is currently 8.0 percent (7.4), corresponding to a pretax Cost of Capital of approximately 12 percent.

## First quarter cash flow and net indebtedness

The operating cash surplus after tax for the period reached SEK 1,296 m. (748), corresponding to 12 percent (10) of Group revenues.

Earnings per Share



Working capital decreased SEK 20 m. (350) during the period, with a positive effect on cash flow from operations, which increased to SEK 1,316 m. (1,098).

Net investment in tangible fixed assets was SEK 229 m. (340). Net investments in rental equipment were low in the quarter due to the seasonal planning of these investments. Net cash flow equaled SEK 953 m. (632).

#### Summary cash-flow analysis

SEK m.	January–March	
	2000	1999
Operating cash surplus after tax	1,296	748
<i>of which depreciation added back</i>	870	474
Change in working capital	20	350
Cash flow from operations	1,316	1,098
Investments in tangible fixed assets	-775	-526
Sale of tangible fixed assets	546	186
Company acquisitions/divestments	-134	-126
Cash flow from investments	-363	-466
Net cash flow	953	632
Change in interest-bearing liabilities	-1,379	-1,016
Cash flow after financing	-426	-384
Liquid funds at beginning of year	1,286	2,118
Translation difference	-3	-56
Liquid funds at end of period	857	1,678

The Group's net indebtedness (defined as the difference between interest-bearing liabilities and liquid assets) amounted to SEK 18,782 m. (9,767), of which SEK 1,395 m. (1,351) was attributable to pension provisions. The debt/equity ratio (defined as net indebtedness divided by shareholders' equity) was 86 percent (62).

Liquid assets at the end of the period totaled SEK 857 m. (1,678).

Including minority interests, the Atlas Copco Group's shareholders' equity totaled SEK 21,714 m. (15,730), or SEK 104 per share (86). The equity/assets ratio was 40 percent (42).

#### Investments

Investments in property and machinery totaled SEK 196 m. (207). Investments in rental equipment reached SEK 579 m. (319). During the period, total depreciation on these two asset groups was SEK 714 m. (373), while amortization of intangible assets equaled SEK 156 m. (101).

#### Distribution of shares

Share capital amounted to SEK 1,048 m. at the end of the period, distributed as follows.

Class of share	Shares outstanding
A shares	139,899,016
B shares	69,703,168
Total	209,602,184

To strengthen the Group's capital base and enhance financial flexibility following the acquisition of Rental Service Corporation, an Extraordinary General Meeting held on September 6, 1999, approved the issue of new shares with preferential rights to existing shareholders.

26.1 million new shares were issued at a subscription price

of SEK 160 per share at a ratio of 1:7. In October 1999, the issue provided the Company with net proceeds of approximately SEK 4.1 billion.

#### Personnel

On March 31, 2000, the number of employees was 26,053 (23,028). For comparable units, the number of employees decreased by 443 compared to March 1999.

#### Structural changes affecting the reporting period

In January–March 2000, Rental Service Corporation (the RSC division) completed 9 acquisitions of rental companies in the United States, adding 14 locations, with some SEK 80 m. in annual revenues.

In August–December 1999, RSC completed 6 acquisitions of rental companies in the United States, adding a total of 9 locations, with some SEK 40 m. in annual revenues.

On October 29, 1999, Tool Technics NV, Belgium, was acquired. Tool Technics, with 32 employees, specializes in the service of power tools and equipment for the industrial sector. Tool Technics is now part of the Industrial Tools and Equipment division.

On August 31, 1999, Atlas Copco divested its motion control business, Atlas Copco Controls, which was part of the Industrial Tools and Equipment division. Atlas Copco Controls had 235 employees and revenues of approximately SEK 470 m. in 1998.

On July 29 1999, Atlas Copco acquired Rental Service Corporation (RSC), a company publicly traded on the New York Stock Exchange. For the most recent 12-month period, at the time of the acquisition, RSC reported revenues of approximately SEK 5,520 m. and an operating margin of 17 percent. Total consideration included approximately SEK 5,990 m. cash paid for all shares in the company and SEK 7,790 m. of assumed debt. The acquisition is expected to have a positive impact on earnings for the first full year. Synergies are expected to yield approximately SEK 160 m. in the first full calendar year, increasing as the business grows. At the acquisition date, RSC had 3,600 employees, operated more than 270 equipment rental locations in 29 states, and served a base of more than 200,000 customers. RSC is a division in the Rental Service business area.

On July 1, 1999, ABIRD Holding BV, the Netherlands, was acquired by Atlas Copco. ABIRD is a specialty rentals company. The company has 25 employees and had annual sales of about SEK 40 m. in 1998. ABIRD is part of the Atlas Copco Portable Air division.

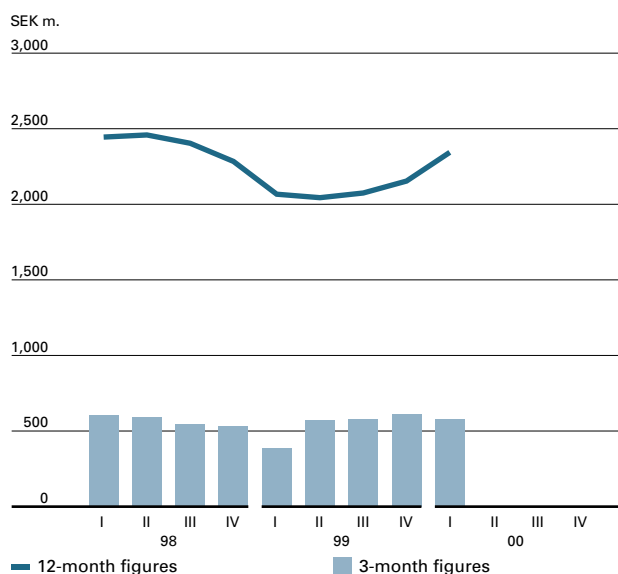
#### Business Areas

##### Compressor Technique

The Compressor Technique business area consists of five divisions in the following product areas: industrial compressors, portable compressors, generators, and gas and process compressors.

Orders received during the period increased 18 percent to SEK 3,741 m. (3,171) corresponding to 19 percent in volume when adjusted for a 1 percent negative currency impact. Most product areas recorded very strong order intake compared to the relatively weak first quarter previous year, but also compared to the fourth quarter of 1999. Strong orders for large industrial compressors, mainly oil-free, confirmed an

## Compressor Technique, Operating Profit



improvement in the investment related demand. Sales of small and medium-sized compressors, with value-added features like compact design and the energy-saving Variable Speed Drive (VSD), continued to grow. Also portable compressors and generators, mainly serving the construction sector, had a strong quarter.

Sales in Europe improved during the period, with continued robust growth in the south and east and a return to growth in markets like Germany and the UK. After a slow period in the US, the first quarter produced a good order level also from customers outside the equipment rental sector. In the period, sales in South America, as well as in all Asian markets, continued to improve from the depressed levels experienced a year ago.

Revenues increased 13 percent, 14 percent in volume, to SEK 3,345 m. (2,971).

Operating profit improved sharply by 49 percent, to SEK 580 m. (390), resulting in an operating margin of 17.3 percent (13.1). The effects of higher volumes and consequently a better capacity utilization in the factories were the main reason for the profit increase. A higher portion of after market sales compared to last year also contributed to the better result.

## Construction and Mining Technique

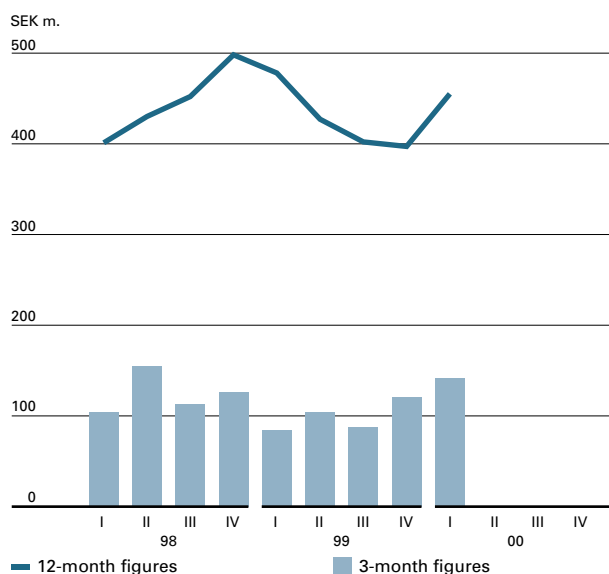
The Construction and Mining Technique business area consists of five divisions in the following product areas: drilling rigs, rock drilling tools, construction tools, and loading equipment.

Orders received during the period were SEK 1,775 m. (1,445), up 23 percent overall and 18 percent in volume, compared to a weak first quarter in the preceding year. There was a positive currency effect of 4 percent.

A highlight of the quarter is the mining industry, which has started to invest again in all regions such as Latin America, Russia, and South Africa, resulting in good demand levels for underground drilling rigs and rock drilling tools.

Orders from the construction industry continued to increase, thanks primarily to sales of recently introduced surface drilling rigs, which have been well received by the market. The construction activity levels in Europe were mixed, with some important infrastructure projects in the alpine and southern regions, but

## Construction and Mining Technique, Operating Profit



weak in other countries. Following the strong recovery in Asia, signs of increased demand from the construction industry are now generally visible.

Revenues totaled SEK 1,650 m. (1,353), up 22 percent in all of which 18 percent in volume.

Operating profit increased to SEK 142 m. (84), up 69 percent from previous year. This corresponds to a margin of 8.6 percent (6.2). The substantially higher sales volume explained most of the increase in profit compared to the same quarter in 1999.

## Industrial Technique

The Industrial Technique business area consists of four divisions in the following product areas: industrial power tools, professional electric tools and assembly systems.

Orders received in the first quarter increased 5 percent, to SEK 2,740 m. (2,610). Volumes were up 8 percent, while the net effect of currencies and the divestment of Atlas Copco Controls was -3 percent.

Order intake for industrial power tools from the motor vehicle industry remained on a high level, and was particularly strong in North America. The weaker demand for standard products from general industry continue to have a negative effect on some of the tool brands.

Demand for professional electric tools in North America remained on a high level and in Europe the order intake is improving, after a long period of decline. This increase is noticeable for the Atlas Copco brand as well as for AEG.

Revenues increased 7 percent, to SEK 2,619 m. (2,448), compared to the first quarter in 1999. The corresponding volume gain was 9 percent.

Operating profit increased by 22 percent to SEK 263 m. (216), equal to a profit margin of 10.0 percent (8.8). The better profit margin was mostly due to higher sales volumes and efficiency improvements, while currencies had a negative effect compared to the same quarter in 1999.

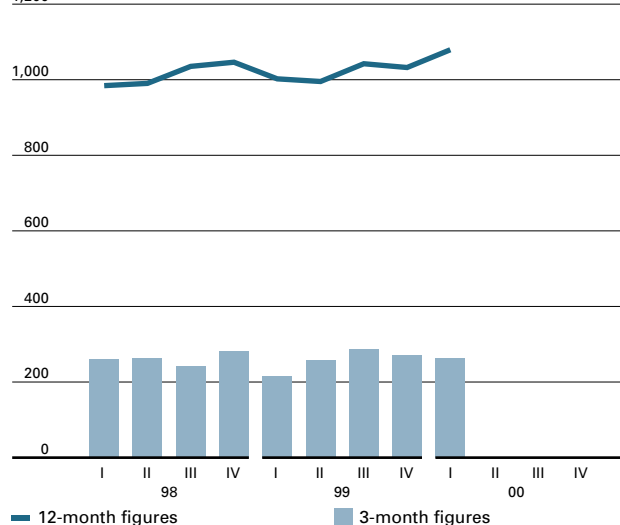
## Rental Service

The Rental Service business area consists of two divisions in

## Industrial Technique, Operating Profit

SEK m.

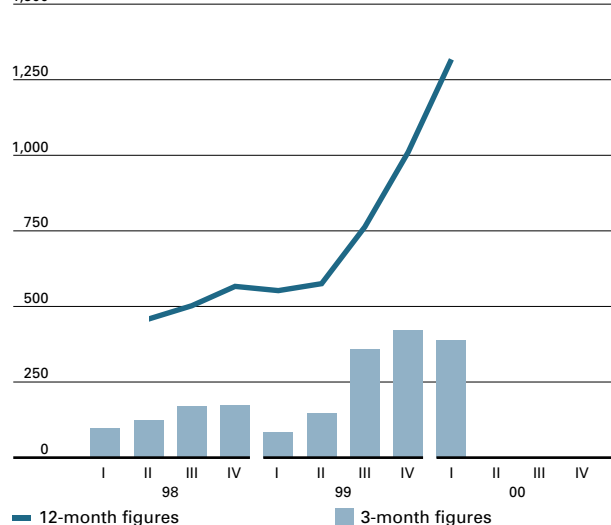
1,200



## Rental Service, Operating Profit

SEK m.

1,500



the equipment rental industry in the US, providing services to construction and industrial markets.

Revenues during the period rose 179 percent, to SEK 3,023 m. (1,082), corresponding to a volume growth of 11 percent after excluding acquisition, currency translation and price effects. On average rental rates were about 3–4 percent lower, than in the first quarter of 1999. Rental revenues accounted for 70 percent of total revenues and recorded a volume growth of 14–15 percent. Sales of equipment, parts and merchandise represented 19 percent of revenues while sale of used equipment accounted for 11 percent.

Non-residential building, the biggest customer segment, continued on a high activity level in the period. Revenues from the industrial sector were strong, but with some signs of a weakening by the end of the period. The rental operations in Mexico and Canada are now giving good contribution to the overall growth.

Operating profit, which includes all related goodwill amortization, was SEK 390 m. (83), corresponding to an operating margin of 12.9 percent (7.7). Due to seasonality the first quarter is normally the weakest of the year. The improvement in margin over 1999 was due to better fleet utilization in Prime and the contribution of the RSC acquisition. During the first quarter the two companies reduced the number of employees by about 175 people.

Stockholm, April 27, 2000

Giulio Mazzalupi  
President and Chief Executive Officer

*The interim report on the Atlas Copco Group's operations for the second quarter of 2000 will be published on August 8, 2000.*

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Overhead presentations from Atlas Copco

For your convenience, an overhead presentation of Atlas Copco's first quarter result is published on Atlas Copco's Internet site. Please go to [www.atlas copco.com](http://www.atlas copco.com) > Investor Relations > Presentations > Investor Presentations.

More information is available at [www.atlas copco.com](http://www.atlas copco.com)

## Revenues by Business Area

SEK m. (January–March)	1998	1999	2000
Compressor Technique	3,384	2,971	3,345
Construction and Mining Technique	1,479	1,353	1,650
Industrial Technique	2,445	2,448	2,619
Rental Service	878	1,082	3,023
Eliminations	-78	-103	-120
Atlas Copco Group	8,108	7,751	10,517

SEK m. (by quarter)	1	2	3	1999	2000
Compressor Technique	2,971	3,422	3,288	3,521	3,345
Construction and Mining Technique	1,353	1,477	1,323	1,572	1,650
Industrial Technique	2,448	2,645	2,522	2,730	2,619
Rental Service	1,082	1,202	2,335	2,815	3,023
Eliminations	-103	-127	-111	-131	-120
Atlas Copco Group	7,751	8,619	9,357	10,507	10,517

## Earnings by Business Area

SEK m. (January–March)	1998	1999	2000
Compressor Technique	607	390	580
Construction and Mining Technique	104	84	142
Industrial Technique	260	216	263
Rental Service	97	83	390
Corporate items	-25	-48	-47
Operating profit	1,043	725	1,328
Financial income and expenses	-162	-168	-385
Profit after financial items	881	557	943

SEK m. (by quarter)	1	2	3	1999	2000
Compressor Technique	390	572	579	612	580
Construction and Mining Technique	84	104	88	121	142
Industrial Technique	216	257	288	271	263
Rental Service	83	146	359	422	390
Corporate items	-48	-17	-31	-26	-47
Operating profit	725	1,062	1,283	1,400	1,328
Financial income and expenses	-168	-194	-318	-378	-385
Profit after financial items	557	868	965	1,022	943