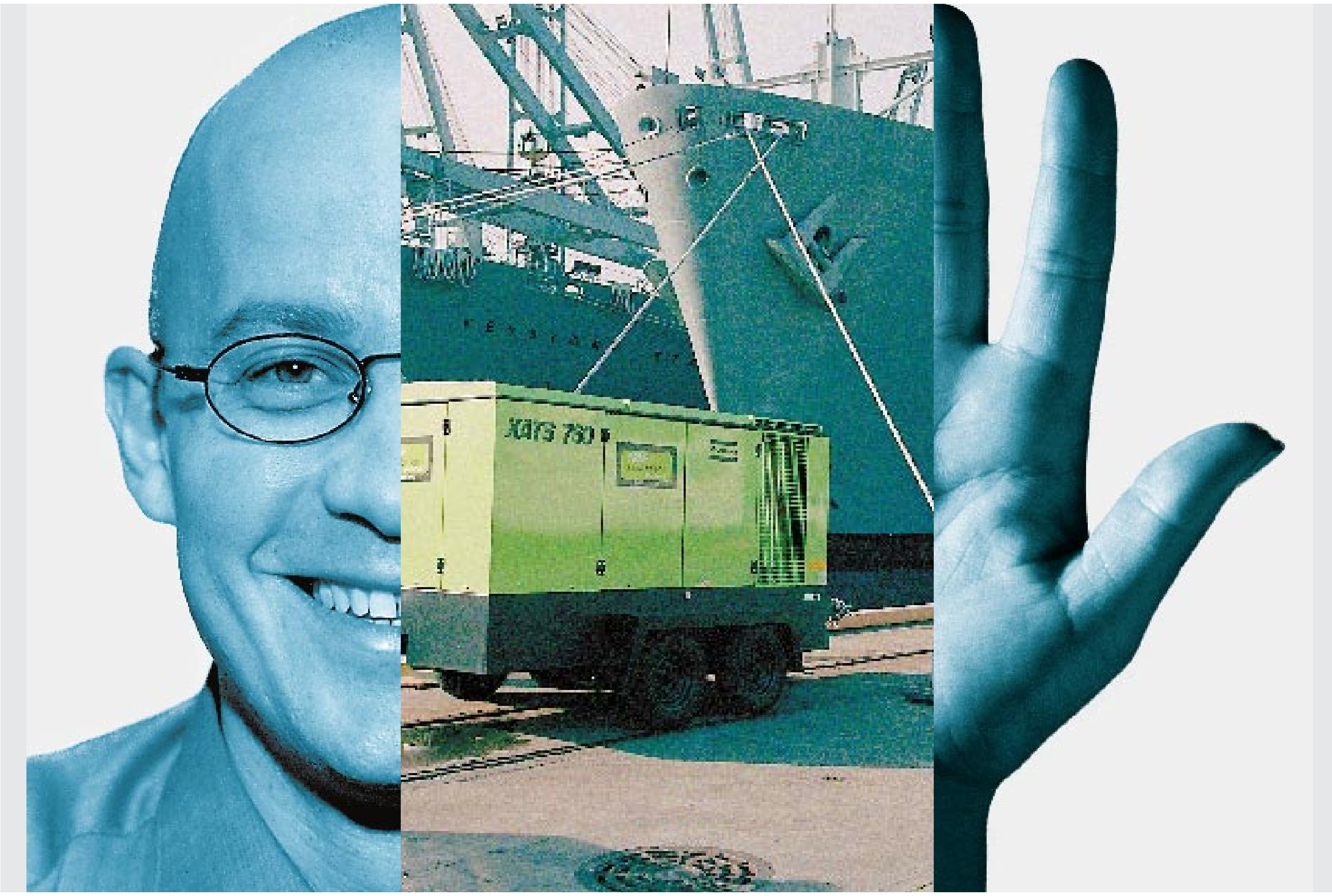
Atlas Copco Three months ended March 31, 1999

Q1



Atlas Copco's revenues for the first quarter was SEK 7,751 m. Operating profit decreased 30 percent to SEK 725 m. Earnings per share decreased to SEK 1.95, compared to SEK 3.06 the preceding year.

Income Statement

SEK m.	3 months ended March 31 1998	3 months ended March 31 1999	12 months ended March 31 1998	12 months ended Dec. 31 1998	12 months ended March 31 1999
Revenues	8,108	7,751	31,734	33,740	33,383
Operating expenses	–7,065	–7,026	–27,626	–29,395	–29,356
Operating profit	1,043	725	4,108	4,345	4,027
Financial income and expenses	–162	–168	–442	–708	–714
Profit after financial items	881	557	3,666	3,637	3,313
as a percentage of revenues	*10.9*	*7.2*	*11.6*	*10.8*	*9.9*
Taxes	–313	–196	–1,304	–1,322	–1,205
Minority interest	–7	–3	–33	–32	–28
Net profit	561	358	2,329	2,283	2,080
Earnings per share, SEK	*3.06*	*1.95*	*12.69*	*12.44*	*11.33*
Return on capital employed before tax, %			*19.9*	*17.2*	*15.8*
Return on equity after tax, %			*17.9*	*16.1*	*14.2*
Debt/equity ratio, %			*71.2*	*65.0*	*62.1*
Rate of equity, %			*39.9*	*41.6*	*42.3*
Number of employees at end of period			*23,970*	*23,393*	*23,028*

Balance Sheet

SEK m.	March 31, 1998	Dec. 31, 1998	March 31, 1999
Intangible fixed assets	11,098	11,311	11,492
Other fixed assets	9,782	10,697	10,803
Inventories	5,602	5,383	5,527
Receivables	7,272	7,657	7,670
Cash, bank, and short-term investments	1,781	2,118	1,678
Total assets	35,535	37,166	37,170
Equity	13,987	15,267	15,529
Minority interest	189	198	201
Interest-bearing liabilities and provisions	11,874	12,170	11,445
Non-interest-bearing liabilities and provisions	9,485	9,531	9,995
Total liabilities and equity	35,535	37,166	37,170

Cover
As of January 1, 1999, Rentals Service is Atlas Copco's fourth business area, and Prime Service is its only division. Prime Service rents equipment to the construction and industrial market.

Weak Start of the Year

Interim Report on the three months ended March 31, 1999 (unaudited)

The Atlas Copco Group's revenues for the first three months of 1999 decreased 4 percent, to SEK 7,751 m. (8,108). Orders received decreased 3 percent, to SEK 8,156 m. (8,404). Foreign exchange fluctuations had a positive translation effect of 1 percentage point.

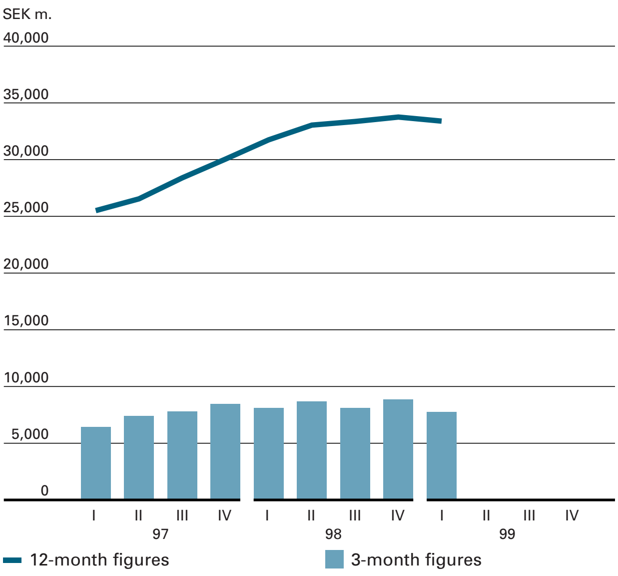
	January–March		Change
SEK m.	1999	1998	%
Revenues	7,751	8,108	–4
Operating profit	725	1,043	–30
– as a percentage of revenues	9.4	12.9	
Profit after financial items	557	881	–37
– as a percentage of revenues	7.2	10.9	
Earnings per share, SEK	1.95	3.06	–36

The Atlas Copco Group's profit after financial items decreased, to SEK 557 m. (881). The profit margin was 7.2 percent (10.9).

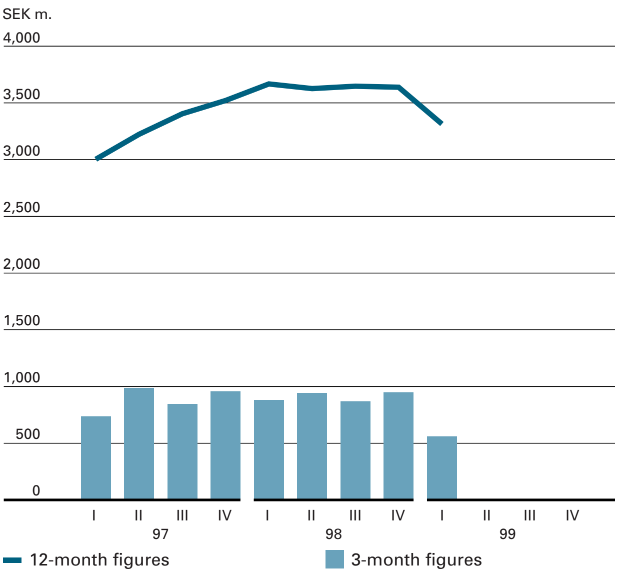
Outlook The outlook for Europe is still somewhat weak, mainly owing to continued low business confidence in Germany, although some sectors, such as the automotive industry, are expected to remain strong. Demand in North America is expected to remain at a healthy level. For the Asian region, growth in some markets, from a low level, is expected to compensate for the negative trend in demand in Japan. In South America, the extremely poor business conditions are expected to continue, mainly as a result of high interest rates and low metal prices. The latter is also expected to cause lower demand in southern Africa, while northern Africa and the Middle East should benefit from recent increases in oil prices.

The overall demand for Atlas Copco's products is expected to remain at the present level in the near term. Operating profit margins are expected to benefit from the improvements in the cost structure made in the first quarter.

Revenues



Profit after Financial Income and Expenses



Market development

Demand in Europe weakened with some exceptions, notably southern Europe. In Great Britain, the manufacturing industry remained at a low level of activity. In the United States, demand for electric power tools and equipment rental continued to expand, while orders related to investments in the process industries were weak. Construction activity remained at a healthy level. Demand in Latin America fell dramatically during the period. High interest rates and general financial instability, mainly in Brazil, and low metal and oil prices affected investments in the region very negatively. Asian markets remained weak, and Japan continued trending down. Demand in Africa and the Middle East was also weak, as a result of low commodity prices. Demand from the mining industry for investment goods decreased further worldwide.

Sales development

Orders received were SEK 8,156 m., 3 percent less than in the same period the preceding year owing to particularly poor sales in January and February. The performance of the four business areas varied widely, from satisfactory growth to a substantial decrease. Prices were on average unchanged, while changes in foreign exchange rates had a positive effect of 1 percentage point. Revenues decreased by 4 percent to SEK 7,751 m.

Geographic distribution of orders received (%)

January–March	1999	1998
Europe	42	41
North America	39	35
South America	4	6
Africa/Middle East	5	6
Asia/Australia	10	12

Earnings

Operating profit decreased by SEK 318 m., to SEK 725 m. (1,043), or 30 percent compared to the strong first quarter of 1998. Profit dropped steeply mainly owing to the volume decrease and an unfavorable shift in the overall composition of volumes, with declines concentrated in some of the most profitable businesses. Adjustments in the operating units to adapt to a lower level of activity, also had a negative impact in the first quarter. The costs of these adjustments were similar in size to those included in the third and fourth quarters of 1998. The recent favorable changes in exchange rates, that is, the U.S. dollar strengthening against the euro and Swedish krona, had only marginal effects in the first quarter as a result of normal hedging of foreign currency flows. Operating margins dropped, to 9.4 percent (12.9).

Net financial items amounted to SEK –168 m. (–162), of which net interest items accounted for SEK –165 m. (–160). Net interest from exchange rate hedging on foreign net assets was negative, at SEK –6 m., compared to a positive SEK 2 m. in the preceding year.

Profit after financial items decreased 37 percent, to SEK 557 m. (881). The profit margin was 7.2 percent (10.9).

Net profit for the quarter totaled SEK 358 m. (561), or SEK 1.95 per share (3.06).

The return on capital employed during the 12 months to March 31, 1999, was 16 percent (20), and return on shareholders' equity 14 percent (18).

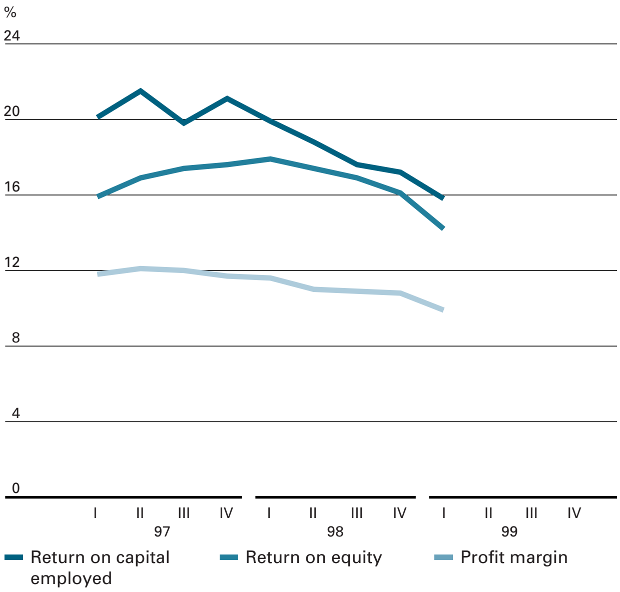
Cash flow and net indebtedness

The operating cash surplus after tax for the first three months of 1999 reached SEK 748 m. (750), corresponding to 10 percent (9) of Group revenues.

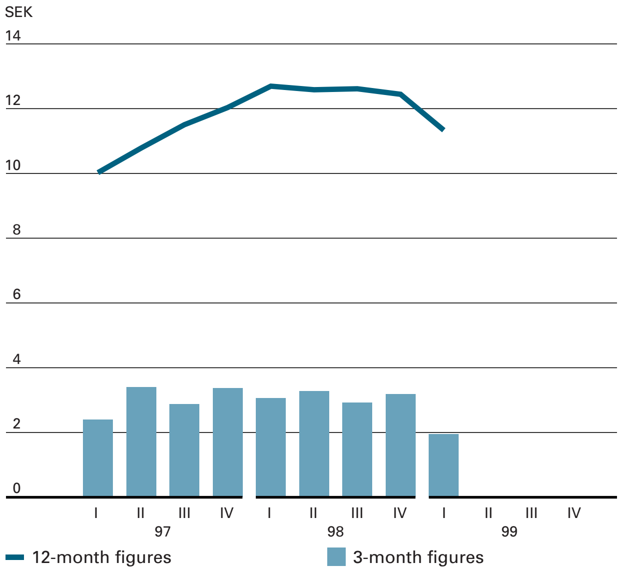
Working capital decreased SEK 350 m. (increased 263) during the period affecting positively the cash flow from operations, which increased to SEK 1,098 m. (487).

Investment in tangible fixed assets was SEK 526 m. (483). Net cash flow equaled SEK 632 m. (162).

Return and Profit Margin, 12-month figures



Earnings per Share



Summary cash-flow analysis

	January–March	
SEK m.	1999	1998
Operating cash surplus after tax	748	750
of which depreciation added back	*474*	*481*
Change in working capital	350	–263
Cash flow from operations	1,098	487
Investments in tangible fixed assets	–526	–483
Sale of tangible fixed assets	186	305
Company acquisitions/divestments	–126	–147
Cash flow from investments	–466	–325
Net cash flow	632	162
Change in interest-bearing liabilities	–1,016	21
Cash flow after financing	–384	183
Liquid funds at year start	2,118	1,613
Translation difference	–56	–15
Liquid funds at period end	1,678	1,781

The Group's net indebtedness (defined as the difference between interest-bearing liabilities and liquid assets) amounted to SEK 9,767 m. (10,093), of which SEK 1,351 m. (1,940) was attributable to pension provisions. The decrease in pension provisions reflected the creation in the first quarter of 1999 of a pension trust in Sweden that is not consolidated in the Group's accounts. The amount, SEK 522 m., simultaneously reduced liquid assets and thus did not affect reported net indebtedness. The debt/equity ratio, defined as net indebtedness divided by shareholders' equity, was 62 percent (71).

Liquid assets at the end of the period totaled SEK 1,678 m. (1,781).

Including minority interests, the Atlas Copco Group's shareholders' equity totaled SEK 15,730 m. (14,176), or SEK 86 per share (77). The equity/assets ratio was 42 percent (40).

Investments

Investments in property and machinery totaled SEK 207 m. (160). Investments in rental equipment reached SEK 319 m. (323). During the period, total depreciation on these two asset groups was SEK 373 m. (354).

Distribution of shares

Share capital amounted to SEK 918 m. at the end of the period, distributed as follows.

Class of share	Shares outstanding
A shares	122,497,590
B shares	61,018,330
Total	183,515,920

Personnel

At March 31, 1999, the number of employees was 23,028 (23,970). For comparable units, the number of employees decreased by 500 in the first quarter of 1999.

Year 2000 readiness

In March 1996, Atlas Copco initiated a Group-wide survey of computer systems in use. Every site reported on the present status of its systems and its action plans to handle the year-2000 issue for those systems that were not judged year-2000 compliant. Year-2000 follow-up is on the agenda of the Business Board at each division and site, and status reports are mandatory items at Board Meetings. All costs for modifications to comply with the year 2000 are charged as operational costs.

Group Management believes that, based on the Group-wide survey and actions already taken and now under way, the remaining costs to the Group to become year-2000 compliant will not have a material effect on the Group's financial position or the results of operations. Management further believes that modifications to existing software and conversions to new systems will avoid any significant problems being caused in its computer systems by the year 2000. However, the operations of Atlas Copco's computer systems are vulnerable to third parties', principally suppliers', possible failure to remedy their own year-2000 issues. To the extent that systems by third parties on which Atlas Copco's systems rely are not converted in time, there can be no assurance that such third parties' non-compliance would not have a material effect upon the Group's systems.

Structural changes affecting the reporting period

As of January 1, 1999, Rental Service is the fourth business area, and Prime Service is its only division. Prime Service constituted a separate division in the Compressor Technique business area throughout 1998.

Effective January 1, 1999, Rand-Air Ltd., South Africa, was acquired by Atlas Copco. Rand-Air is a compressor rental company. The company has about 200 employees and annual sales of roughly SEK 90 m. and is part of the Portable Air division.

Effective November 1998, Atlas Copco acquired JKS Boyles, a Canadian manufacturer of exploration drilling rigs. The company has 79 employees and annual sales of about SEK 115 m. JKS Boyles is part of the Atlas Copco Craelius division.

Effective October 1, 1998, Atlas Copco combined the operations of its U.S. subsidiaries Atlas Copco Rental, Inc., and Prime Service, Inc., to better meet the needs of industrial companies for rental equipment.

During 1998, the Prime Service division acquired three equipment rental companies in the U.S. and Mexico, with aggregate annual revenues of roughly SEK 340 m.

Business areas

Starting in 1999, reported orders and revenues by business area also include intercompany sales to other business areas. Figures for 1998 have been adjusted accordingly.

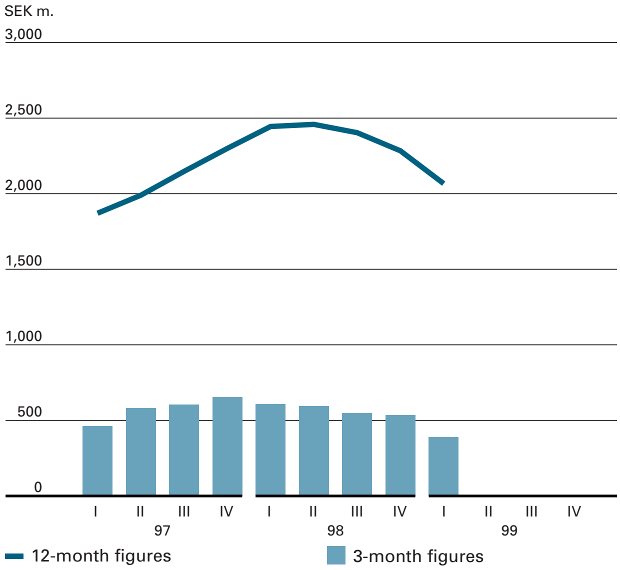
Compressor Technique

The Compressor Technique business area consists of five divisions in the following product areas: Industrial compressors, Portable compressors, and Gas and process compressors.

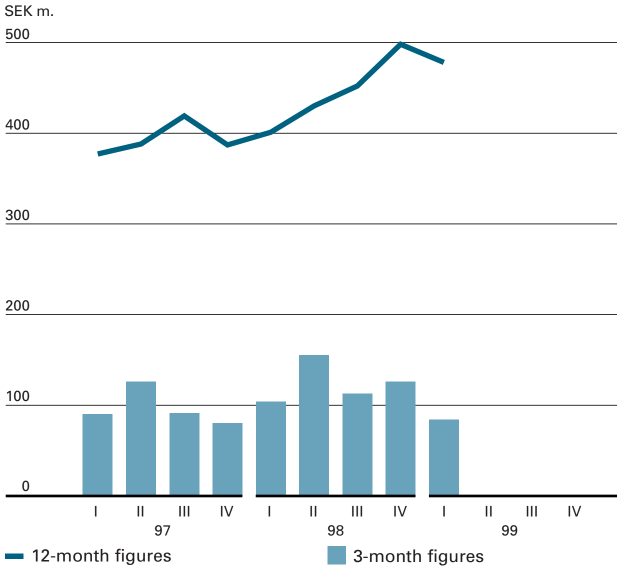
Orders received during the period declined 9 percent, to SEK 3,171 m. (3,484). Sales in Europe slowed in many markets, and Latin America, particularly Brazil, performed very poorly. Orders received for large compressors decreased more than the average. A significant part of this decrease was related to the U.S. The industrial compressor range that was launched in the latter part of 1998 continued to sell well. Portable compressors enjoyed healthy demand from the equipment rental industry, while other segments declined.

Revenues decreased 12 percent, to SEK 2,971 m. (3,384). Invoicing from the main compressor facility in Belgium, mainly of spare parts, was negatively affected by start-up problems for a new logistics system.

Compressor Technique, Operating Profit



Construction and Mining Technique, Operating Profit



Operating profit fell 36 percent, to SEK 390 m. (607), resulting in an operating margin of 13.1 percent (17.9). The profit and margin weakened mainly as a result of lower volumes, changes in the product and market mix, and the start-up problems.

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 1,445 m. (1,620), down 11 percent. The divestment of the tunnel-boring business accounted for 5 percentage points of the decline. The low level of investment in the mining industry, affecting sales of drill rigs and loaders was only partly mitigated by some large orders, mainly in Canada. Construction activity remained low in Europe, while robust construction activity boosted sales in the U.S. market.

Revenues amounted to SEK 1,353 m. (1,479).

Operating profit decreased SEK 20 m., to SEK 84 m., corresponding to a margin of 6.2 percent (7.0). Less volume and costs for recently introduced products reduced operating profit.

Industrial Technique

The Industrial Technique business area consists of four divisions in the following product areas: Electric and pneumatic power tools, Assembly systems, and Motion control products.

Orders received during the period increased 5 percent, to SEK 2,610 m. (2,497). Orders from the automotive industry, particularly for assembly systems, were strong, while a slight slowdown was noted in production tools. In Japan and Brazil, however, demand from automakers was very weak. In the U.S., sales of electric power tools remained strong, while sales of industrial tools to general manufacturing were weak. Orders for electric power tools in Europe were slightly less than in the same period the preceding year.

Revenues were basically unchanged from the preceding year, at SEK 2,448 m. (2,445), but included a positive foreign exchange effect of 2 percentage points.

Operating profit decreased, to SEK 216 m. (260), as a result of changes in the product mix and an unsatisfactory cost structure in some units. The profit resulted in a margin of 8.8 percent (10.6).

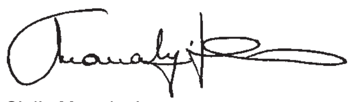
Rental Service

The Rental Service business area consists of one division in the equipment rental industry, providing services to the construction and industrial market.

Revenues during the period increased 23 percent, to SEK 1,082 m. (878). Acquired units and the industrial rental business in the U.S., transferred from Compressor Technique, accounted for about 15 percentage points of the increase. Demand from most customer and market segments remained favorable considering the seasonal nature of the business. The South was particularly strong, while activity in regions with adverse weather was lower.

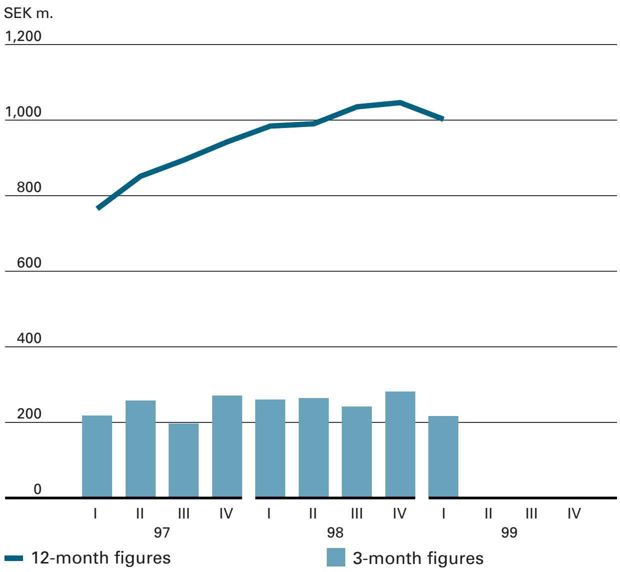
Operating profit, which includes all related goodwill amortization, was SEK 83 m. (97), corresponding to a margin of 7.7 percent (11.0). Weaker earnings resulted from a low utilization rate for the period, because of seasonally low rentals and continued investment in rental equipment. The latter applied particularly to new locations and was concentrated in the first two months of the year. Pressure on rental rates in some areas also had a negative effect on earnings.

Stockholm, April 20, 1999

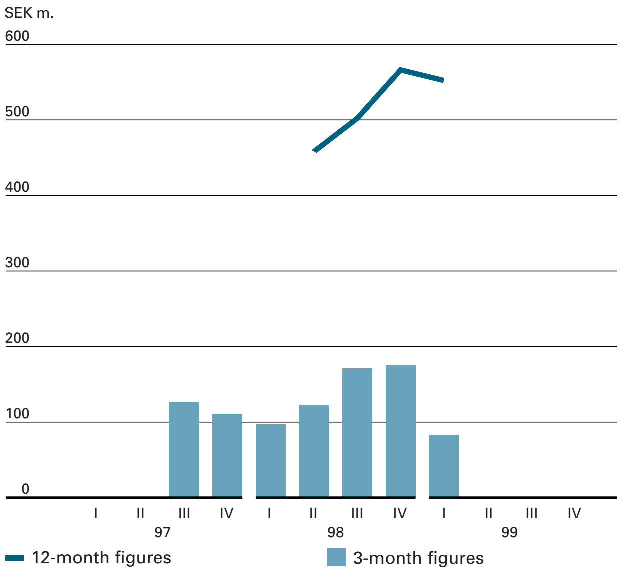


Giulio Mazzalupi
President and Chief Executive Officer

Industrial Technique, Operating Profit



Rental Service, Operating Profit



Revenues by Business Area

SEK m. (January–March)	1997	1998	1999
Compressor Technique	2,809	3,384	2,971
Construction and Mining Technique	1,458	1,479	1,353
Industrial Technique	2,139	2,445	2,448
Rental Service	–	878	1,082
Eliminations*	–	–78	–103
Atlas Copco Group	6,406	8,108	7,751

				1998	1999
SEK m. (by quarter)	1	2	3	4	1
Compressor Technique	3,384	3,460	3,230	3,466	2,971
Construction and Mining Technique	1,479	1,816	1,492	1,650	1,353
Industrial Technique	2,445	2,510	2,425	2,679	2,448
Rental Service	878	969	1,012	1,151	1,082
Eliminations*	–78	–79	–48	–101	–103
Atlas Copco Group	8,108	8,676	8,111	8,845	7,751

* Starting in 1999, revenues reported by business area also include intercompany sales to other business areas. Figures for 1998 have been adjusted accordingly.

Earnings by Business Area

SEK m. (January–March)	1997	1998	1999
Compressor Technique	462	607	390
Construction and Mining Technique	90	104	84
Industrial Technique	218	260	216
Rental Service	–	97	83
Corporate items	–22	–25	–48
Operating profit	748	1,043	725
Financial income and expenses	–13	–162	–168
Profit after financial items	735	881	557

				1998	1999
SEK m. (by quarter)	1	2	3	4	1
Compressor Technique	607	595	548	533	390
Construction and Mining Technique	104	155	113	126	84
Industrial Technique	260	264	241	281	216
Rental Service	97	123	171	175	83
Corporate items	–25	–25	–7	9	–48
Operating profit	1,043	1,112	1,066	1,124	725
Financial income and expenses	–162	–169	–199	–178	–168
Profit after financial items	881	943	867	946	557

Mazzalupi Summarizes Positive 1998

On April 20, 1999, Atlas Copco held its Annual General Meeting. During the address to the shareholders, Giulio Mazzalupi reported on the Company's performance in 1998, reflecting the effects of the Asian crisis and positive development of the Group's strategic direction "use of products".

– 1998 has been characterized by many major events, both positive and negative. The financial crisis in Asia had a deeper and more lasting effect than we had anticipated. Originating from the same crisis, the Russian and Latin American economies declined in the latter part of the year.

– On the positive side, the Group's strategic direction "use of products" has, after only 18 months, developed in line with our expectations. As a result, we have now formed a fourth business area Rental Service.

Review of 1998 results

– Atlas Copco's revenues increased by 12 percent to almost SEK 34 billion. The increase was a result of both acquisitions and some marginal volume increases. Orders received increased seven percent. For comparable units, that is without acquisitions, orders received fell 2 percent.

– Furthermore, we improved our profit level. The operating profit has increased 14 percent to SEK 4.3 billion and earnings from the rental service business was more than half of this increase. Overall, we achieved a profit margin of 10.8 percent and this is well in line with the Group's target of at least 10 percent over a business cycle. The margin corresponds to a profit per share of SEK 12.44.

– We generated a satisfactory operating cash flow in 1998, even if less than in the preceding year. This shortfall was due not only to a higher investment in rental fleet, but also had to be set against exceptionally large non-recurring inflows the year before.

– The Board is proposing an increased dividend from SEK 4.25 to SEK 4.50 per share. It is notable that this is the sixth consecutive year with an increase.

Weak first quarter

– As we had anticipated, the low business level, which prevailed in the last three months of 1998, has continued into the beginning of this year with a weak first quarter as a result. Our revenues decreased to SEK 7,751 m., some 4 percent below the same period the preceding year.

– The decrease was particularly pronounced for large compressors where sales are linked with the lower investments in the process industries, and for underground drilling rigs and loaders aimed at the mining industry. The sharp fall in the Latin American economies and the weakening demand in Europe also had a negative effect on the result.

– As a consequence, earnings were negatively affected by the drop in volume and even more by the change in the sales mix. The profit was SEK 557 m. compared with SEK 881 m. last year, a decrease of 37 percent.

– To adjust to the market decline we continued to take corrective actions with regard to cost levels, and the benefits of these actions will mainly be seen in the coming quarters.

Our values

– Our vision is to be a leader in each of our business areas. This means that we must be first in mind of our customers. We are their first choice when we give the best value. Our vision is supported by the Atlas Copco values that are shared by all people within the Group.

– We are *interactive,* which means that we listen to our customers and understand their various needs, resulting in new and better solutions to their problems. Being *committed* means we keep our promises and deliver consistently high-quality products and services. And that we believe in lasting relationships. The *innovative* spirit is vital to Atlas Copco's identity; it is the driving force that has made us an industry leader.

– But in order to achieve our vision we must constantly develop. Continuous improvements are aimed to better service our customers and safeguard short-term profit. However, we believe that breakthrough innovation, is the only way to secure our performance in the long term. To make the point, let me give you some examples of our continuous improvement activities and our innovative activities.

Investing in competence

– Competence development is important in each area of operation, and we invest continuously in training our people. For example, several divisions in Construction and Mining Technique are using interactive, computer-based training tools for both employees and customers. Our industrial tool division is running a "World class training program" also involving customers.

– The Internet will soon become the most important means of communication, not only with customers, but also with our other business contacts. It is a tool for improving interaction and building stronger relationships. That is why the Group has launched a project, which aims to develop the Internet for electronic commerce. You can already access a great deal of

In his address to the shareholders, CEO Giulio Mazzalupi, described one of the Group’s directions for growth – “use of products”. This strategy was manifested when the Group acquired Prime Service in July 1997. Prime is now the first division in the Group’s fourth business area, Rental Service, which was created at the first of January this year.

information of interest on our website as an Atlas Copco Group Shareholder.

– We have further introduced the concept of shared services within our organizations, to give our operational companies more time to focus on their core activities such as marketing, sales and service. Shared services is a way of concentrating financial and administrative tasks to a common service provider, that can do the job in the most efficient way.

Product improvements through innovation

– There has also been a number of product improvements. For example, in June last year we introduced a new range of drill rigs for underground mining. Built on a modular concept, it drastically reduces both the lead times for assembly and for service. Our customers see this as a major advantage.

– The development of new and better products has to be sustained by better territory management. We must get to know the requirements of our customers and prospects to get as much business as possible out of a given territory. The most successful in each Business Area were recognized last year with our Excellence in Sales award. We depend, in this, on the continuously improving competence of our sales people.

– We must also develop the Group through innovations, which are the drivers for long-term growth. For a start, we have launched a state-of-the-art range of compressors, which contribute to the preservation of the environment, featuring lower noise levels. As a result, they are the first compressors, which can be placed on a production line. And what is more they will consume up to 30 percent less energy.

– We have also introduced a unique turbine motor, based on new principles, which has resulted in a range of grinders, even more efficient, than the one that we presented last year. Furthermore, we also stepped up our total investment levels in research and development by 17 percent.

Multi-branding strategy

– We have a multi-branding strategy, aiming to satisfy more closely, specific customer needs. This means products, which are differentiated and marketed under various brands and, which are sold through different distribution channels. So each brand has its clear role in the market and is fully justified when it contributes to the overall results.

– Last year, Atlas Copco added four new important brands: Prime Energy, which serves industrial customers who want to rent compressors and generators. Rand-Air, providing compressor rental to customers in South Africa. Ceccato, a well-known Italian manufacturer of small and medium sized industrial com-

The Atlas Copco Group had 34 500 shareholders by the end of 1998. More than 800 turned up for the Annual General Meeting. The dividend increased from SEK 4.25 per share to SEK 4.50.

pressors. Lastly, JKS Boyles, a Canadian manufacturer of exploration drills.

Continued focus on growth

– Finally, we have a growth strategy. Two years ago we decided to put more emphasis on this approach, and increased our growth target to 8 percent on rolling average.

– To achieve our target the Group has set three clear directions for growth. First, we want to grow within our existing business, by bringing out new products, by finding new applications or expanding into new market and niches. Secondly, we want to expand in Asia. Our long-term target remains to achieve the same presence in this region as we have in Europe and in America. The third direction for growth is through the "use of products". This implies that we should be even more involved in our customers' processes than we have been in the past.

– As an example of growth within an existing business one can look at the acquisition of Ceccato through which we have increased our market coverage, chiefly in Italy. Then, we have recently set up a joint venture company in Egypt to better serve customers in this market. The acquisition of the JKS Boyles, has strengthened our position in the North American exploration drilling market.

– We have also managed to penetrate new market segments for gas and process compressors. One good example is a breakthrough order for a new fuel gas booster application; an active area, which should provide for further growth. Another niche area is the PET market – that is blowing plastic bottles – which has enjoyed brisk activity during the year.

– We have achieved sales of portable compressors and generators to the equipment rental industry, which were particularly healthy in the United States, and through the acquisition of Rand-Air we have also entered into the rental industry in South Africa. We have further improved our position in the automotive industry. In this market segment we have experienced a growing potential for providing key customers with on-site equipment and service support. One example is Jaguar in the UK.

– Sales of electric tools through so called "home centers" in the U.S. has also increased and Milwaukee has been awarded supplier of the year status, by a number of their distributors. Through the introduction of a new drive system, we have managed to penetrate the niche market for battery driven reach trucks.

– Looking at products, the new range of compressors was launched. These have been a considerable success and the product is now in use in many parts of the world. The market favorably received the new threaded rock drill bit range during 1998, which offers much improved durability, contributing to increased productivity. We also introduced a range of underground drilling rigs and, during the autumn, the first units were delivered to customers in Norway and Australia.

– The second direction for growth, is Asia. The financial crisis has had a major effect on the business in the region. Despite the sharp decline, we stick to our long-term commitment to this market, and we are investing both in people and in presence.

– For example we established our own operations both in Indonesia and Thailand during the year. We are also cooperating with one of China's most well-known universities, the Jiang Tong University in Shanghai, to train our management in that region.

Rental Service – new business area

– Customer care has always been a major part of Atlas Copco's culture. We are a direct selling company and the third direction for growth – called "use of products" – enhances this determination. The "use of products" strategy was manifested in July 1997 when Atlas Copco, through the acquisition of Prime Service, took an important step into the equipment rental market in the United States.

– It was clear to us that there was a trend on the U.S. market to rent a larger portion of construction equipment. Over a period of five years this ratio is estimated to have increased from 5 percent to 20 percent. Because of this outsourcing trend, the total market for rental equipment has been growing rapidly. It is now looked upon as an industry on its own.

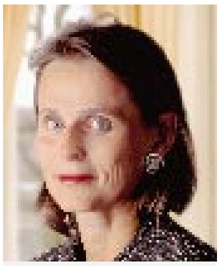
– Since joining the Group, Prime Service has been growing both organically and through acquisitions. The company has acquired eight equipment rental companies in the U.S. and Mexico. Today, Prime Service has 182 rental yards in 22 states, compared with the initial 122 rental yards 18 months ago.

– During the autumn, Prime merged with Atlas Copco Rental, our U.S. based company and together they formed a new business unit called Prime Energy. We believe that through this merger we can better serve the rental market for industrial customers. Capitalizing on the knowledge and distribution network of Prime, Prime Energy will be able to offer a broader and more targeted product range to the market.

Board of Directors and Auditors

The Meeting re-elected the following members of the Board: Anders Scharp, Sune Carlsson, Paul-Emmanuel Janssen, Lennart Jaensson, Giulio Mazzalupi, Hari Shankar Singhania, Michael Treschow and Jacob Wallenberg. Kurt Hellström and Ulla Litzén were elected new members of the Board.

The Meeting re-elected Stefan Holmström, KPMG Bohlins AB, and Peter Markborn, Arthur Andersen AB, as Auditors. Thomas Jansson, KPMG Bohlins AB, and Björn Sundkvist, Arthur Andersen AB, were re-elected as Deputy Auditors.




Ulla Litzén
Kurt Hellström

– Prime is the initial division in our new fourth business area, Rental Service, which was created at the first of January this year. We are confident that this business will continue to grow.

Time related projects

– Atlas Copco works consistently to be a leader in environmental issues. For example, all business areas have developed products that are state-of-the-art in this respect. These were designed with the operator in mind; aiming to achieve low vibration and noise levels at the same time reducing energy consumption, while protecting the environment. One good example of this is the new compressor range.

– Besides our efforts to continuously develop the most environmentally friendly products on the market we are also aiming to have all our production sites ISO 14001 certified. In fact just before the end of 1998, our compressor plant in Belgium the largest in the industry successfully completed its audit. Today, 35 percent are certified and we expect the majority to achieve this by the end of the year.

– During 1998 we also worked on a couple time related issues, one of which was to prepare ourselves for the Euro currency. This new currency is now a reality for many of our companies in their daily operations dealing with customers and prospects. The Euro introduction is expected to result in a more harmonized price level structure within the European Union and we have strategies in place to meet future developments.

– The second project is related to the millennium bug problems. Three years ago, we initiated projects across our divisions. The purpose was to protect the operation beyond year 2000. While some computer systems required modifications, others had to be completely replaced. The Group is now confident that our systems will be fully in line for year 2000. However, it is never possible to be totally sure about those systems of third parties with whom we interact, and while we have taken steps to check their functions as best we can, there will always be some doubt – until after midnight on 31st December!

Market outlook

– Let's move on and take a look at the overall demand for Atlas Copco's products in the near-term future. We foresee that the somewhat weaker demand in the European economy will continue even though some sectors, such as automotive, are expected to remain strong. Overall, Africa will remain flat still suffering from low metal prices.

– The demand in North America is expected to remain on a healthy level, while in the South American countries the extremely poor business conditions, are expected to continue, mainly because of high interest rates and low metal prices.

– Some countries in the Asia-Pacific region are showing a positive development from a low base while the concern is still the business situations of the Japanese and Chinese economies.

– All in all, demand for Atlas Copco's products is foreseen as remaining at the present level in the short-term. The operating profit margins are expected to benefit from the actions and adjustments made in the previous quarters. Mazzalupi concluded his speech by saying:

– A positive year for your company in 1998, is followed by a year with many challenges.

Rewarded for professional training program

For the third time, the Peter Wallenberg Marketing and Sales Award was presented. Its purpose is to reward extraordinary sales efforts and the introduction of new marketing and sales methods. Ignace Cappuyns, General Manager at Mauguière, France, received the award for a well-prepared and professional training program for GA compressors with the new concept of variable speed drives (VSD). Ignace Cappuyns not only developed this training package but also conducted the training himself for all business managers and in many key markets, which resulted in sales success.

The interim report on the Atlas Copco Group's operations during the second quarter of 1999 will be published on August 12, 1999.

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Financial information from Atlas Copco during 1999:

Interim Reports:

– on the first six months of operations August 12, 1999

– on the first nine months of operations October 26, 1999

More information is available at www.atlascopco.com

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