



Revenues increased by 32 percent to SEK 11,374 m. The operating margin was 13.5 percent (12.3). Earnings per share increased to SEK 3.32, compared to SEK 3.02 the preceding year.

Income Statement

SEK m.	3 months ended		6 months ended		12 months ended	
	June 30 2000	June 30 1999	June 30 2000	June 30 1999	June 2000	Dec. 1999
Revenues	11,374	8,619	21,891	16,370	41,755	36,234
Operating expenses	-9,833	-7,557	-19,022	-14,583	-36,203	-31,764
Operating profit	1,541	1,062	2,869	1,787	5,552	4,470
<i>– as a percentage of revenues</i>	<i>13.5</i>	<i>12.3</i>	<i>13.1</i>	<i>10.9</i>	<i>13.3</i>	<i>12.3</i>
Financial income and expenses	-411	-194	-796	-362	-1,492	-1,058
Profit after financial items	1,130	868	2,073	1,425	4,060	3,412
<i>– as a percentage of revenues</i>	<i>9.9</i>	<i>10.1</i>	<i>9.5</i>	<i>8.7</i>	<i>9.7</i>	<i>9.4</i>
Taxes	-419	-285	-766	-481	-1,422	-1,137
Minority interest	-15	-6	-25	-9	-44	-28
Net profit	696	577	1,282	935	2,594	2,247
<i>Earnings per share, SEK</i>	<i>3.32</i>	<i>3.02</i>	<i>6.12</i>	<i>4.89</i>	<i>12.73</i>	<i>11.50</i>
<i>Return on capital employed before tax, %</i>					<i>15</i>	<i>14</i>
<i>Return on equity after tax, %</i>					<i>14</i>	<i>14</i>
<i>Debt/equity ratio, %</i>					<i>99</i>	<i>92</i>
<i>Rate of equity, %</i>					<i>38</i>	<i>39</i>
<i>Number of employees at end of period</i>					<i>26,349</i>	<i>26,134</i>

Balance Sheet

SEK m.	June 30, 2000	Dec. 31, 1999	June 30, 1999
Intangible fixed assets	19,277	18,851	11,617
Other fixed assets	20,647	18,702	10,893
Inventories	5,625	5,348	5,351
Receivables	10,393	9,463	7,903
Cash, bank, and short-term investments	1,001	1,286	1,463
Total assets	56,943	53,650	37,227
Equity	21,380	20,885	15,363
Minority interest	195	192	190
Interest-bearing liabilities and provisions	22,341	20,611	11,790
Non-interest-bearing liabilities and provisions	13,027	11,962	9,884
Total liabilities and equity	56,943	53,650	37,227

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 rental 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.

Strong order growth in the second quarter

Interim report as per June 30, 2000 (unaudited)

- Orders received increased 33 percent in the second quarter to SEK 11,620 m., corresponding to a strong volume increase of 13 percent.
- Revenues increased 32 percent to SEK 11,374 m.
- Operating margin increased to 13.5 percent (12.3).
- Improved operating margins for all business areas.
- Earnings per share increased to SEK 3.32 (3.02).

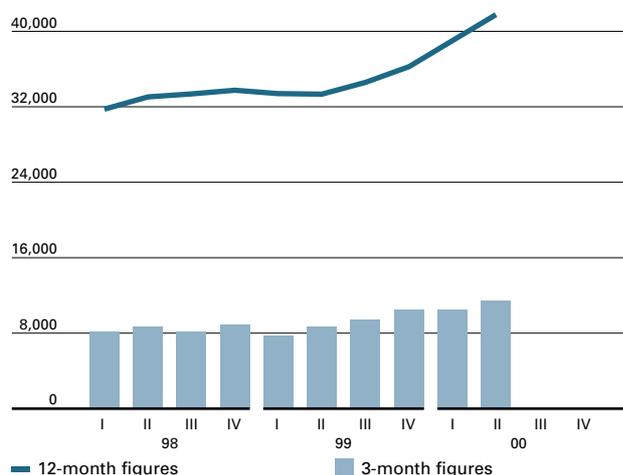
	2000	April–June 1999	Change %	January–June 2000	January–June 1999	Change %
Orders received	11,620	8,743	+33	22,708	16,900	+34
Revenues	11,374	8,619	+32	21,891	16,370	+34
Operating profit	1,541	1,062	+45	2,869	1,787	+61
– as a percentage of revenues	13.5	12.3		13.1	10.9	
Profit after financial items	1,130	868	+30	2,073	1,425	+45
– as a percentage of revenues	9.9	10.1		9.5	8.7	
Earnings per share*, SEK	3.32	3.02		6.12	4.89	

* Number of shares: 209.6 m. (183.5)

Near-term outlook Overall, the strong demand for Atlas Copco's products and services is expected to continue in the near term. North American demand is still foreseen to improve in spite of signs of a slowdown in some sectors of the economy. Demand for rental equipment is expected to continue to improve, driven by the outsourcing trend. Growth in demand for investment related products is also anticipated from the process industry. The outlook for Europe remains positive, with the prospect of more new investments from the construction and process industries. In Asia, the strong positive demand trend is expected to continue.

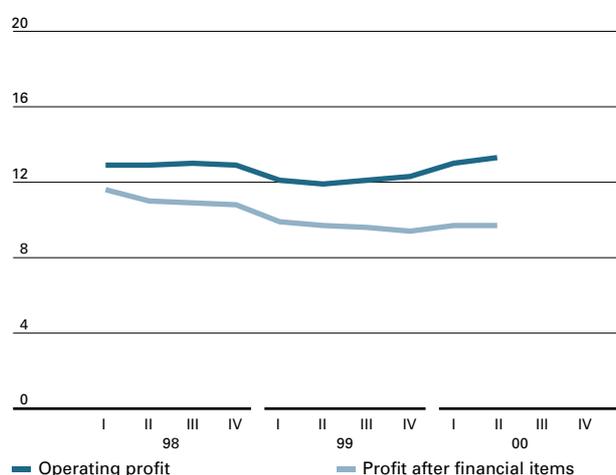
Revenues

SEK m.
48,000



Profit Margin, 12-month figures

%
24



Half-year results summary

Atlas Copco Group

The Atlas Copco Group's revenues for the first half-year increased 34 percent, to SEK 21,891 m. (16,370), corresponding to a volume increase of 11 percent for comparable units. Foreign exchange rate fluctuations had a positive translation effect of approximately 2 percentage points. Orders received increased 34 percent, to SEK 22,708 m. (16,900), corresponding to a volume increase of 13 percent.

The Group's operating profit increased to SEK 2,869 m. (1,787), corresponding to an increase of 61 percent and a profit margin of 13.1 percent (10.9). Profit after financial items amounted to SEK 2,073 m. (1,425), which corresponds to an increase of 45 percent and a margin of 9.5 percent (8.7).

During the period the insurance company SPP confirmed a refund of SEK 224 m., relating to pensions for Swedish salaried employees. The amount, which will be subject to income tax, will be recorded as income during the second half of the year when final decisions on early retirement plans, etc., have been taken.

Operating cash flow before acquisitions and dividends equaled SEK 8 m. (1,257). The large negative difference was entirely due to planned rental fleet investments in the acquired Rental Service Corporation, which are to a very large extent concentrated to the second quarter (see table on page 3).

Second quarter business review

Atlas Copco Group

Market development

Market demand in North America remained at a high healthy level in the second quarter. The industrial sector continued to improve, with high demand both for larger investment equipment and for production related products. Activity within the construction industry was strong throughout the period, benefiting both rental equipment and sales of construction related products.

In Europe, the demand level improved. However, the imbalance in the region remains, with strong demand in Great Britain,

the alpine region and some Mediterranean markets, while Germany and the Nordic countries recorded relatively slow demand during the quarter.

Demand for Atlas Copco's products and services continued to accelerate in Asia and a highlight of the quarter was the strong upturn in the Chinese economy.

The economy in South America continued to make progress and was particularly robust in Brazil. The demand trend also showed positive development in South Africa and the Middle East.

Overall, demand for mining equipment increased in most mining related countries.

Orders and revenues

Orders received were up 33 percent compared with the second quarter of 1999, to SEK 11,620 m. (8,734). This corresponds to a volume gain of 13 percent, excluding a positive currency effect of 1 percentage point and a net effect from acquisitions and divestments of 20 percent. The solid volume gain in order intake was achieved both through a strong positive market demand for Atlas Copco's products and services in all geographical regions, and through market share gains in specific product areas.

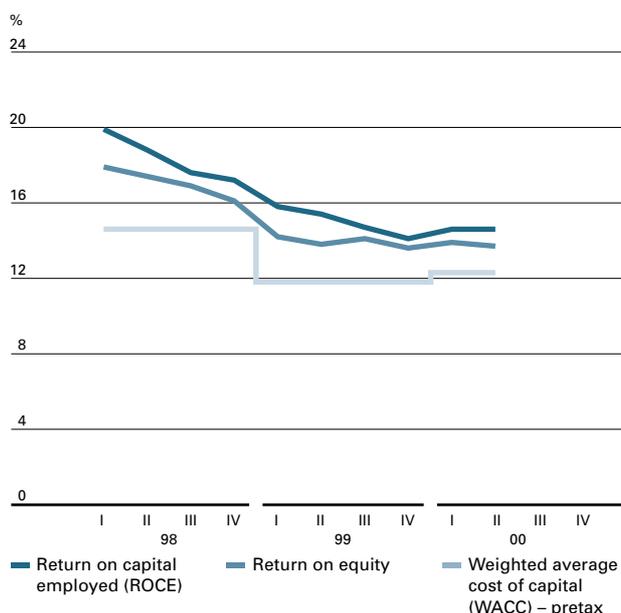
Revenues were SEK 11,374 m. (8,619), up 32 percent, corresponding to a volume gain of 11 percent for comparable units.

Earnings and returns

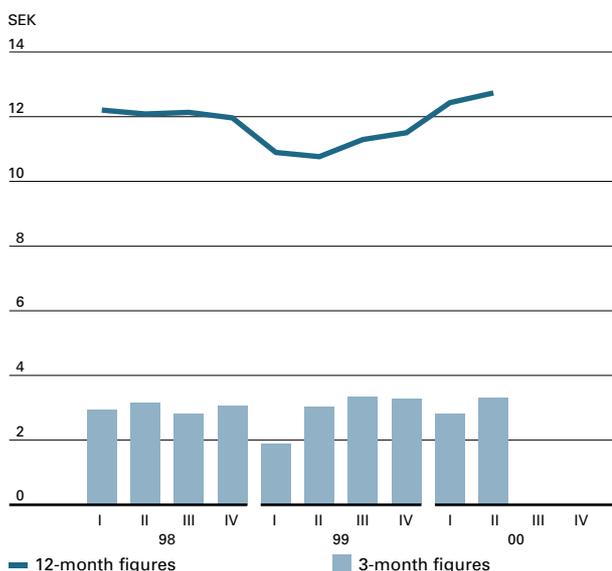
Operating profit increased in the second quarter by SEK 479 m. or 45 percent to SEK 1,541 m. (1,062). This corresponds to a margin of 13.5 percent (12.3). All four business areas showed an improvement over the previous year, primarily as a result of higher revenues, the effects of rationalization measures and the contribution from the recently acquired Rental Service Corporation. The combined effect of acquired and divested businesses accounted for about half of the profit increase. Net currency effects between the second quarters of 1999 and 2000 were marginally positive and explained only a minor part of the profit increase.

Net financial items amounted to SEK -411 m. (-194), of which net interest items accounted for SEK -394 m. (-190) and financial foreign exchange differences for SEK -17 m. (-4). The interest

Return and Cost of Capital, 12-month figures



Earnings per Share



expense increased compared with last year because of the RSC acquisition and higher interest rates. The reasons for the increase compared with the most recent quarters were the effect of the substantial rental fleet investments, the Atlas Copco AB dividend payment of SEK 996 m. in the second quarter, and the continued increase in short-term interest rates.

Profit after financial items increased by 30 percent to SEK 1,130 m. (868), corresponding to a margin of 9.9 percent (10.1).

Net profit for the quarter totaled SEK 696 m. (577), or SEK 3.32 per share (3.02).

Return on capital employed during the 12 months to June 30, 2000 was 15 percent (15) and return on shareholders' equity 14 percent (14). The Group's Weighted Average Cost of Capital (WACC) is approximately 8 percent (7), corresponding to a pretax Cost of Capital of approximately 12 percent.

Cash flow and net indebtedness

The operating cash surplus after tax for the second quarter reached SEK 1,435 m. (1,048), corresponding to 13 percent (12) of Group revenues.

Working capital increased SEK 204 m. (181) during the period as a consequence of higher sales volumes. Working capital efficiency (measured as a turnover ratio) improved, particularly for inventories.

Cash flow from operations increased to SEK 1,231 m. (867).

Net investment in tangible fixed assets was SEK 2,310 m. (368) in the quarter. The sharp increase compared with the previous year was planned and attributable to the acquisition of Rental Service Corporation and its heavy seasonal investments in rental fleet, which are to a very large extent concentrated to the second quarter (see Investments below).

Net cash flow after total dividends paid of SEK 1,007 m. (829) equaled SEK -2,236 m. (-315).

Summary cash-flow analysis

SEK m.	April-June		January-June	
	2000	1999	2000	1999
Operating cash surplus after tax	1,435	1,048	2,731	1,796
<i>of which depreciation added back</i>	942	494	1,812	968
Change in working capital	-204	-181	-184	169
Cash flow from operations	1,231	867	2,547	1,965
Investments in tangible fixed assets	-2,775	-563	-3,550	-1,089
Sale of tangible fixed assets	465	195	1,011	381
Company acquisitions/divestments	-150	15	-284	-111
Cash flow from investments	-2,460	-353	-2,823	-819
Dividends paid	-1,007	-829	-1,007	-829
Net cash flow	-2,236	-315	-1,283	317
Change in interest-bearing liabilities	2,377	86	998	-930
Cash flow after financing	141	-229	-285	-613
Liquid funds at beginning of period	857	1,678	1,286	2,118
Translation difference	3	14	0	-42
Liquid funds at period-end	1,001	1,463	1,001	1,463

The Group's net indebtedness (defined as the difference between interest-bearing liabilities and liquid assets) amounted to SEK 21,340 m. (10,327), of which SEK 1,380 m. (1,414) was attributable to pension provisions. The debt/equity ratio (defined as net indebtedness divided by shareholders' equity) was 99 percent (66).

Investments

Gross investments in property and machinery totaled SEK 265 m.

(171). Gross investments in rental equipment reached SEK 2,510 m. (392). In line with the plan for rental fleet investments in Rental Service, the second quarter has by far the highest investments during the year. Total depreciation on these two asset groups was SEK 225 m. (197) and SEK 558 m. (191) respectively, while amortization of intangible assets equaled SEK 159 m. (106).

People

At June 30, 2000, the number of employees was 26,349 (22,428). For comparable units, the number of employees increased by 236 compared with June 1999.

Following the Group's strategy to grow in the use-of-products, the people working in service positions increased during the second quarter by four percentage points to 35 percent in June 2000 (31 percent in March 2000).

The Group strongly believes that job mobility is a key ingredient to safeguard ongoing competence development. In the second quarter of 2000, 7 percent of salaried employees in the Group were working in new positions.

Distribution of shares

Share capital amounted to SEK 1,048 m. (918) 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

In 1999, 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.

Compressor Technique Business Area

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

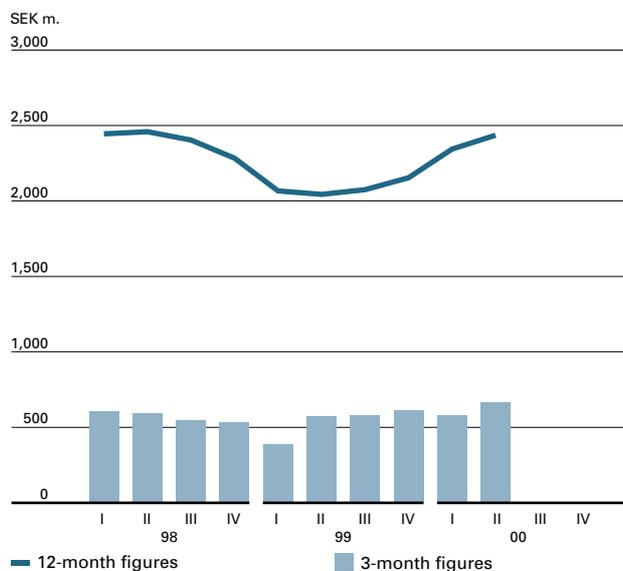
	April-June			January-June		
	2000	1999	Change %	2000	1999	Change %
Orders received	3,879	3,433	+13	7,620	6,604	+15
Revenues	3,625	3,422	+6	6,970	6,393	+9
Operating profit	664	572	+16	1,244	962	+29
<i>- as a percentage of revenues</i>	18.3	16.7		17.8	15.0	

- Overall strong sales growth.
- Successful launch of new larger size Variable Speed Drive (VSD) compressors.
- Atlas Copco Rotoflow was divested on April 24, 2000.

The order intake increased 13 percent to SEK 3,879 m. (3,433) in the second quarter, corresponding to 17 percent in volume when adjusted for a 3 percent negative currency impact. The divestment of Rotoflow and prices only had marginal effects.

Overall, sales volume was up for all product areas. The strong sales development in the U.S. in the first quarter continued in the second, with good increases in order intake for both oil-injected and oil-free industrial compressors. Sales also continued to increase in Europe, supported by a pick-up in demand in Great

Compressor Technique, Operating Profit



Britain. Sales in Germany continued to be relatively slow. The strong recovery in the economy in Asia, particularly in China, continued in the period and boosted the sales of all types of industrial compressors.

The newly launched, extended range of VSD compressors, both oil-free and oil-injected, has already contributed to sales. The VSDs consume less energy than the preceding generations, thus providing significant lifetime savings for customers.

Revenues increased 6 percent in the quarter, to SEK 3,625 m. (3,422).

Operating profit improved by 16 percent, to a record SEK 664 m. (572), corresponding to an operating margin of 18.3 percent (16.7). The margin improvement compared with last year was primarily due to better absorption in the factories, a favorable revenue mix with more after market sales and more high-end industrial compressors, and some positive currency effect from the high USD/Euro ratio.

Construction and Mining Technique Business Area

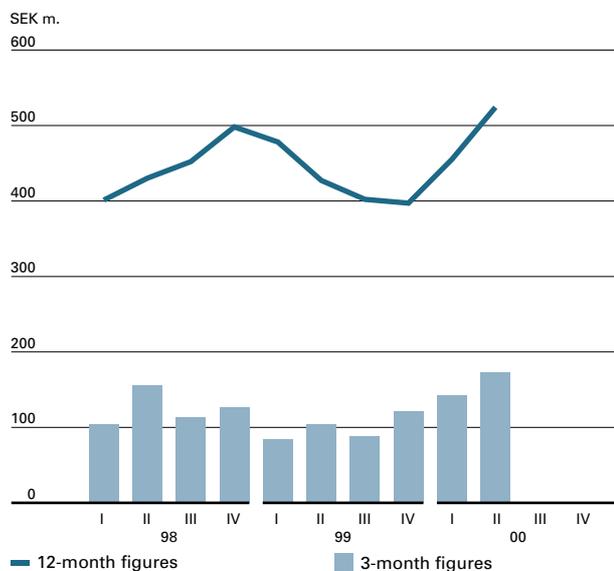
The Construction and Mining Technique business area consists of five divisions in the following product areas: drilling rigs, rock drilling tools, exploration equipment, construction tools, and loading equipment.

	April–June Change			January–June Change		
	2000	1999	%	2000	1999	%
Orders received	1,802	1,582	+14	3,577	3,027	+18
Revenues	1,809	1,477	+22	3,459	2,830	+22
Operating profit	173	104	+66	315	188	+68
– as a percentage of revenues	9.6	7.0		9.1	6.6	

- Strong demand from the mining industry supports second quarter result.
- Successful introduction of new drilling rigs boosts customer demand.

Orders received during the period were up 14 percent overall in the quarter and 12 percent in volume, to SEK 1,802 m. (1,582). There was a positive currency effect of one percent.

Construction and Mining Technique, Operating Profit



The positive investment trend from mining equipment, which began late last year, continued throughout the second quarter. Compared with the same quarter in 1999, a healthy order intake was received from mining sectors in Canada, Russia, South Africa and Australia. A second large order for underground drilling rigs and loaders was received from Mexico.

Infrastructure projects in central and southern Europe contributed to favorable demand for underground drilling equipment. In Asia, particularly in China, the positive sales trend continued, and major infrastructure projects are being planned for in the region. In the Middle East, a pioneering order valued at almost SEK 100 m. was received for ground reinforcement equipment. Overall, the order intake for hydraulic and electric motor breakers was robust in the quarter, including increases in market shares in North America.

Revenues were SEK 1,809 m. (1,477), up 22 percent in all, of which volume accounted for 20 percent.

Operating profit for the quarter rose 66 percent to SEK 173 m. (104), corresponding to a margin of 9.6 percent (7.0), the highest profit and margin recorded in the last 10 years. Substantially higher sales volumes explained most of the profit increase compared with the same quarter in 1999.

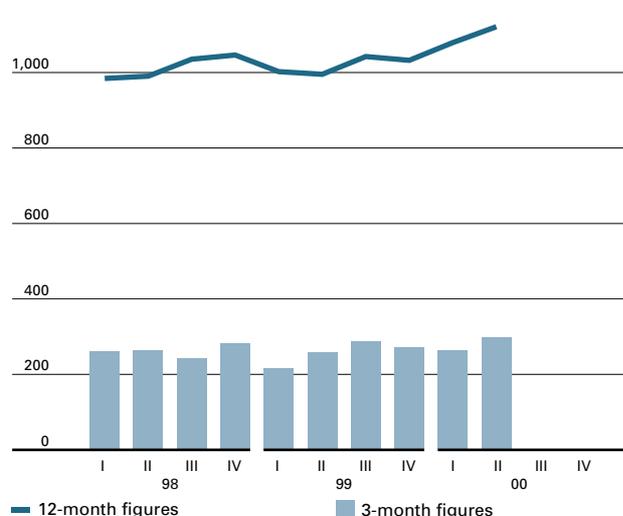
Industrial Technique Business Area

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

	April–June Change			January–June Change		
	2000	1999	%	2000	1999	%
Orders received	2,894	2,664	+9	5,634	5,274	+7
Revenues	2,805	2,645	+6	5,424	5,093	+6
Operating profit	299	257	+16	562	473	+19
– as a percentage of revenues	10.7	9.7		10.4	9.3	

- Orders for sophisticated, Atlas Copco branded, industrial tools were very strong.
- Milwaukee Electric Tools launched a new Internet site, which offers fully integrated e-trade.

Industrial Technique, Operating Profit

SEK m.
1,200

Orders received increased 9 percent in the quarter, to SEK 2,894, (2,664), corresponding to a volume gain of 10 percent. The net effect of currencies, and the divestment of Atlas Copco Controls, was -2 percent.

The increase in demand for sophisticated, Atlas Copco branded, industrial tools was high in the quarter, both in the U.S. and in Europe. The order intake for standard products from the general industry was mainly flat. The automotive industry placed important orders for assembly systems during the period.

The demand for professional electric tools continued to rise in North America and in Europe there was a slight improvement in the quarter. In general, there is a pronounced trend towards the use of more cordless tools on both continents and a change in the product mix was noted.

Revenues were SEK 2,805 m. (2,645), an increase of 6 percent compared with the second quarter of 1999. The increase corresponds to a volume gain of 8 percent.

Operating profit increased by 16 percent to SEK 299 m. (257) equal to a profit margin of 10.7 percent (9.7). The margin improvement compared with the same quarter in 1999 was mainly due to the higher volume in general and a more favorable revenue mix with substantially higher sales of sophisticated industrial power tools.

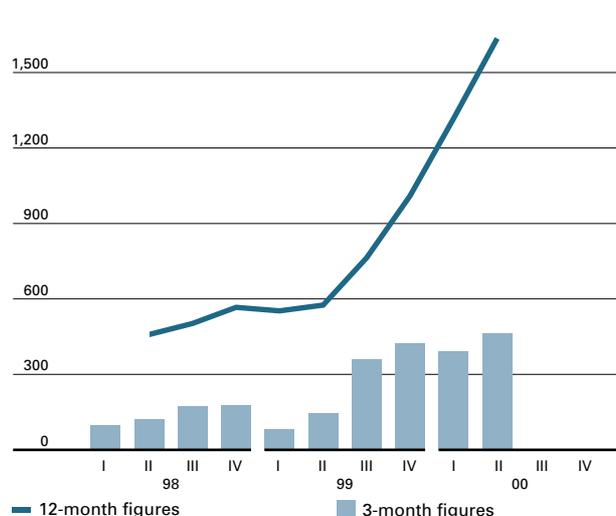
Rental Service Business Area

The Rental Service business area consists of two divisions in the equipment rental industry in North America, providing services to construction and industrial markets.

	April-June Change			January-June Change		
	2000	1999	%	2000	1999	%
Revenues	3,332	1,202	+177	6,355	2,284	+178
Operating profit	464	146	+218	854	229	+273
- as a percentage of revenues	13.9	12.1		13.4	10.0	

- Margins up in the second quarter.
- ISP, an internal service provider encompassing some 400 employees, was established to efficiently provide high-quality administrative and marketing services to the business area.

Rental Service, Operating Profit

SEK m.
1,800

- 20 cold starts made and 20 stores were acquired during the quarter. The number of stores now totals 538.

During the second quarter of 2000, revenues increased 177 percent to SEK 3,332 m. (1,202). Volume growth was 11 percent, excluding acquisition, currency translation and price effects. On average, rental revenue rates remained at a level 3-4 percent lower than in the second quarter of last year. Rental revenues accounted for 71 percent of total revenues and recorded a volume growth of 14 percent. Sales of equipment, parts and merchandise represented 19 percent of revenues, while sales of used equipment accounted for 10 percent.

The equipment rental business continues to grow at a higher pace than the industries it serves, due to the outsourcing trend. The construction industry, where non-residential building is the important customer segment, remained solid in the second quarter. The Mid-west and West benefited from the usual, higher activity compared with the first quarter. The industrial side of the business strengthened at the end of the quarter after some temporary weakening during mid-spring. The favorable contribution to overall growth from the rental operations in Canada and Mexico continues.

Operating profit, which includes all related goodwill amortization, was SEK 464 m. (146), corresponding to a margin of 13.9 percent (12.1). The profit increase of SEK 318 m. was mainly due to the acquisition of RSC and various small rental companies. Time utilization continued to improve in spite of heavy seasonal fleet investments in the quarter. This helped to offset the negative impact of the lower rental rates on profit margin.

Stockholm, August 8, 2000

Giulio Mazzalupi
President and Chief Executive Officer

Interim report as per September 30, 2000

The third quarter report will be published on October 24, and not on the 23rd as previously announced.

Acquisitions and Divestments 1999–2000

Time	Acquisitions	Divestments	Business Area	Sales* SEK m.	No. of employees*
2000 Q2	Various small rental cos.		Rental Service	130	
2000 Apr. 24		Atlas Copco Rotoflow	Compressor Technique	300	140
2000 Q1	Various small rental cos.		Rental Service	80	
1999 Oct.	Tool Technics		Industrial Technique	40	32
1999 Q4	Various small rental cos.		Rental Service	40	
1999 Aug. 31		Atlas Copco Controls	Industrial Technique	470	235
1999 Jul. 1	ABIRD		Compressor Technique	40	25
1999 Jul. 29	Rental Service Corp.		Rental Service	5,520	3,600
1999 Jan.	Rand Air		Compressor Technique	90	

* Annual revenues and number of employees at time of acquisition/divestment

Revenues by Business Area

SEK m.	April–June			January–June		
	1998	1999	2000	1998	1999	2000
Compressor Technique	3,460	3,422	3,625	6,844	6,393	6,970
Construction and Mining Technique	1,816	1,477	1,809	3,295	2,830	3,459
Industrial Technique	2,510	2,645	2,805	4,955	5,093	5,424
Rental Service	969	1,202	3,332	1,847	2,284	6,355
Eliminations	-79	-127	-197	-157	-230	-317
Atlas Copco Group	8,676	8,619	11,374	16,784	16,370	21,891

SEK m. (by quarter)	1999				2000	
	1	2	3	4	1	2
Compressor Technique	2,971	3,422	3,288	3,521	3,345	3,625
Construction and Mining Technique	1,353	1,477	1,323	1,572	1,650	1,809
Industrial Technique	2,448	2,645	2,522	2,730	2,619	2,805
Rental Service	1,082	1,202	2,335	2,815	3,023	3,332
Eliminations	-103	-127	-111	-131	-120	-197
Atlas Copco Group	7,751	8,619	9,357	10,507	10,517	11,374

Earnings by Business Area

SEK m.	April–June			January–June		
	1998	1999	2000	1998	1999	2000
Compressor Technique	595	572	664	1,202	962	1,244
Construction and Mining Technique	155	104	173	259	188	315
Industrial Technique	264	257	299	524	473	562
Rental Service	123	146	464	220	229	854
Corporate items	-25	-17	-59	-50	-65	-106
Operating profit	1,112	1,062	1,541	2,155	1,787	2,869
– as a percentage of revenues	12.8	12.3	13.5	12.8	10.9	13.1
Financial income and expenses	-169	-194	-411	-331	-362	-796
Profit after financial items	943	868	1,130	1,824	1,425	2,073
– as a percentage of revenues	10.9	10.1	9.9	10.9	8.7	9.5

SEK m. (by quarter)	1999				2000	
	1	2	3	4	1	2
Compressor Technique	390	572	579	612	580	664
Construction and Mining Technique	84	104	88	121	142	173
Industrial Technique	216	257	288	271	263	299
Rental Service	83	146	359	422	390	464
Corporate items	-48	-17	-31	-26	-47	-59
Operating profit	725	1,062	1,283	1,400	1,328	1,541
– as a percentage of revenues	9.4	12.3	13.7	13.3	12.6	13.5
Financial income and expenses	-168	-194	-318	-378	-385	-411
Profit after financial items	557	868	965	1,022	943	1,130
– as a percentage of revenues	7.2	10.1	10.3	9.7	9.0	9.9