

Atlas Copco's operating profit increased 3 percent to SEK 4,470 m. Earnings per share decreased to SEK 11.50, compared to SEK 11.96 the preceding year.



Standing on a Firm Foundation for Growth

1999 started weak for the Group, but good progress was made later in the year. Atlas Copco made a number of important moves this year in line with its strategy. One was the acquisition of Rental Service Corporation (RSC), the second big step into the equipment rental business in North America.

Throughout 1999, business conditions in North America remained buoyant, with the equipment rental industry growing at an even faster rate than the economy as a whole. In Europe, expectations of stronger growth were not fulfilled. Production activity increased during the year, but investment stayed at a low level.

In the second half of 1999, many Asian economies started to develop better than originally anticipated. The Russian and South American economies were generally weak, with slower recovery.

1999 performance

Atlas Copco increased revenues 7 percent in 1999, corresponding to a volume decrease of 2 percent. Good progress in the last three quarters almost offset the weak start of the year.

Operating profit was SEK 4,470 m. (4,345), including non-recurring items of SEK 83 m. Profit after financial items decreased 6 percent, to SEK 3,412 m., corresponding to a margin of 9.4 percent. The Group's objective is to achieve a profit margin of at least 10 percent over a complete business cycle. The average for 1995–1999 was 11.1 percent.

The Group continued to generate a satisfactory operating cash flow in 1999, SEK 2,413 m., which was 12 percent higher than in 1998.

Strategic moves

Since the beginning of 1999, the Group has operated in four business areas, as Rental Service is now a separate business area. In July, we made our second large acquisition in the equipment rental business in the United States by acquiring Rental Service Corporation (RSC), adding one division to the new business area. The acquisition further manifests Atlas Copco's strategy to grow by providing better service to customers. What drives this strategy is the increasing proportion of sales related to service, rental, accessories, and consumables. The Prime Service and RSC combination enables this business area to optimize its territorial coverage in a powerful way. To further improve Rental Service's competitiveness, projects are under way to develop synergies in areas such as administration, procurement, and distribution.

The strategy of growing by providing better service to customers during the lifetime of the products is also implemented

in the Group's other business areas. In Europe, we continued to develop our rental business for compressors and drill rigs. Service contracts have always been a major business for compressors. For rock-drilling equipment, full-service contracts that include spare parts and drill steel have become more common. The motor

vehicle industry is requesting more involvement from manufacturers to safeguard their processes, such as service and repair at a fixed cost, and we provide service workshops for tools on-site.

In the longer term, Atlas Copco aims for the same presence in Asia as in Europe and North America. Consequently, one of the highlights of the year was that the Asian region began to recover, and business trends are pointing up. To be prepared for more activity, we have continued to develop managers in this area.

Compressor Technique

In 1999, Compressor Technique extended its range of industrial compressors which consumes less energy, and new portable compressor and generator models were introduced to the equipment rental industry. Production in Asia was consolidated, and the Wuxi plant in China expanded capacity. Two companies have been acquired to strengthen the product rental business: Rand-Air in South Africa and ABIRD in the Netherlands. Also, a new sales company was established in Egypt.

Construction and Mining Technique

Construction and Mining Technique capitalized on investments it had made in new laboratories in Sweden. A new range of surface crawlers and an extended range of underground drilling rigs were introduced, based on an established modular concept. For the construction industry, a series of hydraulic breakers was launched.

Industrial Technique

Industrial Technique presented a number of new tools: grinders, angle nut-runners, and a series of cordless tools that use a universal charger. To serve customers better, the Alliance Tools division combined tools from three different brands into a single, broader offering. Atlas Copco Controls was divested, because it was not considered a core business. Finally, just before year-end, the business area acquired the service repair specialist Tool Technics NV in Belgium.

Rental Service

Besides the major acquisition of RSC, six smaller companies with nine locations were acquired in regions that had not been

fully served previously. The Prime Energy business continued to grow, and demand for products used in temperature control and for generators was better in the food manufacturing, petrochemical, and entertainment industries.

Environmental commitment

I am pleased to report new development in Atlas Copco's environmental work, in line with our strategy. In 1999, Milwaukee Electric Tools completed its audit for ISO 14001 certification, and the Group's electric tools business has now fully implemented the environmental management system. In total, 51 percent of the Group's production capacity are now certified, and more units are on their way.

To contribute to a better working environment for our customers while the products are in use, and to give Atlas Copco a competitive edge, our product development integrates environmental and ergonomic aspects in the process.

The Internet opportunity

The use of the Internet and e-commerce will have a major impact on our way of doing business. We will use the Internet for information, for interaction, and for transactions with customers, suppliers, and employees, to develop and improve our processes. The objective is to broaden and deepen our sales reach, to improve service to customers, and to develop internal efficiency. Atlas Copco has launched a number of projects at the Group and business area levels, and resources are being put in place. To support this development, we have published a policy and identified a working standard with clear responsibilities.

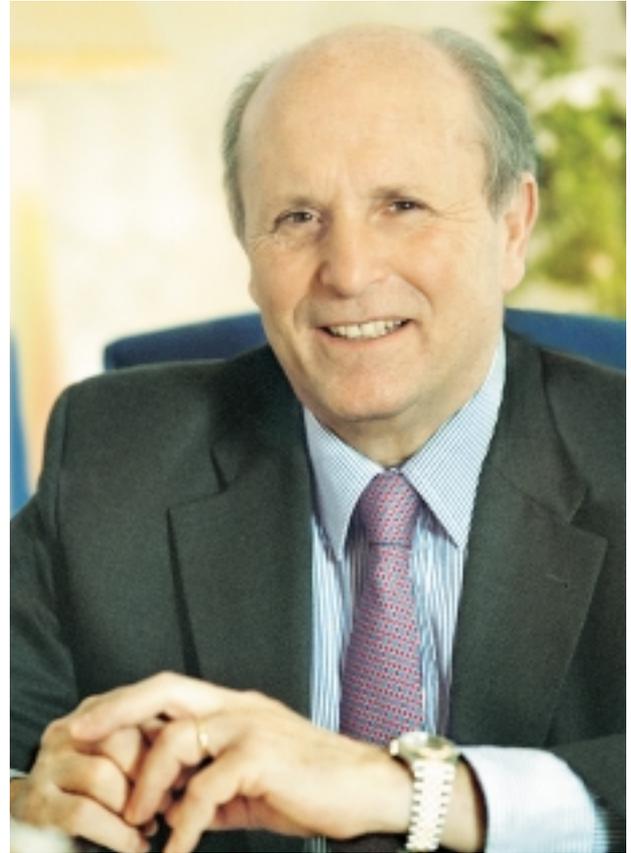
Common service providers

Internet technology offers exciting potential for people spread around the world to work together and to gain synergy between operations. With the focus on increased efficiency in administrative and support processes, we seek new solutions and structures in which we can expand. A milestone in this respect is Atlas Copco ASAP, a common service provider established in 1999 to serve European sales companies with administrative services. The aim is to provide internal customers with higher quality services faster and to reduce the cost of doing business.

People carry the Group forward

Our success is based on good processes driven by customers, products, and people, where people are the asset that makes it all happen. One area in focus is the recruitment and retention of talented people, where the key task for Atlas Copco is to stay an attractive employer.

As a part of our skills development program, we held a number of regional Group Seminars for general managers of business units. The primary purpose was to develop managers' personal understanding of their own roles in a changing busi-



ness environment. The divisions also conduct comprehensive training programs.

We encourage internal mobility in the Group as a means to transfer competencies and increase experience, and available jobs are posted on our internal job and project market, welcoming people to apply.

Continuous improvement and innovation

To gain a better competitive position, Atlas Copco must deal with continuous improvement and innovation. We are facing a number of important tasks for the Group, such as developing innovative products, applying the power of the Internet, and furthering synergies. At the same time, we must continue efforts to tighten our control over working capital and to reduce costs. I am confident that we can do that. We have strong business concepts, have made several key strategic moves, and now stand on a firm competitive foundation for growth.

Giulio Mazzalupi
President and Chief Executive Officer

Income Statement

SEK m.	Atlas Copco Group			Atlas Copco AB	
	1997	1998	1999	1998	1999
Revenues	30,032	33,740	36,234		
Operating expenses	-26,219	-29,395	-31,764	-91	-11
Operating profit	3,813	4,345	4,470	-91	-11
Financial income and expenses	-293	-708	-1,058	1,519	1,272
Profit after financial items	3,520	3,637	3,412	1,428	1,261
<i>as a percentage of revenues</i>	<i>11.7</i>	<i>10.8</i>	<i>9.4</i>		
Appropriations				-184	-54
Taxes	-1,280	-1,322	-1,137	-199	-170
Minority interest	-32	-32	-28		
Net profit	2,208	2,283	2,247	1,045	1,037
<i>Earnings per share, SEK</i>	<i>11.56</i>	<i>11.96</i>	<i>11.50</i>		
<i>Return on capital employed before tax, %</i>	<i>21.1</i>	<i>17.2</i>	<i>14.1</i>		
<i>Return on equity after tax, %</i>	<i>17.6</i>	<i>16.1</i>	<i>13.6</i>		
<i>Debt/equity ratio, %</i>	<i>74.9</i>	<i>65.0</i>	<i>91.7</i>		
<i>Rate of equity, %</i>	<i>39.2</i>	<i>41.6</i>	<i>39.3</i>		
<i>Number of employees at end of period</i>	<i>23,923</i>	<i>23,393</i>	<i>26,134</i>		

Balance Sheet

SEK m.	Atlas Copco Group		
	Dec 31, 1997	Dec 31, 1998	Dec 31, 1999
Intangible fixed assets	11,051	11,311	18,851
Other fixed assets	9,794	10,697	18,702
Inventories	5,231	5,383	5,348
Receivables	7,101	7,657	9,463
Cash, bank and short-term investments	1,613	2,118	1,286
Total assets	34,790	37,166	53,650
Equity	13,453	15,267	20,885
Minority interest	182	198	192
Interest-bearing liabilities and provisions	11,827	12,170	20,611
Non-interest-bearing liabilities and provisions	9,328	9,531	11,962
Total liabilities and equity	34,790	37,166	53,650

Demand Continues to Improve in Fourth Quarter

Year-end Report on 1999 Operations (unaudited):

The Atlas Copco Group's revenues for 1999 increased 7 percent, to SEK 36,234 m. (33,740), corresponding to a volume decrease of 2 percent. The net effect from acquisitions and divestments was an increase of approximately 8 percent. Foreign exchange fluctuations had a positive translation effect of 2 percentage points. Orders received increased 11 percent, to SEK 36,534 m. (32,979), corresponding to a volume increase of 1 percent for comparable units.

The Atlas Copco Group's profit after financial items decreased, to SEK 3,412 m. (3,637). The profit margin was 9.4 percent (10.8).

Dividend The Board of Directors proposes that a dividend of SEK 4.75 (4.32) per share be paid for the 1999 fiscal year.

Near-term outlook The healthy level of demand in North America is expected to remain at its present level. The equipment rental industry is foreseen to continue growing at a faster pace than the economy in general. The rise in interest rates may effect negatively the demand from some industry sectors.

Overall, demand in Europe is expected to increase, as higher production output will eventually trigger investment for capacity expansion. Infrastructure projects in Europe are also expected to have some positive effect on demand.

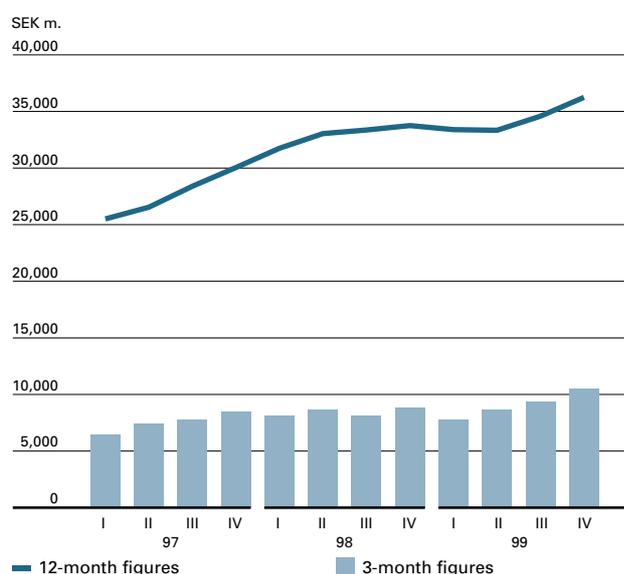
The recovery in the Asian region is foreseen to continue, leading to improved demand from most industry sectors. In South America, Africa, and the Middle East, higher commodity prices are expected to lead to a slightly higher level of activity in related industries.

In summary, the overall demand for Atlas Copco's products and services is expected to improve in the near term.

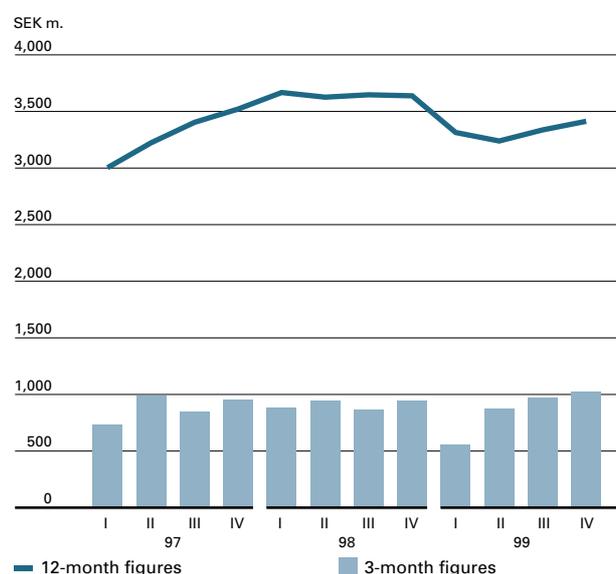
SEK m.	January–December		Change %
	1999	1998	
Revenues	36,234	33,740	+7
Operating profit	4,470	4,345	+3
– as a percentage of revenues	12.3	12.9	
Profit after financial items	3,412	3,637	–6
– as a percentage of revenues	9.4	10.8	
Earnings per share*, SEK	11.50	11.96	–4

* Previous year's figure has been restated for equity rights issue.

Revenues



Profit after Financial Income and Expenses



Market development

Overall, demand in North America remained at a high level. Increases in oil and metal prices contributed to stronger demand from the petrochemical and mining industries, respectively. Non-residential building activity continued to be strong but showed large regional differences. At the end of the period certain sectors, such as residential construction and car sales, showed some signs of leveling off due to the rise in interest rates.

In Europe, demand improved somewhat in the last quarter, mainly owing to favorable development in France and Spain, while Germany remained at the level of the two preceding quarters.

The manufacturing industry in Great Britain and the Nordic countries continued to develop unfavorably throughout the period, affecting overall demand from this sector.

The strong recovery in many Asian markets continued in the fourth quarter, chiefly in South Korea, India, and Japan. The Chinese economy developed more slowly, while customer demand in Australia remained low.

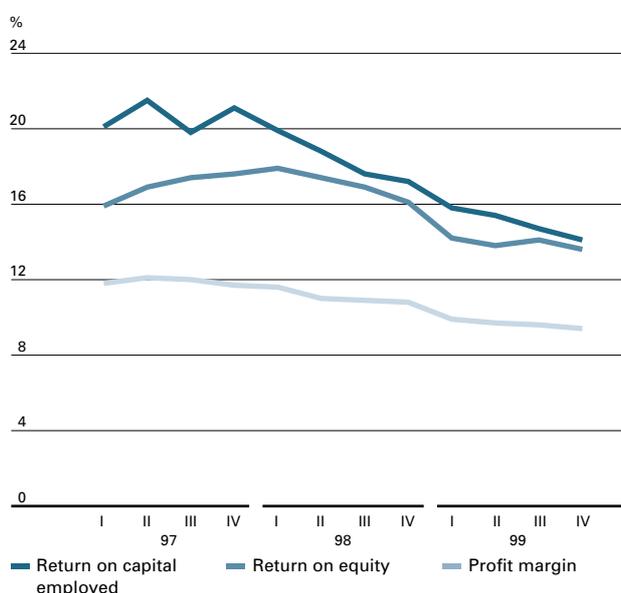
Demand in South America was mixed, with improvements in mining countries, while Brazil recovered from its financial crisis more slowly than anticipated. In Africa and the Middle East, the strongest growth was noted in South Africa.

Sales performance

Orders received were up 11 percent in 1999, at SEK 36,534 m. (32,979). Volume growth was 1 percentage point after excluding a positive currency effect of 2 percent and a net effect from acquisitions and divestments of 8 percent. The volume gain was chiefly related to strong order growth in the fourth quarter, which offset the year's weak start, partly related to the seasonality in the rental service business.

Revenues increased 7 percent, to SEK 36,234 m. (33,740), corresponding to a volume drop of 2 percent.

Return and Profit Margin, 12-month figures



Geographic distribution of orders received (%)

January–December	1999	1998
Europe	37	41
North America	45	37
South America	4	6
Africa/Middle East	4	5
Asia/Australia	10	11

Earnings

Operating profit increased SEK 125 m., to SEK 4,470 m. (4,345), or 3 percent compared to 1998. The profit includes non-recurring items of SEK 83 m. in the third quarter from the Industrial Technique business area. The increase in operating profit was wholly attributable to the Rental Service business area and the acquisition of RSC, in particular. For comparable units, operating profit dropped as a result of the volume decrease and an unfavorable shift in the overall composition of equipment sales. The cost adjustments made by operating units to adapt to a lower level of activity early in 1999 and an increased share of after-market revenues helped to offset part of the negative volume effect. The strength of the U.S. dollar had an overall positive effect, but the currency effect in total was limited to less than 2 percent of 1999 profit. Operating margin decreased, to 12.3 percent (12.9).

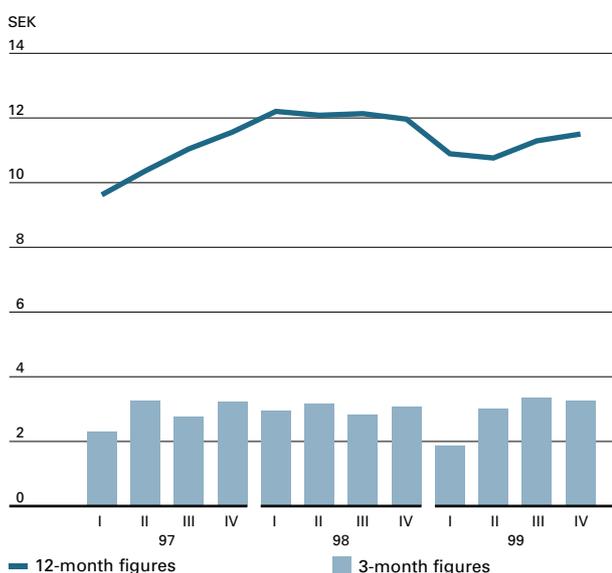
Net financial items amounted to SEK –1,058 m. (–708), of which net interest items accounted for SEK –1,034 m. (–680) and financial foreign exchange differences for SEK –26 m. (–33).

Profit after financial items decreased 6 percent, to SEK 3,412 m. (3,637). The profit margin was 9.4 percent (10.8).

Net profit for the year totaled SEK 2,247 m. (2,283), or SEK 11.50 per share (11.96).

The return on capital employed in 1999 was 14.1 percent (17.2), and return on shareholders' equity 13.6 percent (16.1).

Earnings per Share



Fourth quarter

Orders received amounted to SEK 10,210 m. (8,062), corresponding to a 9 percent gain in volumes for comparable units.

The Atlas Copco Group's revenues for the fourth quarter of 1999 increased 19 percent, to SEK 10,507 m., from SEK 8,845 m. in 1998. Acquisitions and divestments accounted for 16 percentage points net, while volumes for comparable units added 3 percentage points. Changes in exchange rates and prices had a negligible net effect.

Operating profit increased 25 percent, to SEK 1,400 m. (1,124), partly because of the RSC acquisition but also as a result of strong improvement in Compressor Technique. The operating margin increased to 13.3 percent (12.7). Changes in exchange rates had a neutral effect in the quarter. Profit after financial items increased 8 percent, to SEK 1,022 m. (946), and net profit for the fourth quarter totaled SEK 677 m. (584), corresponding to SEK 3.27 per share (3.06).

Cash flow and net indebtedness

The operating cash surplus after tax for the year reached SEK 4,595 m. (4,162), corresponding to 13 percent (12) of Group revenues.

Working capital decreased SEK 20 m. (increased 557) during the period, with a positive effect on cash flow from operations, which increased to SEK 4,615 m. (3,605).

Net investment in tangible fixed assets was SEK 2,215 m. (1,491), the majority of the increase attributable to the Rental Service business area. Net cash flow equaled SEK -8,188 m. (489).

Summary cash-flow analysis (SEK m.)

SEK m.	January–December	
	1999	1998
Operating cash surplus after tax	4,595	4,162
<i>of which depreciation added back</i>	<i>2,616</i>	<i>1,876</i>
Change in working capital	20	-557
Cash flow from operations	4,615	3,605
Investments in tangible fixed assets	-3,281	-2,447
Sale of tangible fixed assets	1,079	991
Company acquisitions/divestments	-13,894	-873
Cash flow from investments	-16,096	-2,329
Dividends paid	-832	-787
New issue of shares	4125	-
Net cash flow	-8,188	489
Change in interest-bearing liabilities	7,378	-56
Cash flow after financing	-810	433
Liquid funds at beginning of year	2,118	1,613
Translation difference	-22	72
Liquid funds at year-end	1,286	2,118

The Group's net indebtedness (defined as the difference between interest-bearing liabilities and liquid assets) reached SEK 19,325 m. (10,052), of which SEK 1,450 m. (1,940) was attributable to pension provisions. The decrease in pension provisions reflected the creation of a pension trust in Sweden in the first quarter of 1999 that is not consolidated in the Group's accounts. The SEK 522 m. capitalization of the fund 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 92 percent (65).

Liquid assets at the end of the period totaled SEK 1,286 m. (2,118).

Including minority interests, the Atlas Copco Group's shareholders' equity totaled SEK 21,077 m. (15,465), or SEK 101 per share (84). The equity/assets ratio was 39 percent (42).

Investments

Investments in property and machinery totaled SEK 939 m. (853). Investments in rental equipment reached SEK 2,342 m. (1,594). During the period, total depreciation on these two asset groups was SEK 2,121 m. (1,448), while amortization of intangible assets equaled SEK 495 m. (428).

Equity rights issue

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.

The 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.

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

Personnel

At December 31, 1999, the number of employees was 26,134 (23,393). For comparable units, the number of employees decreased by 928 during the year.

Structural changes affecting the reporting period

In August–December 1999, Rental Service Corporation (the RSC division) completed six acquisitions of rental companies in the United States, adding a total of nine locations, with some SEK 40 m. in annual revenues.

At 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.

At 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.

At July 29, 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.

At 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.

At 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. It is part of the Portable Air division.

At January 1, 1999, the Rental Service business area was created with Prime Service Inc. as the first division. Prime Service constituted a separate division in the Compressor Technique business area throughout 1998.

Business Areas

Starting in 1999, orders and revenues reported by business area

Revenues by Business Area

SEK m. (January–December)	1997	1998	1999
Compressor Technique	12,674	13,540	13,202
Construction and Mining Technique	6,453	6,437	5,725
Industrial Technique	9,316	10,059	10,345
Rental Service	1,589	4,010	7,434
Eliminations*	–	–306	–472
Atlas Copco Group	30,032	33,740	36,234

SEK m. (by quarter)	1998				1999			
	1	2	3	4	1	2	3	4
Compressor Technique	3,384	3,460	3,230	3,466	2,971	3,422	3,288	3,521
Construction and Mining Technique	1,479	1,816	1,492	1,650	1,353	1,477	1,323	1,572
Industrial Technique	2,445	2,510	2,425	2,679	2,448	2,645	2,522	2,730
Rental Service	878	969	1,012	1,151	1,082	1,202	2,335	2,815
Eliminations*	–78	–79	–48	–101	–103	–127	–111	–131
Atlas Copco Group	8,108	8,676	8,111	8,845	7,751	8,619	9,357	10,507

*) 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–December)	1997	1998	1999
Compressor Technique	2,299	2,283	2,153
Construction and Mining Technique	387	498	397
Industrial Technique	942	1,046	1,032
Rental Service	238	566	1,010
Corporate items	–53	–48	–122
Operating profit	3,813	4,345	4,470
Financial income and expenses	–293	–708	–1058
Profit after financial items	3,520	3,637	3,412

SEK m. (by quarter)	1998				1999			
	1	2	3	4	1	2	3	4
Compressor Technique	607	595	548	533	390	572	579	612
Construction and Mining Technique	104	155	113	126	84	104	88	121
Industrial Technique	260	264	241	281	216	257	288	271
Rental Service	97	123	171	175	83	146	359	422
Corporate items	–25	–25	–7	9	–48	–17	–31	–26
Operating profit	1,043	1,112	1,066	1,124	725	1,062	1,283	1,400
Financial income and expenses	–162	–169	–199	–178	–168	–194	–318	–378
Profit after financial items	881	943	867	946	557	868	965	1,022

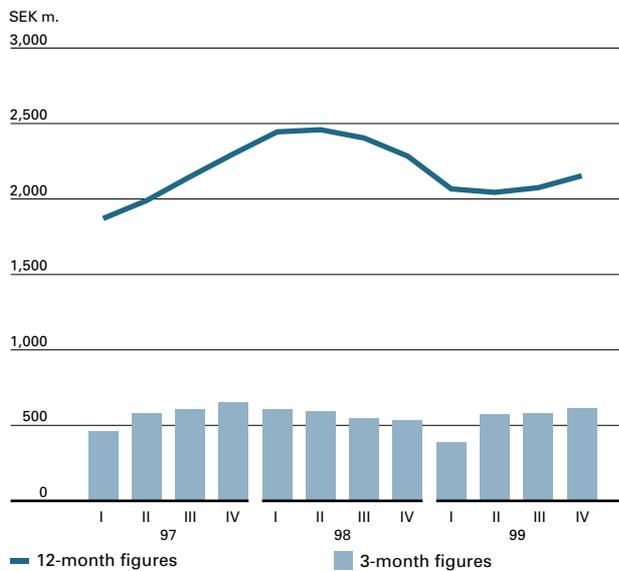
also include intercompany sales to other business areas. Figures for 1998 have been adjusted accordingly.

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 1 percent, both in value and volume, to SEK 12,965 m. (13,161). After a weak first quarter, volumes made good progress. The second and third quarters were almost in line with the same quarters in 1998, and the fourth quarter recorded a strong upturn. Sales of standard industrial compressors were strong during the period, driven by an increase in industrial production. In the fourth quarter, a positive trend was also noted for larger units, suggesting that the pace of capital investment was picking up. This trend was primarily seen in Asia. Sales of generators increased substantially, partly as a result of robust investment in power supplies for wireless telecommunications stations and the special back-up measures taken by many companies because of the change of millennium.

Compressor Technique, Operating Profit



Sales in Europe were mixed during the year, with robust growth in the south offset by an overall flat or negative trend in central and northern Europe. In North America, orders were lower than in 1998, mainly owing to the drop in large investment-related compressors and expansion turbines. The market situation in Asia continued to improve and during the year South Korea, China, Taiwan and South East Asia saw a positive development.

Revenues decreased 2 percent, both in value and volume, to SEK 13,202 m. (13,540).

Operating profit fell 6 percent, to SEK 2,153 m. (2,283), resulting in an operating margin of 16.3 percent (16.9). The low volumes and unfavorable product and market mix in the first quarter caused the drop in profit. The other three quarters of 1999 showed improvement over the preceding year. The fourth quarter posted a particularly strong improvement, with an operating margin of 17.4 percent compared to 15.4 percent in the corresponding quarter of 1998.

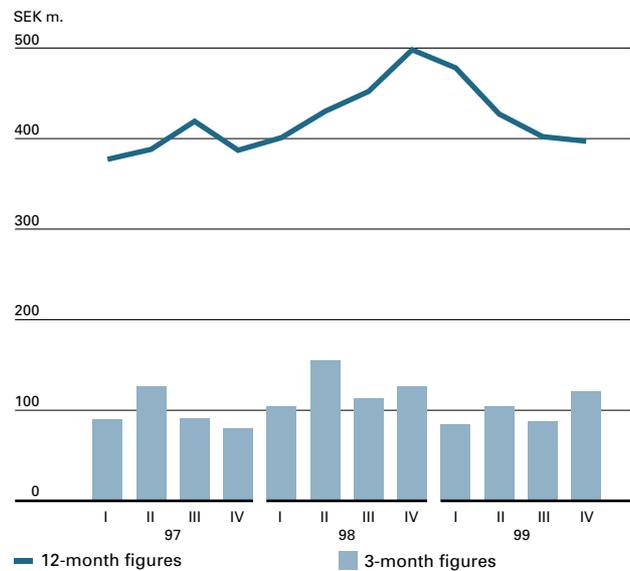
Construction and Mining Technique

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 year were SEK 6,062 m. (6,117), down 1 percent overall and down 2 percent in volume. Compared to a very slow first half, order intake in the fourth quarter was extremely strong, up 21 percent from the preceding year. Highlights included a bulk order for drilling and loading equipment from the Norilsk mine in Russia. Activity in many mining countries picked up at the end of the period, indicating a need for new investment in machinery.

Sales trends in Europe were positive in 1999, mainly because of some important infrastructure projects in the alpine and southern regions. In North America, orders increased during the year, thanks primarily to successful sales of surface drilling rigs to the construction sector. In Asia, orders for construction projects in Japan improved noticeably at the end of the period, while China remained rather weak. South Korea continued to recover strongly from the recent low levels. Sales in Australia

Construction and Mining Technique, Operating Profit



and most African markets suffered from low demand.

Revenues equaled SEK 5,725 m. (6,437), down 11 percent in all and 12 percent in volume.

Operating profit decreased SEK 101 m., to SEK 397 m., corresponding to a margin of 6.9 percent (7.7). The negative impact of sharply lower volumes was partly offset by efficiency gains and positive currency effects. The fourth quarter ended only marginally below the same quarter the preceding year and had an unchanged operating margin of 7.7 percent.

Industrial Technique

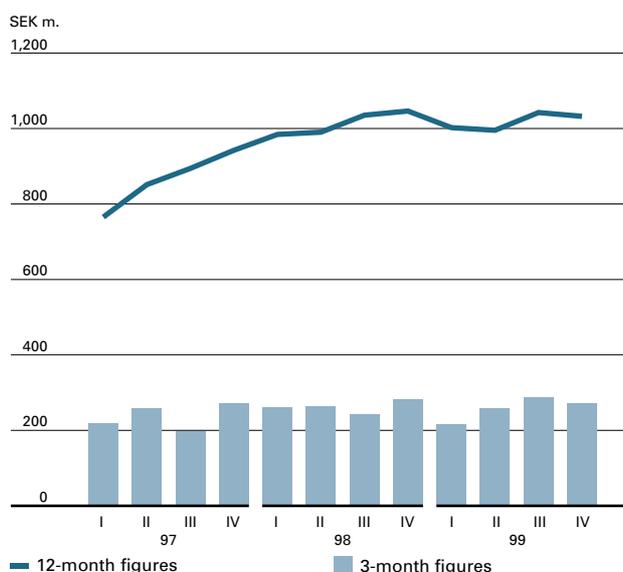
The Industrial Technique business area consists of four divisions in the following product areas: electric and pneumatic power tools and assembly systems.

Orders received in 1999 increased 5 percent, to SEK 10,553 m. (10,015), including a positive currency effect of 2 percent. Volume growth continued for professional electric tools in North America, and to a certain extent in Europe, in the fourth quarter. Orders from the motor-vehicle industry in Europe and North America for industrial tools remained strong, while demand for standard products from other industries remains weak. In Germany, however, standard products showed gradual improvement after a long period of weakness. With few exceptions – notably Japan – sales in Asian markets remained relatively low.

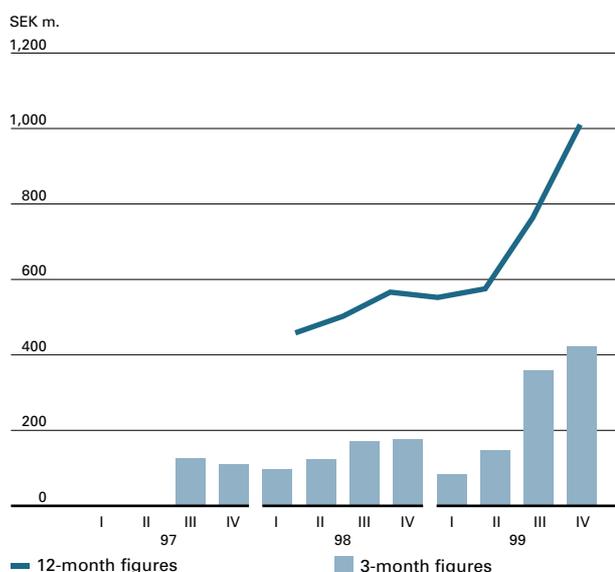
Revenues increased 3 percent, to SEK 10,345 m. (10,059), compared to 1998. The corresponding volume gain was 2 percent.

At SEK 1,032 m. (1,046), operating profit was lower than in the previous year, in spite of a contribution of SEK 83 m. from nonrecurring items in the third quarter. These non-recurring items included SEK 223 m. in capital gains from the sale of Atlas Copco Controls and a restructuring provision, mainly for consolidation of the production structure in the Alliance Tools division. Profits in Alliance Tools deteriorated, and the operating profit in the electric tool business did not keep pace with the increased sales volumes. The profit margin was 10.0 percent (10.4) for the year and 9.9 percent (10.5) for the fourth quarter. Excluding nonrecurring items, the margin for 1999 was 9.2 percent.

Industrial Technique, Operating Profit



Rental Service, Operating Profit



Rental Service

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

Revenues during the period rose 85 percent, to SEK 7,434 m. (4,010), including about five months of revenues from the recently acquired Rental Service Corporation (RSC). The volume growth in the fourth quarter was about 12 percent for comparable units in total but somewhat higher for the RSC division. Demand from many sectors in the construction industry remained strong, and some large orders in the quarter were related to increased maintenance activity in the petrochemical industry. Business activity for power-related equipment in Prime Energy was also strong, because of Y2K activities as well as healthier demand from the petrochemical industry.

Operating profit, which includes all related goodwill amortization, was SEK 1,010 m. (566), corresponding to an operating margin of 13.6 percent (14.1). The fourth quarter margin was 15.0 percent (15.2), somewhat higher for Prime than for RSC. Price pressure on rental rates continued and was estimated at about 3–4 percent in the fourth quarter. The deterioration of prices was noticeable for longer rental contracts and was most apparent in the southern region.

Parent Company

Profit after financial income and expense for Atlas Copco AB amounted to SEK 1,261m. (1,428). Net profit for the year, after appropriations and taxes, was SEK 1,037m. (1,045).

Dividend

The board of directors proposes that a dividend of SEK 4.75 (4.32) be paid for the 1999 fiscal year. This corresponds to a total of SEK 996 m. (826).

Stockholm, February 14, 2000

Giulio Mazzalupi
President and Chief Executive Officer

The interim report on the Atlas Copco Group's operations for the three first months of 2000 will be published on April 27, 2000.

For further information, please contact

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Overhead presentations from Atlas Copco

For your convenience, an overhead presentation of Atlas Copco's preliminary report on the 1999 results has been published at Atlas Copco's Internet site. Please go to www.atlascopco.com > Investor Relations > Presentations > Investor Presentations.

More information is available at www.atlascopco.com

Cover

Atlas Copco's corporate positioning program uses head-hand images to symbolize knowledge and experience. Middle picture: The industrial, oil injected air compressors with variable speed drives operates at exactly the rate of compressed air required with energy savings of up to 30 percent. These compressor models can be used within all manufacturing industries.

Annual General Meeting

The Annual General Meeting will be held on Thursday, April 27, 2000, at 5:00 p.m. (Swedish time) in the Berwaldhallen, Strandvägen 69, Stockholm.

Participation

To be entitled to participate in the General Meeting, shareholders must

- be recorded in the shareholders register kept by The Swedish Central Securities Depository & Clearing Organisation (VPC AB) on *Monday, April 17, 2000*, and
- notify the Company of their intent to participate in the Meeting *not later than 4:00 p.m. (Swedish time) on Tuesday April 18, 2000* in writing to Atlas Copco AB, SE-105 23 Stockholm, or by telephone to +46-8-743 8000, by telefax to +46-8-644 9045 or by the Internet: www.atlascopco.com.

Shareholders whose shares are held in trust by a bank or private broker must temporarily re-register their shares in their own name with VPC to be able to participate in the Meeting. Such re-registration must be completed *not later than Monday, April 17, 2000*. Shareholders should notify the trustee of their desire to re-register in adequate time prior to this date.

Dividend

The Board of Directors proposes that a dividend of SEK 4:75 per share be paid to the shareholders. The Board has decided to propose that the record date for payment be Wednesday,

May 3, 2000. If the proposal is approved by the Annual General Meeting, the dividend is expected to be paid through VPC on Monday, May 8, 2000.

Notice

A Notice will be posted on Atlas Copco's website: www.atlascopco.com and in the Swedish newspapers Dagens Nyheter and Post och Inrikes Tidningar, furthermore in the Financial Times and in Frankfurter Allgemeine Zeitung on Wednesday, March 29, 2000.

Financial information from Atlas Copco during 2000

Atlas Copco will publish the following financial reports during 2000:

Annual Report 1999	March 28, 2000
President's Address to Shareholders at the AGM	April 27, 2000

Interim Reports:

On first three months of operations	April 27, 2000
On first six months of operations	August 8, 2000
On first nine months of operations	October 23, 2000