

Revenues increased by 26 percent to SEK 11,795 m. The operating margin was 14.5 percent (12.8). Earnings per share increased to SEK 3.71, compared to SEK 3.34 the preceding year.

# Income Statement

SEK m.	3 months ended		9 months ended		12 months ended	
	Sept. 30 2000	Sept. 30 1999	Sept. 30 2000	Sept. 30 1999	Sept. 30 2000	Dec. 31 1999
Revenues	11,795	9,357	33,686	25,727	44,193	36,234
Operating expenses	-10,095	-8,074	-29,117	-22,657	-38,224	-31,764
<b>Operating profit</b>	<b>1,700</b>	<b>1,283</b>	<b>4,569</b>	<b>3,070</b>	<b>5,969</b>	<b>4,470</b>
<i>– as a percentage of revenues</i>	<i>14.4</i>	<i>13.7</i>	<i>13.6</i>	<i>11.9</i>	<i>13.5</i>	<i>12.3</i>
Financial income and expenses	-455	-318	-1,251	-680	-1,629	-1,058
<b>Profit after financial items</b>	<b>1,245</b>	<b>965</b>	<b>3,318</b>	<b>2,390</b>	<b>4,340</b>	<b>3,412</b>
<i>– as a percentage of revenues</i>	<i>10.6</i>	<i>10.3</i>	<i>9.8</i>	<i>9.3</i>	<i>9.8</i>	<i>9.4</i>
Taxes	-458	-322	-1,224	-803	-1,558	-1,137
Minority interest	-9	-8	-34	-17	-45	-28
<b>Net profit</b>	<b>778</b>	<b>635</b>	<b>2,060</b>	<b>1,570</b>	<b>2,737</b>	<b>2,247</b>
<i>Earnings per share, SEK</i>	<i>3.71</i>	<i>3.34</i>	<i>9.83</i>	<i>8.23</i>	<i>13.10</i>	<i>11.50</i>
<i>Return on capital employed before tax, %</i>					<i>14</i>	<i>14</i>
<i>Return on equity after tax, %</i>					<i>13</i>	<i>14</i>
<i>Debt/equity ratio, %</i>					<i>100</i>	<i>92</i>
<i>Rate of equity, %</i>					<i>37</i>	<i>39</i>
<i>Number of employees at end of period</i>					<i>26,592</i>	<i>26,134</i>

# Balance Sheet

SEK m.	Sept. 30, 2000	Dec. 31, 1999	Sept. 30, 1999
Intangible fixed assets	21,124	18,851	17,635
Rental Equipment	15,975	11,699	12,034
Other fixed assets	7,301	7,003	6,564
Inventories	6,186	5,348	5,500
Receivables	11,419	9,463	9,122
Cash, bank, and short-term investments	1,121	1,286	1,117
<b>Total assets</b>	<b>63,126</b>	<b>53,650</b>	<b>51,972</b>
Equity	23,282	20,885	15,783
Minority interest	218	192	172
Interest-bearing liabilities and provisions	24,622	20,611	24,546
Non-interest-bearing liabilities and provisions	15,004	11,962	11,471
<b>Total liabilities and equity</b>	<b>63,126</b>	<b>53,650</b>	<b>51,972</b>

## Financial targets

The overall objective for the Atlas Copco Group is to achieve a return on capital employed that will always exceed the Group's total cost of capital. The targets over the next business cycle are to have an annual revenue growth of 8 percent, to have an average operating margin of 15 percent, and to continuously challenge the operating capital efficiency in terms of

stock, receivables, and hire fleet utilization. Overall, this will ensure that shareholder value is created and continuously increased. The strategy to reach the objectives should follow the proven development process for all operational units in the Group of stability first, then profitability, and finally growth.

# Record results in the third quarter

Interim report as per September 30, 2000 (unaudited)

- Revenues and profits the highest recorded in any single quarter.
- Order volume up 11 percent.
- Prime and RSC to merge.
- Recurring operating margin increased to 14.5 percent (12.8).
- Operating profit up 33 percent to SEK 1,700 m., including net nonrecurring items of SEK –6 m. (+83). Profit after financial items up 29 percent to SEK 1,245 m.
- Earnings per share increased to SEK 3.71 (3.34).

	July–Sept.			January–Sept.		
	2000	1999	Change %	2000	1999	Change %
Orders received	11,743	9,424	+25	34,451	26,324	+31
Revenues	11,795	9,357	+26	33,686	25,727	+31
Operating profit	1,700	1,283	+33	4,569	3,070	+49
– as a percentage of revenues	14.4	13.7		13.6	11.9	
Profit after financial items	1,245	965	+29	3,318	2,390	+39
– as a percentage of revenues	10.6	10.3		9.8	9.3	
Earnings per share*, SEK	3.71	3.34		9.83	8.23	

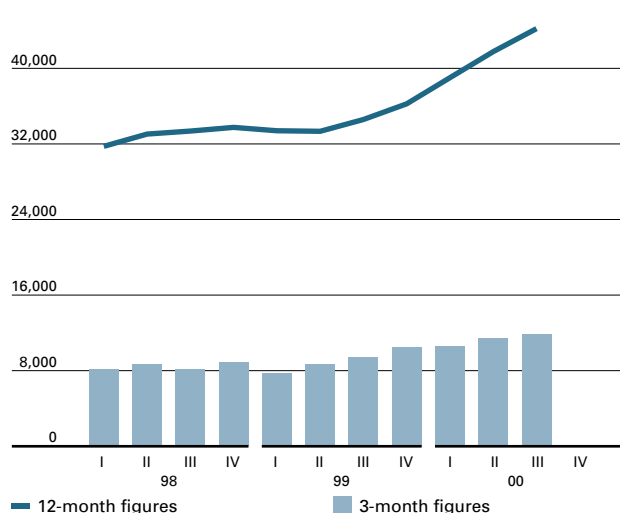
\*Number of shares: 209.6 m. (183.5)

**Near-term outlook** Overall, the demand for Atlas Copco's products and services is expected to continue to increase, although at a more moderate pace than so far this year. In North America, demand for rental equipment is expected to continue to improve, driven by the outsourcing trend. Demand for sophisticated investment related products from, among others, the automotive and process industries, is also likely to remain strong. The recent signs of lower demand in parts of the U.S. economy are expected to have a negative impact on sales of some equipment.

The outlook for Europe is mixed. A continued favorable demand trend is anticipated in some major markets, while the development in Germany and related markets is more uncertain. In Asia, the strong positive demand trend is expected to continue, particularly in China.

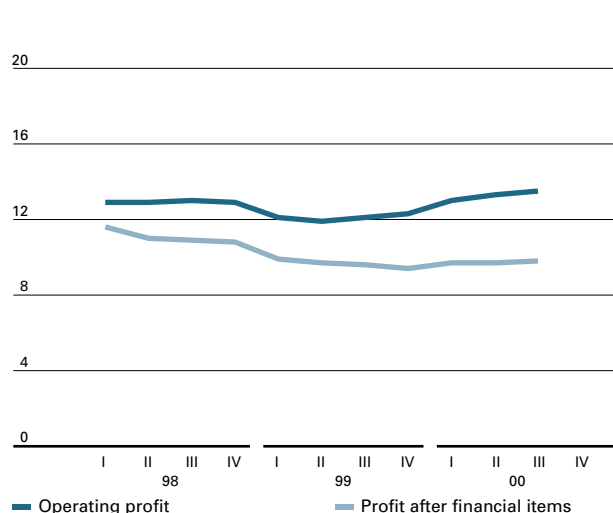
## Revenues

SEK m.  
48,000



## Profit Margin, 12-month figures

%  
24



## Nine months results summary

### Atlas Copco Group

The Atlas Copco Group's orders received for the first nine months increased 31 percent, to SEK 34,451 m. (26,324), corresponding to a volume increase of 12 percent for comparable units. Foreign exchange rate fluctuations had a positive translation effect of approximately 4 percentage points. Revenues also increased 31 percent, to SEK 33,686 m. (25,727), corresponding to a volume increase of 12 percent.

The Group's operating profit increased to SEK 4,569 m. (3,070). Operating profit includes a net of nonrecurring items of SEK -6 m. (+83), all recorded in the third quarter (see below for specifications). Excluding nonrecurring items, operating profit rose 53 percent to SEK 4,575 m. (2,987), corresponding to a margin of 13.6 percent (11.6). Profit after financial items amounted to SEK 3,318 m. (2,390), which corresponds to an increase of 39 percent and a margin of 9.8 percent (9.3).

Operating cash flow before acquisitions and dividends equaled SEK 461 m. (1,345). The negative difference was entirely due to rental fleet investments in the Rental Service Business Area, which are concentrated to the spring and summer period, due to seasonal variations in rental revenues.

## Third quarter business review

### Atlas Copco Group

#### Market development

In the third quarter, market demand in North America remained at a high robust level. The industrial sector continued to improve, with particularly high activity in the petrochemical segment. Demand for both larger investment equipment and production related products improved. Activity within the construction industry remained high, benefiting rental equipment. Demand for construction related products was affected somewhat in the latter part of the period by the uncertainty of future activity.

In Europe, the demand level continued to improve, while the

imbalance in the region remained. Southern Europe and Great Britain recorded positive development, while demand in the Nordic region was slow. The level of activity in the German industry is high, but with few investments.

The positive development in Asia continued, with a strong expansion in China, and resulted in high demand for Atlas Copco's products and services.

Demand for mining equipment remained strong in most mining related countries.

#### Orders and revenues

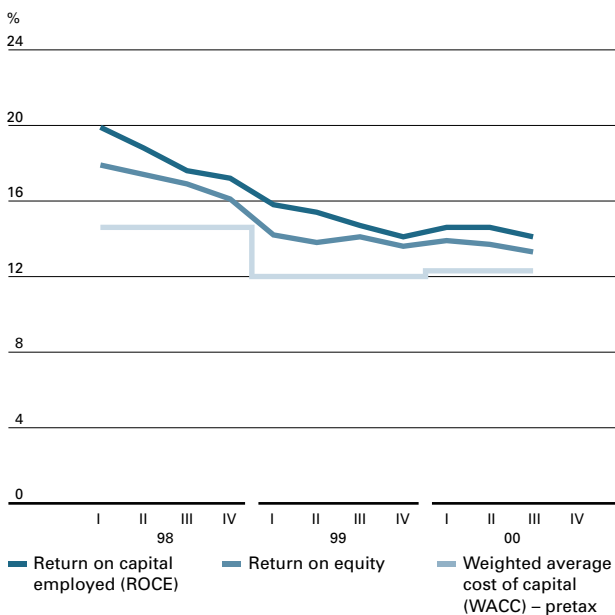
Orders received were up 25 percent compared with the third quarter of 1999, to SEK 11,743 m. (9,424). This corresponds to a volume gain of 11 percent, excluding a positive currency effect of 9 percentage points and a net effect from acquisitions and divestments of 6 percent. The continued solid volume growth in order intake was achieved through a strong general demand for Atlas Copco's products and services in most geographic markets, market share gains in some specific segments and recently introduced, innovative, products.

Revenues were SEK 11,795 m. (9,357), up 26 percent, corresponding to a volume gain of 12 percent for comparable units.

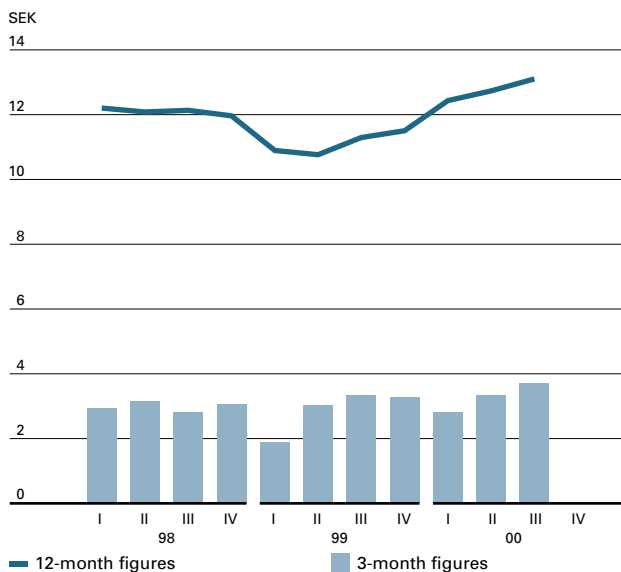
#### Earnings and returns

Operating profit increased to a record SEK 1,700 m. (1,283) in the third quarter. The operating profit, under Corporate items, includes a refund of SEK 226 m. relating to pensions for Swedish salaried employees and a partly offset cost of SEK 92 m. relating to offers for early retirement in Sweden. The period also includes SEK 140 m. of nonrecurring charges, SEK 127 m. related to the decision to merge the two companies Prime and RSC within the Rental Service Business Area and SEK 13 m. related to production rationalization within Compressor Technique. Excluding the net of nonrecurring items, SEK -6 m. (+83) the operating profit increased 42 percent to SEK 1,706 m. (1,200). This corresponds to a margin of 14.5 percent (12.8). The margin improvement was a result of higher volumes, the effects of rationaliza-

Return and Cost of Capital, 12-month figures



Earnings per Share



tion measures, and favorable currency development. Net currency effects between the third quarters of 1999 and 2000 explained about one third of the operating margin improvement.

Net financial items amounted to SEK -455 m. (-318), of which net interest items accounted for SEK -454 m. (-316) and financial foreign exchange differences for SEK -1 m. (-2). The higher interest expense compared to last year was due to the RSC acquisition interest (only two months in Q3 1999), higher short-term interest rates, and a substantially higher USD/SEK exchange rate.

Profit after financial items rose to SEK 1,245 m. (965). Excluding nonrecurring items, profit increased 42 percent to SEK 1,251 m. (882), corresponding to a margin of 10.6 percent (9.4).

Net profit for the quarter totaled SEK 778 m. (635), or SEK 3.71 per share (3.34).

Return on capital employed during the 12 months to September 30, 2000, was 14 percent (15) and return on shareholders' equity 13 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 third quarter reached SEK 1,834 m. (1,136).

Working capital decreased SEK 109 m. (increase 178). Working capital efficiency (measured as a turnover ratio) increased compared with last year, mainly due to improvements in supply chain management.

Cash flow from operations rose to SEK 1,943 m. (958), corresponding to 16 percent (10) of Group revenues.

Net investment in tangible fixed assets was SEK 1,490 m. (870) during the quarter. The increase compared with the previous year was due primarily to higher rental fleet investments in July, a month in which Rental Service Corporation was not included last year, and partly to currency translation effects.

Net cash flow after dividends and acquisitions reached SEK 330 m. (-13,628)

#### Summary cash-flow analysis

SEK m.	July - Sept.		Jan. - Sept.	
	2000	1999	2000	1999
Operating cash surplus after tax	1,834	1,136	4,565	2,932
<i>of which depreciation added back</i>	<i>1,074</i>	<i>744</i>	<i>2,886</i>	<i>1,712</i>
Change in working capital	109	-178	-75	-9
Cash flow from operations	1,943	958	4,490	2,923
Investments in tangible fixed assets	-2,034	-1,173	-5,584	-2,262
Sale of tangible fixed assets	544	303	1,555	684
Company acquisitions/divestments	-123	-13,714	-407	-13,825
Cash flow from investments	-1,613	-14,584	-4,436	-15,403
Dividends paid	0	-2	-1,007	-831
Net cash flow	330	-13,628	-953	-13,311
Change in interest-bearing liabilities	-236	13,305	762	12,375
Cash flow after financing	94	-323	-191	-936
Liquid funds at beginning of period	1,001	1,463	1,286	2,118
Translation difference	26	-23	26	-65
Liquid funds at period-end	1,121	1,117	1,121	1,117

The Group's net indebtedness (defined as the difference between interest-bearing liabilities and liquid assets) amounted to SEK 23,501 m. (23,429), of which SEK 1,456 m. (1,462) was attributable to pension provisions. The debt/equity ratio (defined as net indebtedness divided by shareholders' equity)

was 100 percent (147). Adjusted for exchange rate changes since September 30, 1999, the debt/equity ratio was 88 percent.

#### Investments

Gross investments in property, machinery, etc. totaled SEK 183 m. (318). Gross investments in rental equipment amounted to SEK 1,851 m. (855). Due to seasonal variations in rental revenues, the rental fleet investments are concentrated to the spring and summer period, which means they primarily affect the second and third quarter investments in the Group. Total depreciation on these two asset groups was SEK 219 m. (220) and SEK 689 m. (389) respectively, while amortization of intangible assets amounted to SEK 166 m. (135).

#### People

At September 30, 2000, the number of employees was 26,592 (25,926). For comparable units, the number of employees increased by 392 compared with September 1999.

#### 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 October 1999, 26.1 million new shares were issued at a subscription price of SEK 160 per share at a ratio of 1:7. 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.

	July-Sept. Change			Jan.-Sept. Change		
	2000	1999	%	2000	1999	%
Orders received	3,693	3,154	+17	11,313	9,758	+16
Revenues	3,643	3,288	+11	10,613	9,681	+10
Operating profit	698	579	+21	1,942	1,541	+26
<i>- as a percentage of revenues</i>	<i>19.2</i>	<i>17.6</i>		<i>18.3</i>	<i>15.9</i>	

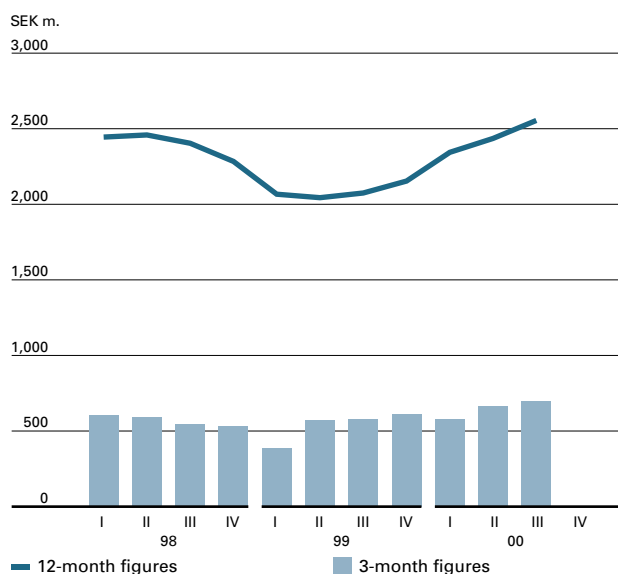
- Strong volume growth.
- Profit increase above 20 percent.
- Very positive development in Asia.

Orders received increased 17 percent to SEK 3,693 m. (3,154) in the third quarter, up 15 percent in volume when adjusted for positive currency effects of 5 percentage points.

In the third quarter, sales volumes were up for all product areas. The favorable sales trend in North America continued, and high order levels were recorded in South America. In Europe, the modest increase in sales continued. The sharp increase in demand from Asia, notably in China, resulted in good orders for all types of industrial compressors.

The large oil-injected compressors that were introduced during the spring, continued to achieve success in the market.

## Compressor Technique, Operating Profit



An extended, superior range of small and medium sized oil-injected screw compressors was launched late in the quarter.

Revenues increased 11 percent to SEK 3,643 m. (3,288), up 10 percent in volume compared with the same quarter last year.

Operating profit improved by 21 percent, to a record SEK 698 m. (579), corresponding to an operating margin of 19.2 percent (17.6). Earnings include a nonrecurring cost of SEK 13 m. for closure of a manufacturing plant in France. The net effect of higher volumes, i.e. better fixed-cost absorption, and somewhat higher operating costs, accounted for about half of the margin improvement. The remainder was a result of favorable exchange rate developments, primarily related to 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.

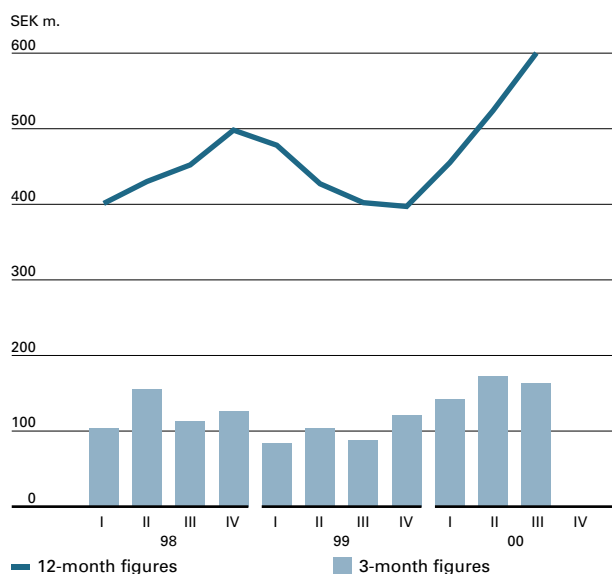
	July–Sept. Change			Jan.–Sept. Change		
	2000	1999	%	2000	1999	%
Orders received	1,591	1,377	+16	5,168	4,404	+17
Revenues	1,726	1,323	+30	5,185	4,153	+25
Operating profit	164	88	+86	479	276	+74
– as a percentage of revenues	9.5	6.7		9.2	6.6	

- Continued robust order intake from the mining sector, specifically for consumables.
- Increased order intake from Chinese infrastructure projects.
- Hobic, a Canadian diamond bit manufacturer, was acquired.

Orders received during the period were up 16 percent overall in the quarter and 10 percent in volume, to SEK 1,591 m. (1,377). There was a positive currency effect of 5 percent mainly related to the strong development of the US dollar.

The solid investment trend from the mining industry continued, with some slowdown in South and North America. Demand for consumables remained strong, and higher market shares for rock tools were noted in some countries.

## Construction and Mining Technique, Operating Profit



The positive sales trend continued in China and the order level from infrastructure projects increased. Construction industry was less favorable in other regions, particularly in Europe.

Revenues were SEK 1,726 m. (1,323), up 30 percent overall, of which volume accounted for 25 percent. Part of the strong volume increase was due to invoicing of bulk orders received in the second quarter.

Operating profit for the quarter rose 86 percent to SEK 164 m. (88), corresponding to a margin of 9.5 percent (6.7). All product areas improved their performance compared with the previous year. Higher sales volumes and efficiency improvements explained most of the increase in operating margin while positive currency effects contributed to a lesser extent.

## 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.

	July–Sept. Change			Jan.–Sept. Change		
	2000	1999	%	2000	1999	%
Orders received	2,915	2,653	+10	8,549	7,927	+8
Revenues	2,869	2,522	+14	8,293	7,615	+9
Operating profit	298	288*	+3*	860	761	+13
– as a percentage of revenues	10.4	11.4*		10.4	10.0	

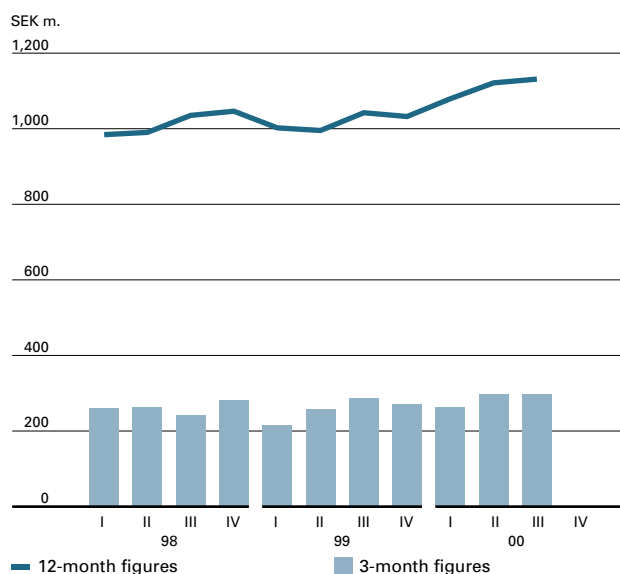
\*Operating profit in 1999 includes a SEK 83 m. nonrecurring gain (see below)

- Very strong order intake for computer controlled tightening tools.
- Signs of less growth in the U.S. building sector.
- Healthy increase in recurring operating profits.

Order intake increased 10 percent overall and 5 percent in volume, to SEK 2,915 m. (2,653). The positive net effect of currencies and the divestment of Atlas Copco Controls was 5 percent.

Order intake for computer controlled tightening tools and systems continued to increase both in the U.S. and in Europe. The main gain was noted for orders from the automotive industry, but other segments also contributed. Orders for standard products

## Industrial Technique, Operating Profit



from the general industry were flat overall in the quarter.

The demand for professional electric tools continued to rise in North America. However, a slowdown was noted in the end of the quarter, caused by the anticipated lower activity in the residential construction sector. In Europe, an improvement in sales volume continued in the quarter.

Revenues were SEK 2,869 m. (2,522), up 14 percent compared with the third quarter of 1999. The increase corresponds to a volume increase of 9 percent.

Operating profit increased to SEK 298 m. (288). Last year's profit included a net of nonrecurring items of SEK +83 m. mainly related to the sale of Atlas Copco Controls. Excluding this nonrecurring item, operating profit increased 45 percent, with a profit margin of 10.4 percent (8.1). The margin improvement was mainly due to the higher volume 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.

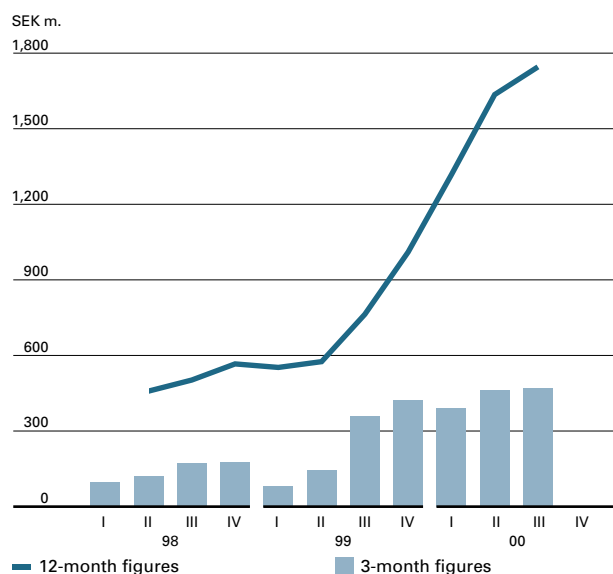
	July–Sept. Change			Jan.–Sept. Change		
	2000	1999	%	2000	1999	%
Revenues	3,751	2,335	+61	10,106	4,619	+119
Operating profit	469*	359	+31*	1,323	588	+125
– as a percentage of revenues	12.5*	15.4		13.1	12.7	

\*Operating profit in 2000 includes a nonrecurring cost of SEK 127 m. (see below)

- Solid increase in revenues and improved fleet utilization.
- Prime and RSC to merge.
- 14 green field starts and 14 stores acquired in the quarter. Total locations are now 567.

During the third quarter, revenues increased 61 percent to SEK 3,751 m. (2,335), including only two months of revenues for RSC in 1999. The volume gain was 16 percent for comparable

## Rental Service, Operating Profit



units. Currency translation and prices had a net effect of 14 percent. On average, rental rates were 2 percent below last year's level, but with a flattening tendency. Rental revenues accounted for 75 percent of total revenues with a volume growth slightly higher than the average 16 percent. Sales of equipment, parts and merchandise represented 17 percent of revenues, while sales of used equipment accounted for 8 percent.

The equipment rental business continues to grow at a higher pace than the industries it serves, because of the outsourcing trend. The construction industry, where non-residential building is the important customer segment, remained solid in the period. The industrial side of the business, chiefly related to the petrochemical industry, continued to strengthen. Both the Canadian and Mexican rental operations contributed well in the quarter.

In order to focus resources on growing all segments of the rental business and explore further operational synergies, Prime and RSC will merge into one company. The new legal unit will be effective January 1, 2001, and operate under two brands: "Prime" will focus on industrial customers and "RSC" will further enhance penetration of the construction sector. Earlier this year an internal service provider was established to develop synergies in the administrative area. A nonrecurring cost for the merger of SEK 127 m. is included in the operating profit for the quarter.

Operating profit, including goodwill amortization and the above-mentioned one-time provision, was SEK 469 m. (359). Excluding this nonrecurring item, profit was SEK 596 m., up 66 percent and corresponding to a margin of 15.9 percent (15.4). One month more of RSC contribution, a larger fleet, and a higher fleet utilization explained most of the profit increase compared with last year.

Stockholm, October 24, 2000

Giulio Mazzalupi  
President and Chief Executive Officer



## Acquisitions and Divestments 1999-2000

Time	Acquisitions	Divestments	Business Area	Sales* SEK m.	No. of employees*
2000 Sep. 6	Hobic Bit Industries		Construction & Mining T.	60	85
2000 Q3	Various small rental cos.		Rental Service	115	
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. 29	Rental Service Corp.		Rental Service	5,520	3,600
1999 Jul. 1	ABIRD		Compressor Technique	40	25
1999 Jan.	Rand Air		Compressor Technique	90	

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

## Revenues by Business Area

SEK m.	July–September			January–September		
	1998	1999	2000	1998	1999	2000
Compressor Technique	3,230	3,288	3,643	10,074	9,681	10,613
Construction and Mining Technique	1,492	1,323	1,726	4,787	4,153	5,185
Industrial Technique	2,425	2,522	2,869	7,380	7,615	8,293
Rental Service	1,012	2,335	3,751	2,859	4,619	10,106
Eliminations	-48	-111	-194	-205	-341	-511
Atlas Copco Group	8,111	9,357	11,795	24,895	25,727	33,686

SEK m. (by quarter)	1999				2000		
	1	2	3	4	1	2	3
Compressor Technique	2,971	3,422	3,288	3,521	3,345	3,625	3,643
Construction and Mining Technique	1,353	1,477	1,323	1,572	1,650	1,809	1,726
Industrial Technique	2,448	2,645	2,522	2,730	2,619	2,805	2,869
Rental Service	1,082	1,202	2,335	2,815	3,023	3,332	3,751
Eliminations	-103	-127	-111	-131	-120	-197	-194
Atlas Copco Group	7,751	8,619	9,357	10,507	10,517	11,374	11,795

## Earnings by Business Area

SEK m.	July–September			January–September		
	1998	1999	2000	1998	1999	2000
Compressor Technique	548	579	698	1,750	1,541	1,942
Construction and Mining Technique	113	88	164	372	276	479
Industrial Technique	241	288	298	765	761	860
Rental Service	171	359	469	391	588	1,323
Corporate items	-7	-31	71	-57	-96	-35
Operating profit	1,066	1,283	1,700	3,221	3,070	4,569
– as a percentage of revenues	13.1	13.7	14.4	12.9	11.9	13.6
Financial income and expenses	-199	-318	-455	-530	-680	-1,251
Profit after financial items	867	965	1,245	2,691	2,390	3,318
– as a percentage of revenues	10.7	10.3	10.6	10.8	9.3	9.8

SEK m. (by quarter)	1999				2000		
	1	2	3	4	1	2	3
Compressor Technique	390	572	579	612	580	664	698
Construction and Mining Technique	84	104	88	121	142	173	164
Industrial Technique	216	257	288	271	263	299	298
Rental Service	83	146	359	422	390	464	469
Corporate items	-48	-17	-31	-26	-47	-59	71
Operating profit	725	1,062	1,283	1,400	1,328	1,541	1,700
– as a percentage of revenues	9.4	12.3	13.7	13.3	12.6	13.5	14.4
Financial income and expenses	-168	-194	-318	-378	-385	-411	-455
Profit after financial items	557	868	965	1,022	943	1,130	1,245
– as a percentage of revenues	7.2	10.1	10.3	9.7	9.0	9.9	10.6

**Forward looking statement:** "Some statements herein are forward-looking and the actual outcome could be materially different. In addition to the factors explicitly commented upon, the actual outcome could be materially affected by other factors like for example, the effect of economic conditions,

exchange-rate and interest-rate movements, political risks, impact of competing products and their pricing, product development, commercialization and technological difficulties, supply disturbances, and the major customer credit losses."