

Introduction	1	Summary of 2022	
	2	A decentralized group with four business areas	
	3	President and CEO	
This is Atlas Copco	5	This is Atlas Copco – Home of Industrial ideas	●
	6	Our targets	●
	7	This is how we do business	●
	11	Creating lasting value for all stakeholders	●
The year in review	13	The year in review (Administration report)	●
	21	Business area: Compressor Technique	●
	24	Business area: Vacuum Technique	●
	27	Business area: Industrial Technique	●
	30	Business area: Power Technique	●
	33	A sustainable approach to delivering value	● ●
	34	Products and service	● ●
	37	People	● ●
	39	Safety and wellbeing	● ●
	40	Ethics	●
	42	Environment	●
	44	Risks, risk management and opportunities	●
49	The Atlas Copco share		
Governance	51	Corporate governance	●
Financials	61	Financial statements (Group)	●
	66	Notes (Group)	●
	108	Financial statements (Parent)	●
	110	Notes (Parent)	●
Other information	121	Signatures of the Board of Directors	●
	122	Audit report	
	125	Financial definitions	
	126	Sustainability notes	●
	135	EU Taxonomy regulation disclosures	●
	139	GRI content index	●
		Auditor's Limited Assurance Report on Atlas Copco AB's sustainability report	
	146	Atlas Copco AB's sustainability report	
	147	Four years in summary	
148	Contact information		

- The audited annual accounts and consolidated accounts can be found on pages 13–39, 44–48 and 61–121, excluding the quarterly data on page 80. The corporate governance report examined by the auditors can be found on pages 51–60.
- Sustainability information that has been reviewed by the auditors can be found on pages 5–12, 33–43 and 126–145, excluding the taxonomy report on pages 135–137.

Atlas Copco is the home of industrial ideas. We develop smart, sustainable and highly efficient solutions that empower our customers to grow and drive society forward. We do it with people, profit and planet in mind, and with the highest business integrity.

Our innovative products, solutions, and services are demanded by every type of industry. They enable everything from industrial automation to reliable medical air solutions.

This annual report reflects Atlas Copco's mission of creating sustainable, profitable growth. It integrates financial, sustainability, and governance information to describe the Group in a comprehensive and cohesive manner.



Statutory sustainability report and external review

Atlas Copco reports on its sustainability work for 2022 in accordance with the GRI Standards, which together with the EU Taxonomy regulation disclosures, on pages 135–137, also constitutes the Group's statutory sustainability report. Ernst & Young have expressed their opinion that a statutory sustainability report has been prepared according to the Swedish Annual Accounts Act, and they have performed a limited review of the sustainability report according to GRI, see page 146. More information can be found at: www.atlascopcogroup.com.

Notice

The amounts in the report are presented in MSEK unless otherwise indicated and numbers in parentheses represent comparative figures for the preceding year. The figures presented in this report refer to continuing operations unless otherwise stated.

Forward-looking statements

Some statements in this report are forward-looking, and the actual outcomes could be materially different. In addition to the factors explicitly discussed, others could have a material effect on the actual outcomes. Such factors include, but are not limited to, general business conditions, fluctuations in exchange rates and interest rates, political developments, the impact and pricing of competing products, product development, commercialization and technological difficulties, supply-chain interruptions, and major customer credit losses.

Atlas Copco AB is a public company. Atlas Copco AB and its subsidiaries are sometimes referred to as the Atlas Copco Group, the Group, the company, or Atlas Copco. Atlas Copco AB is also sometimes referred to as Atlas Copco or the company. Any mentioning of the Board of Directors or the Board refers to the Board of Directors of Atlas Copco AB.

A solar-powered LED light tower, which enables users to reduce CO₂ emissions. The light tower delivers efficient, high performance giving workers good visibility while increasing sites to comply with emission and noise regulations.

Atlas Copco 2022

Record orders, revenues and operating profit

Introduction

• Summary of 2022

A decentralized group with four business areas
President and CEO

This is Atlas Copco

The year in review

Financials

Other information

Revenues:
MSEK 141 325
+27%

Operating
margin: **21.4%**
(21.2)

Return on
capital employed:
29% (27)

Operating cash flow:
MSEK 17 099
(19 378)

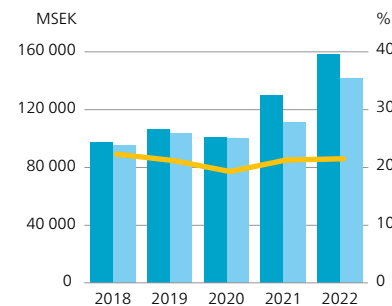
Key financial data

MSEK	2022	2021	2020	2019
Orders received	158 092	129 545	100 554	106 104
Revenues	141 325	110 912	99 787	103 756
EBITDA	36 549	29 025	24 335	26 597
– in % of revenues	25.9	26.2	24.4	25.6
EBITA ¹⁾	31 956	25 015	20 474	22 900
– in % of revenues	22.6	22.6	20.5	22.1
Operating profit	30 216	23 559	19 146	21 897
– in % of revenues	21.4	21.2	19.2	21.1
Adjusted operating profit	30 065	24 246	19 998	22 677
– in % of revenues	21.3	21.9	20.0	21.9
Profit before tax	30 044	23 410	18 825	21 572
– in % of revenues	21.3	21.1	18.9	20.8
Profit for the year	23 482	18 134	14 783	16 543
Basic earnings per share, SEK	4.82	3.72 ²⁾	3.04 ²⁾	3.40 ²⁾
Diluted earnings per share, SEK	4.81	3.71 ²⁾	3.04 ²⁾	3.40 ²⁾

¹⁾ Operating profit excluding amortization of intangibles related to acquisitions.

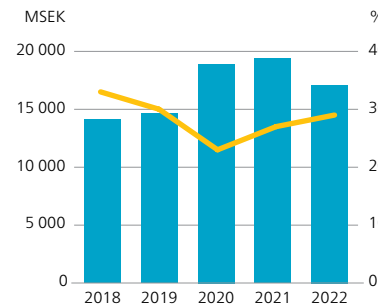
²⁾ Adjusted for share split.

Orders received, revenues and operating margin



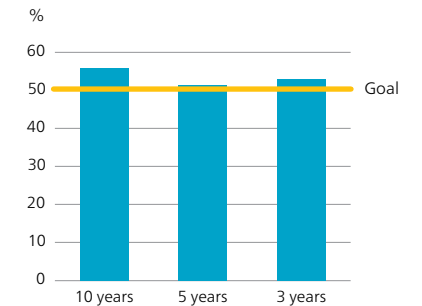
■ Orders received, MSEK
■ Revenues, MSEK
— Operating margin, %

Operating cash flow and return on capital employed



■ Operating cash flow, MSEK
— Return on capital employed, %

Dividend/earnings per share, average ³⁾ including discontinued operations



Dividend policy history
–2003 30–40% of earnings
2003–2011 40–50% of earnings
2011– about 50% of earnings

³⁾ Dividend for the fiscal year 2022 is based on the proposal from the Board of Directors.

Introduction

Summary of 2022

- A decentralized group with four business areas

President and CEO

This is Atlas Copco

The year in review

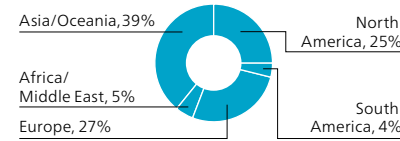
Financials

Other information

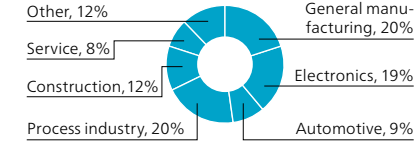
A decentralized group with four business areas

The Atlas Copco Group is a world-leading provider of sustainable productivity solutions, demanded by all types of industries, enabling everything from industrial automation to reliable medical air solutions. The Group offers innovative compressors, air treatment systems, vacuum solutions, industrial power tools and assembly systems, machine vision, and power and flow solutions. Atlas Copco develops products and services focused on productivity, energy efficiency, safety and ergonomics, supported by insights from connected products. The company was founded in 1873, is based in Nacka, Sweden, and has a global reach spanning more than 180 countries. In 2022, Atlas Copco had revenues of BSEK 141 and about 49 000 employees at year end.

Revenues by region, Group



Orders received by customer category, Group



Share of revenues, Group



Compressor Technique

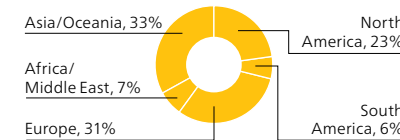


Orders received: MSEK 69 834
Revenues: MSEK 61 058
Operating margin: 23.6%

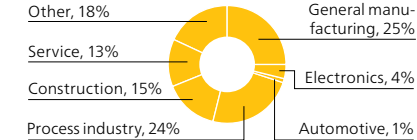
Page 21

The Compressor Technique business area provides compressed air solutions; industrial compressors, gas and process compressors and expanders, air and gas treatment equipment, air management systems, and service through a global network.

Revenues by region



Orders received by customer category



Share of revenues



Vacuum Technique

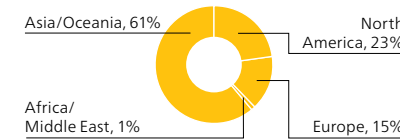


Orders received: MSEK 41 213
Revenues: MSEK 38 941
Operating margin: 21.6%

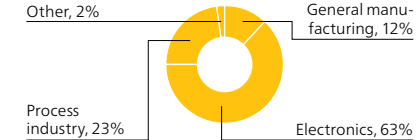
Page 24

The Vacuum Technique business area provides vacuum products, exhaust management systems, valves and related products, and service through a global network.

Revenues by region



Orders received by customer category



Share of revenues



Industrial Technique

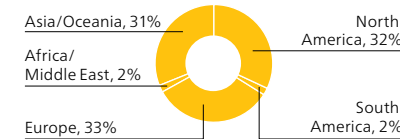


Orders received: MSEK 26 070
Revenues: MSEK 23 007
Operating margin: 20.0%

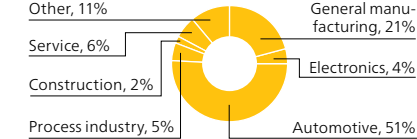
Page 27

The Industrial Technique business area provides industrial power tools, assembly and machine vision solutions, quality assurance products, software, and service through a global network.

Revenues by region



Orders received by customer category



Share of revenues



Power Technique

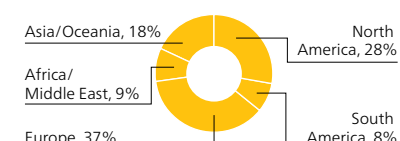


Orders received: MSEK 21 783
Revenues: MSEK 19 053
Operating margin: 18.5%

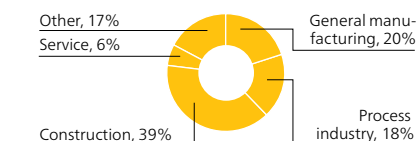
Page 30

The Power Technique business area provides portable air and power, industrial and portable flow solutions through products such as mobile compressors, generators, light towers, industrial and portable pumps, along with a number of complementary products. It also offers specialty rental and provides service through a global network.

Revenues by region



Orders received by customer category



Share of revenues



Introduction

Summary of 2022

A decentralized group with four business areas

• President and CEO

This is Atlas Copco

The year in review

Financials

Other information

Continuing to shape the future

We can look back at yet another year with record orders, revenues and operating profit. This is the result of our continuous focus on improving our customers' technologies and processes, and on driving development forward. Looking ahead, we will continue to work together with our customers to develop new products and solutions to their challenges, but also to the challenges society faces.

Mats Rahmström, President and CEO of the Atlas Copco Group, how would you summarize the year?

It was a year with record orders, revenues and operating profit. Orders received in 2022 increased 22 percent to MSEK 158 092 (129 545). Revenues also reached a new record with an increase of 27 percent to MSEK 141 325 (110 912). During the year we have faced an increased uncertainty in the world around us. We also continued to experience increased costs related to constraints in the supply chain and Covid-19, which affected the margin negatively. Still, our employees have made fantastic efforts and I believe that we have shown that we have the ability to handle change and quickly adapt on all levels in the company to support our customers.

Our results are the effect of our focus on delivering value to our customers and continuously investing in people and innovation. We also entered into new growth platforms and continued our investments in R&D, which amounted to 4 percent of total revenues, or MSEK 5 153.

Last year, the Group announced that it had set science-based targets to reduce emissions in line with the Paris Agreement. How has this affected the organization?

We believe that all parts of our organization have a role to play in this, and we have set two ambitious science-based targets to reduce emissions in all parts of the value chain. As a leading and global supplier, I'm proud of our efforts to make a positive impact by reducing emissions through our operations, transportation methods and product design. For Scope 1 and 2, direct emissions from owned or controlled sources and indirect emissions from the generation of purchased energy we are well in line with our targets. For Scope 3, the use phase of our products, we have not reached this year's target. The reason for this is in part due to increased sales but also to the fact that the availability of renewable energy is lower than we had expected. An increasing share of our products are designed to be powered by electricity and if our customers use renewable energy to power them, the climate impact drops dramatically.

The growing focus on battling climate change brings new expectations on us as a company. Customers, investors, and society expect us to build our business in a sustainable way, and to generate long-term value with people, planet and profit in mind. Environmental performance is also a key factor for job seekers and employees, who increasingly value working for a company that makes a positive difference. This development is a challenge, but it also gives rise to new needs, new markets, and new business opportunities. We have a long tradition of focusing on our customers' needs and today this includes helping them improve their climate performance. We innovate and develop efficient and low-carbon products, but we can also guide and support our customers on their climate journey.

There are also plenty of everyday actions that we can all carry out, regardless of our job role or place of work. Last year, to raise awareness, we arranged a global climate event for all employees.

In terms of technology and new products, what role can Atlas Copco play to enable the transformation to a low carbon society?

When we develop products and services, we always focus on customer value and how we can improve our customers' productivity and processes. More than 90 percent of the emissions from our value chain are generated when our products are used by our customers. Since our products are found all over the world and in all industries, we have a real opportunity to enable a reduction of greenhouse gas emissions on a global scale. For some applications there is not yet an alternative to fossil fuels, and there we focus on energy efficiency so that we can offer more sustainable products for every application.

The Group set a new record with 30 completed acquisitions during the year, why is that?

Acquisitions are an important part of our strategy for growth. The combination of organic growth and successful acquisitions has shaped us into the Group we are today, and we continue to look for new technologies and segments that complement our current offering. This year, in addition to the acquisitions within the industrial



pump segment, we have for example acquired the company Montana Instruments Corporation. They provide cryostat solutions for customers involved in physics research and low temperature technology solutions. This will bring an additional channel into quantum technology related markets where commercial applications are starting to grow. Another interesting area where we have made an acquisition is on-site gas generation that reduces the carbon footprint by avoiding transportation of gases. We have also strengthened our portfolio within smart manufacturing through the acquisition of a manufacturer of camera-based tracking systems.

■ [FOR THE FULL LIST OF ACQUISITIONS, PLEASE SEE PAGE 73](#)

How do you evaluate potential acquisitions?

We always start by looking at global trends that will affect our customers' processes and needs. We also evaluate the company's stand-alone potential and if there are synergies that can be realized. We want to work with the very best, and this applies also to the companies and people that we welcome to our Group. Therefore each

Introduction

Summary of 2022

A decentralized group with four business areas

• President and CEO

This is Atlas Copco

The year in review

Financials

Other information

// When we develop products and services, we always focus on customer value and how we can improve our customers' productivity and processes

division is responsible for looking for companies with leading, differentiated technologies and application knowledge, and with the same customer focus as we have. For an acquisition to be successful, we also need to acquire companies with a culture of interaction, innovation and commitment that matches our own.

Two of the acquisitions, LEWA and Wangen, were in a new segment. What is the reason for building a presence within industrial pumps?

Both companies have products that are used in industries where we already have a strong presence today, but with different technologies. Wangen is a German manufacturer of progressive cavity pumps used for transferring fluids mainly in the biogas and wastewater sectors. LEWA is a leading manufacturer of diaphragm metering pumps, process pumps and complete metering systems. Industrial pumps is a segment that we have identified as a strategic fit for the Group and both companies have leading differentiated technologies and strong aftermarket businesses. They will create a solid foundation for further growth in new industrial pump segments.

We are experiencing increased geopolitical tensions. As a global player, how does this affect the Group?

With customers in more than 180 countries we want to locate everything from product development to marketing and production as close to our customers as possible. With the challenges in the supply chain that started with the Covid-19 pandemic, and that more recently have been affected by increased geopolitical tensions and protectionism, we have experienced long lead times and problems with delivering to our customers on time. Dual sourcing and local suppliers are important ways to shorten lead times and we have worked very hard to increase our capabilities to deliver. For us, free trade is important, and as a global Group we also believe it is important to work for an inclusive culture where also people can move across borders and share ideas and develop their careers.

Since the beginning of the year, we have experienced a very severe and challenging situation due to the war in Ukraine. We have colleagues in both Ukraine and Russia, and our primary focus has been to ensure their safety. As of March 5th, 2022, and until further notice, we are taking no new orders for capital equipment for delivery to

Russia. The only exemption is orders for humanitarian purposes, e.g. medical equipment. We have also increased our focus on trade compliance to ensure that we follow all applicable international trade and export controls, economic sanctions, and embargos.

Are there any other initiatives you would like to highlight?

I am proud to say that at Atlas Copco we have a strong culture of continuous learning. Two years ago, we launched our first global learning week across the Group and last year we repeated the initiative. There is a saying that you should hire for attitude and train for skills. As an employer we can provide the tools and opportunities to learn, but within Atlas Copco each employee is responsible for his or her career and development. Continuous learning is one way to accomplish this and it is also a key part of personal development.

Another important initiative is our new Code of Conduct and ethics training for all employees. The Code of Conduct replaces our former Business Code of Practice and covers additional topics including modern slavery; risk management; anti-money laundering; travel; data protection and privacy; and circularity. The document has also been redesigned to make it easier to find our stance on all topics covered.

We are also taking the next steps on our digitalization journey. One of the most interesting developments in industrial manufacturing is the introduction of so-called digital twins. A digital twin is a digital original of a product that helps predict and analyze behavior and performance, long before the physical twin exists as an actual product or solution. Digital drawings have been in place for a long time, but a digital twin can be used to test specific conditions or compare performance in different operating conditions. We believe this will revolutionize how we develop, manufacture and service our products going forward and bring great customer value in the shape of forecasts, quality control and efficiency gains.

Looking ahead, what do you see the coming year?

I would like to start with a few words on the past. 2023 marks the 150th anniversary for the Group! In 1873 the world was a very different place, and it is quite amazing that we have not only evolved into a global Group present in so many industries, but also how we continue to build for the future. Together with our customers, and

by always focusing on what brings them value, we develop new products that meet the ever-increasing standards we set for ourselves: on how we use natural resources, on safety, ergonomics, and productivity. I would like to highlight our people who every day look for better ways and continue to work together with our customers to develop new products and find new solutions to their challenges, but also to the challenges society faces. During 2023 we will celebrate our past, but we will also focus on how we continue to shape the future. We are fully committed to being part of the solution for a better tomorrow and continue to build on our legacy of innovation, doing business in an ethical way and always having the customer in focus.

*Mats Rahmström, President and CEO
Nacka, Sweden, January 2023*



 Introduction

This is Atlas Copco

- **This is Atlas Copco – Home of Industrial ideas**

Our targets

This is how we do business

Creating lasting value for all stakeholders

Contributing to the UN Sustainable Development Goals

 The year in review

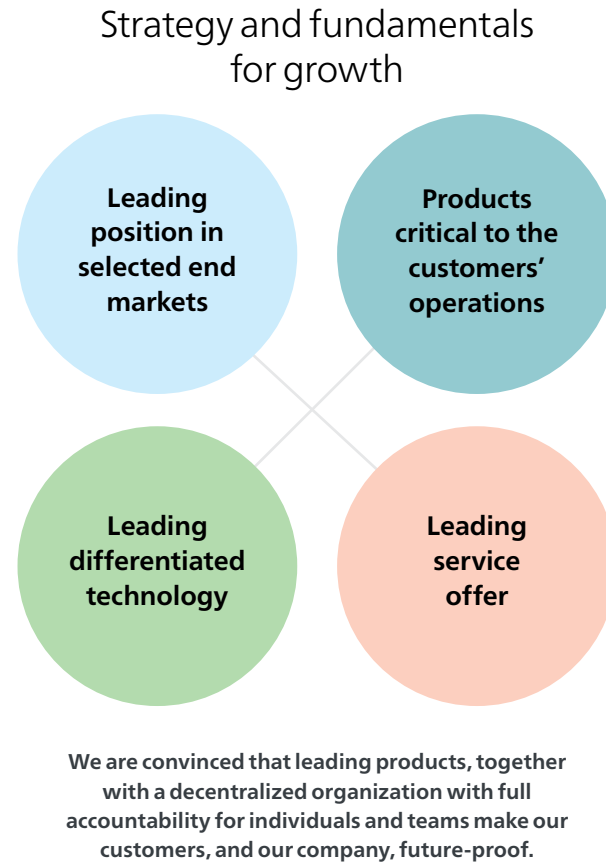
 Financials

 Other information

This is Atlas Copco – Home of Industrial Ideas

Our industrial ideas empower our customers to grow and drive society forward. This is how we create a better tomorrow.

Our vision is to become and remain **First in Mind—First in Choice** of our customers and other stakeholders. Our mission is to achieve sustainable, profitable growth. This means that we must create lasting results with responsible use of resources and with the highest business integrity.



PEOPLE

Rely on competent people who are passionate about their jobs, performance, and committed to deliver customer value. Attract resourceful people and empower them to grow.

INNOVATION

Invest in research and development to develop new solutions that improve our customers' performance. Connectivity and data-driven insights are key drivers in this.

PRESENCE

Increase market presence by expanding into selected markets, segments, and technologies. Whether we sell directly or indirectly, and under which brand, depends on the customer and market.

OPERATIONAL EXCELLENCE

Continuously strive for improved operational efficiency with responsible use of resources, including developing top-quality and highly efficient products and services.

SERVICE

Increase the service offer by giving our customers new insights and peace of mind, more and more based on customer data and real-time insights.

To succeed in our mission, Atlas Copco strives for a leading position in selected markets and segments. This is achieved through innovations and by delivering leading differentiated technology. With products and services critical to the customers' operations, Atlas Copco strives to support customers in their success. To support profitable growth over a business cycle, the Group aims to have an agile balance sheet and focuses on markets with high service potential.

DIVERSIFIED

- Diverse customer base
- Sales in Asia/Oceania, Americas, and EMEA
- Production in Europe, Asia and Americas

AGILE

- Outsourced production model, about 75% of production cost of equipment is purchased components
- Flexible workforce
- Continuous scenario planning
- Leadership model with clear accountability
- Transparent organization with strong follow up

RESILIENT

- 35% of sales from the service business
- Asset-light operations

[Introduction](#)
[This is Atlas Copco](#)

This is Atlas Copco – Home of Industrial Ideas

• **Our targets**

This is how we do business

Creating lasting value for all stakeholders

Contributing to the UN Sustainable Development Goals

[The year in review](#)
[Financials](#)
[Other information](#)

Our targets

Atlas Copco sets ambitious targets to deliver sustainable, profitable growth. The targets have different time horizons: annual, three-year, over a business cycle, and by 2030 for the more long-term ambitions. Sustainability plays a central role in Atlas Copco's vision and is an integral part of the Group's mission. An integrated sustainable strategy, backed by ambitious targets, helps the company deliver greater value to all stakeholders in a way that is economically, environmentally and socially responsible.

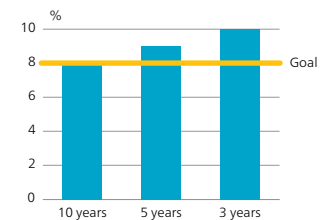
FINANCIAL

Revenue growth measured over a business cycle **Target: 8% per annum**

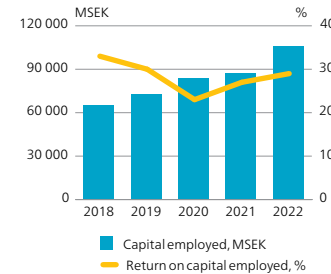
Sustained high return on capital employed by constantly striving for operational excellence and generating growth

Earnings as dividends to shareholders **Target: about 50%**

Annual revenue growth rate, average ¹⁾

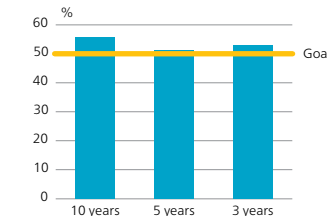


Capital employed and return ¹⁾



¹⁾ Figures for the years between 2013 and 2017 are best estimated numbers, as the effects of the distribution of Epiroc and restatements for IFRS 15 are not fully reconciled.

Dividend/earnings per share, average ²⁾ including discontinued operations



Dividend policy history

–2003 30–40% of earnings
2003–2011 40–50% of earnings
2011– about 50% of earnings

²⁾ Dividend for the fiscal year 2022 is based on the proposal from the Board of Directors.

PEOPLE

	2022	2021	2020	Target
Female employees, at year end	21.6%	20.9%	20.0%	30% by 2030
Employees agree that they feel a sense of belonging at the company ¹⁾²⁾	–	–	–	Above the global benchmark and a continuous increase
Employees agree we have a work culture of respect, fairness and openness ¹⁾	–	76	–	
Employees agree there is opportunity to learn and grow in the company ¹⁾	–	73	–	

ETHICS

Employees sign the Group's Code of Conduct ³⁾ compliance statement annually	99%	98%	99%	100%
New employees participate in the Group's ethics training within 12 months of joining the company, starting 2023 ²⁾	–	–	–	100%
Employees participate in the Group's biennial ethics training, starting 2023 ²⁾	–	–	–	100%
Significant suppliers confirm compliance with the Group's Code of Conduct ³⁾	93%	93%	93%	100%
Significant distributors confirm compliance with the Group's Code of Conduct ³⁾	92%	87%	84%	100%

SAFETY & WELLBEING

Employees agree that the company takes a genuine interest in their wellbeing ¹⁾	–	73	–	Continuous increase
Balanced safety pyramid = more reports of risk observations than near misses, more reports of near misses than minor injuries, and more or equal reports of minor injuries relative to recordable injuries ⁴⁾	Yes	Yes	Yes	A balanced safety pyramid

CLIMATE & ENVIRONMENT

Reduction in line with the 1.5 degree warming trajectory in CO ₂ e ⁵⁾ emissions (tonnes) from scopes 1 & 2, compared to the baseline 2019	–33%	–17%	–2%	–46% by 2030
Reduction in line with the well-below 2 degrees warming trajectory in CO ₂ e ⁵⁾ emissions (tonnes) from scope 3, compared to the baseline 2019	+29%	+5%	+1%	–28% by 2030
Significant direct suppliers with an approved environmental management system	31%	31%	30%	Continuous increase
Water consumption (m ³) in relation to cost of sales ⁶⁾	8.4	–	–	Continuous decrease
Reused, recycled or recovered waste from internal operations ⁶⁾	92%	–	–	100% by 2030

PRODUCTS & SERVICE

Projects for new and redesigned products with targets for reduced carbon impact	97%	98%	–	100%
Group-common methodology for assessing the circularity of new or redesigned products	–	–	–	In place by 2024

¹⁾ Measured every two years through the employee survey.

²⁾ First measurement will be done in 2023.

³⁾ Previously referred to as the Business Code of Practice.

⁴⁾ Risk observations are included in the safety pyramid as of 2021.

⁵⁾ CO₂e stands for carbon dioxide equivalent.

⁶⁾ New and extended scope from 2022, including all operations.

[Introduction](#)
[This is Atlas Copco](#)

This is Atlas Copco – Home of Industrial ideas

Our targets

• **This is how we do business**

Creating lasting value for all stakeholders

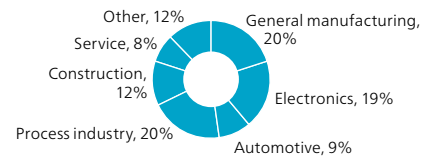
Contributing to the UN Sustainable Development Goals

[The year in review](#)
[Financials](#)
[Other information](#)

This is how we do business

Atlas Copco is characterized by focused businesses in selected market segments, high customer focus through a decentralized organization, global presence, a stable service business, professional people, and an asset-light and flexible manufacturing setup. By providing professional service, technical competence, application knowledge and digital capabilities the Group builds close customer relationships through direct and indirect channels.

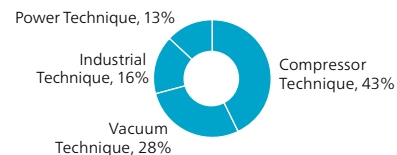
Orders received by customer category



Share of revenues



Share of revenues by business area



Sales and service

Atlas Copco's ambition is to build close relationships with customers and help them increase their productivity in a sustainable way. Customer engagement, sales, and service take place through direct and indirect channels (mainly distributors), online as well as offline, to maximize market presence. Digital capabilities and interaction are essential to supporting customers and creating business opportunities. Consequently, we continuously develop our teams to ensure they are equipped with the right competencies to make it easy to do business with us. Atlas Copco aims at always being available to our customers when they need us, wherever we can support them best. The Group has a global reach with sales in more than 180 countries.

Equipment sales are performed by engineers with strong application knowledge and the ambition to offer the best solution for specific applications. Service and maintenance performed by skilled technicians are an integral part of our offer. Service is the responsibility of dedicated divisions in each business area. This includes the development of service products, sales and marketing, technical support, and service delivery, all supported by data analysis from connected equipment.

Stable service business

35% of the Group's revenues come from service (spare parts, maintenance, repairs, consumables, accessories, and specialty rental), often generated from service contracts. An increased amount of connected equipment gives additional opportunities to support the service business in developing value for our customers. The service business provides a strong base as revenues from service are more stable than equipment sales.



Global reach with local presence

Atlas Copco has a global reach with sales in more than 180 countries. Sales and service are performed by employees with strong application and process knowledge.

75%

About 75% of the production cost of equipment represents purchased components.

Increase customer value

Customer focus is a guiding principle for Atlas Copco. Surveys are conducted regularly to learn from customers' experience and opinions about their interaction with Atlas Copco. Customers are often also engaged in feedback discussions to improve our products and services. A number of key performance indicators have been established, which are continuously followed up to ensure improved customer satisfaction.

Manufacturing and logistics

We strive to have manufacturing close to where our customers are located. As a result, our production facilities are located in Europe, Asia, and the Americas. Our philosophy is to manufacture those components critical to the equipment's performance inhouse. For other components, we leverage the capacity and competence of our business

partners. Flexible purchasing and logistics are of great importance.

Approximately 75% of the production cost of equipment represents purchased components, and about 25% are internally manufactured core components, assembly costs, and overhead. Equipment represents about 65% of revenues, and manufacturing and logistics are organized to be able to quickly adapt to changes in demand. Manufacturing of equipment is based primarily on customer orders, while only some standard, high-volume equipment is manufactured based on projected demand.

The assembly of equipment is generally carried out in Atlas Copco's own facilities, and we take responsibility for the products' functionality and quality. In order to optimize production flows the assembly is typically lean, and the final product is generally shipped directly to the end user.

Introduction

This is Atlas Copco

This is Atlas Copco – Home of Industrial ideas

Our targets

• **This is how we do business**

Creating lasting value for all stakeholders

Contributing to the UN Sustainable Development Goals

The year in review

Financials

Other information

This is how we do business, continued

The organization works continuously to efficiently use human, natural, and capital resources while ensuring the highest quality.

Innovation

Atlas Copco believes that there is always a better way of doing things. Innovation and product development are of greatest importance, and products are designed internally. Innovation will improve customer value and strengthen customer relationships, the brand, and financial performance. Research and development expenditures correspond to about 4% of total revenues.

The fundamental objective is to design, and efficiently produce, new or improved products that provide sustainable and tangible benefits for customers in terms of productivity, energy efficiency, and/or lower life-cycle cost. New hardware and software are developed by skilled engineers in the divisions. Atlas Copco protects its technical innovations with patents.

Innovation also includes improved processes to optimize the flow and utilization of assets and information. Overcapacities and inefficiencies must always be challenged.

Investments in fixed assets and working capital

Our manufacturing philosophy results in a moderate need for investments in property, plant and equipment, which can be adapted to short and medium-term changes in demand. Most investments relate to machining equipment for core manufacturing activities and to production facilities, primarily for core component manufacturing and assembly operations.

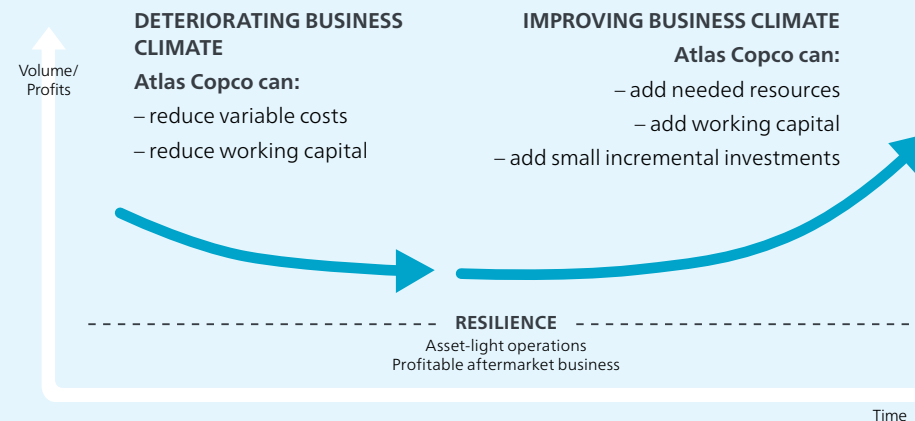
The working capital requirements are affected by the relatively high share of sales through own customer centers, which affects the amount of inventory and receivables. In an improving business climate with higher volumes, more working capital will be tied up. If the business climate deteriorates, working capital will be released.

Acquisitions

Acquisitions are primarily made in, or very close to, existing core businesses aiming to grow existing businesses or create new platforms for growth. All divisions are required to map and evaluate businesses that are adjacent, and may offer tangible synergies to existing businesses. All acquired businesses are expected to contribute positively to economic value added.

Research and development expenditures correspond to about **4%** of total revenues.

AGILE AND RESILIENT OPERATIONAL SETUP



Agility

Atlas Copco has organized its manufacturing and logistics to be able to quickly adapt to changes in equipment demand.

[Introduction](#)
[This is Atlas Copco](#)

This is Atlas Copco – Home of Industrial ideas

Our targets

• [This is how we do business](#)

Creating lasting value for all stakeholders

Contributing to the UN Sustainable Development Goals

[The year in review](#)
[Financials](#)
[Other information](#)

This is how we do business, continued

STRUCTURE AND GOVERNANCE

Atlas Copco's organization is based on the principle of decentralized responsibilities and authorities (see organization chart to the right). The organization consists of both operating and legal units. Each operating unit has a business board reflecting the Group's operational structure. The duty of the business board is to serve in an advisory and decision-making capacity concerning strategic and operative issues. It also ensures the implementation of controls and assessments. Each legal company has a legal board focusing on compliance and reflecting the legal structure of the Group.

The Board of Directors is responsible for the organization and management of the Group, regularly assessing the Group's financial situation and financial, legal, social and environmental risks, and ensuring that the organization is designed for satisfactory control.

The President and CEO is responsible for the daily management of the Group following the Board's guidelines and instructions. The President and CEO is also responsible for ensuring that the organization works towards achieving the targets for sustainable, profitable growth. The President and CEO leads the Group Management, which also consists of the business area presidents and four functional heads.

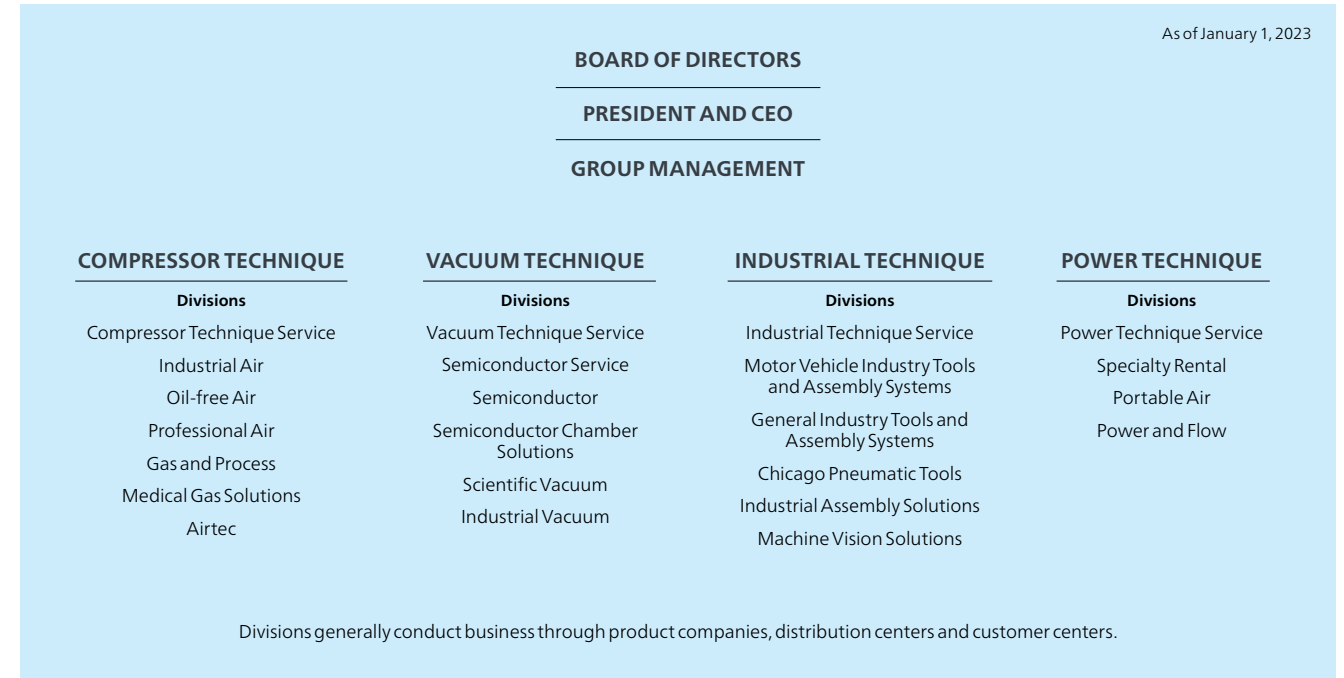
The business areas are responsible for developing their respective operations by implementing and following up on strategies and objectives to achieve sustainable, profitable growth.

The divisions are separate operational units, responsible for delivering results in line with the strategies and objectives set by the business area. Each division has global responsibility for a specific product or service offering. A division can include one or more product companies (units responsible for product development, manufacturing and product marketing), distribution centers, and several customer centers (units responsible for customer contacts, sales and service) dedicated or shared with other divisions.

Regional holding functions are established worldwide to support the divisional structure of the Group and to represent Group Management.

Atlas Copco's organization is based on the principle of decentralized responsibilities and authorities

As of January 1, 2023



The Atlas Copco Group is unified and strengthened through:

A shared purpose, vision and a common identity	Shared goals and strategic pillars for growth	The corporate culture and the core values: interaction, commitment, and innovation		Common processes and shared best practices gathered in the handbook of policies and guidelines <i>The Way We Do Things</i>
The sharing of brand names and trademarks	The sharing of resources and infrastructure/service providers	An internal job market	A common leadership model	One Group Treasury
				The Group's Code of Conduct

 Introduction

This is Atlas Copco

This is Atlas Copco – Home of Industrial ideas

Our targets

- **This is how we do business**

Creating lasting value for all stakeholders

 Contributing to the UN Sustainable Development Goals

 The year in review

 Financials

 Other information

This is how we do business, continued

LEADERSHIP AND PEOPLE

In Atlas Copco, leadership is defined as the ability to create lasting results through people. Atlas Copco believes that competent and committed leaders are crucial to achieving sustainable, profitable growth. Freedom to act and accountability are guiding principles.

All leaders are given a mission statement from their manager, outlining long-term expectations and goals in both quantitative and qualitative terms. The timeframe of the mission is typically three to five years. Based on the mission statement, the leader is expected to develop a vision, and clarify how the mission will be achieved, including the strategies, organization and people needed to make it happen.

Atlas Copco's performance is closely related to how the Group succeeds in being a good employer, attracting and developing resourceful and motivated people. With a global business conducted through numerous companies, we work with continuous competence development, knowledge sharing, while embedding our core values: interaction, commitment, and innovation, across all people processes.

ATLAS COPCO'S CODE OF CONDUCT

Internal policy documents related to business ethics and social and environmental performance are summarized in Atlas Copco's Code of Conduct. All employees in Group companies, as well as our business partners, are expected to adhere to these policies. All employees are also required to annually sign a compliance statement and participate in a biennial ethics training.

// In Atlas Copco, leadership is defined as the ability to create lasting results.

Atlas Copco has a strong culture of growing talent by encouraging employees to take accountability for their own career and competence development. The Group enables and encourages internal mobility and growth by offering continuous learning activities and an internal job market. With the ambition to develop individuals and teams to reach their full potential, Atlas Copco offers accessible tools and targeted learning content, both digital and classroom courses and programs, to all employees.

If Atlas Copco needs to adapt its capacity in a deteriorating business climate, the first action is to stop recruitment. Layoffs are the last resort.



PROCESSES

Group-wide strategies, processes, principles, guidelines, and shared best practices are gathered in the handbook of policies and guidelines *The Way We Do Things*, which is available to all employees. Although most of the processes are self-explanatory, managers are provided regular training in their implementation. Wherever Atlas Copco's employees are located, they are expected to work in accordance with the provided processes, principles and guidelines.

The handbook covers governance, safety, health, environment and quality, accounting and business control, treasury, tax, audit and internal control, information technology, people, culture, legal, communications and branding, risk, crisis management, administrative services, insurance, standardization, and acquisitions.

OUR CORE VALUES reflect how we behave internally and in relation to external stakeholders.

INTERACTION

We interact and develop close relationships with customers, internally and externally, as well as with other stakeholders. This takes place in many ways: physically, online or indirectly through business partners. We always look for what is best for a specific target group.

INNOVATION

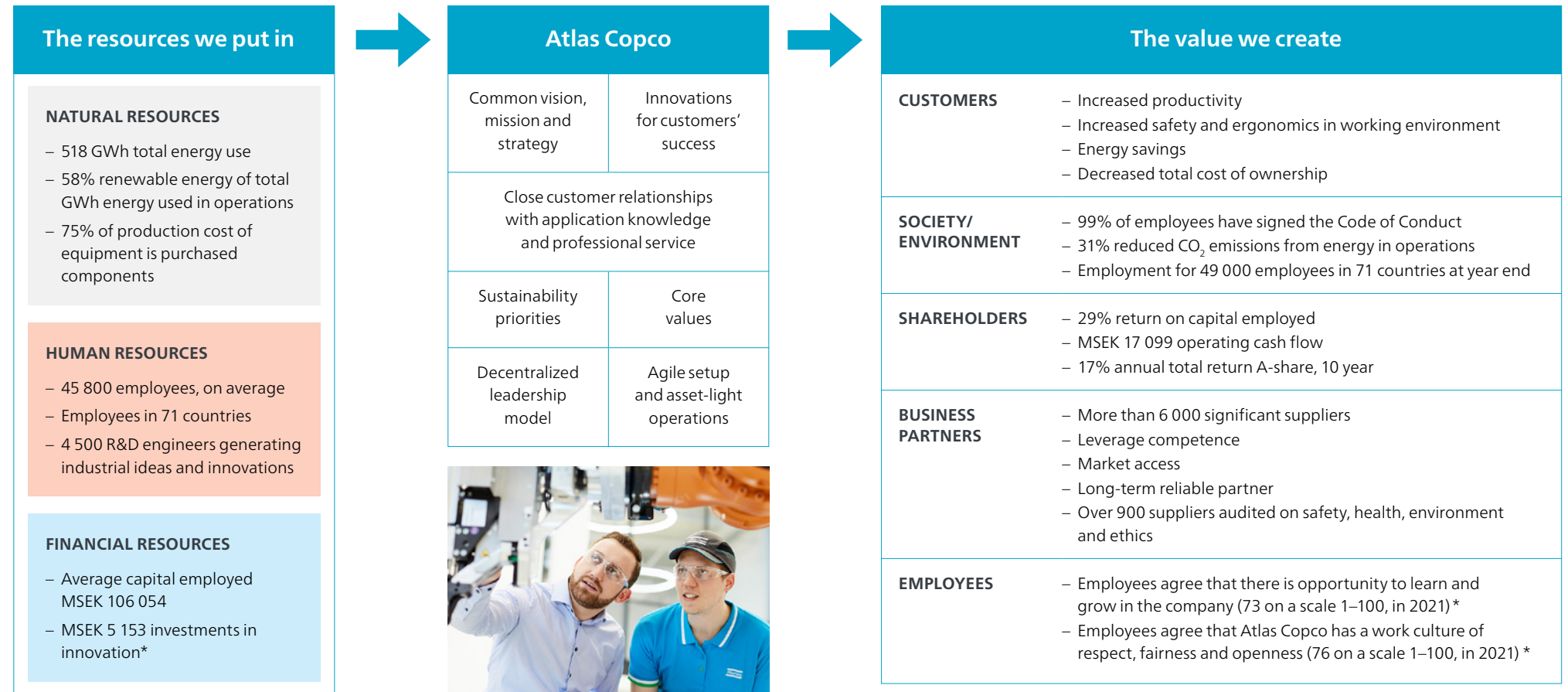
Our innovative spirit is reflected in everything we do. Our customers expect the best from Atlas Copco and our objective is to consistently deliver high-quality products and service that increase customers' productivity and competitiveness.

COMMITMENT

We operate worldwide with a long-term commitment to our customers in each country and market served. We keep our promises and always strive to exceed high expectations.

Creating lasting value for all stakeholders

Atlas Copco's vision is to become and remain First in Mind—First in Choice of our customers and other principal stakeholders. The Group aims to continuously deliver sustainable, profitable growth with an increased positive impact on society and the environment. Below, we illustrate how we, with a responsible use of resources – human, natural and capital – create value for customers, employees, business partners, shareholders, as well as for society and the environment.



* Investments in product development, including capitalized expenditures.

* The employee survey is conducted every two years.

Introduction

This is Atlas Copco

This is Atlas Copco – Home of Industrial ideas

Our targets

This is how we do business

• **Creating lasting value for all stakeholders**

Contributing to the UN Sustainable Development Goals

The year in review

Financials

Other information

[Introduction](#)
[This is Atlas Copco](#)

This is Atlas Copco – Home of Industrial ideas

[Our targets](#)

This is how we do business

Creating lasting value for all stakeholders

- [Contributing to the UN Sustainable Development Goals](#)

[The year in review](#)
[Financials](#)
[Other information](#)

Contributing to the UN Sustainable Development Goals

The UN Sustainable Development Goals are a call for action to promote prosperity while protecting the planet. The goals recognize that ending poverty must go hand-in-hand with strategies that build economic growth and address a range of social needs, while tackling climate change and protecting the environment. Atlas Copco endorses all 17 Sustainable Development Goals and contributes directly to the eight ones described below.



Gender equality Increasing diversity and ensuring inclusion

Atlas Copco promotes inclusion and diversity and strives to improve gender balance at all levels in the Group. The business area presidents and the CEO have established taskforces. See pages 37–38.



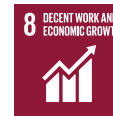
Clean water and sanitation Working to reduce water consumption

Atlas Copco entities carry out local activities targeting water consumption. Since 1984, Atlas Copco has supported the employee-driven initiative “Water for All”. Until 2022, more than two million people have gained access to clean water and improved sanitation. See page 43.



Affordable and clean energy Reducing CO₂ emissions from our operations and value chain

Atlas Copco undertakes a range of activities to reduce CO₂ emissions from energy in operations and transport of goods, such as installing solar panels, buying renewable electricity and from improved logistics to avoid air freight. See pages 42–43.



Decent work and economic growth Focusing on ethics, safety and wellbeing – for employees and business partners

Atlas Copco requires all business partners to comply with the Code of Conduct. Child labor or modern slavery is not tolerated and compliance is assessed and audited. Atlas Copco ensures the right to collective bargaining and expects the same from our business partners. See pages 39–41.



Industry, innovation and infrastructure Continuously increasing the energy efficiency of products and service

Energy efficiency in our products and service is a key selling point for Atlas Copco. The main environmental impact comes from our customers’ use of our products. All projects for new and redesigned products must assess the environmental impact of the product. Products are developed with a life-cycle perspective. See pages 34–36.



Responsible consumption and production Making production as efficient as possible and reducing waste

Atlas Copco seeks to decrease the total waste produced. Chemical handling follows strict protocols. Components that contain conflict minerals are not accepted and Atlas Copco monitors and screens its supply chain. See pages 41–42.



Climate action Cutting greenhouse gas emissions

We have set science-based targets to be a part of the solution to global warming and climate change. Our largest impact comes from the use of our products, and we provide solutions to reduce our customers’ energy consumption and carbon emissions. We also work to lower our own energy consumption, switch to renewable energy and choosing transportation methods that minimize climate impact. See pages 34–36 and 42–43.



Peace, justice and strong institutions Zero tolerance for corruption

Atlas Copco requires all employees to sign their compliance with our Code of Conduct and to take trainings in how to handle ethical dilemmas. Business partners are expected to confirm their compliance with criteria based on our Code of Conduct. See pages 41–42.

SUSTAINABLE DEVELOPMENT GOALS

See pages 33–43 for more information on how Atlas Copco contributes to the achievement of the UN Sustainable Development Goals.

 Introduction

 This is Atlas Copco

The year in review

 • Administration report

Business areas

 Sustainable approach
to delivering value

 Risks, risk management and
opportunities

The Atlas Copco share

Corporate Governance

Board of Directors

Group Management

 Internal control over financial
reporting

 Financials

 Other information

The year in review

Market review and demand

The overall demand for Atlas Copco's equipment and services increased in 2022. In comparable currencies, the Group's order intake for equipment increased by 9% and the service part, including the specialty rental business, grew by 15%, with positive development in all business areas and regions.

Order volumes for compressors increased significantly, supported by increased demand from customer segments contributing to the transition to a low-carbon society, such as the production of batteries for electric cars, solar panels, LNG, and hydrogen applications. Solid order growth was achieved for industrial compressors and for gas and process compressors in particular, especially in North America and Asia.

The demand for vacuum equipment was high even though the demand from the semiconductor and flat panel display industry decreased sharply during the latter half of the year. This resulted in overall reduced order volumes. However, the order volumes for equipment for industrial and scientific vacuum applications increased considerably.

Order volumes for industrial assembly and vision solutions increased significantly, primarily as an effect of the automotive industry's investments in the transition to electric vehicle production, most noticeably in North America and Asia. Order volumes to the general industry also grew.

The order intake for power equipment, such as portable compressors, generators and pumps, increased sharply, primarily driven by increased demand from equipment rental companies during the first half of the year. The demand was strong also during the second half of the year, both from equipment rental companies and end users.

In total, the Group's order intake increased by 22% to a record MSEK 158 092 (129 545), corre-

sponding to an organic growth of 8%. Currency had a positive effect of 11% and acquisitions contributed with 3%. See further information in the business area sections on pages 20–32.

North America

The order intake in North America increased 16% in local currencies. Strong order growth was achieved for industrial compressors and for gas and process compressors in particular. The order intake also increased strongly for power equipment, such as portable compressors, generators, and pumps, supported by an increased demand primarily from equipment rental companies. Order volumes also increased for industrial assembly and vision solutions, mainly due to customers' increased investments in the production of electric vehicles. The order intake for vacuum equipment decreased due to lower demand from the semiconductor industry. Order volumes for service increased in all business areas. In total, North America accounted for 27% (24) of orders received.

South America

Orders received in South America increased 17% in local currencies. The increased order volumes were primarily driven by increased demand for industrial compressors and power equipment, such as portable compressors. Growth was also achieved for industrial assembly solutions, and order intake for service increased in most business areas. In total, South America accounted for 4% (4) of orders received.

Europe

The order intake in Europe increased 13% in local currencies. Solid order growth was achieved in all business areas, supported by increased demand for most product groups. The order growth was particularly noticeable for gas and process compressors, vacuum equipment, and industrial

assembly solutions. The last was supported by increased customer investments in the production of electric vehicles. The order intake for the service business increased markedly with growth in all business areas. In total, Europe accounted for 27% (28) of orders received.

Africa/Middle East

Orders received increased 17% in Africa/Middle East in local currencies. This was driven by higher demand for industrial compressors, gas and process compressors, and power equipment, such as portable compressors, generators, and pumps. Order volumes for service also grew in most business areas. In total, Africa/Middle East accounted for 4% (4) of orders received.

Asia/Oceania

The order intake in local currencies in Asia/Oceania increased by 5%. Strong order growth was achieved for industrial compressors, gas and process compressors, and industrial assembly and vision solutions. However, order volumes for vacuum equipment decreased due to lower order intake from the semiconductor and flat panel display industry. The order intake for power equipment decreased as well. The service business achieved solid order growth in all business areas. Asia/Oceania accounted for 38% (40) of orders received.

Market presence

Atlas Copco had own customer centers in 70 (70) countries and production facilities in 24 (21) countries. Revenues were reported in 183 (183) countries.

Risks related to the war in Ukraine

Atlas Copco's financial exposure to Russia and Ukraine is limited. During 2022, revenues from Russia accounted for less than 1% of the Group's

total revenues. Ukraine accounted for well below 0.1% of the Group's total revenues. Further, Atlas Copco has no production units in Russia or Ukraine. Hence, the ongoing war has very limited direct financial effects on Atlas Copco. Given the uncertainties surrounding the ongoing conflict, it is very difficult to predict potential indirect effects on Atlas Copco. As of December 31, 2022, there is no significant impact on any balance sheet items.

Important events

Acquisitions and divestments

The Group completed 30 acquisitions during the year. In total, the acquisitions added net revenues of approximately MSEK 3 430. See further information in note 2 and in the business area sections on pages 20–32.

Changes in Group Management

Eva Klasén was appointed Senior Vice President, Chief Legal Officer effective May 1, 2022, replacing Håkan Osvald who retired. Eva Klasén was previously Deputy Chief Legal Officer at Atlas Copco AB.

Sara Hägg Liljedal was appointed Chief Communications Officer effective February 1, 2022. She replaced Gisela Lindstrand, who left the Group in September 2021. Sara Hägg Liljedal was previously Media Relations Manager for the Group.

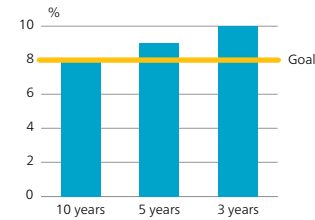
ESG recognitions

In 2022, Atlas Copco received, among others, a rating of AA in the MSCI ESG Ratings assessment, was given Prime status by ISS ESG rating, and remains a constituent of the FTSE4Good Index Series. Atlas Copco scored a C by CDP in 2022 for the carbon related disclosure and a C for the water related disclosure.

- Introduction
- This is Atlas Copco
- The year in review**
- Administration report
- Business areas
- Sustainable approach to delivering value
- Risks, risk management and opportunities
- The Atlas Copco share
- Corporate Governance
- Board of Directors
- Group Management
- Internal control over financial reporting
- Financials
- Other information

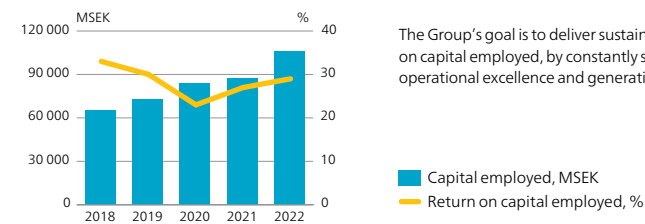
Financial targets – growth and return development

Annual revenue growth rate, average (FX adjusted) ¹⁾



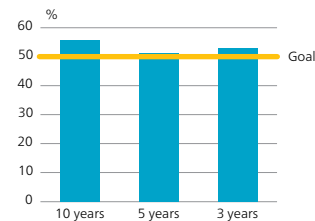
The Group's goal for annual revenue growth is 8%, measured over a business cycle. At the same time, the ambition is to grow faster than the most important competitors. Growth should primarily be organic, supported by selective acquisitions.

Capital employed and return



The Group's goal is to deliver sustained high return on capital employed, by constantly striving for operational excellence and generating growth.

Dividend/earnings per share, average ²⁾ including discontinued operations



Atlas Copco aims to have a strong and cost-efficient financing of the business. The priority for the use of capital is to develop and grow the business. The strong profitability and cash generation allow the Group to do that while at the same time maintaining the ambition to distribute about 50% of earnings as dividends to shareholders.

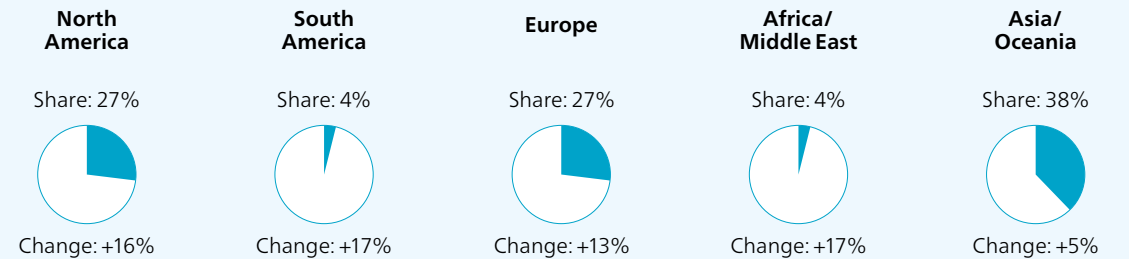
Dividend policy history

–2003	30–40% of earnings
2003–2011	40–50% of earnings
2011–	about 50% of earnings

¹⁾ Figures for the years between 2013 and 2017 are best estimated numbers, as the effects of the distribution of Epiroc and restatements for IFRS 15 are not fully reconciled.

²⁾ Dividend for the fiscal year 2022 is based on the proposal from the Board of Directors.

Orders received by region and order development in local currency



[Introduction](#)
[This is Atlas Copco](#)
[The year in review](#)

- [Administration report](#)

[Business areas](#)
[Sustainable approach to delivering value](#)
[Risks, risk management and opportunities](#)
[The Atlas Copco share](#)
[Corporate Governance](#)
[Board of Directors](#)
[Group Management](#)
[Internal control over financial reporting](#)
[Financials](#)
[Other information](#)

Revenues and return

Revenues

The Group's revenues increased 27% to a record MSEK 141 325 (110 912), corresponding to a 12% organic increase. Currency had a positive effect of 12%, and acquisitions contributed with 3% during the year. The Group's goal is to achieve an annual revenue growth of 8% over a business cycle. For the period 2013–2022, the average annual revenue growth has been 8%*.

Operating profit

The operating profit also reached a record of MSEK 30 216 (23 559) corresponding to a margin of 21.4% (21.2). Items affecting comparability were a change in provision for share-related long-term incentive programs, reported in Common Group Items, of MSEK 151 (–687). The adjusted operating profit increased 24% to MSEK 30 065 (24 246) corresponding to a margin of 21.3% (21.9). See the sales and profit bridge below.

The operating profit for the Compressor Technique business area increased by 21% to MSEK 14 425 (11 874), corresponding to a margin of 23.6% (23.9). The margin was positively affected by currency and higher organic revenue volumes. In contrast, increased costs

related to Covid-19, primarily in the first half of the year, supply chain constraints and consequent inefficiencies in factories had a negative effect on the operating margin.

The operating profit for the Vacuum Technique business area increased 19% to MSEK 8 407 (7 066), corresponding to a margin of 21.6% (24.2). The main explanations for the lower margin were higher costs related to supply chain constraints, inefficiencies in factories, and costs associated with Covid-19. The last was primarily during the first half of the year.

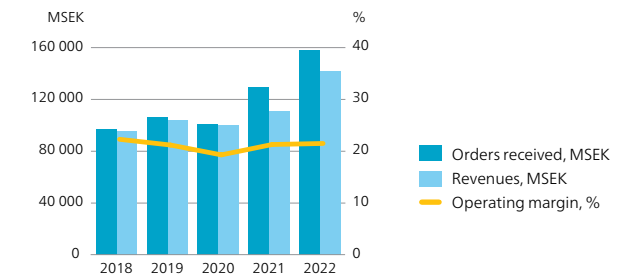
The operating profit for the Industrial Technique business area increased 16% to MSEK 4 597 (3 976), and the operating margin reached 20.0% (20.5). Increased costs related to supply chain constraints, Covid-19 in the first half of the year, and stock adjustments and provisions, affected the margin negatively. Currency had a positive effect on the operating margin.

The operating profit for the Power Technique business area increased 66% to a record MSEK 3 525 (2 121), corresponding to a margin of 18.5% (16.0). The main explanation for the higher operating margin was increased organic revenue volumes. Costs related to supply chain constraints, and Covid-19 in the first half of the year,

affected the margin negatively. Currency had a small positive effect on the operating margin.

Net costs for common Group items and eliminations were MSEK –738 (–1 478). The decrease was primarily due to lower costs related to share-related long-term incentive programs, which were MSEK 151 (–687).

Orders received, revenues and operating margin



* Currency adjusted. Figures for the years 2013–2017 are best estimated numbers, as the effects of the distribution of Epiroc and restatements for IFRS 15 are not fully reconciled.

Sales bridge	Compressor Technique		Vacuum Technique		Industrial Technique		Power Technique	
	Orders received	Revenues	Orders received	Revenues	Orders received	Revenues	Orders received	Revenues
2021, MSEK	55 012	49 657	39 529	29 219	20 545	19 421	15 155	13 234
Structural change, %	+2	+2	+1	+2	–1	+0	+13	+15
Currency, %	+11	+11	+11	+15	+11	+10	+13	+13
Organic*, %	+14	+10	–8	+16	+17	+8	+18	+16
Total, %	+27	+23	+4	+33	+27	+18	+44	+44
2022, MSEK	69 834	61 058	41 213	38 941	26 070	23 007	21 783	19 053

* Volume, price and mix.

Bridge – revenues and operating profit, MSEK	2022	Volume, price, mix and other	Currency	Acquisitions	Items affecting comparability	Share-based long-term incentive programs	2021
Revenues	141 325	13 558	13 425	3 430	–	–	110 912
Operating profit	30 216	1 109	4 495	215	0	838	23 559
Effect on margin, %	21.4						21.2

Sales bridge, Atlas Copco Group	Orders received	Revenues
2021, MSEK	129 545	110 912
Structural change, %	+3	+3
Currency, %	+11	+12
Organic*, %	+8	+12
Total, %	+22	+27
2022, MSEK	158 092	141 325

* Volume, price and mix.

[Introduction](#)
[This is Atlas Copco](#)
[The year in review](#)

- [Administration report](#)

[Business areas](#)
[Sustainable approach to delivering value](#)
[Risks, risk management and opportunities](#)
[The Atlas Copco share](#)
[Corporate Governance](#)
[Board of Directors](#)
[Group Management](#)
[Internal control over financial reporting](#)
[Financials](#)
[Other information](#)

Revenues and return, continued

Depreciation and EBITDA

Depreciation, amortization and impairment costs were MSEK 6 347 (5 466) and earnings before depreciation and amortization, EBITDA, reached MSEK 36 549 (29 025), corresponding to a margin of 25.9% (26.2).

Net financial items

The Group's net financial items decreased to MSEK –172 (–149). The net interest expense was MSEK –166 (–234). Other financial items were MSEK –6 (85). See notes 8 and 27.

Profit before tax

Profit before tax increased 28% to MSEK 30 044 (23 410). Excluding items affecting comparability, profit before tax was MSEK 29 893 (24 097), corresponding to margin of 21.2% (21.7).

Taxes

Taxes for the year amounted to MSEK 6 562 (5 276), corresponding to an effective tax rate of 21.8% (22.5) in relation to profit before tax. The main reason for the lower tax rate is positive outcome of a tax litigation. In addition, a deduction of rolled forward interest costs from previous years has been made in Sweden. See note 9.

Profit and earnings per share

Profit for the year increased 29% to MSEK 23 482 (18 134). This corresponds to basic and diluted earnings per share of SEK 4.82 (3.72, adjusted for share split) and SEK 4.81 (3.71, adjusted for share split) respectively.

Depreciation, amortization and impairment, MSEK	2022	2021
Rental equipment	779	707
Other property, plant and equipment	1 561	1 361
Right-of-use assets	1 330	1 147
Intangible assets	2 677	2 251
Total	6 347	5 466

Key financial data, MSEK	2022	2021	Change, %
Orders received	158 092	129 545	22
Revenues	141 325	110 912	27
EBITDA	36 549	29 025	
– in % of revenues	25.9	26.2	
EBITA ¹⁾	31 956	25 015	
– in % of revenues	22.6	22.6	
Operating profit	30 216	23 559	28
– in % of revenues	21.4	21.2	
Adjusted operating profit	30 065	24 246	24
– in % of revenues	21.3	21.9	
Profit before tax	30 044	23 410	28
– in % of revenues	21.3	21.1	
Profit for the year	23 482	18 134	29
Basic earnings per share, SEK	4.82	3.72 ²⁾	
Diluted earnings per share, SEK	4.81	3.71 ²⁾	

¹⁾ Operating profit excluding amortization of intangibles related to acquisitions.

²⁾ Adjusted for share split.

Revenues and operating profit, MSEK	Revenues		Operating profit		Operating margin, %		Return on capital employed, %		Investments in tangible fixed assets ¹⁾	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Compressor Technique	61 058	49 657	14 425	11 874	23.6	23.9	82	93	897	620
Vacuum Technique	38 941	29 219	8 407	7 066	21.6	24.2	24	25	2 099	993
Industrial Technique	23 007	19 421	4 597	3 976	20.0	20.5	17	16	518	269
Power Technique	19 053	13 234	3 525	2 121	18.5	16.0	25	27	1 009	571
Common Group functions/eliminations	–734	–619	–738	–1 478					25	27
Total Group	141 325	110 912	30 216	23 559	21.4	21.2	29	27	4 548	2 480

¹⁾ Excluding right-of-use assets.

Revenues and return, continued

Balance sheet

The Group's total assets increased 26% to MSEK 172 301 (136 683). Cash, cash equivalents and other current financial assets decreased to MSEK 12 143 (19 837), as a net effect of operational cash generation (see next page), dividend to shareholders MSEK –9 250, redemption of shares MSEK –9 732 and acquisitions MSEK –10 591.

Working capital ratios

The ratio of inventories to revenues at year end increased to 19.3% (16.0), and trade receivables to 21.2% (19.8). Trade payables were 13.5% (13.7).

Capital turnover

The capital turnover ratio was 0.91 (0.88) and the capital employed turnover ratio was 1.33 (1.27).

Equity

At year end, Group equity including non-controlling interests was MSEK 80 026 (67 634), corresponding to 46% (49) of total assets. Equity per share was SEK 16 (14). Atlas Copco's market capitalization at year end was BSEK 587 (733), a decrease of 20%. The information related to public takeover bids is the same as for the Parent Company and described on page 19.

Total comprehensive income for the year was MSEK 31 854 (23 025). See page 62 and note 10. Shareholders' transactions include dividends and redemption of shares totaling MSEK –18 982 (–8 889), sales and repurchases of own shares of net MSEK 483 (–1 034), and share-based payments of net MSEK –41 (–234). See page 64 and note 20.

Return on capital employed and return on equity

Return on capital employed reached 29% (27) and the return on equity was 32% (30). The Group uses a weighted average cost of capital (WACC) of 8% (8) after tax as an investment and overall performance benchmark.

Balance sheet in summary, MSEK	Dec 31, 2022	Dec 31, 2021
Intangible assets	67 067	50 348
Rental equipment	2 689	2 342
Other property, plant and equipment	12 720	8 991
Right-of-use assets	4 752	3 244
Other fixed assets	4 861	3 752
Inventories	27 219	17 801
Receivables	40 849	30 363
Current financial assets	889	847
Cash and cash equivalents	11 254	18 990
Assets classified as held for sale	1	5
Total assets	172 301	136 683
Total equity	80 026	67 634
Interest-bearing liabilities	38 713	27 988
Non-interest-bearing liabilities	53 562	41 061
Total equity and liabilities	172 301	136 683

Equity, MSEK	2022	2021
Opening balance	67 634	53 534
Profit for the year	23 482	18 134
Other comprehensive income for the year	8 372	4 891
Shareholders' transactions	–18 982	–8 889
Change of non-controlling interests	44	–836
Acquisition and divestment of own shares	–483	1 034
Share-based payments, equity settled	–41	–234
Closing balance	80 026	67 634
Equity attributable to		
– owners of the parent	79 976	67 633
– non-controlling interests	50	1

[Introduction](#)
[This is Atlas Copco](#)
[The year in review](#)

- [Administration report](#)

[Business areas](#)
[Sustainable approach to delivering value](#)
[Risks, risk management and opportunities](#)
[The Atlas Copco share](#)
[Corporate Governance](#)
[Board of Directors](#)
[Group Management](#)
[Internal control over financial reporting](#)
[Financials](#)
[Other information](#)

Revenues and return, continued

Interest-bearing debt and net indebtedness

Total interest-bearing debt was MSEK 38 713 (27 988), whereof MSEK 2 380 (3 114) in post-employment benefits. The Group has an average maturity of 4.0 years on interest-bearing liabilities. See notes 21 and 23 for additional information. The Group's net indebtedness, amounted to MSEK 26 570 (8 151) at year end. The net debt/EBITDA ratio was 0.7 (0.3) and the debt/equity ratio was 33% (12).

Credit rating

Atlas Copco's long-term and short-term debt is rated by Standard & Poor's and Fitch with the long-/short-term rating A+/A-1 and A+/F1+, respectively.

Operating cash flow and investments

Operating cash surplus was MSEK 36 978 (28 952). Cash flows from financial items were MSEK -714 (459). Net pension funding and payments were MSEK -419 (-330). The working capital increased by MSEK 7 415 (increase of 244), primarily due to increased inventories in response to supply chain constraints. Net investments in rental equipment were MSEK 808 (474).

Gross investments in property, plant and equipment increased to MSEK 3 660 (1 970). In 2022, Compressor Technique made notable investments in production, and research and development facilities in Belgium.

Vacuum Technique invested in a service technology center in China, new distribution centers in South Korea and Japan, a manufacturing facility in South Korea, a remanufacturing and assembly facility in the USA, and a cryopump manufacturing and R&D facility in the USA.

Industrial technique invested in new machining equipment in its production facility in Sweden, a new innovation center for battery production and electronics in Germany, and a new production and R&D facility in China. Power Technique invested in a new logistic center in the USA. Cash received from sale of property, plant and equipment equaled to MSEK 99 (93).

Net investments in intangible assets, mainly related to capitalization of product development expenditures, were MSEK 1 371 (1 389). Net investments in other assets were MSEK 20 (-514). In total, the operating cash flow reached MSEK 17 099 (19 378).

Cash flow from structural changes

The net cash flow from structural changes, i.e. acquisitions and divestments, amounted to MSEK -10 591 (-2 341). See also note 2.

Cash flow from financing

Dividends paid amounted to MSEK -9 250 (-8 889) and the mandatory redemption was MSEK -9 732. Sales and repurchases of own shares resulted in a net of MSEK -483 (1 034), all related to hedging or deliveries of shares for the long-term incentive plans described on page 92. Change in interest-bearing liabilities was MSEK 4 814 (-1 645).

Employees

In 2022, the average number of employees in the Group increased by 4 509 to 45 781. At year end, the number of employees was 48 951 (42 862), and the number of consultants/external workforce was 3 834 (3 762). For comparable units, the total workforce increased by 3 394. See also note 5.

Calculation of operating cash flow, MSEK	2022	2021
Operating cash surplus	36 978	28 952
Net financial items	-714	459
Taxes paid	-6 245	-5 211
Pension funding	-419	-330
Change in working capital	-7 415	-244
Increase in rental equipment, net	-808	-474
Cash flows from operating activities	21 377	23 152
Investments of property, plant and equipment, net	-3 561	-1 877
Other investments, net	-1 351	-1 356
Cash flow from investments	-4 912	-3 233
Adjustment for currency hedges of loans	634	-541
Operating cash flow	17 099	19 378

Average number of employees	2022	2021
Atlas Copco Group	45 781	41 272
– Sweden	1 474	1 402
– Outside Sweden	44 307	39 870
Business areas		
– Compressor Technique	20 044	18 785
– Vacuum Technique	10 929	8 961
– Industrial Technique	9 162	8 745
– Power Technique	4 810	3 973
– Common Group functions	836	808

 Introduction

 This is Atlas Copco

The year in review

• Administration report

Business areas

 Sustainable approach
to delivering value

 Risks, risk management and
opportunities

The Atlas Copco share

Corporate Governance

Board of Directors

Group Management

 Internal control over financial
reporting

 Financials

 Other information

Parent Company

Atlas Copco AB is the ultimate Parent Company of the Atlas Copco Group and is headquartered in Nacka, Sweden.

Earnings

Profit before tax amounted to MSEK 32 753 (5 515) and profit for the year amounted to MSEK 32 433 (5 176). The difference between the years is mainly due to increased dividends from Group Companies.

Financing

The total assets of the Parent Company were MSEK 184 774 (173 859). At year end 2022, cash and cash equivalents amounted to MSEK 0 (0) and interest-bearing liabilities amounted to MSEK 21 393 (23 121). Equity represented 88% (86) of total assets and non-restricted equity totaled MSEK 156 517 (143 591).

Employees

The average number of employees in the Parent Company was 110 (107).

Remuneration

Principles for remuneration, fees and other remuneration paid to the Board of Directors, the President and CEO, and other members of Group Management, other statistics and the guidelines regarding remuneration and benefits to Group Management as approved by the Annual General Meeting are specified in note 5.

Financial risks, risks and factors of uncertainty

Atlas Copco is subject to currency risks, interest rate risks and other financial risks. Atlas Copco has adopted a policy to control the financial risks to which Atlas Copco AB and other Group companies are exposed. A financial risk management committee meets regularly to make decisions about how to manage these risks. See also Risks, risk management and opportunities on pages 44–48.

Appropriation of profit

The Board of Directors proposes to the Annual General Meeting 2023 a dividend of SEK 2.30 (1.90, adjusted for share split) per share to be paid for the 2022 fiscal year. Excluding shares currently held by the Company, the proposed dividend corresponds to a total of MSEK 11 197 (9 258).

In order to facilitate a more efficient cash management, the dividend is proposed to be paid in two equal installments, the first with record date May 2, 2023, and the second with record date October 20, 2023.

SEK

Retained earnings including reserve for fair value	124 083 709 433
Profit for the year	32 433 451 449

The Board of Directors proposes that these earnings be appropriated as follows:

To the shareholders, a dividend of SEK 2.30 per share	11 197 221 020
To be retained in the business	145 319 939 862
Total	156 517 160 882

Shares and share capital

At year end, Atlas Copco's share capital totaled MSEK 786 (786) and a total number of 4 918 452 416 shares divided into 3 357 576 384 class A shares and 1 560 876 032 class B shares were issued. Net of 50 095 451 class A shares and 0 class B shares held by Atlas Copco, 4 868 356 965 shares were outstanding. Class A shares entitle the owner to one vote while class B shares entitle the owner to one tenth of a vote. Class A shares and class B shares carry equal rights to a part of the Company's assets and profit.

Investor AB is the single largest shareholder in Atlas Copco AB. At year end 2022, Investor AB held a total of 836 131 135 shares, representing 22.3% of the votes and 17.0% of the capital.

There are no restrictions prohibiting the right to transfer shares of the Company, nor is the Company aware of any such agreements. In addition, the Company is not party to any material agreement that enters into force or is changed or ceases to be valid if the control of the Company is changed as a result of a public takeover bid. There is no limitation to the number of votes that can be cast at a General Meeting of shareholders.

As prescribed by the Articles of Association, the General Meeting has sole authority for the election of Board members and there are no other rules relating to the election or dismissal of Board members or changes in the Articles of Association. Correspondingly, there are no agreements with Board members or employees regarding compensation in case of changes of current position reflecting a public takeover bid.

Statutory sustainability report

Atlas Copco AB has prepared a sustainability report in accordance with the Global Reporting Initiative's guidelines (GRI Standards) which, in combination with the EU Taxonomy regulation disclosures on pages 135–137, also constitutes Atlas Copco AB's statutory sustainability report and encompasses all its subsidiaries. The sustainability report has been prepared in accordance with the disclosure requirements set out in the Swedish Annual Accounts Act, chapter 6, paragraph 11. The scope and content of the sustainability report are defined on page 138.

Introduction

This is Atlas Copco

The year in review

Administration report

- Business areas

Compressor Technique

Vacuum Technique

Industrial Technique

Power Technique

Sustainable approach to delivering value

Risks, risk management and opportunities

The Atlas Copco share

Corporate Governance

Board of Directors

Group Management

Internal control over financial reporting

Financials

Other information

Business areas

The Atlas Copco Group is a world-leading provider of sustainable productivity solutions. The Group offers customers innovative compressors, air treatment systems, vacuum solutions, industrial power tools and assembly systems, machine vision, and power and flow solutions. Atlas Copco's four business areas are responsible for developing their respective operations by implementing and following up on strategies and objectives to achieve sustainable, profitable growth.

Compressor Technique, page 21



The Compressor Technique business area provides compressed air solutions: industrial compressors, gas and process compressors and expanders, air and gas treatment equipment, and air management systems. The business area has a global service network and innovates for sustainable productivity mainly for the manufacturing and process industries.

Key figures, MSEK	2022	2021	Change, %
Orders received	69 834	55 012	27%
Revenues	61 058	49 657	23%
EBITA*	14 882	12 205	
– as a percentage of revenue	24.4	24.6	
Operating profit	14 425	11 874	21%
Operating margin, %	23.6	23.9	
Return on capital employed, %	82	93	
Investments	897	620	
Average number of employees	20 044	18 785	

* Operating profit excluding amortization of intangibles related to acquisitions.

Vacuum Technique, page 24



The Vacuum Technique business area provides vacuum products, exhaust management systems, valves and related products. The main markets served are semiconductor and scientific, as well as a wide range of industrial segments including chemical process industries, food packaging and paper handling. The business area has a global service network and innovates for sustainable productivity in order to further improve its customers' performance.

Key figures, MSEK	2022	2021	Change, %
Orders received	41 213	39 529	4%
Revenues	38 941	29 219	33%
EBITA*	9 019	7 569	
– as a percentage of revenue	23.2	25.9	
Operating profit	8 407	7 066	19%
Operating margin, %	21.6	24.2	
Return on capital employed, %	24	25	
Investments	2 099	993	
Average number of employees	10 929	8 961	

* Operating profit excluding amortization of intangibles related to acquisitions.

Industrial Technique, page 27



The Industrial Technique business area provides industrial power tools, assembly technologies, machine vision solutions, quality assurance products, software and service through a global network. The business area innovates for sustainable productivity for customers in the automotive and general industries.

Key figures, MSEK	2022	2021	Change, %
Orders received	26 070	20 545	27%
Revenues	23 007	19 421	18%
EBITA*	5 127	4 538	
– as a percentage of revenue	22.3	23.4	
Operating profit	4 597	3 976	16%
Operating margin, %	20.0	20.5	
Return on capital employed, %	17	16	
Investments	518	269	
Average number of employees	9 162	8 745	

* Operating profit excluding amortization of intangibles related to acquisitions.

Power Technique, page 30



The Power Technique business area provides portable air and power, industrial and portable flow solutions through products such as mobile compressors, generators, light towers, industrial and portable pumps, along with a number of complementary products. It also offers specialty rental and provides service through a global network. Guided by a forward-thinking approach to innovation, Power Technique provides sustainable productivity solutions across multiple industries, including construction, manufacturing, oil and gas, and exploration drilling.

Key figures, MSEK	2022	2021	Change, %
Orders received	21 783	15 155	44%
Revenues	19 053	13 234	44%
EBITA*	3 666	2 182	
– as a percentage of revenue	19.2	16.5	
Operating profit	3 525	2 121	66%
Operating margin, %	18.5	16	
Return on capital employed, %	25	27	
Investments	1 009	571	
Average number of employees	4 810	3 973	

* Operating profit excluding amortization of intangibles related to acquisitions.

Introduction

This is Atlas Copco

The year in review

Administration report

Business areas

- **Compressor Technique**

Vacuum Technique

Industrial Technique

Power Technique

Sustainable approach to delivering value

Risks, risk management and opportunities

The Atlas Copco share

Corporate Governance

Board of Directors

Group Management

Internal control over financial reporting

Financials

Other information

Compressor Technique

The demand for the business area's equipment and service was strong, and order volumes increased significantly. The increased order intake was supported by solid demand in all regions. 18 acquisitions were completed during the year, and continued investments were made in product development, online and offline market presence, and service. The business area also intensified its focus on developing solutions for customer segments contributing to a low-carbon society.

Market development

The demand for equipment and service was strong, and order volumes increased markedly throughout the year. In total, the order intake increased 14% organically.

Order volumes for the service business increased noticeably, with solid order growth in all regions. The increased order intake was generated by a higher demand for spare parts, repair, maintenance, and service contracts, the latter supported by an increased number of connected products in the market.

The order intake for equipment increased significantly, supported by increased demand in all regions, especially in North America and Asia. Customer segments contributing to the transition to a low-carbon society, such as the production of batteries for electric cars, solar panels, LNG, and hydrogen applications, particularly supported the growth in order intake. The order intake for large industrial compressors grew more than orders for small and medium-sized compressors, particularly during the second half of the year. Order volumes for gas and process compressors increased significantly, with strong growth in all regions, particularly in North America.

Market presence and organizational development

The business area strengthened its market position with the launch of several new innovative products during the year. The product portfolio was expanded in particular for applications related to the energy transition, such as compression and liquification of hydrogen and LNG. The service offer was also further developed through continued focus on connectivity and data analytics.

Resources were added in research and development and market presence, primarily through the development of digital channels.

While the business grew significantly, the business area managed to lower its environmental footprint from operations, as a result of a further increased use of renewable energy. The business area also supported its customers' sustainability efforts through an increased installed base of energy efficient products.

The business area continued to develop its main European site in Antwerp, Belgium, through investments in its production and research and development facilities.

The business area also increased its presence in targeted markets and customer segments through several acquisitions, see below.

The business area made in total 18 acquisitions in 2022:

- Oxymat A/S, a Danish manufacturer of on-site gas generation equipment with 146 employees and revenues of about MSEK 411.
- SCB S.r.l., an Italian condensate management manufacturer with 16 employees and revenues of MSEK 51.
- Aircel, LLC., a US-based provider of air treatment and air purification solutions with 19 employees and revenues of about MSEK 55.
- The assets in Suzhou Since Gas System Co., Ltd., a Chinese manufacturer of on-site gas generation with 80 employees and revenues of about MSEK 93.
- Shandong Meditech Medical Technology Co., Ltd., a Chinese manufacturer of medical oxygen solutions with 70 employees and revenues of about MSEK 114.

Orders received, revenues and operating margin



The following acquisitions were also made:

- CAS Products Ltd, a British distributor.
- Associated Compressor Engineers Ltd (ACE), a UK-based distributor.
- Bireme Group, a Singapore-based distributor
- FITEC S.A.S., a French distributor.
- Glaston Compressor Services Ltd., a UK-based distributor.
- The operating assets of Compressed Air Products, Inc., a US-based distributor.
- DF-Druckluft-Fachhandel GmbH, a German company specialized in online sales.
- Mesa, a US-based distributor.
- Vector Sp. z o.o., a Polish-based distributor.
- Precision Pneumatics Ltd, UK-based distributor.
- Wearside Pneumatics Ltd, UK-based distributor.
- Entreprises Larry Inc., a Canadian distributor.
- The operating assets of Northeast Compressor, a US-based distributor.

For more information see page 73.

Revenues, MSEK **61 058**

2021: 49 657

Operating profit margin **23.6%**

2021: 23.9%

Return on capital employed **82%**

2021: 93%

Sales bridge	Orders received	Revenues
2021, MSEK	55 012	49 657
Structural change, %	+2	+2
Currency, %	+11	+11
Organic*, %	+14	+10
Total, %	+27	+23
2022, MSEK	69 834	61 058

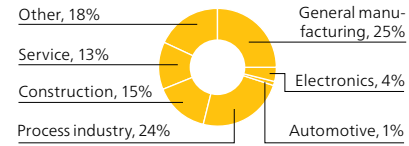
* Volume, price and mix

Revenues, profits and returns

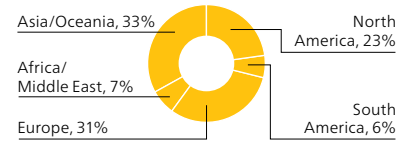
Revenues reached MSEK 61 058 (49 657), an organic increase of 10%. The operating profit increased by 21% to MSEK 14 425 (11 874), corresponding to a margin of 23.6% (23.9). The margin was positively affected by currency and higher organic revenue volumes. In contrast, increased costs related to Covid-19, primarily in the first half of the year, supply chain constraints and consequent inefficiencies in factories had a negative effect on the operating margin. Return on capital employed was 82% (93).

- Introduction
- This is Atlas Copco
- The year in review**
- Administration report
- Business areas**
 - **Compressor Technique**
 - Vacuum Technique
 - Industrial Technique
 - Power Technique
- Sustainable approach to delivering value
- Risks, risk management and opportunities
- The Atlas Copco share
- Corporate Governance
- Board of Directors
- Group Management
- Internal control over financial reporting
- Financials
- Other information

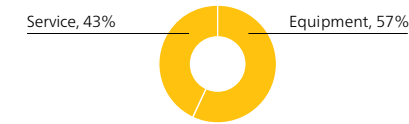
Orders received by customer category



Revenues by region



Share of revenues



The market

The global market for compressed air equipment, air and gas treatment equipment, and related services is characterized by a diversified customer base. The customers request solutions that are reliable, productive, efficient, and suited to specific applications. Customers are also increasingly looking for partners to support their sustainability ambitions.

Compressors are used in a broad spectrum of applications. Clean, dry, and oil-free air is needed in industrial processes, e.g. the food, pharmaceutical, electronics, and textile industries. Compressors are used in wastewater treatment, and increasingly in applications contributing to the transition to a low-carbon society, such as green hydrogen, LNG, and batteries for electric vehicles. Compressed air is also used in automation and in sectors as diversified as hospitals, and in high-speed trains. Blowers are used in applications where there is a need for a consistent flow of low-pressure air, for example in wastewater treatment, and conveying.

Gas and process compressors and expanders are supplied to various process industries, such as air separation plants, power utilities, chemical and petrochemical plants, and liquefied natural gas applications.

Stationary industrial air compressors and associated air-treatment products, spare parts and service represent about 90% of sales. Large gas and process compressors, including related service, represent about 10%.

Market trends

- Increased focus on energy efficiency, energy recovery, and the reduction of CO₂ emissions
- Accelerated investments in market segments contributing to a low carbon society
- Focus on total solution and total life-cycle cost
- The combination of cloud technology, big data and machine learning increases the demand for data-driven service solutions
- New applications for compressed air

Demand drivers

- Industrial production
- Transition to a low-carbon society
- Energy costs
- The need for decreased CO₂ emissions drives demand for more energy-efficient machinery

Vision and strategy

The vision is to be First in Mind—First in Choice as a supplier of compressed air and gas solutions by being interactive, committed and innovative, and by offering the best value to customers. The strategy is to further develop Atlas Copco’s leading position in selected niches and growing the business in a way that is economically, environmentally and socially responsible. This should be done by capitalizing on the strong global market presence, improving market penetration in mature and developing markets, and continuously developing improved products and solutions to satisfy customer demands. The presence is enhanced by utilizing several commercial brands. Key strategies

include growing the service business as well as developing businesses within focused areas such as air-treatment equipment, blowers, and compressor solutions for trains, ships, and hospitals. By offering the most energy-efficient products, the business aims to contribute to a better tomorrow and to support customers in meeting their sustainability ambitions.

The business area is actively looking at acquiring complementary businesses.

Strategic activities

- Intensify focus on research and development
- Increase focus on digitalization and connected products
- Increase market coverage, through digital and physical presence, and improve presence in targeted markets/segments
- Develop new sustainable products and solutions offering better value and improved energy efficiency to customers
- Activities supporting customers to meet their sustainability ambitions
- Extend the product and service offering at current customers and adjacent segments and applications
- Perform more service on a higher share of the installed base of equipment
- Increase operational efficiency
- Invest in people and competence development
- Acquire complementary businesses

Competition

Compressor Technique’s principal competitors in the market for industrial compressors and air treatment equipment are Ingersoll Rand, Kaeser, Hitachi, and Parker Hannifin. There are also numerous regional and local competitors, for example, in China. In the market for gas and process compressors and expanders, the main competitors are Siemens and MAN Turbo.

Market position

A leading market position globally in most of its operations.

- Introduction
- This is Atlas Copco
- The year in review**
- Administration report
- Business areas**
 - **Compressor Technique**
 - Vacuum Technique
 - Industrial Technique
 - Power Technique
- Sustainable approach to delivering value
- Risks, risk management and opportunities
- The Atlas Copco share
- Corporate Governance
- Board of Directors
- Group Management
- Internal control over financial reporting
- Financials
- Other information

Compressor Technique: Products and applications

Atlas Copco offers all major air compression technologies as well as air and gas treatment equipment, and air management systems and is able to offer customers the best solution for every application.

Piston compressors

Piston compressors are available as oil-injected and oil-free. They are used in general industrial applications as well as specialized applications.

Oil-free tooth and scroll compressors

Oil-free tooth and scroll compressors are used in industrial and medical applications with a demand for high-quality oil-free air. Some models are available as WorkPlace AirSystem with integrated dryers, as well as with energy-efficient variable speed drive (VSD).

Rotary screw compressors

Rotary screw compressors are available as oil-injected and oil-free. They are used in numerous industrial applications and can feature the WorkPlace AirSystem with integrated dryers, as well as the energy-efficient variable speed drive (VSD) technology and energy recovery kits.

Oil-free blowers

Oil-free blowers are available with different technologies: rotary lobe blowers, rotary screw blowers and centrifugal blowers. Blowers are used in process industry applications with a demand for a consistent flow of low-pressure air, for example in wastewater treatment and conveying.

Oil-free centrifugal compressors

Oil-free centrifugal compressors are used in industrial applications that require constant, large volumes of oil-free air. They are also called turbo compressors.

Gas and process compressors, expanders and pumps

Gas and process compressors, expanders and pumps are primarily supplied to the energy industries (including oil and gas, conventional and renewable power generation, hydrogen etc.), as well as industrial gases. The main equipment solutions are single- and multi-stage centrifugal compressors, expanders and pumps, complemented by oil-free gas screw compressors used by the Marine and LNG carrier industry.

Air and gas treatment equipment and medical air solutions

Dryers, coolers, gas purifiers and filters are supplied to produce the right quality of compressed air or gas. In addition, the offering includes solutions for medical air, oxygen and nitrogen generation as well as systems for biogas upgrading.

Principal product development and manufacturing units are located in:

Belgium, the United States, China, India, Germany and Italy.

INNOVATIONS DURING 2022

Several new products were introduced during the year, including:

Atlas Copco inPASS, a new range of compressed air filters that help customers to optimize the air quality and protect equipment in production.

BD 360+–1260+ (ZP), a new range of desiccant dryers offering increased flow, higher energy efficiency and hence lower CO₂ emissions.

ZT30–50VSD+, a new range of oil-free tooth compressors offering compact design, low noise, and 15% more energy efficiency compared to the previous generation.

H2P reciprocating hydrogen compressor developed mainly for pipeline injection and storage applications offering high energy efficiency and flexibility due to modular design.



Oil-injected screw compressor with variable speed



Oil-free gas screw compressors are essential equipment aboard Liquefied Natural Gas vessels



All-in-one Oxygen Concentrator System providing medical oxygen

MANAGEMENT

Compressor Technique, January 1, 2023



Business Area President Vagner Rego



Compressor Technique Service, President Dirk Beyts



Industrial Air, President Joeri Ooms



Oil-free Air, President Philippe Ernens



Professional Air, President Alain Lefranc



Medical Gas Solutions, President Ben Van Hove



Gas and Process, President Robert Radimeczky



Airtec, President Wouter Ceulemans

Introduction

This is Atlas Copco

The year in review

Administration report

Business areas

Compressor Technique

• **Vacuum Technique**

Industrial Technique

Power Technique

Sustainable approach to delivering value

Risks, risk management and opportunities

The Atlas Copco share

Corporate Governance

Board of Directors

Group Management

Internal control over financial reporting

Financials

Other information

Vacuum Technique

The market for vacuum equipment and related service was strong, although the demand from the semiconductor industry decreased during the latter half of the year, resulting in an overall decrease in order intake. The business area made several acquisitions, intensified its focus on innovation, and made further investments in operations to better support customers' need for equipment and services.

Market development

The overall demand for vacuum equipment and services remained high even if the demand from the semiconductor and flat panel display industry decreased sharply during the latter half of the year, resulting in an overall order decrease of 8% organically.

The service business achieved solid order growth, supported by increased demand from the semiconductor industry and industrial customers. The order intake increased in all major regions.

Order volumes for equipment, however, decreased as a result of a markedly weakened demand from the semiconductor and flat panel display industry during the third and fourth quarters. This was primarily driven by lower investment levels by memory manufacturers. The order intake decreased significantly in all regions except Europe, where order volumes increased. Order volumes for equipment to industrial and scientific vacuum applications increased considerably with solid growth in all regions.

Market presence and organizational development

The business area continued to focus on innovation with further investments in research and development. Several new innovative products were introduced, targeting both the semiconductor and flat panel display market, and the industrial and scientific vacuum market. The market presence was strengthened, and the product offering was expanded as a result of several acquisitions during the year. Resources were also added in sales and marketing, particularly aimed at the industrial and scientific vacuum market.

The business area supported customers in

reducing their environmental footprint through increased delivery of energy-efficient products. To reduce the environmental footprint of its own operations, the business area increased the share of renewable energy contracts, particularly in China and South Korea.

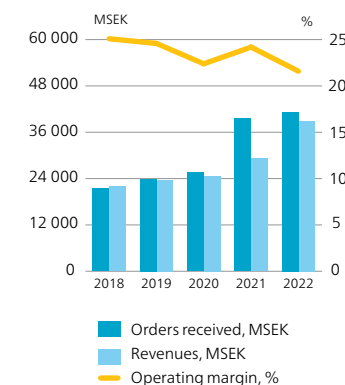
Continued efforts were made to strengthen the business area's digital capabilities, and to service and support customers through connectivity. One example was the further development and rollout of the remote monitoring systems for vacuum pumps Edcentra and GENIUS Instant Insights™.

Several investments were made in operations in order to increase the presence and closeness to customers. For example, the business area invested in a service technology center in Langfang, China, in new distribution centers in South Korea and Japan, a manufacturing facility in Asan City, South Korea, a remanufacturing and assembly facility in Chandler, USA, and in a cryopump manufacturing and R&D facility in Haverhill, USA.

The business area made in total eight acquisitions in 2022:

- HHV Pumps Pvt. Ltd., an Indian vacuum pump provider with 151 employees and revenues of approximately MSEK 53.
- National Vacuum Equipment Inc., a US manufacturer of mobile vacuum pumps and packages with 100 employees and revenues of approximately MSEK 223.
- Ceres Technologies, Inc., a US-based manufacturer and designer of gas and vapor delivery equipment for the semiconductor industry, with 185 employees and yearly revenues of approximately MSEK 351.

Orders received, revenues and operating margin



- Shandong Jinggong Pump Co., Ltd, a Chinese manufacturer of industrial vacuum pumps and systems with 100 employees and yearly revenues of approximately MSEK 102.
- Montana Instruments Corporation, a US-based cryostat manufacturer with 38 employees and yearly revenues of approximately MSEK 106.

The following acquisitions were also made:

- Tekser Endüstriyel Cihazlar Sanayi ve Ticaret A.Ş., a Turkish distributor service provider.
- Qolibri Inc., a US-based provider of semiconductor subfab solutions.
- Les pompes à vide TECHNI-V-AC inc., a Canadian vacuum distributor and service provider.

For more information see page 73.

Revenues, MSEK **38 941**

2021: 29 219

Operating profit margin **21.6%**

2021: 24.2%

Return on capital employed **24%**

2021: 25%

Sales bridge	Orders received	Revenues
2021, MSEK	39 529	29 219
Structural change, %	+1	+2
Currency, %	+11	+15
Organic*, %	-8	+16
Total, %	+4	+33
2022, MSEK	41 213	38 941

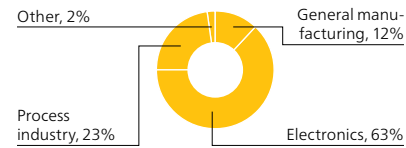
* Volume, price and mix

Revenues, profits and returns

Revenues increased 33% to MSEK 38 941 (29 219), corresponding to a 16% organic increase. The operating profit increased 19% to MSEK 8 407 (7 066), corresponding to a margin of 21.6% (24.2). The main explanations for the lower margin were higher costs related to supply chain constraints, inefficiencies in factories, and costs associated with Covid-19. The last was primarily during the first half of the year. Return on capital employed was 24% (25).

[Introduction](#)
[This is Atlas Copco](#)
[The year in review](#)
[Administration report](#)
[Business areas](#)
[Compressor Technique](#)
[• Vacuum Technique](#)
[Industrial Technique](#)
[Power Technique](#)
[Sustainable approach to delivering value](#)
[Risks, risk management and opportunities](#)
[The Atlas Copco share](#)
[Corporate Governance](#)
[Board of Directors](#)
[Group Management](#)
[Internal control over financial reporting](#)
[Financials](#)
[Other information](#)

Orders received by customer category



The market

Vacuum and abatement solutions are required in a number of applications where the pressure needs to be below atmospheric pressure and/or the environment needs to be clean.

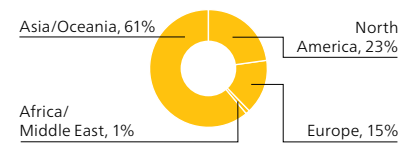
The Vacuum Technique business area sells products, systems and services across several targeted market sectors.

The market can be categorized into semiconductor, industrial vacuum and scientific vacuum. However, each of these sectors contains several sub-sectors and specific applications.

Vacuum products include a broad range of dry pumps, turbomolecular pumps and other vacuum pumps. These are used to create highly controlled, low-pressure, particle-free environments in a diverse set of manufacturing processes. Such processes include semiconductor, flat panel display, LED and solar, glass and optical coating, scientific instruments used in life sciences, research institutes focused on renewable energy, high-energy lasers and nanotechnology, pharmaceuticals, heat treatment, lithium-ion batteries, and food processing and packaging.

Abatement systems include stand-alone and customized solutions which integrate vacuum and exhaust management technologies. Abatement is required both to prevent adverse chemical reactions within production processes and to comply with strict regulatory emission controls. The business area also provides value-added services including equipment monitoring, field and on-site servicing, remanufacturing, service upgrades and provision of spare parts and oils.

Revenues by region



Market trends

- Increased use of demanding materials and extreme working temperatures in processes for semiconductor and industrial production
- Focus on energy-efficiency
- Stricter regulatory emission standards
- Increased demand for digitally supported service offers
- Focus on total solutions and total life-cycle cost
- Focus on circularity as a sustainability solution

Demand drivers

- Industrial production
- Manufacturing of semiconductors, research and development equipment, lithium-ion batteries, flat panel display and solar energy products
- Demand for energy-efficient vacuum pumps
- Increase in vacuum requirements to support new production processes

Share of revenues



Vision and strategy

The vision is to be First in Mind—First in Choice for vacuum and abatement solutions. The strategy focuses on technology leadership, market leadership and agility, to support growth. This is done by focusing on product research and development programs together with deployment of highly innovative products and services. Continued execution of market leadership will be done by an organization focused on agility, growing market share in our traditional heartlands and further expansion of the geographical footprint.

Additionally, the business area has a strong focus on developing the service business and an efficient and flexible global operations footprint.

Strategic activities

- Increase market coverage and improve presence in targeted markets and segments
- Fast introduction of highly innovative products and services offering better value and improved energy efficiency
- Increased market penetration and coverage through brand portfolio management
- Perform more service on a higher share of the installed base of equipment
- Invest in service presence close to customers
- Increase organizations' agility and operational efficiency
- Invest in people and competence development
- Grow through strategically attractive acquisitions

Competition

Vacuum Technique's principal competitors are:

Semiconductor market:

DAS Environmental Expert, Ebara, Kashiwama, Pfeiffer Vacuum, Shimadzu Corporation.

Industrial and scientific market:

Ingersoll Rand, Pfeiffer Vacuum, and Busch.

Market position

A global market leader for vacuum and abatement solutions.

 Introduction

 This is Atlas Copco

The year in review

 Administration report

Business areas

Compressor Technique

 • **Vacuum Technique**

Industrial Technique

Power Technique

Sustainable approach to delivering value

Risks, risk management and opportunities

The Atlas Copco share

Corporate Governance

Board of Directors

Group Management

 Internal control over financial reporting

 Financials

 Other information

Vacuum Technique: Products and applications

The Vacuum Technique business area offers an extensive range of vacuum and abatement solutions to the market.

Oil-sealed rotary vane vacuum pumps

The latest generation of oil-sealed rotary vane pumps has been refined to produce a better quality of vacuum while extending the pressure range over which the pump can operate. They are used in a wide variety of industrial, and research and development applications.

Dry vacuum pumps

Dry pumps are oil-free pumping mechanisms to create vacuum environments. They use no lubricants within the pumping mechanism and have a series of available monitoring and control options. Dry pumps are used extensively in many semiconductor applications, as well as in industrial processes such as metallurgy, coating, drying, mobile applications and solar. They are also used in scientific instruments such as scanning electron microscopes.

Turbomolecular pumps

In turbomolecular pumps, or turbo pumps, a turbine rotor spins rapidly to create vacuum. The defining feature of a turbo pump is the high rotational speed. These pumps are typically used in conjunction with primary wet or dry pumps.

They are commonly used in semiconductor applications, research and development, industrial applications and high energy physics.

Liquid ring vacuum pumps

Liquid ring pumps are equipped with a fixed blade impeller. As the impeller rotates, the liquid forms a ring around the circumference of the casing. Standard liquid ring vacuum solutions are perfect for use in humid, dusty and dirty environments commonly found in industrial processes, including food and beverage, mining, chemicals, oil, steel, cement, plastics and textiles.

Abatement and integrated systems

Abatement systems are used to manage gases and other process by products from dry pump exhaust. Abatement is required to prevent adverse chemical reactions with production processes and to comply with strict regulatory emission controls. Abatement and integrated systems are primarily used in semiconductor, flat panel display, solar and LED applications.

Cryogenic pumps

Cryogenic pumps create vacuum by condensing (freezing) gas onto special arrays of cryogenically cooled surfaces within the pump envelope. The temperature of the surfaces can be below 20K/-250°C to enable the capture of most gas species. Cryogenic pumps are used in a spectrum of high-technology research applications as well as in manufacturing of semiconductor, flat panel and optical devices.

Principal product development and manufacturing units are located in:

The United States, Mexico, the United Kingdom, Czech Republic, Germany, South Korea, China and Japan.



Dry vacuum pump for analysis applications and research laboratories



Cryogenic pump



Integrated abatement system used in the semiconductor industry

INNOVATIONS DURING 2022

Several new products were introduced during the year, including:

A new generation variable speed drive oil-injected vacuum pumps, **GHS 1402 2002VSD+**, targeting industrial vacuum applications and offering optimal oil separation and a small footprint.

A new cryogenic pump, the **Edwards CTI On-Board® IS 320F XVS**, offering high performance and solid vacuum consistency while providing real-time system information for optimum temperature control.

A new module for integrated vacuum and abatement systems, the **Hydrogen Dilution (H2D)**, providing significantly lower energy consumption and lower carbon footprint compared to other solutions in semiconductor processes.

A new innovation for improved abatement product performance, the **Porous Head Technology**, available for both new equipment and service upgrades, offering increased efficiency and abatement uptime for customers.

MANAGEMENT

Vacuum Technique, January 1, 2023



Business Area President
Geert Follens



Vacuum Technique Service, President
Eckart Roettger



Semiconductor Service, President
Troy Metcalf



Semiconductor, President
Kate Wilson



Semiconductor Chamber Solutions, President
Martin Tollner



Scientific Vacuum, President
Carl Brockmeyer



Industrial Vacuum, President
Koen Lauwers

[Introduction](#)
[This is Atlas Copco](#)
[The year in review](#)
[Administration report](#)
[Business areas](#)
[Compressor Technique](#)
[Vacuum Technique](#)
[• Industrial Technique](#)
[Power Technique](#)
[Sustainable approach to delivering value](#)
[Risks, risk management and opportunities](#)
[The Atlas Copco share](#)
[Corporate Governance](#)
[Board of Directors](#)
[Group Management](#)
[Internal control over financial reporting](#)
[Financials](#)
[Other information](#)

Industrial Technique

The demand for equipment and service was strong, and order volumes to automotive and general industry customers increased in all regions. Several new products were introduced to the market, investments were made in research and development and in digital presence. The focus on how to support customers in reducing their environmental footprint was also intensified.

Market development

The overall demand for equipment and services increased markedly, supported by increased investment activity in both the automotive and general industry. In total, the order intake increased 17% organically.

Order volumes for the service business increased with solid growth in all regions.

The demand for industrial assembly and vision solutions to the automotive industry increased significantly, and the order intake increased in all regions. The strong order growth was primarily driven by customers' increased investments in electric vehicle production.

Order volumes for industrial assembly and vision solutions to the general industry increased, supported by an increased demand from most customer segments, and growth in all regions.

Market presence and organizational development

The business area continued to invest in innovation and further strengthened its product portfolio by introducing several new products to the market during the year.

The service offering was strengthened through the rollout of a cloud-based data analytics offer, enabling customers to optimize their processes and equipment maintenance. The business area also intensified its focus on reducing the environmental footprint by, for example, an increased use of recycled material in new products and through the launch of a new activity concept helping customers in their sustainability ambitions and to reduce their CO₂ emissions.

Investments were made in new machining equipment in the production facility in Tierp, Sweden, in a new innovation center for battery production and electronics in Neustadt, Germany, and a new production and R&D facility in Shanghai, China.

The business area made one acquisition in 2022:

Soft2tec GmbH, a German company specialized in camera-based tracking systems used for operator guidance, with 38 employees and revenues of approximately MSEK 20.

For more information see page 73.

Revenues, profits and returns

Revenues increased 18% to 23 007 (19 421), corresponding to an 8% organic increase. The operating profit increased 16% to MSEK 4 597 (3 976), and the operating margin reached 20.0% (20.5). Increased costs related to supply chain constraints, Covid-19 in the first half of the year, and stock adjustments and provisions, affected the margin negatively. Currency had a positive effect on the operating margin. Return on capital employed was 17% (16).

Orders received, revenues and operating margin



Revenues, MSEK **23 007**

2021: 19 421

Operating profit margin **20.0%**

2021: 20.5%

Return on capital employed **17%**

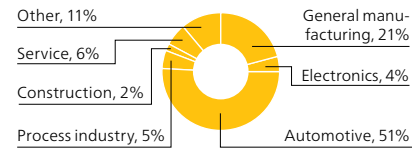
2021: 16%

Sales bridge	Orders received	Revenues
2021, MSEK	20 545	19 421
Structural change, %	-1	+0
Currency, %	+11	+10
Organic*, %	+17	+8
Total, %	+27	+18
2022, MSEK	26 070	23 007

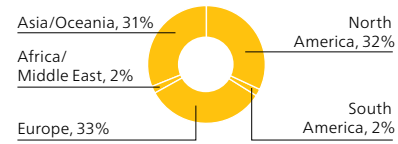
* Volume, price and mix

[Introduction](#)
[This is Atlas Copco](#)
[The year in review](#)
[Administration report](#)
[Business areas](#)
[Compressor Technique](#)
[Vacuum Technique](#)
[• Industrial Technique](#)
[Power Technique](#)
[Sustainable approach to delivering value](#)
[Risks, risk management and opportunities](#)
[The Atlas Copco share](#)
[Corporate Governance](#)
[Board of Directors](#)
[Group Management](#)
[Internal control over financial reporting](#)
[Financials](#)
[Other information](#)

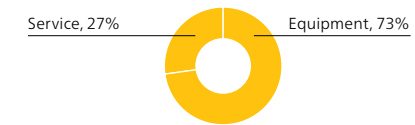
Orders received by customer category



Revenues by region



Share of revenues



The market

The global market for industrial power tools and assembly systems with related services has a large number of participants with a wide range of products in different applications such as assembly of parts, drilling and material removal. Customers are found in industries such as the automotive industry, off-highway vehicles, the electronics industry, aerospace, appliances, the energy sector, and general industrial manufacturing. In particular, the business area has been successful in developing advanced electric industrial tools and systems that assist customers in achieving fastening according to their specifications and minimizing errors and interruptions in production.

With an increasing demand for electric cars, battery production, and a growing use of lighter materials, the automotive industry looks to innovative assembly solutions. The market demands new assembly technologies such as dispensing of adhesives and sealants and self-pierce riveting.

The market for machine vision becomes increasingly important, driven by a growing demand for automation, quality and productivity in industrial production. Machine vision solutions are used in discrete production, such as the automotive industry, and in continuous processes production, such as metal and paper production, advanced material manufacturing, and solar panels.

Market trends

- Automation in customers' production
- Digitalization and demand for connectivity in production
- Increased customer focus on reducing CO₂ emissions
- Increased demand for electric vehicles
- Higher requirements for productivity, flexibility and ergonomics, and increased demand for in-line quality control
- Increased focus on renewable energy and storage
- Use of light-weight material in transportation-related industries

Demand drivers

- Capital expenditure for automotive and general industrial production
- Increased production capacity
- Customer investments in new production lines for new products
- Customer investments in more efficient production
- Operational expenditure in automotive and general industry, e.g. quality assurance and flexible automation
- Investments in customer segments' contribution to transformation to a low-carbon society

Vision and strategy

The vision is to be First in Mind—First in Choice as a supplier of industrial power tools, joining and dispensing solutions, machine vision, and related services. The strategy is to continue to grow the

business profitably by building on technological leadership and continuously offering products and services that improve customers' productivity, flexibility, quality, energy efficiency, safety, and ergonomics. Key strategic initiatives include adjusting the product offer to meet increased automation in customers' production processes, and providing additional service, know-how and training.

The business area is also increasing its presence in targeted geographical markets. The presence is enhanced by a brand portfolio strategy. The business area is actively looking at acquiring complementary businesses. Growth should be achieved in a way that is economically, environmentally and socially responsible.

Strategic activities

- Increase market coverage and improve presence in targeted markets/segments
- Develop new innovative products and solutions, offering increased quality and productivity, and improved ergonomics
- Develop products helping customers to reduce their environmental impact
- Further increased focus on automation and digitalization, through connected products and solutions, to support customers' productivity and flexibility
- Increase the share of proactive services and the share of service on the installed base
- Increase operational efficiency
- Invest in people and competence development
- Acquire complementary businesses and integrate them successfully

Competition

Industrial Technique's principal competitors are:

Industrial tools business:

Apex Tool Group, Ingersoll Rand, ESTIC, and Bosch, as well as several local and regional competitors.

Adhesive and sealant equipment:

Nordson, Graco, Viscotec, BD Tronic, and Dürr.

Self-pierce riveting:

Stanley Black & Decker, and Böllhoff.

Machine vision:

Zeiss, ISV, Coherix, Ametek, and Dr. Schenk.

Market position

A leading market position globally in most of its operations.

 Introduction

 This is Atlas Copco

The year in review

 Administration report

Business areas

Compressor Technique

Vacuum Technique

 • **Industrial Technique**

Power Technique

Sustainable approach to delivering value

Risks, risk management and opportunities

The Atlas Copco share

Corporate Governance

Board of Directors

Group Management

 Internal control over financial reporting

 Financials

 Other information

Industrial Technique: Products and applications

The Industrial Technique business area offers the most extensive range of industrial power tools, assembly systems, and machine vision solutions on the market.

Industrial assembly tools and solutions

Advanced assembly tools and systems are used in the automotive industry and general industrial production such as aerospace, off-highway, and electronics. The business area provides a broad range of pneumatic, hydraulic and electric assembly tools, control systems, and associated software for safety-critical tightening. These systems generally allow customers to collect, record, and process assembly data in their production.

Self-pierce riveting solutions, adhesive dispensing and flow drill fastening equipment

Self-pierce rivets, adhesive, and flow-drill fasteners are primarily used in the automotive industry driven by increased use of light materials in car manufacturing. The business area offers self-pierce riveting tools and rivets, dispensing equipment for adhesives and sealants, as well as flow-drill fastening equipment.

Material removal tools, drills and other pneumatic products

Pneumatic and electric industrial grinders, drills and percussive tools are used in several industrial applications, for example in metal fabrication and aerospace production. The business area also offers airline infrastructure for optimization of pneumatic tools, and air motors that are used as drive units in various industries and applications.

Machine vision solutions

Machine vision is a key technology for industrial automation and digital manufacturing. The offer is focused on quality control of surface inspection and 3D vision systems for in-line metrology, quality control, and robot guidance. The combination of high-performance cameras, illumination, and vision and analytics software, allows customers in a broad range of industries to improve quality and automate production.

INNOVATIONS DURING 2022

Several new products were introduced during the year, including:

A new **screw feeding system**, based on standardized modules for tailor-made design, that will support customers to improve quality, uptime, and productivity in production.

The **ILS 2.0**, a new positioning system for Atlas Copco's battery assembly tools using machine vision technology to track tool position generating increased production quality and remained flexibility.

The **STRwrench**, a new handheld torque wrench with connectivity features, supporting customers to increase flexibility and reduce errors in their production.

A new high-performance dispenser, the **DosP DP2001**, supporting customers in reducing process times when applying sealants, adhesives, or potting materials in customers' production.

Principal product development and manufacturing units are located in:

Sweden, Germany, Hungary, the United Kingdom, France, China, Japan, and the United States.



Handheld battery tool for assembly applications



Vision system for quality control

Adhesive dispensing system with an integrated vision system



MANAGEMENT

Industrial Technique, January 1, 2023



Business Area President
Henrik Elmin



Industrial Technique Service, President
Håkan Andersson



Motor Vehicle Industry Tools and Assembly Systems, President
Lars Eklöf



General Industry Tools and Assembly Systems, President
Carl von Schantz



Chicago Pneumatic Tools, President
Ivo Maltir



Industrial Assembly Solutions, President
Berthold Peters



Machine Vision Solutions, President
Tomas Lundin

[Introduction](#)
[This is Atlas Copco](#)
[The year in review](#)
[Administration report](#)
[Business areas](#)
[Compressor Technique](#)
[Vacuum Technique](#)
[Industrial Technique](#)
[• Power Technique](#)
[Sustainable approach to delivering value](#)
[Risks, risk management and opportunities](#)
[The Atlas Copco share](#)
[Corporate Governance](#)
[Board of Directors](#)
[Group Management](#)
[Internal control over financial reporting](#)
[Financials](#)
[Other information](#)

Power Technique

The demand for equipment, service, and specialty rental solutions was strong, and significant order growth was achieved in most regions. The business area continued to invest in research and development, digital capabilities, and solutions that can reduce customers' environmental footprint. In addition, through the acquisition of Lewa GmbH, the product offer for the industrial pump market was strengthened significantly.

Market development

The overall demand for equipment, service and specialty rental solutions increased significantly. Order volumes increased strongly in all regions, except Asia, where they were essentially unchanged. In total, the order intake increased 18% organically.

Order volumes for the specialty rental business increased noticeably throughout the year, supported by increased demand in all regions, particularly in North America. The demand for service also increased, and solid order growth was achieved in all regions.

Equipment orders increased sharply, driven primarily by an increased demand from equipment rental companies in the first half of the year. Demand was also strong during the second half of the year, both from equipment rental companies and end users. Order volumes increased for portable compressors and power and flow equipment, such as generators and pumps.

Market presence and organizational development

During the year, the business area continued to invest in innovation and market presence in targeted markets and segments. One example of increased geographical presence was the opening of three new rental depots for the Specialty Rental business.

Several new innovative products were introduced during the year. Through the acquisition of Lewa GmbH, the product offer for the industrial pump market was significantly strengthened.

Thanks to an increased number of connected products offered to the market, the ability to support and provide service to customers increased further during the year. To support the Specialty Rental business, investments were also made in a new ERP and CRM system.

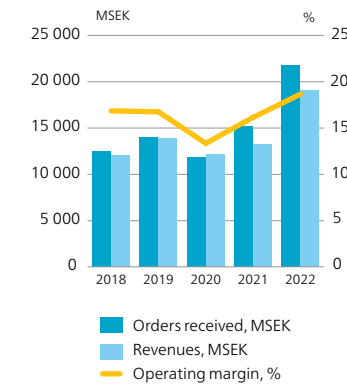
The continued investment in eco fuel (HVO) for equipment testing is one example of how the business area further reduced the environmental footprint in its own operations. The further redesign of products to be electrically powered is an example of how the business area works to support customers in their sustainability ambitions.

The business area made three acquisitions in 2022:

- Pumpenfabrik Wangen GmbH, a German manufacturer of progressive cavity pumps used for transferring fluids mainly in the bio-gas and wastewater sectors. The company had 265 employees and annual revenues of about MSEK 466.
- LEWA GmbH and subsidiaries, a German manufacturer of diaphragm metering pumps, process pumps and complete metering systems, with around 1 200 employees and annual revenues of about MSEK 2 400.
- Geveke B.V. and subsidiaries, a company that distributes compressors and engineers advanced and complex process pump installations, with 173 employees and annual revenues of about MSEK 648.

For more information see page 73.

Orders received, revenues and operating margin



Revenues, profits and returns

Revenues increased 44% to MSEK 19 053 (13 234), corresponding to a 16% organic increase. The operating profit increased 66% to a record MSEK 3 525 (2 121), corresponding to a margin of 18.5% (16.0). The main explanation for the higher operating margin was increased organic revenue volumes. Costs related to supply chain constraints, and Covid-19 in the first half of the year, affected the margin negatively. Currency had a small positive effect on the operating margin. Return on capital employed was 25% (27).

Revenues, MSEK **19 053**

2021: 13 234

Operating profit margin **18.5%**

2021: 16.0%

Return on capital employed **25%**

2021: 27%

Sales bridge	Orders received	Revenues
2021, MSEK	15 155	13 234
Structural change, %	+13	+15
Currency, %	+13	+13
Organic*, %	+18	+16
Total, %	+44	+44
2022, MSEK	21 783	19 053

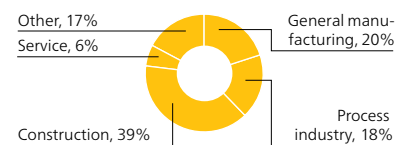
* Volume, price and mix

[Introduction](#)
[This is Atlas Copco](#)
[The year in review](#)
[Administration report](#)
[Business areas](#)
[Compressor Technique](#)
[Vacuum Technique](#)
[Industrial Technique](#)

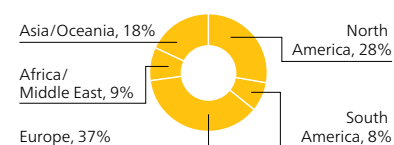
- [Power Technique](#)

[Sustainable approach to delivering value](#)
[Risks, risk management and opportunities](#)
[The Atlas Copco share](#)
[Corporate Governance](#)
[Board of Directors](#)
[Group Management](#)
[Internal control over financial reporting](#)
[Financials](#)
[Other information](#)

Orders received by customer category



Revenues by region



Share of revenues



The market

The market for portable air, power and flow, and industrial flow solutions includes a large number of participants offering a comprehensive product range for different applications. The Power Technique business area focuses on a selected number of applications.

Multiple segments are served by the business area's offering. General and civil engineering contractors, often involved in infrastructure projects, demand light construction tools. Mobile compressors, generators, energy storage systems, light towers, and pumps provide reliable power for tools and applications in the construction sector. In addition, the business area focuses on a number of industrial flow applications through its metering and dosing pump product offer, and temporary air, power, steam, and nitrogen are offered to the specialty rental market.

Market trends

- Higher requirements regarding productivity, flexibility and ergonomics
- Increased customer focus on reducing CO₂ emissions
- Increased customer focus on safety
- Equipment connectivity
- Increased demand for service support/ contracts

Demand drivers

- Infrastructure growth
- Investment in products that contribute to the transformation to a low-carbon society
- Industrial production
- Emergency relief efforts
- Engine regulations

Vision and strategy

The vision is to be the First in Mind—First in Choice provider of power and flow solutions for sustainable productivity.

The strategy is to grow by developing Atlas Copco's market position and presence as a global supplier within portable compressors, pumps, generators, and industrial pumps, as well as light towers, along with a range of complementary, market specific, niche products, such as high-pressure boosters. The strategy also includes further development of specialty-rental services and of the service business; increasing revenues by offering more services to more customers. Growth should be achieved in a way that is economically, environmentally and socially responsible.

Strategic activities

- Increase market coverage and improve presence in targeted markets/segments
- Capture sales and service synergies
- Develop new sustainable products and solutions offering enhanced productivity, safety and reduced environmental impact
- Invest in design, development and production capacity in growth markets
- Develop more competitive offerings with different value propositions
- Perform more service on a higher share of the installed base of machines
- Develop the service business
- Increase operational efficiency
- Invest in employees and competence development
- Acquire complementary businesses and integrate them successfully

Competition

Power Technique's principal competitors include:

The portable power market:

Doosan, Generac, Kaeser, and Sullair. In addition, there are a large number of local and regional competitors.

The industrial pump market:

Milton Roy, and Bran+Luebbe

Market position

A leading or strong market position globally in most of its operations.

 Introduction

 This is Atlas Copco

The year in review

 Administration report

Business areas

Compressor Technique

Vacuum Technique

Industrial Technique

 • **Power Technique**

Sustainable approach to delivering value

Risks, risk management and opportunities

The Atlas Copco share

Corporate Governance

Board of Directors

Group Management

 Internal control over financial reporting

 Financials

 Other information

Power Technique: Products and applications

The Power Technique business area offers a range of products across multiple industries including, industrial manufacturing, civil engineering, demolition, and exploration drilling.

Industrial flow

Positive displacement electric pumps are used in a broad range of different industries.

Portable power

Portable generators fulfill a temporary need for electricity, primarily in construction applications. Other common applications are power supply for events, emergency power and power in remote locations. Lighting towers provide light for safe operations 24/7.

Portable flow

Portable electric and diesel-driven pumps as well as submersible electric pumps, primarily for water.

Portable air

Portable oil-injected compressors are primarily used in construction applications where compressed air is used as a power source for equipment, such as pneumatic breakers and rock drills. Portable oil-free compressors are rented by customers to meet a temporary need for oil-free air, primarily in industrial applications. Electric portable air compressors generate less noise than compressors with combustion engines and are ideal for low-noise and emission zones or indoor applications.

Construction and demolition tools

Hydraulic, pneumatic and gasoline-powered breakers and drills used in construction, demolition and mining businesses.

Principal product development and manufacturing units are located in:

Belgium, Germany, Spain, the United States, China and India.

Portable electric compressor



Portable pump



Diaphragm metering pump for industrial use


INNOVATIONS DURING 2022

Several new products were introduced during the year, including:

A new pump range for dewatering and industrial applications, **PAC F/H**, offering high pumping performance and low environmental footprint thanks to an electrical motor.

A new drainage pump, the **WEDA D95**, suitable for harsh conditions targeting applications such as general dewatering, mining, and tunneling.

A new portable oil-free compressor for the specialty rental business, the **PTE900 VSD** offering efficient airflow in a compact design and is developed to perform in demanding environments.

A new range of portable compressors, the **X-AIR+ GIV**, which offers reduced fuel consumption by up to 15% compared to previous models.

MANAGEMENT

Power Technique, January 1, 2023


 Business Area President
Andrew Walker

 Power Technique Service, President
Stefaan Vertriest

 Specialty Rental, President
Tim Last

 Portable Air, President
Bert Derom

 Power and Flow, President
Mikael Andersson



- Introduction
- This is Atlas Copco
- The year in review**
- Administration report
- Business areas
 - **Sustainable approach to delivering value**
 - Products and service
 - People
 - Safety and wellbeing
 - Ethics
 - Environment
- Risks, risk management and opportunities
- The Atlas Copco share
- Corporate Governance
- Board of Directors
- Group Management
- Internal control over financial reporting

- Financials
- Other information

A sustainable approach to delivering lasting value

At Atlas Copco, we are committed to being part of the solution for a better tomorrow. By integrating sustainability into everything we do and by acting in an ethical way in all our operations and markets, we bring value to both our customers and society as a whole.

Since 1873, our industrial ideas have empowered our customers to grow and drive society forward. We provide safe, reliable and energy efficient solutions to customers in a wide range of industries including manufacturing, construction, pharmaceutical, automotive and electronics.

Climate change is high on both our own and many of our customers' agendas. Our drive to innovate with a lifecycle perspective supports the development of highly energy-efficient products with reduced climate impact. Many of our technologies and solutions are also used in industries and applications that are at the center of the transformation to a low-carbon society. They are critical in existing low-carbon technologies like electric vehicles and solar power, and are also part of emerging technologies for energy production, energy storage, carbon capture, smart manufacturing, and more.

Sustainability focus areas

Sustainability is embedded in everything we do, and we are committed to contribute to a sustainable development. This means that we take responsibility for managing the environmental, economic and social impacts of our operations and from our value chain.

We focus our efforts in the areas where we have identified our largest impact and where we deliver value for our key stakeholders. These are: products and service, people, safety and wellbeing, ethics, and climate and the environment.

Working systematically in these areas helps us reach our mission of achieving sustainable, profitable growth while at the same time mitigating risks to our company and realizing business opportunities.

New targets from 2022 onwards

Through the materiality analysis we conducted in 2021, we concluded that the climate, and related sustainability issues such as carbon impact and a lifecycle approach to product development, is gaining increased attention. Diversity and inclusion as well as talent development are also areas where we see an opportunity for further progress, and where our stakeholders would like to see us focus our resources and efforts.

Based on this input we revised the sustainability targets against which we measure our progress starting in 2022. These include science-based targets to reduce our greenhouse gas emissions, throughout the value-chain, in line with the Paris



Agreement. Read more about our sustainability work and the progress we make in the following sections, and in the sustainability notes on pages 126–145.

Sustainability is embedded in everything we do

<p>PRODUCTS AND SERVICE page 34</p> 	<p>PEOPLE page 37</p> 	<p>SAFETY AND WELLBEING page 39</p> 	<p>ETHICS page 40</p> 	<p>CLIMATE AND ENVIRONMENT page 42</p> 
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[Introduction](#)
[This is Atlas Copco](#)
[The year in review](#)
[Administration report](#)
[Business areas](#)
[Sustainable approach to delivering value](#)

- **Products and service**

- People

- Safety and wellbeing

- Ethics

- Environment

- Risks, risk management and opportunities

- The Atlas Copco share

- Corporate Governance

- Board of Directors

- Group Management

- Internal control over financial reporting

[Financials](#)
[Other information](#)

Innovating for a better tomorrow

At Atlas Copco, we always innovate with a clear purpose and in response to real challenges that our customers are facing. Developing highly efficient and sustainable products that meet the needs of our customers, the society and the planet is the biggest contribution we can make to a sustainable future.



Atlas Copco is a leader in developing innovative technologies and we continuously launch products, solutions and services that set new industry standards. We always innovate with a clear purpose in mind, in areas where we believe we can make a difference to our customers, the environment and to society as a whole.

Atlas Copco's products and services are developed to contribute to our customers' sustainability ambitions by optimizing their productivity, energy efficiency, ergonomics and safety. Our technologies and products are also found in several industries that are key in the transformation to a low-carbon society. We develop leading technologies to customers in segments such as battery manufacturing, hydrogen, wind power and solar energy, and are well positioned to be a part in enabling this transformation.

Products in use generate most emissions

More than 90% of the CO₂ emissions from Atlas Copco's value chain are generated when the customers use our products. This is where we have our biggest impact and we therefore focus on developing products and solutions that are more energy efficient than their predecessors and with a lower carbon footprint over their entire lifecycle.

In 2021, we raised our ambitions in this area by committing to reducing our greenhouse gas emissions in line with the Paris Agreement. As part of this commitment we will reduce our indirect emissions (scope 3), including the emissions when our products are in use, in line with keeping the average global temperature rise well below 2-degrees. We measure our progress against the new targets starting 2022.

Designing with a lifecycle perspective

Atlas Copco takes a lifecycle approach to innovation. In 2020, we adopted a Group-standard for how to, during the design phase, measure a product's carbon footprint throughout its lifecycle. The Product Carbon footprint tool assesses the carbon impact of different aspects, from choice of materials, to product use, as well as from the product's recycling and disposal.

All projects for new or redesigned products must have targets for reduced carbon impact. In 2022, 97 percent of projects had such reduction targets.

Reducing our customers' footprint

Our customers request equipment, solutions and services that increase productivity and lower their carbon footprint. Energy efficiency is at the core of the innovations in many of Atlas Copco's products and even higher gains are possible through the support we provide on how to use our products and through our service offer. As the majority of our products run on electricity, the impact from the use-phase of our products, and consequently their value-chain footprint, is affected by the availability of renewable energy which differ between countries and regions.

One of Atlas Copco's most well-known and groundbreaking innovations is the VSD (variable speed drive) technology used in compressors. This is an example of an innovative technology that helps customers optimize their energy efficiency, while reducing both CO₂ emissions and costs. The VSD-technology is available in generators and pumps, as well as in stationary and portable compressors.

Atlas Copco's abatement systems that remove highly potent and



harming greenhouse gases in industrial processes is another technology with positive environmental effect. The Halogenated Drug Recovery (HDR), for example, is a solution for hospitals, that captures halogenated (anesthetic) drugs via a centralized system into tanks, where they are safely stored for final conversion into a substance with minimum environmental impact. In 2022, Atlas Copco's installed base of abatement products removed around 20 million tonnes of CO₂e emissions at customers' facilities. Our partnerships in recycling technologies for customers' process gases can further reduce their carbon footprint.

Increasing uptime and productivity

Increased connectivity and big data help transform the efficiency of many industrial processes. We support our customers in optimizing their production performance by monitoring and collecting real-time data from the equipment to minimize downtime, predict maintenance needs and suggest energy-saving measures. One example is the SmartLink data-monitoring system for compressors. A growing number of compressors are connected globally, enabling continuous status monitoring and predictive maintenance.

Enabling the transition to renewable energy

Increasing the access to renewable energy will be key in reaching a low-carbon society. Many of the technologies in this sector are closely related to Atlas Copco's products and solutions in vacuum technology, compressor technology, energy storage and supply, as well as in industrial production and inspection.

PRODUCTS AND SERVICE

Key performance indicators

	Target	2022	2021
Projects for new or redesigned products with goals for reduced carbon impact	100%	97%	98%
A Group common methodology for assessing the circularity of new or redesigned products	In place by 2024		

[Introduction](#)
[This is Atlas Copco](#)
[The year in review](#)
[Administration report](#)
[Business areas](#)
[Sustainable approach to delivering value](#)

- **Products and service**

- People

- Safety and wellbeing

- Ethics

- Environment

- Risks, risk management and opportunities

- The Atlas Copco share

- Corporate Governance

- Board of Directors

- Group Management

- Internal control over financial reporting

[Financials](#)
[Other information](#)

Innovating for a better tomorrow, continued

Vacuum, machine vision and abatement solutions, for example, are essential in solar panel manufacturing. Vacuum pumps are needed in the production of the silicon wafers and photovoltaic cells that capture the sunlight and convert it into energy. The panel surface must be flawless in order to efficiently capture the energy. Atlas Copco develops optical inspection systems for complete control of the panels, which helps improve their efficiency and throughput.

In wind energy, Atlas Copco's industrial tools, such as grinders, wrenches and tensioners, are used in building the turbines, and our generators are used to start them up.

Recovering and storing energy generated by renewable sources presents a substantial challenge. This is an area where Atlas Copco has the technology and expertise to take a leading position. One example is the ZenergiZe battery-powered energy storage system that can be combined with renewable sources of energy for immediate or later use. It captures the energy and stores it for delivery at any given time. Its intelligent control system then manages the energy offer and demand to increase the efficiency of hybrid power solutions.

Our service supports circularity and optimizes customers' investments

Through a strong service offering we ensure that our customers get the most out of each investment. Our service divisions ensure the repair and reuse of products, extending their useful life and minimizing waste. They also provide support on how to optimally use the products, which enables energy-efficiency gains. The iXM Hybrid upgrade service product is an example of an offering where customers can return their current pump to their local Atlas Copco service technology center, where it is converted to use a low power mechanism, thus reducing the pump's CO₂ emissions.

Many of Atlas Copco's products are also designed so they can be returned, refurbished and resold. This contributes to increased circularity and such used equipment meet the same high standards as when they were new in terms of quality, performance and energy efficiency. Furthermore, some Atlas Copco units accept contaminated products, which otherwise would be disposed of as hazardous waste, and return them to full operation.

Battery-based energy storage systems

Energy storage systems are mobile units that use long-life lithium-ion batteries to store and deliver energy at any given point. As a standalone solution when using renewable energy sources, they offer a silent, low-carbon solution with no fuel consumption. They are also ideal for low emissions and noise-restrictive applications, such as metropolitan construction sites, events, telecom, mining, large power plants and offshore.

When operated in hybrid mode, connected with a power generator or any other power source, energy storage systems bring high levels of efficiency while minimizing costs and reducing the environmental impact. Instead of a rather large standalone power generator, having an energy storage system involved in the solution enables operators to choose

a smaller-sized generator. This hybrid solution optimizes the performance level, especially when dealing with unpredictable loads, extending the unit's working life.

An energy storage system working together with a last-generation power generator can save up to 80% in fuel costs compared with an oversized traditional generator. Consequently, during the solution's lifetime, CO₂ emissions are reduced by 30 metric tons. Rental fleets will be increasingly incorporating energy storage systems, with an expected reduction of 120 000 metric tons of CO₂ over a lifecycle – the equivalent of the emissions produced by some 23 500 gasoline-powered passenger cars driven for a year in the US.



New battery tool drives smart assembly

The global assembly industry is continuing its transformation becoming more efficient, integrated, and focusing on sustainability. Tensor ITB-P will offer the opportunity to cover more applications thanks to the pistol grip shape and increased ergonomics. The Tensor ITB-P is a cordless tool, which shares an integrated controller platform that manages the tool and real time integration to a production system.

Substituting the traditional setup of one battery tool and one physical controller box with the Tensor ITB-P, can reduce the life-cycle carbon impact by 87 percent per year. Firstly, the setup with an integrated controller eliminates the environmental impact in the supply chain from producing and transporting physical controllers. Secondly, Tensor ITB-P consumes less power while in use, reducing both carbon footprint and costs for customers. The size reduction of ITB-P benefits the operators with lighter tool but is also reducing by 50 percent, the number of battery cells used per tool compared to previous generation of tools.

By replacing traditional systems, a tool and a separate controller, with the Tensor ITB-P, savings can amount to around 1 250 metric tons of CO₂ emissions per year. This is based on an estimation of replacement of traditional systems the coming two years.

The savings correspond to the equivalent of around 270 gasoline-powered passenger cars driven for one year in the US.



Savings can amount to around

1 250

metric tons of CO₂ emissions per year

 Introduction

 This is Atlas Copco

The year in review

 Administration report

 Business areas

**Sustainable approach
to delivering value**

• Products and service

 People

 Safety and wellbeing

 Ethics

 Environment

 Risks, risk management and
opportunities

 The Atlas Copco share

 Corporate Governance

 Board of Directors

 Group Management

 Internal control over financial
reporting

 Financials

 Other information

Innovating for a better tomorrow, continued

A new smart compressor ...

The third generation of Variable Speed Drive (VSD) compressors, GA VSD⁵, is designed for sustainable innovation thanks to its unrivaled energy efficiency compared to the previous generation. This makes the GA VSD⁵ a significantly more energy efficient compressor with lower carbon impact.

Since Atlas Copco introduced the VSD technology more than two decades ago, we have continued to innovate in this technology. The result, the GA VSD⁵, is the most efficient rotary screw compressor Atlas Copco ever built. With energy savings up to 60 percent compared to fixed-speed compressors, it has a significant impact on lowering the energy consumption and the environmental footprint of our customers.

The GA VSD⁵ is our first compressor with smart features, such as the Smart Temperature Control (STC) system, which optimizes performance for any application. The GA VSD⁵ also comes with the new Boost Flow Mode, which allows for exceeding the compressor's maximum capacity to ensure continuity in our customers' production.

One GA VSD⁵ compressor unit saves 305 metric tons of CO₂ over its lifetime compared to our current fixed speed compressor. If all 22 to 37 kW fixed-speed compressors worldwide upgraded to this technology, an estimated 125 million metric tons of CO₂ could be saved over the lifetime of the compressors. This is the equivalent of 27 million gasoline-powered passenger cars driven for a year in the US.



... with energy
savings up to
60%

Reducing environmental impact in semiconductor manufacturing

Our semiconductor customers use EUV (extreme ultraviolet) lithography technology to develop increasingly intricate chips that are used for a wide range of applications from cars and phones to flat panel display and LED lights. This technology requires highly controlled, low-pressure, particle-free environments.

Our semiconductor division is currently deploying a third generation EUV system which combines the latest pumps and new H2D (hydrogen dilution) abatement solution. This system is more energy efficient compared with first generation and helps our semiconductor customer to avoid releasing toxic gases into the atmosphere.

Tests have demonstrated a nearly 50% reduction in energy consumption, which represents a saving of around 535 metric tons of CO₂e by system per year, the equivalent of 115 gasoline-powered passenger cars driven for one year in the US.

The embedded H2D technology uses hydrogen to dilute toxic gases produced in the manufacturing process. This fuel-free abatement solution delivers savings of 65 percent on energy consumption, and reduces use of resources including water, nitrogen, and compressed air.

Tests demonstrate nearly
50%
reduction
in energy
consumption



**// In 2022, the Atlas Copco Group had 9 500 patents,
linked to around 2 600 inventions.**

- Introduction
- This is Atlas Copco
- The year in review**
- Administration report
- Business areas
- Sustainable approach to delivering value**
- Products and service
- **People**
- Safety and wellbeing
- Ethics
- Environment
- Risks, risk management and opportunities
- The Atlas Copco share
- Corporate Governance
- Board of Directors
- Group Management
- Internal control over financial reporting
- Financials
- Other information

Attracting and growing passionate people

Atlas Copco’s ambition is to be the most attractive employer in our industry and main markets. We nurture our culture and enable the full potential of our people so they can deliver world-class solutions to our customers every day.



As a world-leading provider of innovative productivity solutions, we aim to be First in Mind—First in Choice as an employer in order to achieve sustainable business success. This is only possible through attracting and growing passionate people with a commitment to lifelong learning.

Every employee is critical to our success

Atlas Copco has developed a talent framework based on a common set of competencies, rooted in our core values and beliefs, identified as being the most critical to our business success.

The talent framework is relevant to all employees and breaks down the competencies into behaviors that drive real change in employee performance. It provides a common language that helps strengthen our people practices and processes and emphasizes our belief that every employee has a critical role in driving the Group’s success.

Developing passionate people

Atlas Copco has a strong culture of growing talent by encouraging our employees to take accountability for their own development. Our ambition is to learn with and from each other every day. To help us do that, we create personalized and interactive learning opportunities to drive upskilling for business and personal success.

Subject matter experts are recognized to support the Group with knowledge transfer, fostering collaboration and peer-to-peer learning. We encourage curiosity and enable learning through continuous feedback and coaching.

The Group’s process for performance and development dialogues is designed to increase the quality and frequency of feedback and development dialogues, holding leaders accountable for growing people through ongoing coaching.

Atlas Copco’s learning management system is another key enabler for continuous learning. It provides access to an extensive library of learning content, personalized and packaged to address specific subjects, functions or roles.

Developing future-proof leaders

Developing future-proof leaders is another pillar of Atlas Copco’s people philosophy. We strive to develop leaders who coach and develop teams and individuals to reach their full potential through inclusion, collaboration, and trust.

We define leadership as the ability to create lasting results. Our leadership portfolio offers personalized learning through a modular set-up. Each module focuses on a specific skill mapped against the competencies in our talent framework. During the year, new modules were designed focusing on building leadership resilience and a growth mindset. We also focused on strengthening the pipeline of senior leaders in the Group by investing in targeted competence development for this group.

Attracting talent

To ensure a strong and diverse internal and external pipeline of candidates for available job positions, Atlas Copco seeks to proactively



attract talent from the entire pool of qualified candidates. Targeted employer branding activities and data-driven recruitment practices using global sourcing tools, competency-based interviews and assessment solutions, enable more informed decisions.

In 2022, we invested in educating our internal recruiting specialists in the areas of data-driven and inclusive recruitment, including focus on driving awareness about bias in the recruitment process and how to write more inclusive job ads to attract a more diverse pool of candidates.

The biggest diversity gap across the Group is within gender balance. We address this through a target of 30% women in the Group by 2030. In 2022, progress was made towards a better gender balance with 21.6% (20.9) women in the workforce by year end.

Committed to diversity and inclusion

We strongly believe that diversity and inclusion promotes innovation, strengthens employee engagement and leads to better decision making. Our diversity and inclusion statement, “Diverse by

PEOPLE

Key performance indicators	Target	2022	2021	2020	Comment
Employees feel a sense of belonging in the company ¹⁾	Above benchmark and a continuous increase	–	–	–	Will first be measured in 2023.
Employees agree there is opportunity to learn and grow in the company ¹⁾	Above benchmark and a continuous increase (71)	–	73	–	Measured through the employee survey which is conducted every two years.
Employees agree there is a work culture of respect, fairness and openness ¹⁾	Above benchmark and a continuous increase (75)	–	76	–	
Share of female employees, by year end	30% by 2030	21.6%	20.9%	20.0%	

¹⁾ Scores are based on a scale 0–100 where 0 is “strongly disagree” and 100 is “strongly agree”.

 Introduction

 This is Atlas Copco

The year in review

 Administration report

 Business areas

Sustainable approach to delivering value

 Products and service

• People

 Safety and wellbeing

 Ethics

 Environment

 Risks, risk management and opportunities

 The Atlas Copco share

 Corporate Governance

 Board of Directors

 Group Management

 Internal control over financial reporting

 Financials

 Other information

Attracting and growing passionate people, continued

nature and inclusive by choice”, is used in all job ads as well as in internal and external communication to show our commitment in this area. To drive awareness about the impact of bias in the workplace, learning content and guides to stimulate team discussions, were developed and rolled out globally in 2022.

Our Diversity and Inclusion Council, chaired by President and CEO Mats Rahmström, includes representatives from all business areas. The council meets regularly to follow up on action plans and results in the operations. The work is mainly driven by business area task forces and ambassadors in each operational entity.

Developing and strengthening our culture

Our culture is characterized by a commitment to people, customers, solutions, and innovation. We believe that there is always a better way of doing things and advocate freedom with accountability.

Several activities are carried out to support and develop our culture such as recurring workshops for employees on company values, strategy and guidelines.

Atlas Copco conducts a global employee survey every two years. The survey brings important insights in four areas: employee engagement, Group culture, safety and leadership. Our most recent survey, in 2021, showed that our overall results were above the global benchmark. The results of the survey are followed up in mandatory workshops led by our managers, where concrete actions are shaped to further strengthen our culture. The next survey will be conducted in 2023.

Supporting employees’ wellbeing is another critical component to our success. In 2022, we established and rolled out a new global wellbeing framework, designed to provide a common structure to addressing the subject and facilitate initiatives across the Group. Read more on page 39.

// We strongly believe that diversity and inclusion promotes innovation, strengthens employee engagement and leads to better decision making.



One Group, one culture

In 2022, we launched a new edition of The Book about the Atlas Copco Group. It describes our common strategy, values and beliefs, and how we work to fulfill our purpose. The launch was followed by workshops across the Group, enabling discussions about our strategy, values, behaviors and how we do business.

A better balance

Service has traditionally been a male-dominated area within Atlas Copco, but the Compressor Technique Service division has managed to break the trend. After three years of focused efforts, the division now has 65 female service technicians and five female Business Line Managers.

To succeed, a change of mindset has been necessary. Creating awareness about why diversity and inclusion matters and that it is not about reaching a target, but rather about future business survival, has been a critical starting point. The customer centers have worked to become more attractive as employers by including diversity in their talent acquisition and management plans. Employees have also been trained to avoid bias and to break old perceptions of what a service technician should be like. The final factor has been to get the buy-in from all involved parties to ensure a respectful and inclusive environment.

The division and the customer centers have also implemented actions, like gender neutral ads and social media campaigns.



Enabling mobility through increased transparency

One of our most important priorities is professional development through internal mobility. Our talent review process gives us a good overview of the performance and potential of our people. This helps us identify business critical roles across levels in the organization, securing a strong pipeline for these roles.

In 2022, we introduced a new digital solution for the talent review process. The solution enables a more transparent and flexible data collection and output, helping us make more informed and data driven talent development decisions.



People analytics – powering people decisions

In 2022, people analytics dashboards were rolled out to our HR community, designed to enable better decision making in all aspects of our people strategy, through prescriptive and predictive analysis. The dashboards focus on recruitment, retention, diversity, and learning & development, and have been developed based on master data in our HR and learning management systems. The dashboards aim to analyze the efficiency, impact and effectiveness of our people processes.

- Introduction
- This is Atlas Copco
- The year in review**
- Administration report
- Business areas
- Sustainable approach to delivering value**
 - Products and service
 - People
 - **Safety and wellbeing**
 - Ethics
 - Environment
 - Risks, risk management and opportunities
 - The Atlas Copco share
 - Corporate Governance
 - Board of Directors
 - Group Management
 - Internal control over financial reporting
- Financials
- Other information

Committed to safety and wellbeing

We are committed to ensuring that our employees and others affected by our operations work in a way that contributes to their safety and wellbeing. Transparent reporting is encouraged and helps build awareness of risks and safe behavior preventing injuries in the workforce.



Safety and wellbeing are core priorities at Atlas Copco. We pursue this by engaging everyone in eliminating hazards, reducing occupational health and safety risks and in promoting the immediate reporting of near-misses, incidents and risk observations.

Robust safety standards in place

We are committed to providing a safe and healthy working environment for all our employees in all operations. The global SHEQ policy (safety, health, environment and quality) ensures that there are robust standards for safety and wellbeing in the workplace. We seek to reinforce a culture and behaviors that contribute to the safety and wellbeing of our people and others affected by our operations, including contractors. This includes risk assessments and safety procedures, training, good environment within and around the workplace, appropriate follow-up procedures, and transparent reporting. The Group’s Safety, Health, Environment and Quality council oversees the work and supports the organization with the development of policies, processes and best practice sharing.

Since Atlas Copco is highly decentralized, there may be regional and local policies and practices that complement Group processes. All divisions set targets and make action plans to enhance awareness and improve behaviors, policies and processes. All companies in the Group must have an Atlas Copco verified Safety, Health, Environment and Quality management system which is documented, implemented and maintained on an ongoing basis. Annual Safety Days have been arranged in the Group since 2014.

Following up our progress

Progress is measured by continuous safety reporting and follow-up, and in the employee engagement survey every two years. The target is that an increasing part of employees should agree that Atlas Copco takes a genuine interest in their wellbeing. The results from the 2021 employee survey confirm this.

To further strengthen the safety work Atlas Copco measures progress by using a safety pyramid, with the target that the pyramid should be balanced. This means that more reports of risk observations than near misses, more near misses than minor injuries, and more or equal reports of minor injuries relative to recordable injuries are reported. The approach supports transparent reporting, risk awareness and encourages safe behavior to decrease risks and ultimately prevent workforce injuries. In 2022, the result was in line with this target. Read more on page 132.

Award to mental wellbeing program

Atlas Copco’s Safety and Health Award 2022 was presented to the Semiconductor Service Division, Global Field Service Teams for their i-act mental wellbeing management training program.

The i-act training program is developed to support managers to proactively improve workplace wellbeing as well as reactively support employees who may experience wellbeing or mental health issues at work. The program has become mandatory for all line managers in the Vacuum Technique business area and a global network of 25 i-act instructors has been created to deliver the course to all managers in local language.

SAFETY AND WELLBEING

Key performance indicators	Target	2022	2021	2020	Comment
A balanced safety pyramid ¹⁾	Yes	Yes	Yes	Yes	
Employees agree that the company takes a genuine interest in their wellbeing ²⁾	Continuous increase	–	73	–	The employee survey is conducted every two years.

¹⁾ Risk observations are included in the safety pyramid as of 2021.
²⁾ Scores based on scale 0–100 where 0 is “strongly disagree” and 100 is “strongly agree”.

Introducing a Group-wide wellbeing framework

Wellbeing is defined as a sustainable state of feeling good and functioning well in our lives and in our work. Our employees’ wellbeing is a critical part of Atlas Copco’s culture and key to achieving business success.

During the year, Atlas Copco introduced a Group-wide wellbeing framework to help our leaders better understand the wellbeing needs of their employees and how to support those needs. The framework is designed to establish a common language about wellbeing and to help facilitate different wellbeing initiatives.

The framework is made up of four areas; sense of purpose, social connectedness, physical wellbeing and mental wellbeing. The areas are connected, and actions taken to address one will likely have an impact on another.

A complementing Wellbeing Guide is available that explains each wellbeing area including its key components, and respective drivers and threats. The guide also includes reference materials, such as play-lists available on Learning Link, books and blogs. Furthermore, the guide includes examples of initiatives on an individual, team and/or operation level.



- Introduction
- This is Atlas Copco
- The year in review**
- Administration report
- Business areas
 - **Sustainable approach to delivering value**
 - Products and service
 - People
 - Safety and wellbeing
 - **Ethics**
 - Environment
 - Risks, risk management and opportunities
 - The Atlas Copco share
 - Corporate Governance
 - Board of Directors
 - Group Management
 - Internal control over financial reporting
- Financials
- Other information

Doing the right things in the right way

Acting with integrity throughout the value chain is more than just a matter of respecting laws and regulations – it is a vital part of Atlas Copco’s culture. We have an unwavering commitment to the highest ethical standards, including zero tolerance for human rights abuses and all sorts of corruption.



Atlas Copco aims to earn the trust of everyone impacted by our operations, by building relationships based on integrity, fairness and respect. We expect the same high standards from our business

partners and work continuously to assess and reduce the risks associated with our value chain.

Our ability to ensure that the highest ethical standards are applied depends on the values and behavior of our people and business partners. Therefore, we put significant weight on communication, training and monitoring to ensure awareness and adherence to our values and principles. We also strongly encourage the reporting of any potential misconduct through SpeakUp – our external whistleblowing system. This helps protect our values, the company, our brand and each other.

Code of Conduct updated

Atlas Copco’s Code of Conduct sets out the fundamental ethical values and principles of conduct which apply to all employees, business partners and the Board of Directors. In 2022, the content of the Code of Conduct was thoroughly updated to reflect changing stakeholder expectations with new topics including modern slavery, risk management, circularity, data protection and privacy, among others.

Training for employees worldwide

To make sure every employee is aware of the Code of Conduct and what is expected of them, all employees are required to complete a leader-led ethics training every two years. The new training will

be rolled out in 2023 instead of 2022 as previously communicated. Every employee is also required to annually sign a Code of Conduct compliance statement. By the end of 2022, 99% of our employees had signed the statement.

New employees are required to participate in the ethics training within 12 months of joining Atlas Copco. Performance against these targets will be followed up annually.

Encouraging reporting of misconduct

To be able to uphold our ethical standards it is important that we are made aware of any suspected breaches of laws or the Code of Conduct. The whistleblowing solution, SpeakUp, is a channel for employees or other stakeholders to raise concerns. Through the system anyone can anonymously report potential misconduct in their own language by a voice or text message. The system is operated by an external third party and open 24 hours a day, 7 days a week.

The Code of Conduct includes a non-retaliation policy clearly stating that employees are encouraged to speak up about perceived misconduct, and this will never lead to adverse consequences for the individual, even if it results in the loss of business for Atlas Copco.

A responsible value-chain approach

Working with business partners who share Atlas Copco’s respect for human rights and high standards for safety, quality, ethical behavior and resource efficiency is central to efficiently manage risks and to enhance productivity along the value chain.

Atlas Copco’s Code of Conduct is the backbone of the responsible



value-chain process, reinforced by a signed commitment by significant suppliers and distributors to follow it, screening and regular on-site audits, customer sustainability assessments and targeted training.

Sustainable sourcing practices

Atlas Copco has a large international supplier base, which presents significant challenges as risks can vary greatly between countries. We use a risk-based approach and prioritize evaluating significant suppliers who represent the bulk of the purchase value or who operate in markets with high corruption or human-rights risk.

Significant suppliers are evaluated on parameters such as price, quality and reliability as well as key environmental, social and ethical

Zero tolerance against corruption

Atlas Copco does not tolerate bribery or corruption in any form, directly or through third parties. Firm actions will be taken on any violation of the zero tolerance rule. It applies to all employees as well as to the Board of Directors and to all business dealings and transactions in all countries where Atlas Copco operates.

Corruption or facilitation payments are never acceptable in order to secure a sale. This rule strengthens the brand and contributes to fair market competition. There are no negative consequences, such as demotion or other reprisals, for refusing to receive or pay bribes or for reporting violations of our Code of Conduct.

ETHICS

Key performance indicators	Target	2022	2021	2020
Employees sign the Group’s Code of Conduct compliance statement	100%	99%	98%	99%
Employees complete the biennial ethics training ¹⁾	100%	–	–	–
New employees participate in the ethics training within 12 months ¹⁾	100%	–	–	–
Significant suppliers sign the Code of Conduct compliance statement	100%	93%	93%	93%
Significant distributors sign the Code of Conduct compliance statement	100%	92%	87%	84%

¹⁾ First measurement will be done in 2023 when the new training is launched.

- Introduction
- This is Atlas Copco
- The year in review**
- Administration report
- Business areas
 - **Sustainable approach to delivering value**
 - Products and service
 - People
 - Safety and wellbeing
 - **Ethics**
 - Environment
- Risks, risk management and opportunities
- The Atlas Copco share
- Corporate Governance
- Board of Directors
- Group Management
- Internal control over financial reporting
- Financials
- Other information

Doing the right things in the right way, continued

aspects, including human rights. The parameters are based on the UN Global Compact and the International Labour Organization’s Declaration on Fundamental Principles and Rights at Work. On-site visits are made to ensure compliance. See page 133.

All significant business partners must commit to our Code of Conduct by signing a Business Partner Criteria document. The document has been translated into more than 30 languages and is available on the Group’s website. At the end of 2022, 93% of our significant suppliers had signed the compliance statement.

Distributors and agents

Atlas Copco also requires that all significant distributors commit to our Code of Conduct by signing the Business Partner Criteria document. Distributors who represent the bulk of the sales value or who operate in high-risk markets are prioritized. At the end of 2022, 92% of our significant distributors had signed the statement.

Sales compliance process

When relevant, we partner with customers to address risks in the value chain. Atlas Copco’s customer assessment tool is used to identify and evaluate potential environmental, labor, human rights and corruption risks. The assessment is complemented by in-depth dialogue and field visits.

General managers, and ultimately the divisional presidents, are responsible for the implementation of Atlas Copco’s policies and guidelines and making sales decisions. The Group’s Chief Legal Officer supports the organization on trade compliance matters, including sanctions and export control. Since the beginning of March 2022, Atlas Copco has paused all new orders for equipment to Russia, except equipment that is used for humanitarian purposes, such as hospitals.

Approach to human rights

Atlas Copco is committed to the UN Guiding Principles for Business and Human Rights and have an ongoing process to identify, prevent and mitigate the impact of our business on human rights. We work throughout the value chain covering the rights of individuals and groups who may be impacted by our activities or business relationships, see the table to the right. Atlas Copco’s Compliance Board oversees the implementation of and compliance with the Code of Conduct and our commitment to the UN Guiding Principles.

Fighting corruption is a central aspect to promoting human rights, since corruption can undermine a government’s ability to fulfill its human rights obligations. In markets where the legal and political system is a challenge, bilateral engagement with civil society is crucial to successfully escalate human rights issues. Through memberships in local business associations and in cooperation with other actors, we collaborate to further Atlas Copco’s values within this area.



HUMAN RIGHTS IN THE VALUE CHAIN

Atlas Copco’s Code of Conduct endorses the UN International Bill of Human Rights and guides our employees in working with issues relating to ethical behavior, including human rights.

HUMAN RIGHTS RISKS			
Business partners Business partners not complying with labor standards, including working hours, forced/bonded or under-age labor and the freedom of association. Occurrence of conflict minerals in sourced products.	Atlas Copco’s own operations Risks of violations including poor working conditions and discrimination in the workforce. Operations in countries with high risks of human rights abuse, including corruption and limited freedom of association.	Customers Environmental impact and unsafe use of products, including substances with potential health impact, and risks of mismanaging customer integrity. Risks related to local communities, such as land rights.	Community Risks of corruption and unethical tax planning, impeding fair competition and depriving people of their rights to critical societal functions such as healthcare and education.
POLICIES			
Business partners Atlas Copco has integrated the UN Global Compact principles into business partner evaluation and management. Read more on pages 128–129 and 133.	Atlas Copco’s own operations Group targets and policies aim to create safe, healthy and fair working environments. The human rights statement and Code of Conduct. Read more on pages 128–129.	Customers Product safety and environmental standards. The Group is strengthening its approach by implementing the UN Guiding Principles on Business and Human Rights. Read more on pages 128–129 and 133.	Community The Code of Conduct is the main policy document on anti-corruption. The Group’s tax policy is available on the corporate website.
ACTIVITIES			
Business partners Prohibiting child labor and forced labor, promoting adherence to international guidelines on working conditions, environmental management and freedom of association. Responsible sourcing practices, which covers the occurrence of conflict minerals.	Atlas Copco’s own operations Ensuring fair labor conditions, non-discrimination in the workplace and the right to join trade unions. Training for all employees in the Code of Conduct, including issues of working conditions, labor rights and discrimination.	Customers Product safety, minimizing environmental impact through usage of products, security concerns and issues related to community relocation. Customer assessment tool and Compliance Board oversight of policy implementation.	Community Community engagement activities increase access to health, education and safe development of children and vulnerable groups, as well as disaster relief. Training for all employees in the Code of Conduct, including on corruption.

Introduction

This is Atlas Copco

The year in review

Administration report

Business areas

- **Sustainable approach to delivering value**

Products and service

People

Safety and wellbeing

Ethics

- **Environment**

Risks, risk management and opportunities

The Atlas Copco share

Corporate Governance

Board of Directors

Group Management

Internal control over financial reporting

Financials

Other information

Optimizing our environmental performance

Atlas Copco is committed to continuously improving our environmental performance and to being part of the solution for a better tomorrow. We improve the energy efficiency of our products and our operations, while also managing our water use and waste. We have adopted science-based targets for the reduction of greenhouse gas emissions, throughout the whole value chain.



Climate change presents a huge threat to society and in 2021, we significantly raised our ambitions by committing to reducing the greenhouse gas emissions throughout our value chain in line with the goals of the Paris Agreement. For Atlas Copco's own operations, this means that we aim to reduce emissions in line with keeping the global temperature rise below 1.5 degrees. We will also reduce the emissions from our value chain in line with keeping the temperature rise well below 2-degrees. The targets have been validated by the Science Based Targets initiative and have been implemented during 2022.

The absolute majority of Atlas Copco's impact is generated when our customers use our products. Therefore we continue to develop energy-efficient products with a lower carbon footprint over their entire lifecycle. Read more on pages 34–36.

Reducing emissions in our own operations

In our efforts to reduce the impact of emissions from our own operations, we focus on energy-saving measures and on increasing the use of renewable energy, for example by using biofuels in portable compressor testing and installing solar panels. In 2022, the CO₂ emissions from our own operations were 33% lower than in the baseline year, 2019. Addressing emissions from our company vehicles provides further opportunity for reductions.

An increased share of renewable electricity was the main driver for the lower emissions and some larger facilities switched to renewable energy during the year. In 2022, the share of renewable energy used in the Group was 58%. However, in some markets, the availability of renewable energy poses a challenge to our ability to increase this share further.

Reducing emissions in our value chain

Our main climate impact comes from when customers use our products. Electrifying the product fleet and increasing products' energy efficiency will be our main focus in order to reduce our scope 3 emissions. Logistics planning, switching to low carbon transport modes and collaborating with transport partners are other priorities. In 2022, the absolute emissions in scope 3 were 29% higher than in the baseline year. The main reason for this was increased sales, but the availability of renewable energy to our customers has also been lower than we expected.

Waste management

Reducing waste is important to decrease the total environmental impact from our production and increase circularity. Most of our waste is constituted by scrap metal and the vast majority is reused or recycled. This share has been consistently high for many years.

Our new target is that by 2030, we shall reuse, recycle or recover 100% of all our waste. This target is closely related to circularity, keeping materials in a loop of re-use.



Water management

Atlas Copco's overall water consumption is relatively low due to our focus on assembly rather than on other resource-intensive activities. Nevertheless, we seek to decrease our use of water and to increase its reuse and circulation. Innovative product design and improved processes also contribute to reducing our customers' water use.

Value-chain impact assessment

In 2021, the value chain impact assessment was conducted by calculating typical product CO₂ emissions in both the embodied impact, in purchased material and by estimating the 'in-use' phase. The Group Carbon Product Footprint tool was developed for this purpose. All business areas completed the calculations of product-related and non-product related emissions according to the Greenhouse Gas protocol, and the results were consolidated to Group-level. The scope 1, 2 and 3 CO₂e emissions for 2019, 2020 and 2021 have been recalculated based on the results from the value chain impact assessment.

THE ENVIRONMENT

Key performance indicators	Target	2022	2021	2020
Reduction in CO ₂ e ¹⁾ emissions (tonnes) from scopes 1 and 2, compared to the baseline 2019	–46% by 2030 ²⁾	–33%	–17%	–2%
Reduction in CO ₂ e ¹⁾ emissions (tonnes) from scope 3, compared to the baseline 2019	–28% by 2030 ³⁾	+29%	+5%	+1%
Significant direct suppliers with an approved Environmental Management System	Continuous increase	31%	31%	30%
Water consumption (m ³)/in relation to cost of sales ⁴⁾	Continuous decrease	8.4	–	–
Reused, recycled or recovered waste from internal operations ⁴⁾	100% by 2030	92%	–	–

¹⁾ CO₂e means carbon dioxide equivalent.

²⁾ In line with the 1.5 degree warming trajectory.

³⁾ In line with the 2.0 degree warming trajectory.

⁴⁾ New and extended scope from 2022, including all operations.

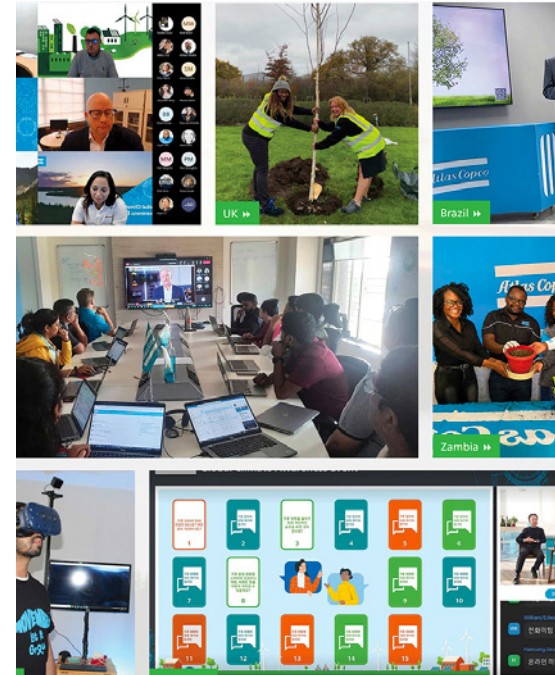
- Introduction
- This is Atlas Copco
- The year in review**
- Administration report
- Business areas
 - **Sustainable approach to delivering value**
 - Products and service
 - People
 - Safety and wellbeing
 - Ethics
 - **Environment**
 - Risks, risk management and opportunities
 - The Atlas Copco share
 - Corporate Governance
 - Board of Directors
 - Group Management
 - Internal control over financial reporting
- Financials
- Other information

Optimizing our environmental performance, continued

Environmental risks in the supply chain

Atlas Copco recognizes the importance of managing environmental risks throughout the value chain. By committing to the business partner criteria our suppliers take responsibility to minimize the environmental impact of products and services during manufacturing, distribution, and usage, as well as after disposal. Screening and audits are part of the Group's supplier management system.

We work with tier-one suppliers using the business partner criteria and, if needed, we develop action plans together to enhance the environmental management of certain suppliers. To further reduce our impact along the value chain, we measure the percentage of significant direct suppliers that have an approved environmental management system. In 2022, 31% of these suppliers met this requirement. Read more on page 130.



Global climate event

Atlas Copco has committed to science-based targets to reduce our greenhouse gas emissions in line with the Paris Agreement. It will take everyone's commitment, creativity and expertise to reach the targets. To raise awareness, all employees were invited to a global climate event in November 2022.

Turning steel scrap into products

Environmental performance has long been in focus for Atlas Copco's plant in Tierp, Sweden. Energy-saving measures and transitioning to renewable energy sources have been two priority areas, and 98 percent of the waste from scrap is being recycled. Going forward, the strategy is to focus on reuse and circularity.

In the plant's component workshop, steel bars are used as raw material. The end pieces of these bars have previously been sent to recycling as scrap. Following a suggestion from an employee, a project was set up in 2020 to investigate whether the end pieces could instead be used as raw material in the socket and bit production.

Two years later, approximately one third of the bar material used to produce sockets and bits come from recycled end bits and both steel and brass bits are reused instead of recycled. Apart from saving CO₂ emissions and material cost, the project has other positive effects. The ready-cut end pieces reduce the need for sawing which saves work time, energy and machinery. The need for transport of both raw material and waste has also been reduced.

The new routine has led to an increased awareness of raw material usage and waste and has resulted in other initiatives, such as reusing scrapped plastic trays used for internal transport of components.



Water for All: Employee community engagement

Water for All is Atlas Copco's main community engagement initiative. Through the dedicated and passionate work of volunteering employees, Water for All funds projects which empower people through access to clean drinking water, sanitation, and hygiene, thereby contributing to healthy societies, free from conflict and poverty. Women and young girls are particularly affected by the lack of water and sanitation. All projects supported by Water for All aim to positively impact the lives of women and girls in particular. All employee donations are matched with twice as much by the company.

In 2022, Water for All supported more than 65 water and sanitation projects in 38 countries, in total reaching more than 250 000 people. During the spring, almost 30 Water for All organizations from all over the world and the Peter Wallenberg Water for All Foundation came together in a joint fundraising effort towards Ukraine. The donation contributed to partner organization ADRA's emergency relief activities in the country, primarily within water, sanitation, and hygiene, which in total reached more than 40 000 people.

Water for All is the main community engagement initiative of both Atlas Copco and Epiroc. The numbers convey Water for All's global achievements in 2022 including both companies.

 Introduction

 This is Atlas Copco

The year in review

Administration report

Business areas

 Sustainable approach
to delivering value

- **Risks, risk management and opportunities**

The Atlas Copco share

Corporate Governance

Board of Directors

Group Management

 Internal control over financial
reporting

 Financials

 Other information

Risks, risk management and opportunities

All business activities involve risks, therefore there is a need for a structured and proactive approach to manage the company's risks, both locally and centrally within the organization. Well-managed risks can create opportunities and add value to the business while risks that are not well-managed can cause incidents and losses.

Atlas Copco's global and diversified business towards many customer segments results in a variety of risks and opportunities, geographically and operationally. Thus, the ability to identify, analyze and manage risks is crucial for effective governance and control of the business. The aim is to achieve Group targets with a high risk awareness and well-managed risk taking, in line with the strategy and within the frame of the handbook of policies and guidelines *The Way We Do Things*. Atlas Copco sees the benefits of an efficient risk management both from risk reduction and business opportunity perspectives, which can lead to good business growth.

Atlas Copco's risk management approach follows the Group's decentralized structure. Local companies are responsible for their own risk management, which is monitored and followed up regularly, e.g. at local board meetings. Group functions for legal, insurance, sustainability, treasury, tax, controlling and accounting, provide policies, guidelines and instructions regarding risk management. This is regularly audited by internal and external audits. Examples of risks and how they are handled in Atlas Copco are shown in the table in this section.

Insurance

The Group Insurance Program is provided by the inhouse insurance company Industria Insurance Company Ltd. which retains part of the risk exposure for the following insurance lines; property damage, business interruption, transport, and general and product liability. Financial lines insurance and business travel insurance are managed by the Group's Insurance and Risk Management department. However, Industria is not the insurer for these two lines. Insurance capacity is purchased from leading insurers and reinsurers by way of using international insurance brokers. Claims management services are partly purchased on a global basis from leading providers. Insurance policies are issued on a local basis to ensure compliance with local insurance laws where required.

Loss prevention

The main purpose of Atlas Copco's loss prevention process is to prevent potential property losses and business interruptions. Atlas Copco's Loss Prevention Standard stipulates Group requirements in regards of loss prevention for product companies and distribution centers, including areas like: construction, safety systems, loss prevention procedures and plans that need to be prepared. To ensure alignment with the standard and to support sites' understanding of how the standard applies to each site, around 25 risk surveys are performed annually. The results from the risk surveys are consolidated and reported to Group Management.

Enterprise risk management

Atlas Copco has developed an enterprise risk management process to map strategic risks. The methodology used is applied on divisions, which is the highest operational level in the Group. Annual workshops are held by each divisional management team where risks are identified, analyzed, evaluated/re-evaluated and managed to ensure a structured and proactive approach to risks exposing Atlas Copco. The ownership of managing the risks raised in this process lies within each division, while the Insurance and Risk Management department manages the overall process, moderates the sessions and consolidates the results on business area and Group levels. This hands-on approach is also in line with Atlas Copco's decentralized structure.



Risk process

In Atlas Copco, Enterprise Risk Management is not seen as a project but as a continuous process. The risk environment changes over time and it is therefore necessary to continuously revisit, update and identify new risks. The defined framework is described in the picture above.

[Introduction](#)
[This is Atlas Copco](#)
[The year in review](#)
[Administration report](#)
[Business areas](#)
[Sustainable approach to delivering value](#)

- **Risks, risk management and opportunities**

[The Atlas Copco share](#)
[Corporate Governance](#)
[Board of Directors](#)
[Group Management](#)
[Internal control over financial reporting](#)
[Financials](#)
[Other information](#)

Examples of risks and how they are handled by Atlas Copco

RISK	CONTEXT	MITIGATING ACTIVITIES	OPPORTUNITIES
LEGAL	<p>Atlas Copco's business operations are affected by numerous laws, regulations and trade sanctions as well as commercial and financial agreements with customers, suppliers and other counterparties, and also by licenses, patents and other intangible property rights.</p>	<ul style="list-style-type: none"> • Inhouse lawyers on five continents support Group companies with advice on laws and regulations, including compliance, as well as support with contract reviews. Proactive training is also done. • A yearly legal risk survey of all companies in the Group is performed in addition to continuous follow-up of the legal risk exposure. The result of the survey is compiled, analyzed and reported to the Board and the auditors. • A separate central function, Group Compliance, is in place. It is responsible for aligning and coordinating the compliance organization which, in line with Atlas Copco's decentralized structure, is hosted in the business areas and divisions. 	<ul style="list-style-type: none"> → Complying with legal norms and laws minimizes costs and increases opportunities to strengthen Atlas Copco's reputation. It also develops reliable partnerships and improves business stability. → The ability to trade on all markets, in compliance with applicable trade sanctions, increases revenue and lowers risk.
FINANCIAL	<p>Changes in exchange rates can adversely affect Group earnings when revenues from sales and costs for production and sourcing are denominated in different currencies (transaction risks). An adverse effect on Group earnings can also occur when earnings of foreign subsidiaries are translated into SEK and on the value of the Group equity when the net assets of foreign subsidiaries are translated into SEK (translation risks).</p> <p>Atlas Copco's net interest cost is affected by changes in market interest rates.</p> <p>Funding risk refers to the risk that the Group and its subsidiaries do not have access to financing on acceptable terms.</p> <p>As in any business, there can be a credit risk linked to our customers' abilities to pay.</p>	<ul style="list-style-type: none"> • A Financial Risk Management Committee meets regularly to manage financial risks. • Atlas Copco Financial Solutions is responsible for these risks and supports Group companies to implement financial policies and guidelines. • The Group's operations continuously monitor relevant exchange rates and try to offset negative changes by adjusting sales prices and costs. • Translation risks are partially hedged by borrowings in foreign currency and financial derivatives. • The Group's Financial Risk Policy stipulates that a minimum amount of standby credit facilities should exist and that a minimum average time to maturity for the external debt is set. • Stringent credit policies are applied and there is no major concentration of credit risk. The provision for bad debt is based on historical loss levels and up-to-date information and is deemed sufficient. 	<ul style="list-style-type: none"> → Working proactively with financial risks improves the profit margin and creates possibilities for more stable cash flow. Overall, financial risk mitigation has the ability to improve business resilience for Atlas Copco.
REPORTING (INCLUDING TAX)	<p>The risk related to the communication of financial information to the capital market is that the reports do not give a fair view of the Group's true financial position and results of operations.</p> <p>Reporting errors could result in management drawing the wrong conclusions. However, with many small entities, the material impact is low.</p> <p>Taxes is an area with increased focus, especially transfer pricing risks but also new tax rules and regulations.</p> <p>Estimations sometimes form a portion of the sustainability data which is reported, and thus by its nature the numbers presented may not be representative of the Group's impact.</p>	<ul style="list-style-type: none"> • Atlas Copco subsidiaries report their financial statements regularly in accordance with International Financial Reporting Standards (IFRS). The Group's consolidated financial statements, based on those reports, are prepared in accordance with IFRS and applicable parts of the Annual Accounts Act as stated in RFR 1 "Supplementary Rules for Groups". • The Group's operational and legal consolidated results are based on the same numbers and system. These are analyzed by divisional, business area, Group Management and corporate functions before being published externally. • The Group has procedures in place to ensure compliance with Group instructions, standards, laws and regulations, for example internal and external audits. • Group Tax monitors and ensures compliance with local tax rules. Transfer pricing policies and agreements are implemented in operations and regularly updated. Quarterly updates on tax are presented to the Board and Group Management. • Atlas Copco reports sustainability information according to GRI Standards and works with training to improve reporting practices. 	<ul style="list-style-type: none"> → Integrated reporting provides a better understanding of business risks and opportunities which in turn allows for improved decision making. It also allows the company to identify opportunities for business synergies. → Addressing reporting risks increases transparency and improves the potential to represent the business fairly and accurately. → Improved reporting results in improved business insights and risk management, especially when the data has been integrated to highlight interdependencies. → Efficient and consistent reporting based on clear standards and principles creates transparency, supports decision making and drawing the right conclusions. → Increased reporting requirements on taxes improves transparency.
CORRUPTION AND FRAUD	<p>Corruption and bribery exist in many markets where Atlas Copco conducts business.</p> <p>Fraud or criminal deception intended to result in financial or personal gain, is always present in global operations.</p>	<ul style="list-style-type: none"> • Zero-tolerance policy on bribery and corruption, including facilitation payments. • Internal control routines aimed at preventing and detecting deviations. The Internal Audit function is established to ensure compliance with the Group's corporate governance, internal control and risk management policies. • Control self-assessment tool to analyze internal control processes. • Training in the Code of Conduct and signing compliance to the Code for all employees and significant business partners. • The global Group misconduct reporting system to report violations anonymously. • The Group supports fair competition and forbids discussions or agreements with competitors concerning pricing or market sharing. 	<ul style="list-style-type: none"> → By fighting against corruption and fraud, Atlas Copco has the opportunity to work with industry peers to influence international market practices. Refusing to pay bribes may cause temporary delays and setbacks; however it reduces costs in both the long and short run, builds opportunities to improve operational efficiencies and creates more stability in society and in markets where the Group operates. → Working against corruption and fraud improves Atlas Copco's credibility and transparency and creates more ways to improve stakeholder relations.

[Introduction](#)
[This is Atlas Copco](#)
[The year in review](#)
[Administration report](#)
[Business areas](#)
[Sustainable approach to delivering value](#)

- **Risks, risk management and opportunities**

[The Atlas Copco share](#)
[Corporate Governance](#)
[Board of Directors](#)
[Group Management](#)
[Internal control over financial reporting](#)
[Financials](#)
[Other information](#)

Examples of risks and how they are handled by Atlas Copco, continued

RISK	CONTEXT	MITIGATING ACTIVITIES	OPPORTUNITIES
HUMAN RIGHTS	<p>Atlas Copco operates in countries/areas with high risk of human rights violations, including child labor, forced or compulsory labor, poor working conditions, limitations of the freedom of association and discrimination.</p> <p>Atlas Copco encounters customers who are exposed to human rights issues.</p> <p>Risks to the Group's reputation may arise from relationships with business suppliers who do not comply with internationally accepted ethical, social and environmental standards.</p>	<ul style="list-style-type: none"> • Guidance by interaction with well-established non-governmental organizations to identify and mitigate risks. • Policies and procedures corresponding to the UN Guiding Principles on Business and Human Rights, which Atlas Copco has committed to since 2011. • Due diligence process and integration of internal controls for human rights violations in relevant processes. • The Group customer sustainability assessment tool. • Regular supplier evaluations in accordance with the UN Global Compact. 	<ul style="list-style-type: none"> → Following the UN Guiding Principles on Business and Human Rights to respect human rights reduces risks and costs. → Strong business ethics help promote societal prosperity and a more stable market place. → Working with human rights positively impacts both the Atlas Copco brand and stakeholder relations.
SAFETY AND HEALTH	<p>Poor physical and mental health and too much stress among employees affect the individual and can cause sick leave and disturbances in the production.</p> <p>Accidents or incidents in the workplace, due to the lack of proper safety measures, harm employees and can negatively affect Atlas Copco's productivity and brand.</p> <p>Atlas Copco recognizes the risk that serious diseases and pandemics can interrupt business operations and harm employees.</p>	<ul style="list-style-type: none"> • The Group regularly assesses and manages safety and health risks in operations. • Training is held regularly. • The ambition is to certify all major units in accordance with the ISO 45001 standard. • Workplace wellness programs. • Atlas Copco's business partners are trained in Group policies including the approach to health and safety. 	<ul style="list-style-type: none"> → Improved safety and wellbeing among employees increases employee satisfaction and engagement, productivity and strengthens the brand. → Improving working conditions for customers and business partners benefits their employees and local societies and can enhance long-lasting relationships that result in repeat orders.
CLIMATE AND ENVIRONMENT	<p>The primary drivers for external environmental risk are physical changes in climate and natural resources, changes in regulations, taxes and resource prices.</p> <p>Natural disasters as a consequence of climate change can disrupt own operations or impact the supply chain.</p> <p>Increased fuel/energy taxes increase operational costs.</p> <p>Regulations and requirements related to carbon-dioxide emissions from products and industrial processes are gradually increasing.</p> <p>Climate-related and environmental events can affect all of Atlas Copco's operations and negatively affect operations either directly or by disrupting the supply chain.</p> <p>Market shifts toward a low-carbon economy may impact the viability of certain sectors.</p> <p>Biodiversity-related requirements on companies are increasing.</p>	<ul style="list-style-type: none"> • Atlas Copco continuously develops products with improved energy efficiency, reduced emissions and lower environmental footprint. • Atlas Copco has several key performance indicators (KPIs) that address resource and energy usage in order to reduce carbon-dioxide emissions. • Strict handling processes for hazardous waste and chemicals are implemented in all operational units. Compliance is audited regularly and awareness is reinforced by training. • All cooling agents in Atlas Copco products have a zero-ozone depleting impact during the product's lifecycle, and the aim is to continue to introduce cooling agents with lower Global Warming Potential (GWP). • The Group's SHEQ Policy is updated to cover biodiversity-related aspects. ISO 14001 certifications in major subsidiaries will support addressing relevant environmental focus areas. 	<ul style="list-style-type: none"> → Working proactively with environmental risks can provide significant opportunities to drive innovation at Atlas Copco. → Given that many customers are operating in areas of extreme water stress/scarcity, water-efficient or water-recycling products can have a strong customer appeal. This presents a strong business opportunity to extend Atlas Copco's innovations to the focused area of water consumption. → Climate change impacts and predictions can induce changes in consumers' habits and behavior. As a result of climate events, Atlas Copco's customers can become more risk averse and demand sustainable products from the Group. New businesses and business models that are being served by Atlas Copco arise. For instance, increased renewable energy generation and the surge in production of electrical vehicles present opportunities to provide products to the industries. → Raised awareness of the subsidiaries' impact on biodiversity in their near surroundings can support activities to restore flora and fauna.
MARKET	<p>A widespread financial crisis and economic downturn would not only affect the Group negatively but could also impact customers' ability to finance their investments. Changes in customers' production levels also have an effect on the Group's sales of spare parts, service and consumables.</p> <p>In developing markets, new smaller competitors continuously appear which may affect Atlas Copco negatively.</p>	<ul style="list-style-type: none"> • Well-diversified sales to customers in multiple countries and industries. Sales of spare parts and service are relatively stable in comparison to sales of equipment. • Monthly follow-up of market and sales development enables quick actions. • Agile manufacturing set-up makes it possible to quickly adapt to changes in the demand for equipment. • Leading position in most market segments provides economies of scale. 	<ul style="list-style-type: none"> → A significant competitive advantage as a result of a strong global presence, including growth markets. → Opportunities to positively impact both society and environment, through the Group's high-quality sustainable products and high ethical standards. → Continue to develop close, long-term and strategic relationships with customers and suppliers.

[Introduction](#)
[This is Atlas Copco](#)
[The year in review](#)
[Administration report](#)
[Business areas](#)
[Sustainable approach to delivering value](#)

- [Risks, risk management and opportunities](#)

[The Atlas Copco share](#)
[Corporate Governance](#)
[Board of Directors](#)
[Group Management](#)
[Internal control over financial reporting](#)
[Financials](#)
[Other information](#)

Examples of risks and how they are handled by Atlas Copco, continued

RISK	CONTEXT	MITIGATING ACTIVITIES	OPPORTUNITIES
REPUTATION	<p>The Group's reputation is a valuable asset which may be affected in part through the Group's operations or actions and in part through the actions of external stakeholders. Products must deliver on the brand promise and be of high quality, safe and have a low negative impact on the environment when used by the customer. There is potential for reputational risk from non-compliance to product labeling standards or if there are cases of false advertising.</p> <p>Unsatisfied employees may potentially detract the Atlas Copco brand.</p>	<ul style="list-style-type: none"> • All Atlas Copco products are tested and quality assured. Product labeling is monitored and there are regular communications trainings. • The Group actively engages in stakeholder dialogue. • Compulsory training in the Code of Conduct includes the yearly signing of a compliance statement. • A clear and well known corporate identity and brand management. • An employee survey is carried out every two years and followed up actively. 	<ul style="list-style-type: none"> → Brand positioning. → Stakeholder engagement not only mitigates reputational risks in certain cases but it also presents opportunities to increase awareness and credibility of Atlas Copco's brand through improvements and innovations. → Delivering tested and quality-assured products improves customer satisfaction and promotes repeat business. → Attract and develop employees who adhere to the Code of Conduct.
PRODUCTION	<p>Core component manufacturing is concentrated to a few locations and if there are interruptions or lack of capacity in these locations, this may have an effect on deliveries or on the quality of products. Production facilities could also have a risk of damaging the environment through their operations, e.g. through hazardous waste and emissions.</p> <p>Atlas Copco is directly and indirectly exposed to raw material prices. Atlas Copco primarily distributes products and services directly to the end customer. If the distribution is not efficient, it may impact customer satisfaction, sales and profits. Damages and losses during the course of distribution can be costly.</p> <p>Some sales are made indirectly through distributors and rental companies and their performance may have a negative effect on sales.</p> <p>The distribution of products results in CO₂ emissions from transport.</p>	<ul style="list-style-type: none"> • Manufacturing units continuously monitor the production process, test the safety and quality of products, make risk assessments, and train employees. • Atlas Copco has an internal Loss Prevention Standard to ensure high level of protection. • Production units have developed business continuity plans. • Ambition to certify all manufacturing units in accordance with the ISO 14001 standard. • Physical distribution of products is concentrated to a number of distribution centers and their delivery efficiency is continuously monitored. • Resources are allocated to training and development of the service organization. • As indirect sales are local/regional, the negative impact of poor performance is limited. • Increased focus on safer and more effective transports to reduce losses, costs and total emissions per transport. 	<ul style="list-style-type: none"> → Continued opportunities to extensively promote operational excellence to streamline production, minimize inefficiencies and maintain a high flexibility in the production process. → Continue to strengthen the relationship with customers through timely deliveries of products and services. → Transport efficiencies and safe transports can save the customers time and cost while reducing the environmental impact of their own operations. → Reduce fuel costs and resource requirements which improves business agility for the Group.
SUPPLY CHAIN	<p>Atlas Copco and its business partners, such as suppliers, subcontractors and joint venture partners, must share the same values as expressed in the Group's Code of Conduct regarding issues such as human rights standards and principles of ethical conduct.</p> <p>The availability of many components is dependent on suppliers and if they have interruptions or lack capacity, this may affect deliveries.</p> <p>Using a large number of suppliers gives rise to the risk that products contain components which are not sustainably produced, e.g. hazardous substances or electronic components containing conflict minerals, or components with a large carbon footprint.</p>	<ul style="list-style-type: none"> • Business partners are selected and evaluated based on objective factors including quality, delivery, price, and reliability, as well as on social/environmental responsibility. • Significant direct suppliers are required to have an approved environmental management system. • The presence of conflict minerals in Atlas Copco's value chain is investigated and eradicated. • Establishment of a global network of sub-suppliers, to prevent supplier dependency. • E-learning for business partners (suppliers and distributors) to raise awareness of the Code of Conduct, including the requirement for significant business partner to sign and follow the Code of Conduct. Action plans developed together with suppliers to deal with shortcomings and deviations. • Atlas Copco maintains lists of substances that are prohibited or restricted due to their potential negative impact on health or the environment. Compliance with these lists is part of the business partner criteria. 	<ul style="list-style-type: none"> → Further increase business agility and reduce costs by improving supplier inventory management in response to changes in demand. → Continue to be a preferred business partner and promote efficiency, sustainability and safety. Good supplier relations help to improve Atlas Copco's competitive position. → Strengthen customer relationships by supporting customers impacted by the Dodd Frank legislation on conflict minerals. → Promote human rights and work towards improving labor conditions, reducing corruption and conflicts.
EMPLOYEE	<p>Atlas Copco must have access to and attract skilled and motivated employees and safeguard the availability of competent managers to achieve established strategic and operational objectives.</p>	<ul style="list-style-type: none"> • The competence mapping and plan secure access to people with the right expertise at the right time. Recruitment can be both external and internal. Internal recruitment and job rotation are facilitated by the Internal job market. • Salaries and other conditions are adapted to the market and linked to business priorities. Atlas Copco strives to maintain good relationships with unions. 	<ul style="list-style-type: none"> → Motivated and skilled employees and managers are crucial to achieve or exceed business goals and objectives.

Examples of risks and how they are handled by Atlas Copco, continued

RISK	CONTEXT	MITIGATING ACTIVITIES	OPPORTUNITIES
INFORMATION TECHNOLOGY (IT)	<p>Atlas Copco relies on IT systems in its day-to-day operations. Disruptions or faults in critical systems have a direct impact on production.</p> <p>Errors in the handling of financial systems can affect the company's reporting of results.</p> <p>Theft or modification of intellectual property constitutes a risk to our products and future business success.</p> <p>Cyber security risks are increasing in importance and can have a major impact on Atlas Copco operations.</p> <p>The General Data Protection Regulation (GDPR) impacts the handling of personal data. Failure to comply may result in substantial fines and reputational damage.</p>	<ul style="list-style-type: none"> Atlas Copco has a global IT Security policy, including quality-assurance procedures that govern IT operations. Information security is monitored through IT Security audits and cyber-risk assessments. Standardized processes are in place for the implementation of new systems, changes to existing systems and daily operations. The system landscape is based on well-proven technologies. IT Security tracks globally major downloads of files. Screening of business partners/ consultants working in our systems. Cyber security is regularly discussed, addressed and invested in by the IT Security function. By performing cyber-risk assessments, awareness of cyber security risks increases the readiness to quickly detect and respond to any attacks. A privacy- and data compliance council tracks the essential activities to ensure compliance with the regulation. Increased focus on secure development process for our product software. 	<ul style="list-style-type: none"> Stable IT systems, secure IT environment and standardized processes increase efficiencies and reduce costs. Quick action on major download of product development files minimizes the potential damage. Quick action to address a cyber-attack gives opportunity to stable work environment and business continuity. As the approach has been global, Atlas Copco is well prepared to face future data privacy initiatives in all regions or continents.
ACQUISITIONS AND DIVESTMENTS	<p>When making acquisitions, there are risks related to the selection and valuation of the potential targets as well as the process of acquiring them. Integrating acquired businesses may also be a complex and demanding process. There is no guarantee for an acquisition to be successful even if all steps are done properly.</p> <p>Annual impairment tests are made on acquired goodwill. If the carrying values are not deemed justified in such tests, it can result in a write-down, affecting the Group's result.</p> <p>Acquisitions and divestments can impact local communities and/ or the environment, directly or indirectly.</p>	<ul style="list-style-type: none"> The Group's Acquisitions Process Council has established a process for acquisitions. The process is continually updated and improved to address and mitigate risks. The Council also provides training and supports business units prior to, during and after an acquisition. Before any acquisition is completed, a detailed due diligence will be performed in order to evaluate the risks involved. Atlas Copco guidelines and policies are applied to assess and manage the environmental and social impact of operations in the affected communities after an acquisition is completed. 	<ul style="list-style-type: none"> Acquisitions bring possibilities to enter new markets, segments, new technologies, new clients, increase revenues, etc. Identifying the obstacles to integration can allow Atlas Copco to improve the process through methods such as job rotation, training or teambuilding exercises. This would not only result in a smoother process but also lower operational costs by decreasing downtime and allowing newly acquired companies to become even more productive and efficient.
PRODUCT DEVELOPMENT	<p>One of the challenges for Atlas Copco's long-term growth and profitability is to continuously develop innovative, sustainable products that consume less resources over the entire life cycle. Atlas Copco's product offering is also affected by national and regional legislation on issues such as emissions, noise, vibrations, recycling, etc. However, there may be increased risk of competition in emerging markets where low-cost products are not affected to the same extent by such rules.</p>	<ul style="list-style-type: none"> Continuous investments in research and development to develop products in line with customer demand and expectations, even during economic downturns. Designing products with a life-cycle perspective and measurable efficiency targets for the main product categories in each division. Designing products with reduced emissions, vibrations or noise, and increased recycling potential to meet legal requirements. 	<ul style="list-style-type: none"> Substantial opportunities to strengthen the competitive edge by innovating high-quality, sustainable products and creating an integrated value proposition for customers.

[Introduction](#)
[This is Atlas Copco](#)
[The year in review](#)
[Administration report](#)
[Business areas](#)
[Sustainable approach to delivering value](#)
[Risks, risk management and opportunities](#)
[• The Atlas Copco share](#)
[Corporate Governance](#)
[Board of Directors](#)
[Group Management](#)
[Internal control over financial reporting](#)
[Financials](#)
[Other information](#)

The Atlas Copco share

Share price development and returns

In 2022, the price of the A share decreased 21.3% to SEK 123.1 (156.5¹⁾) and the B share decreased 16.5% to SEK 111.1 (133.1¹⁾). The annual total return on the Atlas Copco A share, equal to dividend, redemption and the change in the share price, including the distribution of Epiroc AB, was on average 17% for the past ten years and 17% for the past five years. The corresponding total return for Nasdaq Stockholm was 13% and 11%, respectively.

Trading and market capitalization

The Atlas Copco shares are listed on Nasdaq Stockholm, which represented 23.0% of the total trading of the A share (37.3% of the B share) in 2022. Other markets, so called Multilateral Trading Facilities (MTF), e.g. CBOE accounted for 40.3% (36.9% of the B share), and the remaining 36.7% (25.8% of the B share) were traded outside public markets, for example through over-the-counter trading.

The market capitalization at year end 2022 was MSEK 586 731 (732 967) and the company represented 6.3% (5.9) of the total market value of Nasdaq Stockholm. Atlas Copco was the second (fifth) most traded share in 2022 by total turnover.

A program for American Depositary Receipts (ADRs) was established in the United States in 1990. One ADR corresponds to one share. The depositary bank is Citibank N.A. At year end 2022, there were 109 162 008 ADRs outstanding, of which 101 646 798 represented A shares and 7 515 210 represented B shares.

Share split and mandatory redemption of shares

During the second quarter 2022 the share split resolved by the Annual General Meeting on April 26, 2022 whereby each share was divided into four (4) ordinary shares and one (1) redemption share, was concluded. For further information, see atlas-copco.com/en/investor-relations/atlas-copco-share/redemption-of-shares

Personnel stock option program and repurchase of own shares

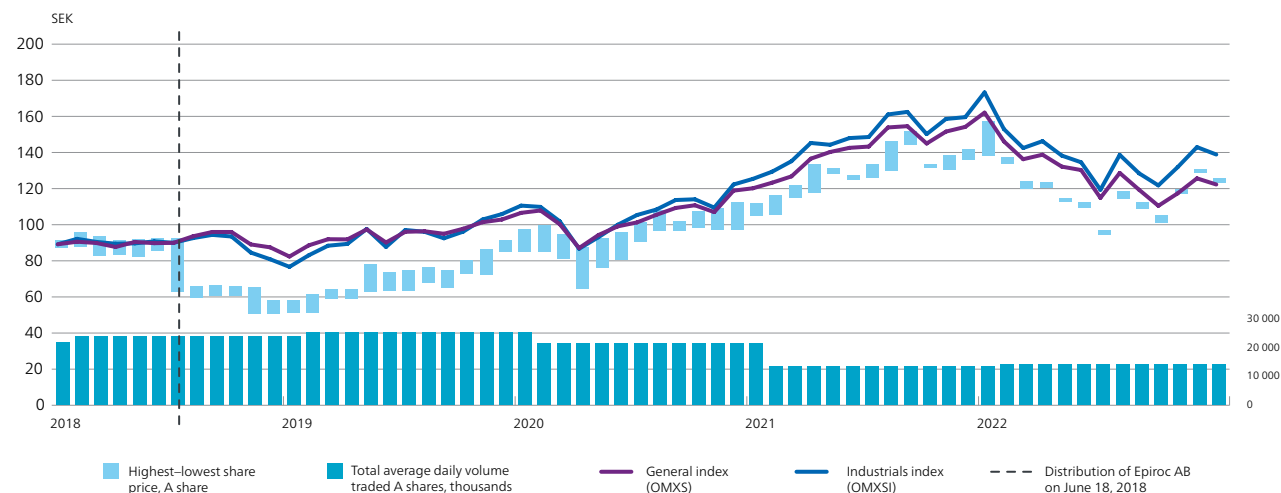
The Board of Directors will propose to the Annual General Meeting 2023 a similar performance-based long-term incentive program as in previous years. The intention is to cover the plan through the repurchase of the company's own shares. The company's holding of own shares on December 31, 2022 appears in the table to the right.

Dividend

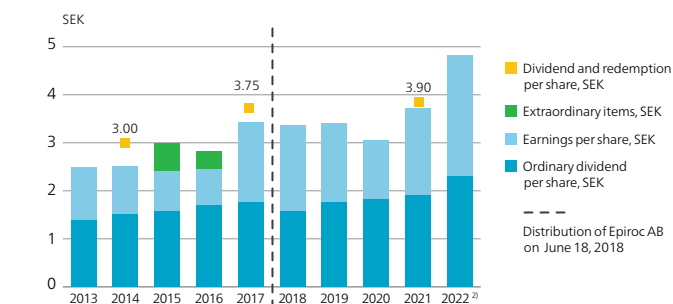
The Board of Directors proposes to the Annual General Meeting 2023 an ordinary dividend of SEK 2.30 (1.9¹⁾) per share to be paid for the 2022 fiscal year. In order to facilitate a more efficient cash management, the dividend is proposed to be paid in two installments. If approved, the ordinary dividend has averaged 51% of basic earnings per share during the last five years. The ambition is to distribute about 50% of earnings as dividends to shareholders. See more information on page 19.

SHARE INFORMATION 2022-12-31	A share	B share
Nasdaq Stockholm	ATCO A	ATCO B
ISIN code	SE0017486889	SE0017486897
ADR	ATLKY.OTC	ATLCY.OTC
Total number of shares	3 357 576 384	1 560 876 032
% of votes	95.6	4.4
% of capital	68.3	31.7
Whereof shares held by Atlas Copco	50 095 451	0
% of votes	1.4	0.0
% of capital	1.0	0.0

SHARE PRICE DEVELOPMENT ¹⁾



EARNINGS AND DISTRIBUTION PER SHARE ¹⁾



¹⁾ Adjusted for share split in 2022.

²⁾ Proposed by the Board of Directors.

- Introduction
- This is Atlas Copco
- The year in review**
- Administration report
- Business areas
- Sustainable approach to delivering value
- Risks, risk management and opportunities
- **The Atlas Copco share**
- Corporate Governance
- Board of Directors
- Group Management
- Internal control over financial reporting
- Financials
- Other information

The Atlas Copco share, continued

Ownership structure

At the end of 2022, Atlas Copco had 115 459 (87 923) shareholders. The ten largest shareholders registered directly or as a group with Euroclear Sweden, the Swedish Central Securities Depository, by voting rights, accounted for 35% (34) of the voting rights and 32% (31) of the capital. Swedish investors held 50% (47) of the capital and represented 47% (44) of the voting rights.

TEN LARGEST SHAREHOLDERS *

December 31, 2022	% of votes	% of capital
Investor AB	22.3	17.0
Swedbank Robur fonder	3.5	4.3
Alecta Pensionsförsäkring	2.3	4.1
Handelsbanken fonder	2.0	1.9
SEB Investment Management	1.4	1.2
Nordea Investment Funds	1.0	0.9
SPP Fonder AB	0.8	0.8
Folksam	0.8	0.9
Avanza Fonder	0.7	0.7
Länsförsäkringar fondförvaltning AB	0.6	0.6
Others	64.6	67.6
Total	100.0	100.0
– of which shares held by Atlas Copco	1.4	1.0

* Shareholders registered directly or as a group with Euroclear Sweden, the Swedish Central Securities Depository.

SHAREHOLDERS BY COUNTRY

December 31, 2022, percent of capital



OWNERSHIP CATEGORY

December 31, 2022	% of capital
Shareholders domiciled abroad (legal entities and individuals)	50.5
Swedish financial companies	38.6
Swedish individuals	4.7
Other Swedish legal entities	2.2
Swedish social insurance funds	2.7
Swedish trade organizations	1.0
Swedish government and municipals	0.3
Total	100.0

SHARE ISSUES ¹⁾

		Change of share capital, MSEK	Amount distributed, MSEK
2011	Split		
	Share redemption ²⁾	–393.0	–6 067.0
	Bonus issue	393.0	
2015	Split		
	Share redemption ³⁾	–393.0	–7 304.7
	Bonus issue	393.0	
2018	Split		
	Share redemption ⁴⁾	–393.0	–9 704.6
	Bonus issue	393.0	
2022	Split		
	Share redemption ⁵⁾	–157.0	–9 731.8
	Bonus issue	157.0	

¹⁾ For more information please visit www.atlascopcogroup.com/investor-relations.

²⁾ 1 213 493 751 shares net of shares held by Atlas Copco.

³⁾ 1 217 444 513 shares net of shares held by Atlas Copco.

OWNERSHIP STRUCTURE

Number of shares, December 31, 2022	% of shareholders	% of capital
1–500	57.5	0.2
501–2 000	21.6	0.6
2 001–10 000	15.5	1.7
10 001–50 000	4.2	2.0
50 001–100 000	0.5	0.7
>100 000	0.7	94.8
Total	100.0	100.0

IMPORTANT DATES

2023	April 27	First quarter results
	April 27	Annual General Meeting
	April 27 *	Shares trade excluding right to dividend of SEK 1.15
	May 5 *	Dividend payment date (preliminary)
	July 19	Second quarter results
	October 25	Third quarter results
	October 18 *	Shares trade excluding right to dividend of SEK 1.15
	October 25 *	Dividend payment date (preliminary)
2024	January 25	Fourth quarter results 2023

* Board of Directors proposal to the Annual General Meeting. The record date is the first trading day after shares trade excluding the right to dividend.

More information

- More data per share can be found on page 147 in the four-year summary.
- For more information on distribution of shares, option programs and repurchase of own shares, see notes 5, 20 and 23.
- Detailed information on the share and debt can be found on www.atlascopcogroup.com/investor-relations

 Introduction

 This is Atlas Copco

The year in review

 Administration report

 Business areas

 Sustainable approach
to delivering value

 Risks, risk management and
opportunities

 The Atlas Copco share

• Corporate Governance

 Board of Directors

 Group Management

 Internal control over
financial reporting

 Financials

 Other information

Corporate governance

In the corporate governance report, Atlas Copco presents how applicable rules are implemented in efficient control systems to achieve long-term growth. Good corporate governance is not only about following applicable rules, it is also about doing what is right. The objective is to find the right balance between risk and control in a decentralized management model. The goal is sustainability in productivity and profitability, as well as in governance.

Atlas Copco AB is incorporated under the laws of Sweden with a public listing at Nasdaq Stockholm AB (Nasdaq Stockholm). Atlas Copco is governed by Swedish legislation and regulations, primarily the Swedish Companies Act, but also the rules of Nasdaq Stockholm, the Swedish Corporate Governance Code (the Code), the Articles of Association and other relevant rules.

Atlas Copco does not report any deviations from the Code for the financial year 2022. The corporate governance report has been examined by the auditors, see page 124.

The following information is available at www.atlascopcogroup.com

- Atlas Copco's Articles of Association
- The Code of Conduct
- Corporate governance reports since 2004 (as a part of the annual report)
- Information on Atlas Copco's Annual General Meeting

Comment from the Chair

Atlas Copco is a truly global industrial company, which creates lasting value and empowers customers to drive society forward in over 180 countries. Through energy-efficient products that save carbon emissions, and by implementing values and processes with respect for people and the planet, Atlas Copco can contribute to a better tomorrow. As a leading industrial innovator and global supplier, Atlas Copco can play a role in combating climate change. The commitment to reduce greenhouse gas emissions in line with the goals of the Paris Agreement, and by setting Science-based targets, the Group shows its ambition to be part of the transformation to a low-carbon society.

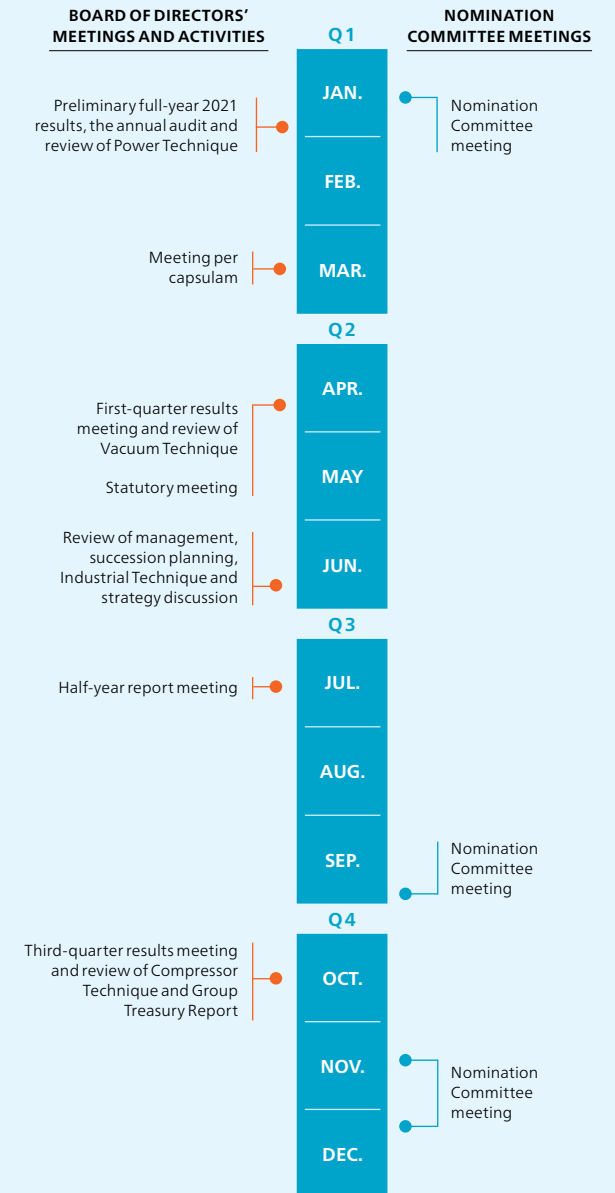
The Atlas Copco Code of Conduct is the most important instrument to make sure the company always acts with the highest ethical standards and integrity. The main international ethical standards supported by Atlas Copco are the International Bill of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the OECD Guidelines for Multinational Companies and the UN Global Compact. Atlas Copco is a member of the UN Global Compact since 2008.

The annual signing of the Code of Conduct, together with training, supports Atlas Copco's employees to identify and handle ethical dilemmas and strengthens the awareness of Atlas Copco's values and guidelines. Atlas Copco also requests that significant business partners commit to comply with the Code of Conduct. This is further supported by the third party operated system, SpeakUp, providing a channel for anonymous reporting of suspected ethical misconduct. To safeguard the Group's reputation, Atlas Copco relies on solid governance and the leaders' ability to defend values, including of course, internal and external control and audits.

Hans Stråberg
Chair since 2014



Meetings of the Board and the Nomination Committee during 2022



[Introduction](#)
[This is Atlas Copco](#)
[The year in review](#)
[Administration report](#)
[Business areas](#)
[Sustainable approach to delivering value](#)
[Risks, risk management and opportunities](#)
[The Atlas Copco share](#)

• Corporate Governance

[Board of Directors](#)
[Group Management](#)
[Internal control over financial reporting](#)
[Financials](#)
[Other information](#)

Corporate governance, continued



1. Shareholders

At the end of 2022, Atlas Copco had 115 459 (87 923) shareholders. The ten largest shareholders registered directly or as a group with Euroclear Sweden, the Swedish Central Securities Depository, by voting rights, accounted for 35% (34) of the voting rights and 32% (31) of the capital. Swedish investors held 50% (47) of the capital and represented 47% (44) of the voting rights. The largest shareholder is Investor AB, holding 17.0% of capital and 22.3% of votes. More information on Atlas Copco's shareholders can be found on pages 49–50.

2. General Meeting

The General Meeting is Atlas Copco's supreme decision-making body in which all shareholders are entitled to take part. Anyone registered in the shareholders' register who have given due notification to the Company of their intention to attend, may join the meeting and vote for their total shareholdings. Atlas Copco encourages all shareholders to vote at the General Meeting and shareholders who cannot participate in person may be represented by proxy holders or vote by mail. A shareholder or a proxy holder may be accompanied by two assistants and a proxy form can be found prior to the General Meeting at www.atlascopcogroup.com/agm.

The Annual General Meeting (AGM) 2022 was held on April 26, 2022 in Solna, Sweden. The Company also offered shareholders the possibility to exercise their voting rights by mail voting. 59% of the total number of votes in the Company and 60% of the shares were represented.

Decisions at the AGM 2022 included:

- Adoption of the income statements and balance sheets of Atlas Copco AB and the Group for 2021.
- Discharge of liability of the Company's affairs during the 2021 financial year for the President and CEO and the Board of Directors.
- Adoption of the Board's proposal for profit distribution with a dividend of SEK 7.60 per share to be paid in two installments. The first installment amount will be SEK 3.80 per share and the second installment amount will be SEK 0.95 per share (in accordance with the Annual General Meeting's resolution on share split and redemption).
- A share split in four (4) ordinary and one (1) mandatory redemption share. The redemption share was automatically redeemed resulting in an extra distribution to the shareholders of SEK 8 per share.
- Amendment of the Articles of Association.
- That the number of directors elected by the AGM for a term ending at the next AGM would be eight directors and no alternates.
- Election of the Board of Directors.
- A resolution of the Board of Directors' fee.
- Approval of the remuneration report for 2021.
- Approval of the reported scope and principals for a performance based employee stock option plan for 2022 including mandate for the Board to decide upon repurchase and sales of Atlas Copco shares to hedge the plan and previous similar plans.
- Election of Ernst & Young AB as auditing company up to and including the Annual General Meeting 2023.

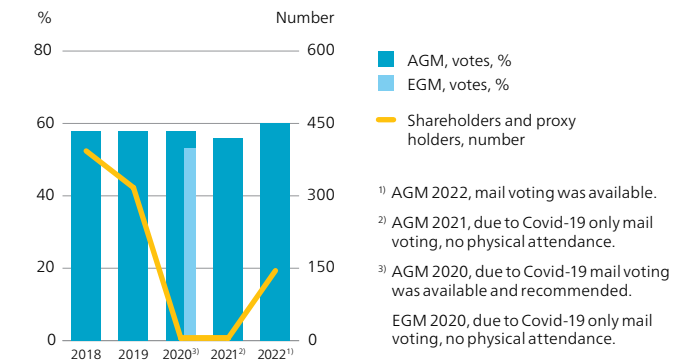
Annual General Meeting 2023

The Annual General Meeting will be held on April 27, 2023. Shareholders who wish to contact the Nomination Committee or have a matter addressed by the Board of Directors at the AGM may submit their proposals by ordinary mail or e-mail to:

Atlas Copco AB, Attn: Chief Legal Officer, SE-105 23 Stockholm, Sweden, nominations@atlascopco.com or board@atlascopco.com

Proposals have to be received by the Board of Directors and the Nomination Committee respectively, no later than seven weeks prior to the AGM to be included in the notice to the AGM and the agenda.

General Meeting Attendance



 Introduction

 This is Atlas Copco

The year in review

Administration report

Business areas

 Sustainable approach
to delivering value

 Risks, risk management and
opportunities

The Atlas Copco share

• Corporate Governance

Board of Directors

Group Management

 Internal control over
financial reporting

 Financials

 Other information

Corporate governance, continued

3. Nomination Committee

The Nomination Committee aims to propose a Board with a broad and complementary experience from a number of important industries and markets. Experience from the manufacturing industry with international coverage is viewed as especially valuable. The committee also considers factors such as diversity, gender balance, potential conflicts of interest etc. The Nomination Committee's diversity policy is based on section 4.1 in the Corporate Governance Code. The eight Board members elected by the shareholders have backgrounds from various industries. As proposed to the AGM 2022, two of the seven non-executive members are women. One member is born in the 1940's, three in the 1950's, two in the 1960's, and one is born in the 1970's. The Board members are of two different nationalities, from Germany and a majority of the Board members coming from Sweden. Increasing the diversity of the Board of Directors with regard to gender is a priority for the Nomination Committee.

Based on the findings of the Chair of the Board, the Nomination Committee annually evaluates the work of the Board. Further to that, the Nomination Committee proposes the Chair to the Annual General Meeting, prepares a proposal regarding number and names of Board members, including Chair and a proposal for remuneration to the Chair and other Board members not employed by the Company, as well as a proposal for remuneration for Board committee work. Finally, the Nomination Committee proposes an audit company including remuneration for the audit.

The proposals and the Nomination Committee's statement will be published at the latest with the notice to the AGM 2023. In view of the Nomination Committee's strive to reach gender balance, for example in case of equal competence, the candidate that will lead to improved gender balance should be proposed.

In compliance with the Swedish Corporate Governance Code and the procedures adopted by the AGM 2016, the representatives of the four largest shareholders, directly registered or ownership grouped as listed in the shareholders' register as of August 31, 2022, together with the Chair of the Board shall form the Nomination Committee. The members of the Nomination Committee for the AGM 2023 were announced on September 15, 2022, and represented approximately 30% of all votes in the Company. The members of the Nomination Committee receive no compensation for their work in the committee.

Nomination Committee members for the AGM 2023: Petra Hedengran, Investor AB, Chair of the Nomination Committee; Jan Andersson, Swedbank Robur funds; Mikael Wiberg, Alecta; Helen Fasth Gillstedt, Handelsbanken Fonder AB; and Hans Stråberg, Atlas Copco AB, Chair of the Board.

4. Board of Directors

The Board of Directors is responsible for the overall organization, administration and management of Atlas Copco in the best interest of the Company and its shareholders. The Board is responsible for following applicable rules and implementing efficient control systems in the decentralized organization. An efficient control system offers the correct balance between risk and control. The long-term goals are regularly evaluated by the Board based on the Group's financial situation and financial, legal, social and environmental risks. The mission is to achieve a sustainable and profitable development of the Group.

Board of Directors' members

At the end of 2022 the Board of Directors consisted of eight elected members, including the President and CEO. The Board also had two employee representatives, each with one personal deputy. Atlas Copco fulfilled the 2022 requirements of Nasdaq Stockholm and the rules of the Swedish Corporate Governance Code regarding independency of board members.

The Board of Directors' work

The Board continuously addresses the Group's strategic direction, financial performance, and methods to maintain sustainable profitability. They also continuously ensure that efficient control systems are in place. The Board is regularly updated, informed and educated on topics related to sustainability, such as opportunities related to new segments and technologies, new regulations and the Group's non-financial targets. The Board also follows up on the compliance of the Code of Conduct as well as on the Group's whistleblowing solution, SpeakUp. Besides the general distribution of responsibilities that apply, in accordance with the Swedish Companies Act and the Code, the Board and its committees (Audit Committee, Remuneration Committee and others) annually review and adopt "The Rules of Procedure" and "The Written Instructions", the documents that govern the Board's work and the distribution of tasks between the Board, the committees and the President, as well as the Company's reporting processes.

The Board held seven meetings in 2022. Four were physical meetings, of which three were held at Atlas Copco AB in Nacka and one in Frankfurt. Two meetings were held virtually at Atlas Copco AB in Nacka and one per capsulam. The attendance at Board meetings is presented on page 55–56.

The Board continuously evaluates the performance of the President and CEO, Mats Rahmström. For the Annual Audit, the Company's

principal auditor, Erik Sandström, Ernst & Young AB, reported his observations to the Board. The Board also had a separate session with the auditor where members of Group Management were not present.

Evaluation of the Board of Directors' work

The annual evaluation of the Board of Directors' work, including the Board's committees (Audit Committee, Remuneration Committee and others) was conducted by the Chair of the Board, Hans Stråberg. He evaluated the Board's working procedures, competence and composition, including the background, experience and diversity of Board members. His findings were presented to the Nomination Committee.

Remuneration to the Board of Directors

Remuneration and fees are based on the work performed by the Board. The AGM 2022 decided to adopt the Nomination Committee's proposal for remuneration to the Chair and other Board members not employed by the Company, and the proposed remuneration for committee work. See also note 5.

- The Chair was granted an amount of SEK 3 100 000.
- Each of the other Board members not employed by the Company was granted SEK 1 000 000.
- An amount of SEK 350 000 was granted to the Chair of the Audit Committee and SEK 220 000 to each of the other members of this committee.
- An amount of SEK 135 000 was granted to the Chair of the Remuneration Committee and SEK 100 000 to each of the other members of this committee.
- An amount of SEK 100 000 was granted to each non-executive director who, in addition, participates in committee work decided upon by the Board.
- The meeting further resolved that 50% of the director's Board fee could be received in the form of synthetic shares.

 Introduction

 This is Atlas Copco

The year in review

Administration report

Business areas

 Sustainable approach
to delivering value

 Risks, risk management and
opportunities

The Atlas Copco share

• Corporate Governance

Board of Directors

Group Management

 Internal control over
financial reporting

 Financials

 Other information

Corporate governance, continued

5. Audit Committee

The Audit Committee is elected by the Board at the statutory Board meeting after the Annual General Meeting and until the statutory Board meeting the following year. The work of the Audit Committee is directed by the Audit Committee Charter, which is reviewed and approved annually by the Board. The Chair of the committee has the accounting competence required by the Swedish Companies Act and two of the members are independent from the Company and its main shareholder. The Audit Committee's primary task is to support the Board of Directors in fulfilling its responsibilities in the areas of audit and internal control, accounting, financial reporting and risk management as well as to supervise the financial structure and operations of the Group and approve financial guarantees and new legal entities, delegated by the Board. The Audit Committee work further includes reviewing internal audit procedures, monitoring the external auditor, considering any inspection findings, review and monitor the independence of the external auditor, and assist the Nomination Committee in the selection of the auditor.

During the year, the committee convened five times. All members were present at these meetings. All meetings of the Audit Committee have been reported to the Board of Directors and the corresponding Minutes have been distributed to the Board.

The Audit Committee members during 2022 were Anna Ohlsson-Leijon, Chair, Johan Forssell, Hans Stråberg and Staffan Bohman until the meeting in April.

6. Remuneration Committee

The Remuneration Committee is elected by the Board at the statutory Board meeting after the Annual General Meeting and until the statutory Board meeting the following year. The work of the Remuneration Committee is directed by the Remuneration Committee Charter, which is reviewed and approved annually by the Board. The Remuneration Committee's primary task is to propose to the Board the remuneration to the President and CEO and a long-term incentive plan for key employees. The purpose of a long-term incentive plan is to align the interests of key personnel with those of the shareholders. The guidelines for executive remuneration in Atlas Copco aim to establish principles for fair and consistent remuneration with respect to compensation, benefits, and termination. The base salary is based on competence, area of responsibility, experience and performance, while the variable compensation is linked to predetermined and measurable criteria which can be financial or non-financial. The guidelines for executive remuneration are reviewed

annually and the Annual General Meeting 2020 approved the guidelines for remuneration. See also note 5.

The Remuneration Committee had three meetings in 2022. All members were present. During the year, the Remuneration Committee also supported the President and CEO in determining remuneration to the other members of Group Management. All meetings of the Remuneration Committee have been reported to the Board and the corresponding Minutes have been distributed to the Board.

The Remuneration Committee members during 2022 were Hans Stråberg, Chair, Peter Wallenberg Jr, and Staffan Bohman.

7. Auditor

The task of the external auditor is to examine Atlas Copco's consolidated accounts and annual report, as well as to review the Board and the CEO's management of the Company. At the AGM 2022 the audit firm Ernst & Young AB, Sweden, was elected external auditor up to and including the AGM 2023 in compliance with a proposal from the Nomination Committee. The principal auditor is Erik Sandström, Authorized Public Accountant at Ernst & Young AB. At the AGM 2022, Erik Sandström referred to the auditor's report for the Company and the Group in the annual report and explained the process applied when performing the audit. He also recommended adoption of the presented income statements and balance sheets, discharge of liability for the President and CEO and the Board of Directors, and adoption of the proposed distribution of profits.

Statement of materiality and significant audiences

Atlas Copco is registered in Sweden and is legally governed by the Swedish Companies Act (2005:551). This act requires that the Board of Directors governs the Company to be profitable and create value for its shareholders. However, Atlas Copco recognizes going beyond this, extending it to integrating sustainability into its business creating long-term value for all stakeholders, which is ultimately in the best interest of the Company, the shareholders and society. The significant stakeholder audience, as outlined in Atlas Copco's Code of Conduct, includes representatives of society, employees, customers, business partners and shareholders.

The Code of Conduct is the central guiding policy for Atlas Copco, and is owned by the Board of Directors. Its commitment goes beyond the requirements of legal compliance, to supporting voluntary international ethical guidelines. These include the United Nations International Bill of Human Rights, International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the ten principles of the United

8. Internal Audit and Assurance

Internal Audit and Assurance aims to provide independent and objective assurance on internal control by conducting internal audits. It reports five times per year to the Audit Committee. Read more on pages 59–60.

9. Group Management

Besides the President and CEO, the Group Management consists of four business area presidents and four senior vice presidents responsible for the main Group functions; Corporate Communications, Human Resources, Controlling and Finance, and Legal. The President and CEO is responsible for the ongoing management of the Group following the Board's guidelines and instructions.

Remuneration to Group Management

The guidelines for executive remuneration in Atlas Copco are reviewed annually by the Board of Directors and presented to the AGM for approval at least every four years. In 2020, the AGM decided to adopt the Board's proposal. The remuneration shall consist of base salary, variable compensation, possible long-term incentives (personnel options), pension benefits and other benefits. The variable compensation is limited to a maximum percentage of the base salary and is linked to predetermined and measurable criteria which can be financial or non-financial. Non-financial criteria for 2022 has been to reduce the Group's CO₂ emissions. No fees are paid for board memberships in Group companies.

Based on the guidelines for executive remuneration the Board of Directors annually proposes a Remuneration Report to the AGM for approval. In 2022, the AGM decided to approve the Remuneration Report for 2021.

Nations Global Compact, and OECD's Guidelines for Multinational Enterprises. Atlas Copco has employed a stakeholder-driven approach in order to identify the most material environmental, human rights, labor and ethical aspects of its business. These priorities guide how the Group develops and drives its business strategy, as well as its roadmap to support the UN Sustainable Development Goals.

The strategy and fundamentals for growth together with the Group targets presented on page 6 aim at continuously delivering sustainable, profitable growth for the Group. This means an increased economic value creation and, simultaneously, a positive impact on society and the environment, thus creating shared value.

Atlas Copco monitors and voluntarily discloses the progress on these material financial and non-financial aspects, through an externally assured, integrated annual report. In addition to the Annual General Meeting, Atlas Copco also creates engagement opportunities so that non-shareholders can address the Group in various stakeholder dialogues.

[Introduction](#)
[This is Atlas Copco](#)
[The year in review](#)
[Administration report](#)
[Business areas](#)
[Sustainable approach to delivering value](#)
[Risks, risk management and opportunities](#)
[The Atlas Copco share](#)
[Corporate Governance](#)

- [Board of Directors](#)

- Group Management

- Internal control over financial reporting

[Financials](#)
[Other information](#)

Board of Directors



Name Hans Stråberg
Position, year of birth Chair since 2014, born 1957
Education M.Sc. in Mechanical Engineering, Chalmers University of Technology, Gothenburg.
Nationality / Elected Swedish / 2013
External memberships Chair of AB SKF, Roxtec AB, CTEK AB and Anocca AB. Board member of Investor AB and Mellby Gård AB. Member of The Royal Swedish Academy of Engineering Sciences.
Principal work experience and other information President and CEO for AB Electrolux. Various executive positions in the Electrolux Group based in Sweden and the U.S. EU Co-Chair TABD, Trans-Atlantic Business Dialogue.



Name Mats Rahmström
Position, year of birth Board member, President and CEO, born 1965
Education MBA from the Henley Management College, United Kingdom.
Nationality / Elected Swedish / 2017
External memberships Chair of Piab AB. Board member of Wärtsilä Oyj Abp, Finland. Member of The Royal Swedish Academy of Engineering Sciences.
Principal work experience and other information President and CEO of Atlas Copco AB*. President of the Atlas Copco Tools and Assembly Systems General Industry division. Before he was appointed President and CEO he was Business Area President for Industrial Technique.



Name Staffan Bohman
Position, year of birth Board member, born 1949
Education B.Sc. in Economics and Business Administration, Stockholm School of Economics and Stanford Executive Program, United States.
Nationality / Elected Swedish / 2003
External memberships Chair of AB Electrolux, The German-Swedish Chamber of Commerce, and The Research Institute of Industrial Economics. Member of The Royal Swedish Academy of Engineering Sciences.
Principal work experience and other information CEO of Sapa AB, Gränges AB and DeLaval AB.



Name Heléne Mellquist
Position, year of birth Board member, born 1964
Education Bachelor in International Business studies, University of Gothenburg. Executive Management, Stockholm School of Economics.
Nationality / Elected Swedish / 2022
External memberships Board member of Thule Group AB.
Principal work experience and other information President of Volvo Penta*. Senior Vice President of Volvo Trucks Europe, Senior Vice President of Volvo Trucks International and CEO of TransAtlantic AB.

Attendance

Board meetings	7 of 7	6 of 7	7 of 7	4 of 7 ⁷⁾
Annual General Meeting	Yes	Yes	Yes	Yes

Independence

To Atlas Copco and its management	Yes	No ³⁾	Yes	Yes
To major shareholders	No ⁴⁾	Yes	Yes	Yes

Fees and holdings

Total fees 2022, KSEK ¹⁾	3 489		1 332	875
Holdings in Atlas Copco AB ²⁾	100 000 class B shares 75 045 synthetic shares	58 348 class A shares 50 240 class B shares 1 360 141 employee stock options	40 000 class A shares 160 000 class B shares 16 046 synthetic shares	4 599 synthetic shares

Board members appointed by the unions



Name Benny Larsson
Position: Board member
Year of birth: 1972
Nationality: Swedish
Elected: 2018
Board meetings: 7 of 7



Name Mikael Bergstedt
Position: Board member
Year of birth: 1960
Nationality: Swedish
Elected: 2004
Board meetings: 6 of 7

REFERENCES:

All educational institutions and companies are based in Sweden, unless otherwise stated.

¹⁾ See more information on the calculation of fees in note 5.

²⁾ Holdings as per end 2022, including those of close relatives or legal entities and grant for 2022.

³⁾ President and CEO of Atlas Copco AB.

⁴⁾ Board member in a company, which is a larger owner (Investor AB).

⁵⁾ President and CEO of a company, which is a larger owner (Investor AB).

⁶⁾ Board member of an indirect owner of Atlas Copco AB.

⁷⁾ Full attendance since their election at the Annual General Meeting in April 2022.

* Current position.

[Introduction](#)
[This is Atlas Copco](#)
[The year in review](#)
[Administration report](#)
[Business areas](#)
[Sustainable approach to delivering value](#)
[Risks, risk management and opportunities](#)
[The Atlas Copco share](#)
[Corporate Governance](#)

- [Board of Directors](#)

- Group Management

- Internal control over financial reporting

[Financials](#)
[Other information](#)

Board of Directors, continued



Name	Johan Forssell	Anna Ohlsson-Leijon	Gordon Riske	Peter Wallenberg Jr
Position, year of birth	Board member, born 1971	Board member, born 1968	Board member, born 1957	Board member, born 1959
Education	M.Sc. in Economics and Business Administration, Stockholm School of Economics.	B.Sc. in Business Administration and Economics from Linköping University.	MBA programme at GSBA, Zurich, Switzerland, in collaboration with the State University of New York, United States, and BBA, Oekreal School of Business, Zurich, Switzerland.	BSBA Hotel Administration, University of Denver, United States, and International Bachaloria, American School, Leysin, Switzerland.
Nationality / Elected	Swedish / 2008	Swedish / 2020	American / German / 2020	Swedish / 2012
External memberships	Board member of EQT AB, Investor AB, Patricia Industries AB, Wärtsilä Oyj Abp, Finland, Epiroc AB, Confederation of Swedish Enterprise and Stockholm School of Economics. Member of The Royal Swedish Academy of Engineering Sciences.	Board member of Schneider Electric.	Chair of the MTU Aero Engines, AG Munich, Germany and Sunlight Group SA, Athens, Greece. Member of the Executive Board for the non-profit Hertie-Stiftung GmbH, Frankfurt, Germany, and a Non-Executive Director at Weichai Power Co., Ltd., Weifang, China.	Chair of Knut and Alice Wallenberg Foundation, Wallenberg Foundations AB and FAM Förvaltning AB (The Grand Group). Board member of Scania.
Principal work experience and other information	President and CEO of Investor AB*. Managing Director, Head of Core Investments and member of the management group of Investor AB.	Head of Commercial & Consumer Journey and Executive Vice President at AB Electrolux*. Head of Business Area Europe and CFO of AB Electrolux. Other senior positions within Electrolux, including CFO of Electrolux Appliances EMEA and Head of Electrolux's Corporate Control & Services department. CFO of Kimoda. Various positions within PricewaterhouseCoopers.	CEO of KION Group AG, Germany. Chairman of the Management Board of Linde Material Handling GmbH, Germany, Chairman of the Management Board of Deutz AG, Germany, Managing Director of KUKA Roboter GmbH, Germany, and management positions at KUKA Schweißanlagen & Roboter GmbH, Germany and KUKA Welding Systems & Robot Corporation, U.S.	President and CEO of The Grand Hotel Holdings, General Manager, The Grand Hotel, President Hotel Division Stockholm-Saltsjön.
Attendance				
Board meetings	7 of 7	7 of 7	7 of 7	7 of 7
Annual General Meeting	Yes	Yes	Yes	Yes
Independence				
To Atlas Copco and its management	Yes	Yes	Yes	Yes
To major shareholders	No ⁵⁾	Yes	Yes	No ⁶⁾
Fees and holdings				
Total fees 2022, KSEK ¹⁾	1 196	1 324	978	1 077
Holdings in Atlas Copco AB ²⁾	44 000 class B shares, 23 931 synthetic shares	1 400 class B shares, 7 898 synthetic shares	12 484 synthetic shares	666 668 class A shares, 23 931 synthetic shares

Board members appointed by the unions



Thomas Nilsson
Position: Deputy to Benny Larsson
Year of birth: 1972
Nationality: Swedish
Elected: 2021
Board meetings: 7 of 7



Helena Hemström
Position: Deputy to Mikael Bergstedt
Year of birth: 1969
Nationality: Swedish
Elected: 2021
Board meetings: 7 of 7

REFERENCES:

All educational institutions and companies are based in Sweden, unless otherwise stated.

¹⁾ See more information on the calculation of fees in note 5.

²⁾ Holdings as per end 2022, including those of close relatives or legal entities and grant for 2022.

³⁾ President and CEO of Atlas Copco AB.

⁴⁾ Board member in a company, which is a larger owner (Investor AB).

⁵⁾ President and CEO of a company, which is a larger owner (Investor AB).

⁶⁾ Board member of an indirect owner of Atlas Copco AB.

⁷⁾ Full attendance since their election at the Annual General Meeting in April 2022.

* Current position.

 Introduction

 This is Atlas Copco

The year in review

 Administration report

 Business areas

 Sustainable approach
to delivering value

 Risks, risk management and
opportunities

 The Atlas Copco share

Corporate Governance

 Board of Directors

• Group Management

 Internal control over
financial reporting

 Financials

 Other information

Group Management

Besides the President and CEO, Group Management consists of four business area executives and four executives responsible for the main Group functions; Corporate Communications, Human Resources, Controlling and Finance, and Legal.



Mats Rahmström

Mats Rahmström has held positions in sales, service, marketing and general management within the Industrial Technique business area. He has been President of the Atlas Copco Tools and Assembly Systems General Industry division. Before he was appointed President and CEO he was Business Area President for Industrial Technique.

Position: President and CEO

Year of birth: 1965

Education: MBA from the Henley Management College, United Kingdom.

Nationality: Swedish

Employed/In current position since: 1988/2017

External memberships: Chair of Piab AB. Board member of Wärtsilä Oyj Abp, Finland. Member of The Royal Swedish Academy of Engineering Sciences.

Holdings in Atlas Copco AB ¹⁾

58 348 class A shares
50 240 class B shares
1 360 141 employee stock options



Vagner Rego

Vagner Rego joined Atlas Copco as a trainee engineer in São Paulo State, Brazil, and was later appointed Business Line Manager for Compressor Technique Service. He later became Vice President Marketing and Sales for the Compressor Technique Service division in Belgium. Before he was appointed President of the Compressor Technique Service division, he was General Manager for Construction Technique's customer center in Brazil.

Position: Senior Executive Vice President and Business Area President Compressor Technique

Year of birth: 1972

Education: Mechanical engineering from Mackenzie University and an MBA from Ibmec Business School, both in Brazil.

Nationality: Brazilian

Employed/In current position since: 1996/2017

Holdings in Atlas Copco AB ¹⁾

17 272 class A shares
429 936 employee stock options



Geert Follens

Geert Follens has held positions in purchasing, supply chain and general management. He has served as General Manager of Atlas Copco Compressor Technique's customer center in the United Kingdom. Before he became President of the Vacuum Solutions division he was first President of the Portable Energy division and then of the Industrial Air division.

Position: Senior Executive Vice President and Business Area President Vacuum Technique

Year of birth: 1959

Education: M. Sc. in Electromechanical Engineering and a post-graduate degree in Business Economics from the University of Leuven, Belgium.

Nationality: Belgian

Employed/In current position since: 1995/2017

External memberships: Board member of AB SKF.

Holdings in Atlas Copco AB ¹⁾

18 792 class A shares
310 064 employee stock options



Henrik Elmin

Henrik Elmin joined Atlas Copco as General Manager for Atlas Copco Tools Customer Center Nordic in the Industrial Technique business area. He was later appointed President of the General Industry Tools and Assembly Systems division. Before his current position he was President of the Industrial Technique Service division.

Position: Senior Executive Vice President and Business Area President Industrial Technique

Year of birth: 1970

Education: M.Sc. in Mechanical Engineering from Lund Institute of Technology and an MBA from INSEAD, France.

Nationality: Swedish

Employed/In current position since: 2007/2017

Holdings in Atlas Copco AB ¹⁾

16 240 class A shares
427 192 employee stock options



Andrew Walker

Andrew Walker has held several different management positions in markets including the United Kingdom, Ireland, Belgium and the United States. Before his current position, he was President of the Service division within Compressor Technique.

Position: Senior Executive Vice President and Business Area President Power Technique

Year of birth: 1961

Education: M.Sc. in Industrial Engineering and an MBA, both from University College Dublin, Ireland.

Nationality: Irish

Employed/In current position since: 1986/2014

Holdings in Atlas Copco AB ¹⁾

36 400 class A shares
6 488 class B shares
479 962 employee stock options

¹⁾ Holdings as per end 2022 including those held by related natural or legal persons. See note 23 for more information on the option programs and matching shares. All educational institutions and companies are based in Sweden, unless otherwise indicated.

 Introduction

 This is Atlas Copco

The year in review

Administration report

Business areas

 Sustainable approach
to delivering value

 Risks, risk management and
opportunities

The Atlas Copco share

Corporate Governance

Board of Directors

• Group Management

 Internal control over
financial reporting

 Financials

 Other information

Group Management, continued



Peter Kinnart

Peter Kinnart started his career at Atlas Copco as business controller at Airpower in Antwerp. He has held several management positions within different areas at Atlas Copco in Belgium, Germany, Spain and Switzerland. Prior to his current position, he was Vice President Business Control at Atlas Copco's Business Area Compressor Technique.

Position: Senior Vice President,
Chief Financial Officer

Year of birth: 1969

Education: Master in Applied Economic Science and a Master in Commercial Engineering from the University of Antwerp (UFSIA), Belgium.

Nationality: Belgian

Employed/In current position since:
1993/2021

Holdings in Atlas Copco AB ¹⁾
6 800 class A shares
234 967 employee stock options



Eva Klasén

Eva Klasén joined Atlas Copco in 2000 as Assistant Corporate Counsel and has since then held several positions in the legal functions in both Sweden and China. She has been supporting several M&A projects, setting up the legal department in China and also being the General Counsel for EMEA, leading the team of lawyers in the area. Before her current position she was Vice President, Deputy Chief Legal Officer at Atlas Copco AB.

Position: Senior Vice President,
Chief Legal Officer

Year of birth: 1975

Education: Master of Law from Lund University.

Nationality: Swedish

Employed/In current position since:
2000/2022

Holdings in Atlas Copco AB ¹⁾
3 332 class A shares
92 675 employee stock options



Cecilia Sandberg

Cecilia Sandberg began her career as Human Resources consultant for a travel agency. From 1999 to 2007 she held different Human Resources roles at Scandinavian Airlines and AstraZeneca. Between 2007 and 2015 she was Vice President Human Resources for Atlas Copco's Industrial Technique business area. Before she started her current position she was Senior Vice President Human Resources at Permobil.

Position: Senior Vice President, Chief Human
Resources Officer

Year of birth: 1968

Education: B.Sc. in Human Resources and a
M.Sc. in Sociology from Stockholm University.

Nationality: Swedish

Employed/In current position since:
2017/2017

Holdings in Atlas Copco AB ¹⁾
12 752 class A shares
600 class B shares
174 135 employee stock options



Sara Hägg Liljedal

Sara Hägg Liljedal began her career as a journalist working for different Swedish media. Between 2007 and 2013 she worked as Press Secretary for the Speaker of the Swedish Parliament. She has also held roles as a Press and PR Manager for Swedish investment services companies Swedbank Robur and Skandia. Before she was appointed Senior Vice President, Chief Communications Officer, she was Media Relations Manager for the Atlas Copco Group.

Position: Senior Vice President,
Chief Communications Officer

Year of birth: 1980

Education: BA in Journalism from
Stockholm University.

Nationality: Swedish

Employed/In current position since:
2018/2022

Holdings in Atlas Copco AB ¹⁾
1 936 class A shares
240 class B shares
18 744 employee stock options

¹⁾ Holdings as per end 2022, including those held by related natural or legal persons. See note 23 for more information on the option programs and matching shares. All educational institutions and companies are based in Sweden, unless otherwise indicated.

 Introduction

 This is Atlas Copco

The year in review

Administration report

Business areas

 Sustainable approach
to delivering value

 Risks, risk management and
opportunities

The Atlas Copco share

Corporate Governance

Board of Directors

Group Management

- **Internal control over financial reporting**

 Financials

 Other information

Internal control over financial reporting

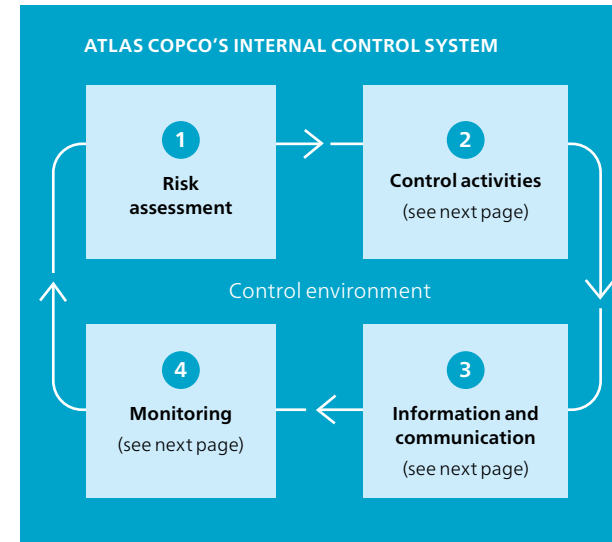
This section includes a description of Atlas Copco's system of internal controls over financial reporting in accordance with the requirements set forth in the Swedish Code of Corporate Governance and as stipulated by the Swedish Companies Act.

The purpose of well-developed internal controls over financial reporting is to ensure correct and reliable financial statements and disclosures.

The basis for the internal control is defined by the overall control environment. The Board of Directors is responsible for establishing an efficient system for internal control and governs the work through the Audit Committee and CEO. Group Management sets the tone for the organization, influencing the control consciousness of employees. One key success factor for a strong control environment lies in ensuring that the organizational structure, decision hierarchy, corporate values in terms of ethics and integrity as well as authority to act, are clearly defined and communicated through guiding documents such as internal policies, guidelines, manuals, and codes.

The financial reporting accounting policies and guidelines are issued by Group Management to all subsidiaries, which are followed up with newsletters and conference calls. Trainings are also held for complex accounting areas and new accounting policies. The policies and guidelines detail the appropriate accounting for key risk areas such as revenues, trade receivables, including bad debt provisions, inventory costing and obsolescence, accounting for income taxes (current and deferred), financial instruments and business acquisitions.

The internal control process is based on a control framework that creates structure for the other four components of the process – risk assessment, control activities, information and communication as well as monitoring. The starting point of the process is the framework for internal control issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), www.coso.org.



1 Risk assessment

The company applies different processes to assess and identify the main risks relating to financial reporting misstatements. The risk assessments are regularly performed to identify new risks and follow up that internal control is adequate to address the identified risks. The key risk areas for the financial reporting and control activities that are in place to manage the risks are presented in the table on the next page.

[Introduction](#)
[This is Atlas Copco](#)
[The year in review](#)
[Administration report](#)
[Business areas](#)
[Sustainable approach to delivering value](#)
[Risks, risk management and opportunities](#)
[The Atlas Copco share](#)
[Corporate Governance](#)
[Board of Directors](#)
[Group Management](#)
[Internal control over financial reporting](#)
[Financials](#)
[Other information](#)

Internal control over financial reporting, continued

KEY FINANCIAL REPORTING RISKS	Revenues are not recognized in the appropriate accounting period	Trade receivables are not appropriately valued	Inventory is not appropriately valued at the lower of cost or net realizable value	Income taxes are not accounted for in accordance with applicable tax legislation	Business acquisitions and associated goodwill as well as intangible assets are not appropriately accounted for
2 Control activities to manage key financial reporting risks	Customer contracts are signed at appropriate level within the Group.	Trade receivables and provisions for bad debt are appropriately reconciled at each reporting date.	Inventory counts are performed on a regular basis.	Tax calculations are prepared and reviewed at each reporting date.	All business acquisitions are approved by the Board, CEO or Divisional President.
	Revenues are disaggregated and analyzed by type (e.g. goods, services and rental) and by period at local, divisional, business area and Group level.	Credit assessments are performed, and credit limits are reviewed on a regular basis.	Inventories are appropriately reconciled at each reporting date.	The effective tax rate for each country is analyzed at each reporting date by Group Tax.	Purchase price allocations are prepared at divisional level and reviewed at Group level.
	Revenues for goods shipped are scrutinized at period end against shipping terms and the percentage of completion for services and projects are assessed at each reporting date.	Provisions for bad debts are made according to Group policy.	Inventory costs are reviewed and approved by the divisions.	Compliance with transfer pricing policies is monitored regularly.	Goodwill impairment tests are prepared at business area level and reviewed at Group level.
		Days of sales are analyzed at local, divisional, business area and Group level.	Inventory levels and the saleability of inventory are assessed at each reporting date together with obsolescence.	Ongoing tax audits and disputes are monitored by Group tax specialists.	

3 Information and communication

The company has information and communication channels designed to ensure that information is identified, captured and communicated in a form and timeframe that enable managers and other employees to carry out their responsibilities. Reporting instructions and accounting guidelines are communicated to personnel concerned through the financial reporting accounting policies and guidelines, which are included in the handbook of policies and guidelines *The Way We Do Things*, and supported by, for example, training programs for different categories of employees. A common Group reporting system is used to report and consolidate all financial information.

4 Monitoring

Examples of monitoring activities for the financial reporting include:

- Management at divisional, business area and Group level regularly reviews the financial information and assess compliance to Group policies.
- The Audit Committee and the Board of Directors regularly review reports on financial performance of the Group, by business area and geography.
- The internal audit process aims to provide independent and objective assurance on internal control. Furthermore, the process aims to serve as a tool for employee professional development and to identify and recommend leading practices within the Group. Internal audits are annually planned or initiated by the Group internal audit function with a risk-based approach. Internal audits are conducted under leadership of Group internal audit staff with audit team members having diverse functional competencies but always with expertise in accounting and controlling. The results of the internal audits undertaken are regularly reported to the Audit Committee and to Group Management.

- A control self-assessment (CSA) is performed primarily to support local unit managers to evaluate the status of their control routines and to address areas for improvement. One of the areas in the CSA is internal control, which includes internal control over financial reporting. Other areas include legal matters, communication and branding, and the Code of Conduct.
- The Group has an independent whistleblowing system where employees and other stakeholders can anonymously report on behavior or actions that are possible violations of laws or of Group policies, including violations of accounting and financial reporting guidelines and policies. The reporting system also includes perceived cases of human rights violation, discrimination or corruption. The reports are treated confidentially and the person reporting is guaranteed anonymity via an independent third-party service provider. More information about the system can be found on page 129.
- In the compliance process, all managers and all employees are requested to sign a statement confirming understanding and compliance to financial policies, the Code of Conduct and applicable laws and regulations.

Financial statements and notes

MSEK unless otherwise stated

Introduction
This is Atlas Copco
The year in review
• Financials
Group
Consolidated income statement
Consolidated statement of comprehensive income
Consolidated balance sheet
Consolidated statement of changes in equity
Consolidated statement of cash flows
Notes
Parent company
Other information

ATLAS COPCO GROUP		Page	PARENT COMPANY		Page
Consolidated income statement		62	Income statement		108
Consolidated statement of comprehensive income		62	Statement of comprehensive income		108
Consolidated balance sheet		63	Balance sheet		108
Consolidated statement of changes in equity		64	Statement of changes in equity		109
Consolidated statement of cash flows		65	Statement of cash flows		109
Note			Note		
1	Significant accounting principles, critical accounting estimates and judgements	66	A1	Significant accounting principles	110
2	Acquisitions	73	A2	Employees and personnel expenses and remuneration to auditors	111
3	Assets held for sale and divestments	76	A3	Other operating income and expenses	111
4	Segment information	77	A4	Financial income and expenses	111
5	Employees and personnel expenses	80	A5	Appropriations	112
6	Remuneration to auditors	84	A6	Income tax	112
7	Other operating income and expenses	84	A7	Intangible assets	112
8	Financial income and expenses	84	A8	Property, plant and equipment	112
9	Taxes	84	A9	Deferred tax assets and liabilities	113
10	Other comprehensive income	86	A10	Shares in Group companies	113
11	Earnings per share	86	A11	Other financial assets	113
12	Intangible assets	87	A12	Other receivables	113
13	Property, plant and equipment	89	A13	Cash and cash equivalents	113
14	Investments in associated companies and joint ventures	90	A14	Equity	113
15	Other financial assets	90	A15	Post-employment benefits	114
16	Inventories	91	A16	Other provisions	115
17	Trade receivables	91	A17	Borrowings	115
18	Other receivables	91	A18	Other liabilities	116
19	Cash and cash equivalents	91	A19	Financial exposure and principles for control of financial risks	116
20	Equity	92	A20	Assets pledged and contingent liabilities	116
21	Borrowings	93	A21	Directly owned subsidiaries	117
22	Leases	95	A22	Related parties	118
23	Employee benefits	97			
24	Other liabilities	102			
25	Provisions	102			
26	Assets pledged and contingent liabilities	102			
27	Financial exposure and principles for control of financial risks	103			
28	Related parties	107			

[Introduction](#)
[This is Atlas Copco](#)
[The year in review](#)

• Financials

Group

[Consolidated income statement](#)
[Consolidated statement of comprehensive income](#)
[Consolidated balance sheet](#)
[Consolidated statement of changes in equity](#)
[Consolidated statement of cash flows](#)
[Notes](#)
[Parent company](#)
[Other information](#)

Consolidated income statement

For the year ended December 31 Amounts in MSEK	Note	2022	2021
Revenues	4	141 325	110 912
Cost of sales		-81 941	-64 383
Gross profit		59 384	46 529
Marketing expenses		-15 629	-12 178
Administrative expenses		-7 961	-7 283
Research and development expenses		-5 389	-4 125
Other operating income	7	536	781
Other operating expenses	7	-754	-201
Share of profit in associated companies and joint ventures	14	29	36
Operating profit	4, 5, 6, 16	30 216	23 559
Financial income	8	343	243
Financial expenses	8	-515	-392
Net financial items		-172	-149
Profit before tax		30 044	23 410
Income tax expense	9	-6 562	-5 276
Profit for the year		23 482	18 134
Profit attributable to:			
– owners of the parent		23 477	18 130
– non-controlling interests		5	4
Basic earnings per share, SEK	11	4.82	3.72 ¹⁾
Diluted earnings per share, SEK	11	4.81	3.71 ¹⁾

¹⁾ Earnings per share are adjusted for share split.

Consolidated statement of comprehensive income

For the year ended December 31 Amounts in MSEK	Note	2022	2021
Profit for the year		23 482	18 134
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit plans		1 550	808
Income tax relating to items that will not be reclassified		-420	-160
		1 130	648
Items that may be reclassified subsequently to profit or loss			
Translation differences:			
– on foreign operations		8 112	4 571
Hedge of net investments in foreign operations		-1 328	-342
Cash flow hedges		13	-102
Income tax relating to items that may be reclassified		445	116
		7 242	4 243
Other comprehensive income for the year, net of tax	10	8 372	4 891
Total comprehensive income for the year		31 854	23 025
Total comprehensive income attributable to:			
– owners of the parent		31 849	23 018
– non-controlling interests		5	7

Consolidated balance sheet

Amounts in MSEK	Note	Dec. 31, 2022	Dec. 31, 2021
ASSETS			
Non-current assets			
Intangible assets	12	67 067	50 348
Rental equipment	13	2 689	2 342
Other property, plant and equipment	13	12 720	8 991
Right-of-use assets	22	4 752	3 244
Investments in associated companies and joint ventures	14	939	931
Other financial assets	15	1 668	965
Other receivables		61	66
Deferred tax assets	9	2 193	1 790
Total non-current assets		92 089	68 677
Current assets			
Inventories	16	27 219	17 801
Trade receivables	17	29 910	21 954
Income tax receivables		908	990
Other receivables	18	10 031	7 419
Other financial assets	15	889	847
Cash and cash equivalents	19	11 254	18 990
Assets classified as held for sale	3	1	5
Total current assets		80 212	68 006
TOTAL ASSETS		172 301	136 683

Amounts in MSEK	Note	Dec. 31, 2022	Dec. 31, 2021
EQUITY			
	Page 64		
Share capital		786	786
Other paid-in capital		8 695	8 557
Reserves		14 450	7 208
Retained earnings		56 045	51 082
Total equity attributable to owners of the parent		79 976	67 633
Non-controlling interests		50	1
TOTAL EQUITY		80 026	67 634
LIABILITIES			
Non-current liabilities			
Borrowings	21	23 770	20 893
Post-employment benefits	23	2 380	3 114
Other liabilities		445	328
Provisions	25	1 477	1 686
Deferred tax liabilities	9	2 745	2 225
Total non-current liabilities		30 817	28 246
Current liabilities			
Borrowings	21	12 563	3 981
Trade payables		19 145	15 159
Income tax liabilities		2 603	1 893
Other liabilities	24	25 394	18 144
Provisions	25	1 753	1 626
Total current liabilities		61 458	40 803
TOTAL EQUITY AND LIABILITIES		172 301	136 683

Information concerning assets pledged and contingent liabilities is disclosed in note 26.

Group

Consolidated income statement

Consolidated statement of comprehensive income

Consolidated balance sheet

Consolidated statement of changes in equity

Consolidated statement of cash flows

Notes

Parent company

Other information

Consolidated statement of changes in equity

2022 Amounts in MSEK	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Share capital	Other paid-in capital	Hedging reserve	Translation reserve	Retained earnings	Total		
Opening balance, Jan. 1	786	8 557	-24	7 232	51 082	67 633	1	67 634
Profit for the year					23 477	23 477	5	23 482
Other comprehensive income for the year			10	7 232	1 130	8 372		8 372
Total comprehensive income for the year			10	7 232	24 607	31 849	5	31 854
Dividend					-9 250	-9 250		-9 250
Redemption of shares	-157				-9 575	-9 732		-9 732
Increase of share capital through bonus issue	157				-157	-		-
Acquisition of series A shares					-864	-864		-864
Divestment of series A shares		138			243	381		381
Change of non-controlling interests							44	44
Share-based payment, equity settled:								
– expense during the year					89	89		89
– exercise option					-130	-130		-130
Closing balance, Dec. 31	786	8 695	-14	14 464	56 045	79 976	50	80 026

2021 Amounts in MSEK	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Share capital	Other paid-in capital	Hedging reserve	Translation reserve	Retained earnings	Total		
Opening balance, Jan. 1	786	7 855	59	2 854	41 661	53 215	319	53 534
Profit for the year					18 130	18 130	4	18 134
Other comprehensive income for the year			-83	4 323	648	4 888	3	4 891
Transfer of reserves				55	-55	-		-
Total comprehensive income for the year			-83	4 378	18 723	23 018	7	23 025
Dividend					-8 889	-8 889		-8 889
Acquisition of series A shares					-416	-416		-416
Divestment of series A shares		702			748	1 450		1 450
Change of non-controlling interests					-511	-511	-325	-836
Share-based payment, equity settled:								
– expense during the year					212	212		212
– exercise option					-446	-446		-446
Closing balance, Dec. 31	786	8 557	-24	7 232	51 082	67 633	1	67 634

Introduction

This is Atlas Copco

The year in review

• Financials

Group

Consolidated income statement

Consolidated statement of comprehensive income

Consolidated balance sheet

Consolidated statement of changes in equity

Consolidated statement of cash flows

Notes

Parent company

Other information

Consolidated statement of cash flows

For the year ended December 31 Amounts in MSEK	Note	2022	2021
Cash flows from operating activities			
Operating profit		30 216	23 559
Adjustments for:			
Depreciation, amortization and impairment	12, 13, 22	6 333	5 466
Capital gain/loss and other non-cash items		429	-73
Operating cash surplus		36 978	28 952
Net financial items received/paid		-714	459
Taxes paid		-6 245	-5 211
Pension funding and payment of pension to employees		-419	-330
Cash flow before change in working capital		29 600	23 870
Change in:			
Inventories		-6 355	-3 381
Operating receivables		-6 645	-2 786
Operating liabilities		5 585	5 923
Change in working capital		-7 415	-244
Increase in rental equipment		-884	-510
Sale of rental equipment		76	36
Net cash from operating activities		21 377	23 152

For the year ended December 31 Amounts in MSEK	Note	2022	2021
Cash flows from investing activities			
Investments in other property, plant and equipment	13	-3 660	-1 970
Sale of other property, plant and equipment		99	93
Investments in intangible assets	12	-1 371	-1 389
Acquisition of subsidiaries	2	-10 591	-2 334
Divestment of subsidiaries	3	-	-7
Investment in other financial assets, net		20	-514
Net cash from investing activities		-15 503	-6 121
Cash flows from financing activities			
Ordinary dividend		-9 250	-8 889
Redemption of shares		-9 732	-
Acquisition of non-controlling interest		-	-823
Repurchase of own shares		-864	-416
Divestment of own shares		381	1 450
Borrowings		11 373	1 471
Repayment of borrowings		-5 133	-1 522
Settlement of CSA ¹⁾		-24	-440
Payment of lease liabilities	22	-1 402	-1 154
Net cash from financing activities		-14 651	-10 323
Net cash flow for the year		-8 777	6 708
Cash and cash equivalents, Jan. 1		18 990	11 655
Net cash flow for the year		-8 777	6 708
Exchange-rate difference in cash and cash equivalents		1 041	627
Cash and cash equivalents, Dec. 31	19	11 254	18 990

¹⁾ Credit Support Annex, see note 27.

Introduction

This is Atlas Copco

The year in review

• Financials

Group

Consolidated income statement

Consolidated statement of comprehensive income

Consolidated balance sheet

Consolidated statement of changes in equity

Consolidated statement of cash flows

Notes

Parent company

Other information

 Introduction

 This is Atlas Copco

 The year in review

• Financials

Group

Consolidated income statement

Consolidated statement of comprehensive income

Consolidated balance sheet

Consolidated statement of changes in equity

Consolidated statement of cash flows

• Notes

 Parent company

 Other information

1. Significant accounting principles, critical accounting estimates and judgements

SIGNIFICANT ACCOUNTING PRINCIPLES

The consolidated financial statements comprise Atlas Copco AB, the Parent Company (“the Company”), and its subsidiaries (together “the Group” or Atlas Copco) and the Group’s interest in associated companies and joint ventures. Atlas Copco AB is headquartered in Nacka, Sweden.

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU. The statements are also prepared in accordance with the Swedish recommendation RFR 1 “Supplementary Accounting Rules for Groups” and applicable statements issued by the Swedish Financial Reporting Board. These require certain additional disclosures for Swedish consolidated financial statements prepared in accordance with IFRS.

The accounting principles set out below have been consistently applied to all periods presented, unless otherwise stated, and for all entities included in the consolidated financial statements. The exception to this is IAS 29 Financial Reporting in Hyperinflationary Economies, which has been applied for the first time to operations in Türkiye, for further information please see paragraph, Hyperinflation in Türkiye. The annual report for the Group and for Atlas Copco AB, including financial statements, was approved for issuance on March 3, 2023. The balance sheets and income statements are subject to approval by the Annual General Meeting of the shareholders on April 27, 2023.

Basis of consolidation

The consolidated financial statements have been prepared in accordance with the acquisition method. Accordingly, business combinations are seen as if the Group directly acquires the assets and assumes the liabilities of the entity acquired. The consolidated income statements and balance sheets of the Group include all entities in which the Company, directly or indirectly, has control.

Control exists when the Company has power over the entity, is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to use its power to affect its returns. Generally, control and hence consolidation is based on ownership. In a few exceptions, consolidation is based on agreements that give the Group control over an entity. See note A22 for information on the Group’s subsidiaries.

Intra-group balances and internal income and expense arising from intra-group transactions are fully eliminated in preparing the consolidated financial statements. Gains and losses arising from intra-group transactions that are recognized in assets, such as inventory and fixed assets, are eliminated in full, but losses only to the extent that there is no evidence of impairment.

Business combinations

At the acquisition date, i.e. the date on which control is obtained, each identifiable asset acquired and liability assumed is recognized at its acquisition-date fair value. The consideration transferred, measured at fair value, includes assets transferred by the Group, liabilities to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Any subsequent change in such fair value is recognized in profit or loss, unless the contingent consideration is classified as equity. Transactions costs that the Group incur in connection with a business combination are expensed as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Group’s previously held equity interest in the acquiree (if any)

over the net of acquisition-date fair value amounts of the identifiable assets acquired and liabilities assumed.

Non-controlling interest is initially measured either

- at fair value, or
- at the non-controlling interest’s proportionate share of the fair value of identifiable net assets.

Subsequent profit or loss attributable to the non-controlling interest is allocated to the non-controlling interest, even if it puts the non-controlling interest in a deficit position. Acquisitions of non-controlling interests are recognized as a transaction between equity attributable to owners of the parent and non-controlling interests. The difference between consideration paid and the proportionate share of net assets acquired is recognized in equity. For details on the acquisitions made during the year, see note 2.

Associated companies and joint ventures

An associate is an entity in which the Group has significant influence, but not control, over financial and operating policies. When the Group holds 20–50% of the voting power, it is presumed that significant influence exists, unless otherwise demonstrated. A joint venture is an entity over which the Group has joint control, through contractual agreements with one or more parties.

Investments in associated companies and joint ventures are reported according to the equity method. This means that the carrying value of interests in an associate or joint venture corresponds to the Group’s share of reported equity of the associate or joint venture, plus any goodwill, and any other remaining fair value adjustments recognized at acquisition date.

“Share of profit in associated companies and joint ventures”, included in the income statement, comprises the Group’s share of the associate’s and joint venture’s income after tax adjusted for any amortization and depreciation, impairment losses, and other adjustments arising from any remaining fair value adjustments recognized at acquisition date. Dividends received from an associated company or joint venture reduce the carrying value of the investment.

Unrealized gains and losses arising from transactions with an associate or a joint venture are eliminated to the extent of the Group’s interest, but losses only to the extent that there is no evidence of impairment of the asset. When the Group’s share of losses in an associate or a joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognize further losses unless the Group has incurred obligations or made payments on behalf of the associate.

Functional currency and foreign currency translation

The consolidated financial statements are presented in Swedish krona (SEK), which is the functional currency for Atlas Copco AB and also the presentation currency for the Group’s financial reporting. Unless otherwise stated, the amounts presented are in millions Swedish krona (MSEK).

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Non-monetary items carried at historical cost are reported using the exchange rate at the date of the transaction and non-monetary items carried at fair value are reported at the rate that existed when the fair values were determined. Tangible and intangible assets, inventory and advanced payments are examples of non-monetary items.

Receivables and liabilities and other monetary items denominated in foreign currencies are translated using the foreign exchange rate at the balance sheet date. The exchange rate gains and losses related to receivables and payables and other operating receivables and liabilities are included in “Other operating income and expenses” and foreign exchange rate gains and losses attributable

to other financial assets and liabilities are included in “Financial income and expenses”. Exchange rate differences on translation to functional currency are reported in “Other comprehensive income” in the following cases:

- translation of a financial liability designated as a hedge of the net investment in a foreign operation,
- translation of intra-group receivables from, or liabilities to, a foreign operation that in substance is part of the net investment in the foreign operation,
- cash flow hedges of foreign currency to the extent that the hedge is effective.

In the consolidation, the balance sheets of foreign subsidiaries are translated to SEK using exchange rates at the end of the reporting period and the income statements are translated at the average rates for the reporting period. Foreign exchange differences arising on such translation are recognized in “Other comprehensive income” and are accumulated in the currency translation reserve in equity. Exchange rates for major currencies that have been used for the consolidated financial statements are shown in note 27.

Hyperinflation in Türkiye

During 2022, Türkiye has been considered a hyperinflated economy. Therefore, Atlas Copco has adopted IAS 29 Financial Reporting in Hyperinflationary Economies for the operations in Türkiye. This means that during 2022, the income statement and non-monetary items in the balance sheet for all Turkish subsidiaries within the Group have been restated for hyperinflation impact. The index used by Atlas Copco for the remeasurement to hyperinflation of the income statements and non-monetary items in the balance sheet is the consumer price index with base period 2005 from the Turkish statistical institute. The income statement for all Turkish subsidiaries have been recalculated using the exchange rate on the balance sheet date. The Net Monetary gain or loss is recognized in the income statement within Financial items. The hyperinflation adjustment related to periods prior to 2022 is recognized in the translation reserve within Equity. The hyperinflation impact has been excluded in the statement of cash flows.

Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, and for which discrete financial information is available. The operating results of all operating segments are reviewed regularly by the Group’s President and CEO, the chief operating decision maker, to make decisions about allocation of resources to the segments and also to assess their performance. See note 4 for additional information.

Revenue recognition

Revenue is recognized at an amount that reflects the expected and entitled consideration for transferring goods and/or services to customers when control has passed to the customer.

Goods sold

Revenue from goods sold are recognized at one point in time when control of the good has been transferred to the customer. This occurs for example when the Group has a present right to payment for the good, the customer has legal title of the good, the good has been delivered to the customer and/or the customer has the significant risks and rewards of the ownership of the good.

When the goods sold are highly customized and an enforceable right to payment is present, revenue is recognized over time using the proportion of

 Introduction

 This is Atlas Copco

 The year in review

• Financials

Group

Consolidated income statement

Consolidated statement of comprehensive income

Consolidated balance sheet

Consolidated statement of changes in equity

Consolidated statement of cash flows

• Notes

Parent company

 Other information

1. Significant accounting principles, critical accounting estimates and judgements, continued

cost incurred to date compared to estimated total cost to measure the progress towards complete satisfaction of that performance obligation and thereby transferring the control of the good to the customer.

Installation services are sold together with the good or separately. The Group assesses the contract at inception, and the installation service is either considered as part of the performance obligation of the sale of the good or as a separate performance obligation. The installation service is a separate performance obligation when the customer can benefit from the service either on its own or together with other resources readily available and the promise to transfer the service to the customer is separately identifiable from other promises in the contract.

For buy-back commitments where the buy-back price is lower than the original selling price but there is an economic incentive for the customer to use the buy-back commitment option, the transaction is accounted for as a lease.

Variable consideration

Some contracts with customers provide a right of return, trade discounts or volume rebates. If revenue cannot be reliably measured, the Group defers revenue until the uncertainty is resolved. Such liabilities are estimated at contract inception and updated thereafter.

Rights of return

When a contract with a customer provides a right to return the good within a specified period, the Group accounts for the right of return using the expected value method. The amount of revenue related to the expected returns is deferred and recognized in the statement of financial position within "Other liabilities". A corresponding adjustment is made to the cost of sales and recognized in the statement of financial position within "Inventories".

Rendering of service

Revenue from service is recognized over time by reference to the progress towards satisfaction of each performance obligation. The progress towards satisfaction of each performance obligation is measured by the proportion of cost incurred to date compared to estimated total cost of each performance obligation.

Where the outcome of a service contract cannot be estimated reliably, revenue is recognized to the extent of cost incurred that are expected to be recoverable. When it is probable that total contract costs will exceed total revenue, the expected loss is recognized as an expense immediately. When the value of the service performed to the customer corresponds directly to the right to invoice for that service, revenue is recognized to the amount invoiced.

Specialty rental

Income from specialty rental is recognized on a straight-line basis over the rental period. The specialty rental business is considered to be a service as this includes a complete solution to the customers to fulfill the customer needs. Sale of equipment from the specialty rental business is recognized as revenue when the control of the asset has been transferred to the buyer. Indicators of transfer of control is explained under "Goods sold" see page 66. The carrying value of the specialty rental equipment sold is recognized as cost of sales. Investments in and sales of specialty rental equipment are included in cash flows from operating activities.

Contract assets and contract liabilities

The timing of revenue recognition, billings and cash collections results in billed account receivables, unbilled receivables (contract assets), and customer advances and deposits (contract liabilities) in the consolidated balance sheet. Billing occurs either as work progresses in accordance with agreed-upon contractual terms, upon achievement of contractual milestones or when the control of the goods has been transferred to the customer. The Group sometimes receives advances or deposits from customers, before revenue is recognized, resulting in contract liabilities. These contract assets and contract liabilities are reported in the consolidated balance sheet, in "Other receivables" or "Other liabilities", on a contract-by-contract basis at the end of each reporting period. Payment terms range from contract to contract and are dependent upon the agreement with the customer.

Practical expedients

The Group has elected to apply the following practical expedients:

For the disclosure of the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period, the Group does not disclose the value related to the following expedients:

- the performance obligation that is part of the contract that has an original expected duration of one year or less, and
- the entity has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the entity's performance completed to date.

For incremental cost of obtaining the contract, the Group uses the practical expedient of recognizing the incremental cost as an expense if the amortization period of the asset, that otherwise would have been recognized, is one year or less.

Other operating income and expenses

Gains and losses on disposals of an item of non-current tangible and intangible assets are determined by comparing the proceeds from disposal with the carrying amount. See note 7 for additional information.

Government grants

Government grants are recognized when there is reasonable assurance that the Group will comply with the conditions attached to the grants and that the grants will be received. Government grants related to expenses are recognized in the income statement as a deduction of the associated expenses. If the grants cannot be allocated to an associated expense, government grants are recognized in "Other operating income". Government grants related to assets are recognized as a deduction in arriving at the carrying amount of the asset and recognized as revenue over the useful life of the asset through a reduction of the depreciation expense. See note 7 for additional information.

Financial income and expenses

Interest income and interest expenses are recognized in profit or loss using the effective interest rate method. Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established. See note 8 for additional information.

Income taxes

Income taxes include both current and deferred taxes. Income taxes are reported in profit or loss unless the underlying transaction is reported in "Other comprehensive income" or in "Equity", in which case the corresponding tax is reported according to the same principle.

A current tax liability or asset is recognized for the estimated taxes payable or refundable for the current year or prior years.

Deferred tax is recognized using the balance sheet liability method. The calculation of deferred taxes is based on differences between the values reported in the balance sheet and their valuation for taxation, which are referred to as temporary differences, and the carry forward of unused tax losses and tax credits. Temporary differences attributable to the following assets and liabilities are not provided for:

- the initial recognition of goodwill,
- the initial recognition (other than in business combinations) of assets or liabilities that affect neither accounting nor taxable profit,
- differences related to investments in subsidiaries, associated companies and joint ventures to the extent that they will probably not reverse in the foreseeable future, and for which the Company is able to control the timing of the reversal of the temporary differences.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. In the calculation of deferred taxes, enacted or substantively enacted tax rates are used for the individual tax jurisdictions.

Current and deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis. For details regarding taxes, see note 9.

Earnings per share

Basic earnings per share are calculated based on the profit for the year attributable to owners of the parent and the basic weighted average number of shares outstanding. Diluted earnings per share are calculated based on the profit for the year attributable to owners of the parent and the diluted weighted average number of shares outstanding. Dilutive effects arise from stock options that are settled in shares in the share-based incentive programs.

Stock options have a dilutive effect when the average share price during the period exceeds the exercise price of the options. When calculating the dilutive effect, the exercise price is adjusted by the value of future services related to the options. See note 11 for more details.

Intangible assets

Goodwill

Goodwill is recognized at cost, as established at the date of acquisition of a business (see "Business combinations"), less accumulated impairment losses, if any. Goodwill is allocated to the cash-generating units (CGU) that are expected to benefit from the synergies of the business combination. Impairment testing is made at least annually and whenever the need is indicated. The impairment test is performed at the level on which goodwill is monitored for internal management purposes. The four business areas of Atlas Copco's operations have been identified as CGUs. Goodwill is reported as an intangible asset with indefinite useful life.

 Introduction

 This is Atlas Copco

 The year in review

• Financials

Group

Consolidated income statement

Consolidated statement of comprehensive income

Consolidated balance sheet

Consolidated statement of changes in equity

Consolidated statement of cash flows

• Notes

 Parent company

 Other information

1. Significant accounting principles, critical accounting estimates and judgements, continued

Technology-based intangible assets

Expenditure on research activities is expensed as incurred. Research projects acquired as part of business combinations are initially recognized at their fair value at the acquisition date. Subsequent to initial recognition, these research projects are carried at cost less amortization and impairment losses. Expenditure on development activities are expensed as incurred unless the activities meet the criteria for being capitalized i.e.:

- the product or process being developed is estimated to be technically and commercially feasible, and
- the Group has the intent and ability to complete and sell or use the product or process.

The expenditure capitalized includes the cost of materials, direct labor, and other costs directly attributable to the project. Capitalized development expenditure is carried at cost less accumulated amortization and impairment losses. Amortization and impairment related to research and development expenditure for 2022 amounted to 1 294 (1 058). This has been reported as part of research and development costs in the income statement since the Group follows up on the research and development function as a whole.

Trademarks

Trademarks acquired by the Group are capitalized based on their fair value at the time of acquisition. Certain trademarks are estimated to have an indefinite useful life and are carried at cost less accumulated impairment losses. They are tested at least annually for impairment. Other trademarks, which have finite useful lives, are carried at cost less accumulated amortization and impairment losses.

Marketing and customer related intangible assets

Acquired marketing and customer related intangibles are capitalized based on their fair value at the time of acquisition and are carried at cost less accumulated amortization and impairment losses.

Other intangible assets

Acquired intangible assets relating to contract-based rights, such as licenses or franchise agreements, are capitalized based on their fair value at the time of acquisition and carried at cost less accumulated amortization and impairment losses. Expenditure on internally generated goodwill, trademarks and similar items is expensed as incurred. Changes in the Group's intangible assets during the year are described in note 12.

Property, plant and equipment

Items of property, plant and equipment are carried at cost less accumulated depreciation and impairment losses. Cost of an item of property, plant and equipment comprises purchase price, import duties, and any cost directly attributable to bringing the asset to the location and condition for use. The cost also includes dismantlement and removal of the asset in the future if applicable. Borrowing cost for assets that need a substantial period of time to get ready for their intended use are included in the cost value until the assets are substantially ready for their use or sale and are thereafter depreciated over the useful life of the asset. The Group capitalizes costs on initial recognition and on replacement of significant parts of property, plant and equipment if it is probable that the future economic benefits embodied will flow to the Group and the cost can be measured reliably. All other costs are recognized as an expense in profit or loss when incurred. Changes in the Group's property, plant and equipment during the year are described in note 13.

Rental equipment

The rental fleet is comprised of diesel and electric powered air compressors, generators, air dryers, and to a lesser extent general construction equipment. Rental equipment is initially recognized at cost and is depreciated over the estimated useful lives of the equipment. Rental equipment is depreciated to a residual value estimated at 0–10% of cost.

Depreciation and amortization

Depreciation and amortization are calculated based on cost using the straight-line method over the estimated useful life of the asset. Parts of property, plant and equipment with a cost that is significant in relation to the total cost of the item are depreciated separately when the useful lives of the parts do not coincide with the useful lives of other parts of the item. The following useful lives are used for depreciation and amortization:

Technology-based intangible assets	3–15 years
Trademarks with finite lives	5–15 years
Marketing and customer related intangible assets	5–15 years
Buildings	25–50 years
Machinery and equipment	3–10 years
Vehicles	4–5 years
Computer hardware and software	3–10 years
Rental equipment	3–8 years

The useful lives and residual values are reassessed annually. Land, assets under construction, goodwill, and trademarks with indefinite lives are not depreciated or amortized.

Leases

Group as lessee

Recognition of a lease

Upon initiation, contracts are assessed by the Group, to determine whether a contract is, or contains a lease. If the contract conveys the right to control the use of an identified asset for a certain period of time in exchange for consideration, then it is or contains a lease. The right to control the use of an identifiable asset is assessed by the Group based upon if there is an identifiable asset, if the Group has the right to obtain substantially all economic benefits from the use of the asset and if the Group has the right to steer the use of the asset. The Group has elected to separate the non-lease components and apply a number of practical expedients with regard to short-term leases and leases for which the underlying asset is of low value. In cases where the Group acts as an intermediate lessor, it accounts for its interests in the head-lease and the sub-lease separately.

Measurement of a right-of-use asset and lease liability

Right-of-use asset

On commencement date, the Group measures the right-of-use asset at cost, which includes the following: the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, less any lease incentives received and any initial direct costs incurred by the Group as well as an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the lease contract. Cost for dismantling, removing or restoring the site on which it is located and/or the underlying asset is only recognized when the Group incurs an obligation to do so.

The right-of-use asset is depreciated over the lease term, using the straight-line method. Changes in the Group's right-of-use asset during the year is described in note 22.

Lease liability

On commencement date, the lease liability is measured at the present value of the unpaid lease payments, discounted using the interest rate implicit in the lease, or if the rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments included in the lease liability comprise of fixed payments, variable lease payments that depend on an index or a rate, amounts to be paid under a residual value guarantee and lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option as well as penalties for early termination of a lease, if the Group is reasonably certain to terminate early. If there is a purchase option present, this will be included if the Group is reasonably certain to exercise the option.

The lease liability is measured at amortized cost by using the effective interest rate method. For additional information see note 21.

Short-term leases and leases for which the underlying asset is of low value

The Group has elected to apply recognition exemptions for short-term leases and leases for which the underlying asset is of low value, for example office equipment such as printers and computers. Lease payments associated with those leases are recognized as an expense on a straight-line basis over the lease term.

Group as a lessor

At inception of a lease contract, the Group assess whether the lease is a finance lease or an operating lease. If the lease transfers substantially all of the risks and rewards incidental to ownership of the asset, it is considered to be a finance lease; if not, it is an operating lease. Under finance leases where the Group acts as lessor, the transaction is recognized as a sale and a lease receivable, comprising the future minimum lease payments and any residual value guaranteed to the Group. Lease payments are recognized as repayment of the lease receivable and interest income. In cases where the Group acts as a lessor under an operating lease, the lease payments are included in profit or loss on a straight-line basis over the term of the lease.

In cases where the Group acts as an intermediate lessor, it accounts for its interests in the head-lease and the sub-lease separately. The Group assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head-lease.

Impairment of non-financial assets

The carrying values of the Group's non-financial assets are reviewed at least at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the Group estimates the recoverable amount of the asset. An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit (CGU) exceeds its recoverable amount (i.e. the greater of fair value less costs to sell and value in use). In assessing the value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of assessing impairment, assets are grouped in CGUs, which are the smallest identifiable groups of assets that generate cash inflows that are largely independent of the cash inflows from other assets or group of assets. Impairment

 Introduction

 This is Atlas Copco

 The year in review

• Financials

Group

Consolidated income statement

Consolidated statement of comprehensive income

Consolidated balance sheet

Consolidated statement of changes in equity

Consolidated statement of cash flows

• Notes

 Parent company

 Other information

1. Significant accounting principles, critical accounting estimates and judgements, continued

losses are recognized in profit or loss. An impairment loss related to goodwill is not reversed. In respect of other assets, impairment losses in prior periods are reviewed for possible reversal of the impairment at each reporting date.

Inventories

Inventories are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recognized according to the first-in, first-out principle and includes the cost of acquiring inventories and bringing them to their existing location and condition. Inventories manufactured by the Group and work in progress include an appropriate share of production overheads based on normal operating capacity. Inventories are reported net of deductions for obsolescence and internal profits arising in connection with deliveries from the production companies to the customer centers. See note 16 for additional information.

Equity

Shares issued by the company are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effect.

When Atlas Copco shares are repurchased, the amount of the consideration paid is recognized as a deduction from equity net of any tax effect. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or subsequently reissued, the amount received is recognized as an increase in equity and the resulting surplus or deficit on the transaction is transferred to or from Other paid-in capital.

Supply chain financing

The Group and Banks, with close relations to Atlas Copco, offer suppliers the opportunity to use a supply chain financing scheme (SCF) which allows them to be paid earlier than the invoice due date. The Group evaluates supplier arrangements against a number of indicators to assess if the payable continues to hold characteristics of a trade payable or should be classified as borrowings; these indicators include whether the payment terms exceed customary payment terms in the industry. These transactions have been recognized as either "Account payables" or "Borrowings" in the Group's balance sheet and as "Change in operating liabilities" or change in "Borrowings" or "Repayment of borrowings" in the statement of cash flows.

Provisions

Provisions are recognized:

- when the Group has a legal or constructive obligation as a result of a past event,
- it is probable that the Group will have to settle the obligation, and
- the amount of the obligation can be estimated reliably.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date.

If the effect of the time value of money is material, the provision is determined by discounting the expected future cash flows of estimated expenditures.

Provisions for product warranties are recognized as cost of sales at the time the products are sold based on the estimated cost using historical data for level of repairs and replacements.

A restructuring provision is recognized when the Group has approved a

detailed and formal restructuring plan and the restructuring has either commenced or been announced publicly.

Present obligations arising under onerous contracts are recognized as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Before a provision is established, the Group recognizes any impairment loss on the asset associated with the contract. For details on provisions see note 25.

Post-employment benefits

Post-employment benefit plans are classified either as defined contribution or defined benefit plans. Under a defined contribution plan, the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts if the fund does not hold sufficient assets to pay all employee benefits. Contributions to defined contributions plans are expensed when employees provide services entitling them to the contribution.

Other post-employment benefit plans are defined benefit plans and it is the Group's obligation to provide agreed benefits to current and former employees. The net obligation of defined benefit plans is calculated by estimating the amount of future benefits that employees have earned in return for their services in current and prior periods. The amount is discounted to determine its present value and the fair values of any plan assets are deducted. Funded plans with net assets, i.e. plans with assets exceeding the commitments, are reported as financial non-current assets.

The cost for defined benefit plans is calculated using the Projected Unit Credit Method, which distributes the cost over the employee's service period. The calculation is performed annually by independent actuaries using actuarial assumptions such as employee turnover, mortality, future increase in salaries and medical cost. Changes in actuarial assumptions, experience adjustments of obligations and changes in fair value of plan assets result in remeasurements and are recognized in "Other comprehensive income". Each quarter a remeasurement is performed to adjust the present value of pension liabilities and the fair value of pension assets against "Other comprehensive income". Net interest on defined benefit obligations and plan assets is reported as "Interest income" or "Interest expense". See note 23 for additional information.

Share-based compensation

The Group has share-based incentive programs, consisting of share options and share appreciation rights, which have been offered to certain employees based on position and performance. Additionally, the Board is offered synthetic shares.

The fair value of share options that can only be settled in shares (equity-settled) is recognized as an employee expense with a corresponding increase in equity. The fair value, measured at grant date using the Black-Scholes formula, is recognized as an expense over the vesting period. The amount recognized as an expense is adjusted to reflect the actual number of share options that vest.

The fair value of the share appreciation rights, synthetic shares is recognized in accordance with principles for cash-settled share-based payments. The value is recognized as an employee expense with a corresponding increase in liabilities. The fair value, measured at grant date and remeasured at each reporting date using the Black-Scholes formula, is accrued and recognized as an expense over the vesting period. Changes in fair value are, during the vesting period and after the vesting period until settlement, recognized in profit or

loss as an employee expense. The accumulated expense recognized equals the cash amount paid at settlement.

Social security charges are paid in cash and are accounted for in consistency with the principles for cash-settled share-based payments, regardless of whether they are related to equity- or cash-settled share-based payments. See note 23 for additional information.

Financial assets and liabilities – financial instruments

Recognition and derecognition

Financial assets and liabilities are recognized when the Group becomes a party to the contractual provision of the instrument. Transactions of financial assets are accounted for at trade date, which is the day when the Group contractually commits to acquire or dispose of the assets. Trade receivables are recognized on issuance of invoices. Liabilities are recognized when the other party has performed and there is a contractual obligation to pay. Derecognition, fully or partially, of a financial asset occurs when the rights in the contract have been realized or matured, or when the Group no longer has control over it. A financial liability is derecognized, fully or partially, when the obligation specified in the contract is discharged or otherwise expires. A financial asset and a financial liability are offset and the net amount presented in the balance sheet when there is a legal right to offset the recognized amounts and there is an intention to either settle on a net basis or to realize the asset and settle the liability simultaneously.

Gains and losses from derecognition and modifications are recognized in profit or loss.

Measurement of financial instruments

Financial instruments are classified at initial recognition. The classification decides the measurement of the instruments.

Classification and measurement of financial assets

Equity instruments: are classified at fair value through profit or loss (FVTPL).

Derivative instruments: are classified at FVTPL, unless they are classified as a hedging instrument and the effective part of the hedge is recognized in "Other comprehensive income".

Debt instruments: the classification of financial assets that are debt instruments, including hybrid contracts, is based on the Group's business model for managing the assets and the asset's contractual cash flow characteristics. The instruments are classified at:

- amortized cost,
- fair value through "Other comprehensive income" (FVOCI), or
- fair value through profit or loss (FVTPL).

Financial assets at amortized cost are at initial recognition measured at fair value including transaction costs. After initial recognition, they are measured at amortized cost using the effective interest rate method. Assets classified at amortized cost are held under the business model of collecting the contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The assets are subject to a loss allowance for expected credit losses.

Fair value through "Other comprehensive income" (FVOCI) are assets held under the business model of both selling and collecting the contractual cash flows that are solely payments of principal and interest on the principal amount

 Introduction

 This is Atlas Copco

 The year in review

• Financials

Group

Consolidated income statement

Consolidated statement of comprehensive income

Consolidated balance sheet

Consolidated statement of changes in equity

Consolidated statement of cash flows

• Notes

 Parent company

 Other information

1. Significant accounting principles, critical accounting estimates and judgements, continued

outstanding. Financial instruments in this category are recognized at fair value at initial recognition and changes in fair value are recognized in “Other comprehensive income” (OCI) until derecognition, when the amounts in OCI are reclassified to profit or loss. The assets are subject to a loss allowance for expected credit losses.

Fair value through profit or loss (FVTPL) are all other debt instruments that are not measured at amortized cost or FVOCI. Financial instruments in this category are recognized at fair value at initial recognition and changes in fair value are recognized in profit or loss.

Classification and measurement of financial liabilities

Financial liabilities are classified at amortized cost, except derivatives. Financial liabilities at amortized cost are at initial recognition measured at fair value including transaction costs. After initial recognition, they are measured at the effective interest rate method.

Derivatives are classified at FVTPL, unless they are classified as a hedging instrument and the effective part of the hedge is recognized in “Other comprehensive income”.

Fair value for financial assets and financial liabilities is determined in the manner described in note 27.

Impairment of financial assets

Financial assets, except those classified at fair value through profit and loss (FVTPL), are subject to impairment for expected credit losses. In addition, the impairment model applies to contract assets, loan commitments and financial guarantees that are not measured at FVTPL. The IFRS 9 expected credit loss (ECL) model is forward looking and a loss allowance is recognized when there is an exposure to credit risk, usually at first recognition of an asset or receivable. The ECL reflects the present value of all cash shortfalls related to default events either over the following 12 months or over the expected life of a financial instrument, depending on the type of asset and on the credit deterioration from inception. The ECL reflects an unbiased, probability-weighted outcome that considers multiple scenarios based on reasonable and supportable forecasts.

The simplified model is applied on trade receivables, lease receivables, contract assets and certain other financial receivables. A loss allowance is recognized over the expected lifetime of the receivable or asset. For other items subject to ECL, the impairment model with a three-stage approach is applied. Initially, and at each reporting date, a loss allowance will be recognized for the following 12 months, or a shorter time period depending on the time to maturity (stage 1). If it has been a significant increase in credit risk since origination, a loss allowance will be recognized for the remaining lifetime of the asset (stage 2). For assets that are considered as credit impaired, allowance for credit losses will continue to capture the lifetime expected credit losses (stage 3). For credit impaired receivables and assets, the interest revenue is calculated based on the carrying amount of the asset, net of the loss allowance, rather than its gross carrying amount as in previous stages.

In the respective model applied, the measurement of ECL is based on different methods for different credit risk exposures. For trade receivables, contract assets and certain other financial receivables, the method is based on historical loss rates in combination with forward looking considerations. Lease receivables, certain other financial receivables and cash and cash equivalent are impaired by a rating method, where ECL is measured by the product of the probability of default, loss given default, and exposure at default. Both external credit agencies rating and internally developed rating methods are applied.

The measurement of ECL considers potential collaterals and other credit enhancements in the form of guarantees.

The financial assets are presented in the financial statements at amortized cost, i.e. net of gross carrying amount and the loss allowance. Changes in the loss allowance is recognized in profit or loss, as impairment losses within the line cost of sales.

Derivatives and hedge accounting

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently measured at fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item hedged. Changes in fair value for derivatives that do not fulfill the criteria for hedge accounting are recognized as operating or financial transactions based on the purpose of the use of the derivative. Interest payments for interest rate swaps are recognized as interest income or expense, whereas changes in fair value of future payments are presented as gains or losses from financial instruments.

IFRS 9 Hedge accounting is applied. In order to qualify for hedge accounting the hedging relationship must be:

- formally identified and designated,
- expected to fulfil the effectiveness requirements, and
- documented.

The Group assesses, evaluates, and documents effectiveness both at hedge inception and on an ongoing basis. Hedge effectiveness is assessed by an analysis of the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk must not dominate the value changes that result from that economic relationship. Further, the hedge ratio, as defined in the Group’s risk management strategy, must be the same in the hedging relationship as in the actually hedge performed.

Cash flow hedges: Changes in the fair value of the hedging instrument are recognized in “Other comprehensive income” to the extent that the hedge is effective and the accumulated changes in fair value are recognized as a separate component in equity. Gains or losses relating to the ineffective part of hedges are recognized immediately in profit or loss.

The amount recognized in equity through “Other comprehensive income” is reversed to profit or loss in the same period in which the hedged item affects profit or loss. When the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the amount previously recognized in other comprehensive income and accumulated in equity is transferred from equity and included in the initial measurement of the cost of the non-financial asset or liability. The Group uses foreign currency forwards to hedge part of the future cash flows from forecasted transactions in foreign currencies. Interest rate swaps can also be used as cash flow hedges for hedging interest on borrowings with variable interest.

Hedge of net investments in foreign operations: The Group hedges a substantial part of net investments in foreign operations. Changes in the value of the hedge instrument relating to the effective portion of the hedge are recognized in “Other comprehensive income” and accumulated in equity. Gains or losses relating to the ineffective portion are recognized immediately in profit or loss. On divestment of foreign operations, the gain or loss accumulated in equity is recycled through profit or loss, increasing or decreasing the profit or loss on the divestment. The Group uses loans and forward contracts as hedging instruments.

Accounting for discontinuation of hedges: Hedge accounting may not be voluntarily discontinued. Hedge accounting is discontinued:

- when the hedging instrument expires or is sold, terminated, or exercised,
- when there is no longer an economic relationship between the hedged item and the hedging instrument or the effect of credit risk dominates the value changes that result from the economic relationship, or
- when the hedge accounting no longer meets the risk management objectives.

For cash flow hedges, any gain or loss recognized in “Other comprehensive income” and accumulated in equity at the time of hedge discontinuation remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss. For net investment hedges, any gain and loss recognized in “Other comprehensive income” and accumulated in equity at the time of hedge discontinuation remains in equity until divestment of foreign operations, when the gain or loss accumulated in equity is recycled through profit or loss.

Assets held for sale

Assets are classified as held for sale if their value, within one year, will be recovered through a sale and not through continued use in the operations. On the reclassification date, assets and liabilities are measured at the lower of fair value less selling expenses and the carrying amount. Gains and losses recognized on remeasurement and disposal are reported in profit or loss. In the balance sheet assets held for sale and associated liabilities are reported separately, the comparative period is not affected.

Contingent liabilities

A contingent liability is a possible obligation or a present obligation that arises from past events that is not reported as a liability or provision, due either to that it is not probable that an outflow of resources will be required to settle the obligation or that a sufficiently reliable calculation of the amount cannot be made.

New or amended accounting standards in 2022

The following new or amended IFRS standards have been applied by the Group from 2022, with no, or no material impact on the Group.

Reference to the Conceptual Framework (Amendment to IFRS 3)

The amendments mainly relate to updated references in IFRS 3 as a consequence of previous amendments in the Conceptual Framework. Further, a new exception is introduced for obligations and contingent liabilities within the scope of IAS 37 and IFRIC 21. Finally, the amendment adds an explicit statement that an acquirer should not recognize any contingent assets acquired in a business combination.

Proceeds before Intended Use (Amendment to IAS 16)

The amendments clarify that any proceeds from selling items produced before the property, plant and equipment is available for use, shall not be deducted from the cost of that property, plant and equipment. Consequently, an entity recognizes such sales proceeds and related costs in profit or loss. The amendments also clarify the meaning of ‘testing whether an asset is functioning properly’ and that IAS 2 Inventories is applicable for measuring those costs to proceed.

 Introduction

 This is Atlas Copco

 The year in review

• Financials

Group

Consolidated income statement

Consolidated statement of comprehensive income

Consolidated balance sheet

Consolidated statement of changes in equity

Consolidated statement of cash flows

• Notes

 Parent company

 Other information

1. Significant accounting principles, critical accounting estimates and judgements, continued

Cost of Fulfilling a Contract (Amendment to IAS 37)

The amendments specify that the 'cost of fulfilling' a contract comprises both incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling that contract. The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of annual reporting period 2022.

Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41)

The amendment to IFRS 9 clarify which liabilities that shall be included in applying the '10 percent test' to assess whether to derecognize a financial liability.

The amendment to illustrative example 13 accompanying IFRS 16 removes the text related to reimbursement of leasehold improvements. The other Annual Improvements related to IFRS 1 and IAS 41 do not have any impact on the Group.

New or amended accounting standards effective after 2022

The following standards, interpretations, and amendments have been issued but were not effective as of December 31, 2022, and in some cases had not been adopted by the EU. The Group has not applied the new standards, interpretations or amendments. The current assessment is that these amendments will have no or no material effect on the Group.

IFRS 17 Insurance Contracts (including amendments)

IFRS 17 establishes the principles for the recognition, measurement, presentation, and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts. Some contracts that have not been within the scope of IFRS 4, may be applicable within the scope of IFRS 17 and the Group has therefore investigated the possible effects of IFRS 17. The Group has a wholly owned captive. The reinsurance contracts that the captive holds with the third-party reinsurer are not reinsurance contracts according to the definition within IFRS 17. Instead, the Group is the policyholder in that relationship. Hence, the contracts are not in scope of IFRS 17. IFRS 17 also outlines that some fixed fee service contracts can meet the definition of insurance contracts. Since the specified conditions related to the Group's fixed fee service contracts are met, the Group will apply IFRS 15 instead of IFRS 17 for these contracts. IFRS 17 is effective for annual reporting periods beginning on or after January 1, 2023.

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

The amendments change the requirements in IAS 1 regarding disclosure of accounting policies. The amendments replace the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IAS 1 also clarify that accounting policy information that relates to immaterial transactions, events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. Further, the guidance and examples have been developed to explain and demonstrate the application of the materiality criteria on disclo-

tures of accounting policy information described in IFRS Practice Statement 2. The amendments to IAS 1 are effective for annual periods beginning on or after January 1, 2023. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements.

Definition of Accounting Estimates (Amendment to IAS 8)

The amendments to IAS 8 include a change to the definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The definition of a change in accounting estimates was deleted and the concept of changes in accounting estimates in the standard has been clarified. The amendments are effective for annual periods beginning on or after January 1, 2023.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendment to IAS 12)

The amendments introduce an exception from the initial recognition of deferred tax for a transaction that gives rise to an asset or a liability if certain criteria are met. The amendments clarify that the exception is not applicable for transactions that give rise to both an asset and a liability. This may for example arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease. Another example when the exception is not applicable may be provisions for estimated future costs of dismantling, removal and restoration, recognized as part of Property, plant and equipment. The amendments are applied retrospectively for annual periods beginning on or after January 1, 2023.

Lease Liability in a Sale and Leaseback (Amendment to IFRS 16)

The amendment to IFRS 16 Leases specifies requirements for seller-lessees to measure the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained. The amendment does not change the accounting for leases unrelated to sale and leaseback transactions. The amendment is effective for annual periods beginning on or after January 1, 2024.

Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants (Amendment to IAS 1)

The amendments to IAS 1 affect the presentation of liabilities as current or non-current in the statement of financial position. The classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. The classification is unaffected by expectations about whether an entity will or will not exercise its right to defer settlement of a liability. In October 2022, the IASB issued further amendments to IAS 1 related to non-current liabilities with covenants, to clarify how conditions which an entity must comply with twelve months after the reporting period affect the classification of a liability. The amendments are effective for annual periods beginning on or after January 1, 2024.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial reports requires management's judgement and the use of estimates and assumptions that affects the amounts reported in the consolidated financial statements. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the prevailing circumstances. Actual result may differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis. Changes in accounting estimates are recognized in the period which they are revised in and in any future periods affected.

The estimates and the judgements which, in the opinion of management, are significant to the underlying amounts included in the financial reports and for which there is a significant risk that future events or new information could entail a change in those estimates or judgements are as follows:

Revenue recognition

Key sources of estimation uncertainty

Revenue for services and for highly customized goods where an enforceable right of payment is present is recognized over time in profit or loss by reference to the progress towards satisfaction of the performance obligation at the balance sheet date. The progress towards satisfaction is determined by the proportion of cost incurred to date compared to the estimated total cost of each performance obligation. There is always an uncertainty if the total estimated expenditure is correctly calculated, and if the expenditure incurred reflects accurately the actual costs incurred, which means that there is uncertainty in the estimates of the degree of completion of the work performed. Management has assessed this method of determining the progress towards satisfaction of the performance obligation as most suitable as it reflects the progression of work performed, and the enforceable right of payment from the customer as the costs are incurred on the performance obligations.

Revenue for goods sold is recognized in profit or loss at one point in time when control of the good has been transferred to the customer.

Accounting judgement

Management's judgement is used, for instance, when assessing:

- the degree of progress towards satisfaction of the performance obligations and the estimated total costs for such contracts when revenue is recognized over time, to determine the revenue and cost to be recognized in the current period, and whether any losses need to be recognized,
- if the control has been transferred to the customer (for example the Group has a present right to payment for the good, the customer has legal title of the good, the good has been delivered to the customer and/or the customer has the significant risks and rewards of the ownership of the good), to determine if revenue and cost should be recognized in the current period,
- the transaction price of each performance obligation when a contract includes more than one performance obligation, to determine the revenue and cost to be recognized in the current period,
- certain contracts which include a right of return and/or volume rebates that give rise to variable consideration, variable consideration is assessed to identify possible constrains, and
- the customer credit risk (i.e. the risk that the customer will not meet the payment obligation), to determine and justify the revenue recognized in the current period.

 Introduction

 This is Atlas Copco

 The year in review

• Financials

Group

Consolidated income statement

Consolidated statement of comprehensive income

Consolidated balance sheet

Consolidated statement of changes in equity

Consolidated statement of cash flows

• Notes

 Parent company

 Other information

1. Significant accounting principles, critical accounting estimates and judgements, continued

Impairment of goodwill, other intangible assets and other long-lived assets

Key sources of estimation uncertainty

Goodwill and certain trademarks are not amortized but are subject to annual tests for impairment. Other intangible assets and other long-lived assets are amortized or depreciated based on management's estimates of the period that the assets will generate revenue but are also reviewed regularly for indications of impairment.

The impairment tests are based on a review of the recoverable amount, which is estimated based on management's projections of future cash flows using internal business plans and forecasts.

Accounting judgement

Asset impairment requires management's judgement, particularly in assessing:

- whether an event has occurred that may affect asset values,
- whether the carrying value of an asset can be supported by the net present value of future cash flows, which are estimated based upon the continued use of the asset in the business,
- the appropriate assumptions to be applied in preparing cash flow projections, and
- the discounting of these cash flows.

Changing the assumptions selected by management to determine the level, if any, of impairment could affect the financial position and results of operation. See note 12.

Deferred taxes

Key sources of estimation uncertainty

Deferred tax assets are recognized for temporary differences between the carrying amounts for financial reporting purposes of assets and liabilities and the amounts used for taxation purposes and for tax loss carry-forwards. The Group recognizes deferred tax assets based upon management's estimates of future taxable profit in different tax jurisdictions. The actual results may differ from these estimates, due to change in the business climate and change in tax legislation. See note 9.

Inventory

Accounting judgement

The Group values inventory at the lower of historical cost, based on the first-in, first-out basis, and net realizable value. The calculation of net realizable value involves management's judgement on the estimated sales prices, over-stock articles, outdated articles, damaged goods, and selling costs. If the estimated net realizable value is lower than cost, a valuation allowance is established for inventory obsolescence. See note 16 for additional information.

Leases

Key sources of estimation uncertainty

When the Group cannot readily determine the interest rate implicit in the lease, it uses incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over similar terms which requires estimations when no observable rates are available.

The Group estimates the IBR by using market interest rates and adjusting with entity specific estimates such as currency and country risk.

Accounting judgement

The Group has several lease contracts that include extension options. The Group applies judgement in evaluating the lease term, it considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. For leases of premises, the following factors are normally the most relevant:

- if any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend.
- otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The renewal periods for leases of offices and warehouse premises with extension options exceeding 10 to 15 years are not included as part of the lease term as these are not reasonably certain to be exercised. In addition, renewal options for leases of motor vehicles are not part of the lease term because the Group typically leases motor vehicles for not more than three to five years and, hence, is not exercising any renewal options.

After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise the option to renew. Refer to note 22 for information on potential future rental payments relating to extension options that are not included in the lease term.

Trade and financial receivables

Key sources of estimation uncertainty:

The Group measure the expected credit losses on financial assets classified at amortized cost including trade and financial receivables, lease receivables and contract assets. The expected credit losses for trade receivables and contract assets are an assessment of specific loss provisions corresponding to individually significant exposures as well as historical loss rates in combination with forward looking considerations. The expected credit losses for lease receivables and financial receivables are an assessment that reflects an unbiased, probability-weighted outcome based on reasonable and supportable forecasts.

Accounting judgement:

Management's judgement considers rapidly changing market conditions. An overlay control is performed to ensure that an adequate loss allowance is recognized. Additional information is included in section "Credit risk" in note 27.

Pension and other post-employment benefit valuation assumptions

Key sources of estimation uncertainty

Pensions and other post-employment obligations are dependent on the assumptions established by management and used by actuaries in calculating such amounts. The key assumptions include discount rates, inflation, future salary increases, mortality rates, and healthcare-cost trend rates. The actuarial assumptions are reviewed on an annual basis and are changed when it is deemed appropriate.

See note 23 for additional information regarding assumptions used in the calculation of pension and post-employment obligations.

Legal proceedings and tax claims

Accounting judgement

Atlas Copco recognizes a liability when the Group has an obligation from a past event involving the transfer of economic benefits and when a reasonable estimate can be made of what the transfer might be. The Group reviews outstanding legal cases regularly in order to assess the need for provisions in the financial statements. These reviews consider the factors of the specific case by internal legal counsel and through the use of outside legal counsel and advisors when necessary. The financial statements may be affected to the extent that management's assessments of the factors considered are not consistent with the actual outcome.

Additionally, the legal entities of the Group are frequently subject to audits by tax authorities in accordance with standard practice in the countries where the Group operates. In instances where the tax authorities have a different view on how to interpret the tax legislation, the Group makes estimates as to the likelihood of the outcome of the dispute, as well as estimates of potential claims. The actual results may differ from these estimates.

Warranty provisions

Key sources of estimation uncertainty

Provisions for product warranties should cover future commitments for the sales volumes already realized. Warranty provisions are complex accounting estimates due to the variety of variables which are included in the calculations. The calculation methods are based on the type of products sold and historical data for level of repairs and replacements. The underlying estimates for calculating the provision are reviewed at least quarterly as well as when new products are introduced or when other changes occur which may affect the calculation. See note 25.

Acquisitions

Key sources of estimation uncertainty

The Group performs purchase price allocations related to business combinations. Purchase prices are allocated to the underlying acquired assets and liabilities based on their estimated fair value at the time of the acquisition. Fair value is commonly based on valuation models. The valuation methods rely on various assumptions, such as estimated future cash flows, remaining economic useful life etc. The determination of the fair value requires the Group to apply assumptions and estimates. These can vary from the actual outcomes. See note 2.

[Introduction](#)
[This is Atlas Copco](#)
[The year in review](#)

• Financials

Group

[Consolidated income statement](#)
[Consolidated statement of comprehensive income](#)
[Consolidated balance sheet](#)
[Consolidated statement of changes in equity](#)
[Consolidated statement of cash flows](#)

• Notes

[Parent company](#)
[Other information](#)

2. Acquisitions

The following summarizes the acquisitions during 2022 and 2021:					
Acquisition date		Country	Business area	Revenues ¹⁾	Number of employees ¹⁾
2022 Dec. 5	Shandong Meditech Medical Technology Co., Ltd	China	Compressor Technique	114	70
2022 Dec. 2	Suzhou Since Gas System Co., Ltd	China	Compressor Technique	93	80
2022 Nov. 21	Montana Instruments Corporation	U.S.A.	Vacuum Technique	106	38
2022 Nov. 11	Northeast Compressor	U.S.A.	Compressor Technique	²⁾	6
2022 Nov. 9	Entreprises Larry Inc.	Canada	Compressor Technique	²⁾	65
2022 Nov. 2	Precision Pneumatics Ltd	United Kingdom	Compressor Technique	²⁾	26
2022 Nov. 2	Wearside Pneumatics Ltd	United Kingdom	Compressor Technique	²⁾	19
2022 Nov. 2	Shandong Jinggong Pump Co., Ltd	China	Vacuum Technique	102	100
2022 Nov. 2	Aircel, LLC.	U.S.A.	Compressor Technique	55	19
2022 Oct. 17	Vector Sp. z o.o.	Poland	Compressor Technique	²⁾	23
2022 Oct. 4	Mesa Equipment & Supply Company	U.S.A.	Compressor Technique	²⁾	19
2022 Sep. 5	DF-Druckluft-Fachhandel GmbH	Germany	Compressor Technique	²⁾	39
2022 Sep. 2	Oxymat A/S	Denmark	Compressor Technique	411	146
2022 Aug. 1	LEWA GmbH	Germany	Power Technique	2 400	1 200
2022 Aug. 1	Geveke B.V	Netherlands	Power Technique	648	173
2022 Jul. 29	Compressed Air Products, Inc. (operating assets)	U.S.A.	Compressor Technique	²⁾	20
2022 Jul. 27	Glaston Compressor Services Ltd	United Kingdom	Compressor Technique	²⁾	26
2022 Jul. 18	Ceres Technologies, Inc.	U.S.A.	Vacuum Technique	351	185
2022 Jul. 8	Les pompes à vide TECHNII-V-AC inc.	Canada	Vacuum Technique	²⁾	10
2022 Jul. 5	FITECS A.S.	France	Compressor Technique	²⁾	8
2022 Jul. 4	National Vacuum Equipment Inc.	U.S.A.	Vacuum Technique	223	100
2022 Jul. 4	Bireme Group	Singapore	Compressor Technique	²⁾	20
2022 Jun. 13	Qolibri Inc.	U.S.A.	Vacuum Technique	0.6	4
2022 Jun. 8	Associated Compressor Engineers Ltd (ACE)	United Kingdom	Compressor Technique	²⁾	12
2022 Jun. 2	Tekser Endüstriyel Cihazlar Sanayi ve Ticaret A.Ş (Tekser)	Türkiye	Vacuum Technique	²⁾	8
2022 Jun. 1	CAS Products Ltd (CAS)	United Kingdom	Compressor Technique	²⁾	12
2022 Apr. 5	Pumpenfabrik Wangen GmbH	Germany	Power Technique	466	265
2022 Mar. 2	SCB S.r.l.	Italy	Compressor Technique	51	16
2022 Jan. 24	Soft2tec GmbH	Germany	Industrial Technique	20	38
2022 Jan. 21	HHV Pumps Pvt. Ltd	India	Vacuum Technique	53	151
2021 Dec. 10	Provac Limited	Ireland	Vacuum Technique	²⁾	11
2021 Nov. 9	S.T.E.R.I. srl (STERI)	Italy	Compressor Technique	²⁾	19
2021 Oct. 19	Eugen Theis GmbH	Germany	Vacuum Technique	²⁾	4
2021 Sep. 28	AEP	France	Compressor Technique	²⁾	8
2021 Aug. 31	NATEV GmbH	Germany	Industrial Technique	5	10
2021 Aug. 5	CPC Pumps International Inc.	Canada	Compressor Technique	385	110
2021 Jun. 24	Airflow Compressors & Pneumatics Ltd (Airflow)	United Kingdom	Compressor Technique	²⁾	16
2021 Jun. 14	Compressed Air Systems, Inc. (CAS)	U.S.A.	Compressor Technique	²⁾	30
2021 May 31	ARPUMA regel- und fördertechnische Geräte GmbH	Germany	Vacuum Technique	41	14
2021 May 25	Medigas Service & Testing Co. Inc.	U.S.A.	Compressor Technique	23	6

With exception of the acquisition of Eco Steam and Heating Solutions in 2021, all acquisitions were made through the purchase of 100% of shares and voting rights or through the purchase of the net assets of the acquired operations. The Group received control over the operations upon the date of closing the acquisition. In the case of Eco Steam and Heating Solutions in 2021, the majority of the shares were acquired, and the terms of the transaction provide Atlas Copco a present ownership interest in the remaining shares. Non-controlling interest has therefore not been recognized. No equity instruments have been issued in connection with the acquisitions. All acquisitions have been accounted for using the acquisition method.

The amounts presented in the following tables detail the recognized amounts aggregated by business area, as the relative amounts of the individual acquisitions are not considered significant, except for LEWA which is disclosed separately. The fair values related to intangible assets other than goodwill are amortized over 5–15 years. For more information about the valuation of contingent consideration, see note 27. The Group is in the process of reviewing the final values for certain of the recently acquired businesses. No adjustments are expected to be material. Adjustments related to the acquisitions made in 2021 are included in the following tables.

¹⁾ Annual revenues and number of employees at the time of acquisition.

²⁾ Former distributor of Atlas Copco products. No revenues are disclosed for former Atlas Copco distributors.

• Financials

Group

Consolidated income statement
Consolidated statement of comprehensive income
Consolidated balance sheet
Consolidated statement of changes in equity
Consolidated statement of cash flows

• Notes

Parent company

Other information

2. Acquisitions, continued

The following summarizes the acquisitions during 2022 and 2021, continued

Acquisition date	Country	Business area	Revenues ¹⁾	Number of employees ¹⁾
2021 May 10	MidState Air Compressor	U.S.A.	Compressor Technique	²⁾ 15
2021 May 3	Eco Steam and Heating Solutions	Netherlands	Power Technique	198 23
2021 Apr. 7	IBVC Vacuum, S.L.U.	Spain	Vacuum Technique	²⁾ 10
2021 Mar. 3	Cooper Freer Ltd	United Kingdom	Compressor Technique	²⁾ 18
2021 Jan. 26	DGM SRL	Italy	Compressor Technique	²⁾ 21
2021 Jan. 7	Ehrler & Beck GmbH	Germany	Vacuum Technique	²⁾ 15
2021 Jan. 5	Kawalek Kompressoren	Germany	Compressor Technique	²⁾ 10

Compressor Technique	Recognized values	
	2022	2021
Intangible assets	996	881
Property, plant and equipment ¹⁾	180	147
Other assets	602	240
Cash and cash equivalents	148	72
Interest-bearing liabilities and borrowings	-205	-84
Other liabilities and provisions	-549	-419
Net identifiable assets	1 172	837
Goodwill	814	1 075
Total consideration	1 986	1 912
Deferred consideration	-65	-1
Cash and cash equivalents acquired	-148	-72
Net cash outflow	1 773	1 839

¹⁾ Includes right-of-use assets.

In March, the Compressor Technique business area acquired SCB S.r.l., an Italian manufacturer that develops, produces and distributes electronic condensate drains for the industrial market. Atlas Copco has a long history of working with SCB and see many possibilities for accelerated growth in this area going forward. Intangible assets of 24 and goodwill of 32 were recorded on the purchase. The goodwill is not deductible for tax purposes.

In September, Oxymat A/S, a Danish supplier of on-site oxygen and nitrogen solutions was acquired. Oxymat is a strong brand with a global presence in on-site nitrogen and oxygen markets. Their product portfolio and knowledge in industrial gas generation make them a good fit for Atlas Copco.

Additionally in September, DF-Druckluft-Fachhandel GmbH, a German company specialized in online sales of compressed air solutions, was acquired to increase Atlas Copco's market share in the online business as well as strengthen service to customers in the region. Intangible assets of 136 and goodwill of 469 were recorded for Oxymat A/S and intangible assets of 185 and goodwill of 18 for DF-Druckluft-Fachhandel GmbH. The goodwill is not deductible for tax purposes.

In November, Aircel, LLC., a US-based provider of air treatment and air purification solutions was acquired. Aircel is a reputable company in the air treatment and air purification market and their expertise and product portfolio will

increase Atlas Copco's market presence and further accelerate the business development in North America. Intangible assets of 35 and goodwill of 15 were recorded on the purchase. The goodwill is deductible for tax purposes.

Finally, in December, the assets in Suzhou Since Gas System Co., Ltd, a manufacturer of on-site gas generation equipment and Shandong Meditech Medical Technology Co., Ltd, a manufacturer of onsite oxygen solutions for the healthcare market, were acquired. Both companies are based in China and will strengthen Atlas Copco's presence in one of the world's largest oxygen markets. Intangible assets of 17 and goodwill of 3 were recorded for Suzhou Since Gas System Co., Ltd and intangible assets of 72 and goodwill of 50 for Shandong Meditech Medical Technology Co., Ltd. The goodwill is not deductible for tax purposes.

In addition, the business area acquired twelve distributors during the year. CAS Products Ltd (CAS), Associated Compressor Engineers Ltd (ACE), Glaston Compressor Services Ltd, Wearside Pneumatics Ltd and Precision Pneumatics Ltd are based in the United Kingdom. In the US, the operating assets of Compressed Air Products, Inc. (CAP), Mesa Equipment & Supply Company and Northeast Compressor were acquired. Finally, Singapore-based Bireme Group, French FITEC S.A.S., Polish Vector Sp. z o.o and Canadian Entreprises Larry Inc, were acquired. The acquisitions are expected to increase Atlas Copco's presence in their respective markets.

In total, intangible assets of 450 and goodwill of 67 were recorded on the purchases. Minor adjustments were made in the year related to the acquisitions in 2021.

The acquisition of Shandong Meditech Medical Technology includes a possible contingent consideration dependent on revenues in the first year after the acquisition. Since the targets are not expected to be reached, fair value is considered to be 0.

¹⁾ Annual revenues and number of employees at the time of acquisition.

²⁾ Former distributor of Atlas Copco products. No revenues are disclosed for former Atlas Copco distributors.

Vacuum Technique	Recognized values	
	2022	2021
Intangible assets	848	118
Property, plant and equipment ¹⁾	167	18
Other assets	491	32
Cash and cash equivalents	27	22
Interest-bearing liabilities and borrowings	-124	-18
Other liabilities and provisions	-301	-57
Net identifiable assets	1 108	115
Goodwill	929	-
Total consideration	2 037	115
Deferred consideration	-204	-31
Cash and cash equivalents acquired	-27	-22
Net cash outflow	1 806	62

¹⁾ Includes right-of-use assets.

In January, the Vacuum Technique business area acquired HHV Pumps Pvt. Ltd, based in India. The company designs and manufactures vacuum pumps and systems for applications used in a wide range of industries. HHV Pumps has a strong reputation and through this acquisition Atlas Copco will strengthen the market presence as well as capabilities for local manufacturing. Intangible assets of 53 and goodwill of 70 were recorded on the purchase. The goodwill is not deductible for tax purposes.

In June, a Turkish vacuum distributor and service provider, Tekser, was acquired to increase Atlas Copco's presence in the local market. Additionally in June, a US-based provider of semiconductor subfab solutions, Qolibri Inc., was acquired. This acquisition was made to help improve Atlas Copco's customers' sustainability by extending the uptime of vacuum and abatement solutions. Intangible assets of 34 were recorded for Tekser and intangible assets of 78 and goodwill of 25 for Qolibri Inc. The goodwill is not deductible for tax purposes.

In July, Les pompes à vide TECHNI-V-AC inc, a Canadian vacuum distributor and service provider was acquired to develop additional business in the Canadian market. Intangible assets of 2 were recorded on the purchase. Additionally, US-based, National Vacuum Equipment Inc. and Ceres Technologies, Inc were acquired in July and Montana Instruments Corporation in November.

[Introduction](#)
[This is Atlas Copco](#)
[The year in review](#)

• Financials

Group

[Consolidated income statement](#)
[Consolidated statement of comprehensive income](#)
[Consolidated balance sheet](#)
[Consolidated statement of changes in equity](#)
[Consolidated statement of cash flows](#)

• Notes

[Parent company](#)
[Other information](#)

2. Acquisitions, continued

National Vacuum Equipment Inc. is a leading manufacturer of mobile vacuum pumps and packages. The acquisition will add to Atlas Copco's vacuum solutions portfolio. Ceres Technologies Inc. is a manufacturer and designer of gas and vapor delivery equipment for the semiconductor industry. Ceres provides critical sub systems for process tools that are complementary to Edwards' vacuum and abatement solutions for the semiconductor industry. This acquisition will allow Atlas Copco to expand the liquid chemical dispense offer globally through additional technology and know-how. The Ceres acquisition is also a valuable step forward in responding to the increased need to recycle and reuse gases in semiconductor process technology and improve sustainability in line with the industry's environmental objectives. Montana Instruments Corporation provides cryostat solutions for customers involved in physics research and low temperature technology solutions. This acquisition will allow Atlas Copco to further extend the existing presence in the cryogenic markets and with the R&D customers. Intangible assets of 412 and goodwill of 428 were recorded for National Vacuum Equipment Inc, intangible assets of 65 and goodwill of 112 for Ceres Technologies, Inc and intangible assets of 119 and goodwill of 210 for Montana Instruments Corporation. For Montana Instruments Corporation, the goodwill is not deductible for tax purposes. For, National Vacuum Equipment Inc. and Ceres Technologies, Inc, the goodwill is deductible for tax purposes.

Finally, in November, the assets of Shandong Jinggong Pump Co., Ltd, a Chinese manufacturer of industrial vacuum pumps and systems were acquired. The acquisition is in line with Atlas Copco's local-for-local strategy and adds an experienced manufacturing and machining company in China. Intangible assets of 84 and goodwill of 84 were recorded on the purchase. The goodwill is not deductible for tax purposes.

Total consideration includes contingent consideration with a fair value of 158 related to the acquisitions of Qolibri, HHV and National Vacuum Equipment. For Qolibri, contingent consideration to be paid is dependent on revenues in the first five years after the acquisition. The fair value has been calculated based on expected revenues during this time period. For the latter two, contingent consideration is dependent on revenues and EBITDA the first year after the acquisition. The fair value has been calculated based on the assumption that the maximum amount will be paid. Also the acquisition of Montana Instruments includes a possible contingent consideration dependent on revenues in the first year after the acquisition. Since the targets are not expected to be reached, fair value is considered to be 0.

Industrial Technique	Recognized values	
	2022	2021
Intangible assets	30	43
Property, plant and equipment ¹⁾	2	14
Other assets	-426	-245
Cash and cash equivalents	6	-
Interest-bearing liabilities and borrowings	-11	-
Other liabilities and provisions	85	81
Net identifiable assets	-314	-107
Non-controlling interests	-	13
Goodwill	417	111
Total consideration	103	17
Deferred consideration	-35	-8
Cash and cash equivalents acquired	-6	-
Net cash outflow	62	9

¹⁾ Includes right-of-use assets.

In January, the Industrial Technique business area acquired Soft2tec GmbH based in Germany. The company manufactures and delivers camera-based tracking systems used for operator guidance in the automotive, aerospace and general industries. The products increase quality in production and are sold under the brand name Nexonar. Intangible assets of 30 and goodwill of 77 were recorded on the purchase. The goodwill is not deductible for tax purposes.

Total consideration includes contingent consideration with a fair value of 46 related to the Soft2tec acquisition. Contingent consideration to be paid is dependent on revenues the first three years after the acquisition. The fair value has been calculated based on the assumption that the maximum amount will be paid.

The table above also includes an adjustment related to prior years' acquisitions with an effect on goodwill of 340.

Power Technique	Recognized values	
	2022	2021
Intangible assets	1 903	107
Property, plant and equipment ¹⁾	822	271
Other assets	1 576	35
Cash and cash equivalents	1 047	73
Interest-bearing liabilities and borrowings	-1 522	-122
Other liabilities and provisions	-1 463	-51
Net identifiable assets	2 363	313
Non-controlling interests	-44	-
Goodwill	5 678	232
Total consideration	7 997	545
Deferred consideration	-	-48
Cash and cash equivalents acquired	-1 047	-73
Net cash outflow	6 950	424

¹⁾ Includes right-of-use assets.

In April, the Power Technique business area acquired Pumpenfabrik Wangen GmbH, a German industrial pump manufacturer. Pumpenfabrik Wangen has leading differentiated technology with a strong aftermarket business and will create a solid foundation for further growth in new industrial pump segments. Intangible assets of 538 and goodwill of 1 570 were recorded on the purchase. The goodwill is not deductible for tax purposes.

In August, LEWA GmbH and subsidiaries, and Geveke B.V. and subsidiaries were acquired. LEWA is a leading manufacturer of diaphragm metering pumps, process pumps and complete metering systems. The company is based in Germany and offers industry-specific high-quality pump solutions for a wide range of industries. Through this acquisition, Atlas Copco is building its presence and technology offering within positive displacement pumps. Geveke is headquartered in the Netherlands and distributes compressors and engineers advanced and complex process pump installations. The main part of the acquired business has its base in the Power Technique business area while a smaller part belongs to the Compressor Technique business area. Geveke has strong engineering capability, providing complete industrial pump solutions from concept to commissioning. Intangible assets of 1 224 and goodwill of 3 727 were recorded for LEWA and intangible assets of 125 and goodwill of 393 for Geveke. The goodwill is not deductible for tax purposes.

Minor adjustments were made in the year related to the acquisitions in 2021.

[Introduction](#)
[This is Atlas Copco](#)
[The year in review](#)

• Financials

Group

[Consolidated income statement](#)
[Consolidated statement of comprehensive income](#)
[Consolidated balance sheet](#)
[Consolidated statement of changes in equity](#)
[Consolidated statement of cash flows](#)

• Notes

[Parent company](#)
[Other information](#)

2. Acquisitions, continued

Total fair value of acquired assets and liabilities	Group recognized values		
	2022	of which LEWA ²⁾	2021
Intangible assets	3 777	1 223	1 149
Property, plant and equipment ¹⁾	1 171	665	450
Other non-current assets	9	1	21
Inventories	1 140	489	-83
Trade receivables ³⁾	918	466	102
Other current assets	176	305	22
Cash and cash equivalents	1 228	921	167
Interest-bearing liabilities and borrowings	-1 862	-130	-224
Other liabilities and provisions	-1 571	-820	-273
Deferred tax assets/liabilities, net	-657	-336	-173
Net identifiable assets	4 329	2 784	1 158
Non-controlling interests	-44	-44	13
Goodwill	7 838	3 728	1 418
Total consideration	12 123	6 468	2 589
Deferred consideration	-304	-	-88
Cash and cash equivalents acquired	-1 228	-921	-167
Net cash outflow	10 591	5 547	2 334

¹⁾ Includes right-of-use assets.

²⁾ LEWA refers to the acquisition of LEWA GmbH and subsidiaries.

³⁾ The gross amount is 1 017 (146) of which 99 (44) is expected to be uncollectible.

The goodwill recognized on acquisitions is primarily related to assets that cannot be fully recognized on the balance sheet. These include, but are not limited to, future growth, market presence, additional customers, technology progress, personnel etc. Please also see information on the previous pages.

The total consideration for all acquisitions was 12 123 (2 589). Deferred consideration includes both deferred consideration not yet paid for acquisitions made in 2022 and settlement of deferred consideration for acquisitions made in prior years. For all acquisitions, the net cash outflow totaled 10 591 (2 334) after deducting cash and cash equivalents acquired of 1 228 (167).

Acquisition-related costs amounted to 81 (25) and were included in the "Administrative expenses". Costs related to acquisitions finalized in 2022 were included in the income statements for 2021 and 2022.

3. Assets held for sale and divestments

Assets held for sale

Carrying value of assets held for sale	2022	2021
Property, plant and equipment	1	5
Net carrying value	1	5

Divestments

No divestments have taken place during 2022. In December 2021, the CMM (Coordinate Measuring Machine) part of the Perceptron business (acquired in December 2020) was divested.

Carrying value of divested assets and liabilities	2022	2021
Property, plant and equipment ¹⁾	-	14
Inventories	-	18
Trade receivables	-	17
Other current assets	-	3
Cash and cash equivalents	-	7
Interest bearing liabilities and borrowings	-	-4
Other liabilities and provisions	-	-27
Net identifiable assets	-	28

¹⁾ Includes right-of-use assets.

Contribution from businesses acquired in 2022 and 2021 by business area	Compressor Technique		Vacuum Technique		Industrial Technique		Power Technique		Group	
	2022	2021	2022	2021	2022	2021	2022 ¹⁾	2021	2022	2021
Contribution from date of control										
Revenues	465	275	551	87	66	-	1 944	128	3 026	490
Operating profit	-11	-26	49	-2	5	-4	232	28	275	-4
Profit for the year									205	-11
Contribution if the acquisition had occurred on Jan. 1										
Revenues	1 660	611	1 275	130	71	15	3 877	192	6 883	948
Operating profit	4	0	116	-1	6	-3	553	42	679	38
Profit for the year									444	22

¹⁾ From the date of control, LEWA had revenues of MSEK 469 and operating profit of MSEK 56 corresponding to an operating margin of 11.9%, including negative purchase price allocation effects of MSEK 22.

Introduction

This is Atlas Copco

The year in review

- Financials

- Group

Consolidated income statement

Consolidated statement of comprehensive income

Consolidated balance sheet

Consolidated statement of changes in equity

Consolidated statement of cash flows

- Notes

Parent company

Other information

4. Segment information

2022	Compressor Technique	Vacuum Technique	Industrial Technique	Power Technique	Common Group functions	Eliminations	Group
Revenues from external customers	60 544	38 917	22 963	18 901	–	–	141 325
Inter-segment revenues	514	24	44	152	–	–734	–
Total revenues	61 058	38 941	23 007	19 053	–	–734	141 325
– of which equipment	57%	78%	73%	56%	–	–	65%
– of which service ¹⁾	43%	22%	27%	44%	–	–	35%
Operating profit	14 425	8 407	4 597	3 525	–755	17	30 216
– of which share of profit in associated companies and joint ventures	1	23	5	–	–	–	29
Net financial items							–172
Income tax expense							–6 562
Profit for the year							23 482
Non-cash expenses							
Depreciation/amortization	1 768	1 593	1 385	1 340	231	–33	6 284
Impairment	–	12	36	7	8	–	63
Other non-cash expenses	373	167	–14	28	–284	–	270
Segment assets	44 771	47 875	33 948	25 486	4 434	–1 836	154 678
– of which goodwill	7 132	14 683	14 884	7 600	–	–	44 299
Investments in associated companies and joint ventures	–	800	139	–	–	–	939
Unallocated assets							16 684
Total assets	44 771	48 675	34 087	25 486	4 434	–1 836	172 301
Segment liabilities	25 521	9 332	6 583	5 470	2 628	–1 724	47 810
Unallocated liabilities							44 465
Total liabilities	25 521	9 332	6 583	5 470	2 628	–1 724	92 275
Capital expenditures							
Property, plant and equipment	1 754	2 397	696	1 330	673	–24	6 826
– of which right-of-use assets	857	298	178	321	624	–	2 278
Intangible assets	289	393	517	159	13	–	1 371
Total capital expenditures	2 043	2 790	1 213	1 489	686	–24	8 197
Goodwill acquired	814	929	417	5 678	–	–	7 838

¹⁾ Including spare parts, consumables, accessories and rental.

2022	Compressor Technique	Vacuum Technique	Industrial Technique	Power Technique	Common Group functions	Eliminations	Group
Items affecting comparability in Operating profit	–	–	–	–	151 ¹⁾	–	151 ¹⁾

¹⁾ Refers to a change in provision for share-related long-term incentive programs.

Introduction

This is Atlas Copco

The year in review

- Financials

- Group

Consolidated income statement

Consolidated statement of comprehensive income

Consolidated balance sheet

Consolidated statement of changes in equity

Consolidated statement of cash flows

- Notes

Parent company

Other information

4. Segment information, continued

2021	Compressor Technique	Vacuum Technique	Industrial Technique	Power Technique	Common Group functions	Eliminations	Group
Revenues from external customers	49 216	29 200	19 390	13 106	–	–	110 912
Inter-segment revenues	441	19	31	128	–	–619	–
Total revenues	49 657	29 219	19 421	13 234	–	–619	110 912
– of which equipment	57%	76%	73%	57%	–	–	65%
– of which service ¹⁾	43%	24%	27%	43%	–	–	35%
Operating profit	11 874	7 066	3 976	2 121	–1 486	8	23 559
– of which share of profit in associated companies and joint ventures	0	30	6	–	–	–	36
Net financial items							–149
Income tax expense							–5 276
Profit for the year							18 134
Non-cash expenses							
Depreciation/amortization	1 434	1 283	1 315	1 101	237	–32	5 338
Impairment	15	36	71	8	–2	–	128
Other non-cash expenses	–119	32	–228	34	281	–	–
Segment assets	33 164	36 463	29 423	11 230	3 329	–1 241	112 368
– of which goodwill	5 580	12 047	13 124	1 362	–	–	32 113
Investments in associated companies and joint ventures	1	801	128	–	1	–	931
Unallocated assets							23 384
Total assets	33 165	37 264	29 551	11 230	3 330	–1 241	136 683
Segment liabilities	19 172	7 326	5 287	3 353	2 619	–1 139	36 618
Unallocated liabilities							32 431
Total liabilities	19 172	7 326	5 287	3 353	2 619	–1 139	69 049
Capital expenditures							
Property, plant and equipment	1 082	1 181	427	703	130	–26	3 497
– of which right-of-use assets	462	188	158	132	77	–	1 017
Intangible assets	191	473	527	141	57	–	1 389
Total capital expenditures	1 273	1 654	954	844	187	–26	4 886
Goodwill acquired	1 075	–	111	232	–	–	1 418

¹⁾ Including spare parts, consumables, accessories and rental.

2021	Compressor Technique	Vacuum Technique	Industrial Technique	Power Technique	Common Group functions	Eliminations	Group
Items affecting comparability in Operating profit	–	–	–	–	–687 ¹⁾	–	–687 ¹⁾

¹⁾ Refers to a change in provision for share-related long-term incentive programs.

[Introduction](#)
[This is Atlas Copco](#)
[The year in review](#)

• Financials

Group

[Consolidated income statement](#)
[Consolidated statement of comprehensive income](#)
[Consolidated balance sheet](#)
[Consolidated statement of changes in equity](#)
[Consolidated statement of cash flows](#)

• Notes

[Parent company](#)
[Other information](#)

4. Segment information, continued

The Group is organized in separate and focused but still integrated business areas, each operating through divisions. The business areas offer different products and services to different customer groups. They are also the basis for management and internal reporting and are regularly reviewed by the Group's President and CEO, the chief operating decision maker. The chief operating decision maker uses more than one measure of the operating segments' profit or loss to assess performance and allocate resources. The operating profit of the business areas is the primary profit measure used by the chief operating decision maker, and is reconciled to the consolidated operating profit in the tables on the previous pages. Items affecting comparability are included in a separate table since the chief operating decision maker reviews also these as part of allocating resources to the different business areas. All business areas are managed on a worldwide basis and their role is to develop, implement and follow up the objectives and strategies within their respective business.

See pages 20–32 for a description of the business areas.

Common group functions, i.e. functions which serve all business areas or the Group as a whole, are not considered a segment.

The accounting principles for the segments are the same as those described in note 1. Atlas Copco's inter-segment pricing is determined on a commercial basis.

Segment assets are comprised of property, plant and equipment, right-of-use assets, intangible assets, other non-current receivables, inventories, and current receivables.

Segment liabilities include the sum of non-interest-bearing liabilities such as operating liabilities, other provisions, and other non-current liabilities. Capital expenditure includes property, plant and equipment, and intangible assets, but excludes the effect of goodwill, intangible assets and property, plant and equipment through acquisitions.

Geographical information

The revenues presented are based on the location of the customers while non-current assets are based on the geographical location of the assets. These assets include non-current assets other than financial instruments, investments in associated companies and joint ventures, deferred tax assets, and post-employment benefit assets.

By geographic area/country		Revenues		Non-current assets	
		2022	2021	2022	2021
North America	U.S.A.	31 294	22 317	16 323	12 481
	Other countries	4 744	3 678	2 465	2 115
		36 038	25 995	18 788	14 596
South America	Brazil	3 665	2 449	663	435
	Other countries	2 197	1 793	188	128
		5 862	4 242	851	563
Europe	Belgium	1 257	1 087	3 058	2 501
	France	3 800	3 272	693	565
	Germany	8 076	6 468	31 462	20 964
	Italy	3 560	2 955	2 303	2 103
	Sweden	1 898	1 558	1 657	1 235
	United Kingdom	3 255	2 835	15 507	13 743
	Other countries	16 709	13 646	4 214	2 343
		38 555	31 821	58 894	43 454
Africa/Middle East	South Africa	844	710	137	79
	Other countries	5 524	4 178	440	319
		6 368	4 888	577	398
Asia/Oceania	Greater China	31 914	25 544	3 493	2 667
	India	4 883	3 930	507	289
	Japan	2 793	2 485	608	568
	South Korea	6 816	6 024	2 806	1 818
	Other countries	8 096	5 983	704	572
		54 502	43 966	8 118	5 914
Total		141 325	110 912	87 228	64 925

Geographic distribution	Compressor Technique, %		Vacuum Technique, %		Industrial Technique, %		Power Technique, %		Group, %	
	Orders received	Revenues	Orders received	Revenues	Orders received	Revenues	Orders received	Revenues	Orders received	Revenues
2022										
North America	25	23	24	23	32	32	32	28	27	25
South America	5	6	–	–	2	2	7	8	4	4
Europe	29	31	16	15	33	33	36	37	27	27
Africa/Middle East	7	7	1	1	1	2	8	9	4	5
Asia/Oceania	34	33	59	61	32	31	17	18	38	39

Geographic distribution	Compressor Technique, %		Vacuum Technique, %		Industrial Technique, %		Power Technique, %		Group, %	
	Orders received	Revenues	Orders received	Revenues	Orders received	Revenues	Orders received	Revenues	Orders received	Revenues
2021										
North America	21	21	21	21	31	31	29	27	24	23
South America	5	5	–	–	2	3	7	8	4	4
Europe	34	34	14	13	36	36	36	36	28	29
Africa/Middle East	7	6	1	1	2	1	8	8	4	4
Asia/Oceania	33	34	64	65	29	29	20	21	40	40

Introduction

This is Atlas Copco

The year in review

• Financials

Group

Consolidated income statement

Consolidated statement of comprehensive income

Consolidated balance sheet

Consolidated statement of changes in equity

Consolidated statement of cash flows

• Notes

Parent company

Other information

4. Segment information, continued

Quarterly data, Revenues by business area

Revenues	2022				2021			
	1	2	3	4	1	2	3	4
Compressor Technique	13 305	14 291	16 377	17 085	11 522	12 212	12 792	13 131
– of which external	13 169	14 174	16 244	16 957	11 423	12 099	12 677	13 017
– of which internal	136	117	133	128	99	113	115	114
Vacuum Technique	8 179	9 335	10 781	10 646	6 808	7 220	7 249	7 942
– of which external	8 173	9 332	10 773	10 639	6 804	7 214	7 245	7 937
– of which internal	6	3	8	7	4	6	4	5
Industrial Technique	5 083	5 405	5 911	6 608	4 713	4 880	4 630	5 198
– of which external	5 072	5 396	5 900	6 595	4 705	4 873	4 622	5 190
– of which internal	11	9	11	13	8	7	8	8
Power Technique	3 702	4 247	5 207	5 897	3 121	3 377	3 312	3 424
– of which external	3 672	4 209	5 157	5 863	3 089	3 348	3 280	3 389
– of which internal	30	38	50	34	32	29	32	35
Common Group functions/eliminations	–183	–167	–202	–182	–143	–155	–159	–162
Total	30 086	33 111	38 074	40 054	26 021	27 534	27 824	29 533

Quarterly data, Operating profit by business area

Operating profit	2022				2021			
	1	2	3	4	1	2	3	4
Compressor Technique	3 170	3 266	3 963	4 026	2 730	2 916	3 087	3 141
in % of revenues	23.8%	22.9%	24.2%	23.6%	23.7%	23.9%	24.1%	23.9%
Vacuum Technique	1 859	2 123	2 484	1 941	1 695	1 789	1 748	1 834
in % of revenues	22.7%	22.7%	23.0%	18.2%	24.9%	24.8%	24.1%	23.1%
Industrial Technique	1 065	1 077	1 267	1 188	917	981	958	1 120
in % of revenues	21.0%	19.9%	21.4%	18.0%	19.5%	20.1%	20.7%	21.5%
Power Technique	664	807	983	1 071	476	539	548	558
in % of revenues	17.9%	19.0%	18.9%	18.2%	15.3%	16.0%	16.5%	16.3%
Common Group functions/eliminations	–9	6	–319	–416	–431	–301	–341	–405
Operating profit	6 749	7 279	8 378	7 810	5 387	5 924	6 000	6 248
in % of revenues	22.4%	22.0%	22.0%	19.5%	20.7%	21.5%	21.6%	21.2%
Net financial items	–78	26	70	–190	–44	–52	–55	2
Profit before tax	6 671	7 305	8 448	7 620	5 343	5 872	5 945	6 250
in % of revenues	22.2%	22.1%	22.2%	19.0%	20.5%	21.3%	21.4%	21.2%

5. Employees and personnel expenses

Average number of employees	2022			2021		
	Women	Men	Total	Women	Men	Total
Parent Company						
Sweden	67	43	110	64	43	107
Subsidiaries						
North America	1 549	5 641	7 190	1 257	4 977	6 234
South America	492	1 582	2 074	436	1 491	1 927
Europe	4 401	16 115	20 516	3 873	14 941	18 814
– of which Sweden	308	1 056	1 364	286	1 009	1 295
Africa/Middle East	230	970	1 200	207	882	1 089
Asia/Oceania	3 016	11 675	14 691	2 599	10 502	13 101
Total in subsidiaries	9 688	35 983	45 671	8 372	32 793	41 165
Total	9 755	36 026	45 781	8 436	32 836	41 272

Females in the Board of Directors and Group Management, %	Dec. 31, 2022	Dec. 31, 2021
Parent Company		
Board of Directors ¹⁾	22	22
Group Management	33	13

¹⁾ Which excludes President and CEO, includes employee representatives but excludes employee representatives' alternate members.

Remuneration and other benefits	Group	
	2022	2021
Salaries and other remuneration	27 201	21 954
Contractual pension benefits	1 547	1 286
Other social costs	4 832	3 911
Total	33 580	27 151
Pension obligations to Board members and Group Management ¹⁾	4	5

¹⁾ Refers to former members of Group Management.

Introduction

This is Atlas Copco

The year in review

- Financials

- Group

Consolidated income statement

Consolidated statement of comprehensive income

Consolidated balance sheet

Consolidated statement of changes in equity

Consolidated statement of cash flows

- Notes

Parent company

Other information

5. Employees and personnel expenses, continued

2022 Remuneration and other benefits to the Board, KSEK	Fee	Value of synthetic shares at grant date	Number of synthetic shares at grant date	Other fees ¹⁾	Total fees incl. value of synthetic shares at grant date	Effect of vesting and change in stock price ²⁾	Total expense recognized ³⁾
Chair:							
Hans Stråberg	1 488	1 550	3 565	451	3 489	-1 414	2 075
Other members of the Board:							
Staffan Bohman	581	500	1 150	251	1 332	-370	962
Tina Donikowski ⁴⁾	206	-	-	-	206	-298	-92
Johan Forssell	478	500	1 150	218	1 196	-451	745
Heléne Mellquist ⁵⁾	375	500	1 150	-	875	-72	803
Anna Ohlsson-Leijon	478	500	1 150	346	1 324	-34	1 290
Gordon Riske	478	500	1 150	-	978	-153	825
Peter Wallenberg Jr	478	500	1 150	99	1 077	-451	626
Other members of the Board previous year						-298	-298
Employee representatives (4) ⁶⁾	86	-	-	-	86	-	86
Total	4 648	4 550	10 465	1 365	10 563	-3 541	7 022

¹⁾ Refers to fees for membership in board committees.

²⁾ Refers to synthetic shares received in 2018–2022.

³⁾ Provision for synthetic shares as at December 31, 2022 amounted to MSEK 22 (25).

⁴⁾ Tina Donikowski left the Board at the Annual Meeting 2022.

⁵⁾ Heléne Mellquist was elected board member at the Annual General Meeting 2022.

⁶⁾ Employee representatives receive compensation to prepare for their participation in board meetings.

2021 Remuneration and other benefits to the Board, KSEK	Fee	Value of synthetic shares at grant date	Number of synthetic shares at grant date	Other fees ¹⁾	Total fees incl. value of synthetic shares at grant date	Effect of vesting and change in stock price ²⁾	Total expense recognized ³⁾
Chair:							
Hans Stråberg	1 266	1 300	2 505	436	3 002	2 748	5 750
Other members of the Board:							
Staffan Bohman	804	-	-	479	1 283	572	1 855
Tina Donikowski	804	-	-	-	804	878	1 682
Johan Forssell	402	413	795	208	1 023	1 180	2 203
Anna Ohlsson-Leijon	494	413	795	253	1 160	-41	1 119
Gordon Riske	402	413	795	-	815	303	1 118
Peter Wallenberg Jr	402	413	795	94	909	1 180	2 089
Other members of the Board previous year						878	878
Employee representatives (4) ⁴⁾	73	-	-	-	73	-	73
Total	4 647	2 952	5 685	1 470	9 069	7 698	16 767

¹⁾ Refers to fees for membership in board committees.

²⁾ Refers to synthetic shares received in 2017–2021.

³⁾ Provision for synthetic shares as at December 31, 2021 amounted to MSEK 25 (18).

⁴⁾ Employee representatives receive compensation to prepare for their participation in board meetings.

[Introduction](#)
[This is Atlas Copco](#)
[The year in review](#)

• Financials

Group

[Consolidated income statement](#)
[Consolidated statement of comprehensive income](#)
[Consolidated balance sheet](#)
[Consolidated statement of changes in equity](#)
[Consolidated statement of cash flows](#)

• Notes

[Parent company](#)
[Other information](#)

5. Employees and personnel expenses, continued

2022	Base salary	Variable compensation ²⁾	Other benefits ³⁾	Pension fees	Total, excl. recognized costs for share based payments	Recognized costs for share based payments ⁴⁾	Total expense recognized
Remuneration and other benefits to Group Management, KSEK							
President and CEO							
Mats Rahmström ¹⁾	19 500	14 820	406	6 836	41 562	5 052	46 614
Other members of Group Management (8 positions)							
Total	48 479	29 875	7 559	15 266	101 179	8 618	109 797
Total remuneration and other benefits to the Board and Group Management							116 819

¹⁾ Further details on the President and CEO remuneration is part of the Remuneration Report that will be published in connection with the notice to the Annual General Meeting.

²⁾ Refers to variable compensation earned in 2022 to be paid in 2023, based on actual base salary entitlement.

³⁾ Refers to vacation pay, company car, medical insurance, and other benefits.

⁴⁾ Refers to stock options and SARs received in 2016–2022 and includes recognized costs due to change in stock price and vesting period, see also note 23.

2021	Base salary	Variable compensation ²⁾	Other benefits ³⁾	Pension fees	Total, excl. recognized costs for share based payments	Recognized costs for share based payments ⁴⁾	Total expense recognized
Remuneration and other benefits to Group Management, KSEK							
President and CEO							
Mats Rahmström ¹⁾	16 500	13 200	445	5 795	35 940	7 758	43 698
Other members of Group Management (8 positions)							
Total	47 343	28 131	11 550	16 890	103 914	23 141	127 055
Total remuneration and other benefits to the Board and Group Management							143 822

¹⁾ Further details on the President and CEO remuneration is part of the Remuneration Report that will be published in connection with the notice to the Annual General Meeting.

²⁾ Refers to variable compensation earned in 2021 to be paid in 2022, based on actual base salary entitlement.

³⁾ Refers to vacation pay, company car, medical insurance, and other benefits.

⁴⁾ Refers to stock options and SARs received in 2016–2021 and includes recognized costs due to change in stock price and vesting period, see also note 23.

Guidelines for remuneration and other fees for members of the Board, the President and CEO, and other members of Group Management

The guidelines for remuneration to the Board and Group Management are approved at the Annual General Meeting of the shareholders. The guidelines approved by the 2020 meeting are described in the following paragraphs.

Board members

Remuneration and fees are based on the work performed by the Board. The remuneration and fees approved for 2022 are detailed in the table on the previous page. The remuneration to the President and CEO, who is a member of Group Management, is described in the following sections and in the Remuneration Report.

The Annual General Meeting decided that each board member can elect to receive 50% of the 2022 gross fee before tax, excluding other committee fees, in the form of synthetic shares and the remaining part in cash. The number of synthetic shares is based upon an average end price of series A shares during ten trading days following the release of the first quarterly interim report for

2022. The share rights are earned 25% per quarter as long as the member remains on the Board. After five years, the synthetic shares give the right to receive a cash payment per synthetic share based upon an average price for series A shares during ten trading days following the release of the first quarterly interim report of the year of payment. The board members will receive dividends on series A shares until payment date in the form of new synthetic shares. If a board member resigns from his or her position before the stipulated payment date as stated above, the board member has the right to request a prepayment. The prepayment will be made twelve months after the date when the board member resigned or otherwise the original payment date is valid.

Status end of year

Seven board members accepted the right to receive synthetic shares. The number and costs at grant date and at the end of the financial year are disclosed by board member in the table on the previous page.

Remuneration and other committees 2022

The board has three committees:

- Remuneration committee consisting of Hans Stråberg (Chair), Peter Wallenberg Jr and Staffan Bohman. The committee proposed compensation to the President and CEO for approval by the Board. The committee also supported the President and CEO in determining the compensation to the other members of Group Management.
- Audit committee consisting of Anna Ohlsson-Leijon (Chair), Staffan Bohman (until April 22, 2022), Johan Forssell and Hans Stråberg.
- Repurchase committee consisting of Staffan Bohman (Chair) and Hans Stråberg.

Group Management

Group Management consists of the President and CEO and eight other members of the Executive Committee. The compensation to Group Management

[Introduction](#)
[This is Atlas Copco](#)
[The year in review](#)

• Financials

Group

[Consolidated income statement](#)
[Consolidated statement of comprehensive income](#)
[Consolidated balance sheet](#)
[Consolidated statement of changes in equity](#)
[Consolidated statement of cash flows](#)

• Notes

[Parent company](#)
[Other information](#)

5. Employees and personnel expenses, continued

shall consist of base salary, variable compensation, possible long-term incentive (personnel stock options), pension benefits and other benefits.

The following describes the various guidelines in determining the amount of remuneration:

- Base salary is based on competence, area of responsibility, experience and performance.
- Variable compensation is linked to predetermined and measurable criteria which can be financial or non-financial. Non-financial criteria for 2022 has been to reduce the Group's greenhouse gas emissions in line with the Group's science-based targets. The variable compensation is maximized to 80% of the base salary for the President and CEO, 60% for Business Area Presidents, and 50% for other members of Group Management.
- Performance-based personnel stock option program for 2022, see note 23.
- Pension benefits are paid in accordance with a defined contribution plan with premiums set in line with Atlas Copco Group Pension Policy for Swedish Executives and Atlas Copco terms and conditions for expatriate employments.
- Other benefits consist of company car and medical insurance.
- For the expatriates, certain benefits are paid in compliance with the Atlas Copco terms and conditions for expatriate employment.
- A mutual notice of termination of employment of six months shall apply.

The Board may resolve to deviate from the guidelines, in whole or in part, if in a specific case there are special reasons for the deviation and the Board deems deviation is needed to serve the company's long-term interests or to ensure the company's financial viability. No fees are paid to Group Management for board memberships in Group companies.

President and CEO

The variable compensation can give a maximum of 80% of the base salary. The variable compensation is not included in the basis for pension benefits. According to an agreement, the President and CEO has the option to receive variable compensation in the form of cash payment or as a pension contribution. The President and CEO is a member of the Atlas Copco Group Pension Policy for Swedish Executives, which is a defined contribution plan. The contribution is age related and is up to a maximum of 35% of the base salary. These pension plans are vested. In addition, premiums for private health insurance are added. The retirement age of the President and CEO is set at the age of 65.

Other members of Group Management

The variable compensation is not included in the basis for pension benefits. Members of Group Management have defined contribution pension plans, with contribution up to a maximum of 35% of the base salary according to age. These pension plans are vested. The retirement age is 65, unless there is an agreement between the company and the individual on a longer employment.

Termination of employment

The President and CEO is entitled to a severance pay of twelve months if the Company terminates the employment and a further twelve months if other employment is not available.

Other members of Group Management are entitled to severance pay if the Company terminates their employment. The amount of severance pay is dependent on the length of employment with the Company and the age of the executive, but is never less than 12 months and never more than 24 months' salary.

Any income that the President and CEO and other members of Group Management receives from employment or other business activity, whilst severance pay is being paid, will reduce the amount of severance pay accordingly.

Severance pay for the President and CEO and other members of Group Management is calculated only on the base salary and does not include variable compensation. Severance pay cannot be elected by the employee, but will only be paid if employment is terminated by the Company.

Stock options/share appreciation rights, holdings for Group Management – year end

The stock options/share appreciation rights holdings as at December 31 are detailed below:

Stock options/share appreciations rights holdings as at Dec. 31, 2022 ¹⁾		
Grant Year	President and CEO	Other members of Group Management
2016	–	83 479
2017	–	341 169
2018	123 774	444 995
2019	765 254	765 075
2020	18 242	24 463
2021	452 871	508 494
2022 ²⁾	457 184	509 076
Total	1 817 325	2 676 751

¹⁾ The numbers have been adjusted for the effect of the distribution of Epiroc. See note 23 for additional information.

²⁾ Estimated grants for the 2022 stock option program including matching options.

Workforce profile

Atlas Copco strives to grow local leaders where it operates. The geographical spread of employees and senior managers is in continuous development. As a customer-focused company, 49% (51) of all employees work in marketing, sales or service.

Geographical spread of employees as at Dec. 31, 2022, %	Employees	Nationality of senior managers
North America	16	11
South America	4	4
Europe	45	71
Africa/Middle East	3	3
Asia/Oceania	32	11
Total	100	100

Employees by professional category, %	2022	2021
Production	26	24
Marketing	8	8
Sales and support	14	14
Service	27	29
Administration	16	16
Research & development	9	9
Total	100	100

[Introduction](#)
[This is Atlas Copco](#)
[The year in review](#)

• Financials

Group

[Consolidated income statement](#)
[Consolidated statement of comprehensive income](#)
[Consolidated balance sheet](#)
[Consolidated statement of changes in equity](#)
[Consolidated statement of cash flows](#)

• Notes

[Parent company](#)
[Other information](#)

6. Remuneration to auditors

Audit fees and other services	2022	2021
Ernst & Young		
Audit fee	87	67
Other services, tax	3	3
Other services, other	1	1
Other audit firms		
Audit fee	20	15
Other services, tax	4	4
Other services, other	2	1
Total	117	91

Audit fee refers to audit of the financial statements and the accounting records. For the Parent Company, this also includes the administration of the business by the Board of Directors and the President and CEO.

Tax services include mostly tax consultancy services.

Other services essentially comprise consultancy services, such as due diligence services in connection with acquisitions, investigations and similar.

At the Annual General Meeting 2022, Ernst & Young was re-elected as auditor for the Group up to and including the Annual General Meeting 2023.

7. Other operating income and expenses

Other operating income	2022	2021
Commissions received	16	12
Income from insurance operations	138	135
Capital gain on asset held for sale	2	–
Capital gain on sale of property, plant and equipment	59	51
Exchange-rate differences, net	–	392
Other operating income	321	191
Total	536	781
Other operating expenses	2022	2021
Capital loss on sale of property, plant and equipment	–35	–22
Capital loss on divestment of business	–	–28
Exchange-rate differences, net	–574	–
Other operating expenses	–145	–151
Total	–754	–201

7. Other operating income and expenses, continued

Additional information on costs by nature

Cost of goods sold includes expenses for inventories, see note 16, warranty costs and transportation costs.

Salaries, remunerations and employer contributions amounted to 33 580 (27 151) whereof expenses for post-employment benefits amounted to 1 547 (1 286). See note 5 for further details.

Government grants of 243 (210) have been deducted in the related expenses or included in other operating income. Government grants related to assets have been recognized as a deduction when establishing the carrying amount of the asset. Therefore, the government grants are reported as income over the useful life of the asset through a reduction in depreciation expense. The remaining value of these grants, at the end of 2022, amounted to 117 (34).

Included in the operating profit are exchange rate changes on payables and receivables, and the effects from currency hedging. The operating profit also includes –658 (–109) of realized foreign exchange hedging result, which were previously recognized in equity. Amortization, depreciation and impairment charge for the year amounted to 6 347 (5 466). See note 12, 13 and 22 for further details. Costs for research and development amounted to 5 389 (4 125).

8. Financial income and expenses

Financial income and expenses	2022	2021
Interest income:		
– cash and cash equivalents	108	22
– derivatives	165	136
Capital gain:		
– other assets	6	51
Change in fair value – other assets	37	29
Foreign exchange gain, net	27	5
Financial income	343	243
Interest expenses:		
– borrowings	–394	–348
– pension provisions, net	–30	–34
– deferred considerations	–15	–10
Change in fair value – other liabilities and borrowings	–22	–
Impairment loss	–54	–
Financial expenses	–515	–392
Financial expenses, net	–172	–149

Foreign exchange gain/loss, net includes foreign exchange gains of 712 (545) on financial assets at fair value through profit or loss and foreign exchange losses of –685 (–540) on other liabilities.

9. Taxes

Income tax expense	2022	2021
Current taxes	–7 262	–5 372
Deferred taxes	700	96
Total	–6 562	–5 276

The following is a reconciliation of the companies' weighted average tax based on the nominal tax for the country as compared to the actual tax charge:

	2022	2021
Profit before tax	30 044	23 410
Weighted average tax based on national rates	–6 927	–5 481
in %	23.1	23.4
Tax effect of:		
– non-deductible expenses	–278	–268
– withholding and other taxes on dividends	–349	–322
– tax-exempt income	893	686
Adjustments from prior years:		
– current taxes	146	216
– deferred taxes	–45	–60
Effects of tax losses/credits utilized	8	22
Change in tax rate, deferred tax	10	–151
Tax losses not recognized	20	163
Other items	–40	–81
Income tax expense	–6 562	–5 276
Effective tax in %	21.8	22.5

The effective tax rate was 21.8% (22.5). Withholding and other taxes on dividends of –349 (–322) relate to provisions on retained earnings in countries where Atlas Copco incur withholding and other taxes on dividends. Tax-exempt income of 893 (686) refers to income that is not subject to taxation or subject to reduced taxation under local law in various countries. Adjustments from prior years – current tax includes the net from tax issues, tax disputes and also one-time positive tax effects in different countries and amounted to 146 (216).

In 2022, effects of income tax rate changes have affected the result with 10 (–151).

[Introduction](#)
[This is Atlas Copco](#)
[The year in review](#)

• Financials

Group

[Consolidated income statement](#)
[Consolidated statement of comprehensive income](#)
[Consolidated balance sheet](#)
[Consolidated statement of changes in equity](#)
[Consolidated statement of cash flows](#)

• Notes

[Parent company](#)
[Other information](#)

9. Taxes, continued

European Commission's decision on Belgium's tax rulings

On January 11, 2016, the European Commission announced its decision that Belgian tax rulings granted to companies regarding "Excess Profit" shall be considered as illegal state aid and that unpaid taxes shall be reclaimed by the Belgian state. Atlas Copco had such tax ruling since 2010.

Following the European Commission decision, Atlas Copco has paid, in total MEUR 313 (MSEK 2 952). During 2015, Atlas Copco made a provision of MEUR 300 (MSEK 2 802) and paid MEUR 239 (MSEK 2 250) in 2016. In the second quarter of 2017, Atlas Copco paid the remaining amount of MEUR 68 (MSEK 655). During 2017, MEUR 13 (MSEK 125) was expensed as an interest cost.

The Belgian government, as well as Atlas Copco, appealed the decision to the General Court of the European Union (EGC) in Luxembourg and on February 14, 2019, the EGC annulled the decision taken by the European Commission on January 11, 2016. On May 3, 2019, the European Commission appealed the EGC's annulment. Following a decision by the European Court of Justice in 2021, the annulment was incorrect, and the case has again been referred to the General Court for judgement.

In September 2020, the European Commission also published individual opening decision stating that the specific decisions granted by Belgium between 2005 and 2014 regarding tax rulings granted to multinationals regarding "Excess Profit" violated the EU rules for state aid. One of these individual decisions concerns Atlas Copco.

It is likely several years before final decisions are made.

The following table reconciles the net asset balance of deferred taxes at the beginning of the year to the net asset at the end of the year:

Change in deferred taxes	2022	2021
Opening balance net, Jan. 1	-435	-252
Business acquisitions	-657	-173
Charges to profit for the year	700	96
Tax on amounts recorded to other comprehensive income	-65	-90
Translation differences	-95	-16
Closing balance net, Dec. 31	-552	-435

The deferred tax assets and liabilities recognized in the balance sheet are attributable to the following:

Deferred tax assets and liabilities	2022			2021		
	Assets	Liabilities	Net balance	Assets	Liabilities	Net balance
Intangible assets	595	5 195	-4 600	460	4 088	-3 628
Property, plant and equipment ¹⁾	250	1 115	-865	222	850	-628
Other financial assets	43	227	-184	33	131	-98
Inventories	2 525	37	2 488	1 705	25	1 680
Current receivables	321	364	-43	169	274	-105
Operating liabilities	979	29	950	821	11	810
Provisions	340	10	330	344	8	336
Post-employment benefits	509	24	485	788	14	774
Borrowings ¹⁾	1 140	21	1 119	598	15	583
Loss/credit carry-forwards	194	-	194	233	-	233
Other items ²⁾	22	448	-426	3	395	-392
Deferred tax assets/liabilities	6 918	7 470	-552	5 376	5 811	-435
Netting of assets/liabilities	-4 725	-4 725	-	-3 586	-3 586	-
Net deferred tax balances	2 193	2 745	-552	1 790	2 225	-435

¹⁾ The gross amount of deferred tax assets and liabilities relating to right-of-use assets and lease liabilities are included in Property, plant and equipment and Borrowings. The net amount of these items is not material.

²⁾ Other items primarily include tax deductions which are not related to specific balance sheet items.

Deferred tax assets regarding tax loss carry-forwards are reported to the extent that realization of the related tax benefit through future taxable results is probable. At December 31, the Group had total tax loss carry-forwards of 2 404 (2 345), of which deferred tax assets were recognized for 934 (881). The tax value of reported tax loss carry-forwards totals 189 (231). There is no expiration date for utilization of the major part of the tax losses carry-forwards for which deferred tax assets have been recognized.

Tax loss carry-forwards for which no deferred tax have been recognized expire in accordance with below table:

	2022	2021
Expires after 1–2 years	82	111
Expires after 3–4 years	31	69
Expires after 5–6 years	12	29
No expiry date	1 345	1 255
Total	1 470	1 464

Changes in temporary differences during the year that are recognized in the income statement are attributable to the following:

	2022	2021
Intangible assets	249	-75
Property, plant and equipment	-134	73
Other financial assets	8	-11
Inventories	635	178
Current receivables	-72	31
Operating liabilities	71	63
Provisions	-33	-6
Post-employment benefits	-11	-7
Borrowings	115	-4
Other items	-28	-84
Changes due to temporary differences	800	158
Loss/credit carry-forwards	-100	-62
Charges to profit for the year	700	96

[Introduction](#)
[This is Atlas Copco](#)
[The year in review](#)

• Financials

Group

[Consolidated income statement](#)
[Consolidated statement of comprehensive income](#)
[Consolidated balance sheet](#)
[Consolidated statement of changes in equity](#)
[Consolidated statement of cash flows](#)

• Notes

[Parent company](#)
[Other information](#)

10. Other comprehensive income

Other comprehensive income for the year	2022			2021		
	Before tax	Tax	After tax	Before tax	Tax	After tax
Attributable to owners of the parent						
Items that will not be reclassified to profit or loss						
Remeasurements of defined benefit plans	1 550	-420	1 130	808	-160	648
Items that may be reclassified subsequently to profit or loss						
Translation differences:						
– on foreign operations	8 112	174	8 286	4 568	26	4 594
Hedge of net investments in foreign operations	-1 328	273	-1 055	-342	71	-271
Cash flow hedges	13	-2	11	-102	19	-83
Total other comprehensive income	8 347	25	8 372	4 932	-44	4 888
Attributable to non-controlling interests						
Translation differences on foreign operations	-	-	-	3	-	3
Total other comprehensive income	8 347	25	8 372	4 935	-44	4 891

11. Earnings per share

Amounts in SEK	Basic earnings per share		Diluted earnings per share	
	2022	2021 ¹⁾	2022	2021 ¹⁾
Earnings per share	4.82	3.72	4.81	3.71

The calculation of earnings per share presented above is based on profits and number of shares as detailed below.

Profit for the year attributable to owners of the parent	2022	2021
Profit for the year	23 477	18 130

Average number of shares outstanding	2022	2021 ¹⁾
Basic weighted average number of shares outstanding	4 868 350 241	4 870 932 992
Effect of employee stock options	7 577 524	11 149 822
Diluted weighted average number of shares outstanding	4 875 927 765	4 882 082 814

¹⁾ Earnings per share and number of shares are adjusted for share split.

Potentially dilutive instruments

As of December 31, 2022, Atlas Copco had seven outstanding employee stock option programs. For the 2020 program, no options were issued as the EVA target for the Group was not met. The exercise price including adjustment for remaining vesting costs for the 2021 and 2022 programs exceeded the average share price for series A shares, SEK 117.86 per share. These programs are therefore considered anti-dilutive and not included in the calculation of diluted earnings per share. If the average share price, after adjustment with the above, exceeds the strike price in the future, these options will be dilutive, which is the case for the 2016, 2017, 2018 and 2019 programs.

[Introduction](#)
[This is Atlas Copco](#)
[The year in review](#)

• Financials

Group

[Consolidated income statement](#)
[Consolidated statement of comprehensive income](#)
[Consolidated balance sheet](#)
[Consolidated statement of changes in equity](#)
[Consolidated statement of cash flows](#)

• Notes

[Parent company](#)
[Other information](#)

12. Intangible assets

Impairment tests for cash-generating units with goodwill and for intangible assets with indefinite useful lives

Impairment tests (including sensitivity analyses) are performed as per September 30 each year and when there is an indication of impairment.

Current goodwill is monitored for internal management purposes at business area level which also represents the Group's operating segments. The goodwill has therefore been tested for impairment at business area level.

The recoverable amounts of the cash generating units have been calculated as value-in-use based on management's five-year forecast for net cash flows where the most significant assumptions are revenues, operating profits, working capital, and capital expenditures.

All assumptions for the five-year forecast are estimated individually for each of the business areas based on their particular market position and the characteristics and development of their end-markets. The forecasts represent management's assessment and are based on both external and internal sources. The perpetual growth for the period after five years is estimated at 2% (2).

The Group's average weighted cost of capital in 2022 was 8% (8) after tax (approximately 10.5% (10.5) before tax) and has been used in discounting the cash flows to determine the recoverable amounts. The business areas are all relatively diversified and have similar geographical coverage, similar organization and structure and, to a large extent, an industrial customer base. Specific risks, if any, have affected projected cash flows. The same discount rate has therefore been used for all business areas. All business areas are expected to

generate a return well above the values to be tested, including sensitivity analyses/worst-case scenarios.

The following table presents the carrying value of goodwill and trademarks with indefinite useful lives allocated by business area:

	2022		2021	
	Trademarks	Goodwill	Trademarks	Goodwill
Compressor Technique	–	7 132	–	5 580
Vacuum Technique	3 008	14 683	2 640	12 047
Industrial Technique	–	14 884	–	13 124
Power Technique	–	7 600	–	1 362
Total	3 008	44 299	2 640	32 113

The trade names of Edwards, Leybold, CTI and Polycold in the Vacuum Technique business area represent strong trade names that have been used for a long time in their industries. Management's intention is that these trade names will be used for an indefinite period of time. Apart from the assessment of future customer demand and the profitability of the business, future marketing strategy decisions involving the trade names, can affect the carrying value of these intangible assets.

Amortization and impairment of intangible assets are recognized in the following line items in the income statement:

	2022			2021		
	Internally generated	Acquired	Total	Internally generated	Acquired	Total
Cost of sales	32	43	75	41	36	77
Marketing expenses	20	1 131	1 151	15	911	926
Administrative expenses	110	47	157	94	96	190
Research and development expenses	670	624	1 294	498	560	1 058
Total	832	1 845	2 677	648	1 603	2 251

Impairment charges on intangible assets totaled 61 (104) of which 0 (8) was classified as cost of sales, 52 (64) was classified as research and development expenses, and 9 (32) as administrative expenses. Of the impairment charges, 19 (30) was due to capitalized development costs relating to projects discontinued.

Introduction

This is Atlas Copco

The year in review

- Financials

- Group

Consolidated income statement

Consolidated statement of comprehensive income

Consolidated balance sheet

Consolidated statement of changes in equity

Consolidated statement of cash flows

- Notes

Parent company

Other information

12. Intangible assets, continued

2022	Internally generated intangible assets		Acquired intangible assets				Goodwill	Total
	Product development	Other technology and contract based	Product development	Trademarks	Marketing and customer related	Other technology and contract based		
Cost								
Opening balance, Jan. 1	6 720	1 774	610	4 866	11 226	8 506	32 144	65 846
Investments	1 049	209	–	–	8	105	–	1 371
Business acquisitions	–	–	14	447	1 977	1 339	7 838	11 615
Disposals	–186	–264	–	–30	–70	–27	–	–577
Reclassifications	–13	29	–4	–	–34	30	7	15
Translation differences	427	127	76	606	1 397	990	4 349	7 972
Closing balance, Dec. 31	7 997	1 875	696	5 889	14 504	10 943	44 338	86 242
Amortization and impairment losses								
Opening balance, Jan. 1	3 620	1 128	101	1 418	5 305	3 895	31	15 498
Amortization for the period	615	157	10	160	977	697	–	2 616
Impairment charge for the period	52	8	–	–	–	1	–	61
Disposals	–176	–264	–	–30	–70	–27	–	–567
Reclassifications	–	1	–	–	–34	30	7	4
Translation differences	219	77	4	140	699	423	1	1 563
Closing balance, Dec. 31	4 330	1 107	115	1 688	6 877	5 019	39	19 175
Carrying amounts at Jan. 1	3 100	646	509	3 448	5 921	4 611	32 113	50 348
Carrying amounts at Dec. 31	3 667	768	581	4 201	7 627	5 924	44 299	67 067

2021	Internally generated intangible assets		Acquired intangible assets				Goodwill	Total
	Product development	Other technology and contract based	Product development	Trademarks	Marketing and customer related	Other technology and contract based		
Cost								
Opening balance, Jan. 1	5 414	1 565	469	4 501	9 768	7 858	28 904	58 479
Investments	1 106	192	1	–	–	90	–	1 389
Business acquisitions	–	–	–	66	855	228	1 418	2 567
Disposals	–12	–25	–14	–3	–19	–51	–	–124
Reclassifications	50	–5	110	–	–	–150	–	5
Translation differences	162	47	44	302	622	531	1 822	3 530
Closing balance, Dec. 31	6 720	1 774	610	4 866	11 226	8 506	32 144	65 846
Amortization and impairment losses								
Opening balance, Jan. 1	3 041	975	43	1 219	4 207	3 123	31	12 639
Amortization for the period	447	137	3	141	783	636	–	2 147
Impairment charge for the period	51	13	–	–	–	40	–	104
Disposals	–12	–25	–14	–3	–19	–51	–	–124
Reclassifications	24	–5	60	–	–	–78	–	1
Translation differences	69	33	9	61	334	225	–	731
Closing balance, Dec. 31	3 620	1 128	101	1 418	5 305	3 895	31	15 498
Carrying amounts at Jan. 1	2 373	590	426	3 282	5 561	4 735	28 873	45 840
Carrying amounts at Dec. 31	3 100	646	509	3 448	5 921	4 611	32 113	50 348

Other technology and contract based intangible assets include computer software, patents, and contract based rights such as licenses and franchise agreements. Marketing and customer related intangible assets include Internet domain names, customer lists, customer contracts and relationships with customers. All intangible assets other than goodwill and trademarks with indefinite useful lives are amortized.

For information regarding principles for amortization and impairment, see note 1.

See note 2 for information on business acquisitions.

Introduction

This is Atlas Copco

The year in review

- Financials

- Group

- Consolidated income statement

- Consolidated statement of comprehensive income

- Consolidated balance sheet

- Consolidated statement of changes in equity

- Consolidated statement of cash flows

- Notes

- Parent company

- Other information

13. Property, plant and equipment

2022	Buildings and land	Machinery and equipment	Construction in progress and advances	Total	Rental equipment
Cost					
Opening balance, Jan. 1	6 757	13 184	1 204	21 145	5 961
Investments	91	839	2 734	3 664	884
Business acquisitions	501	302	5	808	13
Disposals	-75	-499	-	-574	-314
Reclassifications	431	1 275	-1 668	38	-21
Translation differences	645	1 199	143	1 987	764
Closing balance, Dec. 31	8 350	16 300	2 418	27 068	7 287
Depreciation and impairment losses					
Opening balance, Jan. 1	2 842	9 307	5	12 154	3 619
Depreciation for the period	278	1 283	-	1 561	775
Impairment charge for the period	-	-	-	-	4
Disposals	-52	-465	-	-517	-242
Reclassifications	32	16	-	48	-21
Translation differences	275	827	-	1 102	463
Closing balance, Dec. 31	3 375	10 968	5	14 348	4 598
Carrying amounts at Jan. 1	3 915	3 877	1 199	8 991	2 342
Carrying amounts at Dec. 31	4 975	5 332	2 413	12 720	2 689

2021	Buildings and land	Machinery and equipment	Construction in progress and advances	Total	Rental equipment
Cost					
Opening balance, Jan. 1	6 355	11 710	670	18 735	5 223
Investments	51	607	1 312	1 970	510
Business acquisitions	82	29	-	111	228
Divestment of business	-13	-1	-	-14	-
Disposals	-215	-444	-8	-667	-324
Reclassifications	145	671	-825	-9	-25
Translation differences	352	612	55	1 019	349
Closing balance, Dec. 31	6 757	13 184	1 204	21 145	5 961
Depreciation and impairment losses					
Opening balance, Jan. 1	2 636	8 210	-	10 846	2 982
Depreciation for the period	247	1 087	-	1 334	707
Impairment charge for the period	3	19	5	27	-
Disposals	-181	-422	-	-603	-278
Reclassifications	-4	-	-	-4	-12
Translation differences	141	413	-	554	220
Closing balance, Dec. 31	2 842	9 307	5	12 154	3 619
Carrying amounts at Jan. 1	3 719	3 500	670	7 889	2 241
Carrying amounts at Dec. 31	3 915	3 877	1 199	8 991	2 342

For information regarding principles for depreciation and impairment, see note 1.

See note 2 for information on business acquisitions.

[Introduction](#)
[This is Atlas Copco](#)
[The year in review](#)

• Financials

Group

[Consolidated income statement](#)
[Consolidated statement of comprehensive income](#)
[Consolidated balance sheet](#)
[Consolidated statement of changes in equity](#)
[Consolidated statement of cash flows](#)

• Notes

[Parent company](#)
[Other information](#)

14. Investments in associated companies and joint ventures

Accumulated capital participation	2022	2021
Opening balance, Jan. 1	931	931
Dividends	-40	-36
Profit for the year after income tax	29	36
Translation differences	19	0
Closing balance, Dec. 31	939	931

The tables below are based on the most recent financial reporting available from associated companies and joint ventures. ISRA Immobilie Berlin GmbH was sold during 2022 and is no longer an associated company within Atlas Copco.

2022								
Summary of financial information for associated companies and joint ventures	Country	Assets ¹⁾	Liabilities ¹⁾	Equity ¹⁾	Revenues ¹⁾	Profit for the year ¹⁾	Group's share, % ²⁾	Carrying value Dec. 31
Associated companies								
Qingdao Qianshao Pneumatic Tool Manufacturing Tech Ltd.	China	73	29	44	46	1	25	11
Reintube S.L.	Spain	9	4	5	13	1	47	0
Joint ventures								
Toku-Hanbai Group	Japan	443	182	261	1 273	11	50	128
Ulvac Cryogenics Inc.	Japan	1 237	415	822	718	48	50	800
Total								939

¹⁾ Presented amounts for associated companies and joint ventures are for 100% of the company.

²⁾ The Atlas Copco percentage share of each holding represents both ownership interest and voting power.

2021								
Summary of financial information for associated companies and joint ventures	Country	Assets ¹⁾	Liabilities ¹⁾	Equity ¹⁾	Revenues ¹⁾	Profit for the year ¹⁾	Group's share, % ²⁾	Carrying value Dec. 31
Associated companies								
Qingdao Qianshao Pneumatic Tool Manufacturing Tech Ltd.	China	59	18	41	31	-7	25	10
Reintube S.L.	Spain	9	5	4	14	0	47	1
ISRA Immobilie Berlin GmbH	Germany	74	80	-6	6	1	49.99	0
Joint ventures								
Toku-Hanbai Group	Japan	419	183	236	883	16	50	118
Ulvac Cryogenics Inc.	Japan	1 260	430	830	716	59	50	802
Total								931

¹⁾ Presented amounts for associated companies and joint ventures are for 100% of the company.

²⁾ The Atlas Copco percentage share of each holding represents both ownership interest and voting power.

15. Other financial assets

The fair value of financial instruments under other financial assets corresponds to their carrying value.

	2022	2021
Non-current		
Pension and other similar benefit assets (note 23)	1 423	781
Financial assets at fair value through OCI	1	16
Financial assets at fair value through profit or loss	86	37
Financial assets measured at amortized cost:		
– lease receivables	67	72
– other financial receivables	91	59
Closing balance, Dec. 31	1 668	965
Current		
Financial assets at fair value through profit or loss	591	587
Financial assets measured at amortized cost:		
– lease receivables	27	29
– other financial receivables	271	231
Closing balance, Dec. 31	889	847

See note 22 for information on leases and note 27 for information on credit risk.

[Introduction](#)
[This is Atlas Copco](#)
[The year in review](#)

• Financials

Group

[Consolidated income statement](#)
[Consolidated statement of comprehensive income](#)
[Consolidated balance sheet](#)
[Consolidated statement of changes in equity](#)
[Consolidated statement of cash flows](#)

• Notes

[Parent company](#)
[Other information](#)

16. Inventories

	2022	2021
Raw materials	5 260	3 052
Work in progress	5 524	3 553
Semi-finished goods	7 623	4 963
Finished goods	8 812	6 233
Closing balance, Dec. 31	27 219	17 801

Provisions for obsolescence and other write-downs of inventories recorded as cost of sales amounted to 560 (553). Reversals of write-downs which were recognized in earnings totaled 35 (71). Previous write-downs have been reversed as a result of improved market conditions in certain markets.

Inventories recognized as expense amounted to 60 607 (46 717).

17. Trade receivables

The fair value for trade receivables corresponds to their carrying value. Trade receivables are measured at amortized cost.

Expected credit losses, trade	2022	2021
Opening balance, Jan. 1	745	780
Business acquisitions and divestments	99	42
Provisions recognized for potential losses	367	268
Amounts used for established losses	-118	-172
Release of unnecessary provisions	-191	-222
Translation differences	74	49
Closing balance, Dec. 31	976	745

Trade receivables of 29 910 (21 954) are reported net of expected credit losses and other impairments amounting to 976 (745).

Expected credit losses and impairment losses recognized in the income statement totaled 147 (-10).

For credit risk information, see note 27.

18. Other receivables

The fair value of financial instruments included in other receivables corresponds to their carrying value.

	2022	2021
Derivatives:		
– at fair value through profit or loss	34	9
Financial assets measured at amortized cost:		
– other receivables	4 085	2 922
– contract assets	4 738	3 545
Prepaid expenses	1 174	943
Closing balance, Dec. 31	10 031	7 419

Other receivables consist primarily of VAT claims and advances to suppliers. Contract assets relate mainly to service and construction projects. Impairment losses recognized on contract assets were insignificant. Prepaid expenses include items such as insurance, IT and employee costs.

See note 27 for information on the Group's derivatives.

19. Cash and cash equivalents

The fair value of cash and cash equivalents corresponds to their carrying value. Cash and cash equivalents are measured at amortized cost.

	2022	2021
Cash	10 016	17 863
Cash equivalents	1 238	1 127
Closing balance, Dec. 31	11 254	18 990

Cash and cash equivalents includes cash in Russia, amounting to 257 MSEK, which is not immediately available for use by the Group. Cash in Russia can mainly be used to cover costs of operations. Since these have dropped significantly, there is excess cash.

During the year, cash and cash equivalents had an estimated average effective interest rate of 0.71% (0.15). The committed, but unutilized, credit lines were MEUR 1 640 (1 640), which equaled to MSEK 18 277 (16 788).

See note 27 for additional information.

Introduction

This is Atlas Copco

The year in review

• Financials

Group

Consolidated income statement

Consolidated statement of comprehensive income

Consolidated balance sheet

Consolidated statement of changes in equity

Consolidated statement of cash flows

• Notes

Parent company

Other information

20. Equity

Shares outstanding	2022			2021		
	A shares	B shares	Total	A shares	B shares	Total
Opening balance, Jan. 1	839 394 096	390 219 008	1 229 613 104	839 394 096	390 219 008	1 229 613 104
Share split	3 357 576 384	1 560 876 032	4 918 452 416	–	–	–
	4 196 970 480	1 951 095 040	6 148 065 520	839 394 096	390 219 008	1 229 613 104
Redemption of shares	–799 996 017	–390 219 008	–1 190 215 025	–	–	–
Redemption of shares held by Atlas Copco	–39 398 079	–	–39 398 079	–	–	–
Total number of shares, Dec. 31	3 357 576 384	1 560 876 032	4 918 452 416	839 394 096	390 219 008	1 229 613 104
– of which held by Atlas Copco	–50 095 451	–	–50 095 451	–11 422 736	–	–11 422 736
Total shares outstanding, Dec. 31	3 307 480 933	1 560 876 032	4 868 356 965	827 971 360	390 219 008	1 218 190 368

At December 31, 2022 Atlas Copco AB's share capital amounted to SEK 786 008 190 distributed among 4 918 452 416 shares, each with a quota value of approximately SEK 0.16 (0.64). Series A shares entitle the holder to one voting right and series B shares entitle the holder to one-tenth of a voting right per share. In the below table the transactions for year 2022 shows the actual number of shares repurchased and divested. A share split was conducted during Q2 2022.

Repurchases/Divestment of shares	Number of shares held by Atlas Copco						Cost value affecting equity	
	2022	AGM mandate 2022 Apr.–Dec.	AGM mandate 2021 Jan.–Mar.	2021	AGM mandate 2021 Apr.–Dec.	AGM mandate 2020 Jan.–Mar.	2022	2021
Opening balance, Jan. 1	11 422 736			13 420 451			3 386	3 718
Repurchase of A shares	1 870 000	1 270 000	600 000	700 000	700 000		864	416
Divestment of A shares	–2 595 364	–130 993	–2 464 371	–2 697 715	–2 039 772	–657 943	–243	–748
Share split	39 398 079	–	–	–	–	–	–	–
Closing balance, Dec. 31	50 095 451			11 422 736			4 007	3 386
Percentage of shares outstanding	1.0%			0.9%				

The 2022 AGM approved a mandate for the Board of Directors to repurchase and sell series A shares on Nasdaq Stockholm in order to fulfill the obligations under the performance stock option plan. The mandate is valid until the next AGM and allows:

- The purchase of not more than 3 000 000 series A shares, whereof a maximum 2 400 000 may be transferred to personnel stock option holders under the performance stock option plan 2022.
- The purchase of not more than 15 000 series A shares, later to be sold on the market in connection with payment to board members who have opted to receive synthetic shares as part of their board fee.
- The sale of not more than 15 000 series A shares to cover costs related to previously issued synthetic shares to board members.
- The sale of maximum 8 800 000 series A shares in order to cover the obligations under the performance stock option plans 2016, 2017, 2018 and 2019.

The 2021 AGM approved a mandate for the Board of Directors to repurchase and sell series A shares and series B shares on Nasdaq Stockholm in order to fulfill the obligations under the performance stock option plan. The mandate is valid until the next AGM and allows:

- The purchase of not more than 2 450 000 series A shares, whereof a maximum 2 000 000 may be transferred to personnel stock option holders under the performance stock option plan 2021.
- The purchase of not more than 15 000 series A shares, later to be sold on the market in connection with payment to board members who have opted to receive synthetic shares as part of their board fee.
- The sale of not more than 15 000 series A shares to cover costs related to previously issued synthetic shares to board members.

- The sale of maximum 6 800 000 series A and B shares in order to cover the obligations under the performance stock option plans 2016, 2017 and 2018.
- Repurchases and sales are subject to market conditions, regulatory restrictions, and the capital structure at any given time. During 2022, 1 870 000 series A shares were repurchased while 2 595 364 series A shares were divested in accordance with mandates granted by the 2021 and 2022 AGM. Further information regarding repurchases and sales in accordance with AGM mandates is presented in the table above. The series A shares are held for possible delivery under the 2016–2022 personnel stock option programs.

The series A shares held can be divested over time to cover costs related to the personnel stock option programs, including social insurance charges, cash settlements or performance of alternative incentive solutions in countries where allotment of employee stock options are unsuitable. The total number of shares of series A and series B held by Atlas Copco is presented in the table above.

Reserves

Consolidated equity includes certain reserves which are described below:

Hedging reserve comprises the effective portion of net changes in fair value for certain cash flow hedging instruments.

Translation reserve comprises all exchange differences arising from the translation of the financial statements of foreign operations, the translation of intra-group receivables from or liabilities to foreign operations that in substance are part of the net investment in the foreign operations, as well as from the translation of liabilities that hedge the company's net investments in foreign operations.

Non-controlling interest amounts to 50 (1). In the third quarter of 2022, the Group acquired LEWA GmbH and subsidiaries. In one of the subsidiaries, LEWA Pumps Dalian Co. Ltd. there is non-controlling interest. Subsequent to this acquisition, there are six subsidiaries that have non-controlling interest. The non-controlling interests are not material to the Group.

Appropriation of profit

The Board of Directors proposes a dividend of SEK 2.30 (1.90 adjusted for share split) per share, totaling SEK 11 197 221 020 if shares held by the company on December 31, 2022 are excluded.

Retained earnings including reserve for fair value	124 083 709 433
Profit for the year	32 433 451 449
	156 517 160 882

The Board of Directors proposes that these earnings be appropriated as follows:

To the shareholders, a dividend of SEK 2.30 per share	11 197 221 020
To be retained in the business	145 319 939 862
Total	156 517 160 882

The proposed dividend for 2021 amounted of SEK 1.90 per share was approved by the AGM on April 26, 2022 and was paid accordingly by Atlas Copco AB. Total dividend paid amounted to SEK 9 250 490 688.

Introduction

This is Atlas Copco

The year in review

• Financials

Group

Consolidated income statement

Consolidated statement of comprehensive income

Consolidated balance sheet

Consolidated statement of changes in equity

Consolidated statement of cash flows

• Notes

Parent company

Other information

21. Borrowings

	Maturity	Repurchased nominal amount	2022		2021	
			Carrying amount	Fair value	Carrying amount	Fair value
Non-current						
Medium Term Note Program MEUR 500	2023	MEUR 186	3 497	3 500	5 114	5 283
Medium Term Note Program MEUR 500	2026		5 568	5 063	5 114	5 226
Medium Term Note Program MEUR 300	2029		3 324	2 656	3 050	3 019
Medium Term Note Program MEUR 500	2032		5 513	4 316	–	–
Bilateral borrowings EIB MEUR 200	2022	MEUR 100	–	–	1 024	1 026
Bilateral borrowings NIB MEUR 200	2024		2 229	2 257	2 047	2 078
Bilateral borrowings EIB MEUR 200	2027		2 229	1 958	2 047	2 051
Bilateral borrowings EIB MEUR 100	2028		1 114	959	1 024	1 024
Other bank loans			283	282	167	167
Less current portion of long-term borrowings			–3 524	–3 527	–1 045	–1 026
Total non-current bonds and loans			20 233	17 464	18 542	18 848
Lease liabilities			3 505	3 505	2 328	2 328
Other financial liabilities			32	32	23	23
Total non-current borrowings			23 770	21 001	20 893	21 199
Current						
Current portion of long-term borrowings			3 524	3 527	1 045	1 026
Short-term loans			7 725	7 735	1 915	1 915
Lease liabilities			1 314	1 314	1 021	1 021
Total current borrowings			12 563	12 576	3 981	3 962
Closing balance, Dec. 31			36 333	33 577	24 874	25 161

The difference between carrying value and fair value relates to the measurement method as certain liabilities are reported at amortized cost and not at fair value. Changes in interest rates and credit margins create the difference between fair value and amortized cost. See additional information about the Group's exposure to interest rate risk and foreign currency risk in note 27.

In February 2022, Atlas Copco issued a 10-year MEUR 500 public bond with a coupon of 0.75% and repurchased MEUR 186 of a MEUR 500 public bond with maturity February 2023. In December 2022, MEUR 100 of a maturing loan from the European Investment Bank (EIB) was repaid. During the year, short-term bank facilities of MEUR 750 were put in place. MEUR 500 of these facilities were drawn at December 31.

Short term loans include supply chain financing contracts with remaining payment terms exceeding 180 days.

Atlas Copco's long-term and short-term debt is rated by Standard & Poor's and Fitch with the long-/short-term rating A+/A- and A+/F1+, respectively.

The Group's credit facilities are specified in the table below.

Credit facilities	Nominal amount	Maturity	Utilized
Commercial papers ¹⁾²⁾	MSEK 10 000		–
Credit-line	MEUR 640	2026	–
Credit-line	MEUR 1 000	2025	–
Equivalent in SEK	MSEK 28 277		–

¹⁾ Interest is based on market conditions at the time when the facility is utilized. Maturity is set when the facility is utilized.

²⁾ The maximum amounts available under these programs total MSEK 10 000 (14 095).

The Group's short-term and long-term borrowings are distributed among the currencies detailed in the table below.

Currency	2022			2021		
	Local currency (millions)	MSEK	%	Local currency (millions)	MSEK	%
EUR	2 877	32 062	88	2 165	22 166	89
SEK	620	620	2	184	184	1
USD	110	1 153	3	81	734	3
Others	–	2 498	7	–	1 790	7
Total		36 333	100		24 874	100

The following table shows the maturity structure of the Group's borrowings.

Maturity	Fixed	Floating ¹⁾	Carrying amount	Fair value
2023	4 024	8 539	12 563	12 577
2024	1 040	2 229	3 269	3 375
2025	697	–	697	697
2026	6 081	–	6 081	5 575
2027	2 618	–	2 618	2 347
2028	1 392	–	1 392	1 236
2029	3 547	–	3 547	2 860
2030	173	–	173	173
2031 and after	5 993	–	5 993	4 737
Total	25 565	10 768	36 333	33 577

¹⁾ Floating interest in the table corresponds to borrowings with fixings shorter or equal to six months.

Introduction
This is Atlas Copco
The year in review

• Financials

Group

Consolidated income statement

Consolidated statement of comprehensive income

Consolidated balance sheet

Consolidated statement of changes in equity

Consolidated statement of cash flows

• Notes

Parent company

Other information

21. Borrowings, continued

2022	Cash changes						Non cash changes						Closing balance, Dec. 31
	Reconciliation of liabilities from financing activities	Opening balance, Jan. 1	Financing cash flows	Business acquisitions	Lease additions	Lease deductions	Business acquisitions and divestments	Change in fair value through P/L	Change in fair value through equity	FX change	Reclassification	Other	
Non-current													
Non-current bonds and loans	18 542	3 409	–	–	–	27	14	587	541	–2 887	–	–	20 233
Lease liabilities	2 328	–	–	1 397	–35	252	28	–	223	–688	–	–	3 505
Other financial liabilities	23	–667	–	–	–	648	2	–	20	6	–	–	32
Total non-current liabilities	20 893	2 742	–	1 397	–35	927	44	587	784	–3 569	–	–	23 770
Current													
Current portion of long-term borrowings	1 045	–1 118	–	–	–	9	–	700	2	2 886	–	–	3 524
Short-term loans	1 915	4 616	–	–	–	762	–	–	430	2	–	–	7 725
Lease liabilities	1 021	–1 469 ¹⁾	–	883	–72	117	56	–	97	681	–	–	1 314
Total current liabilities	3 981	2 029	–	883	–72	888	56	700	529	3 569	–	–	12 563
Total	24 874	4 771	–	2 280	–107	1 815	100	1 287	1 313	–	–	–	36 333

¹⁾ Includes paid interest on lease liabilities.

2021	Cash changes						Non cash changes						Closing balance, Dec. 31
	Reconciliation of liabilities from financing activities	Opening balance, Jan. 1	Financing cash flows	Business acquisitions	Lease additions	Lease deductions	Business acquisitions and divestments	Change in fair value through P/L	Change in fair value through equity	FX change	Reclassification	Other	
Non-current													
Non-current bonds and loans	19 250	–136	–	–	–	86	8	300	81	–1 038	–9	–	18 542
Lease liabilities	2 400	–	–	447	–94	81	20	–	128	–654	–	–	2 328
Other financial liabilities	19	4	–4	–	–	2	1	–	1	–	–	–	23
Total non-current liabilities	21 669	–132	–4	447	–94	169	29	300	210	–1 692	–9	–	20 893
Current													
Current portion of long-term borrowings	1	–14	–	–	–	–	–	–	–	1 058	–	–	1 045
Short-term loans	1 793	95	–	–	–	24	–	–	35	–20	–12	–	1 915
Lease liabilities	969	–1 214 ¹⁾	–	565	–75	25	48	–	49	654	–	–	1 021
Total current liabilities	2 763	–1 133	–	565	–75	49	48	–	84	1 692	–12	–	3 981
Total	24 432	–1 265	–4	1 012	–169	218	77	300	294	–	–21	–	24 874

¹⁾ Includes paid interest on lease liabilities.

Cash flow from financing activities also includes net "Settlement of CSA" (Credit Support Annex) of MSEK –24 (–440) which is not included in the tables above.

Introduction

This is Atlas Copco

The year in review

- Financials

- Group

Consolidated income statement

Consolidated statement of comprehensive income

Consolidated balance sheet

Consolidated statement of changes in equity

Consolidated statement of cash flows

- Notes

Parent company

Other information

22. Leases

Group as a lessee

Atlas Copco's lease portfolio consists mainly of leased buildings such as offices and warehouses, vehicles and production equipment. There are several lease contracts with extension options and variable lease payments. Carrying amounts and movements of the right-of-use asset are presented in the tables below:

Right-of-use assets, 2022	Buildings and land	Machinery and equipment	Rental equipment	Total
Cost				
Opening balance, Jan. 1	4 117	1 776	34	5 927
Additions	1 679	599	–	2 278
Business acquisitions	311	39	–	350
Deductions	–401	–501	–23	–925
Reclassifications	–8	–	–	–8
Translation differences	411	173	2	586
Closing balance, Dec. 31	6 109	2 086	13	8 208
Depreciation and impairment losses				
Opening balance, Jan. 1	1 738	920	25	2 683
Depreciation and impairment for the period	827	499	4	1 330
Deductions	–335	–461	–22	–818
Reclassifications	–4	–	–	–4
Translation differences	172	92	1	265
Closing balance, Dec. 31	2 398	1 050	8	3 456
Carrying amounts, Jan. 1	2 379	856	9	3 244
Carrying amounts, Dec. 31	3 711	1 036	5	4 752

Right-of-use assets, 2021	Buildings and land	Machinery and equipment	Rental equipment	Total
Cost				
Opening balance, Jan. 1	3 491	1 510	38	5 039
Additions	583	434	–	1 017
Business acquisitions and divestments	84	19	7	110
Deductions	–246	–245	–12	–503
Reclassifications	–11	–13	–	–24
Translation differences	216	71	1	288
Closing balance, Dec. 31	4 117	1 776	34	5 927
Depreciation and impairment losses				
Opening balance, Jan. 1	1 080	674	24	1 778
Depreciation and impairment for the period	701	438	8	1 147
Divestments	–	–1	–	–1
Deductions	–109	–218	–7	–334
Reclassifications	–15	–8	–	–23
Translation differences	81	35	–	116
Closing balance, Dec. 31	1 738	920	25	2 683
Carrying amounts, Jan. 1	2 411	836	14	3 261
Carrying amounts, Dec. 31	2 379	856	9	3 244

The following amounts have been recognized in profit or loss:

Leasing in income statement	2022	2021
Depreciation and impairment expense on right-of-use assets	–1 330	–1 147
Interest expense on lease liabilities	–85	–68
Expense relating to leases of low value assets	–74	–53
Expense relating to short-term leases	–155	–105
Expense relating to variable lease payments	–24	–27
Income from subleasing right-of-use assets	6	8
Total amount recognized in profit or loss	–1 662	–1 392

For cash outflows related to leases, the principal payment amounts to 1 403 (1 154) and the interest portion of lease payments to 67 (60). The principal payment is recognized as cash flow from financing activities and the interest portion of the lease payment as cash flow from operating activities, net financial items paid. For further information, see consolidated statements of cash flow and note 21.

Lease contracts that include extension options are mainly related to premises, machinery and equipment. Management uses significant judgement in determining whether these extension options are reasonably certain to be exercised. Extension options reasonably certain to be exercised are included in the lease term. Future cash outflow relating to extension options expected not to be exercised amounts to 137 (175). For leases that have not yet commenced, the future cash outflow amounts to 86 (48).

For carrying amounts and movements of lease liabilities related to the right-of-use assets, see note 21.

The maturity analysis of lease liabilities is disclosed in note 27.

[Introduction](#)
[This is Atlas Copco](#)
[The year in review](#)
[• Financials](#)
[Group](#)
[Consolidated income statement](#)
[Consolidated statement of comprehensive income](#)
[Consolidated balance sheet](#)
[Consolidated statement of changes in equity](#)
[Consolidated statement of cash flows](#)
[• Notes](#)
[Parent company](#)
[Other information](#)

22. Leases, continued

Group as a lessor

As a lessor, the Group has finance and operating lease contracts, see note 1 for further information.

Finance leases – lessor

Atlas Copco has equipment which is leased to customers under finance leases. Future payments to be received fall due as follows:

	2022		2021	
	Gross investment	Present value of minimum lease payments	Gross investment	Present value of minimum lease payments
Less than one year	28	27	31	29
Between one and five years	64	60	67	61
More than five years	4	3	9	6
Total	96	90	107	96
Unearned finance income	–	2	–	6
Unguaranteed residual value	–	4	–	5
Total	96	96	107	107

Operating leases – lessor

Atlas Copco has equipment which is leased to customers under operating leases. Future payments for non-cancellable operating leasing contracts fall due as follows:

	2022	2021
Less than one year	117	117
Between one and five years	222	235
More than five years	52	47
Total	391	399

Contingent rent recognized as income amounted to 1 (1).

[Introduction](#)
[This is Atlas Copco](#)
[The year in review](#)

• Financials

Group

[Consolidated income statement](#)
[Consolidated statement of comprehensive income](#)
[Consolidated balance sheet](#)
[Consolidated statement of changes in equity](#)
[Consolidated statement of cash flows](#)

• Notes

[Parent company](#)
[Other information](#)

23. Employee benefits

Post-employment benefits

Atlas Copco provides post-employment defined benefit pensions and other long-term employee benefits in most of its major locations. The most significant countries in terms of size of plans are Belgium, Germany, Sweden, the United Kingdom and the United States. Some plans are funded in advance with certain assets or funds held separately from the Group for future benefit payment obligations. Other plans are unfunded and the benefits from those plans are paid by the Group as they fall due.

The plans in Belgium cover early retirement, jubilee, and termination indemnity. These plans are unfunded.

The plans in Germany cover pensions, early retirements and jubilee. The plans are funded.

There are three defined benefit pension plans in Sweden. The ITP plan is a final salary pension plan covering the majority of white-collar employees in Sweden. Atlas Copco finances the benefits through a pension foundation. The second plan relates to a group of employees earning more than ten income base amounts that has opted out from the ITP plan. This plan is insured. The third defined benefit pension plan relates to former senior employees now retired. In Sweden, in addition to benefits relating to retirement pensions, Atlas Copco has obligations for family pensions for many of the Swedish employees, which are funded through a third-party insurer, Alecta. This plan is accounted for as a defined contribution plan as sufficient information for calculating the net pension obligation is not available.

In the United Kingdom, there is a final salary pension plan. This plan is funded. In 2010, the plan was converted to a defined contribution plan for future services.

In the United States, Atlas Copco provides a pension plan, a post-retirement medical plan, and a number of supplemental retirement pension benefits for executives. The pension plan is funded while the other plans are unfunded.

The Group identifies a number of risks in investments of pension plan assets. The main risks are interest rate risk, market risk, counterparty risk, liquidity and inflation risk, and currency risk. The Group is working on a regular basis to handle the risks and has a long-term investment horizon. The investment portfolio should be diversified, which means that multiple asset classes, markets and issuers should be utilized. An asset and liability management assessment should be conducted periodically. The study should include a number of elements. The most important elements are the duration of the assets and the timing of liabilities, the expected return of the assets, the expected development of liabilities, the forecasted cash flows and the impact of a shift in interest rates on the obligation.

The net obligations for post-employment benefits and other long-term employee benefits have been recorded in the balance sheet as follows:

	2022	2021
Financial assets (note 15)	-1 423	-781
Post-employment benefits	2 380	3 114
Other provisions (note 25)	93	91
Closing balance, net	1 050	2 424

The tables below show the Group's obligations for post-employment benefits and other long-term employee benefits, the assumptions used to determine these obligations and the assets relating to these obligations for employee benefits, as well as the amounts recognized in the income statement and the balance sheet. The net amount recognized in the balance sheet amounted to 1 050 (2 424). The weighted average duration of the obligation is 12.5 (15.8) years.

Post-employment benefits					
2022	Funded pension plans	Unfunded pension plans	Other funded plans	Other unfunded plans	Total
Present value of defined benefit obligations	8 017	1 428	71	151	9 667
Fair value of plan assets	-8 743	-	-94	-	-8 837
Present value of net obligations	-726	1 428	-23	151	830
Effect of asset ceiling	175	-	-	-	175
Other long-term service obligations	-	-	45	-	45
Net amount recognized in the balance sheet	-551	1 428	22	151	1 050

Post-employment benefits					
2021	Funded pension plans	Unfunded pension plans	Other funded plans	Other unfunded plans	Total
Present value of defined benefit obligations	10 350	1 451	76	153	12 030
Fair value of plan assets	-9 586	-	-85	-	-9 671
Present value of net obligations	764	1 451	-9	153	2 359
Effect of asset ceiling	25	-	-	-	25
Other long-term service obligations	-	-	40	-	40
Net amount recognized in the balance sheet	789	1 451	31	153	2 424

Plan assets consist of the following:	2022			2021
	Quoted market price	Unquoted market price	Total	
Debt instruments	863	274	1 137	1 152
Equity instruments	771	387	1 158	1 033
Property	1 040	831	1 871	1 758
Assets held by insurance companies	125	1 501	1 626	1 973
Cash	396	-	396	622
Investment funds	682	574	1 256	1 518
Derivatives	675	6	681	791
Others	287	425	712	824
Closing balance, Dec. 31	4 839	3 998	8 837	9 671

Introduction

This is Atlas Copco

The year in review

• Financials

Group

Consolidated income statement

Consolidated statement of comprehensive income

Consolidated balance sheet

Consolidated statement of changes in equity

Consolidated statement of cash flows

• Notes

Parent company

Other information

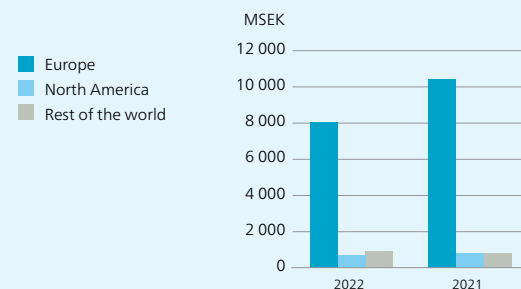
23. Employee benefits, continued

Movements in plan assets	2022	2021
Fair value of plan assets at Jan. 1	9 671	8 321
Business acquisitions	24	–
Interest income	139	107
Remeasurement – return on plan assets	–1 526	991
Settlements	–	–12
Employer contributions	188	100
Plan members contributions	16	13
Administrative expenses	–15	–14
Benefit paid by the plan	–274	–312
Translation differences	614	477
Fair value of plan assets, Dec. 31	8 837	9 671

The plan assets are allocated among the following geographic areas:	2022	2021
Europe	7 664	8 556
North America	615	682
Rest of the world	558	433
Total	8 837	9 671

Asset ceiling	2022	2021
Asset ceiling at Jan. 1	25	–
Interests	1	–
Remeasurements – asset ceiling	135	24
Translation differences	14	1
Asset ceiling, Dec. 31	175	25

The defined benefit obligations for employee benefits consist of plans in the following geographic areas:



Movements in present value of the obligations for defined benefits	2022	2021
Defined benefit obligations at Jan. 1	12 030	11 376
Current service cost	374	356
Past service cost	–10	–7
Interest expense (+)	168	141
Actuarial gains (–)/ losses (+) arising from experience adjustments	423	–11
Actuarial gains (–)/ losses (+) arising from financial assumptions	–3 540	215
Actuarial gains (–)/ losses (+) arising from demographic assumptions	–99	–46
Business acquisitions	62	3
Settlements	–	–24
Benefits paid from plan or company assets	–533	–544
Translation differences	792	571
Defined benefit obligations, Dec. 31	9 667	12 030

Remeasurements recognized in other comprehensive income amounted to –1 550 (–808) and –5 (–1) in profit and loss. The Group expects to pay 429 (384) in contributions to defined benefit plans in 2022.

Expenses recognized in the income statement	2022	2021
Current service cost	374	356
Past service cost	–10	–7
Net interest cost	29	34
Employee contribution/ participant contribution	–16	–13
Remeasurement of other long-term benefits	–5	–1
Administrative expenses	15	10
Total	387	379

The total benefit expense for defined benefit plans amounted to 387 (379), whereof 358 (345) have been charged to operating expenses and 29 (34) to financial expenses. Expenses related to defined contribution plans amounted to 1 189 (941).

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages in %)	2022	2021
Discount rate		
Europe	3.73	1.16
North America	5.41	2.71
Future salary increases		
Europe	2.53	2.27
Medical cost trend rate		
North America	4.50	6.22

The Group has identified discount rate, future salary increases, and mortality as the primary actuarial assumptions for determining defined benefit obligations. Changes in those actuarial assumptions affect the present value of the net obligation. The discount rate is determined by reference to market yields at the balance sheet date using, if available, high quality corporate bonds (AAA or AA) matching the duration of the pension obligations. In countries where corporate bonds are not available, government bonds are used to determine the discount rate. In Sweden in line with prior years, mortgage bonds are used for determining the discount rate.

Atlas Copco's mortality assumptions are set by country, based on the most recent mortality studies that are available. Where possible, generational mortality assumptions are used, meaning that they include expected improvements in life expectancy over time.

The table below shows the sensitivity analysis for discount rate and increase in life expectancy and describes the potential effect on the present value of the defined pension obligation.

Sensitivity analysis	Europe	North America
Change in discount rate +0.5%	–498	–24
Change in discount rate –0.5%	524	25
Increase in life expectancy, +1 year	239	13

Introduction

This is Atlas Copco

The year in review

- Financials

- Group

Consolidated income statement

Consolidated statement of comprehensive income

Consolidated balance sheet

Consolidated statement of changes in equity

Consolidated statement of cash flows

- Notes

Parent company

Other information

23. Employee benefits, continued

Share value based incentive programs

In 2016–2021, the Annual General Meeting decided on performance-based personnel stock option programs based on a proposal from the Board on an option program for the respective years. In 2022, the Annual General Meeting decided on a performance-based personnel stock option program for 2022 similar to the 2016–2021 programs.

Option programs 2016–2022

At the Annual General Meeting 2016–2022 respectively, it was decided to implement performance-based personnel stock option programs. The decision to grant options was made in April each year and the options were issued in March the following year (issue date). The number of options issued for each program year depended on the value creation in the Group, measured as Economic Value Added (EVA, defined as the sum of adjusted operating profit and interest income less tax expenses and cost of capital), for the respective program year. For the 2022 option program, the number of options varies on a linear basis within a preset EVA interval. The size of the plan and the limits of the interval have been established by the Board and have been approved by the Annual General Meeting and are compatible with the long-term business plan of the Group.

In connection to the issue, the exercise price was calculated as 110% of the average trading price for series A shares during a ten-day period following the date of the publishing of the fourth quarter report. The options were issued without compensation paid by the employee and the options remain the property of the employee only to the extent that they are exercisable at the time employment is terminated. The 2016–2022 programs have a term of seven years. The options in the 2016–2022 programs are not transferable and become exercisable at 100% three years after grant.

The 2016–2022 programs include a requirement for Group Management and division presidents to purchase Atlas Copco A shares for 10% of their gross base salary in order to be granted options. A lower amount of investment will reduce the number of options proportionately. Further, Group Management

and division presidents who have invested in Atlas Copco A shares will have the right (a “matching option”) to purchase one share per each share purchased at a price equal to 75% of the average trading price for series A shares during a ten-day period following the date of the publishing of the fourth quarter report. This right applies from three years after grant until the expiration of the stock option program.

The Board had the right to decide to implement an alternative incentive solution (SARs) for key persons in such countries where the grant of personnel stock options was not feasible.

The Black-Scholes model is used to calculate the fair value of the options/SARs in the programs at issue date. For the programs in 2021 and 2022, the fair value of the options/SARs was based on the following assumptions:

Key assumptions	2022 Program (Dec. 31, 2022)	2021 Program (at issue date) ³⁾
Expected exercise price	SEK 136/93 ¹⁾	SEK 590/402 ¹⁾²⁾
Expected volatility	30%	30%
Expected options life (years)	4.3	4.1
Expected share price	SEK 124.06	SEK 467.20
Expected dividend (growth)	2.0 (6%)	7.6 (6%)
Risk free interest rate	1.9%	1.2%
Expected average grant value	SEK 24.41/40.39	SEK 64.40/122.00
Maximum number of options	9 421 164	1 920 585
– of which forfeited	–128 000	–16 668
Number of matching options	88 920	23 301

¹⁾ Matching options for Group Management and division presidents.

²⁾ Actual.

³⁾ Issue date was prior to share split in 2022.

The expected volatility has been determined by analyzing the historic development of the Atlas Copco A share price as well as other shares on the stock market.

When determining the expected option life, assumptions have been made regarding the expected exercising behavior of different categories of optionees.

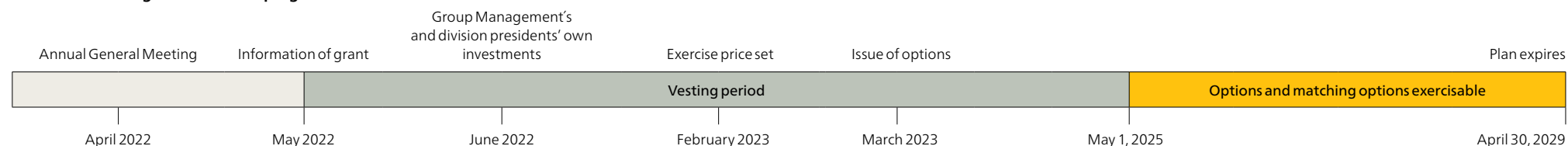
For the stock options in the 2016–2022 programs, the fair value is recognized as an expense over the following vesting periods:

Program	Vesting period		Exercise period	
	From	To	From	To
2016	May 2016	April 2019	May 2019	April 2023
2017	May 2017	April 2020	May 2020	April 2024
2018	May 2018	April 2021	May 2021	April 2025
2019	May 2019	April 2022	May 2022	April 2026
2020 ¹⁾	N/a	N/a	N/a	N/a
2021	May 2021	April 2024	May 2024	April 2028
2022	May 2022	April 2025	May 2025	April 2029

¹⁾ No options issued as the EVA target for the Group was not met.

For the 2022 program, a new valuation of the fair value has been made and will be made at each reporting date until the issue date.

Timeline 2022 long term incentive program



Introduction

This is Atlas Copco

The year in review

• Financials

Group

Consolidated income statement

Consolidated statement of comprehensive income

Consolidated balance sheet

Consolidated statement of changes in equity

Consolidated statement of cash flows

• Notes

Parent company

Other information

23. Employee benefits, continued

For SARs and the options classified as cash-settled, the fair value is recognized as an expense over the same vesting period; the fair value is, however, remeasured at each reporting date and changes in the fair value after the end of the vesting period continue to be recognized as a personnel expense.

In accordance with IFRS 2, the expense in 2022 for all share-based incentive programs, excluding social costs, amounted to –27 (459) of which 89 (212) refer to equity-settled options. The related costs for social security contribu-

tions are accounted for in accordance with the statement from the Swedish Financial Reporting Board (UFR 7) and are classified as personnel expenses.

In the balance sheet, the provision for share appreciation rights and stock options classified as cash-settled as of December 31 amounted to 221 (391). Atlas Copco shares are held by the Parent Company in order to cover commitments under the programs 2016–2022, see also note 20.

Summary of share value based incentive programs

Program	Initial number of employees	Initial number of options	Additional number of options, share split and redemption 2022	Expiration date	Exercise price, SEK	Type of share	Fair value at issue date ¹⁾	Intrinsic value for vested SARs
Stock options								
2016	256	7 279 231	22 388 660	Apr. 30, 23	56.48	A	66.70	–
2017	262	3 046 532	9 370 156	Apr. 30, 24	70.37	A	64.20	–
2018	269	2 401 107	7 384 959	Apr. 30, 25	64.77	A	58.70	–
2019	267	3 343 789	10 284 315	Apr. 30, 26	96.42	A	56.50	–
2021	289	1 694 091	5 210 460	Apr. 30, 28	144.76	A	64.40	–

Matching options

2016	27	41 048	126 238	Apr. 30, 23	38.61	A	106.20	–
2017	34	36 743	112 994	Apr. 30, 24	48.00	A	108.40	–
2018	29	41 616	127 983	Apr. 30, 25	44.16	A	92.80	–
2019	30	27 622	84 942	Apr. 30, 26	65.76	A	98.20	–
2020	31	28 840	88 989	Apr. 30, 27	87.59	A	176.43	–
2021	32	23 301	71 650	Apr. 30, 28	98.63	A	122.00	–

Share appreciation rights

2016	64	1 586 550	4 879 732	Apr. 30, 23	56.48	A	–	66.62
2017	61	606 994	1 866 920	Apr. 30, 24	70.37	A	–	52.73
2018	57	434 055	1 334 997	Apr. 30, 25	64.77	A	–	58.33
2019	62	652 550	2 007 002	Apr. 30, 26	96.42	A	–	26.68
2021	44	209 826	645 355	Apr. 30, 28	144.76	A	–	–

¹⁾ The numbers have not been adjusted for the effect of the distribution of Epiroc and the share splits in 2018 and 2022.

Number of options/rights 2022 ¹⁾

Program	Outstanding Jan. 1	Additional number of options, share split and redemption 2022	Exercised	Expired/ forfeited	Outstanding Dec. 31	–of which exercisable	Time to expiration, in months	Average stock price for exercised options, SEK
Stock options								
2016	565 015	1 696 902	788 077	–	1 473 840	1 473 840	4	125
2017	723 529	2 120 070	198 033	–	2 645 566	2 645 566	16	112
2018	1 510 610	4 608 684	527 861	31 035	5 560 398	5 560 398	28	123
2019	3 374 947	10 295 410	967 930	42 896	12 659 531	12 659 531	40	121
2021	1 694 091	5 210 460	–	168 696	6 735 855	–	64	–

Matching options

2016	8 973	27 590	9 253	–	27 310	27 310	4	115
2017	14 161	43 533	15 597	–	42 097	42 097	16	84
2018	32 560	100 132	11 904	–	120 788	120 788	28	134
2019	26 945	82 860	8 179	–	101 626	101 626	40	131
2020	28 149	86 558	–	3 325	111 382	–	52	–
2021	23 301	71 650	–	–	94 951	–	64	–

Share appreciation rights

2016	348 764	955 936	416 912	–	887 788	887 788	4	128
2017	288 197	879 007	114 049	–	1 053 155	1 053 155	16	124
2018	157 206	483 487	5 591	–	635 102	635 102	28	105
2019	463 100	1 359 582	258 530	–	1 564 152	1 564 152	40	124
2021	209 826	645 355	–	–	855 181	–	64	–

¹⁾ All numbers have been adjusted for the effect of the distribution of Epiroc and the share splits in 2018 and 2022 in line with the method used by NASDAQ Stockholm to adjust exchange-traded options contracts.

Introduction
This is Atlas Copco
The year in review

• **Financials**

Group

Consolidated income statement
Consolidated statement of comprehensive income
Consolidated balance sheet
Consolidated statement of changes in equity
Consolidated statement of cash flows

• **Notes**

Parent company

Other information

23. **Employee benefits, continued**

Number of options/rights 2021 ¹⁾									
Program	Outstanding Jan. 1	Issued	Conversion options/rights ²⁾	Exercised	Expired/ forfeited	Outstanding Dec. 31	–of which exercisable	Time to expiration, in months	Average stock price for exercised options, SEK
Stock options									
2016	1 074 763	–	–148 564	361 184	–	565 015	565 015	16	525
2017	1 332 678	–	–203 538	405 611	–	723 529	723 529	28	531
2018	2 309 690	–	92 010	875 860	15 230	1 510 610	1 510 610	40	544
2019	3 312 214	–	168 400	–	105 667	3 374 947	–	52	–
2021	–	1 694 091	–	–	–	1 694 091	–	76	–
Matching options									
2016	10 999	–	–	2 026	–	8 973	8 973	16	506
2017	22 739	–	–	8 578	–	14 161	14 161	28	508
2018	40 102	–	–	7 542	–	32 560	32 560	40	547
2019	27 622	–	–	–	677	26 945	–	52	–
2020	28 840	–	–	–	691	28 149	–	64	–
2021	–	23 301	–	–	–	23 301	–	76	–
Share appreciation rights									
2016	347 613	–	148 564	147 413	–	348 764	348 764	16	521
2017	276 939	–	203 538	192 280	–	288 197	288 197	28	496
2018	418 825	–	–92 010	169 609	–	157 206	157 206	40	539
2019	652 550	–	–168 400	–	21 050	463 100	–	52	–
2021	–	209 826	–	–	–	209 826	–	76	–

¹⁾ All numbers have been adjusted for the effect of the distribution of Epiroc and share split in 2018 in line with the method used by Nasdaq Stockholm to adjust exchange-traded options contracts.

²⁾ Change in Sweden and China with reference to the terms and conditions.

[Introduction](#)
[This is Atlas Copco](#)
[The year in review](#)

• Financials

Group

[Consolidated income statement](#)
[Consolidated statement of comprehensive income](#)
[Consolidated balance sheet](#)
[Consolidated statement of changes in equity](#)
[Consolidated statement of cash flows](#)

• Notes

[Parent company](#)
[Other information](#)

24. Other liabilities

Fair value of other liabilities corresponds to carrying value.

Other current liabilities	2022	2021
Derivatives:		
– at fair value through profit and loss	205	163
– at fair value through OCI	82	59
Other financial liabilities:		
– other liabilities	3 091	2 206
– accrued expenses	9 906	8 182
Prepaid income other	52	40
Contract liabilities:		
– advances from customers	8 597	5 114
– deferred revenues construction contracts	925	429
– deferred revenues service contracts	2 536	1 951
Closing balance, Dec. 31	25 394	18 144

Accrued expenses include items such as social costs, vacation pay liability, accrued interest, and accrued operational expenses. See note 27 for information on the Group's derivatives.

The amounts included in contract liabilities at the beginning of the year have been recognized as revenue during the year except for 579 (447). The main reason for revenues not recognized during the year is that they are related to performance obligations that will be performed in future periods.

As of the end of 2022, transaction price allocated to remaining performance obligations was 20 261 (14 296) and the majority will be recognized as revenue over the next three years. The transaction price does not include consideration that is constrained.

25. Provisions

2022	Product warranty	Restructuring	Other	Total
Opening balance, Jan. 1	1 261	271	1 780	3 312
During the year:				
– provisions made	1 409	80	437	1 926
– provisions used	–1 090	–113	–279	–1 482
– provisions reversed	–261	–117	–387	–765
Business acquisitions	40	–	16	56
Translation differences	113	16	54	183
Closing balance, Dec. 31	1 472	137	1 621	3 230
Non-current	257	33	1 187	1 477
Current	1 215	104	434	1 753
Total	1 472	137	1 621	3 230

2021	Product warranty	Restructuring	Other	Total
Opening balance, Jan. 1	1 217	411	1 500	3 128
During the year:				
– provisions made	1 219	100	926	2 245
– provisions used	–918	–242	–407	–1 567
– provisions reversed	–330	–12	–268	–610
Reclassification	–	10	2	12
Translation differences	73	4	27	104
Closing balance, Dec. 31	1 261	271	1 780	3 312
Non-current	224	100	1 362	1 686
Current	1 037	171	418	1 626
Total	1 261	271	1 780	3 312

Maturity 2022	Product warranty	Restructuring	Other	Total
Less than one year	1 215	104	434	1 753
Between one and five years	245	28	946	1 219
More than five years	12	5	241	258
Total	1 472	137	1 621	3 230

Other provisions consist primarily of amounts related to share-based payments including social fees, other long-term employee benefits (see note 23), and asset restoration obligations.

26. Assets pledged and contingent liabilities

Assets pledged for debts to credit institutions and other commitments	2022	2021
Inventory	31	57
Endowment insurances	199	201
Total	230	258

Contingent liabilities	2022	2021
Notes discounted	8	7
Sureties and other contingent liabilities	259	252
Total	267	259

Sureties and other contingent liabilities relate primarily to pension commitments and commitments related to customer claims and various legal matters.

[Introduction](#)
[This is Atlas Copco](#)
[The year in review](#)

• Financials

Group

[Consolidated income statement](#)
[Consolidated statement of comprehensive income](#)
[Consolidated balance sheet](#)
[Consolidated statement of changes in equity](#)
[Consolidated statement of cash flows](#)

• Notes

[Parent company](#)
[Other information](#)

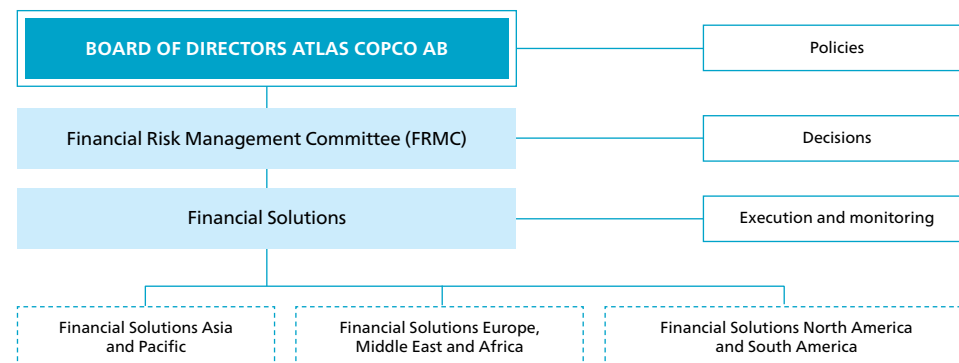
27. Financial exposure and principles for control of financial risks

FINANCIAL RISKS

The Group is exposed to various financial risks in its operations. These financial risks include: Funding and liquidity risk, Interest rate risk, Currency risk, Credit risk and Other market and price risks.

The Board of Directors establishes the overall financial policies and monitors compliance with the policies. The Group's Financial Risk Management Committee (FRMC) manages the Group's financial risks within the mandate given by the Board of Directors. The members of the FRMC are the CEO, CFO and Group Treasurer. The FRMC meets on a quarterly basis or more often if circumstances require.

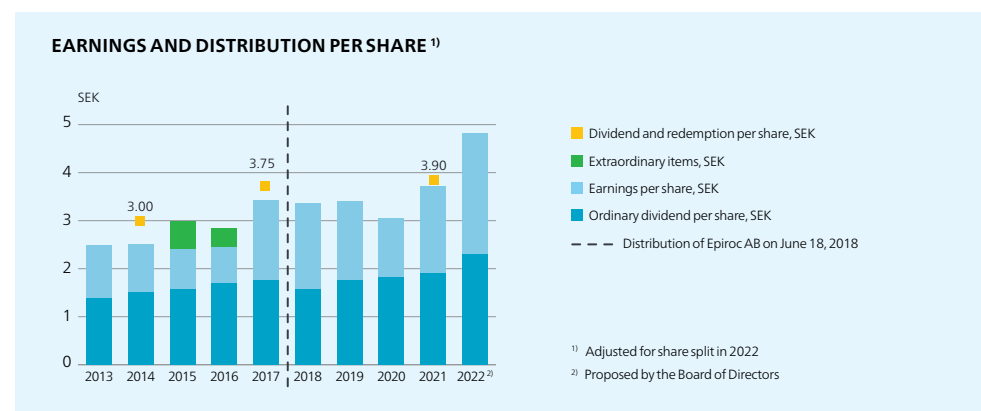
Financial Solutions has the operational responsibility for financial risk management in the Group. Financial Solutions manages and controls financial risk exposures, ensures that appropriate financing is in place through loans and committed credit facilities, and manages the Group's liquidity.



Capital management

Atlas Copco defines capital as borrowings and equity, which at December 31 totaled MSEK 116 359 (92 508). The Group's policy is to have a capital structure to maintain investor, creditor and market confidence and to support future development of the business. The Board's ambition is that the annual dividend shall correspond to about 50% of earnings per share. In recent years, the Board has sometimes also proposed, and the Annual General Meeting has approved, distributions of "excess" equity to the shareholders through share redemptions and share repurchases.

There are no external capital requirements imposed on the Group.



Funding and liquidity risk

Funding risk is the risk that the Group does not have access to adequate financing on acceptable terms at any given point in time. Liquidity risk is the risk that the Group does not have access to its funds, when needed, due to poor market liquidity.

Policy

The Group's policy refers to Atlas Copco AB and Atlas Copco Finance DAC as external borrowings mainly have been held in these entities.

- The Group should maintain minimum MSEK 8 000 committed credit facilities to meet operational, strategic and rating objectives.
- The average tenor, time to maturity, of the Group's external debt, shall be at least three years.
- No more than MSEK 8 000 of the Group's external debt may mature within the next 12 months. In October 2022, the board approved to temporarily increase the amount to MSEK 12 000.
- Adequate funding at subsidiary level shall at all times be in place.

Status at year end

As per December 31, there were no deviations from the Group's policy.

Funding and liquidity risk	2022	2021
Committed credit facilities	18 277	16 788
Cash and cash equivalents	11 254	18 990
Average tenor, years	4.0	4.1
Short-term external debt	3 524	1 024

The overall liquidity of the Group is strong considering the maturity profile of the external borrowings, the balance of cash and cash equivalent as of year end, and available back-up credit facilities from banks. Please refer to note 21 for information on utilized borrowings, maturity, and back-up facilities.

The following cash flow table shows the maturity structure of the Group's financial liabilities. The figures shown are contractual undiscounted cash flows based on contracted date when the Group is liable to pay, including both interest and nominal amounts. The short-term assets are well matched with the short-term liabilities in terms of maturity. Furthermore, the Group has back-up facilities with maturity 2025 and 2026 to secure liquidity.

Financial instruments	Up to 1 year	1–3 years	4–5 years	Over 5 years
Bonds and loans	–	2 378	7 882	10 104
Lease liabilities	–	1 691	871	1 017
Other financial liabilities	3	3	11	15
Other liabilities	129	79	21	–
Non-current financial liabilities	132	4 151	8 785	11 136
Bonds and loans	7 927	–	–	–
Lease liabilities	1 331	–	–	–
Current portion of interest-bearing liabilities	3 524	–	–	–
Derivatives	287	–	–	–
Other accrued expenses	9 906	–	–	–
Trade payables	19 145	–	–	–
Other liabilities	3 091	–	–	–
Current financial liabilities	45 211	–	–	–
Financial liabilities	45 343	4 151	8 785	11 136

[Introduction](#)
[This is Atlas Copco](#)
[The year in review](#)

• Financials

Group

[Consolidated income statement](#)
[Consolidated statement of comprehensive income](#)
[Consolidated balance sheet](#)
[Consolidated statement of changes in equity](#)
[Consolidated statement of cash flows](#)

• Notes

[Parent company](#)
[Other information](#)

27. Financial exposure and principles for control of financial risks, continued

Interest rate risk

Interest rate risk is the risk that the Group is negatively affected by changes in the interest rate levels.

Policy

The Group's policy states that the average interest duration (i.e. period for which interest rates are fixed) should be a minimum of 6 months and without a maximum limit.

Status at year end

The Group's borrowings have a mix of fixed and floating rates. No interest rate swaps are used to convert interest. For more information about the Group's borrowings, see note 21.

Interest risk	2022	2021
Effective interest rate on bonds and loans	1.2%	0.9%
Effective interest rate on lease liabilities	1.8%	2.0%
Duration (months)	46	45

27% (16) of the Group's bonds and loans have floating interest rates. A shift of one percentage point upward of all floating rates would impact the Group's interest net with MSEK –78 (–31). Same shift downwards would impact the Group's interest net with MSEK 78 (0).

The book value of the Group's bonds and loans are not exposed to market interest rate risk at year end as all bonds and loans are reported at amortized cost, compared to if borrowings were reported at fair value where cash flows are discounted using market interest rate.

Currency risk

The Group is present in various geographical markets and undertakes transactions denominated in foreign currencies and is consequently exposed to exchange rate fluctuations. The exposure occurs in relation to payments in foreign currency (transaction exposure) and when translating foreign subsidiaries' balance sheets and income statements into SEK (translation exposure).

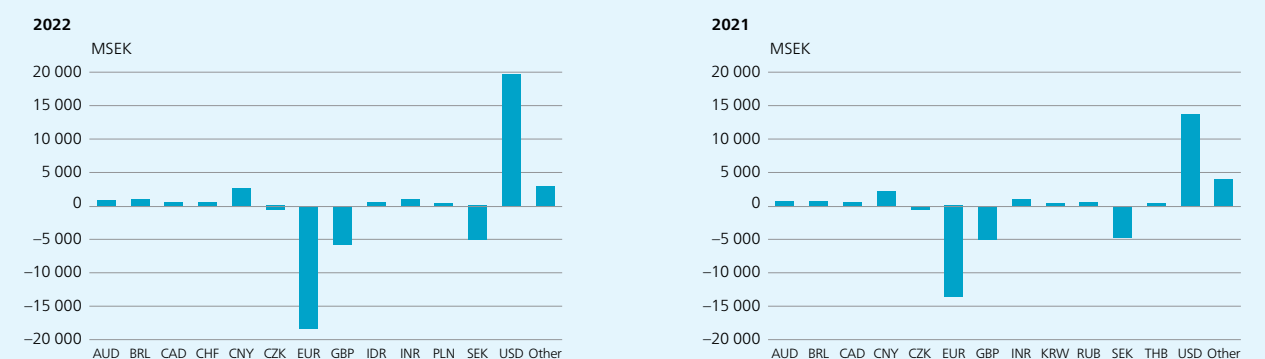
Transaction exposure risk

Transaction exposure risk is the risk that profitability is negatively affected by changes in exchange rates, affecting cash flows in foreign currencies in the operations. Due to the Group's global presence, there are inflows and outflows in different currencies. As a normal part of business, net surpluses or deficits in specific currencies emerge. The values of these net positions fluctuate subject to changes in currency rates and, thus, render transaction exposure for the Group.

Policy

The Group's policy states that exposure shall be reduced by matching in- and outflows of the same currencies. Business area and divisional management are responsible for maintaining readiness to adjust their operations (price and cost) to compensate for adverse currency movements. Based on the assumption that hedging does not have any significant effect on the Group's long-term result, the policy recommends to leave transaction exposures unhedged on an ongoing basis. In general, business areas and divisions shall not hedge

GRAPH 1 Estimated operational transaction exposure in the Group's most important currencies*



* Without adjustments for onetime effects.

currency risks. The FRMC can decide to hedge part of the transaction exposure. Transactions shall then qualify for hedge accounting in accordance with IFRS and hedging beyond 18 months is not allowed. Financial transaction exposure is substantially hedged.

Status at year end

The Group has continued to manage transaction exposures primarily by matching in- and outflows in the same currencies. Graph 1 shows the net of in- and outflows per currency for currencies which have the largest surplus or deficit. The operational transaction exposure is defined as the net operational cash flow exposure and amounts to MSEK –5 091 (–4 678). The estimated amounts are based on the Group's operational external payments from customers and to suppliers.

The transaction exposure sensitivity analysis is based on the operational transaction exposure. It shows how the cash flow and profit before tax would theoretically be impacted by a five percentage point change in SEK, USD or EUR, against all other currencies. The analysis is based on the assumption that no hedging transaction has been undertaken and is done before any impact of offsetting price adjustments or similar measures.

As an example, the net transaction exposure of in- and outflow payments in EUR is a deficit as shown in graph 1. A strengthening in the EUR currency rate against all other currencies with +5% would have a negative impact on the cash flow and profit before tax of MSEK –914, and a weakening would have a positive impact of MSEK 914.

Transaction exposure sensitivity	2022	2021
SEK exchange rate + 5%	–255	–234
USD exchange rate + 5%	980	682
EUR exchange rate + 5%	–914	–681

Outstanding derivative instruments related to transaction exposure	2022 Nominal amount, net in transaction currency	2021 Nominal amount, net in transaction currency
Foreign exchange forwards		
GBP	73	269
USD	–96	–368

The FRMC has decided to hedge part of the GBP/USD transaction exposure with foreign exchange forward contracts. The net nominal amount are MGBP 73/MUSD –96 (MGBP 269/MUSD –368). All contracts mature within 3 months. The fair value of the outstanding contracts is MSEK –82 (–55)

Translation exposure risk

Translation exposure risk is the risk that the value of the Group's net investments in foreign currencies is negatively affected by changes in exchange rates. The Group's global presence creates currency effects when subsidiaries' financial statements with functional currencies other than SEK are translated to SEK in the Group's consolidated financial statements. Translation of subsidiaries' profit affects the Group's profit and balance sheet translation affect other comprehensive income. The translation exposure is measured as the net of assets and liabilities in a specific currency.

Policy

The Group's policy states that translation exposure should be reduced by matching assets and liabilities in the same currencies. The FRMC can decide to hedge part or all remaining translation exposure. Any hedge of translation exposure shall qualify for hedge accounting in accordance with IFRS.

Introduction

This is Atlas Copco

The year in review

• Financials

Group

Consolidated income statement

Consolidated statement of comprehensive income

Consolidated balance sheet

Consolidated statement of changes in equity

Consolidated statement of cash flows

• Notes

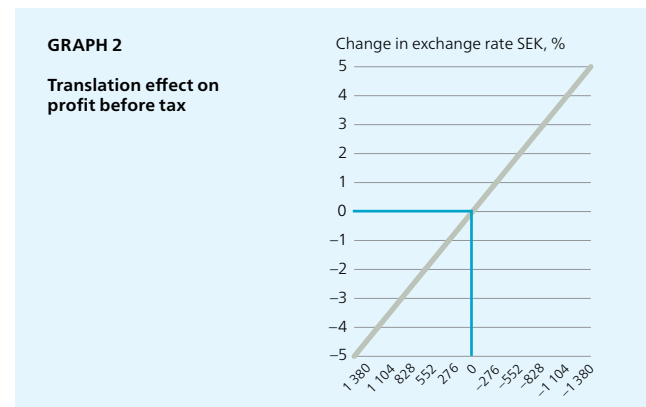
Parent company

Other information

27. Financial exposure and principles for control of financial risks, continued

Status at year end

Graph 2 shows the Group's sensitivity to currency translation effects when earnings of foreign subsidiaries are translated to SEK. A five percentage points upward change in SEK would impact the Group's profit before tax with MSEK –1 380 (–1 110).



The Group has hedged part of the translation exposure using loans and foreign exchange forward contracts. The hedges have reduced the exposure on net investments in EUR in the consolidated financial statements and the exchange rate risk related to net assets in subsidiaries. The hedges are designated as net investment hedges in the consolidated financial statements.

The financial instruments shown in the table below are used to hedge EUR-denominated net assets.

Outstanding financial instruments related to translation exposure	2022		2021	
	Effect in OCI	Nominal amount	Effect in OCI	Nominal amount
Derivatives	–	–	MSEK –5	MEUR 100
Loans in EUR ¹⁾	MSEK –658	MEUR 1 314	MSEK –993	MEUR 1 600

¹⁾ In the balance sheet, loans designated as net investment hedges are reported at amortized cost and not at fair value.

Most of the Group's bonds and loans are designated as net investments hedges, and movements in currency rates are accounted for in other comprehensive income. A five percentage points upward change in EUR against SEK would affect other comprehensive income with MSEK 580 (689), see also note 1, Significant accounting principles, Financial assets and liabilities – financial instruments.

Credit risk

Credit risk can be divided into operational and financial credit risk. These risks are described further in the following sections.

Operational credit risk

Operational credit risk is the risk that the Group's customers do not meet their payment obligations.

Policy

The Group's operational credit risk policy is that business areas, divisions and individual business units are responsible for the commercial risks arising from their operations. The operational credit risk is measured as the net aggregate value of receivables on a customer.

Status at year end

The table below shows the total credit risk exposure related to assets classified as financial instruments as per December 31.

Credit risk	2022	2021
Receivables at amortized cost:		
– trade receivables	29 971	22 020
– lease receivables	94	101
– other financial receivables	362	290
– other receivables	3 314	2 560
– contract assets	4 738	3 545
– cash and cash equivalents	11 254	18 990
Financial assets at fair value through OCI	1	16
Financial assets at fair value through profit or loss	677	624
Derivatives	34	9
Total	50 445	48 155

Since the Group's sales are dispersed among many customers, of whom no single customer represents a significant share of the Group's commercial risk, the monitoring of commercial credit risks is primarily done at the business area, divisional or business unit level. Each business unit is required to have an approved commercial risk policy.

Provision for credit risks

The business units establish provisions for their expected credit losses in respect of trade and other receivables. The IFRS 9 expected credit loss (ECL) model is forward looking and a loss allowance is recognized when there is an exposure to credit risk. For assets such as trade receivables, lease receivables, contract assets and certain other financial receivables, the simplified model is applied. The main components of this provision are specific loss provisions corresponding to individually significant exposures as well as historical loss rates in combination with forward looking considerations. Lease receivables, certain other financial receivables and cash and cash equivalents are impaired by a rating method, where ECL is measured by the product of the probability of default, loss given default, and exposure at default. At year end 2022, the provision for bad debt amounted to 3.2% (3.3) of gross total customer receivables.

The following table presents the gross value of trade receivables, both current and non-current, by maturity, together with the related impairment provisions.

Trade receivables	2022		2021	
	Gross	Impairment	Gross	Impairment
Not past due	23 722	5	17 837	12
Past due but not individually impaired				
0–30 days	3 017	–	2 021	–
31–60 days	1 215	–	818	–
61–90 days	764	–	394	–
More than 90 days	1 892	–	1 408	–
Past due and individually impaired				
0–30 days	4	1	2	1
31–60 days	3	2	3	1
61–90 days	3	3	13	4
More than 90 days	327	287	269	226
Collective impairment	–	678	–	501
Total	30 947	976	22 765	745

Based on historical default statistics and the diversified customer base, the credit risk is assessed to be limited.

The gross amount of lease receivables amounted to 94 (101), of which 0 (0) have been impaired, and the gross amount of other financial receivables amounted to 364 (292), of which 2 (2) have been impaired.

There are no significant amounts past due that have not been impaired.

[Introduction](#)
[This is Atlas Copco](#)
[The year in review](#)

• Financials

Group

[Consolidated income statement](#)
[Consolidated statement of comprehensive income](#)
[Consolidated balance sheet](#)
[Consolidated statement of changes in equity](#)
[Consolidated statement of cash flows](#)

• Notes

[Parent company](#)
[Other information](#)

27. Financial exposure and principles for control of financial risks, continued

Financial credit risk

Credit risk on financial transactions is the risk that the Group incurs losses as a result of non-payment by counterparts related to the Group's investments, bank deposits or derivative transactions.

Policy

The Group's financial credit risk is measured differently depending on transaction type; investment transactions or derivative transactions.

Investment transactions

Cash and cash equivalent may only be invested with a counterparty if the counterparty rating is above a rating threshold. The threshold for cash and cash equivalent is set at A-/A3 (as rated by Standard & Poor's, Fitch Ratings and Moody's). Investments in structured financial products are not allowed, unless approved by the FRMC. Furthermore, counterparty exposure, tenor and liquidity of the investment are considered before any investment is made. A list of each approved counterparty and its maximum exposure limit is maintained and monitored.

Derivative transactions

Derivative transactions may only be undertaken with approved counterparts for which credit limits are established and with which ISDA (International Swaps and Derivatives Association) master agreements and CSA (Credit Support Annex) agreements are in force. Derivative transactions may only be entered into by Atlas Copco Financial Solutions or in rare cases by another subsidiary, but only with approval from the Group Treasurer. Atlas Copco primarily uses derivatives as hedging instruments and the policy allows only standardized (as opposed to structured) derivatives.

Status at year end

Investment transactions in form of cash and cash equivalents amounted to MSEK 11 254 (18 990) at year end. These consist of cash, short term bank deposits and investments in liquidity funds. At year end, the measured credit risk on derivatives, taking into account the market value and collaterals, amounted to MSEK 27 (29).

The table below presents the reported value of the Group's derivatives.

Outstanding derivative instruments	2022	2021
Assets	34	9
Liabilities	287	222

No financial assets or liabilities are offset in the balance sheet. The table below shows derivatives covered by master netting agreements.

Outstanding net position for derivative instruments	Offset in balance sheet					Net position
	Gross	Offset in balance sheet	Net in balance sheet	Master netting agreement	Cash collateral	
Assets						
Derivatives	34	–	34	–287	270	17
Liabilities						
Derivatives	287	–	287	–287	–	–

The positive net position in assets is due to the fact that the exchange of security is done on a weekly basis.

Other market and price risks

Commodity-price risk is the risk that the cost of direct and indirect materials could increase as underlying commodity prices rise in global markets. The Group is directly and indirectly exposed to raw material price fluctuations. Cost increases for raw materials and components often coincide with strong end-customer demand and are compensated for by increased market prices. Therefore, the Group does not hedge commodity-price risks.

Fair value of financial instruments

In Atlas Copco's balance sheet, financial instruments are carried at fair value or at amortized cost. The fair value is established according to a fair value hierarchy. The hierarchy levels should reflect the extent to which fair value is based on observable market data or own assumptions. Below is a description of each level and valuation methods used for each financial instrument.

Level 1

In the Level 1 method, fair value is based on quoted (unadjusted) prices in active markets for identical assets or liabilities. A market is considered as active if quoted prices from an exchange, broker, industry group, pricing service, or supervisory body are readily and regularly available and those prices represent actual and regularly occurring market transactions at arm's length.

Level 2

In the Level 2 method, fair value is based on models that utilize observable data for the asset or liability other than the quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Such observable data may be market interest rates and yield curves.

Level 3

In the Level 3 method, fair value is based on a valuation model, whereby significant input is based on unobservable market data.

Valuation methods

Derivatives

Fair values of forward exchange contracts are calculated based on prevailing markets. Interest rate swaps are valued based on market rates and present value of future cash flows. Discounted cash flow models are used for the valuation.

Interest-bearing liabilities

Fair values are calculated based on market rates and present value of future cash flows.

Finance leases and other financial receivables

Fair values are calculated based on market rates for similar contracts and present value of future cash flows.

Introduction
This is Atlas Copco
The year in review
• Financials
Group
Consolidated income statement
Consolidated statement of comprehensive income
Consolidated balance sheet
Consolidated statement of changes in equity
Consolidated statement of cash flows
• Notes
Parent company
Other information

27. Financial exposure and principles for control of financial risks, continued

The Group's financial instruments by level

The carrying value for the Group's financial instruments corresponds to fair value in all categories except for borrowings. See note 21 for additional information about the Group's borrowings. The following table includes financial instruments at their fair value and by category.

Financial instruments by fair value hierarchy	2022				2021			
	Fairvalue	Level 1	Level 2	Level 3	Fairvalue	Level 1	Level 2	Level 3
Financial assets	245	86	159	–	184	30	154	–
Other receivables	61	–	61	–	66	–	66	–
Non-current financial assets	306	86	220	–	250	30	220	–
Trade receivables	29 910	–	29 910	–	21 954	–	21 954	–
Financial assets	889	0	889	–	847	20	827	–
Other receivables	3 315	–	3 315	–	2 560	–	2 560	–
Derivatives	34	–	34	–	9	–	9	–
Contract assets	4 738	–	4 738	–	3 545	–	3 545	–
Current financial assets	38 886	0	38 886	–	28 915	20	28 895	–
Financial assets	39 192	86	39 106	–	29 165	50	29 115	–
Bonds and loans	17 491	15 535	1 956	–	18 848	13 528	5 320	–
Other financial liabilities	32	–	32	–	23	–	23	–
Other liabilities	230	–	104	126	174	–	100	74
Non-current financial liabilities	17 753	15 535	2 092	126	19 045	13 528	5 443	74
Current portion of long-term loans	3 500	–	3 500	–	1 026	–	1 026	–
Short-term loans	7 735	–	7 735	–	1 915	–	1 915	–
Derivatives	287	–	287	–	222	–	222	–
Other accrued expenses	9 906	–	9 906	–	8 182	–	8 182	–
Trade payables	19 145	–	19 145	–	15 159	–	15 159	–
Other liabilities	3 091	–	2 918	173	2 206	–	2 155	51
Current financial liabilities	43 664	–	43 491	173	28 710	–	28 659	51
Financial liabilities	61 417	15 535	45 583	299	47 755	13 528	34 102	125

Reconciliation of financial liabilities in Level 3	Opening balance	Business acquisitions	Settlement	Discounting effect	Remeasurement	Translation differences	Closing balance	Result related to liabilities, net
Contingent considerations 2022	125	208	–54	15	–17	22	299	2

In other liabilities, MSEK 299 (125) relate to contingent considerations for acquisitions. The fair value of these liabilities has been calculated based on the expected outcome of the targets set out in the contracts, given a discount rate of 10.5%. For information about changes due to acquisitions, see note 2.

Currency rates used in the financial statements	Value	Code	Year-end rate		Average rate	
			2022	2021	2022	2021
Canada	1	CAD	7.72	7.07	7.73	6.82
China	1	CNY	1.50	1.42	1.50	1.33
EU	1	EUR	11.14	10.24	10.64	10.15
India	1	INR	0.13	0.12	0.13	0.12
South Korea	1 000	KRW	8.27	7.61	7.86	7.50
United Kingdom	1	GBP	12.63	12.19	12.47	11.77
U.S.A.	1	USD	10.46	9.05	10.08	8.57

28. Related parties

Relationships

The Group has related party relationships with the Company's largest shareholder, its associates, joint ventures and with its Board members and Group Management. The Company's largest shareholder, Investor AB, controls approximately 22% (22) of the voting rights in Atlas Copco.

The subsidiaries that are directly owned by the Parent Company are presented in note A21 to the financial statements of the Parent Company. Holding companies and operating subsidiaries are listed in note A22. Information about associated companies and joint ventures is found in note 14. Information about Board members and Group Management is presented on pages 55–58.

Transactions and outstanding balances

The Group has not had any transactions with Investor AB during the year, other than dividends declared and has no outstanding balances with Investor AB.

Investor AB has controlling or significant influence in companies with which Atlas Copco may have transactions within the normal course of business. Any such transactions are made on commercial terms.

The Group has leasing agreements related to buildings owned by the Group's German pension trust. These agreements are on market terms. "Lease liabilities" in the table below represents the outstanding balances over the lease term with the Group's German pension trust.

In addition, the Group sold various products and purchased goods through certain associated companies and joint ventures on terms generally similar to those prevailing with unrelated parties.

The following table summarizes the Group's related party transactions with its associates, joint ventures and other related parties:

	2022	2021
Revenues	16	20
Goods purchased	29	23
Service purchased	101	90
At Dec. 31:		
Trade receivables	9	25
Trade payables	16	14
Lease liabilities	340	227

Compensation to key management personnel

Compensation to the Board and to Group Management is disclosed in note 5.

Financial statements, Parent Company



Introduction
This is Atlas Copco
The year in review
• Financials
Group
Consolidated income statement
Consolidated statement of comprehensive income
Consolidated balance sheet
Consolidated statement of changes in equity
Consolidated statement of cash flows
Notes
• Parent company
Other information

Income statement

For the year ended December 31 Amounts in MSEK	Note	2022	2021
Administrative expenses	A2	-733	-764
Other operating income	A3	278	121
Other operating expenses	A3	-9	-1
Operating loss		-464	-644
Financial income	A4	30 613	3 858
Financial expenses	A4	-342	-394
Profit after financial items		29 807	2 820
Appropriations	A5	2 946	2 695
Profit before tax		32 753	5 515
Income tax	A6	-320	-339
Profit for the year		32 433	5 176

Statement of comprehensive income

For the year ended December 31 Amounts in MSEK	Note	2022	2021
Profit for the year		32 433	5 176
Other comprehensive income for the year		-	-
Total comprehensive income for the year		32 433	5 176

Balance sheet

As at December 31 Amounts in MSEK	Note	2022	2021
ASSETS			
Non-current assets			
Intangible assets	A7	8	13
Tangible assets	A8	33	34
Financial assets:			
Deferred tax assets	A9	55	63
Shares in Group companies	A10, A21	179 491	163 569
Other financial assets	A11	255	223
Total non-current assets		179 842	163 902
Current assets			
Income tax receivables		461	610
Other receivables	A12	4 471	9 347
Cash and cash equivalents	A13	0	0
Total current assets		4 932	9 957
TOTAL ASSETS		184 774	173 859

As at December 31 Amounts in MSEK	Note	2022	2021
EQUITY			
Restricted equity			
Share capital		786	786
Legal reserve		4 999	4 999
Total restricted equity		5 785	5 785
Non-restricted equity			
Reserve for fair value		-1 180	-1 180
Retained earnings		125 264	139 595
Profit for the year		32 433	5 176
Total non-restricted equity		156 517	143 591
TOTAL EQUITY		162 302	149 376
PROVISIONS			
Post-employment benefits	A15	203	205
Other provisions	A16	501	813
Total provisions		704	1 018
LIABILITIES			
Non-current liabilities			
Borrowings	A17	18 532	22 195
Total non-current liabilities		18 532	22 195
Current liabilities			
Borrowings	A17	2 861	926
Other liabilities	A18	375	344
Total current liabilities		3 236	1 270
TOTAL EQUITY AND LIABILITIES		184 774	173 859

[Introduction](#)
[This is Atlas Copco](#)
[The year in review](#)
[• Financials](#)
[Group](#)
[Consolidated income statement](#)
[Consolidated statement of comprehensive income](#)
[Consolidated balance sheet](#)
[Consolidated statement of changes in equity](#)
[Consolidated statement of cash flows](#)
[Notes](#)
[• Parent company](#)
[Other information](#)

Statement of changes in equity

MSEK unless otherwise stated	Number of shares outstanding	Share capital	Legal reserve	Reserve for fair value – translation reserve	Retained earnings	Total
Opening balance, Jan. 1, 2022	1 218 190 368	786	4 999	-1 180	144 771	149 376
Total comprehensive income for the year					32 433	32 433
Ordinary dividend					-9 250	-9 250
Share split	4 872 761 472				-	-
Redemption of shares	-1 223 320 239	-157			-9 575	-9 732
Increase of share capital through bonus issue		157			-157	-
Acquisition series A shares	-1 870 000				-864	-864
Divestment series A shares	2 595 364				381	381
Share-based payment, equity settled:						
– expense during the year					89	89
– exercise of options					-131	-131
Closing balance, Dec. 31, 2022	4 868 356 965	786	4 999	-1 180	157 697	162 302
Opening balance, Jan. 1, 2021	1 216 192 653	786	4 999	-1 180	147 684	152 289
Total comprehensive income for the year					5 176	5 176
Ordinary dividend					-8 889	-8 889
Acquisition series A shares	-700 000				-416	-416
Divestment series A shares	2 697 715				1 451	1 451
Share-based payment, equity settled:						
– expense during the year					212	212
– exercise of options					-447	-447
Closing balance, Dec. 31, 2021	1 218 190 368	786	4 999	-1 180	144 771	149 376

See note A14 for additional information.

Statement of cash flows

For the year ended December 31, MSEK	2022	2021
Cash flows from operating activities		
Operating loss	-464	-644
Adjustments for:		
Depreciation	12	11
Capital gain/loss and other non-cash items	-686	-596
Operating cash deficit	-1 138	-1 229
Net financial items received	22 834	3 639
Group contributions received	2 695	88
Taxes paid	-309	-210
Cash flow before change in working capital	24 082	2 288
Change in		
Operating receivables	5 276	9 573
Operating liabilities	30	60
Change in working capital	5 306	9 633
Net cash from operating activities	29 388	11 921

For the year ended December 31, MSEK	2022	2021
Cash flow from investing activities		
Investments in tangible assets	-6	-3
Investments in intangible assets	-	-5
Investments in subsidiaries	-8 186	-1 833
Repayments/investments in financial assets	-3	-2
Net cash from investing activities	-8 195	-1 843
Cash flow from financing activities		
Dividends paid	-9 250	-8 889
Redemption of shares	-9 732	-
Repurchase and divestment of own shares	-483	1 034
Change in interest-bearing liabilities	-1 728	-2 231
Net cash from financing activities	-21 193	-10 086
Net cash flow for the year	0	-8
Cash and cash equivalents, Jan. 1	0	8
Net cash flow for the year	0	-8
Cash and cash equivalents, Dec. 31	0	0

 Introduction

 This is Atlas Copco

 The year in review

• Financials

Group

Consolidated income statement

Consolidated statement of comprehensive income

Consolidated balance sheet

Consolidated statement of changes in equity

Consolidated statement of cash flows

Notes

• Parent company

 Other information

Notes to the Parent Company financial statements

MSEK unless otherwise stated

A1. Significant accounting principles

Atlas Copco AB is the ultimate Parent Company of the Atlas Copco Group and is headquartered in Nacka, Sweden. Its operations include administrative functions, holding company functions as well as parts of Atlas Copco Financial Solutions (Treasury).

The financial statements of Atlas Copco AB have been prepared in accordance with the Swedish Annual Accounts Act and the recommendation RFR 2, "Accounting for Legal Entities", hereafter referred to as "RFR 2", issued by the Swedish Financial Reporting Board. In accordance with RFR 2, parent companies that issue consolidated financial statements according to International Financial Reporting Standards (IFRS), as endorsed by the European Union, shall present their financial statements in accordance with IFRS, to the extent these accounting principles comply with the Swedish Annual Accounts Act and may use exemptions from IFRS provided by RFR 2 due to Swedish accounting or tax legislation.

The financial statements are presented in Swedish krona (SEK), rounded to the nearest million. The parent company's accounting principles have been consistently applied to all periods presented unless otherwise stated. The financial statements are prepared using the same accounting principles as described in note 1 in the Group's consolidated financial statements, except for those disclosed in the following sections.

For discussion regarding accounting estimates and judgments, see page 71.

Subsidiaries

Participations in subsidiaries are accounted for by the Parent Company at historical cost. The carrying amounts of participations in subsidiaries are reviewed for impairment in accordance with IAS 36, Impairment of Assets. See the Group's accounting policies, Impairment of financial assets, for further details.

Transaction costs incurred in connection with a business combination are accounted for by the Parent Company as part of the acquisition costs and are not expensed.

Lease contracts

All lease contracts entered into by the Parent Company are expensed continuously on a straight-line basis over the lease term. Leases are not carried as assets, since the risk and rewards associated with ownership of the assets have not been transferred to the Parent Company.

Employee benefits

Defined benefit plans

Defined benefit plans are not accounted for in accordance with IAS 19. In the Parent Company defined benefit plans are accounted for according to the Swedish law regarding pensions, "Tryggandelagen" and regulations issued by the Swedish Financial Supervisory Board. The primary differences as compared to IAS 19 are the way discount rates are fixed, that the calculation of defined benefit obligations is based on current salary levels, without consideration of future salary increases and that all actuarial gains and losses are included in profit or loss as they occur.

Share-based payments

The share-based payments that the Parent Company has granted to employees in the Parent Company are accounted for using the same principle as described in note 1 in the Group's consolidated financial statements.

The share-based payments that the Parent Company has granted to employees in subsidiaries are not accounted for as an employee expense in the Parent Company, but are recognized against Shares in Group companies. This vesting cost is accrued over the same period as in the Group and with a corresponding increase in equity for equity-settled programs and as a change in liabilities for cash-settled programs.

Financial guarantees

Financial guarantees issued by the Parent Company for the benefit of subsidiaries are not valued according to IFRS 9. They are reported as contingent liabilities, unless it becomes probable that the guarantees will lead to payments. In such case, provisions will be recorded.

Hedge accounting

Interest-bearing liabilities denominated in other currencies than SEK, used to hedge currency exposure from investments in shares of foreign subsidiaries are not translated using the foreign exchange rates on the reporting date, but measured based on the exchange rate the day that the hedging relation was established.

Derivatives used to hedge investments in shares in foreign subsidiaries are recognized at fair value and changes therein are recognized in profit or loss. The corresponding fair value change on shares in subsidiaries is recognized in profit or loss, as fair value hedge accounting is applied.

Group and shareholders' contributions

In Sweden, Group contributions are deductible for tax purposes but shareholders' contributions are not. Group contributions are recognized as appropriations in the income statement. Shareholders' contributions are recognized as an increase of Shares in Group companies and tested for impairment.

[Introduction](#)
[This is Atlas Copco](#)
[The year in review](#)

• Financials

[Group](#)
[Consolidated income statement](#)
[Consolidated statement of comprehensive income](#)
[Consolidated balance sheet](#)
[Consolidated statement of changes in equity](#)
[Consolidated statement of cash flows](#)
[Notes](#)

• Parent company

[Other information](#)

A2. Employees and personnel expenses and remuneration to auditors

Average number of employees	2022			2021		
	Women	Men	Total	Women	Men	Total
Sweden	67	43	110	64	43	107

Women in Atlas Copco Board and Management, %	Dec. 31, 2022	Dec. 31, 2021
Board of Directors excl. employee representatives	22	22
Group Management	33	13

Salaries and other remunerations	2022		2021	
	Board members and Group Management ¹⁾	Other employees	Board members and Group Management ¹⁾	Other employees
Sweden	84	123	107	107
of which variable compensation	23		20	

¹⁾ Includes 8 (7) board members who receive fees from Atlas Copco AB as well as the President and CEO and 5 (5) positions of the Group Management who are employed by and receive salary and other fees from the Company.

For information regarding remuneration and other fees for members of the Board, the President and CEO, and other members of Group Management, see note 5 of the consolidated financial statements.

Pension benefits and other social costs	2022	2021
Contractual pension benefits for Board members and Group Management	12	12
Contractual pension benefits for other employees	25	23
Other social costs	64	79
Total	101	114
Pension obligations to former members of Group Management	4	5

Remuneration to auditors

Audit fees and consultancy fees for advice or assistance other than audit, were as follows:

	2022	2021
Ernst & Young		
– audit fee	6	5
– other services, tax	0	0
– other services, other	0	1
Total	6	6

Audit fee refers to audit of the financial statements and the accounting records. For the Parent Company the audit also includes the administration of the business by the Board of Directors, the President and CEO.

Tax services include tax compliance services. Other services essentially comprise consultancy services.

At the Annual General Meeting Ernst & Young AB was re-elected as the company's auditor until the end of the annual general meeting 2023.

A3. Other operating income and expense

	2022	2021
Commissions received	271	121
Other operating income	7	0
Total other operating income	278	121
Exchange-rate differences, net	–9	–1
Other operating expense	–	0
Total other operating expense	–9	–1

A4. Financial income and expenses

Financial income and expenses	2022	2021
Interest income:		
– cash and cash equivalents	1	0
– receivables from Group companies	38	9
– derivatives	–	0
Dividend income from Group companies	30 536	3 849
Capital gain	–	0
Change in fair value:		
– other assets	31	–
Foreign exchange gain, net	7	0
Financial income	30 613	3 858
Interest expense:		
– borrowings	–168	–189
– liabilities to Group companies	–101	–29
Change in fair value:		
– other liabilities	–61	0
Foreign exchange loss, net	–4	–1
Impairment loss:		
– write-down of shares in Group companies	–8	–175
Financial expenses	–342	–394
Financial income, net	30 271	3 464

Following table presents the net gain or loss by category of financial instruments.

Net gain/loss on	2022	2021
– loans and receivables, incl. bank deposits	–126	–181
– other assets	31	–
– other liabilities	–162	–29
Profit from shares in Group companies	30 528	3 674
Total	30 271	3 464

Profit from shares in Group companies mainly refers to dividend income from subsidiaries and capital gains from transfer of shares in subsidiaries. These transactions are eliminated in the Group accounts since they are internal. For further information about the hedges, see note 27 of the consolidated financial statements.

[Introduction](#)
[This is Atlas Copco](#)
[The year in review](#)

• Financials

[Group](#)
[Consolidated income statement](#)
[Consolidated statement of comprehensive income](#)
[Consolidated balance sheet](#)
[Consolidated statement of changes in equity](#)
[Consolidated statement of cash flows](#)
[Notes](#)

• Parent company

[Other information](#)

A5. Appropriations

	2022	2021
Group contributions paid	-3	-9
Group contributions received	2 949	2 704
Total	2 946	2 695

A6. Income tax

	2022	2021
Current tax	-312	-219
Deferred tax	-8	-120
Total	-320	-339
Profit before taxes	32 753	5 515
The Swedish corporate tax rate, %	20.6	20.6
National tax based on profit before taxes	-6 747	-1 137
Tax effects of:		
– non-deductible expenses	70	-39
– tax exempt income	6 290	793
– deductible expenses, not recognized in Income statement	3	26
– deductible income, not recognized in Income statement	7	-
– tax financial net	26	48
– controlled foreign company taxation	-27	-24
– adjustments from prior years	58	-6
Total	-320	-339
Effective tax in %	1.0	6.1

The Parent Company's effective tax rate of 1.0% (6.1) is primarily affected by non-taxable income such as dividends from Group companies.

A7. Intangible assets

	Capitalized expenditures for computer programs	
	2022	2021
Accumulated cost		
Opening balance, Jan. 1	72	67
Investments	-	5
Disposals	-38	-
Closing balance, Dec. 31	34	72
Accumulated depreciation		
Opening balance, Jan. 1	59	55
Depreciation for the year	5	4
Disposals	-38	-
Closing balance, Dec. 31	26	59
Carrying amount		
Opening balance, Jan. 1	13	12
Closing balance, Dec. 31	8	13

A8. Property, plant and equipment

	2022			2021		
	Buildings and land	Machinery and equipment	Total	Buildings and land	Machinery and equipment	Total
Accumulated cost						
Opening balance, Jan. 1	48	68	116	46	67	113
Investments	0	6	6	2	1	3
Disposals	-	-14	-14	-	-	-
Closing balance, Dec. 31	48	60	108	48	68	116
Accumulated depreciation						
Opening balance, Jan. 1	19	63	82	16	59	75
Depreciation for the year	3	4	7	3	4	7
Disposals	-	-14	-14	-	0	0
Closing balance, Dec. 31	22	53	75	19	63	82
Carrying amount						
Opening balance, Jan. 1	29	5	34	30	8	38
Closing balance, Dec. 31	26	7	33	29	5	34

Buildings and land relates to improvements in leased properties. Depreciation is accounted for under administrative expenses in the Income Statement.

The leasing costs for assets, such as rented premises, cars and office equipment are reported among administrative expenses and amounted to 62 (58). Future payments for non-cancelable leasing contracts amounted to 611 (175) and fall due as follows in the table beside.

	2022	2021
Less than one year	65	59
Between one and five years	258	116
More than five years	288	-
Total	611	175

[Introduction](#)
[This is Atlas Copco](#)
[The year in review](#)

• Financials

[Group](#)
[Consolidated income statement](#)
[Consolidated statement of comprehensive income](#)
[Consolidated balance sheet](#)
[Consolidated statement of changes in equity](#)
[Consolidated statement of cash flows](#)
[Notes](#)

• Parent company

[Other information](#)

A9. Deferred tax assets and liabilities

	2022			2021		
	Assets	Liabilities	Net balance	Assets	Liabilities	Net balance
Post-employment benefits	42	–	42	42	–	42
Other provisions	13	–	13	21	–	21
Total	55	–	55	63	–	63

The following reconciles the net balance of deferred taxes at the beginning of the year to that at the end of the year:

	2022	2021
Net opening balance, Jan. 1	63	183
Charges to profit for the year	–8	–120
Net closing balance, Dec. 31, net	55	63

A10. Shares in Group companies

	2022	2021
Accumulated cost		
Opening balance, Jan. 1	243 324	240 808
Investments	3	282
Net investment hedge	450	128
Shareholders' contribution	15 477	2 106
Closing balance, Dec. 31	259 254	243 324
Accumulated write-up		
Opening balance, Jan. 1	600	600
Closing balance, Dec. 31	600	600
Accumulated write-down		
Opening balance, Jan. 1	–80 355	–80 180
Write-down	–8	–175
Closing balance, Dec. 31	–80 363	–80 355
Total	179 491	163 569

For further information about Group companies, see note A21.

A11. Other financial assets

	2022	2021
Endowment insurances	199	201
Financial assets measured at amortized cost:		
– other financial receivables	56	22
Closing balance, Dec. 31	255	223

Endowment insurances relate to defined contribution pension plans and are pledged to the pension beneficiary (see note A15 and A20).

A12. Other receivables

	2022	2021
Receivables from Group companies	4 396	9 288
Financial assets measured at amortized cost:		
– other receivables	17	16
Prepaid expenses and accrued income	58	43
Closing balance, Dec. 31	4 471	9 347

A13. Cash and cash equivalents

	2022	2021
Cash and cash equivalents measured at amortized cost:		
– cash	0	0
Closing balance, Dec. 31	0	0

The Parent Company's guaranteed, but unutilized, credit lines equaled 7 133 (6 551).

A14. Equity

For information on share transactions and mandates approved by the Annual General Meeting and proposed dividend for 2022, see note 20 in the consolidated financial statements.

Reserves

The Parent Company's equity includes certain reserves which are described as follows:

Legal reserve

The legal reserve is a part of the restricted equity and is not available for distribution.

Reserve for fair value – Translation reserve

The reserve comprises translation of intragroup receivables from or liabilities to foreign operations that in substance are part of the net investment in the foreign operations, as well as cash flow hedges to convert variable interest rates to fixed interest rates.

[Introduction](#)
[This is Atlas Copco](#)
[The year in review](#)

• Financials

[Group](#)
[Consolidated income statement](#)
[Consolidated statement of comprehensive income](#)
[Consolidated balance sheet](#)
[Consolidated statement of changes in equity](#)
[Consolidated statement of cash flows](#)
[Notes](#)

• Parent company

[Other information](#)

A15. Post-employment benefits

	2022			2021		
	Defined contribution pension plans	Defined benefit pension plans	Total	Defined contribution pension plans	Defined benefit pension plans	Total
Opening balance, Jan. 1	201	4	205	183	5	188
Provision made	26	1	27	42	–	42
Provision used	–28	–1	–29	–24	–1	–25
Closing balance, Dec. 31	199	4	203	201	4	205

The Parent Company has endowment insurances of 199 (201) relating to defined contribution pension plans. The insurances are recognized as other financial assets, and pledged to the pension beneficiary.

Description of defined benefit pension plans

The Parent Company has two defined benefit pension plans. The ITP plan is a final salary pension plan covering the majority of salaried employees in Atlas Copco AB which benefits are secured through the Atlas Copco pension trust. The second plan relates to retired former senior employees. These pension arrangements are provided for.

	2022			2021		
	Funded pension	Unfunded pension	Total	Funded pension	Unfunded pension	Total
Defined benefit obligations	172	4	176	150	5	155
Fair value of plan assets	–625	–	–625	–672	–	–672
Present value of net obligations	–453	4	–449	–522	5	–517
Not recognized surplus	453	–	453	522	–	522
Net amount recognized in balance sheet	0	4	4	–	5	5

	2022			2021		
	Funded pension	Unfunded pension	Total	Funded pension	Unfunded pension	Total
Reconciliation of defined benefit obligations						
Defined benefit obligations at Jan. 1	150	5	155	147	5	152
Service cost	4	0	4	4	–	4
Interest expense	4	0	4	5	–	5
Benefits paid from plan	–8	–1	–9	–8	–1	–9
Other changes in obligations	22	0	22	2	1	3
Defined benefit obligations at Dec. 31	172	4	176	150	5	155

	2022			2021		
	Funded pension	Unfunded pension	Total	Funded pension	Unfunded pension	Total
Reconciliation of plan assets						
Fair value of plan assets at Jan. 1	672	–	672	460	–	460
Return on plan assets	–39	–	–39	220	–	220
Payments/Renumeration of plan assets	–8	–	–8	–8	–	–8
Fair value of plan assets at Dec. 31	625	–	625	672	–	672

	2022	2021
Pension commitments provided for in the balance sheet		
Costs excluding interest	16	15
Total	16	15
Pension commitments provided for through insurance contracts		
Service cost	25	23
Total	25	23
Net cost for pensions, excluding taxes	41	38
Special employer's contribution	7	6
Total	48	44

Pension expenses excluding taxes for the year, included within administrative expenses amounted to 41 (38) of which the Board members and Group Management 12 (12) and others 29 (26).

The Parent Company's share in plan assets fair value in the Atlas Copco pension trust amounts to 625 (672) and is allocated as follows:

	2022	2021
Equity securities	61	54
Bonds	38	50
Real estate	–	308
Alternative investments	260	212
Cash and cash equivalents	266	48
Total	625	672

The plan assets of the Atlas Copco pension trust are not included in the financial assets of the Parent Company.

The return on plan assets in the Atlas Copco pension trust amounted to –6.91% (47.7) inclusive of MSEK 8.1 (7.7) paid remuneration.

The Parent Company adheres to the actuarial assumptions used by The Swedish Pension Registration Institute (PRI) i.e. discount rate 2.9% (2.9). The Parent Company estimates MSEK 13 will be paid to defined benefit pension plans during 2023.

[Introduction](#)
[This is Atlas Copco](#)
[The year in review](#)

• Financials

[Group](#)
[Consolidated income statement](#)
[Consolidated statement of comprehensive income](#)
[Consolidated balance sheet](#)
[Consolidated statement of changes in equity](#)
[Consolidated statement of cash flows](#)
[Notes](#)

• Parent company

[Other information](#)

A16. Other provisions

	2022	2021
Opening balance, Jan. 1	813	478
During the year:		
– provisions made	–245	496
– provisions used	–67	–161
Closing balance, Dec. 31	501	813

Other provisions include primarily provisions for costs related to employee option programs accounted for in accordance with IFRS 2 and UFR 7.

A17. Borrowings

	Maturity	Repurchased nominal amount	2022		2021	
			Carrying amount	Fair value	Carrying amount	Fair value
Non-current						
Medium Term Note Program MEUR 500	2023	MEUR 186	2 861	3 500	4 552	5 283
Medium Term Note Program MEUR 500	2026		5 076	5 063	5 074	5 226
Bilateral borrowings EIB MEUR 200	2022	MEUR 100	–	–	926	1 026
Bilateral borrowings NIB MEUR 200	2024		2 100	2 257	2 100	2 078
Bilateral borrowings EIB MEUR 200	2027		2 030	1 958	2 030	2 051
Bilateral borrowings EIB MEUR 100	2028		1 012	959	1 012	1 024
Non-current borrowings from Group companies			8 314	9 614	7 427	7 165
Less current portion of long-term borrowings			–2 861	–3 500	–926	–1 026
Total non-current borrowings			18 532	19 851	22 195	22 827
Current						
Current portion of long-term borrowings			2 861	3 500	926	1 026
Total current borrowings			2 861	3 500	926	1 026
Closing balance, Dec. 31			21 393	23 351	23 121	23 853
Whereof external borrowings			13 079	13 737	15 694	16 688

The difference between carrying value and fair value relates to the measurement method as certain liabilities are reported at amortized cost and not at fair value. Changes in interest rates and credit margins create the difference between fair value and amortized cost. In 2022, Atlas Copco AB reduced its external borrowings. In February, MEUR 186 of a MEUR 500 public bond with maturity February 2023 was repurchased and in December MEUR 100 of a maturing EIB loan was repaid.

The following table shows the maturity structure of the Parent Company's external borrowings.

Maturity	Fixed	Floating ¹⁾	Carrying amount	Fair value
2023	2 861	–	2 861	3 500
2024	–	2 100	2 100	2 257
2026	5 076	–	5 076	5 063
2027	2 030	–	2 030	1 958
2028	1 012	–	1 012	959
Total	10 979	2 100	13 079	13 737

¹⁾ Floating interest in the table is borrowings with fixings shorter or equal to six months.

[Introduction](#)
[This is Atlas Copco](#)
[The year in review](#)

• Financials

[Group](#)
[Consolidated income statement](#)
[Consolidated statement of comprehensive income](#)
[Consolidated balance sheet](#)
[Consolidated statement of changes in equity](#)
[Consolidated statement of cash flows](#)
[Notes](#)

• Parent company

[Other information](#)

A18. Other liabilities

	2022	2021
Accounts payable	15	16
Liabilities to Group companies	90	64
Other financial liabilities:		
– other liabilities	38	16
Accrued expenses and prepaid income	232	248
Closing balance, Dec. 31	375	344

Accrued expenses include items such as social costs, vacation pay liability, and accrued interest.

A19. Financial exposure and principles for control of financial risks

Parent Company borrowings

Atlas Copco AB had MSEK 13 079 (15 694) of external borrowings and MSEK 8 314 (7 427) of internal borrowings at December 31, 2022. Derivative instruments are used to manage the currency and interest rate risk in line with policies set by the Financial Risk Management Committee, see note 27 in the consolidated financial statements.

Hedge accounting

The Parent Company hedges shares in subsidiaries through loans of MEUR 2 392 (2 291) and derivatives of MEUR 0 (100). The deferral hedge accounting of the loans is based on a RFR 2 exemption. The derivative is an internal contract with Atlas Copco Finance DAC resulting with MSEK 0 (–4) to Receivables from Group companies in below table.

Financial credit risk

Credit risk on financial transactions is the risk that the Parent Company incurs losses as a result of non-payment by counterparts related to the Parent Company's investments, bank deposits or derivative transactions. For further information regarding investment and derivative transactions, see note 27 of the consolidated financial statements. The table below shows the actual exposure of financial instruments as per December 31.

Financial credit risk	2022	2021
Cash and cash equivalents	0	0
Receivables from Group companies	4 396	9 288
Other	131	81
Total	4 527	9 369

Fair value hierarchy

Fair values are based on observable market prices or, in the case that such prices are not available, on observable inputs or other valuation techniques. Amounts shown in other notes are unrealized and will not necessarily be realized. For more information about fair value hierarchy, see note 27 of the consolidated financial statements. There are no level 3 instruments in the Parent Company.

Valuation methods

Derivatives

Fair values of forward exchange contracts are calculated based on prevailing markets. Interest rate swaps are valued based on market rates and present value of future cash flows.

Interest-bearing liabilities

Fair values are calculated based on market rates and present value of future cash flows.

The Parent Company's financial instruments by category

The carrying value for the Parent Company's financial instruments corresponds to fair value in all categories except for borrowings. See A17 for additional information.

A20. Assets pledged and contingent liabilities

	2022	2021
Assets pledged for pension commitments		
Endowment insurances	199	201
Total	199	201
Contingent liabilities		
Sureties and other contingent liabilities:		
– for external parties	3	4
– for Group companies	10 063	3 262
Total	10 066	3 266

Sureties and other contingent liabilities include bank and commercial guarantees and performance bonds. The increase compared to last year mainly derives from the issuance of an EMTN bond for the total amount of 5 572 MSEK and Parent Company Guarantees provided by Atlas Copco AB on behalf of its subsidiaries.

[Introduction](#)
[This is Atlas Copco](#)
[The year in review](#)
[• Financials](#)
[Group](#)
[Consolidated income statement](#)
[Consolidated statement of comprehensive income](#)
[Consolidated balance sheet](#)
[Consolidated statement of changes in equity](#)
[Consolidated statement of cash flows](#)
[Notes](#)
[• Parent company](#)
[Other information](#)

A21. Directly owned subsidiaries

	2022			2021		
	Number of shares	Percent held	Carrying value	Number of shares	Percent held	Carrying value
Directly owned product companies						
Atlas Copco Airpower n.v., Wilrijk	76 416	100	46 744	76 415	100	46 806
Directly owned customer centers						
AGRE Kompressoren GmbH, Steyr	200 000	100	7	200 000	100	7
ALUP Kompressoren AG, Oftringen	3 500	100	25	3 500	100	25
ALUP Kompressoren Polska sp. z o.o., Janki	9 000	100	14	9 000	100	14
Atlas Copco (Cyprus) Ltd., Nicosia	99 998	100	0	99 998	100	0
Atlas Copco (India) Ltd., Pune	21 731 917	100	898	21 731 917	100	874
Atlas Copco (Ireland) Ltd., Dublin	250 000	100	28	250 000	100	28
Atlas Copco (Malaysia), Sdn. Bhd., Shah Alam	1 000 000	100	13	1 000 000	100	14
Atlas Copco (Philippines) Inc., Binan	677 980	100	69	677 980	100	69
Atlas Copco (Schweiz) AG, Studen	8 000	100	64	8 000	100	63
Atlas Copco (South East Asia) Pte.Ltd., Singapore	4 500 000	100	35	4 500 000	100	35
Atlas Copco (Thailand) Limited, Bangkok	1	0/100 ¹⁾	0	–	–/100 ¹⁾	–
Atlas Copco Argentina S.A.C.I., Buenos Aires	5 120 025	93/100 ¹⁾	84	5 120 025	93/100 ¹⁾	84
Atlas Copco Brasil Ltda, Barueri	70 358 841	100	255	70 358 841	100	257
Atlas Copco Canada Inc., Toronto	6 946	100	2 185	6 946	100	2 185
Atlas Copco Chile SpA, Santiago	24 998	100	7	24 998	100	6
Atlas Copco Compressor AB, 556155-2794, Nacka	60 000	100	36	60 000	100	36
Atlas Copco Eastern Africa Limited, Nairobi	482 999	100	40	482 999	100	40
Atlas Copco Equipment Egypt S.A.E., Cairo	5	0/100 ¹⁾	5	5	0/100 ¹⁾	4
Atlas Copco GmbH, Vienna	1	100	43	1	100	43
Atlas Copco Indoeuropeiska AB, 556155-2760, Nacka	3 500	100	20	3 500	100	20
Atlas Copco KK, Tokyo	100 000	100	39	100 000	100	39
Atlas Copco Kompressorteknik A/S, Albertslund	4 000	100	5	4 000	100	5
Atlas Copco Maroc SA, Casablanca	3 960	99	6	3 960	99	6
Atlas Copco Polska Sp. z o.o., Warsaw	4 000	100	80	4 000	100	80
Atlas Copco Services Middle East OMC, Manama	500	100	24	500	100	27

	2022			2021		
	Number of shares	Percent held	Carrying value	Number of shares	Percent held	Carrying value
Atlas Copco Ukraine LLC, Kiev	10 000 000	100	3	10 000 000	100	3
Atlas Copco Venezuela SA, Valencia	1 592	100	9	25 812 000	100	0
Sociedade Atlas Copco Portugal Unipessoal Ld, Porto Salvo	1	100	15	1	100	15
Directly owned holding companies and others						
AB Atlas Diesel, 556019-1610, Nacka	1000	100	0	1 000	100	0
Atlas Copco A/S, Langhus	2 500	100	45	2 500	100	44
Atlas Copco Beheer B.V., Zwijndrecht	15 712	100	76	15 712	100	84
Atlas Copco Finance Belgium BVBA, Wilrijk	1	0/100 ¹⁾	0	1	0/100 ¹⁾	0
Atlas Copco Finance DAC, Dublin	5 162 000 001	100	54 878	5 162 000 001	100	54 428
Atlas Copco France Holding S.A., Cergy Pontoise	278 255	100	321	278 255	100	341
Atlas Copco Holding GmbH, Essen	2	100	9 377	2	100	4 351
Atlas Copco Internationaal B.V., Zwijndrecht	10 002	100	27 455	10 002	100	27 455
Atlas Copco Järila Holding AB, 556062-0212, Nacka	95 000	100	716	95 000	100	716
Atlas Copco Nacka Holding AB, 556397-7452, Nacka	100 000	100	12	100 000	100	12
Atlas Copco Sickla Holding AB, 556309-5255, Nacka	1 000	100	35 590	1 000	100	25 084
Econus S A, Montevideo	21 582 605	100	17	21 582 605	100	17
Industria Försäkringsaktiebolag, Industria Insurance Company Ltd 516401-7930, Nacka	300 000	100	30	300 000	100	30
JSC Atlas Copco, Moscow	2 644	100	185	2 644	100	185
Oy Atlas Copco Ab, Vantaa	150	100	33	150	100	33
Power Tools Distribution n.v., Hoeselt	1	0/100 ¹⁾	3	1	0/100 ¹⁾	4
Saltus Industrial Technique AB, 559053-5455, Nacka	500	100	0	500	100	0
Carrying amount, Dec. 31			179 491			163 569

¹⁾ First figure: percentage held by Parent Company, second figure: percentage held by Atlas Copco Group.

A22. Related parties

Relationships

The Parent Company has related party relationships with its largest shareholder, its subsidiaries, its associates, its joint ventures and with its Board members and Group Management.

The Parent Company's largest shareholder, Investor AB, controls approximately 22% (22) of the voting rights in Atlas Copco AB.

The subsidiaries that are directly owned by the Parent Company are presented in note A21 and all directly and indirectly owned operating subsidiaries are listed on the following pages.

Information about Board members and Group Management is presented on pages 55–58.

Transactions and outstanding balances

The Group has not had any transactions with Investor AB during the year other than dividends declared and has no outstanding balances with Investor AB.

Investor AB has controlling or significant influence in companies which Atlas Copco AB may have transactions with in the normal course of business. Any such transactions are made on commercial terms.

The following table summarizes the Parent Company's transactions with Group companies:

	2022	2021
Revenues		
Dividends	30 536	3 849
Group contribution	2 949	2 704
Interest income	38	9
Expenses		
Group contribution	–3	–9
Interest expenses	–101	–29
Receivables	4 396	9 288
Liabilities	8 404	7 491
Guarantees	10 063	3 262

The following details directly and indirectly owned holding and operational subsidiaries (excluding branches), presented by country/area of incorporation.

Country/Area	Company	Location (City)
Algeria	SPA Atlas Copco Algérie	Algiers
Angola	Atlas Copco Angola Ltd	Luanda
Argentina	Atlas Copco Argentina S.A.C.I.	Buenos Aires
Australia	Atlas Copco Australia Pty Ltd	Blacktown
	Ausmedi International Pty. Ltd.	Melbourne
	LEWA Australia PTY LTD	East Perth
	SCS Filtration	Melbourne
	Walker Filtration Pty. Australia	Melbourne
Austria	AGRE Kompressoren GmbH	Steyr
	Atlas Copco GmbH	Vienna
	LEWA Austria GmbH	Vienna

Country/Area	Company	Location (City)
Austria	Medgas-Technik medical systems GmbH	Leisach
Bahrain	Atlas Copco Services Middle East OMC	Manama
Bangladesh	Atlas Copco Bangladesh Ltd.	Dhaka
Belgium	Atlas Copco Airpower n.v.	Wilrijk
	Atlas Copco Belgium n.v.	Overijse
	Atlas Copco Finance Belgium bv	Wilrijk
	Atlas Copco Rental Europe n.v.	Boom
	Atlas Copco Support Services n.v.	Wilrijk
	Atlas Copco Vacuum Belgium nv	Estaimpuis
	EDMAC Europe n.v.	Wilrijk
	Geveke Compressor Technology nv	Vilvoorde
	Geveke Process Technology bv	Vilvoorde
	International Compressor Distribution n.v.	Wilrijk
	MultiAir BELUX nv	Deinze
	Power Tools Distribution n.v.	Hoeselt
Bolivia	Atlas Copco Bolivia S.A. Compresores, Maquinaria y Servicio	Santa Cruz
Brazil	Atlas Copco Brasil Indústria e Comércio Ltda.	Barueri
	Atlas Copco Brasil Ltda.	Barueri
	Chicago Pneumatic Brasil Ltda.	Barueri
	Edwards Vacuo Ltda.	Sao Paulo
	ISRA VISION Comércio, Serviços, Importação e Exportação Ltda.	Sao Paulo
	Itubombas Locação, Comércio, Importação e Exportação Ltda.	Itu
	LEWA Brasil Equipamentos Ltda.	Sao Paulo
	Leybold do Brasil Ltda.	Jundiaí
	Perceptron do Brazil Ltda.	Sao Paulo
	Pressure Compressores Ltda.	Maringa
Bulgaria	Atlas Copco Bulgaria EOOD	Sofia
Canada	Atlas Copco Canada Inc.	Toronto
	Chicago Pneumatic Tool Co. Canada Ltd.	Toronto
	Class 1 Incorporated	Cambridge
	CPC Pumps International Inc.	Burlington
	Entreprises Larry Inc.	Montreal
	Les Pompes À Vide TECHNI-V-AC Inc.	Blainville
	Lucas Drive - 2352341 Ontario Inc.	Burlington
	Sutton Drive - 2485283 Ontario Inc.	Burlington
Chile	Atlas Copco Chile SpA	Santiago
China	Atlas Copco (Wuxi) Compressor Co., Ltd.	Wuxi
	Atlas Copco (Shanghai) Equipment Rental Co., Ltd.	Shanghai
	Atlas Copco Industrial Technique (Shanghai) Co., Ltd.	Shanghai
	Atlas Copco (China) Investment Co., Ltd.	Shanghai
	Atlas Copco (Shanghai) Process Equipment Co., Ltd.	Shanghai
	Atlas Copco (Shanghai) Trading Co., Ltd.	Shanghai
	Bolaite (Shanghai) Trading Co. Ltd.	Shanghai
	Bozhong (Shandong) Industrial Equipment Co., Ltd.	Zibo
	Chinco Vacuum Technique (Zibo) Co., Ltd.	Zibo
	CSK China Co. Ltd.	Wuxi
China	CSK Xian China Co. Ltd.	Xian
	Edmac (Shanghai) Trading Co., Ltd.	Shanghai
	Edwards Technologies Trading (Shanghai) Company Ltd.	Shanghai
	Edwards Technologies Vacuum Engineering (Qingdao) Company Ltd.	Qingdao
	Edwards Technologies Vacuum Engineering (Shanghai) Company Ltd.	Shanghai
	Edwards Technologies Vacuum Engineering (Xian) Company Ltd.	Xian
	Factory for Industrial Air Compressors (Jiangmen) Co., Ltd.	Jiangmen
	ISRA VISION (Shanghai) Co. Ltd.	Shanghai
	Jinan Meditech Equipment Installation Engineering Co., Ltd.	Jinan
	Kunshan Q-Tech Air System Technologies Ltd.	Kunshan
	LEWA (Dalian) Fluid Technology Co., Ltd.	Dalian
	LEWA Pumps Dalian Co. Ltd.	Dalian
	Leybold Equipment (Tianjin) Co., Ltd.	Tianjin
	Leybold (Tianjin) International Trade Co. Ltd.	Tianjin
	Linghein (Shanghai) Gas Technologies Co., Ltd.	Shanghai
	Liutech Machinery Equipment Co., Ltd.	Liuzhou
	Liuzhou Tech Machinery Co., Ltd.	Liuzhou
	Meditech (Shanghai) Gas Technology Co., Ltd.	Shanghai
	Perceptron Metrology Technology (Shanghai) Co., Ltd.	Shanghai
	Q-Tech (Shanghai) Gas Equipment Co., Ltd.	Shanghai
	Scheugenpflug Resin Metering Technologies co., Ltd.	Suzhou
	Shandong Meditech Technology Co., Ltd.	Jinan
	Shanghai Beacon Medaes Medical Gas Engineering Consulting Co., Ltd.	Shanghai
	Shanghai Tooltec Industrial Tool Co., Ltd.	Shanghai
	Suzhou Since Gas Technology Co., Ltd.	Suzhou
	Wuxi Pneumatech Air/Gas Purity Equipment Co., Ltd.	Wuxi
	Wuxi Shengda Air/Gas Purity Equipment Co., Ltd.	Wuxi
Colombia	Atlas Copco Colombia Ltda	Bogota
Cyprus	Atlas Copco (Cyprus) Ltd.	Nicosia
Czech Republic	ALUP CZ spol. S.r.o	Breclav
	Atlas Copco s.r.o.	Prague
	Atlas Copco Services s.r.o.	Brno
	Edwards s.r.o.	Lutin
	Next Metrology Software s.r.o.	Prague
	Schneider Airsystems s.r.o.	Line
Denmark	Atlas Copco Kompressorteknik A/S	Albertslund
	Oxymat A/S	Helsingø
	Oxymat Ejendom ApS	Helsingø
	Oxymat Services A/S	Helsingø
	RENO A/S	Give
Egypt	Atlas Copco Equipment Egypt S.A.E.	Cairo
	Atlas Copco Service Egypt	Cairo

Introduction

This is Atlas Copco

The year in review

• Financials

Group

Consolidated income statement

Consolidated statement of comprehensive income

Consolidated balance sheet

Consolidated statement of changes in equity

Consolidated statement of cash flows

Notes

• Parent company

Other information

[Introduction](#)
[This is Atlas Copco](#)
[The year in review](#)
[Financials](#)
[Group](#)
[Consolidated income statement](#)
[Consolidated statement of comprehensive income](#)
[Consolidated balance sheet](#)
[Consolidated statement of changes in equity](#)
[Consolidated statement of cash flows](#)
[Notes](#)
[Parent company](#)
[Other information](#)

A22. Related parties, continued

Country/Area	Company	Location (City)
Finland	Oy Atlas Copco Ab	Vantaa
	Oy Atlas Copco Kompressorit Ab	Vantaa
	Oy Atlas Copco Tools Ab	Vantaa
France	ABAC France S.A.S.	Valence
	Atlas Copco Applications Industrielles S.A.S.	Cergy Pontoise
	Atlas Copco Crépelle S.A.S.	Lille
	Atlas Copco France Holding S.A.	Cergy Pontoise
	Atlas Copco France SAS	Cergy Pontoise
	Edwards SAS	Herblay
	ETS Georges Renault S.A.S.	Saint-Herblain
	Exlair S.A.S.	Saint Ouen L'Aûmone
	FITEC	Tarnos
	LEWA France SAS	Neuville-sur-Oise
Leybold France SAS	Bourg-Les-Valence	
MultiAir France S.A.S.	Chambly	
Perceptron EURL	Montigny le Bretonneux	
Seti-Tec S.A.S.	Lognes	
Germany	3D-Shape GmbH	Erlangen
	ALUP-Kompressoren GmbH ¹	Reutlingen
	ARPUMA regel- und fördertechnische Geräte GmbH	Kerpen
	Atlas Copco Beteiligungs GmbH ¹	Essen
	Atlas Copco Energas GmbH ¹	Cologne
	Atlas Copco Holding GmbH ¹	Essen
	Atlas Copco IAS GmbH ¹	Bretten
	Atlas Copco Industry GmbH ¹	Essen
	Atlas Copco Kompressoren und Drucklufttechnik GmbH ¹	Essen
	Atlas Copco Power Technique GmbH ¹	Essen
	Atlas Copco Tools Central Europe GmbH ¹	Essen
	Desoutter GmbH ¹	Maintal
	DF Druckluft-Fachhandel GmbH ¹	Herrenberg
	Dipotec GmbH ¹	Neustadt a.d. Donau
	Edwards GmbH	Kirchheim
	Ehrler & Beck Vakuum- und Drucklufttechnik GmbH ¹	Renningen
	GP Inspect GmbH	Neuried
GP Solar GmbH	Neuried	
ISRA Immobilie Darmstadt GmbH ¹	Darmstadt	
ISRA Immobilie Herten GmbH ¹	Darmstadt	
ISRA PARSYTEC GmbH ¹	Aachen	
ISRA SURFACE VISION GmbH ¹	Herten	
ISRA VISION GmbH ¹	Darmstadt	
ISRA VISION Graphikon GmbH	Berlin	
ISRA VISION LASOR GmbH	Bielefeld	
ISRA VISION PARSYTEC AG ¹	Aachen	

Country/Area	Company	Location (City)
Germany	ISRA VISION POLYMERIC GmbH	Darmstadt
	KDS Kompressoren- und Druckluftservice GmbH ¹	Essen
	LEWA GmbH ¹	Leonberg
	LEWA Deutschland GmbH ¹	Leonberg
	Leybold Dresden GmbH	Dresden
	Leybold GmbH	Cologne
	Leybold Real Estate GmbH ¹	Cologne
	Medgas-Technik GmbH Medical-Technology ¹	Berndroth
	metronom Automation GmbH ¹	Mainz
	nano-purification solutions GmbH ¹	Krefeld
	Perceptron GmbH	Munich
	P-Flow AcquiCo GmbH ¹	Wangen l'm Allgau
	P-Flow HoldCo GmbH ¹	Wangen l'm Allgau
	PMH Druckluft GmbH ¹	Moers
	Pumpenfabrik Wangen GmbH ¹	Wangen l'm Allgau
QUISS Qualitäts-Inspektionssysteme und Service GmbH ¹	Puchheim	
Scheugenpflug GmbH ¹	Neustadt a.d. Donau	
Schneider Druckluft GmbH ¹	Reutlingen	
soft2tec GmbH ¹	Russelsheim	
Synatec GmbH ¹	Leinfelden-Echterdingen	
Vision Experts GmbH	Karlsruhe	
Greece	Atlas Copco Hellas AE	Koropi
	Atlas Copco China/Hong Kong Ltd	Hong Kong
Hong Kong	Atlas Copco Hungary Kft	Szigetszentmiklós
	Atlas Copco (India) Ltd.	Pune
India	Edwards India Private Ltd.	Pune
	HHV Pumps Private Limited	Bangalore
	ISRA VISION INDIA Private Limited	Mumbai
	LEWA Pumps India Pvt Ltd.	Chennai
	Leybold India Pvt Ltd.	Pune
	Perceptron Non-Contact Metrology Solutions Pvt Ltd.	Chennai
	PT Atlas Copco Indonesia	Jakarta
Iraq	Atlas Copco Iraq LLC	Erbil
	Atlas Copco (Ireland) Ltd.	Dublin
Ireland	Atlas Copco Finance DAC	Dublin
	Edwards Vacuum Technology Ireland Ltd	Dublin
	Provac Limited	Wexford
	Edwards Israel Vacuum Ltd	Kiryat Gat
Israel	ABAC Aria Compressa S.r.l	Robassomero
	Atlas Copco BLM S.r.l.	Milan
Italy	Atlas Copco Italia S.r.l.	Milan
	Ceccato Aria Compressa S.r.l	Vicenza
	Desoutter Industrial Tool Srl	Lissone
	DGM S.r.l.	Sovizzo (VI)
	Edwards S.r.l.	Milan
	Eurochiller S.r.l.	Castello d'Agogna (Pv)

Country/Area	Company	Location (City)
Italy	Fiac Professional Air Compressors S.r.l.	Bologna
	FIAC S.r.l.	Bologna
	LEWA Italy S.r.l.	Rho
	Leybold Italia S.r.l	Milan
	MultiAir Italia S.r.l	Cinisello Balsamo
	SCB S.r.l.	Villar San Costanzo
Japan	STERI Srl	Torino
	Varisco S.r.l.	Padova
	Atlas Copco KK	Tokyo
	Edwards Japan Ltd	Chiba
Malaysia	Fuji Industrial Technique Co., Ltd.	Osaka
	ISRA VISION JAPAN Co., Ltd	Yokohama
	Leybold Japan Co.Ltd. Shin-Yokohama AK bldg	Kohoku-Ku, Yokohama-Shi
Kazakhstan	Atlas Copco AirPower Central Asia LLP	Almaty
Kenya	Atlas Copco Eastern Africa Limited	Nairobi
Latvia	Atlas Copco Baltic SIA	Riga
Lebanon	Atlas Copco Levant S.A.L.	Beirut
Luxembourg	Atlas Copco Finance S.á.r.l.	Luxembourg
Malaysia	Atlas Copco (Malaysia) Sdn. Bhd.	Shah Alam
	Bireme group Malaysia SDN BHD	Johor Bahru
	Geveke Malaysia Snd. Bhd.	Shan Alam
	Geveke Oil & Gas Sdn. Bhd.	Shan Alam
Mexico	Vacuum Technique Malaysia Sdn. Bhd.	Puchong
	Atlas Copco Mexicana S.A. de C.V.	Tlalnepantla
	Desarrollos Tecnológicos ACMSA S.A. de C.V.	Tlalnepantla
	Desoutter Tools Mexico SA de CV	Tlalnepantla
	ISRA VISION S. de R.L. de C.V.	Queretaro
Morocco	Vacuum Technique Mexico	Monterrey
	Atlas Copco Maroc SA	Casablanca
Myanmar	Atlas Copco Services Myanmar Co., Ltd.	Yangon
Netherlands	Alup Kompressoren BV	Oss
	Atlas Copco Beheer B.V.	Zwijndrecht
	Atlas Copco Internationaal B.V.	Zwijndrecht
	Creemers Compressors B.V.	Oss
	Eco Ketelservice Verhuur B.V.	Tilburg
	Eco Steam Trading & Consultancy B.V.	Tilburg
	E.K.S. Holding B.V.	Tilburg
	Geveke BV	Amsterdam
	Geveke Werktuigbouw BV	Amsterdam
	Leybold Nederland B.V.	Utrecht
Perceptron B.V.	The Hague	
New Zealand	Atlas Copco (N.Z.) Ltd.	Auckland
	Exlair (NZ) Limited	Auckland
Nigeria	Atlas Copco Nigeria Ltd.	Lagos
Norway	Atlas Copco A/S	Langhus

¹⁾ For the business year ending December 31, 2022 several German subsidiaries will make use of the §§ 264, 291 Handelsgesetzbuch (German Commercial Code) exemption rules of filing their own (consolidated) financial statements.

[Introduction](#)
[This is Atlas Copco](#)
[The year in review](#)

• Financials

[Group](#)
[Consolidated income statement](#)
[Consolidated statement of comprehensive income](#)
[Consolidated balance sheet](#)
[Consolidated statement of changes in equity](#)
[Consolidated statement of cash flows](#)
[Notes](#)

• Parent company

[Other information](#)

A22. Related parties, continued

Country/Area	Company	Location (City)
Norway	Atlas Copco Kompressorteknikk A/S	Langhus
	Atlas Copco Tools A/S	Langhus
	Berema A/S	Langhus
Pakistan	Atlas Copco Pakistan (Private) Limited	Lahore
Peru	Atlas Copco Perú S.A.C.	Lima
Philippines	Atlas Copco (Philippines) Inc.	Binan
	ALUP Kompressoren Polska sp. z o.o.	Janki
		Warsaw
Poland	Atlas Copco Polska Sp. z o.o.	Warsaw
	Vector Sp. z o.o.	Tarnowo Podgórze
Portugal	Sociedade Atlas Copco de Portugal Unipessoal Lda	Porto Salvo
Romania	Atlas Copco Romania S.R.L.	Bucharest
	Scheugenpflug S.R.L.	Sibiu
Russia	ISRA VISION LLC	Moscow
	JSC Atlas Copco	Moscow
Serbia	Atlas Copco Srbija doo	Belgrade
Singapore	Atlas Copco (South East Asia) Pte. Ltd	Singapore
	Bireme Singapore Pte Ltd	Singapore
	Geveke International Pte Ltd	Singapore
	LEWA Singapore Pte. Ltd.	Singapore
	Leybold Singapore Pte Ltd	Singapore
Slovakia	Vacuum Technique Singapore Pte Ltd	Singapore
	Atlas Copco s.r.o	Bratislava
	ISRA VISION s.r.o.	Bratislava
Slovenia	Oxymat Slovakia SrO	Vadovca
	Perceptron Slovensko s.r.o.	Bratislava
	Schneider Airsystems s.r.o.	Nitra
Slovenia	Atlas Copco d.o.o.	Trzin
South Africa	Atlas Copco Industrial South Africa (Pty) Ltd	Boksburg
	Rand Air South Africa (Pty) Ltd	Boksburg
South Korea	Atlas Copco Korea Co., Ltd.	Seongnam
	CP Tools Korea Co., Ltd.	Anyang
	CSK Inc.	Yongin
	Edwards Korea Ltd	Cheonan
	ISRA VISION Korea Co. Ltd	Seoul
	LEWA Korea Co., Ltd.	Seoul
	Leybold Korea Ltd	Bundang
Spain	Aire Comprimido Industrial Iberia, S.L.	Madrid
	Atlas Copco S.A.E.	Madrid
	Grupos Electrógenos Europa, S.A.	Zaragoza
	IBVC Vacuum, S.L.U.	Madrid
	LEWA Hispania S.L.	Madrid
	Leybold Hispanica S.A.	Cornellá de Llobregat
	Perceptron Iberica, S.L.	Barcelona
Photonfocus Spain, S.L.	Barcelona	

Country/Area	Company	Location (City)
Sweden	Atlas Copco Compressor AB	Nacka
	Atlas Copco Industrial Technique AB	Nacka
	Atlas Copco Järila Holding AB	Nacka
	Atlas Copco Nacka Holding AB	Nacka
	Atlas Copco Sickla Holding AB	Nacka
Switzerland	Industria Försäkringsaktiebolag, Industria Insurance Company Ltd	Nacka
	ALUP Kompressoren AG	Oftringen
	Atlas Copco (Schweiz) AG	Studen
	LEWA Switzerland AG	Reinach
	Leybold Schweiz AG	Steinhausen
Taiwan	Medgas-Technik Schweiz AG	Sankt-Gallen
	Photonfocus AG	Lachen
	Atlas Copco Taiwan Ltd.	Taoyuan
Thailand	CSKT Inc.	Jubei
	Edwards Technologies Ltd	Jhunan
	Leybold Taiwan Ltd	Zhubei
Türkiye	Atlas Copco (Thailand) Limited	Bangkok
	Atlas Copco Makinalari Imalat AS	Istanbul
Ukraine	Chicago Pneumatic Endüstriyel Ürünler Ticaret A.Ş	Istanbul
	Dost Kompresör Endüstri Makinaları İmal Bakım ve Ticaret A.Ş	Istanbul
	Ekomak Endüstriyel Kompresör Makine Sanayi ve Ticaret A.Ş	Istanbul
	ISRA VISION Yapay Görme Ve Otomasyon San. Ve Tic. A.Ş	Istanbul
	Multiair Endüstriyel Hava Ekipmanları Ticaret A.Ş.	Istanbul
United Arab Emirates	Tekser Endüstriyel Cihazlar Sanayi ve Ticaret A.Ş.	Istanbul
	Atlas Copco Ukraine LLC	Kiev
	Atlas Copco Middle East FZE	Dubai
United Kingdom	LEWA Middle East FZE	Sharjah
	LEWA MIDDLE EAST FZE	Dubai
	Air Compressors and Tools Limited	Hemel Hempstead
	Airflow Compressors and Pneumatics Limited	Warrington
	Associated Compressor Engineers Limited	Stockport
	Atlas Copco IAS UK Limited	Flintshire
	Atlas Copco Ltd.	Hemel Hempstead
	Atlas Copco UK Holdings Ltd.	Hemel Hempstead
	BeaconMedaes Ltd	Staveley
	C.A.S products Limited	Bolton
Cooper Freer Ltd	Leicester	
Cooper Freer Holdings Ltd	Leicester	
Edwards High Vacuum International Ltd.	Burgess Hill	
Edwards Ltd.	Burgess Hill	
Glaston Compressor Services Limited	Skelmersdale	
Isocool Limited	Braintree	
ISRA VISION Ltd.	London	
ISRA VISION PARSYTEC Ltd.	Eastleigh	
Leybold UK Ltd.	Chessington	

Country/Area	Company	Location (City)
United Kingdom	Nano Purification Solutions Ltd	Newcastle
	Purification Solutions UK Limited	Gateshead
	Perceptron Metrology UK Ltd.	Birmingham
	Precision Pneumatics Ltd	Liverpool
	Tentec Ltd.	Birmingham
U.S.A	Walker Filtration Ltd. UK	Washington
	Wearside Pneumatics Ltd	Newcastle
	Air & Gas Solutions LLC	Charlotte
	Atlas Copco Compressors LLC	Rock Hill
	Atlas Copco Comptec LLC	Voorheesville
	Atlas Copco IAS LLC	Auburn Hills
	Atlas Copco Mafi-Trench Company LLC	Santa Maria
	Atlas Copco North America LLC	Parsippany
	Atlas Copco Rental LLC	Laporte
	Atlas Copco Tools & Assembly Systems LLC	Auburn Hills
Atlas Copco USA Holdings Inc.	Parsippany	
BeaconMedaes LLC	Rock Hill	
CH Spencer LLC	Salt Lake City	
Chicago Pneumatic International Inc.	Rock Hill	
Chicago Pneumatic Tool Company LLC	Rock Hill	
Dekker Vacuum Technologies Inc	Michigan City	
Edwards Semiconductor Solutions LLC	Saugerties	
Edwards Vacuum, LLC	Wilmington	
Henrob Corporation	New Hudson	
ISRA SURFACE VISION Inc.	Berkeley Lake	
ISRA VISION PARSYTEC Inc.	Berkeley Lake	
LEWA America, Inc.	Hollistone	
Leybold USA Inc.	Wilmington	
Mid-South Engine & Power Systems LLC	White Oak	
Montana Instruments Corporation	Bozeman	
Nowvac Inc.	Parsippany	
Perceptron Inc.	Plymouth	
Perceptron Global Inc.	Plymouth	
Perceptron Software Technology, Inc.	Plymouth	
Powerhouse Equipment & Engineering Co. Inc.	Delanco	
Power Technique North America LLC	Rock Hill	
Quincy Compressor LLC	Bay Minette	
Scheugenpflug Inc.	Kennesaw	
Vacuum Technique LLC	Michigan City	
Walker Filtration Inc. US	Erie	
Wangen America Inc.	Elk Grove Village	
Venezuela	Atlas Copco Venezuela SA	Valencia
Vietnam	Atlas Copco Vietnam Company Ltd.	Hanoi
Zambia	Atlas Copco Industrial Zambia Limited	Kitwe

Signatures of the Board of Directors

The Parent Company financial statements have been prepared in accordance with generally accepted accounting principles in Sweden and the consolidated financial statements have been prepared in accordance with International Accounting Standards as prescribed by the European Parliament and the Regulation (EC) No 1606/2002 dated July 19, 2002 on the application of International Accounting Standards. The Parent Company financial statements and the consolidated financial statements give a true and fair view of the Parent Company's and the Group's financial position and results of operations.

The administration report for the Group and Parent Company provides a true and fair overview of the development of the Group's and Parent Company's business activities, financial position and results of operations as well as the significant risks and uncertainties which the Parent Company and its subsidiaries are exposed to.

The Annual Report also contains the Group's and Parent Company's statutory sustainability report in accordance with the Swedish Annual Accounts Act, Chapter 6, Section 11, see page 19.

Nacka, March 3, 2023, Atlas Copco AB

Hans Stråberg
Chair

Staffan Bohman
Board member

Johan Forssell
Board member

Heléne Mellquist
Board member

Anna Ohlsson-Leijon
Board member

Mats Rahmström
*Board member
President and CEO*

Gordon Riske
Board member

Peter Wallenberg Jr
Board member

Mikael Bergstedt
*Board member
Employee representative*

Benny Larsson
*Board member
Employee representative*

Our audit report was submitted on March 20, 2023,
Ernst & Young AB

Erik Sandström
Authorized Public Accountant

Atlas Copco AB is required to publish information included in this annual report in accordance with the Swedish Securities Market Act. The information was made public on March 22, 2023.

Audit report

To the general meeting of the shareholders of Atlas Copco AB (publ), corporate identity number 556014-2720

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Atlas Copco AB (publ) for the year 2022 except for the corporate governance statement on pages 51–60 and the quarterly data on page 80. The annual accounts and consolidated accounts of the company are included on pages 13–39, 44–48 and 61–121 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of December 31, 2022 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of December 31, 2022 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 51–60. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Accounting for business combinations

Description

In the fiscal year 2022, Atlas Copco made 30 acquisitions for a total consideration of 12.1 billion SEK. The acquired assets and liabilities must be separately identified and valued at fair value at the date of the acquisition. For acquired assets and liabilities for which there is no active market management must apply valuation models and significant estimates in order to determine the fair value.

Disclosures related to the group's accounting principles, significant accounting estimates and judgements are provided in note 1 and note 2 contains disclosures related to the acquisitions made.

Based on the significance of the acquisitions and the high degree of management estimate required to account for these matters, we have assessed the accounting for business combinations as a key audit matter in our audit.

How our audit addressed this key audit matter

As part of our audit we have evaluated the group's processes related to the accounting of business combinations. We have reviewed the purchase agreements and audited the purchase price allocations for all significant acquisitions.

With support from our internal valuation specialists, we have assessed the valuation models applied and the significant estimates used when accounting for the business combinations. The models and estimates have been tested by comparing them to historical outcome, future cash flow forecasts as well as external sources and established valuation techniques. Further we have performed sensitivity analyzes for significant estimates as well as benchmark comparisons.

Finally, we have assessed the appropriateness of the disclosures provided in the annual report.

Valuation of goodwill

Description

At December 31, 2022, the total value of goodwill amounts to 44.3 billion SEK and is allocated to the group's different cash generating units. Goodwill must be tested for impairment at least annually or whenever there are indicators of impairment. The test is carried out by comparing the recoverable amount to the carrying value. To calculate the recoverable amount management apply significant judgment and estimates regarding future cash flows, terminal growth rate and discount rates. The impairment tests for 2022 did not result in any impairment write off.

Disclosures related to the group's accounting principles, significant accounting estimates and judgements are provided in note 1 and disclosures related to goodwill and the impairment test performed are provided in note 12.

Based on carrying value of the goodwill and the high degree of management estimate required to perform the impairment tests, we have assessed the accounting for the valuation of goodwill as a key audit matter in our audit.

How our audit addressed this key audit matter

In the audit, we have evaluated the group's process for conducting impairment tests. Based on established criteria, we have examined how the group identifies cash-generating units.

With support from our internal valuation specialists, we have evaluated the valuation methods used. We have assessed the reasonableness of assumptions, conducted sensitivity analysis, and compared them to historical outcomes as well as external sources and industry benchmarks.

Finally, we have assessed the appropriateness of the disclosures provided in the annual report.

Revenue recognition

Description

The group recognize revenue from a wide range of geographical markets and the revenues are generated from product- and product related offerings ranging from equipment, service and rental to the customers. The appropriate timing of revenue recognition can vary from a point in time to recognition over time. Judgement may be required in assessing if control has been transferred to the customer and to determine the satisfaction of performance obligations.

The group's decentralized organization where revenues are generated from a large number of subsidiaries further increases the complexity of ensuring that the revenue recognition principles are consistently applied across the group.

Disclosures related to the group's accounting principles, critical accounting estimates and judgement are provided in note 1 and note 4 provides disclosures regarding revenue disaggregated by operating segment and geography.

Based on the above, we have assessed the revenue recognition as a key audit matter in our audit.

How our audit addressed this key audit matter

In our audit we have assessed the group's processes for revenue recognition. Further, we have reviewed the group's accounting manual and assessed whether the policies for revenue recognition are in accordance with the applicable accounting standards.

We have obtained an understanding of the different types of significant revenue contracts and evaluated the identified performance obligations and determinations made regarding when performance obligations are considered satisfied. In addition, we have performed detailed revenue transaction testing and revenue data analytical procedures to assess the revenue recognition.

We have assessed the appropriateness of the disclosures provided in the annual report.

Accounting for income taxes

Description

Atlas Copco is a global group with subsidiaries world-wide. The accounting for income taxes requires adherence to local tax legislation which often can be complex and allow for different interpretations and judgement. The group's subsidiaries are regularly subject to tax audits in which the local tax authorities might challenge the group's interpretation of the local legislation.

In instances where the tax authorities are of a different opinion of how to interpret the tax legislation the outcome is often dependent on negotiations with the local tax authorities or legal proceedings. In order to account for income taxes in these instances, management may have to apply significant

 Introduction

 This is Atlas Copco

 The year in review

 Financials

Other information

Signatures of the Board of Directors

• Audit Report

Financial definitions

Sustainability notes

Four years in summary

Contacts

Audit report, continued

estimates. Changes to these estimates can have a material effect on the income tax reported.

Disclosures related to the group's accounting principles, critical accounting estimates and judgement are provided in note 1 and disclosures related to taxes are provided in note 9.

Based on the above, we have assessed accounting for income taxes as a key audit matter in our audit.

How our audit addressed this key audit matter

We have evaluated the group's process for accounting for income taxes. We have reviewed communication between Atlas Copco and the tax authorities for significant uncertain income tax matters. Our internal tax specialists have been engaged to evaluate the assessments and interpretations made by the group. We have also assessed the reasonability of the accounting for these matters by comparisons to historical outcome in similar cases and by obtaining assessments from the group's external tax advisors where appropriate.

We have assessed the appropriateness of the disclosures provided in the annual report.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–12, 40–43, 49–50 and 125–148. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate

the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or related safeguards applied.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Atlas Copco AB (publ) for the year 2021 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated (loss be dealt with) in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things

 Introduction

 This is Atlas Copco

 The year in review

 Financials

Other information

 Signatures of the Board
of Directors

• Audit Report

Financial definitions

Sustainability notes

Four years in summary

Contacts

Audit report, continued

continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

The auditor's examination of the ESEF report

Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the ESEF report) pursuant to Chapter 16,

Section 4(a) of the Swedish Securities Market Act (2007:528) for Atlas Copco AB for the financial year 2022.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the ESEF report has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the ESEF report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Atlas Copco AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the ESEF report in accordance with Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the ESEF report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the ESEF report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the ESEF report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the ESEF report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the ESEF report has been prepared in a format that enables uniform electronic reporting of the annual and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design audit procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the ESEF report by the

Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a technical validation of the ESEF report, i.e. if the file containing the ESEF report meets the technical specification set out in the Commission's Delegated Regulation (EU) 2019/815 and a reconciliation of the ESEF report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the ESEF report has been marked with iXBRL which enables a fair and complete machine-readable version of the consolidated statement of financial performance, financial position, changes in equity and cash flow.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 51–60 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's standard RevR 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Ernst & Young AB with Erik Sandström as auditor in charge, Box 7850, 103 99 Stockholm, was appointed auditor of Atlas Copco AB by the general meeting of the shareholders on April 26, 2022 and has been the company's auditor since the April 23, 2020.

Stockholm, March 20, 2023

Ernst & Young AB

Erik Sandström

Authorized Public Accountant

 Introduction

 This is Atlas Copco

 The year in review

 Financials

Other information

 Signatures of the Board
of Directors

Audit Report

• Financial definitions

Sustainability notes

Four years in summary

Contacts

Financial definitions*

Reference is made in the Annual Report to a number of financial performance measures which are not defined according to IFRS. These performance measures provide complementary information and are used to help investors as well as Group Management analyze the company's operations and facilitate an evaluation of the performance. Since not all companies calculate financial performance measures in the same manner, these are not always comparable with measures used by other companies. These financial performance measures should therefore not be regarded as a replacement for measures as defined according to IFRS.

Adjusted operating profit

Operating profit (earnings before interest and tax), excluding items affecting comparability.

Adjusted operating profit margin

Operating profit margin excl. items affecting comparability.

Average number of shares outstanding

The weighted average number of shares outstanding before or after dilution. Shares held by Atlas Copco are not included in the number of shares outstanding. The dilutive effects arise from the stock options that are settled in shares or that at the employees' choice can be settled in shares or cash in the share based incentive programs. The stock options have a dilutive effect when the average share price during the period exceeds the exercise price of the options.

Capital employed

Average total assets less non-interest-bearing liabilities/provisions. Capital employed for the business areas excludes cash, tax liabilities and tax receivables.

Capital employed turnover ratio

Revenues divided by average capital employed.

Capital turnover ratio

Revenues divided by average total assets.

Debt/equity ratio

Net indebtedness in relation to equity, including non-controlling interests.

Dividend yield

Dividend divided by the average share price quoted of the A-share.

Earnings per share

Profit for the period attributable to owners of the parent divided by the average number of shares outstanding.

EBITA – Earnings before Interest, Taxes, and Amortization

Operating profit plus amortization and impairment of intangibles related to acquisitions.

EBITA margin

EBITA as a percentage of revenues.

EBITDA – Earnings Before Interest, Taxes, Depreciation and Amortization

Operating profit plus depreciation, amortization and impairment.

EBITDA margin

EBITDA as a percentage of revenues.

Equity/assets ratio

Equity including non-controlling interests, as a percentage of total assets.

Equity per share

Equity including non-controlling interests divided by the average number of shares outstanding.

Items affecting comparability

Restructuring costs, capital gains/losses, impairments, changes in provision for share-related long-term incentive program and other items with the character of affecting comparability.

Net cash flow

Change in cash and cash equivalents excluding currency exchange rate effects.

Net debt/EBITDA ratio

Net indebtedness in relation to EBITDA.

Net indebtedness/net cash position

Borrowings plus post-employment benefits minus cash and cash equivalents and other current financial assets, adjusted for the fair value of interest rate swaps.

Net interest expense

Interest expense less interest income.

Operating cash flow

Cash flow from operations and cash flow from investments, excluding company acquisitions/divestments and currency hedges of loans.

Operating cash surplus

Operating profit adding back depreciation, amortization and impairments as well as capital gains/losses and other non-cash items.

Operating profit

Revenues less all costs related to operations, but excluding net financial items and income tax expense.

Operating profit margin

Operating profit as a percentage of revenues.

Organic growth

Sales growth that excludes translation effects from exchange rate differences, and acquisitions/divestments.

Profit margin

Profit before tax as a percentage of revenues.

Return on capital employed (ROCE)

Profit before tax plus interest paid and foreign exchange differences (for business areas: operating profit) as a percentage of capital employed.

Return on equity

Profit for the period, attributable to owners of the parent as a percentage of average equity, excluding non-controlling interests.

Total return to shareholders

Share price performance including reinvested dividends and share redemptions.

Weighted average cost of capital (WACC)

$$\frac{\text{interest-bearing liabilities} \times i + \text{market capitalization} \times r}{\text{interest-bearing liabilities} + \text{market capitalization}}$$

i: An estimated average risk-free interest rate of 4% plus a premium of 0.5%.

An estimated standard tax rate has been applied.
r: An estimated average risk-free interest rate of 4% plus an equity risk premium of 5%.

* Atlas Copco has chosen to present the company's alternative performance measures in accordance with the guidance by the European Securities and Markets Authority (ESMA) in a separate appendix. The appendix is published on www.atlascopcogroup.com/en/investor-relations/key-figures/financial-definitions

Sustainability notes

Atlas Copco's sustainability report aims to provide stakeholders with relevant information about the Group's economic, environmental and social impact. The sustainability notes include complementary information about our materiality assessment, stakeholder dialogue, governance, performance data and reporting principles.

Introduction
This is Atlas Copco
The year in review
Financials
Other information
Signatures of the Board of Directors
Audit Report
Financial definitions
• Sustainability notes
Four years in summary
Contacts

CONTENTS

Stakeholder dialogue	126
Materiality assessment and material sustainability issues	127
Sustainability impact and risks along the value chain	128
Sustainability governance	129
Human rights assessment	129
External initiatives and membership of associations	129
Economic performance	130
Anti-corruption	130
Environmental management systems	130
Energy consumption	130
Environmental compliance	130
Climate-related risks and opportunities	131
Value chain impact assessment	131
Employment	132
Occupational health and safety	132
Diversity and inclusion	132
Taxes	133
Responsibility throughout the value chain	133
Product responsibility	134
EU Taxonomy regulation disclosures	135
About the sustainability report	138
GRI content index	139
SASB index	143
Sustainability performance	144
Auditor's Limited Assurance Report on Atlas Copco AB's Sustainability Report and statement regarding the Statutory Sustainability Report	146

Stakeholder dialogue

As a global Group, it is vital for Atlas Copco to ensure accountability for our actual and potential impact on the economy, environment and people. Engaging continually and systematically with key stakeholders helps us understand, prioritize and manage the impacts of our organization as well as the impacts along our value chain. The engagement is also crucial to proactively identify stakeholders' concerns and expectations.

Our methods of engagement with key stakeholder groups and the issues and concerns raised by them are presented in the table below. Read more about our risks and impacts along the value chain on page 128.

Stakeholder group	Key issues and concerns	Method of engagement
Customers	<ul style="list-style-type: none"> Product safety Product innovation Product carbon impact Product resource-efficiency and circularity 	<ul style="list-style-type: none"> Customer visits Surveys and interviews Customer events Website
Investors, analysts, shareholders	<ul style="list-style-type: none"> Growth and profitability Risk management Climate and environmental impact Business ethics Gender balance 	<ul style="list-style-type: none"> Investor interaction Capital market days Annual general meeting Website Financial reports and presentations
Employees	<ul style="list-style-type: none"> Health and safety Diversity and inclusion Working conditions Competence development Compensation and benefits 	<ul style="list-style-type: none"> Yearly appraisal Employee surveys Work councils Employee representatives on the Board
Society	<ul style="list-style-type: none"> Climate and environmental impact Social and environmental compliance Human rights Labor market issues 	<ul style="list-style-type: none"> Memberships in international collaborations and industry initiatives Local engagement Website Surveys and interviews
Business partners	<ul style="list-style-type: none"> Occupational health and safety Labor conditions Human rights Business ethics Climate and environmental impact 	<ul style="list-style-type: none"> Collaborations with suppliers On-site evaluation and supplier audits Surveys and interviews

 Introduction

 This is Atlas Copco

 The year in review

 Financials

Other information

 Signatures of the Board
of Directors

Audit Report

Financial definitions

• Sustainability notes

Four years in summary

Contacts

Materiality assessment

A materiality assessment is conducted regularly to identify sustainability risks and opportunities as well as to define the Group's most significant impact from a perspective of economic impacts, the environment and society, including human rights.

In this process, the perspectives of key stakeholders are gained through surveys and interviews where they are asked to prioritize a set of pre-defined issues where Atlas Copco has actual or potential impact on society and the environment through our operations and business relationships. The stakeholders also help identify sustainability risks and opportunities that may affect Atlas Copco's long-term value creation and business performance.

The outcome of the materiality assessment is discussed in internal workshops involving a broad representation of experts and functions, including the specialist safety, health, environment and quality function. It is also reviewed by Group Management and the Board.

Atlas Copco uses the materiality assessment, together with the UN Global Compact's principles, the UN Sustainable Development Goals, and risk and opportunity assessments, in reviewing our sustainability ambitions and focus areas. It also forms the basis of the sustainability targets that apply from 2022 forward, as presented on page 6.

Material sustainability issues

Atlas Copco's most recent materiality assessment was conducted in 2021. In relation to the previous materiality analysis, some issues were deemed to have become more material and a few less material. For example, stakeholders placed increased focus on diversity and inclusion, talent development and retention, and gender balance in leadership positions. Stakeholders also gave higher priority to issues relating to climate change, such as carbon impact, circular business models, and a life-cycle approach to product development. Water use, community engagement and taxes were identified as somewhat less material.

See below the sustainability issues that were identified as most material in the 2021 materiality assessment. They have been categorized as topics that are central to our long-term value creation, to building trust in Atlas Copco and our business, and topics that are central in delivering on our strategy and building business resilience.

More information and details on how the materiality assessment was conducted, including a materiality matrix, are available on the Group's website, www.atlascopcogroup.com.

Value creators

These are topics that are central to long-term value creation. Managing these issues help position Atlas Copco as a leader within sustainability. Our ambitions are expressed through our targets.

Topics

- Business ethics and integrity
- Occupational health, safety & wellbeing
- Product quality and service
- Life-cycle approach to product development
- Product carbon impact

Trust builders

Working with these topics help build trust in Atlas Copco's business. Our ambition is to be transparent and to keep pace with stakeholder expectations.

Topics

- Energy use and efficiency
- Human rights
- Responsible value chain
- Data protection and privacy
- Climate impact along the value chain

Strategic enablers

These are topics that play a central role to deliver on Atlas Copco's business strategy. Working with them should build and ensure business resilience.

Topics

- Diversity and inclusion
- Talent development and retention
- Gender balance in leadership positions
- Circular business models

[Introduction](#)
[This is Atlas Copco](#)
[The year in review](#)
[Financials](#)
[Other information](#)
[Signatures of the Board of Directors](#)
[Audit Report](#)
[Financial definitions](#)
[• Sustainability notes](#)
[Four years in summary](#)
[Contacts](#)

Sustainability impact and risks along the value chain

Understanding our sustainability impact and risks throughout the value chain helps us choose the right actions to handle them.

The table below shows where our impacts occur, the corresponding risks and examples of how we work to minimize them.

Read more about our climate-related risks and how we manage them on page 131.

	Business partners	Our own operations	Customers
Impact	Atlas Copco has a large supplier base and purchased components account for about 75% of the product cost. The choice of suppliers is therefore of great importance for our impact from a social and environmental perspective. The collaboration with business partners and the business partner requirements aim to protect Atlas Copco from risks and promote better standards in society.	Atlas Copco's operations is global with employees and manufacturing in a large number of countries. In some of these, there is a high risk of human rights violations, corruption, and non-compliance with laws and Atlas Copco's policies. The impact of our own operations relates mainly to the manufacturing and transport of products, and employees' working conditions, including their health and safety.	Atlas Copco's customers demand innovative, high-quality products that are resource and energy efficient, safe and ergonomic. The main part of the products' climate impact occurs when they are being used.
Risks	<ul style="list-style-type: none"> – Business partners who do not live up to human rights standards, such as decent working conditions and the freedom of association – Business partners who do not live up to the principles of ethical business, for example regarding corruption – Purchased components that are not produced in a sustainable way, e.g. the presence of conflict minerals, or components with a large carbon footprint – Climate- or environmental-related events causing disruptions in the supply or distribution chain 	<ul style="list-style-type: none"> – Insufficient standards regarding safety and health – Lack of access to skilled and competent employees – Human rights violations, such as discrimination and restrictions on freedom of association – Unethical behavior or corruption – Manufacturing and transport of products lead to greenhouse gas emissions – Environmental impact from waste and emissions – Climate- or environmental-related events causing disruptions in operations or manufacturing 	<ul style="list-style-type: none"> – Customers' impact on the environment, the climate, human rights or other social aspects – Risks of sanctions – Risks of corruption
Mitigating activities	<ul style="list-style-type: none"> – Risk-based assessment of business partners, including quality and social/environmental responsibility aspects – Requirement that significant direct suppliers must have an approved environmental management system – Requirement that significant business partners must sign and follow the Code of Conduct – Action plans developed together with the supplier to deal with any shortcomings and deviations – Employee training in the Code of Conduct, and a system for reporting violations – Safety, health and environmental training for business partners – Global network of sub-suppliers reducing the dependence on individual suppliers – Promoting international frameworks, such as UN Global Compact – Technology development in collaboration with business partners – Adopting Science-Based Targets for the reduction of greenhouse-gas emissions (scope 3), including action plans by each business area for how to contribute to the targets. 	<ul style="list-style-type: none"> – Regular assessment of sustainability risks, including climate-related risks – Targeted recruiting and competence development – Certification of major operating units according to ISO 9001, ISO 14001 and ISO 45001 – Training for all employees in the Code of Conduct, and a system for reporting violations – Follow-up and control through internal audits – Safety and health trainings for employees – Increased use of renewable energy and efforts to decrease energy consumption – Efforts to decrease waste volumes and to increase the share of reused and recycled waste – Efforts to reduce water consumption – Reduced use of air freight in favor of lower carbon transport modes – Applying international standards and frameworks, such as the UN Global Compact – Adopting Science-Based Targets for the reduction of greenhouse-gas emissions (scope 1 and 2), including action plans by each business area for how to contribute to the targets. 	<ul style="list-style-type: none"> – Continuous development of products with improved ergonomics, safety, energy efficiency and reduced emissions – Employee training in the Code of Conduct, and a system for reporting violations – Evaluation of customers' sustainability work and dialogue with customers in complex markets – Collaborations with customers to develop efficient and safe solutions with reduced environmental impact – Adopting Science-Based Targets for the reduction of greenhouse-gas emissions (scope 3), including action plans by each business area for how to contribute to the targets.

[Introduction](#)
[This is Atlas Copco](#)
[The year in review](#)
[Financials](#)
[Other information](#)
[Signatures of the Board of Directors](#)
[Audit Report](#)
[Financial definitions](#)
[• Sustainability notes](#)
[Four years in summary](#)
[Contacts](#)

Sustainability governance

The Board of Directors has the overarching responsibility for overseeing Atlas Copco's strategic direction, including the Group's financial and non-financial strategies and targets to ensure a sustainable, profitable growth. The Board approves Atlas Copco's sustainability focus areas, and the related targets. The Group's performance in relation to the targets is reported quarterly to the Board by the CEO. The Board is the owner of the Group's Code of Conduct which regulates how employees, and the Board itself, should act towards each other and in relation to other stakeholders. The Board is also, together with Group Management, responsible for the preparation, reviewal and approval of the sustainability report, including the material topics.

Each member of Group Management is responsible for the implementation and follow-up of strategies and targets although the CEO has the ultimate responsibility. Progress in relation to the targets is part of the variable compensation for members of Group Management as well as for other employees. The Vice President Sustainability is responsible for coordinating the Group's sustainability work and reports to the SVP Chief Communications Officer, who is a member of Group Management.

Implementation is handled mainly by the divisions, which are separate operational units, responsible for delivering results in line with the business area's strategies and targets. The business areas and divisions set quantified targets for delivering on the Group targets. The divisional presidents and general managers are responsible for ensuring that targets are set as a part of the three-year plan, and that progress is followed-up and reported to the Group.

Safety, Health, Environment and Quality (SHEQ) managers support the sustainability work in the operational entities, divisions and business areas. At corporate level, a sustainability team and controller provide coordination and support to the entire organization, working closely with a SHEQ representative from each business area. The Group's SHEQ council is chaired by a division president and consists of the business area SHEQ managers, the Vice President Sustainability, and representatives for HR, Holding and controlling. The SHEQ council comes together quarterly to discuss actions, policies and guidelines to support the organization in reaching set ambitions.

Central policies and guidelines

Atlas Copco's Code of Conduct is the central guiding policy which sets clear requirements to ensure that we conduct business with the highest ethical standards and that we act with integrity, fairness and respect in all operations. All employees, business partners, and the Board of Directors are expected to adhere to the principles in the Code. In cases where the Code of Conduct is stronger than local laws and regulations, the Code should apply.

The Code of Conduct is based on the following international standards:

- United Nations International Bill of Human Rights
- The ILO Declaration on Fundamental Principles and Rights at Work
- The United Nations Global Compact
- The OECD Guidelines for Multinational Enterprises
- UN Guiding Principles for Business and Human Rights

The Board of Directors owns the Code of Conduct and reviews it each year. In 2022, the content of the Code of Conduct was updated with new topics including modern slavery, risk management, circularity, data protection and privacy. Atlas Copco's Code of Conduct is supported and complemented by other Group policies and guidelines, such as:

- *SHEQ policy*: global Safety, Health, Environment and Quality policy that ensures robust standards for safety and wellbeing, as well as an environmental and quality perspective on technologies, products and services to make sure these contribute to a sustainable productivity for customers.
- *Human Rights Statement*: expands on the Group's commitment to respect and support human rights and defines procedures to ensure compliance throughout Atlas Copco's operations.
- *Business partner criteria*: significant business partners must commit to following Atlas Copco's Code of Conduct by signing the Business partner criteria which states the Group's expectations regarding business ethics, social, safety, health and environmental performance.
- *The Enterprise Risk Management process*, which is conducted annually on divisional level, and includes sustainability-related risks. The results are aggregated on business area and Group level.

All employees are required to complete a leader-led ethics training every two years and to annually sign a Code of Conduct compliance statement. The Code of Conduct has been translated into more than 30 languages and is available on the Group's website.

Management system standards

Atlas Copco strives for all major operating units to be triple-certified according to the standards ISO 9001 (quality management), ISO 14001 (environmental management) and ISO 45001 (occupational health and safety). All production units with more than 20 employees, and all customer centers and rental companies with more than 70 employees are to be triple-certified. By the end of 2022, the share of required units that were not triple-certified was 10% of the total number of operational units. The same measure for each individual certification was 6% for ISO 9001, 9% for ISO 14001 and 9% for ISO 45001. Some of the non-certified units are acquisitions still within the two-year timeframe to comply, or newly restructured units. Some units which are not yet triple-certified are in the process of becoming so, and a smaller portion has lacked the resources so far to commit to a triple certification.

Grievance mechanism

The Group promotes a culture of integrity through mutual respect, trust, and high ethical standards in all business interactions. Atlas Copco uses an external whistleblowing system called SpeakUp. The system may be used by employees or external stakeholders to report behavior or actions that are, or may be perceived as, violations of laws or the Code of Conduct. It is accessible all day, every day, offering anonymous reporting in more than 70 languages via a message function or local phone number. The Group's legal department handles cases, initiates investigations and the SVP Chief Legal Officer informs the Board regularly about critical concerns (see number of reported cases on page 130).

Human rights assessment

Atlas Copco is a signatory of the UN Global Compact and committed to working with the ten universally accepted principles in the areas of human rights, labor, environment and anti-corruption. The Code of Conduct also supports the International Labour Organization Declaration on Fundamental Principles and Rights at Work, as well as the OECD's Guidelines for Multinational Enterprises.

The Group committed to the UN Guiding Principles for Business and Human Rights when it was launched in 2011. In accordance with the requirements, Atlas Copco has an ongoing process to identify, prevent, mitigate and account for the human rights impacts related to Atlas Copco's business and business relations.

The Group strives to work according to the UN Guiding Principles across the value chain, covering procurement, human resources, sales, marketing and other business processes. The Group's commitment covers all individuals and stakeholders who may be impacted by our activities or business relationships. Human rights are monitored by the Compliance Board, which has two members of Group Management: the SVP Chief Legal Officer and the SVP Chief Communications Officer. The Compliance Board addresses training needs, impact assessment and the action points related to the implementation of the UN Guiding Principles.

Human rights due diligence is carried out when deemed relevant for specific markets, for instance when Atlas Copco enters a market that is perceived as presenting severe human rights risks. Atlas Copco's whistleblowing system can be used to anonymously report perceived human rights violations. Atlas Copco's human rights statement can be found at the Group's website www.atlascopcogroup.com.

Training on human rights policies and procedures

Atlas Copco has developed human rights specific training in addition to training in the Code of Conduct to increase employee awareness. The training is available to all employees through the Group's intranet.

External initiatives and membership of associations

Atlas Copco is a signatory to the UN Global Compact, a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labor, environment and anti-corruption.

Atlas Copco is also active in a number of international organizations and industry collaborations and initiatives, such as:

- The Stockholm Chamber of Commerce
- The International Council of Swedish Industry
- The Association of Swedish Engineering Industries
- Transparency International Sweden
- Pneurop – European Association of Manufacturers of Compressors, Vacuum Pumps, Pneumatic Tools and Air & Condensate Treatment Equipment
- The Responsible Minerals Initiative

While the general objectives of these organizations are in line with Atlas Copco's interests, there may be differences of opinion regarding specific issues. The memberships do not indicate that Atlas Copco endorses all actions or policy statements made by the respective organization.

[Introduction](#)
[This is Atlas Copco](#)
[The year in review](#)
[Financials](#)
[Other information](#)
[Signatures of the Board of Directors](#)
[Audit Report](#)
[Financial definitions](#)
[• Sustainability notes](#)
[Four years in summary](#)
[Contacts](#)

ECONOMIC IMPACT

Economic performance

Direct economic value generated and distributed

Atlas Copco creates employment and financial stability through subcontracting manufacturing and other activities. The Group's shareholders and creditors provide funds to finance the asset base that is used to create economic value. In return, these stakeholders receive dividend and interest.

Atlas Copco contributes to economic development within the regions where we operate, through payments to pension funds and social security, and payment of taxes, social costs and other duties. Community investments amounted to MSEK 28 (31).

Local purchasing (non-core) is encouraged in order to generate societal value in the communities where Atlas Copco operates, by creating job opportunities as well as generating direct and indirect income. This is mostly carried out by local companies, which also decreases the environmental impact from transport.

Economic value	2022	2021
Direct economic value	142 233	111 972
Revenues	141 325	110 912
<i>Economic value distributed</i>		
Operating costs	78 094	61 019
Employee wages and benefits, including other social costs	33 580	27 151
Costs for providers of capital	9 765	9 281
Costs for direct taxes to governments	7 262	5 372
Economic value retained	13 532	9 149
– Redemption of shares	9 732	–

Anti-corruption

Atlas Copco has zero tolerance against corruption. The Code of Conduct is the Group's central policy document, accessible to all employees. All employees are required to sign the compliance statement for adherence to the Code of Conduct, and participate in trainings. Division presidents have the ultimate responsibility for the adherence to the Group's values and policies. Internal control is exercised through distribution of responsibility and internal audits. The Compliance Board oversees compliance with the Code of Conduct.

Atlas Copco conducts internal audits of all operational entities using a risk-based approach. Each entity is normally audited at least every five years. All internal audits include an ethical review and an audit of risks related to corruption. In 2022, 99 entities (19% of all entities) were audited and no significant risks related to corruption were identified during these audits.

Reported potential violations, number	2022
Fraud	13
Labor relations, including discrimination and harassment	245
Corruption & regulatory breach	28
Conflicts of interest	7
Other	70
Total	363

During the year, there were a total of 363 reported potential violations through Atlas Copco's whistleblowing solution, SpeakUp. In 45 cases no evidence of wrongdoing was found, in 51 cases evidence could confirm that no wrongdoing had occurred, in 5 cases disciplinary action, such as a written warning, were taken against one or several employees as a result of an investigation. In 30 cases weaknesses were found in internal processes which were improved as a result. Two cases were settled in court. The remaining cases are under active investigation.

There were no significant fines or non-monetary sanctions for non-competitive behavior or for non-compliance with laws and/or regulations in the social and economic area during the year.

ENVIRONMENTAL IMPACT

Atlas Copco has integrated the most material environmental KPIs into its strategic work. This drives improvement and efficiency, while reducing our impact on the environment.

Environmental performance is monitored and reported at unit level and aggregated to Group level. General managers are responsible for overseeing the implementation of divisional strategies and targets, including undertaking initiatives to increase the proportion of reused, recycled or recovered waste, reduce water consumption, to curb energy use and emissions as well as increase the proportion of renewable energy used.

Environmental management systems

To minimize the environmental impact and to secure that the precautionary approach is applied, Atlas Copco has the ambition to implement environmental management systems (EMS) in all operations. All production units with more than 20 employees should be certified according to ISO 14001. Acquired product companies are normally certified within a two-year period.

The share of significant direct suppliers with an approved EMS is also measured, and the target is that the share should increase year-by-year. An approved EMS is defined as ISO 14001, or fulfilled EMAS (EU Eco-Management and Audit Scheme) requirements. The significant supplier needs to be third-party certified for ISO 14001 or registered in accordance with EMAS and hold a valid certificate/registration. In 2022, 31% of the Group's significant direct suppliers had an approved environmental management system according to this definition.

Energy consumption within the organization, all operations

Energy consumption*, MWh	2022
Direct energy, renewable	7 008
Direct energy, non-renewable	152 228
Indirect energy, renewable (incl. renewable of mix)	293 578
Indirect energy, non-renewable	65 092

* The calculation of indirect energy, i.e. energy purchased externally by the company, includes electricity (95%) and district heating (5%) used at the sites. Atlas Copco does not report cooling or steam separately. The calculation of direct energy, i.e. energy generated by the company for its own production or operation, comprises all fuels used on the sites, including diesel, oil, bio-fuel, gasoline, solar, geothermal, propane and natural gas.

Environmental compliance

Atlas Copco follows applicable environmental laws in all countries where the Group operates. Incidents or fines are reported for non-compliance with environmental legislation, as well as incidents involving chemical, oil or fuel spillages. In 2022, there was 1 (0) accident resulting in adverse environmental effects, related to an antifreeze spill at a production unit in the US. The Group's total clean-up costs relating to adverse environmental effects amounted to KSEK 379 (0). Monetary sanctions for non-compliance in the Group amounted to KSEK 171 (0).

Two Swedish operations, involving machining and assembly of components, require permits based on Swedish environmental regulations. The permits relate to areas such as use of cutting fluids, process oils and hydraulic oils, emissions to water and air, and noise pollution. None of the permits were under revision in 2022.

[Introduction](#)
[This is Atlas Copco](#)
[The year in review](#)
[Financials](#)
[Other information](#)
[Signatures of the Board of Directors](#)
[Audit Report](#)
[Financial definitions](#)
[• Sustainability notes](#)
[Four years in summary](#)
[Contacts](#)

CLIMATE-RELATED RISKS AND OPPORTUNITIES

There are a growing number of voluntary reporting standards, initiatives and regulations concerning climate, such as the Taskforce on Climate-related Financial Disclosures (TCFD). Atlas Copco takes inspiration from the guidelines and seeks to develop our reporting continuously and address major areas of information sought.

Governance

The Board of Directors is responsible for Atlas Copco's overall strategy, organization, administration and management. This includes climate-related risks and opportunities. The Board of Directors have approved the science-based targets that were adopted by Atlas Copco in 2021 and against which the Group's climate-related work will be measured from 2022 onwards. Climate-related issues concern several functions and areas of expertise in the organization. At an operational level, risks and opportunities are governed by Group Management and the divisional presidents. Read more about corporate governance on pages 51–54.

Strategy

Atlas Copco assesses climate-related risks and opportunities that have an actual and potential impact on our business and strategy. The process for identification of risks and opportunities is centered at the divisions. The Group has identified and assessed the following market, regulatory and physical risks related to climate change:

- **Market risks**

Market shifts toward a low-carbon economy may impact the viability of certain sectors and products. Atlas Copco's continuous work to increase the energy efficiency of our products helps mitigate these risks. This shift also represents an opportunity to continue developing more energy-efficient products and may give rise to new businesses and business models. For instance, an increased generation of renewable energy, such as solar panels and wind mills, and the surge in production of electrical vehicles, present opportunities since Atlas Copco provides products and services to these industries.

- **Regulatory risks**

Climate and energy policy will gradually be sharpened and favor companies that deliver energy-efficient products and comply with sustainable practices. Among the risks are increased energy prices and taxes, and regulations related to CO₂ or other greenhouse-gas emissions. As the Group invests in innovative products via research and development, more strict regulations will likely offer opportunities for Atlas Copco.

- **Physical risks**

Changing weather patterns may pose a physical risk to operational units or suppliers in areas in risk of rising sea levels, water scarcity or violent storms that could result in disruptions in the production or logistics chain. The physical risk is assessed at site level and safety measures are taken if needed, as part of the loss prevention program. Atlas Copco has a global network of suppliers, which provides resilience to local or regional disruptions.

Risk management

Climate-related risks, such as physical risks for operational entities or market risks connected to products, and the related financial implications are assessed at the divisional level and, when deemed relevant, included in the annual Enterprise Risk Management process. An aggregated analysis of the identified risks is presented annually to Group Management. Read more about the risk management process on page 44.

Metrics and targets

Since 2021, Atlas Copco implements science-based targets covering the entire value-chain. Our greenhouse gas emission reduction targets are approved by the Science-based Target initiative as being aligned with the Paris Agreement.

Read more about the targets and the progress made on pages 34–35, 42, 130 and 144.

Value chain impact assessment

In 2021, Atlas Copco conducted a value-chain impact assessment, which formed the baseline for our Science-Based targets and the starting point for our commitment to reduce the Group's carbon dioxide equivalent emissions in line with the Paris agreement. A common Group methodology was used with 2019 as the baseline year.

The direct climate impact from energy used by our entities (scope 1 and 2) was initially calculated by using actual data from the reporting entities and estimating the impact from remaining entities. In 2022, all entities have reported their actual carbon dioxide equivalent emissions from energy used in companies, and vehicles' use. The performance on scope 1 and 2 is monitored and reported at unit level and aggregated to Group level.

To calculate the product-related value chain impact, as part of the scope 3 emissions, a Group-common tool has been developed – The Product Carbon Footprint tool (PCF). The tool is updated yearly and covers the material used in the product, the estimated service required, energy used at the production site as well as during the use phase based on an estimation of how the products are used by our customers.

Considering the different characteristics of our products, the business areas' plans and efforts to reduce the climate-impact of their products differ. However, they all have in common that the development and availability of renewable energy sources in customers' markets will be critical to their ability to achieve the Group's targets for scope 3 emissions.

Business area	Calculation method	Efforts to reduce products' climate impact
Compressor Technique	Scope 3 emissions have been calculated by applying the PCF tool to a set of reference products selected by the business area.	The scope 3 target will be achieved by improving the efficiency of our products and optimizing the compressor room by improved controls and variable speed.
Vacuum Technique	Scope 3 emissions have been calculated by applying the PCF tool methodology to the products sold to global markets. Estimations have been made regarding the electricity consumption by applying a standard load factor. Other aspects through the lifecycle of the products have been standardized including the lifecycle itself.	The scope 3 target will be achieved by improving product performance, integrating smart technology to optimize the energy required, and by leveraging our service teams to deploy product upgrades, which will extend product lifecycles.
Power Technique	Scope 3 emissions for the years 2019–2022 have been calculated manually based on a set of reference products selected by the business area. The emissions for 2022 have been extrapolated based on the previous year's result and increase in cost of goods sold. A factor for reduction based on identified levers and their potential to reduce emissions has also been used.	The scope 3 target will be achieved by providing electrified alternatives for each product, improving fuel efficiency of the internal combustion engines, and stimulating customers' and rental customers' use of HVO by offering solutions to make HVO available on the construction sites.
Industrial Technique	Scope 3 emissions have been calculated by applying the PCF tool to a set of reference products selected by the business area.	The scope 3 target will be achieved by developing and providing electric alternatives for the pneumatic product ranges, improving energy efficiency in the current product range and optimizing use of the products by customers.

Our ambition is that the data we report should be as realistic as possible to reflect the products' actual emissions. However, due to the complexity of the area and the number of assumptions and estimates underlying the calculations, we realize that the data is associated with significant

uncertainties. We will therefore work gradually to develop and improve the quantification processes and tools we use over time, to increase their accuracy as far as practicable and minimize uncertainties.

Introduction
This is Atlas Copco
The year in review
Financials
Other information
Signatures of the Board of Directors
Audit Report
Financial definitions
• Sustainability notes
Four years in summary
Contacts

SOCIAL IMPACT

Employment

Information on employees and other workers

Atlas Copco is a significant employer on the global market. The Group reports the number of employees as full time equivalents (FTE) per geographical spread and per professional category, as well as divided between white-collar and blue-collar employees. For geographical spread of Atlas Copco employees and employees by professional category, see note 5, page 83.

Additional workforce by region, at year end, %	2022
North America	16
South America	1
Europe	47
Africa/Middle East	1
Asia/Oceania	35
Total	100

Additional workforce by professional category, at year end, %	2022
Production	52
Marketing	2
Service	15
Administration	14
Research & development	17
Total	100

New employee hires and employee turnover

The total number and rate of external new employee hires in 2022 was 8 524 (6 524) which constitutes 18.6% (15.8) of the total average number of employees during the year. The percentage of externally recruited female employees was 27% (27). The total number of resignations was 3 667 (2 833), which constitutes 8.0% (6.9) of the total average number of employees during the year.

The Group's KPIs for employee satisfaction and engagement measure how employees perceive the company culture and their opportunities to grow in the company. The targets for both KPIs are to be above and to continuously increase in relation to the employee engagement survey provider's proprietary benchmark for global companies. The benchmark is based on anonymized data from the survey provider's customer base with tens of millions of respondents in more than 150 countries, as well as input from industry panel studies to produce robust and unbiased normative data.

Freedom of association and collective bargaining

Atlas Copco views trade unions and employee representatives as a valuable support for its employees, and fosters relationships based on mutual respect and constructive dialogue. Labor practices and employee rights, such as collective bargaining, are covered in the Code of Conduct. In 2022, 29% (32) of all employees were covered by collective bargaining agreements.

As a decentralized organization, the engagement and dialogue with labor unions take place at a local level. In case of operational changes that may significantly affect employees or result in giving notice, the local laws and regulations as well as collective bargaining agreements are respected and complied to. The need for transition assistance programs is assessed at local level and the support provided through such programs are adapted to the

situation at hand and to local market conditions. The Group's internal job market is available to all employees and provides opportunities for internal mobility.

In countries where no independent labor unions exist, Atlas Copco has taken measures to establish forums for employer/employee relations, through environment and safety committees.

Labor relations are followed up regularly on the operational level and reviewed by internal audit. Significant suppliers' compliance to our Code of Conduct, which is based on international guidelines and frameworks such as the UN Global Compact and the International Labour Organization Declaration on Fundamental Principles and Rights at Work, is audited regularly.

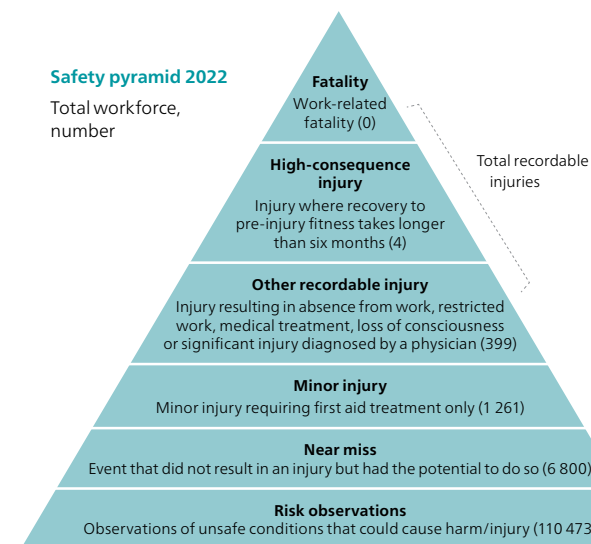
Occupational health and safety

Safety and wellbeing are key priorities for Atlas Copco due to the importance of a sound working environment to employees' health and motivation, as well as to the Group's productivity and competitiveness. The Group's global Safety, Health and Environmental policy ensures that there are robust standards for safety and wellbeing in the workplace.

Each division sets targets and makes action plans to increase awareness and improve behavior, policies and processes with the purpose of offering a safe and healthy work environment and to identify and address risks. Targets and key performance indicators on safety and wellbeing are continuously monitored by local management and followed up by Group Management in connection with the quarterly reporting of sustainability data.

Occupational health and safety management system

Group companies must have an Atlas Copco-verified Safety, Health, Environment, and Quality management system, which is documented, implemented and updated on an ongoing basis. Customer companies and rental companies with more than 70 employees, and product companies with more than 20 employees shall be certified according to ISO 45001. The system involves regular risk assessments and follow-up on conditions and safety-related processes of both our own workplaces and those of contractors.



Employees covered by ISO 45001*, 2022	Number (FTE)	%
Atlas Copco employees	32 754	86
Additional workforce	2 650	86
Total	35 404	86

* Based on units required by Atlas Copco to be certified according to ISO 45001. The certificates are audited both internally and externally.

Work-related injuries

In order to decrease risks and prevent injuries in the workforce, Atlas Copco uses a safety pyramid for the Group's reporting. The method supports transparent reporting, risk-averse behavior and behavior change. The definitions of different severity of incidents and injuries are aligned with international standards. The number and rate of incidents and injuries cannot be compared with the years before 2019, as this was the first year the reporting tool was used.

The Group's safety-related target is to have a balanced safety pyramid. This means more reports of risk observations than near misses, more near misses than minor injuries, and more or equal reports of minor injuries relative to recordable injuries.

See the results of the 2022 reporting in the table below and illustration above. Over the last few years, the major hazards reported for high-consequence injuries have been slips and trips, lone working and manual handling of equipment. Examples of common injuries were cuts or other injuries from operating machines. Among the actions to mitigate hazards are awareness training and risk assessment of working environment, inspections, mechanical handling aids, and ensuring safe access to equipment.

Total recordable injuries, 2022	Per million working hours	Number
Recordable injuries, total workforce	4.2	403
Recordable injuries, Atlas Copco employees	4.3	375
Recordable injuries, additional workforce	3.6	28
Fatalities, total workforce	0	0
Fatalities, Atlas Copco employees	0	0
Fatalities, additional workforce	0	0
High-consequence injuries, total workforce	0.04	4
High-consequence injuries, Atlas Copco employees	0.05	4
High-consequence injuries, additional workforce	0.0	0

Diversity and inclusion

Atlas Copco's Diversity and Inclusion guideline states that we strive for diversity and inclusion in every aspect of our operations. Atlas Copco believes in having an inclusive culture, which means that all of our employees are treated fairly and with respect, are able to make a professional career, are seen and heard, and have the opportunity to thrive and grow. We provide equal opportunity to all applicants and employees and do not discriminate based on ethnicity, religion, gender, age, nationality, disability, sexual orientation or political opinion. The diversity and inclusion guideline covers all employees. Atlas Copco companies establish local diversity policies and guidelines in alignment with the Group policy, local laws and regulations, and local ambitions. Anti-harassment and non-discrimination are addressed in the Group's mandatory ethics training.

[Introduction](#)
[This is Atlas Copco](#)
[The year in review](#)
[Financials](#)
[Other information](#)
[Signatures of the Board of Directors](#)
[Audit Report](#)
[Financial definitions](#)
[• Sustainability notes](#)
[Four years in summary](#)
[Contacts](#)

The Diversity and Inclusion Council is chaired by President and CEO Mats Rahmström, and consists of representatives from all business areas, along with the corporate communications, human resources and accounting and controlling functions. The council meets regularly to follow up on action plans and results in the operations.

Atlas Copco strives to increase the share of women in the organization, and the target is that by 2030, there should be 30% women in the Group. At year end 2022, the share of women in the workforce was 21.6% (20.9). The Board of Directors (excluding worker representatives) constituted of 6 men and 2 women (25% women) and Group Management were 7 men and 2 women (22% women).

Atlas Copco has managers on international assignments coming from 46 countries and working in 46. In 2022, a total of 80% (77% of all senior managers were locally employed. 46 (42) nationalities were represented among the 631 (509) most senior managers in the Group.

Taxes

The Group recognizes the key role that tax plays in advancing economic development and considers it vital to combat corruption and support sound business practices in order to create most value for society. Atlas Copco believes in good corporate practice in the area of tax management, balancing the interests of various stakeholders, including customers, investors as well as the governments and communities in the countries in which the Group operates. Atlas Copco does not engage in aggressive tax planning but instead takes care to pay the correct taxes in its countries of operation. Atlas Copco's tax policy can be found at the Group's website www.atlascopcogroup.com. See note 9 of the consolidated financial statements for the details of taxes paid, reported according to the international financial reporting standards.

Disclosing tax by country

Atlas Copco openly discloses the Group's corporate income tax cost including the Group effective corporate tax rate in the annual report. The Group reports revenues, corporate tax costs and other key figures via country-by-country reporting to tax authorities globally.

At present, there is no established international standard for publicly reporting taxes paid by country and the resulting data is therefore not comparable between different companies. Considering various initiatives on openly disclosing corporate tax costs, including the EU Directive on public country-by-country reporting, we expect corporate tax cost on regional or country level to be disclosed for the Atlas Copco Group within the coming years.

Responsibility throughout the value chain

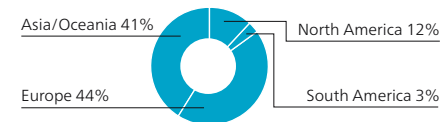
Working with business partners who share Atlas Copco's high standards regarding quality, business ethics, the environment and resource efficiency is necessary to effectively manage risks, and to enhance productivity in the value chain. The ambition is to work with suppliers and distributors who share these standards and who comply with the Code of Conduct.

Business partner	Role in the value chain	Primary responsible for risk management and compliance
Suppliers, subcontractors	Provide key parts as well as manufacturing services	Purchasing councils
Joint ventures	Partly owned companies that provide complementary products and services	Division presidents
Agents, distributors	Sell and distribute products to customers on the Group's behalf	Marketing councils

Suppliers

Atlas Copco has a large international supplier base. Around 75% of product cost stems from purchased components. Atlas Copco's purchasing strategies are decentralized to give the organization higher flexibility and to ensure the right competence. Purchasing councils oversee supply chain management at divisional level, and come together as a part of the Group purchasing council to develop central policies and tools that impact all operations. Local purchasing is encouraged.

Geographical spread of suppliers



Evaluation process

Suppliers are evaluated during and after selection by product companies, primarily by personnel in the purchasing function. Internal training on how to carry out supplier evaluations is published in the internal handbook of policies and guidelines *The Way We Do Things*.

The supplier evaluation process examines:

- Business partners' record of governance, ethics and stance against corruption
- Labor issues: Rejection of forced, compulsory or child labor, elimination of discrimination, safeguarding employee health and safety, collective bargaining rights
- Environmental performance: Managing waste, minimizing emissions, and reducing the use of natural resources
- Human rights issues: Responsible sourcing and respect for human rights in operations

At times, self-assessment checklists are sent to suppliers and on-site evaluations are conducted regularly or when deemed necessary. These result in a report with concrete suggestions in the form of an action plan or improvements to be followed up on at an agreed time. Atlas Copco can provide experience and know-how to suppliers who need support in order to comply with the minimum standards set forth in the business partner compliance document. However, suppliers who fail to meet the criteria and do not show a willingness to improve are rejected.

Suppliers' commitment	2022	2021
Significant suppliers, number	6 214	5 580
Suppliers audited on safety, health, social, and environmental issues ¹⁾	922	647
Suppliers approved (no need to follow up)	880	629
Suppliers conditionally approved (monitored)	41	18
Suppliers rejected (relationship ended) ²⁾	1	0
Suppliers asked on commitment to the Code of Conduct, number	6 029	5 421
Significant suppliers that have confirmed their commitment to the Code, %	93	93

¹⁾ Audits are conducted by Atlas Copco teams directly at the suppliers' sites.

²⁾ Reasons for rejection relate to safety in the workplace, labor conditions, environment issues, or non compliance of laws. Suppliers are rejected if they do not meet Atlas Copco's requirements and are not willing to improve. In 2022, one business partner was rejected due to environmental, health and safety issues.

Definition of significant suppliers:

All external suppliers of goods and services, direct and indirect, with a purchasing value above a set threshold, based on 12-month values from October previous year to September current year.

For suppliers in countries with heightened risk for human rights violations, environmental risks or corruption etc., the purchasing threshold is lower (approximately 13% of set value).

Responsible sourcing of minerals

Responsible sourcing of minerals is essential to Atlas Copco and though the Group does not procure directly from smelters/refineries, some parts of the supply chain do. Atlas Copco is not in the scope of Dodd-Frank Act or the EU regulation 2017/821, but based on concerns of violations of human rights including forced labor, human trafficking and child labor, and to support our customers' obligation to these Acts, the Group has measures to detect and prevent the use of conflict minerals in its supply chain.

Atlas Copco requires its direct suppliers to commit to responsible sourcing of all minerals included in parts and products they sell to us. This commitment is exercised through minerals data collection and due diligence, implemented every year. Moreover, all our significant suppliers must sign the Code of Conduct that includes an article on responsible sourcing requirements. The process is described in detail on the Group's website www.atlascopcogroup.com.

Atlas Copco has a comprehensive program to investigate the possible use of conflict minerals in components used in Atlas Copco products. The program ensures responsible sourcing of tin, tantalum, tungsten and gold. Cobalt was added to the program in 2020, and data collection and due diligence using the Responsible Minerals Initiative (RMI) guidelines and Cobalt Reporting Template (CRT) will be rolled out continuously.

As a member of the RMI, Atlas Copco adheres to its guidelines by encouraging suppliers to source from smelters verified by a third party such as RMI's Responsible Minerals Assurance Process (RMAP), and commits to transparency by submitting reporting templates to customers about smelters in the supply chain and collaborates with stakeholders.

[Introduction](#)

[This is Atlas Copco](#)

[The year in review](#)

[Financials](#)

[Other information](#)

[Signatures of the Board
of Directors](#)
[Audit Report](#)
[Financial definitions](#)

- [Sustainability notes](#)

- [Four years in summary](#)

- [Contacts](#)

Distributors

Atlas Copco has a large international distributor base. Atlas Copco's sales strategies are set by the divisions on a global level and are tuned for local market needs by the customer centers. These sales strategies include the choice of sales channels and distributor management. The marketing councils ensure cross-divisional alignment and develop central policies and tools that impact all operations.

Starting in 2019, the percentage of significant distributors that sign the Atlas Copco business criteria is measured as a Group KPI. In 2022, 92% of all significant distributors signed the business partner criteria. 100% of the significant distributors were asked to sign the criteria.

Definition of significant distributors:

All external distributors, including agents and resellers with sales of the Group's goods and services for a value above a set threshold, based on 12-month values from October previous year to September current year. For distributors, agents and resellers in countries with a heightened risk for human rights violations, environmental risks or corruption etc., the sales threshold is set to include all active distributors.

Product responsibility

Atlas Copco strives to follow all applicable laws and regulations regarding safety, health and environmental aspects, product information, safety information and labeling. The information required by the Group's procedures for product and service information and labeling covers aspects such as sourcing of components, substances of concern, safe use and disposal of the product. Customer training is included when relevant, to secure safe handling of the products.

In general, all electrically driven Atlas Copco products sold into the EU fall under the EU Waste Electrical and Electronic Equipment (WEEE) Directive. This includes compressors, vacuum pumps, handheld electric tools and monitoring control instruments. Atlas Copco is responsible for, and arranges with customers, the correct disposal of products that fall under the directive.

Atlas Copco maintains lists of substances which are either prohibited or must be declared due to their potential negative impact on health or the environment. Prohibited substances are not allowed in the Group's products or processes. Items containing declarable substances are avoided or replaced whenever possible.

Via a dedicated Atlas Copco communication platform all our suppliers can be swiftly informed about upcoming legislative changes. A team of experts then follow up with our suppliers to ensure our business partners around the world understand and acknowledge the importance of adhering to the Atlas Copco policy. The Atlas Copco Prohibited and Declarable list is under continuous revision according to applicable legislations worldwide. This includes REACH, RoHS, U.S. State of California Safe Drinking Water and Toxic Enforcement Act of 1986 (Proposition 65) and Japanese Chemical Substance Control Law (CSCL). The lists on prohibited and declarable substances are also published on the Group's website www.atlascopcogroup.com.

Incidents of non-compliance

No (0) cases have been filed in 2022 for non-compliance with such laws and regulations concerning the provision and use of such products and services.

[Introduction](#)
[This is Atlas Copco](#)
[The year in review](#)
[Financials](#)
[Other information](#)
[Signatures of the Board of Directors](#)
[Audit Report](#)
[Financial definitions](#)
[• Sustainability notes](#)
[Four years in summary](#)
[Contacts](#)

EU Taxonomy regulation disclosures

The European Union (EU) taxonomy aims to provide guidance and over time a comprehensive classification system for sustainability, structured into different economic activities that companies can perform. It consists of six environmental objectives of which two are relevant for the financial year 2022: climate change mitigation and climate change adaptation.

Atlas Copco develops and offers a wide range of products for different end markets and applications. Atlas Copco strives to provide the most energy efficient products for each specific application to support its customers in minimizing their energy consumption and reducing their climate impact.

Guidance from the EU issued in 2022 emphasizes that the term “eligibility” does not require adherence to any reporting criteria other than fulfilling the activity description for the products or services offered. Atlas Copco has therefore revised its conservative approach to eligibility of 2021 when only products with high likelihood of also becoming aligned were included. As a result, revenue eligibility has increased.

During 2022, each business area has identified one pilot product to be assessed for revenue alignment rather than evaluating the entire product range of Atlas Copco. A comprehensive assessment to evaluate the taxonomy reporting criteria for Do No Significant Harm and Minimum Safeguards has been completed, including Group-wide reporting of relevant capital expenditures (CapEx) and operating expenditures (OpEx).

Atlas Copco deems its existing policies and procedures overall adequate to conclude that no significant harm is caused to any environmental objective and that the company complies with the social aspects of conducting business in a responsible manner. However, recent EU taxonomy guidance, particularly in relation to the Minimum Safeguards, indicates a restrictive compliance interpretation. Therefore, Atlas Copco reports 0% alignment on all three KPIs. Atlas Copco follows the development closely and may adjust its reporting in the future.

Doing no significant harm

Taxonomy alignment requires positive contribution to at least one of the taxonomy environmental objectives while doing no significant harm to any of the other objectives. The taxonomy specifies specific criteria as to what constitutes doing harm and what type of assessment a company should perform to evaluate such potential harmdoing.

Atlas Copco has assessed its operations against the taxonomy’s appendixes A, B, C and D as well as the requirements for not harming the transition to a circular economy. The conclusion is that no significant harm is done. Improvements may be implemented to certain existing policies and procedures. Atlas Copco is reporting 0% alignment and therefore no detailed review of each aspect of the criteria is shared at this stage.

Meeting the minimum safeguards

The EU taxonomy references adherence to the OECD Guidelines for Multi-national Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labor Organization on Fundamental Principles and Rights at Work and the International Bill of Human Rights.

Atlas Copco has assessed compliance against the Minimum Safeguards requirements. In principle, company policies align with the criteria, but as recent guidance from the EU particularly in relation to the Minimum Safeguards, indicates a restrictive compliance interpretation, Atlas Copco reports 0% alignment. For this reason, no detailed review of each aspect of the criteria is shared at this stage.

Revenue KPI

Based on the current EU taxonomy delegated act for climate change mitigation and climate change adaptation, Atlas Copco is eligible for climate change mitigation under section 3.6 with the activity description “*Manufacture of technologies aimed at substantial greenhouse gas emission reductions in other sectors of the economy*”.

Atlas Copco defines eligibility as technologies which aim to enable substantial energy savings and/or other means to avoid, reduce, remove, or store greenhouse gas emissions compared to alternative technologies commonly used on the market. This includes products and services that: 1) prevent the venting of environmentally hazardous gases directly into the atmosphere, or 2) enable substantial energy savings compared to available technologies commonly used on the market by either use optimization, in and of themselves, by enabling the shift to electric/battery power, or by introducing new solutions on the market.

Following clarifications by the EU during 2022, eligible technologies now include:

- Energy efficient products and services which now or over time are expected to meet the alignment criteria.
- Products and services which are aimed at being phased out and replaced by aligned products.

In 2021, Atlas Copco included eligible revenues within customer segments referenced in the taxonomy where Atlas Copco products and solutions play a critical role in the manufacturing process. As there are no clear instructions how enabling activities shall be assessed, Atlas Copco only reports under the taxonomy section 3.6 in 2022. Atlas Copco follows the development closely and may adjust its reporting subject to clarification.

Eligible technologies

The mapping of eligible technologies is an ongoing process and may result in revisions in future reports as reporting practice develops. For the 2022 reporting the following have been included:

Within the Compressor Technique business area, a majority of products and solutions are eligible and developed with the aim to lower customers’ energy consumption. This is predominately done through energy efficient variable speed drive compressors but also fixed speed compressors are manufactured with the aim of offering energy efficiencies. Additional eligible products and solutions include e.g. on-site industrial gas generators, blowers,

boosters, and dryers as well as optimizing service solutions such as installations for optimal air distribution.

Within the Vacuum Technique business area, abatement exhaust management solutions are eligible as they eliminate toxic and global warming gases which would otherwise create a climate impact. Also included as eligible are vacuum pump solutions which demonstrate market leading levels of energy efficiency achieved by initiatives such as e.g. high-performance power sources or IoT technology to optimize energy demand.

Within the Industrial Technique business area, a majority of products and solutions aim to reduce customers’ energy consumption and are therefore deemed eligible. This includes all products and solutions that support the transition from pneumatic to electric power, as well as use optimization of pneumatic products, making them as energy efficient as possible until replaced by an electrical option.

Within the Power Technique business area, all electric or battery-driven products are deemed eligible, supporting the shift from diesel to electric or battery power. This includes the electric rental fleet. Also diesel-driven products are considered eligible because when necessary infrastructure for electric solutions is lacking, diesel-driven machinery is required in the market for which Atlas Copco offers very energy efficient solutions. Still, the aim is to replace diesel-driven products with electric alternatives when possible. As a whole, a majority of the business area’s product and solutions are eligible for the Revenue KPI. Due to practical limitations, applicable to the rental fleet, only the electric rental fleet is included in the OpEx and CapEx reporting.

The taxonomy eligible revenues include both products and services. It excludes sales to oil and gas extraction industries. Sales to distributors and rental companies have been excluded. Both Compressor Technique and Power Technique have included revenues related to refurbishment, that is, improving energy efficiency through a circular business model.

Technical screening criteria assessment

The 3.6 section demands that emission savings are calculated in a certified tool and that these calculations need to be verified by a third party. In 2022, Atlas Copco has certified its existing product carbon footprint (PCF) tool against ISO 14067:2018. Each business area identified one pilot product to be assessed for alignment and an independent certification body has verified the life-cycle emission calculations of these pilot products. All pilot products passed the review and thereby the taxonomy’s technical screening criteria for alignment under section 3.6.

Result

Revenue eligibility is 60% which is higher than the previous year. Recent guidance from the EU, particularly in relation to the Minimum Safeguards, indicates a restrictive compliance interpretation. Therefore, Atlas Copco reports 0% alignment. Atlas Copco follows the development closely and may adjust its reporting in the future.

[Introduction](#)
[This is Atlas Copco](#)
[The year in review](#)
[Financials](#)
[Other information](#)
[Signatures of the Board of Directors](#)
[Audit Report](#)
[Financial definitions](#)
[• Sustainability notes](#)
[Four years in summary](#)
[Contacts](#)

CapEx KPI

The CapEx reporting has been extended and more clearly linked to the specific economic activities in the taxonomy compared to the previous year. Atlas Copco utilizes all types of taxonomy listed capital expenditure for the CapEx numerator, listed below:

- “CapEx related to assets or processes that are associated with taxonomy-aligned activities”: Used for investments in factories that enable production of products relating to taxonomy section 3.6.
- “A CapEx Plan to increase the proportion of taxonomy-aligned products”: Used for the reporting of R&D capital expenditure relating to taxonomy section 3.6.
- “The purchase of output of taxonomy-aligned products”: Used for taxonomy product additions into Atlas Copco’s hire fleet relating to taxonomy section 3.6.
- “Individual measures” to lower Atlas Copco’s own greenhouse gas emissions: Used for installations of energy efficiency equipment, installations of charging stations for electric vehicles, installations controlling building energy performance, installations of renewable energy technologies, and investments related to the company vehicle fleet (relating to taxonomy sections 6.5, 7.3, 7.4, 7.5, and 7.6).

The CapEx denominator used for the taxonomy KPI calculation consists of additions to tangible and intangible assets (including right of use assets)

during the financial year, considered before depreciation, amortization, and any re-measurements, including those resulting from revaluations and impairments, and excluding fair value changes. The denominator also includes additions to tangible and intangible assets resulting from business combinations.

No significant climate change adaptation investments have been made during the year.

Result

CapEx eligibility is 7% which is in line with the previous year, however, both the numerator and the denominator value are significantly higher. Recent guidance from the EU, particularly in relation to the Minimum Safeguards, indicates a restrictive compliance interpretation. Therefore, Atlas Copco reports 0% alignment and 0 MSEK in regards to the CapEx plan to expand its proportion of taxonomy-aligned products within R&D (both for this reporting period and the full time period of the plan). Atlas Copco follows the development closely and may adjust its reporting in the future.

OpEx KPI

As of 2022, the OpEx numerator only includes OpEx that is material to the company business model, i.e. expenditures in R&D and the own hire fleet (relating to taxonomy section 3.6). The denominator however includes expenditures for R&D and hire fleet as well as maintenance costs for buildings, equipment, and own vehicle fleet.

Result

OpEx eligibility is 22% which is slightly higher than the previous year. Recent guidance from the EU, particularly in relation to the Minimum Safeguards, indicates a restrictive compliance interpretation. Therefore, Atlas Copco reports 0% alignment. Atlas Copco follows the development closely and may adjust its reporting in the future.

Concluding comments

An increased revenue eligibility is reported in 2022 in line with clarifications issued by the EU, allowing a less conservative approach to eligibility compared to 2021. The company has conducted a comprehensive assessment to evaluate and prepare for taxonomy alignment reporting. In principle, Atlas Copco company policies and procedures correspond with taxonomy requirements, however, as recent guidance from the EU, particularly in relation to the Minimum Safeguards, indicates a restrictive compliance interpretation Atlas Copco reports 0% alignment on all three KPIs.

As the taxonomy reporting practice and guidelines develop, and as the scope evolves with four additional environmental objectives, Atlas Copco will reevaluate its current approach. Clarification in how to report enabling activities is also likely to impact the taxonomy mapping as many of the company’s products and solutions are essential in specific manufacturing processes which are included in the taxonomy.

Revenue

Economic activities	Code	Absolute revenue (MSEK)	Proportion of revenues (%)	Substantial contribution criteria						DNSH criteria (Does Not Significantly Harm)						Minimum safeguards	Taxonomy-aligned proportion of revenues, year N	Taxonomy-aligned proportion of revenues, year N-1	Category (enabling activity)	Category (transitional activity)
				Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution prevention	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution prevention	Biodiversity and ecosystems					
A. TAXONOMY-ELIGIBLE ACTIVITIES			60.28%																	
A1. Environmentally sustainable activities (Taxonomy-aligned)																				
Revenue from environmentally sustainable activities (Taxonomy-aligned) (A.1)		0.0	0.00%	100%													0.00%			
A2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Manufacture of other low-carbon technologies	3.6	85 193.0	60.28%																	
Revenue from Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		85 193.0	60.28%																	
Total (A.1 + A.2)		85 193.0	60.28%																	
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
Revenue from Taxonomy-non-eligible activities (B)		56 132.2	39.72%																	
Total (A + B)		141 325.2	100.00%																	

[Introduction](#)

[This is Atlas Copco](#)

[The year in review](#)

[Financials](#)

[Other information](#)

[Signatures of the Board of Directors](#)

[Audit Report](#)

[Financial definitions](#)

- [Sustainability notes](#)

[Four years in summary](#)

[Contact information](#)

About the sustainability report

Sustainability is an integral part of Atlas Copco's business model and the Group therefore reports financial and non-financial data in an integrated annual report. The sustainability report includes information regarding issues where Atlas Copco has a significant impact on the economy, environment and people, including human rights.

Atlas Copco publishes a sustainability report annually. This year's report has been prepared in accordance with GRI Standards 2021 and applies to the period January 1, 2022 through December 31, 2022, which is in line with the Group's financial reporting. This sustainability report was published on March 22, 2023.

Additional disclosures in 2022

Our ambition is to present an overview of our impact that is as comprehensive and transparent as possible, as well as how we manage the impact. Therefore, we continuously strive to develop our reporting in areas relevant to our impact and value creation. During the year, through an internal process, we identified and added a number of disclosures linked to our material sustainability topics. These are disclosures that we believe contribute to increased transparency and a better understanding of our impact and processes, or information that has been requested by our stakeholders. The disclosures that have been added to this year's report are marked with* in the GRI index on pages 139–142.

Report boundary

Environmental data covers all operations from year 2022 if nothing else is stated. These figures are therefore not comparable to previous years' sustainability reports. CO₂e emissions data covers all operations from 2019. Other environmental data up until 2022 covers production units and distribution centers, and is presented separately in the table to the right on page 144. Supplier data covers production units and distribution centers, while distributor data covers all applicable units. Employee data covers all operations.

Operations divested during the year are excluded, while acquired units are included. This may at times cause changes in reported performance.

Data collection

Reported facts and figures in the sustainability report have been verified in accordance with Atlas Copco's procedures for internal control. Data collection is integrated into the Group reporting consolidation systems and collected on a quarterly basis. Reported values are normally not corrected retroactively. When a restatement of historically reported numbers is made, this can be due to a change of calculation method or scope, see Report boundary.

Responsibility for reporting rests with the general manager of each company. Data is reported at local operating unit level, aggregated to division/business area and Group level. For certain Science Based Target categories data is reported at division level. Data verification is performed at each level before submitted to external auditors for verification.

SASB standards

To accommodate stakeholders that are more familiar with the Sustainability Accounting Standards Board (SASB), Atlas Copco has published a table with cross-references to information in the annual report on page 143. Information relating to the SASB standards for 'Industrial machinery and goods' is disclosed for relevant aspects where data is available. However, Atlas Copco does not claim adherence to, or compliance with, the SASB reporting standards.

Scope and content of the sustainability report

Sustainability information in the annual report is primarily presented on pages 5–12, 33–42 and 126–145.

External assurance

Atlas Copco's external auditors, Ernst & Young, have performed a limited review of the sustainability report according to the GRI Standards, see the Auditor's report on page 146.

For questions regarding the sustainability report, please contact

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sustainability@atlascopco.com

[Introduction](#)
[This is Atlas Copco](#)
[The year in review](#)
[Financials](#)

Other information

[Signatures of the Board of Directors](#)
[Audit Report](#)
[Financial definitions](#)

• Sustainability notes

[Four years in summary](#)
[Contact information](#)

GRI content index

Statement of use	Atlas Copco has reported in accordance with the GRI Standards for the period 1 January, 2022 to 31 December, 2022.
GRI 1 used	GRI 1: Foundation 2021

GRI Standard	Disclosure		Location	Comments and omissions
General disclosures	Nr	Description		
GRI 2: General Disclosures 2021	2-1	Organizational details		
	2-2	Entities included in the organization's sustainability reporting	119–122, 138	
	2-3	Reporting period, frequency and contact point	138	
	2-4	Restatements of information	42, 138, 144–145	
	2-5	External assurance	138	
	2-6	Activities, value chain, and other business relationships	Inside cover, 7–10, 21–33	For information on significant acquisitions and divestments, see pages 20–32.
	2-7	Employees	80, 83, 132	<i>Omission:</i> Atlas Copco reports aggregate number of full-time equivalents. The figures broken down into full-time/part-time employees, and additional workforce by gender, are currently not available in the Group's HR system and can therefore not be reported.
	2-8	Workers who are not employees	132	<i>Omission:</i> Additional workforce may be temporary or permanent, generally employed by a third party. Additional workforce by gender or by type of contractual relationship is currently not available in the Group's HR system and can therefore not be reported.
	2-9	Governance structure and composition	52–53, 129	
	2-10	Nomination and selection of the highest governance body	53	
	2-11	Chair of the highest governance body	55	The chair of the board is not a senior executive of Atlas Copco.
	2-12	Role of the highest governance body in overseeing the management of impacts	53, 129	
	2-13	Delegation of responsibility for managing impacts	129	
	2-14	Role of the highest governance body in sustainability reporting	129	
	2-15	Conflicts of interest	53	Atlas Copco operates in compliance with the Swedish Companies Act which includes rules and procedures applicable to conflicts of interest.
	2-16	Communication of critical concerns	53, 129–130	
	2-17	Collective knowledge of the highest governance body	53	
	2-18	Evaluation of the performance of the highest governance body	53	
	2-19	Remuneration policies	82–83	
	2-20	Process to determine remuneration	53–54	
	2-21	Annual total compensation ratio		<i>Omission:</i> Not reported at Group-level. Atlas Copco is committed to a fair and sustainable remuneration policy, both to stay competitive as an employer and from an internal equity perspective. We are currently not able to report on this disclosure in a meaningful manner, but remain committed to transparency in this regard.
	2-22	Statement on sustainable development strategy	3–4, 54	
	2-23	Policy commitments	129	

[Introduction](#)
[This is Atlas Copco](#)
[The year in review](#)
[Financials](#)

Other information

[Signatures of the Board of Directors](#)
[Audit Report](#)
[Financial definitions](#)

• Sustainability notes

[Four years in summary](#)
[Contact information](#)

GRI content index

GRI Standard	Disclosure	Location	Comments and omissions
	2-24 Embedding policy commitments	40–41, 51, 129	
	2-25 Processes to remediate negative impacts	129	
General disclosures	Nr Description		
	2-26 Mechanisms for seeking advice and raising concerns	40, 129	
	2-27 Compliance with laws and regulations	130	
	2-28 Membership associations	129	
	2-29 Approach to stakeholder engagement	126	
	2-30 Collective bargaining agreements	132	
Material topic disclosures			
GRI 3: Material topics 2021	3-1 Process to determine material topics	127	See more information on www.atlascopcogroup.com
	3-2 List of material topics	127	
	3-3 Management of material topics	6, 129	

ECONOMIC IMPACT			
Economic performance			
GRI 3: Material topics 2021	3-3	Management of material topics	6, 129–130
GRI 201: Economic performance 2016	201-1	Direct economic value generated and distributed	130, 145
	201-2	Financial implications and other risks and opportunities due to climate change *	46, 131
Anti-corruption			
GRI 3: Material topics 2021	3-3	Management of material topics	6, 40–41, 129–130
GRI 201: Economic performance 2016	205-1	Operations assessed for risks related to corruption *	130
	205-2	Communication and training about anti-corruption policies and procedures *	40–41, 145
	205-3	Confirmed incidents of corruption and actions taken	130
Anti-competitive behavior			
GRI 3: Material topics 2021	3-3	Management of material topics	6, 40–41, 129–130
GRI 201: Economic performance 2016	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	130

ENVIRONMENTAL IMPACT			
Energy			
GRI 3: Material topics 2021	3-3	Management of material topics	43–44, 129–131

* The disclosure has been added in this years' report

[Introduction](#)
[This is Atlas Copco](#)
[The year in review](#)
[Financials](#)

Other information

[Signatures of the Board of Directors](#)
[Audit Report](#)
[Financial definitions](#)

• Sustainability notes

[Four years in summary](#)
[Contact information](#)

GRI content index

GRI Standard	Disclosure	Location	Comments and omissions
GRI 302: Energy 2016	302-1	Energy consumption within the organization	130, 144
	302-3	Energy intensity	144
Emissions			
GRI 3: Material topics 2021	3-3	Management of material topics	6, 43–44, 129–131
GRI 305: Emissions 2016	305-1	Direct greenhouse gas emissions (Scope 1)	6, 42, 144
	305-2	Energy indirect greenhouse gas emissions (Scope 2)	6, 42, 144
	305-3	Other indirect greenhouse gas emissions (Scope 3)	6, 42, 144
	305-4	Greenhouse gas emissions intensity	6, 42, 144
Supplier environmental assessment			
GRI 3: Material topics 2021	3-3	Management of material topics	6, 43, 133
GRI 308: Supplier environmental assessment 2016	308-1	New suppliers that were screened using environmental criteria	133
	308-2	Negative environmental impacts in the supply chain and actions taken *	133

Significant suppliers, both new and existing, are identified using a risk-based approach. *Omission:* Data for new suppliers is not specifically disclosed. Environmental and social screening is conducted and reported jointly.

Omission: Supplier audits cover both environmental and social aspects and the data is not broken down into these categories.

SOCIAL IMPACT			
Employment			
GRI 3: Material topics 2021	3-3	Management of material topics	6, 38–39, 129
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	132, 145
Occupational health and safety			
GRI 3: Material topics 2021	3-3	Management of material topics	6, 39, 129, 132
GRI 403: Occupational health and safety 2018	403-1	Occupational health and safety management system	39, 129, 132
	403-2	Hazard identification, risk assessment, and incident investigation	129, 132
	403-3	Occupational health services	39, 129
	403-4	Worker participation, consultation, and communication on occupational health and safety	39
	403-5	Worker training on occupational health and safety	39, 132
	403-6	Promotion of worker health	39
	403-7	Prevention/mitigation of occupational health/safety impacts directly linked by business relationships	132
	403-8	Workers covered by an occupational health and safety management system *	132
	403-9	Work-related injuries	132

* The disclosure has been added in this years' report

[Introduction](#)
[This is Atlas Copco](#)
[The year in review](#)
[Financials](#)
[Other information](#)
[Signatures of the Board of Directors](#)
[Audit Report](#)
[Financial definitions](#)
[• Sustainability notes](#)
[Four years in summary](#)
[Contact information](#)

GRI content index

GRI Standard	Disclosure	Location	Comments and omissions
Training and education			
GRI 3: Material topics 2021	3-3 Management of material topics	6, 37–38, 129	
GRI 404: Training and education 2016	404-1 Average hours of training per year per employee *	145	<i>Omission:</i> Atlas Copco does not have data broken down by gender.
	404-2 Programs for upgrading employee skills and transition assistance programs *	37, 132	
	404-3 Percentage of employees receiving regular performance and career development reviews	145	<i>Omission:</i> Atlas Copco does not have data broken down by gender and employee category.
Diversity and inclusion			
GRI 3: Material topics 2021	3-3 Management of material topics	6, 37–38, 129, 132	
GRI 405: Diversity and equal opportunity 2016	405-1 Diversity of governance bodies and employees	6, 53, 55–58, 133	<i>Omission:</i> Atlas Copco does not, unless required for compliance with local laws and regulations, gather data on diversity from employees or members of governance bodies, such as belonging to a minority or vulnerable group.
Non-discrimination			
GRI 3: Material topics 2021	3-3 Management of material topics	40–41, 129	
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	130	
Supplier social assessment			
GRI 3: Material topics 2021	3-3 Management of material topics	6, 40–41, 133	
GRI 414: Supplier social assessment 2016	414-1 New suppliers that were screened using social criteria	133	Significant suppliers, both new and existing, are identified using a risk-based approach. <i>Omission:</i> Data for new suppliers is not specifically disclosed. Environmental and social screening is conducted and reported jointly.
	414-2 Negative social impacts in the supply chain and actions taken *	133	<i>Omission:</i> Supplier audits cover both environmental and social aspects and the data is not broken down into these categories.
Customer health and safety			
GRI 3: Material topics 2021	3-3 Management of material topics	41, 128–129, 134	
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	134	
Marketing and labeling			
GRI 3: Material topics 2021	3-3 Management of material topics	129, 134	
GRI 417: Marketing and labeling 2016	417-2 Incidents of non-compliance concerning products and service information and labeling	134	

* The disclosure has been added in this years' report

[Introduction](#)
[This is Atlas Copco](#)
[The year in review](#)
[Financials](#)
[Other information](#)
[Signatures of the Board of Directors](#)
[Audit Report](#)
[Financial definitions](#)
[• Sustainability notes](#)
[Four years in summary](#)
[Contact information](#)

SASB Index

Table 1. Sustainability disclosure topics and accounting metrics

Topic	Metric	Code	Comment	Page
Energy management	1. Total energy consumed 2. Percentage grid electricity 3. Percentage renewable energy	RT-IG-130a.1	Total energy is reported in MWh, not in gigajoules. Percentage of grid electricity is not reported.	130
Employee health & safety	1. Total recordable incident rate (TRIR) 2. Fatality rate 3. Near-miss frequency rate (NMFR)	RT-IG-320a.1		132, 145
Fuel economy and emissions in use-phase	Sales-weighted fuel efficiency for non-road equipment	RT-IG-410a.2	Product fuel efficiency is not reported but the Group innovates to help customers increase energy efficiency and reduce emissions. All projects for new and redesigned products should have targets for reduced carbon impact.	34–36
Materials sourcing	Description of the management of risks associated with the use of critical materials	RT-IG-440a.1	Risk management associated with conflict minerals is described.	41, 47, 129, 133
Remanufacturing design & services	Revenue from remanufactured products and remanufacturing services	RT-IG-440b.1	Share of revenues is not reported but topic is addressed.	35

Table 2. Activity metrics

Metric	Code	Comment	Page
Number of units produced by product category	RT-IG-000.A	Not reported.	
Number of employees	RT-IG-000.B		18, 83, 145

Introduction
This is Atlas Copco
The year in review
Financials
Other information
Signatures of the Board of Directors
Audit Report
Financial definitions
• Sustainability notes
Four years in summary
Contact information

Sustainability performance ¹⁾

EMISSIONS, ALL OPERATIONS ²⁾	Base year (2019)	2020	2021	2022
Scope 1: Direct CO ₂ e emissions ('000 tonnes) ³⁾⁴⁾	75	75	79	77
Scope 2: Indirect CO ₂ e emissions ('000 tonnes) ³⁾⁴⁾	87	83	56	31
Scope 1+2: CO ₂ e emissions ('000 tonnes) ³⁾⁴⁾	162	158	135	108
Scope 2: Location-based indirect CO ₂ e emissions ('000 tonnes) ³⁾⁴⁾	–	–	–	138
Scope 3: Other indirect CO ₂ e emissions ('000 tonnes) ³⁾⁴⁾	170 634	172 279	179 393	219 822
Scope 1+2: CO ₂ e emissions/COS (tonnes) ³⁾⁴⁾⁷⁾	3.0	3.0	2.3	1.5
Scope 3: CO ₂ e emissions/COS (tonnes) ³⁾⁴⁾⁷⁾	3 141	3 226	3 016	2 962

ENVIRONMENT, ALL OPERATIONS ²⁾	2020	2021	2022
Renewable energy for operations, % of total energy use ⁵⁾	–	–	58.0
Direct energy use in GWh ⁵⁾⁶⁾	–	–	159
Indirect energy use in GWh ⁵⁾⁶⁾	–	–	359
Total energy use in GWh ⁵⁾⁶⁾	–	–	518
Total energy use in MWh/COS ⁵⁾⁶⁾⁷⁾	–	–	7.0
Total waste in '000 kg	–	–	54 855
Waste (in kg)/COS ⁷⁾	–	–	739
Reused, recycled or recovered waste, %	–	–	92
Water consumption in '000 m ³	–	–	624
Water consumption (m ³)/COS ⁷⁾	–	–	8.4

ENVIRONMENT, PRODUCTION AND DISTRIBUTION UNITS	2020	2021	2022
Renewable energy for operations, % of total energy use	44	58	67
Direct energy use in GWh ⁵⁾	100	115	108
Indirect energy use in GWh ⁵⁾	251	270	283
Total energy use in GWh ⁵⁾	351	385	391
Total energy use in MWh/COS ⁵⁾⁷⁾	6.6	6.5	5.3
Total waste in '000 kg	31 036	35 071	39 112
Waste (in kg)/COS ⁷⁾	581	590	527
Reused, recycled or recovered waste, %	93	93	94
Water consumption in '000 m ³	384	395	403
Water consumption (m ³)/COS ⁷⁾	7.2	6.6	5.4

SUPPLIERS WITH ENVIRONMENTAL MANAGEMENT SYSTEM	2020	2021	2022
Significant direct suppliers with an approved environmental management system, %	30	31	31

¹⁾ Calculations according to GRI Standard Guidelines, www.globalreporting.org

²⁾ All operations include all entities

³⁾ CO₂e stands for carbon dioxide equivalent emissions

⁴⁾ The reporting of greenhouse gas emissions is done in accordance with the GHG Protocol (ghgprotocol.org). Country factors used for energy come from the International Energy Agency. Scope 2 is presented both as market-based and location-based according to the GHG Protocol. A market-based approach has been applied unless otherwise stated. Factors from NTM (transportmeasures.org) are used for transport of goods when emission data is not provided by the transport company.

Scope 1 includes direct energy in own operations and fuel used in company vehicles. Scope 2 includes indirect energy from own operations and electricity from company vehicles. Scope 3 includes GHG emissions upstream and downstream in the value chain. Out of scope emissions data for direct CO₂ emissions from biologically sequestered carbon (e.g. CO₂ from burning biomass/biofuels) was 3 561 tonnes in 2022.

⁵⁾ Energy use excludes fuel and energy from company vehicles.

⁶⁾ Total energy includes both indirect and direct energy used. Atlas Copco does not report cooling or steam separately. The calculation of direct energy, i.e. energy generated by the company for its own production or operation, comprises all fuels used on the sites, including diesel, oil, biofuel, gasoline, solar, geothermal, propane and natural gas.

⁷⁾ Operating costs include cost of sales, marketing expenses, administration expenses, research and development expenses, other operating expenses, deducted for employee wages and benefits. COS, when presented in relation to sustainability information, refers to cost of sales at standard cost in MSEK.

Sustainability performance ¹⁾, continued

ECONOMIC VALUE	2020	2021	2022
Direct economic value ²⁾	100 251	111 972	142 233
Revenues	99 787	110 912	141 325
<i>Economic value distributed</i>			
Operating costs ³⁾	55 362	61 019	78 094
Employee wages and benefits, including other social costs	25 582	27 151	33 580
Costs for providers of capital ⁴⁾	8 988	9 281	9 765
Costs for direct taxes to governments	4 801	5 372	7 262
Economic value retained	5 518	9 149	13 532
– Redemption of shares	–	–	9 732
PEOPLE	2020	2021	2022
White-collar employees, %	70	69	69
Blue-collar employees, %	30	31	31
Employee turnover white-collar employees, %	4.2	6.4	7.6
Employee turnover blue-collar employees, %	4.8	7.8	8.9
Total turnover, voluntary leave, %	4.4	6.9	8.0
Yearly performance and development discussion, %	85	82	79
Average training hours per employee	37.8	39.5	42.0
Average training hours, white-collar employees	37.9	39.9	43.2
Average training hours, blue-collar employees	37.6	38.6	39.4
Proportion of female employees, % year end	20.0	20.9	21.6
Proportion of female managers, % year end	19.7	20.5	20.4
Degree to which employees agree that they feel a sense of belonging in the company (score) ⁵⁾	–	–	–
Degree to which employees agree that there are opportunities to learn and grow in the company (score) ⁶⁾	–	73	–
Degree to which employees agree that we have a work culture of respect, fairness and openness (score) ⁶⁾	–	76	–

¹⁾ Calculations according to GRI Standard Guidelines, www.globalreporting.org

²⁾ Direct economic value includes revenues, other operating income, financial income, profit from divested companies and share of profit in associated companies.

³⁾ Operating costs include cost of sales, marketing expenses, administration expenses, research and development expenses, other operating expenses, deducted for employee wages and benefits. COS when presented in relation to sustainability information refers to cost of sales at standard cost in MSEK.

⁴⁾ Costs for providers of capital include financial costs and dividend, but exclude redemption of shares and repurchase of own shares.

⁵⁾ Will be measured first time in 2023.

⁶⁾ Results are collected every two years through the Group's employee survey. Next survey in 2023.

⁷⁾ The training will be launched in 2023.

SAFETY AND WELLBEING	2020	2021	2022
Recordable injuries total workforce, number	385	387	403
Recordable injuries per million working hours total workforce	4.8	4.5	4.2
Minor injuries total workforce, number	922	1 148	1 261
Minor injuries per million working hours total workforce	11.6	13.4	13.2
Fatalities, number	0	0	0
Fatalities per million working hours total workforce	0	0	0
Sick leave due to diseases and recordable injuries, %	2.1	2.2	2.5
Degree to which employees agree that Atlas Copco takes a genuine interest in their wellbeing (score) ⁵⁾	–	73	–
A balanced safety pyramid (yes/no)	Yes	Yes	Yes
ETHICS	2020	2021	2022
Employees signed compliance to the Code of Conduct, %	99	98	99
Employees participate in the Group's biennial ethics training ⁷⁾ , %	–	–	–
New employees participate in the Group's ethics training within 12 months of joining the company ⁷⁾ , %	–	–	–
Significant suppliers committed to the Code of Conduct, %	93	93	93
Significant distributors committed to the Code of Conduct, %	84	87	92

 Introduction

 This is Atlas Copco

 The year in review

 Financials

Other information

 Signatures of the Board
of Directors

Audit Report

Financial definitions

• Sustainability notes

Four years in summary

Contact information

Auditor's Limited Assurance Report on Atlas Copco AB's Sustainability Report and statement regarding the Statutory Sustainability Report

This is the translation of the auditor's report in Swedish.

To Atlas Copco AB, corporate identity number 556014-2720

Introduction

We have been engaged by the Board of Directors of Atlas Copco AB to undertake a limited assurance engagement of Atlas Copco AB's Sustainability Report for the year 2022. Atlas Copco AB has defined the scope of the Sustainability Report to the pages referred to in the GRI index on pages 139–142, the Statutory Sustainability Report is defined on page 19.

Responsibilities of the Board and Executive Management

The Board of Directors and Executive Management are responsible for the preparation of the Sustainability Report including the Statutory Sustainability Report in accordance with applicable criteria and the Annual Accounts Act respectively. The criteria are defined on pages 138–142 in the Sustainability Report and consist of the GRI Sustainability Reporting Standards, as well as the accounting and calculation principles that the company has developed. This responsibility includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

Responsibilities of the auditor

Our responsibility is to express a conclusion on the Sustainability Report based on our limited assurance

procedures and to express an opinion regarding the Statutory Sustainability Report. Our engagement is limited to historical information presented in this document and does therefore not cover future oriented information.

We have conducted our engagement in accordance with ISAE 3000 (revised) Assurance engagements other than audits or reviews of historical financial information. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. Our examination regarding the Statutory Sustainability Report has been conducted in accordance with FAR's accounting standard RevR 12 The auditor's opinion regarding the statutory sustainability report. A limited assurance engagement and an examination according to RevR 12 are different from and substantially less in scope than reasonable assurance conducted in accordance with IAASB's Standards on Auditing and other generally accepted auditing standards in Sweden.

The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of Atlas Copco AB in accordance with professional ethics

for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The procedures performed in a limited review and an examination according to RevR 12 do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. The conclusion based on limited assurance procedures and an examination according to RevR 12 does not provide the same level of assurance as a conclusion based on reasonable assurance.

Our procedures are based on the criteria defined by the Board of Directors and the Executive Management as described above. We consider these criteria suitable for the preparation of the Sustainability Report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions below.

Conclusions

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Sustainability Report is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Executive Management.

A Statutory Sustainability Report has been prepared.

Stockholm, 20 March, 2023
Ernst & Young AB

Erik Sandström
Authorized Public Accountant

Outi Alestalo
Expert Member of FAR

Four years in summary

Introduction
This is Atlas Copco
The year in review
Financials
Other information
Signatures of the Board of Directors
Audit Report
Financial definitions
Sustainability notes
• Four years in summary
Contact information

ORDERS, REVENUES AND PROFIT	2019	2020	2021	2022
Orders, MSEK	106 104	100 554	129 545	158 092
Revenues, MSEK	103 756	99 787	110 912	141 325
Change, organic from volume, price and mix, %	2	-3	14	12
EBITDA, MSEK	26 597	24 335	29 025	36 549
EBITDA margin, %	25.6	24.4	26.2	25.9
Operating profit, MSEK	21 897	19 146	23 559	30 216
Operating profit margin, %	21.1	19.2	21.2	21.4
Net interest expense, MSEK	-359	-245	-234	-166
Profit before tax, MSEK	21 572	18 825	23 410	30 044
Profit margin, %	20.8	18.9	21.1	21.3
Profit for the year, MSEK	16 543	14 783	18 134	23 482

EMPLOYEES	2019	2020	2021	2022
Average number of employees	37 805	39 606	41 272	45 781
Revenues per employee, SEK thousands	2 745	2 519	2 687	3 087

CASH FLOW	2019	2020	2021	2022
Operating cash surplus, MSEK	26 696	25 081	28 952	36 978
Cash flow before change in working capital, MSEK	20 209	20 454	23 870	29 600
Change in working capital, MSEK	-2 971	2 166	-244	-7 415
Cash flow from investing activities, MSEK	-9 683	-16 286	-6 121	-15 503
Gross investments in other property, plant and equipment, MSEK	-1 662	-1 459	-1 970	-3 660
Gross investments in rental equipment, MSEK	-1 140	-486	-510	-884
Net investments in rental equipment, MSEK	-1 087	-416	-474	-808
Cash flow from financing activities, MSEK	-8 024	-8 552	-10 323	-14 651
of which dividends paid, MSEK	-7 663	-8 506	-8 889	-9 250
Operating cash flow, MSEK	14 625	18 910	19 378	17 099

FINANCIAL POSITION AND RETURN	2019	2020	2021	2022
Total assets, MSEK	111 722	113 366	136 683	172 301
Capital turnover ratio	0.98	0.86	0.88	0.91
Capital employed, average MSEK	72 732	83 649	87 537	106 054
Capital employed turnover ratio	1.43	1.19	1.27	1.33
Return on capital employed, %	30	23	27	29
Net indebtedness, MSEK	12 013	16 421	8 151	26 570
Net debt/EBITDA, MSEK	0.5	0.7	0.3	0.7
Equity, MSEK	53 290	53 534	67 634	80 026
Debt/equity ratio, %	23	31	12	33
Equity/assets ratio, %	48	47	49	46
Return on equity, %	35	27	30	32

KEY FIGURES PER SHARE	2019¹⁾	2020¹⁾	2021¹⁾	2022
Basic earnings / diluted earnings, SEK	3.40 / 3.40	3.04 / 3.04	3.72 / 3.71	4.82 / 4.81
Dividend, SEK	1.75	1.83	1.90	2.30 ²⁾
Dividend as % of basic earnings	51.5	60.0	51.0	47.7
Dividend yield, %	2.4	1.9	1.4	2.0
Redemption of shares, SEK	-	-	2.00	-
Operating cash flow, SEK	3.01	3.89	3.98	3.51
Equity, SEK	11	11	14	16
Share price, December 31, A share / B share, SEK	93.4 / 81.3	105.3 / 92.1	156.5 / 133.1	123.1 / 111.1
Highest price quoted, A share / B share, SEK	96.6 / 84.2	111.4 / 97.5	157.4 / 133.4	161.2 / 136.3
Lowest price quoted, A share / B share, SEK	51.3 / 47.1	66.7 / 57.9	108.5 / 94.8	92.5 / 83.2
Average closing price, A share / B share, SEK	72.0 / 64.7	96.3 / 84.5	134.9 / 114.9	117.9 / 104.4
Average number of shares, millions	4 858.8	4 861.7	4 870.9	4 868.4
Diluted average number of shares, millions	4 863.1	4 869.0	4 882.1	4 875.9
Number of shareholders, December 31	81 656	82 079	87 923	115 459
Market capitalization, December 31, MSEK	440 497	497 187	732 967	586 731

¹⁾ Adjusted for share split in 2022

²⁾ Proposed by the Board

Introduction

This is Atlas Copco

The year in review

Financials

Other information

Signatures of the Board
of Directors

Audit Report

Financial definitions

Sustainability notes

Four years in summary

• **Contact information**

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