ATLAS COPCO ANNUAL REPORT 2014

Atlas Copco achieved record revenues, record cash flow and a healthy profit in a mixed business climate.

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ABOUT THE ANNUAL REPORT

Atlas Copco believes in delivering innovative products, reliable services and profitable growth while being a responsible corporate citizen. This annual report reflects Atlas Copco's goal of creating sustainable, profitable development and it integrates financial, sustainability and governance information in order to describe Atlas Copco in a comprehensive and cohesive manner.

The report is divided into two sections for simple navigation.

"THIS IS ATLAS COPCO" contains the relevant information about Atlas Copco's vision, mission, strategy, structure and governance, how we do business as well as our long-term performance.

"THE YEAR IN REVIEW" describes Atlas Copco's annual performance and achievements.

The audited annual accounts and consolidated accounts can be found on pages 14–47 and 56–122. The corporate governance report examined by the auditors can be found on pages 56–65.

Sustainability information that has been reviewed by the auditors can be found on pages 10–13, 40–53 and 125–131.

Note: The amounts are presented in MSEK unless otherwise indicated and numbers in parentheses represent comparative figures for the preceding year.

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, other factors 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 of competing products and their pricing, product development, commercialization and technological difficulties, interruptions in supply, and major customer credit losses.

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

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WELCOME TO THE ATLAS COPCO GROUP

Atlas Copco is a world-leading provider of sustainable productivity solutions. The Group serves customers with innovative compressors, vacuum solutions and air treatment systems, construction and mining equipment, power tools and assembly systems. Atlas Copco develops products and service focused on productivity, energy efficiency, safety and ergonomics. The company was founded in 1873, is based in Stockholm, Sweden, and has a global reach spanning more than 180 countries. In 2014, Atlas Copco had revenues of BSEK 94 (BEUR 10.3) and more than 44 000 employees.

COMPRESSOR TECHNIQUE

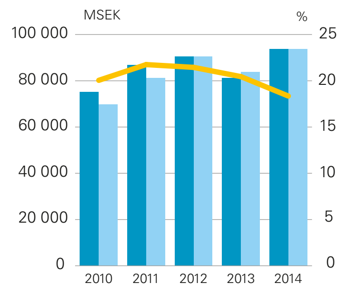
Revenues 2014:
MSEK 42 165

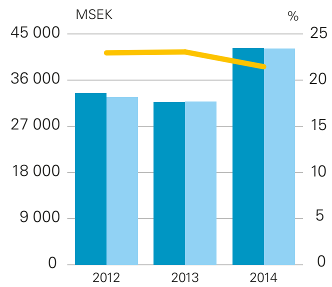
The Compressor Technique business area provides industrial compressors, vacuum solutions, gas and process compressors and expanders, air and gas treatment equipment and air management systems. The business area has a global service network and innovates for sustainable productivity in the manufacturing, oil and gas, and process industries. Principal product development and manufacturing units are located in Belgium, the United States, China, South Korea, Germany, Italy and the United Kingdom.

ATLAS COPCO GROUP

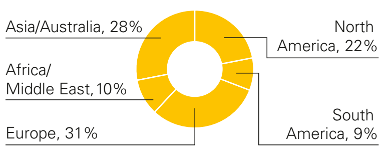
ORDERS RECEIVED, REVENUES AND OPERATING MARGIN

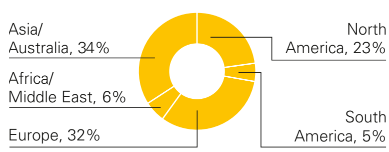
Orders received, MSEK
Revenues, MSEK
Operating margin, %



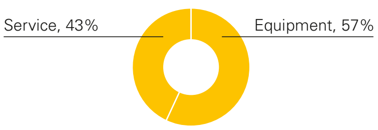


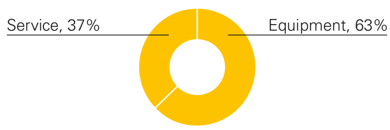
REVENUES BY REGION



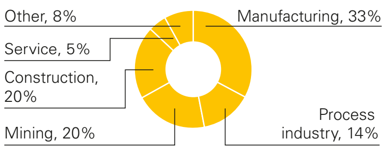


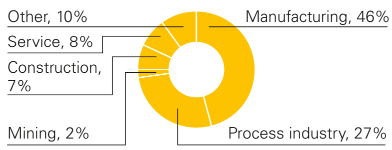
SHARE OF REVENUES



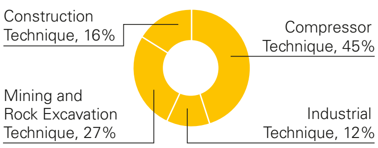


ORDERS RECEIVED BY CUSTOMER CATEGORY





SHARE OF REVENUES BY BUSINESS AREA

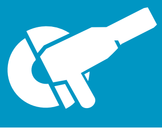


THE YEAR IN REVIEW

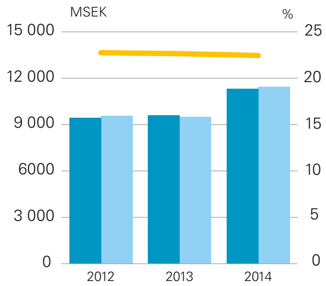
The orders received for small and medium-sized compressors increased and the service business continued to grow in 2014. The demand for large compressors, however, was soft and orders decreased. Edwards, a technology and market leader in sophisticated vacuum products and abatement solutions, was acquired and the business area continued to invest in market presence, innovation and competence development.

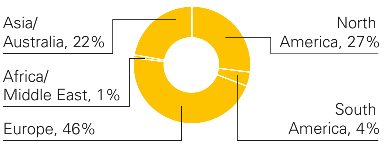
INDUSTRIAL TECHNIQUE

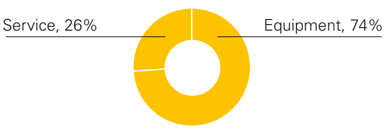
Revenues 2014:
MSEK 11 450

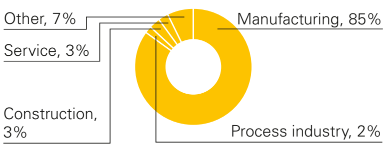


The Industrial Technique business area provides industrial power tools and systems, industrial assembly solutions, quality assurance products, software and service through a global network. The business area innovates for sustainable productivity for customers in the automotive and general industries, maintenance and vehicle service. Principal product development and manufacturing units are located in Sweden, Germany, the United States, United Kingdom, France and Japan.







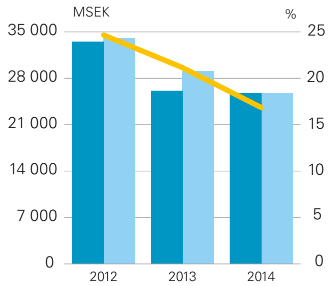


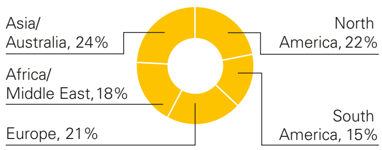
The business area achieved healthy order growth in all major regions and for most types of industrial tools and assembly systems. The growth was supported by the motor vehicle and general industries' investments and by strong development of the service business. The business area acquired Henrob, a pioneer and market leader in self-pierce riveting, and continued to invest in market presence, product development and service.

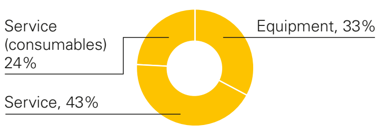
MINING AND ROCK EXCAVATION TECHNIQUE

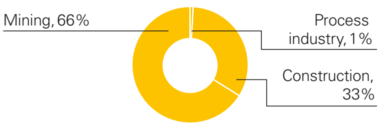
Revenues 2014:
MSEK 25 718

The Mining and Rock Excavation Technique business area provides equipment for drilling and rock excavation, a complete range of related consumables and service through a global network. The business area innovates for sustainable productivity in surface and underground mining, infrastructure, civil works, well drilling and geotechnical applications. Principal product development and manufacturing units are located in Sweden, the United States, Canada, China and India.





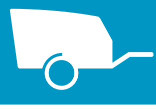




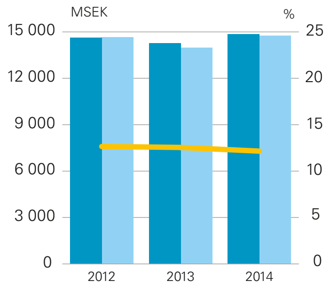
The demand for mining and rock excavation equipment remained at a low level and the order volumes were somewhat lower than in 2013. The service business was stable, while consumable orders were lower. The business area identified and implemented further efficiency measures to adapt the costs to the low demand, and it made one acquisition.

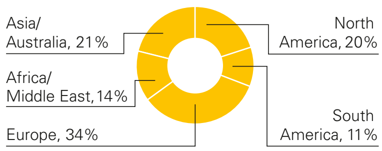
CONSTRUCTION TECHNIQUE

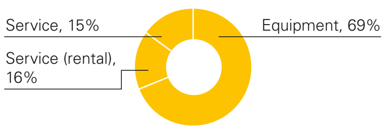
Revenues 2014:
MSEK 14 739

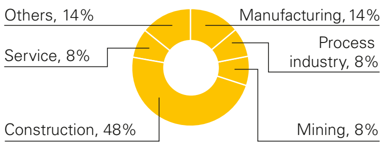


The Construction Technique business area provides construction and demolition tools, portable compressors, pumps and generators, lighting towers, and compaction and paving equipment. The business area offers specialty rental and provides service through a global network. Construction Technique innovates for sustainable productivity in infrastructure, civil works, oil and gas, energy, drilling and road construction projects. Principal product development and manufacturing units are located in Belgium, Germany, Sweden, the United States, China, India and Brazil.









The order intake of construction equipment was largely unchanged. It improved in North America while it developed negatively in South America. Specialty rental as well as the service business developed well and the business area continued to invest in market presence and product development.

COMMITTED TO SUSTAINABLE PRODUCTIVITY

Revenues, MSEK	Operating margin	R&D expenditures	Proposed distribution, SEK
93 721	**18.2%**	**+30%**	**12.00**
in 2014	in 2014	to MSEK 2 991	per share

VARIABLE SPEED DRIVE COMPRESSORS CELEBRATE 20 YEARS

Since the introduction, these energy efficient compressors have helped industry to save electricity sufficient to supply all of the households in the city of Paris for one year.

SEE PAGE 43

3 870 000 000 kWh

Atlas Copco achieved record revenues in 2014 in a mixed business climate with a good contribution from strategic acquisitions and growth of the service business.

CEO COMMENTS ON PAGE 4

Industrial Technique acquired Henrob, a pioneer and market leader in self-pierce riveting.

READ MORE AT PAGE 24

IN MEMORIAM PETER WALLENBERG 1926–2015

Atlas Copco Honorary Chair Peter Wallenberg, who was active with the Group for more than 61 years, passed away at the age of 88 years in January 2015.

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MORE THAN 44 000 EMPLOYEES

WATER FOR ALL 30 YEARS

In 2014, the Atlas Copco Group's main community engagement initiative *Water for All* celebrated 30 years. Since the start, *Water for All* has provided access to clean drinking water to more than 1.5 million people.

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PERFORMANCE SUMMARY 2014

FINANCIAL	Unit	Goal	2014	2013	Change, %	
Orders received	MSEK		93 873	81 290	+15	
Revenues	MSEK	8% growth	93 721	83 888	+12	🟢
EBITDA	MSEK		20 724	19 759	+5	
Operating profit	MSEK		17 015	17 056	0	
– as a percentage of revenues	*%*		*18.2*	*20.3*		
Adjusted operating profit	MSEK		17 744	16 993	+4	
– as a percentage of revenues	*%*		*18.9*	*20.3*		
Profit before tax	MSEK		16 091	16 266	–1	
– as a percentage of revenues	*%*		*17.2*	*19.4*		
Profit for the year	MSEK		12 175	12 082	+1	
Basic earnings per share	SEK		10.01	9.95		
Diluted earnings per share	SEK		9.99	9.92		
Dividend per share	SEK	About 50% of earnings per share	6.00 [1]	5.50	+9	🟢
Mandatory redemption per share	SEK		6.00 [1]	–		
Equity per share	SEK		42	33		
Operating cash flow	MSEK		13 869	9 888	+40	
Return on capital employed	%	Sustained high	24.3	27.8		🟢
Return on equity	%		28.1	33.6		

ENVIRONMENTAL	Unit	Goal	2014	2013	Change	
CO_2 emissions	'000 tonnes		330	309	+21	
– from operations (Scope 1+2)	*'000 tonnes*	*–20%/COS*	*124*	*109*	*+15*	🟡
– from transport (Scope 3)	*'000 tonnes*	*–20%/COS*	*206*	*200*	*+6*	🟢
Water consumption	'000 m^3	+/–0 m^3/COS	690	714	–24	🟢
Proportion of reused or recycled waste	%	100	93	93	0	🟡
ISO 14001 environmental management systems	% of cost of sales	100	96	97	–1	🟡

EMPLOYEES, HEALTH AND SAFETY	Unit	Goal	2014	2013	Change	
Average number of employees	number		43 645	40 159	+3 486	
Competence development	hours/employee		41	40	+1	🟢
Yearly appraisals	%	100	82	82	0	🟡
Internal mobility	%	Encourage	7.2	7.7	–0.5	🟡
Proportion of women employees	%	Increase	17.1	16.8	+0.3	🟢
Diversity in nationality among senior managers	number	Increase	54	52	+2	🟢
Sick leave	%	<2.5	1.9	2.0	–0.1	🟢
Accidents	number/one million hours	0	4.7	5.4	–0.7	🟢
Fatalities	number	0	1	0	+1	🔴
OHSAS 18001 health and safety systems	% of cost of sales	100	91	89	+2	🟢

GOVERNANCE	Unit	Goal	2014	2013	Change	
Reports to the hotline	number	Encourage	47	47	0	🟡
Significant suppliers committed to the Business Code of Practice	%	100	82	72	+10	🟢

🟢 Positive trend/goal achieved 🟡 Neutral trend 🔴 Negative trend/goal not achieved

[1] Proposed by the Board of Directors

A summary of the Group's goals can be found on page 7.

COMMITMENT TO INNOVATION IS KEY TO SUCCESS

Atlas Copco achieved record revenues in 2014 in a mixed business climate with a good contribution from strategic acquisitions and growth of the service business. The Group also achieved a record cash flow and a healthy profit. We stand strong and will keep growing stronger in our pursuit of being First in Mind—First in Choice ® and achieving sustainable productivity for our customers.

"All together, service generates 43% of our revenue"

Standing strong

The manufacturing industry was healthy and our sales of industrial tools as well as small and medium-sized compressors increased. Orders for construction equipment were largely unchanged in tough market conditions, while mining equipment and large compressors had a weak development due to low investments in Asia.

I am pleased to see that, in this challenging business climate with mixed demand for Atlas Copco's equipment and services, we were able to reinforce our strong market position and further strengthen our service business, which continued to grow at a healthy pace. In total, organic order growth was 1%. We made a number of acquisitions, which created new opportunities with an extended product offering to our customers and contributed to the Group achieving record order intake and record revenues. The challenging business climate, particularly in our mining segment, forced us to take measures to improve efficiency to safeguard long-term competitiveness. We were able to report a healthy profit. For 2015 and beyond, the Group is standing strong and our guiding light remains our five strategic pillars for profitable growth: presence, innovation, service, operational excellence, and people.

Global presence

With more than 44 000 employees working in 91 countries and with sales in more than 180 countries, Atlas Copco is truly a global organization. In order to stay successful, we know we must be close to the customers. But presence is not only about geography. It is also about being in the right market segments with the right product offers and service capabilities. The Group made two major acquisitions in 2014 that gave us access to adjacent and very attractive markets. We started the year by welcoming Edwards Group, which made us a market leader in vacuum solutions. The vacuum technology, which creates a pure environment for sensitive manufacturing such as of semiconductors and flat panels, has many customers in common with our compressor operation. With Edwards part of the Group we can offer customers more comprehensive solutions to boost their productivity. The other was Henrob, which made us a market leader in self-pierce riveting, a mechanical fastening process for joining sheets of material where welding is difficult, such as aluminum. Car manufacturers are increasingly using this technology as they build vehicles from new materials to make them lighter and more energy efficient. For example, the all-new 2015 Ford F-150*, America's best-selling vehicle for 32 years, is built with a high-strength aluminum-alloy body with the help of Atlas Copco Henrob's technology.

Innovation to boost customer productivity

Innovation continues to be a core focus for us. We now have more than 3 100 research and development engineers. We continuously optimize our investments in this area and work to reduce the time to market for our new inventions. Why are we so focused on innovation? Part of the answer is because it supports our goals for sustainable profitable development. We strive to increase our competitive edge by improving our customers' energy efficiency by 20% by 2020 through products that are developed, manufactured and sourced responsibly. That is why we are so focused on providing high-quality products that are more productive, energy efficient, safer, ergonomic, lighter or that in other ways make customers more successful.

The GA VSD+ compressor that we launched in 2013 to great success is a perfect example of a very innovative machine that enhances customer productivity while also benefiting the environment. Compressors are used virtually everywhere in society and industry: on construction sites, oil platforms, in hospitals, in the manufacturing and process industries, to name a few places. Atlas Copco pioneered the variable-speed drive (VSD) technology in 1994, enabling compressors to run only at the speed necessary, cutting energy consumption. The new VSD+ technology, which involves a unique, patented drive system, cuts energy use by more than half compared with traditional compressors. If every oil-injected screw compressor sold in the world was a VSD+, it would reduce annual CO_2 emissions by more than 4 million tons, which is equivalent to the output of almost 900 000 cars. This is truly the compressor for the present and the one the world will need.

The mining industry is another area that is changing with innovation. Atlas Copco is offering automation technology that allows machine operators to remotely guide the equipment at a safe distance from high-risk areas. A key development focus for us now is multi-machine control, allowing one operator in a control room to look after several pieces of equipment, increasing efficiency for the customer.

Other innovative products include ergonomic assembly tools that not only tighten a bolt with the same torque every time but also offer traceability, giving the customer a track record of the assembly process. This is especially important for the automotive industry, where car quality and safety are so important.

A final example of new innovation is for the road construction equipment segment, where we have created a system used in our new Atlas Copco Dynapac rollers that cuts fuel consumption and CO_2 emissions by ensuring that only the amount of power necessary at any given point is used.

Strong service for reliable machines

Our service business continues to make good progress since 2008 when Compressor Technique got its own dedicated service division and 2011 when the other business areas followed. We now have almost 13 000 service employees in the Group and together with our indirect channels we are covering the entire planet. All together, service generates

* Ford and F-150 are registered trademarks of Ford Motor Corporation.

"To stay competitive we must remain asset light and agile"

43% of our revenue. We are expanding the use of Smartlink, a new data monitoring system for our compressors that alerts us exactly when the equipment needs service – a win-win situation for both customers and us.

Customers want to know that their machines will run smoothly as it can be very costly to have equipment not working. With our service the customer can rest assured we will safeguard that the installation runs when needed.

We must show more Atlas Copco customers that they will truly benefit from letting us – who, after all, know the equipment best – do the work. We strive to service virtually all of the equipment we have sold.

Operational excellence at all times

Atlas Copco is constantly seeking to improve operations. We are connecting our colleagues around the globe, shortening assembly times and speeding up delivery while making it more reliable. Sometimes we have to consolidate manufacturing. At other times, unfortunately, we have to reduce the workforce, which was the case last year in the Mining and Rock Excavation Technique business area. To stay competitive, we must remain asset light and agile. To improve customer interaction and support, we are modernizing and digitalizing our operations, starting in Europe.

Operational excellence also involves providing a safe work environment for all our colleagues with no work-related accidents. A healthy and motivated workforce is key to success.

We stay committed to the UN Global Compact, which is reflected in our own Business Code of Practice. We believe that working with human rights, labor, environment and anti-corruption also creates long-lasting business value. Leaders in sustainability have been shown to outperform financially, and we are proud to be included once again in the annual Global 100 list and Dow Jones Sustainability Indices. We were ranked number seven globally in the Newsweek Green Rankings, one of the world's foremost scorings on corporate sustainability.

Commitment and competence

We keep investing in employee training, convinced that we will have a competitive edge if our people master their tasks faster as they then can create more value for our customers. One example of this idea, which we call reducing the time to competence, is highlighted in the Construction Technique business area. One of its challenges had been how to efficiently train its technicians and sales people all over the world, considering they are speaking so many languages. Now, every time the business area launches a new product it will make a visually attractive video of the machines with neutral language that all can understand. All staff will see the videos before visiting customers. The customers benefit from interacting with knowledgeable Atlas Copco representatives who can find the best solutions to enhance productivity.

Atlas Copco seeks to attract competent colleagues who are eager to grow, and we want the workforce to be diverse when it comes to gender, age and nationalities. For the first time in our history, the ratio of female managers in the Group reached the same ratio as for female employees, about 17%. The 417 most senior managers represent 54 nationalities, reflecting our ambition to use the full global talent pool.

Keep growing stronger

I am confident Atlas Copco will continue to grow stronger by using these five strategic pillars to make customers more productive. The global long-term trends are on our side, including the industry's energy efficiency and productivity requirements, as well as urbanization that prompts infrastructure investments. This will support growth in Asia, South America and Africa, which have experienced some recent softer business conditions. North America looks solid, and Europe has a good chance to finally reconnect with growth.

We will expand our four business areas without stretching too far away from our core. We will keep expanding our market presence and further professionalize our service business, which still has great growth opportunities.

Finally

We remember fondly the great Peter Wallenberg, our Honorary Chairman who passed away early this year. Peter will be remembered as the most committed Atlas Copco promoter and supporter ever. He was a true inspiration for me personally and for countless former colleagues and friends in Atlas Copco during his more than 61 active years with the Group.

Thank you to all our customers, business partners, employees, and shareholders for your loyalty and trust. We are a proud team, especially when we create productivity for our customers.

Ronnie Leten
President and CEO
Stockholm, January 29, 2015

THIS IS ATLAS COPCO

Atlas Copco is a world-leading provider of sustainable productivity solutions. The Group serves customers with innovative compressors, vacuum solutions and air treatment systems, construction and mining equipment, power tools and assembly systems. Atlas Copco develops products and service focused on productivity, energy efficiency, safety and ergonomics.

VISION, MISSION AND STRATEGY

The Atlas Copco Group's vision is to become and remain First in Mind—First in Choice® of its customers and other principal stakeholders. The mission is to achieve sustainable, profitable development. Sustainability plays an important role in Atlas Copco's vision and it is an integral aspect of the Group's mission.

An integrated sustainability strategy, backed by ambitious goals, helps the company deliver greater value to all its stakeholders in a way that is economically, environmentally and socially responsible. In order to achieve the mission, the Board of Directors has adopted a number of goals. Strategies and achievements are presented throughout this annual report.

→ For further information about governance, the Board of Directors and Group Management, see pages 56–65.

→ For further information about risk management, see pages 36–39.

→ For comprehensive information about the business areas, see pages 20–35.

Creating value for all stakeholders

The goals that were introduced in 2011 all aim at continuously delivering sustainable, profitable development for the Group. This means an increased economic value creation and, simultaneously, a positive impact on society and the environment, thus creating shared value. To achieve this, five strategic pillars have been defined as crucial.

STRATEGIC PILLARS FOR SUSTAINABLE PROFITABLE GROWTH

PRESENCE

Increase market presence and penetration and expand the product and service offering in selected market segments.

INNOVATION

Invest in research and development and continuously launch new products and services that increase customers' productivity.

SERVICE

Increase the service offer, perform service on a higher share of the installed base of equipment and give customers peace of mind.

OPERATIONAL EXCELLENCE

Continuously strive for improved operational performance with an efficient and responsible use of resources – human, natural and capital.

PEOPLE

Attract, recruit and develop skilled coworkers and find ways to reduce their time to competence.

THERE IS ALWAYS A BETTER WAY

OUR CORE VALUES

Our core values reflect how we behave internally and in our relationships with external stakeholders.

INTERACTION
We interact with and develop close relationships with customers, internally and externally, as well as with other stakeholders. While we interact in many different ways, we believe that personal contacts are always the most efficient.

INNOVATION
Our innovative spirit is reflected in everything we do. Customers expect the best from our Group and our objective is to consistently deliver high-quality products and service that increase our 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.

GOALS FOR SUSTAINABLE, PROFITABLE DEVELOPMENT

The customer-focused goals safeguard market expansion as well as customer satisfaction and loyalty. Atlas Copco delivers energy efficient, productive, safe and reliable products and service at all times.	**PRODUCTS, SERVICES & SOLUTIONS**	First in Mind—First in Choice® for customers and prospects for all brands	Increase customer loyalty	Increase customer energy efficiency by 20% by 2020*	Offer safe and reliable products and services
The operational goals focus on people management, environmental achievements, health and safety, and on business ethics and integrity.	**OPERATIONS**	First in Mind—First in Choice® employer for current and future employees	Competence development to achieve good results and yearly coaching/appraisals for all employees	Increase diversity in both gender and nationality Encourage internal mobility	Safe and healthy working environment for all employees Zero work-related accidents Sick leave below 2.5%
		No corruption or bribes	Work with business partners committed to high ethical, environmental and social standards	Develop new products and services with a life cycle perspective	Construct Atlas Copco buildings according to sustainable building standards
		Decrease CO_2 emissions from operations by 20% in relation to cost of sales by 2020*	Decrease CO_2 emissions from transport of goods by 20% in relation to cost of sales by 2020*	Keep water consumption at current level*	Reuse or recycle waste
The financial goals aim to support increased economic value creation.	**FINANCIALS**	Annual revenue growth of 8% over a business cycle	Sustained high return on capital employed	All acquired businesses to contribute to economic value added	Annual dividend distribution about 50% of earnings per share

* Base year 2010

THE ATLAS COPCO GROUP IS UNIFIED AND STRENGTHENED THROUGH …

A shared vision and a common identity

The sharing of brand names and trademarks

The sharing of resources and infrastructure

Common processes and shared best practices collected in the database The Way We Do Things

Shared financial and human resources, and their free mobility

The corporate culture and the core values: interaction, commitment, and innovation

A common leadership model

Common service providers

STRUCTURE AND GOVERNANCE

Atlas Copco's organization is based on the principle of decentralized responsibilities and authorities. Atlas Copco's operations are organized in four business areas comprised of 23 divisions. Each operating unit has a business board which reflects the operational structure of the Group. The duty of a 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. In addition, each legal company has a legal board focusing on compliance and reflecting the legal structure of the Group.

PEOPLE

Atlas Copco's growth is closely related to how the Group succeeds in being a good employer, attracting, developing, and keeping qualified and motivated people. With a global business conducted through numerous companies, Atlas Copco works with continuous competence development, knowledge sharing and implementing the core values: interaction, commitment, and innovation. All employees are expected to contribute by committing themselves to Group goals and to their individual performance targets. Atlas Copco's definition of good leadership is the ability to create lasting results.

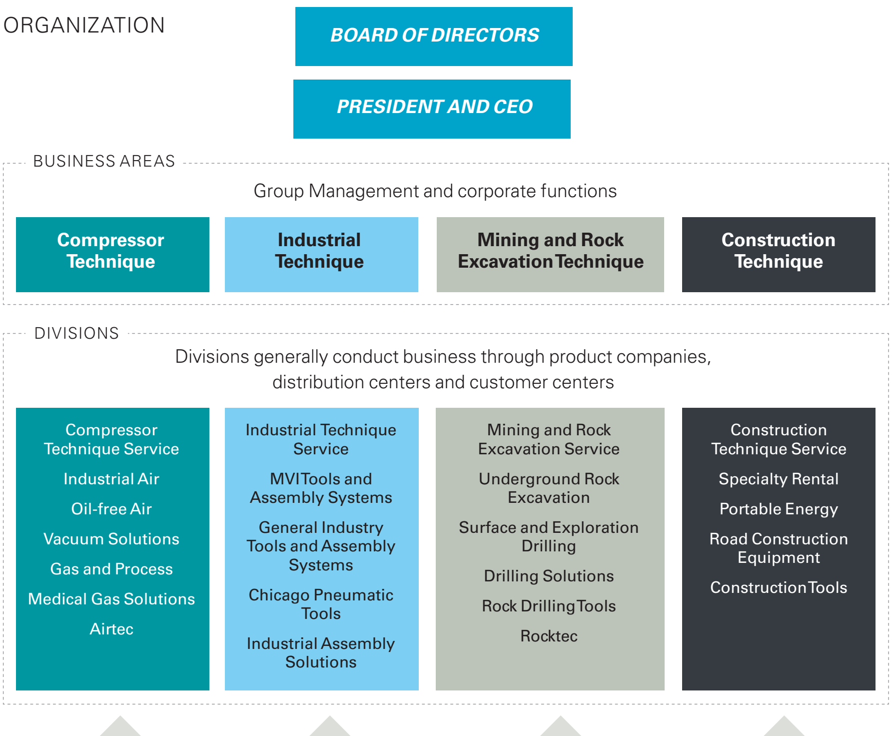
PROCESSES

Group-wide strategies, processes, principles, guidelines, and shared best practices are collected in the database *The Way We Do Things*. It covers governance, safety, health, environment and quality, accounting and business control, treasury, tax, audit and internal control, information technology, people management, legal, communications and branding, crisis management, administrative services, insurance, standardization, and acquisitions. The information is stored electronically and is available to all employees. Although most of the processes are self-explanatory, training on how to implement the processes is provided to managers on a regular basis. Wherever they are located, Atlas Copco employees are expected to operate in accordance with the processes, principles, and guidelines provided.

Sustainable Productivity

We stand by our responsibilities towards our customers, towards the environment and the people around us. We make performance stand the test of time. This is what we call – Sustainable Productivity.

ORGANIZATION



Each business area has a service division with global responsibility for service of the products and solutions of the business area.
Common service providers – internal or external – have been established with the mission to provide services faster, to a higher quality, and at a lower cost, thus allowing the divisions to focus on their core businesses.

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 Board formally approves the Business Code of Practice.

The President and CEO is responsible for the ongoing management of the Group following the Board's guidelines and instructions. He is responsible for ensuring that the organization works towards achieving the goals for sustainable, profitable development.

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

The divisions are separate operational units, each 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 have one or more product companies (units responsible for product development, manufacturing and product marketing) and has several customer centers (units responsible for customer contacts, sales and service) dedicated or shared with other divisions.

THIS IS HOW WE DO BUSINESS

Atlas Copco is characterized by focused businesses, a global presence with direct sales and service, a strong, stable and growing service business, professional people, and an asset-light and flexible manufacturing setup. Atlas Copco is committed to sustainable productivity, which means that we do everything we can to ensure reliable, lasting results with responsible use of resources – human, natural and capital.

Sales and service

Customer focus is a guiding principle for Atlas Copco. The ambition is to have close relationships with end customers and to help them increase their productivity in a sustainable way. Sales and service is primarily direct, but complemented by alternative sales channels, e.g. through distributors, to maximize presence in the market. The Group has sales in more than 180 countries and about 80% of sales are made directly to the end user.

Sales of equipment are performed by engineers with strong application knowledge and the ambition to offer the best solution for the customer's specific application. Service and maintenance performed by skilled technicians is an integral part of the offer. Service is the responsibility of dedicated divisions in each business area. The responsibility includes development of service products, sales and marketing, technical support as well as service delivery and follow-up.

Stable service business

More than 40% of revenues are generated from service (spare parts, maintenance, repairs, consumables, accessories, and rental). These revenues are more stable than equipment sales and provide a strong base for the business.

Increase customer loyalty

Every day, and following sales and/or service interactions with Atlas Copco, thousands of customers receive surveys where they are asked to give their opinion. Customers are often engaged in discussions about their feedback in order to solve problems and to improve products and services. A number of key performance indicators have been established, such as the availability of spare parts, which are continuously followed up to ensure that customer satisfaction improves.

Manufacturing and logistics

The manufacturing philosophy is to manufacture in-house those components that are critical for the performance of the equipment. For non-critical components, Atlas Copco leverages the capacity and the competence of business partners and cooperates with them to continuously achieve product and process improvements. 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 less than 60% of revenues and Atlas Copco has organized its manufacturing and logistics to be able to quickly adapt to changes in equipment demand. The manufacturing of equipment is primarily based on customer orders and only some standard, high volume equipment is manufactured based on projected demand.

The assembly of the equipment is to a large degree carried out in own facilities. The assembly is typically lean and flow oriented and the final product is normally shipped directly to the end user. The organization works continuously to use human, natural or capital resources more efficiently.

Innovation

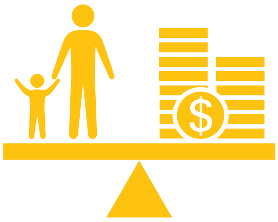
Atlas Copco believes that there is always a better way of doing things. Innovation and product development are very important and all products are designed internally. A key activity is to design new or improved products that provide tangible benefits in terms of productivity, energy efficiency and/or lower life cycle cost to the customer, and at the same time can be efficiently produced.

PRIMARY DRIVERS OF REVENUES

	EQUIPMENT	SERVICE
INDUSTRY	Industrial machinery investment	Industrial production
CONSTRUCTION	Investment in infrastructure	Construction activity
MINING	Mining machinery investment	Metal and ore production

THE BUSINESS CODE OF PRACTICE

The internal policy documents related to business ethics and social and environmental performance are summarized in the Atlas Copco Business Code of Practice. All employees and managers in Group companies, as well as business partners, are expected to adhere to these policies.



Atlas Copco protects technical innovations with patents.

Innovation also includes better processes to improve the flow and utilization of assets and information. Innovation will improve customer satisfaction and contribute to strengthening customer relations, the brand, as well as financial performance. Overcapacities and inefficiencies must always be challenged.

Investments in fixed assets and working capital

The needed investments in property, plant and equipment are moderate in size due to the manufacturing philosophy and can be adapted in the short and medium term to changes in demand. Most investments are related to machining equipment for core manufacturing activities and to production facilities, primarily for core component manufacturing and for assembly operations.

The working capital requirements of the Group are affected by the direct sales and service model, which affects the amount of inventory and receivables, as well as by the manufacturing philosophy. 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

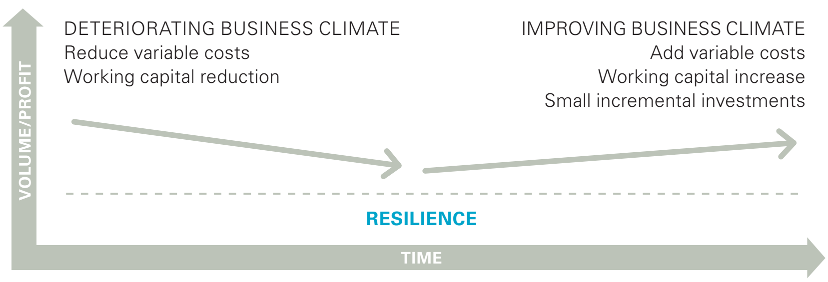
Acquisitions are primarily done in, or very close to, the already existing core businesses. All divisions are required to map and evaluate businesses that are adjacent and can offer tangible synergies with the existing businesses. All acquired businesses are expected to make a positive contribution to economic value added.

Human capital

Atlas Copco strives to be a good employer to attract, develop, and keep qualified and motivated people. Employees are responsible for their own professional career and supported by continuous competence development and an internal job market. Employees are encouraged to grow professionally and take up new positions.

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

AGILE AND RESILIENT OPERATIONAL SETUP



CREATING VALUE FOR

RESOURCES

HUMAN CAPITAL

44 000

EMPLOYEES

CAPITAL EMPLOYED

MSEK 70 953

MSEK 2 765

Net investments in tangible fixed assets

MSEK 14 114

Invested in new businesses*

75% of product cost is purchased material and components

+30% R&D expenditures amounted to MSEK 2 991

RAW MATERIAL

121 984

tonnes of iron and steel were used in 2014

477 GWh

total energy use

34% of the energy consumption came from renewable resources

* Enterprise value of acquired businesses, see note 2

VALUE CREATING ACTIVITIES

Time to competence to minimize the time it takes to transform knowledge into performance PAGE 47

41 hours average training hours per employee

Local presence with a global reach – spanning more than **180** countries

50% of employees work in marketing, sales or service

Diversity stimulates innovation, and improves the ability to work cross culturally PAGE 45

LEAN MANUFACTURING

Asset light and flexible manufacturing setup

4 915 SIGNIFICANT SUPPLIERS – we leverage the competence of business partners

ACQUISITIONS OFFER TANGIBLE SYNERGIES WITH THE EXISTING BUSINESSES.

Product development from a lifecycle perspective PAGE 43

LOGISTICS EFFICIENCY

Consolidating deliveries and reduced use of air freight

PAGE 53

ALL STAKEHOLDERS

Atlas Copco has a vision to become and remain First in Mind—First in Choice® for all of its stakeholders. Our goals aim at continuously delivering sustainable, profitable development for the Group. This means an increased economic value creation and, simultaneously, a positive impact on society and the environment, thus creating shared value.

On this spread, we illustrate how we with responsible use of resources – human, natural and capital – create value for customers, employees, business partners, shareholders, as well as for the society and the environment.

OUR ACHIEVEMENTS

Reduction of accidents per million working hours to

4.7 (2013: 5.4)

PAGE 46

Improvement in energy efficiency for surface drill rigs

+17%

PAGE 42

Women in Atlas Copco's workforce:

17.1%

(2013: 16.8%)

54

nationalities in the *417* most senior managers (2013: 52 nationalities)

READ MORE ON PAGE 45

–9% CO_2 emissions from transport in relation to cost of sales

–3.8% energy consumption in operations in relation to cost of sales

Annual total return on the Atlas Copco A share for the past ten years

22%

PAGE 54

24% RETURN ON CAPITAL EMPLOYED

CERTIFICATIONS

95% ISO 9001

96% ISO 14001

91% OHSAS 18001

MSEK 13 869

OPERATING CASH FLOW

(2013: MSEK 9 888)

93%

of waste was reused, recycled or recovered

PAGE 53

Acquisitions are expected to make a positive contribution to economic value added.

MSEK 1 662

Operating profit from acquisitions

PAGE 79

Distribution of direct economic value

PAGE 51

63%	23%	9%	5%
Business partners	Employees	Shareholders and other providers of capita	Governments (taxes)

THE YEAR IN REVIEW

MARKET REVIEW AND DEMAND DEVELOPMENT

The overall demand for Atlas Copco's equipment and services improved somewhat in 2014. The order intake of small and medium-sized compressors to the manufacturing industry increased, while orders for large compressors for the process industry decreased. The order intake for vacuum solutions was strong. The orders received for industrial tools and assembly systems increased, supported by investments from the motor vehicle, aerospace and electronics industries. The demand for construction equipment for infrastructure and civil engineering work was relatively soft and orders were largely unchanged. The demand for mining and rock excavation equipment remained at a low level and the order volumes were slightly lower compared to the previous year.

The service business continued to develop positively. Service and parts had an organic growth of nearly 5%. The specialty rental business also had a positive development, while consumables for mining and civil engineering had a negative development.

See also business area sections on pages 20–35.

The Group's order intake increased 15% to a record MSEK 93 873 (81 290). The organic order growth was 1%, more favorable exchange rates contributed with 2% and acquisitions with 12%, of which 11% was attributable to Edwards.

North America

The order intake in local currencies in North America increased 26% and 10% excluding Edwards. Primarily the United States, but also Canada and Mexico achieved growth. The order volumes increased for industrial tools and assembly systems, for construction and mining equipment as well as for small- and medium-sized industrial compressors, while they were lower for large compressors. The service business grew in all business areas. In total, North America accounted for 23% (20) of orders received.

South America

The South American orders increased 6% in local currencies. The order intake increased for all business areas, except for Construction Technique. The service business grew in all business areas. In total, South America accounted for 9% (10) of orders received.

Europe

The orders received in local currencies in Europe increased 10% and 4% excluding Edwards. All business areas achieved low single digit organic growth. Geographically, there were small differences between the markets. The order volumes in southern and eastern Europe grew compared to the low levels of the previous year, while the order volumes in northern and western Europe remained fairly stable. The service business grew in all business areas. In total, Europe accounted for 30% (32) of orders received.

Africa/Middle East

Orders received decreased 1% in local currencies in the Africa/Middle East region, which accounted for 10% (11) of the Group's orders received. The order intake increased for industrial compressors and tools and for construction equipment, but decreased for mining equipment. The service business grew in all business areas, except in Mining and Rock Excavation Technique.

Asia/Australia

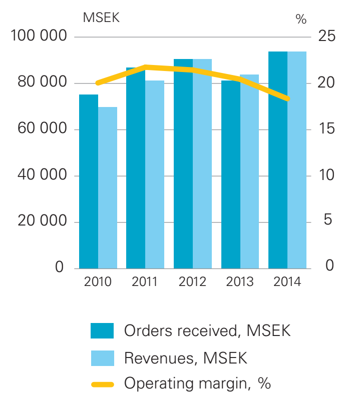
The orders received in local currencies in Asia/Australia increased 15%, but decreased 4% excluding Edwards. The investments in industrial tools and assembly systems increased and Industrial Technique achieved healthy growth. Also, the order intake for vacuum solutions were strong in the region, supported by good demand from the semiconductor industry. The order intake for industrial compressors, mining and construction equipment, however, decreased, negatively impacted by low investments in China, India and in several countries in South East Asia. The service business for industrial compressors and tools continued to grow at a high pace in the region. The service business for mining was stable, whereas it decreased for construction equipment. In total, Asia/Australia accounted for 28% (27) of orders received.

Near-term demand outlook
Published January 29, 2015
The overall demand for the Group is expected to increase somewhat.

SALES BRIDGE

	Atlas Copco Group		
	Orders received	Orders on hand, December 31	Revenues
2012	**90 570**	**24 020**	**90 533**
Structural change, %	+1		+1
Currency, %	–4		–4
Price, %	+1		+1
Volume, %	–8		–5
Total, %	**–10**		**–7**
2013	**81 290**	**19 263**	**83 888**
Structural change, %	+12		+12
Currency, %	+2		+2
Price, %	+1		+1
Volume, %	+0		–3
Total, %	**+15**		**+12**
2014	**93 873**	**22 830**	**93 721**

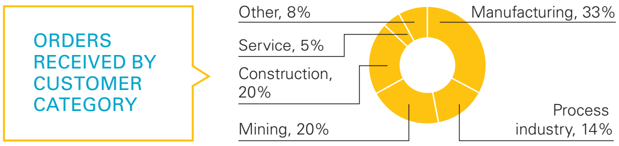
ORDERS RECEIVED, REVENUES AND OPERATING MARGIN



Market presence

The presence was further strengthened with the addition of sales and service engineers in many markets.

Atlas Copco had own customer centers in 91 (92) countries and production facilities in 30 (23) countries on five continents at the end of the year. Revenues were reported in 185 (182) countries.



IMPORTANT EVENTS

Acquisitions and divestments

The Group completed seven acquisitions during the year, which added net revenues of MSEK 9 322 in 2014. The most significant was Edwards Group Ltd., a leading global supplier of vacuum and abatement solutions, with revenues in 2014 of MSEK 8 535. See also note 2 and business area sections on pages 20–35.

Investments in innovation

The amount invested in product development, including capitalized expenditures, increased 30% to MSEK 2 991 (2 306) corresponding to 3.2% (2.7) of revenues. The increase was primarily due to acquisitions. The number of employees in research and development increased with 18%. Most of the employees are based in Europe, but the rate of increase in Asia was high.

Investments in manufacturing and distribution and capacity adjustments

The Group's increased investments in property, plant and equipment of MSEK 293 to MSEK 1 548 was primarily related to acquired businesses but also included other investments, such as investments in a new regional distribution center in China. Several actions to adjust capacity to the lower demand for mining equipment were implemented, including consolidation of some manufacturing facilities. Consolidation of manufacturing was also made in the Compressor Technique business area.

Certifications on quality, environment, health and safety

In September 2012, Atlas Copco decided that all product companies, as well as all sites with 70 or more employees shall have ISO 9001, ISO 14001 and OHSAS 18001 certifications. The goal was not fully achieved in 2014, but all sites have initiated the certification process.

Changes in Group Management

Nico Delvaux was appointed President of the Compressor Technique business area as from August 1, 2014. He was previously President of the Construction Technique business area and replaced Stephan Kuhn, who left the Group.

Andrew Walker was appointed President of the Construction Technique business area and member of Group Management, effective September 15, 2014. He was previously President of the Service division in the Compressor Technique business area and replaced Nico Delvaux, who was appointed president of the Compressor Technique business area.

Recognitions

Atlas Copco achieved the following recognitions: inclusion in Dow Jones Sustainability World Index and FTSE4Good; included as one of the 100 most innovative companies in the world by Forbes; and ranked 23 among the world's top sustainable companies by Global 100.

FINANCIAL SUMMARY AND ANALYSIS

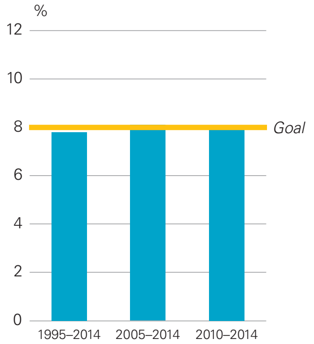
KEY FINANCIAL DATA, MSEK	2014	2013
Orders received	93 873	81 290
Revenues	93 721	83 888
EBITDA	20 724	19 759
Operating profit	17 015	17 056
– in % of revenues	18.2	20.3
Adjusted operating profit	17 744	16 993
- in % of revenues	18.9	20.3
Profit before tax	16 091	16 266
– in % of revenues	17.2	19.4
Profit for the year	12 175	12 082
Basic earnings per share, SEK	10.01	9.95
Diluted earnings per share, SEK	9.99	9.92

SALES BRIDGE	Compressor Technique		Industrial Technique		Mining and Rock Excavation Technique		Construction Technique	
	Orders received	Revenues	Orders received	Revenues	Orders received	Revenues	Orders received	Revenues
2012	**33 480**	**32 725**	**9 435**	**9 566**	**33 482**	**34 054**	**14 607**	**14 658**
Structural change, %	+1	+1	+2	+1	+1	+1	+1	–1
Currency, %	–4	–4	–3	–3	–5	–5	–5	–5
Price, %	+1	+1	0	0	+3	+2	+1	+1
Volume, %	–3	–1	+3	+1	–21	–13	+1	0
Total, %	**–5**	**–3**	**+2**	**–1**	**–22**	**–15**	**–2**	**–5**
2013	**31 765**	**31 782**	**9 594**	**9 501**	**26 092**	**29 013**	**14 260**	**13 967**
Structural change, %	+28	+28	+6	+8	+1	+1	+1	+1
Currency, %	+4	+4	+5	+5	+0	+0	+2	+3
Price, %	+1	+1	+0	+1	+1	+1	+1	+1
Volume, %	+0	+0	+7	+7	–3	–13	+0	+1
Total, %	**+33**	**+33**	**+18**	**+21**	**–1**	**–11**	**+4**	**+6**
2014	**42 249**	**42 165**	**11 335**	**11 450**	**25 752**	**25 718**	**14 847**	**14 739**

Revenues

The Group's revenues increased by 12% to a record MSEK 93 721 (83 888). The goal is to achieve annual revenue growth of 8% over a business cycle. In the past 10 years, the compound annual growth rate has been 8.1%. If the divested businesses related to equipment rental are excluded, the compound annual growth rate has been approximately 11%.

ANNUAL REVENUE GROWTH RATE



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.

Operating profit

The operating profit was MSEK 17 015 (17 056), corresponding to a margin of 18.2% (20.3). Items affecting comparability were MSEK –729 (63) and the adjusted operating margin was 18.9% (20.3). See also the bridge below.

The operating profit for the Compressor Technique business area increased 23% to MSEK 8 974 (7 279) and was affected by items affecting comparability of MSEK –180. The adjusted margin was 21.7% (22.9) and was negatively affected by dilution from acquisitions and by investments in the sales and service organization.

The operating profit for the Industrial Technique business area increased 20% to MSEK 2 557 (2 138), corresponding to a margin of 22.3% (22.5). The operating margin was supported by higher volumes, but was negatively affected by dilution from acquisitions.

The operating profit for the Mining and Rock Excavation Technique business area decreased 29% to MSEK 4 307 (6 083), including impairment of assets and restructuring costs of MSEK 415 (120) and corresponding to a margin of 16.7% (21.0). The adjusted operating margin was 18.4% (21.4) and was impacted negatively by lower volumes and dilution from acquisitions, but was supported by currency.

The operating profit for the Construction Technique business area increased 2% to MSEK 1 768 (1 733), corresponding to a margin of 12.0% (12.4). The margin was negatively affected by product mix, but supported by currency.

Costs for common Group functions and eliminations increased to MSEK –591 (–177), including the effect from the provision for share-related long-term incentive programs of MSEK –174 (–62) and an insurance reimbursement of MSEK 40. Previous year's includes a gain of MSEK 90 related to a divestment of the captive insurance operations in Luxembourg and an insurance reimbursement of MSEK 155.

Depreciation and EBITDA

Depreciation and amortization increased to MSEK 3 709 (2 703), mainly due to acquisitions. Earnings before depreciation and amortization, EBITDA, was MSEK 20 724 (19 759), corresponding to a margin of 22.1% (23.6).

Net financial items

The Group's net financial items totaled MSEK –924 (–790). The net interest expense decreased to MSEK –699 (–730). Other financial items were MSEK –225 (–60). See note 9 and 27.

Profit before tax

Profit before tax was MSEK 16 091 (16 266), corresponding to a profit margin of 17.2% (19.4).

Taxes

Taxes for the year amounted to MSEK 3 916 (4 184), corresponding to an effective tax rate of 24.3% (25.7) in relation to profit before tax. See note 9.

BRIDGE – REVENUES AND OPERATING PROFIT

MSEK	2014	Volume, price, mix and other	Currency	Acquisitions	Restructuring and capital gain	Share based long-term incentive programs	2013
Revenues	93 721	–2 032	2 035	9 830	–	–	83 888
Operating profit	17 015	–1 539	670	1 570	–630	–112	17 056
Effect on margin, %	18.2	–1.2	+0.3	–0.4	–0.7	–0.1	20.3

The operating margin decreased to 18.2% (20.3). It was negatively affected by volume, increased operational costs, dilution from acquisitions, and items affecting comparability. The effect from price and currency was positive.

	Revenues		Operating profit		Operating margin, %		Return on capital employed, %		Investments in tangible fixed assets 1)	
MSEK	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Compressor Technique	42 165	31 782	8 974	7 279	21.3	22.9	40	65	639	299
Industrial Technique	11 450	9 501	2 557	2 138	22.3	22.5	36	42	270	121
Mining and Rock Excavation Technique	25 718	29 013	4 307	6 083	16.7	21.0	29	41	967	912
Construction Technique	14 739	13 967	1 768	1 733	12.0	12.4	12	13	939	959
Common Group functions/eliminations	–351	–375	–591	–177					452	420
Total Group	**93 721**	**83 888**	**17 015**	**17 056**	**18.2**	**20.3**	**24**	**28**	**3 267**	**2 711**

1) Excluding assets leased.

Profit and earnings per share

Profit for the year increased 1% to MSEK 12 175 (12 082), whereof MSEK 12 169 (12 072) and MSEK 6 (10) attributable to owners of the parent and non-controlling interests, respectively. Basic and diluted earnings per share were SEK 10.01 (9.95) and SEK 9.99 (9.92), respectively.

Balance sheet

BALANCE SHEET IN SUMMARY

MSEK	December 31, 2014		December 31, 2013	
Intangible assets	33 197	32%	17 279	19%
Rental equipment	3 177	3%	2 420	3%
Other property, plant and equipment	9 433	9%	6 907	8%
Other fixed assets	3 530	3%	3 401	4%
Inventories	18 364	17%	16 826	19%
Receivables	26 015	25%	21 726	25%
Current financial assets	2 150	2%	1 697	2%
Cash and cash equivalents	9 404	9%	17 633	20%
Assets classified as held for sale	11	0%	2	0%
Total assets	**105 281**	**100%**	**87 891**	**100%**
Total equity	50 753	48%	39 794	45%
Interest-bearing liabilities	26 997	26%	27 006	31%
Non-interest-bearing liabilities	27 531	26%	21 091	24%
Total equity and liabilities	**105 281**	**100%**	**87 891**	**100%**

The Group's total assets increased by 20% to MSEK 105 281 (87 891). Acquisitions contributed with 19%, currency translation effects were 11% and cash, cash equivalents and other current financial assets decreased about 9%. Excluding these effects, the assets decreased by approximately 1% for comparable units, primarily due to a net decrease in working capital.

Equity

MSEK	2014	2013
Opening balance	39 794	34 185
Profit for the year	12 175	12 082
Other comprehensive income for the year	4 663	154
Shareholders' transactions	–5 879	–6 627
Closing balance	50 753	39 794
Equity attributable to		
– owners of the parent	50 575	39 647
– non-controlling interests	178	147

At year end, Group equity including non-controlling interests was MSEK 50 753 (39 794). Total comprehensive income for the year increased to MSEK 16 838 (12 236), primarily due to translation differences on foreign operations, see page 67 and note 10. Shareholders' transactions include dividends of MSEK –6 682 (–6 669), sales and repurchases of own shares of net MSEK 890 (24), change of non-controlling interests of MSEK 0 (85) and share-based payments of net MSEK –87 (–67).

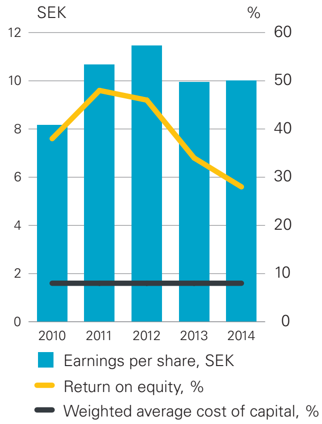
Equity per share was SEK 42 (33). Equity accounted for 48% (45) of total assets. Atlas Copco's market capitalization at year end was MSEK 261 719 (213 348), or 516% (536) of net book value. The information related to public takeover bids given for the Parent Company, on page 19, is also valid for the Group.

Interest-bearing debt and net indebtedness

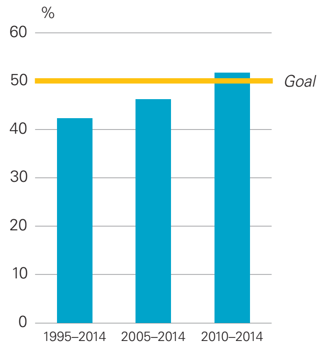
Total interest-bearing debt was MSEK 26 997 (27 006), whereof post-employment benefits MSEK 2 531 (1 414). The Group has an average maturity of 5.1 years on interest bearing liabilities. See notes 21 and 23 for additional information.

The Group's net indebtedness, adjusted with MSEK –15 (–172) for the fair value of related interest rate swaps, amounted to MSEK 15 428 (7 504) at year end. The net debt/EBITDA ratio was 0.7 (0.4) and the debt/equity ratio was 30% (19).

RETURN ON EQUITY AND EARNINGS PER SHARE



DIVIDEND/EARNINGS PER SHARE, AVERAGE



Atlas Copco aims to have a strong but also 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 and at the same time have 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

Credit rating

Atlas Copco's long-term and short-term debt is rated by Standard & Poor's, Fitch and Moody's with the long-/short-term rating A/A1, A/F1 and A2/P1, respectively.

Operating cash flow and investments

Operating cash surplus reached MSEK 20 426 (19 205). The working capital decreased by MSEK 2 056 (increased by 538), mainly due to an inventory reduction of MSEK 1 924. The net rental equipment increased by MSEK 1 303 (1 021). Net cash from operating activities amounted to MSEK 16 387 (11 867).

Net investments in property, plant and equipment increased to MSEK –1 462 (–1 191), 97% (100) of annual depreciation. The increase was primarily related to the acquired businesses. Larger investments were made by Compressor Technique in the United Kingdom, China and South Korea and by Industrial Technique in the United States, Sweden and in Belgium.

Net investments in intangible fixed assets, mainly related to capitalization of development expenditures, were MSEK –1 177 (–997). Change in other financial assets were MSEK +489 (–735), related to variations in the customer financing activities. Operating cash flow reached a record of MSEK 13 869 (9 888), equal to 15% (12) of Group revenues.

The net cash flow from acquisitions and divestments in subsidiaries amounted to MSEK –8 415 (–1 549), primarily related to the acquisitions of Edwards and Henrob. See also note 2.

Cash flow from financing

Dividends paid amounted to MSEK –6 682 (–6 669). Sales and repurchases of own shares equaled net MSEK 890 (24). Change in interest-bearing liabilities was MSEK –8 566 (4 113).

Working capital ratios

The ratio of inventories to revenues at year end decreased to 19.6% (20.1) and trade receivables increased to 21.2% (19.8). The corresponding average ratios increased to 23.0% (20.9) and 23.1% (19.3), respectively. Average trade payables in relation to revenues were 7.9% (7.8).

Capital turnover

The capital turnover ratio was 0.98 (0.98) and the capital employed turnover ratio was 1.32 (1.34).

Return on capital employed and return on equity

Return on capital employed was 24.3% (27.8) and the return on equity 28.1% (33.6). The Group uses a weighted average cost of capital (WACC) of 8% (8) as an investment and overall performance benchmark.

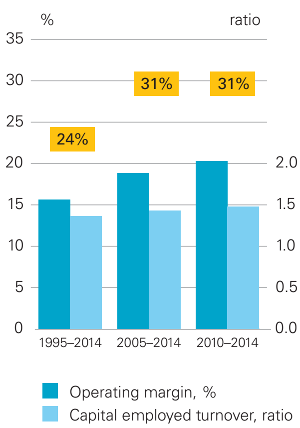
Employees

In 2014, the average number of employees in the Atlas Copco Group increased by 3 486 to 43 645. At year end, the number of employees was 44 056 (40 241) and the number of full-time consultants/external workforce was 3 015 (2 137). For comparable units the total workforce decreased by 407, while acquisitions added 5 100 for a total increase of 4 693. See also pages 44–47.

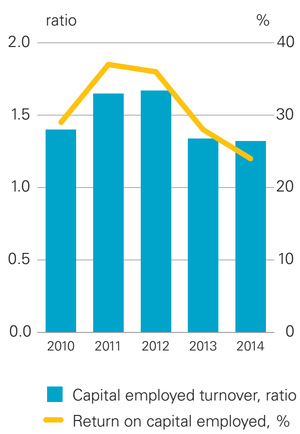
Average number of employees	2014	2013
Atlas Copco Group	43 645	40 159
– Sweden	4 315	4 497
– Outside Sweden	39 330	35 662
Business areas		
– Compressor Technique	18 950	15 192
– Industrial Technique	5 128	4 553
– Mining and Rock Excavation Technique	12 392	13 347
– Construction Technique	5 780	5 714
– Common Group functions	1 395	1 353

The Group's goal is to continue to deliver high return on capital employed, by constantly striving for operational excellence and generating growth. All acquired businesses are expected to have a return on capital employed above the Group's weighted average cost of capital.

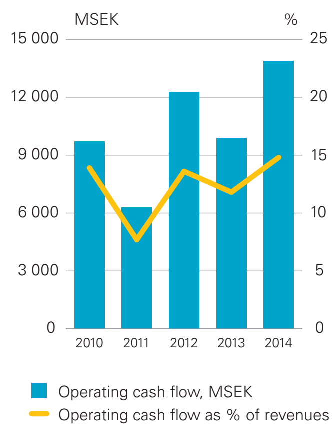
RETURN ON CAPITAL EMPLOYED, AVERAGE



CAPITAL EMPLOYED TURNOVER AND RETURN



OPERATING CASH FLOW



PARENT COMPANY

Atlas Copco AB is the Parent Company of the Atlas Copco Group and is headquartered in Nacka, Sweden. Its operations include administrative functions, holding company functions as well as part of Group Treasury.

Earnings

Profit before tax totaled MSEK 4 589 (14 130). Profit for the year amounted to MSEK 3 792 (13 275). The lower profit was due to the decrease in internal dividends received.

Financing

The total assets of the Parent Company were MSEK 102 778 (113 896). At year end 2014, cash and cash equivalents amounted to MSEK 5 153 (13 302) and interest-bearing liabilities, excluding post-employment benefits, to MSEK 57 688 (64 979), whereof the main part is Group internal loans. Equity represented 42% (41) of total assets and the undistributed earnings totaled MSEK 37 515 (41 194).

Employees

The average number of employees in the Parent Company was 117 (109).

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 2014, and proposed changes to the guidelines are specified in note 5.

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 the Group are exposed. A financial risk management committee meets regularly to take decisions about how to manage these risks. See also Risks, risk management and opportunities on pages 36–39.

Appropriation of profit

The Board of Directors proposes to the Annual General Meeting that a dividend of SEK 6.00 (5.50) per share, equal to MSEK 7 308 (6 675), be paid for the 2014 fiscal year. The dividend is proposed to be paid in two equal installments, the first with record date April 30, 2015 and the second with record date October 30, 2015. The proposed payment periods will facilitate a more efficient cash management. It is also proposed that the balance of retained earnings after the dividend be retained in the business as described below.

SEK	
Retained earnings including reserve for fair value	33 722 834 000
Profit for the year	3 792 431 292
	37 515 265 292
The Board of Directors proposes that these earnings be appropriated as follows:	
To the shareholders, a dividend of SEK 6.00 per share	7 308 000 108
To be retained in the business	30 207 265 184
Total	**37 515 265 292**

Mandatory redemption of shares

Atlas Copco has generated significant operating cash flows in recent years and the Group's financial position is strong. Without jeopardizing the capacity to finance further growth, the Board of Directors proposes to the Annual General Meeting a mandatory share redemption procedure, whereby every share is split into one ordinary share and one redemption share. The redemption share is then automatically redeemed at SEK 6.00 per share. This corresponds to a total of MSEK 7 308. Combined with the proposed ordinary dividend, shareholders will receive MSEK 14 616.

The redemption is subject to approval at the Annual General Meeting 2015. The proposed preliminary record day for the share split is May 18, 2015. The payment of the redemption shares would, if approved, be made around June 15, 2015.

Shares and share capital

At year end, Atlas Copco's share capital totaled MSEK 786 (786) and a total number of 1 229 613 104 shares divided into 839 394 096 class A shares and 390 219 008 class B shares were issued. Net of 11 111 717 class A shares and 501 379 class B shares held by Atlas Copco, 1 218 000 018 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.

Investor AB is the single largest shareholder in Atlas Copco AB. At year end 2014 Investor AB held a total of 206 895 611 shares, representing 22% of the votes and 17% of the capital.

There are no restrictions which prohibit 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 on 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 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.

COMPRESSOR TECHNIQUE

The orders received for small and medium-sized compressors increased and the service business continued to grow in 2014. The demand for large compressors, however, was soft and orders decreased. Edwards, a technology and market leader in sophisticated vacuum products and abatement solutions, was acquired and the business area continued to invest in market presence, innovation and competence development.

KEY FIGURES, MSEK	2014	2013	Change, %
Orders received	42 249	31 765	+33
Revenues	42 165	31 782	+33
Operating profit	8 974	7 279	+23
Operating margin, %	21.3	22.9	
Return on capital employed, %	40	65	
Investments	639	299	
Average number of employees	18 950	15 192	

ABOUT THE IMAGE:
Smartlink is an online compressed air monitoring program, which helps customers to predict maintenance needs, increase productivity and energy efficiency.

THE YEAR IN REVIEW

Business development

The order intake for stationary industrial compressors and air treatment equipment was somewhat lower compared to the previous year. Geographically, orders received for comparable units increased in North America and Europe, but decreased in Asia. The orders received for small and medium-sized compressors increased while the order intake for large compressors, as well as for gas and process compressors and expanders, decreased. The service business continued to grow in all major markets, which contributed to the organic growth of 1%. Acquisitions, primarily the acquisition of Edwards, was the main contributor to the total order growth of 33%.

Market presence and organizational development

The business area continued to invest in market presence, particularly in service. For comparable units, the number of employees in service increased during the year, while the total number of employees was largely unchanged.

On January 1, 2014, the Specialty Rental division moved from the Compressor Technique business area to the Construction Technique business area. The objective is to strengthen growth by further developing product and service synergies. Historical data has been restated.

In July 2014, the plans to consolidate Quincy Compressor LLC's two manufacturing units into one single location in Alabama, the United States were announced. These plans affected 152 positions in Illinois and creates a number of new positions in Alabama. The transition will be concluded during 2015.

Nico Delvaux was appointed President of the Compressor Technique business area as from August 1, 2014. He was previously President of the Construction Technique business area and replaced Stephan Kuhn, who left the Group.

Acquisitions

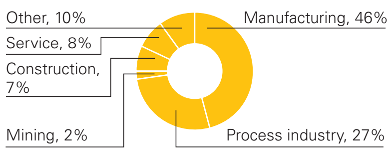
The business area made four acquisitions in 2014:

- Edwards, a technology and market leader in sophisticated vacuum products and abatement solutions. The products and services are integral to manufacturing processes, such as for semiconductors and flat panel displays, and are used within an increasingly diverse range of industrial applications. Edwards had revenues of MSEK 8 535 in 2014.
- Cavaletti, a Brazilian compressor dealer with a strong focus on service, with revenues of MSEK 26 and 34 employees.
- The compressor business of National Pump & Compressor Ltd. and McKenzie Compressed Air Inc. in the United States with, in total, about 120 employees.
- A compressor distribution and service business in New Zealand. The business had combined revenues in fiscal year 2013 of approximately MNZD 30 (MSEK 162) and around 120 employees.

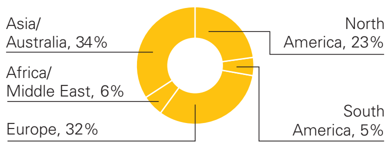
Revenues, profits and returns

Revenues increased 33% to MSEK 42 165 (31 782) with a strong contribution from acquisitions. The organic growth was 1%. Operating profit increased 23% to MSEK 8 974 (7 279), corresponding to a margin of 21.3% (22.9). The operating profit was positively affected by acquisitions and currency, but negatively by items affecting comparability of MSEK –180. This includes MSEK 60 restructuring costs related to consolidation of manufacturing in the U.S, a negative effect of MSEK 50 related to a one-time acquisition accounting adjustment for currency derivatives entered by Edwards prior to the acquisition, and several smaller items. The adjusted operating margin was 21.7% (22.9) and was negatively affected by dilution from acquisitions and by investments in the sales and service organization. The return on capital employed was 40% (65), negatively affected by the acquisition of Edwards.

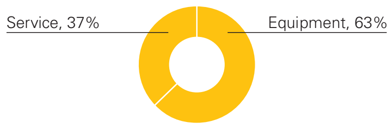
ORDERS RECEIVED BY CUSTOMER CATEGORY



REVENUES BY REGION



SHARE OF REVENUES



ORDERS RECEIVED, REVENUES AND OPERATING MARGIN

INNOVATION

Several new products and solutions were introduced, including the following examples:

- A range of oil-free scroll compressors. These silent, compact compressors have been equipped with more efficient motors and a more advanced controller.
- A range of oil-injected rotary screw compressors with many energy savings features was introduced. The features improve the performance of the compressors with up to 5% compared to the previous generation.
- An enhanced air-piping system, which reduces installation time by up to 85%.
- An inverter, which has been designed in-house specifically for industrial compressors to provide increased efficiency and reliability in all working conditions.
- In early 2015, Atlas Copco will introduce a variable speed drive (VSD) vacuum pump for general industrial applications. The pump, called GHS VSD+, represents a real leap forward and delivers significant energy savings of around 50%.

The Compressor Technique business area provides industrial compressors, vacuum solutions, 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 in the manufacturing, oil and gas, and process industries. Principal product development and manufacturing units are located in Belgium, the United States, China, South Korea, Germany, Italy and the United Kingdom.

REVENUES, MSEK

42 165

IN 2014

The market

The global market for compressed air equipment, air and gas treatment equipment, vacuum solutions and related services is characterized by a diversified customer base. The customers demand solutions that are reliable, productive and efficient and suited to specific applications.

Compressors are used in a wide spectrum of applications. In industrial processes, clean, dry and oil-free air is needed in e.g. food, pharmaceutical, electronics, and textile industries. Compressed air is also used for power tools in assembly operations and in applications as diversified as snow making, fish farming, on high-speed trains, and in hospitals. Blowers are used in applications with a demand for a consistent flow of low-pressure air, for example 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.

Vacuum solutions are required in a number of industrial applications where the pressure is required to be below atmospheric pressure and/or the environment needs to be clean. Applications include manufacturing of semiconductors, flat panel displays, chemicals and pharmaceuticals as well as packaging, pick-up and conveying.

Stationary industrial air compressors and associated air-treatment products, spare parts and service represent about 70% of sales. Large gas and process compressors, including service, represent approximately 10% and vacuum solutions, including service, approximately 20%.

Market trends

- Continued focus on energy efficiency/savings, energy recovery and reduction of CO_2 emissions
- Increased demand for service and monitoring of compressed air installations
- Focus on total solution and total lifecycle cost
- New applications for compressed air, compressed gas and vacuum

Demand drivers

- Investments in machinery
- Industrial production
- Energy costs

Vision and strategy

The vision is to be First in Mind—First in Choice® as a supplier of compressed air and gas and vacuum solutions, by being interactive, committed and innovative, and offering customers the best value.

The strategy is to further develop Atlas Copco's leading position in the selected niches and grow the business in a way that is economically, environmentally and socially responsible. This should be done by capitalizing on the strong market presence worldwide, improving market penetration in mature and developing markets, and continuously developing improved products and solutions to satisfy demands from customers. 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, vacuum solutions, and compressor solutions for trains, ships, and hospitals. The business area is actively looking at acquiring complementary businesses.

Strategic activities

- Increase market coverage and improve presence in targeted markets/segments
- Develop new sustainable products and solutions offering better value and improved energy efficiency to customers
- Extend the product and service offering
- Perform more service on a higher share of the installed base of equipment
- Increase operational efficiency
- Invest in employees and competence development
- Acquire complementary businesses and integrate them successfully

Competition

Compressor Technique's principal competitors in the market for industrial compressors and air treatment equipment are Ingersoll-Rand, Kaeser, Hitachi, Gardner Denver, Cameron, Sullair, and Parker Hannifin. There are also numerous regional and local competitors, including many in China. In the market for gas and process compressors and expanders, the main competitors are Siemens and MAN Turbo. In the market for vacuum solutions, the main competitors are Busch, Gardner Denver, Ebara, Oerlikon/Leybold and Pfeiffer Vacuum.

MARKET POSITION
Compressor Technique has a leading market position globally in most of its operations.

PRODUCTS AND APPLICATIONS

Atlas Copco offers all major air compression technologies as well as air and gas treatment equipment, air management systems and vacuum solutions, 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 a 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 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 wastewater treatment and conveying.

Oil-free centrifugal compressors

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

Gas and process compressors

Gas and process compressors are supplied primarily to the oil and gas, chemical/petrochemical process and power industries. The main product category is multi-stage centrifugal, or turbo, compressors which are complemented by turbo expanders.

Vacuum solutions

Vacuum products and abatement solutions are integral to manufacturing processes requiring clean vacuum environments, such as for semiconductors and flat panel displays, and are also used within an increasingly diverse range of industrial applications.

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, solutions for medical air, oxygen and nitrogen generation as well as systems for biogas upgrading are offered.

Highly efficient vacuum pumps with variable speed drive

Oil-injected screw compressors with a compact design and breakthrough energy-efficiency

A brand portfolio strategy is used to increase local presence and reach different customer segments

Oil-free screw compressor with energy-recovery unit

BUSINESS AREA PRESIDENT:
NICO DELVAUX

THE DIVISIONS
January 1, 2015

1. **Compressor Technique Service**
   President Vagner Rego
2. **Industrial Air**
   President Joeri Ooms
3. **Oil-free Air**
   President Chris Lybaert
4. **Vacuum Solutions**
   President Geert Follens
5. **Gas and Process**
   President Peter Wagner
6. **Medical Air Solutions**
   President Horst Wasel
7. **Airtec** President
   Philippe Ernens

INDUSTRIAL TECHNIQUE

The business area achieved healthy order growth in all major regions and for most types of industrial tools and assembly systems. The growth was supported by the motor vehicle and general industries' investments and by strong development of the service business. The business area acquired Henrob, a pioneer and market leader in self-pierce riveting, and continued to invest in market presence, product development and service.

KEY FIGURES, MSEK	2014	2013	Change, %
Orders received	11 335	9 594	+18
Revenues	11 450	9 501	+21
Operating profit	2 557	2 138	+20
Operating margin, %	22.3	22.5	
Return on capital employed, %	36	42	
Investments	270	121	
Average number of employees	5 128	4 553	

ABOUT THE IMAGE:
Electric screwdrivers for low-torque assembly, e.g. in the electronics industry, are designed for precision, productivity and quality.

THE YEAR IN REVIEW

Business development

The demand for industrial tools and assembly systems was supported by investments by the motor vehicle industry and by customers in general industry, e.g. electronics and aerospace. Orders received increased by 7% organically.

The orders received for advanced industrial tools and assembly systems to the motor vehicle industry increased as manufacturers continued to equip new assembly lines, and upgrade existing ones, with new and more productive tools and systems. The order volumes increased in most major markets with the strongest development in China and in the United States. The adhesive equipment business performed well and had strong growth in Asia. The self-pierce riveting business of Henrob, which was acquired in the latter part of the year, as well as acquisitions made in 2013, also contributed to the growth.

Order volumes for industrial power tools from the general manufacturing industries increased in Europe, North America and Asia with strong growth in the latter. The sales to the electronics and aerospace industries and most other general assembly segments improved. Significant growth was achieved for high-torque assembly tools.

The orders received also increased in the vehicle service business, which provides large fleet operators and specialized repair shops with tools and other equipment.

The service business had a strong development. Customers increasingly demand service and maintenance support, ranging from ad-hoc maintenance to management of all tool maintenance at the customer site. Double-digit order growth was achieved in Europe and in Asia.

Market presence and organizational development

The business area increased its presence in targeted markets and customer segments by selected acquisitions and by adding resources in service and product development.

Acquisitions

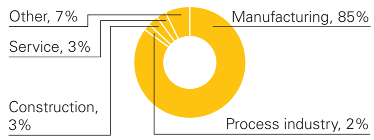
The business area made two acquisitions in 2014:

- Henrob, a pioneer and market leader in self-pierce riveting, a mechanical fastening process for joining two or more sheets of material where welding is difficult, e.g. aluminum. The company, with main facilities in the U.S. and the U.K., had revenues of MUSD 162 (MSEK 1 063) in the 12-month period ending June 2014 and about 400 employees.
- Titan Technologies International Inc., a provider of powerful bolting tools to the oil and gas and other industries. The U.S.-based company had 14 employees and revenues of about MUSD 5 (MSEK 35) in 2014.

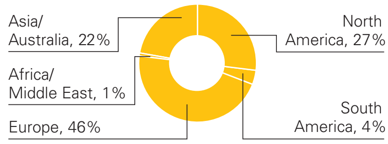
Revenues, profits and returns

Revenues increased 21% to a record MSEK 11 450 (9 501), up 8% organically. Operating profit was also the highest ever at MSEK 2 557 (2 138), corresponding to a margin of 22.3% (22.5). The operating margin was supported by higher volumes, but was negatively affected by dilution from acquisitions. The acquisitions also affected the return on capital employed, which was 36% (42).

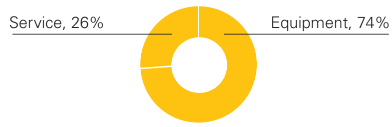
ORDERS RECEIVED BY CUSTOMER CATEGORY



REVENUES BY REGION



SHARE OF REVENUES



ORDERS RECEIVED, REVENUES AND OPERATING MARGIN

INNOVATION

Several industrial tools and assembly systems were introduced, including the following examples:

- ▶ An electric pulse tool for assembly operations. The tool gives no torque reaction to the operator and offers full traceability and high productivity.
- ▶ An electromechanical press tool, primarily used in power train assembly applications, that enhances customers' flexibility and efficiency in production. With the added tool two types of assembly solutions are provided in one system.
- ▶ A pneumatic impact wrench certified for use in explosive atmospheres offers one of the highest performance, quality and ergonomics in its class.
- ▶ A comprehensive range of battery-powered tools for automotive and maintenance professionals. The tools deliver the high power of an air tool and the mobility of a battery tool.

The Industrial Technique business area provides industrial power tools and systems, industrial assembly 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, maintenance and vehicle service. Principal product development and manufacturing units are located in Sweden, Germany, the United States, United Kingdom, France and Japan.

REVENUES, MSEK

11 450

IN 2014

The market

The motor vehicle industry, including subsuppliers, is a key customer segment representing approximately half of Industrial Technique's revenues, and the application served is primarily assembly operations. The motor vehicle industry has been at the forefront of demanding more accurate fastening tools that minimize errors in production and enable recording and traceability of operations. The business area has successfully developed advanced electric industrial tools and assembly systems that assist customers in achieving fastening according to their specifications and minimizing errors and interruptions in production. This also includes a wide offering of quality assurance and quality improvement solutions. With the increasing requirement of lower fuel consumption and the use of lighter materials, the motor vehicle industry is looking to alternative assembly solutions. The business area offers dispensing equipment for adhesives and sealants as well as self-pierce riveting equipment and rivets to cater to these needs.

In general industry, industrial tools are used in a number of applications, such as assembly, drilling and material removal. Customers are found in assembly operations, e.g. electronics, aerospace and appliances, in general industrial manufacturing, shipyards, foundries, and among machine tool builders. The equipment supplied includes assembly tools for a wide torque range, drills, percussive tools, grinders, hoists and trolleys, and accessories. Air motors are supplied separately for different applications in production facilities.

For vehicle service, car and truck service and tire and body shops, the equipment supplied includes impact wrenches, percussive tools, drills, sanders, and grinders.

There is a growing demand for service, e.g. maintenance contracts and calibration services that improve customers' productivity.

Market trends

- Higher requirements for quality, productivity, flexibility, ergonomics and decreased environmental impact
- More advanced tools and systems and increased importance of service, know-how and training
- Power tools with electric motors, partly replacing pneumatic tools
- Demand for lower fuel consumption drives demand for alternative assembly methods, e.g. adhesives and self-pierce riveting

Demand drivers

- Investments in industrial tools and systems, e.g. assembly line investments
- Changes in manufacturing methods and higher requirements e.g. quality assurance and traceability
- Industrial production

Vision and strategy

The vision is to be First in Mind—First in Choice ® as a supplier of industrial power tools, assembly systems, quality assurance products, software, and services to customers in the motor vehicle industry, in targeted areas in the general manufacturing industry and in vehicle service.

The strategy is to continue to grow the business profitably by building on the technological leadership and continuously offering products and services that improve customers' productivity. Important activities are to extend the product offering, particularly with the motor vehicle industry and to provide additional services, know-how and training. The business area is also increasing its presence in general industrial manufacturing, vehicle service and geographically in targeted markets. The presence is enhanced by utilizing 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 sustainable products and solutions, offering increased quality and productivity, improved ergonomics and reduced environmental impact
- Extend the product and service offering
- Perform more service on a higher share of the installed equipment base
- Increase operational efficiency
- Invest in employees and competence development
- Acquire complementary businesses and integrate them successfully

Competition

Industrial Technique's competitors in the industrial tools business include Apex Tool Group, Ingersoll-Rand, Stanley Black & Decker, Uryu, Bosch and several local and regional competitors. In the area of adhesive and sealant equipment, the primary competitors are Nordson and Graco.

MARKET POSITION
Industrial Technique has a leading market position globally in most of its operations.

PRODUCTS AND APPLICATIONS

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

Motor vehicle industry

The motor vehicle industry primarily demands advanced assembly tools and assembly systems and is offered a broad range of electric assembly tools, control systems and associated software packages for safety-critical tightening. Specialized application centers around the world configure suitable assembly systems. The systems make it possible to view, collect and record the assembly data. The motor vehicle industry, like any industrial manufacturing operation, also demands basic industrial power tools. With the increasing requirement of lower fuel consumption and the use of lighter materials, the motor vehicle industry is increasingly investing in assembly solutions for these requirements, e.g. dispensing equipment for adhesives and sealants and equipment for self-pierce riveting.

General industrial manufacturing

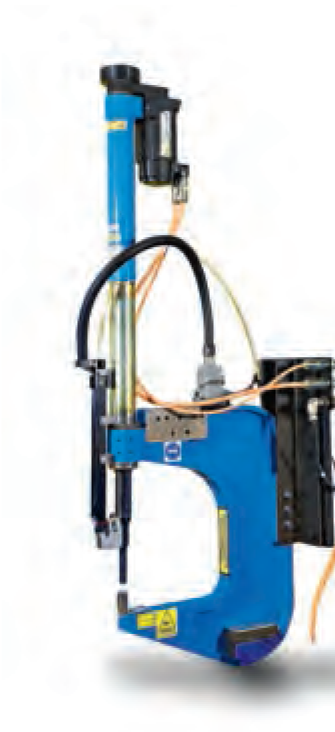
The business area provides a complete range of products, services and production solutions for general industrial manufacturing. Products range from basic fastening tools, drills and abrasive tools to the most advanced assembly systems available. It also includes a large range of accessories. Adhesive and sealant equipment is also offered to general industrial manufacturing businesses. A large team of specialists is available to support customers in improving production efficiency.

Vehicle service

The business area offers powerful and reliable tools to meet the demands of the vehicle service professional. The offering includes impact wrenches, percussive tools, drills, sanders and grinders.

Advanced drilling unit for semi-automatic drilling operations in aerospace applications

A pneumatic impact wrench certified for use in explosive atmospheres



Self-pierce riveting tool

Advanced electric assembly tool with controller

BUSINESS AREA PRESIDENT:
MATS RAHMSTRÖM

THE DIVISIONS
January 1, 2015

1. **Industrial Technique Service**
   President Henrik Elmin, from March 1, 2015.
2. **MVI Tools and Assembly Systems**
   President Lars Eklöf
3. **General Industry Tools and Assembly Systems**
   President Henrik Elmin, who has been appointed President of Industrial Technique Service as from March 1, 2015.
4. **Chicago Pneumatic Tools**
   President Philippe Artzet
5. **Industrial Assembly Solutions**
   President Tobias Hahn

MINING AND ROCK EXCAVATION TECHNIQUE

The demand for mining and rock excavation equipment remained at a low level and the order volumes were somewhat lower than in 2013. The service business was stable, while consumable orders were lower. The business area identified and implemented further efficiency measures to adapt the costs to the low demand, and it made one acquisition.

KEY FIGURES, MSEK	2014	2013	Change, %
Orders received	25 752	26 092	–1
Revenues	25 718	29 013	–11
Operating profit	4 307	6 083	–29
Operating margin, %	16.7	21.0	
Return on capital employed, %	29	41	
Investments	967	912	
Average number of employees	12 392	13 347	

ABOUT THE IMAGE:
A face drilling rig suitable for large sized tunnels. The drilling is controlled by a computerized, award-winning rig control system with an intelligent functionality that ensures precision, productivity, increased uptime and low costs.

THE YEAR IN REVIEW

Business development

The demand for equipment from customers in the mining industry remained low reflecting low investments in capital equipment. The order intake decreased somewhat compared to the previous year for most types of underground and surface equipment, but was relatively stable during the year. Geographically, the order intake improved in North and South America, in Europe as well as in Australia, but decreased significantly in Africa and in Asia.

The order intake for equipment for infrastructure projects decreased slightly and affected both underground and surface drilling equipment. The demand and order intake was soft in most regions.

Demand for service and spare parts remained healthy and the service division continued to invest in the organization and took several initiatives to further develop the business. Volumes were marginally positive as growth in North America, South America, Europe and Australia compensated for a negative development in Asia and Africa/Middle East.

The sales of consumables decreased, most significantly in Australia and in Asia, and was negatively impacted by low activity in exploration.

In total, the order intake decreased by 2% organically.

Organizational development

Several actions to adjust capacity to the lower demand for mining equipment were implemented, including consolidation of some manufacturing facilities. The total workforce for comparable units was reduced with about 900 during the year.

Acquisitions

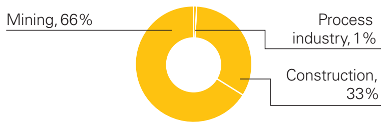
The business area made one acquisition in 2014:

- Sweden-based Geawelltech, which sells, rents out and manufactures well and geotechnical drilling equipment, with 19 employees.

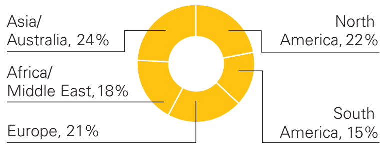
Revenues, profits and returns

Revenues decreased 11% to MSEK 25 718 (29 013) corresponding to 12% organic decline. Operating profit decreased 29% to MSEK 4 307 (6 083), including restructuring and other costs affecting comparability of MSEK 415 (120). The adjusted operating margin was 18.4% (21.4) and was impacted negatively by lower volumes and dilution from acquisitions, but was supported by currency. Return on capital employed was 29% (41).

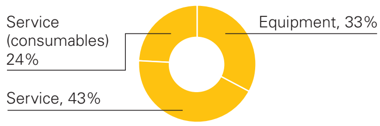
ORDERS RECEIVED BY CUSTOMER CATEGORY



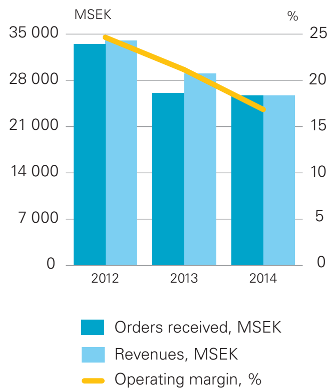
REVENUES BY REGION



SHARE OF REVENUES



ORDERS RECEIVED, REVENUES AND OPERATING MARGIN



INNOVATION

Several new products and solutions were introduced, including the following examples:

- A system with large diameter drilling consumables for both mining and construction applications. The new system offers up to 30% longer service life providing fewer rod changes and increased productivity.
- A highly mobile and versatile rig for boring so-called opening holes in mines. The new rig, called Easer, can perform both box hole boring and down-reaming with a hole diameter of 750 mm, as well as conventional raiseboring with a hole diameter of up to 1 200 mm.
- An upgraded range of medium sized face-drilling rigs for underground mining and tunneling that have been enhanced to make them stronger, cleaner, safer and easier to operate. The design improvements include stronger booms, a new filtration system, increased safety features and Atlas Copco's award winning rig control system. In field trials these enhancements have returned top ratings for productivity, longer service intervals and lower operating costs.

The Mining and Rock Excavation Technique business area provides equipment for drilling and rock excavation, a complete range of related consumables and service through a global network. The business area innovates for sustainable productivity in surface and underground mining, infrastructure, civil works, well drilling and geotechnical applications. Principal product development and manufacturing units are located in Sweden, the United States, Canada, China and India.

REVENUES, MSEK

25 718

IN 2014

The market

The total market for equipment for mining and civil engineering applications is very large with numerous companies supplying products to different applications. The Mining and Rock Excavation Technique business area, however, offers products and services only for selected applications.

Customers from the mining industry represent about two thirds of business area revenues. The applications include production and development work for both underground and open-pit mines as well as mineral exploration. The customers demand rock drilling equipment, rock drilling tools, loading and haulage equipment, utility vehicles, ventilation systems, and exploration drilling equipment.

Contractors involved in civil engineering and infrastructure construction represent one third of revenues. The applications include blasthole drilling for tunneling, e.g. for road, railway and dam construction, aggregate production and drilling for water, energy, oil and gas as well as for ground engineering. The customers demand rock drilling equipment, rock drilling tools, utility vehicles, ventilation systems, and ground engineering equipment.

The equipment is primarily sold directly to the end user and the business area has a large organization offering service, spare parts and consumables. Mining companies and contractors demand service, spare parts and consumables, often in the form of contracts where availability and productivity are key performance criteria.

Market trends

- More productive and safe equipment, including solutions for autonomous operations and remote control
- Increased focus on environment
- Customer and supplier consolidation
- Performance contracts for service and consumables
- Focus on total cost of operations and optimization of the value chain

Demand drivers

Mining

- Investments in equipment
- Ore production

Civil engineering

- Infrastructure and public investments
- Non-building construction activity

Vision and strategy

The vision is to be First in Mind—First in Choice® as a supplier of equipment and service for rock excavation for mining and civil engineering applications.

The strategy is to grow by maintaining and reinforcing Atlas Copco's leading market position as a global supplier for rock excavation equipment and services; by developing its positions in drilling and loading equipment, exploration drilling, and related businesses; and by increasing revenues by offering more services to 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
- Develop new sustainable products and solutions offering improved productivity and safety in line with customer demand, e.g. computerized control systems, remote control and solutions for autonomous operations
- Invest in design, development and production capacity in growth markets
- Extend the product and service offering
- Perform more service on a higher share of the installed base of machines
- Develop the service business
- Improve agility in cost and working capital
- Invest in employees and competence development
- Acquire complementary businesses and integrate them successfully

Competition

Mining and Rock Excavation Technique's principal competitor in most product areas is Sandvik. Other competitors include Furukawa in the market for underground and surface drilling equipment; Boart Longyear for underground drilling equipment for mining, exploration drilling equipment and rock drilling tools; Joy Global for open-pit mining equipment and Caterpillar for underground and open-pit mining equipment. In addition, there are several competitors operating locally, regionally and in certain niche areas.

MARKET POSITION
Mining and Rock Excavation Technique has a leading market position globally in most of its operations.

PRODUCTS AND APPLICATIONS

The Mining and Rock Excavation Technique business area offers an extensive range of productivity-enhancing equipment for rock excavation and civil engineering applications.

Underground rock drilling equipment
Underground drill rigs are used to drill blast holes in hard rock to excavate ore in mines or to excavate rock for road, railway or hydropower tunnels, or underground storage facilities. Holes are also drilled for rock reinforcement with rock bolts. The business area offers drill rigs with hydraulic and pneumatic rock drills, as well as handheld rock drills. Raise boring machines are used to drill large diameter holes, which can be used for ventilation, ore and personnel transportation.

Underground loading and haulage equipment
Underground vehicles are used mainly in mining applications, to load and transport ore and/or waste rock.

Underground utility vehicles
Utility vehicles are used for scaling, bolting, charging, lifting and shotcreting.

Surface drilling equipment
Surface drill rigs are primarily used for blast hole drilling in open pit mining, quarries, and civil engineering projects, but also to drill for water, shallow oil and gas. The business area offers drill rigs with hydraulic and pneumatic rock drills as well as rotary drill rigs.

Rock drilling tools
Rock drilling tools include drill bits and drill rods for blast hole drilling in both underground and surface drilling applications, as well as consumables for raise boring and rotary drilling.

Exploration drilling and ground engineering equipment
The business area supplies a wide range of equipment for underground and surface exploration applications. An extensive range of equipment for ground engineering, including systems for overburden drilling, is also offered. Applications include anchoring, geotechnical surveying, ground reinforcement and water well drilling.

Ventilation systems
High pressure fans designed especially for delivering air through ducts in mining and tunneling.

Rotary blasthole rig for open-pit mining

Rock drilling tools

Atlas Copco Minetruck for ore haulage underground

BUSINESS AREA PRESIDENT:
JOHAN HALLING

THE DIVISIONS
January 1, 2015

1. **Mining and Rock Excavation Service**
   President Markku Teräsvasara
2. **Underground Rock Excavation**
   President Scott Barker
3. **Surface and Exploration Drilling**
   President Victor Tapia
4. **Drilling Solutions**
   President José Manuel Sanchez
5. **Rock Drilling Tools**
   President Helena Hedblom
6. **Rocktec**
   President Andreas Nordbrandt

CONSTRUCTION TECHNIQUE

The order intake of construction equipment was largely unchanged. It improved in North America while it developed negatively in South America. Specialty rental as well as the service business developed well and the business area continued to invest in market presence and product development.

KEY FIGURES, MSEK	2014	2013	Change, %
Orders received	14 847	14 260	+4
Revenues	14 739	13 967	+6
Operating profit	1 768	1 733	+2
Operating margin, %	12.0	12.4	
Return on capital employed, %	12	13	
Investments	939	959	
Average number of employees	5 780	5 714	

ABOUT THE IMAGE:
Atlas Copco Dynapac rollers are designed with efficiency in mind. Performance, visibility, operator comfort, compaction control and serviceability are key features. An ECO mode is available for up to 15% reduction in fuel consumption.

THE YEAR IN REVIEW

Business development

Total orders received increased by 4%, with an organic growth of 1%. Geographically, the orders increased in North America and in Europe, but decreased in Asia and South America.

The demand for construction equipment was largely unchanged. Orders received for construction tools, such as breakers and silenced demolition tools, as well as for road construction equipment increased somewhat. For these products, order intake increased in North America, in Europe and in Africa/Middle East, but decreased in Asia and in South America. Orders for portable energy products, such as portable compressors, generators, pumps and lighting towers, decreased. The order intake increased in North America, but decreased in all other regions.

The service business achieved growth in most markets with strong development in North America. In Asia, however, the demand was softer, particularly in China, and orders received decreased.

The specialty rental business continued to develop well and orders received increased in all regions, except in South America. The growth in North America and Asia/Australia was particularly strong.

Market presence and organizational development

The business area invested in presence in targeted markets and segments, but also worked to increase the efficiency of the organization. The number of employees was stable, with fewer employees in manufacturing but with more than 10% more employees in research and development. The latter reflects a strong investment in this area.

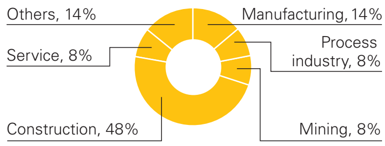
On January 1, 2014, the Specialty Rental division moved from the Compressor Technique business area to the Construction Technique business area. The objective is to strengthen growth by further developing product and service synergies. Historical data has been restated.

Andrew Walker was appointed President of the Construction Technique business area and member of Group Management, effective September 15, 2014. He was previously President of the Service division in the Compressor Technique business area and replaced Nico Delvaux, who was appointed President of the Compressor Technique business area.

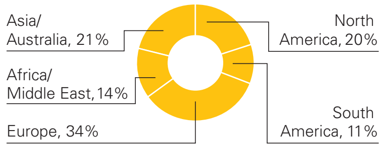
Revenues, profits and returns

Revenues increased 6% to MSEK 14 739 (13 967), primarily due to currency effects. The organic growth was 2%. Operating profit increased to MSEK 1 768 (1 733), corresponding to a margin of 12.0% (12.4). The margin was negatively affected by product mix, but supported by currency. Return on capital employed was 12% (13).

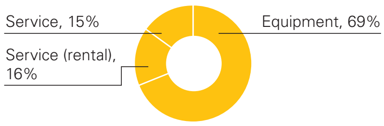
ORDERS RECEIVED BY CUSTOMER CATEGORY



REVENUES BY REGION



SHARE OF REVENUES



ORDERS RECEIVED, REVENUES AND OPERATING MARGIN

INNOVATION

Several new products and solutions were introduced, including the following examples:

- A range of drum cutter attachments with low noise and vibration levels suitable for urban areas. This is a complementary product to hydraulic breakers and it offers a solution for concrete or soft rock applications.
- Lighting towers designed for a wide variety of portable light applications, including for use on construction, mining, and oil and gas work sites, public lighting at night events.
- A range of stationary generators for emergency and continuous power requirements.
- A reversible plate with a compaction indicator. It reduces the risk of over- or under compaction, saves costs and increases the uptime for the machine.
- Atlas Copco's large paver range has been equipped with stage IV engines and is not only compliant with the latest emission standards, but is also contributing to lower fuel consumption. Calculations suggest that fuel savings up to 4 200 liters annually is possible.

The Construction Technique business area provides construction and demolition tools, portable compressors, pumps and generators, lighting towers, and compaction and paving equipment. The business area offers specialty rental and provides service through a global network. Construction Technique innovates for sustainable productivity in infrastructure, civil works, oil and gas, energy, drilling and road construction projects. Principal product development and manufacturing units are located in Belgium, Germany, Sweden, the United States, China, India and Brazil.

REVENUES, MSEK

14 739

IN 2014

The market

The total market for construction equipment is very large. It has a large number of market participants offering a wide range of products for different applications. The Construction Technique business area, however, focuses on a select number of applications.

A key customer segment is, of course, construction, accounting for about half of revenues, but several other segments are served by the business area's offering. General and civil engineering contractors, often involved in infrastructure projects like road building, other non-building activity and/or demolition work, demand compaction and paving equipment and light construction tools, such as breakers and cutters. Diesel-driven portable compressors and generators are reliable power sources for machines and tools in the construction sector as well as for mining and numerous industrial applications.

Contractors as well as rental companies are important customers for service, including spare parts, maintenance contracts, and repairs.

Market trends

- Higher requirements for productivity, flexibility and ergonomics
- Increased focus on environment and safety
- Customer and supplier consolidation
- Increased demand for service support/contracts

Demand drivers

- Infrastructure and public investments
- Demolition and recycling
- Investments in portable energy equipment

Vision and strategy

The vision is to be First in Mind—First in Choice® as a supplier of equipment and services for portable energy, road development, and demolition applications to the construction industries.

The strategy is to grow by developing Atlas Copco's market position and presence as a global supplier within the selected niches: in construction and demolition tools, portable compressors, pumps and generators, lighting towers, and compaction and paving equipment. The presence is enhanced by utilizing a brand portfolio strategy. The strategy also includes further development of specialty rental services as well as development of the service business; increasing revenues by offering more customers more services. 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 between the construction businesses
- 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

Construction Technique's principal competitors in the market for portable compressors are Doosan Infracore, Kaeser and Sullair. Volvo, Caterpillar and Wirtgen are the principal competitors for road construction equipment and Sandvik, Furukawa and Wacker Neuson for construction tools. In addition, there is a large number of competitors operating locally, regionally and in certain niche areas. Sany and XCMG are examples of Chinese competitors in the area of road construction equipment.

MARKET POSITION

The Construction Technique business area has leading or strong market positions globally in most of its operations.

PRODUCTS AND APPLICATIONS

The Construction Technique business area offers a range of products for selected applications in civil engineering, demolition and road building.

Portable compressors
Portable oil-injected compressors are primarily used in construction applications where the 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.

Boosters
When extra high pressure is needed, boosters are used to boost the air fed by portable compressors. This high-pressure air is mainly used in the drilling industry and in oil and gas applications.

Generators
Portable generators fulfill a temporary need for electricity, primarily in construction applications. Other common generator applications are power supply for events, emergency power and power in remote locations.

Lighting towers
Light for safe operations 24/7.

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

Compaction and paving equipment
The business area offers a range of compaction and paving equipment to the road construction market. Rollers are used to compact all types of soil or newly laid asphalt. Planers are used for removing asphalt and pavers for laying out new asphalt. The product range also includes smaller handheld compaction and concrete equipment.

Construction and demolition tools
Hydraulic, pneumatic and gasoline-powered breakers, cutters and drills are offered to construction, demolition and mining businesses.

Hydraulic breaker

Road construction equipment

Portable oil-free compressor

BUSINESS AREA PRESIDENT:
ANDREW WALKER

THE DIVISIONS
January 1, 2015

1. **Construction Technique Service**
   President Adrian Ridge
2. **Specialty Rental**
   President Ray Löfgren
3. **Portable Energy**
   President Peter Lauwers, from February 1, 2015
4. **Road Construction Equipment**
   President Paul Hense, from April 1, 2015
5. **Construction Tools**
   President Vladimir Kozlovskiy

RISKS, RISK MANAGEMENT AND OPPORTUNITIES

All business activities involve risks. Atlas Copco has a structured and proactive approach to manage the company's risks. Well-managed risks can lead to opportunities and add value to the business. Risks that are not well managed can lead to incidents and losses.

Strategic, operational and financial risks | **Risks for non-compliance of laws and regulations** | **Risks in the reporting**

RISK MANAGEMENT AND CONTROL STRATEGIES

- Strategic planning
- Policies, guidelines and instructions
- Accept the risk
- Internal control – prevent or detect

- Analyses
- Restructuring
- Renegotiations
- Outsourcing to third party
- Loans, interests and currencies

- Insurances and pensions
- Safety precautions: property, personal and liability insurances
- Awareness and crisis plans

Atlas Copco's global and diversified business towards many customer segments results in a variety of risks geographically and operationally. However, the ability to prevent, detect and manage the risks is crucial for effective governance and control of the business. The aim is to achieve Group goals with well-managed risk taking in line with the strategy and within the frame of *The Way We Do Things*.

Group functions for legal, insurance, treasury, tax, internal audit and controlling and accounting provide policies, guidelines and instructions to support Group companies establish risk management. Risk management is an operational responsibility and is regularly followed-up. The implementation is regularly audited by internal and external audits.

Strategic and operational risks include for example political decisions, market conditions, environment, change of business behavior and business climate, supplier dependence, price adjustments, material supply, competence among employees, integration of acquired entities, customer credit risks and IT-risks. It's a continuous task to address and reduce risks.

Financial risks include currency risks, interest rate risks, financing, liquidity, pension liabilities' and financial credit risks. The Group's treasury function is responsible for these risks and also supports Group companies to implement financial policies and guidelines.

Risks for non-compliance of laws and regulations are managed by operations with the support of the Group legal function.

Risks in the reporting cover for example errors in the internal reporting to the Group or in the external reporting to authorities. Read more on Internal Control over financial reporting in the Corporate Governance report, pages 64–65.

The enterprise risk management process is managed by the Insurance & Risk Management department. It covers strategic and operational risk assessments on divisional level but gives also a consolidated view of Group risks.

Crisis management process is managed by the Insurance & Risk Management department. It is rolled out to all Atlas Copco entities.

Awareness and management of risks can lead to opportunities. Presented on pages 36–39 are risks, risk mitigating factors and potential opportunities for each category of risk.

RISKS, RISK MANAGEMENT AND OPPORTUNITIES

RISK	CONTEXT	MITIGATING FACTORS	OPPORTUNITIES
MARKET RISKS	A widespread financial crisis and economic downturn would not only affect the Group negatively but it 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. In developing markets, new smaller competitors continuously appear which may affect Atlas Copco negatively.	▪ Well-diversified sales to customers in multiple countries and industries. Sales of spare parts and service are relatively stable in comparison to equipment sales. ▪ Monthly follow up of market and sales development enables quick actions. ▪ Flexible manufacturing setup makes it possible to quickly adapt to changes in equipment demand. ▪ Leading position in most market segments provides economies of scale.	→ A significant competitive advantage as a result of a strong global presence, including growth markets. → Opportunities to positively impact both the 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.
PRODUCT DEVELOPMENT RISKS	One of the challenges for Atlas Copco's long-term growth and profitability will be to continuously develop innovative, sustainable products that consume fewer 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, and recycling. However, there may be increased risk of competition in emerging markets where low-cost products are not affected by such rules.	▪ 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 for each Division. ▪ Designing products with reduced emissions, vibrations or noise and increased recycling potential to meet legislative requirements.	→ Substantial opportunities to strengthen the competitive edge by innovating high quality, sustainable products and creating an integrated value proposition for customers.

RISKS, RISK MANAGEMENT AND OPPORTUNITIES

RISK	CONTEXT	MITIGATING FACTORS	OPPORTUNITIES
PRODUCTION RISKS	Core component manufacturing is concentrated in 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 operations, e.g. through hazardous waste and emissions. Atlas Copco is directly and indirectly exposed to raw material prices.	■ Manufacturing units continuously monitor the production process, test the safety and quality of the products, make risk assessments, and train employees. ■ Manufacturing units invest in modern equipment that can perform multiple operations. ■ Production units are subject to continuous risk management surveys to safeguard that they comply with the Atlas Copco loss prevention standard. ■ Goal to certify all manufacturing units in accordance with the ISO 14001 standard.	→ Continued opportunities to extensively promote operational excellence to streamline production, minimize inefficiencies and maintain a high flexibility in the production process. → Cost increases for raw materials and components often coincide with strong end-customer demand and can partly be compensated by increased sales to mining customers and by increased market prices.
SUPPLY CHAIN RISKS	Atlas Copco and its business partners such as suppliers, sub-contractors and joint venture partners, must share the same values as expressed in Atlas Copco's Business Code of Practice, otherwise there is a risk of compromising the Group's reputation and brand. The availability of many components is dependent on suppliers and if they have interruptions or lack capacity, this may have an undesirable effect on deliveries. The use of many suppliers gives rise to the risk that products contain components which are not sustainably produced, e.g. that electronic components contain conflict minerals (whose trade or taxation fund armed groups in conflict areas such as the Democratic Republic of Congo).	■ Select and evaluate business partners on the basis of objective factors including quality, delivery, price, and reliability, as well as commitment to environmental and social performance. ■ Continue the process to investigate and eradicate the presence of conflict minerals in its value chain. ■ Establishment of a global network of sub-suppliers, to prevent supplier dependency. ■ Business partners sign a compliance letter to the Business Code of Practice. ■ E-learning for business partners developed to raise awareness of the Business Code of Practice.	→ 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. → Opportunity to strengthen customer relationships by being ready to support customers who are impacted by the Dodd Frank legislation on conflict minerals. → Promote human rights and work towards improving labor conditions, reducing corruption and conflicts.
DISTRIBUTION RISKS	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. Some sales are made indirect through distributors and rental companies and their performance can have a negative effect on sales. The distribution of products can result in increased CO_2 emissions from transport.	■ Physical distribution of products is concentrated to a number of distribution centers and the delivery efficiency of these 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 smarter and more effective transports to reduce the total emissions per transport.	→ Continue to strengthen the relationship with customers through timely deliveries of products and services. → Transport efficiencies can save the customer 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.
RISKS WITH ACQUISITIONS AND DIVESTMENTS	The integration of acquired businesses is a cumbersome process and it is not certain that it will be successful. Synergies can take longer to materialize. Annual impairment tests are made on acquired goodwill. If goodwill is not deemed justified in such tests it can result in a write-down, affecting the Group's result. Acquisitions and divestments can impact local communities and/or the environment, directly or indirectly.	■ The Group has established an Acquisitions Process Council which provides training and supports all business units prior to, during and post an acquisition. ■ 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 complete. ■ Human rights and environmental considerations are integrated when acquisitions and divestments are made.	→ Identifying the obstacles to integration can allow Atlas Copco to improve the process through methods such as job rotation, training or team building exercises. This would not only result in a smoother integration process but also lower operational costs by decreasing downtime and allowing newly acquired companies to become productive and efficient more rapidly.
FINANCIAL RISKS	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). Atlas Copco's net interest cost is affected by changes in market interest rates. Atlas Copco is exposed to the risk of non-payment by any of its extensive number of end customers to whom sales are made on credit.	■ A Financial Risk Management Committee meets regularly to manage financial risks. ■ The Group's operations continuously monitor and adjust sales prices and costs to limit the transaction risk. These measures can be complemented with hedging. ■ Translation risks are partially hedged by borrowings in foreign currency and financial derivatives. ■ 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 is deemed sufficient. In the case of Atlas Copco Customer Finance, an in-house financing operations, risks are mitigated by retaining security in the equipment until full payment is received, by purchasing credit risk insurance and/or by transferring the risk to a third party.	→ Working proactively with financial risks improves the profit margin and also creates possibilities for more stable cash flow. Overall, financial risk mitigation has the ability to improve business resilience for Atlas Copco. → Atlas Copco Customer Finance can improve customer relations and attract more customers.

RISKS, RISK MANAGEMENT AND OPPORTUNITIES

RISK	CONTEXT	MITIGATING FACTORS	OPPORTUNITIES
RISKS TO REPUTATION	The Group's reputation is a valuable asset which can be affected in part through the operation or actions of the Group and in part through the actions of external stakeholders. Products must deliver 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. Unsatisfied employees may also potentially detract the Atlas Copco brand.	■ All Atlas Copco products are tested and also quality assured. Monitoring of product labeling and regular communications training. ■ The Group actively engages in stakeholder dialogue. ■ Training in the Business Code of Practice includes the yearly signing of a Compliance Statement. ■ Clear well-known brand promise. ■ A comprehensive employee survey is carried out every two years and followed up actively.	→ Brand positioning. → Stakeholder engagement cannot only mitigate reputational risks in certain cases but it also presents opportunities to increase the awareness and credibility of Atlas Copco's brand through improvements and innovations. → Delivering tested and quality assured products improve customer satisfaction and promote repeat business. → Attract, develop and keep people that adhere to the Business Code of Practice.
REPORTING RISKS	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. Taxes is an area with increased focus, especially transfer price risks. Estimations often form a large portion of the sustainability data which is reported, and thus by its nature the numbers presented may not be precise representations of the Group's impact.	■ 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 has procedures in place to ensure compliance with Group instructions, standards, laws and regulations, for example internal and external audits. ■ Transfer price policy and agreements are implemented in operations and regularly reviewed. ■ Atlas Copco reports sustainability information according to the GRI 3.0 and works with training to improve reporting practices.	→ Integrated reporting identifies and encourages opportunities for business synergies. → Addressing reporting risks increases transparency and improves the potential to represent the business fairly and accurately. → Improved reporting also directly results in improved risk management, especially when the data has been integrated to highlight interdependencies.
RISKS OF CORRUPTION AND FRAUD	Corruption and bribery exist in markets where Atlas Copco conducts business.	■ Zero tolerance policy on bribery and corruption, including facilitation payments. ■ Internal control routines in place 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 Business Code of Practice, fraud awareness and workshops. ■ The global Group hotline to report violations confidentially and with no penalties for reporting. ■ The Group supports fair competition and forbids discussions or agreements with competitors concerning pricing or market sharing.	→ By fighting against corruption and fraud, Atlas Copco has the opportunity to work with its industry peers to reshape 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 the society and in markets where the Group operates. → Working against corruption and fraud improves Atlas Copco's credibility and transparency and creates even more avenues to improve stakeholder relations.
LEGAL RISKS	Atlas Copco's business operations are affected by numerous laws and regulations as well as commercial and financial agreements with customers, suppliers, and other counterparties, and by licenses, patents and other intangible property rights.	■ In-house lawyers present on five continents. ■ A yearly legal-risk survey of all companies within the Group is performed in addition to a continuous follow-up of the legal risk exposure. The result of the legal-risk survey is compiled, analyzed, and reported to the Board and the auditors.	→ Complying with legal norms and laws minimizes costs and increases opportunities to strengthen Atlas Copco's reputation. It also creates the chance to develop reliable partnerships and improve business stability.
INSURABLE RISKS	Insurable risks involve the Group's assets and interests e.g. property damage, business interruption, transport insurance, general and product liability and travel insurance.	■ The Group Insurance Program is provided by the in-house insurance company Industria Insurance Company Ltd. which retains part of the risk exposure. ■ Insurance capacity is also purchased from leading insurers and reinsurers by way of using international insurance brokers. ■ Claims management services are purchased on a global basis from leading providers and a network of local fronting insurers are issuing insurance policies on a local basis to ensure legal compliance in all countries. ■ In connection with the insurance program, loss prevention standards have been developed through a large number of risk management surveys.	→ Working with insurable risks minimizes costs. → By way of control and conformity in terms of risk management, the probability of events that can cause material damage and severely impact the business operation of the Atlas Copco Group is reduced and business can proceed without disruption. → The use of insurance companies owned by Atlas Copco enables a strict control over all insurable interests and liabilities. It also enables a close follow up of each individual insurance claim impacting the Group, which can help to eliminate or reduce future claims. → Tailor made insurance solutions.

RISKS, RISK MANAGEMENT AND OPPORTUNITIES

RISK	CONTEXT	MITIGATING FACTORS	OPPORTUNITIES
SAFETY AND HEALTH RISKS	Issues with wellness and sick leave can impact the productivity and efficiency of the operations. Accidents or incidents at the workplace due to lack of proper safety measures can negatively affect productivity and the Atlas Copco employer brand. Atlas Copco recognizes the risk that serious diseases and pandemics can interrupt business operations and harm employees.	■ The Group regularly assesses and manages safety and health risks in operations. ■ Goal to certify all major units in accordance with the OHSAS 18001 standard. ■ Workplace wellness programs to reduce the impact of pandemic HIV/AIDS are in place in Sub-Saharan Africa. ■ Atlas Copco's business partners are trained in the Group's policies including the approach to health and safety.	→ Improved safety and health in operations increases both employee productivity and morale. → The Atlas Copco is strengthened through safe products. The Group continues to be seen as industry leader. → Improving working conditions for customers and suppliers can create long lasting relationships and repeat orders.
ENVIRONMENTAL RISKS (EXTERNAL)	The primary drivers for external environmental risk are from physical changes in climate and natural resources, changes in regulations, taxes and resource prices. Increased fuel/energy taxes can increase operational costs. Regulations and requirements related to carbon dioxide emissions from products and industrial processes are gradually increasing. Changes in mean precipitation can affect all of Atlas Copco's operations and negatively affect operations either directly or by disrupting the supply chain.	■ Atlas Copco consistently develops products with improved energy efficiency and reduced emissions. ■ In its own operations, Atlas Copco has several goals that address resource and energy usage in order to minimize the costs and impact on the environment. ■ All cooling agents used 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). ■ Atlas Copco's insurance company assesses and takes preventive measures to reduce the exposure to property risks as a result of extreme weather conditions and the danger of natural disasters.	→ 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 or scarcity, water efficient or water recycling products can have a strong customer appeal. Thus, 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 consumer's 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.
HUMAN RIGHTS RISKS (ESG note 8)	Atlas Copco operates in countries where the risk according to Amnesty International is high of human rights abuse, including child labor, forced or compulsory labor. Atlas Copco encounters customers, for instance in the mining industry, who are exposed to problems concerning environmental and human rights issues. Risks to the Group's reputation may also arise from the relationship with suppliers not complying with internationally accepted ethical, social, and environmental standards.	■ Guidance and regular interaction to identify risks with well-established non-governmental organizations. ■ Policies and procedures to match the standards in the UN Guiding Principles for Business and Human rights, which Atlas Copco has committed to since 2011. ■ Due diligence process and the integration of internal controls for human rights violations in all processes. ■ The Group customer sustainability assessment tool is used. ■ Supplier evaluations are regularly conducted in accordance with the UN Global Compact.	→ Following the UN Guiding Principles for Business and Human Rights to "do no harm" significantly reduces risks and costs; however a business' ability to "do good" according to these guidelines also creates business opportunities. For example: continuing to develop a diverse workforce can significantly increase Atlas Copco's competitive edge and also increase the knowledge and capacity to tailor products to the customer's needs. → Working with human rights positively impacts both the employer brand and investor relations. → Strong business ethics promote internal stability while also creating a more stable market place.
EMPLOYEE RISKS	Atlas Copco must have access to skilled and motivated employees and safeguard the availability of competent managers to achieve established strategic and operational objectives.	■ The Competence mapping and plan secures access to people with the right expertise at the right time. Recruitment can take place both externally and internally, 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.	→ Motivated and skilled employees and managers are crucial to achieve or exceed business goals and objectives.
IT RISKS	The Group relies on IT systems in its day-to-day operations. Disruptions or faults in critical systems have a direct impact on production. Errors in the handling of financial systems can affect the company's reporting of results. Cyber security risks are increasing in importance and can have a major impact on Atlas Copco operations.	■ Atlas Copco has a global IT security policy, including quality assurance procedures that govern IT operations. Information security is monitored through continuous reviews, IT Security audits. 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 products. ■ Cyber security is regularly discussed and addressed by the IT Security function. Awareness of cyber security risks increases the readiness to quickly address any attacks.	→ Stable IT systems, secure IT environment and standardized processes increase efficiencies and reduce costs. → Quick action to address a cyber attack gives opportunity to stable work environment and business continuity.

INNOVATION

In an increasingly resource-restricted world, Atlas Copco's research and development initiatives create value for the Group's customers by continuously innovating sustainable products and services.

OPTIMIZING CUSTOMERS' PRODUCTIVITY

Atlas Copco delivers cutting-edge technology in the form of safe, reliable and energy-efficient products designed to optimize customers' productivity and competitive advantage. The Group's high quality service offerings ensure that the customers get the most out of every investment, keeping Atlas Copco First in Mind—First in Choice®.

With world-class customers in every corner of the world, Atlas Copco's biggest challenge is to continue to meet their need for sustainable products to increase their productivity. Driving the Group's innovations through cooperation with customers as well as partnerships with universities have proved to be a successful approach to maintaining a leading market position. Atlas Copco's long-lasting relationships with suppliers also allow the Group to leverage their competence in order to further develop product and service offerings. Atlas Copco's value chain approach to innovations safeguards its customers' productivity and satisfaction while contributing to Atlas Copco's own sustainability goals to reduce its environmental impact – a clear win-win situation.

Product development from a lifecycle perspective

Atlas Copco takes a lifecycle approach to innovation, and some business areas have dedicated eco-design engineers who assess the impact of the Group's sourced materials, product energy consumption and disposal options when developing products.

Choosing the right materials during the product design can impact the quality, shelf life and disposal of Atlas Copco's products, but these decisions can have a major impact on society and the environment as well. For example, Atlas Copco's supply chain also represents a large portion of the Group's environmental footprint since much of the resource intensive activities, such as steel manufacturing, are carried out by business partners. Atlas Copco shares its customers' interest in managing human rights and labor concerns in the value chain, to deliver responsibly sourced products and services.

Another significant portion of Atlas Copco's environmental footprint concerns the use-phase of its products, with energy consumption making the most significant impact. Therefore, Atlas Copco's product development projects have ambitious targets to reduce energy consumption.

Products such as stationary compressors, drill rigs, hydraulic breakers and industrial tools can be returned, refurbished and resold as used equipment. Used equipment meets the same high standards as when it was new in terms of quality, performance and energy efficiency.

Customer focused innovations

The wide span of technologies used by Atlas Copco – from advanced computer control systems, hydraulics and pneumatics to specialized technologies such as air compression or rock drilling – creates an exciting working environment for the Group's development engineers in many countries.

Atlas Copco's research and development projects are driven by key criteria focusing on improving productivity, reliability, ergonomics, safety, and energy efficiency, which must be met in order for the solution to be approved. In response to customers' needs to cut energy related costs Atlas Copco took the variable speed drive (VSD) innovations in compressors and used them in developing the next generation of vacuum pumps for general industry. These pumps will be introduced in 2015 and give customers energy savings of around 50%.

Atlas Copco has advanced assembly tools and systems, and also offers a complete range of quality assurance equipment used at customers' quality departments to test and calibrate pneumatic and electric assembly tools to help minimize errors in the assembly process.

Temperatures in mines can soar above 50°C and Atlas Copco's customers face additional safety challenges like cave-ins and pollution from machinery. Therefore, Atlas Copco continues to focus on remote and autonomous solutions for mining equipment. New construction equipment aim to reduce environmental impact by increasing energy efficiency, enhancing performance and reducing costs, such as those for fuel, labor and parts.

The number of people employed in research and development increased by

RESEARCH & DEVELOPMENT EXPENDITURES, MSEK

2 991

NUMBER OF EMPLOYEES IN R&D

3 142

CUSTOMER FOCUSED GOALS

- First in Mind—First in Choice® for customers and prospects for all brands
- Increase customer loyalty
- Increase customer energy efficiency by 20% by 2020
- Offer safe and reliable products and services

READ MORE:

Responsible sourcing page 48

Sustainable manufacturing and transport page 52

INVESTMENTS → GOALS → CUSTOMER VALUE

18% to 3 142 in 2014, primarily as a result of acquisitions. Most of the employees are based in Europe, but the rate of increase in Asia was high.

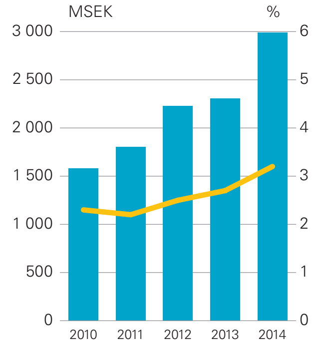
The amount invested in product development, including capitalized expenditures, increased 30% to MSEK 2 991 (2 306) corresponding to 3.2% (2.7) of revenues and 3.9% (3.5) of operating expenses. The increase was primarily due to acquisitions.

Product energy efficiency

Atlas Copco has a goal to increase customers' energy efficiency by 20% by 2020, which is a challenging figure to consolidate at Group level due to the Group's highly diverse product portfolio. Therefore, no total figure for the Group is presented for 2014, instead the performance is highlighted with product lines from each business area.

Each product line measures its energy efficiency in a manner that best reflects its application at the customer site. For example, in 2014 surface drill rigs achieved 17% improvement in energy efficiency compared to 2010 by reducing the grams of fuel needed per m^3 of rock excavated. Electrical nutrunners, which are significantly smaller in size and have a different application in the vehicle manufacturing industry, achieved a 4% increase in energy efficiency for their customers. The portable compressor line XAHS 186, which is popular in Europe and used for abrasive blasting, shotcreting and construction drilling applications, delivered an improvement of 29% in 2014. The variable speed drive compressors (VSD) improved energy efficiency by 19% in 2014 (ESG note 10).

RESEARCH AND DEVELOPMENT EXPENDITURES



ATLAS COPCO'S REVOLUTIONARY VSD COMPRESSORS HAVE SAVED 3 870 MILLION kWh OF ELECTRICITY IN 20 YEARS

In 2014, Atlas Copco celebrated the 20th anniversary of a groundbreaking innovation that has had a major impact on energy efficiency in the industrial world. In the two decades since the company first introduced variable speed drive (VSD) technology into its air compressors, it calculates that industry has saved around 3 870 million kWh of electricity by using Atlas Copco VSD compressors.

The figure, based on a comparison with conventional fixed speed compressors, represents sufficient electricity to supply all of the households in the city of Paris for a year, and in terms of carbon dioxide emissions is equivalent to taking 560 000 cars off the road for a year.

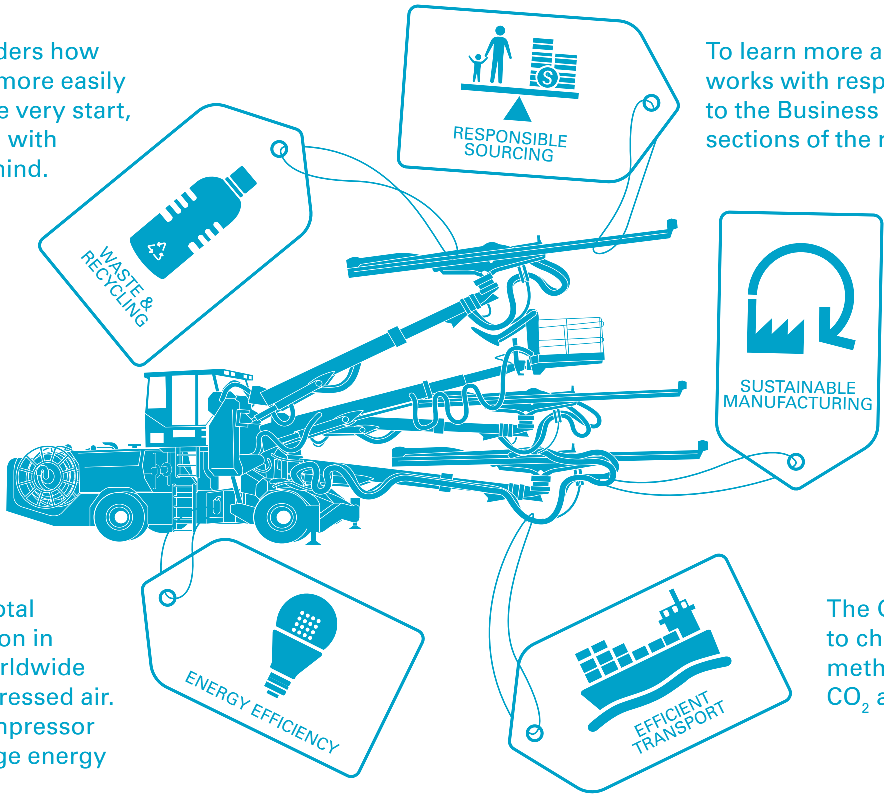
In 2013, Atlas Copco launched the VSD$^+$ range, offering an additional 15% improvement in energy savings to take the total to 50% on average. With compressed air accounting for around 10% of overall energy consumption in industry, the VSD technology has been a significant contributor to energy efficiency and the potential for further savings is still there. Calculations suggest that if every oil-injected screw compressor sold in the world would be a VSD$^+$, the annual energy savings would equal some 6 TWh. (ESG note 10).

3 870 000 000 kWh ... is enough to power all households in Paris for a year

PRODUCT DEVELOPMENT FROM A LIFECYCLE PERSPECTIVE

Atlas Copco considers how to make products more easily recyclable from the very start, by designing them with the end-of-life in mind.

To learn more about how Atlas Copco works with responsible sourcing, go to the Business partners and Society sections of the report.



Find out how Atlas Copco reduces the organization's footprint in the Environment section.

Up to 10% of the total energy consumption in manufacturing worldwide comes from compressed air. The new VSD+ compressor can achieve average energy savings of 50%.

The Group has a goal to choose transportation methods that lower CO_2 and costs.

ATLAS COPCO'S LIFECYCLE APPROACH RECOGNIZED AS BEST PRACTICE BY KEY CUSTOMER

Understanding the total footprint of a purchase is important for many of Atlas Copco's customers who work actively with their supply chains. In 2014, Atlas Copco was recognized as best practice by a key customer for the management of greenhouse gas emissions related throughout the lifecycles of the products sold. The Vale Greenhouse Gas Management Forum was held in Rio de Janeiro, Brazil, where Atlas Copco discussed its approach to responsibly manufacturing and transporting its energy-efficient products with minimal environmental impact. For example, many of Atlas Copco's production centers such as the one in Örebro have switched to renewable energy, and significant investments have been made to improve the logistics process. The Group discloses customer-specific information regarding sustainable productivity upon request, and strives to re-engineer the industry standards with its innovative products and solutions.

ATLAS COPCO'S CDP DISCLOSURE SCORE (AS A SUPPLIER):

94/100

CDP SUPPLY CHAIN AVERAGE: 53*

* Disclosure scores are only an assessment of the quality and completeness of a company's response. (ESG note 2)

THE DRIVING FORCES FOR NEW PRODUCT DEVELOPMENTS ARE BOTH INTERNAL AND EXTERNAL

EXAMPLES OF EXTERNAL DRIVERS:
Customers' demands and requests
Laws and regulations
User trends
Design trends
Competition
Increased safety
Improved ergonomics
Environmental impact

EXAMPLES OF INTERNAL DRIVERS:
New technologies
New applications
Reduced lead time
Increased quality
Increased productivity
Standardization and modularization
Increased safety
Improved ergonomics
Environmental impact

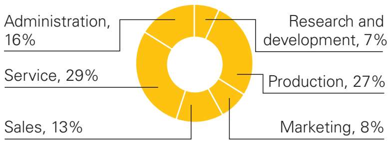
EMPLOYEES

Atlas Copco's success is built on strong values and the talented employees who carry them. The Group believes in providing its people a working environment that sets a high standard for leadership and provides opportunities for each individual to develop professionally. Offering a diverse workplace with good health, safety and labor practices is an important part of Atlas Copco's brand as an employer, and thereby a key success factor for the Group.

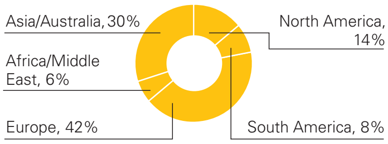
ATTRACT, RECRUIT AND DEVELOP EMPLOYEES

Atlas Copco's people management strategy is to attract, recruit and develop skilled coworkers, while expecting managers to take responsibility for developing their employees, their organizations and themselves.

PROFESSIONAL CATEGORY SPREAD OF EMPLOYEES



GEOGRAPHICAL SPREAD OF EMPLOYEES



91% of Atlas Copco is certified in accordance with OHSAS 18001.

NUMBER OF EMPLOYEES

44 056

DECEMBER 31, 2014

Flexible work times and other benefits for new mothers in South America.

Building a fair, diverse workplace

Like many of its industry peers, Atlas Copco's ambition to recruit a workforce that reflects the diversity found in society faces its first challenge in the classrooms. Atlas Copco's strategy to encourage more women and national minorities to join engineering programs is through active engagement with local universities. For example, a customer center in China has run a scholarship program with four selected universities that benefits 123 students. The scholarship strives to ensure that a minimum 15% of final winners are from the non-Han nationality, a minority in China. It also has a special award for "Female Volunteers" and "Female Excellent Teachers" to encourage gender diversity. The proportion of female recent graduates recruited during the year among white-collar workers was 31% (22).

The Group is committed to promoting equal opportunity in its hiring and promotion processes. A wide range of efforts to recruit diversity are in place globally, such as ensuring job ads are not subject to gender specifications. In 2014, women represented 17.1% (16.8) of Atlas Copco's workforce.

Aside from recruitment, Atlas Copco puts great effort into creating a fair and inclusive workplace that can support a diverse workforce. In 2014, Atlas Copco Mexico won an award for its workplace policy that promotes flexible work hours for new mothers and other benefits. Many companies, such as Atlas Copco Peru, have taken significant efforts to reduce the barriers for women to transition back to work after having children, such as creating facilities for nursing mothers. Atlas Copco Russia had a focused initiative to recruit physically disabled individuals, a group that often faces stigma in the local society. These examples represent how Atlas Copco companies establish local diversity policies and guidelines in alignment with Group policy, local laws and regulations, and local ambitions.

When it comes to leadership, Atlas Copco strives to strike a balance between developing the local workforce while also offering international opportunities through internal mobility. Therefore, managers whose nationality differ from the country where they are stationed, focus on developing local leaders while gaining international professional experience which equips them for even more challenging positions within the Group. Overall, Atlas Copco has managers on international assignments coming from 56 countries and working in 61. In 2014, a total of 62% (63) of all senior managers were locally employed. 54 nationalities are represented among the 417 most senior managers worldwide. The share of Swedish managers on international assignments has decreased from 23% in 2001 to 11% in 2014. The proportion of women in management positions increased to 16.6% (16.2).

Growing and mobilizing talent globally

Atlas Copco's goal is to encourage mobility, across geographical, organizational and cultural boundaries. This is important for

PROGRAM TO DEVELOP AND RETAIN TALENTED EMPLOYEES

Employee turnover can be challenge for high growth markets such as China, a risk which the Group manages through talent programs. For example, Industrial Technique's Challenger program focuses on ensuring a solid pipeline of talents for specialist functions and leadership. It uses global cross-functional projects to challenge, develop and motivate talents and increase mobility.

The program also has a 180/360 follow up with the participants and coaching sessions with the manager and HR manager. As a result, in 2014 the business area retained 88% of the managers who participated, and 45% of these managers also took on new assignments within the Group, of which 4% were positions abroad.

developing competence, but also for successful integration of newly acquired companies. Experienced managers in senior positions lead the integration process and make it possible to establish the Group's Business Code of Practice, values and vision in an efficient and pragmatic manner. In 2014, the average number of training hours per employee was 41 (40) hours and 82% (82) of employees had an appraisal.

One measure of success of the focus on competence building within Atlas Copco is the percentage of employees with a university degree. In 2014, 53% (53) of the white-collar employees had a university degree.

Developing a leadership pipeline

In order to retain the competence, the Group has a target to recruit 85% of managers internally, and the outcome in 2014 was 88%. One of the key success factors to retaining talent while still growing competence and encouraging mobility, is the internal job market, which was created in 1992. In 2014, 3 856 positions were advertised, of which 349 were international. In 2014, internal mobility among employees was 7.2% (7.7). Overall external recruitment reached 10%, excluding acquisitions.

Safety and health enhance productivity

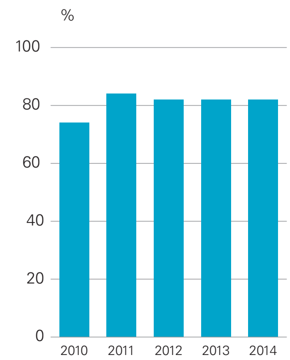
Atlas Copco has a global Safety, Health and Environmental (SHE) policy to ensure that workplaces have robust standards for safety, health and ergonomics. In 2014, 91% (representing 89% of employees) of the major companies in the Group were certified in accordance with the international standard OHSAS 18001. In terms of the workforce profile, 69% of Atlas Copco employees were dedicated to building world-class products for its customers or delivering high-quality service and sales offerings. This involves working with heavy machinery or driving long distances to reach customers which can often be dangerous if proper safety routines are not followed.

There was one fatality reported in 2014, which involved a road safety accident in Thailand. The Group has taken additional steps to plan a new safety concept that emphasizes road safety and defensive driving behavior, which will be rolled out in 2015. The number of accidents per million working hours for Atlas Copco employees dipped to 4.7 (5.4) showing a favorable trend (ESG note 4). In 2014, Atlas Copco included reporting on accidents and incidents in the additional workforce as well. The resulting calculation of accidents is 4.8 per million working hours. The number of incidents per million working hours stayed stable, and the new safety concept will strive to drive behavioral changes regarding safety while promoting the importance of reporting accidents and incidents.

Having a healthy work environment is as important for Atlas Copco's productivity as supporting employees with a healthy lifestyle. Atlas Copco companies design health and wellness programs to meet the specific needs of their country or region. For example the HIV/AIDS pandemic is a major concern in some countries where Atlas Copco operates and with a high prevalence in the age group (15–49 years) that would impact the workforce the most. In other countries, diseases such as diabetes are a growing concern and employees are offered wellness programs including consultation and medication.

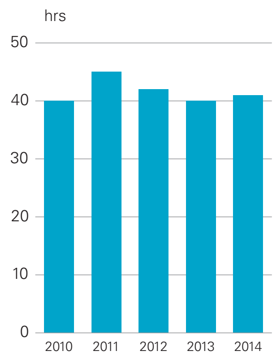
Atlas Copco strives to promote health and wellness but also accommodates for the realistic possibility that employees may need time off for health reasons. This is reflected in the Group goals and in 2014 sick leave was at 1.9% (2.0) which is below the accepted level of 2.5%.

PROPORTION OF APPRAISALS AMONG EMPLOYEES



Goal: 100%

AVERAGE HOURS OF TRAINING PER EMPLOYEE



FASTER RESULTS THROUGH TIME TO COMPETENCE

Atlas Copco's ambition is to systematically grow competence in the organization and to minimize the time it takes to transform that knowledge into performance. In 2014, Atlas Copco launched Time to Competence, which drives the rapid and efficient uptake of predefined core, functional and product specific competencies and skills. The trainings are delivered through Atlas Copco's Academy at Group, divisional and regional levels, which offers both systematic and on-demand training. Tools such as rapid e-learning and enhanced competency models have already been developed, and initiatives such as global English training concepts are underway. The success of the Time to Competence approach will be monitored through a number of key performance indicators on the quantity and quality of the training and the maturity of the learning culture within the Group.

Employee satisfaction survey results

Atlas Copco conducts a Group employee survey at least every second year, the most recent one was carried out in 2014. The survey is available, in 32 languages in web and paper-based formats, to all employees (excluding employees at Edwards, which was recently acquired).

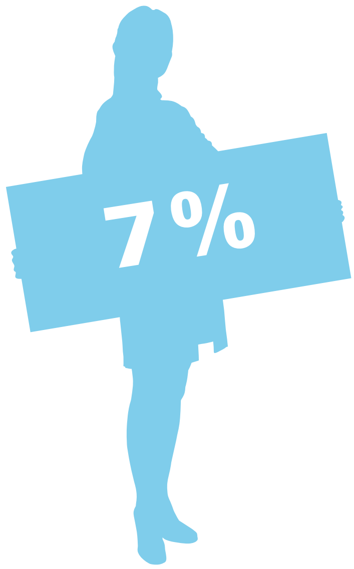
YEAR	% RESPONSE RATE
(vision: 100%)	
2014	88
2012	85
2010	79
2008	69

The survey covers various topics such as confidence in leadership, workplace culture, customer commitment and Atlas Copco's employer branding potential. In 2014, more than 35 000 employees participated in the survey, giving a respond rate at a record high 88%. All areas in the survey remain on a stable, high level. Customer commitment is still valued higher than any other area, which shows the important connection between proud employees and loyal customers. Local management will follow up on areas identified for improvement in the coming year, and hold employee workshops to improve weaknesses and capitalize on strengths.

Committed to high labor standards

As a voluntary member of the UN Global Compact since 2008, Atlas Copco ensures that advised labor practices such as the right to collective bargaining are included in the Business Code of Practice, which is updated regularly. The Group views trade unions and employee representatives as a necessary and valuable support system for its people, and fosters relationships based on mutual respect and constructive dialogue. In 2014, 39% of all employees were covered by collective bargaining agreements, and it is estimated that several hundred consultations/negotiations took place with unions regarding working conditions and organizational changes. As a decentralized organization, this engagement and constructive dialogue with labor unions takes place at a local level. In countries where no independent labor union may exist, Atlas Copco has taken measures to establish forums for employer/employee relations, for example in China, through environment and safety committees. A non-discrimination policy covers all employees and the Business Code of Practice also covers employee rights. For full disclosure on wages and employee benefits, see note 5.

ATLAS COPCO'S GOAL IS TO ENCOURAGE MOBILITY. THE INTERNAL MOBILITY WAS 7% IN 2014.

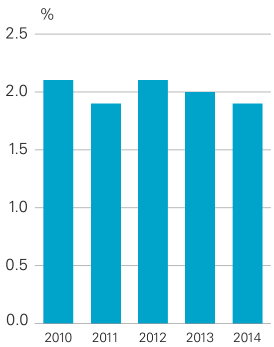


INCIDENTS PER MILLION WORKING HOURS

21

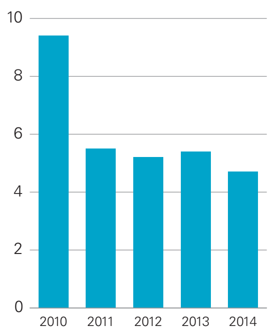
2013: 21

SICK LEAVE



Goal: <2.5%

NO. OF ACCIDENTS PER ONE MILLION HOURS WORKED



Goal: Zero

ACCIDENTS PER MILLION WORKING HOURS

4.7

2013: 5.4

FATALITIES DURING 2014:

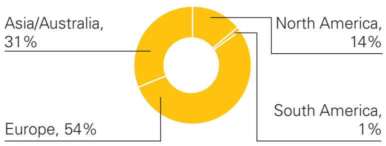
1

2013: ZERO

BUSINESS PARTNERS

Business partners such as suppliers, sub-contractors and joint venture partners are crucial strategic partners for Atlas Copco's success. Nurturing long-term relationships with business partners is mutually beneficial, securing the Group's competitive edge and development potential in a responsible and sustainable way. This is why Atlas Copco is committed to working with business partners who share the Group's high standards of quality, business ethics and resource efficiency.

GEOGRAPHICAL SPREAD OF SUPPLIERS



Atlas Copco's purchasing strategies are decentralized to give the organization higher flexibility. Purchasing councils oversee supply chain management at a divisional level, but come together as a part of the Group purchasing council to develop central policies and tools that impact all operations. Local purchasing (non-core) is encouraged 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 individual companies and also facilitates close relationships with local partners to capitalize on opportunities to further improve quality and efficiency, and decrease environmental impact from transport.

However, business partners are not limited to suppliers alone. The Business Code of Practice includes other key players such as subcontractors, agents and distributors in the definition and therefore Atlas Copco has taken a value-chain approach to working with business partner issues.

All business partners are impartially evaluated on parameters including price, quality, reliability as well as key environmental, social and ethical concerns. The main tools for evaluating business partners are the 10-point checklist based on the UN Global Compact and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, as well as through on-site visits (ESG note 5). Tier 1 suppliers are expected to work to safeguard Atlas Copco's standards for Tier 2 suppliers. In addition to this, for agents and distributors, the Group started using the customer sustainability tool in 2013 in order to investigate potential risks and develop the relationships further (ESG note 8).

Supplier evaluation processes and local training efforts

Atlas Copco has an extremely large international supplier base, which presents significant challenges in maintaining supply chain standards. Atlas Copco prioritizes follow-up activities with suppliers who represent the bulk of the annual purchase value as well as the highest risk in order to safeguard that the Business Code of Practice is being followed while still using our resources efficiently. In 2014, the Group continued to work with significant suppliers, with a focus on potential human rights and corruption risks. As a result, a greater proportion of sourcing from high-risk countries is followed up through self-assessment questionnaires or on-site audits, even if purchasing volumes are low. Atlas Copco's business partner selection letter was also updated in 2013 with the objective to improve compliance as well as to integrate conflict minerals into the human rights based requirements. Compliance with the environmental, social and business ethics clauses in the checklist is required for 100% of new agreements. However, for non-red-flag issues (such as having environmental management systems), Atlas Copco tries to work with business partners to set up an action plan to help them meet the criteria within 6–12 months' time.

Strengthened approach to human rights and corruption risks

Atlas Copco's business partner network includes markets with a high risk from a human rights and corruption perspective. This risk is particularly heightened in conflict-affected regions, and in 2013 Atlas Copco initiated processes to ensure that the Group is not complicit in human rights violations in accordance to its commitment to the Guiding Principles on Business and Human Rights. The lack of enforcement of legal and political infrastructure in some of these complex markets represents a challenge, however Atlas Copco has received support and advice from investors and non-governmental organizations through stakeholder dialogue.

Performance from supplier evaluations

Supplier evaluations are primarily carried out by product companies. A supplier is considered approved if Atlas Copco has performed an assessment at the supplier's site and reported that there is no risk of violating the the Business Code of Practice, or that the supplier has acted on all development suggestions for the action plan from a previous evaluation. In 2014, 1 369 (846) significant suppliers were audited for quality and 1 192 (670) for safety, health, environmental and ethical standards. Of those, 17 (17) significant suppliers were rejected due to quality issues and another 14 (8) for safety, health, environmental and ethical standards (ESG note 5).

FIGHTING CORRUPTION WITH INTEGRITY PACTS

Many markets where Atlas Copco operates, such as Indonesia, rank high on Transparency International's corruption perception index. Atlas Copco Indonesia engages in non-exclusive but binding integrity pacts with its suppliers, distributors and agents. Companies who have signed an integrity pact commit to working with the highest ethical standards and transparency in all of their business dealings. This also unifies Atlas Copco and its business partners effectively as a block of companies with more influence and ability to fight corruption. Along with the integrity pact, Atlas Copco Indonesia also engages with business partners through training and direct dialogue on the Group's business partner criteria. The integrity pact approach is being used by Atlas Copco in other markets where corruption is also a challenge.

SOCIETY

Given its global reach Atlas Copco has an influence on the economic and social development of the countries in which it operates. The Group is expected to demonstrate that influence in a positive way and strives to be a good and reliable corporate citizen by creating shared value.

In the long-term, sound business practices are economically profitable since business is more efficient and establishes the Group's reputation as a reliable and trustworthy partner that conducts business with integrity. From a short-term perspective, following Atlas Copco's principles could have an adverse impact on some business opportunities.

HOTLINE

47 possible violations of the Code were reported through the hotline during 2014

The nature of the violations mostly related to organizational changes and personal issues. Activities to address the reports include internal audits, job rotation and communication. (ESG note 6)

Zero tolerance against corruption

Corruption has very negative global consequences and is both a cause of poverty and a barrier to overcoming it. The fight against corruption is also central to working with human rights and environmental impacts, since corruption can cripple the governmental bodies and processes needed to address the issues. The Atlas Copco Group has a zero tolerance policy, which applies to all employees as well as the Board of Directors. The Board has also explicitly communicated that corruption is never an acceptable excuse for securing a sale, and this applies also to facilitation payments. This basic rule strengthens the brand and contributes to fair market competition.

Prevent, detect, react

Not accepting corruption may sound simple, however, being a global company that operates in many cultures with different norms means that it is a demanding challenge to implement. The goal of no corruption or bribes is supported by a policy, procedures, training and monitoring process. When incidents are reported, firm action is taken on a case-by-case basis (ESG note 6). There are no negative consequences, such as demotion, penalty or other reprisals, for employees refusing to receive or pay bribes or for reporting violations. Internal control procedures are set up to minimize the risk of corruption and bribes, e.g. segregation of duty. Internal audits include compliance to the Business Code of Practice. Awareness of, and compliance with, principles of integrity in all business dealings is a priority for Atlas Copco.

The Group hotline can be used by employees to report behavior or actions that are, or may be perceived as, violations of laws or of the Business Code of Practice. It serves as a complement to similar processes on country level. The Group Legal department is responsible for managing the hotline and ensures that reports are treated confidentially. The person reporting is guaranteed anonymity.

Training

The Business Code of Practice is given to all new employees and training is provided globally. Managers also receive in-depth classroom training with dilemma cases. The training on corruption developed by the UN Global Compact was taken by managers before signing the Business Code of Practice compliance statement.

Human rights

Human rights are integrated into the Group goals and are driven in the organization by the Atlas Copco Business Code of Practice. The Group's Human Rights Statement is published on the Atlas Copco website, and the Group strives to work with human rights through its own operations as well as through its business relations. Atlas Copco's business partners are expected to observe the same high standards regarding human rights as Atlas Copco does. Through internal control processes Atlas Copco ensures that Group companies have internal processes in place to inform customers and business partners about its human rights policies and to assess possible reputational risks. In 2014, the Human Rights and Ethics Steering

HOW ATLAS COPCO WORKS WITH HUMAN RIGHTS IN THE VALUE CHAIN

Atlas Copco's Business Code of Practice supports the UN International Bill of Human Rights and is a central policy to guide the business in working with all issues, including human rights.

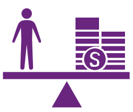
SUPPLIERS

Atlas Copco has integrated the UN Global Compact principles into supplier evaluation and management. Read more in the Business Partners section on page 48.

Prohibition of child labor and forced labor, responsible sourcing from high risk or conflict affected regions.

THE GROUP'S OWN OPERATIONS

The Group's operational goals strive to create safe, healthy and fair working environments. Read more in the Employees section on page 44.



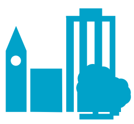
Ensuring that employees have fair labor and working conditions, diversity in the workplace and the right to join trade unions.

CUSTOMERS

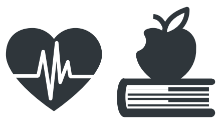
The Group is strengthening its approach using the UN Guiding Principles on Business and Human Rights. Read more in ESG note 8.

Product safety, protecting standard of life by minimizing environmental impact through usage of products, issues related to community relocation, security concerns.

COMMUNITY



Atlas Copco pays the fair, and legal amount of taxes to support the communities the Group operates in. Read more in ESG note 9.



Community engagement activities promote the access to health, education and safe development of children and vulnerable groups, as well as disaster relief.

WATER FOR ALL – 30 YEARS OF EMPLOYEE COMMITMENT

In 2014, the Atlas Copco Group's main community engagement initiative *Water for All* celebrated 30 years. It was founded in 1984 by Atlas Copco employees and supports projects that give people in need access to clean drinking water. By the end of 2014, the initiative had representation in more than 35 countries, with more under way. All local chapters are initiated and run by Atlas Copco employees who also contribute to the same through donations, often via their salaries. All donations are doubled by the company. Since the start, *Water for All* has provided access to clean drinking water to more than 1.5 million people.

More information: www.water4all.org

Water for All

Committee initiated trainings and continued to develop Atlas Copco's approach. The Committee reports to the Compliance Board, which includes two members from Group Management. The Committee also offers support to the organization as work to implement the UN Guiding Principles on Business and Human Rights.

Due diligence on human rights

A process to assess and manage the social impact of operations on communities and human rights was developed and tested in Ghana and Kazakhstan in 2011. In 2014, Atlas Copco investigated human rights issues related to the construction of a dam project in Colombia and worked with industry peers, governmental representatives and civil society to develop an action plan. The plan is based on the recommendations of the UN Guiding Principles in order to increase Atlas Copco's leverage and positive contribution. Due diligence activities are being planned for Myanmar in 2015 (ESG note 8).

Customer conduct

Atlas Copco recognizes the importance of safeguarding its reputation by working with customers who adhere to the same standards for environmental, ethical and social responsibility. The Group continues to build awareness of its ethical guidelines. The roll out of the customer sustainability assessment tool continued, and the Group's overall human rights strategy was piloted with stakeholders in various markets (ESG note 8). This tool is already in use in cases of financing by credit export agencies, and Atlas Copco has shared it with industry peers who are also developing their approach.

Community engagement and charity

Water for All is Atlas Copco's main employee-led initiative, and the Group matches the financial donations made by employees with double the amount. The Group's Community Engagement and Charity Policy also encourages companies to give support following natural and humanitarian disasters in the form of products, time or money. The community engagement and charity spend during 2014 was distributed accordingly: cash donations 90%, in kind 1%, and time value 9%. In 2014, the world saw a new outbreak of Ebola, a virus that causes severe illness and often death. The outbreak spans several countries where Atlas Copco has sales, via distributors, but no operations, mainly Guinea, Liberia and Sierra Leone. To secure the health of its employees, the Group banned travel to those three countries and took other precautions such as travel advice, such as limiting the use of overpopulated buses, and purchase of preventive equipment such as sanitizers for personnel in several countries. In total, 1% of Atlas Copco's community and charity investments went towards disaster relief.

Development and distribution of economic value

Atlas Copco creates employment and financial stability through subcontracting manufacturing and other activities. Operating costs including costs to suppliers for goods and services, functional costs deducted for employee wages and benefits amounted to MSEK 56 460 (49 079). Employee wages and benefits paid increased by 14% to MSEK 20 826 (18 274). The increase was primarily due to acquisitions.

The Group's providers of capital, for example shareholders and creditors, provide funds to finance the asset base that is used to create economic value. In return, these stakeholders receive annual dividend and interest. The costs for providers of capital including dividend, increased by 1% to MSEK 7 919 (7 853).

Atlas Copco contributes to economic development within the regions where it operates, through payments to pension funds and social security, and payments of taxes, social costs and other duties. In 2014, the cost for direct taxes to governments decreased 3% to MSEK 4 169 (4 286). The Group has been in dialogue with stakeholders regarding disclosure of taxes by country (note 9 and ESG note 9). Community investments amounted to MSEK 17 (14).

The economic value retained decreased 1% to MSEK 5 240 (5 311).

ENVIRONMENT

Atlas Copco strives to reduce its environmental footprint across the value chain and delivers energy-efficient products designed with a life cycle approach.

Impact from acquisitions

Atlas Copco's strategy for growth relies partly on acquisitions, which can have an influence on the Group's environmental performance. A product company in China acquired in 2013 uses water for heat treatment and other processes, and this environmental aspect was a focus area for improvement. In 2014, the heat treatment plant began using a recycled water system and broken penstocks that deliver water have been repaired to reduce consumption. This lead to a reduced the water consumption by about 11 000 m³. Furthermore, a separate water meter has been installed to improve the accuracy and efficiency of water management. Heating furnaces have been repaired to reduce emissions and energy consumption and an environmental awareness training for employees is currently ongoing at this site.

Another recent acquisition, Edwards, is currently one of the top emitters of CO_2 from both energy and transport and also focusing on reducing waste. Compared to other product companies, these entities conduct extensive machining operations in house, which results in a comparatively higher consumption pattern. Other reasons include air-conditioned shop floors that are necessary for product tolerance reasons. Investments to improve the environmental impact are under way and include activities such as switching to LED light sources and to lower the electricity consumption related to temperature regulation. Logistics efficiency efforts are also ongoing in order to reduce air freight. All Asian service hubs for Edwards now have sea freight routes, and the same is being implemented for other hubs as well. This has resulted in significant cost savings while reducing the environmental impact.

Environmental risk management

Atlas Copco face risks driven by changes in environmental regulations, availability of resources and other developments. Managing these risks, can also create opportunities.

Energy security

Diversifying sources of energy to include renewable sources not only has a positive environmental impact but can also benefit the business by protecting it from price fluctuations in the availability and affordability of traditional energy sources. In 2014, 34% (37) of energy consumption in production sites came from renewable sources such as wind energy, hydropower and solar power. Growth markets such as India rely heavily on non-renewable sources as coal, however rapid population growth makes it difficult for energy production to keep up with the demands. In 2014, Atlas Copco's product company in Hyderabad, India, switched to solar power, which is estimated to keep the energy cost and supply steady in the long-term. While it is important to prioritize switching to renewable energy sources in such markets, Atlas Copco faces significant challenges in markets where governmental infrastructure is not in place to supply alternative energy, especially in regions where solar energy is not a viable option.

Waste recovery

The main raw material going into the process is steel, and scrap metal represents the most significant portion of waste. Practically all of this scrap is reused or recycled. There are initiatives to reduce landfill waste, as well as the waste generated from packaging materials.

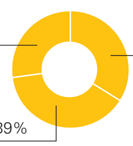
Hazardous waste in Atlas Copco's operations includes primarily cadmium, beryllium and lead. Atlas Copco tracks various categories of waste from the production process, including regulated (sometimes referred to as hazardous) waste. Restricted substances are not yet legally excluded from use but should be replaced according to a plan that takes into account technical and financial aspects. Prohibited substances are not allowed in the Group's products or processes. In 2014, Atlas Copco initiated an internal survey to follow up the compliance of these lists and to identify improvement areas. Group companies monitor the handling of hazardous waste by business partners.

Water risk management

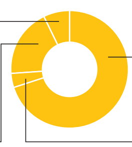
With operations in several countries facing water scarcity, Atlas Copco has started to use water indices to identify operations located in water-risk areas. Group companies in these areas should implement a water-risk management plan, from physical, legislative or cost perspectives. Innovative product design also aims to

Atlas Copco's full environmental performance can be found in ESG note 3.

PROPORTION OF ENERGY CONSUMPTION

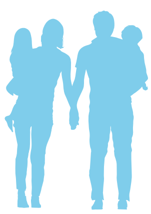


WASTE DISPOSAL*

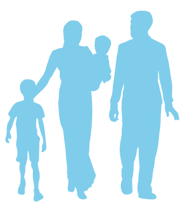


* of which regulated waste 4 710 tonnes

477 206 000 kWh ENERGY FROM OPERATIONS…



IS ENOUGH TO POWER ONE SWEDISH HOUSEHOLD FOR 58 066 YEARS



… OR ONE INDIAN HOUSEHOLD FOR 616 942 YEARS

ESG note 3

206 120 TONNES OF CO_2

FROM TRANSPORT WOULD FILL A CUBE THE HEIGHT OF THE EMPIRE STATE BUILDING

1 KG OF CO_2 WILL FILL AN 811.7 mm HIGH CUBE

ESG note 3

reduce water use when drilling to explore for minerals, for example. Business areas analyze reported data to identify the highest consuming entities in order to focus the efforts to reduce the impact.

Investing in manufacturing efficiency

Reducing energy consumption can reduce operational costs for Atlas Copco as well as for customers. In 2014, the Group launched a focused campaign to increase environmental awareness and resource efficiency, which is expected to show results in the coming year.

Process efficiencies in operations

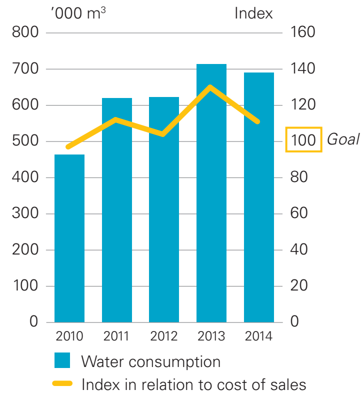
Wuxitec, a manufacturing facility in China, used to be the largest water consumer for the Compressor technique business area. The site achieved a significant reduction, including a 40% reduction from the previous year during the peak consumption month as a result of careful mapping of water consumption and targeted activities such as upgrading cooling towers. All employees at the site are involved and engaged in the review of the daily water consumption scorecards. Significant investments have been made to upgrade equipment at various sites which improves the energy efficiency of the sites and also reduces waste.

Logistical efficiency

Two of the Group's largest distribution centers achieved a reduction in gram CO_2 per tonne km by 65% and a 33% reduction in cost as a result of consolidating their deliveries to a common logistical center in Russia and switching from air to road transport. Air shipments have been reduced to the transport of breakdown or emergency orders only, and other modal shifts have also been introduced to improve the environmental impact and logistics efficiency.

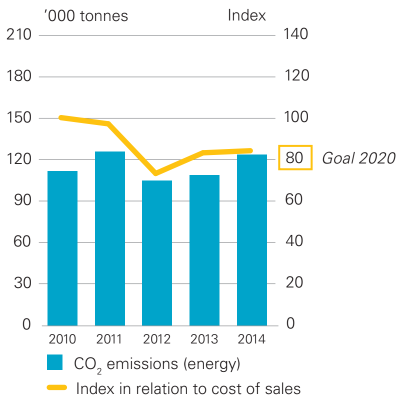
A relative decrease in water use is primarily due to efficiency measures and proactively addressing leakages

WATER CONSUMPTION



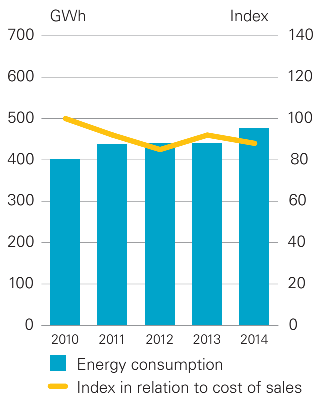
An increase in CO_2 emissions from energy, primarily due to acquisitions.

CO_2 EMISSIONS FROM ENERGY



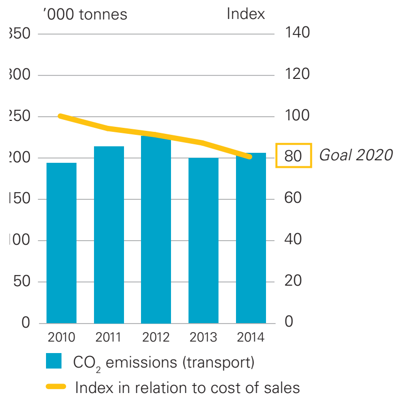
An increase in energy consumption primarily due to acquisitions which have manufacturing processes that require strict temperature control.

ENERGY CONSUMPTION



Steady in absolute CO_2 emissions due to volume effects and transport efficiency measures balancing the effect of acquisitions

CO_2 EMISSIONS FROM TRANSPORT



THE ATLAS COPCO SHARE

Share price development and returns

During 2014, the price of the A share increased 22% to SEK 218.40 (178.30) and the price of the B share increased 23% to SEK 200.90 (163.20). The annual total return on the Atlas Copco A share, equal to dividend, redemption and the appreciation of the share price, was on average 22.0% for the past ten years and 19.6% for the past five years. The corresponding total return for Nasdaq Stockholm was 11.6% (2005–2014) and 13.6% (2010–2014), respectively.

Trading and market capitalization

The Atlas Copco shares are listed on Nasdaq Stockholm, which represented 37% of the total trading of the A share (47% of the B share) in 2014. Other markets, so called Multilateral Trading Facilities (MTF), e.g. BATS Chi-X, Turquoise and Burgundy accounted for some 20% (15), and the remaining 43% (38) were traded outside public markets, for example through over-the-counter trading.

The market capitalization at year end 2014 was MSEK 261 719 (213 348 at year end 2013) and the company represented 4.9% (4.4) of the total market value of Nasdaq Stockholm. Atlas Copco was the fifth (second) most traded name in 2014 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 2014, there were 8 648 609 ADRs outstanding, of which 7 404 391 represented A shares and 1 244 218 B shares.

SHARE INFORMATION	A SHARE	B SHARE
Nasdaq Stockholm	ATCO A	ATCO B
ISIN code*	SE0000101032	SE0000122467
ADR	ATLKY.OTC	ATLCY.OTC
Total number of shares	839 394 096	390 219 008
% of votes	95.6	4.4
% of capital	68.3	31.7
Whereof shares held by Atlas Copco	11 111 707	501 379
% of votes	1.3	0.1
% of capital	0.9	0.0

* Subject to change during 2015 following redemption.

Personnel stock option program and repurchase of own shares

The Board of Directors will propose to the Annual General Meeting 2015 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, 2014 appears in the table below.

Dividend and mandatory redemption of shares

The Board of Directors proposes to the Annual General Meeting that a dividend of SEK 6.00 (5.50) per share be paid for the 2014 fiscal year. The dividend is proposed to be paid in two equal installments. If approved, the annual dividend growth for the five-year period 2010–2014 will equal 15%. During the same period, the dividend has averaged 52% of basic earnings per share.

The Board also proposes a mandatory share redemption procedure, whereby every share is split into one ordinary share and one redemption share. The redemption share is then automatically redeemed at SEK 6.00 per share. The dividend and the redemption are subject to approval at the Annual General Meeting 2015. See more information on page 19.

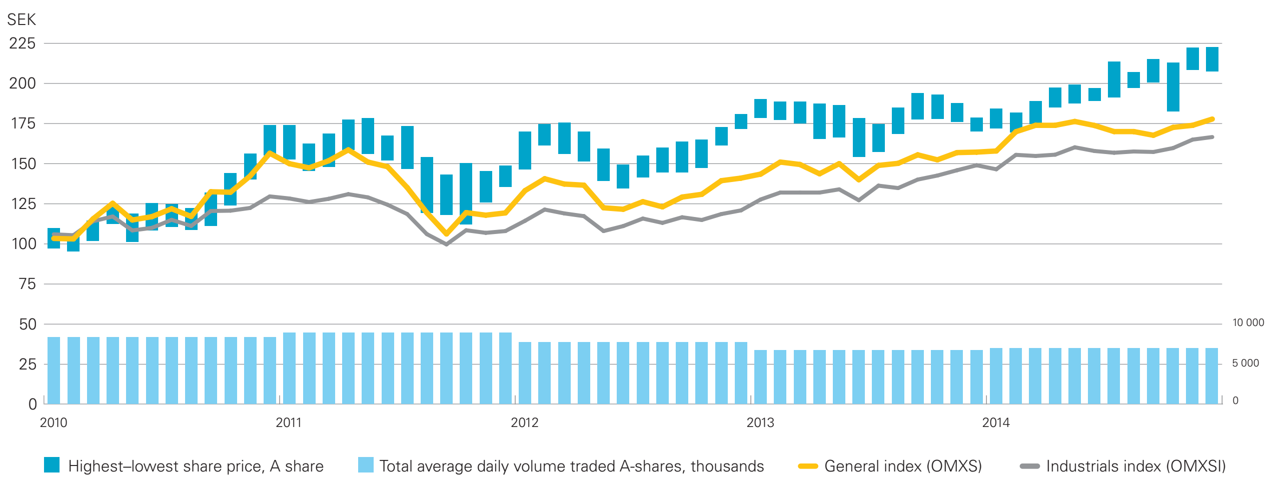
MORE INFORMATION

- → More data per share can be found on page 133 in the five-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.atlascopco.com/ir.

INVESTOR RELATIONS CONTACT

- → www.atlascopco.com/ir
- → E-mail: ir@se.atlascopco.com / phone: +46 8 743 8291

SHARE PRICE



Ownership structure

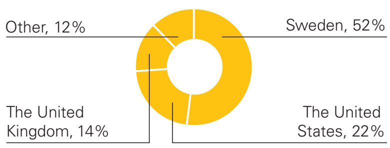
At year end 2014, Atlas Copco had 70 914 shareholders (72 738 at year end 2013). The ten largest shareholders registered directly or as a group with Euroclear Sweden, the Swedish Central Securities Depository, by voting rights, accounted for 35% (35) of the voting rights and 33% (34) of the number of shares. Swedish investors held 52% (53) of the shares and represented 50% (51) of the voting rights.

TEN LARGEST SHAREHOLDERS*

December 31, 2014	% of votes	% of capital
Investor AB	22.3	16.8
Swedbank Robur fonder	3.8	4.9
Alecta Pensionsförsäkring	3.4	4.0
SEB Investment Management	1.4	1.1
Fjärde AP-fonden	1.0	1.2
AMF	0.8	2.5
Folksam	0.8	0.9
Första AP-fonden	0.8	0.9
SPP fonder AB	0.6	0.6
Nordea Investment Funds	0.5	0.6
Others	64.6	66.6
Total	**100.0**	**100.0**
– of which shares held by Atlas Copco	1.3	0.9

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

SHAREHOLDERS BY COUNTRY
DECEMBER 31, 2014 – PERCENT OF CAPITAL



OWNERSHIP STRUCTURE, DECEMBER 31, 2014

Number of shares	% of shareholders	% of capital
1–500	59.6	0.6
501–2 000	26.0	1.6
2 001–10 000	11.1	2.7
10 001–50 000	2.2	2.7
50 001–100 000	0.3	1.3
>100 000	0.8	91.1
Total	**100.0**	**100.0**

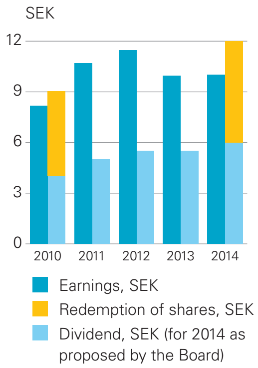
OWNERSHIP CATEGORY	% of capital
Shareholders domiciled abroad (legal entities and individuals)	47.8
Financial companies	38.9
Swedish individuals	5.5
Other Swedish legal entities	4.1
Social insurance funds	2.0
Trade organizations	1.4
Government	0.3
Total	**100.0**

SHARE ISSUES 2005–2014 [1]

			Change of share capital, MSEK	Amount distributed, MSEK
2005	Split	4:1		
	Share redemption	209 602 184 shares at SEK 20	–262.0	–4 192.0
2007	Split	3:1		
	Share redemption [2]	628 806 552 shares at SEK 40	–262.0	–24 415.7
	Bonus issue	No new shares issued	262.0	
	Cancellation of shares held by Atlas Copco	28 000 000 shares	–17.5	
	Bonus issue	No new shares issued	17.5	
2011	Split	2:1		
	Share redemption [3]	1 229 613 104 shares at SEK 5	–393.0	–6 067.0
	Bonus issue	No new shares issued	393.0	

[1] For information before 2005 please visit www.atlascopco.com/ir [2] 610 392 352 shares net of shares held by Atlas Copco. [3] 1 213 493 751 shares net of shares held by Atlas Copco.

EARNINGS AND DISTRIBUTION PER SHARE



IMPORTANT DATES

2015	April 28	Annual General Meeting
		First quarter results
	April 29*	Shares trade excl. right to dividend of SEK 3.00
	May 5*	First dividend payment date (preliminary)
	May 15*	Shares trade excl. right to redemption share SEK 6.00
	June 15*	Redemption payment date (preliminary)
	July 16	Second quarter results
	October 20	Third quarter results
	October 29*	Shares trade excl. right to dividend of SEK 3.00
	November 3*	Second dividend payment date (preliminary)
	November 17	Capital Markets Day
2016	January 28	Preliminary 2015 report
		Fourth quarter results 2015

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

ATLAS COPCO TOP RANKED IN DOW JONES SUSTAINABILITY INDEX

In 2014, Atlas Copco was again listed as one of the top companies in its industry in the prestigious Dow Jones Sustainability Index for 2014/2015.

The index lists the world's leading sustainability-driven companies. The index helps identify and measure the companies that represent an attractive investment opportunity by demonstrating an ability to manage sustainability issues.

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 challenge 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 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 Articles of Association and other relevant rules.

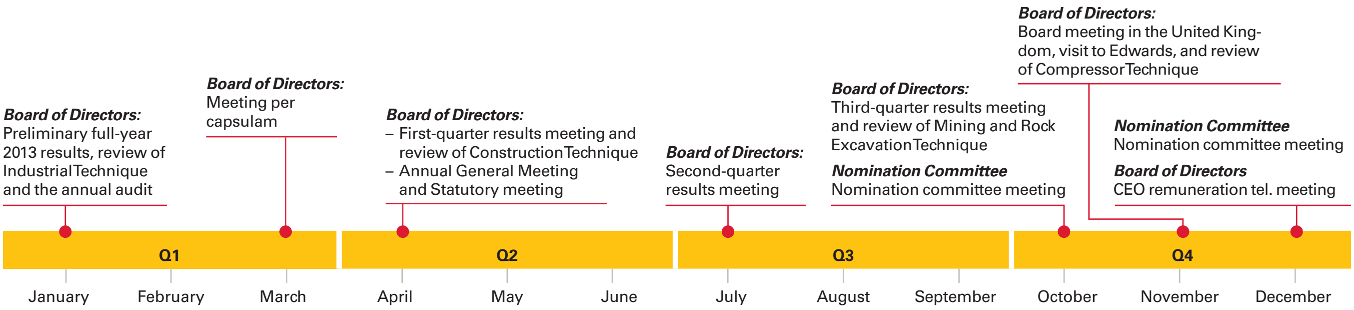
Atlas Copco does not report any deviations from the Swedish Corporate Governance Code for the financial year 2014.

The corporate governance report has been examined by the auditors, see page 123.

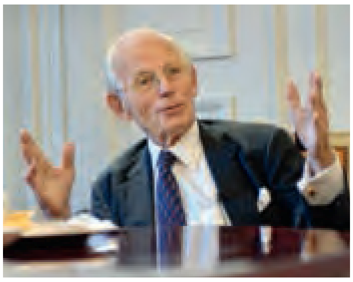
THE FOLLOWING INFORMATION IS AVAILABLE AT WWW.ATLASCOPCO.COM

- ➔ Atlas Copco's Articles of Association
- ➔ Business Code of Practice
- ➔ Corporate governance reports since 2004 (as a part of the annual report)
- ➔ Information on Atlas Copco's Annual General Meeting
- ➔ Proxy form for the Annual General Meeting

THE BOARD'S WORK DURING 2014 IN SUMMARY



IN MEMORIAM: PETER WALLENBERG



Peter Wallenberg
1926–2015

Atlas Copco Honorary Chair Peter Wallenberg, who was active with the Group for more than 61 years, passed away at the age of 88 years in January 2015. He played an important role in the Swedish and international business communities.

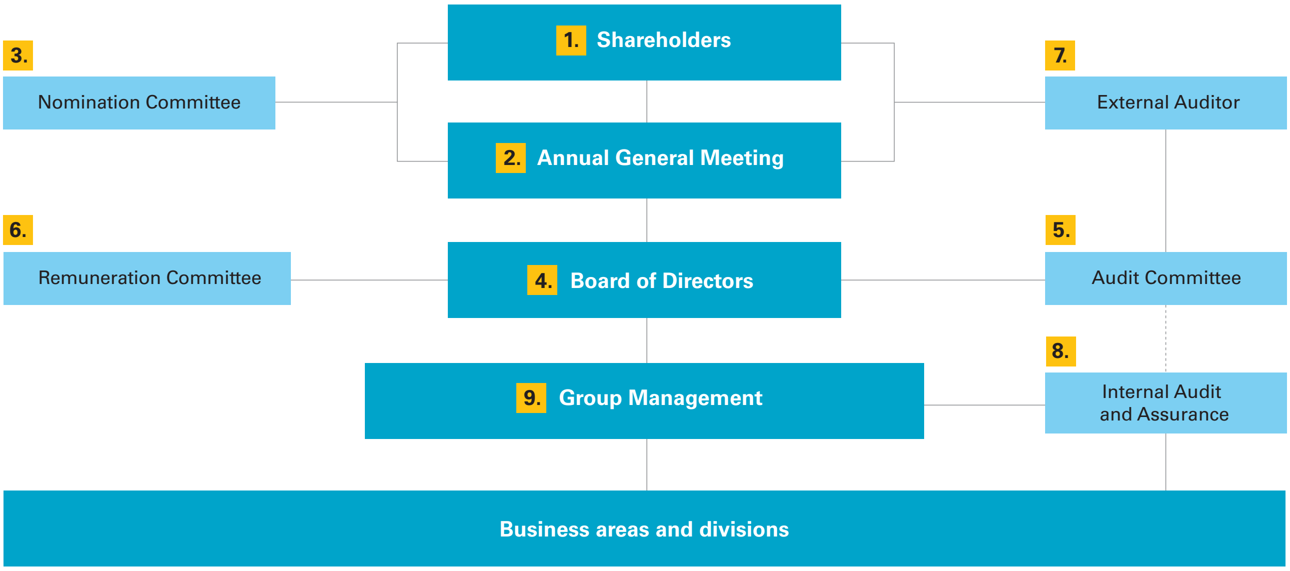
Peter Wallenberg, born 1926, began his long and productive partnership with Atlas Copco in 1953 when he joined as an employee at a service workshop in Nacka, Sweden.

Eager to learn about all aspects of the company and not afraid to take on tough physical tasks, Peter Wallenberg worked for a period in the Kärrgruvan mine in Sweden where he learned to operate rock drilling machines. In 1956 he moved to the United States as a compressor sales engineer. Though he was a lawyer at this time, he learned the technical matters including how to service the equipment.

In 1959 he left for Atlas Copco in Africa, where he served as Managing Director for the Federation of Rhodesia and Nyasaland (Zimbabwe, Zambia and Malawi) and later also for the Congo. He served in the United Kingdom before returning to Sweden as Managing Director for Mining and Construction Technique in 1968. In 1974 he became Chair of the Board of Directors, a position he held for 22 years. From 1996 he served as Honorary Chairman.

"Peter Wallenberg will be remembered as the most committed Atlas Copco promoter and supporter ever," said Ronnie Leten, President and CEO for the Atlas Copco Group. "He was a true inspiration for me personally and for countless of former colleagues and friends in the Group."

When Peter Wallenberg stepped down as Chair in 1996, Atlas Copco established an award in his name. The Peter Wallenberg Marketing and Sales Award recognizes the most innovative and successfully implemented method in the field of sales and marketing. The award is presented every year at Atlas Copco's Annual General Meeting in Stockholm, Sweden.



GOVERNANCE STRUCTURE

1. SHAREHOLDERS

At the end 2014, Atlas Copco had 70 914 shareholders (72 738 at year end 2013). The ten largest shareholders registered directly or as a group with Euroclear Sweden, the Swedish Central Securities Depository, by voting rights, accounted for 35% (35) of the voting rights and 33% (34) of the number of shares. Swedish investors held 52% (53) of the shares and represented 50% (51) of the voting rights.

The largest shareholder is Investor AB, holding 17% of capital and 22% of votes. More information on Atlas Copco's shareholders can be found on pages 54–55.

2. ANNUAL GENERAL MEETING

The Annual General Meeting (AGM) is Atlas Copco's supreme decision-making body in which all shareholders are entitled to take part. The shareholders may exercise their voting rights in a number of important issues, such as the election of Board members and auditors, approval of financial statements, discharge of liability for the President and CEO and the Board, and the adoption of the proposed distribution of profits. All shareholders 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 attend the AGM and shareholders who cannot participate personally may be represented by proxy holders. A shareholder or a proxy holder may be accompanied by two assistants and a proxy form can be found prior to the AGM at www.atlascopco.com/agm.

The AGM 2014 was held on April 29, 2014 in Stockholm, Sweden and 59% of the total number of votes in the company and 56% of the shares were represented.

Decisions at the AGM 2014 included:

- adoption of the income statements and balance sheets of the company and the Group for 2013
- discharge of liability of the company's affairs during the 2013 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 5.50 per share
- that the number of directors elected by the annual general meeting for a term ending at the next annual general meeting would be nine directors and no alternates
- a resolution of the Board of Directors' fee
- approval of the guidelines for remuneration to management
- approval of the reported scope and principals for a performance based employee stock option plan for 2014
- election of Jan Berntsson as principal auditor and Deloitte AB as auditing company until the AGM 2015.

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 the following addresses:

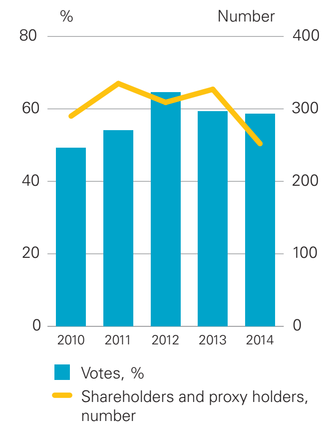
Atlas Copco AB, Att: General Counsel
SE-105 23 Stockholm, Sweden,
nominations@atlascopco.com or
board@atlascopco.com.

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.

ANNUAL GENERAL MEETING 2015

The Annual General Meeting 2015 will be held on April 28, 2015 at 4 p.m. in Aula Magna, Stockholm University, Frescativägen 6, Stockholm, Sweden.

ANNUAL GENERAL MEETING ATTENDANCE



GOVERNANCE STRUCTURE, CONTINUED

3. NOMINATION COMMITTEE

The Nomination Committee has the responsibility to ensure that the Board of Directors of Atlas Copco AB represents the knowledge, experience and diversity most suitable to achieve a sustainable and profitable development of the Atlas Copco Group.

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 for 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 2015.

In compliance with the Swedish Corporate Governance Code and the adopted procedures by the AGM 2012, representatives of the four largest directly registered or ownership grouped shareholders, listed in the shareholders' register as of September 30, respective year, together with the Chair of the Board shall form the Nomination Committee.

The members of the Nomination Committee were announced on October 20, 2014 and they represented approximately 30% of all votes in the company. The Nomination Committee had two minuted meetings during the year. The members of the Nomination Committee receive no compensation for their work in the Nomination Committee.

Nomination Committee members for the AGM 2015

Petra Hedengran, Investor AB, Chair
Jan Andersson, Swedbank Robur Fonder
Ramsay Brufer, Alecta
Hans Ek, SEB Fonder
Hans Stråberg, Atlas Copco AB

4. BOARD OF DIRECTORS

The Board of Directors is overall responsible for the organization, administration and management of Atlas Copco in the best interest of the Company and of the 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 growth incentive is regularly evaluated by the Board based on the Group's financial situation and financial, legal, social and environmental risk. The mission is to achieve a sustainable and profitable development of the Group.

Board of Directors' members

The Board of Directors consists of nine elected members, including the President and CEO. The Board also has two union members, each with one personal deputy. Atlas Copco fulfilled the 2014 requirements of Nasdaq Stockholm and the rules of the Swedish Corporate Governance Code regarding independency of board members. All board members have participated in training sessions arranged by Nasdaq Stockholm.

The Board of Directors' work

The Board continuously addresses the strategic direction, the financial performance, and the methods to maintain sustainable profitability of the Group. Further, the Board regularly ensures that efficient control systems are in place. The Board also follows up on the compliance of the Business Code of Practice as well as the whistleblowing system. Besides the general distribution of responsibilities that apply in accordance with the Swedish Companies Act, the Board and its committees (Audit Committee, Remuneration Committee and others) annually review and adopt "The Rules of Procedure" and "The Written Instructions", which are documents that govern the Boards' work and distribution of tasks between the Board and the President as well as the Company's reporting processes.

The Board had eight meetings in 2014: five at Atlas Copco AB in Nacka, Sweden, one per capsulam, one per phone and one in England, including a visit to Edwards. The attendance of Board members is presented on pages 60–61. No dissenting opinions in relation to a decision have been reported in the Minutes during the year. The Board continuously evaluates the performance of the CEO, Ronnie Leten. For the Annual Audit, the company's principal auditor, Jan Berntsson, Deloitte, reported his observations and the Board also had a separate session with the auditor where members of Group Management were not present.

" The Board continuously addresses the strategic direction, the financial performance, and the methods to maintain sustainable profitability of the Group."

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 Boards' working procedures, competence and composition, including the background, experience, and diversity of the 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 2014 AGM 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 received SEK 1 900 000
- Each of the other Board members not employed by the company SEK 570 000
- An amount of SEK 225 000 was granted to the Chair of the Audit Committee and SEK 150 000 to each of the other members of this committee
- An amount of SEK 60 000 was granted to each one of the members of the Remuneration Committee
- An amount of SEK 60 000 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.

5. AUDIT COMMITTEE

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, delegated by the Board. The Audit Committee work further includes reviewing internal audit procedures. 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.

During the year, the committee convened five times. All members were present at these meetings. In the beginning of the year the committee finalized the proposal for audit company Deloitte, for the period until the AGM 2017, subject to approval at the AGM each year. It was presented to the Nomination Committee and subsequently the proposal was approved by the AGM. All meetings of the Audit Committee have been reported to the Board of Directors and the corresponding Minutes have been distributed.

Audit Committee 2014–2015
Ulla Litzén, Chair
Hans Stråberg
Staffan Bohman
Johan Forssell

6. REMUNERATION COMMITTEE

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 goal with a long-term incentive plan is to align the interests of key personnel with those of the shareholders. The Remuneration Policy for Group Management aims to establish principles for a fair and consistent remuneration with respect to compensation, benefits, and termination. The base salary is determined by position and performance and the variable compensation is for the achievement of individual goals. The Remuneration Policy is reviewed annually and the AGM 2014 approved the guidelines for remuneration. See also note 5.

The Remuneration Committee had two meetings in 2014. 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. The corresponding Minutes have been distributed to the Board.

Remuneration Committee 2014–2015
Hans Stråberg, Chair
Peter Wallenberg Jr
Anders Ullberg

7. EXTERNAL AUDITOR

The task of the external auditor is to examine Atlas Copco's annual accounts and accounting practices, as well as to review the Board and the CEO's management of the Company. At the AGM 2014 the audit firm Deloitte AB, Sweden, was elected external auditor until the AGM 2015 in compliance with a proposal from the Nomination Committee. The principal auditor is Jan Berntsson, Authorized Public Accountant at Deloitte AB.

At the AGM 2014, Jan Berntsson 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.

8. INTERNAL AUDIT AND ASSURANCE

The Board of Directors is responsible for that Atlas Copco has adequate internal control systems in place for financial reporting. Read more on pages 64–65.

BOARD OF DIRECTORS

					
Name **Born** **Function**	**Hans Stråberg** 1957 Chair since 2014	**Ronnie Leten** 1956 Board member President and CEO	**Ulla Litzén** 1956 Board member	**Anders Ullberg** 1946 Board member	**Staffan Bohman** 1949 Board member
Education	M.Sc. in Mechanical Engineering, Chalmers University of Technology, Gothenburg	M.Sc. in Applied Economics, University of Hasselt, Belgium	M.Sc. in Economics and Business Administration, Stockholm School of Economics, and MBA, Massachusetts Institute of Technology, the U.S.	M.Sc. in Economics and Business Administration, Stockholm School of Economics	M.Sc. in Economics and Business Administration, Stockholm School of Economics and Stanford Executive Program, the U.S.
Nationality / Elected	Swedish / 2013	Belgian / 2009	Swedish / 1999	Swedish / 2003	Swedish / 2003
Board memberships	Member of the Board of Investor AB, Stora Enso Oyj, Finland, N Holding AB, Mellby Gård AB, Hedson AB and Chair of Roxtec AB, CTEK AB, Nikkarit Holding AB and Orchid Orthopedics Inc.	Chair of Electrolux AB.	Board member of SKF AB, Boliden AB, Alfa Laval AB, NCC AB and Husqvarna AB.	Chair of BE Group AB, Boliden AB, Natur & Kultur, and Studsvik AB. Board member of Beijer Alma, Valedo Partners, and Åkers AB. Chair of the Swedish Financial Reporting Board.	Chair of Höganäs AB and Cibes Lift Group AB, Vice Chair of Rezidor Hotel Group AB, the Swedish Corporate Governance Board, and the Board of trustees of SNS, Board member in Ratos AB and Boliden AB.
Principal work experience and other information	Chief Executive Officer and President for Electrolux AB. Various executive positions in the Electrolux Group based in Sweden and the U.S. EU Co-Chair TABD, Trans-Atlantic Business Dialogue.	President and CEO of Atlas Copco AB.* Business Area President for Atlas Copco Compressor Technique. Division president for the divisions Airtec and Industrial Air as well as several management positions within IT, logistics, business development and manufacturing in the Compressor Technique business area in Belgium.	President of W Capital Management AB (wholly owned by the Wallenberg Foundations) and Managing Director and member of the Management Group, Investor AB.	Vice President Corporate Control Swedyards (Celsius Group), Executive Vice President and CFO, SSAB,Swedish Steel and President and CEO of SSAB Swedish Steel.	CEO of Sapa AB, Gränges AB and DeLaval AB.
Total fees 2014, KSEK [1]	1 990	–	1 110	686	933
Board meeting attendance	8 of 8	7 of 8 [2]	8 of 8	8 of 8	7 of 8
Remuneration Committee attendance	1 of 1 as of AGM 2014 Chair	–	–	2 of 2	–
Audit Committee attendance	5 of 5	–	5 of 5 Chair	–	5 of 5
Holdings in Atlas Copco AB [3]	7 720 synthetic shares	19 166 class A shares 24 000 class B shares 208 029 synthetic shares/ employee stock options	75 800 class A shares 3 000 class B shares 2 302 synthetic shares	14 000 class A shares 10 000 class B shares 2 302 synthetic shares	10 000 class A shares 30 000 class B shares 4 180 synthetic shares
Independence to Atlas Copco and its management	Yes	No [4]	Yes	Yes	Yes
Independence to major shareholders	No [6]	Yes	Yes	Yes	Yes
Annual Meeting attendance	Yes	Yes	Yes	Yes	Yes

Board members appointed by the unions

Bengt Lindgren
Board member
Born 1957
Chair of IF Metall, Atlas Copco
Elected 1990
Board meeting attendance 7 of 8

Mikael Bergstedt
Board member
Born 1960
Chair of PTK, Atlas Copco
Elected 2004
Board meeting attendance 8 of 8




Margareth Øvrum 1958 Board member	**Johan Forssell** 1971 Board member	**Gunilla Nordström** 1959 Board member	**Peter Wallenberg Jr** 1959 Board member
M.Sc. in Technical Physics, Norwegian University of Science and Technology, Trondheim, Norway	M.Sc. in Economics and Business Administration, Stockholm School of Economics	M.Sc. in Electronics, Industrial Marketing Management, Linköping University	BSBA Hotel Administration, University of Denver, the U.S. and International Bachaloria, American School, Leysin, Switzerland
Norwegian / 2008	Swedish / 2008	Swedish / 2010	Swedish / 2012
	Board member of Saab AB.	Board member of Wärtsilä Oyj, Finland.	Chair of Foundation Administration Management Sweden AB, The Grand Group, The Royal Swedish Automobile Club. Vice Chair of the Knut and Alice Wallenberg Foundation. Board member of Aleris Holding AB, Foundation Asset Management Sweden AB, Investor AB and Scania AB.
Executive Vice President for Statoil ASA.* Several leading positions within technology, projects, production, maintenance, health/safety/environment, and procurement in Statoil. All positions in Norway.	Managing Director, Head of Core Investments and member of the management group of Investor AB.* Investor AB's Board of Directors has appointed Johan Forssell as new President and CEO as of May 12, 2015.	President and CEO of Electrolux Major Appliances Asia/Pacific, based in Singapore, and Executive Vice President of Electrolux AB.* Senior management positions with telefonaktiebolaget LM Ericsson and Sony Ericsson in Europe, Latin America and Asia.	President and CEO of The Grand Hotel Holdings, General Manager The Grand Hotel, President Hotel Division Stockholm-Saltsjön.
568	712	568	628
7 of 8	8 of 8	8 of 8	8 of 8
–	–	–	2 of 2
–	5 of 5	–	–
9 054 synthetic shares	5 000 class B shares 9 054 synthetic shares	7 176 synthetic shares	5 030 synthetic shares
Yes	Yes	No [5]	Yes
Yes	No [7]	Yes	No [6]
Yes	Yes	Yes	Yes

Ulf Ström
Deputy
Born 1961
Chair of IF Metall, Atlas Copco Rock Drills AB, Örebro
Elected 2008
Board meeting attendance 8 of 8

Kristina Kanestad
Deputy
Born 1966
Chair of Unionen, Atlas Copco Rock Drills AB, Örebro
Elected 2007
Board meeting attendance 8 of 8

REFERENCES:

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

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

2) One meeting only covered the remuneration to the President and CEO. He did not participate in this board meeting.

3) Holdings as per end of 2014, including those of close relatives or legal entities and grant for 2014.

4) President and CEO of Atlas Copco.

5) Member of Group Management in a company where the President and CEO is the Chair (Electrolux AB).

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

7) Employed by a company which is a larger owner (Investor AB).

* Current position.

GROUP MANAGEMENT




Name	Ronnie Leten	Nico Delvaux	Mats Rahmström	Johan Halling
Position	President and CEO	Senior Executive Vice President for Atlas Copco AB and Business Area President Compressor Technique	Senior Executive Vice President for Atlas Copco AB and Business Area President Industrial Technique	Senior Executive Vice President for Atlas Copco AB and Business Area President Mining and Rock Excavation Technique
In current position since	2009	2014	2008	2013
Nationality / Employed	Belgian / 1997	Belgian / 1991	Swedish / 1988	Swedish / 1998
Born	1956	1966	1965	1952
Education	M.Sc. in Applied Economics, University of Hasselt, Belgium	M.Sc. in Electromechanics from the University of Brussels and an MBA from the Handelshogeschool in Antwerp, Belgium	MBA from the Henley Management College, the United Kingdom	M.Sc. in Mechanical Engineering from the University of Lund
Principal work experience and other information	Ronnie Leten was first employed by Atlas Copco in 1985. Since then he has been Business Area President for Atlas Copco Compressor Technique and President for the divisions Airtec and Industrial Air. He has also held management positions within IT, logistics, business development and manufacturing in the Compressor Technique business area. All positions in Belgium.	Nico Delvaux started his career with Atlas Copco in 1991 and has had positions in sales, marketing, service, acquisition-integration management and general management, in markets including Benelux, Italy, Canada and the United States. Before his current position, he was Business Area President for Construction Technique.	Mats Rahmström has held positions in sales, service, marketing and general management within the Industrial Technique business area. Between 1998 and 2006 he held the position as General Manager for customer centers in Sweden, Canada and the United Kingdom. Between 2006 and 2008 he was President of the Atlas Copco Tools and Assembly Systems General Industry division within Industrial Technique.	Johan Halling joined Atlas Copco in 1998 as President of one of the electric tool divisions within Industrial Technique that Atlas Copco owned at the time. Between 2002 and 2013 he was President of Atlas Copco's Rock Drilling Tools division.
External directorships	Chair of Electrolux AB.		Board member of Permobil Holding AB.	Chair of Eson Pac Group AB.
Holdings in Atlas Copco AB [1]	19 166 class A shares 24 000 class B shares 208 029 synthetic shares/ employee stock options	5 811 class A shares 66 704 synthetic shares/ employee stock options	6 780 class A shares 91 057 synthetic shares/ employee stock options	7 955 class A shares 85 456 synthetic shares/ employee stock options

[1] Holdings as per December 31, 2014, including those held by related natural or legal persons. See note 23 for more information on the option programs and matching shares.

The President and CEO, Ronnie Leten, has no major shareholdings or part ownership in enterprises with which Atlas Copco has significant business relations.
All educational institutions and companies are based in Sweden, unless otherwise indicated.

9. GROUP MANAGEMENT

Besides the President and CEO, the Group Management consists of four business area executives and executives responsible for the main Group functions; Corporate Communication and Governmental Affairs, Organizational Development and 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 Remuneration Policy is reviewed and presented to the AGM by the Board of Directors for approval every year. In 2014, the AGM decided to adopt the Board's proposal.

The remuneration covers an annual base salary, variable compensation, possible long-term incentive (personnel options), pension premium and other benefits. The variable compensation is limited to a maximum percentage of the base salary. No fees are paid for Board memberships in Group companies or for other duties performed.

				
Andrew Walker	**Annika Berglund**	**Jeanette Livijn**	**Hans Ola Meyer**	**Håkan Osvald**
Senior Executive Vice President for Atlas Copco AB and Business Area President Construction Technique	Senior Vice President Corporate Communications and Governmental Affairs	Senior Vice President Organizational Development and Human Resources	Senior Vice President Controlling and Finance	Senior Vice President General Counsel
2014	1997	2007	1999	2012
Irish / 1986	Swedish / 1979	Swedish / 1987	Swedish / 1991	Swedish / 1985
1961	1954	1963	1955	1954
M. Sc. in Industrial Engineering and an MBA from University College Dublin, Ireland	M.Sc. in Economics and Business Administration from Stockholm School of Economics and an MBA from the University of Antwerp, Belgium	M.Sc. in Business Administration from Växjö högskola	M.Sc. in Economics and Business Administration from Stockholm School of Economics	Master of Law from Uppsala University
Andrew Walker started his career with Atlas Copco in Ireland 1986 and has since then had several different management positions in markets including United Kingdom, Ireland, Belgium and the United States. Before his current position, Andrew Walker was President of the Service division within Compressor Technique.	Annika Berglund began her career in marketing analysis and market research with Atlas Copco in 1979. Since then, she has held a number of positions in the Group related to marketing, sales, and business controlling in Europe. Prior to her current position, she was Marketing Manager for the electronic company Atlas Copco Controls (Danaher Motion).	Jeanette Livijn started to work for Atlas Copco in the field of financial and business controlling in 1987 and held various positions in this function. Since 1997 she has held managerial positions within human resource management. Before she took up this present position she was Vice President Human Resources for the Industrial Technique business area.	Hans Ola Meyer was employed in 1978 to work with Group accounting and controlling. Later he moved to Ecuador as Financial Manager. Between 1984 and 1991, he held various positions at the broker Penningmarknadsmäklarna. He returned to Atlas Copco in 1991 as Financial Manager in Spain and in 1993 he became Senior Vice President, Finance, for Atlas Copco AB and a member of Group Management.	Håkan Osvald joined Atlas Copco in 1985 as Legal Counsel. From 1989 he was General Counsel for Atlas Copco North America Inc. and Chicago Pneumatic Tool Company, the United States. In 1991 he was appointed Vice President Deputy General Counsel Atlas Copco Group, with a special responsibility for acquisitions. Prior to his current position, he was General Counsel Operations. Since 2012 he is Secretary of the Board of Directors for Atlas Copco AB.
			Member of The Swedish Financial Reporting Board and member of the Board of Trustees for The Bank of Sweden Tercentenary.	Chair of ICC Sweden, reference group Competition.
3 998 class A shares, 37 033 synthetic shares/ employee stock options.	10 467 class A shares 7 900 class B shares 83 496 synthetic shares/ employee stock options	3 414 class A shares 29 369 synthetic shares/ employee stock options	7 286 class A shares 18 021 class B shares 62 311 synthetic shares/ employee stock options	3 709 class A shares 2 600 class B shares 40 669 synthetic shares/ employee stock options

INTERNAL CONTROL OVER FINANCIAL REPORTING

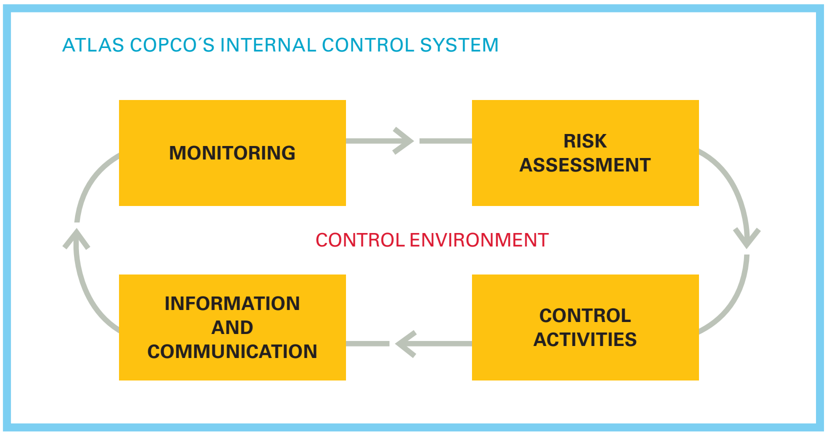
This section includes a description of Atlas Copco's system of internal controls over financial reporting in accordance with the requirements set forth in the Swedish Code of Corporate Governance and as stipulated by the Swedish Companies Act.

The internal control process is based on a control environment 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 for the process is the regulatory framework for internal control issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), www.coso.org.

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 CEO. Group Management sets the tone for the organization, influencing the control consciousness of the 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. All employees must follow these policies and guidelines.

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 improved over previously identified risks.

Identified risks are managed through the *control activities* in the company, which are documented in processes and internal control descriptions on the Company, Division, Business area, and Group levels. These aim



PROCESSES AND TOOLS

PROKURA

Prokura is the delegation of the authority to act both with respect to a third party and internally. It defines how responsibility is allocated to positions and, reflecting this, to individuals.

FREQUENCY: When a person is recruited to a new position

BUSINESS BOARD

The internal board structure, organized according to operational responsibilities (i.e. parallel to the legal company board structure), and Company Review Meetings between local management and responsible division management are essential tools to follow up the adherence to internal policies, guidelines, instructions and codes as well as the efficiency in the control activities over financial reporting.

FREQUENCY: 3–4 times per year

REPORTING

Monthly operative reports are prepared to measure and analyze profitability per product category, company, business line, division, and business area. Each division consolidates its units and reports adjustments and eliminations. Quarterly, these reports are completed with additional information and specifications. The reports constitute the basis for the Group's quarterly and annual consolidated reports. Reporting is also prepared to measure progress in fields related to environmental and social performance.

The Group uses a common system for consolidation of the reports, which also provides certain system-based validation reports. It includes a series of standardized scorecards used to analyze and follow up key indicators and trends in relation to the set targets.

FREQUENCY: Monthly, quarterly, annually

BUSINESS CONTROL

Each unit has a business controller responsible for ensuring adequate internal control processes over financial reporting, implementing Group control processes. The controller is also responsible for ensuring the application of *The Way We Do Things* and that reporting is correct, complete, and delivered on time. There are also controllers at the Division, Business area, and Group levels with corresponding responsibilities for these aggregated levels.

FREQUENCY: Continuously

to prevent, detect and correct errors and non-compliances and include for example instructions for attests and authority to pay, controls in business systems as well as accounting and business reporting processes.

The company has *information and communication channels* designed to ensure that information is identified, captured and communicated in a form and timeframe that enable employees and managers to carry out their responsibilities. Reporting instructions and accounting guidelines are communicated to personnel concerned in the internal database *The Way We Do Things*, supported by, for example, training programs for different categories of employees.

The company continuously *monitors* the adherence to internal policies, guidelines, manuals, and codes as well as efficiency in the control activities. Internal control is continuously evaluated and followed up on in the operations, including regular management reviews and supervisory activities as well as through internal audits, and control self assessments. The Audit Committee has an important role in supporting the Board of Directors to monitor whether the internal control processes facilitate adequate internal control over financial reporting.

Activities in 2014

In 2014, the Group internal audit function conducted internal audits in 113 (107) units out of 511 (452). The audits were conducted in 46 countries. A risk-based internal audit plan was executed. The majority of the internal audits were conducted under leadership of Group internal audit staff with audit team members having competences in accounting, controlling, purchasing, marketing, human resources, legal, etc. Internal audits covered units' relevant processes, with additional focus on human resources and IT security. IT security audits were carried out by the Group IT Security function and covered 53 (61) units.

Focus in 2015

In 2015, the Group internal audit function will continue its work to review processes and tools with focus on risks, controls and governance as well as recommending leading practices.

INTERNAL CONTROL STATISTICS	2014	2013
Operative units in the Group	511	452
Internal audits conducted	113	107
Control self assessments completed	317	318

PROCESSES AND TOOLS

INTERNAL AUDITS

The Internal Audit process is intended to add value to each operational unit by providing an independent and objective assurance and consulting function as well as to identify and recommend improvements. Further, 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. This includes for example when there is a change of General Manager in a company, after major negative events or structural changes, remarks from external auditors, when a new company is formed or acquired, or if a long time has passed since the last audit. Internal audits are normally performed by an inter-disciplinary team of people appointed from the organization.

Atlas Copco has operations in several complex markets, where the risk of human rights abuses and corruption is high. Therefore, the adherence to the Business Code of Practice is evaluated in the internal audit process, including environmental aspects and business partner relationships.

FREQUENCY: All units at least once every five years

CONTROL SELF ASSESSMENT

The objective of this process is primarily to support local unit managers evaluating the status of their control routines and to address weak areas. One of the areas is internal control, which includes internal control over financial reporting. Other areas include legal issues, communication and branding, and the Business Code of Practice. On Group level the aggregated assessments of the control routines give a base for improvement of Group processes, instructions, etc.

FREQUENCY: Annually

HOTLINE

The Group has a process where employees and other stakeholders can report on behavior or actions that are possible violations of laws or of Group policies, including violation of accounting and financial reporting guidelines and policies. This also includes perceived cases of human rights violation, discrimination or corruption. This process serves as a complement to similar procedures that exist on country level in certain countries. The reports are treated confidentially and the person who is reporting is guaranteed anonymity. There have been efforts to increase awareness of this process among all employees and managers, e.g. through training in the Business Code of Practice and fraud awareness.

FREQUENCY: As required

COMPLIANCE STATEMENT

In the compliance process Group Management, divisional managements and all managers responsible for an operational or holding unit and certain other key positions are requested to sign a statement confirming compliance to the Business Code of Practice and applicable laws and regulations.

FREQUENCY: Annually

FINANCIAL STATEMENTS AND NOTES

MSEK unless otherwise stated

Consolidated income statement

For the year ended December 31, Amounts in MSEK	Note	2014	2013
Revenues	4	93 721	83 888
Cost of sales		–58 669	–51 766
Gross profit		**35 052**	**32 122**
Marketing expenses		–9 825	–8 338
Administrative expenses		–5 668	–4 801
Research and development expenses		–2 933	–2 117
Other operating income	7	573	514
Other operating expenses	7	– 191	–331
Share of profit in associated companies	14	7	7
Operating profit	4, 5, 6, 16	**17 015**	**17 056**
Financial income	8	313	394
Financial expenses	8	–1 237	–1 184
Net financial items		**–924**	**–790**
Profit before tax		**16 091**	**16 266**
Income tax expense	9	–3 916	–4 184
Profit for the year		**12 175**	**12 082**
Profit attributable to:			
– owners of the parent		12 169	12 072
– non-controlling interests		6	10
Basic earnings per share, SEK	11	10.01	9.95
Diluted earnings per share, SEK	11	9.99	9.92

Consolidated statement of comprehensive income

For the year ended December 31, Amounts in MSEK	Note	2014	2013
Profit for the year		**12 175**	**12 082**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit plans		–759	45
Income tax relating to items that will not be reclassified		194	–18
		–565	**27**
Items that may be reclassified subsequently to profit or loss			
Translation differences on foreign operations		5 687	444
– realized and reclassified to income statement		–	16
Hedge of net investments in foreign operations		–1 052	–712
Cash flow hedges		–199	–31
– adjustment for amounts transferred to the initial carrying amounts of acquired operations		81	–
Income tax relating to items that may be reclassified	10	711	410
		5 228	**127**
Other comprehensive income for the year, net of tax	10	**4 663**	**154**
Total comprehensive income for the year		**16 838**	**12 236**
Total comprehensive income attributable to:			
– owners of the parent		16 806	12 229
– non-controlling interests		32	7

Consolidated balance sheet

Amounts in MSEK	Note	Dec. 31, 2014	Dec. 31, 2013
ASSETS			
Non-current assets			
Intangible assets	12	33 197	17 279
Rental equipment	13	3 177	2 420
Other property, plant and equipment	13	9 433	6 907
Investments in associated companies	14	115	101
Other financial assets	15	1 810	2 316
Other receivables		56	23
Deferred tax assets	9	1 549	961
Total non-current assets		**49 337**	**30 007**
Current assets			
Inventories	16	18 364	16 826
Trade receivables	17	19 903	16 619
Income tax receivables		480	309
Other receivables	18	5 632	4 798
Other financial assets	15	2 150	1 697
Cash and cash equivalents	19	9 404	17 633
Assets classified as held for sale		11	2
Total current assets		**55 944**	**57 884**
TOTAL ASSETS		**105 281**	**87 891**
EQUITY	Page 69		
Share capital		786	786
Other paid-in capital		6 037	5 743
Reserves		4 239	–963
Retained earnings		39 513	34 081
Total equity attributable to owners of the parent		**50 575**	**39 647**
Non-controlling interests		178	147
TOTAL EQUITY		**50 753**	**39 794**
LIABILITIES			
Non-current liabilities			
Borrowings	21	22 182	19 997
Post-employment benefits	23	2 531	1 414
Other liabilities		1 070	392
Provisions	25	888	682
Deferred tax liabilities	9	1 127	1 027
Total non-current liabilities		**27 798**	**23 512**
Current liabilities			
Borrowings	21	2 284	5 595
Trade payables		7 876	6 418
Income tax liabilities		1 602	845
Other liabilities	24	13 475	10 662
Provisions	25	1 493	1 065
Total current liabilities		**26 730**	**24 585**
TOTAL EQUITY AND LIABILITIES		**105 281**	**87 891**

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

Consolidated statement of changes in equity

2014	Equity attributable to owners of the parent							
Amounts in MSEK	Share capital	Other paid-in capital	Hedging reserve	Translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
Opening balance, Jan. 1	786	5 743	–65	–898	34 081	39 647	147	39 794
Profit for the year					12 169	12 169	6	12 175
Other comprehensive income for the year			–87	5 289	–565	4 637	26	4 663
Total comprehensive income for the year			**–87**	**5 289**	**11 604**	**16 806**	**32**	**16 838**
Dividends					–6 681	–6 681	–1	–6 682
Divestment of series A shares held by Atlas Copco AB		277			586	863		863
Divestment of series B shares held by Atlas Copco AB		17			10	27		27
Share-based payment, equity settled								
– expense during the year					32	32		32
– exercise of options					–119	–119		–119
Closing balance, Dec. 31	**786**	**6 037**	**–152**	**4 391**	**39 513**	**50 575**	**178**	**50 753**

2013	Equity attributable to owners of the parent							
Amounts in MSEK	Share capital	Other paid-in capital	Hedging reserve	Translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
Opening balance, Jan. 1	786	5 628	–46	–1 047	28 810	34 131	54	34 185
Profit for the year					12 072	12 072	10	12 082
Other comprehensive income for the year			–19	149	27	157	–3	154
Total comprehensive income for the year			**–19**	**149**	**12 099**	**12 229**	**7**	**12 236**
Dividends					–6 668	–6 668	–1	–6 669
Change in non-controlling interests					–2	–2	87	85
Acquisition of series A shares					–390	–390		–390
Divestment of series A shares held by Atlas Copco AB		98			287	385		385
Divestment of series B shares held by Atlas Copco AB		17			12	29		29
Share-based payment, equity settled								
– expense during the year					39	39		39
– exercise of options					–106	–106		–106
Closing balance, Dec. 31	**786**	**5 743**	**–65**	**–898**	**34 081**	**39 647**	**147**	**39 794**

See note 10 and 20 for additional information.

Consolidated statement of cash flows

For the year ended December 31, Amounts in MSEK	Note	2014	2013
Cash flows from operating activities			
Operating profit		17 015	17 056
Adjustments for:			
Depreciation, amortization and impairment	12, 13	3 709	2 703
Capital gain/loss and other non-cash items		–298	–554
Operating cash surplus		**20 426**	**19 205**
Net financial items received/paid		–849	–523
Taxes paid		–3 828	–4 622
Pension funding and payment of pension to employees		–115	–634
Cash flow before change in working capital		**15 634**	**13 426**
Change in:			
Inventories		1 924	577
Operating receivables		–280	–651
Operating liabilities		412	–464
Change in working capital		**2 056**	**–538**
Increase in rental equipment		–1 719	–1 456
Sale of rental equipment		416	435
Net cash from operating activities		**16 387**	**11 867**
Cash flows from investing activities			
Investments in other property, plant and equipment		–1 548	–1 255
Sale of other property, plant and equipment		86	64
Investments in intangible assets		–1 187	–1 009
Sale of intangible assets		10	12
Acquisition of subsidiaries	2	–8 415	–1 493
Divestment of subsidiaries	3	–	–56
Investment in other financial assets, net		489	–735
Net cash from investing activities		**–10 565**	**–4 472**
Cash flows from financing activities			
Dividends paid		–6 681	–6 668
Dividend paid to minority		–1	–1
Acquisition of non-controlling interest		–	–3
Repurchase and divestment of own shares		890	24
Borrowings		2 935	4 334
Repayment of borrowings		–11 151	–181
Settlement of CSA*		–290	–
Payment of finance lease liabilities		–60	–40
Net cash from financing activities		**–14 358**	**–2 535**
Net cash flow for the year		**–8 536**	**4 860**
Cash and cash equivalents, Jan. 1		17 633	12 416
Net cash flow for the year		–8 536	4 860
Exchange-rate difference in cash and cash equivalents		307	357
Cash and cash equivalents, Dec. 31	19	**9 404**	**17 633**

* Credit Support Annex, see note 27.

1. Significant accounting principles, accounting estimates and judgments

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. 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 disclosure requirements 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 Annual Report for the Group and for Atlas Copco AB, including financial statements, was approved for issuance on February 13, 2015. The balance sheets and income statements are subject to approval by the Annual General Meeting of the shareholders on April 28, 2015.

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

"Shares of profit in associated companies", included in the income statements, comprises the Group's share of the associate'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 reduce the carrying value of the investment.

Unrealized gains and losses arising from transactions with an associate 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 equals or exceeds its interest in the associate, 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. 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 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 gains and losses attributable to other financial assets and liabilities 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 exchanges 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.

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 measured at the fair value of the consideration received or receivable and reduced for value added tax, estimated customer returns, discounts and other similar deductions. See note 4 for further information on revenue by segment and by geographical area.

1. Significant accounting principles, accounting estimates and judgments, continued

Goods sold

Revenue from goods sold is recognized when the significant risks and rewards of ownership have been transferred to the buyer, i.e. when the Group retains neither continuing right to dispose of the goods nor hold effective control of the goods sold, recovery of the consideration is probable and the amount of the revenue and associated costs can be measured reliably. When the product requires installation and this constitutes a significant part of the contract, revenue is recognized when the installation is completed. Revenue is not recorded for buy-back commitments if the substance of the agreement is that the risks and rewards of ownership have not been transferred to the buyer. No revenue is recognized if there is significant uncertainty regarding the possible return of goods.

Services rendered

Revenue from services is recognized by reference to the stage of completion of the contract. The stage of completion is determined by the proportion of costs incurred to date compared to the estimated total costs of the transaction. Where the outcome of a service contract cannot be estimated reliably, revenue is recognized to the extent of costs 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 services are performed by an indeterminate number of activities over the service contract period, revenue is recognized linearly over that period.

Rental operations

Rental income from rental equipment is recognized on a straight-line basis over the rental period. Sale of rental equipment is recognized as revenue when the significant risks and rewards of ownership have been transferred to the buyer. The carrying value of the rental equipment sold is recognized as cost of sales. Investments in and sales of rental equipment are included in cash flows from operating activities.

Other operating income and expenses

Commissions and royalties are recognized on an accrual basis in accordance with the financial substance of the agreement. 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. Such gains and losses are recognized within “Other operating income” and “Other operating expenses”. See note 7 for additional information.

Government grants

A government grant is recognized when there is a reasonable assurance that it will be received and that the Group will comply with the conditions attached to it. Government grants that compensate the Group for expenses incurred are recognized in profit or loss on a systematic basis in the same periods in which expenses are incurred and are presented net of the related expense.

Financial income and expenses

Interest income and interest expenses are recognized in profit or loss using the effective interest 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.

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, and differences related to investments in subsidiaries and associated companies 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.

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, or that at the employees’ choice can be settled in shares or cash 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. If options for which employees can choose settlement in shares or cash are dilutive, the profit for the year is adjusted for the difference between cash-settled and equity-settled treatment of options and the more dilutive of cash settlement and share settlement is used in calculating earnings per share. 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 or 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 indefinite useful life intangible asset.

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.

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.

1. Significant accounting principles, accounting estimates and judgments, continued

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. 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. 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.

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 is 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 definite lives	5–15 years
Marketing and customer related intangible assets	5–10 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. For changes in the Group's property, plant and equipment see note 13.

Leasing
The Group acts both as lessor and lessee. Leases are classified as either finance leases or operating leases. A finance lease entails the transfer to the lessee of substantially all of the economic risks and benefits associated with ownership. If this is not the case, the lease is accounted for as an operating lease.

Group as lessee
For the lessee, a financial lease implies that the fixed asset leased is recognized as an asset in the balance sheet. Initially, a corresponding liability is recorded. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the future minimum lease payments. Fixed assets under finance leases are depreciated over their estimated useful lives, while the lease payments are reported as interest and amortization of the lease liability. For operating leases, the lessee does not account for the leased asset in its balance sheet. The costs of operating leases are recorded in the income statement on a straight-line basis over the term of the lease.

Group as lessor
In cases where the Group acts as the lessor under an operating lease, the asset is classified as rental equipment and is subject to the Group's depreciation policies. The lease payments are included in profit or loss on a straight-line basis over the term of the lease. Under finance leases where the Group acts as lessor, the transaction is recorded as a sale and a lease receivable, comprising the future minimum lease payments and any residual value guaranteed to the lessor, is recorded. Lease payments are recognized as interest income and repayment of the lease receivable. See note 22 for more details on leases.

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 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 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 more details.

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 share capital recognized as equity is 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.

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

1. Significant accounting principles, accounting estimates and judgments, continued

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 expenses. 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, and options with a choice for employees to settle in shares or cash 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 consistence 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 details.

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 mature, 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.

Measurement of financial instruments

Financial instruments are measured, classified and recognized according to IAS 39 in the following categories:

The Group classifies its financial assets in the following categories
- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- Assets available for sale

The Group classifies its financial liabilities in the following categories:
- Financial liabilities at fair value through profit or loss
- Other financial liabilities measured at amortized cost using the effective interest method

Financial assets and liabilities at fair value through profit or loss: This category includes financial assets and liabilities held for trading or are designated as such upon initial recognition. A financial asset or liability is held for trading if the Group manages such investments and makes purchase and sale decisions based on their fair value. A derivative that is not designated or effective as hedging instrument is also categorized as held for trading. Financial instruments in this category are measured at fair value and changes therein are recognized in profit or loss. Fair value is determined in the manner described in note 27.

Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not listed in an active market, such as trade and other receivables and cash and cash equivalents. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Held-to-maturity investments: Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intention and ability to hold to maturity. Held-to-maturity-investments are measured at amortized cost using the effective interest rate method, less any impairment losses.

Available-for-sale financial assets: This category consists of non-derivatives that are either designated as available-for-sale or are not classified as any of above categories. These assets are measured at fair value. Changes therein are recognized in "Other comprehensive income", except for impairment losses and foreign exchange gains and losses on available-for-sale monetary items which are recognized in profit or loss. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss. Fair value is determined in the manner described in note 27.

Other financial liabilities: Other financial liabilities are measured at amortized cost using the effective interest method. Trade payables and loan liabilities are recognized in this category.

Impairment of financial assets

Financial assets, except those classified as fair value through profit and loss, are assessed for indicators of impairment at the end of each reporting period. A financial asset is considered to be impaired if objective evidence indicates that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flow of the investment has been affected negatively. The impairment is made on an individual basis for significant financial assets and in some cases collectively in groups with similar credit risks. Impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be objectively related to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and available-for-sale financial assets that are debt securities, the reversal is recognized

1. Significant accounting principles, accounting estimates and judgments, continued

in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognized in other comprehensive income.

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 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.

In order to qualify for hedge accounting the hedging relationship must be

- formally designated,
- expected to be highly effective, and
- documented.

The Group assesses, evaluates, and documents effectiveness both at hedge inception and on an on-going basis.

Fair value hedges: Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in profit or loss together with any changes in the fair value of the hedged asset or liability. The Group applies fair value hedge accounting for interest rate swaps used for hedging fixed interest risk on borrowings.

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. However, 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 are transferred from equity and included in the initial measurement of the cost of the non-financial asset or liability. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss. The Group uses foreign currency forwards to hedge part of the future cash flows from forecasted transactions in foreign currencies. Interest rate swaps are also 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.

Asset 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. Following reclassification, the assets are no longer depreciated or amortized. Gains and losses recognized on remeasurements and disposals are reported in profit or loss.

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 2014

The following revised and amended IFRS standards have been applied by the Group from 2014.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities
The standard clarifies existing application issues relating to the requirements for offset of financial assets and financial liabilities. The standard has not had any material effects for the Group.

"The package of five"
IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, IAS 27 Separate Financial Statements (Revised 2011) and IAS 28 Investments in Associates and Joint Ventures (Revised 2011) are called "The package of five" in EU. The group has reviewed its investments in other entities to assess whether the conclusion to consolidate is different under IFRS 10 than under IAS 27. No differences were found for any of the investments, therefore these standards have not had any impact on the consolidated financial statements, except for additional disclosures.

Amendment to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting
This amendment allows the continuation of hedge accounting when a derivative is novated to a clearing counterparty and certain conditions are met. The amendment has not had any impact for the Group.

New or amended accounting standards effective after 2014

The following standards, interpretations, and amendments have been issued but were not effective as of December 31, 2014 and have not been applied by the Group. The assessment of the effect that the implementation of these standards and interpretations could have on the consolidated financial statements is preliminary.

Improvements to IFRSs 2010–2012 and IFRSs 2011–2013 issued in December 2013
The improvements include a number of amendments to various IFRSs. The improvements are not expected to have any material impact for the Group.

Amendments to IAS 19 (2011) issued in November 2013
The amendments permit contributions that are independent of the number of years of service to be recognized as a reduction in the service cost in the period in which the service is rendered. The improvements are not expected to have any material impact for the Group.

*Amendment to IFRS 5 – Non-current Assets Held for Sale and Discountinued Operations – Changes in methods of disposal**
The amendment clarifies guidance to have consistent criteria and accounting requirements for an asset (or disposal group) classified as held for sale and for an asset (or disposal group) classified as held for distribution to owners. There is no change in the method of evaluation and reclassification.

*Amendment to IFRS 7 – Financial Instruments Disclosures – Servicing contracts**
The amendment proposes to add guidance that clarifies how to apply disclosure requirements for servicing contracts that constitute continuing involvement of transferred financial assets.

*Amendment to IFRS 7 – Financial Instruments Disclosures – Applicability of the amendments to IFRS 7 to condensed interim financial statements**
The amendment proposes to clarify that the additional disclosure required by the amendments to IFRS 7 Disclosure–Offsetting Financial Assets and Financial Liabilities is not specifically required for all interim periods, except when additional disclosure is required to be given in condensed interim financial statements prepared in accordance with IAS 34.

1. Significant accounting principles, accounting estimates and judgments, continued

*Amendments to IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortization issued in May 2014**
The amendment is not expected to have any material impact for the Group.

*Amendments to IAS 19 Employee Benefits – Discount rate: regional market issue**
The amendments determine to use the discount rate by reference to market yields at the end of the reporting period on high quality corporate bonds for the countries where there is no deep market in such bonds. The amendment substitutes the word "countries" by "currencies".

*IFRS 9 Financial Instruments**
The standard is intended to replace IAS 39 Financial Instruments: Recognition and Measurements, and addresses the classification and measurement of financial instruments and hedge accounting. It is likely to affect the Group's accounting of financial assets and financial liabilities. The effective date is January 1, 2018 and the Group is yet to assess the full impact of IFRS 9.

*Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture issued in September 2014**
The amendment is not expected to have any material impact for the Group.

*IFRS 15 Revenue from Contracts with Customers issued in May 2014**
This new standard that replaces existing revenue recognition standards specifies how and when the Group will recognize revenue as well as requiring the Group to provide users of financial statements with more informative, relevant disclosures. The effective date is January 1, 2017. The assessment of the effect on the revenue recognition is under investigation.

IFRIC 21 Levies
The interpretation addresses when a liability to pay a levy to a government should be recognized. The Interpretation has not had any impact for the Group.

* Indicates that the standard has not yet been endorsed by the EU.

Critical accounting estimates and judgments

The preparation of financial reports requires management's judgment 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 on-going basis. Changes in accounting estimates are recognized in the period which they are revised and in any future periods affected.

The estimates and the judgments 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 judgments are as follows:

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 judgment
Asset impairment requires management's judgment, 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.

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 health care 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.

Trade and financial receivable

Key sources of estimation uncertainty
The Group estimates the risk that receivables will not be paid and provides for doubtful accounts based on specific provisions for known cases and collective provisions for losses based on historical loss levels.

Accounting judgment
Management's judgment considers rapidly changing market conditions which may be particularly sensitive in customer financing operations. Additional information is included in section "Credit risk" in note 27.

Inventory

Accounting judgment
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 judgment as to the estimated sales prices, over-stock articles, out-dated 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.

Legal proceedings and tax claims

Accounting judgment
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.

1. Significant accounting principles, accounting estimates and judgments, continued

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 records 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.

Revenue recognition

Key sources of estimation uncertainty

Revenue from services is recognized in profit or loss by reference to the stage of completion of the transaction at the balance sheet date. The stage of completion is determined based on the proportion that costs incurred to date bear to the estimated total costs of the transaction.

Accounting judgment

Management's judgment is used, for instance, when assessing:

– if the risks and rewards have been transferred to the buyer, to determine if revenue and cost should be recognized in the current period,
– the degree of completion of service contracts and the estimated total costs for such contracts, to determine the revenue and cost to be recognized in the current period and whether any losses need to be recognized, 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.

Warranty provisions

Key sources of estimation uncertainty

Provisions for product warranties should cover future commitments for the sales volumes already realized. Warranty provision is a complex accounting estimate 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 is reviewed at least quarterly as well as when new products are being introduced or when other changes occur which may affect the calculation. See note 25.

2. Acquisitions

The following summarizes the significant acquisitions during 2014 and 2013:

Closing date		Country	Business area	Revenues[1]	Number of employees[1]
2014 Dec. 31	Titan Technologies International Inc.	U.S.A	Industrial Technique	35	14
2014 Sep. 10	Henrob	U.S.A and United Kingdom	Industrial Technique	1 063	400
2014 Sep. 3	Ash Air (NZ) Ltd. and Fox Air NZ Ltd.	New Zealand	Compressor Technique	162	120
2014 May 27	Cavaletti Equipamentos e Servicos Ltda	Brazil	Compressor Technique	26	34
2014 May 5	National Pump & Compressor Ltd. & McKenzie Compressed Air Inc., distributor	U.S.A	Compressor Technique	[2]	120
2014 Feb. 3	Geawelltech, distributor	Sweden	Mining and Rock Excavation Technique	[2]	19
2014 Jan. 9	Edwards Group	Global	Compressor Technique	6 950	3 400
2013 Nov. 22	Tentec Ltd.	United Kingdom	Industrial Technique	105	65
2013 Oct. 17	Archer Underbalanced Services	U.S.A.	Mining and Rock Excavation Technique	230	75
2013 Oct. 14	Synatec	Germany	Industrial Technique	105	120
2013 Sep. 10	Pneumatic Holdings	U.S.A.	Construction Technique	73	16
2013 Sep. 9	Dost Kompresör, distributor	Turkey	Compressor Technique	[2]	16
2013 May 3	National Pump & Compressor, distributor	U.S.A.	Compressor Technique	[2]	45
2013 May 2	Saltus-Werk Max Forst GmbH	Germany	Industrial Technique	70	65
2013 Apr. 23	Rapid-Torc	U.S.A. and Belgium	Industrial Technique	75	30
2013 Apr. 3	MEYCO	Switzerland	Mining and Rock Excavation Technique	190	45
2013 Mar. 5	Shandong Rock Drilling Tools Co., Ltd.	China	Mining and Rock Excavation Technique	420	687
2013 Feb. 28	Air et Techniques Energies Provence, distributor	France	Compressor Technique	[2]	30

[1] Annual revenues and number of employees at time of acquisition.
[2] Former distributor of Atlas Copco products. No revenues are disclosed for former Atlas Copco distributors.

All acquisitions in 2014 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 acquisition. 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. The fair values related to intangible assets are amortized over 5–15 years. For those acquisitions that include a contingent consideration clause, the fair value of the contingent consideration has been calculated based on a discount rate of 10.5%. The Group is in the process of reviewing the final values for the acquired businesses. No adjustments are expected to be material. Minor adjustments related to the acquisitions made in 2013 are included in the following tables.

2. Acquisitions, continued

Compressor Technique	Recognized values	
	2014	2013
Intangible assets	4 256	64
Property, plant and equipment	1 280	10
Other assets	2 547	34
Cash and cash equivalents	917	14
Interest-bearing loans and borrowings	–3 305	–2
Other liabilities and provisions	–2 681	–38
Net identifiable assets	**3 014**	**82**
Goodwill	5 257	21
Total consideration	**8 271**	**103**
Deferred consideration	13	–
Cash and cash equivalents acquired	–917	–14
Net cash outflow	**7 367**	**89**

On January 9, the Compressor Technique business area closed the acquisition of the Edwards Group, headquartered in the United Kingdom. Edwards is a technology and market leader in sophisticated vacuum products and abatement solutions with more than 90 years' experience. The products and services are integral to manufacturing processes, such as for semiconductors and flat panel displays, and are used within an increasingly diverse range of industrial applications. The acquisition of Edwards offers Atlas Copco an opportunity to expand into a growing business which serves industries that are well-known to Atlas Copco. There are several synergies between vacuum and compressed air solutions in sales, service and technology development. Intangible assets of 3 933 and goodwill of 5 118 were recorded on the purchase. For more information about the acquired assets and liabilities, see page 79.

In May, U.S.-based Quincy Compressor LLC acquired the compressor business of National Pump & Compressor Ltd. and McKenzie Compressed Air Inc. National Pump & Compressor's business is located in Texas and Alabama, while McKenzie Compressed Air is focused on Texas. The businesses are focused on distribution, service and rental of compressor-related equipment for use in such areas as manufacturing, construction, petrochemical, refinery and oil fields. The acquisitions will allow Quincy Compressor to further strengthen its presence in Texas, especially in the Gulf Coast region. Intangible assets of 196 and goodwill of 108 were recorded on the purchase. The goodwill is tax deductible.

Brazilian Cavaletti Equipamentos e Servicos Ltda, a competitor dealer for the São Paulo country side area, with a strong focus on aftermarket, was also acquired in May. By introducing the Chicago Pneumatic brand to the company, the rationale for the acquisition is to extend the footprint in the Sao Paolo area. Intangible assets of 15 were recorded on the purchase.

The compressor distribution and service business from the Lancaster Group in New Zealand was acquired in September. The acquired businesses were those of Ash Air (NZ) Ltd., Fox Air NZ Ltd., MBAR 2011 Ltd. and Ash Air Oil & Gas Ltd. The businesses provide high-quality sales and service of industrial compressors and related equipment to a broad range of customers in the region. By acquiring this group of high-quality distributors, Atlas Copco further expands and strengthens its presence in New Zealand. Intangible assets of 112 and goodwill of 31 were recorded on the purchase. The goodwill is not deductible for tax purposes.

Industrial Technique	Recognized values	
	2014	2013
Intangible assets	1 348	225
Property, plant and equipment	529	35
Other assets	418	125
Cash and cash equivalents	40	6
Interest-bearing loans and borrowings	–302	–33
Other liabilities and provisions	–670	–95
Net identifiable assets	**1 363**	**263**
Goodwill	1 807	308
Total consideration	**3 170**	**571**
Deferred consideration	–2 135	–5
Cash and cash equivalents acquired	–40	–6
Net cash outflow	**995**	**560**

In September, the Industrial Technique business area acquired self-pierce riveting specialist Henrob, with main facilities in the U.S. and the U.K. Henrob is a pioneer and market leader in self-pierce riveting, a mechanical fastening process for joining two or more sheets of material where welding is difficult, e.g. aluminum, and the acquisition offers Atlas Copco an opportunity to expand in a fast-growing market segment, with state-of-the art technology. Intangible assets of 1 332 and goodwill of 1 802 were recorded on the purchase. The goodwill is not tax deductible.

U.S.A.-based Titan Technologies International Inc., a provider of powerful bolting tools to the oil and gas and other industries, was acquired in December. The acquisition expands Atlas Copco's offerings of superior bolting solutions to more customers in segments like oil and gas and power generation. Intangible assets of 16 were recorded on the purchase.

Total consideration was 3 170. This includes deferred consideration for this year's acquisitions amounting to 2 177. Of the deferred consideration, 794 represent the fair value of a deferred contingent consideration related to the Henrob acquisition. The payment of the contingent consideration is dependent on achieving future milestones related to targets for revenue and growth within three years of the acquisition, in total a maximum of MUSD 129 (MSEK 917). The fair value has been calculated based on the expectation that the maximum amount will be paid out. The remaining deferred consideration related to Henrob was paid in January 2015.

Mining and Rock Excavation Technique	Recognized values	
	2014	2013
Intangible assets	8	196
Property, plant and equipment	–6	121
Other assets	23	343
Cash and cash equivalents	33	1
Other liabilities and provisions	–15	–52
Net identifiable assets	**43**	**609**
Non-controlling interests	–	-89
Goodwill	13	275
Total consideration	**56**	**795**
Deferred consideration	30	–2
Cash and cash equivalents acquired	–33	–1
Net cash outflow	**53**	**792**

In February, the Mining and Rock Excavation Technique business area acquired Swedish Geawelltech, a former Atlas Copco distributor that sells, rents out and manufactures well- and geotechnical drilling equipment. Ground engineering is a strategic segment and the acquisition fits with the existing Atlas Copco product portfolio. Intangible assets of 14 and goodwill of 13 were recorded on the purchase. The goodwill is not tax deductible.

Construction Technique	Recognized values	
	2014	2013
Intangible assets	–	28
Other assets	–	22
Other liabilities and provisions	–1	–12
Net identifiable assets	**–1**	**38**
Goodwill	1	13
Total consideration	**–**	**51**
Net cash outflow	**–**	**51**

The Construction Technique business area made no acquisitions in 2014.

2. Acquisitions, continued

Total fair value of acquired assets and liabilities	Group recognized values		
	2014	of which Edwards	2013
Intangible assets	5 612	3 933	513
Property, plant and equipment	1 803	1 252	166
Other non-current assets	74	74	–
Inventories	1 333	1 013	283
Receivables*	1 426	1 254	240
Other current assets	155	148	1
Cash and cash equivalents	990	917	21
Interest-bearing loans and borrowings	–3 607	–3 300	–35
Other liabilities and provisions	–2 546	–2 177	–88
Deferred tax liabilities, net	–821	–454	–109
Net identifiable assets	**4 419**	**2 660**	**992**
Non-controlling interests	–	–	–89
Goodwill	7 078	5 118	617
Total consideration	**11 497**	**7 778**	**1 520**
Deferred consideration	–2 092	–	–7
Cash and cash equivalents acquired	–990	–917	–21
Net cash outflow	**8 415**	**6 861**	**1 492**

* The gross amount is 1 459 (240) of which 33 (0) is expected to be uncollectible.

The goodwill recognized on acquisitions is primarily related to the synergies expected to be achieved from integrating these companies into the Group's existing structure.

The total consideration for all acquisitions was 11 497. Total consideration includes deferred consideration not yet paid for acquisitions made in 2014 and settlement of deferred consideration for acquisitions made in prior years. For all acquisitions, the net cash outflow totaled 8 415 after deducting cash and cash equivalents acquired of 990.

Acquisition-related costs amounted to 20 (57) and were included in "Administrative expenses" in the income statement for 2014. Costs related to the Edwards acquisition that was finalized in January 2014 were included in the income statement for 2013.

Contribution from businesses acquired in 2014 and 2013 by business area	Compressor Technique		Industrial Technique		Mining and Rock Excavation Technique		Construction Technique		Group	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Contribution from date of control										
Revenues	8 763	68	506	140	53	346	–	18	9 322	572
Operating profit	1 577	–10	81	7	4	–10	–	–1	1 662	–14
Profit for the year									1 282	–11
Contribution if the acquisition had occurred on Jan. 1										
Revenues	8 972	154	1 144	346	58	487	–	63	10 174	1 050
Operating profit	1 598	–13	98	16	5	–14	–	1	1 701	–10
Profit for the year									1 327	–7

Edwards had revenues in 2014 of 8 535 and operating profit of 1 555.

3. Divestments and assets held for sale

Divestments

No material business divestment of assets and liabilities have been done in 2014.

In 2013, the Group divested its business in Iran to a local distributor and in December 2013 Atlas Copco consolidated its in-house insurance operations and divested Atlas Copco Reinsurance SA, the Luxembourg captive company, with no impact on the insurance capacity.

Assets held for sale

Two buildings located in France and Sweden, amounting to 10, were reclassified to assets held for sale in 2014. Assets held for sale from previous years, amounting to 1, was sold during 2014.

Carrying value of divested assets and liabilities	2014	2013
Other property, plant and equipment	–	1
Inventories	–	7
Receivables	–	6
Cash and cash equivalents	–	585
Other liabilities and provisions	–	–173
Net identifiable assets	**–**	**426**
Capital gain	–	87
Translation differences recycled	–	16
Cash and cash equivalents divested	–	–585
Net cash effect	**–**	**–56**

4. Segment information

2014	Compressor Technique	Industrial Technique	Mining and Rock Excavation Technique	Construction Technique	Common group functions	Eliminations	Group
Revenues from external customers	42 002	11 399	25 626	14 422	272	–	93 721
Inter-segment revenues	163	51	92	317	124	–747	–
Total revenues	**42 165**	**11 450**	**25 718**	**14 739**	**396**	**–747**	**93 721**
Operating profit	**8 974**	**2 557**	**4 307**	**1 768**	**–550**	**–41**	**17 015**
– of which share of profit in associated companies	*–*	*6*	*1*	*–*	*–*	*–*	*7*
Net financial items							–924
Income tax expense							–3 916
Profit for the year							**12 175**
Non-cash expenses							
Depreciation/amortization	1 215	389	952	771	364	–91	3 600
Impairment	–7	–	116	–	–	–	109
Other non-cash expenses	–141	58	7	–49	22	–	–103
Segment assets	**37 837**	**13 207**	**19 848**	**17 623**	**4 245**	**–2 697**	**90 063**
– of which goodwill	*9 343*	*3 989*	*1 481*	*5 107*	*–*	*–*	*19 920*
Investments in associated companies	1	100	14	–	–	–	115
Unallocated assets							15 103
Total assets							**105 281**
Segment liabilities	**11 695**	**3 104**	**4 938**	**2 751**	**3 858**	**–2 366**	**23 980**
Unallocated liabilities							30 548
Total liabilities							**54 528**
Capital expenditures							
Property, plant and equipment	647	272	1 000	942	578	–126	3 313
– of which assets leased	*8*	*2*	*33*	*3*	*–*	*–*	*46*
Intangible assets	296	163	416	182	130	–	1 187
Total capital expenditures	**943**	**435**	**1 416**	**1 124**	**708**	**–126**	**4 500**
Goodwill acquired	5 257	1 807	13	1	–	–	7 078

2013	Compressor Technique	Industrial Technique	Mining and Rock Excavation Technique	Construction Technique	Common group functions	Eliminations	Group
Revenues from external customers	31 741	9 463	28 981	13 486	217	–	83 888
Inter-segment revenues	41	38	32	481	84	–676	0
Total revenues	**31 782**	**9 501**	**29 013**	**13 967**	**301**	**–676**	**83 888**
Operating profit	**7 279**	**2 138**	**6 083**	**1 733**	**–131**	**–46**	**17 056**
– of which share of profit in associated companies		*4*	*3*				*7*
Net financial items							–790
Income tax expense							–4 184
Profit for the year							**12 082**
Non-cash expenses							
Depreciation/amortization	695	263	839	613	342	–65	2 687
Impairment	5	–	7	4	–	–	16
Other non-cash expenses	–14	30	–60	–1	–115	–	–160
Segment assets	**19 729**	**7 544**	**19 325**	**16 588**	**3 834**	**–2 274**	**64 746**
– of which goodwill	*2 629*	*1 836*	*1 317*	*5 056*	*–*	*–*	*10 838*
Investments in associated companies	1	88	12	–	–	–	101
Unallocated assets							23 044
Total assets							**87 891**
Segment liabilities	**8 505**	**1 960**	**4 613**	**2 447**	**2 372**	**–1 263**	**18 634**
Unallocated liabilities							29 463
Total liabilities							**48 097**
Capital expenditures							
Property, plant and equipment	305	123	941	969	585	–165	2 758
– of which assets leased	*6*	*2*	*29*	*10*	*–*	*–*	*47*
Intangible assets	140	75	427	158	209	–	1 009
Total capital expenditures	**445**	**198**	**1 368**	**1 127**	**794**	**–165**	**3 767**
Goodwill acquired	21	308	275	13	–	–	617

2013 has been restated due to the move of the Portable Energy division from Compressor Technique to Construction Technique.

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. 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. For a description of the business areas, see pages 20–35.

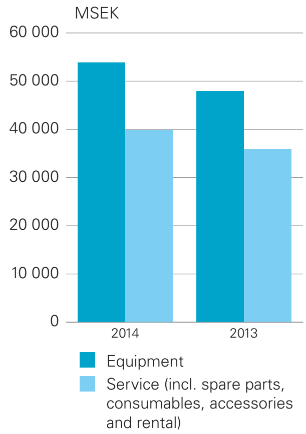
Common group functions, i.e. functions which serve all business areas or the Group as a whole, is not considered a segment.

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, 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.

REVENUES FROM EXTERNAL CUSTOMERS



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, deferred tax assets, and post-employment benefit assets.

By geographic area/country	Revenues		Non-current assets	
	2014	2013	2014	2013
North America				
Canada	3 282	3 217	331	261
U.S.A.	15 778	11 268	7 567	4 286
Other countries	2 143	2 215	129	105
	21 203	**16 700**	**8 027**	**4 652**
South America				
Brazil	3 727	3 783	392	327
Chile	1 821	2 058	121	111
Other countries	2 552	2 677	69	51
	8 100	**8 518**	**582**	**489**
Europe				
Belgium	811	743	1 948	1 654
France	2 625	2 469	244	243
Germany	4 673	3 854	3 172	3 034
Italy	1 728	1 533	996	969
Russia	2 783	3 283	96	156
Sweden	1 939	1 910	9 815	9 507
United Kingdom	2 886	1 873	13 691	715
Other countries	11 434	9 804	1 398	1 182
	28 879	**25 469**	**31 360**	**17 460**
Africa/Middle East				
South Africa	2 425	2 591	213	162
Other countries	6 812	6 883	362	256
	9 237	**9 474**	**575**	**418**
Asia/Australia				
Australia	3 851	4 986	433	317
China	11 536	9 724	2 827	2 186
India	2 750	2 887	573	505
Other countries	8 165	6 130	1 430	579
	26 302	**23 727**	**5 263**	**3 587**
Total	**93 721**	**83 888**	**45 807**	**26 606**

4. Segment information, continued

Quarterly data

Revenues by business area MSEK	2014				2013			
	1	2	3	4	1	2	3	4
Compressor Technique	9 409	10 353	10 718	11 685	7 382	8 037	7 816	8 546
– of which external	9 361	10 307	10 682	11 653	7 367	8 020	7 815	8 538
– of which internal	48	46	36	32	15	17	1	8
Industrial Technique	2 505	2 650	2 827	3 468	2 183	2 243	2 383	2 692
– of which external	2 493	2 636	2 816	3 454	2 177	2 233	2 374	2 679
– of which internal	12	14	11	14	6	10	9	13
Mining and Rock Excavation Technique	6 251	6 396	6 449	6 622	7 562	7 857	6 885	6 709
– of which external	6 237	6 373	6 398	6 618	7 545	7 851	6 882	6 704
– of which internal	14	23	51	4	17	6	3	5
Construction Technique	3 354	4 068	3 692	3 625	3 173	3 850	3 495	3 449
– of which external	3 272	3 971	3 621	3 558	3 071	3 706	3 385	3 324
– of which internal	82	97	71	67	102	144	110	125
Common Group functions/eliminations	–96	–119	–96	–40	–73	–144	–27	–130
Total	**21 423**	**23 348**	**23 590**	**25 360**	**20 227**	**21 843**	**20 552**	**21 266**

Operating profit by business area MSEK	2014				2013			
	1	2	3	4	1	2	3	4
Compressor Technique	1 915	2 219	2 369	2 471	1 671	1 834	1 826	1 948
in % of revenues	*20.4*	*21.4*	*22.1*	*21.1*	*22.6*	*22.8*	*23.4*	*22.8*
Industrial Technique	543	595	636	783	487	482	548	621
in % of revenues	*21.7*	*22.5*	*22.5*	*22.6*	*22.3*	*21.5*	*23.0*	*23.1*
Mining and Rock Excavation Technique	1 071	1 155	856	1 225	1 771	1 738	1 384	1 190
in % of revenues	*17.1*	*18.1*	*13.3*	*18.5*	*23.4*	*22.1*	*20.1*	*17.7*
Construction Technique	406	545	422	395	384	511	454	384
in % of revenues	*12.1*	*13.4*	*11.4*	*10.9*	*12.1*	*13.3*	*13.0*	*11.1*
Common Group functions/eliminations	–175	–175	–138	–103	–157	–32	0	12
Operating profit	**3 760**	**4 339**	**4 145**	**4 771**	**4 156**	**4 533**	**4 212**	**4 155**
in % of revenues	*17.6*	*18.6*	*17.6*	*18.8*	*20.5*	*20.8*	*20.5*	*19.5*
Net financial items	–158	–165	–266	–335	–111	–254	–195	–230
Profit before tax	**3 602**	**4 174**	**3 879**	**4 436**	**4 045**	**4 279**	**4 017**	**3 925**
in % of revenues	*16.8*	*17.9*	*16.4*	*17.5*	*20.0*	*19.6*	*19.5*	*18.5*

5. Employees and personnel expenses

Average number of employees	2014			2013		
	Women	Men	Total	Women	Men	Total
Parent Company						
Sweden	61	56	117	60	49	109
Subsidiaries						
North America	1 005	5 303	6 308	912	4 877	5 789
South America	515	2 749	3 264	461	2 757	3 218
Europe	3 122	15 233	18 355	2 883	13 997	16 880
– of which Sweden	734	3 464	4 198	768	3 620	4 388
Africa/Middle East	404	2 285	2 689	408	2 311	2 719
Asia/Australia	2 374	10 538	12 912	2 021	9 423	11 444
Total in subsidiaries	**7 420**	**36 108**	**43 528**	**6 685**	**33 365**	**40 050**
Total	**7 481**	**36 164**	**43 645**	**6 745**	**33 414**	**40 159**

Females in the Board of Directors and Group Management, %	Dec. 31, 2014	Dec. 31, 2013
Parent Company		
Board of Directors excl. union representatives	33	30
Group Management	22	22

5. Employees and personnel expenses, continued

Remuneration and other benefits MSEK	Group 2014	Group 2013
Salaries and other remuneration	16 679	14 565
Contractual pension benefits	941	907
Other social costs	3 206	2 802
Total	**20 826**	**18 274**
Pension obligations to Board members and Group Management [1]	15	14

[1] Refers to former members of Group Management.

Remuneration and other benefits to the Board KSEK	Fee	Value of synthetic shares at grant date	Number of shares at grant date	Other fees [1]	Total fees incl. value of synthetic shares at grant date **2014**	Adj. due to change in stock price and vesting period [2]	Total expense recognized **2014** [3]	Total expense recognized **2013**
Chairman:								
Sune Carlsson (left April 2014)	463	–	–	–	463	809	1 272	2 025
Hans Stråberg (Vice Chairman 2013, new Chairman April 2014)	806	950	4 975	234	1 990	63	2 053	667
Other members of the Board:								
Ulla Litzén [4]	744	–	–	366	1 110	165	1 275	958
Anders Ullberg	566	–	–	120	686	165	851	640
Staffan Bohman [4]	744	–	–	189	933	250	1 183	887
Margareth Övrum	283	285	1 492	–	568	433	1 001	618
Johan Forsell	283	285	1 492	144	712	433	1 145	743
Gunilla Nordström	283	285	1 492	–	568	288	856	580
Peter Wallenberg Jr	283	285	1 492	60	628	191	819	640
Other members of the Board previous year	–	–	–	–	–	–	–	–78
Union representatives (4 pers)	44	–	–	–	44	–	44	34
Total 2014	**4 499**	**2 090**	**10 943**	**1 113**	**7 702**	**2 797**	**10 499**	
Total 2013	5 171	1 483	8 638	800	7 454	259		7 713

[1] Refers to fees for membership in board committees.
[2] Refers to synthetic shares received in 2009–2014.
[3] Provision for synthetic shares as at December 31, 2014 amounted to MSEK 13 (13).
[4] Ulla Litzén and Staffan Bohman invoiced their fees. The fees received include compensation for social costs.

Remuneration and other benefits to Group Management KSEK	Base salary	Variable compensation [1]	Other benefits [2]	Pension fees	Total, excl. recognized costs for share based payments	Recognized costs for share based payments [3]	Total expense recognized **2014**	Total expense recognized **2013**
President and CEO								
Ronnie Leten	12 000	6 592 [4]	1 803	4 200	24 595	5 599	30 194	19 612
Other members of Group Management (8 positions)	22 760	9 537	18 828 [5]	7 274	58 399	11 248	69 647	45 070
Total 2014	**34 760**	**16 129**	**20 631**	**11 474**	**82 994**	**16 847**	**99 841**	
Total 2013	32 957	10 114	5 388	10 486	58 945	5 737		64 682
Total remuneration and other benefits to the Board and Group Management							**110 340**	**72 395**

[1] Refers to variable compensation earned in 2014 to be paid in 2015.
[2] Refers to vacation pay, company car, medical insurance, and other benefits.
[3] Refers to stock options and SARs received in 2009–2014 and includes recognized costs due to change in stock price and vesting period, see also note 23.
[4] The CEO has exercised the option to receive his Variable Compensation for 2013, paid in 2014, as an additional pension contribution.
[5] Includes one-time cost due to changes in Group Management.

5. Employees and personnel expenses, continued

Remuneration and other fees for members of the Board, the President and CEO, and other members of Group Management

Principles for remuneration to the Board and Group Management
The principles for remuneration to the Board and Group Management are approved at the Annual General Meeting of the shareholders. The principles approved by the 2014 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 2014 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.

The Annual General Meeting decided that each board member can elect to receive 50% of the 2014 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 2014. 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 10 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 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 from when the board member resigned or otherwise the original payment date is valid.

Five 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.

Group Management
Group Management consists of the Group President and eight other members of the Executive Comittee. The compensation to Group Management shall consist of base salary, variable compensation, possible long term incentive (personnel options), pension premium, and other benefits.

The following describes the various guidelines in determining the amount of remuneration:

- Base salary is determined by position, qualification, and individual performance.
- Variable compensation is dependent upon how certain quantitative and qualitative goals set in advance are achieved. The variable compensation is maximized to 70% of the base salary for the Group President, 50% for Business Area Presidents, and 40% for other members of Group Management.
- Performance related personnel option program for 2014, see note 23.
- Pension premiums are paid in accordance with a defined contribution plan with premiums ranging between 25 and 35% of base salary depending on age.
- Other benefits consist of company car and private health 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 has the right to deviate from the principles stated above if special circumstances exist in a certain case. No fees are paid to Group Management for board memberships in Group companies nor do they receive compensation for other duties that they may perform outside the immediate scope of their duties.

President and CEO
The variable compensation can give a maximum of 70% 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 Airpower N.V. pension plan and the contributions follow the Atlas Copco pension policy for Swedish executives, which is a defined contribution plan. The President and CEO is entitled to retire at the age of 60. The contribution is age related and is 35% of the base salary and includes provisions for a survivors' pension. These pension plans are vested and are lifetime payments upon retirement.

Other members of Group Management
Members of Group Management employed in Sweden have a defined contribution pension plan, with contribution ranging from 25% to 35% of the base salary according to age. The variable compensation is not included in the basis for pension benefits. Members of Group Management not based in Sweden also have a defined contribution pension plan. These pension plans are vested and are lifetime payments upon retirement. The retirement age is 65.

Option/share appreciation rights, holdings for Group Management
The stock options/share appreciation rights holdings as at December 31 are detailed below:

Stock Options/share appreciations rights holdings as at Dec. 31, 2014

Grant Year	CEO	Other members of Group Management
2009	–	–
2010	–	72 620
2011	93 175	157 203
2012	109 383	254 366
2013	5 471	11 906
2014 1)	118 187	254 412
Total	**326 216**	**750 507**

1) Estimated grants for the 2014 stock option program including matching shares. See note 23 for additional information.

Termination of employment
The 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 twelve months and never more than 24 months' salary.

Any income that the executive 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 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.

Remuneration and other committees
In 2014, the Chairman of the Board, Hans Stråberg and Board Members Peter Wallenberg Jr and Anders Ullberg were members of the remuneration committee. 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.

Ulla Litzén, Chair, Staffan Bohman, Johan Forsell and Hans Stråberg formed the Audit Committee.

In addition, Anders Ullberg, Chair, Ulla Litzén and Hans Stråberg participated in a committee regarding repurchase and sale of Atlas Copco shares.

Deviation from by the general meeting approved principles for remuneration to Group Management
In 2014 a deviation has been made from the principles for remuneration to Group Management. In connection with the mutual consent termination of a member of Group Management, it was agreed that the 18 months' severance payment should not be reduced with income from new employment, which is a deviation from the approved principles. Due to certain aspects of the law applicable to the employment contract it was considered favorable for Atlas Copco to make this deviation including a legally enforceable non-compete obligation.

Proposed change in the guidelines for remuneration to Group Management
The Board of Directors will propose to the Annual General Meeting 2015 a change in the guidelines for remuneration to Group Management on the following:

- Variable compensation is dependent upon how certain quantitative and qualitative goals set in advance are achieved. The variable compensation is maximized to 80% of the base salary for the Group President, 60% for Business Area Presidents, and 50% for other members of Group Management.

5. Employees and personnel expenses, continued

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, 50% of all employees work in marketing, sales or service.

Geographical spread of employees, %	Employees	Nationality of senior managers
North America	15	8
South America	7	3
Europe	42	69
Africa/Middle East	6	6
Asia/Australia	29	14
Total	**100**	**100**

Employees by professional category, %	2014	2013
Production	27	28
Marketing	8	8
Sales and support	13	13
Service	29	29
Administration	16	16
Research & development	7	6
Total	**100**	**100**

6. Remuneration to auditors

Audit fees and other services	2014	2013
Deloitte		
Audit fee	58	52
Audit activities other than the audit assignment	1	1
Other services, tax	6	7
Other services, other	4	5
Other audit firms		
Audit fee	6	2
Total	**75**	**67**

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, the President and CEO.

Audit activities other than the audit assignment refer for example to comfort letters and the limited assurance report on Atlas Copco's sustainability report.

Tax services include both tax consultancy services and tax compliance services.

Other services essentially comprise consultancy services, such as due-diligence services in connection with acquisitions.

At the Annual Genereral Meeting 2014, Deloitte was elected as auditor for the Group until the Annual General Meeting 2015.

7. Other operating income and expenses

Other operating income	2014	2013
Commissions received	15	22
Income from insurance operations	151	171
Capital gain on sale of fixed assets	23	21
Capital gain on divestment of business	–	87
Exchange-rate differences	213	–
Other operating income	171	213
Total	**573**	**514**

Other operating expenses	2014	2013
Capital loss on sale of fixed assets	–27	–8
Exchange-rate differences, net	–	–248
Other operating expenses	–164	–75
Total	**–191**	**–331**

The operating profit includes 62 (127) of realized foreign exchange hedging result, which were previously recognized in equity.

8. Financial income and expenses

Financial income and expenses	2014	2013
Interest income		
– cash and cash equivalents	142	156
– finance lease receivables	169	196
– other	2	9
Capital gain		
– other assets	–	12
Change in fair value – other assets	–	21
Financial income	**313**	**394**
Interest expense		
– borrowings	–897	–829
– derivatives for fair value hedges	–69	–191
– pension provisions, net	–46	–71
Capital loss		
– other assets	–16	–
Change in fair value – other liabilities and borrowings	–42	–
Foreign exchange loss, net	–161	–76
Impairment loss	–6	–17
Financial expenses	**–1 237**	**–1 184**
Financial expenses, net	**–924**	**–790**

"Foreign exchange loss, net" includes foreign exchange gains of 98 (1 235) on financial assets at fair value through profit and loss and foreign exchange losses of 259 (1 311) on other liabilities.

See note 27 for additional information.

9. Taxes

Income tax expense	2014	2013
Current taxes	–4 169	–4 286
Deferred taxes	253	102
Total	**–3 916**	**–4 184**

The following is a reconciliation of the companies' weighted average tax based on the national tax for the country as compared to the actual tax charge:

	2014	2013
Profit before tax	16 091	16 266
Weighted average tax based on national rates	–4 624	–4 696
– in %	28.7	28.9
Tax effect of:		
Non–deductible expenses	–430	–408
Withholding tax on dividends	–49	–172
Tax–exempt income	1 420	1 304
Adjustments from prior years:		
– current taxes	–100	–243
– deferred taxes	–89	74
Effects of tax losses/credits utilized	15	7
Change in tax rate, deferred tax	–6	7
Tax losses not valued	–47	–33
Other items	–6	–24
Income tax expense	**–3 916**	**–4 184**
Effective tax in %	24.3	25.7

The effective tax rate was 24.3% (25.7). Withholding tax on dividends of –49 (–172) relates to provisions on profits in countries where Atlas Copco incurs withholding taxes on repatriation of income. Tax-exempt income of 1 420 (1 304) refers to income that is not subject to taxation or subject to reduced taxation under local law in various countries. The net from tax issues and disputes in different countries amounted to –100 (–243).

Previously unrecognized tax losses/credits and deductible temporary differences, which have been recognized against current tax expense, amounted to 15 (7). No material unrecognized tax losses/credits or temporary difference have been used to reduce deferred tax expense.

The following table reconciles the net liability balance of deferred taxes at the beginning of the year to the net liability at the end of the year:

Change in deferred taxes	2014	2013
Opening Net balance, Jan. 1	–66	–416
Business acquisitions	–821	–109
Divestment, discontinued operations	–	161
Charges to profit for the year	253	102
Tax on amounts recorded to equity	1 011	236
Translation differences	45	–40
Net balance, Dec. 31	**422**	**–66**

9. Taxes, continued

The deferred tax assets and liabilities recognized in the balance sheet are attributable to the following:

Deferred tax assets and liabilities	2014			2013		
	Assets	Liabilities	Net balance	Assets	Liabilities	Net balance
Intangible assets	119	2 360	–2 241	31	931	–900
Property, plant and equipment	361	755	–394	290	649	–359
Other financial assets	23	26	–3	6	8	–2
Inventories	1 618	43	1 575	1 562	47	1 515
Current receivables	256	224	32	197	277	–80
Operating liabilities	736	53	683	495	133	362
Provisions	457	5	452	265	1	264
Post–employment benefits	645	6	639	350	–	350
Borrowings	265	–	265	12	601	–589
Loss/credit carry-forwards	220	–	220	184	–	184
Other items [1]	13	819	–806	4	815	–811
Deferred tax assets/liabilities	**4 713**	**4 291**	**422**	**3 396**	**3 462**	**–66**
Netting of assets/liabilities	–3 164	–3 164	–	–2 435	–2 435	–
Net deferred tax balances	**1 549**	**1 127**	**422**	**961**	**1 027**	**–66**

[1] 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 4 079 (3 347), of which deferred tax assets were recognized for 861 (729). The tax value of reported tax loss carry-forwards totals 220 (184). 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. An important part of tax loss carry-forwards for which no deferred tax assets have been recognized have no expiration date.

Changes in temporary differences during the year that are recognized in the income statement are attributable to the following:

	2014	2013
Intangible assets	–21	–20
Property, plant and equipment	23	–86
Other financial assets	–13	38
Inventories	–153	16
Current receivables	64	–80
Operating liabilities	159	–65
Provisions	11	–10
Post-employment benefits	46	18
Borrowings	86	–13
Other items	55	328
Changes due to temporary differences	**257**	**126**
Loss/credit carry-forwards	–4	–24
Charges to profit for the year	**253**	**102**

10. Other comprehensive income

Other comprehensive income for the year	2014			2013		
	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						
Remeasurments of defined benefit plans	–759	194	–565	45	–18	27
Items that may be reclassified subsequently to profit or loss						
Translation differences on foreign operations	5 661	449	6 110	447	241	688
– realized and reclassified to income statement	–	–	–	16	–	16
Hedge of net investments in foreign operations	–1 052	231	–821	–712	157	–555
Cash flow hedges	–199	31	–168	–31	12	–19
Adjustment for amounts transferred to the initial carrying amounts of acquired operations	81	–	81	–	–	–
Total other comprehensive income	**3 732**	**905**	**4 637**	**–235**	**392**	**157**
Attributable to non-controlling interests						
Translation differences on foreign operations	26	–	26	–3	–	–3
Total other comprehensive income	**3 758**	**905**	**4 663**	**–238**	**392**	**154**

11. Earnings per share

Amounts in SEK	Basic earnings per share		Diluted earnings per share	
	2014	2013	2014	2013
Earnings per share	10.01	9.95	9.99	9.92

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	2014	2013
Profit for the year	12 169	12 072

Average number of shares outstanding	2014	2013
Basic weighted average number of shares outstanding	1 215 605 904	1 212 768 391
Effect of employee stock options	988 378	1 392 042
Diluted weighted average number of shares outstanding	**1 216 594 282**	**1 214 160 433**

Potentially dilutive instruments
As of December 31, 2014, Atlas Copco had six outstanding employee stock option programs, of which the exercise price for the 2012 and 2014 programs exceeded the average share price for series A shares, SEK 196 per share. These programs are, therefore, considered anti-dilutive and are not included in the calculation of diluted earnings per share. If the average share price exceeds the strike price in the future, these options will be dilutive.

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.

Current goodwill is monitored for internal management purposes at business area level. The goodwill has therefore been tested for impairment at business area level except as stated below.

Businesses acquired in 2014 as well as those in previous years, and their related cash flows, have in most cases been integrated with other Atlas Copco operations soon after the acquisition. In instances where the acquired business would not be integrated or has not yet been integrated and hence be monitored separately, the associated goodwill is tested for impairment separately. Atlas Copco acquired Edwards Group January 9, 2014. Goodwill and intangible assets have been included in the Compressor Technique values, and this year their values have been tested separately.

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 3%. The Group's average weighted cost of capital in 2014 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 following table presents the carrying value of goodwill and trademarks with indefinite useful lives allocated by business area.

Carrying value of goodwill and intangible assets with indefinite useful lives by cash generating unit

	2014		2013	
	Trademarks	Goodwill	Trademarks	Goodwill
Compressor Technique	1 098	9 343	–	2 629
Industrial Technique	–	3 989	–	1 836
Mining and Rock Excavation Technique	–	1 481	–	1 317
Construction Technique	1 225	5 107	1 225	5 056
Total	**2 323**	**19 920**	**1 225**	**10 838**

The trade names of Edwards in the Atlas Copco Vacuum Solutions division and Dynapac in the Road Construction Equipment division 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 indefinitely.

Amortization and impairment of intangible assets are recognized in the following line items in the income statement:

	2014		2013	
	Internally generated	Acquired	Internally generated	Acquired
Cost of sales	16	32	17	37
Marketing expenses	16	458	11	280
Administrative expenses	53	43	33	24
Research and development expenses	420	266	313	98
Other operating expenses	–	7	–	–
Total	**505**	**806**	**374**	**439**

Impairment charges on intangible assets totaled 106 (12) of which 76 (12) were classified as research and development expenses in the income statement, 23 (0) were classified as marketing expenses and 7 (0) as other operating expenses. Of the impairment charges, 57 (12) were due to capitalized development costs relating to projects discontinued. The impairment charges of 45 (0) related to trademark, marketing and customer related intangibles and other technology and contract based intangibles were mainly related to recent acquisitions in the Mining and Rock Excavation Technique business area.

12. Intangible assets, continued

2014	Internally generated intangible assets		Acquired intangible assets					
	Product development	Other technology and contract based	Product development	Trademark	Marketing and customer related	Other technology and contract based	Goodwill	Total
Cost								
Opening balance, Jan. 1	4 604	972	67	2 421	2 202	1 705	10 865	22 836
Investments	769	250	30	–	–	138	–	1 187
Business acquisitions	–	–	–	1 010	2 291	2 311	7 078	12 690
Disposals	–132	–10	–	–29	–1	–46	–	–218
Reclassifications	–	–4	–	1	–1	2	–	–2
Translation differences	244	70	–1	339	666	548	2 014	3 880
Closing balance, Dec. 31	**5 485**	**1 278**	**96**	**3 742**	**5 157**	**4 658**	**19 957**	**40 373**
Amortization and impairment losses								
Opening balance, Jan. 1	2 634	441	61	471	1 111	812	27	5 557
Amortization for the period	383	65	6	107	339	305	–	1 205
Impairment charge for the period	57	–	–3	20	4	21	7	106
Disposals	–119	–9	–	–29	–1	–45	–	–203
Reclassifications	4	13	–4	–	–1	–10	–	2
Translation differences	135	27	–1	62	174	109	3	509
Closing balance, Dec. 31	**3 094**	**537**	**59**	**631**	**1 626**	**1 192**	**37**	**7 176**
Carrying amounts								
At Jan. 1	1 970	531	6	1 950	1 091	893	10 838	17 279
At Dec. 31	2 391	741	37	3 111	3 531	3 466	19 920	33 197

2013	Internally generated intangible assets		Acquired intangible assets					
	Product development	Other technology and contract based	Product development	Trademark	Marketing and customer related	Other technology and contract based	Goodwill	Total
Cost								
Opening balance, Jan. 1	3 880	692	64	2 293	1 941	1 539	10 206	20 615
Investments	702	231	2	–	–	74	–	1 009
Business acquisitions	–	–	–	125	254	135	617	1 131
Disposals	–39	–5	–	–	–	–22	–	–66
Reclassifications	–	39	1	–	–1	–38	–	1
Translation differences	61	15	–	3	8	17	42	146
Closing balance, Dec. 31	**4 604**	**972**	**67**	**2 421**	**2 202**	**1 705**	**10 865**	**22 836**
Amortization and impairment losses								
Opening balance, Jan. 1	2 300	352	57	375	916	710	26	4 736
Amortization for the period	308	54	–2	95	187	159	–	801
Impairment charge for the period	12	–	–	–	–	–	–	12
Disposals	–28	–3	–	–	–	–22	–	–53
Reclassifications	–6	36	6	–	–	–36	–	–
Translation differences	48	2	–	1	8	1	1	61
Closing balance, Dec. 31	**2 634**	**441**	**61**	**471**	**1 111**	**812**	**27**	**5 557**
Carrying amounts								
At Jan. 1	1 580	340	7	1 918	1 025	829	10 180	15 879
At Dec. 31	1 970	531	6	1 950	1 091	893	10 838	17 279

Other technology and contract based intangible assets include computer software, patents, and contract based rights such as licenses and franchise agreements. All intangible assets other than goodwill and trademarks with indefinite useful lives are amortized.

For information regarding amortization and impairment principles, see note 1.
See note 2 for information on business acquisitions.

13. Property, plant and equipment

2014	Buildings and land	Machinery and equipment	Construction in progress and advances	Total	Rental equipment
Cost					
Opening balance, Jan. 1	4 538	11 772	449	16 759	4 707
Investments	185	831	573	1 589	1 724
Business acquisitions	779	770	251	1 800	3
Divestments	–7	–	–12	–19	–
Disposals	–48	–1 012	–	–1 060	–651
Reclassifications	187	399	–642	–56	–341
Translation differences	539	979	55	1 573	571
Closing balance, Dec. 31	**6 173**	**13 739**	**674**	**20 586**	**6 013**
Depreciation and impairment losses					
Opening balance, Jan. 1	1 936	7 916	–	9 852	2 287
Depreciation for the period	226	1 277	–	1 503	892
Impairment charge for the period	–	3	–	3	–
Disposals	–36	–940	–	–976	–390
Reclassifications	58	–70	–	–12	–224
Translation differences	192	591	–	783	271
Closing balance, Dec. 31	**2 376**	**8 777**	**–**	**11 153**	**2 836**
Carrying amounts					
At Jan. 1	2 602	3 856	449	6 907	2 420
At Dec. 31	3 797	4 962	674	9 433	3 177

2013	Buildings and land	Machinery and equipment	Construction in progress and advances	Total	Rental equipment
Cost					
Opening balance, Jan. 1	4 291	10 694	857	15 842	4 257
Investments	88	766	443	1 297	1 461
Business acquisitions	47	93	–	140	92
Divestments	–	–8	–	–8	–
Disposals	–51	–380	–	–431	–625
Reclassifications	186	632	–848	–30	–336
Translation differences	–23	–25	–3	–51	–142
Closing balance, Dec. 31	**4 538**	**11 772**	**449**	**16 759**	**4 707**
Depreciation and impairment losses					
Opening balance, Jan. 1	1 770	7 226	–	8 996	2 227
Depreciation for the period	183	1 008	–	1 191	695
Impairment charge for the period	–	4	–	4	–
Business acquisitions	11	28	–	39	27
Divestments	–	–7	–	–7	–
Disposals	–41	–338	–	–379	–354
Reclassifications	5	–8	–	–3	–239
Translation differences	8	3	–	11	–69
Closing balance, Dec. 31	**1 936**	**7 916**	**–**	**9 852**	**2 287**
Carrying amounts					
At Jan. 1	2 521	3 468	857	6 846	2 030
At Dec. 31	2 602	3 856	449	6 907	2 420

For information regarding depreciation, see note 1.

14. Investments in associated companies

Accumulated capital participation	2014	2013
Opening balance, Jan. 1	101	107
Acquisitions of associated companies	–	1
Dividends	–3	–1
Profit for the year after income tax	7	7
Translation differences	10	–13
Closing balance, Dec. 31	**115**	**101**

[1] The Atlas Copco percentage share of each holding represents both ownership interest and voting power.

Summary of financial information for associated companies	Country	Assets	Liabilities	Equity	Revenues	Profit for the year	Group's share, % [1]
2014							
Qingdao Qianshao Pneumatic Tool Manufacturing Tech Ltd.	China	65	14	51	45	–1	25
Shenzen Nectar Engineering & Equipment Co. Ltd.	China	90	30	60	89	3	25
Yanggu Wuyue Special Steel Co.Ltd.	China	827	970	–143	109	–80	25
Toku-Hanbai Group	Japan	327	151	176	631	13	50
Reintube S.L.	Spain	8	6	2	14	–	47
2013							
Qingdao Qianshao Pneumatic Tool Manufacturing Tech Ltd.	China	50	6	44	36	–1	25
Shenzen Nectar Engineering & Equipment Co. Ltd.	China	109	53	56	138	16	25
Yanggu Wuyue Special Steel Co.Ltd.	China	589	635	–46	132	–56	25
Toku-Hanbai Group	Japan	288	134	154	631	8	50
Reintube S.L.	Spain	6	4	2	9	–	47

The above table is based on the most recent financial reporting available from associated companies. The Group has stopped recognizing its share of losses in Yanggu Wuyue Special Steel Co. Ltd.. The unrecognized share of losses for 2014 is –20. Accumulated unrecognized losses amount to –39, calculated at end of period rate for December.

15. Other financial assets

Fair value for other financial assets, except held-to-maturity investments, corresponds to their carrying value.

	2014	2013
Non-current		
Pension and other similar benefit assets (note 23)	100	132
Derivatives		
– not designated for hedge accounting	–	3
– designated for hedge accounting	160	186
Available-for-sale investments	2	2
Held-to-maturity investments	190	156
Financial asset at fair value through profit and loss	–	368
Financial assets classified as loans and receivables		
– finance lease receivables	397	438
– other financial receivables	961	1 031
Closing balance, Dec. 31	**1 810**	**2 316**
Current		
Held-to-maturity investments	172	170
Financial assets classified as loans and receivables		
– finance lease receivables	502	362
– other financial receivables	1 476	1 165
Closing balance, Dec. 31	**2 150**	**1 697**

See note 22 on finance leases and note 27 for information on derivatives and credit risk.

16. Inventories

	2014	2013
Raw materials	1 108	598
Work in progress	2 622	2 522
Semi-finished goods	4 567	4 229
Finished goods	10 067	9 477
Closing balance, Dec. 31	**18 364**	**16 826**

Provisions for obsolescence and other write-downs of inventories recorded as cost of sales amounted to 861 (451). Reversals of write-downs which were recognized in earnings totaled 294 (189). Previous write-downs have been reversed as a result of improved market conditions in certain markets.

Inventories recognized as expense amounted to 44 890 (38 906). Inventories pledged as security for liabilities amounted to 60 (17), see note 26 for additional information.

17. Trade receivables

Fair value for trade receivables corresponds to their carrying value. Trade receivables are categorized as loans and receivables.

Provisions for bad debts, trade	2014	2013
Provisions at Jan. 1	759	767
Business acquisitions and divestments	33	–6
Provisions recognized for potential losses	393	504
Amounts used for established losses	–176	–348
Release of unnecessary provisions	–160	–149
Change in discounted amounts	–1	1
Translation differences	91	–10
Closing balance, Dec. 31	**939**	**759**

Trade receivables of 19 903 (16 619) are reported net of provisions for doubtful accounts and other impairments amounting to 939 (759).

Provisions for doubtful accounts and impairment losses recognized in the income statement totaled 394 (504).

For credit risk information, see note 27.

18. Other receivables

Fair value for other receivables corresponds to their carrying value.

	2014	2013
Derivatives		
– not designated for hedge accounting	134	107
– designated for hedge accounting	32	143
Financial assets classified as loans and receivables		
– other receivables	2 789	2 137
– accrued income	1 869	1 803
Prepaid expenses	808	608
Closing balance, Dec. 31	**5 632**	**4 798**

Other receivables consist primarily of VAT claims and advances to suppliers. Accrued income relates mainly to service and construction projects. Prepaid expenses include items such as rent, insurance, interest, IT and employee costs.

For credit risk information, see note 27.

19. Cash and cash equivalents

Fair value for cash and cash equivalents corresponds to their carrying value. Cash and cash equivalents are classified as loans and receivables.

	2014	2013
Cash	6 184	4 990
Cash equivalents	3 220	12 643
Closing balance, Dec. 31	**9 404**	**17 633**

During 2014, cash and cash equivalents had an estimated average effective interest rate of 0.69% (0.34). Estimated average effective interest rate has increased due to larger deposits in currencies with higher interest rates. The committed, but unutilized, credit lines are MEUR 1 460 (1 440) which equals to MSEK 13 932 (12 902).

See note 27 for additional information.

20. Equity

Shares outstanding	2014 A shares	2014 B shares	2014 Total	2013 A shares	2013 B shares	2013 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
Total number of shares, Dec. 31	**839 394 096**	**390 219 008**	**1 229 613 104**	**839 394 096**	**390 219 008**	**1 229 613 104**
– of which held by Atlas Copco	–11 111 707	–501 379	–11 613 086	–15 414 812	–645 379	–16 060 191
Total shares outstanding, Dec. 31	**828 282 389**	**389 717 629**	**1 218 000 018**	**823 979 284**	**389 573 629**	**1 213 552 913**

At December 31, 2014, Atlas Copco AB's share capital amounted to SEK 786 008 190 distributed among 1 229 613 104 shares, each with a quota value of approximately SEK 0.64 (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.

Repurchases/ Divestment of shares	Number of shares 2014	AGM mandate 2014 Apr.–Dec.	AGM mandate 2013 Jan.–Mar.	2013	AGM mandate 2013 Apr.–Dec.	AGM mandate 2012 Jan.–Mar.	Cost value affecting equity 2014	Cost value affecting equity 2013
Opening balance, Jan. 1	16 060 191			16 190 929			2 152	2 061
Repurchase of A shares	–	–	–	2 148 475	–	2 148 475	–	390
Divestment of A shares	–4 303 105	–3 162 080	–1 141 025	–2 106 312	–1 106 096	–1 000 216	–586	–287
Divestment of B shares	–144 000	–144 000	–	–172 901	–113 500	–59 401	–10	–12
Closing balance, Dec. 31	**11 613 086**			**16 060 191**			**1 556**	**2 152**
Percentage of shares outstanding	1.0			1.3				

The 2014 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 4 800 000 series A shares, whereof a maximum 3 500 000 may be transferred to personnel stock option holders under the performance stock option plan 2014.
- The purchase of not more than 70 000 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 55 000 series A shares to cover costs related to previously issued synthetic shares to board members.
- The sale of maximum 8 800 000 series A and B shares in order to cover the obligations under the performance stock option plans 2009, 2010 and 2011.

The 2013 AGM approved a mandate for the Board of Directors to repurchase and sell series A shares and series B shares on the 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 4 250 000 series A shares, whereof a maximum 3 500 000 may be transferred to personnel stock option holders under the performance stock option plan 2013.
- The purchase of not more than 70 000 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 55 000 series A shares to cover costs related to previously issued synthetic shares to board members.
- The sale of maximum 8 100 000 series A and B shares in order to cover the obligations under the performance stock option plans 2008, 2009 and 2010.

Repurchases and sales are subject to market conditions, regulatory restrictions, and the capital structure at any given time. During 2014, 4 303 105 series A shares were repurchased and 144 000 series B shares were divested in accordance with mandates granted by the 2013 and 2014 AGMs. 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 2009–2014 personnel stock option programs. The series B 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 is 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
The hedging reserve comprises the effective portion of net changes in fair value for certain cash flow hedging instruments.

Translation reserve
The 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
Non-controlling interests amount to 178 (147). Five subsidiaries, including Shandong Rock Drilling Tools Co. Ltd and Atlas Copco (India) Ltd., have non-controlling interests. None of these are material to the Group.

Appropriation of profit
The Board of Directors proposes a dividend of SEK 6.00 (5.50) per share, totaling SEK 7 308 000 108 if shares held by the company on December 31, 2014 are excluded. The Board of Directors also proposes a share redemption procedure, wherby every share is split into one ordinary share and one redemption share. The redemption share is then automatically redeemed at SEK 6.00 per share totaling SEK 7 308 000 108, if the shares held by the company on December 31, 2014 are excluded. Combined with the propsed ordinary dividend, shareholders will receive SEK 14 616 000 216. For further information, see appropriation of profit on page 19.

The proposed dividend for 2013 of SEK 5.50 per share, as approved by the AGM on April 29, 2014, was accordingly paid by Atlas Copco AB. Total dividend paid amounted to SEK 6 681 226 409.

21. Borrowings

	Maturity	Repurchased nominal amount	2014 Carrying amount	2014 Fair value	2013 Carrying amount	2013 Fair value
Non-current						
Medium Term Note Program MEUR 600	2014	MEUR 260	–	–	3 079	3 132
Medium Term Note Program MEUR 500	2019		4 771	5 076	4 480	4 771
Medium Term Note Program MEUR 500	2023		4 746	5 191	4 453	4 424
Capital market borrowings MUSD 800	2017		6 635	7 088	5 689	6 220
Capital market borrowings MUSD 150	2019	MUSD 7.5	1 117	1 446	928	1 246
Bilateral borrowings EIB MEUR 213	2014		–	–	1 908	1 908
Bilateral borrowings EIB MEUR 275	2019		2 624	2 693	2 464	2 543
Bilateral borrowings NIB MEUR 100	2014		–	–	896	898
Bilateral borrowings NIB MSEK 705	2014		–	–	705	714
Bilateral borrowings NIB MEUR 180	2024		1 718	1 803	–	–
Other bank loans			405	405	305	305
Less current portion of long-term borrowings			–52	–52	–5 043	–5 096
Total non-current bonds and loans			**21 964**	**23 650**	**19 864**	**21 065**
Financial lease liabilities			109	109	66	66
Other financial liabilities			109	109	67	67
Total non-current borrowings			**22 182**	**23 868**	**19 997**	**21 198**
Current						
Current portion of long-term borrowings			52	52	5 043	5 096
Short term loans			2 163	2 163	505	504
Financial lease liabilities			69	69	47	47
Total current borrowings			**2 284**	**2 284**	**5 595**	**5 647**
Closing balance, Dec. 31			**24 466**	**26 152**	**25 592**	**26 845**

The difference between carrying value and fair value relate to the measurement method as certain liabilities are reported at amortized cost and not at fair value. See additional information about the Group's exposure to interest rate risk and foreign currency risk in note 27.

During 2014 two loans matured, a Medium Term Note Program of MEUR 600, of which MEUR 260 had previously been repurchased, as well as a Bilateral borrowing of MEUR 213. At the end of 2014 two Bilateral loans provided by NIB amounting to MEUR 100 and MSEK 705, respectively, were refinanced in advance by a new Bilateral loan provided by NIB amounting to MEUR 180, maturity 2024.

Since the balance sheet date, Atlas Copco AB has entered into a loan agreement with EIB amounting to MEUR 300. Currently, the facility is undrawn. The availability period for drawings under the facility is one year (until January 2016). If no drawings are made by then, the facility will be cancelled.

Atlas Copco has a long-term debt rating of A (A) from Standard & Poor's Corporation, A (–) from Fitch Ratings, and A2 (A2) from Moody's Investor Service Inc. Other than standard undertakings such as negative pledge and pari passu, the interest-bearing loans and borrowings are not subject to any financial covenants.

The Group's back-up facilities are specified in the table below.

Back-up facilities	Nominal amount	Maturity	Utilized
Medium Term Note Program [1, 3]	MUSD 3 000	–	MUSD 1 948
Commercial papers [1, 2]	MSEK 17 656	–	–
Credit-line [4]	MEUR 640	2019	–
Credit-line	MEUR 800	2019	–
Committed undrawn amount, NIB [5]	MEUR 20	2015	–
Equivalent in SEK	**MSEK 55 106**		**MSEK 15 271**

1) Interest is based on market conditions at the time when the facility is utilized. Maturity date is set when the facility is utilized.
2) The maximum amounts available under these programs total MUSD 1 000, MEUR 400 and MSEK 6 000 corresponding to a total of MSEK 17 656 (16 098).
3) Utilized nominal amounts MEUR 1 600 (1 600), which corresponds to MUSD 1 948 (2 201).
4) The multi-currency revolving credit facility of MEUR 640 has two one year extension options.
5) Atlas Copco has since the balance sheet date increased the bilateral loan from NIB of MEUR 180 to MEUR 200.

The Group's short-term and long-term borrowings are distributed among the currencies detailed in the table below.

Currency	2014 Local currency (millions)	2014 MSEK	2014 %	2013 Local currency (millions)	2013 MSEK	2013 %
EUR	1 464	13 970	58	1 946	17 438	68
SEK	29	29	–	710	710	3
USD	1 197	9 384	38	1 053	6 853	27
Other	–	1 083	4	–	591	2
Total		**24 466**	**100**		**25 592**	**100**

The following table shows the maturity structure of the Group's borrowings and includes the effect of interest rate swaps.

Maturity	Fixed	Floating	Carrying amount	Fair value
2015	–	2 284	2 284	2 284
2016	–	347	347	347
2017	4 976	1 821	6 797	7 251
2018	–	29	29	29
2019	8 512	14	8 526	9 228
2020	–	13	13	13
2021	–	3	3	3
2022	–	3	3	3
2023	4 746	–	4 746	5 191
2024	–	1 718	1 718	1 803
Total	**18 234**	**6 232**	**24 466**	**26 152**

22. Leases

Operating leases – lessee

The leasing costs of assets under operating leases amounted to 925 (816), and are derived primarily from rented premises, machinery, and computer and office equipment. Operating leasing contracts for office and factory facilities typically run for a period of 10 to 15 years. The total leasing cost includes minimum lease payments of 865 (780), contingent rent of 72 (48), and sublease payments received of 12 (12). Future payments for non-cancelable operating leasing contracts fall due as follows:

	2014	2013
Less than one year	731	597
Between one and five years	1 348	1 100
More than five years	550	247
Total	**2 629**	**1 944**

The total of future minimum sublease payments expected to be received was 27 (25).

Finance leases – lessee

Assets utilized under finance leases	Machinery and equipment	Rental equipment
Carrying amounts, Jan. 1, 2014	112	8
Carrying amounts, Dec. 31, 2014	151	14
Carrying amounts, Jan. 1, 2013	119	7
Carrying amounts, Dec. 31, 2013	112	8

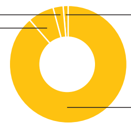
Assets utilized under finance leases are comprised primarily of vehicles.

Operating leases – lessor

Atlas Copco has equipment which is leased to customers under operating leases. Long-term operating lease contracts are financed and administrated by Atlas Copco Customer Finance and certain other subsidiaries. Future payments for non-cancelable operating leasing contracts fall due as follows:

	2014	2013
Less than one year	370	366
Between one and five years	310	287
More than five years	95	69
Total	**775**	**722**

LEASING COST UNDER OPERATING LEASES – LESSEE



Future payments for assets held under finance leases as lessee will fall due as follows:

	2014			2013		
	Minimum lease payments	Interest	Principal	Minimum lease payments	Interest	Principal
Less than one year	75	6	69	51	4	47
Between one and five years	116	10	106	74	8	66
More than five years	3	–	3	–	–	–
Total	**194**	**16**	**178**	**125**	**12**	**113**

Finance leases – lessor

The Group offers lease financing to customers via Atlas Copco Customer Finance and certain other subsidiaries. See note 27 for information on financial exposure and principles for control of financial risks. Future lease payments to be received fall due as follows:

	2014		2013	
	Gross investment	Present value of minimum lease payments	Gross investment	Present value of minimum lease payments
Less than one year	539	502	393	362
Between one and five years	395	385	477	423
More than five years	13	12	18	15
	947	**899**	**888**	**800**
Unearned finance income	–	48	–	88
Total	**947**	**947**	**888**	**888**

23. Employee benefits

Post-employment benefits

Atlas Copco provides post-employment defined benefits 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, Canada, 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. All of the plans are unfunded.

In Canada, Atlas Copco provides a pension plan and a supplemental retirement pension benefit plan for executives. Both plans are funded. There are also two unfunded plans, a post-retirement benefit plan and a post-employment plan.

The German plans include those for pensions, early retirements and jubilee. The plans are funded as of 2013.

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 is not available for calculating the net pension obligation.

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 assets classes, markets and issuers should be utilized. An asset 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:

	2014	2013
Financial assets (note 15)	–100	–132
Post-employment benefits	2 531	1 414
Other provisions (note 25)	206	40
Closing Balance, net	**2 637**	**1 322**

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 balance sheet amounted to 2 637 (1 322). The weighted average duration of the obligation is 15.8 (15.8) in years.

Post-employment benefits 2014	Funded pension plans	Unfunded pension plan	Other funded plans	Other unfunded plans	Total
Present value of defined benefit obligations	8 757	1 493	93	198	10 541
Fair value of plan assets	–7 866	–	–88	–	–7 954
Present value of net obligations	**891**	**1 493**	**5**	**198**	**2 587**
Effect of asset ceiling	29	–	–	–	29
Other long-term service obligations	–	–	21	–	21
Net amount recognized in balance sheet	**920**	**1 493**	**26**	**198**	**2 637**
2013					
Present value of defined benefit obligations	6 600	928	84	169	7 781
Fair value of plan assets	–6 442	–	–81	–	–6 523
Present value of net obligations	**158**	**928**	**3**	**169**	**1 258**
Effect of asset ceiling	45	–	–	–	45
Other long-term service obligations	–	–	–	19	19
Net amount recognized in balance sheet	**203**	**928**	**3**	**188**	**1 322**

23. Employee benefits, continued

Plan assets consist of the following:	2014			2013
	Quoted market price	Unquoted market price	Total	2013
Debt instruments	4 665	471	5 136	3 502
Equity instruments	1 212	184	1 396	1 151
Cash	242	66	308	1 035
Property	255	216	471	306
Other	284	359	643	529
Closing balance, Dec 31	**6 658**	**1 296**	**7 954**	**6 523**

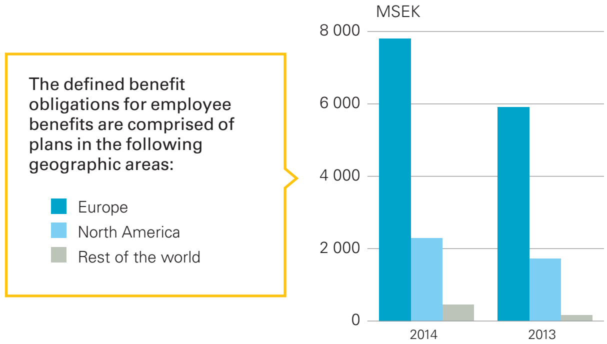
Movement in plan assets	2014	2013
Fair value of plan assets at Jan 1	6 523	5 659
Business acquisitions	67	65
Interest income	276	212
Remeasurement - Return on plan assets	477	14
Settlements	–33	–1
Employer contributions	176	786
Plan members contributions	18	17
Administrative expenses	–5	–5
Benefit paid by the plan	–247	–241
Reclassifications	16	–
Translation differences	686	17
Fair value of plan assets at Dec 31	**7 954**	**6 523**

The plan assets are allocated among the following geographic areas:	2014	2013
Europe	5 902	4 981
North America	1 863	1 485
Rest of the world	189	57
Total	**7 954**	**6 523**

Asset ceiling	2014	2013
Asset ceiling at Jan. 1	45	–
Interests	1	–
Remeasurements - asset ceiling	–20	43
Translation difference	3	2
Asset ceiling, Dec. 31	**29**	**45**

Movement in present value of the obligations for defined benefits	2014	2013
Defined benefit obligations at Jan. 1	7 781	7 702
Current service cost	248	217
Past service cost	–6	–5
Gain/loss on settlement	5	–
Interest expense (+)	325	283
Actuarial gains (-)/ lossses (+) arising from experience adjustments	49	17
Actuarial gains (-)/ lossses (+) arising from financial assumptions	1 225	–231
Actuarial gains (-)/ lossses (+) arising from demographic assumptions	–6	150
Business Acquisitions	488	66
Settlements	–33	–1
Benefits paid from plan or company assets	–473	–456
Reclassifications	55	–
Translation differences	883	39
Defined benefit obligations, Dec. 31	**10 541**	**7 781**

Remeasurements recognized in other comprehensive income amounts to 759 (–45) and 13 (9) in profit and loss. The Group expects to pay 331 in contributions to defined benefit plans in 2015. Expenses related to defined contribution plans amounted to 689 (685).



Expenses recognized in the income statement	2014	2013
Current service cost	248	217
Past service cost	–6	–5
Gain loss on settlements	5	–
Net interest cost	49	71
Employee contribution/ Participant contribution	–18	–17
Remeasurement of other long-term benefits	13	9
Administrative expenses	5	5
Total	**296**	**280**

The total benefit expense for defined benefit plans amounted to 296 (280), whereof 247 (209) has been charged to operating expenses and 49 (71) to financial expenses.

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages, in %)	2014	2013
Discount rate		
Europe	1.82	3.76
North America	3.72	4.57
Future salary increases		
Europe	2.64	2.97
North America	3.51	3.53
Medical cost trend rate		
North America	8.19	8.20

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 + 0.50%	–112	–136
Change in discount rate – 0.50%	124	153
Increase in life expectancy, +1 year	57	68

23. Employee benefits, continued

Share value based incentive programs

In 2009–2013, 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 2014, the Annual General Meeting decided on a performance based personnel stock option program for 2014 similar to the 2009–2013 programs.

Option programs 2009–2014

At the Annual General Meeting 2009–2014 respectively, it was decided to implement performance related 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 each program year depended on the value creation in the Group, measured as Economic Value Added (EVA), for the respective program year. For the 2014 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 2009 program has a term of five years from the issue date and the options are not transferable. The 2010–2014 programs have a term of five years from the grant date and the options are not transferable. The options in the program 2009 is exercisable at a rate of one third per year, starting one year after the issue date. The options in the 2010–2014 programs become exercisable at 100% three years after grant.

The 2010–2014 programs include a requirement for senior executives (31 in total) 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, senior executives who have invested in Atlas Copco A shares will have the option to purchase one matching 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 options was not feasible.

In the 2009–2014 programs, the options may, on request by an optionee in Sweden, be settled by the Company paying cash equal to the excess of the closing price of the shares over the exercise price on the exercise day, less any administrative fees. Due to this choice of settlement by the Swedish employees, these options are classified for accounting purposes as cash-settled in accordance with IFRS 2.

The Black-Scholes model is used to calculate the fair value of the options/SARs in the programs at issue date. Since the issue date for the 2014 program will be in March 2015, the fair value has been simulated through a Monte Carlo model of what it may be established at in March 2015. For the programs in 2013 and 2014, the fair value of the options/SARs was based on the following assumptions:

Key assumptions	2014 Program (Dec. 31, 2014)	2013 Program (at issue date)
Expected exercise price	SEK 240/164 [1)]	SEK 193/132 [1) 2)]
Expected volatility	30%	33%
Expected options life (years)	3.05	3.1
Expected share price	SEK 218.45	SEK 190.00
Expected dividend (growth)	SEK 6.05 (10%)	SEK 5.50 (10%)
Risk free interest rate	0.07%	0.90%
Expected average grant value	SEK 27.33/56.70 [1)]	SEK 32.90/58.00 [1) 2)]
Maximum number of options	4 622 729	4 072 858
– of which forfeited	194 075	4 072 858
Number of matching shares	38 292	43 675

[1)] Matching shares for senior executives. [2)] Actual.

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.

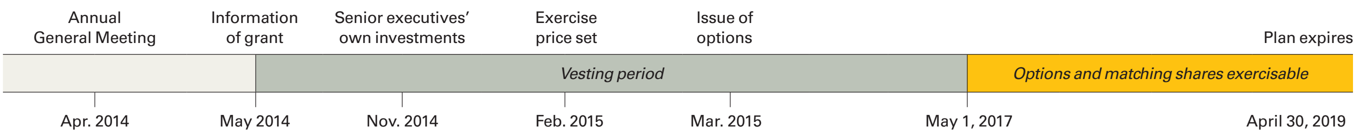
When determining the expected option life, assumptions have been made regarding the expected exercising behavior of different categories of optionees.

For the stock options in 2009–2014 programs, the fair value is recognized as an expense over the following vesting periods:

Program	Vesting period		Exercise period	
Stock options	From	To	From	To
2009	June 2009	March 2013	March 2011	March 2015
2010	June 2010	April 2013	May 2013	April 2015
2011	June 2011	April 2014	May 2014	April 2016
2012	June 2012	April 2015	May 2015	April 2017
2013	June 2013	April 2016	May 2016	April 2018
2014	May 2014	April 2017	May 2017	April 2019

For the 2014 program, a new valuation of the fair value has been made and will be made at each reporting date until the issue date.

Timeline 2014 option plan



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 2014 for all share-based incentive programs amounted to 141 (56) excluding social costs of which 32 (39) refers to equity-settled options. The related costs for social security contributions 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 157 (186). Atlas Copco shares are held by the Parent Company in order to cover commitments under the programs 2009–2014, see also note 20.

Summary of share value based incentive programs

Program	Initial number of employees	Initial number of options	Expiration date	Exercise price, SEK	Type of share	Fair value on grant date	Intrinsic value for vested SARs
Stock options							
2007	177	3 222 149	Mar. 30, 13	101.94	A	132.50	–
2008	198	3 570 079	Mar. 20, 14	68.93	A	22.32	–
2009	222	3 902 878	Mar. 20, 15	104.86	A	28.59	–
2010	221	3 796 922	Apr. 30, 15	166.99	A	28.32	–
2011	224	2 735 804	Apr. 30, 16	184.00	A	22.47	–
2012	248	3 440 015	Apr. 30, 17	200.00	A	28.30	–
2013	250	–	N/a	N/a	N/a	N/a	–
Matching shares							
2010	21	38 334	Apr. 30, 15	113.59	A	53.40	–
2011	20	39 495	Apr. 30, 16	125.00	A	41.23	–
2012	28	42 289	Apr. 30, 17	136.00	A	52.30	–
2013	28	43 675	Apr. 30, 18	132.00	A	58.00	–
Share appreciation rights							
2007	38	589 966	Mar. 30, 13	101.94	A	–	116.46
2008	41	635 348	Mar. 20, 14	68.93	A	–	149.47
2009	47	741 240	Mar. 20, 15	104.86	A	–	113.54
2010	49	756 351	Apr. 30, 15	166.99	A	–	51.41
2011	48	530 524	Apr. 30, 16	184.00	A	–	34.40
2012	56	704 004	Apr. 30, 17	200.00	A	–	–
2013	58	–	N/a	N/a	N/a	N/a	–

Number of options/rights 2014

Program	Outstanding Jan.1	Granted	Exercised	Expired/ forfeited	Outstanding Dec. 31	*–of which exercisable*	Time to expiration, in months	Average stock price for exercised options, SEK
Stock options								
2008	688 171	–	687 129	1 042	–	–	–	180
2009 1)	876 113	–	640 922	–	235 191	*235 191*	3	202
2010 2)	3 155 039	–	1 811 823	15 127	1 328 089	*1 328 089*	4	208
2011 3)	2 595 051	–	409 255	21 654	2 164 142	*2 164 142*	16	208
2012 4)	3 367 853	–	–	137 098	3 230 755	–	28	–
Matching shares								
2010	25 315	–	16 349	–	8 966	*8 966*	4	205
2011	36 522	–	13 676	–	22 846	*22 846*	16	204
2012	42 289	–	–	4 430	37 859	–	28	–
2013	43 675	–	–	4 798	38 877	–	40	–
Share appreciation rights								
2008	74 388	–	73 861	527	–	–	–	182
2009	158 950	–	119 246	–	39 704	*39 704*	3	203
2010	579 826	–	355 292	–	224 534	*224 534*	4	201
2011	487 216	–	140 752	21 654	324 810	*324 810*	16	202
2012	691 977	–	–	63 354	628 623	–	28	–

All numbers have been adjusted for the effect of share split in 2007 and the redemption in 2011 in line with the method used by Nasdaq Stockholm (Stockholm Stock Exchange) to adjust exchange-traded options contracts.

1) Of which 84 492 have been accounted for as cash settled.
2) Of which 504 534 have been accounted for as cash settled.
3) Of which 793 359 have been accounted for as cash settled.
4) Of which 1 115 905 have been accounted for as cash settled.

23. Employee benefits, continued

Number of options/rights 2013								
Program	Outstanding Jan.1	Granted	Exercised	Expired/ forfeited	Outstanding Dec. 31	*–of which exercisable*	Time to expiration, in months	Average stock price for exercised options, SEK
Stock options								
2007	443 102	–	443 102	–	–	–	–	184
2008	1 355 874	–	667 703	–	688 171	*688 171*	3	182
2009	1 200 730	–	315 541	9 076	876 113	*876 113*	15	181
2010	3 524 615	–	324 195	45 381	3 155 039	*3 155 039*	16	184
2011	2 703 323	–	–	108 272	2 595 051	–	28	–
2012	3 440 015	–	–	72 162	3 367 853	–	40	–
Matching shares								
2010	27 780	–	2 465	–	25 315	*25 315*	16	176
2011	39 495	–	–	2 973	36 522	–	28	–
2012	42 289	–	–	–	42 289	–	40	–
2013	–	43 675	–	–	43 675	–	52	–
Share appreciation rights								
2007	53 008	–	53 008	–	–	–	–	185
2008	171 402	–	97 014	–	74 388	*74 388*	3	184
2009	231 978	–	66 221	6 807	158 950	*158 950*	15	181
2010	756 351	–	146 271	30 254	579 826	*579 826*	16	183
2011	519 697	–	–	32 481	487 216	–	28	–
2012	704 004	–	–	12 027	691 977	–	40	–

All numbers have been adjusted for the effects of share split and redemption in 2007 and in 2011 in line with the method used by Nasdaq Stockholm to adjust exchange-traded options contracts.

24. Other liabilities

Fair value for other liabilities corresponds to carrying value.

Other current liabilities	2014	2013
Derivatives		
– not designated for hedge accounting	337	34
– designated for hedge accounting	159	209
Other financial liabilities		
– other liabilities	3 061	2 245
– accrued expenses	6 537	5 159
Advances from customers	2 219	1 798
Prepaid income	49	47
Deferred revenues construction contracts	190	313
Deferred revenues service contracts	923	857
Closing balance, Dec 31	**13 475**	**10 662**

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.

25. Provisions

2014	Product warranty	Restructuring	Other	Total
Opening balance, Jan. 1	868	108	771	1 747
During the year				
– provisions made	1 136	156	504	1 796
– provisions used	–1 046	–86	–476	–1 608
– provisions reversed	–173	–8	–102	–283
Business acquisitions	255	27	218	500
Translation differences	133	9	87	229
Closing balance, Dec. 31	**1 173**	**206**	**1 002**	**2 381**
Non-current	186	74	628	888
Current	987	132	374	1 493
Total	**1 173**	**206**	**1 002**	**2 381**

2013	Product warranty	Restructuring	Other	Total
Opening balance, Jan. 1	925	150	901	1 976
During the year				
– provisions made	830	85	320	1 235
– provisions used	–697	–100	–334	–1 131
– provisions reversed	–187	–24	–95	–306
Business acquisitions	1	–	–	1
Translation differences	–4	–3	–21	–28
Closing balance, Dec. 31	**868**	**108**	**771**	**1 747**
Non-current	123	32	527	682
Current	745	76	244	1 065
Total	**868**	**108**	**771**	**1 747**

2014, Maturity	Product warranty	Restructuring	Other	Total
Less than one year	987	132	374	1 493
Between one and five years	181	55	563	799
More than five years	5	19	65	89
Total	**1 173**	**206**	**1 002**	**2 381**

Other provisions consist primarily of amounts related to share-based payments including social fees, other long-term employee benefits (see note 23), and environmental remediation obligations.

26. Assets pledged and contingent liabilities

Assets pledged for debts to credit institutions and other commitments	2014	2013
Inventory and tangible fixed assets	61	22
Endowment insurances	111	78
Other receivables	392	121
Total	**564**	**221**

Contingent liabilities	2014	2013
Notes discounted	17	15
Sureties and other contingent liabilities	270	188
Total	**287**	**203**

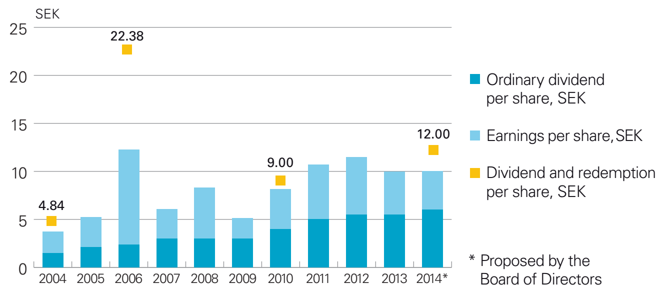
Sureties and other contingent liabilities relate primarily to pension commitments and commitments related to customer claims and various legal matters.

27. Financial exposure and principles for control of financial risks

Capital management

Atlas Copco defines capital as borrowings and equity, which at December 31 totaled 75 219 (65 386). The Group's policy is to have an adequate capital structure to maintain investor, creditor and market confidence and to support future development of the business. The Board's opinion is that the dividend over a business cycle should correspond to about 50% of earnings per share. In recent years, the Board has 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.



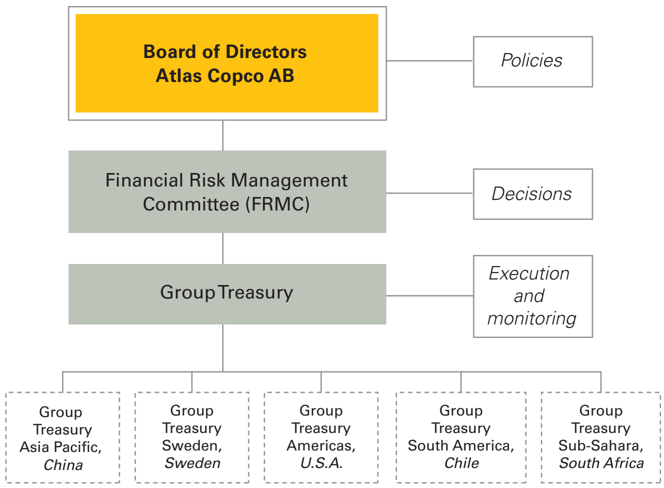
Financial risks

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
- Other market and price risks

The Board of Directors establishes the overall financial policies and monitors compliance to 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, Group Treasurer, and Head of Treasury Control. The FRMC meets on a quarterly basis or more often if circumstances require.

Group Treasury has the operational responsibility for financial risk management in the Group. Group Treasury 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.



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.

Group funding risk policy

The Group's funding risk policy refers to Atlas Copco AB and Atlas Copco Airpower n.v. as external borrowings mainly are held in these entities.

27. Financial exposure and principles for control of financial risks, continued

- The Group should maintain minimum MSEK 6 000 committed credit facilities to meet operational, strategic and rating objectives. Actual amount at year-end was MEUR 1 460 (1 440) which corresponds to MSEK13 932 (12 902).
- The average tenor (i.e. time until maturity) of the Group's external debt should be at least 3 years. Actual tenor at year-end was 5.1 years (4.4).
- No more than MSEK 5 000 of the Group's external debt may mature within the next 12 months. In 2015 no debt is maturing (4 987).
- 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 funding risk policy. Cash and cash equivalents totaled 9 404 (17 633). 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 table shows maturity structure of the Group's financial assets and liabilities. The figures shown are contractual undiscounted cash flows based on contracted date, when the Group is liable to pay or eligible to receive, and includes both interest and nominal amounts.

Financial instruments	Up to 1 year	1–5 years	Over 5 years
Assets			
Financial assets	11	1 543	101
Other receivables	–	50	6
Derivatives	76	114	–
Non-current financial assets	**87**	**1 707**	**107**
Trade receivables	19 903	–	–
Financial assets	2 209	–	–
Other receivables	2 393	–	–
Derivatives	166	–	–
Other accrued income	1 869	–	–
Cash and cash equivalents	9 404	–	–
Current financial assets	**35 944**	**–**	**–**
Financial assets	**36 031**	**1 707**	**107**
Liabilities			
Liabilities to credit institutions	731	17 861	7 058
Other financial liabilities	–	109	–
Derivatives	37	135	–
Other liabilities	–	669	–
Non-current financial liabilities	**768**	**18 774**	**7 058**
Liabilities to credit institutions	2 238	–	–
Current portion of interest-bearing liabilities	52	–	–
Derivatives	496	–	–
Other accrued expenses	6 537	–	–
Trade payables	7 876	–	–
Other liabilities	3 061	–	–
Current financial liabilities	**20 260**	–	–
Financial liabilities	**21 028**	**18 774**	**7 058**

Derivatives classified as assets designated for hedge accounting amount to 192 (329) and derivatives classified as liabilities designated for hedge accounting amount to 309 (224). Other derivatives are classified as held for trading.

Interest rate risk
Interest rate risk is the risk that the Group is negatively affected by changes in the interest rate levels.

Group interest rate risk policy
The interest rate risk policy states that the average duration (i.e. period for which interest rates are fixed) should be a minimum of 6 months (6) and a maximum of 48 months (48).

Status at year-end
To manage interest rate risk, the Group uses interest rate swap agreements to convert interest on loans. The Group has entered into interest rate swaps to convert fixed interest rates to variable interest rates. These swaps are designated as fair value hedging instruments, with a nominal amount of MUSD 200 (200). The Group has also interest rate swaps to convert variable interest rates to fixed interest rates on the loan of MEUR 275 (275). These swaps are designated as cash flow hedging instruments. For more information about the Group's borrowings, see note 21.

Including the effect of the derivatives, the effective interest rate and interest duration of the Group's borrowings at year-end was 3.0% (2.7) and 46 months (45) respectively. Excluding any derivatives, the Group's effective interest rate was 3.5% (3.3) and the average interest duration was 42 months (41).

Outstanding derivative instruments related to interest rate risk	2014		2013	
	Fair value	Nominal amount	Fair value	Nominal amount
Interest rate swaps, fair value hedge				
Assets	MSEK 160	MUSD 200	MSEK 186	MUSD 200
Liabilities	–	–	–	–
Interest rate swaps, cash flow hedge				
Assets	–	–	–	–
Liabilities	MSEK 148	MEUR 275	MSEK 15	MEUR 275

The following tables show the estimated effect, in MSEK, of a parallel upward and downward shift of one percentage point (100 basis points) in all interest rates on external loans and on interest rate swaps hedging the loans.

The first table shows the estimated effect on the profit and loss before taxes. The second table shows the fair value effect on loans and interest rate swaps reported at fair value. Certain loans are reported at their amortized cost and are therefore not affected by changes in interest rate levels. For the main part of the interest rate swaps, fair value hedge accounting or cash flow hedge accounting is applied, therefore the impact on earnings is small.

Interest sensitivity, earnings	2014	2013
	Earnings impact	Earnings impact
Market interest rate +1%	–32	–48
Market interest rate –1%	32	48

Interest sensitivity, fair value	2014		2013	
	Earnings impact	OCI impact	Earnings impact	OCI impact
Market interest rate +1%	5	118	4	127
Market interest rate –1%	–5	–126	–4	–135

Currency risk
The Group is present in various geographical markets and undertakes transactions denominated in foreign currencies and consequently exposures to exchange rate fluctuations arise. This affects both transaction exposure (cash flow) and translation exposure (balance sheet). These two different exposures are explained separately below.

Transaction exposure
Group currency risk policy
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 presence in various markets, there are inflows and outflows in different currencies. As a normal part of business, net surpluses or deficits in specific currencies are created. The value of these net positions fluctuates with the changes in currency rates and, thus, a transaction exposure is created. The following describes the Group's general policies for managing transaction exposure:

- Exposures should 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 positive or negative effect on the Group's results over the long term, the policy does not recommend transaction exposures to be hedged on an ongoing basis. Business areas and divisions should normally not hedge currency risks. Hedging can, however, be motivated in case of long-term contracts where there is no possibility to adjust the contract price or the associated costs.
- The FRMC can decide if parts of the transaction exposure should be hedged. Transactions shall qualify for hedge accounting in accordance with IFRS and hedging beyond 18 months is not allowed.

27. Financial exposure and principles for control of financial risks, continued

Status at year-end
The Group has continued to manage transaction exposures primarily by matching in- and outflows in the same currencies. Derivative instruments have only been used to hedge operational flows and have primarily been used to hedge transactions in AUD, EUR, GBP and USD.

The net nominal amounts in the main currencies are shown in the table below. During 2014 Edwards was acquired by Atlas Copco. Edwards hedges future cash flows to a larger extent than the rest of the Atlas Copco Group which explains the increase in hedging volume in 2014.

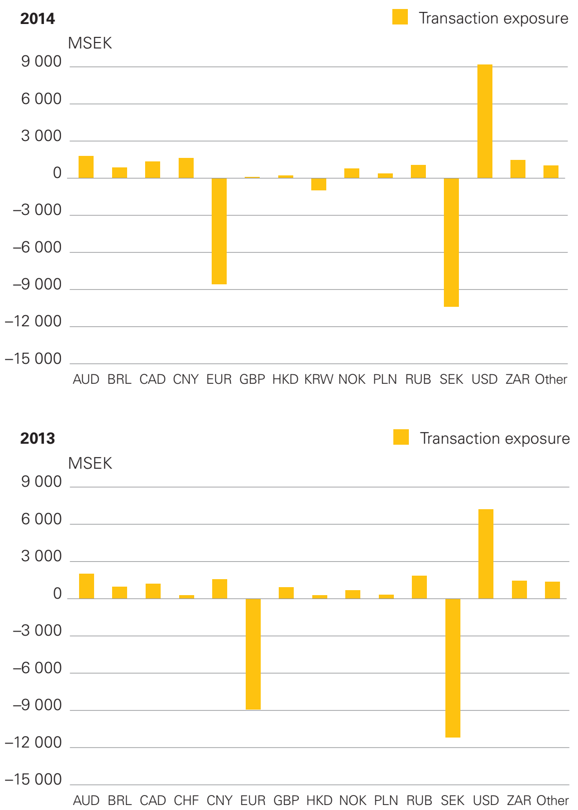
Outstanding derivative instruments related to transaction exposure	2014 Nominal amount, net	2013 Nominal amount, net
Foreign exchange forwards		
AUD	MAUD –106	MAUD –52
EUR	MEUR 39	MEUR 20
GBP	MGBP 150	MGBP 9
USD	MUSD –537	MUSD –19

In the table below, fair value for all outstanding derivative instruments related to transaction exposure is shown.

Outstanding derivative instruments related to transaction exposure	2014 Fair value	2013 Fair value
Foreign exchange forwards		
Assets	41	56
Liabilities	128	5

The largest operational surplus and deficit currencies are shown in Graph 1. The amounts presented in Graph 1 represent the estimate of the net amounts the Group has to exchange in different currencies. The estimates are based on the Group's intercompany payments and on payment flows from customers and to suppliers in the most significant currencies. The operational transaction exposure in MSEK is 10 401 (11 162) and is calculated as the net operational exposed cash flows.

GRAPH 1 Estimated operational transaction exposure in the Group's most important currencies 2014 and 2013

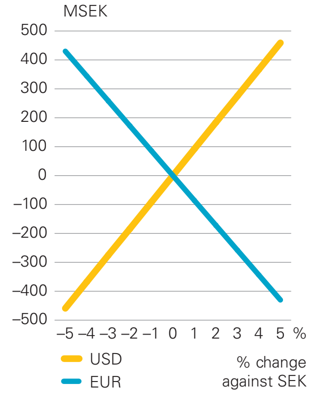


The following table illustrates the effect that one percentage point weakening or strengthening of the SEK against all other currencies would have on the transaction exposure.

Transaction exposure sensitivity	2014	2013
SEK exchange rate +1%	–96	–93
SEK exchange rate –1%	96	93

Graph 2 illustrates the effect on the Group's pre-tax earnings of one-sided fluctuations in USD and EUR exchange rates if no hedging transactions have been undertaken, and before any impact of offsetting price adjustments or similar measures. The graph indicates for example that the Group's pre-tax earnings of estimated net USD flows would decrease by approximately 459 (360) if the USD would weaken by 5%.

GRAPH 2 Operational transaction exposure effect of EUR and USD before hedging



Translation exposure
Group currency risk policy
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 worldwide presence creates a currency effect since the financial statements of entities with functional currencies other than SEK are translated to SEK when preparing the consolidated financial statements. The exposure is the net of assets and liabilities denominated in the specific currency. The effect of currency rate fluctuation on these net positions is the translation effect.

The following describes the Group's general policies for managing translation exposure:

- Translation exposure should be reduced by matching assets and liabilities in the same currencies.
- The FRMC may decide to hedge part or all of the remaining translation exposure. Any hedge of translation exposure shall qualify for hedge accounting in accordance with IFRS.

Status at year-end
The Group uses loans and derivatives to reduce the translation exposure on net investments in USD and EUR in the consolidated financial statements and to reduce the exchange rate risk related to net assets in subsidiaries. These instruments are designated as net investment hedges in the consolidated financial statements.

The financial instruments shown in the table below are used to hedge EUR- and USD-denominated net assets.

Outstanding financial instruments related to translation exposure	2014 Fair value	2014 Nominal amount	2013 Fair value	2013 Nominal amount
Derivatives				
Assets	–	–	–	–
Liabilities	MSEK –99	MEUR 330	MSEK 222	MEUR 582
External loans				
Loans in EUR [1]	MSEK –2 073	MEUR 1 452	MSEK –177	MEUR 1 428
Loans in USD [1]	MSEK –108	MUSD 58	MSEK –27	MUSD 58

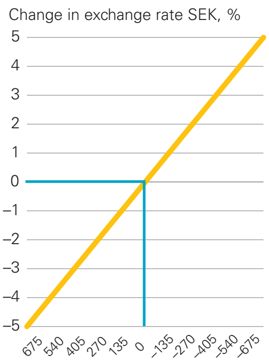
[1] In the balance sheet, loans designated as net investment hedges are reported at amortized cost and not at fair value.

27. Financial exposure and principles for control of financial risks, continued

The Group's loan portfolio is also exposed to movement in currency rates. The impact on the net income would however be very limited as substantially all of the Group's loans are designated as hedges of net investments and the effect is accounted for in other comprehensive income (see also note 1, Accounting principles, Financial assets and liabilities).

Graph 3 indicates the Group's sensitivity to currency translation effects when earnings of foreign subsidiaries are translated. The graph indicates for example that the translation effect on the Group's pretax earnings would be –135 (–135) if SEK strengthen by 1%. A SEK weakening by 1% would affect the Group's pretax earnings by 135 (135).

GRAPH 3 **Translation effect on earnings before tax**



Credit risk

Credit risk can be divided into operational and financial credit risk. These risks are described further in the following sections. The table below shows the total exposure related to assets classified as financial instruments as per December 31.

Credit risk	2014	2013
Loans and receivables		
– trade receivables	19 959	16 642
– finance lease receivables	899	800
– other financial receivables	2 437	2 196
– other receivables	2 393	1 734
– accrued income	1 869	1 803
– cash and cash equivalents	9 404	17 633
Held-to-maturity investments	362	326
Available-for-sale investments	2	2
Derivatives	326	439
	37 651	**41 575**

Operational credit risk

Group credit risk policy

Operational credit risk is the risk that the Group's customers will not meet their payment obligations. 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

Since the Group's sales are dispersed among many customers, of which 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.

The Group has an in-house customer finance operation (Atlas Copco Customer Finance) as a means of supporting equipment sales. At December 31, the credit portfolio of the customer finance operations totaled approximately 2 809 (2 707) consisting of 92 (100) reported as trade receivables, 836 (822) reported as finance lease receivables, and 1 881 (1 785) reported as other financial receivables. In addition, Atlas Copco Customer Finance also has non-cancelable operating lease contracts of 751 (641). There were no significant concentrations of customer risks in these operations. No customer represented more than 5% of the total outstanding receivables. For further information, see note 22.

Atlas Copco Customer Finance maintains collateral for its credit portfolio primarily through repossession rights in equipment. Business units may also, partly, transfer the commercial risk insurance to external entities (normally to an export credit agency).

Provision for impairment of credit risks

The business units establish provisions for impairment that represent their estimate of incurred losses in respect of trade and other receivables. The main components of this provision are specific loss provisions corresponding to individually significant exposures and a collective loss component established for groups of similar assets in respect of losses that have not yet been identified. The collective loss provision is determined based on historical data of default statistics for similar financial assets. At year-end 2014, the provision for bad debt amounted to 4.5% (4.4) of gross total customer receivables. The following table presents the gross value of trade receivables by ageing category together with the related impairment provisions.

	2014		2013	
Trade receivables	Gross	Impairment	Gross	Impairment
Not past due	13 824	18	11 138	5
Past due but not impaired				
0–30 days	3 452	–	2 916	–
31–60 days	984	–	908	–
61–90 days	480	–	544	–
More than 90 days	1 695	–	1 410	–
Past due and individually impaired				
0–30 days	76	5	140	2
31–60 days	40	5	43	3
61–90 days	37	14	21	5
More than 90 days	310	232	281	215
Collective impairment	–	665	–	529
	20 898	**939**	**17 401**	**759**

The total estimated fair value of collateral for trade receivables amounted to 598 (617). Approximately 60% of collateral consisted of repossession rights and 40% of export credit insurance. Based on historical default statistics and the diversified customer base, the credit risk is assessed to be limited.

The gross amount of finance lease receivables amounted to 919 (822), of which 20 (22) have been impaired, and the gross amount of other financial receivables amounted to 2 489 (2 247), of which 52 (51) have been impaired. There are no significant amounts past due that are not impaired. The total estimated fair value of collateral to finance lease receivables and other finance receivables was 640 (575) and 1 900 (1 620), respectively, consisting primarily of repossession rights.

Financial credit risk

Group credit risk policy

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. The financial credit risk is measured differently depending on the transaction type.

Investment transactions

Efficient cash management systems should be maintained in order to minimize excess cash in operations where it cannot be invested or used to reduce interest-bearing debt. Cash may only be invested if at least one of the credit ratings (as rated by Standard & Poor's, Fitch Ratings or Moody's) of the approved counterpart or underlying investment is at least A-/A3 in case of financial counterparties and funds and BBB-/Baa3 in case of non-financial counterparties. Investments in structured financial products are not allowed even if they meet the rating criteria, unless approved by the FRMC. Other criteria which are considered when investing include limiting the exposure with any single counterparty, the tenor, and liquidity of the investment. A list of approved counterparts with a maximum exposure limit for each counterpart is maintained and monitored.

27. Financial exposure and principles for control of financial risks, continued

Derivative transactions

As part of the Group's management of financial risks, the Group enters into derivative transactions with financial counterparts. Such transactions may only be undertaken with approved counterparts for which credit limits have been 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 Group Treasury or in rare cases by another entity, but only after the approval of 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

At year-end 2014, the measured credit risk on derivatives, taking into account the market-to-market value and collaterals amounted to 182 (254).

The table below presents the Group's total holdings in derivatives.

Outstanding derivative instruments related to financial exposures	2014	2013
Interest rate swaps		
Assets	160	187
Liabilities	153	25
Foreign exchange forwards		
Assets	125	195
Liabilities	374	237

Outstanding derivative instruments related to operational exposures	2014	2013
Assets	41	56
Liabilities	128	5

No financial assets or liabilities are offset in the balance sheet. Derivative instruments are subject to master netting agreements and the fair values of derivatives that are not offset in the balance sheet are 326 (439) for assets and 655 (267) for liabilities. The table below shows derivatives covered by master netting agreements.

Outstanding net position for derivative instruments	Gross	Offset in BS	Net in BS	Master netting agreement	Cash collateral	Net position
Assets						
Derivatives	326	–	326	–131	–13	182
Liabilities						
Derivatives	655	–	655	–131	–381	143

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 offset by increased sales to mining customers and 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 consisting of three levels. These 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 in the fair value hierarchy and also valuation methods used for each financial instrument.

Level 1

Level 1 comprises financial instruments for which 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

Level 2 comprises financial instruments for which 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). Example of observable data is data that can serve as a basis for assessing prices, such as market interest rates and yield curves.

Level 3

Level 3 comprises financial instruments for which fair value is based on a valuation model, whereby significant input is based on unobservable market data.

27. Financial exposure and principles for control of financial risks, continued

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.

Finance leases and other financial receivables

Fair values are calculated based on market rates for similar contracts and present value of future cash flows.

The Group's financial instruments by category

The carrying value for the Group's financial instruments corresponds to fair value in all categories except for borrowings and held-to-maturity investments. 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	Fair value	Level 1	Level 2
Financial assets	192	–	192
Other receivables	1 414	–	1 414
Derivatives	160	–	160
Non-current financial assets	**1 766**	**–**	**1 766**
Trade receivables	19 903	–	19 903
Financial assets	2 150	–	2 150
Other receivables	2 393	–	2 393
Derivatives	166	–	166
Other accrued income	1 869	11	1 858
Cash and cash equivalent	9 404	–	9 404
Current financial assets	**35 885**	**11**	**35 874**
Financial assets	**37 651**	**11**	**37 640**
Borrowings	23 650	18 801	4 849
Other financial liabilities	218	–	218
Derivatives	159	–	159
Other liabilities	669	–	669
Non-current financial liabilities	**24 696**	**18 801**	**5 895**
Borrowings	2 284	–	2 284
Derivatives	496	–	496
Other accrued expenses	6 537	267	6 270
Trade payables	7 876	–	7 876
Other liabilities	3 061	–	3 061
Current financial liabilities	**20 254**	**267**	**19 987**
Financial liabilities	**44 950**	**19 068**	**25 882**

Currency rates used in the financial statements			Year-end rate		Average rate	
	Value	Code	**2014**	**2013**	**2014**	**2013**
Australia	1	AUD	6.41	5.77	6.19	6.29
Canada	1	CAD	6.74	6.08	6.24	6.32
China	1	CNY	1.26	1.07	1.12	1.06
EU	1	EUR	9.54	8.96	9.13	8.67
Hong Kong	100	HKD	101.07	84.11	89.03	84.01
United Kingdom	1	GBP	12.18	10.74	11.34	10.23
U.S.A.	1	USD	7.84	6.51	6.91	6.52

28. Related parties

Relationships

The Group has related party relationships with the Company's largest shareholder, its associates and with its Board members and Group Management. The Company's largest shareholder, Investor AB, controls approximately 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 is found in note 14. Information about Board members and Group Management is presented on pages 60–63.

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.

Transactions with associated companies

The Group sold various products and purchased goods through certain associated companies on terms generally similar to those prevailing with unrelated parties.

The following table summarizes the Group's related party transactions with its associates:

	2014	2013
Revenues	46	79
Goods purchased	104	135
Service purchased	29	31
At Dec, 31:		
Trade receivables	1	–
Trade payables	4	14
Other interest-bearing liabilities	17	16
Guarantees	10	10

Compensation to key management personnel

Compensation to the Board and to Group Management is disclosed in note 5.

29. Subsequent events

On February 9, Atlas Copco announced the decision to discontinue its Powercrusher business in which it manufactures and sells mobile crushers and screeners for quarrying, civil engineering and recycling. The Powercrusher business is part of the Mining and Rock Excavation Technique business area. It has about 70 employees and had revenues in 2014 of about MSEK 255 (MEUR 28).

Also on February 9, Atlas Copco sold its JC Carter business, which produces cryogenic submerged motor pumps, to Nikkiso Cryo Inc. of Las Vegas, Nevada, USA. Atlas Copco JC Carter had around 35 employees and the business was part of Atlas Copco's Gas and Process division within the Compressor Technique business area.

On March 3, Atlas Copco acquired Kalibriercentrum Bayern, which is headquartered near Munich with an additional laboratory in Kiel, Germany. The company provides laboratory and field calibration and related services to customers in, for example, the motor vehicle and aerospace industry. The acquired company has 27 employees and annual revenues of about MEUR 3 (MSEK 28) and becomes part of the service division in Atlas Copco's Industrial Technique business area.

FINANCIAL STATEMENTS, PARENT COMPANY

Income statement

For the year ended December 31, Amounts in MSEK	Note	2014	2013
Administrative expenses	A2	–464	–379
Other operating income	A3	193	337
Other operating expenses	A3	–7	0
Operating loss		**–278**	**–42**
Financial income	A4	2 910	11 040
Financial expenses	A4	–1 903	–1 938
Profit after financial items		**729**	**9 060**
Appropriations	A5	3 860	5 070
Profit before tax		**4 589**	**14 130**
Income tax	A6	–797	–855
Profit for the year		**3 792**	**13 275**

Statement of comprehensive income

For the year ended December 31, Amounts in MSEK	Note	2014	2013
Profit for the year		**3 792**	**13 275**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Translation of net investment		1 911	1 108
Cash flow hedges		130	–54
Income tax relating to items that may be reclassified		–449	–232
Other comprehensive income of the year, net of tax		**–1 592**	**–822**
Total comprehensive income for the year		**2 200**	**12 453**

Balance sheet

As at December 31, Amounts in MSEK	Note	2014	2013
ASSETS			
Non-current assets			
Intangible assets	A7	10	15
Tangible assets	A8	33	30
Financial assets			
Shares in Group companies	A10, A21	93 907	93 004
Other financial assets	A11	366	721
Total non-current assets		**94 316**	**93 770**
Current assets			
Income tax receivable		20	95
Other receivables	A12	3 289	6 729
Cash and cash equivalents	A13	5 153	13 302
Total current assets		**8 462**	**20 126**
TOTAL ASSETS		**102 778**	**113 896**
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		274	1 866
Retained earnings		33 449	26 053
Profit for the year		3 792	13 275
Total non-restricted equity		**37 515**	**41 194**
TOTAL EQUITY		**43 300**	**46 979**
PROVISIONS			
Post-employment benefits	A15	127	96
Other provisions	A16	222	249
Deferred tax liabilities	A9	4	452
Total provisions		**353**	**797**
LIABILITIES			
Non-current liabilities			
Borrowings	A17	48 353	39 432
Other liabilities		157	24
Total non-current liabilities		**48 510**	**39 456**
Current liabilities			
Borrowings	A17	9 335	25 547
Other liabilities	A18	1 280	1 117
Total current liabilities		**10 615**	**26 664**
TOTAL EQUITY AND LIABILITIES		**102 778**	**113 896**
Assets pledged	A20	**502**	**198**
Contingent liabilities	A20	**9 579**	**7 570**

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, 2014	1 213 552 913	786	4 999	1 866	39 328	46 979
Total comprehensive income for the year				–1 592	3 792	2 200
Dividends					–6 681	–6 681
Divestment series A shares	4 303 105				863	863
Divestment series B shares	144 000				27	27
Share-based payment, equity settled						
– expense during the year					32	32
– exercise of options					–119	–119
Closing balance, Dec. 31, 2014	**1 218 000 018**	**786**	**4 999**	**274**	**37 241**	**43 300**
Opening balance, Jan. 1, 2013	1 213 422 175	786	4 999	2 688	32 764	41 237
Total comprehensive income for the year				–822	13 275	12 453
Dividends					–6 668	–6 668
Acquisition series A shares	–2 148 475				–390	–390
Divestment series A shares	2 106 312				385	385
Divestment series B shares	172 901				29	29
Share-based payment, equity settled						
– expense during the year					39	39
– exercise of options					–106	–106
Closing balance, Dec. 31, 2013	**1 213 552 913**	**786**	**4 999**	**1 866**	**39 328**	**46 979**

See note A14 for additional information.

Statement of cash flows

For the year ended December 31, Amounts in MSEK	2014	2013
Cash flows from operating activities		
Operating loss	–278	–42
Adjustments for:		
Depreciation	14	14
Capital loss and other non-cash items	–236	–177
Operating cash deficit	**–500**	**–205**
Net financial items received	1 498	9 315
Group contributions received	3 815	5 982
Taxes paid	–725	–1 064
Cash flow before change in working capital	**4 088**	**14 028**
Change in		
Operating receivables	3 457	–1 550
Operating liabilities	–5 127	5 391
Change in working capital	**–1 670**	**3 841**
Net cash from operating activities	**2 418**	**17 869**

For the year ended December 31, Amounts in MSEK	2014	2013
Cash flow from investing activities		
Investments in tangible assets	–12	–1
Investments in subsidiaries	–1 266	–122
Repayments/investments in financial assets	331	–370
Net cash from investing activities	**–947**	**–493**
Cash flow from financing activities		
Dividends paid	–6 681	–6 668
Repurchase and divestment of own shares	890	24
Change in interest-bearing liabilities	–3 829	–5 009
Net cash from financing activities	**–9 620**	**–11 653**
Net cash flow for the year	**–8 149**	**5 723**
Cash and cash equivalents, Jan. 1	13 302	7 579
Net cash flow for the year	–8 149	5 723
Cash and cash equivalents, Dec. 31	**5 153**	**13 302**

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 part of Group 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 kronor (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 to the Group's consolidated financial statements, except for those disclosed in the following sections.

For discussion regarding accounting estimates and judgments, see page 76.

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 accounted for as operating leases.

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 at fair value. 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
External 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 balance sheet 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.

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.

A2. Employees and personnel expenses and remunerations to auditors

Average number of employees	2014			2013		
	Women	Men	Total	Women	Men	Total
Sweden	61	56	117	60	49	109

Women in Atlas Copco Board and Management, %	Dec. 31, 2014	Dec. 31, 2013
Board of Directors excl. union representatives	33	30
Group Management	22	22

Salaries and other remuneration	2014		2013	
	Board members and Group Management 1)	Other employees	Board members and Group Management 1)	Other employees
Sweden	69	106	42	87
of which variable compensation	14		7	

1) Includes 8 (9) Board members who receive fees from Atlas Copco AB as well as the President and CEO and 7 (6) members of Group Management who are employed by and receive salary and other remuneration 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	2014	2013
Contractual pension benefits for Board members and Group Management	10	8
Contractual pension benefits for other employees	22	21
Other social costs	73	61
Total	**105**	**90**
Capitalized pension obligations to Board members and Group Management	15	14

Remunerations to auditors

Audit fees and consultancy fees for advice or assistance other than audit, were as follows:

	2014	2013
Deloitte		
– audit fee	6	6
– audit activities other than audit assignment	1	1
– other services, tax	2	3
Total	**9**	**10**

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.

Audit activities other than the audit assignment refer for example to comfort letters and the limited assurance report on Atlas Copco's sustainability report.

Tax services include both tax consultancy services and tax compliance services.

At the Annual General Meeting 2014, Deloitte was elected as auditor for the Group until the Annual General Meeting 2015.

A3. Other operating income and expenses

	2014	2013
Commissions received	151	171
Other operating income 1)	42	160
Exchange-rate differences, net	–	6
Total other operating income	**193**	**337**
Exchange-rate differences, net	–7	–
Total other operating expenses	**–7**	**–**

1) Other operating income refers to insurance reimbursements.

A4. Financial income and expenses

Financial income and expenses	2014	2013
Interest income		
– cash and cash equivalents	26	41
– receivables from Group companies	298	233
Dividend income from Group companies	2 525	10 227
Capital gain	8	512
Change in fair value – other assets	–	3
Foreign exchange gain, net	53	24
Financial income	**2 910**	**11 040**
Interest expense		
– borrowings	–644	–649
– derivatives for fair value hedges	–69	–185
– liabilities to Group companies	–817	–855
– pension provisions, net	–1	–1
– other	–1	–4
Impairment loss		
– writedown of shares in Group companies	–371	–244
Financial expenses	**–1 903**	**–1 938**
Financial income, net	**1 007**	**9 102**

The following table presents the net gain or loss by category of financial instruments.

	2014	2013
Net gain/loss on		
– loans and receivables, incl. bank deposits	377	298
– other assets	–	3
– other liabilities	–1 463	–1 509
– derivatives for fair value hedges	–69	–185
Profit from shares in Group companies	2 162	10 495
Total	**1 007**	**9 102**

For further information about the hedges, see note 27 of the consolidated financial statements.

A5. Appropriations

Appropriations	2014	2013
Group contributions paid	–328	–259
Group contributions received	4 188	4 074
Reversal of accrual fund	–	1 255
Total	**3 860**	**5 070**

A6. Income tax

	2014	2013
Current tax	–796	–845
Deferred tax	–1	–10
Total	**–797**	**–855**
Profit before taxes	4 589	14 130
The Swedish corporate tax rate, %	22.0	22.0
National tax based on profit before taxes	–1 010	–3 109
Tax effects of:		
Non-deductible expenses	–249	–234
Tax exempt income	557	2 363
Deductible expenses, not recognized in Income statement	19	144
Taxable income, not recognized in Income statement	–97	–
Controlled foreign company taxation	–12	–33
Adjustments from prior years	–5	14
Total	**–797**	**–855**
Effective tax in %	**17.4**	**6.0**

The Parent Company's effective tax rate of 17.4% (6.0) is primarily affected by non-taxable income such as dividends from Group companies.

A7. Intangible assets

	Capitalized expenditures for computer programs	
	2014	2013
Accumulated cost		
Opening balance, Jan. 1	36	36
Investments	–	–
Closing balance, Dec. 31	**36**	**36**
Accumulated depreciation		
Opening balance, Jan. 1	21	16
Depreciation for the year	5	5
Closing balance, Dec. 31	**26**	**21**
Carrying amount		
Closing balance, Dec. 31	10	15
Opening balance, Jan 1	15	20

A8. Tangible assets

	2014			2013		
	Buildings and land	Machinery and equipment	Total	Buildings and land	Machinery and equipment	Total
Accumulated cost						
Opening balance, Jan. 1	23	39	62	23	39	62
Investments	4	8	12	–	–	–
Disposals	–	–1	–1	–	–	–
Closing balance, Dec. 31	**27**	**46**	**73**	**23**	**39**	**62**
Accumulated depreciation						
Opening balance, Jan. 1	5	27	32	3	21	24
Depreciation for the year	3	6	9	2	6	8
Disposals	–	–1	–1	–	–	–
Closing balance, Dec. 31	**8**	**32**	**40**	**5**	**27**	**32**
Carrying amount						
Closing balance, Dec. 31	19	14	33	18	12	30
Opening balance, Jan. 1	18	12	30	20	18	38

The asset 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 under operating leases, such as rented premises, cars and office equipment are reported among administrative expenses and amounted to 38 (39). Future payments for non-cancelable leasing contracts amounted to 452 (252) and fall due as follows:

	2014	2013
Less than one year	57	38
Between one and five years	212	140
More than five years	183	74
Total	**452**	**252**

A9. Deferred tax assets and liabilities

	2014			2013		
	Assets	Liabi-lities	Net balance	Assets	Liabi-lities	Net balance
Fixed assets	1	–	1	1	–	1
Post-employment benefits	29	–	29	21	–	21
Other provisions	10	–	10	14	–	14
Non-current liabilities	–	–44	–44	–	–488	–488
Total	**40**	**–44**	**–4**	**36**	**–488**	**–452**

The following reconciles the net balance of deferred taxes at the beginning of the year to that at the end of the year:

	2014	2013
Net balance, Jan. 1	–452	–674
Charges to other comprehensive income	449	232
Charges to profit for the year	–1	–10
Net balance, Dec. 31	**–4**	**–452**

A10. Shares in Group companies

	2014	2013
Accumulated cost		
Opening balance, Jan. 1	93 772	93 427
Investments	79	38
Net investment hedge	–121	208
Shareholders' contribution	1 338	135
Divestments	–22	–36
Closing balance, Dec. 31	**95 046**	**93 772**
Accumulated write-up		
Opening balance, Jan. 1	600	600
Closing balance, Dec. 31	**600**	**600**
Accumulated write-down		
Opening balance, Jan. 1	–1 368	–1 124
Write-down	–371	–244
Closing balance, Dec. 31	**–1 739**	**–1 368**
Total	**93 907**	**93 004**

The write-down of shares in Group companies primarily refers to Atlas Copco Powercrusher within business area Mining and Rock Excavation Technique. For further information about Group companies, see note A21.

A11. Other financial assets

	2014	2013
Receivables from Group companies	6	20
Derivatives		
– not designated for hedge accounting	–	3
– designated for hedge accounting	160	186
Endowment insurances	110	78
Financial assets at fair value through profit and loss	–	368
Financial assets classified as loans and receivables		
– other financial receivables	90	66
Closing balance, Dec. 31	**366**	**721**

Endowment insurances relate to defined contribution pension plans and are pledged to the pension beneficiary (see note A15 and A20). Previous year's balance for financial assets at fair value through profit and loss included investments in corporate bonds which have been sold during 2014.

A12. Other receivables

	2014	2013
Receivables from Group companies	2 664	6 284
Derivatives		
– not designated for hedge accounting	134	186
– designated for hedge accounting	17	63
Financial assets classified as loans and receivables		
– other receivables	400	128
Prepaid expenses and accrued income	74	68
Closing balance, Dec. 31	**3 289**	**6 729**

Other receivables of 400 (128) mainly refers to CSA agreements used to limit the credit risk on derivative transactions.

A13. Cash and cash equivalents

	2014	2013
Cash and cash equivalents classified as loans and receivables		
– cash	2 706	2 438
– cash equivalents	2 447	10 864
Closing balance, Dec. 31	**5 153**	**13 302**

The Parent Company's guaranteed, but unutilized, credit lines equalled to 6 298 (5 734).

A14. Equity

For information on share transactions and mandates approved by the Annual General Meeting, 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.

A15. Post-employment benefits

	2014			2013		
	Defined contribution pension plan	Defined benefit pension plan	Total	Defined contribution pension plan	Defined benefit pension plan	Total
Opening balance, Jan. 1	78	18	96	56	19	75
Provision made	38	–	38	22	–	22
Provision used	–6	–1	–7	–	–1	–1
Closing balance, Dec. 31	**110**	**17**	**127**	**78**	**18**	**96**

The Parent Company has endowment insurances of 110 (78) 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 three 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 a group of employees earning more than 10 income base amounts who have opted out from the ITP plan. This plan is insured. The third plan relates to retired former senior employees. These pension arrangements are provided for.

	2014			2013		
	Funded pension	Unfunded pension	Total	Funded pension	Unfunded pension	Total
Defined benefit obligations	133	17	150	130	18	148
Fair value of plan assets	–262	–	–262	–236	–	–236
Present value of net obligations	–129	17	–112	–106	18	–88
Not recognized surplus	129	–	129	106	–	106
Net amount recognized in balance sheet	–	**17**	**17**	–	**18**	**18**

Reconciliation of defined benefit obligations	Funded pension	Unfunded pension	Total	Funded pension	Unfunded pension	Total
Defined benefit obligations at Jan. 1	130	18	148	131	19	150
Service cost	5	2	7	4	2	6
Interest expense	4	–	4	4	–	4
Other changes in obligations	4	–	4	1	–	1
Benefits paid from plan	–10	–3	–13	–10	–3	–13
Defined benefit obligations at Dec. 31	**133**	**17**	**150**	**130**	**18**	**148**

Reconciliation of plan assets	Funded pension	Unfunded pension	Total	Funded pension	Unfunded pension	Total
Fair value of plan assets at Jan. 1	236	–	236	221	–	221
Return on plan assets	26	–	26	15	–	15
Payments	–	–	–	–	–	–
Fair value of plan assets at Dec. 31	**262**	–	**262**	**236**	–	**236**

A15. Post-employment benefits, continued

	2014	2013
Pension commitments provided for in the balance sheet		
Costs excluding interest	10	11
Interest expense	1	1
Total	**11**	**12**
Pension commitments provided for through insurance contracts		
Service cost	13	16
Total	**13**	**16**
Reimbursement from the Atlas Copco pension trust	–	–
Net cost for pensions, excluding taxes	**24**	**28**
Special employer's contribution	8	10
Credit insurance costs	–	–
Total	**32**	**38**

Pension expenses for the year included within administrative expenses amounted to 32 (29) of which the Board members and Group Management 10 (8) and others 22 (21).

The Parent Company's share in plan assets fair value in the Atlas Copco pension trust amounts to 262 (236) and is allocated as follows:

	2014	2013
Equity securities	28	21
Bonds	184	175
Real estate	50	40
Cash and cash equivalents	–	–
Total	**262**	**236**

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 11.3 % (7.2).

The Parent Company adheres to the actuarial assumptions used by The Swedish Pension Registration Institute (PRI) i.e. discount rate 3.8% (3.8).

The Parent Company estimates 13 will be paid to defined benefit pension plans during 2015.

A16. Other provisions

	2014	2013
Opening balance, Jan. 1	249	307
During the year		
– provisions made	145	16
– provisions used	–168	–74
– provisions reversed	–4	–
Closing balance, Dec. 31	**222**	**249**

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	2014 Carrying amount	2014 Fair value	2013 Carrying amount	2013 Fair value
Non-current						
Medium Term Note Program MEUR 600	2014	MEUR 260	–	–	3 336	3 132
Medium Term Note Program MEUR 500	2019		4 458	5 076	4 458	4 771
Medium Term Note Program MEUR 500	2023		4 528	5 191	4 454	4 424
Capital market borrowings MUSD 800	2017		6 635	7 088	5 689	6 220
Capital market borrowings MUSD 150	2019	MUSD 7.5	973	1 446	973	1 246
Bilateral borrowings EIB MEUR 213	2014		–	–	2 008	1 908
Bilateral borrowings EIB MEUR 275	2019		2 329	2 693	2 329	2 543
Bilateral borrowings NIB MEUR 100	2014		–	–	943	898
Bilateral borrowings NIB MSEK 705	2014		–	–	705	714
Bilateral borrowings NIB MEUR 180	2024		1 696	1 803	–	–
Non-current borrowings from Group companies			27 734	29 130	19 881	21 072
Less current portion of long-term borrowings			–	–	–5 344	–5 040
Total non-current borrowings			**48 353**	**52 427**	**39 432**	**41 888**
Current						
Current portion of long-term borrowings			–	–	5 344	5 040
Current borrowings from Group companies			9 335	9 382	20 203	20 204
Total current borrowings			**9 335**	**9 382**	**25 547**	**25 244**
Closing balance, Dec. 31			**57 688**	**61 809**	**64 979**	**67 132**
Whereof external borrowings			**20 619**	**23 297**	**24 895**	**25 856**

The difference between carrying value and fair value relate to the measurement method as certain liabilities are reported at amortized cost and not at fair value.

During 2014 two loans matured, a Medium Term Note Program of MEUR 600, of which MEUR 260 had previously been repurchased, as well as a Bilateral borrowing of MEUR 213. At the end of 2014 two Bilateral loans provided by NIB amounting to MEUR 100 and MSEK 705, respectively, were refinanced in advance by a new Bilateral loan provided by NIB amounting to MEUR 180, maturity 2024.

Since the balance sheet date, Atlas Copco AB has entered into a loan agreement with EIB amounting to MEUR 300. Currently, the facility is undrawn. The availability period for drawings under the facility is one year (until January 2016). If no drawings are made by then, the facility will be cancelled.

A17. Borrowings, continued

The following table shows the maturity structure of the Parent Company's external borrowings and includes the effect of interest rate swaps.

Maturity	Fixed	Floating	Carrying amount	Fair value
2017	4 976	1 659	6 635	7 088
2019	7 760	–	7 760	9 215
2023	4 528	–	4 528	5 191
2024	–	1 696	1 696	1 803
Total	**17 264**	**3 355**	**20 619**	**23 297**

A18. Other liabilities

	2014	2013
Accounts payable	40	18
Liabilities to Group companies	383	369
Derivatives		
– not designated for hedge accounting	337	243
– designated for hedge accounting	99	–
Other financial liabilities		
– other liabilities	35	49
Accrued expenses and prepaid income	386	438
Closing balance, Dec. 31	**1 280**	**1 117**

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 20 619 (24 895) of external borrowings and MSEK 37 069 (40 084) of internal borrowings at December 31, 2014. 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 external loans of MEUR 1 452 (1 428) and MUSD 142 (142), and derivatives of MEUR 330 (582). The deferral hedge accounting of the external loans is based on a RFR 2 exemption. The derivatives are accounted as fair value hedges.

The interest rate risk is managed with interest rate swaps, designated as fair value hedges and cash flow hedges. Note 27 of the consolidated financial statements include fair value of these swaps and further details.

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	2014	2013
Cash and cash equivalents	5 153	13 302
Receivables from Group companies	2 670	6 304
Derivatives	311	438
Other	564	262
Total	**8 698**	**20 306**

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.

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

	2014	2013
Assets pledged for derivative contracts		
Other receivables	392	120
Assets pledged for pension commitments		
Endowment insurances	110	78
Total	**502**	**198**
Contingent liabilities		
Sureties and other contingent liabilities		
– for external parties	3	3
– for Group companies	9 576	7 567
Total	**9 579**	**7 570**

Other receivables pledged includes credit support annex (CSA) used by parties to derivative contracts to limit the credit risk. Sureties and other contingent liabilities include bank and commercial guarantees and performance bonds. Sureties and other contingent liabilities for Group companies has increased since Atlas Copco UK Holding Ltd and Atlas Copco North America LLC have new financial guarantees for 99.5 MUSD and 99.0 MUSD.

A21. Directly owned subsidiaries

	2014			2013		
	Number of shares	Percent held	Carrying value	Number of shares	Percent held	Carrying value
Directly owned product companies						
Atlas Copco Airpower n.v., Wilrijk	76 415	100	45 988	76 415	100	45 972
Atlas Copco Construction Technique Brasil Ltda, São Paulo	25 777 505	100	619	25 777 505	100	619
Atlas Copco Craelius AB, 556041-2149, Märsta	200 000	100	53	200 000	100	45
Atlas Copco GIA AB, 556040-0870, Grängesberg	50 000	100	152	50 000	100	176
Atlas Copco MAI GmbH, Feistritz an der Drau	1	100	34	1	100	34
Atlas Copco Meyco AG, Zurich	9 000	100	64	5 000	100	34
Atlas Copco Rock Drills AB, 556077-9018, Örebro	1 000 000	100	452	1 000 000	100	432
Atlas Copco Secoroc AB, 556001-9019, Fagersta	2 325 000	100	178	2 325 000	100	168
Atlas Copco Welltech AB, 556577-2240, Jonsered	20 000	100	78	–	–	–
Construction Tools AB, 556069-7228, Kalmar	60 000	100	2 047	60 000	100	2 044
Dynapac Compaction Equipment AB, 556068-6577, Karlskrona	80 000	100	1 105	80 000	100	1 105
Gazcon A/S, Lynge	500	100	23	500	100	23

A21. Directly owned subsidiaries, continued

	2014			2013		
	Number of shares	Percent held	Carrying value	Number of shares	Percent held	Carrying value
Directly owned customer centers						
Atlas Copco (Cyprus) Ltd., Nicosia	99 998	100	0	99 998	100	0
Atlas Copco Argentina S.A.C.I., Buenos Aires	525 000	75/100[1)]	12	525 000	75/100[1)]	11
Atlas Copco (India) Ltd., Mumbai	21 731 582	96	1 815	21 731 128	96	1 815
Atlas Copco (Ireland) Ltd., Dublin	250 000	100	28	250 000	100	28
Atlas Copco (Malaysia), Sdn. Bhd., Kuala Lumpur	1 000 000	100	14	1 000 000	100	14
Atlas Copco (Philippines) Inc., Paranaque	121 995	100	6	121 995	100	6
Atlas Copco (Switzerland) AG., Studen/Biel	8 000	100	52	8 000	100	51
Atlas Copco (South East Asia) Pte.Ltd., Singapore	1 500 000	100	6	1 500 000	100	6
Atlas Copco Brasil Ltda., São Paulo	70 358 841	100	238	70 358 841	100	237
Atlas Copco Chilena S.A.C., Santiago	24 988	100	9	24 998	100	9
Atlas Copco CMT Sweden AB, 556100-1453, Nacka	103 000	100	98	103 000	100	94
Atlas Copco Compressor AB, 556155-2794, Nacka	60 000	100	12	60 000	100	11
Atlas Copco Equipment Egypt S.A.E., Cairo	5	0/100[1)]	2	5	0/100[1)]	2
Atlas Copco Ges.m.b.H., Vienna	1	100	8	1	100	333
Atlas Copco Indoeuropeiska AB, 556155-2760, Nacka	3 500	100	25	3 500	100	25
Atlas Copco Eastern Africa Ltd., Nairobi	482 999	100	6	482 999	100	6
Atlas Copco KK, Tokyo	375 001	100	30	375 001	100	29
Atlas Copco Kompressorteknik A/S, Copenhagen	4 000	100	3	4 000	100	3
Atlas Copco Maroc SA., Casablanca	3 854	96	2	3 854	96	2
Atlas Copco Services Middle East OMC, Bahrain	500	100	5	500	100	4
Atlas Copco Venezuela S.A., Caracas	25 812 000	100	42	38 000	100	15
Chicago Pneumatic Construction Equipment AB, 556197-5375, Stockholm	30 000	100	29	30 000	100	31
CP Scanrotor Aktiebolag, 556103-0080, Tanum	–	–	–	1 500	100	2
Servatechnik AG., Oftringen	3 500	100	28	3 500	100	28
Soc. Atlas Copco de Portugal Lda., Lisbon	1	100	25	1	100	25
AGRE Kompressoren GmbH, Garsten-St. Ulrich	200 000	100	7	200 000	100	29
Directly owned holding companies and others						
Atlas Copco A/S, Langhus	2 500	100	40	2 498	100	39
Atlas Copco Beheer b.v., Zwijndrecht	15 712	100	2 429	15 712	100	2 411
Atlas Copco Customer Finance Chile Ltd., Santiago	6 317 500	0/100[1)]	0	6 317 500	95/100[1)]	0
Atlas Copco Deutschland GmbH , Essen	1	100	0	–	–	–
Atlas Copco Dynapac AB, 556655-0413, Nacka	86 993 823	100	3	86 993 823	100	0
Atlas Copco Finance Belgium bvba, Wilrijk	1	0/100[1)]	0	1	0/100[1)]	0
Atlas Copco Finance Europe n.v., Wilrijk	1	0/100[1)]	1	1	0/100[1)]	1
Atlas Copco France Holding S.A., St. Ouen l'Áumône	278 255	100	257	278 255	100	255
Atlas Copco Holding GmbH, Essen	2	100	1 049	1	100	1 044
Atlas Copco Järla Holding AB, 556062-0212, Nacka	95 000	100	20 570	95 000	100	20 570
Atlas Copco Lugnet Treasury AB, 556277-9537, Nacka	700 500	100	723	700 500	100	721
Atlas Copco Sickla Holding AB, 556309-5255, Nacka	1 000	100	10 630	1 000	100	10 615
Atlas Copco UK Holdings Ltd., Hemel Hempstead	150 623 666	100	1 468	50 623 666	100	310
Atlas Copco USA Holdings Inc., Parsippany NJ	100	100	3 429	100	100	3 415
Dynapac AB, 556655-0421, Karlskrona	75 000	100	0	–	–	–
Econus S A, Montevideo	21 582 605	100	17	21 582 605	100	17
Industria Försäkrings AB, 516401-7930, Nacka	300 000	100	30	300 000	100	30
Oy Atlas Copco AB, Vantaa	150	100	32	150	100	32
Power Tools Distribution n.v., Hoeselt	1	0/100[1)]	1	1	0/100[1)]	1
2 (16) dormant companies		100	12		100	33
Net investment hedge			–79			42
Carrying amount, Dec. 31			**93 907**			**93 004**

[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 and its associates and with its Board members and Group Management.

The Parent Company's largest shareholder, Investor AB, controls approximately 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 60–63.

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:

	2014	2013
Revenues		
Dividends	2 525	10 227
Group contribution	4 188	4 074
Interest income	298	233
Expenses		
Group contribution	–328	–259
Interest expenses	–817	–855
Receivables	**2 669**	**6 304**
Liabilities	**37 454**	**40 454**
Guarantees	**9 576**	**7 567**

The following details directly and indirectly owned holding and operational subsidiaries (excluding branches), presented by country of incorporation.

Country	Company	Location (City)
Algeria	SPA Atlas Copco Algérie	*Algiers*
Angola	Atlas Copco Angola Lda	*Luanda*
Argentina	Atlas Copco Argentina S.A.C.I	*Buenos Aires*
	Atlas Copco Servicios Mineros S.A.	*Buenos Aires*
Australia	Atlas Copco Australia Pty Limited	*Blacktown*
	Atlas Copco Customer Finance Australia Pty Limited	*Blacktown*
	Atlas Copco South Pacific Holdings Pty Ltd.	*Blacktown*
	Henrob (UK) Pty Ltd.	*Brisbane*
Austria	AGRE Kompressoren GmbH	*Garsten-st. Ulrich*
	Atlas Copco Ges.m.b.H.	*Vienna*
	Atlas Copco Powercrusher GmbH	*St. Valentin*
Bahrain	Atlas Copco Services Middle East OMC	*Bahrain*
Bangladesh	Atlas Copco Bangladesh Ltd.	*Dhaka*
Belgium	Atlas Copco Airpower n.v.	*Wilrijk*
	Atlas Copco Belgium n.v.	*Overijse*
	Atlas Copco Business Services n.v.	*Wilrijk*
	Atlas Copco Finance Belgium BVBA	*Wilrijk*
	Atlas Copco Finance Europe n.v.	*Wilrijk*
	Atlas Copco Rental Europe n.v.	*Wilrijk*
	EDMAC Europe n.v.	*Wilrijk*
	International Compressor Distribution n.v	*Wilrijk*
	Power Tools Distribution n.v.	*Hoeselt*
	Edwards Vacuum S.A.	*Estaimpuis*
Bolivia	Atlas Copco Boliviana SA	*La Paz*
Bosnia and Herzegovina	Atlas Copco BH d.o.o.	*Sarajevo*
Botswana	Atlas Copco (Botswana) (Pty) Ltd.	*Gaborone*
Brazil	Atlas Copco Brasil Ltda	*Barueri*
	Atlas Copco Construction Technique Brasil Ltda	*São Paulo*
	Cavaletti Equipamentos e Servicos Ltda	*Valinhos*
	Chicago Pneumatic Brasil Ltda	*Barueri*
	Edwards Vacuo Ltda	*São Paulo*
	Schucker do Brazil Ltda	*São José dos Pinais*
	Synatec Group of South America Inc.	*São Paulo*
Bulgaria	Atlas Copco Bulgaria EOOD	*Sofia*
	Atlas Copco Lifton EOOD	*Roseau*
Burkina Faso	Atlas Copco Burkina Faso SARL	*Ouagadougou*
Cameroon	Atlas Copco Afrique Centrale SA	*Douala*
Canada	Atlas Copco Canada Inc.	*Dorval*
	Chicago Pneumatic Tool Co. Canada Ltd.	*Toronto*
Chile	Atlas Copco Chilena S.A.C.	*Santiago*
	Atlas Copco Customer Finance Chile Ltda	*Santiago*

Country	Company	Location (City)
China	Atlas Copco (China) Investment Co., Ltd.	*Shanghai*
	Atlas Copco (China) Mining and Construction Equipment Trading Co., Ltd.	*Nanjing*
	Atlas Copco (Nanjing) Construction and Mining Equipment Ltd.	*Nanjing*
	Atlas Copco (Shanghai) Equipment Rental Co., Ltd.	*Shanghai*
	Atlas Copco (Shanghai) Process Equipment Co., Ltd.	*Shanghai*
	Atlas Copco (Shanghai) Trading Co., Ltd.	*Shanghai*
	Atlas Copco (Shenyang) Construction and Mining Equipment Ltd.	*Shenyang*
	Atlas Copco (Wuxi) Compressor Co., Ltd.	*Wuxi*
	Atlas Copco (Wuxi) Exploration Equipment Ltd.	*Wuxi*
	Atlas Copco (Zhangjiakou) Construction & Mining Equipment Ltd.	*Zhangjiakou*
	Atlas Copco Industrial Technique (Qingdao) Tool Co., Ltd.	*Qingdao*
	Bolaite (Shanghai) Compressor Co., Ltd.	*Shanghai*
	Dynapac (China) Compaction & Paving Eq Co., Ltd.	*Tianjin*
	Edmac (Shanghai) Trading Co., Ltd.	*Shanghai*
	Edwards Technologies Trading (Shanghai) Co., Ltd.	*Shanghai*
	Edwards Technologies Vacuum Engineering (Qingdao) Co., Ltd.	*Qingdao*
	Edwards Technologies Vacuum Engineering (Shanghai) Co., Ltd.	*Shanghai*
	Edwards Technologies Vacuum Engineering (Xian) Co., Ltd.	*Xian*
	Guangzhou Linghein Compressor Co., Ltd	*Guangzhou*
	Kunshan Q-Tech Air System Technologies Ltd.	*Kunshan*
	Liuzhou Tech Machinery Co., Ltd.	*Liuzhou*
	SCA Schucker Automation Equipment (Shanghai) Co., Ltd.	*Shanghai*
	Shandong Rock Drilling Tools Co., Ltd.	*Yanggu*
	Shanghai Beacon Medaes Medical Gas Engineering Consulting Co., Ltd.	*Shanghai*
	Shanghai Tooltec Industrial Tool Co., Ltd.	*Shanghai*
	Wuxi Pneumatech Air/Gas Purity Equipment Co., Ltd.	*Wuxi*
	Wuxi Shengda Air/Gas Punty Equipment Co., Ltd	*Wuxi*
Colombia	Atlas Copco Colombia Ltda	*Bogotá*
Croatia	Atlas Copco d.o.o.	*Zagreb*

A22. Related parties, continued

Country	Company	Location (City)
Cyprus	Atlas Copco (Cyprus) Ltd.	*Nicosia*
Czech Republic	ALUP CZ spol. S.r.o	*Breclav*
	Atlas Copco s.r.o.	*Prague*
	Edwards s.r.o.	*Lutin*
	Edwards Services s.r.o.	*Lutin*
	Industrial Technique Service s.r.o.	*Prague*
Democratic Republic of the Congo	Atlas Copco DRC sprl	*Lubumbashi*
Denmark	Atlas Copco Kompressorteknik A/S	*Copenhagen*
	Gazcon A/S	*Lynge*
Egypt	Atlas Copco Equipment Egypt S.A.E.	*Cairo*
Finland	Oy Atlas Copco Ab	*Masaby*
	Oy Atlas Copco Kompressorit Ab	*Vantaa*
	Oy Atlas Copco Louhintatekniikka Ab	*Vantaa*
	Oy Atlas Copco Rotex Ab	*Tammerfors*
	Oy Atlas Copco Tools Ab	*Vantaa*
France	ABAC France S.A.S.	*Valence*
	Atlas Copco Applications Industrielles S.A.S.	*Pontoise*
	Atlas Copco Compresseurs S.A.S	*Franconville*
	Atlas Copco Crépelle S.A.S.	*Lille*
	Atlas Copco Forage et Construction S.A.S.	*Pontoise*
	Atlas Copco France Holding S.A.	*Franconville*
	Compresseurs Mauguière S.A.S.	*Sermamagny*
	Compresseurs Worthington Creyssensac S.A.S.	*Meru*
	Edwards SAS	*Gennevilliers*
	ETS Georges Renault S.A.S.	*Nantes*
	Exlair S.A.S.	*Chereng*
	Hibon International SA	*Gennevilliers*
	Hibon SA	*Gennevilliers*
	Seti-Tec S.A.S.	*Lognes*
Germany	ALUP Kompressoren GmbH	*Köngen*
	Atlas Copco ACE GmbH	*Essen*
	Atlas Copco Beteiligungs GmbH	*Essen*
	Atlas Copco Construction Technique GmbH	*Wardenburg*
	Atlas Copco Deutschland GmbH	*Essen*
	Atlas Copco Energas GmbH	*Cologne*
	Atlas Copco Holding GmbH	*Essen*
	Atlas Copco Kompressoren und Drucklufttechnik GmbH	*Essen*
	Atlas Copco MCT GmbH	*Essen*
	Atlas Copco Tools Central Europe GmbH	*Essen*
	Construction Tools GmbH	*Essen*
	Desoutter GmbH	*Maintal*
	Dynapac GmbH	*Wardenburg*
	Edwards GmbH	*Kirchheim*
	Ekomak Kompressoren GmbH	*Moers*
	Henrob GmbH	*Herford*
	IRMER + ELZE Kompressoren GmbH	*Bad Oyenhausen*
	Saltus Industrial Technique GmbH	*Wuppertal*
	SCA Schucker GmbH & Co KG	*Bretten*
	SCA Schucker Verwaltungs-GmbH	*Bretten*
	Synatec GmbH	*Leinfelden-Echterdingen*
Ghana	Atlas Copco Ghana Ltd.	*Accra*
Greece	Atlas Copco Hellas AE	*Koropi*
Hong Kong	Atlas Copco China/Hong Kong Ltd.	*Kowloon*
	CP China/Hong Kong Ltd.	*Kowloon*
	Edwards Vacuum Hong Kong Ltd.	*Hongkong*
Hungary	Atlas Copco Kft.	*Budapest*
	Industrial Technique Hungary Kft.	*Budapest*

Country	Company	Location (City)
India	Atlas Copco (India) Ltd.	*Pune*
	Edwards India Private Ltd.	*Pune*
Indonesia	PT Atlas Copco Indonesia	*Jakarta*
	PT Atlas Copco Nusantara	*Jakarta*
Iraq	Atlas Copco Iraq LLC	*Erbil*
Ireland	Aircosse Ltd.	*Dublin*
	Atlas Copco (Ireland) Ltd.	*Dublin*
	Edwards Vacuum Technology Ireland Ltd.	*Dublin*
Israel	Edwards Israel Vacuum Ltd.	*Kiryat Gat*
Italy	ABAC Aria Compressa S.p.A	*Robassomero*
	Atlas Copco BLM S.r.l.	*Milan*
	Atlas Copco Italia S.p.A.	*Milan*
	Atlas Copco Stonetec S.r.L	*Bagnolo Piemonte*
	Ceccato Aria Compressa S.p.A.	*Vicenza*
	Edwards S.p.A.	*Milan*
	MultiAir Italia S.r.l.	*Cinisello Balsamo*
Japan	Atlas Copco KK	*Tokyo*
	Edwards Japan Ltd.	*Chiba*
	Fuji Industrial Technique Co., Ltd.	*Osaka*
	SCA Schucker Japan Co., Ltd.	*Yokohama*
Kazakhstan	Atlas Copco 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*
	Edwards Technologies Malaysia Sdn. Bhd.	*Kuala Lumpur*
Mali	Atlas Copco Mali Sarl	*Bamako*
Mexico	Atlas Copco Mexicana S.A. de C.V.	*Tlalnepantla*
	Atlas Copco Rental Mexico	*Monterrey*
	Desarrollos Técnologicos ACMSA S.A. de C.V.	*Tlalnepantla*
	SCA Schucker de Mexico S.A. de C.V.	*Puebla*
Mongolia	Atlas Copco Mongolia LLC	*Ulaanbaatar*
Morocco	Atlas Copco Maroc SA	*Casablanca*
Mozambique	Atlas Copco Mozambique	*Maputo*
Namibia	Atlas Copco Namibia (Pty) Ltd.	*Windhoek*
Netherlands	ALUP Kompressoren B.V.	*Nieuwegein*
	Atlas Copco Beheer B.V.	*Zwijndrecht*
	Atlas Copco Internationaal B.V.	*Zwijndrecht*
	Atlas Copco Nederland B.V.	*Zwijndrecht*
	Cirmac International B.V.	*Apeldoorn*
	Creemers Compressors B.V.	*Eindhoven*
	Grass-Air Compressoren B.V.	*Oss*
New Zealand	Atlas Copco (N.Z.) Ltd.	*Lower Hutt*
	Exlair (NZ) Limited	*Auckland*
Nigeria	Atlas Copco Nigeria Ltd.	*Lagos*
Norway	Atlas Copco Anlegg- og Gruveteknikk A/S	*Langhus*
	Atlas Copco A/S	*Langhus*
	Atlas Copco Kompressorteknikk A/S	*Langhus*
	Atlas Copco Tools A/S	*Langhus*
	Berema A/S	*Langhus*
Pakistan	Atlas Copco Pakistan (Pvt) Ltd.	*Lahore*
Panama	Atlas Copco Central América SA	*Panama*
	Atlas Copco Panama SA	*Panama*
Peru	Atlas Copco Peruana SA	*Lima*
Philippines	Atlas Copco (Philippines) Inc.	*Binan*
Poland	ALUP Kompressoren Polska sp. z.o.o.	*Warsaw*
	Atlas Copco Polska Sp. z o.o.	*Warsaw*
Portugal	Sociedade Atlas Copco de Portugal Lda	*Lisbon*
Romania	Atlas Copco Romania S.R.L.	*Bucharest*

A22. Related parties, continued

Country	Company	Location (City)
Russia	CJSC Atlas Copco	*Moscow*
	Ekomak Industrial	*Moscow*
Senegal	Atlas Copco Senegal SARL	*Dakar*
Serbia	Atlas Copco A.D.	*Belgrade*
Singapore	Atlas Copco (South East Asia) Pte. Ltd.	*Singapore*
	Edwards Technologies Singapore Pte. Ltd.	*Singapore*
Slovakia	Atlas Copco s.r.o	*Bratislava*
Slovenia	Atlas Copco d.o.o.	*Trzin*
South Africa	Atlas Copco Holdings South Africa (Pty) Ltd.	*Boksburg*
	Atlas Copco Investment Company (Pty) Ltd.	*Johannesburg*
	Atlas Copco South Africa (Pty) Ltd.	*Boksburg*
South Korea	Atlas Copco Mfg. Korea Co., Ltd.	*Seoul*
	CP Tools Korea Co., Ltd.	*Seoul*
	Edwards Korea Ltd.	*Seongnam*
	SCA Korea Co., Ltd.	*Gyunggi-do*
Spain	Aire Comprimido Industrial Iberia, S.L.	*Madrid*
	Atlas Copco S.A.E.	*Madrid*
	Gesan S.A. Group	*Zaragoza*
Sweden	Atlas Copco CMT Sweden AB	*Nacka*
	Atlas Copco Compressor AB	*Nacka*
	Atlas Copco Craelius AB	*Märsta*
	Atlas Copco Customer Finance AB	*Nacka*
	Atlas Copco Dynapac AB	*Nacka*
	Atlas Copco GIA AB	*Grängesberg*
	Atlas Copco Industrial Technique AB	*Nacka*
	Atlas Copco Järla Holding AB	*Nacka*
	Atlas Copco Lugnet Treasury AB	*Nacka*
	Atlas Copco Rock Drills AB	*Örebro*
	Atlas Copco Secoroc AB	*Fagersta*
	Atlas Copco Sickla Holding AB	*Nacka*
	Atlas Copco Welltech AB	*Jonsered*
	Chicago Pneumatic Construction Equipment AB	*Nacka*
	Construction Tools PC AB	*Kalmar*
	Dynapac Compaction Equipment AB	*Karlskrona*
	Dynapac International AB	*Malmö*
	Industria Försäkringsaktiebolag	*Nacka*
Switzerland	Atlas Copco (Schweiz) AG	*Studen*
	Atlas Copco Meyco AG	*Zurich*
	Servatechnik AG	*Oftringen*
Taiwan	Atlas Copco Taiwan Ltd.	*Taipei*
	Edwards Technologies Ltd.	*Jhunan*
Tanzania	Atlas Copco Tanzania Limited	*Geita*
Thailand	Atlas Copco (Thailand) Limited	*Bangkok*
Turkey	Atlas Copco Makinalari Imalat AS	*Istanbul*
	Dost Kompresör End Mak Imal akım ve Tic A.Ş	*Istanbul*
	Eko Teknik Endüstriyel	*Istanbul*
	Ekomak Endüstriyel	*Istanbul*
	Ekoser Endüstriyel	*Istanbul*
	Scanrotor Otomotiv Ticaret A.S.	*Istanbul*
Ukraine	LLC Atlas Copco Ukraine	*Kiev*
United Arab Emirates	Atlas Copco Middle East FZE	*Jebel Ali free zone, Dubai*
	Atlas Copco Services Middle East SPC	*Abu Dhabi*

Country	Company	Location (City)
United Kingdom	Air Compressors and Tools Ltd.	*Hemel Hempstead*
	Atlas Copco Ltd.	*Hemel Hempstead*
	Atlas Copco (NI) Ltd.	*Lisburn*
	Atlas Copco Rental UK - Oil & Gas	*Dundes*
	Atlas Copco Tools Ltd.	*Hemel Hempstead*
	Atlas Copco UK Holdings Ltd.	*Hemel Hempstead*
	Edwards Chemical Management Europe Ltd.	*Crawley*
	Edwards High Vacuum International Ltd.	*Crawley*
	Edwards US Holdco Ltd.	*Crawley*
	Edwards Ltd.	*Crawley*
	Henrob Direct Ltd.	*Flintshire*
	Henrob Ltd.	*Flintshire*
	Medaes Limited	*Staveley*
	SCA Schucker UK Ltd.	*Didcot*
	Tentec Ltd.	*Birmingham*
Uruguay	Econus S A	*Montevideo*
USA	Atlas Copco Assembly Systems LLC	*Auburn Hills, MI*
	Atlas Copco Compressors LLC	*Rock Hill, SC*
	Atlas Copco Comptec LLC	*Voorheesville, NY*
	Atlas Copco Customer Finance USA LLC	*Parsippany, NJ*
	Atlas Copco Drilling Solutions LLC	*Garland, TX*
	Atlas Copco Hurricane LLC	*Franklin, IN*
	Atlas Copco Mafi-Trench Company LLC	*Santa Maria, CA*
	Atlas Copco North America LLC	*Parsippany, NJ*
	Atlas Copco Rental LLC	*Laporte, TX*
	Atlas Copco Secoroc LLC	*Grand Prairie, TX*
	Atlas Copco Specialty Rental LLC	*Houston, TX*
	Atlas Copco Tools & Assembly Systems LLC	*Auburn Hills, MI*
	Atlas Copco USA Holdings Inc.	*Parsippany, NJ*
	BeaconMedaes LLC	*Rock Hill, SC*
	Chicago Pneumatic International Inc.	*Rock Hill, SC*
	Chicago Pneumatic Tool Company LLC	*Rock Hill, SC*
	Edwards Vacuum, Inc.	*Delaware City, DE*
	Edwards Vacuum, US	*Parsippany, NJ*
	Henrob Corporation	*New Hudson, MI*
	Houston Service Industries, Inc	*Houston, TX*
	Mining, Rock Excavation and Construction LLC	*Commerce City, CO*
	Quincy Compressor LLC	*Bay Minette, AL*
	SCA Schucker LLC	*Novi, NJ*
Uzbekistan	Atlas Copco Compressors and Mining Technique LLC	*Tashkent*
Venezuela	Atlas Copco Venezuela SA	*Caracas*
Vietnam	Atlas Copco Vietnam Company Ltd.	*Ho Chi Minh City*
Zambia	Atlas Copco (Zambia) Ltd.	*Chingola*
Zimbabwe	Atlas Copco Zimbabwe (Private) Ltd.	*Harare*

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.

Nacka, March 6, 2015

Hans Stråberg
Chair

Ronnie Leten
President and CEO

Ulla Litzén
Board member

Anders Ullberg
Board member

Staffan Bohman
Board member

Margareth Øvrum
Board member

Johan Forssell
Board member

Gunilla Nordström
Board member

Peter Wallenberg Jr
Board member

Bengt Lindgren
Union representative

Mikael Bergstedt
Union representative

Our audit report was submitted on March 6, 2015
Deloitte AB

Jan Berntsson
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 12, 2015.

AUDIT REPORT

To the annual meeting of the shareholders of Atlas Copco AB
Corporate identity number 556014-2720

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Atlas Copco AB for the financial year 2014, except for the corporate governance report on pages 56-65. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 14–47 and 56–122.

Responsibilities of the Board of Directors and the President for the annual accounts and consolidated accounts

The Board of Directors and the President are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the President 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.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the President, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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 31 December 2014 and of its financial performance and its cash flows 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 31 December 2014 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance report on pages 56–65. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the President of Atlas Copco AB for the financial year 2014. We have also conducted a statutory examination of the corporate governance report.

Responsibilities of the Board of Directors and the President

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the President are responsible for administration under the Companies Act and that the corporate governance report has been prepared in accordance with the Annual Accounts Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

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.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the President is liable to the company. We also examined whether any member of the Board of Directors or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Furthermore, we have read the corporate governance report and based on that reading and our knowledge of the company and the group we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the corporate governance report 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.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the President be discharged from liability for the financial year.

A corporate governance report has been prepared, and its statutory content is consistent with the other parts of the annual accounts and consolidated accounts.

Nacka, March 6, 2015

Deloitte AB

Jan Berntsson
Authorized Public Accountant

FINANCIAL DEFINITIONS

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.

Earnings per share
Profit for the period attributable to owners of the parent divided by the average number of shares outstanding.

EBITDA – Earnings Before Interest, Taxes, Depreciation and Amortization
Operating profit plus depreciation, impairment and amortization.

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.

Interest coverage ratio
Profit before tax plus interest paid and foreign exchange differences divided by interest paid and foreign exchange differences.

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.

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.

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.

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%.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) PERFORMANCE [1)]

The environmental, social and governance information has been subject to external assurance in 2012, 2013 and 2014.
This can to some extent influence comparisons between these years´ and previous years´ performance.

Economic value	Note	2010	2011	2012	2013	2014	Change, %
Direct economic value							
Revenues [2)]		70 490	82 274	91 417	84 803	94 614	11
Economic value distributed							
Operating costs [3)]		41 466	48 032	53 635	49 079	56 460	15
Employee wages and benefits, including other social costs		14 699	15 910	18 108	18 274	20 826	14
Costs for providers of capital [4)]		4 489	5 913	7 182	7 853	7 919	1
Costs for direct taxes to governments		3 619	3 902	4 377	4 286	4 169	–3
Economic value retained		6 217	8 517	8 115	5 311	5 240	–1
– Redemption of shares		–	6 067	–	–	–	

Environmental performance (production units and distribution centers)	Note	2010	2011	2012	2013	2014	Goal [5)]	
Material* use in ’000 tonnes (iron and steel)	3	141	135	142	138	122	N/a	🟢
Packaging material ’000 tonnes	3	30	35	36	35	33	N/a	🟢
Direct energy use in GWh [6)]	3	116	132	140	136	130	N/a	🟢
Indirect energy use in GWh [6)]	3	287	305	301	304	347	N/a	🟡
Total energy use in GWh	3	403	437	441	440	477	N/a	🟡
Water consumption in ’000 m^3		464	619	623	714	690	+/–0/COS [7)]	🟢
CO_2 emissions ’000 tonnes (direct energy) – scope 1**		24	28	29	29	27	–20%/COS (2020) [7)]	🟡
CO_2 emissions ’000 tonnes (indirect energy) – scope 2**		88	98	76	80	97	–20%/COS (2020) [7)]	🟡
CO_2 emissions ’000 tonnes (total energy) – scope 1+2**		112	126	105	109	124	–20%/COS (2020) [7)]	🟡
CO_2 emissions ’000 tonnes (transports) – scope 3**		194	214	227	200	206	–20%/COS (2020) [7)]	🟢
Waste in ’000 tonnes	3	34	34	39	41	48	N/a	
Proportion of reused or recycled waste, %	3	88	95	92	93	93	Reuse or recycle all waste, 100	🟡
ISO 14001 certification, % of cost of sales [7)]		97	95	94	97	96	100	🟡
ISO 14001 certification, % employees				88	91	96	100	🟢

Social performance, employees, health and safety	Note	2010	2011	2012	2013	2014	Goal [5)]	
White-collar employees, %		61	62	62	63	63	N/a	
Blue-collar employees, %		39	38	38	37	37	N/a	
Employee turnover white-collar employees, %		7.0	7.4	7.4	7.4	6.6	N/a	
Employee turnover blue-collar employees, %			7.7	9.2	9.5	5.8	N/a	
Internal mobility, %			9.3	8.2	7.7	7.2	Encourage	🟡
Work-related accidents, number	4	561	370	391	415	389	0	🟢
Work-related accidents, number per one million working hours	4	9.4	5.5	5.2	5.4	4.7	0	🟢
Lost days due to accidents, number per one million working hours	4		98	101	140	128	0	🟢
Work-related incidents, number per one million working hours	4		22.1	22.7	21.0	20.8	N/a	🟡
Fatalities	4	0	1	3	0	1	0	🔴
Sick leave due to diseases, %		2.1	1.9	2.1	2.0	1.9	<2.5	🟢
Sick leave due to diseases and accidents, %			2.0	2.1	2.1	2.0	<2.5	🟢
Training, average number of hours per employee		40	45	42	40	41	N/a	🟢
Training, average number of hours, white-collar employees		44	48	42	41	40	N/a	🟢
Training, average number of hours, blue-collar employees		34	41	42	39	42	N/a	🟢
Appraisal, %		74	84	83	82	82	100	🟡
Proportion of women employees, %		16.3	16.8	16.9	16.8	17.1	Increase	🟢
Proportion of women managers, %		13.5	14.6	15.1	16.2	16.6	Increase	🟢
Nationalities among senior managers, number		40	44	49	52	54	Increase	🟢
OHSAS 18001 certification, % of cost of sales [7)]		61	67	72	89	91	100	🟢
OHSAS 18001 certification, % employees				69	85	89	100	🟢

Governance performance	Note	2010	2011	2012	2013	2014	Goal [5)]	
Significant suppliers committed to the Business Code of Practice, %	5		N/a	N/a	72	82	100	🟢
ISO 9001 certification, % of cost of sales				88	93	95	100	🟢
Reports to hotline, number	6	20	25	39	47	47	Encourage	🟡

🟢 Positive trend / goal achieved 🟡 Neutral trend 🔴 Negative trend / goal not achieved

See footnotes on next page

NOTES TO THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) PERFORMANCE

1. Reporting principles of the environmental, social and governance performance

Since 2001, the report has been prepared yearly in accordance with the Global Reporting Initiative (GRI) guidelines. Since 2006 the report has followed the GRI 3.0 version guidelines. The most recent sustainability report was published in March 2014 as part of the annual report 2013.

This report is also Atlas Copco's Communication on Progress (COP), a report on performance in relation to the UN Global Compact's ten principles. It can be found at www.atlascopco.com/ir and on UN Global Compact's website at unglobalcompact.org/cop.

Atlas Copco adheres to the following internationally recognized voluntary standards and principles:

- UN Global Compact. As 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.
- Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines. The guidelines (G3) include an internationally recognized set of indicators for economic, environmental and social aspects of business performance that enables stakeholders to compare companies' performance. Atlas Copco's reporting according to the reporting principles and guidance, including required disclosures, can be found at www.atlascopco.com/ir.

Data collection and reporting

The sustainability report and the corporate governance report are integrated in the 2014 annual report. Sustainability information in the annual report is primarily presented on pages 10–13, 40–53 and 125–131, and in the GRI Compliance Index. Reported facts and figures 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, but when a restatement of historically reported numbers is done this can be due to a change of calculation method or scope. Environmental data covers production units and distribution centers. Business partner data covers production units and employee data covers all operations. 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. Data verification is performed at each level before submitting to external auditors for verification.

The reporting of greenhouse gas emissions is done in accordance with the GHG Protocol (ghgprotocol.org) and the International Energy Agency (iea.org). The Group is a member of the Swedish Network for Transport and Environment (NTM) and closely follows its recommendations, which may impact the reporting guideline of CO_2 emissions from transport.

Scope

The Annual Report includes information regarding all three aspects of the Group's strategy i.e. where Atlas Copco has a significant economic, environmental and social impact. The report covers Atlas Copco's operations for the fiscal year 2014, unless otherwise stated. Operations divested during the year are excluded; units that were acquired are included. This may at times cause major changes in reported performance. Limitations and reporting principles are explained in the relevant section of the report. For the reporting period of 2014 all publicly disclosed sustainability information can be found in the publication Atlas Copco's annual report 2014, except for the GRI Compliance Index, which is available on the Atlas Copco website, www.atlascopco.com/ir.

Atlas Copco's annual report 2014 includes a general overview of the Group's environmental situation in accordance with the requirements of Swedish legislation regarding environmental information in the Board of Director's Report. In addition, environmental and social information has been integrated into the annual report where appropriate in order to provide a more complete picture of the Group. In addition, Atlas Copco reports with reference to the content elements and guiding principles of the Inaugural Integrated Reporting Framework developed by the International Integrated Reporting Council.

The reason for integrating the sustainability information in the annual report is to provide investors and stakeholders with a relatively complete and easily accessible overview of the Atlas Copco Group's most important activities contributing to sustainable development and increasing shareholder value.

Materiality

The GRI core indicators reported and analyzed are those that are understood to be material to the Atlas Copco Group and its stakeholders, and which facilitate benchmarking with other companies in a broader sense. Key issues are identified through ongoing stakeholder engagement and are addressed by programs or action plans with clear measurable targets.

Stakeholder dialogue

As a global Group, it's vital for Atlas Copco to ensure accountability for its actual and potential impact on its stakeholders. In discussions with for example NGO's, GO's and other influencers, it takes advice and/or learns from listening to their views. In 2014, one formal stakeholder dialogue was conducted with major shareholders, with the participation of members of Group management. The focus of the meeting was to review Atlas Copco's sustainability performance and discuss its approach to business in complex markets. The presentation is available at www.atlascopco.com/us/sustainability. Other stakeholder dialogues are conducted at different levels in the Group. Major issues are collected and form the basis for development of strategic responses to challenges.

Review/audit

Atlas Copco has self-declared the report to be GRI B+ level compliant. The report covers all Profile Disclosures, all Disclosures on Management Approach and at least 20 Performance Indicators. The annual report has been reviewed and approved by Atlas Copco's Group Management and the Atlas Copco Board. The sustainability information in the annual report 2014 has been subject to limited assurance by Deloitte.

Footnotes to page 125

1) Calculations according to GRI Guidelines, www.globalreporting.org.
2) Revenues include 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.
4) Costs for providers of capital include financial costs and dividend, but exclude redemption of shares and repurchase of own shares.
5) Goal base year is 2010.
6) Direct and indirect energy is reported in detail on the Atlas Copco website: www.atlascopco.com/us/sustainability .
7) Cost of sales (COS) in relation to ISO includes production units, while COS in other cases includes the entire Group. COS when presented in relation to sustainability information refers to cost of sales at standard cost.
* The finished products include parts or components which are not accounted for.
** Standardized conversion factors published by the Greenhouse Gas Protocol Initiative and International Energy Agency are used to calculate CO_2 emissions, see www.ghgprotocol.org and www.iea.org.
A minor decrease in the CO_2 emission from indirect energy was due partially to the update of the emission factors that are used for reporting.

1. Reporting principles of the environmental, social and governance performance, continued

Additional ESG Disclosure

In addition to producing an integrated report, Atlas Copco discloses its environmental, social and governance performance to investors through questionnaires and interviews with analysts. This disclosure is in line with the contents published in the annual report. Atlas Copco applies for inclusion in a select few, reputable and internationally established sustainability indices such as the FTSE4Good and the RobecoSAM Dow Jones Sustainability Index.

The CDP is an international non-profit organization that provides self-reported climate change, water and forest risk data to investors representing USD 87 trillion in assets. In 2013, the CDP began its collaboration with the Dow Jones Sustainability Index to streamline the environmental disclosure component. The scoring is out of a maximum of 100 with 'A' being the highest grade for disclosure, the top scoring companies are included in the Carbon Disclosure Leadership Index (CDLI).

In addition to this, the CDP allows participating companies to request emissions data from select suppliers. In 2014, the CDP Supply Chain questionnaire was sent by the CDP on behalf of 64 companies.

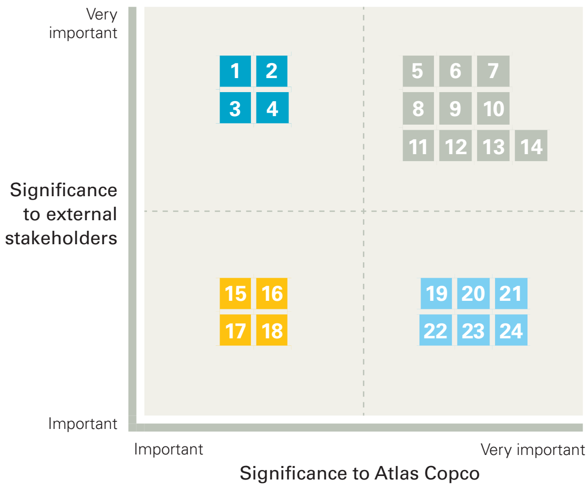
Index/Ranking/List	Atlas Copco Score	Remarks
CDP Investor	94 B	N/a
CDP Supply Chain	94	N/a
DJSI	score: 73 percentile: 89	Included in DJSI sustainability yearbook
Newsweek Green Rankings	Rank 7	Ranked in global top 10
Global 100	Rank 23	Leader in machinery sector

Atlas Copco has never paid for inclusion in rankings or lists, irrespective of the size of the fee requested, and has no ambition to change its position in the future. For this reason, Atlas Copco has not submitted an application for inclusion in the Ethisphere WME for 2014.

2. Materiality

Atlas Copco takes inspiration from the GRI criteria for materiality to ensure that the annual report addresses all the sustainability issues that impact or are influenced by the Group's operations. The materiality analysis identifies relevant indicators that present significant risks or opportunities to the Group, and whether their impact can be reasonably estimated through reliable and sound investigative methods. Indicators, which do not qualify on all accounts, are regarded as immaterial and not reported. The remaining material indicators are prioritized based on their relevance to internal and external stakeholders. The issues that have the greatest relevance to both stakeholder groups and deemed business critical are included in the annual report. Other material issues with less priority are published on the Atlas Copco website, www.atlascopco.com/corporateresponsibility.

The result from stakeholder dialogues is illustrated in the materiality matrix below and reflected in this report.



1 Supply chain management and responsible sourcing
2 Water risk management
3 Climate change impact
4 Employer/employee relations

5 Operating margin
6 Energy and resource consumption/efficiency
7 Product innovation
8 Marketing of sustainable products and solutions
9 Hazardous substances in products and components
10 Emissions to air and water
11 Corruption or bribery
12 Safety and health
13 Shared value/economic value added
14 Operational excellence

15 Transparent communication
16 Waste reuse and recovery
17 Sustainable construction
18 Public policy and lobbying

19 Corporate governance
20 Risk and crisis management
21 Human rights/diversity
22 Investments and acquisitions
23 Community engagement
24 Talent attraction, retention and development

3. Environmental impact 1)

Performance towards goals

Overall, Atlas Copco is on track with its target to reduce CO_2 from operations and transport by 20% by 2020 with respect to cost of goods sold. The aquisitions contributed to an increase. Weather fluctuations, such as warmer winters which required less heating, and fluctuations in business partly resulted in decreased emissions. The goal to keep water consumption at 2010 levels with respect to cost of goods sold was also on track for 2014. A portion of the reduction is attributed to corrections in reporting, however the Group took efforts to proactively address leaks and implement water-efficiency measures which showed results in 2014.

A significant part of the Group's environmental impact from operations comes from the materials and energy consumed as part of the production and the waste resulting from these operations.

The waste increased both in total volumes and in relation to cost of sales. This was largely influenced by a recent acquisition and of more metal scrap waste. A decline in the business also affected the cost of goods sold. All of the metal scrap is being recycled.

Material use	2014
Material use 2) in tonnes (iron and steel)	121 984
Aluminum	927
Rubber	491
Hydrocarbons	2 330
Volatile organic compounds	276
Gas	4 848

1) Production units and distribution centers.
2) The finished products include parts or components which are not accounted for.

Energy consumption*, %	2014
Direct energy, renewable	0
Direct energy, non-renewable	27
Indirect energy, renewable	34
Indirect energy, non-renewable	39

* Direct energy is defined as purchased and consumed fuel for own production; this includes oil, coal, natural gas, gasoline and diesel. Indirect energy is defined as energy from external sources, for example energy required to produce and deliver purchased electricity and district heating.

Waste disposal, tonnes and (%)*	2014
Energy recovery	9 189 (19)
Material reuse	1 887 (4)
Material recycling	34 045 (70)
Landfill	3 208 (7)

* Of which regulated or hazardous waste 4 710 tonnes.

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 2014, there were no major incidents reported concerning these aspects.

Five Swedish companies require permits based on Swedish environmental regulations. These operations account for approximately 20% of the Group's manufacturing and mostly involve machining and assembly of components. The permits relate to areas such as emissions to water and air, as well as noise pollution. The Group has been granted all permits needed to conduct its business and none were under revision in 2014. There were 11 accidents resulting in adverse environmental effects and one case of injury/illness resulting from environmental accidents according to reporting. All accidents were addressed fully and comprehensively and clean-up costs amounted to KSEK 4 752. There were no cases of non-compliance and hence no fines were paid in 2014.

Environmental management systems

To help minimize the environmental impact and to secure that the precautionary approach is applied, Atlas Copco has a target to implement environmental management systems (EMS) in all operations. All product companies should be certified according to ISO 14001 in order to manage and reduce their environmental impact. Acquired product companies are normally certified within a two-year period.

Product responsibility

As a minimum, all products comply with laws and regulations regarding their environmental impact and they are tested for safety prior to delivery. Further, all Atlas Copco products and services come with relevant product, service and safety information. The product and service information required by the Group's procedures for product and service information and labeling covers aspects such as sourcing of components, content such as 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, a limited proportion of Atlas Copco products fall under the EU Waste Electrical and Electronic Equipment (WEEE) Directive. For example, handheld electric tools and monitoring control instruments qualify but not large mining and other capital equipment. Atlas Copco has a responsibility for the disposal of products that fall under the directive. Atlas Copco strives to follow laws and regulations regarding safety, health and environmental aspects, product information and labeling. No new cases have been filed in 2014 for non-compliance with laws and regulations concerning the provision and use of products and services.

Sustainable construction

Atlas Copco has a goal to construct its buildings according to a sustainable building standard, such as LEED. This regards both new and reconstructed buildings over 2 000 m^2. The expected results of the sustainable buildings are reduced environmental impact, reduced maintenance cost and improved working environment for the employees.

Environmental data visualizations

Atlas Copco annual report 2014 utilizes data visualization to facilitate the understanding of complex environmental data. Volumetric assumptions for CO_2, from transport as illustrated on page 53, are based on the density of CO_2 at standard pressure and 15°C: 1.87 kg/m^3. At this temperature and pressure, the gas would occupy a volume of 110.22 million m^3, which would fill a cube with a side length of 479.4 m. The relative heights of the Empire State building (443 m), Eiffel tower (324 m) and Statue of Liberty (93 m) are visualized for additional context. The image was designed using a visualization tool developed for Atlas Copco by Carbon Visuals.

The conversion of operational energy consumption to household equivalents as illustrated on page 52 is based on the average electricity consumption per electrified household in 2011 (source: Enerdata via World Energy Council). Assumptions for product related visualization are explained in ESG note 10.

4. Safety and health

Safety is a priority area for Atlas Copco, and in 2014 the number of accidents decreased to 389 (415). The largest decrease was from the number of accidents reported from operations in Africa and the Middle East. Operations in North America also reported a small decrease. The majority of the accidents reported were in Europe, but the number did not change significantly from the previous year. An increase in the number of accidents, however, came from operations in Asia/Australia and South America. The relative number of accidents decreased to 4.7 (5.4) per one million working hours.

The number of incidents increased to 1 713 (1 620). The relative number, however, remained stable at 20.8 (21.0) incidents per one million working hours. Operations in Europe and South America showed an increase in the number of incidents, while all other regions reported a slight decrease.

Geographical spread of incidents and accidents, %	Work-related incidents	Work-related accidents
North America	13	10
South America	5	11
Europe	72	56
Africa/Middle East	2	5
Asia/Australia	8	18
Total	**100**	**100**

5. Business partners

Business partner	Role in 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	Legal department and local managers
Agents, distributors	Sell and distribute products to customers on the Group's behalf	Marketing councils

Supply chain management 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 Group database *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 consumption 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 either at regular intervals or when deemed necessary. These result in a report with concrete suggestions in the form of an action plan or improvement to be followed up on at an agreed time. Atlas Copco can provide experience and know-how to suppliers who require support in order to comply with the minimum standards set forth in the 10-criteria checklist; however suppliers who fail to meet red-flag criteria (such as zero-tolerance of corruption) or do not show a willingness to improve are rejected. Supplier evaluations regarding safety, health, social and environment aspects including objective factors such as quality and financial data are performed throughout the Group.

Definition of significant supplier for reporting: 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 prior year to September current year. For suppliers in high-risk countries listed below, suppliers are determined to be significant based on a significantly lower purchasing threshold (approximately 13% of set value) and are reported.

High-risk countries: Angola, Bolivia, China, Colombia, Democratic Republic of Congo, Indonesia, Iran, Nigeria, Russia, Saudi Arabia, Uzbekistan, Zimbabwe. These countries are identified as having a heightened risk of human rights violations or corruption based on risk mapping provided by Amnesty International and Transparency International in 2011. The adaptation of the definition had resulted in a lower number of significant suppliers as from 2013 compared to previous years. In 2014, the number of significant suppliers increased, primarily due to acquisitions.

Supplier's commitment	2014	Goal
Significant suppliers, number	4 915	N/a
Safety, health and social (SHS) and environment evaluated suppliers [1], %	24	N/a
Approved suppliers (no need to follow up), %	89	N/a
Conditionally approved suppliers (monitored), %	10	N/a
Rejected suppliers (relationship ended) [2], %	1	N/a
Suppliers asked on commitment to the Business Code of Practice, number	4 466	N/a
Significant suppliers that have confirmed their commitment to the Code, %	82	100

[1] Evaluations or audits are conducted by Atlas Copco teams directly at the suppliers' sites.
[2] Reasons for rejection include for example safety in the workplace, personal protection for workers and no fulfillment of environmental laws. Suppliers are rejected if they do not meet Atlas Copco requirements and are not willing to improve. The Group does not keep any black lists of its business partners.

Prohibited or restricted substances

Atlas Copco maintains lists of substances which are either prohibited or restricted due to their potential negative impact on health or the environment. Prohibited substances are not allowed in the Group's products or processes. Restricted substances are not yet legally excluded for use but should be replaced according to a plan that takes into account technical and financial aspects. Suppliers' use of such substances is regularly checked, and if prohibited substances should be found, they must immediately be replaced with approved alternatives. The lists are continuously revised according to applicable legislation, including REACH. The lists on prohibited and restricted substances are published on the Atlas Copco website.

6. Governance

Atlas Copco's hotline is the Group's whistleblower function of the Business Code of Practice. The Group is positive to receiving reports through the hotline since it provides the possibility to act on potential misconduct to the Business Code of Practice. During the year the hotline has been promoted globally among employees and business partners.

Reported potential violations, number	2014
Fraud	6
Labor relations	28
Corruption	8
Discrimination	4
Other (personal, organizational issues)	1
Total	**47**

Six cases are still under investigation, of which three are related to fraud, one to corruption, and two to labor relations or other concerns. Cases of fraud and corruption were substantiated in five cases and led to disciplinary actions such as dismissal or changes in procedures to prevent future occurrences. The alleged cases of discrimination were not substantiated and closed after investigation. There have been no other instances of anti-competitive behavior brought to the attention of Group Management. No fines related to the hotline have been paid during the year.

7. Public policy

In 2014, Atlas Copco appointed a Vice President EU Governmental and Regulatory Affairs in order to directly engage with stakeholders on matters of public policy from the Group level. Atlas Copco belongs to trade organizations such as The Association of Swedish Engineering Industries, the Federation for the Technology Industry in Belgium, the Compressed Air and Gas Institute in the United States, the German Engineering Federation, and many others. Since 1959, Atlas Copco has been actively involved in Pneurop, the European committee of manufacturers of compressors, vacuum pumps, pneumatic tools and allied equipment. Pneurop acts on behalf of members in European and international forums regarding the harmonization of technical, normative and legislative development.

Atlas Copco is a member of the Committee for the European Construction Equipment Industry (CECE) which works, for example, in removing technical barriers and improving safety standards and environmental aspects of construction equipment. In addition, the company participates in ongoing development of international standards, including the ISO committee ISO/TC 118 and the CEN committee CEN 232.

The Atlas Copco Group does not take political stands and does not use Group funds or assets to support political campaigns or candidates, or otherwise provides services to political endeavors. Atlas Copco does not receive any significant assistance from governments.

8. Human rights

Commitment to human rights

Atlas Copco's central guiding policy is the Business Code of Practice which was updated in 2012 to support the United Nations International Bill of Human Rights. Atlas Copco is also a signatory of the UN Global Compact and is committed to working with the ten universally accepted principles in the areas of human rights, labor, environment and anti-corruption. The Atlas Copco Business Code of Practice also supports the International Labour Organization Declaration on Fundamental Principles and Rights at Work, as well as the OECD's Guidelines for Multinational Enterprises. In 2011, Atlas Copco took on the commitment to protect, respect and provide access to remedy with regards to human rights as proposed in the UN Guiding Principles on Business and Human Rights. In accordance with requirements of the framework, Atlas Copco has:

- **Policy commitment:** The Business Code of Practice is the central policy document, based on which Atlas Copco has a public human rights statement. This can be found on the website.
- **Human rights due diligence:** An ongoing process to identify, prevent, mitigate and account for the human rights impacts related to Atlas Copco's business or business relations.
- **Access to remedy:** The Atlas Copco hotline can be used to report perceived human rights violations and in cases where the stakeholder(s) or employee(s) are not satisfied with the solution provided by the ethical hotline, Atlas Copco will provide for mediation at the Stockholm Chamber of Commerce Arbitration Institute.

8. Human rights, continued

Integrating the rights of children, women and special vulnerable groups

Atlas Copco strives to be inclusive in its human rights work to ensure that the rights of vulnerable groups such as children or minorities are covered by policies and processes. The Group works to integrate this into the broader human rights approach, and assesses the direct and indirect impacts the business can have on relevant groups.

Atlas Copco's Human Rights approach

Working with human rights is a continuous process of learning, development and implementation. Atlas Copco strives to work with issues within its scope across the value chain. Atlas Copco does not view human rights as an isolated issue, but rather a cross-connected issue which can be impacted by working with corruption and environmental issues according to the Business Code of Practice. The Group strives to work with its commitment to the UN Guiding Principles across the value chain, covering procurement, human resources, sales, marketing and other business processes. Further details can be found in the Society, Business Partner and Employee sections of the report.

In the end of 2013, Atlas Copco set up an interdisciplinary Human Rights and Ethics Steering Committee which reports to the Compliance Board. The members of the committee also overlap partially with the Safety, Health, Environment, and Quality Council. The Compliance Board contains two members of Group Management. The steering committee began work in 2014 to address issues such as training needs, impact assessment and the action points related to the implementation of the UN Guiding Principles.

Review of action points from previous year

In the previous annual report, Atlas Copco set forth several action points that were addressed throughout 2014. Group Management approved the guidelines focused on conflict-affected regions, and this was spread to the organization via the Group's central information database, *The Way We Do Things.* The Group has taken measures to ensure that no future sales go to projects which may make it complicit in the violation of international law, with a special attention to occupied or non-self governing territories.

Atlas Copco explored public-private partnerships on a local and Group level, in order to support the implementation of the UN Guiding Principles and to increase leverage to respect human rights. In 2014, Atlas Copco joined the Swedish Leadership for Sustainable Development, a business network run by the Swedish International Development Cooperation, to strengthen its approach on environment, human rights and anti-corruption. The Group also participated in cross-industry dialogues in order to share best practices and tools from the implementation process, as well as learning points from the roll out of the Group's Business & Human Rights approach.

Atlas Copco continues to be in dialogue with the EIRIS Conflict Risk Network, with regards to indirect sales to Sudan and is classified as "Substantial Action". This means investors following the targeted Sudan legislative model do not need to take divestment measures. The Group will continue its humanitarian efforts is Sudan through *Water for All* projects.

Conflict minerals

Atlas Copco is a supplier to customers required to report on the Dodd Frank Act, section 1502 in the United States. In 2014, all business areas continued working with the standard template developed in joint collaboration by the Electronic Industry Citizenship Coalition (EICC) and the Global e-Sustainability Initiative (GeSI) to map the minerals and sourcing processes used by tier 1 suppliers. In order to safeguard the quality of the supplier engagement and the due diligence, Atlas Copco did not add additional supplier tiers into the scope of the investigation in 2014.

ISSUES	ACTIVITIES IN 2014	PLANNED FOR 2015
Potential human rights issues in the value chain for a dam construction project in Colombia	Customer sustainability tool used to assess risk and impact Action plan developed with local management to work with industry peers, and through bilateral engagements with governmental and non-governmental organizations Results of investigations and action plan were presented at the annual stakeholder dialogue at Group Center in Stockholm.	Continue to monitor the situation and the progress of the local action plan Continue roll-out for the business and human rights training in Latin America. The training has been translated to Spanish. Use findings and learning points from the case to pilot the implementation of Atlas Copco's approach in other complex markets
Potential distribution (indirect sales) of Atlas Copco products in conflict-affected regions: specifically Myanmar*	Dialogue was initiated by the EIRIS Conflict Risk Network regarding distribution of products in Myanmar, with the conclusion that Atlas Copco is classified with "Lower Intermediate Risk"	Enhanced human rights due-diligence for Myanmar has been planned for Q2 2015

*Status regarding Sudan remains unchanged from 2013

9. Taxes

Atlas Copco strives to be a good and reliable corporate citizen, observing the spirit as well as the letter of the laws of the countries in which the Group operates. The Group recognizes the key role that tax plays in the area of advancing economic development and also considers it vital to combat corruption and support environmentally sound business practices in order to create the most value for society. Atlas Copco acts in accordance with all applicable laws and are at all times guided by relevant international standards, chiefly the OECD and UN guidelines. Atlas Copco believes in good corporate practice in the area of tax management, balancing the interests of various stakeholders, including customers, investors and the governments and communities in the countries in which the Group operates. See note 9 of the consolidated financial statements for the details of taxes paid, reported according to the international financial reporting standards.

Opinion on disclosing tax by country

Atlas Copco has been in dialogue with investors, NGOs and peers regarding the disclosure of tax paid per country. At present there is no international standard for reporting taxes paid by country and therefore the resulting data is not comparable between different companies. Atlas Copco is not opposed to reporting tax paid by country if guidelines are broadened to apply to all companies in the industry so that the data is comparable and can be analyzed fairly.

Presence in countries classified as tax havens

Atlas Copco has companies in over 90 countries. Sometimes these companies are in countries that can be classified as tax havens, such as Panama. However, the reason for Atlas Copco's presence in these markets is that the Group has customers with ongoing projects, such as expanding the Panama Canal.

10. Customer energy efficiency

Increasing sales by delivering energy efficient products

Atlas Copco has a Group goal to increase customer energy efficiency by 20% by 2020. Each division under each business area develops product lines to meet this ambition in order to increase sales while reducing the environmental impact.

Product line	Unit	2010	2014	Change, %
Surface drill rigs	g diesel/m³ rock excavated	65.2	54.4	–17
Electrical nutrunners	kWh/year	309	296	–4
VSD-FF compressors	MWh/year	77	62	–19
XAHS186 portable compressors	barliter/ gram fuel	298	385	–29

Surface drill rigs, which consist of the total range of hydraulic surface drill rigs, showed an improvement of 17% in energy efficiency. Within this product line, which has been introduced by the Mining and Rock Excavation Technique business area, the top hammer surface drill rigs SmartROC T35 and SmartROC T40 showed an improvement of 48%. The surface drill rigs have been updated with Tier IV engines, which has improved the energy efficiency. The top hammer rigs has, additionally, been modified to direct energy to the pumps and motors only when these are being used. The energy efficiency calculation is based on estimated typical energy consumption for each product included in the product line. The estimates are based on performed field test results. The energy efficiency figures are collected through a system, which collects and transmits all data relevant to the equipment electronically for accurate and reliable analysis. The energy efficiency improvement is the average energy efficiency value of the products sold during 2010 and 2014.

The electrical nutrunners represent a significant part of the Industrial Technique business area portfolio. This product line includes electric tightening tools such as the EME 80-20J, which is used in the automotive manufacturing process. During 2014, the business area developed software that will allow multiple battery tools to be connected to a single controller, which decreased energy consumption and purchasing cost. For the environment this means lower CO_2 emissions and lower raw material use. For the energy efficiency calculation a number of tools have been selected that represent the full range of torque tools. The energy consumption for each tool is based on a defined working scenario. The energy efficiency figure presented is the weighted average of the energy consumption and the amount of products sold during 2010 and 2014.

Data for the product line variable speed drive (VSD) compressors was also collected directly from the equipment while in use. The evolution of the energy efficiency includes the GA 26 VSD FF and the GA 15 VSD⁺ compressor.

The product line XAHS186 portable compressor provides significant energy savings and has lower emissions due to compliancy to Stage IIIB engine requirements. During the development phase, analyses of load cycle for typical applications allowed the Construction Technique business area to establish the best combination of design parameters, a new engine with catalyst and particle filter, and the efficiency of Atlas Copco's compressor elements. Together, this reduces the fuel consumption of the compressor from 18.4 to 14.8 kg/hour at 75% load, which is the normal load for the typical application.

Product energy efficiency visualizations

The variable speed drive (VSD) case presented on pages 1, 4 and 42 are based on the total sales over the past 20 years for both VSD and VSD⁺ compressors, with an average size of 26 kW. The compressors were assumed to run for more than 3 000 hours per year, and the energy savings are in relation to compressors without variable speed drive. The energy savings calculations was then visualized using the US Environmental Protection Agency's Greenhouse Gas Equivalencies calculator (www.epa.gov/cleanenergy/energy-resources/calculator.html). The EPA calulator's comparisons to annual greenhouse gas emissions from cars and households were used to illustrate the case.

AUDITOR'S LIMITED ASSURANCE REPORT ON ATLAS COPCO AB'S SUSTAINABILITY REPORT

This is the translation of the auditor's report in Swedish.

To Atlas Copco AB

Introduction

We have been engaged by the Board of Directors and the President of Atlas Copco AB to undertake a limited assurance engagement of the Atlas Copco AB's Sustainability Report for the year 2014. The Company has defined the scope of the Sustainability Report on page 126.

Responsibilities of the Board of Directors and the Executive Management for the Sustainability Report

The Board of Directors and the Executive Management are responsible for the preparation of the Sustainability Report in accordance with the applicable criteria, as explained on page 126 in the Sustainability Report, and are the parts of the Sustainability Reporting Guidelines (published by The Global Reporting Initiative (GRI)) which are applicable to the Sustainability Report, as well as the accounting and calculation principles that the Company has developed. This responsibility also 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 the limited assurance procedures we have performed.

We conducted our limited assurance engagement in accordance with RevR 6 *Assurance of Sustainability Reports* issued by FAR. 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. The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement conducted in accordance with IAASB's Standards on Auditing and Quality Control and other generally accepted auditing standards in Sweden. The procedures performed consequently 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. Accordingly, we do not express a reasonable assurance conclusion.

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 conclusion below.

Conclusion

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.

Nacka, March 6, 2015
Deloitte AB

Jan Berntsson
Authorized Public Accountant

Didrik Roos
Authorized Public Accountant

FIVE YEARS IN SUMMARY

MSEK	2010	2011	2012	2013	2014	Average growth, five years
Orders, revenues and profit						
Orders	75 178	86 955	90 570	81 290	93 873	9.9%
Revenues	69 875	81 203	90 533	83 888	93 721	8.0%
Change, organic from volume and price, %	12	22	9	–4	–2	
EBITDA	16 413	20 082	21 930	19 759	20 724	12.4%
EBITDA margin, %	23.5	24.7	24.2	23.6	22.1	
Operating profit	13 915	17 560	19 266	17 056	17 015	13.4%
Operating profit margin, %	19.9	21.6	21.3	20.3	18.2	
Net interest expense	–423	–506	–658	–730	-699	
Profit before tax	13 495	17 276	18 562	16 266	16 091	14.2%
Profit margin, %	19.3	21.3	20.5	19.4	17.2	
Profit for the year	9 944	12 988	13 933	12 082	12 175	14.2%
Employees						
Average number of employees	31 214	35 131	39 113	40 159	43 645	
Revenues per employee, SEK thousands	2 239	2 311	2 315	2 089	2 147	
Cash flow						
Operating cash surplus	16 673	19 906	21 583	19 205	20 426	
Cash flow before change in working capital	12 555	14 536	15 819	13 426	15 634	
Change in working capital	–1 730	–6 115	–1 366	–538	2 056	
Cash flow from investing activities	–2 818	–4 335	–2 732	–4 472	–10 565	
Gross investments in other property, plant and equipment	–868	–1 728	–1 672	–1 255	–1 548	
Gross investments in rental equipment	–825	–1 332	–1 299	–1 456	–1 719	
Net investments in rental equipment	–345	–788	–749	–1 021	–1 303	
Cash flow from financing activities	–4 740	–12 735	–4 204	–2 535	–14 358	
of which dividends paid [1]	–3 650	–10 920	–6 070	–6 669	–6 682	
Operating cash flow	9 698	6 292	12 286	9 888	13 869	
Financial position and return						
Total assets	71 622	75 109	80 794	87 891	105 281	
Capital turnover ratio	1.02	1.14	1.15	0.98	0.98	
Capital employed	50 006	49 086	54 354	62 683	70 953	
Capital employed turnover ratio	1.40	1.65	1.67	1.34	1.32	
Return on capital employed, %	28.6	37.2	35.9	27.8	24.3	
Net indebtedness	5 510	14 194	9 262	7 504	15 428	
Net debt/EBITDA	0.34	0.71	0.42	0.38	0.74	
Interest coverage ratio	18.1	18.9	20.3	14.9	11.3	
Equity	29 321	28 839	34 185	39 794	50 753	
Debt/equity ratio, %	18.8	49.2	27.1	18.9	30.4	
Equity/assets ratio, %	40.9	38.4	42.3	45.3	48.2	
Return on equity, %	37.6	47.6	45.5	33.6	28.1	
Key figures per share						
Basic earnings / Diluted earnings, SEK	8.16 / 8.15	10.68 / 10.62	11.47 / 11.44	9.95 / 9.92	10.01 / 9.99	14.3%
Dividend, SEK	4.00	5.00	5.50	5.50	6.00 [2]	14.9%
Dividend as % of basic earnings	49.0%	46.8%	48.0%	55.3%	59.9%	
Dividend yield %	3.3%	3.4%	3.1%	3.1%	2.7%	
Redemption of shares, SEK	5.00	–	–	–	6.00 [2]	
Operating cash flow, SEK	7.98	5.18	10.12	8.15	11.41	
Equity, SEK	24	24	28	33	42	
Share price, December 31, A share / B share, SEK	169.7 / 152.1	148.0 / 130.8	178.3 / 158.2	178.3 / 163.2	218.4 / 200.9	15.7% / 16.5%
Highest price quoted, A share / B share, SEK	174.0 / 156.2	178.5 / 161.2	180.9 / 160.3	194.1 / 176.4	222.6 / 204.3	
Lowest price quoted, A share / B share, SEK	95.3 / 86.2	112.3 / 99.2	134.4 / 118.6	154.3 / 136.2	169.6 / 155.9	
Average closing price, A share / B share, SEK	122.6 / 111.0	150.4 / 134.7	158.6 / 141.1	179.0 / 160.6	196.4 / 181.1	
Average number of shares, millions	1 215.9	1 214.3	1 213.8	1 212.8	1 215.6	
Diluted average number of shares, millions	1 217.3	1 217.3	1 215.6	1 214.4	1 216.6	
Number of shareholders, December 31	69 275	71 379	69 272	72 738	70 914	
Market capitalization, December 31, MSEK	201 797	175 271	211 397	213 348	261 719	16.0%
Average daily volume traded A and B shares, total	9 950 630	11 005 232	9 486 974	8 544 643	8 599 058	

For definitions, see page 124. Key financial data is published also on www.atlascopco.com/ir.

[1] Includes share redemption in 2011.
[2] Proposed by the Board of Directors.

COMMITTED TO SUSTAINABLE PRODUCTIVITY

We stand by our responsibilities towards our customers,
towards the environment and the people around us.
We make performance stand the test of time.
This is what we call – Sustainable Productivity.

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