Annual Report 2023

Atlas Copco Group

● The annual report for the Group and the parent company can be found on pages 5–65, 67–71 and 74–144, excluding the quarterly data on page 101. The corporate governance report examined by the auditors can be found on pages 74–83.

● Sustainability information that has been reviewed by the auditors can be found on pages 5–11, 32–44, and 51–65. This information, together with the EU Taxonomy disclosures on pages 45–50, constitutes the Group's statutory sustainability report.

In the Atlas Copco Group, we empower our customers to grow and drive society forward.

We develop technology that transforms the future, and our innovative products, solutions and services are a key part of most industries. Electronics, medical research, renewable energy, food production, and infrastructure are just a few examples.

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

Cover image:
The flow drill fastening technique from our K-Flow product line is widely used in the automotive industry. The product line is developed by the Atlas Copco Industrial Assembly Solutions division, within the Industrial Technique business area.

Statutory sustainability report and external review

Atlas Copco Group reports on its sustainability work for 2023 in accordance with GRI Standards, which together with the EU Taxonomy regulation disclosures, on pages 45–50, constitutes the Group's statutory sustainability report. Ernst & Young have expressed their opinion that a statutory sustainability report has been prepared according to the Swedish Annual Accounts Act, and they have performed a limited review of the sustainability report according to GRI, see page 66. More information can be found at: www.atlascopcogroup.com.

Notice

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

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

In the Group, there are many strong brands driving the success of our business. When describing the Group, and not specific brands or entities, we refer to Atlas Copco Group.

Forward-looking statements

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

Atlas Copco Group 2023
Record orders, revenues and operating profit

Revenues:
MSEK 172 664
+22%

Operating margin:
21.5% (21.4)

Return on capital employed:
30% (29)

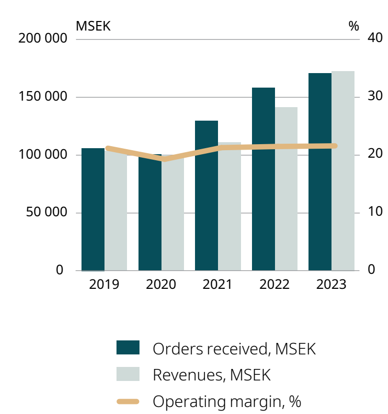
Operating cash flow:
MSEK 23 192
(17 099)

Key financial data

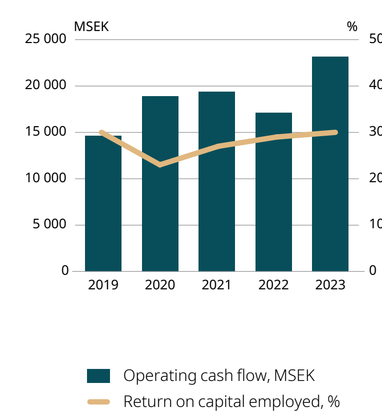
MSEK	2023	2022	2021	2020	2019
Orders received	170 627	158 092	129 545	100 554	106 104
Revenues	172 664	141 325	110 912	99 787	103 756
EBITDA	44 852	36 549	29 025	24 335	26 597
– in % of revenues	26.0	25.9	26.2	24.4	25.6
EBITA [1]	39 242	31 956	25 015	20 474	22 900
– in % of revenues	22.7	22.6	22.6	20.5	22.1
Operating profit	37 091	30 216	23 559	19 146	21 897
– in % of revenues	21.5	21.4	21.2	19.2	21.1
Adjusted operating profit	38 217	30 065	24 246	19 998	22 677
– in % of revenues	22.1	21.3	21.9	20.0	21.9
Profit before tax	36 442	30 044	23 410	18 825	21 572
– in % of revenues	21.1	21.3	21.1	18.9	20.8
Profit for the year	28 052	23 482	18 134	14 783	16 543
Basic earnings per share, SEK	5.76	4.82	3.72 [2]	3.04 [2]	3.40 [2]
Diluted earnings per share, SEK	5.75	4.81	3.71 [2]	3.04 [2]	3.40 [2]

1) Operating profit excluding amortization of intangibles related to acquisitions.
2) Adjusted for share split.

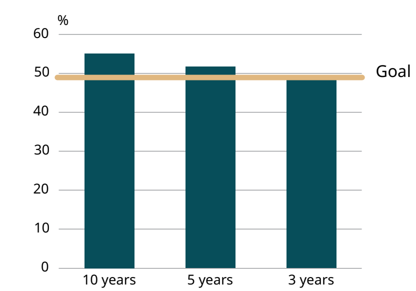
Orders received, revenues and operating margin



Operating cash flow and return on capital employed



Dividend/earnings per share, average [3]
including discontinued operations



Dividend policy history

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

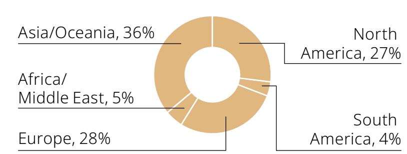
3) Dividend for the fiscal year 2023 is based on the proposal from the Board of Directors.

Atlas Copco Group

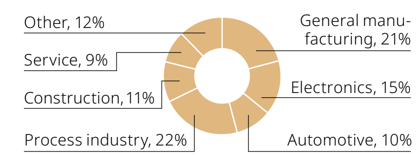
A decentralized group with four business areas

Atlas Copco Group enables technology that transforms the future. We innovate to develop products, services, and solutions that are key to our customers' success. Our four business areas offer compressed air and gas solutions, vacuum solutions, energy solutions, dewatering and industrial pumps, industrial power tools, and assembly and machine vision solutions. In 2023, the Group had revenues of BSEK 173, and about 53 000 employees at year end.

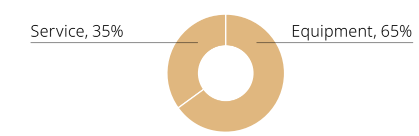
Revenues by region, Group



Orders received by customer category, Group



Share of revenues, Group



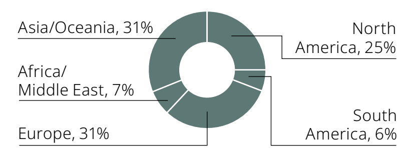
Compressor Technique

Page 20

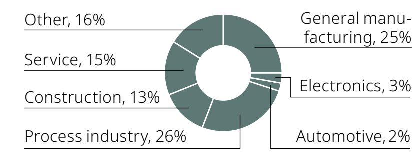
Orders received: MSEK 79 492
Revenues: MSEK 75 552
Operating margin: 24.5%

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

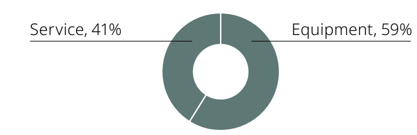
Revenues by region



Orders received by customer category



Share of revenues



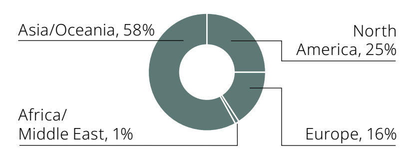
Vacuum Technique

Page 23

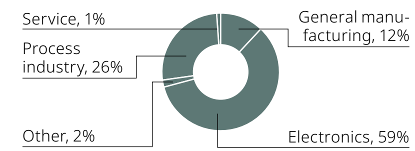
Orders received: MSEK 35 723
Revenues: MSEK 42 812
Operating margin: 22.4%

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

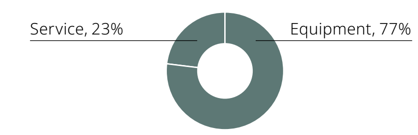
Revenues by region



Orders received by customer category



Share of revenues



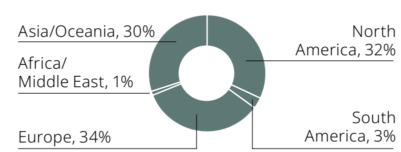
Industrial Technique

Page 26

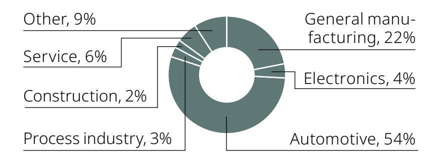
Orders received: MSEK 29 497
Revenues: MSEK 28 453
Operating margin: 21.7%

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

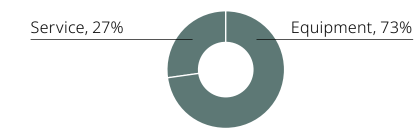
Revenues by region



Orders received by customer category



Share of revenues



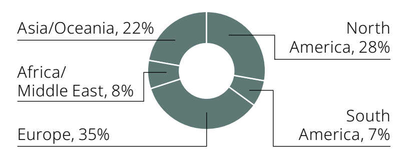
Power Technique

Page 29

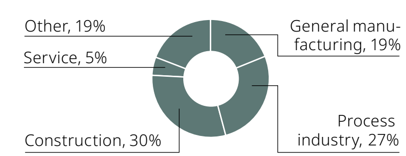
Orders received: MSEK 26 940
Revenues: MSEK 26 899
Operating margin: 19.3%

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

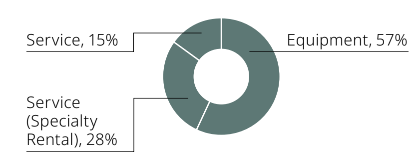
Revenues by region



Orders received by customer category



Share of revenues



Technology that transforms the future

This year was a memorable year, and we reached several milestones. We delivered record orders, revenues and operating profit and we had the unique opportunity to celebrate our 150th anniversary. The growth of our business is driven by our people and their continuous focus on creating value for our customers. This focus has made us well positioned to handle opportunities as well as challenges and to ensure that we continue to build a stronger and better company.

Our orders, revenue and operating profit all reached record levels in 2023. Orders received increased 8% to MSEK 170 627 (158 092). Revenues increased 22% to MSEK 172 664 (141 325), corresponding to a 14% organic increase, and the operating profit increased 23% to MSEK 37 091 (30 216), corresponding to a margin of 21.5% (21.4).

During 2023, we also had the opportunity to take a step back and celebrate our past. During a century and a half, we have delivered breakthrough innovations and technologies to customers in many different industries. We have contributed to the development of many aspects of modern society and have had an impact on people's professional and private lives. We used this opportunity not only to look back, but also to focus on how we are shaping the future. This has brought a lot of pride, energy and enthusiasm to both our newly acquired companies as well as to our employees in countries where we have been present for a long time. The passion shown by our employees, the ability to adapt and always look ahead at new opportunities to create value, as well as our dedication to drive development, are all really worth highlighting and our anniversary gave us the perfect opportunity.

The world's first battery powered screw compressor, B-Air, launched in 2023.

Solutions with full impact in mind

At the core of our value creation is technology and people who find opportunities in the challenges our customers and society are facing. In 2023, we invested 4% of our total revenues, or MSEK 6 166, in R&D. The last couple of years we have put increased efforts and funding into developing efficient technologies and solutions that enable the transformation to a low-carbon society. There is no doubt that climate change is the biggest challenge of our time and we have made a commitment to be part of the solution by reducing the environmental impact of our operations and products. At the same time, creating platforms for growth in new segments connected to society's need for new sources of energy, new modes of transportation and automation, could be our biggest opportunity ever. If we are to succeed in limiting global warming and staying within the planetary boundaries, big changes are required. I'm very proud of the role Atlas Copco Group plays in this transition.

Through our joining technologies, vacuum solutions, and compressors, we have a clear role in enabling the electrification of the transport sector. We are also an important partner for our customers in the development of energy storage solutions and products used in the production of renewable energy, such as solar panels, wind turbines and hydrogen. These segments are an increasingly important part of our business. Since a couple of years, we also have an increased focus on R&D initiatives directed to new growth platforms which have resulted in several new products launches.

Committed to make real change

By signing up for science-based targets we have committed to reducing our greenhouse gas emissions, both direct and indirect, in line with the Paris Agreement. We are, however, not yet bending the curve of emissions from the use phase of our products. Today, an absolute majority of our products are already electrified. The challenge to reduce our customers' emissions is something we share with other industrial companies since our progress is dependent on the external development of new technologies and adoption of infrastructure. A wider adoption of renewable energy and decarbonization of the electric grid is needed to lower emissions from the energy consumed by our products.

In terms of the emissions from our owned or controlled sources, and indirect emissions from the generation of purchased energy, we are making good progress. This shows that we are committed to making real change and that we are serious about our long-term targets. Another positive effect of setting ambitious targets is that they inspire new ways of thinking and new initiatives. This year we have rolled out a climate awareness training and we have held "hackathons" in our entities to come up with ideas of how we as a company can reduce our own climate impact, as well as that of our customers. We should all reflect on what we can do as individuals and by being part of something bigger, to make sure the next generation can continue to thrive on our fantastic planet as well as enjoy the possibilities that economic development and an open and inclusive society bring.

Opportunities to learn and grow

The ability to handle the ever-changing world around us, upskilling and lifelong learning is more important than ever. We have held our annual event, the Never Stop Learning Festival, dedicated to continuous learning to emphasize the importance of taking ownership of our own development and exploring our full potential.
The Group offers various learning opportunities, such as online courses, on-the-job training, coaching, mentoring, and formal

Technology that transforms the future, continued

education programs throughout the year. Personal growth is not only about acquiring new skills. It's also about applying your skills in new ways. I'm proud that we as an organization provide our employees with a platform to grow and learn, and of our statement that we all should be in charge of our own professional life.

Positioned to handle geopolitical challenges

In terms of supply chains and logistics, there are still challenges, but we have managed to catch up and normalize lead times. We believe in having a strong local presence throughout the whole value chain and have invested in new manufacturing capabilities in the US, Asia and in Europe. We will continue to invest in local manufacturing for local customers and ensure that we have the whole value chain in Europe, in Asia and in the Americas. Building resilience and having the ability to quickly adapt to changing conditions is a must to remain competitive. We see that our efforts to build strong power hubs in these three regions have given us a solid position to de-risk as well as engage. We believe in free trade, however, from a global perspective, protectionism and competition between countries and government systems have accelerated in the last couple of years. The world has become less and less open and more polarized.

Many countries struggle with corruption, labor issues and human rights abuse. Environmental standards and legal frameworks also vary widely from one country to another. Together with our partners and other stakeholders, we monitor developments and look for ways to improve the situation. Through dialogue aimed at understanding and reducing the risks involved we believe we can have a positive impact. We have a strong commitment to doing business in an ethical way and we train all employees in the Code of Conduct and inform them about our system for reporting violations. We also require that our significant business partners sign and follow our Code of Conduct and we audit selected suppliers based on risk assessment in our divisions. This year, we have also continued our increased focus on trade compliance to ensure that we follow all applicable international trade compliance and export controls, economic sanctions, and embargoes.

As a global group and an organization with about 53 000 employees all over the world we can also have a positive impact by showing that we all share the same values and drive transformation together. We believe in leveraging our different perspectives and backgrounds as a source of inspiration and creativity. In our mission we now state that we aim to achieve sustainable, profitable, and inclusive growth. This means that we should continuously deliver profitable growth with an increased positive impact on society and the environment and by promoting diversity and inclusion. Inclusion is not only about providing everyone within our organization with support and inspiration to learn and grow. It's also about including the perspectives of other stakeholders, such as our customers'.

A new identity to reflect the Group we are today

We want to offer our customer segments different experiences and a broad choice of technologies and services to match their preferences. This is why we have multiple brands. In the last couple of years, we have added several brands and technologies and entered new growth platforms. In 2023 alone, we acquired 17 companies, and many of the companies we have acquired in the last couple of years have a very strong and growing position in their respective segments. To close an acquisition is the start of a journey where we welcome new members to our Group, gain new perspectives and competences and grow together to reach our full potential. Up until last year we used the Atlas Copco identity to communicate about the Group at large as well as Atlas Copco-branded products and solutions. To better reflect who we are and how all our technologies and brands bring value to employees, talent, investors, and society at large, we have launched our new Group identity which will act as an umbrella for all brands in the Group. This will provide all brands with the possibility to maintain their uniqueness and an equal position in the Group while we at the same time better can highlight what brings us together.

A stronger and better company

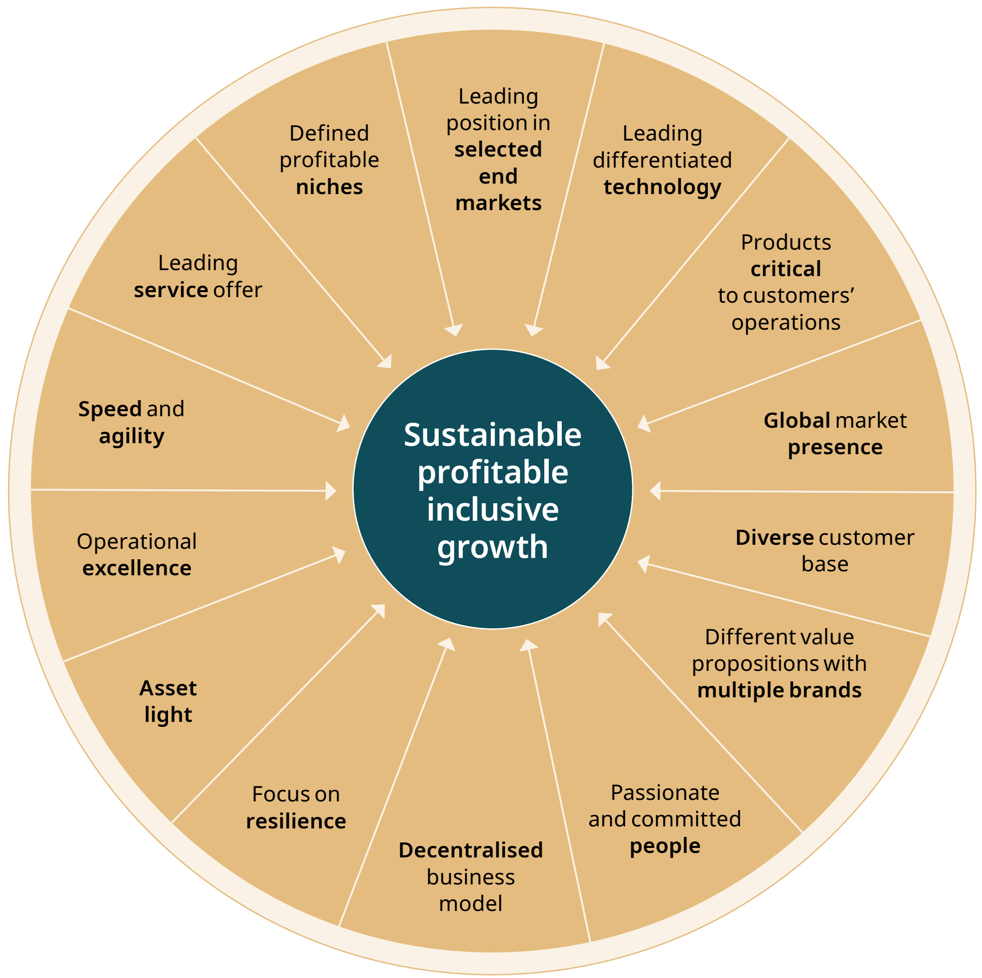
In November 2023, I announced that I'm stepping down from the role as CEO. I have worked 35 years in the Group and have had the privilege to lead this organization for seven. As CEO, my focus has always been to build a stronger and better company and I'm very happy with the growth we have achieved and the initiatives launched during my tenure. I will carry nothing but extremely fond memories of the people, passion, and continuous focus on always finding new and better ways that I have experienced here. The Group is all about focusing on creating value for our customers as well as other stakeholders and living our values. That is what has made this Group such an amazing company and that is what will continue to allow for further growth and development.

Mats Rahmström
President and CEO of Atlas Copco Group

For the full list of acquisitions, please see page 94.

This is Atlas Copco Group – technology that transforms the future

Strategy and fundamentals for growth



Our vision is to become and remain First in Mind—First in Choice of our customers and other stakeholders. Our mission is to achieve sustainable, profitable, inclusive growth. This means that we should continuously deliver profitable growth with an increased positive impact on society and the environment and by promoting diversity and inclusion. Inclusion is about providing everyone within our organization with support and inspiration to learn and grow. It also means that we include the perspective of different stakeholders, like customers and society, when we create value.

The Atlas Copco Group identifies profitable niches and operates in selected market segments. We increase our market presence through expanding into segments and technologies close to our core. Whether we sell our products directly or indirectly, and under which brand, depends on the customer and market. Our global presence and diverse customer base support lasting growth.

To secure a leading market position, we invest in research and development. Through leading technologies, we aim to develop new products and solutions that are critical to our customers' operations, improve their productivity, and support their success. Energy efficiency, connectivity, and data-driven insights are often key to creating tangible customer value.

To secure long-term profitable growth over a business cycle, the Atlas Copco Group has a strong focus on service, speed, and agility. We also aim to have an asset-light balance sheet and a flexible cost base.

We seek to perform more service on a higher share of the installed base of equipment and extend our service offering by giving customers new insights supported by connected products.

Speed and agility are achieved through a decentralized leadership model with clear accountability, an outsourced production model, a flexible workforce, continuous scenario planning, and a transparent organization with solid financial follow-up.

We believe in keeping production close to our customers and have production units in Europe, Asia, and the Americas. We continuously strive for improved operational efficiency with a responsible use of resources. This includes continued improved production processes and the development of top-quality and highly efficient products and services for our customers.

To secure our strategic direction and execution, the Atlas Copco Group relies on competent people passionate about their jobs and committed to delivering customer value. We focus on attracting people with the right mindset and skills, and empower them to grow with freedom and accountability. This is crucial to our success.

Atlas Copco Group

Introduction
This is Atlas Copco Group
Technology that transforms the future
• Our targets
This is how we do business
Creating lasting value for all stakeholders
The year in review
Financials
Other information

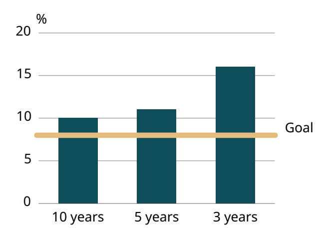
Our targets

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

Financial

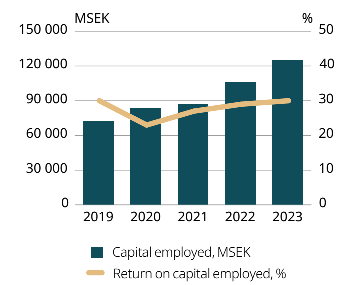
Revenue growth measured over a business cycle	**Target: 8% per annum**
Sustained high return on capital employed by constantly striving for operational excellence and generating growth	
Earnings as dividends to shareholders	**Target: about 50%**

Annual revenue growth rate, average [1]

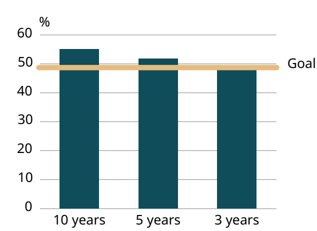


[1] Figures for the years between 2014 and 2017 are best estimated numbers, as the effects of the distribution of Epiroc and restatements for IFRS 15 are not fully reconciled.

Capital employed and return [1]



Dividend/earnings per share, average [2]
including discontinued operations



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

[2] Dividend for the fiscal year 2023 is based on the proposal from the Board of Directors.

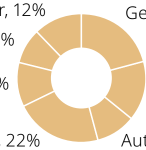
Climate and environment	**2023**	**2022**	**2021**	**Target**
Reduction in line with the 1.5 degree warming trajectory in CO_2e [1] emissions (tonnes) from scopes 1 & 2, compared to the baseline 2019	–38%	–35% [2]	–21% [2]	–46% by 2030
Reduction in line with the well-below 2 degrees warming trajectory in CO_2e [1] emissions (tonnes) from scope 3, compared to the baseline 2019	+28%	+19% [2]	+3% [2]	–28% by 2030
Significant direct suppliers with an approved environmental management system	31%	31%	31%	Continuous increase
Water consumption (m^3) in relation to cost of sales [3]	7.5	8.4	–	Continuous decrease
Reused, recycled or recovered waste from internal operations [3]	91%	92%	–	100% by 2030
Projects for new and redesigned products with targets for reduced carbon impact	95%	97%	98%	100%
Group-common methodology for assessing the circularity of new or redesigned products	–	–	–	In place by 2024
Employees				
Female employees, at year end	22.0%	21.6%	20.9%	30% by 2030
Employees agree that they feel a sense of belonging at the company [4,5]	77	–	–	Above the global benchmark (73, 76 and 72) and a continuous increase
Employees agree we have a work culture of respect, fairness and openness [4]	76	–	76	
Employees agree there is opportunity to learn and grow in the company [4]	75	–	73	
Employees agree that the company takes a genuine interest in their wellbeing [4]	74	–	73	Continuous increase
Balanced safety pyramid = more reports of risk observations than near misses, more reports of near misses than minor injuries, and more or equal reports of minor injuries relative to recordable injuries	Yes	Yes	Yes	A balanced safety pyramid
Business conduct				
Employees sign the Group's Code of Conduct compliance statement annually	99%	99%	98%	100%
New employees participate in the Group's ethics training within 12 months of joining the company, starting 2023 [5]	94%	–	–	100%
Employees participate in the Group's biennial ethics training, starting 2023 [5]	99%	–	–	100%
Significant suppliers confirm compliance with the Group's Code of Conduct	90%	93%	93%	100%
Significant distributors confirm compliance with the Group's Code of Conduct	94%	92%	87%	100%

[1] CO_2e stands for carbon dioxide equivalent.
[2] GHG emissions restated in 2023. See page 42 for details.
[3] New and extended scope from 2022, incl. all operations.
[4] Measured every two years through the employee survey. Scores based on scale 0–100 where 0 is "strongly disagree" and 100 is "strongly agree".
[5] First measurement done in 2023.

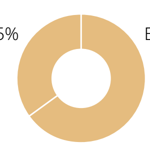
This is how we do business

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

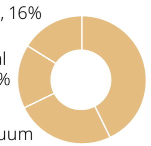
Orders received by customer category



Share of revenues



Share of revenues by business area



Sales and service

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

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

Stable service business

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

Increase customer value

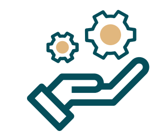
Customer focus is a guiding principle for Atlas Copco Group. Surveys are conducted regularly to learn from customers' experience and opinions about their interaction with the Group. Customers are also often engaged in feedback discussions to improve our products and services. A number of key performance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

Manufacturing and logistics

We strive to have manufacturing close to our customers. As a result, our production facilities are located in Europe, Asia, and the Americas. Local manufacturing also brings resilience and the ability to adapt to changing conditions.

Our philosophy is to manufacture in-house such components that are critical to the equipment's performance. For other components, we leverage the capacity and competence of our business partners. Flexible purchasing and logistics are of great importance.

Approximately 75% of the production cost of equipment represents purchased components, and about 25% are internally manufactured core components, assembly costs, and overhead. Equipment sales generate about 65% of revenues, and manufacturing and logistics are organized to be able to adapt quickly to changes in demand. Equipment manufacturing is based



Global reach with local presence

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

75%

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

This is how we do business, continued

primarily on customer orders, while only some standard, high-volume equipment is manufactured based on projected demand.

The assembly of equipment is generally carried out in the Group's own facilities, and we take responsibility for the products' functionality and quality. In order to optimize production flows, the assembly is typically lean, and the final product is generally shipped directly to the end user. The organization works continuously to efficiently use human, natural, and capital resources while ensuring the highest quality.

Innovation

At Atlas Copco Group we believe there is always a better way of doing things. By developing the right technologies, we will contribute to a better tomorrow. Hence, innovation and product development are of the greatest importance. Innovation will improve customer value and strengthen customer relationships, our brands, and financial performance. Products are designed internally, and research and development expenditures correspond to about 4% of total revenues. The fundamental objective is to design and efficiently produce new or improved products that provide sustainable and tangible customer benefits in terms of productivity, energy efficiency, and/or lower life-cycle costs. New hardware and software are developed by skilled engineers in the divisions. Atlas Copco Group protects its technical innovations with patents. Innovation also includes improved processes to optimize the flow and utilization of assets and information. Overcapacities and inefficiencies must always be challenged.

Investments in fixed assets and working capital

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

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

Acquisitions

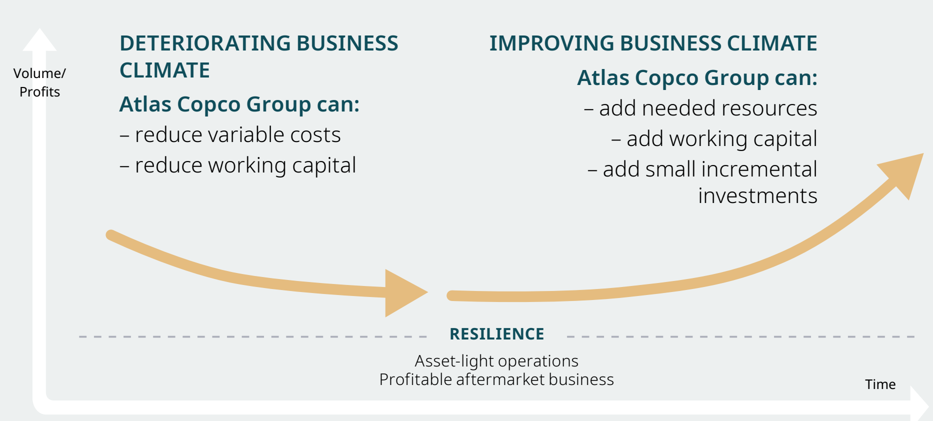
Acquisitions are primarily made in, or very close to, existing core businesses, with the aim to grow existing businesses or create new platforms for growth. All divisions are required to map and evaluate businesses that are adjacent, and may offer tangible synergies, to existing businesses. All acquired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

Research and development expenditures correspond to about

4%

of total revenues.

AGILE AND RESILIENT OPERATIONAL SETUP



AGILITY

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

This is how we do business, continued

Structure and governance

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

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

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

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

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

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

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

As of January 1, 2024

BOARD OF DIRECTORS

PRESIDENT AND CEO

GROUP MANAGEMENT

COMPRESSOR TECHNIQUE

Divisions

Compressor Technique Service
Industrial Air
Oil-free Air
Professional Air
Gas and Process
Medical Gas Solutions
Airtec

VACUUM TECHNIQUE

Divisions

Vacuum Technique Service
Semiconductor Service
Semiconductor
Semiconductor Chamber Solutions
Scientific Vacuum
Industrial Vacuum

INDUSTRIAL TECHNIQUE

Divisions

Industrial Technique Service
Motor Vehicle Industry Tools and Assembly Systems
General Industry Tools and Assembly Systems
Chicago Pneumatic Tools
Industrial Assembly Solutions
Machine Vision Solutions

POWER TECHNIQUE

Divisions

Power Technique Service
Specialty Rental
Portable Air
Power and Flow

Divisions generally conduct business through product companies, distribution centers and customer centers.

The Atlas Copco Group is unified and strengthened through:

<table>
<tr><td>A shared purpose, vision and identity</td><td>Shared goals and strategic fundamentals</td><td colspan="2">The corporate culture and the core values: interaction, commitment, and innovation</td><td>Common processes and shared best practices gathered in the handbook of policies and guidelines The Way We Do Things</td></tr>
<tr><td rowspan="2">The sharing of brand names and trademarks</td><td rowspan="2">The sharing of resources and infrastructure/service providers</td><td rowspan="2">An internal job market</td><td rowspan="2">A common leadership model</td><td>One Group Treasury</td></tr>
<tr><td>The Group's Code of Conduct</td></tr>
</table>

This is how we do business, continued

Culture, leadership and people

Atlas Copco Group's culture is characterized by high-performing teams and a commitment to people, customers, products, and innovation. We believe that there is always a better way of doing things and advocate freedom with accountability. Several activities are carried out on a regular basis to maintain and develop our corporate culture, such as recurring workshops for employees on company values, strategy, and guidelines.

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

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

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

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

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

Processes

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

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

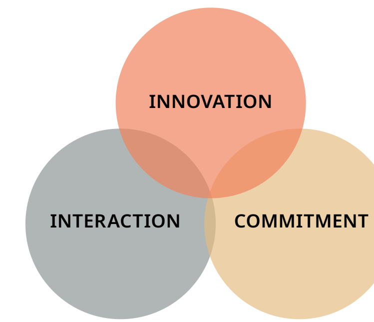
> **In the Atlas Copco Group, leadership is defined as the ability to create lasting results.**

THE GROUP'S CODE OF CONDUCT

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

OUR CORE VALUES

Our values reflect how we behave internally and in relation to external stakeholders.



INTERACTION

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

INNOVATION

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

COMMITMENT

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

Creating lasting value for all stakeholders

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

The resources we put in

Natural resources
- 531 GWh total energy use
- 64% renewable energy of total GWh energy used in operations
- 75% of production cost of equipment is purchased components

Human resources
- 51 110 employees, on average
- Employees in 70 countries
- 5 035 R&D engineers generating industrial ideas and innovations

Financial resources
- Average capital employed MSEK 125 133
- MSEK 6 166 investments in innovation [1]

Atlas Copco Group

Common vision, mission and strategy	Innovations for customers' success
Close customer relationships with application knowledge and professional service	
Sustainability priorities	Core values
Decentralized leadership model	Agile setup and asset-light operations

[1] Investments in product development, including capitalized expenditures.

The value we create

Customers
- Increased productivity
- Increased safety and ergonomics in working environment
- Energy savings
- Decreased total cost of ownership

Society/environment
- 99% of employees trained in, and signed the Code of Conduct
- 38% reduced CO_2 emissions from energy in operations
- Employment for 52 778 employees in 70 countries at year end

Shareholders
- 30% return on capital employed
- MSEK 23 192 in operating cash flow
- 21% annual total return A share, 10 year

Business partners
- Reliable partner for more than 7 000 significant suppliers
- Leverage competence
- Market access
- Over 900 suppliers audited on safety, health, environment and ethics

Employees
- Opportunities to continuously learn and grow
- A work culture of respect, fairness and openness

The Atlas Copco Group endorses all 17 UN Sustainable Development Goals and contributes directly to eight of them: 5. Gender equality; 6. Clean water and sanitation; 7. Affordable and clean energy; 8. Decent work and economic growth; 9. Industry, innovation and infrastructure; 12. Responsible consumption and production; 13. Climate action; and 16. Peace, justice and strong institutions.

See page 35 for more information on how the Group contributes to the achievement of these goals.

Atlas Copco Group

The year in review

Market review and demand

The demand for Atlas Copco Group's equipment and services remained strong in 2023, and the overall order intake increased. In comparable currencies, the Group's order intake for equipment was basically unchanged, while the service part, including the specialty rental business, grew by 16%, with positive development in all business areas and in all regions.

Order volumes for compressors increased, especially for large-sized industrial compressors and gas and process compressors, in the first half of the year. The growth was supported by increased demand from customer segments contributing to the transition to a low-carbon society, such as the production of batteries for electric vehicles, solar panels, LNG, carbon capture, and hydrogen applications.

The order intake for vacuum equipment decreased sharply, primarily as a result of significantly lower demand from the semiconductor and flat panel display industry. The demand for industrial and scientific vacuum equipment was also lower, particularly during the latter half of the year.

Solid order growth was achieved for industrial assembly and vision solutions, supported by increased demand from the automotive industry due to investments in electric vehicle production.

The demand for power equipment such as portable compressors and generators decreased compared to the previous year, partly due to lower investment levels at equipment rental companies in North America. However, due to contributions from recent acquisitions and the industrial pump product offering, the overall order intake increased.

In total, the Group's order intake increased by 8% to a record MSEK 170 627 (158 092). Acquisitions contributed with 5% and currency had a positive effect of 3%. Organically, the order intake remained unchanged. See further information in the business area sections, pages 20–31.

North America

The order intake in North America increased 6% in local currencies. Order volumes for compressors increased, particularly for larger industrial compressors and gas and process compressors. Orders also grew for industrial assembly and vision solutions, supported by customers' increased investments in the production of electric vehicles, and for power equipment, such as portable compressors, generators, and pumps. The latter was primarily due to increased demand from equipment rental companies in the beginning of the year. However, the order intake for vacuum equipment decreased, driven by lower demand from the semiconductor industry. Order volumes for service increased in all business areas. In total, North America accounted for 27% (27) of orders received.

South America

Orders received in South America increased 11% in local currencies, primarily driven by a higher demand for industrial compressors. However, order volumes for industrial assembly and vision solutions also increased, as well as for power equipment, such as generators and pumps. The order intake for service increased in all business areas. In total, South America accounted for 4% (4) of orders received.

Europe

The order intake in Europe increased 3% in local currencies. Orders for industrial compressors and gas and process compressors increased, especially in the first half of the year. However, the order intake for vacuum equipment decreased markedly due to lower demand, primarily from the semiconductor industry. Solid order growth was achieved for industrial assembly and vision solutions, supported by increased demand from the automotive and general industry. In contrast, order volumes for power equipment, such as portable compressors, generators and pumps, did not reach the previous year's level. Solid order growth was achieved for the service business with growth in all business areas. In total, Europe accounted for 27% (27) of orders received.

Africa/Middle East

Orders received increased 17% in Africa/Middle East in local currencies. The higher order intake was driven by increased demand for industrial compressors and power equipment, such as portable compressors, generators and pumps. Increased order volumes for service also contributed to the growth. In total, Africa/Middle East accounted for 5% (4) of orders received.

Asia/Oceania

The order intake in local currencies in Asia/Oceania increased by 4%. Order volumes for industrial compressors increased somewhat, and strong order growth was achieved for gas and process compressors. The order intake for industrial assembly and vision solutions also increased, supported by increased demand from the automotive and general industries. However, vacuum equipment orders decreased markedly due to lower order intake from the semiconductor and flat panel display industry. The order intake for power equipment such as portable compressors and pumps increased, with good contributions from recent acquisitions. Order volumes for the service business increased in all business areas. Asia/Oceania accounted for 37% (38) of orders received.

Market presence

Atlas Copco Group had own customer centers in 71 (70) countries and production facilities in 26 (24) countries. Revenues were reported in 182 (183) countries.

Risks related to the war in Ukraine

Atlas Copco Group's financial exposure to Russia and Ukraine is limited. During 2023, revenues from Russia accounted for well below 0.5% of the Group's total revenues, while Ukraine accounted for less than 0.1% of total revenues. Further, Atlas Copco Group has no production units in Russia or Ukraine. Hence, the ongoing war has very limited direct financial effects on the Group. Given the uncertainties surrounding the ongoing conflict, it is very difficult to predict potential indirect effects on the Group. As of December 31, 2023, there is no significant impact on any balance sheet items.

Important events – before and after period end

Acquisitions and divestments

The Group completed 17 acquisitions during the year. In total, the acquisitions added net revenues of approximately MSEK 6 235 compared to the previous year. See further information in note 2 and in the business area sections on pages 20–31.

Changes in Group Management

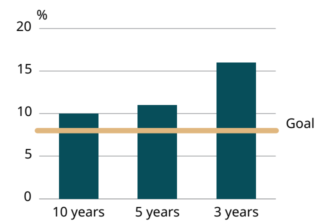
On October 16, 2023, it was announced that IT will be represented in Atlas Copco Group Management. Marcus Hvied was appointed Senior Vice President, Chief Information Officer, and member of the management team, effective January 1, 2024.

On November 24, 2023, it was announced that Mats Rahmström, President and CEO of the Atlas Copco Group, will leave the Group. After 35 years in the Group and almost seven years as CEO, Mats Rahmström informed the Board of Directors of Atlas Copco AB that he wishes to step down. Mats Rahmström will continue to be fully operational up until April 30, 2024.

On January 11, 2024, it was announced that the Board of Directors has appointed Vagner Rego as the new President and CEO of Atlas Copco Group, effective May 1, 2024.

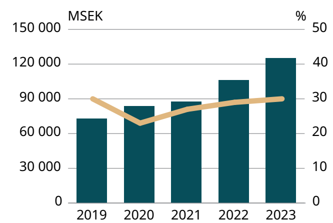
Financial targets – growth and return development

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



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

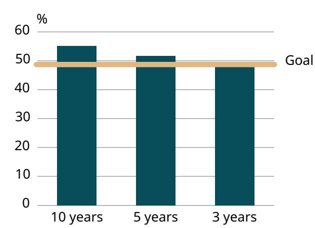
Capital employed and return



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

Capital employed, MSEK
Return on capital employed, %

Dividend/earnings per share, average [2]
including discontinued operations

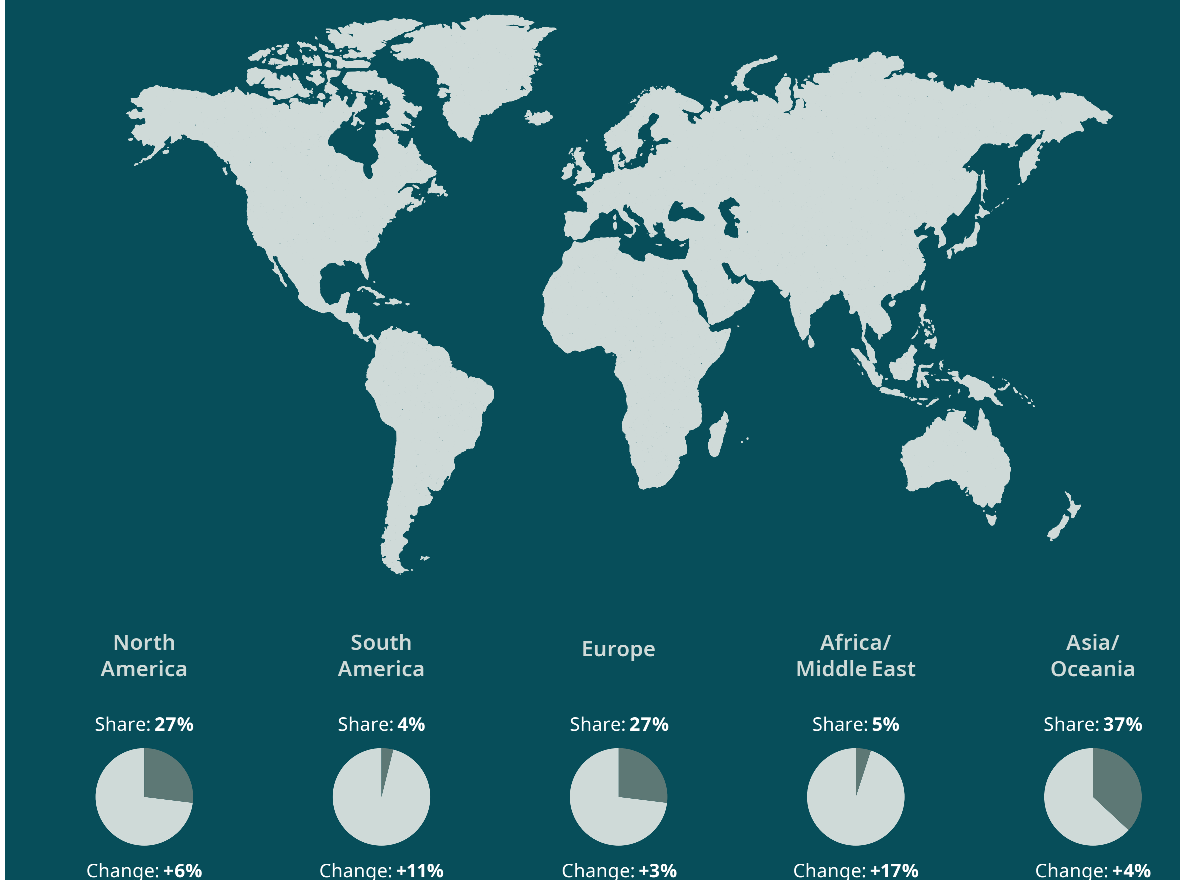


The Group aims to have a strong and cost-efficient financing of the business. The priority for the use of capital is to develop and grow the business. The strong profitability and cash generation allow the Group to do that while at the same time maintaining the ambition to distribute about 50% of earnings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

Dividend policy history

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

Orders received by region and order development in local currency



[1] Figures for the years between 2014 and 2017 are best estimated numbers, as the effects of the distribution of Epiroc and restatements for IFRS 15 are not fully reconciled.

[2] Dividend for the fiscal year 2023 is based on the proposal from the Board of Directors.

Atlas Copco Group

Revenues and return

Revenues

The Group's revenues increased 22% to a record MSEK 172 664 (141 325), corresponding to a 14% organic increase. Currency had a positive effect of 4%, and acquisitions contributed with 4% during the year. The Group's target is to achieve an annual revenue growth of 8% over a business cycle. For the period 2014–2023, the average annual revenue growth has been 10%*.

Operating profit

The operating profit also reached a record of MSEK 37 091 (30 216), corresponding to a margin of 21.5% (21.4). Items affecting comparability amounted to MSEK –1 126 (151) whereof the change in provision for share-related long-term incentive programs, reported in Common Group Items, was MSEK –520 (151). Other items affecting comparability include MSEK –606 related to a provision for a commercial dispute originating from an agreement dating back to before the current Group structure and the split of the Group in 2018, also reported in Common Group Items. The adjusted operating profit increased 27% to MSEK 38 217 (30 065), corresponding to a margin of 22.1% (21.3). See the sales and profit bridge below.

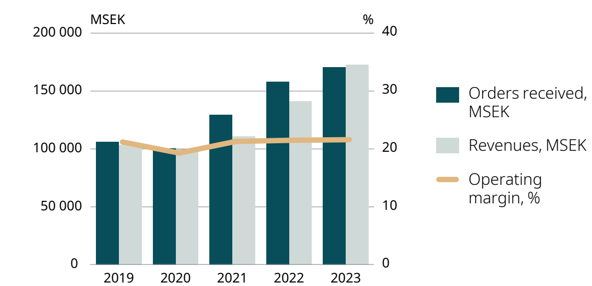
The operating profit for the Compressor Technique business area increased by 28% to MSEK 18 488 (14 425), corresponding to a margin of 24.5% (23.6). The main explanation for the higher margin was increased organic revenues. Currency and dilution from acquisitions had a small negative effect on the operating margin.

The operating profit for the Vacuum Technique business area increased 14% to MSEK 9 607 (8 407), corresponding to a margin of 22.4% (21.6). The margin was positively affected by currency, and the combination of volume price mix and other, while dilution from acquisitions affected the margin negatively.

The operating profit for the Industrial Technique business area increased 35% to MSEK 6 183 (4 597), and the operating margin reached 21.7% (20.0). The main explanation for the higher margin was increased revenues, while currency had a negative effect.

The operating profit for the Power Technique business area increased 47% to MSEK 5 191 (3 525), corresponding to a margin of 19.3% (18.5). The higher margin was mainly due to increased organic revenues. Currency and acquisitions had no material effect on the operating margin. Net costs for common Group items and eliminations were MSEK –2 378 (–738). The increase was mainly due to higher costs related to share-related long-term incentive programs, which were MSEK –520 (151), and a provision of MSEK –606 related to a commercial dispute originating from an agreement dating back to before the current Group structure and the split of the Group in 2018.

Orders received, revenues and operating margin



* Currency adjusted. Figures for the years 2014–2017 are best estimated numbers, as the effects of the distribution of Epiroc and restatements for IFRS 15 are not fully reconciled.

Sales bridge	Compressor Technique		Vacuum Technique		Industrial Technique		Power Technique	
	Orders received	Revenues	Orders received	Revenues	Orders received	Revenues	Orders received	Revenues
2022, MSEK	**69 834**	**61 058**	**41 213**	**38 941**	**26 070**	**23 007**	**21 783**	**19 053**
Structural change, %	+2	+2	+4	+4	+0	+0	+21	+18
Currency, %	+3	+4	+3	+3	+4	+5	+4	+5
Organic*, %	+9	+18	–20	+3	+9	+19	–1	+18
Total, %	+14	+24	–13	+10	+13	+24	+24	+41
2023, MSEK	**79 492**	**75 552**	**35 723**	**42 812**	**29 497**	**28 453**	**26 940**	**26 899**

* Volume, price and mix.

Sales bridge, Atlas Copco Group	Orders received	Revenues
2022, MSEK	**158 092**	**141 325**
Structural change, %	+5	+4
Currency, %	+3	+4
Organic*, %	+0	+14
Total, %	+8	+22
2023, MSEK	**170 627**	**172 664**

* Volume, price and mix.

Bridge – revenues and operating profit, MSEK	**2023**	Volume, price, mix and other	Currency	Acquisitions	Items affecting comparability	Share-based long-term incentive programs	**2022**
Revenues	172 664	19 249	5 855	6 235	–	–	141 325
Operating profit	37 091	6 642	930	580	–606	–671	30 216
Effect on margin, %	21.5						21.4

Revenues and return, continued

Depreciation and EBITDA

Depreciation, amortization and impairment costs were MSEK 7 779 (6 347) and earnings before depreciation and amortization, EBITDA, reached MSEK 44 852 (36 549), corresponding to a margin of 26.0% (25.9).

Net financial items

The Group's net financial items totaled MSEK –649 (–172) whereof interest expense was MSEK –521 (–166). The increased interest cost was mainly a result of higher interest rates. Other financial items were MSEK –128 (–6). See notes 7 and 26.

Profit before tax

Profit before tax increased 21% to MSEK 36 442 (30 044). Excluding items affecting comparability, profit before tax was MSEK 37 568 (29 893), corresponding to margin of 21.8% (21.2).

Taxes

Taxes for the year amounted to MSEK 8 390 (6 562), corresponding to an effective tax rate of 23.0% (21.8) in relation to profit before tax. The higher effective tax rate reflects increased tax rates in major countries where we operate and a geographical mix effect. See note 8.

Profit and earnings per share

Profit for the year increased 19% to MSEK 28 052 (23 482). This corresponds to basic and diluted earnings per share of SEK 5.76 (4.82) and SEK 5.75 (4.81) respectively.

Depreciation, amortization and impairment, MSEK	2023	2022
Rental equipment	897	779
Other property, plant and equipment	1 944	1 561
Right-of-use assets	1 639	1 330
Intangible assets	3 299	2 677
Total	**7 779**	**6 347**

Key financial data, MSEK	2023	2022	Change, %
Orders received	170 627	158 092	8
Revenues	172 664	141 325	22
EBITDA	44 852	36 549	
– in % of revenues	26.0	25.9	
EBITA [1]	39 242	31 956	
– in % of revenues	22.7	22.6	
Operating profit	37 091	30 216	23
– in % of revenues	21.5	21.4	
Adjusted operating profit	38 217	30 065	27
– in % of revenues	22.1	21.3	
Profit before tax	36 442	30 044	21
– in % of revenues	21.1	21.3	
Profit for the year	28 052	23 482	19
Basic earnings per share, SEK	5.76	4.82	
Diluted earnings per share, SEK	5.75	4.81	

[1] Operating profit excluding amortization of intangibles related to acquisitions.

Revenues and operating profit,	Revenues		Operating profit		Operating margin, %		Return on capital employed, %		Investments in tangible fixed assets [1]	
MSEK	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Compressor Technique	75 552	61 058	18 488	14 425	24.5	23.6	85	82	1 091	897
Vacuum Technique	42 812	38 941	9 607	8 407	22.4	21.6	22	24	1 742	2 099
Industrial Technique	28 453	23 007	6 183	4 597	21.7	20.0	21	17	738	518
Power Technique	26 899	19 053	5 191	3 525	19.3	18.5	22	25	2 089	1 009
Common Group functions/eliminations	–1 052	–734	–2 378	–738					–57	25
Total Group	**172 664**	**141 325**	**37 091**	**30 216**	**21.5**	**21.4**	**30**	**29**	**5 803**	**4 548**

[1] Excluding right-of-use assets.

Atlas Copco Group

Revenues and return, continued

Balance sheet

The Group's total assets increased 6% to MSEK 182 684 (172 301). Cash, cash equivalents and other current financial assets decreased to MSEK 11 852 (12 143), as a net effect of operational cash generation (see next page), dividend to shareholders of MSEK –11 203, and acquisitions MSEK –4 314.

Working capital ratios

The ratio of inventories to revenues at year end decreased to 17.0% (19.3), and trade receivables to 18.9% (21.2). Trade payables were 10.3% (13.5).

Capital turnover

The capital turnover ratio was 0.94 (0.91) and the capital employed turnover ratio was 1.38 (1.33).

Equity

At year end, Group equity including non-controlling interests was MSEK 91 500 (80 026), corresponding to 50% (46) of total assets. Equity per share was SEK 19 (16). Atlas Copco AB's market capitalization at year end was BSEK 816 (587), an increase of 39%. The information related to public takeover bids is the same as for the Parent Company and described on page 18.

Total comprehensive income for the year was MSEK 22 900 (31 854). See page 85 and note 9. Shareholders' transactions include dividends totaling MSEK –11 211 (–18 982), sales and repurchases of own shares of net MSEK –265 (483), and share-based payments of net MSEK –472 (–41). See page 87 and note 19.

Return on capital employed and return on equity

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

Balance sheet in summary, MSEK	Dec 31, 2023	Dec 31, 2022
Intangible assets	67 501	67 067
Rental equipment	4 345	2 689
Other property, plant and equipment	14 358	12 720
Right-of-use assets	5 763	4 752
Other fixed assets	4 510	4 861
Inventories	29 283	27 219
Receivables	45 072	40 849
Current financial assets	965	889
Cash and cash equivalents	10 887	11 254
Assets classified as held for sale	–	1
Total assets	**182 684**	**172 301**
Total equity	91 500	80 026
Interest-bearing liabilities	35 293	38 713
Non-interest-bearing liabilities	55 891	53 562
Total equity and liabilities	**182 684**	**172 301**

Equity, MSEK	2023	2022
Opening balance	80 026	67 634
Profit for the year	28 052	23 482
Other comprehensive income for the year	–5 152	8 372
Shareholders' transactions	–11 211	–18 982
Change of non-controlling interests	–8	44
Acquisition and divestment of own shares	265	–483
Share-based payments, equity settled	–472	–41
Closing balance	91 500	80 026
Equity attributable to		
– owners of the parent	91 450	79 976
– non-controlling interests	50	50

Atlas Copco Group

Revenues and return, continued

Interest-bearing debt and net indebtedness

Total interest-bearing debt was MSEK 35 293 (38 713), whereof MSEK 2 584 (2 380) in post-employment benefits. The Group has an average maturity of 5.7 years on interest-bearing liabilities. See notes 20 and 22 for additional information. The Group's net indebtedness, amounted to MSEK 23 441 (26 570) at year end. The net debt/EBITDA ratio was 0.5 (0.7) and the debt/equity ratio was 26% (33).

Credit rating

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

Operating cash flow and investments

Operating cash surplus was MSEK 45 781 (36 978). Cash flows from financial items were MSEK –883 (–714). Net pension funding and payments were MSEK –512 (–419). The working capital increased by MSEK 5 775 (increase of 7 415), affected by increased inventories. Net investments in rental equipment were MSEK 1 769 (808).

Gross investments in property, plant and equipment increased to MSEK 3 987 (3 660). In 2023, Compressor Technique made notable investments in a new production and distribution facility in China, in production for gas and process compressors as well as in a new factory for industrial compressors in India. Vacuum Technique invested in a production facility for abatement systems in South Korea, in an extension of production of dry vacuum pumps in China and in further automation of a production unit for industrial vacuum pumps in Germany. Industrial Technique invested in an innovation center and office facility for machine vision solutions in Germany, and in a new production facility and R&D center in China. Power Technique invested in a service center in Sweden and in rental depots in Brazil, India, and Peru. Cash received from sale of property, plant and equipment equaled to MSEK 101 (99).

Net investments in intangible assets, mainly related to capitalization of product development expenditures, were MSEK 1 464 (1 371). Net investments in other assets were MSEK –18 (20). In total, the operating cash flow reached MSEK 23 192 (17 099).

Cash flow from structural changes

The net cash flow from structural changes, i.e. acquisitions and divestments, amounted to MSEK –4 314 (–10 591). See also note 2.

Cash flow from financing

Dividends paid amounted to MSEK –11 203 (–9 250). Sales and repurchases of own shares resulted in a net of MSEK 265 (–483), all related to hedging or deliveries of shares for the long-term incentive plans described on page 113. Change in interest-bearing liabilities was MSEK –7 330 (4 814).

Employees

In 2023, the average number of employees in the Group increased by 5 329 to 51 110. At year end, the number of employees was 52 778 (48 951), and the number of consultants/external workforce was 3 123 (3 834). For comparable units, the total workforce increased by 1 986. See also note 4.

Calculation of operating cash flow, MSEK	2023	2022
Operating cash surplus	45 781	36 978
Net financial items	–883	–714
Taxes paid	–8 758	–6 245
Pension funding	–512	–419
Change in working capital	–5 775	–7 415
Increase in rental equipment, net	–1 769	–808
Cash flows from operating activities	**28 084**	**21 377**
Investments of property, plant and equipment, net	–3 886	–3 561
Other investments, net	–1 482	–1 351
Cash flow from investments	**–5 368**	**–4 912**
Adjustment for currency hedges of loans	476	634
Operating cash flow	**23 192**	**17 099**

Average number of employees	2023	2022
Atlas Copco Group	51 110	45 781
– Sweden	1 576	1 474
– Outside Sweden	49 534	44 307
Business areas		
– Compressor Technique	21 638	20 044
– Vacuum Technique	12 620	10 929
– Industrial Technique	9 746	9 162
– Power Technique	6 242	4 810
– Common Group functions	864	836

Parent Company

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

Earnings

Profit before tax amounted to MSEK 11 621 (32 753) and profit for the year amounted to MSEK 11 374 (32 433). The difference between the years is mainly due to decreased dividends from Group Companies.

Financing

The total assets of the Parent Company were MSEK 198 050 (184 774). At year end 2023, cash and cash equivalents amounted to MSEK 0 (0) and interest-bearing liabilities amounted to MSEK 34 605 (21 393). Equity represented 82% (88) of total assets and non-restricted equity totaled MSEK 156 444 (156 517).

Employees

The average number of employees in the Parent Company was 119 (110).

Remuneration

Principles for remuneration, fees and other remuneration paid to the Board of Directors, the President and CEO, and other members of Group Management, other statistics and the guidelines regarding remuneration and benefits to Group Management as approved by the Annual General Meeting are specified in note 4.

Financial risks, risks and factors of uncertainty

Atlas Copco Group is subject to currency risks, interest rate risks and other financial risks. Atlas Copco Group has adopted a policy to control the financial risks to which Atlas Copco AB and other Group companies are exposed. A financial risk management committee meets regularly to make decisions about how to manage these risks. See also Risks, risk management and opportunities on pages 67–71.

Appropriation of profit

The Board of Directors proposes to the Annual General Meeting 2024 a dividend of SEK 2.80 (2.30) per share to be paid for the 2023 fiscal year. Excluding shares currently held by the Company, the proposed dividend corresponds to a total of MSEK 13 638 (11 203).

In order to facilitate a more efficient cash management, the dividend is proposed to be paid in two equal installments, the first with record date April 26, 2024, and the second with record date October 21, 2024.

SEK	
Retained earnings including reserve for fair value	145 070 388 816
Profit for the year	11 373 879 363
The Board of Directors proposes that these earnings be appropriated as follows:	
To the shareholders, a dividend of SEK 2.80 per share	13 637 565 992
To be retained in the business	142 806 702 187
Total	**156 444 268 179**

Shares and share capital

At year end, Atlas Copco AB's share capital totaled MSEK 786 (786) and a total number of 4 918 452 416 shares divided into 3 357 576 384 class A shares and 1 560 876 032 class B shares were issued. Net of 47 893 133 class A shares and 0 class B shares held by the Group, 4 870 559 283 shares were outstanding. Class A shares entitle the owner to one vote while class B shares entitle the owner to one tenth of a vote. Class A shares and class B shares carry equal rights to a part of the Company's assets and profit.

Investor AB is the single largest shareholder in Atlas Copco AB. At year end 2023, Investor AB held a total of 835 653 755 shares, representing 22.3% of the votes and 17.0% of the capital.

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

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

Statutory sustainability report

Atlas Copco AB has prepared a sustainability report in accordance with the Global Reporting Initiative's guidelines (GRI Standards) which, in combination with the EU Taxonomy regulation disclosures on pages 45–50, also constitutes Atlas Copco AB's statutory sustainability report and encompasses all its subsidiaries. The sustainability report has been prepared in accordance with the disclosure requirements set out in the Swedish Annual Accounts Act, chapter 6, paragraph 10. The scope and content of the sustainability report are defined on page 61.

Business areas

The Atlas Copco Group offers customers innovative compressed air and gas solutions, air treatment systems, vacuum solutions, industrial power tools and assembly systems, machine vision, and power and flow solutions. The Group's four business areas are responsible for developing their respective operations by implementing and following up on strategies and objectives to achieve sustainable, profitable, inclusive growth.

Compressor Technique, page 20

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

Key figures, MSEK	2023	2022	Change, %
Orders received	79 492	69 834	14%
Revenues	75 552	61 058	24%
EBITA*	19 073	14 882	28%
– as a percentage of revenue	25.2	24.4	
Operating profit	18 488	14 425	28%
Operating margin, %	24.5	23.6	
Return on capital employed, %	85	82	
Investments	1 091	897	
Average number of employees	21 638	20 044	

* Operating profit excluding amortization of intangibles related to acquisitions.

Industrial Technique, page 26

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

Key figures, MSEK	2023	2022	Change, %
Orders received	29 497	26 070	13%
Revenues	28 453	23 007	24%
EBITA*	6 730	5 127	31%
– as a percentage of revenue	23.7	22.3	
Operating profit	6 183	4 597	35%
Operating margin, %	21.7	20.0	
Return on capital employed, %	21	17	
Investments	738	518	
Average number of employees	9 746	9 162	

* Operating profit excluding amortization of intangibles related to acquisitions.

Vacuum Technique, page 23

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

Key figures, MSEK	2023	2022	Change, %
Orders received	35 723	41 213	–13%
Revenues	42 812	38 941	10%
EBITA*	10 327	9 019	15%
– as a percentage of revenue	24.1	23.2	
Operating profit	9 607	8 407	14%
Operating margin, %	22.4	21.6	
Return on capital employed, %	22	24	
Investments	1 742	2 099	
Average number of employees	12 620	10 929	

* Operating profit excluding amortization of intangibles related to acquisitions.

Power Technique, page 29

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

Key figures, MSEK	2023	2022	Change, %
Orders received	26 940	21 783	24%
Revenues	26 899	19 053	41%
EBITA*	5 490	3 666	50%
– as a percentage of revenue	20.4	19.2	
Operating profit	5 191	3 525	47%
Operating margin, %	19.3	18.5	
Return on capital employed, %	22	25	
Investments	2 089	1 009	
Average number of employees	6 242	4 810	

* Operating profit excluding amortization of intangibles related to acquisitions.

Atlas Copco Group

Compressor Technique

The demand for the business area's equipment and services remained strong, and order volumes increased, supported by solid demand in all regions. Eight acquisitions were completed, and continued investments were made in product development, online and offline market presence, service and digital capabilities, as well as in production. The business area remained focused on efforts to reduce its environmental footprint and solutions supporting customers in their sustainability ambitions.

Market development

The demand for equipment and services was strong and order volumes increased throughout the year, especially for equipment in the first half of 2023. In total, the order intake increased 9% organically.

Solid order growth was achieved for the service business with increased order volumes in all regions. The favorable order development was supported by higher demand for spare parts, repair, maintenance, and service contracts, the latter supported by an increased number of connected products in the market.

The order intake for equipment increased with increased order volumes in all regions.

Orders for industrial compressors increased primarily driven by growing demand for large industrial compressors, while the demand for small and medium-sized compressors grew at a more moderate pace. The overall growth was a result of a generally favorable business environment but was also helped by solid demand from customer segments contributing to the transition to a low-carbon society, such as the production of batteries for electric cars, solar panels, LNG, and hydrogen applications. In total, order volumes increased in all regions.

The order intake for gas and process compressors increased significantly, supported, but not entirely driven by, several larger orders related to LNG and carbon capture applications in the first quarter. Order volumes increased in all regions, most notably in North America and Asia.

Market presence and organizational development

The business area continued to invest in innovation during the year, and several new products were introduced to the market to strengthen the product offering. The business area also continued to invest in market presence by adding resources and digital capabilities in research and development, marketing and sales, and service. The service offer was further strengthened with an increased focus on connectivity and data analytics to further support our customers.

The efforts to reduce the environmental footprint of the business area's own operations remained, with additional investments in solar panels as one example.

Several activities to support customers in their sustainability ambitions were also carried out. The product offering was further developed with a strong focus on reducing customers' environmental footprints. Among other things, even more energy efficient products were rolled out to the market, especially through further developed variable speed technology. The business area also established a dedicated organization focused on supporting customers in optimizing their energy efficiency at the installed base of products.

The business area invested in a new production and distribution facility in Wuxi, China, in production for the gas and process division in Pune, India, as well as in a new factory in Pune, India, for the manufacturing of industrial compressors.

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

The business area made in total eight acquisitions in 2023:

- FS Medical Technology Business (FS Medical), a US-based service supplier of medical gas systems with 32 employees.
- MedCore Services Inc., a Canada-based medical gas service provider with 7 employees.
- C.P. Service SRL, an Italy-based compressor distributor and service provider with 13 employees.
- Maziak Compressor Services Ltd. a UK distributor of air compressors, nitrogen generators, process cooling equipment, and related services with 40 employees.
- Asven S.R.L. an Argentinian compressed air distributor with 10 employees.
- Two US-based medical gas systems service suppliers: William G. Frank Medical Gas Testing and Consulting, LLC, and Medical Gas Credentialing LLC, with in total 8 employees.
- ACJ, s.r.o., a compressor distributor in Slovakia with 14 employees.
- Hamamcıoğlu Makina (HAMAK), a Turkish distributor of compressed air solutions with 23 employees.

For more information see page 94.

Revenues, profits and returns

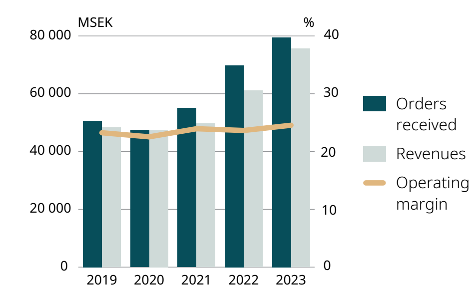
Revenues reached MSEK 75 552 (61 058), an organic increase of 18%. The operating profit increased by 28% to MSEK 18 488 (14 425), corresponding to a margin of 24.5% (23.6). The main explanation for the higher margin was increased organic revenues. Currency and dilution from acquisitions had a small negative effect on the operating margin. Return on capital employed was 85% (82).

Revenues, MSEK 2022: 61 058	**75 552**
Operating profit margin 2022: 23.6%	**24.5%**
Return on capital employed 2022: 82%	**85%**

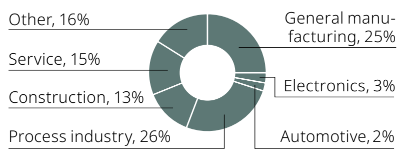
Sales bridge	Orders received	Revenues
2022, MSEK	**69 834**	**61 058**
Structural change, %	+2	+2
Currency, %	+3	+4
Organic*, %	+9	+18
Total, %	**+14**	**+24**
2023, MSEK	**79 492**	**75 552**

* Volume, price and mix

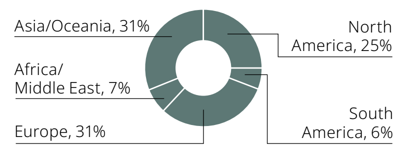
Orders received, revenues and operating margin



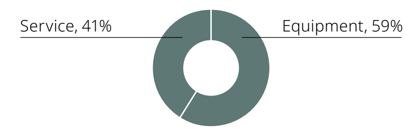
Orders received by customer category



Revenues by region



Share of revenues



The market

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

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

Gas and process compressors and expanders are supplied to various process industries, such as carbon capture, hydrogen, air separation plants, power utilities, chemical and petrochemical plants, and LNG applications.

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

Market trends

- Increased focus on energy efficiency, optimization, energy recovery, and the reduction of CO_2 emissions
- Accelerated investments in market segments contributing to a low-carbon society
- Focus on total solution and total life-cycle cost
- The combination of cloud technology, big data and AI/machine learning increases the demand for data-driven service solutions
- New applications for compressed air and gases

Demand drivers

- Industrial production
- The transition to a low-carbon society
- Energy costs
- The need for decreased CO_2 emissions drives demand for more energy-efficient machinery

Vision and strategy

The vision is to be First in Mind—First in Choice as a supplier of compressed air and gas solutions by being interactive, committed and innovative, and by offering the best value to customers. The strategy is to further develop a leading position in selected niches and growing the business in a way that is economically, environmentally and socially responsible. This should be done by capitalizing on the strong global market presence, improving market penetration in mature and developing markets, and continuously developing improved products and solutions to satisfy customer demands. The presence is enhanced by utilizing several commercial brands. Key strategies include growing the service business as well as developing businesses within focused areas such as air-treatment equipment, blowers, and compressor solutions for green energy segments, trains, ships, and hospitals.

By offering the most energy-efficient products, the business aims to contribute to a better tomorrow and to support customers in meeting their sustainability ambitions.

The business area is actively looking at acquiring complementary businesses.

Strategic activities

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

Competition

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

Market position

A leading market position globally in most of its operations.

Atlas Copco Group

Compressor Technique: Products and applications

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

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

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

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

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

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

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

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

Principal product development and manufacturing units are located in:
Belgium, the United States, China, India, Germany and Italy.

INNOVATIONS DURING 2023

Several new products were introduced during the year, including:

GA 55+-90, a new range of oil-injected screw compressors, offering high reliability and energy efficiency thanks to the latest compressor element technology and an intelligent temperature control system.

H2Y, a new hydrogen compressor for mobility applications, offering consistent gas quality and frequent start and stop reliability.

H2ECM, a new turboexpander for hydrogen liquefaction, that handles extremely low temperatures and maximizes refrigeration.

ZR CO_2 + ND CO_2, a new compressor and a dryer forming an essential building block for carbon capture systems that supports with compression and drying of CO_2 in several industries where CO_2 is captured to prevent it from entering the atmosphere.


Oil-injected screw compressor with variable speed


Oil-free gas screw compressors are essential equipment aboard liquefied natural gas vessels


Hydrogen compressor for mobility applications

MANAGEMENT
Compressor Technique, December 31, 2023


Business Area President Vagner Rego


Compressor Technique Service, President Dirk Beyts


Industrial Air, President Joeri Ooms


Oil-free Air, President Philippe Ernens


Professional Air, President Alain Lefranc


Medical Gas Solutions, President Ben Van Hove


Gas and Process, President Robert Radimeczky


Airtec, President Wouter Ceulemans

Atlas Copco Group

Vacuum Technique

The market for vacuum equipment weakened markedly, primarily due to lower investment levels in the semiconductor and flat panel industry, while the demand for vacuum service increased. The business area remained focused on innovation and introduced several new products to the market, including products enabling customers to reduce their environmental footprint. Investments were also made in market presence and production.

Market development

The overall demand for vacuum equipment and services weakened markedly, primarily due to lower investment levels in the semiconductor and flat panel industry. Organically, the order intake decreased by 20%.

Despite an overall lower demand, the service business held up well, and order volumes to the semiconductor and industrial customers increased, with growth in all regions.

Order volumes for equipment decreased, primarily due to significantly lower demand from the semiconductor and flat panel display industry. This was a result of customers' lower investment levels in all major regions.

The order volumes for equipment to industrial and scientific vacuum customers also decreased with lower order intake in all major regions except North America, where the order intake increased.

Market presence and organizational development

While the general business climate weakened, the business area remained committed to innovation to increase customer values. Several new products were introduced to the market during the year, both for the semiconductor and flat panel industry, and for industrial and scientific vacuum equipment applications. Investments were also made to strengthen market presence, digitally and offline, the latter particularly in Asia.

The business area remained focused on reducing the environmental footprint of its operations. To support customers in their sustainability ambitions, the business area further commercialized its product offer enabling reduced environmental footprint, with digital monitoring systems enabling reduced energy consumption and gas recovery in the customers' production process as two examples.

The business area made investments in a production facility for abatement systems in Asan City, South Korea, in an extension of production of dry vacuum pumps in Qingdao, China, and in further automation of a production unit for industrial vacuum pumps in Cologne, Germany.

The business area made in total five acquisitions in 2023:

- CVS Engineering GmbH, a Germany-based manufacturer of industrial vacuum pumps and blowers for mobile use with 76 employees.
- James E. Watson & Co., a US-based distributor of vacuum equipment and service solutions with 7 employees.
- Shandong Bozhong Vacuum Technology Co., Ltd, a Chinese manufacturer of liquid ring pumps and systems with 116 employees.
- Trillium US Inc., a US-based vacuum service provider with 140 employees.
- ZEUS Co., Ltd. a Korean distributor and service provider with 59 employees.

For more information see page 94.

Revenues, profits and returns

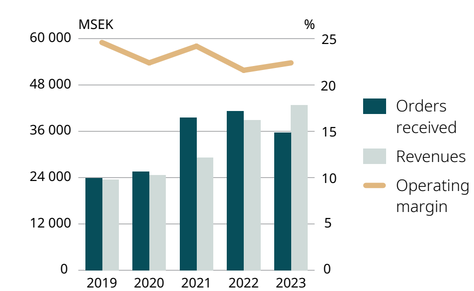
Revenues increased 10% to MSEK 42 812 (38 941), corresponding to a 3% organic increase. The operating profit increased 14% to MSEK 9 607 (8 407), corresponding to a margin of 22.4% (21.6). The margin was positively affected by currency, and by the combination of volume price mix and other, while dilution from acquisitions affected the margin negatively. Return on capital employed was 22% (24).

Revenues, MSEK 2022: 38 941	**42 812**
Operating profit margin 2022: 21.6%	**22.4%**
Return on capital employed 2022: 24%	**22%**

Sales bridge	Orders received	Revenues
2022, MSEK	**41 213**	**38 941**
Structural change, %	+4	+4
Currency, %	+3	+3
Organic*, %	–20	+3
Total, %	**–13**	**+10**
2023, MSEK	**35 723**	**42 812**

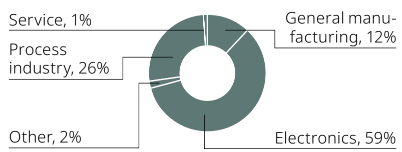
* Volume, price and mix

Orders received, revenues and operating margin

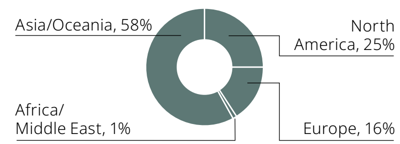


Atlas Copco Group

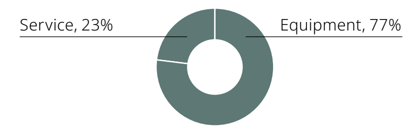
Orders received by customer category



Revenues by region



Share of revenues



The market

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

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

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

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

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

Market trends

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

Demand drivers

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

Vision and strategy

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

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

Strategic activities

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

Competition

Vacuum Technique's principal competitors are:

Semiconductor market:
DAS Environmental Expert, Ebara, Kashiyama, Pfeiffer Vacuum, Shimadzu Corporation.

Industrial and scientific market:
Ingersoll Rand, Pfeiffer Vacuum, and Busch.

Market position

A global market leader for vacuum and abatement solutions.

Vacuum Technique: Products and applications

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

Oil-sealed rotary vane vacuum pumps

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

Dry vacuum pumps

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

Turbomolecular pumps

In turbomolecular pumps, or turbo pumps, a turbine rotor spins rapidly to create vacuum. The defining feature of a turbo pump is the high rotational speed. These pumps are typically used in conjunction with primary wet or dry pumps. They are commonly used in semiconductor applications, research and development, industrial applications, and high energy physics.

Liquid ring vacuum pumps

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

Abatement and integrated systems

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

Cryogenic pumps

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

INNOVATIONS DURING 2023

Several new products were introduced during the year, including:

DZS 600-1200 VSD+, a new range of dry claw vacuum pumps for industrial applications, providing high energy efficiency and low noise level for customers.

Leybold PENNINGVAC PTR 90/225 RN, a new range of pressure gauges offering high vacuum measuring range, flexibility, and a compact design.

Edwards STPiXA4507, a new turbomolecular pump for the flat panel display industry, offering safe management of high flows of process gas in a small format.

DZS A & DZS VSD+, a new generation dry claw pumps for the general industry offering low noise levels, high performance and reliability thanks to internal temperature control and a patented smart algorithm.

Principal product development and manufacturing units are located in:
The United States, Mexico, the United Kingdom, Czech Republic, Germany, South Korea, China and Japan.

Dry vacuum pump for industrial applications

Turbomolecular pump for the semiconductor and flat panel industry

Integrated abatement system used in the semiconductor industry

MANAGEMENT

Vacuum Technique, December 31, 2023

Business Area President
Geert Follens

Vacuum Technique Service, President
Eckart Roettger

Semiconductor Service, President
Paul Neller

Semiconductor, President
Koen Lauwers

Semiconductor Chamber Solutions, President
Martin Tollner

Scientific Vacuum, President
Carl Brockmeyer

Industrial Vacuum, President
Andries Desiron

Industrial Technique

The market for equipment and services was favorable, especially in the first half of the year. Several new products were introduced to the market and the order intake for both equipment and services increased. The business area continued to invest in innovation and market presence, and intensified its focus on reducing its environmental footprint as well as on supporting customers in their sustainability ambitions.

Market development

The overall demand for the business area's equipment and service was solid, especially in the first half of the year. In total, order volumes increased with 9% organically.

The order intake for service increased with noticeable growth in all major regions.

The demand for industrial assembly and vision solutions to the automotive industry increased, and solid order growth was achieved, supported by several investment projects at customers' related to production of electric vehicles and automation, in the beginning of the year.

Order volumes for industrial assembly and vision solutions for the general industry also increased, driven by increased demand from several customer segments such as off-highway, aerospace, and applications for solar power.

In total, the order intake for equipment increased in all regions.

Market presence and organizational development

The business area continued to invest in innovation with an increased number of employees in research and development. The product offering was also strengthened as several new products were introduced to the market.

The focus on increasing online and offline market presence continued, especially with a focus on customer segments contributing to a low-carbon society, such as battery production. To improve support for the customers and increase efficiency, lead generation, and customer support were further digitalized. The ability to create tangible customer value through the service offering was strengthened, with a continued focus on developing connected products.

Several activities were carried out to reduce the environmental footprint of the business area's own operations and to support customers in their sustainability ambitions. Intensified ESG training for local managers within the organization and continued electrification of the product offering are two examples.

Investments were made in an innovation center and office facility for machine vision solutions in Darmstadt, Germany, and in a new production facility and R&D center in Shanghai, China.

The business area made one acquisition in 2023:

- Extend3D GmbH, a German developer of augmented reality solutions providing worker guidance for industry customers using laser and video projection, with 16 employees.

For more information see page 94.

Revenues, profits and returns

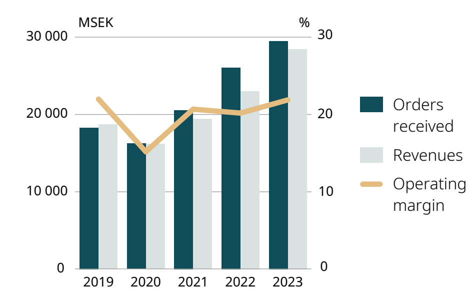
Revenues increased 24% to MSEK 28 453 (23 007), corresponding to a 19% organic increase. The operating profit increased 35% to MSEK 6 183 (4 597), and the operating margin reached 21.7% (20.0). The main explanation for the higher margin was increased organic revenues, while currency affected the margin negatively. Return on capital employed was 21% (17).

Revenues, MSEK 2022: 23 007	**28 453**
Operating profit margin 2022: 20.0%	**21.7%**
Return on capital employed 2022: 17%	**21%**

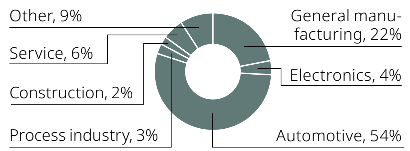
Sales bridge	Orders received	Revenues
2022, MSEK	**26 070**	**23 007**
Structural change, %	+0	+0
Currency, %	+4	+5
Organic*, %	+9	+19
Total, %	**+13**	**+24**
2023, MSEK	**29 497**	**28 453**

* Volume, price and mix

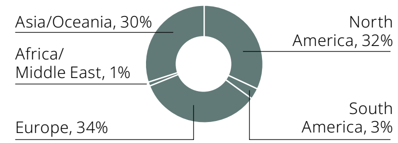
Orders received, revenues and operating margin



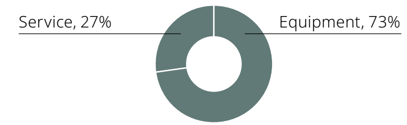
Orders received by customer category



Revenues by region



Share of revenues



The market

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

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

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

Market trends

- Automation in customers' production
- Digitalization and demand for connectivity in production
- Increased customer focus on reducing CO_2 emissions
- Increased demand for electric vehicles
- Higher requirements for productivity, flexibility and ergonomics, and increased demand for in-line quality control
- Increased focus on renewable energy and storage
- Use of light-weight material in transportation-related industries

Demand drivers

- Capital expenditure for automotive and general industrial production
- Customer investments in new production lines for new products
- Customer investments in more efficient production, e.g. quality assurance and flexible automation
- Increased production volumes at customers drive the need for service
- Investments in customer segments' contribution to transformation to a low-carbon society

Vision and strategy

The vision is to be First in Mind—First in Choice as a supplier of industrial power tools, joining and dispensing solutions, machine vision, and related services. The strategy is to continue to grow the business profitably by building on technological leadership and continuously offering products and services that improve customers' productivity, flexibility, quality, energy efficiency, safety, and ergonomics. Key strategic initiatives include adjusting the product offer to meet increased automation in customers' production processes, and providing additional service, know-how and training.

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

Strategic activities

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

Competition

Industrial Technique's principal competitors are:

Industrial tools business:
Apex Tool Group, Ingersoll Rand, ESTIC, and Bosch

Adhesive and sealant equipment:
Nordson, Graco, Viscotec, BD Tronic, and Dürr.

Self-pierce riveting:
Stanley Black & Decker, and Böllhoff.

Machine vision:
Zeiss, ISV, Coherix, Ametek, and Dr. Schenk.

Market position

A leading market position globally in most of its operations.

Atlas Copco Group

Introduction
This is Atlas Copco Group
The year in review
Business areas
Compressor Technique
Vacuum Technique
• **Industrial Technique**
Power Technique
Sustainability report
Risks, risk management and opportunities
The Atlas Copco AB share
Corporate governance
Board of Directors
Group Management
Internal control over reporting

Financials
Other information

Industrial Technique: Products and applications

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

Industrial assembly tools and solutions

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

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

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

Material removal tools, drills and other pneumatic products

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

Machine vision solutions

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

Principal product development and manufacturing units are located in:
Sweden, Germany, Hungary, the United Kingdom, France, China, Japan, and the United States.

Handheld battery tool for assembly applications

Vision system for quality control

INNOVATIONS DURING 2023

Several new products were introduced during the year, including:

ToolsControl, a new server-based controller for industrial assembly tools, that offers a single-point connection to customers' systems, reduces the need for physical controllers, and saves floor space.

MULTI, a new assembly solution for multi-spindle applications that offers remote control management and can control up to 40 tools.

TorcFLex, a new range of hydraulic wrenches that enables the opening and closing of critical bolted flanges during maintenance and construction work for wind turbine, gas, and general energy customers.

Paint scan, a robot-based and fully automated machine vision system for paint inspection in the automotive industry that ensures detection of quality defects, while process analytics provides feedback to ensure continuous process improvement.

Adhesive dispensing system with an integrated vision system

MANAGEMENT

Industrial Technique, December 31, 2023

Business Area President Henrik Elmin

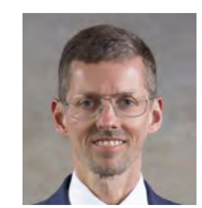
Industrial Technique Service, President Oskar Sörensson

Motor Vehicle Industry Tools and Assembly Systems, President Lars Eklöf

General Industry Tools and Assembly Systems, President Håkan Andersson

Chicago Pneumatic Tools, President Ivo Maltir

Industrial Assembly Solutions, President Olaf Leonhardt



Machine Vision Solutions, President Tomas Lundin

Power Technique

The overall underlying demand for equipment, service, and specialty rental solutions weakened. However, due to a strong service and specialty rental business and contributions from acquisitions, the total order intake for the business area increased. The business area continued to invest in innovation, market presence, digitalization, and solutions to reduce customers' environmental footprint. The product offer was also further strengthened through acquisitions.

Market development

The overall underlying demand for equipment, service, and specialty rental solutions, weakened. However, due to a strong service and specialty rental business and contributions from acquisitions, the total order intake increased. The organic order development was –1%.

Order volumes for the specialty rental business increased noticeably throughout the year, and solid order growth was achieved in most regions. The demand for service was also strong and the order intake increased markedly, driven by increased order volumes in all regions.

The order intake for equipment increased significantly in the first quarter of the year, driven by increased demand from equipment rental companies in North America, whereas the increased order intake in the remaining quarters was a contribution from acquisitions. During the year, order volumes for generators decreased while orders for portable compressors remained largely unchanged.

Market presence and organizational development

The business area continued to invest in innovation and in online and offline market presence in targeted markets and segments. Several new products were also introduced to the market during the year. The work to develop and integrate the businesses that were acquired in 2022 continued according to plan.

The business area continued to develop its offering to support customers in reducing their footprint, for example through further investments in equipment powered with HVO (hydrotreated vegetable oil), the use of engines in new products complying with stricter emission standards, and the launch of a battery-driven portable compressor.

During the year, a new center was opened to support improved customer uptime, for example by monitoring and analyzing data from connected products at the customers' sites. The center will also monitor and analyze data from the equipment in the business area's specialty rental fleet.

During the year, investments were made in a service center in Stockholm, Sweden, as well as in rental depots in Para, Brazil, Kolkata, India, and Arequipa, Peru.

The business area made in total three acquisitions in 2023:

- National Pump & Energy, an Australia-based company providing dewatering, environmental services, and water treatment solutions, with 420 employees.
- Climorent, a specialty rental provider of industrial cooling solutions based in Spain, with 15 employees.
- Sykes Group Pty Ltd (Sykes), an Australian dewatering pump manufacturer with 123 employees.

For more information see page 94.

Revenues, profits and returns

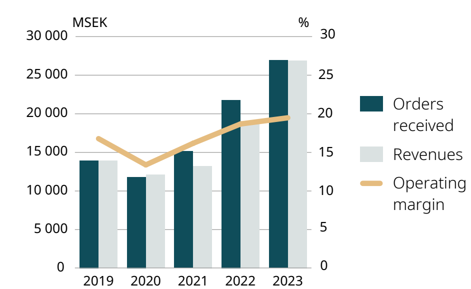
Revenues increased 41% to MSEK 26 899 (19 053), corresponding to a 18% organic increase. The operating profit increased 47% to a record MSEK 5 191 (3 525), corresponding to a margin of 19.3% (18.5). The main explanation for the higher margin was increased organic revenues. Currency had no material effect on the operating margin. Return on capital employed was 22% (25).

Revenues, MSEK 2022: 19 053	**26 899**
Operating profit margin 2022: 18.5%	**19.3%**
Return on capital employed 2022: 25%	**22%**

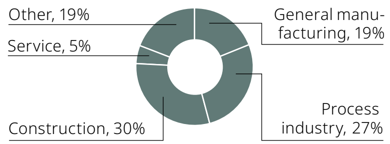
Sales bridge	Orders received	Revenues
2022, MSEK	**21 783**	**19 053**
Structural change, %	+21	+18
Currency, %	+4	+5
Organic*, %	–1	+18
Total, %	**+24**	**+41**
2023, MSEK	**26 940**	**26 899**

* Volume, price and mix

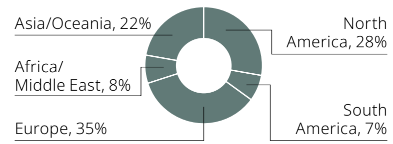
Orders received, revenues and operating margin



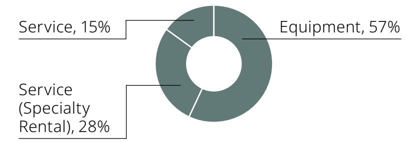
Orders received by customer category



Revenues by region



Share of revenues



The market

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

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

Market trends

- Higher requirements regarding productivity, flexibility, and ergonomics
- Increased customer focus on reducing CO_2 emissions
- Electrification of portable equipment
- Continued increased customer focus on safety
- Equipment connectivity
- Increased demand for service support/contracts

Demand drivers

- Infrastructure investments
- Investment in products that contribute to the transformation to a low-carbon society
- Industrial production
- Investment in industrial production facilities
- Emergency relief efforts
- Environmental regulations

Vision and strategy

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

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

Strategic activities

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

Competition

Power Technique's principal competitors include:

The portable power market:
Doosan, Generac, Kaeser, and Sullair. In addition, there are a large number of local and regional competitors.

The industrial pump market:
Milton Roy, and Bran+Luebbe

Market position

A leading market position globally in most of its operations.

Power Technique: Products and applications

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

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

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

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

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

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

Principal product development and manufacturing units are located in:
Belgium, Germany, Spain, the United States, China, and India.


Diaphragm metering pump for industrial use


Portable pump

Portable electric compressor

INNOVATIONS DURING 2023

Several new products were introduced during the year, including:

E Pumps (E PAS and E PAC), a new series of electric-driven dewatering pumps, offering low noise levels, low CO_2 emissions, and up to 40% lower total cost of ownership compared to traditional diesel-powered counterparts.

LEWA LCD Ecosmart Plus, a new diaphragm metering pump, offers high flow and high precision metering of a wide variety of fluids, while maintaining high efficiency.

X-AIR+ 750-25, 1200-40, new range of portable compressors for geothermal and foundation drilling that offers 10% more efficiency and better fuel economy than previous models.

ZBC1000-1200m, a new energy storage system, using different power sources, such as solar, enables micro-grid creation at infrastructure construction sites, can support hybrid power plants, and stabilizes grid maintenance work.

MANAGEMENT
Power Technique, December 31, 2023


Business Area President Andrew Walker


Power Technique Service, President Stefaan Vertriest


Specialty Rental, President Tim Last


Portable Air, President Bert Derom


Power and Flow, President Mikael Andersson

A sustainable approach to delivering lasting value

At the Atlas Copco Group, we are committed to being part of the solution for a better tomorrow. By taking accountability for our impact and by acting in an ethical way in all our business relationships, we strive to bring value to both our customers and society as a whole.

Sustainability is a central part of Atlas Copco Group's mission and strategic direction, and embedded in our everyday business. We are committed to contributing to a sustainable development and to being part of the transformation to a low-carbon society. This means that we take responsibility for managing the environmental and social impacts of our operations and our value chain. We focus our efforts to the areas where we have identified our largest impact and where we see significant risks or opportunities. These are also areas that are central to delivering on our strategy and building business resilience, as well as creating value to our key stakeholders. Allocating resources and working systematically in these areas help us reach our mission of achieving sustainable, profitable inclusive growth.

Material impacts, risks and opportunities

A materiality assessment is conducted regularly to identify sustainability risks and opportunities as well as to define the Group's most significant impact on the environment and society, including human rights.

In this process, the perspectives of key stakeholders are gained through surveys and interviews where they are asked to prioritize areas where the Atlas Copco Group has actual or potential impact on society and the environment through our operations and business relationships. The stakeholders also help identify sustainability risks and opportunities that may affect the Group's long-term value creation and business performance.

The outcome of the assessment is discussed in internal workshops involving a broad representation of experts and functions, including the specialist Safety, Health, Environment and Quality (SHEQ) function. It is also reviewed by Group Management and the Board.

We use the materiality assessment, together with the UN Global Compact's principles, the UN Sustainable Development Goals, and risk and opportunity assessments, in reviewing our sustainability ambitions and focus areas. It also forms the basis of the Group's sustainability targets as presented on page 6, and of the Group's sustainability reporting.

Material sustainability topics

The Group conducted a materiality assessment in 2021. In relation to the previous materiality analysis, some issues were deemed to have become more material and others less material. For example, stakeholders placed increased focus on diversity and inclusion, talent development and retention, and gender balance in leadership positions. Stakeholders also gave higher priority to issues relating to climate change, such as carbon impact, circular business models, and a life-cycle approach to product development. Water use, community engagement and taxes were identified as somewhat less material.

See below the sustainability topics that were identified as most material in the 2021 materiality assessment. They have been categorized as topics that are central to our long-term value creation, to building trust in the Atlas Copco Group and our business, and topics that are central in delivering on our strategy and building business resilience. More information on how the materiality assessment was conducted is available on the Group's website, www.atlascopcogroup.com.

> **Sustainability is embedded in our everyday business. We are committed to contributing to a sustainable development and to being part of the transformation to a low-carbon society.**

Value creators
These are topics that are central to long-term value creation. Managing these issues help position the Atlas Copco Group as a leader within sustainability.

Topics
– Business ethics and integrity
– Occupational health and safety
– Product quality and safety
– Life-cycle approach to product development
– Product carbon impact

Trust builders
Working with these topics help build trust in the Group's business. Our ambition is to be transparent and to keep pace with stakeholder expectations.

Topics
– Energy use and efficiency
– Human rights
– Responsible value chain
– Data protection and privacy
– Climate impact along the value chain

Strategic enablers
These are topics that play a central role to deliver on the Group's business strategy. Working with them should build and ensure business resilience.

Topics
– Diversity and inclusion
– Talent development and retention
– Gender balance in leadership positions
– Circular business models

New sustainability reporting directive

The Atlas Copco Group is subject to the Corporate Sustainability Reporting Directive (CSRD) and will report according to the European Sustainability Reporting Standards (ESRS). In preparation of the new sustainability reporting directive, the Group conducted a double materiality assessment in 2023. The outcome and the identified material sustainability topics will form the basis of the Group's sustainability report in 2024.

A sustainable approach to delivering lasting value, continued

Stakeholder engagement

As a global Group, it is vital to ensure accountability for our actual and potential impact on the economy, environment and people. The Group Sustainability team and other Group functions continually and systematically engage in dialogues with a wide range of internal and external stakeholder groups. This helps us understand, prioritize and manage the impacts of our organization as well as the impacts along our value chain. It is also crucial to proactively identify stakeholders' concerns and expectations. Insights from these dialogues are reported to Group management and feed into our decision making processes to strengthen our strategy and improve our response.

Our methods of engagement with key stakeholder groups and the issues and concerns raised by them are presented in the table to the right.

Sustainability governance

The Board of Directors has the overarching responsibility for overseeing the Atlas Copco Group's strategic direction, including financial and non-financial strategies and targets to ensure a sustainable, profitable inclusive growth. The Group's performance in relation to the targets is reported quarterly to the Board by the CEO. The Board is the owner of the Group's Code of Conduct which regulates how employees, and the Board itself, should act towards each other and in relation to other stakeholders. The Board is also, together with Group Management, responsible for the preparation, review and approval of the sustainability report, including the material sustainability topics.

Each member of Group Management is responsible for the implementation and follow-up of strategy and targets although the CEO has the ultimate responsibility. Progress in relation to the targets is part of the variable compensation for members of Group Management as well as for other employees. The Vice President Sustainability is responsible for coordinating the Group's sustainability work and reports to the SVP Chief Communications Officer, who is a member of Group Management.

Following Atlas Copco Group's decentralized organizational structure, implementation is handled mainly by the divisions, which are separate operational units, and responsible for delivering results in line with the business area's strategies and targets. The business areas and divisions set quantified targets for delivering on the Group targets. The divisional presidents and general managers are responsible for ensuring that targets are set as a part of their three-year plans, and that progress is followed-up and reported to the Group.

Safety, Health, Environment and Quality (SHEQ) managers support the sustainability work in the operational entities and divisions while Sustainability Managers coordinate the efforts at business area level.

At Group level, a sustainability team provides coordination and support to the entire organization, working closely with each business area's SHEQ and sustainability representative. The Group's SHEQ council is chaired by a division president and consists of the business area SHEQ managers and sustainability representatives, the Vice President Sustainability, and representatives for HR, Holding and controlling. The SHEQ council comes together quarterly to discuss actions, policies and guidelines to support the organization in reaching set ambitions.

Code of Conduct

The Code of Conduct is the Group's central guiding policy which sets clear requirements to ensure that we conduct business with the highest ethical standards and that we act with integrity, fairness and respect in all operations. All employees, business partners, and the Board of Directors are expected to adhere to the principles in

Stakeholder group	Key issues and concerns	Method of engagement
Customers	• Product safety • Product innovation • Product carbon impact • Product resource-efficiency and circularity	• Customer visits • Surveys and interviews • Customer events • Digital channels
Investors, analysts, shareholders	• Growth and profitability • Risk management • Climate and environmental impact • Business ethics • Gender balance	• Investor interaction • Capital market days • Annual general meeting • Digital channels • Financial reports and presentations
Employees	• Health and safety • Diversity and inclusion • Working conditions • Competence development • Compensation and benefits	• Yearly appraisal • Employee surveys • Work councils • Employee representatives on the Board
Society	• Climate and environmental impact • Social and environmental compliance • Human rights • Labor market issues	• Memberships in international collaborations and industry initiatives • Local engagement and media • Digital channels • Surveys and interviews
Business partners	• Occupational health and safety • Labor conditions • Human rights • Business ethics • Climate and environmental impact	• Collaborations with suppliers • On-site evaluation and supplier audits • Surveys and interviews

A sustainable approach to delivering lasting value, continued

the Code. In cases where the Code of Conduct is stronger than local laws and regulations, the Code should apply. The Code of Conduct is based on the following international standards:

- United Nations International Bill of Human Rights
- The ILO Declaration on Fundamental Principles and Rights at Work
- The United Nations Global Compact
- The OECD Guidelines for Multinational Enterprises
- UN Guiding Principles for Business and Human Rights

The Board of Directors is the owner of the Group's Code of Conduct and reviews it regularly. Its content has been updated, in recent years, with topics including modern slavery, risk management, circularity, data protection and privacy.

The Group's Compliance Board oversees the implementation and compliance with the Code of Conduct. The Compliance Board includes two members of Group Management: the SVP Chief Legal Officer and the SVP Chief Communications Officer, the VP Sustainability, Corporate Counsel Compliance and representatives from Holding. The Board also addresses training needs, risk assessments and the action points related to the implementation of the UN Guiding Principles.

All employees are required to complete a leader-led ethics training every two years and to annually sign a Code of Conduct compliance statement. The Code of Conduct has been translated into more than 30 languages and is available on the Group's website.

Complementing policies and guidelines

The Code of Conduct is supported and complemented by other Group policies and guidelines, such as:

- *SHEQ policy:* global Safety, Health, Environment and Quality policy that ensures robust standards for safety and wellbeing, as well as an environmental and quality perspective on technologies, products and services to make sure these contribute to a sustainable productivity for customers.
- *Human rights statement:* expands on the Group's commitment to respect and support human rights and defines procedures to ensure compliance throughout the Group's operations.
- *Business partner criteria:* significant business partners must commit to following the Group's Code of Conduct by signing the Business partner criteria document which states the Group's expectations regarding business ethics, social, safety, health and environmental performance.

Incentive schemes

The variable compensation is maximized to 80% of the base salary for the President and CEO, 60% for Business Area Presidents, and 50% for other members of Group Management. Variable compensation is linked to predetermined and measurable criteria which can be financial or non-financial. Reducing the Group's greenhouse gas emissions in line with the Group's science-based targets is among the non-financial criteria.

ESG risk management

The Group's enterprise risk management process is conducted annually on divisional level, and includes ESG-related risks. The results are aggregated on business area and Group level. An overview of the Group's key risks, including ESG risks, is described in the section Risks, risk management and opportunities on pages 67–71.

Risk insights are provided to the divisions through risk assessments performed by the Group's holding companies, as well as through the result of workshops by corporate functions. A few workshops have for instance been conducted in respect of climate change, human rights and compliance risks. ESG-related risks have been further incorporated into the enterprise risk management framework as well as the overall risk assessment process.

Management system standards

The Atlas Copco Group strives for all major operating units to be triple-certified according to the management system standards ISO 9001 (quality), ISO 14001 (environment) and ISO 45001 (occupational health and safety). All business areas operate under triple certificates supported by common management systems covering a majority of the entities belonging to the business area.

All production units with more than 20 employees, and customer centers and rental companies with more than 70 employees, are to be triple certified according to these standards. See table below for the status of ISO management system certifications held by units that are required to be certified and by all Group units. Some of the non-certified units are acquisitions still within the two-year time-frame to comply, or newly restructured units. Some units which are not yet triple-certified are in the process of becoming so, and a smaller portion has so far not had the resources required to commit to a triple certification.

Operating units[1] with management system standards, %	ISO 9001	ISO 14001	ISO 45001	Triple certification
Certified units (out of required)	86	77	75	73
Total workforce covered by certification (out of required)	92	87	84	83
Certified units (all production and distribution units)	81	67	63	62
Total workforce covered by certification (all production and distribution units)	94	86	80	80

[1] Including acquisitions.

Up to and including 2022, Atlas Copco Group measured and reported the percentage of operational units that were not triple certified. Starting in 2023, we instead report the percentage that is certified. The figures in the table above can therefore not be compared with previous years reporting.

ESG recognitions

In 2023, Atlas Copco Group received, among others, an AA rating in the MSCI ESG Ratings assessment, Prime status by ISS ESG rating, and remains a constituent of the FTSE4Good Index Series. Atlas Copco Group scored a B by CDP for the climate-related disclosure and a B- for the water-related disclosure.

A sustainable approach to delivering lasting value, continued

External initiatives and membership of associations

The Atlas Copco Group is a signatory to the UN Global Compact, a strategic policy initiative for businesses that are committed to ten universally accepted principles in the areas of human rights, labor, environment and anti-corruption. The Group is also active in a number of international organizations and industry collaborations and initiatives, such as:

- The Stockholm Chamber of Commerce
- The International Council of Swedish Industry
- The Association of Swedish Engineering Industries
- Transparency International Sweden
- Pneurop – European Association of Manufacturers of Compressors, Vacuum Pumps, Pneumatic Tools and Air & Condensate Treatment Equipment
- The Responsible Minerals Initiative

While the general objectives of these organizations are in line with the Group's interests, there may be differences of opinion regarding specific issues. The memberships do not indicate that the Group endorses all actions or policy statements made by the respective organization.

Contributing to the United Nations' Sustainable Development Goals

The Atlas Copco Group supports all of the UN's 17 Sustainable Development Goals, and have identified that we can contribute positively mainly to the following:

5 GENDER EQUALITY

Gender equality
– Active promotion of diversity and inclusion
– Working to improve gender balance at all levels, including Group-common goals for 2030
– Dedicated taskforces established by the business area presidents and the CEO

6 CLEAN WATER AND SANITATION

Clean water and sanitation
– Local activities targeting water consumption
– Providing access to clean water and improved sanitation through the employee-driven initiative Water for All
– Group goal for continuous improvement

7 AFFORDABLE AND CLEAN ENERGY

Affordable and clean energy
– Local activities to reduce CO_2 emissions
– Installment of solar panels
– Switching to renewable electricity
– Improved logistics planning to avoid air freight

8 DECENT WORK AND ECONOMIC GROWTH

Decent work and economic growth
– Business partners must comply with our Code of Conduct
– Child labor or modern slavery is not tolerated
– Compliance is assessed and audited
– The right to collective bargaining is ensured

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Industry, innovation and infrastructure
– Development of energy-efficient products and service
– All projects for new and redesigned products must assess the product's environmental impact
– Products are developed with a life-cycle perspective

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Responsible consumption and production
– Local activities targeted at reducing total waste and increasing recycling
– Group-common goal for 2030
– Chemical handling follows strict protocols
– Conflict minerals are not accepted in components
– Screening and monitoring of our supply chain

13 CLIMATE ACTION

Climate action
– Science-based targets for scope 1, 2 and 3 emissions
– Solutions to reduce customers' energy consumption and carbon emissions
– Local initiatives to lower our energy consumption
– Switching to renewable energy
– Selecting transportation methods to minimize climate impact

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Peace, justice and strong institutions
– All employees must sign compliance with our Code of Conduct
– Training for employees in handling ethical dilemmas
– Business partners must confirm compliance with our Code of Conduct

Climate and environment

CLIMATE-RELATED DISCLOSURES

The purpose of Atlas Copco Group's climate-related disclosures is to describe how climate change could affect the Group short-, medium and long-term. They also describe how the Group identifies and manages climate risks as well as our role in mitigating climate change. In accordance with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), the report is based on two potential future climate scenarios and their impact in terms of risks and opportunities over time.

Governance

The Board of Directors is responsible for the Group's overall strategic direction, organization, administration and management. This includes climate-related risks and opportunities. The Board of Directors have approved the science-based targets that were adopted by the Group in 2021 and against which the climate-related work is measured since 2022. Climate-related issues concern several functions and areas of expertise in the organization. At an operational level, risks and opportunities are managed by the divisions and governed by Group Management and the Board. Read more about corporate governance on pages 74–77.

Strategy

The Group has committed to reducing the greenhouse gas emissions throughout the value chain in line with the goals of the Paris Agreement. For our own operations, this means that we aim to reduce emissions in line with keeping the global temperature rise below 1.5 degrees. We will also reduce the emissions from our value chain in line with keeping the temperature rise well below 2-degrees. The targets have been validated by the Science Based Targets initiative and have been implemented during 2022.

The Atlas Copco Group operates based on the scenario of a transition towards a low-carbon society and we are well positioned to take advantage of the opportunities such a scenario brings. Our commitment to science-based targets for 2030, as well as many of our products and solutions, also aim to support this transition.

More than 90% of the CO_2 emissions from the Group's value chain are generated when the customers use our products. This is where we have our biggest impact and we therefore focus on developing highly energy-efficient products and solutions with a low carbon footprint over their entire lifecycle. Further gains are possible through the guidance we provide on how to use our products and through our service offer. However, as the majority of our products run on electricity, the impact during the use-phase, and thus their value-chain footprint, is affected by the availability of renewable energy, which varies between countries and regions.

Many of our technologies and solutions are also used in industries and applications that are at the center of the transformation to a low-carbon society. They are critical in the manufacturing of electric vehicles and equipment for solar and wind power plants, and a part in emerging technologies for energy production, energy storage, carbon capture, smart manufacturing and more.

Climate scenario analysis

During 2023, climate-related risks and opportunities that have an actual and potential impact on our business and strategy have been identified and analyzed from a Group perspective based on two climate scenarios, "rapid transition" and "business as usual". Group functions and internal subject matter experts, including regional Holding functions, were consulted in the process. The analysis covered the following time horizons: short term (0–3 years), medium term (until 2030), and long term (2030–2050).

The two different scenarios analyzed result in a variety of risks and opportunities throughout our value chain. Identified risks and opportunities are quantified in terms of potential financial impact throughout the organization on a divisional level as well as, if considered relevant, from a business area and Group perspective. The conclusions serve as insight for further risk identification, quantification and management within the divisions. See page 37 for an overview of our conclusions.

Risk management

Climate-related risks, such as physical risks for operational entities or transition risks like market risks connected to products, and the related financial implications, are assessed at the divisional level and, when deemed relevant, included in the annual Enterprise Risk Management (ERM) process. An aggregated analysis of the identified risks is presented annually to Group Management. Read more about the risk management process on page 67.

Metrics and targets

The Group has implemented science-based targets covering the entire value-chain. Our greenhouse gas emission reduction targets are approved by the Science-Based Target initiative as being aligned with the Paris Agreement. See pages 38–42.

Future development

We intend to further develop the climate risks and opportunities assessment in close collaboration with the divisions, as part of an even deeper integration of ESG risks in our ERM framework.

Atlas Copco Group

Climate and environment, continued

RAPID TRANSITION SCENARIO

In the rapid transition scenario, the identified risks are primarily market related and regulatory. As a provider of leading products and differentiated technology, and through investments in research and development to develop new solutions that improve our customers' performance and energy efficiency, Atlas Copco Group is well positioned to manage such risks. The fundamental objective is to design, and efficiently produce, new or improved products that provide tangible benefits for customers in terms of productivity, energy efficiency, and/or lower life-cycle cost.

Market shifts toward a low-carbon economy may impact the viability of certain sectors and products. The Group's continuous work to increase the energy efficiency of our products helps mitigate these risks. This shift also represents an opportunity to continue developing more energy-efficient products and may give rise to new businesses and business models. For instance, an increased investment in renewable energy, through for example solar panels and windmills, and the surge in production of electrical vehicles, present opportunities since Atlas Copco Group provides products and services to these industries.

Climate and energy policy will gradually be sharpened and favor companies that deliver energy-efficient products and comply with sustainable practices. Among the risks are increased energy prices and taxes, and regulations related to CO_2 or other greenhouse-gas emissions. As the Group invests in research and development, aiming to bring new innovative products and solutions to the market, more strict regulations will likely offer opportunities for the Group.

The scenario built on a rapid transition towards a low-carbon society is considered to be well aligned with the trends and opportunities that Atlas Copco Group sees in terms of low carbon technologies. The opportunities identified within this scenario are considered to be relevant from both a short-, medium- and long-term perspective where the longest timeframe considered is up until 2050.

Rapid transition scenario

Fulfilling the Paris Agreement (RCP 2.6)*

- Temperature increase limited to 1.5–2 °C, lower climate-related risk.
- Global GHG emissions are reduced by 45% by 2030 and reach net zero by 2050.
- Energy sources are renewable, diversified, stable and accessible.
- Increased investments in carbon capture, low- and zero-carbon technologies, increased energy and material efficiency, socio-cultural and behavioral changes.
- Effective policies, regulatory and economic instruments (e.g., carbon pricing), that support GHG emission reduction.
- Increased equity, inclusion, social and climate justice as these aspects are prioritized in the adaptation and mitigation actions.

BUSINESS AS USUAL SCENARIO

This scenario involves primarily physical risks, both for our own operations but also throughout the value chain. A changing climate implies greater acute physical risks due to more frequent and/or more severe weather systems, such as hurricanes and floods, that could impact suppliers, operations and transport in our industry. Greater chronic physical risks from changing climate conditions, such as droughts and rising sea levels, could also have an impact on the value chain such as disruptions in production or logistics.

Both acute and chronic natural hazards may pose a risk to plants and equipment, resulting in losses. These risks are included in the Atlas Copco Group risk universe and discussed during onsite risk assessments, and are pointed out during new project reviews. Physical risks are assessed at site level and safety measures are taken if needed, as part of the loss prevention program. The Group's global network of suppliers, provides resilience against local or regional disruptions. The logistics systems that the Group relies on for transportation of goods are thought to be resilient to physical risks as alternatives exist.

The Group's loss prevention program supports the decision-making process for highly exposed sites, and the prioritization of major investments. For instance, based on a conducted analysis, recommendations have been made to mitigate risks of flooding and lightning. None of these currently require significant investments. Risks concerning one or a limited number of sites are not necessarily material for the Group as a whole. As climate change is expected to exacerbate natural hazards, the focus on understanding both current and future vulnerabilities of the sites, and the investments needed to reduce them, will increase during the next years.

Business as usual scenario

Changing climate (RCP 8.5)*

- "Business as usual" scenario where the world has failed to make significant changes and GHG emissions continue to increase at the current rate.
- Global temperature increase 3–5 °C.
- No effective policies in place and unsuccessful global cooperation.
- Energy sources are only partly renewable, there is high energy intensity.
- Significantly increased climate risks, business operations are interrupted by extreme weather events more often.
- Limited changes in the behavior and demand from customers and investors.

*** A Representative Concentration Pathway (RCP)** is a greenhouse gas concentration (not emissions) trajectory adopted by the Intergovernmental Panel on Climate Change (IPCC). A pathway describes a possible climate change scenario.

Atlas Copco Group

Climate and environment, continued

ENERGY AND EMISSIONS

Atlas Copco Group is committed to continuously improving our environmental performance and believes in conducting business in a manner that preserves the planet for future generations. We improve the energy efficiency of our products and in our operations and have adopted science-based targets for the reduction of greenhouse gas emissions, throughout our whole value chain.

The Group's SHEQ policy complements our Code of Conduct and is the overall steering document for the environmental area. It states that we implement a lifecycle perspective in product development, focused on a responsible use of resources, and that we are committed to conduct our operations in such a way that we avoid any environmental harm and protect biodiversity.

Environmental management systems

To minimize the Group's environmental impact and to secure that the precautionary approach is applied, our ambition is to implement environmental management systems (EMS) in all operations. All production units with more than 20 employees, and customer centers and rental companies with more than 70 employees, should be certified according to ISO 14001. Acquired product companies are normally certified within a two-year period. See page 34.

Science-based targets

In 2021, we raised our ambitions by committing to reducing the greenhouse gas emissions throughout our value chain in line with the goals of the Paris Agreement. For the Group's own operations (scope 1 and 2), this means that we aim to reduce emissions in line with keeping the global temperature rise below 1.5 degrees. We will also reduce the indirect emissions from our value chain (scope 3), including the emissions that occur when our products are in use, in line with keeping the temperature rise well below 2 degrees. Our targets up to year 2030 have been validated by the Science Based Targets initiative and were implemented in 2022. The work to identify additional opportunities for reducing emissions continues and we acknowledge the need to further develop our roadmaps and targets beyond year 2030.

Operational emissions, scope 1 and 2

In our efforts to reduce the emissions from our own operations, we focus on energy-saving measures and increasing the use of renewable energy. Examples of efforts are using biofuels in product testing, transitioning to renewable electricity in our facilities and installing solar panels. Addressing emissions from company vehicles enables further reductions. Our Airtech division has focused on reducing energy consumption by automatically switching off filtration installations to optimize energy used during stand-by mode. There is potential for further reductions and to apply the same measures in other factories, thereby saving even more energy and further contribute to decreasing emissions from scope 2.

In 2023, the CO_2 emissions from our own operations were 38% lower than in the baseline year, 2019. An increased share of renewable electricity was the main driver and some larger facilities switched to renewable energy during the year. In 2023, the share of renewable energy used in the Group was 63.6%. However, in some markets, the availability of renewable energy poses a challenge to our ability to increase this share further.

Key performance indicators	Target	2023	2022	2021
Reduction in CO_2e [1] emissions (tonnes) from scopes 1 and 2, compared to the baseline 2019	–46% by 2030 [2]	–38%	–35%	–21%
Reduction in CO_2e [1] emissions (tonnes) from scope 3, compared to the baseline 2019	–28% by 2030 [3]	+28%	+19%	+3%
Projects for new or redesigned products with goals for reduced carbon impact	100%	95%	97%	98%

1) CO_2e means carbon dioxide equivalent.
2) In line with the 1.5 degree warming trajectory.
3) In line with the 2.0 degree warming trajectory.

> **Atlas Copco Group is committed to continuously improving our environmental performance and believes in conducting business in a manner that preserves the planet for future generations.**

Energy in own operations [1,2]	2023	2022
Direct energy use in GWh [3]	153	159
Indirect energy use in GWh [4]	378	359
Total energy use in GWh	531	518
Total energy use in MWh/COS [5]	5.9	7.0
Renewable energy, % of total energy use	63.6	58.0

1) New and extended scope from 2022, including all operations.
2) Energy use excludes fuel and energy for company vehicles. The Group does not report cooling or steam separately.
3) The calculation of direct energy, i.e. energy generated by the company for its own production or operation, comprises all energy sources used on the sites, including diesel, oil, biofuel, gasoline, solar, geothermal, propane and natural gas.
4) Indirect energy, i.e. energy purchased externally by the company, includes electricity (97%) and district heating (3%) used at the sites.
5) See page 61 for the definition of Cost of goods sold (COS).

Internal carbon pricing

A guideline on how to include carbon pricing in capital investment (Capex) decisions was introduced in 2021 to include climate impact as a relevant factor in such decision-making.

Climate and environment, continued

Emissions in our value chain, scope 3
More than 90% of the CO_2 emissions from our value chain are generated when the customers use our products. Our main focus in order to reduce scope 3 emissions is to increase products' energy efficiency and continue the electrification of the small share of products that are not yet electrified. All projects for new or redesigned products must have targets for reduced carbon impact. In 2023, 95% of the projects had set such targets. Logistics planning, switching to low carbon transport modes and collaborating with transport partners are other means to reducing emissions.

In 2023, the absolute emissions in scope 3 were 28% higher than in the baseline year. The main reason for this is increased sales, but the customers' access to renewable electricity continues to be a major challenge to our ability to reach our scope 3 emissions reduction target.

Main levers for reaching scope 3 targets
Considering the different characteristics of our products, the business areas' plans and efforts to reduce products' climate-impact differ. However, they all have in common that the development and availability of renewable energy in customers' markets will be critical to their ability to achieve the Group's targets. See the business areas' main levers for reaching the targets below:

- **Compressor Technique business area:** Focus on continuously improving product efficiency, targeting an increased sales mix ratio of the most efficient products and optimizing the compressor rooms by more intelligent central controls and variable speed combinations.

- **Vacuum Technique business area:** Focus on improving product performance, integrating smart technology to optimize the energy required, and by leveraging our service teams to deploy product upgrades, which will extend product lifecycles.

Transforming surplus steam into energy

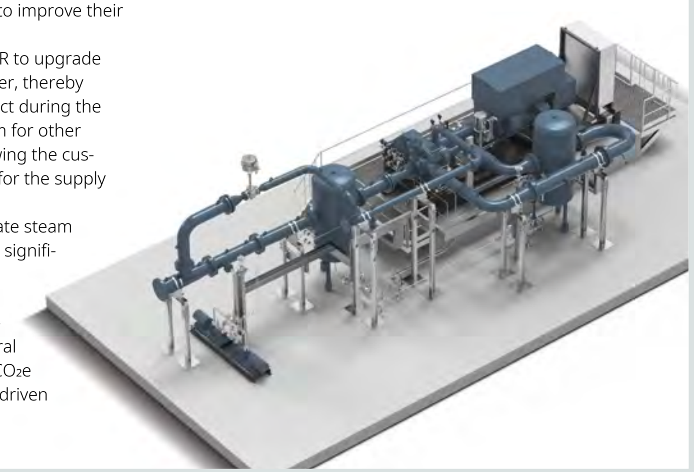
Savings of **17 600** metric tons of CO_2e emissions per year

Mechanical Vapor Recompression (MVR) machines recover the high amount of available energy within waste vapor and boost this to a higher pressure for further process use. MVR is a good example of the electrification of industrial energy demand. Atlas Copco has seen a strong increase in demand for this application which enables its customers to improve their resource efficiency and productivity.

At a petrochemical process plant in The Netherlands, a customer uses MVR to upgrade low-pressure steam, which would otherwise be disposed of into cooling water, thereby rejecting the available energy content. The low-pressure steam is a byproduct during the production of plastic material. This plant also needs medium-pressure steam for other applications, and Atlas Copco's new two-stage MVR compressor is now allowing the customer to reuse the low-pressure waste steam as an efficient energy source for the supply of medium-pressure steam back into their process.

Medium-pressure steam for the plant was traditionally produced in separate steam boilers, running on natural gas. By installing this MVR compressor, the plant significantly reduces the amount of natural gas used for steam production.

The project shows how this plant has successfully found a more resource-efficient energy supply from electricity instead of natural gas. The MVR compressor is cutting operational expenses by reducing the plant's annual natural gas consumption by 100 000 MWh, as well as saving 17 600 metric tons of CO_2e per year. This is equal to about 4 000 gasoline-powered passenger vehicles driven for a full year.



Electrifying steel degassing

Savings of **170 000** metric tons of CO_2e emissions

The steel industry accounts for 7% of all global CO_2 emissions. It is energy and water intensive, and much of the liquid steel degassing process relies on high intensity, low efficiency steam ejector systems as a part of blast furnace infrastructure. A rapid decarbonization of the global steel industry, including switching from blast furnace to electric arc furnaces, is therefore a key part of the transformation to a low carbon economy.

Leybold's mechanical vacuum systems (MVS) for steel degassers replace traditional gas-powered steam ejector pump systems with an electrified vacuum solution. We estimate that, over a 25-year lifecycle of one typical 100-ton vacuum degassing solution in use in Germany, it delivers approximately 170 000 metric tons of CO_2e savings and avoids nearly 1.1 million m^3 water use, potentially reducing carbon tax, energy and water costs for the customer. The CO_2e emissions saved over a lifecycle correspond to the emissions of about 37 800 gasoline powered passenger vehicles driven for a year.

In addition, an MVS delivers high process efficiency and improves workplace safety by removing steam and gas from the process.

Atlas Copco Group

Climate and environment, continued

- **Industrial Technique business area:** Focus on developing and providing electric alternatives for the pneumatic product ranges, improving energy efficiency in the current product range and optimizing use of the products by customers.
- **Power Technique business area:** Focus on providing electrified alternatives for each product including energy storage systems, improving fuel efficiency of the internal combustion engines, and stimulating customers' use of renewable diesel (hydrogenated vegetable oil, HVO) by offering solutions to make HVO available on the construction sites.

> **"More than 90% of the CO_2 emissions from our value chain are generated when the customers use our products. Our main focus in order to reduce scope 3 emissions is to increase products' energy efficiency and continue the electrification of the small share of products that are not yet electrified.**

Innovation brings energy efficiency to the field

The global assembly industry is continuing its transformation becoming more efficient, integrated, and focused on reducing the environmental impact. CP86 is a battery-powered cordless nutrunner, suitable for applications in harsh environments within industries such as mining, shipbuilding, rail or oil & gas.

These industries require extremely robust and reliable tools that can be used in any condition. The CP86 nutrunner brings all these qualities with the flexibility and connectivity of a cordless solution, allowing our customers to ensure quality and performance anywhere. In addition, the product can be connected to the CPLinQ platform where our customers can optimize their setup and process, decreasing errors and rework.

This Chicago Pneumatic product is enabling the transition to a low carbon industry by offering customers an opportunity to substitute a traditionally used pneumatic tool with an electric alternative.

By doing that, the lifecycle carbon impact per tool can be reduced by 96%, with savings of more than 12 000 metric tons of CO_2e emissions per year. This estimation is based on a sales forecast and the replacement of pneumatic tools with electric tools in the coming two years. The savings correspond to around 2 700 gasoline-powered passenger cars driven for one year in the US.

Savings of more than

12 000

metric tons of CO_2e emissions per year

Electric dewatering pump with intelligent features

Atlas Copco's E-Pump range of electric surface self-priming dewatering pumps is designed for many applications with access to a power source, like sewage bypass, the municipality sector and construction projects.

The E-Pump range consists of different electric models; the E PAS with a canopy and the E PAC open set configuration models. They successfully manage demanding flows and large solids with lower total cost of ownership compared to an equivalent diesel pump.

The E-Pump range offers an electric, exhaust emissions free, alternative to diesel-powered surface dewatering pumps, enabling customers to operate in emission-restrictive areas

The E PAS model has an intelligent solution that ensures that the pump's priming system only runs when necessary, reducing energy consumption and noise under normal conditions. The model also features Atlas Copco's variable speed drive solution, offering energy savings of up to 40% with an extended pump life.

The E PAS operating expense is up to 40% lower, based on the difference between diesel and electricity costs on selected markets. The maintenance costs of electric motors are substantially lower than diesel engines' and time to service is less with patented hinge doors for easy access to serviceable parts.

By replacing all diesel pumps typically sold in a year, on the European market, with pumps driven by renewable electricity, 4 400 metric tons of CO_2e emissions can be saved annually, which corresponds to the emissions of nearly 1 000 gasoline-powered passenger vehicles driven for a year.

Up to **40%** in energy savings compared with a traditional pump

Atlas Copco Group

Climate and environment, continued

Value chain impact assessment – calculation methods

In 2021, we conducted a value-chain impact assessment, which formed the baseline for our Science-Based targets. A common Group methodology was used with 2019 as the baseline year.

The direct climate impact from energy used by our entities (scope 1 and 2) was initially calculated by using actual data from the reporting entities and estimating the impact from remaining entities. Since 2022 all entities report their actual carbon dioxide equivalent emissions from energy used in companies, and vehicles' use. The performance on scope 1 and 2 is monitored and reported at unit level and aggregated to Group level.

To calculate the product-related value chain impact, as part of scope 3 emissions, a Group-common tool has been developed – The Product Carbon Footprint tool (PCF). The tool is used to assess the carbon impact during the product's entire lifecycle, from choice of materials to manufacturing, energy used during the product's use-phase, estimated service required, and recycling and disposal.

All business areas completed the calculations of product-related and non-product related emissions according to the Greenhouse Gas protocol, and the results were consolidated to Group-level. The scope 1, 2 and 3 CO_2e emissions for 2019, 2020 and 2021 have been recalculated based on the results from the value chain impact assessment.

Our ambition is that the reported data should be as realistic as possible and reflect products' actual emissions. However, due to the complexity of the area and the number of assumptions and estimates underlying the calculations, we realize that the data is associated with uncertainties. We will therefore work gradually to develop and improve our processes and tools over time, to increase data accuracy and minimize uncertainties.

As part of improving data accuracy and correctness we have introduced a GHG restatement process implemented during 2023, see page 42.

Energy consumed in the use phase is calculated using the current CO_2 intensity of the relevant market over the products' lifetime. No forecast of increased availability and use of renewable energy sources is taken into consideration. This, most likely, results in overestimated emissions.

Business area	Calculation method
Compressor Technique	Scope 3 emissions, including embodied carbon and emissions from the use of our sold products are calculated by applying the PCF tool with country-specific emission factors to a large set of reference products, selected by the application specialists. Real operational data, ingested via our connected installed base is used to make the best possible estimation of the lifetime use variation of the machines.
Vacuum Technique	Scope 3 emissions from the product use-phase are calculated based on the PCF tool methodology to products sold to global markets. Estimations are made for energy consumption, load of products and product maintenance profile. For embodied carbon the spend-based method has been used considering total spend on all goods and service, categorizing each spend item based on type, and matching them to the appropriate emission factors. The spend-based emission factor databases of EXIOBASE and USIO were used. The spend-based method offers a high-level, yet complete, estimate of the total emissions associated with the purchased goods and services.
Industrial Technique	Scope 3 emissions have been calculated by applying the PCF tool to a set of reference products selected by the business area.
Power Technique	Scope 3 emissions for the years 2019–2021 have been calculated manually based on a set of reference products selected by the business area. In 2022, more granularity was added to the manual calculations, based on sales and product carbon footprint data. As of 2023, calculations of emissions from two of four divisions from 2022 and onwards are automated, based on the PCF tool.

Climate and environment, continued

GHG emissions (restated values)

(CO_2e) '000 tonnes	2023	2022	Retrospective base year 2019	% change 2023 vs. 2022	% change vs. base year	Milestones and target years 2030
Scope 1 GHG emissions						
Gross Scope 1	86	84	86	+2	0	
Scope 2 GHG emissions						
Gross location-based Scope 2	142	140	–	+1	–	
Gross market-based Scope 2	26	33	94	–21	–72	
Scope 1 + 2 GHG emissions						
Scope 1 + 2 (market based)	112	117	180	–4	–38	–46%
Scope 3 GHG emissions						
Total Gross indirect (Scope 3)	250 528	233 197	195 236	+7	+28	–28%
Purchased goods and services (CO_2e) '000 tonnes	3 764	4 250	3 276	–11	+15	
Use of sold products (CO_2e) '000 tonnes	244 618	226 902	190 381	+8	+28	
Leased assets downstream (CO_2e) '000 tonnes	1 668	1 541	1 086	+8	+54	
Other Categories (CO_2e) '000 tonnes	478	504	493	–5	–3	
Total GHG emissions, (CO_2e) '000 tonnes						
Total GHG emissions (location based)	250 756	233 421	–	+7	–	
Total GHG emissions (market based)	250 640	233 314	195 416	+7	+28	

GHG emissions* / revenue (MSEK)

(CO_2e) tonnes	2023	2022	Retrospective base year 2019	% change 2023 vs. 2022	% change vs. base year	Milestones and target years 2030
Scope 1+2 (market based) GHG emissions / revenue	0.65	0.79	1.61	–18	–60	
Scope 3 GHG emissions (CO_2e) tonnes / revenue	1 451	1 624	1 843	–11	–21	
Total GHG emissions (market based) / revenue	1 452	1 625	1 844	–11	–21	
Total GHG emissions (location based) / revenue	1 452	1 626	–	–11	–	

* Historic data has not been restated for acquisitions.

GHG emissions restatement specification

(CO_2e) '000 tonnes	2022	Base Year 2019
Scope 1+2 GHG emissions		
Initial reported Scope 1+2	108	162
Adjustment to Scope 1+2	9	18
Restated Scope 1+2	117	180
Scope 3 GHG emissions		
Initial reported Scope 3	219 822	170 634
Adjustment to Scope 3	13 375	24 602
Restated Scope 3	233 197	195 236

Restatements

Atlas Copco Group has developed a guideline for restatements that applies to our GHG reporting related to the company's science-based targets and the corresponding baseline. Base year emissions shall be retroactively recalculated to reflect changes in the company that would otherwise compromise the consistency and relevance of the reported GHG emissions and targets. The need for restatements is reviewed, by the divisions, on an annual basis. The restatement guideline is based on the GHG protocol corporate standards. Factors that trigger restatements: 1) structural changes in the reporting organization that have a significant impact on the company's base year emissions, including: mergers, acquisitions, divestments, outsourcing and insourcing of emitting activities affecting the Group emissions, 2) changes in calculation methodology or improvements in the accuracy of emission factors or any other operational data that result in a significant impact on the base year emissions data, 3) discovery of significant errors, or a number of cumulative errors, that are collectively significant.

The reporting of greenhouse gas emissions is done in accordance with the GHG Protocol (ghgprotocol.org). Country factors used for energy come from the International Energy Agency. Scope 2 is presented both as market-based and location-based according to the GHG Protocol. A market-based approach has been applied unless otherwise stated. Factors from NTM (transportmeasures.org) are used for transport of goods when emission data is not provided by the transport company. Scope 1 includes direct energy in own operations and fuel used in company vehicles. Scope 2 includes indirect energy from own operations and electricity from company vehicles. Scope 3 includes GHG emissions upstream and downstream in the value chain. Out of scope emissions data for direct CO_2 emissions from biologically sequestered carbon (e.g. CO_2 from burning biomass/biofuels) was 2 400 tonnes in 2023. CO_2e stands for carbon dioxide equivalents. Calculations according to GRI Standard Guidelines, www.globalreporting.org.

Atlas Copco Group

Climate and environment, continued

ENVIRONMENTAL MANAGEMENT

Resource use and circularity

Atlas Copco Group takes a lifecycle approach to innovation. Each product is designed with its full impact in mind – from the carbon impact of materials and transports used, to its energy consumption and the end of the product's life. Our target is that by 2024 we will have a Group-common method for assessing the circularity of new or redesigned products.

Through a strong service offering we ensure that our customers get the most value out of each investment. Our service divisions ensure the repair and reuse of products, extending their useful life and minimizing waste. They also provide support on how to optimally use the products, which enables energy-efficiency gains.

Many of the Group's products are also designed so they can be returned, refurbished and resold as used equipment. This contributes to increased circularity and such used equipment meet the same high standards as when they were new in terms of performance and energy efficiency. Many products also have a modular design, which supports circularity, as it enables easy disassembly so that parts can be replaced. This contributes to prolonging the life of the tool and reduced waste. Some of the Group's units also collect contaminated products from customers, which otherwise would be disposed of as hazardous waste, and return them to full operation.

Waste management

Reducing waste is important to decrease the total environmental impact from our production and increase circularity. Most of our waste is constituted by scrap metal and the vast majority is reused or recycled. This share has been consistently high for many years. Our target is that by 2030, we shall reuse, recycle or recover 100% of our waste. This target is closely related to circularity, keeping materials in a loop of re-use.

In general, all electrically powered Group products sold into the EU fall under the EU Waste Electrical and Electronic Equipment (WEEE) Directive. This includes compressors, vacuum pumps, handheld electric tools and monitoring control instruments. The Group is responsible for, and arranges with customers, the correct disposal of products that fall under the directive.

Towards sustainable packaging

In our Power Tools Distribution center in Belgium, a shift towards packaging materials with lower environmental impact is underway. The ambition is to optimize packaging to reduce the amount of material needed, and to move away from plastic, by replacing the plastic filling bags with recycled paper. Where plastic is still needed, the aim is to use foils and straps made of more recycled materials. Another focus is to maximize the re-use of inbound packaging in our outbound shipments. Small wooden pallets are also replaced by carton pallets, thereby reducing transport weight and simplifying the customers' recycling.

Key performance indicators	Target	2023	2022	2021	Comment
Significant direct suppliers with an approved Environmental Management System [1]	Continuous increase	31%	31%	31%	
Water consumption (m^3)/in relation to cost of sales [2]	Continuous decrease	7.5	8.4	–	
Reused, recycled or recovered waste from internal operations [2]	100% by 2030	91%	92%	–	
A Group common methodology for assessing the circularity of new or redesigned products	In place by 2024	–	–	–	Implementation of methodology to begin in 2024.

[1] An approved EMS is defined as ISO 14001, or fulfilled EMAS (EU Eco-Management and Audit Scheme) requirements. The significant supplier needs to be third-party certified for ISO 14001 or registered in accordance with EMAS and hold a valid certificate. The KPI includes significant direct suppliers to production and distributions units.

[2] New and extended scope from 2022, including all entities.

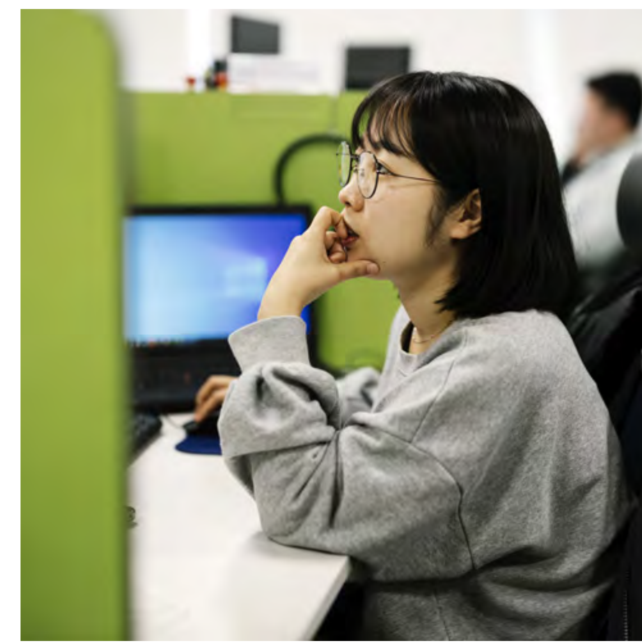
Water management

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

Waste and water [1]	2023	2022
Total waste in '000 kg	57 598	54 855
Waste (in kg)/COS [2]	641	739
Reused, recycled or recovered waste, %	91	92
Water consumption in '000 m^3	671	624
Water consumption (m^3)/COS [2]	7.5	8.4

[1] New and extended scope from 2022, including all operations.

[2] See page 61 for the definition of Cost of goods sold (COS).



Climate and environment, continued

Biodiversity and ecosystems
The severity of the ongoing decline in nature and biodiversity should not be underestimated and as a global company we have a responsibility to understand and limit potential negative impact.

Although we have not yet deemed biodiversity to be a material sustainability issue for us, it is on our agenda. Our SHEQ policy was updated in 2022 to include a commitment to preserve biodiversity. In 2023, we established an internal biodiversity network with representatives from Group and all four business areas. The purpose is to build internal competence, monitor the development within the area and guide the organization in biodiversity-related issues going forward.

During 2023, we also conducted an initial analysis to identify if any of our own sites, or those of our significant suppliers, are located in or near biodiversity sensitive areas. In terms of impact, our current assessment is that we mainly have an indirect impact through our supply chain and our emissions of greenhouse gases. As climate change is a key driver of biodiversity loss, we believe that this impact is currently addressed through our science-based targets. The assessment to better understand impact and risks will continue in 2024.

Environmental compliance
Atlas Copco Group 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 2023, there were no (1) accident resulting in adverse environmental effects. The Group's total clean-up costs relating to adverse environmental effects amounted to KSEK 0 (379). Monetary sanctions for non-compliance in the Group amounted to KSEK 0 (171).

Two Swedish operations, involving machining and assembly of components, require permits based on Swedish environmental regulations. The permits relate to areas such as use of cutting fluids, process oils and hydraulic oils, emissions to water and air, and noise pollution. One of the permits were under revision in 2023.

Environmental impact in the supply chain
We recognize the importance of managing environmental risks throughout the value chain. By committing to the Group's business partner criteria, our suppliers assume responsibility for minimizing the environmental impact of their products and services during manufacturing, distribution, and usage, as well as after disposal. Screening and audits are part of the Group's supplier due diligence.

We work with tier-one suppliers using our business partner criteria and, if needed, develop action plans together with suppliers to improve their environmental management. We also measure the percentage of significant direct suppliers to production and distribution units that have implemented an approved environmental management system (EMS). Our target is that this share should increase year-by-year. In 2023, 31% of the Group's suppliers met this requirement.

Substances of concern
Atlas Copco Group maintains lists of substances which are either prohibited or must be declared due to their potential negative impact on health or the environment. Prohibited substances are not allowed in the Group's products or processes. Items containing declarable substances are avoided or replaced whenever possible.

> **We recognize the importance of managing environmental risks throughout the value chain.**

Via a dedicated communication platform the Group's suppliers can be swiftly informed about upcoming legislative changes. A team of experts follow up with our suppliers to ensure that they understand and acknowledge the importance of adhering to the Group's policy.

The Atlas Copco Group Prohibited and Declarable list is under continuous revision according to applicable legislations. This includes REACH, RoHS, U.S. State of California Safe Drinking Water and Toxic Enforcement Act of 1986 (Proposition 65) and Japanese Chemical Substance Control Law (CSCL). The lists on prohibited and declarable substances are also published on the Group's website www.atlascopcogroup.com.

EU Taxonomy regulation disclosures

The European Union (EU) taxonomy aims to provide guidance and over time a comprehensive classification system of environmentally sustainable economic activities that companies can perform. We have assessed which of our business activities that are covered by the EU taxonomy and how they correspond to reporting requirements.

Atlas Copco Group develops and offers a wide range of technology and services for different end markets and applications. We are central to many parts of modern society and our customers are often at the forefront of transforming their industries and driving development forward. As a Group we always strive to provide the most energy efficient products for each specific application to support our customers in minimizing their energy consumption and reducing their climate impact.

The EU taxonomy consists of six environmental objectives and two delegated acts. The Climate Delegated Act addresses two of these objectives (climate change mitigation and climate change adaptation) and the Environmental Delegated Act addresses the remaining four objectives (water, transition to a circular economy, pollution prevention, and biodiversity).

Companies covered by the taxonomy (eligible) are considered to have one impact on the climate or the environment. To also be considered environmentally sustainable, taxonomy aligned, the company also needs to validate its compliance against three sets of criteria: the technical screening criteria, the Do No Significant Harm criteria, and the Minimum Safeguards.

In December 2022 the European Securities and Markets Authority (ESMA) indicated a restrictive compliance interpretation when it comes to the Minimum Safeguards, the social aspects of doing business, signaling that referencing existing company policies was not sufficient for compliance. This resulted in the choice to continue the Group's conservative approach from 2021 and we reported 0% alignment on all three KPIs.

We have continuously taken steps to strengthen our due diligence processes relating to human rights (see the Minimum Safeguards chapter below). Until we can confirm that the implemented activities are sufficient to meet the Minimum Safeguards, we continue our conservative approach and report 0% alignment on all three KPIs also for 2023. Owing to this, no detailed review of the other criteria is shared at this stage.

For the financial year 2023, reporting on alignment is only required for the Climate Delegated Act. The only business area that is qualified to report against both delegated acts is Industrial Technique. To avoid double counting we only report against the Climate Delegated Act on all three KPIs.

Revenue KPI

Based on the taxonomy's Climate Act, Atlas Copco Group is eligible for climate change mitigation (CCM) under section CCM 3.6 with the activity description "*Manufacture of technologies aimed at substantial greenhouse gas emission reductions in other sectors of the economy*".

Atlas Copco Group defines eligibility in accordance with CCM 3.6 as technologies which aim to enable substantial energy savings and/or other means to avoid, reduce, remove, or store greenhouse gas emissions compared to alternative technologies commonly used on the market. This includes products and services that: 1) prevent the venting of environmentally hazardous gases directly into the atmosphere, or 2) enable substantial energy savings compared to available technologies commonly used on the market by either use optimization, in and of themselves, by enabling the shift to electric/battery power, or by introducing new solutions on the market. As of 2022, eligible technologies include:

- Energy efficient products and services which now or over time are expected to meet the alignment criteria.
- Products and services which are aimed at being phased out and replaced by aligned products.

Eligible technologies

The mapping of eligible technologies is an ongoing process and may result in revisions in future reports as reporting practice develops. For the 2023 reporting the following have been included:

Within the Compressor Technique business area, the majority of products and solutions are deemed eligible as they are developed with an aim to lower customers' energy consumption. This is predominately done through energy efficient variable speed drive compressors, but also fixed speed compressors are manufactured with the aim of offering energy efficiencies. Additional eligible products and solutions include e.g. on-site industrial gas generators, energy recovery modules, air blowers, boosters, and dryers as well as optimizing service solutions such as installations for optimal air compression and distribution.

Within the Vacuum Technique business area, products are specifically developed to enable the manufacture of low carbon technology and products across several market sectors. Technology such as abatement eliminates toxic emissions arising from complex manufacturing processes and is deemed eligible when demonstrating market leading energy efficiency. Also included as eligible is core vacuum pump technology that can accelerate energy efficiency through its high level of vacuum performance.

Within the Industrial Technique business area, a majority of products and solutions are developed with an intention to reduce customers' energy consumption through energy efficiency and are therefore deemed eligible. This includes all products and solutions that support the transition from pneumatic to electric power, as well as use optimization of both types of products, pneumatic and electric, making them as energy efficient as possible.

Within the Power Technique business area, all electric and battery-driven products are deemed eligible, supporting the shift from fossil fuel to electric or battery power. This includes the electric rental fleet. Also diesel-driven products are considered eligible because when infrastructure for electric solutions is lacking, diesel-driven machinery is required in the market for which Atlas Copco Group offers energy efficient solutions. Still, the aim is to replace diesel-driven products with electric alternatives whenever practically possible. Industrial pumps, which recently have been added to the product portfolio, are considered eligible if electric with high efficiency. As a whole, a majority of the business area's products and solutions are deemed eligible.

The taxonomy eligible revenues include both products and services. Both Compressor Technique and Power Technique have included revenues related to refurbishment.

Technical screening criteria assessment

The CCM 3.6 section requires that emission savings are calculated using a taxonomy compliant method and that these calculations are verified by a third party. In 2022, our product carbon footprint (PCF) tool was externally certified against ISO 14067:2018 and thus qualifies to be used for our taxonomy reporting.

EU Taxonomy regulation disclosures, continued

Result

Revenue eligibility is 65% (60). The increase is mainly due to inclusion of acquired technologies within the Power Technique business area.

CapEx KPI

We utilize all types of taxonomy listed capital expenditure for the CapEx numerator as listed below:

- "CapEx related to assets or processes that are associated with taxonomy-aligned activities": Used for investments in factories that enable production of products relating to taxonomy section CCM 3.6.
- "A CapEx Plan to increase the proportion of taxonomy-aligned products": Used for the reporting of R&D CapEx relating to taxonomy section CCM 3.6.
- "The purchase of output of taxonomy-aligned products": Used for taxonomy product additions into our hire fleet relating to taxonomy section CCM 3.6.
- "Individual measures" to lower Atlas Copco Group's own greenhouse gas emissions: Used for installations of energy efficiency equipment, installations of charging stations for electric vehicles, installations controlling building energy performance, installations of renewable energy technologies, and investments related to the company vehicle fleet (relating to taxonomy sections CCM 6.5, 7.3, 7.4, 7.5, and 7.6).

The CapEx denominator used for the taxonomy KPI calculation consists of additions to tangible and intangible assets (including right of use assets) during the financial year, considered before depreciation, amortization, and any re-measurements, including those resulting from revaluations and impairments, and excluding fair value changes. The denominator also includes additions to tangible and intangible assets resulting from business combinations.

No significant climate change adaptation investments have been made during the year.

Result

CapEx eligibility is 17% (7). The increase is mainly due to data quality improvements. It should be noted that the majority of R&D expenditure is reported as OpEx within Atlas Copco Group and that the CapEx denominator includes a relatively low proportion of taxonomy relevant expenditure.

As we report 0% alignment we also report 0 MSEK in regards to the CapEx plan to expand our proportion of taxonomy-aligned products within R&D (both for this reporting period and the full time period of the plan).

OpEx KPI

The OpEx numerator only includes expenditure that is material to the company business model, i.e. in R&D and our own hire fleet (relating to taxonomy section CCM 3.6). The denominator however includes expenditures for R&D and hire fleet as well as maintenance costs for buildings, equipment, and own vehicle fleet.

Result

OpEx eligibility is 29% (22). The increase is mainly due to data quality improvements.

Doing no significant harm

Taxonomy alignment requires substantial contribution to at least one of the taxonomy environmental objectives while doing no significant harm to any of the other objectives. The taxonomy identifies specific criteria as to what constitutes doing harm and what type of assessment a company should perform to evaluate such potential harm.

In 2022, we assessed our operations against the taxonomy's appendixes A, B, C, and D (addressing climate change adaptation, water, pollution prevention, and biodiversity) as well as the requirements for not harming the transition to a circular economy. The conclusion was that no significant harm is done although it is deemed difficult to assess compliance with the pollution prevention criteria, especially after their revision in 2023. We thus welcome EU's promised publication of the horizontal principles on essential use of chemicals as this is expected to result in additional changes and further clarification.

Improvements may be implemented to certain existing company policies and procedures and steps to adapt to the taxonomy reporting demands have been taken.

Meeting the Minimum Safeguards

The EU taxonomy references adherence to the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labor Organization on Fundamental Principles and Rights at work and the International Bill of Human Rights.

As stated in last year's annual report, company policies align with the criteria as we endorse all referenced frameworks. During 2023 we have further developed our Enterprise Risk Management (ERM) process and provided insights on topics such as human rights to our divisions. We have also revised our Human Rights Statement, assessed our risk country identification process, as well as on-boarded an external system to strengthen the assessment of business partners' environmental, social, and governance processes.

The proposed EU due diligence directive references the same international frameworks as the taxonomy, and we have therefore chosen to see its requirements as guiding also in the taxonomy reporting in wait for best practice to develop.

Concluding comments

A similar revenue eligibility is reported in 2023 compared to the previous year. Focus has been on strengthening processes relating to the Minimum Safeguards and biodiversity in particular. In principle our company policies and procedures correspond with taxonomy requirements, however we have chosen to continue our conservative compliance interpretation of the Minimum Safeguards and therefore report 0% alignment on all three KPIs.

We monitor the developments around the taxonomy closely and as reporting practice and guidelines develop, we may reevaluate our current approach, especially as the EU Commission's work program for 2024 indicates upcoming changes in the taxonomy reporting requirements.

Clarification in how to perform alignment assessment of so called enabling activities is also likely to impact our taxonomy reporting as many of our products and solutions contribute to a more low-carbon society and are essential in several manufacturing processes included in the taxonomy.

EU Taxonomy regulation disclosures, continued

Revenue KPI

	Financial year N	2023			Substantial Contribution Criteria						DNSH criteria (Does Not Significantly Harm)									
	Economic activities	Code	Revenue (MSEK)	Proportion of Revenue, year N (%)	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular Economy	Biodiversity	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular Economy	Biodiversity	Minimum safeguards	Proportion of Taxonomy aligned (A.1) or eligible (A.2) Revenue, year N-1	Category enabling activity	Category transitional activity
A.	**TAXONOMY-ELIGIBLE ACTIVITIES**																			
A.1	**Environmentally sustainable activities (Taxonomy-aligned)**																			
	Revenue from environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0.0**	**0%**	**100%**	**0%**	**0%**	**0%**	**0%**	**0%**								**0%**		
	Of which Enabling		0.0	0%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%		
	Of which Transitional		0.0	0%	N/EL													0%		
A.2	**Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)**																			
	Manufacture of other low-carbon technologies	CCM 3.6	112 821.1	65.34%	N	N/EL	N/EL	N/EL	N/EL	N/EL								60.28%		
	Revenue from Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**112 821.1**	**65.34%**	**100%**	**0%**	**0%**	**0%**	**0%**	**0%**								**60.28%**		
A.	**Revenue from Taxonomy-eligible activities (A.1 + A.2)**		**112 821.1**	**65.34%**														**60.28%**		
B.	**TAXONOMY-NON-ELIGIBLE ACTIVITIES**																			
	Revenue from Taxonomy-non-eligible activities		**59 842.4**	**34.66%**																
	TOTAL		**172 663.5**	**100%**																

Y = Yes, taxonomy-eligible and taxonomy-aligned activity with the relevant environmental objective
N = No, taxonomy-eligible but not taxonomy-aligned activity with the relevant environmental objective
N/EL = Not eligible, taxonomy non-eligible activity for the relevant environmental objective

Atlas Copco Group

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EU Taxonomy regulation disclosures, continued

CapEx KPI

	Financial year N	2023			Substantial Contribution Criteria						DNSH criteria (Does Not Significantly Harm)									
	Economic activities	Code	CapEx (MSEK)	Proportion of CapEx, year N (%)	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular Economy	Biodiversity	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular Economy	Biodiversity	Minimum safeguards	Proportion of Taxonomy aligned (A.1) or eligible (A.2) CapEx, year N-1	Category enabling activity	Category transitional activity
A.	**TAXONOMY-ELIGIBLE ACTIVITIES**																			
A.1	**Environmentally sustainable activities (Taxonomy-aligned)**																			
	CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0.0**	**0%**	**100%**	**0%**	**0%**	**0%**	**0%**	**0%**								**0%**		
	Of which Enabling		0.0	0%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%		
	Of which Transitional		0.0	0%	N/EL													0%		
A.2	**Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)**																			
	Manufacture of other low-carbon technologies	CCM 3.6	1 599.6	12.21%	N	N/EL	N/EL	N/EL	N/EL	N/EL								4.26%		
	Transport of motorbikes, passenger cars and light commercial vehicles	CCM 6.5	580.1	4.43%	N	N/EL	N/EL	N/EL	N/EL	N/EL								2.87%		
	Installation of energy efficiency equipment	CCM 7.3	12.6	0.10%	N	N/EL	N/EL	N/EL	N/EL	N/EL								0.10%		
	Installation of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	CCM 7.4	1.6	0.01%	N	N/EL	N/EL	N/EL	N/EL	N/EL								0.02%		
	Installation of instruments and devices for measuring, regulation and controlling energy performance of buildings	CCM 7.5	0.7	0.01%	N	N/EL	N/EL	N/EL	N/EL	N/EL								0.00%		
	Installation of renewable energy technologies	CCM 7.6	8.5	0.06%	N	N/EL	N/EL	N/EL	N/EL	N/EL								0.08%		
	CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**2 203.1**	**16.82%**	**100%**	**0%**	**0%**	**0%**	**0%**	**0%**								**7.34%**		
A.	**CapEx of Taxonomy-eligible activities (A.1 + A.2)**		**2 203.1**	**16.82%**														**7.34%**		
B.	**TAXONOMY-NON-ELIGIBLE ACTIVITIES**																			
	CapEx of Taxonomy-non-eligible activities		**10 897.6**	**83.18%**																
	TOTAL		**13 100.8**	**100%**																

Y = Yes, taxonomy-eligible and taxonomy-aligned activity with the relevant environmental objective
N = No, taxonomy-eligible but not taxonomy-aligned activity with the relevant environmental objective
N/EL = Not eligible, taxonomy non-eligible activity for the relevant environmental objective

EU Taxonomy regulation disclosures, continued

OpEx KPI

	Financial year N	2023			Substantial Contribution Criteria						DNSH criteria (Does Not Significantly Harm)									
	Economic activities	Code	OpEx (MSEK)	Proportion of OpEx, year N (%)	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular Economy	Biodiversity	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular Economy	Biodiversity	Minimum safeguards	Proportion of Taxonomy aligned (A.1) or eligible (A.2) OpEx, year N-1	Category enabling activity	Category transitional activity
A.	**TAXONOMY-ELIGIBLE ACTIVITIES**																			
A.1	**Environmentally sustainable activities (Taxonomy-aligned)**																			
	OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0.0**	**0%**	**100%**	**0%**	**0%**	**0%**	**0%**	**0%**								**0%**		
	Of which Enabling		0.0	0%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%		
	Of which Transitional		0.0	0%	N/EL													0%		
A.2	**Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)**																			
	Manufacture of other low-carbon technologies	CCM 3.6	2 060.9	28.96%	N	N/EL	N/EL	N/EL	N/EL	N/EL								21.79%		
	OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**2 060.9**	**28.96%**	**100%**	**0%**	**0%**	**0%**	**0%**	**0%**								**21.79%**		
A.	**OpEx of Taxonomy-eligible activities (A.1 + A.2)**		**2 060.9**	**28.96%**														**21.79%**		
B.	**TAXONOMY-NON-ELIGIBLE ACTIVITIES**																			
	OpEx of Taxonomy-non-eligible activities		**5 055.9**	**71.04%**																
	TOTAL		**7 116.7**	**100%**																

Y = Yes, taxonomy-eligible and taxonomy-aligned activity with the relevant environmental objective
N = No, taxonomy-eligible but not taxonomy-aligned activity with the relevant environmental objective
N/EL = Not eligible, taxonomy non-eligible activity for the relevant environmental objective

EU Taxonomy regulation disclosures, continued

Nuclear energy related activities		
1.	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
2.	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	NO
3.	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	NO

Fossil gas related activities		
4.	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	NO
5.	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	NO
6.	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	NO

Proportion of Revenue / Total Revenue		
	Aligned per objective	Eligible per objective
CCM	0%	65%
CCA	0%	0%
WTR	0%	0%
CE	0%	0%
PPC	0%	0%
BIO	0%	0%

Proportion of CapEx / Total CapEx		
	Aligned per objective	Eligible per objective
CCM	0%	17%
CCA	0%	0%
WTR	0%	0%
CE	0%	0%
PPC	0%	0%
BIO	0%	0%

Proportion of OpEx / Total OpEx		
	Aligned per objective	Eligible per objective
CCM	0%	29%
CCA	0%	0%
WTR	0%	0%
CE	0%	0%
PPC	0%	0%
BIO	0%	0%

CCM – Climate Change Mitigation
CCA – Climate Change Adaptation
WTR – Water and Marine Resources
CE – Circular Economy
PPC – Pollution Prevention and Control
BIO – Biodiversity and ecosystems

As a manufacturer of power-driven hand tools, the Industrial Technique business area is qualified to report against both the Climate Delegated Act and the Environmental Delegated Act. Our initial assessment has resulted in a non-significant contribution against the latter seen from the Group perspective, applicable only for the Revenue KPI. For this reason, we report CE 0% eligibility. We monitor the developments around the taxonomy closely and as reporting practice and guidelines develop, we may reevaluate our current approach.

Social responsibility

As a global industrial Group, our value chain connects us with a large number of individuals. This brings a significant responsibility to make sure our business has a positive impact, and to promote the rights and interests of all our stakeholders.

EMPLOYEES

To secure the Atlas Copco Group's strategic direction, we rely on competent people who are passionate about their jobs and committed to delivering customer value. Our focus lies on attracting, developing and retaining diverse people with the right mindset and skills and on empowering them to grow with freedom and accountability. To achieve this, we need to provide an inclusive environment where the Group's employees feel a sense of purpose and belonging, are motivated to contribute and given the opportunity to develop and reach their full potential. We believe that there is always a better way of doing things and advocate freedom with accountability.

To follow our development within this area, the Group has established performance indicators and targets for employee satisfaction and engagement, and diversity, see the table below.

Employee engagement

Building and maintaining relationships with the Group's stakeholders, based on integrity, fairness and respect, is a vital part of our culture. It is also central to understanding our people and what drives them, and helps fostering employees' trust and motivation.

A global employee survey is carried out every two years, which brings important insights in the following areas: employee engagement, Group culture, safety and leadership, and diversity and inclusion. The target is that the results should be above the global benchmark and a continuous increase.

Insight: Improved employee engagement

The overall results of the 2023 engagement survey were above the global benchmark. They also show that our employees are more engaged now than two years ago – 16 out of the 29 scores showed improvement over 2021, including key focus areas of leadership, collaboration, and safety/wellbeing. In 2023, we introduced a Diversity & Inclusion index, comprised of six key indicators. For example, we started to measure our manager's commitment to diversity and inclusion and if we have a work climate that values diverse perspectives.

The high level of engagement was reflected in the 40 000 comments, with 30% of employees leaving at least one comment. The response rate was 90%, which is also above the global benchmark. The survey results are followed up in workshops led by our managers, where concrete actions are shaped to further strengthen employee engagement and our culture. See the results in the table below.

Diversity and inclusion

The Atlas Copco Group strongly believes that diversity and inclusion promotes innovation, strengthens employee engagement and leads to better decision making. With about 53 000 employees at year end, from around 130 nationalities worldwide, we are committed to providing an inclusive work environment where everyone is treated with respect, feels seen and heard, and is able to realize their full professional potential.

Our Diversity and Inclusion guideline covers all employees, including additional workforce, and states that we strive for diversity and inclusion in every aspect of our operations. We provide equal opportunity to all applicants and employees and do not discriminate based on ethnicity, religion, gender, age, nationality, disability, sexual orientation or political opinion. Group companies establish local diversity guidelines that are aligned with the Group's policy, local laws and regulations, and local conditions. Anti-harassment and non-discrimination issues are addressed in the Group's mandatory ethics training.

The Atlas Copco Group's Diversity and Inclusion Council is chaired by the Group's President and CEO, and includes representatives from all business areas, as well as from the functions corporate communications, human resources, and accounting and controlling. The council meets regularly to follow up on action plans and results in the operations. The work is mainly driven by business area task forces and ambassadors in each operational entity.

In the Group's employee survey Insight in 2023 we introduced a Diversity & Inclusion index, and started measuring and reporting on six key inclusion indicators.

Achieving better gender balance is a key priority when it comes to improving employee diversity. We address this through the

Key performance indicators	Target	2023	2022	2021	Comment
Employees feel a sense of belonging in the company [1]	Above benchmark (73) and a continuous increase	77	–	–	Was first measured through the employee survey in 2023.
Employees agree there is opportunity to learn and grow in the company [1]	Above benchmark (72) and a continuous increase	75	–	73	Measured through the employee survey every two years.
Employees agree there is a work culture of respect, fairness and openness [1]	Above benchmark (76) and a continuous increase	76	–	76	Measured through the employee survey every two years.
Share of female employees, by year end	30% by 2030	22.0%	21.6%	20.9%	

[1] Scores based on scale 0–100 where 0 is "strongly disagree" and 100 is "strongly agree". The survey provider's proprietary benchmark for global companies is based on anonymized data from the survey provider's customer base with tens of millions of respondents in more than 150 countries, together with input from industry panel studies to produce robust and unbiased normative data.

Atlas Copco Group

Social responsibility, continued

target of 30% women employees in the Group by 2030. In 2023, progress was made towards a better gender balance with 22.0% (21.6) women employees by year end.

Share of women at year end, %	2023	2022	2021
All employees	22.0	21.6	20.9
Managers	20.6	20.4	20.5
Group management	33.3	33.3	22.2
Board of Directors [1]	37.5	25.0	25.0

[1] Excluding employee representatives.

Training and development

The Atlas Copco Group's success depends on our ability to attract and develop people with a commitment to lifelong learning and a growth mindset. We have a strong culture of encouraging our employees to take accountability for their own development and enable learning from each other through continuous feedback and coaching. We also encourage and facilitate internal mobility through the Group's internal job market.

The Group has developed a talent framework based on a set of competencies that have been identified as the most critical to the Group's success and that are relevant to all employees. The competencies are broken down into behaviors that drive employee performance and emphasizes our belief that every employee has a critical role in driving our success.

Personalized and interactive learning

Our learning management system provides personalized and interactive learning opportunities that enable upskilling and reskilling. It provides access to an extensive library of learning content, personalized and packaged to address specific subjects, functions or roles. Subject matter experts are also recognized to support the Group with knowledge transfer, fostering collaboration and peer-to-peer learning.

Developing future-proof leaders

Leadership development is also central to the Group's people philosophy. We define leadership as the ability to create lasting results and strive to develop leaders who coach and develop teams and individuals to reach their full potential. The Group's process for performance and development dialogues is designed to increase the quality and frequency of feedback, holding leaders accountable for growing people through ongoing coaching.

Our leadership portfolio offers personalized learning through a set-up with different modules focusing on a specific skill. During the year, new modules were launched focusing on change management and leadership in times of uncertainty.

Training and development	2023	2022	2021
Yearly performance and development discussion, %	81	79	82
Average training hours per employee	43.2	42.0	39.5
Average training hours, white-collar employees	44.4	43.2	39.9
Average training hours, blue-collar employees	40.7	39.4	38.6

Inclusive and data-driven recruitment practices

The Atlas Copco Group seeks to proactively attract talent from the entire pool of qualified candidates. Here, data-driven recruitment practices using AI-driven sourcing tools provide insights and a more efficient hiring process. During 2023, a pilot project was conducted in the US, UK, Germany and Belgium. Recruiters have tested an AI-driven solution that supports inclusive language in job adverts and overall job ad performance. The outcome so far has been positive, with an improvement in both the number of applicants and women hires. The solution has now been launched in the US and UK as key markets.

Well suited for the job

The Atlas Copco Group's service business has traditionally been characterized by a significant underrepresentation of women. Attracting female colleagues has been a challenge for different reasons, one of which may be unconscious bias and the assumption that women are not suitable for the job of a technician.

However, the Compressor Technique Service division has challenged this perception. Five years of dedicated work across the division has resulted in a steady increase from only 2 female service technicians in 2018 to 126 in 2023.

Behind the positive development lies a changed mindset and an increased awareness of why diversity matters and that it is a critical competitive success factor in today's business world. The technician's role itself has been adjusted to make it less physically demanding and more safe for all genders. A number of other measures have also been taken including training, employer branding campaigns, developing gender neutral job adverts and building strong relations with technical schools.

Social responsibility, continued

OCCUPATIONAL HEALTH AND SAFETY

At Atlas Copco Group we are strongly committed to addressing occupational health and safety risks and promoting a safe and sound working environment for all our employees in all operations. This is critical to their health, wellbeing and motivation, as well as to the Group's productivity and competitiveness.

A culture of awareness

Our employees face various types and levels of risk in their everyday work life. Much of the work in our operations is performed in a strictly controlled environment. Many procedures are automated but manual procedures remain, which may imply health and safety risks. Employees may also be exposed to risks outside of facilities when travelling internally or to visit customers and business partners, or while undertaking service and maintenance on equipment at customers' sites. Other risks may involve psychosocial aspects, related to for example workloads or work-life balance.

We seek to reinforce a culture and behaviors that contribute to the safety and wellbeing of our employees and contractors in the workplace. We engage everyone in improving safety practices and reducing health and safety risks. We also encourage the immediate reporting of near-misses, incidents and risk observations. This is critical to raising the awareness of risks and to the development of effective preventative work.

Robust safety standards

The Group's global Safety, Health, Environment and Quality policy (SHEQ) requires robust safety and wellbeing standards in the workplace. This includes risk assessments and safety procedures, training, establishing a healthy environment within and around the workplace, appropriate follow-up procedures, and transparent reporting. Each division sets targets and develops action plans to increase awareness and improve behavior and processes. The Group's SHEQ council oversees the work and supports the organization in strengthening local competencies, including the development of Group-common policies, guidelines and processes for local implementation, sharing of best practices and lessons learned.

Occupational health and safety management system

All companies in the Group must have a verified Safety, Health, Environment and Quality management system which is documented, implemented and maintained on an ongoing basis. Customer centers and rental companies with more than 70 employees, and product companies with more than 20 employees shall be certified according to ISO 45001. The system involves regular risk assessments and follow-up on conditions and safety-related processes of both our own workplaces and those of contractors.

Targets and progress

Key performance indicators on safety and wellbeing are continuously monitored by local management and followed up by Group Management, and divisional and business area management, in connection with the quarterly reporting of sustainability data.

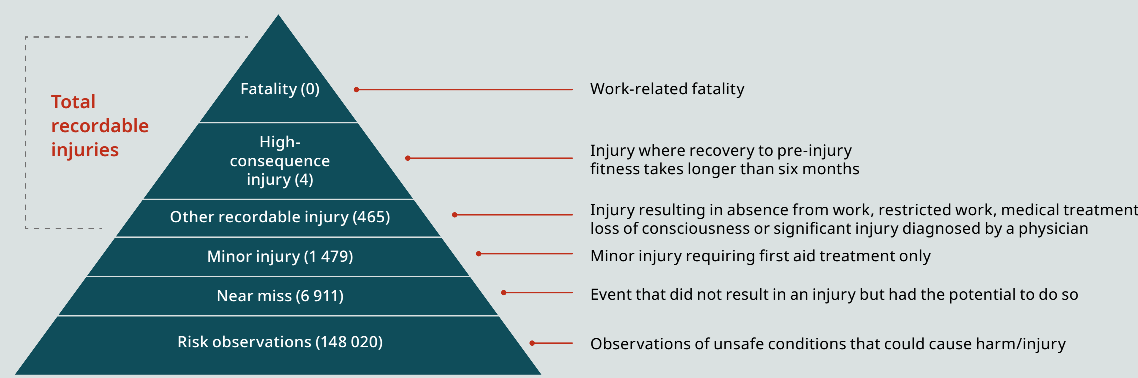
Progress is also followed up in the employee engagement survey every two years, where the target is that the share of employees who agree that the Group takes a genuine interest in their wellbeing should increase continuously. The 2023 employee survey confirms that this share has increased compared to 2021.

We also monitor our performance by using a safety pyramid, where our target is that the pyramid should be balanced. This means that we receive more reports of risk observations than near misses, more near misses than minor injuries, and more or equal reports of minor injuries relative to recordable injuries. When risk observations and near misses are reported, this will raise awareness of conditions and behaviors that can lead to actual incidents. These insights form a stable starting point for well-directed preventive work in the area. In 2023, the result was in line with this target, see the illustration below.

Key performance indicators	Target	2023	2022	2021	Comment
A balanced safety pyramid	Yes	Yes	Yes	Yes	
Employees agree that the company takes a genuine interest in their wellbeing [1]	Continuous increase	74	–	73	Measured through the employee survey every two years.

[1] Scores based on scale 0–100 where 0 is "strongly disagree" and 100 is "strongly agree".

Safety pyramid 2023 – Total workforce, number



Atlas Copco Group

Social responsibility, continued

Injuries, total workforce, and sick leave [1]	2023	2022	2021
Recordable injuries, number	469	403	387
Recordable injuries per million working hours	4.5	4.2	4.5
High-consequence injuries, number	4	4	3
High-consequence injuries per million working hours	0.04	0.04	0.03
Minor injuries, number	1 479	1 261	1 148
Minor injuries per million working hours	14.1	13.2	13.4
Fatalities, number	0	0	0
Fatalities per million working hours	0	0	0
Sick leave due to diseases and recordable injuries, Group employees, %	2.3	2.5	2.2

[1] Sick leave is measured among Group employees only. Injuries refer to total workforce. The definitions of the severity of incidents and injuries are aligned with international standards.

Total recordable injuries, 2023	Per million working hours	Number
Recordable injuries, total workforce	4.5	469
Recordable injuries, Group employees	4.4	429
Recordable injuries, additional workforce	6.1	40
Fatalities, total workforce	0	0
Fatalities, Group employees	0	0
Fatalities, additional workforce	0	0
High-consequence injuries, total workforce	0.04	4
High-consequence injuries, Group employees	0.04	4
High-consequence injuries, additional workforce	0	0

Most prevalent risks

Over the last few years, the major hazards reported for high-consequence injuries have been awareness-related, such as slips and trips, lone working and manual handling of equipment. Among the actions to mitigate hazards are awareness training and risk assessments of working environments, inspections, mechanical handling aids, and ensuring safe access to equipment.

Group-wide wellbeing framework

The Group's wellbeing framework helps leaders understand employees' wellbeing needs and how to support them. It is made up of four connected areas; a sense of purpose, social connectedness, physical wellbeing, and mental wellbeing. A complementing guide is available that includes examples of initiatives on an individual, team and/or operation level, as well as reference materials.

Additional information on employees and workforce

Freedom of association and collective bargaining

Atlas Copco Group views trade unions and employee representatives as a valuable support for its employees, and bases relationships with these parties on mutual respect and constructive dialogue. Labor practices and employee rights, such as collective bargaining, are covered in the Code of Conduct. In 2023, 28% (29) of all employees were covered by collective bargaining agreements. Employees not covered by collective agreements are protected by standards based on local and international benchmarks.

As a decentralized organization, the Group's engagement and dialogue with labor unions takes place at a local level. In case of operational changes that may significantly affect employees or result in giving notice, the Group follows local laws and regulations as well as collective bargaining agreements. The need for transition assistance programs is assessed at local level and the support provided through such programs are adapted to the situation at hand and to local market conditions. The Group's internal job market is available to all employees and provides opportunities for internal mobility.

In countries where no independent labor unions exist, measures are taken to establish forums for employer/employee relations, through environment and safety committees. Labor relations are followed up regularly on the operational level and reviewed by internal audit.

Significant suppliers' compliance to our Code of Conduct, which is based on international guidelines and frameworks such as the UN Global Compact and the International Labour Organization Declaration on Fundamental Principles and Rights at Work, is audited regularly.

Workforce profile

The Atlas Copco Group is a significant employer on the global market. As a customer-focused company, 48% (49) of all employees work in marketing, sales or service. The Group strives to grow local leaders and the geographical spread of employees and senior managers is continuously developing.

Geographical spread of employees at year end, %	2023	2022
North America	16	16
South America	4	4
Europe	44	45
Africa/Middle East	3	3
Asia/Oceania	33	32
Total	**100**	**100**

Geographical spread of nationality of senior managers at year end, %	2023	2022
North America	11	11
South America	5	4
Europe	66	71
Africa/Middle East	3	3
Asia/Oceania	15	11
Total	**100**	**100**

Employees by professional category, %	2023	2022
Production	26	26
Marketing	8	8
Sales and support	13	14
Service	27	27
Administration	16	16
Research & development	10	9
Total	**100**	**100**

Social responsibility, continued

Additional workforce by region, at year end, %	2023	2022
North America	13	16
South America	2	1
Europe	44	47
Africa/Middle East	1	1
Asia/Oceania	40	35
Total	**100**	**100**

Additional workforce by professional category, at year end, %	2023	2022
Production	41	52
Marketing	3	2
Service	14	15
Administration	19	14
Research & development	23	17
Total	**100**	**100**

The Group has managers on international assignments coming from 44 countries and working in 47. In 2023, a total of 77% (77*) of all senior managers were locally employed. 42 (46) nationalities were represented among the 580 (557*) most senior managers in the Group.

* The number of senior managers in 2022 has been restated due to a reporting error.

New employee hires and employee turnover

The total number and rate of external new employee hires in 2023 was 7 936 (8 524) which constitutes 15.5% (18.6) of the total average number of employees during the year. The percentage of externally recruited female employees was 26% (27). The total number of resignations was 3 158 (3 667), which constitutes 6.2% (8.0) of the total average number of employees during the year.

Employees and turnover	2023	2022	2021
White-collar employees, %	68	69	69
Blue-collar employees, %	32	31	31
Employee turnover white-collar employees, voluntary leave, %	6.0	7.6	6.4
Employee turnover blue-collar employees, voluntary leave, %	6.6	8.9	7.8
Total turnover, voluntary leave, %	6.2	8.0	6.9

The Group reports the number of employees as full time equivalents (FTE) per geographical spread and per professional category, as well as divided between white-collar and blue-collar employees.

Social responsibility, continued

HUMAN RIGHTS

The Atlas Copco Group is committed to respecting internationally recognized human rights principles as defined by the United Nations Universal Declaration of Human Rights. Our Code of Conduct is our central guiding policy, complemented by our Human Rights Statement.

Risks along the value chain

Human-rights related risks are present throughout the Group's value chain, mainly relating to our own employees and our suppliers. Social conditions vary greatly in the countries where we and our suppliers operate and some markets are associated with a high risk of human rights violations, including non-compliance with labor standards such as forced labor and child labor, poor working conditions, discrimination or limitations in freedom of association. Protecting the rights of all individuals that are affected by our activities or business relationships, and compliance with legislation and internationally accepted standards, is crucial to both our operations and our reputation. The financial consequences of violations may also be severe, for example in the form of legal penalties or fines.

Human rights due diligence

Through our human rights due diligence procedures, Atlas Copco Group seeks to identify, prevent and mitigate any adverse human rights impacts that are linked to our operations, products or services or business relationships.

Human rights due diligence is carried out when deemed relevant, for example when entering a market that is perceived as presenting severe human rights risks or in connection with acquisitions.

We cooperate with business partners who share our respect for human rights. All significant business partners must commit to our Code of Conduct by signing a Business Partner Criteria document. Human rights principles are also integrated in our business partner evaluation to safeguard that our partners' practices are aligned with our standards. Read more on pages 59–60.

Training on policies and procedures

Increasing awareness among our employees and business partners is an important part of our work to prevent human rights violations. All employees are required to participate in training in our Code of Conduct and we also encourage our business partners to take the training. In addition, the Group has developed a human rights specific training which is available to all employees through the Group's intranet.

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

Access to remedy

The Group's SpeakUp system can be used to anonymously report perceived human rights violations, see page 58.

Community investments

Community investments amounted to MSEK 35 (28).

Human Rights Statement

Our Human Rights Statement expands on the Group's commitment to respect and support human rights, which is an integral part of the Code of Conduct. The statement reflects the corporate responsibility as defined in the United Nations Guiding Principles on Business and Human Rights which we have adopted. The statement can be found on our website. In accordance with Section 54 of the UK Modern Slavery Act 2015, the Group also publishes a yearly Modern Slavery Statement.

www.atlascopcogroup.com/en/sustainability/living-by-the-highest-ethical-standards/human-rights

Water for All: Employee community engagement

As stated in our Code of Conduct, Water for All is Atlas Copco Group's main community engagement initiative. Through the dedicated and passionate work of volunteering employees, Water for All funds projects which empower local communities all over the world through access to clean drinking water, sanitation, and hygiene. In this way we are contributing to healthy societies, free from conflict and poverty, and help to support vulnerable people's human rights. Women and young girls are particularly affected by the lack of water and sanitation. All projects supported by Water for All aim to positively impact the lives of women and girls in particular. All employee donations are matched with twice as much by the company.

During 2023, an effect study of Water for All funded projects in Kenya, India, and Malawi was conducted by an external consultant. The findings indicate a high degree of efficiency and effectiveness in Water for All projects, owing to a persistent focus on access to water, and competent implementation and project screening processes. A key to success is the active involvement of the local beneficiaries in the project planning and execution. The projects also show a generally high degree of social impact, with positive effects for women and girls, community engagement, agriculture and industry, welfare, and the environment. However, making long-term progress within health is a challenge, as it has proven difficult to permanently change behaviors linked to hygiene and sanitation. The effect study will act as an important internal tool to support the future success of Water for All.

In 2023, Water for All supported some 70 water and sanitation projects in 44 countries, in total reaching more than 300,000 people, including one project in Australia targeting its indigenous population. In December our 3-year engagement in Northern Uganda also came to an end. The project has been a joint endeavor between 14 Water for All organizations and the Peter Wallenberg Water for All Foundation, targeting almost 30 000 people in 48 villages.

Atlas Copco Group actively encourages employees to engage in Water for All, through voluntary donations or by getting involved in one of the local organizations. A central coordinator is supporting the global network of local ambassadors. We track our progress through mandatory annual reports, focusing both on quantitative achievements and qualitative best practice sharing.

Water for All is the main community engagement initiative of both Atlas Copco Group and Epiroc. The numbers convey Water for All's global achievements in 2023 including both companies.

Social responsibility, continued

PRODUCT SAFETY

Our customers rely on us to provide products, services and technology that help them improve their efficiency and productivity, while being safe and ergonomic to handle. We strive to live up to their expectations and have a firm commitment to develop, manufacture and sell products and services that offer good quality, reliability and operator safety. Failure to do so could be harmful to our brand and business, and may also entail legal and regulatory risks. Working systematically to improve and ensure the safety of our products is therefore in focus in our product development process and key for maintaining long-term customer relationships.

We provide and deliver a large range of products and services that are used in many different industries and applications. By developing solutions based on automation and digitization of products and services, both efficiency and safety for our customers and users increase continuously.

Policy commitment and responsibilities

All our products must be compliant with relevant regulations and industry standards, including regulations regarding the health and safety of end users. We provide appropriate resources and competences to secure adequate product safety.

Safety assessments key in product development

Safety and operator experience is an integrated part in every stage of the product design, which can include risk assessments and testing to discover areas of improvement. Safety aspects are important to us for each phase of the product's lifecycle, from its design to disposal. With regard to product labeling and marking we ensure that our products can be safely operated when instructions are followed.

We offer product safety training to employees. We train our own employees, including field service engineers, in the safe use of products as part of their onboarding and continuous competency development. We also provide customer training when relevant to secure the safe handling of our products.

To align with ISO 9001 Quality Management, many of the Group's products hold external certifications and markings, such as CSA, SEMI, ETL, ATEX, among others. Obtaining and maintaining these certifications include routine audits by independent third parties.

Monitoring of product and service safety performance

We make sure that any potential product-related safety incidents are reported and followed up until satisfactory closure. Incidents are thoroughly investigated, by internal experts, to determine their root cause and what corrective actions should be taken, such as potential changes to the product, retrofit campaigns, product recalls and field service activities at customers. Performance is tracked and the result is reported regularly to responsible managers.

> Our customers rely on us to provide products, services and technology that help them improve their efficiency and productivity, while being safe and ergonomic to handle.

Atlas Copco Group

Business conduct

The Atlas Copco Group promotes a culture of integrity through mutual respect, trust and high ethical standards in all business interactions, externally as well as internally.

CODE OF CONDUCT AND CORPORATE CULTURE

The Atlas Copco Group aims to earn the trust of everyone impacted by our operations, by building relationships based on integrity, fairness and respect – this is a vital part of the Group's culture and we expect the same high standards from our business partners.

The Code of Conduct is the Group's central policy document which sets out the fundamental ethical values and principles that apply to all employees, the Board of Directors, and our business partners. The Code of Conduct is based on international standards such as the United Nations International Bill of Human Rights, The United Nations Global Compact and the OECD Guidelines for Multinational Enterprises. Read more on pages 33–34.

Division presidents have the ultimate responsibility for the adherence to Group values and policies. Internal control is exercised through distribution of responsibility and internal audits. The Compliance Board oversees compliance with the Code of Conduct.

Communication and training

To make sure all employees are aware of the Group's Code of Conduct and what is expected of them, we put significant weight on communication, training and monitoring. All employees are required to complete a leader-led ethics training every two years. Every employee is also required to take an annual training and sign a Code of Conduct compliance statement.

In 2023, a new ethics training was rolled out to all employees in the Group. The training includes examples of ethical dilemmas, covering all aspects of the Code of Conduct, and participants are invited to discuss how the different situations should be handled.

By the end of 2023, 99% of our employees (excluding employees that were hired during the year) had participated in the new leader-led training and 99% had signed the annual compliance statement. New employees are required to participate in the leader-led training within 12 months of joining the Group. Performance against these targets is followed up annually.

Whistleblowing system

Compliance with laws and regulations, as well as with the Code of Conduct is mandatory. To be able to uphold this, it is important that we are made aware of any suspected breaches of laws or of the Code of Conduct. Therefore, we strongly encourage the reporting of non-compliance concerns through our global external whistleblowing system, Speak Up.

SpeakUp is available publicly to all employees and other stakeholders to raise concerns. It is independently operated by a third party to ensure anonymity and is available 24 hours a day, 7 days a week. Voice or text messages can be left in more than 70 languages. To ensure employees' awareness of SpeakUp, it is referenced in the mandatory annual Code of Conduct compliance confirmation. We receive cases from all regions where we operate, which indicates that employees are well aware of the system.

The investigation process

All SpeakUp reports are screened and assigned to an impartial investigator who is responsible for conducting the investigation. The investigators are supported by Group Legal. All investigations are professionally and confidentially handled. The SVP Chief Legal Officer informs the Board about any critical concerns and annually about trends and statistics.

Key performance indicators	Target	2023	2022	2021	Comment
Employees sign the Group's Code of Conduct compliance statement	100%	99%	99%	98%	
Employees complete the biennial ethics training [1]	100%	99%	–	–	Was first measured in 2023.
New employees participate in the ethics training within 12 months	100%	94%	–	–	Was first measured in 2023.
Significant suppliers [2] sign the Code of Conduct compliance statement	100%	90%	93%	93%	
Significant distributors sign the Code of Conduct compliance statement	100%	94%	92%	87%	

[1] Excluding employees hired in 2023.
[2] Significant suppliers to production and distribution units.

Non-retaliation commitment

The Code of Conduct includes a non-retaliation commitment to all allegations raised in good faith. This clearly states that employees are encouraged to report perceived misconduct, and that this will never lead to adverse consequences for the individual, even if it results in the loss of business.

Reported concerns through Speak Up, number	2023	2022
Fraud	26	13
Labor relations, including discrimination and harassment	296	245
Corruption & regulatory breach	29	28
Conflicts of interest	21	7
Other	49	70
Total	**421**	**363**

In 2023, we received a total of 421 cases through the system. In 24 cases no evidence of wrongdoing was found and in 42 cases evidence could confirm that no wrongdoing had occurred. In 8 cases, appropriate disciplinary action, such as a written warning, were taken against one or several employees as a result of the investigations. In 15 cases weaknesses were found in internal processes which were followed up and remediated. One case was settled in court. The remaining cases were under investigation at year end.

There were no significant fines or non-monetary sanctions for non-competitive behavior or for non-compliance with laws and/or regulations in the social and economic area during the year.

Preventing corruption and bribery

The Atlas Copco Group does not tolerate corruption or bribery in any form, directly or through third parties. Firm disciplinary actions will be taken on any violation of this rule. This applies to all employees, as well as to the Board of Directors, and in all business dealings and transactions in all countries where we operate.

Business conduct, continued

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

The Group conducts internal audits of all operational entities using a risk-based approach. Each entity is normally audited at least every five years. All internal audits include an ethical review and an audit of risks related to corruption. In 2023, 109 entities (18% of all entities) were audited and no significant risks related to corruption were identified during these audits.

Tax policy

The Atlas Copco Group recognizes the key role that tax plays in advancing economic development and considers it vital to combat corruption and support sound business practices in order to create value for society. Atlas Copco Group believes in good corporate practice in the area of tax management, balancing the interests of various stakeholders, including governments and communities in the countries in which the Group operates. Atlas Copco Group does not engage in aggressive tax planning but instead takes care to pay the correct taxes in its countries of operation. The Group's tax policy can be found on the website www.atlascopcogroup.com. See note 8 of the consolidated financial statements for the details of taxes paid, reported according to the International Financial Reporting Standards (IFRS).

Disclosing tax by country

Atlas Copco Group openly discloses the corporate income tax cost including the effective corporate tax rate in the annual report. Revenues, corporate tax costs and other key figures are reported via country-by-country reporting to tax authorities globally.

At present, there are no established international standards for publicly reporting taxes paid by country and, therefore, different companies' data is not comparable. Considering various initiatives on openly disclosing corporate tax costs, including the EU Directive on public country-by-country reporting, we expect to disclose the Group's corporate tax cost by region or country within the next-coming years.

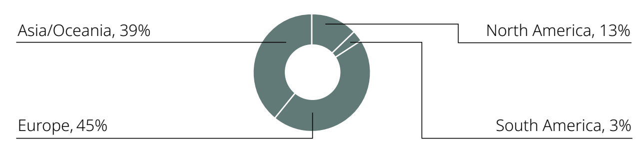
RELATIONSHIPS WITH BUSINESS PARTNERS

Relationships with suppliers

Working with business partners who share Atlas Copco Group's respect for human rights and high standards regarding the environment, safety, quality and business conduct is central to efficiently manage risks and enhance sustainability along the value chain. We therefore work continuously to assess and reduce the risks associated with our value chain.

Our Code of Conduct is the backbone of our processes for a responsible value-chain, reinforced by a signed commitment by significant suppliers and distributors to follow the Code, together with screening and regular on-site audits, customer sustainability assessments and targeted training.

All significant business partners must commit to our Code of Conduct by signing a Business Partner Criteria document. The document has been translated into more than 30 languages and is available on the Group's website. At the end of 2023, 90% of our significant suppliers* had signed the compliance statement.



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

The Group's purchasing strategies are decentralized to give the organization higher flexibility and to ensure the right competence. Purchasing councils oversee supply chain management at divisional level, and come together as a part of the Group's purchasing council to develop central policies and tools that impact all operations. Local purchasing (non-core) is encouraged in order to generate societal value in the communities where Atlas Copco Group operates, by creating job opportunities as well as generating direct and indirect income. This is mostly carried out by local companies, which decreases lead times and the environmental impact from transport.

Evaluation process

Significant suppliers are evaluated during and after selection on parameters based on international frameworks such as the UN Global Compact and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work. The evaluation is conducted by the product companies, primarily by personnel in the purchasing function. Training on how to carry out supplier evaluations is available through the internal handbook of policies and guidelines *The Way We Do Things*.

* Definition of significant suppliers: All external suppliers of goods and services, direct and indirect, with a purchasing value above a set threshold, based on 12-month values from October previous year to September current year. For suppliers in countries with heightened risk for human rights violations, environmental risks or corruption etc., the purchasing threshold is lower (approximately 13% of set value).

Atlas Copco Group

Business conduct, continued

The supplier evaluation process covers:

- 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: Waste management, chemicals management, minimizing emissions, and an efficient use of natural resources
- Human rights issues: Responsible sourcing and respect for human rights in operations

At times, self-assessment checklists are sent to suppliers and on-site evaluations are conducted regularly or when deemed necessary. These result in a report which may include concrete suggestions on improvements in the form of an action plan to be followed up at an agreed time. Atlas Copco Group can provide experience and know-how to suppliers who need support in order to comply with the minimum standards set forth in the Business Partner Criteria document. Suppliers who fail to meet the criteria and who do not show a willingness to improve are rejected.

Significant suppliers´ commitment [1]	2023	2022
Suppliers, number	7 109	6 214
Suppliers asked for commitment to the Code of Conduct, number	6 929	6 029
Suppliers that confirmed their commitment to the Code of Conduct, %	90	93
Suppliers audited on safety, health, social, governance and environmental issues [2]	966	922
Approved suppliers (no need to follow up)	837	880
Conditionally approved suppliers (monitored)	129	41
Rejected suppliers (relationship ended) [3]	0	1

[1] Significant suppliers to production and distribution units.
[2] Audits are conducted by Atlas Copco Group teams directly at the suppliers' sites.
[3] Reasons for rejection relate to safety in the workplace, labor conditions, environment issues, or non compliance of laws. Suppliers are rejected if they do not meet the Group's requirements and are not willing to improve.

Responsible sourcing of minerals

Mining and trading in certain raw materials can help finance armed groups in areas associated with human rights violations. Although the Group does not procure directly from smelters/refineries, some parts of our supply chain do. Atlas Copco Group is not in the scope of Dodd-Frank Act or the EU regulation 2017/821, but based on concerns of human rights abuse, including forced labor, human trafficking and child labor, and to support our customers in fulfilling their obligations according to these Acts, we take measures to detect and prevent the use of conflict minerals in our supply chain.

Atlas Copco Group requires its direct suppliers to commit to responsible sourcing of all minerals used in the parts and products they sell to us. This commitment is exercised through minerals data collection and due diligence, every year. Moreover, all significant suppliers must sign the Code of Conduct which includes an article on responsible sourcing. The process is described in detail on our website, www.atlascopcogroup.com.

The Atlas Copco Group has a comprehensive program to ensure responsible sourcing and investigate the possible use of conflict minerals in the components used in our products. The program covers tin, tantalum, tungsten, gold and cobalt (added in 2020). Data collection and due diligence using the Responsible Minerals Initiative (RMI) guidelines and Cobalt Reporting Template (CRT) is rolled out continuously.

Atlas Copco Group is a member of the RMI and adheres to its guidelines by encouraging suppliers to source from smelters verified by a third party such as RMI's Responsible Minerals Assurance Process (RMAP). We also commit to transparency by submitting reporting templates to customers about smelters in the supply chain and collaborate with stakeholders.

Relationships with distributors and agents

The Atlas Copco Group requires that all significant distributors* commit to our Code of Conduct by signing the Business Partner Criteria document. Distributors who represent the bulk of the sales value or who operate in high-risk markets are prioritized. At the end of 2023, 94% of our significant distributors had signed the compliance statement.

Atlas Copco Group has a large international distributor base. The Group's sales strategies are set by the divisions on a global level and adapted to local market needs by the customer centers. The sales strategies include choice of sales channels and distributor management. The marketing councils ensure cross-divisional alignment and develop central policies and tools that impact all operations, including programs for distributor certifications.

Sales compliance process

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

General managers, and ultimately the divisional presidents, are responsible for the implementation of Atlas Copco Group's policies and guidelines and making sales decisions. The Group's legal department supports the organization on trade compliance matters, including sanctions and export control. Since the beginning of March 2022, the Group has paused all new orders for capital equipment to Russia, except some equipment for humanitarian purposes, such as medical equipment. We perform some services, for example connected to legally binding warranty obligations, but only after controlling that we can fulfill all trade compliance obligations.

* Definition of significant distributors: All external distributors, including agents and resellers with sales of the Group's goods and services for a value above a set threshold, based on 12-month values from October previous year to September current year. For distributors, agents and resellers in countries with a heightened risk for human rights violations, environmental risks or corruption etc., the sales threshold is set to include all active distributors.

About the sustainability report

Sustainability aspects are integrated in the Group's way of operating and we therefore report financial and non-financial data in an integrated annual report. The sustainability report has been prepared in accordance with GRI Standards. Its content is determined by issues where the Group has a significant impact on the economy, environment and people, including human rights. See information about the materiality analysis on page 32.

Reporting period and frequency

Atlas Copco Group publishes a sustainability report annually. This report applies to the period January 1, 2023 through December 31, 2023, which is in line with the Group's financial reporting. The sustainability report was published on March 21, 2024.

Report boundary

The sustainability report covers the Atlas Copco Group, including all units that are consolidated in the Group's financial statements, see pages 141–143. Operations divested during the year are excluded, while acquired units are gradually included according to internal guidelines. This may at times cause changes in reported performance.

The environmental data covers all operations unless otherwise stated. Supplier data covers production units and distribution centers, while distributor data covers all applicable units. Employee-related data covers all operations.

Data collection and verification

Sustainability data collection is integrated into the Group reporting consolidation systems and collected on a monthly or quarterly basis. Reported facts and figures in the sustainability report are verified in accordance with the Group's procedures for internal control. Read more in the section "Internal control of financial and sustainability reporting", on pages 82–83.

Most data is monitored and reported at local operating unit level and aggregated to division/ business area and Group level. Certain science-based target categories, taxonomy revenue and project data are reported at division level. Data verification is performed at each level before submitted to external auditors.

Changes in the reporting

Our ambition is to present an overview of the Group's impact, risks and opportunities and how we manage them, which is as comprehensive and transparent as possible. We continuously develop our reporting to increase transparency and to contribute to a better understanding of our impact, as well as to provide information requested by our stakeholders. This can result in both the addition and removal of disclosures.

In 2023 year's sustainability report, the GRI disclosure on economic performance, *201–1 Direct economic value generated and distributed*, has been removed. This reflects our belief that the Group's economic performance is best reflected in relation to the financial targets, as presented on page 6. See also the value we create for our stakeholders on page 11.

Restatements

Reported values are normally not corrected retroactively. When a restatement of historically reported numbers is made, this can be due to a change of calculation method or scope. If an adjustment has been made compared to previous years, this is indicated in connection with the respective chart or table.

As of 2023, restatements are done on an annual basis concerning GHG data. See page 42.

Definitions

Operating costs include cost of sales, marketing expenses, administration expenses, research and development expenses, other operating expenses, deducted for employee wages and benefits. COS, when presented in relation to sustainability information, refers to cost of sales at standard cost in MSEK.

Other reporting frameworks

To accommodate stakeholders that are more familiar with the Sustainability Accounting Standards Board (SASB), we have also published a table with cross-references to information in the annual report on page 65. Information relating to the SASB standards for 'Industrial machinery and goods' is disclosed for relevant aspects where data is available. However, the Group does not claim to be compliant with the SASB reporting standards.

External assurance

Atlas Copco AB's external auditors, Ernst & Young, have performed a limited review of the sustainability report according to the GRI Standards, see the Auditor's report on page 66.

For questions about the sustainability report, please contact:

Anna Sjörén, Vice President Sustainability
sustainability@atlascopco.com

GRI content index

Statement of use	Atlas Copco Group has reported in accordance with the GRI Standards for the period 1 January, 2023 to 31 December, 2023.
GRI 1 used	GRI 1: Foundation 2021

GRI Standard	Disclosure		Location	Comments and omissions
General disclosures	Nr	Description		
GRI 2: General Disclosures 2021	2-1	Organizational details	18, 141–143	
	2-2	Entities included in the organization's sustainability reporting	141–143	
	2-3	Reporting period, frequency and contact point	61	
	2-4	Restatements of information	41–42, 61	
	2-5	External assurance	66	
	2-6	Activities, value chain, and other business relationships	Inside cover, 7–10, 19–31	For information on significant acquisitions and divestments, see pages 20, 23, 26 and 29.
	2-7	Employees	52, 54–55	*Omission:* The Group reports aggregate number of full-time equivalents. The figures broken down into full-time/part-time employees, and additional workforce by gender, are currently not available in the Group's HR system and cannot be reported.
	2-8	Workers who are not employees	55	*Omission:* Additional workforce may be temporary or permanent, generally employed by a third party. Additional workforce by gender or by type of contractual relationship is currently not available in the Group's HR system and cannot be reported.
	2-9	Governance structure and composition	33, 74–77	
	2-10	Nomination and selection of the highest governance body	76	
	2-11	Chair of the highest governance body	78	The chair of the board is not a senior executive of Atlas Copco AB.
	2-12	Role of the highest governance body in overseeing the management of impacts	33, 76	
	2-13	Delegation of responsibility for managing impacts	33	
	2-14	Role of the highest governance body in sustainability reporting	33	
	2-15	Conflicts of interest	76	The Atlas Copco Group operates in compliance with the Swedish Companies Act which includes rules and procedures applicable to conflicts of interest.
	2-16	Communication of critical concerns	58, 76, 83	
	2-17	Collective knowledge of the highest governance body	76	
	2-18	Evaluation of the performance of the highest governance body	76	
	2-19	Remuneration policies	103–104	
	2-20	Process to determine remuneration	76–77	
	2-21	Annual total compensation ratio		*Omission:* Not reported at Group-level. Atlas Copco Group is committed to a fair and sustainable remuneration policy, both to stay competitive as an employer and from an internal equity perspective. We are currently not able to report on this disclosure in a meaningful manner, but remain committed to transparency in this regard.
	2-22	Statement on sustainable development strategy	3–4, 77	
	2-23	Policy commitments	33–34	
	2-24	Embedding policy commitments	33–34, 58, 74	
	2-25	Processes to remediate negative impacts	32–34, 58	

GRI content index, continued

GRI Standard	Disclosure		Location	Comments and omissions
General disclosures	Nr	Description		
	2-26	Mechanisms for seeking advice and raising concerns	58	
	2-27	Compliance with laws and regulations	44, 58	
	2-28	Membership associations	35	
	2-29	Approach to stakeholder engagement	33	
	2-30	Collective bargaining agreements	54	
Material topic disclosures				
GRI 3: Material topics 2021	3-1	Process to determine material topics	32	See more information on www.atlascopcogroup.com
	3-2	List of material topics	32	
	3-3	Management of material topics	6, 33–34	

ECONOMIC IMPACT				
Economic performance				
GRI 3: Material topics 2021	3-3	Management of material topics	6, 33–34, 36, 67	
GRI 201: Economic performance 2016	201-2	Financial implications and other risks and opportunities due to climate change	37, 70	*Omission:* The assessment of climate-related risks and their financial implications has started at divisional level. However, the outcome is not yet consolidated and disclosed in quantitative terms outside the organization.
Anti-corruption				
GRI 3: Material topics 2021	3-3	Management of material topics	6, 33–34, 58	
GRI 201: Economic performance 2016	205-1	Operations assessed for risks related to corruption	59	
	205-2	Communication and training about anti-corruption policies and procedures	58–60	*Omission:* The percentage of employees and business partners are not broken down by type or region.
	205-3	Confirmed incidents of corruption and actions taken	58	
Anti-competitive behavior			6, 33–34	
GRI 3: Material topics 2021	3-3	Management of material topics	6, 33–34, 58, 60	
GRI 201: Economic performance 2016	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	58	

ENVIRONMENTAL IMPACT				
Energy				
GRI 3: Material topics 2021	3-3	Management of material topics	33–34, 38	
GRI 302: Energy 2016	302-1	Energy consumption within the organization	38	
	302-3	Energy intensity	38	
Emissions				
GRI 3: Material topics 2021	3-3	Management of material topics	6, 33–34, 36, 38–39	
GRI 305: Emissions 2016	305-1	Direct greenhouse gas emissions (Scope 1)	42	
	305-2	Energy indirect greenhouse gas emissions (Scope 2)	42	
	305-3	Other indirect greenhouse gas emissions (Scope 3)	42	
	305-4	Greenhouse gas emissions intensity	42	

Atlas Copco Group

GRI content index, continued

GRI Standard	Disclosure		Location	Comments and omissions
Supplier environmental assessment				
GRI 3: Material topics 2021	3-3	Management of material topics	6, 33–34	
GRI 308: Supplier environmental assessment 2016	308-1	New suppliers that were screened using environmental criteria	59–60	Significant suppliers, both new and existing, are identified using a risk-based approach. *Omission:* Data for new suppliers is not specifically disclosed. Environmental and social screening is conducted and reported jointly.
	308-2	Negative environmental impacts in the supply chain and actions taken	59–60	*Omission:* Supplier audits cover both environmental and social aspects and the data is not broken down into these categories.

SOCIAL IMPACT				
Employment				
GRI 3: Material topics 2021	3-3	Management of material topics	6, 33–34	
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	55	*Omission:* The Group does not report turnover by age group and gender.
Occupational health and safety				
GRI 3: Material topics 2021	3-3	Management of material topics	6, 33–34, 53–54	
GRI 403: Occupational health and safety 2018	403-1	Occupational health and safety management system	34, 53	
	403-2	Hazard identification, risk assessment, and incident investigation	53	
	403-3	Occupational health services	53	
	403-4	Worker participation, consultation, and communication on occupational health and safety	53	
	403-5	Worker training on occupational health and safety	53	
	403-6	Promotion of worker health	53–54	
	403-7	Prevention/mitigation of occupational health/safety impacts directly linked by business relationships	53	
	403-8	Workers covered by an occupational health and safety management system	34	Calculation based on units required to be ISO 45001-certified.
	403-9	Work-related injuries	53–54	
Training and education				
GRI 3: Material topics 2021	3-3	Management of material topics	6, 33–34, 52	
GRI 404: Training and education 2016	404-1	Average hours of training per year per employee	52	*Omission:* The Group does not have data broken down by gender.
	404-2	Programs for upgrading employee skills and transition assistance programs	52, 54	
	404-3	Percentage of employees receiving regular performance and career development reviews	52	*Omission:* The Group does not have data broken down by gender and employee category.
Diversity and inclusion				
GRI 3: Material topics 2021	3-3	Management of material topics	6, 33–34, 51	
GRI 405: Diversity and equal opportunity 2016	405-1	Diversity of governance bodies and employees	6, 51–52, 80–81	*Omission:* The Group does not, unless required for compliance with local laws and regulations, gather data on diversity from employees or members of governance bodies, such as belonging to a minority or vulnerable group.
Non-discrimination				
GRI 3: Material topics 2021	3-3	Management of material topics	33–34, 51	
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	58	

GRI content index, continued

GRI Standard	Disclosure		Location	Comments and omissions
Supplier social assessment				
GRI 3: Material topics 2021	3-3	Management of material topics	6, 33–34	
GRI 414: Supplier social assessment 2016	414-1	New suppliers that were screened using social criteria	59–60	Significant suppliers, both new and existing, are identified using a risk-based approach. *Omission:* Data for new suppliers is not specifically disclosed. Environmental and social screening is conducted and reported jointly.
	414-2	Negative social impacts in the supply chain and actions taken	59–60	*Omission:* Supplier audits cover both environmental and social aspects and the data is not broken down into these categories.
Customer health and safety				
GRI 3: Material topics 2021	3-3	Management of material topics	33–34, 57	
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	65	During 2023, there were no reported significant incidents of non-compliance related to health and safety impacts of products and services resulting in any significant fine, penalty or warning.
Marketing and labeling				
GRI 3: Material topics 2021	3-3	Management of material topics	33–34	
GRI 417: Marketing and labeling 2016	417-2	Incidents of non-compliance concerning products and service information and labeling	65	During 2023, there were no reported significant incidents of non-compliance related to products and service information resulting in any significant fine, penalty or warning.

SASB Index

Table 1. Sustainability disclosure topics and accounting metrics

Topic	Metric	Code	Comment	Page
Energy management	1. Total energy consumed 2. Percentage grid electricity 3. Percentage renewable energy	RT-IG-130a.1	Total energy is reported in MWh, not in gigajoules. Percentage of grid electricity is not reported.	38
Employee health & safety	1. Total recordable incident rate (TRIR) 2. Fatality rate 3. Near-miss frequency rate (NMFR)	RT-IG-320a.1		53–54
Fuel economy and emissions in use-phase	Sales-weighted fuel efficiency for non-road equipment	RT-IG-410a.2	Product fuel efficiency is not reported but the Group innovates to help customers increase energy efficiency and reduce emissions. All projects for new and redesigned products should have targets for reduced carbon impact.	39–42
Materials sourcing	Description of the management of risks associated with the use of critical materials	RT-IG-440a.1	Risk management associated with conflict minerals is described.	60, 69
Remanufacturing design & services	Revenue from remanufactured products and remanufacturing services	RT-IG-440b.1	Share of revenues is not reported but topic is addressed.	43

Table 2. Activity metrics

Metric	Code	Comment	Page
Number of units produced by product category	RT-IG-000.A	Not reported.	
Number of employees	RT-IG-000.B		17

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, corporate identity number 556014-2720

Introduction

We have been engaged by the Board of Directors of Atlas Copco AB to undertake a limited assurance engagement of Atlas Copco AB's Sustainability Report for the year 2023. Atlas Copco AB has defined the scope of the Sustainability Report to the pages referred to in the GRI index on pages 62–65.

Responsibilities of the Board and Executive Management

The Board of Directors and Executive Management are responsible for the preparation of the Sustainability Report in accordance with applicable criteria. The criteria are defined on pages 61 in the Sustainability Report and consist of the GRI Sustainability Reporting Standards, as well as the accounting and calculation principles that the company has developed. This responsibility includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

Responsibilities of the auditor

Our responsibility is to express a conclusion on the Sustainability Report based on our limited assurance procedures. Our engagement is limited to historical information presented in this document and does therefore not cover future oriented information.

We have conducted our engagement in accordance with ISAE 3000 (revised) *Assurance engagements other than audits or reviews of historical financial information.* A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. A limited assurance engagement is different from and substantially less in scope than reasonable assurance conducted in accordance with IAASB's Standards on Auditing and other generally accepted auditing standards in Sweden.

The firm applies International Standard on Quality Management 1, which requires that we design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of Atlas Copco AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The procedures performed in a limited review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. The conclusion based on limited assurance procedures does not provide the same level of assurance as a conclusion based on reasonable assurance.

Our procedures are based on the criteria defined by the Board of Directors and the Executive Management as described above. We consider these criteria suitable for the preparation of the Sustainability Report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions below.

Conclusions

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Sustainability Report is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Executive Management.

Stockholm the date as evidenced by our electronic signature

Ernst & Young AB

Erik Sandström
Authorized Public Accountant

Outi Alestalo
Expert Member of FAR

Risks, risk management and opportunities

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

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

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

Enterprise risk management

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

The ERM framework is regularly adapted to better identify and manage the Group's and the divisions' strategic risks. Risk insights are provided to divisions, e.g. through risk self assessments performed by the regional Holding functions, as well as workshops by Group functions. Specific deep dives are also performed as the risk landscape changes. A few workshops have for instance been conducted in respect of climate change, human rights and compliance risks. ESG related risks have been further incorporated into the framework as well as the overall risk assessment process. All material sustainability topics identified have also been fully integrated in the risk assessment process.

Loss prevention

The main purpose of the Group's loss prevention process is to prevent potential property losses and business interruptions. Atlas Copco Group's Loss Prevention Standard stipulates Group requirements in regards of loss prevention for product companies and distribution centers, including areas like: construction, safety systems, loss prevention procedures and plans that need to be prepared. The process also includes recommendations related to natural hazards. Great focus is put on identifying high exposed sites due to climate change, supporting prioritization of future investments. To ensure alignment with the standard and to support sites' understanding of how the standard applies to each site, around 25 risk surveys are performed annually. The results from these risk surveys are regularly consolidated and reported to Group Management.

Insurance

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

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

Atlas Copco Group

Key risks and how they are handled by Atlas Copco Group

RISK	CONTEXT	MITIGATING ACTIVITIES	OPPORTUNITIES
LEGAL AND COMPLIANCE	Atlas Copco Group's business operations are affected by numerous laws, regulations and trade sanctions as well as commercial and financial agreements with customers, suppliers and other counterparties, and also by licenses, patents and other intangible property rights.	• Inhouse lawyers on five continents support Group companies with advice on laws and regulations, including compliance, as well as support with contract reviews. Proactive training is also done. • A yearly legal risk survey of all companies in the Group is performed in addition to continuous follow-up of the legal risk exposure. The result of the survey is compiled, analyzed and reported to the Board and the auditors. • Group Legal is responsible for aligning and coordinating the compliance organization which, in line with the Group's decentralized structure, is hosted in the business areas and divisions. • Regular trainings are organized to create awareness around sanctions.	– Complying with legal norms and laws minimizes costs and increases opportunities to strengthen the Group's reputation. It also develops reliable partnerships and improves business stability. – The ability to trade on all markets, in compliance with applicable trade sanctions, increases revenue and lowers risk.
FINANCIAL	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). The Group's net interest cost is affected by changes in market interest rates. Funding risk refers to the risk that the Group and its subsidiaries do not have access to financing on acceptable terms. As in any business, there can be a credit risk linked to our customers' abilities to pay.	• A Financial Risk Management Committee meets regularly to manage financial risks. • Atlas Copco Financial Solutions is responsible for these risks and supports Group companies to implement financial policies and guidelines. • The Group's operations continuously monitor relevant exchange rates and try to offset negative changes by adjusting sales prices and costs. • Translation risks may be partially hedged by borrowings in foreign currency and financial derivatives. • The Group's Financial Risk Policy stipulates that a minimum amount of standby credit facilities should exist and that a minimum average time to maturity for the external debt is set. • Stringent credit policies are applied and there is no major concentration of credit risk. The provision for bad debt is based on historical loss levels and up-to-date information and is deemed sufficient.	– Working proactively with financial risks protects and may improve the profit margin and creates possibilities for more stable cash flow. Overall, financial risk mitigation has the ability to improve business resilience for the Atlas Copco Group.
REPORTING (INCLUDING TAX)	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. Reporting errors could result in management drawing the wrong conclusions. However, with many small entities, the material impact is low. Taxes is an area with increased focus, especially transfer pricing risks but also new tax rules and regulations. Estimations sometimes form a portion of the sustainability data which is reported, and thus by its nature the numbers presented may not be representative of the Group's impact.	• Group subsidiaries report their financial statements regularly in accordance with International Financial Reporting Standards (IFRS). The Group's consolidated financial statements, based on those reports, are prepared in accordance with IFRS and applicable parts of the Annual Accounts Act as stated in RFR 1 "Supplementary Rules for Groups". • The Group's operational and legal consolidated results are based on the same numbers and system. These are analyzed by divisional, business area, Group Management and corporate functions before being published externally. • The Group has procedures in place to ensure compliance with Group instructions, standards, laws and regulations, for example internal and external audits. • A Tax Committee meets regularly to manage tax risks. • Group Tax monitors and ensures compliance with tax rules, regulations and guidelines. Transfer pricing policies and agreements are implemented in operations and regularly updated. Quarterly updates on tax are presented to the Board and Group Management. • Atlas Copco Group reports sustainability information according to GRI Standards and works with training to improve reporting practices. • The Group is subject to the Corporate Sustainability Reporting Directive (CSRD) and is preparing to report according to the European Sustainability Reporting Standards (ESRS). One example of measures taken is the formation of a new Sustainability Reporting and Disclosure Council.	– Integrated reporting provides a better understanding of business risks and opportunities which in turn allows for improved decision making. It also allows the company to identify opportunities for business synergies. – Addressing reporting risks increases transparency and improves the potential to represent the business fairly and accurately. – Improved reporting results in improved business insights and risk management, especially when the data has been integrated to highlight interdependencies. – Efficient and consistent reporting based on clear standards and principles creates transparency, supports decision making and drawing the right conclusions. – Increased reporting requirements on taxes improves transparency.
MARKET	A widespread financial crisis and economic downturn would not only affect the Group negatively but could also impact customers' ability to finance their investments. Changes in customers' production levels also have an effect on the Group's sales of spare parts, service and consumables. In developing markets, new smaller competitors continuously appear which may affect the Group negatively.	• Well-diversified sales to customers in multiple countries and industries. Sales of spare parts and service are relatively stable in comparison to sales of equipment. • Monthly follow-up of market, technology and sales development enables quick actions. • Agile manufacturing set-up makes it possible to quickly adapt to changes in the demand for equipment. • Leading position in most market segments provides economies of scale.	– A significant competitive advantage as a result of a strong global presence, including growth markets. – Opportunities to positively impact both society and environment, through the Group's high-quality sustainable products and high ethical standards. – Continue to develop close, long-term and strategic relationships with customers and suppliers.

Atlas Copco Group

Key risks and how they are handled by Atlas Copco Group, continued

RISK	CONTEXT	MITIGATING ACTIVITIES	OPPORTUNITIES
REPUTATION	The Group's reputation is a valuable asset which may be affected in part through the Group's operations or actions and in part through the actions of external stakeholders. Products must deliver on the brand promise and be of high quality, safe and have a low negative impact on the environment when used by the customer. There is potential for reputational risk from non-compliance to product labeling standards or if there are cases of false advertising. Unsatisfied employees may potentially detract the Atlas Copco Group brand.	• All Atlas Copco Group products are tested and quality assured. Product labeling is monitored and there are regular communications trainings. • The Group actively engages in stakeholder dialogue. • Compulsory training in the Code of Conduct includes the yearly signing of a compliance statement. • A clear and well known corporate identity and brand management. • An employee survey is carried out every two years and followed up actively. • A robust crisis management process is in place and regularly tested.	– Brand positioning. – Stakeholder engagement not only mitigates reputational risks in certain cases but it also presents opportunities to increase awareness and credibility of Atlas Copco Group's brand through improvements and innovations. – Delivering tested and quality-assured products improves customer satisfaction and promotes repeat business. – Attract and develop employees who adhere to the Code of Conduct.
PRODUCTION	Core component manufacturing is concentrated to a few locations and if there are interruptions or lack of capacity in these locations, this may have an effect on deliveries or on the quality of products. Production facilities could also have a risk of damaging the environment through their operations, e.g. through hazardous waste and emissions. The Group is directly and indirectly exposed to raw material prices. The Group primarily distributes products and services directly to the end customer. If the distribution is not efficient, it may impact customer satisfaction, sales and profits. Damages and losses during the course of distribution can be costly. Some sales are made indirectly through distributors and rental companies and their poor performance may have a negative effect on sales. The distribution of products results in CO_2 emissions from transport.	• Manufacturing units continuously monitor the production process, test the safety and quality of products, make risk assessments, and train employees. • Atlas Copco Group has an internal Loss Prevention Standard to ensure high level of protection. • Production units have developed business continuity plans. • Ambition to certify all manufacturing units in accordance with the ISO 14001 standard. • Physical distribution of products is concentrated to a number of distribution centers and their delivery efficiency is continuously monitored. • Resources are allocated to training and development of the service organization. • As indirect sales are local/regional, the negative impact of poor performance is limited. • Increased focus on safer and more effective transports to reduce losses, costs and total emissions per transport.	– Continued opportunities to extensively promote operational excellence to streamline production, minimize inefficiencies and maintain a high flexibility in the production process. – Continue to strengthen the relationship with customers through timely deliveries of products and services. – Transport efficiencies and safe transports can save the customers time and cost while reducing the environmental impact of their own operations. – Local production and services improves business agility for the Group. – Reduction of fuel costs and resource requirements which decreases the Group's carbon footprint.
SUPPLY CHAIN	Atlas Copco Group and its business partners, such as suppliers, subcontractors and joint venture partners, must share the same values as expressed in the Group's Code of Conduct regarding issues such as human rights standards and principles of ethical conduct. The availability of many components is dependent on suppliers, and efficient supply chains, and if they have interruptions or lack capacity, this may affect deliveries. Using a large number of suppliers gives rise to the risk that products contain components which are not sustainably produced, e.g. hazardous substances or electronic components containing conflict minerals, or components with a large carbon footprint.	• Business partners are selected and evaluated based on objective factors including quality, delivery, price, and reliability, as well as on social/environmental responsibility. • Significant direct suppliers are required to have an approved environmental management system. • The presence of conflict minerals in the Group's value chain is investigated and eradicated. • Establishment of a global network of sub-suppliers, to prevent supplier dependency. • E-learning for business partners (suppliers and distributors) to raise awareness of the Code of Conduct, including the requirement for significant business partner to sign and follow the Code of Conduct. Action plans developed together with suppliers to deal with shortcomings and deviations. • The Group maintains lists of substances that are prohibited or restricted due to their potential negative impact on health or the environment. Compliance with these lists is part of the business partner criteria.	– 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 the Group's competitive position. – Strengthen customer relationships by supporting customers impacted by the Dodd Frank legislation on conflict minerals. – Promote human rights and work towards improving labor conditions, reducing corruption and conflicts in the entire value chain.
GEOPOLITICAL	The Group is present in most parts of the world and geographical crisis might lead to trade restrictions. The Group might inadvertently sell to sanctioned customers, directly or indirectly,	• The Group regularly performs geopolitical assessments and build scenarios to prepare for different outcomes. • Production, supply chain and customer centers are located close to customers to reduce any disruption. • Constant checks are performed in the divisions to comply with sanction lists.	– With a decentralized organization and a strategy to remain close to the customers, the Group can identify and respond quickly to market shifts and changes in legislation.

Atlas Copco Group

Key risks and how they are handled by Atlas Copco Group, continued

RISK	CONTEXT	MITIGATING ACTIVITIES	OPPORTUNITIES
INFORMATION TECHNOLOGY (IT)	Atlas Copco 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. Theft or modification of intellectual property constitutes a risk to our products and future business success. Cyber security risks are increasing in importance and can have a major impact on the Group's operations. The General Data Protection Regulation (GDPR), and other comparable legislation, impacts the handling of personal data. Failure to comply with GDPR or other IT-related regulations may result in substantial fines and reputational damage.	• The Group has a global IT Security policy, including quality-assurance procedures that govern IT operations. Information security is monitored through IT Security audits and cyber-risk assessments. Standardized processes are in place for the implementation of new systems, changes to existing systems and daily operations. The system land-scape is based on well-proven technologies. • IT Security tracks globally major downloads of files. Screening of business partners/consultants working in our systems. • Cyber security is regularly discussed, addressed and invested in by the IT Security function. By performing cyber-risk assessments, awareness of cyber security risks increases the readiness to quickly detect and respond to any attacks. • Compulsory trainings for all employees are regularly performed. • A privacy- and data compliance council tracks the essential activities to ensure compliance with data privacy regulations. • Increased focus on secure development process for our product software.	– Stable IT systems, secure IT environment and standardized processes increase efficiencies and reduce costs. – Quick action on major download of product development files minimizes the potential damage. – Quick action to address a cyber-attack gives opportunity to stable work environment and business continuity. – As the approach has been global, the Group is well prepared to face future data privacy initiatives in all regions or continents.
ACQUISITIONS AND DIVESTMENTS	When making acquisitions, there are risks related to the selection and valuation of the potential targets as well as the process of acquiring them. Integrating acquired businesses may also be a complex and demanding process. There is no guar-antee for an acquisition to be successful even if all steps are done properly. Annual impairment tests are made on acquired goodwill. If the carrying values are not deemed justified in such tests, it can result in a write-down, affecting the Group's result.	• The Group's Acquisitions Process Council has established a process for acquisitions. The process is continually updated and improved to address and mitigate risks. The Council also provides training and supports business units prior to, during and after an acquisition. Before any acquisition is completed, a detailed due diligence will be performed in order to evaluate the risks involved. • Atlas Copco Group guidelines and policies are applied to assess and manage the environmental and social impact of operations, as well as business conduct, in the affected communities after an acquisition is completed.	– Acquisitions bring possibilities to enter new markets, seg-ments, new technologies, new clients, increase revenues, etc. – Identifying the obstacles to integration can allow the Group to improve the process through methods such as job rotation, training or teambuilding exercises. This would not only result in a smoother process but also lower operational costs by decreasing downtime and allowing newly acquired companies to become even more productive and efficient. – Established process for a faster integration of newly acquired companies.
PRODUCT DEVELOPMENT	One of the challenges to the Group 's long-term growth and profitability is to continuously develop innovative, sustainable, and recyclable products that consume less resources over the entire life cycle. The Group's product offering is also affected by national and regional legislation on issues such as emissions, noise, vibrations, recycling, etc. However, there may be increased risk of competition in emerging markets where low-cost products are not affected to the same extent by such rules.	• Continuous investments in research and development to develop products in line with Group targets, including science-based targets, customer demand and expectations, even during economic downturns. • Designing products with a life-cycle perspective and measurable efficiency targets for the main product categories in each division. • Designing products with reduced emissions, vibrations or noise, and increased recycling potential to meet legal requirements.	– Substantial opportunities to strengthen the competitive edge by innovating high-quality, sustainable products and creating an integrated value proposition for customers. – Support internal and external stakeholders in reducing carbon emissions.
CLIMATE AND ENVIRONMENT	The primary drivers for external environmental risk are physical changes in climate and natural resources, changes in regulations, taxes and resource prices. Natural disasters as a consequence of climate change can disrupt own operations or impact the supply chain. Increased fuel/energy taxes increase operational costs. Regulations and requirements related to carbon-dioxide emissions from products and industrial processes are gradually increasing. Climate-related and environmental events can affect all of Atlas Copco Group's operations and negatively affect operations either directly or by disrupting the supply chain. Market shifts toward a low-carbon economy may impact the viability of certain sectors. Biodiversity-related requirements on companies are increasing.	• The loss prevention process prevents potential property losses and business interruptions due to climate events and increased natural disasters. • Atlas Copco Group, in close relationship with its customers, continuously develops products with improved energy efficiency, reduced emissions and lower environ-mental footprint. • The Group has several key performance indicators (KPIs) that address resource and energy usage in order to reduce carbon-dioxide emissions. • Strict processes for handling hazardous waste and chemicals are implemented in all operational units. Compliance is audited regularly and awareness is reinforced by training. • All cooling agents in the Group's products have a zero-ozone depleting impact during the product's lifecycle, and the aim is to continue to introduce cooling agents with lower Global Warming Potential (GWP). • The Group's SHEQ Policy covers biodiversity-related aspects. ISO 14001 certifications in major subsidiaries will support addressing relevant environmental focus areas.	– Working proactively with environmental risks can provide significant opportunities to drive innovation at Atlas Copco Group. – Given that many customers are operating in areas of extreme water stress/scarcity, water-efficient or water-recycling prod-ucts can have a strong customer appeal. This presents a strong business opportunity to extend the Group's innova-tions to the focused area of water consumption. – Climate change impacts and predictions can induce changes in consumers' habits and behavior. As a result of climate events, the Group's customers can become more risk averse and demand products with a lower impact on the environ-ment. New businesses and business models that are being served by the Group arise. For instance, increased renewable energy generation and the surge in production of electrical vehicles present opportunities to provide products to these industries. – Raised awareness of the subsidiaries' impact on biodiversity in their near surroundings can support activities to restore flora and fauna.

Key risks and how they are handled by Atlas Copco Group, continued

RISK	CONTEXT	MITIGATING ACTIVITIES	OPPORTUNITIES
TALENT ATTRACTION AND RETENTION	Atlas Copco Group must have access to and attract skilled and motivated employees and safeguard the availability of competent managers to achieve established strategic and operational objectives.	• The competence mapping and plan secure access to people with the right expertise at the right time. Recruitment can be both external and internal. Internal recruitment and job rotation are facilitated by the Internal job market. • Salaries and other conditions are adapted to the market and linked to business priorities. The Group strives to maintain good relationships with unions. • Continuous contacts with universities and schools help recruiting new skills and talents, and understanding the expectations of young generations.	– Motivated and skilled employees and managers are crucial to achieve or exceed business goals and objectives.
SAFETY AND HEALTH	Poor physical and mental health and too much stress among employees affect the individual and can cause sick leave and disturbances in the production. Accidents or incidents in the workplace, due to the lack of proper safety measures, harm employees and can negatively affect the Group's productivity and brand. Atlas Copco Group 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. • Training is held regularly. • The ambition is to certify all major units in accordance with the ISO 45001 standard. • Workplace wellness programs. • Atlas Copco Group's business partners are trained in Group policies including the approach to health and safety.	– Improved safety and wellbeing among employees increases employee satisfaction and engagement, productivity and strengthens the brand. – Improving working conditions for customers and business partners benefits their employees and local societies and can enhance long-lasting relationships that result in repeat orders.
HUMAN RIGHTS	Atlas Copco Group operates in countries/areas with high risk of human rights violations, including child labor, forced or compulsory labor, modern slavery, poor working conditions, limitations of the freedom of association and discrimination. The Group encounters customers who are exposed to human rights issues. Risks to the Group's reputation may arise from relationships with business partners who do not comply with internationally accepted ethical, social and environmental standards.	• Guidance by interaction with well-established non-governmental organizations to identify and mitigate risks. • Policies and procedures corresponding to the UN Guiding Principles on Business and Human Rights, which Atlas Copco Group has committed to since 2011. • Due diligence process and integration of internal controls for human rights violations in relevant processes. • The Group customer sustainability assessment tool. • Regular supplier evaluations in accordance with the UN Global Compact.	– Following the UN Guiding Principles on Business and Human Rights to respect human rights reduces risks and costs. – Strong business ethics help promote societal prosperity and a more stable market place. – Working with human rights positively impacts both the Atlas Copco brand and stakeholder relations.
CORRUPTION AND FRAUD	Corruption and bribery exist in many markets where Atlas Copco Group conducts business. Fraud or criminal deception intended to result in financial or personal gain, is always present in global operations.	• Zero-tolerance policy on bribery and corruption, including facilitation payments. • Internal control routines aimed at preventing and detecting deviations. The Internal Audit function is established to ensure compliance with the Group's corporate governance, internal control and risk management policies. • Control self-assessment tool to analyze internal control processes. • Training in the Code of Conduct and signing compliance to the Code for all employees and significant business partners. • SpeakUp: the global Group misconduct reporting system to report violations anonymously. • The Group supports fair competition and forbids discussions or agreements with competitors concerning pricing or market sharing.	– By fighting against corruption and fraud, Atlas Copco Group has the opportunity to work with industry peers to influence international market practices. Refusing to pay bribes may cause temporary delays and setbacks; however it reduces costs in both the long and short run, builds opportunities to improve operational efficiencies and creates more stability in society and in markets where the Group operates. – Working against corruption and fraud improves the Group's credibility and transparency and creates more ways to improve stakeholder relations.

Atlas Copco Group

The Atlas Copco AB share

Share price development and returns

In 2023, the price of the A share increased 41.0% to SEK 173.6 (123.1) and the B share increased 34.5% to SEK 149.4 (111.1). The annual total return on the Atlas Copco A share, equal to dividend, redemption and the change in the share price, including the distribution of Epiroc AB, was on average 21% for the past ten years and 31% for the past five years. The corresponding total return for Nasdaq Stockholm was 12% and 16%, respectively.

Trading and market capitalization

The Atlas Copco shares are listed on Nasdaq Stockholm, which represented 22.6% of the total trading of the A share (30.9% of the B share) in 2023. Other markets, so called Multilateral Trading Facilities (MTF), e.g. CBOE accounted for 35.6% (35.4% of the B share), and the remaining 41.8% (33.7% of the B share) were traded outside public markets, for example through over-the-counter trading.

The market capitalization at year end 2023 was MSEK 815 902 (586 731) and the company represented 7.8% (6.3) of the total market value of Nasdaq Stockholm. The Atlas Copco share was the most traded share in 2023 (second most traded in 2022) by total turnover.

A program for American Depositary Receipts (ADRs) was established in the United States in 1990. One ADR corresponds to one share. The depositary bank is Citibank N.A. At year end 2023, there were 91 670 227 ADRs outstanding, of which 81 072 104 represented A shares and 10 598 123 represented B shares.

Personnel stock option program and repurchase of own shares

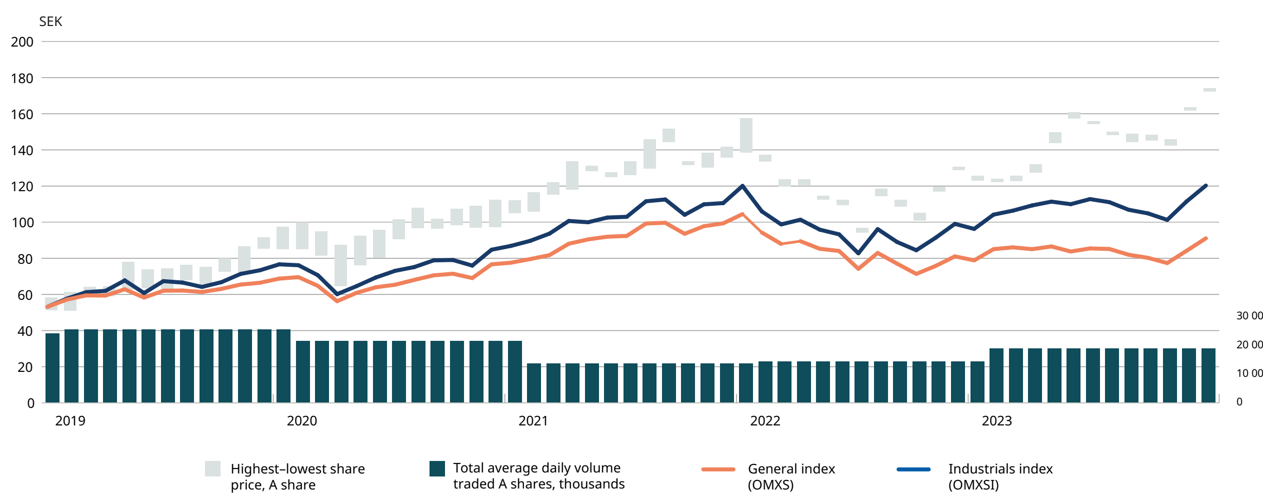
The Board of Directors will propose to the Annual General Meeting 2024 a similar performance-based long-term incentive program as in previous years. The company's holding of own shares on December 31, 2023 appears in the table to the right.

Dividend

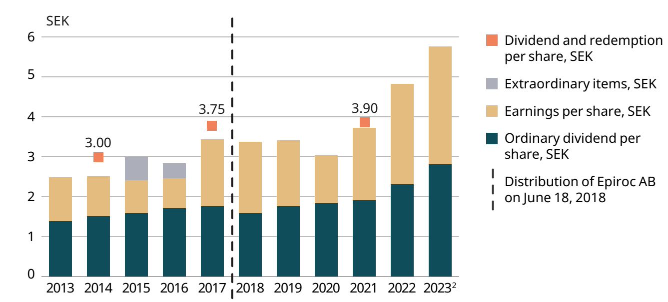
The Board of Directors proposes to the Annual General Meeting 2024 an ordinary dividend of SEK 2.80 (2.30) per share to be paid for the 2023 fiscal year. In order to facilitate a more efficient cash management, the dividend is proposed to be paid in two equal installments. If approved, the ordinary dividend has averaged 52% of basic earnings per share during the last five years. The ambition is to distribute about 50% of earnings as dividends to shareholders. See more information on page 18.

Share information 2023-12-31	A share	B share
Nasdaq Stockholm	ATCO A	ATCO B
ISIN code	SE0017486889	SE0017486897
ADR	ATLKY.OTC	ATLCY.OTC
Total number of shares	3 357 576 384	1 560 876 032
% of votes	95.6	4.4
% of capital	68.3	31.7
Whereof shares held by Atlas Copco AB	47 893 133	0
% of votes	1.4	0.0
% of capital	1.0	0.0

Share price development [1)]



Earnings and distribution per share [1)]



[1)] Adjusted for the share split in 2022 [2)] Proposed by the Board of Directors

Atlas Copco Group

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Internal control over reporting
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The Atlas Copco AB share, continued

Ownership structure

At the end of 2023, Atlas Copco AB had 125 893 (115 459) shareholders. The ten largest shareholders registered directly or as a group with Euroclear Sweden, the Swedish Central Securities Depository, by voting rights, accounted for 34% (35) of the voting rights and 31% (32) of the capital. Swedish investors held 47% (50) of the capital and represented 45% (47) of the voting rights.

Ten largest shareholders *

December 31, 2023	% of votes	% of capital
Investor AB	22.3	17.0
Swedbank Robur fonder	3.1	4.0
Handelsbanken fonder	2.3	2.0
SEB Investment Management	1.4	1.1
Nordea Investment Funds	1.1	1.0
Folksam	1.0	1.0
SPP Fonder AB	0.8	0.8
Avanza Fonder	0.8	0.8
Alecta Pensionsförsäkring	0.7	2.7
Länsförsäkringar fondförvaltning AB	0.5	0.7
Others	66.0	68.9
Total	**100.0**	**100.0**
– of which shares held by Atlas Copco AB	1.4	1.0

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

Ownership category

December 31, 2023	% of capital
Shareholders domiciled abroad (legal entities and individuals)	52.8
Swedish financial companies	36.8
Swedish individuals	4.6
Other Swedish legal entities	2.0
Swedish social insurance funds	2.5
Swedish trade organizations	1.0
Swedish government and municipals	0.3
Total	**100.0**

Ownership structure

Number of shares, December 31, 2023	% of shareholders	% of capital
1–500	61.6	0.2
501–2 000	20.0	0.6
2 001–10 000	13.7	1.6
10 001–50 000	3.7	1.9
50 001–100 000	0.4	0.7
>100 000	0.6	95.0
Total	**100.0**	**100.0**

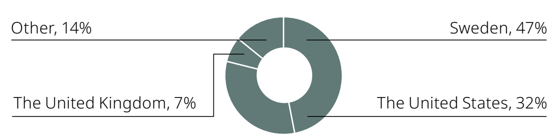
Share issues [1]

			Change of share capital, MSEK	Amount distributed, MSEK
2015	Split	2:1		
	Share redemption [2]	1 229 613 104 shares at SEK 6	–393.0	–7 304.7
	Bonus issue	No new shares issued	393.0	
2018	Split	2:1		
	Share redemption [3]	1 229 613 104 shares at SEK 8	–393.0	–9 704.6
	Bonus issue	No new shares issued	393.0	
2022	Split	4 ordinary shares and 1 redemption share		
	Share redemption [4]	1 229 613 104 shares at SEK 8	–157.0	–9 731.8
	Bonus issue	No new shares issued	157.0	

1) For more information please visit www.atlascopcogroup.com/investor-relations.
2) 1 217 444 513 shares net of shares held by Atlas Copco AB.
3) 1 213 080 695 shares net of shares held by Atlas Copco AB.
4) 4 865 921 644 shares net of shares held by Atlas Copco AB as of May 13, 2022.

Shareholders by country

December 31, 2023, percentage of capital



Important dates

2024	April 24	First quarter results
	April 24	Annual General Meeting
	April 25 *	Shares trade excluding right to dividend of SEK 1.40
	May 2 *	Dividend payment date (preliminary)
	May 16	Capital Markets Day
	July 18	Second quarter results
	October 18*	Shares trade excluding right to dividend of SEK 1.40
	October 24	Third quarter results
	October 24 *	Dividend payment date (preliminary)
2025	January 28	Fourth quarter results 2023

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

More information

- More data per share can be found on page 150 in the four-year summary.
- For more information on distribution of shares, option programs and repurchase of own shares, see notes 4, 19 and 22.
- Detailed information on the share and debt can be found on www.atlascopcogroup.com/investor-relations

Corporate governance

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

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

Atlas Copco Group does not report any deviations from the Code for the financial year 2023. The corporate governance report has been examined by the auditors, see page 148.

The following information is available at www.atlascopcogroup.com

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

Comment from the Chair

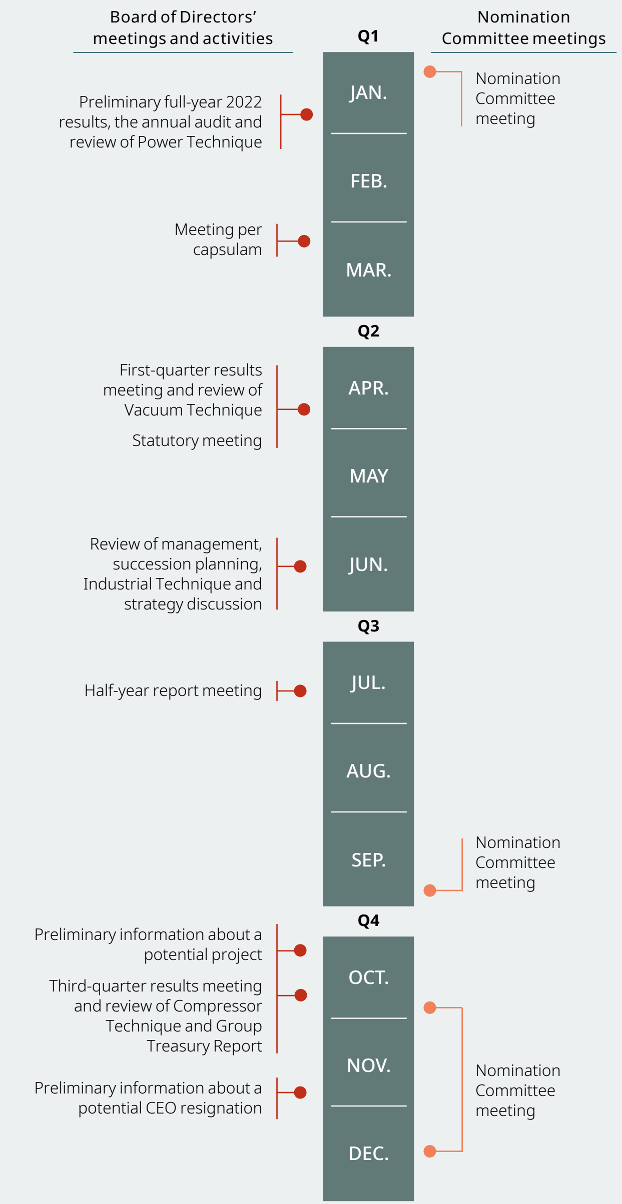
Atlas Copco Group is a truly global industrial company, which creates lasting value and empowers customers to drive society forward in over 180 countries. Through energy-efficient products that save carbon emissions, and by implementing values and processes with respect for people and the planet, Atlas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

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

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

Hans Stråberg
Chair since 2014

Meetings of the Board and the Nomination Committee during 2023



Atlas Copco Group

Corporate governance, continued

1. Shareholders

At the end of 2023, Atlas Copco AB had 125 893 (115 459) shareholders. The ten largest shareholders registered directly or as a group with Euroclear Sweden, the Swedish Central Securities Depository, by voting rights, accounted for 34% (35) of the voting rights and 31% (32) of the capital. Swedish investors held 47% (50) of the capital and represented 45% (47) of the voting rights. The largest shareholder is Investor AB, holding 17.0% of capital and 22.3% of votes. More information on Atlas Copco AB shareholders can be found on pages 72–73.

2. General Meeting

In accordance with the Articles of Association, the Annual General Meeting has sole authority for the election or dismissal of Board members. However, employee representative Board members are, by law, not appointed by the AGM. The General Meeting is Atlas Copco Group's supreme decision-making body in which all shareholders are entitled to take part. Anyone registered in the shareholders' register who has given due notification to the Company of their intention to attend, may join the meeting and vote for their total shareholding. Atlas Copco Group encourages all shareholders to vote at the General Meeting and shareholders who cannot participate in person may be represented by a proxy holder or vote by mail. A shareholder or a proxy holder may be accompanied by two assistants and a proxy form can be found prior to the General Meeting at www.atlascopcogroup.com/agm.

The Annual General Meeting (AGM) 2023 was held on April 27, 2023 in Solna, Sweden. The Company also offered shareholders the possibility to exercise their voting rights by mail voting. 66% of the total number of votes in the Company and 66% of the shares were represented.

Decisions at the AGM 2023 included:

- Adoption of the income statements and balance sheets of Atlas Copco AB and the Group for 2022.
- Discharge of liability of the Company's affairs during the 2022 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 2.30 per share to be paid in two installments. The first installment amount will be SEK 1.15 per share and the second installment amount will be SEK 1.15 per share.
- Amendment of the Articles of Association, allowing the Board to invite visitors (i.e. non-shareholders) to attend a general meeting of shareholders.
- That the number of directors elected by the AGM for a term ending at the next AGM would be eight directors and no alternates.
- Election of the Board of Directors.
- A resolution of the Board of Directors' fee.
- Approval of the remuneration report for 2022.
- Approval of the reported scope and principles for a performance based employee stock option plan for 2023 including mandate for the Board to decide upon repurchase and sales of Atlas Copco AB shares to hedge the plan and previous similar plans.
- Election of Ernst & Young AB as auditor firm up to and including the Annual General Meeting 2024.

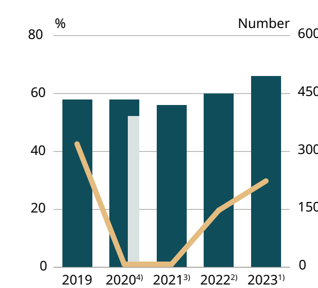
Annual General Meeting 2024

The Annual General Meeting will be held on April 24, 2024. Shareholders who wish to contact the Nomination Committee or have a matter addressed by the Board of Directors at the AGM may submit their proposals by ordinary mail or e-mail to:

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

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

General Meeting Attendance



AGM, votes, %
EGM, votes, %
Shareholders and proxy holders, number

[1] AGM 2023, mail voting was available.
[2] AGM 2022, mail voting was available.
[3] AGM 2021, due to Covid-19 only mail voting, no physical attendance.
[4] AGM 2020, due to Covid-19 mail voting was available and recommended.
EGM 2020, due to Covid-19 only mail voting, no physical attendance.

3. Nomination Committee

The Nomination Committee aims to propose a Board with a broad and complementary experience from a number of important industries and markets. Experience from the manufacturing industry with international coverage is viewed as especially valuable. The committee also considers factors such as diversity, gender balance, potential conflicts of interest etc. The Nomination Committee's diversity policy is based on section 4.1 in the Corporate Governance Code. The eight Board members elected by the shareholders have backgrounds from various industries. As proposed to the AGM 2023, three of the seven non-executive members are women. Three members are born in the 1950's, two in the 1960's, and two in the 1970's. The Board members are of two different nationalities, from Germany and a majority of the Board members coming from Sweden. Increasing the diversity of the Board of Directors with regard to gender is a priority for the Nomination Committee.

Based on the findings of the Chair of the Board, the Nomination Committee annually evaluates the work of the Board. Further to that, the Nomination Committee proposes the Chair to the Annual General Meeting, prepares a proposal regarding number and names of Board members, including Chair and a proposal for remuneration to the Chair and other Board members not employed by the Company, as well as a proposal for remuneration for Board committee work. Finally, the Nomination Committee proposes an audit firm 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 2024. In view of the Nomination Committee's strive to reach gender balance, for example in case of equal competence, the candidate that will lead to improved gender balance should be proposed.

In compliance with the Swedish Corporate Governance Code and the procedures adopted by the AGM 2016, the representatives of the four largest shareholders, directly registered or ownership grouped as listed in the shareholders' register as of August 31, 2023, together with the Chair of the Board shall form the Nomination Committee. The members of the Nomination Committee for the AGM 2024 were announced on September 11, 2023, and represented approximately 30% of all votes in the Company. The members of the Nomination Committee receive no compensation for their work in the committee.

Nomination Committee members for the AGM 2024: Petra Hedengran, Investor AB, Chair of the Nomination Committee; Jan Andersson, Swedbank Robur funds; Helen Fasth Gillstedt, Handelsbanken Fonder AB; Mikael Wiberg, Alecta; and Hans Stråberg, Atlas Copco AB, Chair of the Board.

4. Board of Directors

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

Board of Directors' members

At the end of 2023 the Board of Directors consisted of eight elected members, including the President and CEO. The Board also had two employee representatives, each with one personal deputy. Atlas Copco Group fulfilled the 2023 requirements of Nasdaq Stockholm and the rules of the Swedish Corporate Governance Code regarding independency of board members. The Swedish Corporate Governance Code states that a majority of the members of the board are to be independent of the company and its management. Further, according to the Code, at least two members must also be independent of the company´s major shareholders. In line with the preparatory documents to the Swedish Companies Act, which expresses a positive view of active and responsible ownership, major shareholders of Swedish companies may appoint a majority of members with whom they have close ties. The Code also stipulates that no more than one of the directors elected by the shareholders' meeting may be on the executive management team of the company or one of its subsidiaries. Normally, this place is taken by the CEO.

The Board of Directors' work

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

The Board held nine meetings in 2023. Four were physical meetings held at Atlas Copco AB in Nacka. Four meetings were held virtually and one per capsulam. The attendance at Board meetings is presented on page 78–79.

The Board continuously evaluates the performance of the President and CEO, Mats Rahmström. For the Annual Audit, the Company's principal auditor, Erik Sandström, Ernst & Young AB, reported his observations to the Board. The Board also had a separate session with the auditor where members of Group Management were not present.

Evaluation of the Board of Directors' work

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

Remuneration to the Board of Directors

Remuneration and fees are based on the work performed by the Board. The AGM 2023 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 4.

- The Chair was granted an amount of SEK 3 200 000.
- Each of the other Board members not employed by the Company was granted SEK 1 035 000.
- An amount of SEK 360 000 was granted to the Chair of the Audit Committee and SEK 225 000 to each of the other members of this committee.
- An amount of SEK 140 000 was granted to the Chair of the Remuneration Committee and SEK 105 000 to each of the other members of this committee.
- An amount of SEK 100 000 was granted to each non-executive director who, in addition, participates in committee work decided upon by the Board.
- The meeting further resolved that 50% of the director's Board fee could be received in the form of synthetic shares.

5. Audit Committee

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

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

The Audit Committee members during 2023 were Anna Ohlsson-Leijon, Chair, Johan Forssell and Hans Stråberg.

6. Remuneration Committee

The Remuneration Committee is elected by the Board at the statutory Board meeting after the Annual General Meeting and until the statutory Board meeting the following year. The work of the Remuneration Committee is directed by the Remuneration Committee Charter, which is reviewed and approved annually by the Board. The Remuneration Committee's primary task is to propose to the Board the remuneration to the President and CEO and a long-term incentive plan for key employees. The purpose of a long-term incentive plan is to align the interests of key personnel with those of the shareholders. The guidelines for executive remuneration in Atlas Copco Group aim to establish principles for fair and consistent remuneration with respect to compensation, benefits, and termination. The base salary is based on competence, area of responsibility, experience and performance, while the variable compensation is linked to predetermined and measurable criteria which can be financial or non-financial. The guidelines for executive remuneration are reviewed annually and the Annual General Meeting 2020 approved the guidelines for remuneration. See also note 4.

The Remuneration Committee had three meetings in 2023. All members were present. During the year, the Remuneration Committee also supported the President and CEO in determining remuneration to the other members of Group Management. All meetings of the Remuneration Committee have been reported to the Board and the corresponding Minutes have been distributed to the Board.

The Remuneration Committee members during 2023 were Hans Stråberg, Chair and Peter Wallenberg Jr. Staffan Bohman was member until the AGM 2023 when Gordon Riske replaced him.

7. Auditor

The task of the external auditor is to examine Atlas Copco Group's consolidated accounts and annual report, as well as to review the Board and the CEO's management of the Company. At the AGM 2023 the audit firm Ernst & Young AB, Sweden, was elected external auditor up to and including the AGM 2024 in compliance with a proposal from the Nomination Committee. The principal auditor is Erik Sandström, Authorized Public Accountant at Ernst & Young AB. At the AGM 2023, Erik Sandström referred to the auditor's report for the Company and the Group in the annual report and explained the process applied when performing the audit. He also recommended adoption of the presented income statements and balance sheets, discharge of liability for the President and CEO and the Board of Directors, and adoption of the proposed distribution of profits.

8. Internal Audit and Assurance

Internal Audit and Assurance aims to provide independent and objective assurance on internal control by conducting internal audits. It reports five times per year to the Audit Committee. Read more on pages 82–83.

9. Group Management

Besides the President and CEO, the Group Management during 2023 consists of four business area presidents and four senior vice presidents responsible for the main Group functions; Corporate Communications, Human Resources, Controlling and Finance, and Legal. The President and CEO is responsible for the ongoing management of the Group following the Board's guidelines and instructions.

Remuneration to Group Management

The guidelines for executive remuneration in Atlas Copco Group are reviewed annually by the Board of Directors and presented to the AGM for approval at least every four years. In 2020, the AGM decided to adopt the Board's proposal and a new proposal will be presented at the AGM 2024. Other than for a clarification regarding the right of the company to reclaim variable compensation, and minor editorial changes, the new proposed guidelines remain the same as the most recently adopted guidelines. No material comments warranting additional changes to the guidelines have been provided since the guidelines were adopted in 2020. The Board considers the revisions, with the aforementioned clarification, to reflect the general interest of the shareholders. The remuneration shall consist of base salary, variable compensation, possible long-term incentives (employee stock options), pension benefits and other benefits. The variable compensation is limited to a maximum percentage of the base salary and is linked to predetermined and measurable criteria which can be financial or non-financial. Non-financial criteria for 2023 has been to reduce the Group's CO_2 emissions. No fees are paid for board memberships in Group companies.

Based on the guidelines for executive remuneration the Board of Directors annually proposes a Remuneration Report to the AGM for approval. In 2023, the AGM decided to approve the Remuneration Report for 2022.

Statement of materiality and significant audiences

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

The Code of Conduct is the central guiding policy for Atlas Copco Group, and is owned by the Board of Directors. Its commitment goes beyond the requirements of legal compliance, to supporting voluntary international ethical guidelines. These include the United Nations International Bill of Human Rights, International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the ten principles of the United Nations Global Compact, and OECD's Guidelines for Multinational Enterprises. Atlas Copco Group has employed a stakeholder-driven approach in order to identify the most material environmental, human rights, labor and ethical aspects of its business. These priorities guide how the Group develops and drives its business strategy, as well as its roadmap to support the UN Sustainable Development Goals.

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

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

Board of Directors




Name **Position, year of birth**	**Hans Stråberg** Chair since 2014, born 1957	**Mats Rahmström** Board member, President and CEO, born 1965	**Jumana Al-Sibai** Board member, born 1972	**Heléne Mellquist** Board member, born 1964
Education	M.Sc. in Mechanical Engineering, Chalmers University of Technology, Gothenburg.	MBA from the Henley Management College, United Kingdom.	University of Karlsruhe (TH), Karlsruhe Institute of Technology, Germany and HEC Lausanne, Switzerland, Diploma in Industrial Engineering.	Bachelor in International Business studies, University of Gothenburg. Executive Management, Stockholm School of Economics.
Nationality / Elected	Swedish / 2013	Swedish / 2017	German / 2023	Swedish / 2022
External memberships	Chair of AB SKF, Roxtec AB, CTEK AB and Anocca AB. Board member of Investor AB and Mellby Gård AB. Member of The Royal Swedish Academy of Engineering Sciences.	Chair of Piab AB. Board member of Wärtsilä Oyj Abp, Finland. Member of The Royal Swedish Academy of Engineering Sciences.	Board of Trustees at FKFS (Forschungsinstitut für Kraftfahr wesen und Fahrzeugmotoren Stuttgart), Germany.	Board member of Thule Group AB.
Principal work experience and other information	President and CEO for AB Electrolux. Various executive positions in the Electrolux Group based in Sweden and the U.S. EU Co-Chair TABD, Trans-Atlantic Business Dialogue.	President and CEO of Atlas Copco AB*. President of the Atlas Copco Tools and Assembly Systems General Industry division. Before he was appointed President and CEO he was Business Area President for Industrial Technique.	Member of the Board of Management at MAHLE GmbH with responsibility for Thermal Management and CEO of MAHLE Behr GmbH & Co. KG*. EVP/SVP positions at Robert Bosch GmbH with focus on general management, sales, and strategy. Director at Simon Kucher & Partners Strategy & Marketing Consultants.	Executive Vice President and Chief Operating Officer of Latour Group*. President of Volvo Penta. Senior Vice President of Volvo Trucks Europe, Senior Vice President of Volvo Trucks International and CEO of TransAtlantic AB.
Attendance				
Board meetings	9 of 9	8 of 9	6 of 9 [7]	9 of 9
Annual General Meeting	Yes	Yes	Yes	Yes
Independence				
To Atlas Copco AB and its management	Yes	No [3]	Yes	Yes
To major shareholders	No [4]	Yes	Yes	Yes
Fees and holdings				
Total fees 2023, KSEK [1]	3 651		906	1031
Holdings in Atlas Copco AB [2]	166 380 class A shares 132 000 class B shares 68 145 synthetic shares	58 348 class A shares 60 240 class B shares 928 297 employee stock options	3 499 synthetic shares	8 171 synthetic shares

Board members appointed by the unions

Benny Larsson
Position: Board member
Year of birth: 1972
Nationality: Swedish
Elected: 2018
Board meetings: 9 of 9

Mikael Bergstedt
Position: Board member
Year of birth: 1960
Nationality: Swedish
Elected: 2004
Board meetings: 8 of 9

REFERENCES:
All educational institutions and companies are based in Sweden, unless otherwise stated.
1) See more information on the calculation of fees in note 4.
2) Holdings as per end 2023, including those of close relatives or legal entities and grant for 2023.
3) President and CEO of Atlas Copco AB.
4) Board member in Investor AB, which is a larger owner in Atlas Copco AB.
5) President and CEO in Investor AB, which is a larger owner in Atlas Copco AB.
6) Board member of an indirect owner of Atlas Copco AB.
7) Full attendance since their election at the Annual General Meeting in April 2023.
* Current position.

Atlas Copco Group

Board of Directors, continued




Name **Position, year of birth**	**Johan Forssell** Board member, born 1971	**Anna Ohlsson-Leijon** Board member, born 1968	**Gordon Riske** Board member, born 1957	**Peter Wallenberg Jr** Board member, born 1959
Education	M.Sc. in Economics and Business Administration, Stockholm School of Economics.	B.Sc. in Business Administration and Economics from Linköping University.	MBA programme at GSBA, Zurich, Switzerland, in collaboration with the State University of New York, United States, and BBA, Oekreal School of Business, Zurich, Switzerland.	BSBA Hotel Administration, University of Denver, United States, and International Bachaloria, American School, Leysin, Switzerland.
Nationality / Elected	Swedish / 2008	Swedish / 2020	American / German / 2020	Swedish / 2012
External memberships	Board member of EQT AB, Investor AB, Patricia Industries AB, Wärtsilä Oyj Abp, Finland, Epiroc AB, Confederation of Swedish Enterprise and Stockholm School of Economics. Member of The Royal Swedish Academy of Engineering Sciences.	Board member of Schneider Electric.	Chair of the MTU Aero Engines, AG Munich, Germany and Sunlight Group SA, Athens, Greece. Member of the Executive Board for the non-profit Hertie-Stiftung GmbH, Frankfurt, Germany.	Chair of Knut and Alice Wallenberg Foundation, Wallenberg Foundations AB and FAM Förvaltning AB (The Grand Group). Board member of Scania.
Principal work experience and other information	President and CEO of Investor AB*. Managing Director, Head of Core Investments and member of the management group of Investor AB.	Group Executive Vice President and head of Business Area Europe and Business Area Asia-Pacific, Middle East and Africa, head of Group Consumer Direct Interaction development and the product line Wellbeing at AB Electrolux*. Senior positions within Electrolux Group including Head of Commercial & Consumer Journey, CFO of AB Electrolux, CFO of Major Appliances EMEA and Head of Electrolux Corporate Control & Services. Chief Financial Officer of Kimoda. Various positions within PricewaterhouseCoopers.	CEO of KION Group AG, Germany. Chairman of the Management Board of Linde Material Handling GmbH, Germany, Chairman of the Management Board of Deutz AG, Germany, Managing Director of KUKA Roboter GmbH, Germany, and management positions at KUKA Schweißanlagen & Roboter GmbH, Germany and KUKA Welding Systems & Robot Corporation, U.S.	President and CEO of The Grand Hotel Holdings, General Manager, The Grand Hotel, President Hotel Division Stockholm-Saltsjön.
Attendance				
Board meetings	9 of 9	9 of 9	9 of 9	9 of 9
Annual General Meeting	Yes	Yes	Yes	No
Independence				
To Atlas Copco AB and its management	Yes	Yes	Yes	Yes
To major shareholders	No [5]	Yes	Yes	No [6]
Fees and holdings				
Total fees 2023, KSEK [1]	1 255	1 464	1 110	1 135
Holdings in Atlas Copco AB [2]	44 000 class B shares, 21 798 synthetic shares	1 400 class B shares, 11 523 synthetic shares	16 182 synthetic shares	666 668 class A shares, 21 798 synthetic shares

Board members appointed by the unions

Thomas Nilsson
Position: Deputy to Benny Larsson
Year of birth: 1972
Nationality: Swedish
Elected: 2021
Board meetings: 8 of 9

Helena Hemström
Position: Deputy to Mikael Bergstedt
Year of birth: 1969
Nationality: Swedish
Elected: 2021
Board meetings: 9 of 9

REFERENCES:
All educational institutions and companies are based in Sweden, unless otherwise stated.
1) See more information on the calculation of fees in note 4.
2) Holdings as per end 2023, including those of close relatives or legal entities and grant for 2023.
3) President and CEO of Atlas Copco AB.
4) Board member in Investor AB, which is a larger owner in Atlas Copco AB.
5) President and CEO in Investor AB, which is a larger owner in Atlas Copco AB.
6) Board member of an indirect owner of Atlas Copco AB.
7) Full attendance since their election at the Annual General Meeting in April 2023.
* Current position.

Group Management

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

Mats Rahmström

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

Position: President and CEO

Year of birth: 1965

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

Nationality: Swedish

Employed/In current position since: 1988/2017

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

Holdings in Atlas Copco AB [1]
58 348 class A shares
60 240 class B shares
928 297 employee stock options

Vagner Rego

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

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

Year of birth: 1972

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

Nationality: Brazilian

Employed/In current position since: 1996/2017

Holdings in Atlas Copco AB [1]
17 272 class A shares
316 991 employee stock options

Geert Follens

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

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

Year of birth: 1959

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

Nationality: Belgian

Employed/In current position since: 1995/2017

External memberships: Board member of AB SKF.

Holdings in Atlas Copco AB [1]
18 792 class A shares
228 037 employee stock options

Henrik Elmin

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

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

Year of birth: 1970

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

Nationality: Swedish

Employed/In current position since: 2007/2017

Holdings in Atlas Copco AB [1]
16 240 class A shares
427 316 employee stock options

Andrew Walker

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

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

Year of birth: 1961

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

Nationality: Irish

Employed/In current position since: 1986/2014

Holdings in Atlas Copco AB [1]
29 797 class A shares
8 288 class B shares
375 333 employee stock options

[1] Holdings as per end 2023, including those held by related natural or legal persons. See note 22 for more information on the option programs and matching shares. All educational institutions and companies are based in Sweden, unless otherwise indicated.

Group Management, continued

Peter Kinnart

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

Position: Senior Vice President, Chief Financial Officer

Year of birth: 1969

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

Nationality: Belgian

Employed/In current position since: 1993/2021

Holdings in Atlas Copco AB [1]
7 800 class A shares
170 701 employee stock options

Eva Klasén

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

Position: Senior Vice President, Chief Legal Officer

Year of birth: 1975

Education: Master of Law from Lund University.

Nationality: Swedish

Employed/In current position since: 2000/2022

Holdings in Atlas Copco AB [1]
3 439 class A shares
105 772 employee stock options

Cecilia Sandberg

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

Position: Senior Vice President, Chief Human Resources Officer

Year of birth: 1968

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

Nationality: Swedish

Employed/In current position since: 2017/2017

Holdings in Atlas Copco AB [1]
12 752 class A shares
600 class B shares
198 780 employee stock options

Sara Hägg Liljedal

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

Position: Senior Vice President, Chief Communications Officer

Year of birth: 1980

Education: BA in Journalism from Stockholm University.

Nationality: Swedish

Employed/In current position since: 2018/2022

Holdings in Atlas Copco AB [1]
3 651 class A shares
240 class B shares
62 700 employee stock options

[1] Holdings as per end 2023, including those held by related natural or legal persons. See note 22 for more information on the option programs and matching shares.
All educational institutions and companies are based in Sweden, unless otherwise indicated.

Internal control over financial and sustainability reporting

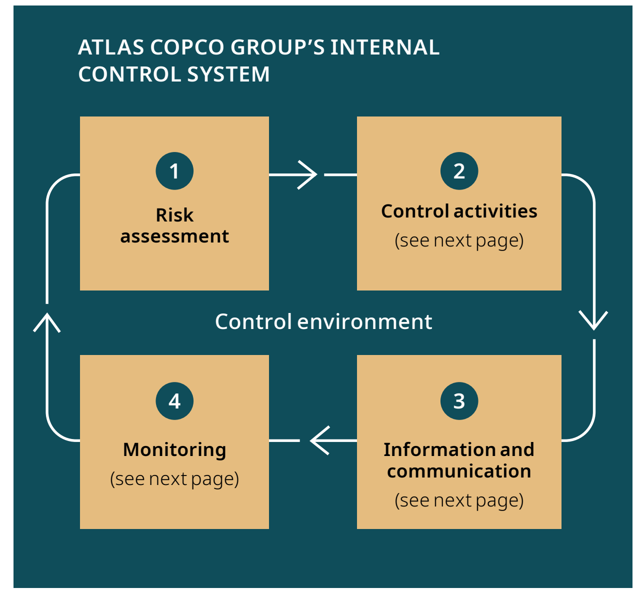
This section includes a description of Atlas Copco Group's system of internal controls over financial reporting in accordance with the requirements set forth in the Swedish Code of Corporate Governance and as stipulated by the Swedish Companies Act.

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

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

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

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



1 Risk assessment

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

Atlas Copco Group

Internal control over financial and sustainability reporting, continued

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

3 Information and communication

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

4 Monitoring

Examples of monitoring activities for the financial and sustainability reporting include:

- Management at divisional, business area and Group level regularly reviews the financial and sustainability information and assesses compliance to Group policies.
- The Audit Committee and the Board of Directors regularly review reports on financial and sustainability performance of the Group, by business area and geography.
- The internal audit process aims to provide independent and objective assurance on internal control. Furthermore, the process aims to serve as a tool for employee professional development and to identify and recommend leading practices within the Group. Internal audits are annually planned or initiated by the Group internal audit function with a risk-based approach. Internal audits are conducted under leadership of Group internal audit staff with audit team members having diverse functional competencies but always with expertise in accounting and controlling. The results of the internal audits undertaken are regularly reported to the Audit Committee and to Group Management.
- A control self-assessment (CSA) is performed primarily to support local unit managers to evaluate the status of their control routines and to address areas for improvement. One of the areas in the CSA is internal control, which includes internal control over financial and sustainability reporting. Other areas include legal matters, communication and branding, and the Code of Conduct.
- The Group has an independent whistleblowing system where employees and other stakeholders can anonymously report on behavior or actions that are possible violations of laws or of Group policies, including violations of accounting and financial reporting guidelines and policies. The reporting system also includes perceived cases of human rights violation, discrimination or corruption. The reports are treated confidentially and the person reporting is guaranteed anonymity via an independent third-party service provider. More information about the system can be found on page 58.
- In the compliance process, all managers and all employees are requested to sign a statement confirming understanding and compliance to financial policies, the Code of Conduct and applicable laws and regulations.

Financial statements and notes

MSEK unless otherwise stated

Atlas Copco Group

Consolidated income statement

For the year ended December 31 Amounts in MSEK	Note	2023	2022
Revenues	3	172 664	141 325
Cost of sales		–97 547	–81 941
Gross profit		**75 117**	**59 384**
Marketing expenses		–19 387	–15 629
Administrative expenses		–10 649	–7 961
Research and development expenses		–6 693	–5 389
Other operating income	6	544	536
Other operating expenses	6	–1 882	–754
Share of profit in associated companies and joint ventures	13	41	29
Operating profit	3, 4, 5, 15	**37 091**	**30 216**
Financial income	7	440	343
Financial expenses	7	–1 089	–515
Net financial items		**–649**	**–172**
Profit before tax		**36 442**	**30 044**
Income tax expense	8	–8 390	–6 562
Profit for the year		**28 052**	**23 482**
Profit attributable to:			
– owners of the parent		28 040	23 477
– non-controlling interests		12	5
Basic earnings per share, SEK	10	5.76	4.82
Diluted earnings per share, SEK	10	5.75	4.81

Consolidated statement of comprehensive income

For the year ended December 31 Amounts in MSEK	Note	2023	2022
Profit for the year		**28 052**	**23 482**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit plans		–753	1 550
Income tax relating to items that will not be reclassified		192	–420
		–561	**1 130**
Items that may be reclassified subsequently to profit or loss			
Translation differences:			
– on foreign operations		–4 717	8 112
Hedge of net investments in foreign operations		148	–1 328
Cash flow hedges		28	13
Income tax relating to items that may be reclassified		–50	445
		–4 591	**7 242**
Other comprehensive income for the year, net of tax	9	**–5 152**	**8 372**
Total comprehensive income for the year		**22 900**	**31 854**
Total comprehensive income attributable to:			
– owners of the parent		22 892	31 849
– non-controlling interests		8	5

Consolidated balance sheet

Amounts in MSEK	Note	Dec. 31, 2023	Dec. 31, 2022
ASSETS			
Non-current assets			
Intangible assets	11	67 501	67 067
Rental equipment	12	4 345	2 689
Other property, plant and equipment	12	14 358	12 720
Right-of-use assets	21	5 763	4 752
Investments in associated companies and joint ventures	13	854	939
Other financial assets	14	1 394	1 668
Other receivables		28	61
Deferred tax assets	8	2 234	2 193
Total non-current assets		**96 477**	**92 089**
Current assets			
Inventories	15	29 283	27 219
Trade receivables	16	32 680	29 910
Income tax receivables		1 351	908
Other receivables	17	11 041	10 031
Other financial assets	14	965	889
Cash and cash equivalents	18	10 887	11 254
Assets classified as held for sale		–	1
Total current assets		**86 207**	**80 212**
TOTAL ASSETS		182 684	172 301

Amounts in MSEK	Note	Dec. 31, 2023	Dec. 31, 2022
EQUITY	Page 87		
Share capital		786	786
Other paid-in capital		9 380	8 695
Reserves		9 863	14 450
Retained earnings		71 421	56 045
Total equity attributable to owners of the parent		**91 450**	**79 976**
Non-controlling interests		50	50
TOTAL EQUITY		91 500	80 026
LIABILITIES			
Non-current liabilities			
Borrowings	20	29 967	23 770
Post-employment benefits	22	2 584	2 380
Other liabilities		462	445
Provisions	24	1 692	1 477
Deferred tax liabilities	8	2 267	2 745
Total non-current liabilities		**36 972**	**30 817**
Current liabilities			
Borrowings	20	2 742	12 563
Trade payables		17 792	19 145
Income tax liabilities		3 313	2 603
Other liabilities	23	27 766	25 394
Provisions	24	2 599	1 753
Total current liabilities		**54 212**	**61 458**
TOTAL EQUITY AND LIABILITIES		182 684	172 301

Information concerning assets pledged and contingent liabilities is disclosed in note 25.

Consolidated statement of changes in equity

2023	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	8 695	–14	14 464	56 045	79 976	50	80 026
Profit for the year	–	–	–	–	28 040	28 040	12	28 052
Other comprehensive income for the year	–	–	22	–4 609	–561	–5 148	–4	–5 152
Total comprehensive income for the year	**–**	**–**	**22**	**–4 609**	**27 479**	**22 892**	**8**	**22 900**
Dividend	–	–	–	–	–11 203	–11 203	–8	–11 211
Acquisition of series A shares	–	–	–	–	–1 243	–1 243	–	–1 243
Divestment of series A shares	–	685	–	–	823	1 508	–	1 508
Change of non-controlling interests	–	–	–	–	–8	–8	–	–8
Share-based payment, equity settled:								
– expense during the year	–	–	–	–	165	165	–	165
– exercise option	–	–	–	–	–706	–706	–	–706
– related tax	–	–	–	–	69	69	–	69
Closing balance, Dec. 31	**786**	**9 380**	**8**	**9 855**	**71 421**	**91 450**	**50**	**91 500**

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

Atlas Copco Group

Consolidated statement of cash flows

For the year ended December 31 Amounts in MSEK	Note	2023	2022
Cash flows from operating activities			
Operating profit		37 091	30 216
Adjustments for:			
Depreciation, amortization and impairment	11, 12, 21	7 761	6 333
Capital gain/loss and other non-cash items		929	429
Operating cash surplus		**45 781**	**36 978**
Net financial items received/paid		–883	–714
Taxes paid		–8 758	–6 245
Pension funding and payment of pension to employees		–512	–419
Cash flow before change in working capital		**35 628**	**29 600**
Change in:			
Inventories		–2 950	–6 355
Operating receivables		–4 418	–6 645
Operating liabilities		1 593	5 585
Change in working capital		**–5 775**	**–7 415**
Increase in rental equipment		–1 814	–884
Sale of rental equipment		45	76
Net cash from operating activities		**28 084**	**21 377**

For the year ended December 31 Amounts in MSEK	Note	2023	2022
Cash flows from investing activities			
Investments in other property, plant and equipment	12	–3 987	–3 660
Sale of other property, plant and equipment		101	99
Investments in intangible assets	11	–1 464	–1 371
Acquisition of subsidiaries	2	–4 314	–10 591
Investment in other financial assets, net		276	20
Net cash from investing activities		**–9 388**	**–15 503**
Cash flows from financing activities			
Ordinary dividend		–11 203	–9 250
Dividend paid to non-controlling interest		–8	–
Redemption of shares		–	–9 732
Repurchase of own shares		–1 243	–864
Divestment of own shares		1 508	381
Borrowings		7 697	11 373
Repayment of borrowings		–12 925	–5 133
Settlement of CSA [1]		–309	–24
Payment of lease liabilities	21	–1 793	–1 402
Net cash from financing activities		**–18 276**	**–14 651**
Net cash flow for the year		**420**	**–8 777**
Cash and cash equivalents, Jan. 1		11 254	18 990
Net cash flow for the year		420	–8 777
Exchange-rate difference in cash and cash equivalents		–787	1 041
Cash and cash equivalents, Dec. 31	18	**10 887**	**11 254**

[1] Credit Support Annex, see note 26.

1. Information of material accounting principles, key sources of uncertainty in estimates and judgements

INFORMATION OF MATERIAL ACCOUNTING PRINCIPLES

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

Basis of preparation

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

The accounting principles set out below have been consistently applied to all periods presented, unless otherwise stated, and for all entities included in the consolidated financial statements. The annual report for the Group and for Atlas Copco AB, including financial statements, was approved for issuance on March 19, 2024. The balance sheets and income statements are subject to approval by the Annual General Meeting of the shareholders on April 24, 2024.

Basis of consolidation

The consolidated financial statements of the Group include all entities in which the Company, directly or indirectly, has control.

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.

Business combinations

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

Non-controlling interest is initially measured either

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

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

Associated companies and joint ventures

Investments in associated companies and joint ventures are reported according to the equity method.

"Share of profit in associated companies and joint ventures", included in the income statement, comprises the Group's share of the associate's and joint venture's income after tax adjusted for any amortization and depreciation, impairment losses, and other adjustments arising from any remaining fair value adjustments recognized at acquisition date.

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

Functional currency and foreign currency translation

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

The exchange rate gains and losses related to receivables and payables and other operating receivables and liabilities are included in "Other operating income and expenses" and foreign exchange rate gains and losses attributable to other financial assets and liabilities are included in "Financial income and expenses". Exchange rate differences on translation to functional currency are reported in "Other comprehensive income" in the following cases:

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

In the consolidation, the balance sheets of foreign subsidiaries are translated to SEK using exchange rates at the end of the reporting period and the income statements are translated at the average rates for the reporting period. Foreign exchange differences arising on such translation are recognized in "Other comprehensive income" and are accumulated in the currency translation reserve in equity. Exchange rates for major currencies that have been used for the consolidated financial statements are shown in note 26.

Hyperinflation in Türkiye

The income statement and non-monetary items in the balance sheet for all Turkish subsidiaries within the Group have been restated for hyperinflation impact. The index used by Atlas Copco Group for the remeasurement to hyperinflation of the income statements and non-monetary items in the balance sheet is the consumer price index from the Turkish statistical institute. The income statement for all Turkish subsidiaries have been recalculated using the exchange rate on the balance sheet date. The Net Monetary gain or loss is recognized in the income statement within "Financial items". The hyperinflation adjustment related to periods prior to 2022 is recognized in the translation reserve within Equity. The hyperinflation impact has been excluded in the statement of cash flows.

Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, and for which discrete financial information is available. The operating results of all operating segments are reviewed regularly by the Group's President and CEO, the chief operating decision maker, to make decisions about allocation of resources to the segments and also to assess their performance. See note 3 for additional information.

Revenue recognition

Goods sold

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

When the goods sold are highly customized and an enforceable right to payment is present, revenue is recognized over time using the proportion of cost incurred to date compared to estimated total cost to measure the progress towards complete satisfaction of that performance.

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

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

Variable consideration

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

Rights of return

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

Rendering of service

Revenue from service (including fixed fee service contracts that are within the definition of insurance contracts) is recognized over time by reference to the progress towards satisfaction of each performance obligation. The progress towards satisfaction of each performance obligation is measured by the proportion of cost incurred to date compared to estimated total cost of each performance obligation.

1. Information of material accounting principles, key sources of uncertainty in estimates and judgements, continued

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

Specialty rental
Income from specialty rental is recognized on a straight-line basis over the rental period. The specialty rental business is considered to be a service as this includes a complete solution to the customers to fulfill the customer needs. Sale of equipment from the specialty rental business is recognized as revenue when the control of the asset has been transferred to the buyer. Indicators of transfer of control is explained under "Goods sold" see page 89. The carrying value of the specialty rental equipment sold is recognized as cost of sales. Investments in and sales of specialty rental equipment are included in cash flows from operating activities.

Contract assets and contract liabilities
The contract assets (unbilled receivables) and contract liabilities (advances from customers) are reported in the consolidated balance sheet, in "Other receivables" or "Other liabilities", on a contract-by-contract basis at the end of each reporting period. Payment terms range from contract to contract and are dependent upon the agreement with the customer.

Practical expedients
The Group has elected to apply the following practical expedients:
For the disclosure of the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period, the Group does not disclose the value related to the following expedients:
- the performance obligation that is part of the contract that has an original expected duration of one year or less, and
- the entity has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the entity's performance completed to date.

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

Government grants
Government grants related to expenses are recognized in the income statement as a deduction of the associated expenses. If the grants cannot be allocated to an associated expense, government grants are recognized in "Other operating income". Government grants related to assets are recognized as a deduction in arriving at the carrying amount of the asset and recognized as revenue over the useful life of the asset through a reduction of the depreciation expense. See note 6 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. 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.

The Group applies the temporary mandatory exception to accounting for deferred taxes arising from the implementation of the OECD's Pillar Two. For details regarding taxes, see note 8.

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

Stock options have a dilutive effect when the average share price during the period exceeds the exercise price of the options. When calculating the dilutive effect, the exercise price is adjusted by the value of future services related to the options. See note 10 for more details.

Intangible assets
Goodwill
Goodwill is recognized at cost, as established at the date of acquisition, 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. The four business areas of Atlas Copco Group's operations have been identified as CGUs. Goodwill is reported as an intangible asset with indefinite useful life.

Technology-based intangible assets
Expenditure on research and development activities is expensed as incurred, unless the development expenditures meet the criteria for being capitalized.

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

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

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

Other intangible assets
Acquired intangible assets relating to contract-based rights, such as licenses or franchise agreements, are capitalized based on their fair value at the time of acquisition and carried at cost less accumulated amortization and impairment losses. Changes in the Group's intangible assets during the year are described in note 11.

Property, plant and equipment
Items of property, plant and equipment are carried at cost less accumulated depreciation and impairment losses. The Group capitalizes costs on initial recognition and on replacement of significant parts of property, plant and equipment if it is probable that the future economic benefits embodied will flow to the Group and the cost can be measured reliably. All other costs are recognized as an expense in profit or loss when incurred. Changes in the Group's property, plant and equipment during the year are described in note 12.

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

Depreciation and amortization
Depreciation and amortization are calculated based on cost using the straight-line method over the estimated useful life of the asset. The following useful lives are used for depreciation and amortization:

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

Leases
Group as lessee
Recognition of a lease
Upon initiation, contracts are assessed by the Group, to determine whether a contract is, or contains a lease. The Group has elected to separate the non-lease components and apply a number of practical expedients with regard to short-term leases and leases for which the underlying asset is of low value. In cases where the Group acts as an intermediate lessor, it accounts for its interests in the head-lease and the sub-lease separately.

Right-of-use asset
On commencement date, the Group measures the right-of-use asset at cost.

The right-of-use asset is depreciated over the lease term, using the straight-line method. Changes in the Group's right-of-use asset during the year is described in note 21.

1. Information of material accounting principles, key sources of uncertainty in estimates and judgements, continued

Lease liability
On commencement date, the lease liability is measured at the present value of the unpaid lease payments, discounted using the interest rate implicit in the lease, or if the rate cannot be readily determined, the Group's incremental borrowing rate.
The lease liability is measured at amortized cost by using the effective interest rate method. For additional information see note 20.

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

Group as a lessor
At inception of a lease contract, the Group assess whether the lease is a finance lease or an operating lease. Under finance leases where the Group acts as lessor, the transaction is recognized as a sale and a lease receivable, comprising the future minimum lease payments and any residual value guaranteed to the Group. Lease payments are recognized as repayment of the lease receivable and interest income. In cases where the Group acts as a lessor under an operating lease, the lease payments are included in profit or loss on a straight-line basis over the term of the lease.
In cases where the Group acts as an intermediate lessor, it accounts for its interests in the head-lease and the sub-lease separately. The Group assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head-lease.

Inventories
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. The calculation of net realizable value is based on estimated sales prices, over-stock articles, outdated articles, damaged goods, and selling costs. If the estimated net realizable value is lower than cost, a valuation allowance is established for inventory obsolescence. See note 15 for additional information.

Equity
Shares issued by the company are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effect.
When Atlas Copco AB shares are repurchased, the amount of the consideration paid is recognized as a deduction from equity net of any tax effect. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or subsequently reissued, the amount received is recognized as an increase in equity and the resulting surplus or deficit on the transaction is transferred to or from Other paid-in capital.

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

Provisions
Provisions for product warranties are recognized as cost of sales at the time the products are sold based on the estimated cost using historical data for level of repairs and replacements.
A restructuring provision is recognized when the Group has approved a detailed and formal restructuring plan and the restructuring has either commenced or been announced publicly.
Present obligations arising under onerous contracts are recognized as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Before a provision is established, the Group recognizes any impairment loss on the asset associated with the contract. For details on provisions see note 24.

Post-employment benefits
The Group's post-employment benefit plans consists of both defined contribution and defined benefit plans. Contributions to defined contributions plans are expensed when employees provide services entitling them to the contribution.
For defined benefit plans the Group has obligation to provide agreed benefits to current and former employees. The net obligation of defined benefit plans is calculated by estimating the amount of future benefits that employees have earned in return for their services in current and prior periods. The amount is discounted to determine its present value and the fair values of any plan assets are deducted. Funded plans with net assets, i.e. plans with assets exceeding the commitments, are reported as financial non-current assets.
The cost for defined benefit plans is calculated using the Projected Unit Credit Method, which distributes the cost over the employee's service period. The calculation is performed annually by independent actuaries using actuarial assumptions such as employee turnover, mortality, future increase in salaries and medical cost. Changes in actuarial assumptions, experience adjustments of obligations and changes in fair value of plan assets result in remeasurements and are recognized in "Other comprehensive income". Each quarter a remeasurement is performed to adjust the present value of pension liabilities and the fair value of pension assets against "Other comprehensive income". Net interest on defined benefit obligations and plan assets is reported as "Interest income" or "Interest expense". See note 22 for additional information.

Share-based compensation
The Group has share-based incentive programs, consisting of share options and share appreciation rights, which have been offered to certain employees based on position and performance. Additionally, the Board is offered synthetic shares.
The fair value of share options that can only be settled in shares (equity-settled) is recognized as an employee expense with a corresponding increase in equity. The fair value, measured at grant date using the Black-Scholes formula, is recognized as an expense over the vesting period. The amount recognized as an expense is adjusted to reflect the actual number of share options that vest.
The fair value of the share appreciation rights synthetic shares is recognized in accordance with principles for cash-settled share-based payments. The value is recognized as an employee expense with a corresponding increase in liabilities. The fair value, measured at grant date and remeasured at each reporting date using the Black-Scholes formula, is accrued, and recognized as an expense over the vesting period. Changes in fair value are, during the vesting period and after the vesting period until settlement, recognized in profit or loss as an employee expense. The accumulated expense recognized equals the cash amount paid at settlement.
Social security charges are paid in cash and are accounted for in 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 22 for additional information.

Financial assets and liabilities – financial instruments
Measurement of financial instruments
Financial instruments are classified at initial recognition. The classification decides the measurement of the instruments. Fair value for financial assets and financial liabilities is determined in the manner described in note 26.

Classification and measurement of financial assets
Equity instruments: are classified at fair value through profit or loss (FVTPL).

Derivative instruments: are classified at FVTPL, unless they are classified as a hedging instrument and the effective part of the hedge is recognized in "Other comprehensive income".

Debt instruments: the classification of financial assets that are debt instruments, including hybrid contracts, is based on the Group's business model for managing the assets and the asset's contractual cash flow characteristics. The instruments are classified at:
- amortized cost,
- fair value through "Other comprehensive income" (FVOCI), or
- fair value through profit or loss (FVTPL).

Financial assets at amortized cost are at initial recognition measured at fair value including transaction costs. After initial recognition, they are measured at amortized cost using the effective interest rate method.
Financial instruments in the category FVOCI are recognized at fair value at initial recognition and changes in fair value are recognized in "Other comprehensive income" (OCI) until derecognition, when the amounts in OCI are reclassified to profit or loss.
FVTPL are all other debt instruments that are not measured at amortized cost or FVOCI. Financial instruments in this category are recognized at fair

1. Information of material accounting principles, key sources of uncertainty in estimates and judgements, continued

value at initial recognition and changes in fair value are recognized in profit or loss.

Classification and measurement of financial liabilities

Financial liabilities are classified at amortized cost, except derivatives. Financial liabilities at amortized cost are at initial recognition measured at fair value including transaction costs. After initial recognition, they are measured at the effective interest rate method.

Derivatives are classified at FVTPL, unless they are classified as a hedging instrument and the effective part of the hedge is recognized in "Other comprehensive income".

Impairment of financial assets

Financial assets, except those classified at fair value through profit and loss (FVTPL), are subject to impairment for expected credit losses. In addition, the impairment model applies to contract assets, loan commitments and financial guarantees that are not measured at FVTPL.

The simplified model is applied on trade receivables, lease receivables, contract assets and certain other financial receivables. A loss allowance is recognized over the expected lifetime of the receivable or asset. For other items subject to ECL, the impairment model with a three-stage approach is applied. Initially, and at each reporting date, a loss allowance will be recognized for the following 12 months, or a shorter time period depending on the time to maturity (stage 1). If it has been a significant increase in credit risk since origination, a loss allowance will be recognized for the remaining lifetime of the asset (stage 2). For assets that are considered as credit impaired, allowance for credit losses will continue to capture the lifetime expected credit losses (stage 3). For credit impaired receivables and assets, the interest revenue is calculated based on the carrying amount of the asset, net of the loss allowance, rather than its gross carrying amount as in previous stages.

In the respective model applied, the measurement of ECL is based on different methods for different credit risk exposures. For trade receivables, contract assets and certain other financial receivables, the method is based on historical loss rates in combination with forward looking considerations. Lease receivables, certain other financial receivables and cash and cash equivalent are impaired by a rating method, where ECL is measured by the product of the probability of default, loss given default, and exposure at default. Both external credit agencies rating and internally developed rating methods are applied.

The measurement of ECL considers potential collaterals and other credit enhancements in the form of guarantees.

The financial assets are presented in the financial statements at amortized cost, i.e. net of gross carrying amount and the loss allowance. Changes in the loss allowance is recognized in profit or loss, as impairment losses within the line "Cost of sales".

Derivatives and hedge accounting

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently measured at fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item hedged. Changes in fair value for derivatives that do not fulfill the criteria for hedge accounting are recognized as operating or financial transactions based on the purpose of the use of the derivative. Interest payments for interest rate swaps are recognized as interest income or expense, whereas changes in fair value of future payments are presented as gains or losses from financial instruments.

The Group apply hedge accounting. The Group assesses, evaluates, and documents effectiveness both at hedge inception and on an ongoing basis. Hedge effectiveness is assessed by an analysis of the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk must not dominate the value changes' that result from that economic relationship. Further, the hedge ratio, as defined in the Group´s risk management strategy, must be the same in the hedging relationship as in the actually hedge performed.

Cash flow hedges: Changes in the fair value of the hedging instrument are recognized in "Other comprehensive income" to the extent that the hedge is effective and the accumulated changes in fair value are recognized as a separate component in equity. Gains or losses relating to the ineffective part of hedges are recognized immediately in profit or loss.

The amount recognized in equity through "Other comprehensive income" is reversed to profit or loss in the same period in which the hedged item affects profit or loss. The Group may use foreign currency forwards to hedge part of the future cash flows from forecasted transactions in foreign currencies. Interest rate swaps can also be used as cash flow hedges for hedging interest on borrowings with variable interest.

Hedge of net investments in foreign operations: The Group hedges a substantial part of net investments in foreign operations. Changes in the value of the hedge instrument relating to the effective portion of the hedge are recognized in "Other comprehensive income" and accumulated in equity. Gains or losses relating to the ineffective portion are recognized immediately in profit or loss. On divestment of foreign operations, the gain or loss accumulated in equity is recycled through profit or loss, increasing, or decreasing the profit or loss on the divestment. The Group uses loans and forward contracts as hedging instruments.

New or amended accounting standards in 2023

The following new or amended IFRS standards have been applied by the Group from 2023 and have not had any or very limited impact on the Group.

- IFRS 17 Insurance Contracts
- Disclosure of Accounting Policies (Amendments to IAS 1)
- Definition of Accounting Estimates (Amendment to IAS 8)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendment to IAS 12)
- Income Taxes: International Tax Reform – Pillar Two (Amendment to IAS 12)

New or amended accounting standards effective after 2023

The following standards, interpretations, and amendments have been issued but were not effective as of December 31, 2023, and in some cases have not been adopted by the EU. The Group has not applied the new standards, interpretations, or amendments. The current assessment is that these amendments not expected to have any or very limit effect on the Group.

- Lease Liability in a Sale and Leaseback (Amendment to IFRS 16)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Non-current Liabilities with Covenants (Amendments to IAS 1)
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)
- Lack of Exchangeability (Amendments to IAS 21)

KEY SOURCES OF UNCERTAINTY IN ESTIMATES AND JUDGEMENTS

The preparation of financial reports requires management's judgement and the use of estimates and assumptions that affects the amounts reported in the consolidated financial statements. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the prevailing circumstances. Actual result may differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis.

The estimates and the judgements which, in the opinion of management, are significant to the underlying amounts included in the financial reports and for which there is a risk that future events or new information could entail a change in those estimates or judgements are as follows:

Revenue recognition

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

- the degree of progress towards satisfaction of the performance obligations and the estimated total costs for such contracts when revenue is recognized over time, to determine the revenue and cost to be recognized in the current period, and whether any losses need to be recognized,
- if the control has been transferred to the customer (for example the Group has a present right to payment for the good, the customer has legal title of the good, the good has been delivered to the customer and/or the customer has the significant risks and rewards of the ownership of the good), to determine if revenue and cost should be recognized in the current period,
- the transaction price of each performance obligation when a contract includes more than one performance obligation, to determine the revenue and cost to be recognized in the current period,
- certain contracts which include a right of return and/or volume rebates that give rise to variable consideration, variable consideration is assessed to identify possible constrains, and
- the customer credit risk (i.e. the risk that the customer will not meet the payment obligation), to determine and justify the revenue recognized in the current period.

Property, plant and equipment

Natural hazards can pose a significant risk to plants and equipment, resulting in large losses. These risks are included in Atlas Copco Group risk universe and discussed during the onsite risk assessments, as well as pointed out during new project reviews. The Group's loss prevention program created a baseline for natural hazards which supports the decision-making process for high exposed sites, helping prioritize large investments. For instance, based on the conducted analyses, five ongoing recommendations were proposed to mitigate risks of flooding and lightning. None of these currently require significant investment. As it is anticipated that climate change will exacerbate natural hazards, the focus on understanding both current and future vulnerabilities of the sites, and investments needed to reduce them, will increase during the next years.

1. Information of material accounting principles, key sources of uncertainty in estimates and judgements, continued

Impairment of goodwill, other intangible assets and other long-lived assets

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.

Asset impairment requires management's judgement, particularly in assessing:

- whether an event has occurred that may affect asset values,
- whether the carrying value of an asset can be supported by the net present value of future cash flows, which are estimated based upon the continued use of the asset in the business,
- the appropriate assumptions to be applied in preparing cash flow projections, and
- the discounting of these cash flows.

Changing the assumptions selected by management to determine the level, if any, of impairment could affect the financial position and results of operation. See note 11.

Leases

The IBR is the rate of interest that the Group would have to pay to borrow over similar terms which requires estimations when no observable rates are available.

The Group estimates the IBR by using market interest rates and adjusting with entity specific estimates such as currency and country risk.

The Group has several lease contracts that include extension options. The Group applies judgement in evaluating the lease term, it considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. For leases of premises, the following factors are normally the most relevant:

- if any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend.
- otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The renewal periods for leases of offices and warehouse premises with extension options exceeding 10 to 15 years are not included as part of the lease term as these are not reasonably certain to be exercised. In addition, renewal options for leases of motor vehicles are not part of the lease term because the Group typically leases motor vehicles for not more than three to five years and, hence, is not exercising any renewal options.

After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise the option to renew. Refer to note 21 for information on potential future rental payments relating to extension options that are not included in the lease term.

Trade and financial receivables

The expected credit losses for trade receivables and contract assets are an assessment of specific loss provisions corresponding to individually significant exposures as well as historical loss rates in combination with forward looking considerations. The expected credit losses for lease receivables and financial receivables are an assessment that reflects an unbiased, probability-weighted outcome based on reasonable and supportable forecasts.

Management's judgement considers rapidly changing market conditions. An overlay control is performed to ensure that an adequate loss allowance is recognized. Additional information is included in section "Credit risk" in note 26.

Pension and other post-employment benefit valuation assumptions

Pensions and other post-employment obligations are dependent on the assumptions established by management and used by actuaries in calculating such amounts. The key assumptions include discount rates, inflation, future salary increases, mortality rates, and healthcare-cost trend rates. The actuarial assumptions are reviewed on an annual basis and are changed when it is deemed appropriate.

See note 22 for additional information regarding assumptions used in the calculation of pension and post-employment obligations.

Legal proceedings and tax claims

Atlas Copco Group reviews outstanding legal cases regularly in order to assess the need for provisions in the financial statements. These reviews consider the factors of the specific case by internal legal counsel and through the use of outside legal counsel and advisors when necessary. The financial statements may be affected to the extent that management's assessments of the factors considered are not consistent with the actual outcome.

Additionally, the legal entities of the Group are frequently subject to audits by tax authorities in accordance with standard practice in the countries where the Group operates. In instances where the tax authorities have a different view on how to interpret the tax legislation, the Group makes estimates as to the likelihood of the outcome of the dispute, as well as estimates of potential claims. The actual results may differ from these estimates.

Warranty provisions

Provisions for product warranties should cover future commitments for the sales volumes already realized. Warranty provisions are complex accounting estimates due to the variety of variables which are included in the calculations. The calculation methods are based on the type of products sold and historical data for level of repairs and replacements. The underlying estimates for calculating the provision are reviewed at least quarterly as well as when new products are introduced or when other changes occur which may affect the calculation. See note 24.

Acquisitions

Fair value is commonly based on valuation models. The valuation methods rely on various assumptions, such as estimated future cash flows, remaining economic useful life etc. The determination of the fair value requires the Group to apply assumptions and estimates. These can vary from the actual outcomes. See note 2.

2. Acquisitions

The following summarizes the acquisitions during 2023 and 2022:

Acquisition date		Country	Business area	Revenues [1]	Number of employees [1]
2023 Dec. 5	Sykes Group Pty Ltd (Sykes)	Australia	Power Technique	455	123
2023 Nov. 14	Hamamcıoğlu Makina (HAMAK)	Türkiye	Compressor Technique	75	23
2023 Oct. 16	ACJ, s.r.o.	Slovakia	Compressor Technique	[2]	14
2023 Oct. 11	William G Frank Medical Gas Testing and Consulting, LLC & Medical Gas Credentialing LLC	U.S.A.	Compressor Technique	20	8
2023 Aug. 3	Climorent	Spain	Power Technique	21	15
2023 Jul. 17	ZEUS Co.,Ltd	South Korea	Vacuum Technique	[2]	59
2023 Jul. 4	Extend3D GmbH	Germany	Industrial Technique	32	16
2023 Jun. 1	National Pump & Energy	Australia	Power Technique	1 400	420
2023 May 23	Maziak Compressor Services Ltd.	United Kingdom	Compressor Technique	87	40
2023 May 4	C.P. Service SRL	Italy	Compressor Technique	60	13
2023 May 2	James E. Watson & Co.	U.S.A.	Vacuum Technique	[2]	7
2023 Apr. 5	Shandong Bozhong Vacuum Technology Co.,Ltd	China	Vacuum Technique	120	116
2023 Apr. 4	Asven S.R.L.	Argentina	Compressor Technique	[2]	10
2023 Apr. 4	Trillium US Inc.	U.S.A.	Vacuum Technique	270	140
2023 Mar. 7	FS Medical Technology Business	U.S.A.	Compressor Technique	71	32
2023 Feb. 2	CVS Engineering GmbH	Germany	Vacuum Technique	200	76
2023 Jan. 17	MedCore Services Inc.	Canada	Compressor Technique	10	7
2022 Dec. 5	Shandong Meditech Medical Technology Co., Ltd	China	Compressor Technique	114	70
2022 Dec. 2	Suzhou Since Gas System Co., Ltd	China	Compressor Technique	93	80
2022 Nov. 21	Montana Instruments Corporation	U.S.A.	Vacuum Technique	106	38
2022 Nov. 11	Northeast Compressor	U.S.A.	Compressor Technique	[2]	6
2022 Nov. 9	Entreprises Larry Inc.	Canada	Compressor Technique	[2]	65
2022 Nov. 2	Precision Pneumatics Ltd	United Kingdom	Compressor Technique	[2]	26
2022 Nov. 2	Wearside Pneumatics Ltd	United Kingdom	Compressor Technique	[2]	19
2022 Nov. 2	Shandong Jinggong Pump Co., Ltd	China	Vacuum Technique	102	100
2022 Nov. 2	Aircel, LLC.	U.S.A.	Compressor Technique	55	19
2022 Oct. 17	Vector Sp. z o.o.	Poland	Compressor Technique	[2]	23
2022 Oct. 4	Mesa Equipment & Supply Company	U.S.A.	Compressor Technique	[2]	19
2022 Sep. 5	DF-Druckluft-Fachhandel GmbH	Germany	Compressor Technique	[2]	39
2022 Sep. 2	Oxymat A/S	Denmark	Compressor Technique	411	146
2022 Aug. 1	LEWA GmbH	Germany	Power Technique	2 400	1 200
2022 Aug. 1	Geveke B.V	Netherlands	Power Technique	648	173
2022 Jul. 29	Compressed Air Products, Inc. (operating assets)	U.S.A.	Compressor Technique	[2]	20
2022 Jul. 27	Glaston Compressor Services Ltd	United Kingdom	Compressor Technique	[2]	26

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

All acquisitions were made through the purchase of 100% of shares and voting rights or through the purchase of the net assets of the acquired operations. The Group received control over the operations upon the date of closing the acquisition. 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 other than goodwill are amortized over 5–15 years. For more information about the valuation of contingent consideration, see note 26. The Group is in the process of reviewing the final values for certain of the recently acquired businesses. No adjustments are expected to be material. Adjustments related to the acquisitions made in 2022 are included in the following tables.

2. Acquisitions, continued

The following summarizes the acquisitions during 2023 and 2022, continued

Acquisition date		Country	Business area	Revenues [1]	Number of employees [1]
2022 Jul. 18	Ceres Technologies, Inc.	U.S.A.	Vacuum Technique	351	185
2022 Jul. 8	Les pompes à vide TECHNI-V-AC inc.	Canada	Vacuum Technique	[2]	10
2022 Jul. 5	FITEC S.A.S.	France	Compressor Technique	[2]	8
2022 Jul. 4	National Vacuum Equipment Inc.	U.S.A.	Vacuum Technique	223	100
2022 Jul. 4	Bireme Group	Singapore	Compressor Technique	[2]	20
2022 Jun. 13	Qolibri Inc.	U.S.A.	Vacuum Technique	0.6	4
2022 Jun. 8	Associated Compressor Engineers Ltd (ACE)	United Kingdom	Compressor Technique	[2]	12
2022 Jun. 2	Tekser Endüstriyel Cihazlar Sanayi ve Ticaret A.Ş (Tekser)	Türkiye	Vacuum Technique	[2]	8
2022 Jun. 1	CAS Products Ltd (CAS)	United Kingdom	Compressor Technique	[2]	12
2022 Apr. 5	Pumpenfabrik Wangen GmbH	Germany	Power Technique	466	265
2022 Mar. 2	SCB S.r.l.	Italy	Compressor Technique	51	16
2022 Jan. 24	Soft2tec GmbH	Germany	Industrial Technique	20	38
2022 Jan. 21	HHV Pumps Pvt. Ltd	India	Vacuum Technique	53	151

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

Compressor Technique	Recognized values	
	2023	2022
Intangible assets	322	996
Property, plant and equipment [1]	19	180
Other assets	91	602
Cash and cash equivalents	44	148
Interest-bearing liabilities and borrowings	–14	–205
Other liabilities and provisions	–169	–549
Net identifiable assets	**293**	**1 172**
Goodwill	159	814
Total consideration	**452**	**1 986**
Deferred consideration	50	–65
Cash and cash equivalents acquired	–44	–148
Net cash outflow	**458**	**1 773**

[1] Includes right-of-use assets.

In January, the Compressor Technique business area acquired the operating assets of MedCore Services Inc. The company is based in Canada and services piped medical gas equipment, including medical air systems, vacuum systems, and pipeline equipment. The acquisition will enable Atlas Copco Group to further strengthen its position as a leading service supplier of medical gas solutions in this key region in Canada. Intangible assets of 11 were recorded on the purchase.

In March, the operating assets of FS Medical Technology Business (FS Medical), a USA based leading medical and laboratory gas services company, were acquired. This acquisition will complement Atlas Copco Group´s existing support and service footprint in the West coast region. Intangible assets of 51 were recorded on the purchase.

In October, William G Frank Medical Gas Testing and Consulting, LLC, a service and inspection supplier for medical gas systems and Medical Gas Credentialing LLC, both based in USA, were acquired. The acquisition will enable Atlas Copco Group to further strengthen the position as a leading services supplier of medical gas solutions. Intangible assets of 38 were recorded on the purchase.

In addition, the business area acquired five distributors during the year; the compressed air business of Asven S.R.L., based in Argentina, C.P. Service SRL based in Italy, Maziak Compressor Services Ltd. in UK, ACJ, s.r.o. based in Slovakia and Hamamcıoğlu Makina (HAMAK) in Türkiye. The acquisitions are expected to increase Atlas Copco Group's presence in their respective markets. Intangible assets of 213 and goodwill of 55 were recorded on the purchase. The goodwill is not deductible for tax purposes.

2. Acquisitions, continued

Vacuum Technique	Recognized values	
	2023	2022
Intangible assets	420	848
Property, plant and equipment [1]	175	167
Other assets	263	491
Cash and cash equivalents	–	27
Interest-bearing liabilities and borrowings	–195	–124
Other liabilities and provisions	–171	–301
Net identifiable assets	**492**	**1 108**
Goodwill	466	929
Total consideration	**958**	**2 037**
Deferred consideration	–17	–204
Cash and cash equivalents acquired	–	–27
Net cash outflow	**941**	**1 806**

[1] Includes right-of-use assets.

In February, the Vacuum Technique business area completed the acquisition of CVS Engineering GmbH, a German manufacturer of industrial vacuum pumps and blowers for mobile use on tanker trucks and other types of transport. The acquisition will add to Atlas Copco Group's mobile vacuum solutions portfolio, allowing the Group to expand further in this market and to increase it's footprint in Europe. Intangible assets of 167 and goodwill of 235 were recorded on the purchase. The goodwill is not deductible for tax purposes.

In April, acquisition of Trillium US Inc., a USA based company, was completed. The company provides vacuum pump services and it also has a small manufacturing business focused on piston and cryogenic pumps. This acquisition will enhance Atlas Copco Group's support capabilities for semiconductor and general vacuum customers in the USA and it will expand the Group's service offering to semiconductor dry pump customers, as well as increase Atlas Copco Group's general vacuum service footprint. Intangible assets of 60 and goodwill of 62 were recorded on the purchase. The goodwill is deductible for tax purposes.

Additionally in April, the acquisition of the assets of Shandong Bozhong Vacuum Technology Co., Ltd, a Chines company that develops and manufactures liquid ring vacuum pumps and systems, was completed. Shandong Bozhong Vacuum Technology is an experienced manufacturing and machining company, and this acquisition adds a company with good reputation for their high-quality standards and aligns with Atlas Copco Group's local-for-local strategy. Intangible assets of 119 and goodwill of 110 were recorded on the purchase. The goodwill is not deductible for tax purposes.

In addition, the business area acquired two distributors during the year. The assets of James E. Watson & Co. based in US, and the cryopump service and distribution business of ZEUS Co.,Ltd in South Korea were acquired. The acquisitions are expected to increase Atlas Copco Group's presence in their respective markets. In total, intangible assets of 72 and goodwill of 60 were recorded on the purchase. The goodwill is deductible for tax purposes.

Industrial Technique	Recognized values	
	2023	2022
Intangible assets	34	30
Property, plant and equipment [1]	1	2
Other assets	15	–426
Cash and cash equivalents	2	6
Interest-bearing liabilities and borrowings	–21	–11
Other liabilities and provisions	–22	85
Net identifiable assets	**9**	**–314**
Goodwill	71	417
Total consideration	**80**	**103**
Deferred consideration	23	–35
Cash and cash equivalents acquired	–2	–6
Net cash outflow	**101**	**62**

[1] Includes right-of-use assets.

In July, the Industrial Technique business area acquired Extend3D GmbH, a German company that develops and produces augmented reality worker guidance for industry customers, using laser and video projection. This acquisition will enhance Atlas Copco Group's offering in process and quality control by leveraging a diverse portfolio of augmented reality products designed specifically for assembly operations with high complexity and high demand on quality. Intangible assets of 34 and goodwill of 71 were recorded on the purchase. The goodwill is not deductible for tax purposes.

Power Technique	Recognized values	
	2023	2022
Intangible assets	975	1 903
Property, plant and equipment [1]	1 139	822
Other assets	553	1 576
Cash and cash equivalents	155	1 047
Interest-bearing liabilities and borrowings	–818	–1 522
Other liabilities and provisions	–575	–1 463
Net identifiable assets	**1 429**	**2 363**
Non-controlling interests	–	–44
Goodwill	1 553	5 678
Total consideration	**2 982**	**7 997**
Deferred consideration	–13	–
Cash and cash equivalents acquired	–155	–1 047
Net cash outflow	**2 814**	**6 950**

[1] Includes right-of-use assets.

In June, the Power Technique business area acquired National Pump & Energy (NPE), a business that provides dewatering, environmental services and water treatment solutions in Australia and New Zealand. NPE has strong market recognition and great expertise. The acquisition will strengthen Atlas Copco Group's presence in dewatering and water treatment, which is an area where needs are increasing due to climate change and more frequent flooding events. This is driving the need for fast response and specialty dewatering solutions. Intangible assets of 809 and goodwill of 1 154 were recorded on the purchase. The goodwill is not deductible for tax purposes.

In August, Climorent, a Spanish provider of specialty rental solutions for industrial cooling applications, was acquired. Climate change is fueling increased demand for efficient cooling solutions in industrial and other applications and Climorent has a strong local footprint within rental industrial cooling solutions and has potential for further growth. Intangible assets of 10 and goodwill of 24 were recorded on the purchase. The goodwill is not deductible for tax purposes.

In December, Sykes Group Pty Ltd (Sykes) was acquired. Sykes is an Australian global manufacturer of dewatering pumps, predominantly used for transferring water with solids and abrasive nature within the mining and wastewater sectors. Sykes' products are well known in the industry as high-quality, heavy-duty products for harsh and demanding environments, and they manufacture products that complement Atlas Copco Group's current offering well. Intangible assets of 156 and goodwill of 375 were recorded on the purchase. The goodwill is not deductible for tax purposes.

2. Acquisitions, continued

Total fair value of acquired assets and liabilities	Group recognized values	
	2023	2022
Intangible assets	1 751	3 777
Property, plant and equipment [1]	1 334	1 171
Other non-current assets	4	9
Inventories	424	1 140
Trade receivables [2]	467	918
Other current assets	27	176
Cash and cash equivalents	201	1 228
Interest-bearing liabilities and borrowings	–1 048	–1 862
Other liabilities and provisions	–581	–1 571
Deferred tax assets/liabilities, net	–356	–657
Net identifiable assets	**2 223**	**4 329**
Non-controlling interests	–	–44
Goodwill	2 249	7 838
Total consideration	**4 472**	**12 123**
Deferred consideration	43	–304
Cash and cash equivalents acquired	–201	–1 228
Net cash outflow	**4 314**	**10 591**

[1] Includes right-of-use assets.
[2] The gross amount is 477 (1 017) of which 10 (99) is expected to be uncollectible.

The goodwill recognized on acquisitions is primarily related to assets that cannot be fully recognized on the balance sheet. These include, but are not limited to, future growth, market presence, additional customers, technology progress, personnel etc. Please also see information on the previous pages.

The total consideration for all acquisitions was 4 472 (12 123). Deferred consideration includes both deferred consideration not yet paid for acquisitions made in 2023 and settlement of deferred consideration for acquisitions made in prior years. For all acquisitions, the net cash outflow totaled 4 314 (10 591) after deducting cash and cash equivalents acquired of 201 (1 228).

Acquisition-related costs amounted to 48 (81) and were included in the “Administrative expenses”. Costs related to acquisitions finalized in 2023 were included in the income statements for 2023 and 2022.

Contribution from businesses acquired in 2023 and 2022 by business area	Compressor Technique		Vacuum Technique		Industrial Technique		Power Technique		Group	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Contribution from date of control										
Revenues	206	465	695	551	15	66	971	1 944	1 887	3 026
Operating profit	–4	–11	9	49	–4	5	176	232	177	275
Profit for the year									95	205
Contribution if the acquisition had occurred on Jan. 1										
Revenues	379	1 660	899	1 275	30	71	2 036	3 877	3 344	6 883
Operating profit	–7	4	12	116	–9	6	311	553	307	679
Profit for the year									213	444

3. Segment information

2023	Compressor Technique	Vacuum Technique	Industrial Technique	Power Technique	Common Group functions	Eliminations	Group
Revenues from external customers	74 787	42 781	28 375	26 721	–	–	172 664
Inter-segment revenues	765	31	78	178	–	–1 052	–
Total revenues	**75 552**	**42 812**	**28 453**	**26 899**	**–**	**–1 052**	**172 664**
– of which equipment	*59%*	*77%*	*73%*	*57%*	–	–	*65%*
– of which service [1]	*41%*	*23%*	*27%*	*43%*	–	–	*35%*
Operating profit	**18 488**	**9 607**	**6 183**	**5 191**	**–2 362**	**–16**	**37 091**
– of which share of profit in associated companies and joint ventures	–	*29*	*12*	–	–	–	*41*
Net financial items							–649
Income tax expense							–8 390
Profit for the year							**28 052**
Non-cash expenses							
Depreciation/amortization	2 172	2 051	1 507	1 722	273	–34	7 691
Impairment	18	30	12	28	–	–	88
Other non-cash expenses	35	20	117	–69	821	–	924
Segment assets	**47 984**	**48 726**	**34 768**	**31 414**	**3 269**	**–1 089**	**165 072**
– of which goodwill	*7 078*	*14 542*	*14 713*	*9 028*	–	–	*45 361*
Investments in associated companies and joint ventures	–	719	135	–	–	–	854
Unallocated assets							16 758
Total assets	**47 984**	**49 445**	**34 903**	**31 414**	**3 269**	**–1 089**	**182 684**
Segment liabilities	**25 937**	**8 241**	**6 781**	**6 012**	**3 589**	**–952**	**49 608**
Unallocated liabilities							41 576
Total liabilities	**25 937**	**8 241**	**6 781**	**6 012**	**3 589**	**–952**	**91 184**
Capital expenditures							
Property, plant and equipment	2 424	2 380	970	2 436	399	–57	8 552
– of which right-of-use assets	*1 333*	*638*	*232*	*347*	*199*	–	*2 749*
Intangible assets	183	457	527	178	119	–	1 464
Total capital expenditures	**2 607**	**2 837**	**1 497**	**2 614**	**518**	**–57**	**10 016**
Goodwill acquired	159	466	71	1 553	–	–	2 249

[1] Including spare parts, consumables, accessories and rental.

2023	Compressor Technique	Vacuum Technique	Industrial Technique	Power Technique	Common Group functions	Eliminations	Group
Items affecting comparability in Operating profit	–	–	–	–	–1 126 [1]	–	–1 126 [1]

[1] Refers to a change in provision for share-related long-term incentive programs and a provision for a commercial dispute originating from an agreement dating back to before the current Group structure and the split of the Group in 2018.

Atlas Copco Group

3. Segment information, continued

2022	Compressor Technique	Vacuum Technique	Industrial Technique	Power Technique	Common Group functions	Eliminations	Group
Revenues from external customers	60 544	38 917	22 963	18 901	–	–	141 325
Inter-segment revenues	514	24	44	152	–	–734	–
Total revenues	**61 058**	**38 941**	**23 007**	**19 053**	**–**	**–734**	**141 325**
– of which equipment	*57%*	*78%*	*73%*	*56%*	–	–	*65%*
– of which service [1]	*43%*	*22%*	*27%*	*44%*	–	–	*35%*
Operating profit	**14 425**	**8 407**	**4 597**	**3 525**	**–755**	**17**	**30 216**
– of which share of profit in associated companies and joint ventures	*1*	*23*	*5*	–	–	–	*29*
Net financial items							–172
Income tax expense							–6 562
Profit for the year							**23 482**
Non-cash expenses							
Depreciation/amortization	1 768	1 593	1 385	1 340	231	–33	6 284
Impairment	–	12	36	7	8	–	63
Other non-cash expenses	373	167	–14	28	–284	–	270
Segment assets	**44 771**	**47 875**	**33 948**	**25 486**	**4 434**	**–1 836**	**154 678**
– of which goodwill	*7 132*	*14 683*	*14 884*	*7 600*	–	–	*44 299*
Investments in associated companies and joint ventures	–	800	139	–	–	–	939
Unallocated assets							16 684
Total assets	**44 771**	**48 675**	**34 087**	**25 486**	**4 434**	**–1 836**	**172 301**
Segment liabilities	**25 521**	**9 332**	**6 583**	**5 470**	**2 628**	**–1 724**	**47 810**
Unallocated liabilities							44 465
Total liabilities	**25 521**	**9 332**	**6 583**	**5 470**	**2 628**	**–1 724**	**92 275**
Capital expenditures							
Property, plant and equipment	1 754	2 397	696	1 330	673	–24	6 826
– of which right-of-use assets	*857*	*298*	*178*	*321*	*624*	–	*2 278*
Intangible assets	289	393	517	159	13	–	1 371
Total capital expenditures	**2 043**	**2 790**	**1 213**	**1 489**	**686**	**–24**	**8 197**
Goodwill acquired	814	929	417	5 678	–	–	7 838

[1] Including spare parts, consumables, accessories and rental.

2022	Compressor Technique	Vacuum Technique	Industrial Technique	Power Technique	Common Group functions	Eliminations	Group
Items affecting comparability in Operating profit	–	–	–	–	151 [1]	–	151 [1]

[1] Refers to a change in provision for share-related long-term incentive programs.

3. Segment information, continued

The Group is organized in separate and focused but still integrated business areas, each operating through divisions. The business areas offer different products and services to different customer groups. They are also the basis for management and internal reporting and are regularly reviewed by the Group's President and CEO, the chief operating decision maker. The chief operating decision maker uses more than one measure of the operating segments' profit or loss to assess performance and allocate resources. The operating profit of the business areas is the primary profit measure used by the chief operating decision maker, and is reconciled to the consolidated operating profit in the tables on the previous pages. Items affecting comparability are included in a separate table since the chief operating decision maker reviews also these as part of allocating resources to the different business areas. All business areas are managed on a worldwide basis and their role is to develop, implement and follow up the objectives and strategies within their respective business.

See pages 19-31 for a description of the business areas.

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

The accounting principles for the segments are the same as those described in note 1. Atlas Copco Group's inter-segment pricing is determined on a commercial basis.

Segment assets are comprised of property, plant and equipment, right-of-use assets, intangible assets, other non-current receivables, inventories, and current receivables.

Segment liabilities include the sum of non-interest-bearing liabilities such as operating liabilities, other provisions, and other non-current liabilities.

Capital expenditure includes property, plant and equipment, right-of-use assets, and intangible assets, but excludes the effect of goodwill, intangible assets and property, plant and equipment through acquisitions.

Geographical information

The revenues presented are based on the location of the customers while non-current assets are based on the geographical location of the assets. These assets include non-current assets other than financial instruments, investments in associated companies and joint ventures, deferred tax assets, and post-employment benefit assets.

By geographic area/country		Revenues		Non-current assets	
		2023	2022	2023	2022
North America	U.S.A.	39 562	31 294	16 255	16 323
	Other countries	6 458	4 744	2 376	2 465
		46 020	**36 038**	**18 631**	**18 788**
South America	Brazil	4 570	3 665	899	663
	Other countries	2 437	2 197	256	188
		7 007	**5 862**	**1 155**	**851**
Europe	Belgium	1 636	1 257	3 539	3 058
	France	5 208	3 800	701	693
	Germany	10 702	8 076	31 319	31 462
	Italy	4 445	3 560	2 360	2 303
	Sweden	2 288	1 898	1 771	1 657
	United Kingdom	4 334	3 255	14 837	15 507
	Other countries	19 993	16 709	4 481	4 214
		48 606	**38 555**	**59 008**	**58 894**
Africa/Middle East	South Africa	946	844	204	137
	Other countries	7 087	5 524	466	440
		8 033	**6 368**	**670**	**577**
Asia/Oceania	Australia	2 859	1 602	3 655	175
	Greater China	35 810	31 914	3 905	3 493
	India	5 976	4 883	525	507
	Japan	3 321	2 793	634	608
	South Korea	7 937	6 816	3 164	2 806
	Other countries	7 095	6 494	620	529
		62 998	**54 502**	**12 503**	**8 118**
Total		**172 664**	**141 325**	**91 967**	**87 228**

Geographic distribution	Compressor Technique, %		Vacuum Technique, %		Industrial Technique, %		Power Technique, %		Group, %	
2023	Orders received	Revenues	Orders received	Revenues	Orders received	Revenues	Orders received	Revenues	Orders received	Revenues
North America	26	25	26	25	32	32	29	28	27	27
South America	6	6	–	–	3	3	7	7	4	4
Europe	29	31	15	16	34	34	30	34	27	28
Africa/Middle East	6	7	1	1	1	1	8	9	5	5
Asia/Oceania	33	31	58	58	30	30	26	22	37	36
2022										
North America	25	23	24	23	32	32	32	28	27	25
South America	5	6	–	–	2	2	7	8	4	4
Europe	29	31	16	15	33	33	36	37	27	27
Africa/Middle East	7	7	1	1	1	2	8	9	4	5
Asia/Oceania	34	33	59	61	32	31	17	18	38	39

Atlas Copco Group

3. Segment information, continued

Quarterly data, Revenues by business area

Revenues	2023				2022			
	1	2	3	4	1	2	3	4
Compressor Technique	17 632	18 600	19 493	19 827	13 305	14 291	16 377	17 085
– of which external	*17 466*	*18 407*	*19 300*	*19 614*	*13 169*	*14 174*	*16 244*	*16 957*
– of which internal	*166*	*193*	*193*	*213*	*136*	*117*	*133*	*128*
Vacuum Technique	9 989	10 911	10 802	11 110	8 179	9 335	10 781	10 646
– of which external	*9 979*	*10 906*	*10 795*	*11 101*	*8 173*	*9 332*	*10 773*	*10 639*
– of which internal	*10*	*5*	*7*	*9*	*6*	*3*	*8*	*7*
Industrial Technique	6 492	7 280	7 306	7 375	5 083	5 405	5 911	6 608
– of which external	*6 469*	*7 260*	*7 290*	*7 356*	*5 072*	*5 396*	*5 900*	*6 595*
– of which internal	*23*	*20*	*16*	*19*	*11*	*9*	*11*	*13*
Power Technique	5 996	6 828	7 142	6 933	3 702	4 247	5 207	5 897
– of which external	*5 947*	*6 791*	*7 100*	*6 883*	*3 672*	*4 209*	*5 157*	*5 863*
– of which internal	*49*	*37*	*42*	*50*	*30*	*38*	*50*	*34*
Common Group functions/eliminations	–248	–255	–258	–291	–183	–167	–202	–182
Total	**39 861**	**43 364**	**44 485**	**44 954**	**30 086**	**33 111**	**38 074**	**40 054**

Quarterly data, Operating profit by business area

Operating profit	2023				2022			
	1	2	3	4	1	2	3	4
Compressor Technique	4 245	4 472	4 856	4 915	3 170	3 266	3 963	4 026
in % of revenues	*24.1%*	*24.0%*	*24.9%*	*24.8%*	*23.8%*	*22.9%*	*24.2%*	*23.6%*
Vacuum Technique	2 268	2 504	2 465	2 370	1 859	2 123	2 484	1 941
in % of revenues	*22.7%*	*22.9%*	*22.8%*	*21.3%*	*22.7%*	*22.7%*	*23.0%*	*18.2%*
Industrial Technique	1 371	1 585	1 647	1 580	1 065	1 077	1 267	1 188
in % of revenues	*21.1%*	*21.8%*	*22.5%*	*21.4%*	*21.0%*	*19.9%*	*21.4%*	*18.0%*
Power Technique	1 145	1 294	1 429	1 323	664	807	983	1 071
in % of revenues	*19.1%*	*19.0%*	*20.0%*	*19.1%*	*17.9%*	*19.0%*	*18.9%*	*18.2%*
Common Group functions/eliminations	–330	–666	–280	–1 102	–9	6	–319	–416
Operating profit	**8 699**	**9 189**	**10 117**	**9 086**	**6 749**	**7 279**	**8 378**	**7 810**
in % of revenues	*21.8%*	*21.2%*	*22.7%*	*20.2%*	*22.4%*	*22.0%*	*22.0%*	*19.5%*
Net financial items	–44	–163	–189	–253	–78	26	70	–190
Profit before tax	**8 655**	**9 026**	**9 928**	**8 833**	**6 671**	**7 305**	**8 448**	**7 620**
in % of revenues	*21.7%*	*20.8%*	*22.3%*	*19.6%*	*22.2%*	*22.1%*	*22.2%*	*19.0%*

4. Employees and personnel expenses

Average number of employees	2023			2022		
	Women	Men	Total	Women	Men	Total
Parent Company						
Sweden	78	41	119	67	43	110
Subsidiaries						
North America	1 769	6 413	8 182	1 549	5 641	7 190
South America	560	1 684	2 244	492	1 582	2 074
Europe	4 997	17 612	22 609	4 401	16 115	20 516
– of which Sweden	*347*	*1 110*	*1 457*	*308*	*1 056*	*1 364*
Africa/Middle East	255	1 101	1 356	230	970	1 200
Asia/Oceania	3 499	13 101	16 600	3 016	11 675	14 691
Total in subsidiaries	**11 080**	**39 911**	**50 991**	**9 688**	**35 983**	**45 671**
Total	**11 158**	**39 952**	**51 110**	**9 755**	**36 026**	**45 781**

For additional information regarding workforce profile, see the Sustainability report, page 54.

Females in the Board of Directors and Group Management, %	Dec. 31, 2023	Dec. 31, 2022
Parent Company		
Board of Directors [1]	33	22
Group Management	33	33

[1] Which excludes President and CEO, includes employee representatives but excludes employee representatives' alternate members.

Remuneration and other benefits	Group	
	2023	2022
Salaries and other remuneration	33 708	27 201
Contractual pension benefits	1 798	1 547
Other social costs	5 970	4 832
Total	**41 476**	**33 580**
Pension obligations to Board members and Group Management [1]	4	4

[1] Refers to former members of Group Management.

4. Employees and personnel expenses, continued

2023 Remuneration and other benefits to the Board, KSEK	Fee	Value of synthetic shares at grant date	Number of synthetic shares at grant date	Other fees [1]	Total fees incl. value of synthetic shares at grant date	Effect of vesting and change in stock price [2]	Total expense recognized [3]
Chair:							
Hans Stråberg	1 588	1 600	10 817	463	3 651	3 199	6 850
Other members of the Board:							
Jumana Al-Sibai [4]	388	518	3 499	–	906	–62	844
Staffan Bohman [5]	125	–	–	50	175	672	847
Johan Forssell	513	518	3 499	224	1 255	1 022	2 277
Heléne Mellquist	513	518	3 499	–	1 031	321	1 352
Anna Ohlsson-Leijon	513	518	3 499	433	1 464	493	1 957
Gordon Riske	513	518	3 499	79	1 110	733	1 843
Peter Wallenberg Jr	513	518	3 499	104	1 135	1 022	2 157
Other members of the Board previous year	–	–	–	–	–	578	578
Employee representatives (4) [6]	113	–	–	–	113	–	113
Total	**4 779**	**4 708**	**31 811**	**1 353**	**10 840**	**7 978**	**18 818**

[1] Refers to fees for membership in board committees.
[2] Refers to synthetic shares received in 2019–2023.
[3] Provision for synthetic shares as at December 31, 2023 amounted to MSEK 29 (22).
[4] Jumana Al-Sibai was elected board member at the Annual Meeting 2023.
[5] Staffan Bohman left the Board at the Annual General Meeting 2023.
[6] Employee representatives receive compensation to prepare for their participation in board meetings.

2022 Remuneration and other benefits to the Board, KSEK	Fee	Value of synthetic shares at grant date	Number of synthetic shares at grant date	Other fees [1]	Total fees incl. value of synthetic shares at grant date	Effect of vesting and change in stock price [2]	Total expense recognized [3]
Chair:							
Hans Stråberg	1 488	1 550	3 565	451	3 489	–1 414	2 075
Other members of the Board:							
Staffan Bohman	581	500	1 150	251	1 332	–370	962
Tina Donikowski [4]	206	–	–	–	206	–298	–92
Johan Forssell	478	500	1 150	218	1 196	–451	745
Heléne Mellquist [5]	375	500	1 150	–	875	–72	803
Anna Ohlsson-Leijon	478	500	1 150	346	1 324	–34	1 290
Gordon Riske	478	500	1 150	–	978	–153	825
Peter Wallenberg Jr	478	500	1 150	99	1 077	–451	626
Other members of the Board previous year	–	–	–	–	–	–298	–298
Employee representatives (4) [6]	86	–	–	–	86	–	86
Total	**4 648**	**4 550**	**10 465**	**1 365**	**10 563**	**–3 541**	**7 022**

[1] Refers to fees for membership in board committees.
[2] Refers to synthetic shares received in 2018–2022.
[3] Provision for synthetic shares as at December 31, 2022 amounted to MSEK 22 (25).
[4] Tina Donikowski left the Board at the Annual Meeting 2022.
[5] Heléne Mellquist was elected board member at the Annual General Meeting 2022.
[6] Employee representatives receive compensation to prepare for their participation in board meetings.

4. Employees and personnel expenses, continued

2023 **Remuneration and other benefits to Group Management, KSEK**	Base salary	Variable compensation [2]	Other benefits [3]	Pension fees	Total, excl. recognized costs for share based payments	Recognized costs for share based payments [4]	Total expense recognized
President and CEO							
Mats Rahmström [1]	20 200	14 221	613	7 070	42 104	10 328	52 432
Other members of Group Management (8 positions)	32 036	18 459	7 223	9 126	66 844	11 933	78 777
Total	**52 236**	**32 680**	**7 836**	**16 196**	**108 948**	**22 261**	**131 209**
Total remuneration and other benefits to the Board and Group Management							**150 027**

1 Further details on the President and CEO remuneration is part of the Remuneration Report that will be published in connection with the notice to the Annual General Meeting.
2 Refers to variable compensation earned in 2023 to be paid in 2024, based on actual base salary entitlement.
3 Refers to vacation pay, company car, medical insurance, and other benefits.
4 Refers to stock options and SARs received in 2017–2023 and includes recognized costs due to change in stock price and vesting period, see also note 22.

2022 **Remuneration and other benefits to Group Management, KSEK**	Base salary	Variable compensation [2]	Other benefits [3]	Pension fees	Total, excl. recognized costs for share based payments	Recognized costs for share based payments [4]	Total expense recognized
President and CEO							
Mats Rahmström [1]	19 500	14 820	406	6 836	41 562	5 052	46 614
Other members of Group Management (8 positions)	28 979	15 055	7 153	8 430	59 617	3 566	63 183
Total	**48 479**	**29 875**	**7 559**	**15 266**	**101 179**	**8 618**	**109 797**
Total remuneration and other benefits to the Board and Group Management							**116 819**

1 Further details on the President and CEO remuneration is part of the Remuneration Report that will be published in connection with the notice to the Annual General Meeting.
2 Refers to variable compensation earned in 2022 to be paid in 2023, based on actual base salary entitlement.
3 Refers to vacation pay, company car, medical insurance, and other benefits.
4 Refers to stock options and SARs received in 2016–2022 and includes recognized costs due to change in stock price and vesting period, see also note 22.

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

The guidelines for remuneration to the Board and Group Management are approved at the Annual General Meeting of the shareholders. The guidelines approved by the 2020 meeting are described in the following paragraphs.

Board members
Remuneration and fees are based on the work performed by the Board. The remuneration and fees approved for 2023 are detailed in the table on the previous page. The remuneration to the President and CEO, who is a member of Group Management, is described in the following sections and in the Remuneration Report.

The Annual General Meeting decided that each board member can elect to receive 50% of the 2023 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 2023. The share rights are earned 25% per quarter as long as the member remains on the Board. After five years, the synthetic shares give the right to receive a cash payment per synthetic share based upon an average price for series A shares during ten trading days following the release of the first quarterly interim report of the year of payment. The board members will receive dividends on series A shares until payment date in the form of new synthetic shares. If a board member resigns from his or her position before the stipulated payment date as stated above, the board member has the right to request a prepayment. The prepayment will be made twelve months after the date when the board member resigned or otherwise the original payment date is valid.

Status end of year
Seven board members accepted the right to receive synthetic shares. The number and costs at grant date and at the end of the financial year are disclosed by board member in the table on the previous page.

Remuneration and other committees 2023
The board has four committees:
- Remuneration committee consisting of Hans Stråberg (Chair), Peter Wallenberg Jr, Staffan Bohman (until April 27, 2023) and Gordon Riske (from April 27, 2023). The committee proposed compensation to the President and CEO for approval by the Board. The committee also supported the President and CEO in determining the compensation to the other members of Group Management.
- Audit committee consisting of Anna Ohlsson-Leijon (Chair), Johan Forssell and Hans Stråberg.
- Repurchase committee consisting of Anna Ohlsson-Leijon (Chair), and Hans Stråberg.
- Committee for recruitment of a new President and CEO consisting of Hans Stråberg (Chair), Johan Forssell, Gordon Riske, and Peter Wallenberg Jr.

4. Employees and personnel expenses, continued

Group Management
Group Management consists of the President and CEO and eight other members of the Executive Committee. The compensation to Group Management shall consist of base salary, variable compensation, possible long-term incentive (share value based incentive programs), pension benefits and other benefits.

The following describes the various guidelines in determining the amount of remuneration:
- Base salary is based on competence, area of responsibility, experience and performance.
- Variable compensation is linked to predetermined and measurable criteria which can be financial or non-financial. Non-financial criteria for 2023 has been to reduce the Group's greenhouse gas emissions in line with the Group's science-based targets. The variable compensation is maximized to 80% of the base salary for the President and CEO, 60% for Business Area Presidents, and 50% for other members of Group Management.
- Performance-based employee stock option plan, see note 22.
- Pension benefits are paid in accordance with a defined contribution plan with premiums set in line with Atlas Copco Group Pension Policy for Swedish Executives and Atlas Copco Group Terms and Conditions for Expatriate Employments.
- Other benefits consist of company car and medical insurance.
- For the expatriates, certain benefits are paid in compliance with the Atlas Copco Group Terms and Conditions for Expatriate Employment.
- A mutual notice of termination of employment of six months shall apply.

The Board may resolve to deviate from the guidelines, in whole or in part, if in a specific case there are special reasons for the deviation and the Board deems deviation is needed to serve the company's long-term interests or to ensure the company's financial viability. No fees are paid to Group Management for board memberships in Group companies.

President and CEO
The variable compensation can give a maximum of 80% of the base salary. The variable compensation is not included in the basis for pension benefits. According to an agreement, the President and CEO has the option to receive variable compensation in the form of cash payment or as a pension contribution. The President and CEO is a member of the Atlas Copco ABs Pension Policy for Swedish Executives, which is a defined contribution plan. The contribution is age related and is up to a maximum of 35% of the base salary. These pension plans are vested. In addition, premiums for private health insurance are added. The retirement age of the President and CEO is set at the age of 65.

Other members of Group Management
The variable compensation is not included in the basis for pension benefits. Members of Group Management have defined contribution pension plans, with contribution up to a maximum of 35% of the base salary according to age. These pension plans are vested. The retirement age is 65, unless there is an agreement between the company and the individual on a longer employment.

Termination of employment
The President and CEO is entitled to a severance pay of twelve months if the Company terminates the employment and a further twelve months if other employment is not available.

Other members of Group Management are entitled to severance pay if the Company terminates their employment. The amount of severance pay is dependent on the length of employment with the Company and the age of the executive, but is never less than 12 months and never more than 24 months' salary.

Any income that the President and CEO and other members of Group Management receives from employment or other business activity, whilst severance pay is being paid, will reduce the amount of severance pay accordingly.

Severance pay for the President and CEO and other members of Group Management is calculated only on the base salary and does not include variable compensation. Severance pay cannot be elected by the employee, but will only be paid if employment is terminated by the Company.

Share value based incentive programs, holding for Group Management – year end
The holdings in the share value based incentive programs (see note 22) as at December 31 are detailed below:

Stock options/matchning options as at Dec. 31, 2023 [1]

Grant Year	President and CEO	Other members of Group Management
2017	–	13 179
2018	–	183 128
2019	–	655 351
2020	18 242	16 402
2021	452 871	508 494
2022	457 184	509 076
2023 [2]	478 909	576 215
Total	**1 407 206**	**2 461 845**

[1] The numbers have been adjusted for the effect of the distribution of Epiroc and the share splits in 2018 and 2022. See note 22 for additional information.
[2] Estimated grants for the 2023 stock option program including matching options.

5. Remuneration to auditors

Audit fees and other services	2023	2022
Ernst & Young		
Audit fee	108	87
Audit activities other than the audit assignment	1	–
Other services, tax	5	3
Other services, other	2	1
Other audit firms		
Audit fee	19	20
Total	**135**	**111**

Audit fee refers to audit of the financial statements and the accounting records. For the Parent Company, this also includes the administration of the business by the Board of Directors and the President and CEO.

Tax services include mostly tax consultancy services.

Other services essentially comprise consultancy services, such as due diligence services in connection with acquisitions, investigations and similar.

At the Annual General Meeting 2023, Ernst & Young was re-elected as auditor for the Group up to and including the Annual General Meeting 2024.

6. Other operating income and expenses

Other operating income	2023	2022
Commissions received	28	16
Income from insurance operations	146	138
Capital gain on asset held for sale	–	2
Capital gain on sale of property, plant and equipment	75	59
Other operating income	295	321
Total	**544**	**536**

Other operating expenses	2023	2022
Capital loss on sale of property, plant and equipment	–33	–35
Exchange-rate differences, net	–1 016	–574
Other operating expenses	–833 [1]	–145
Total	**–1 882**	**–754**

[1] Other operating expenses includes –606 related to a provision for a commercial dispute originating from an agreement dating back to before the current Group structure and the split of the Group in 2018.

6. Other operating income and expenses, continued

Additional information on costs by nature

Cost of goods sold includes expenses for inventories, see note 15, warranty costs and transportation costs.

Salaries, remunerations and employer contributions amounted to 41 476 (33 580) whereof expenses for post-employment benefits amounted to 1 798 (1 547). See note 4 for further details.

Government grants of 252 (243) have been deducted in the related expenses or included in other operating income. Government grants related to assets have been recognized as a deduction when establishing the carrying amount of the asset. Therefore, the government grants are reported as income over the useful life of the asset through a reduction in depreciation expense. The remaining value of these grants, at the end of 2023, amounted to 181 (117).

Included in the operating profit are exchange rate changes on payables and receivables, and the effects from currency hedging. The operating profit also includes –72 (–658) of realized foreign exchange hedging result, which were previously recognized in equity.

Amortization, depreciation and impairment charge for the year amounted to 7 779 (6 347). See note 11, 12 and 21 for further details. Costs for research and development amounted to 6 693 (5 389).

7. Financial income and expenses

Financial income and expenses	2023	2022
Interest income:		
– cash and cash equivalents	393	108
– derivatives	–	165
Capital gain:		
– other assets	9	6
Change in fair value – other assets	38	37
Foreign exchange gain, net	–	27
Financial income	**440**	**343**
Interest expenses:		
– borrowings	–850	–394
– derivatives	–23	–
– pension provisions, net	–27	–30
– deferred considerations	–14	–15
Change in fair value – other liabilities and borrowings	–	–22
Foreign exchange loss, net	–175	–
Impairment loss	–	–54
Financial expenses	**–1 089**	**–515**
Financial expenses, net	**–649**	**–172**

Foreign exchange gain/loss, net includes foreign exchange gains of 1 074 (712) on financial assets at fair value through profit or loss and foreign exchange losses of –1 249 (–685) on other liabilities.

8. Taxes

Income tax expense	2023	2022
Current taxes	–9 334	–7 262
Deferred taxes	944	700
Total	**–8 390**	**–6 562**

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

	2023	2022
Profit before tax	**36 442**	**30 044**
Weighted average tax based on national rates	–8 557	–6 927
in %	*23.5*	*23.1*
Tax effect of:		
– non-deductible expenses	–401	–278
– withholding and other taxes on dividends	–498	–349
– tax-exempt income	1 064	893
Adjustments from prior years:		
– current taxes	–103	146
– deferred taxes	77	–45
Effects of tax losses/credits utilized	29	8
Change in tax rate, deferred tax	19	10
Tax losses not recognized	–48	20
Other items	28	–40
Income tax expense	**–8 390**	**–6 562**
Effective tax in %	23.0	21.8

The effective tax rate was 23.0% (21.8). Withholding and other taxes on dividends of –498 (–349) relate to provisions on retained earnings in countries where Atlas Copco Group incur withholding and other taxes on dividends. Tax-exempt income of 1 064 (893) refers to income that is not subject to taxation or subject to reduced taxation under local law in various countries. Adjustments from prior years – current tax includes the net from tax issues, tax disputes and also one-time positive tax effects in different countries and amounted to –103 (146).

In 2023, effects of income tax rate changes in deferred tax have affected the result with 19 (10).

European Commission's decision on Belgium's tax rulings

On January 11, 2016, the European Commission announced its decision that Belgian tax rulings granted to companies regarding "Excess Profit" shall be considered as illegal state aid and that unpaid taxes shall be reclaimed by the Belgian state. Atlas Copco Group had such tax ruling since 2010.

In 2015, Atlas Copco Group made a provision of MEUR 300 (MSEK 2 802). MEUR 239 (MSEK 2 250) was paid in 2016 and MEUR 68 (MSEK 655) in 2017. MEUR 13 (MSEK 125) was expensed as an interest cost in 2017.

The Belgian government, as well as Atlas Copco Group, appealed the decision to the General Court of the European Union (EGC) in Luxembourg. Since 2016 different aspects of the case has been judged in both the European

8. Taxes, continued

General Court and the European Court of Justice. In September 2023, the European General Court confirmed the 2016 decision of the European Commission, i.e. that the tax benefit that resulted from the tax rulings, constituted unlawful State aid. As per December 7, 2023, Atlas Copco Group has appealed to the European Court of Justice.

It is likely several years before final decisions are made.

Assessment of OECD's Pillar Two

The global minimum tax ("Pillar Two") legislation has been enacted or substantively enacted in certain jurisdictions where the Group operates. The legislation will be effective for the Group's financial year beginning 1 January 2024. The Atlas Copco Group is in scope of the enacted or substantively enacted legislation and has performed an assessment of the Group's potential exposure to Pillar Two income taxes.

The assessment of the potential exposure to Pillar Two income taxes is based on the underlying financial data for 2023 which will be used for the country-by-country reporting and financial statements for the constituent entities in the Group. Based on the assessment, the Pillar Two effective tax rates in most of the jurisdictions where the Group operates are above 15%. However, there are a limited number of jurisdictions where the transitional safe harbour relief does not apply. The Pillar Two income taxes in those jurisdictions are not expected to be material, compared to the total tax cost of the Atlas Copco Group.

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

Change in deferred taxes	2023	2022
Opening balance net, Jan. 1	–552	–435
Business acquisitions	–356	–657
Charges to profit for the year	944	700
Tax on amounts recorded to other comprehensive income	–75	–65
Tax related to equity settled share-based payment	69	–
Translation differences	–63	–95
Closing balance net, Dec. 31	**–33**	**–552**

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

Deferred tax assets and liabilities	2023			2022		
	Assets	Liabilities	Net balance	Assets	Liabilities	Net balance
Intangible assets	779	5 248	–4 469	595	5 195	–4 600
Property, plant and equipment [1]	304	1 368	–1 064	250	1 115	–865
Other financial assets	22	145	–123	43	227	–184
Inventories	2 762	40	2 722	2 525	37	2 488
Current receivables	305	310	–5	321	364	–43
Operating liabilities	984	24	960	979	29	950
Provisions	534	17	517	340	10	330
Post-employment benefits	557	23	534	509	24	485
Borrowings [1]	988	14	974	1 140	21	1 119
Loss/credit carry-forwards	516	–	516	194	–	194
Other items [2]	4	599	–595	22	448	–426
Deferred tax assets/liabilities	**7 755**	**7 788**	**–33**	**6 918**	**7 470**	**–552**
Netting of assets/liabilities	–5 521	–5 521	–	–4 725	–4 725	–
Net deferred tax balances	**2 234**	**2 267**	**–33**	**2 193**	**2 745**	**–552**

[1] The gross amount of deferred tax assets and liabilities relating to right-of-use assets and lease liabilities are included in Property, plant and equipment and Borrowings. The net amount of these items is not material.

[2] Other items primarily include tax deductions which are not related to specific balance sheet items.

Deferred tax assets regarding tax loss carry-forwards are reported to the extent that realization of the related tax benefit through future taxable results is probable. At December 31, the Group had total tax loss carry-forwards of 3 499 (2 404), of which deferred tax assets were recognized for 1 853 (934). The tax value of reported tax loss carry-forwards totals 506 (189). There is no expiration date for utilization of the major part of the tax losses carry-forwards for which deferred tax assets have been recognized.

Tax loss carry-forwards for which no deferred tax have been recognized expire in accordance with below table:

	2023	2022
Expires after 1–2 years	6	82
Expires after 3–4 years	1	31
Expires after 5–6 years	4	12
No expiry date	1 635	1 345
Total	**1 646**	**1 470**

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

	2023	2022
Intangible assets	453	249
Property, plant and equipment	–177	–134
Other financial assets	19	8
Inventories	327	635
Current receivables	–28	–72
Operating liabilities	27	71
Provisions	149	–33
Post-employment benefits	–89	–11
Borrowings	91	115
Other items	–173	–28
Changes due to temporary differences	**599**	**800**
Loss/credit carry-forwards	345	–100
Charges to profit for the year	**944**	**700**

9. Other comprehensive income

Other comprehensive income for the year	2023			2022		
	Before tax	Tax	After tax	Before tax	Tax	After tax
Attributable to owners of the parent						
Items that will not be reclassified to profit or loss						
Remeasurements of defined benefit plans	–753	192	–561	1 550	–420	1 130
Items that may be reclassified subsequently to profit or loss						
Translation differences:						
– on foreign operations	–4 713	–13	–4 726	8 112	174	8 286
Hedge of net investments in foreign operations	148	–31	117	–1 328	273	–1 055
Cash flow hedges	28	–6	22	13	–2	11
Total other comprehensive income	**–5 290**	**142**	**–5 148**	**8 347**	**25**	**8 372**
Attributable to non-controlling interests						
Translation differences on foreign operations	–4	–	–4	–	–	–
Total other comprehensive income	**–5 294**	**142**	**–5 152**	**8 347**	**25**	**8 372**

10. Earnings per share

Amounts in SEK	Basic earnings per share		Diluted earnings per share	
	2023	2022	2023	2022
Earnings per share	5.76	4.82	5.75	4.81

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	2023	2022
Profit for the year	28 040	23 477

Average number of shares outstanding	2023	2022
Basic weighted average number of shares outstanding	4 871 364 070	4 868 350 241
Effect of employee stock options	7 486 197	7 577 524
Diluted weighted average number of shares outstanding	4 878 850 267	4 875 927 765

Potentially dilutive instruments

As of December 31, 2023, Atlas Copco Group had seven outstanding employee stock option programs. For the 2020 program, no options were issued as the EVA target for the Group was not met. The exercise price including adjustment for remaining vesting costs for the 2021, 2022 and 2023 programs exceeded the average share price for series A shares, SEK 144.23 per share. These programs are therefore considered anti-dilutive and not included in the calculation of diluted earnings per share. If the average share price after adjustment with above, exceeds the strike price in the future, these options will be dilutive, which is the case for the 2017, 2018 and 2019 programs.

11. Intangible assets

Impairment tests for cash-generating units with goodwill and for intangible assets with indefinite useful lives

Impairment tests (including sensitivity analyses) are performed as per September 30 each year and when there is an indication of impairment.

Current goodwill is monitored for internal management purposes at business area level which also represents the Group's operating segments. The goodwill has therefore been tested for impairment at business area level.

The recoverable amounts of the cash generating units have been calculated as value-in-use based on management's five-year forecast for net cash flows where the most significant assumptions are revenues, operating profits, working capital, and capital expenditures.

All assumptions for the five-year forecast are estimated individually for each of the business areas based on their particular market position and the characteristics and development of their end-markets. The forecasts represent management's assessment and are based on both external and internal sources. The perpetual growth for the period after five years is estimated at 2% (2).

The Group's average weighted cost of capital in 2023 was 8% (8) after tax (approximately 10.5% (10.5) before tax) and has been used in discounting the cash flows to determine the recoverable amounts. The business areas are all relatively diversified and have similar geographical coverage, similar organization and structure and, to a large extent, an industrial customer base. Specific risks, if any, have affected projected cash flows. The same discount rate has therefore been used for all business areas. All business areas are expected to generate a return well above the values to be tested, including sensitivity analyses/worst-case scenarios.

The following table presents the carrying value of goodwill and trademarks with indefinite useful lives allocated by business area:

	2023		2022	
	Trademarks	Goodwill	Trademarks	Goodwill
Compressor Technique	–	7 078	–	7 132
Vacuum Technique	2 897	14 542	3 008	14 683
Industrial Technique	–	14 713	–	14 884
Power Technique	–	9 028	–	7 600
Total	**2 897**	**45 361**	**3 008**	**44 299**

The trade names of Edwards, Leybold, CTI and Polycold in the Vacuum Technique business area represent strong trade names that have been used for a long time in their industries. Management's intention is that these trade names will be used for an indefinite period of time. Apart from the assessment of future customer demand and the profitability of the business, future marketing strategy decisions involving the trade names, can affect the carrying value of these intangible assets.

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

	2023			2022		
	Internally generated	Acquired	**Total**	Internally generated	Acquired	**Total**
Cost of sales	23	25	48	32	43	75
Marketing expenses	23	1 446	1 469	20	1 131	1 151
Administrative expenses	108	58	166	110	47	157
Research and development expenses	868	748	1 616	670	624	1 294
Total	**1 022**	**2 277**	**3 299**	**832**	**1 845**	**2 677**

Impairment charges on intangible assets totaled 82 (61), of which 82 (52) was classified as research and development expenses, and 0 (9) as administrative expenses. Of the impairment charges, 61 (19) was due to capitalized development costs relating to projects discontinued.

Atlas Copco Group

11. Intangible assets, continued

	Internally generated intangible assets		Acquired intangible assets					
2023	Product development	Other technology and contract based	Product development	Trademarks	Marketing and customer related	Other technology and contract based	Goodwill	**Total**
Cost								
Opening balance, Jan. 1	7 997	1 875	696	5 889	14 504	10 943	44 338	86 242
Investments	1 091	229	1	–	–	143	–	1 464
Business acquisitions	–	–	–2	433	1 160	160	2 249	4 000
Disposals	–108	–59	–	–	–6	–70	–	–243
Reclassifications	11	–16	–	–	26	–10	–	11
Translation differences	–139	–26	–23	–166	–392	–294	–1 187	–2 227
Closing balance, Dec. 31	**8 852**	**2 003**	**672**	**6 156**	**15 292**	**10 872**	**45 400**	**89 247**
Amortization and impairment losses								
Opening balance, Jan. 1	4 330	1 107	115	1 688	6 877	5 019	39	19 175
Amortization for the period	786	154	5	205	1 230	837	–	3 217
Impairment charge for the period	82	–	–	–	–	–	–	82
Disposals	–105	–59	–	–	–6	–69	–	–239
Reclassifications	1	–1	–	3	22	–10	–	15
Translation differences	–63	–15	–5	–26	–230	–165	–	–504
Closing balance, Dec. 31	**5 031**	**1 186**	**115**	**1 870**	**7 893**	**5 612**	**39**	**21 746**
Carrying amounts at Jan. 1	3 667	768	581	4 201	7 627	5 924	44 299	67 067
Carrying amounts at Dec. 31	**3 821**	**817**	**557**	**4 286**	**7 399**	**5 260**	**45 361**	**67 501**

	Internally generated intangible assets		Acquired intangible assets					
2022	Product development	Other technology and contract based	Product development	Trademarks	Marketing and customer related	Other technology and contract based	Goodwill	**Total**
Cost								
Opening balance, Jan. 1	6 720	1 774	610	4 866	11 226	8 506	32 144	65 846
Investments	1 049	209	–	–	8	105	–	1 371
Business acquisitions	–	–	14	447	1 977	1 339	7 838	11 615
Disposals	–186	–264	–	–30	–70	–27	–	–577
Reclassifications	–13	29	–4	–	–34	30	7	15
Translation differences	427	127	76	606	1 397	990	4 349	7 972
Closing balance, Dec. 31	**7 997**	**1 875**	**696**	**5 889**	**14 504**	**10 943**	**44 338**	**86 242**
Amortization and impairment losses								
Opening balance, Jan. 1	3 620	1 128	101	1 418	5 305	3 895	31	15 498
Amortization for the period	615	157	10	160	977	697	–	2 616
Impairment charge for the period	52	8	–	–	–	1	–	61
Disposals	–176	–264	–	–30	–70	–27	–	–567
Reclassifications	–	1	–	–	–34	30	7	4
Translation differences	219	77	4	140	699	423	1	1 563
Closing balance, Dec. 31	**4 330**	**1 107**	**115**	**1 688**	**6 877**	**5 019**	**39**	**19 175**
Carrying amounts at Jan. 1	3 100	646	509	3 448	5 921	4 611	32 113	50 348
Carrying amounts at Dec. 31	**3 667**	**768**	**581**	**4 201**	**7 627**	**5 924**	**44 299**	**67 067**

Other technology and contract based intangible assets include computer software, patents, and contract based rights such as licenses and franchise agreements. Marketing and customer related intangible assets include Internet domain names, customer lists, customer contracts and relationships with customers. All intangible assets other than goodwill and trademarks with indefinite useful lives are amortized.

For information regarding principles for amortization and impairment, see note 1.

See note 2 for information on business acquisitions.

12. Property, plant and equipment

2023	Buildings and land	Machinery and equipment	Construction in progress and advances	Total	Rental equipment
Cost					
Opening balance, Jan. 1	8 350	16 300	2 418	27 068	7 287
Investments	215	1 129	2 645	3 989	1 814
Business acquisitions	50	103	–	153	907
Disposals	–96	–558	–	–654	–449
Reclassifications	727	1 476	–2 167	36	–27
Translation differences	–282	–586	–100	–968	–303
Closing balance, Dec. 31	**8 964**	**17 864**	**2 796**	**29 624**	**9 229**
Depreciation and impairment losses					
Opening balance, Jan. 1	3 375	10 968	5	14 348	4 598
Depreciation for the period	335	1 600	–	1 935	897
Impairment charge for the period	3	6	–	9	–
Disposals	–79	–517	–	–596	–409
Reclassifications	–3	37	–	34	–32
Translation differences	–102	–362	–	–464	–170
Closing balance, Dec. 31	**3 529**	**11 732**	**5**	**15 266**	**4 884**
Carrying amounts at Jan. 1	4 975	5 332	2 413	12 720	2 689
Carrying amounts at Dec. 31	**5 435**	**6 132**	**2 791**	**14 358**	**4 345**

2022	Buildings and land	Machinery and equipment	Construction in progress and advances	Total	Rental equipment
Cost					
Opening balance, Jan. 1	6 757	13 184	1 204	21 145	5 961
Investments	91	839	2 734	3 664	884
Business acquisitions	501	302	5	808	13
Disposals	–75	–499	–	–574	–314
Reclassifications	431	1 275	–1 668	38	–21
Translation differences	645	1 199	143	1 987	764
Closing balance, Dec. 31	**8 350**	**16 300**	**2 418**	**27 068**	**7 287**
Depreciation and impairment losses					
Opening balance, Jan. 1	2 842	9 307	5	12 154	3 619
Depreciation for the period	278	1 283	–	1 561	775
Impairment charge for the period	–	–	–	–	4
Disposals	–52	–465	–	–517	–242
Reclassifications	32	16	–	48	–21
Translation differences	275	827	–	1 102	463
Closing balance, Dec. 31	**3 375**	**10 968**	**5**	**14 348**	**4 598**
Carrying amounts at Jan. 1	3 915	3 877	1 199	8 991	2 342
Carrying amounts at Dec. 31	**4 975**	**5 332**	**2 413**	**12 720**	**2 689**

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

13. Investments in associated companies and joint ventures

Accumulated capital participation	2023	2022
Opening balance, Jan. 1	939	931
Dividends	–34	–40
Profit for the year after income tax	41	29
Translation differences	–92	19
Closing balance, Dec. 31	**854**	**939**

The tables below are based on the most recent financial reporting available from associated companies and joint ventures.

2023 Summary of financial information for associated companies and joint ventures	Country	Assets [1]	Liabilities [1]	Equity [1]	Revenues [1]	Profit for the year [1]	Group's share, % [2]	Carrying value Dec. 31
Associated companies								
Qingdao Qianshao Pneumatic Tool Manufacturing Tech Ltd.	China	75	34	41	41	0	25	10
Reintube S.L.	Spain	8	4	4	12	0	47	0
Joint ventures								
Toku-Hanbai Group	Japan	449	199	250	1 019	25	50	125
Ulvac Cryogenics Inc.	Japan	1 101	357	744	745	57	50	719
Total								**854**

[1] Presented amounts for associated companies and joint ventures are for 100% of the company.
[2] The Atlas Copco Group percentage share of each holding represents both ownership interest and voting power.

2022 Summary of financial information for associated companies and joint ventures	Country	Assets [1]	Liabilities [1]	Equity [1]	Revenues [1]	Profit for the year [1]	Group's share, % [2]	Carrying value Dec. 31
Associated companies								
Qingdao Qianshao Pneumatic Tool Manufacturing Tech Ltd.	China	73	29	44	46	1	25	11
Reintube S.L.	Spain	9	4	5	13	1	47	0
Joint ventures								
Toku-Hanbai Group	Japan	443	182	261	1 273	11	50	128
Ulvac Cryogenics Inc.	Japan	1 237	415	822	718	48	50	800
Total								**939**

[1] Presented amounts for associated companies and joint ventures are for 100% of the company.
[2] The Atlas Copco Group percentage share of each holding represents both ownership interest and voting power.

14. Other financial assets

The fair value of financial instruments under other financial assets corresponds to their carrying value.

	2023	2022
Non-current		
Pension and other similar benefit assets (note 22)	1 132	1 423
Financial assets at fair value through OCI	1	1
Financial assets at fair value through profit or loss	96	86
Financial assets measured at amortized cost:		
– lease receivables	72	67
– other financial receivables	93	91
Closing balance, Dec. 31	**1 394**	**1 668**
Current		
Financial assets at fair value through profit or loss	329	591
Financial assets measured at amortized cost:		
– lease receivables	38	27
– other financial receivables	598	271
Closing balance, Dec. 31	**965**	**889**

See note 21 for information on leases and note 26 for information on credit risk.

15. Inventories

	2023	2022
Raw materials	5 020	5 260
Work in progress	6 597	5 524
Semi-finished goods	7 511	7 623
Finished goods	10 155	8 812
Closing balance, Dec. 31	**29 283**	**27 219**

Provisions for obsolescence and other write-downs of inventories recorded as cost of sales amounted to 908 (560). Reversals of write-downs which were recognized in earnings totaled 25 (35). Previous write-downs have been reversed as a result of improved market conditions in certain markets.

Inventories recognized as expense amounted to 72 189 (60 607).

16. Trade receivables

The fair value for trade receivables corresponds to their carrying value. Trade receivables are measured at amortized cost.

Expected credit losses, trade	2023	2022
Opening balance, Jan. 1	976	745
Business acquisitions and divestments	10	99
Provisions recognized for potential losses	467	367
Amounts used for established losses	–141	–118
Release of unnecessary provisions	–193	–191
Translation differences	–41	74
Closing balance, Dec. 31	**1 078**	**976**

Trade receivables of 32 680 (29 910) are reported net of expected credit losses and other impairments amounting to 1 078 (976).

Expected credit losses and impairment losses recognized in the income statement totaled 248 (147).

For credit risk information, see note 26.

17. Other receivables

The fair value of financial instruments included in other receivables corresponds to their carrying value.

	2023	2022
Derivatives:		
– at fair value through profit or loss	108	34
Financial assets measured at amortized cost:		
– other receivables	3 940	4 085
– contract assets	5 699	4 738
Prepaid expenses	1 294	1 174
Closing balance, Dec. 31	**11 041**	**10 031**

Other receivables consist primarily of VAT claims and advances to suppliers. Contract assets consist of service contracts and projects of customized goods recognized over time. Impairment losses recognized on contract assets were insignificant. Prepaid expenses include items such as insurance, IT and employee costs.

See note 26 for information on the Group's derivatives.

18. Cash and cash equivalents

The fair value of cash and cash equivalents corresponds to their carrying value. Cash and cash equivalents are measured at amortized cost.

	2023	2022
Cash	9 490	10 016
Cash equivalents	1 397	1 238
Closing balance, Dec. 31	**10 887**	**11 254**

Cash and cash equivalents includes cash in Russia, amounting to 226 (257), which is not immediately available for use by the Group. Since the Group's activities in Russia have significantly curtailed, there is excess cash.

During the year, cash and cash equivalents had an estimated average effective interest rate of 3.28% (0.71). The committed, but unutilized, credit lines were MEUR 1 640 (1 640), which equaled to MSEK 18 124 (18 277).

See note 26 for additional information.

19. Equity

	2023			2022		
Shares outstanding	A shares	B shares	Total	A shares	B shares	Total
Opening balance, Jan. 1	3 357 576 384	1 560 876 032	4 918 452 416	839 394 096	390 219 008	1 229 613 104
Share split	–	–	–	3 357 576 384	1 560 876 032	4 918 452 416
	3 357 576 384	**1 560 876 032**	**4 918 452 416**	**4 196 970 480**	**1 951 095 040**	**6 148 065 520**
Redemption of shares	–	–	–	–799 996 017	–390 219 008	–1 190 215 025
Redemption of shares held by Atlas Copco	–	–	–	–39 398 079	–	–39 398 079
Total number of shares, Dec. 31	**3 357 576 384**	**1 560 876 032**	**4 918 452 416**	**3 357 576 384**	**1 560 876 032**	**4 918 452 416**
– of which held by Atlas Copco	–47 893 133	–	–47 893 133	–50 095 451	–	–50 095 451
Total shares outstanding, Dec. 31	**3 309 683 251**	**1 560 876 032**	**4 870 559 283**	**3 307 480 933**	**1 560 876 032**	**4 868 356 965**

At December 31, 2023 Atlas Copco AB's share capital amounted to SEK 786 008 190 distributed among 4 918 452 416 shares, each with a quota value of approximately SEK 0.16 (0.16). Series A shares entitle the holder to one voting right and series B shares entitle the holder to one-tenth of a voting right per share. In the below table the transactions for year 2023 shows the actual number of shares repurchased and divested.

	Number of shares held by Atlas Copco						Cost value affecting equity	
Repurchases/Divestment of shares	2023	AGM mandate 2023 Apr.–Dec.	AGM mandate 2022 Jan.–Mar.	2022	AGM mandate 2022 Apr.–Dec.	AGM mandate 2021 Jan.–Mar.	2023	2022
Opening balance, Jan. 1	50 095 451			11 422 736			4 007	3 386
Repurchase of A shares	7 785 000	6 040 000	1 745 000	1 870 000	1 270 000	600 000	1 243	864
Divestment of A shares	–9 987 318	–8 214 129	–1 773 189	–2 595 364	–130 993	–2 464 371	–823	–243
Share split	–	–	–	39 398 079	–	–	–	–
Closing balance, Dec. 31	**47 893 133**			**50 095 451**			**4 427**	**4 007**
Percentage of shares outstanding	1.0%			1.0%				

The 2023 AGM approved a mandate for the Board of Directors to repurchase and sell series A shares on Nasdaq Stockholm in order to fulfill the obligations under the performance stock option plan. The mandate is valid until the next AGM and allows:

- The purchase of not more than 14 810 000 series A shares, whereof a maximum 10 450 000 may be transferred to personnel stock option holders under the performance stock option plan 2023.
- The purchase of not more than 60 000 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 60 000 series A shares to cover costs related to previously issued synthetic shares to board members.
- The sale of maximum 33 000 000 series A shares in order to cover the obligations under the performance stock option plans 2017, 2018, 2019 and 2020.

The 2022 AGM approved a mandate for the Board of Directors to repurchase and sell series A shares on Nasdaq Stockholm in order to fulfill the obligations under the performance stock option plan. The mandate is valid until the next AGM and allowed:

- The purchase of not more than 3 000 000 series A shares, whereof a maximum 2 400 000 may be transferred to personnel stock option holders under the performance stock option plan 2022.
- The purchase of not more than 15 000 series A shares, later to be sold on the market in connection with payment to board members who have opted to receive synthetic shares as part of their board fee.
- The sale of not more than 15 000 series A shares to cover costs related to previously issued synthetic shares to board members.
- The sale of maximum 8 800 000 series A in order to cover the obligations under the performance stock option plans 2016, 2017, 2018 and 2019.

Repurchases and sales are subject to market conditions, regulatory restrictions, and the capital structure at any given time. During 2023, 7 785 000 series A shares were repurchased while 9 987 318 series A shares were divested in accordance with mandates granted by the 2022 and 2023 AGM. Further information regarding repurchases and sales in accordance with AGM mandates is presented in the table above. The series A shares are held for possible delivery under the 2017–2023 personnel stock option programs.

The series A shares held can be divested over time to cover costs related to the personnel stock option programs, including social insurance charges, cash settlements or performance of alternative incentive solutions in countries where allotment of employee stock options are unsuitable. The total number of shares of series A held by Atlas Copco AB is presented in the table above.

Reserves

Consolidated equity includes certain reserves which are described below:

Hedging reserve comprises the effective portion of net changes in fair value for certain cash flow hedging instruments.

Translation reserve comprises all exchange differences arising from the translation of the financial statements of foreign operations, the translation of intra-group receivables from or liabilities to foreign operations that in substance are part of the net investment in the foreign operations, as well as from the translation of liabilities that hedge the company's net investments in foreign operations.

Non-controlling interest amounts to 50 (50). Six subsidiaries have non-controlling interest. The non-controlling interests are not material to the Group.

Appropriation of profit

The Board of Directors proposes a dividend of SEK 2.80 (2.30) per share, totaling SEK 13 637 565 992 if shares held by the company on December 31, 2023 are excluded.

Retained earnings including reserve for fair value	145 070 388 816
Profit for the year	11 373 879 363
	156 444 268 179

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

To the shareholders, a dividend of SEK 2.80 per share	13 637 565 992
To be retained in the business	142 806 702 187
Total	**156 444 268 179**

The proposed dividend for 2022 amounted of SEK 2.30 per share was approved by the AGM on April 27, 2023 and was paid accordingly by Atlas Copco AB. Total dividend paid amounted to SEK 11 202 833 168.

20. Borrowings

	Maturity	Repurchased nominal amount	2023 Carrying amount	2023 Fair value	2022 Carrying amount	2022 Fair value
Non-current						
Medium Term Note Program MEUR 500	2023	MEUR 314	–	–	3 497	3 500
Medium Term Note Program MEUR 500	2026		5 523	5 215	5 568	5 063
Medium Term Note Program MEUR 300	2029		3 299	2 848	3 324	2 656
Medium Term Note Program MEUR 500	2032		5 473	4 571	5 513	4 316
Bilateral borrowings NIB MEUR 200	2024	MEUR 200	–	–	2 229	2 257
Bilateral borrowings EIB MEUR 200	2027		2 210	2 099	2 229	1 958
Bilateral borrowings EIB MEUR 100	2028		1 105	1 009	1 114	959
Bilateral borrowings EIB MEUR 415	2030		4 586	4 717	–	–
Bilateral borrowings EIB MEUR 60	2030		663	684	–	–
Bilateral borrowings NIB MEUR 183	2031		2 022	2 053	–	–
Other bank loans			881	850	283	282
Less current portion of long-term borrowings			–164	–164	–3 524	–3 527
Total non-current bonds and loans			**25 598**	**23 882**	**20 233**	**17 464**
Lease liabilities			4 251	4 251	3 505	3 505
Other financial liabilities			118	118	32	32
Total non-current borrowings			**29 967**	**28 251**	**23 770**	**21 001**
Current						
Current portion of long-term borrowings			164	164	3 524	3 527
Short-term loans			1 087	1 087	7 725	7 735
Lease liabilities			1 491	1 491	1 314	1 314
Total current borrowings			**2 742**	**2 742**	**12 563**	**12 576**
Closing balance, Dec. 31			**32 709**	**30 993**	**36 333**	**33 577**

The difference between carrying value and fair value relates to the measurement method as certain liabilities are reported at amortized cost and not at fair value. Changes in interest rates and credit margins create the difference between fair value and amortized cost. See additional information about the Group's exposure to interest rate risk and foreign currency risk in note 26.

Repaid borrowings during 2023 included the outstanding amount of MEUR 314 of a MEUR 500 public bond and MEUR 200 loan from the Nordic Investment Bank (NIB).

New borrowings included a MEUR 475 long-term loan from the European Investment bank (EIB) and a MEUR 183 long-term loan of from the Nordic Investment Bank (NIB).

Short term loans include supply chain financing contracts with remaining payment terms exceeding 180 days.

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

The Group's credit facilities are specified in the table below.

Credit facilities	Nominal amount	Maturity	Utilized
Commercial papers [1] [2]	MSEK 10 000		–
Credit-line	MEUR 640	2026	–
Credit-line	MEUR 1 000	2026	–
Equivalent in SEK	**MSEK 28 124**		**–**

[1] Interest is based on market conditions at the time when the facility is utilized. Maturity is set when the facility is utilized.
[2] The maximum amounts available under these programs total MSEK 10 000 (10 000).

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

Currency	2023 Local currency (millions)	2023 MSEK	2023 %	2022 Local currency (millions)	2022 MSEK	2022 %
EUR	2 483	27 435	84	2 877	32 062	88
SEK	641	641	2	620	620	2
USD	151	1 508	5	110	1 153	3
Others	–	3 125	9	–	2 498	7
Total		**32 709**	**100**		**36 333**	**100**

The following table shows the maturity structure of the Group's borrowings.

Maturity	Fixed	Floating [1]	Carrying amount	Fair value
2024	887	1 855	2 742	2 746
2025	1 341	–	1 341	1 341
2026	6 543	–	6 543	6 235
2027	2 915	–	2 915	2 804
2028	1 511	–	1 511	1 415
2029	3 622	–	3 622	3 155
2030	324	5 249	5 573	5 725
2031	406	2 022	2 428	2 441
2032 and after	6 034	–	6 034	5 131
Total	**23 583**	**9 126**	**32 709**	**30 993**

[1] Floating interest in the table corresponds to borrowings with fixings shorter or equal to six months.

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20. **Borrowings,** continued

2023		Cash changes	Non cash changes							
Reconciliation of liabilities from financing activities	Opening balance, Jan. 1	Financing cash flows	Lease additions	Lease deductions	Business acquisitions and divestments	Change in fair value through P/L	Change in fair value through equity	FX change	Reclassification	Closing balance, Dec. 31
Non-current										
Non-current bonds and loans	20 233	5 141	–	–	482	10	–115	–93	–60	25 598
Lease liabilities	3 505	–	1 539	–99	239	57	–	–150	–840	4 251
Other financial liabilities	32	–2	–	–	108	–	–	–5	–15	118
Total non-current liabilities	**23 770**	**5 139**	**1 539**	**–99**	**829**	**67**	**–115**	**–248**	**–915**	**29 967**
Current										
Current portion of long-term borrowings	3 524	–3 503	–	–	150	–22	–33	–6	54	164
Short-term loans	7 725	–6 864	–	–	53	4	–	116	21	1 055
Lease liabilities	1 314	–1 916 [1]	1 206	–65	46	114	–	–48	840	1 491
Total current liabilities	**12 563**	**–12 283**	**1 206**	**–65**	**249**	**96**	**–33**	**62**	**915**	**2 710**
Total	**36 333**	**–7 144**	**2 745**	**–164**	**1 078**	**163**	**–148**	**–186**	**–**	**32 677**

[1] Includes paid interest on lease liabilities.

2022		Cash changes	Non cash changes							
Reconciliation of liabilities from financing activities	Opening balance, Jan. 1	Financing cash flows	Lease additions	Lease deductions	Business acquisitions and divestments	Change in fair value through P/L	Change in fair value through equity	FX change	Reclassification	Closing balance, Dec. 31
Non-current										
Non-current bonds and loans	18 542	3 409	–	–	27	14	587	541	–2 887	20 233
Lease liabilities	2 328	–	1 397	–35	252	28	–	223	–688	3 505
Other financial liabilities	23	–667	–	–	648	2	–	20	6	32
Total non-current liabilities	**20 893**	**2 742**	**1 397**	**–35**	**927**	**44**	**587**	**784**	**–3 569**	**23 770**
Current										
Current portion of long-term borrowings	1 045	–1 118	–	–	9	–	700	2	2 886	3 524
Short-term loans	1 915	4 616	–	–	762	–	–	430	2	7 725
Lease liabilities	1 021	–1 469 [1]	883	–72	117	56	–	97	681	1 314
Total current liabilities	**3 981**	**2 029**	**883**	**–72**	**888**	**56**	**700**	**529**	**3 569**	**12 563**
Total	**24 874**	**4 771**	**2 280**	**–107**	**1 815**	**100**	**1 287**	**1 313**	**–**	**36 333**

[1] Includes paid interest on lease liabilities.

Cash flow from financing activities also includes net "Settlement of CSA" (Credit Support Annex) of MSEK –309 (–24) which is not included in the tables above.
In December 2023, the financial liability related to CSA amounted to MSEK 32 (0).

21. Leases

Group as a lessee

Atlas Copco Group´s lease portfolio consists mainly of leased buildings such as offices and warehouses, vehicles and production equipment. There are several lease contracts with extension options and variable lease payments. Carrying amounts and movements of the right-of-use asset are presented in the tables below:

Right-of-use assets, 2023	Buildings and land	Machinery and equipment	Rental equipment	Total
Cost				
Opening balance, Jan. 1	6 109	2 086	13	8 208
Additions	1 773	975	1	2 749
Business acquisitions	262	12	–	274
Deductions	–295	–484	–5	–784
Reclassifications	–15	–16	–	–31
Translation differences	–271	–77	1	–347
Closing balance, Dec. 31	**7 563**	**2 496**	**10**	**10 069**
Depreciation and impairment losses				
Opening balance, Jan. 1	2 398	1 050	8	3 456
Depreciation and impairment for the period	1 036	600	3	1 639
Deductions	–201	–407	–5	–613
Reclassifications	–17	–11	–	–28
Translation differences	–114	–35	1	–148
Closing balance, Dec. 31	**3 102**	**1 197**	**7**	**4 306**
Carrying amounts, Jan. 1	3 711	1 036	5	4 752
Carrying amounts, Dec. 31	**4 461**	**1 299**	**3**	**5 763**

Right-of-use assets, 2022	Buildings and land	Machinery and equipment	Rental equipment	Total
Cost				
Opening balance, Jan. 1	4 117	1 776	34	5 927
Additions	1 679	599	–	2 278
Business acquisitions	311	39	–	350
Deductions	–401	–501	–23	–925
Reclassifications	–8	–	–	–8
Translation differences	411	173	2	586
Closing balance, Dec. 31	**6 109**	**2 086**	**13**	**8 208**
Depreciation and impairment losses				
Opening balance, Jan. 1	1 738	920	25	2 683
Depreciation and impairment for the period	827	499	4	1 330
Deductions	–335	–461	–22	–818
Reclassifications	–4	–	–	–4
Translation differences	172	92	1	265
Closing balance, Dec. 31	**2 398**	**1 050**	**8**	**3 456**
Carrying amounts, Jan. 1	2 379	856	9	3 244
Carrying amounts, Dec. 31	**3 711**	**1 036**	**5**	**4 752**

The following amounts have been recognized in profit or loss:

Leasing in income statement	2023	2022
Depreciation and impairment expense on right-of-use assets	–1 639	–1 330
Interest expense on lease liabilities	–171	–85
Expense relating to leases of low value assets	–83	–74
Expense relating to short-term leases	–191	–155
Expense relating to variable lease payments	–19	–24
Income from subleasing right-of-use assets	8	6
Gains or losses from sale and leaseback transactions	–1	–
Total amount recognized in profit or loss	**–2 096**	**–1 662**

For cash outflows related to leases, the principal payment amounts to 1 793 (1 403) and the interest portion of lease payments to 123 (67). The principal payment is recognized as cash flow from financing activities and the interest portion of the lease payment as cash flow from operating activities, net financial items paid. For further information, see consolidated statements of cash flow and note 20.

Lease contracts that include extension options are mainly related to premises, machinery and equipment. Management uses significant judgement in determining whether these extension options are reasonably certain to be exercised. Extension options reasonably certain to be exercised are included in the lease term. Future cash outflow relating to extension options expected not to be exercised amounts to 118 (137). For leases that have not yet commenced, the future cash outflow amounts to 54 (86).

For carrying amounts and movements of lease liabilities related to the right-of-use assets, see note 20.

The maturity analysis of lease liabilities is disclosed in note 26.

21. Leases, continued

Group as a lessor
As a lessor, the Group has finance and operating lease contracts, see note 1 for further information.

Finance leases – lessor
Atlas Copco Group has equipment which is leased to customers under finance leases. Future payments to be received fall due as follows:

	2023		2022	
	Gross investment	Present value of minimum lease payments	Gross investment	Present value of minimum lease payments
Less than one year	42	38	28	27
Between one and five years	65	56	64	60
More than five years	8	7	4	3
Total	**115**	**101**	**96**	**90**
Unearned finance income	–	5	–	2
Unguaranteed residual value	–	9	–	4
Total	**115**	**115**	**96**	**96**

Operating leases – lessor
Atlas Copco Group has equipment which is leased to customers under operating leases. Future payments for non-cancellable operating leasing contracts fall due as follows:

	2023	2022
Less than one year	160	117
Between one and five years	349	222
More than five years	67	52
Total	**576**	**391**

Contingent rent recognized as income amounted to 0 (1).

22. Employee benefits

Post-employment benefits

Atlas Copco Group provides post-employment defined benefit pensions and other long-term employee benefits in most of its major locations. The most significant countries in terms of size of plans are Belgium, Germany, Sweden, the United Kingdom and the United States. Some plans are funded in advance with certain assets or funds held separately from the Group for future benefit payment obligations. Other plans are unfunded and the benefits from those plans are paid by the Group as they fall due.

The plans in Belgium cover early retirement, jubilee, and termination indemnity. These plans are unfunded.

The plans in Germany cover pensions, early retirements and jubilee. The plans are funded.

There are three defined benefit pension plans in Sweden. The ITP plan is a final salary pension plan covering the majority of white-collar employees in Sweden. Atlas Copco Group 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 Group has obligations for family pensions for many of the Swedish employees, which are funded through a third-party insurer, Alecta. This plan is accounted for as a defined contribution plan as sufficient information for calculating the net pension obligation is not available.

In the United Kingdom, there is a final salary pension plan. This plan is funded. In 2010, the plan was converted to a defined contribution plan for future services.

In the United States, Atlas Copco Group provides a pension plan, a post-retirement medical plan, and a number of supplemental retirement pension benefits for executives. The pension plan is funded while the other plans are unfunded.

The Group identifies a number of risks in investments of pension plan assets. The main risks are interest rate risk, market risk, counterparty risk, liquidity and inflation risk, and currency risk. The Group is working on a regular basis to handle the risks and has a long-term investment horizon. The investment portfolio should be diversified, which means that multiple asset classes, markets and issuers should be utilized. An asset and liability management assessment should be conducted periodically. The study should include a number of elements. The most important elements are the duration of the assets and the timing of liabilities, the expected return of the assets, the expected development of liabilities, the forecasted cash flows and the impact of a shift in interest rates on the obligation.

The net obligations for post-employment benefits and other long-term employee benefits have been recorded in the balance sheet as follows:

	2023	2022
Financial assets (note 14)	–1 132	–1 423
Post-employment benefits	2 584	2 380
Other provisions (note 24)	122	93
Closing balance, net	**1 574**	**1 050**

The tables below show the Group's obligations for post-employment benefits and other long-term employee benefits, the assumptions used to determine these obligations and the assets relating to these obligations for employee benefits, as well as the amounts recognized in the income statement and the balance sheet. The net amount recognized in the balance sheet amounted to 1 574 (1 050). The weighted average duration of the obligation is 12.3 (12.5) years.

Post-employment benefits 2023	Funded pension plans	Unfunded pension plans	Other funded plans	Other unfunded plans	Total
Present value of defined benefit obligations	8 494	1 380	80	165	10 119
Fair value of plan assets	–8 583	–	–92	–	–8 675
Present value of net obligations	**–89**	**1 380**	**–12**	**165**	**1 444**
Effect of asset ceiling	101	–	–	–	101
Other long-term service obligations	–	–	29	–	29
Net amount recognized in the balance sheet	**12**	**1 380**	**17**	**165**	**1 574**

Post-employment benefits 2022	Funded pension plans	Unfunded pension plans	Other funded plans	Other unfunded plans	Total
Present value of defined benefit obligations	8 017	1 428	71	151	9 667
Fair value of plan assets	–8 743	–	–94	–	–8 837
Present value of net obligations	**–726**	**1 428**	**–23**	**151**	**830**
Effect of asset ceiling	175	–	–	–	175
Other long-term service obligations	–	–	45	–	45
Net amount recognized in the balance sheet	**–551**	**1 428**	**22**	**151**	**1 050**

Plan assets consist of the following:	2023			
	Quoted market price	Unquoted market price	Total	2022
Debt instruments	909	307	1 216	1 137
Equity instruments	980	343	1 323	1 158
Property	1 216	285	1 501	1 871
Assets held by insurance companies	111	1 610	1 721	1 626
Cash	485	–	485	396
Investment funds	747	614	1 361	1 256
Derivatives	486	20	506	681
Others	151	411	562	712
Closing balance, Dec. 31	**5 085**	**3 590**	**8 675**	**8 837**

Atlas Copco Group

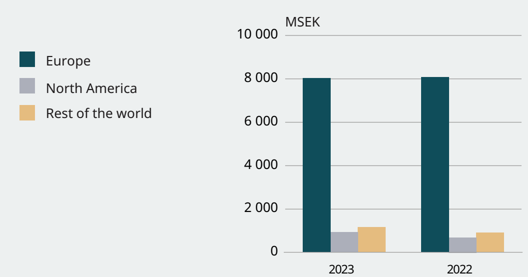
22. Employee benefits, continued

Movements in plan assets	2023	2022
Fair value of plan assets at Jan. 1	8 837	9 671
Business acquisitions	10	24
Interest income	352	139
Remeasurement – return on plan assets	–372	–1 526
Settlements	–33	–
Employer contributions	222	188
Plan members contributions	20	16
Administrative expenses	–17	–15
Benefit paid by the plan	–336	–274
Translation differences	–8	614
Fair value of plan assets, Dec. 31	**8 675**	**8 837**

The plan assets are allocated among the following geographic areas:	2023	2022
Europe	7 540	7 664
North America	559	615
Rest of the world	576	558
Total	**8 675**	**8 837**

Asset ceiling	2023	2022
Asset ceiling at Jan. 1	175	25
Interests	4	1
Remeasurements – asset ceiling	–85	135
Translation differences	7	14
Asset ceiling, Dec. 31	**101**	**175**

The defined benefit obligations for employee benefits consist of plans in the following geographic areas:



Movements in present value of the obligations for defined benefits	2023	2022
Defined benefit obligations at Jan. 1	9 667	12 030
Current service cost	308	374
Past service cost	1	–10
Interest expense (+)	375	168
Actuarial gains (–)/ losses (+) arising from experience adjustments	333	423
Actuarial gains (–)/ losses (+) arising from financial assumptions	239	–3 540
Actuarial gains (–)/ losses (+) arising from demographic assumptions	–85	–99
Business acquisitions	41	62
Settlements	–37	–
Benefits paid from plan or company assets	–655	–533
Translation differences	–68	792
Defined benefit obligations, Dec. 31	**10 119**	**9 667**

Remeasurements recognized in other comprehensive income amounted to 753 (–1 550) and 21 (–5) in profit and loss. The Group expects to pay 476 (429) in contributions to defined benefit plans in 2023.

Expenses recognized in the income statement	2023	2022
Current service cost	308	374
Past service cost	1	–10
Net interest cost	23	29
Employee contribution/ participant contribution	–20	–16
Remeasurement of other long-term benefits	21	–5
Administrative expenses	17	15
Total	**350**	**387**

The total benefit expense for defined benefit plans amounted to 350 (387), whereof 327 (358) have been charged to operating expenses and 23 (29) to financial expenses. Expenses related to defined contribution plans amounted to 1 471 (1 189).

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages in %)	2023	2022
Discount rate		
Europe	3.51	3.73
North America	5.14	5.41
Future salary increases		
Europe	2.56	2.53
Medical cost trend rate		
North America	4.50	4.50

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 Group's mortality assumptions are set by country, based on the most recent mortality studies that are available. Where possible, generational mortality assumptions are used, meaning that they include expected improvements in life expectancy over time.

The table below shows the sensitivity analysis for discount rate and increase in life expectancy and describes the potential effect on the present value of the defined pension obligation.

Sensitivity analysis	Europe	North America
Change in discount rate +0.5%	–523	–21
Change in discount rate –0.5%	546	22
Increase in life expectancy, +1 year	228	13

22. Employee benefits, continued

Share value based incentive programs
The purpose of the share value based incentive programs is to strengthen the alignment of interest of the Group's key employees with those of the shareholders and thus create an interest in a good value development of the shares of the Company and to align performance in a manner that enhances such development. The purpose is also to facilitate recruitment and retention of key employees with the right mindset and competences.

As described more in detail below, in 2023 the Group has implemented a performance-based employee stock option plan which is directed at a maximum 500 key employees. Participation in the plan is based on position, qualification and individual performance and the nominated employees are divided into four categories, with different amounts of maximum issues of options. The issuing of options will take place in March 2024 and varies linear from zero to 100% depending on the value creation in the Group during 2023. The exercise prices will be determined in February 2024 and since the exercise price of stock options is set with a premium, there is no economic value for the key employee unless the shareholder value increases during the vesting period. Subject to continued employment, the options are exercisable earliest three years from granting and exercise is only possible when the market price is higher than the exercise price thus promoting a focus on the Group's sustained growth.

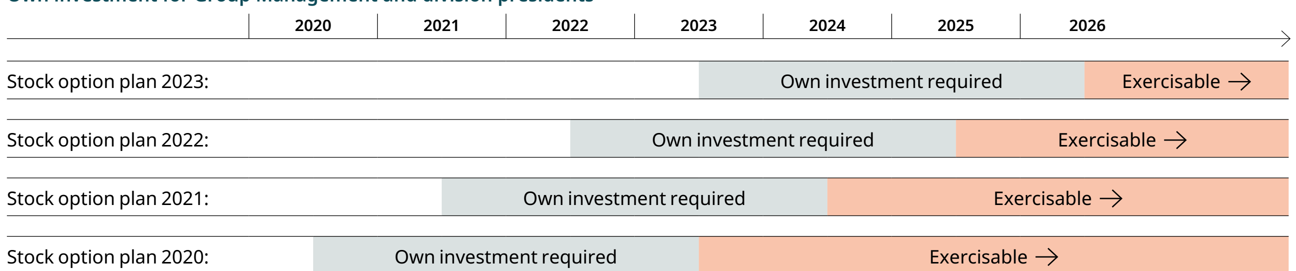
Since the Board believes that it is of particular importance to the shareholders that Group Management and division president have a long-term interest in the good value development of the share of the company, there is a prerequisite for this group to invest in Atlas Copco AB shares to participate in the performance-based employee stock option plan. Those who invest will get, in addition to proportional participation in the stock option plan, one matching option for each share invested under the plan. Subject to continued employment and continued ownership of the invested shares during the vesting period, the matching options are exercisable earliest three years from granting. Consequently, and subject to continued employment, there is a prerequisite for Group Management and division president to always hold invested shares under three consecutive plans.

Performance-based employee stock option plan 2017–2022
In 2017–2022, the Annual General Meeting decided on performance-based employee stock option plans based on a proposal from the Board for the respective years. The terms and conditions of these plans are in all material aspects similar to the terms and conditions of the performance-based employee stock option plan for 2023 in Atlas Copco Group, as described below.

Performance-based employee stock option plan 2023
At the Annual General Meeting 2023, it was decided to implement a performance-based employee stock option plan for 2023, which is similar in structure to the previous stock option plans approved by the Annual General Meeting. The plan is directed at a maximum 500 key employees in Atlas Copco Group who will have the possibility to acquire a maximum of 10 302 190 series A shares in Atlas Copco AB. The issuing of options is dependent on the value increase of the Group, measured as Economic Value Added (EVA, defined as the sum of adjusted operating profit and interest income less tax expenses and cost of capital) during 2023. In an interval of SEK 3 710 000 000 the issue varies linear from zero to 100% of the maximum number of options. Participation in the plan is based on position, qualifications and individual performance and the nominated employees are divided into four categories, with different amounts of maximum issues of options. 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.

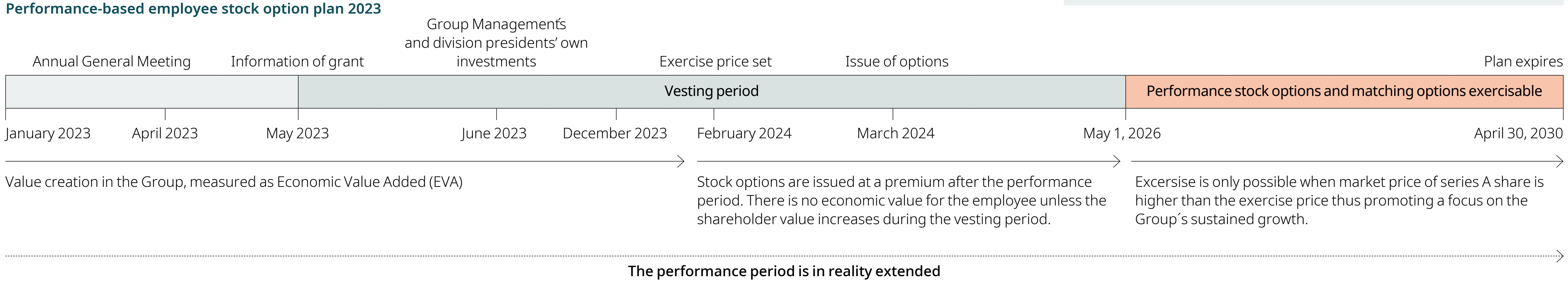
In connection to the issue, which will take place no later than March 20, 2024, the exercise price shall be set to an amount corresponding to 110% of the average of the closing rates on Nasdaq Stockholm of Atlas Copco AB series A shares during a period of ten business days next following the date

Own investment for Group Management and division presidents



Share price development 2016–2023

Performance-based employee stock option plan 2023



22. Employee benefits, continued

of the publishing of the full-year summary for 2023. Hence, there is no economic value for the key employees unless the shareholder value increases during the vesting period. The options are not transferable and they remain the property of the employee only to the extent that they are exercisable at the time employment is terminated. The term of the options shall be seven years and the options are exercisable earliest three years from granting. Exercise is only possible when the market price of the Atlas Copco AB series A share is higher than the exercise price thus promoting a focus on the Group's sustained growth. A single payment/assignment of shares under the plan can never exceed four times the value of the exercise price.

Since the Board believes that it is of particular importance to the shareholders that Group Management and division president have a long-term interest in the good value development of the share of the company, there is a requirement regarding own investment. As a prerequisite for the full participation in the performance-based employee stock option plan 2023, Group Management and division presidents have to invest 10% of their respective base salary for 2023 (20% for expatriates with net salary), before tax, in Atlas Copco AB series A shares. A lower amount of investment will reduce the number of performance stock options proportionately. Further, Group Management and division presidents who have chosen to invest in Atlas Copco AB series A shares will get, in addition to the proportional participation in the plan, the right to acquire, three years after the investment year, matching options that corresponds to the number of shares acquired under 2023 at a price of 75% of the average of the closing rates of Atlas Copco AB series A shares during a period of ten business days next following the date of the publishing of the full-year summary for 2023, subject to continued employment and continued ownership of the shares. If the number of acquired shares has been reduced prior to the date when matching options become exercisable, the right to matching options is reduced on a share by share basis. This right applies from three years after grant until the expiration of the stock option program.

The Board has the right to introduce an alternative incentive plan for key employees in such countries where the granting of stock options is not feasible. Such alternative incentive solutions shall, to the extent possible, have same terms and conditions corresponding to the ones applicable to the performance-based stock option plan.

The Black-Scholes model is used to calculate the fair value of the options and share appreciation rights (alternative incentive plan) in the programs at issue date. For the programs in 2022 and 2023, the fair value of the options and share appreciation rights was based on the following assumptions:

Key assumptions	2023 Program (Dec. 31, 2023)	2022 Program (at issue date)
Expected exercise price	SEK 191/130 [1]	SEK 139/95 [1,2]
Expected volatility	30%	30%
Expected options life (years)	4.3	4.1
Expected share price	SEK 173.55	SEK 118.37
Expected dividend (growth)	SEK 2.4 (6%)	2.3 (6%)
Risk free interest rate	2.3%	2.6%
Expected average grant value	SEK 35.92/58.59	SEK 25.29/42.09
Maximum number of options	10 302 190	9 421 164
– of which forfeited	–113 403	–170 520
Number of matching options	96 829	86 840

1 Matching options for Group Management and division presidents.
2 Actual.

The expected volatility has been determined by analyzing the historic development of the Atlas Copco AB A share price as well as other shares on the stock market.

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

For the stock options in the 2017–2023 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
2017	May 2017	April 2020	May 2020	April 2024
2018	May 2018	April 2021	May 2021	April 2025
2019	May 2019	April 2022	May 2022	April 2026
2020 [1]	N/A	N/A	N/A	N/A
2021	May 2021	April 2024	May 2024	April 2028
2022	May 2022	April 2025	May 2025	April 2029
2023	May 2023	April 2026	May 2026	April 2030

1 No stock options issued as the EVA target for the Group was not met.

For the 2023 program, a new valuation of the fair value has been made and will be made at each reporting date until the issue date, which as indicated below will occur in March 2024.

For share appreciation rights and stock 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 2023 for all share-based incentive programs, excluding social costs, amounted to 370 (–27) of which 165 (89) refer to equity-settled options. The related costs for social security contributions are accounted for in accordance with the statement from the Swedish Sustainability and 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 263 (221). Atlas Copco Group shares are held by the Parent Company in order to cover commitments under the programs 2017–2023, see also note 19.

22. Employee benefits, continued

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 at issue date	Intrinsic value for vested SARs
Stock options							
2016	256	29 667 891	Apr. 30, 23	56.48	A	12.32	–
2017	262	12 416 688	Apr. 30, 24	70.37	A	11.85	–
2018	269	9 786 066	Apr. 30, 25	64.77	A	14.40	–
2019	267	13 628 104	Apr. 30, 26	96.42	A	13.86	–
2021	289	6 904 551	Apr. 30, 28	144.76	A	15.80	–
2022	414	7 965 604	Apr. 30, 29	139.00	A	25.29	–
Matching options							
2016	27	167 286	Apr. 30, 23	38.61	A	19.60	–
2017	34	149 737	Apr. 30, 24	48.00	A	20.01	–
2018	29	169 599	Apr. 30, 25	44.16	A	22.77	–
2019	30	112 564	Apr. 30, 26	65.76	A	24.09	–
2020	31	117 829	Apr. 30, 27	87.59	A	43.29	–
2021	32	94 951	Apr. 30, 28	98.63	A	29.93	–
2022	32	86 840	Apr. 30, 29	95.00	A	42.09	–
Share appreciation rights							
2016	64	6 466 282	Apr. 30, 23	56.48	A	–	117.07
2017	61	2 473 914	Apr. 30, 24	70.37	A	–	103.18
2018	57	1 769 052	Apr. 30, 25	64.77	A	–	108.78
2019	62	2 659 552	Apr. 30, 26	96.42	A	–	77.13
2021	44	855 181	Apr. 30, 28	144.76	A	–	–
2022	77	1 285 040	Apr. 30, 29	139.00	A	–	–

Number of options/rights 2023 [1]

Program	Outstanding Jan. 1	Exercised	Expired/ forfeited	Outstanding Dec. 31	*–of which exercisable*	Time to expiration, in months	Average stock price for exercised options, SEK
Stock options							
2016	1 473 840	1 473 840	–	–	–	–	123
2017	2 645 566	1 945 331	–	700 235	*700 235*	4	154
2018	5 560 398	2 182 794	–	3 377 604	*3 377 604*	16	155
2019	12 659 531	4 201 515	–	8 458 016	*8 458 016*	28	156
2021	6 735 855	–	154 610	6 581 245	–	52	–
2022	7 965 604	–	106 520	7 859 084	–	64	–
Matching options							
2016	27 310	27 310	–	–	–	–	129
2017	42 097	35 096	–	7 001	*7 001*	4	152
2018	120 788	66 621	–	54 167	*54 167*	16	154
2019	101 626	41 519	–	60 107	*60 107*	28	161
2020	111 382	24 730	–	86 652	*86 652*	40	161
2021	94 951	–	4 490	90 461	–	52	–
2022	86 840	–	2 196	84 644	–	64	–
Share appreciation rights							
2016	887 788	887 788	–	–	–	–	125
2017	1 053 155	683 400	–	369 755	*369 755*	4	153
2018	635 102	150 959	–	484 143	*484 143*	16	156
2019	1 564 152	553 634	–	1 010 518	*1 010 518*	28	152
2021	855 181	–	18 744	836 437	–	52	–
2022	1 285 040	–	16 000	1 269 040	–	64	–

[1] All numbers have been adjusted for the effect of the distribution of Epiroc and the redemption in 2018 and the share split and redemption in 2022 in line with the method used by NASDAQ Stockholm to adjust exchange-traded options contracts.

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22. **Employee benefits,** continued

Number of options/rights 2022 [1]

Program	Outstanding Jan. 1	Issued	Exercised	Expired/ forfeited	Outstanding Dec. 31	*–of which exercisable*	Time to expiration, in months	Average stock price for exercised options, SEK
Stock options								
2016	2 261 917	–	788 077	–	1 473 840	*1 473 840*	4	125
2017	2 843 599	–	198 033	–	2 645 566	*2 645 566*	16	112
2018	6 119 294	–	527 861	31 035	5 560 398	*5 560 398*	28	123
2019	13 670 357	–	967 930	42 896	12 659 531	*12 659 531*	40	121
2021	6 904 551	–	–	168 696	6 735 855	–	64	–
2022	–	7 965 604	–	–	7 965 604	–	76	–
Matching options								
2016	36 563	–	9 253	–	27 310	*27 310*	4	115
2017	57 694	–	15 597	–	42 097	*42 097*	16	84
2018	132 692	–	11 904	–	120 788	*120 788*	28	134
2019	109 805	–	8 179	–	101 626	*101 626*	40	131
2020	114 707	–	–	3 325	111 382	–	52	–
2021	94 951	–	–		94 951	–	64	–
2022	–	86 840	–	–	86 840	–	76	–
Share appreciation rights								
2016	1 304 700	–	416 912	–	887 788	*887 788*	4	128
2017	1 167 204	–	114 049	–	1 053 155	*1 053 155*	16	124
2018	640 693	–	5 591	–	635 102	*635 102*	28	105
2019	1 822 682	–	258 530	–	1 564 152	*1 564 152*	40	124
2021	855 181		–	–	855 181	–	64	–
2022	–	1 285 040	–	–	1 285 040	–	76	–

[1] All numbers have been adjusted for the effect of the distribution of Epiroc and the redemption in 2018 and the share split and redemption in 2022 in line with the method used by NASDAQ Stockholm to adjust exchange-traded options contracts.

23. Other liabilities

Fair value of other liabilities corresponds to carrying value.

Other current liabilities	2023	2022
Derivatives:		
– at fair value through profit and loss	721	205
– at fair value through OCI	–	82
Other financial liabilities:		
– other liabilities	3 062	3 091
– accrued expenses	11 052	9 906
Prepaid income other	59	52
Contract liabilities:		
– advances from customers	9 241	8 597
– deferred revenues construction contracts	901	925
– deferred revenues service contracts	2 730	2 536
Closing balance, Dec. 31	**27 766**	**25 394**

Accrued expenses include items such as social costs, vacation pay liability, accrued interest, and accrued operational expenses. See note 26 for information on the Group's derivatives.

The amounts included in contract liabilities at the beginning of the year have been recognized as revenue during the year except for 876 (579). The main reason for revenues not recognized during the year is that they are related to performance obligations that will be performed in future periods.

As of the end of 2023, transaction price allocated to remaining performance obligations was 24 978 (20 261) and the majority will be recognized as revenue over the next three years. The transaction price does not include consideration that is constrained.

24. Provisions

2023	Product warranty	Restructuring	Other	Total
Opening balance, Jan. 1	1 472	137	1 621	3 230
During the year:				
– provisions made	1 630	104	1 388	3 122
– provisions used	–1 160	–80	–365	–1 605
– provisions reversed	–206	–11	–166	–383
Business acquisitions	26	–	17	43
Translation differences	–62	–11	–43	–116
Closing balance, Dec. 31	**1 700**	**139**	**2 452**	**4 291**
Non-current	273	32	1 387	1 692
Current	1 427	107	1 065	2 599
Total	**1 700**	**139**	**2 452**	**4 291**

2022	Product warranty	Restructuring	Other	Total
Opening balance, Jan. 1	1 261	271	1 780	3 312
During the year:				
– provisions made	1 409	80	437	1 926
– provisions used	–1 090	–113	–279	–1 482
– provisions reversed	–261	–117	–387	–765
Business acquisitions	40	–	16	56
Translation differences	113	16	54	183
Closing balance, Dec. 31	**1 472**	**137**	**1 621**	**3 230**
Non-current	257	33	1 187	1 477
Current	1 215	104	434	1 753
Total	**1 472**	**137**	**1 621**	**3 230**

Maturity 2023	Product warranty	Restructuring	Other	Total
Less than one year	1 427	107	1 065	2 599
Between one and five years	259	24	990	1 273
More than five years	14	8	397	419
Total	**1 700**	**139**	**2 452**	**4 291**

Provisions made in 2023 includes MSEK 606 related to a provision for a commercial dispute originating from an agreement dating back to before the current Group structure and the split of the Group in 2018.

Other provisions consist primarily of amounts related to share-based payments including social fees, other long-term employee benefits (see note 22), and asset restoration obligations.

25. Assets pledged and contingent liabilities

Assets pledged for debts to credit institutions and other commitments	2023	2022
Inventory	20	31
Endowment insurances	205	199
Total	**225**	**230**

Contingent liabilities	2023	2022
Notes discounted	13	8
Sureties and other contingent liabilities	287	259
Total	**300**	**267**

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

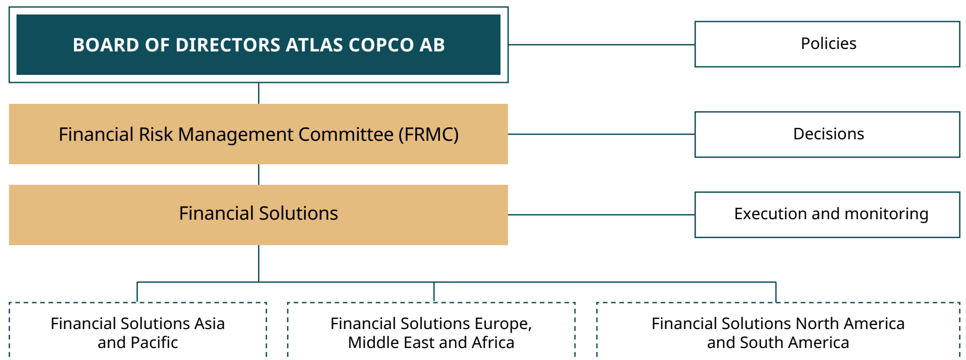
26. Financial exposure and principles for control of financial risks

FINANCIAL RISKS

The Group is exposed to various financial risks in its operations. These financial risks include: Funding and liquidity risk, Interest rate risk, Currency risk, Credit risk and Other market and price risks.

The Board of Directors establishes the overall financial policies and monitors compliance with the policies. The Group's Financial Risk Management Committee (FRMC) manages the Group's financial risks within the mandate given by the Board of Directors. The members of the FRMC are the CEO, CFO and Group Treasurer. The FRMC meets on a quarterly basis or more often if circumstances require.

Financial Solutions has the operational responsibility for financial risk management in the Group. Financial Solutions manages and controls financial risk exposures, ensures that appropriate financing is in place through loans and committed credit facilities, and manages the Group's liquidity.

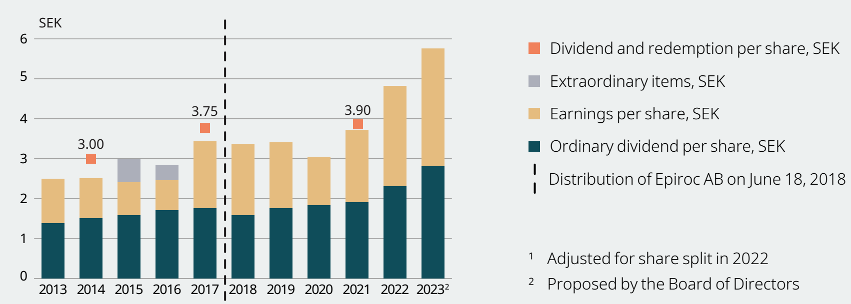


Capital management

Atlas Copco Group defines capital as borrowings and equity, which at December 31 totaled 124 209 (116 359). The Group's policy is to have a capital structure to maintain investor, creditor and market confidence and to support future development of the business. The Board's ambition is that the annual dividend shall correspond to about 50% of earnings per share. In recent years, the Board has sometimes also proposed, and the Annual General Meeting has approved, distributions of "excess" equity to the shareholders through share redemptions and share repurchases.

There are no external capital requirements imposed on the Group.

Earnings and distribution per share [1]



1 Adjusted for share split in 2022
2 Proposed by the Board of Directors

Funding and liquidity risk

Funding risk is the risk that the Group does not have access to adequate financing on acceptable terms at any given point in time. Liquidity risk is the risk that the Group does not have access to its funds, when needed, due to poor market liquidity.

Policy

The Group's policy refers to Atlas Copco AB and Atlas Copco Finance DAC as external borrowings mainly have been held in these entities.

- The Group should maintain minimum MSEK 8 000 committed credit facilities to meet operational, strategic and rating objectives.
- The average tenor, time to maturity, of the Group's external debt, shall be at least three years.
- No more than MSEK 8 000 of the Group's external debt may mature within the next 12 months.
- Adequate funding at subsidiary level shall at all times be in place.

Status at year end

As per December 31, there were no deviations from the Group's policy.

Funding and liquidity risk	2023	2022
Committed credit facilities	18 124	18 277
Cash and cash equivalents	10 887	11 254
Average tenor, years	5.7	4.0
Current external debt	164	3 524

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 20 for information on utilized borrowings, maturity, and back-up facilities.

The following cash flow table shows the maturity structure of the Group's financial liabilities. The figures shown are contractual undiscounted cash flows based on contracted date when the Group is liable to pay, including both interest and nominal amounts. The short-term assets are well matched with the short-term liabilities in terms of maturity. Furthermore, the Group has back-up facilities with maturity 2026 to secure liquidity.

Financial instruments	Up to 1 year	1–3 years	4–5 years	Over 5 years
Bonds and loans	–	5 948	3 443	16 306
Lease liabilities	–	2 015	1 011	1 411
Other financial liabilities	–	84	33	1
Other liabilities	–	223	2	–
Non-current financial liabilities	–	**8 270**	**4 489**	**17 718**
Bonds and loans	1 249	–	–	–
Lease liabilities	1 520	–	–	–
Current portion of interest-bearing liabilities	164	–	–	–
Derivatives	721	–	–	–
Other accrued expenses	11 052	–	–	–
Trade payables	17 792	–	–	–
Other liabilities	3 062	–	–	–
Current financial liabilities	**35 560**	–	–	–
Financial liabilities	**35 560**	**8 270**	**4 489**	**17 718**

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

Interest rate risk

Interest rate risk is the risk that the Group is negatively affected by changes in the interest rate levels.

Policy

The Group's policy states that the average interest duration (i.e. period for which interest rates are fixed) should be a minimum of 6 months and without a maximum limit.

Status at year end

The Group's borrowings have a mix of fixed and floating rates. No interest rate swaps are used to convert interest. For more information about the Group's borrowings, see note 20.

Interest risk	2023	2022
Effective interest rate on bonds and loans	1.6%	1.2%
Effective interest rate on lease liabilities	3.0%	1.8%
Duration (months)	45	46

29% (27) of the Group's bonds and loans have floating interest rates. A shift of one percentage point upward of all floating rates would impact the Group's interest net with –73 (–78). Same shift downwards would impact the Group's interest net with 73 (78).

The book value of the Group's bonds and loans are not exposed to market interest rate risk at year end as all bonds and loans are reported at amortized cost, compared to if borrowings were reported at fair value where cash flows are discounted using market interest rate.

Currency risk

The Group is present in various geographical markets and undertakes transactions denominated in foreign currencies and is consequently exposed to exchange rate fluctuations. The exposure occurs in relation to payments in foreign currency (transaction exposure) and when translating foreign subsidiaries' balance sheets and income statements into SEK (translation exposure).

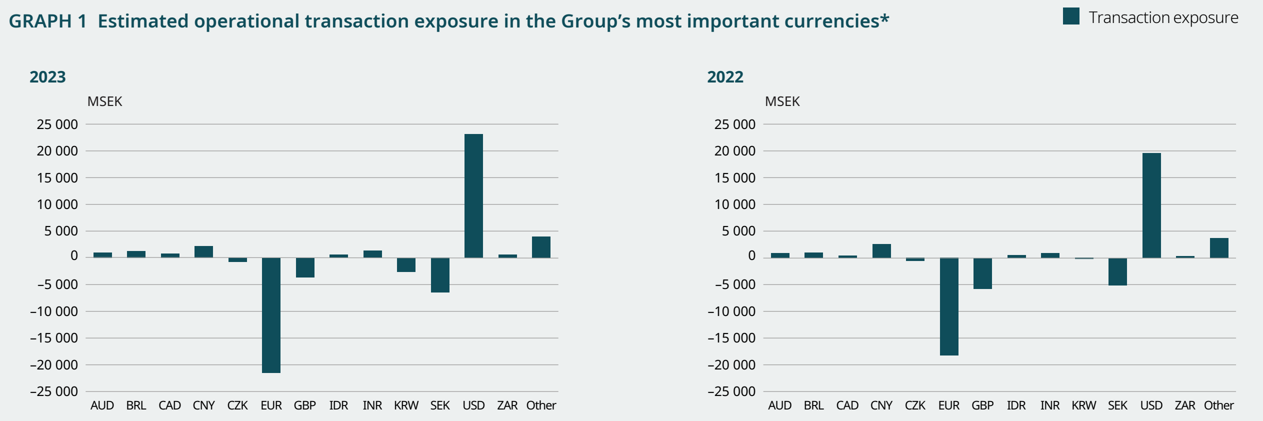
Transaction exposure risk

Transaction exposure risk is the risk that profitability is negatively affected by changes in exchange rates, affecting cash flows in foreign currencies in the operations. Due to the Group's global presence, there are inflows and outflows in different currencies. As a normal part of business, net surpluses or deficits in specific currencies emerge. The values of these net positions fluctuate subject to changes in currency rates and, thus, render transaction exposure for the Group.

Policy

The Group's policy states that exposure shall be reduced by matching in- and outflows of the same currencies. Business area and divisional management are responsible for maintaining readiness to adjust their operations (price and cost) to compensate for adverse currency movements. Based on the assumption that hedging does not have any significant effect on the Group's long-term result, the policy recommends to leave transaction exposures unhedged on an ongoing basis. In general, business areas and divisions shall not hedge currency risks. The FRMC can decide to hedge part of the transaction exposure. Transactions shall then qualify for hedge accounting in accordance with IFRS and hedging beyond 18 months is not allowed. Financial transaction exposure is substantially hedged.

GRAPH 1 Estimated operational transaction exposure in the Group's most important currencies*



* Without adjustments for onetime effects.

Status at year end

The Group has continued to manage transaction exposures primarily by matching in- and outflows in the same currencies. Graph 1 shows the net of in- and outflows per currency for currencies which have the largest surplus or deficit. The operational transaction exposure is defined as the net operational cash flow exposure and amounts to –6 455 (–5 091). The estimated amounts are based on the Group's operational external payments from customers and to suppliers.

The transaction exposure sensitivity analysis is based on the operational transaction exposure. It shows how the cash flow and profit before tax would theoretically be impacted by a five percentage point change in SEK, USD or EUR, against all other currencies. The analysis is based on the assumption that no hedging transaction has been undertaken and is done before any impact of offsetting price adjustments or similar measures.

As an example, the net transaction exposure of in-and outflow payments in EUR is a deficit as shown in graph 1. A strengthening in the EUR currency rate against all other currencies with +5% would have a negative impact on the cash flow and profit before tax of –1 075, and a weakening would have a positive impact of 1 075.

Transaction exposure sensitivity	2023	2022
SEK exchange rate + 5%	–323	–255
USD exchange rate + 5%	1 157	980
EUR exchange rate + 5%	–1 075	–914

Outstanding derivative instruments related to transaction exposure	2023 Nominal amount, net in transaction currency	2022 Nominal amount, net in transaction currency
Foreign exchange forwards		
GBP	–	73
USD	–	–96

The FRMC has earlier decided to hedge part of the GBP/USD transaction exposure with foreign exchange forward contracts. All contracts matured during 2023.The net nominal amount are MGBP 0/MUSD 0 (MGBP 73/MUSD –96). The fair value of the outstanding contracts is 0 (–82).

Translation exposure risk

Translation exposure risk is the risk that the value of the Group's net investments in foreign currencies is negatively affected by changes in exchange rates. The Group's global presence creates currency effects when subsidiaries' financial statements with functional currencies other than SEK are translated to SEK in the Group's consolidated financial statements. Translation of subsidiaries' profit affects the Group's profit and balance sheet translation affect other comprehensive income. The translation exposure is measured as the net of assets and liabilities in a specific currency.

Policy

The Group's policy states that translation exposure should be reduced by matching assets and liabilities in the same currencies. The FRMC can decide to hedge part or all remaining translation exposure. Any hedge of translation exposure shall qualify for hedge accounting in accordance with IFRS.

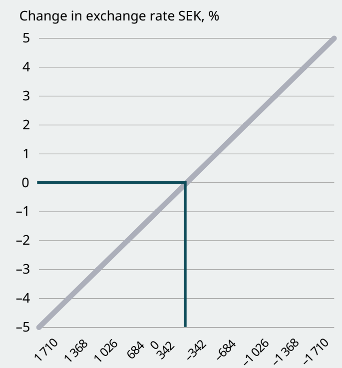
26. Financial exposure and principles for control of financial risks, continued

Status at year end

Graph 2 shows the Group's sensitivity to currency translation effects when earnings of foreign subsidiaries are translated to SEK. A five percentage points upward change in SEK would impact the Group's profit before tax with –1 710 (–1 380).

GRAPH 2

Translation effect on profit before tax



The Group has hedged part of the translation exposure using loans and foreign exchange forward contracts. The hedges have reduced the exposure on net investments in EUR in the consolidated financial statements and the exchange rate risk related to net assets in subsidiaries. The hedges are designated as net investment hedges in the consolidated financial statements.

The financial instruments shown in the table below are used to hedge EUR-denominated net assets.

Outstanding financial instruments related to translation exposure	2023		2022	
	Effect in OCI	Nominal amount	Effect in OCI	Nominal amount
Loans in EUR [1]	MSEK –534	MEUR 1 458	MSEK –1 238	MEUR 1 314

[1] In the balance sheet, loans designated as net investment hedges are reported at amortized cost and not at fair value.

Most of the Group´s bonds and loans are designated as net investments hedges, and movements in currency rates are accounted for in other comprehensive income. A five percentage points upward change in EUR against SEK would affect other comprehensive income with 639 (580), see also note 1, section 'Financial assets and liabilities – financial instruments'.

Credit risk

Credit risk can be divided into operational and financial credit risk. These risks are described further in the following sections.

Operational credit risk

Operational credit risk is the risk that the Group's customers do not meet their payment obligations.

Policy

The Group's operational credit risk policy is that business areas, divisions and individual business units are responsible for the commercial risks arising from their operations. The operational credit risk is measured as the net aggregate value of receivables on a customer.

Status at year end

The table below shows the total credit risk exposure related to assets classified as financial instruments as per December 31.

Credit risk	2023	2022
Receivables at amortized cost:		
– trade receivables	32 708	29 971
– lease receivables	110	94
– other financial receivables	691	362
– other receivables	3 029	3 314
– contract assets	5 699	4 738
– cash and cash equivalents	10 887	11 254
Financial assets at fair value through OCI	1	1
Financial assets at fair value through profit or loss	425	677
Derivatives	108	34
Total	**53 658**	**50 445**

Since the Group's sales are dispersed among many customers, of whom no single customer represents a significant share of the Group's commercial risk, the monitoring of commercial credit risks is primarily done at the business area, divisional or business unit level. Each business unit is required to have an approved commercial risk policy.

Provision for credit risks

The business units establish provisions for their expected credit losses in respect of trade and other receivables. The IFRS 9 expected credit loss (ECL) model is forward looking and a loss allowance is recognized when there is an exposure to credit risk. For assets such as trade receivables, lease receivables, contract assets and certain other financial receivables, the simplified model is applied. The main components of this provision are specific loss provisions corresponding to individually significant exposures as well as historical loss rates in combination with forward looking considerations. Lease receivables, certain other financial receivables and cash and cash equivalents are impaired by a rating method, where ECL is measured by the product of the probability of default, loss given default, and exposure at default. At year end 2023, the provision for bad debt amounted to 3.2% (3.2) of gross total customer receivables.

The following table presents the gross value of trade receivables, both current and non-current, by maturity, together with the related impairment provisions.

	2023		2022	
Trade receivables	Gross	Impairment	Gross	Impairment
Not past due	25 591	1	23 722	5
Past due but not individually impaired				
0–30 days	3 424	–	3 017	–
31–60 days	1 463	–	1 215	–
61–90 days	730	–	764	–
More than 90 days	2 220	–	1 892	–
Past due and individually impaired				
0–30 days	2	1	4	1
31–60 days	3	2	3	2
61–90 days	14	7	3	3
More than 90 days	339	315	327	287
Collective impairment	–	752	–	678
Total	**33 786**	**1 078**	**30 947**	**976**

Based on historical default statistics and the diversified customer base, the credit risk is assessed to be limited.

The gross amount of lease receivables amounted to 110 (94), of which 0 (0) have been impaired, and the gross amount of other financial receivables amounted to 692 (364), of which 1 (2) have been impaired.

There are no significant amounts past due that have not been impaired.

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

Financial credit risk

Credit risk on financial transactions is the risk that the Group incurs losses as a result of non-payment by counterparts related to the Group's investments, bank deposits or derivative transactions.

Policy

The Group's financial credit risk is measured differently depending on transaction type; investment transactions or derivative transactions.

Investment transactions

Cash and cash equivalent may only be invested with a counterparty if the counterparty rating is above a rating threshold. The threshold for cash and cash equivalent is set at A-/A3 (as rated by Standard & Poor's, Fitch Ratings and Moody's). Investments in structured financial products are not allowed, unless approved by the FRMC. Furthermore, counterparty exposure, tenor and liquidity of the investment are considered before any investment is made. A list of each approved counterparty and its maximum exposure limit is maintained and monitored.

Derivative transactions

Derivative transactions may only be undertaken with approved counterparts for which credit limits are established and with which ISDA (International Swaps and Derivatives Association) master agreements and CSA (Credit Support Annex) agreements are in force. Derivative transactions may only be entered into by Atlas Copco Financial Solutions or in rare cases by another subsidiary, but only with approval from the Group Treasurer. Atlas Copco Group primarily uses derivatives as hedging instruments and the policy allows only standardized (as opposed to structured) derivatives.

Status at year end

Investment transactions in form of cash and cash equivalents amounted to 10 887 (11 254) at year end. These consist of cash, short term bank deposits and investments in liquidity funds. At year end, the measured credit risk on derivatives, taking into account the market value and collaterals, amounted to 28 (27).

The table below presents the reported value of the Group's derivatives.

Outstanding derivative instruments	2023	2022
Assets	108	34
Liabilities	721	287

No financial assets or liabilities are offset in the balance sheet. The table below shows derivatives covered by master netting agreements.

Outstanding net position for derivative instruments	Gross	Offset in balance sheet	Net in balance sheet	Master netting agreement	Cash collateral	Net position
Assets						
Derivatives	108	–	108	–108	–	–
Liabilities						
Derivatives	721	–	721	–108	–567	46

The negative net position in liabilities is due to the fact that the exchange of security is done on a weekly basis.

Other market and price risks

Commodity-price risk is the risk that the cost of direct and indirect materials could increase as underlying commodity prices rise in global markets. The Group is directly and indirectly exposed to raw material price fluctuations. Cost increases for raw materials and components often coincide with strong end-customer demand and are compensated for by increased market prices. Therefore, the Group does not hedge commodity-price risks.

Fair value of financial instruments

In Atlas Copco Group's balance sheet, financial instruments are carried at fair value or at amortized cost. The fair value is established according to a fair value hierarchy. The hierarchy levels should reflect the extent to which fair value is based on observable market data or own assumptions. Below is a description of each level and valuation methods used for each financial instrument.

Level 1

In the Level 1 method, fair value is based on quoted (unadjusted) prices in active markets for identical assets or liabilities. A market is considered as active if quoted prices from an exchange, broker, industry group, pricing service, or supervisory body are readily and regularly available and those prices represent actual and regularly occurring market transactions at arm's length.

Level 2

In the Level 2 method, fair value is based on models that utilize observable data for the asset or liability other than the quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Such observable data may be market interest rates and yield curves.

Level 3

In the Level 3 method, fair value is based on a valuation model, whereby significant input is based on unobservable market data.

Valuation methods

Derivatives

Fair values of forward exchange contracts are calculated based on prevailing markets. Interest rate swaps are valued based on market rates and present value of future cash flows. Discounted cash flow models are used for the valuation.

Interest-bearing liabilities

Fair values are calculated based on market rates and present value of future cash flows.

Finance leases and other financial receivables

Fair values are calculated based on market rates for similar contracts and present value of future cash flows.

Atlas Copco Group

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

The Group's financial instruments by level

The carrying value for the Group's financial instruments corresponds to fair value in all categories except for borrowings. See note 20 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	2023				2022			
	Fair value	Level 1	Level 2	Level 3	Fair value	Level 1	Level 2	Level 3
Financial assets	262	96	166	–	245	86	159	–
Other receivables	28	–	28	–	61	–	61	–
Non-current financial assets	**290**	**96**	**194**	**–**	**306**	**86**	**220**	**–**
Trade receivables	32 680	–	32 680	–	29 910	–	29 910	–
Financial assets	965	–	965	–	889	–	889	–
Other receivables	3 029	–	3 029	–	3 315	–	3 315	–
Derivatives	108	–	108	–	34	–	34	–
Contract assets	5 699	–	5 699	–	4 738	–	4 738	–
Current financial assets	**42 481**	**–**	**42 481**	**–**	**38 886**	**–**	**38 886**	**–**
Financial assets	**42 771**	**96**	**42 675**	**–**	**39 192**	**86**	**39 106**	**–**
Bonds and loans	23 913	12 634	11 279	–	17 491	15 535	1 956	–
Other financial liabilities	118	–	118	–	32	–	32	–
Other liabilities	225	–	148	77	230	–	104	126
Non-current financial liabilities	**24 256**	**12 634**	**11 545**	**77**	**17 753**	**15 535**	**2 092**	**126**
Current portion of long-term loans	164	–	164	–	3 500	–	3 500	–
Short-term loans	1 087	–	1 087	–	7 735	–	7 735	–
Derivatives	721	–	721	–	287	–	287	–
Other accrued expenses	11 052	–	11 052	–	9 906	–	9 906	–
Trade payables	17 792	–	17 792	–	19 145	–	19 145	–
Other liabilities	3 062	–	3 008	54	3 091	–	2 918	173
Current financial liabilities	**33 878**	**–**	**33 824**	**54**	**43 664**	**–**	**43 491**	**173**
Financial liabilities	**58 134**	**12 634**	**45 369**	**131**	**61 417**	**15 535**	**45 583**	**299**

Reconciliation of financial liabilities in Level 3	Opening balance	Business acquisitions	Settlement	Discounting effect	Remeasurement	Translation differences	Closing balance	Result related to liabilities, net
Contingent considerations 2023	299	–1	–94	14	–84	–3	**131**	70

In other liabilities, 131 (299) relate to contingent considerations for acquisitions. The fair value of these liabilities has been calculated based on the expected outcome of the targets set out in the contracts, given a discount rate of 10.5%. For information about changes due to acquisitions, see note 2.

Currency rates used in the financial statements	Value	Code	Year-end rate		Average rate	
			2023	2022	2023	2022
Canada	1	CAD	7.54	7.72	7.83	7.73
China	1	CNY	1.41	1.50	1.49	1.50
EU	1	EUR	11.05	11.14	11.44	10.64
India	1	INR	0.12	0.13	0.13	0.13
South Korea	1 000	KRW	7.75	8.27	8.10	7.86
United Kingdom	1	GBP	12.73	12.63	13.15	12.47
U.S.A.	1	USD	9.98	10.46	10.57	10.08

27. Related parties

Relationships

The Group has related party relationships with the Company's largest shareholder, its associates, joint ventures and with its Board members and Group Management. The Company's largest shareholder, Investor AB, controls approximately 22% (22) of the voting rights in Atlas Copco Group.

The subsidiaries that are directly owned by the Parent Company are presented in note A21 to the financial statements of the Parent Company. Holding companies and operating subsidiaries are listed in note A22. Information about associated companies and joint ventures is found in note 13. Information about Board members and Group Management is presented on pages 78–81.

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 Group may have transactions within the normal course of business. Any such transactions are made on commercial terms.

The Group has leasing agreements related to buildings owned by the Group's German pension trust. These agreements are on market terms. "Lease liabilities" in the table below represents the outstanding balances over the lease term with the Group's German pension trust.

In addition, the Group sold various products and purchased goods through certain associated companies and joint ventures on terms generally similar to those prevailing with unrelated parties.

The following table summarizes the Group's related party transactions with its associates, joint ventures and other related parties:

	2023	2022
Revenues	29	16
Goods purchased	22	29
Service purchased	141	101
At Dec. 31:		
Trade receivables	20	9
Trade payables	23	16
Lease liabilities	536	340

Compensation to key management personnel

Compensation to the Board and to Group Management is disclosed in note 4.

Financial statements, Parent Company

Income statement

For the year ended December 31 Amounts in MSEK	Note	2023	2022
Administrative expenses	A2	–932	–733
Other operating income	A3	476	278
Other operating expenses	A3	–	–9
Operating loss		**–456**	**–464**
Financial income	A4	9 935	30 613
Financial expenses	A4	–1 241	–342
Profit after financial items		**8 238**	**29 807**
Appropriations	A5	3 383	2 946
Profit before tax		**11 621**	**32 753**
Income tax	A6	–247	–320
Profit for the year		**11 374**	**32 433**

Statement of comprehensive income

For the year ended December 31 Amounts in MSEK	Note	2023	2022
Profit for the year		**11 374**	**32 433**
Other comprehensive income for the year		**–**	**–**
Total comprehensive income for the year		**11 374**	**32 433**

Balance sheet

As at December 31 Amounts in MSEK	Note	2023	2022
ASSETS			
Non-current assets			
Intangible assets	A7	4	8
Tangible assets	A8	29	33
Financial assets:			
Deferred tax assets	A9	121	55
Shares in Group companies	A10, A21	192 460	179 491
Other financial assets	A11	271	255
Total non-current assets		**192 885**	**179 842**
Current assets			
Income tax receivables		553	461
Other receivables	A12	4 612	4 471
Cash and cash equivalents	A13	0	0
Total current assets		**5 165**	**4 932**
TOTAL ASSETS		**198 050**	**184 774**

As at December 31 Amounts in MSEK	Note	2023	2022
EQUITY			
Restricted equity			
Share capital		786	786
Legal reserve		4 999	4 999
Total restricted equity		**5 785**	**5 785**
Non-restricted equity			
Reserve for fair value		–1 180	–1 180
Retained earnings		146 250	125 264
Profit for the year		11 374	32 433
Total non-restricted equity		**156 444**	**156 517**
TOTAL EQUITY		**162 229**	**162 302**
PROVISIONS			
Post-employment benefits	A15	209	203
Other provisions	A16	651	501
Total provisions		**860**	**704**
LIABILITIES			
Non-current liabilities			
Borrowings	A17	34 605	18 532
Total non-current liabilities		**34 605**	**18 532**
Current liabilities			
Borrowings	A17	–	2 861
Other liabilities	A18	356	375
Total current liabilities		**356**	**3 236**
TOTAL EQUITY AND LIABILITIES		**198 050**	**184 774**

Information concerning assets pledged and contingent liabilities is disclosed in note A20.

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, 2023	4 868 356 965	786	4 999	–1 180	157 697	162 302
Total comprehensive income for the year	–	–	–	–	11 374	11 374
Ordinary dividend	–	–	–	–	–11 203	–11 203
Acquisition series A shares	–7 785 000	–	–	–	–1 243	–1 243
Divestment series A shares	9 987 318	–	–	–	1 508	1 508
Share-based payment, equity settled:						
– expense during the year	–	–	–	–	197	197
– exercise of options	–	–	–	–	–706	–706
Closing balance, Dec. 31, 2023	**4 870 559 283**	**786**	**4 999**	**–1 180**	**157 624**	**162 229**
Opening balance, Jan. 1, 2022	1 218 190 368	786	4 999	–1 180	144 771	149 376
Total comprehensive income for the year	–	–	–	–	32 433	32 433
Ordinary dividend	–	–	–	–	–9 250	–9 250
Share split	4 872 761 472	–	–	–	–	–
Redemption of shares	–1 223 320 239	–157	–	–	–9 575	–9 732
Increase of share capital through bonus issue	–	157	–	–	–157	–
Acquisition series A shares	–1 870 000	–	–	–	–864	–864
Divestment series A shares	2 595 364	–	–	–	381	381
Share-based payment, equity settled:						
– expense during the year	–	–	–	–	89	89
– exercise of options	–	–	–	–	–131	–131
Closing balance, Dec. 31, 2022	**4 868 356 965**	**786**	**4 999**	**–1 180**	**157 697**	**162 302**

See note A14 for additional information.

Statement of cash flows

For the year ended December 31, MSEK	2023	2022
Cash flows from operating activities		
Operating loss	–456	–464
Adjustments for:		
Depreciation	10	12
Capital gain/loss and other non-cash items	–775	–686
Operating cash deficit	**–1 221**	**–1 138**
Net financial items received	7 783	22 834
Group contributions received	2 946	2 695
Taxes paid	–356	–309
Cash flow before change in working capital	**9 152**	**24 082**
Change in		
Operating receivables	304	5 276
Operating liabilities	–18	30
Change in working capital	**286**	**5 306**
Net cash from operating activities	**9 438**	**29 388**

For the year ended December 31, MSEK	2023	2022
Cash flow from investing activities		
Investments in tangible assets	–2	–6
Investments in subsidiaries	–12 146	–8 186
Repayments/investments in financial assets	–	–3
Net cash from investing activities	**–12 148**	**–8 195**
Cash flow from financing activities		
Dividends paid	–11 203	–9 250
Redemption of shares	–	–9 732
Repurchase and divestment of own shares	265	–483
Change in interest-bearing liabilities	13 648	–1 728
Net cash from financing activities	**2 710**	**–21 193**
Net cash flow for the year	**0**	**0**
Cash and cash equivalents, Jan. 1	0	0
Net cash flow for the year	0	0
Cash and cash equivalents, Dec. 31	**0**	**0**

Notes to the Parent Company financial statements

MSEK unless otherwise stated

A1. Significant accounting principles

Atlas Copco AB is the ultimate Parent Company of the Atlas Copco Group and is headquartered in Nacka, Sweden. Its operations include administrative functions, holding company functions as well as parts of Atlas Copco Financial Solutions (Treasury).

The financial statements of Atlas Copco AB have been prepared in accordance with the Swedish Annual Accounts Act and the recommendation RFR 2, "Accounting for Legal Entities", hereafter referred to as "RFR 2", issued by the Swedish Sustainability and Financial Reporting Board. In accordance with RFR 2, parent companies that issue consolidated financial statements according to International Financial Reporting Standards (IFRS), as endorsed by the European Union, shall present their financial statements in accordance with IFRS, to the extent these accounting principles comply with the Swedish Annual Accounts Act and may use exemptions from IFRS provided by RFR 2 due to Swedish accounting or tax legislation.

The financial statements are presented in Swedish krona (SEK), rounded to the nearest million. The parent company's accounting principles have been consistently applied to all periods presented unless otherwise stated. The financial statements are prepared using the same accounting principles as described in note 1 in the Group's consolidated financial statements, except for those disclosed in the following sections.

For discussion regarding accounting estimates and judgments, see page 92.

Subsidiaries

Participations in subsidiaries are accounted for by the Parent Company at historical cost. See the Group's accounting policies, Impairment of financial assets, for further details.

Transaction costs incurred in connection with a business combination are accounted for by the Parent Company as part of the acquisition costs and are not expensed.

Lease contracts

All lease contracts entered into by the Parent Company are expensed continuously on a straight-line basis over the lease term. Leases are not carried as assets, since the risk and rewards associated with ownership of the assets have not been transferred to the Parent Company.

Employee benefits

Defined benefit plans

Defined benefit plans are not accounted for in accordance with IAS 19. In the Parent Company defined benefit plans are accounted for according to the Swedish law regarding pensions, "Tryggandelagen" and regulations issued by the Swedish Financial Supervisory Board. The primary differences as compared to IAS 19 are the way discount rates are fixed, that the calculation of defined benefit obligations is based on current salary levels, without consideration of future salary increases and that all actuarial gains and losses are included in profit or loss as they occur.

Share-based payments

The share-based payments that the Parent Company has granted to employees in the Parent Company are accounted for using the same principle as described in note 1 in the Group's consolidated financial statements.

The share-based payments that the Parent Company has granted to employees in subsidiaries are not accounted for as an employee expense in the Parent Company, but are recognized against Shares in Group companies. This vesting cost is accrued over the same period as in the Group and with a corresponding increase in equity for equity-settled programs and as a change in liabilities for cash-settled programs.

Financial guarantees

Financial guarantees issued by the Parent Company for the benefit of subsidiaries are not valued according to IFRS 9. They are reported as contingent liabilities, unless it becomes probable that the guarantees will lead to payments. In such case, provisions will be recorded.

Hedge accounting

Interest-bearing liabilities denominated in other currencies than SEK, used to hedge currency exposure from investments in shares of foreign subsidiaries are not translated using the foreign exchange rates on the reporting date, but measured based on the exchange rate the day that the hedging relation was established.

Derivatives used to hedge investments in shares in foreign subsidiaries are recognized at fair value and changes therein are recognized in profit or loss. The corresponding fair value change on shares in subsidiaries is recognized in profit or loss, as fair value hedge accounting is applied.

Group and shareholders' contributions

In Sweden, Group contributions are deductible for tax purposes but shareholders' contributions are not. Group contributions are recognized as appropriations in the income statement. Shareholders' contributions are recognized as an increase of Shares in Group companies and tested for impairment.

A2. Employees and personnel expenses and remuneration to auditors

Average number of employees	2023			2022		
	Women	Men	Total	Women	Men	Total
Sweden	78	41	119	67	43	110

Women in Atlas Copco Board and Management, %	Dec. 31, 2023	Dec. 31, 2022
Board of Directors excl. employee representatives	38	22
Group Management	33	33

Salaries and other remunerations	2023		2022	
	Board members and Group Management [1]	Other employees	Board members and Group Management [1]	Other employees
Sweden	107	164	84	123
of which variable compensation	22		23	

[1] Includes 8 (8) board members who receive fees from Atlas Copco AB as well as the President and CEO and 5 (5) positions of the Group Management who are employed by and receive salary and other fees from the Company.

For information regarding remuneration and other fees for members of the Board, the President and CEO, and other members of Group Management, see note 4 of the consolidated financial statements.

Pension benefits and other social costs	2023	2022
Contractual pension benefits for Board members and Group Management	12	12
Contractual pension benefits for other employees	25	25
Other social costs	102	64
Total	**139**	**101**
Pension obligations to former members of Group Management	4	4

Remuneration to auditors
Audit fees and consultancy fees for advice or assistance other than audit, were as follows:

	2023	2022
Ernst & Young		
–audit fee	6	6
– other services, tax	–	0
– other services, other	1	0
Total	**7**	**6**

Audit fee refers to audit of the financial statements and the accounting records. For the Parent Company the audit also includes the administration of the business by the Board of Directors, the President and CEO.

Tax services include tax compliance services. Other services essentially comprise consultancy services.

At the Annual General Meeting Ernst & Young AB was re-elected as the company's auditor until the end of the annual general meeting 2024.

A3. Other operating income and expense

	2023	2022
Commissions received	413	271
Exchange-rate differences, net	5	–
Other operating income	58	7
Total other operating income	**476**	**278**
Exchange-rate differences, net	–	–9
Total other operating expense	**–**	**–9**

A4. Financial income and expenses

Financial income and expenses	2023	2022
Interest income:		
– cash and cash equivalents	9	1
– receivables from Group companies	184	38
Dividend income from Group companies	9 739	30 536
Change in fair value:		
– other assets	3	31
Foreign exchange gain, net	–	7
Financial income	**9 935**	**30 613**
Interest expense:		
– borrowings	–328	–168
– liabilities to Group companies	–309	–101
Capital loss	–7	–
Change in fair value:		
– other liabilities	0	–61
Foreign exchange loss, net	–4	–4
Impairment loss:		
– shares in Group companies	–593	–8
Financial expenses	**–1 241**	**–342**
Financial income, net	**8 694**	**30 271**

Following table presents the net gain or loss by category of financial instruments.

Net gain/loss on	2023	2022
– loans and receivables, incl. bank deposits	–139	–126
– other assets	3	31
– other liabilities	–316	–162
Profit from shares in Group companies	9 146	30 528
Total	**8 694**	**30 271**

A4. Financial income and expenses, continued

Profit from shares in Group companies mainly refers to dividend income from subsidiaries and capital gains from transfer of shares in subsidiaries. These transactions are eliminated in the Group accounts since they are internal. For further information about the hedges, see note 26 of the consolidated financial statements.

A5. Appropriations

	2023	2022
Group contributions paid	0	–3
Group contributions received	3 383	2 949
Total	**3 383**	**2 946**

A6. Income tax

	2023	2022
Current tax	–282	–312
Deferred tax	35	–8
Total	**–247**	**–320**
Profit before taxes	11 621	32 753
The Swedish corporate tax rate, %	20.6	20.6
National tax based on profit before taxes	–2 394	–6 747
Tax effects of:		
– non-deductible expenses	–151	70
– tax exempt income	2 018	6 290
– deductible expenses, not recognized in Income statement	289	3
– deductible income, not recognized in Income statement	–	7
– tax financial net	–	26
– controlled foreign company taxation	–20	–27
– adjustments from prior years	11	58
Total	**–247**	**–320**
Effective tax in %	**2.1**	**1.0**

The Parent Company's effective tax rate of 2.1% (1.0) is primarily affected by non-taxable income such as dividends from Group companies.

A7. Intangible assets

	Capitalized expenditures for computer programs	
	2023	2022
Accumulated cost		
Opening balance, Jan. 1	34	72
Disposals	–	–38
Closing balance, Dec. 31	**34**	**34**
Accumulated depreciation		
Opening balance, Jan. 1	26	59
Depreciation for the year	4	5
Disposals	–	–38
Closing balance, Dec. 31	**30**	**26**
Carrying amount		
Opening balance, Jan. 1	8	13
Closing balance, Dec. 31	**4**	**8**

A8. Property, plant and equipment

	2023			2022		
	Buildings and land	Machinery and equipment	Total	Buildings and land	Machinery and equipment	Total
Accumulated cost						
Opening balance, Jan. 1	48	60	108	48	68	116
Investments	1	1	2	0	6	6
Disposals	–	–1	–1	–	–14	–14
Closing balance, Dec. 31	**49**	**60**	**109**	**48**	**60**	**108**
Accumulated depreciation						
Opening balance, Jan. 1	22	53	75	19	63	82
Depreciation for the year	4	2	6	3	4	7
Disposals	–	–1	–1	–	–14	–14
Closing balance, Dec. 31	**26**	**54**	**80**	**22**	**53**	**75**
Carrying amount						
Opening balance, Jan. 1	26	7	33	29	5	34
Closing balance, Dec. 31	**23**	**6**	**29**	**26**	**7**	**33**

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 69 (62). Future payments for non-cancelable leasing contracts amounted to 570 (611) and fall due as follows in the table beside.

	2023	2022
Less than one year	71	65
Between one and five years	248	258
More than five years	251	288
Total	**570**	**611**

A9. Deferred tax assets and liabilities

	2023			2022		
	Assets	Liabilities	Net balance	Assets	Liabilities	Net balance
Post-employment benefits	43	–	43	42	–	42
Other provisions	78	–	78	13	–	13
Total	**121**	**–**	**121**	**55**	**–**	**55**

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

	2023	2022
Net opening balance, Jan. 1	55	63
Charges to equity	31	–
Charges to profit for the year	35	–8
Net closing balance, Dec. 31, net	**121**	**55**

A10. Shares in Group companies

	2023	2022
Accumulated cost		
Opening balance, Jan. 1	259 254	243 324
Investments	–	3
Net investment hedge	1 075	450
Shareholders' contribution	12 504	15 477
Divestments	–17	–
Closing balance, Dec. 31	**272 816**	**259 254**
Accumulated write-up		
Opening balance, Jan. 1	600	600
Closing balance, Dec. 31	**600**	**600**
Accumulated write-down		
Opening balance, Jan. 1	–80 363	–80 355
Write-down	–593	–8
Closing balance, Dec. 31	**–80 956**	**–80 363**
Total	**192 460**	**179 491**

For further information about Group companies, see note A21.

A11. Other financial assets

	2023	2022
Receivables from Group companies	9	–
Endowment insurances	205	199
Financial assets measured at amortized cost:		
– other financial receivables	57	56
Closing balance, Dec. 31	**271**	**255**

Endowment insurances relate to defined contribution pension plans and are pledged to the pension beneficiary (see note A15 and A20).

A12. Other receivables

	2023	2022
Receivables from Group companies	4 501	4 396
Financial assets measured at amortized cost:		
– other receivables	26	17
Prepaid expenses and accrued income	85	58
Closing balance, Dec. 31	**4 612**	**4 471**

A13. Cash and cash equivalents

	2023	2022
Cash and cash equivalents measured at amortized cost:		
– cash	0	0
Closing balance, Dec. 31	**0**	**0**

The Parent Company's guaranteed, but unutilized, credit lines equaled 7 073 (7 133).

A14. Equity

For information on share transactions and mandates approved by the Annual General Meeting and proposed dividend for 2023, see note 19 in the consolidated financial statements.

Reserves
The Parent Company's equity includes certain reserves which are described as follows:

Legal reserve
The legal reserve is a part of the restricted equity and is not available for distribution.

Reserve for fair value – Translation reserve
The reserve comprises translation of intragroup receivables from or liabilities to foreign operations that in substance are part of the net investment in the foreign operations, as well as cash flow hedges to convert variable interest rates to fixed interest rates.

A15. Post-employment benefits

	2023			2022		
	Defined contribution pension plans	Defined benefit pension plans	Total	Defined contribution pension plans	Defined benefit pension plans	Total
Opening balance, Jan. 1	199	4	203	201	4	205
Provision made	33	1	34	26	1	27
Provision used	–27	–1	–28	–28	–1	–29
Closing balance, Dec. 31	**205**	**4**	**209**	**199**	**4**	**203**

The Parent Company has endowment insurances of 205 (199) relating to defined contribution pension plans. The insurances are recognized as other financial assets, and pledged to the pension beneficiary.

Description of defined benefit pension plans
The Parent Company has two defined benefit pension plans. The ITP plan is a final salary pension plan covering the majority of salaried employees in Atlas Copco AB which benefits are secured through the Atlas Copco pension trust. The second plan relates to retired former senior employees. These pension arrangements are provided for.

	2023			2022		
	Funded pension	Unfunded pension	Total	Funded pension	Unfunded pension	Total
Defined benefit obligations	186	4	190	172	4	176
Fair value of plan assets	–594	–	–594	–625	–	–625
Present value of net obligations	**–408**	**4**	**–404**	**–453**	**4**	**–449**
Not recognized surplus	408	–	408	453	–	453
Net amount recognized in balance sheet	**0**	**4**	**4**	**0**	**4**	**4**

	2023			2022		
Reconciliation of defined benefit obligations	Funded pension	Unfunded pension	Total	Funded pension	Unfunded pension	Total
Defined benefit obligations at Jan. 1	172	4	176	150	5	155
Service cost	3	1	4	4	0	4
Interest expense	5	0	5	4	0	4
Benefits paid from plan	14	–	14	–8	–1	–9
Other changes in obligations	–8	–1	–9	22	0	22
Defined benefit obligations at Dec. 31	**186**	**4**	**190**	**172**	**4**	**176**

	2023			2022		
Reconciliation of plan assets	Funded pension	Unfunded pension	Total	Funded pension	Unfunded pension	Total
Fair value of plan assets at Jan. 1	625	–	625	672	–	672
Return on plan assets	–23	–	–23	–39	–	–39
Payments/Renumeration of plan assets	–8	–	–8	–8	–	–8
Fair value of plan assets at Dec. 31	**594**	**–**	**594**	**625**	**–**	**625**

	2023	2022
Pension commitments provided for in the balance sheet		
Costs excluding interest	16	16
Total	**16**	**16**
Pension commitments provided for through insurance contracts		
Service cost	25	25
Total	**25**	**25**
Net cost for pensions, excluding taxes	**41**	**41**
Special employer's contribution	7	7
Total	**48**	**48**

Pension expenses excluding taxes for the year, included within administrative expenses amounted to 41 (41) of which the Board members and Group Management 12 (12) and others 29 (29).

The Parent Company's share in plan assets fair value in the Atlas Copco pension trust amounts to 594 (625) and is allocated as follows:

	2023	2022
Equity securities	107	61
Bonds	119	38
Real estate	2	–
Alternative investments	281	260
Cash and cash equivalents	85	266
Total	**594**	**625**

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 0.24% (–6.91) inclusive of MSEK 8.1 (8.1) paid remuneration.

The Parent Company adheres to the actuarial assumptions used by The Swedish Pension Registration Institute (PRI) i.e. discount rate 2.9% (2.9). The Parent Company estimates MSEK 11 will be paid to defined benefit pension plans during 2024.

A16. Other provisions

	2023	2022
Opening balance, Jan. 1	501	813
During the year:		
– provisions made	364	–245
– provisions used	–214	–67
Closing balance, Dec. 31	**651**	**501**

Other provisions include primarily provisions for costs related to employee option programs accounted for in accordance with IFRS 2 and UFR 7.

A17. Borrowings

			2023		2022	
	Maturity	Repurchased nominal amount	Carrying amount	Fair value	Carrying amount	Fair value
Non-current						
Medium Term Note Program MEUR 500	2023	MEUR 314	–	–	2 861	3 500
Medium Term Note Program MEUR 500	2026		5 077	5 215	5 076	5 063
Bilateral borrowings NIB MEUR 200	2024	MEUR 200	–	–	2 100	2 257
Bilateral borrowings EIB MEUR 200	2027		2 030	2 099	2 030	1 958
Bilateral borrowings EIB MEUR 100	2028		1 012	1 009	1 012	959
Bilateral borrowings EIB MEUR 415	2030		4 576	4 718	–	–
Bilateral borrowings EIB MEUR 60	2030		697	683	–	–
Bilateral borrowings NIB MEUR 183	2031		2 045	2 053	–	–
Non-current borrowings from Group companies			19 168	20 752	8 314	9 614
Less current portion of long-term borrowings			–	–	–2 861	–3 500
Total non-current borrowings			**34 605**	**36 529**	**18 532**	**19 851**
Current						
Current portion of long-term borrowings			–	–	2 861	3 500
Total current borrowings			**–**	**–**	**2 861**	**3 500**
Closing balance, Dec. 31			**34 605**	**36 529**	**21 393**	**23 351**
Whereof external borrowings			**15 437**	**15 777**	**13 079**	**13 737**

The difference between carrying value and fair value relates to the measurement method as certain liabilities are reported at amortized cost and not at fair value. Changes in interest rates and credit margins create the difference between fair value and amortized cost. Repaid borrowings during 2023 included the outstanding amount of MEUR 314 of a MEUR 500 public bond and MEUR 200 loan from the Nordic Investment Bank (NIB). New borrowings included a MEUR 475 long-term loan from the European Investment bank (EIB) and a long-term loan of MEUR 183 from Nordic Investment Bank (NIB).

The following table shows the maturity structure of the Parent Company's external borrowings.

Maturity	Fixed	Floating [1]	Carrying amount	Fair value
2026	5 077	–	5 077	5 215
2027	2 030	–	2 030	2 099
2028	1 012	–	1 012	1 009
2030	–	5 273	5 273	5 401
2031	–	2 045	2 045	2 053
Total	**8 119**	**7 318**	**15 437**	**15 777**

[1] Floating interest in the table is borrowings with fixings shorter or equal to six months.

A18. Other liabilities

	2023	2022
Accounts payable	24	15
Liabilities to Group companies	63	90
Other financial liabilities:		
– other liabilities	47	38
Accrued expenses and prepaid income	222	232
Closing balance, Dec. 31	**356**	**375**

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 15 437 (13 079) of external borrowings and MSEK 19 168 (8 314) of internal borrowings at December 31, 2023. 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 26 in the consolidated financial statements.

Hedge accounting
The Parent Company hedges shares in subsidiaries through loans of MEUR 2 378 (2 392) The deferral hedge accounting of the loans is based on a RFR 2 exemption.

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 26 of the consolidated financial statements. The table below shows the actual exposure of financial instruments as per December 31.

Financial credit risk	2023	2022
Cash and cash equivalents	0	0
Receivables from Group companies	4 510	4 396
Other	169	131
Total	**4 679**	**4 527**

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 26 of the consolidated financial statements. There are no level 3 instruments in the Parent Company.

Valuation methods
Derivatives
Fair values of forward exchange contracts are calculated based on prevailing markets. Interest rate swaps are valued based on market rates and present value of future cash flows.

Interest-bearing liabilities
Fair values are calculated based on market rates and present value of future cash flows.

The Parent Company's financial instruments by category
The carrying value for the Parent Company's financial instruments corresponds to fair value in all categories except for borrowings. See note A17 for additional information.

A20. Assets pledged and contingent liabilities

	2023	2022
Assets pledged for pension commitments		
Endowment insurances	205	199
Total	**205**	**199**
Contingent liabilities		
Sureties and other contingent liabilities:		
– for external parties	3	3
– for Group companies	10 843	10 063
Total	**10 846**	**10 066**

Sureties and other contingent liabilities include bank and commercial guarantees. The increase compared to last year mainly derives from Parent Company Guarantees provided by Atlas Copco AB on behalf of its subsidiaries.

A21. Directly owned subsidiaries

	2023			2022		
	Number of shares	Percent held	Carrying value	Number of shares	Percent held	Carrying value
Directly owned product companies						
Atlas Copco Airpower n.v., Wilrijk	76 416	100	46 931	76 416	100	46 744
Directly owned customer centers						
AGRE Kompressoren GmbH, Steyr	200 000	100	7	200 000	100	7
ALUP Kompressoren AG, Oftringen	3 500	100	25	3 500	100	25
ALUP Kompressoren Polska sp. z.o.o., Janki	9 000	100	14	9 000	100	14
Atlas Copco (Cyprus) Ltd., Nicosia	99 998	100	0	99 998	100	0
Atlas Copco (India) Private Ltd, Pune	21 731 917	100	933	21 731 917	100	898
Atlas Copco (Ireland) Ltd., Dublin	250 000	100	28	250 000	100	28
Atlas Copco (Malaysia), Sdn. Bhd., Shah Alam	1 000 000	100	16	1 000 000	100	13
Atlas Copco (Philippines) Inc., Binan	677 980	100	129	677 980	100	69
Atlas Copco (Schweiz) AG, Studen	8 000	100	65	8 000	100	64
Atlas Copco (South East Asia) Pte.Ltd., Singapore	4 500 000	100	35	4 500 000	100	35
Atlas Copco (Thailand) Limited, Bangkok	1	0/100 [1]	0	1	0/100 [1]	0
Atlas Copco Argentina S.A.C.I., Buenos Aires	5 120 025	93/100 [1]	84	5 120 025	93/100 [1]	84
Atlas Copco Brasil Ltda, Barueri	70 358 841	100	259	70 358 841	100	255
Atlas Copco Canada Inc., Toronto	6 946	100	2 417	6 946	100	2 185
Atlas Copco Chile SpA, Santiago	24 998	100	7	24 998	100	7
Atlas Copco Compressor AB, 556155-2794, Nacka	60 000	100	38	60 000	100	36
Atlas Copco Eastern Africa Limited, Nairobi	482 999	100	40	482 999	100	40
Atlas Copco Equipment Egypt S.A.E., Cairo	5	0/100 [1]	5	5	0/100 [1]	5
Atlas Copco GmbH, Vienna	1	100	43	1	100	43
Atlas Copco Indoeuropeiska AB, 556155-2760, Nacka	3 500	100	20	3 500	100	20
Atlas Copco KK, Tokyo	100 000	100	41	100 000	100	39
Atlas Copco Kompressorteknik A/S, Albertslund	4 000	100	5	4 000	100	5
Atlas Copco Maroc SA, Casablanca	3 960	99	6	3 960	99	6
Atlas Copco Polska Sp. z o.o., Warsaw	4 000	100	81	4 000	100	80
Atlas Copco Services Middle East OMC, Manama	500	100	31	500	100	24
Atlas Copco Ukraine LLC, Kiev	10 000 000	100	4	10 000 000	100	3
Atlas Copco Venezuela SA, Valencia	1 592	100	9	1 592	100	9
Sociedade Atlas Copco Portugal Unipessoal Lda, Porto Salvo	1	100	19	1	100	15
Directly owned holding companies and others						
AB Atlas Diesel, 556019-1610, Nacka	1 000	100	0	1000	100	0
Atlas Copco A/S, Vestby	2 500	100	46	2 500	100	45
Atlas Copco Beheer B.V., Zwijndrecht	15 712	100	76	15 712	100	76
Atlas Copco Finance Belgium bv, Wilrijk	1	0/100 [1]	0	1	0/100 [1]	0
Atlas Copco Finance DAC, Dublin	5 162 000 001	100	55 954	5 162 000 001	100	54 878
Atlas Copco France Holding S.A., Frépillon	278 255	100	338	278 255	100	321
Atlas Copco Holding GmbH, Essen	2	100	21 232	2	100	9 377
Atlas Copco Internationaal B.V., Zwijndrecht	10 002	100	27 439	10 002	100	27 455
Atlas Copco Järla Holding AB, 556062-0212, Nacka	95 000	100	124	95 000	100	716
Atlas Copco Nacka Holding AB, 556397-7452, Nacka	100 000	100	12	100 000	100	12
Atlas Copco Sickla Holding AB, 556309-5255, Nacka	1 000	100	35 699	1 000	100	35 590
Econus S A, Montevideo	–	–	–	21 582 605	100	17
Industria Försäkringsaktiebolag, Industria Insurance Company Ltd 516401-7930, Nacka	300 000	100	30	300 000	100	30
JSC Atlas Copco, Moscow	2 644	100	185	2 644	100	185
Oy Atlas Copco Ab, Vantaa	150	100	33	150	100	33
Power Tools Distribution n.v., Hoeselt	–	–/100 [1]	–	1	0/100 [1]	3
Saltus Industrial Technique AB, 559053-5455, Nacka	100	100	0	500	100	0
Carrying amount, Dec. 31			**192 460**			**179 491**

[1] First figure: percentage held by Parent Company, second figure: percentage held by Atlas Copco Group.

A22. Related parties

Relationships

The Parent Company has related party relationships with its largest shareholder, its subsidiaries, its associates, its joint ventures and with its Board members and Group Management.

The Parent Company's largest shareholder, Investor AB, controls approximately 22% (22) of the voting rights in Atlas Copco AB.

The subsidiaries that are directly owned by the Parent Company are presented in note A21 and all directly and indirectly owned operating subsidiaries are listed on the following pages.

Information about Board members and Group Management is presented on pages 78–81.

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:

	2023	2022
Revenues		
Dividends	9 739	30 536
Group contribution	3 383	2 949
Interest income	184	38
Expenses		
Group contribution	0	–3
Interest expenses	–309	–101
Receivables	**4 510**	**4 396**
Liabilities	**19 231**	**8 404**
Guarantees	**10 843**	**10 063**

The following details directly and indirectly owned holding and operational subsidiaries (excluding branches), presented by country/area of incorporation.

Country/Area	Company	Location (City)
Algeria	SPA Atlas Copco Algérie	*Algiers*
Angola	Atlas Copco Angola Ltd	*Luanda*
Argentina	Atlas Copco Argentina S.A.C.I.	*Buenos Aires*
Australia	Atlas Copco Australia Pty Ltd	*Blacktown*
	Ausmedi International Pty. Ltd.	*Melbourne*
	Dewatering Holdings No 2 Pty Limited	*Perth*
	LEWA Australia PTY LTD	*East Perth*
	National Pump and Energy Pty	*Birtinya*
	SCS Filtration	*Melbourne*

Country/Area	Company	Location (City)
Australia	Sykes Group Pty Ltd	*Cardiff*
	Vortex Group Australasia Pty Ltd	*Perth*
	Vortex Group of Companies Pty Ltd	*Perth*
	Walker Filtration Pty Ltd	*Melbourne*
Austria	AGRE Kompressoren GmbH	*Steyr*
	Atlas Copco GmbH	*Vienna*
	LEWA Austria GmbH	*Vienna*
	Medgas-Technik medical systems GmbH	*Leisach*
Bahrain	Atlas Copco Services Middle East OMC	*Manama*
Bangladesh	Atlas Copco Bangladesh Ltd.	*Dhaka*
Belgium	Atlas Copco Airpower n.v.	*Wilrijk*
	Atlas Copco Belgium n.v.	*Overijse*
	Atlas Copco Finance Belgium bv	*Wilrijk*
	Atlas Copco Rental Europe n.v.	*Boom*
	Atlas Copco Support Services n.v.	*Kontich*
	Atlas Copco Vacuum Belgium nv	*Hoeselt*
	EDMAC Europe n.v.	*Wilrijk*
	Geveke Compressor Technology nv	*Vilvoorde*
	Geveke Process Technology bv	*Vilvoorde*
	International Compressor Distribution n.v.	*Wilrijk*
	MultiAir BELUX nv	*Deinze*
	Power Tools Distribution n.v.	*Hoeselt*
Bolivia	Atlas Copco Bolivia S.A Compresores, Maquinaria y Servicio	*Santa Cruz de la Sierra*
Brazil	Atlas Copco Brasil Indústria e Comércio Ltda.	*Barueri*
	Atlas Copco Brasil Ltda.	*Barueri*
	Atlas Copco Real Estate Ltda	*Barueri*
	Chicago Pneumatic Brasil Ltda.	*Barueri*
	Edwards Vácuo Ltda.	*Sao Paulo*
	ISRA VISION Comércio, Serviços, Importação e Exportação Ltda.	*Barueri*
	Itubombas Locação, Comércio, Importação e Exportação Ltda.	*Itu*
	LEWA Brasil Equipamentos Ltda.	*Diadema*
	Leybold do Brasil Ltda.	*Jundiaí*
	Perceptron do Brazil Ltda.	*Barueri*
	Pressure Compressores Ltda.	*Maringa*
Bulgaria	Atlas Copco Bulgaria EOOD	*Sofia*
Canada	Atlas Copco Canada Inc.	*Toronto*
	Chicago Pneumatic Tool Co. Canada Ltd.	*Toronto*
	Class 1 Incorporated	*Cambridge*
	CPC Pumps International Inc.	*Burlington*
	Entreprises Larry Inc.	*Montreal*
	Lucas Drive – 2352341 Ontario Inc.	*Burlington*
	Sutton Drive – 2485283 Ontario Inc.	*Burlington*
Chile	Atlas Copco Chile SpA	*Santiago*

Country/Area	Company	Location (City)
China	Atlas Copco (Wuxi) Compressor Co., Ltd.	*Wuxi*
	Atlas Copco (Shanghai) Equipment Rental Co., Ltd.	*Shanghai*
	Atlas Copco Industrial Technique (Shanghai) Co., Ltd.	*Shanghai*
	Atlas Copco (China) Investment Co., Ltd.	*Shanghai*
	Atlas Copco (Shanghai) Process Equipment Co., Ltd.	*Shanghai*
	Atlas Copco (Shanghai) Trading Co., Ltd.	*Shanghai*
	Bolaite (Shanghai) Compressor. Co., Ltd	*Shanghai*
	Bozhong (Shandong) Industrial Equipment Co., Ltd.	*Zibo*
	Chinco Vacuum Technique (Zibo) Co., Ltd.	*Zibo*
	CSK China Co. Ltd.	*Wuxi*
	CSK Xian China Co. Ltd.	*Xian*
	Edmac (Shanghai) Trading Co., Ltd.	*Shanghai*
	Edwards Technologies Trading (Shanghai) Company Ltd.	*Shanghai*
	Edwards Technologies Vacuum Engineering (Qingdao) Company Ltd.	*Qingdao*
	Edwards Technologies Vacuum Engineering (Shanghai) Company Ltd.	*Shanghai*
	Edwards Technologies Vacuum Engineering (Xian) Company Ltd.	*Xian*
	Factory for Industrial Air Compressors (Jiangmen) Co., Ltd.	*Jiangmen*
	ISRA VISION (Shanghai) Co. Ltd.	*Shanghai*
	Kunshan Q-Tech Air System Technologies Ltd.	*Kunshan*
	LEWA (Dalian) Fluid Technology Co., Ltd.	*Dalian*
	LEWA Pumps (Dalian) Co., Ltd.	*Dalian*
	Leybold Equipment (Tianjin) Co., Ltd.	*Tianjin*
	Leybold (Tianjin) International Trade Co.Ltd.	*Tianjin*
	Linghein (Shanghai) Gas Technologies Co., Ltd.	*Shanghai*
	Liutech Compressor Air System (Shanghai) Co., Ltd	*Shanghai*
	Liutech Machinery Equipment Co., Ltd.	*Liuzhou*
	Liuzhou Tech Machinery Co., Ltd.	*Liuzhou*
	Meditech (Shanghai) Gas Technology Co., Ltd.	*Shanghai*
	Perceptron Metrology Technology (Shanghai) Co., Ltd.	*Shanghai*
	Q-Tech (Shanghai) Gas Equipment Co.,Ltd.	*Shanghai*
	Shandong Meditech Technology Co., Ltd.	*Jinan*
	Shanghai Beacon Medaes Medical Gas Engineering Consulting Co., Ltd.	*Shanghai*
	Shanghai Tooltec Industrial Tool Co., Ltd.	*Shanghai*
	Suzhou Since Gas Technology Co., Ltd.	*Suzhou*
	Pan-Asia Gas Technologies (Wuxi) Co., Ltd.	*Wuxi*
	Wuxi Pneumatech Air/Gas Purity Equipment Co., Ltd.	*Wuxi*
	Wuxi Shengda Air/Gas Purity Equipment Co., Ltd.	*Wuxi*

A22. Related parties, continued

Country/Area	Company	Location (City)
Colombia	Atlas Copco Colombia Ltda	*Bogota*
Cyprus	Atlas Copco (Cyprus) Ltd.	*Nicosia*
Czech Republic	ALUP CZ spol. S.r.o	*Breclav*
	Atlas Copco s.r.o.	*Prague*
	Atlas Copco Services s.r.o.	*Brno*
	Edwards s.r.o.	*Lutin*
	Next Metrology Software s.r.o.	*Prague*
	Schneider Airsystems s.r.o.	*Line*
Denmark	Atlas Copco Kompressorteknik A/S	*Albertslund*
	Oxymat A/S	*Helsinge*
	RENO A/S	*Aarhus*
Egypt	Atlas Copco Equipment Egypt S.A.E.	*Cairo*
	Atlas Copco Service Egypt	*Cairo*
Finland	Oy Atlas Copco Ab	*Vantaa*
	Oy Atlas Copco Kompressorit Ab	*Vantaa*
	Oy Atlas Copco Tools Ab	*Vantaa*
France	Atlas Copco Applications Industrielles S.A.S.	*Frépillon*
	Atlas Copco Crépelle S.A.S.	*Lille*
	Atlas Copco France Holding S.A.	*Frépillon*
	Atlas Copco France SAS	*Frépillon*
	Edwards SAS	*Herblay*
	ETS Georges Renault S.A.S.	*Saint-Herblain*
	Exlair S.A.S.	*Frépillon*
	FITEC	*Tarnos*
	LEWA France SAS	*Neuville-sur-Oise*
	Leybold France SAS	*Bourg-Les-Valence*
	MultiAir France S.A.S	*Chambly*
	Perceptron EURL	*Montigny le Bretonneux*
	Seti-Tec S.A.S.	*Collegien*
Germany	Arpuma GmbH	*Kerpen*
	Atlas Copco Beteiligungs GmbH [1]	*Essen*
	Atlas Copco Energas GmbH [1]	*Cologne*
	Atlas Copco Holding GmbH [1]	*Essen*
	Atlas Copco IAS GmbH [1]	*Bretten*
	Atlas Copco Industry GmbH [1]	*Essen*
	Atlas Copco Kompressoren und Drucklufttechnik GmbH [1]	*Essen*
	Atlas Copco Power Technique GmbH [1]	*Essen*
	Atlas Copco Tools Central Europe GmbH [1]	*Essen*
	CVS Engineering GmbH [1]	*Rheinfelden (Baden)*
	Desoutter GmbH [1]	*Maintal*
	DF Druckluft-Fachhandel GmbH [1]	*Herrenberg*
	Dipotec GmbH [1]	*Neustadt a.d. Donau*
	Edwards GmbH	*Feldkirchen*
Germany	Ehrler & Beck Vakuum- und Drucklufttechnik GmbH [1]	*Renningen*
	EXTEND3D GmbH [1]	*Münich*
	ISRA Immobilie Darmstadt GmbH [1]	*Darmstadt*
	ISRA Immobilie Herten GmbH [1]	*Darmstadt*
	ISRA PARSYTEC GmbH [1]	*Aachen*
	ISRA SURFACE VISION GmbH [1]	*Herten*
	ISRA VISION GmbH [1]	*Darmstadt*
	ISRA VISION PARSYTEC AG [1]	*Aachen*
	KDS Kompressoren- und Druckluftservice GmbH [1]	*Essen*
	LEWA GmbH [1]	*Leonberg*
	LEWA Deutschland GmbH [1]	*Leonberg*
	Leybold Dresden GmbH	*Dresden*
	Leybold GmbH	*Cologne*
	Leybold Real Estate GmbH [1]	*Cologne*
	Medgas-Technik GmbH Medical-Technology [1]	*Berndroth*
	metronom Automation GmbH [1]	*Mainz*
	Multiair Germany GmbH [1]	*Reutlingen*
	nano-purification solutions GmbH [1]	*Krefeld*
	Perceptron GmbH [1]	*Munich*
	PMH Druckluft GmbH [1]	*Erkelenz*
	Pumpenfabrik Wangen GmbH [1]	*Wangen I'm Allgau*
	QUISS Qualitäts-Inspektionssysteme und Service GmbH [1]	*Puchheim*
	Scheugenpflug GmbH [1]	*Neustadt a.d. Donau*
	soft2tec GmbH [1]	*Russelsheim*
	Synatec GmbH [1]	*Leinfelden-Echterdingen*
Greece	Atlas Copco Hellas AE	*Koropi*
Hong Kong	Atlas Copco China/Hong Kong Ltd	*Hong Kong*
Hungary	Atlas Copco Hungary Kft	*Szigetszentmiklós*
India	Atlas Copco (India) Private Ltd.	*Pune*
	Edwards India Private Ltd.	*Pune*
	HHV Pumps Private Limited	*Bangalore*
	ISRA VISION INDIA Private Limited	*Mumbai*
	LEWA Pumps India Pvt Ltd.	*Chennai*
	Leybold India Pvt Ltd.	*Bangalore*
	Perceptron Non-Contact Metrology Solutions Pvt Ltd.	*Chennai*
Indonesia	PT Atlas Copco Indonesia	*Jakarta*
Iraq	Atlas Copco Iraq LLC	*Erbil*
Ireland	Atlas Copco (Ireland) Ltd.	*Dublin*
	Atlas Copco Finance DAC	*Dublin*
	Edwards Vacuum Technology Ireland Ltd	*Dublin*
	Provac Limited	*Wexford*
Israel	Edwards Israel Vacuum Ltd	*Kiryat Gat*
Italy	ABAC Aria Compressa S.r.l	*Robassomero*
	Atlas Copco BLM S.r.l.	*Milan*
	Atlas Copco Italia S.r.l.	*Milan*
	C.P. Service SRL	*Naples*
	Ceccato Aria Compressa S.r.l	*Montecchio Maggiore*
	Desoutter Industrial Tools SrL	*Lissone*
	Edwards S.r.l.	*Milan*
	Eurochiller S.r.l.	*Castello d'Agogna (Pv)*
	Fiac Professional Air Compressors S.r.l.	*Sasso Marconi*
	LEWA Italy S.r.l.	*Rho*
	Leybold Italia S.r.l	*Milan*
	MultiAir Italia S.r.l	*Montecchio Maggiore*
	SCB S.r.l.	*Villar San Costanzo*
	Varisco S.r.l.	*Padova*
Japan	Atlas Copco KK	*Tokyo*
	Edwards Japan Ltd	*Chiba*
	Fuji Industrial Technique Co., Ltd.	*Osaka*
	Leybold Japan Co.Ltd.	*Kohoku-Ku, Yokohama-Shi*
Kazakhstan	Atlas Copco AirPower Central Asia LLP	*Almaty*
Kenya	Atlas Copco Eastern Africa Limited	*Nairobi*
Latvia	Atlas Copco Baltic SIA	*Marupes Novads*
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*
	Geveke Malaysia Snd. Bhd.	*Shah Alam*
	Geveke Oil & Gas Sdn. Bhd.	*Shah Alam*
	Nano-Purification Solutions (Malaysia) Sdn Bhd	*Johor Bahru*
	Vacuum Technique Malaysia Sdn. Bhd.	*Puchong*
Mexico	Atlas Copco Mexicana S.A. de C.V.	*Tlalnepantla*
	Desarrollos Técnologicos ACMSA S.A. de C.V.	*Tlalnepantla*
	Desoutter Tools Mexico SA de CV	*Tlalnepantla*
	Vacuum Technique Mexico	*Monterrey*
Morocco	Atlas Copco Maroc SA	*Casablanca*
Myanmar	Atlas Copco Services Myanmar Co., Ltd.	*Yangon*
Netherlands	Alup Kompressoren BV	*Oss*
	Atlas Copco Beheer B.V.	*Zwijndrecht*
	Atlas Copco Internationaal B.V.	*Zwijndrecht*
	Creemers Compressors B.V.	*Oss*
	Eco Ketelservice Verhuur B.V.	*Tilburg*
	Eco Steam Trading & Consultancy B.V.	*Tilburg*
	E.K.S. Holding B.V.	*Tilburg*
	Geveke BV	*Amsterdam*
	Geveke Werktuigbouw BV	*Amsterdam*
	Leybold Nederland B.V.	*Utrecht*

[1] Legal regulation allows for exemption from local statutory requirements acc. to sec 264 of the German Commercial Code and such exemption has been applied for German subsidiaries for financial year 2021–2023.

Atlas Copco Group

A22. Related parties, continued

Country/Area	Company	Location (City)
New Zealand	Atlas Copco (N.Z.) Ltd.	*Auckland*
	Conhur Limited	*Takanini*
	Exlair (NZ) Limited	*Auckland*
	Sykes New Zealand Limited	*Auckland*
Nigeria	Atlas Copco Nigeria Ltd.	*Lagos*
Norway	Atlas Copco A/S	*Vestby*
	Atlas Copco Kompressorteknikk A/S	*Vestby*
	Atlas Copco Tools A/S	*Vestby*
	Berema A/S	*Vestby*
Pakistan	Atlas Copco Pakistan (Private) Limited	*Lahore*
Peru	Atlas Copco Perú S.A.C.	*Lima*
Philippines	Atlas Copco (Philippines) Inc.	*Binan*
Poland	ALUP Kompressoren Polska sp. z.o.o.	*Janki*
	Atlas Copco Polska Sp. z o.o.	*Warsaw*
	Vector Sp. z o.o.	*Tarnowo Podgórne*
Portugal	Sociedade Atlas Copco de Portugal Unipessoal Lda	*Porto Salvo*
Romania	Atlas Copco Romania S.R.L.	*Bucharest*
	Scheugenpflug S.R.L.	*Sibiu*
Russia	JSC Atlas Copco	*Moscow*
Serbia	Atlas Copco Srbija doo	*Belgrade*
Singapore	Atlas Copco (South East Asia) Pte. Ltd	*Singapore*
	Geveke International Pte Ltd	*Singapore*
	LEWA Singapore Pte. Ltd.	*Singapore*
	Leybold Singapore Pte Ltd	*Singapore*
	Nano-Purification Solutions Asia Pacific Pte Ltd	*Singapore*
	Vacuum Technique Singapore Pte Ltd	*Singapore*
Slovakia	ACJ s.r.o.	*Samorin*
	Atlas Copco s.r.o	*Bratislava*
	ISRA VISION s.r.o.	*Bratislava*
	Oxymat Slovakia SrO	*Vadovce*
	Perceptron Slovensko s.r.o.	*Bratislava*
	Schneider Airsystems s.r.o.	*Nitra*
Slovenia	Atlas Copco d.o.o.	*Trzin*
South Africa	Atlas Copco Industrial South Africa (Pty) Ltd	*Boksburg*
	Rand Air South Africa (Pty) Ltd	*Boksburg*
South Korea	Atlas Copco Korea Co., Ltd.	*Seongnam*
	CP Tools Korea Co., Ltd.	*Anyang*
	CSK Inc.	*Yongin*
	Edwards Korea Ltd	*Cheonan*
	ISRA VISION Korea Co. Ltd	*Seoul*
	LEWA Korea Co., Ltd.	*Seoul*
	Leybold Korea Ltd	*Bundang*
Spain	Aire Comprimido Industrial Iberia, S.L.	*Madrid*
	Atlas Copco S.A.E.	*Madrid*
	Bostran 21 SL	*Santa Margarida*

Country/Area	Company	Location (City)
Spain	Grupos Electrógenos Europa, S.A.	*Zaragoza*
	IBVC Vacuum, S.L.U.	*Madrid*
	LEWA Hispania S.L.	*Madrid*
	Leybold Hispanica S.A.	*Cornellá de Llobregat*
Sweden	Atlas Copco Compressor AB	*Nacka*
	Atlas Copco Industrial Technique AB	*Nacka*
	Atlas Copco Järla Holding AB	*Nacka*
	Atlas Copco Nacka Holding AB	*Nacka*
	Atlas Copco Sickla Holding AB	*Nacka*
	Industria Försäkringsaktiebolag, Industria Insurance Company Ltd	*Nacka*
Switzerland	ALUP Kompressoren AG	*Oftringen*
	Atlas Copco (Schweiz) AG	*Studen*
	LEWA Switzerland AG	*Reinach*
	Leybold Schweiz AG	*Steinhausen*
	Medgas-Technik Schweiz AG	*Sankt-Gallen*
	Photonfocus AG	*Lachen*
Taiwan	Atlas Copco Taiwan Ltd.	*Taoyuan*
	CSKT Inc.	*Jubei*
	Edwards Technologies Ltd	*Jhunan*
	Leybold Taiwan Ltd	*Zhubei*
Thailand	Atlas Copco (Thailand) Limited	*Bangkok*
Türkiye	Atlas Copco Makinalari Imalat AS	*Istanbul*
	Chicago Pneumatic Endüstriyel Ürünler Ticaret A.Ş	*Istanbul*
	Dost Kompresör Endüstri Makinaları İmal Bakım ve Ticaret A.Ş	*Istanbul*
	Ekomak Endüstriyel Kompresör Makine Sanayi ve Ticaret A.Ş	*Istanbul*
	Hamamcıoğlu Makina Sanayi ve Ticaret A.Ş.	*Istanbul*
	ISRA VISION Yapay Görme Ve Otomasyon San. Ve Tic. A.ş	*Istanbul*
	Multiair Endüstriyel Hava Ekipmanları Ticaret A.Ş.	*Istanbul*
	Tekser Endüstriyel Cihazlar Sanayi ve Ticaret A.Ş.	*Istanbul*
Ukraine	Atlas Copco Ukraine LLC	*Kiev*
United Arab Emirates	Allightprimax FZCO	*Dubai*
	Atlas Copco Middle East FZE	*Dubai*
	LEWA Middle East FZE	*Sharjah*
United Kingdom	Air Compressors and Tools Limited	*Warrington*
	Airflow Compressors and Pneumatics Limited	*Warrington*
	Associated Compressor Engineers Limited	*Stockport*
	Atlas Copco IAS UK Limited	*Flintshire*
	Atlas Copco Ltd.	*Hemel Hempstead*
	Atlas Copco UK Holdings Ltd.	*Hemel Hempstead*
	BeaconMedaes Ltd	*Markham Vale*
	C.A.S products Limited	*Bolton*
	Edwards Ltd.	*Burgess Hill*

Country/Area	Company	Location (City)
United Kingdom	Glaston Compressor Services Limited	*Hemel Hempstead*
	Leybold UK Ltd.	*Chessington*
	Maziak Compressor Services Limited	*Wellingborough*
	Maziak Holdings 2022 Limited	*Wellingborough*
	Maziak Holdings Limited	*Wellingborough*
	Nano Purification Solutions Ltd	*Gateshead*
	Precision Pneumatics Ltd	*Liverpool*
	Tentec Ltd.	*Wolverhampton*
	Walker Filtration Ltd. UK	*Washington*
	Wearside Pneumatics Ltd	*Newcastle*
U.S.A	Air & Gas Solutions LLC	*Charlotte*
	Atlas Copco Compressors LLC	*Rock Hill*
	Atlas Copco Comptec LLC	*Voorheesville*
	Atlas Copco IAS LLC	*Auburn Hills*
	Atlas Copco Mafi-Trench Company LLC	*Santa Maria*
	Atlas Copco North America LLC	*Parsippany*
	Atlas Copco Rental LLC	*Laporte*
	Atlas Copco Tools & Assembly Systems LLC	*Auburn Hills*
	BeaconMedaes LLC	*Rock Hill*
	C H Spencer LLC	*Salt Lake City*
	Chicago Pneumatic International Inc.	*Rock Hill*
	Chicago Pneumatic Tool Company LLC	*Rock Hill*
	Dekker Vacuum Technologies Inc	*Michigan City*
	Edwards Semiconductor Solutions LLC	*Saugerties*
	Edwards Vacuum, LLC	*Sanborn*
	Henrob Corporation	*New Hudson*
	Industrial Flow North America LLC	*Hollistone*
	Leybold USA Inc.	*Wilmington*
	Mid-South Engine & Power Systems LLC	*White Oak*
	Montana Instruments Corporation	*Bozeman*
	Perceptron Inc.	*Plymouth*
	Perceptron Global Inc.	*Plymouth*
	Perceptron Software Technology , Inc.	*Plymouth*
	Powerhouse Equipment & Engineering Co. Inc.	*Delanco*
	Power Technique North America LLC	*Rock Hill*
	Primax USA, INC.	*Charlotte*
	Quincy Compressor LLC	*Bay Minette*
	Scheugenpflug Inc.	*Kennesaw*
	Vacuum Technique LLC	*Michigan City*
	Walker Filtration Inc. US	*Erie*
Uzbekistan	Atlas Copco Compressor and Power Technique	*Tashkent*
Venezuela	Atlas Copco Venezuela SA	*Valencia*
Vietnam	Atlas Copco Vietnam Company Ltd.	*Hanoi*
Zambia	Atlas Copco Industrial Zambia Limited	*Kitwe*

Signatures of the Board of Directors

The Parent Company financial statements have been prepared in accordance with generally accepted accounting principles in Sweden and the consolidated financial statements have been prepared in accordance with International Accounting Standards as prescribed by the European Parliament and the Regulation (EC) No 1606/2002 dated July 19, 2002 on the application of International Accounting Standards. The Parent Company financial statements and the consolidated financial statements give a true and fair view of the Parent Company's and the Group's financial position and results of operations.

The administration report for the Group and Parent Company provides a true and fair overview of the development of the Group's and Parent Company's business activities, financial position and results of operations as well as the significant risks and uncertainties which the Parent Company and its subsidiaries are exposed to.

The Annual Report also contains the Group's and Parent Company's statutory sustainability report in accordance with the Swedish Annual Accounts Act.

Nacka, Atlas Copco AB

Hans Stråberg
Chair

Jumana Al-Sibai
Board member

Johan Forssell
Board member

Heléne Mellquist
Board member

Anna Ohlsson-Leijon
Board member

Mats Rahmström
Board member
President and CEO

Gordon Riske
Board member

Peter Wallenberg Jr
Board member

Mikael Bergstedt
Board member
Employee representative

Benny Larsson
Board member
Employee representative

Stockholm the date as evidenced by our electronic signature
Ernst & Young AB

Erik Sandström
Authorized Public Accountant

Atlas Copco AB is required to publish information included in this annual report in accordance with the Swedish Securities Market Act. The information was made public on March 21, 2024.

Auditor's report

To the general meeting of the shareholders of Atlas Copco AB, corporate identity number 556014-2720

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Atlas Copco AB except for the corporate governance statement on pages 74–83 and the statutory sustainability report on pages 5–11 and 32–65, and quarterly data on page 101 for the year 2023. The annual accounts and consolidated accounts of the company are included on pages 5–65, 67–71, and 74–144 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2023 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2023 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS Accounting Standards), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 74–83, and the statutory sustainability report on pages 5–11 and 32–65. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Valuation of goodwill

Description

As at December 31, 2023, the total value of goodwill amounts to 45.4 billion SEK and is allocated to the group's different cash generating units. Goodwill must be tested for impairment at least annually and whenever there are indicators of impairment. The test is carried out by comparing the recoverable amount to the carrying value. To calculate the recoverable amount, management apply significant judgment and estimates regarding future cash flows, terminal growth rate and discount rates. The impairment tests for 2023 did not result in any impairment write off.

Disclosures related to the group's material accounting principles and key sources of uncertainty in estimates and judgements are provided in note 1 and disclosures related to goodwill and the impairment test performed are provided in note 11.

Based on carrying value of the goodwill and the high degree of management estimate required to perform the impairment tests, we have assessed the accounting for the valuation of goodwill as a key audit matter in our audit.

How our audit addressed this key audit matter

In the audit, we have evaluated the group's process for conducting impairment tests. Based on established criteria, we have examined how the group identifies cash-generating units.

With support from our internal valuation specialists, we have evaluated the valuation methods used. We have assessed the reasonableness of assumptions, conducted sensitivity analysis, and compared them to historical outcomes as well as external sources and industry benchmarks.

Finally, we have assessed the appropriateness of the disclosures provided in the annual report.

Revenue recognition

Description

The group recognize revenue from a wide range of geographical markets and the revenues are generated from product- and product related offerings ranging from equipment, service, and rental to the customers. The appropriate timing of revenue recognition can vary from a point in time to recognition over time. Judgement may be required in assessing if control has been transferred to the customer and to determine the satisfaction of performance obligations.

The group's decentralized organization where revenues are generated from a large number of subsidiaries further increases the complexity of ensuring that the revenue recognition principles are consistently applied across the group.

Disclosures related to the group's material accounting principles and key sources of uncertainty in estimates and judgements are provided in note 1 and note 3 provides disclosures regarding revenue disaggregated by operating segment and geography.

Based on the above, we have assessed the revenue recognition as a key audit matter in our audit.

How our audit addressed this key audit matter

In our audit we have assessed the group's processes for revenue recognition. Further, we have reviewed the group's accounting manual and assessed whether the policies for revenue recognition are in accordance with the applicable accounting standards.

We have obtained an understanding of the different types of significant revenue contracts and evaluated the identified performance obligations and determinations made regarding when performance obligations are considered satisfied. In addition, we have performed detailed revenue

Auditor's report, continued

transaction testing and revenue data analytical procedures to assess the revenue recognition.

We have assessed the appropriateness of the disclosures provided in the annual report.

Accounting for income taxes

Description

Atlas Copco is a global group with subsidiaries world-wide. The accounting for income taxes requires adherence to local tax legislation which often can be complex and allow for different interpretations and judgement. The group's subsidiaries are regularly subject to tax audits in which the local tax authorities might challenge the group's interpretation of the local legislation.

In instances where the tax authorities are of a different opinion of how to interpret the tax legislation the outcome is often dependent on negotiations with the local tax authorities or legal proceedings. In order to account for income taxes in these instances, management may have to apply significant estimates. Changes to these estimates can have a material effect on the income tax reported.

Disclosures related to the group's material accounting principles and key sources of uncertainty in estimates and judgements are provided in note 1 and disclosures related to taxes are provided in note 8.

Based on the above, we have assessed accounting for income taxes as a key audit matter in our audit.

How our audit addressed this key audit matter

We have evaluated the group's process for accounting for income taxes. We have reviewed communication between Atlas Copco and the tax authorities for significant uncertain income tax matters. Our internal tax specialists have been engaged to evaluate the assessments and interpretations made by the group. We have also assessed the reasonability of the accounting for these matters by comparisons to historical outcome in similar cases and by obtaining assessments from the group's external tax advisors where appropriate.

We have assessed the appropriateness of the disclosures provided in the annual report.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–4, 72–73, and 149–151 as well as quarterly data on page 101. The other information also includes the remuneration report which we obtained before the date of this auditor's report. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS Accounting Standards as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

Auditor's report, continued

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or related safeguards applied.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Report on the audit of the administration and the proposed appropriations of the company's profit or loss

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Atlas Copco AB for the year 2023 and the proposed appropriations of the company's profit or loss.

We recommend to the general 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 Managing Director be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

The auditor's examination of the ESEF report

Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the ESEF report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for Atlas Copco AB for the financial year 2023.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the ESEF report has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the ESEF report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Atlas Copco AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the ESEF report in accordance with Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the ESEF report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the ESEF report

Atlas Copco Group

Auditor's report, continued

is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the ESEF report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the ESEF report.

The audit firm applies ISQM 1 Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or other Assurance or Related Services Engagements which requires the firm to design, implement and operate a system of quality management, including policies and procedures regarding compliance with professional ethical requirements, professional standards and applicable legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the ESEF report has been prepared in a format that enables uniform electronic reporting of the annual and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design audit procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the ESEF report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a validation that the ESEF report has been prepared in a valid XHTML format and a reconciliation of the ESEF report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the consolidated statement of financial performance, financial position, changes in equity, cash flow and disclosures in the ESEF report have been marked with iXBRL in accordance with what follows from the ESEF regulation.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 74–83 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR´s standard RevR 16 The auditor´s examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

The auditor's opinion regarding the statutory sustainability report

The Board of Directors is responsible for the statutory sustainability report on pages 5–11 and 32–65, and that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor´s opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability 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. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

Ernst & Young AB with Erik Sandström as auditor in charge, Box 7850, 103 99 Stockholm, was appointed auditor of Atlas Copco AB by the general meeting of the shareholders on 27 April 2023 and has been the company's auditor since 23 April 2020.

Stockholm the date as evidenced by our electronic signature
Ernst & Young AB

Erik Sandström
Authorized Public Accountant

Financial definitions *

Reference is made in the Annual Report to a number of financial performance measures which are not defined according to IFRS. These performance measures provide complementary information and are used to help investors as well as Group Management analyze the company's operations and facilitate an evaluation of the performance. Since not all companies calculate financial performance measures in the same manner, these are not always comparable with measures used by other companies. These financial performance measures should therefore not be regarded as a replacement for measures as defined according to IFRS.

Adjusted operating profit
Operating profit (earnings before interest and tax), excluding items affecting comparability.

Adjusted operating profit margin
Operating profit margin excl. items affecting comparability.

Average number of shares outstanding
The weighted average number of shares outstanding before or after dilution. Shares held by Atlas Copco are not included in the number of shares outstanding. The dilutive effects arise from the stock options that are settled in shares or that at the employees' choice can be settled in shares or cash in the share based incentive programs. The stock options have a dilutive effect when the average share price during the period exceeds the exercise price of the options.

Capital employed
Average total assets less non-interest-bearing liabilities/provisions. Capital employed for the business areas excludes cash, tax liabilities and tax receivables.

Capital employed turnover ratio
Revenues divided by average capital employed.

Capital turnover ratio
Revenues divided by average total assets.

Debt/equity ratio
Net indebtedness in relation to equity, including non-controlling interests.

Dividend yield
Dividend divided by the average share price quoted of the A share.

Earnings per share
Profit for the period attributable to owners of the parent divided by the average number of shares outstanding.

EBITA – Earnings before Interest, Taxes, and Amortization
Operating profit plus amortization and impairment of intangibles related to acquisitions.

EBITA margin
EBITA as a percentage of revenues.

EBITDA – Earnings Before Interest, Taxes, Depreciation and Amortization
Operating profit plus depreciation, amortization and impairment.

EBITDA margin
EBITDA as a percentage of revenues.

Equity/assets ratio
Equity including non-controlling interests, as a percentage of total assets.

Equity per share
Equity including non-controlling interests divided by the average number of shares outstanding.

Items affecting comparability
Restructuring costs, capital gains/losses, impairments, changes in provision for share-related long-term incentive program and other items with the character of affecting comparability.

Net cash flow
Change in cash and cash equivalents excluding currency exchange rate effects.

Net debt/EBITDA ratio
Net indebtedness in relation to EBITDA.

Net indebtedness/net cash position
Borrowings plus post-employment benefits minus cash and cash equivalents and other current financial assets, adjusted for the fair value of interest rate swaps.

Net interest expense
Interest expense less interest income.

Operating cash flow
Cash flow from operations and cash flow from investments, excluding company acquisitions/divestments and currency hedges of loans.

Operating cash surplus
Operating profit adding back depreciation, amortization and impairments as well as capital gains/losses and other non-cash items.

Operating profit
Revenues less all costs related to operations, but excluding net financial items and income tax expense.

Operating profit margin
Operating profit as a percentage of revenues.

Organic growth
Sales growth that excludes translation effects from exchange rate differences, and acquisitions/divestments.

Profit margin
Profit before tax as a percentage of revenues.

Return on capital employed (ROCE)
Profit before tax plus interest paid and foreign exchange differences (for business areas: operating profit) as a percentage of capital employed.

Return on equity
Profit for the period, attributable to owners of the parent as a percentage of average equity, excluding non-controlling interests.

Total return to shareholders
Share price performance including reinvested dividends and share redemptions.

Weighted average cost of capital (WACC)

$$\frac{\text{interest-bearing liabilities} \times i + \text{market capitalization} \times r}{\text{interest-bearing liabilities} + \text{market capitalization}}$$

i: An estimated average risk-free interest rate of 4% plus a premium of 0.5%. An estimated standard tax rate has been applied.
r: An estimated average risk-free interest rate of 4% plus an equity risk premium of 5%.

* Atlas Copco has chosen to present the company's alternative performance measures in accordance with the guidance by the European Securities and Markets Authority (ESMA) in a separate appendix. The appendix is published on www.atlascopcogroup.com/en/investor-relations/key-figures/financial-definitions.

Atlas Copco Group

Four years in summary

Orders, revenues and profit	2023	2022	2021	2020
Orders, MSEK	170 627	158 092	129 545	100 554
Revenues, MSEK	172 664	141 325	110 912	99 787
Change, organic from volume, price and mix, %	14	12	14	–3
EBITDA, MSEK	44 852	36 549	29 025	24 335
EBITDA margin, %	26.0	25.9	26.2	24.4
Operating profit, MSEK	37 091	30 216	23 559	19 146
Operating profit margin, %	21.5	21.4	21.2	19.2
Net interest expense, MSEK	–521	–166	–234	–245
Profit before tax, MSEK	36 442	30 044	23 410	18 825
Profit margin, %	21.1	21.3	21.1	18.9
Profit for the year, MSEK	28 052	23 482	18 134	14 783

Employees	2023	2022	2021	2020
Average number of employees	51 110	45 781	41 272	39 606
Revenues per employee, SEK thousands	3 378	3 087	2 687	2 519

Cash flow	2023	2022	2021	2020
Operating cash surplus, MSEK	45 781	36 978	28 952	25 081
Cash flow before change in working capital, MSEK	35 628	29 600	23 870	20 454
Change in working capital, MSEK	–5 775	–7 415	–244	2 166
Cash flow from investing activities, MSEK	–9 388	–15 503	–6 121	–16 286
Gross investments in other property, plant and equipment, MSEK	–3 987	–3 660	–1 970	–1 459
Gross investments in rental equipment, MSEK	–1 814	–884	–510	–486
Net investments in rental equipment, MSEK	–1 769	–808	–474	–416
Cash flow from financing activities, MSEK	–18 276	–14 651	–10 323	–8 552
of which dividends paid, MSEK	–11 211	–9 250	–8 889	–8 506
Operating cash flow, MSEK	23 192	17 099	19 378	18 910

Financial position and return	2023	2022	2021	2020
Total assets, MSEK	182 684	172 301	136 683	113 366
Capital turnover ratio	0.94	0.91	0.88	0.86
Capital employed, average MSEK	125 133	106 054	87 537	83 649
Capital employed turnover ratio	1.38	1.33	1.27	1.19
Return on capital employed, %	30	29	27	23
Net indebtedness, MSEK	23 441	26 570	8 151	16 421
Net debt/EBITDA, MSEK	0.5	0.7	0.3	0.7
Equity, MSEK	91 500	80 026	67 634	53 534
Debt/equity ratio, %	26	33	12	31
Equity/assets ratio, %	50	46	49	47
Return on equity, %	32	32	30	27

Key figures per share	2023	2022	2021[1]	2020[1]
Basic earnings / diluted earnings, SEK	5.76 / 5.75	4.82 / 4.81	3.72 / 3.71	3.04 / 3.04
Dividend, SEK	2.80[2]	2.30	1.90	1.83
Dividend as % of basic earnings	48.6	47.7	51.0	60.0
Dividend yield, %	1.9	2.0	1.4	1.9
Redemption of shares, SEK	–	–	2.00	–
Operating cash flow, SEK	4.76	3.51	3.98	3.89
Equity, SEK	19	16	14	11
Share price, December 31, A share / B share, SEK	173.6 / 149.4	123.1 / 111.1	156.5 / 133.1	105.3 / 92.1
Highest price quoted, A share / B share, SEK	174.2 / 150.0	161.2 / 136.3	157.4 / 133.4	111.4 / 97.5
Lowest price quoted, A share / B share, SEK	119.4 / 106.5	92.5 / 83.2	108.5 / 94.8	66.7 / 57.9
Average closing price, A share / B share, SEK	144.2 / 126.1	117.9 / 104.4	134.9 / 114.9	96.3 / 84.5
Average number of shares, millions	4871.4	4 868.4	4 870.9	4 861.7
Diluted average number of shares, millions	4878.9	4 875.9	4 882.1	4 869.0
Number of shareholders, December 31	125 893	115 459	87 923	82 079
Market capitalization, December 31, MSEK	815 902	586 731	732 967	497 187

[1] Adjusted for share split in 2022
[2] Proposed by the Board

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