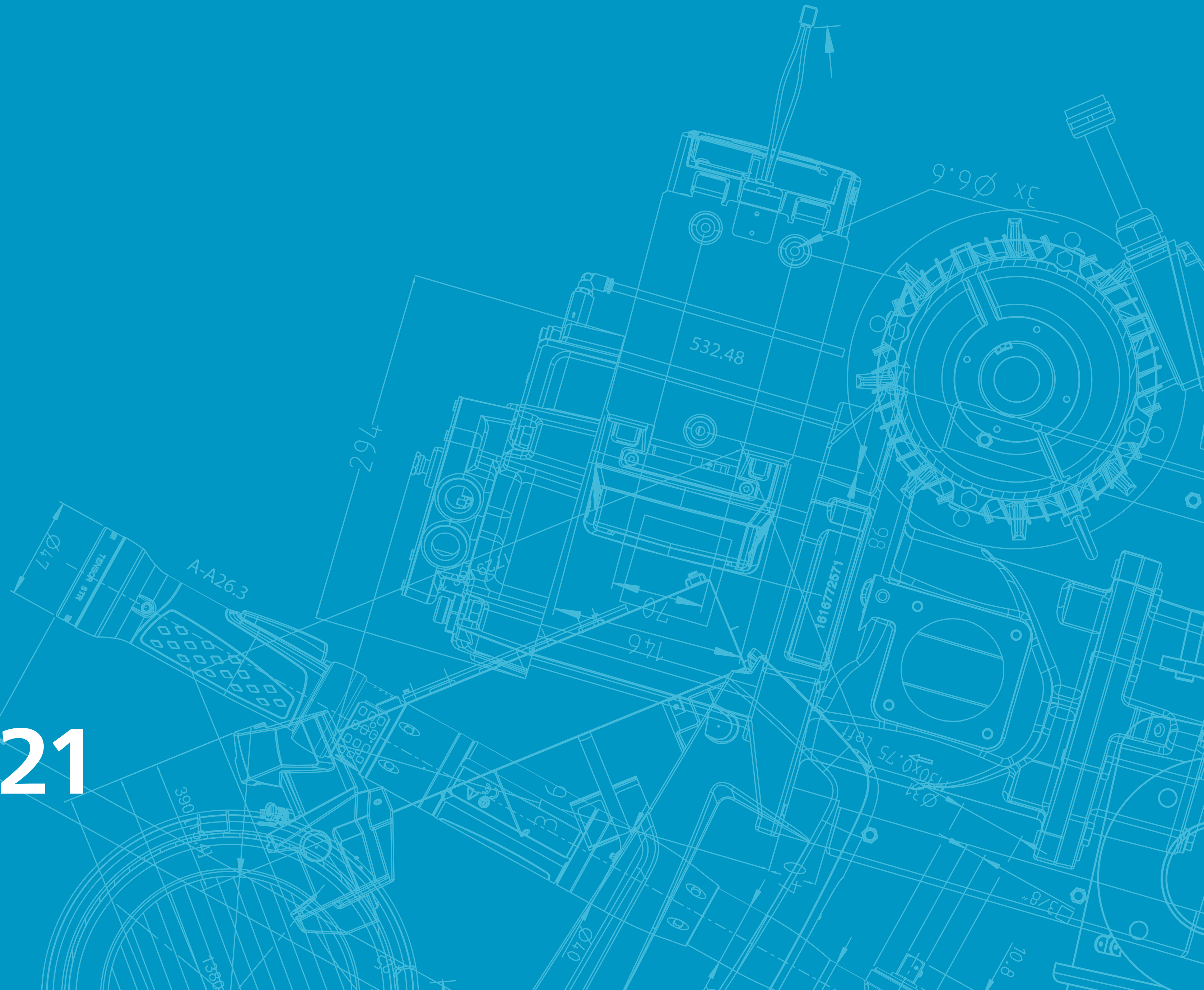
Atlas Copco

Atlas Copco
Annual report 2021



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

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

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

GRI Standards and external review

Atlas Copco reports on its sustainability work for 2021 according to GRI Standards, Global Reporting Initiative's reporting guidelines, level Core, which in combination with EU taxonomy – classification of sustainable activities on page 132 also constitutes Atlas Copco's statutory sustainability report. Ernst & Young has expressed an opinion that a statutory sustainability report has been prepared according to the Swedish Annual Accounts Act, and has performed a limited review of the sustainability report according to GRI Standards, core option, see page 143. More information can be found at: www.atlascopcogroup.com

Notice

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

Forward-looking statements

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

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

- ● (blue) The audited annual accounts and consolidated accounts can be found on pages 14–41, 47–51 and 64–123, excluding the quarterly data on page 82. The corporate governance report examined by the auditors can be found on pages 54–63.
- ● (yellow) Sustainability information that has been reviewed by the auditors can be found on pages 5–13, 34–46 and 128–142.

Atlas Copco 2021
Record orders, revenues and operating profit

Revenues: **MSEK 110 912** (11%)

Operating margin: **21.2%** (19.2)

Return on capital employed: **27%** (23)

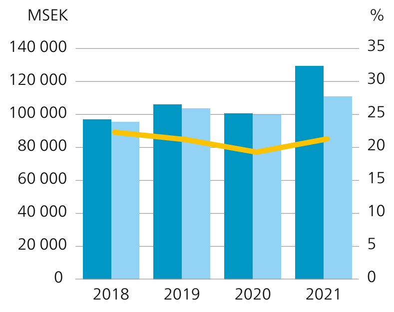
Operating cash flow: **MSEK 19 378** (18 910)

Key financial data

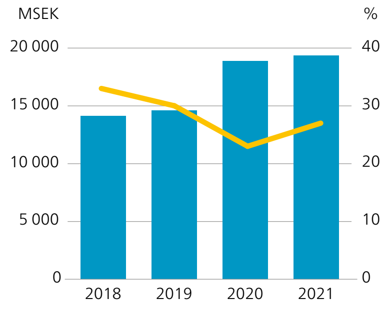
MSEK	2021	2020	2019	2018
Orders received	129 545	100 554	106 104	97 132
Revenues	110 912	99 787	103 756	95 363
EBITDA	29 025	24 335	26 597	24 510
– in % of revenues	26.2	24.4	25.6	25.7
EBITA*	25 015	20 474	22 900	22 101
– in % of revenues	22.6	20.5	22.1	23.2
Operating profit	23 559	19 146	21 897	21 187
– in % of revenues	21.2	19.2	21.1	22.2
Adjusted operating profit	24 246	19 998	22 677	21 135
– in % of revenues	21.9	20.0	21.9	22.2
Profit before tax	23 410	18 825	21 572	20 844
– in % of revenues	21.1	18.9	20.8	21.9
Profit for the year	18 134	14 783	16 543	16 336
Basic earnings per share, SEK	14.89	12.16	13.60	13.45
Diluted earnings per share, SEK	14.85	12.14	13.59	13.43

* Operating profit excluding amortization of intangibles related to acquisitions.

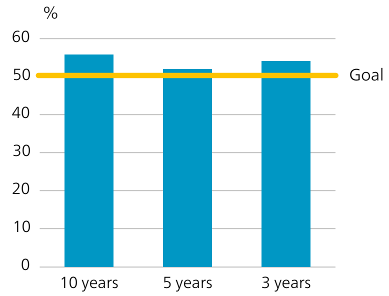
Orders received, revenues and operating margin



Operating cash flow and return on capital employed



Dividend/earnings per share, average [1] including discontinued operations



Dividend policy history

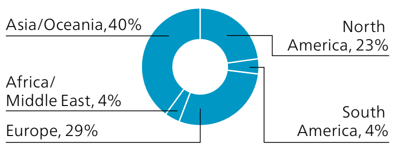
–2003	30–40% of earnings
2003–2011	40–50% of earnings
2011–	about 50% of earnings

[1] Dividend for the fiscal year 2021 is based on the proposal from the Board of Directors.

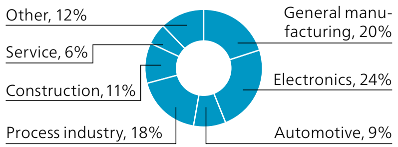
A decentralized group with four business areas

The Atlas Copco Group is a world-leading provider of sustainable productivity solutions, demanded by all types of industries, enabling everything from industrial automation to reliable medical air solutions. The Group offers innovative compressors, air treatment systems, vacuum solutions, industrial power tools and assembly systems, machine vision, and power and flow solutions. Atlas Copco develops products and services focused on productivity, energy efficiency, safety and ergonomics, supported by insights from connected products. The company was founded in 1873, is based in Nacka, Sweden, and has a global reach spanning more than 180 countries. In 2021, Atlas Copco had revenues of BSEK 111 and about 43 000 employees at year end.

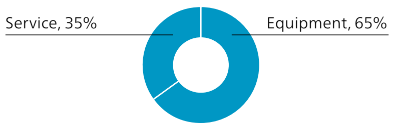
Revenues by region, Group



Orders received by customer category, Group



Share of revenues, Group



Compressor Technique

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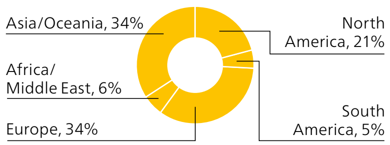
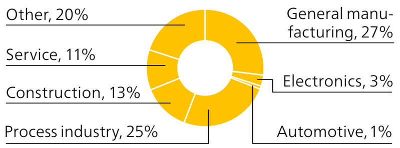
Orders received: MSEK 55 012
Revenues: MSEK 49 657
Operating margin: 23.9%

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

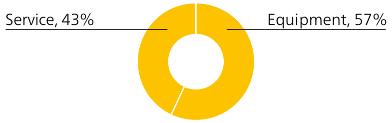
Revenues by region



Orders received by customer category



Share of revenues



Vacuum Technique

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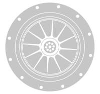
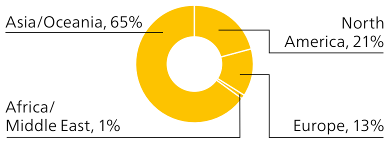


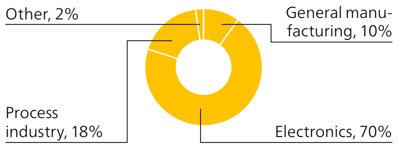
Orders received: MSEK 39 529
Revenues: MSEK 29 219
Operating margin: 24.2%

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

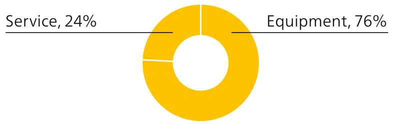
Revenues by region



Orders received by customer category



Share of revenues



Industrial Technique

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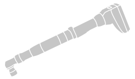
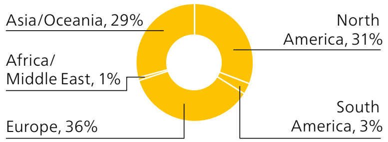


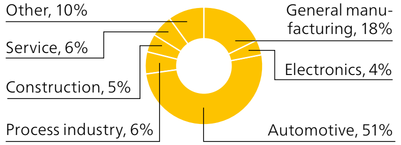
Orders received: MSEK 20 545
Revenues: MSEK 19 421
Operating margin: 20.5%

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

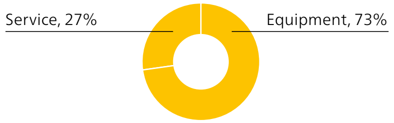
Revenues by region



Orders received by customer category



Share of revenues



Power Technique

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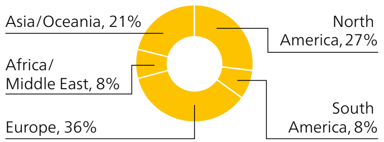
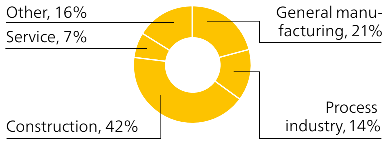
Orders received: MSEK 15 155
Revenues: MSEK 13 234
Operating margin: 16.0%

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

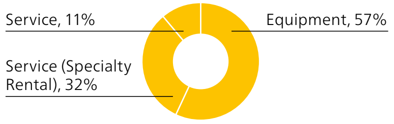
Revenues by region



Orders received by customer category



Share of revenues



INTRODUCTION
THIS IS ATLAS COPCO
THE YEAR IN REVIEW
FINANCIALS
OTHER INFORMATION

The transformation into a better tomorrow is driven by technology

Atlas Copco delivered a record result in 2021, with new record levels for both orders received and revenues. Our increased investments in R&D over the past couple of years also resulted in several new product launches. Through our sustainable innovations we support our customers' efforts to lower their energy consumption as well as strengthen their productivity and offering.

Mats Rahmström, CEO and President of the Atlas Copco Group, what were the main achievements during 2021?
I am very pleased to see that our long-term efforts and strong focus, as well as our strive to be agile and always find better ways, have paid off. We have continued to increase our R&D-investments in areas where we believe we can make a difference, as well as our presence in segments and markets where we see potential for sustainable profitable growth. These are fundamental parts of our strategy and how we improve our customers' technologies and processes and drive development forward, which is what Atlas Copco is all about. We also significantly raised our climate ambitions by setting science-based targets for reducing our greenhouse gas emissions in line with the goals of the Paris Agreement.

Why has Atlas Copco set science-based targets?
The science is clear, we need to act to limit the effects of climate change and companies as well as individuals and governments need to do their part. We have set goals to reduce the emissions from our own operations in line with keeping the global temperature rise below 1.5 degrees, and to reduce emissions from the value chain in line with well below a 2-degree temperature rise. I'm also happy with the process behind setting the targets, where each business area has developed its own plans for how to achieve this.

The main benefit of these targets is that they inspire new ways of thinking, new initiatives and the actions needed for positive change. The absolute majority of our emissions comes from the use of our products and this is where we can make the most impact. We will continue to focus on increasing the energy efficiency of products and support our customers in reaching their sustainability ambitions, while reducing the emissions from our own operations.

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How do you comment on the financial results for the year?
We saw a very high demand from our customers in 2021 and our orders received reached a new record level. Despite constrains in the supply chain we also delivered record revenues. Our operating profit also reached record levels. Our strong financial position enables us to continue investing in our competitiveness.

What trends and change-drivers do you consider most important for the Group going forward?
The climate challenge is an important change-driver. We see clear business opportunities in being part of driving the transformation into a low-carbon society, by enabling new technologies and continuing to develop products used in the manufacturing of solar panels, wind turbines, electrical vehicles and sustainably produced hydrogen, to name a few examples.

For us digitalization is very much part of everything we do. It is a very important change-driver for our customers and how we interact with them, as well as for how we run our factories. Digital solutions enable reskilling and upskilling on a massive scale. As an example, we have recently completed several virtual product launches and use augmented reality to provide technical insights to both our field technicians and customers.

In service, connectivity is a game changer. Previously, we relied on information from our customers, but we now fully control the health status and performance of our machines. All business areas combined have hundreds of thousands of connected machines in the field, and the amount of data they generate is impressive and growing. It enables us to offer performance-based service solutions. We also avoid over or under servicing, and instead we move into prescriptive service. As a bonus, the data is fed back to our development engineers. We want to be the best at analyzing and acting on all this data, and data analytics is already a core competency.

> "We will continue to focus on increasing the energy efficiency of products and supporting our customers to reach their sustainability ambitions, while reducing the emissions from our own operations.

The transformation into a better tomorrow is driven by technology, continued

How do you work with upskilling and reskilling to make sure that you have the right competencies?
We consider learning as a lifelong journey and a crucial contributor to Atlas Copco's success. Performance is very much driven by mindset and it is everyone's responsibility to continuously upskill themselves. I believe that encouraging curiosity and creativity is one of the most important things we can do to grow and develop as an organization. In 2021, we organized our first-ever learning week where we welcomed all employees to learn more about strategic and business-critical topics. Of course, learning takes place every day, not least in the job, but by dedicating a specific week we show that scheduling time for learning is not only allowed but also encouraged. Another aspect of developing as an organization is making sure we attract new kinds of talent and that we explore the entire talent pool in doing so. PAGE 39

What about the difficulties in supply-chains that affected nearly all industries during the year?
We have been affected by disturbances in our supply chain. Being both global and local gives us the ability to adapt quickly, and our teams have worked very hard to support our customers. This is a challenging situation that we have not experienced on this scale before, but I am proud of how we have managed to handle it. Having a complete value-chain in Europe, Asia, and the Americas, is another strength. Our strong local presence in terms of people and R&D, combined with local manufacturing, has also proved to be an advantage.

As a leading manufacturer of vacuum equipment, how has Atlas Copco been affected by the shortages of semiconductors?
Today, semiconductors are found in products everywhere, from chips in electronical devices and household appliances to cars and computers. The demand for semiconductors is increasing but only a few manufacturers have the technological knowledge and investment capacity to increase production. As supplier of equipment to this industry we can of course see an increased demand for our products and solutions as well. At the same time, other industries that depend on semiconductors have been forced to slow down production due to the shortage. Our strategy of being close to our customers worldwide and supporting a diverse customer base has once again proven to serve us well.

What are your main priorities going forward?
Our main priority is to ensure that we create increased value for our stakeholders. We help increase our customers' productivity, safety, ergonomics and energy efficiency while decreasing their environmental impact and total cost of ownership. We provide value to our employees by being an inclusive company where resourceful people grow and feel empowered. For our shareholders, we generate dividends that also contribute to funding research and pensions. And to our business partners and society in general, we bring new technologies and solutions that drive development forward. We also want to be part of the solution to the climate challenge, by developing energy-efficient products and making our own operations as efficient as possible. So no matter if you invest in, work for or buy from the Atlas Copco Group, you are part of contributing to a better tomorrow.

Mats Rahmström, President and CEO
Nacka, Sweden, January 2022

This is Atlas Copco – Home of Industrial Ideas

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

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

Strategy and fundamentals for growth

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

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

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

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

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

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

DIVERSIFIED
– Diverse customer base
– Sales in Asia/Oceania, Americas, and EMEA
– Production in Europe, Asia and America

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

RESILIENT
– 35% of sales is service business
– Asset-light operations

We are convinced that leading products, together with a decentralized organization with full accountability for individuals and teams make our customers, and our company, future-proof.

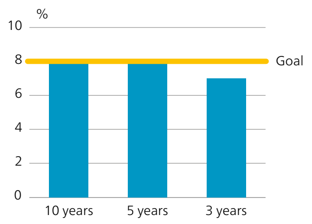
Our targets

Atlas Copco sets ambitious targets to deliver sustainable, profitable growth. The targets have different time horizons: annual, three-year, over a business cycle, and by 2030 for the longer-term ambitions. Sustainability plays an important role in Atlas Copco's vision and is an integral part of the Group's mission. An integrated sustainable strategy, backed by ambitious targets, helps the company deliver greater value to all stakeholders in a way that is economically, environmentally and socially responsible. Below you find our targets and progress until 2021. Updated sustainable targets valid from 2022 can be found on the next page.

FINANCIAL

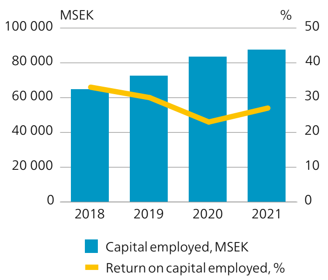
Revenue growth measured over a business cycle	**Target: 8% per annum**
Sustained high return on capital employed by constantly striving for operational excellence and generating growth	
Earnings as dividends to shareholders	**Target: about 50%**

Annual revenue growth rate, average [1)]

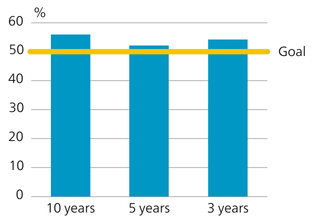


[1)] Figures for the years between 2012 and 2017 are best estimated numbers, as the effects of the distribution of Epiroc and restatements for IFRS 15 are not fully reconciled.

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

* For more information about the sustainability focus areas, targets, and processes, see pages 34–46 and the sustainability notes on pages 128–142.

** In 2018 (the base year), CO_2 emissions from energy in operations and transport (tonnes) in relation to cost of sales was 5.3.

[2)] Dividend for the fiscal year 2021 is based on the proposal from the Board of Directors.

PEOPLE

PEOPLE	2021	2020	2019	Target*
The degree to which employees agree there is opportunity to learn and grow should be above the global benchmark and continuously increase	73	Survey every two years	71	>71
The degree to which employees agree we have a work culture of respect, fairness and openness should be above the global benchmark and continuously increase	76	Survey every two years	74	>75
Share of female employees (year end). Goal by 2030	20.9%	20.0%	19.8%	30%

ETHICS

ETHICS	2021	2020	2019	Target*
Employees sign the Business Code of Practice	98%	99%	98%	100%
Employees are trained in the Business Code of Practice	97%	99%	94%	100%
Managers in risk countries lead trainings in the Business Code of Practice	96%	99%	91%	100%
Significant suppliers sign the Business Code of Practice	93%	93%	90%	100%
Significant distributors sign the Business Code of Practice	87%	84%	59%	100%

PRODUCTS & SERVICE

PRODUCTS & SERVICE	2021	2020	2019	Target*
Projects for new or redesigned products with goals for reduced environmental impact by 2021	98%	Reported in 2021		100%
Projects for new or redesigned products that will achieve a significantly reduced environmental impact, i.e. 5% or lower carbon footprint over the product's life cycle	43%	The divisions set their own goals		

SAFETY & WELL-BEING

SAFETY & WELL-BEING	2021	2020	2019	Target*
The degree to which employees agree that the company takes a genuine interest in their well-being should continuously increase	73	Survey every two years	69	Increase
Balanced safety pyramid, meaning that more near misses than minor injuries, and more minor injuries than recordable injuries are reported	Yes	Yes	Yes	Yes

ENVIRONMENT

ENVIRONMENT	2021	2020	2019	Target*
CO_2 emissions from energy in operations and transport (tonnes) in relation to cost of sales. Goal by 2030. Base year: 2018 **	3.3	3.8	4.3	–50%
Waste (kg) in relation to cost of sales	590	581	597	Decrease
Water consumption (m^3) in relation to cost of sales	6.6	7.2	7.2	Decrease
Significant direct suppliers with an approved environmental management system	31%	30%	28%	Increase

Sustainability targets valid from 2022

Fully committed to being part of the solution for a better tomorrow, Atlas Copco has reviewed its sustainability targets. The targets have different time horizons: annual, three-year and by 2030, for the longer-term ambitions. Atlas Copco has set science-based targets for greenhouse gas emission reductions in line with the Paris Agreement.

The sustainability targets cover the areas: people, ethics, products and service, climate and the environment, and safety and wellbeing. Some of the previous targets have been revised to reflect changing stakeholder expectations and to support the organization's implementation of prioritized strategies and behaviors. For instance, a key performance indicator (KPI) measuring employees' sense of belonging at the company has been added. The ethics-related targets from 2022 extend the requirement for a leader-led training to all employees, with an additional training requirement for new employees. To increase circularity in product design, a Group methodology for assessing the circularity of new or redesigned products will also be developed.

Science-based targets for greenhouse gas emission reductions

In 2021, Atlas Copco set science-based targets to reduce greenhouse gas emissions in line with the goals of the Paris Agreement. Atlas Copco aims to reduce emissions from our own operations in line with keeping the global temperature rise below 1.5 degrees, and to reduce emissions from the value chain in line with keeping well below a 2-degree temperature rise. The science-based targets significantly raise Atlas Copco's ambition for carbon emissions reduction, as they involve the entire value chain, most notably the use of sold products, and since the targets are set for absolute emission reductions. The targets have been validated by the Science Based Targets initiative and replace our previous greenhouse gas emission targets from 2022.

For more information about how Atlas Copco works to achieve its sustainability targets, see pages 34–46.

> **"Atlas Copco aims to reduce emissions from its own operations in line with keeping the global temperature rise below 1.5 degrees, and to reduce emissions from the value chain in line with keeping the temperature rise well below 2-degrees.**

PEOPLE	TARGET
Female employees by 2030	30%
Employees agree that they feel a sense of belonging at the company	Above the global benchmark and a continuous increase
Employees agree we have a work culture of respect, fairness and openness	
Employees agree there is opportunity to learn and grow in the company	

ETHICS	TARGET
Employees sign the Group's Code of Conduct [1] compliance statement annually	100%
New employees participate in the Group's ethics training within 12 months of joining the company	100%
Employees participate in the Group's biennial ethics training, starting 2022	100%
Significant suppliers confirm compliance with the Group's Code of Conduct [1]	100%
Significant distributors confirm compliance with the Group's Code of Conduct [1]	100%

SAFETY & WELL-BEING	TARGET
Employees agree that the company takes a genuine interest in their well-being	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	A balanced safety pyramid

CLIMATE & ENVIRONMENT	TARGET
Reduction in line with the 1.5 degree warming trajectory in CO_2e [2] emissions (tonnes) from scopes 1 & 2 by 2030. Base year: 2019	–46%
Reduction in line with the well-below 2 degrees warming trajectory in CO_2e [2] emissions (tonnes) from scope 3 by 2030. Base year: 2019	–28%
Significant direct suppliers with an approved environmental management system	Continuous increase
Water consumption (m^3) in relation to cost of sales	Continuous decrease
Reused, recycled or recovered waste from internal operations by 2030	100%

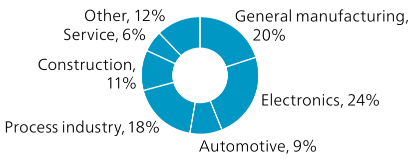
PRODUCTS & SERVICE	TARGET
Projects for new and redesigned products with targets for reduced carbon impact	100%
By 2024, Atlas Copco has a Group-common methodology for assessing the circularity of new or redesigned products	Common methodology

[1] Previously referred to as the Business Code of Practice.
[2] CO_2e means carbon dioxide equivalent emissions.

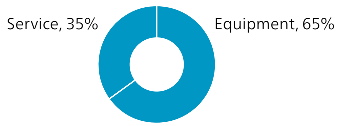
This is how we do business

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

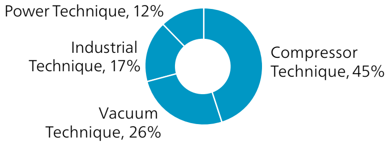
Orders received by customer category



Share of revenues



Share of revenues by business area



Sales and service

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

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

Stable service business

35% of the Group's revenues are generated from service (spare parts, maintenance, repairs, consumables, accessories, and specialty rental). These revenues are more stable than equipment sales and provide a strong base for the business.

Increase customer loyalty

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

Global reach with local presence

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

75%

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

Manufacturing and logistics

We strive to have manufacturing close to where our customers are located. As a result, production facilities are located in Europe, Asia, and the Americas. The philosophy is to manufacture inhouse those components that are critical to the performance of the equipment. For other components, Atlas Copco leverages the capacity and competence of business partners. Flexible purchasing and logistics are of great importance. Approximately 75% of the production cost of equipment represents purchased components, and about 25% are internally manufactured core components, assembly costs, and overhead. Equipment represents about 65% of revenues, and manufacturing and logistics are organized to be able to quickly adapt to changes in demand. The manufacturing of equipment is based primarily on customer orders, and only some standard, high-volume equipment is manufactured based on projected demand.

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

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This is how we do business, continued

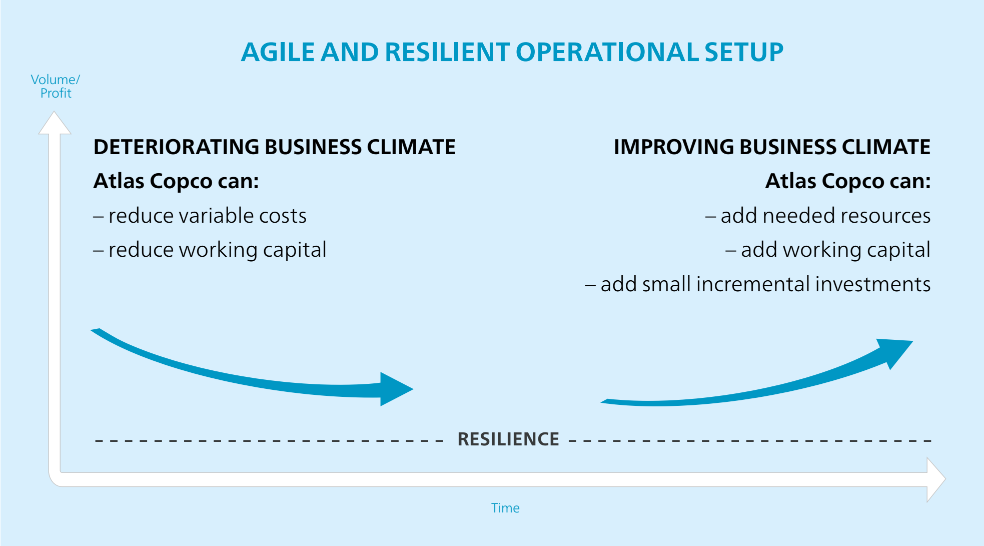
Innovation
Atlas Copco believes that there is always a better way of doing things. Innovation and product development are of greatest importance, and products are designed internally. Innovation will improve customer satisfaction and contribute to strengthening customer relations, the brand, and financial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

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

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

Investments in fixed assets and working capital
The Group's need for investments in property, plant and equipment are moderate due to the manufacturing philosophy and can be adapted to short and medium-term changes in demand. Most investments are related 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. All divisions are required to map and evaluate businesses that are adjacent and that may offer tangible synergies to existing businesses. All acquired businesses are expected to contribute positively to economic value added.

Agility

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

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

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This is how we do business, continued

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

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

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

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

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

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

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

As of January 1, 2022

BOARD OF DIRECTORS

PRESIDENT AND CEO

GROUP MANAGEMENT

COMPRESSOR TECHNIQUE	VACUUM TECHNIQUE	INDUSTRIAL TECHNIQUE	POWER TECHNIQUE
Divisions	**Divisions**	**Divisions**	**Divisions**
Compressor Technique Service	Vacuum Technique Service	Industrial Technique Service	Power Technique Service
Industrial Air	Semiconductor Service	Motor Vehicle Industry Tools and Assembly Systems	Specialty Rental
Oil-free Air	Semiconductor	General Industry Tools and Assembly Systems	Portable Air
Professional Air	Semiconductor Chamber Solutions	Chicago Pneumatic Tools	Power and Flow
Gas and Process	Scientific Vacuum	Industrial Assembly Solutions	
Medical Gas Solutions	Industrial Vacuum	Machine Vision Solutions	
Airtec			

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

The Atlas Copco Group is unified and strengthened through:

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

This is how we do business, continued

LEADERSHIP AND PEOPLE

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

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

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

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

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

PROCESSES

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

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

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

THE BUSINESS CODE OF PRACTICE

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

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

INTERACTION

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

INNOVATION

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

COMMITMENT

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

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Creating lasting value for all stakeholders

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

The resources we put in

NATURAL RESOURCES

- 385 GWh total energy use
- 58% renewable energy of total MWh energy used in operations
- 75% of production cost of equipment is purchased components

HUMAN RESOURCES

- 41 300 employees, on average
- Employees in 70 countries
- 4 000 R&D engineers generating industrial ideas and innovations

FINANCIAL RESOURCES

- Average capital employed MSEK 87 537
- MSEK 4 163 investments in innovation*

Atlas Copco

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

The value we create

CUSTOMERS

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

SOCIETY/ENVIRONMENT

- 98% of employees have signed the Business Code of Practice
- 97% of employees were trained in the Business Code of Practice
- 3% reduced CO_2 emissions from energy in operations and transport of goods
- Employment for 43 000 employees in 70 countries at year end

SHAREHOLDERS

- 27% return on capital employed
- MSEK 19 378 operating cash flow
- 22% annual total return A-share, 10 year

BUSINESS PARTNERS

- More than 5 000 significant suppliers
- Leverage competence
- Market access
- Long-term reliable partner
- Over 600 suppliers audited on safety, health, environment and ethics

EMPLOYEES

- Employees agree there is opportunity to learn and grow in the company
- Employees agree Atlas Copco has a work culture of respect, fairness and openness

* Investments in product development, including capitalized expenditures.

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Contributing to the UN Sustainable Development Goals

Atlas Copco's focus areas for sustainability are implemented in the daily operations, supported by policies, training material and monitoring tools. Concrete targets and key performance indicators are used to continuously measure performance in these areas. Progress in relation to the targets contributes to the achievement of the UN Sustainable Development Goals.

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

Atlas Copco endorses all 17 Sustainable Development Goals and contributes directly to the following: 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 pages 34–46 for more information on how Atlas Copco contributes to the achievement of the UN Sustainable Development Goals.

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The year in review

Market review and demand

The overall demand for Atlas Copco's equipment and services improved considerably compared to the previous year, which was heavily impacted by the Covid-19 pandemic. The order intake increased significantly already in the first quarter and this continued throughout the year. In comparable currency, the Group's order intake for equipment increased by 46%, while the service business, including specialty rental, grew by 15%, with positive development in all business areas and most regions.

The demand for compressors increased, which led to significantly increased order volumes in all regions, primarily driven by industrial compressors, although gas and process compressors also achieved solid order growth.

The order intake for vacuum equipment increased strongly in most regions mainly as a result of substantially higher demand from the semiconductor industry. Order volumes for industrial vacuum applications also grew significantly.

Order volumes for industrial power tools, assembly and machine vision solutions increased noticeably, supported by growing demand from the automotive and general industry. Solid order growth was achieved in all regions.

The order intake for portable air and power and flow products, such as portable compressors, construction tools, generators and pumps, increased significantly. Strong order growth was achieved in all regions, particularly in North America.

In total, the Group's order intake increased by 29% to a record MSEK 129 545 (100 554), corresponding to an organic growth of 33%. Currency had a negative effect of 6% while acquisitions contributed with 2%.

Further information can be found in the business area sections on pages 21–33.

North America

Orders received in North America increased 43% in local currencies. Order volumes increased for all types of equipment. In particular, strong order growth was achieved for vacuum equipment to the semiconductor industry, and for power equipment, such as portable compressors, generators and pumps. The last was primarily supported by increased demand from equipment rental companies in the second half of the year. The order intake for industrial power tools, assembly and vision solutions, increased significantly, supported by increased demand from the automotive and general industry. Order volumes for service increased in all business areas. In total, North America accounted for 24% (23) of orders received.

South America

Order intake in South America increased 31% in local currencies. The growth was primarily driven by increased demand for power equipment, and industrial and portable compressors, in the biggest market Brazil. Solid order growth was also achieved for industrial power tools and assembly solutions, and order intake for service increased in all business areas. In total, South America accounted for 4% (4) of orders received.

Europe

Orders received in Europe increased 27% in local currencies. In particular, strong order growth was achieved for industrial and portable compressors, vacuum equipment for semiconductor applications and industrial customers, industrial power tools and assembly solutions to the general industry and vision solutions. However, order volumes for gas and process compressors, and industrial power tools and assembly solutions to the automotive industry, did not reach previous year's level. The order intake for service increased in all business areas. In total, Europe accounted for 28% (30) of orders received.

Africa/Middle East

Orders received increased 5% in Africa/Middle East in local currencies. The order intake for industrial and portable compressors increased significantly, while order volumes for gas and process compressors and vacuum equipment did not reach the previous year's level. Order volumes for the service business increased in all business areas except Vacuum Technique, where order intake decreased. In total, Africa/Middle East accounted for 4% (5) of orders received.

Asia/Oceania

Order intake in local currencies in Asia/Oceania increased by 40%. Order volumes for equipment increased considerably, and solid order growth was achieved for service.

The order intake for small/medium and large-sized industrial compressors increased significantly. Solid order growth was achieved for gas and process compressors, and portable compressors. Order volumes for vacuum equipment also increased significantly, primarily driven by higher demand from the semiconductor and flat panel industry. The order intake for industrial power tools, assembly and vision solutions also increased, supported by higher demand from the automotive and general industry. Asia/Oceania accounted for 40% (38) of orders received.

Market presence

Atlas Copco had own customer centers in 70 (71) countries and production facilities in 21 (21) countries. Revenues were reported in 183 (184) countries.

Important events

Acquisitions and divestments

The Group completed 17 acquisitions during the year. In total, the acquisitions added net revenues of approximately MSEK 2 200.

In December, the CMM (Coordinate Measuring Machine) part of the Perceptron business in the Industrial Technique business area (acquired in December 2020) was divested. The divestment was a result of further focus on in-line metrology in contrast to off-line applications. The CMM business has revenues of about 100 MSEK.

Changes in Group Management

Peter Kinnart was appointed Senior Vice President, Chief Financial Officer effective July 17, 2021, replacing Hans Ola Meyer who retired. Peter Kinnart was previously Vice President Business Control at the business area Compressor Technique.

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

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

ESG recognitions

In 2021 Atlas Copco received, among others, rating of AA in the MSCI ESG Ratings assessment, was given Prime status by the ISS ESG rating, and remains a constituent of the FTSE4Good Index Series. Atlas Copco scored a B by CDP in 2021 for the carbon-related disclosure and a B for the water-related disclosure.

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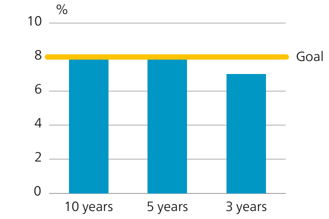
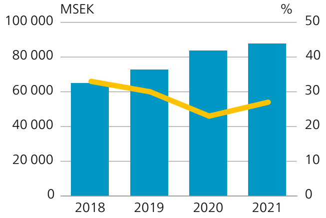
Financial targets – growth and return development

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



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

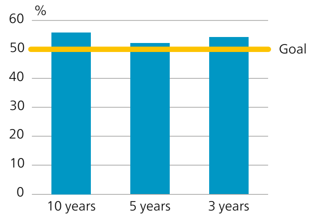
Capital employed and return



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

Capital employed, MSEK
Return on capital employed, %

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



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

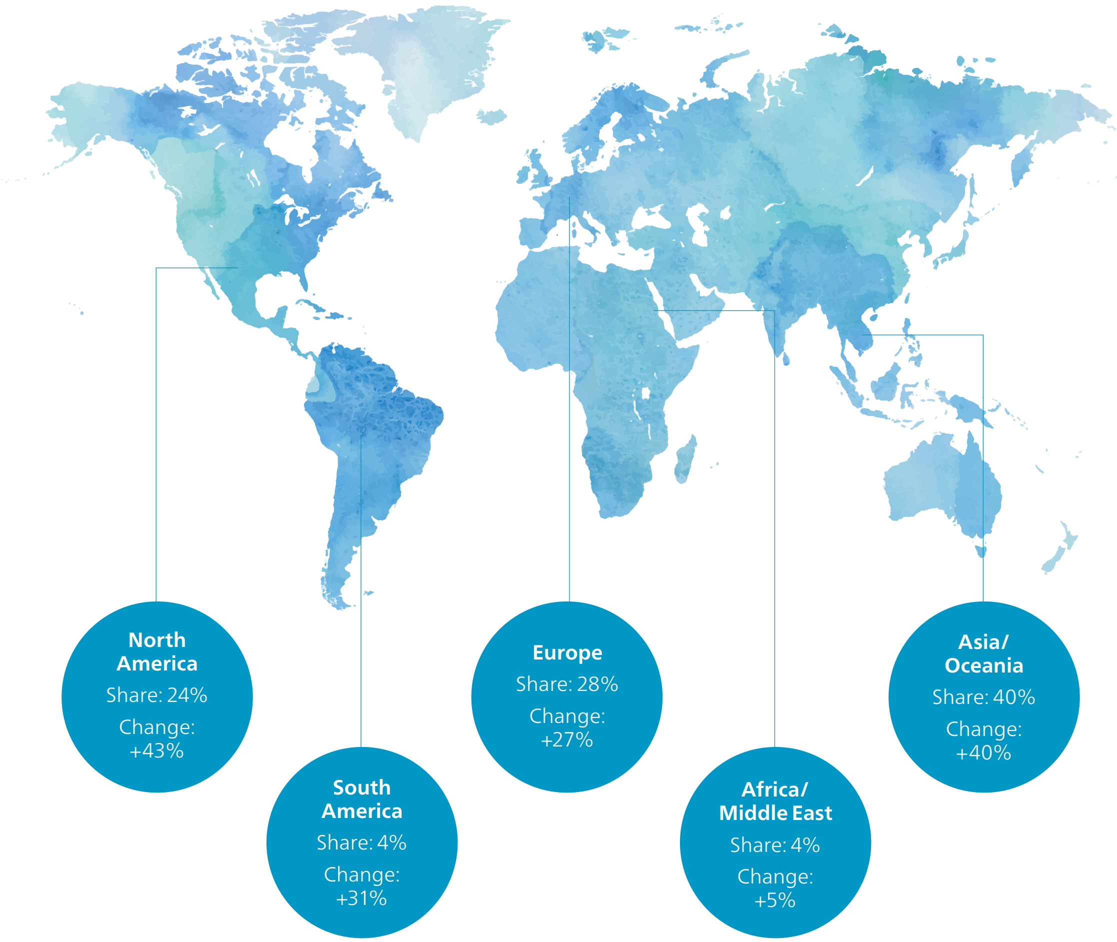
Dividend policy history

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

[1] Figures for the years between 2012 and 2016 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 2021 is based on the proposal from the Board of Directors.

Orders received by region and order development in local currency



Revenues and return

Revenues

The Group's revenues increased 11% to record MSEK 110 912 (99 787), an organic increase of 14%. Currency had a negative effect of 5%, while acquisitions contributed with 2% during the year. The Group's goal is to achieve an annual revenue growth of 8% over a business cycle. For the period 2012–2021, the average annual revenue growth has been 8%*.

Operating profit

The operating profit also reached a record of MSEK 23 559 (19 146), corresponding to a margin of 21.2% (19.2). Items affecting comparability includes a change in provision for share-related long-term incentive programs, reported in Common Group Items of MSEK –687 (–312). Previous year also included other items affecting comparability of MSEK –540. The adjusted operating profit increased 21% to MSEK24 246 (19 998) corresponding to a margin of 21.9% (20.0). See the sales and profit bridge below.

The operating profit for the Compressor Technique business area increased by 11% to MSEK 11 874 (10 658), corresponding to a margin of 23.9% (22.5). The higher operating margin was mainly explained by increased organic revenue volumes, while acquisitions had a small negative effect. Currency had essentially no impact on the operating margin.

The operating profit for the Vacuum Technique business area reached a new record and increased 28% to MSEK 7 066 (5 519). Previous year included items affecting comparability of MSEK –300, mainly related to provisions for pension liability from prior year. The operating margin was 24.2% (22.4, adjusted 23.6). The higher margin was mainly explained by increased revenue volumes. The margin was negatively affected by currency, while acquisitions had no impact.

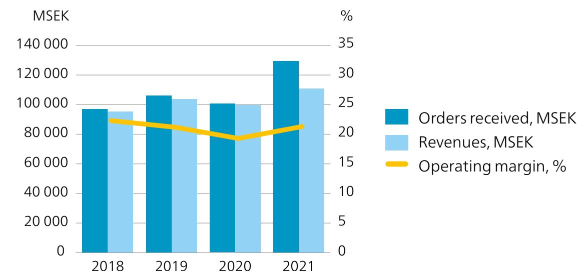
The operating profit for the Industrial Technique business area increased 64% to MSEK 3 976 (2 422). Previous year included items affecting comparability of MSEK –190, related to restructuring costs. The operating margin was 20.5% (15.0, adjusted 16.1), primarily driven by significantly higher revenue volumes, but negatively affected by dilutions from acquisitions. Currency had no impact on the operating margin.

The operating profit for the Power Technique business area increased 33% to MSEK 2 121 (1 594). Previous year included items affecting comparability of MSEK –50 related to restructuring costs. The operating margin increased to 16.0% (13.2, adjusted 13.6), driven by increased organic revenue volumes. Currency and acquisitions had no effect on the operating margin.

Net costs for common Group items and eliminations were MSEK –1 478 (–1 047). The increase was primarily due to a higher provision, than previous year for share-related long-term incentive programs of MSEK –687 (–312).

* Currency adjusted. Figures for the years 2012–2016 are best estimated numbers, as the effects of the distribution of Epiroc and restatements for IFRS 15 are not fully reconciled.

Orders received, revenues and operating margin



Sales bridge	Compressor Technique		Vacuum Technique		Industrial Technique		Power Technique	
	Orders received	Revenues	Orders received	Revenues	Orders received	Revenues	Orders received	Revenues
2020, MSEK	**47 401**	**47 329**	**25 583**	**24 685**	**16 254**	**16 176**	**11 810**	**12 106**
Structural change, %	+2	+1	+1	+0	+8	+8	+1	+1
Currency, %	–6	–5	–8	–6	–5	–5	–6	–5
Organic*, %	+20	+9	+62	+24	+23	+17	+33	+13
Total, %	+16	+5	+55	+18	+26	+20	+28	+9
2021, MSEK	**55 012**	**49 657**	**39 529**	**29 219**	**20 545**	**19 421**	**15 155**	**13 234**

* Volume, price and mix

Sales bridge, Atlas Copco Group	Orders received	Revenues
2020, MSEK	**100 554**	**99 787**
Structural change, %	+2	+2
Currency, %	–6	–5
Organic*, %	+33	+14
Total, %	+29	+11
2021, MSEK	**129 545**	**110 912**

* Volume, price and mix

Bridge – revenues and operating profit, MSEK	2021	Volume, price, mix and other	Currency	Acquisitions	Items affecting comparability	Share-based long-term incentive programs	2020
Revenues	110 912	14 140	–5 215	2 200	–	–	99 787
Operating profit	23 559	5 458	–1 295	85	540	–375	19 146
Effect on margin, %	21.2						19.2

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Revenues and return, continued

Depreciation and EBITDA

Depreciation, amortization and impairment costs were MSEK 5 466 (5 189) and earnings before depreciation and amortization, EBITDA, reached MSEK 29 025 (24 335), corresponding to a margin of 26.2% (24.4).

Net financial items

The Group's net financial items decreased to MSEK –149 (–321). The net interest expense was MSEK –234 (–245). Other financial items were MSEK 85 (–76). See notes 8 and 27.

Profit before tax

Profit before tax increased 24% to MSEK 23 410 (18 825). Excluding items affecting comparability, profit before tax was MSEK 24 097 (19 677), corresponding to margin of 21.7% (19.7).

Taxes

Taxes for the year amounted to MSEK 5 276 (4 042), corresponding to an effective tax rate of 22.5% (21.5) in relation to profit before tax. Previous year included one-time adjustments, mainly related to a reduction of provisions for withholding taxes on dividends from subsidiaries that reduced the effective tax rate. See note 9.

Profit and earnings per share

Profit for the year increased 23% to MSEK 18 134 (14 783). This corresponds to basic and diluted earnings per share of SEK 14.89 (12.16) and SEK 14.85 (12.14) respectively.

Depreciation, amortization and impairment, MSEK	**2021**	**2020**
Rental equipment	707	735
Other property, plant and equipment	1 361	1 314
Right-of-use assets	1 147	1 164
Intangible assets	2 251	1 976
Total	**5 466**	**5 189**

Key financial data, MSEK	**2021**	**2020**	**Change, %**
Orders received	129 545	100 554	29
Revenues	110 912	99 787	11
EBITDA	29 025	24 335	
– in % of revenues	26.2	24.4	
EBITA*	25 016	20 474	
– in % of revenues	22.6	20.5	
Operating profit	23 559	19 146	23
– in % of revenues	21.2	19.2	
Adjusted operating profit	24 246	19 998	21
– in % of revenues	21.9	20.0	
Profit before tax	23 410	18 825	24
– in % of revenues	21.1	18.9	
Profit for the year	18 134	14 783	23
Basic earnings per share, SEK	14.89	12.16	
Diluted earnings per share, SEK	14.85	12.14	

* Operating profit excluding amortization of intangibles related to acquisitions.

Revenues and operating profit, MSEK	Revenues		Operating profit		Operating margin, %		Return on capital employed, %		Investments in tangible fixed assets [1]	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Compressor Technique	49 657	47 329	11 874	10 658	23.9	22.5	93	79	620	577
Vacuum Technique	29 219	24 685	7 066	5 519	24.2	22.4	25	19	993	540
Industrial Technique	19 421	16 176	3 976	2 422	20.5	15.0	16	13	269	223
Power Technique	13 234	12 106	2 121	1 594	16.0	13.2	27	18	571	580
Common Group functions/eliminations	–619	–509	–1 478	–1 047					27	25
Total Group	**110 912**	**99 787**	**23 559**	**19 146**	**21.2**	**19.2**	**27**	**23**	**2 480**	**1 945**

[1] Excluding right-of-use assets

Revenues and return, continued

Balance sheet

The Group's total assets increased 21% to MSEK 136 683 (113 366). Cash, cash equivalents and other current financial assets increased to MSEK 19 837 (11 713), as a net effect of strong operational cash generation (see next page), dividend to shareholders MSEK –8 889, and acquisitions MSEK –2 334.

Working capital ratios

The ratio of inventories to revenues at year end increased to 16.0% (13.5), and trade receivables to 19.8% (18.8). Trade payables increased to 13.7% (11.2).

Capital turnover

The capital turnover ratio was 0.88 (0.86) and the capital employed turnover ratio was 1.27 (1.19).

Equity

At year end, Group equity including non-controlling interests was MSEK 67 634 (53 534), corresponding to 49% (47) of total assets. Equity per share was SEK 56 (44). Atlas Copco's market capitalization at year end was BSEK 733 (497), an increase of 47%. The information related to public takeover bids is the same as for the Parent Company and described on page 20.

Total comprehensive income for the year was MSEK 23 025 (8 948). The relatively large difference to reported profit for the year and versus previous year, is related to translation differences on the value of foreign operations (see page 65 and note 10). Shareholders' transactions include dividends totaling MSEK –8 889 (–8 506), sales and repurchases of own shares of net MSEK –1 034 (–274), and share-based payments of net MSEK –234 (–42). See page 67 and note 20.

Return on capital employed and return on equity

Return on capital employed reached 27% (23) and the return on equity was 30% (27). 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, 2021**	**Dec 31, 2020**
Intangible assets	50 348	45 840
Rental equipment	2 350	2 241
Other property, plant and equipment	12 227	7 889
Right-of-use assets	1 962	3 261
Other fixed assets	1 790	3 190
Inventories	17 801	13 450
Receivables	30 363	25 777
Current financial assets	847	58
Cash and cash equivalents	18 990	11 655
Assets classified as held for sale	5	5
Total assets	**136 683**	**113 366**
Total equity	67 634	53 534
Interest-bearing liabilities	27 988	28 134
Non-interest-bearing liabilities	41 061	31 698
Total equity and liabilities	**136 683**	**113 366**

Equity, MSEK	**2021**	**2020**
Opening balance	53 534	53 290
Profit for the year	18 134	14 783
Other comprehensive income for the year	4 891	–5 835
Shareholders' transactions	–8 089	–8 822
Change in non-controlling interest	–836	118
Closing balance	67 634	53 534
Equity attributable to		
– owners of the parent	67 633	53 215
– non-controlling interests	1	319

Revenues and return, continued

Interest-bearing debt and net indebtedness

Total interest-bearing debt was MSEK 27 988 (28 134), whereof MSEK 3 114 (3 488) in post-employment benefits. The Group has an average maturity of 4.1 years on interest-bearing liabilities. See notes 21 and 23 for additional information. The Group's net indebtedness, amounted to MSEK 8 151 (16 421) at year end. The net debt/EBITDA ratio was 0.3 (0.7) and the debt/equity ratio was 12% (31).

Credit rating

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

Operating cash flow and investments

Operating cash surplus was MSEK 28 952 (25 081). Cash flows from financial items were MSEK 459 (244). Net pension funding and payments were MSEK –330 (–340). The working capital increased by MSEK 244 (decrease of 2 166), primarily due to higher inventories and trade receivables. Net investments in rental equipment were MSEK 474 (416).

Gross investments in property, plant and equipment increased to MSEK 1 970 (1 459). Notable investments in 2021 were made by Compressor Technique in further automation of its main production facility in Belgium and in a new production unit in Italy.

Vacuum Technique invested in increased production capacity in China, new production units in the USA and South Korea, expansion of an existing production unit in the United Kingdom, and two new service technology centers, one in Ireland, and one in China. Industrial Technique invested in a new factory for machine vision systems in Germany and new machining equipment in a production facility in Sweden. Power Technique invested in a new rental depot in Canada. Cash received from sale of property, plant and equipment were MSEK 93 (39).

Net investments in intangible assets, mainly related to capitalization of product development expenditures, were MSEK 1 389 (1 337). Net investments in other assets were MSEK –514 (+54). In total, the operating cash flow reached MSEK 19 378 (18 910).

Cash flow from structural changes

The net cash flow from structural changes, i.e. acquisitions and divestments, amounted to MSEK –2 341 (–13 583). Previous year included approximately MSEK 10 300 related to the acquisition of ISRA VISION. See also note 2.

Cash flow from financing

Dividends paid amounted to MSEK –8 889 (–8 506). Sales and repurchases of own shares resulted in a net of MSEK 1 034 (–274), all related to hedging or deliveries of shares for the long-term incentive plans described on page 94. Change in interest-bearing liabilities was MSEK –1 645 (444).

Employees

In 2021, the average number of employees in the Group increased by 1 666 to 41 272. At year end, the number of employees was 42 862 (40 160), and the number of consultants/external workforce was 3 762 (2 907). For comparable units, the total workforce increased by 3 249. See also note 5.

Calculation of operating cash flow, MSEK	**2021**	**2020**
Operating cash surplus	28 952	25 081
Net financial items	459	244
Taxes paid	–5 211	–4 531
Pension funding	–330	–340
Change in working capital	–244	2 166
Increase in rental equipment, net	–474	–416
Cash flows from operating activities	**23 152**	**22 204**
Investments of property, plant and equipment, net	–1 877	–1 420
Other investments, net	–1 356	–1 283
Cash flow from investments	**–3 233**	**–2 703**
Adjustment for currency hedges of loans	–541	–591
Operating cash flow	**19 378**	**18 910**

Average number of employees	**2021**	**2020**
Atlas Copco Group	41 272	39 606
– Sweden	1 402	1 447
– Outside Sweden	39 870	38 160
Business areas		
– Compressor Technique	18 785	18 212
– Vacuum Technique	8 961	8 226
– Industrial Technique	8 745	8 308
– Power Technique	3 973	4 059
– Common Group functions	808	801

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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 5 515 (11 040) and profit for the year amounted to MSEK 5 176 (11 111).

Financing

The total assets of the Parent Company were MSEK 173 859 (178 591). At year end 2021, cash and cash equivalents amounted to MSEK 0 (8) and interest-bearing liabilities amounted to MSEK 23 121 (25 351), whereof the main part is Group-internal loans. Equity represented 86% (85) of total assets and non-restricted equity totaled MSEK 143 591 (146 504).

Employees

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

Remuneration

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

Financial risks, risks and factors of uncertainty

Atlas Copco is subject to currency risks, interest rate risks and other financial risks. Atlas Copco has adopted a policy to control the financial risks to which Atlas Copco AB and other Group companies are exposed. A financial risk management committee meets regularly to make decisions about how to manage these risks. See also Risks, risk management and opportunities on pages 47–51.

Appropriation of profit and proposed share split

The Board of Directors proposes to the Annual General Meeting an ordinary dividend of SEK 7.60 (7.30) per share for the 2021 fiscal year. In order to facilitate a more efficient cash management, the ordinary annual dividend is proposed to be paid in two installments, the first with record date April 28, 2022, and the second with record date October 21, 2022. The first installment amount will be SEK 3.80 per share. The second installment amount will be SEK 3.80 per share (or SEK 0.95 per share if the proposed share split is decided by the Annual General Meeting).

The Board also proposes to the Annual General Meeting a share split and redemption share procedure, whereby every share is split into four (4) ordinary shares and one (1) redemption share. The redemption share is automatically redeemed at SEK 8.00 per share. Combined with the proposed ordinary dividend, shareholders will receive SEK 15.60 per share which corresponds to a total capital distribution of MSEK 19 004 to shareholders. This excludes shares currently held by the company. If the Annual General Meeting 2022 decides in accordance with the Board's proposal, the payment of the redemption share will be made around June 13, 2022.

SEK	
Retained earnings including reserve for fair value	138 414 537 596
Profit for the year	5 176 207 640
The Board of Directors proposes that these earnings be appropriated as follows:	
To the shareholders, a dividend of SEK 7.60 per share	9 258 246 797
To be retained in the business	134 332 498 439
Total	**143 590 745 236**

Shares and share capital

At year end, Atlas Copco's share capital totaled MSEK 786 (786) and a total number of 1 229 613 104 shares divided into 839 394 096 class A shares and 390 219 008 class B shares were issued. Net of 11 422 736 class A shares and 0 class B shares held by Atlas Copco, 1 218 190 368 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 2021, Investor AB held a total of 207 754 141 shares, representing 22.3% of the votes and 16.9% 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 has prepared a sustainability report in accordance with the Global Reporting Initiative's guidelines (GRI Standards) which, in combination with EU taxonomy – classification of sustainable activities on page 132, also constitutes Atlas Copco's statutory sustainability report. The sustainability report has been prepared in accordance with disclosure requirements set out in the Swedish Annual Accounts Act chapter 6 paragraph 11. The scope and content of the sustainability report is defined on page 136.

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Business areas

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

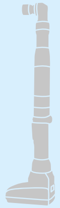
Compressor Technique, page 22

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

Key figures, MSEK	2021	2020	Change, %
Orders received	55 012	47 401	16%
Revenues	49 657	47 329	5%
EBITA*	12 205	10 952	
– as a percentage of revenue	24.6	23.1	
Operating profit	11 874	10 658	11%
Operating margin, %	23.9	22.5	
Return on capital employed, %	93	79	
Investments	620	577	
Average number of employees	18 785	18 212	

* Operating profit excluding amortization of intangibles related to acquisitions.

Industrial Technique, page 28

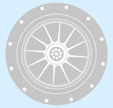


The Industrial Technique business area provides industrial power tools, assembly and machine vision solutions, quality assurance products, software and service through a global network. The business area innovates for sustainable productivity for customers in the automotive and general industries.

Key figures, MSEK	2021	2020	Change, %
Orders received	20 545	16 254	26%
Revenues	19 421	16 176	20%
EBITA*	4 538	2 868	
– as a percentage of revenue	23.4	17.7	
Operating profit	3 976	2 422	64%
Operating margin, %	20.5	15.0	
Return on capital employed, %	16	13	
Investments	269	223	
Average number of employees	8 745	8 308	

* Operating profit excluding amortization of intangibles related to acquisitions.

Vacuum Technique, page 25



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

Key figures, MSEK	2021	2020	Change, %
Orders received	39 529	25 583	55%
Revenues	29 219	24 685	18%
EBITA*	7 569	6 036	
– as a percentage of revenue	25.9	24.5	
Operating profit	7 066	5 519	28%
Operating margin, %	24.2	22.4	
Return on capital employed, %	25	19	
Investments	993	540	
Average number of employees	8 961	8 226	

* Operating profit excluding amortization of intangibles related to acquisitions.

Power Technique, page 31

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

Key figures, MSEK	2021	2020	Change, %
Orders received	15 155	11 810	28%
Revenues	13 234	12 106	9%
EBITA*	2 182	1 666	
– as a percentage of revenue	16.5	13.8	
Operating profit	2 121	1 594	33%
Operating margin, %	16	13.2	
Return on capital employed, %	27	18	
Investments	571	580	
Average number of employees	3 973	4 059	

* Operating profit excluding amortization of intangibles related to acquisitions.

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Compressor Technique

The demand for equipment and service was strong, and the order intake increased significantly with strong growth in all regions. The business area continued to invest in product development, market presence, and service with an intensified focus on sustainability. In addition, ten acquisitions were completed during the year.

Revenues, MSEK 49 657
2020: 47 329

Operating profit margin 23.9%
2020: 22.5%

Return on capital employed 93%
2020: 79%

Sales bridge	Orders received	Revenues
2020, MSEK	**47 401**	**47 329**
Structural change, %	+2	+1
Currency, %	–6	–5
Organic*, %	+20	+9
Total, %	**+16**	**+5**
2021, MSEK	**55 012**	**49 657**

* Volume, price and mix

Market development

The demand for the business area's equipment and services was strong, and order volumes increased noticeably, primarily due to increased demand for equipment in the first half of 2021. In total, the order intake increased 20% organically.

The service business achieved solid order growth, mainly driven by increased demand in Asia, although the order intake also grew noticeably in other regions.

Order volumes for equipment increased significantly supported by strong demand in all regions. The order intake for large industrial, and small and medium-sized compressors, grew at about the same pace supported by solid demand in all regions, particularly in North America and Asia. The order intake for gas and process compressors increased markedly driven by increased demand in North America and Asia, while order volumes decreased in South America, Europe, and Africa/Middle East.

Market presence and organizational development

The business area continued to invest in innovation and market presence by adding resources and digital capabilities in research and development, marketing and sales, and service. Several new innovative products were launched, and the service offer was strengthened with an increased focus on connectivity and data analytics to support customer needs.

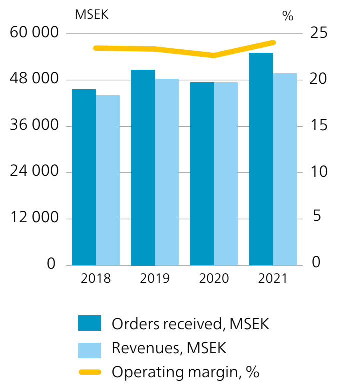
Activities were carried out during the year to increase the focus on market segments contributing to the ongoing shift in society towards green energy, both through organizational structure, product development, and market presence. The business area also developed a plan for how to contribute to the Group's commitment to science-based targets.

The work to reduce the environmental footprint from the business area's own operations continued with, for example, the transition to renewable energy in the production facility in Wuxi, China.

The business area invested in further automation in its main factory in Antwerp, Belgium, and in a new production unit in Brendola, Italy.

Through several acquisitions, the business area also increased its presence in targeted markets and customer segments.

Orders received, revenues and operating margin



Acquisitions

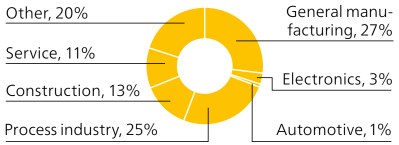
The business area completed ten acquisitions in 2021:

- Kawalek Kompressoren, a German compressed air distributor and service provider with 10 employees.
- DGM SRL, an Italian distributor of compressed air equipment and related services with 21 employees.
- Cooper Freer Ltd, a UK-based compressed air distributor and service provider with 18 employees.
- The operating assets of MidState Air Compressor, a US-based compressor distributor with 15 employees.
- The operating assets of Medigas Service & Testing Co. Inc., a US-based supplier of medical gas systems with 6 employees and revenues of about MSEK 23.
- The operating assets of Compressed Air Systems, Inc. (CAS), a US-based compressor distributor with 30 employees.
- Airflow Compressors & Pneumatics Ltd (Airflow), a UK-based compressor distributor with 16 employees.
- CPC Pumps International Inc., a Canadian company specialized in the design, manufacturing, and servicing of custom-engineered, mission-critical centrifugal pumps. The company has 110 employees and revenues of about MSEK 385 in 2020.
- AEP, a French compressor distributor and service provider with 8 employees.
- S.T.E.R.I. srl, an Italian compressor distributor and service provider with 19 employees.

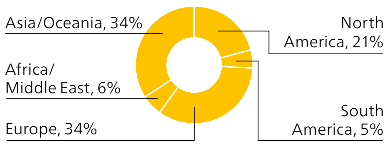
Revenues, profits and returns

Revenues reached MSEK 49 657 (47 329), an organic increase of 9%. The operating profit increased by 11% to MSEK 11 874 (10 658), corresponding to a margin of 23.9% (22.5). The higher operating margin was mainly explained by increased organic revenue volumes, while acquisitions had a small negative effect. Currency had essentially no impact on the operating margin. Return on capital employed was 93% (79).

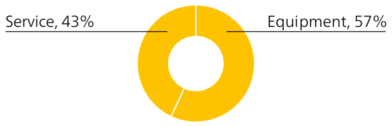
Orders received by customer category



Revenues by region



Share of revenues



The market

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

Compressors are used in a wide spectrum of applications. Clean, dry, and oil-free air is needed in industrial processes in e.g. the food, pharmaceutical, electronics, and textile industries. Compressors are used in wastewater treatment, and green economy segments such as green hydrogen. Compressed air is also used in automation and in sectors as diversified as hospitals, fish farming, and in high-speed trains. Blowers are used in applications where a consistent flow of low-pressure air is needed, for example in wastewater treatment, conveying, and industrial gases such as production of nitrogen and oxygen.

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

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

Market trends

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

Demand drivers

- Industrial production
- Investments in machinery
- 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 customers the best value. The strategy is to further develop Atlas Copco's leading position in selected niches and growing the business in a way that is economically, environmentally and socially responsible. This should be done by capitalizing on the strong global market presence, improving market penetration in mature and developing markets, and continuously developing improved products and solutions to satisfy customer demands. The presence is enhanced by utilizing several commercial brands. Key strategies include growing the service business as well as developing businesses within focused areas such as air-treatment equipment, blowers, and compressor solutions for trains, ships, and hospitals. By offering the most energy-efficient products, the business aims to contribute to a better tomorrow and support customers to meet 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 and improve presence in targeted markets/segments
- Develop new sustainable products and solutions offering better value and improved energy efficiency to customers
- Activities supporting customers to meet their sustainability ambitions
- Extend the product and service offering at current customers and adjacent segments and applications
- Perform more service on a higher share of the installed base of equipment
- Increase operational efficiency
- Invest in people and competence development
- Acquire complementary businesses

Competition

Compressor Technique's principal competitors in the market for industrial compressors and air treatment equipment are Ingersoll Rand, Kaeser, Hitachi, and Parker Hannifin. There are also numerous regional and local competitors, including many 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.

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Vacuum Technique
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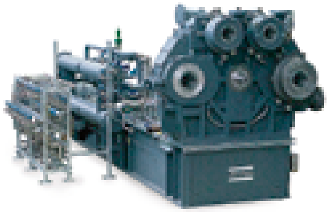
Sustainable approach to delivering value
Raising our climate ambition
Products and service
People
Safety and well-being
Ethics
Environment
Risks, risk management and opportunities
The Atlas Copco share
Corporate Governance
Board of Directors
Group Management
Internal control over financial reporting

Compressor Technique: Products and applications

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

Oil-injected screw compressor with variable speed



Gas and process compressors supply large amounts of air or gas for processes across many industries

Oil-free medical air system

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

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

Rotary screw compressors
Rotary screw compressors are available as oil-injected and oil-free. They are used in numerous industrial applications and can feature the WorkPlace AirSystem with integrated dryers, as well as the energy-efficient 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 demand constant, large volumes of oil-free air. They are also called turbo compressors.

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

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 2021

Several new products were introduced during the year, including:

Atlas Copco G 2-7, a new range of small-sized industrial compressors with high energy efficiency, low carbon footprint and reduced noise level of 20% compared to similar products.

The ZS 5 VSD, a new oil-free screw blower, offering 20% more energy efficiency than previous generations.

Alup Evoluto 30-45kW, a new range of oil-injected screw compressors delivering higher energy efficiency, lower noise levels, and a reduced surface footprint.

A new range of oil-injected screw compressors, the **GA 22-37 VSDS,** delivering further energy efficiency vs. previous VSD models and up to 60% more energy efficient compared to fixed speed compressors.

Management

Compressor Technique, January 1, 2022

Business Area President: Vagner Rego

Divisions:
1. Compressor Technique Service President Dirk Beyts
2. Industrial Air President Joeri Ooms
3. Oil-free Air President Philippe Ernens
4. Professional Air President Alain Lefranc
5. Medical Gas Solutions President Ben Van Hove
6. Gas and Process President Robert Radimeczky
7. Airtec President Wouter Ceulemans

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Vacuum Technique

The demand for vacuum equipment and service was strong and order intake increased significantly, particularly for equipment to the semiconductor industry. Several investments in operations were made to better support customers' increased demand for equipment and services. The business area completed five acquisitions and continued to invest in innovation, market presence, and digital capabilities.

Market development

The demand for vacuum equipment and services was strong, and order volumes increased significantly compared to the previous year. Overall, the order intake increased 62% organically.

Order volumes for service increased noticeably in all major regions, most notably in Asia. The strong order growth was driven by increased demand from the semiconductor and flat panel industry, supported by customers' high capacity utilization, and from industrial and scientific customers.

The order intake for equipment to the semiconductor and flat panel display industry increased remarkably, primarily due to customers' investments in new production capacity but also due to investments in new technology. Significant order growth was achieved in all major regions. Order volumes for equipment to industrial and scientific vacuum applications increased considerably with strong order growth in all regions.

Market presence and organizational development

The business area continued to invest in innovation, market presence, research and development, marketing, sales, and service. Additional resources were added to research and development to further increase the focus on innovation, and several new products with new technology were introduced to the market.

The focus on strengthening market presence remained with additional resources and increased focus on direct sales, particularly for the industrial and scientific vacuum market. A new service hub in Dublin, Ireland, was also established to better support customers in the semiconductor industry.

Several initiatives to increase the digital presence were carried out, resulting in enhanced digital marketing and improved customer experience through digital interaction.

The ability to service and support customers through connectivity increased further by the launch of GENIUS Instant Insights™ – a remote monitoring system for vacuum pumps.

Efforts to reduce the environmental footprint from own operations continued, with the transition to fully renewable energy supply to the business area's largest production unit in South Korea. During the year, the business area also developed a plan for how to contribute to the Group's commitment to science-based targets.

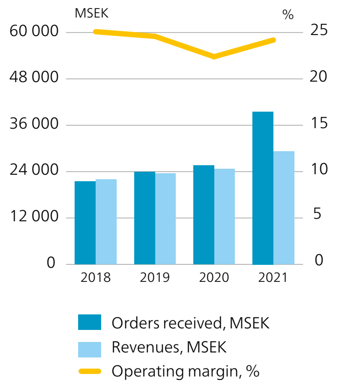
Several investments were made in operations to strengthen the business area's closeness to its customers. As an example, the business area invested in increased production capacity in its pump factories in Qingdao, China, as well as in new production units in Haverhill, USA, and Asan, South Korea. In addition, investments were made to expand an existing production unit for abatement systems in Clevedon, United Kingdom, and two new service technology centers, one in Dublin, Ireland, and one in Beijing, China.

Acquisitions

The business area completed five acquisitions in 2021:

- Ehrler & Beck GmbH, a European distributor of industrial vacuum equipment and service solutions. The company is based in Germany and has 15 employees.
- IBVC Vacuum, S.L.U, a Spanish vacuum distributor and service provider with 10 employees.
- ARPUMA regel- und fördertechnische Geräte GmbH, a vacuum systems and solutions provider based in Germany with 14 employees and revenues of MSEK 41.
- Eugen Theis GmbH, a German distributor of vacuum equipment and service solutions with 4 employees.
- Provac Limited, an Irish vacuum distributor and service provider with 11 employees.

Orders received, revenues and operating margin



Revenues, MSEK	**29 219**
2020: 24 685	
Operating profit margin	**24.2%**
2020: 22.4%	
Return on capital employed	**25%**
2020: 19%	

Sales bridge	Orders received	Revenues
2020, MSEK	**25 583**	**24 685**
Structural change, %	+1	+0
Currency, %	–8	–6
Organic*, %	+62	+24
Total, %	**+55**	**+18**
2021, MSEK	**39 529**	**29 219**

* Volume, price and mix

Revenues, profits and returns

Revenues increased 18% to MSEK 29 219 (24 685), corresponding to a 24% organic increase. The operating profit also reached a new record and increased 28% to MSEK 7 066 (5 519). The previous year included items affecting comparability of MSEK –300, mainly related to provisions for pension liability from prior years. The operating margin was 24.2% (22.4, adjusted 23.6). The higher margin was mainly explained by increased revenue volumes. Currency affected the margin negatively, while acquisitions had no impact on the margin. Return on capital employed was 25% (19).

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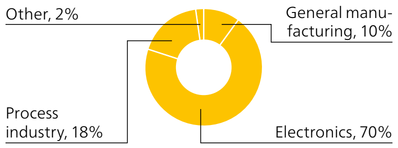
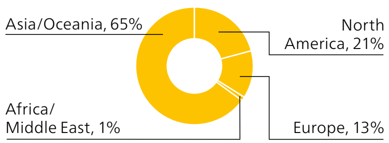
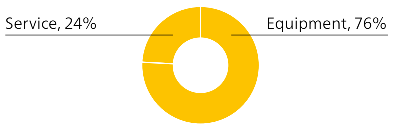
Orders received by customer category



Revenues by region



Share of revenues



The market

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

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

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

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

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

Market trends

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

Demand drivers

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

Vision and strategy

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

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

Strategic activities

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

Competition

Vacuum Technique's principal competitors are:

Semiconductor market:
DAS Environmental Expert, Ebara, 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.

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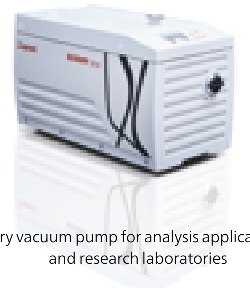
Vacuum Technique: Products and applications

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



Dry vacuum pump for analysis applications and research laboratories

Dry screw vacuum pump used in chemical and other industrial applications

Integrated abatement system used in the semiconductor industry

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 and solar. They are also used in scientific instruments such as scanning electron microscopes.

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

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

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

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

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

Innovations during 2021

Several new products were introduced during the year, including:

Leybold DRYVAC DV 800, a new vacuum pump with smart connectivity capabilities for industrial applications, with increased energy efficiency compared to older technologies.

New variants of **Edwards iXM** dry pumps with an extended applications coverage, offering reduced surface footprint, lower weight, and 30% more energy efficient vs. competing products.

The new vacuum gauge range **Leybold THERMOVAC,** supporting customer's processes optimization and increased process throughputs through reliable sensor measuring.

The iXH6550HTX, a dry vacuum pump offering increased throughput resulting in energy savings of about 30% compared to alternative solutions.

Management

Vacuum Technique, January 1, 2022

Business Area President: Geert Follens

Divisions:
1. **Vacuum Technique Service** President Eckart Roettger
2. **Semiconductor Service** President Troy Metcalf
3. **Semiconductor** President Kate Wilson
4. **Semiconductor Chamber Solutions** President Martin Tollner
5. **Scientific Vacuum** President Carl Brockmeyer
6. **Industrial Vacuum** President Koen Lauwers

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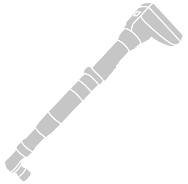
Industrial Technique



The demand for equipment and service increased, and solid order growth was achieved in all regions, supported by increased demand from automotive and general industry customers. The business area continued to invest in research and development and further intensified its focus on machine vision solutions.

Market development

The overall demand for equipment and services increased significantly, supported by increased levels of customer activity in both the automotive and general industry. In total, the order intake increased 23% organically.

The service business achieved solid order growth with increased order volumes in all regions.

Order volumes for advanced industrial tools, assembly- and vision solutions to the automotive industry increased markedly, supported by customers' increased investments in the production of electric vehicles, particularly in Asia and North America. The order intake also increased in South America but decreased somewhat in Europe.

The order intake for industrial power tools and vision solutions to the general industry increased noticeably, supported by increased demand from most customer segments. Order growth was achieved in all regions.

Market presence and organizational development

The business area continued to invest in innovation with an added number of employees in research and development.

Several new and innovative products were introduced to the market during the year. The business area intensified its efforts on data-driven service to even better support the customers in improving quality and uptime. The focus on increasing digital market presence continued through digital marketing activities and further roll out of an e-commerce platform in new markets.

The focus on reducing the environmental footprint continued with, for example, the investments in renewable electricity in three manufacturing sites, one in Germany, one in Japan, and one in the United States.

The business area also developed a plan for how to contribute to the Group's commitment to science-based targets.

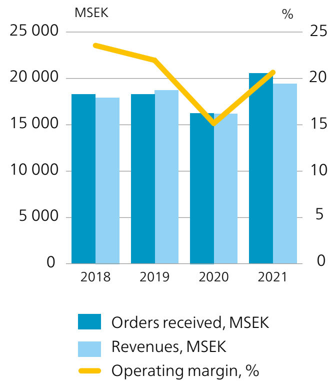
Investments were made in new machining equipment in the production facility in Tierp, Sweden, and a new innovation center and factory for vision systems in Darmstadt, Germany.

Acquisitions and divestments

The business area made one acquisition and one divestment in 2021:

- The operating assets of the German-based NATEV GmbH was acquired. The company is specialized in positioning solutions for assembly tools used in industrial production and has 10 employees and revenues of approximately MSEK 5.
- In December, the CMM (Coordinate Measuring Machine) business part of Perceptron (acquired in December 2020) was divested. The divestment was a result of further focus on in-line metrology in contrast to off-line applications. The CMM business has annual revenues of about MSEK 100.

Orders received, revenues and operating margin



Revenues, profits and returns

Revenues increased 20% to MSEK 19 421 (16 176), corresponding to a 17% organic increase. The operating profit increased 64% to MSEK 3 976 (2 422). Previous year included items affecting comparability of MSEK –190, related to restructuring costs. The operating margin was 20.5% (15.0, adjusted 16.1), primarily driven by significantly higher revenue volumes but negatively affected by dilutions from acquisitions. Currency had no impact on the operating margin. Return on capital employed was 16% (13).

Revenues, MSEK 19 421
2020: 16 176

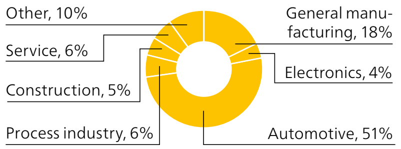
Operating profit margin 20.5%
2020: 15.0%

Return on capital employed 16%
2020: 13%

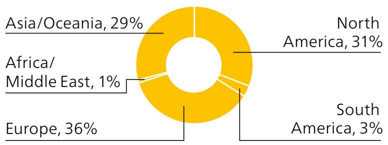
Sales bridge	Orders received	Revenues
2020, MSEK	**16 254**	**16 176**
Structural change, %	+8	+8
Currency, %	–5	–5
Organic*, %	+23	+17
Total, %	**+26**	**+20**
2021, MSEK	**20 545**	**19 421**

* Volume, price and mix

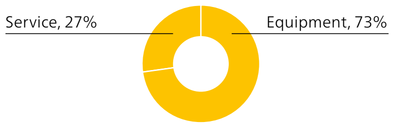
Orders received by customer category



Revenues by region



Share of revenues



The market

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

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

The market for machine vision becomes increasingly important, driven by 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 applications, 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 quality, 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

- Industrial production
- Investments in customer segments' contribution to transformation to a low-carbon society
- Capital expenditure in the automotive industry
- Changes in manufacturing methods and higher requirements, e.g. quality assurance and flexibility

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 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, Stanley Black & Decker, Uryu, and Bosch, as well as several local and regional competitors

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

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

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

Market position

A leading market position globally in most of its operations.

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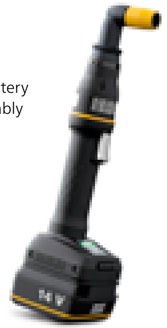
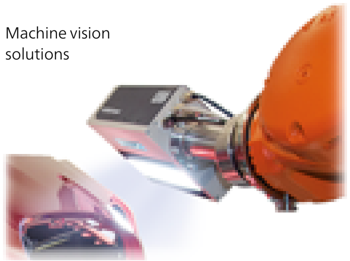
Industrial Technique: Products and applications

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

Handheld battery tool for assembly applications



Machine vision solutions



Self-pierce riveting system

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 make it possible for customers to collect, record, and process assembly data in their production.

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

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

Machine vision solutions
Machine vision is a key technology for industrial automation and digital manufacturing. The core competence involves the development of surface inspection systems and 3D machine vision products. The combination of high-performance cameras and illumination units, specialized software and business intelligence architecture allows for detailed analysis of production flows and quality assurance in a wide range of industries.

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

Innovations during 2021

Several new products were introduced during the year, including:

The new **Henrob 4mm self-pierce riveting system,** offering car manufacturers retained structural joint strength and consistency in safety-critical areas despite thinner frames in the car body.

A multi-stereo 3D scanner, **the ISRA X-GAGE3D,** providing peerless measurement accuracy and fast image processing for robot guidance and in-line metrology application in vehicle production.

A dispensing system, Scheugenpflug **DosPL DPL2001/DosP DP2001,** offering high productivity, process reliability and accuracy in production of battery systems.

A controller, **Power Focus 8,** meets customers' need for more flexible production and digitalization at production lines.

Management

Industrial Technique, January 1, 2022

Business Area President: Henrik Elmin

Divisions:
1. **Industrial Technique Service** President Håkan Andersson
2. **Motor Vehicle Industry Tools and Assembly Systems** President Lars Eklöf
3. **General Industry Tools and Assembly Systems** President Carl von Schantz
4. **Chicago Pneumatic Tools** President Ivo Maltir
5. **Industrial Assembly Solutions** President Berthold Peters
6. **Machine Vision Solutions** President Tomas Lundin

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Power Technique

The demand for equipment, service and specialty rental solutions increased, and significant order growth was achieved in most regions. The business area continued to invest in research and development, digital presence, and the offer for temporary steam solutions was further strengthened through an acquisition.

Market development

The overall demand for equipment, service and specialty rental solutions increased considerably, supporting strong order growth in most regions, particularly North America and Europe. In total, the order intake increased 33% organically.

Order volumes to the specialty rental business increased noticeably, particularly in the second half of the year. The order intake grew in all regions except Africa/Middle East, where order volumes remained unchanged. The demand for service also increased and strong order growth was achieved in all regions.

The demand for equipment increased significantly, particularly in the second half of the year, supported by increased investments by equipment rental companies. Order volumes increased for portable compressors and power and flow equipment, such as generators and pumps.

Market presence and organizational development

The business area continued to invest in innovation and market presence in targeted markets and segments. Numerous new innovative products were introduced during the year, and the offer for temporary steam solutions was strengthened through the acquisition of Eco Steam and Heating Solutions.

The digital presence was improved through several market activities and the launch of a new e-commerce platform. The ability to support and provide service to customers also increased by more connected products through FleetLink – a remote monitoring system for power equipment.

The focus on reducing the environmental footprint of the business area's own operations continued, with an increased number of production units having solar panels installed for their power supply as one result. The offer of electrical-driven equipment was also extended, as an example of how customers are supported in meeting their sustainability ambitions.

During the year, the business area also developed a plan for how to contribute to the Group's commitment to science-based targets.

To better support customers in need of temporary power equipment and service, investments were made in a new rental depot in Varennes, Canada.

Acquisitions

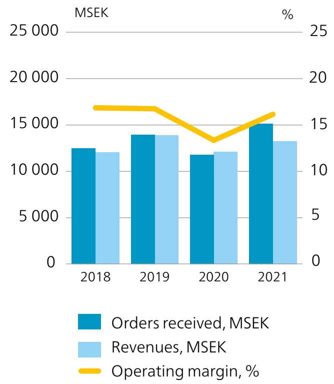
The business area completed one acquisition in 2021:

- Eco Steam and Heating Solutions, a specialty steam rental company based in the Netherlands, with 23 employees and revenues of MSEK 198.

Revenues, profits and returns

Revenues increased 9% to MSEK 13 234 (12 106), corresponding to a 13% organic increase. The operating profit increased 33% to MSEK 2 121 (1 594). Previous year included items affecting comparability of MSEK –50 related to restructuring costs. The operating margin increased to 16.0% (13.2, adjusted 13.6), driven by increased organic revenue volumes. Currency and acquisitions had no effect on the operating margin. Return on capital employed was 27% (18).

Orders received, revenues and operating margin



Revenues, MSEK 13 234
2020: 12 106

Operating profit margin 16.0%
2020: 13.2%

Return on capital employed 27%
2020: 18%

Sales bridge	Orders received	Revenues
2020, MSEK	**11 810**	**12 106**
Structural change, %	+1	+1
Currency, %	–6	–5
Organic*, %	+33	+13
Total, %	**+28**	**+9**
2021, MSEK	**15 155**	**13 234**

* Volume, price and mix

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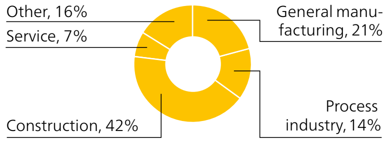
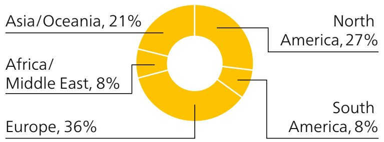
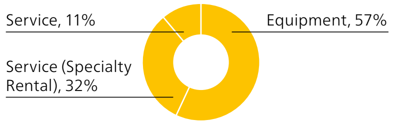
Orders received by customer category



Revenues by region



Share of revenues



The market

The market for air, power and flow solutions includes a large number of participants offering a wide 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 and for numerous industrial applications. Contractors and rental companies are important customers for service, including spare parts, maintenance contracts and repairs.

Market trends

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

Demand drivers

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

Vision and strategy

The vision is to be First in Mind—First in Choice provider of on-site air, power and flow solutions for sustainable productivity.

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

Strategic activities

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

Competition

Power Technique's principal competitors include Doosan, Generac, Kaeser, and Sullair. In addition, there are a large number of competitors operating locally or regionally.

Market position

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

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Power Technique: Products and applications

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

Portable medium-pressure compressor

Generator

Handheld breaker

Portable compressors
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 compared to compressors with combustion engines, and are ideal for low noise and emission zones or indoor applications.

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

Generators
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
Lighting towers provide light for safe operations 24/7.

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

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

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

Innovations during 2021

Several new products were introduced during the year, including:

A new **TwinPower® generator** with reduced fuel consumption by up to 40% and nitrogen oxide (NOx) emissions reduced by up to 80% compared to other models.

An energy storage system, the **ZenergiZe range,** that can be used combined with generators or renewables to make hybrid power solutions and to create microgrids for several applications.

A new range of portable compressors, the **XAS 500** and **LUY15,** suitable for harsh working conditions, offers reduced fuel consumption compared to previous models.

A new portable compressor, the **XAS 400 PACE.** With built-in pressure adjustments, a patented compressor element and ECO mode, this compressor offers high efficiency and low fuel consumption, and can be used in a wide range of applications.

Management

Power Technique, January 1, 2022

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Business Area President: Andrew Walker

Divisions:
1. Power Technique Service President Stefaan Vertriest
2. Specialty Rental President Tim Last
3. Portable Air President Bert Derom
4. Power and Flow President Mikael Andersson

A sustainable approach to delivering lasting value

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

Sustainability is at the core of Atlas Copco's business. To deliver lasting value for our customers and other key stakeholders, we focus our work in five areas for sustainability: products and service, people, safety and well-being, ethics, and the environment. Working systematically with these areas helps us reach our mission of achieving sustainable, profitable growth while at the same time reducing risks to our company.

Through our operations, values and processes, we also contribute to the UN Sustainable Development Goals and its targets, see pages 36–46.

Enabling the transformation

Climate change is at the top of both our own and our customers' sustainability agendas. Our drive to innovate with a lifecycle perspective supports the development of highly energy-efficient products with a low climate impact. Many of our technologies and solutions are also used in industries and applications that are at the center of the transformation to a low-carbon society.

Sharpening our targets

We focus our efforts to the areas where we have the biggest impact and where we deliver value for our stakeholders. Through the materiality analysis conducted in 2021, we concluded that the climate, and related topics such as a lifecycle approach to product development and carbon impact, is gaining increased attention from stakeholders. Diversity and inclusion as well as talent development are also areas where they would like to see us focus our resources and efforts. Based on the materiality analysis we have revised the sustainability targets against which we will measure our progress from 2022 onwards. These include science-based targets to reduce our greenhouse gas emissions, throughout the value-chain, in line with the Paris Agreement. Read more on pages 7 and 35 and in the following sections.

Focus areas	Products and service, page 36	People, page 39	Safety and well-being, page 41	Ethics, page 42	The environment, page 44
Material issues	– Product eco-efficiency – Life-cycle perspective – Product carbon impact – Product quality and safety	– Employee satisfaction and engagement – Diversity and non-discrimination	– Occupational health, safety and well-being	– Business ethics and integrity – Human rights – Transparency and accountability – Responsible supply chain	– Climate change – Energy use and efficiency – Waste – Water use

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Raising our climate ambition

To contribute to a more sustainable future, Atlas Copco has committed to science-based targets for the reduction of greenhouse gas emissions in the entire value chain.

The world urgently needs low-carbon solutions, and Atlas Copco's innovations are part of enabling the transformation. Our technologies are critical in existing low-carbon technologies like electric vehicles and solar power, and they are also part of emerging technologies for energy production, energy storage, smart manufacturing processes, transportation, and more.

As a leading and global supplier, Atlas Copco can also make a positive impact through our operations, transportation, and product design. In fact, more than 90% of all the greenhouse gas emissions that we generate come from when the products are in use.

Committing to science-based targets

To ensure that we fulfill our climate ambitions, in 2021 Atlas Copco set two science-based targets to reduce our greenhouse gas emissions in line with the Paris Agreement. This means that Atlas Copco has committed to take action in line with the Paris Agreement goal of keeping the global temperature rise to well below 2°C, and preferably not higher than 1.5°C. The science-based targets are set for the entire value chain, including the use of products. They are set for absolute reductions, and not in relation to cost of sales.

Target 1: Emissions from purchased energy and our own operations

The first target concerns emissions from Atlas Copco's own operations and the energy we purchase (scope 1 and 2). Here our target is to reduce our greenhouse emissions in line with the Paris Agreement to limit the global temperature rise to maximum 1.5 °C. To do this, we have a target of reducing emissions generated in these parts of the value chain by 46% by 2030. Read more about how we work with lowering the emissions from our own operations on pages 44–45.

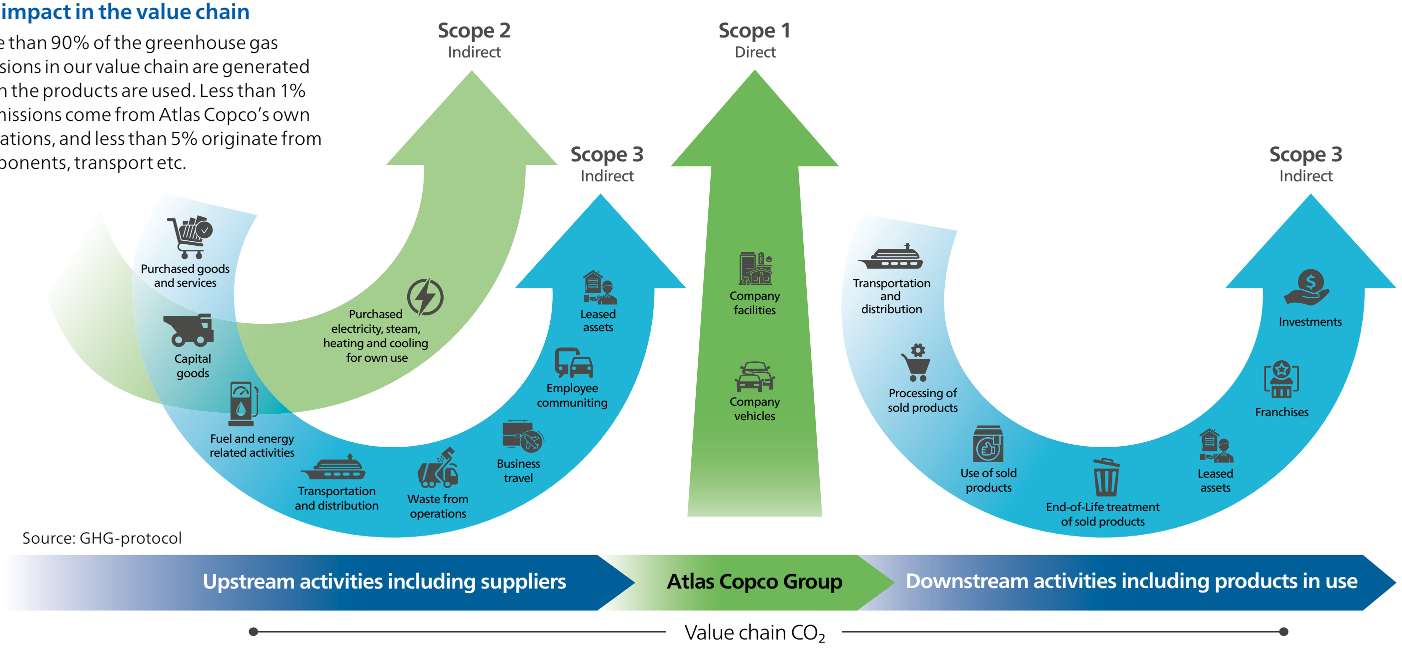
Target 2: Upstream and downstream activities

Our second target concerns emissions generated outside of Atlas Copco's own operations, in up- and downstream activities (scope 3). Here we will reduce greenhouse gas emissions in line with the Paris Agreement to keep global temperature rise at well below 2 °C. To achieve this, we have set a target to reduce our indirect upstream and downstream emissions by 28% by 2030. Read more about how we work with lowering the emissions from our products on pages 36–38.

Atlas Copco's science-based targets are valid from 2022, and are set for 2030 with 2019 as the base year. The targets have been validated by the Science Based Targets initiative.

CO_2 impact in the value chain

More than 90% of the greenhouse gas emissions in our value chain are generated when the products are used. Less than 1% of emissions come from Atlas Copco's own operations, and less than 5% originate from components, transport etc.



Source: GHG-protocol

The Science Based Targets initiative (SBTi) provides companies with a clear path and methods for setting targets for reducing their greenhouse gas emissions in line with the Paris Agreement. They also define and promote best practices in emissions reductions and net-zero targets in line with the latest climate science. The SBTi is a partnership between CDP, the United Nations Global Compact, World Resources Institute (WRI) and the World Wide Fund for Nature (WWF).

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Innovating for a better tomorrow

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

Products and service	Key performance indicators	Target	2021
Vision: Our products create lasting value and make a positive impact **Action:** We take a life-cycle approach to innovation	Projects for new or redesigned products with goals for reduced environmental impact by 2021	100%	98%
	Projects for new or redesigned products that will achieve significantly reduced environmental impact, i.e. 5% or lower carbon footprint over the product's life cycle.	Divisions set their own targets	43%

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

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

Atlas Copco contributes to the following Sustainable Development Goals:

- **9.4** Sustainable industries, with resource-use efficiency and clean and environmentally sound technologies and processes
- **12.2** Sustainable management and use of natural resources
- **12.3** Responsible management of chemicals and waste
- **12.5** Reduce waste generation
- **13.2** Integrate climate change measures into policies, strategies and planning

Majority of emissions come from products in use

More than 90% of the CO_2 emissions from Atlas Copco's value chain are generated when the customers use our products. This is where we can make our biggest impact and we therefore focus on developing products and solutions that are more energy efficient than their predecessors and with a lower carbon footprint over their entire lifecycle.

In 2021, we raised our ambitions further by committing to reducing our greenhouse gas emissions in line with the goals of the Paris Agreement. As part of this commitment we will reduce our indirect emissions (scope 3), including the emissions when our products are in use, in line with keeping the average global temperature rise well below 2-degrees. The new targets will be implemented and measure our progress from 2022 onwards. Read more on page 35.

Designing with a lifecycle perspective

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

All projects for new or redesigned products must set targets for reduced carbon impact. Our divisions set their own targets for the percentage of projects that are to achieve a significant carbon impact reduction. This is defined as a 5% or lower carbon footprint over the product's life cycle, compared to the most comparable Atlas Copco product.

Reducing our customers' footprint

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

One of Atlas Copco's most well-known and groundbreaking innovations is the VSD (variable speed drive) technology in compressors. This is an example of an innovative technology helping customers optimize their energy efficiency, reducing CO_2 emissions as well as costs. The VSD-technology is also available in generators and pumps, as well as in stationary and portable compressors.

Atlas Copco's abatement systems that remove highly potent greenhouse gases is another technology with positive environmental effects in industrial processes. In 2021, Atlas Copco's installed base of abatement products removed around 19 million tonnes of CO_2e emissions at customers' facilities. Our partnerships in recycling technologies for customers' process gases can further reduce their carbon footprint.

Increasing uptime and productivity

Increased connectivity and big data help transform the efficiency of many industrial processes. We support our customers in optimizing their production performance by monitoring and collecting real-time data from the equipment to minimize downtime, predict maintenance needs and suggest energy-saving measures.

One example is the SmartLink data-monitoring system for compressors. A growing number of compressors are connected globally, enabling continuous status monitoring and predictive maintenance.

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Innovating for a better tomorrow, continued

Enabling the transition to renewable energy
Upscaling the access to renewable energy will be key in reaching a low-carbon future and the demand is increasing. Many of the technologies in this sector are closely related to Atlas Copco's products and solutions in vacuum technology, compressor technology, power storage and supply, and industrial production and inspection.

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

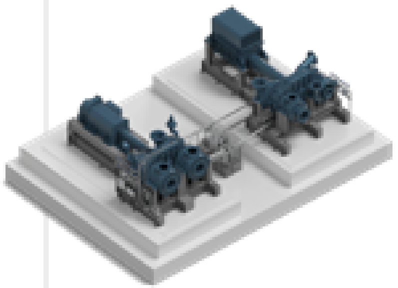
In wind energy, Atlas Copco's industrial tools, such as grinders, wrenches and tensioners, are used in building the turbines, and our generators are used to start them up.

Recovering and storing energy generated by renewable sources is one of the main challenges, and Atlas Copco has the technology and expertise to take a leading position in this area. Read more about how Atlas Copco has developed a solution addressing this challenge in the case below. Another example is the ZenergiZe battery-powered energy storage system that can be combined with renewable sources of energy for immediate or later use. It captures the energy and stores it for delivery at any given time. Its intelligent control system then manages the energy offer and demand to increase the efficiency of hybrid power solutions.

Our service supports circularity and optimizes customers' investments
Through a strong service offering we ensure that our customers get the most out of each investment. Our service divisions ensure the repair and reuse of used products, which extends their useful life and minimizes waste. They also provide support on how to optimally use the products, which enables energy-efficiency gains. The iXM Hybrid upgrade service product is an example of an offering where customers can return their current pump to their local Atlas Copco service technology center, where the pumps are converted to use a low power mechanism, thus reducing its CO_2 emissions, read more in the case to the right.

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

Supporting the energy transition



Storing electric energy is a challenge in the green transition. Non-dispatchable renewables such as wind and solar PV are a poor fit to the load on the grid. It works for low-to-medium penetration with renewables, but not in a full-blown green transition.

Collaborations between industries is critical in the effort to find new and innovative solutions to curb climate change. Together with a company specialized in storage technologies with a high impact on climate change, Atlas Copco has developed a solution to collecting and storing excess renewable energy. The solution combines our customer's expertise in storing technologies with Atlas Copco's technologies in turbomachinery compressing and expanding the working gas.

The energy is stored as heat and cold in crushed rock, encapsulated in insulated tanks. Charging and discharging is carried out by circulating pure compressed air through the crushed rock reservoirs, transferring heat between rocks and air. The Atlas Copco turbomachinery represents the centerpiece of this system, as it is efficiently converting the excess electricity into thermally stored energy and finally back into electricity, thus being the most important part of the thermal battery.

This thermal energy storage solution has an assumed 55% of roundtrip efficiency. Calculating with a complete charge/discharge cycle every three days of the first demonstration plant, the developed solution could save up to 7 500 metric tons of CO_2 over its lifetime, which equals greenhouse gas emissions from around 1 600 passenger cars driven for one year in the US.

Power-efficient pumping technology used in semiconductor application

The iXH semiconductor dry pump range is the leading pumping technology used in the semiconductor industry over the last 8 years. The iXM range is the latest dry pump technology offering lower power products with improved capability to handle a wider portfolio of applications than any previous low power design from Atlas Copco.

Combining applications knowledge of semiconductor processes, with technical product knowledge has enabled the development of the iXM Hybrid service upgrade product. The solution offers pumps currently in the market to be returned to Atlas Copco's local service technology center. Through a fully engineered upgrade the iXH1210 dry pump is converted to utilize the iXM low power mechanism, whilst retaining all other elements of the iXH system.

The iXM Hybrid product provides a 25% power saving over the original iXH product. Utilizing the existing pump system allows for upgraded products to be re-installed directly with no change to customer connections or settings.

The iXM Hybrid product is currently deployed at a world leading semiconductor customer. This project delivered around 700 metric tons reduction in CO_2 emissions over first 20 months, corresponding to the greenhouse gas emissions from 160 passenger cars being driven in the US for one year. The above project could deliver a total annual savings of around 13 000 metric tons of CO_2 emissions following the completion of the full five-year program.

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Innovating for a better tomorrow, continued

In 2021 the Atlas Copco Group had 6 600 patents, linked to around 2 400 inventions.

HEX@ – a new evolution in vacuum pump control
A vacuum service technician explaining the functionalities of the HEX@ Controller to a customer. This is the next generation in vacuum control, with possibilities of remote controlling the system via PC, mobile phone or tablet.

New battery tool drives smarter assembly

The global assembly industry is transforming, becoming digital and more flexible, while achieving better ergonomics and reducing carbon footprint. The Tensor ITB-A has been developed to meet the shifting market demands and drive smarter assembly.

The Tensor ITB-A is a range of handheld, cordless tools, which share an integrated controller platform which manages the tool and real time integration to a production system. With the Tensor ITB-A, Atlas Copco is developing the assembly process by increasing the production flexibility and reducing the need for hardware and equipment in the factories, as well as reducing power consumption. By substituting the traditional setup of one battery tool and one physical controller box with the Tensor ITB-A, the lifecycle carbon impact can be reduced by 75 percent per year. Firstly, the setup with an integrated controller eliminates the environmental impact in the supply chain from producing and transporting physical controllers. Secondly, Tensor ITB-A consumes less power while in use, reducing both carbon footprint and cost for customers.

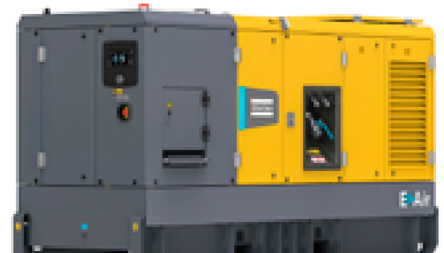
By replacing traditional systems, a tool and a separate controller, with the new Tensor ITB-A, savings can amount to around 650 metric tons of CO_2 emissions per year. This is based on an estimation of replacement of traditional systems the coming two years and the equivalent of 140 passenger cars driven for one year in the US.

Portable electric compressor used in tough customer applications like mining

Building on Atlas Copco in-house developed technology, the new E-AIR V1100VSD portable compressor uses electricity instead of diesel to deliver compressed air for our customers. The efficient drivetrain has more power density than a comparable power diesel engine enabling similar airflow in a smaller and lighter compressor. Noise levels are lower, and varying air demand can be met by the minimally required energy over a wider range of airflows. Moreover, the required pressure can be exactly matched without any sacrifices in efficiency.

The E-AIR V1100VSD is versatile since the amperage and sockets available on the customer's site can be easily implemented. In addition to substantially reduced operating costs, the highly efficient electricity usage also reduces emissions compared to the diesel-driven unit.

Equivalent energy saved from swapping a diesel-driven compressor to the E-AIR V1100 VSD is calculated at up to 22 percent. By replacing diesel-driven units in the same airflow category, based on the E-AIR V1100VSD orders between October 2020 and October 2021, customers could reduce CO_2 emissions by approximately 300 metric tons per year, corresponding to greenhouse gas emissions of 65 passenger cars driven for one year in the US.



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Enabling development and lifelong learning

Atlas Copco's ambition is to be the most attractive employer in our industry. To reach this position, we nurture and grow our culture and enable the full potential of our people so they can deliver world-class solutions to our customers every day.

People

Vision: Our culture of collaboration and inclusion drives our success

Action: We help each other grow and thrive

Key performance indicators	Target	2021	2020	2019	Comment
Degree to which employees agree there is opportunity to learn and grow in the company *	Above benchmark (71)	73	–	71	The employee survey is conducted every two years.
Degree to which employees agree there is a work culture of respect, fairness and openness *	Above benchmark (75)	76	–	74	
Share of female employees at year end 2030, %	30%	20.9	20.0	19.8	

* Scores based on scale 0–100 where 0 is "strongly disagree" and 100 is "strongly agree".

As a world-leading provider of innovative productivity solutions, Atlas Copco depends on all our talented and committed employees. One of our focus areas is to attract, develop and retain passionate people, to be First in Mind—First in Choice as an employer and to achieve long-term business success.

Aligning people success with business success

Atlas Copco has developed a talent framework based on a common set of competencies that have been identified as the most critical to our business success and are relevant to all employees.

The framework breaks down the five key competencies into behaviors that strengthen Atlas Copco's ability to drive real change in employee performance. It emphasizes our belief that every employee has a critical role in driving the Group's success.

Atlas Copco contributes to the following Sustainable Development Goals:

5.1 End discrimination against women and girls

5.5 Ensure women's full participation and equal opportunities for leadership and decision making

8.8 Protect labour rights and promote safe and secure working environments

Developing passionate people

Atlas Copco has a strong culture of growing talent by encouraging employees to take accountability for their own development. We encourage curiosity and enable learning through continuous feedback and coaching. We also have the ambition to learn from each other each day at work, and create personalized and interactive learning opportunities to drive upskilling for business and personal success.

In 2021, Atlas Copco implemented a new process for performance and development dialogues. The purpose is to increase the number and quality of dialogues and hold leaders accountable for growing people through ongoing feedback and coaching. The talent framework competencies are fully integrated in the process.

Atlas Copco's learning management system is another key ingredient of our learning culture. Through the system, they gain easy access to an extensive library of digital and classroom courses and programs, relevant across the business, or targeted to a specific subject, function or role.

Developing future-proof leaders

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

In Atlas Copco, leadership is defined as the ability to create lasting results. Our leadership portfolio offers personalized learning through a modular set-up. Each module focuses on a specific skill mapped against the talent framework competencies. In 2021, new modules were added to the portfolio and, in response to the pandemic, transformed into virtual trainings.

Attracting talent

We believe that inclusion is a critical driver for long-term success. To ensure a strong and diverse pipeline, Atlas Copco seeks to proactively attract talent from the entire talent pool. Targeted employer branding activities and competence-based recruitment safeguard cultural fit and diversity. This includes structured interview guides with a focus on behaviors.

The biggest gap in the area of diversity is within gender balance, and we address this through our goal of 30% women in the Group by 2030. In 2021, progress was made towards better gender balance with 20.9% (20.0) women in the workforce by year end.

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Enabling development and lifelong learning, continued

Diversity and inclusion drives business success

We strongly believe that diversity and inclusion promote innovation, strengthen employee engagement and lead to better decision making. We take pride in enabling a sense of belonging for all colleagues where they can align their individual purpose with the organizational purpose, bringing their true selves to work every day.

The Diversity and Inclusion Council, chaired by President and CEO Mats Rahmström, includes representatives from all business areas and 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. Diversity and inclusion trainings available to all employees improve their understanding of how our biases are relevant and come into play in our day-to-day interactions.

Developing our corporate culture

Our culture is characterized by 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 to support and develop our corporate culture, such as recurring workshops for employees on company values, strategy, and guidelines.

To measure the strength of our culture over time, Atlas Copco runs a global employee survey every two years. This brings important insights in four areas: employee engagement, Group culture, safety and leadership. The overall results of 2021 year's survey are above the global benchmark and show that our colleagues are more engaged now than two years ago. The scores improved on 27 out of 29 questions and none of the scores decreased. The high levels of engagement are reflected in nearly 40 000 comments, with 35% of employees leaving at least one comment. The response rate was 92%. The results are followed up in mandatory workshops held by each manager, where concrete actions are shaped to further strengthen the company culture.

Growing people through ongoing feedback

Atlas Copco's employees should feel recognized for their efforts, and the best way to accomplish this is through ongoing feedback and coaching. This conviction motivated the implementation of a new process for performance and development dialogues during the year. The new practice focuses on how to enable development and drive growth, and how to tap into each employee's full potential.

As previously, the process includes setting performance and development goals at the start of each year and a follow-up evaluation from managers at year end. But there is a stronger focus on measuring the behaviors that drive success, besides the result itself. To provide timely and constructive feedback, managers are also encouraged to have continuous 1:1 check-ins or discussions with employees throughout the year.

Another feature is encouraging peer-to-peer feedback, which requires both practice and a change of mindset. To support this, learning material is provided, including workshop material for managers to facilitate a good discussion with their teams on the topic of feedback, what it is and why it matters. The ambition is for each team to have a plan for developing a feedback culture.

Reinforcing our learning culture

In 2021, Atlas Copco rolled out the "NeverStopLearningWeek", an initiative designed to inspire employees to future-proof their skills and capabilities. The week included lunch & learn sessions, team learning activities, global webinars, online courses and much more. Each day of the week was dedicated to a specific theme. The activity resulted in an overall increase in self-requested learning and feedback was positive. The "NeverStopLearningWeek" will be a yearly activity going forward.

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Committed to safety and well-being

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

Safety and well-being

Vision: The way we work contributes to our safety and well-being

Action: We look after each other's well-being

Key performance indicators	Target	2021	2020	2019	Comment
A balanced safety pyramid	Yes	Yes	Yes	Yes	
Degree to which employees agree that the company takes a genuine interest in their well-being*	Continuous increase	73	–	69	The employment engagement survey is conducted every two years.

* Scores based on scale 0–100 where 0 is "strongly disagree" and 100 is "strongly agree".

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

Robust safety standards in place

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

Since Atlas Copco is highly decentralized, there may be regional and local policies and practices that complement Group processes.

Atlas Copco contributes to the following Sustainable Development Goal:

8.8 Protect labour rights and promote safe and secure working environments

"We are committed to providing a safe and healthy working environment for all our employees in all operations.

All divisions set targets and make action plans to enhance awareness and improve behaviors, policies and processes. Group companies must have an Atlas Copco verified Safety, Health, Environment and Quality management system which is documented, implemented and maintained on an ongoing basis. Read more on pages 133–134. Annual Safety Days have been arranged in the Group since 2014.

Measuring progress

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

To further strengthen the safety work Atlas Copco measures progress by using a safety pyramid. The target is that the pyramid should be balanced. This means that more risk observations and near-misses than minor injuries are reported, and more minor injuries than recordable injuries. The approach supports transparent reporting, risk awareness and encourages safe behavior to decrease risks and ultimately prevent workforce injuries. In 2021, the result was in line with this target. Read more on page 134.

Covid-19 – adapting to local needs and conditions

Covid-19 has exposed the whole organization to a new reality with increased focus on safety and well-being. Being a decentralized organization has made it easier for Atlas Copco to adapt to local conditions and handling situations in an efficient and flexible manner.

Among several activities during the year, the Group offered support and toolkits to managers and to employees on topics such as virtual leadership, maintaining emotional well-being, and building resilience in times of uncertainty and change.

To stimulate an open dialogue about the challenges during the pandemic and understand the needs of the teams, managers have received feedback through short pulse surveys.

Well-being framework enables a great workplace

A key ingredient to Atlas Copco's business success is to support and protect our employees' mental health and well-being. This enables employees to cope with the stresses of life, work more productively, and to make the contribution they want at work and at home.

In addition to the learnings from Covid 19, this sparked the Vacuum Technique business area to create a new well-being framework. The framework puts focus on four areas; sense of purpose, social connections, physical health and mental well-being. It aligns the business area's well-being activities by providing a consistent language and each dimension is explained in terms of its key elements, drivers, and threats.

Sustainability ergonomics program awarded

Atlas Copco's Safety and Health Award 2021 was awarded to Product Company Zaragoza, Power and Flow Division, Spain, for their Sustainable Ergonomics program, an innovative and science-based approach to improving ergonomics in the workplace.

The program started in 2019 by a group of volunteers at the company and is designed to improve ergonomic work conditions and create awareness on how to prevent musculoskeletal disorders. A physiotherapist and an ergonomist provided all workers with personalized recommendations on how to improve their health at work and in their private life. They were also taught stretch and warm-up exercises. The factory received a report with suggestions on how to improve the work environment from an ergonomic perspective.

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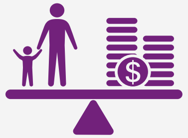
Acting with integrity throughout the value chain

How we conduct ourselves globally is more than just a matter of upholding regulations, policy and law. It is a reflection of our core values. We have an unwavering commitment to the highest ethical behavior, including zero tolerance for human rights abuse, bribery and corruption.

Ethics



Vision:
We are known for ethical behavior, openness and respect

Action: We act with honesty and integrity

Key performance indicators	Target	2021	2020	2019
Employees sign the Business Code of Practice, %	100	98	99	98
Employees trained in the Business Code of Practice, %	100	97	99	94
Managers in risk countries lead trainings in the Business Code of Practice, %	100	96	99	91
Significant suppliers sign the Business Code of Practice, %	100	93	93	90
Significant distributors sign the Business Code of Practice, %	100	87	84	59

Atlas Copco aims to earn the trust of everyone impacted by our operations, demonstrating our commitment to ethical behavior and human rights through our words and actions. We expect the same high standards of our business partners and work continuously with our value chain to reduce risks and achieve positive results.

Our ability to ensure that the highest ethical standards are applied depends on the values and behavior of our people and business partners. Significant weight is therefore put on communication, training and monitoring to ensure the awareness and adherence to our values and principles.

Training for employees worldwide

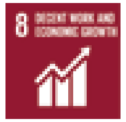
We assess the potential risks for breaches of the Business Code of Practice and train our employees in its practical implementation.

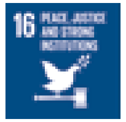
Atlas Copco's contribution to the Sustainable Development Goals:

8.7 Eradicate forced labour, modern slavery and human trafficking

8.8 Protect labour rights and promote safe and secure working environments for all workers

16.5 Substantially reduce corruption and bribery





This process reinforces Atlas Copco's high expectations on how we behave in relation to each other, our customers, and all stakeholders in the communities we serve.

All employees, including the additional workforce, are required to annually participate in digital training in the Business Code and to sign their compliance. New employees participate in Business Code training and sign it as part of their introduction. Managers in countries with higher risks of corruption and human rights violations are required to lead annual in-depth classroom training with their employees. The development within these areas is followed up annually and the goal is set to 100 percent.

The trainings are based on ethical dilemmas inspired by actual cases within the organization. Through the trainings, employees learn how to identify and handle such situations, while strengthening their awareness of our values and guidelines.

The trainings and the dilemma cases are continuously updated to maintain relevance and stimulate a high uptake. An updated training will be rolled-out from 2022 in connection with the implementation of the revised Group targets.

A responsible value-chain approach

Working with business partners who share our high standards regarding quality, business ethics, the environment and resource efficiency, is necessary to efficiently manage risks and to enhance productivity in the value chain.

The Business Code of Practice is the backbone of the responsible value-chain process, reinforced by a signed commitment to follow it, screening and audits, customer sustainability assessment and targeted training. See page 135.

Sustainable sourcing practices

Atlas Copco has a large international supplier base, which presents significant challenges. Purchased components represent about 75% of the product cost.

We use a risk-based approach and prioritize following-up significant suppliers who represent the bulk of the purchase value or who operate in markets with high corruption or human-rights risk.

Significant suppliers are evaluated on parameters including price, quality and reliability as well as key environmental, social and ethical concerns. The parameters are based on the UN Global Compact and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work. On-site visits are made to ensure compliance. See page 134–135.

The Business Partner Criteria document translates the Business Code of Practice into practical requirements and is available in more than 30 languages on our corporate website. All significant business partners are required to confirm their compliance to the Business Code by signing the document.

Distributors and agents

A Group target requires that all significant distributors sign the Business Partner Criteria document. Distributors who represent the bulk of the sales value or who operate in high-risk markets are prioritized.

Sales compliance process

General managers, and ultimately the divisional presidents, are responsible for the implementation of the Group's policies and guidelines and to make sales decisions. The Head of Group Compliance supports the organization on trade compliance related matters, including sanctions and export control.

Acting with integrity throughout the value chain, continued

When relevant, we partner with customers to address human-rights risks in the value chain. The customer assessment tool is used to investigate potential environmental, labor, human rights and corruption risks. In-depth dialogue and field visits complement this tool.

Zero tolerance against corruption

Atlas Copco does not tolerate bribery such as the offering, promising, giving, accepting or soliciting of an advantage, or corruption in any form, whether direct or through third parties, including facilitation payments. Firm actions will be taken on any violation. This rule applies to all employees as well as the Board of Directors and to all business dealings and transactions in all countries where Atlas Copco operates. Corruption or facilitation payments are never acceptable in order to secure a sale. This rule strengthens the brand and contributes to fair market competition.

There are no negative consequences, such as demotion or other reprisals, for refusing to receive or pay bribes or for reporting violations. The Group's misconduct reporting system SpeakUp can be used by any stakeholder, within or outside the company, to report perceived violations of laws or the Business Code of Practice. The system is provided by a third-party actor and reporting is anonymous.

Approach to human rights

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

Fighting corruption is a central aspect to working with human rights, since corruption can cripple the governmental bodies and processes needed to address the issues. Lacking legal and political infrastructure in some markets is a potential challenge. Bilateral engagement with civil society is crucial to successfully escalate issues in such markets. Through memberships in local business associations and in cooperation with others, we collaborate to further our Group's values.

Encouraging the reporting of misconduct

Complying with regulations, laws and internal guidelines, such as the Business Code of Practice, has top priority at Atlas Copco. We support ethical business practices and to uphold this standard it is important that we hear of potential misconduct and put a stop to it. It helps protect our values, the company, our brand and each other.

SpeakUp is the Group's system for reporting potential misconduct and violations. Through the system, our employees or external stakeholders can anonymously report potential misconduct in their own language by leaving a voice or text message. The system is operated by an external third party and is open 24/7. Retaliation in any form is strictly prohibited. Atlas Copco takes violations to the Business Code of Practice very seriously, and strongly encourages transparent reporting.

HUMAN RIGHTS IN THE VALUE CHAIN

Atlas Copco's Business Code of Practice endorses the UN International Bill of Human Rights and guides the business in working with all issues relating to ethical behavior, including human rights.

	Business partners	Atlas Copco's own operations	Customers	Community
Human rights risks	Business partners not complying with labor standards, including working hours, forced/bonded or under-age labor and the freedom of association. Occurrence of conflict minerals in sourced products.	Risks of violations including poor working conditions and discrimination in the workforce. Operations in countries with high risks of human rights abuse, including corruption and limited freedom of association.	Environmental impact and unsafe use of products, including substances with potential health impact, and risks of mismanaging customer integrity. Risks related to local communities, such as land rights.	Risks of corruption and unethical tax planning, impeding fair competition and depriving people of their rights to critical societal functions such as healthcare and education.
Policies	Atlas Copco has integrated the UN Global Compact principles into business partner evaluation and management. Read more on page 134.	Group targets and policies aim to create safe, healthy and fair working environments. The Human Rights Policy and Business Code of Practice. Read more on page 130 and 134.	Product safety and environmental standards. The Group is strengthening its approach using the UN Guiding Principles on Business and Human Rights. Read more on page 130 and 134.	The Business Code of Practice is the main policy document on anti-corruption. The Group's tax policy is available on the corporate website.
Activities	Prohibiting child labor and forced labor, promoting adherence to international guidelines on working conditions, environmental management and freedom of association. Responsible sourcing practices, which covers the occurrence of conflict minerals.	Ensuring fair labor conditions, non-discrimination in the workplace and the right to join trade unions. Training for all employees in the Business Code of Practice, including issues of working conditions, labor rights and discrimination.	Product safety, minimizing environmental impact through usage of products, security concerns and issues related to community relocation. Customer assessment tool and Compliance Board oversight of policy implementation.	Community engagement activities increases access to health, education and safe development of children and vulnerable groups, as well as disaster relief. Training for all employees in the Business Code of Practice, including on corruption.

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Compressor Technique
Vacuum Technique
Industrial Technique
Power Technique
• Sustainable approach to delivering value
Raising our climate ambition
Products and service
People
Safety and well-being
Ethics
Environment
Risks, risk management and opportunities
The Atlas Copco share
Corporate Governance
Board of Directors
Group Management
Internal control over financial reporting

Optimizing our environmental performance

Atlas Copco is committed to continuously improving our environmental performance. We improve the energy efficiency of our products and our operations, while also managing our water use and waste. In 2021, we significantly raised our ambitions by adopting science-based targets for the reduction of greenhouse gas emissions, throughout the value chain.

The environment

Vision: Our processes minimize our impact on the environment

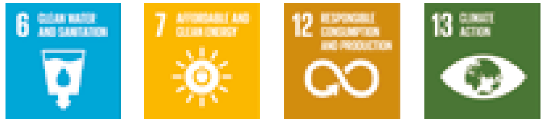
Action: We use resources responsibly

Key performance indicator	Target	2021	2020	2019
Carbon dioxide emissions from energy in operations and transport of goods (tonnes)/COS, base year: 2018 [1]	–50% by 2030	3.3	3.8	4.3
Waste (kg)/COS	Continuous decrease	590	581	597
Water consumption (m³)/COS	Continuous decrease	6.6	7.2	7.2
Significant direct suppliers with an approved Environmental Management System, %	Continuous increase	31	30	28

[1] CO_2 emissions from energy in operations and transport (tonnes) in relation to cost of sales in the base year 2018 was 5.3.

Atlas Copco's contribution to the Sustainable Development Goals:

6.4 Increase water-use efficiency
7.2 Increase the share of renewable energy
7.3 Double the rate of improvement in energy efficiency
12.2 Efficient use of natural resources
12.4 Environmentally sound management of chemicals and all wastes throughout their life cycle
13.3 Knowledge and capacity building to meet climate change



Climate change presents a huge threat to society and Atlas Copco wants to be part of the solution in order to avoid the worst impacts of a warming world.

In 2021, we significantly raised our ambitions by committing to reducing the greenhouse gas emissions throughout our value chain in line with the goals of the Paris Agreement. For Atlas Copco's own operations, this means that we aim to reduce emissions in line with keeping the global temperature rise below 1.5 degrees. The targets have been validated by the Science Based Targets initiative and will be implemented from 2022. Read more on page 35.

The absolute majority of Atlas Copco's impact comes from the use of our products. Therefore we will continue to develop energy-efficient products with a lower carbon footprint over their entire life-cycle. Read more about how we support customers' sustainability ambitions on pages 36–38.

Operations and transportation

To reduce the impact from our own operations we focus on increasing the use of renewable energy, switching to biofuels in compressor testing, energy-conservation measures, installing solar panels, logistics planning, and switching to more environmentally friendly transport when possible. Collaborations with transport partners, and to some extent technical developments, are key enablers to achieve our target in this area.

In 2021, the CO_2 emissions from energy in operations and transport of goods in relation to cost of sales decreased by 13%. The decrease in absolute numbers was 3%. CO_2 emissions from direct energy increased by 10% in absolute numbers, mainly because of increased production volumes. CO_2 emissions from indirect energy decreased by 47% in absolute numbers. An increased share of renewable electricity was the main driver for lower emissions from energy. CO_2 emissions from transport of goods increased by 15% in absolute numbers, mainly due to increased production levels, and to some extent due to supply chain shortages causing more air freight.

Against the baseline of 2018, CO_2 emissions from transport of goods decreased by 16%. Our emissions from energy in operations and transport, in relation to cost of sales, has decreased 38% in the same period. The reduction in absolute numbers was 26%.

Increased use of renewable energy

We strive to increase the share of renewable energy in our operations. Major production units have switched to renewable energy, including investments in onsite solar power. In 2021, the percentage of renewable energy used increased to 58% (44). Main reasons for the increase are purchase of renewable electricity.

In 2021, Atlas Copco transferred to renewable electricity for certain larger facilities in South Korea and China. The investment resulted in savings of more than 25 000 tonnes of CO_2 emissions. In some markets, the availability of renewable energy poses a challenge to our ability to increase the share of renewable electricity.

Reducing waste from operations

Reducing waste is important to decrease the total environmental impact from production and increasing 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 and we now focus on decreasing the total waste volume. In 2021, the total volume in relation to cost of sales increased by 2%, mainly due to increased production volumes.

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Optimizing our environmental performance, continued

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

In 2021, the consolidated consumption of water in relation to cost of sales decreased with 8%. In absolute numbers, the consumption increased by 3%, mainly due to one-time events such as leakages and increase in production volumes.

> **Major production units have switched to renewable energy, including investments in onsite solar power.**

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

We work with tier-one suppliers using the business partner criteria and, if needed, we develop action plans together to enhance the environmental management of certain suppliers. To further reduce our impact along the value chain, we measure the percentage of significant direct suppliers that have an approved environmental management system. In 2021, 31% of these suppliers met this requirement. Read more on page 135.

When the train beats the plane

Rail transport outperforms air and ocean freight when it comes to balancing aspects such as costs, speed and environmental impact. This was shown in a pilot project for rail freight between Atlas Copco's industrial vacuum production facility in Germany and its counterpart in China. The rail transport also proved to be reliable during the pandemic.

The facility sends growing volumes of heavy pumps, weighing over 150 kilograms, and semi-finished parts, from Cologne in Germany to Tianjin, China and raised the issue of exploring more sustainable alternatives for transportation.

Optimizing costs and environmental impact
Since the project started in 2019, the benefits of train transports have become clear. On this particular 8 000 kilometer route, rail freight is 75% less costly than air freight, and carbon emissions are 90% lower. Compared to ocean freight, the train is 50% quicker as the distance by rail is less than half the distance by ocean.

During the pilot, goods were placed in ocean freight packaging to avoid corrosion. The amount of plywood used was reduced and the need for polyurethane foam eliminated. The transports were monitored via GPS tracker and temperature, humidity and load shocks were measured, with no reports of significant damage to the goods.

This prompted a decision to switch to rail for all but the heaviest of cargoes, which are still transported by container ship. Further rail pilot projects are now underway within Atlas Copco.

Awarded the Giulio Mazzalupi Award in 2021
The team behind the project was awarded with the Giulio Mazzalupi Award for operational excellence in 2021.

Water for All: Employee community engagement

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

In 2021, more than 60 water and sanitation projects were implemented with Water for All funding in 31 countries, in total reaching more than 337 000 people. We also launched a historically large project in the Pader district in Uganda, to which twelve Water for All organizations contribute with funding together with the Peter Wallenberg Water for All Foundation. The project will run for a period of three years, targeting 48 villages and more than 30 000 people.

Atlas Copco's employees contribute to the following Sustainable Development Goal:
6.1 Access to safe drinking water for all

Water for All is the main community engagement initiative of both Atlas Copco and Epiroc. The numbers convey Water for All's global achievements in 2021 including both companies.

EU taxonomy – classification of sustainable activities

The European Union (EU) taxonomy aims to provide guidance and over time a comprehensive classification system for when an economic activity can be deemed sustainable. It consists of six environmental objectives of which two are relevant for the financial year 2021: climate change mitigation and climate change adaptation.

Atlas Copco develops and offers a wide range of products for different end markets and applications. We strive to provide the most energy-efficient products for each specific application to support our customers in minimizing their energy consumption and reducing the climate impact of a product's use phase.

Based on the now available EU taxonomy delegated act for climate mitigation and climate adaptation, Atlas Copco is eligible for climate mitigation under the definition "manufacture of low-carbon technologies aimed at substantial greenhouse gas emission reductions in other sectors of the economy" (section 3.6).

Due to the lack of specific definitions for "substantial greenhouse gas emission reductions" in section 3.6 provided in the delegated act, Atlas Copco applies a conservative approach regarding which technologies are included as eligible in the taxonomy reporting. The most efficient products in terms of energy savings or other means to avoid, reduce, remove, or store greenhouse gas emissions, compared to alternative technologies commonly used on the market, have been included as taxonomy eligible.

Eligible products have been identified as products that:

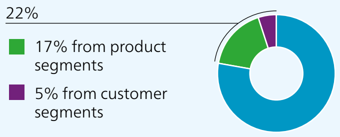
1) prevent the venting of environmentally hazardous gases directly into the atmosphere, or
2) enable substantial energy savings compared to available technologies commonly used on the market by either use optimization, in and of themselves, by enabling the shift to electric/battery power, or by introducing new solutions on the market.

Eligible products include e.g. Atlas Copco's VSD (variable speed drive) compressors, abatement systems, electrical portable compressors, and our latest electric range of industrial power tools.

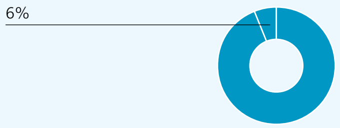
Furthermore, Atlas Copco's products and solutions are critical to several manufacturing processes for customer segments defined as eligible in the taxonomy sections 3.1–3.4 including customers within renewable energy technologies (e.g. solar energy, wind energy, hydropower or tide energy), production of electrical cars, battery manufacturing, and hydrogen manufacturing equipment. Hence, revenues related to the above segments are included as taxonomy eligible.

For further details, see page 132.

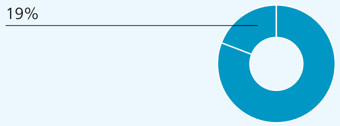
Taxonomy eligible revenues



Taxonomy eligible capital expenditure



Taxonomy eligible operating expenses



Risks, risk management and opportunities

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

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

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

The Covid-19 pandemic has been handled as a crisis, resulting in the activation of local, regional and central crisis committees, in line with the established structure for crisis management. The crisis organization has enabled reporting and the exchange of information and experience within the Group, and contributed to decisions to ensure safe and efficient handling of the situation and new challenges. The risk management processes have also been adapted to the circumstances, activities have been digitized and temporary adjustments have been made so that the processes can continue and contribute to increased risk awareness and a focus on risk 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 where required.

Loss prevention

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

Enterprise risk management

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

Risk process

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

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Examples of risks and how they are handled by Atlas Copco

RISK	CONTEXT	MITIGATING ACTIVITIES	OPPORTUNITIES
LEGAL	Atlas Copco's business operations are affected by numerous laws, regulations and trade sanctions as well as commercial and financial agreements with customers, suppliers and other counterparties, and also by licenses, patents and other intangible property rights.	• Inhouse lawyers on five continents support Group companies with advice on laws and regulations, including compliance, as well as support with contract reviews. Proactive training is also done. • A yearly legal risk survey of all companies in the Group is performed in addition to continuous follow-up of the legal risk exposure. The result of the survey is compiled, analyzed and reported to the Board and the auditors. • A separate central function, Group Compliance, is in place. It is responsible for aligning and coordinating the compliance organization which, in line with Atlas Copco's decentralized structure, is hosted in the business areas and divisions.	→ Complying with legal norms and laws minimizes costs and increases opportunities to strengthen Atlas Copco's reputation. It also develops reliable partnerships and improves business stability. → The ability to trade on all markets, in compliance with applicable trade sanctions, increases revenue and lowers risk.
FINANCIAL	Changes in exchange rates can adversely affect Group earnings when revenues from sales and costs for production and sourcing are denominated in different currencies (transaction risks). An adverse effect on Group earnings can also occur when earnings of foreign subsidiaries are translated into SEK and on the value of the Group equity when the net assets of foreign subsidiaries are translated into SEK (translation risks). Atlas Copco's net interest cost is affected by changes in market interest rates. 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 are partially hedged by borrowings in foreign currency and financial derivatives. • The Group's Financial Risk Policy stipulates that a minimum amount of standby credit facilities should exist and that a minimum average time to maturity for the external debt is set. • Stringent credit policies are applied and there is no major concentration of credit risk. The provision for bad debt is based on historical loss levels and up-to-date information and is deemed sufficient.	→ Working proactively with financial risks improves the profit margin and creates possibilities for more stable cash flow. Overall, financial risk mitigation has the ability to improve business resilience for Atlas Copco.
REPORTING (INCLUDING TAX)	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.	• Atlas Copco subsidiaries report their financial statements regularly in accordance with International Financial Reporting Standards (IFRS). The Group's consolidated financial statements, based on those reports, are prepared in accordance with IFRS and applicable parts of the Annual Accounts Act as stated in RFR 1 "Supplementary Rules for Groups". • The Group's operational and legal consolidated results are based on the same numbers and system. These are analyzed by divisional, business area, Group Management and corporate functions before being published externally. • The Group has procedures in place to ensure compliance with Group instructions, standards, laws and regulations, for example internal and external audits. • Group Tax monitors and ensures compliance with local tax rules. Transfer pricing policies and agreements are implemented in operations and regularly updated. Quarterly updates on tax are presented to the Board and Group Management. • Atlas Copco reports sustainability information according to GRI Standards and works with training to improve reporting practices.	→ Integrated reporting provides a better understanding of business risks and opportunities which in turn allows for improved decision making. It also allows the company to identify opportunities for business synergies. → Addressing reporting risks increases transparency and improves the potential to represent the business fairly and accurately. → Improved reporting results in improved business insights and risk management, especially when the data has been integrated to highlight interdependencies. → Efficient and consistent reporting based on clear standards and principles creates transparency, supports decision making and drawing the right conclusions. → Increased reporting requirements on taxes improves transparency.
CORRUPTION AND FRAUD	Corruption and bribery exist in many markets where Atlas Copco 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 Business Code of Practice and signing compliance to the Code for all employees and significant business partners. • The global Group misconduct reporting system to report violations anonymously. • The Group supports fair competition and forbids discussions or agreements with competitors concerning pricing or market sharing.	→ By fighting against corruption and fraud, Atlas Copco has the opportunity to work with industry peers to influence international market practices. Refusing to pay bribes may cause temporary delays and setbacks; however it reduces costs in both the long and short run, builds opportunities to improve operational efficiencies and creates more stability in society and in markets where the Group operates. → Working against corruption and fraud improves Atlas Copco's credibility and transparency and creates more ways to improve stakeholder relations.

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

RISK	CONTEXT	MITIGATING ACTIVITIES	OPPORTUNITIES
HUMAN RIGHTS	Atlas Copco operates in countries/areas with high risk of human rights abuse, including child labor, forced or compulsory labor, poor working conditions, limitations of the freedom of association and discrimination. Atlas Copco encounters customers who are exposed to human rights issues. Risks to the Group's reputation may arise from relationships with business suppliers who do not comply with internationally accepted ethical, social and environmental standards.	• Guidance by interaction with well-established non-governmental organizations to identify and mitigate risks. • Policies and procedures corresponding to the UN Guiding Principles on Business and Human Rights, which Atlas Copco has committed to since 2011. • Due diligence process and integration of internal controls for human rights violations in relevant processes. • The Group customer sustainability assessment tool. • Regular supplier evaluations in accordance with the UN Global Compact.	→ Following the UN Guiding Principles on Business and Human Rights to respect human rights reduces risks and costs. → Strong business ethics help promote societal prosperity and a more stable market place. → Working with human rights positively impacts both the Atlas Copco brand and stakeholder relations.
SAFETY AND HEALTH	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 Atlas Copco's productivity and brand. Atlas Copco recognizes the risk that serious diseases and pandemics can interrupt business operations and harm employees.	• The Group regularly assesses and manages safety and health risks in operations. • Training is held regularly. • The ambition is to certify all major units in accordance with the ISO 45001 standard. • Workplace wellness programs. • Atlas Copco's business partners are trained in Group policies including the approach to health and safety.	→ Improved safety and well-being 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.
ENVIRONMENTAL AND CLIMATE	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'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.	• Atlas Copco continuously develops products with improved energy efficiency, reduced emissions and lower environmental footprint. • Atlas Copco has several key performance indicators (KPIs) that address resource and energy usage in order to reduce carbon-dioxide emissions. • Strict handling processes for hazardous waste and chemicals are implemented in all operational units. Compliance is audited regularly and awareness is reinforced by training. • All cooling agents in Atlas Copco products have a zero-ozone depleting impact during the product's lifecycle, and the aim is to continue to introduce cooling agents with lower Global Warming Potential (GWP).	→ Working proactively with environmental risks can provide significant opportunities to drive innovation at Atlas Copco. → Given that many customers are operating in areas of extreme water stress/scarcity, water-efficient or water-recycling products can have a strong customer appeal. This presents a strong business opportunity to extend Atlas Copco's innovations to the focused area of water consumption. → Climate change impacts and predictions can induce changes in consumers' habits and behavior. As a result of climate events, Atlas Copco's customers can become more risk averse and demand sustainable products from the Group. New businesses and business models that are being served by Atlas Copco arise. For instance, increased renewable energy generation and the surge in production of electrical vehicles present opportunities to provide products to the industries.
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 Atlas Copco negatively.	• Well-diversified sales to customers in multiple countries and industries. Sales of spare parts and service are relatively stable in comparison to sales of equipment. • Monthly follow-up of market and sales development enables quick actions. • Agile manufacturing set-up makes it possible to quickly adapt to changes in the demand for equipment. • Leading position in most market segments provides economies of scale.	→ 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

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Examples of risks and how they are handled by Atlas Copco, 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 brand.	• All Atlas Copco products are tested and quality assured. Product labeling is monitored and there are regular communications trainings. • The Group actively engages in stakeholder dialogue. • Compulsory training in the Business Code of Practice 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.	→ Brand positioning. → Stakeholder engagement not only mitigates reputational risks in certain cases but it also presents opportunities to increase awareness and credibility of Atlas Copco's brand through improvements and innovations. → Delivering tested and quality-assured products improves customer satisfaction and promotes repeat business. → Attract and develop employees who adhere to the Business Code of Practice.
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. Atlas Copco is directly and indirectly exposed to raw material prices. Atlas Copco primarily distributes products and services directly to the end customer. If the distribution is not efficient, it may impact customer satisfaction, sales and profits. Damages and losses during the course of distribution can be costly. Some sales are made indirectly through distributors and rental companies and their 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 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. → Reduce fuel costs and resource requirements which improves business agility for the Group.
SUPPLY CHAIN	Atlas Copco and its business partners, such as suppliers, subcontractors and joint venture partners, must share the same values as expressed in the Group's Business Code of Practice regarding issues such as human rights standards and principles of ethical conduct. The availability of many components is dependent on suppliers 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 Atlas Copco's value chain is investigated and eradicated. • Establishment of a global network of sub-suppliers, to prevent supplier dependency. • E-learning for business partners (suppliers and distributors) to raise awareness of the Business Code of Practice, including the requirement for significant business partner to sign and follow the Business Code of Practice. Action plans developed together with suppliers to deal with shortcomings and deviations. • Atlas Copco maintains lists of substances that are prohibited or restricted due to their potential negative impact on health or the environment. Compliance with these lists is part of the business partner criteria.	→ Further increase business agility and reduce costs by improving supplier inventory management in response to changes in demand. → Continue to be a preferred business partner and promote efficiency, sustainability and safety. Good supplier relations help to improve Atlas Copco's competitive position. → Strengthen customer relationships by supporting customers impacted by the Dodd Frank legislation on conflict minerals. → Promote human rights and work towards improving labor conditions, reducing corruption and conflicts.
EMPLOYEE	Atlas Copco must have access to and attract skilled and motivated employees and safeguard the availability of competent managers to achieve established strategic and operational objectives.	• The competence mapping and plan secure access to people with the right expertise at the right time. Recruitment can be both external and internal. Internal recruitment and job rotation are facilitated by the Internal job market. • Salaries and other conditions are adapted to the market and linked to business priorities. Atlas Copco strives to maintain good relationships with unions.	→ Motivated and skilled employees and managers are crucial to achieve or exceed business goals and objectives.

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

RISK	CONTEXT	MITIGATING ACTIVITIES	OPPORTUNITIES
INFORMATION TECHNOLOGY (IT)	Atlas Copco 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 Atlas Copco operations. The General Data Protection Regulation (GDPR) impacts the handling of personal data. Failure to comply may result in substantial fines and reputational damage.	• Atlas Copco has a global IT Security policy, including quality-assurance procedures that govern IT operations. Information security is monitored through IT Security audits. Standardized processes are in place for the implementation of new systems, changes to existing systems and daily operations. The system landscape is based on well-proven 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. Awareness of cyber security risks increases the readiness to quickly detect and respond to any attacks. • A privacy- and data compliance council tracks the essential activities to ensure compliance with the regulation.	→ Stable IT systems, secure IT environment and standardized processes increase efficiencies and reduce costs. → Quick action on major download of product development files minimizes the potential damage. → Quick action to address a cyber-attack gives opportunity to stable work environment and business continuity. → As the approach has been global, Atlas Copco is well prepared to face future data privacy initiatives in all regions or continents.
ACQUISITIONS AND DIVESTMENTS	When making acquisitions, there are risks related to the selection and valuation of the potential targets as well as the process of acquiring them. Integrating acquired businesses may also be a complex and demanding process. There is no guarantee for an acquisition to be successful even if all steps are done properly. 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. Acquisitions and divestments can impact local communities and/or the environment, directly or indirectly.	• The Group's Acquisitions Process Council has established a process for acquisitions. The process is continually updated and improved to address and mitigate risks. The Council also provides training and supports business units prior to, during and after an acquisition. Before any acquisition is completed, a detailed due diligence will be performed in order to evaluate the risks involved. • Atlas Copco guidelines and policies are applied to assess and manage the environmental and social impact of operations in the affected communities after an acquisition is completed.	→ Acquisitions bring possibilities to enter new markets, segments, new technologies, new clients, increase revenues, etc. → Identifying the obstacles to integration can allow Atlas Copco to improve the process through methods such as job rotation, training or teambuilding exercises. This would not only result in a smoother process but also lower operational costs by decreasing downtime and allowing newly acquired companies to become even more productive and efficient.
PRODUCT DEVELOPMENT	One of the challenges for Atlas Copco's long-term growth and profitability is to continuously develop innovative, sustainable products that consume less resources over the entire life cycle. Atlas Copco's product offering is also affected by national and regional legislation on issues such as emissions, noise, vibrations, recycling, etc. However, there may be increased risk of competition in emerging markets where low-cost products are not affected to the same extent by such rules.	• Continuous investments in research and development to develop products in line with customer demand and expectations, even during economic downturns. • Designing products with a life-cycle perspective and measurable efficiency targets for the main product categories in each division. • Designing products with reduced emissions, vibrations or noise, and increased recycling potential to meet legal requirements.	→ Substantial opportunities to strengthen the competitive edge by innovating high-quality, sustainable products and creating an integrated value proposition for customers.

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The Atlas Copco share

Share price development and returns

In 2021, the price of the A share increased 48.6% to SEK 625.8 (421.1) and the B share increased 44.5% to SEK 532.2 (368.3). 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 22% for the past ten years and 27% for the past five years. The corresponding total return for Nasdaq Stockholm was 17% and 18%, respectively.

Trading and market capitalization

The Atlas Copco shares are listed on Nasdaq Stockholm, which represented 28.6% of the total trading of the A share (34.3% of the B share) in 2021. Other markets, so called Multilateral Trading Facilities (MTF), e.g. CBOE and Turquoise, accounted for 40.0% (35.3% of the B share), and the remaining 31.4% (30.4% of the B share) were traded outside public markets, for example through over-the-counter trading.

The market capitalization at year end 2021 was MSEK 732 967 (497 187) and the company represented 5.9% (5.7) of the total market value of Nasdaq Stockholm. Atlas Copco was the fifth (second) most traded share in 2021 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 2021, there were 32 781 544 ADRs outstanding, of which 31 509 088 represented A shares and 1 272 456 represented B shares.

Personnel stock option program and repurchase of own shares

The Board of Directors will propose to the Annual General Meeting 2022 a similar performance-based long-term incentive program as in previous years, increasing the number of possible candidates in the program from 335 to 500. For Group Management, participation in the plan will require own investment in Atlas Copco shares. The intention is to cover the plan through the repurchase of the company's own shares. The company's holding of own shares on December 31, 2021, appears in the table to the right.

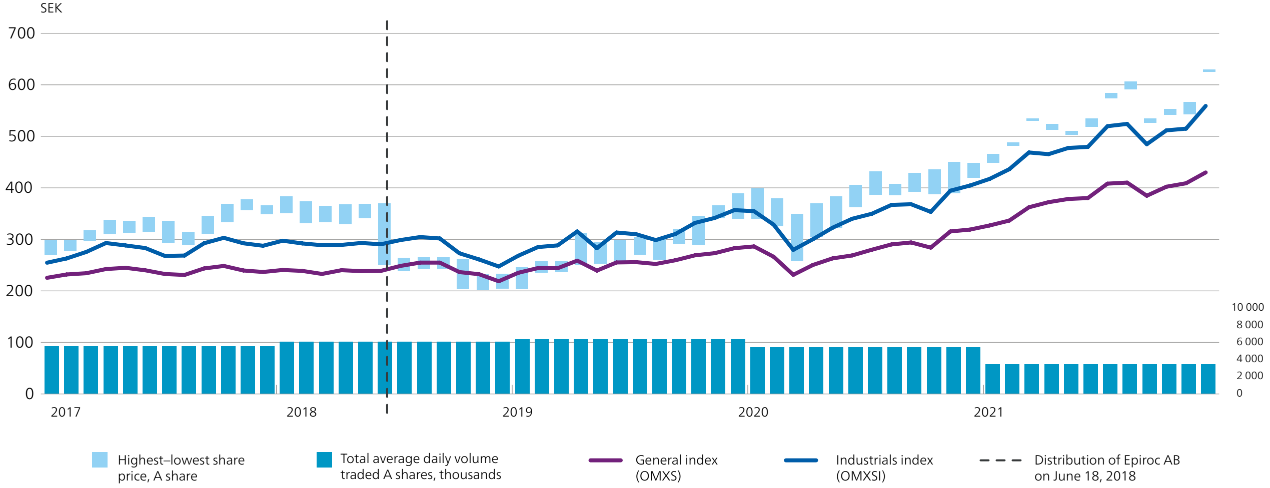
Dividend, mandatory redemption of shares, and share split

The Board of Directors proposes to the Annual General Meeting 2022 an ordinary dividend of SEK 7.60 (7.30) per share to be paid for the 2021 fiscal year. In order to facilitate a more efficient cash management, the dividend is proposed to be paid in two installments.

If approved, the 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 20.

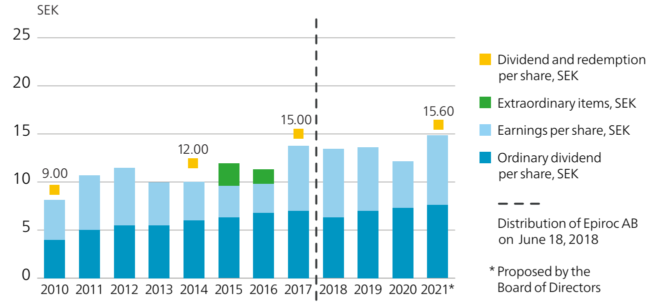
In order to adjust the Group's balance sheet to a more efficient structure, while preserving adequate financial flexibility for future growth, the Board of Directors proposes to the Annual General Meeting 2022 a share split and redemption share procedure, whereby every share is split into four (4) ordinary shares and one (1) redemption share. The redemption share is then automatically redeemed at SEK 8.00 per share. Combined with the proposed ordinary dividend, shareholders will receive MSEK 19 004.

SHARE PRICE



SHARE INFORMATION 2021-12-31	A share	B share
Nasdaq Stockholm	ATCO A	ATCO B
ISIN code	SE0011166610	SE0011166628
ADR	ATLKY.OTC	ATLCY.OTC
Total number of shares	839 394 096	390 219 008
% of votes	95.6	4.4
% of capital	68.3	31.7
Whereof shares held by Atlas Copco	11 422 736	0
% of votes	1.3	0.0
% of capital	0.9	0.0

EARNINGS AND DISTRIBUTION PER SHARE



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The Atlas Copco share, continued

Ownership structure

At the end of 2021, Atlas Copco had 87 923 (82 079) 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% (48) of the capital and represented 44% (45) of the voting rights.

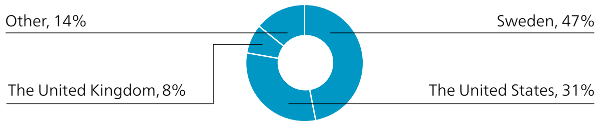
TEN LARGEST SHAREHOLDERS*

December 31, 2021	% of votes	% of capital
Investor AB	22.3	16.9
Swedbank Robur fonder	2.3	3.5
Alecta Pensionsförsäkring	2.1	3.9
Handelsbanken fonder	1.8	1.8
SEB Investment Management	1.6	1.2
Folksam	1.0	1.0
SPP Fonder AB	0.8	0.8
Avanza Fonder	0.7	0.7
Länsförsäkringar fondförvaltning AB	0.6	0.5
Nordea Investment Funds	0.4	0.4
Others	66.4	69.3
Total	**100.0**	**100.0**
– of which shares held by Atlas Copco	1.3	0.9

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

SHAREHOLDERS BY COUNTRY

December 31, 2021, percent of capital



OWNERSHIP CATEGORY

December 31, 2021	% of capital
Shareholders domiciled abroad (legal entities and individuals)	53.1
Swedish financial companies	37.0
Swedish individuals	4.3
Other Swedish legal entities	1.8
Swedish social insurance funds	2.6
Swedish trade organizations	0.9
Swedish government and municipals	0.3
Total	**100.0**

OWNERSHIP STRUCTURE

Number of shares, December 31, 2021	% of shareholders	% of capital
1–500	75.2	0.6
501–2 000	16.8	1.3
2 001–10 000	6.3	1.9
10 001–50 000	1.1	1.6
50 001–100 000	0.2	0.8
>100 000	0.4	93.8
Total	**100.0**	**100.0**

SHARE ISSUES [1]

			Change of share capital, MSEK	Amount distributed, MSEK
2011	Split	2:1		
	Share redemption [2]	1 229 613 104 shares at SEK 5	–393.0	–6 067.0
	Bonus issue	No new shares issued	393.0	
2015	Split	2:1		
	Share redemption [3]	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 [4]	1 229 613 104 shares at SEK 8	–393.0	–9 704.6
	Bonus issue	No new shares issued	393.0	

[1] For more information please visit www.atlascopcogroup.com/investor-relations.
[2] 1 213 493 751 shares net of shares held by Atlas Copco.
[3] 1 217 444 513 shares net of shares held by Atlas Copco.
[4] 1 213 080 695 shares net of shares held by Atlas Copco.

IMPORTANT DATES

2022	April 26	First quarter results
	April 26	Annual General Meeting
	April 27*	Shares trade excluding right to dividend of SEK 3.80
	May 3*	Dividend payment date (preliminary)
	May 12*	Shares trade excl. right to redemption share of SEK 8.00
	June 13*	Redemption payment date (preliminary)
	July 19	Second quarter results
	October 19	Third quarter results
	October 20*	Shares trade excluding right to dividend of SEK 3.80
	October 26*	Dividend payment date (preliminary)
	November 17	Capital Markets Day
2023	January 26	Fourth quarter results 2022

* 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 144 in the three-year summary.

– For more information on distribution of shares, option programs and repurchase of own shares, see notes 5, 20 and 23.

– Detailed information on the share and debt can be found on www.atlascopcogroup.com/investor-relations

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Corporate governance

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

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

Atlas Copco does not report any deviations from the Code for the financial year 2021. The corporate governance report has been examined by the auditors, see page 124.

The following information is available at www.atlascopcogroup.com

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

Comment from the Chair

Atlas Copco is a truly global industrial company, which creates lasting value and empowers customers to drive society forward in over 180 countries. Through energy-efficient products that save carbon emissions, and by implementing values and processes with respect for people and the planet, Atlas Copco can contribute to a better tomorrow.

In 2021, Atlas Copco set science-based targets to reduce greenhouse gas emissions in line with the goals of the Paris Agreement. As a leading industrial innovator and global supplier, Atlas Copco can play a role in combating climate change. By making this commitment Atlas Copco shows its ambition to be part of the transformation to a low-carbon society.

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

The annual signing of the Business Code of Practice, together with training, supports Atlas Copco's employees to identify and handle ethical dilemmas and strengthens the awareness of Atlas Copco's values and guidelines. Atlas Copco also requests that significant business partners commit to comply with the Business Code of Practice. This is further supported by a third-party operated system providing anonymous reporting of suspected ethical misconduct.

To safeguard the Group's reputation, Atlas Copco relies on solid governance and the leaders' ability to defend values, including of course, internal and external control and audits.

Hans Stråberg
Chair since 2014

Meetings of the Board and the Nomination Committee during 2021

BOARD OF DIRECTORS' MEETINGS AND ACTIVITIES		NOMINATION COMMITTEE MEETINGS
	Q1	
Preliminary full-year 2020 results, the annual audit and review of Vacuum Technique	January	Nomination Committee meeting
	February	
Meeting per capsulam	March	
	Q2	
First-quarter results meeting and review of Industrial Technique	April	
Statutory meeting	May	
Review of management, succession planning and strategy discussion	June	
	Q3	
Half-year report meeting	July	
	August	
	September	Nomination Committee meeting
	Q4	
Third-quarter results meeting and review of Compressor Technique and Group Treasury Report	October	
Various investments' approvals	November	Nomination Committee meeting
	December	

Corporate governance, continued

1. Shareholders

At the end of 2021, Atlas Copco had 87 923 (82 079) 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% (48) of the capital and represented 44% (45) of the voting rights. The largest shareholder is Investor AB, holding 16.9% of capital and 22.3% of votes. More information on Atlas Copco's shareholders can be found on pages 52–53.

2. General Meeting

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

The Annual General Meeting (AGM) 2021 was held on April 27, 2021. Due to Covid-19 there was only mail voting. 56% of the total number of votes in the Company and 57% of the shares were represented.

Decisions at the AGM 2021 included:

- Adoption of the income statements and balance sheets of Atlas Copco AB and the Group for 2020.
- Discharge of liability of the Company's affairs during the 2020 financial year for the President and CEO and the Board of Directors.
- Adoption of the Board's proposal for profit distribution with a dividend of SEK 7.30 per share to be paid in two equal installments of SEK 3.65 each.
- 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 2020.
- Approval of the reported scope and principals for a performance based employee stock option plan for 2021 including mandate for the Board to decide upon repurchase and sales of Atlas Copco shares to hedge the plan and previous similar plans.
- Election of Ernst & Young AB as auditing company up to and including the Annual General Meeting 2022.

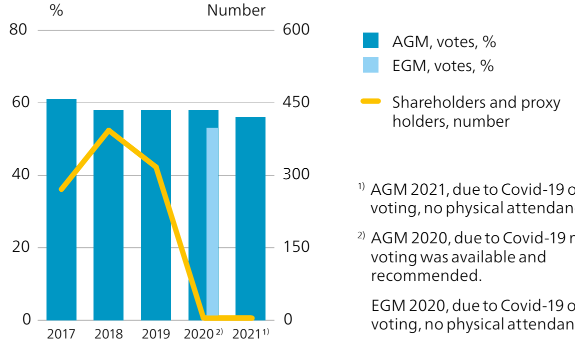
Annual General Meeting 2022

The Annual General Meeting will be held on April 26, 2022. 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



1) AGM 2021, due to Covid-19 only mail voting, no physical attendance.

2) AGM 2020, due to Covid-19 mail voting was available and recommended.

EGM 2020, due to Covid-19 only mail voting, no physical attendance.

Corporate governance, continued

3. Nomination Committee

The goal of the Nomination Committee is to propose a Board with a broad and complementary experience from a number of important industries and markets, as well as a composition that is characterized by diversity, broadness and gender balance. Experience from manufacturing industry with international coverage is important, as it is Atlas Copco's main focus. 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 2021, two of the seven non-executive members are women. One member is born in the 1940's, four in the 1950's, one in the 1960's, and one is born in the 1970's. The Board members are of three different nationalities, from Germany and the United States, and a majority of the Board members coming from Sweden. Increasing the diversity of the Board of Directors with regard to gender is a priority for the Nomination Committee.

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

The proposals and the Nomination Committee's statement will be published at the latest with the notice to the AGM 2022. 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, listed in the shareholders' register as of August 31, 2021, together with the Chair of the Board shall form the Nomination Committee. The members of the Nomination Committee for the AGM 2022 were announced on September 8, 2021, and represented approximately 29% 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 2022: Petra Hedengran, Investor AB, Chair of the Nomination Committee; Jan Andersson, Swedbank Robur funds; Mikael Wiberg, Alecta; Helen Fasth Gillstedt, Handelsbanken Fonder AB; and Hans Stråberg, Atlas Copco AB, Chair of the Board.

4. Board of Directors

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

Board of Directors' members

At the end of 2021 the Board of Directors consisted of eight elected members, including the President and CEO. The Board also had two employee representatives, each with one personal deputy. Atlas Copco fulfilled the 2021 requirements of Nasdaq Stockholm and the rules of the Swedish Corporate Governance Code regarding independency of board members.

The Board of Directors' work

The Board continuously addresses the strategic direction, the financial performance, and the methods to maintain sustainable profitability of the Group. Further, the Board regularly ensures that efficient control systems are in place. The Board also follows up on the compliance of the Business Code of Practice as well as on the whistleblowing system. 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", which are documents that govern the Board's work and distribution of tasks between the Board, the committees and the President, as well as the Company's reporting processes.

The Board held eight meetings in 2021. Seven meetings were held at Atlas Copco AB in Nacka and virtually and one per capsulam. The attendance at Board meetings is presented on page 58–59.

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 and 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 2021 decided to adopt the Nomination Committee's proposal for remuneration to the Chair and other Board members not employed by the Company, and the proposed remuneration for committee work. See also note 5.

- The Chair was granted an amount of SEK 2 600 000.
- Each of the other Board members not employed by the Company was granted SEK 825 000.
- An amount of SEK 335 000 was granted to the Chair of the Audit Committee and SEK 210 000 to each of the other members of this committee.
- An amount of SEK 130 000 was granted to the Chair of the Remuneration Committee and SEK 95 000 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 shareholder. The Audit Committee's primary task is to support the Board of Directors in fulfilling its responsibilities in the areas of audit and internal control, accounting, financial reporting and risk management as well as to supervise the financial structure and operations of the Group and approve financial guarantees and new legal

Corporate governance, continued

entities, delegated by the Board. The Audit Committee work further includes reviewing internal audit procedures, monitoring the external auditor, considering any inspection findings, review and monitor the independence of the external auditor, and assist the Nomination Committee in the selection of the auditor.

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

The Audit Committee members during 2021 were Staffan Bohman, Anna Ohlsson-Leijon, Johan Forssell and Hans Stråberg. Staffan Bohman was Chair of the committee until November 2021, when Anna Ohlsson-Leijon took over as Chair.

6. Remuneration Committee

The Remuneration Committee is elected by the Board at the statutory Board meeting after the Annual General Meeting and until the statutory Board meeting the following year. The work of the Remuneration Committee is directed by the Remuneration Committee Charter, which is reviewed and approved annually by the Board. The Remuneration Committee's primary task is to propose to the Board the remuneration to the President and CEO and a long-term incentive plan for key employees. The purpose of a long-term incentive plan is to align the interests of key personnel with those of the shareholders. The guidelines for executive remuneration in Atlas Copco aim to establish principles for fair and consistent remuneration with respect to compensation, benefits, and termination. The base salary is based on competence, area of responsibility, experience and performance, while the variable compensation is linked to predetermined and measurable criteria which can be both financial or non-financial. The guidelines for executive remuneration are reviewed annually and the Annual General Meeting 2021 approved the guidelines for remuneration. See also note 5.

The Remuneration Committee had three meetings in 2021. 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 2021 were Hans Stråberg, Chair, Peter Wallenberg Jr, and Staffan Bohman.

7. Auditor

The task of the external auditor is to examine Atlas Copco's consolidated accounts and annual report, as well as to review the Board and the CEO's management of the Company. At the AGM 2021 the audit firm Ernst & Young AB, Sweden, was elected external auditor until the AGM 2022 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 2021, 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 62–63.

9. Group Management

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

Remuneration to Group Management

The guidelines for executive remuneration in Atlas Copco are reviewed annually by the Board of Directors and presented to the AGM for approval at least every four years. In 2021, the AGM decided to adopt the Board's proposal. The remuneration shall consist of base salary, variable compensation, possible long-term incentives (personnel options), pension benefits and other benefits. The variable compensation is limited to a maximum percentage of the base salary and is linked to predetermined and measurable criteria which can be financial or non-financial. Non-financial criteria for 2021 has been to reduce the Group's CO_2 emissions. No fees are paid for board memberships in Group companies.

Statement of materiality and significant audiences

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

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

The strategy and fundamentals for growth together with the Group targets presented on pages 5–7 aim at continuously delivering sustainable, profitable growth for the Group. This means an increased economic value creation and, simultaneously, a positive impact on society and the environment, thus creating shared value.

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

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Board of Directors




Name Position, Born	**Hans Stråberg** Chair since 2014, born 1957	**Mats Rahmström** Board member, President and CEO. Born 1965	**Staffan Bohman** Board member, born 1949	**Tina Donikowski** Board member, born 1959
Education	M.Sc. in Mechanical Engineering, Chalmers University of Technology, Gothenburg.	MBA from the Henley Management College, the United Kingdom.	B.Sc. in Economics and Business Administration, Stockholm School of Economics and Stanford Executive Program, United States.	B.Sc. in Industrial Management from Gannon University, United States.
Nationality / Elected	Swedish / 2013	Swedish / 2017	Swedish / 2003	American / 2017
External memberships	Chair of 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 and the Association of Swedish Engineering Industries. Member of The Royal Swedish Academy of Engineering Sciences.	Chair of AB Electrolux, The German-Swedish Chamber of Commerce, and The Research Institute of Industrial Economics. Member of The Royal Swedish Academy of Engineering Sciences.	Board member of Circor International, Inc, TopBuild, Advanced Energy and Eriez Manufacturing Co.
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.	CEO of Sapa AB, Gränges AB and DeLaval AB.	Vice President for Global Locomotive Business, Propulsion Business, Six Sigma Quality Leader, and General Manager Aftermarket Sales and Service, all with GE Transportation.
Attendance				
Board meetings	8 of 8	8 of 8	8 of 8	8 of 8
Annual General Meeting	Yes	Yes	No	No
Independence				
To Atlas Copco and its management	Yes	No [3]	Yes	Yes
To major shareholders	No [4]	Yes	Yes	Yes
Fees and holdings				
Total fees 2021, KSEK [1]	3 002		1 283	804
Holdings in Atlas Copco AB [2]	25 000 class B shares 14 651 synthetic shares	13 087 class A shares 5 000 class B shares 258 427 employee stock options	10 000 class A shares 40 000 class B shares 2 759 synthetic shares	4 234 synthetic shares

Board members appointed by the unions

Benny Larsson

Position: Board member
Born: 1972
Nationality: Swedish
Elected: 2018
Board meetings: 8 of 8

Mikael Bergstedt

Position: Board member
Born: 1960
Nationality: Swedish
Elected: 2004
Board meetings: 8 of 8

REFERENCES:
All educational institutions and companies are based in Sweden, unless otherwise stated.
1) See more information on the calculation of fees in note 5.
2) Holdings as per end 2021, including those of close relatives or legal entities and grant for 2021.
3) President and CEO of Atlas Copco AB.
4) Board member in a company, which is a larger owner (Investor AB).
5) President and CEO of a company, which is a larger owner (Investor AB).
6) Board member of an indirect owner of Atlas Copco AB.
7) Deputy appointed by the union from June 17, 2021.
* Current position.

Board of Directors, continued




Name **Position, Born**	**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.	Member of the Executive Board for the non-profit Hertie-Stiftung GmbH, Frankfurt, Germany, and a Non-Executive Director at Weichai Power Co., Ltd., Weifang, China.	Chair of Knut and Alice Wallenberg Foundation, Wallenberg Foundations AB and The Grand Group AB. Board member of Scania.
Principal work experience and other information	President and CEO of Investor AB*. Managing Director, Head of Core Investments and member of the management group of Investor AB.	Head of Business Area Europe, Executive Vice President, AB Electrolux*. Chief Financial Officer of AB Electrolux. Other senior positions within Electrolux, including 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	8 of 8	8 of 8	8 of 8	8 of 8
Annual General Meeting	No	No	No	No
Independence				
To Atlas Copco and its management	Yes	Yes	Yes	Yes
To major shareholders	No [5]	Yes	Yes	No [6]
Fees and holdings				
Total fees 2021, KSEK [1]	1 023	1 160	815	909
Holdings in Atlas Copco AB [2]	11 000 class B shares, 6 134 synthetic shares	350 class B shares, 795 synthetic shares	1 900 synthetic shares	166 667 class A shares, 6 134 synthetic shares

Board members appointed by the unions

Thomas Nilsson

Position: Deputy to Benny Larsson
Born: 1972
Nationality: Swedish
Elected: 2021
Board meetings: 8 of 8

Helena Hemström

Position: Deputy to Mikael Bergstedt
Born: 1969
Nationality: Swedish
Elected: 2021
Board meetings: 4 of 8 [7]

REFERENCES:
All educational institutions and companies are based in Sweden, unless otherwise stated.
1) See more information on the calculation of fees in note 5.
2) Holdings as per end 2021, including those of close relatives or legal entities and grant for 2021.
3) President and CEO of Atlas Copco AB.
4) Board member in a company, which is a larger owner (Investor AB).
5) President and CEO of a company, which is a larger owner (Investor AB).
6) Board member of an indirect owner of Atlas Copco AB.
7) Deputy appointed by the union from June 17, 2021.
* Current position.

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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

Born: 1965

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

Nationality: Swedish

Employed/In current position since: 1988/2017

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

Holdings in Atlas Copco AB [1]
13 087 class A shares
5 000 class B shares
258 427 employee stock options

Vagner Rego

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

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

Born: 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]
4 318 class A shares
82 946 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

Born: 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 SKF.

Holdings in Atlas Copco AB [1]
4 698 class A shares
53 382 employee stock options

Henrik Elmin

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

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

Born: 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]
4 060 class A shares
93 190 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

Born: 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]
9 100 class A shares
95 270 employee stock options

[1] Holdings as per end 2021 including those held by related natural or legal persons. See note 23 for more information on the option programs and matching shares.

[2] In current position since February 1, 2022.

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

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Group Management, continued

Peter Kinnart

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

Position: Senior Vice President, Chief Financial Officer

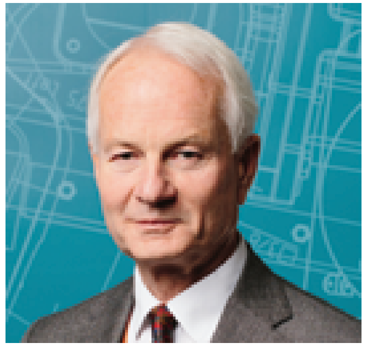
Born: 1969

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]
700 class A shares
44 931 employee stock options



Håkan Osvald

Håkan Osvald has been General Counsel for Atlas Copco North America Inc. and Chicago Pneumatic Tool Company in the United States. He was subsequently appointed Vice President Deputy General Counsel Atlas Copco Group, with a special responsibility for acquisitions. Prior to his current position, he was General Counsel Operations. Since 2012 he is Senior Vice President General Counsel and Secretary of the Board of Directors for Atlas Copco AB.

Position: Senior Vice President, Chief Legal Officer

Born: 1954

Education: Master of Law from Uppsala University.

Nationality: Swedish

Employed/In current position since: 1985/2012

External memberships: Member of the Board of Sweden-China Trade Council and the Board of Djurgården Hockey.

Holdings in Atlas Copco AB [1]
6 989 class A shares
2 600 class B shares
23 203 employee stock options

Cecilia Sandberg

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

Position: Senior Vice President, Chief Human Resources Officer

Born: 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]
2 105 class A shares
30 122 employee stock options

Sara Hägg Liljedal [2]

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

Born: 1980

Education: BA in Journalism from Stockholm University.

Nationality: Swedish

Employed/In current position since: 2018/2022

Holdings in Atlas Copco AB [1]
54 class A shares
55 class B shares
10 525 employee stock options

[1] Holdings as per end 2021, including those held by related natural or legal persons. See note 23 for more information on the option programs and matching shares.

[2] In current position since February 1, 2022.

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

Internal control over financial reporting

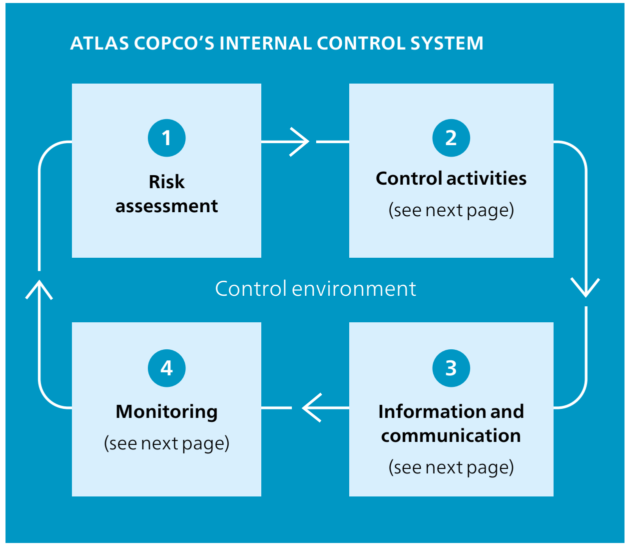
This section includes a description of Atlas Copco's system of internal controls over financial reporting in accordance with the requirements set forth in the Swedish Code of Corporate Governance and as stipulated by the Swedish Companies Act.

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

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

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

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



1 Risk assessment

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

Internal control over financial reporting, continued

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

3 Information and communication

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

4 Monitoring

Examples of monitoring activities for the financial reporting include:

- Management at divisional, business area and Group level regularly reviews the financial information and assess compliance to Group policies.
- The Audit Committee and the Board of Directors regularly review reports on financial performance of the Group, by business area and geography.
- The internal audit process aims to provide independent and objective assurance on internal control. Furthermore, the process aims to serve as a tool for employee professional development and to identify and recommend leading practices within the Group. Internal audits are annually planned or initiated by the Group internal audit function with a risk-based approach. Internal audits are conducted under leadership of Group internal audit staff with audit team members having diverse functional competencies but always with expertise in accounting and controlling. The results of the internal audits undertaken are regularly reported to the Audit Committee and to Group Management.
- A control self-assessment (CSA) is performed primarily to support local unit managers to evaluate the status of their control routines and to address areas for improvement. One of the areas in the CSA is internal control, which includes internal control over financial reporting. Other areas include legal matters, communication and branding, and the Business Code of Practice.
- The Group has an independent misconduct reporting 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 grievance mechanism can be found on page 131.
- In the compliance process, all managers and all employees are requested to sign a statement confirming understanding and compliance to financial policies, the Business Code of Practice and applicable laws and regulations.

Financial statements and notes

MSEK unless otherwise stated

Consolidated income statement

For the year ended December 31 Amounts in MSEK	Note	2021	2020
Revenues	4	110 912	99 787
Cost of sales		–64 383	–58 607
Gross profit		**46 529**	**41 180**
Marketing expenses		–12 178	–11 334
Administrative expenses		–7 283	–6 493
Research and development expenses		–4 125	–3 762
Other operating income	7	781	270
Other operating expenses	7	–201	–748
Share of profit in associated companies and joint ventures	14	36	33
Operating profit	4, 5, 6, 16	**23 559**	**19 146**
Financial income	8	243	161
Financial expenses	8	–392	–482
Net financial items		**–149**	**–321**
Profit before tax		**23 410**	**18 825**
Income tax expense	9	–5 276	–4 042
Profit for the year		**18 134**	**14 783**
Profit attributable to:			
– owners of the parent		18 130	14 779
– non-controlling interests		4	4
Basic earnings per share, SEK	11	14.89	12.16
Diluted earnings per share, SEK	11	14.85	12.14

Consolidated statement of comprehensive income

For the year ended December 31 Amounts in MSEK	Note	2021	2020
Profit for the year		**18 134**	**14 783**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit plans		808	93
Income tax relating to items that will not be reclassified		–160	–19
		648	**74**
Items that may be reclassified subsequently to profit or loss			
Translation differences:			
– on foreign operations		4 571	–6 398
Hedge of net investments in foreign operations		–342	673
Cash flow hedges		–102	27
Income tax relating to items that may be reclassified		116	–211
		4 243	**–5 909**
Other comprehensive income for the year, net of tax	10	**4 891**	**–5 835**
Total comprehensive income for the year		**23 025**	**8 948**
Total comprehensive income attributable to:			
– owners of the parent		23 018	8 963
– non-controlling interests		7	–15

Consolidated balance sheet

Amounts in MSEK	Note	Dec. 31, 2021	Dec. 31, 2020
ASSETS			
Non-current assets			
Intangible assets	12	50 348	45 840
Rental equipment	13	2 342	2 241
Other property, plant and equipment	13	8 991	7 889
Right-of-use assets	22	3 244	3 261
Investments in associated companies and joint ventures	14	931	931
Other financial assets	15	965	673
Other receivables		66	102
Deferred tax assets	9	1 790	1 484
Total non-current assets		**68 677**	**62 421**
Current assets			
Inventories	16	17 801	13 450
Trade receivables	17	21 954	18 801
Income tax receivables		990	969
Other receivables	18	7 419	6 007
Other financial assets	15	847	58
Cash and cash equivalents	19	18 990	11 655
Assets classified as held for sale	3	5	5
Total current assets		**68 006**	**50 945**
TOTAL ASSETS		**136 683**	**113 366**

Amounts in MSEK	Note	Dec. 31, 2021	Dec. 31, 2020
EQUITY	Page 64		
Share capital		786	786
Other paid-in capital		8 557	7 855
Reserves		7 208	2 913
Retained earnings		51 082	41 661
Total equity attributable to owners of the parent		**67 633**	**53 215**
Non-controlling interests		1	319
TOTAL EQUITY		**67 634**	**53 534**
LIABILITIES			
Non-current liabilities			
Borrowings	21	20 893	21 669
Post-employment benefits	23	3 114	3 488
Other liabilities		328	278
Provisions	25	1 686	1 195
Deferred tax liabilities	9	2 225	1 736
Total non-current liabilities		**28 246**	**28 366**
Current liabilities			
Borrowings	21	3 981	2 977
Trade payables		15 159	11 202
Income tax liabilities		1 893	1 367
Other liabilities	24	18 144	13 987
Provisions	25	1 626	1 933
Total current liabilities		**40 803**	**31 466**
TOTAL EQUITY AND LIABILITIES		**136 683**	**113 366**

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

Consolidated statement of changes in equity

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

2020	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	7 622	40	8 764	36 019	53 231	59	53 290
Profit for the year					14 779	14 779	4	14 783
Other comprehensive income for the year			19	–5 910	75	–5 816	–19	–5 835
Total comprehensive income for the year			**19**	**–5 910**	**14 854**	**8 963**	**–15**	**8 948**
Dividend					–8 506	–8 506		–8 506
Acquisition of series A shares					–1 097	–1 097		–1 097
Divestment of series A shares		230			590	820		820
Divestment of series B shares		3			–	3		3
Change of non-controlling interests					–157	–157	275	118
Share-based payment, equity settled:								
– expense during the year					158	158		158
– exercise option					–200	–200		–200
Closing balance, Dec. 31	**786**	**7 855**	**59**	**2 854**	**41 661**	**53 215**	**319**	**53 534**

Consolidated statement of cash flows

For the year ended December 31 Amounts in MSEK	Note	2021	2020
Cash flows from operating activities			
Operating profit		23 559	19 146
Adjustments for:			
Depreciation, amortization and impairment	12, 13, 22	5 466	5 189
Capital gain/loss and other non-cash items		–73	746
Operating cash surplus		**28 952**	**25 081**
Net financial items received/paid		459	244
Taxes paid		–5 211	–4 531
Pension funding and payment of pension to employees		–330	–340
Cash flow before change in working capital		**23 870**	**20 454**
Change in:			
Inventories		–3 381	535
Operating receivables		–2 786	1 208
Operating liabilities		5 923	423
Change in working capital		**–244**	**2 166**
Increase in rental equipment		–510	–486
Sale of rental equipment		36	70
Net cash from operating activities		**23 152**	**22 204**

For the year ended December 31 Amounts in MSEK	Note	2021	2020
Cash flows from investing activities			
Investments in other property, plant and equipment	13	–1 970	–1 459
Sale of other property, plant and equipment		93	39
Investments in intangible assets	12	–1 389	–1 337
Acquisition of subsidiaries	2	–2 334	–13 583
Divestment of subsidiaries	3	–7	–
Investment in other financial assets, net		–514	54
Net cash from investing activities		**–6 121**	**–16 286**
Cash flows from financing activities			
Ordinary dividend		–8 889	–8 506
Acquisition of non-controlling interest		–823	–216
Repurchase of own shares		–416	–1 097
Divestment of own shares		1 450	823
Borrowings		1 471	2 407
Repayment of borrowings		–1 522	–729
Settlement of CSA [1]		–440	–79
Payment of lease liabilities	22	–1 154	–1 155
Net cash from financing activities		**–10 323**	**–8 552**
Net cash flow for the year		**6 708**	**–2 634**
Cash and cash equivalents, Jan. 1		11 655	15 005
Net cash flow for the year		6 708	–2 634
Exchange-rate difference in cash and cash equivalents		627	–716
Cash and cash equivalents, Dec. 31	19	**18 990**	**11 655**

[1] Credit Support Annex, see note 27.

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1. Significant accounting principles, critical accounting estimates and judgements

SIGNIFICANT ACCOUNTING PRINCIPLES

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

Basis of preparation

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

The accounting principles set out below have been consistently applied to all periods presented, unless otherwise stated, and for all entities included in the consolidated financial statements. The annual report for the Group and for Atlas Copco AB, including financial statements, was approved for issuance on March 2, 2022. The balance sheets and income statements are subject to approval by the Annual General Meeting of the shareholders on April 26, 2022.

Basis of consolidation

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

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

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

Business combinations

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

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree (if any) over the net of acquisition-date fair value amounts of the identifiable assets acquired and liabilities assumed.

Non-controlling interest is initially measured either

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

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

Associated companies and joint ventures

An associate is an entity in which the Group has significant influence, but not control, over financial and operating policies. When the Group holds 20–50% of the voting power, it is presumed that significant influence exists, unless otherwise demonstrated. A joint venture is an entity over which the Group has joint control, through contractual agreements with one or more parties. Investments in associated companies and joint ventures are reported according to the equity method. This means that the carrying value of interests in an associate or joint venture corresponds to the Group's share of reported equity of the associate or joint venture, plus any goodwill, and any other remaining fair value adjustments recognized at acquisition date.

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

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

Functional currency and foreign currency translation

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

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

Receivables and liabilities and other monetary items denominated in foreign currencies are translated using the foreign exchange rate at the balance sheet date. The exchange rate gains and losses related to receivables and payables and other operating receivables and liabilities are included in "Other operating income and expenses" and foreign exchange rate gains and losses attributable to other financial assets and liabilities are included in "Financial income and expenses". Exchange rate differences on translation to functional currency are reported in "Other comprehensive income" in the following cases:

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

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

Segment reporting

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

Revenue recognition

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

Goods sold

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

When the goods sold are highly customized and an enforceable right to payment is present, revenue is recognized over time using the proportion of cost incurred to date compared to estimated total cost to measure the progress towards complete satisfaction of that performance obligation and thereby transferring the control of the good to the customer.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Earnings per share
Basic earnings per share are calculated based on the profit for the year attributable to owners of the parent and the basic weighted average number of shares outstanding. Diluted earnings per share are calculated based on the profit for the year attributable to owners of the parent and the diluted weighted average number of shares outstanding. Dilutive effects arise from stock options that are settled in shares, or that at the employees' choice can be settled in shares or cash in the share-based incentive programs.

Stock options have a dilutive effect when the average share price during the period exceeds the exercise price of the options. When calculating the dilutive effect, the exercise price is adjusted by the value of future services related to the options. If options for which employees can choose settlement in shares or cash are dilutive, the profit for the year is adjusted for the difference between cash-settled and equity-settled treatment of options and the more dilutive of cash settlement and share settlement is used in calculating earnings per share. See note 11 for more details.

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

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

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

The expenditure capitalized includes the cost of materials, direct labor, and other costs directly attributable to the project. Capitalized development expenditure is carried at cost less accumulated amortization and impairment losses. Amortization related to research and development expenditure for

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2021 amounted to 1 028 (975). This has been reported as part of research and development costs in the income statement since the Group follows up on the research and development function as a whole.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Impairment of non-financial assets
The carrying values of the Group's non-financial assets are reviewed at least at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the Group estimates the recoverable amount of the asset. An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit (CGU) exceeds its recoverable amount (i.e. the greater of fair value less costs to sell and value in use). In assessing the value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of assessing impairment, assets are grouped in CGUs, which are the smallest identifiable groups of assets that generate cash inflows that are largely independent of the cash inflows from other assets or group of assets. Impairment losses are recognized in profit or loss. An impairment loss related to goodwill is not reversed. In respect of other assets, impairment losses in prior periods are reviewed for possible reversal of the impairment at each reporting date.

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

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Parent company

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Equity

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

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

Supply chain financing

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

Provisions

Provisions are recognized:

- when the Group has a legal or constructive obligation as a result of a past event,
- it is probable that the Group will have to settle the obligation, and
- the amount of the obligation can be estimated reliably.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date.

If the effect of the time value of money is material, the provision is determined by discounting the expected future cash flows of estimated expenditures.

Provisions for product warranties are recognized as cost of sales at the time the products are sold based on the estimated cost using historical data for level of repairs and replacements.

A restructuring provision is recognized when the Group has approved a detailed and formal restructuring plan and the restructuring has either commenced or been announced publicly.

Present obligations arising under onerous contracts are recognized as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Before a provision is established, the Group recognizes any impairment loss on the asset associated with the contract. For details on provisions see note 25.

Post-employment benefits

Post-employment benefit plans are classified either as defined contribution or defined benefit plans. Under a defined contribution plan, the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts if the fund does not hold sufficient assets to pay all employee benefits. Contributions to defined contributions plans are expensed when employees provide services entitling them to the contribution.

Other post-employment benefit plans are defined benefit plans and it is the Group's obligation to provide agreed benefits to current and former employees. The net obligation of defined benefit plans is calculated by estimating the amount of future benefits that employees have earned in return for their services in current and prior periods. The amount is discounted to determine its present value and the fair values of any plan assets are deducted. Funded plans with net assets, i.e. plans with assets exceeding the commitments, are reported as financial non-current assets.

The cost for defined benefit plans is calculated using the Projected Unit Credit Method, which distributes the cost over the employee's service period. The calculation is performed annually by independent actuaries using actuarial assumptions such as employee turnover, mortality, future increase in salaries and medical cost. Changes in actuarial assumptions, experience adjustments of obligations and changes in fair value of plan assets result in remeasurements and are recognized in "Other comprehensive income". Each quarter a remeasurement is performed to adjust the present value of pension liabilities and the fair value of pension assets against "Other comprehensive income". Net interest on defined benefit obligations and plan assets is reported as "Interest income" or "Interest expense". See note 23 for additional information.

Share-based compensation

The Group has share-based incentive programs, consisting of share options and share appreciation rights, which have been offered to certain employees based on position and performance. Additionally, the Board is offered synthetic shares.

The fair value of share options that can only be settled in shares (equity-settled) is recognized as an employee expense with a corresponding increase in equity. The fair value, measured at grant date using the Black-Scholes formula, is recognized as an expense over the vesting period. The amount recognized as an expense is adjusted to reflect the actual number of share options that vest.

The fair value of the share appreciation rights, synthetic shares, and options with a choice for employees to settle in shares or cash is recognized in accordance with principles for cash-settled share-based payments. The value is recognized as an employee expense with a corresponding increase in liabilities. The fair value, measured at grant date and remeasured at each reporting date using the Black-Scholes formula, is accrued and recognized as an expense over the vesting period. Changes in fair value are, during the vesting period and after the vesting period until settlement, recognized in profit or loss as an employee expense. The accumulated expense recognized equals the cash amount paid at settlement.

Social security charges are paid in cash and are accounted for in consistence with the principles for cash-settled share-based payments, regardless of whether they are related to equity- or cash-settled share-based payments. See note 23 for details.

Financial assets and liabilities – financial instruments

Recognition and derecognition

Financial assets and liabilities are recognized when the Group becomes a party to the contractual provision of the instrument. Transactions of financial assets are accounted for at trade date, which is the day when the Group contractually commits to acquire or dispose of the assets. Trade receivables are recognized on issuance of invoices. Liabilities are recognized when the other party has performed and there is a contractual obligation to pay. Derecognition, fully or partially, of a financial asset occurs when the rights in the contract have been realized or matured, or when the Group no longer has control over it. A financial liability is derecognized, fully or partially, when the obligation specified in the contract is discharged or otherwise expires. A financial asset and a financial liability are offset and the net amount presented in the balance sheet when there is a legal right to offset the recognized amounts and there is an intention to either settle on a net basis or to realize the asset and settle the liability simultaneously.

Gains and losses from derecognition and modifications are recognized in profit or loss.

Measurement of financial instruments

Financial instruments are classified at initial recognition. The classification decides the measurement of the instruments.

Classification and measurement of financial assets

Equity instruments: are classified at fair value through profit or loss (FVTPL).

Derivative instruments: are classified at FVTPL, unless they are classified as a hedging instrument and the effective part of the hedge is recognized in "Other comprehensive income".

Debt instruments: the classification of financial assets that are debt instruments, including hybrid contracts, is based on the Group's business model for managing the assets and the asset's contractual cash flow characteristics. The instruments are classified at:

- amortized cost,
- fair value through "Other comprehensive income" (FVOCI), or
- fair value through profit or loss (FVTPL).

Financial assets at amortized cost are at initial recognition measured at fair value including transaction costs. After initial recognition, they are measured at amortized cost using the effective interest rate method. Assets classified at amortized cost are held under the business model of collecting the contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The assets are subject to a loss allowance for expected credit losses.

Fair value through "Other comprehensive income" (FVOCI) are assets held under the business model of both selling and collecting the contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial instruments in this category are recognized at fair value at initial recognition and changes in fair value are recognized in "Other comprehensive income" (OCI) until derecognition, when the amounts in OCI are reclassified to profit or loss. The assets are subject to a loss allowance for expected credit losses.

Fair value through profit or loss (FVTPL) are all other debt instruments that are not measured at amortized cost or FVOCI. Financial instruments in this category are recognized at fair value at initial recognition and changes in fair value are recognized in profit or loss.

Classification and measurement of financial liabilities

Financial liabilities are classified at amortized cost, except derivatives. Financial liabilities at amortized cost are at initial recognition measured at fair value including transaction costs. After initial recognition, they are measured at the effective interest rate method.

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Derivatives are classified at FVTPL, unless they are classified as a hedging instrument and the effective part of the hedge is recognized in "Other comprehensive income".

Fair value for financial assets and financial liabilities is determined in the manner described in note 27.

Impairment of financial assets

Financial assets, except those classified at fair value through profit and loss (FVTPL), are subject to impairment for expected credit losses. In addition, the impairment model applies to contract assets, loan commitments and financial guarantees that are not measured at FVTPL. The IFRS 9 expected credit loss (ECL) model is forward looking and a loss allowance is recognized when there is an exposure to credit risk, usually at first recognition of an asset or receivable. The ECL reflects the present value of all cash shortfalls related to default events either over the following 12 months or over the expected life of a financial instrument, depending on the type of asset and on the credit deterioration from inception. The ECL reflects an unbiased, probability-weighted outcome that considers multiple scenarios based on reasonable and supportable forecasts.

The simplified model is applied on trade receivables, lease receivables, contract assets and certain other financial receivables. A loss allowance is recognized over the expected lifetime of the receivable or asset. For other items subject to ECL, the impairment model with a three-stage approach is applied. Initially, and at each reporting date, a loss allowance will be recognized for the following 12 months, or a shorter time period depending on the time to maturity (stage 1). If it has been a significant increase in credit risk since origination, a loss allowance will be recognized for the remaining lifetime of the asset (stage 2). For assets that are considered as credit impaired, allowance for credit losses will continue to capture the lifetime expected credit losses (stage 3). For credit impaired receivables and assets, the interest revenue is calculated based on the carrying amount of the asset, net of the loss allowance, rather than its gross carrying amount as in previous stages.

In the respective model applied, the measurement of ECL is based on different methods for different credit risk exposures. For trade receivables, contract assets and certain other financial receivables, the method is based on historical loss rates in combination with forward looking considerations. Lease receivables, certain other financial receivables and cash and cash equivalent are impaired by a rating method, where ECL is measured by the product of the probability of default, loss given default, and exposure at default. Both external credit agencies rating and internally developed rating methods are applied.

The measurement of ECL considers potential collaterals and other credit enhancements in the form of guarantees.

The financial assets are presented in the financial statements at amortized cost, i.e. net of gross carrying amount and the loss allowance. Changes in the loss allowance is recognized in profit or loss, as impairment losses within the line cost of sales.

Derivatives and hedge accounting

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently measured at fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item hedged. Changes in fair value for derivatives that do not fulfill the criteria for hedge accounting are recognized as operating or financial transactions based on the purpose of the use of the derivative. Interest payments for interest rate swaps are recognized as interest income or expense, whereas changes in fair value of future payments are presented as gains or losses from financial instruments. IFRS 9 Hedge accounting is applied. In order to qualify for hedge accounting the hedging relationship must be:

- formally identified and designated,
- expected to fulfil the effectiveness requirements, and
- documented.

The Group assesses, evaluates, and documents effectiveness both at hedge inception and on an ongoing basis. Hedge effectiveness is assessed by an analysis of the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk must not dominate the value changes' that result from that economic relationship. Further, the hedge ratio, as defined in the Group´s risk management strategy, must be the same in the hedging relationship as in the actually hedge performed.

Cash flow hedges: Changes in the fair value of the hedging instrument are recognized in "Other comprehensive income" to the extent that the hedge is effective and the accumulated changes in fair value are recognized as a separate component in equity. Gains or losses relating to the ineffective part of hedges are recognized immediately in profit or loss.

The amount recognized in equity through "Other comprehensive income" is reversed to profit or loss in the same period in which the hedged item affects profit or loss. When the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the amount previously recognized in other comprehensive income and accumulated in equity is transferred from equity and included in the initial measurement of the cost of the non-financial asset or liability. The Group uses foreign currency forwards to hedge part of the future cash flows from forecasted transactions in foreign currencies. Interest rate swaps can also be used as cash flow hedges for hedging interest on borrowings with variable interest.

Hedge of net investments in foreign operations: The Group hedges a substantial part of net investments in foreign operations. Changes in the value of the hedge instrument relating to the effective portion of the hedge are recognized in "Other comprehensive income" and accumulated in equity. Gains or losses relating to the ineffective portion are recognized immediately in profit or loss. On divestment of foreign operations, the gain or loss accumulated in equity is recycled through profit or loss, increasing or decreasing the profit or loss on the divestment. The Group uses loans and forward contracts as hedging instruments.

Accounting for discontinuation of hedges: Hedge accounting may not be voluntarily discontinued. Hedge accounting is discontinued:

- when the hedging instrument expires or is sold, terminated, or exercised,
- when there is no longer an economic relationship between the hedged item and the hedging instrument or the effect of credit risk dominates the value changes that result from the economic relationship, or
- when the hedge accounting no longer meets the risk management objectives.

For cash flow hedges, any gain or loss recognized in "Other comprehensive income" and accumulated in equity at the time of hedge discontinuation remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss. For net investment hedges, any gain and loss recognized in "Other comprehensive income" and accumulated in equity at the time of hedge discontinuation remains in equity until divestment of foreign operations, when the gain or loss accumulated in equity is recycled through profit or loss.

Assets held for sale

Assets are classified as held for sale if their value, within one year, will be recovered through a sale and not through continued use in the operations. On the reclassification date, assets and liabilities are measured at the lower of fair value less selling expenses and the carrying amount. Gains and losses recognized on remeasurement and disposal are reported in profit or loss. In the balance sheet assets held for sale and associated liabilities are reported separately, the comparative period is not affected.

Contingent liabilities

A contingent liability is a possible obligation or a present obligation that arises from past events that is not reported as a liability or provision, due either to that it is not probable that an outflow of resources will be required to settle the obligation or that a sufficiently reliable calculation of the amount cannot be made.

New or amended accounting standards in 2021

The following new or amended IFRS standards have been applied by the Group from 2021, with none, or no material impact on the Group.

Leases Covid-19 Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)

The amendment provided relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that made this election accounted for any change in lease payments resulting from Covid-19 related rent concession in the same way as it would account for the change under IFRS 16 if the change was not a lease modification. The IASB extended the period of application of the practical expedient to June 30, 2022.

Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The amendments to IFRS 9 introduce a practical expedient if a modification of contractual cash flows of a financial asset or a financial liability is necessary as a direct consequence of the IBOR reform and occurs on an "economically equivalent" basis. In those cases, changes will be accounted for by updating the effective interest rate. The amendments to IFRS 16 introduce a similar practical expedient when accounting for lease modifications required by the IBOR reform. The practical expedient allows a remeasurement of the lease liability by using the revised discount rate. The amount of the remeasurement is recognized as an adjustment to the right-of-use asset.

Configuration or Customization Costs in a Cloud Computing Arrangement (IAS 38)

In April 2021, International Financial Reporting Interpretations Committee (IFRS IC) published an agenda decision on accounting for cloud computing costs. The new guidance addresses configuration and customization costs on a supplier's application in a cloud arrangement. The agenda decision should be

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applied retrospectively and implies that depending on facts and circumstances, some costs should be recognized as operating expenses when the work is performed. The new guidance is not expected to have any significant effect on the Group.

New or amended accounting standards effective after 2021

The following standards, interpretations, and amendments have been issued but were not effective as of December 31, 2021 and in some cases had not been adopted by the EU. The Group has not applied the new standards, interpretations or amendments. The current assessment is that these amendments will have none or no material effect on the Group.

Reference to the Conceptual Framework (Amendment to IFRS 3)
The amendments mainly relate to updated references in IFRS 3 as a consequence of previous amendments in the Conceptual Framework. Further, a new exception is introduced for obligations and contingent liabilities within the scope of IAS 37 and IFRIC 21. Finally, the amendment adds an explicit statement that an acquirer should not recognize any contingent assets acquired in a business combination. The amendments are effective for business combinations for which the date of acquisition is on or after January 1, 2022.

Proceeds before Intended Use (Amendment to IAS 16)
The amendments clarify that any proceeds from selling items produced before the property, plant and equipment is available for use, shall not be deducted from the cost of that property, plant and equipment. Consequently, an entity recognizes such sales proceeds and related costs in profit or loss. The amendments also clarify the meaning of 'testing whether an asset is functioning properly' and that IAS 2 Inventories is applicable for measuring those costs to proceed. The amendments are effective for annual periods beginning on or after January 1, 2022.

Onerous Contracts—Cost of Fulfilling a Contract (Amendment to IAS 37)
The amendments specify that the 'cost of fulfilling' a contract comprises both incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling that contract. The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. The amendments are effective for annual periods beginning on or after January 1, 2022.

Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41)
The amendments to IFRS 9 clarify which liabilities that shall be included in applying the '10 per cent test' to assess whether to derecognize a financial liability.

The amendments to illustrative example 13 accompanying IFRS 16 remove the text related to reimbursement of leasehold improvements. The other Annual Improvements related to IFRS 1 and IAS 41 are not impacting the Group. The amendments are effective for annual periods beginning on or after January 1, 2022.

IFRS 17 Insurance Contracts
IFRS 17 establishes the principles for the recognition, measurement, presentation, and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts. Some contracts that have not been within the scope of IFRS 4, may be applicable within the scope of IFRS 17 and therefore the Group is investigating the possible effects of IFRS 17. The Group has a wholly owned captive. Intra-group transactions are eliminated upon consolidation. The reinsurance contracts that the captive holds with the third-party reinsurer are not reinsurance contracts according to the definition within IFRS 17, instead the Group is the policyholder in that relationship. Hence, the contracts are not in scope of IFRS 17. IFRS 17 also outlines that some fixed fee service contracts can meet the definition of insurance contracts. If specified conditions are met, the Group however can choose to apply IFRS 15 instead of IFRS 17 to such contracts that it issues. IFRS 17 is effective for annual reporting periods beginning on or after January 1, 2023. The Group's current estimate is that IFRS 17 will have no material effect. The Group is still assessing the effect of IFRS 17 and will continue to assess the effect during 2022.

Classification of Liabilities as Current or Noncurrent (Amendment to IAS 1)
The amendments to IAS 1 affect the presentation of liabilities as current or non-current in the statement of financial position. The classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. The classification is unaffected by expectations about whether an entity will or will not exercise its right to defer settlement of a liability. The amendments are applied retrospectively for annual periods beginning on or after January 1, 2023.

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
The amendments change the requirements in IAS 1 regarding disclosure of accounting policies. The amendments replace the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IAS 1 also clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. Further, the guidance and examples have been developed to explain and demonstrate the application of the materiality criteria on disclosures of accounting policy information described in IFRS Practice Statement 2. The amendments to IAS 1 are effective for annual periods beginning on or after January 1, 2023. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements.

Definition of Accounting Estimates (Amendment to IAS 8)
The amendments to IAS 8 include a change to the definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The definition of a change in accounting estimates was deleted and the concept of changes in accounting estimates in the Standard has been clarified. The amendments are effective for annual periods beginning on or after January 1, 2023.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendment to IAS 12)
The amendments introduce an exception from the initial recognition of deferred tax for a transaction that gives rise to an asset or liability, if certain criteria are met. The amendments clarify that the exception is not applicable for transactions that give rise to equal taxable and deductible temporary differences. This may for example arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease. Another example may be provisions for estimated future costs of dismantling, removal and restoration, recognized as part of Property, plant and equipment. The amendments are applied retrospectively for annual periods beginning on or after January 1, 2023.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial reports requires management's judgement and the use of estimates and assumptions that affects the amounts reported in the consolidated financial statements. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the prevailing circumstances. Actual result may differ from those estimates. The estimates and assumptions are reviewed on an on-going basis. Changes in accounting estimates are recognized in the period which they are revised in and in any future periods affected.

The estimates and the judgements which, in the opinion of management, are significant to the underlying amounts included in the financial reports and for which there is a significant risk that future events or new information could entail a change in those estimates or judgements are as follows:

Revenue recognition
Key sources of estimation uncertainty
Revenue for services and for highly customized goods where an enforceable right of payment is present is recognized over time in profit or loss by reference to the progress towards satisfaction of the performance obligation at the balance sheet date. The progress towards satisfaction is determined by the proportion of cost incurred to date compared to the estimated total cost of each performance obligation. There is always an uncertainty if the total estimated expenditure is correctly calculated, and if the expenditure incurred reflects accurately the actual costs incurred, which means that there is uncertainty in the estimates of the degree of completion of the work performed. Management has assessed this method of determining the progress towards satisfaction of the performance obligation as most suitable as it reflects the progression of work performed, and the enforceable right of payment from the customer as the costs are incurred on the performance obligations.

Revenue for goods sold is recognized in profit or loss at one point in time when control of the good has been transferred to the customer.

Accounting judgement
Management's judgement is used, for instance, when assessing:
- the degree of progress towards satisfaction of the performance obligations and the estimated total costs for such contracts when revenue is recognized over time, to determine the revenue and cost to be recognized in the current period, and whether any losses need to be recognized,

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- 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.

Impairment of goodwill, other intangible assets and other long-lived assets

Key sources of estimation uncertainty

Goodwill and certain trademarks are not amortized but are subject to annual tests for impairment. Other intangible assets and other long-lived assets are amortized or depreciated based on management's estimates of the period that the assets will generate revenue but are also reviewed regularly for indications of impairment.

The impairment tests are based on a review of the recoverable amount, which is estimated based on management's projections of future cash flows using internal business plans and forecasts.

Accounting judgement

Asset impairment requires management's judgement, particularly in assessing:

- whether an event has occurred that may affect asset values,
- whether the carrying value of an asset can be supported by the net present value of future cash flows, which are estimated based upon the continued use of the asset in the business,
- the appropriate assumptions to be applied in preparing cash flow projections, and
- the discounting of these cash flows.

Changing the assumptions selected by management to determine the level, if any, of impairment could affect the financial position and results of operation. See note 12.

Deferred taxes

Key sources of estimation uncertainty

Deferred tax assets are recognized for temporary differences between the carrying amounts for financial reporting purposes of assets and liabilities and the amounts used for taxation purposes and for tax loss carry-forwards. The Group recognizes deferred tax assets based upon management's estimates of future taxable profit in different tax jurisdictions. The actual results may differ from these estimates, due to change in the business climate and change in tax legislation. See note 9.

Inventory

Accounting judgement

The Group values inventory at the lower of historical cost, based on the first-in, first-out basis, and net realizable value. The calculation of net realizable value involves management's judgement on the estimated sales prices, over-stock articles, outdated articles, damaged goods, and selling costs. If the estimated net realizable value is lower than cost, a valuation allowance is established for inventory obsolescence. See note 16 for additional information.

Leases

Key sources of estimation uncertainty

When the Group cannot readily determine the interest rate implicit in the lease, it uses incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over similar terms which requires estimations when no observable rates are available. The Group estimates the IBR by using market interest rates and adjusting with entity specific estimates such as currency and country risk.

Accounting judgement

The Group has several lease contracts that include extension options. The Group applies judgement in evaluating the lease term, it considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. For leases of premises, the following factors are normally the most relevant:

- if any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend.
- otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The renewal periods for leases of offices and warehouse premises with extension options exceeding 10 to 15 years are not included as part of the lease term as these are not reasonably certain to be exercised. In addition, renewal options for leases of motor vehicles are not part of the lease term because the Group typically leases motor vehicles for not more than three to five years and, hence, is not exercising any renewal options.

After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise the option to renew. Refer to note 22 for information on potential future rental payments relating to extension options that are not included in the lease term.

Trade and financial receivable

Key sources of estimation uncertainty:

The Group measure the expected credit losses on financial assets classified at amortized cost including trade and financial receivables, lease receivables and contract assets. The expected credit losses for trade receivables and contract assets are an assessment of specific loss provisions corresponding to individually significant exposures as well as historical loss rates in combination with forward looking considerations. The expected credit losses for lease receivables and financial receivables are an assessment that reflects an unbiased, probability-weighted outcome based on reasonable and supportable forecasts.

Accounting judgement:

Management's judgement considers rapidly changing market conditions. An overlay control is performed to ensure that an adequate loss allowance is recognized. Additional information is included in section "Credit risk" in note 27.

Pension and other post-employment benefit valuation assumptions

Key sources of estimation uncertainty

Pensions and other post-employment obligations are dependent on the assumptions established by management and used by actuaries in calculating such amounts. The key assumptions include discount rates, inflation, future salary increases, mortality rates, and healthcare-cost trend rates. The actuarial assumptions are reviewed on an annual basis and are changed when it is deemed appropriate.

See note 23 for additional information regarding assumptions used in the calculation of pension and post-employment obligations.

Legal proceedings and tax claims

Accounting judgement

Atlas Copco recognizes a liability when the Group has an obligation from a past event involving the transfer of economic benefits and when a reasonable estimate can be made of what the transfer might be. The Group reviews outstanding legal cases regularly in order to assess the need for provisions in the financial statements. These reviews consider the factors of the specific case by internal legal counsel and through the use of outside legal counsel and advisors when necessary. The financial statements may be affected to the extent that management's assessments of the factors considered are not consistent with the actual outcome.

Additionally, the legal entities of the Group are frequently subject to audits by tax authorities in accordance with standard practice in the countries where the Group operates. In instances where the tax authorities have a different view on how to interpret the tax legislation, the Group makes estimates as to the likelihood of the outcome of the dispute, as well as estimates of potential claims. The actual results may differ from these estimates.

Warranty provisions

Key sources of estimation uncertainty

Provisions for product warranties should cover future commitments for the sales volumes already realized. Warranty provisions are complex accounting estimates due to the variety of variables which are included in the calculations. The calculation methods are based on the type of products sold and historical data for level of repairs and replacements. The underlying estimates for calculating the provision are reviewed at least quarterly as well as when new products are introduced or when other changes occur which may affect the calculation. See note 25.

Acquisitions

Key sources of estimation uncertainty

The Group performs purchase price allocations related to business combinations. Purchase prices are allocated to the underlying acquired assets and liabilities based on their estimated fair value at the time of the acquisition. Fair value is commonly based on valuation models. The valuation methods rely on various assumptions, such as estimated future cash flows, remaining economic useful life etc. The determination of the fair value requires the Group to apply assumptions and estimates. These can vary from the actual outcomes. See note 2.

2. Acquisitions

The following summarizes the acquisitions during 2021 and 2020:

Acquisition date		Country	Business area	Revenues [1]	Number of employees [1]
2021 Dec. 10	Provac Limited	Ireland	Vacuum Technique	[2]	11
2021 Nov. 9	S.T.E.R.I. srl (STERI)	Italy	Compressor Technique	[2]	19
2021 Oct. 19	Eugen Theis GmbH	Germany	Vacuum Technique	[2]	4
2021 Sep. 28	AEP	France	Compressor Technique	[2]	8
2021 Aug. 31	NATEV GmbH	Germany	Industrial Technique	5	10
2021 Aug. 5	CPC Pumps International Inc.	Canada	Compressor Technique	385	110
2021 Jun. 24	Airflow Compressors & Pneumatics Ltd (Airflow)	United Kingdom	Compressor Technique	[2]	16
2021 Jun. 14	Compressed Air Systems, Inc. (CAS)	U.S.A.	Compressor Technique	[2]	30
2021 May 31	ARPUMA regel- und fördertechnische Geräte GmbH	Germany	Vacuum Technique	41	14
2021 May 25	Medigas Service & Testing Co. Inc.	U.S.A.	Compressor Technique	23	6
2021 May 10	MidState Air Compressor	U.S.A.	Compressor Technique	[2]	15
2021 May 3	Eco Steam and Heating Solutions	Netherlands	Power Technique	198	23
2021 Apr. 7	IBVC Vacuum, S.L.U.	Spain	Vacuum Technique	[2]	10
2021 Mar. 3	Cooper Freer Ltd	United Kingdom	Compressor Technique	[2]	18
2021 Jan. 26	DGM SRL	Italy	Compressor Technique	[2]	21
2021 Jan. 7	Ehrler & Beck GmbH	Germany	Vacuum Technique	[2]	15
2021 Jan. 5	Kawalek Kompressoren	Germany	Compressor Technique	[2]	10
2020 Dec. 31	Purification Solutions LLC	U.S.A. etc.	Compressor Technique	242	60
2020 Dec. 21	Perceptron	U.S.A. etc.	Industrial Technique	516	300
2020 Sep. 2	MEDGAS-Technik GmbH	Germany etc.	Compressor Technique	126	80
2020 Aug. 4	iTrap (the technology and operating assets)	Germany	Vacuum Technique	[2]	4
2020 Aug. 4	THN Druckluft and Produktions GmbH & Co. KG	Germany	Compressor Technique	[2]	15
2020 Jun. 24	ISRA VISION AG	Germany etc.	Industrial Technique	1 619	800
2020 Jun. 5	Ovity Air Comprimé	France	Compressor Technique	[2]	8
2020 Feb. 28	Dekker Vacuum Technologies, Inc.	U.S.A.	Vacuum Technique	217	70
2020 Feb. 27	Dr. Gustav Gail Druckluftechnik GmbH	Germany	Compressor Technique	[2]	10
2020 Jan. 22	M.C. Schroeder Equipment Co., Inc.	U.S.A.	Vacuum Technique	[2]	8
2020 Jan. 16	Hydra Flow West	U.S.A.	Compressor Technique	[2]	7
2020 Jan. 3	Scheugenpflug AG	Germany etc.	Industrial Technique	850	600

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

With exception of the acquisition of Eco Steam and Heating Solutions in 2021 and of ISRA VISION (92.19% of shares acquired) in 2020, 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 remaining shares of ISRA VISION was acquired in 2021, see note 20. The Group received control over the operations upon the date of closing the acquisition. In the case of Eco Steam and Heating Solutions, the majority of the shares were acquired, and the terms of the transaction provide Atlas Copco a present ownership interest in the remaining shares. Non-controlling interest has therefore not been recognized. No equity instruments have been issued in connection with the acquisitions. All acquisitions have been accounted for using the acquisition method.

The amounts presented in the following tables detail the recognized amounts aggregated by business area, as the relative amounts of the individual acquisitions are not considered significant, except for ISRA VISION in 2020 which is disclosed separately. The fair values related to intangible assets other than goodwill are amortized over 5–15 years. For more information about the valuation of contingent consideration, see note 27. The Group is in the process of reviewing the final values for certain of the recently acquired businesses. No adjustments are expected to be material. Adjustments related to the acquisitions made in 2020 are included in the following tables.

2. Acquisitions, continued

Compressor Technique	Recognized values 2021	Recognized values 2020
Intangible assets	881	210
Property, plant and equipment [1]	147	36
Other assets	240	141
Cash and cash equivalents	72	48
Interest-bearing liabilities and borrowings	–84	–78
Other liabilities and provisions	–419	–112
Net identifiable assets	**837**	**245**
Goodwill	1 075	185
Total consideration	**1 912**	**430**
Deferred consideration	–1	–33
Cash and cash equivalents acquired	–72	–48
Net cash outflow	**1 839**	**349**

[1] Includes right-of-use assets.

In May, the Compressor Technique business area acquired the operating assets of Medigas Service & Testing Co. Inc. The company services, sells, verifies, and installs piped medical and laboratory gas equipment and systems and is based in Ronkonkoma, New York State, U.S.A. The acquisition is expected to further strengthen and expand Atlas Copco´s support to both healthcare and laboratory customers in the strategic New York area. Intangible assets of 9 were recorded on the purchase.

In August, CPC Pumps International Inc., based in Burlington in Ontario, Canada was acquired. The company specializes in the design, manufacturing, and servicing of custom-engineered, mission critical centrifugal pumps. The acquisition of CPC Pumps adds complementary assets to Atlas Copco´s portfolio and is expected to strengthen the Company's market position. Intangible assets of 624 and goodwill of 1 062 were recorded on the purchase. The goodwill is not deductible for tax purposes.

In addition, the business area acquired eight distributors during the year. In January, Kawalek Kompressoren, located in Germany and DGM SRL, located in Italy, were acquired. Cooper Freer Ltd and Airflow Compressors & Pneumatics Ltd, both located in the United Kingdom, were acquired in March and June respectively. The operating assets of MidState Air Compressors and the operating assets of Compressed Air Systems, Inc., both located in the U.S.A. were acquired in May and June respectively. French AEP was acquired in September and finally in November, Italian S.T.E.R.I. srl was acquired. The acquisitions are expected to increase Atlas Copco's presence in their respective markets. In total, intangible assets of 248 were recorded on the purchases.

Minor adjustments were made in the year related to the acquisitions in 2020.

Vacuum Technique	Recognized values 2021	Recognized values 2020
Intangible assets	118	194
Property, plant and equipment [1]	18	25
Other assets	32	88
Cash and cash equivalents	22	1
Interest-bearing liabilities and borrowings	–18	–14
Other liabilities and provisions	–57	–33
Net identifiable assets	**115**	**261**
Goodwill	–	122
Total consideration	**115**	**383**
Deferred consideration	–31	–6
Cash and cash equivalents acquired	–22	–1
Net cash outflow	**62**	**376**

[1] Includes right-of-use assets.

In May, the Vacuum Technique business area acquired ARPUMA regel- und fördertechnische Geräte GmbH, located in Kerpen, Germany. The company is a highly specialized vacuum systems and solutions provider for the chemical and pharmaceutical industry. The customer base is in Germany, and the company serves big chemical process customers. Arpuma's systems are installed globally and the acquisition is expected to enable Atlas Copco to grow the systems and solutions business within the chemical and pharmaceutical industry. Intangible assets of 38 were recorded on the purchase.

In addition, the business area acquired four distributors during the year. Ehrler and Beck GmbH and Eugen Theis GmbH, both based in Germany were acquired in January and October respectively. In April, IBVC Vacuum, S.L.U, located in Madrid, Spain, was acquired. Finally, Provac Limited, located in Wexford, Ireland, was acquired in December. The acquisitions are expected to increase Atlas Copco's presence in their respective markets. In total, intangible assets of 62 were recorded on the purchases.

Minor adjustments were made in the year related to the acquisitions in 2020.

Industrial Technique	Recognized values 2021	Recognized values 2020
Intangible assets	43	4 818
Property, plant and equipment [1]	14	478
Other assets	–245	2 486
Cash and cash equivalents	–	426
Interest-bearing liabilities and borrowings	–	–686
Other liabilities and provisions	81	–2 300
Net identifiable assets	**–107**	**5 222**
Non-controlling interests	13	–334
Goodwill	111	8 389
Total consideration	**17**	**13 277**
Deferred consideration	–8	7
Cash and cash equivalents acquired	–	–426
Net cash outflow	**9**	**12 858**

[1] Includes right-of-use assets.

In August, the Industrial Technique business area acquired the assets of NATEV GmbH. The company is located in Borken, in north-western Germany, and specializes in position solutions for assembly tools used in industrial production. NATEV develops systems for real-time positioning and imaging solutions in close cooperation with key customers in the automotive industry. Products include hardware and software used to monitor and error proof defined production steps linked to the tightening processes. Through NATEV's solutions, Atlas Copco expects to be able to expand the offering of positioning solutions. This is an important technology to enable flexible production in line with the Industry 4.0 vision. Intangible assets of 16 were recorded on the purchase.

Some adjustments related to the 2020 acquisitions of ISRA VISION and Perceptron were made in 2021. For ISRA VISION, the changes were mainly related to inventories, receivables and related deferred tax and resulted in an increase of goodwill with 149.

2. Acquisitions, continued

Power Technique	Recognized values	
	2021	2020
Intangible assets	107	–
Property, plant and equipment [1]	271	–5
Other assets	35	–7
Cash and cash equivalents	73	–
Interest-bearing liabilities and borrowings	–122	–
Other liabilities and provisions	–51	3
Net identifiable assets	**313**	**–9**
Goodwill	232	8
Total consideration	**545**	**–1**
Deferred consideration	–48	1
Cash and cash equivalents acquired	–73	–
Net cash outflow	**424**	**–**

[1] Includes right-of-use assets.

In May, the Power Technique business area acquired Eco Steam and Heating Solutions (E.K.S. HOLDING B.V.), an industrial steam and hot water boiler company located in Tilburg, in the Netherlands. The acquisition will strengthen and expand Atlas Copco´s specialized rental product offering to industrial customers in all segments and territories. Intangible assets of 107 and goodwill of 232 were recorded on the purchase. The goodwill is not deductible for tax purposes.

Total fair value of acquired assets and liabilities	Group recognized values		
	2021	2020	ISRA VISION [2]
Intangible assets	1 149	5 222	4 151
Property, plant and equipment [1]	450	534	211
Other non-current assets	21	16	10
Inventories	–83	907	368
Trade receivables [3]	102	1 021	504
Other current assets	22	764	632
Cash and cash equivalents	167	475	304
Interest-bearing liabilities and borrowings	–224	–778	–528
Other liabilities and provisions	–273	–866	–390
Deferred tax assets/ liabilities, net	–173	–1 576	–1 342
Net identifiable assets	**1 158**	**5 719**	**3 920**
Non-controlling interests	13	–334	–321
Goodwill	1 418	8 704	7 005
Total consideration	**2 589**	**14 089**	**10 604**
Deferred consideration	–88	–31	–
Cash and cash equivalents acquired	–167	–475	–304
Net cash outflow	**2 334**	**13 583**	**10 300**

[1] Includes right-of-use assets.
[2] ISRA VISION refers to the acquisition of ISRA VISION AG in 2020 and includes adjustments made in 2021.
[3] The gross amount is 146 (1 073) of which 44 (52) is expected to be uncollectible.

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

The total consideration for all acquisitions was 2 589 (14 089). Deferred consideration includes both deferred consideration not yet paid for acquisitions made in 2021 and settlement of deferred consideration for acquisitions made in prior years. For all acquisitions, the net cash outflow totaled 2 334 (13 583) after deducting cash and cash equivalents acquired of 167 (475).

Acquisition-related costs amounted to 25 (175) and were included in the "Administrative expenses". Costs related to acquisitions finalized in 2021 were included in the income statements for 2020 and 2021.

Contribution from businesses acquired in 2021 and 2020 by business area	Compressor Technique		Vacuum Technique		Industrial Technique		Power Technique		Group	
	2021	2020	2021	2020	2021	2020*	2021	2020	2021	2020
Contribution from date of control										
Revenues	275	108	87	216	–	1 301	128	–	490	1 625
Operating profit	–26	–10	–2	2	–4	–28	28	–	–4	–36
Profit for the year									–11	–31
Contribution if the acquisition had occurred on Jan. 1										
Revenues	611	484	130	253	15	2 431	192	–	948	3 168
Operating profit	0	–4	–1	–9	–3	–63	42	–	38	–76
Profit for the year									22	–69

* From the date of control, ISRA VISION had revenues of MSEK 690 and operating profit of MSEK 15, including negative purchase price allocation effects of MSEK 90.

3. Assets held for sale and divestments

Assets held for sale

Carrying value of assets held for sale	2021	2020
Property, plant and equipment	5	5
Net carrying value	**5**	**5**

Divestments

In December, the CMM (Coordinate Measuring Machine) part of the Perceptron business (acquired in December 2020) was divested. The divestment was a result of further focus on in-line metrology to offline applications. Net cash effect of the divestment was –7 and it resulted in a capital loss of 28. The loss is included in "Other operating expense". See note 7.

Carrying value of divested assets and liabilities	2021	2020
Property, plant and equipment [1]	14	–
Inventories	18	–
Trade receivables	17	–
Other current assets	3	–
Cash and cash equivalents	7	–
Interest bearing liabilities and borrowings	–4	–
Other liabilities and provisions	–27	–
Net identifiable assets	**28**	**–**

[1] Includes right-of-use assets.

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4. Segment information

2021	Compressor Technique	Vacuum Technique	Industrial Technique	Power Technique	Common Group functions	Eliminations	Group
Revenues from external customers	49 216	29 200	19 390	13 106	–	–	110 912
Inter-segment revenues	441	19	31	128	–	–619	–
Total revenues	**49 657**	**29 219**	**19 421**	**13 234**	**–**	**–619**	**110 912**
Operating profit	**11 874**	**7 066**	**3 976**	**2 121**	**–1 486**	**8**	**23 559**
– of which share of profit in associated companies and joint ventures	*0*	*30*	*6*	*–*	*–*	*–*	*36*
Net financial items							–149
Income tax expense							–5 276
Profit for the year							**18 134**
Non-cash expenses							
Depreciation/amortization	1 434	1 283	1 315	1 101	237	–32	5 338
Impairment	15	36	71	8	–2	–	128
Other non-cash expenses	–119	32	–228	34	281	–	–
Segment assets	**33 164**	**36 463**	**29 423**	**11 230**	**9 044**	**–6 956**	**112 368**
– of which goodwill	*5 580*	*12 047*	*13 124*	*1 362*	*–*	*–*	*32 113*
Investments in associated companies and joint ventures	1	801	128	–	1	–	931
Unallocated assets							23 384
Total assets	**33 165**	**37 264**	**29 551**	**11 230**	**9 045**	**–6 956**	**136 683**
Segment liabilities	**19 172**	**7 326**	**5 287**	**3 353**	**8 334**	**–6 854**	**36 618**
Unallocated liabilities							32 431
Total liabilities	**19 172**	**7 326**	**5 287**	**3 353**	**8 334**	**–6 854**	**69 049**
Capital expenditures							
Property, plant and equipment	1 082	1 181	427	703	130	–26	3 497
– of which right-of-use assets	*462*	*188*	*158*	*132*	*77*	*–*	*1 017*
Intangible assets	191	473	527	141	57	–	1 389
Total capital expenditures	**1 273**	**1 654**	**954**	**844**	**187**	**–26**	**4 886**
Goodwill acquired	1 075	–	111	232	–	–	1 418

2021	Compressor Technique	Vacuum Technique	Industrial Technique	Power Technique	Common Group functions	Eliminations	Group
Items affecting comparability in Operating profit	–	–	–	–	–687 [1]	–	–687

[1] Refers to a change in provision for share-related long-term incentive programs.

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4. Segment information, continued

2020	Compressor Technique	Vacuum Technique	Industrial Technique	Power Technique	Common Group functions	Eliminations	Group
Revenues from external customers	46 979	24 673	16 141	11 994	–	–	99 787
Inter-segment revenues	350	12	35	112	–	–509	–
Total revenues	**47 329**	**24 685**	**16 176**	**12 106**	**–**	**–509**	**99 787**
Operating profit	**10 658**	**5 519**	**2 422**	**1 594**	**–1 060**	**13**	**19 146**
– of which share of profit in associated companies and joint ventures	*0*	*33*	*0*	*–*	*–*	*–*	*33*
Net financial items							–321
Income tax expense							–4 042
Profit for the year							**14 783**
Non-cash expenses							
Depreciation/amortization	1 398	1 211	1 175	1 147	265	–33	5 163
Impairment	2	–	12	4	8	–	26
Other non-cash expenses	–12	–20	112	6	24	–	110
Segment assets	**26 943**	**30 869**	**27 949**	**9 863**	**2 721**	**–1 161**	**97 184**
– of which goodwill	*4 164*	*11 099*	*12 534*	*1 076*	*–*	*–*	*28 873*
Investments in associated companies and joint ventures	1	809	121	–	–	–	931
Unallocated assets							15 251
Total assets	**26 944**	**31 678**	**28 070**	**9 863**	**2 721**	**–1 161**	**113 366**
Segment liabilities	**15 517**	**5 070**	**4 451**	**2 397**	**2 255**	**–1 053**	**28 637**
Unallocated liabilities							31 195
Total liabilities	**15 517**	**5 070**	**4 451**	**2 397**	**2 225**	**–1 053**	**59 832**
Capital expenditures							
Property, plant and equipment	1 152	737	352	687	161	–21	3 068
– of which right-of-use assets	*575*	*197*	*129*	*107*	*115*	*–*	*1 123*
Intangible assets	165	521	502	136	13	–	1 337
Total capital expenditures	**1 317**	**1 258**	**854**	**823**	**174**	**–21**	**4 405**
Goodwill acquired	185	122	8 389	8	–	–	8 704

2020	Compressor Technique	Vacuum Technique	Industrial Technique	Power Technique	Common Group functions	Eliminations	Group
Items affecting comparability in Operating profit	–	–300 [1]	–190 [2]	–50 [2]	–312 [3]	–	–852

[1] Refers to restructuring costs and a provision of –210 for the settlement of a pension dispute in Edwards Ltd dating from before the acquisition of Edwards Ltd in 2014.
[2] Refers to restructuring costs.
[3] Refers to a change in provision for share-related long-term incentive programs.

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4. Segment information, continued

The Group is organized in separate and focused but still integrated business areas, each operating through divisions. The business areas offer different products and services to different customer groups. They are also the basis for management and internal reporting and are regularly reviewed by the Group's President and CEO, the chief operating decision maker. The chief operating decision maker uses more than one measure of the operating segments' profit or loss to assess performance and allocate resources. The operating profit of the business areas is the primary profit measure used by the chief operating decision maker, and is reconciled to the consolidated operating profit in the tables on the previous pages. Items affecting comparability are included in a separate table since the chief operating decision maker reviews also these as part of allocating resources to the different business areas. All business areas are managed on a worldwide basis and their role is to develop, implement and follow up the objectives and strategies within their respective business.

See pages 21–33 for a description of the business areas.

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

The accounting principles for the segments are the same as those described in note 1. Atlas Copco's inter-segment pricing is determined on a commercial basis.

Segment assets are comprised of property, plant and equipment, right-of-use assets, intangible assets, other non-current receivables, inventories, and current receivables.

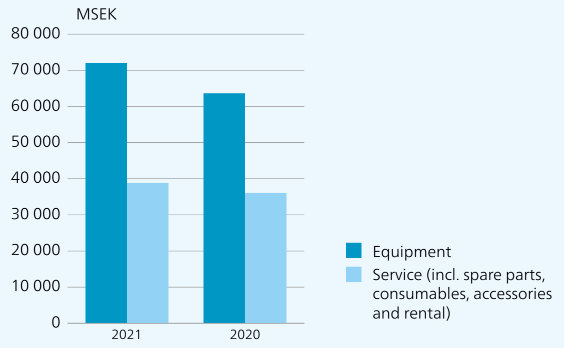
Segment liabilities include the sum of non-interest-bearing liabilities such as operating liabilities, other provisions, and other non-current liabilities. Capital expenditure includes property, plant and equipment, and intangible assets, but excludes the effect of goodwill, intangible assets and property, plant and equipment through acquisitions.

By geographic area/country		Revenues		Non-current assets	
		2021	**2020**	**2021**	**2020**
North America	U.S.A.	22 317	20 513	12 481	11 668
	Other countries	3 678	3 135	2 115	268
		25 995	**23 648**	**14 596**	**11 936**
South America	Brazil	2 449	2 076	435	447
	Other countries	1 793	1 488	128	146
		4 242	**3 564**	**563**	**593**
Europe	Belgium	1 087	1 102	2 501	2 224
	France	3 272	3 385	565	731
	Germany	6 468	6 116	20 964	20 604
	Italy	2 955	2 631	2 103	2 025
	Sweden	1 558	1 425	1 235	1 330
	United Kingdom	2 835	2 646	13 743	12 639
	Other countries	13 646	13 016	2 343	1 650
		31 821	**30 321**	**43 454**	**41 203**
Africa/Middle East	South Africa	710	522	79	85
	Other countries	4 178	4 635	319	366
		4 888	**5 157**	**398**	**451**
Asia/Oceania	Greater China	25 544	20 519	2 667	2 200
	India	3 930	3 197	289	286
	Japan	2 485	2 918	568	489
	South Korea	6 024	5 008	1 818	1 491
	Other countries	5 983	5 455	572	582
		43 966	**37 097**	**5 914**	**5 048**
Total		**110 912**	**99 787**	**64 925**	**59 231**

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.

Revenues from external customers



Geographic distribution	Compressor Technique, %		Vacuum Technique, %		Industrial Technique, %		Power Technique, %		Group, %	
2021	Orders received	Revenues	Orders received	Revenues	Orders received	Revenues	Orders received	Revenues	Orders received	Revenues
North America	21	21	21	21	31	31	29	27	24	23
South America	5	5	–	–	2	3	7	8	4	4
Europe	34	34	14	13	36	36	36	36	28	29
Africa/Middle East	7	6	1	1	2	1	8	8	4	4
Asia/Oceania	33	34	64	65	29	29	20	21	40	40
	100	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

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4. Segment information, continued

Quarterly data, Revenues by business area

Revenues	2021				2020			
	1	2	3	4	1	2	3	4
Compressor Technique	11 522	12 212	12 792	13 131	11 588	11 405	11 890	12 446
– of which external	*11 423*	*12 099*	*12 677*	*13 017*	*11 470*	*11 322*	*11 806*	*12 381*
– of which internal	*99*	*113*	*115*	*114*	*118*	*83*	*84*	*65*
Vacuum Technique	6 808	7 220	7 249	7 942	6 159	6 535	5 928	6 063
– of which external	*6 804*	*7 214*	*7 245*	*7 937*	*6 154*	*6 535*	*5 925*	*6 059*
– of which internal	*4*	*6*	*4*	*5*	*5*	*–*	*3*	*4*
Industrial Technique	4 713	4 880	4 630	5 198	4 193	3 355	4 221	4 407
– of which external	*4 705*	*4 873*	*4 622*	*5 190*	*4 180*	*3 347*	*4 215*	*4 399*
– of which internal	*8*	*7*	*8*	*8*	*13*	*8*	*6*	*8*
Power Technique	3 121	3 377	3 312	3 424	3 325	2 930	2 932	2 919
– of which external	*3 089*	*3 348*	*3 280*	*3 389*	*3 294*	*2 898*	*2 903*	*2 899*
– of which internal	*32*	*29*	*32*	*35*	*31*	*32*	*29*	*20*
Common Group functions/eliminations	–143	–155	–159	–162	–167	–123	–122	–97
Total	**26 021**	**27 534**	**27 824**	**29 533**	**25 098**	**24 102**	**24 849**	**25 738**

Quarterly data, Operating profit by business area

Operating profit	2021				2020			
	1	2	3	4	1	2	3	4
Compressor Technique	2 730	2 916	3 087	3 141	2 520	2 444	2 729	2 965
in % of revenues	*23.7%*	*23.9%*	*24.1%*	*23.9%*	*21.7%*	*21.4%*	*23.0%*	*23.8%*
Vacuum Technique	1 695	1 789	1 748	1 834	1 497	1 278	1 354	1 390
in % of revenues	*24.9%*	*24.8%*	*24.1%*	*23.1%*	*24.3%*	*19.6%*	*22.8%*	*22.9%*
Industrial Technique	917	981	958	1 120	799	334	513	776
in % of revenues	*19.5%*	*20.1%*	*20.7%*	*21.5%*	*19.1%*	*10.0%*	*12.2%*	*17.6%*
Power Technique	476	539	548	558	473	286	410	425
in % of revenues	*15.3%*	*16.0%*	*16.5%*	*16.3%*	*14.2%*	*9.8%*	*14.0%*	*14.6%*
Common Group functions/eliminations	–431	–301	–341	–405	–165	–453	–246	–183
Operating profit	**5 387**	**5 924**	**6 000**	**6 248**	**5 124**	**3 889**	**4 760**	**5 373**
in % of revenues	*20.7%*	*21.5%*	*21.6%*	*21.2%*	*20.4%*	*16.1%*	*19.2%*	*20.9%*
Net financial items	–44	–52	–55	2	–114	–63	–64	–80
Profit before tax	**5 343**	**5 872**	**5 945**	**6 250**	**5 010**	**3 826**	**4 696**	**5 293**
in % of revenues	*20.5%*	*21.3%*	*21.4%*	*21.2%*	*20.0%*	*15.9%*	*18.9%*	*20.6%*

5. Employees and personnel expenses

Average number of employees	2021			2020		
	Women	Men	Total	Women	Men	Total
Parent Company						
Sweden	64	43	107	69	38	107
Subsidiaries						
North America	1 257	4 977	6 234	1 198	4 788	5 986
South America	436	1 491	1 927	400	1 459	1 859
Europe	3 873	14 941	18 814	3 673	14 497	18 170
– of which Sweden	*286*	*1 009*	*1 295*	*293*	*1 047*	*1 340*
Africa/Middle East	207	882	1 089	186	891	1 077
Asia/Oceania	2 599	10 502	13 101	2 369	10 038	12 407
Total in subsidiaries	**8 372**	**32 793**	**41 165**	**7 826**	**31 673**	**39 499**
Total	**8 436**	**32 836**	**41 272**	**7 895**	**31 711**	**39 606**

Females in the Board of Directors and Group Management, %	Dec. 31, 2021	Dec. 31, 2020
Parent Company		
Board of Directors [1]	22	22
Group Management	13	22

[1] Which excludes President and CEO, includes employee representatives but excludes employee representatives' alternate members.

Remuneration and other benefits	Group	
	2021	2020
Salaries and other remuneration	21 954	20 657
Contractual pension benefits	1 286	1 399
Other social costs	3 911	3 526
Total	**27 151**	**25 582**
Pension obligations to Board members and Group Management [1]	5	4

[1] Refers to former members of Group Management.

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5. Employees and personnel expenses, continued

2021 Remuneration and other benefits to the Board, KSEK	Fee	Value of synthetic shares at grant date	Number of synthetic shares at grant date	Other fees [1]	Total fees incl. value of synthetic shares at grant date	Effect of vesting and change in stock price [2]	Total expense recognized [3]
Chair:							
Hans Stråberg	1 266	1 300	2 505	436	3 002	2 748	5 750
Other members of the Board:							
Staffan Bohman	804	–	–	479	1 283	572	1 855
Johan Forssell	402	413	795	208	1 023	1 180	2 203
Tina Donikowski	804	–	–	–	804	878	1 682
Peter Wallenberg Jr	402	413	795	94	909	1 180	2 089
Gordon Riske	402	413	795	–	815	303	1 118
Anna Ohlsson-Leijon	494	413	795	253	1 160	–41	1 119
Other members of the Board previous year						878	878
Employee representatives (4) [4]	73	–	–	–	73	–	73
Total	**4 647**	**2 952**	**5 685**	**1 470**	**9 069**	**7 698**	**16 767**

[1] Refers to fees for membership in board committees.
[2] Refers to synthetic shares received in 2017–2021.
[3] Provision for synthetic shares as at December 31, 2021 amounted to MSEK 25 (18).
[4] Employee representatives receive compensation to prepare for their participation in board meetings.

2020 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	1 163	1 162	3 423	425	2 750	767	3 517
Other members of the Board:							
Anders Ullberg [4]	185	–	–	48	233	–	233
Staffan Bohman	648	–	–	483	1 131	270	1 401
Johan Forssell	370	370	1 089	200	940	448	1 388
Tina Donikowski	648	–	–	–	648	350	998
Peter Wallenberg Jr	370	370	1 089	90	830	448	1 278
Sabine Neuβ [4]	283	–	–	–	283	–	283
Gunilla Berg [4]	93	–	–	50	143	474	617
Gordon Riske [5]	278	370	1 089	–	648	–26	622
Anna Ohlsson-Leijon [5]	555	–	–	150	705	–	705
Other members of the Board previous year						124	124
Employee representatives (3) [6]	90	–	–	–	90	–	90
Total	**4 683**	**2 272**	**6 690**	**1 446**	**8 401**	**2 855**	**11 256**

[1] Refers to fees for membership in board committees.
[2] Refers to synthetic shares received in 2016–2020.
[3] Provision for synthetic shares as at December 31, 2020 amounted to MSEK 18 (15).
[4] Gunilla Berg and Anders Ullberg left the board at the Annual General Meeting 2020. Sabine Neuβ left the board at her own request on May 18, 2020. The fees received were in accordance with this.
[5] Gordon Riske and Anna Ohlsson-Leijon were elected board members at the Annual General Meeting 2020.
[6] Employee representatives receive compensation to prepare for their participation in board meetings.

5. Employees and personnel expenses, continued

2021 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]	16 500	13 200	445	5 795	35 940	7 758	43 698
Other members of Group Management (8 positions)	30 843	14 931	11 105	11 095	67 974	15 383	83 357
Total	**47 343**	**28 131**	**11 550**	**16 890**	**103 914**	**23 141**	**127 055**
Total remuneration and other benefits to the Board and Group Management							**143 822**

1) Further details on the President and CEO remuneration is part of the Remuneration Report that will be published in connection with the notice to the Annual General Meeting.
2) Refers to variable compensation earned in 2021 to be paid in 2022, based on actual base salary entitlement.
3) Refers to vacation pay, company car, medical insurance, and other benefits.
4) Refers to stock options and SARs received in 2016–2021 and includes recognized costs due to change in stock price and vesting period, see also note 23.

2020 Remuneration and other benefits to Group Management, KSEK	Base salary [2]	Variable compensation [3]	Other benefits [4]	Pension fees	Total, excl. recognized costs for share based payments	Recognized costs for share based payments [5]	Total expense recognized
President and CEO							
Mats Rahmström [1]	15 600	5 824	347	5 625	27 396	12 594	39 990
Other members of Group Management (8 positions)	31 670	9 054	5 168	8 567	54 459	13 794	68 253
Total	**47 270**	**14 878**	**5 515**	**14 192**	**81 855**	**26 388**	**108 243**
Total remuneration and other benefits to the Board and Group Management							**119 499**

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) President and CEO as well as members in Group Management based in Sweden decided to abstain 10% of their base salary for the months April, May and June to a good cause project related to Covid-19 research.
3) Refers to variable compensation earned in 2020 to be paid in 2021, based on actual base salary entitlement.
4) Refers to vacation pay, company car, medical insurance, and other benefits.
5) Refers to stock options and SARs received in 2016–2020 and includes recognized costs due to change in stock price and vesting period, see also note 23.

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

The guidelines for remuneration to the Board and Group Management are approved at the Annual General Meeting of the shareholders. The guidelines approved by the 2021 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 2021 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 2021 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 2021. 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
Five board members accepted the right to receive synthetic shares. The number and costs at grant date and at the end of the financial year are disclosed by board member in the table on the previous page.

Remuneration and other committees 2021
The board has three committees:
- Remuneration committee consisting of Hans Stråberg (Chair), Peter Wallenberg Jr and Staffan Bohman. The committee proposed compensation to the President and CEO for approval by the Board. The committee also supported the President and CEO in determining the compensation to the other members of Group Management.
- Audit committee consisting of Staffan Bohman (Chair until October 21, 2021), Anna Ohlsson-Leijon (Chair from October 22, 2021), Johan Forssell and Hans Stråberg.
- Repurchase committee consisting of Staffan Bohman (Chair) and Hans Stråberg.

5. 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 (personnel stock options), pension benefits and other benefits.

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

- Base salary is based on competence, area of responsibility, experience and performance.
- Variable compensation is linked to predetermined and measurable criteria which can be financial or non-financial. Non-financial criteria for 2021 has been to reduce the CO_2 emissions in the Group. The variable compensation is maximized to 80% of the base salary for the President and CEO, 60% for Business Area Presidents, and 50% for other members of Group Management.
- Performance-based personnel stock option program for 2021, see note 23.
- Pension benefits are paid in accordance with a defined contribution plan with premiums set in line with Atlas Copco Group Pension Policy for Swedish Executives and Atlas Copco terms and conditions for expatriate employments.
- Other benefits consist of company car and medical insurance.
- For the expatriates, certain benefits are paid in compliance with the Atlas Copco terms and conditions for expatriate employment.

A mutual notice of termination of employment of six months shall apply.

The Board may resolve to deviate from the guidelines, in whole or in part, if in a specific case there are special reasons for the deviation and the Board deems deviation is needed to serve the company's long-term interests or to ensure the company's financial viability. No fees are paid to Group Management for board memberships in Group companies.

President and CEO

The variable compensation can give a maximum of 80% of the base salary. The variable compensation is not included in the basis for pension benefits. According to an agreement, the President and CEO has the option to receive variable compensation in the form of cash payment or as a pension contribution. The President and CEO is a member of the Atlas Copco Group Pension Policy for Swedish Executives, which is a defined contribution plan. The contribution is age related and is up to a maximum of 35% of the base salary. These pension plans are vested. In addition, premiums for private health insurance are added. The retirement age of the President and CEO is set at the age of 65.

Other members of Group Management

The variable compensation is not included in the basis for pension benefits. Members of Group Management have defined contribution pension plans, with contribution up to a maximum of 35% of the base salary according to age. These pension plans are vested. The retirement age is 65, unless there is an agreement between the company and the individual on a longer employment.

Termination of employment

The President and CEO is entitled to a severance pay of twelve months if the Company terminates the employment and a further twelve months if other employment is not available.

Other members of Group Management are entitled to severance pay if the Company terminates their employment. The amount of severance pay is dependent on the length of employment with the Company and the age of the executive, but is never less than 12 months and never more than 24 months' salary.

Any income that the President and CEO and other members of Group Management receives from employment or other business activity, whilst severance pay is being paid, will reduce the amount of severance pay accordingly.

Severance pay for the President and CEO and other members of Group Management is calculated only on the base salary and does not include variable compensation. Severance pay cannot be elected by the employee, but will only be paid if employment is terminated by the Company.

Stock options/share appreciation rights, holdings for Group Management – year end

The stock options/share appreciation rights holdings as at December 31 are detailed below:

Stock options/share appreciations rights holdings as at Dec. 31, 2021 1)

Grant Year	President and CEO	Other members of Group Management
2016	–	20 483
2017	–	94 593
2018	66 191	101 570
2019	187 760	199 516
2020	4 476	6 682
2021 2)	111 115	128 323
Total	**369 542**	**551 167**

1) The numbers have been adjusted for the effect of the distribution of Epiroc. See note 23 for additional information.

2) Estimated grants for the 2021 stock option program including matching options.

Workforce profile

Atlas Copco strives to grow local leaders where it operates. The geographical spread of employees and senior managers is in continuous development. As a customer-focused company, 51% (51) of all employees work in marketing, sales or service.

Geographical spread of employees as at Dec. 31, 2021, %	Employees	Nationality of senior managers
North America	15	10
South America	5	4
Europe	45	69
Africa/Middle East	3	4
Asia/Oceania	32	13
Total	**100**	**100**

Employees by professional category, %	2021	2020
Production	24	23
Marketing	8	8
Sales and support	14	14
Service	29	29
Administration	16	16
Research & development	9	10
Total	**100**	**100**

6. Remuneration to auditors

Audit fees and other services	2021	2020
Ernst & Young		
Audit fee	67	62
Other services, tax	3	2
Other services, other	1	0
Deloitte		
Audit fee	5	8
Other services, tax	4	4
Other services, other	1	3
Other audit firms		
Audit fee	10	11
Total	**91**	**90**

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 2021, Ernst & Young was re-elected as auditor for the Group up to and including the Annual General Meeting 2022.

7. Other operating income and expenses

Other operating income	2021	2020
Commissions received	12	11
Income from insurance operations	135	101
Capital gain on sale of property, plant and equipment	51	23
Exchange-rate differences, net	392	–
Other operating income	191	135
Total	**781**	**270**

Other operating expenses	2021	2020
Capital loss on sale of property, plant and equipment	–22	–42
Capital loss on divestment of business	–28	–
Exchange-rate differences, net	–	–397
Other operating expenses [1]	–151	–309
Total	**–201**	**–748**

[1] Other operating expenses for 2020 include –210 related to a provision for settlement of a pension dispute in Edwards Ltd (Vacuum Technique) dating from before the acquisition of Edwards Ltd in 2014.

7. Other operating income and expenses, continued

Additional information on costs by nature

Cost of goods sold includes expenses for inventories, see note 16, warranty costs and transportation costs.

Salaries, remunerations and employer contributions amounted to 27 151 (25 582) whereof expenses for post-employment benefits amounted to 1 286 (1 399). See note 5 for further details.

Government grants of 210 (444) have been deducted in the related expenses or included in other operating income. The decrease in government grants is mainly related to additional government grants received in 2020 due to temporary measures related to the Covid-19 pandemic. 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 2021, amounted to 34 (32).

Included in the operating profit are exchange rate changes on payables and receivables, and the effects from currency hedging. The operating profit also includes –109 (–29) of realized foreign exchange hedging result, which were previously recognized in equity. Amortization, depreciation and impairment charge for the year amounted to 5 466 (5 189). See note 12, 13 and 22 for further details. Costs for research and development amounted to 4 125 (3 762).

8. Financial income and expenses

Financial income and expenses	2021	2020
Interest income:		
– cash and cash equivalents	22	42
– derivatives	136	94
– other	–	9
Capital gain:		
– other assets	51	16
Change in fair value – other assets	29	–
Foreign exchange gain, net	5	–
Financial income	**243**	**161**
Interest expenses:		
– borrowings	–348	–350
– pension provisions, net	–34	–37
– deferred considerations	–10	–4
Change in fair value – other liabilities and borrowings	–	–1
Foreign exchange loss, net	–	–87
Impairment loss	–	–3
Financial expenses	**–392**	**–482**
Financial expenses, net	**–149**	**–321**

"Foreign exchange gain/loss, net" includes foreign exchange gains of 545 (353) on financial assets at fair value through profit or loss and foreign exchange losses of –540 (–440) on other liabilities.

9. Taxes

Income tax expense	2021	2020
Current taxes	–5 372	–4 801
Deferred taxes	96	759
Total	**–5 276**	**–4 042**

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:

	2021	2020
Profit before tax	**23 410**	**18 825**
Weighted average tax based on national rates	–5 481	–4 320
in %	*23.4*	*22.9*
Tax effect of:		
– non-deductible expenses	–268	–534
– withholding and other taxes on dividends	–322	–29
– tax-exempt income	686	617
Adjustments from prior years:		
– current taxes	216	85
– deferred taxes	–60	229
Effects of tax losses/credits utilized	22	1
Change in tax rate, deferred tax	–151	–65
Tax losses not recognized	163	–57
Other items	–81	31
Income tax expense	**–5 276**	**–4 042**
Effective tax in %	22.5	21.5

The effective tax rate was 22.5% (21.5). Withholding and other taxes on dividends of –322 (–29) relate to provisions on retained earnings in countries where Atlas Copco incur withholding and other taxes on dividends. Tax-exempt income of 686 (617) 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 216 (85).

In 2021, effects of income tax rate changes have affected the result with –151 (–65).

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9. Taxes, continued

European Commission's decision on Belgium's tax rulings

On January 11, 2016, the European Commission announced its decision that Belgian tax rulings granted to companies regarding "Excess Profit" shall be considered as illegal state aid and that unpaid taxes shall be reclaimed by the Belgian state. Atlas Copco had such tax ruling since 2010.

Following the European Commission decision, Atlas Copco has paid, in total MEUR 313 (MSEK 2 952). During 2015, Atlas Copco made a provision of MEUR 300 (MSEK 2 802) and paid MEUR 239 (MSEK 2 250) in 2016. In the second quarter of 2017, Atlas Copco paid the remaining amount of MEUR 68 (MSEK 655). During 2017, MEUR 13 (MSEK 125) was expensed as an interest cost.

The Belgian government, as well as Atlas Copco, appealed the decision to the General Court of the European Union (EGC) in Luxembourg and on February 14, 2019, the EGC annulled the decision taken by the European Commission on January 11, 2016. On May 3, 2019, the European Commission appealed the EGC's annulment. Following a decision by the European Court of Justice in 2021, the annulment was incorrect, and the case has again been referred to the General Court for judgement.

In September 2020, the European Commission also published individual opening decision stating that the specific decisions granted by Belgium between 2005 and 2014 regarding tax rulings granted to multinationals regarding "Excess Profit" violated the EU rules for state aid. One of these individual decisions concerns Atlas Copco.

It is likely several years before final decisions are made.

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

Change in deferred taxes	2021	2020
Opening balance net, Jan. 1	–252	747
Business acquisitions	–173	–1 576
Charges to profit for the year	96	759
Tax on amounts recorded to other comprehensive income	–90	–179
Translation differences	–16	–3
Closing balance net, Dec. 31	**–435**	**–252**

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

Deferred tax assets and liabilities	2021			2020		
	Assets	Liabilities	Net balance	Assets	Liabilities	Net balance
Intangible assets	460	4 088	–3 628	391	3 533	–3 142
Property, plant and equipment [1]	222	850	–628	222	893	–671
Other financial assets	33	131	–98	21	55	–34
Inventories	1 705	25	1 680	1 378	33	1 345
Current receivables	169	274	–105	165	260	–95
Operating liabilities	821	11	810	705	9	696
Provisions	344	8	336	327	5	322
Post-employment benefits	788	14	774	860	15	845
Borrowings [1]	598	15	583	500	5	495
Loss/credit carry-forwards	233	–	233	293	–	293
Other items [2]	3	395	–392	8	314	–306
Deferred tax assets/liabilities	**5 376**	**5 811**	**–435**	**4 870**	**5 122**	**–252**
Netting of assets/liabilities	–3 586	–3 586	–	–3 386	–3 386	–
Net deferred tax balances	**1 790**	**2 225**	**–435**	**1 484**	**1 736**	**–252**

1) The gross amount of deferred tax assets and liabilities relating to right-of-use assets and lease liabilities are included in Property, plant and equipment and Borrowings. The net amount of these items is not material.

2) Other items primarily include tax deductions which are not related to specific balance sheet items.

Deferred tax assets regarding tax loss carry-forwards are reported to the extent that realization of the related tax benefit through future taxable results is probable. At December 31, the Group had total tax loss carry-forwards of 2 345 (3 254), of which deferred tax assets were recognized for 881 (1 387). The tax value of reported tax loss carry-forwards totals 231 (293). 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:

	2021	2020
Expires after 1–2 years	111	109
Expires after 3–4 years	69	69
Expires after 5–6 years	29	49
No expiry date	1 255	1 640
Total	**1 464**	**1 867**

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

	2021	2020
Intangible assets	–75	297
Property, plant and equipment [1]	73	17
Other financial assets	–11	–14
Inventories	178	121
Current receivables	31	–11
Operating liabilities	63	38
Provisions	–6	48
Post-employment benefits	–7	21
Borrowings [1]	–4	–28
Other items	–84	231
Changes due to temporary differences	**158**	**720**
Loss/credit carry-forwards	–62	39
Charges to profit for the year	**96**	**759**

1) Changes in Property, plant and equipment and Borrowings mainly relate to right-of-use asset and lease liabilities. The net amount of these items is not material.

10. Other comprehensive income

Other comprehensive income for the year	2021			2020		
	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	808	–160	648	93	–19	74
Items that may be reclassified subsequently to profit or loss						
Translation differences:						
– on foreign operations	4 568	26	4 594	–6 379	–57	–6 436
Hedge of net investments in foreign operations	–342	71	–271	673	–146	527
Cash flow hedges	–102	19	–83	27	–8	19
Total other comprehensive income	**4 932**	**–44**	**4 888**	**–5 586**	**–230**	**–5 816**
Attributable to non-controlling interests						
Translation differences on foreign operations	3	–	3	–19	–	–19
Total other comprehensive income	**4 935**	**–44**	**4 891**	**–5 605**	**–230**	**–5 835**

11. Earnings per share

Amounts in SEK	Basic earnings per share		Diluted earnings per share	
	2021	**2020**	**2021**	**2020**
Earnings per share	14.89	12.16	14.85	12.14

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	2021	2020
Profit for the year	18 130	14 779

Average number of shares outstanding	2021	2020
Basic weighted average number of shares outstanding	1 217 733 248	1 215 423 710
Effect of employee stock options	2 735 677	1 788 839
Diluted weighted average number of shares outstanding	1 220 468 925	1 217 212 549

Potentially dilutive instruments

As of December 31, 2021, Atlas Copco had six 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 program exceeded the average share price for series A shares, SEK 539.47 per share. These programs are therefore considered anti-dilutive and not included in the calculation of diluted earnings per share. If the average share price, after adjustment with the above, exceeds the strike price in the future, these options will be dilutive, which is the case for the 2016, 2017, 2018 and 2019 programs.

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12. Intangible assets

Impairment tests for cash-generating units with goodwill and for intangible assets with indefinite useful lives

Impairment tests (including sensitivity analyses) are performed as per September 30 each year and when there is an indication of impairment.

Current goodwill is monitored for internal management purposes at business area level which also represents the Group's operating segments. The goodwill has therefore been tested for impairment at business area level.

The recoverable amounts of the cash generating units have been calculated as value-in-use based on management's five-year forecast for net cash flows where the most significant assumptions are revenues, operating profits, working capital, and capital expenditures.

All assumptions for the five-year forecast are estimated individually for each of the business areas based on their particular market position and the characteristics and development of their end-markets. The forecasts represent management's assessment and are based on both external and internal sources. The perpetual growth for the period after five years is estimated at 2% (2).

The Group's average weighted cost of capital in 2021 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:

	2021		2020	
	Trademarks	Goodwill	Trademarks	Goodwill
Compressor Technique	–	5 580	–	4 164
Vacuum Technique	2 640	12 047	2 436	11 099
Industrial Technique	–	13 124	–	12 534
Power Technique	–	1 362	–	1 076
Total	**2 640**	**32 113**	**2 436**	**28 873**

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:

	2021			2020		
	Internally generated	Acquired	**Total**	Internally generated	Acquired	**Total**
Cost of sales	41	36	77	32	38	70
Marketing expenses	15	911	926	5	773	778
Administrative expenses	94	96	190	100	52	152
Research and development expenses	498	560	1 058	398	578	976
Total	**648**	**1 603**	**2 251**	**535**	**1 441**	**1 976**

Impairment charges on intangible assets totaled 104 (16) of which 8 (0) was classified as cost of sales, 64 (1) was classified as research and development expenses, 0 (5) was classified as marketing expenses, and 32 (10) as administrative expenses. Of the impairment charges, 30 (1) was due to capitalized development costs relating to projects discontinued.

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12. Intangible assets, continued

	Internally generated intangible assets		Acquired intangible assets					
2021	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	5 414	1 565	469	4 501	9 768	7 858	28 904	58 479
Investments	1 106	192	1	–	–	90	–	1 389
Business acquisitions	–	–	–	66	855	228	1 418	2 567
Disposals	–12	–25	–14	–3	–19	–51	–	–124
Reclassifications	50	–5	110	–	–	–150	–	5
Translation differences	162	47	44	302	622	531	1 822	3 530
Closing balance, Dec. 31	**6 720**	**1 774**	**610**	**4 866**	**11 226**	**8 506**	**32 144**	**65 846**
Amortization and impairment losses								
Opening balance, Jan. 1	3 041	975	43	1 219	4 207	3 123	31	12 639
Amortization for the period	447	137	3	141	783	636	–	2 147
Impairment charge for the period	51	13	–	–	–	40	–	104
Disposals	–12	–25	–14	–3	–19	–51	–	–124
Reclassifications	24	–5	60	–	–	–78	–	1
Translation differences	69	33	9	61	334	225	–	731
Closing balance, Dec. 31	**3 620**	**1 128**	**101**	**1 418**	**5 305**	**3 895**	**31**	**15 498**
Carrying amounts at Jan. 1	2 373	590	426	3 282	5 561	4 735	28 873	45 840
Carrying amounts at Dec. 31	**3 100**	**646**	**509**	**3 448**	**5 921**	**4 611**	**32 113**	**50 348**

	Internally generated intangible assets		Acquired intangible assets					
2020	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	4 611	1 321	538	4 433	7 549	7 030	22 789	48 271
Investments	1 034	161	3	–	–	139	–	1 337
Business acquisitions	–	–	–	494	3 117	1 611	8 704	13 926
Disposals	–5	–13	–13	–	–20	–50	–	–101
Reclassifications	9	170	–5	–	–	–170	–	4
Translation differences	–235	–74	–54	–426	–878	–702	–2 589	–4 958
Closing balance, Dec. 31	**5 414**	**1 565**	**469**	**4 501**	**9 768**	**7 858**	**28 904**	**58 479**
Amortization and impairment losses								
Opening balance, Jan. 1	2 788	727	28	1 166	3 975	3 006	32	11 722
Amortization for the period	393	131	5	145	678	608	–	1 960
Impairment charge for the period	1	10	–	1	4	–	–	16
Disposals	–5	–13	–10	–	–20	–50	–	–98
Reclassifications	–22	170	22	–	–	–170	–	–
Translation differences	–114	–50	–2	–93	–430	–271	–1	–961
Closing balance, Dec. 31	**3 041**	**975**	**43**	**1 219**	**4 207**	**3 123**	**31**	**12 639**
Carrying amounts at Jan. 1	1 823	594	510	3 267	3 574	4 024	22 757	36 549
Carrying amounts at Dec. 31	**2 373**	**590**	**426**	**3 282**	**5 561**	**4 735**	**28 873**	**45 840**

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.

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13. Property, plant and equipment

2021	Buildings and land	Machinery and equipment	Construction in progress and advances	Total	Rental equipment
Cost					
Opening balance, Jan. 1	6 355	11 710	670	18 735	5 223
Investments	51	607	1 312	1 970	510
Business acquisitions	82	29	–	111	228
Divestment of business	–13	–1	–	–14	–
Disposals	–215	–444	–8	–667	–324
Reclassifications	145	671	–825	–9	–25
Translation differences	352	612	55	1 019	349
Closing balance, Dec. 31	**6 757**	**13 184**	**1 204**	**21 145**	**5 961**
Depreciation and impairment losses					
Opening balance, Jan. 1	2 636	8 210	–	10 846	2 982
Depreciation for the period	247	1 087	–	1 334	707
Impairment charge for the period	3	19	5	27	–
Disposals	–181	–422	–	–603	–278
Reclassifications	–4	–	–	–4	–12
Translation differences	141	413	–	554	220
Closing balance, Dec. 31	**2 842**	**9 307**	**5**	**12 154**	**3 619**
Carrying amounts at Jan. 1	3 719	3 500	670	7 889	2 241
Carrying amounts at Dec. 31	**3 915**	**3 877**	**1 199**	**8 991**	**2 342**

2020	Buildings and land	Machinery and equipment	Construction in progress and advances	Total	Rental equipment
Cost					
Opening balance, Jan. 1	6 353	12 000	565	18 918	5 980
Investments	96	534	829	1 459	486
Business acquisitions	243	103	23	369	–5
Disposals	–39	–651	–	–690	–433
Reclassifications	153	591	–704	40	–117
Translation differences	–451	–867	–43	–1 361	–688
Closing balance, Dec. 31	**6 355**	**11 710**	**670**	**18 735**	**5 223**
Depreciation and impairment losses					
Opening balance, Jan. 1	2 593	8 304	–	10 897	3 122
Depreciation for the period	246	1 066	–	1 312	735
Impairment charge for the period	–	2	–	2	–
Disposals	–37	–597	–	–634	–410
Reclassifications	18	16	–	34	–92
Translation differences	–184	–581	–	–765	–373
Closing balance, Dec. 31	**2 636**	**8 210**	–	**10 846**	**2 982**
Carrying amounts at Jan. 1	3 760	3 696	565	8 021	2 858
Carrying amounts at Dec. 31	**3 719**	**3 500**	**670**	**7 889**	**2 241**

For information regarding principles for depreciation and impairment, see note 1.

See note 2 for information on business acquisitions.

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14. Investments in associated companies and joint ventures

Accumulated capital participation	2021	2020
Opening balance, Jan. 1	931	1 037
Acquisitions of joint ventures	–	0
Dividends	–36	–49
Profit for the year after income tax	36	33
Translation differences	0	–90
Closing balance, Dec. 31	**931**	**931**

The tables below are based on the most recent financial reporting available from associated companies and joint ventures.

2021 Summary of financial information for associated companies and joint ventures	Country	Assets [1]	Liabilities [1]	Equity [1]	Revenues [1]	Profit for the year [1]	Group's share, % [2]	Carrying value Dec. 31
Associated companies								
Qingdao Qianshao Pneumatic Tool Manufacturing Tech Ltd.	China	59	18	41	31	–7	25	10
Reintube S.L.	Spain	9	5	4	14	0	47	1
ISRA Immobilie Berlin GmbH	Germany	74	80	–6	6	1	49.99	0
Joint ventures								
Toku-Hanbai Group	Japan	419	183	236	883	16	50	118
Ulvac Cryogenics Inc.	Japan	1 260	430	830	716	59	50	802
Total								**931**

1) Presented amounts for associated companies and joint ventures are for 100% of the company.
2) The Atlas Copco percentage share of each holding represents both ownership interest and voting power.

2020 Summary of financial information for associated companies and joint ventures	Country	Assets [1]	Liabilities [1]	Equity [1]	Revenues [1]	Profit for the year [1]	Group's share, % [2]	Carrying value Dec. 31
Associated companies								
Qingdao Qianshao Pneumatic Tool Manufacturing Tech Ltd.	China	59	16	43	28	–7	25	11
Reintube S.L.	Spain	7	3	4	9	0	47	1
ISRA Immobilie Berlin GmbH	Germany	75	81	–6	2 [3]	0 [3]	49.99	0
Joint ventures								
Toku-Hanbai Group	Japan	399	180	219	819	4	50	110
Ulvac Cryogenics Inc.	Japan	1 257	416	841	752	69	50	809
Total								**931**

1) Presented amounts for associated companies and joint ventures are for 100% of the company.
2) The Atlas Copco percentage share of each holding represents both ownership interest and voting power.
3) Included from the date of acquisition.

15. Other financial assets

The fair value of financial instruments under other financial assets corresponds to their carrying value.

	2021	2020
Non-current		
Pension and other similar benefit assets (note 23)	781	496
Financial assets at fair value through OCI	16	15
Financial assets at fair value through profit or loss	37	26
Financial assets measured at amortized cost:		
– lease receivables	72	82
– other financial receivables	59	54
Closing balance, Dec. 31	**965**	**673**
Current		
Financial assets at fair value through profit or loss	587	–
Financial assets measured at amortized cost:		
– lease receivables	29	20
– other financial receivables	231	38
Closing balance, Dec. 31	**847**	**58**

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

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16. Inventories

	2021	2020
Raw materials	3 052	2 075
Work in progress	3 553	2 806
Semi-finished goods	4 963	3 626
Finished goods	6 233	4 943
Closing balance, Dec. 31	**17 801**	**13 450**

Provisions for obsolescence and other write-downs of inventories recorded as cost of sales amounted to 553 (547). Reversals of write-downs which were recognized in earnings totaled 71 (30). Previous write-downs have been reversed as a result of improved market conditions in certain markets.

Inventories recognized as expense amounted to 46 717 (41 989).

17. Trade receivables

The fair value for trade receivables corresponds to their carrying value. Trade receivables are measured at amortized cost.

Expected credit losses, trade	2021	2020
Opening balance, Jan. 1	780	711
Business acquisitions and divestments	42	52
Provisions recognized for potential losses	268	401
Amounts used for established losses	–172	–144
Release of unnecessary provisions	–222	–163
Translation differences	49	–77
Closing balance, Dec. 31	**745**	**780**

Trade receivables of 21 954 (18 801) are reported net of expected credit losses and other impairments amounting to 745 (780).

Expected credit losses and impairment losses recognized in the income statement totaled –10 (193).

For credit risk information, see note 27.

18. Other receivables

The fair value of financial instruments included in other receivables corresponds to their carrying value.

	2021	2020
Derivatives:		
– at fair value through profit or loss	9	307
– at fair value through OCI	–	89
Financial assets measured at amortized cost:		
– other receivables	2 922	2 178
– contract assets	3 545	2 826
Prepaid expenses	943	607
Closing balance, Dec. 31	**7 419**	**6 007**

Other receivables consist primarily of VAT claims and advances to suppliers. Contract assets relate mainly to service and construction projects. Impairment losses recognized on contract assets were insignificant. Prepaid expenses include items such as insurance, IT and employee costs.

See note 27 for information on the Group's derivatives.

19. Cash and cash equivalents

The fair value of cash and cash equivalents corresponds to their carrying value. Cash and cash equivalents are measured at amortized cost.

	2021	2020
Cash	17 863	10 778
Cash equivalents	1 127	877
Closing balance, Dec. 31	**18 990**	**11 655**

During 2021, cash and cash equivalents had an estimated average effective interest rate of 0.15% (0.38). The committed, but unutilized, credit lines were MEUR 1 640 (1 640), which equaled to MSEK 16 788 (16 467).

See note 27 for additional information.

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20. Equity

	2021			2020		
Shares outstanding	A shares	B shares	Total	A shares	B shares	Total
Opening balance, Jan. 1	839 394 096	390 219 008	1 229 613 104	839 394 096	390 219 008	1 229 613 104
Total number of shares, Dec. 31	**839 394 096**	**390 219 008**	**1 229 613 104**	**839 394 096**	**390 219 008**	**1 229 613 104**
– of which held by Atlas Copco	–11 422 736	–	–11 422 736	–13 420 451	–	–13 420 451
Total shares outstanding, Dec. 31	**827 971 360**	**390 219 008**	**1 218 190 368**	**825 973 645**	**390 219 008**	**1 216 192 653**

At December 31, 2021 Atlas Copco AB's share capital amounted to SEK 786 008 190 distributed among 1 229 613 104 shares, each with a quota value of approximately SEK 0.64 (0.64). Series A shares entitle the holder to one voting right and series B shares entitle the holder to one-tenth of a voting right per share.

	Number of shares held by Atlas Copco						Cost value affecting equity	
Repurchases/Divestment of shares	**2021**	AGM mandate 2021 Apr.–Dec.	AGM mandate 2020 Jan.–Mar.	**2020**	AGM mandate 2020 Apr.–Dec.	AGM mandate 2019 Jan.–Mar.	**2021**	**2020**
Opening balance, Jan. 1	13 420 451			12 566 840			3 718	3 211
Repurchase of A shares	700 000	700 000		3 000 000		3 000 000	416	1 097
Divestment of A shares	–2 697 715	–2 039 772	–657 943	–2 137 490	–1 922 667	–214 823	–748	–590
Divestment of B shares	–	–	–	–8 899	–8 899	–	–	–
Closing balance, Dec. 31	**11 422 736**			**13 420 451**			**3 386**	**3 718**
Percentage of shares outstanding	0.9%			1.1%				

The 2021 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 2 450 000 series A shares, whereof a maximum 2 000 000 may be transferred to personnel stock option holders under the performance stock option plan 2021.
- The purchase of not more than 15 000 series A shares, later to be sold on the market in connection with payment to board members who have opted to receive synthetic shares as part of their board fee.
- The sale of not more than 15 000 series A shares to cover costs related to previously issued synthetic shares to board members.
- The sale of maximum 6 800 000 series A shares in order to cover the obligations under the performance stock option plans 2016, 2017 and 2018.

The 2020 AGM approved a mandate for the Board of Directors to repurchase and sell series A shares and series B shares on Nasdaq Stockholm in order to fulfill the obligations under the performance stock option plan. The mandate is valid until the next AGM and allows:

- The purchase of not more than 3 350 000 series A shares, whereof a maximum 2 700 000 may be transferred to personnel stock option holders under the performance stock option plan 2020.
- 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 10 000 series A shares to cover costs related to previously issued synthetic shares to board members.
- The sale of maximum 7 000 000 series A and B shares in order to cover the obligations under the performance stock option plans 2015, 2016 and 2017.

Repurchases and sales are subject to market conditions, regulatory restrictions, and the capital structure at any given time. During 2021, 700 000 series A shares were repurchased while 2 697 715 series A shares were divested in accordance with mandates granted by the 2020 and 2021 AGM. Further information regarding repurchases and sales in accordance with AGM mandates is presented in the table above. The series A shares are held for possible delivery under the 2016–2021 personnel stock option programs.

The series B shares held can be divested over time to cover costs related to the personnel stock option programs, including social insurance charges, cash settlements or performance of alternative incentive solutions in countries where allotment of employee stock options are unsuitable. The total number of shares of series A and series B held by Atlas Copco is presented in the table above.

Reserves

Consolidated equity includes certain reserves which are described below:

Hedging reserve

The hedging reserve comprises the effective portion of net changes in fair value for certain cash flow hedging instruments.

Translation reserve

The translation reserve comprises all exchange differences arising from the translation of the financial statements of foreign operations, the translation of intra-group receivables from or liabilities to foreign operations that in substance are part of the net investment in the foreign operations, as well as from the translation of liabilities that hedge the company's net investments in foreign operations.

Non-controlling interest

Non-controlling interest amounts to 1 (319). During 2021, the Group acquired the remaining part of the non-controlling interest of ISRA VISION and a portion of the remaining non-controlling interest of Atlas Copco (India) Ltd. In total five subsidiaries have non-controlling interest.

Appropriation of profit

The Board of Directors proposes a dividend of SEK 7.60 (7.30) per share, totaling SEK 9 258 246 797, to be paid in two installments. Shares held by the company on December 31, 2021 are excluded.

SEK	
Retained earnings including reserve for fair value	138 414 537 596
Profit for the year	5 176 207 640
	143 590 745 236
The Board of Directors proposes that these earnings be appropriated as follows:	
To the shareholders, a dividend of SEK 7.60 per share	9 258 246 797
To be retained in the business	134 332 498 439
Total	**143 590 745 236**

The proposed dividend for 2020 amounted of SEK 7.30 per share was approved by the AGM on April 27, 2021 and was paid accordingly by Atlas Copco AB. Total dividend paid amounted to SEK 8 889 311 863.

Share split and mandatory share redemption

The Board also proposes a share split and redemption share procedure, whereby every share is split into four (4) ordinary shares and one (1) redemption share. The redemption share is automatically redeemed at SEK 8.00 per share. This corresponds to a total of MSEK 9 746. Combined with the proposed ordinary dividend, shareholders will receive MSEK 19 004. The payment of the redemption share would, if approved, be made around June 13, 2022.

21. Borrowings

	Maturity	Repurchased nominal amount	2021 Carrying amount	2021 Fair value	2020 Carrying amount	2020 Fair value
Non-current						
Medium Term Note Program MEUR 500	2023		5 114	5 283	5 013	5 316
Medium Term Note Program MEUR 500	2026		5 114	5 226	5 015	5 223
Medium Term Note Program MEUR 300	2029		3 050	3 019	2 989	3 037
Bilateral borrowings NIB MEUR 200	2024		2 047	2 078	2 008	2 058
Bilateral borrowings EIB MEUR 200	2022	MEUR 100	1 024	1 026	2 008	2 021
Bilateral borrowings EIB MEUR 200	2027		2 047	2 051	2 008	2 091
Bilateral borrowings EIB MEUR 100	2028		1 024	1 024	–	–
Other bank loans			167	167	210	210
Less current portion of long-term borrowings			–1 045	–1 026	–1	–1
Total non-current bonds and loans			**18 542**	**18 848**	**19 250**	**19 955**
Lease liabilities			2 328	2 328	2 400	2 400
Other financial liabilities			23	23	19	19
Total non-current borrowings			**20 893**	**21 199**	**21 669**	**22 374**
Current						
Current portion of long-term borrowings			1 045	1 026	1	1
Short-term loans			1 915	1 915	2 007	2 007
Lease liabilities			1 021	1 021	969	969
Total current borrowings			**3 981**	**3 962**	**2 977**	**2 977**
Closing balance, Dec. 31			**24 874**	**25 161**	**24 646**	**25 351**

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

In 2019, Atlas Copco AB entered into a 7-year MEUR 300 loan agreement with the European Investment Bank. MEUR 200 was utilized in 2020 and additional MEUR 100 was utilized in 2021.

Short term loans include supply chain financing contracts with remaining payment terms exceeding 180 days. Atlas Copco has a long-term debt rating of A+ (A+) from Standard & Poor's Corporation and A+ (A+) from Fitch Ratings. Other than standard undertakings such as negative pledge and pari passu, interest-bearing loans, borrowings and committed credit lines are not subject to any financial covenants.

The Group's credit facilities are specified in the table below.

Credit facilities	Nominal amount	Maturity	Utilized
Commercial papers [1) 2)]	MSEK 14 095	–	–
Credit-line	MEUR 640	2025	–
Credit-line	MEUR 1 000	2024	–
Equivalent in SEK	**MSEK 30 882**		–

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 MEUR 400 and MSEK 10 000 corresponding to a total of MSEK14 095 (10 016).

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

	2021			2020		
Currency	Local currency (millions)	MSEK	%	Local currency (millions)	MSEK	%
EUR	2 165	22 166	89	2 159	21 681	88
SEK	184	184	1	261	261	1
USD	81	734	3	95	778	3
Others	–	1 790	7	–	1 926	8
Total		**24 874**	**100**		**24 646**	**100**

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

Maturity	Fixed	Floating [1)]	Carrying amount	Fair value
2022	130	3 853	3 983	3 986
2023	5 955	–	5 955	6 124
2024	579	2 047	2 626	2 657
2025	315	–	315	315
2026	5 328	–	5 328	5 440
2027	2 219	–	2 219	2 222
2028	1 147	–	1 147	1 147
2029	3 139	–	3 139	3 108
2030 and after	162	–	162	162
Total	**18 974**	**5 900**	**24 874**	**25 161**

1) Floating interest in the table corresponds to borrowings with fixings shorter or equal to six months.

21. Borrowings, continued

2021		Cash changes		Non cash changes								
Reconciliation of liabilities from financing activities	Opening balance, Jan. 1	Financing cash flows	Business acquisitions	Lease additions	Lease deductions	Business acquisitions and divestments	Change in fair value through P/L	Change in fair value through equity	FX change	Reclassification	Other	Closing balance, Dec. 31
Non-current												
Non-current bonds and loans	19 250	–136	–	–	–	86	8	300	81	–1 038	–9	18 542
Lease liabilities	2 400	–	–	447	–94	81	20	–	128	–654	–	2 328
Other financial liabilities	19	4	–4	–	–	2	1	–	1	–	–	23
Total non-current liabilities	**21 669**	**–132**	**–4**	**447**	**–94**	**169**	**29**	**300**	**210**	**–1 692**	**–9**	**20 893**
Current												
Current portion of long-term borrowings	1	–14	–	–	–	–	–	–	–	1 058	–	1 045
Short-term loans	1 793	95	–	–	–	24	–	–	35	–20	–12	1 915
Lease liabilities	969	–1 214 [1]	–	565	–75	25	48	–	49	654	–	1 021
Total current liabilities	**2 763**	**–1 133**	**–**	**565**	**–75**	**49**	**48**	**–**	**84**	**1 692**	**–12**	**3 981**
Total	**24 432**	**–1 265**	**–4**	**1 012**	**–169**	**218**	**77**	**300**	**294**	**–**	**–21**	**24 874**

[1] Includes paid interest on lease liabilities.

2020		Cash changes		Non cash changes							
Reconciliation of liabilities from financing activities	Opening balance, Jan. 1	Financing cash flows	Business acquisitions	Lease additions	Lease deductions	Business acquisitions	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	17 704	2 252	–	–	–	59	6	–554	–215	–2	19 250
Lease liabilities	2 670	–	–	519	–71	128	21	–	–197	–670	2 400
Other financial liabilities	26	2	–5	–	–	–	–	–	–2	–2	19
Total non-current liabilities	**20 400**	**2 254**	**–5**	**519**	**–71**	**187**	**27**	**–554**	**–414**	**–674**	**21 669**
Current											
Current portion of long-term borrowings	11	–10	–	–	–	–	–	–	–1	1	1
Short-term loans	1 970	–566	–	–	–	502	1	–	–115	1	1 793
Lease liabilities	973	–1 227 [1]	–	602	–66	42	59	–	–84	670	969
Total current liabilities	**2 954**	**–1 803**	**–**	**602**	**–66**	**544**	**60**	**–**	**–200**	**672**	**2 763**
Total	**23 354**	**451**	**–5**	**1 121**	**–137**	**731**	**87**	**–554**	**–614**	**–2**	**24 432**

[1] Includes paid interest on lease liabilities.

Cash flow from financing activities also includes net "Settlement of CSA" (Credit Support Annex) of MSEK –440 (–79) which is not included in the tables above.
In December 2021, the financial liability related to CSA amounted to MSEK 0 (214).

22. Leases

Group as a lessee

Atlas Copco´s lease portfolio consists mainly of leased buildings such as offices and warehouses, vehicles and production equipment. There are several lease contracts with extension options and variable lease payments. Carrying amounts and movements of the right-of-use asset are presented in the tables below:

Right-of-use assets, 2021	Buildings and land	Machinery and equipment	Rental equipment	Total
Cost				
Opening balance, Jan. 1	3 491	1 510	38	5 039
Additions	583	434	–	1 017
Business acquisitions and divestments	84	19	7	110
Deductions	–246	–245	–12	–503
Reclassifications	–11	–13	–	–24
Translation differences	216	71	1	288
Closing balance, Dec. 31	**4 117**	**1 776**	**34**	**5 927**
Depreciation and impairment losses				
Opening balance, Jan. 1	1 080	674	24	1 778
Depreciation and impairment for the period	701	438	8	1 147
Divestments	–	–1	–	–1
Deductions	–109	–218	–7	–334
Reclassifications	–15	–8	–	–23
Translation differences	81	35	–	116
Closing balance, Dec. 31	**1 738**	**920**	**25**	**2 683**
Carrying amounts, Jan. 1	2 411	836	14	3 261
Carrying amounts, Dec. 31	**2 379**	**856**	**9**	**3 244**

Right-of-use assets, 2020	Buildings and land	Machinery and equipment	Rental equipment	Total
Cost				
Opening balance, Jan. 1	3 176	1 408	47	4 631
Additions	677	446	–	1 123
Business acquisitions	157	13	–	170
Deductions	–208	–192	–3	–403
Reclassifications	–25	–37	–4	–66
Translation differences	–286	–128	–2	–416
Closing balance, Dec. 31	**3 491**	**1 510**	**38**	**5 039**
Depreciation and impairment losses				
Opening balance, Jan. 1	610	442	22	1 074
Depreciation and impairment for the period	702	454	8	1 164
Deductions	–121	–143	–3	–267
Reclassifications	–25	–25	–2	–52
Translation differences	–86	–54	–1	–141
Closing balance, Dec. 31	**1 080**	**674**	**24**	**1 778**
Carrying amounts, Jan. 1	2 566	966	25	3 557
Carrying amounts, Dec. 31	**2 411**	**836**	**14**	**3 261**

The following amounts have been recognized in profit or loss:

Leasing in income statement	2021	2020
Depreciation and impairment expense on right-of-use assets	–1 147	–1 164
Interest expense on lease liabilities	–68	–80
Expense relating to leases of low value assets	–53	–44
Expense relating to short-term leases	–105	–105
Expense relating to variable lease payments	–27	–29
Income from subleasing right-of-use assets	8	6
Total amount recognized in profit or loss	**–1 392**	**–1 416**

For cash outflows related to leases, the principal payment amounts to 1 154 (1 155) and the interest portion of lease payments to 60 (72). The principal payment is recognized as cash flow from financing activities and the interest portion of the lease payment as cash flow from operating activities, net financial items paid. For further information, see consolidated statements of cash flow and note 21.

Lease contracts that include extension options are mainly related to premises, machinery and equipment. Management uses significant judgement in determining whether these extension options are reasonably certain to be exercised. Extension options reasonably certain to be exercised are included in the lease term. Future cash outflow relating to extension options expected not to be exercised amounts to 175 (157). For leases that have not yet commenced, the future cash outflow amounts to 48 (13).

For carrying amounts and movements of lease liabilities related to the right-of-use assets, see note 21.

The maturity analysis of lease liabilities is disclosed in note 27.

22. Leases, continued

Group as a lessor
As a lessor, the Group has finance and operating lease contracts, see note 1 for further information.

Finance leases – lessor
Atlas Copco has equipment which is leased to customers under finance leases. Future payments to be received fall due as follows:

	2021		2020	
	Gross investment	Present value of minimum lease payments	Gross investment	Present value of minimum lease payments
Less than one year	31	29	21	20
Between one and five years	67	61	77	69
More than five years	9	6	8	7
Total	**107**	**96**	**106**	**96**
Unearned finance income	–	6	–	4
Unguaranteed residual value	–	5	–	6
Total	**107**	**107**	**106**	**106**

Operating leases – lessor
Atlas Copco has equipment which is leased to customers under operating leases. Future payments for non-cancellable operating leasing contracts fall due as follows:

	2021	2020
Less than one year	117	103
Between one and five years	235	148
More than five years	47	18
Total	**399**	**269**

Contingent rent recognized as income amounted to 1 (5).

23. Employee benefits

Post-employment benefits

Atlas Copco provides post-employment defined benefit pensions and other long-term employee benefits in most of its major locations. The most significant countries in terms of size of plans are Belgium, Germany, Sweden, the United Kingdom and the United States. Some plans are funded in advance with certain assets or funds held separately from the Group for future benefit payment obligations. Other plans are unfunded and the benefits from those plans are paid by the Group as they fall due.

The plans in Belgium cover early retirement, jubilee, and termination indemnity and are all unfunded.

The plans in Germany cover pensions, early retirements and jubilee. The plans are funded.

There are three defined benefit pension plans in Sweden. The ITP plan is a final salary pension plan covering the majority of white-collar employees in Sweden. Atlas Copco finances the benefits through a pension foundation. The second plan relates to a group of employees earning more than ten income base amounts that has opted out from the ITP plan. This plan is insured. The third defined benefit pension plan relates to former senior employees now retired. In Sweden, in addition to benefits relating to retirement pensions, Atlas Copco has obligations for family pensions for many of the Swedish employees, which are funded through a third-party insurer, Alecta. This plan is accounted for as a defined contribution plan as sufficient information for calculating the net pension obligation is not available.

In the United Kingdom, there is a final salary pension plan. This plan is funded. In 2010, the plan was converted to a defined contribution plan for future services.

In the United States, Atlas Copco provides a pension plan, a post-retirement medical plan, and a number of supplemental retirement pension benefits for executives. The pension plan is funded while the other plans are unfunded.

The Group identifies a number of risks in investments of pension plan assets. The main risks are interest rate risk, market risk, counterparty risk, liquidity and inflation risk, and currency risk. The Group is working on a regular basis to handle the risks and has a long-term investment horizon. The investment portfolio should be diversified, which means that multiple asset classes, markets and issuers should be utilized. An asset and liability management assessment should be conducted periodically. The study should include a number of elements. The most important elements are the duration of the assets and the timing of liabilities, the expected return of the assets, the expected development of liabilities, the forecasted cash flows and the impact of a shift in interest rates on the obligation.

The net obligations for post-employment benefits and other long-term employee benefits have been recorded in the balance sheet as follows:

	2021	2020
Financial assets (note 15)	–781	–496
Post-employment benefits	3 114	3 488
Other provisions (note 25)	91	91
Closing balance, net	**2 424**	**3 083**

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 2 424 (3 083). The weighted average duration of the obligation is 15.8 (15.5) years.

Post-employment benefits					
2021	Funded pension plans	Unfunded pension plans	Other funded plans	Other unfunded plans	**Total**
Present value of defined benefit obligations	10 350	1 451	76	153	12 030
Fair value of plan assets	–9 586	–	–85	–	–9 671
Present value of net obligations	**764**	**1 451**	**–9**	**153**	**2 359**
Effect of asset ceiling	25	–	–	–	25
Other long-term service obligations	–	–	40	–	40
Net amount recognized in the balance sheet	**789**	**1 451**	**31**	**153**	**2 424**

Post-employment benefits					
2020	Funded pension plans	Unfunded pension plans	Other funded plans	Other unfunded plans	**Total**
Present value of defined benefit obligations	9 728	1 416	72	160	11 376
Fair value of plan assets	–8 248	–	–73	–	–8 321
Present value of net obligations	**1 480**	**1 416**	**–1**	**160**	**3 055**
Other long-term service obligations	–	–	28	–	28
Net amount recognized in the balance sheet	**1 480**	**1 416**	**27**	**160**	**3 083**

Plan assets consist of the following:	**2021**			
	Quoted market price	Unquoted market price	**Total**	**2020**
Debt instruments	986	166	1 152	1 360
Equity instruments	711	322	1 033	730
Property	830	928	1 758	1 116
Assets held by insurance companies	151	1 822	1 973	1 872
Cash	622	–	622	624
Investment funds	806	712	1 518	1 358
Derivatives	787	4	791	7
Others	38	786	824	1 254
Closing balance, Dec. 31	**4 931**	**4 740**	**9 671**	**8 321**

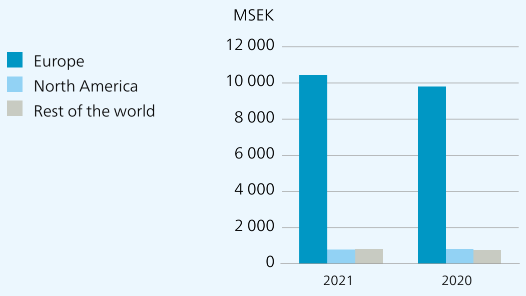
23. Employee benefits, continued

Movements in plan assets	2021	2020
Fair value of plan assets at Jan. 1	8 321	8 586
Interest income	107	141
Remeasurement – return on plan assets	991	411
Settlements	–12	–
Employer contributions	100	143
Plan members contributions	13	14
Administrative expenses	–14	–11
Benefit paid by the plan	–312	–270
Reclassifications	–	–138
Translation differences	477	–555
Fair value of plan assets, Dec. 31	**9 671**	**8 321**

The plan assets are allocated among the following geographic areas:	2021	2020
Europe	8 556	7 249
North America	682	647
Rest of the world	433	425
Total	**9 671**	**8 321**

Asset ceiling	2021	2020
Asset ceiling at Jan. 1	–	–
Remeasurements – asset ceiling	24	–
Translation differences	1	–
Asset ceiling, Dec. 31	**25**	**–**

The defined benefit obligations for employee benefits consist of plans in the following geographic areas:



Movements in present value of the obligations for defined benefits	2021	2020
Defined benefit obligations at Jan. 1	11 376	11 665
Current service cost	356	359
Past service cost	–7	145
Interest expense (+)	141	179
Actuarial gains (–)/ losses (+) arising from experience adjustments	–11	–135
Actuarial gains (–)/ losses (+) arising from financial assumptions	215	505
Actuarial gains (–)/ losses (+) arising from demographic assumptions	–46	–42
Business acquisitions	3	55
Settlements	–24	–
Benefits paid from plan or company assets	–544	–498
Reclassifications	–	–137
Translation differences	571	–720
Defined benefit obligations, Dec. 31	**12 030**	**11 376**

Remeasurements recognized in other comprehensive income amounted to –808 (–93) and –1 (10) in profit and loss. The Group expects to pay 384 (373) in contributions to defined benefit plans in 2021.

Expenses recognized in the income statement	2021	2020
Current service cost	356	359
Past service cost	–7	145
Net interest cost	34	38
Employee contribution/ participant contribution	–13	–14
Remeasurement of other long-term benefits	–1	10
Administrative expenses	10	11
Total	**379**	**549**

The total benefit expense for defined benefit plans amounted to 379 (549), whereof 345 (511) have been charged to operating expenses and 34 (38) to financial expenses. Expenses related to defined contribution plans amounted to 941 (888).

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages in %)	2021	2020
Discount rate		
Europe	1.16	1.09
North America	2.71	2.10
Future salary increases		
Europe	2.27	1.53
Medical cost trend rate		
North America	6.22	6.22

The Group has identified discount rate, future salary increases, and mortality as the primary actuarial assumptions for determining defined benefit obligations. Changes in those actuarial assumptions affect the present value of the net obligation. The discount rate is determined by reference to market yields at the balance sheet date using, if available, high quality corporate bonds (AAA or AA) matching the duration of the pension obligations. In countries where corporate bonds are not available, government bonds are used to determine the discount rate. In Sweden in line with prior years, mortgage bonds are used for determining the discount rate.

Atlas Copco's mortality assumptions are set by country, based on the most recent mortality studies that are available. Where possible, generational mortality assumptions are used, meaning that they include expected improvements in life expectancy over time.

The table below shows the sensitivity analysis for discount rate and increase in life expectancy and describes the potential effect on the present value of the defined pension obligation.

Sensitivity analysis	Europe	North America
Change in discount rate +0.5%	–814	–33
Change in discount rate –0.5%	908	36
Increase in life expectancy, +1 year	376	19

23. Employee benefits, continued

Share value based incentive programs

In 2016–2020, the Annual General Meeting decided on performance-based personnel stock option programs based on a proposal from the Board on an option program for the respective years. In 2021, the Annual General Meeting decided on a performance-based personnel stock option program for 2021 similar to the 2016–2020 programs.

Option programs 2016–2021

At the Annual General Meeting 2016–2021 respectively, it was decided to implement performance-based personnel stock option programs. The decision to grant options was made in April each year and the options were issued in March the following year (issue date). The number of options issued for each program year depended on the value creation in the Group, measured as Economic Value Added (EVA, defined as the sum of adjusted operating profit and interest income less tax expenses and cost of capital), for the respective program year. For the 2021 option program, the number of options varies on a linear basis within a preset EVA interval. The size of the plan and the limits of the interval have been established by the Board and have been approved by the Annual General Meeting and are compatible with the long-term business plan of the Group.

In connection to the issue, the exercise price was calculated as 110% of the average trading price for series A shares during a ten-day period following the date of the publishing of the fourth quarter report. The options were issued without compensation paid by the employee and the options remain the property of the employee only to the extent that they are exercisable at the time employment is terminated. The 2016–2021 programs have a term of seven years. The options in the 2016–2021 programs are not transferable and become exercisable at 100% three years after grant.

The 2016–2021 programs include a requirement for Group Management and division presidents (33 in total) to purchase Atlas Copco A shares for 10% of their gross base salary in order to be granted options. A lower amount of investment will reduce the number of options proportionately. Further, Group Management and division presidents who have invested in Atlas Copco A shares will have the right (a "matching option") to purchase one share per each share purchased at a price equal to 75% of the average trading price for series A shares during a ten-day period following the date of the publishing of the fourth quarter report. This right applies from three years after grant until the expiration of the stock option program.

The Board had the right to decide to implement an alternative incentive solution (SARs) for key persons in such countries where the grant of personnel stock options was not feasible.

In the 2016–2017 programs, the options have been possible to be settled by the Company paying cash equal to the excess of the closing price of the shares over the exercise price on the exercise day, less any administrative fees. Due to this choice of settlement, these options where classified for accounting purposes as cash-settled in accordance with IFRS 2. As from 2021, such request can no longer be made and therefore only those options where the participant has opted for cash conversion prior to 2021 are accounted for as cash-settled.

The Black-Scholes model is used to calculate the fair value of the options/SARs in the programs at issue date. For the programs in 2020 and 2021, the fair value of the options/SARs was based on the following assumptions:

Key assumptions	2021 Program (Dec. 31, 2021)	2020 Program (at issue date)
Expected exercise price	SEK 685/467 [1]	SEK 0/357 [1][2]
Expected volatility	30%	30%
Expected options life (years)	4.3	4.1
Expected share price	SEK 622.60	SEK 546.80
Expected dividend (growth)	7.3 (6%)	7.0 (6%)
Risk free interest rate	1.00%	1.00%
Expected average grant value	SEK 119.54/200.65	SEK 0/176.43
Maximum number of options	1 920 585	2 653 352
– of which forfeited	–16 668	–2 653 352
Number of matching options	23 301	28 840

[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 A share price as well as other shares on the stock market.

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

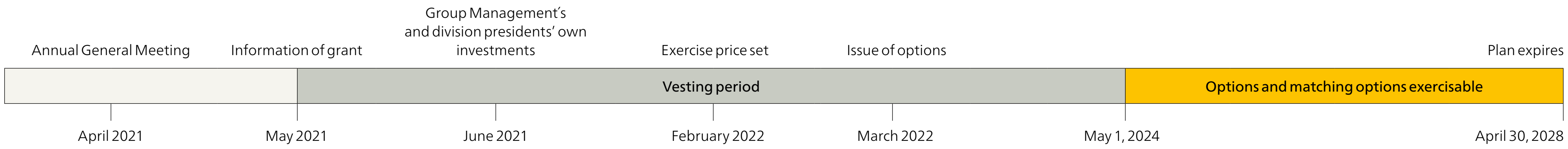
For the stock options in the 2016–2021 programs, the fair value is recognized as an expense over the following vesting periods:

Program	Vesting period		Exercise period	
Stock options	From	To	From	To
2016	May 2016	April 2019	May 2019	April 2023
2017	May 2017	April 2020	May 2020	April 2024
2018	May 2018	April 2021	May 2021	April 2025
2019	May 2019	April 2022	May 2022	April 2026
2020 [1]	N/a	N/a	N/a	N/a
2021	May 2021	April 2024	May 2024	April 2028

[1] No options issued as the EVA target for the Group was not met.

For the 2021 program, a new valuation of the fair value has been made and will be made at each reporting date until the issue date.

Timeline 2021 long term incentive program



23. Employee benefits, continued

For SARs and the options classified as cash-settled, the fair value is recognized as an expense over the same vesting period; the fair value is, however, remeasured at each reporting date and changes in the fair value after the end of the vesting period continue to be recognized as a personnel expense.

In accordance with IFRS 2, the expense in 2021 for all share-based incentive programs, excluding social costs, amounted to 459 (239) of which 212 (158) refer to equity-settled options. The related costs for social security contributions are accounted for in accordance with the statement from the Swedish Financial Reporting Board (UFR 7) and are classified as personnel expenses.

In the balance sheet, the provision for share appreciation rights and stock options classified as cash-settled as of December 31 amounted to 391 (259). Atlas Copco shares are held by the Parent Company in order to cover commitments under the programs 2016–2021, see also note 20.

Summary of share value based incentive programs

Program	Initial number of employees	Initial number of options	Expiration date	Exercise price, SEK	Type of share	Fair value at issue date	Intrinsic value for vested SARs
Stock options							
2015	254	3 430 049	Apr. 30, 2020	144.14	A	33.90	–
2016	256	7 279 231	Apr. 30, 2023	230.18	A	66.70	–
2017	262	3 046 532	Apr. 30, 2024	286.81	A	64.20	–
2018	269	2 401 107	Apr. 30, 2025	264.00	A	58.70	–
2019	267	3 343 789	Apr. 30, 2026	393.00	A	56.50	–
Matching options							
2015	29	52 357	Apr. 30, 2020	98.54	A	63.20	–
2016	27	41 048	Apr. 30, 2023	157.38	A	106.20	–
2017	34	36 743	Apr. 30, 2024	195.62	A	108.40	–
2018	29	41 616	Apr. 30, 2025	180.00	A	92.80	–
2019	30	27 622	Apr. 30, 2026	268.00	A	98.20	–
2020	31	28 840	Apr. 30, 2027	357.00	A	176.43	–
Share appreciation rights							
2015	64	748 096	Apr. 30, 2020	144.14	A	–	–
2016	64	1 586 550	Apr. 30, 2023	230.18	A	–	395.62
2017	61	606 994	Apr. 30, 2024	286.81	A	–	338.99
2018	57	434 055	Apr. 30, 2025	264.00	A	–	361.80
2019	62	652 550	Apr. 30, 2026	393.00	A	–	–

Number of options/rights 2021 [1]

Program	Outstanding Jan. 1	Conversion options/ rights [2]	Exercised	Expired/ forfeited	Outstanding Dec. 31	*–of which exercisable*	Time to expiration, in months	Average stock price for exercised options, SEK
Stock options								
2016	1 074 763	–148 564	361 184	–	565 015	*565 015*	16	525
2017	1 332 678	–203 538	405 611	–	723 529	*723 529*	28	531
2018	2 309 690	92 010	875 860	15 230	1 510 610	*1 510 610*	40	544
2019	3 312 214	168 400	–	105 667	3 374 947	–	52	–
Matching options								
2016	10 999	–	2 026	–	8 973	*8 973*	16	506
2017	22 739	–	8 578	–	14 161	*14 161*	28	508
2018	40 102	–	7 542	–	32 560	*32 560*	40	547
2019	27 622	–	–	677	26 945	–	52	–
2020	28 840	–	–	691	28 149	–	64	–
Share appreciation rights								
2016	347 613	148 564	147 413	–	348 764	*348 764*	16	521
2017	276 939	203 538	192 280	–	288 197	*288 197*	28	496
2018	418 825	–92 010	169 609	–	157 206	*157 206*	40	539
2019	652 550	–168 400	–	21 050	463 100	–	52	–

[1] All numbers have been adjusted for the effect of the distribution of Epiroc and share split in 2018 in line with the method used by Nasdaq Stockholm to adjust exchange-traded options contracts.

[2] Change in Sweden and China with reference to the terms and conditions.

23. Employee benefits, continued

Number of options/rights 2020 [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								
2015	234 518	–	234 518	–	–	–	–	340
2016	1 747 686	–	672 923	–	1 074 763	*1 074 763*	28	384
2017	2 288 581	–	916 787	39 116	1 332 678	*1 332 678*	40	392
2018	2 393 492	–	–	83 802	2 309 690	–	52	–
2019	3 343 789	–	–	31 575	3 312 214	–	64	–
Matching options								
2015	8 218	–	8 218	–	–	–	–	339
2016	15 091	–	4 092	–	10 999	*10 999*	28	427
2017	28 228	–	4 404	1 085	22 739	*22 739*	40	408
2018	41 616	–	–	1 514	40 102	–	52	–
2019	27 622	–	–	–	27 622	–	64	–
2020	–	28 840	–	–	28 840	–	76	–
Share appreciation rights								
2015	32 832	–	32 832	–	–	–	–	338
2016	433 472	–	85 859	–	347 613	*347 613*	28	409
2017	421 013	–	144 074	–	276 939	*276 939*	40	390
2018	434 055	–	–	15 230	418 825	–	52	–
2019	652 550	–	–	–	652 550	–	64	–

[1)] All numbers have been adjusted for the effect of the distribution of Epiroc and share splits in 2015 and 2018 in line with the method used by NASDAQ Stockholm to adjust exchange-traded options contracts.

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24. Other liabilities

Fair value of other liabilities corresponds to carrying value.

Other current liabilities	2021	2020
Derivatives:		
– at fair value through profit and loss	163	69
– at fair value through OCI	59	–
Other financial liabilities:		
– other liabilities	2 206	2 099
– accrued expenses	8 182	6 617
Prepaid income other	40	28
Contract liabilities:		
– advances from customers	5 114	3 027
– deferred revenues construction contracts	429	516
– deferred revenues service contracts	1 951	1 631
Closing balance, Dec. 31	**18 144**	**13 987**

Accrued expenses include items such as social costs, vacation pay liability, accrued interest, and accrued operational expenses. See note 27 for information on the Group's derivatives.

The amounts included in contract liabilities at the beginning of the year have been recognized as revenue during the year except for 447 (376). 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 2021, transaction price allocated to remaining performance obligations was 14 296 (12 772) and the majority will be recognized as revenue over the next three years. The transaction price does not include consideration that is constrained.

25. Provisions

2021	Product warranty	Restructuring	Other	Total
Opening balance, Jan. 1	1 217	411	1 500	3 128
During the year:				
– provisions made	1 219	100	926	2 245
– provisions used	–918	–242	–407	–1 567
– provisions reversed	–330	–12	–268	–610
Reclassification	–	10	2	12
Translation differences	73	4	27	104
Closing balance, Dec. 31	**1 261**	**271**	**1 780**	**3 312**
Non-current	224	100	1 362	1 686
Current	1 037	171	418	1 626
Total	**1 261**	**271**	**1 780**	**3 312**

25. Provisions, continued

2020	Product warranty	Restructuring	Other	Total
Opening balance, Jan. 1	1 193	225	1 344	2 762
During the year:				
– provisions made	1 216	290	638	2 144
– provisions used	–945	–79	–269	–1 293
– provisions reversed	–169	–7	–179	–355
Business acquisitions	23	–	16	39
Translation differences	–101	–18	–50	–169
Closing balance, Dec. 31	**1 217**	**411**	**1 500**	**3 128**
Non-current	193	28	974	1 195
Current	1 024	383	526	1 933
Total	**1 217**	**411**	**1 500**	**3 128**

Maturity 2021	Product warranty	Restructuring	Other	Total
Less than one year	1 037	171	418	1 626
Between one and five years	214	81	857	1 152
More than five years	10	19	505	534
Total	**1 261**	**271**	**1 780**	**3 312**

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

26. Assets pledged and contingent liabilities

Assets pledged for debts to credit institutions and other commitments	2021	2020
Inventory and property, plant and equipment	57	61
Endowment insurances	201	183
Total	**258**	**244**

Contingent liabilities	2021	2020
Notes discounted	7	8
Sureties and other contingent liabilities	252	244
Total	**259**	**252**

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

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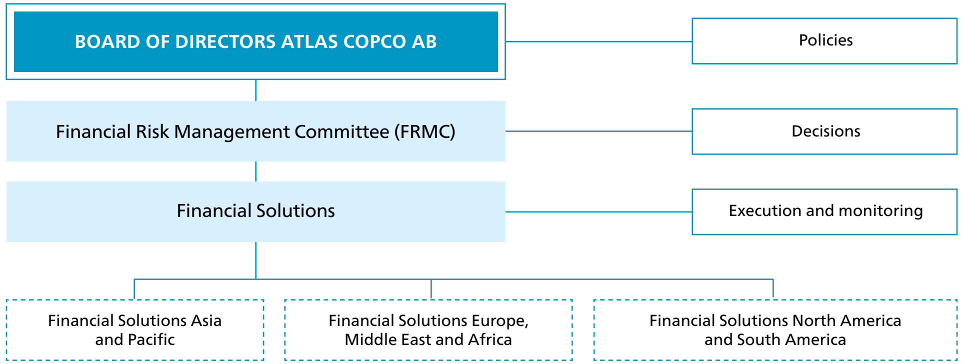
27. Financial exposure and principles for control of financial risks

FINANCIAL RISKS

The Group is exposed to various financial risks in its operations. These financial risks include: Funding and liquidity risk, Interest rate risk, Currency risk, Credit risk and Other market and price risks.

The Board of Directors establishes the overall financial policies and monitors compliance with the policies. The Group's Financial Risk Management Committee (FRMC) manages the Group's financial risks within the mandate given by the Board of Directors. The members of the FRMC are the CEO, CFO and Group Treasurer. The FRMC meets on a quarterly basis or more often if circumstances require.

Financial Solutions has the operational responsibility for financial risk management in the Group. Financial Solutions manages and controls financial risk exposures, ensures that appropriate financing is in place through loans and committed credit facilities, and manages the Group's liquidity.

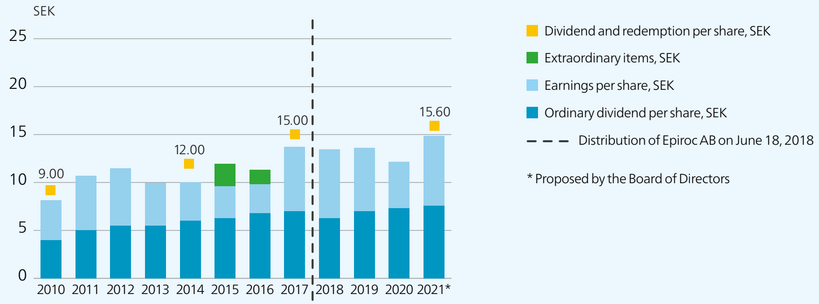


Capital management

Atlas Copco defines capital as borrowings and equity, which at December 31 totaled MSEK 92 508 (78 180). 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



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	2021	2020
Committed credit facilities	16 788	16 467
Cash and cash equivalents	18 990	11 655
Average tenor, years	4.1	4.8
Short-term external debt maturities	1 024	1

The overall liquidity of the Group is strong considering the maturity profile of the external borrowings, the balance of cash and cash equivalent as of year end, and available back-up credit facilities from banks. Please refer to note 21 for information on utilized borrowings, maturity, and back-up facilities.

The following cash flow table shows the maturity structure of the Group's financial liabilities. The figures shown are contractual undiscounted cash flows based on contracted date, when the Group is liable to pay, including both interest and nominal amounts. The short-term assets are well matched with the short-term liabilities in terms of maturity. Furthermore, the Group has back-up facilities with maturity 2024 and 2025 to secure liquidity.

Financial instruments	Up to 1 year	1–3 years	4–5 years	Over 5 years
Liabilities				
Bonds and loans	–	7 441	5 204	6 219
Lease liabilities	–	1 404	545	485
Other financial liabilities	3	3	3	16
Other liabilities	72	61	41	0
Non-current financial liabilities	**75**	**8 909**	**5 793**	**6 720**
Bonds and loans	2 094	–	–	–
Lease liabilities	1 030	–	–	–
Current portion of interest-bearing liabilities	1 045	–	–	–
Derivatives	222	–	–	–
Other accrued expenses	8 182	–	–	–
Trade payables	15 159	–	–	–
Other liabilities	2 206	–	–	–
Current financial liabilities	**29 938**	–	–	–
Financial liabilities	**30 013**	**8 909**	**5 793**	**6 720**

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

Interest rate risk

Interest rate risk is the risk that the Group is negatively affected by changes in the interest rate levels.

Policy

The Group's policy states that the average interest duration (i.e. period for which interest rates are fixed) should be a minimum of 6 months and without a maximum limit.

Status at year end

The Group's borrowings have a mix of fixed and floating rates. No interest rate swaps are used to convert interest. For more information about the Group's borrowings, see note 21.

Interest risk	2021	2020
Effective interest rate on bonds and loans	0.9%	0.9%
Effective interest rate on lease liabilities	2.0%	2.4%
Duration (months)	45	51

16% (21) of the Group's bonds and loans have floating interest rates. A shift of one percentage point upward of all floating rates would impact the Group's interest net with MSEK –31 (–40). Same shift downwards would impact the Group's interest net with MSEK 0 (0), based on the assumption that the interest rate on the Group's bonds and loans cannot be negative.

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).

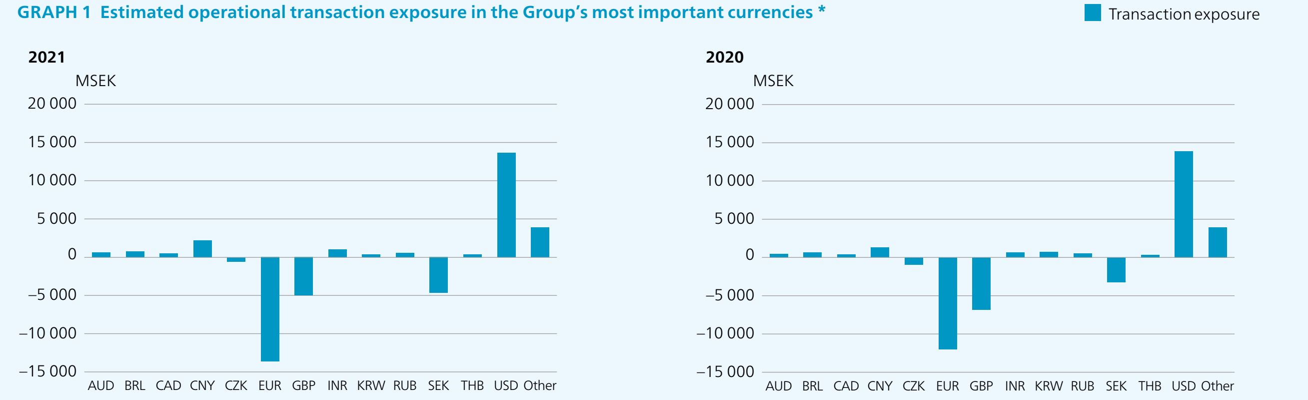
Transaction exposure risk

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 MSEK –4 678 (–3 207). The estimated amounts are based on the Group's operational external payments from customers and to suppliers.

The transaction exposure sensitivity analysis is based on the operational transaction exposure. It shows how the cash flow and profit before tax would theoretically be impacted by a five percentage point change in SEK, USD or EUR, against all other currencies. The analysis is based on the assumption that no hedging transaction has been undertaken and is done before any impact of offsetting price adjustments or similar measures.

As an example, the net transaction exposure of in-and outflow payments in EUR is a deficit as shown in graph 1. A strengthening in the EUR currency rate against all other currencies with +5% would have a negative impact on the cash flow and profit before tax of MSEK –681, and a weakening would have a positive impact of MSEK 681.

Transaction exposure sensitivity	2021	2020
SEK exchange rate + 5%	–234	–160
USD exchange rate + 5%	682	695
EUR exchange rate + 5%	–681	–602

Outstanding derivative instruments related to transaction exposure	2021 Nominal amount, net in transaction currency	2020 Nominal amount, net in transaction currency
Foreign exchange forwards		
GBP	269	187
USD	–368	–242

The Financial Risk Management Committee has decided to hedge part of the transaction exposure with foreign exchange forward contracts. All contracts mature within 18 months. The fair value of all outstanding contracts is MSEK 0 (89) for assets and MSEK –55 (0) for liabilities. Out of the net nominal amounts in the table, the largest cross is GBP/USD with nominal amounts of MGBP 269/ MUSD –368 (MGBP 187/ MUSD –242).

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.

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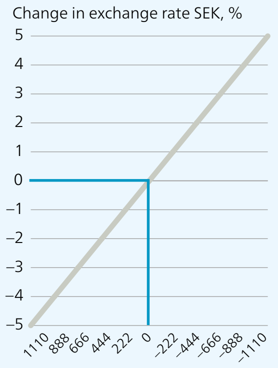
Status at year end

Graph 2 shows the Group's sensitivity to currency translation effects when earnings of foreign subsidiaries are translated to SEK. A five percentage points upward change in SEK would impact the Group's profit before tax with MSEK –1 110 (–905).

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	2021		2020	
	Effect in OCI	Nominal amount	Effect in OCI	Nominal amount
Derivatives	MSEK –5	MEUR 100	MSEK 95	MEUR 300
Loans in EUR [1]	MSEK –993	MEUR 1 600	MSEK –1 047	MEUR 1 400

[1] In the balance sheet, loans designated as net investment hedges are reported at amortized cost and not at fair value.

Most of the Group´s bonds and loans are designated as net investments hedges, and movements in currency rates are accounted for in other comprehensive income. A five percentage points upward change in EUR against SEK would affect other comprehensive income with MSEK 689 (676), see also note 1, Significant accounting principles, Financial assets and liabilities – financial instruments.

Credit risk

Credit risk can be divided into operational and financial credit risk. These risks are described further in the following sections.

Operational credit risk

Operational credit risk is the risk that the Group's customers do not meet their payment obligations.

Policy

The Group's operational credit risk policy is that business areas, divisions and individual business units are responsible for the commercial risks arising from their operations. The operational credit risk is measured as the net aggregate value of receivables on a customer.

Status at year end

The table below shows the total credit risk exposure related to assets classified as financial instruments as per December 31.

Credit risk	2021	2020
Receivables at amortized cost:		
– trade receivables	22 020	18 903
– lease receivables	101	102
– other financial receivables	290	92
– other receivables	2 560	1 891
– contract assets	3 545	2 826
– cash and cash equivalents	18 990	11 655
Financial assets at fair value through OCI	16	15
Financial assets at fair value through profit or loss	624	26
Derivatives	9	396
Total	**48 155**	**35 906**

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 2021, the provision for bad debt amounted to 3.3% (4.0) of gross total customer receivables.

The following table presents the gross value of trade receivables, both current and non-current, by maturity, together with the related impairment provisions.

Trade receivables	2021		2020	
	Gross	Impairment	Gross	Impairment
Not past due	17 837	12	15 245	38
Past due but not individually impaired				
0–30 days	2 021	–	1 713	–
31–60 days	818	–	673	–
61–90 days	394	–	378	–
More than 90 days	1 408	–	1 428	–
Past due and individually impaired				
0–30 days	2	1	34	1
31–60 days	3	1	23	2
61–90 days	13	4	10	5
More than 90 days	269	226	179	155
Collective impairment	–	501	–	579
Total	**22 765**	**745**	**19 683**	**780**

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 101 (102), of which 0 (0) have been impaired, and the gross amount of other financial receivables amounted to 292 (99), of which 2 (7) have been impaired.

There are no significant amounts past due that have not been impaired.

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Financial credit risk

Credit risk on financial transactions is the risk that the Group incurs losses as a result of non-payment by counterparts related to the Group's investments, bank deposits or derivative transactions.

Policy

The Group's financial credit risk is measured differently depending on transaction type; investment transactions or derivative transactions.

Investment transactions

Cash and cash equivalent may only be invested with a counterparty if the counterparty rating is above a rating threshold. The threshold for cash and cash equivalent is set at A-/A3 (as rated by Standard & Poor's, Fitch Ratings and Moody's). Investments in structured financial products are not allowed, unless approved by the FRMC. Furthermore, counterparty exposure, tenor and liquidity of the investment are considered before any investment is made. A list of each approved counterparty and its maximum exposure limit is maintained and monitored.

Derivative transactions

Derivative transactions may only be undertaken with approved counterparts for which credit limits are established and with which ISDA (International Swaps and Derivatives Association) master agreements and CSA (Credit Support Annex) agreements are in force. Derivative transactions may only be entered into by Atlas Copco Financial Solutions or in rare cases by another subsidiary, but only with approval from the Group Treasurer. Atlas Copco primarily uses derivatives as hedging instruments and the policy allows only standardized (as opposed to structured) derivatives.

Status at year end

Investment transactions in form of cash and cash equivalents amounted to MSEK 18 990 (11 655) at year end. These consist of cash, short term bank deposits and investments in liquidity funds. At year end, the measured credit risk on derivatives, taking into account the market value and collaterals, amounted to MSEK 29 (115).

The table below presents the reported value of the Group's derivatives.

Outstanding derivative instruments	2021	2020
Assets	9	396
Liabilities	222	69

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	9	–	9	–222	225	12
Liabilities						
Derivatives	222	–	222	–222	–	–

The positive net position in assets is due to the fact that the exchange of security is done on a weekly basis.

Other market and price risks

Commodity-price risk is the risk that the cost of direct and indirect materials could increase as underlying commodity prices rise in global markets. The Group is directly and indirectly exposed to raw material price fluctuations. Cost increases for raw materials and components often coincide with strong end-customer demand and are compensated for by increased market prices. Therefore, the Group does not hedge commodity-price risks.

Fair value of financial instruments

In Atlas Copco's balance sheet, financial instruments are carried at fair value or at amortized cost. The fair value is established according to a fair value hierarchy. The hierarchy levels should reflect the extent to which fair value is based on observable market data or own assumptions. Below is a description of each level and valuation methods used for each financial instrument.

Level 1

In the Level 1 method, fair value is based on quoted (unadjusted) prices in active markets for identical assets or liabilities. A market is considered as active if quoted prices from an exchange, broker, industry group, pricing service, or supervisory body are readily and regularly available and those prices represent actual and regularly occurring market transactions at arm's length.

Level 2

In the Level 2 method, fair value is based on models that utilize observable data for the asset or liability other than the quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Such observable data may be market interest rates and yield curves.

Level 3

In the Level 3 method, fair value is based on a valuation model, whereby significant input is based on unobservable market data.

Valuation methods

Derivatives

Fair values of forward exchange contracts are calculated based on prevailing markets. Interest rate swaps are valued based on market rates and present value of future cash flows. Discounted cash flow models are used for the valuation.

Interest-bearing liabilities

Fair values are calculated based on market rates and present value of future cash flows.

Finance leases and other financial receivables

Fair values are calculated based on market rates for similar contracts and present value of future cash flows.

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The Group's financial instruments by level

The carrying value for the Group's financial instruments corresponds to fair value in all categories except for borrowings. See note 21 for additional information about the Group's borrowings. The following table includes financial instruments at their fair value and by category.

Financial instruments by fair value hierarchy	2021				2020			
	Fair value	Level 1	Level 2	Level 3	Fair value	Level 1	Level 2	Level 3
Financial assets	184	30	154	–	177	26	151	–
Other receivables	66	–	66	–	102	–	102	–
Non-current financial assets	**250**	**30**	**220**	**–**	**279**	**26**	**253**	**–**
Trade receivables	21 954	–	21 954	–	18 801	–	18 801	–
Financial assets	847	20	827	–	58	–	58	–
Other receivables	2 560	–	2 560	–	1 891	–	1 891	–
Derivatives	9	–	9	–	396	–	396	–
Contract assets	3 545	–	3 545	–	2 826	–	2 826	–
Current financial assets	**28 915**	**20**	**28 895**	**–**	**23 972**	**–**	**23 972**	**–**
Financial assets	**29 165**	**50**	**29 115**	**–**	**24 251**	**26**	**24 225**	**–**
Bonds and loans	18 848	13 528	5 320	–	20 133	13 731	6 402	–
Other financial liabilities	23	–	23	–	19	–	19	–
Other liabilities	174	–	100	74	161	–	94	67
Non-current financial liabilities	**19 045**	**13 528**	**5 443**	**74**	**20 313**	**13 731**	**6 515**	**67**
Current portion of long-term loans	1 026	–	1 026	–	1	–	1	–
Short-term loans	1 915	–	1 915	–	2 007	–	2 007	–
Derivatives	222	–	222	–	69	–	69	–
Other accrued expenses	8 182	–	8 182	–	6 617	–	6 617	–
Trade payables	15 159	–	15 159	–	11 202	–	11 202	–
Other liabilities	2 206	–	2 155	51	2 099	–	2 069	30
Current financial liabilities	**28 710**	**–**	**28 659**	**51**	**21 995**	**–**	**21 965**	**30**
Financial liabilities	**47 755**	**13 528**	**34 102**	**125**	**42 308**	**13 731**	**28 480**	**97**

Reconciliation of financial liabilities in Level 3	Opening balance	Business acquisitions	Settlement	Discounting effect	Remeasurement	Translation differences	Closing balance	Profit/loss related to liabilities included in closing balance
Contingent considerations 2021	97	31	–10	10	–13	10	**125**	3

In other liabilities, MSEK 125 (97) 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	
			2021	2020	2021	2020
Canada	1	CAD	7.07	6.39	6.82	6.84
China	1	CNY	1.42	1.25	1.33	1.33
EU	1	EUR	10.24	10.04	10.15	10.49
India	1	INR	0.12	0.11	0.12	0.12
South Korea	1 000	KRW	7.61	7.53	7.50	7.79
United Kingdom	1	GBP	12.19	11.07	11.77	11.82
U.S.A.	1	USD	9.05	8.18	8.57	9.18

28. Related parties

Relationships

The Group has related party relationships with the Company's largest shareholder, its associates, joint ventures and with its Board members and Group Management. The Company's largest shareholder, Investor AB, controls approximately 22% (22) of the voting rights in Atlas Copco.

The subsidiaries that are directly owned by the Parent Company are presented in note A21 to the financial statements of the Parent Company. Holding companies and operating subsidiaries are listed in note A22. Information about associated companies and joint ventures is found in note 14. Information about Board members and Group Management is presented on pages 58–61.

Transactions and outstanding balances

The Group has not had any transactions with Investor AB during the year, other than dividends declared and has no outstanding balances with Investor AB.

Investor AB has controlling or significant influence in companies with which Atlas Copco may have transactions within the normal course of business. Any such transactions are made on commercial terms.

The Group has leasing agreements related to buildings owned by the Group's German pension trust. These agreements are on market terms. "Lease liabilities" in the table below represents the outstanding balances over the lease term with the Group's German pension trust.

In addition, the Group sold various products and purchased goods through certain associated companies and joint ventures on terms generally similar to those prevailing with unrelated parties.

The following table summarizes the Group's related party transactions with its associates, joint ventures and other related parties:

	2021	2020
Revenues	20	41
Goods purchased	23	18
Service purchased	90	107
At Dec. 31:		
Trade receivables	25	18
Trade payables	14	21
Lease liabilities	227	249

Compensation to key management personnel

Compensation to the Board and to Group Management is disclosed in note 5.

Financial statements, Parent Company

Income statement

For the year ended December 31 Amounts in MSEK	Note	2021	2020
Administrative expenses	A2	–764	–615
Other operating income	A3	121	105
Other operating expenses	A3	–1	–19
Operating loss		**–644**	**–529**
Financial income	A4	3 858	12 125
Financial expenses	A4	–394	–644
Profit after financial items		**2 820**	**10 952**
Appropriations	A5	2 695	88
Profit before tax		**5 515**	**11 040**
Income tax	A6	–339	71
Profit for the year		**5 176**	**11 111**

Statement of comprehensive income

For the year ended December 31 Amounts in MSEK	Note	2021	2020
Profit for the year		**5 176**	**11 111**
Other comprehensive income for the year		**–**	**–**
Total comprehensive income for the year		**5 176**	**11 111**

Balance sheet

As at December 31 Amounts in MSEK	Note	2021	2020
ASSETS			
Non-current assets			
Intangible assets	A7	13	12
Tangible assets	A8	34	38
Financial assets:			
Deferred tax assets	A9	63	183
Shares in Group companies	A10, A21	163 569	161 228
Other financial assets	A11	223	204
Total non-current assets		**163 902**	**161 665**
Current assets			
Income tax receivables		610	810
Other receivables	A12	9 347	16 108
Cash and cash equivalents	A13	0	8
Total current assets		**9 957**	**16 926**
TOTAL ASSETS		**173 859**	**178 591**

As at December 31 Amounts in MSEK	Note	2021	2020
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		139 595	136 573
Profit for the year		5 176	11 111
Total non-restricted equity		**143 591**	**146 504**
TOTAL EQUITY		**149 376**	**152 289**
PROVISIONS			
Post-employment benefits	A15	205	188
Other provisions	A16	813	478
Total provisions		**1 018**	**666**
LIABILITIES			
Non-current liabilities			
Borrowings	A17	22 195	23 007
Total non-current liabilities		**22 195**	**23 007**
Current liabilities			
Borrowings	A17	926	2 344
Other liabilities	A18	344	285
Total current liabilities		**1 270**	**2 629**
TOTAL EQUITY AND LIABILITIES		**173 859**	**178 591**

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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, 2021	1 216 192 653	786	4 999	–1 180	147 684	152 289
Total comprehensive income for the year					5 176	5 176
Ordinary dividend					–8 889	–8 889
Acquisition series A shares	–700 000				–416	–416
Divestment series A shares	2 697 715				1 451	1 451
Share-based payment, equity settled:						
– expense during the year					212	212
– exercise of options					–447	–447
Closing balance, Dec. 31, 2021	**1 218 190 368**	**786**	**4 999**	**–1 180**	**144 771**	**149 376**
Opening balance, Jan. 1, 2020	1 217 046 264	786	4 999	–1 180	145 395	150 000
Total comprehensive income for the year					11 111	11 111
Ordinary dividend					–8 506	–8 506
Acquisition series A shares	–3 000 000				–1 097	–1 097
Divestment series A shares	2 137 490				820	820
Divestment series B shares	8 899				3	3
Share-based payment, equity settled:						
– expense during the year					158	158
– exercise of options					–200	–200
Closing balance, Dec. 31, 2020	**1 216 192 653**	**786**	**4 999**	**–1 180**	**147 684**	**152 289**

See note A14 for additional information.

Statement of cash flows

For the year ended December 31, MSEK	2021	2020
Cash flows from operating activities		
Operating loss	–644	–529
Adjustments for:		
Depreciation	11	10
Capital gain/loss and other non-cash items	–596	–283
Operating cash deficit	**–1 229**	**–802**
Net financial items received	3 639	11 902
Group contributions received	88	1 930
Taxes paid	–210	–124
Cash flow before change in working capital	**2 288**	**12 906**
Change in		
Operating receivables	9 573	–2 408
Operating liabilities	60	–35
Change in working capital	**9 633**	**–2 443**
Net cash from operating activities	**11 921**	**10 463**

For the year ended December 31, MSEK	2021	2020
Cash flow from investing activities		
Investments in tangible assets	–3	–7
Investments in intangible assets	–5	–
Investments in subsidiaries	–1 833	–3 105
Repayments/investments in financial assets	–2	–2
Net cash from investing activities	**–1 843**	**–3 114**
Cash flow from financing activities		
Dividends paid	–8 889	–8 506
Repurchase and divestment of own shares	1 034	–274
Change in interest-bearing liabilities	–2 231	1 402
Net cash from financing activities	**–10 086**	**–7 378**
Net cash flow for the year	**–8**	**–29**
Cash and cash equivalents, Jan. 1	8	36
Net cash flow for the year	–8	–29
Cash and cash equivalents, Dec. 31	**0**	**8**

Notes to the Parent Company financial statements

MSEK unless otherwise stated

A1. Significant accounting principles

Atlas Copco AB is the ultimate Parent Company of the Atlas Copco Group and is headquartered in Nacka, Sweden. Its operations include administrative functions, holding company functions as well as parts of Atlas Copco Financial Solutions (Treasury).

The financial statements of Atlas Copco AB have been prepared in accordance with the Swedish Annual Accounts Act and the recommendation RFR 2, "Accounting for Legal Entities", hereafter referred to as "RFR 2", issued by the Swedish Financial Reporting Board. In accordance with RFR 2, parent companies that issue consolidated financial statements according to International Financial Reporting Standards (IFRS), as endorsed by the European Union, shall present their financial statements in accordance with IFRS, to the extent these accounting principles comply with the Swedish Annual Accounts Act and may use exemptions from IFRS provided by RFR 2 due to Swedish accounting or tax legislation.

The financial statements are presented in Swedish krona (SEK), rounded to the nearest million. The parent company's accounting principles have been consistently applied to all periods presented unless otherwise stated. The financial statements are prepared using the same accounting principles as described in note 1 in the Group's consolidated financial statements, except for those disclosed in the following sections.

For discussion regarding accounting estimates and judgments, see 74.

Subsidiaries

Participations in subsidiaries are accounted for by the Parent Company at historical cost. The carrying amounts of participations in subsidiaries are reviewed for impairment in accordance with IAS 36, Impairment of Assets. See the Group's accounting policies, Impairment of financial assets, for further details.

Transaction costs incurred in connection with a business combination are accounted for by the Parent Company as part of the acquisition costs and are not expensed.

Lease contracts

All lease contracts entered into by the Parent Company are expensed continuously on a straight-line basis over the lease term. Leases are not carried as assets, since the risk and rewards associated with ownership of the assets have not been transferred to the Parent Company.

Employee benefits

Defined benefit plans

Defined benefit plans are not accounted for in accordance with IAS 19. In the Parent Company defined benefit plans are accounted for according to the Swedish law regarding pensions, "Tryggandelagen" and regulations issued by the Swedish Financial Supervisory Board. The primary differences as compared to IAS 19 are the way discount rates are fixed, that the calculation of defined benefit obligations is based on current salary levels, without consideration of future salary increases and that all actuarial gains and losses are included in profit or loss as they occur.

Share-based payments

The share-based payments that the Parent Company has granted to employees in the Parent Company are accounted for using the same principle as described in note 1 in the Group's consolidated financial statements.

The share-based payments that the Parent Company has granted to employees in subsidiaries are not accounted for as an employee expense in the Parent Company, but are recognized against Shares in Group companies. This vesting cost is accrued over the same period as in the Group and with a corresponding increase in equity for equity-settled programs and as a change in liabilities for cash-settled programs.

Financial guarantees

Financial guarantees issued by the Parent Company for the benefit of subsidiaries are not valued according to IFRS 9. They are reported as contingent liabilities, unless it becomes probable that the guarantees will lead to payments. In such case, provisions will be recorded.

Hedge accounting

Interest-bearing liabilities denominated in other currencies than SEK, used to hedge currency exposure from investments in shares of foreign subsidiaries are not translated using the foreign exchange rates on the reporting date, but measured based on the exchange rate the day that the hedging relation was established.

Derivatives used to hedge investments in shares in foreign subsidiaries are recognized at fair value and changes therein are recognized in profit or loss. The corresponding fair value change on shares in subsidiaries is recognized in profit or loss, as fair value hedge accounting is applied.

Group and shareholders' contributions

In Sweden, Group contributions are deductible for tax purposes but shareholders' contributions are not. Group contributions are recognized as appropriations in the income statement. Shareholders' contributions are recognized as an increase of Shares in Group companies and tested for impairment.

Atlas Copco

A2. Employees and personnel expenses and remuneration to auditors

Average number of employees	2021			2020		
	Women	Men	Total	Women	Men	Total
Sweden	64	43	107	69	38	107

Women in Atlas Copco Board and Management, %	Dec. 31, 2021	Dec. 31, 2020
Board of Directors excl. employee representatives	22	25 [1]
Group Management	13	22

[1] One female board member left the board after the Annual General Meeting at her own request, and no replacement has been made.

Salaries and other remunerations	2021		2020	
	Board members and Group Management [1]	Other employees	Board members and Group Management [1]	Other employees
Sweden	107	107	77	100
of which variable compensation	20		10	

[1] Includes 7 (7) board members who receive fees from Atlas Copco AB as well as the President and CEO and 5 (5) positions of the Group Management who are employed by and receive salary and other fees from the Company.

For information regarding remuneration and other fees for members of the Board, the President and CEO, and other members of Group Management, see note 5 of the consolidated financial statements.

Pension benefits and other social costs	2021	2020
Contractual pension benefits for Board members and Group Management	12	11
Contractual pension benefits for other employees	23	23
Other social costs	79	67
Total	**114**	**101**
Pension obligations to former members of Group Management	5	4

Remuneration to auditors

Audit fees and consultancy fees for advice or assistance other than audit, were as follows:

	2021	2020
Ernst & Young		
–audit fee	5	5
– other services, tax	0	0
– other services, other	1	–
Deloitte		
– other services, other	–	2
Total	**6**	**7**

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 2022.

A3. Other operating income and expense

	2021	2020
Commissions received	121	105
Other operating income	0	0
Total other operating income	**121**	**105**
Exchange-rate differences, net	–1	–2
Other operating expense	0	–17
Total other operating expense	**–1**	**–19**

Other operating expense, 0 (17) MSEK, essentially comprise costs associated with the split of the Group.

A4. Financial income and expenses

Financial income and expenses	2021	2020
Interest income:		
– cash and cash equivalents	0	0
– receivables from Group companies	9	26
– derivatives	0	3
Dividend income from Group companies	3 849	11 381
Capital gain	0	713
Foreign exchange gain, net	0	2
Financial income	**3 858**	**12 125**
Interest expense:		
– borrowings	–189	–186
– liabilities to Group companies	–29	–37
Change in fair value:		
– other liabilities	0	0
Foreign exchange loss, net	–1	0
Impairment loss:		
– write-down of shares in Group companies	–175	–421
Financial expenses	**–394**	**–644**
Financial income, net	**3 464**	**11 481**

Following table presents the net gain or loss by category of financial instruments.

Net gain/loss on	2021	2020
– loans and receivables, incl. bank deposits	8	28
– other liabilities	0	–223
– derivatives	–218	3
Profit from shares in Group companies	3 674	11 673
Total	**3 464**	**11 481**

Profit from shares in Group companies mainly refers to dividend income from subsidiaries and capital gains from transfer of shares in subsidiaries. These transactions are eliminated in the Group accounts since they are internal. For further information about the hedges, see note 27 of the consolidated financial statements.

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A5. Appropriations

	2021	2020
Group contributions paid	–9	–2
Group contributions received	2 704	90
Total	**2 695**	**88**

A6. Income tax

	2021	2020
Current tax	–219	–44
Deferred tax	–120	115
Total	**–339**	**71**
Profit before taxes	5 515	11 040
The Swedish corporate tax rate, %	20.6	21.4
National tax based on profit before taxes	–1 137	–2 364
Tax effects of:		
– non-deductible expenses	–39	–94
– tax exempt income	793	2 588
– deductible expenses, not recognized in Income statement	26	57
– tax financial net	48	–41
– change in tax rate, deferred tax	–	–7
– controlled foreign company taxation	–24	–24
– adjustments from prior years	–6	–44
Total	**–339**	**71**
Effective tax in %	**6.1**	**–0.6**

The Parent Company's effective tax rate of 6.1% (–0.6) is primarily affected by non-taxable income such as dividends from Group companies.

A7. Intangible assets

	Capitalized expenditures for computer programs	
	2021	2020
Accumulated cost		
Opening balance, Jan. 1	67	67
Investments	5	–
Closing balance, Dec. 31	**72**	**67**
Accumulated depreciation		
Opening balance, Jan. 1	55	51
Depreciation for the year	4	4
Closing balance, Dec. 31	**59**	**55**
Carrying amount		
Opening balance, Jan. 1	12	16
Closing balance, Dec. 31	**13**	**12**

A8. Property, plant and equipment

	2021			2020		
	Buildings and land	Machinery and equipment	Total	Buildings and land	Machinery and equipment	Total
Accumulated cost						
Opening balance, Jan. 1	46	67	113	46	60	106
Investments	2	1	3	–	7	7
Closing balance, Dec. 31	**48**	**68**	**116**	**46**	**67**	**113**
Accumulated depreciation						
Opening balance, Jan. 1	16	59	75	14	55	69
Depreciation for the year	3	4	7	2	4	6
Closing balance, Dec. 31	**19**	**63**	**82**	**16**	**59**	**75**
Carrying amount						
Opening balance, Jan. 1	30	8	38	32	5	37
Closing balance, Dec. 31	**29**	**5**	**34**	**30**	**8**	**38**

Buildings and land relates to improvements in leased properties. Depreciation is accounted for under administrative expenses in the Income Statement.

The leasing costs for assets, such as rented premises, cars and office equipment are reported among administrative expenses and amounted to 58 (58). Future payments for non-cancelable leasing contracts amounted to 175 (177) and fall due as follows in the table beside.

	2021	2020
Less than one year	59	59
Between one and five years	116	117
More than five years	–	1
Total	**175**	**177**

A9. Deferred tax assets and liabilities

	2021			2020		
	Assets	Liabilities	Net balance	Assets	Liabilities	Net balance
Post-employment benefits	42	–	42	38	–	38
Other provisions	21	–	21	18	–	18
Loss/credit carry-forward	–	–	–	127	–	127
Total	**63**	–	**63**	**183**	**–**	**183**

Deferred tax assets regarding tax loss carry-forward last year are used this year. The following reconciles the net balance of deferred taxes at the beginning of the year to that at the end of the year:

	2021	2020
Net opening balance, Jan. 1	183	68
Charges to profit for the year	–120	115
Net closing balance, Dec. 31, net	**63**	**183**

A10. Shares in Group companies

	2021	2020
Accumulated cost		
Opening balance, Jan. 1	240 808	237 414
Investments	282	–
Net investment hedge	128	43
Shareholders' contribution	2 106	6 456
Divestments	–	–3 105
Closing balance, Dec. 31	**243 324**	**240 808**
Accumulated write-up		
Opening balance, Jan. 1	600	600
Closing balance, Dec. 31	**600**	**600**
Accumulated write-down		
Opening balance, Jan. 1	–80 180	–79 759
Write-down	–175	–421
Closing balance, Dec. 31	**–80 355**	**–80 180**
Total	**163 569**	**161 228**

For further information about Group companies, see note A21.

A11. Other financial assets

	2021	2020
Endowment insurances	201	183
Financial assets measured at amortized cost:		
– other financial receivables	22	21
Closing balance, Dec. 31	**223**	**204**

Endowment insurances relate to defined contribution pension plans and are pledged to the pension beneficiary (see note A15 and A20).

A12. Other receivables

	2021	2020
Receivables from Group companies	9 288	16 049
Financial assets measured at amortized cost:		
– other receivables	16	17
Prepaid expenses and accrued income	43	42
Closing balance, Dec. 31	**9 347**	**16 108**

A13. Cash and cash equivalents

	2021	2020
Cash and cash equivalents measured at amortized cost:		
– cash	0	8
Closing balance, Dec. 31	**0**	**8**

The Parent Company's guaranteed, but unutilized, credit lines equaled 6 551 (6 426).

A14. Equity

For information on share transactions and mandates approved by the Annual General Meeting and proposed dividend for 2021, see note 20 in the consolidated financial statements.

Reserves

The Parent Company's equity includes certain reserves which are described as follows:

Legal reserve

The legal reserve is a part of the restricted equity and is not available for distribution.

Reserve for fair value – Translation reserve

The reserve comprises translation of intragroup receivables from or liabilities to foreign operations that in substance are part of the net investment in the foreign operations, as well as cash flow hedges to convert variable interest rates to fixed interest rates.

A15. Post-employment benefits

	2021			2020		
	Defined contribution pension plans	Defined benefit pension plans	Total	Defined contribution pension plans	Defined benefit pension plans	Total
Opening balance, Jan. 1	183	5	188	190	5	195
Provision made	42	–	42	16	1	17
Provision used	–24	–1	–25	–23	–1	–24
Closing balance, Dec. 31	**201**	**4**	**205**	**183**	**5**	**188**

The Parent Company has endowment insurances of 201 (183) 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.

	2021			2020		
	Funded pension	Unfunded pension	Total	Funded pension	Unfunded pension	Total
Defined benefit obligations	150	5	155	147	5	152
Fair value of plan assets	–672	–	–672	–460	–	–460
Present value of net obligations	**–522**	**5**	**–517**	**–313**	**5**	**–308**
Not recognized surplus	522	–	522	313	–	313
Net amount recognized in balance sheet	**–**	**5**	**5**	**–**	**5**	**5**

	2021			2020		
Reconciliation of defined benefit obligations	Funded pension	Unfunded pension	Total	Funded pension	Unfunded pension	Total
Defined benefit obligations at Jan. 1	147	5	152	148	5	153
Service cost	4	–	4	4	–	4
Interest expense	5	–	5	5	–	5
Benefits paid from plan	–8	–1	–9	–8	–1	–9
Other changes in obligations	2	1	3	–2	1	–1
Defined benefit obligations at Dec. 31	**150**	**5**	**155**	**147**	**5**	**152**

	2021			2020		
Reconciliation of plan assets	Funded pension	Unfunded pension	Total	Funded pension	Unfunded pension	Total
Fair value of plan assets at Jan. 1	460	–	460	391	–	391
Return on plan assets	220	–	220	77	–	77
Payments/Renumeration of plan assets	–8	–	–8	–8	–	–8
Fair value of plan assets at Dec. 31	**672**	**–**	**672**	**460**	**–**	**460**

	2021	2020
Pension commitments provided for in the balance sheet		
Costs excluding interest	15	15
Total	**15**	**15**
Pension commitments provided for through insurance contracts		
Service cost	23	23
Total	**23**	**23**
Net cost for pensions, excluding taxes	**38**	**38**
Special employer's contribution	6	6
Total	**44**	**44**

Pension expenses excluding taxes for the year, included within administrative expenses amounted to 38 (38) of which the Board members and Group Management 12 (11) and others 26 (27).

The Parent Company's share in plan assets fair value in the Atlas Copco pension trust amounts to 672 (460) and is allocated as follows:

	2021	2020
Equity securities	54	37
Bonds	50	191
Real estate	308	172
Alternative investments	212	144
Cash and cash equivalents	48	60
Total	**672**	**460**

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 47.7% (14.4) inclusive of MSEK 7.7 (7.7) paid remuneration.

The Parent Company adheres to the actuarial assumptions used by The Swedish Pension Registration Institute (PRI) i.e. discount rate 2.9% (3.8). The Parent Company estimates MSEK 12 will be paid to defined benefit pension plans during 2022.

A16. Other provisions

	2021	2020
Opening balance, Jan. 1	478	429
During the year:		
– provisions made	496	152
– provisions used	–161	–103
Closing balance, Dec. 31	**813**	**478**

Other provisions include primarily provisions for costs related to employee option programs accounted for in accordance with IFRS 2 and UFR 7.

A17. Borrowings

			2021		2020	
	Maturity	Repurchased nominal amount	Carrying amount	Fair value	Carrying amount	Fair value
Non-current						
Medium Term Note Program MEUR 500	2023		4 552	5 283	4 548	5 316
Medium Term Note Program MEUR 500	2026		5 074	5 225	5 073	5 223
Bilateral borrowings EIB MEUR 200	2022	MEUR 100	926	1 026	1 851	2 021
Bilateral borrowings NIB MEUR 200	2024		2 100	2 078	2 100	2 058
Bilateral borrowings EIB MEUR 200	2027		2 030	2 051	2 008	2 092
Bilateral borrowings EIB MEUR 100	2028		1 012	1 024	–	–
Non-current borrowings from Group companies			7 427	7 165	7 427	7 051
Less current portion of long-term borrowings			–926	–1 026	–	–
Total non-current borrowings			**22 195**	**22 826**	**23 007**	**23 761**
Current						
Current portion of long-term borrowings			926	1 026	–	–
Current borrowings from Group companies			–	–	2 344	2 344
Total current borrowings			**926**	**1 026**	**2 344**	**2 344**
Closing balance, Dec. 31			**23 121**	**23 852**	**25 351**	**26 105**
Whereof external borrowings			**15 694**	**16 687**	**15 580**	**16 710**

The difference between carrying value and fair value relates to the measurement method as certain liabilities are reported at amortized cost and not at fair value. Changes in interest rates and credit margins create the difference between fair value and amortized cost. In 2019, Atlas Copco AB entered into a 7-year MEUR 300 loan agreement with the European Investment Bank. MEUR 200 was drawn down in 2020 and additional MEUR 100 was drawn in 2021.

The following table shows the maturity structure of the Parent Company's external borrowings.

Maturity	Fixed	Floating[1]	Carrying amount	Fair value
2022	–	926	926	1 026
2023	4 552	–	4 552	5 283
2024	–	2 100	2 100	2 078
2026	5 074	–	5 074	5 225
2027	2 030	–	2 030	2 051
2028	1 012	–	1 012	1 024
Total	**12 668**	**3 026**	**15 694**	**16 687**

[1] Floating interest in the table is borrowings with fixings shorter or equal to six months.

A18. Other liabilities

	2021	2020
Accounts payable	16	18
Liabilities to Group companies	64	48
Other financial liabilities:		
– other liabilities	16	9
Accrued expenses and prepaid income	248	210
Closing balance, Dec. 31	**344**	**285**

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 15 694 (15 580) of external borrowings and MSEK 7 427 (9 771) of internal borrowings at December 31, 2021. Derivative instruments are used to manage the currency and interest rate risk in line with policies set by the Financial Risk Management Committee, see note 27 in the consolidated financial statements.

Hedge accounting

The Parent Company hedges shares in subsidiaries through loans of MEUR 2 291 (2 091) and derivatives of MEUR 100 (300). The deferral hedge accounting of the loans is based on a RFR 2 exemption. The derivative is an internal contract with Atlas Copco Finance DAC resulting with MSEK –4 (98) to Receivables from Group companies in below table.

Financial credit risk

Credit risk on financial transactions is the risk that the Parent Company incurs losses as a result of non-payment by counterparts related to the Parent Company's investments, bank deposits or derivative transactions. For further information regarding investment and derivative transactions, see note 27 of the consolidated financial statements. The table below shows the actual exposure of financial instruments as per December 31.

Financial credit risk	2021	2020
Cash and cash equivalents	0	8
Receivables from Group companies	9 288	16 049
Other	81	80
Total	**9 369**	**16 137**

Fair value hierarchy

Fair values are based on observable market prices or, in the case that such prices are not available, on observable inputs or other valuation techniques. Amounts shown in other notes are unrealized and will not necessarily be realized. For more information about fair value hierarchy, see note 27 of the consolidated financial statements. There are no level 3 instruments in the Parent Company.

Valuation methods

Derivatives

Fair values of forward exchange contracts are calculated based on prevailing markets. Interest rate swaps are valued based on market rates and present value of future cash flows.

Interest-bearing liabilities

Fair values are calculated based on market rates and present value of future cash flows.

The Parent Company's financial instruments by category

The carrying value for the Parent Company's financial instruments corresponds to fair value in all categories except for borrowings. See A17 for additional information.

A20. Assets pledged and contingent liabilities

	2021	2020
Assets pledged for pension commitments		
Endowment insurances	201	183
Total	**201**	**183**
Contingent liabilities		
Sureties and other contingent liabilities:		
– for external parties	4	3
– for Group companies	3 262	3 287
Total	**3 266**	**3 290**

Sureties and other contingent liabilities include bank and commercial guarantees and performance bonds.

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A21. Directly owned subsidiaries

	2021			2020		
	Number of shares	Percent held	Carrying value	Number of shares	Percent held	Carrying value
Directly owned product companies						
Atlas Copco Airpower n.v., Wilrijk	76 415	100	46 806	76 415	100	46 521
Directly owned customer centers						
AGRE Kompressoren GmbH, Steyr	200 000	100	7	200 000	100	7
ALUP Kompressoren Polska sp. Z.o.o., Janki	9 000	100	14	–	–	–
Atlas Copco (Cyprus) Ltd., Nicosia	99 998	100	0	99 998	100	0
Atlas Copco (India) Ltd., Pune	21 731 917	100	874	21 731 917	100	827
Atlas Copco (Ireland) Ltd., Dublin	250 000	100	28	250 000	100	28
Atlas Copco (Malaysia), Sdn. Bhd., Shah Alam	1 000 000	100	14	1 000 000	100	11
Atlas Copco (Philippines) Inc., Binan	677 980	100	69	677 980	100	34
Atlas Copco (Schweiz) AG., Studen	8 000	100	63	8 000	100	63
Atlas Copco (South East Asia) Pte.Ltd., Singapore	4 500 000	100	35	4 500 000	100	34
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	257	70 358 841	100	253
Atlas Copco Canada Inc., Toronto	6 946	100	2 185	6 946	100	665
Atlas Copco Chile SpA, Santiago	24 998	100	6	24 998	100	6
Atlas Copco Compressor AB, 556155-2794, Nacka	60 000	100	36	60 000	100	34
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]	4	5	0/100 [1]	4
Atlas Copco GmbH, Vienna	1	100	43	1	100	43
Atlas Copco Indoeuropeiska AB, 556155-2760, Nacka	3 500	100	20	3 500	100	20
Atlas Copco KK, Tokyo	100 000	100	39	100 000	100	38
Atlas Copco Kompressorteknik A/S, Albertslund	4 000	100	5	4 000	100	5
Atlas Copco Maroc SA., Casablanca	3 960	99	6	3 960	99	6
Atlas Copco Polska Sp. z o. o., Warsaw	4 000	100	80	–	–	–
Atlas Copco Services Middle East OMC, Manama	500	100	27	500	100	18
Atlas Copco Ukraine LLC, Kiev	10 000 000	100	3	–	–	–
Atlas Copco Venezuela SA, Valencia (Caracas)	25 812 000	100	0	25 812 000	100	0
Servatechnik AG, Oftringen	3 500	100	25	3 500	100	28
Soc. Atlas Copco de Portugal Lda., Porto Salvo	1	100	15	1	100	14

	2021			2020		
	Number of shares	Percent held	Carrying value	Number of shares	Percent held	Carrying value
Directly owned holding companies and others						
AB Atlas Diesel, 556019-1610, Nacka	1 000	100	0	1 000	100	0
Atlas Copco A/S, Langhus	2 500	100	44	2 500	100	44
Atlas Copco Beheer B.V., Zwijndrecht	15 712	100	84	15 712	100	247
Atlas Copco Finance Belgium BVBA, Wilrijk	1	0/100 [1]	0	1	0/100 [1]	0
Atlas Copco Finance DAC, Dublin	5 162 000 001	100	54 428	5 162 000 001	100	54 300
Atlas Copco France Holding S.A., Cergy Pontoise	278 255	100	341	278 255	100	314
Atlas Copco Holding GmbH, Essen	2	100	4 351	2	100	4 341
Atlas Copco Internationaal B.V., Zwijndrecht	10 002	100	27 455	10 002	100	27 376
Atlas Copco Järla Holding AB, 556062-0212, Nacka	95 000	100	716	95 000	100	717
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	25 084	1 000	100	25 004
Econus S A, Montevideo	21 582 605	100	17	21 582 605	100	17
Industria Försäkrings AB, 516401-7930, Nacka	300 000	100	30	300 000	100	30
JSC Atlas Copco, Moscow	2 644	100	185	–	–	–
Oy Atlas Copco AB, Vantaa	150	100	33	150	100	33
Power Tools Distribution n.v., Hoeselt	1	0/100 [1]	4	1	0/100 [1]	1
Saltus Industrial Technique AB, 559053-5455, Nacka	500	100	0	500	100	9
Carrying amount, Dec. 31			**163 569**			**161 228**

[1] First figure: percentage held by Parent Company, second figure: percentage held by Atlas Copco Group.

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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% 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 58–61.

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:

	2021	2020
Revenues		
Dividends	3 849	11 381
Group contribution	2 704	90
Interest income	9	26
Expenses		
Group contribution	–9	–2
Interest expenses	–29	–37
Receivables	**9 288**	**16 049**
Liabilities	**7 491**	**9 819**
Guarantees	**3 262**	**3 287**

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*
	SCS Filtration	*Melbourne*
	Walker Filtration Pty. Australia	*Melbourne*
Austria	AGRE Kompressoren GmbH	*Steyr*
	Atlas Copco 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 nv	*Wilrijk*
	Atlas Copco Belgium nv	*Overijse*
	Atlas Copco Finance Belgium bv	*Wilrijk*
	Atlas Copco Rental Europe nv	*Boom*
	Atlas Copco Support Services nv	*Wilrijk*
	Atlas Copco Vacuum Belgium nv	*Estaimpuis*
	EDMAC Europe nv	*Wilrijk*
	International Compressor Distribution nv	*Wilrijk*
	MultiAir BELUX nv	*Deinze*
	Power Tools Distribution nv	*Hoeselt*
Bolivia	Atlas Copco Bolivia S.A Compresores, Maquinaria y Servicio	*Santa Cruz*
Brazil	Atlas Copco Brasil Indústria e Comércio Ltda.	*Barueri*
	Atlas Copco Brasil Ltda.	*Barueri*
	Chicago Pneumatic Brasil Ltda.	*Barueri*
	Edwards Vacuo Ltda.	*Sao Paulo*
	ISRA VISION Comércio, Serviços, Importação E Exportação Ltda.	*Sao Paulo*
	Itubombas Locação, Comércio, Importação e Exportação Ltda.	*Itu*
	Leybold do Brasil Ltda.	*Jundiaí*
	Perceptron do Brazil Ltda.	*Sao Paulo*
	Pressure Compressores Ltda.	*Maringa*
Bulgaria	Atlas Copco Bulgaria EOOD	*Sofia*
Canada	Atlas Copco Canada Inc.	*Toronto*
	Atlas Copco CPC Holdings Inc.	*Burlington*
	Chicago Pneumatic Tool Co. Canada Ltd.	*Toronto*
	Class 1 Incorporated	*Cambridge*
	CPC Pumps International Inc.	*Burlington*
	Lucas Drive - 2352341 Ontario Inc.	*Burlington*
	Photonfocus Imaging Ltd.	*Oakville*
	Sutton Drive - 2485283 Ontario Inc.	*Burlington*
Chile	Atlas Copco Chile SpA	*Santiago*
China	Atlas Copco (Wuxi) Compressor Co., Ltd.	*Wuxi*

Country/Area	Company	Location (City)
China	Atlas Copco (Shanghai) Equipment Rental Co., Ltd.	*Shanghai*
	Atlas Copco Industrial Technique (Shanghai) Co., Ltd.	*Shanghai*
	Atlas Copco (China) Investment Co., Ltd.	*Shanghai*
	Atlas Copco (Shanghai) Process Equipment Co., Ltd.	*Shanghai*
	Atlas Copco (Shanghai) Trading Co., Ltd.	*Shanghai*
	Bolaite (Shanghai) Trading Co. Ltd.	*Shanghai*
	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*
	Leybold Equipment (Tianjin) Co., Ltd.	*Tianjin*
	Leybold (Tianjin) International Trade Co.Ltd.	*Tianjin*
	Linghein (Shanghai) Gas Technologies Co., Ltd.	*Shanghai*
	Liutech Machinery Equipment Co., Ltd.	*Liuzhou*
	Liuzhou Tech Machinery Co., Ltd.	*Liuzhou*
	Pan-Asia Gas Technology (Wuxi) Co., Ltd.	*Wuxi*
	Perceptron Metrology Technology (Shanghai) Co., Ltd.	*Shanghai*
	Q-Tech (Shanghai) Gas Equipment Co.,Ltd.	*Shanghai*
	Scheugenpflug Resin Metering Technologies co., Ltd.	*Suzhou*
	Shanghai Beacon Medaes Medical Gas Engineering Consulting Co., Ltd.	*Shanghai*
	Shanghai Tooltec Industrial Tool Co., Ltd.	*Shanghai*
	Wuxi Pneumatech Air/Gas Purity Equipment Co., Ltd.	*Wuxi*
	Wuxi Shengda Air/Gas Purity Equipment Co., Ltd.	*Wuxi*
Colombia	Atlas Copco Colombia Ltda	*Bogota*
Cyprus	Atlas Copco (Cyprus) Ltd.	*Nicosia*
Czech Republic	ALUP CZ spol. S.r.o	*Breclav*
	Atlas Copco s.r.o.	*Prague*
	Atlas Copco Services s.r.o.	*Brno*
	Edwards s.r.o.	*Lutin*
	Next Metrology Software s.r.o.	*Prague*

A22. Related parties, continued

Country/Area	Company	Location (City)
Czech Republic	Schneider Airsystems s.r.o.	*Line*
Denmark	Atlas Copco Kompressorteknik A/S	*Albertslund*
	RENO A/S	*Give*
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	ABAC France S.A.S.	*Valence*
	AEP	*Saint Michel sur Orge*
	Air Compresseur Service S.A.S.	*Saint-Ouen-L'Aumône*
	Atlas Copco Applications Industrielles S.A.S.	*Cergy Pontoise*
	Atlas Copco Crépelle S.A.S.	*Lille*
	Atlas Copco France Holding S.A.	*Cergy Pontoise*
	Atlas Copco France SAS	*Cergy Pontoise*
	Edwards SAS	*Herblay*
	ETS Georges Renault S.A.S.	*Saint-Herblain*
	Exlair S.A.S.	*Saint Ouen L'Aûmone*
	Leybold France SAS	*Bourg-Les-Valence*
	Location Thermique Service SAS	*Carvin*
	MultiAir France S.A.S	*Chambly*
	Ovity Air Comprimé SAS	*Le Mans*
	Perceptron EURL	*Montigny le Bretonneux*
	Seti-Tec S.A.S.	*Lognes*
Germany	3D-Shape GmbH	*Erlangen*
	ALUP-Kompressoren GmbH [1]	*Reutlingen*
	ARPUMA regel- und fördertechnische Geräte GmbH	*Kerpen*
	Atlas Copco Beteiligungs GmbH [1]	*Essen*
	Atlas Copco Energas GmbH [1]	*Cologne*
	Atlas Copco Holding GmbH [1]	*Essen*
	Atlas Copco IAS GmbH [1]	*Bretten*
	Atlas Copco Industry GmbH [1]	*Essen*
	Atlas Copco Kompressoren und Drucklufttechnik GmbH [1]	*Essen*
	Atlas Copco Power Technique GmbH [1]	*Essen*
	Atlas Copco Technology GmbH [1]	*Essen*
	Atlas Copco Tools Central Europe GmbH [1]	*Essen*
	Desoutter GmbH [1]	*Maintal*
	Dipotec GmbH	*Neustadt a.d. Donau*
	Edwards GmbH	*Kirchheim*
	Ehrler & Beck Vakuum- und Drucklufttechnik GmbH [1]	*Renningen*
	GP Inspect GmbH	*Neuried*
Germany	GP Solar GmbH	*Neuried*
	IPV Industrie-Pumpen Vertriebs GmbH Dresden [1]	*Dresden*
	ISRA Immobilie Darmstadt GmbH	*Darmstadt*
	ISRA Immobilie Herten GmbH	*Darmstadt*
	ISRA PARSYTEC GmbH	*Aachen*
	ISRA SURFACE VISION GmbH	*Herten*
	ISRA VISION GmbH [1]	*Darmstadt*
	ISRA VISION Graphikon GmbH	*Berlin*
	ISRA VISION LASOR GmbH	*Bielefeld*
	ISRA VISION PARSYTEC AG	*Aachen*
	ISRA VISION POLYMETRIC GmbH	*Darmstadt*
	KDS Kompressoren- und Druckluftservice GmbH [1]	*Essen*
	Leybold Dresden GmbH	*Dresden*
	Leybold GmbH	*Cologne*
	Leybold Real Estate GmbH [1]	*Cologne*
	Medgas-Technik GmbH Medical Technology [1]	*Berndroth*
	metronom Automation GmbH	*Mainz*
	nano-purification solutions GmbH [1]	*Krefeld*
	Perceptron GmbH	*Munich*
	PMH Druckluft GmbH [1]	*Moers*
	QUISS Qualitäts-Inspektionssysteme und Service GmbH [1]	*Puchheim*
	Scheugenpflug GmbH [1]	*Neustadt a.d. Donau*
	Schneider Druckluft GmbH [1]	*Reutlingen*
	Synatec GmbH [1]	*Leinfelden-Echterdingen*
	Vision Experts GmbH	*Karlsruhe*
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) Ltd.	*Pune*
	Edwards India Private Ltd.	*Pune*
	ISRA VISION INDIA Private Limited	*Mumbai*
	Leybold India Pvt Ltd.	*Pune*
	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*
	Ceccato Aria Compressa S.r.l	*Vicenza*
	DGM S.r.l.	*Sovizzo (VI)*
	Edwards S.r.l.	*Milan*
	Eurochiller S.r.l.	*Castello d'Agogna (Pv)*
	Fiac Professional Air Compressors S.r.l.	*Bologna*
	FIAC S.r.l.	*Bologna*
	Leybold Italia S.r.l	*Milan*
	MultiAir Italia S.r.l	*Cinisello Balsamo*
	STERI Srl	*Turin*
	Varisco S.r.l.	*Padova*
	Varisco Wellpoint s.r.l.	*Padova*
Japan	Atlas Copco KK	*Tokyo*
	Edwards Japan Ltd.	*Chiba*
	Fuji Industrial Technique Co., Ltd.	*Osaka*
	ISRA VISION JAPAN Co., Ltd.	*Yokohama*
	Leybold Japan Co.Ltd. Shin-Yokohama AK bldg	*Kohoku-Ku, Yokohama-Shi*
	Perceptron Asia Pacific Ltd.	*Tokyo*
Kazakhstan	Atlas Copco AirPower Central Asia LLP	*Almaty*
Kenya	Atlas Copco Eastern Africa Limited	*Nairobi*
Latvia	Atlas Copco Baltic SIA	*Riga*
Lebanon	Atlas Copco Levant S.A.L.	*Beirut*
Luxembourg	Atlas Copco Finance S.á.r.l.	*Luxembourg*
Malaysia	Atlas Copco (Malaysia) Sdn. Bhd.	*Shah Alam*
	Edwards Technologies 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*
	ISRA VISION S. de R.L. de C.V.	*Queretaro*
	Scheugenpflug Mexico, S.de R.L. de C.V.	*Guadalajara*
	Vacuum Technique Mexico	*Monterrey*
Morocco	Atlas Copco Maroc SA	*Casablanca*
Myanmar	Atlas Copco Services Myanmar Co., Ltd.	*Yangon*
Netherlands	Alup Grassair 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*
	Leybold Nederland B.V.	*Utrecht*
	Perceptron B.V.	*The Haghe*

[1] For the business year ending December 31, 2021 several German subsidiaries will make use of the §§ 264, 291 Handelsgesetzbuch (German Commercial Code) exemption rules of filing their own (consolidated) financial statements.

Atlas Copco

A22. Related parties, continued

Country/Area	Company	Location (City)
New Zealand	Atlas Copco (N.Z.) Ltd.	*Auckland*
	Exlair (NZ) Limited	*Auckland*
Nigeria	Atlas Copco Nigeria Ltd.	*Lagos*
Norway	Atlas Copco A/S	*Langhus*
	Atlas Copco Kompressorteknikk A/S	*Langhus*
	Atlas Copco Tools A/S	*Langhus*
	Berema A/S	*Langhus*
Pakistan	Atlas Copco Pakistan (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*
Portugal	Sociedade Atlas Copco de Portugal Unipessoal Lda	*Porto Salvo*
Romania	Atlas Copco Romania S.R.L.	*Bucharest*
	Scheugenpflug S.R.L.	*Sibiu*
Russia	Airgrupp LLC	*Moscow*
	ISRA VISION LLC	*Moscow*
	JSC Atlas Copco	*Moscow*
Serbia	Atlas Copco Srbija doo	*Belgrade*
Singapore	Atlas Copco (South East Asia) Pte. Ltd	*Singapore*
	Leybold Singapore Pte Ltd	*Singapore*
	Vacuum Technique Singapore Pte Ltd	*Singapore*
Slovakia	Atlas Copco s.r.o	*Bratislava*
	ISRA VISION s.r.o.	*Bratislava*
	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*
	Leybold Korea Ltd	*Bundang*
Spain	Aire Comprimido Industrial Iberia, S.L.	*Madrid*
	Atlas Copco S.A.E.	*Madrid*
	Grupos Electrógenos Europa, S.A.	*Zaragoza*
	IBVC Vacuum, S.L.U.	*Madrid*
	Leybold Hispanica S.A.	*Cornellá de Llobregat*
	Perceptron Iberica, S.L.	*Barcelona*
	Photonfocus Spain, S.L.	*Barcelona*
Sweden	Atlas Copco Compressor AB	*Nacka*
	Atlas Copco Industrial Technique AB	*Nacka*
Sweden	Atlas Copco Järla Holding AB	*Nacka*
	Atlas Copco Nacka Holding AB	*Nacka*
	Atlas Copco Sickla Holding AB	*Nacka*
	Industria Insurance Company Ltd Industria Försäkringsaktiebolag	*Nacka*
Switzerland	ALUP Kompressoren AG	*Oftringen*
	Atlas Copco (Schweiz) AG	*Studen*
	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	*Hsin-Chu*
Thailand	Atlas Copco (Thailand) Limited	*Bangkok*
Turkey	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*
	ISRA VISION Yapay Görme Ve Otomasyon San. Ve Tic. A.ş	*Istanbul*
Ukraine	Atlas Copco Ukraine LLC	*Kiev*
United Arab Emirates	Atlas Copco Middle East FZE	*Dubai*
United Kingdom	Air Compressors and Tools Limited	*Hemel Hempstead*
	Airflow Compressors and Pneumatics Limited	*Warington*
	Atlas Copco IAS UK Limited	*Flintshire*
	Atlas Copco Ltd.	*Hemel Hempstead*
	Atlas Copco UK Holdings Ltd.	*Hemel Hempstead*
	BeaconMedaes Ltd	*Staveley*
	Cooper Freer Ltd	*Leicester*
	Cooper Freer Holdings Ltd	*Leicester*
	Edwards High Vacuum International Ltd.	*Burgess Hill*
	Edwards Ltd.	*Burgess Hill*
	Isocool Limited	*Braintree*
	ISRA VISION Ltd.	*London*
	ISRA VISION PARSYTEC Ltd.	*Eastleigh*
	Leybold UK Ltd.	*Chessington*
	Nano Purification Solutions Ltd	*Newcastle*
	Purification Solutions UK Limited	*Gateshead*
	Perceptron Metrology UK Ltd.	*Birmingham*
	Tentec Ltd.	*Birmingham*
	Walker Filtration Ltd. UK	*Washington*
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*
	Atlas Copco USA Holdings Inc.	*Parsippany*
	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 Vacuum, LLC	*Wilmington*
	Henrob Corporation	*New Hudson*
	ISRA SURFACE VISION Inc.	*Berkeley Lake*
	ISRA VISION PARSYTEC Inc.	*Berkeley Lake*
	Leybold USA Inc.	*Wilmington*
	Mid-South Engine & Power Systems LLC	*White Oak*
	Nowvac Inc.	*Parsippany*
	Perceptron Inc.	*Plymouth*
	Perceptron Global Inc.	*Plymouth*
	Perceptron Software Technology, Inc.	*Plymouth*
	Powerhouse Equipment & Engineering Co. Inc.	*Delanco*
	Power Technique North America LLC	*Rock Hill*
	Quincy Compressor LLC	*Bay Minette*
	Scheugenpflug Inc.	*Kennesaw*
	Vacuum Technique LLC	*Michigan City*
	Walker Filtration Inc. US	*Erie*
Venezuela	Atlas Copco Venezuela SA	*Valencia*
Vietnam	Atlas Copco Vietnam Company Ltd.	*Hanoi*
Zambia	Atlas Copco Industrial Zambia Limited	*Kitwe*

Signatures of the Board of Directors

The Parent Company financial statements have been prepared in accordance with generally accepted accounting principles in Sweden and the consolidated financial statements have been prepared in accordance with International Accounting Standards as prescribed by the European Parliament and the Regulation (EC) No 1606/2002 dated July 19, 2002 on the application of International Accounting Standards. The Parent Company financial statements and the consolidated financial statements give a true and fair view of the Parent Company's and the Group's financial position and results of operations.

The administration report for the Group and Parent Company provides a true and fair overview of the development of the Group's and Parent Company's business activities, financial position and results of operations as well as the significant risks and uncertainties which the Parent Company and its subsidiaries are exposed to.

The Annual Report also contains the Group's and Parent Company's statutory sustainability report in accordance with the Swedish Annual Accounts Act, Chapter 6, Section 11, see page 20.

Nacka, March 2, 2022, Atlas Copco AB

Hans Stråberg
Chair

Staffan Bohman
Board member

Tina Donikowski
Board member

Johan Forssell
Board member

Anna Ohlsson-Leijon
Board member

Mats Rahmström
Board member
President and CEO

Gordon Riske
Board member

Peter Wallenberg Jr
Board member

Mikael Bergstedt
Board member
Employee representative

Benny Larsson
Board member
Employee representative

Our audit report was submitted on March 18, 2022, 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, 2022.

Atlas Copco

Audit report

To the general meeting of the shareholders of Atlas Copco AB (publ), corporate identity number 556014-2720

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Atlas Copco AB (publ) except for the corporate governance statement on pages 54–63 and the quarterly data on page 82 for the year 2021. The annual accounts and consolidated accounts of the company are included on pages 14–41, 47–51 and 64–123 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of December 31, 2021 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of December 31, 2021 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. 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

At December 31, 2021, the total value of goodwill amounts to 32,1 billion SEK and is allocated to the group's different cash generating units. Goodwill must be tested for impairment at least annually or whenever there are indicators of impairment. The test is carried out by comparing the recoverable amount to the carrying value. To calculate the recoverable amount management apply significant judgment and estimates regarding future cash flows, perpetual growth rate and discount rates. The impairment tests for 2021 did not result in any impairment write off.

Disclosures related to the group's accounting principles, significant accounting estimates and judgements are provided in note 1 and disclosures related to goodwill and the impairment test performed is provided in note 12.

Based on carrying value of the goodwill and the high degree of management estimate required to perform the impairment tests, we have assessed the accounting for the valuation of goodwill as a key audit matter in our audit.

How our audit addressed this key audit matter

In the audit, we have evaluated the group's process for conducting impairment tests. Based on established criteria, we have examined how the group identifies cash-generating units.

With support from our internal valuation specialists, we have evaluated the valuation methods used. We have assessed the reasonableness of assumptions, conducted sensitivity analysis, and compared them to historical outcomes as well as external sources and industry benchmarks.

Finally, we have assessed the appropriateness of the disclosures provided in the annual report.

Revenue recognition

Description

The group recognize revenue from a wide range of geographical markets and the revenues are generated from product- and product related offerings ranging from equipment, service and rental to the customers. The appropriate timing of revenue recognition can vary from a point in time to recognition over time. Judgement may be required in assessing if control has been transferred to the customer and to determine the satisfaction of performance obligations.

The group's decentralized organization where revenues are generated from a large number of subsidiaries further increases the complexity of ensuring that the revenue recognition principles are consistently applied across the group.

Disclosures related to the group's accounting principles, critical accounting estimates and judgement are provided in note 1 and note 4 provides disclosures regarding revenue disaggregated by operating segment and geography.

Based on the above, we have assessed the revenue recognition as a key audit matter in our audit.

How our audit addressed this key audit matter

In our audit we have assessed the group's processes for revenue recognition. Further, we have reviewed the group's accounting manual and assessed whether the policies for revenue recognition are in accordance with the applicable accounting standards.

We have obtained an understanding of the different types of significant revenue contracts and evaluated the identified performance obligations and determinations made regarding when performance obligations are considered satisfied. In addition, we have performed detailed revenue transaction testing and revenue data analytical procedures to assess the revenue recognition.

We have assessed the appropriateness of the disclosures provided in the annual report.

Accounting for income taxes

Description

Atlas Copco is a global group with subsidiaries world-wide. The accounting for income taxes requires adherence to local tax legislation which often can be complex and allow for different interpretations and judgement. The group's subsidiaries are regularly subject to tax audits in which the local tax authorities might challenge the group's interpretation of the local legislation.

In instances where the tax authorities are of a different opinion of how to interpret the tax legislation the outcome is often dependent on negotiations with the local tax authorities or legal proceedings. In order to account for income taxes in these instances, management may have to apply significant estimates. Changes to these estimates can have a material effect on the income tax reported.

Disclosures related to the group's accounting principles, critical accounting estimates and judgement are provided in note 1 and disclosures related to taxes are provided in note 9.

Based on the above, we have assessed accounting for income taxes as a key audit matter in our audit.

How our audit addressed this key audit matter

We have evaluated the group's process for accounting for income taxes. We have reviewed communication between Atlas Copco and the tax authorities for significant uncertain income tax matters. Our internal tax specialists have been engaged to evaluate the assessments and interpretations made by the group. We have also assessed the reasonability of the accounting for these matters by comparisons to historical outcome in similar cases and by obtaining assessments from the group's external tax advisors where appropriate.

We have assessed the appropriateness of the disclosures provided in the annual report.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–13, 42–46, 52–53 and 127–145. The Board of Directors and the Managing Director are responsible for this other information.

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Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Atlas Copco AB (publ) for the year 2021 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated (loss be dealt with) in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things 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.

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Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

The auditor's examination of the ESEF report

Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the ESEF report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for Atlas Copco AB (publ) for the financial year 2021.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the ESEF report #[checksum] 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 (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the ESEF report in accordance with Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the ESEF report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the ESEF report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the ESEF report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the ESEF report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the ESEF report has been prepared in a format that enables uniform electronic reporting of the annual and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design audit procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the ESEF report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a technical validation of the ESEF report, i.e. if the file containing the ESEF report meets the technical specification set out in the Commission's Delegated Regulation (EU) 2019/815 and a reconciliation of the ESEF report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the ESEF report has been marked with iXBRL which enables a fair and complete machine-readable version of the consolidated statement of financial performance, financial position, changes in equity and cash flow.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 54–63 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor´s examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Ernst & Young AB with Erik Sandström as auditor in charge, Box 7850, 103 99 Stockholm, was appointed auditor of Atlas Copco AB by the general meeting of the shareholders on April 27, 2021 and has been the company's auditor since April 23, 2020.

Stockholm, March 18, 2022

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

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Sustainability notes

Atlas Copco's mission is to achieve sustainable, profitable growth. The sustainability report is an integrated part of the Group's annual report. The sustainability notes on the following pages include complementary information about the materiality analysis, stakeholder dialogue, governance, results and reporting principles.

Stakeholder engagement

Atlas Copco's sustainability report aims to provide stakeholders with relevant information about the Group's economic, environmental and social impact. In defining the report content, Atlas Copco applies Global Reporting Initiative's (GRI) reporting principles on stakeholder inclusiveness, sustainability context, materiality and completeness.

Atlas Copco's Business Code of Practice defines the Group's five key stakeholders – those who can be significantly affected by Atlas Copco's operations and who similarly affect Atlas Copco. Internal stakeholders include functions such as research and development, logistics, human resources and purchasing. For external stakeholders' input, Atlas Copco directly and indirectly engages with international NGOs, unions, key investors, civil society and business advocacy groups, customers and business partners. This stakeholder-driven approach takes inspiration from GRI's guidance for materiality.

Materiality analysis

A materiality analysis is conducted regularly, involving internal and external stakeholders through surveys and interviews. A survey asking stakeholders to prioritize a set of predefined issues is posted on the intranet and spread externally in order to capture a broad array of stakeholder views. In-depth interviews with stakeholder groups such as customers, employees, investors, NGOs, peers and board members complement the survey. The result is discussed in internal workshops with employees representing functions such as marketing, purchasing, engineering, HR and logistics and the specialist safety, health, environment and quality function and is reviewed by Group Management.

Atlas Copco uses the stakeholder input together with UN Global Compact's ten principles, mapping of the business' impact on the UN Sustainable Development Goals, and risk and opportunity assessments to define the Group's significant environmental, economic and social impact. The analysis is used in the review of the Group's focus areas for sustainability. It also serves as input to the formulation of the sustainability KPIs and targets, as presented on page 6, that measure Atlas Copco's progress.

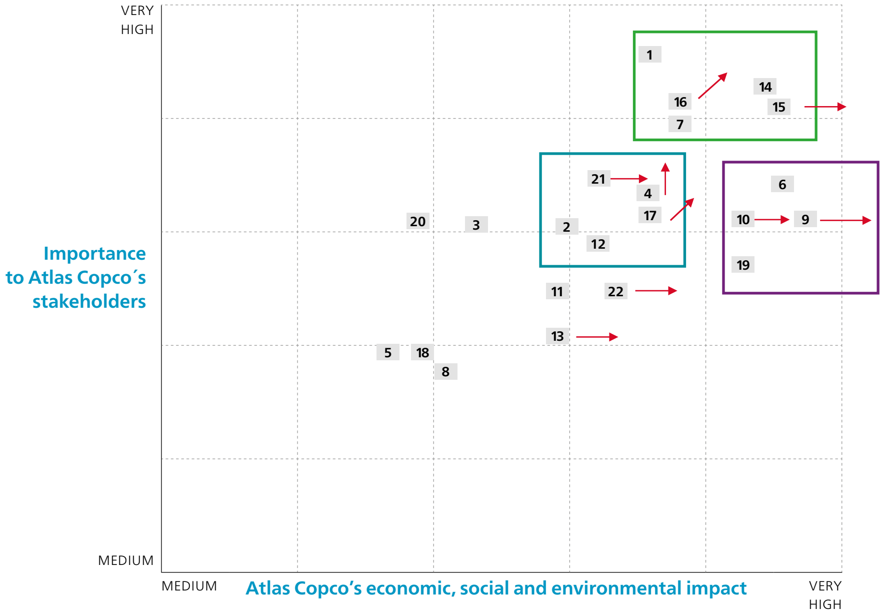
Materiality analysis 2021

In 2021, Atlas Copco conducted a renewed materiality analysis with the objective to gain the perspectives of external and internal stakeholders and to identify risks and opportunities relating to sustainability.

Among the conclusions from the analysis, compared to the one in 2018, are that stakeholders place increased focus on issues such as diversity and inclusion, and talent development and retention. Gender balance in leadership positions within the Group also gained attention. Issues relating to climate change, such as circular business models, life-cycle approach to product development, and carbon impact, were also prioritized higher by stakeholders compared with the previous years' analyses. Among the topics identified as less material were water use, community engagement and tax policy.

The findings are presented in the materiality matrix to the right and has formed the basis for defining the Group's focus areas for sustainability as well as the corresponding updated KPIs and targets which apply from 2022 onwards. Read more on page 7.

Materiality analysis 2021



1 Business integrity
2 Human rights
3 Labor rights
4 Responsible value chain
5 Responsible tax policy
6 Diversity and inclusion
7 Occupational health, safety and well-being
8 Community engagement
9 Talent development and retention
10 Gender balance in leadership positions
11 Gender pay equality
12 Data protection and privacy
13 Multi-stakeholder collaboration
14 Product quality and service
15 Life-cycle approach to product development
16 Product carbon impact
17 Climate impact along the value chain
18 Water use
19 Circular business models
20 Material traceability and sourcing
21 Energy use and efficiency
22 Natural environments and ecosystems

Value creators

These are topics that are central to long-term value creation and working with them should help position Atlas Copco as a leader within sustainability. Our ambition level is expressed through our targets and KPIs.

Topics
- Business ethics and integrity
- Occupational health, safety & well-being
- Product quality and service
- Life-cycle approach to product development
- Product carbon impact

Trust builders

Working with these topics help build trust in Atlas Copco's business. Our ambition is to deliver transparency 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 delivering on Atlas Copco's business strategy. Working with them should build and ensure business resilience.

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

Atlas Copco

Sustainability impact and risks in the value chain

Understanding our sustainability impact and risks throughout the value chain helps us choose the right actions to handle them. The table below shows where our impact takes place, the corresponding risks and examples of how we work to minimize them. Read more about our climate-related risks and how we handle them on page 133.

Business partners	Our own operations	Customers
IMPACT		
Atlas Copco has a large supplier base and purchased components account for about 75% of the product cost. The choice of suppliers is therefore of great importance for the Group's impact from a social and environmental perspective. The collaboration with business partners and the supplier requirements aim to protect Atlas Copco from risks and promote better standards in society.	Atlas Copco's operations is global with employees and manufacturing in a large number of countries. In some of these, there is a high risk of human rights violations, corruption, and non-compliance with laws and Atlas Copco's policies. The impact of our own operations relates mainly to the manufacturing and transport of products, and employees' working conditions, including their health and safety.	Atlas Copco's customers demand innovative, high-quality products that are resource and energy efficient, safe and ergonomic. The main part of the products' climate impact occurs when they are being used.
RISKS		
– Business partners who do not live up to human rights standards, such as decent working conditions and the freedom of association – Business partners who do not live up to the principles of ethical business, for example regarding corruption – Purchased components that are not produced in a sustainable way, e.g. the presence of conflict minerals, or components with a large carbon footprint – Climate- or environmental-related events causing disruptions in the supply or distribution chain	– Insufficient standards regarding safety and health – Lack of access to skilled and competent employees – Violations of human rights, such as discrimination and restrictions on freedom of association – Unethical behavior or corruption – Environmental impact from waste and emissions – Manufacturing and transport of products lead to greenhouse gas emissions – Climate- or environmental-related events causing disruptions in operations or manufacturing	– Customers' impact on the environment, the climate, human rights or other social aspects – Risks of sanctions – Risks of corruption
ACTIVITIES		
– Risk-based assessment of business partners, including quality and social/environmental responsibility aspects – Requirement that significant direct suppliers must have an approved environmental management system – Requirement that significant business partners must sign and follow the Business Code of Practice – Action plans developed together with the supplier to deal with any shortcomings and deviations – Employee training in the Business Code of Practice, and a system for reporting violations – Safety, health and environmental training for business partners – Global network of sub-suppliers reducing the dependence on individual suppliers – Promoting international standards, such as UN Global Compact – Technology development in collaboration with business partners – Adopting Science-Based Targets for the reduction of greenhouse-gas emissions (scope 3), including plans by each business area for how to contribute to the targets.	– Regular assessment of sustainability risks, including climate-related risks – Targeted recruiting and competence development – Certification of major operating units according to ISO 9001, ISO 14001 and ISO 45001 – Training for all employees in the Business Code of Practice, and a system for reporting violations – Follow-up and control through internal audits – Safety and health training – Increased use of renewal energy and efforts to decrease energy consumption – Efforts to decrease waste volumes and to increase the share of reused and recycled waste – Efforts to reduce water consumption – Reduced use of air freight in favor of more environmentally friendly transport – Applying international standards and guidelines, such as the UN Global Compact – Adopting Science-Based Targets for the reduction of greenhouse-gas emissions (scope 1 and 2), including plans by each business area for how to contribute to the targets.	– Continuous development of products with improved ergonomics, safety, energy efficiency and reduced emissions – Employee training in the Business Code of Practice, and a system for reporting violations – Evaluation of customers' sustainability work and dialogue with customers in complex markets – Collaborations with customers to develop efficient, safe and environmentally friendly solutions – Adopting Science-Based Targets for the reduction of greenhouse-gas emissions (scope 3), including plans by each business area for how to contribute to the targets.

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Stakeholders and their key topics and concerns

As a global Group, it is vital for Atlas Copco to ensure accountability for its actual and potential impact on stakeholders.

To receive input from external stakeholders, Atlas Copco engages with international NGOs, unions, key investors, civil society, customers and business partners in a number of ways, both directly and indirectly.

Stakeholder group	Key topics and concerns	Dialogue form
Customers	• Product safety • Product innovation • Product carbon impact • Product resource-efficiency and circularity	• Customer visits • Surveys and interviews • Customer events • Website
Investors, analysts, shareholders	• Growth and profitability • Risk management • Climate and environmental impact • Business ethics • Gender balance	• Investor interaction • Capital market days • Annual general meeting • Website • 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 • Website • 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 audits • Surveys and interviews

Material topics and boundaries

Based on the materiality analyses in 2015 and 2018, Atlas Copco has identified material topics according to the GRI Standards framework. Atlas Copco's work impacts the different parts of the value chain as described in the table below. The findings in the materiality analysis in 2021 define the Group's focus areas and targets which apply from 2022 onwards, see page 7.

	Impact on suppliers	Impact on Atlas Copco	Impact on customers
ECONOMIC IMPACT			
Economic performance		●	
Anti-corruption	●	●	●
ENVIRONMENTAL IMPACT			
Energy and emissions	●	●	●
Environmental compliance		●	
Supplier assessment	●	●	
SOCIAL IMPACT			
Employment		●	
Occupational health and safety	●	●	●
Training and education		●	
Diversity and inclusion		●	
Non-discrimination		●	
Human rights assessment	●	●	●
Supplier assessment	●	●	
Product responsibility	●	●	●
Socioeconomic compliance	●	●	

Sustainability governance

The Board of Atlas Copco has the overarching responsibility for the governance of the company, including financial and non-financial strategies and targets. The Board is also the owner of Atlas Copco's Business Code of Practice which regulates how employees act towards each other and in their relations to stakeholders. The Board of Directors approves the focus areas for sustainability, as well as the related key performance indicators (KPIs), and targets. Progress in relation to the KPIs is monitored quarterly by Group Management and by the Board of Directors. In 2021, The Board of Directors approved the science-based targets that has been adopted by Atlas Copco and that will measure the Group's climate-related work from 2022 onwards.

All members of Group Management are responsible for the implementation of targets and strategies although the CEO has the ultimate responsibility. Progress in relation to these 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 sustainability work and reports to the SVP Chief Communications Officer, who is a member of Group Management.

Implementation is mainly handled by the divisions, which are separate operational units, responsible for delivering results in line with the strategies and targets set by the business area. The business areas and divisions set quantified targets for delivering on the Group targets. The divisional presidents and general managers are responsible for ensuring that targets are set as a part of the three-year plan, and that they are followed-up and reported to the Group.

Safety, Health, Environment and Quality (SHEQ) managers in the operational entities, divisions and business areas, play an important role in supporting the Group's sustainability work. At corporate level, a sustainability team and controller provide coordination and support to the entire organization, working closely with a SHEQ representative from each business area. The Group SHEQ council is chaired by a division president and consists of the SHEQ managers for each business area, the Vice President Sustainability for the Group, and representatives for HR, Holding and controlling. The SHEQ council comes together quarterly to discuss actions, policies and guidelines to support the organization to reach set ambitions.

Policies and guidelines

Atlas Copco's Business Code of Practice is the Group's central guiding policy to doing business ethically and optimizing the social and environmental impact of our operations. It is owned by Atlas Copco's board of directors and designed to make sure that we always act with the highest ethical standards and integrity. All employees and managers in Group companies, as well as business partners, are expected to adhere to the Business Code of Practice. In cases where the Business Code is stronger than local laws and regulations, we insist on following the Code.

The Business Code has been translated into 33 languages and it is based on the following international standards and guidelines:

- 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

Atlas Copco's Business Code of Practice 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 well-being, 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 that ensure respect for human rights throughout Atlas Copco's operations.
- Business partner criteria: significant business partners must commit to following Atlas Copco's Business Code of Practice by signing the Business partner criteria which states the Group's expectations regarding business ethics, social, safety, health and environmental performance.
- The Enterprise Risk Management process, which is conducted annually on divisional level, and includes sustainability-related risks. The results are aggregated on business area and Group level.

The Business Code of Practice, along with other principles and guidelines are gathered in the internal database *The Way We Do Things*, accessible to all employees. Training is provided through the Group's Circles program.

Management system standards

Atlas Copco strives for all major operating units to be triple-certified according to the standards ISO 9001 (quality management), ISO 14001 (environmental management) and ISO 45001 (occupational health and safety). All production units with more than ten employees and all customer companies and rental companies with more than 70 employees are to be triple-certified. By the end of 2021 the share of required units that were not triple-certified was 10% of the total number of operational units. The same measure for each individual certification was 6% for ISO 9001, 9% for ISO 14001 and 9% for ISO 45001. These units are mainly acquisitions which still within the two-year timeframe to comply, or newly restructured units. Some units which are not yet triple-certified are in the process of becoming so, and a smaller portion has lacked the resources so far to commit to a triple certification.

Grievance mechanism

The Group promotes a culture of integrity through mutual respect, trust in each other, and high standards of ethics in all business interactions. Since 2020, Atlas Copco uses a misconduct reporting system called "SpeakUp". The system is accessible 24 hours per day/7 days a week, and offers anonymous reporting in more than 70 languages via a message function or local phone number. It can be used by employees or external stakeholders to report behavior or actions that are, or may be perceived as, violations of laws or of the Business Code of Practice. The Group's legal department handles cases and initiates investigations. The Group is positive to receiving reports through the system and promotes it actively, both internally and externally.

External initiatives and membership of associations

Atlas Copco is a signatory to the UN Global Compact, a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labor, environment and anti-corruption.

Atlas Copco is a member of the Swedish Leadership for Sustainable Development, a business network for accelerating the implementation of the Sustainable Development Goals, coordinated by the Swedish International Development Cooperation Agency.

Atlas Copco is also active in a number of international organizations and industry collaborations and initiatives, such as:

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

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

ECONOMIC IMPACT

Economic performance

Direct economic value generated and distributed

Atlas Copco creates employment and financial stability through subcontracting manufacturing and other activities. The Group's shareholders and creditors provide funds to finance the asset base that is used to create economic value. In return, these stakeholders receive dividend and interest.

Atlas Copco contributes to economic development within the regions where we operate, through payments to pension funds and social security, and payment of taxes, social costs and other duties. Community investments amounted to MSEK 31 (19).

Local purchasing (non-core) is encouraged in order to generate societal value in the communities where Atlas Copco operates, by creating job opportunities as well as generating direct and indirect income. This is mostly carried out by individual companies, which also decreases the environmental impact from transport.

Economic value	2021	2020
Direct economic value	111 972	100 251
Revenues	110 912	99 787
Economic value distributed		
Operating costs	61 019	55 362
Employee wages and benefits, including other social costs	27 151	25 582
Costs for providers of capital	9 281	8 988
Costs for direct taxes to governments	5 372	4 801
Economic value retained	9 149	5 518
– Redemption of shares	–	–

Anti-corruption

Atlas Copco has zero tolerance against corruption. The Business Code of Practice is the Group's central policy document, accessible to all employees in the internal database. All employees are required to sign the compliance statement for adherence to the Business Code of Practice, and take online trainings annually. Division presidents have the ultimate responsibility for the adherence to the Group's values and policies. Internal control is exercised through distribution of responsibility and internal audits. The Compliance Board oversees compliance with the Business Code of Practice.

Reported potential violations, number	2021
Fraud	18
Labor relations, including discrimination and harassment	186
Corruption & regulatory breach	11
Conflict of interest	8
Other	21
Total	**244**

During the year, there were a total of 244 reported potential violations through Atlas Copco´s grievance mechanism. In 35 cases no evidence of wrongdoing was found, in 33 cases evidence could confirm that no wrongdoing had occurred, in 8 cases disciplinary action, such as a written warning, were taken against one or several employees as a result of an investigation. In 31 cases weaknesses were found in internal processes which were improved as a result. Two cases was settled in court. The reminder of cases are under active investigations.

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

ENVIRONMENTAL IMPACT

Atlas Copco has integrated the most material environmental KPIs into its strategic work. This drives improvement and efficiency, while reducing our impact on the environment.

Environmental performance is monitored and reported at unit level and aggregated to Group level. General managers are responsible for overseeing the implementation of divisional strategies and targets, including undertaking initiatives to reduce waste generation and increase the proportion of reused, recycled or recovered waste, reduce water consumption, to curb energy use and emissions as well as increase the proportion of renewable energy used.

Environmental management systems

To minimize the environmental impact and to secure that the precautionary approach is applied, Atlas Copco has the ambition to implement environmental management systems (EMS) in all operations. All product companies should be certified according to ISO 14001. Acquired product companies are normally certified within a two-year period.

The Group also measures the share of significant suppliers with an approved EMS and the target is that this share should increase continuously. An approved EMS is defined as ISO14001, or that EMAS (EU Eco-Management and Audit Scheme) requirements are fulfilled. The direct significant supplier needs to be third party certified for ISO 14001 or registered EMAS and hold a valid certificate or registration. In 2021, 31% of significant direct suppliers had an approved environmental management system according to this definition.

Energy consumption within the organization

Energy consumption*, MWh	2021
Direct energy, renewable	5 747
Direct energy, non-renewable	109 465
Indirect energy, renewable (incl. renewable of mix)	216 365
Indirect energy, non-renewable	53 125

* The calculation of indirect energy, i.e. energy purchased externally by the company, includes electricity (98%) and district heating (2%) used at the sites. Atlas Copco does not report cooling or steam separately. The calculation of direct energy, i.e. energy generated by the company for its own production or operation, comprises all fuels used on the sites, including diesel, oil, bio-fuel, gasoline, solar, geothermal, propane and natural gas.

Environmental compliance

Atlas Copco follows applicable environmental laws in all countries where the Group operates. Incidents or fines are reported for non-compliance with environmental legislation, as well as incidents involving chemical, oil or fuel spillages. In 2021, there was 0 (1) accident resulting in adverse environmental effects, and monetary sanctions for non-compliance amounted to KSEK 0 (43) and clean-up costs relating to adverse environmental effects amounted to KSEK 0 (44).

Two Swedish companies require permits based on Swedish environmental regulations. These operations mainly involve machining and assembly of components. The permits relate to areas such as emissions to water and air, and noise pollution. The Group has been granted two permits needed to conduct its business and none of them was under revision in 2021.

EU TAXONOMY – classification of sustainable activities

	Total (MSEK)	Taxonomy eligible (%)	Taxonomy non-eligible (%)
Revenues	110 912	22	78
Capital expenditures	6 486	6	94
Operating expenses	4 135	19	81

Background

Based on the now available EU taxonomy delegated act for climate change mitigation and climate change adaptation, the Atlas Copco is eligible for climate change mitigation under the '3.6 Manufacture of other low-carbon technologies' section. Atlas Copco is an enabler and also considers sales to the following customer segments as eligible: '3.1 Manufacture of renewable energies', '3.2 Manufacture of equipment for production and use of hydrogen', '3.3 Manufacture of low carbon technologies for transport', and '3.4 Manufacture of batteries'. In total, 22% of Atlas Copco's revenues are eligible (17% from product segments and 5% from customer segments). At this stage, Atlas Copco has not identified any activities relevant for climate change adaptation.

3.6 Manufacture of other low-carbon technologies

"Manufacture of technologies aimed at substantial greenhouse gas emission reductions in other sectors of the economy."

Product segment revenues

Atlas Copco uses the following definition for identification of 3.6 taxonomy eligible technologies for climate change mitigation: "Technologies which 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."

The term "substantial" lacks a measurable and quantifiable definition in the taxonomy. Atlas Copco has therefore evaluated a technology's capabilities in relation to its market context. This means that the quantified threshold for "substantial emissions reductions" varies between different product portfolios and/or different parts of the organization.

Atlas Copco considers technologies taxonomy eligible for climate change mitigation if they:

- Prevent the venting of environmentally hazardous gases directly into the atmosphere, (avoid principle), or
- Enable substantial energy savings compared to available technologies commonly used on the market by either (reduce principle):
  - Use optimization
  - The nature of the product / In and of itself (e.g. variable instead of fixed speed)
  - Introduce completely new solutions on the market
  - Enable the shift to electric/battery power

The taxonomy eligible revenues include both product and service revenues. It excludes sales to oil and gas extraction industries. Sales relevant for both product and customer segment revenues have only been included under the former to avoid double reporting.

Eligible technologies

From the Compressor Technique business area, all variable speed drive (VSD) compressors are included as taxonomy eligible for climate change mitigation due to their significant energy saving capabilities compared to fixed speed compressors. Additional technologies included are the latest gas generation technology which enables on-site nitrogen and oxygen generation (normally delivered by truck in liquid form), as well as the latest ranges of blowers, boosters, and rotary drum dryers all of which offer significant energy savings compared to market standards.

From the Vacuum Technique business area, two main product groups are included as taxonomy eligible for climate change mitigation: abatement systems and the latest generation of dry pumps. The latest generation of dry pumps offers significant energy savings compared to previous designs and abatement systems are an exhaust management solution that destroys toxic and global warming gases which negatively impact the environment.

From the Industrial Technique business area the following products are included as taxonomy eligible for climate change mitigation: the latest range of electric power tools, which aid the shift from air to electric power while offering significant energy savings. Also included are technologies which through node optimization reduce the number of controller units needed in a production line, thereby reducing the energy consumed. Lastly, the latest versions of the Industrial Technique business area's battery driven products are included, as they offer significant energy savings.

From the Power Technique business area, three main product groups are included as taxonomy eligible for climate change mitigation: all electric portable compressors, the business area's battery solution products, and the Stage V range of portable compressors (Stage T4F in the U.S.A.). The latter is a diesel-driven portable compressor range meeting the latest EU market standard while offering additional energy savings compared to the standard's requirements. Stage V portable compressors are often used at construction sites where it is not possible to rely on electric machinery until the necessary infrastructure is in place. On such occasions, the Stage V range is a very good option from an energy consumption perspective, making it relevant for taxonomy eligibility as a transitional economic activity.

Customer segment revenues

Atlas Copco considers customer segment revenues taxonomy eligible for climate change mitigation if the products and solutions aid manufacturing processes of taxonomy eligible customers' end-product. Atlas Copco is an enabler of manufacturing processes rather than a supplier of components. As such, our products and services enable others to make substantial contributions to the climate change mitigation objective. The relevant taxonomy sections for the customer segment reporting are 3.1, 3.2, 3.3 and 3.4. The taxonomy eligible revenues include both product and service revenues.

Atlas Copco bases its reporting on the North American code standard NAICS which means that Atlas Copco have translated the taxonomy mentioned NACE codes into their closest NAICS equivalent.

All external revenues to eligible customer segments in scope have been included. This includes customers within renewable energy technologies (e.g. solar energy, hydropower, or wind and tide energy), production of electrical cars, battery manufacturing, and lastly, hydrogen manufacturing equipment. Sales to distributors or to companies that rent out equipment has been excluded.

Capital expenditure and operating expenditure

The taxonomy eligible capital expenditure (CapEx) and operating expenditure (OpEx) that have been identified include capitalized expenditures for; relevant R&D projects of eligible technologies, solar panels and other energy-efficiency measures in buildings, vehicle fleet electrification and energy efficient hire fleet technologies.

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.

The OpEx denominator used for the taxonomy KPI calculation consists only of taxonomy related OpEx defined as; non-capitalized costs that relate to research and development, building renovation measures, maintenance and repair, and any other direct expenditures relating to the day-to-day servicing of assets of property, plant, and equipment by the undertaking or third party to whom activities are outsourced that are necessary to ensure the continued and effective functioning of such assets.

Concluding comment

Atlas Copco has chosen a conservative approach as to which products and technologies to include as eligible under taxonomy section 3.6. Atlas Copco considers revenues that originate from enabling key manufacturing processes of customers in sections 3.1, 3.2, 3.3, and 3.4 as eligible. As reporting practice and guidelines develop, and as the taxonomy scope evolves, Atlas Copco may reevaluate the current approach.

CLIMATE-RELATED INFORMATION

There are a growing number of voluntary reporting standards, initiatives and regulations concerning climate, such as the Taskforce for Climate-related Financial Disclosures (TCFD). Atlas Copco follows the development closely, takes inspiration from the guidelines and seeks to address major areas of information sought.

Our reporting on climate-related risks and opportunities is a continuous improvement project and the efforts to understand, report and act upon climate topics is developing at a good pace.

Governance

The Board of Directors is responsible for Atlas Copco's overall strategy, organization, administration and management. This includes climate-related risks and opportunities. The Board of Directors have approved the science-based targets that were adopted by Atlas Copco in 2021 and that will measure the Group's climate-related work from 2022 onwards. Climate-related issues concern several functions and areas of expertise in the organization. At an operational level, risks and opportunities are governed by Group Management and the divisional presidents. Read more about corporate governance on pages 54–57.

Strategy

Atlas Copco assesses climate-related risks and opportunities that have an actual and potential impact on our business and strategy. The process for identification of risks and opportunities is centered at the divisions. The Group has identified and assessed the following market, regulatory and physical risks related to climate change:

- *Market risks:* Market shifts toward a low-carbon economy may impact the viability of certain sectors and products. Atlas Copco's continuous work to increase the energy efficiency of our products helps mitigate these risks. This shift also represents an opportunity to continue developing highly energy-efficient products and may give rise to new businesses and business models. For instance, increased generation of renewable energy, such as solar panels and wind mills, and the surge in production of electrical vehicles, present both existing and future opportunities to provide products and services to these industries.
- *Regulatory risks:* Climate and energy policy will gradually be sharpened and favor companies that deliver energy-efficient products and comply with sustainable practices. Among the risks are increased energy prices and taxes, and regulations related to CO_2 or other greenhouse-gas emissions. As the Group invests in innovative products via research and development, more strict regulations will likely offer opportunities for Atlas Copco.
- *Physical risks:* Changing weather patterns may pose a physical risk to operational units or suppliers in areas in risk of rising sea levels, water scarcity or violent storms that could result in disruptions in the production or logistics chain. The physical risk is assessed at site level and safety measures are taken if needed, as part of the loss prevention program. Atlas Copco has a global network of suppliers, which provides resilience to local or regional disruptions.

Risk management

Climate-related risks, such as physical risks for operational entities or market risks connected to products, are assessed at the divisional level and are, if deemed relevant, included in the annual Enterprise Risk Management process. An aggregated analysis of the identified risks is presented annually to Group Management. Read more about the risk management process on page 47.

Metrics and targets

For the period 2019–2021, Atlas Copco set targets for reducing the carbon emissions from our new and re-designed products, own operations, as well as from inbound and outbound transport of goods. From 2022, Atlas Copco will implement science-based targets covering the entire value-chain. Atlas Copco's greenhouse gas emission reduction targets are approved by the Science-based Target initiative as being aligned with the Paris Agreement.

Read more about the targets and the progress made on pages 35–36, 44, 131 and 141.

SOCIAL IMPACT

Employment

Information on employees and other workers

Atlas Copco is a significant employer on the global market. The Group reports the number of employees as full time equivalents (FTE) per geographical spread and per professional category, as well as divided between white-collar and blue-collar employees.

New employee hires and employee turnover

The total number and rate of external new employee hires in 2021 was 6 524 (3 352) which constitutes 15.8% (8.5) of the total average number of employees during the year. The percentage of externally recruited females was 27% (26). The total number of resignations was 2 833 (1 727), which constitutes 6.9% (4.4) of the total average number of employees during the year. The mobility in 2021 was largely in line with the level during 2019, before the pandemic.

The Group's KPIs for employee satisfaction and engagement measure how employees perceive the opportunities to grow in the company and how they perceive the company culture. The targets for both KPIs are to be above the employee engagement survey provider's proprietary benchmark for global companies. The benchmark is based on anonymized data from the survey provider's customer base with tens of millions of respondents in more than 150 countries, as well as input from industry panel studies to produce robust and unbiased normative data.

Freedom of association and collective bargaining

Atlas Copco views trade unions and employee representatives as a valuable support for its employees, and fosters relationships based on mutual respect and constructive dialogue. Labor practices and employee rights, such as collective bargaining, are included in the Business Code of Practice. In 2021, 32% (32) of all employees were covered by collective bargaining agreements.

As a decentralized organization, the engagement and dialogue with labor unions takes place at a local level. In countries where no independent labor unions exist, Atlas Copco has taken measures to establish forums for employer/employee relations, through environment and safety committees.

Labor relations are followed-up regularly on the operational level and reviewed by internal audit. The compliance of significant suppliers to Atlas Copco's Business Code of Practice, which is based on international guidelines and frameworks such as the UN Global Compact and the International Labour Organization Declaration on Fundamental Principles and Rights at Work, is audited regularly.

Occupational health and safety

Safety and well-being are key priorities for Atlas Copco due to the importance of a sound working environment to employees' health and motivation, as well as to the Group's productivity and competitiveness. The global Safety, Health and Environmental policy ensures that there are robust standards for safety and well-being in the workplace.

All divisions set targets and make action plans to enhance awareness and improve behavior, policies and processes with the purpose of offering a safe and healthy work environment and to identify and address risks. Group companies must have an Atlas Copco verified Safety Health Environment and Quality management system, which is documented, implemented and maintained on an ongoing basis. Customer companies and rental companies with more than 70 employees and all product companies shall be certified according to ISO 45001. This involves regular risk assessments and follow-up on conditions and safety-related processes of both our own workplaces and those

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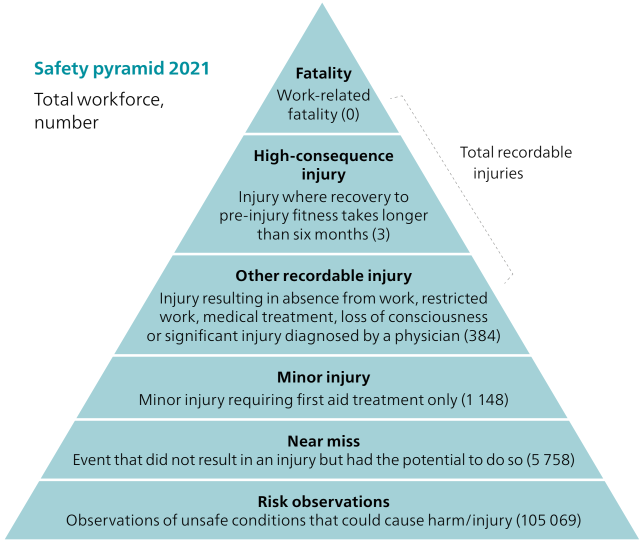
of contractors. Targets and KPIs on safety and well-being are monitored continuously by local management and followed up regularly by Group Management together with other sustainability data in the quarterly reporting.

Total recordable injuries, 2021	Per million working hours	Number
Recordable injuries total workforce	**4.5**	**387**
Recordable injuries Atlas Copco employees	4.3	337
Recordable injuries additional workforce	7.4	50
Fatalities total workforce	0	0
Fatalities Atlas Copco employees	0	0
Fatalities additional workforce	0	0
High-consequence injuries total workforce	0.03	3
High-consequence injuries Atlas Copco employees	0.04	3
High-consequence injuries additional workforce	0	0

Safety pyramid 2021

Total workforce, number



The safety pyramid

Since 2019, Atlas Copco uses a safety pyramid for reporting to encourage safe behavior in order to decrease risks and prevent injuries in the workforce. The method supports transparent reporting, risk-averse behavior and behavior change. The definitions of different severity of incidents and injuries are aligned with international standards. It is not possible to compare the number and rate of incidents and injuries with the years before 2019, as this was the first year this Group-wide reporting tool was used.

The Group's target for safety-related measures is to have a balanced safety pyramid. This means that more risk observations than near misses, more near misses than minor injuries, and more minor injuries than recordable injuries are reported.

The results of the 2021 reporting in the safety pyramid model is described in the table and in the illustration above. Major hazards reported for high-consequence injuries were slips and trips, lone working and manual handling. Common injuries were for instance cuts or other injuries from operating machines. Actions undertaken to mitigate hazards are among others awareness training and risk assessment of working environment, inspections, mechanical handling aids, and ensuring safe access to equipment. There were 0 (0) work-related fatalities in the Group in 2021.

Human rights assessment

Atlas Copco's central guiding policy is the Business Code of Practice. Atlas Copco is a signatory of the UN Global Compact and is committed to working with the ten universally accepted principles in the areas of human rights, labor, environment and anti-corruption. The Business Code of Practice also supports the International Labour Organization Declaration on Fundamental Principles and Rights at Work, as well as the OECD's Guidelines for Multinational Enterprises.

The Group committed to the UN Guiding Principles for Business and Human Rights when it was launched in 2011 and works to develop the implementation of the principles. In accordance with the requirements, Atlas Copco has an ongoing process to identify, prevent, mitigate and account for the human rights impacts related to Atlas Copco's business and business relations.

The Group strives to work according to the UN Guiding Principles across the value chain, covering procurement, human resources, sales, marketing and other business processes. The Group's commitment covers all individuals and groups who may be impacted by our activities or business relationships. Human rights are monitored by the Compliance Board, which has two members of Group Management: the SVP Chief Legal Officer and the SVP Chief Communications Officer. The Compliance Board addresses training needs, impact assessment and the action points related to the implementation of the UN Guiding Principles.

Human rights due diligence is carried out when deemed relevant for specific markets, for instance when Atlas Copco enters a market that is perceived as presenting severe human rights risks. The Atlas Copco misconduct reporting system can be used to report perceived human rights violations anonymously. Atlas Copco's human rights statement can be found at the Group's website www.atlascopcogroup.com.

Training on human rights policies and procedures

Atlas Copco has developed human rights specific training in addition to training in the Business Code of Practice to increase employee awareness. The training is available to all employees through the Group's intranet.

Diversity and inclusion

Atlas Copco's Diversity and Inclusion guideline states that we strive for diversity and inclusion in every aspect of our operations. Atlas Copco believes in having an inclusive culture, which means that all of our employees are treated fairly and with respect, are able to make a professional career, are seen and heard, and have the opportunity to thrive and grow. We provide equal opportunity to all applicants and employees and do not discriminate based on race, religion, gender, age, nationality, disability, sexual orientation or political opinion. The diversity and inclusion guideline covers all employees. Atlas Copco companies establish local diversity policies and guidelines in alignment with the Group policy, local laws and regulations, and local ambitions. Anti-harassment and non-discrimination are addressed in the ethics training that all employees are required to take yearly.

The Diversity and Inclusion Council is chaired by President and CEO Mats Rahmström, and consists of representatives from all business areas, along with the corporate communications, human resources and accounting and controlling functions. The council meets regularly to follow up on action plans and results in the operations.

Atlas Copco strives to increase the share of women in the organization, and the target is that by 2030, there should be 30% women in the Group. In 2021, the share of women in the workforce was 20.9% (20.0) at year end. The Board of Directors (excluding worker representatives) constituted of 6 men and 2 women (25% women) and Group Management were 7 men and 2 women (22% women).

Atlas Copco has managers on international assignments coming from 46 countries and working in 44. In 2021, a total of 77% (73%) of all senior managers were locally employed. 42 (40) nationalities were represented among the 509 most senior managers worldwide.

Taxes

The Group recognizes the key role that tax plays in advancing economic development and considers it vital to combat corruption and support sound business practices in order to create the most value for society. Atlas Copco believes in good corporate practice in the area of tax management, balancing the interests of various stakeholders, including customers, investors as well as the governments and communities in the countries in which the Group operates. Atlas Copco does not engage in aggressive tax planning, but instead takes care to pay the correct taxes in its countries of operation. Atlas Copco's tax policy can be found at the Group's website www.atlascopcogroup.com. See note 9 of the consolidated financial statements for the details of taxes paid, reported according to the international financial reporting standards.

Disclosing tax by country

Atlas Copco has been in dialogue with investors, NGOs and peers regarding disclosure of tax paid per country. At present, there is no established international standard for reporting taxes paid by country and the resulting data is therefore not comparable between different companies. Atlas Copco is not opposed to reporting tax paid by country if guidelines are broadened to apply to all companies in the industry so that the data can be compared and analyzed fairly.

Responsibility throughout the value chain

Working with business partners who share Atlas Copco's high standards regarding quality, business ethics, the environment and resource efficiency is necessary to effectively manage risks, and to enhance productivity in the value chain. The ambition is to work with suppliers and distributors who share these standards and who comply with the Business Code of Conduct.

Business partner	Role in the value chain	Primary responsible for risk management and compliance
Suppliers, subcontractors	Provide key parts as well as manufacturing services	Purchasing councils
Joint ventures	Partly owned companies that provide complementary products and services	Division presidents
Agents, distributors	Sell and distribute products to customers on the Group's behalf	Marketing councils

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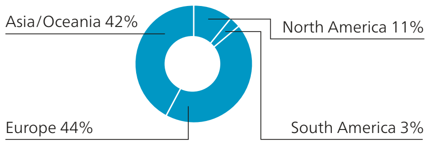
Suppliers

Atlas Copco has a large international supplier base. Around 75% of product cost stems from purchased components. Atlas Copco's purchasing strategies are decentralized to give the organization higher flexibility and to ensure the right competence. Purchasing councils oversee supply chain management at divisional level, and come together as a part of the Group purchasing council to develop central policies and tools that impact all operations. Local purchasing is encouraged.

Geographical spread of suppliers



Evaluation process

Suppliers are evaluated during and after selection by product companies, primarily by personnel in the purchasing function. Internal training on how to carry out supplier evaluations is published in the handbook of policies and guidelines *The Way We Do Things.*

The supplier evaluation process examines:

- Business partners' record of governance, ethics and stance against corruption
- Labor issues: Rejection of forced, compulsory or child labor, elimination of discrimination, safeguarding employee health and safety, collective bargaining rights
- Environmental performance: Managing waste, minimizing emissions, and reducing consumption of natural resources
- Human rights issues: Responsible sourcing and respect for human rights in operations

At times, self-assessment checklists are sent to suppliers and on-site evaluations are conducted regularly or when deemed necessary. These result in a report with concrete suggestions in the form of an action plan or improvements to be followed up on at an agreed time. Atlas Copco can provide experience and know-how to suppliers who need support in order to comply with the minimum standards set forth in the business partner compliance document. However, suppliers who fail to meet the criteria and do not show a willingness to improve are rejected. Due to restrictions for travel and visits in view of Covid-19, the number of on-site audits was lower in 2021 than before the pandemic.

Suppliers´ commitment	2021	2020
Significant suppliers, number	5 580	5 309
Suppliers audited on safety, health, social, and environmental issues[1]	647	669
Suppliers approved (no need to follow up)	629	655
Suppliers conditionally approved (monitored)	18	14
Suppliers rejected (relationship ended)[2]	0	0
Suppliers asked on commitment to the Business Code of Practice, number	5 421	5 160
Significant suppliers that have confirmed their commitment to the Code, %	93	93

1) Audits are conducted by Atlas Copco teams directly at the suppliers' sites.

2) Reasons for rejection relate to safety in the workplace, labor conditions, environment issues, or non compliance of laws. Suppliers are rejected if they do not meet Atlas Copco's requirements and are not willing to improve. In 2021, 0 business partner(s) were rejected due to environmental, health & safety issues, and 0 business partner(s) due to corruption.

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

Responsible sourcing of minerals

Responsible sourcing of minerals is essential to Atlas Copco and though the Group does not procure directly from smelters/refineries, some parts of the supply chain do. Atlas Copco is not in the scope of Dodd-Frank Act or the EU regulation 2017/821, but based on concerns of violations of human rights including forced labor, human trafficking and child labor, and to support our customers' obligation to these Acts, the Group has measures to detect and prevent the use of conflict minerals in its supply chain.

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

Atlas Copco has a comprehensive program to investigate the possible use of all conflict minerals in components used in Atlas Copco products. The program ensures responsible sourcing of tin, tantalum, tungsten and gold. Cobalt was added to the program in 2020, and data collection and due diligence using the Responsible Minerals Initiative (RMI) guidelines and Cobalt Reporting Template (CRT) will be rolled out continuously.

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

Distributors

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

Starting in 2019, the percentage of significant distributors that sign the Atlas Copco business criteria is measured as a Group KPI. In 2021, 87% of all significant distributors signed the business partner criteria. 96% of the significant distributors were asked to sign the criteria.

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

Product responsibility

Atlas Copco's ambition is to follow all applicable laws and regulations regarding safety, health and environmental aspects, product information, safety information and labeling. The information required by the Group's procedures for product and service information and labeling covers aspects such as sourcing of components, substances of concern, safe use and disposal of the product. Customer training is included when relevant, to secure safe handling of the products.

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

Atlas Copco maintains lists of substances which are either prohibited or must be declared due to their potential negative impact on health or the environment. Prohibited substances are not allowed in the Group's products or processes. Items containing declarable substances are avoided or replaced whenever possible. Via a dedicated Atlas Copco communication platform all our suppliers can be swiftly informed about upcoming legislative changes. The Atlas Copco Prohibited and Declarable list is under continuous revision according to applicable legislations worldwide. This includes REACH, RoHS, and U.S. State of California Safe Drinking Water and Toxic Enforcement Act of 1986 (Proposition 65). The lists on prohibited and declarable substances are also published on the Group's website www.atlascopcogroup.com.

Incidents of non-compliance

No cases have been filed in 2021 (0) for non-compliance with such laws and regulations concerning the provision and use of such products and services.

About the sustainability report

Atlas Copco has prepared its sustainability report in accordance with the Global Reporting Initiative (GRI) guidelines since 2001. The sustainability report is published annually and the most recent report, prior to this report, was published in March 2021 as a part of Atlas Copco's annual report 2020.

Sustainability is an integral part of Atlas Copco's business model and the Group therefore reports financial and non-financial data in a consolidated annual report. This provides Atlas Copco's stakeholders with a relatively complete overview of how the Group works in order to contribute to sustainable development and increasing stakeholder value.

This report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option. Atlas Copco is also a signatory of UN Global Compact since 2008, and this report is the Group's Communication on Progress (COP), a report on performance in relation to Global Compact's ten principles on human rights, labor law, the environment and anti-corruption.

The Atlas Copco Group's external auditors, Ernst & Young, have performed a limited review of the sustainability report according to GRI Standards: Core option, see the Auditor's report on page 143.

To accommodate stakeholders that are more familiar with the Sustainability Accounting Standards Board (SASB), Atlas Copco has published a table with cross-references to information found in the annual report. Information relating to the SASB standards for 'Industrial machinery and goods' is disclosed for relevant aspects and where data is available. However, Atlas Copco does not claim adherence to, or compliance with, the SASB reporting standards. The SASB cross-reference table is found on page 140.

Report boundary

The sustainability report includes information regarding issues where Atlas Copco has a significant economic, environmental and social impact. GRI's materiality principle has been the guiding principle in determining the report content. It covers the material issues that have the highest priority to Atlas Copco's stakeholders.

The report covers Atlas Copco's operations for the fiscal year 2021, unless otherwise stated. Operations divested during the year are excluded, acquired units are included. This may at times cause changes in reported performance. Environmental data covers production units and distribution centers. Supplier data covers production units and distribution centers, while distributor data covers all applicable units. Employee data covers all operations.

Sustainability information in the annual report is primarily presented on pages 5–13, 34–46 and 128–142.

Data collection

Reported facts and figures in the sustainability report have been verified in accordance with Atlas Copco's procedures for internal control. Data collection is integrated into the Group reporting consolidation systems and collected on a quarterly basis. Reported values are normally not corrected retroactively.

When a restatement of historically reported numbers is made, this can be due to a change of calculation method or scope.

Responsibility for reporting rests with the general manager of each company. Data is reported at local operating unit level, aggregated to division/business area and Group level. Data verification is performed at each level before submitting to external auditors for verification.

For questions regarding the report and its contents, please contact Sofia Svingby, Vice President Sustainability, sustainability@atlascopco.com

GRI content index

GRI Standards	Description	Page	Comment
Organizational profile			
102-1	Name of organization	Inside cover	
102-2	Activities, brands, products, and services	Inside cover, 21–33	
102-3	Location of headquarters	Inside cover	
102-4	Location of operations	Inside cover	
102-5	Ownership and legal form	53, 54–57	
102-6	Markets served	2, 23, 26, 29, 32	
102-7	Scale of the reporting organization	1–2, 14–15, 81	
102-8	Information on employees and other workers	12, 19, 39–41, 133–134	Atlas Copco reports the aggregate number of full-time equivalents, without breaking down the figures in full-time/part-time employees. Additional workforce may be temporary or permanent, generally employed by a third party. *Omission:* Additional workforce by gender is not reported.
102-9	Supply chain	42–43, 134–135	
102-10	Significant changes to the organization and its supply chain	14	
102-11	Precautionary principle or approach	44–45, 131	
102-12	External initiatives	131	
102-13	Membership of associations	131	

GRI content index

GRI Standards	Description	Page	Comment
Strategy and analysis			
102-14	Statement from senior decision-maker	3–4, 54, 57	
Ethics and integrity			
102-16	Values, principles, standards and norms of behavior	11, 42–43	
Governance			
102-18	Governance structure	10–11, 54–61, 130–131	
Stakeholder engagement			
102-40	List of stakeholder groups	130	
102-41	Collective bargaining agreements	133	
102-42	Identifying and selecting stakeholders	128	
102-43	Approach to stakeholder engagement	128, 130	
102-44	Key topics and concerns raised	128, 130	
Reporting practice			
102-45	Entities included in the consolidated financial statements	119–122	
102-46	Process for defining report content and topic boundaries	128, 130	
102-47	List of material topics	130	
102-48	Restatements of information	14, 136	
102-49	Changes in reporting	128, 136	
102-50	Reporting period	136	
102-51	Date of most recent report	136	
102-52	Reporting cycle	136	
102-53	Contact point for questions regarding the report	136	
102-54	Claims of reporting in accordance with GRI Standards	136	
102-55	GRI content index	136–139	
102-56	External assurance	143	
ECONOMIC IMPACT			
Economic performance			
103-1/2/3	Explanation of the material topic, its boundary and management approach	5–6, 130–131	
201-1	Direct economic value generated and distributed	131	
Anti-corruption			
103-1/2/3	Explanation of the material topic, its boundary and management approach	6, 42–43, 130–131	
205-3	Confirmed incidents of corruption and actions taken	131	
Anti-competitive behavior			
103-1/2/3	Explanation of the material topic, its boundary and management approach	6, 42–43, 130–131	
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	131	

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GRI content index

GRI Standards	Description	Page	Comment
ENVIRONMENTAL IMPACT			
Energy			
103-1/2/3	Explanation of the material topic, its boundary and management approach	6, 44–46, 130–131	
302-1	Energy consumption within the organization	131, 141	*Omission:* Energy consumption is reported in MWh, not in joule.
302-3	Energy intensity	141	
Emissions			
103-1/2/3	Explanation of the material topic, its boundary and management approach	6, 35–37, 44–46,130–131	
305-1	Direct greenhouse gas emissions (Scope 1)	141	
305-2	Energy direct greenhouse gas emissions (Scope 2)	141	
305-3	Other indirect greenhouse gas emissions (Scope 3)	141	Atlas Copco reports on CO_2 emissions related to transports of goods within Scope 3.
305-4	Greenhouse gas emissions intensity	141	
Environmental compliance			
103-1/2/3	Explanation of the material topic, its boundary and management approach	6, 44–46, 130–131	
307-1	Non-compliance with environmental laws and regulations	131	
Supplier environmental assessment			
103-1/2/3	Explanation of the material topic, its boundary and management approach	6, 45, 134–135	
308-1	New suppliers that were screened using environmental criteria	44, 135, 141	A risk-based approach is used to identify significant suppliers. The scope can include both new and old suppliers each year. *Omission:* Data for new suppliers specifically is not disclosed. Environmental and social screening is reported jointly.
SOCIAL IMPACT			
Employment			
103-1/2/3	Explanation of the material topic, its boundary and management approach	6, 39–40, 130, 133	
401-1	New employee hires and employee turnover	133, 142	*Omission:* Atlas Copco does not report turnover by age group and gender.
Occupational health and safety			
103-1/2/3	Explanation of the material topic, its boundary and management approach	6, 41, 129–130, 133–134	Atlas Copco is applying the 2018 GRI standard for Occupational health and safety.
403-1	Occupational health and safety management system	41, 130, 133	
403-2	Hazard identification, risk assessment, and incident investigation	41, 129–131, 134	
403-3	Occupational health services	41, 130	
403-4	Worker participation, consultation, and communication on occupational health and safety	41	
403-5	Worker training on occupational health and safety	41, 130	
403-6	Promotion of worker health	39–41	
403-7	Prevention/mitigation of occupational health/safety impacts directly linked by business relationships	129	
403-9	Work-related injuries	41, 134, 142	*Omission:* Near misses are reported in absolute numbers only.
Training and education			
103-1/2/3	Explanation of the material topic, its boundary and management approach	6, 39–40, 129–130	
404-3	Percentage of employees receiving regular performance and career development reviews	142	*Omission:* Atlas Copco does not report breakdown by gender or employee category.

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GRI content index

GRI Standards	Description	Page	Comment
Diversity and inclusion			
103-1/2/3	Explanation of the material topic, its boundary and management approach	6, 39–40, 130, 134	
405-1	Diversity of governance bodies and employees	39–40, 58–61, 134, 142	*Omission:* Age group is not disclosed at Group level. Minority group membership is not reported on in the Group.
Non-discrimination			
103-1/2/3	Explanation of the material topic, its boundary and management approach	6, 39–40, 130, 134	
406-1	Incidents of discrimination and corrective actions taken	131	
Human rights assessment			
103-1/2/3	Explanation of the material topic, its boundary and management approach	6, 42–43, 129–130, 134	
412-2	Employee training on human rights policies or procedures	42–43, 134, 139	All employees are trained in the Business Code of Practice, which includes respect for human rights. *Omission:* Employee training is not reported by category of training at Group level.
Supplier social assessment			
103-1/2/3	Explanation of the material topic, its boundary and management approach	6, 42, 134–135	
414-1	New suppliers that were screened using social criteria	42, 135, 142	A risk-based approach is used to identify significant suppliers. The scope can include both new and old suppliers each year. *Omission:* Data for new suppliers specifically is not disclosed. Environmental and social screening is reported jointly.
Customer health and safety			
103-1/2/3	Explanation of the material topic, its boundary and management approach	43, 130, 135	
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	135	
Marketing and labeling			
103-1/2/3	Explanation of the material topic, its boundary and management approach	129, 133	
417-2	Incidents of non-compliance concerning product and service information and labeling	133	
Socioeconomic compliance			
103-1/2/3	Explanation of the material topic, its boundary and management approach	6, 129, 130	
419-1	Non-compliance with laws and regulations in the social and economic area	130	

SASB Index 2021

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	RT-IG-130a.1	Total energy is reported in MWh, not in gigajoules. Percentage of grid electricity is not reported.	131
Employee health & safety	1. Total recordable incident rate (TRIR) 2. Fatality rate 3. Near-miss frequency rate (NMFR)	RT-IG-320a.1		134, 142
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. The goal at divisional level is for new or redesigned products to achieve significantly reduced environmental impact of 5% or lower carbon footprint over a product's life cycle.	35–38
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.	43, 50, 129, 135
Remanufacturing design & services	Revenue from remanufactured products and remanufacturing services	RT-IG-440b.1	Share of revenues is not reported but topic is addressed.	37

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		19, 85, 142

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Sustainability performance [1]

ECONOMIC VALUE	2019	2020	2021
Direct economic value [2]	104 230	100 251	111 972
Revenues	103 756	99 787	110 912
Economic value distributed			
Operating costs [3]	56 952	55 362	61 019
Employee wages and benefits, including other social costs	25 220	25 582	27 151
Costs for providers of capital [4]	8 149	8 988	9 281
Costs for direct taxes to governments	4 909	4 801	5 372
Economic value retained	9 000	5 518	9 149
– Redemption of shares	–	–	–
ENVIRONMENT			
Renewable energy for operations, % of total energy use	41	44	58
Direct energy use in GWh [5]	105	100	115
Indirect energy use in GWh [5]	264	251	270
Total energy use in GWh [5]	369	351	385
Total energy use in MWh/COS [5]	6.8	6.6	6.5
CO_2 emissions '000 tonnes (direct energy) – scope 1 [6] [7]	22	20	22
CO_2 emissions '000 tonnes (indirect energy) – scope 2 [6] [7]	60	57	30
CO_2 emissions '000 tonnes (total energy) – scope 1+2 [6] [7]	82	77	52
CO_2 emissions '000 tonnes (indirect energy, location-based) – scope 2 [6] [7]	98	95	102
CO_2 emissions '000 tonnes (transports) – scope 3 [6] [7]	150	124	142
CO_2 emissions tonnes (transports)/COS [6] [7]	2.8	2.3	2.4
CO_2 emissions tonnes total energy and transport (scope 1, 2, 3)/COS [6] [7]	4.3	3.8	3.3
Total waste (in '000 kg)	32 459	31 036	35 071
Waste (in kg)/COS	597	581	590
Reused or recycled waste, %	95	93	93
Water consumption (in '000 m^3)	394	384	395
Water consumption (m^3)/COS	7.2	7.2	6.6
Significant direct suppliers with an approved environmental management system, %	28	30	31

1) Calculations according to GRI Standard Guidelines, www.globalreporting.org.

2) Direct economic value includes revenues, other operating income, financial income, profit from divested companies and share of profit in associated companies.

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

4) Costs for providers of capital include financial costs and dividend, but exclude redemption of shares and repurchase of own shares.

5) Total energy includes both indirect and direct energy used. Atlas Copco does not report cooling or steam separately. The calculation of direct energy, i.e. energy generated by the company for its own production or operation, comprises all fuels used on the sites, including diesel, oil, biofuel, gasoline, solar, geothermal, propane and natural gas.

6) 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. Indirect energy (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 3 emissions include inbound and outbound transport of goods that the company is responsible for as defined by Incoterm. Out of scope emissions data for direct CO_2 emissions from biologically sequestered carbon (e.g. CO_2 from burning biomass/biofuels) was 938 tonnes in 2021.

7) CO_2 emissions from energy in operations and transport (tonnes) in relation to cost of sales in the base year 2018 was 5.3.

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Sustainability performance, continued

PEOPLE	2019	2020	2021
White-collar employees, %	69	70	69
Blue-collar employees, %	31	30	31
Employee turnover white-collar employees, %	6.0	4.2	6.4
Employee turnover blue-collar employees, %	5.6	4.8	7.8
Total turnover, voluntary leave, %	5.9	4.4	6.9
Yearly performance and development discussion, %	84	85	82
Proportion of female employees, % year end	19.8	20.0	20.9
Proportion of female managers, % year end	19.5	19.7	20.5
Degree to which employees agree that there are opportunities to learn and grow in the company (score) [8]	71	–	73
Degree to which employees agree that we have a work culture of respect, fairness and openness (score) [8]	74	–	76
SAFETY AND WELL-BEING			
Recordable injuries total workforce, number	406	385	387
Recordable injuries per million working hours total workforce	5.2	4.8	4.5
Minor injuries total workforce, number	997	922	1 148
Minor injuries per million working hours total workforce	12.7	11.6	13.4
Fatalities, number	1	0	0
Fatalities per million working hours total workforce	0.01	0	0
Sick leave due to diseases and recordable injuries, %	2.0	2.1	2.2
Degree to which employees agree that Atlas Copco takes a genuine interest in their well-being (score) [8]	69	–	73
A balanced safety pyramid (yes/no)	yes	yes	yes
ETHICS			
Employees signed compliance to the Business Code of Practice, %	98	99	98
Employees trained in the Business Code of Practice, %	94	99	97
Managers in risk countries held trainings in the Business Code of Practice, %	91	99	96
Significant distributors committed to the Business Code of Practice, %	59	84	87
Significant suppliers committed to the Business Code of Practice, %	90	93	93

[8] Results are, as a rule, collected every two years through the Group's employee survey.

Auditor's Limited Assurance Report on Atlas Copco AB's Sustainability Report and statement regarding the Statutory Sustainability Report

This is the translation of the auditor's report in Swedish.

To Atlas Copco AB, corporate identity number 556014-2720

Introduction

We have been engaged by the Board of Directors of Atlas Copco AB to undertake a limited assurance engagement of Atlas Copco AB's Sustainability Report for the year 2021. The scope of the Sustainability Report has been defined on page 136–139. Furthermore, we have performed an examination of the Statutory Sustainability Report. The scope of the Statutory Sustainability Report has been defined on page 20.

Responsibilities of the Board and Executive Management

The Board of Directors and Executive Management are responsible for the preparation of the Sustainability Report including the Statutory Sustainability Report in accordance with applicable criteria and the Annual Accounts Act respectively. The criteria are defined on pages 136–139 in the Sustainability Report and consist of the GRI Sustainability Reporting Standards, as well as the accounting and calculation principles that the company has developed. This responsibility includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

Responsibilities of the auditor

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

We have conducted our engagement in accordance with *ISAE 3000 Assurance engagements other than audits or reviews of historical financial information.* A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. Our examination regarding the Statutory Sustainability Report has been conducted in accordance with FAR's accounting standard RevR 12 The auditor's opinion regarding the statutory sustainability report. A limited assurance engagement and an examination according to RevR 12 are different from and substantially less in scope than reasonable assurance conducted in accordance with IAASB's Standards on Auditing and other generally accepted auditing standards in Sweden.

The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of Atlas Copco AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The procedures performed in a limited review and an examination according to RevR 12 do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. The conclusion based on limited assurance procedures and an examination according to RevR 12 does not provide the same level of assurance as a conclusion based on reasonable assurance.

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

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

Conclusions

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

A Statutory Sustainability Report has been prepared.

Stockholm, March 18, 2022
Ernst & Young AB

Erik Sandström
Authorized Public Accountant

Outi Alestalo
Expert Member of FAR

INTRODUCTION
THIS IS ATLAS COPCO
THE YEAR IN REVIEW
FINANCIALS
OTHER INFORMATION

Atlas Copco

Three years in summary

ORDERS, REVENUES AND PROFIT	2019	2020	2021
Orders, MSEK	106 104	100 554	129 545
Revenues, MSEK	103 756	99 787	110 912
Change, organic from volume, price and mix, %	2	–3	14
EBITDA, MSEK	26 597	24 335	29 025
EBITDA margin, %	25.6	24.4	26.2
Operating profit, MSEK	21 897	19 146	23 559
Operating profit margin, %	21.1	19.2	21.2
Net interest expense, MSEK	–359	–245	–234
Profit before tax, MSEK	21 572	18 825	23 410
Profit margin, %	20.8	18.9	21.1
Profit for the year, MSEK	16 543	14 783	18 134

EMPLOYEES	2019	2020	2021
Average number of employees	37 805	39 606	41 272
Revenues per employee, SEK thousands	2 745	2 519	2 687

CASH FLOW	2019	2020	2021
Operating cash surplus, MSEK	26 696	25 081	28 952
Cash flow before change in working capital, MSEK	20 209	20 454	23 870
Change in working capital, MSEK	–2 971	2 166	–244
Cash flow from investing activities, MSEK	–9 683	–16 286	–6 121
Gross investments in other property, plant and equipment, MSEK	–1 662	–1 459	–1 970
Gross investments in rental equipment, MSEK	–1 140	–486	–510
Net investments in rental equipment, MSEK	–1 087	–416	–474
Cash flow from financing activities, MSEK	–8 024	–8 552	–10 323
of which dividends paid, MSEK	–7 663	–8 506	–8 889
Operating cash flow, MSEK	14 625	18 910	19 378

FINANCIAL POSITION AND RETURN	2019	2020	2021
Total assets, MSEK	111 722	113 366	136 683
Capital turnover ratio	0.98	0.86	0.88
Capital employed, average MSEK	72 732	83 649	87 537
Capital employed turnover ratio	1.43	1.19	1.27
Return on capital employed, %	30	23	27
Net indebtedness, MSEK	12 013	16 421	8 151
Net debt/EBITDA, MSEK	0.5	0.7	0.3
Equity, MSEK	53 290	53 534	67 634
Debt/equity ratio, %	23	31	12
Equity/assets ratio, %	48	47	49
Return on equity, %	35	27	30

KEY FIGURES PER SHARE	2019	2020	2021
Basic earnings / diluted earnings, SEK	13.60 / 13.59	12.16 / 12.14	14.89 / 14.85
Dividend, SEK	7.00	7.30	7.60 [1)]
Dividend as % of basic earnings	51.5	60.0	51.0
Dividend yield, %	2.4	1.9	1.4
Redemption of shares, SEK	–	–	8.00 [1)]
Operating cash flow, SEK	12.04	15.56	15.91
Equity, SEK	44	44	56
Share price, December 31, A share / B share, SEK	373.6 / 325.2	421.1 / 368.3	625.8 / 532.2
Highest price quoted, A share / B share, SEK	386.5 / 336.9	445.5 / 390.0	629.4 / 533.6
Lowest price quoted, A share / B share, SEK	205.0 / 188.5	266.7 / 231.6	434.1 / 379.3
Average closing price, A share / B share, SEK	288.0 / 258.8	385.0 / 338.0	539.6 / 459.6
Average number of shares, millions	1 214.7	1 215.4	1 217.7
Diluted average number of shares, millions	1 215.8	1 217.2	1 220.5
Number of shareholders, December 31	81 656	82 079	87 923
Market capitalization, December 31, MSEK	440 497	497 187	732 967

1) Proposed by the Board

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