THE YEAR IN REVIEW

MARKET REVIEW AND DEMAND DEVELOPMENT

The demand for Atlas Copco's equipment and services was mixed in 2015. The Group's order intake increased 7% to a record MSEK 100 241 (93 873). More favorable exchange rates contributed with 9% and acquisitions with 2%, while the organic order decline was 4%.

The service business continued to grow and achieved 3% organic growth. The specialty rental business also continued to grow and achieved 5% organic growth. Consumables for mining and civil engineering, however, declined about 5% organically.

The orders received for equipment decreased with approximately 6% organically. Customers were hesitant to make large investments and the order intake decreased significantly for large compressors for oil and gas and other process industries. Orders also decreased for mining and rock excavation equipment as well as for construction equipment for infrastructure and civil engineering work as a result of low demand from mining and construction customers. The order intake for small and medium-sized compressors and for vacuum equipment for applications in the manufacturing industry was affected by softer demand in some markets and segments, but remained robust overall. The sales of industrial tools, assembly systems and solutions increased, supported by strong demand from customers in the automotive, aerospace and electronics industries.

See also business area sections on pages 20–35.

North America

The order intake in local currencies in North America decreased 4%. Order volumes increased for industrial tools, assembly systems and solutions, but decreased for most other equipment, most significantly for large compressors and mining equipment. The service business grew in all business areas. In total, North America accounted for 24% (23) of orders received.

South America

The South American orders decreased 12% in local currencies, negatively affected by weak equipment demand in Brazil as well as from mining, construction and the oil and gas industries. In total, South America accounted for 7% (9) of orders received.

Europe

The orders received in local currencies in Europe increased 4%. The order volumes in southern and eastern Europe continued to grow, while the order volumes in northern and western Europe remained fairly stable. Service, small and medium sized compressors, industrial tools and assembly solutions, mining and construction equipment had a favorable development, but the orders received decreased for large compressors and vacuum equipment. In total, Europe accounted for 30% (30) of orders received.

Africa/Middle East

Orders received decreased 2% in local currencies in Africa/Middle East, which accounted for 10% (10) of the Group's orders received. The order intake for equipment decreased in nearly all markets, negatively influenced by weaker demand from the mining, construction and oil and gas industries. The service business grew in all business areas.

Asia/Australia

The orders received in local currencies in Asia/Australia decreased 4%. Increased order intake was achieved in India, South East Asia and Japan, but Australia and China had a negative development. The order intake for industrial tools and assembly systems as well as for vacuum equipment increased, while it decreased for most types of compressors and for mining equipment. Service and consumables had a positive development in most markets, but decreased in China and in Australia. In total, Asia/Australia accounted for 29% (28) of orders received.

SALES BRIDGE

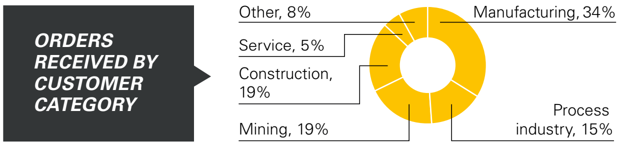
	Atlas Copco Group		
	Orders received	Orders on hand, December 31	Revenues
2013	**81 290**	**19 263**	**83 888**
Structural change, %	+12		+12
Currency, %	+2		+2
Price, %	+1		+1
Volume, %	+0		–3
Total, %	**+15**		**+12**
2014	**93 873**	**22 830**	**93 721**
Structural change, %	+2		+2
Currency, %	+9		+9
Price, %	+0		+0
Volume, %	–4		–2
Total, %	**+7**		**+9**
2015	**100 241**	**20 254**	**102 161**

ORDERS RECEIVED, REVENUES AND OPERATING MARGIN

Market presence

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

Atlas Copco had own customer centers in 92 (91) countries and production facilities in 28 (30) countries on five continents at the end of the year. Revenues were reported in 183 (185) countries.



IMPORTANT EVENTS

Acquisitions and divestments

The Group completed eight acquisitions during the year, which added net revenues of MSEK 121. Two minor divestments were also made. See also note 2 and business area sections on pages 20–35.

Investments in innovation

The amount invested in product development, including capitalized expenditures, increased 9% to MSEK 3 253 (2 991), primarily due to currency effects. This corresponds to 3.2% (3.2) of revenues. The number of employees in research and development was stable.

NEAR-TERM DEMAND OUTLOOK

Published January 28, 2016

The overall demand for the Group is expected to remain at current level.

Investments in manufacturing and distribution

The Group's investments in property, plant and equipment increased to MSEK 1 705 (1 548), primarily due to more investments to support growth in recently acquired businesses, e.g. investments in new innovation centers for adhesive solutions and a manufacturing facility for vacuum solutions in China. It also included other investments, such as an investment to expand the global distribution center in Belgium.

Capacity adjustments and discontinued operations

Several actions to adjust capacity to the lower demand for mining and construction equipment were implemented including consolidation of some manufacturing facilities. During the year, the mobile crushing and screening business was discontinued.

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 multinationals with regard to "Excess Profit" shall be considered as illegal state aid and that unpaid taxes should be returned to the Belgian state. Atlas Copco has such tax rulings since 2010. As a result of the decision, Atlas Copco has made a tax provision of MSEK 2 802. The amount fully covers the potential liability for the years 2010–2015. See also note 9.

Recognitions

Atlas Copco achieved the following recognitions: inclusion in Dow Jones Sustainability Index and FTSE4Good; the top industrial company on environment by the Newsweek Green Rankings; recognition by the United Nations for the Group's goals to cut carbon dioxide from its products and operations; and ranked 34 and the top machinery company among the world's top sustainable companies by Global 100.

SALES BRIDGE	Compressor Technique		Industrial Technique		Mining and Rock Excavation Technique		Construction Technique	
	Orders received	Revenues	Orders received	Revenues	Orders received	Revenues	Orders received	Revenues
2013	**31 765**	**31 782**	**9 594**	**9 501**	**26 092**	**29 013**	**14 260**	**13 967**
Structural change, %	+28	+28	+6	+8	+1	+1	+1	+1
Currency, %	+4	+4	+5	+5	+0	+0	+2	+3
Price, %	+1	+1	+0	+1	+1	+1	+1	+1
Volume, %	+0	+0	+7	+7	–3	–13	+0	+1
Total, %	**+33**	**+33**	**+18**	**+21**	**–1**	**–11**	**+4**	**+6**
2014	**42 249**	**42 165**	**11 335**	**11 450**	**25 752**	**25 718**	**14 847**	**14 739**
Structural change, %	+0	+0	+9	+10	+0	+0	+0	+0
Currency, %	+11	+11	+11	+10	+6	+7	+8	+9
Price, %	+1	+1	+0	+0	+0	+0	+1	+1
Volume, %	–4	–2	+9	+7	–7	–3	–7	–6
Total, %	**+8**	**+10**	**+29**	**+27**	**–1**	**+4**	**+2**	**+4**
2015	**45 458**	**46 237**	**14 612**	**14 578**	**25 587**	**26 665**	**15 166**	**15 300**

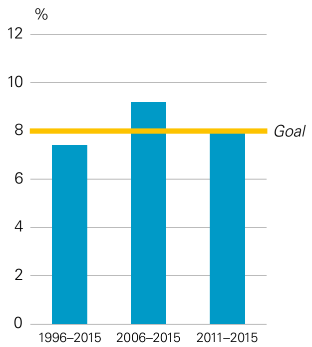
FINANCIAL SUMMARY AND ANALYSIS

KEY FINANCIAL DATA, MSEK	*2015*	*2014*	*CHANGE, %*
Orders received	100 241	93 873	+7
Revenues	102 161	93 721	+9
EBITDA	24 075	20 724	+16
– in % of revenues	23.6	22.1	
Operating profit	19 728	17 015	+16
– in % of revenues	19.3	18.2	
Adjusted operating profit	*20 087*	*17 744*	*+13*
– in % of revenues	*19.7*	*18.9*	
Profit before tax	18 823	16 091	+17
– in % of revenues	18.4	17.2	
Profit for the year	11 723	12 175	–4
Profit for the year, adjusted for tax provision of MSEK 2 802	*14 525*	*12 175*	*+19*
Basic earnings per share, SEK	9.62	10.01	–4
Adjusted basic earnings per share, SEK	*11.92*	*10.01*	*+19*
Diluted earnings per share, SEK	9.58	9.99	–4

Revenues

The Group's revenues increased by 9% to a record MSEK 102 161 (93 721). The goal is to achieve annual revenue growth of 8% over a business cycle. In the past 10 years, the compounded annual growth rate has been 9.2%.

ANNUAL REVENUE GROWTH RATE



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

Operating profit

The operating profit was MSEK 19 728 (17 015), corresponding to a margin of 19.3% (18.2). Items affecting comparability were MSEK –359 (–729) and the adjusted operating margin was 19.7% (18.9). See also the bridge below.

The operating profit for the Compressor Technique business area increased 15% to MSEK 10 324 (8 974), corresponding to a margin of 22.3% (21.3). The profit included items affecting comparability of MSEK –55 (–180) and the adjusted margin increased to 22.4% (21.7). The margin was supported by currency and mix, but negatively impacted by lower equipment volumes.

The operating profit for the Industrial Technique business area increased 31% to MSEK 3 355 (2 557), with strong contribution from acquisitions. The margin increased to 23.0% (22.3) and was supported by higher volumes and currency, but was impacted negatively by dilution from acquisitions.

The operating profit for the Mining and Rock Excavation Technique business area increased 16% to MSEK 4 993 (4 307), corresponding to a margin of 18.7% (16.7). The profit included items affecting comparability of MSEK –65 (–415) and the adjusted margin increased to 19.0% (18.4). The margin was impacted negatively by lower equipment volumes, but supported by currency and mix.

The operating profit for the Construction Technique business area increased 4% to MSEK 1 839 (1 768), corresponding to a margin of 12.0% (12.0). The profit included items affecting comparability of MSEK –95 and the adjusted operating margin increased to 12.6% (12.0). The margin was supported by currency, but negatively impacted by lower volumes.

Costs for common Group functions and eliminations were MSEK –783 (–591), including the effect from the provision for share-related long-term incentive programs of MSEK –144 (–174) and an insurance reimbursement of MSEK 40 in 2014.

Depreciation and EBITDA

Depreciation and amortization increased to MSEK 4 347 (3 709), mainly due to currency and acquisitions. Earnings before depreciation and amortization, EBITDA, was MSEK 24 075 (20 724), corresponding to a margin of 23.6% (22.1).

Net financial items

The Group's net financial items totaled MSEK –905 (–924). The net interest expense increased to MSEK –758 (–699). Other financial items were MSEK –147 (–225). See note 8 and 27.

BRIDGE – REVENUES AND OPERATING PROFIT

MSEK	*2015*	Volume, price, mix and other	Currency	Acquisitions	Restructuring and capital gain	Share-based long-term incentive programs	*2014*
Revenues	102 161	–1 830	8 845	1 425	–	–	93 721
Operating profit	19 728	–957	3 070	230	340	30	17 015
Effect on margin, %	19.3	–0.6	+1.4	–0.0	+0.3	+0.0	18.2

The operating margin increased to 19.3% (18.2). It was positively affected by currency and items affecting comparability, but negatively affected by volume.

	Revenues		Operating profit		Operating margin, %		Return on capital employed, %		Investments in tangible fixed assets [1]	
MSEK	*2015*	*2014*	*2015*	*2014*	*2015*	*2014*	*2015*	*2014*	*2015*	*2014*
Compressor Technique	46 237	42 165	10 324	8 974	22.3	21.3	38	40	586	639
Industrial Technique	14 578	11 450	3 355	2 557	23.0	22.3	31	36	532	270
Mining and Rock Excavation Technique	26 665	25 718	4 993	4 307	18.7	16.7	34	29	981	967
Construction Technique	15 300	14 739	1 839	1 768	12.0	12.0	12	12	555	939
Common Group functions/eliminations	–619	–351	–783	–591					314	452
Total Group	**102 161**	**93 721**	**19 728**	**17 015**	**19.3**	**18.2**	**27**	**24**	**2 968**	**3 267**

[1] Excluding assets leased.

Profit before tax

Profit before tax was MSEK 18 823 (16 091), corresponding to a profit margin of 18.4% (17.2).

Taxes and tax provision in Belgium

Taxes for the year amounted to MSEK 7 100 (3 916) and includes a tax provision of MSEK 2 802 following the European Commission's decision on Belgium's tax rulings. The effective tax rate was 37.7% (24.3) and 22.8% excluding the tax provision. See note 9.

Profit and earnings per share

Profit for the year decreased 4% to MSEK 11 723 (12 175), whereof MSEK 11 717 (12 169) and MSEK 6 (6) attributable to owners of the parent and non-controlling interests, respectively. Basic and diluted earnings per share were SEK 9.62 (10.01) and SEK 9.58 (9.99), respectively. Excluding the tax provision in Belgium, profit for the year increased 19% to MSEK 14 525 (12 175) and basic earnings per share were SEK 11.92 (10.01).

BALANCE SHEET IN SUMMARY

MSEK	DEC 31, 2015		DEC 31, 2014	
Intangible assets	33 520	33%	33 197	32%
Rental equipment	3 076	3%	3 177	3%
Other property, plant and equipment	8 947	9%	9 433	9%
Other fixed assets	4 128	4%	3 530	3%
Inventories	16 906	16%	18 364	17%
Receivables	25 985	25%	26 015	25%
Current financial assets	1 576	1%	2 150	2%
Cash and cash equivalents	8 861	9%	9 404	9%
Assets classified as held for sale	11	0%	11	0%
Total assets	**103 010**	**100%**	**105 281**	**100%**
Total equity	46 750	45%	50 753	48%
Interest-bearing liabilities	25 214	25%	26 997	26%
Non-interest-bearing liabilities	31 046	30%	27 531	26%
Total equity and liabilities	**103 010**	**100%**	**105 281**	**100%**

The Group's total assets decreased 2% to MSEK 103 010 (105 281). Acquisitions and divestments contributed only marginally and the currency translation effects were marginally negative. Cash, cash equivalents and other current financial assets increased less than 1%. Excluding these effects, the assets decreased by approximately 2% for comparable units, due to a net decrease in working capital and in property, plant and equipment.

EQUITY

MSEK	2015	2014
Opening balance	50 753	39 794
Profit for the year	11 723	12 175
Other comprehensive income for the year	–540	4 663
Shareholders' transactions	–15 186	–5 879
Closing balance	46 750	50 753
Equity attributable to		
– owners of the parent	46 591	50 575
– non-controlling interests	159	178

Total comprehensive income for the year decreased to MSEK 11 183 (16 838), primarily due to translation differences on foreign operations, see page 67 and note 10. Shareholders' transactions include dividends and redemption of shares totaling MSEK –14 639 (–6 682), sales and repurchases of own shares of net MSEK –453 (890), and share-based payments of net MSEK –94 (–87).

At year end, Group equity including non-controlling interests was MSEK 46 750 (50 753), corresponding to 45% (48) of total assets. Equity per share was SEK 38 (42).

Atlas Copco's market capitalization at year end was MSEK 251 140 (261 719), or 537% (516) of net book value.

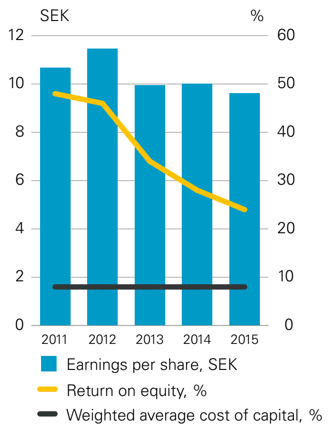
The information related to public takeover bids given for the Parent Company, on page 19, is also valid for the Group.

Interest-bearing debt and net indebtedness

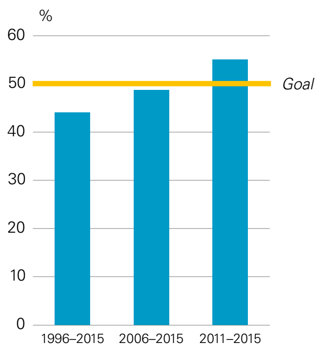
Total interest-bearing debt was MSEK 25 214 (26 997), whereof post-employment benefits MSEK 2 225 (2 531). The Group has an average maturity of 4.1 years on interest-bearing liabilities. See notes 21 and 23 for additional information.

The Group's net indebtedness, adjusted with MSEK 28 (–15) for the fair value of related interest rate swaps, amounted to MSEK 14 805 (15 428) at year end. The net debt/EBITDA ratio was 0.6 (0.7) and the debt/equity ratio was 32% (30).

RETURN ON EQUITY AND EARNINGS PER SHARE



DIVIDEND/EARNINGS PER SHARE, AVERAGE



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 and at the same time have the ambition to distribute about 50% of earnings as dividends to shareholders.

Dividend policy history

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

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

Operating cash flow and investments
Operating cash surplus was MSEK 23 547 (20 426). Cash flows from financial items were MSEK –2 037 (–849). The main explanation is negative cash flows from currency hedges of loans of MSEK –1 322 (–47) where the offsetting cash flow occurs in the future.

The working capital decreased by MSEK 1 599 (2 056), mainly due to an inventory reduction of MSEK 1 342. Net investments in rental equipment decreased to MSEK 837 (1 303). Net cash from operating activities amounted to MSEK 18 112 (16 387).

Gross investments in property, plant and equipment increased to MSEK –1 705 (–1 548), 101% (103) of annual depreciation. The increase was primarily related to recently acquired businesses. Larger investments were made by Compressor Technique in China, in the United States and in the United Kingdom, by Industrial Technique in the United States and in the United Kingdom, and by Mining and Rock Excavation Technique in Sweden. Sale of property, plant and equipment increased to MSEK 600 (86). The increase was primarily a result of a sale and leaseback transaction of premises in Sweden.

Net investments in intangible fixed assets, mainly related to capitalization of development expenditures, were MSEK –1 151 (–1 177). Investments in other financial assets were MSEK +197 (+489), related to variations in the customer financing activities. Operating cash flow increased 22% and reached a record of MSEK 16 955 (13 916), equal to 17% (15) of Group revenues.

The net cash flow from acquisitions and divestments in subsidiaries amounted to MSEK –1 794 (–8 415) and includes deferred considerations from acquisitions made in 2014. See also note 2.

Cash flow from financing
Dividends paid amounted to MSEK –7 334 (–6 682) and the mandatory redemption was MSEK –7 305. Sales and repurchases of own shares equaled net MSEK –453 (+890). Change in interest-bearing liabilities was MSEK +595 (–8 566).

Working capital ratios
The ratio of inventories to revenues at year end decreased to 16.5% (19.6) and trade receivables decreased to 19.1% (21.2). The corresponding average ratios decreased to 21.7% (23.0) and increased to 23.5% (23.1), respectively. Average trade payables in relation to revenues were 8.0% (7.9).

Capital turnover
The capital turnover ratio was 0.97 (0.98) and the capital employed turnover ratio was 1.36 (1.32).

Return on capital employed and return on equity
Return on capital employed was 26.8% (24.3) and the return on equity 24.3% (28.1). The latter was affected by the tax provision in Belgium and the adjusted return on equity was 30.1%. The Group uses a weighted average cost of capital (WACC) of 8% (8) as an investment and overall performance benchmark.

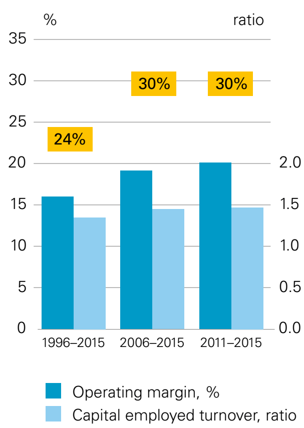
Employees
In 2015, the average number of employees in the Atlas Copco Group decreased by 57 to 43 588. At year end, the number of employees was 43 114 (44 056) and the number of full-time consultants/external workforce was 2 835 (3 015). For comparable units the total workforce decreased by 1 230, while acquisitions and divestments, net, added 108 for a total decrease of 1 122. See also pages 44–47.

AVERAGE NUMBER OF EMPLOYEES	*2015*	*2014*
Atlas Copco Group	43 588	43 645
– Sweden	4 192	4 315
– Outside Sweden	39 396	39 330
Business areas		
– Compressor Technique	19 118	18 950
– Industrial Technique	5 888	5 128
– Mining and Rock Excavation Technique	11 500	12 392
– Construction Technique	5 579	5 780
– Common Group functions	1 503	1 395

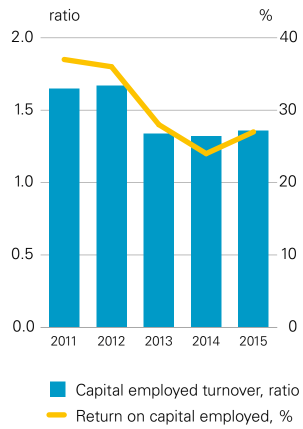
The Group's goal is to deliver sustained high return on capital employed, by constantly striving for operational excellence and generating growth.

xx% Average return on capital employed

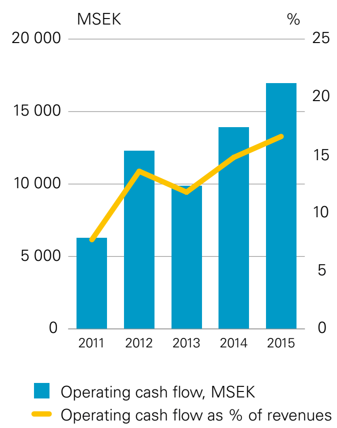
RETURN ON CAPITAL EMPLOYED



CAPITAL EMPLOYED TURNOVER AND RETURN



OPERATING CASH FLOW



PARENT COMPANY

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

Earnings

Profit before tax totaled MSEK 12 300 (4 589). Profit for the year amounted to MSEK 11 737 (3 792). The increased profit was due to an increase in internal dividends received.

Financing

The total assets of the Parent Company were MSEK 118 357 (102 778). At year end 2015, cash and cash equivalents amounted to MSEK 4 311 (5 153) and interest-bearing liabilities, excluding post-employment benefits, to MSEK 76 569 (57 688), whereof the main part is Group internal loans. Equity represented 34% (42) of total assets and the undistributed earnings totaled MSEK 34 468 (37 515).

Employees

The average number of employees in the Parent Company was 118 (117).

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

Appropriation of profit

The Board of Directors proposes to the Annual General Meeting that a dividend of SEK 6.30 (6.00) per share, equal to MSEK 7 661 (7 305), be paid for the 2015 fiscal year. The dividend is proposed to be paid in two equal installments, the first with record date April 28, 2016 and the second with record date October 31, 2016. The proposed payment periods facilitate a more efficient cash management. It is also proposed that the balance of retained earnings after the dividend be retained in the business as described below.

SEK	
Retained earnings including reserve for fair value	22 731 381 158
Profit for the year	11 736 771 934
	34 468 153 092
The Board of Directors proposes that these earnings be appropriated as follows:	
To the shareholders, a dividend of SEK 6.30 per share	7 661 405 569
To be retained in the business	26 806 747 523
Total	**34 468 153 092**

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 13 123 103 class A shares and 393 879 class B shares held by Atlas Copco, 1 216 096 122 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 2015 Investor AB held a total of 206 895 611 shares, representing 22% of the votes and 17% of the capital.

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

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

COMPRESSOR TECHNIQUE

The service business continued to grow in 2015, while the demand for equipment was lower. The order volumes decreased for stationary industrial compressors and air treatment equipment and decreased significantly for large gas and process compressors. The order intake was largely unchanged for vacuum solutions. The business area continued to invest in market presence, innovation and competence development, and signed an agreement to acquire Leybold Vacuum.

KEY FIGURES, MSEK	2015	2014	Change, %
Orders received	45 458	42 249	+8
Revenues	46 237	42 165	+10
Operating profit	10 324	8 974	+15
Operating margin, %	22.3	21.3	
Return on capital employed, %	38	40	
Investments	586	639	
Average number of employees	19 118	18 950	

ABOUT THE IMAGE:
An installation of oil-free compressors and air treatment equipment to supply high-quality compressed air in a chemical plant in Belgium.

The year in review

Business development

The demand for the business area's equipment and services was mixed during 2015. In total, the order intake decreased 3% organically. The service business continued to grow in all major markets while the orders received for equipment decreased as customers were hesitant to make investments. The order volumes decreased for stationary industrial compressors and air treatment equipment and decreased significantly for large gas and process compressors. Geographically, orders for compressors decreased in all regions, most significantly in Asia. The demand from customers in the electronics and semiconductor industries remained robust and the order volumes were largely unchanged for vacuum solutions.

Market presence and organizational development

Despite challenging market conditions, the business area continued to invest in market presence and in innovation. During 2015, additional investments were made in the vacuum solutions business, where the number of employees in sales, marketing and research and development increased. In addition, a manufacturing facility for vacuum and abatement solutions was built in Qingdao, China. Atlas Copco has invested about MSEK 330 in the state-of-the-art facility.

Acquisitions and divestments

The business area made five acquisitions in 2015 and one in January 2016:

- Maes Compressoren N.V., a compressor distributor in Belgium, with about 30 employees.
- Air Repair Sales and Services, a distributor in Canada, with twelve employees.
- Applied Plasma Systems Co., Ltd. (Apsys), a manufacturer of abatement systems in Korea, with five employees.
- The U.S. vacuum pump service provider Innovative Vacuum Solutions Inc., with revenues of MSEK 32 and 19 employees.
- The U.S. compressor distributors Air Supply Systems and A1 with 37 employees.
- In January 2016, Capitol Research Equipment Inc., a U.S. parts and service provider for vacuum pumps, was acquired. The company had revenues of about MSEK 22 and 15 employees.

An agreement to acquire Leybold Vacuum, for a total enterprise value of MEUR 486 (MSEK 4 520) was signed in November. The business is headquartered in Cologne, Germany, has about 1 600 employees, and had revenues in 2014 of about MSEK 3 335. The acquisition is estimated to be completed in the first half of 2016.

In January 2016, Atlas Copco agreed to acquire FIAC, a manufacturer of piston compressors and related equipment, with a global sales network. The company had revenues in 2014 of about MSEK 640 and about 400 employees. The acquisition is expected to be completed during the first quarter of 2016.

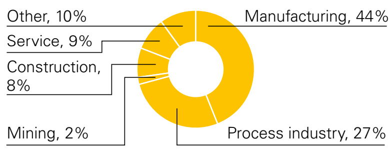
Two businesses based in the United States were divested. JC Carter, which produces cryogenic submerged motor pumps, and Ortman Fluid Power, which manufactures hydraulic and pneumatic cylinders and valve actuators. The businesses had 30 and 19 employees, respectively.

Revenues, profits and returns

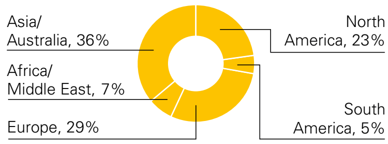
Revenues increased 10% to a record of MSEK 46 237 (42 165) with a strong contribution from currency. The revenues decreased 1% organically. Operating profit increased 15% to a record of MSEK 10 324 (8 974), corresponding to a margin of 22.3% (21.3). The operating profit was affected positively by currency, but negatively by items affecting comparability of MSEK –55 (–180). These relate primarily to reduction of capacity in Cologne, Germany, due to weak demand for large compressors.

The adjusted operating margin was 22.4% (21.7) supported by currency and a positive mix, but negatively impacted by lower equipment volumes. The return on capital employed was 38% (40).

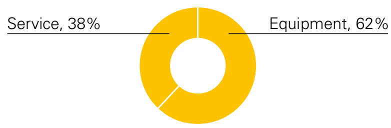
ORDERS RECEIVED BY CUSTOMER CATEGORY



REVENUES BY REGION



SHARE OF REVENUES



ORDERS RECEIVED, REVENUES AND OPERATING MARGIN

INNOVATION

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

- A range of oil-injected screw compressors. The range has an enhanced design that improves the performance up to 5% compared to the previous generation.
- The range of nitrogen generators was extended and upgraded. The range has top-end energy efficiency that ensures low cost of ownership and quick payback.
- A variable speed drive vacuum pump for general industrial applications. The pump, called GHS VSD+, delivers significant energy savings of around 50%.
- An upgraded range of industrial vacuum pumps. The range has a unique screw technology and high efficiency drives, enabling advanced temperature control and long service intervals, and delivering best-in-class pumping speeds and low running costs.
- A range of compressed air filters, which combine two filtration processes in one product. The filters reduce pressure drops with 40% compared to traditional filter packages.

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

REVENUES, MSEK
46 237
IN 2015

The market

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

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

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

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

Stationary industrial air compressors and associated air-treatment products, spare parts and service represent about 70% of sales. Large gas and process compressors, including service, represent approximately 5–10% and vacuum solutions, including service, approximately 20–25%.

Market trends

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

Demand drivers

- Investments in machinery
- Industrial production
- Energy costs

Vision and strategy

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

The strategy is to further develop Atlas Copco's leading position in the selected niches and grow the business in a way that is economically, environmentally and socially responsible. This should be done by capitalizing on the strong market presence worldwide, improving market penetration in mature and developing markets, and continuously developing improved products and solutions to satisfy demands from customers. The presence is enhanced by utilizing several commercial brands. Key strategies include growing the service business as well as developing businesses within focused areas such as air treatment equipment, blowers, vacuum solutions, and compressor solutions for trains, ships, and hospitals. The business area is actively looking at acquiring complementary businesses.

Strategic activities

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

Competition

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

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

Products and applications

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

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

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

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

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

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

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

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

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

Oil-free screw compressor that provides clean air to industrial processes

Gas and process compressors supply large amounts of compressed air to various process industries

Compressed air filter that efficiently reduces contamination in the compressed air

Robust and economical vacuum pump for industrial applications

BUSINESS AREA PRESIDENT
NICO DELVAUX

THE DIVISIONS
January 28, 2016

1. **Compressor Technique Service**
   President Vagner Rego
2. **Industrial Air**
   President Joeri Ooms
   Oil-free Air
   Acting president Nico Delvaux
3. **Vacuum Solutions**
   President Geert Follens
4. **Gas and Process**
   President Robert Radimeczky
5. **Medical Air Solutions**
   President Horst Wasel
6. **Airtec**
   President Philippe Ernens

INDUSTRIAL TECHNIQUE

The business area achieved strong order growth in 2015. The growth was supported by the motor vehicle and general industries' investments as well as by the acquisition of Henrob, a pioneer and market leader in self-pierce riveting. The service business also had a strong development. Significant investments were made in market presence, product development and service.

KEY FIGURES, MSEK	2015	2014	Change, %
Orders received	14 612	11 335	+29
Revenues	14 578	11 450	+27
Operating profit	3 355	2 557	+31
Operating margin, %	23.0	22.3	
Return on capital employed, %	31	36	
Investments	532	270	
Average number of employees	5 888	5 128	

ABOUT THE IMAGE:
Dispensing equipment for adhesives and sealants is increasingly used in the motor vehicle industry.

The year in review

Business development

The demand for advanced industrial tools, assembly systems and solutions, continued to be strong and was supported by investments from the motor vehicle industry and by customers in general industry, e.g. electronics and aerospace. Orders received increased 9% organically.

The orders received for advanced industrial tools, assembly systems and solutions from the motor vehicle industry increased as manufacturers continued to invest in new and upgraded production lines. The order volumes were solid for the industrial tools and assembly systems business, but they were particularly strong for the adhesive equipment business SCA and for the self-pierce-riveting business Henrob. The latter was acquired in September 2014. The order volumes increased in most major markets with the strongest development in the United States and in China.

Order volumes for industrial power tools from the general manufacturing industries were largely unchanged. They increased in Europe, but decreased in North America and in Asia. The sales to the electronics and aerospace industries grew as did the sales of high-torque assembly tools, but the sales to the off-road segment and many other general industrial applications decreased.

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

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

Market presence and organizational development

The business area made significant investments in the organization by adding employees in marketing and sales, in research and development and in service.

Investments were also made in innovation centers, including an expansion of the facility in Bretten, Germany, to meet growing customer demand for its innovative assembly solutions. The expansion will double the capacity to test customer projects and will be completed in 2016.

Acquisitions

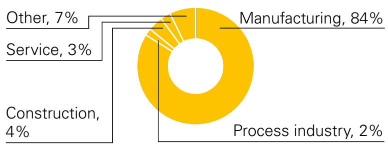
The business area made two acquisitions in 2015:

- Kalibriercentrum Bayern, a German company which specializes in calibration and related services to customers in such industries as motor vehicle manufacturing and aerospace. The company had revenues of MSEK 28 and 27 employees.
- NJS Technologies Ltd., an engineering and sales company in the United Kingdom that specializes in process control systems for assembly operations. The business had revenues of MSEK 9 and seven employees.

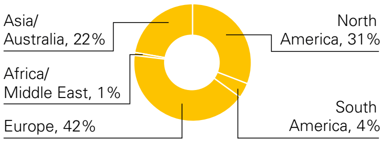
Revenues, profits and returns

Revenues increased 27% to a record MSEK 14 578 (11 450), up 7% organically. Operating profit was also the highest ever at MSEK 3 355 (2 557) with strong contribution from acquisitions. The margin increased to 23.0% (22.3) and was supported by higher volumes and currency, but was impacted negatively by dilution from acquisitions. The acquisitions also affected the return on capital employed, which was 31% (36).

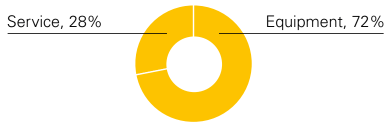
ORDERS RECEIVED BY CUSTOMER CATEGORY



REVENUES BY REGION



SHARE OF REVENUES



ORDERS RECEIVED, REVENUES AND OPERATING MARGIN

INNOVATION

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

- A high torque assembly tool, which is significantly faster than competing tools in the market.
- A range of versatile and general purpose bolt tensioning tools. These tools feature integrated springs, a feature that greatly speeds up the tensioning operation and reduces the physical effort needed by the user.
- An advanced electric drilling unit for demanding aerospace applications. The new solution reduces the cycle time and increases the quality. At the same time it is compact and user-friendly.
- Atlas Copco also won three prestigious Red Dot design awards for high-precision screwdriver systems. The products improve ergonomics and enhance productivity for manufacturing customers especially in the electronics industry.

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

REVENUES, MSEK

14 578

IN 2015

The market

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

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

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

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

Market trends

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

Demand drivers

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

Vision and strategy

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

The strategy is to continue to grow the business profitably by building on the technological leadership and continuously offering products and services that improve customers' productivity. Important activities are to extend the product offering, particularly with the motor vehicle industry and to provide additional services, know-how and training. The business area is also increasing its presence in general industrial manufacturing, vehicle service and geographically in targeted markets. The presence is enhanced by utilizing a brand portfolio strategy. The business area is actively looking at acquiring complementary businesses. Growth should be achieved in a way that is economically, environmentally and socially responsible.

Strategic activities

- Increase market coverage and improve presence in targeted markets/segments
- Develop new sustainable products and solutions, offering increased quality and productivity, improved ergonomics and reduced environmental impact
- Extend the product and service offering
- Perform more service on a higher share of the installed equipment base
- Increase operational efficiency
- Invest in employees and competence development
- Acquire complementary businesses and integrate them successfully

Competition

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

MARKET POSITION

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

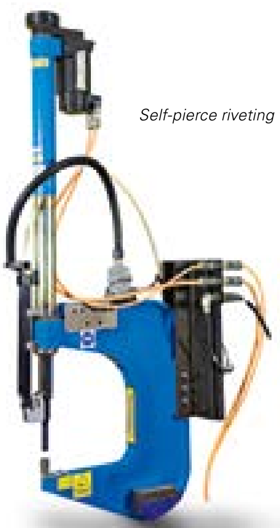
Products and applications

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

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

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

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



Self-pierce riveting tool

Advanced electric drilling unit for demanding aerospace applications

Electric assembly tool for high torque applications

Pneumatic drill of the highest quality, built to provide consistent reliability and performance in a wide range of applications

BUSINESS AREA PRESIDENT
MATS RAHMSTRÖM

THE DIVISIONS
January 28, 2016

1. **Industrial Technique Service**
   President Henrik Elmin
2. **MVI Tools and Assembly Systems**
   President Lars Eklöf
3. **General Industry Tools and Assembly Systems**
   President James McAllister
4. **Chicago Pneumatic Tools**
   President Philippe Artzet
5. **Industrial Assembly Solutions**
   President Tobias Hahn

MINING AND ROCK EXCAVATION TECHNIQUE

The demand for mining and rock excavation equipment weakened further. The order volumes were lower than in 2014 with a significant decline for mining equipment. The service business achieved growth, while consumable orders were somewhat lower. The business area identified and implemented further efficiency measures to adapt the costs to the low demand.

KEY FIGURES, MSEK	*2015*	*2014*	*Change, %*
Orders received	25 587	25 752	–1
Revenues	26 665	25 718	+4
Operating profit	4 993	4 307	+16
Operating margin, %	18.7	16.7	
Return on capital employed, %	34	29	
Investments	981	967	
Average number of employees	11 500	12 392	

ABOUT THE IMAGE:
A flexible and versatile surface drill rig, developed and designed for high performance in demanding construction applications.

The year in review

Business development

The demand for equipment from customers in the mining industry remained weak as customers made low investments in capital equipment. The order volumes decreased for all types of underground and surface equipment both compared to the previous year and during the year. Geographically, the order intake increased in Europe with a positive development in Russia and Sweden, but decreased in all other regions, most significantly in Australia and South America.

The order intake for equipment for infrastructure projects also decreased, which affected both underground and surface drilling rigs. The order volumes were somewhat better in Europe, but were negative in all other regions.

The sales of consumables decreased and volumes were lower in all regions except Europe and Africa/Middle East. The sales were negatively impacted by lower activity in mine development and civil engineering.

Demand for service and spare parts remained robust despite the tough market conditions. Order volumes increased in Europe, South America and Africa/Middle East, they were stable in North America, while they had a negative development in Asia and Australia.

In total, the order intake decreased by 7% organically.

Organizational development

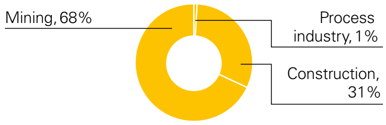
The business area continued to identify and implement further efficiency measures in order to strengthen the operations for the future, including consolidation of some manufacturing facilities and further rationalization measures. The workforce was further reduced, mostly in manufacturing, but also in other functions such as sales, service and administration.

The mobile crushing and screening business, with manufacturing in Austria, was discontinued during the year. The business had about 70 employees and revenues in 2014 of about MSEK 255.

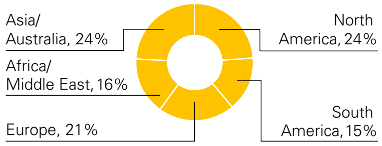
Revenues, profits and returns

Revenues increased 4% to MSEK 26 665 (25 718) with strong support from currency. This corresponds to 3% organic decline. Operating profit increased 16% to MSEK 4 993 (4 307), corresponding to a margin of 18.7% (16.7). The profit included restructuring and other items affecting comparability of MSEK –65 (–415) and the adjusted operating margin increased to 19.0% (18.4). The margin was supported by currency and revenue mix, but impacted negatively by lower volumes. Return on capital employed was 34% (29).

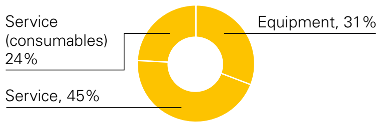
ORDERS RECEIVED BY CUSTOMER CATEGORY



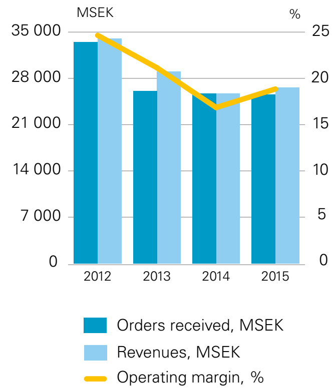
REVENUES BY REGION



SHARE OF REVENUES



ORDERS RECEIVED, REVENUES AND OPERATING MARGIN



INNOVATION

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

- A unique remote operator station that enables operators to do their job from a safe distance. The station can handle up to three surface drill rigs in parallel, which multiplies the operator efficiency.
- A range of drill bits with greatly increased service life. Depending on rock type, service life is up to 75% better than the competition.
- A surface drill rig for construction applications and small quarries. The rig meets the demands for speed and efficiency in drilling small and medium-sized holes and is equipped with a Tier 4 low emissions engine and a system that eliminates oil leakages.
- A low pressure rock drill for surface drilling applications. It is intended for customers whose top priority is to operate a reliable rock drill with consistent performance.
- An exploration drilling rig with an advanced control system that enables automatic functions such as drilling and rod handling. The automatic functions are not only increasing the safety for the operator, it also improves the working environment and increases the productivity.

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

REVENUES, MSEK
26 665
IN 2015

The market

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

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

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

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

Market trends

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

Demand drivers

Mining

- Investments in equipment
- Ore production

Civil engineering

- Infrastructure and public investments
- Non-building construction activity

Vision and strategy

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

The strategy is to grow by maintaining and reinforcing Atlas Copco's leading market position as a global supplier for rock excavation equipment and services; by developing its positions in drilling and loading equipment, exploration drilling, and related businesses; and by increasing revenues by offering more services to customers. Growth should be achieved in a way that is economically, environmentally and socially responsible.

Strategic activities

- Increase market coverage and improve presence in targeted markets/segments
- Develop new sustainable products and solutions offering improved productivity and safety in line with customer demand, e.g. computerized control systems, remote control and solutions for autonomous operations
- Invest in design, development and production capacity in growth markets
- Extend the product and service offering
- Perform more service on a higher share of the installed base of machines
- Develop the service business
- Improve agility in cost and working capital
- Invest in employees and competence development
- Acquire complementary businesses and integrate them successfully

Competition

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

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

Products and applications

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

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

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

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

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

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

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

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

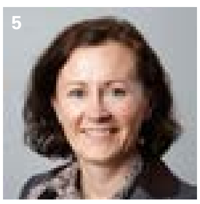
Surface drill rig developed and designed for high performance in demanding construction applications

Hydraulic rock drill optimized for efficiency and reliability in hard rock

Underground loader for mining applications

Underground production drill rig equipped with smart automation functions for higher equipment availability and enhanced overall productivity

BUSINESS AREA PRESIDENT
JOHAN HALLING



THE DIVISIONS
January 28, 2016

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

CONSTRUCTION TECHNIQUE

The demand for construction equipment decreased and order volumes were lower in all regions except in Europe. The service business remained robust and the specialty rental business continued to grow. The business area continued to make selective investments in market presence and product development, but also consolidated manufacturing and took efficiency measures to adapt the organization to the lower equipment demand.

KEY FIGURES, MSEK	*2015*	*2014*	*Change, %*
Orders received	15 166	14 847	+2
Revenues	15 300	14 739	+4
Operating profit	1 839	1 768	+4
Operating margin, %	12.0	12.0	
Return on capital employed, %	12	12	
Investments	555	939	
Average number of employees	5 579	5 780	

ABOUT THE IMAGE:
Atlas Copco's pioneering HardHat® celebrated 10 years. HardHat is a portable compressor with a canopy made in polyethylene (plastic). The canopy is resistant to corrosion, lightweight and crack-resistant and is ideal for construction and rental.

The year in review

Business development

The demand for construction equipment decreased in all regions except in Europe, with lower demand both compared to the previous year and during the year. Geographically, the orders increased in Europe, but decreased in all other regions with a weak development in Australia, South America and North America.

Orders received for construction tools, such as breakers and silenced demolition tools, was largely unchanged, supported by growth in North America and Europe.

The sales of road construction equipment also increased in North America and in Europe, and was somewhat higher in Asia. This, however, did not compensate for the weak development in other regions and the order intake decreased.

Orders for portable energy products, such as portable compressors, generators, pumps and lighting towers, decreased, and was affected by lower investments by rental companies. The order intake increased in Europe, but decreased in all other regions.

The service business remained robust with an unchanged volume. Growth was achieved in North America and in Europe. In Asia/Australia, however, the demand was softer, particularly in China, and orders received decreased.

The specialty rental business continued to develop well and orders received increased in nearly all markets.

Total orders received increased by 2%, but was supported by currency. Organically, order intake decreased 6% in total.

Market presence and organizational development

The business area continued to make selective investments in market presence and product development, but also took efficiency measures to adapt the organization to the lower equipment demand. It was also decided to create dedicated competence centers for the product portfolio, which resulted in the closure of two small manufacturing locations in the United States and Germany. These efficiency measures were implemented to strengthen the operations for the future.

Acquisitions

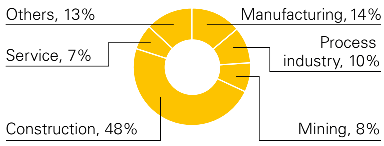
The business area made one acquisition in 2015 and one in January 2016:

- Mustang Services, a U.S. specialty dryer rental business with revenues of MSEK 45.
- In January 2016, Varisco, an Italian pump manufacturer, was acquired. The company had revenues of about MSEK 270 and 135 employees in 2014.

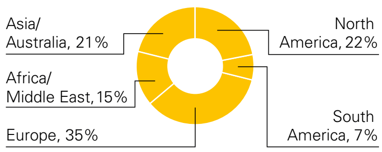
Revenues, profits and returns

Revenues increased 4% to MSEK 15 300 (14 739), supported by currency. Revenues declined 5% organically. Operating profit increased 4% to MSEK 1 839 (1 768), corresponding to a margin of 12.0% (12.0). The profit included items affecting comparability of MSEK –95 and the adjusted operating margin increased to 12.6%. The margin was supported by currency, but negatively impacted by lower volumes. Return on capital employed was 12% (12).

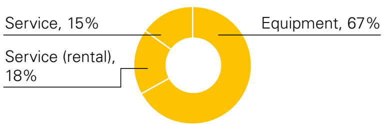
ORDERS RECEIVED BY CUSTOMER CATEGORY



REVENUES BY REGION



SHARE OF REVENUES



ORDERS RECEIVED, REVENUES AND OPERATING MARGIN

INNOVATION

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

- A redesigned range of petrol breakers with high impact energy. The breakers are shorter and lighter and have up to 10% less vibrations than earlier models. They can also run on cleaner alkylate petrol.
- An intelligent telematics system for road construction equipment. The system monitors the machine fleet and offers many possibilities to optimize fleet usage, reduces maintenance cost and saves time and money for the customers.
- A high pressure portable compressor for geothermal drilling applications. The new compressor offers faster drilling and improved fuel efficiency, it meets all the latest environmental standards, and is a low noise machine making it suitable for construction projects in urban and residential areas.
- The specialty rental fleet of portable 100% oil-free compressors was complemented with a new compressor. The engine conforms to the latest emission standards, which guarantees optimal fuel efficiency and offers full regulation compliance.

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

REVENUES, MSEK

15 300

IN 2015

The market

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

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

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

Market trends

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

Demand drivers

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

Vision and strategy

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

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

Strategic activities

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

Competition

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

MARKET POSITION

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

Products and applications

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

Portable compressors
Portable oil-injected compressors are primarily used in construction applications where the compressed air is used as a power source for equipment, such as pneumatic breakers and rock drills. Portable oil-free compressors are rented by customers to meet a temporary need for oil-free air, primarily in industrial applications.

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

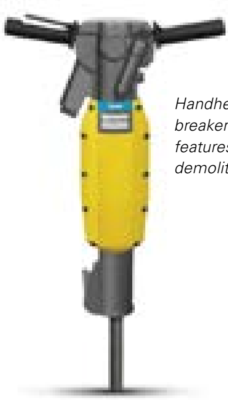
Generators
Portable generators fulfill a temporary need for electricity, primarily in construction applications. Other common generator applications are power supply for events, emergency power and power in remote locations.

Lighting towers
Light for safe operations 24/7.

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

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

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



Handheld pneumatic breaker with ergonomic features for high efficiency demolition work

Roller equipped with compaction analyzer and fuel savings features for efficient operations

Forward and reversible plate for efficient compaction

Portable air compressor that is easy to operate and has low cost of ownership delivers power to pneumatic tools and/or compressed air to other applications, such as sandblasting.

BUSINESS AREA PRESIDENT
ANDREW WALKER

THE DIVISIONS
January 28, 2016

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

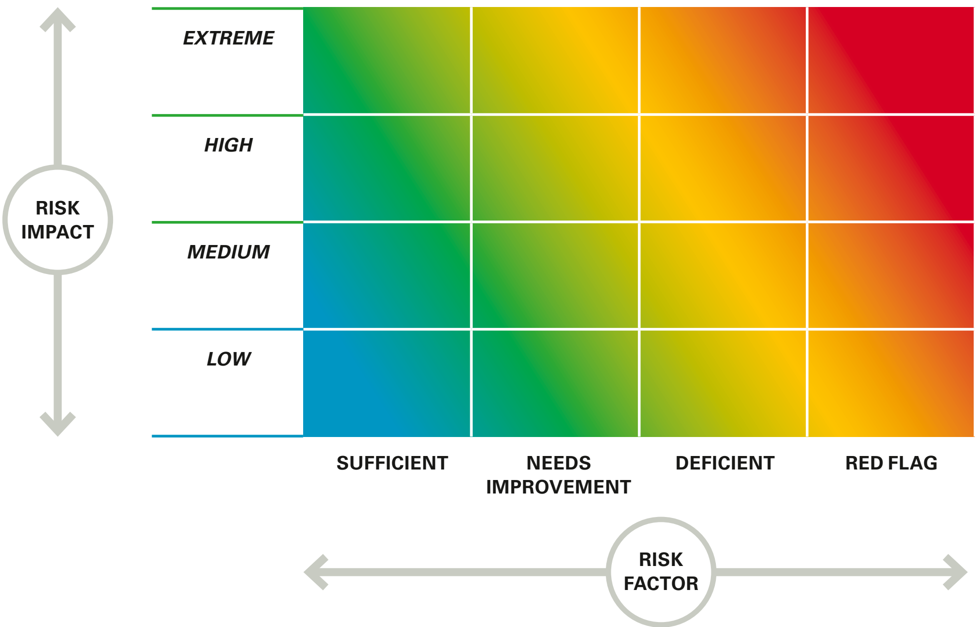
RISKS, RISK MANAGEMENT AND OPPORTUNITIES

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

RISK MAPPING

Risks raised by the divisions in risk mapping sessions are mapped in a Risk Matrix. Risks are quantified by means of risk impact and risk factor i.e. how well the risk is managed.

Risk impact is measured either by loss of life, monetary loss and/or loss of reputation on an impact scale from low to extreme.



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

The decentralized structure in Atlas Copco also regards risk management. The local companies are responsible for their own risk management, which is monitored and followed-up regularly at local business board meetings. This has created a strong risk management culture. Group functions for legal, insurance, treasury, tax, controlling and accounting provide policies, guidelines and instructions to support entities establish risk management. The implementation is regularly audited by internal and external audits.

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

The crisis management process is managed by the Insurance & Risk Management department and Corporate Communications. It is rolled out to all Atlas Copco entities.

Atlas Copco has developed its own enterprise risk management methodology to map Group risks. The methodology is applied on divisions, which is the highest operational level in the Group. Hereby risks are identified based on each divisional management team's knowledge of their own core business and area of responsibility. This hands-on approach is also in line with Atlas Copco's decentralized structure. The ownership of managing the risks raised in the risk mappings lies with each division, while the Insurance & Risk Management department manages the overall process and consolidates the results on Group level.

Presented on pages 37–39 are risks, risk mitigating factors and potential opportunities for each category of risk.

RISKS, RISK MANAGEMENT AND OPPORTUNITIES

RISK	CONTEXT	MITIGATING FACTORS	OPPORTUNITIES
MARKET RISKS	A widespread financial crisis and economic downturn would not only affect the Group negatively but it could also impact customers' ability to finance their investments. Changes in customers' production levels also have an effect on the Group's sales of spare parts, service and consumables. In developing markets, new smaller competitors continuously appear which may affect Atlas Copco negatively.	■ Well-diversified sales to customers in multiple countries and industries. Sales of spare parts and service are relatively stable in comparison to equipment sales. ■ Monthly follow up of market and sales development enables quick actions. ■ Flexible manufacturing setup makes it possible to quickly adapt to changes in equipment demand. ■ Leading position in most market segments provides economies of scale.	→ A significant competitive advantage as a result of a strong global presence, including growth markets. → Opportunities to positively impact both the society and environment, through the Group's high quality sustainable products and high ethical standards. → Continue to develop close, long-term and strategic relationships with customers and suppliers.
PRODUCT DEVELOPMENT RISKS	One of the challenges for Atlas Copco's long-term growth and profitability will be to continuously develop innovative, sustainable products that consume fewer resources over the entire life cycle. Atlas Copco's product offering is also affected by national and regional legislation, on issues such as emissions, noise, vibrations, and recycling. However, there may be increased risk of competition in emerging markets where low-cost products are not affected by such rules.	■ Continuous investments in research and development to develop products in line with customer demand and expectations, even during economic downturns. ■ Designing products with a life-cycle perspective and measurable efficiency targets for the main product categories for each Division. ■ Designing products with reduced emissions, vibrations or noise and increased recycling potential to meet legislative requirements.	→ Substantial opportunities to strengthen the competitive edge by innovating high quality, sustainable products and creating an integrated value proposition for customers.
PRODUCTION RISKS	Core component manufacturing is concentrated in a few locations and if there are interruptions or lack of capacity in these locations, this may have an effect on deliveries or on the quality of products. Production facilities could also have a risk of damaging the environment through operations, e.g. through hazardous waste and emissions. Atlas Copco is directly and indirectly exposed to raw material prices.	■ Manufacturing units continuously monitor the production process, test the safety and quality of the products, make risk assessments, and train employees. ■ Manufacturing units invest in modern equipment that can perform multiple operations. ■ Production units are subject to continuous risk management surveys to safeguard that they comply with the Atlas Copco loss prevention standard. ■ Ambition to certify all manufacturing units in accordance with the ISO 14001 standard.	→ Continued opportunities to extensively promote operational excellence to streamline production, minimize inefficiencies and maintain a high flexibility in the production process. → Cost increases for raw materials and components often coincide with strong end-customer demand and can partly be compensated by increased sales to mining customers and by increased market prices.
SUPPLY CHAIN RISKS	Atlas Copco and its business partners such as suppliers, sub-contractors and joint venture partners, must share the same values as expressed in Atlas Copco's Business Code of Practice, otherwise there is a risk of compromising the Group's reputation and brand. The availability of many components is dependent on suppliers and if they have interruptions or lack capacity, this may have an undesirable effect on deliveries. The use of many suppliers gives rise to the risk that products contain components which are not sustainably produced, e.g. that electronic components contain conflict minerals (whose trade or taxation fund armed groups in conflict areas such as the Democratic Republic of Congo).	■ Select and evaluate business partners on the basis of objective factors including quality, delivery, price, and reliability, as well as commitment to environmental and social performance. ■ Continue the process to investigate and eradicate the presence of conflict minerals in its value chain. ■ Establishment of a global network of sub-suppliers, to prevent supplier dependency. ■ Business partners sign a compliance letter to the Business Code of Practice. ■ E-learning for business partners developed to raise awareness of the Business Code of Practice.	→ Further increase business agility and reduce costs by improving supplier inventory management in response to changes in demand. → Continue to be a preferred business partner and promote efficiency, sustainability and safety. Good supplier relations help to improve Atlas Copco's competitive position. → Opportunity to strengthen customer relationships by being ready to support customers who are impacted by the Dodd Frank legislation on conflict minerals. → Promote human rights and work towards improving labor conditions, reducing corruption and conflicts.
DISTRIBUTION RISKS	Atlas Copco primarily distributes products and services directly to the end customer. If the distribution is not efficient, it may impact customer satisfaction, sales and profits. Damages and losses during the course of distribution can be costly. Some sales are made indirect through distributors and rental companies and their performance can have a negative effect on sales. The distribution of products can result in increased CO_2 emissions from transport.	■ Physical distribution of products is concentrated to a number of distribution centers and the delivery efficiency of these is continuously monitored. ■ Resources are allocated to training and development of the service organization. ■ As indirect sales are local/regional, the negative impact of poor performance is limited. ■ Increased focus on safer and more effective transports to reduce losses, costs and the total emissions per transport.	→ Continue to strengthen the relationship with customers through timely deliveries of products and services. → Transport efficiencies and safe transports can save the customer time and cost while reducing the environmental impact of their own operations. → Reduce fuel costs and resource requirements which improves business agility for the Group.
RISKS WITH ACQUISITIONS AND DIVESTMENTS	The integration of acquired businesses is a cumbersome process and it is not certain that it will be successful. Synergies can take longer than foreseen to materialize. Annual impairment tests are made on acquired goodwill. If goodwill is not deemed justified in such tests it can result in a write-down, affecting the Group's result. Acquisitions and divestments can impact local communities and/or the environment, directly or indirectly.	■ The Group has established an Acquisitions Process Council which provides training and supports all business units prior to, during and post an acquisition. ■ Atlas Copco guidelines and policies are applied to assess and manage the environmental and social impact of operations in the affected communities after an acquisition is complete. ■ Human rights and environmental considerations are integrated when acquisitions and divestments are made.	→ Acquisitions give possibility to enter new markets, market segments, new technologies, new clients, increase in revenues, etc. → Identifying the obstacles to integration can allow Atlas Copco to improve the process through methods such as job rotation, training or team building exercises. This would not only result in a smoother integration process but also lower operational costs by decreasing downtime and allowing newly acquired companies to become productive and efficient more rapidly.

RISKS, RISK MANAGEMENT AND OPPORTUNITIES

RISK	CONTEXT	MITIGATING FACTORS	OPPORTUNITIES
FINANCIAL RISKS	Changes in exchange rates can adversely affect Group earnings when revenues from sales and costs for production and sourcing are denominated in different currencies (transaction risks). An adverse effect on Group earnings can also occur when earnings of foreign subsidiaries are translated into SEK and on the value of the Group equity when the net assets of foreign subsidiaries are translated into SEK (translation risks). Atlas Copco's net interest cost is affected by changes in market interest rates. Atlas Copco is exposed to the risk of non-payment by any of its extensive number of end customers to whom sales are made on credit.	■ A Financial Risk Management Committee meets regularly to manage financial risks. ■ Atlas Copco Financial Solutions is responsible for these risks and also supports Group companies to implement financial policies and guidelines. ■ The Group's operations continuously monitor and adjust sales prices and costs to limit the transaction risk. These measures can be complemented with hedging. ■ Translation risks are partially hedged by borrowings in foreign currency and financial derivatives. ■ Stringent credit policies are applied and there is no major concentration of credit risk. The provision for bad debt is based on historical loss levels and is deemed sufficient. In the case of Atlas Copco Financial Solutions, an in-house financing operations, risks are mitigated by retaining security in the equipment until full payment is received, by purchasing credit risk insurance and/or by transferring the risk to a third party.	→ Working proactively with financial risks improves the profit margin and also creates possibilities for more stable cash flow. Overall, financial risk mitigation has the ability to improve business resilience for Atlas Copco. → Atlas Copco Financial Solutions can improve customer relations and attract more customers.
RISKS TO REPUTATION	The Group's reputation is a valuable asset which can be affected in part through the operation or actions of the Group and in part through the actions of external stakeholders. Products must deliver the brand promise and be of high quality, safe and have a low negative impact on the environment when used by the customer. There is potential for reputational risk from non-compliance to product labeling standards or if there are cases of false advertising. Unsatisfied employees may also potentially detract the Atlas Copco brand.	■ All Atlas Copco products are tested and also quality assured. Monitoring of product labeling and regular communications training. ■ The Group actively engages in stakeholder dialogue. ■ Training in the Business Code of Practice includes the yearly signing of a Compliance Statement. ■ Clear well-known brand promise. ■ A comprehensive employee survey is carried out every two years and followed up actively.	→ Brand positioning. → Stakeholder engagement cannot only mitigate reputational risks in certain cases but it also presents opportunities to increase the awareness and credibility of Atlas Copco's brand through improvements and innovations. → Delivering tested and quality assured products improve customer satisfaction and promote repeat business. → Attract and develop employees that adhere to the Business Code of Practice.
REPORTING RISKS, 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. Taxes is an area with increased focus, especially transfer price risks but also new tax rules and regulations. Estimations often form a large portion of the sustainability data which is reported, and thus by its nature the numbers presented may not be precise representations of the Group's impact.	■ Atlas Copco subsidiaries report their financial statements regularly in accordance with International Financial Reporting Standards (IFRS). The Group's consolidated financial statements, based on those reports, are prepared in accordance with IFRS and applicable parts of the Annual Accounts Act as stated in RFR 1 "Supplementary Rules for Groups". ■ The Group has procedures in place to ensure compliance with Group instructions, standards, laws and regulations, for example internal and external audits. ■ Group Tax is present globally to monitor and comply with local tax rules. Transfer price policy and agreements are implemented in operations and regularly reviewed. ■ Tax is regularly monitored and reported to the Board and Group Management. ■ Atlas Copco reports sustainability information according to G4 and works with training to improve reporting practices.	→ Integrated reporting identifies and encourages opportunities for business synergies. → Addressing reporting risks increases transparency and improves the potential to represent the business fairly and accurately. → Improved reporting also directly results in improved risk management, especially when the data has been integrated to highlight interdependencies. → Increased reporting requirements on taxes will increase transparency on taxes, which is of stakeholder interest.
RISKS OF CORRUPTION AND FRAUD	Corruption and bribery exist in many markets where Atlas Copco conducts business. Fraud is wrongful or criminal deception intended to result in financial or personal gain, which is always present where there are persons with bad intentions.	■ Zero tolerance policy on bribery and corruption, including facilitation payments. ■ Internal control routines in place aimed at preventing and detecting deviations. The Internal Audit function is established to ensure compliance with the Group's corporate governance, internal control and risk management policies. ■ Control Self Assessment tool to analyze internal control processes. ■ Training in the Business Code of Practice, including fraud awareness and workshops. ■ The global Group hotline to report violations confidentially and with no penalties for reporting. ■ The Group supports fair competition and forbids discussions or agreements with competitors concerning pricing or market sharing.	→ By fighting against corruption and fraud, Atlas Copco has the opportunity to work with its industry peers to reshape international market practices. Refusing to pay bribes may cause temporary delays and setbacks; however it reduces costs in both the long and short run, builds opportunities to improve operational efficiencies and creates more stability in the society and in markets where the Group operates. → Working against corruption and fraud improves Atlas Copco's credibility and transparency and creates even more avenues to improve stakeholder relations.
LEGAL RISKS AND COMPLIANCE	Atlas Copco's business operations are affected by numerous laws and regulations as well as commercial and financial agreements with customers, suppliers, and other counterparties, and by licenses, patents and other intangible property rights.	■ In-house lawyers present on five continents supporting entities to comply with laws and regulations. ■ A yearly legal-risk survey of all companies within the Group is performed in addition to a continuous follow-up of the legal risk exposure. The result of the legal-risk survey is compiled, analyzed, and reported to the Board and the auditors. ■ A dedicated compliance function.	→ Complying with legal norms and laws minimizes costs and increases opportunities to strengthen Atlas Copco's reputation. It also creates the chance to develop reliable partnerships and improve business stability.

RISKS, RISK MANAGEMENT AND OPPORTUNITIES

RISK	CONTEXT	MITIGATING FACTORS	OPPORTUNITIES
INSURABLE RISKS	Insurable risks involve the Group's assets and interests e.g. property damage, business interruption, transport insurance, general and product liability and travel insurance.	■ The Group Insurance Program is provided by the in-house insurance company Industria Insurance Company Ltd. which retains part of the risk exposure. ■ Insurance capacity is also purchased from leading insurers and reinsurers by way of using international insurance brokers. ■ Claims management services are purchased on a global basis from leading providers. ■ Insurance policies are issued on a local basis to ensure compliance with local insurance laws whereas required. ■ As part of the insurance program, numerous risk surveys based on Atlas Copco loss prevention standard are performed on an annual basis.	→ By way of control and conformity in terms of risk management, the probability of events that can cause material damage and severely impact the business operation of the Atlas Copco Group is reduced and business can proceed without disruption. → The use of an insurance company owned by Atlas Copco enables a strict control over all insurable interests and liabilities. It also enables a close follow up of each individual insurance claim impacting the Group, which can help to eliminate or reduce future claims. → Tailor-made insurance solutions.
SAFETY AND HEALTH RISKS	Issues with wellness and sick leave can impact the productivity and efficiency of the operations. Accidents or incidents at the workplace due to lack of proper safety measures can negatively affect productivity and the Atlas Copco employer brand. Atlas Copco recognizes the risk that serious diseases and pandemics can interrupt business operations and harm employees.	■ The Group regularly assesses and manages safety and health risks in operations. ■ The ambition is to certify all major units in accordance with the OHSAS 18001 standard. ■ Workplace wellness programs to reduce the impact of pandemic HIV/AIDS are in place in Sub-Saharan Africa. ■ Atlas Copco's business partners are trained in the Group's policies including the approach to health and safety.	→ Improved safety and health in operations increases both employee productivity and morale. → The Atlas Copco is strengthened through safe products. The Group continues to be seen as industry leader. → Improving working conditions for customers and suppliers can create long lasting relationships and repeat orders.
ENVIRONMENTAL RISKS (EXTERNAL)	The primary drivers for external environmental risk are from physical changes in climate and natural resources, changes in regulations, taxes and resource prices. Increased fuel/energy taxes can increase operational costs. Regulations and requirements related to carbon dioxide emissions from products and industrial processes are gradually increasing. Changes in mean precipitation can affect all of Atlas Copco's operations and negatively affect operations either directly or by disrupting the supply chain.	■ Atlas Copco consistently develops products with improved energy efficiency and reduced emissions. ■ In its own operations, Atlas Copco has several key performance indicators (KPIs) that address resource and energy usage in order to minimize the costs and impact on the environment. ■ All cooling agents used in Atlas Copco products have a zero ozone-depleting impact during the product's lifecycle, and the aim is to continue to introduce cooling agents with lower Global Warming Potential (GWP).	→ Working proactively with environmental risks can provide significant opportunities to drive innovation at Atlas Copco. → Given that many customers are operating in areas of extreme water stress or scarcity, water efficient or water recycling products can have a strong customer appeal. Thus, this presents a strong business opportunity to extend Atlas Copco's innovations to the focused area of water consumption. → Climate change impacts and predictions can induce changes in consumer's habits and behavior. As a result of climate events Atlas Copco's customers can become more risk averse and demand sustainable products from the Group.
HUMAN RIGHTS RISKS (ESG note 8)	Atlas Copco operates in countries where the risk according to Amnesty International is high of human rights abuse, including child labor, forced or compulsory labor. Atlas Copco encounters customers, for instance in the mining industry, who are exposed to problems concerning environmental and human rights issues. Risks to the Group's reputation may also arise from the relationship with suppliers not complying with internationally accepted ethical, social, and environmental standards.	■ Guidance and regular interaction to identify risks with well-established non-governmental organizations. ■ Policies and procedures to match the standards in the UN Guiding Principles for Business and Human rights, which Atlas Copco has committed to since 2011. ■ Due diligence process and the integration of internal controls for human rights violations in all processes. ■ The Group customer sustainability assessment tool is used. ■ Supplier evaluations are regularly conducted in accordance with the UN Global Compact.	→ Following the UN Guiding Principles for Business and Human Rights to "do no harm" significantly reduces risks and costs; however a business' ability to "do good" according to these guidelines also creates business opportunities. For example: continuing to develop a diverse workforce can significantly increase Atlas Copco's competitive edge and also increase the knowledge and capacity to tailor products to the customer's needs. → Working with human rights positively impacts both the employer brand and investor relations. → Strong business ethics promote internal stability while also creating a more stable market place.
EMPLOYEE RISKS	Atlas Copco must have access to skilled and motivated employees and safeguard the availability of competent managers to achieve established strategic and operational objectives.	■ The Competence mapping and plan secures access to people with the right expertise at the right time. Recruitment can take place both externally and internally, Internal recruitment and job rotation are facilitated by the "Internal job market". ■ Salaries and other conditions are adapted to the market and linked to business priorities. Atlas Copco strives to maintain good relationships with unions.	→ Motivated and skilled employees and managers are crucial to achieve or exceed business goals and objectives.
INFORMATION TECHNOLOGY (IT) RISKS	The Group relies on IT systems in its day-to-day operations. Disruptions or faults in critical systems have a direct impact on production. Errors in the handling of financial systems can affect the company's reporting of results. Cyber security risks are increasing in importance and can have a major impact on Atlas Copco operations.	■ Atlas Copco has a global IT security policy, including quality assurance procedures that govern IT operations. Information security is monitored through continuous reviews, IT Security audits. Standardized processes are in place for the implementation of new systems, changes to existing systems and daily operations. ■ The system landscape is based on well-proven products. ■ Cyber security is regularly discussed and addressed by the IT Security function. Awareness of cyber security risks increases the readiness to quickly address any attacks.	→ Stable IT systems, secure IT environment and standardized processes increase efficiencies and reduce costs. → Quick action to address a cyber attack gives opportunity to stable work environment and business continuity.

INNOVATION

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

ABOUT THE IMAGE:
An advanced, light and compact electric screwdriver with controller for high quality and high productivity assembly in the electronics industry.

Optimizing customers' productivity

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

Atlas Copco has strong relationships with customers that have leading positions in their industries. Our challenge is to continue to meet the customers' need for equipment and service that increase their productivity and, at the same time, are sustainable, that is energy efficient, safe and ergonomic.

Enhancing productivity has always been a key priority. These days, however, energy is top of mind amid concerns about its price, the impact of its emissions and the geopolitical tensions involved in producing it. Energy efficiency is one of the four focus areas of Atlas Copco's product and service development, along with productivity, safety and ergonomics. Other trends such as increased digitalization and technology development can also be harnessed to transform the efficiency of industrial processes. In 2015, Atlas Copco divisions began the work to design key performance indicators (KPIs) for innovation to tackle all of the productivity challenges faced by our global customer base.

Products designed for energy efficiency

Atlas Copco supports the United Nations' Sustainable Development Goals to ensure sustainable industrialization to build resilient infrastructure by fostering innovation with a lifecycle approach.

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

Strong service offerings and smart product design can minimize waste and maximize the value of the customer's investments. Products such as stationary compressors, drill rigs, hydraulic breakers and industrial tools are designed so that they can be returned, refurbished and resold as used equipment. Used equipment meets the same high standards as when it was new in terms of quality, performance and energy efficiency.

Collaborating for digital innovations

Advanced technologies are required to meet our customers' rising demands, and society requires environmentally sound and labor-friendly solutions. The number of people employed in research and development represented 7.2% (7.1) of Atlas Copco's total workforce in 2015. Atlas Copco continued to invest in product development, particularly in areas related to productivity and energy efficiency. The amount invested, including capitalized expenditures, increased by 9% to MSEK 3 253 (2 991) corresponding to 3.2% (3.2) of revenues and 3.9% (3.9) of operating expenses.

Collaborations in research and development are more important than ever. In 2015, Atlas Copco, together with key mining customers, and the European Institute of Innovation and Technology (EIT), an agency of the European Union, helped build a consortium now consisting of 116 partners. In a parallel European collaboration, Atlas Copco's President and CEO Ronnie Leten is a member of the European Innovation Partnership on Raw Materials, together with other company executives, governmental ministers and EU commissioners. Topics discussed include how to improve the research and innovation climate in Europe, extract raw materials in new innovative ways, and how to best recycle raw materials from products, buildings and infrastructure.

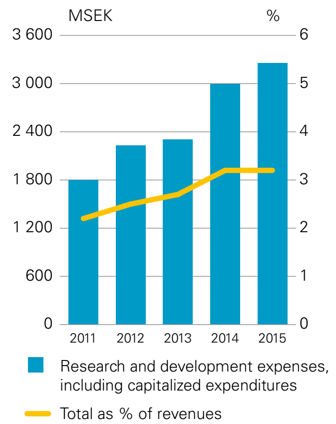
Software developments are a high priority for the Group. Atlas Copco Smartlink is a compressor-monitoring program that offers customers complete oversight of their compressed air production. With the spread of the Industrial Internet, these compressors are able to self-diagnose and report problems, even in remote or deep underground operations.

The Mining and Rock Excavation business area focuses on the functions of the machine, the operator environment and the collection and integration of data. Innovations include a new remote operator station designed for bench drilling. The system can be used for three rigs in parallel by an operator at a safe distance of 100 meters from the drilling area and 30 meters above the rig.

The Industrial Technique business area uses software to provide remote diagnostics services, and overall assembly systems will include a number of virtual stations in the future. In 2015, a system was launched that applies adhesive/sealant on a surface while the system camera takes photos, allowing vehicle manufacturers to meet the strictest quality standards, without sacrificing productivity.

Construction Technique introduced a digital generator management solution in order to simplify the service and operation of large generators. This enables Atlas Copco to provide the same capacity with a fleet of smaller, cheaper and lighter machines that offer customers additional benefits, including improved fuel efficiency and a longer equipment lifetime.

RESEARCH AND DEVELOPMENT EXPENDITURES



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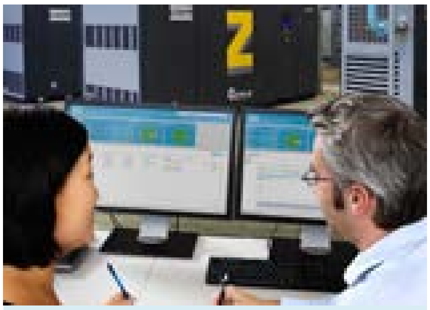
NUMBER OF EMPLOYEES IN R&D

INNOVATING FOR SUSTAINABLE PRODUCTIVITY LETS OUR BUSINESS STAND THE TEST OF TIME

Developing innovative products and services with a lifecycle perspective were mapped as the highest priority by all of Atlas Copco's stakeholders. In 2015, all of Atlas Copco's divisions formulated key performance indicators that would help them innovate across the value chain. The indicators capture the opportunities and meet the challenges of the future. Here are some examples of how the business aims to capture the biggest trends to keep the Group growing sustainably and profitably.

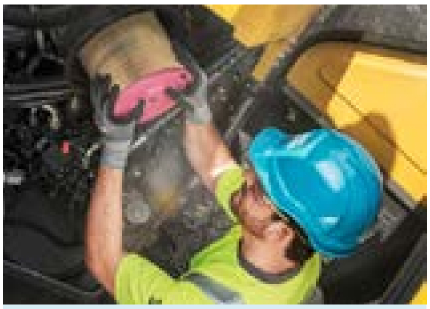
SERVICE INNOVATION	• Decrease the percentage of travel hours/working hours, to promote operational excellence while minimizing environmental impact • Growth of Atlas Copco's software business • Increase on-time delivery
RE-ENGINEERING THE VALUE CHAIN	• Transition to lower emission (CO_2 and NO_X) units by changing purchasing • Innovate logistics to reduce the percentage of transport by air, by shifting mode to sea transport
EMPOWERING INNOVATION IN THE WORKPLACE	• Incentivizing innovation and collaboration in the organization • Reducing the lead time from ideas to innovation in the market • Increase workforce diversity
SUSTAINABLE PRODUCT INNOVATIONS	• Vitality index of energy-efficient products • Increase the share of electric units in the total rental fleet • Increase patent filings for advanced Atlas Copco technology • Special energy requirements
DIGITALIZATION AND CONNECTIVITY	• Increased satellite monitoring to optimize machine performance • Automate and digitalize workflows entirely, moving into paperless operations
CUSTOMER PRODUCTIVITY	• Lower the total cost of ownership for customers • Increase market share and organic growth • Incentivize the growth of energy-efficient products

THE DRIVING FORCES FOR NEW PRODUCT DEVELOPMENTS



NEW TECHNOLOGY e.g. Internet of things, machine connectivity and disruptive innovations

SUSTAINABLE DEVELOPMENT GOALS for economic growth, sustainable industrialization and shift to modern energy



CUSTOMERS' DEMANDS AND REQUESTS e.g. for productivity, energy efficiency, quality, safety and ergonomics

LAWS AND POLICIES on emissions, energy efficiency, raw materials, safety, taxes, hazardous chemicals, conflict minerals etc.

CLIMATE PLEDGES and governmental action plans post COP 21, to decouple economic growth from emissions

INNOVATIONS WITH A LIFECYCLE PERSPECTIVE

RESPONSIBLE SOURCING
Example: 70% less paint

1. SUPPLY CHAIN INNOVATIONS

In Atlas Copco products, 75% of the total product cost comes from purchased parts and materials. Therefore, actions taken by Atlas Copco's procurement department can have a significant impact on both business and society.

The Oil-Free Air division has a large customer base in the United States who need high-purity, compressed air for their manufacturing processes. A change in certification standards in the United States triggered the division to rethink its supply chain and innovate its installed coating processes. Using a method that is widely spread in the automotive industry, Atlas Copco went from a previously manual process that took fourteen days, to a high-precision, automated process that has a lead time of just eight hours. Lab tests showed that this electrophoretic painting process (E-Coating), can be applied to standardize the approach for 90% of the casted parts in our oil-free air compressors, ensuring the highest levels of quality for all types of applications.

Without this innovative approach, the division would have to either face a business interruption or risk cost increases of up to 5%. Reducing eleven coating processes to just three, amounts to a cost saving of about MSEK 5 (MEUR 0.5) with a return of investment that is less than one year. The process also uses 70% less paint, which significantly reduces the usage of hazardous chemicals and waste.

SUSTAINABLE MANUFACTURING
Example:
Recyclable materials

2. ECO DESIGN FOR OUR MANUFACTURING

Atlas Copco's design engineers integrate environmental reviews in the development process of all products. Eco design focuses on the environmental impact across the entire product life cycle. For Industrial Technique, the focus areas include: eliminating hazardous substances, choosing the right mix of materials and modular design for durable, recyclable materials that reduce the product's weight and delivering energy-efficiency during the use phase.

The MVI Tools and Assembly Systems division has integrated the eco design approach into its research and development KPIs for 2016. Training and workshops have been rolled out in customer centers and product companies in Europe and China. The division has started working with eco design achievement templates, which can be integrated into marketing material and raise environmental awareness for customers. For example, the Power Focus 6000 controller for electric assembly tools complies fully with REACH and RoHS and is designed in a modular way so that it can be easily dismantled for recycling. Atlas Copco also includes recycling instructions in the product information to the customer. The controller is also 6% more energy efficient than its predecessor in standby mode (ESG note 9). Multiple battery tools can be connected to the controller which also reduces energy consumption.

EFFICIENT TRANSPORT
Example:
Increasing sea transport

3. RETHINKING THE LOGISTICS

Atlas Copco's service divisions account for more than 35% of the total CO_2 emissions from transport. They play a very important role in strengthening customer relations and improving Atlas Copco's resilience. Mining and Rock Excavation Technique products experience extreme wear and tear along while working on hard rock. Atlas Copco parts such as the smarter, long-lasting Ground Engaging Tool (GET) bucket for scooptrams extended service life by 30–40% in tests. Logistics planning and operational excellence is essential to ensure that high quality parts and services can reach all customers, around the clock. Keeping the environmental impact low from transport at the same time requires innovative thinking and effective planning.

The Mining and Rock Excavation Technique Service division has taken on this challenge and designed an innovation KPI to minimize CO_2 emissions from logistics and transport across distribution centers located in China, Sweden and the United States. The KPI tracks transport modes, with the ambition to reduce air transport while increasing sea transport in 2016. The division will need to innovate logistics solutions that will keep the environmental footprint small while still meeting customers' expectations for timely deliveries or emergency repairs.

ENERGY EFFICIENCY
Example:
High productivity construction tools

4. INNOVATING FOR OUR CUSTOMERS

The Construction Tools division introduced two groundbreaking innovations that doubled their sales to the market in 2015. The new rammers LT 5005 and LT 6005, which make life easier for construction companies, doubled Atlas Copco rammer sales in the months directly after introduction. In 2015, the rammer sales in North America grew by 41%. This innovative rammer, which won the 2015 iF Product Design Award and the Grand Award of Design in the Public's Favorite category, is lighter, more compact and has a perfect balance. This makes it easier to handle in narrow places such as close to walls and in trenches. It is also 25% more energy efficient than the previous model.

The Construction Tools division also introduced the HRD100, the industry's first-ever electro hydraulic hand-held rock drill developed in collaborations with customers in South Africa. It will boost productivity especially for gold mining companies, where the gold vein that runs through the rock typically is pretty narrow. Its great advantage over competing products is its productivity, especially compared to pneumatic drills. The drill was developed for ultra-deep mining, and in this environment the drill is up to ten times more efficient than other fixed installations (ESG note 9).

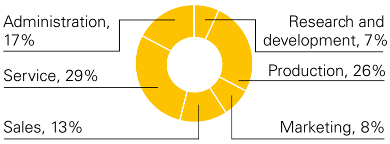
EMPLOYEES

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

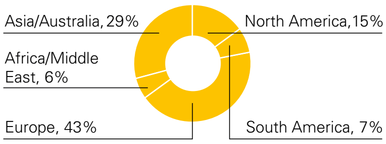
Attract and develop employees

Atlas Copco's people management strategy is to attract and develop qualified and motivated employees. The managers are expected to take responsibility for developing their employees, their organizations and themselves.

PROFESSIONAL CATEGORY SPREAD OF EMPLOYEES



GEOGRAPHICAL SPREAD OF EMPLOYEES



NUMBER OF EMPLOYEES

43 114

DECEMBER 31, 2015

A fair and diverse workplace

Atlas Copco's priorities for sustainable, profitable growth include the ambition to recruit a workforce that reflects the diversity found in society. In 2015, many of Atlas Copco's employer branding activities focused on empowering talent acquisition while strengthening the labor standards in society. For example, Atlas Copco United Kingdom participated in Career Transition Partnership fairs, which focus on finding suitable occupations for ex-military personnel, a demographic that often struggles with employment after coming out of the forces. Atlas Copco also launched an e-library with free student literature on engineering, IT and business. In 2015, the materials were downloaded by more than 20 000 students worldwide, and helped Atlas Copco strengthen its global employer brand while supporting the right to education.

The Group is committed to promoting equal opportunity in its hiring and promotion processes. The proportion of female recent graduates recruited during the year among white-collar workers rose to 39% (31).

A wide range of efforts to recruit diversity are in place globally, such as ensuring job ads are not subject to gender specifications. The Underground Rock Excavation division has included diversity targets as a part of their innovation KPIs, in order to build the most competent teams to address the full range of business needs.

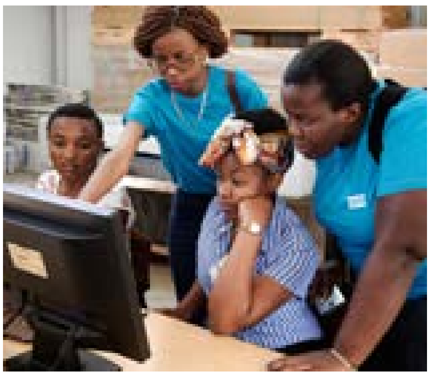
Local activities were planned to support divisional targets on diversity. Atlas Copco Turkey held events and workshops in collaboration with the Professional Women's Network, in order to encourage and guide women into leadership roles. Atlas Copco companies establish local diversity policies and guidelines in alignment with Group policy, local laws and regulations, and local ambitions.

When it comes to leadership, Atlas Copco strives to strike a balance between developing the local workforce while also offering international opportunities through internal mobility. Therefore, managers whose nationality differ from the country where they are stationed, focus on developing local leaders while gaining international professional experience which equips them for even more challenging positions within the Group. Overall, Atlas Copco has managers on international assignments coming from 54 countries and working in 58. In 2015, a total of 63% (62) of all senior managers were locally employed. 51 nationalities are represented among the 409 most senior managers worldwide. The share of Swedish managers on international assignments has decreased from 23% in 2001 to 10% in 2015.

Growing and mobilizing talent globally

Atlas Copco strives to encourage mobility, across geographical, organizational and cultural boundaries. This is important for developing competence, but also for successful integration of newly acquired companies. Experienced senior managers lead the integration process and make it possible to establish the Group's Business Code of Practice, values and vision in an efficient and pragmatic manner. In 2015, the average number of training hours per employee was 39 (41) hours and 84% (82) of employees had an appraisal. In 2015, 55% (53) of the white-collar employees had a university degree.

In 2015, women represented 17.5% (17.1) of Atlas Copco's workforce. The share of women in managerial positions was 17.0% (16.6).



In 2015, Atlas Copco Tanzania partnered with the non-profit organization Help-to-Help, to carry out an IT boot camp for female students and fresh graduates. The focus of the workshops was to provide these young women with the computer skills and training that would increase their employability and prepare them for the job market.

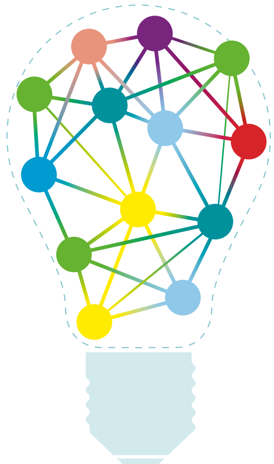
MAKING DIVERSITY HAPPEN

Equality, fairness, and diversity are fundamental pillars of Atlas Copco's people management process. Sharing best practices, workshops, awareness training and other activities will continue to spread the awareness of the importance of diversity within the Group.

A diversified workforce is the cornerstone of any good business, and diverse perspectives and experiences help build the competence of a team.

The Group has a long-term ambition to develop local leaders, and mainly recruits managers and employees from local communities where it operates. The internal job market encourages internal mobility of international talent. Atlas Copco's leadership training focuses on building skills and business networks, while sharing knowledge across the Group. As a decentralized company, the divisions take the lead by establishing local diversity policies and guidelines aligned with local laws and regulations.

To have a successful dynamic workplace with high competence, the Group must reach out and attract the full talent pool. Atlas Copco's network for professional women, the Pleiades, offers successful, skilled, committed and highly motivated women access to interaction across functional, divisional and geographic boundaries.



Developing a leadership pipeline

In order to retain the competence, the Group has an ambition to recruit 85% of managers internally, and the outcome in 2015 was 88%. One of the key success factors to retaining talent while still growing competence and encouraging mobility, is the internal job market, which was created in 1992. In 2015, 3 991 positions were advertised, of which 357 were international. In 2015, the total internal mobility among employees reduced slightly to 6.7% (7.2), primarily due to a dip in numbers from the blue-collar workers. Overall external recruitment decreased somewhat to 8.6% (9.9), excluding acquisitions.

Safety and health enhance productivity

Atlas Copco has a global Safety, Health and Environmental (SHE) policy to ensure that workplaces have robust standards for safety, health and ergonomics. In terms of the workforce profile, 42% of Atlas Copco's employees were dedicated to manufacturing world-class products for its customers or delivering high-quality service and sales offerings. The major focus has been to promote the behavioral changes that are necessary to create a safety culture in the workplace. There were no fatalities reported in 2015. New safety concepts that emphasize road safety and defensive driving behavior were rolled out in 2015. The number of accidents per million working hours for Atlas Copco employees reduced to 3.7 (4.7) (ESG note 4). Atlas Copco has begun to report on accidents and incidents in the additional workforce as well. Compared to the previous year, this group showed a significant reduction to 3.3 (6.5) accidents per million working hours. The number of incidents per million working hours reduced for Atlas Copco employees, but it increased in the additional workforce. This will be an area for improvement in the coming year.

In 2015, sick leave stayed at 1.9% (1.9) which is below the accepted level of 2.5%.

THE ATLAS COPCO SAFETY DAY

The safety and well-being of Atlas Copco's workforce and customers is an absolute priority. The Atlas Copco Safety Day was held on April 28 to emphasize work safety and reinforce the Group's safety culture.

The programs are based on local situations and specific business needs. Road safety is a priority to the Group which many countries included in their program as well as first aid, ergonomics and fire safety.

WE INVEST IN SAFETY AND WELL-BEING

3.7
ACCIDENTS PER MILLION WORKING HOURS
2014: 4.7

1.9%
SICK LEAVE
2014: 1.9%

17
INCIDENTS PER MILLION WORKING HOURS
2014: 21

0
FATALITIES
2014: 1

SPEEDING UP TIME TO COMPETENCE

Speeding up the transformation of training and knowledge into performance is one of Atlas Copco's priorities when it comes to building competent teams. The Group's concept Time to Competence drives the rapid and efficient uptake of core, functional and product specific competencies and skills.

In 2015, the Compressor Technique Service division geared up their efforts and launched the Compressor Technique Service Academy – a central system managing all the division's learning activities for all its employees. The Compressor Technique Service Academy provides the division's service technicians with the knowledge and skills to execute service activities on equipment in an efficient way. It also provides learning resources that develop the skills of service sales people to sell the value of the division's service products to customers.

The employees' knowledge is measured objectively by the system and learning activities are matched with individual knowledge and needs. The organization benefits from a tool that better matches the right service technician with specific service jobs and improves the division's capacity planning.

WE BUILD THE MOST COMPETENT TEAMS

84%
EMPLOYEES WITH YEARLY APPRAISAL
2014: 82%

5.8%
TURNOVER, VOLUNTARY LEAVE
2014: 6.3%

17.0%
FEMALE MANAGERS
2014: 16.6%

13.6%
RECENT GRADUATES OF WHITE COLLAR RECRUITMENT
2014: 10.7%

Committed to high labor standards

As a voluntary member of the UN Global Compact since 2008, Atlas Copco ensures that advised labor practices such as the right to collective bargaining are included in the Business Code of Practice, which is updated regularly. The Group views trade unions and employee representatives as a necessary and valuable support system for its people, and fosters relationships based on mutual respect and constructive dialogue. In 2015, 38% of all employees were covered by collective bargaining agreements, and it is estimated that several hundred local consultations/negotiations took place with unions regarding working conditions and organizational changes. As a decentralized organization, this engagement and constructive dialogue with labor unions takes place at a local level. In countries where no independent labor union may exist, Atlas Copco has taken measures to establish forums for employer/employee relations, for example in China, through environment and safety committees. A non-discrimination policy covers all employees and the Business Code of Practice also covers employee rights. For full disclosure on wages and employee benefits, see Note 5.

EMPOWERING INNOVATION IN THE WORKPLACE

Atlas Copco's innovative technology, products and expertise deliver value for our business and society, and people are an important pillar for the Group's strategy. Guided by the priorities for sustainable profitable growth, Atlas Copco developed key performance indicators to link our talent pool's competence to maximizing our potential to innovate.

The Rocktec division develops and manufactures rock drills and components, and provides services exclusively for the Mining and Rock Excavation business area. One of the innovation KPIs focuses on incentivizing innovative thinking and empowering the organization to create continuous improvement. Rocktec achieves this by providing employees the best tools and freedom to use them, and collaborating within the Group to align and enable rapid creation of high-performing products and solutions. This supports Rocktec's ambition to be industry leaders and provide advancing technology to customers, and provide technical support and application expertise for the products they create.

This KPI is embedded in the division's incentive model, along with KPIs for profitability, and Safety, Health, Environment and Quality (SHEQ).

In another example, the Gas and Process division's innovation KPIs include a target to reduce the lead time to transform innovative ideas into actual sales. This will require strong coordination, competence development and processes to align various functions from research and development, to sales.

IMPACTING SOCIETY AND THE ENVIRONMENT

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

ABOUT THE IMAGE
Atlas Copco is a global leader in medical air systems, which supply pure and dry air to hospitals around the world.

Living by the highest ethical standards

Ensuring that the business grows with a clear stance against corruption and a strong commitment to respecting human rights is the right way to expand Atlas Copco's global presence. The Group works continuously with its entire value chain, to protect the business from risks and to promote better standards in society.

Atlas Copco's business model is agile because of strategic partnerships with business partners such as suppliers, subcontractors and joint venture partners. Purchased components represent about 75% of the product cost. Therefore, nurturing long-term relationships with business partners is mutually beneficial, securing the Group's competitive edge and development potential in a responsible and sustainable way. Working with business partners who share the Group's high standards of quality, business ethics and resource efficiency is necessary to effectively manage risks, and to enhance productivity in the value chain.

Responsible sourcing practices

Atlas Copco's purchasing strategies are decentralized to give the organization higher flexibility. The Group has a very large international supplier base, which presents significant challenges in maintaining supply chain standards. Purchasing councils oversee supply chain management at a divisional level, but come together as a part of the Group purchasing council to develop central policies and tools that impact all operations.

Atlas Copco prioritizes follow-up activities with suppliers who represent the bulk of the annual purchase value as well as the highest risk from markets with corruption or human rights risk.

In 2015, 4 601 suppliers were within the scope of this risk-based approach, and 95% of these significant suppliers were requested to confirm compliance to Atlas Copco's 10 criteria letter. 88% confirmed compliance, and 19% were audited for safety, health and environment issues. 27% were audited for quality.

The 10-point checklist is based on the UN Global Compact and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, as well as through on-site visits (ESG note 5). All business partners are impartially evaluated on parameters including price, quality, reliability as well as key environmental, social and ethical concerns. Compliance with the environmental, social and business ethics clauses in the checklist is required for 100% of new agreements. However, for non-red-flag issues (such as having environmental management systems), Atlas Copco tries to work with business partners to set up an action plan to help them meet the criteria within 6–12 months' time.

In 2015, 1 221 (1 369) significant suppliers were audited for quality and 891 (1 192) for safety, health, environmental and ethical standards. Of those, 16 (17) were rejected due to quality issues and another 13 (14) for safety, health, environmental and ethical standards.

Local purchasing (non-core) is encouraged to generate societal value in the communities where Atlas Copco operates, by creating job opportunities as well as generating direct and indirect income. This is mostly carried out by individual companies, and also decreases the environmental impact from transport.

Applying the Business Code to distributors and agents

Approximately 20% of Atlas Copco's revenues are generated through sales via distributors, agents and contractors. In 2015, Atlas Copco established a KPI to develop and roll out sustainability risk assessments for agents and distributors. The first phase of the roll out will focus on select high risk markets, and be expanded to other markets after the pilot phase.

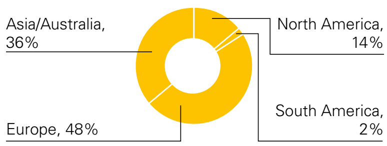
Sales compliance process

The Group began using the customer sustainability tool in 2013 in order to investigate potential risks based on environmental, labor, human rights and corruption in markets and industries where Atlas Copco is present (ESG note 7). In 2015, Atlas Copco shared the tool with industry peers in order to promote a standard approach to sales compliance among capital goods providers.

Atlas Copco's Compliance board oversees and guides the operations, to ensure that the Group is not complicit in human rights violations in accordance to its commitment to the Guiding Principles on Business and Human Rights. The lack of enforcement of legal and political infrastructure in some complex markets represents a challenge. Atlas Copco engaged in a dialogue with the Swedish Government during the drafting of Sweden's National Action Plan. Bilateral engagements with civil society and investors are crucial for the Group to successfully escalate issues in challenging markets. The Group engaged on the topic also in its 5th annual stakeholder dialogue, which was publicly broadcasted online.

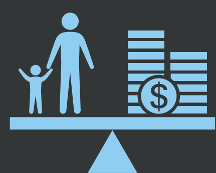
In 2015, Atlas Copco conducted a human rights due diligence in Myanmar. The Group has a limited direct presence in the market and local business development will proceed cautiously to address the risks that have been identified.

GEOGRAPHICAL SPREAD OF SUPPLIERS



88%

Significant suppliers that confirmed compliance with the Business Code of Practice. 2014: 82%



In 2016,

sustainability risk assessments will be carried out for distributors, agents and contractors in select high risk countries.

Zero tolerance against corruption

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

Whistleblowing

The ambition of no corruption or bribes is supported by a policy, procedures, training and monitoring process. When incidents are reported, firm action is taken on a case-by-case basis (ESG note 6). There are no negative consequences, such as demotion, penalty or other reprisals, for employees refusing to receive or pay bribes or for reporting violations. Atlas Copco will begin to measure employee awareness of the ethical hotline, through its biennial employee survey, Insight. Internal control procedures are set up to minimize the risk of corruption and bribes, e.g. segregation of duty. Internal audits include compliance to the Business Code of Practice. Awareness of, and compliance with, principles of integrity in all business dealings is a priority for Atlas Copco.

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

Updated training for employees worldwide

The Business Code of Practice is given to all new employees and training is provided globally. Managers also receive in-depth classroom training with dilemma cases. During 2015, the Business Code of Practice training was updated and the work was started to translate it to 37 languages. The new version has a strengthened focus on human rights, fraud awareness and integrating sustainability into business. A Business Code of Practice training for blue collar workers is also currently under development, and will be launched in 2016.

Human rights

Human rights are integrated into the Group processes and are driven in the organization by the Business Code of Practice (ESG note 7). In 2015, business and human rights training was rolled out in Atlas Copco's Latin American operations. The training is case based, and tailored to help decision makers understand human rights impacts and how to work proactively to manage risks and opportunities.

Taxes

On January 11, 2016, the European Commission announced its decision that Belgian tax rulings granted to multinationals with regard to "excess profit" shall be considered as illegal state aid and that unpaid taxes should be returned to the Belgian state. Atlas Copco has such tax rulings since 2010. As a result of the decision, Atlas Copco has made a provision of MSEK 2 802. The amount fully covers the potential liability for the years 2010–2015, (note 9, ESG note 8).

99%

MANAGERS SIGNED COMPLIANCE TO THE BUSINESS CODE OF PRACTICE

Two new KPIs will be measured from 2016:

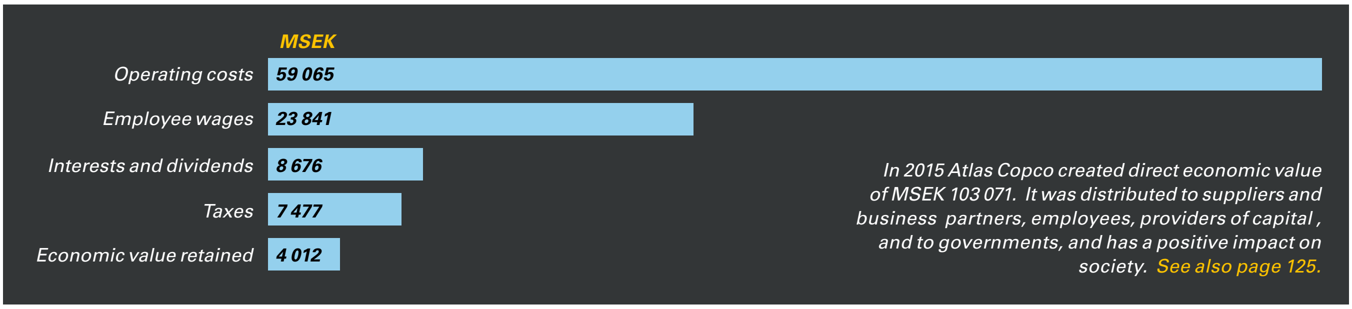
1. Managers trained in the ***BUSINESS CODE OF PRACTICE***
2. Percentage of employees aware of the ***GROUP ETHICAL HOTLINE*** or local helpline

HOW ATLAS COPCO WORKS WITH HUMAN RIGHTS IN THE VALUE CHAIN

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

SUPPLIERS	*THE GROUP'S OWN OPERATIONS*	*CUSTOMERS*	*COMMUNITY*
Atlas Copco has integrated the UN Global Compact principles into supplier evaluation and management. Read more on page 49.	The Group's operational goals strive to create safe, healthy and fair working environments. Read more in the Employees section on page 45.	The Group is strengthening its approach using the UN Guiding Principles on Business and Human Rights. Read more in ESG note 7.	Atlas Copco pays the fair, and legal amount of taxes to support the communities the Group operates in. Read more in ESG note 8.
Prohibition of child labor and forced labor, responsible sourcing from high risk or conflict affected regions.	Ensuring that employees have fair labor and working conditions, diversity in the workplace and the right to join trade unions.	Product safety, protecting standard of life by minimizing environmental impact through usage of products, issues related to community relocation and security concerns.	Community engagement activities promote the access to health, education and safe development of children and vulnerable groups, as well as disaster relief.

DEVELOPMENT AND DISTRIBUTION OF ECONOMIC VALUE



Atlas Copco creates employment and financial stability through subcontracting manufacturing and other activities. Operating costs including costs to suppliers for goods and services, functional costs deducted for employee wages and benefits amounted to MSEK 59 065 (56 460). Employee wages and benefits increased by 14% to MSEK 23 841 (20 826). The increase was primarily due to acquisitions.

The Group's providers of capital, for example shareholders and creditors, provide funds to finance the asset base that is used to create economic value. In return, these stakeholders receive annual dividend and interest. The costs for providers of capital including dividend, increased to MSEK 8 676 (7 919), due to an increased ordinary dividend.

Atlas Copco contributes to economic development within the regions where it operates, through payments to pension funds and social security, and payments of taxes, social costs and other duties. In 2015, the cost for direct taxes to governments increased 79% to MSEK 7 477 (4 169), primarily due to a tax provision in Belgium, see previous page. The Group has been in dialogue with stakeholders regarding disclosure of taxes by country, (note 9 and ESG note 8). Community investments amounted to MSEK 25 (17).

The economic value retained amounted to MSEK 4 012 (5 240).

MYANMAR

In 2015, Atlas Copco conducted a human rights due diligence for its potential presence in Myanmar, based on the recommendations of the UN Guiding Principles to assess the impact as early in the business relationship as possible.

SALES	• Atlas Copco's products are sold via distributors in Myanmar, and the Group has a limited direct presence through its service offerings from 2015. The Group has no manufacturing or other operational sites in the country.
EMPLOYEES	• Two employees to fulfill marketing and service functions.
HUMAN RIGHTS IMPACT ASSESSMENT	• The Compliance board made the decision to conduct a human rights impact assessment in April 2015. The process involved the regional management teams and external stakeholders' consultation with customers, business partners and civil society. All findings were presented to the Compliance board and to Group Management.
SALIENT ISSUES INVESTIGATED	• Conflict development in the north-eastern regions, such as the Kaichin district. • Land rights issues and the rights of indigenous groups. • Labor issues, such as safety, health and availability of a skilled workforce. • Efficacy of the ethical hotline for reporting and access to remedy. • Corruption-related risks.
ACTION PLAN AND NEXT STEPS	• Learning points have been raised internally as well as in business networks to promote awareness and knowledge sharing among Swedish industrial goods companies and how the companies can act in the country.

Efficient and responsible use of resources

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

Enhanced risk management
Atlas Copco faces risks driven by changes in environmental regulations, availability of resources and other developments. In 2015, Atlas Copco sharpened the environmental KPIs to integrate these risks.

Energy security
Diversifying sources of energy to include renewable sources not only has a positive environmental impact but can also benefit the business by protecting it from price fluctuations and the lack of availability of traditional energy sources.

While the Group prioritizes switching to renewable energy sources in many growth markets, renewable energy is not readily available or is a minor component in the country's energy mix. The targets that will be set for water and energy consumption take into account the expected business growth in such regions.

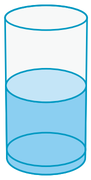
Water risk management
Atlas Copco's overall water consumption is relatively low. This is due to its asset light business model, and the focus on assembly rather than steel manufacturing or other resource intensive activities.

With some of its own operations in several countries facing water scarcity, Atlas Copco has started to use water indices to identify operations located in water-risk areas, from physical, legislative or cost perspectives. Group companies in these areas should implement a water-risk management plan. Innovative product design also aims to reduce water use when drilling to explore for minerals, for example. Business areas analyze reported data to identify the highest consuming entities in order to focus the efforts to reduce the impact.

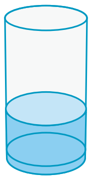
Environmental risks in the supply chain
The Group recognizes the risk and responsibility to manage water and other environmental risks in its value chain, (Risks, page 39). Smelters and other resource-intensive activities are often tier 2 suppliers, or further down the value chain. The Group works with suppliers using its 10 criteria letter and action plans that are developed with business partners (page 49). Atlas Copco's business partners must commit to conducting their business with environmental preservation in mind, including water use and waste water treatment.

Ideally, Atlas Copco's suppliers should have an environmental management system or, as a minimum, be committed to developing an environmental policy or system, to ensure continuous improvement of their environmental performance. Commitment to Atlas Copco's 10 criteria means that suppliers should take responsibility to minimize the environmental impact that products and services may have while being manufactured, distributed and used, as well as during their disposal.

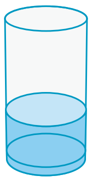
WATER RISK AREAS
EXPOSURE TO WATER RISK



CHINA
14 entities representing
36%
of total water consumption in water stressed regions
WATER BASINS:
Hai ho, Liao, GHAASBasin1435

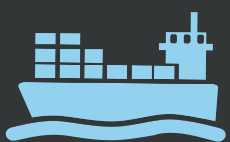


INDIA
5 entities representing
15%
of total water consumption in water stressed regions
WATER BASIN:
Krishna

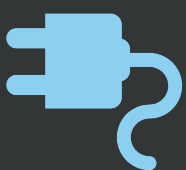


USA
11 entities representing
17%
of total water consumption in water stressed regions
WATER BASIN:
Trinity

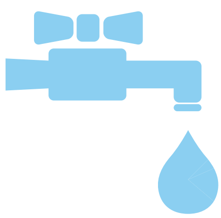
3.9
CO_2 emission from transport ('000 tonnes)/COS
2014: 3.9



8.5
Total energy (MWh)/COS
2014: 9.0

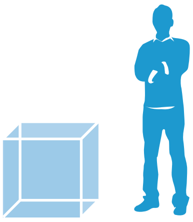


5.9
Water consumption in water risk areas ('000 m^3)/COS

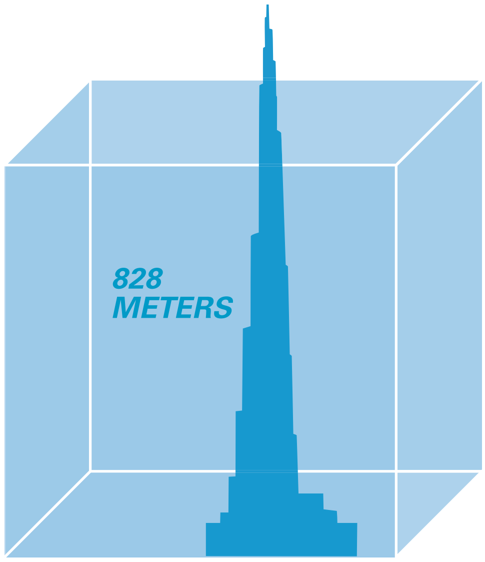


345 160 TONNES OF CO_2

FROM OPERATIONS AND TRANSPORT WOULD FILL A CUBE ALMOST AT THE HEIGHT OF THE TALLEST BUILDING IN THE WORLD, BURJ KHALIFA



1 kg of CO_2 will fill an 800 mm high cube



Impacts from acquisitions and organic growth

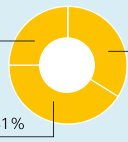
Atlas Copco's strategy for growth relies partly on acquisitions, which can have an influence on the Group's environmental performance. In 2015, the acquisition of Henrob, a self-pierce riveting company, resulted in increased energy consumption. However, the effects from decreased volume and weather fluctuations causing warmer winters meant that the Group's energy consumption from operations decreased 1.1%. In relation to cost of sales, the decrease was 6.1% compared to the previous year.

CO_2 from operations also increased slightly even though energy consumption in MWh decreased. This is partially due to the acquisition of Henrob and partly due to entities that began reporting for the first time. These entities have reported almost only electricity or district heating non-renewable and they have a higher CO_2/MWh ratio than the rest of the Group. This is a focus area for improvement in the coming year.

In 2015, transport increased 6.4% in absolute values and increased in relation to cost of sales by 1%. Increased business in China and customer deliveries that needed to be rush delivered resulted in increased transport by air.

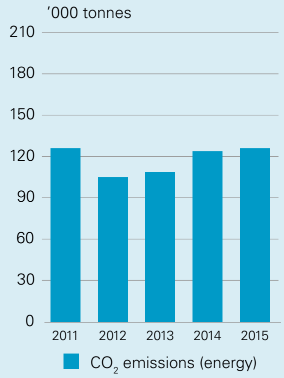
Atlas Copco's full environmental performance can be found in ESG note 3.

PROPORTION OF ENERGY CONSUMPTION



CO_2 from energy increased slightly, partly due to acquisitions and partly due to new reporting entities.

CO_2 EMISSIONS FROM ENERGY



THE ATLAS COPCO SHARE

Share price development and returns

During 2015, the price of the A share decreased 4.6% to SEK 208.40 (218.40) and the price of the B share decreased 2.8% to SEK 195.30 (200.90). The annual total return on the Atlas Copco A share, equal to dividend, redemption and the appreciation of the share price, was on average 14.7% for the past ten years and 8.4% for the past five years. The corresponding total return for Nasdaq Stockholm was 9.2% and 10.5%, respectively.

Trading and market capitalization

The Atlas Copco shares are listed on Nasdaq Stockholm, which represented 34% of the total trading of the A share (40% of the B share) in 2015. Other markets, so called Multilateral Trading Facilities (MTF), e.g. BATS Chi-X, Turquoise and Burgundy accounted for some 33% (30% of the B share), and the remaining 33% (29% of the B share) were traded outside public markets, for example through over-the-counter trading.

The market capitalization at year end 2015 was MSEK 251 140 (261 719 at year end 2014) and the company represented 4.4% (4.9) of the total market value of Nasdaq Stockholm. Atlas Copco was the sixth (fifth) most traded name in 2015 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 2015, there were 9 575 162 ADRs outstanding, of which 8 135 271 represented A shares and 1 439 891 B shares.

SHARE INFORMATION 2015-12-31	A SHARE	B SHARE
Nasdaq Stockholm	ATCO A	ATCO B
ISIN code	SE0006886750	SE0006886768
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	13 123 103	393 879
% of votes	1.5	0.0
% of capital	1.1	0.0

Personnel stock option program and repurchase of own shares

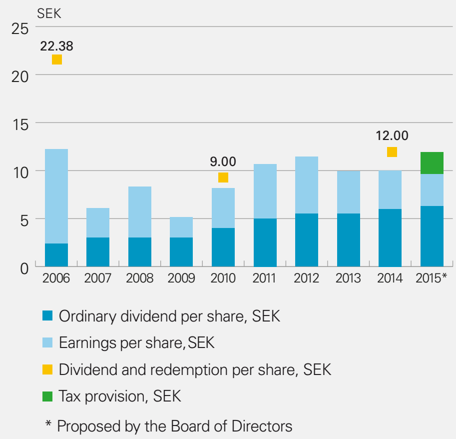
The Board of Directors will propose to the Annual General Meeting 2016 a similar performance-based long-term incentive program as in previous years. The intention is to cover the plan through the repurchase of the company's own shares. The company's holding of own shares on December 31, 2015 appears in the table below.

Dividend and dividend policy

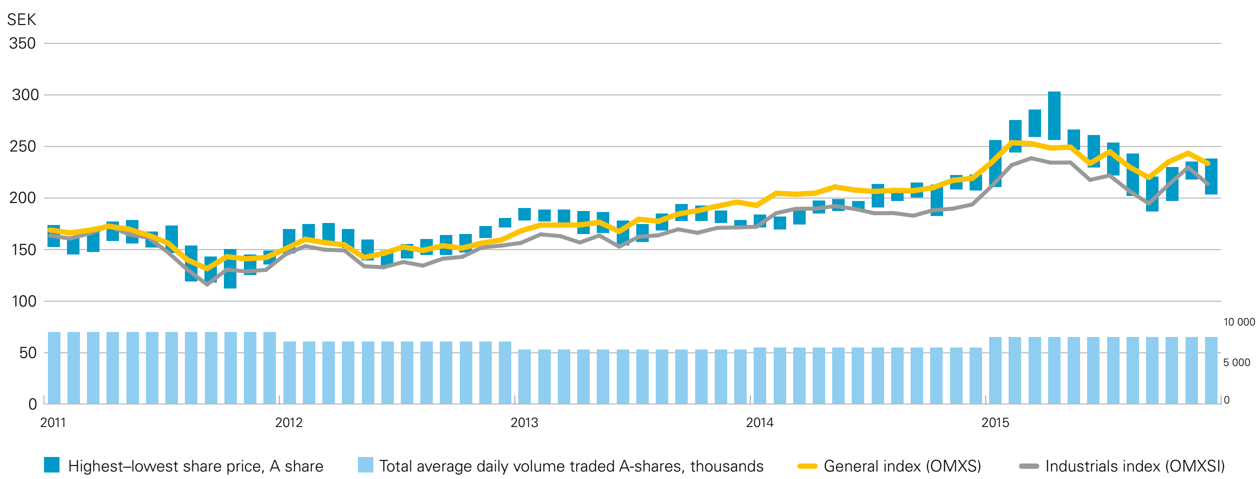
The Board of Directors proposes to the Annual General Meeting that a dividend of SEK 6.30 (6.00) per share be paid for the 2015 fiscal year. The dividend is proposed to be paid in two equal installments. If approved, the annual dividend growth for the five-year period 2010–2015 will equal 9.5%. During the same period, the dividend has averaged 55% of basic earnings per share. The ambition is to distribute about 50% of earnings as dividends to shareholders.

The dividend is subject to approval at the Annual General Meeting 2016. See more information on page 19.

EARNINGS AND DISTRIBUTION PER SHARE



SHARE PRICE



Ownership structure

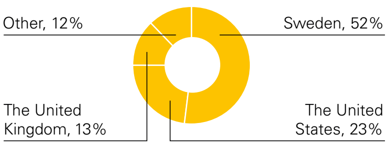
At year end 2015, Atlas Copco had 79 926 shareholders (70 914 at year end 2014). The ten largest shareholders registered directly or as a group with Euroclear Sweden, the Swedish Central Securities Depository, by voting rights, accounted for 36% (35) of the voting rights and 32% (33) of the number of shares. Swedish investors held 52% (52) of the shares and represented 50% (50) of the voting rights.

TEN LARGEST SHAREHOLDERS*

December 31, 2015	% of votes	% of capital
Investor AB	22.3	16.8
Swedbank Robur fonder	4.0	5.0
Alecta Pensionsförsäkring	3.4	3.9
SEB Investment Management	1.6	1.2
Handelsbanken	1.1	1.2
Fjärde AP-fonden	0.8	1.2
Första AP-fonden	0.8	0.9
Folksam	0.7	0.8
Nordea Investment Funds	0.6	0.7
Tredje AP-fonden	0.6	0.7
Others	64.1	67.6
Total	**100.0**	**100.0**
– of which shares held by Atlas Copco	1.5	1.1

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

SHAREHOLDERS BY COUNTRY December 31, 2015 PERCENT OF CAPITAL



OWNERSHIP STRUCTURE, DECEMBER 31, 2015

Number of shares	% of shareholders	% of capital
1–500	62.9	0.7
501–2 000	24.2	1.7
2 001–10 000	9.9	2.7
10 001–50 000	1.9	2.6
50 001–100 000	0.3	1.5
>100 000	0.8	90.8
Total	**100.0**	**100.0**

OWNERSHIP CATEGORY, DECEMBER 31, 2015

	% of capital
Shareholders domiciled abroad (legal entities and individuals)	47.9
Swedish financial companies	38.1
Swedish individuals	5.5
Other Swedish legal entities	4.9
Swedish social insurance funds	1.9
Swedish trade organizations	1.3
Swedish government & municipals	0.4
Total	**100.0**

SHARE ISSUES [1]

			Change of share capital, MSEK	Amount distributed, MSEK
2007	Split	3:1		
	Share redemption [2]	628 806 552 shares at SEK 40	–262.0	–24 415.7
	Bonus issue	No new shares issued	262.0	
	Cancellation of shares held by Atlas Copco	28 000 000 shares	–17.5	
	Bonus issue	No new shares issued	17.5	
2011	Split	2:1		
	Share redemption [3]	1 229 613 104 shares at SEK 5	–393.0	–6 067.0
	Bonus issue	No new shares issued	393.0	
2015	Split	2:1		
	Share redemption [4]	1 229 613 104 shares at SEK 6	–393.0	–7 304.7
	Bonus issue	No new shares issued	393.0	

[1] For more information please visit www.atlascopco.com/ir
[2] 610 392 352 shares net of shares held by Atlas Copco
[3] 1 213 493 751 shares net of shares held by Atlas Copco
[4] 1 217 444 513 shares net of shares held by Atlas Copco

IMPORTANT DATES

2016	April 26	Annual General Meeting
		First quarter results
	April 27*	Shares trade excluding right to dividend of SEK 3.15
	May 3*	First dividend payment date (preliminary)
	July 15	Second quarter results
	October 20	Third quarter results
	October 28*	Shares trade excluding right to dividend of SEK 3.15
	November 3*	Second dividend payment date (preliminary)
	November 15	Capital Markets Day
2017	January 27	Preliminary fourth quarter results 2016

* 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 133 in the five-year summary.

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

→ Detailed information on the share and debt can be found on www.atlascopco.com/ir

INVESTOR RELATIONS CONTACT

→ www.atlascopco.com/ir

→ E-mail: ir@se.atlascopco.com / phone: +46 8 743 81 15

CORPORATE GOVERNANCE

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

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

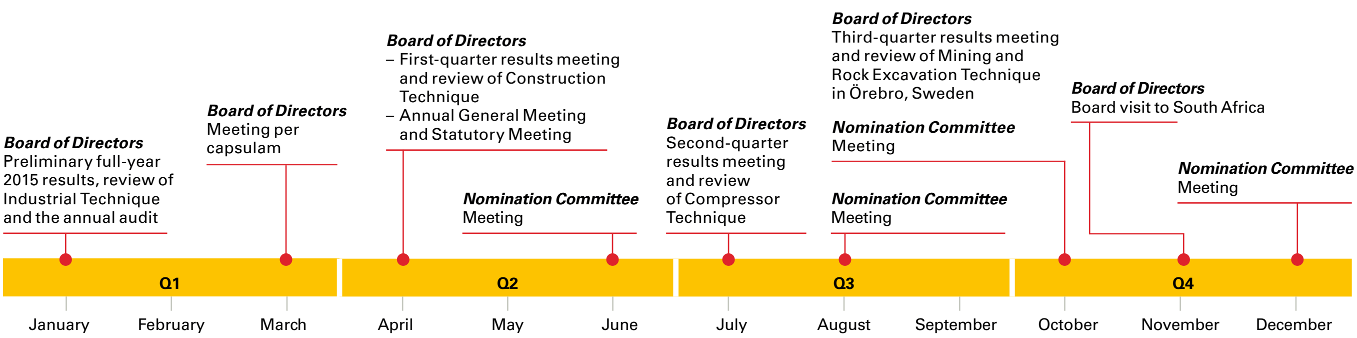
Atlas Copco does not report any deviations from the Swedish Corporate Governance Code for the financial year 2015.

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

THE FOLLOWING INFORMATION IS AVAILABLE AT WWW.ATLASCOPCOGROUP.COM

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

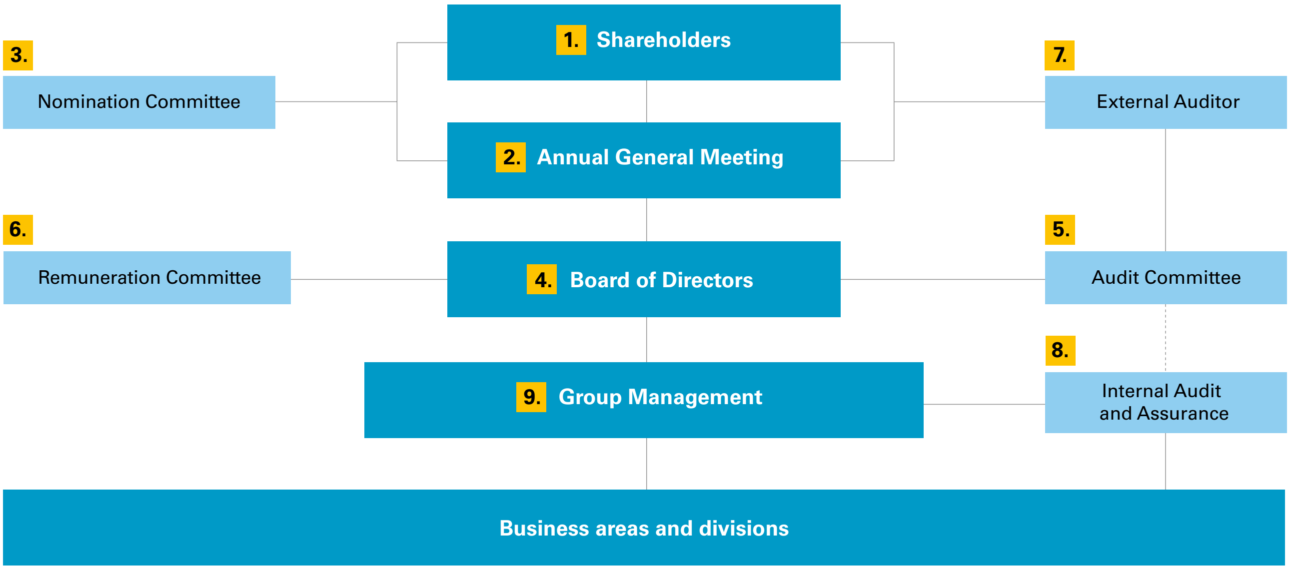
THE BOARD'S WORK DURING 2015 IN SUMMARY



COMMENT FROM THE CHAIR

Atlas Copco is a truly global company. As such, we are continually faced with the challenge of upholding the same standards of ethics and conduct wherever we do business, regardless of the market development. Laws, environmental standards and social conditions vary greatly in the countries where we operate. The Business Code of Practice is designed to overcome these challenges and make sure that we always act with the highest ethical standards and integrity. In cases where the Business Code of Practice is stronger than local laws and regulations, we insist on following our own policies. And we expect our business partners to do the same. We do our best to safeguard our reputation as a reliable and trustworthy company, and believe in creating value for all our stakeholders.

Hans Stråberg, Chair since 2014



GOVERNANCE STRUCTURE

1. SHAREHOLDERS

At the end of 2015, Atlas Copco had 79 926 shareholders (70 914 at year end 2014). The ten largest shareholders registered directly or as a group with Euroclear Sweden, the Swedish Central Securities Depository, by voting rights, accounted for 36% (35) of the voting rights and 32% (33) of the number of shares. Swedish investors held 52% (52) of the shares and represented 50% (50) of the voting rights.

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

2. ANNUAL GENERAL MEETING

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

The AGM 2015 was held on April 28, 2015 in Stockholm, Sweden and 63% of the total number of votes in the company and 61% of the shares were represented.

Decisions at the AGM 2015 included:

- adoption of the income statements and balance sheets of the company and the Group for 2014
- discharge of liability of the company's affairs during the 2014 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 6 per share to be paid in two equal installments of SEK 3 each
- a resolution on a share split with automatic redemption resulting in an extra distribution to the shareholders of SEK 6 per share
- that the number of directors elected by the AGM for a term ending at the next AGM would be nine directors and no alternates
- a resolution of the Board of Directors' fee
- approval of the guidelines for remuneration to management
- approval of the reported scope and principals for a performance based employee stock option plan for 2015
- election of Jan Berntsson as principal auditor and Deloitte AB as auditing company until the AGM 2016
- changing the articles of association to allow for additional possible locations to hold general shareholders' meetings

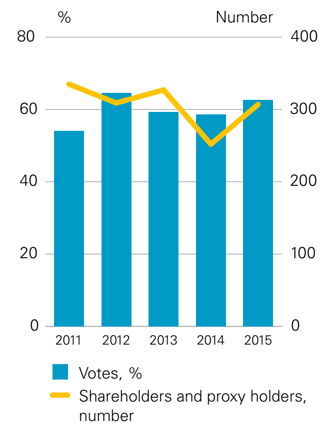
Shareholders who wish to contact the Nomination Committee or have a matter addressed by the Board of Directors at the AGM may submit their proposals by ordinary mail or e-mail to:

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

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

ANNUAL GENERAL MEETING 2016
The Annual General Meeting will be held on April 26, 2016 at Aula Medica, Nobels väg 6, Solna, Sweden.

ANNUAL GENERAL MEETING ATTENDANCE



GOVERNANCE STRUCTURE, CONTINUED

3. NOMINATION COMMITTEE

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

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

The proposals and the Nomination Committee's statement will be published at the latest with the notice to the AGM 2016. In the Nomination Committee's strive to reach gender balance the principle is that 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 2012, the representatives of the four largest shareholders, listed in the shareholders' register as of September 30, 2015, together with the Chair of the Board shall form the Nomination Committee. The members of the Nomination Committee for the AGM 2016 were announced on October 20, 2015, and they represented approximately 31% of all votes in the Company. The Nomination Committee had several meetings during the year. The members of the Nomination Committee receive no compensation for their work in the Nomination Committee.

Nomination Committee members for the AGM 2016

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

4. BOARD OF DIRECTORS

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

Board of Directors' members

The Board of Directors consists of nine elected members, including the President and CEO. The Board also has two union members, each with one personal deputy. Atlas Copco fulfilled the 2015 requirements of Nasdaq Stockholm and the rules of the Swedish Corporate Governance Code regarding independency of board members. All board members have participated in training sessions arranged by Nasdaq Stockholm.

The Board of Directors' work

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

The Board had six meetings in 2015: four at Atlas Copco AB in Nacka, Sweden, one in Örebro, Sweden, and one per capsulam. The attendance of Board members is presented on pages 60–61. In addition, the Board made a study trip to South Africa. The trip included a customer visit to a mine and a Water for All project. The Board met with the Swedish Ambassador and two independent economists presenting opportunities for Sub-Saharan Africa. A visit to Atlas Copco's operations outside of Johannesburg, where local management presented the operations in Sub-Saharan Africa was also included. Part of this visit was a presentation of B-BBEE (Broad-Based Black Economic Empowerment) from a specialist who talked about related possibilities and threats.

The Board continuously evaluates the performance of the CEO, Ronnie Leten. For the Annual Audit, the company's principal auditor, Jan Berntsson, Deloitte, reported his observations and the Board also had a separate session with the auditor where members of Group Management were not present.

Evaluation of the Board of Directors' work

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

Remuneration to the Board of Directors

Remuneration and fees are based on the work performed by the Board. The AGM 2015 decided to adopt the Nomination Committee's proposal for remuneration to the Chair and other Board members not employed by the Company, and the proposed remuneration for committee work. See also note 5.

- The Chair received SEK 1 900 000
- Each of the other Board members not employed by the Company SEK 600 000
- An amount of SEK 225 000 was granted to the Chair of the Audit Committee and SEK 150 000 to each of the other members of this committee
- An amount of SEK 60 000 was granted to each one of the members of the Remuneration Committee
- An amount of SEK 60 000 to each non-executive director who, in addition, participates in committee work decided upon by the Board
- The meeting further resolved that 50% of the director's Board fee could be received in the form of synthetic shares.

5. AUDIT COMMITTEE

The Audit Committee's primary task is to support the Board of Directors in fulfilling its responsibilities in the areas of audit and internal control, accounting, financial reporting and risk management as well as to supervise the financial structure and operations of the Group and approve financial guarantees, delegated by the Board. The Audit Committee work further includes reviewing internal audit procedures. The work of the Audit Committee is directed by the Audit Committee Charter, which is reviewed and approved annually by the Board. The Chair of the committee has the accounting competence required by the Swedish Companies Act and two of the members are independent from the Company and its main shareholder.

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

Audit Committee 2015–2016
Ulla Litzén, Chair
Hans Stråberg
Staffan Bohman
Johan Forssell

6. REMUNERATION COMMITTEE

The Remuneration Committee's primary task is to propose to the Board the remuneration to the President and CEO and a long-term incentive plan for key employees. The goal with a long-term incentive plan is to align the interests of key personnel with those of the shareholders. The Remuneration Policy for Group Management aims to establish principles for a fair and consistent remuneration with respect to compensation, benefits, and termination. The base salary is determined by position and performance and the variable compensation is for the achievement of individual goals. The Remuneration Policy is reviewed annually and the AGM 2015 approved the guidelines for remuneration. See also note 5.

The Remuneration Committee had three meetings in 2015. 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.

Remuneration Committee 2015–2016
Hans Stråberg, Chair
Peter Wallenberg Jr
Anders Ullberg

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

7. EXTERNAL AUDITOR

The task of the external auditor is to examine Atlas Copco's annual accounts and accounting practices, as well as to review the Board and the CEO's management of the Company. At the AGM 2015 the audit firm Deloitte AB, Sweden, was elected external auditor until the AGM 2016 in compliance with a proposal from the Nomination Committee. The principal auditor is Jan Berntsson, Authorized Public Accountant at Deloitte AB.

At the AGM 2015, Jan Berntsson referred to the auditor's report for the Company and the Group in the annual report and explained the process applied when performing the audit. He also recommended adoption of the presented income statements and balance sheets, discharge of liability for the President and CEO and the Board of Directors, and adoption of the proposed distribution of profits.

8. INTERNAL AUDIT AND ASSURANCE

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

9. GROUP MANAGEMENT

Besides the President and CEO, the Group Management consists of four business area executives and executives responsible for the main Group functions; Corporate Communications and Governmental Affairs, Organizational Development, Controlling and Finance, and Legal. The President and CEO is responsible for the ongoing management of the Group following the Board's guidelines and instructions.

Remuneration to Group Management
The Remuneration Policy is reviewed and presented to the AGM by the Board of Directors for approval every year. In 2015, the AGM decided to adopt the Board's proposal.

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

BOARD OF DIRECTORS





Name **Born** **Function**	**Hans Stråberg** 1957 Chair since 2014	**Ronnie Leten** 1956 Board member President and CEO	**Ulla Litzén** 1956 Board member	**Anders Ullberg** 1946 Board member	**Staffan Bohman** 1949 Board member
Education	M.Sc. in Mechanical Engineering, Chalmers University of Technology, Gothenburg	M.Sc. in Applied Economics, University of Hasselt, Belgium	B.Sc. in Economics and Business Administration, Stockholm School of Economics, and MBA, Massachusetts Institute of Technology, the U.S.	B.Sc. in Economics and Business Administration, Stockholm School of Economics	B.Sc. in Economics and Business Administration, Stockholm School of Economics and Stanford Executive Program, the U.S.
Nationality / Elected	Swedish / 2013	Belgian / 2009	Swedish / 1999	Swedish / 2003	Swedish / 2003
Board memberships	Member of the Board of Investor AB, Stora Enso Oyj, Finland, N Holding AB, Mellby Gård AB, Hedson AB and Chair of Roxtec AB, CTEK AB, Nikkarit Holding AB and Orchid Orthopedics Inc.	Chair of Electrolux AB	Board member of SKF AB, Boliden AB, Alfa Laval AB, NCC AB and Husqvarna AB.	Chair of Boliden AB, Natur & Kultur and Studsvik AB. Board member of Beijer Alma, Valedo Partners, and Åkers AB. Chair of the Swedish Financial Reporting Board.	Chair of Höganäs AB and Cibes Lift Group AB, Vice Chair of Rezidor Hotel Group AB, the Swedish Corporate Governance Board, and the Board of trustees of SNS, Board member of Ratos AB, Boliden AB and Upplands Motor Holding AB.
Principal work experience and other information	Chief Executive Officer and President for Electrolux AB. Various executive positions in the Electrolux Group based in Sweden and the U.S. EU Co-Chair TABD, Trans-Atlantic Business Dialogue.	President and CEO of Atlas Copco AB.* Business Area President for Atlas Copco Compressor Technique. Division president for the divisions Airtec and Industrial Air as well as several management positions within IT, logistics, business development and manufacturing in the Compressor Technique business area in Belgium.	President of W Capital Management AB (wholly owned by the Wallenberg Foundations) and Director and member of the management group of Investor AB. .	Vice President Corporate Control Swedyards (Celsius Group), Executive Vice President and CFO, SSAB,Swedish Steel, and President and CEO of SSAB Swedish Steel.	CEO of Sapa AB, Gränges AB and DeLaval AB.
Total fees 2015, KSEK [1]	2 444	–	1 153	713	856
Board meeting attendance	6 of 6	6 of 6	6 of 6	6 of 6	6 of 6
Remuneration Committee attendance	3 of 3 Chair	–	–	3 of 3	–
Audit Committee attendance	5 of 5	–	5 of 5 Chair	–	5 of 5
Holdings in Atlas Copco AB [2]	21 500 class B shares 7 584 synthetic shares	19 166 class A shares 32 000 class B shares 334 021 synthetic shares/ employee stock options	75 800 class A shares 3 000 class B shares	14 000 class A shares 10 000 class B shares	10 000 class A shares 30 000 class B shares 1 973 synthetic shares
Independence to Atlas Copco and its management	Yes	No [3]	Yes	Yes	Yes
Independence to major shareholders	No [4]	Yes	Yes	Yes	Yes
Annual Meeting attendance	Yes	Yes	Yes	Yes	Yes

Board members appointed by the unions

Bengt Lindgren
Board member
Born 1957
Chair of IF Metall, Atlas Copco, Fagersta
Elected 1990
Board meeting attendance 6 of 6

Mikael Bergstedt
Board member
Born 1960
Chair of PTK, Atlas Copco, Tierp Works
Elected 2004
Board meeting attendance 6 of 6

			
Margareth Øvrum 1958 Board member	**Johan Forssell** 1971 Board member	**Gunilla Nordström** 1959 Board member	**Peter Wallenberg Jr** 1959 Board member
M.Sc. in Technical Physics, Norwegian University of Science and Technology, Trondheim, Norway	M.Sc. in Economics and Business Administration, Stockholm School of Economics	M.Sc. in Electronics, Industrial Marketing Management, Linköping University	BSBA Hotel Administration, University of Denver, the U.S. and International Bachaloria, American School, Leysin, Switzerland
Norwegian / 2008	Swedish / 2008	Swedish / 2010	Swedish / 2012
Board member of Alfa Laval AB.	Board member of Saab AB, Patricia Industries AB and EQT Holdings AB.	Board member of Wärtsilä Oyj, Finland.	Chair of Foundation Administration Management Sweden AB, The Grand Group, The Royal Swedish Automobile Club. Vice Chair of the Knut and Alice Wallenberg Foundation. Board member of Aleris Holding AB, Foundation Asset Management Sweden AB, Investor AB and Scania AB.
Executive Vice President for Statoil ASA.* Several leading positions within technology, projects, production, maintenance, health/safety/environment, and procurement in Statoil. All positions in Norway.	President and CEO of Investor AB*. Managing Director, Head of Core Investments and member of the management group of Investor AB.	Senior management positions with Electrolux AB, telefonaktiebolaget LM Ericsson and Sony Ericsson in Europe, Latin America and Asia.	President and CEO of The Grand Hotel Holdings, General Manager, The Grand Hotel, President Hotel Division Stockholm-Saltsjön.
596	746	596	656
6 of 6	6 of 6	6 of 6	6 of 6
–	–	–	3 of 3
–	5 of 5	–	–
8 308 synthetic shares	5 000 class B shares 8 308 synthetic shares	6 335 synthetic shares	166 667 class A shares 6 500 synthetic shares
Yes	Yes	Yes	Yes
Yes	No [5]	Yes	No [4]
Yes	Yes	Yes	Yes

Ulf Ström
Deputy
Born 1961
Chair of IF Metall, Atlas Copco Rock Drills AB, Örebro
Elected 2008
Board meeting attendance 6 of 6

Kristina Kanestad
Deputy
Born 1966
Chair of Unionen, Atlas Copco Rock Drills AB, Örebro
Elected 2007
Board meeting attendance 6 of 6

REFERENCES:

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

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

2) Holdings as per end of 2015, including those of close relatives or legal entities and grant for 2015.

3) President and CEO of Atlas Copco.

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

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

* Current position.

GROUP MANAGEMENT

	1. RONNIE LETEN	2. NICO DELVAUX	3. MATS RAHMSTRÖM	4. JOHAN HALLING
Position	**President and CEO**	**Senior Executive Vice President and Business Area President Compressor Technique**	**Senior Executive Vice President and Business Area President Industrial Technique**	**Senior Executive Vice President and Business Area President Mining and Rock Excavation Technique**
In current position since	2009	2014	2008	2013
Nationality / Employed	Belgian / 1997	Belgian / 1991	Swedish / 1988	Swedish / 1998
Born	1956	1966	1965	1952
Education	M.Sc. in Applied Economics, University of Hasselt, Belgium	M.Sc. in Electromechanics from the University of Brussels and an MBA from the Handelshogeschool in Antwerp, Belgium	MBA from the Henley Management College, the United Kingdom	M.Sc. in Mechanical Engineering from the University of Lund
Principal work experience and other information	Ronnie Leten was first employed by Atlas Copco in 1985. Since then he has been Business Area President for Atlas Copco Compressor Technique and President for the divisions Airtec and Industrial Air. He has also held management positions within IT, logistics, business development and manufacturing in the Compressor Technique business area. All positions in Belgium.	Nico Delvaux started his career with Atlas Copco in 1991 and has had positions in sales, marketing, service, acquisition-integration management and general management, in markets including Benelux, Italy, Canada and the United States. Before his current position, he was Business Area President for Construction Technique.	Mats Rahmström has held positions in sales, service, marketing and general management within the Industrial Technique business area. Between 1998 and 2006 he held the position as General Manager for customer centers in Sweden, Canada and the United Kingdom. Between 2006 and 2008 he was President of the Atlas Copco Tools and Assembly Systems General Industry division within Industrial Technique.	Johan Halling joined Atlas Copco in 1998 as President of one of the electric tool divisions within Industrial Technique that Atlas Copco owned at the time. Between 2002 and 2013 he was President of Atlas Copco's Rock Drilling Tools division.
External directorships	Chair of Electrolux AB		Board member of Permobil Holding AB	
Holdings in Atlas Copco AB Holdings as per December 31, 2015, including those held by related natural or legal persons. See note 23 for more information on the option programs and matching shares.	19 166 class A shares 32 000 class B shares 334 021 synthetic shares/ employee stock options. The President and CEO, Ronnie Leten, has no major shareholdings or part ownership in enterprises with which Atlas Copco has significant business relations.	5 843 class A shares 2 000 class B shares 109 668 synthetic shares/ employee stock options	6 780 class A shares 88 018 synthetic shares/ employee stock options	11 308 class A shares 96 114 synthetic shares/ employee stock options

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

5. ANDREW WALKER	***6. ANNIKA BERGLUND***	***7. JEANETTE LIVIJN***	***8. HANS OLA MEYER***	***9. HÅKAN OSVALD***
Senior Executive Vice President and Business Area President Construction Technique	**Senior Vice President Corporate Communications and Governmental Affairs**	**Senior Vice President Organizational Development**	**Senior Vice President Controlling and Finance**	**Senior Vice President General Counsel**
2014	1997	2007	1999	2012
Irish / 1986	Swedish / 1979	Swedish / 1987	Swedish / 1991	Swedish / 1985
1961	1954	1963	1955	1954
M. Sc. in Industrial Engineering and an MBA from University College Dublin, Ireland	B.Sc. in Economics and Business Administration from Stockholm School of Economics and an MBA from the University of Antwerp, Belgium	M.Sc. in Business Administration from Växjö högskola	B.Sc. in Economics and Business Administration from Stockholm School of Economics	Master of Law from Uppsala University
Andrew Walker started his career with Atlas Copco in Ireland 1986 and has since then had several different management positions in markets including United Kingdom, Ireland, Belgium and the United States. Before his current position, Andrew Walker was President of the Service division within Compressor Technique.	Annika Berglund began her career in marketing analysis and market research with Atlas Copco in 1979. Since then, she has held a number of positions in the Group related to marketing, sales, and business controlling in Europe. Prior to her current position, she was Marketing Manager for the electronic company Atlas Copco Controls (Danaher Motion).	Jeanette Livijn started to work for Atlas Copco in the field of financial and business controlling in 1987 and held various positions in this function. Since 1997 she has held managerial positions within human resource management. Before she took up her present position she was Vice President Human Resources for the Industrial Technique business area.	Hans Ola Meyer was employed in 1978 to work with Group accounting and controlling. Later he moved to Ecuador as Financial Manager. Between 1984 and 1991, he held various positions at the broker Penning-marknadsmäklarna. He returned to Atlas Copco in 1991 as Financial Manager in Spain and in 1993 he became Senior Vice President Finance, for Atlas Copco AB and a member of Group Management.	Håkan Osvald joined Atlas Copco in 1985 as Legal Counsel. From 1989 he was General Counsel for Atlas Copco North America Inc. and Chicago Pneumatic Tool Company, the United States. In 1991 he was appointed Vice President Deputy General Counsel Atlas Copco Group, with a special responsibility for acquisitions. Prior to his current position, he was General Counsel Operations. Since 2012 he is Secretary of the Board of Directors for Atlas Copco AB.
			Member of The Swedish Financial Reporting Board and member of the Board of Upplands Motor Holding AB and PRI Pensionsgaranti (Mutual)	Chair of ICC Sweden, reference group Competition
3 998 class A shares, 28 855 synthetic shares/ employee stock options	10 467 class A shares 7 900 class B shares 80 575 synthetic shares/ employee stock options	3 414 class A shares 57 320 synthetic shares/ employee stock options	7 286 class A shares 22 021 class B shares 84 247 synthetic shares/ employee stock options	4 821 class A shares 2 600 class B shares 58 019 synthetic shares/ employee stock options

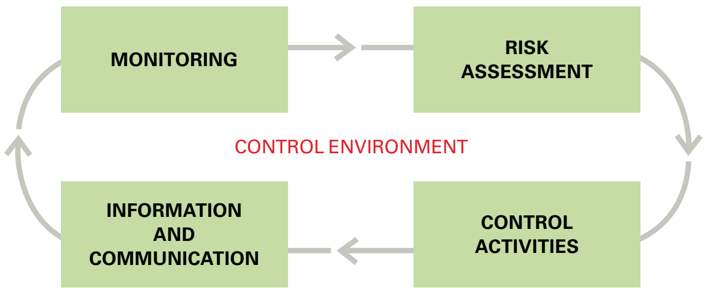
INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

ATLAS COPCO´S INTERNAL CONTROL SYSTEM



The company applies different processes to assess and identify the main risks relating to financial reporting misstatements. The *risk assessments* are regularly performed to identify new risks and follow up that internal control is improved over previously identified risks.

Identified risks are managed through the *control activities* in the company, which are documented in processes and internal control descriptions on the company,

PROCESSES AND TOOLS

PROKURA

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

FREQUENCY: When a person is recruited to a new position and continuously

BUSINESS BOARD

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

FREQUENCY: 3–4 times per year

REPORTING

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

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

Quarterly reports are reviewed by Group Management and by the Audit Committee before they are published externally and approved by the Board.

FREQUENCY: Monthly, quarterly, annually

BUSINESS CONTROL

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

FREQUENCY: Continuously

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

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

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

Activities in 2015

In 2015, the Group internal audit function conducted internal audits in 106 (113) units out of 489 (488). The audits were conducted in 39 countries. A risk-based internal audit plan was executed. Internal audits were conducted under leadership of Group internal audit staff with audit team members having diverse functional competences but always with expertise in accounting and controlling. Internal audits covered units' relevant processes, with additional focus on human resources and IT security. IT security audits were carried out by the Group IT Security function and covered 53 (53) units.

During 2015, 319 (321) legal entity managers were invited to respond to the control self assessment survey whereof 313 (317) completed the survey.

Focus in 2016

In 2016, the Group internal audit function will continue its work to review processes and tools with focus on risks, controls and governance as well as recommending leading practices. However, developing the use of data analytics will be in focus during the year.

INTERNAL CONTROL STATISTICS	2015	2014
Operative units in the Group	489	488
Internal audits conducted	106	113
Control self assessments completed	313	317

PROCESSES AND TOOLS

INTERNAL AUDITS

The Internal Audit process is intended to add value to each operational unit by providing independent and objective assurance and on internal control. Further, the process aims to serve as a tool for employee professional development and to identify and recommend leading practices within the Group.

Internal audits are annually planned or initiated by the Group internal audit function with a risk-based approach. This includes for example when there is a change of General Manager in a company, after major negative events or structural changes, or if a long time has passed since the last audit. Internal audits are normally performed by an inter-disciplinary team of people appointed from the organization. The Accounting to Reporting process is reviewed in all internal audits.

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

FREQUENCY: All units at least once every five years

CONTROL SELF ASSESSMENT

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

FREQUENCY: Annually

HOTLINE

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

FREQUENCY: As required

COMPLIANCE STATEMENT

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

FREQUENCY: Annually

FINANCIAL STATEMENTS AND NOTES

MSEK unless otherwise stated

Consolidated income statement

For the year ended December 31, Amounts in MSEK	Note	2015	2014
Revenues	4	102 161	93 721
Cost of sales		–62 031	–58 669
Gross profit		**40 130**	**35 052**
Marketing expenses		–10 998	–9 825
Administrative expenses		–6 354	–5 668
Research and development expenses		–3 287	–2 933
Other operating income	7	466	573
Other operating expenses	7	–236	– 191
Share of profit in associated companies and joint ventures	14	7	7
Operating profit	4, 5, 6, 16	**19 728**	**17 015**
Financial income	8	437	313
Financial expenses	8	–1 342	–1 237
Net financial items		**–905**	**–924**
Profit before tax		**18 823**	**16 091**
Income tax expense	9	–7 100	–3 916
Profit for the year		**11 723**	**12 175**
Profit attributable to:			
– owners of the parent		11 717	12 169
– non-controlling interests		6	6
Basic earnings per share, SEK	11	9.62	10.01
Diluted earnings per share, SEK	11	9.58	9.99

Consolidated statement of comprehensive income

For the year ended December 31, Amounts in MSEK	Note	2015	2014
Profit for the year		**11 723**	**12 175**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit plans		662	–759
Income tax relating to items that will not be reclassified		–124	194
		538	**–565**
Items that may be reclassified subsequently to profit or loss			
Translation differences on foreign operations		–1 370	5 687
Hedge of net investments in foreign operations		681	–1 052
Cash flow hedges		68	–199
– adjustment for amounts transferred to the initial carrying amounts of acquired operations		–	81
Income tax relating to items that may be reclassified		–457	711
		–1 078	**5 228**
Other comprehensive income for the year, net of tax	10	**–540**	**4 663**
Total comprehensive income for the year		**11 183**	**16 838**
Total comprehensive income attributable to:			
– owners of the parent		11 173	16 806
– non-controlling interests		10	32

Consolidated balance sheet

Amounts in MSEK	Note	Dec. 31, 2015	Dec. 31, 2014
ASSETS			
Non-current assets			
Intangible assets	12	33 520	33 197
Rental equipment	13	3 076	3 177
Other property, plant and equipment	13	8 947	9 433
Investments in associated companies and joint ventures	14	125	115
Other financial assets	15	2 129	1 810
Other receivables		51	56
Deferred tax assets	9	1 823	1 549
Total non-current assets		**49 671**	**49 337**
Current assets			
Inventories	16	16 906	18 364
Trade receivables	17	19 552	19 903
Income tax receivables		649	480
Other receivables	18	5 784	5 632
Other financial assets	15	1 576	2 150
Cash and cash equivalents	19	8 861	9 404
Assets classified as held for sale	3	11	11
Total current assets		**53 339**	**55 944**
TOTAL ASSETS		**103 010**	**105 281**
EQUITY	Page 69		
Share capital		786	786
Other paid-in capital		6 405	6 037
Reserves		3 157	4 239
Retained earnings		36 243	39 513
Total equity attributable to owners of the parent		**46 591**	**50 575**
Non-controlling interests		159	178
TOTAL EQUITY		**46 750**	**50 753**
LIABILITIES			
Non-current liabilities			
Borrowings	21	21 888	22 182
Post-employment benefits	23	2 225	2 531
Other liabilities		854	1 070
Provisions	25	741	888
Deferred tax liabilities	9	1 497	1 127
Total non-current liabilities		**27 205**	**27 798**
Current liabilities			
Borrowings	21	1 101	2 284
Trade payables		7 873	7 876
Income tax liabilities	9	5 109	1 602
Other liabilities	24	13 499	13 475
Provisions	25	1 473	1 493
Total current liabilities		**29 055**	**26 730**
TOTAL EQUITY AND LIABILITIES		**103 010**	**105 281**

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

Consolidated statement of changes in equity

2015	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	6 037	–152	4 391	39 513	50 575	178	50 753
Profit for the year					11 717	11 717	6	11 723
Other comprehensive income for the year			56	–1 138	538	–544	4	–540
Total comprehensive income for the year			**56**	**–1 138**	**12 255**	**11 173**	**10**	**11 183**
Dividends					–7 305	–7 305	–29	–7 334
Redemption of shares	–393				–6 912	–7 305		–7 305
Increase of share capital through bonus issue	393				–393			
Acquisition of series A shares					–1 380	–1 380		–1 380
Divestment of series A shares		351			552	903		903
Divestment of series B shares		17			7	24		24
Share-based payment, equity settled								
– expense during the year					73	73		73
– exercise option					–167	–167		–167
Closing balance, Dec. 31	**786**	**6 405**	**–96**	**3 253**	**36 243**	**46 591**	**159**	**46 750**

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

See note 10 and 20 for additional information.

Consolidated statement of cash flows

For the year ended December 31, Amounts in MSEK	Note	2015	2014
Cash flows from operating activities			
Operating profit		19 728	17 015
Adjustments for:			
Depreciation, amortization and impairment	12, 13	4 347	3 709
Capital gain/loss and other non-cash items		–528	–298
Operating cash surplus		**23 547**	**20 426**
Net financial items received/paid		–2 037	–849
Taxes paid		–4 238	–3 828
Pension funding and payment of pension to employees		78	–115
Cash flow before change in working capital		**17 350**	**15 634**
Change in:			
Inventories		1 342	1 924
Operating receivables		35	–280
Operating liabilities		222	412
Change in working capital		**1 599**	**2 056**
Increase in rental equipment		–1 263	–1 719
Sale of rental equipment		426	416
Net cash from operating activities		**18 112**	**16 387**
Cash flows from investing activities			
Investments in other property, plant and equipment		–1 705	–1 548
Sale of other property, plant and equipment		600	86
Investments in intangible assets	12	–1 168	–1 187
Sale of intangible assets		17	10
Acquisition of subsidiaries	2	–1 852 [1]	–8 415
Divestment of subsidiaries	3	58	–
Investment in other financial assets, net		197	489
Net cash from investing activities		**–3 853**	**–10 565**
Cash flows from financing activities			
Dividends paid		–7 305	–6 681
Dividend paid to non-controlling interest		–29	–1
Redemption of shares		–7 305	–
Repurchase and divestment of own shares		–453	890
Borrowings		845	2 935
Repayment of borrowings		–593	–11 151
Settlement of CSA [2]		429	–290
Payment of finance lease liabilities		–86	–60
Net cash from financing activities		**–14 497**	**–14 358**
Net cash flow for the year		**–238**	**–8 536**
Cash and cash equivalents, Jan. 1		9 404	17 633
Net cash flow for the year		–238	–8 536
Exchange-rate difference in cash and cash equivalents		–305	307
Cash and cash equivalents, Dec. 31	19	**8 861**	**9 404**

[1] Includes deferred consideration for acquisitions made in 2014
[2] Credit Support Annex, see note 27

1. Significant accounting principles, accounting estimates and judgments

SIGNIFICANT ACCOUNTING PRINCIPLES

The consolidated financial statements comprise Atlas Copco AB, the Parent Company ("the Company"), and its subsidiaries (together "the Group" or Atlas Copco) and the Group's interest in associated companies 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 disclosure requirements for Swedish consolidated financial statements prepared in accordance with IFRS.

The accounting principles set out below have been consistently applied to all periods presented, unless otherwise stated, and for all entities included in the consolidated financial statements. The Annual Report for the Group and for Atlas Copco AB, including financial statements, was approved for issuance on March 4, 2016, The balance sheets and income statements are subject to approval by the Annual General Meeting of the shareholders on April 26, 2016.

Basis of consolidation

The consolidated financial statements have been prepared in accordance with the acquisition method. Accordingly, business combinations are seen as if the Group directly acquires the assets and assumes the liabilities of the entity acquired. The consolidated income statements and balance sheets of the Group include all entities in which the Company, directly or indirectly, has control. Control exists when the Company has power over the entity, is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to use its power to affect its returns. Generally, control and hence consolidation is based on ownership. In a few exceptions, consolidation is based on agreements that give the Group control over an entity. See note A22 for information on the Group's subsidiaries.

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

Business combinations

At the acquisition date, the date on which control is obtained, each identifiable asset acquired and liability assumed is recognized at its acquisition-date fair value. The consideration transferred, 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 of 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, any goodwill, and any other remaining fair value adjustments recognized at acquisition date.

"Shares of profit in associated companies and joint ventures", included in the income statements, 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 gains and losses related to receivables and payables and other operating receivables and liabilities are included in "Other operating income and expenses" and foreign exchange gains and losses attributable to other financial assets and liabilities 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 exchanges rates at the end of the reporting period and the income statements are translated at the average rates for the reporting period. Foreign exchange differences arising on such translation are recognized in "Other comprehensive income" and are accumulated in the currency translation reserve in equity. Exchange rates for major currencies that have been used for the consolidated financial statements are shown in note 27.

Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, and for which discrete financial information is available. The operating results of all operating segments are reviewed regularly by the Group's President

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

and CEO, the chief operating decision maker, to make decisions about allocation of resources to the segments and also to assess their performance. See note 4 for additional information.

Revenue recognition

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

Goods sold

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

Services rendered

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

Rental operations

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

Other operating income and expenses

Commissions and royalties are recognized on an accrual basis in accordance with the financial substance of the agreement. Gains and losses on disposals of an item of non-current tangible and intangible assets are determined by comparing the proceeds from disposal with the carrying amount. Such gains and losses are recognized within “Other operating income” and “Other operating expenses”. See note 7 for additional information.

Government grants

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

Financial income and expenses

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

Income taxes

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

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, and 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 or whenever the need is indicated. The impairment test is performed at the level on which goodwill is monitored for internal management purposes. The four business areas of Atlas Copco’s operations have been identified as CGUs. Goodwill is reported as an indefinite useful life intangible asset.

Technology-based intangible assets

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

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

The expenditure capitalized includes the cost of materials, direct labor, and other costs directly attributable to the project. Capitalized development expenditure is carried at cost less accumulated amortization and impairment losses. Amortization related to research and development costs for 2015 amounted to 915 (686). 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.

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

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. The Group capitalizes costs on initial recognition and on replacement of significant parts of property, plant and equipment if it is probable that the future economic benefits embodied will flow to the Group and the cost can be measured reliably. All other costs are recognized as an expense in profit or loss when incurred.

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

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

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

The useful lives and residual values are reassessed annually. Land, assets under construction, goodwill, and trademarks with indefinite lives are not depreciated or amortized. For changes in the Group's property, plant and equipment see note 13.

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

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

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

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

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

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

When share capital recognized as equity is repurchased, the amount of the consideration paid is recognized as a deduction from equity net of any tax effect. Repurchased shares are classified as treasury shares and

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

are presented as a deduction from total equity. When treasury shares are sold or subsequently reissued, the amount received is recognized as an increase in equity and the resulting surplus or deficit on the transaction is transferred to or from other paid-in capital.

Provisions

Provisions are recognized:

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

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

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

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

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

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

Post-employment benefits

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

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

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

Share-based compensation

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

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

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

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

Financial assets and liabilities – financial instruments

Recognition and derecognition

Financial assets and liabilities are recognized when the Group becomes a party to the contractual provision of the instrument. Transactions of financial assets are accounted for at trade date, which is the day when the Group contractually commits to acquire or dispose of the assets. Trade receivables are recognized on issuance of invoices. Liabilities are recognized when the other party has performed and there is a contractual obligation to pay. Derecognition, fully or partially, of a financial asset occurs when the rights in the contract have been realized or mature, or when the Group no longer has control over it. A financial liability is derecognized, fully or partially, when the obligation specified in the contract is discharged or otherwise expires.

A financial asset and a financial liability are offset and the net amount presented in the balance sheet when there is a legal right to offset the recognized amounts and there is an intention to either settle on a net basis or to realize the asset and settle the liability simultaneously.

Measurement of financial instruments

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

The Group classifies its financial assets in the following categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- Assets available for sale

The Group classifies its financial liabilities in the following categories:

- Financial liabilities at fair value through profit or loss
- Other financial liabilities measured at amortized cost using the effective interest method

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

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

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

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

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

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

Impairment of financial assets

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

Derivatives and hedge accounting

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

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

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

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

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

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

The amount recognized in equity through Other comprehensive income is reversed to profit or loss in the same period in which the hedged item affects profit or loss. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the amount previously recognized in Other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or liability. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss. The Group uses foreign currency forwards to hedge part of the future cash flows from forecasted transactions in foreign currencies. Interest rate swaps are also used as cash flow hedges for hedging interest on borrowings with variable interest.

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

Accounting for discontinuation of hedges: Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting.

For fair value hedges ,the fair value adjustment to the carrying amount of the hedged asset or liability arising from the hedged risk is amortized to profit or loss from the date the hedge was discontinued.

For cash flow hedges any gain or loss recognized in other comprehensive income and accumulated in equity at that 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.

Asset held for sale

Assets are classified as held for sale if their value, within one year, will be recovered through a sale and not through continued use in the operations. On the reclassification date, assets and liabilities are measured at the lower of fair value less selling expenses and the carrying amount. Following reclassification, the assets are no longer depreciated or amortized. Gains and losses recognized on remeasurements and disposals are reported in profit or loss.

Contingent liabilities

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

New or amended accounting standards in 2015

The following revised and amended IFRS standards have been applied by the Group from 2015 but had none or no material impact on the Group.

Annual improvements to IFRSs 2010–2012 issued in December 2013.
Applied in advance.

Annual improvements to IFRSs 2011–2013 issued in December 2013.
Amendments to IAS 19 (2011) Defined Benefit Plans Employee Contributions issued in November 2013.
The amendments permit contributions from employees or third parties that are independent of the number of years of service to be recognized as a reduction in the service cost in the period in which the service is rendered. Applied in advance.

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

IFRIC 21 Levies.
The interpretation addresses when a liability to pay a levy to a government should be recognized.

New or amended accounting standards effective after 2015
The following standards, interpretations, and amendments have been issued but were not effective as of December 31, 2015 and have not been applied by the Group.

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

*IFRS 15 Revenue from Contracts with Customers**
This new standard that replaces existing revenue recognition standards specifies how and when the Group will recognize revenue as well as requiring the Group to provide users of financial statements with more informative, relevant disclosures. The effective date is January 1, 2018. The assessment of the effect on the revenue recognition is under investigation.

*IFRS 16 Leases**
The standard defines the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. The changes relate to the accounting treatment by the lessee. IFRS 16 introduces a single accounting model and requires the recognition of substantially all leases in the balances sheet and the separation of depreciation of lease assets from interest on lease liabilities in the income statement. IFRS 16 is effective from 1 January 2019. The assessment of the effect from this standard is under investigation.

In addition to the above, other new or revised accounting standards have been published, but are not yet effective. They are not considered to have a material impact on the financial statements of Atlas Copco.

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

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

Impairment of goodwill, other intangible assets and other long-lived assets
Key sources of estimation uncertainty
Goodwill and certain trademarks are not amortized but are subject to annual tests for impairment. Other intangible assets and other long-lived assets are amortized or depreciated based on management's estimates of the period that the assets will generate revenue but are also reviewed regularly for indications of impairment. The impairment tests are based on a review of the recoverable amount, which is estimated based on management's projections of future cash flows using internal business plans and forecasts.

Accounting judgment
Asset impairment requires management's judgment, particularly in assessing:
– whether an event has occurred that may affect asset values,
– whether the carrying value of an asset can be supported by the net present value of future cash flows, which are estimated based upon the continued use of the asset in the business,
– the appropriate assumptions to be applied in preparing cash flow projections, and
– the discounting of these cash flows.

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

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

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

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

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

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

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

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

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

Deferred taxes

Key sources of estimation uncertainty

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

Revenue recognition

Key sources of estimation uncertainty

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

Accounting judgment

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

- if the risks and rewards have been transferred to the buyer, to determine if revenue and cost should be recognized in the current period,
- the degree of completion of service contracts and the estimated total costs for such contracts, to determine the revenue and cost to be recognized in the current period and whether any losses need to be recognized, and
- the customer credit risk (i.e. the risk that the customer will not meet the payment obligation), to determine and justify the revenue recognized in the current period.

Warranty provisions

Key sources of estimation uncertainty

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

2. Acquisitions

The following summarizes the significant acquisitions during 2015 and 2014:

Closing date		Country	Business area	Revenues[1]	Number of employees[1]
2015 Dec. 15	Air Supply Systems and A-1 Air Compressor Corp.	U.S.A.	Compressor Technique	[2]	37
2015 Dec. 4	Innovative Vacuum Solutions Inc.	U.S.A.	Compressor Technique	32	19
2015 Oct. 5	NJS Technologies	United Kingdom	Industrial Technique	9	7
2015 Sep. 9	Air Repair Sales and Service Ltd.	Canada	Compressor Technique	[2]	12
2015 Aug. 7	Applied Plasma Systems Co.	South Korea	Compressor Technique	9	5
2015 July 2	Mustang Services	U.S.A	Construction Technique	45	2
2015 Mar. 3	Kalibriercentrum Bayern	Germany	Industrial Technique	28	27
2015 Jan. 8	Maes Compressoren NV	Belgium	Compressor Technique	65	30
2014 Dec. 31	Titan Technologies International Inc.	U.S.A.	Industrial Technique	35	14
2014 Sep. 10	Henrob	U.S.A. and United Kingdom	Industrial Technique	1 063	400
2014 Sep. 3	Ash Air (NZ) Ltd. and Fox Air NZ Ltd.	New Zealand	Compressor Technique	162	120
2014 May 27	Cavaletti Equipamentos e Servicos Ltda	Brazil	Compressor Technique	26	34
2014 May 5	National Pump & Compressor Ltd. & McKenzie Compressed Air Inc.	U.S.A.	Compressor Technique	[2]	120
2014 Feb. 3	Geawelltech	Sweden	Mining and Rock Excavation Technique	[2]	19
2014 Jan. 9	Edwards Group	Global	Compressor Technique	6 950	3 400

[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.

All acquisitions above were made through the purchase of 100% of shares and voting rights or through the purchase of the net assets of the acquired operations. The Group received control over the operations upon the date of acquisition. No equity instruments have been issued in connection with the acquisitions. All acquisitions have been accounted for using the acquisition method.

The amounts presented in the following tables detail the recognized amounts aggregated by business area, as the relative amounts of the individual acquisitions are not considered significant. The fair values related to intangible assets are amortized over 5–15 years. For those acquisitions that include a contingent consideration clause, the fair value of the contingent consideration has been calculated based on a discount rate of 10.5%. For more information about the valuation of contingent consideration, see note 27. The Group is in the process of reviewing the final values for the acquired businesses. No adjustments are expected to be material. Adjustments related to the acquisitions made in 2015 are included in the following tables.

2. **Acquisitions,** continued

Compressor Technique	Recognized values 2015	2014
Intangible assets	45	4 256
Property, plant and equipment	12	1 280
Other assets	70	2 547
Cash and cash equivalents	11	917
Interest-bearing loans and borrowings	–4	–3 305
Other liabilities and provisions	–18	–2 681
Net identifiable assets	**116**	**3 014**
Goodwill	24	5 257
Total consideration	**140**	**8 271**
Deferred consideration	2	13
Cash and cash equivalents acquired	–11	–917
Net cash outflow	**131**	**7 367**

In January, the Compressor Technique business area acquired Belgian distributor Maes Compressoren NV. The acquisition increases Atlas Copco's presence distributing and servicing compressors in Belgium. Intangible assets of 39 were recorded on the purchase.

In August, the assets of Applied Plasma Systems Co., Ltd. (Apsys), a Korean manufacturer of abatement systems used by the semiconductor and flat panel industries, were acquired. The acquisition is considered to fit Atlas Copco well as Apsys has developed a leading technology that will help expand Atlas Copco's vacuum solutions business. Intangible assets of 10 were recorded on the purchase.

Canadian Air Repair Sales and Services Limited was acquired in September. The company is an authorized Atlas Copco distributor that sells and services industrial air compressors and air treatment systems and the acquisition enhances Atlas Copco's access to the market in eastern Canada. Intangible assets of 1 were recorded on the purchase.

Innovative Vacuum Solutions Inc., based in Tampa, Florida, U.S.A., was acquired in December. The company specializes in the repair and maintenance of industrial and high vacuum pumps and related equipment, mainly on the U.S. East Coast. The acquisition is considered to fit well into Atlas Copco's strategy of increasing its presence in the U.S. vacuum market by providing high-quality service to its customers. Intangible assets of 22 were recorded on the purchase.

Also in December, distributors Air Supply Systems Inc. and A-1 Air Compressor Corp. were acquired. The acquisitions increase Atlas Copco's direct presence in the Midwestern U.S.A. Intangible assets of 17 and goodwill of 10 were recorded on the acquisitions. The goodwill is not deductible for tax.

Industrial Technique	Recognized values 2015	2014
Intangible assets	–116	1 348
Property, plant and equipment	1	529
Other assets	–2	418
Cash and cash equivalents	–	40
Interest-bearing loans and borrowings	–	–302
Other liabilities and provisions	44	–670
Net identifiable assets	**–73**	**1 363**
Goodwill	52	1 807
Total consideration	**–21**	**3 170**
Deferred consideration	1 644	–2 135
Cash and cash equivalents acquired	–	–40
Net cash outflow	**1 623**	**995**

In March, the Industrial Technique business area acquired German calibration specialist Kalibriercentrum Bayern, which provides laboratory and field calibration and related services to customers in such industries as motor vehicle manufacturing and aerospace. The acquisition will expand the service offering to industrial customers, initially in Germany and later in other markets. Intangible assets of 14 and goodwill of 1 were recorded on the purchase. The goodwill is deductible for tax.

The assets of NJS Technologies Ltd., an engineering and sales company that specializes in process control systems for assembly operations were acquired in October. NJS Technologies (commonly known as Pivotware) is based in Burton, United Kingdom, and the acquisition is considered a strategic fit as it will expand the product and service offering to manufacturing customers globally. Intangible assets of 14 were recorded on the purchase.

Some adjustments related to the 2014 acquisition of Henrob were made in 2015. These include a reduction of 62 in the fair value of deferred contingent consideration, a reduction of intangible assets of 143 and deferred tax liability of 38. Goodwill increased with 51.

Net cash outflow includes deferred consideration related to Henrob that was paid in January.

Mining and Rock Excavation Technique	Recognized values 2015	2014
Intangible assets	–	8
Property, plant and equipment	–	–6
Other assets	–	23
Cash and cash equivalents	–	33
Other liabilities and provisions	–	–15
Net identifiable assets	**–**	**43**
Goodwill	–	13
Total consideration	**–**	**56**
Deferred consideration	20	30
Cash and cash equivalents acquired	–	–33
Net cash outflow	**20**	**53**

The Mining and Rock Excavation Technique business area made no acquisitions in 2015. Net cash outflow includes deferred consideration related to acquisitions in prior years.

Construction Technique	Recognized values 2015	2014
Intangible assets	4	–
Property, plant and equipment	74	–
Other liabilities and provisions	–	–1
Net identifiable assets	**78**	**–1**
Goodwill	–	1
Total consideration	**78**	**–**
Net cash outflow	**78**	**–**

In July, the Construction Technique business area acquired the operating assets of Mustang Services, a U.S. specialty dryer rental business that serves industries such as refineries, petrochemical plants and general manufacturing. The acquisition is considered to fit well with Atlas Copco's strategy as it expands its offering in North America, the biggest market for rental of dryers. Intangible assets of 4 were recorded on the purchase.

2. Acquisitions, continued

Total fair value of acquired assets and liabilities	Group recognized values		
	2015	2014	of which Edwards
Intangible assets	–67	5 612	3 933
Property, plant and equipment	87	1 803	1 252
Other non-current assets	–	74	74
Inventories	36	1 333	1 013
Receivables*	36	1 426	1 254
Other current assets	–4	155	148
Cash and cash equivalents	11	990	917
Interest-bearing loans and borrowings	–4	–3 607	–3 300
Other liabilities and provisions	–16	–2 546	–2 177
Deferred tax assets/liabilities, net	42	–821	–454
Net identifiable assets	**121**	**4 419**	**2 660**
Goodwill	76	7 078	5 118
Total consideration	**197**	**11 497**	**7 778**
Deferred consideration	1 666	–2 092	–
Cash and cash equivalents acquired	–11	–990	–917
Net cash outflow	**1 852**	**8 415**	**6 861**

* The gross amount is 37 (1 459) of which 1 (33) 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 197. Deferred consideration includes both deferred consideration not yet paid for acquisitions made in 2015 and settlement of deferred consideration for acquisitions made in prior years. For all acquisitions, the net cash outflow totaled 1 852 after deducting cash and cash equivalents acquired of 11.

Acquisition-related costs amounted to 28 (20) and were included mainly in "Administrative expenses" in the income statement for 2015. These include costs for announced acquisitions that will be completed in 2016.

Contribution from businesses acquired in 2015 and 2014 by business area	Compressor Technique		Industrial Technique		Mining and Rock Excavation Technique		Construction Technique		Group	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Contribution from date of control										
Revenues	75	8 763	17	506	–	53	29	–	121	9 322
Operating profit	–10	1 577	–2	81	–	4	14	–	2	1 662
Profit for the year									–	1 282
Contribution if the acquisition had occurred on Jan. 1										
Revenues	213	8 972	32	1 144	–	58	58	–	303	10 174
Operating profit	–6	1 598	–2	98	–	5	25	–	17	1 701
Profit for the year									8	1 327

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

3. Divestments and assets held for sale

Divestments

In February, Atlas Copco sold its JC Carter business, based in California, USA, which produces cryogenic submerged motor pumps, to Nikkiso Cryo Inc. of Las Vegas, Nevada, USA. Nikkiso Cryo is a subsidiary to Japan based Nikkiso Ltd. Atlas Copco JC Carter had around 35 employees. The business was part of Atlas Copco's Gas and Process division within the Compressor Technique business area.

In addition, some minor divestments, including Compressor Technique's Ortman Fluid Power business, were made.

The result from these divestments is reported under "Other operating income". See note 7.

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

Assets held for sale

Two buildings located in US, amounting to 53 were reclassified to assets held for sale in 2015. Both buildings were sold during 2015.

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

Carrying value of divested assets and liabilities	2015	2014
Intangible assets	30	–
Other property, plant and equipment	2	–
Inventories	14	–
Net identifiable assets	**46**	**–**
Capital gain	10	–
Contingent consideration	2	–
Net cash effect	**58**	**–**

4. Segment information

2015	Compressor Technique	Industrial Technique	Mining and Rock Excavation Technique	Construction Technique	Common group functions	Eliminations	Group
Revenues from external customers	45 928	14 528	26 558	14 940	207	–	102 161
Inter-segment revenues	309	50	107	360	134	–960	–
Total revenues	**46 237**	**14 578**	**26 665**	**15 300**	**341**	**–960**	**102 161**
Operating profit	**10 324**	**3 355**	**4 993**	**1 839**	**–779**	**–4**	**19 728**
– of which share of profit in associated companies and joint ventures	*–*	*5*	*2*	*–*	*–*	*–*	*7*
Net financial items							–905
Income tax expense							–7 100
Profit for the year							**11 723**
Non-cash expenses							
Depreciation/amortization	1 373	616	1 097	920	285	–91	4 200
Impairment	10	2	134	1	–	–	147
Other non-cash expenses	–144	–33	9	18	–11	–	–161
Segment assets	**37 647**	**13 132**	**18 631**	**16 238**	**3 273**	**–1 233**	**87 688**
– of which goodwill	*9 815*	*4 135*	*1 483*	*5 089*	*–*	*–*	*20 522*
Investments in associated companies and joint ventures	1	108	16	–	–	–	125
Unallocated assets							15 197
Total assets							**103 010**
Segment liabilities	**11 746**	**2 734**	**4 928**	**2 411**	**3 678**	**–1 400**	**24 097**
Unallocated liabilities							32 163
Total liabilities							**56 260**
Capital expenditures							
Property, plant and equipment	594	535	1 051	557	472	–158	3 051
– of which assets leased	*8*	*3*	*70*	*2*	*–*	*–*	*83*
Intangible assets	355	156	305	272	80	–	1 168
Total capital expenditures	**949**	**691**	**1 356**	**829**	**552**	**–158**	**4 219**
Goodwill acquired	24	52	–	–	–	–	76

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

4. Segment information, continued

The Group is organized in separate and focused but still integrated business areas, each operating through divisions. The business areas offer different products and services to different customer groups. They are also the basis for management and internal reporting and are regularly reviewed by the Group's President and CEO, the chief operating decision maker. All business areas are managed on a worldwide basis and their role is to develop, implement and follow up the objectives and strategies within their respective business. For a description of the business areas, see pages 20–35.

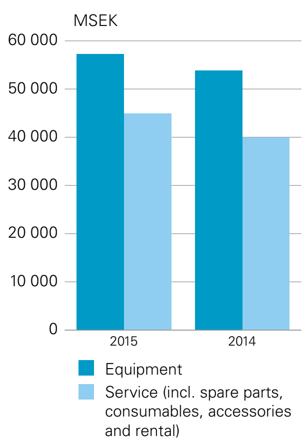
Common group functions, i.e. functions which serve all business areas or the Group as a whole, is not considered a segment.

The accounting principles for the segments are the same as those described in note 1. Atlas Copco's inter-segment pricing is determined on a commercial basis.

Segment assets are comprised of property, plant and equipment, intangible assets, other non-current receivables, inventories, and current receivables.

Segment liabilities include the sum of non-interest-bearing liabilities such as operating liabilities, other provisions, and other non-current liabilities. Capital expenditure includes property, plant and equipment, and intangible assets, but excludes the effect of goodwill, intangible assets and property, plant and equipment through acquisitions.

Revenues from external customers



Geographical information

The revenues presented are based on the location of the customers while non-current assets are based on the geographical location of the assets. These assets include non-current assets other than financial instruments, investments in associated companies and joint ventures, deferred tax assets, and post-employment benefit assets.

By geographic area/country	Revenues		Non-current assets	
	2015	2014	2015	2014
North America				
Canada	3 654	3 282	308	331
U.S.A.	18 510	15 778	7 844	7 567
Other countries	2 590	2 143	160	129
	24 754	**21 203**	**8 312**	**8 027**
South America				
Brazil	2 883	3 727	337	392
Chile	2 254	1 821	135	121
Other countries	2 712	2 552	97	69
	7 849	**8 100**	**569**	**582**
Europe				
Belgium	944	811	1 928	1 948
France	2 819	2 625	232	244
Germany	4 565	4 673	2 876	3 172
Italy	2 126	1 728	912	996
Russia	2 393	2 783	63	96
Sweden	1 951	1 939	9 537	9 815
United Kingdom	3 427	2 886	14 327	13 691
Other countries	11 881	11 434	1 249	1 398
	30 106	**28 879**	**31 124**	**31 360**
Africa/Middle East				
South Africa	2 191	2 425	139	213
Other countries	7 820	6 812	323	362
	10 011	**9 237**	**462**	**575**
Asia/Australia				
Australia	3 643	3 851	390	433
China	12 542	11 536	2 792	2 827
India	3 470	2 750	594	573
Other countries	9 786	8 165	1 300	1 430
	29 441	**26 302**	**5 076**	**5 263**
Total	**102 161**	**93 721**	**45 543**	**45 807**

4. Segment information, continued

Quarterly data

Revenues by business area MSEK	2015				2014			
	1	2	3	4	1	2	3	4
Compressor Technique	11 049	11 462	11 875	11 851	9 409	10 353	10 718	11 685
– of which external	10 951	11 378	11 806	11 793	9 361	10 307	10 682	11 653
– of which internal	98	84	69	58	48	46	36	32
Industrial Technique	3 394	3 697	3 668	3 819	2 505	2 650	2 827	3 468
– of which external	3 382	3 684	3 656	3 806	2 493	2 636	2 816	3 454
– of which internal	12	13	12	13	12	14	11	14
Mining and Rock Excavation Technique	6 756	6 870	6 481	6 558	6 251	6 396	6 449	6 622
– of which external	6 724	6 856	6 451	6 527	6 237	6 373	6 398	6 618
– of which internal	32	14	30	31	14	23	51	4
Construction Technique	3 698	4 256	3 855	3 491	3 354	4 068	3 692	3 625
– of which external	3 634	4 136	3 762	3 408	3 272	3 971	3 621	3 558
– of which internal	64	120	93	83	82	97	71	67
Common Group functions/eliminations	–152	–174	–156	–137	–96	–119	–96	–40
Total	**24 745**	**26 111**	**25 723**	**25 582**	**21 423**	**23 348**	**23 590**	**25 360**

Operating profit by business area MSEK	2015				2014			
	1	2	3	4	1	2	3	4
Compressor Technique	2 392	2 603	2 709	2 620	1 915	2 219	2 369	2 471
in % of revenues	*21.6*	*22.7*	*22.8*	*22.1*	*20.4*	*21.4*	*22.1*	*21.1*
Industrial Technique	770	865	866	854	543	595	636	783
in % of revenues	*22.7*	*23.4*	*23.6*	*22.4*	*21.7*	*22.5*	*22.5*	*22.6*
Mining and Rock Excavation Technique	1 276	1 258	1 296	1 163	1 071	1 155	856	1 225
in % of revenues	*18.9*	*18.3*	*20.0*	*17.7*	*17.1*	*18.1*	*13.3*	*18.5*
Construction Technique	450	457	538	394	406	545	422	395
in % of revenues	*12.2*	*10.7*	*14.0*	*11.3*	*12.1*	*13.4*	*11.4*	*10.9*
Common Group functions/eliminations	–369	–111	–96	–207	–175	–175	–138	–103
Operating profit	**4 519**	**5 072**	**5 313**	**4 824**	**3 760**	**4 339**	**4 145**	**4 771**
in % of revenues	*18.3*	*19.4*	*20.7*	*18.9*	*17.6*	*18.6*	*17.6*	*18.8*
Net financial items	–232	–222	–271	–180	–158	–165	–266	–335
Profit before tax	**4 287**	**4 850**	**5 042**	**4 644**	**3 602**	**4 174**	**3 879**	**4 436**
in % of revenues	*17.3*	*18.6*	*19.6*	*18.2*	*16.8*	*17.9*	*16.4*	*17.5*

5. Employees and personnel expenses

Average number of employees	2015			2014		
	Women	Men	Total	Women	Men	Total
Parent Company						
Sweden	65	53	118	61	56	117
Subsidiaries						
North America	1 089	5 335	6 424	1 005	5 303	6 308
South America	500	2 685	3 185	515	2 749	3 264
Europe	3 322	15 331	18 653	3 122	15 233	18 355
– of which Sweden	727	3 347	4 074	734	3 464	4 198
Africa/Middle East	442	2 166	2 608	404	2 285	2 689
Asia/Australia	2 229	10 371	12 600	2 374	10 538	12 912
Total in subsidiaries	**7 582**	**35 888**	**43 470**	**7 420**	**36 108**	**43 528**
Total	**7 647**	**35 941**	**43 588**	**7 481**	**36 164**	**43 645**

Females in the Board of Directors and Group Management, %	Dec. 31, 2015	Dec. 31, 2014
Parent Company		
Board of Directors [1]	33	33
Group Management	22	22

[1] The calculation is done according to the EU calculation model where CEO is excluded but the union representatives are included.

Remuneration and other benefits MSEK	Group 2015	Group 2014
Salaries and other remuneration	19 140	16 679
Contractual pension benefits	1 198	941
Other social costs	3 517	3 206
Total	**23 855**	**20 826**
Pension obligations to Board members and Group Management [1]	5	15

[1] Refers to former members of Group Management.

Remuneration and other benefits to the Board KSEK	Fee	Value of synthetic shares at grant date	Number of shares at grant date	Other fees [1]	Total fees incl. value of synthetic shares at grant date 2015	Adj. due to vesting and change in stock price [2]	Total expense recognized 2015 [3]	Total expense recognized 2014
Chairman:								
Hans Stråberg [4]	2 110	–	–	334	2 444	275	2 719	2 053
Other members of the Board:								
Ulla Litzén [4]	779	–	–	374	1 153	94	1 247	1 275
Anders Ullberg	593	–	–	120	713	94	807	851
Staffan Bohman [4]	683	–	–	173	856	95	951	1 183
Margareth Øvrum	296	300	1 172	–	596	68	664	1 001
Johan Forssell	296	300	1 172	150	746	68	814	1 145
Gunilla Nordström	296	300	1 172	–	596	67	663	856
Peter Wallenberg Jr	296	300	1 172	60	656	–26	630	819
Other members of the Board previous year	–	–	–	–	–	315	315	1 272
Union representatives (4 pers)	48	–	–	–	48	–	48	44
Total 2015	**5 397**	**1 200**	**4 688**	**1 211**	**7 808**	**1 050**	**8 858**	
Total 2014	4 499	2 090	10 943	1 113	7 702	2 797		10 499

[1] Refers to fees for membership in board committees.
[2] Refers to synthetic shares received in 2010–2015.
[3] Provision for synthetic shares as at December 31, 2015 amounted to MSEK 9 (13).
[4] Ulla Litzén, Hans Stråberg and Staffan Bohman invoiced their fees. The fees received include compensation for social costs.

Remuneration and other benefits to Group Management KSEK	Base salary	Variable compensation [1]	Other benefits [2]	Pension fees	Total, excl. recognized costs for share based payments	Recognized costs for share based payments [3]	Total expense recognized 2015	Total expense recognized 2014
President and CEO								
Ronnie Leten	14 000	11 200	2 017	4 900	32 117	–1 039	31 078	30 194
Other members of Group Management (8 positions)	25 268	11 496	2 901	8 346	48 011	–95	47 916	69 647
Total 2015	**39 268**	**22 696**	**4 918**	**13 246**	**80 128**	**–1 134**	**78 994**	
Total 2014	34 760	16 129	20 631 [4]	11 474	82 994	16 847		99 841
Total remuneration and other benefits to the Board and Group Management							87 852	110 340

[1] Refers to variable compensation earned in 2015 to be paid in 2016.
[2] Refers to vacation pay, company car, medical insurance, and other benefits.
[3] Refers to stock options and SARs received in 2010–2015 and includes recognized costs due to change in stock price and vesting period, see also note 23.
[4] Includes one-time cost due to changes in Group Management.

5. Employees and personnel expenses, continued

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

Principles for remuneration to the Board and Group Management
The principles for remuneration to the Board and Group Management are approved at the Annual General Meeting of the shareholders. The principles approved by the 2015 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 2015 are detailed in the table on the previous page. The remuneration to the President and CEO, who is a member of Group Management, is described in the following sections.

The Annual General Meeting decided that each board member can elect to receive 50% of the 2015 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 2015. The share rights are earned 25% per quarter as long as the member remains on the Board. After five years, the synthetic shares give the right to receive a cash payment per synthetic share based upon an average price for series A shares during 10 trading days following the release of the first quarterly interim report of the year of payment. The board members will receive dividends on series A shares until payment date in the form of new synthetic shares. If a board member resigns his or her position before the stipulated payment date as stated above, the board member has the right to request a prepayment. The prepayment will be made twelve months after the date from when the board member resigned or otherwise the original payment date is valid.

Four board members accepted the right to receive synthetic shares. The number and costs at grant date and at the end of the financial year are disclosed by board member in the table on the previous page.

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

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

- Base salary is determined by position, qualification, and individual performance.
- Variable compensation is dependent upon how certain quantitative and qualitative goals set in advance are achieved. The variable compensation is maximized to 80% of the base salary for the Group President, 60% for Business Area Presidents, and 50% for other members of Group Management.
- Performance related personnel option program for 2015, see note 23.
- Pension premiums are paid in accordance with a defined contribution plan with premiums ranging between 25 and 35% of base salary depending on age.
- Other benefits consist of company car and private health insurance.
- For the expatriates, certain benefits are paid in compliance with the Atlas Copco terms and conditions for expatriate employment.
- A mutual notice of termination of employment of six months shall apply.

The Board has the right to deviate from the principles stated above if special circumstances exist in a certain case. No fees are paid to Group Management for board memberships in Group companies nor do they receive compensation for other duties that they may perform outside the immediate scope of their duties.

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

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

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

Stock Options/share appreciations rights holdings as at Dec. 31, 2015

Grant Year	President and CEO	Other members of Group Management
2011	95 404	98 363
2012	112 001	231 773
2013	5 601	12 187
2014	121 015	260 493
2015 [1]	167 100	185 537
Total	**501 121**	**788 353**

[1] Estimated grants for the 2015 stock option program including matching shares. See note 23 for additional information.

Termination of employment
The CEO is entitled to a severance pay of twelve months if the Company terminates the employment and a further twelve months if other employment is not available.

Other members of Group Management are entitled to severance pay if the Company terminates their employment. The amount of severance pay is dependent on the length of employment with the Company and the age of the executive, but is never less than 12 months and never more than 24 months' salary.

Any income that the executive receives from employment or other business activity, whilst severance pay is being paid, will reduce the amount of severance pay accordingly.

Severance pay for the CEO and other members of Group Management is calculated only on the base salary and does not include variable compensation. Severance pay cannot be elected by the employee, but will only be paid if employment is terminated by the Company.

Remuneration and other committees
In 2015, Hans Stråberg, Chair, Peter Wallenberg Jr and Anders Ullberg were members of the remuneration committee. The committee proposed compensation to the President and CEO for approval by the Board. The committee also supported the President and CEO in determining the compensation to the other members of Group Management.

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

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

5. Employees and personnel expenses, continued

Workforce profile

Atlas Copco strives to grow local leaders where it operates. The geographical spread of employees and senior managers is in continuous development. As a customer-focused company, 50% of all employees work in marketing, sales or service.

Geographical spread of employees, %	Employees	Nationality of senior managers
North America	15	8
South America	7	4
Europe	43	70
Africa/Middle East	6	5
Asia/Australia	29	13
Total	**100**	**100**

Employees by professional category, %	2015	2014
Production	26	27
Marketing	8	8
Sales and support	13	13
Service	29	29
Administration	17	16
Research & development	7	7
Total	**100**	**100**

6. Remuneration to auditors

Audit fees and other services	2015	2014
Deloitte		
Audit fee	69	58
Audit activities other than the audit assignment	1	1
Other services, tax	9	6
Other services, other	4	4
Other audit firms		
Audit fee	5	6
Total	**88**	**75**

Audit fee refers to audit of the financial statements and the accounting records. For the Parent Company this also includes the administration of the business by the Board of Directors, the President and CEO.

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

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

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

At the Annual General Meeting 2015, Deloitte was elected as auditor for the Group until the Annual General Meeting 2016.

7. Other operating income and expenses

Other operating income	2015	2014
Commissions received	19	15
Income from insurance operations	162	151
Capital gain on sale of fixed assets	199	23
Capital gain on divestment of business	10	–
Exchange-rate differences, net	–	213
Other operating income	76	171
Total	**466**	**573**

Other operating expenses	2015	2014
Capital loss on sale of fixed assets	–79	–27
Exchange-rate differences, net	–66	–
Other operating expenses	–91	–164
Total	**–236**	**–191**

The capital gain and loss on sale of fixed assets includes the sale and leaseback of premises in Sweden amounting to a capital gain of 127 and a capital loss of –26. See note 28 for further information.

Additional information on costs by nature

Cost of goods sold includes expenses for inventories, see note 16, warranty costs, environmental fees, and transportation costs.

Salaries, remunerations and employer contributions amounted to 23 855 (20 826) whereof expenses for post employment benefits amounted to 1 198 (941). See note 5 for further details.

Government grants relating to expenses have been deducted in the related expenses by 60 (49). Government grants related to assets have been recognized as deferred income in the balance sheet and will be recognized as income over the useful life of the assets. The remaining value of these grants, at the end of 2015, amounted to 25 (38).

Included in the operating profit are exchange rate changes on payables and receivables, and the effects from currency hedging. The operating profit also includes 36 (62) of realized foreign exchange hedging result, which were previously recognized in equity. Amortization, depreciation and impairment charge for the year amounted to 4 347 (3 709). See note 12 and 13 for further details. Costs for research and development amounted to 3 287 (2 933).

8. Financial income and expenses

Financial income and expenses	2015	2014
Interest income		
– cash and cash equivalents	249	142
– finance lease receivables	166	169
– other	5	2
Capital gain		
– other assets	17	–
Financial income	**437**	**313**
Interest expenses		
– borrowings	–959	–855
– derivatives for fair value hedges	–58	–69
– pension provisions, net	–69	–46
– deferred considerations	–92	–42
Capital loss		
– other assets	–	–16
Change in fair value – other liabilities and borrowings	–9	–42
Foreign exchange loss, net	–134	–161
Impairment loss	–21	–6
Financial expenses	**–1 342**	**–1 237**
Financial expenses, net	**–905**	**–924**

"Foreign exchange loss, net" includes foreign exchange gains of 987 (98) on financial assets at fair value through profit and loss and foreign exchange losses of 1 121 (259) on other liabilities.

Interest from cash and cash equivalents is higher due to larger cash balances in foreign currency.

See note 27 for additional information.

9. Taxes

Income tax expense	2015	2014
Current taxes	–7 477	–4 169
Deferred taxes	377	253
Total	**–7 100**	**–3 916**

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

	2015	2014
Profit before tax	18 823	16 091
Weighted average tax based on national rates	–5 439	–4 624
– in %	28.9	28.7
Tax effect of:		
Non–deductible expenses	–368	–430
Withholding tax on dividends	–251	–49
Tax–exempt income	891	1 420
Adjustments from prior years:		
– current taxes	–2 132	–100
– deferred taxes	190	–89
Effects of tax losses/credits utilized	18	15
Change in tax rate, deferred tax	40	–6
Tax losses not valued	–46	–47
Other items	–3	–6
Income tax expense	**–7 100**	**–3 916**
Effective tax in %	37.7	24.3

The effective tax rate was 37.7% (24.3). Withholding tax on dividends of –251 (–49) relates to provisions on profits in countries where Atlas Copco incurs withholding taxes on repatriation of income. Tax-exempt income of 891 (1 420) refers to income that is not subject to taxation or subject to reduced taxation under local law in various countries. The net from tax issues and disputes in different countries amounted to –2 132 (–100).

Previously unrecognized tax losses/credits and deductible temporary differences, which have been recognized against current tax expense, amounted to 18 (15). No material unrecognized tax losses/credits or temporary difference have been used to reduce deferred tax expense.

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 multinationals with regard to "Excess Profit" shall be considered as illegal state aid and that unpaid taxes shall be reclaimed by the Belgian state. Atlas Copco has such tax ruling since 2010.

Following the European Commission decision Atlas Copco has made a provision of 2 802 in 2015. The amount fully covers the potential tax liability for the years 2010–2015. The tax provision for the years 2010–2014 is included in the net amount from tax issues and disputes, –2 132 (–100). The tax provision for year 2015 has increased current year's income tax expense.

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

Change in deferred taxes	2015	2014
Opening Net balance, Jan. 1	422	–66
Business acquisitions	42	–821
Charges to profit for the year	377	253
Tax on amounts recorded to equity	–494	1 011
Reclassifications	107	–
Translation differences	–128	45
Net balance, Dec. 31	**326**	**422**

9. Taxes, continued

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

Deferred tax assets and liabilities	2015			2014		
	Assets	Liabilities	Net balance	Assets	Liabilities	Net balance
Intangible assets	155	2 243	–2 088	119	2 360	–2 241
Property, plant and equipment	295	659	–364	361	755	–394
Other financial assets	12	29	–17	23	26	–3
Inventories	1 594	40	1 554	1 618	43	1 575
Current receivables	257	237	20	256	224	32
Operating liabilities	778	93	685	736	53	683
Provisions	418	5	413	457	5	452
Post–employment benefits	604	30	574	645	6	639
Borrowings	87	104	–17	265	–	265
Loss/credit carry-forwards	224	–	224	220	–	220
Other items [1]	10	668	–658	13	819	–806
Deferred tax assets/liabilities	**4 434**	**4 108**	**326**	**4 713**	**4 291**	**422**
Netting of assets/liabilities	–2 611	–2 611	–	–3 164	–3 164	–
Net deferred tax balances	**1 823**	**1 497**	**326**	**1 549**	**1 127**	**422**

[1] Other items primarily include tax deductions which are not related to specific balance sheet items.

Deferred tax assets regarding tax loss carry-forwards are reported to the extent that realization of the related tax benefit through future taxable results is probable. To the extent that it is not probable that taxable results will be available against which the unused tax losses can be utilized, a deferred tax asset is not recognized. At December 31, the Group had total tax loss carry-forwards of 4 715 (4 079), of which deferred tax assets were recognized for 1 074 (861). The tax value of reported tax loss carry-forwards totals 224 (220). 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 losses carry-forwards for which no deferred tax have been recognized expires in accordance with below table:

	2015	2014
Expires after 1–2 years	24	19
Expires after 3–4 years	1 030	522
Expires after 5–6 years	50	549
No expiry date	2 537	2 128
Total	**3 641**	**3 218**

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

	2015	2014
Intangible assets	203	–21
Property, plant and equipment	29	23
Other financial assets	16	–13
Inventories	9	–153
Current receivables	–9	64
Operating liabilities	32	159
Provisions	58	11
Post-employment benefits	–43	46
Borrowings	–25	86
Other items	98	55
Changes due to temporary differences	**368**	**257**
Loss/credit carry-forwards	9	–4
Charges to profit for the year	**377**	**253**

10. Other comprehensive income

Other comprehensive income for the year	2015			2014		
	Before tax	Tax	After tax	Before tax	Tax	After tax
Attributable to owners of the parent						
Items that will not be reclassified to profit or loss						
Remeasurments of defined benefit plans	662	–124	538	–759	194	–565
Items that may be reclassified subsequently to profit or loss						
Translation differences on foreign operations	–1 374	–295	–1 669	5 661	449	6 110
Hedge of net investments in foreign operations	681	–150	531	–1 052	231	–821
Cash flow hedges	68	–12	56	–199	31	–168
Adjustment for amounts transferred to the initial carrying amounts of acquired operations	–	–	–	81	–	81
Total other comprehensive income	**37**	**–581**	**–544**	**3 732**	**905**	**4 637**
Attributable to non-controlling interests						
Translation differences on foreign operations	4	–	4	26	–	26
Total other comprehensive income	**41**	**–581**	**–540**	**3 758**	**905**	**4 663**

11. Earnings per share

Amounts in SEK	Basic earnings per share		Diluted earnings per share	
	2015	2014	2015	2014
Earnings per share	9.62	10.01	9.58	9.99

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	2015	2014
Profit for the year	11 717	12 169

Average number of shares outstanding	2015	2014
Basic weighted average number of shares outstanding	1 217 420 945	1 215 605 904
Effect of employee stock options	1 286 968	988 378
Diluted weighted average number of shares outstanding	**1 218 707 913**	**1 216 594 282**

Potentially dilutive instruments
As of December 31, 2015, Atlas Copco had six outstanding employee stock option programs, of which the exercise price, including adjustment for remaining vesting costs for the 2014 and 2015 programs, exceeded the average share price for series A shares, SEK 238.7 per share. These programs are, therefore, considered anti-dilutive and are not included in the calculation of diluted earnings per share. If the average share price, adjusted in accordance with above, exceeds the strike price in the future, these options will be dilutive. The redemption procedure approved by the 2015 AGM, whereby every share was split into one ordinary share and one redemption share which was then automatically redeemed, did not have any impact on the weighted average number of shares.

12. Intangible assets

Impairment tests for cash-generating units with goodwill and for intangible assets with indefinite useful lives
Impairment tests (including sensitivity analyses) are performed as per September 30 each year.

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

Businesses acquired in 2015 as well as those in previous years, and their related cash flows, have in most cases been integrated with other Atlas Copco operations soon after the acquisition. In instances where the acquired business is not yet integrated and hence is monitored separately, the associated goodwill is tested for impairment separately. Atlas Copco acquired Edwards Group January 9, 2014. Goodwill and intangible assets have been included in the Compressor Technique values, and this year, as well as previous year, their values have also been tested separately.

The recoverable amounts of the cash generating units have been calculated as value in use based on management's five-year forecast for net cash flows where the most significant assumptions are revenues, operating profits, working capital, and capital expenditures.

All assumptions for the five-year forecast are estimated individually for each of the business areas based on their particular market position and the characteristics and development of their end markets. The forecasts represent management's assessment and are based on both external and internal sources. The perpetual growth for the period after five years is estimated at 3%. The Group's average weighted cost of capital in 2015 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. 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.

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

	2015		2014	
	Trademarks	Goodwill	Trademarks	Goodwill
Compressor Technique	1 169	9 815	1 098	9 343
Industrial Technique	–	4 135	–	3 989
Mining and Rock Excavation Technique	–	1 483	–	1 481
Construction Technique	1 225	5 089	1 225	5 107
Total	**2 394**	**20 522**	**2 323**	**19 920**

The trade names of Edwards in the Vacuum Solutions division and Dynapac in the Road Construction Equipment division represent strong trade names that have been used for a long time in their industries. Management's intention is that these trade names will be used 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:

	2015		2014	
	Internally generated	Acquired	Internally generated	Acquired
Cost of sales	18	33	16	32
Marketing expenses	17	548	16	458
Administrative expenses	58	58	53	43
Research and development expenses	616	299	420	266
Other operating expenses	–	–	–	7
Total	**709**	**938**	**505**	**806**

Impairment charges on intangible assets totaled 142 (106) of which 130 (76) were classified as research and development expenses in the income statement, and 3 (23) were classified as marketing expenses. Of the impairment charges, 127 (57) were due to capitalized development costs relating to projects discontinued.

12. Intangible assets, continued

2015	Internally generated intangible assets: Product development	Internally generated intangible assets: Other technology and contract based	Acquired intangible assets: Product development	Acquired intangible assets: Trademark	Acquired intangible assets: Marketing and customer related	Acquired intangible assets: Other technology and contract based	Goodwill	Total
Cost								
Opening balance, Jan. 1	5 485	1 278	96	3 742	5 157	4 658	19 957	40 373
Investments	875	148	–	–	–	145	–	1 168
Business acquisitions	–	–	–	3	–118	48	76	9
Divestments of business	–	–	–	–16	–11	–14	–20	–61
Disposals	–264	–62	–	–	–47	–37	–	–410
Reclassifications	15	1	–27	–	–	–9	–	–20
Translation differences	–66	–26	–	85	153	114	545	805
Closing balance, Dec. 31	**6 045**	**1 339**	**69**	**3 814**	**5 134**	**4 905**	**20 558**	**41 864**
Amortization and impairment losses								
Opening balance, Jan. 1	3 094	537	59	631	1 626	1 192	37	7 176
Amortization for the period	487	94	–	120	428	376	–	1 505
Impairment charge for the period	128	–	–	–	3	11	–	142
Divestments of business	–	–	–	–13	–11	–6	–	–30
Disposals	–263	–62	–	–	–47	–28	–	–400
Reclassifications	37	–3	–30	–	–	–7	–	–3
Translation differences	–49	–4	–2	–3	20	–7	–1	–46
Closing balance, Dec. 31	**3 434**	**562**	**27**	**735**	**2 019**	**1 531**	**36**	**8 344**
Carrying amounts								
At Jan. 1	2 391	741	37	3 111	3 531	3 466	19 920	33 197
At Dec. 31	**2 611**	**777**	**42**	**3 079**	**3 115**	**3 374**	**20 522**	**33 520**

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

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

For information regarding amortization and impairment principles, see note 1.

See note 2 for information on business acquisitions.

13. Property, plant and equipment

2015	Buildings and land	Machinery and equipment	Construction in progress and advances	Total	Rental equipment
Cost					
Opening balance, Jan. 1	6 173	13 739	674	20 586	6 013
Investments	117	837	797	1 751	1 300
Business acquisitions	–5	18	–	13	74
Divestments of business	–	–21	–	–21	–
Disposals	–513	–1 054	–	–1 567	–757
Reclassifications	91	515	–707	–101	–463
Translation differences	–41	–227	6	–262	–81
Closing balance, Dec. 31	**5 822**	**13 807**	**770**	**20 399**	**6 086**
Depreciation and impairment losses					
Opening balance, Jan. 1	2 376	8 777	–	11 153	2 836
Depreciation for the period	253	1 438	–	1 691	1 004
Impairment charge for the period	3	–	–	3	2
Divestments	–	–19	–	–19	–
Disposals	–243	–891	–	–1 134	–498
Reclassifications	–32	–5	–	–37	–286
Translation differences	–38	–167	–	–205	–48
Closing balance, Dec. 31	**2 319**	**9 133**	**–**	**11 452**	**3 010**
Carrying amounts					
At Jan. 1	3 797	4 962	674	9 433	3 177
At Dec. 31	**3 503**	**4 674**	**770**	**8 947**	**3 076**

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

For information regarding depreciation, see note 1.

14. Investments in associated companies and joint ventures

Accumulated capital participation	2015	2014
Opening balance, Jan. 1	115	101
Dividends	–2	–3
Profit for the year after income tax	7	7
Translation differences	5	10
Closing balance, Dec. 31	**125**	**115**

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

Summary of financial information for associated companies and joint ventures	Country	Assets	Liabilities	Equity	Revenues	Profit for the year	Group's share, % [1]
2015							
Associated companies							
Qingdao Qianshao Pneumatic Tool Manufacturing Tech Ltd.	China	69	17	52	53	–	25
Shenzen Nectar Engineering & Equipment Co. Ltd.	China	135	66	69	131	8	25
Yanggu Wuyue Special Steel Co.Ltd.	China	1 064	1 303	–239	134	–97	25
Reintube S.L.	Spain	6	4	2	12	–	47
Joint ventures							
Toku-Hanbai Group	Japan	349	159	190	631	10	50
2014							
Associated companies							
Qingdao Qianshao Pneumatic Tool Manufacturing Tech Ltd.	China	65	14	51	45	–1	25
Shenzen Nectar Engineering & Equipment Co. Ltd.	China	90	30	60	89	3	25
Yanggu Wuyue Special Steel Co.Ltd.	China	827	970	–143	109	–80	25
Reintube S.L.	Spain	8	6	2	14	–	47
Joint ventures							
Toku-Hanbai Group	Japan	327	151	176	631	13	50

The above table is based on the most recent financial reporting available from associated companies and joint ventures. The Group has stopped recognizing its share of losses in Yanggu Wuyue Special Steel Co. Ltd. The unrecognized share of losses for 2015 is –24 (–20). Accumulated unrecognized losses amount to –63, calculated at end of period rate for December.

15. Other financial assets

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

	2015	2014
Non-current		
Pension and other similar benefit assets (note 23)	396	100
Derivatives		
– held for trading	1	–
– designated for hedge accounting	102	160
Available-for-sale investments	3	2
Held-to-maturity investments	167	190
Financial asset at fair value through profit and loss	124	–
Financial assets classified as loans and receivables		
– finance lease receivables	423	397
– other financial receivables	913	961
Closing balance, Dec. 31	**2 129**	**1 810**
Current		
Held-to-maturity investments	25	172
Financial assets classified as loans and receivables		
– finance lease receivables	460	502
– other financial receivables	1 091	1 476
Closing balance, Dec. 31	**1 576**	**2 150**

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

16. Inventories

	2015	2014
Raw materials	984	1 108
Work in progress	2 600	2 622
Semi-finished goods	3 936	4 567
Finished goods	9 386	10 067
Closing balance, Dec. 31	**16 906**	**18 364**

Provisions for obsolescence and other write-downs of inventories recorded as cost of sales amounted to 1 128 (861). Reversals of write-downs which were recognized in earnings totaled 381 (294). Previous write-downs have been reversed as a result of improved market conditions in certain markets.

Inventories recognized as expense amounted to 47 244 (44 890). Inventories pledged as security for liabilities amounted to – (60), see note 26 for additional information.

17. Trade receivables

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

Provisions for bad debts, trade	2015	2014
Provisions at Jan. 1	939	759
Business acquisitions and divestments	1	33
Provisions recognized for potential losses	616	393
Amounts used for established losses	–267	–176
Release of unnecessary provisions	–213	–160
Change in discounted amounts	2	–1
Translation differences	–25	91
Closing balance, Dec. 31	**1 053**	**939**

Trade receivables of 19 552 (19 903) are reported net of provisions for doubtful accounts and other impairments amounting to 1 053 (939).

Provisions for doubtful accounts and impairment losses recognized in the income statement totaled 616 (394).

For credit risk information, see note 27.

18. Other receivables

Fair value for other receivables corresponds to their carrying value.

	2015	2014
Derivatives		
– held for trading	252	134
– designated for hedge accounting	71	32
Financial assets classified as loans and receivables		
– other receivables	2 511	2 789
– accrued income	2 210	1 869
Prepaid expenses	740	808
Closing balane, Dec. 31	**5 784**	**5 632**

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

See note 27 for information on the Group's derivatives.

19. Cash and cash equivalents

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

	2015	2014
Cash	4 468	6 184
Cash equivalents	4 393	3 220
Closing balance, Dec. 31	**8 861**	**9 404**

During 2015, cash and cash equivalents had an estimated average effective interest rate of 1.47% (0.69). Estimated average effective interest rate has increased due to larger deposits in currencies with higher interest rates. The committed, but unutilized, credit lines are MEUR 1 740 (1 460), which equals to MSEK 15 892 (13 932).

See note 27 for additional information.

20. Equity

Shares outstanding	2015 A shares	2015 B shares	2015 Total	2014 A shares	2014 B shares	2014 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
Split of shares 2:1	839 394 096	390 219 008	1 229 613 104	–	–	–
	1 678 788 192	**780 438 016**	**2 459 226 208**	**839 394 096**	**390 219 008**	**1 229 613 104**
Redemption of shares	–827 726 884	–389 717 629	–1 217 444 513	–	–	–
Redemption of shares held by Atlas Copco	–11 667 212	–501 379	–12 168 591	–	–	–
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	–13 123 103	–393 879	–13 516 982	–11 111 707	–501 379	–11 613 086
Total shares outstanding, Dec. 31	**826 270 993**	**389 825 129**	**1 216 096 122**	**828 282 389**	**389 717 629**	**1 218 000 018**

At December 31, 2015, Atlas Copco AB's share capital amounted to SEK 786 008 190 distributed among 1 229 613 104 shares, each with a quota value of approximately SEK 0.64 (0.64). Series A shares entitle the holder to one voting right and series B shares entitle the holder to one-tenth of a voting right per share.

Repurchases/ Divestment of shares	Number of shares 2015	AGM mandate 2015 Apr.–Dec.	AGM mandate 2014 Jan.–Mar.	2014	AGM mandate 2014 Apr.–Dec.	AGM mandate 2013 Jan.–Mar.	Cost value affecting equity 2015	Cost value affecting equity 2014
Opening balance, Jan. 1	11 613 086			16 060 191			1 556	2 152
Repurchase of A shares	5 500 000	1 900 000	3 600 000	–	–	–	1 380	–
Divestment of A shares	–3 488 604	–820 902	–2 667 702	–4 303 105	–3 162 080	–1 141 025	–552	–586
Divestment of B shares	–107 500	–107 500	–	–144 000	–144 000	–	–7	–10
Closing balance, Dec. 31	**13 516 982**			**11 613 086**			**2 377**	**1 556**
Percentage of shares outstanding	1.1%			1.0%				

Atlas Copco has generated significant cash flows in recent years, resulting in a strong financial position. To adjust the Group's capital structure without jeopardizing the capacity to finance further growth, the 2015 Annual General Meeting approved a redemption procedure and the following transactions were performed in 2015:

- Split of each series A and series B shares into one ordinary share and one redemption share.
- Reduction of the share capital for repayment to the shareholders by way of redemption of 1 229 613 104 redemption shares at SEK 6.00 per share. This corresponds to a total distribution of SEK 7 304 667 078 to the shareholders, taking into account that 12 168 591 shares were held by Atlas Copco and thus not eligible for repayment.
- Increase of share capital by MSEK 393 by way of a bonus issue whereby the Company´s non-restricted equity was used.

The 2015 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 3 800 000 series A shares, whereof a maximum 3 500 000 may be transferred to personnel stock option holders under the performance stock option plan 2015.
- The purchase of not more than 70 000 series A shares, later to be sold on the market in connection with payment to board members who have opted to receive synthetic shares as part of their board fee.
- The sale of not more than 30 000 series A shares to cover costs related to previously issued synthetic shares to board members.
- The sale of maximum 8 100 000 series A and B shares in order to cover the obligations under the performance stock option plans 2010, 2011 and 2012.

The 2014 AGM approved a mandate for the Board of Directors to repurchase and sell series A shares and series B shares on Nasdaq Stockholm in order to fulfill the obligations under the performance stock option plan. The mandate is valid until the next AGM and allows:

- The purchase of not more than 4 800 000 series A shares, whereof a maximum 3 500 000 may be transferred to personnel stock option holders under the performance stock option plan 2014.
- The purchase of not more than 70 000 series A shares, later to be sold on the market in connection with payment to board members who have opted to receive synthetic shares as part of their board fee.
- The sale of not more than 55 000 series A shares to cover costs related to previously issued synthetic shares to board members.
- The sale of maximum 8 800 000 series A and B shares in order to cover the obligations under the performance stock option plans 2009, 2010 and 2011.

Repurchases and sales are subject to market conditions, regulatory restrictions, and the capital structure at any given time. During 2015, 5 500 000 series A shares were repurchased while 3 488 604 series A shares and 107 500 series B shares were divested in accordance with mandates granted by the 2014 and 2015 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 2011–2015 personnel stock option programs. The series B shares held can be divested over time to cover costs related to the personnel stock option programs, including social insurance charges, cash settlements or performance of alternative incentive solutions in countries where allotment of employee stock options is unsuitable. The total number of shares of series A and series B held by Atlas Copco is presented in the table above.

Reserves

Consolidated equity includes certain reserves which are described below:

Hedging reserve

The hedging reserve comprises the effective portion of net changes in fair value for certain cash flow hedging instruments.

Translation reserve

The translation reserve comprises all exchange differences arising from the translation of the financial statements of foreign operations, the translation of intra-group receivables from or liabilities to foreign operations that in substance are part of the net investment in the foreign operations, as well as from the translation of liabilities that hedge the company's net investments in foreign operations.

Non-controlling interest

Non-controlling interests amount to 159 (178). Five subsidiaries, including Shandong Rock Drilling Tools Co. Ltd and Atlas Copco (India) Ltd., have non-controlling interests. None of these are material to the Group.

Appropriation of profit

The Board of Directors proposes a dividend of SEK 6.30 (6.00) per share, totaling SEK 7 661 405 569 if shares held by the company on December 31, 2015 are excluded. For further information, see appropriation of profit on page 19.

The proposed dividend for 2014 of SEK 6.00 per share, as approved by the AGM on April 28, 2015, was accordingly paid by Atlas Copco AB. Total dividend paid amounted to SEK 7 304 781 228.

21. Borrowings

	Maturity	Repurchased nominal amount	2015 Carrying amount	2015 Fair value	2014 Carrying amount	2014 Fair value
Non-current						
Medium Term Note Program MEUR 500	2019		4 567	4 823	4 771	5 076
Medium Term Note Program MEUR 500	2023		4 545	4 937	4 746	5 191
Capital market borrowings MUSD 800	2017		6 897	7 173	6 635	7 088
Capital market borrowings MUSD 150	2019	MUSD 7.5	1 190	1 475	1 117	1 446
Bilateral borrowings EIB MEUR 275	2019		2 512	2 561	2 624	2 693
Bilateral borrowings NIB MEUR 200	2024		1 827	1 908	1 718	1 803
Other bank loans			304	304	405	405
Less current portion of long-term borrowings			–127	–127	–52	–52
Total non-current bonds and loans			**21 715**	**23 054**	**21 964**	**23 650**
Financial lease liabilities			108	108	109	109
Other financial liabilities			65	65	109	109
Total non-current borrowings			**21 888**	**23 227**	**22 182**	**23 868**
Current						
Current portion of long-term borrowings			127	127	52	52
Short term loans			909	909	2 163	2 163
Financial lease liabilities			65	65	69	69
Total current borrowings			**1 101**	**1 101**	**2 284**	**2 284**
Closing balance, Dec. 31			**22 989**	**24 328**	**24 466**	**26 152**

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.

During 2015 Atlas Copco increased the bilateral loan from Nordic Investment Bank of MEUR 180 to MEUR 200. In January 2015 Atlas Copco AB entered into a loan agreement with European Investment Bank amounting to MEUR 300. Currently, the facility is undrawn. The availability period for drawings under the facility has been extended until July 2016. If no drawings are made by then, the facility will be cancelled.

The credit lines of MEUR 640 and MEUR 800 have been extended during 2015 and matures 2020 and 2021, respectively.

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, the interest-bearing loans, borrowings and committed credit lines are not subject to any financial covenants.

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

Back-up facilities	Nominal amount	Maturity	Utilized
Medium Term Note Program [1,3]	MUSD 3 000	–	MUSD 1 750
Commercial papers [1,2]	MSEK 18 004	–	–
Credit-line	MEUR 640	2020	–
Credit-line	MEUR 800	2021	–
Committed undrawn amount, EIB	MEUR 300	2016	–
Equivalent in SEK	**MSEK 58 948**		**MSEK 14 614**

1) Capital market program. Interest is based on market conditions at the time when the facility is utilized. Maturity date is set when the facility is utilized.
2) The maximum amounts available under these programs total MUSD 1 000, MEUR 400 and MSEK 6 000 corresponding to a total of MSEK 18 004 (17 656).
3) Utilized nominal amounts MEUR 1 600 (1 600), which corresponds to MUSD 1 750 (1 948).

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

Currency	2015 Local currency (millions)	2015 MSEK	2015 %	2014 Local currency (millions)	2014 MSEK	2014 %
EUR	1 512	13 811	60	1 464	13 970	58
SEK	27	27	–	29	29	–
USD	983	8 208	36	1 197	9 384	38
Other	–	943	4	–	1 083	4
Total		**22 989**	**100**		**24 466**	**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
2016	–	1 101	1 101	1 101
2017	5 173	2 021	7 194	7 470
2018	–	33	33	33
2019	8 269	11	8 280	8 870
2020	–	5	5	5
2021	–	2	2	2
2022	–	1	1	1
2023	4 545	1	4 546	4 938
2024	–	1 827	1 827	1 908
Total	**17 987**	**5 002**	**22 989**	**24 328**

1) Floating interest in the table is borrowings with fixings shorter or equal to six months.

22. Leases

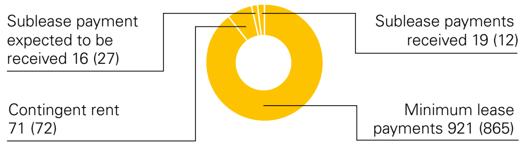
Operating leases – lessee

The leasing costs of assets under operating leases amounted to 974 (925), and are derived primarily from rented premises, machinery, and computer and office equipment. Operating leasing contracts for office and factory facilities typically run for a period of 10 to 15 years. For a limited number of operating leasing contracts, purchase and renewal options exist for machinery and renewal options exist for premises. The total leasing cost includes minimum lease payments of 921 (865), contingent rent of 71 (72), and sublease payments received of 19 (12). Future payments for non-cancelable operating leasing contracts fall due as follows:

	2015	2014
Less than one year	749	731
Between one and five years	1 478	1 348
More than five years	649	550
Total	**2 876**	**2 629**

The total of future minimum sublease payments expected to be received was 16 (27).

Leasing cost under operating leases – Lessee



Operating leases – lessor

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

	2015	2014
Less than one year	449	370
Between one and five years	260	310
More than five years	52	95
Total	**761**	**775**

Contingent rent recognized as income amounted to 78 (44).

Finance leases – lessee

Assets utilized under finance leases

	Machinery and equipment	Rental equipment
Carrying amounts, Jan. 1, 2015	151	14
Carrying amounts, Dec. 31, 2015	136	42
Carrying amounts, Jan. 1, 2014	112	8
Carrying amounts, Dec. 31, 2014	151	14

Assets utilized under finance leases are comprised primarily of vehicles. For a limited number of finance leasing contracts, both purchase and renewal options exist.

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

	2015			2014		
	Minimum lease payments	Interest	Principal	Minimum lease payments	Interest	Principal
Less than one year	74	9	65	75	6	69
Between one and five years	114	8	106	116	10	106
More than five years	2	–	2	3	–	3
Total	**190**	**17**	**173**	**194**	**16**	**178**

Finance leases – lessor

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

	2015		2014	
	Gross investment	Present value of minimum lease payments	Gross investment	Present value of minimum lease payments
Less than one year	483	460	539	502
Between one and five years	446	422	395	385
More than five years	2	1	13	12
	931	**883**	**947**	**899**
Unearned finance income	–	48	–	48
Total	**931**	**931**	**947**	**947**

23. Employee benefits

Post-employment benefits
Atlas Copco provides post-employment defined benefits pensions and other long-term employee benefits in most of its major locations. The most significant countries in terms of size of plans are Belgium, Canada, Germany, Sweden, the United Kingdom and the United States. Some plans are funded in advance with certain assets or funds held separately from the Group for future benefit payment obligations. Other plans are unfunded and the benefits from those plans are paid by the Group as they fall due.

The plans in Belgium cover early retirement, jubilee, and termination indemnity, which are all unfunded. Defined contribution plans have been added to the defined benefit plans in 2015 due to a change in local regulations, these plans are all funded.

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

The German plans include those for pensions, early retirements and jubilee. The plans are funded. The Group is leasing property in Finland and Sweden from the Group's German pension trust. See note 28 for further information.

There are three defined benefit pension plans in Sweden. The ITP plan is a final salary pension plan covering the majority of white-collar employees in Sweden. Atlas Copco finances the benefits through a pension foundation. The second plan relates to a group of employees earning more than ten income base amounts that has opted out from the ITP plan. This plan is insured. The third defined benefit pension plan relates to former senior employees now retired. In Sweden, in addition to benefits relating to retirement pensions, Atlas Copco has obligations for family pensions for many of the Swedish employees, which are funded through a third party insurer, Alecta. This plan is accounted for as a defined contribution plan as sufficient information is not available for calculating the net pension obligation.

In the United Kingdom, there is a final salary pension plan. This plan is funded. In 2010, the plan was converted to a defined contribution plan for future services.

In the United States, Atlas Copco provides a pension plan, a post-retirement medical plan, and a number of supplemental retirement pension benefits for executives. The pension plan is funded while the other plans are unfunded.

The Group identifies a number of risks in investments of pension plan assets. The main risks are interest rate risk, market risk, counterparty risk, liquidity and inflation risk, and currency risk. The Group is working on a regular basis to handle the risks and has a long-term investment horizon. The investment portfolio should be diversified, which means that multiple assets classes, markets and issuers should be utilized. An asset liability management assessment should be conducted periodically. The study should include a number of elements. The most important elements are, the duration of the assets and the timing of liabilities, the expected return of the assets, the expected development of liabilities, the forecasted cash flows and the impact of a shift in interest rates on the obligation.

The net obligations for post-employment benefits and other long-term employee benefits have been recorded in the balance sheet as follows:

	2015	2014
Financial assets (note 15)	–396	–100
Post-employment benefits	2 225	2 531
Other provisions (note 25)	175	206
Closing Balance, net	**2 004**	**2 637**

The tables below show the Group's obligations for post-employment benefits and other long-term employee benefits, the assumptions used to determine these obligations and the assets relating to these obligations for employee benefits, as well as the amounts recognized in the income statement and the balance sheet. The net amount recognized in balance sheet amounted to 2 004 (2 637). The weighted average duration of the obligation is 14.4 (15.8) in years.

Post-employment benefits **2015**	Funded pension plans	Unfunded pension plan	Other funded plans	Other unfunded plans	Total
Present value of defined benefit obligations	8 313	1 220	94	301	9 928
Fair value of plan assets	–7 889	–	–83	–	–7 972
Present value of net obligations	**424**	**1 220**	**11**	**301**	**1 956**
Effect of asset ceiling	–	–	–	–	–
Other long-term service obligations	–	–	48	–	48
Net amount recognized in balance sheet	**424**	**1 220**	**59**	**301**	**2 004**
2014					
Present value of defined benefit obligations	8 757	1 493	93	198	10 541
Fair value of plan assets	–7 866	–	–88	–	–7 954
Present value of net obligations	**891**	**1 493**	**5**	**198**	**2 587**
Effect of asset ceiling	29	–	–	–	29
Other long-term service obligations	–	–	21	–	21
Net amount recognized in balance sheet	**920**	**1 493**	**26**	**198**	**2 637**

23. Employee benefits, continued

Plan assets consist of the following:	2015 Quoted market price	2015 Unquoted market price	2015 Total	2014
Debt instruments	3 960	334	4 294	5 136
Equity instruments	1 041	203	1 244	1 396
Property	287	632	919	471
Assets held by insurance companies	103	760	863	452
Cash	271	195	466	308
Others	178	8	186	191
Closing balance, Dec 31	**5 840**	**2 132**	**7 972**	**7 954**

Movement in plan assets	2015	2014
Fair value of plan assets at Jan 1	7 954	6 523
Business acquisitions	–	67
Interest income	246	276
Remeasurement – return on plan assets	568	477
Settlements	–667	–33
Employer contributions	147	176
Plan members contributions	20	18
Administrative expenses	–7	–5
Benefit paid by the plan	–289	–247
Reclassifications	–	16
Translation differences	–	686
Fair value of plan assets at Dec 31	**7 972**	**7 954**

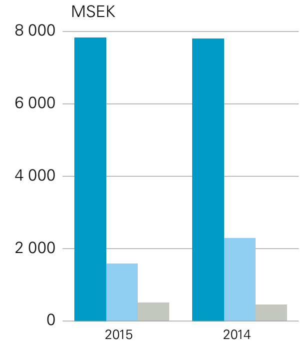
The plan assets are allocated among the following geographic areas:	2015	2014
Europe	6 599	5 902
North America	1 150	1 863
Rest of the world	223	189
Total	**7 972**	**7 954**

Asset ceiling	2015	2014
Asset ceiling at Jan. 1	29	45
Interests	–	1
Remeasurements – asset ceiling	–28	–20
Translation difference	–1	3
Asset ceiling, Dec. 31	**–**	**29**

Movement in present value of the obligations for defined benefits	2015	2014
Defined benefit obligations at Jan. 1	10 541	7 781
Current service cost	319	248
Past service cost	–2	–6
Gain/loss on settlement	–24	5
Interest expense (+)	315	325
Actuarial gains (–)/ losses (+) arising from experience adjustments	313	49
Actuarial gains (–)/ losses (+) arising from financial assumptions	–394	1 225
Actuarial gains (–)/ losses (+) arising from demographic assumptions	44	–6
Business Acquisitions	–	488
Settlements	–667	–33
Benefits paid from plan or company assets	–499	–473
Reclassifications	1	55
Translation differences	–19	883
Defined benefit obligations, Dec. 31	**9 928**	**10 541**

Remeasurements recognized in other comprehensive income amounts to –662 (759) and 29 (13) in profit and loss. The Group expects to pay 326 (331) in contributions to defined benefit plans in 2016.

The defined benefit obligations for employee benefits are comprised of plans in the following geographic areas:



Expenses recognized in the income statement	2015	2014
Current service cost	319	248
Past service cost	–2	–6
Gain loss on settlements	–24	5
Net interest cost	69	49
Employee contribution/ Participant contribution	–20	–18
Remeasurement of other long-term benefits	29	13
Administrative expenses	6	5
Total	**377**	**296**

The total benefit expense for defined benefit plans amounted to 377 (296), whereof 308 (247) has been charged to operating expenses and 69 (49) to financial expenses. Expenses related to defined contribution plans amounted to 861 (689).

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages, in %)	2015	2014
Discount rate		
Europe	2.77	2.67
North America	4.04	3.72
Future salary increases		
Europe	1.67	1.63
North America	3.51	3.51
Medical cost trend rate		
North America	7.80	8.19

The Group has identified discount rate, future salary increases, and mortality as the primary actuarial assumptions for determining defined benefit obligations. Changes in those actuarial assumptions affect the present value of the net obligation. The discount rate is determined by reference to market yields at the balance sheet date using, if available, high quality corporate bonds (AAA or AA) matching the duration of the pension obligations. In countries where corporate bonds are not available, government bonds are used to determine the discount rate. In Sweden in line with prior years, mortgage bonds are used for determining the discount rate.

Atlas Copco's mortality assumptions are set by country, based on the most recent mortality studies that are available. Where possible, generational mortality assumptions are used, meaning that they include expected improvements in life expectancy over time.

The table below shows the sensitivity analysis for discount rate and increase in life expectancy and describes the potential effect on the present value of the defined pension obligation.

Sensitivity analysis	Europe	North America
Change in discount rate + 0.50%	–558	–96
Change in discount rate – 0.50%	635	111
Increase in life expectancy, +1 year	174	47

23. Employee benefits, continued

Share value based incentive programs

In 2011–2014, 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 2015, the Annual General Meeting decided on a performance based personnel stock option program for 2015 similar to the 2011–2014 programs.

Option programs 2011–2015

At the Annual General Meeting 2011–2015 respectively, it was decided to implement performance related personnel stock option programs. The decision to grant options was made in April each year and the options were issued in March the following year (issue date). The number of options issued each program year depended on the value creation in the Group, measured as Economic Value Added (EVA), for the respective program year. For the 2015 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 2011–2015 programs have a term of five years from the grant date and the options are not transferable. The options in the 2011–2015 programs become exercisable at 100% three years after grant.

The 2011–2015 programs include a requirement for senior executives (32 in total) to purchase Atlas Copco A shares for 10% of their gross base salary in order to be granted options. A lower amount of investment will reduce the number of options proportionately. Further, senior executives who have invested in Atlas Copco A shares will have the option to purchase one matching share per each share purchased at a price equal to 75% of the average trading price for series A shares during a ten day period following the date of the publishing of the fourth quarter report. This right applies from three years after grant until the expiration of the stock option program.

The Board had the right to decide to implement an alternative incentive solution (SARs) for key persons in such countries where the grant of personnel options was not feasible.

In the 2011–2015 programs, the options may, on request by an optionee in Sweden, be settled by the Company paying cash equal to the excess of the closing price of the shares over the exercise price on the exercise day, less any administrative fees. Due to this choice of settlement by the Swedish employees, these options are classified for accounting purposes as cash-settled in accordance with IFRS 2.

The Black-Scholes model is used to calculate the fair value of the options/SARs in the programs at issue date. For the programs in 2014 and 2015, the fair value of the options/SARs was based on the following assumptions:

Key assumptions	2015 Program (Dec. 31, 2015)	2014 Program (at issue date)
Expected exercise price	SEK 229/156 [1]	SEK 278/190 [1] [2]
Expected volatility	30%	30%
Expected options life (years)	3.05	3.10
Expected share price	SEK 208.40	SEK 292.20
Expected dividend (growth)	SEK 6.60 (10%)	SEK 6.05 (10%)
Risk free interest rate	–0.20%	–0.20%
Expected average grant value	SEK 24.20/51.40 [1]	SEK 52.90/96.30 [1] [2]
Maximum number of options	3 651 055	4 622 729
– of which forfeited	469 424	230 468
Number of matching shares	40 203	38 292

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

The expected volatility has been determined by analyzing the historic development of the Atlas Copco A share price as well as other shares on the stock market.

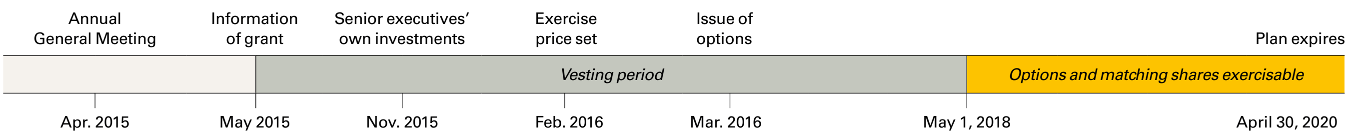
When determining the expected option life, assumptions have been made regarding the expected exercising behavior of different categories of optionees.

For the stock options in 2011–2015 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
2011	June 2011	April 2014	May 2014	April 2016
2012	June 2012	April 2015	May 2015	April 2017
2013	June 2013	April 2016	May 2016	April 2018
2014	May 2014	April 2017	May 2017	April 2019
2015	May 2015	April 2018	May 2018	April 2020

For the 2015 program, a new valuation of the fair value has been made and will be made at each reporting date until the issue date.

Timeline 2015 option plan



23. Employee benefits, continued

For SARs and the options classified as cash-settled, the fair value is recognized as an expense over the same vesting period; the fair value is, however, remeasured at each reporting date and changes in the fair value after the end of the vesting period continue to be recognized as a personnel expense.

In accordance with IFRS 2, the expense in 2015 for all share-based incentive programs amounted to 135 (141) excluding social costs of which 73 (32) refers to equity-settled options. The related costs for social security contributions are accounted for in accordance with the statement from the Swedish Financial Reporting Board (UFR 7) and are classified as personnel expenses.

In the balance sheet, the provision for share appreciation rights and stock options classified as cash-settled as of December 31 amounted to 85 (157). Atlas Copco shares are held by the Parent Company in order to cover commitments under the programs 2011–2015, see also note 20.

Summary of share value based incentive programs

Program *	Initial number of employees	Initial number of options	Additional number of options, redemption 2015	Expiration date	Exercise price, SEK	Type of share	Fair value on grant date	Intrinsic value for vested SARs
Stock options								
2008	198	3 570 079	–	Mar. 20, 14	68.93	A	22.32	–
2009	222	3 902 878	–	Mar. 20, 15	104.86	A	28.59	–
2010	221	3 796 922	–	Apr. 30, 15	166.99	A	28.32	–
2011	224	2 735 804	65 445	Apr. 30, 16	179.70	A	22.47	–
2012	248	3 440 015	82 129	Apr. 30, 17	195.32	A	28.30	–
2013	250	–	–	N/a	N/a	N/a	N/a	–
2014	263	3 663 809	87 593	Apr. 30, 19	271.50	A	52.90	–
Matching shares								
2010	21	38 334	–	Apr. 30, 15	113.59	A	53.40	–
2011	20	39 495	943	Apr. 30, 16	122.08	A	41.23	–
2012	28	42 289	997	Apr. 30, 17	132.82	A	52.30	–
2013	28	43 675	1 029	Apr. 30, 18	128.91	A	58.00	–
2014	28	38 292	899	Apr. 30, 19	185.56	A	96.30	–
Share appreciation rights								
2008	41	635 348	–	Mar. 20, 14	68.93	A	–	139.47
2009	47	741 240	–	Mar. 20, 15	104.86	A	–	103.54
2010	49	756 351	–	Apr. 30, 15	166.99	A	–	41.41
2011	48	530 524	12 691	Apr. 30, 16	179.70	A	–	28.70
2012	56	704 004	16 802	Apr. 30, 17	195.32	A	–	13.08
2013	58	–	–	N/a	N/a	N/a	N/a	–
2014	59	728 452	17 414	Apr. 30, 19	271.50	A	52.90	–

Number of options/rights 2015

Program	Outstanding Jan.1	Redemption	Exercised	Expired/ forfeited	Outstanding Dec. 31	*–of which exercisable*	Time to expiration, in months	Average stock price for exercised options, SEK
Stock options								
2009	241 998	–	241 991	7	–	–	–	263
2010	1 343 216	–	1 342 216	1 000	–	–	–	262
2011 [1]	2 164 142	33 548	883 871	–	1 313 819	*1 313 819*	4	256
2012 [2]	3 230 755	70 618	443 734	39 300	2 818 339	*2 818 339*	16	250
2014 [3]	3 663 809	87 593	–	77 438	3 673 964	–	40	–
Matching shares								
2010	8 966	–	8 966	–	–	–	–	267
2011	22 846	515	1 158	–	22 203	*22 203*	4	247
2012	37 859	859	7 997	1 460	29 261	*29 261*	16	225
2013	38 877	916	–	3 085	36 708	–	28	–
2014	38 292	899	–	2 722	36 469	–	40	–
Share appreciation rights								
2009	39 704	–	39 704	–	–	–	–	260
2010	224 534	–	214 405	10 129	–	–	–	263
2011	324 810	3 831	200 023	10 827	117 791	*117 791*	4	255
2012	628 623	12 993	78 539	36 081	526 996	*526 996*	16	249
2014	728 452	17 414	–	–	745 866	–	40	–

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

* For information about Program 2015, with issue of options in March 2016, see Key assumptions on page 98.

1) Of which 553 738 have been accounted for as cash settled.
2) Of which 1 049 309 have been accounted for as cash settled.
3) Of which 1 316 101 have been accounted for as cash settled.

23. Employee benefits, continued

Number of options/rights 2014 Program	Outstanding Jan.1	Granted	Exercised	Expired/ forfeited	Outstanding Dec. 31	*–of which exercisable*	Time to expiration, in months	Average stock price for exercised options, SEK
Stock options								
2008	688 171	–	687 129	1 042	–	–	–	180
2009	882 920	–	640 922	–	241 998	*241 998*	3	202
2010	3 170 166	–	1 811 823	15 127	1 343 216	*1 343 216*	4	208
2011	2 595 051	–	409 255	21 654	2 164 142	*2 164 142*	16	208
2012	3 367 853	–	–	137 098	3 230 755	–	28	–
2014	–	3 663 809	–	–	3 663 809	–	52	–
Matching shares								
2010	25 315	–	16 349	–	8 966	*8 966*	4	205
2011	36 522	–	13 676	–	22 846	*22 846*	16	204
2012	42 289	–	–	4 430	37 859	–	28	–
2013	43 675	–	–	4 798	38 877	–	40	–
2014	–	38 292	–	–	38 292	–	52	–
Share appreciation rights								
2008	74 388	–	73 861	527	–	–	–	182
2009	158 950	–	119 246	–	39 704	*39 704*	3	203
2010	579 826	–	355 292	–	224 534	*224 534*	4	201
2011	487 216	–	140 752	21 654	324 810	*324 810*	16	202
2012	691 977	–	–	63 354	628 623	–	28	–
2014	–	728 452	–	–	728 452	–	52	–

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

24. Other liabilities

Fair value of other liabilities corresponds to carrying value.

Other current liabilities	2015	2014
Derivatives		
– held for trading	158	337
– designated for hedge accounting	32	159
Other financial liabilities		
– other liabilities	3 030	3 061
– accrued expenses	6 763	6 537
Advances from customers	2 160	2 268
Deferred revenues construction contracts	233	190
Deferred revenues service contracts	1 123	923
Closing balance, Dec 31	**13 499**	**13 475**

Accrued expenses include items such as social costs, vacation pay liability, accrued interest, and accrued operational expenses.

See note 27 for information on the Group's derivatives.

25. Provisions

2015	Product warranty	Restructuring	Other	Total
Opening balance, Jan. 1	1 173	206	1 002	2 381
During the year				
– provisions made	932	200	387	1 519
– provisions used	–833	–149	–347	–1 329
– provisions reversed	–120	–19	–216	–355
Discounting effect	3	–	6	9
Business acquisitions	1	–	–	1
Translation differences	9	–6	–15	–12
Closing balance, Dec. 31	**1 165**	**232**	**817**	**2 214**
Non-current	157	95	489	741
Current	1 008	137	328	1 473
Total	**1 165**	**232**	**817**	**2 214**

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

2015, Maturity	Product warranty	Restructuring	Other	Total
Less than one year	1 008	137	328	1 473
Between one and five years	153	53	475	681
More than five years	4	42	14	60
Total	**1 165**	**232**	**817**	**2 214**

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

26. Assets pledged and contingent liabilities

Assets pledged for debts to credit institutions and other commitments	2015	2014
Inventory and tangible fixed assets	60	61
Endowment insurances	126	111
Other receivables	152	392
Total	**338**	**564**

Contingent liabilities	2015	2014
Notes discounted	17	17
Sureties and other contingent liabilities	300	270
Total	**317**	**287**

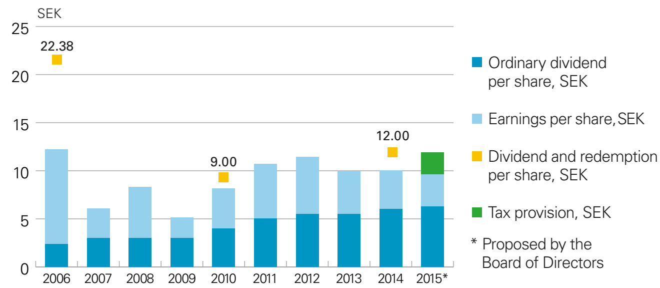
Sureties and other contingent liabilities relate primarily to pension commitments and commitments related to customer claims and various legal matters.

27. Financial exposure and principles for control of financial risks

Capital management

Atlas Copco defines capital as borrowings and equity, which at December 31 totaled MSEK 69 739 (75 219). 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 opinion is that the dividend over a business cycle should correspond to about 50% of earnings per share. In recent years the Board has also proposed, and the Annual General Meeting has approved, distributions of "excess" equity to the shareholders through share redemptions and share repurchases.

There are no external capital requirements imposed on the Group.



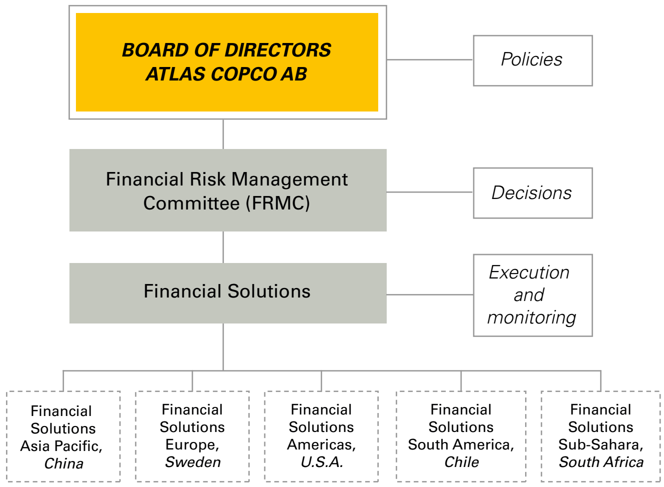
Financial risks

The Group is exposed to various financial risks in its operations. These financial risks include:

- Funding and liquidity risk
- Currency risk
- Other market and price risks
- Interest rate risk
- Credit risk

The Board of Directors establishes the overall financial policies and monitors compliance to the policies. The Group's Financial Risk Management Committee (FRMC) manages the Group's financial risks within the mandate given by the Board of Directors. The members of the FRMC are the CEO, CFO, Group Treasurer, and Head of Business Control, Financial Solutions. 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.



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.

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

Group funding risk policy

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

- The Group should maintain minimum MSEK 8 000 committed credit facilities to meet operational, strategic and rating objectives. Actual amount at year-end was MEUR 1 740 (1 460) which corresponds to MSEK 15 892 (13 932).
- The average tenor (i.e. time until maturity) of the Group's external debt shall be at least 3 years. Actual average tenor at year-end was 4.1 years (5.1).
- No more than MSEK 8 000 of the Group's external debt may mature within the next 12 months. In 2016 no debt is maturing (0).
- Adequate funding at subsidiary level shall at all times be in place.

Status at year-end

As per December 31, there were no deviations from the Group funding risk policy. Cash and cash equivalents totaled MSEK 8 861 (9 404). The overall liquidity of the Group is strong considering the maturity profile of the external borrowings, the balance of cash and cash equivalent as of year-end, and available back-up credit facilities from banks. Please refer to note 21 for information on utilized borrowings, maturity, and back-up facilities.

The following table shows maturity structure of the Group's financial assets and liabilities. The figures shown are contractual undiscounted cash flows based on contracted date, when the Group is liable to pay or eligible to receive, including both interest and nominal amounts.

Financial instruments	Up to 1 year	1–3 years	3–5 years	Over 5 years
Assets				
Financial assets	2	1 238	602	51
Other receivables	–	45	–	6
Derivatives	76	39	–	–
Non-current financial assets	**78**	**1 322**	**602**	**57**
Trade receivables	19 552	–	–	–
Financial assets	1 613	–	–	–
Other receivables	2 194	–	–	–
Derivatives	323	–	–	–
Other accrued income	2 210	–	–	–
Cash and cash equivalents	8 861	–	–	–
Current financial assets	**34 753**	**–**	**–**	**–**
Financial assets	**34 831**	**1 322**	**602**	**57**
Liabilities				
Liabilities to credit institutions	748	8 110	8 793	6 787
Other financial liabilities	–	32	32	–
Derivatives	36	74	36	–
Other liabilities	–	467	31	–
Non-current financial liabilities	**784**	**8 683**	**8 892**	**6 787**
Liabilities to credit institutions	984			–
Current portion of interest-bearing liabilities	127	–	–	–
Derivatives	190	–	–	–
Other accrued expenses	6 763	–	–	–
Trade payables	7 873	–	–	–
Other liabilities	3 030	–	–	–
Current financial liabilities	**18 967**	**–**	**–**	**–**
Financial liabilities	**19 751**	**8 683**	**8 892**	**6 787**

Derivatives classified as assets designated for hedge accounting amount to MSEK 173 (192) and derivatives classified as liabilities designated for hedge accounting amount to MSEK 165 (309). Other derivatives are classified as held for trading.

Interest rate risk

Interest rate risk is the risk that the Group is negatively affected by changes in the interest rate levels.

Group interest rate risk policy

The interest rate risk policy states that the average duration (i.e. period for which interest rates are fixed) should be a minimum of 6 months (6) and a maximum of 48 months (48).

Status at year-end

To manage interest rate risk, the Group uses interest rate swap agreements to convert interest on loans. The Group has entered into interest rate swaps to convert fixed interest rates to variable interest rates. These swaps are designated as fair value hedging instruments, with a nominal amount of MUSD 200 (200). The Group has also interest rate swaps to convert variable interest rates to fixed interest rates on the loan of MEUR 275 (275). These swaps are designated as cash flow hedging instruments and the hedged item is the floating interest rate of the loan. The forecasted cash flows have due dates every six months until September 2019. For more information about the Group's borrowings, see note 21.

Including the effect of derivatives, the effective interest rate and interest duration of the Group's borrowings at year-end was 3.3% (3.0) and 36 months (46) respectively. Excluding derivatives, the Group's effective interest rate was 3.5% (3.5) and the average interest duration was 33 months (42).

Outstanding derivative instruments related to interest rate risk	2015 Fair value	2015 Nominal amount	2014 Fair value	2014 Nominal amount
Interest rate swaps, fair value hedge				
Assets	MSEK 102	MUSD 200	MSEK 160	MUSD 200
Liabilities	–	–	–	–
Interest rate swaps, cash flow hedge				
Assets	–	–	–	–
Liabilities	MSEK 133	MEUR 275	MSEK 148	MEUR 275

The following tables show the estimated effect, in MSEK, of a parallel upward and downward shift of one percentage point (100 basis points) in all interest rates on external loans and on interest rate swaps hedging the loans.

The first table shows the estimated effect on the profit and loss before taxes. The second table shows the fair value effect on loans and interest rate swaps reported at fair value. Certain loans are reported at amortized cost and are therefore not affected by changes in interest rate levels. For the main part of the interest rate swaps, fair value hedge accounting or cash flow hedge accounting is applied, therefore the impact on earnings is small.

Interest sensitivity, earnings	2015	2014
	Earnings impact	Earnings impact
Market interest rate +1%	–33	–32
Market interest rate –1%	33	32

Interest sensitivity, fair value	2015 Earnings impact	2015 OCI impact	2014 Earnings impact	2014 OCI impact
Market interest rate +1%	6	89	5	118
Market interest rate –1%	–6	–94	–5	–126

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

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. This affects both transaction exposure (cash flow) and translation exposure (balance sheet). These two exposures are explained separately below.

Transaction exposure

Group currency risk policy

Transaction exposure risk is the risk that profitability is negatively affected by changes in exchange rates, affecting cash flows in foreign currencies in the operations. Due to the Group's presence in various markets, there are inflows and outflows in different currencies. As a normal part of business, net surpluses or deficits in specific currencies merge. The values of these net positions fluctuate subject to changes in currency rates and, thus, render transaction exposure. The following describes the Group's general policies for managing transaction exposure:

- Exposures 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. Hedging can, however, be motivated in case of long-term contracts where there is no possibility to adjust the contract price or the associated costs.
- The FRMC decides if parts of the transaction exposure shall be hedged. Transactions shall qualify for hedge accounting in accordance with IFRS and hedging beyond 18 months is not allowed.

Status at year end

The Group has continued to manage transaction exposures primarily by matching in- and outflows in the same currencies. Derivative instruments have only been used to hedge operational flows. The net nominal amounts are shown in the table below.

Outstanding derivative instruments related to transaction exposure	2015 Nominal amount, net	2014 Nominal amount, net
Foreign exchange forwards		
AUD	MAUD –33	MAUD –106
CZK	MCZK 324	MCZK 1 222
EUR	MEUR 31	MEUR 39
GBP	MGBP 34	MGBP 150
JPY	MJPY 150	MJPY 85
KRW	MKRW 64 919	MKRW 230 342
NOK	MNOK –42	MNOK –18
SEK	MSEK 184	MSEK 570
USD	MUSD –154	MUSD –537

Out of the net nominal amounts in the table the largest crosses are USD/KRW and GBP/USD with nominal amounts of MUSD –58/MKRW 64 919 respectively MGBP 36/MUSD –56. Out of the outstanding amounts, 97% is maturing within one year and 3% beyond one year. No hedging beyond 18 months is in place.

In the table below, fair value for all outstanding derivative instruments related to transaction exposure is shown.

Outstanding derivative instruments related to transaction exposure	2015 Fair value	2014 Fair value
Foreign exchange forwards		
Assets	18	41
Liabilities	66	128

The largest operational surplus and deficit currencies are shown in Graph 1. The amounts presented in Graph 1 represent estimates of the Group's net exchangeable amounts in different currencies. Estimates are based on the Group's intercompany payments and on payment flows from customers and to suppliers in the most significant currencies. The operational transaction exposure in MSEK is 9 708 (10 401) and is calculated as the net operational cash flow exposure.

The following table illustrates the effect from one percentage point weakening or strengthening of the SEK against all other currencies based on the transaction exposure.

Transaction exposure sensitivity	2015	2014
SEK exchange rate +1%	–95	–96
SEK exchange rate –1%	95	96

Graph 2 (next page) illustrates the effect on the Group's pre-tax earnings of one-sided fluctuations in USD and EUR exchange rates if no hedging transactions have been undertaken, and before any impact of offsetting price adjustments or similar measures. The graph indicates for example that the Group's pre-tax earnings of estimated net USD flows would decrease by approximately MSEK 531 (459) from a 5% USD weakening.

Translation exposure

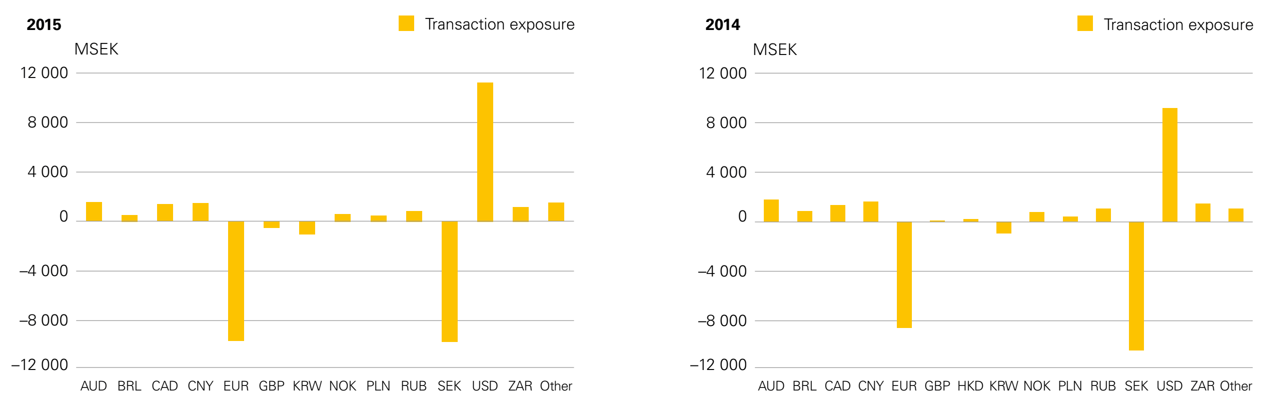
Group currency risk policy

Translation exposure risk is the risk that the value of the Group's net investments in foreign currencies is negatively affected by changes in exchange rates. The Group's worldwide presence creates a currency effect since the financial statements of entities with functional currencies other than SEK are translated to SEK when preparing the consolidated financial statements. The net exposure in each currency represents the net of assets and liabilities denominated in that currency. The effect of currency rate fluctuations on these net positions is the translation effect.

The following describes the Group's general policies for managing translation exposure:

- Translation exposure should be reduced by matching assets and liabilities in the same currencies.
- The FRMC may decide to hedge part or all of the remaining translation exposure. Any hedge of translation exposure shall qualify for hedge accounting in accordance with IFRS.

GRAPH 1 Estimated operational transaction exposure in the Group's most important currencies 2015 and 2014



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

Status at year end

The Group uses loans and derivatives to reduce the translation exposure on net investments in EUR in the consolidated financial statements and to reduce the exchange rate risk related to net assets in subsidiaries. These instruments are designated as net investment hedges in the consolidated financial statements. Hedges in USD have been closed during the year since the hedging relation no longer exists.

The financial instruments shown in the table below are used to hedge EUR-denominated net assets.

Outstanding financial instruments related to translation exposure	2015		2014	
	Fair value	Nominal amount	Fair value	Nominal amount
Derivatives				
Assets	MSEK 58	–	–	–
Liabilities	–	MEUR 310	MSEK –99	MEUR 330
External loans				
Loans in EUR [1]	MSEK –1 914	MEUR 1 472	MSEK –2 073	MEUR 1 452
Loans in USD [1]	–	–	MSEK –108	MUSD 58

[1] In the balance sheet, loans designated as net investment hedges are reported at amortized cost and not at fair value.

The Group's loan portfolio is also exposed to movement in currency rates. However, the impact on the net income would be very limited as substantially all of the Group's loans are designated as hedges of net investments and the effect is accounted for in other comprehensive income. The impact of a 1% movement in the EUR/SEK rate would effect other comprehensive income with MSEK 35 (see also note 1, Accounting principles, Financial assets and liabilities).

Graph 3 indicates the Group's sensitivity to currency translation effects when earnings of foreign subsidiaries are translated. The graph indicates for example that the translation effect on the Group's pretax earnings would be –158 (–135) if SEK is strengthen by 1%. A 1% SEK weakening would affect the Group's pretax earnings by 158 (135).

Credit risk

Credit risk can be divided into operational and financial credit risk. These risks are described further in the following sections. The table below shows the total credit risk exposure related to assets classified as financial instruments as per December 31.

Credit risk	2015	2014
Loans and receivables		
– trade receivables	19 603	19 959
– finance lease receivables	883	899
– other financial receivables	2 004	2 437
– other receivables	2 194	2 393
– accrued income	2 210	1 869
– cash and cash equivalents	8 861	9 404
Held-to-maturity investments	192	362
Available-for-sale investments	127	2
Derivatives	426	326
Total	**36 500**	**37 651**

Operational credit risk

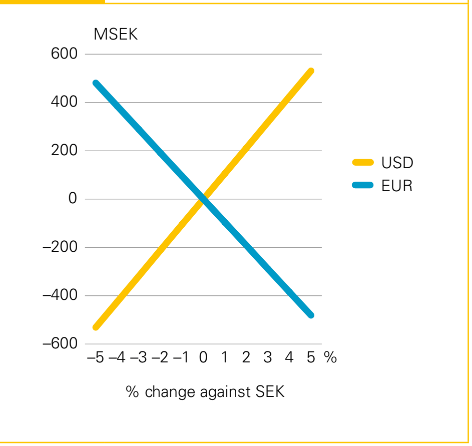
Group credit risk policy

Operational credit risk is the risk that the Group's customers do not meet their payment obligations. The Group's operational credit risk policy is that business areas, divisions and individual business units are responsible for the commercial risks arising from their operations. The operational credit risk is measured as the net aggregate value of receivables on a customer.

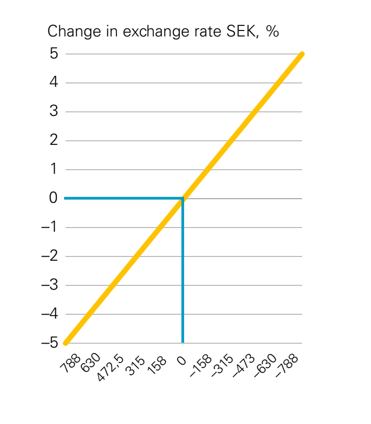
Status at year end

Since the Group's sales are dispersed among many customers, of 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.

GRAPH 2 Operational transaction exposure effect of EUR and USD before hedging



GRAPH 3 Translation effect on earnings before tax



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

The Group has an in-house customer finance operation (part of Financial Solutions) as a means of supporting equipment sales. At December 31, the credit portfolio of the customer finance operations totaled approximately 2 607 (2 809) consisting of 91 (92) reported as trade receivables, 844 (836) reported as finance lease receivables, and 1 672 (1 881) reported as other financial receivables. In addition, Financial Solutions also has non-cancelable operating lease contracts of 747 (751). There were no significant concentrations of customer risks in these operations. No customer represented more than 5% of the total outstanding receivables. For further information, see note 22.

Atlas Copco Financial Solutions maintains collateral for its credit portfolio primarily through repossession rights in equipment. Business units may also partly transfer the commercial risk insurance to external entities (normally to an export credit agency).

Provision for credit risks
The business units establish provisions for their estimate of incurred losses in respect of trade and other receivables. The main components of this provision are specific loss provisions corresponding to individually significant exposures and a collective loss component established for groups of similar assets in respect of losses that have not yet been identified. The collective loss provision is determined based on historical default statistics for similar financial assets. At year-end 2015, the provision for bad debt amounted to 5.1% (4.5) 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	2015 Gross	2015 Impairment	2014 Gross	2014 Impairment
Not past due	13 154	10	13 824	18
Past due but not impaired				
0–30 days	3 436	–	3 452	–
31–60 days	1 072	–	984	–
61–90 days	542	–	480	–
More than 90 days	2 007	–	1 695	–
Past due and individually impaired				
0–30 days	97	1	76	5
31–60 days	20	2	40	5
61–90 days	21	8	37	14
More than 90 days	307	239	310	232
Collective impairment	–	793	–	665
Total	**20 656**	**1 053**	**20 898**	**939**

The total estimated fair value of collateral for trade receivables amounted to 469 (598). The collateral mainly consisted of repossession rights and export credit insurance. Based on historical default statistics and the diversified customer base, the credit risk is assessed to be limited.

The gross amount of finance lease receivables amounted to 908 (919), of which 26 (20) have been impaired, and the gross amount of other financial receivables amounted to 2 054 (2 489), of which 49 (52) have been impaired. There are no significant amounts past due that have not been impaired. The total estimated fair value of collateral to finance lease receivables and other finance receivables was 559 (640) and 1 523 (1 900) respectively, consisting primarily of repossession rights.

Financial credit risk
Group credit risk policy
Credit risk on financial transactions is the risk that the Group incurs losses as a result of non-payment by counterparts related to the Group's investments, bank deposits or derivative transactions. The financial credit risk is measured differently depending on transaction type.

Investment transactions
Efficient cash management systems should be maintained in order to minimize excess cash in operations where it cannot be invested or used to reduce interest-bearing debt. Cash may only be invested if at least one of the credit ratings (as rated by Standard & Poor's, Fitch Ratings or Moody's) of the approved counterpart or underlying investment is at least: A-/A3in case of financial counterparties and funds, BBB-/Baa3 in case of non-financial counterparties. 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 counterpart and its maximum exposure limit is maintained and monitored.

Derivative transactions
As part of the Group's management of financial risks, the Group enters into derivative transactions with financial counterparts. Such transactions may only be undertaken with approved counterparts for which credit limits 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 entity, 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
At year-end 2015, the measured credit risk on derivatives, taking into account the market-to-market value and collaterals, amounted to MSEK 180 (182).

The table below presents the reported value of the Group's derivatives.

Outstanding derivative instruments related to financial exposures	2015	2014
Interest rate swaps		
Assets	102	160
Liabilities	133	153
Foreign exchange forwards		
Assets	306	125
Liabilities	125	374

Outstanding derivative instruments related to operational exposures	2015	2014
Assets	18	41
Liabilities	66	128

No financial assets or liabilities are offset in the balance sheet. Derivative instruments are subject to master netting agreements and the fair values of derivatives that are not offset in the balance sheet are 426 (326) for assets and 324 (655) for liabilities. The table below shows derivatives covered by master netting agreements.

Outstanding net position for derivative instruments	Gross	Offset in BS	Net in BS	Master netting agreement	Cash collateral	Net position
Assets						
Derivatives	426	–	426	–195	–213	18
Liabilities						
Derivatives	324	–	324	–195	–152	–23

The negative net position in liabilities is due to that exchange of security is done on a weekly basis.

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

Other market and price risks

Commodity-price risk is the risk that the cost of direct and indirect materials could increase as underlying commodity prices rise in global markets. The Group is directly and indirectly exposed to raw material price fluctuations. Cost increases for raw materials and components often coincide with strong end-customer demand and are offset by increased sales to mining customers and compensated for by increased market prices. Therefore, the Group does not hedge commodity-price risks.

Fair value of financial instruments

In Atlas Copco's balance sheet, financial instruments are carried at fair value or at amortized cost. The fair value is established according to a fair value hierarchy. 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.

Interest-bearing liabilities

Fair values are calculated based on market rates and present value of future cash flows.

Finance leases and other financial receivables

Fair values are calculated based on market rates for similar contracts and present value of future cash flows.

The Group's financial instruments by category

The carrying value for the Group's financial instruments corresponds to fair value in all categories except for borrowings and held-to-maturity investments. See note 21 for additional information about the Group's borrowings.

The following table includes financial instruments at their fair value and by category.

Financial instruments by fair value hierarchy	Fair value	Level 1	Level 2	Level 3
Financial assets	294	124	170	–
Other receivables	1 387	–	1 387	–
Derivatives	103	–	103	–
Non-current financial assets	**1784**	**124**	**1 660**	–
Trade receivables	19 552	–	19 552	–
Financial assets	1 576	–	1 576	–
Other receivables	2 194	–	2 194	–
Derivatives	323	–	323	–
Other accrued income	2 210	10	2 200	–
Current financial assets	**25 855**	**10**	**25 845**	–
Financial assets	**27 639**	**134**	**27 505**	–
Borrowings	23 227	18 408	4 819	–
Other financial liabilities	173	–	173	–
Derivatives	134	–	134	–
Other liabilities	498	–	62	436
Non-current financial liabilities	**24 032**	**18 408**	**5 188**	**436**
Borrowings	1 101	–	1 101	–
Derivatives	190	–	190	–
Other accrued expenses	6 763	263	6 500	–
Trade payables	7 873	–	7 873	–
Other liabilities	3 030	–	2 388	642
Current financial liabilities	**18 957**	**263**	**18 052**	**642**
Financial liabilities	**42 989**	**18 671**	**23 240**	**1 078**

In other liabilities, MSEK 1 078 relates to contingent considerations for acquisitions. The largest part relates to Henrob, a self-pierce riveting specialist with main facilities in the U.S. and the U.K, which was acquired in September 2014.

For Henrob, the payment of the contingent consideration is dependent on achieving future milestones as targets for revenue and growth within three years of the acquisition, in total a maximum of MUSD 119 (MSEK 994). The liability related to the first milestone will be settled in the beginning of 2016. The fair value for the remaining milestones assumes that the maximum amount will be paid out given a discount rate of 10.5%.

Reconciliation of financial liabilities in Level 3 (MSEK)	Opening balance	Business acquisitions	Settlement	Interest	Remeasurement	Translation	Closing balance	Profit/loss related to liabilities included in closing balance
Deferred considerations 2015	1 074	–62	–54	90	–20	50	1 078	–70

Currency rates used in the financial statements	Value	Code	Year-end rate 2015	Year-end rate 2014	Average rate 2015	Average rate 2014
Australia	1	AUD	6.09	6.41	6.30	6.19
Canada	1	CAD	6.02	6.74	6.56	6.24
China	1	CNY	1.29	1.26	1.34	1.12
EU	1	EUR	9.13	9.54	9.34	9.13
Hong Kong	100	HKD	107.74	101.07	108.27	89.03
United Kingdom	1	GBP	12.38	12.18	12.82	11.34
U.S.A.	1	USD	8.35	7.84	8.39	6.91

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% 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 60–63.

In 2015 premises in Sweden have been sold to and leased back from the Group's German pension trust for a consideration of 420 resulting in a net gain of 101. The lease term for the premises varies between 6 and 15 years. The consideration and the lease payments are on market terms.

Transactions and outstanding balances

The Group has not had any transactions with Investor AB during the year, other than dividends declared and redemption of shares and has no outstanding balances with Investor AB.

Investor AB has controlling or significant influence in companies with which Atlas Copco may have transactions within the normal course of business. Any such transactions are made on commercial terms.

Transactions with associated companies and joint ventures

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 and joint ventures:

	2015	2014
Revenues	22	46
Goods purchased	164	104
Service purchased	35	29
At Dec, 31:		
Trade receivables	3	1
Trade payables	18	4
Other liabilities	1	–
Other interest-bearing liabilities	16	17
Guarantees	–	10

Compensation to key management personnel

Compensation to the Board and to Group Management is disclosed in note 5.

29. Subsequent events

On January 12 Atlas Copco, completed the acquisition of Varisco, an Italian pump manufacturer with a global sales network. Varisco had revenues in 2014 of MEUR 30 (MSEK 270) and employs about 135 people. Founded in 1932, Varisco is known around the world for the design and manufacture of high-quality pumps used by a wide range of customers. The pumps are typically used to remove unwanted water or other liquids in the construction, mining, and oil and gas industries; they are also used in industrial process plants and for emergency services in case of floods.

On March 2, Atlas Copco completed the acquisition of FIAC, an Italian manufacturer of piston compressors and related equipment with a global sales network. FIAC has about 400 employees and offers a broad range of piston compressors, air treatment products, and spare parts. Founded in 1977, FIAC has production sites in Italy, China and Brazil, and sells into more than 110 countries. It had revenues in 2014 of about MEUR 70 (MSEK 640).

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Income statement

For the year ended December 31, Amounts in MSEK	Note	2015	2014
Administrative expenses	A2	–566	–464
Other operating income	A3	142	193
Other operating expenses	A3	–	–7
Operating loss		**–424**	**–278**
Financial income	A4	9 606	2 910
Financial expenses	A4	–1 405	–1 903
Profit after financial items		**7 777**	**729**
Appropriations	A5	4 523	3 860
Profit before tax		**12 300**	**4 589**
Income tax	A6	–563	–797
Profit for the year		**11 737**	**3 792**

Statement of comprehensive income

For the year ended December 31, Amounts in MSEK	Note	2015	2014
Profit for the year		**11 737**	**3 792**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Translation of net investment		461	1 911
Cash flow hedges		16	130
Income tax relating to items that may be reclassified		–104	–449
Other comprehensive income of the year, net of tax		**373**	**–1 592**
Total comprehensive income for the year		**12 110**	**2 200**

Balance sheet

As at December 31, Amounts in MSEK	Note	2015	2014
ASSETS			
Non-current assets			
Intangible assets	A7	15	10
Tangible assets	A8	32	33
Financial assets			
Deferred tax asset	A9	86	–
Shares in Group companies	A10, A21	110 635	93 907
Other financial assets	A11	258	366
Total non-current assets		**111 026**	**94 316**
Current assets			
Income tax receivable		–	20
Other receivables	A12	3 020	3 289
Cash and cash equivalents	A13	4 311	5 153
Total current assets		**7 331**	**8 462**
TOTAL ASSETS		**118 357**	**102 778**
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		647	274
Retained earnings		22 084	33 449
Profit for the year		11 737	3 792
Total non-restricted equity		**34 468**	**37 515**
TOTAL EQUITY		**40 253**	**43 300**
PROVISIONS			
Post-employment benefits	A15	135	127
Other provisions	A16	132	222
Deferred tax liabilities	A9	–	4
Total provisions		**267**	**353**
LIABILITIES			
Non-current liabilities			
Borrowings	A17	49 063	48 353
Other liabilities		135	157
Total non-current liabilities		**49 198**	**48 510**
Current liabilities			
Borrowings	A17	27 506	9 335
Tax liabilities		90	–
Other liabilities	A18	1 043	1 280
Total current liabilities		**28 639**	**10 615**
TOTAL EQUITY AND LIABILITIES		**118 357**	**102 778**
Assets pledged	A20	**279**	**502**
Contingent liabilities	A20	**7 846**	**9 579**

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, 2015	1 218 000 018	786	4 999	274	37 241	43 300
Total comprehensive income for the year				373	11 737	12 110
Dividends					–7 305	–7 305
Redemption of shares		–393			–6 912	–7 305
Increase of share capital through bonus issue		393			–393	–
Acquisition series A shares	–5 500 000				–1 380	–1 380
Divestment series A shares	3 488 604				903	903
Divestment series B shares	107 500				24	24
Share-based payment, equity settled						
– expense during the year					73	73
– exercise of options					–167	–167
Closing balance, Dec. 31, 2015	**1 216 096 122**	**786**	**4 999**	**647**	**33 821**	**40 253**
Opening balance, Jan. 1, 2014	1 213 552 913	786	4 999	1 866	39 328	46 979
Total comprehensive income for the year				–1 592	3 792	2 200
Dividends					–6 681	–6 681
Divestment series A shares	4 303 105				863	863
Divestment series B shares	144 000				27	27
Share-based payment, equity settled						
– expense during the year					32	32
– exercise of options					–119	–119
Closing balance, Dec. 31, 2014	**1 218 000 018**	**786**	**4 999**	**274**	**37 241**	**43 300**

See note A14 for additional information.

Statement of cash flows

For the year ended December 31, Amounts in MSEK	2015	2014
Cash flows from operating activities		
Operating loss	–424	–278
Adjustments for:		
Depreciation	11	14
Capital loss and other non-cash items	–777	–236
Operating cash deficit	**–1 190**	**–500**
Net financial items received	9 514	1 498
Group contributions received	3 860	3 815
Taxes paid	–642	–725
Cash flow before change in working capital	**11 542**	**4 088**
Change in		
Operating receivables	1 010	3 457
Operating liabilities	–445	–5 127
Change in working capital	**565**	**–1 670**
Net cash from operating activities	**12 107**	**2 418**

For the year ended December 31, Amounts in MSEK	2015	2014
Cash flow from investing activities		
Investments in tangible assets	–3	–12
Investments in intangible assets	–12	–12
Investments in subsidiaries	–76	–1 266
Repayments/investments in financial assets	2	331
Net cash from investing activities	**–89**	**–947**
Cash flow from financing activities		
Dividends paid	–7 305	–6 681
Redemption of shares	–7 305	–
Repurchase and divestment of own shares	–453	890
Change in interest-bearing liabilities	2 203	–3 829
Net cash from financing activities	**–12 860**	**–9 620**
Net cash flow for the year	**–842**	**–8 149**
Cash and cash equivalents, Jan. 1	5 153	13 302
Net cash flow for the year	–842	–8 149
Cash and cash equivalents, Dec. 31	**4 311**	**5 153**

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

MSEK unless otherwise stated

A1. Significant accounting principles

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

The financial statements of Atlas Copco AB have been prepared in accordance with the Swedish Annual Accounts Act and the recommendation RFR 2, "Accounting for Legal Entities", hereafter referred to as "RFR 2", issued by the Swedish Financial Reporting Board. In accordance with RFR 2, parent companies that issue consolidated financial statements according to International Financial Reporting Standards (IFRS), as endorsed by the European Union, shall present their financial statements in accordance with IFRS, to the extent these accounting principles comply with the Swedish Annual Accounts Act and may use exemptions from IFRS provided by RFR 2 due to Swedish accounting or tax legislation.

The financial statements are presented in Swedish kronor (SEK), rounded to the nearest million. The parent company's accounting principles have been consistently applied to all periods presented unless otherwise stated. The financial statements are prepared using the same accounting principles as described in note 1 to the Group's consolidated financial statements, except for those disclosed in the following sections.

For discussion regarding accounting estimates and judgments, see page 76.

Subsidiaries

Participations in subsidiaries are accounted for by the Parent Company at historical cost. The carrying amounts of participations in subsidiaries are reviewed for impairment in accordance with IAS 36, Impairment of Assets. See the Group's accounting policies, Impairment of financial assets, for further details.

Transaction costs incurred in connection with a business combination are accounted for by the Parent Company as part of the acquisition costs and are not expensed.

Lease contracts

All lease contracts entered into by the Parent Company are accounted for as operating leases.

Employee benefits

Defined benefit plans

Defined benefit plans are not accounted for in accordance with IAS 19. In the Parent Company defined benefit plans are accounted for according to the Swedish law regarding pensions, "Tryggandelagen" and regulations issued by the Swedish Financial Supervisory Board. The primary differences as compared to IAS 19 are the way discount rates are fixed, that the calculation of defined benefit obligations is based on current salary levels, without consideration of future salary increases and that all actuarial gains and losses are included in profit or loss as they occur.

Share-based payments

The share-based payments that the Parent Company has granted to employees in the Parent Company are accounted for using the same principle as described in note 1 in the Group's consolidated financial statements.

The share-based payments that the Parent Company has granted to employees in subsidiaries are not accounted for as an employee expense in the Parent Company, but are recognized against Shares in Group companies. This vesting cost is accrued over the same period as in the Group and with a corresponding increase in equity for equity-settled programs and as a change in liabilities for cash-settled programs.

Financial guarantees

Financial guarantees issued by the Parent Company for the benefit of subsidiaries are not valued at fair value. They are reported as contingent liabilities, unless it becomes probable that the guarantees will lead to payments. In such case, provisions will be recorded.

Hedge accounting

Interest-bearing liabilities denominated in other currencies than SEK, used to hedge currency exposure from investments in shares of foreign subsidiaries are not translated using the foreign exchange rates on the balance sheet date, but measured based on the exchange rate the day that the hedging relation was established.

Derivatives used to hedge investments in shares in foreign subsidiaries are recognized at fair value and changes therein are recognized in profit or loss. The corresponding fair value change on shares in subsidiaries is recognized in profit or loss.

Group and shareholders' contributions

In Sweden, Group contributions are deductible for tax purposes but shareholders' contributions are not. Group contributions are recognized as appropriations in the income statement. Shareholders' contributions are recognized as an increase of Shares in Group companies and tested for impairment.

A2. Employees and personnel expenses and remunerations to auditors

Average number of employees	2015			2014		
	Women	Men	Total	Women	Men	Total
Sweden	65	53	118	61	56	117

Women in Atlas Copco Board and Management, %	Dec. 31, 2015	Dec. 31, 2014
Board of Directors excl. union representatives	33	33
Group Management	22	22

Salaries and other remuneration	2015		2014	
	Board members and Group Management [1]	Other employees	Board members and Group Management [1]	Other employees
Sweden	61	118	69	106
of which variable compensation	20		14	

1) Includes 8 (8) Board members who receive fees from Atlas Copco AB as well as the President and CEO and 7 (7) members of Group Management who are employed by and receive salary and other remuneration from the Company.

For information regarding remuneration and other fees for members of the Board, the President and CEO, and other members of Group Management, see note 5 of the consolidated financial statements.

Pension benefits and other social costs	2015	2014
Contractual pension benefits for Board members and Group Management	11	10
Contractual pension benefits for other employees	15	22
Other social costs	61	73
Total	**87**	**105**
Pension obligations to former members of Group Management	5	15

Remunerations to auditors

Audit fees and consultancy fees for advice or assistance other than audit, were as follows:

	2015	2014
Deloitte		
– audit fee	6	6
– audit activities other than audit assignment	1	1
– other services, tax	–	2
Total	**7**	**9**

Audit fee refers to audit of the financial statements and the accounting records. For the Parent Company the audit also includes the administration of the business by the Board of Directors, the President and CEO.

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

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

At the Annual General Meeting 2015, Deloitte was elected as auditor for the Group until the Annual General Meeting 2016.

A3. Other operating income and expenses

	2015	2014
Commissions received	135	151
Other operating income [1]	–	42
Exchange-rate differences, net	7	–
Total other operating income	**142**	**193**
Exchange-rate differences, net	–	–7
Total other operating expenses	**–**	**–7**

1) Other operating income refers to insurance reimbursements.

A4. Financial income and expenses

Financial income and expenses	2015	2014
Interest income		
– cash and cash equivalents	104	26
– receivables from Group companies	208	298
Dividend income from Group companies	9 276	2 525
Capital gain	4	8
Foreign exchange gain, net	14	53
Financial income	**9 606**	**2 910**
Interest expense		
– borrowings	–704	–644
– derivatives for fair value hedges	–58	–69
– liabilities to Group companies	–642	–817
– pension provisions, net	–1	–1
– other	–	–1
Impairment loss		
– writedown of shares in Group Companies	–	–371
Financial expenses	**–1 405**	**–1 903**
Financial income, net	**8 201**	**1 007**

The following table presents the net gain or loss by category of financial instruments.

	2015	2014
Net gain/loss on		
– loans and receivables, incl. bank deposits	326	377
– other liabilities	–1 347	–1 463
– derivatives for fair value hedges	–58	–69
Profit from shares in Group companies	9 280	2 162
Total	**8 201**	**1 007**

For further information about the hedges, see note 27 of the consolidated financial statements.

A5. Appropriations

Appropriations	2015	2014
Group contributions paid	–170	–328
Group contributions received	4 693	4 188
Total	**4 523**	**3 860**

A6. Income tax

	2015	2014
Current tax	–549	–796
Deferred tax	–14	–1
Total	**–563**	**–797**
Profit before taxes	12 300	4 589
The Swedish corporate tax rate, %	22.0	22.0
National tax based on profit before taxes	–2 706	–1 010
Tax effects of:		
Non-deductible expenses	–163	–249
Tax exempt income	2 088	557
Deductible expenses, not recognized in Income statement	81	19
Taxable income, not recognized in Income statement	–	–97
Controlled foreign company taxation	–29	–12
Adjustments from prior years	166	–5
Total	**–563**	**–797**
Effective tax in %	**4.6**	**17.4**

The Parent Company's effective tax rate of 4.6% (17.4) is primarily affected by non-taxable income such as dividends from Group companies.

A7. Intangible assets

	Capitalized expenditures for computer programs	
	2015	**2014**
Accumulated cost		
Opening balance, Jan. 1	36	36
Investments	12	–
Closing balance, Dec. 31	**48**	**36**
Accumulated depreciation		
Opening balance, Jan. 1	26	21
Depreciation for the year	7	5
Closing balance, Dec. 31	**33**	**26**
Carrying amount		
Opening balance, Jan. 1	10	15
Closing balance, Dec. 31	**15**	**10**

A8. Property, plant and equipment

	2015			2014		
	Buildings and land	Machinery and equipment	Total	Buildings and land	Machinery and equipment	Total
Accumulated cost						
Opening balance, Jan. 1	27	46	73	23	39	62
Investments	–	3	3	4	8	12
Disposals	–	–3	–3	–	–1	–1
Closing balance, Dec. 31	**27**	**46**	**73**	**27**	**46**	**73**
Accumulated depreciation						
Opening balance, Jan. 1	8	32	40	5	27	32
Depreciation for the year	–2	6	4	3	6	9
Disposals	–	–3	–3	–	–1	–1
Closing balance, Dec. 31	**6**	**35**	**41**	**8**	**32**	**40**
Carrying amount						
Opening balance, Jan. 1	19	14	33	18	12	30
Closing balance, Dec. 31	**21**	**11**	**32**	**19**	**14**	**33**

The asset Buildings and land relates to improvements in leased properties. Depreciation is accounted for under administrative expenses in the Income Statement.

The leasing costs for assets under operating leases, such as rented premises, cars and office equipment are reported among administrative expenses and amounted to 68 (38). Future payments for non-cancelable leasing contracts amounted to 476 (452) and fall due as follows:

	2015	2014
Less than one year	69	57
Between one and five years	243	212
More than five years	164	183
Total	**476**	**452**

A9. Deferred tax assets and liabilities

	2015			2014		
	Assets	Liabi-lities	Net balance	Assets	Liabi-lities	Net balance
Fixed assets	1	–	1	1	–	1
Post-employment benefits	32	–	32	29	–	29
Other provisions	6	–	6	10	–	10
Non-current liabilities	47	–	47	–	–44	–44
Total	**86**	**–**	**86**	**40**	**–44**	**–4**

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

	2015	2014
Net balance, Jan. 1	–4	–452
Charges to other comprehensive income	–3	449
Reclassification	107	–
Charges to profit for the year	–14	–1
Net balance, Dec. 31	**86**	**–4**

A10. Shares in Group companies

	2015	2014
Accumulated cost		
Opening balance, Jan. 1	95 046	93 772
Investments	–	79
Net investment hedge	129	–121
Shareholders' contribution	16 819	1 338
Divestments	–220	–22
Closing balance, Dec. 31	**111 774**	**95 046**
Accumulated write-up		
Opening balance, Jan. 1	600	600
Closing balance, Dec. 31	**600**	**600**
Accumulated write-down		
Opening balance, Jan. 1	–1 739	–1 368
Write-down	–	–371
Closing balance, Dec. 31	**–1 739**	**–1 739**
Total	**110 635**	**93 907**

For further information about Group companies, see note A21.

A11. Other financial assets

	2015	2014
Receivables from Group companies	1	6
Derivatives		
– held for trading	1	–
– designated for hedge accounting	102	160
Endowment insurances	126	110
Financial assets classified as loans and receivables		
– other financial receivables	28	90
Closing balance, Dec. 31	**258**	**366**

Endowment insurances relate to defined contribution pension plans and are pledged to the pension beneficiary (see note A15 and A20).

A12. Other receivables

	2015	2014
Receivables from Group companies	2 411	2 664
Derivatives		
– held for trading	252	134
– designated for hedge accounting	71	17
Financial assets classified as loans and receivables		
– other receivables	225	400
Prepaid expenses and accrued income	61	74
Closing balance, Dec. 31	**3 020**	**3 289**

Other receivables of 225 (400) mainly refers to CSA agreements used to limit the credit risk on derivative transactions.

A13. Cash and cash equivalents

	2015	2014
Cash and cash equivalents classified as loans and receivables		
– cash	745	2 706
– cash equivalents	3 566	2 447
Closing balance, Dec. 31	**4 311**	**5 153**

The Parent Company's guaranteed, but unutilized, credit lines equaled to 8 585 (6 298).

A14. Equity

For information on share transactions and mandates approved by the Annual General Meeting, see note 20 in the consolidated financial statements.

Reserves
The Parent Company's equity includes certain reserves which are described as follows:

Legal reserve
The legal reserve is a part of the restricted equity and is not available for distribution.

Reserve for fair value – Translation reserve
The reserve comprises translation of intragroup receivables from or liabilities to foreign operations that in substance are part of the net investment in the foreign operations, as well as cash flow hedges to convert variable interest rates to fixed interest rates.

A15. Post-employment benefits

	2015			2014		
	Defined contribution pension plan	Defined benefit pension plan	Total	Defined contribution pension plan	Defined benefit pension plan	Total
Opening balance, Jan. 1	110	17	127	78	18	96
Provision made	17	–	17	38	–	38
Provision used	–1	–8	–9	–6	–1	–7
Closing balance, Dec. 31	**126**	**9**	**135**	**110**	**17**	**127**

The Parent Company has endowment insurances of 126 (110) relating to defined contribution pension plans. The insurances are recognized as other financial assets, and pledged to the pension beneficiary.

Description of defined benefit pension plans
The Parent Company has three defined benefit pension plans. The ITP plan is a final salary pension plan covering the majority of salaried employees in Atlas Copco AB which benefits are secured through the Atlas Copco pension trust. The second plan relates to a group of employees earning more than 10 income base amounts who have opted out from the ITP plan. This plan is insured. The third plan relates to retired former senior employees. These pension arrangements are provided for.

	2015			2014		
	Funded pension	Unfunded pension	Total	Funded pension	Unfunded pension	Total
Defined benefit obligations	134	9	143	133	17	150
Fair value of plan assets	–296	–	–296	–262	–	–262
Present value of net obligations	–162	9	–153	–129	17	–112
Not recognized surplus	162	–	162	129	–	129
Net amount recognized in balance sheet	–	**9**	**9**	–	**17**	**17**

Reconciliation of defined benefit obligations	Funded pension	Unfunded pension	Total	Funded pension	Unfunded pension	Total
Defined benefit obligations at Jan. 1	133	17	150	130	18	148
Service cost	6	1	7	5	2	7
Interest expense	4	–	4	4	–	4
Other changes in obligations	–	–8	–8	4	–	4
Benefits paid from plan	–9	–1	–10	–10	–3	–13
Defined benefit obligations at Dec. 31	**134**	**9**	**143**	**133**	**17**	**150**

Reconciliation of plan assets	Funded pension	Unfunded pension	Total	Funded pension	Unfunded pension	Total
Fair value of plan assets at Jan. 1	262	–	262	236	–	236
Return on plan assets	34	–	34	26	–	26
Fair value of plan assets at Dec. 31	**296**	–	**296**	**262**	–	**262**

A15. Post-employment benefits, continued

	2015	2014
Pension commitments provided for in the balance sheet		
Costs excluding interest	6	15
Interest expense	–	1
Total	**6**	**16**
Pension commitments provided for through insurance contracts		
Service cost	20	19
Total	**20**	**19**
Net cost for pensions, excluding taxes	**26**	**35**
Special employer's contribution	10	16
Total	**36**	**51**

Pension expenses excluding taxes for the year, included within administrative expenses amounted to 26 (35) of which the Board members and Group Management 11 (10) and others 15 (25).

The Parent Company's share in plan assets fair value in the Atlas Copco pension trust amounts to 296 (262) and is allocated as follows:

	2015	2014
Equity securities	35	28
Bonds	188	184
Real estate	70	50
Cash and cash equivalents	3	–
Total	**296**	**262**

The plan assets of the Atlas Copco pension trust are not included in the financial assets of the Parent Company.

The return on plan assets in the Atlas Copco pension trust amounted to 11.9 % (11.3).

The Parent Company adheres to the actuarial assumptions used by The Swedish Pension Registration Institute (PRI) i.e. discount rate 3.7 % (3.8).

The Parent Company estimates 9 will be paid to defined benefit pension plans during 2016.

A16. Other provisions

	2015	2014
Opening balance, Jan. 1	222	249
During the year		
– provisions made	78	145
– provisions used	–168	–168
– provisions reversed	–	–4
Closing balance, Dec. 31	**132**	**222**

Other provisions include primarily provisions for costs related to employee option programs accounted for in accordance with IFRS 2 and UFR 7.

A17. Borrowings

	Maturity	Repurchased nominal amount	2015 Carrying amount	2015 Fair value	2014 Carrying amount	2014 Fair value
Non-current						
Medium Term Note Program MEUR 500	2019		4 458	4 823	4 458	5 076
Medium Term Note Program MEUR 500	2023		4 531	4 937	4 528	5 191
Capital market borrowings MUSD 800	2017		6 897	7 173	6 635	7 088
Capital market borrowings MUSD 150	2019	MUSD 7.5	1 190	1 475	973	1 446
Bilateral borrowings EIB MEUR 275	2019		2 329	2 561	2 329	2 693
Bilateral borrowings NIB MEUR 200	2024		1 886	1 908	1 696	1 803
Non-current borrowings from Group companies			27 772	28 878	27 734	29 130
Total non-current borrowings			**49 063**	**51 755**	**48 353**	**52 427**
Current						
Current borrowings from Group companies			27 506	27 529	9 335	9 382
Total current borrowings			**27 506**	**27 529**	**9 335**	**9 382**
Closing balance, Dec. 31			**76 569**	**79 284**	**57 688**	**61 809**
Whereof external borrowings			**21 291**	**22 877**	**20 619**	**23 297**

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.

During 2015 Atlas Copco has increased the bilateral loan from Nordic Investment Bank of MEUR 180 to MEUR 200. In January 2015 Atlas Copco AB entered into a loan agreement with European Investment Bank amounting to MEUR 300. Currently, the facility is undrawn. The availability period for drawings under the facility is extended until July 2016. If no drawings are made by then, the facility will be cancelled.

The credit line of MEUR 640 has been extended during 2015 and matures in 2020.

A17. Borrowings, continued

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

Maturity	Fixed	Floating [1]	Carrying amount	Fair value
2017	5 173	1 724	6 897	7 173
2019	7 977	–	7 977	8 859
2023	4 531	–	4 531	4 937
2024	–	1 886	1 886	1 908
Total	**17 681**	**3 610**	**21 291**	**22 877**

[1] Floating interest in the table is borrowings with fixings shorter or equal to six months.

A18. Other liabilities

	2015	2014
Accounts payable	26	40
Liabilities to Group companies	246	383
Derivatives		
– held for trading	158	337
– designated for hedge accounting	–	99
Other financial liabilities		
– other liabilities	218	35
Accrued expenses and prepaid income	395	386
Closing balance, Dec. 31	**1 043**	**1 280**

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 21 291 (20 619) of external borrowings and MSEK 55 278 (37 069) of internal borrowings at December 31, 2015. 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 4 739 (4 719) and derivatives of MEUR 310 (330). The deferral hedge accounting of the loans is based on a RFR 2 exemption. The derivatives are accounted as fair value hedges.

The interest rate risk is managed with interest rate swaps, designated as fair value hedges and cash flow hedges. Note 27 of the consolidated financial statements include fair value of these swaps and further details.

Financial credit risk

Credit risk on financial transactions is the risk that the Parent Company incurs losses as a result of non-payment by counterparts related to the Parent Company's investments, bank deposits or derivative transactions. For further information regarding investment and derivative transactions, see note 27 of the consolidated financial statements.

The table below shows the actual exposure of financial instruments as per December 31.

Financial credit risk	2015	2014
Cash and cash equivalents	4 311	5 153
Receivables from Group companies	2 412	2 670
Derivatives	426	311
Other	315	564
Total	**7 464**	**8 698**

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

	2015	2014
Assets pledged for derivative contracts		
Other receivables	152	392
Assets pledged for pension commitments		
Endowment insurances	126	110
Total	**279**	**502**
Contingent liabilities		
Sureties and other contingent liabilities		
– for external parties	3	3
– for Group companies	7 843	9 576
Total	**7 846**	**9 579**

Sureties and other contingent liabilities include bank and commercial guarantees, CSA-agreements, (Credit Support Annex) and performance bonds. Sureties and other contingent liabilities for Group companies has decreased since Atlas Copco UK Holding Ltd (99,5 MUSD) and Atlas Copco North America LLC (99,0 MUSD) financial guarantees have matured in 2015.

A21. Directly owned subsidiaries

	2015			2014		
	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	46 028	76 415	100	45 988
Atlas Copco Construction Technique Brasil Ltda, São Paulo	25 777 505	100	619	25 777 505	100	619
Atlas Copco Craelius AB, 556041-2149, Märsta	200 000	100	56	200 000	100	53
Atlas Copco GIA AB, 556040-0870, Grängesberg	50 000	100	153	50 000	100	152
Atlas Copco MAI GmbH, Feistritz an der Drau	–	–	–	1	100	34
Atlas Copco Meyco AG, Zurich	9 000	100	64	9 000	100	64
Atlas Copco Rock Drills AB, 556077-9018, Örebro	1 000 000	100	467	1 000 000	100	452
Atlas Copco Secoroc AB, 556001-9019, Fagersta	2 325 000	100	179	2 325 000	100	178
Atlas Copco Welltech AB, 556577-2240, Jonsered	20 000	100	78	20 000	100	78
Construction Tools AB, 556069-7228, Kalmar	60 000	100	2 050	60 000	100	2 047
Dynapac Compaction Equipment AB, 556068-6577, Karlskrona	80 000	100	887	80 000	100	1 105
Gazcon A/S, Lynge	500	100	23	500	100	23

A21. Directly owned subsidiaries, continued

	2015			2014		
	Number of shares	Percent held	Carrying value	Number of shares	Percent held	Carrying value
Directly owned customer centers						
Atlas Copco (Cyprus) Ltd., Nicosia	99 998	100	–	99 998	100	–
Atlas Copco Argentina S.A.C.I., Buenos Aires	5 120 025	93/100[1)]	62	525 000	75/100[1)]	12
Atlas Copco (India) Ltd., Mumbai	21 731 582	96	1 818	21 731 582	96	1 815
Atlas Copco (Ireland) Ltd., Dublin	250 000	100	28	250 000	100	28
Atlas Copco (Malaysia), Sdn. Bhd., Kuala Lumpur	1 000 000	100	14	1 000 000	100	14
Atlas Copco (Philippines) Inc., Paranaque	121 995	100	6	121 995	100	6
Atlas Copco (Switzerland) AG., Studen/Biel	8 000	100	52	8 000	100	52
Atlas Copco (South East Asia) Pte.Ltd., Singapore	1 500 000	100	6	1 500 000	100	6
Atlas Copco Brasil Ltda., São Paulo	70 358 841	100	239	70 358 841	100	238
Atlas Copco Chilena S.A.C., Santiago	24 998	100	11	24 988	100	9
Atlas Copco CMT Sweden AB, 556100-1453, Nacka	103 000	100	99	103 000	100	98
Atlas Copco Compressor AB, 556155-2794, Nacka	60 000	100	12	60 000	100	12
Atlas Copco Equipment Egypt S.A.E., Cairo	5	0/100[1)]	2	5	0/100[1)]	2
Atlas Copco Ges.m.b.H., Vienna	1	100	43	1	100	8
Atlas Copco Indoeuropeiska AB, 556155-2760, Nacka	3 500	100	25	3 500	100	25
Atlas Copco Eastern Africa Ltd., Nairobi	482 999	100	31	482 999	100	6
Atlas Copco KK, Tokyo	375 001	100	31	375 001	100	30
Atlas Copco Kompressorteknik A/S, Copenhagen	4 000	100	4	4 000	100	3
Atlas Copco Maroc SA., Casablanca	3 888	97	3	3 854	96	2
Atlas Copco Services Middle East OMC, Bahrain	500	100	6	500	100	5
Atlas Copco Venezuela S.A., Caracas	25 812 000	100	42	25 812 000	100	42
Chicago Pneumatic Construction Equipment AB, 556197-5375, Stockholm	–	–	–	30 000	100	29
Servatechnik AG., Oftringen	3 500	100	28	3 500	100	28
Soc. Atlas Copco de Portugal Lda., Lisbon	1	100	26	1	100	25
AGRE Kompressoren GmbH, Garsten-St. Ulrich	200 000	100	7	200 000	100	7
Directly owned holding companies and others						
Atlas Copco A/S, Langhus	2 500	100	40	2 500	100	40
Atlas Copco Beheer b.v., Zwijndrecht	15 712	100	2 459	15 712	100	2 429
Atlas Copco Customer Finance Chile Ltd., Santiago	6 317 500	0/100[1)]	–	6 317 500	0/100[1)]	–
Atlas Copco Deutschland GmbH , Essen	1	100	3	1	100	–
Atlas Copco Dynapac AB, 556655-0413, Nacka	–	–	–	86 993 823	100	3
Atlas Copco Finance Belgium bvba, Wilrijk	1	0/100[1)]	–	1	0/100[1)]	–
Atlas Copco Finance Europe n.v., Wilrijk	1	0/100[1)]	1	1	0/100[1)]	1
Atlas Copco France Holding S.A., St. Ouen l'Áumône	278 255	100	259	278 255	100	257
Atlas Copco Holding GmbH, Essen	2	100	1 056	2	100	1 049
Atlas Copco Järla Holding AB, 556062-0212, Nacka	95 000	100	20 570	95 000	100	20 570
Atlas Copco Lugnet Treasury AB, 556277-9537, Nacka	700 500	100	724	700 500	100	723
Atlas Copco Sickla Holding AB, 556309-5255, Nacka	1 000	100	27 285	1 000	100	10 630
Atlas Copco UK Holdings Ltd., Hemel Hempstead	150 623 666	100	1 470	150 623 666	100	1 468
Atlas Copco USA Holdings Inc., Parsippany NJ	100	100	3 429	100	100	3 429
Dynapac AB, 556655-0421, Karlskrona	75 000	100	–	75 000	100	–
Econus S A, Montevideo	21 582 605	100	17	21 582 605	100	17
Industria Försäkrings AB, 516401-7930, Nacka	300 000	100	30	300 000	100	30
Oy Atlas Copco AB, Vantaa	150	100	30	150	100	32
Power Tools Distribution n.v., Hoeselt	1	0/100[1)]	2	1	0/100[1)]	1
2 (2) dormant companies		100	12		100	12
Net investment hedge			50			–79
Carrying amount, Dec. 31			**110 635**			**93 907**

1) First figure; percentage held by Parent Company, second figure; percentage held by Atlas Copco Group.

A22. Related parties

Relationships

The Parent Company has related party relationships with its largest shareholder, its subsidiaries, its associates, its joint ventures and with its Board members and Group Management.

The Parent Company's largest shareholder, Investor AB, controls approximately 22 % of the voting rights in Atlas Copco AB.

The subsidiaries that are directly owned by the Parent Company are presented in note A21 and all directly and indirectly owned operating subsidiaries are listed on the following pages.

Information about Board members and Group Management is presented on pages 60–63.

Transactions and outstanding balances

The Group has not had any transactions with Investor AB during the year other than dividends declared and redemption of shares 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:

	2015	2014
Revenues		
Dividends	9 276	2 525
Group contribution	4 693	4 188
Interest income	208	298
Expenses		
Group contribution	–170	–328
Interest expenses	–642	–817
Receivables	**2 412**	**2 669**
Liabilities	**55 524**	**37 454**
Guarantees	**7 843**	**9 576**

The following details directly and indirectly owned holding and operational subsidiaries (excluding branches), presented by country of incorporation.

Country	Company	Location (City)
Algeria	SPA Atlas Copco Algérie	*Algiers*
Angola	Atlas Copco Angola Lda	*Luanda*
Argentina	Atlas Copco Argentina S.A.C.I	*Buenos Aires*
	Atlas Copco Servicios Mineros S.A.	*Buenos Aires*
Australia	Atlas Copco Australia Pty Limited	*Blacktown*
	Atlas Copco Customer Finance Australia Pty Limited	*Blacktown*
	Atlas Copco South Pacific Holdings Pty Ltd.	*Blacktown*
	Henrob (UK) Pty Ltd	*Brisbane*
Austria	AGRE Kompressoren GmbH	*Garsten-st. Ulrich*
	Atlas Copco Ges.m.b.H.	*Vienna*
	Atlas Copco Powercrusher GmbH	*St. Valentin*
Bahrain	Atlas Copco Services Middle East OMC	*Bahrain*
Bangladesh	Atlas Copco Bangladesh Ltd.	*Dhaka*
Belgium	Atlas Copco Airpower n.v.	*Wilrijk*
	Atlas Copco Belgium n.v.	*Overijse*
	Atlas Copco Business Services n.v.	*Wilrijk*
	Atlas Copco Finance Belgium BVBA	*Wilrijk*
	Atlas Copco Finance Europe n.v.	*Wilrijk*
	Atlas Copco Rental Europe n.v.	*Wilrijk*
	EDMAC Europe n.v.	*Wilrijk*
	International Compressor Distribution NV	*Wilrijk*
	Power Tools Distribution n.v.	*Hoeselt*
	SA Edwards Vacuum NV	*Estaimpuis*
	Maes Compressoren NV	*Ghent*
Bolivia	Atlas Copco Boliviana SA	*La Paz*
Bosnia and Herzegovina	Atlas Copco BH d.o.o.	*Sarajevo*
Botswana	Atlas Copco (Botswana) (Pty) Ltd.	*Gaborone*
Brazil	Atlas Copco Brasil Ltda	*Barueri*
	Atlas Copco Construction Technique Brasil Ltda	*São Paulo*
	Cavaletti Equipamentos e Servicos Ltda	*Valinhos*
	Chicago Pneumatic Brasil Ltda	*Barueri*
	Edwards Vacuo Ltda	*São Paulo*
	Schucker do Brazil Ltda	*São José dos Pinais*
	Synatec Group of South America Inc.	*São Paulo*
Bulgaria	Atlas Copco Bulgaria EOOD	*Sofia*
	Construction Tools EOOD	*Roseau*
Burkina Faso	Atlas Copco Burkina Faso SARL	*Ouagadougou*
Cameroon	Atlas Copco Afrique Centrale SA	*Douala*
Canada	Atlas Copco Canada Inc.	*Dorval*
	Chicago Pneumatic Tool Co. Canada Ltd.	*Toronto*
	Air Repair Sales & Services Limited	*Moncton*

Country	Company	Location (City)
Chile	Atlas Copco Chilena S.A.C.	*Santiago*
	Atlas Copco Customer Finance Chile Ltda	*Santiago*
China	Atlas Copco (China) Investment Co., Ltd.	*Shanghai*
	Atlas Copco (China) Mining and Construction Equipment Trading Co Ltd	*Nanjing*
	Atlas Copco (Nanjing) Construction and Mining Equipment Ltd.	*Nanjing*
	Atlas Copco (Shanghai) Equipment Rental Co., Ltd.	*Shanghai*
	Atlas Copco (Shanghai) Process Equipment Co., Ltd.	*Shanghai*
	Atlas Copco (Shanghai) Trading Co., Ltd.	*Shanghai*
	Atlas Copco (Shenyang) Construction and Mining Equipment Ltd.	*Shenyang*
	Atlas Copco (Wuxi) Compressor Co., Ltd.	*Wuxi*
	Atlas Copco (Wuxi) Exploration Equipment Ltd.	*Wuxi*
	Atlas Copco (Wuxi) Energy Conservation Engineering Co., Ltd.	*Wuxi*
	Atlas Copco (Wuxi) Research and Development Center	*Wuxi*
	Atlas Copco (Zhangjiakou) Construction & Mining Equipment Ltd.	*Zhangjiakou*
	Atlas Copco Financial Leasing Co., Ltd.	*Shanghai*
	Bolaite (Shanghai) Compressor Co., Ltd.	*Shanghai*
	Bolaite (Shanghai) Compressor Trading Co. Ltd	*Shanghai*
	Dynapac (China) Compaction & Paving Eq Co., Ltd.	*Tianjin*
	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*
	Guangzhou Linghein Compressor Co., Ltd.	*Guangzhou*
	Kunshan Q-Tech Air System Technologies Ltd.	*Kunshan*
	Liutech (Liuzhou) Compressor Trading Co. Ltd	*Liuzhou*
	Liuzhou Tech Machinery Co., Ltd.	*Liuzhou*
	SCA Schucker Automation Equipment (Shanghai) Co., Ltd.	*Shanghai*
	Shanghai Beacon Medaes Medical Gas Engineering Consulting Co., Ltd.	*Shanghai*
	Shanghai Tooltec Industrial Tool Co., Ltd.	*Shanghai*

A22. **Related parties,** continued

Country	Company	Location (City)
China	Shandong Rock Drilling Tools Co Ltd.	*Yanggu*
	Wuxi Pneumatech Air/Gas Purity Equipment Co., Ltd.	*Wuxi*
	Wuxi Shengda Air/Gas Punty Equipment Co., Ltd	*Wuxi*
Colombia	Atlas Copco Colombia Ltda	*Bogotá*
Croatia	Atlas Copco d.o.o.	*Zagreb*
Cyprus	Atlas Copco (Cyprus) Ltd.	*Nicosia*
Czech Republic	ALUP CZ spol. S.r.o	*Breclav*
	Atlas Copco s.r.o.	*Prague*
	Edwards s.r.o.	*Lutin*
	Edwards Services s.r.o.	*Lutin*
	Industrial Technique Service s.r.o.	*Prague*
Democratic Republic of the Congo	Atlas Copco DRC sprl	*Lubumbashi*
Denmark	Atlas Copco Kompressorteknik A/S	*Copenhagen*
	Gazcon A/S	*Lynge*
Egypt	Atlas Copco Equipment Egypt S.A.E.	*Cairo*
Finland	Oy Atlas Copco Ab	*Vantaa*
	Oy Atlas Copco Kompressorit Ab	*Vantaa*
	Oy Atlas Copco Louhintatekniikka Ab	*Vantaa*
	Oy Atlas Copco Rotex Ab	*Tampere*
	Oy Atlas Copco Tools Ab	*Vantaa*
France	ABAC France S.A.S.	*Valence*
	Atlas Copco Applications Industrielles S.A.S.	*Cergy Pontoise*
	Atlas Copco Compresseurs S.A.S	*Cergy Pontoise*
	Atlas Copco Crépelle S.A.S.	*Lille*
	Atlas Copco Forage et Construction S.A.S.	*Cergy Pontoise*
	Atlas Copco France Holding S.A.	*Cergy Pontoise*
	Compresseurs Mauguière S.A.S.	*Cergy Pontoise*
	Compresseurs Worthington Creyssensac S.A.S.	*Chambly*
	Edwards SAS	*Gennevilliers*
	ETS Georges Renault S.A.S.	*Nantes*
	Exlair S.A.S.	*Cergy Pontoise*
	Hibon International SA	*Gennevilliers*
	Hibon SA	*Gennevilliers*
	Seti-Tec S.A.S.	*Lognes*
Germany	ALUP Kompressoren GmbH	*Köngen*
	Atlas Copco ACE GmbH	*Essen*
	Atlas Copco Beteiligungs GmbH	*Essen*
	Atlas Copco Berg-und Tunnelbautechnik GmbH	*Essen*
	Atlas Copco Road Construction GmbH	*Wardenburg*
	Atlas Copco Deutschland GmbH	*Essen*
	Atlas Copco Energas GmbH	*Cologne*
	Atlas Copco Holding GmbH	*Essen*
	Atlas Copco Kompressoren und Drucklufttechnik GmbH	*Essen*
	Atlas Copco MCT GmbH	*Essen*
	Atlas Copco Tools Central Europe GmbH	*Essen*
	Construction Tools GmbH	*Essen*
	Desoutter GmbH	*Maintal*
	Dynapac GmbH	*Wardenburg*
	Edwards GmbH	*Kirchheim*
	Ekomak Kompressoren GmbH	*Moers*
	Gefahard Industrie Electronic GmbH	*Essen*
	Henrob GmbH	*Herford*
	IRMER + ELZE Kompressoren Gmbh	*Bad Oyenhausen*
	Saltus Industrial Technique GmbH	*Wuppertal*
	SCA Schucker GmbH & Co KG	*Bretten*

Country	Company	Location (City)
Germany	SCA Schucker Verwaltungs-GmbH	*Bretten*
	Synatec GmbH	*Leinfelden-Echterdingen*
Ghana	Atlas Copco Ghana Ltd.	*Accra*
Greece	Atlas Copco Hellas AE	*Koropi*
Hong Kong	Atlas Copco China/Hong Kong Ltd	*Kowloon*
	CP China/Hong Kong Ltd.	*Kowloon*
	Edwards Vacuum Hong Kong Ltd	*Hongkong*
Hungary	Atlas Copco Kft.	*Budapest*
	Industrial Technique Hungary Kft.	*Budapest*
India	Atlas Copco (India) Ltd.	*Pune*
	Edwards India Private Ltd	*Pune*
Indonesia	PT Atlas Copco Indonesia	*Jakarta*
	PT Atlas Copco Nusantara	*Jakarta*
Iraq	Atlas Copco Iraq LLC	*Erbil*
	Atlas East LLC for General Trading and Industrial equipment	*Baghdad*
Ireland	Atlas Copco (Ireland) Ltd.	*Dublin*
	Edwards Vacuum Technology Ireland Ltd	*Dublin*
Israel	Edwards Israel Vacuum Ltd	*Kiryat Gat*
Italy	ABAC Aria Compressa S.p.A	*Robassomero*
	Atlas Copco BLM S.r.l.	*Milan*
	Atlas Copco Italia S.p.A.	*Milan*
	Atlas Copco Stonetec S.r.L	*Bagnolo Piemonte*
	Ceccato Aria Compressa S.r.L	*Vicenza*
	Edwards S.p.A.	*Milan*
	MultiAir Italia S.r.l	*Cinisello Balsamo*
Japan	Atlas Copco KK	*Tokyo*
	Edwards Japan Ltd	*Chiba*
	Fuji Industrial Technique Co., Ltd.	*Osaka*
Kazakhstan	Atlas Copco Central Asia LLP	*Almaty*
Kenya	Atlas Copco Eastern Africa Limited	*Nairobi*
Latvia	Atlas Copco Baltic SIA	*Riga*
Lebanon	Atlas Copco Levant S.A.L.	*Beirut*
Luxembourg	Atlas Copco Finance S.á.r.l.	*Luxembourg*
Malaysia	Atlas Copco (Malaysia) Sdn. Bhd.	*Shah Alam*
	Edwards Technologies Malaysia Sdn. Bhd.	*Kuala Lumpur*
Mali	Atlas Copco Mali Sarl	*Bamako*
Mexico	Atlas Copco Mexicana S.A. de C.V.	*Tlalnepantla*
	Atlas Copco Rental Mexico	*Monterrey*
	Desarrollos Técnologicos ACMSA S.A. de C.V.	*Tlalnepantla*
	SCA Schucker de Mexico S.A. de C.V.	*Puebla*
	Desoutter Tools Mexico SA de CV	*Tlalnepantla*
Mongolia	Atlas Copco Mongolia LLC	*Ulaanbaatar*
Morocco	Atlas Copco Maroc SA	*Casablanca*
Mozambique	Atlas Copco Mozambique	*Maputo*
Myanmar	Atlas Copco Services Myanmar Co., Ltd.	*Yangon*
Namibia	Atlas Copco Namibia (Pty) Ltd.	*Windhoek*
Netherlands	Alup Grass-air Kompressoren B.V.	*Oss*
	Atlas Copco Beheer B.V.	*Zwijndrecht*
	Atlas Copco Internationaal B.V.	*Zwijndrecht*
	Atlas Copco Nederland B.V.	*Zwijndrecht*
	Creemers Compressors B.V.	*Eindhoven*
New Zealand	Atlas Copco (N.Z.) Ltd.	*Auckland*
	Exlair (NZ) Limited	*Auckland*
Nigeria	Atlas Copco Nigeria Ltd.	*Lagos*
Norway	Atlas Copco Anlegg- og Gruveteknikk A/S	*Langhus*
	Atlas Copco A/S	*Langhus*
	Atlas Copco Kompressorteknikk A/S	*Langhus*
	Atlas Copco Tools A/S	*Langhus*
	Berema A/S	*Langhus*

A22. Related parties, continued

Country	Company	Location (City)
Pakistan	Atlas Copco Pakistan (Pvt) Ltd.	*Lahore*
Panama	Atlas Copco Central América SA	*Panama*
	Atlas Copco Panama SA	*Panama*
Peru	Atlas Copco Peruana SA	*Lima*
Philippines	Atlas Copco (Philippines) Inc.	*Binan*
Poland	ALUP Kompressoren Polska sp. z.o.o.	*Warsaw*
	Atlas Copco Polska Sp. z o.o.	*Warsaw*
Portugal	Sociedade Atlas Copco de Portugal Lda	*Lisbon*
Romania	Atlas Copco Romania S.R.L.	*Bucharest*
Russia	CJSC Atlas Copco	*Moscow*
	Ekomak Industrial	*Moscow*
Senegal	Atlas Copco Senegal SARL	*Dakar*
Serbia	Atlas Copco A.D.	*Belgrade*
Singapore	Atlas Copco (South East Asia) Pte. Ltd.	*Singapore*
	Edwards Technologies Singapore PTE Ltd	*Singapore*
Slovakia	Atlas Copco s.r.o	*Bratislava*
Slovenia	Atlas Copco d.o.o.	*Trzin*
South Africa	Atlas Copco Holdings South Africa (Pty) Ltd.	*Boksburg*
	Atlas Copco Investment Company (Pty) Ltd.	*Boksburg*
	Atlas Copco South Africa (Pty) Ltd.	*Boksburg*
South Korea	Atlas Copco Korea Co., Ltd.	*Seongnam*
	CP Tools Korea Co., Ltd.	*Anyang*
	Edwards Korea Ltd	*Seongnam*
Spain	Aire Comprimido Industrial Iberia, S.L.	*Madrid*
	Atlas Copco S.A.E.	*Madrid*
	Grupos Electrógenos Europa, S.A	*Zaragoza*
Sweden	Atlas Copco CMT Sweden AB	*Nacka*
	Atlas Copco Compressor AB	*Nacka*
	Atlas Copco Craelius AB	*Märsta*
	Atlas Copco Customer Finance AB	*Nacka*
	Atlas Copco GIA AB	*Grängesberg*
	Atlas Copco Industrial Technique AB	*Nacka*
	Atlas Copco Järla Holding AB	*Nacka*
	Atlas Copco Lugnet Treasury AB	*Nacka*
	Atlas Copco Rock Drills AB	*Örebro*
	Atlas Copco Secoroc AB	*Fagersta*
	Atlas Copco Sickla Holding AB	*Nacka*
	Atlas Copco Welltech AB	*Jonsered*
	Construction Tools PC AB	*Kalmar*
	Dynapac AB	*Stockholm*
	Dynapac Compaction Equipment AB	*Karlskrona*
	Dynapac International AB	*Malmö*
	Industria Insurance Company Ltd Industria Försäkringsaktiebolag	*Nacka*
	SFR STG 1626 KB	*Karlskrona*
Switzerland	Atlas Copco (Schweiz) AG	*Studen*
	Atlas Copco Meyco AG	*Zurich*
	Servatechnik AG	*Oftringen*
Taiwan	Atlas Copco Taiwan Ltd.	*Taipei*
	Edwards Technologies Ltd	*Jhunan*
Tanzania	Atlas Copco Tanzania Limited	*Geita*
Thailand	Atlas Copco (Thailand) Limited	*Bangkok*
Turkey	Atlas Copco Makinalari Imalat AS	*Istanbul*
	Dost Kompresör End Mak Imal akım ve Tic A.S	*Istanbul*
	Ekomak Endüstriyel	*Istanbul*
	Ekoser Endüstriyel	*Istanbul*
	Chicago Pneumatic Endüstriyel Ürünler Ticaret A.S.	*Istanbul*

Country	Company	Location (City)
Ukraine	LLC Atlas Copco Ukraine	*Kiev*
United Arab Emirates	Atlas Copco Middle East FZE	*Jebel Ali free zone, Dubai*
	Atlas Copco Services Middle East SPC	*Abu Dhabi*
United Kingdom	Air Compressors and Tools Limited	*Hemel Hempstead*
	Atlas Copco Ltd.	*Hemel Hempstead*
	Atlas Copco (NI) Ltd.	*Lisburn*
	Atlas Copco Medical Ltd	*Staveley*
	Atlas Copco UK Holdings Ltd.	*Hemel Hempstead*
	Edwards High Vacuum International Ltd	*Crawley*
	Edwards Ltd	*Crawley*
	Henrob Ltd	*Flintshire*
	SCA Schucker UK Ltd.	*Didcot*
	Tentec Ltd.	*Birmingham*
Uruguay	Econus S A	*Montevideo*
USA	Atlas Copco Assembly Systems LLC	*Auburn Hills, MI*
	Atlas Copco Compressors LLC	*Rock Hill, SC*
	Atlas Copco Comptec LLC	*Voorheesville, NY*
	Atlas Copco Customer Finance USA LLC	*Parsippany, NJ*
	Atlas Copco Drilling Solutions LLC	*Garland, TX*
	Atlas Copco Hurricane LLC	*Franklin, IN*
	Atlas Copco Mafi-Trench Company LLC	*Santa Maria, CA*
	Atlas Copco North America LLC	*Parsippany, NJ*
	Atlas Copco Rental LLC	*Laporte, TX*
	Atlas Copco Secoroc LLC	*Grand Prairie, TX*
	Atlas Copco Specialty Rental LLC	*Houston, TX*
	Atlas Copco Tools & Assembly Systems LLC	*Auburn Hills, MI*
	Atlas Copco USA Holdings Inc.	*Parsippany, NJ*
	BeaconMedaes LLC	*Rock Hill, SC*
	Chicago Pneumatic International Inc.	*Rock Hill, SC*
	Chicago Pneumatic Tool Company LLC	*Rock Hill, SC*
	Edwards Vacuum, LLC	*Sanborn, NY*
	Goldenrod Inc	*Rock Hill, SC*
	Henrob Corporation	*New Hudson, MI*
	Houston Service Industries, Inc	*Houston, TX*
	Innovative Vacuum Solutions, Inc	*Thonotosassa, FL*
	MeadesUSCo Inc	*Rock Hill, SC*
	Mining, Rock Excavation and Construction LLC	*Commerce City, CO*
	Quincy Compressor LLC	*Bay Minette, AL*
	SCA Schucker LLC	*Auburn Hills, MI*
Uzbekistan	Atlas Copco Compressors and Mining Technique LLC	*Tashkent*
Venezuela	Atlas Copco Venezuela SA	*Caracas*
Vietnam	Atlas Copco Vietnam Company Ltd.	*Ho Chi Minh City*
Zambia	Atlas Copco (Zambia) Ltd.	*Chingola*
Zimbabwe	Atlas Copco Zimbabwe (Private) Ltd.	*Harare*

SIGNATURES OF THE BOARD OF DIRECTORS

The Parent Company financial statements have been prepared in accordance with generally accepted accounting principles in Sweden and the consolidated financial statements have been prepared in accordance with International Accounting Standards as prescribed by the European Parliament and the Regulation (EC) No 1606/2002 dated July 19, 2002 on the application of International Accounting Standards. The Parent Company financial statements and the consolidated financial statements give a true and fair view of the Parent Company's and the Group's financial position and results of operations.

The administration report for the Group and Parent Company provides a true and fair overview of the development of the Group's and Parent Company's business activities, financial position and results of operations as well as the significant risks and uncertainties which the Parent Company and its subsidiaries are exposed to.

Nacka, March 4, 2016

Hans Stråberg
Chair

Ronnie Leten
President and CEO

Ulla Litzén
Board member

Anders Ullberg
Board member

Staffan Bohman
Board member

Margareth Øvrum
Board member

Johan Forssell
Board member

Gunilla Nordström
Board member

Peter Wallenberg Jr
Board member

Bengt Lindgren
Union representative

Mikael Bergstedt
Union representative

Our audit report was submitted on March 4, 2016
Deloitte AB

Jan Berntsson
Authorized Public Accountant

Atlas Copco AB is required to publish information included in this annual report in accordance with the Swedish Securities Market Act. The information was made public on March 10, 2016.

AUDIT REPORT

To the annual meeting of the shareholders of Atlas Copco AB
Corporate identity number 556014-2720

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Atlas Copco AB for the financial year 2015, except for the corporate governance report on pages 56-65. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 14–47 and 56–122.

Responsibilities of the Board of Directors and the President for the annual accounts and consolidated accounts

The Board of Directors and the President are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the President determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the President, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

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

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2015 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2015 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance report on pages 56–65. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the President of Atlas Copco AB for the financial year 2015. We have also conducted a statutory examination of the corporate governance report.

Responsibilities of the Board of Directors and the President

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the President are responsible for administration under the Companies Act and that the corporate governance report has been prepared in accordance with the Annual Accounts Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the President is liable to the company. We also examined whether any member of the Board of Directors or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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

Furthermore, we have read the corporate governance report and based on that reading and our knowledge of the company and the group we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the corporate governance report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the President be discharged from liability for the financial year.

A corporate governance report has been prepared, and its statutory content is consistent with the other parts of the annual accounts and consolidated accounts.

Nacka, March 4, 2016

Deloitte AB

Jan Berntsson
Authorized Public Accountant