

Press release from Atlas Copco AB

October 25, 2023

Atlas Copco Third-quarter report 2023

Solid orders, record revenues and operating profit

The comparison figures presented in this report refer to previous year unless otherwise stated.

Third quarter

- Orders received increased 5% to MSEK 42 606 (40 555), organic decline of 1%
- Revenues increased 17% to MSEK 44 485 (38 074), organic growth of 10%
- Operating profit reached MSEK 10 117 (8 378), corresponding to a margin of 22.7% (22.0)
 - Adjusted operating profit, excluding items affecting comparability, was MSEK 10 110 (8 469), corresponding to a margin of 22.7% (22.2)
- Profit before tax amounted to MSEK 9 928 (8 448)
- Basic earnings per share were SEK 1.60 (1.34)
- Operating cash flow at MSEK 6 581 (5 705)
- Return on capital employed was 30% (29)

MSEK	July - September			January - September		
	2023	2022		2023	2022	
Orders received	42 606	40 555	5%	133 784	121 944	10%
Revenues	44 485	38 074	17%	127 710	101 271	26%
EBITA*	10 671	8 844	21%	29 604	23 650	25%
– as a percentage of revenues	24.0	23.2		23.2	23.4	
Operating profit	10 117	8 378	21%	28 005	22 406	25%
– as a percentage of revenues	22.7	22.0		21.9	22.1	
Profit before tax	9 928	8 448	18%	27 609	22 424	23%
– as a percentage of revenues	22.3	22.2		21.6	22.1	
Profit for the period	7 803	6 536	19%	21 272	17 427	22%
Basic earnings per share, SEK	1.60	1.34		4.37	3.58	
Diluted earnings per share, SEK	1.60	1.34		4.36	3.57	
Return on capital employed, %	30	29				

*Operating profit excluding amortization of intangibles related to acquisitions.

Near-term demand outlook

Atlas Copco expects that the customers' activity level will weaken compared to the third quarter.

Previous near-term demand outlook (published July 19, 2023):

Atlas Copco expects that the customer activity level will weaken somewhat compared to the current high level.

Quarterly and annual financial data in Excel format can be found at:

<https://www.atlascopcogroup.com/en/investor-relations/financial-reports-presentations/latest-results>

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Revenues, profits and returns

Revenues increased 17% to record MSEK 44 485 (38 074), corresponding to an organic growth of 10%. Currency had a positive effect of 3%, and acquisitions added 4%.

The operating profit increased 21% to record MSEK 10 117 (8 378) and includes a change in provision for share related long-term incentive programs, reported in Common Group Items of MSEK +7 (-91).

Adjusted operating profit increased 19% to MSEK 10 110 (8 469), corresponding to a margin of 22.7% (22.2). The main explanation for the higher margin was increased organic revenues.

Net financial items amounted to MSEK -189 (70) whereof interest net at MSEK -143 (-46). The increased interest cost was mainly a result of higher interest rates. Other financial items, including financial exchange differences, were MSEK -46 (116). Profit before tax amounted to MSEK 9 928 (8 448), corresponding to a margin of 22.3% (22.2). Corporate income tax amounted to MSEK -2 125 (-1 912), corresponding to an effective tax rate of 21.4% (22.6). The lower effective tax rate compared to the previous year was due to fewer negative one-offs compared to average.

Profit for the period was MSEK 7 803 (6 536). Basic and diluted earnings per share were SEK 1.60 (1.34) and SEK 1.60 (1.34), respectively.

The return on capital employed during the last 12 months was 30% (29). Return on equity was 32% (32). The Group uses a weighted average cost of capital (WACC) of 8.0% as an investment and overall performance benchmark.

Operating cash flow and investments

Operating cash surplus increased to MSEK 11 926 (9 937). Net financial items and taxes paid amounted to MSEK -2 474 (-1 885). Working capital increased by MSEK 963, mainly due to decreased payables (increase of 665). Net investments in rental equipment were MSEK -507 (-204). Net investments in property, plant, and equipment, were MSEK -967 (-977).

Operating cash flow (an important internal KPI, but not an IFRS measurement, and hence defined on page 13) reached MSEK 6 581 (5 705).

Net indebtedness

The Group's net indebtedness amounted to MSEK 25 293 (24 622), of which MSEK 2 324 (1 784) was attributable to post-employment benefits. The Group's interest-bearing liabilities have an average maturity of 4.9 years. The net debt/EBITDA ratio was 0.6 (0.7) and the net debt/equity ratio was 27% (32).

Acquisition and divestment of own shares

During the quarter, 229 432 series A shares, net, were sold for a net value of MSEK 34. These transactions are in accordance with mandates granted by the Annual General Meeting and relate to the Group's long-term incentive programs. See page 17.

Employees

On September 30, 2023, the number of employees was 52 179 (47 986). The number of consultants/external workforce was 3 280 (3 935). For comparable units, the total workforce increased by 2 160 from September 30, 2022.

Revenues and operating profit – bridge

MSEK	Q3 2023	Volume, price, mix and other	Currency	Acquisitions	Items affecting comparability	Share-based LTI* programs	Q3 2022
Atlas Copco Group							
Revenues	44 485	3 831	1 140	1 440	-	-	38 074
Operating profit	10 117	1 441	50	150	0	98	8 378
	22.7%						22.0%

*LTI= Long term incentive

Compressor Technique

MSEK	July - September			January - September		
	2023	2022		2023	2022	
Orders received	20 304	18 809	8%	62 242	53 632	16%
Revenues	19 493	16 377	19%	55 725	43 973	27%
EBITA*	5 003	4 082	23%	14 005	10 719	31%
– as a percentage of revenues	25.7	24.9		25.1	24.4	
Operating profit	4 856	3 963	23%	13 573	10 399	31%
– as a percentage of revenues	24.9	24.2		24.4	23.6	
Return on capital employed, %	82	83				

* Operating profit excluding amortization of intangibles related to acquisitions.

- **Equipment orders remained at a high level, particularly larger compressors**
- **Continued growth for service**
- **Record revenues and operating profit, margin at 24.9%**

Sales bridge

MSEK	July - September	
	Orders received	Revenues
2022	18 809	16 377
Structural change, %	+2	+2
Currency, %	+2	+3
Organic*, %	+4	+14
Total, %	+8	+19
2023	20 304	19 493

*Volume, price and mix.

Industrial compressors

Order volumes for small and medium-sized compressors remained about the same level as the previous year, while the order intake for large-sized industrial compressors grew in the quarter. Sequentially, order volumes for industrial compressors decreased compared to the previous quarter.

Geographically and compared to the previous year, the order intake increased in Europe and Asia but decreased in North America.

Gas and process compressors

The demand for gas and process compressors was strong, and order volumes remained at the same high level as the previous year. Sequentially, the order intake increased, supported by increased demand from several customer segments.

Year-on-year, the order intake increased in most regions except Asia where orders were down.

Compressor service

The demand for service remained strong, and solid order growth was achieved in most regions.

Innovation

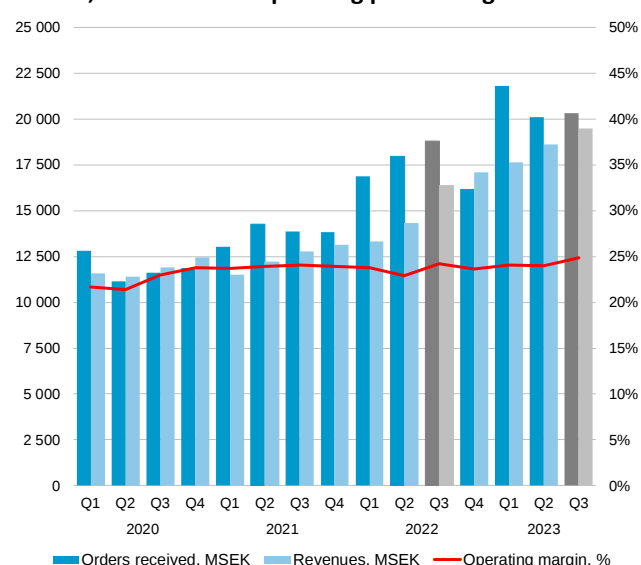
The business area launched a new turboexpander for hydrogen liquefaction, the H2ECM. The new product is designed to handle extreme low temperatures with minimal heat leak. In addition, thanks to high rotating speeds and a patented seal gas configuration, refrigeration is maximized.

Revenues and profitability

Revenues increased 19% to record MSEK 19 493 (16 377), corresponding to an organic increase of 14%.

The operating profit also reached a record at MSEK 4 856 (3 963), corresponding to a margin of 24.9% (24.2). The higher margin was mainly due to increased organic revenues. Currency, sales mix, and dilution from acquisitions had a negative effect on the margin. Return on capital employed (last 12 months) was 82% (83).

Orders, revenues and operating profit margin



Vacuum Technique

MSEK	July - September			January - September		
	2023	2022		2023	2022	
Orders received	8 774	9 764	-10%	27 488	32 731	-16%
Revenues	10 802	10 781	0%	31 702	28 295	12%
EBITA*	2 652	2 651	0%	7 777	6 913	12%
– as a percentage of revenues	24.6	24.6		24.5	24.4	
Operating profit	2 465	2 484	-1%	7 237	6 466	12%
– as a percentage of revenues	22.8	23.0		22.8	22.9	
Return on capital employed, %	22	25				

*Operating profit excluding amortization of intangibles related to acquisitions.

- **Continued lower demand for equipment, mainly from the semiconductor industry**
- **Growth for service**
- **Revenues and operating profit flat, margin at 22.8%**

Sales bridge

MSEK	July - September	
	Orders received	Revenues
2022	9 764	10 781
Structural change, %	+3	+3
Currency, %	+2	+1
Organic*, %	-15	-4
Total, %	-10	+0
2023	8 774	10 802

*Volume, price and mix.

Semiconductor and flat panel display equipment

Equipment demand from the semiconductor and flat panel display industry decreased noticeably due to lower investment activity among most customers. Consequently, the order intake decreased markedly compared to the previous year. The order intake also decreased compared to the previous quarter.

Geographically and compared to the previous year, order volumes decreased in all major regions.

Industrial and scientific vacuum equipment

The order intake for industrial and scientific vacuum equipment decreased compared to the previous year and sequentially. The negative year-on-year order development was due to lower demand for equipment to both industrial and scientific vacuum applications.

Year-on-year, the order intake decreased in most regions.

Vacuum service

The order intake for service increased, and order growth was achieved in most regions.

Innovation

A new turbomolecular pump for the flat panel display industry was launched, the Edwards STP-iXA4507. The new pump offers the highest levels of gas throughput in a small format, and thanks to innovative rotor temperature sensing, it allows safe management of high flows of process gas, increasing customer productivity.

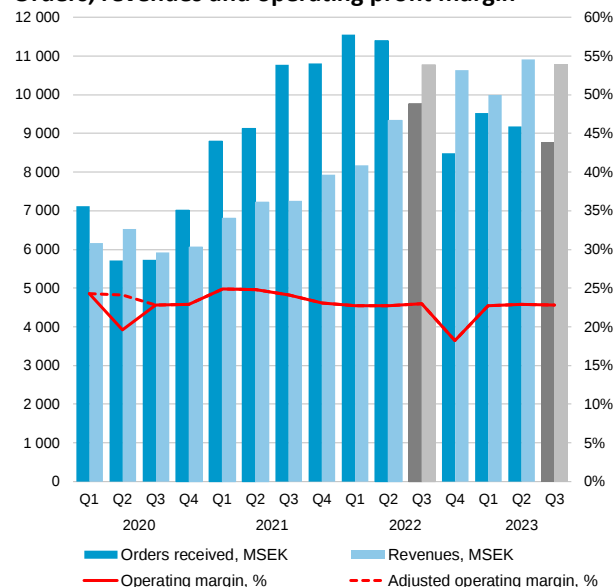
Acquisitions

In the quarter, the business area completed the acquisition of ZEUS Co., Ltd. a Korean distributor and service provider. The acquired business provides service and sales distribution for the Vacuum Technique business area's cryopump products in South Korea and has 59 employees.

Revenues and profitability

Revenues reached MSEK 10 802 (10 781), corresponding to an organic decline of 4%. The operating profit was MSEK 2 465 (2 484), corresponding to a margin of 22.8% (23.0). Currency had a minor positive effect on the margin, while dilution from acquisitions affected the margin negatively. Return on capital employed (last 12 months) was 22% (25).

Orders, revenues and operating profit margin



Industrial Technique

MSEK	July - September			January - September		
	2023	2022		2023	2022	
Orders received	7 443	7 001	6%	23 090	19 871	16%
Revenues	7 306	5 911	24%	21 078	16 399	29%
EBITA*	1 785	1 399	28%	5 016	3 805	32%
– as a percentage of revenues	24.4	23.7		23.8	23.2	
Operating profit	1 647	1 267	30%	4 603	3 409	35%
– as a percentage of revenues	22.5	21.4		21.8	20.8	
Return on capital employed, %	20	18				

*Operating profit excluding amortization of intangibles related to acquisitions.

- **Orders for equipment somewhat up, driven by general industry**
- **Continued solid growth for service**
- **Solid revenues and record operating profit, margin at 22.5%**

Sales bridge

MSEK	July - September	
	Orders received	Revenues
2022	7 001	5 911
Structural change, %	+0	+0
Currency, %	+3	+5
Organic*, %	+3	+19
Total, %	+6	+24
2023	7 443	7 306

*Volume, price and mix.

Automotive industry

The order intake for industrial assembly and vision solutions for the automotive industry remained at about the same level as the previous year. Sequentially, however, the order volumes decreased, primarily due to lower investment activity among customers in Europe and Asia.

Year-on-year, orders increased in Europe, but decreased in Asia and North America.

General industry

Orders for industrial assembly and vision solutions for the general industry increased. The year-on-year growth was supported by increased demand from several customer segments, for example off-highway, aerospace, and vision applications for advanced material. Sequentially, the order intake decreased.

Compared to the previous year, the order intake increased in most regions.

Service

The demand for service remained high and solid order growth was achieved in most regions.

Innovation

A new range of hydraulic wrenches, the Atlas Copco TorcFlex, was introduced for the energy segment, e.g. the wind turbine industry. Typical applications would be the opening and closing of critical bolted flanges during maintenance and construction work, where robustness, reliability, timesaving, and safety are crucial customer needs.

Acquisitions

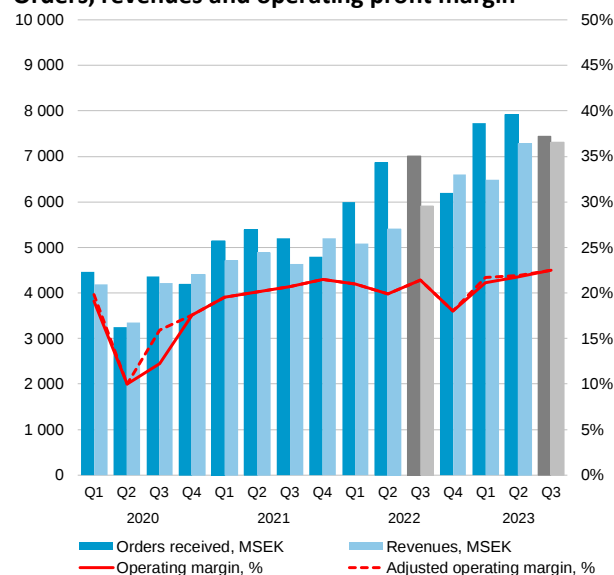
In the quarter, the business area acquired Extend3D GmbH, a German developer of augmented reality solutions providing worker guidance for industry customers using laser and video projection. The company has 16 employees and had revenues of approximately MSEK 32 in 2022.

Revenues and profitability

Revenues increased 24% to MSEK 7 306 (5 911), corresponding to an organic increase of 19%.

The operating profit increased 30% to record MSEK 1 647 (1 267), corresponding to a margin of 22.5% (21.4). The main explanation for the higher margin was increased revenues. Currency had a negative effect on the operating margin. Return on capital employed (last 12 months) was 20% (18).

Orders, revenues and operating profit margin



Power Technique

MSEK	July - September			January - September		
	2023	2022		2023	2022	
Orders received	6 297	5 161	22%	21 709	16 322	33%
Revenues	7 142	5 207	37%	19 966	13 156	52%
EBITA*	1 513	1 030	47%	4 083	2 534	61%
– as a percentage of revenues	21.2	19.8		20.4	19.3	
Operating profit	1 429	983	45%	3 868	2 454	58%
– as a percentage of revenues	20.0	18.9		19.4	18.7	
Return on capital employed, %	22	27				

*Operating profit excluding amortization of intangibles related to acquisitions.

- **Solid equipment order growth, driven by acquisitions**
- **Solid growth for specialty rental, and continued growth for service**
- **Record revenues and operating profit, margin at 20.0%**

Sales bridge

MSEK	July - September	
	Orders received	Revenues
2022	5 161	5 207
Structural change, %	+16	+15
Currency, %	+2	+4
Organic*, %	+4	+18
Total, %	+22	+37
2023	6 297	7 142

*Volume, price and mix.

Equipment

The overall demand for equipment such as portable compressors, generators, energy storage systems, and industrial pumps increased somewhat. Order volumes increased compared to the previous year and were driven by higher order volumes of industrial pumps and energy storage systems. Sequentially, the order intake for equipment decreased.

Geographically and compared to the previous year, the order intake increased in Asia and Europe but decreased in North America.

Specialty rental

The demand for the specialty rental business remained strong, and solid order growth was achieved compared to the previous year. Orders also grew sequentially.

Year-on-year, the order intake increased in all regions.

Service

Order volumes for service continued to increase with higher order intake in most regions.

Innovation

A new range of portable compressors for geothermal- and foundation drilling was introduced in the quarter, the X-AIR+ 750-25, 1200-40. The new products are 10% more efficient, drill with higher pressure, and have better fuel economy than previous models.

Acquisitions

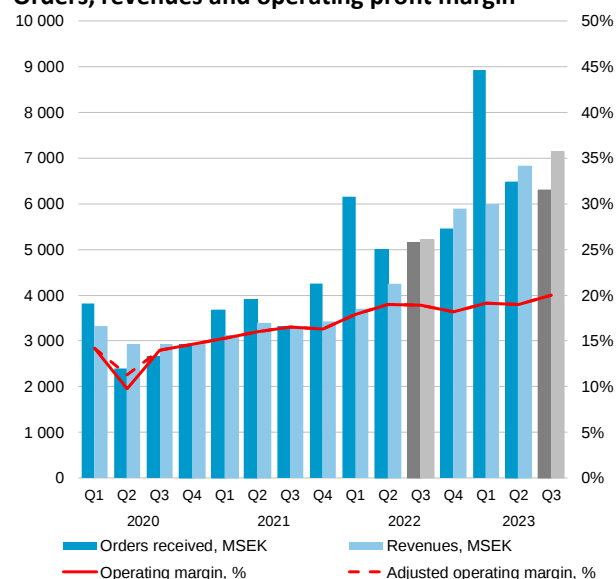
In the quarter, Climorent was acquired, a specialty rental provider of industrial cooling solutions based in Spain. The acquired business has 15 employees and had revenues of approximately MSEK 21 in 2022.

Revenues and profitability

Revenues increased 37% to record MSEK 7 142 (5 207), corresponding to an organic increase of 18%. Acquisitions contributed with 15%.

The operating profit also reached a record and increased 45% to MSEK 1 429 (983), corresponding to a margin of 20.0% (18.9). The main explanation for the higher operating margin was increased organic revenues. Currency had a negative effect on the margin. Return on capital employed (last 12 months) was 22% (27).

Orders, revenues and operating profit margin



Accounting principles

The consolidated accounts of the Atlas Copco Group are prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU. The description of the accounting principles and definitions applied in this report are found in the Annual Report 2022. The interim report is prepared in accordance with IAS 34 Interim Financial Reporting. Non-IFRS measures are also presented in the report since they are considered to be important supplemental measures of the company's performance. For further information about these measures and how they have been calculated, please visit: <https://www.atlascopcogroup.com/en/investor-relations/key-figures>

Risks, risk management and factors of uncertainty

Atlas Copco's global and diversified business is active within many customer segments and results in a variety of risks and opportunities geographically and operationally. Thus, the ability to identify, analyze and manage risks is crucial for effective governance and control of the business. The aim is to meet the Group's goals with a high awareness of risks and well-managed risk taking. Atlas Copco sees the benefits of an efficient risk management both from risk reduction and business opportunity perspectives, which can lead to good business growth.

Risks in Atlas Copco are identified in a 360-degree spectrum, meaning that both internal, and external exposures are assessed including today's circumstances and future changes. The Group's risk management approach follows the decentralized structure of Atlas Copco. Risks are analyzed and addressed in an integrated way. Local companies are responsible for their own risk management, which is monitored and followed up regularly at for example local business board meetings. Group functions responsible for legal, insurance, human resources, compliance, sustainability, treasury, tax, controlling and accounting provide policies, guidelines and instructions regarding risk management.

Risk areas include compliance risks, external exposure risks, including pandemics, operational risks and strategic risks. These risk areas can impact the business negatively both in the long and short term, but often also create business opportunities if managed well. Examples of risks and how they are handled is described below.

Market risks

The demand for Atlas Copco's equipment and services is affected by changes in the customers' investment and production levels. A general economic downturn, geopolitical tensions, pandemics, changes in trade agreements, trade sanctions, a widespread financial crisis and other macroeconomic disturbances may, directly or indirectly, affect the Group negatively both in terms of revenues and profitability. However, the Group's sales are well diversified with customers in many industries and countries around the world, which mitigates the risk.

Financial risks

Atlas Copco is subject to currency risks, funding risks, interest rate risks, tax risks, and other financial risks. In line with the overall goals with respect to growth, return on capital, and protecting creditors, Atlas Copco has adopted a policy to control the financial risks to which the Group is exposed. A financial risk management committee meets regularly to manage and follow up financial risks, in line with the policy.

Production risks

A large part of the components used in production are sourced from sub-suppliers. The availability is dependent on the sub-suppliers and if they have interruptions or lack capacity, this may adversely affect production. To minimize these risks, Atlas Copco has established a global network of sub-suppliers, which means that in most cases there are more than one sub-supplier that can provide a certain component. Atlas Copco is also directly and indirectly exposed to raw material prices. Cost increases for raw materials and components often coincide with strong end-customer demand and can partly be compensated for by increased sales prices.

Acquisitions

Atlas Copco has the ambition to grow all its business areas, primarily through organic growth, complemented by selected acquisitions. The integration of acquired businesses is a difficult process and it is not certain that every integration will be successful. Therefore, costs related to acquisitions can be higher and/or synergies can take longer to materialize than anticipated.

Risks related to the war in Ukraine

Atlas Copco's financial exposure to Russia and Ukraine is limited. During 2022, revenues from Russia accounted for less than 1% of the Group's total revenues. Ukraine accounted for well below 0.1% of the Group's total revenues. Further, Atlas Copco has no production units in Russia or Ukraine. Hence the ongoing war has very limited direct financial effects on Atlas Copco. Given the uncertainties surrounding the ongoing conflict, it is very difficult to predict potential indirect effects on Atlas Copco. As of September 30, 2023, there is no significant impact on any balance sheet items.

Change regarding European Commission's decision on Belgium's tax rulings

On September 20, 2023, the General Court of the European Union (EGC) ruled in favor of the European Commission, confirming the Commission's decision from 2016 that Belgian tax rulings granted to companies regarding "Excess Profit" shall be considered as illegal state aid. Atlas Copco and the other 38 Belgian companies affected by this ruling plus the Belgian government have until November 30, 2023, to decide if they appeal the decision to the European Court of Justice (ECJ). During 2015-2017, Atlas Copco paid and expensed the full costs of MEUR 313 related to the Commission's decision.

For more information on Atlas Copco's risk management process and further descriptions of risks and how they are handled, see the Annual Report 2022.

Forward-looking statements

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

Atlas Copco AB

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

Consolidated income statement (condensed)

	3 months ended		9 months ended	
	Sep. 30	Sep. 30	Sep. 30	Sep. 30
MSEK	2023	2022	2023	2022
Revenues	44 485	38 074	127 710	101 271
Cost of sales	-25 413	-22 151	-72 271	-58 887
Gross profit	19 072	15 923	55 439	42 384
Marketing expenses	-4 939	-4 088	-14 384	-11 179
Administrative expenses	-2 537	-2 250	-7 827	-5 492
Research and development costs	-1 713	-1 377	-4 957	-3 863
Other operating income and expenses	234	170	-266	556
Operating profit	10 117	8 378	28 005	22 406
- as a percentage of revenues	22.7	22.0	21.9	22.1
Net financial items	-189	70	-396	18
Profit before tax	9 928	8 448	27 609	22 424
- as a percentage of revenues	22.3	22.2	21.6	22.1
Income tax expense	-2 125	-1 912	-6 337	-4 997
Profit for the period	7 803	6 536	21 272	17 427
Profit attributable to				
- owners of the parent	7 798	6 533	21 261	17 424
- non-controlling interests	5	3	11	3
Basic earnings per share, SEK	1.60	1.34	4.37	3.58
Diluted earnings per share, SEK	1.60	1.34	4.36	3.57
Basic weighted average number of shares outstanding, millions	4 873.0	4 866.3	4 870.7	4 868.7
Diluted weighted average number of shares outstanding, millions	4 879.9	4 872.5	4 878.3	4 876.2
Key ratios				
Equity per share, period end, SEK	19	16		
Return on capital employed, 12 month values, %	30	29		
Return on equity, 12 month values, %	32	32		
Debt/equity ratio, period end, %	27	32		
Equity/assets ratio, period end, %	48	45		
Number of employees, period end	52 179	47 986		

Consolidated statement of comprehensive income

	3 months ended		9 months ended	
	Sep. 30	Sep. 30	Sep. 30	Sep. 30
MSEK	2023	2022	2023	2022
Profit for the period	7 803	6 536	21 272	17 427
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Remeasurements of defined benefit pension plans	178	333	127	2 035
Income tax relating to items that will not be reclassified	-50	-92	-26	-558
	128	241	101	1 477
Items that may be reclassified subsequently to profit or loss				
Translation differences on foreign operations	-1 529	4 167	2 202	10 706
Hedge of net investments in foreign operations	442	-339	-520	-1 069
Cash flow hedges	1	43	28	-218
Income tax relating to items that may be reclassified	-148	110	174	389
	-1 234	3 981	1 884	9 808
Other comprehensive income for the period, net of tax	-1 106	4 222	1 985	11 285
Total comprehensive income for the period	6 697	10 758	23 257	28 712
Total comprehensive income attributable to				
- owners of the parent	6 692	10 753	23 246	28 707
- non-controlling interests	5	5	11	5

Consolidated balance sheet (condensed)

MSEK	Sep. 30, 2023	Sep. 30, 2022	Dec. 31, 2022
Intangible assets	71 265	67 381	67 067
Rental equipment	4 228	2 702	2 689
Other property, plant and equipment	14 548	12 111	12 720
Right-of-use assets	5 814	4 423	4 752
Financial assets and other receivables	2 740	2 420	2 668
Deferred tax assets	2 355	2 042	2 193
Total non-current assets	100 950	91 079	92 089
Inventories	31 979	27 113	27 219
Trade and other receivables	47 354	40 636	40 849
Other financial assets	690	1 462	889
Cash and cash equivalents	12 906	9 883	11 254
Assets classified as held for sale	1	1	1
Total current assets	92 930	79 095	80 212
TOTAL ASSETS	193 880	170 174	172 301
Equity attributable to owners of the parent	92 445	76 659	79 976
Non-controlling interests	53	50	50
TOTAL EQUITY	92 498	76 709	80 026
Borrowings	31 250	23 204	23 770
Post-employment benefits	2 324	1 784	2 380
Other liabilities and provisions	2 097	1 793	1 922
Deferred tax liabilities	2 366	2 954	2 745
Total non-current liabilities	38 037	29 735	30 817
Borrowings	5 315	10 979	12 563
Trade payables and other liabilities	55 998	50 971	47 142
Provisions	2 032	1 780	1 753
Total current liabilities	63 345	63 730	61 458
TOTAL EQUITY AND LIABILITIES	193 880	170 174	172 301

Fair value of derivatives, cash equivalents and borrowings

The carrying value and fair value of the Group's outstanding derivatives, liquidity funds and borrowings are shown in the tables below. The fair values of bonds are based on level 1 and the fair values of derivatives, liquidity funds and other loans are based on level 2 in the fair value hierarchy. Compared to 2022, no transfers have been made between different levels in the fair value hierarchy for derivatives and borrowings and no significant changes have been made to valuation techniques, inputs or assumptions. Liquidity funds, reported under cash equivalents, are according to IFRS 9 classified at fair value through profit and loss. For further information, see note 27 in the Annual Report 2022.

<http://www.atlascopco.com/ir>

Financial instruments recorded at fair value

MSEK	Sep. 30, 2023	Dec. 31, 2022
<i>Non-current assets and liabilities</i>		
Assets	103	86
Liabilities	-	-
<i>Current assets and liabilities</i>		
Assets	835	625
Liabilities	12	288

Carrying value and fair value of borrowings

MSEK	Sep. 30, 2023	Sep. 30, 2023	Dec. 31, 2022	Dec. 31, 2022
	Carrying value	Fair value	Carrying value	Fair value
Bonds	14 880	12 571	17 902	15 535
Other loans	15 905	15 661	13 612	13 223
Lease liability	5 780	5 780	4 819	4 819
	36 565	34 012	36 333	33 577

Consolidated statement of changes in equity (condensed)

MSEK	Equity attributable to		Total equity
	owners of the parent	non-controlling interests	
Opening balance, January 1, 2023	79 976	50	80 026
Changes in equity for the period			
Total comprehensive income for the period	23 246	11	23 257
Dividend	-11 203	-8	-11 211
Acquisition and divestment of own shares	730	-	730
Share-based payments, equity settled	-304	-	-304
Closing balance, September 30, 2023	92 445	53	92 498

MSEK	Equity attributable to		Total equity
	owners of the parent	non-controlling interests	
Opening balance, January 1, 2022	67 633	1	67 634
Changes in equity for the period			
Total comprehensive income for the period	28 707	5	28 712
Dividend	-9 255	-	-9 255
Redemption of shares	-9 732	-	-9 732
Change of non-controlling interests	-	44	44
Acquisition and divestment of own shares	-722	-	-722
Share-based payments, equity settled	28	-	28
Closing balance, September 30, 2022	76 659	50	76 709

Consolidated statement of cash flows (condensed)

MSEK	July - September		January - September	
	2023	2022	2023	2022
Cash flows from operating activities				
Operating profit	10 117	8 378	28 005	22 406
Depreciation, amortization and impairment (see below)	1 990	1 633	5 649	4 565
Capital gain/loss and other non-cash items	-181	-74	62	-244
Operating cash surplus	11 926	9 937	33 716	26 727
Net financial items received/paid	-202	123	-1 012	-81
Taxes paid	-2 272	-2 008	-7 090	-5 167
Pension funding and payment of pension to employees	-83	-87	-332	-252
Change in working capital	-963	-665	-6 333	-6 045
Investments in rental equipment	-517	-234	-1 210	-632
Sale of rental equipment	10	30	33	71
Net cash from operating activities	7 899	7 096	17 772	14 621
Cash flows from investing activities				
Investments in property, plant and equipment	-985	-1 014	-2 942	-2 641
Sale of property, plant and equipment	18	37	58	68
Investments in intangible assets	-365	-328	-1 100	-1 024
Acquisition of subsidiaries and associated companies	-315	-8 513	-3 523	-9 696
Other investments, net	-15	-4	-18	21
Net cash from investing activities	-1 662	-9 822	-7 525	-13 272
Cash flows from financing activities				
Annual dividends paid	-	-	-5 599	-4 627
Dividends paid to non-controlling interest	-4	-	-8	-
Redemption of shares	-	-	-	-9 732
Repurchase and sales of own shares	34	51	730	-722
Change in interest-bearing liabilities, net	-2 683	1 816	-3 609	3 432
Net cash from financing activities	-2 653	1 867	-8 486	-11 649
Net cash flow for the period	3 584	-859	1 761	-10 300
Cash and cash equivalents, beginning of the period	9 509	10 419	11 254	18 990
Exchange differences in cash and cash equivalents	-187	323	-109	1 193
Cash and cash equivalents, end of the period	12 906	9 883	12 906	9 883

Depreciation, amortization and impairment

<i>Rental equipment</i>	239	196	647	576
<i>Other property, plant and equipment</i>	490	393	1 404	1 118
<i>Right-of-use assets</i>	413	341	1 196	969
<i>Intangible assets</i>	848	703	2 402	1 902
Total	1 990	1 633	5 649	4 565

Calculation of operating cash flow

MSEK	July - September		January - September	
	2023	2022	2023	2022
Net cash flow for the period	3 584	-859	1 761	-10 300
Add back:				
Change in interest-bearing liabilities, net	2 683	-1 816	3 609	-3 432
Repurchase and sales of own shares	-34	-51	-730	722
Annual dividends paid	-	-	5 599	4 627
Dividends paid to non-controlling interest	4	-	8	-
Redemption of shares	-	-	-	9 732
Acquisitions and divestments	315	8 513	3 523	9 696
Currency hedges	29	-82	623	124
Operating cash flow	6 581	5 705	14 393	11 169

Revenues by business area

	2021				2022				2023		
MSEK (by quarter)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Compressor Technique	11 522	12 212	12 792	13 131	13 305	14 291	16 377	17 085	17 632	18 600	19 493
- of which external	11 423	12 099	12 677	13 017	13 169	14 174	16 244	16 957	17 466	18 407	19 300
- of which internal	99	113	115	114	136	117	133	128	166	193	193
Vacuum Technique	6 808	7 220	7 249	7 942	8 179	9 335	10 781	10 646	9 989	10 911	10 802
- of which external	6 804	7 214	7 245	7 937	8 173	9 332	10 773	10 639	9 979	10 906	10 795
- of which internal	4	6	4	5	6	3	8	7	10	5	7
Industrial Technique	4 713	4 880	4 630	5 198	5 083	5 405	5 911	6 608	6 492	7 280	7 306
- of which external	4 705	4 873	4 622	5 190	5 072	5 396	5 900	6 595	6 469	7 260	7 290
- of which internal	8	7	8	8	11	9	11	13	23	20	16
Power Technique	3 121	3 377	3 312	3 424	3 702	4 247	5 207	5 897	5 996	6 828	7 142
- of which external	3 089	3 348	3 280	3 389	3 672	4 209	5 157	5 863	5 947	6 791	7 100
- of which internal	32	29	32	35	30	38	50	34	49	37	42
Common Group Items / Eliminations	-143	-155	-159	-162	-183	-167	-202	-182	-248	-255	-258
Atlas Copco Group	26 021	27 534	27 824	29 533	30 086	33 111	38 074	40 054	39 861	43 364	44 485

Equipment and service revenues

	2021				2022				2023		
% of total revenues	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Compressor Technique - Equipment	56	57	58	57	55	57	58	59	57	58	59
Compressor Technique - Service	44	43	42	43	45	43	42	41	43	42	41
Vacuum Technique - Equipment	75	76	75	76	76	77	78	78	77	77	77
Vacuum Technique - Service	25	24	25	24	24	23	22	22	23	23	23
Industrial Technique - Equipment	72	74	71	74	72	72	72	74	71	74	73
Industrial Technique - Service	28	26	29	26	28	28	28	26	29	26	27
Power Technique - Equipment	60	59	56	55	55	54	56	58	58	60	56
Power Technique - Service	40	41	44	45	45	46	44	42	42	40	44

Operating profit by business area

	2021				2022				2023		
MSEK (by quarter)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Compressor Technique	2 730	2 916	3 087	3 141	3 170	3 266	3 963	4 026	4 245	4 472	4 856
- as a percentage of revenues	23.7	23.9	24.1	23.9	23.8	22.9	24.2	23.6	24.1	24.0	24.9
Vacuum Technique	1 695	1 789	1 748	1 834	1 859	2 123	2 484	1 941	2 268	2 504	2 465
- as a percentage of revenues	24.9	24.8	24.1	23.1	22.7	22.7	23.0	18.2	22.7	22.9	22.8
Industrial Technique	917	981	958	1 120	1 065	1 077	1 267	1 188	1 371	1 585	1 647
- as a percentage of revenues	19.5	20.1	20.7	21.5	21.0	19.9	21.4	18.0	21.1	21.8	22.5
Power Technique	476	539	548	558	664	807	983	1 071	1 145	1 294	1 429
- as a percentage of revenues	15.3	16.0	16.5	16.3	17.9	19.0	18.9	18.2	19.1	19.0	20.0
Common Group Items / Eliminations	-431	-301	-341	-405	-9	6	-319	-416	-330	-666	-280
Operating profit	5 387	5 924	6 000	6 248	6 749	7 279	8 378	7 810	8 699	9 189	10 117
- as a percentage of revenues	20.7	21.5	21.6	21.2	22.4	22.0	22.0	19.5	21.8	21.2	22.7
Net financial items	-44	-52	-55	2	-78	26	70	-190	-44	-163	-189
Profit before tax	5 343	5 872	5 945	6 250	6 671	7 305	8 448	7 620	8 655	9 026	9 928
- as a percentage of revenues	20.5	21.3	21.4	21.2	22.2	22.1	22.2	19.0	21.7	20.8	22.3

Return on capital employed by business area

	2021				2022				2023		
% (by quarter)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Compressor Technique	84	91	94	93	90	86	83	82	82	83	82
Vacuum Technique	20	23	24	25	25	25	25	24	24	23	22
Industrial Technique	12	13	15	16	17	17	18	17	18	20	20
Power Technique	19	23	25	27	29	29	27	25	24	23	22
Atlas Copco Group	23	26	27	27	27	28	29	29	29	30	30

Acquisitions and divestments

Date	Acquisitions	Divestments	Business area	Revenues MSEK*	Number of employees*
2023 Aug. 3	Climorent		Power Technique	21	15
2023 Jul. 17	ZEUS Co., Ltd.		Vacuum Technique		59
2023 Jul. 4	Extend3D GmbH		Industrial Technique	32	16
2023 Jun. 1	National Pump & Energy		Power Technique	1 400	420
2023 May 23	Maziak Compressor Services Ltd.		Compressor Technique	87	40
2023 May 4	C.P. Service SRL		Compressor Technique	60	13
2023 May 2	James E. Watson & Co.		Vacuum Technique		7
2023 Apr. 5	Shandong Bozhong Vacuum Technology Co., Ltd		Vacuum Technique	120	116
2023 Apr. 4	Asven S.R.L.		Compressor Technique		10
2023 Apr. 4	Trillium US Inc.		Vacuum Technique	270	140
2023 Mar. 7	FS Medical Technology Business		Compressor Technique	71	32
2023 Feb. 2	CVS Engineering GmbH		Vacuum Technique	200	76
2023 Jan. 17	MedCore Services Inc.		Compressor Technique	10	7
2022 Dec. 5	Shandong Meditech Medical Technology Co., Ltd		Compressor Technique	114	70
2022 Dec. 2	Suzhou Since Gas System Co., Ltd		Compressor Technique	93	80
2022 Nov. 21	Montana Instruments Corporation		Vacuum Technique	106	38
2022 Nov. 11	Northeast Compressor		Compressor Technique		6
2022 Nov. 9	Entreprises Larry Inc.		Compressor Technique		65
2022 Nov. 2	Precision Pneumatics Ltd		Compressor Technique		26
2022 Nov. 2	Wearside Pneumatics Ltd		Compressor Technique		19
2022 Nov. 2	Shandong Jinggong Pump Co., Ltd		Vacuum Technique	102	100
2022 Nov. 2	Aircel, LLC.		Compressor Technique	55	19
2022 Oct. 17	Vector Sp. z o.o.		Compressor Technique		23
2022 Oct. 4	Mesa Equipment & Supply Company		Compressor Technique		19
2022 Sep. 5	DF-Druckluft-Fachhandel GmbH		Compressor Technique		39
2022 Sep. 2	Oxymat A/S		Compressor Technique	411	146
2022 Aug. 1	LEWA GmbH		Power Technique	2 400	1 200
2022 Aug. 1	Geveke B.V.		Power Technique	648	173
2022 Jul. 29	Compressed Air Products, Inc. (operating assets)		Compressor Technique		20
2022 Jul. 27	Glaston Compressor Services Ltd		Compressor Technique		26
2022 Jul. 18	Ceres Technologies, Inc.		Vacuum Technique	351	185
2022 Jul. 8	Les pompes à vide TECHNI-V-AC inc.		Vacuum Technique		10
2022 Jul. 5	FITEC S.A.S.		Compressor Technique		8
2022 Jul. 4	Bireme Group		Compressor Technique		20
2022 Jul. 4	National Vacuum Equipment Inc.		Vacuum Technique	223	100
2022 Jun. 13	Qolibri Inc.		Vacuum Technique	0.6	4
2022 Jun. 8	Associated Compressor Engineers Ltd (ACE)		Compressor Technique		12
2022 Jun. 2	Tekser Endüstriyel Cihazlar Sanayi ve Ticaret A.Ş (Tekser)		Vacuum Technique		8
2022 Jun. 1	CAS Products Ltd (CAS)		Compressor Technique		12
2022 Apr. 5	Pumpenfabrik Wangen GmbH		Power Technique	466	265
2022 Mar. 2	SCB S.r.l.		Compressor Technique	51	16
2022 Jan. 24	Soft2tec GmbH		Industrial Technique	20	38
2022 Jan. 21	HHV Pumps Pvt. Ltd.		Vacuum Technique	53	151

*Annual revenues and number of employees at time of acquisition/divestment. No revenues are disclosed for former Atlas Copco distributors.

Due to the relatively small size of most of the acquisitions made in 2023, full disclosure as per IFRS 3 is not given in this interim report.

Disclosure on an aggregated level will be given in the Annual Report 2023. See the Annual Report for 2022 for disclosure of acquisitions made in 2022.

Parent company**Income statement (condensed)**

	July - September		January - September	
MSEK	2023	2022	2023	2022
Administrative expenses	-222	-201	-705	-412
Other operating income and expenses	210	35	256	87
Operating profit/loss	-12	-166	-449	-325
Financial income and expenses	-180	5 893	6 284	24 335
Profit/loss before tax	-192	5 727	5 835	24 010
Income tax	101	39	362	202
Profit/loss for the period	-91	5 766	6 197	24 212

Balance sheet (condensed)

	Sep. 30	Sep. 30	Dec. 31
MSEK	2023	2022	2022
Total non-current assets	181 075	171 585	179 842
Total current assets	8 450	10 160	4 932
TOTAL ASSETS	189 525	181 745	184 774
Total restricted equity	5 785	5 785	5 785
Total non-restricted equity	151 933	148 122	156 517
TOTAL EQUITY	157 718	153 907	162 302
Total provisions	705	566	704
Total non-current liabilities	25 175	18 532	18 532
Total current liabilities	5 927	8 740	3 236
TOTAL EQUITY AND LIABILITIES	189 525	181 745	184 774

Assets pledged and contingent liabilities

	Sep. 30	Sep. 30	Dec. 31
MSEK	2023	2022	2022
Assets pledged	204	201	199
Contingent liabilities	11 347	9 695	10 066

Accounting principles

Atlas Copco AB is the ultimate Parent Company of the Atlas Copco Group. The financial statements of Atlas Copco AB have been prepared in accordance with the Swedish Annual Accounts Act and the accounting standard RFR 2, Accounting for Legal Entities. The same accounting principles and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements. See also accounting principles, page 8.

Parent Company

Distribution of shares

Share capital equaled MSEK 786 (786) at the end of the period, distributed as follows:

Class of share	Shares
A shares	3 357 576 384
B shares	1 560 876 032
Total	4 918 452 416
- of which A shares held by Atlas Copco	45 243 511
- of which B shares held by Atlas Copco	-
Total shares outstanding, net of shares held by Atlas Copco	4 873 208 905

Performance-based personnel option plan

The Annual General Meeting 2023 approved a performance-based long-term incentive program. For Group Management and division presidents, the plan requires management's own investment in Atlas Copco shares. The intention is to cover Atlas Copco's obligation under the plan through the repurchase of the company's own shares. For further information, see www.atlascopcogroup.com/agm

Transactions in own shares

Atlas Copco has mandates to acquire and sell own shares as per below:

- Acquisition of not more than 14 810 000 series A shares, whereof a maximum of 10 450 000 may be transferred to personnel stock option holders under the performance-based stock option plan for 2023.
- Acquisition of not more than 60 000 series A shares to hedge the obligation of the company to pay remuneration to board members who have chosen to receive 50% of the remuneration in synthetic shares.

- The sale of not more than 60 000 series A shares to cover costs related to previously issued synthetic shares to board members.
- The sale of a maximum 33 000 000 series A shares currently held by the company, for the purpose of covering costs of fulfilling obligations related to the option plans 2017, 2018, 2019, and 2020.
- The shares may only be acquired or sold on NASDAQ Stockholm at a price within the registered price interval at any given time.

During the first nine months in 2023, 4 851 940 series A shares, net, were sold. These transactions are in accordance with mandates granted. The company's holding of own shares at the end of the period appears in the table to the left.

Risks and factors of uncertainty

Financial risks

Atlas Copco AB is subject to currency risks, funding risks, interest rate risks, tax risks, and other financial risks. In line with the overall goals with respect to growth, return on capital, and protecting creditors, Atlas Copco has adopted a policy to control the financial risks to which Atlas Copco AB and the Group is exposed. A financial risk management committee meets regularly to manage and follow up financial risks, in line with the policy.

For further information, see the Annual Report 2022.

Related parties

There have been no significant changes in the relationships or transactions with related parties for the Group or Parent Company compared with the information given in the Annual Report 2022.

Nacka, Sweden October 25, 2023

Atlas Copco AB (publ)

Mats Rahmström
President and CEO

The company's auditors have not reviewed this report.

This is Atlas Copco

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

Business areas

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

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

The **Vacuum Technique** business area provides vacuum products, exhaust management systems, valves and related products. The main markets served are semiconductor and scientific instruments as well as a wide range of industrial segments including chemical process industries, food packaging and paper handling. The business area has a global service network and innovates for sustainable productivity in order to further improve its customers' performance. Principal product development and manufacturing units are located in the United States, Mexico, United Kingdom, Czech Republic, Germany, South Korea, China, and Japan.

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

The **Power Technique** business area provides portable air and power, industrial and portable flow solutions through products such as mobile compressors, generators, light towers, industrial and portable pumps, along with a number of complementary products. It also offers specialty rental and provides service through a global network. Guided by a forward-thinking approach to innovation, Power Technique provides sustainable productivity solutions across multiple industries, including construction, manufacturing, oil and gas, and exploration drilling. Principal product development and manufacturing units are located in Belgium, Spain, Germany, the United States, China, and India.

Vision, mission and strategy

The Atlas Copco Group's vision is to become and remain First in Mind—First in Choice of its customers and other principal

stakeholders. The mission is to achieve sustainable, profitable growth. Sustainability plays an important role in Atlas Copco's vision and it is an integral aspect of the Group's mission. An integrated sustainability strategy, backed by ambitious goals, helps the company deliver greater value to all its stakeholders in a way that is economically, environmentally and socially responsible.

For further information

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Conference call

A presentation for investors, analysts and media will be held on October 25, 2023, at 14:00 CEST.

To follow the presentation via webcast:

<https://ir.financialhearings.com/atlas-copco-q3-report-2023>

To participate via teleconference:

<https://conference.financialhearings.com/teleconference/?id=5008600>

Please visit our website:

www.atlascopcogroup.com/investor-relations

for the webcast link and presentation material.

Fourth-quarter report 2023

The Q4 2023 report will be published on January 25, 2024, around 12:00 CET and the conference call will be at 14:00 CET. Silent period starts December 26, 2023.

First-quarter report 2024

The Q1 2024 report will be published on April 24, 2024. Silent period starts March 25, 2024.

Annual General Meeting 2024

The Annual General Meeting for Atlas Copco AB will be held on April 24, 2024.

Capital Markets Day 2024

Atlas Copco will host its Capital Markets Day on May 16, 2024, in Antwerp, Belgium.

Second-quarter report 2024

The Q2 2024 report will be published on July 18, 2024. Silent period starts June 18, 2024.

Third-quarter report 2024

The Q3 2024 report will be published on October 24, 2024. Silent period starts September 24, 2024.

This information is information that Atlas Copco AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the contact person set out above, at 12:00 CEST on October 25, 2023.