

## Notice of Annual General Meeting Atlas Copco AB

The Shareholders of Atlas Copco AB (the “Company”) are invited to attend the Annual General Meeting (the “Meeting”) Tuesday April 28, 2015 at 4.00 p.m. (CEST) at Aula Magna, Stockholm University, Frescativägen 6, Stockholm, Sweden. Registration starts at 2.30 p.m.

### Registration

Shareholders, intending to participate in the Meeting, must

- be recorded in the register of shareholders kept by Euroclear Sweden AB (“Euroclear”) on Wednesday April 22, 2015, and
- notify the Company in writing of their intent to participate in the Meeting no later than Wednesday April 22, 2015, to the registration address Atlas Copco AB, Box 7835, SE-103 98 Stockholm, or by telephone +46 8 402 90 43 work days between 9.00 a.m. to 4.00 p.m. or on the Company’s website [www.atlascopco.com/agm](http://www.atlascopco.com/agm)

Shareholders whose shares are held in trust by a bank or other trustee must temporarily register their shares in their own names in the register of shareholders of Euroclear to be able to participate in the Meeting. Such temporary registration must be recorded by Wednesday April 22, 2015. Shareholders should notify their trustees/banks well in advance of this date.

Shareholders who are represented by a proxy holder shall submit a proxy. A proxy form is available on [www.atlascopco.com/agm](http://www.atlascopco.com/agm). The Company will also send a proxy form to those Shareholders who so request. Representatives of legal entities must be able to present a copy of the registration certificate or other similar authorization document to support the proxy. Please send such proxies and other authorization documents to the Company well in advance to ease the registration process at the Meeting.

Personal data obtained from notifications, proxies and the register of shareholders kept by Euroclear will solely be used for the necessary registration and preparation of the voting list for the Meeting. Entrance cards will be sent to the Shareholders who have notified their intention to participate. The proceedings will be simultaneously translated into English. Electronic devices for voting will be used to some extent.

The President & CEO’s speech will after the Meeting be available on the Company’s website [www.atlascopco.com/agm](http://www.atlascopco.com/agm).

### **Proposed agenda**

1. Opening of the Meeting and election of Chair
2. Preparation and approval of voting list
3. Approval of agenda
4. Election of one or two persons to approve the minutes
5. Determination whether the Meeting has been properly convened
6. Presentation of the Annual Report and the Auditor's Report as well as the Consolidated Annual Report and the Consolidated Auditor's Report
7. The President & CEO's speech and questions from Shareholders to the Board of Directors and the Management
8. Decisions
  - a) regarding approval of the Profit and Loss Account and the Balance Sheet and the Consolidated Profit and Loss Account and the Consolidated Balance Sheet
  - b) regarding discharge from liability of the Board members and the President & CEO
  - c) regarding the allocation of the Company's profit according to the approved Balance Sheet
  - d) regarding record date for dividend
9. Determination of the number of Board members and deputy members and auditors and deputy auditors or registered auditing company
10. Election of Board members and of Chair of the Board and auditors and deputy auditors or registered auditing company
11. Determining the remuneration, in cash or partially in the form of synthetic shares, to the Board of Directors and the remuneration to its committees and remuneration to the auditors or registered auditing company
12. The Board's proposals regarding
  - a) guiding principles for the remuneration of senior executives
  - b) a performance based personnel option plan for 2015
13. The Board's proposal regarding mandates to
  - a) acquire series A shares related to personnel option plan for 2015
  - b) acquire series A shares related to remuneration in the form of synthetic shares
  - c) transfer series A shares related to personnel option plan for 2015
  - d) sell series A shares to cover costs related to synthetic shares to Board members
  - e) sell series A and B shares to cover costs in relation to the performance based personnel option plans for 2010, 2011 and 2012
14. The Board's proposal regarding a share split and mandatory share redemption, including:
  - a) share split 2:1
  - b) reduction of the share capital through redemption of shares of series A and series B, and
  - c) increase of the share capital through a bonus issue without issuance of new shares
15. The Board's proposal to change the articles of association
16. Closing of the Meeting

**Item 8 c) and d) - The Board of Directors' proposals regarding dividend and record date**

The Board proposes that the dividend for 2014 is decided to be SEK 6 per share to be paid in two equal instalments of SEK 3. The record date for the first instalment is proposed to be April 30, 2015 and for the second instalment October 30, 2015. If the Meeting decides as proposed, the first instalment is expected to be distributed by Euroclear on May 6, 2015 and the second instalment on November 4, 2015.

**Item 1, 9 and 10 - Proposals from the Nomination Committee regarding Chair of the Meeting, number of Board members, Chair, and other Board members and registered auditing company**

The Nomination Committee, consisting of Petra Hedengran, the Chair of the Nomination Committee, Investor AB, Jan Andersson, Swedbank Robur Fonder, Ramsay Brufer, Alecta and Hans Ek, SEB fonder, who together represent more than 30% of the total number of votes in the Company, as well as Hans Stråberg, the Chair of the Board, propose as follows:

**Item 1:** That Hans Stråberg is elected Chair of the Meeting.

**Item 9:** That nine Board members be elected. That one registered auditing company be elected.

**Item 10:** That the following Board members are re-elected: Staffan Bohman, Johan Forssell, Ronnie Leten, Ulla Litzén, Gunilla Nordström, Hans Stråberg, Anders Ullberg, Peter Wallenberg Jr and Margareth Övrum. That Hans Stråberg is elected Chair of the Board. That Deloitte AB is re-elected as the auditing company.

Information regarding all proposed Board members is available on [www.atlascopco.com/agm](http://www.atlascopco.com/agm)

**Item 11 – Proposal from the Nomination Committee regarding remuneration to the Board of Directors and for committee work and audit fee**

Remuneration of SEK 1,900,000 (1,900,000) to the chair and SEK 600,000 (570,000) to each of the other seven Board members not employed by the Company. To the chair of the Audit Committee SEK 225,000 (225,000) and SEK 150,000 (150,000) to the other members of this committee. Unchanged remuneration of SEK 60,000 to each of the members of the Remuneration Committee and remuneration of SEK 60,000 to each Board member who, in addition to the above, participates in a committee in accordance with a decision of the Board of Directors.

Reflecting the ambition to further enhance the interest for the long term development of the Company, the Nomination Committee proposes that each nominated Board member shall have the possibility to choose between receiving 50% of the remuneration in the form of synthetic shares and the rest in cash and to receive the whole remuneration in cash.

The Board proposes that the obligation of the Company to pay an amount corresponding to the synthetic shares as described above shall be hedged through the purchase of own series A shares. Repurchased shares can be sold on the market in connection with the payment to the Board member in compliance with a request for mandate. The economic

difference for the Company if all Board members choose to receive a part of their fee in the form of synthetic shares compared to receive the whole remuneration in cash is assessed to be very limited due to the hedging.

Audit fee is proposed to be as per approved invoice.

**Item 12 – The Board’s proposals regarding:**

**a) guiding principles for the remuneration of senior executives**

**b) a performance based personnel option plan for 2015**

**12 a) guiding principles for the remuneration of senior executives**

The term “senior executives” covers the President & CEO and the other eight members in the Group management team.

The proposal of the Board for 2015, is as follows:

The remuneration to the senior executives shall consist of a base salary, variable compensation, long term incentive programs, pension premium and additional benefits. For expatriates certain other benefits apply in compliance with the Company’s Conditions for Expatriate Employees.

The base salary reflects the position, qualification and individual performance.

The size of the variable compensation depends on the extent to which predetermined quantitative and qualitative goals are met. The variable compensation is limited to a maximum of 80% of the base salary for the President & CEO, to 60% for the Business Area Executives and to 50% for the other senior executives.

Pension premiums are paid in accordance with a premium based plan within a range of 25-35% of the base salary, depending on age. Additional benefits consist of company car and private health insurance.

In case of termination of employment of a senior executive by the Company, the compensation can amount to a maximum of 24 months base salary and a minimum of 12 months base salary depending on age, length of employment and possible income from other economic activity or employment. The Board reserves the right to deviate from these guiding principles if special reasons for such deviation exist in an individual case.

**12 b) a performance based personnel option plan for 2015**

In the opinion of the Board it is important, and it is also in the best interest of the Shareholders, that key personnel in Atlas Copco have a long term interest in a good value development of the shares of the Company and align their performance in a manner that enhances such a development. In particular this applies to the group of key personnel that consists of the senior executives and the division presidents. It is also the assessment of the Board that a share related option program increases the attractiveness of Atlas Copco on the global market and enhances the possibility to recruit and keep key personnel in the Group.

## **Scope and main principles**

### Granting

The Board asks for the right to decide on the issuing of performance stock options that can give a maximum of 335 key personnel in the Group the possibility to acquire a maximum of 3,651,055 series A shares.

### Issuing

The issuing is dependent on the value increase of the Group expressed as Economic Value Added during 2015. In an interval of SEK 2,000,000,000 the issue varies linear from zero to 100% of the maximum number. The size of the plan and the limits of the interval have been established by the Board and are compatible with the goals in the long term business plan of the Company.

The issue of performance stock options is maximized to the following number per person within the respective key group:

category 1 – the President & CEO: 180,878 (113,013) options

category 2 – Business Area Executives (4): 29,534 (38,527) options

category 3 – other members of the Group management and division presidents (27): 19,379 (25,684) options

category 4 – other key personnel (303): 9,336 (12,131) options

The Board shall decide which persons shall be included in category 4 based on position, qualification and individual performance. The issuing of options will take place not later than March 20, 2016.

The Board shall have the right to introduce an alternative incentive plan for key personnel in such countries where the granting of options is not feasible. Such alternative incentive solutions (SAR) shall, to the extent possible, have terms and conditions corresponding to the ones applicable to the performance stock option plan.

### The term of the performance stock options

The term of the options shall be five years from the date of granting. The options are not transferable.

### Exercise

The options are exercisable earliest three years from granting. The right to exercise only applies during the period a person is deemed employed.

### Exercise price

The exercise price shall be set to an amount corresponding to 110% of the average of the closing rates at Nasdaq Stockholm of series A shares during a period of ten business days next following the date of the publishing of the full-year summary for 2015.

### Maximized outcome

A single payment/assignment of shares under the stock option plan can never exceed four times the value of the exercise price.

### Recalculation

In case there should be a decision at an AGM regarding, for example, a reduction or increase of outstanding shares or a dividend beyond the dividend policy of the Company a recalculation can take place to preserve the value of the options.

A decision regarding such recalculation shall be taken by the Board.

### Theoretical Value for the Recipient

A theoretical value on a personnel option has been established based on the Black & Scholes model for valuating options. As a base for the calculation, among other factors, a

share price of SEK 253.16 and an expected volatility of 30% have been used. The theoretical value is calculated to amount to SEK 38.70 per personnel option or in total a maximum of SEK 141,295,829 (134,983,687) for the whole plan.

Requirement for senior executives and division presidents regarding own investment

As prerequisite for the participation of the senior executives and division presidents (32 persons) in the personnel stock option plan 2015 applies that they have invested a maximum of 10% of their respective base salary for 2015, before tax, in series A shares of the Company (20% for expatriates with net salary). The investment may be in cash or by pre-owned shares, however, not by shares that are obtained as part of the participation in the stock option plan for 2013 and 2014.

The participation in the plan corresponds proportionally to the investment made. Those who have chosen to invest in series A shares will get, in addition to the proportional participation in the plan, the right to acquire, three years after the investment year, the number of shares (matching shares) that corresponds to the number of shares acquired under 2015 at a price of 75% of the market value upon which the exercise price for the shares in the 2015 plan was based, subject to continued employment and continued ownership of the shares. If the number of the acquired shares has been reduced, the right to matching shares is reduced on a share by share basis.

The theoretical value for this is calculated to be SEK 68.30 per matching share or in total approximately SEK 2,608,719.

Delivery of shares

The personnel options shall give the right to acquire already issued series A shares.

**Item 13 – The Board’s proposal regarding mandates to:**

- a) acquire series A shares related to personnel option plan for 2015**
- b) acquire series A shares related to remuneration in the form of synthetic shares**
- c) transfer series A shares related to personnel option plan for 2015**
- d) sell series A shares to cover costs related to synthetic shares to Board members**
- e) sell series A and B shares to cover costs in relation to the performance based personnel option plans for 2010, 2011 and 2012**

In order for the resolutions by the Meeting in accordance with 13 a), b), d) and e) above to be adopted, the resolutions must be supported by Shareholders holding at least two-thirds of the votes cast as well as of the shares represented at the Meeting. In order for the resolution by the Meeting in accordance with 13 c) above to be adopted, the resolution must be supported by Shareholders holding at least nine tenths of both the votes cast as well as of the shares represented at the Meeting. Should majority votes not be achieved, the intention of the Company is to hedge the financial exposure in connection with the 2015 personnel option plan and secure delivery of shares by entering into an equity swap agreement with a financial institution.

**13 a) acquire series A shares related to personnel option plan for 2015**

The Board proposes that the Board is granted the mandate until the next Annual General Meeting to decide, on one or more occasions, on the acquisition of shares in the Company as follows:

1. Acquisition of not more than 3,800,000 series A shares
2. The shares may only be acquired on Nasdaq Stockholm
3. The shares may only be acquired at a price per share within the registered trading interval, at any given point in time.

The acquisition is made with the intention to limit the economic risk caused by an increase of the share value during the period the performance stock options remain outstanding, to be able to fulfil future delivery obligations under personnel option and matching share agreements, to cover alternative solutions and cash settlements as well as to cover, primarily, social charges.

### **13 b) acquire series A shares related to remuneration in the form of synthetic shares**

The Board proposes that the Board is granted the mandate until the next Annual General Meeting to decide, on one or more occasions, on the acquisition of shares in the Company as follows:

1. Acquisition of not more than 70,000 series A shares
2. The shares may only be acquired on Nasdaq Stockholm
3. The shares may only be acquired at a price per share within the registered trading interval, at any given point in time.

The acquisition is made with the intention to hedge the obligation of the Company to pay remuneration, including social charges, to a Board member who has chosen to receive 50% of the remuneration in synthetic shares.

### **13 c) transfer series A shares related to personnel option plan for 2015**

The Board further proposes that the Meeting decides to transfer shares in the Company in relation to the Company's personnel option plan 2015, including the share saving/matching share part, according to the following:

1. A maximum of 3,500,000 series A shares may be transferred. Right to acquire shares is to be granted the persons participating in the Company's proposed performance stock option plan 2015, with a right for each participant to acquire the maximum number of shares stipulated in the terms and conditions of this plan. The participant's right to acquire shares is conditional upon all terms and conditions of the Company's performance stock option plan 2015 being fulfilled. Shares are to be transferred on the terms and conditions stipulated by the plan, meaning inter alia, that what is stated therein regarding price and time during which the participants are to be entitled to use their right to acquire shares is also applicable to the transfer. Participants are to pay for the shares within the time and on the terms stipulated in the performance stock option plan 2015.
2. With respect to the number of shares that may be transferred under the Company's performance stock option plan, customary terms for recalculation as a result of bonus issue, share split, rights issues and similar measures apply in accordance with the terms and conditions of the plan.

As reason for the deviation from the Shareholders' right of first refusal and as the base for the transfer price in connection with the transfer of own shares, the Board states that the transfer of own shares is a part of the proposed performance stock option plan for 2015.

**13 d) sale of series A shares to cover costs related to synthetic shares to Board members**

The Board proposes that the Board is granted the mandate until the next Annual General Meeting to decide, on one or more occasions, to sell not more than 30,000 series A shares in the Company to cover the costs of giving a counter value of earlier issued synthetic shares and to, primarily, cover social charges.

Shares proposed to be sold were acquired based on mandates given at the Annual General Meeting each respective year to acquire the share for the stated purpose. The sale shall take place on Nasdaq Stockholm at a price within the registered price interval at any given time.

As reason for the deviation from the Shareholders' right of first refusal and as the base for the price in connection with the sale of own shares, the Board states that the sale of own shares is a part of the previously adopted decision regarding synthetic shares to the Board.

**13 e) sale of series A and B shares to cover costs in relation to the performance based personnel option plans for 2010, 2011 and 2012**

The Board proposes that the Board is granted the mandate until the next Annual General Meeting to sell, at one or more occasions, a maximum of 8,100,000 series A and B shares, in connection with the exercise of rights under the above mentioned performance stock option plans and related costs in order to cover costs, primarily cash settlements in Sweden, SAR and social costs.

Shares proposed to be sold were acquired each respective year based on mandate given at that year's Annual General Meeting to acquire the shares for the stated purpose. The sale shall take place on Nasdaq Stockholm at a price within the registered price interval at any given time.

As reason for the deviation from the Shareholders' right of first refusal and as the base for the price in connection with the sale of own shares, the Board states that the sale of own shares is an integrated part of the previously adopted performance stock option plans. Due to current legislation, this has to be re-approved annually.

**Item 14 - The Board's proposal regarding a share split and mandatory share redemption, including a) share split 2:1, b) reduction of the share capital through redemption of shares of series A and series B, and c) increase of the share capital through a bonus issue without issuance of new shares****Background**

Atlas Copco has generated significant operating cash flows in recent years. Consequently, the Company has a strong financial position. In order to adjust the Group's balance sheet to a more efficient structure and, at the same time, maintain the financial flexibility for further growth, the Board proposes to the Meeting a mandatory share redemption, by a so called share split of 2:1, whereby each existing share will be split into two shares. One of



those shares will automatically be redeemed at SEK 6 per share. This corresponds to a total redemption amount of SEK 7,302,391,548 which the Shareholders will receive in addition to the proposed ordinary dividend of SEK 6 per share. The Board also propose that, in order to quickly and efficiently transfer the redemption amount to the Shareholders, the share capital of the Company is increased by SEK 393,004,095 by way of a bonus issue. In view hereof, the Board proposes that the Meeting resolves in accordance with the following proposal.

#### **14 a) Share split 2:1**

The Board proposes that the Meeting resolves to change the quota value of the share (the share capital divided by the number of shares) by way of a share split, so that each existing share (irrespective of the series of shares) is divided into two shares, of which one is to be referred to as redemption share in the VPC-system and be redeemed in the manner described under b) below. The suggested record day at Euroclear for the share split is May 18, 2015. The last trading day for the Company's shares including the right to receive redemption shares will therefore be May 13, 2015 and the first trading day for the Company's shares excluding the right to receive redemption shares will be May 15, 2015. After the share split, the number of shares in the Company will increase from 1,229,613,104 to 2,459,226,208, of which 1,678,788,192 are series A shares and 780,438,016 are series B shares, each share with a quota value of approximately SEK 0.3196.

#### **14 b) Reduction of the share capital through redemption of shares of series A and series B**

The Board proposes that the Meeting resolves that the Company's share capital shall be reduced by SEK 393,004,095 (the reduction amount) for repayment to the Shareholders and for transfer to the non-restricted equity, to the extent that the reduction of the share capital is implemented by way of redemption of shares held by the Company. The reduction will be made by way of redemption of 1,229,613,104 shares, of which 839,394,096 series A shares and 390,219,008 series B shares. The shares so redeemed shall be those shares that, after the share split in accordance with item a) above, are referred to as redemption shares in the VPC-system, whereby the record day for the right to receive redemption shares according to a) above is to be May 18, 2015. Trading in the redemption shares is estimated to take place as from May 19, 2015 up to and including June 9, 2015.

For each redeemed share (irrespective of the series of shares) a redemption amount of SEK 6 will be paid, of which approximately SEK 5.68 exceeds the quota value of the share. However, no payment is to be made in respect of redeemed shares held by the Company. The total redemption amount is calculated to an amount of SEK 7,302,391,548. In addition to the reduction amount, a total estimated amount of SEK 6,909,387,453 will be distributed, by use of the Company's non-restricted equity. The suggested record date for the right to receive the redemption amount is June 11, 2015. Payment of the redemption amount is estimated to be made by Euroclear on June 16, 2015.

Following the reduction, the Company's share capital will amount to SEK 393,004,095 divided on, in total 1,229,613,104 shares, of which 839,394,096 are series A shares and 390,219,008 are series B shares, each share with a quota value of approximately SEK 0.3196. Apart from the reduction of the share capital, the Company's restricted shareholders' equity will not be affected.

In its statement pursuant to Chapter 20, Section 13, fourth paragraph of the Swedish Companies Act, the Board states the following. The resolution on reduction of the share capital by redemption of shares according to b) above may be implemented without obtaining the Swedish Companies Registration Office's or a general court's permission, since the Company at the same time implements a bonus issue according to c) below, as a measure whereby that neither the Company's restricted shareholders' equity, nor its share capital will be reduced. The effect of the reduction of the share capital and the bonus issue on the Company's restricted shareholders' equity and the share capital is presented, as concerns the reduction, in the preceding paragraph and, as concerns the bonus issue, in c) below.

#### **14 c) Increase of the share capital through a bonus issue without issuance of new shares**

The Board further proposes that the Meeting resolves that the Company's share capital is increased by way of a bonus issue of SEK 393,004,095 to SEK 786,008,190, by a transfer of SEK 393,004,095 from the Company's non-restricted equity. No new shares are to be issued in connection with the bonus issue.

The number of shares in the Company will, after implementation of the increase of the share capital, be 1,229,613,104, of which 839,394,096 are series A shares and 390,219,008 are series B shares, each share with a quota value of approximately SEK 0.6392.

The resolutions by the Meeting in accordance with a) – c) above are conditional upon each other and shall therefore be resolved upon as one resolution. In order for the resolution by the Meeting to be valid, the resolution must be supported by Shareholders holding at least two thirds of the votes cast as well as the shares represented at the Meeting.

Finally, the Board proposes that the Meeting gives the President & CEO mandate to make minor adjustments regarding the resolutions in this item 14, which may be required to register the Shareholders' decisions with the Swedish Companies Registration Office and Euroclear.

#### **Item 15 - The Board's proposal to change the articles of association**

In order to add possible locations to hold General Meetings of Shareholders, the Board proposes that the Meeting resolves to change the first sentence of § 10 in the articles of association from "General Meeting of Shareholders shall be held in Stockholm or Nacka." to "General Meeting of Shareholders shall be held in either of the following

municipalities: Stockholm, Nacka, Danderyd, Huddinge, Sollentuna, Solna or Sundbyberg.”

### **Shares and Votes**

The Company has issued in total 1,229,613,104 shares of which 839,394,096 are series A shares and 390,219,008 are series B shares. On March 24, 2015 out of such shares the Company holds 12,046,467 series A shares and 501,379 series B shares. Series A shares have one vote and series B shares have one tenth of a vote whereas the non-represented shares held by the Company corresponds to 12,096,604.9 votes.

### **Information at the Annual General Meeting**

If a Shareholder so requires and the Board believes that the information can be given without causing harm to the Company, the Board and the President & CEO shall give information regarding an item on the agenda or circumstances that might affect the evaluation thereof or circumstances that could affect the evaluation of the economic position of the Company or a subsidiary Company or the Company's relation to another Company within the Group.

If a Shareholder wishes to submit questions in advance, such should be sent to: Atlas Copco AB, Attn: General Counsel, SE-105 23 Stockholm or to [board@se.atlascopco.com](mailto:board@se.atlascopco.com).

### **Documentation**

The Annual Report and the Auditor's Report as well as the proposals from the Nomination Committee and the Board, information regarding all Board members and the statement by the nomination Committee regarding the Board, statements by the auditor and the Board and an information brochure describing the share redemption will be available at the Meeting and is available on [www.atlascopco.com/agm](http://www.atlascopco.com/agm) and with the Company and will be sent free of charge to the Shareholders who so request and state their address from March 24, 2015.

In connection with the Meeting, two awards will be presented; “John Munck Award” for important contributions within the area of product development and “Peter Wallenberg Marketing and Sales Award” for the developing of new marketing and sales methods.

Nacka, March 2015

**Atlas Copco AB (publ)**

The Board of Directors