



# **INFORMATION TO THE SHAREHOLDERS IN ATLAS COPCO AB**

concerning proposal of share split and mandatory  
redemption of shares

This document does not constitute an offer but is information on the Board of Directors' of Atlas Copco AB ("Atlas Copco" or the "Company") proposal of share split and capital distribution to the shareholders in Atlas Copco through a mandatory redemption of shares. The purpose of this document is to provide the shareholders in Atlas Copco with information for the Annual General Meeting on April 28, 2015, which is proposed to resolve on a share split and the mandatory redemption of shares. The Board of Directors' complete proposal, which includes decisions on share split, a reduction of the share capital and the restoring of the share capital through a bonus issue, is available at the Company and at the Company's website, [www.atlascopco.com/agm](http://www.atlascopco.com/agm), from March 24, 2015 and will be sent to shareholders upon request.

*This document is a translation of the Swedish version. In the event of any discrepancies between this translation and the Swedish version, the Swedish version shall prevail.*

**Atlas Copco**

**BRIEF DESCRIPTION OF THE REDEMPTION PROCEDURE**

The Annual General Meeting in Atlas Copco AB on April 28, 2015 is proposed to resolve on a share split and redemption of shares in accordance with the Board of Directors’ proposal.

The proposal principally implies that:

- each series A share in Atlas Copco is split into two series A shares, one of which will be a series A redemption share. On the shareholders’ securities accounts the redemption shares will be referred to as AK IL A.
- each series B share in Atlas Copco is split into two series B shares, one of which will be a series B redemption share. On the shareholders’ securities accounts the redemption shares will be referred to as AK IL B.

The redemption shares will be traded on Nasdaq Stockholm from and including May 19, 2015 up to and including June 9, 2015. All redemption shares will then automatically be redeemed for SEK 6 per share, which amount will be distributed on or about June 16, 2015.

Payment will be made via Euroclear Sweden AB (“Euroclear”) into the yield account linked to the directly registered shareholders’ securities accounts. Nominee-registered shareholdings will be processed in accordance with each nominee’s routines.

The Annual General Meeting is proposed to resolve on share split and redemption of shares	<b>April 28, 2015</b>
Last day of trading in the share before share split and with right to receive redemption share	<b>May 13, 2015</b>
Record day for share split and receipt of redemption shares	<b>May 18, 2015</b>
Trading in redemption shares	<b>May 19–June 9, 2015</b>
Payment of redemption amount	<b>on or about June 16, 2015</b>

**THE REDEMPTION PROCEDURE IS CONDITIONAL UPON THAT THE ANNUAL GENERAL MEETING 2015 RESOLVES ON THE FOLLOWING:**

- ▶ Split of each series A share and series B share (so-called share split) into two shares, one of which will be a redemption share.
- ▶ Reduction of the share capital for repayment to the shareholders by way of redemption of 1 229 613 104 redemption shares (whereby shares of series A and series B will be redeemed in proportion to the number of shares of the respective series issued).
- ▶ Increase of the share capital by SEK 393 004 095 by way of a bonus issue, whereby the Company’s non-restricted equity is to be used.

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

## BACKGROUND AND REASONS

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 of approximately MSEK 7 302, if shares held by the Company on March 24, 2015 are excluded. Combined with the proposed ordinary dividend of SEK 3 in May and SEK 3 in November per share, shareholders will receive approximately MSEK 14 604, equivalent to SEK 12 for each original share.

Stockholm, March 24, 2015

Atlas Copco AB (publ)

## FINANCIAL EFFECTS OF THE REDEMPTION PROCEDURE

Should the Annual General Meeting resolve on the proposal of redemption, approximately MSEK 7 302 will be distributed to the shareholders in Atlas Copco, if shares held by the Company on March 24, 2015 are excluded.

*The redemption procedure will have the following financial effects on Atlas Copco:*

- ▶ Shareholders' equity will be reduced by approximately MSEK 7 302.
- ▶ Net debt, that is the difference between interest-bearing debt/provisions and liquid assets, will increase by approximately MSEK 7 302.

### Changes in shareholders' equity and number of shares in the Atlas Copco Group, per March 24, 2015

	Before the transaction	Share split 2:1	Effect of share redemption	Effect of bonus issue	After the transaction
Shareholders' equity, MSEK	50 753*	50 753*	-7 302		43 451*
Share capital, MSEK	786	786	-393	393	786
Shares outstanding – total	1 229 613 104	2 459 226 208	-1 229 613 104		1 229 613 104
of which series A	839 394 096	1 678 788 192	-839 394 096		839 394 096
of which series B	390 219 008	780 438 016	-390 219 008		390 219 008
of which series A held by Atlas Copco	12 046 467	24 092 934	-12 046 467		12 046 467
of which series B held by Atlas Copco	501 379	1 002 758	-501 379		501 379
Shares outstanding – total, net of shares held by Atlas Copco	1 217 065 258	2 434 130 516	-1 217 065 258		1 217 065 258

\* Based on calculations of Shareholders' equity per December 31, 2014

# THE REDEMPTION PROCEDURE STEP BY STEP

This example is based on an assumed share price of SEK 250. The effects on the share price following dividend, share split and redemption are only theoretical. The stock market's actual pricing (the share price) of the Atlas Copco share may very well deviate.

## ANNUAL GENERAL MEETING APRIL 28, 2015: Resolution on dividend, share split and redemption of shares.



### DIVIDEND OF SEK 3

First payment of ordinary dividend of SEK 3 per share will be distributed to the shareholders holding Atlas Copco shares on the record date **April 30, 2015** in accordance with the resolution by the Annual General Meeting.

Please observe that the last day of trading in the share including right to receive dividend is **April 28, 2015**.

SHARE  
SEK 250

SHARE  
SEK 247

### SHARE SPLIT 2:1

Each Atlas Copco share held on the record day, **May 18, 2015**, will be split into two shares, one of which will be a redemption share.

Please observe that the last day of trading in the share before share split and including right to receive a redemption share is **May 13, 2015**.

REDEMPTION  
SHARE  
SEK 6

SHARE  
SEK 241



REDEMPTION  
AMOUNT  
SEK 6

SHARE  
SEK 238



### DIVIDEND OF SEK 3

Second payment of ordinary dividend of SEK 3 per share will be distributed to the shareholders holding Atlas Copco shares on the record date **October 30, 2015** in accordance with the resolution by the Annual General Meeting.

Please observe that the last day of trading in the share including right to receive dividend is **October 28, 2015**.

Trading in redemption shares is conducted on Nasdaq Stockholm from and including **May 19** up to and including **June 9, 2015**, whereafter the redemption shares will be automatically redeemed for SEK 6 per share.

Payment of the redemption amount for the redemption share will be effected on or about **June 16, 2015**.

# TIMETABLE FOR SHARE SPLIT AND REDEMPTION OF SHARES

ACTIVITY	DATE 2015	PLEASE NOTE THAT
Annual General Meeting in Atlas Copco. Resolution on share split and redemption of shares.	April 28	Shareholders must notify the Company of their intent to participate in the Meeting no later than April 22, 2015.  Please see the notice for further information.
Last day of trading in the Atlas Copco share before share split and including right to receive redemption share.	May 13	Last day with the possibility of acquiring shares in Atlas Copco with the purpose of obtaining redemption shares.
First day of trading in the Atlas Copco share following share split.	May 15	As from this day the Atlas Copco share will be traded with a new share price (following share split) and with new ISIN-code.
Record day for share split and for receipt of redemption shares. <sup>1)</sup>	May 18	All Atlas Copco shares held by the shareholders this day <sup>1)</sup> will be split into two shares, one of which will be a redemption share.
First day of trading in redemption shares.	May 19	The redemption share is booked into the shareholders' securities account.
Last day of trading in redemption shares.	June 9	Last day for sale or acquisition of redemption shares on Nasdaq Stockholm.
Determination in the Euroclear system of the shareholders entitled to redemption amount. <sup>2)</sup>	June 11	Shareholders holding redemption shares this day <sup>2)</sup> will be entitled to redemption amount.
Payment of redemption amount.	On or about June 16	The redemption amount will be distributed via Euroclear into the yield account linked to the securities account of shareholders directly registered with Euroclear.  Nominee registered shareholdings will be processed in accordance with each nominee's routines.

<sup>1)</sup> Record day for share split and right to receive redemption share occurs two trading days after the last day of trading in the Atlas Copco share before share split and including right to receive redemption share.

<sup>2)</sup> Determination of the shareholders entitled to redemption amount is based on the information in the Euroclear system as of the second trading day after the last day of trading in redemption shares.

# TAX CONSIDERATIONS IN SWEDEN

The presentation below is a summary of certain Swedish tax regulations that apply to shareholders in Atlas Copco as a result of the redemption procedure.

## TAX CONSIDERATIONS FOR SHAREHOLDERS IN SWEDEN

### RECEIPT OF REDEMPTION SHARES

The receipt of redemption shares pursuant to the share split as such does not give rise to any taxation. Instead, the acquisition cost of the original Atlas Copco shares of each series (A and B shares respectively) immediately before the share split will be allocated between the redemption shares and the ordinary shares in Atlas Copco. The allocation will be made based on the market values of the redemption shares and the ordinary series A and B shares in relation to the share split and the detachment of the redemption shares. Atlas Copco intends to seek general advice from the Swedish Tax Agency regarding how this allocation should be made.<sup>1)</sup>

### REDEMPTION AND DISPOSAL OF REDEMPTION SHARES

Redemption of shares and disposal of redemption shares, for example by sale in the market, give rise to capital gains taxation. A capital gain or capital loss is calculated as the difference between the received payment, after deduction of any sales costs, and the acquisition cost. The received payment for shares redeemed is the redemption amount. The received payment for redemption shares sold in the market is the sales price.

The acquisition cost for redemption shares received at the share split is calculated by allocating the acquisition cost as described above under the heading "Receipt of redemption shares". The acquisition cost of shares acquired in the market is the actual acquisition cost for the shares. The acquisition cost of all shares of the same series and type are added together and calculated collectively in accordance with the average method. It should be noted that the redemption shares of series A and B respectively are no longer considered to be of the same series and type as the ordinary Atlas Copco shares. For shares that are quoted on a market, the acquisition cost may alternatively be determined in accordance with the standard method to 20% of the sales price after deduction of sales costs.

For **individuals**, the **capital gain** is taxed in the capital income category. The tax rate is 30%. A **capital loss** on quoted shares is fully deductible against taxable capital gains in the same year on shares and other quoted securities that are taxed as shares except for units in Swedish investment funds that only contain Swedish receivables (Sw: räntefonder). Any excess losses are 70% deductible against other income from capital. If an overall capital deficit occurs, a reduction from tax on income from employment and

### EXAMPLE

*Please note that the example is based only on assumptions and that the example is also applicable to holders of series B shares in Atlas Copco.*

Assume in this example, that a shareholder has 100 series A shares in Atlas Copco with an average acquisition cost of SEK 200 immediately before the share split, that the trading price at the time of the share split is SEK 250 and that the price of the redemption share is SEK 6. Furthermore, assume in this example, that the Swedish Tax Agency in its forthcoming general advice determines that 2.4% (approx. SEK 6/250) of the acquisition cost for one original series A share will be allocated to the series A redemption share and 97.6% to the ordinary series A share. The acquisition cost of the redemption share will consequently be SEK 4.8 (2.4% of SEK 200).

**Thus, when the redemption shares are redeemed or sold this will result in a capital gain of  $(6 \times 100) - (4.8 \times 100) = \text{SEK } 120$ .**

The average acquisition cost of the remaining ordinary series A shares will then be SEK 195.2 per share (97.6% of SEK 200).

business operations as well as real estate tax and municipal property charges is granted. A tax reduction of 30% is provided for deficits that do not exceed SEK 100 000 and 21% of any remaining deficit. Deficits cannot be carried forward to later fiscal years. However, if the redemption shares are owned via an investment savings account (Sw: investeringssparkonto) the rules above do not apply instead special rules on standardized taxation apply.

For **limited liability companies**, **capital gains** on shares that are not deemed to be held for business purposes are taxed as income from business operations at a tax rate of 22%. **Deductible capital losses** on shares and other securities that are taxed as shares may normally be offset only against taxable capital gains on shares and other securities that are taxed as shares. In certain cases, capital losses may be offset against capital gains within a certain corporate group if group contributions are permitted among the companies. Capital losses that cannot be utilized during a certain year may be carried forward and be utilized against eligible capital gains in subsequent fiscal years.

<sup>1)</sup> Information on the Swedish Tax Agency's general advice will be published on Atlas Copco's website ([www.atlascopco.com](http://www.atlascopco.com)) and the Swedish Tax Agency's website ([www.skatteverket.se](http://www.skatteverket.se)).



### **CERTAIN TAX CONSIDERATIONS FOR SHAREHOLDERS WITH LIMITED TAX LIABILITY IN SWEDEN**

For shareholders with limited tax liability in Sweden, the redemption of shares is deemed to be a dividend, which means that Swedish withholding tax is levied on the received payment. The withholding tax rate is 30% but is generally reduced under tax treaties that Sweden has concluded with other countries. The withholding tax is normally deducted by Euroclear or, in the case of nominee-registered shares, by the nominee. Swedish withholding tax is levied regardless of the redemption shares being received through the share split or acquired in the market. However, a refund for the withholding tax that is attributable to the acquisition cost of the shares or, provided that the shares are quoted, 20% of the redemption amount, may be admitted if a claim for a refund is filed with the Swedish Tax Agency. The acquisition cost is usually allocated between the redemption shares and ordinary shares as mentioned in the example under the heading "Receipt of redemption shares". A claim for refund is to be filed with the Swedish Tax Agency at the latest at the end of the fifth calendar year after payment.

Shareholders with limited tax liability in Sweden and who are not carrying on business operations from a permanent establishment in Sweden are generally exempt from capital gains taxation in Sweden on the disposal of shares. However, shareholders may be liable for tax in their country of residence. If a shareholder with limited tax liability in Sweden, being an individual, has been resident or lived permanently in Sweden at any time during the year of the sale or the ten calendar years immediately preceding the year of the sale of Swedish shares, Sweden has the right under a domestic rule to tax such a holder. This right may, however, be limited by applicable tax treaties that Sweden has concluded with other countries.

IT SHOULD BE NOTED THAT NO SWEDISH WITHHOLDING TAX IS PAYABLE IF THE REDEMPTION SHARES ARE SOLD IN THE MARKET.

Unless otherwise stated, the summary is based on Swedish tax regulations and practice currently in force for shareholders in Atlas Copco with an unlimited tax liability in Sweden and is intended as general information only. The summary does not cover situations in which securities are held as current assets in business operations or are held by partnerships. Neither does it deal with the special tax regulations applying to certain corporate categories nor the rules on tax-exempt capital gains (including non-deductible capital losses) and dividends on shares considered to be held for business purposes. Nor does the summary cover the special rules that may apply to holdings in companies that have been acquired by means of "qualified shares" in closely held companies. For shareholders that are not tax resident in Sweden, the tax consequences are affected by provisions of the shareholder's home state and by tax treaties between Sweden and other states. The tax implications for each shareholder depend on the shareholder's specific circumstances. Each shareholder should consult a tax advisor for information on the specific tax consequences arising from the redemption procedure applicable for him/her.

# QUESTIONS AND ANSWERS

## concerning share split and the mandatory redemption procedure

### What does the share split and redemption procedure imply for me as a shareholder?

Conditional upon that the Annual General Meeting on April 28, 2015 resolves on a share split and redemption of shares in accordance with the Board of Directors' proposal, each share will be split into two shares, one of which will be a redemption share that automatically will be redeemed for SEK 6. On the shareholders' securities accounts the series A redemption share will be referred to as AK IL A and the series B redemption share will be referred to as AK IL B.

### When will the payment occur under the redemption procedure?

All redemption shares (regardless of series) will automatically be redeemed for SEK 6 per share, which amount will be distributed on or about June 16, 2015. Shareholders that want to receive payment earlier, may choose to sell their redemption shares on Nasdaq Stockholm during the period from and including May 19 up to and including June 9, 2015, at the prevailing market price.

### Why does Atlas Copco propose a share redemption procedure?

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.

### Why does not Atlas Copco instead propose a one-time dividend?

Dividend to the shareholders is paid annually in accordance with Atlas Copco's dividend policy, under which the dividend shall amount to about 50% of earnings per share. Redemption of shares is an extra measure taken to adjust Atlas Copco's capital structure. Compared to a one-time dividend, redemption of shares may, from a taxation point of view, be more advantageous to certain shareholders.

### Why does not Atlas Copco instead repurchase shares over the market?

The objective is to distribute capital to the Company's shareholders and it is important that each shareholder receives his/her part of the distributed amount. This cannot be achieved by way of repurchase of shares over the market, where only the shareholders who choose to sell their shares will participate.

### What are my options in connection with the redemption procedure?

You can choose either to:

1. do nothing. You will automatically receive SEK 6 per share for your redemption shares following the redemption of these shares, or to
2. sell all or some of your redemption shares on Nasdaq Stockholm during the period from and including May 19 up to and including June 9, 2015.

### What are the tax consequences for me as a shareholder at redemption of the redemption shares?

Shareholders must report the redemption of the redemption shares in their tax returns as sale of shares, see "Tax considerations in Sweden" on pages 6-7. A capital gain or capital loss is calculated, which means that shareholders may deduct part of the acquisition cost of the original share.

### What are the tax consequences for me as a shareholder upon a sale of the redemption shares?

Same tax consequences as at redemption of shares, see the reply to previous question.

### What are the tax consequences for me as a foreign shareholder at redemption of the redemption shares?

Shareholders who are not tax resident in Sweden and participate in the redemption procedure are subject to Swedish withholding tax if their shares are redeemed, see "Tax considerations in Sweden" on pages 6-7. Withholding tax will thus be withheld for foreign shareholders in connection with the payment of the redemption amount.

### What are the tax consequences for me as a foreign shareholder upon a sale of the redemption shares?

No Swedish withholding tax is due if the redemption shares are sold in the market.

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